



June 27, 2018

The Honorable Michael Crapo  
Chairman  
Committee on Banking, Housing and  
Urban Affairs  
United States Senate  
Washington, D.C. 20510

The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing and  
Urban Affairs  
United States Senate  
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown:

The Corporate Governance Coalition for Investor Value (the “Coalition”) was formed to provide a forum to advocate for strong corporate governance policies and federal securities laws that promote long-term value creation for investors. The Coalition strongly supports H.R. 4015, the Corporate Governance Reform and Transparency Act, which would provide for effective oversight of proxy advisory firms. We appreciate the Senate Banking Committee for including this legislation for discussion as part of the June 28<sup>th</sup> hearing on corporate governance.

Proxy advisory firms wield an enormous amount of influence over corporate governance in the United States, and have in a sense become the *de facto* standard setters on a host of issues related to the operations of public companies. Despite this influence, proxy advisory firms operate with a startling lack of transparency, significant conflicts of interest, and are prone to make errors when developing vote recommendations. More troubling, 97% of the industry is controlled by only *two* firms – Institutional Shareholder Services (ISS) and Glass-Lewis.

In 2014, the Securities and Exchange Commission (SEC) issued staff guidance intended to address many longstanding concerns related to the proxy advisory firm industry, however it has become clear that more needs to be done. H.R. 4015 is an appropriate next step to build off the SEC’s 2014 guidance, as the legislation would require proxy advisory firms to disclose any conflicts of interest, grant companies sufficient time to respond to errors or flaws related to recommendations, and demonstrate that they have the capability and expertise to develop informed and objective analysis. These modest steps would help promote transparency and competition in an important industry.

The Coalition strongly supports this bill and urges the Senate Banking Committee to move companion legislation through the Committee swiftly. Additionally, nearly 300 public companies of all sizes signed a [letter](#) in support of the bill in 2017, demonstrating the broad support for H.R. 4015.

We thank you again for prioritizing this important initiative and look forward to working with you and members of the Committee as the legislative process moves forward.

Sincerely,

American Council for Capital Formation  
American Fuel & Petrochemical Manufacturers  
American Insurance Association  
American Securities Association  
Biotechnology Innovation Organization  
The Center On Executive Compensation  
Equity Dealers of America  
Independent Community Bankers of America  
Main Street Investors Coalition  
Nareit  
National Association of Manufacturers  
National Black Chamber of Commerce  
National Investor Relations Institute  
Retail Industry Leaders Association  
TechNet  
U.S. Chamber of Commerce  
WorldatWork

cc: Members of the Committee on Banking, Housing, and Urban Affairs