



*A Passionate Voice for Compassionate Care*

February 3, 2020

Vanessa Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

**Re: File S7-23-19:** *Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8, Proposed Rule*  
**File Number S7-22-19:** *Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice, Proposed Rule*

Dear Secretary Countryman,

The Catholic Health Association of the United States, the national leadership organization of the Catholic health ministry, representing more than 2,000 Catholic health care sponsors, systems, hospitals, long-term care facilities and related organization across the continuum of care appreciates the opportunity to comment on two recent proposed rules, *Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8* and *Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice, Proposed Rule* (proposed amendments).

CHA belongs to the Interfaith Center on Corporate Responsibility, a group of 300 like-minded organizations comprise faith communities, asset managers, unions, pensions, NGOs and other investors, as do many of our member systems and facilities. Our members who engage with companies and investors on critical environmental, social, and governance issues have expressed to us great concern about the proposed amendments, as concern we share. The proposed amendments would undermine the existing shareholder resolution process and the rights of shareholders to engage in that process with corporations on issues that affect long-term value. We oppose the harmful changes contained in the proposed amendments and urge the SEC to withdraw them.

Under the current rules, shareholders owning \$2,000 worth of company stock for one year may submit a shareholder resolution. The proposed amendments would replace that standard with a tiered approach in which owners of stock for one year would only be eligible to submit a resolution if they hold \$25,000 worth of shares. Those with \$15,000 in shares would be able to submit after two years of ownership, and the smaller investors holding \$2,000 would have to wait three years until they could submit a resolution. The shareholder proposal process is an efficient and effective tool for providing corporate management and boards with a better

understanding of shareholder priorities and concerns, benefiting both issuers and proponents. The proposed amendments will make it harder for smaller investors to bring important concerns and raise issues of risk to the companies they own. This both disadvantages corporations, which will be deprived of their contributions, and raises questions of equity by denying small investors access to the proxy.

The proposed amendments would also change the standard for when resolutions can be resubmitted. The support that shareholder proposals must receive to be eligible for resubmission has been set at modest levels to allow emerging issues to build support over time from other investors. The proposed amendments would change the thresholds from 3% of shares votes in the first year, 6% in the second year and 10% in the third year of submission, to 5%, 15% and 25% respectively.

In addition, the proposed amendments would allow exclusion of a proposal that has been voted on three or more times in the past five years and achieved at least 25% of the votes if the last time it was voted on support dropped by more than 10% compared to the previous vote. The proposed increase in resubmission thresholds threatens to unnecessarily exclude important proposals that gain traction over time and will ultimately stifle key reforms.

Many times through the years resolutions that initially received low votes went on to receive significant support or led to productive engagement as shareholders came to appreciate the serious risks they presented to companies. Examples include the issue of board declassification, first proposed in 1987 with under 10% support and now considered best practice, and resolutions to address climate change and human rights risk. These issues initially received low support but are increasingly recognized as posing important financial and reputational risks that corporations are taking steps to address. It can take time for investors to appreciate the importance of emerging issues and their implications for the corporation. The proposed amendments could prevent significant topics from ever 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.

Proxy advisory firms are a cost-effective part of the shareholder voting process. Giving companies a mandated right to review their recommendations would threaten their independence

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and increase costs, without any benefit. If the clients of proxy advisory firms were dissatisfied, they would be pressing for reform or discontinuing use of them. Proxy firms merely offer advisory recommendations, no institutional investor is required to follow them.

We believe the proposed amendments would undermine the corporate engagement process in a way that would be harmful for both shareholders and the companies in which they invest. We urge the SEC not to adopt the proposed amendments.

Thank you for the opportunity to comment on the proposed amendments. If you have any questions about our comments, please contact Kathy Curran at [kcurran@chausa.org](mailto:kcurran@chausa.org) or (202) 721-6312.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa A. Smith". The signature is fluid and cursive, with a large initial "L" and "S".

Lisa A. Smith  
Vice President  
Advocacy and Public Policy