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VIA ELECTRONIC MAIL: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
Attention: Ms. Elizabeth M. Murphy, Secretary

*Re: Concept Release on the U.S. Proxy System*  
File No. S7-14-10

Western Digital Corporation appreciates the opportunity to comment on the Securities and Exchange Commission's Concept Release on the U.S. Proxy System (the "Concept Release"). We are one of the storage industry's pioneers and long-time leaders. We design and produce reliable, high-performance hard disk drives and solid state drives that keep users' data accessible and secure from loss. We are listed on the New York Stock Exchange, had revenues in excess of \$9.8 billion during our last fiscal year, and have approximately 62,000 employees. We believe that our views on these issues may be similar to those of other multinational companies committed to maintaining a governance model that returns long-term value to their shareholders.

## **Introduction**

RiskMetrics, the largest proxy advisory firm, has disclosed that it issued proxy research and vote recommendations in 2009 for more than 37,000 shareholder meetings across 108 countries, and voted 7.6 million ballots representing over 1.3 trillion shares on behalf of clients. RiskMetrics also published in 2008 that it represents more than 2,200 institutional clients worldwide, representing approximately \$25 trillion in equity assets under management. Glass Lewis, another prominent proxy advisory firm, has said that it offers services covering more than 20,000 companies in 100 markets. Despite the influence they exert, proxy advisory firms remain largely unregulated. In addition, relatively little is known about the methodologies used by these firms to produce the reports and vote recommendations relied on by so many investors. We believe that serious consideration should be given by the Commission to changing the way it oversees the activities of proxy advisory firms to ensure that the positions taken by these firms are in the best interests of the shareholders of companies reviewed.

**Consideration should be given to expanding the regulatory requirements applicable to proxy advisory firms.**

In many ways, proxy advisory firms are similar to credit ratings agencies which have had their regulatory requirements significantly expanded by the Commission. The similarities between proxy advisory firms and credit ratings agencies include a rating system based on proprietary models; significant reliance by many investors on the firms' views; industry dominance by a few firms; and concerns regarding potential conflicts of interest and the integrity of data on which recommendations are based. Moreover, while arrangers or underwriters often seek out and initiate credit ratings, it is the proxy advisory services that initiate and produce their corporate governance ratings without prompting from issuers. This distinction makes an even stronger case for increasing regulation in the corporate governance industry. The SEC's expansion of regulation covering the credit ratings agencies is designed "to improve ratings quality for the protection of investors and in the public interest by fostering accountability, transparency, and competition in the credit rating industry." Likewise, expanded regulation of proxy advisory firms with similar goals in mind would be extremely beneficial to investors.

**Greater transparency concerning the methodologies used by, and greater accuracy of information published by, proxy advisory firms would benefit investors.**

Any new system of proxy advisory firm regulation should significantly improve the transparency of methodologies for determining voting recommendations and the accuracy of information published. While issuers are sometimes allowed to review reports for factual accuracy prior to publication by proxy advisory firms, this is the exception rather than the rule. Proxy advisory firm decision-making often occurs privately with no requirement that the firms disclose the rationale for their positions on any particular issue. Also, although proxy advisory firms may consider many factors in determining proxy voting recommendations, little is often disclosed regarding the weighting of those factors. Additional transparency in this area would provide investors with a more reasoned basis for reaching conclusions about the value of proxy advisory firm recommendations. Such transparency would also help issuers understand, in advance of shareholder meetings, those factors which influence voting. In addition, it is critical that recommendations provided by proxy advisory firms be based on accurate, properly vetted information. The use or publication of erroneous information about an issuer can have significant consequences with respect to voting and issuer reputation. The regulation of proxy advisory firms should therefore also include a mechanism for holding proxy advisory firms accountable for the release of inaccurate or incomplete information.

**Providing issuers more time to fully evaluate and contest proxy advisory firm reports would result in investors receiving more accurate, comprehensive information.**

We believe issuers should be provided more time to review and respond to comments provided in proxy advisory firms' reports both in advance of and following publication of those reports.

At present, issuers are typically given no more than a few days to review and respond to reports and vote recommendations issued by a proxy advisory firm. An extended review and response process will help ensure the factual accuracy of the reports issued and provide shareholders with a more reliable basis to form decisions. We also believe that proxy advisory firms should rely solely on publicly filed materials in their reports. This approach would greatly improve the likelihood of the proxy advisory firm issuing an independent opinion, and it would reduce shareholders' risk of receiving erroneous or misleading facts regarding an issuer. Finally, in addition to expanding the timeline for issuers to respond to proxy advisory firm analyses and recommendations, consideration should be given to requiring proxy advisory firms to disclose any disagreements with issuers that cannot be resolved and allowing issuers the opportunity to offer a dissenting statement in those instances.

**Requiring proxy advisory firms to publicly disclose the extent of their influence would provide investors with important information.**

Finally, we believe it would be helpful for beneficial owners to better understand the extent of a proxy advisory firm's influence prior to the deadline for voting. An understanding of this influence may be material to shareholder investment and voting decisions. This would be best accomplished by requiring additional disclosure in the report containing the proxy advisory firm's voting recommendation. The disclosure would set forth, among other information, the aggregate number of shares for which the proxy adviser has an arrangement to vote exactly in accordance with the proxy advisory firm's recommendations. We believe this information is largely available to proxy advisory firms. This improved transparency in the voting process will greatly enhance integrity in the proxy process.

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We appreciate the opportunity to provide our views on the existing proxy system. The Commission's efforts are timely and necessary in light of the Dodd-Frank Wall Street Reform and Consumer Protection Act and changes to SEC and NYSE rules, as well as corporate governance and other trends that have heightened the importance of broad and reliable shareholder voting. We look forward to the Commission's actions in this critical area of corporate governance.

Sincerely,

WESTERN DIGITAL CORPORATION



John F. Coyne  
President and Chief Executive Officer