



400 NORTH CAPITOL STREET, NW • SUITE 585 • WASHINGTON, DC 20001

TELEPHONE: (202) 624-1460 • FACSIMILE: (202) 393-5218

WWW.SHAREHOLDERCOALITION.COM

February 3, 2020

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

VIA ELECTRONIC MAIL
rule-comments@sec.gov¹

Subject: Amendments to Exemptions From the Proxy Rules for Proxy Voting Advice
SEC File Number S7-22-19

Dear Ms. Countryman:

The Shareholder Communications Coalition (“Coalition”) appreciates the opportunity to provide comments to the Securities and Exchange Commission (“SEC”) regarding its Proposed Rule to require proxy advisory firms to comply with additional disclosure and procedural requirements when seeking exemptions to the SEC’s proxy solicitation rules.¹

**Background: Specific Concerns About Certain Business Practices Employed by Proxy
Advisory Firms**

For more than a decade, the Coalition and many others in the issuer community have urged the SEC to develop a uniform regulatory framework for proxy advisory firms, to allow the SEC and the institutional clients of these firms to engage in more robust oversight of their activities and business practices.²

As the SEC is well aware, proxy advisory firms have considerable influence in the proxy voting process, as they generate voting recommendations for their clients and make voting decisions for many of their clients.³ Despite their large role in proxy voting, there is a lack of transparency in the way these firms operate, with insufficient public information available about

¹ See Amendments to Exemptions From the Proxy Rules for Proxy Voting Advice, 84 Fed. Reg. 66,518 (Dec. 4, 2019) (hereinafter (“2019 Proposed Rule on Proxy Voting Advice”).

² See, e.g., Society of Corporate Secretaries & Governance Professionals and National Investor Relations Institute, *Proxy Advisory Services: The Need for More Regulatory Oversight and Transparency*, Mar. 4, 2010 (copy available from authors); and Letter from Niels Holch, Executive Director, Shareholder Communications Coalition, to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, Oct. 20, 2010, available at <https://www.sec.gov/comments/s7-14-10/s71410-206.pdf>.

³ The clients of these firms are almost exclusively institutional investors, including pension plans, mutual funds, hedge funds, and endowments.

their standards, procedures, and methodologies. Conflicts of interest exist in several of their business practices, and concerns exist about their use of incorrect factual information and flawed methodologies in formulating specific voting recommendations.

Proxy advisory firms typically develop their policies using a “one-size-fits-all” approach that often applies the same standards to all public companies, instead of evaluating the specific facts and circumstances of each company they evaluate.

Many institutional investors and their third-party investment managers—especially mid-size and smaller firms—choose to reduce costs by not having an in-house staff to analyze and vote on proxy items. Instead, these institutional investors and managers typically outsource their voting decisions to proxy advisory firms.

Historically, the proxy advisory industry has been subject to a regulatory framework that can best be described as a patchwork quilt. As an example, the largest proxy advisory firm, Institutional Shareholder Services (“ISS”), has chosen to register under the Investment Advisers Act of 1940. However, current SEC rules for investment advisers do not reflect the unique role that these advisory firms perform in the proxy voting process.

The second biggest proxy advisory firm, Glass, Lewis & Co. (“Glass Lewis”), is not registered as an investment adviser and, therefore, is not subject to the same regulatory supervision. For example, in 2013 the SEC sanctioned ISS under the Investment Advisers Act for failing to establish or enforce written policies and procedures to prevent the misuse of material, non-public information by ISS employees with third parties.⁴ As a non-registered entity, Glass Lewis would not be subject to a number of provisions of the Investment Advisers Act and the SEC rules implementing this Act.

Additionally, and as noted in the SEC’s Proposed Rule, the Commission has authorized two exemptions from its proxy solicitation rules for proxy advisory firms, so they are not required to abide by solicitation and disclosure rules that apply to other proxy participants. Thus, proxy firm reports, in contrast to company proxy materials, are not publicly available, even after annual or special shareholder meetings.

Steps Taken by the SEC to Address Concerns About Proxy Advisory Firm Practices

The Coalition appreciates the steps the SEC has taken over the past decade to address the specific concerns that have been raised about the activities and business practices of proxy advisory firms:

⁴ See Order Instituting Administrative and Cease-and-Desist Proceedings and Imposing Remedial Sanctions and a Cease-and-Desist Order, In the Matter of Institutional Shareholder Services, Inc., Administrative Proceeding File No. 3-15331, May 23, 2013, available at <https://www.sec.gov/litigation/admin/2013/ia-3611.pdf>.

- In July of 2009, the SEC initiated a one-year, comprehensive evaluation of the U.S. proxy system;⁵
- In July of 2010, the SEC issued a Concept Release on the U.S. Proxy System for public comment;⁶
- In December of 2013, the SEC held a public Roundtable on Proxy Advisory Services;⁷
- In June of 2014, the SEC staff issued Staff Legal Bulletin 20, clarifying the proxy voting responsibilities of investment advisers and the availability of exemptions from the proxy rules for proxy advisory firms;⁸
- In September of 2018, the Division of Investment Management announced that it was withdrawing two no-action letters that the SEC staff issued in 2004 to two proxy advisory firms;⁹
- In November of 2018, the SEC held a public Roundtable on the Proxy Process;¹⁰
- In August of 2019, the Commission issued two Guidance documents regarding (1) the proxy voting responsibilities of investment advisers, and (2) the applicability of the proxy rules to proxy voting advice;¹¹ and
- In December of 2019, the SEC issued a Proposed Rule that is the subject of this comment letter, proposing to amend its exemptions from the proxy rules for proxy voting advice.¹²

⁵ Chairman Mary L. Schapiro, Statement at SEC Open Meeting, July 1, 2009, *available at* <https://www.sec.gov/news/speech/2009/spch070109mls.htm>.

⁶ Concept Release on the U.S. Proxy System, 75 Fed. Reg. 42,982 (July 22, 2010).

⁷ <https://www.sec.gov/spotlight/proxy-advisory-services.shtml>.

