



January 31, 2020

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

Vanessa A. Countryman  
Secretary, Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

*Via Electronic Submission*

**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:

Rhia Ventures submits the following comments in response to the Securities and Exchange Commission's proposed rulemakings published in the federal register on December 4, 2019 (84 FR 66518 and 84 FR 66458).

Rhia Ventures is a social investment venture transforming women's reproductive health by harnessing new capital and the power of the markets. We make equity investments in promising companies that address gaps in the reproductive health market, and we partner with our investor network to ensure that corporations understand that reproductive health care is essential care.

Rhia Ventures coordinates a network of 39 institutional investors who share our conviction that reproductive health is a business issue, for reasons explored in our new report *Hidden Value: The Business Case for Reproductive Health*. Using dialogue, correspondence and shareholder proposals, we have engaged with a number of Fortune 500 firms to encourage them to examine (and improve as necessary) their practices and policies in four areas relevant to reproductive health -- insurance, benefits, public policy and political spending.

Some in our network have submitted shareholder proposals on this topic. 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. We are concerned that the SEC's proposed amendments will undermine rather than improve the process and outcomes of the shareholder resolution process, curtailing the rights of investors, especially smaller investors, to raise issues of concern about business practices at the companies they own.

Rhia's views on the two proposed rules generally align with those expressed by the Shareholder Rights Group in its January 6, 2020 [letter](#) to the Commission. In the following pages we call out the features of the proposed rules that concern us most.

The first proposed rule (S7-22-19) not only dramatically increases the amount of shares investors must hold to file resolutions at their companies, it significantly increases the vote thresholds necessary for refiling, and creates numerous steps that make it more difficult for others to file resolutions on their behalf. The second proposed rule (S7-23-19) suppresses the voices of independent proxy advisory firms that make informed participation possible for small shareholders. The proposed rules are prejudicial and unnecessary, and we urge the SEC to withdraw them.

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

The current threshold to file a shareholder proposal was intentionally set at a level of \$2,000, allowing institutional and individual shareholders alike to engage with the governing bodies of a corporation. The proposed rule raises the ownership requirements from \$2,000 up to \$25,000 for investors who have owned company shares for one year – a 1200% increase. The newly proposed amounts place proposals out of reach for most mainstream investors. Many Main Street investors with diversified portfolios will never own \$25,000 worth of one company's stock or even the lesser amount of \$15,000 when shares have been held for two years. The requirement that a shareholder retain a stock for 3 years before the filing amount falls to \$2,000 in shares creates additional difficulties associated with ensuring that particular stocks are held in portfolios over time without interfering with normal diversification activities.

The SEC estimates that these thresholds will cut proposal filings by 28%. This diminution would result in a disservice not to just small shareholders, but all shareholder who benefit from their proposals. 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. We are seeing early indications that the proposals submitted by our network relating to reproductive health will similarly catalyze positive corporate activity.

### **Shareholders Should Be Freed to Select and Be Represented by Agents**

The proposed amendments create burdensome and unequal requirements on shareholders who wish to be represented by agents. For example, the proposed rule requiring shareholders whose proposal has been filed by their manager or other an agent to personally make themselves available to the company for dialogue, in person or by phone, within a certain limited period of time, infringes upon investors' freedom to select an agent to represent their interests. It is also unnecessary, as those agents are bound by a fiduciary duty to their clients to represent those clients' best interests.

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 its inappropriate interference in 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.

### **Concerning the Proposed Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice**

We are concerned by the following aspects of the proposed rules for proxy voting advice.

Allowing issuers – but not shareholder proponents -- the right to review and comment on proxy voting advisory firms’ recommendations is one-sided and flies in the face of the SEC’s mission to protect investors. As the Shareholder Rights Group observed in its [January 6, 2020 letter](#) to the SEC commenting upon this proposal:

The effect of the proxy advisory rule is to allow issuers to threaten litigation in order to block proxy advisors’ favorable recommendations on shareholder proposals. It would make it far more difficult for investors that use proxy advisors for analysis and advice to vote independently of management.

...With an unreasonably short timeframe and high stakes we can expect this rule would empower corporate secretaries and outside counsel to constrain the proxy advisors on both company proposals and shareholder proposals, disrupting and quite possibly breaking the proxy advisory system.

### **Resubmission Thresholds**

The proposal seeks to raise resubmission thresholds for shareholder proposals from 3%, 6% and 10% in years 1 -3 respectively to 5%, 15% and 25%. To those unfamiliar with the context of shareholder voting, these increases might seem reasonable and incremental. But due to the fact that most shareholders’ votes are cast by intermediaries, if implemented, these changes would result in a dramatic change for the worse. Intermediaries are typically slow to come up to speed on the complicated issues addressed in shareholder proposal, particularly those addressing issues beyond traditional corporate governance matters. This assertion is supported by the many times that investor support has increased slowly but gradually over time for proposals that received low levels of support when initially introduced. We have observed this across many issue areas, including climate change, other environmental issues, political spending transparency, and workplace diversity.

### **Concluding observations**

While Rhia Ventures is a new entrant to this field of activity, members of our staff and investor network are longtime practitioners of shareholder advocacy. In our view, the current system is working well and yields benefits to all shareholders. Shareholder proposals frequently function as an early warning system that bring attention to issues whose material relevance is not yet broadly understood. (Consider, for example, that the first shareholder proposals urging action on climate change were filed in the late 1980s.) The existing rules are rigorously enforced and are more than sufficient in ensuring that serious, important and credible proposals are presented for consideration. (We note that the number of shareholder proposals has not increased over time.)

Given the strengths and beneficial outcomes of the current system, and the lack of reasonable justification for revision, we urge the SEC to fully reject, and take no action on, the proposed rules.

Yours respectfully,



Shelley Alpern  
Director of Shareholder Advocacy  
Rhia Ventures