CBIS
Catholic Responsible Investments

January 21, 2020

Hon. Jay Clayton, Chairman
Hon. Robert J. Jackson Jr., Commissioner
Hon. Allison Herren Lee, Commissioner
Hon. Hester M. Peirce, Commissioner
Hon. Elad L. Roisman, Commissioner
Vanessa A. Countryman, Secretary

US Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Comments on *Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8* (File Number S7-23-19) and *Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice* (File Number S7-22-19)

Dear Chairman Clayton and Commissioners Jackson, Lee, Peirce and Roisman,

Christian Brothers Investment Services, Inc. (hereafter, CBIS) is a US-headquartered investment manager with $8.2 billion in assets under management for Catholic institutional investors worldwide. We appreciate being included in the Rule 14a-8 roundtable discussion hosted by the Commission on June 21, 2019, as we have been active and transparent stewards of our investments through the 14a-8 process for several decades. We take seriously our proxy voting and company engagement duties and were one of the first U.S. institutional investors to disclose our proxy voting guidelines and votes publicly almost 20 years ago. As such, we would like to share our views on the Commission's proposed rules related to requirements for filing shareholder resolutions (File No. S7-23-19) and regarding proxy voting advice (File No. S7-22-19).

As currently drafted, CBIS disagrees with many aspects of Rule S7-22-19 and S7-23-19, which we believe could limit the rights of investors like ourselves to meaningfully engage with corporations using the shareholder resolution process or to obtain truly independent research that we need to cast our ballots according to our own unique voting guidelines. As a long-term, faith-aligned investor, we believe that the proposed rules cited above are:

- currently unnecessary, and not well-supported by investors;
- disenfranchising to smaller investors that often lack large ownership stakes when diversifying;
- likely to weaken independent proxy research we find useful in upholding our fiduciary duties; and
- going to negatively impact a well-established engagement process in the US market that has been effective, efficient, and advisory for several decades.

S7-23-19 (Procedural Requirements and Resubmission Thresholds under 14a-8)

Existing Resolution Process Is Fair, Predictable, and Advisory: The current shareholder proposal process has benefitted issuers and proponents alike for many years by allowing corporate boards to better understand

shareholder priorities and anticipate impending concerns. It has taken many of those years for Rule 14a-8 to develop sufficient guidance, expectation of processes, and accountability mechanisms for both companies and investors to navigate shareholder resolution procedures fairly on both sides. The existing rule has established over the years a robust and dynamic communication tool between a company's investors, corporate management, and directors, on emerging issues in a typically non-binding fashion. The fact that US shareholder resolutions (and votes on them) are overwhelmingly precatory is a key distinction from other large markets and critical to a healthy process where large and small, retail and institutional investors globally routinely provide feedback to directors on company performance and corporate governance.

Rule May Disenfranchise Small Investors: The proposed increase in ownership thresholds to file proposals would make it difficult for smaller investors (including those that we partner with) to raise concerns at the companies we jointly own. The current ownership threshold of $2,000 ensures that a diversity of voices is heard, not just the most powerful institutional investors.

Smaller investors have often fostered the majority of best practices on reporting, shareholder rights, and governance in the US over the past 50 years through the 14a-8 process—including improving the independence of key board committees, annual elections of directors, sustainability reporting, worker safety disclosures, and more. Proposals typically filed by small stockholders have earned an average of 21.4-25.6% support from 2017-2019 according to the Sustainable Investments Institute, showing that smaller investors bring valuable issues and ideas to the table for shareholder and director consideration. Excluding some shareholders until they have held shares for three continuous years, or $25,000 for one year, as proposed, raises serious questions about the equity of the resolution process and how smaller investors might raise important issues without access to the ballot.

Low Votes That Build Over Time Educate Markets, Fulfil Critical Investor Function: The Commission's proposed increase in resubmission thresholds for resolutions (from 3, 6, and 10% support to 5, 15, and 25%) may unnecessarily exclude important investor proposals that gain support over time, and which serve a critical function in educating investors and other market intermediaries. There are numerous examples of resolutions over the past 30 years that initially received low votes that subsequently earned significant investor support or led to best practices across corporations, as shareholders came to increasingly appreciate the risks these proposals identified. The annual election of directors (i.e., declassified boards) is one such example and the reporting of climate change risks is another. Voting support that steadily builds over time signals to company directors and management that issues deserve increasing attention and strategy. The public communication between investors and companies on those votes is vital to investors' growing understanding of market changes at both a company and sector level--and is a case where the market is functioning well in that role under the existing rules.

Prohibitions on Outsourcing Engagement, Aggregating Shares, and Representing Multiple Clients
As CBIS understands the proposed rule, there would be new prohibitions on shareholders aggregating their shares to reach minimal thresholds for filing proposals, while the Commission is also proposing to substantially raise the amount that each investor would need to file or co-file a proposal—resulting in smaller shareholders often not being able to join us in collaborative engagements with issuers. Additionally, we are concerned about new provisions that appear to mandate that the underlying shareowner directly engages with a company—while additionally contemplating not allowing such investors to hire representatives or managers on their behalf for such services. CBIS, as the investment manager for hundreds of institutional investors worldwide, has served

in that role almost since our inception in 1981, and feel this change would be a radical departure from previous rules and may interfere with the client/manager relationship and our ability to fulfill our fiduciary duties to our investors.

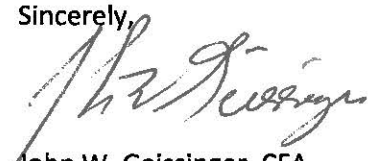
S7-22-19 (Amendments to Rules for Proxy Voting Advice)

Process May Give Companies Too Much Influence, Likely to Impair Independence of Research
CBIS opposes several critical aspects of the proposed rule on proxy voting advice, which we believe may limit our ability to acquire independent proxy voting research and recommendations that assist us in fulfilling our voting duties to clients. CBIS is a globally diversified asset manager and casts votes for over 3,000 securities (30,000 ballot items) each year on behalf of our investors, with a small staff, and independent proxy voting research helps augment the due diligence we undertake for that duty, even as we vote those proxy ballots consistent with our own dedicated set of voting guidelines that incorporate the needs of our clients. The Commission's proposed changes would require that proxy advisory firms allow companies multiple opportunities to review and provide feedback on proxy voting advice and research, which in our opinion may greatly impede the ability of investors to obtain truly independent guidance on a complex mix of ballot items each year. The proposed rule does not afford investor proponents the same rights as companies in this process, which may also result in an unfair advantage to company management over owners, in addition to research indicating that the largest proxy advisory firms currently recommend votes in favor of company management about 90% of the time. The proposal raises the specter of undue influence in investment research and appears to conflict with existing regulations that prohibit stock analysts from sharing draft research reports with the target issuer.

Proposed Process Risks Investors Missing Voting Deadlines
The process and timeline suggested by the rule could also be quite problematic for investors voting proxy ballots to obtain the needed research and advice from a proxy advisory firm in a timely enough manner to cast votes by deadlines, since voting research and recommendations currently already come at short notice for many securities during congested periods. Amendments to this process, with multiple points of company review and feedback, would likely worsen conditions for receiving research in a timely manner.

For the above reasons, we strongly encourage the Commission to reconsider the two rules, as currently proposed.

Sincerely,



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