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SierraClub.org

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549–1090

November 19, 2026

Re: Rescission of Rule 14a-8's Federal Regulation of Shareholder Proposals and Amendments to Rule 14a-4(c)
Attention: File No. S7-2026-32

Dear Secretary Countryman,

As an organization representing millions of members, many of whom are themselves investors, and as an organization deeply concerned about the material financial risks posed by climate change and other systemic issues, the Sierra Club is writing to express our strong opposition to the Commission's proposed rescission of Rule 14a-8 and proposed amendments to Rule 14a-4(c). We urge the Commission to withdraw these proposals.

Shareholders' ability to submit and vote on shareholder proposals has been instrumental in enabling shareholders to protect their long-term financial interests by engaging portfolio companies on material matters. For decades, Rule 14a-8 has provided a structured, consistent federal framework through which shareholders can raise concerns about risks that may affect a company's long-term financial performance, bring those concerns to the attention of both company leadership and fellow shareholders, and encourage corporate management to respond. This process supports informed shareholder participation, strengthens corporate accountability, and helps investors identify and address risks that might otherwise receive insufficient attention.

By dismantling an established mechanism for shareholder oversight, the Commission is curtailing investors' ability to protect their financial interests while shifting the balance of the proxy process toward corporate management. In doing so, the Commission risks undermining the fair, orderly, and efficient functioning of capital markets that it is statutorily mandated to uphold.

1. Rule 14a-8 is an important mechanism for investor protection and corporate accountability

Rule 14a-8 serves as a critical governance mechanism that provides a structured framework for investors to identify material risks, engage corporate management, and elevate financially consequential matters to the broader shareholder base. As the owners of public corporations, shareholders must retain meaningful avenues to influence decisions that directly impact long-term corporate and portfolio valuation. While boards and management retain operational control, this authority does not and should not insulate them from rigorous oversight when corporate strategies or failure to act may put shareholder value at risk.

The shareholder proposal process is an essential tool for creating efficient markets, which works by bridging inherent resource gaps among shareholders. Shareholders with relevant expertise and adequate resources to audit corporate practices and identify latent risks therefore perform a vital market function: bringing hidden risks to light for the entire shareholder base. Shareholder proposals help facilitate collective deliberation among shareholders and force transparency and greater attention to a broader scope of risks from corporate management. Resolutions, therefore, operate as a systemic service to the broader capital markets, rather than a narrow benefit to the individual proponent.

Restricting shareholders' abilities to file resolutions by replacing a uniform federal standard with a complex, state-by-state patchwork will only make it more difficult for shareholders to engage on risks that threaten shareholder value. Importantly, eliminating this mechanism will not eliminate the risks investors are concerned about. It will only make it harder for shareholders to raise those concerns collectively and hold management accountable for addressing them, obstructing capital markets' ability to collectively understand, price, and manage those risks. Such an outcome directly conflicts with the Commission's statutory mandate to protect investors and maintain fair, orderly, and efficient markets.

2. Rescission would create market uncertainty and shift costs rather than eliminate them

Rule 14a-8's uniform federal framework helps ensure market predictability. Replacing it with a patchwork of state laws and individual corporate bylaws would force diversified investors to navigate conflicting rules based entirely on a company's state of incorporation. This regulatory fragmentation makes shareholder engagement complicated and unpredictable, which directly undermines the Commission's core duty to maintain orderly, efficient capital markets.

Furthermore, eliminating formal channels will not prevent investor disputes; it will just push them into other, often more costly, avenues. Changes to the SEC's no-action process have already prompted some shareholders to challenge proposal exclusions through litigation. In the 2026 proxy season alone, shareholders filed six separate federal lawsuits against issuers, including PepsiCo, BJ's Wholesale Club, and Chubb Limited, for excluding proposals. Although

the outcomes of these cases have varied, the litigation illustrates the costs and uncertainty that can arise when companies and investors lack a predictable process for resolving proposal exclusions.

The Commission's economic analysis estimates administrative cost savings from rescission but also acknowledges potential costs that it has not been able to quantify, including diminished managerial accountability, reduced information available to investors, and increased costs of alternative shareholder engagement. Without adequately weighing these consequences, the Commission has not demonstrated that rescinding Rule 14a-8 would produce net benefits for investors or market efficiency.

3. The Commission has not established that Rule 14a-8 exceeds its statutory authority

The Commission's assertion that Rule 14a-8 exceeds its statutory authority departs from more than eight decades of established regulatory practice. Section 14(a) of the Securities Exchange Act authorizes the Commission to regulate proxy solicitations in the public interest and for the protection of investors. Rule 14a-8 operates within this framework by establishing conditions for the inclusion of qualifying shareholder proposals in company proxy materials, while recognizing applicable state-law limitations on the proper subjects of shareholder action.

