Boston Trust & Investment Management Company

Walden Asset Management
Advancing sustainable business practices since 1975
Over 40 Years of Impact

November 7, 2018

Mr. Brent J. Fields
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Via email to rule-comments@sec.gov

Re: Comments for the Securities and Exchange Commission (SEC) November 15, 2018 Roundtable on the Proxy Process – File Number 4-725

Dear Mr. Fields:

Boston Trust & Investment Management Company and our sustainable investment practice, Walden Asset Management ("Boston Trust/Walden"), is an investment management firm working with institutional and private wealth clients who represent nearly $9 billion in assets.

The hallmark of Boston Trust/Walden's investment approach is our emphasis on identifying higher quality investments with sustainable business models. Boston Trust believes that environmental, social, and governance (ESG) factors are an appropriate and material part of a comprehensive analysis of long-term investment prospects. We therefore believe it is important to consider a company's management of significant ESG risks and opportunities as part of our fiduciary duty to all clients. ESG integration builds on our belief that companies protect and enhance their long-term profitability if they integrate responsible behavior into the fabric of their business practices. As part of our effort to identify and invest in high quality companies, ESG factor integration brings an awareness of important long-term financial considerations and risks that may otherwise be overlooked.

Along with most of the 2,000 global investor signatories to the Principles for Responsible Investment (PRI), who collectively represent more than $80 trillion in assets under management, we also recognize the importance of company engagement to promote more sustainable business policies and practices. For Boston Trust/Walden, this includes the filing of shareholder resolutions, when appropriate. We filed our first shareholder proposal over 30 years ago in 1986. This year marked the filing of our 500th shareholder proposal, of which 40 percent were withdrawn after having reached constructive agreements with management. We also have developed a detailed set of Proxy Voting Guidelines to assist in our consideration of ESG factors in proxy voting.

Challenges to shareholder resolutions put forth by industry groups have a long history and have been increasing markedly in recent years. Numerous investors are providing comment letters to the SEC, providing background on the philosophy behind shareholder proposals and the significant positive impact they have had on company policies and practices on important and material ESG issues. Of course, we can also point to examples of resolutions that were poorly crafted or misguided in their request to company boards. In such cases, investors could and should have voted against such shareholder proposals.

Boston Trust/Walden's comments that follow focus on recent acrimonious and misguided attacks on this shareholder right, particularly by industry associations, which aim to limit significantly shareholder proponents and the resolution process.

The U.S. Chamber of Commerce, a longtime critic of shareholder resolutions, was joined three years ago by vocal opposition from the Business Roundtable. Most recently, the National Association of Manufacturers (NAM) and the newly formed Main Street Investors Coalition, which is housed at NAM, have added their voices against the current proxy process. These industry groups regularly challenge the credibility and motives of shareholder resolution proponents who engage with companies and vote their proxies conscientiously on ESG matters.

As an example, we copy below and attach comments excerpted from the October 30, 2018 NAM letter to the SEC (Appendix A). NAM asserts that:

- a flawed proxy process can be hijacked by unregulated third parties with little-to-no-stake in company's success or investor returns
- These outside actions often pursue agendas divorced from shareholder value creation
- the proxy process has...been hijacked by activists that seek to force companies to act according to their narrow interests
- in many instances, these third parties take the form of activists pursuing political goals unrelated to business growth
- The proxy ballot...has devolved into a shouting match focused on social and political issues

These characterizations by NAM are similar to those of the U.S. Chamber of Commerce and Business Roundtable. They represent a simplistic and inaccurate portrayal of the motives and actions of investors and shareholder proponents who believe in and pursue active ownership strategies. As company executives and boards who engage with their shareowners well know, the motivation of most actively engaged investors is appropriately focused on protecting shareholder value.

