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30 January 2020

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

Email: rule-comments@sec.gov

Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice
Release No. 34-87457; File No. S7-22-19

Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8
Release No. 34-87458; File No. S7-23-19

Dear Ms. Countryman,

Stewart Investors has been managing listed equity funds since 1988 with an investment philosophy based on the principle of stewardship. We strive to deliver sustainable returns for our clients by investing in high quality, reasonably valued companies over the long-term. We currently hold US$1.2bn in US listed equities of more than US$23.1bn managed across our funds.

Core principles and general comments relevant to both consultations
Constructive engagement between companies and its shareholders is critical to sustainable shareholder capitalism. As long-term investors, we believe that company engagement and proxy voting is a fundamental duty of shareholders. Companies also have a duty to engage with their shareholders and other stakeholders.

In this regard, both as it relates to proxy voting advisors and shareholder resolutions, the views we express in this letter are founded on the following:

- The ultimate responsibility (and regulatory focus) for proxy voting should lie with companies and their investors, rather than advisors.
- The resolution of perceived issues with the role and influence of proxy advisors is best achieved by investors embracing their stewardship responsibilities.
- Ensuring transparency and easy access to information from companies, filers of shareholder resolutions and the different sides in contested proxy ballots is more important than encouraging specific engagements between proxy advisors and these stakeholders.
- Shareholder resolutions are a vital mechanism by which investors can voice a non-binding, transparent and collective voice on issues of concern.
- The size of a shareholder's economic interest is not indicative of the insight or care the filer of a resolution may have on an issue or the support they might receive from other shareholders.
- It is not in the interests of filers of shareholder resolutions to make frivolous or vexatious proposals and companies already have sufficient grounds to apply to the SEC to exclude proposals.

- Given shareholder proposals are non-binding on the company, an absolute majority is not needed to send a valuable signal to a company. Even 10% support for a resolution offers relevant insights which companies ought to consider.
- Regulatory complexity in these areas are the enemy of good-faith and productive engagement between investors and companies.

Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice
The "one size fits all" approach to corporate governance arrangements and consequently recommendations made by most proxy advisers is a significant and growing concern. Investors are best able to make judgements on the merits of a proposal where recommendations are frank, fearless and have appropriate nuance given differing company circumstances. We are concerned that the recommendations in the proposal will have the opposite effect.

To avoid these unintended consequences and in keeping with the principles above, which emphasise investor responsibility and stewardship, we believe:

- That proxy voting advisers should not be regulated as a proxy solicitation service.
- Transparent disclosure of conflicts of interest, particularly where a proxy advisor also provides consulting services to companies is critical for understanding a company's practices. The concern here is less that proxy advisors will change their votes to suit companies, but that companies will conform to proxy advisors' policies to secure easy votes when it is not in the company's interest to do so.
- Mandatory review and engagement between proxy advisors and the relevant proponent should not be required as those engagements should occur directly with shareholders. Proxy advisors should offer companies, the proposers of shareholder resolutions and contested ballots (including "vote no" or withhold campaigns) the facility to respond directly to shareholders.
- If review requirements are implemented, they should concentrate on objective statements of fact, not the analysis, methodology or recommendations of the advisor. It is the role of investors to hold advisors accountable for deficiencies in these areas.
- Multiple review periods and requirements for final notice should be avoided as they introduce unnecessary complexity.
- Review processes should only be required where sufficient time for proxy advisors and shareholders to consider relevant matters is provided, the current proposals seem insufficient in this regard.
- Proxy advisor decisions on how to respond to company complaints should be final, with the nature of any disagreements disclosed to investors.

In terms of the SEC's alternate proposals, we support proposals to discourage or prevent the automatic filling of ballots by investors who simply follow proxy advisors standard recommendations as it will force greater responsibility by investors for their votes.

Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8
We do not believe the changes are required and are concerned that the proposals introduce unnecessary complexity where no obvious problem exists.

We have not seen any evidence which suggests the current arrangements are being abused or that costs to companies exceed the benefits of having the collective voice of shareholders expressed in this way. However, if the SEC were to go down this path we would submit the following preferences for your consideration:

- Simplify the requirements by:
  - Maintaining a single minimum threshold (rather than multiple values with multiple holding periods) which does not discriminate against small shareholders (e.g. $5,000) with a one year minimum holding period.

    - Use the same dollar and time values for resubmission of proposals.
- Exclusion of proposals with the same "substantive concerns" should be very narrowly interpreted, and we would prefer that the SEC's alternative of "substantially the same proposal" were applied instead.
- We do not believe the proposed momentum rule is necessary, as it adds complexity for limited benefit. We believe if shareholder support for a proposal is falling, it is highly likely the filer will stop of their own volition or change the proposal.
- In principle we support the requirements for filers of resolutions to engage with the company, however we are concerned at mandated engagement for its own sake. In most cases engagement will have already occurred with the proposal being made as a last resort. Consequently, rather than require an offer of engagement, the proposer should describe what engagement has been attempted ahead of filing the resolution. Engagement subsequent to the resolution being filed should be encouraged but be non-prescriptive.

We thank the SEC for seeking stakeholder feedback on these proposed changes and hope our comments are helpful in the SEC's deliberations. We would welcome the opportunity to discuss our views on these issues or to provide additional information as required.

Yours sincerely,

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