⁸ Staff Legal Bulletin No. 20, Proxy Voting Responsibilities of Investment Advisers and Availability of Exemptions from the Proxy Rules for Proxy Advisory Firms, June 30, 2014, *available at* <https://www.sec.gov/interps/legal/cfslb20.htm>.

⁹ Division of Investment Management, Statement Regarding Staff Proxy Advisory Letters, Sept. 13, 2018, *available at* <https://www.sec.gov/news/public-statement/statement-regarding-staff-proxy-advisory-letters>.

¹⁰ <https://www.sec.gov/proxy-roundtable-2018>.

¹¹ Commission Interpretation and Guidance Regarding the Applicability of the Proxy Rules to Proxy Voting Advice, 84 Fed. Reg. 47,416 (Sept. 10, 2019); and Commission Guidance Regarding Proxy Voting Responsibilities of Investment Advisers, 84 Fed. Reg. 47,420 (Sept. 10, 2019).

¹² 2019 Proposed Rule on Proxy Voting Advice, *supra* note 1.

Shareholder Communications Coalition Comments on this Rulemaking

As noted in the explanation accompanying this Proposed Rule, current SEC rules operate to exempt proxy advisory firms from complying with solicitation and disclosure rules that apply to other proxy participants, as long as certain conditions are met. The SEC's Proposed Rule would expand these conditions to include several issues that have been raised about the current activities and business practices of proxy advisory firms.

A number of the new conditions proposed by the SEC are already business practices employed by at least one of the proxy advisory firms. The SEC's Proposed Rule would expand the use of these best practices and make them uniform practices within the industry.

One example includes the practice by Glass Lewis of disclosing any conflicts of interest on the front page of each company report.¹³ A second example includes the draft review process offered by ISS to public companies that are members of the S&P 500 Index.

For many years, the Coalition and others in the issuer community have advocated that these best practices should be extended to the entire proxy advisory industry and each made a uniform practice. The Coalition supports the SEC's adoption of this approach and offers the following specific comments on the Proposed Rule:

1. Applicability of the SEC Proxy Solicitation Rules to Proxy Advisory Firms.

Since 1956, the SEC has defined a proxy solicitation as including any "communication to security holders under circumstances reasonably calculated to result in the procurement ... or revocation of a proxy."¹⁴ In a 1964 explanation of its intention to define this term broadly, the Commission stated:

Section 14 and the proxy rules apply to any person—not just management, or the opposition. This coverage is necessary in order to assure that all materials specifically directed to stockholders and which are related to, and influence their voting will meet the standards of the rules.¹⁵

For many years, the SEC has considered the activities of proxy advisory firms to be within the scope of a proxy solicitation and, therefore, subject to its rules under Section 14(a).¹⁶

¹³ See *id.* at 66,525, *citing* Letter from Katherine Rabin, Chief Executive Officer, Glass, Lewis & Co., LLC, November 14, 2018 (hereinafter "2018 Glass Lewis Letter").

¹⁴ *Id.* at 66,521, *citing* 17 C.F.R. § 240.14a-1(l)(1)(iii). Note that the 1956 version of the provision referred to the "procurement, execution, or revocation of a proxy." The current version of the provision refers to the "procurement, withholding or revocation of a proxy."

¹⁵ *Id.* at 66,521, note 32, *citing* Broker-Dealer Participation in Proxy Solicitations, 29 Fed. Reg. 341 (Jan. 15, 1964).

¹⁶ *Id.* at 66,522. See also Commission Interpretation and Guidance Regarding the Applicability of the Proxy Rules to Proxy Voting Advice, 84 Fed. Reg. 47,416 (Sept. 10, 2019).

In its Proposed Rule, the Commission proposes to codify this long-standing SEC interpretation, as applicable to proxy advisory firms.¹⁷

The Coalition supports this interpretation of the definition of proxy solicitation, as proxy advisory firms are clearly providing voting advice that involves a “communication to security holders under circumstances reasonably calculated to result in the procurement, withholding or revocation of a proxy.”¹⁸

2. Improved Regulation of Proxy Firms by Promulgating New Conditions to the Exemptions in Rule 14a. As noted earlier, proxy advisory firms have relied upon exemptions in Rules 14a-2(b)(1) and 14a-2(b)(3) to provide voting advice without having to comply with the information and filing requirements of the SEC’s proxy rules.¹⁹ However, as the Commission observes in describing its Proposed Rule, these exemptions were adopted before proxy advisory firms became so important to, and influential in, the proxy voting process for investment advisers and other institutional investors.²⁰

To address concerns raised by public companies and other proxy participants, Congress recently considered legislation that would require proxy advisory firms to register with the SEC under the Securities Exchange Act of 1934 or the Investment Advisers Act of 1940.²¹ While Coalition members supported these legislative approaches, it would be more cost-effective for proxy advisory firms to avoid registration requirements with the SEC and, instead, comply with additional conditions to the exemptions described above. For this reason, the Coalition has been—and continues to be—very supportive of this regulatory framework, as it will reduce the cost burden on both proxy advisory firms and their institutional clients.²²

3. Enhanced Disclosure of Conflicts of Interest. For many years, the Coalition has advocated that proxy advisory firms should be required to establish, maintain, and enforce written policies and procedures to disclose, mitigate, and eliminate conflicts of interest. These policies and procedures should include issuer-, issue-, and recommendation-specific conflicts of interest.

¹⁷ *Id.* at 66,522.

¹⁸ See 17 C.F.R. § 240.14a-1(l)(1)(iii).

¹⁹ *2019 Proposed Rule on Proxy Voting Advice.* at 66,525.

²⁰ *Id.*

²¹ See H.R. 4015, introduced by U.S. Representative Sean Duffy (R-WI) on October 11, 2017 (proposing to require proxy advisory firms to register under the Securities Exchange Act of 1934); and S. 3614, introduced by U.S. Senator Jack Reed (D-RI) on November 13, 2018 (proposing to require proxy advisory firms to register under the Investment Advisers Act of 1940).

