GADFLIES AT THE GATE

WHY DO INDIVIDUAL INVESTORS SPONSOR SHAREHOLDER RESOLUTIONS?

BY DAVID F. LARCKER AND BRIAN TAYAN
AUGUST 11, 2016

INTRODUCTION

Individual investors are active participants in the shareholder resolution process. According to Proxy Monitor, shareholder proposals sponsored by individual investors represent approximately one-quarter of the total number of shareholder resolutions voted on each year (see Exhibit 1).[1] During the 10-year period 2006-2015, individual investors brought forth over 1,100 resolutions at Fortune 500 companies. These resolutions span a vast array of topics, including proposed changes to board structure, executive compensation, shareholder rights, and corporate social policy (see Exhibit 2).[2]

The roots of individual shareholder activism stretch back to the 1930s when John and Lewis Gilbert embarked on a campaign to improve corporate accountability to shareholders. The brothers attended the annual meetings of a large number of corporations whose stocks they owned and proposed a raft of shareholder resolutions to improve governance standards and accountability. Among the issues they advocated were the elimination of classified board structures, granting shareholders the right to ratify the public auditor, limits on executive compensation and pensions, the adoption of minimum equity ownership requirements for directors, and the relocation of the annual meeting to accessible venues. At the time, these topics were highly controversial. Each year, they published a report of their activities including the meetings they attended and resolutions they proposed, and they remained active until their deaths in 1993 and 2002.[3] The practice of publishing an annual list has subsequently been adopted by activist investors today, such as the AFL-CIO and the New York City Pension Fund.[4]

Individual activism is a controversial topic. Critics contend that the large number of proposals filed each year waste corporate resources and shareholder attention. They point to the fact that the vast majority of proposals fail to receive majority support. For example, the 1,123 individual shareholder resolutions voted on during the 10-year period 2006-2015 received only 29 percent support, on average. Of these, only a handful of subject matters garner meaningful support, including the elimination of supermajority requirements, the elimination of staggered boards, and the removal of bylaw provisions that limit shareholder influence. By contrast, voting support for most board, compensation, and social policy matters remains exceptionally low; over half of all categories of issues brought before individual shareholders *never* received majority support in any corporate meeting during the entire 10-year measurement period (see Exhibits 3-5).[5] To limit the number of proposals filed each year, critics advocate raising the minimum ownership thresholds for filing a resolution or raising the minimum voting results required to reintroduce a resolution at the same company in subsequent years.[6] (Under current SEC rules, a shareholder must own $2,000 of company stock to file a resolution, and a resolution must receive over 3, 6, or 10 percent support—depending on the number of times it has been proposed—to be reintroduced. See Exhibit 6.)

Defenders of individual activism reply that every shareholder is a legitimate participant in the corporate governance system. Although individual shareholders might not have the size of investment of a blockholder or institutional investor, their shares still have voting and economic rights, and shareholder resolutions are a means of exercising those rights. To this end, individual activism can be seen as an expression of "shareholder democracy" and the very capital market pressure necessary to maintain discipline on corporate managers and directors and to ensure efficient outcomes. While most shareholder resolutions do not receive majority support, some of the standards that individual activists advocate (such as some advocated by the Gilbert Brothers) eventually become accepted as common principles of sound governance.[7]

INDIVIDUAL SHAREHOLDER ACTIVISTS

To better understand the role of individual shareholder activism in corporate governance, we interviewed nine individual activists, whose activity levels range from occasional filings to dozens of resolution per year.[8] The individuals we interviewed come from

a variety of professional backgrounds, with careers as engineers, scientists, stock brokers, consultants, lawyers, and writers. Two were community activists prior to becoming shareholder activists.

Most individual activists are fairly narrow in their focus. Seven of the nine individuals we interviewed file proposals exclusively related to one topic area. These include: environmental matters (2), international human rights (2), diversity-related matters, socially conservative causes, and limiting restricted stock grants. The other two individuals focus on governance-related issues across a broad range of topics: staggered boards, board diversity, independent chairman, proxy access, term limits, retention requirements, the elimination of antitakeover protections, and others (see Exhibit 7).

They were motivated to become involved in governance matters either because of issues they witnessed directly in their careers or because of social matters that strongly resonate with them. For example, one noticed that donations made by a large consumer products corporation to a controversial nonprofit group generated criticism from customers: "Contributions that were supposed to create goodwill were creating negative will or ill will, and I thought that this could be a breach of their fiduciary duty…. I wrote them a letter as a shareholder, and it proceeded from there."[9] Others were concerned about environmental risks, lack of gender diversity on boards, or human rights violations in foreign countries, and decided to file resolutions to change corporate practices.

Generally, the activists we spoke with target companies in which they already own shares. Only one identifies companies and expressly purchases shares to file a resolution (purchasing the minimum, $2,000 to $3,000 per company). Some file on their own behalf and others on behalf of others who share common concerns but do not own shares. Several have affiliations with nonprofit groups who separately advocate for similar issues. Before filing, they are careful not to duplicate the efforts of others; if a large institution is planning to file a similar resolution they will defer to them because of their greater resources.

None of the individual investors that we spoke with collaborate with large institutions. Some find support from pension or socially responsible funds that share their viewpoints. None report receiving support from mainstream institutions such as Fidelity, Vanguard, BlackRock, and State Street. Still, several send letters to these funds and other blockholders (such as endowments) to explain their proposals.

Corporations tend to react negatively to individual shareholder resolutions. According to one activist, "Resolutions are formal. They have to engage with you if you file." According to another, "Companies have a nervous breakdown when you send them one of these, especially depending on what you include in your supporting statement, because they have to print these statements." Companies generally spend considerable effort trying to keep resolutions off the proxy, either by trying to convince the activist to remove it or by arguing for an exemption under Rule 14a-8: "They sometimes file upwards of 60 pages on why my proposal shouldn't be there, why the proposal shouldn't go forward, etc." According to another, "They spent a considerable sum of money to retain a Washington, D.C. counsel to oppose my resolution before the SEC."

