

20TH ANNIVERSARY



January 31, 2020

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

The Honorable Vanessa A. Countryman  
Secretary, Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

Via email: [chairmanoffice@sec.gov](mailto:chairmanoffice@sec.gov); [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Re: Comments on Proposed Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice (File No.: S7-22-19) and Proposed Amendments to Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8 (File No: S7-23-19)

Dear Chairman Clayton and Secretary Countryman:

The Funders' Network for Smart Growth and Livable Communities submits the following comments in response to the Securities and Exchange Commission's (SEC) proposed rulemakings published in the federal register on December 4, 2019 (84 FR 66518 and 84 FR 66458).

We are a membership organization of more than 170 national, regional and place-based foundations committed to supporting communities in their efforts to be more equitable, sustainable and prosperous places where all people are able to thrive. The philanthropic sector relies on the income and appreciation of investments in their portfolios to fund important grants that support our planet and our communities.

We also recognize the importance of the private sector as a key driver and partner in these efforts, and recognize and applaud efforts by the business community to align their for-profit endeavors with efforts to promote socially and environmentally progressive policies and practices. Often it is the voice of an individual, or a group of individuals, who, in their capacity as shareholders can hold tremendous sway in guiding and shaping the mission and activities of corporate entities.

We are concerned that this proposed amendment would unduly silence these voices by decreasing the ability of shareholders, particularly foundations, to serve as active owners in the companies in which they invest — decreasing their ability to work for positive environmental, social and economic impact across their portfolios.

The founding purpose of the SEC is to protect investors, yet the SEC's proposed rules will curtail the rights of investors, especially smaller investors, to raise issues of concern about business practices at the companies they own. Shareholder resolutions are a powerful way to encourage corporate responsibility and discourage practices that are unsustainable, unethical, and increase a company's exposure to legal and reputational risk.

## **The Proposed Rules Undermine the Rights of Shareholders**

As an organization committed to supporting efforts to create inclusive economies, especially in cities and communities grappling with years of disinvestment and encroaching gentrification, we find these proposed rule changes to be unduly burdensome on small shareholders and create even more barriers to participation and engagement. Shareholder democracy – the right of *all* shareholders to express their concerns to companies through resolutions – is threatened by these proposed rules. The proposed rules would dramatically raise the amount of company shares necessary to submit resolutions; make it difficult to refile innovative resolutions; and add stringent requirements for shareholder representatives, among other things.

These proposed requirements are particularly discriminatory to small investors without justification. Proposals from small shareholders, both individually and in the aggregate, have resulted in significant corporate advancements in gender parity, racial diversity, transparency, labor practices, environmental policies, climate change, and more. The proposed amendments also create burdensome and unequal requirements on shareholders who wish to be represented by agents. Being represented by agents is a standard mechanism in our society. From realtors to lawyers, individuals, companies, and institutions are often represented by those with experience in a complicated arena. The SEC fails to justify changing this agency relationship.

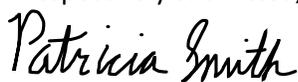
Similarly, proxy advisory firms help individuals and institutional investors by providing independent, efficient, and cost-effective research services to inform their proxy voting decisions. This is particularly crucial where fiduciary responsibilities exist. The proposed amendments will slow this process, create additional costs and burdens to the proxy firms and therefore to their clients, and will unfairly allow companies to interfere in the provision of information to shareholders. Companies have ample opportunity to share their opinions and justifications with their shareholders.

## **There Are No Demonstrable Problems with the Existing Rules**

The existing rules work. The number of shareholder proposals have not increased over the years while the majority of issues that have been raised by shareholder proposals have consistently proven to be timely and important in reducing risk to companies and increasing value to shareholders. The SEC's proposed rules have not demonstrated a sufficient need that would justify impinging on important shareholder rights. Because the proposed rules are detrimental to the rights of shareholders we urge the SEC to withdraw the proposed rules.

Please consider our opposition to the proposed rule changes and our support for the shareholder proposal process as currently practiced under Rule 14a-8. The proposed rule changes threaten to exclude owners like our members and harm their ability to improve the long-term value of companies they own. The filing of resolutions is a fundamental tenet of shareholder democracy that should be protected.

Respectively submitted,



Patricia Smith, President and CEO  
The Funders Network