Investors consistently and effectively raise concerns about risk mitigation and long-term value creation as they discuss topics such as governance reforms, climate change, board diversity, and business ethics. Our experience suggests that if NAM or the Business Roundtable had discussed the drivers of investor concern with their member companies, they would have received thoughtful feedback of the positive impact from countless conversations between companies and investors. A review of the policies of investor members of CII, PRI, USSIF, Ceres, and ICCR would also demonstrate the reality that enhancing and protecting shareholder value is central to these investors. Likewise, this motivation is evident in the statements and policies of major public pension funds such as CalPERS, CalSTRS, Connecticut, Illinois, New York City, New York State, Rhode Island, and Washington state.

Major investment firms such as BlackRock, State Street Global Advisors, and Vanguard have articulated the foundation and rationale for their engagements with companies (numerous excerpts are documented in Appendix B). The common themes are that engagement and proxy voting on ESG considerations are motivated by investment managers' fiduciary duty, assessment of risk and long-term shareholder value, and commitment to client objectives. There is no evidence of "a political agenda outside of shareholder value creation" among these major investment institutions, as described in the NAM comment letter to the SEC.

In summary, we believe it is timely and relevant to respond to erroneous campaigns by the Business Roundtable, NAM, and U.S. Chamber of Commerce that we believe mischaracterizes the motives and beliefs of institutional investors who utilize the proxy process, engage companies as shareholders, and vote their proxies.

Sincerely,

Tim Smith
Director of ESG Shareowner Engagement

Appendix A: Excerpts from National Association of Manufacturers (NAM) October 30, 2018 comment letter to the SEC for the November 15 Roundtable on the Proxy Process

Source: https://www.sec.gov/comments/4-725/4725-4581799-176285.pdf
Author: Chris Netram *Vice President, Tax and Domestic Economic Policy*

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Manufacturers know that the proxy ballot is central to enabling smart business growth and strong investor returns. A well-calibrated proxy process allows company management to engage in a productive dialogue with investors, who are of course the ultimate owners of any publicly-traded corporation, about key aspects of the business. Conversely, a flawed proxy process can be hijacked by unregulated third parties with little-to-no stake in company success or investor returns. These outside actors often pursue agendas divorced from shareholder value creation and divert valuable resources from job creation and R&D.

II. Shareholder Proposals

NAM members value a constructive dialogue with shareholders...[T]he proxy process has in recent years been hijacked by activists that seek to force companies to act according to their own narrow interests rather than the good of the business or long-term investor returns. In many instances, these third parties take the form of activists pursuing political goals unrelated to business growth and the corresponding capital investments, R&D spending, and value creation that come with it. The proxy ballot was designed for the majority of investors to constructively engage with company management, but it has devolved in many ways into a shouting match focused on social and political issues.

However, the NAM does not believe that it is appropriate for activists to abuse the proxy ballot to push goals that are better addressed by Congress or other policymaking institutions. Indeed, a recent academic study co-authored by Professor Joseph Kalt of Harvard University found that ESG proposals detract from shareholder value, contradicting activists' claims that such proposals are beneficial to shareholders. This issue is exacerbated when investment advisers engage in political activity by leveraging the shares they manage – the retirement savings of millions of Americans who are unaware that their fund managers have a political agenda outside of shareholder value creation.

Resubmission Thresholds

Politically-motivated activism divorced from long-term shareholder value creation has only increased since 1997, further underscoring the need for reform...The continued resubmission of "zombie" proposals distracts from legitimate issues on the proxy ballot and ignores the wishes of the 90 percent or more of investors who rejected them in the first place.

Similarly, the SEC should make targeted reforms to the initial submission threshold under Rule 14a-8(b). This threshold allows any investor that has held just $2,000 worth of company stock for at least one year to place a proposal on the proxy ballot. This incredibly low threshold has given rise to individuals who spam company proxy ballots by taking *de minimis* positions in a wide range of issuers so as to qualify their pet proposals on dozens of company proxy ballots.

Proxy Voting Guidance

To ensure that investment advisers that vote on behalf of Main Street investor clients remain solely focused on their fiduciary duty to enhance long-term shareholder value, SEC staff should issue guidance under the Proxy Voting Rule that clarifies a fund manager's obligations when considering how to vote on a politically-driven proposal.

