



Deep Faith. Courageous Spirit. Action for Justice.

Hon. Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Feb. 3, 2020

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 Chairman Clayton,

On behalf of the Sisters, Servants of the Immaculate Heart of Mary of Monroe, Michigan (a Catholic community of 261 vowed sisters and 118 associates) I am writing to oppose the rules proposed by the Securities and Exchange Commission (SEC) on Nov. 5, 2019, which will severely limit our rights as shareholders to engage with corporations using the shareholder resolution process.

The IHM community chooses to work with others to build a culture of peace and right relationship among ourselves, with the Church and with the whole Earth community. The IHM community and other faith-based investors have participated in shareholder engagement through the Interfaith Center for Corporate Responsibility (ICCR) for nearly 50 years. As long-term investors who engage with companies on critical environmental, social and governance (ESG) issues, we believe that the proposed rules are unnecessary and will undermine the corporate engagement process that has been of great value to both companies and investors. Furthermore, the proposed rule changes will make companies less accountable to shareholders, stakeholders and the public at large.

The proposed increase in ownership thresholds will make it difficult for smaller investors like us to voice important concerns and raise issues of risk to the companies we own. The current ownership threshold of \$2,000 ensures that diverse voices are heard, not just the biggest players. Small investors have contributed a multitude of now commonplace best practices. Excluding this group of shareholders until they have held 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 of resolutions that initially received low votes but went on to receive significant support or led to productive engagement, as shareholders came to appreciate the serious risks these issues

presented to companies. For example, resolutions highlighting human rights risks in global supply chains initially received low votes. 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 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 considered.

In addition to the Rule 14a-8 proposals, changes regarding proxy advisory firms were approved at the SEC's Nov. 5 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. The proposal would require that proxy advisory firms allow companies to review and provide feedback on proxy voting advice. This 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.

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 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 as well as build value.

The filing of shareholder resolutions by investors (big and small) is a crucial part of the engagement process. The current 14a-8 rule has worked well for decades. There is no need to revise it. Therefore, we strongly urge the SEC to reconsider the proposed rule changes.

Sincerely,

A handwritten signature in cursive script that reads "Margaret Chapman, IHM".

Margaret Chapman, IHM
Treasurer
Sisters, Servants of the Immaculate Heart of Mary
Monroe, Michigan

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