



Dimensional

VIA ELECTRONIC SUBMISSION

February 3, 2020

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

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

Dear Ms. Countryman:

Dimensional Fund Advisors LP (“Dimensional”) appreciates the opportunity to provide comment to the Securities & Exchange Commission (the “SEC” or “Commission”) on proposed amendments to Rules 14a-1(I), 14a-2, and 14a-9 under the Securities Exchange Act of 1934 (the “Proposals”). Dimensional is a registered investment adviser whose clients include open-end U.S. mutual funds, collective group trusts and separate accounts for institutional investors.

Dimensional believes in the importance of the ability to make timely and informed proxy votes on behalf of clients. With this letter we want to express our concerns regarding the aspect of the Proposals which would allow issuers to review and comment on a proxy advisory firm’s draft advice before we receive it.¹

We echo the concerns set out in detail in the letter submitted to the SEC from the Investment Company Institute, and are concerned that the proposed issuer review framework could undermine the goal of accurate, transparent, and complete proxy voting advice being available for voting determinations without undue delay or increased costs that are passed on to the proxy advisory firms’ clients.² Ultimately this could lead to a diminished voice for investors and less rigorous oversight of management.

Regarding the accuracy of advice, we believe that the data contained in Table 2 of the SEC’s proposal reflects a low rate of factual inaccuracies and analytical errors found in proxy voting advice compared to the large number of proxy statement filings by unique registrants with the Commission.³ Further, in Dimensional’s own experience, we believe the data we have received from the multiple proxy advisory service providers we use is of high quality.

Regarding the timeliness of advice, the proposal to provide issuers with two review periods before the release of advice to the proxy advisory firms’ clients will likely result in delays of at least five business days. Such delays mean less time to perform internal voting due diligence which may include engaging with issuers, doing additional research, and circulating the issues for internal discussion.

¹ This aspect of the Proposals we refer to as the “proposed issuer review framework” in this letter.

² Comment Letter of the Investment Company Institute, File No. S7-22-19 (February 3, 2020).

³ Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice, SEC Release No. 34-87457 (Nov. 5, 2019), 84 FR 66518 (Dec. 4, 2019), at 66545 – 66546.

We have read the commentary of the SEC Investor Advisory Committee that the proposed issuer review framework creates the risk of proxy advisors losing independence when delivering proxy voting advice.⁴ Dimensional is also concerned that this could be the case.

Dimensional believes the proposed changes will likely generate increased costs for proxy advisors and that these costs may well be passed on to the proxy advisory firms' clients. Glass Lewis, a proxy advisory firm, commented in its letter to the SEC that resulting additional costs from the Proposals would inevitably have to be passed on to proxy advisor clients.⁵

However, Dimensional acknowledges and is generally supportive of additional mechanisms that would allow issuers to more systematically submit information to proxy advisors and/or provide additional information (perhaps in the form of a hyperlink) to be included along with proxy advisors' reports.

Given the concerns noted above, we recommend the below alternative approach:

- Issuers could be provided an opportunity to review and respond to the full research report following the report being made available to proxy advisory firm clients.
- Research reports could note if issuer input is pending or if an issuer has chosen not to provide input.
- If the issuer disagrees with the facts, the issuer can flag the inaccuracies to the proxy advisory firm and the proxy advisory firm could provide a link outlining the issuer's comments and the proxy advisory firm's response.
- This information could be visible on the online proxy advisory firm platform that hosts the research.
- Additionally, if the proxy advisory firm engaged with the issuer before publishing the report, the proxy advisory firm could add language to the report indicating what was changed in the report in response to the issuer's feedback.
- With respect to the time required to facilitate the above interactions, we suggest the SEC work with proxy advisory firms to determine acceptable issuer response windows. We stress that reducing the current timeliness of when proxy advisory firm research reports are available is highly undesirable.

⁴ Recommendation of the SEC Investor Advisory Committee Relating to SEC Guidance and Rule Proposals on Proxy Advisors and Shareholder Proposals (January 24, 2020).

⁵ See Comment Letter of Glass Lewis, File No. S7-22-19 (January 7, 2020).



Dimensional thanks the Commission and the Staff for considering our comments and recommendations and will gladly make ourselves available for further discussion or to answer any questions concerning this submission.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joel Schneider".

Joel Schneider
Chair of Dimensional Corporate Governance Committee,
Senior Portfolio Manager and Vice President