February 03, 2020

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

File Number S7-22-19: Proposed Rule: Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice

Dear Ms. Countryman:

The Principles for Responsible Investment ("the PRI") welcomes the opportunity to submit this letter in response to the SEC's recently proposed Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice ("Proposed Rule").

The PRI is the world's leading initiative on responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of 2,800 investor signatories in incorporating these factors into their investment and ownership decisions. Launched in New York in 2006, the PRI's signatories manage over $90 trillion in AUM.[1] The US is the PRI's largest market, with over 500 signatories investing over $45 trillion in AUM.[2]

The PRI's signatories believe integrating ESG factors has become a necessary part of investment, as it is critical for the promotion of long-term shareholder value. In the context of market volatility, climate change and regulatory intervention, ESG factors offer an expanded set of tools to address unmet investment industry needs in accordance with investors' fiduciary duties.

SUMMARY

The PRI believes proxy advisory firms conduct the important and necessary work of providing high quality, independent analyses, linking them to voting recommendations based on institutional investors' stated priorities. Many institutional investors use proxy advisory firms' recommendations to supplement their research and understanding of multiple, detailed, and sometimes dense proxies for their portfolio. Without confidence in the impartiality of proxy firms' recommendations, investors — particularly smaller and mid-size investors — would lack the capacity required to synthesize all relevant information to vote their proxies and would thus have difficulty fulfilling their fiduciary duties.

[1] As of October 01, 2019.
[2] As of October 01, 2019.

While the PRI has previously detailed a number of issues with recent efforts to increase regulation of proxy firms,[3] this comment letter focuses on the PRI's primary concern with the Proposed Rule: its "asymmetric" design that would undermine the independence and reliability of proxy voting advice. This comment letter is organized as follows:

1. ***In Section I**,* the PRI rebuts a key basis for the Proposed Rule: that proxy firms' advice has significant factual errors. Moreover, nowhere in the Proposed Rule does the SEC independently verify such errors in the provision of proxy advice (**pages 3-4**).

2. ***In Section II**,* the PRI provides the results of an original economic analysis showing that proxy firms' recommendations often change over time, which suggests a dynamic review of issues in response to events – not advice that is monolithic (**pages 4-5**).

3. ***In Section III***, the PRI details how the Proposed Rule is designed asymmetrically, imposing costs on firms *only* when they recommend voting against management. It does so through: (1) a non-scienter liability regime that will only be incurred when issuers oppose a recommendation; and (2) requiring management review of firms' recommendations and imposing new timing delays, again, only if the firms recommend investors vote against management. The result of this "one-way ratchet" will be advice that is more partial to corporate managers (**pages 5-8**).

4. ***In Section IV*****,** the PRI details a number of unexplained assumptions underpinning the Proposed Rule, specifically: (1) that there are factual errors in the provision of proxy advice; (2) that existing market practices are leading to poor advice; and (3) that increasing engagement with management will lead to better advice. None of these assumptions are justified by rigorous evidence in the economic analysis, a major shortcoming of the Proposed Rule (**pages 8-10**).

The PRI has serious concerns that the Proposed Rule would significantly weaken the role institutional investors play in corporate governance, primarily due to the rule's asymmetric design that imposes costs on only one type of advice: recommendations with which management disagrees. This would, in turn, undermine investors' confidence in the independence of proxy advice – and make holding management accountable to their shareholders far more difficult.

The PRI believes the Proposed Rule as a whole is unnecessary but has detailed several recommendations below. Specifically, the SEC should:

[3] *See* Letter from The PRI to Hons. Jeb Hensarling and Maxine Waters, House Financial Services Committee (Nov. 13, 2017) (detailing concerns with the Corporate Governance Reform and Transparency Act of 2017) available at: https://docs.wixstatic.com/ugd/6c49d6_a1d7a95af5164ddd8beca120a4eee42c.pdf; *see also* PRI, *Comment Letter to the SEC on the Proxy Roundtable*, File No. 4-725 (Nov. 14, 2018) available at: https://www.sec.gov/comments/4-725/4725-4647955-176488.pdf.

1. Independently evaluate, with empirical evidence, whether there are indeed factual inaccuracies in proxy advice, and whether those errors are material to proxy firms' recommendations or shareholders' voting decisions.
2. Consider the PRI's original analysis, which suggests that proxy advisors' recommendations are dynamic and not unidirectional against management.
3. Do more than simply state that "perceptions" may change about the independence of proxy advice and expressly consider the introduction of bias as a result of the Proposed Rule.
4. Consider leveling the playing field by providing shareholder proponents an equal opportunity as management to present their views on proxy advisor recommendations prior to a vote.
5. Evaluate empirically the costs of reduced management accountability that would undoubtedly occur under the Proposed Rule.

