

SEC Proposes to Increase Reporting of Proxy Votes and Executive Compensation Votes

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The Securities and Exchange Commission (SEC) has [proposed a new rule](#) that would require an institutional investment manager to report annually on Form N-PX how it voted proxies relating to executive compensation matters (i.e., "say-on-pay"). The proposal also includes amendments to Form N-PX that would enhance the information that registered closed-end investment companies, mutual funds and exchange-traded funds are required to report annually on Form N-PX.

Investment Manager Reporting Obligation on 'Say-On-Pay' Voting Matters

The proposal would require investment managers that are subject to Section 13(f) of the Securities Exchange Act of 1934 (the Exchange Act) to report annually how they voted their proxies on executive compensation matters.

Section 13(f) of the Exchange Act requires an investment manager to file a report with the SEC if it exercises investment discretion for accounts holding certain equity securities with an aggregate fair market value on the last trading day of any month of any calendar year of at least \$100 million. Under the proposal, these investment managers would provide information on executive compensation voting matters by filing Form N-PX with the SEC no later than each August 31. Similar to current proxy voting disclosures for funds that file Form N-PX, the "say-on-pay" disclosures would cover a 12-month period from July 1 to June 30.

Enhanced Fund Proxy Voting Disclosures

The proposal would also implement amendments to Form N-PX with the goal of enhancing proxy voting disclosures, while providing greater protection and transparency for investors. The updated Form N-PX would:

- include a requirement that funds and investment managers match the description of each voting matter to the same language as the issuer's form of proxy;
- require funds and investment managers to categorize each matter by type to help investors identify votes of interest and compare voting records. Notably, the proposed categories and subcategories include certain ESG (environmental, social and governance) related topics, such as environment or climate, human rights or capital/workforce, and diversity, equity and inclusion;
- prescribe how funds and investment managers organize their reports and require use of a structured data language to make the filings easier to analyze; and
- require funds and investment managers to disclose how any securities lending activity impacted their voting.

While the proposal would continue to require only an annual N-PX filing, the SEC asked for comment on whether funds and investment managers should report more frequently. For example, the SEC noted that similar shareholder proposals may appear on the ballots of many issuers in a given proxy season, and more frequent public reporting of proxy votes (either in an N-PX filing or on a fund's website) could provide shareholders with better access to how a fund is involved in the governance activities of its portfolio companies, including within a single proxy season.

The comment period for the proposal closed on December 14. The SEC is now evaluating the comments and is expected to release a final rule in the coming months.