

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

By email to rule-comments@sec.gov

Re: File Number S7-16-07

Dear Ms. Morris:

The undersigned institutional investors, alongside a number of service providers, represent approximately US\$1.4 trillion in invested capital. We are signatories to the 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.

As responsible investors, we are keenly focused on establishing and supporting effective communication channels between shareholders and corporate management. The second of the six Principles for Responsible Investment commits signatories to active engagement with their respective portfolio holdings, including filing shareholder resolutions on long-term social, environmental and governance issues, when appropriate. Many of us have been deeply involved in various engagement activities with our portfolio holdings as a means to protect long-term shareholder value, as well as to advance broader sustainability objectives.

We are writing to you today in response to the Commission’s request for public comment on SEC Release No. 34-56160 (Shareholder Proposals) (“the Release”). We were alarmed to read the series of questions posed in Section C of the Release, relating to non-binding shareholder proposals. Although it is difficult to ascertain the Commission’s intentions from these open-ended and wide-ranging questions, we believe the implications are dramatic, and deeply troubling. If these concepts should be brought to the rulemaking phase, we believe this would set back our efforts to foster more accountable capital markets at a time when concepts of responsible investment and corporate social responsibility are gaining significant ground globally.

Virtually every month, 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

¹ The PRI is an investor initiative in partnership with UNEP FI and the UN Global Compact
<http://www.unpri.org/>

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).

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.

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.

For decades, the non-binding shareholder resolution has served as a critical tool for improving corporate governance, and for holding 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. We believe this tool, and the current rules that govern its use, has served companies and shareholders well, and has 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 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,

47 signatories from 10 countries, representing assets under management of approximately
US\$ 1.4 trillion

(A list of signatories to this letter is appended)

Institutional investors:

Scott Zdrazil, Vice President, Director of Corporate Governance
Amalgamated Bank (USA)

AMP Capital Investors (Australia)

Steve Gibbs, Chief Executive Officer
ARIA - Australian Reward Investment Alliance (Australia)

British Columbia Investment Management Corporation (Canada)

Bennett Freeman, Senior Vice President for Social Research and Policy
Calvert Group, Ltd. (USA)

Frank Pegan, CEO
Catholic Superannuation Fund (Australia)

Sandy Grant, CEO
CBUS Superannuation Fund (Australia)

Laetitia Tankwe, Extra Financial Risks Manager
Comité Syndical National de Retraite Bâtirente (Canada)

Allan Emanuelsson, Head of SRI
DnB NOR Asset Management AB (Norway/Sweden)

Adam M. Kanzer, Managing Director and General Counsel
Domini Social Investments LLC (USA)

Robert Walker, Vice-President
The Ethical Funds Company (Canada)

Dominique Biedermann, Director
Ethos Foundation (Switzerland)

Karina Litvack, Director, Head of Governance and Sustainable Investment
F&C Management Ltd (UK)

George R. Gay, CEO
First Affirmative Financial Network, LLC (USA)

Nadine Viel Lamare, Head of Corporate Communications and SRI, President of the Ethical Council
First Swedish National Pension Fund (Sweden)

Carina Lundberg Markow, Executive Officer, Head of Corporate Governance
Folksam (Norway)

Ian O'Malley, Funds Manager
Foresters ANA Mutual Society Ltd (Australia)

Fourth Swedish National Pension Fund (Sweden)

David Zellner, Chief Investment Officer
General Board of Pension and Health Benefits, United Methodist Church (USA)

Adrian Orr, Chief Executive Officer
Guardians of New Zealand Superannuation (New Zealand)

Henderson Global Investors (UK)

Dermot Foley, Vice President, Strategic Analysis
Inhance Investment Management Inc. (Canada)

Victor De Luca, President
Jessie Smith Noyes Foundation (USA)

Peter W. Krull, President
Krull & Company (USA)

Mark Regier, Stewardship Investing Services Manager
Mennonite Mutual Aid (USA)

Steve Waygood, Head of Engagement, SRI
Morley Fund Management (UK)

Lance Lindblom, President, CEO and Trustee
Nathan Cummings Foundation (USA)

William C. Thompson, Jr , New York City Comptroller
New York City Employees Retirement System (USA)
Teachers' Retirement System of the City of New York (USA)

Joe Keefe, President and CEO
Pax World (USA)

Patrick McVeigh
Reynders McVeigh Capital Management, LLC (USA)

Robeco (Netherlands)

Steve Abrecht, Executive Director of Benefit Funds
SEIU Pension Plans Master Trust (USA)

Prof. Dr. Harry Hummels, Director
SNS Asset Management (Netherlands)

Graham Croft, Investment Manager
State Wide Superannuation Trust (Australia)

Hans Aasnæs, Managing Director
Storebrand Investments (Norway)

Third Swedish National Pension Fund (Sweden)

Trillium Asset Management (USA)

Victorian Funds Management Corporation (Australia)

Timothy Smith, Senior Vice President
Walden Asset Management, a division of Boston Trust (USA)

Service providers

Patricia Jurewicz, Associate Director
As You Sow (USA)

Stephen Hine, Head of International Relations
Ethical Investment Research Services (EIRIS) Ltd (UK)

Hazel Henderson, Founder, Principal
Ethical Markets Media, LLC (USA)

Sam Pierce, Chief Executive Officer
IW Financials (USA)

Axel Wilhelm, Geschaefstfuehrer
Scoris (Germany)

Peter Kinder, President
KLD Research & Analytics, Inc. (USA)

Peter Chapman, Executive Director
Shareholder Association for Research and Education – SHARE (Canada)