



The Forum for Sustainable and Responsible Investment

May 23, 2018

Dear Representative,

US SIF: The Forum for Sustainable and Responsible Investment is the leading voice advancing sustainable, responsible and impact investing across all asset classes. We represent 300 members with more than \$3 trillion in assets under management or advisement.

We urge you to oppose H.R. 5756, which requires the Securities and Exchange Commission to adjust certain resubmission thresholds for shareholder proposals. H.R. 5756 would significantly increase **the resubmission levels under Rule 14a-8 of the Securities Exchange Act of 1934 (the “shareholder proposal rule”)**

The current vote thresholds allow relevant issues to be resubmitted annually and to gradually build support. The shareholder proposal rule is a vitally important, market-based mechanism for a range of investors to communicate with boards, management and other shareholders on important corporate governance, risk and policy issues affecting companies. A key element is to allow these issues to be recognized before a crisis arises that erodes shareholder value. The SEC should be seeking to enhance these fiduciaries’ abilities to fulfill their duties.

Shareholder proposals that required resubmission in order to build support have contributed to significant and tangible benefits at countless companies. Shareholder proposals are responsible for:

- the now standard practice that independent directors constitute at least a majority of the board and now mandated by US stock exchanges’ listing standards
- “say-on-pay” vote requirements – now mandated by the Dodd-Frank Act
- wide-scale adoption of international human rights principles as part of corporate codes of conduct and supply chain policies, protecting companies from legal and reputational risk
- an increase of 81 percent at S&P 500 companies that publish sustainability reports in 2015 compared to just under 20 percent in 2011.¹

The new thresholds proposed in H.R. 5756 will have unintended consequences that are costly and inefficient. Alternatives to shareholder proposals include voting against directors, lawsuits, books and records requests, and requests for additional regulations.

¹ <https://www.ga-institute.com/press-releases/article/flash-report-eighty-one-percent-81-of-the-sp-500-index-companies-published-corporate-sustainabi.html>

Each of these is more onerous and adversarial than including a 500-word proposal in the proxy statement for the consideration of shareholders.

Most importantly, any analysis of costs of the shareholder proposal process must be balanced against the benefits. Poor corporate governance and inadequate environmental, social and governance (ESG) practices hurt company performance and investor returns.

Further information about the impacts of this change and the reasons for maintaining the current shareholder rule and resubmission levels can be found in this [document](#), which US SIF has co-authored.

We urge you to oppose H.R. 5756 and any other efforts that will create roadblocks to the 14a-8 process. Changes to resubmission thresholds will create a barrier between companies and shareholders which would not serve the capital markets or investors.

We appreciate your attention to this issue. If you have any questions, you may reach me at lwoll@ussif.org.

Sincerely,

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

Lisa Woll
CEO