

## CII and ISS Team Up to Oppose House Legislation on Proxy Advisory Firms, Speak for “Real Main Street” Investors

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Protect the Voice of Shareholders [aims to oppose](#) H.R. 4015, the Corporate Governance Reform and Transparency Act, that passed the House [last October](#). While not effective, the Act is perhaps best known for requiring that the SEC withdraw the no-action [letters to Egan Jones and ISS](#), which the SEC itself undertook recently, as we [previously discussed](#).

The site is a joint project of ISS and CII, with ISS responsible for the content with approval from CII. The goal is to “correct the record, reveal the mistruths and double-speak of the lobbying groups trying to mislead lawmakers.” According to the site, the Act would “allow boardrooms to inhibit” the distribution of research reports when they disagree with recommendations, arguing that it is “inappropriate to permit companies to hinder the current free flow of unbiased research and information to investors.” The site provides news and resources as well as a way to reach Congress to oppose the Act.

The Act requires the SEC to review its existing regulations affecting the operation of proxy advisory firms and to issue rules mandating registration and management of conflicts of interest. The Act would also give companies access to draft recommendations and an opportunity to provide comments, require that an ombudsman receive and resolve complaints and if not resolved, allow companies to include a statement in the research report about their concerns. Proxy advisory firms must also designate compliance officers and publish an annual report describing their recommendations in the prior year, the number of staff who reviewed and made those recommendations, and the number of recommendations made where the proponent of a proposal was a client or received services from the firm. At least from the text of the Act, it is unclear how a company could directly stop distribution of an unfavorable report.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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