



CORPORATE SOCIAL RESPONSIBILITY

HOME ■

About CSR ▼

Topics ▼

Shareholder Resolutions ▼

Resources ▼

Partners ▼

CSR Church Council Actions ▼

Contact Us / Our Staff

Shareholders' Network Signup

Name:

Email:

[Join SHAREHOLDERS](#)

What is the Shareholder Network?

[Details](#)



The SEC and Proxy Access and Process Regulation

Note: Though the October 2 deadline for comment to the SEC has passed, please continue sending letters. Your voice on this issue is critical!

[Read Presiding Bishop Hanson's Letter to the Securities and Exchange Commission](#) (pdf)

[Read the ELCA News story on Bishop Hanson's letter.](#)

The Corporate Social Responsibility program operates on the belief that God's business involves all of life and that God calls the Church both corporately and individually to use all that is committed to its care to practice good stewardship of the creation (Genesis 1:26), pursue justice (Amos 5:24), care for people in need (Matthew 25:40), and seek things that make for peace (Luke 19:41-42). The Corporate Social Responsibility program seeks to dialogue with business representatives on the social implications of company practices and to affect ELCA investment policy in socially responsible ways. One of the tools to do this work is having access through investments to the proxy ballot of corporations.

Issue: The United States Securities and Exchange Commission (SEC) is a United States government agency having primary responsibility for enforcing the securities laws and regulating the securities industry/stock market in the United States. For more than half a century this agency has been responsible for such work, including the regulation of the proxy access and proxy process.

Proposed Rules: In July 25, 2007, the SEC released proposed rules on Shareholder Proposals Relating to the Election of Directors S7-17-07 <http://www.sec.gov/rules/proposed/2007/34-56161.pdf>.

A second proposal was released on Shareholder Proposals S7-16-07 <http://www.sec.gov/rules/proposed/2007/34-56160.pdf>.

The first proposal regarding election of directors is to address a request for rule clarification by the U.S. Court of Appeals for the Second Circuit as part of their decision in the *American Federation of State, County and Municipal Employees, Employees Pension Plan (AFCSME) vs. American International Group, Inc (AIG)*. AFCSME had filed a shareholder resolution asking for a bylaw change to include shareholder nominees. The SEC allowed AIG to omit the proposal and a lawsuit ensued. The Second Circuit interpreted the SEC's prior statements as allowing such a proposal, deciding in favor of AFCSME. The SEC feels this is not its position and would like to clarify their rules to make their position clear. The first part of the proposed rule would prohibit the use of the proxy to nominate directors. There is a second part of the proposed rule that would allow shareholders to nominate directors on a proxy but only if they had 5% of the shares of a company or banded together to have 5%. One commissioner referred to this as a "non-access proposal," as the proposed threshold is unreasonably high.

The second proposal also requests public comment on a number of issues that could change the current process of shareholder proposals. These shareholder proposals are the resolutions that the ELCA CSR program, through separately incorporated units (including the ELCA Board of Pensions), may file. For over two decades successful results in bringing about corporate change have occurred. On pages 50-58 of the SEC proposed rules (S7-16-07) there are a variety of proposals put forth on the shareholder process. Many groups associated with our work have focused on three points in the proposals.

- The opt-out option – This would allow companies to "opt-out" of the shareholder process either through by-law changes or, if empowered by state law, having the Board vote to opt-out.

- The electronic petition model – This would allow for an electronic forum similar to chat rooms to replace the shareholder process. This could mean that the issue is not submitted for all shareholders for a vote.
- Resubmission thresholds – It is suggesting revisions to the current thresholds of 3% after the first year, 6% the second and 10% the third. The SEC proposed that these be raised to 10%, 15% and 20% respectively.

All of these proposals would reduce or eliminate the ability of shareholders to participate in the proxy resolution process, an important tool in our CSR work.

Actions:

If you are concerned, the following information provides more in depth information and steps for action.

The Interfaith Center on Corporate Responsibility and the Social Investment Forum (SIF) have developed a web page called save shareholder rights <http://www.saveshareholderrights.org/> . This has both an individual and institutional response.

The Council of Institutional Investors (CII) has filed comments with the SEC on the issue of elections. <http://www.sec.gov/comments/s7-16-07/s71607-31.pdf>

Some investment firms have developed their own call for action such as:

Walden Asset Management

www.waldenassetmgt.com/

Domini Social Investments

www.domini.com/about-domini/Shareholde/index.htm

Trillium Asset Management www.trilliuminvest.com/pages

[/news/news_detail.aspx?ArticleID=590&Status=CurrentIssue&](http://www.trilliuminvest.com/pages/news/news_detail.aspx?ArticleID=590&Status=CurrentIssue&Page=HotNews#top)

[Page=HotNews#top](http://www.trilliuminvest.com/pages/news/news_detail.aspx?ArticleID=590&Status=CurrentIssue&Page=HotNews#top)

[HOME](#)

[About CSR](#)

[Policy & Procedures](#)

[Resources](#)

[Contact Us](#)