



December 13, 2021

**Ms. Vanessa A. Countryman**

Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: Release Nos. 34-93169; IC-34389; File No. S7-11-21; Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers**

Dear Ms. Countryman,

The Long-Term Stock Exchange, Inc. ("LTSE" or the "Exchange") appreciates the opportunity to submit these comments in response to the above-referenced proxy votes proposal (the "Proposal"). LTSE is a registered national securities exchange, which was approved by the Securities and Exchange Commission ("SEC" or "Commission") in 2019, commenced trading operations in 2020, and secured its first listed companies in 2021. LTSE's mission is to unite patient capital with companies who are operating sustainably for the long-term benefit of shareholders and society. LTSE believes strongly that the relationship between a company's investors, its board, and management is an important one, particularly in the pursuit of long-term value creation. Thus, LTSE is pleased to see that the Proposal addresses a number of areas currently covered by standards for LTSE-listed companies. Notably, LTSE's principles prepare long-term focused companies with a framework to succeed in the public markets through stronger governance and investor alliances. For the reasons discussed below, LTSE supports the Commission's efforts in the Proposal to provide greater visibility and accessibility with respect to fund managers' proxy voting practices.

**A. Helping Companies Lead by Removing Information Asymmetries**

LTSE believes that the Proposal will address information asymmetries that exist between investors and their fund managers, as well as between companies and their shareholders. As to the former, the Commission discusses extensively how the

Proposal will benefit investors.<sup>1</sup> For example, the Proposal describes how Form N-PX, which was approved in 2003, is “designed to improve transparency and enable fund shareholders to monitor their funds’ involvement in the governance activities of portfolio companies.”<sup>2</sup> However, at present, investors may face various inefficiencies in using Form N-PX reports to find a particular fund’s voting practices. Notably, under the current reporting framework, there is no consistent manner or format in which funds report their votes, which can make it difficult for investors to properly analyze the reported data. As a result, investors may not be able to easily assess how a particular management of a portfolio addresses long-term strategies and whether such strategies align with their expectations.

As noted when LTSE adopted its Long-Term Policies, disclosures that increase transparency for shareholders on the strategic goals of the company’s managers “provide for greater alignment and accountability between a company’s long-term vision and investor expectations.”<sup>3</sup> Accordingly, we agree with the Commission that the proposed amendments to Form N-PX would “provide investors with greater access to information regarding the proxy voting decisions of the funds they invest in” and that such disclosure “could help investors make better informed investment decisions when they want to take into account funds’ voting records, *which could promote more efficient allocation of capital by investors to funds.*”<sup>4</sup> (emphasis added).

Similar to how the Proposal’s focus on transparency and accessibility is designed to promote alignment between investors and their fund managers, companies listing on LTSE through their Long-Term Policies signal to market participants, including fund managers and individual investors alike, how they intend to bring long-term value to shareholders and society.

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<sup>1</sup> Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers, Securities Exchange Act Release No. 93169 (September 29, 2021), 86 FR 57478 (October 15, 2021) (the “Proposal”). The discussion of efficiency, competition and capital formation states: “The proposed amendments to Form N-PX would provide investors with greater access to information regarding the proxy voting decisions of the funds they invest in. This could help investors make better informed investment decisions when they want to take into account funds’ voting records, which could promote more efficient allocation of capital by investors to funds.”) at 57506 (emphasis added).

<sup>2</sup> *Id.* at 57479.

<sup>3</sup> See Securities Exchange Act Release No. 86722 (August 21, 2019), 84 FR 44952 (August 27, 2019) (SR-LTSE-2019-01) (Order Approving Proposed Rule Change To Adopt Rule 14.425, Which Would Require Companies Listed on the Exchange To Develop and Publish Certain Long-Term Policies).

<sup>4</sup> Proposal at 57506.

In this regard, LTSE believes the Proposal will help address information asymmetries between *companies* and their shareholders. As much as investors seek out fund managers who vote on proxy proposals in accordance with their priorities, companies seek to align with investors who share their vision of long-term success. LTSE believes that companies and their stakeholders can have common ambitions and desires to pursue environmental, social, and governance-oriented (ESG) initiatives and approaches to sustainability. The implication that investors are the primary drivers of ESG and sustainability is at odds with modern corporate practice. LTSE-listed companies<sup>5</sup> are prime examples that companies are willing to spearhead policies that enable long-term focused transparency of information, including evaluating their impact on various stakeholders and the sustainability of their business.

Notably, the proxy vote categories and subcategories in the Proposal correspond with elements in LTSE's Long-Term Policy requirement. For a company to list on LTSE, it must adopt Long-Term Policies addressing, among other things, the stakeholder groups it considers critical to long-term success, the company's impact on the environment and its community, the company's approach to diversity and inclusion, the company's approach to investing in its employees, and the company's approach to rewarding its employees and other stakeholders for contributing to its long-term success. LTSE's Long-Term Policies, in addition to being a listing requirement, are a powerful tool for companies to demonstrate how they intend to operate for the long-term to investors and stakeholders.<sup>6</sup> The Long-Term Policies are also designed to help public companies manage the pressures of short-term decision-making which pervade today's markets.<sup>7</sup> Below, LTSE discusses how the disclosures under the Proposal can help mitigate some of the pressures that can lead to short-term thinking.

