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To Honourable Jay Clayton,
Chairman
c/o Securities and Exchange Commission (SEC)
100 F Street, NE
Washington, DC 20549
United States

By email: rule-comments@sec.gov
29 January 2020

Re: SEC Proposed Amendments to Exchange Act Rule 14a-8
File Number S7-23-19

Dear Mr. Chairman,

We write as members of the Church Investors Group (CIG), a UK-based membership organization for institutional investors from churches and church-related charities. The CIG has 70 members[1], predominantly drawn from the UK and Ireland, with combined investment assets of over £21bn. The US market represents one of the main investment opportunities to which we allocate the capital of our beneficiaries.

Our approach to investment is guided by Christian ethical principles but also by the G20/OECD Principles of Corporate Governance, of which the United States and the CIG members' home markets are signatory members. We endeavor to allocate our capital in markets which endorse equal treatment of Shareholders and Protection of Rights and encourage positive relationships between investors and company managements.

With this letter we would like to express our views about the proposed amendment to Exchange Act Rule 14a-8 relating to shareholder proposals:

- We are concerned that raising the holdings thresholds for the submission of shareholder proposals and creating a tiered system, as well as restricting shareholders' ability to aggregate holdings, will reduce the rights of small shareholders.

[1] For more information, please visit https://churchinvestorsgroup.org.uk/about/cig-membership/

The proposed change does not truly reflect the fact that US stocks are increasingly held in passive equity funds and that holding sizes for smaller investors may not be large.
The proposal is meant to allow companies to engage with proponents with "meaningful economic stake or investment interest", but it contravenes with the G20/OECD Principles of Corporate Governance stating that the exercise of shareholders' rights should be protected and facilitated and the equitable treatment of all shareholders should be ensured, including minority and foreign shareholders.

- We welcome the change in emphasis on constructive engagement with companies, with the guidance advising that shareholder resolution proponents should ensure they are available to meet with the company in person or via teleconference after submission of the shareholder proposal. We would like to emphasize that for CIG members shareholder proposals are an engagement escalation indicating material investor' discontent and used at last resort. In order to strengthen this process, the proposed change could equally have emphasized the company's duty to engage constructively with investors.
- The Proposed Rule, applying the one-proposal rule to "each person" rather than "each shareholder", could curtail investors' rights and ability to perform their duties. This would impede investors' ability to adequately steward their assets and retain confidence that the capital they have provided is appropriately protected from risks. This would also undermine investors' ability to comply with international best practices and national regulations on stewardship2. The US market could undermine its attractiveness to foreign investors as it would not provide as strong a platform for investors and issuers to constructively engage.
- The Proposed Rule would increase the current resubmission thresholds. This represent the most concerning change proposed in the US market. We strongly oppose the change and refute the assertion from the SEC that the change would "evoke greater shareholder interest in, and foster more meaningful engagement between, management and shareholders, as the proposed thresholds would incentivize shareholders to submit proposals on matters that resonate with the broader shareholder base to avoid exclusion under Rule 14a-8(i)(12)." We also oppose to the assertion that the "Momentum Requirement" put forward by SEC will "relieve management and shareholders from having to repeatedly consider, and bear the costs related to, matters for which shareholder interest has declined." This would simply diminish investors' ability to seek company disclosure of meaningful financial and other information.

[2] For instance Principle 3: Australian Stewardship Code; Principle 4: Brazilian Stewardship Code; Principle 4: Canadian Stewardship Code; Principle 3: European Fund and Asset Management Association Stewardship Code; Principle 3: Danish Stewardship Code; Principle 3: Italian Stewardship Code .

The change will negatively impact investors, given the dispersed shareholder base of US stocks (except for a handful of major players) as well as the technical impediments posed when companies operate dual share class structures. The change will result in instances in which investors will lose their right to challenge boards: there will be many cases where independent shareholders' voting power is unlikely to exceed 25% of voting turnout at annual general meetings. Shareholder proposals do function as signals to companies and the investment community to consider emerging risks, which only at later stage are picked up more widely. For instance, in 2018 Tesla Inc received a proposal that would require the company's chairman to be an independent director (16.7% support). In September the SEC, as part of a settlement for fraud charges, ordered the Company to appoint an independent chairman. Had the SEC not promptly intervened and the "momentum requirement" guidance had been in place; shareholders could have been denied future remedy for value-destructive conduct.

Last but not least, we also would like to express our sincere disappointment about the SEC not having sought public comment on its new Proxy Advisor Interpretation and Guidance before issuance. We would ask that the SEC urgently re-consider this interpretation and guidance, with appropriate opportunity for public comment should the SEC move ahead with the "Proxy Advisor Rulemaking".

In conclusion, precisely because we deeply value the SEC's role to protect "investors, maintain fair, orderly, and efficient markets, and facilitate capital formation", we urge the SEC to reconsider the Proposed Amendments to Exchange Act Rule 14a-8.

We remain at your disposal to provide further feedback and clarifications about our concerns.

Sincerely,

Edward Carter.

Revd Canon Edward Carter,

Chair of the Church Investor Group

Vicar of St Peter Mancroft, Norwich and Finance Committee Member, The Archbishops' Council