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INSIDE TRACK

Inside Track: 'Anything For A Hit' Author Seeks to Become Activist Shareholder With Major Labels

By Frank DiGiacomo
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Mackenzie Stroh
Dorothy Carvello photographed on July 26, 2018 at home in New York.

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Dorothy Carvello says she has purchased shares of all three major record companies with the intention of seeking more transparency in the music industry.

Dorothy Carvello, the author of *Anything For A Hit: An A&R Woman's Story of Surviving The Music Industry*, says she's taking her crusade against the sexual and financial misconduct she has witnessed in the music industry to the next level by becoming an activist shareholder.

Carvello first took on these subjects in her 2018 memoir, in which she recounted the sexual harassment and abuse she experienced while working at Atlantic Records and other music companies from 1987 to 2000. (As *Billboard* reported in September, the book is being adapted into a docuseries by filmmakers **Ricki Stern** and **Annie Sundberg**.)

In the wake of Universal Music Group's public offering on Sept. 21, Carvello says she has now purchased shares of all three major record companies, UMG, Warner Music Group and Sony Music Entertainment's parent company, Sony Inc. (sharing screenshots with *Billboard* that she

says were proof of those purchases.) The author and music-industry public relations consultant says she purchased the shares with the intention of becoming an activist shareholder.

"Now that I have skin in the game, I want to work with like-minded shareholders to bring more transparency to the music industry." says Carvello, adding that she intends to introduce a shareholder proposal that the majors release any current or former employees "from non-disclosure agreements connected to Title VII offenses." Title VII of the Civil Rights Act of 1964 protects individuals against employment discrimination on the basis of race, color, religion, national origin and sex, including sexual harassment, and Sony, UMG and WMG have all had well-defined and publicly available processes in place to deal sensitively and swiftly with such issues.

Carvello likens her intentions to former Fox News host, #MeToo activist and Goldman Sachs shareholder **Gretchen Carlson's** proposal at the investment bank's annual shareholders meeting in April. Carlson asked fellow Goldman Sachs shareholders to vote in favor of a measure on this year's proxy that would force the bank to publish a report on how mandatory-arbitration — which helps corporations keep internal conflicts confidential — affects its staff and the workplace, according to Bloomberg|Quint. The proposal was defeated, but received the backing of 49% of shareholders and a lot of media attention.

Carvello declined to reveal how many shares of each company she had purchased, but without like-minded shareholders, she won't have an easy time making her case. Of the three major music groups, only WMG is traded directly on U.S. exchanges. According to the U.S. Securities and Exchange Commission, a shareholder must own \$2,000 of a company's securities for at least three years; \$15,000 worth for at least two years, or \$25,000 for at least one year, to be able to put a shareholder proposal up for vote.

From there, it becomes even more difficult: UMG is incorporated in the Netherlands and trades on the pan-European Euronext NV stock exchange in Amsterdam. According to sources familiar with Euronext rules, shareholders must own 3% of a company's share capital to introduce a proposal. Three percent of UMG shares is currently worth \$1.3 billion.

Sony Inc. is traded primarily on the Tokyo Stock Exchange. Financial sources explain that shares listed on the New York Stock are American Depositary Receipts (ADRs). Essentially, an investor is trading shares with a bank that holds foreign shares. SEC rules do not apply to ADRs, and on the Tokyo exchange, only the bank that holds the ADR, in this case for Sony, can put forth shareholder proposals. (It's worth nothing that shareholder proposals are not the only option for stockholders register their discontent with the governance of a public company.)

If Carvello is able to get a proposal on a company's ballot, Alexandra Higgins, a managing director at Okapi Partners who provides strategic counsel to corporate clients with a focus on governance, including shareholder activism, says that activism "related to environmental and social issues have been getting much more support in recent years."

'Anything For A Hit' Author Dorothy Carvello on #MeToo and Music: 'Men Are Not the Enemy'
In June, for example, the little known hedge fund Engine No. 1 waged a successful fight to install three directors on the board of energy behemoth Exxon Mobil — for the purpose of pushing the energy company to reduce its carbon footprint and move away from fossil fuels — by gaining the support of some of Exxon's biggest institutional investors. BlackRock, Vanguard and State Street, which voted against Exxon's leadership.

Spokespersons for Sony Music, UMG and WMG declined to comment for this story, but industry insiders see Carvello's stock acquisitions as an attempt to drum up publicity for her book and docuseries. In her recent PR work, Carvello has consulting executives at the major label groups, which is perceived by some label insiders as a conflict of interest given her intended activism.

Carvello declines to reveal the names of her executive clients — but she says they pay her from their own pockets, adding: . "I am not being paid by any of the major label groups."

Additional reporting by Glenn Peoples

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