



February 3, 2020

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

Re: Comments on Proposed Rule: Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice, Release No. 34-87457; File No. S7-22-19

Dear Ms. Countryman:

Investor Advocates for Social Justice (IASJ), a successor to the Tri-State Coalition for Responsible Investment, appreciates the opportunity to comment on Securities and Exchange Commission (SEC) Release No. 34-87457. IASJ is a 501(c)(3) tax-exempt non-profit organization representing and supporting long-term institutional investors with faith-based values who seek to promote human rights, climate justice, racial equity, and the common good through their ministry work as well as their investments. Through active ownership activities, including proxy voting, we foster meaningful engagement between companies and investors to address material environmental, social, and governance issues.

We urge the SEC to withdraw the Proposed Rule because it is arbitrary, would negatively impact small businesses thereby reducing competition, and would be costly and burdensome to implement. We are concerned that the Proposed Rule will undermine the ability of long-term institutional investors with which we have business relationships to access skilled support for proxy voting. In addition to these substantive concerns, we note that the rule-making process for the proposed release appears to lack factual evidence. We regret that as an entity that will be affected by the release, our organization was neither consulted nor considered in the drafting of the Proposed Rule.

The Proposed Rule Would Have Unintended Consequences on our Proxy Voting Services for Religious and Faith-Based Institutions

IASJ is a small entity that provides a service to institutional investors who seek a partner to carry out their proxy voting. (as defined by 5 U.S.C. 601(6)). Our proxy voting clients primarily include charitable religious organizations and values-driven investor firms. Some of our clients include the Congregation of St. Joseph, Felician Sisters of North America, the Sisters of St. Dominic of Amityville, and the Sisters of the Good Shepherd, NY Province. We provide an affordable option to religious and faith-based institutions that

may not otherwise have the capacity or resources to vote their proxies in a skilled way with expertise that ensures alignment with their investment priorities and values.

IASJ applies our proprietary voting guidelines, which incorporate socially responsible investing principles linked to long-term shareholder value creation. IASJ executes votes for our clients using an electronic voting platform. Staff with expertise in relevant environmental, social, and governance areas do all of our research in-house by reviewing and analyzing proxy statements and other corporate filings. We do not purchase external voting advice or recommendations, as our analysis of corporate filings allows for informed voting decisions about elections of directors, compensation packages, auditors, and other management and shareholder proposals.

IASJ is concerned that the Proposed Rule would have unintended consequences that would place a burden on investors, including faith-based investors, that rely on proxy advisory services such as ours. The Proposed Rule appears to be in conflict with the SEC's purported objectives to enable investors to receive more accurate, transparent, and complete information or to enhance the accuracy and reliability of the proxy voting advice available to investors at the time they are casting votes. Instead, the Proposed Rule will result in undue costs or delays that could adversely affect the timely provision of proxy voting advice and services. The proposed changes would not improve our clients' ability to make informed voting decisions. In fact, they would have the opposite effect. We cast votes on behalf of our clients directly, consistent with their faith-based values, and the additional reporting proposed by the rule would decrease our ability to efficiently cast votes in a timely manner.

The increased reporting burden, proposed feedback, and review process may interfere with IASJ's capacity to sustain our proxy voting service. Compliance with the proposed amendments may require the addition of professional service costs, particularly for otherwise unnecessary legal work, which is costly. It will put small entities at a disadvantage, which would ultimately reduce competition for proxy voting services. This would limit investors' ability to seek a provider to vote their proxies, whether they are selecting an entity due to the cost of services or the ability to cast votes in alignment with their values. When faced with fewer options for partners to support their proxy voting, some investors may not vote at all, which will limit shareholder voice and participation in corporate governance.

The proposed changes would have a negative impact on competition in the proxy advisory industry, as it would create disadvantages to existing small entities and barriers to entry for new or other small firms to enter the business in the first place. This would create market concentration in the proxy advisory industry, provide fewer options for investors, and potentially lead to investors refraining from proxy voting altogether due to the large number of votes to be cast in a short period of time, which limits shareholder voice.

IASJ Urges the SEC to Include An Exemption for Small Entities and 501(c)(3) organizations

As a small entity with under \$5 million in assets, these rules would present a significant burden for our organization, which would adversely impact our institutional investor clients who rely on our proxy voting

service. IASJ urges the SEC to include an exemption for small entities and for non-profit organizations. Small entities would face significant resource and capacity burdens if required to implement the proposed changes, with no gain in quality of voting or results for our clients. It is not clear how the SEC determined the costs of compliance for purposes of cost/benefit analysis, and it appears these costs and time required to implement the changes have been underestimated with respect to small entities with few staff members. The efficiency of our proxy voting process would be significantly reduced if we were required to allow companies a 3 to 5 day advance notice of our vote and if we were to comply with the additional reporting requirements.