²² See, e.g., Letter from Niels Holch, Executive Director, Shareholder Communications Coalition, to The Honorable Elad Roisman, Commissioner, Securities and Exchange Commission, April 8, 2019, *available at* <https://www.sec.gov/comments/4-725/4725-5406665-184492.pdf>.

As an example, one proxy advisory firm—ISS—provides corporate governance and executive compensation consulting services to public companies, in addition to providing voting recommendations to its institutional clients on proxy matters for these same companies.²³ Another conflict that exists involves proxy advisory firms providing voting recommendations on shareholder proposals submitted to companies by their institutional investor clients.

All material conflicts of interest should be specifically disclosed to the clients of proxy advisory firms in a manner that allows them to evaluate the information in the context of the proxy firms' voting recommendations. The Coalition also believes that proxy firms should provide disclosure of material conflicts of interest on the front page of each proxy report. This is the current practice employed by Glass Lewis.²⁴

The Coalition supports the enhanced disclosure requirements outlined in the SEC's Proposed Rule on conflicts of interest. The Proposed Rule would require more comprehensive disclosure of specific conflicts of interest by proxy advisory firms, including the policies and procedures used by the firms to identify, as well as the steps taken, to address material conflicts of interest. Proxy firms would be required to provide these disclosures prominently within each firm's proxy voting advice and in any electronic medium used to deliver the proxy voting advice.

4. **Public Company Review of Draft Reports.** For many years, the Coalition and others within the issuer community have advocated that proxy advisory firms should be required to provide each public company with a copy of their draft reports, in advance of dissemination to their clients, to permit a company to review and correct any inaccurate factual information and comment on any incorrect methodologies contained in these reports. As noted by the Commission, shareholders should not be voting based in inaccurate information or flawed assumptions in the reports of proxy advisory firms.

The largest proxy advisory firm—ISS—does provide draft reports (on a very short turnaround) to public companies that are members of the S&P 500 Index. The Coalition has advocated that this practice should be extended to all listed companies interested in this draft review process and that the companies have a minimum of 3-5 business days to review and comment on a report. This advance disclosure requirement would permit each company to review and comment on: (a) the factual accuracy of statements made in the report; and (b) the methodologies and assumptions used to develop any recommendations in the report.

²³ See 2019 Proposed Rule on Proxy Voting Advice at 66,525. It should be noted that Glass Lewis strongly opposes the practice by ISS of offering corporate governance and executive consulting services to public companies and other proxy participants. See 2018 Glass Lewis Letter ("Glass Lewis strongly believes that the provision of consulting services to corporate issuers, directors, dissident shareholders and/or shareholder proposal proponents, creates a problematic conflict of interest that goes against the very governance principles for which we advocate.").

²⁴ See 2018 Glass Lewis Letter, *supra* note 13.

The Coalition believes that proxy advisory firms should promptly correct any factual or other error in a report that is identified by a public company. The Coalition also has advocated that proxy firms disclose on the front page of a report when comments have been received by the company that is the subject of the report. As these reports are distributed electronically, this can easily be accomplished by a hyperlink on the front page of the report, permitting investors with easy access—if they so choose—to the public company’s comments. This process is the most efficient and cost-effective mechanism to improve the quality of the information provided to investors before voting decisions are made.

Given the compressed nature of proxy season—and the time constraints imposed on proxy advisory firms and their clients—this simple approach is far more preferable than the use of an ombudsman or an internal appeal process within each proxy advisory firm to resolve any issues raised by a public company during the draft review process.

For these reasons, the Coalition supports the requirements in the SEC’s Proposed Rule regarding public company review of draft reports. The Coalition agrees with the SEC’s recommendation to permit more time for issuer review and comment, depending on when definitive proxy statements are filed.²⁵ The Coalition also supports the requirement that a proxy advisory firm include in each final company report a hyperlink to any comments submitted to the proxy firm by the company, when requested.

5. **Selective Public Disclosure of Excerpts of Company Reports**. In a 2015 letter to the Commission, the National Investor Relations Institute (“NIRI”) expressed its concerns about the selective public disclosure of portions of confidential proxy advisory firm reports in advance of an annual or special shareholder meeting.²⁶

During calendar year 2014 and through June 30, 2015, NIRI’s research identified at least 103 instances of proxy advisory firm report excerpts being released publicly, either through press releases or media articles.²⁷ These excerpts from non-public company reports were released by proxy participants seeking to influence voting decisions by shareholders.

²⁵ Under the Proposed Rule, public companies that file definitive proxy statements at least 45 calendar days before a shareholder meeting would be permitted five (5) business days to review and comment on a draft report. Companies that file definitive proxy statements less than 45 calendar days, but at least 25 calendar days before a shareholder meeting, would be permitted three (3) business days to review and comment on a draft report. And public companies that file definitive proxy statements less than 25 calendar days before a shareholder meeting would not be permitted any advance review of a draft report.

²⁶ Letter from James M. Cudahy, President and CEO, National Investor Relations Institute, to The Honorable Mary Jo White, Chair, Securities and Exchange Commission, Dec. 17, 2015, *available at* <https://www.sec.gov/comments/4-670/4670-17.pdf>.

²⁷ *See id.* at Exhibit A. NIRI believes that the data collected and presented in Exhibit A does not illustrate the full extent of the problem, as these summaries do not include portions of proxy advisory firm reports contained in various SEC filings.

The selective disclosure of proxy advisory firm reports—a problem that continues to exist today—harms: (a) institutional investors who are not clients of the respective proxy advisory firms issuing the reports; and (b) retail investors who, through social media and the abundance of electronic news sources, are influenced by the disclosure of excerpts but have no access to the full report or the context of the particular disclosure. With only an excerpt of an advisory report in the public domain, these shareholders are being denied access to the balance of the advisory material in these reports, containing the analysis, discussion, and reasoning behind the proxy voting recommendations being furnished to the clients of these proxy firms.

