March 2, 2018

The Honorable Michael Crapo
Chair
Committee on Banking, Housing & Urban Affairs
US Senate
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing & Urban Affairs
US Senate
Washington, D.C. 20510

Re: Proposed Legislation Relating to Proxy Advisory Firms

Dear Chair Crapo and Ranking Member Brown,

I am writing on behalf of US SIF: The Forum for Sustainable and Responsible Investment, the leading voice advancing sustainable, responsible and impact investing across all asset classes. US SIF's 300+ members collectively represent more than $3 trillion in assets under management or advisement. We strongly oppose Congressional efforts to tighten regulation of proxy advisors. We believe it would weaken corporate governance in the United States and would like to share our concerns with the House-passed Corporate Governance Reform and Transparency Act of 2017 (HR 4015).

Sustainable, responsible and impact investing (SRI) is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact. From 2014 to 2016, professionally managed assets engaged in one or more SRI strategies grew from $6.57 trillion to $8.72 trillion to account for more than **one out of every five dollars under professional management** in the United States.[1]

The US system of corporate governance relies on the accountability of boards of directors to their shareholders, and the proxy system is an important means by which shareowners communicate with companies and with one another on substantive issues. Each year, companies seek votes from shareholders on items pending on their annual proxy statements, including approval of their boards of directors. According to the US Securities and Exchange Commission (SEC), more than 600 billion shares are voted at more than 13,000 shareholder meetings every year.[2] The SEC requires investment managers to disclose to clients their proxy voting policies and their voting records.

The investment firms and asset owners that are US SIF members are active leaders in proxy voting and take this responsibility very seriously. They use proxy voting advisory firms for assistance in digesting and analyzing the often dense and complicated questions that appear in company proxy statements before casting their shares. These proxy advisory firms issue vote recommendations on the proposals submitted by management and by shareholders. The proxy advisory firms will also execute votes on behalf of asset owners or their investment managers in line with the client's guidelines if contracted to do so.

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[1] Additional information can be found in the US SIF Foundation's 2016 Trends Report, www.ussif.org/trends.
[2] U.S. Securities and Exchange Commission, "SEC Votes to Seek Public Comment on U.S. Proxy System," July 14, 2010. Available at http://www.sec.gov/news/press/2010/2010-122.htm.

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US SIF members frequently use proxy advisory services to help with this responsibility and thus are very concerned about the attacks on proxy advisory firms. We emphasize the following key points:

There is already a robust existing regulatory structure for proxy advisory firms. Current Securities and Exchange Commission (SEC) 2014 guidance on proxy advisors makes it clear that investment advisors have a duty to maintain sufficient oversight of third party voting agents. Therefore, there is no need for further regulatory action.

- Proxy advisory firms neither control nor dictate how clients should or do vote. Instead, investors take the proxy voting recommendations into account as they vote according to their own proxy voting guidelines and judgment, which may differ from recommendations by proxy advisory firms.

- The primary role of proxy advisory firms is to serve investors (not "companies"), who are the major recipients of proxy advisory research, analysis or recommendations.

- We do not support giving companies the automatic right to preview proxy advisory firm reports and to lobby the authors to change recommendations or requiring these firms to employ ombudsmen to receive complaints. These provisions would give corporate management substantial editorial influence over reports on their companies.

- Proxy voting advisory firms help investors meet their fiduciary responsibilities by providing efficient and cost-effective research services to them to inform their proxy voting decisions.

We believe that language that attempts to constrain the important work of proxy advisory firms also weakens the ability of investors to fulfill their fiduciary duties. Therefore, we urge you not to consider any further attempts to restrict the work of proxy advisory firms as proposed in HR 4015.

Thank you for taking our views into consideration. If you have any questions regarding the contents of this letter, please contact me directly at lwoll@ussif.org or 202-872-5358 or US SIF's Director of Policy and Programs Bryan McGannon at bmcgannon@ussif.org or 202-872-5359.

Sincerely,

Lisa N. Woll

Lisa N. Woll
CEO

Cc: Members of the US Senate Committee on Banking, Housing & Urban Affairs