



School Sisters of Saint Francis

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1/23/2020

Honorable Jay Clayton, Chairman
US Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: S7-23-19 (Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8)

Dear Chairman Clayton,

I am writing on behalf of the School Sisters of St. Francis, US Province.

As long-term, faith-aligned investors, we take our investment stewardship responsibilities seriously. It is for this reason that we write to you today to share our opposition to Rule S7-23-19, announced by the Commission on November 5, 2019. We believe this rule could limit the rights of shareholders like ourselves to engage with corporations using the shareholder resolution process (Rule 14a-8).

We believe that the proposed rule may serve to:

- Disenfranchise smaller investors that often lack large ownership stakes when diversifying;
- Negatively impact a well-established engagement process that has been effective, efficient, and advisory for several decades; and
- Misalign with the needs of most investors who have not requested these changes.

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 companies and investors alike for many years by allowing corporate boards to better understand our priorities and anticipate impending concerns. The existing rule has established over the years a robust and transparent communication tool between a company's investors, corporate management and directors on emerging issues of core concern to us, including human dignity, environmental stewardship and economic justice. The fact that US shareholder resolutions are overwhelmingly non-binding is critical to a healthy process where large and small investors routinely provide feedback to directors on company performance and corporate governance. Most, but not all, investors typically file proposals when company management has not addressed key concerns through other channels. And the process—available to both small and large investors globally—has fostered a predictable set of rules to formally raise issues for debate among investors, corporate representatives and boards.

Rule Disenfranchises Small Investors: The proposed increase in ownership thresholds to file proposals would make it difficult for smaller investors like ourselves to raise concerns or risks at the companies we own. The current ownership threshold of \$2,000 ensures that a diversity of voices is heard, not just the most powerful institutional investors. Through the 14a-8 process,

smaller investors bring valuable issues and ideas to the table for consideration and have fostered best practice related to such things as board independence, sustainability reporting, worker safety disclosures, and shareholder rights. Excluding this group of 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 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 reporting of environmental risks is one such example. Voting support that steadily builds over time signals to company directors and management that issues deserve increasing corporate attention. The act of voting with the reasonable thresholds that currently exist, and the public communication among investors and companies on those votes, is vital to investors' growing understanding of emerging risks and opportunities, and 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.

For the above reasons, we strongly encourage the Commission to reconsider these proposed rules cited above.

Sincerely,

Sister Frances Marie Duncan, OSF
Provincial Minister
School Sisters of St. Francis, US Province