For this reason, NIRI and other proxy participants believe that the best, and perhaps only, mechanism to address this problem of selective disclosure is for the SEC to require that the complete proxy advisory firm report be released publicly, immediately upon notice that an excerpt of a non-public report has been released into the public domain.²⁸ This disclosure requirement would ensure that all institutional and retail shareholders would be in a position to evaluate the entirety of the proxy voting advice being rendered before deciding how to cast votes at a shareholder meeting.

While this issue was not discussed in the Proposed Rule, the Coalition urges the SEC to address this issue in its Final Rule.²⁹

6. Publication of Company Reports After Shareholder Meetings. Proxy advisory firms have become very influential standard setters in corporate governance. The evolution of best practices in corporate governance would proceed more effectively if there were more voices and more public discourse about the manner in which public companies are governed. To expand the public dialogue about corporate governance, the Coalition believes that each report that contains a proxy voting recommendation about a public company should eventually be made available on a proxy advisory firm's website without charge.

Since these reports are certainly proprietary documents at the time of a shareholder meeting, the Coalition has recommended that this disclosure be made up to ninety (90) days after the shareholder meeting to which the voting recommendations relates. This would facilitate and encourage more public discussions about corporate governance standards and permit more informed feedback about the analyses and conclusions in company reports prepared by proxy advisory firms.

²⁸ Consistent with the reasoning in the SEC's Proposed Rule, the proxy advisory firm should also be required to disclose publicly any conflicts of interest it may have with respect to the report.

²⁹ In Note 2 to paragraph (ii) of Proposed Rule 14a-2(b)(9), the SEC does permit proxy advisory firms to enter into agreements with their clients and other proxy participants—including issuers—to ensure confidentiality of company reports. However, the Coalition does not believe that this provision in the Proposed Rule will cause certain proxy participants to abandon their practice of releasing excerpts of company reports to influence voting decisions, especially in contested matters. Thus, the SEC should include in its Final Rule a public access requirement if excerpts of company reports are released into the public domain for any reason.

While this recommendation was not a part of the SEC's Proposed Rule, the Coalition requests that some type of delayed disclosure of these reports be included in the Final Rule promulgated by the Commission.

7. **Affirmative Consent by Shareholders Using Pre-Populated Ballots.** As the Commission explains in its rulemaking proposal, a common practice among the two largest proxy advisory firms is: (1) to pre-populate a client's electronic ballots with recommendations based on that client's voting policies; and (2) to submit automatically and on a timely basis the client's ballots to the tabulator of a shareholder meeting to be counted.³⁰ The Commission notes in its Proposed Rule that "[c]lients utilizing such [voting] services may choose to review the proxy voting advice businesses pre-populated ballots before they are submitted or to have them submitted automatically, without further client review."³¹

Research by the Coalition indicates that many mid-size and smaller investment advisers choose to reduce costs by not having in-house staff to analyze and vote on proxy items. Instead, these institutional investors and managers typically outsource their voting decisions (and the implementation of those voting decisions) to proxy advisory firms.

Examples of this outsourcing practice are included in the attached document entitled: *Excerpts from Investment Advisor Disclosures—ISS and Glass Lewis Proxy Voting Systems*. Specific examples from mid-size and smaller investment advisers include the following disclosures:

- "Because almost all of the Funds' proxies are voted by ISS pursuant to the predetermined Procedures, it normally will not be necessary for the Manager to make an actual determination of how to vote a particular proxy, thereby largely eliminating conflicts of interest for the Manager during the proxy voting process."³²
- "We generally follow ISS's recommendations and do not use our discretion in voting."³³
- "In general, whenever a vote is solicited, ISS will execute the vote according to the Firm's Voting Guidelines (which generally follow ISS recommendations)."³⁴
- "Subject to exceptions as noted below, it is our policy to vote client shares based on the recommendations of Glass-Lewis & Co. Glass-Lewis & Co. is an independent

³⁰ 2019 Proposed Rule on Proxy Voting Advice at 66,519-66,520.

³¹ *Id.* at 66,520.

³² Delaware Group Equity Funds IV, Statement of Additional Information, at 58-59, October 4, 2019.

³³ Driehaus Capital Management LLC, Form ADV Part 2A, Item 17, at 27, August 28, 2019.

³⁴ Aquila Funds Trust, Statement of Additional Information, at 72, April 25, 2019.

third-party research provider that issues recommendations based on their own internal guidelines.”³⁵

- “We outsource all proxy voting services to ISS and have adopted the ISS annual voting guidelines based on their research and due diligence. ISS votes the proxies, records voting decisions, keeps records of votes and reasons for voting, all on behalf of our participating clients.”³⁶

The Coalition does not believe that a proxy advisory firm should be permitted to offer an automated voting service that allows the proxy firm to make and execute voting decisions on behalf of investment advisers without any ongoing oversight by these clients, except for the approval of general guidelines and policies before proxy season begins.³⁷ The Coalition also strongly disagrees with investment adviser policies that simply adopt ISS or Glass Lewis recommendations during the proxy process, without any further actions taken by the advisers to exercise their voting responsibilities.

To be clear, the Coalition does not oppose the use of technology to pre-populate individual ballots for ISS and Glass Lewis clients, based on each client’s general guidelines or policies. However, each investment adviser client should be required to review each pre-populated ballot and provide affirmative consent by expressly authorizing and directing its voting decisions for each individual ballot prepared by the proxy advisory firm.³⁸

Investment advisers should not be able to defer to ISS and Glass Lewis voting recommendations and then have these proxy firms generate and vote an electronic ballot, without any subsequent review before these votes are cast. Investment managers that do not review and specifically approve (or modify) each ballot cast on their behalf are not fulfilling the fiduciary responsibilities that they owe to their clients and beneficiaries.

* * * * *

Thank you for the opportunity to present the views of the Shareholder Communications Coalition on this proposed SEC rule. If you have questions, or need additional information, please contact me at 202-624-1461, or via email at nholch@holcherickson.com.

