



June 7, 2017

The Honorable Kirsten Gillibrand  
780 Third Avenue  
Suite 2601  
New York, New York 10017

The Honorable Charles Schumer  
322 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Jerrold Nadler  
2109 Rayburn HOB  
Washington, DC 20515

**Re: Section 844 of the Financial CHOICE Act**

Dear Senator Gillibrand, Senator Schumer and Representative Nadler:

United Church Funds is a faith-based responsible investor based in Manhattan, New York. Shareholder engagement is a vital element of investing for all investors. This discussion mechanism between corporations and their stakeholders provides feedback to management, transparency, protection of shareholder rights, and proven environmental, social, and governance improvements. It is of utmost importance to oppose the Financial CHOICE Act of 2017.

Section 844 of the Act would render meaningless Rule 14a-8 of the Securities Exchange Act of 1934 (the "shareholder proposal rule"), effectively blocking the rightful owners of a corporation – shareholders – from communicating through shareholder proposals.

For investors, the shareholder proposal rule is a crucial way to amplify commonly held views on corporate behaviors. Dialog between corporations and shareholders realizes many improvements in policies and pursuant to filing shareholder resolutions.

Section 844 of the CHOICE Act would impede the democratic nature of shareholder proposals by increasing filing requirements or resubmission thresholds. The proposed changes would severely curtail the conversation: currently a shareholder needs to own \$2,000 worth of stock for at least one year. The proposal would increase the requirement to 1 percent of the outstanding stock for at

least three years. Only top holders in most corporations would be able to make their views known under this amendment. In addition, resubmitting a resolution would require a 6 percent vote in year one (from 3 percent), a 15 percent vote in year two (from 6 percent) and a 30 percent vote in year three (from 10 percent)<sup>i</sup>.

The Financial CHOICE Act would prevent all but the very largest institutional investors access to the shareholder resolution process. Small shareholders have used the resolution at countless companies to accomplish great governance improvements: from independent and diverse boards, enhanced disclosure practices, to stronger investor rights and protections. In March 2017, investors and other impacted parties, representing \$65 trillion in assets under management, voiced opposition to these changes<sup>ii</sup>.

Slashing the rights of investors will do nothing to rebuild confidence and trust in U.S. markets. We, therefore, urge you to continue your leadership and oppose this Act and thank you in advance for supporting shareholder rights.

Sincerely,

Donald G. Hart  
President  
United Church Funds

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<sup>i</sup> Further information about the impacts of Section 844 and the reasons for maintaining the current shareholder rule can be found on US SIF: The Forum for Sustainable and Responsible Investment's website, an organization of which we are a member:

[http://www.ussif.org/files/Public\\_Policy/Comment\\_Letters/Business%20Case%20for%2014a-8.pdf](http://www.ussif.org/files/Public_Policy/Comment_Letters/Business%20Case%20for%2014a-8.pdf)

<sup>ii</sup> The letter can be found on the Interfaith Center on Corporate Responsibility's website, an organization of which we are a member:

[http://www.iccr.org/sites/default/files/resources\\_attachments/2017.03.15\\_letter\\_to\\_gary\\_cohn\\_-\\_14a-8\\_shareholder\\_proposal\\_process.pdf](http://www.iccr.org/sites/default/files/resources_attachments/2017.03.15_letter_to_gary_cohn_-_14a-8_shareholder_proposal_process.pdf)