

M O R R O W S O D A L I

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PROXY UPDATE

NASDAQ LETTER ON PROXY PROCESS

Last week Nasdaq posted a [letter](#) that it had submitted to the SEC regarding aspects of the proxy process. The letter was signed by 319 companies with a combined market capitalization of almost \$2 trillion, in addition to groups such as the U.S. Chamber of Commerce and TechNet. The letter is a follow up to the SEC's November 15th Roundtable on the Proxy Process and touches on areas that have been a focus of many companies and advocacy groups for years.

In its post, Nasdaq stated:

The U.S. proxy system is critical to public company governance. Proxy reform has been an important focus for Nasdaq in recent years, including in our [blueprint](#) to revitalize the U.S. capital markets. As a follow up to the November 2018 [SEC roundtable](#) on the proxy process and its related rules, Nasdaq and a broader coalition have submitted a letter to the SEC outlining top priorities for proxy reform.

The letter comments on the following four topics:

Proxy Advisory Firms (PAF)

The letter urges the SEC to “take strong action” to address:

- Conflicts of interest to protect both companies and users of the proxy advisory services.
- Accuracy. Asking that all public companies, regardless of market cap, be allowed to address mistakes or misstatements in the reports on a timely basis.
- Transparency. Require public transparency and a public comment period when PAFs change voting policies so that issuers have an opportunity to determine, on their own, if they can satisfy the new policies. The letter says the PAFs should not be allowed to use opaque rules that “require paid services to interpret.”

Shareholder Proposals

The letter advocates for a change to the resubmission thresholds for shareholder proposals from the current 3% for the first submission, 6% for the second, and 10% for the third; to a “more reasonable” standard of 6%, 15% and 30%.

Shareholder Communications

The letter calls on the SEC to focus on streamlining shareholder communications to allow for direct and cost-effective communication with shareholders. To achieve this, the letter urges the SEC to repeal the distinction between NOBOs and OBOs.

Proxy Process

The letter says the SEC needs to update the proxy process to make voting more transparent and verifiable.

We will continue to monitor developments in this area and will update you as events continue to unfold.