Because it appears the rule is primarily focused on five firms identified by the SEC, the applicability to small entities also lacks clarity, leaving room for confusion or misinterpretation. This may complicate the ability of the SEC to achieve compliance with the rule. It appears that the SEC drafted this rule without a complete understanding of the different types of actors who offer proxy voting services, including our organization. It has therefore failed to account for its impacts or create guidelines more appropriate for small entities that operate using different processes than the one described in the Proposed Rule. The Proposed Rule was written without consideration of, or consultation with, small entities like ours who have a stake in these rules, and may not have taken into account the perspective of other proxy voting advice businesses.

In addition, annual revenues or number of proxy voting clients may be appropriate metrics to consider when considering exemptions or accommodations for small entities. There is no evidence to suggest that institutional investors would be less likely to work with a proxy voting advice business based on whether or not they qualify for an exemption.

We recommend that an exclusion be included so that small entities and entities that are 501(c)(3) tax exempt organizations are not required to comply, because our work is done at low cost to our clients, specifically to allow them to apply socially responsible and faith-based values to their investments.

Request for Extended Transition Period

We believe small entities should be exempted from compliance. However, if they are not, at a minimum, small entities should be provided accommodations, such as an extended timeframe for compliance. As a small entity, we do not have the systems in place that the Proposed Rule calls for and would face significant challenges in developing systems and processes to implement the proposed amendments within one year. Challenges may include insufficient staffing to fulfil the increased reporting requirements and lack of technology or systems to comply with the proposed review and feedback process. These changes may result in additional costs to our organization and in turn the investors, including religious institutions and faith-based investors, to whom we provide proxy voting services. The proposed transition period of one year is far too short given the magnitude of new requirements on proxy voting advice businesses.

IASJ Recommends Removing the Proposed Review and Feedback Process

The Proposed Rule presents logistical challenges for some voting arrangements.

Registrants should not be permitted an opportunity to review and provide feedback on voting advice before it is provided to clients. Aside from damaging independence of proxy advice, this would create a burdensome process for both registrants and proxy voting advice businesses. The proposed timeframe may prevent proxy voting advice businesses from casting their votes in a timely way, which negatively impacts investors and companies. If investors are unable to vote their proxies on time, this takes away investors' rights to weigh in on the items to be voted at a company's annual shareholder meeting, stifling investor voice. It may also result in companies failing to reach a quorum on voting items and require companies to repeat a vote, which would add costs to all stakeholders.

Our Proxy Voting service does not publish voting advice. Instead, we cast votes in alignment with our guidelines, which clients seek out because the guidelines are consistent with their values and goals. Because we do not publish reports, IASJ is not at risk of publishing factual errors about companies. Moreover, while an issuer may not agree with a provider's voting recommendations or analysis, this does not mean there are factual errors or methodological weaknesses. Rather, these differences relate to differences of opinion or analysis between management and proxy advisors.

Economic Analysis

Institutional investors, including our religious institution and faith-based clients, without the capacity to consider and cast thoughtful votes in-house may not have any alternatives to proxy voting advice businesses. Without the support of these businesses, faith-based investors may make less informed voting decisions or not vote at all.

The Proposed Rule changes do not benefit our clients or any investors. Burdensome reporting requirements on top of heavy voting responsibilities within tight timelines, in addition to the review and feedback process, would result in a more time-consuming and costly process for the proxy voting advice businesses, which would create delays and costs for investor clients.

Paperwork Reduction Act Analysis

In our view, the SEC greatly underestimated the burden of the proposed collection of information, possibly because it did not sufficiently speak with proxy voting advice businesses (certainly no one contacted us). It appears the calculations estimating additional time and cost burdens are not based on data gathered from proxy voting advice businesses, and are therefore not representative of actual impacts. We would urge the SEC to withdraw its proposal and research how proxy advice businesses operate, and develop realistic estimates for costs of burdens that the SEC would impose. The SEC also needs to do more work to understand smaller firms in the industry, and specifically weigh burdens on those firms from proposed

regulations, and determine whether current businesses, or potential entrants, would be viable. We see no real analysis on these questions in the SEC proposal.

Conclusion

The Proposed Rule is attempting to address problems which we do not feel are widespread, specifically that proxy voting decisions are being influenced by conflicts of interest and that proxy advisors are producing voting advice that contains inaccuracies. The proposed feedback and review process would result in significant undue costs and delays for proxy voting advice businesses, and would be particularly burdensome for small entities. Therefore, we oppose the Proposed Rule. If the SEC determines to move ahead despite opposition from investors and despite the absence of real economic analysis in the proposing release (particularly in the impact on smaller businesses), we strongly support an exemption for small entities and nonprofits that provide a voting service. Increased costs and less timely voting procedures would adversely impact countless investors who rely on proxy voting advice businesses to make informed voting decisions.

The mission of Investor Advocates for Social Justice is to support faith-based institutional investors in their socially responsible investing activities that support long-term value creation, and the rule changes would limit our ability to provide an affordable, efficient and mission-aligned voting service to institutions we support. Therefore, we strongly oppose the Proposed Rule and recommend that it be withdrawn.

Sincerely,

A handwritten signature in black ink that reads "Mary Beth Gallagher". The signature is written in a cursive, flowing style.

Mary Beth Gallagher
Executive Director
Investor Advocates for Social Justice