³⁵ U.S. Bancorp Investments, Inc., Wrap Fee Program Brochure, at 14, November 13, 2019,

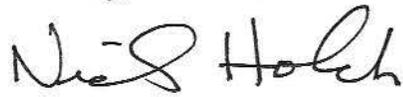
³⁶ Vision Capital Management, Inc., Form ADV Part 2A, Item 17, at 30, January 1, 2020.

³⁷ See, e.g., Letter from Gary A. LaBranche, President and CEO, National Investor Relations Institute, to The Honorable Jay Clayton, Chairman, Securities and Exchange Commission, August 3, 2017.

³⁸ The implementation of this recommendation would be more cost-efficient for proxy advisory firms and their clients than the alternative discussed in the Proposed Rule of disabling certain pre-populated ballots and/or automatic submission capabilities. See *2019 Proposed Rule on Proxy Voting Advice* at 66,551-66,552.

Vanessa A. Countryman
February 3, 2020
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Sincerely,

A handwritten signature in black ink that reads "Niels Holch". The signature is written in a cursive style with a horizontal line through the middle of the first name.

Niels Holch
Executive Director
Shareholder Communications Coalition

Attachment

cc: The Honorable Jay Clayton
The Honorable Robert J. Jackson, Jr.
The Honorable Hester M. Peirce
The Honorable Elad L. Roisman
The Honorable Allison Herren Lee
William Hinman, Director, Division of Corporation Finance
Dalia Blass, Director, Division of Investment Management

ATTACHMENT

Excerpts from Investment Adviser Disclosures – ISS and Glass Lewis Proxy Voting Systems

Acadian Asset Management LLC, Form ADV Part 2A, Item 17, at 37-38, March 22, 2019:

“Acadian acknowledges it has a duty of care to its clients that requires it to monitor corporate events and vote client proxies when instructed by the client to do so. To assist in this effort, Acadian has retained ISS to research and vote its proxies. *ISS provides proxy-voting analysis and votes proxies in accordance with predetermined guidelines. Relying on ISS to vote proxies is intended to help ensure that Acadian votes in the best interest of its clients and insulates Acadian’s voting decisions from any potential conflicts of interest.*” (emphasis added).

....

“Acadian also reserves the right to override ISS vote recommendations under certain circumstances. Acadian will only do so if they believe that voting contrary to the ISS recommendation is in the best interest of clients.” (emphasis added).

....

“Acadian has adopted the proxy voting policies developed by ISS, summaries of which can be found at <http://www.issgovernance.com/policy> and which are deemed to be incorporated herein.” (emphasis added).

....

“After ISS is notified by the custodian of a proxy that requires voting and/or after ISS cross references their database with a routine download of Acadian holdings and determines a proxy requires voting, *ISS will review the proxy and make a voting proposal based on the recommendations provided by their research group.* ... ISS assumes responsibility for the proxies to be transmitted for voting in a timely fashion and maintains a record of the vote, which is provided to Acadian on a monthly basis.” (emphasis added).

Aquila Funds Trust, Statement of Additional Information, at 72, April 25, 2019:

“The Firm uses an independent, third-party vendor [currently Institutional Shareholder Services (‘ISS’)] to implement its proxy voting process as the Firm’s proxy voting agent. *In general, whenever a vote is solicited, ISS will execute the vote according to the Firm’s Voting Guidelines (which generally follow ISS recommendations).*” (emphasis added).

AQR Capital Management, LLC, Form ADV Part 2A, Item 17, at 40, July 24, 2019:

“AQR will generally vote proxies according to the proxy voting guidelines developed by Institutional Shareholder Services, Inc. (‘ISS’) and adopted by AQR.” (emphasis added).

....

AQR typically follows a systematic, research-driven approach, applying quantitative tools to process fundamental information and manage risk, significantly reducing the importance and usefulness of the proxies AQR receives and votes, or causes to be voted, on behalf of its clients. *However, from time to time, AQR will determine to vote a particular proxy contrary to the recommendation of ISS which could give rise to potential conflict of interest.*" (emphasis added).

Baird Private Asset Management, Wrap Fee Program Brochure, at 81-82, September 30, 2019:

"Baird utilizes an independent provider of proxy voting and corporate governance services, currently Institutional Shareholder Services ('ISS'), to analyze proxy materials and votes and make independent voting recommendations. ... *Baird will typically vote shares in accordance with the recommendations made by ISS.*" (emphasis added).

Blackstone Alternative Asset Management L.P., Form ADV Part 2A, Item 17, at 51, July 15, 2019:

"In the case of publicly-traded securities held directly by a BAAM Client, BAAM has engaged the services of Institutional Shareholder Services, Inc. ('ISS') to make recommendations to BAAM on the voting of proxies related to such securities. ISS provides voting recommendations based on established guidelines and practices. *BAAM generally will vote proxies in accordance with ISS's recommendations, but may decide not to vote in accordance with the ISS recommendations if it believes that the specific ISS recommendation is not in the best interests of the BAAM Clients.*" (emphasis added).

Barrow, Hanley, Mewhinney & Strauss, LLC, Form ADV Part 2A, Item 17, at 23-24, July 30, 2019:

"BHMS has the responsibility to vote proxies for equity securities for its clients who have delegated this responsibility to the Firm. ...

Voting proxies for the Diversified Small Cap Value accounts is done *in accordance with the proxy service provider's recommendations* for the following reasons:

- Investments are based on a quantitative model. Fundamental research is not performed for the holdings.
- The holding period is too short to justify the time for analysis to vote." (emphasis added).

Boston Common Asset Management, LLC, Form ADV Part 2A, Item 17, at 35, March 28, 2019:

“Conflicts are ... mitigated in that Boston Common has hired a third party proxy administrator, ISS, Inc., to vote proxies according to specific, predetermined custom guidelines that have been set out by Boston Common. *ISS provides consistent, across-the-board voting on issues pursuant to Boston Common’s custom guidelines, and the adherence to these positions prevents Boston Common from making case-by-case decisions.*” (emphasis added).

