



April 25, 2017

Representative David Trott  
1722 Longworth HOB  
9 Independence Ave. SE  
Washington, D.C. 20515

Via Email: Bridget Dobyán, [bridget.dobyan@mail.house.gov](mailto:bridget.dobyan@mail.house.gov)

Dear Congressman Trott,

I am writing in response to the House Financial Services Committee's consideration of legislation that would effectively stop shareholders from engaging corporations through the shareholder proposal process. I ask that you oppose any attempt to limit the current shareholder proposal rule, as contemplated by Chairman Jeb Hensarling (R. Texas) in Section 844 of the Discussion Draft of the Financial CHOICE Act.<sup>1</sup> A hearing by the House Financial Services Committee is scheduled for Wednesday, April 26. As a committee member, we urge you to defend the rights of investors by opposing any attempt to limit the existing shareholder proposal process under Securities and Exchange Commission rule 14a-8.

Trinity Health is one of the largest multi-institutional Catholic health care delivery systems in the nation, serving diverse communities that include more than 30 million people across 22 states. Trinity Health includes 93 hospitals, as well as 120 continuing care locations that include PACE, senior living facilities, and home care and hospice services. Our continuing care programs provide nearly 2.5 million visits annually. Committed to those who are poor and underserved, Trinity Health returns almost \$1 billion to our communities annually in the form of charity care and other community benefit programs. We have 35 teaching hospitals with Graduate Medical Education (GME) programs providing training for 2,080 residents and fellows in 184 specialty and subspecialty programs. We employ approximately 97,000 full-time employees, including more than 5,300 employed physicians, and have more than 15,000 physicians and advanced practice professionals committed to 22 Clinically Integrated Networks that are accountable for 1.3 million lives across the country.

Trinity Health is headquartered in Livonia staffing 4000 individuals. We are the parent of St. Mary Mercy Livonia, also part of your Congressional district, which employs 2,545 colleagues. As a Catholic Health Ministry we believe investment decisions can provide

---

<sup>1</sup> [https://financialservices.house.gov/uploadedfiles/choice\\_2.0\\_discussion\\_draft.pdf](https://financialservices.house.gov/uploadedfiles/choice_2.0_discussion_draft.pdf)

economic prosperity, embrace environmental stewardship and enhance social responsibility. One of the ways Trinity Health lives out its mission to be a compassionate and transforming healing presence is through the Shareholder Advocacy Program. We use our voice as shareowners to engage with corporations to improve corporate decision-making on a number of issues that reflect our mission and core values.

While we are deeply concerned about several parts of the Discussion Draft of the Financial CHOICE Act, we want to express our concerns on Section 844, which would change the current SEC shareholder proposal process by (1) increasing the holding requirement to submit a proposal to 1% ownership over a three-year period (vs. the current law of \$2000 for one year); (2) dramatically increasing resolution resubmission thresholds; and (3) prohibiting proposal by a proxy other than the shareholder.

As an investor, we oppose these recommendations that would interfere with shareholder rights. The shareholder proposal rule was created to support the ownership interests of all shareholders. For more than 45 years, the shareholder proposal process has served as a cost-effective way for corporate management and boards to hear and address shareholder concerns on issues of sustainability, corporate governance, and risk. Smaller shareholders, whether individuals or institutional investors, would be cut out of this process entirely, even though they, like the congregations of Catholic sisters who founded Trinity Health, have been among the most important and active participants in the process. Depending on the size of the company, the holdings required by the proposed threshold would be in the millions or even billions of dollars, cutting out all but the largest shareholders from access to corporate democracy.

The quality of ideas in shareholder proposals, and their ultimate contribution to value, do not correlate with the size of the stock positions held by shareholders. Experience shows that in the absence of the right to file a shareholder proposal, most shareholders may be ignored, and companies will act as if they are “too big to listen.” In 2010, Trinity Health filed a proposal at Tyson Foods, asking the company to phase out the routine use of animal feeds containing antibiotics that are important to human health and to implement animal-raising practices that do not require the routine use of antibiotics. The SEC agreed that this issue is a significant policy issue and allowed the resolution to remain on the proxy. The proposal led to ongoing shareholder dialogue with the company and this past February, Tyson Foods announced it would stop using antibiotics with its chickens by June 2017.

