



DAUGHTERS
of CHARITY
PROVINCE *of* ST. LOUISE

January 30, 2020

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

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 Madam Secretary,

We strongly oppose the rules proposed by the Securities and Exchange Commission (SEC) on November 5th, 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.

I write on behalf of the Daughters of Charity of St. Vincent de Paul. The Daughters of Charity is a congregation of women religious of the Catholic Church with over 14,000 members serving in 94 countries around the world. In the United States we serve in 18 states and the District of Columbia. Our mission is to serve the poor and vulnerable and to work for systemic change to address conditions that negatively impact the lives of the poor.

Our congregation relies on financial returns from our investments to support the life and ministry of our congregation and our works. At the same time, one increasingly important form of service for us is socially responsible investing using negative Environmental, Social and Governance (ESG) screens as well as active investor advocacy to bring about more just and sustainable business practices that improve not only the lives of the poor but the lives of all! We believe that businesses can be both profitable as well as socially responsible, and that both are important if we are to have a strong economy that benefits the greatest number of people.

As long-term investors who engage with companies on critical 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 are heard, not just the biggest players. Small investors have contributed a multitude of now commonplace best practices. 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 proposals received an average of 25.6 % support (about the same as the average of 25.4% for resolutions of this kind in 2018, and 21.4% in 2017). These numbers demonstrate that proposals of interest to a large portion of a company's shareholder base can and do originate with smaller individual and institutional investors.¹ Excluding this group of shareholders until they have held shares for three continuous years raises serious questions about the equity of the proposal process and leaves smaller investors who can make valuable contributions without access to the proxy.

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. 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.

¹Si2 'FACT SHEET: Shareholder Proposal Trends', *Sustainable Investments Institute*, Oct.17, 2019, https://siinstitute.org/special_report.cgi?id=80

In addition to the Rule 14a-8 proposals, changes regarding proxy advisory firms were approved at the SEC's November 5th 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 Release proposes new limitations on shareholder's rights to use an agent to represent it in part or all of the shareholder proposal process. The Proposed Amendments further include a limitation of one proposal per person (including a Representative) at a given company and a mandate that the shareholder, not its agent, make itself available to meet with the company about the proposal shortly after its submission. Many faith-based investors such as the Daughters of Charity engage investment managers and Representatives to provide expertise in the shareholder proposal process. The Daughters of Charity, in particular, contract with Mercy Investment for such expertise. Far from acting without our consent or support on an issue (as the proposed Release suggests is a risk), Mercy Investment works at our direction in alignment with our annual plan to address issues and concerns that are of particular interest to us as a faith-based organization. Mercy Investment acts as our Representative, but never without our consent, knowledge and explicit direction. Mercy, as our Representative, helps us maneuver a cumbersome and confusing process, but the concerns as shareholder are ours!

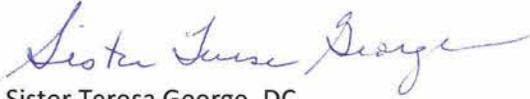
Some Representatives, such as Mercy Investment and Interfaith Center on Corporate Responsibility (ICCR) in which we also participate, represent a number of organizations ("Partners") with similarly aligned advocacy missions but varying areas of focus. It is not unusual for one of these Representatives to assist in filing multiple resolutions to the same company on behalf of different Partners addressing different issues. Limiting the Representative to only one proposal limits the voice of different Partners that Representative supports. Our concern is not "one proposal per person". Our concern is including the Representative as "the person". We, the shareholder, are the Person, the Representative is not. Furthermore, restricting the role of the Representative inhibits the Partner-Representative relationship; and rather than simplifying the work of Companies, will lead to much more chaotic submission of proposals and resolutions because they will be submitted without the expertise and refinement Representatives can offer.

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,

A handwritten signature in blue ink that reads "Sister Teresa George". The signature is fluid and cursive.

Sister Teresa George, DC

Treasurer

Daughters of Charity, Province of St. Louise

Copy: The Honorable Jay Clayton, Chairman
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner
The Honorable Allison Herren Lee, Commissioner