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October 1, 2020

The Honorable Jeanne Klinefelter Wilson
Acting Assistant Secretary
U.S. Department of Labor
Employee Benefits Security Administration
200 Constitution Ave NW
Washington, DC 20210

**Re:** ***Notice of Proposed Rulemaking on Exercise of Shareholders Rights, including Proxy Voting, Amending "Investment duties" Regulation at 29 CFR 2550.404a-1 (RIN 1210-AB91)***

Dear Acting Assistant Secretary Klinefelter Wilson:

AllianceBernstein L.P. ("AB" or "we") provides research, diversified investment management and related services to diverse clients globally, including retirement plans. Our global team of research professionals, with disciplines including economic, fundamental equity and fixed income and quantitative analysis, deliver high-quality, in-depth research. It's the foundation of our business, and we believe that it gives us a competitive advantage in achieving investment success for our clients.

Responsible investing is part of who we are. We're a responsible firm with a deep research culture that integrates environmental, social and governance (ESG) considerations throughout our investing and proxy voting processes. As an investment adviser, we are shareholder advocates and have a fiduciary duty to make investment decisions that are in our clients' best interests by maximizing the value of their shares. Proxy voting is an integral part of this process, through which we support strong corporate governance structures, shareholder rights, and transparency.

While AB generally supports the Comment Letter submitted by the Council of Institutional Investors (CII) on September 24, 2020, we would like to make three additional comments on the Department of Labor's (the "Department") proposed amendment to the "Investment Duties" regulation (the "Proposal"). We submit this comment letter in the hope that the final regulation, when issued, will take our comments into account.

Our comments relate to the (1) the Department's reference to proxy voting having no clear economic significance for shareholders, (2) the Proposal's impact on fiduciary duties, and (3) the Department's reference to "permitted practices." We provide more detail on our comments below.

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**A. Proxy voting has a material economic impact on long-term shareholder value.**

The Department's Proposal is based on a flawed premise that proxy voting has no clear economic significance for shareholders. However, we believe proxy voting provides pecuniary value for shareholders as a mechanism to enforce accountability on corporates and create long-term shareholder value. Our view is consistent with the comments from the CII that proxy voting is an essential pecuniary mechanism to promote accountable corporate governance. As a result, substantially all S&P 500 companies now provide proxy access, which enable shareholders to nominate directors without having to institute a proxy contest that is costly to both the company and its shareholders.[1] As an ancillary benefit from proxy voting, engagement has become a more accessible tool for shareholders to drive meaningful economic governance changes as companies discovered that having a proactive dialogue prevents shareholder proposals that may highlight their gap in areas like climate risk management.[2] The Department's statement that proxy voting has "mixed evidence on [its] effectiveness"[3] does not reference or take into consideration the thorough research reviews or evidence such as those cited in CII's comment letter demonstrating the significance of proxy voting on long-term shareholder value.

**B. The Department's Proposal creates confusion for fiduciaries with respect to their proxy voting obligations.**

Clients of investment advisers frequently delegate proxy voting responsibilities to investment advisers and expect timely execution of all voteable proxies. In carrying out their proxy voting responsibilities on behalf of clients, investment advisers like AllianceBernstein L.P. consider a number of economic factors, including environmental, social and governance ("ESG") factors when voting proxies that have a pecuniary impact on the long term value of companies in which we invest on behalf of our clients. The Department's Proposal demands that "a fiduciary's exercise of voting rights must be performed solely for the plan's economic interests, which under no circumstances may be subordinated to non-pecuniary goals."[4] This is not only inconsistent with what our clients expect, but is also inconsistent with Stewardship Codes outside U.S. that do not limit significant votes to economic impact to the portfolio. The fundamental source of these differences is the Department's view of "plans' voting costs sometimes exceeding attendant benefits, [which] has been amplified by the recent increase in the number of environmental and social shareholder proposals introduced."[5] The Proposal assumes "that many of these proposals have little bearing on share value or other relation to plan interests."[6] However, this assumption does not consider the positive economic benefits of shareholder proposals that are mentioned in section A of this letter in addition to CII's reference to Government Accountability Office's findings. Through shareholder proposals focusing on ESG, fiduciaries push for greater transparency to "enhance their understanding of risks that could affect companies' value over time."[7]

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**C. "Permitted practices" do not mitigate incremental compliance costs that incur from the Proposal.**

The Department of Labor's proposal permits a number of practices that do not address incremental compliance costs. Specifically:

- Voting proxies with management assumes that management's interest will always align with the interest of its long-term shareholders. Absent any proof to justify such premise, voting in line with management could pose risks to shareholder value, which could incur additional cost against the Proposal's stated intent.
- Voting only on certain types of corporate events does not guarantee that the unvoted proposals have no probability of creating long-term shareholder value in excess of the voting cost.

We also note that investment advisers are left with no clear guidance for measuring economic impact and cost of each proxy proposal at a fund level. When resources are dedicated to the overall proxy voting process for all investee companies that an investment adviser invests in, splitting expenses by the number of dedicated employees at a fund level by each proxy proposal is a costly process on its own and may incur greater cost for proxy voting compared to the existing process.

For the aforementioned reasons, we ask that the DOL reassess the value of its Proposal and extend the comment period to discuss with a group of investment advisers.

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AB appreciates the opportunity to provide our views on the Proposal and your consideration of suggestions.

Sincerely,

Michelle Dunstan
SVP, Global Head of Responsible Investment

Diana Lee

Diana Lee
Director of Corporate Governance