I. THE SEC'S STATED RATIONALE OF FIXING FACTUAL ERRORS AT PROXY FIRMS IS A SOLUTION IN SEARCH OF A PROBLEM

The SEC's proposed changes to the rules governing proxy solicitations, among other things, consist of the following:

- Codifying the Commission's interpretation that proxy voting advice generally constitutes a solicitation within the meaning of the Securities Exchange Act of 1934 and amending the proxy rules to clarify when the failure to disclose certain information in proxy voting advice may be considered misleading;
- Stating that registrants and certain other soliciting persons must be given an opportunity to review and provide feedback on proxy voting advice before it is issued; and
- Stating that registrants and certain other soliciting persons may request that proxy voting advice businesses include in their voting advice a hyperlink or analogous electronic medium directing the recipient of the advice to a written statement that sets forth the registrant's or soliciting person's views on the proxy voting advice.[4]

Underpinning these rules is the SEC's concern that there are factual errors in recommendations from proxy advisors that could affect how investors vote in corporate elections:

> However, in recent years concerns have been expressed by a number of commentators, particularly within the registrant community, that there could be factual errors, incompleteness, or methodological weaknesses in proxy voting advice businesses' analysis and information underlying their voting advice that could materially affect the reliability of their voting recommendations and could affect voting outcomes, and that processes currently in place to mitigate these risks are insufficient.[5]

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[4] Proposed Rule at 1.

[5] Proposed Rule at 39. *See also* Business Roundtable, *Comment Letter to the SEC's Roundtable on the Proxy Process* (Nov. 2018) ("Specifically, there has been continued concern that proxy advisory firms produce reports that frequently include factually inaccurate information . . .") available at: https://www.sec.gov/comments/4-725/4725-4635930-176425.pdf.

Concerns about factual errors in proxy voting advice have often been raised by issuers and their representatives without rigorous evidence to back up those claims. A Government Accountability Office report in 2016, following up on an earlier report from 2007, for example, addressed the issue of alleged factual errors in proxy advice, finding that "[b]oth corporate issuers and institutional investors [the GAO] interviewed said that the data errors they found in the proxy reports were mostly minor."[6] And the SEC's Investor Advisory Committee recently noted a similar finding with respect to the Proposed Rule: "No other source cited by the SEC to support the idea that more than a trivial number of factual errors "may" exist in fact show they exist, and none shows that *any* errors were material to the outcome of an actual shareholder vote."[7] Notably, rarely are these concerns about alleged pervasive factual errors in proxy advice expressed by investor-clients of the proxy advisors.[8]

Nowhere in the Proposed Rule does the SEC independently verify whether such concerns about factual errors are even legitimate; at best, the Proposed Rule says that factual errors "could" exist.[9] Accordingly**, the PRI recommends that the SEC evaluate empirically whether there are indeed factual inaccuracies in proxy advice, and whether those errors are material to proxy firms' recommendations or shareholders' voting decisions.**

II. THE PRI'S ECONOMIC ANALYSIS FINDS THAT PROXY ADVISORS' RECOMMENDATIONS ARE DYNAMIC, CHANGING OVER TIME IN RESPONSE TO EVENTS

The PRI conducted an original economic analysis of proxy advisor recommendations on shareholder resolutions to better understand the effect of the Proposed Rule on its signatories. The PRI analyzed all shareholder resolutions that appeared on proxy filings from 2006 through 2018. Of 6,145 unique resolutions, 1,579 were resubmitted at least once, and of those, 212 had multiple recommendations by a single proxy advisor associated with a single issuer.[10] The results of this analysis show that proxy advice can change back and forth over time during a given shareholder resolution's life cycle, as proxy firms incorporate new information into their voting:

[6] *Issues Relating to Firms that Advise Institutional Investors on Proxy Voting,* Government Accountability Office, GAO-07-765 (June 29, 2007); *Proxy Advisors Role in Voting and Corporate Governance Practices,* GAO-17-47 (Nov. 2016) ("The institutional investor said that the errors found in proxy reports generally were minor and that firms typically were able to update and correct their reports.").