Because they lack the resources of institutional investors, individual shareholders are mindful to keep costs down. Several noted that the filing process itself is virtually cost-free. However, the cost of attending annual meetings, especially ones that are not local, is a factor limiting the number of resolutions they file. Most of the individuals that we spoke with file between 2 and 20 resolutions per year, generally with local companies; one files upwards of 60 per year. One activist supports the idea of requiring corporations to contribute to a proxy solicitation fund that shareholders with approved proposals could access to fund the advocacy process. Another supports the idea of hybrid annual meetings where a live forum and internet broadcast are conducted simultaneously.

Despite their active participation in the proxy process, they tend to have little interaction with management and none with the board of directors, outside of the annual meeting. The meeting itself is generally described as "a rubber-stamp exercise": "My general impression is that the shareholder meetings are not for the shareholder to talk. They are for the company to do their business and move on." According to another, "They sometimes turn the clock on for three minutes or whatever. I don't think that's a great deterrent…. You should be able to say what you want to say in that period." Generally, management and other shareholders are not receptive to their presence: "Most people there see proponents as a nuisance, regardless of the issues." "The CEO invited me to sell my shares. And by the way, thousands of people cheered for him. There were some shareholders that cheered for me, but most cheered for him."

Individual activists see their activity as part of a broader process of bringing about change. They recognize that some issues garner more interest than others:

> *The simpler ideas resonate the most. Like 'say on pay'—most people think that CEOs get paid too much money. Proxy access is also something that people can understand fairly quickly. It seems*

to make a lot of sense to people that before electing directors, you should have some say over nominating. When it gets to other issues, like supply chain reports, they don't resonate with a lot of people.

They are also not fazed by low voting support. It is more important to them to raise the issue, and clear the thresholds necessary to be able to reintroduce the resolution in future years. According to one, "I'm lucky if I get 3 percent." In the words of another, "You can't get lost in the whole idea that the vote percentage is key.... We've had some of our biggest wins with a 3 percent vote, a 5 percent vote." "Every material issue was once an immaterial issue brought by some shareholder of some company that said that this was important." One activist points out that companies do not have to accept the results of a shareholder resolution even if a majority is achieved, because shareholder resolutions are nonbinding.

Still, shareholder activists take great pride in the victories resulting directly or indirectly from their resolutions. For example, one activist convinced Abbott Laboratories through the resolution process to offer a non-GMO version of infant formula Similac in the United States. He also convinced McDonald's to use paper rather than Styrofoam cups to serve coffee, and Royal Dutch Shell to disclose the risk of carbon emissions to its business. Another convinced an oil company to add more female directors to the board following the vote on a resolution to adopt board quotas. One compelled the CEO of Coke to forfeit a large restricted stock grant. One convinced a pharmaceutical company to improve its disclosure on board composition and board compensation by sharing with them the disclosure used at another corporation. Another convinced Citigroup to adopt proxy access and iRobot to adopt a majority voting standard for director elections. Finally, one investor succeeded in compelling Yahoo to include his proposal on human rights violations following five years of rejection.

Despite their role as underdogs, individual activists take the long-term view that their participation in the governance process leads to positive change: "Sometimes it takes five, seven, ten years. You have to be very tenacious to bring about change." According to another, "It's the democratic system to improve corporate governance. The ability to criticize the board, to help companies and their shareholders: It is amazing, the democratic system."

WHY THIS MATTERS

1. Individual shareholder activists are active participants in the proxy resolution process. The voting data suggests that their results are infrequently successful. However, the anecdotal evidence demonstrates that some are able to affect corporate practices by raising awareness of issues. To what extent should shareholders actively participate in corporate policy, and to what extent should they defer to the judgment of directors? How much shareholder democracy is the right amount?
2. Securities and Exchange Commission rules allow individual shareholders owning as little as $2,000 to sponsor a resolution. Shareholders can reintroduce the same resolution a second year if it receives at least 3 percent of the vote. Are these thresholds the right amount?
3. Rule 14a-8(i) lists the reasons by which a company can exclude a shareholder resolution from the proxy (see Exhibit 6). Are these exclusions the right exclusions? Should they be narrowed or broadened?
4. Individual activists report receiving various levels of voting support from institutions. Activist funds—such as pensions and socially responsible investors—are more likely to support individual shareholder resolutions. Traditional mutual funds, index, and exchange traded fund companies are not. The support of proxy advisory firms, such as Institutional Shareholder Services and Glass Lewis, is highly varied. What does this say about the oversight and governance standards of these institutions? Which ones are "correct"?
5. The debate over shareholder activism is fierce. Which side is correct? Are individual activists harbingers of new ideas who legitimately exercise their ownership rights, or are they a strain on corporate resources and the attention of other shareholders? How costly is the company response to individual activists in terms of management time and cash outlays? ■

[1] Based on data from the 10-year period 2006-2015 among Fortune 250 companies. See James R. Copland, "The Push for Proxy Access Continues," Proxy Monitor (Spring 2016).

[2] Data from FactSet Research. Calculations and categorizations by the authors.

[3] For an interesting summary of the Gilbert Brothers, see Broc Romanek, "The Pioneers of Corporate Governance," *Corporate Governance Advisor* (November/December 2011). See also Stuart L. Gillan and Laura T. Starks, "The Evolution of Shareholder Activism in the United States," *Journal of Applied Corporate Finance* (Winter 2007); and Jill E. Fisch, "Chapter 4: The Transamerica Case," in *The Iconic Cases in Corporate Law*, edited by Jonathan R. Macey (Thomson West, 2008).

[4] See AFL-CIO, "Key Vote Survey" (2016); and Office of the New York City Comptroller, "Boardroom Accountability Project: Company Focus List," (2016).

[5] Data from FactSet Research. Calculations and categorizations by the authors.

[6] See Steven Davidoff Solomon, "Grappling with the Cost of Corporate Gadflies," *The New York Times* (August 19, 2014); and John Engler, "How Gadfly Shareholders Keep CEOs Distracted," *The Wall Street Journal* (May 26, 2016).

[7] For example, the ideas that shareholders should be allowed a vote to ratify the independent auditor and that directors should hold common stock in the companies they oversee are generally accepted today.

