



NORGES BANK
INVESTMENT MANAGEMENT

Securities and Exchange Commission
100F Street, N.E
Washington, D.C. 20549-1090

Date: 02.11.2018

Comments to the SEC on the proxy process

We refer to the Securities and Exchange Commission (SEC)'s call for comments ahead of its staff roundtable on the proxy process (file number 4-725), and we welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with 250 billion dollars invested in equities in the United States.¹ NBIM is an active owner and aims to promote long-term value creation in investee companies.

Voting is one of the most important tools for investors to manage their responsibilities and exercise their rights as owners. Given the high number of shareholder meetings, large investors use the services of custodians (who hold securities on their behalf) and proxy advisors to exercise their voting rights. We rely on these intermediaries to obtain information on shareholder meetings, relay our voting instructions – which are based on NBIM's public voting guidelines² – and confirm that our votes have been registered by issuers. Investors can also decide to receive vote recommendations from proxy advisors. While proxy advisors provide us with useful analysis, the voting decision remains in the hands of NBIM.

As a market participant in the United States, we benefit from its advanced proxy voting system. We support the SEC's continuous efforts to ensure the system's efficiency, accuracy and transparency. We provided comments on the SEC's concept release in 2010³ and we welcome the upcoming staff roundtable on the proxy process. We find that some of the questions raised by the SEC in 2010 are still relevant today.

As highlighted by the SEC in 2010, it can be difficult for investors to obtain confirmation that resolutions have been voted on in line with their instructions. This prevents investors from verifying that intermediaries have respected their direction and that the company has taken their vote into account. Accordingly, we respectfully submit that introducing a mandatory

¹ At the end of December 2017.

² NBIM, [Global voting guidelines](#), 2016. NBIM aims to vote at the shareholder meetings of all the companies in which we invest. In 2017, we voted at 11,084 shareholder meetings.

³ NBIM's [response](#) to the SEC concept release on the US proxy system, 29 October 2010.



requirement for all intermediaries to transmit the necessary information throughout the voting chain, to provide transparency to shareholders on how their votes have been cast, would help address this issue.

Another important topic to consider when discussing the proxy process is the record date. Investors who own a company's shares at a specific date fixed by the issuer (i.e. the record date) have the right to vote the shares and participate in corporate actions. In the United States, the record date can be set up to 60 days before the meeting date. This relatively long period of time can be problematic for two main reasons.

First, at the record date, investors have generally not yet received the meeting agenda and cannot predict whether there will be important matters subject to a vote. This may prevent them from recalling loaned securities and voting on key issues⁴. Second, the ownership of the company might change between the record date and the meeting. This increases the likelihood that a shareholder without an economic interest (i.e. one that has sold its shares) will get to vote at the general assembly, while a shareholder that does have an economic interest (i.e. has bought shares) is not entitled to vote. To minimise such situations, the record date could be moved closer to the meeting date (preferably less than a week before the meeting). The proxy materials can be sent in advance to allow shareholders to make informed voting decisions. This is a common practice in other markets.

Finally, we see the benefits of receiving proxy statement and voting information from issuers in an interactive data format ("tagged data"), using a computer mark-up language that can be processed by software analysis. This would facilitate the collection and analysis of information by investors. This is one example where automation in the voting chain could increase efficiency in the proxy system.

In recent years, new technological solutions have emerged which could improve the efficiency and accuracy of the voting process and the transmission of information between issuers and investors. We support the SEC's interest in these new technologies and we welcome further studies and discussions with market participants on how these can be used in the proxy process.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours faithfully

Carine Smith Ihenacho
Chief Corporate Governance Officer

Séverine Neervoort
Senior Analyst, Policy Development

⁴ See NBIM Asset Manager Perspective, [The role of securities lending in well-functioning markets](#), 2016.