Boys, Arnold & Company, Inc., Form ADV Part 2A, Item 17, at 16-17, February 25, 2019:

“Boys, Arnold & Company has contracted with an independent company to provide the automated delivery of proxy voting ballots and the ability to electronically vote those ballots for all client securities for those clients that have given BAC the authority to vote their proxies. Additionally, the vendor has contracted with a corporate governance firm, to research and to provide voting recommendations on all ballot items. *BAC generally will vote according to their recommendations, unless, in the judgment of BAC, it is not in the client’s best interest to do so.* In those cases BAC will override the recommendation and vote as the firm’s Investment Committee recommends.” (emphasis added).

Bridgewater Associates, LP. Form ADV Part 2A, Item 17, at 46, March 31, 2019:

“To minimize potential conflicts of interest among Bridgewater and its Clients, and to seek to ensure that in cases where Bridgewater votes proxies with respect to Client securities, such proxies are voted in what Bridgewater believes to be the best interests of the Client, Bridgewater engages Glass, Lewis & Co. (‘Glass Lewis’) to vote proxies on behalf of its Clients, when authority has been delegated to Bridgewater by the Client. In accordance with SEC Rule 206(4)-6 under the Advisers Act (the ‘Proxy Voting Rule’), *Bridgewater generally subscribes to the proxy voting policy adopted by Glass Lewis but reserves the right to direct that Glass Lewis vote in a manner that is contrary to such policy when appropriate, or as specifically directed by a Client for its own account.*” (emphasis added).

Carlson Capital, L.P., Form ADV Part 2A, Item 17, at 59, March 29, 2019:

“*Carlson Capital has retained ISS Governance Services (‘ISS’) who will generally vote all proxies, including votes resulting in share blocking on behalf of Carlson based on ISS’ recommended vote for the Funds and certain Managed Accounts. ISS has been granted ‘Implied Consent’ (as defined in the ISS Vote Authorization Registration Agreement) by Carlson Capital. Through Implied Consent, ISS will generally vote all proxies on behalf of Carlson based on ISS’ recommended vote with the exception of votes involving a proxy in which ISS’ various clients’ interests vary (i.e., instances which ISS deems a ‘specific client qualification’ vote) or where a proxy is required for a special meeting. In these two instances, ISS will follow the procedures detailed in its ISS Vote Authorization Registration Agreement with Carlson. Carlson may nevertheless over-ride any voting decision by ISS or choose to abstain from voting if it*

determines, at its discretion, that the vote is not in the best interests of the Clients, Carlson, or any investment strategy.” (emphasis added).

Citigroup Global Markets, Inc., Investment Advisory Programs, Form ADV Part 2A, at 48, December 2, 2019:

“When investing in MACS UMA, Discretionary Bespoke, Citi Portfolio Manager Program, or MAP, clients generally have the option to delegate all proxy voting authority to CGMI, which may then further delegate such authority to Institutional Shareholder Services (‘ISS’) or another proxy voting service (‘the Proxy Voting Service’) satisfactory to CGMI. *If a client elects this option, CGMI or its designee, as applicable, will vote proxies related to all securities held in the account in accordance with the Proxy Voting Service’s recommendations.*” (emphasis added).

Columbia Acorn Trust, Statement of Additional Information, at 131, May 1, 2019:

“*The Investment Manager has retained Institutional Shareholder Services (ISS), a third party vendor, to vote proxies for Fund securities in keeping with the Investment Manager’s policy and predetermined voting guidelines (‘Proxy Guidelines’), following an implied consent model in which CWAM [Columbia Wanger Asset Management, LLC] retains the right to override ISS recommendations and change any vote prior to the voting deadline.* ISS also provides proxy analysis, record keeping services, vote disclosure services and independent voting services, and generally assists the Investment Manager in implementing its proxy voting policy and process.” (emphasis added).

Davidson Investment Advisors, Form ADV Part 2A, Item 17, at 15, December 19, 2019:

“*Davidson will generally vote proxies for client accounts based on the recommendations of our third party service provider.* However, Davidson may override the third party service provider’s recommendations when it determines it to be in the clients’ best interests.” (emphasis added).

Davenport & Company LLC, Form ADV Part 2A, Item 17, at 25, March 28, 2019:

“We have contracted with Broadridge, an independent third party to vote and maintain records regarding the voting of proxies based on detailed proxy voting recommendations provided by Glass-Lewis. *We will follow the recommendations of Glass-Lewis, unless they are in direct conflict with the guidelines established by us.* If material conflicts are identified, the proxy will be voted pursuant to guidance from Glass-Lewis.” (emphasis added).

Delaware Group Equity Funds IV, Statement of Additional Information, at 58-59, October 4, 2019:

“The Trust has formally delegated to the Manager the responsibility for making all proxy voting decisions in relation to portfolio securities held by the Funds. If and when proxies need to be

voted on behalf of the Funds, the Manager, Smith, Ziegler, or Wellington Management, as applicable, will vote such proxies pursuant to its Proxy Voting Policies and Procedures (the 'Procedures')."

"In order to facilitate the actual process of voting proxies, the Manager has contracted with Institutional Shareholder Services Inc. ('ISS') to analyze proxy statements on behalf of the Funds and the Manager's other clients and vote proxies generally in accordance with the Procedures."

"Because almost all of the Funds' proxies are voted by ISS pursuant to the predetermined Procedures, it normally will not be necessary for the Manager to make an actual determination of how to vote a particular proxy, thereby largely eliminating conflicts of interest for the Manager during the proxy voting process." (emphasis added).

Deutsche DWS Investment Trust, Statement of Additional Information – Deutsche Investment Trust, at II-166-167, February 1, 2019:

"DWS has delegated responsibility for effecting its advisory clients' proxy votes to Institutional Shareholder Services ('ISS'), an independent third-party proxy voting specialist. ISS votes DWS's advisory clients' proxies in accordance with DWS's proxy guidelines or DWS's specific instructions."

...

