

12/4/13

Hon. Jay Clayton  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: File 4- 725 -- Staff Roundtable on the Proxy Process

Dear Chairman Clayton,

In response to your July 30th Statement announcing a Staff Roundtable on the Proxy Process, the Conference for corporate responsibility Indiana and Michigan (CCRIM), a coalition of institutional investors collectively representing over \$1 billion in invested capital, wishes to express our affirmation of the current shareholder proposal process as effective, efficient and beneficial to both shareholders and the long term well-being of the companies they hold. Our members are composed of a cross section of religious investors, foundations, asset managers, pension funds, and other long-term institutional investors. Members of CCRIM have been involved in the shareholder resolution process since 1975, giving us over 40 years of experience in shareowner engagement and the proxy process.

We submit this brief comment in advance of the Staff Roundtable.

We firmly believe that there is no need to revise the rules governing the proxy process. For decades, the shareholder proposal process has served as a cost-effective way for corporate management and boards to gain a better understanding of shareholder priorities and concerns, particularly those of longer-term shareholders concerned about the long-term value of the companies that they own. This efficient system of private ordering has led to the widespread adoption of a number of constructive corporate governance practices that have become standard in the field, such as independent directors, declassifying boards, "say on pay" vote requirements, and many others. The history of CCRIM demonstrates literally hundreds of examples of companies changing their policies and practices in light of productive engagement with shareowners, including the filing of resolutions.

The Roundtable announcement lists several potential topics for consideration regarding the shareholder proposal process; among them ownership thresholds, resubmission thresholds, representation of long term retail investors, the cost of proposals to companies, and the influence of proxy advisory firms.

The current ownership threshold of at least \$2,000 worth of a company's shares allows a diversity of voices to be heard including smaller investors. The requirement of ownership for at

least one year prior to filing a proposal ensures that investors cannot simply buy shares before the filing deadline and sponsor a resolution. Raising the ownership threshold threatens to exclude smaller investors, which is problematic and raises concerns about the equality of the system. Shareholders big and small can make and have made valuable contributions to the companies that they own.

The issue of resubmission thresholds is also raised as a topic for discussion. We believe the current thresholds provide a framework that has served the process well. Minimum votes of 3%, 6% and 10% in the first, second and third years, respectively, of filing a proposal have provided a reasonable amount of time for emerging issues to receive increasing support among investors, while ensuring that only those proposals that garner meaningful support move forward and can appear in subsequent years.

The argument for raising thresholds has been championed as a means of addressing so-called abuses in the system, including claims that shareholder resolutions are a burden on the markets. However, the evidence tells a different story. In fact, there are relatively few resolutions that are filed and come to a vote each year. Approximately 200 social and environmental resolutions came to a vote this year, hardly a burden on the markets and companies. The vast majority of companies never even see a shareholder resolution. It is also worth noting that often resolutions are withdrawn by their proponent after prompting a productive dialogue and improved understanding between shareholders and management, leading to significant policy changes that can transform businesses. ICCR member experience has shown that approximately one third of resolutions filed result in dialogue and agreements, with resolutions being withdrawn from the proxy.

Increasing thresholds could prevent important issues from being considered. There are many examples throughout the history of shareholder engagement of issues that initially received little support, but went on to be appreciated for the serious risks presented to companies that they produced. The issue of declassified boards is just one example – in 1987 proposals on this issue received under 10% support; in 2012 - 81%, and it is now considered best practice.

Proposals like these and many others could be excluded in increasing re-submission thresholds, *potentially inhibiting important contributions to corporate governance that have proven to be beneficial to the long term health and performance of companies.*

The influence of proxy advisory firms was also raised as a potential topic for review. Critics have posited misperceptions about these firms; including that they have excessive influence. While institutional investors do look to proxy advisory firms to provide research and guidance to help inform their decisions, the ultimate decision remains in the hands of the investor. There is no obligation to follow the recommendations of the proxy advisors, and there are plenty of examples in which investors vote counter to the recommendations. The real motivation behind the special interests opposed to the proxy advisory firms is to undermine the in-depth analysis that they provide and encourage investors to simply vote in alignment with how corporate

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boards and management see fit, regardless of fiduciary duty or interest in long-term shareholder value.

In conclusion, we reiterate CCRIM's support of the shareholder proposal process as it is currently practiced under Rule 14a-8 and believe altering it risks the exclusion of voices that can be vital to this critical accountability tool. The filing of resolutions is a fundamental tenet of shareholder democracy that should be protected.

We appreciate this opportunity to provide input and look forward to providing additional written feedback following the Roundtable. Please feel free to contact me with any questions.

Sincerely,



Carole Nugent

Co-ordinator

Conference for Corporate Responsibility Indiana and Michigan

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