U.S. Chamber of Commerce

1615 H Street, NW
Washington, DC 20062-2000
uschamber.com

September 9, 2025

The Honorable French Hill
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Re: September 10th Financial Services Committee Hearing Entitled "Proxy Power and Proposal Abuse: Reforming Rule 14a-8 to Protect Shareholder Value"

Dear Chairman Hill and Ranking Member Waters:

The U.S. Chamber of Commerce submits this letter to provide our perspective on the important issues the House Financial Services Committee will discuss at the upcoming hearing on the proxy process and shareholder proposal system overseen by the Securities and Exchange Commission (SEC). The Chamber commends the Committee for its ongoing work to improve the annual proxy process for public companies.

The Chamber has been a leading voice regarding issues surrounding the U.S. proxy system and the need to enact reforms that prioritize the long-term performance of businesses and the interests of all investors. Reforming the proxy system is a critical step towards strengthening the public company model and encouraging more businesses to go and stay public.[1]

Unfortunately, the federal proxy rules have often enabled special interests and sophisticated activists to target public companies with politicized campaigns that have nothing to do with improving a company's performance or increasing returns for shareholders. This creates unnecessary burdens for companies and their shareholders and disincentivizes businesses from operating in the public markets.

Nowhere is this problem more evident than within the shareholder proposal system overseen by the SEC under Rule 14a-8. Rule 14a-8 was initially adopted with a reasonable purpose: provide investors with a mechanism to submit ideas for how to improve corporate performance and to ensure that companies are aware of the views of their shareholders. However, over the years, Rule 14a-8 has devolved into the

---

[1] Chamber Report "Unlocking America's Capital Markets: Fueling Economic Growth and Innovation" (June 2025) https://www.uschamber.com/assets/documents/20250587_CCMC-CPSummit-PublicCompanyReport_FINAL.pdf

preferred path of politically and socially motivated activists to submit immaterial or frivolous proposals during proxy season. This system imposes direct costs on shareholders and distracts boards and management of companies from focusing on long-term strategy.

SEC Commissioner Uyeda has remarked that the shareholder proposal system promotes the "tyranny of the minority,"[2] and the evidence supports that assertion. During the 2025 proxy season, for example, *one individual* was responsible for over one-third of all shareholder proposal submissions at public companies.[3] Other proxy seasons have been similarly influenced by a small group of individuals who collectively submit far more proposals than any other entity.[4] The most frequent proponents include activist investors that have explicit social missions that may not correlate with the financial performance of companies. In other words, most investors do not view the current system as an indispensable tool that enables their voice to be heard.

The subject matter of shareholder proposals has increasingly tilted towards topics that have little or nothing to do with the performance of a particular company. From 2012 to 2023, the number of proposals dealing with topics of a social or political nature increased by more than 100%. During the 2024 proxy season, social and political proposals made up the largest category of shareholder proposals submitted to companies in the S&P 1500 index.[5] These proposals inappropriately turn annual general meetings into political debating societies and invoke issues that are better addressed through the U.S. political process.

In 2020, the SEC estimated that companies can incur direct costs of up to $150,000 to process one shareholder proposal. Commissioner Uyeda noted that "this amount does not include opportunity costs associated with the board's and management's time that could have been spent on value-creating activities for the company."[6] In the past, the SEC has generally failed to consider these costs in its administration of Rule 14a-8.

---

[2] "Remarks at the Society for Corporate Governance 2023 National Conference" Commissioner Mark Uyeda (June 21, 2023) https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-society-corporate-governance-conference-062123 (2023 Commissioner Uyeda Speech)

[3] "2025 Proxy Season Review: Part 1" Sullivan & Cromwell (August 11, 2025) S&C Publication: 2025 Proxy Season Review—Part 1

[4] "The Giant Shadow of Corporate Gadflies" Kobie Kastiel / Yaron Nili (April 21, 2021) Finding the 38.5% of all shareholder proposals from 2005-2018 were submitted by small group of individuals. https://corpgov.law.harvard.edu/2021/04/21/the-giant-shadow-of-corporate-gadflies/

[5] "2024 Proxy Season Review: Part 1" Sullivan & Cromwell (August 13, 2024) https://www.sullcrom.com/SullivanCromwell/_Assets/PDFs/Memos/2024-Proxy-Season-Review-Part-1.pdf

[6] 2023 Commissioner Uyeda Speech

Staff Legal Bulletin 14L (SLB 14L) and Its Impact

The federal proxy rules generally require companies to include shareholder proposals with proxy materials that are sent to shareholders. However, Rule 14a-8 provides for 13 separate substantive bases by which companies can request "no-action" relief from the SEC and exclude certain proposals from their proxy materials. Functionally, this relief is an indication that SEC staff will not recommend the SEC take an enforcement action against a company that excludes a particular proposal.

