

# United States Senate

January 30, 2020

## VIA ELECTRONIC DELIVERY

The Honorable Jay Clayton  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

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

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

Dear Chairman Clayton:

I write to you regarding the U.S. Securities and Exchange Commission (SEC) proposals “Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice” (Proxy Voting Advice Amendments) and “Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8” (Threshold Amendments). I am concerned that these proposed Amendments would undermine the basic rights of U.S. shareholders.

First, the Proxy Voting Advice Amendments would require independent proxy advisors to submit their recommendations to the subject companies for review and comment. This action is contradictory to the purpose of proxy advice. Investors use proxy advisors to make *independent* recommendations about how shareholders should vote, helping to hold executives accountable for the way they run public companies. Granting companies the ability to review advice given by proxy advisors before shareholders puts the independence of the proxy advice into question and tips the scales of power towards CEOs.

Second, the resubmission Threshold Amendments significantly raise the resubmission threshold for shareholder proposals to be included on the ballot. The Amendments would require at least a five percent vote on the first resubmission, at least a 15 percent vote on the second, and at least a 25 percent vote on the third, up from at least three percent, six percent and 10 percent, respectively.

According to analysis done by SEC Commissioner Robert Jackson’s Office, several proposals put forth by shareholders would not have met the third resubmission threshold at several companies had the Threshold Amendments been in place. For example, nearly 40 percent of proposals to allow significant shareholders to nominate their own candidates for election to the

board would be removed after three attempts under the proposed amendments. And nearly half of proposals that limit CEOs from selling stock they receive as compensation would be removed after three votes had they been submitted under the proposed Amendments. It takes time to build investor interest, and a proposal's merits should not be solely determined by short-term voting results.

Additionally, the ownership Threshold Amendments raise barriers on the ability of certain shareholders to submit proposals for a vote at public company annual meetings. The Amendments would increase the ownership thresholds to submit proposals from continuous holdings of at least \$2,000, to at least \$25,000 of holdings or one percent ownership of the company to submit an initial proposal, at least \$15,000 for the second year and at least \$2,000 for the third year to resubmit a proposal. This would limit the ability for shareholders who seek to propose new ideas to those with large holdings in the company. As Illinois State Treasurer Michael Frerichs stated, "Good ideas are not limited to those with large holdings. Small investors have long been a viable source of value-creating shareholder proposals, and their right to have a voice should not be rescinded."

The culminating result of the Proxy Voting Advice Amendments and the Threshold Amendments, should they go into effect, would create an environment where corporate CEOs are held less accountable to the ordinary American investors they serve.

I respectfully request that the SEC rescind the aforementioned amendments. Please contact my office if you have any questions or concerns.

Sincerely,



Tammy Duckworth  
United States Senator