



November 29, 2018

Via Electronic Delivery

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F St., NE  
Washington, D.C. 20549-1090

Re: Proxy process recommendations File Number 4-725

Dear Secretary Brent Fields,

WorldatWork commends the Securities and Exchange Commission for holding staff roundtable discussions to thoughtfully examine the SEC's rules governing the proxy process.

WorldatWork is a nonpartisan and nonprofit human resources association for professionals and organizations focused on compensation, benefits, work-life effectiveness and total rewards who create strategies to attract, motivate and retain an engaged and productive workforce.

WorldatWork and its affiliates provide comprehensive education, certification, research, advocacy and community, enhancing careers of professionals and, ultimately, achieving better results for the organizations they serve.

We have more than 70,000 members and subscribers worldwide; more than 80% of Fortune 500 companies employ a WorldatWork member. Founded in 1955, WorldatWork is affiliated with more than 70 local human resources associations and has offices in Scottsdale, Ariz., and Washington, D.C.

WorldatWork promotes principled pay practices and believes that business strategies and executive compensation program design are unique and should be tailored to the specific needs of individual organizations. Compensating employees is the result of a complex process that is different for every organization. Each decision, from starting salary to bonuses, from determining wage increases to alternative ways to reward employees, is based on an organization's mission, environment and culture, as well as the needs and values of its workforce.

The SEC's rules over the U.S. proxy process have significant influence on corporate governance and executive compensation at U.S. public companies. While these rules have resulted in many positive impacts, one unintended consequence appears to be proxy advisory firms' influence over institutional investors. Our members are particularly concerned with the lack of transparency and the clear potential for conflicts of interest proxy advisory firms face. We strongly advise that the rules governing these firms be reexamined.

Two proxy advisory firms, Institutional Shareholder Services (ISS) and Glass Lewis & Co., account for 98 percent of the market share of the proxy advisory business and wield enormous influence.<sup>1</sup> ISS clients directly influence an estimated 20 to 30 percent of the votes of a typical mid-to large-cap public company, while Glass Lewis clients typically influence 5 to 10 percent of the votes.<sup>2</sup> WorldatWork members are concerned ISS and Glass Lewis fail to identify, manage and communicate actual or potential conflicts of interest, frequently promulgate factually inaccurate information and are neither transparent in their business dealings, nor publicly accountable for the recommendations they provide. These firms lack the resources and operating models to adequately and accurately fulfill their obligations to shareholders and investors. As a result, the recommendations provided often lead to suboptimal outcomes for those who follow the advisory firm's guidance.

WorldatWork supports the goals outlined in proposed legislation HR 4015 the Corporate Governance Reform and Transparency Act. This legislation would require proxy advisory firms to file a detailed registration application with the SEC. Additionally, advisors would be required to:

- Confirm that they have sufficient resources to fulfill their fiduciary duties in analyzing proxies;
- Disclose potential or actual conflicts of interest relating to the ownership structure of the proxy advisory firm, including whether the proxy advisor provides ancillary services, such as consulting, to corporate issuers, and if so, the revenue derived from those services as well as how those conflicts will be addressed; and
- Verify that they have sufficient resources to ensure proxy voting recommendations are based on accurate and current information.

Disclosure of this information would allow users of ISS and Glass Lewis reports to consider all facts before relying on their recommendations.

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<sup>1</sup> James K. Glassman and Hester Peirce, "How Proxy Advisory Services Became So Powerful," *Mercatus on Policy Series*, Mercatus Center at George Mason University, June 18, 2014. See also: Tamara C. Belinfanti, *The Proxy Advisory and Corporate Governance Industry: The Case for Increased Oversight and Control* 14 (N.Y.L. Sch. Legal Studies, Research Paper Series 09/10 No. 18, Spring 2009).

<sup>2</sup> Yin Wilczek, *Bounty Program to Cramp Corporate Boards: ABA Speakers Discuss Governance Provisions*, *DAILY REPORT FOR EXECUTIVES*, Aug. 10, 2010.

Disclosures should include the fees paid to the proxy advisory firm (or their related companies) by all interested parties within the prior 12 months of the proxy filing as well as any continuing relationship or subscription. Interested parties include: issuers, opponents and proponents of items to be voted on, and related parties to opponents and proponents of items to be voted on. The SEC should consider investigating whether the proxy advisory firms are using their influence on proxy voting to create demand for their consulting services. It is a reasonable question to ask whether issuers would subscribe to ISS's services without its influence on their proxy votes.

These reforms are needed to ensure that proxy advisory firms operate under transparent and fair standards. The issuers and shareholders subject to these advisors' influential recommendations deserve to have this relevant information to properly evaluate their counsel.

Additionally, HR 4015 outlines a process to allow companies to raise concerns if they disagree with a proxy firm's recommendation. We think establishing a meaningful way for companies to either correct or respond to erroneous, materially incomplete or outdated information is a critical component needed in reform. The intent here is to ensure shareholders are provided with voting recommendations based on accurate and relevant information prior to voting. Permitting companies to include their point of view in the voting recommendation report would be a valuable addition to the current process.

As the advocate for total rewards professionals, we want to thank you for your continued commitment to compensation issues. We are dedicated to ensuring that federal public policies enhance our nation's workplaces and are eager to work with you and your staff to provide our expertise on these important issues. If you have any questions about WorldatWork's comments, please do not hesitate to contact me at [REDACTED]

Sincerely,

A handwritten signature in black ink that reads "Melissa D. Murdock". The signature is written in a cursive, flowing style.

Melissa Sharp Murdock, Esq.  
Director, External Affairs