Boston Trust Walden
Principled Investing.

January 31, 2020

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

Via email to: Rule-comments@sec.gov

Re: Proposed Rule on Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8, File Number S7-23-19; and
Proposed Rule on Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice, File S7-22-19

Dear Ms. Countryman:

Boston Trust Walden Company is an independent, employee-owned investment management firm with $10 billion in assets under management. As an active manager, we focus on investing in securities we judge to be high quality. We believe incorporation of financially material environmental, social, and governance (ESG) factors in the investment decision-making process is consistent with this focus. We further believe well-managed companies value input from investors and other stakeholders that aims to improve the sustainability of their businesses by limiting risk and protecting or enhancing shareowner value. On behalf of our institutional and individual clients, Boston Trust Walden's active ownership initiatives span a range of issues and tactics, including filing shareholder resolutions.

Approximately half of our clients—foundations, academic institutions, state and city pension plans, faith-based investors, among others—select us in part because of our long history of effective engagement with portfolio companies. Many of our clients join us in filing resolutions and virtually all expect us to thoughtfully fulfill our proxy voting responsibilities. Hence, we have serious concerns about the potential negative impacts of the proposed rule changes on the shareholder resolution process (Rule 14a-8) and our ability to make effective use of external proxy advisors.

We urge the SEC Commissioners to vote against the proposals. If implemented, we believe the proposed rule changes will significantly diminish shareholder rights and our ability to engage effectively with companies.

Our comments focus on the:

-Section entitled "The Role of the Shareholder-Proposal Process in Shareholder Engagement"
-Proposed eligibility requirements with respect to ownership thresholds
-Proposed resolution resubmission thresholds
-Restriction on introducing more than one resolution at an annual meeting
-Proxy voting advice

The Role of the Shareholder-Proposal Process in Shareholder Engagement

This section of the SEC document provides background context for one of the proposed amendments to Rule 14a8(b), the addition of a shareholder engagement requirement to the current eligibility criteria. Boston Trust Walden is on the record in a separate letter regarding the potential for substantial, negative impacts from this proposed change.[1] We do not reiterate those arguments here. Instead we take this opportunity to provide comments on our own engagement processes and experience, as well as industry-wide context regarding the use of shareholder resolutions. We do this to demonstrate our belief that the effort to change the shareholder resolution process equates to a fix in search of a problem that does not exist.

Boston Trust Walden is proud of our decades-long record of constructive engagement with portfolio companies on numerous important ESG topics such as climate risk, board diversity, executive compensation, and the need for disclosure of significant ESG risks and opportunities. While most of our conversations with portfolio companies occur outside of the shareholder resolution process, we have successfully utilized proposals when companies either do not respond to our inquiries or their responses are insufficient. Oftentimes just filing a resolution is impetus for productive dialogues.

We have filed over 500 shareholder resolutions since our first in 1987 (focused on labor-management relations and withdrawn after it contributed to the successful negotiation of a contract), of which 40% never reached a proxy ballot because of negotiated agreements with companies.[2] Other times it takes multiple years building shareholder support through proxy votes to see positive results such as a company adopting greenhouse gas emissions reduction goals to address climate risk. Each year, in an annual impact report, we report publicly on progress associated with company engagement with and without the use of shareholder resolutions.[3] Importantly, we believe that these actions and results are consistent with the long-term interests of companies and shareholders.

Beyond the boundaries of our own firm, we do not believe that trends with respect to filing resolutions suggest that companies are unduly burdened. There are typically 300-400 environmental and social (E&S) resolutions filed annually, yet a large proportion never go to a vote (just 175 in 2019), usually signifying a positive outcome.[4] On average, only 13% of Russell 3000 companies received a shareholder proposal in any one year between 2004 and 2017.[5] Moreover, shareholder support for E&S shareholder proposals has grown substantially—by 2018 36% of environmental and social proposals earned a vote above 30% from essentially 0% reaching that level in 2000.[6]

According to research by the Sustainable Investment Institute (Si2), 614 environmental and social shareholder resolutions would not have appeared in proxies had the proposed rule changes been in

---

[1] Comment letter sent Jan. 27 to SEC signed by Boston Trust Walden and seven other investor representatives and submitted by Mercy Investment Services

