MEDIA, MARKETS, AND SYSTEMIC RISK

The Case for Media Companies to Convert to Public Benefit Corporations

On September 14, 2021, The Shareholder Commons initiated an investor campaign to convert media corporations to public benefit corporations (PBCs) with a specific purpose of providing accurate information. The first step in the campaign is asking shareholders to vote **YES** on a shareholder proposal that will be presented at the Fox Corporation (Nasdaq: FOX) annual shareholder meeting to be held on or around November 12, 2021. Similar proposals will be filed at other media companies.

THE TEXT OF THE PROPOSAL

RESOLVED: Shareholders request our Board of Directors take steps necessary… to become a public benefit corporation (a "PBC") …. Shareholders request that one of the public benefits included in the amendment be **provision of the Company's viewers with an accurate understanding of current events through the exercise of journalistic integrity**, or such other public benefits as the Board of Directors determines to provide similar benefits to its viewers.

THE CASE FOR INVESTOR SUPPORT

Media companies earn profits by increasing their viewership, readership, and other forms of media consumption. This increases the revenues they receive for paid content and advertising. In short, more traffic equates with greater returns to shareholders. While profits are generally good for investors, they have other important interests. In particular, their investment returns suffer when individual companies harm important social and environmental systems, because almost all investors own diversified portfolios that rely on the economy that these systems support.

Media companies present a salient example of this tension: they can profit from driving traffic with inaccurate, misleading, sensationalized, or decontextualized information that undermines public understanding of critical issues such as climate change, public health matters, and the democratic process. This lack of understanding can undermine efforts to protect vital environmental systems,

A: PO Box 7545 | Wilmington, DE 19803 | USA **P:** +1-302-485-0497 **E:**
info@theshareholdercommons.com

functioning democratic institutions, and public health efforts, thereby threatening the economy and diversified portfolios.

As conventional corporations, media companies such as Fox must prioritize profits, even when those profits come at a cost to their own diversified shareholders. They are legally required to provide compelling entertainment for their audience, even if that entertainment includes inaccuracies that threaten environmental and social systems that support a healthy market system.

By supporting conversion to PBCs that prioritize accuracy, investors can protect their portfolios from threats such as climate denialism, election misinformation, and vaccine hesitancy, no matter how profitable carriage of misleading information might be to an individual company.

ALLOWING INVESTORS TO EXERCISE FIRST-AMENDMENT RIGHTS

Media companies are the property of their shareholders. These owners should be entitled to make decisions as to how the corporate assets are used. Indeed, in its decision granting corporations broad First-Amendment rights with respect to political contributions, the U.S. Supreme Court emphasized the ability of “shareholders to react to the speech of corporate entities in a proper way.”

By voting for PBC conversion, investors can access their ability to exercise their first-amendment prerogatives as shareholders by ensuring that the purpose of media corporations is broad enough to preserve the full spectrum of investor interest.

PBC CONVERSION EXPANDS SHAREHOLDER INTERESTS FOR WHICH MEDIA COMPANIES ARE RESPONSIBLE

There is a myth that PBCs will be run for the benefit of stakeholders other than shareholders. The myth springs from a misunderstanding of corporate law. In a PBC, the directors continue to be elected (and subject to removal) solely by shareholders. Moreover, their legal duties as fiduciaries continue to run only to shareholders. Importantly, only shareholders can bring fiduciary claims in court.

The difference is that PBC law reflects the reality that shareholders have broader interests than merely desiring that individual companies maximize their own returns. Shareholders rely on a healthy environment and functioning social institutions, which undergird their other investments, as well as their own careers and experiences and the interests of people about whom they care. PBC status allows shareholders to reconcile these interests, without artificially prioritizing individual company financial return.

For more information, contact Sara E. Murphy at sara@theshareholdercommons.com.