



Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
United States

By email to rule-comments@sec.gov

Re: File Number S7-16-07

Stockholm, September 28, 2007

Dear Ms. Morris:

On behalf of The Ethical Council, I am contacting you to forward some of the concerns we have as shareholders in response to the Commission's Release No. 34-56160 (Shareholder Proposals) ("the Release"). The Ethical Council is comprised of members from the four buffer funds in the Swedish National Pension System; First AP-fund (AP1), Second AP-fund (AP2), Third AP-fund (AP3) and Fourth AP-fund (AP4). Together the four funds manage assets to the value of more than US\$ 120 billion.

Each individual fund is also a signatory to the United Nations' Principles for Responsible Investment ("PRI"), a set of voluntary principles designed to align investment strategies with societal needs.¹ As fiduciaries, PRI signatories are actively working to integrate social, environmental and governance factors into our investment processes. This July, the PRI celebrated its first anniversary, with a total of \$9 trillion represented by endorsing firms.

As responsible investors, one main priority is to establish and support effective communication channels between shareholders and corporate management. However, we do not believe that the concepts included in the Release reflect this goal. The second of the six Principles for Responsible Investment commits signatories to active engagement with our portfolio holdings, including filing shareholder resolutions on long-term social, environmental and governance issues, when appropriate. This is an essential tool to protect long-term shareholder value, as well as to advance broader sustainability objectives.

With regard to the non-binding shareholder proposals, we are critical to the series of questions posed in Section C of the Release. We believe that they – if implemented - may have considerably negative impact on the process to promote accountability in the capital markets, contrary to concepts of responsible investments which is gaining increasing investor support globally.

¹ <http://www.unpri.org/>

In fact, today we are seeing new and more substantial studies on the materiality of environmental, social and governance factors. In 2005, the law firm of Freshfields Bruckhaus Deringer issued a survey of the law of fiduciary duty in the United States, Europe, Japan, Canada and Australia, and concluded that in every jurisdiction, fiduciary duty arguably requires the consideration of environmental, social and governance factors when these factors may impact the long-term value of the portfolio.² Non-binding shareholder proposals have served a critical function by helping to convince U.S. companies to adopt more responsible governance practices, to issue sustainability reports disclosing indicators of social and environmental performance, and to take meaningful steps to address these previously unrecognized risks. As fiduciaries, we greatly value the role these proposals have played in protecting the long-term value of our investments.

The current rules governing the non-binding shareholder resolutions has allowed shareholders to improve corporate governance and to hold corporate management and boards of directors accountable to a broad range of stakeholder concerns, many of which present legitimate risks to long-term shareholder value. It is our belief that these measures have positively contributed to the global competitiveness of the U.S. markets. Rather than encourage shareholders to raise these issues as binding bylaw amendments – one clear implication of the Release – we encourage the Commission to continue to allow the directors of U.S. companies to address these issues as responsible fiduciaries, acting in the best long-term interests of their companies.

We were also alarmed by a number of concepts raised in the Release that suggest that the Commission may be willing to delegate its authority to regulate the proxy statement, or to tolerate an inconsistent and confusing landscape of proxy rules and procedures. As investors with broadly diversified holdings, we value consistent and transparent markets. In our view, the concepts discussed in the Release that would permit individual companies or their shareholders to determine the rules and procedures governing the submission of non-binding proposals would not serve the public interest or the goal of investor protection. These concepts would merely serve to insulate certain companies from a highly effective mechanism for corporate-shareholder communications, and render these entities less accountable. Far from furthering the goal of efficient capital formation, it would more likely lead to a hodgepodge of inconsistent requirements.

We urge you to abandon any plans to alter Rule 14a-8, or to delegate the important authority to govern the proxy process to individual issuers, or to state courts. We will continue to watch these developments closely, and appreciate the opportunity to comment on this critically important corporate governance matter.

Sincerely,



Nadine Viel Lamare
Head of Corporate Communications, First AP-fund
Chairman of the Ethical Council

² "A legal framework for the integration of environmental, social and governance issues into institutional investment", produced for the Asset Management Working Group of the UNEP Financial Initiative by Freshfields Bruckhaus Deringer (October 2005).

CC:

Carl Rosén, Head of Corporate Governance and Communications, Second AP-fund
Christina Kusoffsky Hillesöy, Communications Manager and Head of SRI, Third AP-fund
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cc (hard copies):

Chairman Christopher Cox
Commissioner Paul S. Atkins
Commissioner Roel C. Campos
Commissioner Kathleen L. Casey
Commissioner Annette L. Nazareth