[8] These individuals are Andy Behar, Eric Cohen (and colleagues Susan

Morgan and Bill Rosenfeld), Alan Farago, James McRitchie, Eve Sprunt, Elton Shepard, Tom Strobhar, Jing Zhao, and one person that wishes to remain anonymous. Interviews were conducted in June and July 2016.

[9] Ibid. All quotes in this Closer Look are derived from interviews with the authors and edited slightly for clarity.

David Larcker is Director of the Corporate Governance Research Initiative at the Stanford Graduate School of Business and senior faculty member at the Rock Center for Corporate Governance at Stanford University. Brian Tayan is a researcher with Stanford's Corporate Governance Research Initiative. They are coauthors of the books A Real Look at Real World Corporate Governance *and* Corporate Governance Matters*.* *The authors would like to thank Michelle E. Gutman for research assistance in the preparation of these materials.*

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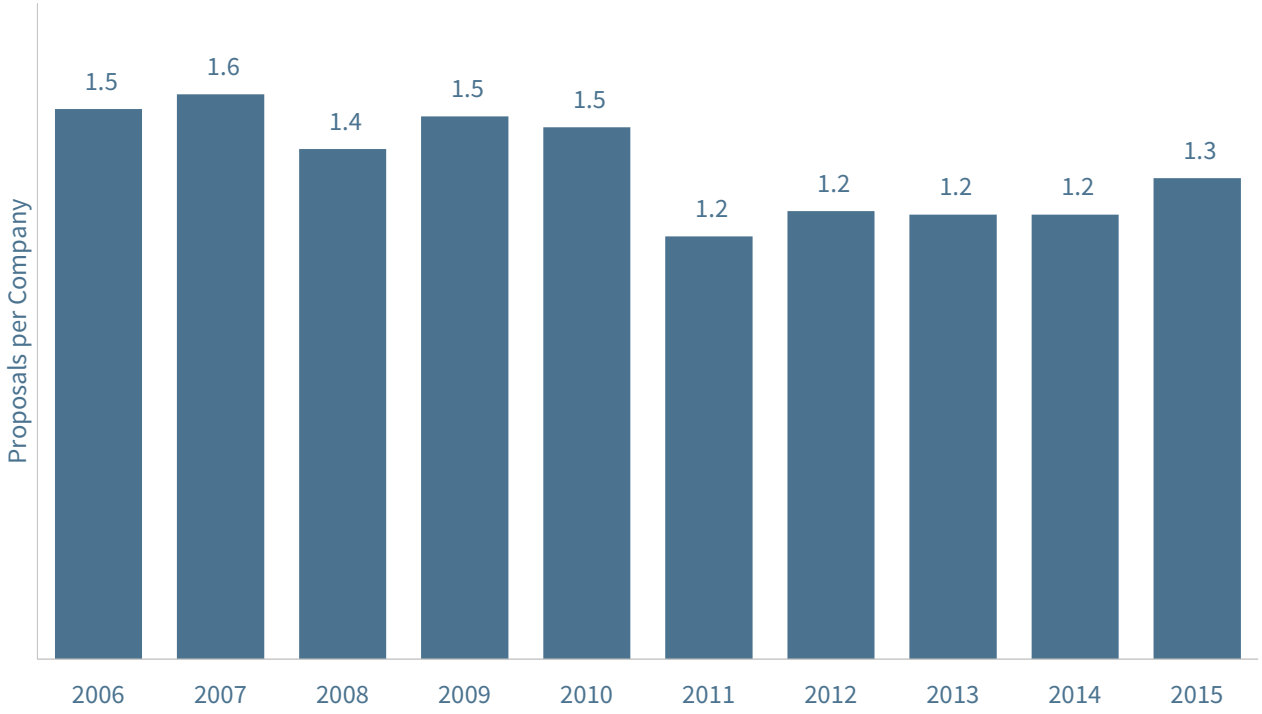
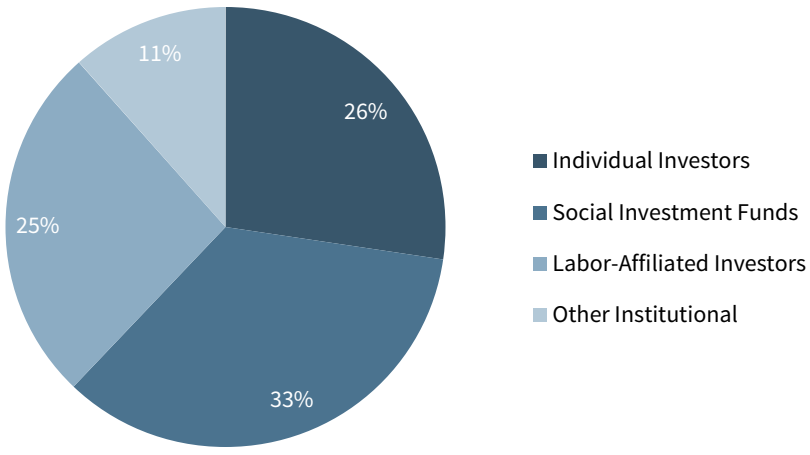
EXHIBIT 1 — SHAREHOLDER RESOLUTIONS

NUMBER OF SHAREHOLDER RESOLUTIONS PER COMPANY (2006-2015)



SHAREHOLDER RESOLUTIONS, BY PROPONENT TYPE (2006-2015)

