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December 2, 2019

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

Re: File No. S7-23-19: Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8  
File No. S7-22-19: Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice

Dear Chairman Clayton,

I write on behalf of the Jesuit Committee on Investment Responsibility (JCIR) to express our opposition to the rules proposed by the Securities and Exchange Commission (SEC) on November 5, 2019. JCIR firmly believes these rules will limit the rights of shareholders to engage in dialogue with corporations through the shareholder resolution process. We believe these conversations strengthen companies by increasing their ability to address environmental, social and governance issues and that these rule changes will negatively affect long-term shareholder value by limiting shareholder engagement.

For more than 40 years, JCIR has leveraged the endowment investments of Jesuit provinces in Canada and the U.S. to promote social change in corporate practices. Socially responsible investment is a faith-call. We also believe in the fiduciary case that Catholic social teaching principles, including respect for human life and dignity, environmental stewardship, sustainable development and rights of workers and communities, serve the best interests of all stakeholders and therefore preserve shareholder value. The vast majority of shareholder engagements consist of mutually beneficial dialogue with corporate executives, not resolutions; but the possibility of filing a resolution makes it more possible for shareholders to begin that dialogue. For example, JCIR never had to file a resolution over 8 years of dialogue on water sustainability concerns with agricultural products company Ingredion<sup>1</sup>. During that time, Ingredion strengthened their water risk analysis systems and now publicly discloses the excellent work they are doing to reduce water stress in regions where they operate. Ingredion is one of many companies that offered gratitude to JCIR and other faith-based investors for helping to sharpen their sustainability efforts, increasing business from customers concerned about these issues and ultimately

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<sup>1</sup> Charles, Dan. National Public Radio. October 16, 2019. <https://www.npr.org/2019/10/16/770066763/as-the-climate-warms-companies-are-scrambling-to-calculate-the-risk-to-their-pro>. Accessed November, 26, 2019.

benefiting community stakeholders and shareholders. As long-term investors, JCIR believes that companies that incorporate critical environmental, social and governance issues into their business plan will ultimately produce greater return on investment.

Under the proposed rule changes, which would increase the time-frame of continuous ownership and number of shares held, most faith-based shareholders would not have the financial resources to hold sufficient shares to raise shareholder resolutions. Based on our experience as investor advocates, we believe these proposed rules will inhibit an engagement and dialogue process that is valued by both companies and investors. Creating this obstacle to shareholder engagement will hurt companies, investors and community-based stakeholders around the world. Mitigating human rights risks, as we saw in our engagement with Chevron, who developed a human rights policy over the course of 7 years of resolutions and dialogue with JCIR, helped prevent long-term reputation damage. Over years, resolution co-filers grew from 22 to 42, and the vote in support of the proposal increased from 24-29%. As a result of the engagement, Chevron passed Policy 520 which promotes community-led economic development in regions where the company operates in the Niger Delta. Shareholders drew upon relationships that JCIR had with faith-based networks on the ground, ultimately helping Chevron develop a thoughtful and relevant policy. This resolution and subsequently improved engagement with community stakeholders would have been pursued without faith-based shareholder engagement. It enhanced Chevron's competitive advantage in the region as a partner of choice, especially compared to other energy resource extractors in the region (by comparison, Royal Dutch Shell paid a \$15.5 million settlement in 2009 for human rights abuses in the region). Engagement with shareholders changed the way Chevron understood its role- from an operator of major oil and gas capital projects to that of being a member of the local community. The company oversaw the implementation of regional development committees through which community members managed Chevron-contributed funds. These development benefits counterbalanced the environmental and social costs for communities associated with living near resource extraction.<sup>2</sup> The SEC's proposed rule changes would make it impossible for us to bring these voices of the community to the company, as well as these shared benefits to the company and investors.

The proposed increase in resubmission thresholds does not adequately consider the time needed to educate shareholders and senior corporate executives on emerging material issues. In JCIR's experience, these issues take time to fully analyze and therefore may initially receive little support. One example is JCIR's engagement with Monsanto on child labor issues in their supply chain. JCIR sought out this engagement based on concerns coming from Jesuits and other partners in India. In 2005, companies and investors were not looking for labor issues this far down the supply chain. JCIR's initial resolution, asking Monsanto to adopt and implement a human rights policy on child labor in the supply chain, had a low first vote. However, this vote led to a dialogue with the company and ultimately a policy and two-year implementation plan. This successful outcome, preventing abuses in child and forced labor, would not have been likely if Monsanto was able to ignore shareholder concerns after a low first-year resolution vote.

Shareholder proposals are a small percentage of the overall proxy votes companies must address through their annual meetings. Far from a burden, shareholder resolutions help companies address reputational

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<sup>2</sup> Santos, Nicholas J.C., John Sealey, and Austin G.C. Onuoha. *"Shareholder Engagement and Chevron's Policy 520 on Human Rights: The Role Played by the United States Jesuit Conference's 'National Jesuit Committee on Investment Responsibility.'" Socially Responsible Investment in the 21<sup>st</sup> Center: Does it make a Difference for Society?* Editors Louche, Celine and Tessa Hebb. Emerald Publishing. July 7, 2014.

and material risks associated with environmental, social and governance issues. Given these concerns, JCIR respectfully asks the SEC to withdraw these rulemaking proposals.

Sincerely,

A handwritten signature in black ink that reads "Ted Penton, SJ". The signature is written in a cursive style with a large initial "T" and a distinct "SJ" at the end.

Ted Penton, SJ  
Secretary, Office of Justice and Ecology  
Jesuit Conference of Canada and the United States