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January 27, 2020

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File No. S7-22-19: *Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice*

Dear Ms. Countryman:

Garmin Ltd. appreciates the opportunity to provide comments to the Securities and Exchange Commission on File No. S7-22-19, Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice (the "Proposed Rule").

For nearly 30 years, Garmin Ltd. and its subsidiaries (collectively, "Garmin") have pioneered new Global Positioning System (GPS) navigation and wireless devices and applications that are designed for people who live active lifestyles. Garmin serves five primary business units: automotive, aviation, fitness, marine, and outdoor recreation. Garmin reported gross revenue of over \$3.3 billion in 2018, and we recently celebrated a milestone in delivering our 200 millionth product since the inception of the business.

Garmin Ltd.'s shares have traded on The Nasdaq Stock Market, LLC under the symbol "GRMN" since its initial public offering on December 8, 2000. Garmin Ltd.'s market capitalization is nearly \$19 billion as of the date of this letter. We have a great appreciation for our shareholders, many of whom own their shares indirectly through their brokers or through their investments in large institutional funds.

Garmin understands that large institutional funds make investments in many different companies, and that it can be a challenge for them to fully process the proxy materials for each of the companies they invest in before deciding how to vote their shares. We believe proxy advisors can play a valuable role to streamline the process by helping those funds make informed voting decisions on behalf of their investors. Indeed, proxy advisors currently play such a major role in the proxy voting process that we believe they should be regulated to ensure the services and recommendations they provide are provided in a reliable, consistent, ethical and transparent manner.

There are inherent flaws in the way proxy advisory firms currently provide their services and recommendations, which have been well-documented. Examples include:

- (1) Proxy advisory firms employ a rigid one-size-fits-all approach to corporate governance that does not consider differences in companies' businesses, markets, employees, philosophies, values and cultures;

- (2) Proxy advisory firms have significant conflicts of interest (which we discuss in further detail below);
- (3) Proxy advisory firms do not have fulsome, consistent and transparent processes in place to ensure that the information they publish has been reviewed for errors, misstatements, uninformed biases, and inaccuracies; and
- (4) Proxy advisory firms facilitate “robo-voting” on behalf of their institutional investor clients, thereby completely cutting their clients out of the voting process and depriving companies a chance to engage in discussions with the them before their shares are voted. This uninformed process has the potential to negatively and unnecessarily impact the assets of many investors who rely on institutional investors to vote in an informed and thoughtful manner.

Accordingly, Garmin supports the core provisions of the Proposed Rule, and we are pleased that there is a momentum building to make sure proxy advisory firms are held accountable for their services and recommendations. However, in our view the Proposed Rule does not go far enough.

The proxy advisory space is dominated by two large providers, one of which has two sides to its business. One side provides proxy advisory services to institutional investors, and the other side offers fee-based consulting services to rated companies related to the very corporate practices on which the advisory side of the business makes voting recommendations. The conflict of interest between the two sides of the business is obvious. The conflict is self-serving and could negatively impact investors. Permitting the conflict to remain in place so long as it is disclosed won’t mitigate the impacts of the conflict and potential harm to investors.

Garmin believes proxy advisory firms should not be allowed to have that conflict of interest *at all*, whether disclosed or not. It seems doubtful that institutional investors using advisory services will have the time to carefully read and evaluate disclosures about conflicts of interest. Furthermore, institutional investors using “robo-voting” to automatically vote their shares in accordance with the proxy advisory firm’s recommendations likely won’t see the disclosures before their shares are voted.

In Garmin’s case, the consulting side of one of the two large proxy advisory firms assigns ratings on matters such as environmental, social and governance (ESG). Ratings are often influenced by a lack of understanding, faulty assumptions, inaccurate information, biases, or one size fits all approaches. The resulting ratings are used as a tool to sell consulting services to purportedly fix the ratings. The firm is unwilling to provide us any constructive information or details about our ratings unless we pay them a large fee.

This raises some serious concerns and questions, such as:

- (1) Is the consulting side of the business incentivized to provide low ratings in order to help sell their services? Are they incentivized to provide improved ratings after a company pays for their services?
- (2) Is a company that declines to engage the consulting services side of a firm’s business treated fairly by the proxy advisory side of the firm when that side of the firm is making its voting recommendations? Conversely, do companies that engage the firm to provide consulting services get favorable treatment by the

voting recommendations side of the firm's business? How could anyone ever know for certain?

- (3) We have noticed that in some instances the consulting side of a firm's business rated us poorly on governance and compensation practices (much to our surprise and contrary to all available evidence, and for reasons they wouldn't divulge unless we agreed to pay them a large fee), while at the same time the proxy advisory side of the business recommended that shareholders vote *for* all of our governance and compensation related proposals. If there is no correlation at all between a firm's ratings and their voting recommendations, as seems to be the case for Garmin, then what does that say about the reliability or sincerity of the ratings and/or the voting recommendations?

We respectfully urge the Commission to consider requiring firms to separate their proxy advisory businesses from their consulting businesses. In our view, these businesses should not be permitted to be provided by the same firm.

In addition, we encourage the Commission to consider whether firms that provide ESG ratings and reports should be subjected to oversight and regulation, as a follow on to the Proposed Rule. There are an abundance of firms that provide ESG rankings, but they operate without any standards. Shareholders have no clear and consistent way to judge if a company is doing a good job or not. This leads to further confusion and misunderstandings about the impact a company has on society.

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Garmin applauds the SEC for proposing a rule to reform the proxy solicitation rules and institute targeted oversight of and reforms to the practices of proxy advisory firms. We support the core principles of the Proposed Rule, and we encourage you to also consider taking the additional steps of (1) requiring proxy advisory firms to separate their voting recommendations business from their consulting business, and (2) evaluating whether firms that provide ESG reports and ratings should also be accountable and subjected to SEC oversight and regulation.

Thank you for considering our comments.

Sincerely,



Clifton A. Pemble
President and Chief Executive Officer