



November 14, 2017

Change in the Air?

November can be a time of often sharp changes. It is noticeably darker out there every day. The trees are rapidly shedding their leaves. The College Football Playoff rankings bounce all over the place (Go Buckeyes!). And those of us caught up in the “Drama on the Potomac” can hardly keep track of the latest: a) scandal; b) disclosure; c) Twitter storm; or d) other daily head-shaking surprise.

Even within the staid halls of the Securities and Exchange Commission, change seems to be afoot. Just last week, SEC Chairman Jay Clayton made headlines with his [comments](#) on the U.S. proxy system and shareholder proposals.

Chairman Clayton revealed his interest in “lifting the hood” on the costs and burdens of the proxy system to better determine if the needs of retail investors are being served by the current state of the proxy system infrastructure. This is welcome change to the many NIRI members who have been [advocating](#) on this issue for the better part of a decade.

“History has shown that shareholder proposals can gain traction and lead to corporate governance changes that better track the long-term interests of Main Street investors,” Clayton noted. “They also create costs, including out-of-pocket costs and the use of board and management time that otherwise could be devoted to the operation of the company itself. Some are of the view that companies should focus as much energy on shareholder engagement as is demanded. Others want management to dedicate as much time as possible to company operations for the benefit of all shareholders. The shareholder proposal process is not the only piece of this puzzle, but it is a piece worth examining.”

As the SEC chairman muses, legislation is moving forward in the U.S. House to promote greater transparency and accuracy in proxy research. [H.R. 4015](#), “The Corporate Governance Reform and Transparency Act of 2017,” sponsored by Rep. Sean Duffy (R-WI), seeks to provide greater SEC oversight of proxy advisors. NIRI has been very supportive of this legislation, as we noted in a [letter](#) sent this week. The bill is scheduled to be discussed by the House Financial Services Committee

during a markup hearing that starts today.

Unlike the falling of leaves and changes in the length of the day, passage of H.R. 4015 is not certain. Change will take effort, and I am asking you to help make that change possible. We need members and their companies to contact lawmakers on both sides of the political aisle to voice support for this bill. Please visit NIRI's "[Advocacy Call to Action](#)" page to learn more about how you can help.

All the best,
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