

October 11, 2021

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick T. McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Discussion draft of a bill to amend the Securities Exchange Act of 1934 to improve the governance of multi-class stock companies, to require issuers to make annual diversity disclosures, and for other purposes.

Dear Madam Chairwoman and Ranking Member McHenry:

EOS at Federated Hermes¹ welcomes the opportunity to express our strong support for the discussion draft of a bill to amend the Securities Exchange Act of 1934 to improve the governance of multi-class stock companies, to require issuers to make annual diversity disclosures, and for other purposes (Draft Bill).

EOS at Federated Hermes is a leading stewardship service provider advising on \$1.75tn² assets. Our engagement activities enable long-term institutional investors to be more active owners of their assets, through dialogue with companies on environmental, social and governance issues. We believe this is essential to build a global financial system that delivers improved long-term returns for investors, as well as better, more sustainable outcomes for society.

The views expressed in this communication are those of EOS at Federated Hermes and do not necessarily represent the views of all clients. Our response to this consultation is explicitly supported by PNO Media (the Netherlands).

The Draft Bill is consistent with U.S. corporate governance principles and reflects the sound legislative policy recommendations of the U.S. Securities and Exchange Commission's (SEC) Office of the Investor Advocate (Office). Those recommendations request Congress to direct the SEC to adopt rules under which the stock exchanges would enact improvements to listing requirements providing minimum threshold standards for the corporate governance structure of issuers that want their shares trading in the public markets.

¹ EOS at Federated Hermes is a tradename used by Hermes Equity Ownership Services Limited, which is a subsidiary of Hermes Fund Managers Limited. The views of EOS at Federated Hermes' are its own and do not necessarily represent the views of its affiliated companies.

² As at 30 June 2021.

The threshold listing standards recommended by the Office and included in the Draft Bill would prohibit on a forward-looking, prospective basis the new listing of any security of an issuer that (1) has two or more classes of stock with unequal voting rights for more than a certain period of years without periodic approval by shareowners or (2) fails to provide adequate disclosure of the diversity of its board of directors and senior executives. The Draft Bill would also clarify that the SEC has the authority to issue other rules and regulations to require the stock exchanges to improve their listing standards in a manner the SEC determines necessary or appropriate for the protection of investors.

In our view, the provisions of the Draft Bill will have a positive impact on investor protection, corporate performance, and the efficiency of the U.S capital markets generally.

Thank you for your consideration of our views. We are hopeful that this letter is helpful to you and the Committee in its consideration of the Draft Bill.

Sincerely,

Joanne Beatty, Director – Engagement