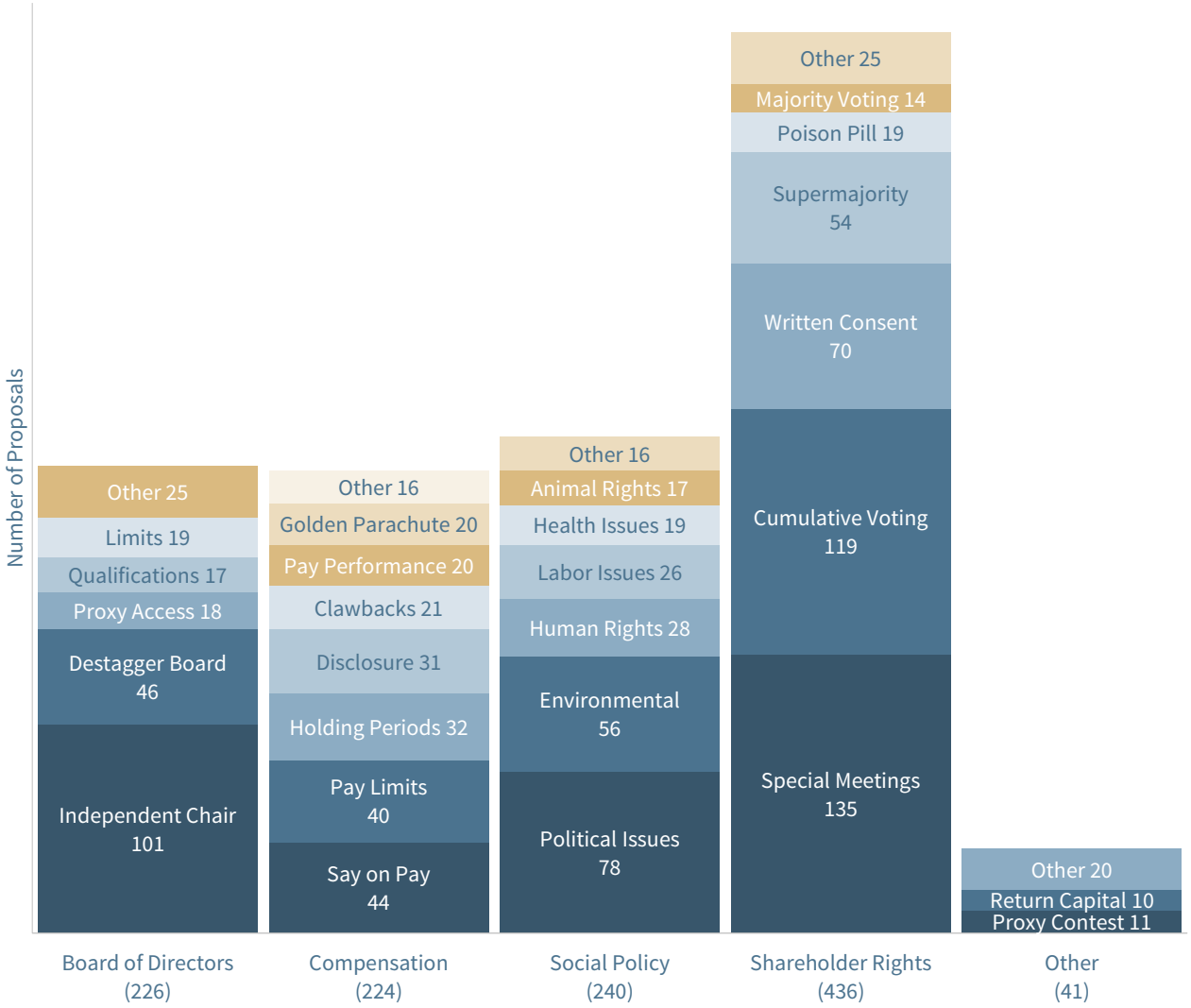


Note: The decrease in shareholder resolutions in 2011 is due in part to the implementation of say-on-pay regulations. The Dodd-Frank Act requires companies to hold an advisory vote on executive compensation ("say on pay"). Prior to Dodd Frank, shareholders put forth similar recommendations at some companies through the shareholder resolution process. These resolutions became unnecessary due to the act.

Source: James R. Copland, "The Push for Proxy Access Continues," Proxy Monitor (Spring 2016). Sample includes Fortune 250 companies.

EXHIBIT 2 — INDIVIDUAL SHAREHOLDER RESOLUTIONS

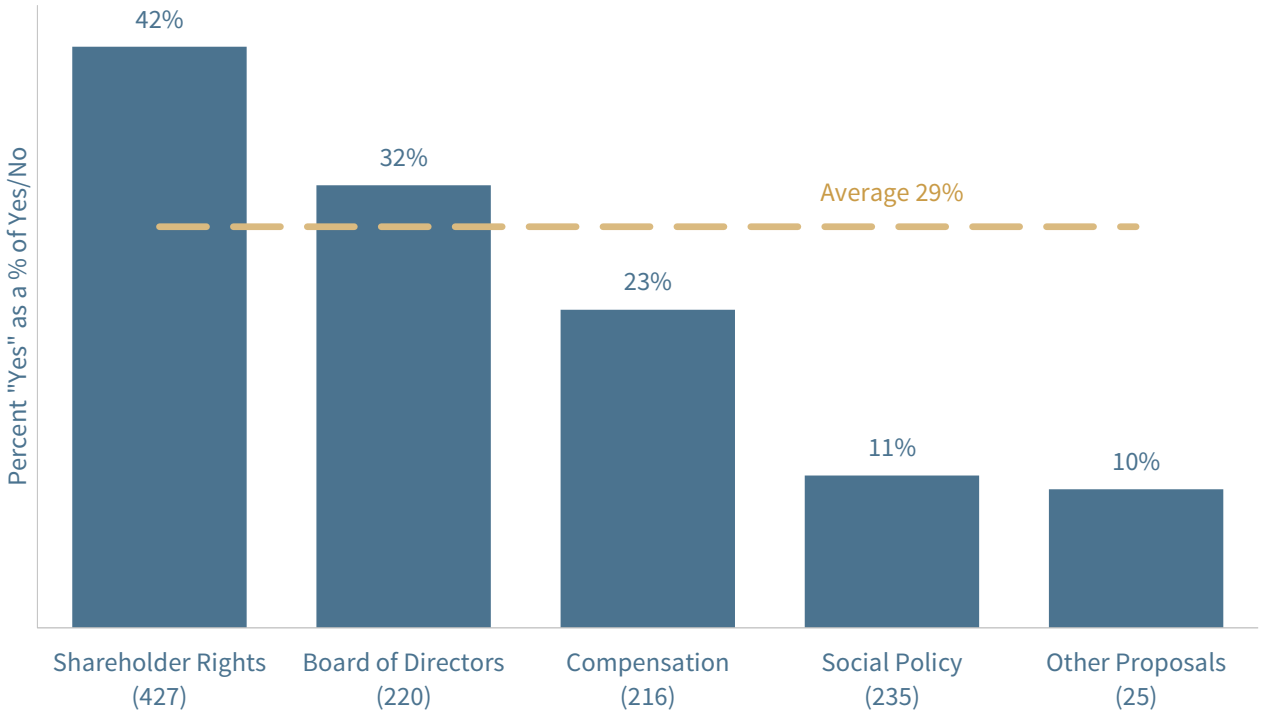
NUMBER OF INDIVIDUAL SHAREHOLDER RESOLUTIONS, BY CATEGORY (2006-2015)



Source: FactSet Research. Sample includes all shareholder resolutions proposed by individual investors at Fortune 500 companies, 2006-2015. Categorization by the authors.

