

# Zevin Asset Management, LLC

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November 27, 2019

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

**Re: S7-23-19 Procedural Requirements and Resubmission Thresholds under  
Exchange Act Rule 14a-8**

**S7-22-19 Amendments to Exemptions from the Proxy Rules for Proxy Voting  
Advice**

Dear Chairman Clayton,

I write today on behalf of Zevin Asset Management, a Boston-based company that invests globally, integrating environmental, social, and governance (ESG) issues into our financial analysis. We manage approximately \$500 million on behalf of institutional and individual clients who direct Zevin Asset Management to invest responsibly and utilize their considerable voices as shareholders to spur positive change at public companies. Active ownership in the form of constructive shareholder engagement promotes long-term risk management (in both companies and investment portfolios). It also helps investment managers fulfill our duties as responsible fiduciaries while creating positive environmental, social, and economic impact.

As investors, we rely on the current rules governing the shareholder proposal process to conduct active ownership and address long-term material risk issues on behalf of our clients. We strongly oppose the rules proposed by the Securities and Exchange Commission (SEC) on November 5<sup>th</sup>, 2019, which will severely limit the rights of shareholders to engage with corporations using the shareholder resolution process over issues with a distinct impact on long-term value.

We insist: there is no need to revise the rules as proposed. We ask that you preserve the current rules and seek to strengthen avenues for active ownership and shareholder engagement in the future.

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 has led to the widespread adoption of many 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. There are literally hundreds of examples of companies changing their policies and practices in light of productive engagement with shareowners.

Those gains have resulted in more valuable information regarding the material risks and opportunities facing listed companies. The proposed rule changes will reverse these benefits for both investors and issuers and make companies far less accountable to shareholders, stakeholders, and the public at large.

The proposed increase in ownership thresholds will also make it difficult for smaller investors to voice important concerns and raise issues of risk to the companies they own. The current ownership threshold of \$2,000 ensures that a diversity of voices are heard, not just the biggest players. Small investors have contributed a multitude of now commonplace best practices. According to data compiled by the Sustainable Investments Institute, 187 resolutions on social and environmental topics came to a vote at US companies in the spring of 2019. Many of these were filed by investors with relatively small stakes consistent with the existing filing thresholds. The proposals received an average of 25.6 % support (about the same as the average of 25.4% for resolutions of this kind in 2018, and 21.4% in 2017).

The numbers above demonstrate that proposals of interest to a large portion of a company's shareholder base can and do originate with smaller individual and institutional investors.<sup>1</sup> Excluding this group of shareholders until they have held for three continuous years raises serious questions about the equity of the proposal process and leaves smaller investors who can make valuable contributions without access to the proxy.

The proposed increase in resubmission thresholds also threatens to unnecessarily exclude important proposals that gain traction over time, and will ultimately stifle key reforms. The argument for raising thresholds has been championed by big business groups 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 in a typical year, hardly a burden on the markets and companies. The vast majority of companies never even received 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. Approximately one third of resolutions filed result in dialogue and agreements, with resolutions being withdrawn from the proxy.

There are also many examples through the years of resolutions that initially received low votes, but went on to receive significant support or have led to productive engagement, as shareholders came to appreciate the serious risks they presented to companies. 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 to be best practice. Other examples include resolutions with oil and gas companies on the risks of climate change that often

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<sup>1</sup>Si2 'FACT SHEET: Shareholder Proposal Trends', *Sustainable Investments Institute*, Oct.17, 2019, [https://siinstitute.org/special\\_report.cgi?id=80](https://siinstitute.org/special_report.cgi?id=80)

received below 5% of shareholder support when first introduced beginning in 1998, but which now receive substantial, and even majority shareholder votes, and have been adapted by numerous companies.

Resolutions highlighting human rights risks in global supply chains initially received low votes at companies, but as a result of engagement prompted by the proposals, sector leaders have adopted human rights policies and supplier codes of conduct that help minimize legal, reputational, and financial risks. Clearly these and other votes on critical matters signify that investors appreciate the value of the issues being raised in these resolutions. It can take some time for shareholders to get up to speed on emerging issues. The proposed changes could prevent significant topics from even being raised and considered, to the detriment of all stakeholders.

Critics of the shareholder resolution process, including major trade organizations like the Business Roundtable, the National Association of Manufacturers, and the U.S. Chamber of Commerce, use over-the-top rhetoric to try and discredit resolution sponsors, arguing that their motives are “political” and that they have no interest in creating shareholder value. These industry critics have a clear political agenda of their own – to limit the ability of shareholders to engage with the companies that they own, and to cripple the proxy process that has been in place for over fifty years.

Long-term investors are deeply concerned about the returns on and growth of the investments in their portfolios. Responsible investors like Zevin Asset Management routinely press companies on environmental, social, and governance risks precisely because they are concerned with the long-term health of the companies in which they are invested. Many of the companies that we engage see the great value that this engagement brings, for example, by enabling them to identify and address reputational and legal risks in advance, before they become liabilities.

In conclusion, we reiterate our opposition to the proposed rule changes and our support for the shareholder proposal process as it is currently practiced under Rule 14a-8. Altering this process as proposed 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 and responsible ownership that should be protected.

We appreciate this opportunity to provide input and look forward to providing additional guidance in the future. Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Miguel Tomaino", enclosed within a hand-drawn oval shape.

Pat Miguel Tomaino  
Director of Socially Responsible Investing  
Zevin Asset Management