Specifically, the NAM believes that investment advisers should have policies and procedures in place that require the identification of a clear link to shareholder value creation before voting in favor of any proxy proposal, including those focused on ESG topics – or have procedures that allow more direct input from retail shareholders themselves on these issues.

Appendix B: Excerpts from Leading Investment Managers on their Rationale for Company Engagement and Proxy Voting Practices

1. State Street Global Advisors (SSGA)

   Source: https://www.ssga.com/investment-topics/environmental-social-governance/2017/perspectives-on-effective-climate-change-disclosure.pdf

   - State Street Global Advisors (SSGA) believes that boards should regard climate change as they would any other significant risk to the business and ensure that a company's assets and its long-term business strategy are resilient to the impacts of climate change

   - Over the course of four years, SSGA has held over 240 climate-related engagements with 168 companies. Through these engagements we found that few companies can effectively demonstrate to investors how they integrate climate risk into long-term strategy. This is particularly important for companies in the oil and gas, utilities and mining sectors where long investment horizons could render assets stranded

2. Vanguard

   Source: https://about.vanguard.com/investment-stewardship/perspectives-and-commentary/2018_investment_stewardship_annual_report.pdf

   - This report outlines the activities of Vanguard's Investment Stewardship team for the 12 months ended June 30, 2018.

     Our team had a productive year on behalf of Vanguard's more than 20 million clients worldwide. We voted your funds' proxies at nearly 20,000 meetings and engaged directly with more than 700 portfolio companies. We also shared our perspectives through our advocacy efforts with corporate director audiences, other investors, regulators and policymakers, and other stakeholders.
     Glenn Booraem, Investment Stewardship Officer

   - Engagement: We meet with portfolio company executives and directors to share our long-term orientation and principled approach and to learn about companies' corporate governance practices. We characterize our approach as deliberate, constructive, and results-oriented.

   - Discussed board composition in more than **50%** of our engagements, consistent with the 2017 proxy year.

   - Engaged with over **200** companies in carbon-intensive industries. Supported **11** out of **76** environmental disclosure proposals, compared with **2** out of **92** in 2017.

   - Engagement is the foundation of our Investment Stewardship program. Because our index funds are practically permanent owners of portfolio companies, we aim in our engagements to build a strong understanding of how companies govern their long-term strategy.

Engagement has improved substantially over the last decade. It started as discussions with company leaders regarding matters on the ballot at an upcoming shareholder meeting. Over time, it has evolved into a broader and deeper discussion with both directors and management on principle-based matters that go well beyond the year's ballot. This has made engagement a year-round process – not just a proxy season phenomenon – and has expanded its reach globally.
W. Robert Main III, CFA, Head of Portfolio Company Engagement, Analysis and Voting

- Our philosophy on sustainability is grounded in long-term value creation. We aren't alone in this thinking. A consensus is growing in the investment community that certain environmental, social and governance (ESG) matters can significantly affect a public company's long-term financial value.

  Given this potential impact, Vanguard believes it is essential that company boards and senior management teams appropriately oversee these sustainability risks – and opportunities – as they would other material issues. It is equally important that companies be transparent about sustainability matters and disclose them to investors. As a practically permanent owner on our fund investors' behalf, Vanguard needs the market to efficiently value stocks based on all material risks.
  Insights from Senior Strategist Marc Lindsay, J.D.

Source: https://about.vanguard.com/investment-stewardship/governance-letter-to-companies.pdf, F. William McNabb III, Chairman and CEO

- Our investors depend on Vanguard to be a responsible steward of their assets, and we promote principles of corporate governance that we believe will enhance the long-term value of their investments.

- **Directors are shareholders' eyes and ears on risk.**

  Climate risk is an example of a slowly developing and highly uncertain risk—the kind that tests the strength of a board's oversight and risk governance. Our evolving position on climate risk (much like our stance on gender diversity) is based on the economic bottom line for Vanguard investors. As significant long-term owners of many companies in industries vulnerable to climate risk, Vanguard investors have substantial value at stake.

