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February 3, 2020

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090
RE: SEC File No. S7-23-19; S7-22-19

Dear Secretary Countryman:

Thank you for the opportunity to provide comments on the Proposed Rules related to Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8 and Amendments to Exemptions from the Proxy Rules for Proxy Advice. Calvert Research and Management (“Calvert”) respectfully submits this letter in response, which is informed by our staff’s experience voting proxies and engaging with companies over several decades. We applaud the Commission’s intention to strengthen engagement between issuers and their shareholders. However, we are unable to support the approach outlined in the proposed rules, which will hinder the ability of shareholders to effectively communicate concerns to public operating companies whose shares they own.¹

Calvert is an investment management firm with assets of \$21.5 billion (as of December 31, 2019) based in Washington, DC that invests across global capital markets. We incorporate into our investment decisions information about corporations’ (and other issuers of securities) exposure to, and management of, financially material environmental, societal and governance (“ESG”) factors. Calvert votes proxies and engages with portfolio companies on ESG issues as an important component of managing portfolio risks and promoting value creation.

Calvert is a subsidiary of Eaton Vance Corp., a leading global asset manager based in Boston.

Shareholder Proposals

Calvert believes that the current shareholder proposal system has worked well. While we believe that some updating of the rules might be warranted, based on our experience engaging with companies over many years, we believe that the proposed rules would be counterproductive to the goal of encouraging constructive dialogue between shareholders and company managements.

Calvert’s primary approach to engagement is to pursue private, informal dialogue with the objective of strengthening our position as investors in these companies. We also hope to achieve beneficial societal outcomes over the long term, consistent with our clients’ expectations.

¹ We distinguish public operating companies from registered closed-end investment companies, for which the agendas of activist shareholders may be contrary to the best interests of long-term investors in such funds. As such, our comments herein should be considered with respect to engaging with public operating companies only.

Calvert prefers not to file proposals when constructive dialogue with companies is possible, but filing can be useful under two circumstances: first, if the company seems unwilling to engage with shareholders, and second, if we believe that a shareholder vote help to demonstrate the importance of an issue to both the company and other investors.

Despite the common assertions that shareholders frequently engage on “frivolous” or “political” matters, there is ample evidence that both corporate ESG policies and shareholder engagement on ESG issues are associated with improved long-term financial performance. An analysis that aggregated the results of 2,200 studies on the topic concluded that the vast majority found positive correlations between corporate financial performance and ESG considerations that are financially material to that business.² Additionally, several studies suggest that engagement with shareholders, including the filing of shareholder proposals, is associated with improved company performance.³

Contrary to the suggestion made in the proposal that some proponents refuse to engage with willing companies after filing a proposal, Calvert makes substantial efforts to contact companies both before and during the shareholder proposal process. In our experience, we have found this to be a typical practice among investors and are unaware of any situation where an institutional investor has refused an offer of dialogue with an issuer after filing a proposal. We believe that a requirement to provide information about available dates for engagement is both redundant and possibly a barrier to engagement, since it may not be possible ahead of time to know when the staff of the shareholder proponent may have availability.

We believe that as a whole, shareholders share our reluctance to file proposals except when necessary to advance a broader company dialogue. Despite what some commenters have claimed, only 13% of Russell 3000 companies received a shareholder proposal in any one year between 2004 and 2017, (According to the Roundtable on Sustainable and Responsible Investment) and very few receive more than one. Moreover, the number of shareholder proposals brought a vote annually has remained relatively stable over many years even as the frequency of communications between shareholders and companies on ESG issues has risen substantially.⁴ On an overall basis, the proposals that do appear offer substantial benefits to companies and shareholders.

² Gunnar Friede & Timo Busch. *ESG and Financial Performance: Aggregated evidence from more than 2000 empirical studies*. 2015. available at: <https://www.tandfonline.com/doi/full/10.1080/20430795.2015.1118917>

³ Grewal, J.; Serafeim, G.; and Yoon, A. 2016 *Shareholder Activism on Sustainability Issues*; Flammer, Caroline, et al, October 2019, *Shareholder Activism and Firms’ Voluntary Disclosure of Climate Change Risk*, Harvard Business School Working Paper 20-049; Wei, Jiaying, (June 21, 2016) *Environmental, Social and Governance Proposals and Shareholder Activism* 29th Australasian Finance and Banking Conference 2016 ; Dimson, E., Karakaş, O. and Li, X., 2015. *Active ownership*. *Review of Financial Studies*, 28(12), pp.3225-3268.

