February 3, 2020

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090
rule-comments@sec.gov

Dear Ms. Countryman,

Re: SEC File Number S7-23-19 Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8

The Canadian Coalition for Good Governance (CCGG) welcomes the opportunity to comment on the proposed rules amendments to the procedural requirements and resubmission thresholds under Exchange Act Rule 14a-8 published by the U.S. Securities and Exchange Commission (SEC).

CCGG’s members are Canadian institutional investors that together manage almost $4 trillion in assets on behalf of pension funds, mutual fund unit holders, and other institutional and individual investors. A list of our members is attached to this letter as Appendix A. CCGG promotes good governance practices in Canadian public companies in order to best align the interests of boards and management with those of their shareholders. We also seek to improve Canada’s regulatory framework to strengthen the efficiency and effectiveness of the Canadian capital markets. Because a significant portion of our members’ assets are invested in U.S. companies, our members also have an interest in the U.S. capital markets and their regulation.

CCGG has in the past provided comments to the SEC on the matter of shareholder proposal resubmission thresholds, most recently in May 2019 in response to the SEC Staff Roundtable on the Proxy Process.

GENERAL COMMENTS

CCGG relies on its May 2019 letter to the SEC with respect to its overall position. In principle, CCGG does not support regulatory changes that have the effect of raising barriers in ways that make it more difficult for investors to engage with companies and hold directors to account.

1 Comment letter to SEC, May 15, 2019.
Shareholder proposals are a key mechanism used by investors to raise issues with companies, and also to foster communication on emerging issues between shareholders (in a market with regulatory restrictions on such communications), especially shareholder views on material environmental, social and governance matters.

CCGG would like to focus its comments on the SEC’s proposals to increase the resubmission thresholds for shareholder proposals. CCGG is of the view that the current resubmission thresholds are appropriate and should not be changed. The proposed changes will dampen shareholder company communication.

The current resubmission thresholds for a corporation to exclude a resubmitted proposal are set at:

- Less than 3 percent voter support since the last time it was voted on, if it was voted on once;
- Less than 6 percent support if it was voted on twice in the last five years; and
- Less than 10 percent support if it was voted on three or more times in the last five years.

The SEC is proposing to replace these thresholds with 5 percent support if previously voted on once, 15 percent support if voted on twice, and 25 percent support if voted on three times within the preceding five calendar years if the most recent vote occurred within the preceding three calendar years.

In addition, the SEC is proposing a new rule, the so-called “Momentum Requirement”, that would allow companies to exclude proposals that have been submitted three or more times in the preceding five years if they received more than 25 percent but less than 50 percent of the vote and voter support declined by more than 10% the last time substantially the same matter was voted on compared to the immediately preceding vote.

We are opposed to these increased resubmission thresholds and the Momentum Requirement.

The shareholder resubmission proposal process is an important right of investors and enables them to build support over time and facilitate engagements with companies on issues such as shareholder rights, corporate disclosure and other environmental, social and governance (ESG) issues, such as board diversity. These significant increases in resubmission thresholds would make it difficult, and in some cases impossible, for investors to build support among shareholders for proposals over a period of time and undermine the ability of investors to hold companies to account. These are issues that can materially impact corporate performance.

The Momentum Requirement, in particular, is troubling because it can lead to a result whereby a proposal that continues to receive significant support from shareholders, even potentially close to 45 percent support, can be excluded on the basis of a degree of voting volatility for one year. CCGG is of the view that the Momentum Requirement adds a degree of complexity that is not required and does not improve upon the current resubmission threshold regime.

As noted in our May 2019 submission, a 2018 U.S. Government Accountability Office (GAO) literature review cited a 2017 study commissioned by the Department of Labor, in which the GAO...
found that integrating ESG issues, which includes participating in the shareholder proposal process, typically leads to similar or improved performance compared to traditional strategies².

Shareholder proposals are an important tool for investors to engage with issuers, including with respect to material ESG matters. Since over half of shareholder proposals are withdrawn after dialogue between management and investors³, increasing eligibility criteria and resubmission thresholds for shareholder proposals would alleviate the incentive for companies to participate in such dialogues and reduce meaningful communication between companies and investors on emerging material risks.

CONCLUSION

The existing shareholder proposal regime allows shareholders to engage on issues that affect their portfolios and to surface emerging material risks and issues. It is not in the interests of investors or efficient capital markets to raise barriers that prevent shareholders from holding companies accountable for responding to such risks and issues as they arise.

We thank you again for the opportunity to provide you with our comments. If you have any questions regarding the above, please feel free to contact our Executive Director, Catherine McCall, at (416) 868-3582 or cmcall@ccgg.ca or our Director of Policy Development, Sarah Neville at (416) 847-0523 or sneville@ccgg.ca.

Yours truly,

Marcia Moffat
Chair of the Board, Canadian Coalition for Good Governance
marcia.moffat@blackrock.com

² https://www.gao.gov/assets/700/691930.pdf pages 8 and 14
³ https://www.cii.org/files/10_10_Shareholder_Proposal_FAQ(2).pdf
CCGG MEMBERS 2020

- Alberta Investment Management Corporation (AIMCo)
- Alberta Teachers' Retirement Fund (ATRF)
- Archdiocese of Toronto
- Aviva Investors Canada Inc.
- BlackRock Asset Management Canada Limited
- BMO Global Asset Management Inc.
- Burgundy Asset Management Ltd.
- Caisse de dépôt et placement du Québec
- Canada Pension Plan Investment Board (CPPIB)
- Canada Post Corporation Registered Pension Plan
- CIBC Asset Management Inc.
- Colleges of Applied Arts and Technology Pension Plan (CAAT)
- Connor, Clark & Lunn Investment Management Ltd.
- Desjardins Global Asset Management
- Fiera Capital Corporation
- Forthlane Partners Inc.
- Franklin Templeton Investments Corp.
- Galibier Capital Management Ltd.
- Healthcare of Ontario Pension Plan (HOOPP)
- Hillsdale Investment Management Inc.
- IGM Financial Inc.
- Investment Management Corporation of Ontario (IMCO)
- Industrial Alliance Investment Management Inc.
- Jarislowsky Fraser Limited
- Leith Wheeler Investment Counsel Ltd.
- Letko, Brouseau & Associates Inc.
- Lincluden Investment Management Limited
- Manulife Investment Management Limited
- NAV Canada Pension Plan
- Northwest & Ethical Investments L.P. (NEI Investments)
- Ontario Municipal Employee Retirement System (OMERS)
- Ontario Teachers' Pension Plan (OTPP)
- OPSEU Pension Trust
- PCJ Investment Counsel Ltd.
- Pension Plan of the United Church of Canada Pension Fund
- Public Sector Pension Investment Board (PSP Investments)
- QV Investors Inc.
- RBC Global Asset Management Inc.
- Régimes de retraite de la Société de transport de Montréal (STM)
- Scotia Global Asset Management
- Sionna Investment Managers Inc.
- SLC Management Canada
• State Street Global Advisors, Ltd. (SSgA)
• Summerhill Capital Management Inc.
• TD Asset Management Inc.
• Teachers’ Pension Plan Corporation of Newfoundland and Labrador
• Teachers’ Retirement Allowances Fund
• UBC Investment Management Trust Inc.
• University of Toronto Asset Management Corporation (UTAM)
• Vestcor Inc.
• Workers’ Compensation Board - Alberta
• York University Pension Fund