



1 Ecolab Place
St. Paul MN 55102 USA

September 29, 2020

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Reporting Threshold for Institutional Investment Managers, Release No. 34-89290; File No. S7-08-20

Dear Ms. Countryman:

On behalf of Ecolab Inc. (NYSE: ECL), a global leader in water, hygiene and infection prevention solutions and services headquartered in Saint Paul, Minnesota, I am writing to express our opposition to the Commission's proposed amendments to the Form 13F reporting rules for institutional investment managers.

We believe that the SEC's proposal, which would discontinue reporting by 89 percent of current 13F filers, would result in a significant loss of market transparency to our company and other public traded companies in the United States. The proposed rule, if enacted, would impair our engagement with shareholders, impede our ability to attract new long-term investors and deprive us of timely information about activist hedge funds that take positions in our company.

The 13F filings are the only accurate source of ownership information available to our company as well as other U.S. issuers. While 13F data is not nearly as timely as it should be in this digital age, it is the only data that we have that shows which "street name" investors are buying or selling our shares each quarter. This information cannot be fully replaced by hiring stock surveillance firms, which themselves rely on quarterly 13F data as a starting point for their research efforts.

We do not believe that the Commission has adequately considered the potential impact of this 13F proposal to our company. As a large cap company, we are particularly concerned about how the reduction of 13F transparency would impair our ability to accurately identify our shareholders and engage effectively with them. While some of our largest investors would continue to disclose shares held, a number of those institutions are passive, indexed holders with positions that do not change appreciably each quarter. For our company and many others, it is the 13F data from the smaller active investment managers and hedge funds under the proposed \$3.5 billion threshold that is more valuable.

Reduced Engagement Due to Lack of Transparency

Smaller shareholders, such as those that fall below the \$3.5B threshold, do not have the same access to resources and information flow as the large firms, nor generate the payment flow to brokers and information providers of the hedge funds for such information, and it is only by identifying those holders through the 13F data that we are able to proactively engage them regarding our company's business and outlook. This imbalance is exacerbated by brokerage firms prioritizing their investment advisor accounts (and thereby services rendered) by size and revenue volume.

Further, many investors do not reach out to us before or after investing. For us to provide proactive engagement with them regarding governance and financial updates, 13F data is critical. For example, we just completed our governance outreach calls to shareholders in the proxy off-season to explore whether the holders have governance issues they wish to discuss when they have more time available. We use the 13F data to determine who we will call as part of these efforts.

Increased Risk of Activism

The Commission's proposal to significantly reduce 13F disclosures also is at odds with recent requests by the SEC that we and other public companies "provide as much information as is practicable" to investors amid the market uncertainty caused by the global COVID-19 pandemic. Just as there is a need for greater transparency on our part to our investors, our need for ownership data is even greater during these uncertain times, when market volatility is high and many activist investors have taken advantage of share price declines to amass larger stakes in potential target companies. Under the proposed \$3.5 billion threshold, we would be unable to monitor those activist investors who would be exempt from reporting their positions and who may use the increased lack of transparency for their benefit and not that of our company's long-term shareholders. Understanding our investor base is critical to our efforts to develop long term holders who focus on long term returns and business growth, rather than hedge funds that value short term actions for quick gains at the expense of legitimate long-term business development. The proposal benefits the very parties that impede the development of sustainable business growth.

The loss of 13F data under the proposed rule potentially exposes our company to a greater risk of ambush activism by short-term-oriented fund managers, who may demand that we take measures that may not be part of a successful long-term business strategy or the investment strategy of our long-term investors. According to Activist Insight, 2019 was a record year for activism, as 470 U.S. companies were targeted and 95 proxy contests were launched. Many corporate advisers are warning companies to prepare for another surge in activism in 2021-22 after the pandemic subsides (as there was after the financial crisis of 2008-09), so the timing of the SEC's proposed reduction of 13F transparency would be especially unfortunate for companies and long-term investors. Without the 13F data we receive now, our company will not know if an activist fund manager that falls under the \$3.5 billion threshold is plotting a proxy contest until 10 days after the fund crosses the 13D disclosure threshold and publicly surfaces with a 5 percent (or often more) position.

While we agree the SEC should modernize its ownership disclosure rules, we believe that the negative impacts of this 13F proposal on our company's ability to engage effectively with our shareholders, attract new long-term investors and detect potential activists would far outweigh the extremely modest cost savings for investment managers. The proposed 35-fold increase in the 13F threshold is not consistent with the incremental approach the SEC has taken when adjusting economic thresholds in other rules, such as the Commission's inflation-based increase in the gross revenue cap for emerging growth companies, the adjustments to the transition thresholds for companies that exit accelerated filer status and large accelerated filer status and the updates to SEC's rules on shareholder resolutions.

For the foregoing reasons, we request that the Commission withdraw its proposed 13F amendments and instead pursue the reforms detailed in the rulemaking petitions submitted by NAM, National Investor Relations Institute, the NYSE Group, the Society for Corporate Governance and Nasdaq. Rather than reduce 13F transparency, we urge the SEC to promote much more timely and complete disclosure by supporting monthly reporting, requiring the public disclosure of short positions and significantly cutting the 45-day reporting period.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael C. McCormick". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael C. McCormick
Executive Vice President, General Counsel
and Secretary
ECOLAB INC.