

Via Email

1st October 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:

The purpose of this letter is 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).

About Railpen

Railpen manages around \$50 billion on behalf of the 350,000 members of the UK railways pension schemes. We are one of the largest UK pension schemes, but are writing to you in our capacity as a global investor with significant holdings in several U.S. firms.

The Draft Bill

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.

The threshold listing standards recommended by the Office and included in the Draft Bill would prohibit on a prospective basis the 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. There is a growing body of evidence to show that companies with i) voting structures that allow for long-term, responsible investors to effectively scrutinize and hold companies to account and ii) boards which have an inclusive culture and consist of diverse individuals, are more likely to achieve sustainable financial performance¹.

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,

Michael Marshall

Head of Sustainable Ownership

Caroline Escott

Senior Investment Manager – Sustainable Ownership

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¹ We review some of the available evidence on the impact of dual-class share structures in our response to the 2021 UK Listings Review, which can be found [here](#).