THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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Testimony of New York City Comptroller Brad Lander
Before the U.S. House Committee on Financial Services

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Good morning Chairman Hill, Ranking Member Waters, and Members of the Committee. Thank you for the opportunity to testify today on the importance of shareholder proposals and engagement.

These modest tools for accountability of corporations to their shareholders have helped protect the retirement security of New York City's teachers, cops, firefighters, and nurses. They are also an important foundation of the "freedom to invest" that has bolstered the health of U.S. capital markets for decades. Yet Republicans, who used to be advocates of free markets, are seeking to gut Rule 14a-8 in order to allow corporate CEOs to run roughshod over their shareholders.

As Comptroller of the City of New York, I serve as the investment advisor, custodian, and trustee of the City's five pension funds, managing $300 billion on behalf of over 700,000 current and retired NYC civil servants—the hardworking people who make our city run. My fiduciary duty is clear: to safeguard their retirement security.

We are responsible, long-term investors; a first-year teacher or rookie cop starting this fall will rely on our funds for their retirement many decades from now. We aren't day-traders; we are long-term stewards. We are invested broadly across the market, including in over 10,000 public companies worldwide.

Strong corporate governance and risk oversight are foundational to healthy companies, pension funds, and capital markets. As investors, we know that economic, governance, legal, operational, environmental, workforce, and reputational risks all affect company performance and shareholder value. It is our duty to weigh these risks. Shareholder proposals and engagement are among our most effective tools to do so.

Over time, shareholder proposals have led to widely accepted practices that now define modern corporate governance. These reforms have made our pension funds and our markets stronger. Let me give you just a few examples.

Consider executive compensation clawbacks. After the great financial crisis, when no executives were held accountable, our systems filed shareholder proposals urging stronger policies. At Wells Fargo, our 2013 proposal led to a tougher clawback policy that the board used to take back $60 million from executives after the fake accounts scandal. The proposed legislation would render that impossible.

Or consider insider trading. In 2021, we brought shareholder proposals that highlighted concerns we had about 10b5-1 plans at Abbott Labs and McKesson; those votes fell just short of a majority—but they helped inform the SEC's 2022 amendments, which protect all shareholders. Other reforms—such as stock option expensing and advisory votes on executive pay—began as shareholder proposals and were later codified in regulation.

Another example is shareholder access to the company proxy to nominate directors. In 2014, just six U.S. companies had proxy access. Today, following our Boardroom Accountability Project, roughly 800 do, including most of the S&P 500. Independent research found that proxy access led to improved performance.

A separate analysis found that 58% of over 1000 studies showed a positive relationship between environmental, social, and governance efforts and corporate financial performance, 13% had neutral outcomes, and only 8% had negative effects.[i]

Most of our proposals are resolved through engagement. In recent years, we brought proposals at several U.S. banks for disclosure of the ratio of their fossil fuel financing to their clean energy financing. Simple disclosure, useful for all investors. JPMorgan Chase agreed to do so, and called it "an excellent example of what ongoing engagements and pragmatic and reasonable requests can accomplish."

At Starbucks, prompted by reports of management's interference with employees' rights to organize a union, we filed a shareholder proposal requesting a third-party assessment of Starbucks' adherence to its commitments to workers' rights. The proposal received 52% of the votes of shareholders, and Starbucks commissioned and disclosed the assessment.

Other shareholder proposals have enabled investors to safeguard portfolios from risks and catalyze positive corporate change on excessive drug pricing and oversight of addictive opioids by pharmaceutical companies, railroad safety, and online child safety at tech companies.

Proposed legislative changes would block every one of these. They would disincentivize engagement, reduce transparency, and make it harder for investors to assess risks. They would erode the freedom to invest that has delivered strong shareholder returns for decades and made American capital markets the envy of the world. They would lead to a world with more insider trading, fewer protections for investors, workers, consumers, and the environment, and more relatives of CEOs on corporate boards.

It’s no coincidence these proposals come at the very same time that some corporations are seeking to evade accountability by re-incorporating in states that have eroded shareholder rights. Tesla’s proposed $1 trillion CEO pay package, bolstered by cronyism on their board, is the most visible example of what happens when oversight is weakened.

In other words: these proposals would harm our teachers, cops, firefighters, and nurses, on behalf of billionaire corporate CEOs.

As fiduciaries, our duty is clear: protect the financial security of our beneficiaries, for which the health of our markets is absolutely essential. Shareholder proposals and engagement strengthen accountability, empower independent directors, and ensure that U.S. markets remain the most trusted and resilient in the world. Don’t screw that up.

Thank you for the opportunity to share this perspective. I look forward to your questions.

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[i] Gunnar Friede et al, ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies, 2020.