[2] https://www.bostontrustwalden.com/investment-services/impact-investing/resources/

[3] https://www.bostontrustwalden.com/insight-cat/impact-investing/

[4] Fact Sheet: Si2, Social and Environmental Shareholder Proposals , Jan. 20, 2020, https://siinstitute.org/special_report.cgi?id=80

[5] CII Letter to Senators Michael Crapo and Sherrod Brown (Dec. 14, 2018) https://www.cii.org/files/issues_and_advocacy/correspondence/2018/December%205%202018%20Letter%20to%20Senate%20Banking.pdf

[6] ISS Analytics Governance Insights, The Long View: US Proxy Voting Trends on E&S Issues from 2000-2019, January 28, 2019, https://www.issgovernance.com/library/the-long-view-us-proxy-voting-trends-on-es-issues-from-2000-to-2018/

place between 2010 and 2019. Si2 further found that just 25 companies received greater than 25 resolutions over the same period.

In the face of increasing shareholder support for resolutions and the modest number of resolutions experienced by companies, we believe the imposition of new rules that place arbitrary and untested rules of engagement would significantly diminish shareholder rights. In our opinion, the proxy process needs to be invigorated rather than restricted. Instead of selling shares when one disagrees with management decisions, the proxy process allows owners to provide input to management. Taken to its extreme, weakening this process encourages the less than optimal option of "voting with your feet. "

Proposed eligibility requirements with respect to ownership thresholds

The proposed one-year ownership requirement of $25,000 of a company's securities, up from $2,000 currently, is problematic. For the most part, Boston Trust Walden clients would meet this higher threshold. However, clients who have hired us in part to pursue active ownership in their name could fall below this ownership requirement, which would interfere with our ability to fulfill an important client mandate. Moreover, the history of shareholder resolutions is replete with examples of smaller investors filing proxy resolutions that garner substantial shareholder support (e.g., requests for annual election of directors or independent board chair). We do not agree with proposed changes that unfairly silence smaller investors who often bring compelling issues of concern to the proxy ballot.

Proposed resolution resubmission thresholds

The proposed resubmission thresholds of 5% in the first year of a proxy resolution, 15% in the second year, and 25% in the third year and beyond is an aggressive change from current thresholds of 3%, 6% and 10% respectively. Coupled with a "momentum" provision that would disallow resubmission of a proposal earning greater than 25% shareholder support if votes decreased by 10% in one year (e.g. from 40% to 36%), these proposed changes risk snuffing out potentially successful engagement by long-term investors.

With more than three decades of experience filing proxy resolutions, Boston Trust Walden has observed that shareholder support can build slowly over time. The jump from 5% to 15% in year two is particularly severe and we believe will cut short engagement on emerging, material ESG topics that deserve shareholder attention.

We also disagree with the SEC's decision to not consider insider ownership or dual class shares with unequal voting rights in calculating resubmission thresholds, a likely early deathblow to proposals at such companies. For example, for several years Boston Trust Walden has filed shareholder resolutions at United Parcel Service (UPS) to encourage lobbying transparency. At UPS, according to the Council of Institutional Investors, 19% of a superclass stock controls 70% of the vote.[7] Still, the shareholder proposal garnered 21% shareholder support in 2019. Under the proposed rules we would not be entitled to resubmit the resolution in 2020 because unequal voting rights dramatically understates the level of support, thereby holding such companies less accountable to their stockholders.

---

[7] CII Fact Sheet , Dual Class Shares Companies, Sept.2019
https://www.cii.org/files/FINAL%20format%20Dual%20Class%20List%209-27-19.pdf

Moreover, votes at companies with dual-class structures that would not meet the proposed resubmission thresholds have led to meaningful agreements between companies and shareholders. A vote at Alphabet seeking disclosure of political spending received a vote of less than 15% but it nonetheless prompted a productive dialogue leading to expanded disclosure.

The momentum provision, as described above, strikes us as illogical. A proponent with a resolution that declines from 49% support to 44% (or 10%) would lose eligibility for resubmission while another proponent with a steady 26% support clears the hurdle. We do not believe the resolution with significantly more shareholder support is less worthy of being included in a proxy statement the following year.