EXHIBIT 3 — VOTING RESULTS OF INDIVIDUAL SHAREHOLDER RESOLUTIONS

AVERAGE SUPPORT THAT RESOLUTIONS RECEIVE, BY CATEGORY (2006-2015)



Source: FactSet Research. Sample includes all shareholder resolutions proposed by individual investors at Fortune 500 companies, 2006-2015. Categorization and calculations by the authors.

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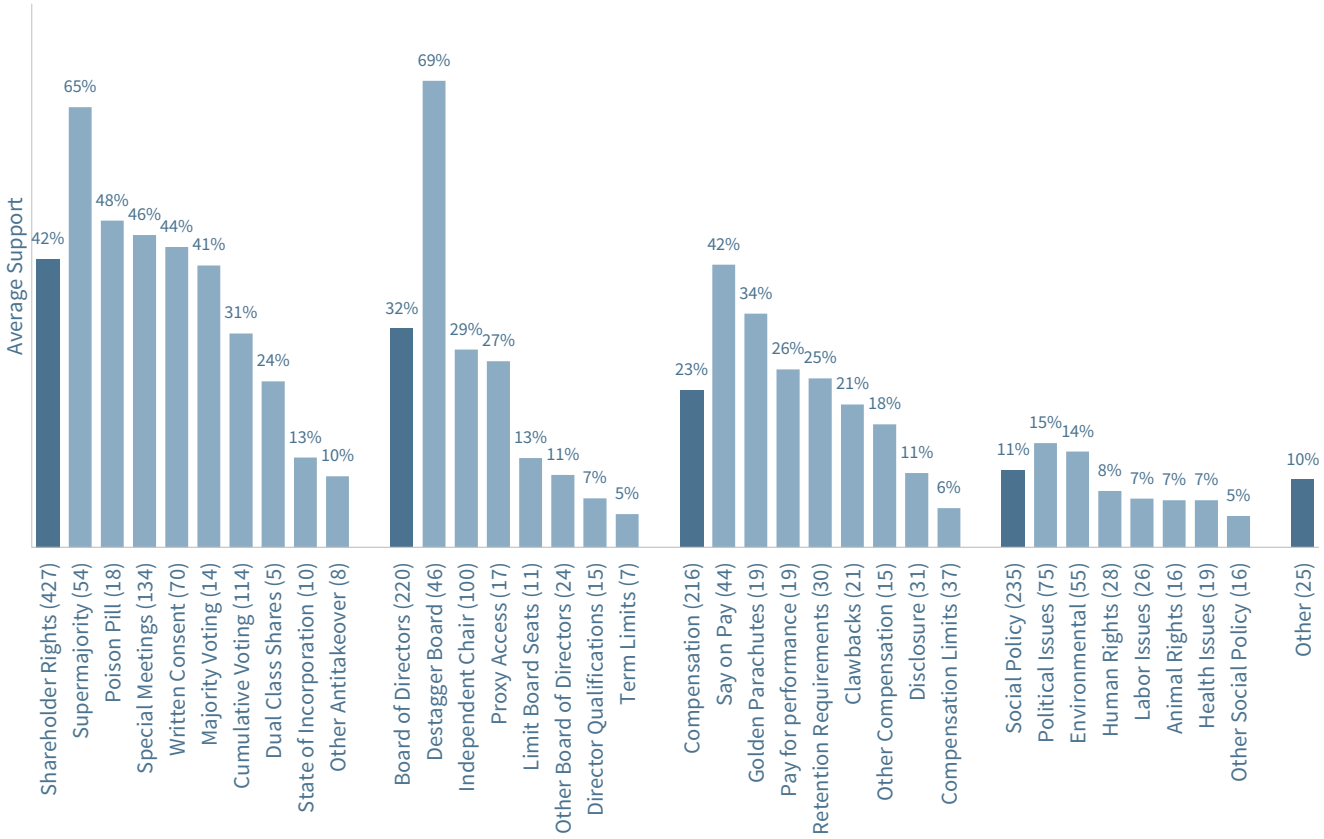
EXHIBIT 4 — VOTING RESULTS OF INDIVIDUAL SHAREHOLDER RESOLUTIONS

