



November 21, 2019

Hon. Jay Clayton  
Chair, U.S. Securities and Exchange Commission  
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Washington, D.C. 20549

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**Re: S7-23-19 Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8 and S7-22-19 Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice**

Dear Chairman Clayton,

We strongly oppose 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 engage with corporations using the shareholder resolution process over issues with a distinct impact on long-term value.

The Sisters of Charity of the Blessed Virgin Mary (BVM) are long-term investors who engage with companies on critical environmental, social, and governance (ESG) issues. We believe that the proposed rules are unnecessary, and will undermine a corporate engagement process that has been of great value to both companies and investors.

For decades, the shareholder proposal process has served to benefit issuers and proponents alike as an effective, efficient and valuable tool for corporate management and boards to gain a better understanding of shareholder priorities and concerns. The proposed rule changes will make companies far less accountable to shareholders, stakeholders, and the public at large.

The proposed increase in ownership thresholds will make it difficult for smaller investors to voice important concerns and raise issues of risk to the companies they own. The current ownership threshold of \$2,000 ensures that a diversity of voices is heard, not just the biggest players. Small investors have contributed a multitude of now commonplace best practices.

In 2007, we supported the Interfaith Center on Corporate Responsibility's proposal asking for a Sustainability Report which was withdrawn in exchange for a company's agreement to produce its first Sustainability Report, which continues regularly to this day. Likewise, a company that was questioned about water use has developed a robust water sustainability policy. Several companies have responded to resolutions requiring human rights policies conforming to the United Nations *Guiding Principles on Business and Human Rights*. Sector leaders have adopted human rights policies and supplier codes of conduct that help minimize legal, reputational and financial risks. According to data compiled by the Sustainable Investments Institute, 187 resolutions on social and environmental topics came to a vote at US companies in the spring of 2019. Many of these were filed by investors with relatively small stakes consistent with the existing filing thresholds.

The proposed increase in resubmission thresholds threatens to unnecessarily exclude important proposals that gain traction over time, and will ultimately stifle key 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 issue of declassified boards is just one example – in 1987 proposals on this issue received under 10% support; in 2012 - 81%, and it is now considered to be best practice. Other examples include resolutions with oil and gas companies on the risks of climate change that often received below 5% of shareholder support when first introduced beginning in 1998, but which now receive substantial, and even majority shareholder votes, and have been adapted by numerous companies.

In addition to the Rule 14a-8 proposals, changes regarding proxy advisory firms were approved at the SEC's November 5<sup>th</sup> meeting. We believe these modifications have been proposed to undermine the voice of investors and produce more management-friendly votes, unfairly stacking the deck against shareholders and towards corporate management. The proposal would require that proxy advisory firms allow companies to review and provide feedback on proxy voting advice, and would greatly impede the ability of institutional investors to get independent advice and information about how to vote on director elections, Say on Pay ballot items and shareholder proposals.

The current 14a-8 rule has worked well for decades, and there is no need to revise it. Trade associations like the Business Roundtable, the U.S. Chamber of Commerce, and the National Association of Manufacturers have lobbied rigorously for the proposed changes by exaggerating the cost of the process to companies, and by misleadingly painting shareholders raising ESG issues as "activists" imposing a "social agenda" who are "uninterested in shareholder value." 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,



Teri Hadro, BVM

President

Sisters of Charity of the Blessed Virgin Mary