

# Organizational Letterhead

Date November 26, 2019

Hon. Jay Clayton  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re:

S7-23-19 Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8

S7-22-19 Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice

Dear Chairman Clayton,

As a member of ICCR my community strongly opposes the rules proposed by the Securities and Exchange Commission (SEC) on November 5<sup>th</sup>, 2019, which will severely limit the rights of shareholders to go to the table with corporations using the shareholder resolution process over issues with a distinct impact on long-term value.

Ursuline Convent of the Sacred Heart, Toledo, OH is a small religious community of Catholic Sisters in Toledo, OH. We have a history of working with our Investment Company to keep our investments socially responsible. As age and numbers do not always allow us to be actively engaged ourselves, a year and a half ago we joined ICCR as a way to have a voice at the table with our investors when our values come up against the practices of companies in which we are shareholders. Our total portfolio is approximately \$20,600,000. In this way we are able still have an impact on results that benefit both society at large and the companies themselves. The proposed rule changes will make this engagement and positive outcomes difficult and may leave small congregations like ours without a voice. In spite of our size, we share with these other small congregations a large following by alumnae and benefactors who support our initiative in this regard. As investors who are now able to engage with companies on critical

environmental, social, and governance (ESG) issues, we do not see these rule changes a necessary.

The current ownership threshold of \$2,000 allows an important variety of investors to have their voices heard. These smaller investors have had great impacts on corporate practice throughout the history of the proposal process. According to data compiled by the Sustainable Investments Institute, 176 resolutions on social and environmental topics came to a vote at US companies in the spring of 2019. Excluding this group of shareholders until they have held for three continuous years brings up questions about the equity of the proposal process and leaves out smaller investors who, like us, can make valuable contributions without access to the proxy. Many of these were filed by investors with relatively small stakes consistent with the existing filing thresholds. The proposals received on average of 25.5 % support. This percentage shows that proposals of interest to a large portion of a company's shareholder base can and do begin with smaller individual and institutional investors.

The proposed increase in resubmission thresholds threatens to exclude important proposals that over time, gain momentum, and will in the end, hinder important reforms. There are many examples through the years of resolutions that initially received low votes, but went on to receive significant support or have led to productive engagement, as shareholders came to appreciate the serious risks they presented to companies. The current minimums of 3%, 6% and 10% (in the first, second and third year, respectively) votes have been successful in allowing time for emerging issues to more and more receive support from investors while still ensuring that proposals that receive meaningful support are moved forward.

Congregations like ours have a history of being expert educators. There are many examples in ICCR's history of issues that initially received little support but through investor education were eventually recognized as the important issues and risks to companies that they were. Issues originally brought to the attention of corporate boards and fellow shareholders through proposals resulted in companies adopting suggested practices, many of which are now seen as best practice. Important areas where progress has been made include: climate risks, human rights risks assessments, and many governance reforms.

Resolutions highlighting human rights risks in global supply chains initially received low votes at companies, but as a result of engagement prompted by the proposals, sector leaders have adopted human rights policies and supplier codes of conduct that help lessen legal, reputational, and financial risks. It can take some time for shareholders to catch up on emerging issues. The proposed changes could prevent significant topics from even being suggested and considered, a loss to all shareholders.

The SEC is also proposing to dramatically curb the ability of proxy advisors to provide independent advice to investors, by, for example, requiring that companies have multiple opportunities to interfere with proxy advisors' recommendations on votes. The proposed curbs on proxy advisors could drastically undermine the voice of investors by further tilting votes on key proposals in favor of management. The fact that the proposed rule does not give shareholder proposal proponents and shareholders conducting "vote no" campaigns the same right of review further underlines that the rule would provide an unfair advantage to company management to the detriment of shareholders.

The current 14a-8 rule has worked well for decades, and there is no need to revise it. This misinformation feeds a political agenda by the trade associations to limit the ability of shareholders to engage with the companies that they own. We engage as shareholders on ESG risks precisely because we are concerned about the long-term health of the companies in which we are invested. Many of the companies that we engage with understand that this engagement enables them to mitigate reputational, legal, and financial risks, and build value. The filing of shareholders resolutions by investors big and small is a crucial part of the engagement process.

For the above reasons, we strongly urge the SEC to reconsider the proposed rule changes.

Sincerely,

*Sister Sandra Sherman, O.S.U.*

Sister Sandra Sherman/President