"As reflected in the Guidelines, proxies solicited by closed-end (and open-end) investment companies are generally voted in accordance with the pre-determined guidelines of ISS." (emphasis added).

Driehaus Capital Management LLC, Form ADV Part 2A, Item 17, at 27, August 28, 2019:

"We generally follow ISS's recommendations and do not use our discretion in voting. Since our client proxies are voted based on a pre-determined policy based upon ISS's recommendations, they are not affected by any potential or actual conflict of interest of ours. We annually, and more frequently if necessary, review ISS's policies and procedures regarding any potential conflicts of interest when making vote recommendations to determine if ISS is voting impartially." (emphasis added).

Equity Investment Corporation, Form ADV Part 2A, Item 17, at 18, August 28, 2019:

"EIC subscribes to Broadridge Investor Communications Services, Inc. ('Broadridge') fully integrated vote recommendations, including auto-execute, provided by Glass Lewis & Co., LLC ('Glass Lewis'), a proxy advisory firm not affiliated with EIC. Glass Lewis's vote recommendations will be reviewed for conflicts with EIC's proxy voting policy. Generally,

Glass Lewis' vote recommendations are consistent with our proxy voting policy as stated above. Where a Glass Lewis vote recommendation is in conflict with our policy, we may override the auto-execute vote.” (emphasis added).

Federated Kaufmann Fund, Statement of Additional Information, at 41, December 31, 2019:

“The Adviser has hired a proxy voting service to obtain, vote and record proxies in accordance with the directions of the Proxy Committee. The Proxy Committee has supplied the proxy voting services with the Standard Voting Instructions. ... *The proxy voting service may vote any proxy as directed in the Standard Voting Instructions without further direction from the Proxy Committee.* However, if the Standard Voting Instructions require case-by-case handling for a proposal, the PVOT [Proxy Voting Operations Team] will work with the investment professionals and the proxy voting service to develop a voting recommendation for the Proxy Committee and to communicate the Proxy Committee’s final voting decision to the proxy voting service.” (emphasis added).

First Republic Investment Management, Form ADV Part 2A, Item 17, at 36, December 18, 2019:

“To avoid material conflicts of interest, FRIM will generally vote proxies according to the ISS Proxy Voting Guidelines. There are a limited number of situations where FRIM might vote against ISS recommendations. In those situations FRIM will document the reasons FRIM chose to vote against ISS recommendations.” (emphasis added).

Graham Capital Management, L.P., Firm Brochure, Voting Client Securities, at 16, March 29, 2019:

“... Graham has directed ISS to vote proxies according to ISS’ proxy voting guidelines. Notwithstanding this general policy, Graham may direct ISS to vote proxies in a manner that differs from ISS’ guidelines where Graham determines that it is in the best interest of its clients to do so.” (emphasis added).

Hudson Bay Capital Management LP, Form ADV Part 2A, at 76, March 2019:

“Hudson Bay Capital has determined that in a large majority of voting situations, given the time and effort necessary in order to vote a Client Proxy, it is in its Clients’ best interests for Hudson Bay Capital to rely on the analyses and recommendations provided by ISS (each, an ‘ISS Recommendation’). In those situations, Hudson Bay Capital need not take any further action, and ISS will vote the Client Proxy on Hudson Bay Capital’s behalf in accordance with the ISS Recommendations.” (emphasis added).

LaSalle Investment Management Securities, LLC, Form ADV Part 2 A, Item 17, at 21, March 28, 2019:

“LaSalle Securities’ Policy states that it generally follows the vote recommendations of the Institutional Shareholder Services (‘ISS’) Benchmark guidelines and it identifies exceptions where it may not vote consistent with ISS. The policy also identifies specific types of ballot measures that appear more frequently than others and describes how LaSalle Securities will vote on those particular types of ballot measures.” (emphasis added).

Main Street Research LLC, Form ADV Part 2a, Item 17, at 25, March 19, 2019:

“Absent specific client instructions, Main Street Research generally votes in line with third party proxy research provided by Institutional Shareholder Services Inc. (ISS). Main Street Research has contracted with ISS to support the firm’s proxy management needs and has engaged ISS’ end-to-end proxy voting services which includes ISS’ proxy voting guidelines (standard market-based and Benchmark guidelines).” (emphasis added).

...

“However, if Main Street Research does not agree with a recommended vote by ISS the firm may instruct ISS to vote otherwise and in the best interest of the client.”

Manulife Asset Management, Form ADV Part 2A, Item 17, at 30, March 29, 2019:

“MAM has contracted with ISS, a MSCI Company (“ISS”) an independent third party service provider, to vote clients’ proxies according to our policies, which incorporate ISS’ proxy voting recommendations.

“MAM (NA) has engaged ISS as its proxy voting agent to: (1) research and make voting recommendations or, for matters for which MAM (NA) has so delegated, to make the voting determinations” (emphasis added).

Moneta Group Investment Advisors, LLC, Form ADV Part 2A, Item 17, at 34, November 1, 2019:

“Moneta has engaged Institutional Shareholder Services (‘ISS’) as its independent proxy voting service to provide proxy voting recommendations and to handle the administrative mechanics of proxy voting. Moneta has determined that ISS’s Proxy Voting Guidelines are designed to further the interests of clients, and has therefore adopted ISS’s Proxy Voting Guidelines and directed ISS to vote clients’ proxies in accordance with the Guidelines (unless otherwise directed). Moneta monitors and oversees ISS and reviews ISS’s Proxy Voting Guidelines periodically to ensure that this policy aligns with the best interests of clients.” (emphasis added).

PIMCO, Form ADV Part 2A, Item 17, at 70, March 29, 2019:

“PIMCO has retained an Industry Service Provider (‘ISP’) to provide research and voting recommendations for proxies relating to equity securities in accordance with the ISP’s guidelines. By following the guidelines of an independent third party, PIMCO seeks to mitigate potential conflicts of interest PIMCO may have with respect to proxies covered by the ISP. *PIMCO will follow the recommendations of the ISP unless: (i) the ISP does not provide a voting recommendation; or (ii) a PM decides to override the ISP’s voting recommendation.* In either such case as described above, PIMCO will review the proxy to determine whether a material conflict of interest, or the appearance of one, exists.” (emphasis added).

