



United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

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The Honorable Mark T. Uyeda
Acting Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington D.C. 20549

We write to commend the Securities and Exchange Commission (SEC) for its recent decision to rescind Staff Legal Bulletin No. 14L through the issuance of Staff Legal Bulletin No. 14M on February 12, 2025. This action marks a significant step toward restoring balance in the shareholder proposal process and ensuring that proposals included in proxy statements are pertinent to shareholder value.

However, despite this positive development, challenges remain within the Rule 14a-8 framework. The politicization of the proxy process continues to place a substantial burden on public companies, drive up unnecessary costs for shareholders, and undermine the broader attractiveness of U.S. public markets. When shareholder proposals are driven by social and political agendas rather than issues directly tied to corporate performance, they erode investor confidence and divert resources away from long-term value creation. This not only harms the companies targeted but also retail investors, pension funds, and other market participants who rely on fair and efficient capital markets.

In addition to the broader politicization of the proxy process, the unchecked influence of proxy advisory firms, such as Institutional Shareholder Services (ISS) and Glass Lewis, continues to distort voting outcomes with little transparency or accountability. By imposing arbitrary voting thresholds, these firms override shareholder intent, disenfranchising the majority of investors who support management proposals. Despite their outsized influence, proxy advisory firms often issue blanket recommendations that fail to account for company-specific circumstances. Worse, their recommendations are rarely grounded in a substantive analysis of whether a given proposal serves the economic interests of shareholders, further eroding confidence in the process.

These challenges underscore the need for the SEC to take decisive action in regulating the proxy process. Given the ongoing litigation surrounding the SEC's proxy advisor rules and the conflicting decisions from various circuit courts, we urge the SEC to reengage in defending its interpretation that proxy voting advice constitutes a "solicitation." Reinforcing the agency's authority to regulate proxy advisory firms is critical to ensuring accountability and restoring trust in the proxy process.

To further enhance the effectiveness and fairness of the shareholder proposal process, we urge the SEC to undertake a formal rulemaking to:

1. **Restore the Shareholder Proposal Rule’s Original Intent by Keeping Politics Out of Proxy Statements:** The SEC should formally recognize that corporate proxy statements are not the appropriate forum for partisan ideological debates. The shareholder proposal rule was designed to facilitate engagement on matters directly tied to a company’s business and financial performance, not as a tool for advancing broader social or political agendas. To restore this original intent, the SEC should amend Rule 14a-8 to clarify that companies may exclude shareholder proposals that do not directly relate to core business operations and financial performance.
2. **Eliminate the Significant Policy Exception:** The SEC should eliminate the so-called “significant policy exception” under Rule 14a-8(i)(7), a provision not explicitly stated in the rule but created through Commission-level guidance and SEC staff interpretation. This loophole allows activists to compel companies to include shareholder proposals on controversial political and social issues, even when they are not meaningfully tied to a company’s operations. The exception has increasingly been exploited to advance special interest agendas, resulting in an influx of proposals that detract from corporate governance and impose unnecessary costs on businesses and shareholders. Removing this loophole would help refocus the shareholder proposal process on issues that promote long-term shareholder value, rather than allowing it to become a tool for divisive political activism.
3. **Increase Resubmission Thresholds:** Raising the resubmission thresholds would prevent the recurrence of proposals that have been consistently rejected, ensuring that only those with substantial shareholder support are reconsidered.
4. **Enhance Oversight of Proxy Advisory Firms:** Establishing greater transparency and accountability standards for proxy advisory firms would ensure that their recommendations are accurate, free from conflicts of interest, and in the economic interest of shareholders.
5. **End Robovoting Practices:** Ensuring institutional investors conduct independent analyses before voting, rather than automatically following proxy advisory firm recommendations, is consistent with investors’ fiduciary duties and will protect shareholder interests.

The SEC’s recent actions are a step in the right direction, but the Commission must build on this momentum by implementing durable, substantive reforms through formal rulemaking. Ensuring that the proxy process serves the interests of all shareholders—not just a vocal minority with political agendas—is critical to maintaining the integrity and competitiveness of U.S. capital markets and supporting long-term value creation. Political debates should be left to Congress, not corporate proxy statements.

The SEC’s core mission is to protect investors, maintain fair and efficient markets, and facilitate capital formation. The recent rescission of SLB 14L is a commendable action aligned with this mission. We encourage the Commission to build upon this progress by pursuing further reforms

to Rule 14a-8 that will promote a shareholder proposal process that is both fair and focused on enhancing long-term shareholder value.

We appreciate your attention to this critical issue and look forward to working with the Commission to advance important, commonsense reforms to the proxy process.

Sincerely,



French Hill
Chairman



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Chairman, Subcommittee on Capital Markets



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cc: Representative Maxine Waters, Ranking Member, Committee on Financial Services