



Via Email

October 1, 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 (Draft Bill).

Dear Madam Chairwoman and Ranking Member McHenry:

The Ohio Public Employees Retirement System (OPERS) is writing to offer its support for the above referenced Draft Bill.

OPERS is the largest public retirement system in Ohio, with approximately \$113 billion in assets under management and more than 1.1 million active, inactive, and retired members. Our members depend on us to provide them with retirement security, and for many of them, OPERS represents the only retirement income they will ever receive. As a result, we make every effort to maximize the value of our investments, including regularly engaging with portfolio companies on a number of issues affecting shareholder value.

Two of these issues – dual-class capital structures and the current lack of consistent data regarding the demographic makeup of corporate boards and leadership teams – are addressed in the Draft Bill. Specifically, the Draft Bill would direct the Securities and Exchange Commission (SEC) to adopt rules based on policy recommendations made by the SEC Office of the Investor Advocate (Investor Advocate) requiring stock exchanges to establish minimum corporate governance thresholds pertaining to dual-class stock and disclosure of diversity data within their listing standards.

OPERS is particularly supportive of the Draft Bill's reasonable sunset period – seven years – for dual-class share structures for newly listed companies (unless a majority of shareholders agree to some extended period). An increasing number of exchange-listed companies have employed

these structures in recent years leading to an imbalance in the relationship between corporations and their shareholders, and in some unfortunate cases, disenfranchisement for shareholders that wish to raise or establish a productive dialogue regarding concerns over corporate behaviors and practices that could impact long-term shareholder value. To date, shareholders' only option has been to divest, which negates the possibility of any constructive dialogue and sacrifices short-term returns that might be gained en route to a more sustainable future.

The Investor Advocate has recognized that dual-class capital structures can make sense for a limited time as a company's founders establish their direction for the company and begin implementing their vision for the future, but he has also acknowledged that this unchecked managerial discretion cannot – and indeed, should not – continue forever. The Draft Bill provides a reasonable initial period of seven years during which management may pursue their goals, but then provides shareholders with the discretion regarding whether that period should be extended. OPERS believes this strikes an appropriate balance between corporate and shareholder interests and creates opportunities for constructive engagement. As such, OPERS strongly supports this commonsense reform.

Regarding the Draft Bill's diversity disclosure requirements, companies already provide substantially similar data to the Equal Employment Opportunity Commission and therefore should not incur substantial additional cost in meeting these requirements. Additionally, many observers have concluded that incorporating diverse views and perspectives into corporate decision making can improve corporate performance and increase long-term shareholder value, both of which are in line with OPERS' goals as a conscientious and engaged shareholder.

Thank you for the opportunity to state our support for the Draft Bill and for your consideration of our views. We believe the Draft Bill will benefit companies and shareholders alike by improving communication, transparency, and ultimately, engagement as all sides strive toward the same goal: maximizing long-term value and sustainability.

Sincerely,



Karen E. Carraher
Executive Director

Cc: The Honorable Joyce Beatty
The Honorable Warren Davidson
The Honorable Anthony Gonzalez