



TOUCHSTONES

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Proposed Rule Changes Could Diminish Shareholder Rights

The Security and Exchange Commission met on July 25 to consider proposals and rule changes that could adversely affect shareholder rights to file advisory resolutions.

Currently, resolutions can be voluntarily filed by shareholders of public companies and are usually non-binding on a company's management.

If these rules are changed, socially responsible investors -- including many religious organizations -- would likely not have the same opportunities to communicate with company management about topics relevant to society, the environment, and governance.

The shareholder resolution process has been a successful method to bring about dialogue, awareness, and change at companies that otherwise may not have been aware, or concerned, about the issues.

Most issues brought up by shareholders are resolved in the dialogue phase before shareholder resolutions are considered. Shareholder resolutions are not initiated unless management is unresponsive to efforts made by shareholders in private dialogue.

This newsletter, for faith and mission-based organizations, presents pertinent information relating to our work, industry best practices, and real life experiences.

Last year, there were a number of successful interactions, including new initiatives with oil companies to reduce emissions and address concerns relating to climate change.

However, without the option of shareholder resolutions, there may not be cooperation from management for future interactions and dialogue with shareholders.

These resolutions are ultimately put on the proxy statement to be presented and voted on at annual meetings for public companies.

The percentage of successful company interactions, initiated by SRI shareholders, has increased during recent years. This is partly due to the shareholders being more effective in their presentation of the issues. In addition, shareholders have been more actively involved in voting their proxies. Management also has recognized that listening and responding to conscientious investors can gain positive business results.

The Interfaith Center for Corporate Responsibility (ICCR) is one of the leading organizations working to prevent changes that would diminish shareholder rights. Its website, www.iccr.org, provides updates and action-oriented suggestions for socially responsible investors.

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