For years, the SEC took the position that certain social policy issues raised in a shareholder proposal must have some kind of nexus to the underlying company. In 2021, the SEC departed from this longstanding policy with its issuance of SLB 14L and stated that a proposal would not be excludable so long as it raised an issue that has a "broad societal impact" – an undefined term that put SEC staff in the position of determining whether controversial issues raised by a myriad of proponents met this standard.[7]

The results were unsurprising: SLB 14L led to a sharp increase in shareholder proposals from 2021 to 2023, including a 40% increase in proposals that made it to a vote. The increase was especially noticeable amongst proposals dealing with social or environmental issues which experienced a 52% increase in overall proposals and a 125% increase in proposals going to a vote.[8] Companies and shareholders lost confidence in the no-action process as the floodgates opened for proposals to deal with any topic an individual proponent might care about – whether it had anything to do with the underlying company's performance, or not.

In the wake of SLB 14L, the Chamber wrote to the SEC:

> At best, SLB 14L fails to provide companies, boards, and investors with any certainty. At worst, the SEC has now positioned itself as a subjective governmental arbiter of how the capital markets should assess social issues. By moving forward with SLB 14L, the SEC will be out of its depth both operationally and conceptually.[9]

Fortunately, earlier this year the SEC rescinded SLB 14L and issued a new staff bulletin that reestablishes the previous SEC position regarding proposals dealing with significant social policies. However, the experience with SLB 14M raises more fundamental questions about the SEC's role as "referee" when it comes to deciding whether certain shareholder proposals must go to a vote during proxy season.

---

[7] https://www.sec.gov/rules-regulations/staff-guidance/staff-legal-bulletins/shareholder-proposals-staff-legal-bulletin-no-14l-cf

[8] *Supra* note 2

[9] https://www.uschamber.com/assets/documents/ccmc/21.11.16_-Comments_StaffLegalBulletin14L_SEC.pdf

The back-and-forth pendulum swing between different administrations creates uncertainty for businesses and shareholders in terms of understanding how the SEC plans to approach the no-action process each proxy season. Moreover, staff guidance is subject to rescission or amendment with each change of administration.

The Chamber is encouraged that the SEC is planning to undertake a shareholder proposal modernization effort through a formal rulemaking process.[10] The Chamber strongly supported some of the reforms adopted in 2020 under previous Chairman Clayton that included, amongst other things, raising the "resubmission thresholds" that allow for the exclusion of a proposal if it has received very low shareholder support in previous proxy seasons. The Chamber remains committed to working with Congress and the SEC to adopt more permanent changes to Rule 14a-8 that strengthen the public company model and prioritize the needs of every investor.

Proxy Advisory Firms

No discussion or debate about the proxy process is complete without highlighting the outsized role played by proxy advisors. Proxy advisors make recommendations to institutional investors about how to vote on important topics during proxy season, including director elections, shareholder proposals, and approval of mergers or executive compensation plans.

Despite this important role, the industry is dominated by only two firms – Institutional Shareholder Services (ISS) and Glass Lewis – that both operate with significant conflicts of interest that can compromise their voting advice, including on shareholder proposals that deal with social or political topics. Proxy advisors also have a demonstrated history of making factual errors and analytical flaws when developing vote recommendations. Promoting transparency and accountability within the industry has won bipartisan support in Congress over the last decade.

Conclusion

The Chamber appreciates the opportunity to submit our views about the need to reform the U.S. proxy rules. We look forward to continuing to work with all members of this Committee on these issues.

---

[10] See Agency Rule List – Spring 2025 – Securities and Exchange Commission: "Shareholder Proposal Modernization" (Proposed Rule Stage).

Sincerely,

Bill Hulse
Senior Vice President
Cener for Capital Markets Competitiveness
U.S. Chamber of Commerce

cc: Members of the House Committee on Financial Services