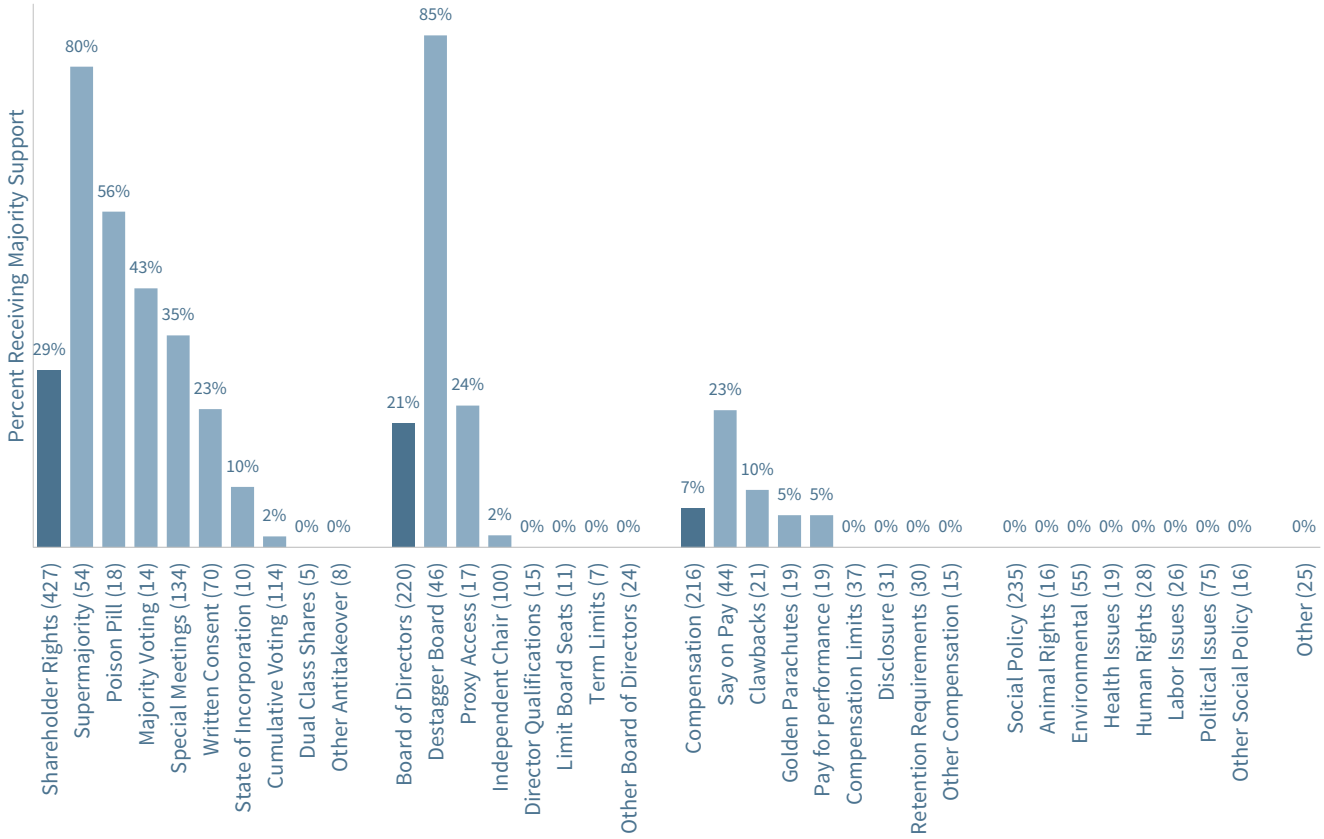
AVERAGE SUPPORT THAT RESOLUTIONS RECEIVE, BY CATEGORY AND SUBCATEGORY (2006-2015)



Source: FactSet Research. Sample includes all shareholder resolutions proposed by individual investors at Fortune 500 companies, 2006-2015. Categorization and calculations by the authors.

EXHIBIT 5 — VOTING RESULTS OF INDIVIDUAL SHAREHOLDER RESOLUTIONS

PERCENT OF RESOLUTIONS THAT RECEIVE MAJORITY SUPPORT, BY CATEGORY AND SUBCATEGORY (2006-2015)



Source: FactSet Research. Sample includes all shareholder resolutions proposed by individual investors at Fortune 500 companies, 2006-2015. Categorization and calculations by the authors.

EXHIBIT 6 — RULE 14A-8: SHAREHOLDER RESOLUTIONS (SELECTED INFORMATION)

§ 240.14A-8 SHAREHOLDER PROPOSALS

(a) *Question 1: What is a proposal?*
A shareholder proposal is your recommendation or requirement that the company and/or its board of directors take action, which you intend to present at a meeting of the company's shareholders….

(b) *Question 2: Who is eligible to submit a proposal, and how do I demonstrate to the company that I am eligible?*
In order to be eligible to submit a proposal, you must have continuously held at least $2,000 in market value, or 1%, of the company's securities entitled to be voted on the proposal at the meeting for at least one year by the date you submit the proposal. You must continue to hold those securities through the date of the meeting….

(c) *Question 3: How many proposals may I submit?*
Each shareholder may submit no more than one proposal to a company for a particular shareholders' meeting.

(d) *Question 4: How long can my proposal be?*
The proposal, including any accompanying supporting statement, may not exceed 500 words.

(e) *Question 5: What is the deadline for submitting a proposal?*
If you are submitting your proposal for the company's annual meeting, you can in most cases find the deadline in last year's proxy statement.…

(f) *Question 6: What if I fail to follow one of the eligibility or procedural requirements?*
(1) The company may exclude your proposal, but only after it has notified you of the problem, and you have failed adequately to correct it….
(2) If you fail in your promise to hold the required number of securities through the date of the meeting of shareholders, then the company will be permitted to exclude all of your proposals from its proxy materials for any meeting held in the following two calendar years.

(g) *Question 7: Who has the burden of persuading the Commission or its staff that my proposal can be excluded?*
Except as otherwise noted, the burden is on the company to demonstrate that it is entitled to exclude a proposal.

(h) *Question 8: Must I appear personally at the shareholders' meeting to present the proposal?*
(1) Either you, or your representative who is qualified under state law to present the proposal on your behalf, must attend the meeting to present the proposal.
(2) If the company holds its shareholder meeting in whole or in part via electronic media, and the company permits you or your representative to present your proposal via such media, then you may appear through electronic media rather than traveling to the meeting to appear in person.
(3) If you or your qualified representative fail to appear and present the proposal, without good cause, the company will be permitted to exclude all of your proposals from its proxy materials for any meetings held in the following two calendar years.

