



# GREEN CENTURY FUNDS

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September 24, 2007

Commissioner Christopher Cox, Chairman  
Nancy Morris, Secretary  
Securities & Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: Comment on Release No. 34-56160; IC-27913; file No. S7-16-07  
And Release No. 34-56161; IC-27914; File No. S7-17-07

Dear Commissioner Cox and Secretary Morris:

Green Century Capital Management, Inc (Green Century), a registered investment adviser under the Investment Advisers Act of 1940, would like to submit comments pursuant to the Securities and Exchange Commission's ("the SEC" or "the Commission") July 27, 2007 releases: "Proposed Rule: Shareholder Proposals" (Release No. 34-56160; IC-27913; File No. S7-16-07) and Proposed Rule: Shareholder Proposals Relating to the Election of Directors (Release No. 34-56161; IC-27914; File No. S7-17-07), (collectively "Proposed Rules" or "Proposed Releases"). We appreciate the opportunity to provide our comments.

At Green Century we believe that environmental best practices are a critical requirement for long-term corporate performance. We review environmental practices when making investment decisions, and we raise environmental concerns with the companies in which we invest. Since our inception in 1991, this has proven to be a successful strategy. We currently have approximately \$100 million dollars under management from investors who share our belief in this strategy.

Green Century opposes both proposed rules because neither would meaningfully improve management and board accountability to shareholders, and may weaken it. We oppose both S7-17-07 and S7-16-07 and believe the SEC should take no action on the current proposals.

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We cannot support S7-17-07 because it explicitly prohibits proxy access proposals, including even proposals that would allow shareholders to vote on a right to proxy access.

We cannot support S7-16-07 because of our concerns about three elements of the Proposed Rule:

- It provides proxy access in a manner that is so restrictive that it would rarely, if ever, be available even at the most underperforming companies. The 5% share ownership requirement makes this at best a “hedge fund access proposal” but more likely a non-access proposal.
- The proposal tests the idea of weakening the rights of shareholders to file non-binding proposals under Rule 14a-8, a time-tested approach to initiating productive dialogue between management and shareholders regarding matters of strategic importance. We believe that this weakening would be harmful to investors.
- The “Electronic Shareholder Forums” would be unlikely to lead to substantial accountability and corporate reform, especially if used as a substitute for non-binding proposals.

#### **Non-Binding Shareholder Proposals**

Green Century has both procedural and substantive objections to the adoption of any changes to rules governing nonbinding proposals through this rulemaking.

#### **Procedural Objection**

Neither Proposed Release makes any specific proposals regarding the use of nonbinding resolutions. S7-16-07 instead asks questions regarding these resolutions, apparently to test the concept of weakening shareholder rights to file them. Green Century believes that, as a matter of process, no changes to Rule 14a-8 would be appropriate without a separate rulemaking that incorporates public comment on specific proposed rule changes.

#### **Substantive Objections**

As a matter of substance, Green Century strongly supports the rights of owners of companies to file advisory resolutions on matters of corporate governance, environmental, and social policy. As a proponent of dozens of resolutions over the last fifteen years, we have first hand experience that non-binding shareholder proposals are an effective tool for improving corporate governance and protecting long term shareholder value.

Shareholders have a universally recognized right and responsibility to hold management accountable through voting at annual meetings or by proxy. Shareholder resolutions allow owners of companies some say over what appears on proxy ballots. The existing constraints on length and subject matter ensure that only issues that are appropriate for shareholders will appear on ballots. The role of the Commission in enforcing its rules ensures that all parties are treated fairly.

While shareholders have other means of communicating with companies, no other avenue guarantees shareholders a platform with management, and none provides the perspective of all shareholders. Proposals that achieve a critical mass of support signal to managers that those issues should be taken seriously; sustained low votes indicate issues that do not enjoy broad support.

Advisory resolutions do not require companies to act, but they do encourage companies to listen. Shareholder proposals can act as the canary in the coalmine, alerting companies to new issues that may impact their long-term business plans. It is Green Century's experience that companies increasingly recognize the value of shareholder dialogue, and are more willing over time to collaborate with shareholders to resolve concerns regarding governance or environmental issues.

Nonbinding resolutions do not present an onerous burden to U.S. corporations. Recent experience shows that a minority of publicly traded firms receive shareholder proposals. In 2006 and 2007, there were fewer than 1,200 resolutions filed at fewer than 1,000 companies. This represents under 20% of publicly traded companies.

Companies that frequently receive a number of resolutions – such as ExxonMobil or Home Depot – have developed orderly processes for addressing them. Moreover, companies with multiple resolutions are frequently embroiled in significant public controversies. The resolution process is an important vehicle for shareholders and management to discuss these controversies. We are concerned that limiting nonbinding resolutions would result in more confrontational, less constructive approaches such as more lawsuits.

