SHAREHOLDER RIGHTS

The SEC Wants to Take Questions *Off Your Ballot*

Formative · With Paul Rissman, Senior Engagement Strategist



For more than eighty years, a shareholder who clears a modest ownership bar has been able to put a question on a company's ballot and let every other owner vote on it. On September 16, the SEC proposed ending that. Its plan would rescind Rule 14a-8, the shareholder proposal rule, in its entirety and leave the matter to state law and each company's bylaws. Public comments are due November 20.

Our Senior Engagement Strategist, Paul Rissman, has spent a good part of his career on the proponent side of this process. Shareholder proposals are one of the few ways owners can press companies on the systemic risks we all share, from global heating to AI to rising inequality. Here's what's at stake for investors and advisors, and what you can do in the next four weeks.

If you're an investor

Your shares carry a voice, not just a value. Today, a small shareholder can raise an issue like climate risk, AI governance or executive pay, and every other owner gets to weigh in. Proposals are advisory and non-binding, but they often move companies to disclose more: political spending and lobbying, human rights assessments, reports on methane abatement. In 2024, after a proposal we co-filed, Kroger agreed to report how much of its value-chain (scope 3) emissions come from the goods and services it buys. Its 2025 Responsible Business Report now shows that figure: more than half.

At Formative, engagement often starts with one client's question. A responsible-AI proposal we co-filed at Microsoft this year began exactly that way. Under the SEC's proposal, whether a question like that could reach the ballot would be left to state law and each company's governing documents.

This is a governance change, not a market event. It doesn't change what you own. It changes how much say you have as an owner.

If you're an advisor

If you offer values-aligned portfolios, the shareholder ballot is part of what you deliver. Proxy voting gives your clients a say. Shareholder proposals decide much of what's on the ballot. Without the rule, that agenda is largely set by management.

The remaining routes favor the biggest investors. A shareholder could still raise an issue outside the company's proxy statement, but that means funding a separate solicitation or showing up at the meeting. For a client with a few thousand dollars in a stock, those routes are effectively closed.

Expect questions. Clients who chose you partly for advocacy will want to know whether it still works. The honest answer: proxy voting, direct dialogue and coalition work continue, but one of the most accessible tools is under real threat. That's why we've asked the SEC to extend the comment period to 120 days, and we'll file our own comment letter before the deadline.

Why the rule is worth keeping

Paul and Sanford Lewis of the Shareholder Rights Group made the full case this month in Five Hundred Words or a Contentious New Landscape on the Harvard Law School Forum on Corporate Governance. Their short version: the rule mostly limits shareholders, and "State law provides no counterpart to the standards Rule 14a-8 provides." According to the Congressional Research Service, Texas is the only state that has passed legislation on shareholder proposals. Its 2025 law lets companies opt in to stricter rules, including requiring a shareholder to hold at least $1 million in stock, or 3% of the shares, before filing (Texas Business Organizations Code § 21.373).

This isn't a left-right fight. Investors across the political spectrum file proposals under the rule. In a September 17 statement, the Free Enterprise Project, a conservative shareholder-activist group, called the SEC's plan "a short-sighted move that could ultimately strengthen the hand of corporate management."

What to do before November 20

Nothing changes for the 2027 proxy season, and the final rule could still change or face court challenges. But the window to weigh in closes November 20.

1 **Everyone: comment.** Open file S7-2026-32 on the SEC's site and use its online comment form, or email rule-comments@sec.gov with "File No. S7-2026-32" in the subject line. Three to five sentences is enough: who you are, how you use your vote, and what you'd lose without the rule.

2 **Advisors: talk with clients.** Explain how proxy voting and engagement work in their portfolios. Many 2027 filing deadlines fall in November and December, so there's still time to act this season.

3 **Everyone: bring us the issues.** If there's a company or topic you or your clients care about, reach out to Paul Rissman at paul.rissman@formativefinancial.com or to Kaitlyn Mitchell, our Shareholder Engagement Coordinator, at kaitlynmitchell@formativefinancial.com.

Rule 14a-8 isn't perfect, and Paul and Sanford say so plainly after years on the proponent side. But it's a balanced system that lets small owners be heard without letting them run the company. It's worth defending, and we hope you'll weigh in while there's still time.

DISCLOSURES

Image: Attributed to George Inness, Landscape, n.d. Art Institute of Chicago. Public domain.

The opinions and concepts presented are based on data believed to be reliable; however, no assurance can be made as to their accuracy. Mention of a specific company or security is not a recommendation to buy or sell that security. Past performance is never a guarantee of future results. For information regarding the suitability of any investment for your portfolio, please contact your financial advisor.

The views expressed herein are those of First Affirmative, doing business as Formative, and may not be consistent with the views of individual investment advisors or Broker-Dealers or RIA firms doing business with First Affirmative. Network Advisors may offer securities through various Broker-Dealers and Registered Investment Advisory firms. These affiliations, and all fees charged to clients, are clearly disclosed. First Affirmative's ADV Disclosure Brochure is available any time. Please write or call for a copy or visit formativefinancial.com/about-us.

Copyright © 2026. A publication of First Affirmative Financial Network, LLC, doing business as Formative. Registered Investment Advisor (SEC File #801-56587) · 5475 Mark Dabling Boulevard, Suite 320, Colorado Springs, CO 80918 · p: 719-478-7036 · www.formativefinancial.com