

Northwest Coalition for Responsible Investment

A collaborative venture of:

Adrian Dominican Sisters • Benedictine Sisters of Cottonwood, Idaho • Benedictine Sisters of Mt. Angel
Congrégation des Soeurs des Saints Noms de Jésus et de Marie • Congregation of Sisters of St. Joseph of Peace
Jesuits West • Northwest Women Religious Investment Trust • PeaceHealth
Providence St. Joseph Health • Sisters of the Holy Names of Jesus & Mary, US Ontario Province
Sisters of Providence, Mother Joseph Province • Sisters of St. Francis of Philadelphia
Sisters of St. Mary of Oregon • Tacoma Dominicans

January 27, 2020

Hon. Jay Clayton
Chair
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 Chair Clayton,

We strongly oppose the rules proposed by the Securities and Exchange Commission (SEC) on November 5, 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. For over 25 years the Northwest Coalition for Responsible Investment—religious communities and healthcare systems—have used their investments in corporations to work for a just and sustainable global community. We estimate that we have engaged over 100 companies in more than 1000 corporate dialogues and shareholder resolutions on issues of climate change, food justice, health equity, human rights, human trafficking, and corporate governance. We have had at least 47 breakthroughs with corporations.

Because of our expertise and experience 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.



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In a dialogue with the CEO of a Fortune 500 company, we asked him why he had come all the way across the country to meet with us. He admitted to his own curiosity about us as a group of women religious filing shareholder resolutions. Then he added that he had once heard a board member say, “You better listen to the nuns if they bring an issue to you, because in 10 to 15 years, I guarantee you, that issue may turn out to be a crisis in your boardroom!”

The proposed increase in ownership thresholds will make it impossible for our members to voice important concerns and raise issues of risk to the companies we own. The current ownership threshold of \$2,000 ensures that a diversity of voices are heard, not just the biggest players. Small investors have brought critical social issues to the boardrooms and shareholders of corporations.

For example, faith-based investors of the Interfaith Center on Corporate Responsibility had filed shareholder resolutions on gun safety with Sturm Ruger (RGR) and American Outdoor Brands (AOBC) in 2018 before the mass shooting at Marjory Stoneman Douglas High School in Parkland Florida on February 14, 2018. Because our resolutions were on the proxy, the major investors of RGR and AOBC who were concerned about gun violence but would never file a proposal, were able to voice their concern to the companies. Both proposals received majority votes.

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. 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. 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



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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.

In addition to the Rule 14a-8 proposals, changes regarding proxy advisory firms were approved at the SEC's November 5 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 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. 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.



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Sincerely,



Sister Judy Byron, OP
Director



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