Polen Capital Management, LLC, Form ADV Part 2A, Item 17, at 32, March 2019:

“Accordingly, Polen Capital has engaged Institutional Shareholder Services Inc. (“ISS”), an independent proxy voting service provider, to vote all proxies on behalf of client accounts, unless the particular client has not delegated proxy voting authority to Polen Capital. *Polen Capital will generally instruct ISS to vote the proxies in accordance with ISS’s Voting Guidelines (“ISS Recommendations”);* provided, however, that Polen Capital will direct ISS to vote differently if Polen Capital identifies a reason for not following the ISS Recommendations.” (emphasis added).

Putnam Retail Open-End Funds, Statement of Additional Information, Proxy voting procedures of The Putnam Funds, at II-141-142, February 28, 2019:

“The funds have engaged an independent proxy voting service to assist in the voting of proxies. The proxy voting service is responsible for coordinating with the funds’ custodian(s) to ensure that all proxy materials received by the custodians relating to the funds’ portfolio securities are processed in a timely fashion. *To the extent applicable, the proxy voting service votes all proxies in accordance with the proxy voting guidelines established by the Trustees.* The proxy voting service will refer proxy questions to the Proxy Voting Director for instructions under circumstances where: (1) the application of the proxy voting guidelines is unclear; (2) a particular proxy question is not covered by the guidelines; or (3) the guidelines call for specific instructions on a case-by-case basis. The proxy voting service is also requested to call to the attention of the Proxy Voting Director specific proxy questions that, while governed by a guideline, appear to involve unusual or controversial issues.” (emphasis added).

Pzena Funds, Statement of Additional Information, at 28, June 28, 2019:

“The Adviser subscribes to Institutional Shareholder Services’ (‘ISS’) proxy monitoring and voting agent service. However, the Adviser retains ultimate responsibility for instructing ISS how to vote proxies on behalf of a portfolio, and applies its own proxy voting guidelines, which

are summarized below. *If the Adviser does not issue instructions for a particular vote, ISS will vote in accordance with the Adviser's guidelines or, if the Adviser's guidelines do not address the proxy item, will refer the item back to the Adviser for instruction.*" (emphasis added).

Quantitative Management Associates LLC (QMA), Form ADV Part 2A, Item 17, at 43, March 29, 2019:

"We currently use the services of a third party proxy voting facilitator and have directed the voting facilitator, upon receipt of proxies, to vote in a manner consistent with our established voting guidelines described above (assuming timely receipt of proxy materials from issuers and custodians). Our proxy vendor also makes available analyses of ballot issues and voting recommendations to its clients. QMA's voting guidelines include instructions to vote certain ballot issues consistent with recommendations made by the vendor. In these cases, QMA periodically assesses the consistency of its view with that of the vendor and retains ultimate responsibility for the voting decision." (emphasis added).

Renaissance Technologies LLC, Form ADV Part 2A, Item 17, at 26, June 27, 2019:

"For the RIEF, RIDA, and RIDGE Funds, which employ a long-term holding strategy, proxies will be voted, and the Firm will generally rely on the recommendations of its proxy adviser, Institutional Shareholder Services, Inc. ('ISS'). (If ISS does not have a recommendation, the Firm generally will abstain from voting.)"

...

"Notwithstanding the above, in certain limited circumstances, the Firm may cast proxies for the Medallion, RIEF, RIDA, or RIDGE Funds without regard to the recommendations of ISS, if applicable." (emphasis added).

Samlyn Capital, LLC, Form ADV Part 2A, Item 17, at 26, March 29, 2019:

"To assist Samlyn in its responsibility for voting proxies, Glass Lewis & Co. ('Glass Lewis') has been retained as an expert in the proxy voting and corporate governance area. Glass Lewis is an unaffiliated, third party proxy voting service. Samlyn's Chief Compliance Officer has reviewed and approved Proxy Voting Guidelines prepared by Glass Lewis and its designees and has determined that these guidelines accurately reflect Samlyn's objective standards in voting proxies.

Samlyn generally votes proxies based upon the recommendations of Glass Lewis consistent with the Proxy Voting Guidelines. In the event Samlyn fails to instruct Glass Lewis on how to vote a proxy, Glass Lewis is directed to vote in accordance with its recommendations." (emphasis added).

Securian Asset Management, Inc., Summary of Proxy Voting Policies and Procedures, at B-13, July 31, 2019:

“Securian AM has retained Glass Lewis & Co (‘Glass Lewis’) as a proxy adviser. *Securian AM will, in most cases follow proxy voting guidelines developed by Glass Lewis (the ‘Guidelines’).* However, these Guidelines are just that—guidelines; they are not strict rules that must be obeyed in all cases. Securian AM’s Proxy Voting Policies allow it to vote shares contrary to the typical vote indicated by the Guidelines if such vote is in an account’s best interests.” (emphasis added).

U.S. Bancorp Investments, Inc., Wrap Fee Program Brochure, at 14, November 13, 2019:

“*Subject to exceptions as noted below, it is our policy to vote client shares based on the recommendations of Glass-Lewis & Co. Glass-Lewis & Co. is an independent third-party research provider that issues recommendations based on their own internal guidelines.* Relying on Glass-Lewis & Co. recommendations assists our firm in limiting the possible conflicts of interest between USBI and our clients.” (emphasis added).

Vision Capital Management Inc., Form ADV Part 2A, Item 17, at 30, January 1, 2020:

“Institutional Shareholder Services (‘ISS’) is our proxy voting vendor. *We outsource all proxy voting services to ISS and have adopted the ISS annual voting guidelines based on their research and due diligence. ISS votes the proxies, records voting decisions, keeps record of votes and reasons for voting, all on behalf of our participating clients. ... We may disregard the ISS voting guidelines if we determine your best interest would be served by voting otherwise.*” (emphasis added).