The Commission has not adequately explained why maintaining these federal requirements for access to company proxy materials necessarily intrudes on state authority over corporate governance. Nor has it established that its concerns about the existing rule require wholesale rescission rather than narrower modifications that would still preserve meaningful shareholder participation.

Rather than protecting investors and maintaining fair and orderly markets, this proposed rescission would undermine the integrity of the capital markets and disrupt the essential balance of corporate accountability.

4. Shareholders Need the Right to Address Financially Material Risks

The proposed rescission would weaken an established avenue for shareholders to raise financially consequential concerns about climate change, environmental impacts, and other sustainability-related risks that management may overlook or fail to adequately address.

Research has found that effective management of environmental, social, and governance (ESG) issues can improve financial performance by mitigating costly risks and supporting long-term company value. A meta-analysis by NYU Stern's Center for Sustainable Business and Rockefeller Asset Management, reviewing more than 1,140 research papers and 27 meta-reviews published between 2015 and 2020, found substantial evidence of a positive relationship between corporate sustainability and financial performance. Its findings included that this relationship becomes more pronounced over longer time horizons, sustainability initiatives can improve

performance through stronger risk management and increased innovation, and managing for a low-carbon future can improve financial performance. The research also found that disclosure alone, without an accompanying strategy, does not drive better results.

Proposals addressing climate change, environmental impacts, and other sustainability matters can raise financially material concerns. These issues can affect operating costs, capital expenditures, legal liability, regulatory exposure, physical assets, supply chains, access to capital, and long-term competitiveness. Shareholders have a legitimate interest in understanding how companies identify and manage these risks.

This is particularly important for long-term, diversified investors. Climate change poses systemic risks that can affect returns across sectors and throughout the economy, risks investors cannot necessarily avoid through individual investment decisions alone. For public pension funds and other long-term, diversified investors, effective stewardship can complement portfolio-level risk management by seeking to address corporate practices that contribute to these economy-wide risks. Shareholder proposals provide one mechanism for encouraging stronger climate transition planning, real-world emissions reductions, and capital allocation that supports decarbonization.

A growing body of research also demonstrates that failing to account for systemic risks, including climate-related risks, can undermine the stability and integrity of financial markets more broadly. When companies fail to identify and manage these risks, the resulting costs can extend beyond individual firms, affecting asset values across portfolios and threatening long-term economic stability. Shareholder proposals provide an established avenue for investors to raise these concerns with management, bring them to fellow shareholders' attention, and press companies for meaningful responses.

Restricting shareholder proposals will not make these risks less material or eliminate investor concerns or desire for information. It will simply make those concerns harder to raise and address and the information more difficult to acquire. The Commission should not weaken an established investor-protection mechanism without adequately accounting for the consequences it would have on shareholders' ability to identify and address financially material risks.

5. The proposed amendments to Rule 14a-4(c) would further weaken shareholder voting rights

The Commission should also reject its proposed amendments to Rule 14a-4(c), which would expand corporate management's ability to exercise discretionary voting authority over shareholder proposals excluded from company proxy materials. Under the proposal, companies could exercise that authority unless shareholders affirmatively opt out, potentially allowing management to vote shares on proposals that investors have not had an adequate opportunity to evaluate.

Moreover, opting out would not constitute an affirmative vote on the shareholder proposal, and the proposed use of a single checkbox for multiple proposals could further limit shareholders' ability to express their preferences. These changes would create an additional imbalance favoring corporate management and undermine shareholders' ability to exercise meaningful control over how their shares are voted.

6. Conclusion

We urge the Commission to withdraw its proposal to rescind Rule 14a-8 and its proposed amendments to Rule 14a-4(c). Shareholder proposals are an important mechanism for identifying risks, sharing information, and encouraging companies to address issues that may affect long-term financial performance. This function is particularly important for climate-related and other systemic risks, which can have significant consequences for individual companies, diversified portfolios, and the broader economy.

The Commission's proposed changes would weaken an established channel for investor oversight, increase uncertainty and costs, and make it more difficult for shareholders to exercise meaningful corporate governance rights. Rather than protecting investors, these changes risk prioritizing the interests of corporate management over the interests of the shareholders who own these companies, in direct contradiction to the SEC's core mandates. The Commission should not make it easier for companies to avoid scrutiny at the expense of investors' ability to identify and address material risks.

The Sierra Club urges the Commission to uphold its investor-protection responsibilities by retaining a consistent federal framework that allows shareholders to raise qualifying proposals and participate meaningfully in the governance of the companies they own.

Thank you for considering these comments.

Sincerely,
Sierra Club