

September 18, 2019

The Honorable Jay Clayton  
Chair  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20001

The Honorable William Hinman  
Director, Corporation Finance  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20001

Dear Chair Clayton and Mr. Hinman:

The 129 undersigned investors and investor organizations, representing \$525 billion in assets under management, are writing to share their concerns about potential changes to Rule 14a-8. The Securities and Exchange Commission has placed investors on alert with its May 2019 announcement that it is considering conducting a rulemaking to alter the thresholds for filing and/or resubmission of shareholder proposals.

Rule 14a-8 is a vitally important, cost-effective, market-based mechanism for shareholders of all sizes to communicate with management teams, directors and other shareholders on important corporate governance, risk and policy issues that affect companies and their investors. We oppose changes to Rule 14a-8 for the following reasons:

- **The current rule is not broken.** While a handful of large trade associations are advocating for the SEC to make changes to reduce investors' ability to engage constructively with companies, this process is one of the most reliable—and vital—ways in which investors can practice responsible ownership. Additionally, it allows shareholders to raise issues before they become crises that can erode shareholder value.
- **Investors in publicly traded companies have long held the right to participate in the shareholder proposal process.** In exchange for capital, shareholders gain unique rights to bring concerns in front of corporate management. Changes to submission and resubmission thresholds will likely decrease shareholders' ability to share concerns about and suggestions for better policies and procedures. Concerns may thus emerge in other ways including voting against directors, lawsuits, books and records requests and requests for additional regulations. The existing rule provides a well-established, well understood, and reasonably predictable vehicle for investor input.
- **The rule is designed to give voice to all investors, including small investors.** The size of a shareholder's investment in a company does not dictate the quality of the shareholder's idea. The threshold to file a shareholder proposal was intentionally set at a level which allows small institutional and individual shareholders alike to engage

corporate boards and senior management. It has been pegged at a modest level for over 70 years. This harnesses the power of the free market to the benefit of companies, investors and the economy. Efforts to revise ownership thresholds upwards would likely exclude retail investors.

- **The existing resubmission thresholds are effective at screening out proposals considered irrelevant or ill-advised by most shareholders.** Advocates for weakening shareholder rights argue that submission criteria and resubmission thresholds should be revised upwards. It is our view that those advocates have not substantiated a clear and widespread problem requiring the SEC to propagate a lengthy and costly rulemaking to alter Rule 14a-8. This move seems particularly misguided when there are much more pressing matters before the SEC, such as proxy plumbing and universal proxy.

Over the years, shareholder proposals have helped companies address issues before they have become significant problems. Proposals have contributed to significant and tangible benefits at companies. Issues addressed by shareholder proposals include:

- The now standard practice that independent directors constitute at least a majority of the board. This is now mandated in US stock exchanges' listing standards;
- Advisory votes on executive compensation, or "say-on-pay" vote requirements – now mandated by the Dodd–Frank Wall Street Reform and Consumer Protection Act;
- Wide-scale adoption of international human rights principles as part of corporate codes of conduct and supply chain policies which help protect companies from legal and reputational risk;
- Expanded company initiatives to reduce greenhouse gas contributions to climate change and report about these efforts;
- Widespread adoption of corporate sustainability reporting;
- Adoption of comprehensive nondiscrimination policies that include sexual orientation and gender identity or expression which are now standard practice at the majority of large companies;
- Increased board diversity.

The SEC's job is to protect investors and maintain well-functioning markets. Thus, we urge the SEC to protect the market mechanism tools available for shareholders to ensure that companies are transparent and accountable. It does not benefit the economy, companies or the capital markets to diminish this fundamental right.

Sincerely,

Abacus Wealth Partners  
Santa Monica, CA

Addenda Capital  
Toronto, ON

Adrian Dominican Sisters Portfolio Advisory  
Board  
Adrian, MI

American Federation of Labor and  
Congress of Industrial Organizations  
Washington, DC

Arjuna Capital  
Manchester-by-the-Sea, MA

As You Sow  
Berkeley, CA

Azzad Asset Management  
Falls Church, VA

Bailard  
Foster City, CA

Bon Secours Mercy Health  
Cincinnati, OH

Boston Common Asset Management  
Boston, MA

Boston Trust Walden  
Boston, MA

Brethren Foundation Funds  
Elgin, IL

Calvert Research and Management  
Washington, DC

Catholic Health Initiatives  
Englewood, CO

Change Finance, PBC  
Longmont, CO

Church Investment Group  
Atlanta, GA

Church of the Brethren Benefit Trust  
Elgin, IL

Clean Yield Asset Management  
Norwich, VT

CNote Group, Inc.  
Oakland, CA

Communitas Financial Planning  
San Francisco, CA

Conference for Corporate Responsibility  
Indiana and Michigan  
Indiana and Michigan

Confluence Philanthropy  
Oakland, CA

Congregation of Sisters of St. Agnes  
Fond Du Lac, WI

Congregation of St. Joseph  
Wheeling, WV

Cornerstone Capital Group  
New York, NY

Corporate Governance (CorpGov.net)  
Elk Grove, CA

Corporate Responsibility Office - The  
Province of Saint Joseph of the Capuchin  
Order  
Detroit, MI

