



Submitted via rule-comments@sec.gov

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

Re: Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8 & Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice

File No: S7-23-19/ S7-22-19

Dear Mr. Clayton:

Catholic Health Initiatives (CHI) appreciates the opportunity to provide comments to the Securities and Exchange Commission (SEC) on two November 2019 proposed changes to procedural requirements/resubmissions and amendments to exemptions from the proxy rules. CHI is a nonprofit, Catholic health system dedicated to advancing health for all people. It is a part of CommonSpirit Health, which was created in February 2019 through the alignment of Catholic Health Initiatives and Dignity Health. CommonSpirit operates more than 135 hospitals in 21 states and is committed to creating healthier communities, delivering exceptional patient care, and ensuring every person has access to quality health care. We believe that using our investing power as a means for good is part of our spiritual and health care mission.

CHI is a member of the Interfaith Center on Corporate Responsibility (ICCR), a group of 300 like-minded organizations comprise faith communities, asset managers, unions, pensions, NGOs and other investors. Alongside our ICCR counterparts, we strongly oppose the rules proposed by the SEC on November 5th, 2019, which will severely limit the rights of shareholders to engage with corporations using the shareholder resolution process over issues with a distinct impact on long-term value. We encourage SEC to reject these proposals in their entirety and continue using existing rules regarding procedural requirements, resubmissions, and proxy rules.

On November 5, the Securities and Exchange Commission voted 3-2 to propose changes that would severely restrict investors' access to the corporate proxy. The changes would require that shareholders own \$2,000 worth of company stock for a minimum of three years (up from one

year) before they can submit a shareholder resolution. In addition, shareowners who own stock for only one or two years must own \$25,000 and \$15,000 worth of shares, respectively, to be eligible to file. Third, the SEC is proposing raising re-submission vote thresholds to 5%, 15% and 25% (up from 3%, 6% and 10%).

For decades, the shareholder proposal process has served to benefit issuers and proponents alike as an effective, efficient and valuable tool for corporate management and boards to gain a better understanding of shareholder priorities and concerns. The proposed rule changes will make companies far less accountable to shareholders, stakeholders, and the public at-large. The proposed increase in ownership thresholds will make it difficult for smaller investors to voice important concerns and raise issues of risk to the companies they own. The current ownership threshold of \$2,000 ensures that corporate management and boards can hear a diversity of voices, not only the biggest players.

Ensuring all investors have access to submit shareholder resolutions is good policy both for the shareholder and the company. In fact, small investors have contributed a multitude of now-commonplace best practices. According to data compiled by the Sustainable Investments Institute, 187 resolutions on social and environmental topics came to a vote at US companies in the spring of 2019. Many of these were filed by investors with relatively small stakes consistent with the existing filing thresholds. The proposals received an average of 25.6 % support (about the same as the average of 25.4% for resolutions of this kind in 2018, and 21.4% in 2017). These numbers demonstrate that proposals of interest to a large portion of a company's shareholder base can and do originate with smaller individual and institutional investors.

In our own experience, CHI and ICCR brought to light environmental and human rights concerns with certain water usage practices by Campbell Soup that had otherwise escaped their notice. The shareholder relations team at Campbell was unaware of the water usage problems in poorer countries and is working to create and complete a water risk assessment, based on our guidance. The company proactively created a study to detail the effects of water usage on vulnerable communities and, based on the findings of this assessment, is working to change their practices. It is impossible for corporate management and boards to be expert in all aspects of human rights, environmental sustainability, and other social concerns on top of their operational, labor, and business processes. But, by using the expertise and mission-focused drive of small investors, Campbell Soup executives were able to nip a growing problem in the bud before it caused catastrophic damage or caught the concern of consumers around the world. Excluding small shareholders disadvantages corporate management and boards and

raises serious questions about the equity of the proposal process that 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 through the years of resolutions that initially received low votes but went on to receive significant support or have led to productive engagement, as shareholders came to appreciate the serious risks they presented to companies. Examples include:

- The issue of declassified boards is just one example – in 1987 proposals on board declassification received under 10% support; in 2012 it received 81%, and it is now considered to be best practice.
- Resolutions with oil and gas companies on the risks of climate change that often received below 5% of shareholder support when first introduced beginning in 1998, but which now receive substantial, and even majority shareholder votes, and have been adapted by numerous companies.
- Resolutions highlighting human rights risks in global supply chains initially received low votes at companies, but as a result of engagement with (often small) investors 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 value of the issues being raised in these resolutions. It often take some time for shareholders to get up-to-speed on emerging and social issues; the proposed changes could prevent significant topics from even being raised and considered, to the detriment of all stakeholders.

In addition to the Rule 14a-8 proposals, SEC also approved changes regarding proxy advisory firms. We believe these modifications will undermine the voice of investors and produce more “management-friendly” votes, unfairly stacking the deck against shareholders and towards corporate management. The proposal would require that proxy advisory firms allow companies to review and provide feedback on proxy voting advice and would greatly impede the ability of institutional investors to get independent advice and information about how to vote on director elections 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.

The current rules have worked well for decades and we see no valid need to revise them. Some trade associations painted shareholders that raise social issues as “activists” imposing a “social agenda” who are “uninterested in shareholder value.” This misinformation feeds a political agenda to limit the ability of shareholders to engage with the companies that they own. We engage as a shareholder on issues important to us, our employees and communities, a group that represents the consumers and purchasers of the products and services of the company in which we invest. We are not only concerned about the long-term health of the companies in which we are invested, we also are interested in the affects these companies have on their industries, communities, and consumers. We believe that by taking a holistic approach to investing and shareholder activities, we are supporting the totality of the business, not only it’s bottom line for one year. Many of the companies that we invest with understand that this engagement enables them to mitigate reputational, legal, and financial risks, and that engaging with us can help build value. **Shareholder resolutions offered by investors big and small is a crucial part of the engagement process.**

As long-term investors who engage with companies on critical environmental, social, and governance issues, we believe that the proposed rules are unnecessary and will undermine a corporate engagement process that has been of great value to both companies and investors. We strongly encourage SEC to reject these proposals (S7-23-19/ S7-22-19) in their entirety and continue using existing rules regarding procedural requirements, resubmissions, and proxy rules.

Thank you for your consideration of these comments. If you have additional questions, please contact Rachel Tanner, Vice President Regulatory Affairs, at [REDACTED] or [REDACTED].

Sincerely,



Colleen Scanlon, RN, JD
Senior Vice President and Chief Advocacy Officer