

Congress of the United States
Washington, DC 20515

March 18, 2014

The Honorable Mary Jo White
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman White:

We write today to express our concerns with the conflicts of interest surrounding proxy advisory firms and the overreliance by market participants on these firms.

Proxy voting is an integral part of good corporate governance and effective markets. As you know, large institutional investors are required by law and by regulation to vote their shares, while individual retail investors are not. These large institutional investors, which may encompass union and corporate pension funds, mutual funds, college endowments, and the like, often invest in hundreds – if not thousands – of public companies. In order to meet the fiduciary obligations to vote these shares in the best interests of their fund members, many institutional investors rely on proxy advisory firms to give them recommendations and to provide analysis on shareholder proposals, director elections, and executive compensation “Say on Pay” votes.

We are very concerned with the conflicts of interest surrounding proxy advisory firms, as well as the lack of transparency and accountability in the process used to make voting recommendations to clients. Two firms encompass 98 percent of the proxy advisory firm business, and both of these firms have separate conflicts of interest. One firm is owned by a large activist institutional investor, while the other firm has a consulting arm to help businesses achieve a better governance rating for shareholder proposals and director ratings. Unfortunately, neither firm discloses whether the proponent of a shareholder proposal or competing director slate is a client, because, according to staff guidance from the Securities and Exchange Commission (SEC), neither firm must disclose specific conflicts of interests to their clients.

In our view, this lack of disclosure calls into question the legitimacy and veracity of the advice dispensed by proxy advisory firms and undercuts the ability of their clients to meet their fiduciary duty to individual investors. These concerns were well documented and discussed in the June 5, 2013, hearing held by the House Financial Services’ Subcommittee on Capital Markets and Government Sponsored Enterprises and the December 5, 2013, SEC roundtable on proxy advisory firm services. We believe that these issues must be addressed to strengthen corporate governance and better protect investors.

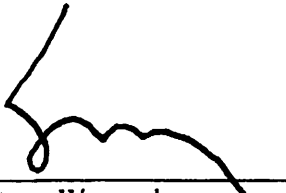
Accordingly, given the broad support at the SEC roundtable by corporations, unions, investors, and others for additional improvements in transparency of proxy advisory firms, we respectfully request that the SEC act upon the discussion at the roundtable and:

1. Require proxy advisory firms to disclose whether a client is a proponent of a shareholder proposal or competing director slate;

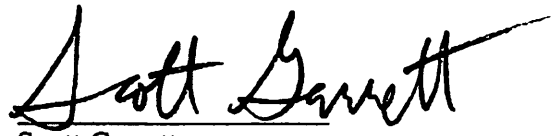
2. Update the staff guidance issued by the SEC that releases proxy advisory firms from disclosing specific conflicts of interests;
3. Perform an analysis to better understand the costs, benefits, and risks associated with the non-disclosure of specific conflicts of interests; and
4. Provide an assessment of the roundtable and a timetable and plan of action to address the issues raised during the session.

While these steps will improve corporate governance by minimizing conflicts of interest and increasing transparency and accountability, we believe the SEC must also address the core issues surrounding the overreliance in the proxy voting process by many institutional investors on proxy advisory firms in satisfying their fiduciary duties. We look forward to receiving a response by March 31, 2014, and welcome the opportunity to discuss these issues and concerns in greater detail.

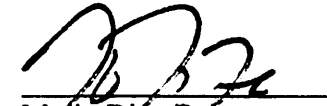
Sincerely,



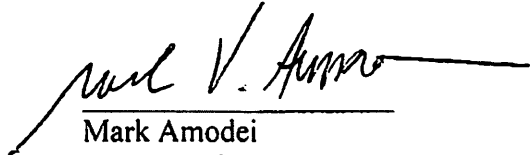
Steve Womack
Member of Congress



Scott Garrett
Member of Congress



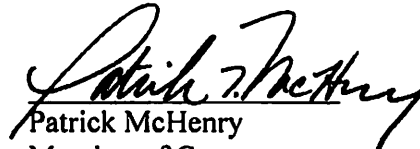
Mario Diaz-Balart
Member of Congress



Mark Amodei
Member of Congress



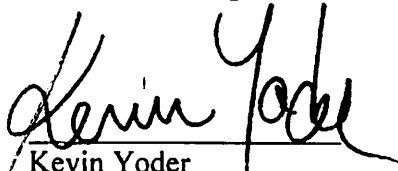
Tom Graves
Member of Congress



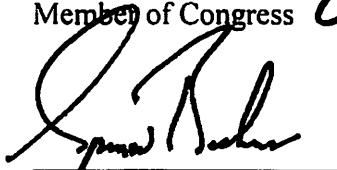
Patrick McHenry
Member of Congress



Sean Duffy
Member of Congress



Kevin Yoder
Member of Congress



Spencer Bachus
Member of Congress



Jaime Herrera Beutler
Member of Congress