March 15, 2017

The Honorable Gary D. Cohn
Director, National Economic Council
The White House
1600 Pennsylvania Ave.
Washington DC 20500

Dear Mr. Cohn:

You recently received a letter from Mark Costa in his role as Chair of the Smart Regulation Committee of the Business Roundtable (BRT) attaching a list of what the Roundtable claims are unduly burdensome regulations, and urging the administration to take action to amend or repeal them.

One of the regulations cited was the shareholder proposal process – which was the subject of an October 2016 BRT report, "Responsible Shareholder Engagement and Long-Term Value Creation", specifically addressing Securities and Exchange Commission (SEC) Rule 14a-8. That report concluded:

"Increasingly, the current shareholder process fails to promote an effective channel of communication between shareholders and companies, especially with regard to matters material and of long-term value to the company. Instead, it is being used by a small number of shareholders attempting to advance litmus test issues that are not only rarely specific to the company, but also irrelevant."

As organizations representing institutional investors with more than $65 trillion of assets under management, we are writing to share our strong disagreement with this analysis and its conclusions, and our support for the current SEC rule and process, in light of their important benefits. Our members are long-term shareholders who can attest to the fact that for over 45 years the shareholder proposal process has served as a cost effective way for corporate management and boards of directors to gain a better understanding of shareholder priorities and concerns and to benefit from those insights on critical and emerging risks and opportunities. The process has proven to be valuable to numerous companies and has given shareholders an important voice.

The existing shareholder proposal process under 14a-8 is well functioning - it does not need to be repealed or amended.

The process does an effective job of facilitating communication between shareholders and companies. It provides shareholders of all types and sizes, from large pension funds to smaller asset managers and individual investors, an opportunity to communicate directly with corporate boards and management on issues of concern to them and to other shareholders. Over the years, this process has led to many reforms that protect and enhance shareholder value, both at specific companies and in many cases to the benefit of the entire corporate and shareholder community. The process, along with the election of directors, is also a means to hold corporate management and the board accountable to the company's owners – the shareholders.

Mr. Costa's letter claims that many of the regulations cited in the attachment to his letter "directly and negatively impact economic growth, (and) their cumulative effect has drained resources from innovation and job creation …" In fact the 14a-8 process has in most cases had the opposite effect by highlighting ineffective corporate governance, enhancing transparency, and promoting corporate actions on a range of environmental, social and governance issues that promote economic growth and job creation over the long term while increasing long term shareholder value. Further it operates in a cost effective manner.

The filing of resolutions under 14a-8 is only a step in the process. Quite often resolutions are withdrawn after they promoted dialogue with the company leading to a win-win outcome, an exchange of views or a better-shared understanding between shareholders and the company. Resolutions that are not withdrawn can be voted on by all holders of voting stock – giving the board and management input far beyond that of the shareholder(s) who initially filed the resolution. And it is important to understand that virtually all resolutions are advisory (not requiring mandatory company action).

Among the issues initially raised by shareholder resolutions that have led to enhancements of shareholder value are:

- Independence of a majority of the members of the Board of Directors, and only independent directors in the Audit, Governance-Nominations, and Compensation Committees
- Board diversity
- Auditor independence
- Annual election of all directors
- The need to manage supply chain risks
- The need to manage climate risk, as well as other environmental risks
- Workplace diversity and non-discrimination

All of the issues cited above – and many others raised in shareholder resolutions – are issues that affect the effective governance, risk management and business strategy of companies. They are not "litmus test" or "special interest" issues. They are issues that impact long-term financial performance and often highlight emerging material risks and opportunities that management and boards can be slow to recognize. Shareholder proposals have been uniquely effective in placing such issues on the formal corporate agenda. The proposals offered by the BRT would effectively eliminate this risk management tool.

We would be pleased to discuss the 14a-8 process with you and with Commissioners and nominees to the SEC. We can also provide you with further details of how the shareholder process works and why it should be viewed as an asset that promotes long-term shareholder value.

Sincerely,

Ken Bertsch
Executive Director, Council of Institutional Investors

Mindy Lubber
CEO, Ceres and Director, Investor Network on Climate Risk

Joshua Zinner
CEO, Interfaith Center on Corporate Responsibility (ICCR)

Lisa Woll
CEO, US SIF: The Forum on Responsible and Sustainable Investment

Fiona Reynolds
Managing Director, Principles for Responsible Investment.

The Council of Institutional Investors (CII) advocates for strong corporate governance and shareholder rights, and is a membership organization of public, labor and corporate pension funds and endowments with more than $3 trillion in assets.

The Interfaith Center on Corporate Responsibility (ICCR) is a 46 year-old, pioneer coalition of over 300 organizational investors representing faith-based communities, socially responsible asset managers, labor unions, and others who engage corporations on the environmental and social impacts of their operations.

The Investor Network on Climate Risk (INCR) is a group of 125 institutional investors managing about $15 trillion in assets, focused on the business risks and opportunities of climate change, water scarcity and other sustainability challenges. INCR is coordinated by the nonprofit organization Ceres.

US SIF: The Forum for Sustainable and Responsible Investment is the leading voice advancing sustainable, responsible and impact investing across all asset classes. Our mission is to rapidly shift investment practices towards sustainability, focusing on long-term investment and the generation of positive social and environmental impacts. Our 300+ members collectively represent more than $3 trillion in assets under management or advisement.

The Principles for Responsible Investment (PRI) is the world's leading initiative on responsible investment. The PRI represents over 1700 signatories globally with $65 trillion in assets under management. In The United States, over 300 signatories have signed the Principles.

cc: Jay Clayton, SEC Chair nominee
Commissioner Michael S. Piwowar, Acting Chairman, SEC
Commissioner Kara S. Stein, SEC
Reince Preibus, Chief of Staff, The White House
Dina Powell, Assistant to President Trump & Senior Counsel for Economic Initiatives
Senate Banking Committee
House Financial Services Committee