

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

JAMES P. HOFFA
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August 3, 2017

The Honorable Dean Heller
United States Senate
324 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Heller:

On behalf of the International Brotherhood of Teamsters, I am concerned about reports that you are considering introducing legislation that would establish a new regulatory regime for proxy advisors which might be modeled on H.R. 5311, which was introduced by Representative Duffy in the 114th Congress, or the similar provisions that are included in this session's H.R. 10, the Financial CHOICE Act.

The International Brotherhood of Teamsters and affiliated pension and benefit funds have roughly \$100 billion in assets under management. Teamster affiliated funds are long-term shareowners with a duty to protect the retirement assets of Teamster members and retirees including many who live in Nevada.

We oppose both the free-standing bill, H.R. 5311, and the similar provisions in the Financial CHOICE Act.

We believe the legislation cited above would weaken corporate governance in the United States; undercut proxy advisory firms' ability to uphold their fiduciary obligation to their investor clients; re-orient any surviving proxy advisory firms to serve companies rather than investors; and, fundamentally undermine large institutional shareholders' (and our members') ability to participate fully in the governance of publicly held corporations. The U.S. system of corporate governance relies on the accountability of boards of directors to shareowners, and proxy voting is a critical means by which shareowners hold boards to account. H.R. 5311 and Subtitle Q of Title IV of the CHOICE Act undermine this fundamental tenet.

Most disconcerting to us is the requirement that companies would have the right to review and contest the proxy advisors' recommendations prior to providing reports to

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the funds who are commissioning the recommendations. Further, such disputes would be subject to a heavy-handed process involving an ombudsman. This right of pre-review would give companies substantial influence over, if not an absolute veto of, proxy advisory firms' reports, potentially undermining the value and objectivity of the firms' recommendations. We believe that this would severely undermine the fiduciary duty that proxy advisors have to their clients. It could set a very dangerous precedent in financial services, where independence is a hallmark of honest investment advice, buy-sell recommendations and auditing.

On a practical level, this right of review would delay pension funds and other institutional investor's receipt of the reports and recommendations for which they have paid. Time already is tight, particularly in the highly concentrated spring "proxy season," due to the limited period between company publication of the annual meeting proxy statement and annual meeting date.

The proxy advisory legislation also establishes a new regulatory regime, as well as new financial and personnel adequacy standards that will present a barrier to competition in the market. There are already only two major U.S. proxy advisory firms, and these new regulations will represent barriers to entry for new proxy advisory firms and may lead smaller existing firms to exit the business.

We believe that the proxy advisory firms add value for which we are willing to pay in the free market. The new regulations and requirements will only add costs for us, without any discernable benefits.

In closing, we are happy to discuss this matter with you further, but would urge you to reconsider support for this new regulatory regime that would harm shareholders. As even the 2017 Government Accountability Report that you requested appears to indicate, the effort to create a new regulatory regime for proxy advisor firms seems to be a solution in search of a problem.

Sincerely,

A handwritten signature in black ink that reads "James P. Hoffa". The signature is written in a cursive, flowing style.

James P. Hoffa
General President

JPH/cz