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January 29, 2020

Vanessa A. Countryman, Secretary  
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

Via e-mail [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Dear Ms. Countryman,

I write on behalf of the Franciscan Sisters of Allegany NY to oppose the amendments to Rule 14a-8 proposed by the Securities and Exchange Commission (SEC) on November 5, 2019. Our institution is an Affiliate of Investor Advocates for Social Justice (IASJ), and a member of the Interfaith Center on Corporate Responsibility (ICCR). We believe the proposed rule changes will negatively impact our ability as an institutional investor to fulfill our commitment to be active and engaged investors, which includes our use of the proxy process from time to time, to engage with corporations on issues with distinct benefits to society, investors, and corporations.<sup>1</sup>

The Franciscan Sisters of Allegany NY have an investment portfolio to finance the needs and priorities of our community, and we believe as long-term investors in public companies, we have a responsibility to actively engage with companies in our portfolio about the impacts of their business on environmental, social, and governance issues that are aligned with our institution's values. As Franciscan Sisters of Allegany NY, we are called to promote the liberation of persons and the integrity of creation as we share in the building of a world of justice, love and peace. Our institution joined IASJ (formerly the Tri-State Coalition for Responsible Investment) in 2014 and we file shareholder proposals as part of our commitment to socially responsible investing and active ownership. Over the years, our engagements with companies in collaboration with other religious institutional investors have led to meaningful progress, often in the form of additional disclosure or new policy commitments that benefit all stakeholders, including investors, communities, and employees.

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<sup>1</sup> Tamas Barko et al., "Shareholder Engagement on Environmental, Social, and Governance Performance" (Sept. 2018) ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2977219](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2977219)); Clark, L., Gordon, and Tessa Hebb, (2004) *Pension Fund Corporate Engagement The Fifth Stage of Capitalism: A study focusing on corporate engagement by pension funds* found that shareholder activism through company dialogues and shareholder proposals promotes a long-term view of value that endorses higher corporate, social and environmental standards and adds shared value [https://www.riir.ulaval.ca/sites/riir.ulaval.ca/files/2004\\_59-1\\_7.pdf](https://www.riir.ulaval.ca/sites/riir.ulaval.ca/files/2004_59-1_7.pdf)

Based on our experience in this process, it is our view that the current shareholder proposal process is an effective, efficient, and valuable tool to foster meaningful engagement between shareholders and companies in which they invest, to communicate our priorities and concerns as shareholders and bring to light issues that, in our view, had not been adequately managed. We engage in dialogue with companies to build relationships and shared understanding, and our goal is to be constructive, as we have an interest in the company's long-term performance as well as meaningful contribution to a just society. In this context, our ability to file shareholder proposals with companies when we have identified risks that are not being properly managed, or when companies are not open to engagement with shareholders, is an active part of our ability to meeting our stewardship responsibilities and our fiduciary duty. This past year, we co-filed two proposals with companies in our portfolio on important environmental, social, or governance concerns focused on human rights. Doing this allows us to support values and disclosure that are increasingly considered commonplace expectations from investors.

### **Our Concerns with the Proposed Rules**

We believe that the proposed SEC rule changes will limit our rights as shareholders to bring critical and diverse concerns to company management and will instead favor the interests of trade associations and CEOs. Our primary concerns with the proposed rule are:

- We strongly opposed the proposed changes to the amount of shares held and length of time held, required to file a proposal (at pg. 20<sup>2</sup>). This would limit availability of the shareholder proposal process to many investors. The current requirement of \$2,000 of shares is appropriate. Adding tiered timelines and holding amounts is not only unnecessary, but also would be burdensome to implement as it would require monitoring our exposure across portfolio companies for various time periods and may even constrain our ability to sell stocks. This may be costly and difficult to implement from a practical standpoint and may create additional barriers to filing proposals. The proposal to eliminate shareholders' ability to aggregate holdings (at 23), would also be a constraint to shareholders with a smaller exposure to a company, is not necessary to demonstrate an economic stake, and should be removed.
- Alongside many other faith-based institutions, our institution works in partnership with other investors through organizations like Investor Advocates for Social Justice (IASJ). IASJ provides expertise and enables collaboration to facilitate and strengthen our ability to file shareholder proposals. We rely on IASJ to help us represent our concerns before corporations that we identify on an engagement work plan. The proposed changes to limit the "one proposal rule" so that "each person" (at 38) may file only one proposal would be burdensome and negatively impact our existing working relationships with representatives such as IASJ who we work with as partners to file proposals and participate in shareholder engagements. We recommend you remove this amendment.
- Changes to the resubmission threshold to refile proposals (at 50) threatens to unnecessarily exclude important proposals on new and emerging issues that may need to gain traction over time

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<sup>2</sup> Release No. 34-87458; File No. S7-23-19, Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8 <https://www.sec.gov/rules/proposed/2019/34-87458.pdf>

and will ultimately stifle key reforms. Many of the proposals our community files and supports through voting raise issues, such as water stewardship or human rights, which are not yet on the radar of companies or other investors. The gradual increase of vote requirements allows investors to become familiar with new issues, while still ensuring there is sufficient support to be considered again. Additionally, shareholder proposals at companies with dual class stock receive low votes despite high levels of public shareholder support and these would be substantially impacted by this change. We recommend that you do not make changes to the resubmission threshold and leave them at 3%, 6%, 10%. Research by the Sustainable Investments Institute indicates the proposed resubmission thresholds would have eliminated 30% of the proposals voted on between 2010-2019,<sup>3</sup> shutting down an important channel of communication between and among investors and their portfolio companies.

### **The Shareholder Proposal Process is Valuable and Should Not Be Changed**

In his recent letter to CEOs, Black Rock CEO Larry Fink wrote: “We believe that all investors, along with regulators, insurers, and the public, need a clearer picture of how companies are managing sustainability-related questions. This data should extend beyond climate to questions around how each company serves its full set of stakeholders, such as the diversity of its workforce, the sustainability of its supply chain, or how well it protects its customers’ data.”<sup>4</sup> The current proxy process is an important tool that shareholders have to engage with their companies to gather that ‘clearer picture’ and serves us all well – these proposed changes should be rejected.

The Franciscan Sisters of Allegany NY engages in shareholder advocacy aligned with our faith-based values to promote the liberation of persons and the integrity of creation as we share in the building of a world of justice, love and peace. Through collaborative initiatives at ICCR and IASJ, we have witnessed the benefits of the shareholder proposal process and voting on shareholder proposals that have brought attention to important corporate social responsibility issues and prompted companies to take action and contribute to positive outcomes for society. We believe that engaging with companies on these issues through dialogue and shareholder proposals not only preserves the long-term value of our portfolio, but also promotes corporate action that benefits all stakeholders. Because the proposed rule changes will limit these benefits, the SEC should withdraw rulemaking proposal S7-23-19.

Sincerely,

Sr. Gloria L. Oehl (former CPA)  
Congregational Liaison  
Franciscan Sisters of Allegany NY

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<sup>3</sup> <https://www.spglobal.com/marketintelligence/en/news-insights/trending/dgOXuoNIWkBNX2hmo3bHlg2>

<sup>4</sup> <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>