[7] Securities & Exchange Commission, *Recommendation of the Investor-as-Owner Subcommittee of the SEC Investor Advisory Committee (IAC) Relating to SEC Guidance and Rule Proposals on Proxy Advisors and Shareholder Proposals,* at 5 (Jan. 16, 2020) (emphasis in original).

[8] *See* Amy Freedman, Michael Fein, & Ian Robertson, *Kingsdale Advisors, Understanding the Impact of America's Clampdown on Proxy advisors,* Harvard Law School Forum on Corporate Governance (Nov. 10, 2019) ("At an SEC roundtable held in November 2018, investors expressed general satisfaction with the service provided by proxy advisors.") available at: https://corpgov.law.harvard.edu/2019/11/10/understanding-the-impact-of-americas-clampdown-on-proxy-advisors/; *see also* Securities & Exchange Commission, Investor Advocate Rick Fleming, *Important Issues for Investors in 2019* (April 8, 2019) ("But the investors themselves—again, the ones paying for proxy advice—are not asking for protection. In fact, I keep hearing opposition from investors to proposals that might lead to interference in the proxy voting process.").

[9] Proposed Rule at 39.

[10] The PRI reviewed recommendations from Institutional Shareholder Services (ISS) only.

- In 149 instances, the proxy advisor made a positive recommendation (for a resolution) and changed to negative (against a resolution).
- In 94 instances, the proxy advisor made a negative recommendation and changed to positive.
- In 31 instances, the proxy advisor changed in both directions (e.g., negative to positive, and positive to negative).
- On average, for the resolutions that see at least one change, the first change occurs at submission 2.4 (where 1 is the first submission).

An example includes a resolution at AT&T to require an independent board chairman:

Year	Proxy Advisor Recommendation
2009	For
2012	For
2013	Against
2016	Against
2018	For

These results show that proxy advisors' recommendations can be dynamic in both directions over time — in fact, more often from positive to negative. In other words, proxy advisor's recommendations should not be viewed monolithically as for or against management. This is consistent with academic research into proxy advisors' voting recommendations. For example, one academic paper finds "two different philosophies of corporate governance and shareholders' role" in the recommendations of ISS and Glass Lewis.[11] Another paper on proxy voting contest finds that the two major proxy advisors are not united in support for dissidents versus management in proxy contests.[12]

The PRI recommends the SEC consider this original analysis, which suggests that proxy advisors' recommendations are dynamic and not unidirectional. Rather, proxy firms undertake a careful review of shareholder resolutions, changing their recommendations over time in response to new facts or ongoing discussions with management.

III. THE PROPOSED RULE INTRODUCE BIAS INTO PROXY ADVICE WITH A 'ONE-WAY RATCHET' FAVORING PRO-MANAGEMENT RECOMMENDATIONS

The PRI is very concerned about the basic design of the Proposed Rule, specifically, that it imposes costs only on recommendations that management opposes. By raising the cost of one type of

[11] Ryan Bubb & Emiliano Catan, *The Party Structure of Mutual Funds* (2018) available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3124039.

[12] Alon Brav, Wei Jiang, Tao Li, & James Pinnington, Columbia Business School Research Paper No. 18-16, *Picking Friends Before Picking (Proxy) Fights: How Mutual Fund Voting Shapes Proxy Contests,* at 15 (2019) ("In our sample, activists have won 49.5% of the voted contests and ISS supports the dissident slate 52.3% of the time . . . In contrast, Glass Lewis only supports the dissident 23.3% of the time. The different degree of support for the dissident by the two leading proxy advisors echoes the findings of Li (2016) and Bubb and Catan (2018)") available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3101473.

recommendation (against management) but not the other (for management), the Proposed Rule biases advice towards favoring managers, reducing the accuracy and independence of proxy voting advice.

1. Chilling Effect of Non-Scienter-Based Litigation under Rule 14a-9

The Proposed Rule codifies the Commission's recent interpretation that proxy voting advice constitutes a solicitation subject to the federal proxy rules.[13] By classifying such advice as a solicitation, proxy firms' recommendations would also be subject to Rule 14a-9, which prohibits false or misleading statements in the solicitation of a proxy.[14] This raises a few critical issues that would affect the independence and reliability of proxy advice.

First, while the Proposed Rule in theory applies regardless of the direction of the proxy advisor's recommendation, the scenario in which an issuer would consider a lawsuit is when advice is *against* management, as an issuer would be unlikely to sue if it agrees with the voting recommendation. This would deter proxy firms from providing an independent analysis of the facts and opposing management where they feel it is genuinely appropriate.

