

January 28, 2020

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,

**As institutional investors with large interests in American companies, 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, Bâtirente, Gestion FÉRIQUE, Hexavest and the RRSE, are long-term shareholders representing more than US\$20 billion in assets under management. With the support of Æquo Shareholder Engagement Services, we engage directly with portfolio companies on critical environmental, social, and governance (ESG) issues, to enhance the long-term value of these companies. We have been monitoring the ongoing review of the Rule 14a-8, with great concern. We believe that the proposed rules are unnecessary, and will undermine a corporate engagement process that has been of great value to both companies and investors - in fact, we see these rules as detrimental to small shareholders, and seem to only protect very large shareholders and company management.

For decades, the shareholder proposal process has served to benefit issuers and proponents alike as an effective, efficient and valuable tool for corporate management and boards to gain a better understanding of shareholder priorities and concerns. **The proposed rule changes will make companies far less accountable to shareholders, stakeholders, and the public at large.**

The proposed increase in ownership thresholds will make it difficult for investors to voice important concerns and raise issues to the companies they own. The proposed increase in resubmission thresholds threatens to unnecessarily exclude important proposals that gain traction over time, and will ultimately stifle key reforms.

**There are 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, which we strongly support, 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 in corporate governance. Other examples include resolutions with oil & gas companies on the risks of climate change that often 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.

In addition to the Rule 14a-8 proposals, changes regarding proxy advisory firms were approved at the SEC's November 5<sup>th</sup> meeting. Again, we believe these modifications have been proposed to undermine the voice of investors and produce more management-friendly votes, unfairly stacking the deck against shareholders and towards corporate management. The proposal would require that proxy advisory firms allow companies to review and provide feedback on proxy voting advice, and would greatly impede the ability of institutional investors to get independent advice and information about how to vote on director elections, Say on Pay ballot items and shareholder proposals. The fact that the proposed rule does not give shareholder proposal proponents and shareholders conducting "vote no" campaigns the same right of review further underlines that the rule would provide an unfair advantage to company management to the detriment of shareholders. Such a rule would also most definitely stifle any competition to the current two incumbent proxy advisory firms.

The current 14a-8 rule has worked well for decades, and there is no need to revise it. We engage as shareholders on ESG risks precisely because we are concerned about the long-term health of the companies in which we are invested. Many of the companies that we engage with understand that this enables them to mitigate reputational, legal, and financial risks, and build value. **The filing of shareholder resolutions by investors, big and small, is a crucial part of the engagement process.**

For the above reasons, we strongly urge the SEC to reconsider the proposed rule changes.

Sincerely,



Jean-Philippe Renaut  
CEO  
Æquo, Shareholder engagement services



Daniel Simard  
CEO  
Bâtirente



Louis Lizotte  
Vice President, Investments  
Gestion FÉRIQUE





Marc Christopher Lavoie  
Président  
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HEXAVEST



Pierre Viau  
CEO  
RRSE (Le Regroupement pour la responsabilité sociale des entreprises)



Regroupement pour  
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