



June 11, 2010

Dear Senate and House Conferees,

It has been almost three years since the American economy began to suffer from what has become one of our nation's most severe financial crises and a clear call to action for financial reform. Placed in this context, the much-needed changes being discussed in the House and Senate financial reform bills are long overdue.

The Social Investment Forum (SIF), the U.S. membership association representing professionals, firms, institutions and organizations engaged in socially responsible and sustainable investing, has advocated for a series of measures to combat predatory lending and other weaknesses of the financial sector. Our focus has been on improved corporate governance (granting shareholders rights to nominate alternative candidates to boards, requiring a majority voting standard for the election of board directors, and mandating a shareholder advisory vote on executive compensation); creating a financial regulator dedicated to protecting consumers; regulation and oversight of all investment products including hedge funds and derivatives; providing sufficient resources to regulators, with a particular focus on adequate funding for the Securities and Exchange Commission (SEC); creation of a systemic risk regulator; and enhanced oversight and higher standards of accountability for credit rating agencies.

As the bill goes to the House-Senate conference committee, our priority issues for the committee are:

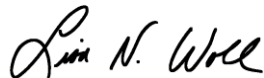
- **Board practices**—Shareholders need majority voting and proxy access to foster greater accountability and oversight in America's boardrooms. The Senate version of the bill grants shareholders new rights to remove poorly performing directors (majority voting standard), and both versions give the SEC clear authority to proceed with a new rule to allow shareholders to nominate alternative candidates (proxy access). The two features constitute basic, market-based solutions to regulation that will help private-sector participants promote responsible behavior. Therefore, we would like to see them enacted promptly.
- **Executive compensation**—Both Senate and House versions give stockholders an advisory vote on executive compensation, a so-called "say on pay," at all U.S. publicly traded companies and require that issuers' board compensation committees be comprised entirely of independent directors, and that compensation consultants meet strict independence standards. The House version also would require public companies to disclose information about any golden parachutes paid to executives. In addition, the Senate bill would require listed companies to adopt policies stating that they will disclose their policies on compensation linked to financial performance and recover any current or former executive incentive-based compensation paid during the three-year period preceding the date of a restatement made as the result of material noncompliance with any financial reporting requirement. Finally, the Senate bill also would require companies to highlight pay disparity by disclosing the median annual total compensation of all employees other than the CEO, the CEO's annual total compensation and the ratio of these two. We strongly support all of these measures.
- **Consumer financial protection**—Both bills create a regulatory body to oversee consumer financial products. The Social Investment Forum believes that consumers would be best served by a regulator that is an entirely independent agency, as outlined in the House bill, rather than

housed in the Federal Reserve, as proposed by the Senate. SIF supports requiring the presidential appointment of the agency's or bureau's director.

- **SEC funding**—Both versions of the bill anticipate considerable new responsibilities for the SEC. Funding for the SEC in the recent past has not been adequate from a human or technical resources perspective. We have thus supported allowing the SEC to become self-funded, as is included in the Senate bill. If the SEC is not self-funded, it is imperative that appropriation committee members ensure that the agency is allocated resources sufficient to be an energetic, effective and comprehensive regulator.
- **Derivatives**—SIF is pleased that both the Senate and House bills address the issues of transparency, disclosure and regulation of the derivatives market. The \$600 trillion derivatives market will now be more transparent with exchange trading and will have greater accountability with capital and clearing requirements. Overall, we believe the Senate version of the bill is stronger, as it includes a provision to force banks to spin off their derivatives business from Federal Deposit Insurance Corporation (FDIC) insured functions. By separating highly risky swaps trading from banking altogether, federally insured deposits will not be put at risk by speculative swaps transactions. In general, speculative business activity should not be an FDIC insured function. In addition, the Senate version of the bill has two other strengths: fewer end-user exemptions and clearer language on preventing abuse. Therefore, we urge you to adopt the Senate version of derivatives reform.
- **Broker voting**—As outlined in the Senate bill, brokers should not be able to cast votes for customers who fail to provide voting instructions. Therefore, we believe, as is stated in the Senate bill, that the stock exchanges should strengthen their listing requirements to prohibit brokers from voting the uninstructed shares of their clients on specified matters such as director elections, executive compensation or any other “significant matter” as determined by the SEC.

Our members include financial, corporate governance and proxy advisory experts, and, as always, we are pleased to meet with you should you have any questions about the features of financial reform highlighted above. Thank you for considering our views as you work toward passing this historic legislation.

Sincerely,



Lisa Woll

CEO, Social Investment Forum