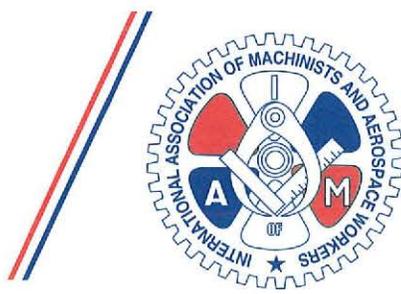


**International  
Association of  
Machinists and  
Aerospace Workers**



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OFFICE OF THE INTERNATIONAL PRESIDENT

February 3, 2020

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

**Re: Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8 [File No. S7-23-19]**

Dear Ms. Countryman:

On behalf of the 600,000 active and retired member International Association of Machinists and Aerospace Workers, AFL-CIO, I am writing to provide comments on the U.S. Securities and Exchange Commission's (SEC) proposed amendments to Rule 14a-8 on shareholder proposals (File No. S7-23-19). We oppose the rules proposed by the SEC on November 5th, 2019 which will severely limit the rights of shareholders to engage with corporations using the shareholder resolution process over issues with an impact on long-term value.

Shareholder proposals are an integral part of shareholder democracy in the United States. Over the past several decades, shareholder proposals engaged companies on a variety of social and governance issues. Rule 14a-8 is a cost-effective mechanism to elevate shareholder concerns to boards of directors and corporate management. The Commission's proposed amendments to Rule 14a-8 will effectively disenfranchise many shareholders from placing proposals on corporate ballots and undermine a corporate engagement process that has been of great value to both companies and investors.

Union members as individual investors and Union members' pension and employee benefit plans have a proud history of submitting shareholder proposals to hold corporations more accountable. Consistent with the fiduciary duty under the Employee Retirement Income Security Act ("ERISA"), these shareholder proposals are submitted for the exclusive purpose of improving the long-term financial performance of the companies in which the shareholders are invested.

Since its creation in 1942, the Commission's shareholder proposal rule has facilitated the ability of small investors to submit proposals for a vote at company shareholder meetings. For the first four decades of the shareholder proposal rule, there was no stockholding requirement. The Commission first adopted a \$1,000 stockholding requirement in 1983<sup>1</sup> and later increased the stockholding requirement to \$2,000 in 1998 to adjust for inflation<sup>2</sup>. The proposed increase in

<sup>1</sup> Exchange Act Release No. 20091 (Aug. 16, 1983) (48 FR 38218).

<sup>2</sup> Exchange Act Release No. 34-40018; (May 21, 1998) (63 FR 29106).

ownership thresholds will make it difficult for smaller investors to voice important concerns and raise issues of risk to the companies they own. The current ownership threshold of \$2,000 ensures that a diversity of voices are heard, not just the biggest players.

While encouraging long-termism is a laudable goal, extending the Rule 14a-8(b) stockholding requirement from one year to three years is not the appropriate way for the Commission to do so. The proposed three-year time extension will disproportionately impact the ability of employee-owners to submit shareholder proposals. Employees who receive equity compensation typically are granted stock options or restricted stock that may not be exercised or vest for several years. Requiring these employees to hold their shares for an additional three years to meet the stockholding requirement is not justified given that they have already demonstrated their long-term economic interest in the company who is their employer.

Additionally, the proposed increase in resubmission thresholds threatens to unnecessarily exclude important proposals that gain traction over time, and will ultimately stifle key reforms. There are many examples through the years of resolutions that initially received low votes, but went on to receive significant support or have led to productive engagement, as shareholders came to appreciate the serious risks they presented to companies. The issue of declassified boards is just one example – in 1987 proposals on this issue received under 10% support; in 2012, 81% support and it is now considered to be a best practice. The Rule 14a-8 vote requirements for the resubmission of shareholder proposals should be maintained at the existing levels of 3, 6, and 10 percent after the first, second, and third years.

Since its inception, the shareholder proposal rule has facilitated the ability of small investors to submit proposals to a vote at company shareholder meetings. The submission of shareholder proposals to increase management accountability conveys a benefit on all shareholders and stakeholders. But because the benefits of shareholder proposals do not accrue entirely to the sponsor of the proposal, the number of proposals is too low relative to the public good they create. Accordingly, the Commission should seek to expand the number of shareholders who file proposals, not reduce them as the Commission has proposed in its amendments to Rule 14a-8.

For the reasons above, we strongly oppose the Commission's proposed amendments to Rule 14a-8 that will disenfranchise many investors from the ability to file shareholder proposals. We respectfully request that the Commission withdraw the proposed rulemaking.

Sincerely,



Robert Martinez, Jr.  
International President

RM/DW