Second, unlike other anti-fraud rules in the federal securities laws, Rule 14a-9 does not require scienter; mere negligence suffices to bring a claim against the person making the solicitation.[15] Given the low standard to sustain a claim for a false or misleading proxy solicitation, the PRI is concerned about the chilling effect this may have on proxy advisors' confidence in being able to convey candid recommendations to their clients – and investors' confidence in the independence of that advice.

The PRI believes that proxy advice does not fall under the definition of solicitation under Rule 14a-9.[16] Alternatively, however, if the SEC continues to believe that it does**, the PRI recommends it should narrow the scope of the Proposed Rule to avoid this chilling litigation over proxy advice**, for example, by ensuring that Rule 14a-9 does not cover the content of recommendations or mere differences of opinion between management and proxy firms.

2. New Management Review Periods and Resulting Timing Delays are Imposed Asymmetrically

Under the Proposed Rule, issuers are given two opportunities to review and provide feedback on proxy advice before it is issued and may request that proxy voting firms include in their advice a

[13] Proposed Rule at 128.
[14] Securities and Exchange Commission, *Interpretation and Guidance Regarding the Applicability of the Proxy Rules to Proxy Voting Advice* (Aug. 21, 2019).
[15] *See, e.g.,* Brief of the United States as Amicus Curiae in Support of Neither Party to the Supreme Court of the United States, *Emulex et al. v. Varjabedian, et al.,* No. 18-459 (Feb. 26, 2019) ("In a number of decisions, including at least one issued before the Williams Act was enacted, lower courts have concluded—correctly, in the [Securities & Exchange] Commission's view—that scienter is not required to establish a violation of Rule 14a-9.") available at :https://www.supremecourt.gov/DocketPDF/18/18-459/89751/20190226165255799_18-459npUnitedStates.pdf.
[16] *See* Securities and Exchange Commission, *Interpretation and Guidance Regarding the Applicability of the Proxy Rules to Proxy Voting Advice* (Aug. 21, 2019).

hyperlink directing the recipient of the advice to a written statement that sets forth the registrant's views on the proxy firm's advice. These costs, however, would only apply in scenarios where proxy firms recommend *against* management.

First, facing the specter of litigation, a proxy advisor would essentially be forced to include in their final recommendation the information from the issuer's review in order to avoid liability under Rule 14a-9. On the contrary, if management approves of the recommendation (that is, if the recommendation is to vote for management), the proxy advisor would almost certainly not feel compelled to incorporate additional information from management.

Second, the new double review period would introduce potential timing delays in an already compressed process, providing even less time for a proxy advisor to conduct a considered analysis and avoid errors. Again, if a proxy advisor is worried about internalizing these costs or passing them onto investors, it is now incentivized to simply not recommend against management — especially when novel or additional analysis is required.

The SEC claims that proxy advisors would not be *required* to make changes in response to management's review:

> Although the feedback process may give users of the advice more confidence that it is accurate and informed by the issuer's review, this consultation process has been noted by some as possibly affecting the independence and objectivity of the advice. This possible concern may be limited by the fact that the proposed rules would not require proxy voting advice businesses to make changes to the voting advice based on a registrant's feedback.[17]

Then, regarding the potential for timing delays, the SEC stipulates that these costs can be easily mitigated:

> Alternatively, the proxy voting advice businesses may need to expend greater resources to ensure delivery by the date on which they would have delivered the advice in the absence of the requirement to allow registrants and other soliciting persons the opportunity to review and provide feedback on the proxy voting advice. These additional costs could be mitigated by the proxy voting advice business receiving more time than it otherwise would to review the definitive proxy statements as a result of the incentives created by the 45 calendar days and 25 calendar days filing thresholds in proposed Rule 14a-2(b)(9)(ii)."[18]

In reality, the SEC's assessments of both of these costs are incomplete. Be it the threat of litigation from issuers or the prospect of timing delays, a proxy advisor can avoid these costs by simply abstaining from recommending against management. Therefore, although the Proposed Rule technically does not *require* proxy firms to accept changes suggested by management, they create strong new economic incentives — incentives that will almost certainly cause advice to be more

[17] Proposed Rule at 107.
[18] Proposed Rule at 107.

favorable to managers. The SEC, however, fails to assess this “one-way ratchet” in the Proposed Rule. Accordingly, **the PRI recommends that the SEC should consider that the rule’s asymmetric design would introduce bias in the provision of proxy advice.**

