



TECHNET
THE VOICE OF THE
INNOVATION ECONOMY

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February 3, 2020

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

RE: File # S7-22-19

Dear Ms. Countryman:

As the U.S. Securities and Exchange Commission (SEC) finalizes proposed amendments to its rules regarding proxy voting advice businesses, TechNet appreciates this opportunity to share the technology industry's perspective.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating for a targeted policy agenda. Our diverse membership includes dynamic American businesses ranging from startups to the nation's leading technology companies and represents more than three million employees and countless customers in the fields of information technology, e-commerce, the sharing and gig economies, advanced energy, cybersecurity, venture capital, and finance. A full list of our membership is available at www.technet.org/membership/members.

Since our founding in 1997, many startups have joined our association and undergone the process of taking their companies public. Today, we have several younger private companies that aspire to go public in the future. This experience has solidified our commitment to public policies that help make the U.S. the most attractive place in the world for anyone to start a company, grow it here, and take it public. Encouraging startups to go public — and doing so earlier in their existence — provides many positive benefits to our nation's economy. For example, Nasdaq's data shows that 92 percent of job growth comes for a company after it goes public.

To that end, our federal policy agenda this year includes supporting legislation in Congress that, among other things, would help simplify SEC reporting requirements, provide more funding options for companies considering going public, and allow more companies to communicate with potential investors about

contemplated securities offering. Through rulemaking, finalizing the Commission's proposed proxy rules is our top priority.

To be clear, proxy voting advice businesses play an important role in our public markets and economy by conducting and sharing valuable research and expertise with institutional investors and others invested in public companies. What is needed today, however, are modernized rules that improve corporate governance by bringing greater transparency and accountability to a proxy voting system that, among other concerns, is plagued by conflicts of interest and incomplete or inaccurate voting recommendations. We commend the Commission for its draft amendments, which would achieve these objectives and help bolster the attractiveness of going public to even more companies by reducing unnecessary compliance costs and regulatory burdens.

More specifically, we wish to share our perspective on the following elements of the SEC's proposed rule:

Conflicts of Interest: Having clearer rules governing the disclosure of **material** conflicts of interest — as well as the steps proxy advisory firms are taking to address those conflicts — is imperative in order to enhance transparency and reliability in the proxy voting process and improve the quality of proxy voting advice. We commend the Commission for crafting rules that accomplish this.

Additionally, in response to **question 16** of the Commission's proposal, which asks if **Rule 14a-2(b)(9)(i)** should be more prescriptive in specifying how conflicts of interest should be disclosed, we believe the matter is a critical one impacting an advisory report's credibility and should therefore be featured on a report's first page. Doing so would help investors and others who rely on the information provided by proxy advisors to more easily understand any material factors that impact the quality and integrity of the advice.

Review Period: Because of the impact proxy advisory reports can have on corporate governance and the direction of a public company, providing companies with adequate notice and a window of time to review and respond to draft voting recommendations is an important measure included in the Commission's proposal. Doing so can only help enhance the quality of information at a shareholder's disposal before voting on a given matter, due to the fact that it would allow companies the chance to correct the record and provide additional information to counter erroneous or flawed information in a proxy advisory report. Furthermore, an adequate review period will hopefully promote greater communications and collaboration between public companies and proxy advisory firms.

We support the Commission's proposal requiring proxy advisors to provide all public companies, regardless of size, with review periods of at least five business days (if the proxy statement is filed at least 45 days before a shareholder meeting) or three

business days (if the proxy statement is filed 25-45 days before a shareholder meeting). We also applaud the Commission for recognizing that situations may arise requiring confidentiality and providing an avenue for proxy firms and public companies to enter confidentiality agreements prior to the review of a draft report. To the greatest extent possible, the Commission should ensure that these confidentiality agreements are standardized via a common form. In doing so, a proper balance can be struck between the need to maintain confidentiality and keeping legal and compliance costs for public companies to a minimum.

Company-Provided Statement Hyperlink: We applaud the Commission's proposal requiring proxy advisors to provide public companies with a final copy of its voting advice report two days prior to its publication, as well as offering impacted companies the opportunity to include in said report a hyperlink offering its perspective on the voting advice. Doing so would help ensure investors and shareholders have access to all the relevant information prior to a vote, enhance accountability in the process, and reduce errors.

Anti-Fraud Rules: We support the Commission's proposal to amend its list of examples, under **Rule 14a-9**, of actions or omissions that may constitute materially false or misleading statements. In the interest of enhancing transparency and providing investors with more information about the quality of the proxy advice, we welcome the proposed additions to this list of "methodology, sources of information, conflicts of interest or use of standards that materially differ from relevant standards or requirements that the Commission sets or approves."

Greater transparency around the public disclosure of methodologies will help investors discern more effectively between methodologies and methods that take into account a company's business model versus those that are "one-size-fits-all." For our part, throughout TechNet's existence, we have witnessed firsthand the differences that exist within our member companies' business models, giving us an appreciation for how "one-size-fits-all" policies across different subject areas often fail to account for unique differences between companies.

Furthermore, regarding the Commission's request for feedback on whether Rule 14a-9 should include standards that are materially different from those of other regulators, we respectfully encourage the Commission to require proxy advisors to disclose material differences between their standards and those of the stock exchange the company they are providing voting advice about is listed on.

Conclusion

In conclusion, we thank you again for this opportunity to provide our perspective on this important proposal. We recognize the important role both public capital markets and proxy voting advice businesses play in our economy, and appreciate the Commission's efforts to balance competing perspectives about the best way

forward in a manner that brings greater transparency and accountability that benefits shareholders, whether they are large institutional investors or working class Americans trying to build a nest egg for the future.

If we can be of assistance to the Commission on this or any other issue going forward, please do not hesitate to contact us. Thank you for your attention to this important matter.

Sincerely,

A handwritten signature in blue ink that reads "Linda Moore". The signature is written in a cursive, flowing style.

Linda Moore
TechNet President and CEO