⁴ While this observation is difficult to quantify because of the informality of many of these engagements, numerous commentators have remarked on the trend. See for example: [Betty Moy Huber](#) and [Paula H. Simpkins](#) (January 6, 2020) *A Snapshot of Board-Shareholder Engagement Trends* <https://www.briefinggovernance.com/2020/01/a-snapshot-of-board-shareholder-engagement-trends/>

The likely overall consequence of increased ownership thresholds, higher resubmission thresholds, limitations on the use of representatives, and the one shareholder one proposal rule is that fewer shareholder proposals will appear on issuer ballots. In its discussion of the benefits of its proposed changes, the SEC proposal states that reducing the number of proposals filed is an anticipated benefit of the rule. This claim of benefits is based upon the assumption that reducing the number of proposals will reduce costs. The SEC proposal acknowledges that its analysis did not include an evaluation of the economic value of different types of shareholder proposals nor an assessment of whether the cost savings would exceed the loss from excluding proposals that could be net value enhancing. We believe that the forgone benefits of proposals would be greater than the Commission expects.

In our experience, many companies acknowledge that a proposal receiving a high favorable vote helps to identify priority issues. Corporate policies on such issues as climate change, diversity and energy efficiency that are now commonplace were first raised in the form of shareholder proposals. We observe that in these cases, the identity of the proponent has mattered less than the level of support among all shareholders. Over the years, shareholders and their representatives with a limited direct economic stake in companies have raised many critical issues that have gained the support of other shareholders, and eventually led to changes in company policy. The market, in the form of shareholder votes, has shown the ability to separate priority issues from those that are of lesser importance. Further regulation limiting the submission or resubmission of shareholder proposals will serve only to prevent shareholders from raising potentially useful ideas for consideration by companies and shareholders.

We also believe that low favorable votes can provide useful information to shareholders. Depending on the specific circumstances, a low vote may signal that the investor community supports the company's existing management of the issue; that shareholders do not consider the issue to be financially material; or that the issue is one of emerging concern that may grow in support in future years. Dialogue among investors and companies can help to clarify the meaning of a vote, but a regulated solution keeping resolutions that receive low favorable votes off the ballot eliminates a valuable source of information and an opportunity for engagement on issues of potential future importance.

While we believe that Calvert would continue to have the ability to engage with companies if this rule were enacted, we are concerned that raising barriers within the proposal process will have an overall negative effect shareholders' ability to communicate concerns about environmental, social and governance issues with management. We therefore respectfully request that the Commission decline to finalize the rule as proposed.

Proxy Advisors

As a client of proxy advisors, we are concerned that the proposed proxy rules will not improve the quality or accuracy of proxy advice, and may compromise the objectivity of the information that we receive from our vendors.

Calvert votes proxies for all client accounts according to our customized voting guidelines, established to ensure that our proxy votes are consistent with our objective of maximizing long-term performance of



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portfolio companies. We engage a proxy advisor to administer our voting process, including the “plumbing” of proxy voting and vote execution, and to provide certain company research helpful to our decision making. We monitor the activities of our proxy advisor to ensure that it implements our custom voting guidelines in a timely and accurate manner. We are also mindful of concerns about potential conflicts of interest, and periodically review our proxy advisor’s policies and procedures intended to manage any potential conflicts of interest. We believe that our due diligence process is sufficient to monitor the quality and objectivity of the information we receive from the proxy advisor.

It is critical that the research we receive be fully objective and independent of company management’s influence. The proposed rule would enable management to exert undue influence over the research process and compromise objectivity. While we believe that it is important to hear management’s perspective on matters to be considered at a shareholder meeting, the company already possesses ample means to make its case through existing communications channels (including the proxy statement itself). Moreover, we are concerned that the proposed requirements will create burdens that will impair the ability of proxy advisors to produce research on an already tight timeframe.

We deeply appreciate the opportunity to provide our perspective on these proposed rules.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Streur", written in a cursive style.

John Streur

President & CEO

Calvert Research and Management