

GREGORY E. LAU

184 Hillspoint Road
Westport, Connecticut 06880



January 9, 2020

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Comment – File Number S7-22-19

Dear Chairman Clayton:

The SEC's effort to ensure proxy advisory firms are more accountable to their clients and to shareholders is a major step in the right direction. I appreciate all the work you, your fellow Commissioners, and the Commission's staff have done to date.

Tom Quaadman of the U.S. Chamber of Commerce's Center for Capital Markets Competitiveness summed up well the issue at hand. In a press release dated November 5, he stated, "The proxy advisory firm industry is a duopoly, with only two companies controlling 97% of the market. They play a critical role in the system and yet they have been allowed to operate with material undisclosed conflicts of interest and opaquely develop one-size-fits all voting recommendations."

These conflicts of interest are substantial. Institutional Shareholder Services (ISS), moreover, is particularly egregious. For the past 40 years, I have been intimately involved in the proxy process, not only previously as head of compensation and corporate governance at GM, but also currently as a consultant to boards of directors around the country. In my experience, ISS has many "black boxes". It has always been difficult to understand the algorithms behind their conclusions and recommendations. The amount of time ISS allowed for the company to read and analyze (without the benefit of understanding their "black box") and then engage with the advisors normally was just a few hours and totally inadequate. If implemented, this proposed rule will go a long way in improving the transparency of their often murky practices – and subsequent voting advice.

As I was reading through the rule, one specific issue related to conflicts of interest caught my attention: automatic voting, or "robo-voting". The rate at which investment managers automatically – in many cases "blindly" – vote according to an ISS or Glass Lewis recommendation is alarming. Proper due diligence must be enforced here. Additionally, as Tim

GREGORY E. LAU

184 Hillspoint Road
Westport, Connecticut 06880



Doyle pointed out in a research report for the American Council on Capital Formation, “Robo-voting seriously undermines the fiduciary duty owed to investors.” He continued, “[Institutions] don’t research the proposals before them or ensure the recommendation aligns with client interest...It can have lasting implications for corporate policy, profits, and disclosures.”

Thank you for this opportunity to provide you these comments. I hope this rule will be finalized this year. Our proxy process will be significantly improved for it.

With best wishes,

Respectfully,

A handwritten signature in cursive script that reads "Gregory E. Lau".

Gregory E. Lau

Former Executive Director
Global Compensation and Corporate
Governance
General Motors Corporation