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Brent J. Fields
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

**Subject: File Number 4-725**
**Comments by Donnelley Financial Solutions on the Proxy Process**

Dear Mr. Fields:

We appreciate the opportunity to provide input to the U.S. Securities and Exchange Commission (SEC) on the Proxy Process, in advance of the upcoming SEC Staff Proxy Process Roundtable. Donnelley Financial Solutions (NYSE: DFIN) is the largest EDGAR Filing Agent to the SEC, offering public and private corporations with software and service to help them streamline reporting to the SEC and deliver high quality disclosure to the markets. Specifically relating to proxy statements, Donnelley Financial Solutions provides over 1/3 of US public companies with comprehensive services including proxy messaging strategy, creative design services, editorial and drafting assistance, collaborative drafting tools, SEC filing, printing, distribution, web hosting and annual meeting services.

**Proxy Statement Evolution**

As you are aware, many companies are evolving their proxies from a pure SEC-compliance focus, to more of an investor-focused communications piece, while still meeting regulatory disclosure requirements. For many companies, an increasing portion of their proxy is comprised of non-SEC required, or "voluntary" disclosure, that provides investors with important context to understand "why" what these companies do makes sense in their industry and competitive context and is deserving of investor/voter support. Much of this is based on direct engagement between companies and their major investors and areas of interest raised in these conversations, including:

- Board gender and other forms of diversity
- How the board skills mix is appropriate for the company's strategy
- Executive compensation, pay for performance alignment and "how pay supports the business strategy"
- And increasingly, Corporate Social Responsibility and company sustainability and potential "climate change risk"

Drivers of this change our clients report to us include:

- Activism and a desire to "tell our best corporate governance and board story"
- Say on Pay and a desire to "tell our best compensation story"
- Peer company proxy evolution and not wanting to be seen as "communications laggards" relative to peers
- Continuing growth in institutional ownership including by long-term "passive" investors that practice "active" stewardship over their portfolio companies
- Related to the above, concerns about the impact and influence of proxy advisors, and a desire to mitigate their influence by providing investors with coherent, compelling and digestible information to help them make thoughtful, company-specific voting decisions.

This evolution was initiated well over a decade ago by a handful of enlightened large cap companies, and is accelerating and increasingly being embraced by mid and smaller cap companies as well.

**Donnelley tools to help companies in this process:**

It is through this lens in working with such a large group of corporations that Donnelley prepares our annual Guide to Effective Proxies. The guide is a searchable catalog of proxy disclosures from our extensive, diverse and very creative client base. It catalogs over 25 sections, topics and features of proxies, including highlighting innovative and shareholder-focused examples of key board, governance, strategy, performance, compensation, sustainability and

other topics investors are focused on. Many clients report using the Guide as an efficiency tool, helping them to identify disclosure trends and devices they can apply to their particular situation.
https://comms.dfsco.com/Proxy_Guide

To assist our clients that have not yet engaged with their investors and to guide our advisory efforts, we maintain contact and engage with a range of institutional and other investors to understand their evolving interests and informational needs, through:

- Donnelley conducting surveys of institutional investors about proxy statements, what they are focused on, how they use them and what can make them more effective for investors [we are presently conducting our third such survey]
- Our active membership in the Council of Institutional Investors (CII)
- Our participation in industry as well as Equilar events including panels featuring institutional investors
- Our involving institutional investors in our thought leadership events for corporate clients

**With that background, we would like to comment specifically on two of the topics the Roundtable is expected to focus on:**