The dialogues that result from nonbinding proposals have inarguably produced positive tangible results. Many best governance practices, such as annual election of directors and submitting poison pills to shareholder votes, were originally introduced by shareholders in the form of advisory resolutions.

This is also true of environmental issues. For example, over the last decade, shareholders have used advisory resolutions to press corporate managers to plan for the potential business impact of global warming. While these resolutions initially received low votes, the vote level increased over time. As a result, companies engaged in dialogue with shareholders on the topic, they deepened their analysis of the potential business impacts, and they began formulating responses. Now, as Congress debates taking action on global warming, companies that received nonbinding shareholder resolutions on the topic are better able to respond.

Regarding specific questions posed in Section C of the Proposed Release on the subject of non-binding shareholder proposals:

- Green Century opposes any effort by the Commission to delegate authority for developing or enforcing shareholder rights to file non-binding proposals at companies, including the “opt-out” provision suggested in the proposed rule. This

change would likely result in the least responsive companies becoming even less responsive, and provide reduced protection for the shareholders who most need protection.

- Green Century does not support the raising of thresholds for resubmission. As noted above with regard to global warming, most resolutions begin with low favorable ratings that increase slowly over time as investors grow more informed about the issues.
- Green Century does not support increased disclosure requirements for shareholder proponents. It is not clear how this would aid investors in evaluating the merits of the proposals.
- Green Century does not support increasing the minimum ownership threshold required to file. The relevance of shareholder proposals should be judged by the votes they receive, not by the number of shares owned by the proponent. To the best of our knowledge, no one has demonstrated an historical correlation between the value of a proponent's holdings and the voting outcome. To the contrary, in our experience many important issues are raised by small shareholders.

In general, we do not see a compelling case for substantial changes to Rule 14a-8, which has effectively regulated shareholder rights to the proxy for over three decades. There is no indication that nonbinding proposals impose undue hardship on companies, and we believe that the benefit to the competitiveness of U.S. corporations outweighs any costs they might impose. We urge the Commission to drop the matter of non-binding resolutions and maintain the current system.

#### **Electronic Shareholder Forums**

We do not anticipate that promoting Electronic Shareholder Forums will prove to be an effective tool of corporate governance. We are deeply concerned that the Commission may view these Forums as an appropriate substitute for current mechanisms of shareholder engagement. In fact, the limited information about these Forums provided in the proposed rule suggests that they would lack many of the attributes that make the current proxy system effective.

To be appropriate for the conduct of company business, Electronic Shareholder Forums would need to be moderated and their membership limited to shareholders. If moderated by companies these Forums would not be credible with shareholders, and the Commission may not be well-equipped to play this role. By contrast, the credibility of the current proxy process rests in part on the effectiveness of the Commission's role as arbiter.

Second, under current annual meeting rules, company management and, usually, boards of directors, present themselves to shareholders once per year, answer their questions and submit themselves to a vote of all shareholders on key issues. These rules encourage (but do not require) managers to at least listen and take seriously the concerns of shareholders. Electronic Shareholder Forums do not appear to require the presence of managers or directors, and provide no assurance to shareholders that views expressed will be heard or taken seriously.

Finally, one of the strengths of the current proxy process is that many institutional investors consider proxy voting to be a fiduciary duty. The annual meeting provides a once-per-year opportunity for investors to focus on the governance of each company in their portfolio. Though voting proxies is time consuming, it is a manageable responsibility and ensures that the vote of each shareholder will count along with those of all other shareholders.

By contrast, it does not appear that the electronic shareholder forums would entail any fiduciary duty, and therefore would likely not attract a critical mass of shareholders. Since they would probably be running continuously, participation in them would require frequent monitoring, which would be prohibitive for investors who own hundreds or thousands of companies. There would be no reason to believe that any votes, statements, or petitions emerging from the Electronic Shareholder Forums would represent the views of the entire shareholder population.

It is possible that well-governed companies, who already seek out the perspectives of shareholders, would find these chat rooms useful as one more method of reaching out to their shareholders to engage in informal dialogue. However, as a method of management accountability, their usefulness is limited, and should not be seen as a substitute for the existing system.

### **Summary**

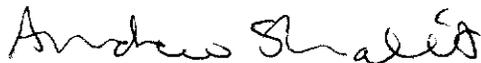
For all of the reasons described above, we oppose the adoption of either of the Proposed Rules. We urge the commission to reject both proposals.

Once again, we appreciate the opportunity to provide our comments.

Sincerely,



Kristina Curtis  
Senior Vice President  
Green Century Capital Management



Andrew Shalit  
Director of Shareholder Advocacy  
Green Century Capital Management