



Via Hand Delivery

December 18, 2017

The Honorable Paul Ryan  
Speaker of the House of Representatives  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Nancy Pelosi  
Minority Leader  
United States House of Representatives  
Washington, D.C. 20515

Re: H.R. 4015

Dear Mr. Speaker and Minority Leader Pelosi,

The Society for Corporate Governance (“Society”) is pleased to support H.R. 4015, the “Corporate Governance Reform and Transparency Act.” This legislation would improve reliability and transparency in the recommendations and operations of proxy advisory firms (PAFs), which play an increasingly influential role in the voting of shares owned by institutional investors on behalf of millions of American savers. Institutional investors benefit from the analysis and services provided by PAFs. As institutional investors both grow in scale and increase the rigor and impact of their engagement with companies, Congress must ensure that the transparency and procedural fairness of the PAFs increase in proportion to the importance to those providing it.

The governance of American corporations justifiably attracts intense shareholder and media attention. Matters of corporate strategy—such as mergers and acquisitions—and important and high profile issues including executive compensation, board diversity and environmental and social concerns require investors to perform a fact-specific analysis to accurately assess whether a particular shareholder resolution or item to be voted is in the best interests of the corporation and the beneficial owners whose shares they vote. In order to do this, investors regularly rely on the recommendations provided by PAFs and those recommendations are often the single most influential opinion on these critical matters.

The Society is not alone in believing that the importance of PAFs warrant enhanced oversight. In 2014, staff of the Securities and Exchange Commission (SEC) issued guidance intended to address concerns regarding investors’ reliance on the PAFs. While helpful, there is still more to be done, and we believe H.R. 4015 will enhance the guidance in Staff Legal Bulletin 20. The bill will ensure that the information provided by PAFs is accurate, that their processes are transparent and that the companies assessed are afforded the necessary process to have their views heard. For example, under the legislation, firms would have to disclose their conflicts of interest, public companies would be granted the opportunity to respond to flaws or errors in voting



recommendations, and firms would be required to demonstrate their expertise and capability to produce informed and objective recommendations.

The Society is pleased by recent changes to the legislation to reduce the burden placed on the PAFs and the proxy voting process generally. As operating companies themselves, Society members are sensitive to the burden regulation can impose and would support further changes in the Senate that strike a balance between rigor and efficiency.

Smart and efficient regulatory oversight of PAFs has been a long time coming. H.R. 4015 would ensure that the regulatory environment is commensurate with PAFs' increasingly important role in the governance of America's corporations.

The Society for Corporate Governance supports H.R. 4015, and urges the House of Representatives to pass this legislation as expeditiously as possible.

Sincerely,

A handwritten signature in blue ink that reads "Darla C. Stuckey".

Darla C. Stuckey  
President & CEO  
Society for Corporate Governance