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**PROXY ACCESS**

**Proxy Access—Tool for Unique Fight: Prudential Financial’s Foran**

*Prudential Financial Inc. adopted proxy access in March 2015 without shareholder prodding, well before it became common in large public companies. Today, 60 percent of S&P 500 index firms have adopted or are adopting bylaws to facilitate the mechanism—which allows significant, long-term shareholders to place their board nominees on the proxy card for the company’s annual meeting—compared to less than 1 percent in 2014. Margaret Foran, Prudential Financial’s chief governance officer, senior vice president and corporate secretary who joined the company in 2009, talks to Bloomberg BNA about proxy access and other corporate governance issues.*

**Bloomberg BNA:**

What impact has Prudential seen from adopting proxy access?

**Margaret Foran:**

Well, the interesting thing is the impact we’ve seen has less to do with proxy access and more to do with our shareholders saying thank you for listening.

Prudential was the first public company that proactively adopted proxy access without getting a shareholder proposal. What we do at Prudential is we engage with our shareholders. We talk to, generally, at least a majority of the people that own our shares. After talking, we realized that more than a majority of our owners thought proxy access was a good concept and were in favor of it.

We went back to our board, we discussed it, we told them that our shareholders were for this, we explained it, and the board said, “Well, if 50 percent of our shareholders are in favor of something like this, we probably should adopt it.” They could have waited until they got a shareholder proposal, but they didn’t.

**BBNA:**

Do you think shareholders will use proxy access and, if so, who do you think will use it?

**Foran:**

I do think it will be used. It won’t be used very often and it will be under really unusual circumstances. This is not the mechanism that activists are going to use because it has a lot of downsides and negatives for them.

What proxy access is, at least for us, is you need 3 percent of your shareholders that have owned the

shares for at least three years. That only puts it in the proxy. You still need to get 50 percent of shareholders to vote for that particular nominee.

I think it’s hard for them to accomplish it, so I think it will only be incredibly unique circumstances.

**BBNA:**

Are companies putting too many roadblocks for investors to use proxy access?

**Foran:**

It depends on who you speak to. If you speak to the majority of your shareholders, they will say no. If you speak to certain shareholders who would like it not to have a 3 percent or to limit it to 20 shareholders or to limit it to three years, they will say yes.

**BBNA:**

In the past three years, 60 percent of S&P 500 companies have adopted proxy access. Do you think mid-sized and smaller companies will start adopting the tool?

**Foran:**

I do. Look, we didn’t need a shareholder proposal to adopt proxy access. I think many companies are waiting for that shareholder proposal. They’d rather not do something until they have to. So my sense is, it’s really these groups getting around to giving them a shareholder proposal.

They’re probably focusing on the larger companies. It’s a lot like majority voting or even board diversity. It used to be that Fortune 500 companies would get proposals on board diversity. Now you’re seeing State Street and BlackRock give those to the smaller companies because most of the larger companies, fortunately, recognize how important diversity is to their board.

**BBNA:**

Has the SEC proxy access rule become the default for S&P 500 companies?

**Foran:**

I think something like the SEC proxy access rule has. I’m a big believer that we’re all not built the same, so there probably should be some instances where we may have some different bells and whistles.

**BBNA:**

Do you see the SEC trying for another proxy access federal rule?

**Foran:**

No, I think they've got bigger fish to fry right now. Private ordering seems to have worked quite well.

**BBNA:**

In addition to proxy access, are there other governance highlights at Prudential?

**Foran:**

Our 2016 Sustainability Report demonstrates a governance best practice. We integrate sustainability in our proxy statements. I think our shareholders and stakeholders really like that. If they're going to vote for a board, they want to know that the board is overseeing sustainability and the environmental issues. Our sustainability report serves to create a transparent, holistic picture of Prudential's long-term value creation within the context of a globally recognized sustainability reporting framework.

Some of the things the report details are our efforts company-wide to support our core building blocks: long-term vitality, customer focus, responsible impact, talent focus, and financial strength. For us, sustainability defines how the company anticipates and manages

further risk and opportunities to meet its long-term promises.

It goes back to our roots. We were founded on the belief that financial security should be within the reach of everyone. Our sustainability efforts create long-term value so that we can continue to achieve this purpose and deliver on our promises as we have for the last 140 years.

From a governance perspective, I think you're seeing two emerging issues: diversity and sustainability. More and more of our shareholders and stakeholders are asking those questions. Our board is really good. We review governance highlights, what's evolving in these areas, what shareholders are asking.

Because of the engagement we do, we're able to have a front seat on the things that shareholders would like, not things that are necessarily legally required.

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