



Media Contact: Patricia McCarthy
patty@prmccarthy.com
313 418-4155

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\$500 Billion Investor Group Releases Share Buybacks Engagement Guide

The Disclosure Gap Framework Offers Investor Lens on Public Company Repurchases

Detroit, Michigan—The UAW Retiree Medical Benefits Trust (“Trust”), along with a coalition of 11 investors representing \$500 billion in assets, today released a guide for institutional investors seeking to engage public companies on capital allocation decision-making, with an emphasis on share buybacks. The document, “Bridging the Disclosure Gap: An Engagement Guide” (“Guide”) is designed to foster better communication between investors and portfolio companies while encouraging more transparency around the board’s role in overseeing share buybacks. The Guide is based on findings from investor engagements with 12 public companies in 2016.

The Guide notes the recent surge in corporate share buybacks and the related gap in disclosing the capital allocation analysis and process that boards undertake in determining how, when, and why they initiate a share buyback program.

“Shareholders look to the board to ensure that capital allocation decisions including share buybacks support a long-term business strategy by taking an active oversight role in the decision-making process,” said Meredith Miller, Chief Corporate Governance Officer for the Trust. “Current SEC rules require minimal disclosure. To protect our long-term investments, we need to have the information necessary to better understand how boards effectively manage opportunities and risks.”

Despite large cash outlays for share buybacks, current U.S. securities laws don’t require companies to disclose critical information investors need to evaluate share buyback programs. Once a buyback is executed, companies are only required to disclose the number of shares authorized for repurchase, the shares actually repurchased, average price per share, and information about when the plan expires. While companies generally comply with these limited disclosures, they usually don’t report much more.

The Guide’s findings and recommendations are based on exchanges with 12 large company boards that had engaged in buybacks from 2010-2014. Findings suggest that companies are willing and able to discuss the motives behind share buybacks. Similar efforts from Tapestry Networks and IRRIC Institute found that disclosure to investors around share buybacks is limited, even as share repurchases have increased significantly over the past several years.

Key findings of the investor initiative:

1. Boards are actively engaged in the capital allocation process including analyzing key metrics, often incorporating information from outside experts.
2. When asked, Boards are clearly able and willing to share important analytical and process information about the overall capital allocation decision hierarchy, specifically as it relates to share buybacks, which will certainly enhance investors' understanding.
3. Given the lack of disclosure requirements, a framework consisting of a set of questions investors can use to engage companies regarding capital allocation decisions, including share buybacks, would be helpful to investors.

“This guide provides the investor voice on this issue while signaling the types of questions boards can expect investors to ask,” said Miller. “This is not a referendum on share buybacks, which can be appropriate as part of a long-term business strategy. We simply believe that investors need more information about share buybacks to make informed decisions. Otherwise, we’re wading in the dark.”

The investor participants include: AFL-CIO Office of Investment, Amalgamated Bank, Calvert Investments, CtW Investment Group, Domini Social Investments, Hermes Equity Ownership Services, The Marco Consulting Group, The Nathan Cummings Foundation, National Industry Pension Fund, Trillium Asset Management, and the UAW Retiree Medical Benefits Trust.

The investor participants would like to thank the following companies for providing information: Best Buy, Dr. Pepper Snapple Group, GameStop, Hewlett-Packard, Legg Mason, Macy's, O'Reilly Automotive, Public Storage, Starbucks, Tesoro, UPS, and Walmart.

Click here to download: [Bridging the Disclosure Gap: An Engagement Guide](#)

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