Brown Opening Statement at Banking Committee Hearing on Proxy Process and Rules

Thursday, December 6, 2018

WASHINGTON, D.C. — U.S. Sen. Sherrod Brown (D-OH) – ranking member of the U.S. Senate Committee on Banking, Housing, and Urban Affairs – delivered the following opening statement at today's hearing entitled 'Proxy Process and Rules Examining Current Practices and Potential Changes'.

Sen. Brown's remarks, as prepared for delivery, follow:

Thank you, Chairman Crapo, and welcome to our witnesses.

All too often, we see corporate boards and executives focus on short-term profits, instead of long-term investments in their companies and their workers.

We saw pretty clear evidence last week.

GM announced it would lay off 14,000 workers and close five plants, including the Chevy Cruze plant in Lordstown, Ohio. In last two years, GM has laid off nearly 3,000 workers at the Lordstown plant and, after this most recent decision, that number grow to 4,500 workers who have gotten a pink slip. This decision is devastating for the Mahoning Valley.

Meanwhile, GM has spent more than 10 billion dollars on stock buybacks since 2015 – more than double what it expects to from the job cuts and plant closings. Of course, Lordstown workers and their families are angry.

The President claimed last year's Republican tax bill would mean more money in workers' paychecks. But, instead we've se stock buybacks explode this year to a record 894 billion dollars. Executives claim these record buybacks are supposed to re shareholders, but they don't seem interested in hearing from shareholders when they raise concerns.

And the bad corporate decision making doesn't stop with GM and with buybacks and layoffs. Marriott announced on Friday had a data breach between 2014 and 2016, affecting 500 million customers, which it only discovered in September.

Cyber breaches are so common now that it's routine for Wall Street analysts to estimate the stock price hit companies will ta the week after they announce a breach. Then it's business as usual, and it doesn't even matter that companies can't secure customers' personal information.

These are just the most recent examples of corporate mismanagement and abuse of workers and customers.

Excessive executive compensation packages; abuses and scandals that can wreck customers' financial lives like we've see Wells Fargo; price gouging for vital prescription drugs like we've seen at the company Mr. Gallagher works for—it's clear the corporations aren't making good decisions for their companies, their customers, or their workers. It's why we should foster n shareholder engagement, not less.

But, that's not how corporate lobbyists and special interests see it. The Wall Street business model doesn't see workers like those in Lordstown as vital to their companies – it sees them as a cost to be minimized.

But incredibly, we're here today to discuss how to make it even more difficult for shareholders to hold management accounta Several bills introduced this Congress undermine shareholders' oversight of the companies they own.

Those measures would deny all but the largest shareholders the right to submit proposals for a vote, requiring investors to c billions of dollars of company stock to be eligible to submit a shareholder proposal. Current rules permit small shareholders submit proposals, but apparently, folks in this town want to stack the deck even further against Main Street, small-time inves

This hearing will also consider proposals that make it harder for institutional investors to have timely access to research and analysis from proxy advisory firms that the investors have hired. These proposals would give corporate interests access to t information before the public retirement systems, investment fund managers, and foundations who manage money for hardworking Americans.

You'll hear about errors and inaccuracies in those reports, but what it really amounts to is an effort to make independent ana less so. That's also the wrong answer.

Shareholders of all sizes deserve to have every tool available to hold executives accountable—forcing them to think beyond short-term self-interest, and manage for the long term. Companies, shareholders, workers, and other stakeholders all benef when the system promotes fairness, communication, and trust.

Thank you, Mr. Chairman.

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