If management should get two opportunities to respond to recommendations, it is unclear why shareholder resolution proponents should not as well. Accordingly, while the PRI strongly opposes the proposed management review periods, **the PRI recommends the SEC consider leveling the playing field by providing shareholder proponents an equal opportunity as management to present their views on proxy advisor recommendations prior to a vote.**

III. THE PROPOSED RULE’S ECONOMIC ANALYSIS FAILS TO PROVIDE JUSTIFICATION FOR THE RULE’S KEY ASSUMPTIONS

1. The SEC Has Not Justified, with Rigorous Evidence, its Major Assumptions About the Need for its Regulatory Intervention

The Proposed Rule’s economic analysis rests on a few key assumptions: (1) that there are factual errors in the provision of proxy advice; (2) that existing market practices are leading to poor advice; and (3) that increasing engagement with management will lead to better advice. However, none of these assumptions are justified by rigorous empirical evidence, a major shortcoming of the Proposed Rule.

Regarding the first, as discussed earlier, nowhere in the Proposed Rule does the SEC empirically verify whether issuers’ concerns about factual errors are legitimate; at best, the Proposed Rule says that factual issues “could” exist.[19] But even if the SEC *did* uncover pervasive factual errors, the Proposed Rule’s economic analysis still does not sufficiently justify the subsequent two key assumptions, as described below.

Regarding the second, the market for proxy advice has evolved in recent years, with some proxy advisors now allowing registrants to review certain parts of recommendations before they are conveyed to clients.[20] Indeed, the SEC acknowledges that proxy advisory services have processes for taking in registrant corrections and comments. But it only states that “these existing practices may be inadequate to address registrants’ or other soliciting persons’ concerns and ensure that those who make proxy voting decisions receive information that is complete and accurate in all material respects.”[21] The Proposed Rule thus mandates a significantly higher level of engagement than the proxy advisors are choosing to do on their own. In other words, the SEC assumes that mandating increased engagement is efficient — without explaining why. Given that proxy advisors are paid to provide accurate advice, it is unclear why the economic analysis presumes that proxy advisors are sub-optimally engaging with issuers.

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[19] Proposed Rule at 39.
[20] *See, e.g.*, Glass Lewis, Issuer Data Report, (allowing issuers to review certain data but not recommendations as a whole prior to proxy votes) available at: https://www.glasslewis.com/issuer-data-report/.
[21] Proposed Rule at 102.

Regarding the third, the Proposed Rule sets forth several new requirements in which proxy advisors are effectively required to engage with corporate management before making recommendations to their clients. The SEC's rationale for these new review periods is that increasing the amount of information that investors receive prior to casting their votes would increase the accuracy of the advice:

> We believe the proposed amendments would benefit clients of proxy voting advice businesses—and thereby ultimately benefit the investors they serve—by enhancing the overall mix of information available to those clients as they assess voting recommendations and make determinations about how to cast votes. . . . To the extent that proxy voting advice businesses refine their advice based on feedback from registrants and other soliciting persons, users of the advice and the investors they serve (if applicable) could benefit from more accurate and complete voting advice."[22]

Nowhere does the SEC consider that the imposition of this information, through the asymmetric design discussed above, would introduce bias into proxy advice — nor does the SEC consider the resulting costs to investors of that bias. At best, the Proposed Rule suggests that it may change "perceptions" of the independence of proxy voting advice: "allowing a registrant or other soliciting person to review and provide feedback on the voting advice before the proxy voting advice business provides it to its clients could impact perceptions about the independence and objectivity of the advice."[23] Merely recognizing that perceptions may change, however, is an insufficient evidentiary basis for a rulemaking. **The PRI recommends that the SEC do more than acknowledge that perceptions may change because of the rules and instead should also expressly consider the introduction of bias in voting advice as a result of the Proposed Rule.**

The Proposed Rule rests on a few key underpinnings about the quality of advice that proxy advisors give to investors: that there are factual errors in that advice; that existing market practices are sub-optimal; and that incorporating information from management will lead to better advice. However, presuming these to be true alone is not sufficient; the SEC should justify whether these assumptions are legitimate with rigorous empirical evidence.

