CORPORATE GOVERNANCE:

Supporting Capital Formation and Protecting Investors

Manufacturers depend on the public capital markets to finance business growth, job creation and economic expansion. Manufacturing workers, meanwhile, may rely on the success of publicly traded companies to help them invest for a new home, a child's education or a secure retirement. To that end, corporate governance policies that allow company management to engage in a productive dialogue with shareholders to enable smart business growth and strong investor returns are critical for Main Street businesses and manufacturing workers.

Most manufacturing workers access the public market through a passive investment vehicle like a mutual fund, pension or 401(k). At a time when America's pension system is facing a crisis, workers and retirees alike depend on Wall Street to manage their money fairly, but the increased influence of outside actors that have no fiduciary duty to investors endangers their life savings.

In recent years, manufacturers have seen a rise in unregulated third parties inserting themselves between companies and their shareholders in an attempt to influence corporate decision making. These market actors, including proxy advisory firms, ratings agencies and activist investors, have little to no stake in a company's success and often pursue agendas divorced from business growth and shareholder value creation.

Increasing calls for policy changes and new reporting obligations on issues related to environmental, social and governance topics fail to acknowledge manufacturers' leadership on climate change, sustainability, diversity and more—and could lead to overly broad disclosure mandates that do not provide useful ESG information to investors.

Dealing with activists and issues unrelated to business growth forces companies to divert resources from their core mission and can distract focus from the important decisions that drive investor returns. At the same time, underfunding of both the Pension Benefit Guaranty Corporation and multiemployer pension plans across the country further threatens Americans' retirement security.

Lawmakers should take steps to protect manufacturing families and support the development of the manufacturing economy. Reducing the influence of unregulated third parties, reinforcing all market actors' fiduciary duty to investors, strengthening the U.S. pension system and ensuring companies can focus on long-term growth and economic expansion will give manufacturers—and all Americans—the ability to create a more prosperous future for themselves and their families.

"From small businesses seeking early-stage financing to publicly traded companies navigating the capital markets, the NAM's corporate governance advocacy is critical to supporting the growth of manufacturers across the country. By ensuring that policymakers in D.C. understand our industry, the NAM is preserving manufacturers' ability to finance growth, R&D and job creation while also protecting the investments of millions of Americans who depend on manufacturing for a secure retirement."

—Nicole Wolter, President and CEO, HM Manufacturing Inc.

A Corporate Governance Agenda for the Future Must:

- Support and enhance the ability of the public market to facilitate capital formation and protect the interests of manufacturing families.
- Enable manufacturers to engage effectively with their shareholders.
- Rein in the influence of unregulated third parties that do not have a stake in a company's success.
- Limit regulatory burdens that divert resources from company growth without providing material information for investors.
- Protect workers and retirees who depend on the single and multiemployer pension systems for financial stability.

ACTIONS FOR LEADERS TO TAKE:

- Enforce the new Securities and Exchange Commission rules increasing oversight of proxy advisory firms and reforming the shareholder proposal process.
- Reform the SEC's proposed climate disclosures rule to make the requirements more workable for public companies and ensure that investors have access to material information about manufacturers' efforts to combat climate change.
- Ensure that fund managers and ERISA fiduciaries fulfill their fiduciary duty to everyday investors and pensioners.
- Provide for effective oversight of proxy advisory firms and proxy ratings agencies.
- Ensure that any ESG disclosure obligations focus on material information relevant to company performance and shareholders' investing decisions.
- Repeal or reform disclosure requirements that do not provide material, decision-useful information for investors.
- Avoid imposing corporate governance mandates that would limit manufacturers' ability to efficiently allocate capital or recruit and retain a 21st-century workforce.
- Continue to bolster the single and multiemployer pension systems to provide certainty for businesses and retirement security for families.