



STATE OF WASHINGTON
STATE INVESTMENT BOARD

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[Via Electronic Delivery](#)

October 14, 2021

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C.

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C.

Dear Chairwoman Waters and Ranking Member McHenry:

I am writing of behalf of the Washington State Investment Board (WSIB) in enthusiastic support of legislation being proposed to your Committee by the Council of Institutional Investors (CII). If advanced, this discussion draft would amend the Securities Exchange Act of 1934 to improve public access to capital markets and enhance protections for individual and institutional investors.

At the WSIB, we manage more than \$180 billion in invested assets in service of more than 848,000 public workers and annuitants in the state of Washington. We are charged with managing investments for public/state employees' retirement plans, along with public trust funds that are fundamental to a strong Labor and Industries program and other programs dedicated to education, social, and business needs in our state.

The WSIB is a vocal and visible advocate for shareholders' investment rights and an active proponent in our industry for diversity, equity, and inclusion. This bill provides fair and necessary measures to bring material improvements in both these areas. The bill's provisions also would implement the 2020 recommendations of the Investor Advocate of the Securities and Exchange Commission (SEC).

Specifically, the bill addresses two vital corporate governance issues:

- **Multiple classes of stock with unequal voting rights:** If a company chooses to issue multiple classes of stock with differing voting rights, the dual-class stock would be required to contain a "sunset" provision. Such a provision would provide a visionary founder a reasonable length of time to execute his or her initial vision as a public company, while ensuring that a disciplined governance mechanism provides long-term protection to public and institutional investors. The provision also includes a safety feature enabling a founder to make the case to shareholders for extending the sunset period. This sunset provision helps address the detrimental "race to the bottom" that occurs when exchanges seek to attract issuers by lowering corporate governance standards in an environment where dual-class structures have already eroded

shareholders' ability to exert proportional ownership rights. By requiring a reasonable expiration for dual-class structures, this bill balances the need for freedom of control and innovation with suitable protections and fairness for investors in the public markets.

- **Board diversity:** To be listed on a national stock exchange, a company would be required to provide more fulsome disclosure regarding the composition of its board of directors, nominees for director positions, and executive officers. Voluntary diversity disclosures have helped investors but listing standards could ensure that more companies make this information publicly available in a way that enables investors to draw meaningful comparisons and act accordingly through proxy voting and engagement work. Robust and workable diversity policies should be a minimum standard for listing on any exchange. Already we are seeing a tailwind building for such disclosure standards, in the precedent of the recent NASDAQ exchange's rules on diversity and in the voluntary disclosures put forth by some public companies. Legislative establishment of a "true north" standard in this area will help ensure consistency across all exchanges and among a much broader range of companies.

As longtime members of CII, we have found this organization to be level-headed in its efforts to balance the common interests of all types of institutional investors with the practical needs of investee companies. The two areas addressed in this bill are specific solutions that clearly would benefit investors without creating undue hardship or administrative headwinds for publicly owned corporations. The SEC's own Investor Advocate has agreed that "it would make sense for Congress to set, by statute, certain minimum standards to guarantee investor protections" specific to corporate governance. We believe this draft legislation hits the mark precisely with the standards and protections envisioned by the Investor Advocate.

Thank you for your fair consideration of this draft legislation as proposed by CII. We view this work as a strong running start for your Committee as your members seek ways to ensure equitable access, integrity, and efficiency in our country's financial systems.

Please let me know if I can help with any questions or other information.

Sincerely,



Theresa J. Whitmarsh
Chief Executive Officer
Washington State Investment Board

Cc: Washington State Congressional Members

Senator Patty Murray
Representative Suzan DelBene
Representative Jaime Herrera Beutler
Representative Cathy Rodgers
Representative Pramila Jayapal
Representative Adam Smith

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