2. The SEC Fails to Evaluate the Costs to Investors of the Proposed Rule from Reduced Management Accountability

Finally, the Proposed Rule does not adequately consider the costs of impeding investors' ability to monitor management going forward. As a wide body of academic literature on corporate governance has noted, shareholder's disciplining of management can be positive for long-term value creation. For example, a 2009 paper in the *Journal of Finance* found that shareholder voting is significantly related to firm performance, and that fewer shareholder votes for management leads to lower "abnormal"

[22] Proposed Rule at 101.
[23] Proposed Rule at 107.

CEO compensation and a higher probability of removing poison pills, classified boards, and CEOs.[24] A 2012 paper in the *Journal of Finance* estimated the passage of *a* single governance proposal causes a positive 2.8% cumulative abnormal return.[25] Similarly, a 2015 paper in *Management Science* found that implementing a corporate social responsibility shareholder resolution leads to an increase in firm value by about 1.77%.[26]

Under the Proposed Rule, however, all of these examples of management accountability to shareholders would be much less likely to occur. Given that the Proposed Rule imposes asymmetric costs on advice that management opposes, the consequence is that there will be less accountability of companies to their owners. The SEC, however, in its economic analysis, fails to assess the value-enhancing nature of shareholder disciplining that would be lost going forward. **Accordingly, the PRI recommends that the SEC evaluate with empirical evidence the costs of reduced accountability to shareholders that would undoubtedly occur under the Proposed Rule.**

CONCLUSION

Under the US' system of corporate governance, shareholders have important rights as owners of the company that allow them to participate in key decisions and to challenge managers on what is in the best interests of the company. The PRI is very concerned that the Proposed Rule would significantly weaken the role institutional investors play in the governance of US companies because of the rule's asymmetric design, which imposes costs on only one type of advice: recommendations that management opposes. If enacted, the Proposed Rule would sway US corporate governance in a direction more partial to managers and away from shareholders. Making it more difficult for proxy advisors to provide impartial and candid advice to their investor-clients risks entrenching poorly performing managers — a damaging outcome for markets more broadly.

Accordingly, the PRI opposes the SEC's proposed changes to the proxy advisory regime, which would undermine proxy firms' ability to provide independent and reliable analyses to investors. **The PRI recommends that the SEC revisit the rules along the lines of the alternatives proposed in this letter, substantially revise its economic analysis to include empirical justifications of the basic assumptions of the Proposed Rule, and evaluate the costs of the rules in the form of reduced management accountability to shareholders.**

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[24] Jiie Cai, Jacqueline Garner, & Ralph Walkling, *Electing Directors*, 64 J. Fin. 2389 (Sept. 28, 2019) available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1101924.

[25] *See* Vicente Cuñat, Mireia Gine, & Maria Guadalupe, *The Vote Is Cast: The Effect of Corporate Governance on Shareholder Value*, 67 J. Fin. 1943 (2012) available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1555961.

[26] The study finds that "a CSR proposal that passes by a narrow margin of votes yields an abnormal return of 0.92% compared to a CSR proposal that fails marginally." After rescaling the estimated coefficient by the probability of implementing the proposal, the author finds that CSR proposals have a 52% probability of being implemented, which leads to an increase in shareholder value by about 1.77%. *See* Carol Flammer, *Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach,* Management Science, Vol. 61 No. 11 (2015) available at: https://www.researchgate.net/publication/256034233_Does_Corporate_Social_Responsibility_Lead_to_Superior_Financial_Performance_A_Regression_Discontinuity_Approach.

Thank you for the opportunity to share our views. For further conversation and follow up, please feel free to contact our policy team:

- Will Martindale, Director of Policy and Research: [redacted].
- Colleen Orr, US Policy Analyst: [redacted].

Yours sincerely,

Fiona Reynolds
Chief Executive Officer
Principles for Responsible Investment

cc. The Honorable Jay Clayton, Chairman
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner
The Honorable Allison H. Lee, Commissioner

APPENDIX

Data Sources

Proposals are from 2003-2018 from ISS Voting Analytics. We kept only proposals with Sponsor "Shareholder." We removed proposals where meeting type is "Proxy Contest" or where the Agenda General Description includes the phrase "(Opposition Slate)".

Our analysis included all shareholder proposals that were voted on by shareholders, excluding those relating to proxy contests.

Methodology

We hand-corrected Agenda General Descriptions, Item Descriptions, and Proponent Names to streamline them.

We categorized a proposal as a resubmission if it is: (i) at the same firm, (ii) at a subsequent meeting, (iii) with the same Agenda General Description, and (iv) with the same Item Description. Hand-correct Item Descriptions in ambiguous cases. Assign a unique proposal ID to all proposals plus resubmissions.