



Corporate Reform Coalition

November 20, 2018

Mr. Brent J. Fields
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549- -1090

Via electronic mail (rule-comments@sec.gov)

Re: Comments to the Securities and Exchange Commission (SEC) November 15, 2018
Roundtable on the Proxy Process - File Number 4-725

Dear Mr. Fields,

The [Corporate Reform Coalition](#) appreciates the opportunity to weigh in on the Securities and Exchange Commission's Roundtable on the Proxy Process. The Coalition is comprised of investors, academics, and national and state-based nonprofit organizations that are all seeking disclosure of corporate engagement in politics. The proxy process is important to the coalition's members who, in their role as shareholders and members of the public, have been holding companies accountable for risky, undisclosed political activity for almost a decade. As the Securities and Exchange Commission (SEC) considers changes to the proxy process, this coalition encourages the agency to remain focused on increasing shareholder democracy and expanding shareholders' access to material information including environmental, social, and governance (ESG) risks.

The current rules and practices governing the way shareholders file proposals and vote in corporate elections are democratic ones, as they allow shareholders to dialogue with their companies about important issues, and hold corporate managers accountable. The SEC should use this roundtable to focus on strengthening the proxy process with the goal that every retail shareholder vote is counted in corporate elections, that they have full access to the proposal process, and that they have access to the information they need to make smart investment decisions.

The Focus on Proxy Advisors Is a Distraction from True Reform

The public agenda for the roundtable suggested that the agency intends to focus significantly on proxy advisory firms. This focus on proxy advisors is a distraction being pushed by special

interests that do not want to see shareholder rights expanded. It's hard to see how firms that provide shareholders with more information about their companies could be harmful.

The [U.S. Chamber of Commerce](#) and the [National Association of Manufacturers](#) are two of the main industry groups pushing the focus on proxy advisors. Both of these organizations represent some of the country's largest corporations who have been facing consistent calls from their shareholders to disclose how they are planning for the impact of long-term issues. It is clear that these groups would prefer to steer the conversation away from expanding shareholder access that would challenge the status quo that benefits their members at the expense of retail investors. It is important that the agency keep the focus on what is best for retail investors, which is building upon the existing system and expanding shareholder tools to engage with managers. Engagement between shareholder proponents and their companies often leads to productive conversations and the adoption of strong oversight policies. On corporate political spending, for example, engagement has led to almost [300 companies](#) disclosing their political spending, including more than half of the S&P 100.

Investors Want More Disclosure, Not Less

The call from investors for increased disclosure is only growing. In the 2018 proxy season [80 public companies](#) faced shareholder resolutions calling for their companies to be completely honest about how they attempt to influence politics. This year's resolutions are a continuation of a trend that started with the 2011 petition for a rulemaking on [corporate political spending disclosure](#) (File Number 4-637). Since being filed, the petition has received over 1.2 million public comments.

In addition to the comments that have poured in to the political spending disclosure petition, the SEC received over 26,500 comments in response to its 2016 Concept Release on Business and Financial Disclosure Required by Regulation S-K, the overwhelming [majority](#) of which expressed a demand for more and better disclosure in general. Moreover, in October of 2018, investors representing more than \$5 trillion in assets under management filed a new petition for a rulemaking on [ESG disclosure](#) (File Number 4-730). This petition has received more than 3,300 comments to date.

Increasing Retail Investor Access to the Proxy Process Is Critical

As the agency considers ways to increase retail participation in the shareholder process, this Coalition expresses its support for ensuring that Americans who are invested through mutual funds have the ability to influence how their shares are voted. The large mutual fund companies like Vanguard, BlackRock, and Fidelity hold significant voting shares at most major public

companies and it is important to ensure that the mutual fund companies are accurately representing their retail client's complete interests when voting their proxies.

While shareholders are increasingly asking for more information from their corporate managers, the detraction from those conversations is an obvious attempt to move the conversation away from meaningful disclosure. The Proxy Roundtable is an important opportunity to continue a critical conversation about expanding existing shareholder rights to give all retail investors even easier ways to dialogue with their companies about important issues impacting the success of their business. At the Roundtable, Chairman Clayton asked how the proxy process can facilitate long-term investors' confidence that they are making informed, company-specific voting decisions. Corporate managers have different approaches to political engagement therefore corporate political spending disclosure is company-specific information that investors are entitled to. Long-term investors deserve to know whether their companies' leaders are managing these risks appropriately. Again, the Coalition appreciates the opportunity to weigh in on this important topic. Should staff have any questions, please reach out to Rachel Curley at member organization Public Citizen via email at rcurley@citizen.org or via phone at 202-454-5195.

Sincerely,

The Corporate Reform Coalition