



Filed Electronically

December 14, 2021

Ms. Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers, File No. S7-11-21

Dear Ms. Countryman:

Institutional Shareholder Services Inc. (ISS) is pleased to submit these comments in response to the above-referenced proposal. ISS applauds the Commission's effort to bring added transparency to the proxy voting process.

ISS is a federally registered investment adviser with more than 35 years of experience helping institutional investors meet their fiduciary responsibilities relating to proxy voting. Through its governance research and proxy voting recommendations, ISS today helps more than 1,600 clients—including employee benefit plans, investment managers and mutual funds—make and execute informed proxy voting decisions for approximately 45,000 shareholder meetings a year in over 110 developed and emerging markets worldwide. In addition to supplying data, research and vote recommendations, ISS assists institutional investors in reporting their votes to their stakeholders and regulators through a suite of vote disclosure services designed to help clients efficiently showcase active ownership and cost-effectively achieve compliance with global regulatory requirements, stewardship codes, and best practice guidelines.

As a service provider that currently provides vote disclosure services to investors and that intends to adjust and expand its service offerings to assist clients with complying with any final rules which might be adopted based on the proposal, we have focused our attention upon the operational implications of the proposal. ISS does have practical concerns with some of the proposed requirements and is submitting this letter to provide the Commission with context on the operational challenges that could make compliance unduly burdensome and/or costly.

Shares Voted [Instructed] & Shares on Loan Disclosure

The Commission is proposing that reporting persons disclose their shares on loan positions. ISS believes that the operational expense, both in time and money, of disclosing shares on loan would outweigh any benefit that would be derived from this exercise.

As ISS indicated in our October 20, 2010 letter to the Commission in response to the Commission's Concept Release on the U.S. Proxy System (File No. S7-14-10):

"Disclosure of shares not voted because they are out on loan and do not have a voting entitlement, however, brings a significant additional layer of complexity. In many cases, an investor would not receive a ballot or meeting information for the position on loan. Identifying these meetings would require both an additional data source – meeting

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information for all positions on loan – that would then need to be linked to the shares on loan position through a new data processing step. These additional data requirements would impose real costs on investors.”

As we further noted in 2010, while we see merit in the disclosure of the impact of share lending on an investor’s proxy voting activities, we also believe it provides an incomplete picture of the impact of lending. Disclosure of summary information on lending activity may provide (at far lower cost) sufficient visibility into a share lending program’s costs and benefits to the investor engaged in the share lending.

Alternatively, and given the sourcing concern noted above, to the extent a final rule in this area requires disclosure of shares-on-loan positions, ISS suggests that custodians be obligated to send ballot providers all shares-on-loan positions and that ballot providers then include such positions on the ballot even where the entire position is on loan. This practice is currently undertaken by some, but not all, custodians. It is not, however, clear if this is a solution that is feasible for all custodians in all markets.

Enhanced Form N-PX Content

The Commission proposes that reporting persons disclose if a shareholder proposal is a proposal or a counterproposal. ISS has concerns relating to the sourcing of this information. Proxy card documents do not always clearly define what is a shareholder proposal or a counterproposal. For this regulation to be applied, the companies that produce the proxy card will need to follow a standard for disclosing this information. This data point is not regularly captured across the proxy voting industry and further cost will be required to adjust reporting infrastructures to capture this new field from the proxy card. Furthermore, ISS believes it will be very difficult to hold issuers outside of the U.S. accountable to this standard.

The Commission further proposes to require reporting persons to disclose if an agenda item was voted “For” or “Against” the proposal or “Abstain,” as well as whether such votes were for or against management’s recommendation. This aspect of the proposal presents the following concerns:

- Not all reporting persons or stakeholders have the same view as to whether an “Abstain” votes counts “For” or “Against” management’s recommendation. This determination could be particularly challenging in the context of a proxy contest.
- At a minimum, guidance would need to be provided as to the characterization of “Abstain” votes.
- Users of reported proxy voting information may not necessarily have insight into what the management’s vote recommendation is for cases where the reporting persons voted against that recommendation or did not execute a vote, and such context may be valuable under the circumstances.

ISS believes that a more effective approach would be to require the presentation of management’s recommendation itself as a data point, allowing users of the information to make their own determination of whether or not a particular vote was supportive of management’s position.

