

February 3, 2020

State Street Global Advisors
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ssga.com

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

Re: Amendments to Exemptions From the Proxy Rules for Proxy Voting Advice
(File Number S7-22-19)

Submitted via email: rule-comments@sec.gov

Dear Ms. Countryman:

State Street Global Advisors, the investment management arm of State Street Corporation, welcomes the opportunity to comment on the Securities and Exchange Commission's (the "Commission") Proposed Rules ("Proposals") on Amendments to Exemptions From the Proxy Rules for Proxy Voting Advice.

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a risk-aware approach built on research, analysis and market experience, we build from a breadth of active and index strategies to create cost-effective investment solutions for institutional investors. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can impact long-term performance. And, as pioneers in index, exchange traded funds, and environmental, social and governance investing, we continue to explore new ways to invest. As a result, we have become the world's third largest asset manager with nearly US \$3.12 trillion assets under management¹.

As an overall matter, we support the Commission's ongoing review of the proxy voting system, including the current Proposal and the expected "proxy plumbing" proposals in the future. We were pleased to participate in the Commission's 2018 Proxy Process Roundtable, Proxy Advisory Firms: The Current and Future Landscape, and we believe effective, accurate and transparent proxy voting is critical to the functioning of our capital markets, the corporate governance of our listed companies and executing the fiduciary duty of asset managers to their investors.

That said, State Street Global Advisors has certain concerns with the pending Proposal, which we believe may reduce, not increase, the effectiveness of proxy voting by asset managers. We respectfully urge the Commission to address these

¹ This figure is presented as of December 31, 2019 and includes approximately \$45 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

concerns in any final rules. In addition, we encourage the Commission to quickly consider its “proxy plumbing” proposal.

Importance of additional reforms

State Street Global Advisors invests significant resources in making informed proxy voting decisions that we believe are in our clients’ best interests. Yet, during the 2018 Commission Roundtable on the Proxy Process, there was strong agreement among the participants that the current process by which votes are transferred from the individual or entity with ultimate vote authority to the issuer, the “proxy plumbing,” was flawed. The imperfect nature of the proxy plumbing was also evident during the 2017 proxy fight at Procter & Gamble, where both the management and dissident claimed victory at different times in the weeks following the vote before a settlement was reached.

While the Proposals address certain aspects of proxy voting, they do not address the core proxy plumbing issues, and, presumably, assume accurate recording of vote results. We urge the Commission to move quickly to address these issues as well. We believe such reforms should include at minimum end-to-end vote confirmation and completion of the universal proxy rule, which would significantly reduce complexity when voting proxy contests.

Proxy Voting Advice

State Street Global Advisors agrees that use of proxy advisory firms by asset managers should be carefully considered, particularly for potential material conflicts of interest. We also believe that, as a fiduciary, asset managers are responsible for voting proxies in the best interest of the funds they advise and cannot discard this duty when outsourcing proxy-related responsibilities to a third party. Nevertheless, proxy advisory firms provide important services to asset managers, particularly with respect to data collection and execution of the over one hundred thousand votes at over 15,000 meetings large asset managers must review and decide on each year.

With respect to the pending Proposals, we have the following recommendations:

Issuer review of proxy advisory firm reports

The Commission proposes to provide issuers the opportunity for review and feedback of a proxy advisor’s report prior to distribution to its asset manager clients.

As a service provider, proxy advisory firms are expected to provide high-quality, accurate data in order to support State Street Global Advisors’ stewardship activities. As with any service provider, State Street Global Advisors holds these firms to high standards and expects they are accountable for the information they provide. Despite the reports to the contrary, we have not seen evidence of widespread data accuracy issues with current proxy advisory reporting.

Based on our understanding of the current process, a growing number of issuers are utilizing the ability to review the data used in these reports, and we have found that the proxy advisors have been quick to correct any inaccuracies that we identify when reviewing their reports as part of our stewardship activities. Given these factors, we are concerned that the proposed mandatory review process for issuers would shorten the timeframe that we have to make informed voting decisions based on available data. Therefore, we view the proposed review process as costly and unnecessary; given an issuer's current ability to review the data used in proxy advisor reports, we do not believe there is any benefit from introducing a mandatory issuer review period into the production of these reports.

Should the Commission decide to mandate issuer review of reports, we believe it would be important for such review to be limited to the facts and data of the report and not the ultimate recommendation, which, if deemed necessary, could be accomplished through concurrent release of draft reports to issuers and the proxy advisory firms' clients, rather than disruptive pre-review by issuers.

In addition to the proposed initial review period for issuers, the Commission is asking market participants whether there needs to be a second review period for the final report. Mandating a second review would imply that such a review would include a review of the ultimate recommendation and any changes. If, as suggested above, such review is only intended to ensure accurate facts and data, we believe a second review is both unneeded and inappropriate.

Hyperlink

The Commission is also proposing to allow the issuer the opportunity to provide an active hyperlink (with the issuer's response to the report) to the proxy advisor prior to publication of the final report, so that the proxy advisor can include the hyperlink with the final report.

We do not believe an issuer's response (via hyperlink) should be required in the proxy advisor's final report. Currently, our stewardship analysts access information from filings on the Commission's EDGAR system, issuers' websites, sell-side analysts and other resources when making informed voting decisions. We believe allowing an issuer to include its response to a specific agenda item would imply to investors that the report includes all relevant information, thereby discouraging a robust evaluation all available information. This is especially concerning when additional data is often necessary to submit an informed vote. However, should the Commission decide to mandate hyperlinks, it also should require a disclosure noting the importance of reviewing all publicly available information as well.

Issuer review of asset manager custom voting recommendations

The Commission also asks whether custom voting recommendations (e.g. developed by asset managers for their stewardship activities) should be subject to review.

We believe that it would be inappropriate to allow issuers to have access to any information that would indicate how an asset manager may vote in advance of its vote being submitted. State Street Global Advisors already makes publicly available on its website its proxy voting guidelines; any information related to the implementation of this custom policy is considered confidential and we expect proxy advisors to treat it as such.

Conclusion

State Street Global Advisors appreciates the opportunity to comment on the Proposals. Please feel free to contact Benjamin Colton at [REDACTED] should you wish to discuss our submission in further detail.

Respectfully,



Matthew DiGuiseppe
Head of Asset Stewardship, Americas
State Street Global Advisors



Benjamin Colton
Head of Asset Stewardship, Asia Pacific
State Street Global Advisors