

July 12, 2023

Honorable Patrick McHenry  
Chair  
U.S. House of Representatives Committee on Financial Services  
Washington, D.C., 20515

Honorable Maxine Waters  
Ranking Member  
U.S. House of Representatives Committee on Financial Services  
Washington, D.C., 20515

Dear Chair McHenry and Ranking Member Waters:

The Center On Executive Compensation (“Center”) applauds your leadership for hosting a series of hearings related to the proxy process in the House Financial Services Committee. The Center has advocated for reforms to the proxy advisory process to promote greater transparency and accountability and urges the Committee to support two bills scheduled to be marked up this month: Putting Investors First Act (H.R. 448) and a discussion draft bill by Representative Bryan Steil (R-WI) to restore liability to advisors for their proxy voting advice.

The [Center](#) brings a unique issuer perspective to the discussion of the proxy process and proxy voting advice businesses. Our advocacy positions reflect the views and experiences of the top human resources and executive compensation professionals at over 150 large companies across a range of industries, who regularly interact with proxy voting advice businesses. As such, we share your commitment to ensuring transparency and accountability in our financial markets.

Proxy advisory firms play a crucial role in providing recommendations and guidance to shareholders on voting matters, particularly during corporate elections and important shareholder resolutions. These firms have the potential to influence corporate governance and shareholder rights. Therefore, it is imperative that Congress and regulators thoroughly examine their practices, procedures, and potential conflicts of interest. H.R. 448 would ensure greater transparency by requiring a proxy advisory firm to register with the Securities and Exchange Commission (SEC), designate a compliance officer, and publicly disclose conflicts of interest. In addition, issuers will be allowed to assess and comment on proxy voting recommendations. Rep. Steil’s discussion draft bill calls for more accountability by holding proxy voting advice businesses liable for failures to disclose material information such as a proxy voting advice business’s methodology, sources of information, or conflicts of interest that may impact proxy voting advice.

Of relevance, the Center supported the SEC’s 2020 Final Rule regarding proxy voting advice businesses, which included the changes proposed in the two bills mentioned above. We believe the SEC’s 2020 Final Rule added a reasonable and necessary structure to the proxy voting advice

business report process. Further, that rule was structured to recognize the efficiencies investment managers gain through the proper use of proxy voting advice business recommendations as well as the need for proxy voting advice business impartiality. However, the 2020 Final Rule was amended and ultimately rescinded. As lawmakers promulgate additional policy changes, we encourage you to consider our [comments to the SEC](#) on the amendments to the 2020 Final Rule (attached below).

The Center encourages reforms and sensible regulations for the proxy voting advice businesses, and we stand ready to assist lawmakers in any further work to ensure transparency, accuracy, and efficiency going forward. In the interim, we urge lawmakers to vote in support of H.R.448 and the discussion draft bill by Rep. Steil to restore liability to advisors for their proxy voting advice.

Sincerely,



Chatrane Birbal  
Vice President, Policy and Government Relations  
Center On Executive Compensation

CC: All members of the House Committee on Financial Services

Attachments: [Center's Comments to the SEC](#) on the Amendments to the Exemptions from the Proxy Rules for Proxy Voting Advice (December 2021)