Several benefits of the current shareholder proposal rule include:

- ✓ **Facilitates communication between shareholders and companies:** It provides shareholders of all types and sizes, from large pension funds to individual investors, an opportunity to communicate directly with corporate boards and management on issues of importance.
- ✓ **Shareholder value and financial performance:** Over the years, the shareholder proposal process has contributed to many reforms that protect and enhance shareholder value, both at specific companies and in many cases to the benefit of the entire corporate and shareholder community. A 2015 study found that successful

shareholder engagements can generate cumulative excess returns of +7.1%.<sup>2</sup> In another example, a 2012 and 2014 Credit Suisse Research Report “Gender Diversity and Corporate Performance” links board diversity – an issue that has been raised through dozens of shareholder proposals – to better stock market and financial performance.<sup>3</sup>

- ✓ **Protects shareholder rights:** The right to file a proposal is part of the bundle of rights that an investor receives when acquiring shares. Radically curtailing those rights and taking away this process through which investors can bring concerns to management’s attention would undermine investor confidence in the stability of share ownership.

The changes proposed in Section 844 represent a radical and dramatic interference with important shareholder rights:

- ✓ **1% ownership over a three-year period to submit a proposal:** For example, an investor in Wells Fargo would need to own \$2.5 billion in shares to file a proposal. Only 11 investors have held those shares long enough: Berkshire Hathaway, Vanguard, State Street, BlackRock, Fidelity, Capital Research & Management, Wellington, JPMorgan, Dodge & Cox, Northern Trust, and State Street. Those investors have not filed shareholder proposals at all, let alone shareholder proposals that have been filed at Wells Fargo on matters such as customer fraud, independent board chairman, and irregularities in mortgage practices. Improvements in business are driven by the marketplace of ideas, and minority shareholders are also important stakeholders that raise these issues.
- ✓ **Increase resubmission thresholds consistent with previous SEC proposal:** Current rules require that for a proposal to be resubmitted, it must receive at least 3% support on its first year voted, 6% on the second, and 10% on the third. The proposal would raise these to 6%, 15%, and 30%, respectively. Yet support growing to 10% over three years is already proven to be a significant show of investor interest. This amendment would negatively impact shareholder refiling of proposals on new and emerging issues. Change does not come quickly to large and complex corporations, and ideas often require years of consideration before they are accepted.
- ✓ **Prohibit proposal by a proxy other than the shareholder:** Investors have a fundamental right to empower their representatives to act on their behalf, and the proxy is a basic mechanism for well-functioning corporate governance.

The legislation would upset more than 45 years of SEC rulemaking and deliberations on this important and well-functioning corporate democracy process. This existing balance of rights and responsibilities in our investments supports a relationship of trust between

---

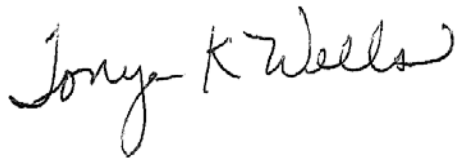
<sup>2</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2154724](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2154724)

<sup>3</sup> <https://www.credit-suisse.com/us/en/articles/articles/news-and-expertise/2015/06/en/diveristy-on-board.html>

capital providers and corporations. Stripping away shareholder rights as proposed by Chairman Hensarling would undermine that relationship. To learn more about this issue, I refer you to a [letter](#) from organizations, representing \$65 trillion of investments, opposing these proposals.

I am happy to speak about this at your convenience and can provide additional details on the impact of shareholder proposals. I urge you to oppose this attempt to limit shareholder rights.

Sincerely,

A handwritten signature in black ink that reads "Tonya K Wells". The signature is written in a cursive style with a large, looped initial "T".

Tonya Wells  
Vice President, Public Policy & Federal Advocacy

CC: Rebekah Goshen, [Rebekah.Goshorn@mail.house.gov](mailto:Rebekah.Goshorn@mail.house.gov)  
Kevin Edgar, [Kevin.Edgar@mail.house.gov](mailto:Kevin.Edgar@mail.house.gov)  
Katelynn Bradley, [Katelynn.Bradley@mail.house.gov](mailto:Katelynn.Bradley@mail.house.gov)  
Kris Erickson, [Kristofor.Erickson@mail.house.gov](mailto:Kristofor.Erickson@mail.house.gov)