



215 Pennsylvania Avenue, SE • Washington, D.C. 20003 • 202/546-4996 • www.citizen.org

December 14, 2021

The Honorable Gary Gensler, Chair
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner
The Honorable Allison Herren Lee, Commissioner
The Honorable Caroline A. Crenshaw, Commissioner
Securities and Exchange Commission
100 F Street NE,
Washington, DC
20549-1090

Via electronic mail (rule-comments@sec.gov)

Re: RIN 3235-AK67; Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers

Dear Chair Gensler, Commissioners, and agency staff,

On behalf of the more than 500,000 members and supporters of Public Citizen, we are pleased to provide the following comment regarding the proposed rule titled, “Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers.”

With this release, the Securities and Exchange Commission (SEC) proposes to amend Form N-PX, as provided by the Investment Company Act of 1940 to improve the information that various institutional investors provide regarding their proxy votes at annual meetings, particularly regarding executive compensation issues. Importantly, the SEC also proposes to expand reporting requirements to other institutional investors that previously did not report such votes. Generally, we applaud these improvements.

Institutional investors own a commanding share of equity securities in American corporations. They own these shares largely on behalf of individual investors. These investors trust these institutions not only to monitor the value of their companies, as measured, for example, by the stock price, but also to represent them at annual meetings where basic issues are decided, from the election of directors, to positions on shareholder resolutions like those on political spending disclosure or the level of executive compensation.

Executive compensation has grown enormously in the last half century. Where CEOs once made about 25 times that of the median paid employee, that ratio now exceeds a multiple of 300. With this increased disparity comes a heightened need for scrutiny.

Since 2003, the SEC has required certain institutional investors to disclose how they vote on behalf of their shareholder beneficiaries. This transparency has helped investors understand better if their fund

managers are truly voting in their interest. That has led to some greater pressure on funds to rein in executive compensation, leading to a number of rejections of pay packages.

However, under current standards, it can be difficult for some investors to understand how funds vote, or to compare how one fund votes with another. For example, an institutional investor may present its proxy voting results in a variety of manners. They may provide inconsistent descriptions of the same voting issue or use shorthands. Some funds organize voting by security and not by the fund. The voting record may be spread throughout the report instead of one place. The reports can be lengthy and hard to follow. We support the specific proposal to require standard categorization of voting subjects, so that investors can better track their funds' voting patterns across companies. In particular, we support the specific inclusion of ESG categories in the tracking of voting patterns, including executive compensation; environment and climate issues; human rights; human capital management; diversity, equity and inclusion; political activities; and responsible tax practices.

The proposed amendments would require funds and managers to use uniform language, notably the same language as the company's proxy form where the fund manager is voting. It would also require reporting persons to categorize their votes so that investors can focus on the topics they find important. In addition, reporting persons would be required to disclose the number of shares voted (or instructed to be cast), as well as the number of shares loaned but not recalled. This additional information would provide context for understanding how securities lending activities affect the reporting person's voting practices. It would allow an investor to understand the magnitude of split votes which is when a reporting person votes in multiple ways on the same matter. We support these proposals.

In addition, we support the requirement that funds disclose how many shares they voted as a percentage of how many shares they are entitled to vote and the proposed amendments to Forms N-1A, N-2, and N-3 to require a fund to disclose that its proxy voting record is publicly available on its website. We express our gratitude to the SEC for seeking public input on this important issue, and we look forward to engaging with any forthcoming rulemakings to implement a robust mandatory disclosure regime for the U.S. markets that would foster accountability for excessive executive compensation and embrace ESG considerations. Thank you for consideration of our comment. If you have any questions, please contact Bart Naylor ([REDACTED]), Rachel Curley ([REDACTED]) or Rob Stewart ([REDACTED]).

Sincerely,

A handwritten signature in black ink, appearing to read "Robt Stewart", written over a horizontal line.

Robert Stewart
Tax and Disclosure Advocate
Public Citizen