

An Investors' Framework for the Future Financial Market Reform Priorities for the SEC

The collapse of the financial markets in 2009 were largely caused by a failed governance structure in corporate America and the lack of attention to systemic risk. As long-term institutional investors representing more than \$1.6 trillion in assets, we applaud the commitment of the U.S. Securities and Exchange Commission (SEC) to improve the efficiency and effectiveness of the financial markets. Despite the enactment of The Dodd-Frank Wall Street Reform and Consumer Protection Act, we believe there is unfinished business that is critical to protecting and strengthening shareowner rights and investor confidence in the financial markets.

The Challenge

Without the full shareowner rights in place as part of Dodd-Frank, we run a very real risk that a financial collapse will be repeated eroding our investments and the future retirement security for millions of public workers that we represent. We also recognize that the Commission's work can't be achieved without independent funding and a full staff.

The Need

As long-term investors in U.S. and global financial markets, institutional investors rely on the U.S. Securities and Exchange Commission to regulate the public markets to protect investors and enhance the markets' operations. The Commission plays a vital role in bolstering investor confidence in the public markets by adding transparency for investors, enforcing director independence, and enhancing governance.

The Priorities

We encourage the Commission to continue its work program on a pro-active agenda to advance the mission of protecting investors, maintaining fair, orderly, and efficient markets, and to facilitate capital formation. We recommend the Commission reinforce its strong investor protection focus by addressing the following near-term financial market reform priorities.

Investor Advisory Committee

Revive the Investor Advisory Committee and appoint the Investor Advocate. The Investor Advisory Committee will provide an important role on matters of concern to investors in the securities markets; provide the Commission with investors' perspectives on regulatory issues; and serve as a source of information and recommendations to the Commission regarding the Commission's regulatory programs from the point of view of investors

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Universal Proxy Access

Renew rulemaking for universal proxy access by addressing the issues raised in the DC Circuit Court decision by providing a more thorough cost-benefit analysis. Proxy access is a fundamental shareowner right to nominate director candidates who can compete with board or management candidates on a level playing field.

Executive Compensation

Adopt final rules on the remaining executive compensation provisions under Dodd-Frank. The inaugural year of say-on-pay demonstrated the importance of compensation and the link between pay and performance through the increased dialogue taking place between corporations and shareowners. The adoption of these final rules will better define the parameters of this discussion and further expand the dialogue opened in 2011.

International Financial Reporting Standards

Continue work on international financial reporting standards, with a view that the Commission staff report on the Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers be taken up by the Commissioners. High quality accounting standards are a market fundamental and the staff report addresses the role of FASB and other important issues critical to investors.

Credit Rating Agencies

Provide for an accountable and transparent ratings system with full disclosure on data and models used to develop securities ratings. Develop an independent mechanism to track the accuracy and effectiveness of the ratings process and complete the study of financing alternatives for credit rating agencies.

Sustainability and Board Diversity Disclosure

Articulate with greater clarity the Commission's interpretive guidance on climate risk disclosures as part of the ongoing disclosure review program. Include climate change disclosure and the process for including diversity considerations into the corporate board nomination process in the newly created Investor Advisory Committee's overall mandate to provide advice and recommendations.

We stand ready to support the Commission to achieve its mission to protect investors, maintain fair, orderly, and efficient markets, and to facilitate sustainable capital markets.

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All Pensions Group (APG)
BT Pension Scheme Management Ltd
California Public Employees' Retirement System
California State Teachers' Retirement System
Connecticut Retirement Plans and Trust Funds
Co-operative Asset Management

Florida State Board of Administration
F&C Management Ltd.
Office of New York City Comptroller
Ohio Public Employees' Retirement System
PGGM Vermogensbeheer B.V. (PGGM)
RPMI Railpen
Universities Superannuation Scheme (USS)