(i) *Question 9: If I have complied with the procedural requirements, on what other bases may a company rely to exclude my proposal?*
(1) Improper under state law: If the proposal is not a proper subject for action by shareholders under the laws of the jurisdiction of the company's organization;
(2) Violation of law: If the proposal would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject;

EXHIBIT 6 — CONTINUED

(3) Violation of proxy rules: If the proposal or supporting statement is contrary to any of the Commission's proxy rules, including § 240.14a-9, which prohibits materially false or misleading statements in proxy soliciting materials;
(4) Personal grievance; special interest: If the proposal relates to the redress of a personal claim or grievance against the company or any other person, or if it is designed to result in a benefit to you, or to further a personal interest, which is not shared by the other shareholders at large;
(5) Relevance: If the proposal relates to operations which account for less than 5 percent of the company's total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company's business;
(6) Absence of power/authority: If the company would lack the power or authority to implement the proposal;
(7) Management functions: If the proposal deals with a matter relating to the company's ordinary business operations;
(8) Director elections: If the proposal:
(i) Would disqualify a nominee who is standing for election;
(ii) Would remove a director from office before his or her term expired;
(iii) Questions the competence, business judgment, or character of one or more nominees or directors;
(iv) Seeks to include a specific individual in the company's proxy materials for election to the board of directors; or
(v) Otherwise could affect the outcome of the upcoming election of directors.
(9) Conflicts with company's proposal: If the proposal directly conflicts with one of the company's own proposals to be submitted to shareholders at the same meeting;
(10) Substantially implemented: If the company has already substantially implemented the proposal;
(11) Duplication: If the proposal substantially duplicates another proposal previously submitted to the company by another proponent that will be included in the company's proxy materials for the same meeting;
(12) Resubmissions: If the proposal deals with substantially the same subject matter as another proposal or proposals that has or have been previously included in the company's proxy materials within the preceding 5 calendar years, a company may exclude it from its proxy materials for any meeting held within 3 calendar years of the last time it was included if the proposal received:
(i) Less than 3% of the vote if proposed once within the preceding 5 calendar years;
(ii) Less than 6% of the vote on its last submission to shareholders if proposed twice previously within the preceding 5 calendar years; or
(iii) Less than 10% of the vote on its last submission to shareholders if proposed three times or more previously within the preceding 5 calendar years; and
(13) Specific amount of dividends: If the proposal relates to specific amounts of cash or stock dividends.

(j) *Question 10: What procedures must the company follow if it intends to exclude my proposal?*
If the company intends to exclude a proposal from its proxy materials, it must file its reasons with the Commission no later than 80 calendar days before it files its definitive proxy statement and form of proxy with the Commission. The company must simultaneously provide you with a copy of its submission. The Commission staff may permit the company to make its submission later than 80 days before the company files its definitive proxy statement and form of proxy, if the company demonstrates good cause for missing the deadline….

(k) *Question 11: May I submit my own statement to the Commission responding to the company's arguments?*
Yes, you may submit a response, but it is not required. You should try to submit any response to us, with a copy to the company, as soon as possible after the company makes its submission. This way, the Commission staff will have time to consider fully your submission before it issues its response….

Source: 14 CFR 240. 14a-8 – Shareholder Proposals. Cornell University Law School. Edited for length.

EXHIBIT 7 — CONTINUED

ABBOTT LABORATORIES: GENETICALLY MODIFIED INGREDIENTS (2015)

WHEREAS: Abbott Laboratories uses genetically modified (GMO) ingredients (from modified corn and soy) in some products in its nutritional lines, including its Similac Soy lsomil infant formula products.

The environmental and social impacts of GMOs and associated farming practices make them highly controversial. Accordingly, we believe our Company's use of GMOs is a risk, to both our Company's brand reputation and to the long-term security of our supply chain.

GMO labeling is gaining support among the American public across partisan lines, as citizens seek transparency about the ingredients in food. Vermont has passed a comprehensive GMO labeling law, and two Oregon counties and a Hawaii county approved cultivation bans; labeling laws in approved by Connecticut and Maine legislatures will trigger when other states follow suit. 64 countries, representing over half of the world's population, have enacted GMO labeling laws or bans, including the European Union, China, Japan, Russia, and India. Abbott has removed GMOs from the infant formula it sells in the European Union.

According to a Reuters poll, 93% of consumers support GMO labeling, and the marketplace is responding. Whole Foods will label all GMOs in its stores by 2018, and several national brands have committed to removing GMOs.

Genetically engineered crops are contributing to several environmental concerns in the United States. The vast majority of GMOs in the US are designed to (1) survive toxic herbicides or (2) contain embedded insecticide. The use of these crops led to a 527 million pound increase in herbicide use in the US between 1996 and 2011, which has contributed to an epidemic of herbicide-resistant weeds, and increased the amount of herbicide found on produce (Benbrook 2012).To combat herbicide-resistance, new GMOs have been engineered for use with more toxic herbicides, such 2,4-D and dicamba.

Research has implicated GMOs in the rise of insecticide-resistance pests (Gassmann 2014), demonstrated the growing socio-economic impacts of GMO contamination (Food and Agriculture Organization,2014), and suggested that pesticides used with GMOs may be contributing to the dramatic decline in monarch butterfly populations by killing milkweeds (Hartzler 2009; Pleasants 2012).

RESOLVED: Shareholders request the Board of Directors publish within six months, at reasonable cost and excluding proprietary information, a report on genetically engineered ingredients contained in nutritional products sold by Abbott. This report should list Abbott product categories that contain GMOs and estimated portion of products in each category that contain GMOs, and discuss any actions management is taking to reduce or eliminate GMOs from its products, until and unless long-term studies show that the genetically engineered crops and associated farming practices are not harmful to the environment, the agriculture industry, or human or animal health.

SUPPORTING STATEMENT: This public issue is growing, as GMOs in Vermont will be labeled beginning in 2016, more legislation is proposed, and more toxic pesticides will be used with a new generation of GMOs. Abbott has not provided shareholders with sufficient information on this issue.

The Board of Directors recommends that shareholders vote AGAINST this proposal.

Voting Results
For: 55,682,335; Against: 868,220,221; Abstain: 168,529,930.
For, as a % of Yes/No: 7.5%.

Source: Abbott Laboratories, Form DEF-14A (March 13, 2015); Form 8-K (April 27, 2015).

EXHIBIT 7 — CONTINUED

THE COCA-COLA COMPANY: LINK RESTRICTED STOCK TO PERFORMANCE (2006)

Restricted stock...
- Is free.
- Has no performance requirements.
- Includes dividends and voting rights.
- Dilutes the ownership interest of common shareowners.
- And, guarantees recipients a profit, even if Coca-Cola's stock price decreases..

Coca-Cola's restricted stock plan permits our board to prematurely release unvested shares without a shareowners vote.
- I believe this is undemocratic.

36,000,000 free restricted shares have been granted since 1983.
- These shares have a current market value of $1.5 billion dollars.