Dana Investment Advisors  
Waukesha, WI

Daughters of Charity, Province of St. Louise  
St. Louis, MO

Dignity Health  
Santa Cruz, CA

Domini Impact Investments LLC  
New York, NY

Dominican Sisters ~ Grand Rapids  
Grand Rapids, MI

Dominican Sisters of Peace  
Columbus, OH

Dominican Sisters of Springfield IL  
Springfield, IL

Entelligent  
Boulder, CO

Everence and the Praxis Mutual Funds  
Goshen, IN

Figure 8 Investment Strategies  
Boise, ID

First Affirmative Financial Network  
Colorado Springs, CO

Franciscan Sisters of Mary  
Bridgeton, MO

Franciscan Sisters of Perpetual Adoration  
La Crosse, WI

Friends Fiduciary Corporation  
Philadelphia, PA

Fund for Democratic Communities  
Greensboro, NC

Green America  
Washington, DC

Green Century Capital Management  
Boston, MA

Hampshire College  
Amherst, MA

Harrington Investments, Inc.  
Napa, CA

IBEW Pension Benefit Fund  
Washington, DC

Impact Investors  
San Diego, CA

Impax Asset Management  
Greenwich, CT; London, UK

Incourage Community Foundation, Inc.  
Wisconsin Rapids, WI

Interfaith Center on Corporate  
Responsibility  
New York, NY

Investor Environmental Health Network  
Boston, MA

Investor Voice  
Seattle, WA

James McRitchie  
Elk Grove, CA

Jantz Management LLC  
Boston, MA

Jessie Smith Noyes Foundation  
New York, NY

Jesuit Committee on Investment  
Responsibility  
Washington, DC

JLens Investor Network  
New York, NY

John Chevedden  
Redondo Beach, CA

KBI Global Investors  
Dublin, Ireland

Kendall Sustainable Infrastructure  
Cambridge, MA

Laura Isanuk  
Denver, CO

Leadership Team of the Felician Sisters of  
North America  
Beaver Falls, PA

Manaaki Foundation  
Chicago, Illinois

Manhattan Country School  
New York, NY

Mary Reynolds Babcock Foundation  
Winston-Salem, NC

Maryknoll Sisters  
Maryknoll, NY

Mennonite Education Agency  
Goshen, IN

Mercy Investment Services, Inc.  
St. Louis, MO

Miller/Howard Investments, Inc.  
Woodstock, NY

Missionary Oblates/OIP Trust  
Washington, DC

Natural Investments  
San Francisco, CA

Newground Social Investment  
Seattle, WA

NorthStar Asset Management, Inc.  
Boston, MA

Northwest Coalition for Responsible  
Investment  
Seattle, WA

Office of the Illinois State Treasurer Michael  
Frerichs  
Chicago, IL

Office of the Vermont State Treasurer  
Montpelier, Vermont

Oneida Nation - Trust Enrollment  
Department  
Green Bay, WI

Oxfam America  
Boston, MA

Parnassus Investments  
San Francisco, CA

Pax World Funds  
Portsmouth, NH

Portico Benefit Services  
Minneapolis, MN

Providence St. Joseph Health  
Renton, WA

Region VI Coalition for Responsible  
Investment  
Cleveland, OH

Rhode Island Treasurer's Office  
Providence, RI

Riverwater Partners  
Milwaukee, WI

Robasciotti & Philipson  
San Francisco, CA

Rose Foundation for Communities and the  
Environment  
Oakland, CA

Sant Charitable Foundation, Inc.  
Washington, DC

School Sisters of Notre Dame Cooperative  
Investment Fund  
Wilton, CT

School Sisters of St. Francis  
Milwaukee, WI

Seattle City Employees' Retirement System  
Seattle, WA

Segal Marco Advisors  
Chicago, IL

Seventh Generation Interfaith Inc  
Milwaukee, WI

SharePower Responsible Investing  
Westminster, MD

Shawn T. Wooden, Connecticut State  
Treasurer  
Hartford, CT

Sierra Club Foundation  
Oakland, CA

Sisters of Charity of Saint Elizabeth  
Convent Station, NJ

Sisters of St. Dominic/Racine Dominicans  
Racine, WI

Sisters of St. Francis Charitable Trust,  
Dubuque  
Dubuque, IA

Sisters of St. Francis of Philadelphia  
Aston, PA

Sisters of St. Joseph of Boston  
Brighton, MA

Sisters of the Holy Family  
Fremont, CA

Sisters of the Humility of Mary  
Villa Marie, PA

Sisters of the Presentation of the BVMary of  
Aberdeen SD  
Aberdeen, SD

Sonen Capital  
San Francisco, CA

SRI Investing LLC  
New York, NY

Sustainable Insight Capital Management  
New York, NY

Swift Foundation  
Santa Barbara, CA

The CAPROCK Group  
Boise, ID

The Episcopal Church (DFMS)  
New York, NY

The Russell Family Foundation  
Gig Harbor, WA

The Summit Foundation  
Washington, DC

The Sustainability Group of Loring, Wolcott  
& Coolidge  
Boston, MA

Thomas P. DiNapoli, New York State  
Comptroller  
Albany, NY

Tides Foundation  
San Francisco, CA

Toniic Institute  
San Francisco, CA

Tri-State Coalition for Responsible  
Investment  
Montclair, NJ

Trinity Health  
Livonia, NY

Unitarian Universalist Association  
Boston, MA

US SIF: The Forum for Sustainable and  
Responsible Investment \*  
Washington, DC

Utility Workers Union of America, AFL-CIO  
Washington, DC

ValueEdge Advisors  
Portland, ME

Veris Wealth Partners  
San Francisco, CA

Vermont Pension Investment Committee  
Montpelier, VT

Vert Asset Management  
Sausalito, CA

Wallace Global Fund  
Washington, DC

Wespath Benefits and Investments  
Glenview, IL

Zevin Asset Management  
Boston, MA

Cc: Commissioner Roisman  
Commissioner Peirce  
Commissioner Jackson  
Commissioner Lee

\* This letter was organized by US SIF. Please contact Bryan McGannon, Director of Policy and Programs, with any questions at [bmcgannon@ussif.org](mailto:bmcgannon@ussif.org).