EAST BAY
MUNICIPAL UTILITY DISTRICT

Via Email

January 15, 2020

The Honorable Jay Clayton, Chairman
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner
c/o Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File numbers: S7-23-19; S7-22-19

Dear Commissioners,

On behalf of the East Bay Municipal Utility District Employees' Retirement System (EBMUDERS), I strongly encourage you preserve the right of shareholders to make their voices heard and maintain the independence of proxy voting advice. Shareholder proposals and the rules enabling them have been critical in strengthening corporate governance and corporate sustainability performance in the US. The proposed rule changes will have a detrimental effect on both.

The shareholder proposal process is central to the advancement of environmental, social, and governance (ESG) integration in the United States and to our ability to fulfill our fiduciary duty as shareowners. Shareholder proposals enable us, and all investors, to engage with companies at annual elections on critical issues. Those issues include: corporate transparency, executive compensation and climate change. We believe the opportunity to engage on these issues is an investor right.

The proposed changes to the 14a-8 thresholds will lead to the exclusion of a meaningful number of shareholder proposals. Many companies have acted upon matters raised in the shareholder proposal process. We believe that the current resubmission thresholds are conducive to constructive engagement between companies and their shareholders. Any increases to these thresholds would be counterproductive for shareholder engagement and effective long-term management of emerging risks.

We believe that increases to the thresholds to submit a shareholder proposal would have a significant negative impact on small shareholders, such as ourselves, particularly as they would no longer be able to aggregate their holdings. We note that many proposals seeking positive changes to governance structures of US companies (e.g., requiring an independent chair or

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declassifying a staggered board) and shareholder rights (e.g., establishing a right to call a shareholder meeting or nominate a director) have been filed by small shareholders but supported by large institutional investors, gaining significant support at shareholder meetings and eventually resulting in improvements of governance profiles and mitigation of governance risks at major US corporations.

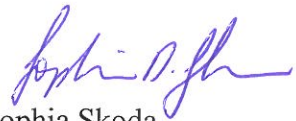
We believe that the limit on the number of proposals each shareholder can submit to one proposal per shareholder meeting would further reduce shareholder ability to draw the attention of companies, corporate boards and other shareholders to important issues and risks facing the businesses they invest in. For example, a shareholder with multiple concerns over corporate governance, environmental or social risks at the same company could only choose one issue to address, thus hindering the timely consideration of relevant risks and issues at the company by its management. We also have concerns about the possible application of the one-proposal rule to undermine fiduciary responsibilities of representatives by limiting proposals to one for small shareholders such as ourselves.

Moreover, proxy advisory firms play a vital role in providing impartial analyses of and recommendations on corporate issues. Requiring proxy advisory firms to allow companies to review and comment on recommendations before investors see them, as the SEC has proposed, would greatly limit investors' access to independent advice on matters brought to a vote in corporate elections. This would result in undue management influence on the process.

As fiduciaries entrusted with the duty to manage the EBMUD employees' retirement system in the best interest of its beneficiaries, we are deeply concerned that the SEC's proposed rule will undermine the reliability of this source of advice and cause unwarranted delays in an already compressed process. These hurdles will likely make it harder for us and other investors to carry out fiduciary responsibilities.

We urge you to preserve the existing framework and look forward to working with you to make sure that these important elements of shareholder democracy are maintained. Any rulemakings should address the concerns set out in this letter.

Sincerely,



Sophia Skoda
East Bay Municipal Utility District Employees' Retirement System