  Although there is no one-size-fits-all approach, market solutions to climate risk and other evolving disclosure practices can be valuable when they reflect the shared priorities of issuers and investors. Our participation in the Investor Advisory Group to the Sustainability Accounting Standards Board (SASB) reflects our belief that materiality-driven, sector-specific disclosures will better illuminate risks in a way that aids market efficiency and price discovery. We believe it is incumbent on all market participants—investors, boards, and management alike—to embrace the disclosure of sustainability risks that bear on a company's long-term value creation prospects.

- **Engagement builds mutual understanding and a basis for progress.**

  Timely and substantive dialogue with companies is core to our investment stewardship approach. We see engagement as mutually beneficial: We convey Vanguard's views and we hear companies' perspectives, which adds context to our analysis.

- Our four pillars and our increased focus on climate risk and gender diversity are not fleeting priorities for Vanguard. As essentially permanent owners of the companies you lead, we have a special obligation to be engaged stewards actively focused on the long term.

Source: https://www.reuters.com/article/us-vanguard-climate/vanguard-seeks-corporate-disclosure-on-risks-from-climate-change-idUSKCN1AU1KJ, interview with Glenn Booraem, Investment Stewardship Officer

- "Our support for these proposals is not a matter of ideology, it's a matter of economics. To the extent there are significant risks to a company's long-term value proposition, we want to make sure there is long-term disclosure of those risk to the market."

3. ClearBridge Investments

   Source: https://www.clearbridge.com/content/dam/clearbridge/banner-images/ESGcampaign2017/cbi-esg-engagement-report.pdf

- **Firm Overview**

  - $124.3 billion—Assets for which ESG risk and opportunities are analyzed
  - 1,000+—Company meetings per year
  - 334—Companies where we are a top 20 shareholder

- **Company Engagement**

  Public equity ownership can also be a powerful tool to influence companies and drive change. As active investors in the public markets, we engage with company management on a variety of material ESG issues and urge them to improve policies and practices.

  As a firm, ClearBridge conducts over 1,000 company meetings ever year.

  As a large institutional money manager,, just asking the right questions, whether about gender equality, energy efficiency, better board governance or disclosure, can result in positive changes in the mindset and eventually the operations of public companies.

- **Proxy Voting**

  The proxy voting process is one of the more visible and often powerful tools public equity investors may use to advocate for sustainable business impact.

  Our votes on shareholder proposals are an effective way to signal confidence in the companies we own or to suggest the need for a change in policies, disclosures or related aspects of a company's business.

  In voting proxies, we are guided by general fiduciary principles. Our goal is to act prudently and solely in the best interest of the beneficial owners of the accounts we manage. We attempt to provide for the consideration of all factors that could affect the value of the investment and will vote proxies in the manner that we believe will be consistent with efforts to maximize shareholder values.

- **Measuring Progress on Climate: Carbon Intensity Analysis**

  Furthermore, we are committed to engaging companies on climate change issues. We advocate in meetings with management teams to advance issues such as carbon emissions disclosure, setting benchmarks on emissions reductions, influencing corporate strategy to be longer-term and improving supply chain efficiency.

4. Neuberger Berman

   Source: Neuberger Berman 2017 Engagement and Proxy Voting Report (www.nb.com)

   - **Our Investment Platform**
     - AUM $295bn

   - **Chief Investment Officer Statement** (Mr. *Joseph V. Amato*)

     An important part of how we serve our clients is by engaging with corporate management teams and board members. Active managers that hold concentrated positions with long investment horizons have an outsized responsibility to use their formal and informal influence to support sustainable value creation. We have a long tradition of being unafraid to take strong positions in order to bring positive change, whether at individual companies or in the market as a whole. This work is a core responsibility of each of our portfolio managers and analysts—we are all stewards of our clients' capital.

     With more than 1,500 in-person management meetings held in our offices for equity investments during 2017, we are in constant dialogue with the companies in which we invest.

   - **Approach to Engagement at Neuberger Berman**

     In 2017, we conducted more than 1,500 in-person and in-depth meetings with management teams in our offices for equity investments and another 750-plus for fixed income investments. We aim to prioritize engagements that have the largest impact on the protection and improvement of our clients' assets, be it through the advancement of actionable disclosure, understanding of risks and risk management at an issuer, or through influence and action to mitigate risks and take advantage of investment opportunities. In 2017 we conducted structured engagements with over 590 companies across our equity portfolio holdings alone.

