



February 15, 2018

The Honorable Walter J. Clayton, III, Chairman  
 Mr. Brent J. Fields, Secretary  
 U.S. Securities and Exchange Commission  
 100 F Street, NE  
 Washington, D.C. 20549-1090

Dear Mr. Chairman and Mr. Secretary:

We write to join our colleagues at the Council of Institutional Investors (see CII letter dated August 21, 2017) and express our strong opposition to the July 17, 2017, "Request for rulemaking to amend Rule 14a-8 under the Securities Exchange Act of 1934 regarding resubmission of Shareholder Proposals" submitted by the Corporate Governance Coalition for Investor Value (Petition). For almost 165 years, the Congregation of St. Joseph has served communities in the United States in health care, education and social service ministries. The Congregation of St. Joseph believes that demonstrated corporate responsibility in environmental, social and governance issues fosters long-term business success in the companies they own through their investment program.

We believe the current rules governing the shareholder resolution process are fair. For decades, the shareholder proposal process has served as a cost-effective way for corporate management and boards to hear and address the concerns of all shareholders on issues of sustainability, corporate governance, and risk. We also believe that the SEC's current, rigorous vetting system ensures shareholder proposals are soundly presented, reasonable, and in the long-term best interests of the company and its shareholders.

As a direct result of shareholder engagements and resolutions brought by responsible investors, longer-term emerging risks with the potential to negatively impact people, including small investors, have been identified early and proactively managed to the financial benefit of companies, health of the environment, and welfare of communities. Examples of how shareholder proposals have served as early warning systems for companies and the broader market include:

- Resolutions on key governance issues such as annual election of directors, majority votes for directors, splitting the board chair and CEO roles, board diversity and disclosure of lobbying and political expenditures. These issues can improve corporate accountability and strengthen governance structures and long-term financial performance.
- Resolutions highlighting risks in corporate operations and global supply chains with companies in the apparel, electronics and agricultural sectors, raising concerns of human trafficking and forced labor. Many leading companies now have human rights policies and supplier codes of conduct that help eradicate these risks from their supply chains – and avoid legal, reputational and financial risks that they present.

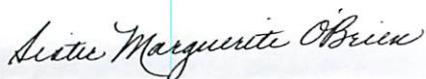
*That all may be one...*

- Resolutions with oil and gas companies requesting reporting on the risks of climate change. In the early years, these resolutions often received less than 5% of shareholder support. Yet through the persistence of religious investors like the Congregation of St. Joseph as well as the broader responsible investment community, support has steadily grown into a clear mandate for climate action. Many mainstream investors are now highlighting the issue of climate risk. During the 2017 proxy season, a resolution requesting a business plan aligned with the Paris Climate Agreement's 2°C warming threshold achieved a 67% vote at Occidental Petroleum and a 62% vote at ExxonMobil.
- Resolutions as early as 2005 with top U.S. banks on risk management calling for disclosures around high-risk mortgage products and how they were being collateralized: *if banks had addressed the concerns voiced by long-term investors, the financial crash may have been avoided.*

It is also important to underscore that, very often, proponents withdraw resolutions after a productive *dialogue between a company and its shareholders* leads to an agreement. Resolutions that are not withdrawn are voted on by all holders of voting stock – giving the board and management input far beyond that of resolution filers. In addition, over the years, the shareholder proposal process has contributed to many reforms that protect and enhance shareholder value. A 2015 study found that successful shareholder engagements can generate cumulative excess returns of +7.1%.<sup>1</sup> J.P. Morgan Asset Management states in its April 2017 Sustainable Investing, “We believe that a company’s environmental, social and governance policies have a long-term impact on the company’s financial performance.”<sup>2</sup> The shareholder resolution filing process is a key tool to ensure constructive dialogues between companies and shareholders occur.

We support the CII’s position that it is not necessary to open rulemaking for Rule 14a-8, since the Petition does not make a compelling case to warrant a rulemaking review. If rulemaking is opened, we strongly believe investors should be given the opportunity to provide input. Thank you for considering our input.

Sincerely,



Sister Marguerite O'Brien  
Treasurer



Karen Watson, CFA, AIF®  
Chief Investment Officer

cc: The Honorable Robert J. Jackson Jr.  
The Honorable Hester M. Peirce  
The Honorable Michael Piwowar  
The Honorable Kara Stein  
William Hinman, Director, Division of Corporate Finance

<sup>1</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2154724](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2154724)

<sup>2</sup> <https://am.jpmorgan.com/gi/getdoc/1383436774069>

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