

January 27, 2020

Via email to rule-comments@sec.gov

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

Re: Comment File No. S7-22-19 -- Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice, and File No. S7-23-19 -- Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8

Dear Ms. Countryman:

I respectfully submit this letter to provide my reasons for voting against the recommendations of the Investor Advisory Committee regarding the recent Commission proposals on proxy advisers and shareholder proposals. I appreciate the time and effort that has gone into drafting the recommendations and participated in numerous discussions in which our members provided thoughtful and helpful comments regarding these proposals. While I agree that the letter makes a number of good points, I am unable to support the recommendations as drafted.

I believe investors will be well served by the Commission's effort, through these proposals, to find an appropriate and effective balance among the interests of shareholders and the roles and responsibilities of issuers, proxy advisory firms and professional investment advisers who are charged as fiduciaries to participate in the governance process on behalf of their clients. The Commission has studied the issues raised by these proposals for years and has solicited and received input from the public on numerous occasions. While every feature of the proposed rules may not be perfect, the proposals, together with an extensive comment file, provide the Commission with sufficient information to finetune its approach and move forward with its objective of protecting investors by improving the accuracy, transparency and effectiveness of proxy voting practices.

With regard to the specific topics covered by the Committee's recommendations:

- The Commission has treated the proxy voting ecosystem as a high priority and I support the Commission's effort to move this agenda forward on multiple fronts at the same time. The issues covered by the proxy advisor proposals are critically important to the smooth and effective functioning of corporate governance and shareholder engagement.
- Once the Commission has an opportunity to review the extensive comment files on these proposals, the Commissioners and staff will determine what changes may be needed to finalize these proposals. The Commission is in the best position to determine whether changes to the proposal would require a re-proposal.

- The proposed rules regarding disclosure of conflicts of interest at proxy advisory firms are necessary and appropriate to improve the transparency and utility of proxy advice to investors.
- I agree with the Committee that the Commission should take care to preserve the critical functions proxy advisory firms perform in the dissemination of information and providing the practical machinery of proxy voting. These services are essential to the smooth operation of proxy voting by asset managers who represent the vast majority of investors. The Commission should also take care to ensure that the proposals do not unduly burden small and mid-sized asset managers making it too difficult or costly for them to perform their responsibilities to clients.
- The “review and feedback” proposals designed to improve the accuracy of the content of reports issued by proxy advisory firms are well intended but are impractical as proposed and may impede the independence of proxy advisory firms. The time period for publication and voting of proxies is already extremely compressed and it seems likely that the feedback loop will impair rather than improve the process. To the extent accuracy has been a concern, it appears that issuers, proxy advisers and asset managers have been getting better at identifying and correcting errors on their own. Consistent with the Committee’s recommendations, I hope that the Commission will find streamlined alternative solutions that foster continuation of those efforts without adding the steps, costs and time compression likely under the rule as proposed.
- With regard to shareholder proposals, it is entirely appropriate for the Commission to revisit the thresholds for shareholders to qualify to include their proposals on a company’s proxy. The vast majority of shareholders are well served when proponents have a meaningful economic stake or long term investment interest in a company. That said, I agree with the Committee that the proposed “momentum” requirements for resubmission may be too strict and may result in prematurely abandoning shareholder proposals that have received significant support.

Respectfully submitted,

Heidi Stam

Member, SEC Investor Advisory Committee