

February 3, 2020

Ms. Vanessa A. Countryman Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington DC 20549

Electronic address: rule-comments@sec.gov

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

Dear Ms. Countryman,

Boston Common Asset Management is a global investment manager that specializes in sustainable and responsible global equity strategies. On behalf of its clients, Boston Common focuses its shareowner engagement with companies including through the shareholder proposal and proxy voting process on improving transparency on material ESG issues through smarter disclosure, encouraging accountability, inclusiveness, and ethical corporate practices and managing for the long term. Participating in the proxy voting process is exercising our right and responsibility as shareholders of a company and is an integral part of executing our fiduciary duty. Throughout the firm's seventeen year history, we have used the shareholder proposal process judiciously by typically filing a range of ten to fifteen shareholder proposals each year primarily when a company has failed to engage with us on or where an engagement has stalled.

Investor engagement with issuers on ESG matters through the shareholder proposal and proxy voting process are critical components of ESG integration. Integrating ESG factors has become a necessary part of investment. 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 fiduciary duties. US investors are increasingly acknowledging that fiduciary duties require the consideration of economically-relevant ESG factors into their investment decision-making processes.¹

While we have signed onto many submissions already through the Interfaith Center on Corporate Rights (ICCR), the Principles for Responsible Investment (PRI) and Ceres, we would like to comment on particular aspects that re-affirm some of these submissions:

¹ <https://www.fiduciaryduty21.org/>

1. **Failure to calculate and consider the benefits of Shareholder Proposals – Many submissions including the one from the Shareholder Rights Group highlight that “the SEC failed to make any attempt to calculate and consider the benefits of shareholder proposals”.** In fact the Investor Advisory Committee highlights in their January 24, 2020 submission failure to comply with the Commission’s own internal guidance on economic analysis prior to issuing a proposed rule. We agree with the Shareholder Rights Group and the Investor Advisory Committee’s recommendation that due process was not followed. Given this the Commission should reject the rulemaking proposals, conduct a baseline and balanced economic and policy analysis, and revise and re-notice the proposal.²

In relation to specific aspects of the current proposed rule-making, we would like to reiterate some of our previous feedback submitted in June 2019.

2. **Current ownership requirements for submission of shareholder proposals are set at the appropriate levels and should not be changed.** Increases in ownership requirements would exclude many shareholders from engaging with companies on material issues. Shareholder proposals serve as an important tool that allow investors to engage with issuers on material environmental, social and governance (ESG) matters and over half of shareholder proposals are withdrawn after dialog between management and investors.³
3. **Resubmission thresholds for shareholder proposals are currently set at the appropriate levels and should not be changed.** Increases in resubmission thresholds would limit shareholders’ engagement with companies on emerging material risks.
4. **Substantial changes to regulation of proxy advisors risks significantly impairing proxy advisors’ ability to provide independent, decision-useful information to inform investors’ proxy voting decisions.** Policy changes that impair investors’ access to high-quality information from proxy advisory firms would be particularly damaging to small- and medium-sized asset managers, who would have trouble dedicating resources to independent analysis of proxy matters.
5. **Requiring an Opportunity for Engagement –** We agree with other submissions including the Shareholder Rights Group that the Commission’s efforts to “encourage engagement” outside of administering the shareholder proposal rule is outside the remit of the Commissioner’s authority and the existing proposal on engagement is impractical. **An area that has been encouraged by others and supported by Boston Common Asset Management would be for the SEC to confirm if a company attempts to engage with a**

² <https://www.sec.gov/spotlight/investoradvisory-committee-2012/sec-guidance-and-rule-proposals-on-proxy-advisors-and-shareholder-proposals.pdf>.

³ [https://www.cii.org/files/10_10_Shareholder_Proposal_FAQ\(2\).pdf](https://www.cii.org/files/10_10_Shareholder_Proposal_FAQ(2).pdf)

shareowner prior to filing a no action request. This could reduce related costs for all involved in the process including companies.

