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Changes to Form N-PX: What Might Be the Impact on This Proxy Season?



During our recent webcast - "[Proxy Season Roundtable: What You Need to Know Now](#)" - Proxy Analytics' Steve Pantina talked about SEC's updated rules regarding Form N-PX changes and some of the practical implications they may have (see [our blog](#) about these changes), at the 41:03 mark. Below is a summary of his thoughts:

- To start, the new rules will make it far easier to access voting information. Under the current rules, investors are required to disclose a number of pre-set data points but there is no requirement as to how the data must be disclosed. To better analyze this data, Proxy Analytics developed a number of different parsing tools in order to accurately capture voting information. With the rule changes, investors will be required to disclose voting records following a pre-defined XBRL format, which will make the information more accessible.
- In addition to easier access to information, the new rules will impose disclosure requirements on a broader set of investors, though in a limited way. Under the current rules, only mutual funds are required to annually disclose their voting record. Although mutual fund providers make up the largest part of the investing community, it exempts such organizations as hedge funds and public pension funds from making voting information available.

Under the new rules, any investor that is required to make ownership disclosures on a Form 13F will also be required to make voting disclosures as well, but only on certain compensation-related matters. These include approval of executive compensation ("say-on-pay"), votes on the frequency of say-on-pay ("say-on-frequency") and compensation votes in connection with transactions ("say-on-golden parachutes"). Steve thought that the focus on compensation was somewhat arbitrary and could present challenges in terms of "pulling" specific votes in order to make the new disclosures but felt that additional information would be helpful overall.

- Importantly, the new rules will also provide access to key pieces of information for the first time. In particular, investors will be required to disclose the number of shares that were voted (or instructed to be

voted) as well as the number of shares that were loaned and not recalled, thus making them ineligible to be voted. Before this rule change, investors were not required to make this information available in any format so any information on voted vs. loaned shares will be entirely new to the market and will help firms like Proxy Analytics provide better predictive analyses on investor voting trends.

- Finally, Steve pointed out certain aspects of the rule that may prove to be more confusing than some may think. Of note, the new rules require that investors categorize proposals by proposal type using 14 categories that are specified in the rule. Although this is easily done for many of the broad categories of proposals, he noted that it may cause confusion in situations where a proposal potentially spans different categories of proposals. An example of this is climate lobbying.

In addition, the new rules require investors to use the "same language... as the issuer's form of proxy." In his view, Steve thought this aspect of the new rule may prove to be more harmful than helpful, depending on how the rule is interpreted. From a practical perspective, most investors today rely on a third-party to generate their disclosures (usually ISS, Glass Lewis or Broadridge) and use the third-party's naming conventions instead of language used on the proxy card. For proposals like equity incentive plans, where naming conventions tend to vary greatly, the requirement to use the language in the proxy card could wind up limiting the utility of information.

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