



MANHATTAN INSTITUTE FOR POLICY RESEARCH

Press Release:

September 21, 2011

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New Study Reveals:

Activists Gaining Influence over America's Fortune 150 Through the Shareholder Proposal Process

Special interests seek to achieve their political and social agendas outside the normal legislative process

New York, NY: America's largest corporations have been fighting a quiet battle against shareholder activists over the past few years, a battle recently intensified by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. At a forum on shareholder activism on Wednesday, September 21, 2011, the Manhattan Institute released *Proxy Monitor 2011: A Report on Corporate Governance and Shareholder Activism*, which explores this fight empirically. This new report by James Copland, director of the Center for Legal Policy, reveals that activist groups, including labor unions, are exploiting the shareholder proposal process to exert influence over corporate management and to pursue policy goals in an end run around the legislative process.

Copland's analysis draws upon information from the recently expanded ProxyMonitor.org database of all shareholder proposals for the Fortune 150 from January 2008 to August 2011. Copland suggests that activists are reshaping American corporate governance both directly and by influencing legislation such as the new shareholder votes mandated by "say-on-pay" in Dodd-Frank. He finds that special interests may be gaining leverage over management, and there is reason to believe that these activists' agendas might be adverse to the interests of the typical diversified shareholder.

"Your Proxy Monitor 2011 report gives a lot of good guidance on what the future of shareholder activism looks like and sheds a light on some of the trends evolving out of the first year of experience with provisions of Dodd-Frank. . . There are many types of [shareholder] behavior, and that's another thing your report highlights and why I found it so interesting." - **Former Securities and Exchange commissioner Harvey Pitt**

New Report Shows Trends in Shareholder Proposals from 2008 to 2011:

- 98 percent of all shareholder proposals are brought by individual shareholder activists, social policy groups, and labor pension funds.
- Proposals related to executive compensation fell markedly in 2011, as "say on pay" advisory shareholder votes were mandated by Dodd-Frank in 2011.
- 21 percent of proposals related to corporate governance passed, while only 7 percent related to executive compensation succeeded. Not a single social policy proposal has passed to date.

- Apart from individual investors, labor unions have been the next most active sponsors of shareholder proposals submitted to the Fortune 150.
- 45 percent of all proposals on the corporate disclosure of political spending were submitted by labor-affiliated funds.

PROXYMONITOR.ORG: Launched in January 2011, ProxyMonitor.org is a project of the Manhattan Institute's Center for Legal Policy and is designed to shed light on shareholder activity. Central to ProxyMonitor.org is the Proxy Monitor web database which has been updated to include shareholder proposal information for the Fortune 150 companies from January 2008 to August 2011. Proposals are searchable by company, year, proposal type, sub-proposal type, industry, and proponents. Searches are exportable to Excel and can be graphed to reveal trends in shareholder activity.

James R. Copland is the director of the Manhattan Institute's Center for Legal Policy, which seeks to develop and communicate thoughtful ideas on how to improve the civil and criminal justice system. Copland oversees two of the Institute's websites, PointofLaw.com, a web magazine that brings together information and opinion on the U.S. litigation system, as well as the Institute's new corporate-governance website, ProxyMonitor.org. He is also project manager for the Institute's Trial Lawyers, Inc. series of publications examining the size, scope, and inner workings of America's lawsuit industry.

The report is available at http://proxymonitor.org/Forms/pmr_02.aspx. If you would like to schedule an interview with James R. Copland, please contact Bridget C. Carroll at 646-839-3313 or bcarroll@manhattan-institute.org.

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