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SEC - Investor Advisory Committee
Securities and Exchange Commission 100 F Street, N.E.
Washington, D.C. 20549-1090
via https://www.sec.gov/cgi-bin/ruling-comments

RE: Upcoming 12/13 Discussion Regarding Disclosures on ESG Topics

Dear Chair Sheehan and Committee Members,

I hope your discussion of ESG disclosures will go beyond the important issues surrounding standardizing disclosures to include how the SEC can help ESG information reach retail shareholders. Below I present several recommendations for your consideration. If inappropriate for the December meeting, perhaps some of these issues can be addressed at future IAC meetings.

By way of background, my wife, Myra K. Young, and I are retail Main Street Investors, the large group so widely referenced by Chairman Clayton and other Commissioners. We typically buy and hold shares in our companies until they are bought our by larger firms. In the tradition of the Gilbert brothers, Wilma Soss, John Chevedden and others, we engage them on environmental, social and governance (ESG) issues in order to enhance their long-term value and to ensure corporate values do not conflict with the long-term interests of a democratic society.

For example, we are proud of our role in helping make declassified boards, majority voting for directors, proxy access for nominating directors, the right of shareholders to call special meetings and the elimination of supermajority voting requirements become commonplace best practices. We would also like to see all companies disclose ESG information, as Supreme Court Justice Kennedy appeared to believe was common practice in the landmark decision *Citizens United*:

> With the advent of the Internet, prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters. Shareholders can determine whether their corporation's political speech advances the corporation's interest in making profits, and citizens can see whether elected officials are 'in the pocket' of so-called moneyed interests.

Recommendation 1: SEC's investor.gov site should educate shareholders concerning their responsibility to vote their proxies on ESG issues. The SEC's site should be revamped to not only focus on investors as consumers assessing risks, but as shareholders with the responsibility of informed voting and knowledge of how to fully engage with their companies.

Holding stock in a company is not like owning a coin or a painting, which have no agency. Owning stock is owning a share in the most wealth generating mediating structure ever invented between the individual and society – the public corporation. Just as public schools educate citizens in their rights and responsibilities as Americans, the SEC's Investor.gov site should inform investors of their rights and responsibilities as shareholders.

Recommendation 2: SEC's investor.gov site should publicize the fact that a growing number of funds publish how they voted on proxy items and sometimes even the reasons for their votes prior to the voting deadline. Reviewing such information is often helpful in deciding my own vote. I am sure many other shareholders would benefit from the insights of others, if they knew where to find the information.

I have an incomplete list and links to disclosures made by about 15 such funds on the CorpGov.net website at https://www.corpgov.net/library/shareowner-action-handbook/ under the heading "*Shareowner Action Handbook: Vote.*" I assume there are several more such funds.

Recommendation 3: Funds should report their proxy votes more frequently in a searchable database. Once a year Form N-PX reporting requirements do not facilitate use by Main Street investors

who have a right to know how their funds voted without having to wait a year or sort through hundreds of thousands of individual votes, especially at large fund families.

Several SEC commissioners have expressed concern that many investors have little or no input into how their 401(k) and other retirement investments are voted. The first logical step in overcoming that problem is to provide investors with more information. They should be able to easily see how their funds voted on shareholder proposals they support or oppose, preferably before the votes are counted.

If funds reported votes more frequently in a searchable format, investors could then compare the voting record of their funds to the record of others. If proxy voting is important to them, they could then possibly switch where they invest or ask the fund to vote differently.

In the landmark decision *Citizens United*, Supreme Court Justice Kennedy expressed enthusiasm that technology today makes disclosure "rapid and informative." The current N-PX requirements meet neither standard, being only once a year and allowing reports to be in a largely uninformative format.

Recommendation 4: Investor.gov should link to innovators in the marketplace that are creating such opportunities, such as Shareholder Democracy at https://www.shareholderdemocracy.com. Critics of mutual fund voting point out Main Street fund investors have little in the way of voice as to how their shares and fractional shares are voted. The SEC should promote such vehicles for engagement.

Recommendation 5: Investor.gov should link to innovators in the market place that are providing less formal and less costly engagement mechanisms between investors and companies, as well as among investors. See, for example, Your Stake (YourStake.org) and Say (Say.com).

Why These Issues Are So Important

Main Street investors are an endangered species. Half of American's have no investments in equities, not even mutual funds. The top 1% holds more wealth than the bottom 95%.

Studies find a direct correlation between income inequality and political polarization over the last 60 years. Unfortunately, it manifests itself daily in the erosion of norms around civility, truth telling, declining trust in our institutions and political dysfunction.

It is clear we need more real Main Street investors if America is to avoid plunging deeper into turmoil. One thing the recently formed "Main Street Investors Coalition" certainly gets right is that real people have almost no ability to influence the decisions corporations make on their behalf.

The SEC can facilitate convergence on common values through additional educational efforts and disclosures, such as those outlined above.

Although buying a mutual fund is investing, most mutual fund holders do not really identify with the companies their mutual funds own. When I invest, I ask myself what the world needs and I try to find public companies that can fulfill those needs.

True investing is not based on short-term speculation. Instead, buying shares should be considered just the start of a long-term relationship. Ideally, we should hope to hold shares in our companies forever. Along the way, we should be empowered to suggest ways our companies can improve ESG elements, either through shareholder proposals or in other communications with the company.

I recently read a wonderful little book, *A Nation of Small Shareholders*, about a NYSE campaign to get more Americans to feel like part of the capitalist system after WWII. It was a way to show Americans that capitalism offers more benefits than communism. As shareholders, they would also be more likely enhance their incomes and to favor lowering capital gains taxes.

I know it is beyond the purview of the SEC-IAC, but to address inequality and a loss of faith in American institutions, our nation needs a campaign to make all Americans shareholders — not by taking away part of their Social Security, but by adding employer/employee

mandated pension programs. Such a campaign should emphasize the shareholder's voice in shaping corporate impacts, as well at potential profits.

Corporations should welcome shareholders into the capitalist system as participants in major decisions. In enforcing the SEC's rules in the landmark case of *SEC v TransAmerica* (1948), judge Biggs ruled, "a corporation is run for the benefit of its stockholders and not for that of its managers."

Instead of a program that makes all Americans 'feel' like shareholders but fails to instruct them in their rights or obligations, the SEC should be at the center of a program that educates investors on how to participate in the proxy process as responsible shareholders. In amending the proxy process, the SEC should look to enhance corporate engagement with their shareholders and the engagement of shareholders with each other to ensure ESG reflects the ever changing values of investors and society.

Sincerely,

James McRitchie, Shareholder Advocate
CorpGov.net
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