- **Voting Statistics**

  In 2017, we supported over 200 shareholder proposals (approximately 38%) and this reflects our stronger, more detailed stances on a number of ESG issues as articulated in our public Guidelines.

  We do not take the view that opposing management on any issue is a confrontation; as mentioned, proxy voting is but one method of engagement and we pursue a variety of methods to assure that our clients' assets are managed by company insiders with the same care and attention as their portfolios are by our managers.

5. BlackRock

   Source: https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-investment-stewardship-ecosystem-july-2018.pdf

   - "Your company's strategy must articulate a path to achieve financial performance. To sustain that performance, however, you must also understand the societal impact of your business as well as the ways that broad, structural trends – from slow wage growth to rising automation to climate change – affect your potential for growth."
     Larry Fink, BlackRock, Annual Letter to CEOs, January 2018

   - How do asset managers approach investment stewardship and to what degree do they factor in environmental, social, and governance (ESG) considerations?

     For BlackRock, the answers are inseparable from our role as a fiduciary to our clients' assets. **Our mission is to create a better financial future for our clients and our number one focus is on generating long-term sustainable performance.** Just as we expect the companies in which we invest to understand the macroeconomic and industry trends in which they operate, we also believe that a company's awareness of regulatory and societal trends helps drive long-term performance and mitigate risk.

   - **Investment Stewardship** encompasses engagement with companies and the voting of proxies.

     BlackRock takes an **engagement-first approach** to investment stewardship, emphasizing direct dialogues with companies on issues that we believe have a material impact on financial performance.

- Proxy voting is often associated with investment stewardship, however, voting is not the only form that stewardship can take. Engagement can also be an important component of asset owners' and asset managers' stewardship activities. Engagement can include one-on-one meetings with representatives of company boards and/or management, writing letters to companies, and a variety of other activities.

- BlackRock's approach to investment stewardship is driven by our role as a fiduciary to our clients, the asset owners. In this role, we look to engage constructively with company management to maximize the value of our clients' investments in each individual company. BlackRock has had an in-house team dedicated to investment stewardship since its inception.

- **Engagement**

  Our Investment Stewardship team engages extensively with companies around the world on issues that we have identified as material to companies' long-term financial sustainability, and votes on behalf of our clients and funds that have delegated voting authority to BlackRock.

  As a long-term investor, we are willing to be patient with companies when our engagement affirms they are working to address our concerns. However, our patience is not infinite – when we do not see progress despite ongoing engagement, or companies are insufficiently responsive to our efforts to protect the long-term economic interests of our clients, we will exercise our right to vote against management recommendations.

- **Shareholder Proposals**

  Shareholder proposals are one mechanism for shareholders to put an issue on the ballot at a company's shareholder meeting.

  A subset of asset owners, and some asset managers use shareholder proposals as a tool to signal investor concern to companies about emerging issues and/or as a catalyst for engagement.

  Companies can also discuss shareholder proposals with its proponents, and if an agreed upon outcome can be reached in advance of the vote, the shareholder could withdraw the proposal. Withdrawals of shareholder proposals occur with some frequency. For example, of the 608 shareholder proposals filed in the 2017 Form N-PX filing year, 123 (20.2%) were withdrawn.

6. JPMorgan Chase

   Source: https://www.jpmorgan.com/global/research/esg

   Critics of ESG investing have long seen it as an approach where investors have to sacrifice potential returns in order to match their investments with their values or mandates, but ESGQ shows how investing sustainably can actually boost returns.

“The best way for investors to capture these changes and identify new issues and controversies is to better understand the building blocks of E, S, and G. When ESGQ is added to traditional investment styles such as value, growth, momentum and quality, the composite returns are higher, sharp ratios or risk adjusted returns increase dramatically, but drawdowns are significantly lower,” he added.
Khuram Chaudhry, European Equity Quant Strategist & Lead ESGQ Analyst