

U.S. SEC Proposes to Enhance and Expand Money Managers' Reporting of Say-on-Pay Votes and Other Matters

An SEC proposal would mandate a broader class of investment managers disclose their say-on-pay votes. It would also make them categorize their proxy votes, aiding voting analysis.

The United States Securities and Exchange Commission (SEC) has [proposed changes](#) to enhance the information that mutual funds, exchange-traded funds and certain other funds report. The proposed amendments, which are subject to a 60-day period of public comment, would:

- Require an expanded group of funds, as well as non-financial businesses investing for their own accounts, to report how they voted on say-on-pay proposals;
- Mandate that funds and managers categorize their votes using the same language as the issuer's proxy, as well as identify the subject matter of the items voted on from standardized categories (e.g., environment and climate; diversity, equity and inclusion; boards of directors; say on pay; human capital; political activity);
- Obligate funds to report how many shares they voted, and the number of shares lent out and not recalled for voting;
- Permit certain forms of joint reporting of say-on-pay votes in order to reduce duplicative filings;
- Require funds to disclose that their proxy voting record is publicly available on their website and available upon request, free of charge; and
- Require funds to use a structured data language to make the filings easier to analyze.

The proposed rulemaking, which would be affected by amendments to Form N-PX, passed by a 4 to 1 vote, and was the first rulemaking proposal under new SEC Chairman Gary Gensler.

"This proposal will make it easier and more efficient for investors to get crucial information about proxy votes from funds," Gensler said in a statement.

Funds have been required since 2003 to file Form N-PX to disclose how they voted on proxy proposals, but there have been difficulties for those trying to analyze them because of inconsistent formats or not being machine-readable. According to the SEC, the proposal would make proxy voting records more usable and easier to analyze, improving investors' ability to monitor how their funds vote and compare different funds' voting records.

Next Steps

We anticipate changes to the final version of the amendments in response to public comment, including potential adjustments to the standardized vote categories. Hedge funds would now be required to disclose their votes (as mutual funds have had to for a long time). There is also likely to be pushback from institutional investors on the proposed changes with respect to reporting shares lent out and not recalled for voting.

We expect the provision calling for the use of a structured data format would make proxy voting records easier to access and would improve transparency and open more opportunities for voting analysis.

We will continue to monitor the situation and update our clients when the SEC finalizes its rule. In the meantime, if you have questions about this topic or other related matters or if you would like to speak with one of our experts, please email us at humancapital@aon.com.

Author Contact Information

Dan Pliskin

Partner, Human Capital Solutions
Aon
+1.215.255.2028
dan.pliskin@aon.com

AJ Patterson

Director, Human Capital Solutions
Aon
aj.patterson@aon.com

About Human Capital Solutions

Aon's human capital business provides leaders with a powerful mix of data, analytics and advice to help them make better workforce decisions. Our team, spanning 2,000 colleagues in more than 30 countries, includes the firm's rewards, talent assessment, and performance & analytics practices. To learn more, visit humancapital.aon.com.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance. For further information, please visit aon.com.

This article provides general information for reference purposes only. Readers should not use this article as a replacement for legal, tax, accounting or consulting advice that is specific to the facts and circumstances of their business. We encourage readers to consult with appropriate advisors before acting on any of the information contained in this article.

The contents of this article may not be reused, reprinted or redistributed without the expressed written consent of Radford. To use information in this article, please [write to our team](#).

© 2021 Aon plc. All rights reserved