



27 January 2020

Ms Vanessa Countryman

Secretary
Securities and Exchange Commission
100 D Street N.E.
Washington, D.C., 20549

Subject: Proxy Advisor Regulation

Dear Ms. Countryman,

By way of background, we are the National Employment Savings Trust (NEST), a defined contribution pension scheme that UK employers can use to meet their new legal duties of auto-enrolment. NEST has a public service obligation to accept employers of any size or sector that want to use NEST. NEST Corporation is the Trustee body responsible for NEST. The Trustee has a fiduciary duty to act in the interests of the members of NEST when taking investment decisions. We currently have more than 8 million members and 770,000 employers enrolled and our assets under management currently stand at over USD 10 Billion.

Being a responsible investor and an engaged steward of our assets is central to our beliefs and how we operate. Proxy voting is a key element of our stewardship activities and allows us to hold company management to account and encourage them uphold the highest levels of corporate governance and sustainability. As such, we are keen to have the opportunity to comment on the proposed amendments to SEC rules governing proxy solicitations.

While we agree fully with the SEC's position that the proxy voting process should be conducted in a way that allows investors to receive accurate, transparent and complete proxy related information without imposing excessive costs or delays, we echo the concerns of other investors that have already written to you regarding the requirement that proxy advisors share advance copies of their recommendations with issuers.

Considering this, we support the views in the letter of the 15th October 2019 from the Council of Institutional Investors and a Coalition of Institutional Investors (Coalition). We very much share the Coalition's concerns about the Securities and Exchange Commission's (Commission or SEC) proposed rule amendments to address proxy advisors' reliance on the proxy solicitation exemptions in Rule 14a-2(b).

We believe that a mandatory requirement for proxy advisors to seek prior review of their analysis is not in the interests of investors. The reasons are two-fold:

- i) **Impact on the independence of analysis:** Institutional investors such as NEST, who tend to hold a high number of companies in their portfolios, and who want to play an active role in exercising their duty as responsible shareowners, value the availability of independent analysis of issuer proxy voting agendas. Proxy agents provide such services, and we as their clients regularly hold them to account on the quality and credibility of their analysis.

We are concerned that requiring proxy advisors to seek prior review of their analysis by issuers will lead to an unnecessary intrusion on the research process in which issuers may ultimately influence the voting recommendations and thus diminish investors' confidence in the impartiality of the analysis.

Institutional investors are ultimately responsible for the voting decisions they make and have developed detailed custom voting policies which are supported by detailed guidance; proxy advisors provide valuable independent research that feeds into voting decisions.

Where there may be factual inaccuracies raised by companies in proxy advisor reports, we encourage constructive dialogue to remedy these where practicable, and at the discretion of the proxy advisor. However, we do not view the proposed mandatory requirement for proxy advisors to share advance copies of their reports with companies as beneficial to the proxy process.

We as investors welcome dialogue with companies and where there are additional areas of clarification around their agendas, we will always seek to take this into account in our proxy voting decisions. Ultimately companies should be accountable to their investors and beneficiaries not the proxy advisors.

- ii) **Increased operational, cost and efficiency burdens:** Proxy advisors help facilitate the proxy voting process for investors where such activities would otherwise be complex and time consuming if carried out manually. The proposed rule change is likely to introduce additional costs and complications to an already compressed process, creating additional barriers to entry and negatively impacting competition in the proxy advisory market.

We would also like to express concerns regarding the proposed changes to 14a-8, which significantly raise the percentage ownership requirements a proposal must receive to be resubmitted. We view that such policy changes make it more difficult for investors to discharge their stewardship duties and is detrimental to the advancement of corporate governance and sustainability standards. The ability to file a shareholder proposal is often a tool investors use where engagement has not been possible and helps raise important issues that are material to their long-term interests as shareowners. This is especially true in markets such as the US where, regrettably, many companies are reluctant to engage and filing a shareholder proposal is seen as the only way of starting a discussion.

Thank you for considering our views and should you wish to discuss this letter further then please do not hesitate to contact us.

Yours sincerely,

Diandra Soobiah

Head of Responsible Investment
