

### Why Responsible Ownership Strengthens Free Markets

Shareholder responsibility is a cornerstone of well-functioning capital markets. When investors engage actively with the companies they own through proxy voting and dialogue, markets and companies become more transparent, resilient, and efficient. Responsible ownership is not political; it's an essential function of the free market and good business practice.

### What Is Shareholder Responsibility

Shareholder responsibility is the practice of investors exercising their rights and duties as owners by:

- Voting on matters in companies' proxy materials
- Engaging management and boards on risks that are important to financial performance
- Filing shareholder proposals when necessary
- Monitoring governance, strategy, and risk oversight

This framework has operated for decades under U.S. Securities and Exchange Commission (SEC) rules, including Rule 14a-8, and is a central feature of U.S. market governance.

### The Consequences of Political Interference

- **Weakened trust in market governance:** When government agencies retreat from their neutral role as referees, power shifts disproportionately toward management and entrenched interests.
- **Legal uncertainty and red tape:** Limiting shareholders' voice does not depoliticize markets; it politicizes them further. When orderly channels for engagement are constrained, pressure shifts to courts and legislatures, increasing instability and long-term costs for both companies and investors. This means red tape and regulations for businesses, running counter to long-standing conservative commitments to limited government and market autonomy.

Strong markets depend on transparency, accountability, and the free flow of information between companies and their owners. Curtailing shareholder responsibility erodes those foundations.

### How Shareholder Responsibility Works: Real-World Examples

Proposals drive corporate accountability by addressing critical financial risks like cybersecurity across a wide range of industries such as technology, aviation and rail, and finance, often highlighting vulnerabilities at individual companies before they become systemic problems.

Examples of times shareholder proposals solved problems swiftly and proactively:

- **Enhanced governance standards:** Shareholder proposals have helped shape modern corporate governance by driving adoption of best practices such as independent board committees, risk oversight structures, say-on-pay, and independent board chairs, reforms that strengthened oversight and executive accountability.
- **Protecting Children Online:** Proposals have driven meaningful action to address child safety online, pushing social media companies to remove harmful content and implement stronger protections. These efforts fostered industry collaboration and led to informed solutions developed with the U.S. Senate Judiciary Committee.

## Common Misconceptions About Shareholder Proposals

- **Proposals are costly and burdensome.**
  - **Clarification:** The high-cost estimates often cited by opponents reflect upper-bound projections—not typical experience. In reality, most companies receive few or no proposals. On average, a Russell 3000 company receives one shareholder proposal every 7.7 years.
- **The SEC should not be involved in the shareholder proposal process.**
  - **Clarification:** The SEC plays a neutral referee role, ensuring that shareholder proposals are valid and that companies do not improperly exclude proposals. Without federal oversight, disputes will shift to courts, increasing litigation, delays, and costs for both companies and investors.
- **Proxy advisory firms have too much influence.**
  - **Clarification:** Proxy advisors provide research and voting recommendations, not binding decisions. Institutional investors retain full discretion and are bound by fiduciary duty to vote in the financial best interests of their clients.

## What Key Voices Are Saying

[On the Division of Corporation Finance's [announcement](#) restricting shareholder rights] *“This is the latest in a parade of actions by this Commission that will ring the death knell for corporate governance and shareholder democracy,”*

— **said** Caroline Crenshaw, Commissioner, U.S. Securities and Exchange Commission

*“Markets work best without political interference and without government-imposed silence—when businesses are guided by their owners, not by regulators deciding which voices count,”*

— **wrote** Peter Flaherty, Chairman, National Legal and Policy Center

*“Legislation designed to raise proposal thresholds beyond the reach of everyday investors, limit eligible topics, or discourage engagement does not protect markets; it trenches management, weakens accountability, and silences the voices of investors and stakeholders,”*

— **wrote** Mindy Lubber, CEO and President, Ceres

**Shareholder responsibility is about protecting the rights of owners to fulfill their role in a free enterprise system. It is about preserving accountability without expanding regulations. And it is about ensuring that American capital markets remain governed by principles that work—not politics.**

Learn more: [freedomtoinvest.org/shareholder-rights](https://freedomtoinvest.org/shareholder-rights)