If, however, the proposal as currently drafted is implemented, then we recommend the development of some sort of uniform standard or matrix on how to interpret specific votes as being for or against management’s recommendation. While we would expect this to be helpful, it would likely still add costs and complications to reporting persons who might need to build and

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capture as part of their reporting systems a standard that might differ from the one used under their current methodology.

Form N-PX Utility

To increase the utility of Form N-PX information for investors and other stakeholders, the Commission has proposed a number of amendments related to file submission content, aiming to address concerns that historical filings may suffer from inconsistent organization and presentation of proxy voting records, and the submission of overwhelmingly long reports due to the number of voting matters and funds a single report may cover.

Identification of Proxy Voting Matters

To harmonize the descriptors to be used to describe proxy voting matters among all reporting persons' Form N-PX submissions, it is proposed to mirror the language and order of each matter reflected in the issuer's form of proxy, allowing for consistent identification of identical matters across different Form N-PX filings and reporting persons. While allowing for standardization is, in our view, a worthy goal, market challenges may affect its feasibility:

- First, we note that the length of an issuer's proxy voting descriptions in some instances can be quite extensive, with the potential to surpass the standard acceptable character count limits many infrastructure systems currently accommodate, potentially leading to truncation of descriptions which could inhibit the ability of reporting persons to report accurately and completely under the proposed rule.
- Leveraging an issuer's proxy voting descriptions may lead to Form N-PX submissions that are tripled in length compared to current submissions, due to extensively long descriptions. ISS has seen instances where a single description can have a character count into the thousands. Not only would this present the logistical challenge previously mentioned but it could lead to overwhelmingly long Form N-PX submissions.
- Varying market participants handle issuer meeting agenda descriptions inconsistently, such that aligning their processes to ensure a uniform presentation of the description and order of proxy voting matters according to the issuer's form of proxy may be challenging, particularly in the case of ex-U.S. issuers.
- The form of proxy for many ex-U.S. issuers is often presented in the issuer's native language, forcing U.S. market participants procuring agendas on a global scale to translate such information into English. Requiring Form N-PX submissions to reflect the issuer's form of proxy in these cases will present a significant translation issue and potentially undermine the goal of uniformity in the presentation of ballot issues.

Identification of Proxy Voting Categories

The categorization of proxy voting matters based on common, widely accepted, topics that are important to market participants has played an integral role in effective reporting, disclosure, and analysis of proxy voting records by investors and other stakeholders for many years. While the proposal to associate each proxy voting matter included in Form N-PX with an SEC-supplied list of categories and subcategories seemingly aligns with the interests of the market and could aid investors and stakeholders in readily identifying certain topics of interest, it also introduces the following complexities:

- The categorization of proxy voting matters in today's environment varies across industry participants according to their internal methodologies for identifying or classifying

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specific topics. As a result, the same proxy voting matter is (in good faith) often categorized differently across the market. The Commission proposes to require reporting persons to categorize each proxy voting matter according to a specified set of categories and subcategories, and multiple categories or subcategories must be selected if the situation requires it. Because this process is inherently subjective, it is extremely likely that the same matter will be reported under different categories and subcategories by different Form N-PX filers. This will create inconsistency and prevent investors and other stakeholders from effectively comparing how managers and funds voted on specific types of matters, thus adversely affecting the overall utility of including such information in Form N-PX. ISS suggests that the proposal be amended to require companies filing the proxy materials to clearly classify each proposal according to specified categories and subcategories. ISS submits that this will remove subjectivity from the process and provide investors and third parties with clear, decision-useful information.

- The addition of categories and subcategories to the Form N-PX filings will increase the file length due to the additional information required for submission, thus further contributing to the concerns of overwhelmingly long reports.

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We would be happy to supply the Commission or the staff with additional information regarding any of the matters discussed herein. Please direct questions about these comments to the undersigned, or to our General Counsel, Steven Friedman, who can be reached at [REDACTED]

Respectfully submitted,

A handwritten signature in cursive script that reads "Lorraine S. Kelly".

Lorraine Kelly
Head of Governance Solutions

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 G. ten Siethoff, Acting Director, Division of Investment Management
Haoxiang Zhu, Director, Division of Trading and Markets