

[JPMorgan Chase & Co.: Rule 14a-8 Proposal, December 7, 2021]

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ITEM 4\*: Report on Strategies to Address Governance Costs

**RESOLVED**, shareholders ask that the board commission and disclose a study on how the Company can consider the financial position of the Company's diversified owners in establishing its underwriting practices in order to address the share price concerns that lead the Company to underwrite economically detrimental multiclass share offerings.

**Supporting Statement:**

To optimize its own financial returns, our Company underwrites initial public offerings providing perpetual control to insiders with high-vote stock,<sup>1</sup> contributing to poor governance that harms investors as a class.<sup>2</sup>

These structures give unchecked power to insiders, whose concentrated interests are not aligned with diversified shareholder interests. As one Nobel laureate notes, "initial entrepreneurs are not well-diversified and so they want to maximize the value of their own company, not the joint value of all companies."<sup>3</sup> The SEC's Investor Advocate underscored the economic risk of multiclass structures recently:

*[W]hat we now have in our public markets is a festering wound that, if left untreated, could metastasize unchecked and affect the entire system of our public markets. The question, then, is what can be done to avoid the inevitable reckoning.*<sup>4</sup>

Similarly, an SEC Commissioner said:

*Structures where a minority of insiders lock out the interests and rights of the majority may... be harmful for the economy as a whole.*<sup>5</sup>

By lending its reputation and expertise to these structures, the Company jeopardizes the viability of the governance model that created significant economic wealth. By continuing to underwrite such offerings, the Company prioritizes its own financial returns over the health of the global economy, in keeping with the Chairman's description of the Company's "stock price [as] a measure of the progress we have made over the years."<sup>6</sup>

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<sup>1</sup> See, e.g., <https://www.sec.gov/Archives/edgar/data/0001650164/000119312521279379/d166297d424b4.htm> (Toast, Inc.); <https://www.sec.gov/Archives/edgar/data/0001822250/000119312520319302/d82777d424b4.htm> (Wish).

<sup>2</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=987488](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=987488);

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2954630](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2954630)

<sup>3</sup> <https://ssrn.com/abstract=3680815> or <http://dx.doi.org/10.2139/ssrn.3680815>

<sup>4</sup> Rick Fleming, *Dual-Class Shares: A Recipe for Disaster* (October 15, 2019) (emphasis added).

<sup>5</sup> Available at [https://www.sec.gov/news/speech/speech-stein-021318#\\_ednref45](https://www.sec.gov/news/speech/speech-stein-021318#_ednref45).

<sup>6</sup> <https://reports.jpmorganchase.com/investor-relations/2020/ar-ceo-letters.htm>

But improving Company share price by practices that threaten “the economy as a whole” is a bad trade for most of the Company’s shareholders, who are diversified, relying on broad economic growth to achieve their financial objectives. A Company strategy that increases its own share price but threatens global GDP is a threat to these owners: a drag on GDP created by facilitating poor governance will directly reduce their long-term returns.<sup>7</sup>

To address the reduced returns that would come from foregoing multiclass underwriting revenues, the Proposal would encourage the Company to study how it could (1) participate in public and private collaborations to end poor governance and (2) explicitly account for performance improvements in its shareholders’ diversified portfolios. Such a report would help diversified shareholders determine whether to seek a change in corporate direction so that the Company can better serve their interests.

Please vote for: Report on Strategies to Address Governance Costs – Proposal 4\*



[This line and any below are *not* for publication]

[\*Number to be assigned by the Company]

The graphic above is intended to be published with the rule 14a-8 proposal. The graphic would be the same size as the largest management graphic (and accompanying bold or highlighted management text with a graphic) or any highlighted management executive summary used in conjunction with a management proposal or a rule 14a-8 shareholder proposal in the 2021 proxy.

The proponent is willing to discuss mutual elimination of both shareholder graphic and any management graphic in the proxy in regard to this specific proposal.

Reference SEC Staff Legal Bulletin No. 14I (CF)

[16] Companies should not minimize or otherwise diminish the appearance of a shareholder’s graphic. For example, if the company includes its own graphics in its proxy statement, it should give similar prominence to a shareholder’s graphics. If a company’s proxy statement appears in black and white, however, the shareholder proposal and accompanying graphics may also appear in black and white.

Notes: This proposal is believed to conform with Staff Legal Bulletin No. 14B (CF), September 15, 2004, including (emphasis added):

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<sup>7</sup> [https://www.unepfi.org/fileadmin/documents/universal\\_ownership\\_full.pdf](https://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf)

Accordingly, going forward, we believe that it would not be appropriate for companies to exclude supporting statement language and/or an entire proposal in reliance on rule 14a-8(i)(3) in the following circumstances:

- the company objects to factual assertions because they are not supported;
- the company objects to factual assertions that, while not materially false or misleading, may be disputed or countered;
- the company objects to factual assertions because those assertions may be interpreted by shareholders in a manner that is unfavorable to the company, its directors, or its officers; and/or
- the company objects to statements because they represent the opinion of the shareholder proponent or a referenced source, but the statements are not identified specifically as such.

**We believe that it is appropriate under rule 14a-8 for companies to address these objections in their statements of opposition.**

See also Sun Microsystems, Inc. (July 21, 2005).

*I also remind you of the SEC's recent guidance and my request that you acknowledge receipt of this shareholder proposal submission. In SLB 14L Section F, <https://www.sec.gov/corpfin/staff-legal-bulletin-14l-shareholder-proposals>, Staff "encourages both companies and shareholder proponents to acknowledge receipt of emails when requested."*