OWNERSHIP AND RESUBMISSION THRESHOLDS

The shareholder proposal process is critical to the functioning of the investment intermediation chain. Boston Common Asset Management believes that the current ownership requirements and resubmission thresholds are set at the appropriate levels and should not be changed.

SEC rules require that a shareholder owns at least \$2,000 worth of stock or 1 percent of the company's stock for at least one year to be eligible to submit a proposal for a vote at a company's annual meeting. The current resubmission thresholds for a corporation to exclude a resubmitted proposal are set at 3 percent since the last time it was voted on, 6 percent if it was voted on in the last five years, and 10 percent if it was voted on three or more times in the last five years.⁴ The SEC has stated that it will consider whether minimum ownership thresholds need to change and whether resubmission thresholds are fair.⁵

The shareholder proposal process is critical to the functioning of the investment intermediation chain. It is a core characteristic of the rights of investors, and the savers on whose behalf they invest, to enable investors to engage the companies they own on issues such as shareholder rights, corporate disclosure and other ESG issues, such as climate change. Significant increases in ownership or resubmission thresholds would make it difficult, and in some cases prevent investors, on behalf of savers, from raising these issues with companies and holding companies to account. These are issues that materially impact corporate performance.

For example, a 2018 GAO literature review⁶ cited a 2017 study commissioned by the Department of Labor⁷ that reported that, while some investors may believe integrating ESG issues will lead to lower returns, the GAO found in its literature review that integrating ESG issues, which includes participating in the shareholder proposal process, typically leads to similar or improved performance compared to traditional strategies.

PROXY ADVISORY FIRMS

Proxy advisory firms conduct the important and necessary work of providing high quality, impartial analysis of corporations, including their management of ESG issues, and link this analysis to voting recommendations based on institutional investors' stated priorities. Proxy advisory firms help investors keep up with what their companies are doing and fulfil their ownership obligations at a manageable cost. Companies' ability to access low cost capital through open capital markets depends, to some extent, on investors' ability to rely on mechanisms that enable them to fulfil their voting obligations on everything from re-electing

⁴ <https://www.unpri.org/sustainable-markets/the-shareholder-voting-process-esg-integration-and-proxy-advice-in-the-us/3789.article>

⁵ https://www.sec.gov/news/public-statement/statement-announcing-sec-staff-roundtable-proxy-process#_ftnref6

⁶ <https://www.gao.gov/assets/700/691930.pdf> page 8

⁷ <https://www.gao.gov/assets/700/691930.pdf> page 14

board members, to accepting audit reports, to more nuanced issues such as casting votes on shareholder proposals.

Shareholders including our firm use proxy advisory firms' recommendations to supplement their research and understanding of multiple, detailed and sometimes dense, proxies for their portfolio. Without proxy advisory firms, most shareholders would lack the capacity required to synthesize information to vote proxies, and therefore, would have difficulty performing their fiduciary duty to their clients.

In addition, requiring proxy advisory firms to share voting recommendations with corporations in advance would allow corporations to intercept recommendations critical of the corporation or its management. This would undermine the checks and balances necessary for functioning markets.

CONCLUSION

Given that the SEC did not comply with its own internal guidance on economic analysis, we strongly urge the Commission to reject the current rule-making proposals, conduct a baseline and balanced economic and policy analysis and then revise and re-notice the proposal.

Barring that, we strongly support that the existing shareholder process allows shareholders to engage on issues that affect their portfolio and potentially the company's reputation. Changes to the current process recommended by some issuers would make it harder for investors to engage with issuers on important ESG matters and access and receive impartial advice necessary to participate in the proxy process.⁸

On behalf of Boston Common Asset Management, we encourage the Commission to refrain from changing existing rules related to shareholder proposals and proxy advisor regulation.

Sincerely,



Lauren Compere, Managing Director
Boston Common Asset Management

⁸ https://www.centerforcapitalmarkets.com/wp-content/uploads/2018/10/ProxySeasonSurvey_v3_Digital.pdf