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<sup>5</sup> See "Welcoming Asana and Twilio to the Long-Term Stock Exchange" (August 26, 2021) available at <https://www.ltse.com/blog/welcoming-asana-and-twilio-to-the-long-term-stock-exchange/>

<sup>6</sup> LTSE Rule 14.425 requires companies listed on the Exchange to adopt and publish the following policies: (1) a Long-Term Stakeholder Policy, (2) a Long-Term Strategy Policy, (3) a Long-Term Compensation Policy, (4) a Long-Term Board Policy and (5) a Long-Term Investor Policy (collectively, the "Long-Term Policies"). Under LTSE Rule 14.425, a company must disclose in its annual proxy statement that its long-term policies are available on its website and provide the website address.

<sup>7</sup> See Ariel Babcock, Sarah Keohane Williamson, and Tim Koller, "How executives can help sustain value creation for the long term", FCLTGlobal & McKinsey (July 22, 2021), available at <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-executives-can-help-sustain-value-creation-for-the-long-term>.

## B. Proxy Voting Data

LTSE believes that the reporting of proxy voting data across a set of defined categories and subcategories can signal to investors and companies, respectively, the fund's strategic and investment criteria and overarching goals, which is critical information for investors and companies alike. For example, if a particular fund company's proxy voting practices are deeply aligned with reducing greenhouse gas emissions, a company may see value in embedding greenhouse gas emission targets or goals in its long-term stakeholder policy.<sup>8</sup> Similarly, providing greater transparency regarding proxy voting will benefit companies seeking to align with like-minded investors. The information about fund investors' proxy voting practices pertaining to, for example, ESG matters would allow companies with a similar focus with incentives to publicly pursue such strategies to promote further alignment of capital.

LTSE generally supports the categories and subcategories suggested in the Proposal but recommends that the Commission consider explicitly noting that the subcategory for "other human rights or human/capital workforce matters" would include proxy proposals on workforce issues, such as, how the company supports its employees, whether through accommodating hybrid or remote-only working environments, or commitments to investments in worker training and professional development. While employee support, health, and wellness have always been issues of fundamental importance, the global pandemic has brought new attention to the significance of how a company treats its employees as a driver for its long-term success. Companies are increasingly recognizing the lasting impacts of the pandemic, and as a result, are adjusting their offerings to and treatment of employees with a greater understanding of how such offerings support the

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<sup>8</sup> Many of the proxy categories in the Proposal overlap with LTSE's Long-Term Policies. For example:

- The Long-Term Stakeholder Policy would include matters covered by:
  - L (Environment or climate);
  - M (Human rights or human capital/workforce);
  - N (Diversity, equity and inclusion);
  - O (Political activities); and
  - P (Other social).
- The Long-Term Strategy Policy would include matters covered by:
  - J (Corporate Governance).
- The Long-Term Compensation Policy would include matters covered by:
  - I (Compensation).
- The Long-Term Board Policy would include matters covered by:
  - A (Board of directors);
  - J (Corporate governance); and
  - K (Meeting governance).
- The Long-Term Investor Policy would include matters covered by:
  - E (Shareholder Rights and Defenses).

long-term sustainability of their business.<sup>9</sup> Additionally, LTSE urges the Commission to consider how categories or subcategories can be added or removed in the future without the burdens of formal Commission rulemaking to ensure they remain flexible and relevant over time.

### **C. Shares Loaned and Not Recalled**

LTSE believes the Proposal to disclose the number of shares loaned and not recalled would provide essential information for companies seeking to engage with long-term investors. Having actual knowledge of the extent to which an investor<sup>10</sup> retained its voting rights - or relinquished them by having loaned the shares - can help a company better understand its shareholder base. Likewise, such transparency would allow investors to better understand how securities lending activities affect the voting practices of funds. Accordingly, the additional information provided by the Proposal's disclosure of shares loaned and not recalled would benefit investors by providing greater transparency into the scope of proxy voting activities, including voting preferences. Moreover, investors can better understand how such activities would affect the outcome of shareholder vote and generally influence corporate governance. At the same time, such disclosures of shares loaned and not recalled would be particularly relevant as long-term focused companies engage with their long-term shareholders. The Exchange believes that such companies value input from long-term investors and consider their perspective on company governance as important to the development of the company's long-term strategy. This visibility on voting practices can help companies evaluate whether voting practices reflect beneficial owners with a long-term horizon or reflect those with only a short-term focus or no beneficial interest at all.

Ultimately, when companies have a strong long-term investor base that believes in their mission and strategy, they are better positioned to find ongoing support as they remain steadfast in achieving those goals. As LTSE's principles are based on the belief that transparency of information relevant to long-term value creation will be valued by both investors and companies, we believe this Proposal would lead to greater transparency and accountability with respect to fund managers' proxy voting practices that will be beneficial to investors, companies, and the overall capital market.

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<sup>9</sup> See, e.g., Tim Allen, "The Pandemic Is Changing Employee Benefits", Harvard Business Review (April 7, 2021), *available at* <https://hbr.org/2021/04/the-pandemic-is-changing-employee-benefits>.

<sup>10</sup> Form 13F filings can help identify long-term investors.

We appreciate the Commission's consideration of our comments on this Proposal and would be happy to provide any further information that may be helpful.

Respectfully submitted,

A handwritten signature in black ink that reads "Gary Goldsholle". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Gary L. Goldsholle  
Executive Vice President, Chief Regulatory Officer & General Counsel

cc:    The Honorable Gary Gensler, Chairman  
         The Honorable Hester M. Peirce  
         The Honorable Elad L. Roisman  
         The Honorable Allison H. Lee  
         The Honorable Caroline A. Crenshaw  
         Sarah ten Siethoff, Acting Director, Division of Investment Management  
         Haoxiang Zhu, Director, Division of Trading and Markets