DECATUR CAPITAL
MANAGEMENT INC.

August 13, 2019

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File No. 4-725 for Comments on Statement Announcing SEC Staff Roundtable on the Proxy Process

Dear Ms. Countryman,

I am a founding principal of Decatur Capital Management (Decatur), an institutional investment management firm focused on global and sustainable equity strategies serving public pension plans, corporations, and individuals.

Decatur welcomes the opportunity to comment on the ongoing process at the U.S. Securities and Exchange Commission (SEC) on considering updates to current rules related to shareholder proposals and proxy advisers. Decatur encourages the Commission to resist pressure to modify the current ownership requirements, resubmission thresholds, and the regulations for proxy advisory firms.

- Current ownership requirements for submission of shareholder proposals are set at the appropriate levels and should not be changed. Increases in ownership requirements would exclude many shareholders from engaging with companies on material issues. Shareholder proposals serve as an important tool that allow investors to engage with issuers on material environmental, social and governance (ESG) matters and over half of shareholder proposals are withdrawn after dialog between management and investors.[1]

- Resubmission thresholds for shareholder proposals are currently set at the appropriate levels and should not be changed. Increases in resubmission thresholds would limit shareholders' engagement with companies on emerging material risks.

- Substantial changes to regulation of proxy advisors risks significantly impairing proxy advisors' ability to provide independent, decision-useful information to inform investors' proxy voting decisions. Policy changes that impair investors' access to high-quality information from proxy advisory firms would be particularly damaging to small- and medium-sized asset managers, who would have trouble dedicating resources to independent analysis of proxy matters.

Investor engagement with issuers on ESG matters through the shareholder proposal and proxy voting process are critical components of ESG integration. Integrating ESG factors has become a necessary part of investment. In the context of market volatility, climate change and regulatory intervention, ESG factors offer an expanded set of tools to address unmet investment industry needs in accordance with fiduciary duties. U.S. investors are increasingly

[1] https://www.cii.org/files/10_10_Shareholder_Proposal_FAQ(2).pdf

acknowledging that fiduciary duties require the consideration of economically-relevant ESG factors into their investment decision-making processes.[2] Participating in the proxy voting process is exercising our right and responsibility as shareholders of a company.

OWNERSHIP AND RESUBMISSION THRESHOLDS

The shareholder proposal process is critical to the functioning of the investment intermediation chain. Decatur believes that the current ownership requirements and resubmission thresholds are set at the appropriate levels and should not be changed.

SEC rules require that a shareholder owns at least $2,000 worth of stock or 1 percent of the company's stock for at least one year to be eligible to submit a proposal for a vote at a company's annual meeting. The current resubmission thresholds for a corporation to exclude a resubmitted proposal are set at 3 percent since the last time it was voted on, 6 percent if it was voted on in the last five years, and 10 percent if it was voted on three or more times in the last five years.[3] The SEC has stated that it will consider whether minimum ownership thresholds need to change and whether resubmission thresholds are fair.[4]

The shareholder proposal process is critical to the functioning of the investment intermediation chain. It is a core characteristic of the rights of investors, and the savers on whose behalf they invest, to enable investors to engage the companies they own on issues such as shareholder rights, corporate disclosure and other ESG issues, such as climate change. Significant increases in ownership or resubmission thresholds would make it difficult, and in some cases prevent investors, on behalf of savers, from raising these issues with companies and holding companies to account. These are issues that materially impact corporate performance.

For example, a 2018 GAO literature review[5] cited a 2017 study commissioned by the Department of Labor[6] that reported that, while some investors may believe integrating ESG issues will lead to lower returns, the GAO found in its literature review that integrating ESG issues, which includes participating in the shareholder proposal process, typically leads to similar or improved performance compared to traditional strategies. Based on our research, we have found that integrating ESG issues may result in positive performance.

PROXY ADVISORY FIRMS

Proxy advisory firms conduct the important and necessary work of providing high quality, impartial analysis of corporations, including their management of ESG issues, and link this analysis to voting recommendations based on institutional investors' stated priorities. Proxy advisory firms help investors keep up with what their companies are doing and fulfil their ownership obligations at a manageable cost. Companies' ability to access low cost capital through open capital markets depends, to some extent, on investors' ability to rely on mechanisms that enable

[2] https://www.fiduciaryduty21.org/
[3] https://www.unpri.org/sustainable-markets/the-shareholder-voting-process-esg-integration-and-proxy-advice-in-the-us/3789.article
[4] https://www.sec.gov/news/public-statement/statement-announcing-sec-staff-roundtable-proxy-process#_ftnref6]
[5] https://www.gao.gov/assets/700/691930.pdf page 8
[6] https://www.gao.gov/assets/700/691930.pdf page 14

them to fulfil their voting obligations on everything from re-electing board members, to accepting audit reports, to more nuanced issues such as casting votes on shareholder proposals.

Shareholders and investors use proxy advisory firms' recommendations to supplement our research and understanding of multiple, detailed and sometimes dense, proxies for their portfolio. Without proxy advisory firms, most investors would lack the capacity required to synthesize information to vote proxies, and therefore, would have difficulty performing our fiduciary duty to our clients.

In addition, requiring proxy advisory firms to share voting recommendations with corporations in advance would allow corporations to intercept recommendations critical of the corporation or its management. This would undermine the checks and balances necessary for functioning markets.

CONCLUSION

The existing process allows shareholders to engage on issues that affect their portfolio and potentially the company's reputation. Changes to the current process recommended by some issuers would make it harder for investors to engage with issuers on important ESG matters and access and receive impartial advice necessary to participate in the proxy process. [7]

On behalf of Decatur, we encourage the Commission to refrain from changing existing rules related to shareholder proposals and proxy advisor regulation.

Sincerely,

Degas A. Wright

Degas A. Wright, CFA
Chief Executive Officer
Decatur Capital Management, Inc.

[7] https://www.centerforcapitalmarkets.com/wp-content/uploads/2018/10/ProxySeasonSurvey_v3_Digital.pdf