**1) Retail Shareholder Participation:**

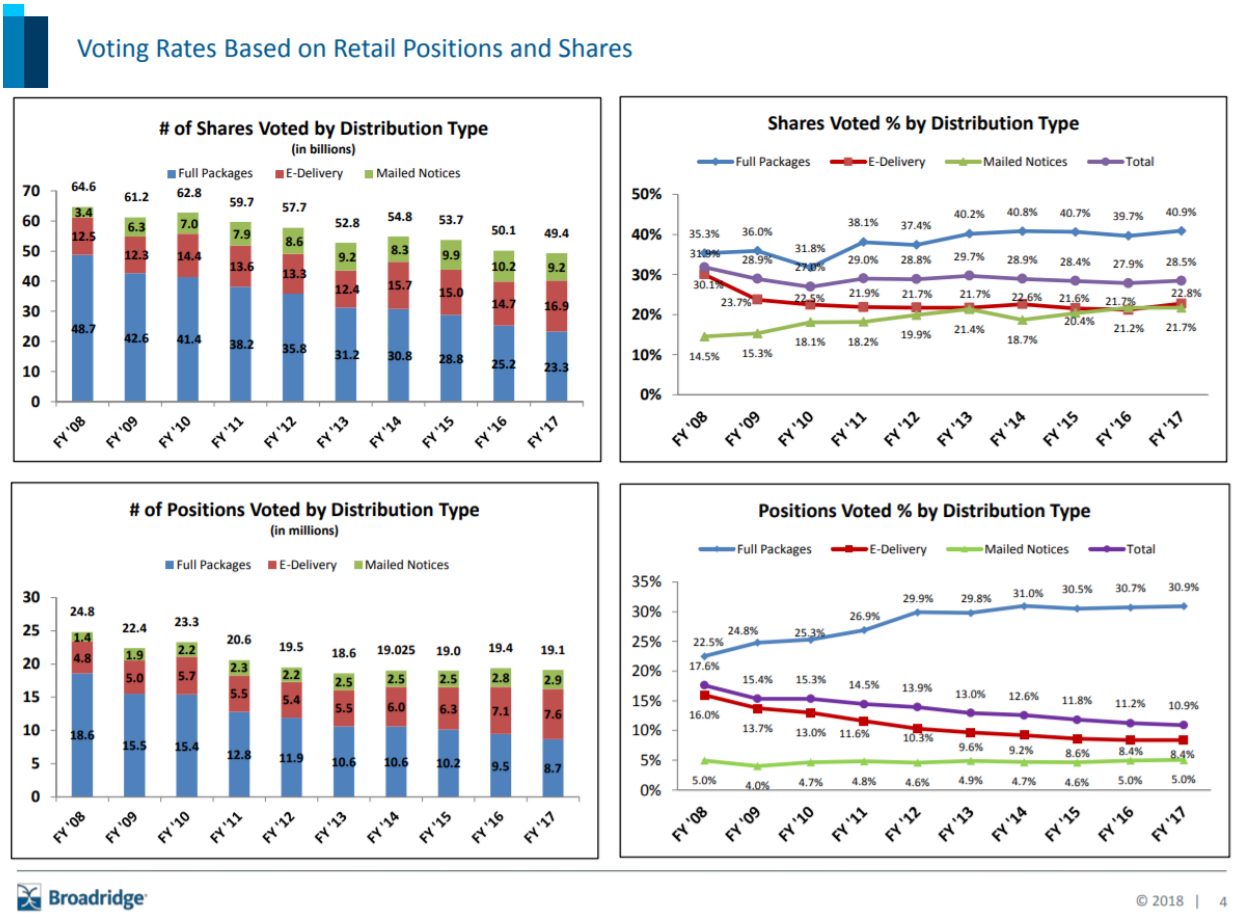
Companies recognize that retail investor voting participation can provide a base of support that can help blunt or offset negative votes from institutional and other investors, yet collecting the diffused retail vote is less cost-effective than securing voting from more concentrated professional holdings. As we collectively focus on addressing the reported decline in retail voting participation over the past decade, it is important to recognize that this decline is highly correlated both in time and degree with a shift to Notice & Access (N&A) from traditional "full set" mailings. There are a range of reasons for this, but simply put, once an investor receives a "Notice of Internet Availability" they must then take additional steps in order to access the proxy materials and to vote, compared to traditional mail in which investors receive their proxy card (or for street name investors, "vote instruction form") directly with this initial mailing along with the very detailed proxy itself.

Companies thus make decisions, balancing cost, desired level of retail voting participation, significance of particular proxy proposals and their approval requirements. Where they believe the retail voting component is particularly important, companies can "stratify" the distribution on any level, often sending "notices" to smaller investors and "full sets" to larger investors, or send "full sets" to all. So this remedy is already available to and used by many companies.

- The Commission appears to have understood this "cost versus materiality" tradeoff since the inception of N&A, since Rule 14a-16(m) states that its use generally is not available for proxy solicitations that are made in connection with business combination transactions. Clearly merger votes are significant issues where broad shareholder participation is desirable and the Commission's foresight is admirable.

- Companies and their advisors also recognize this in the context of contested director elections, whether for board representation or outright control. To our knowledge, N&A has not been used in any major proxy contest, even though its use in these settings is permissible. Why? Many proxy contest outcomes are very close, and the stakes are simply too high.

This decline in retail voting participation based on "method of delivery" is amply documented by this Broadridge report. In short, these statistics show that five times as many retail investors, collectively owning nearly twice as many shares, vote when they receive full sets versus Notices (evidencing that investors with a larger economic stake in companies are more likely to vote irrespective of the method of delivery):




Source: Broadridge 10-year voting analysis

**2) Proxy Advisory Firms:**

We appreciate their impact on the proxy process and the concerns of public companies – including our clients – about aspects of their operations and influence.

What we would like to point out here, is "how" investors use these services. Many smaller or mid-size institutional investors with limited internal resources likely use them for their vote recommendations and may follow those recommendations. But the larger investors, including Blackrock, Vanguard, State Street Global and many others, maintain dedicated stewardship (engagement and voting) groups that may work in concert with or independent from the investment management side of their firms (i.e. analysts and portfolio managers). For largely indexed investors, these governance groups necessarily work more independently from investment management. These investors also subscribe to the major proxy advisory firms, but most report using them primarily as data aggregators, as screening tools to identify which portfolio companies to focus their attention on, and for a range of administrative and vote record keeping tools they may offer.

These larger investors report that once a portfolio company is "flagged" for extra review (due either to their own screening or proxy advisor recommendations), they then use company proxies as "reference documents", looking for what the company has to say about the topic. To be effective in this context, proxies must be well-organized, easily navigated, and provide clear, compelling information tying their actions to the company's business strategy and efforts to grow shareholder value – not just "what" they do, but "why". These larger investors report that when they are provided with such robust, clear, contextual company-provided information, they are less likely to reflexively follow negative proxy advisor recommendations.

In our experience, providing such clear, compelling proxy disclosure is an effective tool for mitigating the impact of negative proxy advisor recommendations that companies increasingly are embracing and appears to be a "win-win" for companies and investors alike.

We applaud the focus and efforts by the Commission toward improving the proxy process, and are interested and available to participate in this process as you deem appropriate.