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February 3, 2020

Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

[Via e-mail to rule-comments@sec.gov]

Re: File No[s].

Dear Ms. Countryman:

This letter responds to the request of the Securities and Exchange Commission for comment on S7-22-19, Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice.¹ We submit this letter on behalf of Third Point LLC, an asset management firm headquartered in New York investing over \$14 billion of capital for global institutional and private investors. For over two decades, we have engaged with companies around the world on corporate governance matters including board skill suitability, board diversity, CEO compensation alignment, and proper board oversight of capital allocation.

We believe that the proposed rule would undermine corporate democracy and the foundational principle underpinning our country's public securities framework – that directors exist to protect and represent shareholder interests – by diminishing unbiased information flow within the annual electoral process. The almost inevitable impact of this rule would be enforced by a particularly toxic method – a threat of frivolous litigation inserted into proxy recommendation processes.

Over the past two decades, we have seen meaningful advancements in corporate governance best practices. These issues have only increased in importance as “ESG” investing has gone mainstream. Corporate governance is today a key topic in the public dialogue and a driver of asset allocation decisions for billions of dollars of public funds

¹ Securities and Exchange Commission, Release No. 34-87457, Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice (November 5, 2019), <https://www.sec.gov/rules/proposed/2019/34-87457.pdf>.

globally. The timing of the lobbying for this proposed rule does not seem to us like coincidence, as shareholders are demanding increased transparency from public companies.

The simple act of casting a proxy ballot is one of the few market-based accountability mechanisms that allow shareholders to state their views as a collective. Proxy advisory firms evolved to provide an essential service to investors who choose to purchase their research and are under no obligation to follow it. The proxy advisory firms hold no shares of their own and are unconcerned with how voters cast their ballots.

The market has demonstrated how much investors value these services. Increasing demand for the proxy advisors' recommendations have supported the firms as they have grown. Proxy advisors have helped markets sort through important governance issues like poison pills, staggered boards, executive compensation, and dual class voting, by developing policy frameworks to undergird investors' views. Our experience runs contrary to any suggestion that certain shareholders have outsized influence in the proxy advisors' recommendations in any given contest. We have watched investor consensus on governance and directors evolve slowly and deliberately to accommodate an expansive range of shareholder views before being adopted and consistently applied. Yet as the interested parties in this rule reveal, some corporate insiders chafe at the increasing accountability imposed over time by this system. We would be eager to see independent data that shows a problem of chronic inaccuracy exists in the proxy advisors' recommendations that would justify crippling their effectiveness and diminishing the important services that investors clearly desire.

Holding corporate managers accountable through shareholder democracy is hard enough as it is. Diminishing proxy advisors' impact via meaningfully increased litigation risk and thereby encouraging corporate interference in shareholders' research process would only make it harder. The SEC should facilitate rather than hinder market-based corporate accountability mechanisms.

Respectfully submitted,

Third Point LLC

cc: Chairman Jay Clayton
Commissioner Robert J. Jackson, Jr.
Commissioner Hester M. Peirce
Commissioner Elad L. Roisman
Commissioner Allison Herren Lee