



January 26, 2023

The Honorable Bryan Steil  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Steil:

The U.S. Chamber of Congress strongly supports H.R. 448, the “Putting Investors First Act,” which would provide for robust oversight of the proxy advisory industry, ensure that investment managers vote proxies in the best interests of their clients, and further reform the shareholder proposal process under Securities Exchange Act Rule 14a-8.

In 2020, the Securities and Exchange Commission (SEC) adopted reforms to the proxy voting system for public companies.<sup>1,2</sup> The SEC’s reforms addressed longstanding problems within the proxy advisory industry, which wields enormous influence over public companies but is dominated by only two firms and operates with significant conflicts of interest. Proxy advisory firms have established themselves as an indispensable ally of special interest activists and often support shareholder resolutions that advance social or political objectives at the expense of long-term shareholder returns. The SEC also made reforms to the shareholder proposal system<sup>3,4</sup> to combat the influence of such activists, whose interests are often divorced from the long-term interests of the company and everyday investors.

Regrettably, over the last 18 months, the SEC has sought to weaken and undermine the 2020 reforms, including recently finalized regulations that effectively neutralize the 2020 proxy advisor rules<sup>5,6</sup> and has proposed changes to the shareholder proposal rules

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<sup>1</sup> Final Rule on Exemptions From the Proxy Rules for Proxy Voting Advice. Sep. 2020. Available at: <https://www.federalregister.gov/documents/2020/09/03/2020-16337/exemptions-from-the-proxy-rules-for-proxy-voting-advice>

<sup>2</sup> See also: U.S. Chamber of Commerce letter on Exemptions From the Proxy Rules for Proxy Voting Advice. Available at: <https://www.sec.gov/comments/s7-22-19/s72219-6730872-207435.pdf>

<sup>3</sup> Final Rule on Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8. Nov. 2020. Available at: <https://www.federalregister.gov/documents/2020/11/04/2020-21580/procedural-requirements-and-resubmission-thresholds-under-exchange-act-rule-14a-8>

<sup>4</sup> See also: U.S. Chamber of Commerce letter on Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8. Available at: <https://www.sec.gov/comments/s7-23-19/s72319-6730870-207447.pdf>

<sup>5</sup> Final Rule on Proxy Voting Advice. Jul. 2022. Available at: <https://www.federalregister.gov/documents/2022/07/19/2022-15311/proxy-voting-advice>

<sup>6</sup> See also: U.S. Chamber of Commerce letter on Proxy Voting Advice. Available at: <https://www.sec.gov/comments/s7-17-21/s71721-20110258-264516.pdf>

that would increase the number of frivolous proposals companies receive.<sup>7,8</sup> The SEC's recent actions would tilt the scales in favor of special interests, distract companies from focusing on long-term performance, and ultimately harm investors that have no interest in using their 401(k)'s or other savings vehicles to engage in contentious social or political debates.

The Putting Investors First Act would reorient the SEC back toward investor protection and transparency for the proxy voting system. Under the legislation, proxy advisors would be required to register with the SEC and become subject to rigorous oversight. Proxy advisors would also be held accountable for making false or misleading statements to customers, and investment managers would be prohibited from following proxy advisor vote recommendations without first conducting proper due diligence regarding an underlying proxy matter. Activists would be barred from submitting frivolous proposals to public companies or from resubmitting certain proposals that have previously garnered very low support. These are necessary provisions that will protect investors and improve the regulatory model for public companies in the United States.

The Chamber strongly supports the Putting Investors First Act and urges Congress to swiftly take up the legislation.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK' followed by a long horizontal flourish.

Tom Quaadman  
Executive Vice President  
Center for Capital Markets Competitiveness  
U.S. Chamber of Commerce

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<sup>7</sup> Proposed Rule on Substantial Implementation, Duplication, and Resubmission of Shareholder Proposals Under Exchange Act Rule 14a-8. Jul. 2022. Available at: <https://www.federalregister.gov/documents/2022/07/27/2022-15348/substantial-implementation-duplication-and-resubmission-of-shareholder-proposals-under-exchange-act>

<sup>8</sup> See also: U.S. Chamber of Commerce letter on Substantial Implementation, Duplication, and Resubmission of Shareholder Proposals Under Exchange Act Rule 14a-8. Available at: <https://www.sec.gov/comments/s7-20-22/s72022-20138937-308638.pdf>