



June 6, 2018

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

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

Dear Chairman Hensarling and Ranking Member Waters:

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. 5756, legislation introduced by Rep. Sean Duffy (R-WI) that would raise the “resubmission thresholds,” which determine when a shareholder proponent is allowed to resubmit a proposal at a public company.

The shareholder proposal system governed by Rule 14a-8 of the 1934 Securities Exchange Act was established as a mechanism to facilitate communication between companies and investors, and to provide shareholders with a voice in how a particular company is governed. Unfortunately, this system has increasingly been used by a minority of special interest activists to advance agendas that are disconnected from enhancing the long-term performance of companies. In fact, according to the Manhattan Institute, roughly 50 percent of proposals during the 2016 proxy season involved social or policy-related issues that the majority of shareholders find immaterial.

The current resubmission thresholds allow activists to continuously resubmit unpopular proposals that have in some instances already been rejected by over 90 percent of shareholders. This outdated system imposes costs on the investors that have no interest in such proposals, and also serves as a distraction for boards of directors and management, which are trying to focus on long-term performance.

H.R. 5756 would simply raise the level of support that a failed proposal must receive in order to be resubmitted in a subsequent year, and is based off of a 1997 Securities and Exchange Commission proposed rulemaking. Ultimately, H.R. 5756 protects against abuse of the system by not forcing shareholders to have to register their opposition to unpopular proposals year after year.

H.R. 5756 would modernize a set of badly outdated rules and allow companies to focus on increasing shareholder value. The Coalition encourages the Financial Services Committee to approve this legislation as expeditiously as possible.

Sincerely,

American Council for Capital Formation  
American Securities Association  
Biotechnology Innovation Organization  
The Center on Executive Compensation  
Equity Dealers of America  
Independent Community Bankers of America  
Nareit  
National Association of Manufacturers  
National Black Chamber of Commerce  
National Investor Relations Institute  
National Venture Capital Association  
Retail Industry Leaders Association  
Securities Industry and Financial Markets Association  
TechNet  
U.S. Chamber of Commerce

cc: Members of the House Committee on Financial Services