Three (3) executives received 44% of these free restricted shares.
- Fed Chairman Greenspan has described some corporate compensation as "infectious greed."
- I agree.

Coca-Cola grants another form of free restricted stock called performance share units, but,. . .
- PSU grants vest in 3 years, not at age 62.
- And, PSU grants can be prematurely released without a shareowners vote.

Moreover, in a consent decree dated April 18, 2005 the Securities & Exchange Commission determined. . .
- That Coca-Cola implemented a "channel stuffing" practice in Japan during 1997-1999, whereby Bottler concentrate inventories increased +62%, while Bottler sales of finished beverages to retailers increased just +11%.
- That 71,000,000 concentrate gallons, worth $1,200,000,000, were "pushed."
- And, that earnings per share were increased.
- PSU grants are tied to earnings per share.

In a speech entitled "What Went Wrong With America", John Bogle, founder of The Vanguard Group, said. . .
- "as directors often turned over to managers the virtually unfettered power to place their own interests first, the concept of stewardship became conspicuously absent from corporate America."

In 2005 my proposal received 539,000,000 votes or 32%.
- Thanks.

RESOLVED: That shareowners urge Coca-Cola's board that a significant percentage of future awards of free restricted stock and performance share units...
- Are performance based;
- Are tied to company specific performance metrics, performance targets and timeframes clearly communicated to shareowners;
- And, cannot be prematurely released or substantially altered without a shareowners vote.

The Board recommends that you vote "AGAINST" the proposal regarding restricted stock.

Voting Results
For: 527,539,550; Against: 1,106,308,529; Abstain: 26,379,717.
For, as a % Yes/No: 32.3%.

Source: The Coca-Cola Company, Form DEF-14A (March 10, 2006); Form 10-Q (July 27, 2006). Edited for length.

EXHIBIT 7 — CONTINUED

YAHOO!: HUMAN RIGHTS IMPACTS OF YAHOO! BUSINESS (2011)

WHEREAS, mindful of the misuse of information technology by the Chinese government and other repressive regimes in the world to monitor electronic communications, to restrict Internet access and use, and to arrest and severely punish Internet users in China and other countries for expressing and exercising their free speech and free association rights, and

Whereas, recognizing the special responsibilities and obligations that these major abuses of human rights place on Yahoo doing business in China and other repressive countries in ways that have contributed to these abuses, and,

Whereas, taking into account the fact that U.S. laws prohibit the involvement and support of U.S. companies in major human rights abuses taking place in foreign nations, and, especially,

Whereas, concerning that Yahoo's management has not improved human rights policy despite Yahoo's public image being severely damaged and Yahoo being financially punished (for example, on May 3rd 2010 the World Press Freedom Day, human rights activists rallied in front of Yahoo HQs to protest Yahoo again; Yahoo Human Rights Fund has been politically abused),

Therefore, be it resolved, that the following human rights principles be formally adopted by Yahoo to guide its business relating to its business in China and other repressive countries:

No information technology products or technologies will be sold, and no assistance will be provided to authorities in China and other repressive countries that could contribute to human rights abuses. No user information will be provided, and no technological assistance will be made available, that would place individuals at risk of persecution based on their access or use of the Internet or electronic communications for free speech and free association purposes. Yahoo will support the efforts to assist users to have access to encryption and other protective technologies and approaches, so that their access and use of the Internet will not be restricted by the Chinese and other repressive authorities. Yahoo will review, report to shareholders and improve all policies and actions (including supervising the abused Yahoo Human Rights Fund) that might affect human rights observance in countries where it does business.

The Board recommends that you vote "AGAINST" the shareholder proposal.

Voting Results
For: 24,801,573; Against: 779,240,401; Abstain: 133,039,421.
For, as a % Yes/No: 3.1%.

Source: Yahoo!, Form DEF-14A (April 29, 2011); Form 8-K (June 24, 2011).

EXHIBIT 7 — CONTINUED

CITIGROUP: PROXY ACCESS FOR SHAREHOLDERS (2015)

Shareholders ask the Citigroup Inc (C) board, to the fullest extent permitted by law, to amend our governing documents to allow shareholders to make board nominations as follows:

1. The Company proxy statement, form of proxy, and voting instruction forms shall include, listed with the board's nominees, alphabetically by last name, nominees of any party of one or up to twenty shareholders that have collectively held, continuously for three years, at least three percent of the Company's securities eligible to vote for the election of directors.
2. Board members and officers of the Company may not be members of any such nominating party of shareholders.
3. Parties nominating under these provisions may collectively make nominations numbering up to 20% of the Company's board of directors.
4. Preference will be shown to groups holding the greatest number of the Company's shares for at least three years.
5. Nominees may include in the proxy statement a 500 word supporting statement.
6. Each proxy statement or special meeting notice to elect board members shall include instructions for nominating under these provisions, fully explaining all legal requirements for nominators and nominees under federal law, state law and the company's governing documents.

SUPPORTING STATEMENT

- The right of shareholders to nominate board candidates is fundamental to good corporate governance and board accountability.
- Long-term owners of the Company should have a meaningful voice in nominating and electing directors.
- This proposal adopts popular 3% and 3-year eligibility thresholds.
- Limiting shareholder-nominated candidates to 20% means control remains with board nominees.
- Our Company's share price has substantially underperformed the S&P 500 during the latest one, five and ten year time-periods and received an overall ESG grade of 'F' from GMI Ratings.
- Rather than independent directors, we need directors who are dependent on, and accountable to, the shareholders who elect them.
- CFA Institute's Proxy Access in the United States: Revisiting the Proposed SEC Rule found:
  - "proxy access has the potential to enhance board performance and raise overall US market capitalization by between $3.5 billion and $140.3 billion"
  - "none of the event studies indicate that proxy access reform will hinder board performance."
  - "proxy access would serve as a useful tool for shareowners in the United States and would ultimately benefit both the markets and corporate boardrooms."

Citigroup's board of directors recommends that stockholders vote FOR this proposal.

Voting Results
For: 1,841,236,940; Against: 278,485,508; Abstain: 2,017,952.
For, as a % Yes/No: 86.9%

Source Citigroup, Form DEF-14A (March 18, 2015); Form 8-K (May 4, 2015).