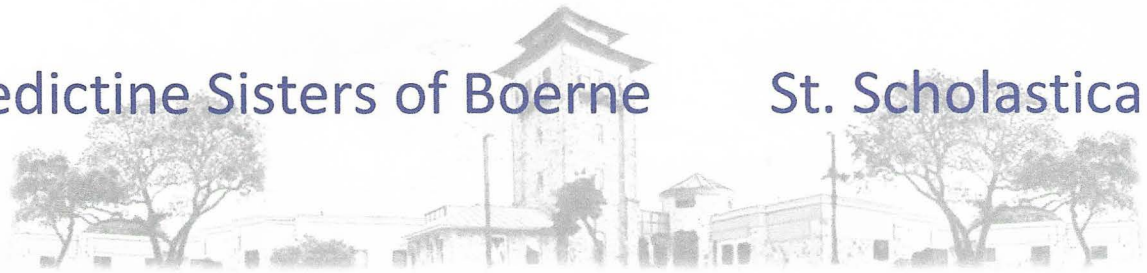
Benedictine Sisters of Boerne St. Scholastica



February 3, 2020

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

- **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

Chairperson Clayton:

The Benedictine Sisters of Boerne, Texas have been engaged in the shareholder engagement process since the 1980s. We are long-term investors, participating in the proxy process to raise questions of importance in the marketplace. This should not change even though we are considered a "small" investor. We believe that raising concerns is part of our ownership responsibilities and commitment to long-term stewardship for the common good. The SEC rules which are proposed would severely limit what is possible for our corporate responsibility endeavors.

Why is this important? We have been able to raise questions about important issues with the companies where we own shares. For example, we raised questions on proxy ballots in the 1990s about working conditions and wages paid to maquiladora workers in Mexico. Shareholders were able to discuss the extreme gap of wages in the United States and what the same company paid across a border. In 1995, we filed a share-holder resolution which asked Walmart to stop selling guns and they did – at that time.

We have been able to be on the cutting edge of raising questions through shareholder resolutions. We do our homework. We interact with corporations in many ways, especially through resolutions and dialogues. In our opinion, there is no problem with the SEC rules as they are currently regulated. When we saw the first letters on the SEC website that talked about problems, we wondered if those persons were involved in the system as it runs now. We would like to see if those concerns were real. To us, as a part of the system, we don't see it that way.

We own shares of McDonald's. We filed a resolution in 2014 for the 2015 Proxy Season. We engaged the company, speaking about the antibiotics which we humans

use and asked that they be eliminated in their supply chain – chicken, beef and pork. The company has taken these antibiotics out their chicken supply chain and are working on the beef supply chain. In July 2017, The Wall Street Journal ran an editorial, saying that we should give McDonald's a break today. This was because, according to the opinion piece, we owned too few shares. We continue to exercise what ownership of companies entails: asking the hard questions and calling for accountability.

Letter in response to J. Copeland's 7/6 Wall Street Journal OP ED: Another shareholder proposal? McDonald's Deserves a Break Today

Mr. Copland's assertion "McDonald's is unlikely to change its food-supply practices based on a few nuns' activism" is false. Because of shareholder resolutions filed by religious and socially responsible investors, McDonald's removed medically important antibiotics from its chicken supply in 2015. Given that experts estimate antibiotic-resistant infections could kill 10 million people annually by 2050, this is a prudent business decision that protects market share and mitigates significant risks. McDonald's concedes this in its Global Vision for Antimicrobial Stewardship in Food Animals. Our resolution requested extending this policy to other meat products and achieved a 30.97% vote by McDonald's stockholders – hardly evidence of the proposal's "unpopularity."
The Benedictine Sisters of Boerne, Texas may be small investors but are long-term stakeholders who care deeply about the sustainability of the companies we own and their impact on society. The proposed changes in the Financial CHOICE Act would deny shareholders, like ourselves, a voice - to the detriment of companies and society. We have raised important questions for three decades - which hardly qualifies us to be 'gadflies'. We use our shareholder power to raise questions in a respectful manner to bring about increased justice, not just profits in corporate America.

Sr. Bernadine Reyes, OSB, Prioress

We strongly oppose the rules proposed by the Securities and Exchange Commission (SEC) on November 5th, 2019, which will severely limit the rights of shareholders, like ourselves, to engage with corporations using the shareholder resolution process over issues with a distinct impact on long-term value. 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 a corporate engagement process that has been of great value to both companies and investors.

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 a diversity of voices are heard, not just the biggest players. Small investors have contributed a multitude of now commonplace best practices. It has helped our monastery be able to raise questions – questions that companies, perhaps, have not thought about or have not dealt with updating their policies or simply, don't wish to deal with.

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). We have been participating in these processes to raise concerns on a variety of issues – whether they were well-established issues or not.

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.[1] 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. Issues can develop quickly. In this day and age of instantaneous news from around the world, it is important to be timely in raising concerns on proxy ballots.

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.

An example would be 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. These issues are not going away and need to be able to be raised through the proxy process. We have participated in raising these issues for decades.

Resolutions highlighting human rights risks in global supply chains initially received low votes at companies, 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 value of the issues being raised in these resolutions. It can take some time for shareholders to get up to speed on emerging issues. Groups need time to enact policy to be able to vote their shares on new policies issues. The proposed changes could prevent significant topics from even being raised and considered, to the detriment of all stakeholders. The rules proposed to change 14a-8 are not in the interest of the small investor. When the process was started in 1934, you could own one share for any length of time and file a resolution with the company. How can that concept be justified with the amounts being proposed at this time? The idea was for OWNERS to have access to the companies where they owned shares.

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[1]Si2 'FACT SHEET: Shareholder Proposal Trends', *Sustainable Investments Institute*, Oct.17, 2019, https://siinstitute.org/special_report.cgi?id=80

The increased percentages for what is needed in the proxy vote are not needed, as well. Going from 3% 6% and 10% to 5%, 15% and 25% is not needed. The proposed rules are confusing about percentages going down and then issues being able to be left off proxy ballots. Who will make those decisions and how would that be implemented? This is more work for the investors and for the SEC.

In addition to the Rule 14a-8 proposals, changes regarding proxy advisory firms were approved at the SEC's November 5th 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 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, 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.

The current 14a-8 rule has worked well for decades, and there is no need to revise it. 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 misleadingly 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, and build value. The filing of shareholders resolutions by investors big and small is a crucial part of the engagement process.

Are we afraid of questions? Are we afraid of the hard questions or the unpopular ones? Asking for answers to important concerns is needed – in our day and age more than ever. The solutions to many of the concerns raised in the proxy process will take all of us working together to reach a solution that is for the common good of people and the planet. For the above reasons**, we strongly urge the SEC to reconsider the proposed rule changes**.

Sr. Susan Mika, OSB
Corporate Responsibility Program