Restriction on introducing more than one resolution at company annual meetings

The proposed amendment to the one-proposal limit rule changes its focus from each "shareholder" to each "person" and further states: "...a shareholder-proponent may not submit one proposal in its own name and simultaneously serve as a representative to submit a different proposal on another shareholder's behalf for consideration at the same meeting. Similarly, a representative would not be permitted to submit more than one proposal to be considered at the same meeting, even if the representative would be submitting each proposal on behalf of different shareholders."

The rationale provided for this change is that a person introducing more than one proposal "would constitute an unreasonable exercise of the right to submit proposals at the expense of other shareholders and also may tend to obscure other material matters in the proxy statement." Of foremost importance is that any shareholder proponent must independently meet the eligibility requirements to file a resolution. At the time of the filing, proponents do not know the dates or details of the annual meetings and are unlikely to have firm commitments as to who would introduce the resolution. It is unclear if this rule change would prohibit a shareholder proponent from enlisting the help of another person who is also attending an annual meeting to move a resolution.

We believe it is reasonable for a shareholder proponent to deputize another shareholder proponent already attending a meeting to move a resolution when the two are otherwise unrelated. As a matter of convenience and efficiency, Boston Trust Walden does this occasionally, providing a statement to be read on our behalf. In these cases, we communicate with the company in advance and provide documentation designating the individual as our proxy to perform this function. This process has worked smoothly and has never appeared to inconvenience a company. Whether one person or two, this practice does not have an impact on the time required to hold an annual meeting or interfere with other matters addressed.

On rare occasions, in serving multiple clients with different priorities, we have filed two resolutions at one company. Unless we can identify another individual to move one of the resolutions, this rule change would force our firm to put one client's objectives over those of another.

Proxy voting advice

Boston Trust Walden takes seriously our fiduciary responsibility to vote the proxies of companies held in our clients' portfolios. We rely on an external proxy advisor, ISS, to provide independent and cost-effective proxy research in a timely manner and to implement our custom proxy voting guidelines via electronic voting. The proposed rule requiring proxy advisors to solicit a company's review and feedback on their proxy research and recommendations before it is provided to clients is

unnecessary and would likely interfere with time management in our proxy voting process. We have joined other investors expressing concern such as the October 15, 2019 letter led by the Council of Institutional Investors.[8]

Boston Trust Walden is not unique in how we utilize proxy advice. We do not outsource to a proxy advisor our judgement regarding how we vote proxies. Each year, our Proxy Voting and Shareholder Engagement Committee reviews our custom proxy voting policies and instructions for ISS. As ballots are delivered electronically, ISS populates proxy votes for Boston Trust Walden clients based on its interpretation of our instructions. We then verify company votes and make changes, if deemed necessary, to reflect our custom guidelines. Based on this process, our actual voting practices differ significantly from ISS recommendations on many proxy issues. According to ISS, 85% of its top 100 clients also use a custom proxy voting policy.

We know that the two main proxy advisors, Glass-Lewis and ISS, have informal processes for companies to correct any inaccuracies they perceive in the proxy research. We have appreciated any such updates issued by ISS, in some cases changing a recommended vote based on company feedback. Implementing a requirement to include input from issuers is time intensive in an already narrow window of time from the issuance of a proxy statement to voting deadlines and potentially interferes with the independence of proxy advice. In contrast, we note that equity analysts are prohibited from sharing draft research with companies they review except to correct factual errors. While we support disclosure of conflicts of interest on the part of proxy advisors, we believe the proposed rule change requiring issuer input would impede our ability to thoughtfully undertake our proxy voting responsibilities on behalf of our clients.

In summary, we believe the existing proxy resolution process (Rule 14a-8) is facilitating appropriate and effective engagement between investors and companies and is not overly burdensome for either party. We hope the SEC will protect this shareholder right by not implementing the proposed rule changes.

Sincerely,

Amy D. Augustine

Amy D. Augustine
Director of ESG Investing

Timothy Smith

Timothy H. Smith
Director of ESG Shareowner Engagement

Copy – SEC Commissioners

[8]CII letter on Proxy Advisor Rule signed by investors submitted to the SEC Roundtable, October 15, 2019, https://corpgov.law.harvard.edu/2019/10/24/cii-letter-to-the-sec-proxy-advisor-regulation/