Friends Fiduciary

ADDING VALUES TO STRONG PERFORMANCE.

February 2, 2020

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

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

Dear Secretary Countryman:

I am writing on behalf of Friends Fiduciary Corporation to express our deep concern with the rules proposed by the Securities and Exchange Commission (SEC) regarding the shareholder proposal process.

Friends Fiduciary Corporation is a non-profit investment firm representing over 400 Quaker religious communities, schools, and organizations across the country. We were founded in 1898 and have over $500 million in assets under management. We seek to reflect the Quaker values of simplicity, peace, integrity, and community in our investments by screening the companies that we hold for their environmental, social, and governance performance, and by engaging the companies we hold via dialogues and shareholder resolutions. We engage in order to protect the long-term value of our investments and to witness to Quaker values, because we believe both as investors and as Quakers that companies who take environmental, social, and governance factors into account will perform better over the long term.

VALUE AT RISK?

We are very concerned that the proposed changes to the shareholder proposal process would undercut a cost-effective, efficient, and market-based feedback and accountability mechanism that benefits companies and our economy as a whole by allowing investors to raise emerging risks and build consensus over time. We do not believe the current system is broken and see no need for rule changes at this time. The costs of the current shareholder resolution process are negligible and its benefits are tangible, particularly as more and more studies show links between environmental, social, and governance factors and shareholder value. The SEC has failed to conduct sufficient analysis of the shareholder value that could be lost if filings decrease by 37% as predicted if the proposed rules are implemented.

CURRENT ROLE OF PROPOSALS

The current shareholder proposal process is an avenue for investor-company communication, regardless of whether the proposals are ultimately withdrawn or go to a vote. As investors, we

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seek to engage companies in dialogue before filing a resolution and are always willing to speak with companies about proposals. Companies, however, are not always responsive, and proposals can serve as an important catalyst for constructive conversation and potentially, changes in corporate policies and practice. For example, after recently reaching out to an electronics manufacturer to talk about our concerns regarding human rights, ethical recruitment, and forced labor in their supply chain, we didn't hear back—but once we filed a resolution, the company responded, resulting in several commitments from the company to increase disclosure and implement new policy, aligning it with industry peers. We believe this will ultimately benefit all shareholders. We fear the proposed rule could lead to significantly less engagement, particularly from companies who are unresponsive to inquiry letters.

PROPOSED RESUBMISSION THRESHOLDS
Resolutions that go to a vote are an important barometer of shareholder perspective, and again, we question the rationale behind severely limiting shareholders' ability to proactively identify emerging issues to shareholders at large. Issues that several years ago received very low votes, such as climate risk reporting and political spending disclosure, now routinely receive significant and broad shareholder support. Coming to consensus on nascent issues takes time; for example climate risk has taken decades to reach broad shareholder awareness. We fail to see any business case for less frequent consideration of emerging risks and opportunities, especially as studies increasingly link ESG and financial performance.[1]

PROPOSED OWNERSHIP THRESHOLDS
The proposed ownership thresholds would keep shareholders from hearing a variety of perspectives, and again, we urge the SEC to more fully explore the potential value at risk by omission. A good idea is a good idea, regardless of whether it comes from a shareholder with $2,000 worth of stock or $2 million—proven by the average level of investor support (40%) enjoyed by the most frequent proposal filers, who are often close to the current $2,000 threshold.[2]

MULTI-CLASS SHARE STRUCTURES
We are particularly concerned that the proposed resubmission thresholds would curtail shareholders' ability to file resolutions at companies with dual or multi-class share structures, negatively impacting shareholder rights at those companies. The SEC seems to have missed this completely in its rules formation. For example, for the past six years, we have filed a shareholder proposal at Comcast Corporation asking the company to disclose its direct and indirect lobbying expenditures. In 2016, the first year we filed as the lead investor, the proposal received 16.7% support. However, Comcast's dual class share structure gives its Class B stock, held by "BRCC LLC (a limited liability company controlled by Brian L. Roberts, CEO and President of the Company) and two estate planning trusts of Mr. Roberts" "undilutable 33 1/3% of the voting power of the total voting power of all classes of the Company's common stock."[3] Excluding Class B shares, our proposal garnered 28.6% of the outside vote in 2016, support which has modestly increased in ensuing years. The proposal received 29.7% of the vote last year.

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[1] https://www.spglobal.com/en/research-insights/articles/the-esg-advantage-exploring-links-to-corporate-financial-performance
[2] https://www.cii.org/files/10_10_Shareholder_Proposal_FAQ(2).pdf
[3] https://www.cmcsa.com/shareholder-services/faqs

The current resubmission thresholds allow a significant portion of Comcast shareholders—above even the 25% the proposed rule's thresholds deem significant—to annually request increased lobbying disclosure from the company. Our resolution, however, would be excluded under the proposed rules. Dual and multi-class share structures already negatively impact shareholders' ability to hold company management accountable when voting to elect directors or on other items. With an increasing number of initial public offerings including dual class share structures,[4] we think it is crucial to preserve this lone outlet for democratic shareholder input and feedback.

REPRESENTATION

We also want to highlight our concerns about the requirements regarding representation, particularly representation at annual meetings. We are a non-profit with a staff of eight; we operate at cost, and file shareholder proposals in order to protect the investments we are making on behalf of our constituent investors. We are alarmed by and request further clarification on the proposed rules around representation (proposed amendments to rules 14a-8(b), (c), and the 14a-8 eligibility requirements, and their interaction with existing rule 14a-8(h)). Any rule that would keep us from being as efficient as possible in our engagements, or restrict our ability to retain a representative, would be deeply concerning to us.

In this vein, we often rely on investor peers to present resolutions for us in order to save time, money, and carbon emissions. Other investors often ask the same of us. For example, in past years we have presented two shareholder proposals at American Water Works' annual meeting on behalf of two different proponents because our offices are a twenty-minute train ride away. It would be wasteful and nonsensical to require the proponents themselves to travel to New Jersey for what amounts to about four minutes of reading aloud.

CONCLUSION

Ultimately, "S7-23-19 Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8" does not protect investors, Main Street or otherwise. It inhibits corporate accountability by protecting companies from having to answer to investors. It unnecessarily undermines a long-standing, cost-effective, non-binding investor-to-company communication tool without proper analysis of the potential economic impacts—or even, for that matter, a cogent analysis of the problem it purports to solve. We urge the SEC to withdraw the proposed rule in its entirety.

Sincerely,

Jeffery W. Perkins KM

Jeffery W. Perkins
Executive Director

[4] https://corpgov.law.harvard.edu/2019/06/28/dual-class-shares-governance-risks-and-company-performance/