



January 24, 2020

Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Via email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

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 Ms. Countryman:

On behalf of the Congregation of St. Joseph, I write to express strong opposition to the rules proposed by the Securities and Exchange Commission (SEC) on November 5, 2019 regarding the shareholder resolution process and proxy rules for proxy voting advice. For almost 167 years, the Congregation of St. Joseph has served communities in the United States in health care, education and social service ministries. We have an investment portfolio that needs to provide the financial support for the care of the nearly 460 Catholic women within our Congregation and to support numerous justice and peace initiatives through our Mission Network.

Some of these initiatives include antiracism efforts, the abolishment of the death penalty, fair and just immigration policies, nonviolence, especially in regards to gun violence, anti-human trafficking efforts, and care of the environment and Earth. Throughout our history, our mission has been to bring all into unity with God, with one another, and with all creation. Advocating for systemic change is essential to us fulfilling our mission and the efforts we have made as shareholders to file and/or support resolutions, engage company management in dialogue and vote proxies have helped generate positive changes for all shareholders and all of society.

As stated in our Investment Policy Statement, "our investments provide an opportunity to influence corporate policy and behavior on behalf of a larger global common good." But, we believe that such influence is generally best achieved in partnership with others. Because of this, we participate with the Interfaith Center on Corporate Responsibility (ICCR) and collaborate with others to work toward a just, peace oriented and environmentally conscious world. We believe that demonstrated corporate responsibility in environmental, social and governance issues fosters long-term business success in the companies we own through our investment program.

*That all may be one...*

We believe the current rules governing the shareholder resolution process are fair and that the proposed rule changes are unnecessary. For decades, the shareholder proposal process has served as a cost-effective way for corporate management and boards to hear and address the concerns of all shareholders on issues of sustainability, corporate governance, and risk. Through the current process, corporate management and boards also gain a better understanding of shareholder priorities and concerns, especially those from smaller investors like the Congregation of St. Joseph.

As a direct result of shareholder engagements and resolutions brought by responsible investors, longer-term emerging risks with the potential to negatively impact people, including small investors, have been identified early and proactively managed to the financial benefit of companies, health of the environment, and welfare of communities. Examples of how shareholder proposals have served as early warning systems for companies and the broader market include:

- Resolutions on key governance issues such as annual election of directors, majority votes for directors, splitting the board chair and CEO roles, board diversity and disclosure of lobbying and political expenditures. These issues can improve corporate accountability and strengthen governance structures and long-term financial performance.
- Resolutions highlighting risks in corporate operations and global supply chains with companies in the apparel, electronics and agricultural sectors, raising concerns of human trafficking and forced labor. Many leading companies now have human rights policies and supplier codes of conduct that help eradicate these risks from their supply chains – and avoid legal, reputational and financial risks that they present.
- Resolutions with oil and gas companies requesting the reporting on the risks of climate change. In the early years, these resolutions often received less than 5% of shareholder support. Yet through the persistence of religious investors like the Congregation of St. Joseph as well as the broader responsible investment community, support has steadily grown into a clear mandate for climate action. Many mainstream investors are now highlighting the issue of climate risk.

The proposed change to Exchange Act Rule 14a-8 that would increase the ownership thresholds for shareholder proposals would significantly reduce the positive impacts on corporate practice such as those stated above. The investors that are more passionately involved in the resolution process on social and environmental topics are typically the smaller ones such as the Congregation of St. Joseph. The proposed increase in the ownership threshold from its current \$2,000 level, however, would exclude many smaller investors such as us from participating in the governance process. This would restrict the diversity of voices involved in the shareholder resolution process and would reduce the number of resolutions even though they are of great importance to all shareholders, not just those owning large ownership stakes.

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Additionally, we oppose the proposed increase in the resubmission threshold from the current minimums of 3%, 6% and 10%, in the first, second and third year respectively. The current minimums have been successful as they allow time for some key issues, such as those related to climate change and human rights, to gain traction and evolve over time. Some issues may initially receive little support, but through further investor education and attention, eventually become adopted and seen as best practice. 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 minimize legal, reputational, and financial risks. Clearly these and other votes on critical matters signify that investors appreciate the value of the issues being raised in these resolutions. It can take some time for shareholders to get up to speed on emerging issues. The proposed changes could prevent significant topics from even being raised and considered, to the detriment of all stakeholders.

The proposed regulatory changes regarding proxy advisory firms are also of concern to the Congregation of St. Joseph given that we engage a third party to vote our proxies. Earlier in the history of our Congregation, the proxy ballots were voted internally by religious sisters within our community. However, as the sisters continue to age and decline in number and the number of shareholder meetings requiring one or more proxy voting decision approached 1,500 annually, it was no longer feasible to vote the proxies internally. As such, we utilize the services of a proxy advisory firm and are in opposition to any movement by the SEC to limit their ability to render their services in a timely, efficient, and cost-effective manner.

The advisory firm votes the proxies according to our Investment Policy Statement guidelines and provides reporting to us to verify our acceptance of the votes. The changes proposed by the SEC represent an unnecessary intrusion on the relationship between our Congregation and our advisor. The proposed mandate requiring proxy advisors to share their reports with companies before investor clients would jeopardize the independence and integrity of proxy advice. As a Congregation, we made a personal decision to engage the proxy advisor to provide a timely, cost-effective service to us that is essential in fulfilling our fiduciary duties as investors. The SEC's proposed rule will undermine the reliability of this source of advice and cause unwarranted delays in an already compressed process. These hurdles will likely make it harder for us to carry out our fiduciary responsibilities.

In addition to a proxy advisor, we also retain an agency representative to support us in our shareholder engagement efforts. As such, we are opposed to the agency representation provisions being proposed by the SEC. The agency advisor serves a significant role for us as we do not have the internal resources or expertise to navigate the complexities of the shareholder engagement process on our own. Our relationship with that advisor and their efforts on our behalf are essential to us fulfilling our investment and fiduciary responsibilities.

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In conclusion, we believe that the proposed changes to the shareholder resolution and proxy rules are unnecessary. Additionally, if implemented, the proposed rules would severely limit the impact of the smaller investor such as the Congregation of St. Joseph. As an organization that has an internal committee comprised of both staff members and religious sisters to focus exclusively on the social, environmental and governance issues and risks within our investment portfolio, we appreciate our rights as shareholders and our important role as investors. Unfortunately, though, the proposed rule changes would restrict those rights that we hold dear as shareholders.

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

Sincerely,



Karen Watson, CFA, AIF®  
Chief Investment Officer

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