

# Responsible Investment Community Opposes Bill to Curb Advocacy

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The responsible investment community is getting support from U.S. Senators opposing a measure that would greatly restrict shareholder activism, one of the pillars of Sustainable, Responsible and Impact (SRI) investing.

“We are going to fight that all the way,” Sen. Ron Wyden of Oregon told me after recent remarks at the City Club of Portland. “We are going to reach out to big shareholders who have some clout.”

Wyden, ranking minority member of the Senate Finance Committee, asked two of his Washington aides to speak with me to learn more about the provision, which is part of the broader Financial Choice Act.

“It’s really important that we get out there on this. Not a lot of people know the details of this issue, including elected officials,” said Josh Zinner, CEO of the Interfaith Center on Corporate Responsibility (ICCR) in New York, a leader in the responsible investing movement.



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The SRI community has used shareholder activism to change corporate policy on environmental and social justice issues dating to before the anti-apartheid movement.

Zinner and other activists told me the act is designed to roll back many provisions of the Dodd-Frank Bill, which was enacted to protect investors and consumers in the wake of the 2008 Great Recession. Wyden’s aides said the bill is before the Senate Banking Committee, on which Wyden does not sit. Massachusetts Sen. Elizabeth Warren is on the banking committee, and she told the House that the Financial Choice Act was “a 589-page insult to working families .... It would unleash the same behavior on Wall Street that led to the 2008 Financial Crisis.”

The Financial Choice Act passed the U.S. House on June 8, and went to the Senate, where observers believe it may be separated into separate pieces of legislation.

“We do not anticipate that the Choice Act, as passed by the House, will move forward in the Senate,” said Bryan McGannon, Director of Policy and Programs at the U.S. Social Investment Forum (US SIF), a Washington-based industry group. “However, the Senate Banking Committee is expected to begin working on its version later this year or early 2018. There is also a possibility that elements of the CHOICE Act could be introduced on their own. US SIF is monitoring and engaging with the Senate Banking Committee.”

As passed by the House, Zinner told me, Section 844 of the Choice Act “would eviscerate the ability of shareholders to engage corporations in that that they own.”

Business Round Table officials, key backers of the bill, say that: "America's business leaders have consistently called for a smarter, more effective approach to financial services regulation that targets systemic economic risks without limiting business creativity and innovation."

Section 844, pertaining to shareholder resolutions, was designed to "(m)odernize the shareholder proposal process by updating ownership thresholds and holding requirements for eligibility to offer proposals," John Hayes, Chair, Corporate Governance Committee of the Business Roundtable, said in a letter to Congressional leaders.

Currently, anyone who has owned \$2,000 worth of a company's stock for a year can place a measure before other shareholders.

"It allows shareholders to weigh in on companies," Zinner said. "It has allowed important changes on climate change, corporate governance, and supply chain issues."

The bill passed by the House would require a shareholder to own 1 percent of a company's outstanding shares for three years to file a resolution. In the case of Wells Fargo Bank, for example, someone would need to own \$2.5 billion of company stock to file a shareholder resolution, ICCR said in a letter to senators. For corporations like ExxonMobil or Apple, only a small handful of financial services companies would own enough shares to qualify.

For decades, the ICCR and other members of the SRI community have successfully petitioned corporations to improve their policies on climate change, gender equity, working conditions, executive compensation, transparency in lobbying and political contributions, broader environmental and sustainability questions, and other social justice issues. ICCR, a coalition of faith-based groups, was founded in 1971 to pressure U.S. corporations to stop doing business with South Africa until it ended apartheid. US SIF issues biennial reports, the latest of which documented a 14-fold increase in Sustainable, Responsible and Impact investing from 1995 to 2016, with \$8.10 trillion under SRI management.

Among the recent victories of the SRI community were majority votes by shareholders of ExxonMobil and Occidental Petroleum telling executives to reexamine their business models for a world in which climate change was held to a 2 degree centigrade increase, in line with the Paris Accord. Shareholders also voted to require ExxonMobil to name a climate scientist to its board, leading to the appointment of Susan Avery. She is a former president of the Woods Hole Oceanographic Institute, where she focused on the application of climate science to social issues.



***I'll address other shareholder issues involving environmental and social justice issues in later newsletters.***

***- By Bryan Brumley***

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