Filed Electronically:

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

**Re: File No. 4-725 – SEC Staff Roundtable on the Proxy Process**

Dear Mr. Fields:

Thank you for the opportunity to provide input to the SEC Staff Roundtable on the Proxy Process. These comments address the issue of how environmental, social and governance (ESG) investing is potentially impacting shareholder returns and outlines the findings of a recent empirical study by Compass Lexicon, *Political, Social, and Environmental Shareholder Resolutions: Do they Create or Destroy Shareholder Value?*

ESG investing has evolved from simple screening approaches in the 1960s to an increasingly intrusive practice that seeks to impose political agendas on the governance of major corporations. Activist investing revolves around a belief that taking into account a company's conduct outside its core profit-generating business can enhance investment performance. New research released by a pair of leading economists confirms earlier findings that resolutions driven by activist shareholders deliver no value for shareholders.

The three elements of ESG investing all revolve around broadly progressive political themes. Environmental aspects focus on corporate reporting, or a company's policies, around pollution, greenhouse gas emissions and risks from climate change. Amongst other issues, social policy resolutions concentrate on subjects related to animal rights, human rights, political spending and workplace diversity. Governance resolutions are different in that they embed consideration of these issues into the governance structure of the company.

The underlying premise of the ESG investing is not well established empirically, nor is the implementation of its principles guided by theoretical or analytical rigor. The rise of activist shareholder resolutions in the asset management arena speaks either to the correctness of the amorphous investment philosophy that underpins them, or it is being foisted on investors and companies by noisy minority shareholders and a proxy system that amplifies their influence. Which of these contentions is correct has potentially significant implications for working Americans who want to maximize their retirement savings.

The prevalence of ESG investing has grown considerably over the years. The U.S. Sustainable Investment Forum estimates that there was $8.7 trillion worth of domestically-domiciled assets invested according to ESG principles in 2016, a figure that equates to around 22 percent of total assets under management. ESG-invested funds have expanded 14-fold from 1995 to 2016. The size of activist holdings shows their real potential to derail returns to pension funds and explains the recent surge in politically motivated shareholder resolutions at company meetings.

Data from a non-profit advocacy group As You Sow shows activist resolutions doubled between 2005 and 2010 and are continuing to run at record levels. Growth has been considerable across social, environmental and sustainable governance issues but has been particularly pronounced in the latter category.

The release of a new research paper by the National Association of Manufacturers casts doubt on the value to investors of activist shareholder resolutions. The study, written by Joseph Kalt of Harvard and Adel Turki of Compass Lexicon, examined the effect on shareholder value of climate change disclosures and found no evidence that they improve investor returns.

A number of major institutional shareholders contend that climate change-related disclosures improve management's ability to mitigate climate change risks and should improve business performance. Alternatively, other activist shareholders maintain that the risks from climate change are insufficiently factored into company valuations and that further disclosures will lead to a decline in share price.

Kalt and Turki isolated the effect on shareholder returns of resolutions that required disclosure of climate change-related information. The analysis found that no statistical basis exists for concluding that these shareholder proposals have any consistent effect on stock prices, either when they pass, or when they fail.

These findings are consistent with prior studies examining the effect of environmental and social resolutions on stock prices. The findings are also consistent with sophisticated investors having access to equivalent information and already pricing it into the value of the stock in accordance with the efficient market hypothesis.

A second leg of the Kalt/Turki research analyzed the effect of voluntary climate change-related disclosure. The econometric analysis again supported the conclusion that there is no statistically significant effect on stock returns from these voluntary disclosures. These finding were consistent with past studies of disclosures that found no systematic evidence that voluntary provision of the information requested in the survey had an effect on shareholder value.

None of these findings should be surprising. The aims of activists are fundamentally misguided and seldom well-informed by economic fundamentals. Shareholder resolutions that deviate from the standard corporate objective of maximizing returns to equity investors in order to pursue quixotic political aspirations attempt to distort for-profit businesses into quasi-benevolent societies. Social public policy objectives are best achieved through targeted and holistically determined government actions. The policy measures and broad community consensus necessary to sustain them are properly brokered through our political institutions.

In an era when even the financial press reports provide anecdotes rather than data, it can be difficult for concerned investors to identify the costs involved in ESG investing. Simplistic appeals to worthy causes are designed to be evocative.  They seldom rationally outline the trade-offs involved in using other people's retirement savings to pursue social objectives that, however laudable, should rightly remain the domain of government policy.

These new research insights raise fresh concerns about the rising tide of shareholder activism.

Yours Sincerely,

Burchell Wilson

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