

April 16, 2010

Re: Support for Restoring American Financial Stability Act of 2010

Dear Senator:

I am writing to you on behalf of the Social Investment Forum (SIF), the U.S. membership association for professionals, firms, institutions and organizations engaged in socially responsible and sustainable investing. SIF and its members advance investment practices that consider environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact. **We support passage of the *Restoring American Financial Stability Act of 2010* and are particularly interested in three key areas: meaningful corporate governance enhancements (including proxy access, majority voting and “say on pay”); an independent Consumer Financial Protection Agency (CFPA); and self-funding of the Securities and Exchange Commission (SEC).**

The Social Investment Forum welcomes the progress reflected in the Senate bill on the major fronts of corporate governance reform and SEC self-funding, as well as on portions of the bill addressing systemic risk, credit rating agencies, hedge funds and over-the-counter derivatives. However, we continue to have concerns about provisions in the bill that could compromise the functional independence of the proposed consumer protection entity.

We would like to highlight a few provisions in the legislation that we support and are priorities for us:

- **Say on Pay:** Giving shareholders an advisory vote on executive pay packages is crucial in keeping runaway executive pay packages in check. A September 2009 report from The Corporate Library found that median total annual compensation for the CEOs at 2,700 companies declined by a mere 0.08 percent in 2008, during a time when the S&P 500 index tumbled more than 37 percent. It clearly proves, as the study itself concludes, that “pay is fatally divorced from performance” at U.S. companies. Shareholder support for “say on pay” resolutions is strong and continues to grow. In 2009 alone, 76 proposals came to votes and averaged 46.1 percent support, with 24 majority votes recorded. Furthermore, a growing tide of companies is voluntarily adopting “say on pay” policies. More than 65 companies, including some of America’s largest and most venerated firms—Colgate-Palmolive, Intel, Ingersoll-Rand, Motorola and Microsoft-- have adopted “say on pay” policies since 2006. It is time for the rest to follow.
- **Majority voting:** Directors should receive support from a majority of voted shares in order to be elected rather than the current plurality standard that allows uncontested directors nominated by the existing board to win election with a single vote. According to the California Public Employees’ Retirement System (CalPERS), about 71 percent of S&P 500 companies already have adopted majority vote standards for director elections or policies for resignations of directors that fail to achieve majority support. Shareholder proposals on majority voting have a long history of strong support, and CalPERS is filing 58 resolutions this year alone at U.S. companies. As with “say on pay,” it is time that companies be required to adopt this good governance practice.
- **Proxy access:** The Securities and Exchange Commission (SEC) needs clear authority to require companies to include director nominees from shareholders in their proxy statements. This “proxy access” will give shareholders a much-needed tool to hold corporate boards and management accountable.
- **SEC self-funding:** If the SEC is going to be an effective regulator, especially in the face of additional responsibilities in the years ahead, it needs adequate, reliable funding. Self-funding from the fees it already collects from issuers’ filings and enforcement actions is the right choice, and we support this component of the financial reform bill.

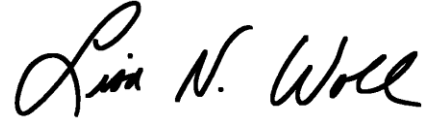
- **“Clawback” provisions:** Shareholders should be able to take compensation back from executives if the compensation was based on inaccurate financial statements or other fraudulent acts, and many U.S. companies already have acknowledged that this is a good governance practice. According to CalPERS, about 40 percent of S&P 500 companies have “clawback” provisions. Again, we are supportive of this provision.
- **Stronger compensation committees:** We support provisions to allow only independent directors to serve on companies’ compensation committees and to give directors on these committees authority to hire independent compensation consultants. This is an excellent corporate governance practice, and one that most publicly-traded companies have adopted.
- **Consumer protection:** The Senate bill calls for the creation of a “Consumer Financial Protection Bureau” within the Federal Reserve with presidentially appointed leadership and rulemaking authority. However, it also gives the proposed new “Financial Stability Oversight Council” authority to overrule the Bureau’s rules. We will be watching closely to see how debate unfolds on this front and encourage you to push for greater independence for the entity. We believe it should not be in the Federal Reserve and should not be subject to being “overruled.” Consumers need protection from predatory and other unfair lending practices; a strong, independent authority is the best mechanism to achieve this goal.
- **Risk regulator:** We back the establishment of a new Office of Credit Rating Agencies at the SEC to strengthen government oversight of credit rating agencies. We believe the legislation is heading in the right direction with the creation of a Financial Stability Oversight Council to identify and address systemic risks posed by large, complex companies, products and activities before they threaten the stability of financial markets. We are supportive as well of other provisions in the bill to prevent having to bail out financial firms deemed “too big to fail.”
- **Oversight of credit rating agencies:** We support moves to ensure that investors can trust credit ratings. Therefore, we agree that the SEC should have oversight of credit ratings agencies, evaluate them regularly and de-register those that repeatedly violate regulations.
- **Hedge funds:** We urge the Senate to move forward with the strongest possible regulation of hedge funds. We endorse the concept that hedge funds that manage more than \$100 million must register with the SEC as investment advisers and must disclose financial data needed to monitor systemic risk and protect investors.
- **Derivatives:** In addition, we approve of granting authority to the Commodity Futures Trading Commission and the Securities Exchange Commission to oversee swaps and security-based swaps, over-the-counter market participants and market activity. In particular, we welcome provisions in the Senate bill to impose capital and margin requirements to participate in the over-the-counter derivatives markets.

Last, we support the amendment by Senator Robert Menendez included in the bill which calls for corporations to disclose data related to pay disparity, including the CEO’s total compensation, the median annual total compensation for employees excluding the CEO, and the ratio between CEO and median employee pay. The sustainable investment community strongly supports greater corporate disclosure, and this amendment would assist investors in identifying companies with better compensation and governance practices.

With foreclosure rates showing no signs of abating and unemployment still sky high, Americans are very aware of the damage done to their economic security and peace of mind by the financial crisis.

Therefore, we urge you to pass the strongest possible financial reform bill, making it clear to the American people that the harsh lessons of the financial crisis have been learned.

Sincerely,

A handwritten signature in black ink that reads "Lisa N. Woll". The signature is written in a cursive, flowing style.

Lisa Woll, CEO
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