NIRI Advocacy Update



Wednesday, November 6, 2019

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CPE Credit and Q&A

CPE Credit

- NIRI Virtual offers Continuing Professional Education (CPE) credit for attending and participating in our monthly programs.

- For CPE Credit, you must answer all four (4) of the polling questions AND you must complete the program survey that is provided at the end of this presentation.

Q&A

- If you are participating via the live webinar, you can type your question in the “chat box” at the bottom of your computer screen

Professional Development Unit (PDU)

- Holders of the NIRI IRC® credential can earn 1 professional development unit (PDU) per meeting/webinar. IRC-credentialed speakers may also earn PDUs. More information is available at www.niri.org/certification.

Agenda

Learning Objectives

At the conclusion of this webinar, participants will be able to:

- Explain to others how NIRI is adapting its advocacy efforts while remaining focused on the issues that are of the highest priority to members and issuers.
- Identify other organizations that support similar positions as NIRI on advocacy issues, as well as those organizations that have opposing positions.
- Apply specific actions that members and issuers can take to help advance NIRI's advocacy goals.

Moderator and Panelists



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Polling Question #1



Listed below are NIRI's top 4 advocacy priorities. Please indicate which is the most important to your company/clients:

A. Proxy Advisor Reform – Creating a more robust regulatory framework around the work of proxy advisors to reduce real and perceived conflicts of interest, and to allow opportunities for issuers to respond to and correct inaccuracies and misinterpretations.

B. Proxy Plumbing Reform – Modernize proxy mechanics to enable easier identification of retail shareholders and direct communication by issuers.

C. 13(D) Reform – Reduce the 5% reporting deadline from 10 days and include derivatives and "wolf packs" in the calculation of effective control.

D. Equity Ownership Transparency – Modernize 13(f) reporting to enable issuers greater visibility into more current institutional ownership info.

E. Other?

Leadership Week Recap

More than 60 NIRI attendees from 23 states

- Briefings with SEC Commissioner Elad Roisman, Senate staffer Brian Conlan
- 23 House & Senate meetings, including Senator Tammy Baldwin (D-WI)
- Meeting with senior SEC staffers

Key Issues

- 13D Modernization
- 13F Modernization
- Short-Position Disclosure
- Other Issues: MiFID II, Relief for Smaller Issuers,

Breaking News: SEC Action

Proposed Rules on Proxy Advisors

- Draft review period for ***all*** **issuers** (if they file proxy materials at least 25 days in advance of annual meeting)
- Companies filing proxy materials 45 days in advance of annual meeting would get a 5-day review period
- Final notice of proxy research/opportunity to submit hyperlink with rebuttal
- Disclosure of conflicts of interest in proxy reports

Breaking News: SEC Action

Proposed Rules on Shareholder Proposals

- New tiered approach to minimum **ownership** standards based on tenure (1 year, $25K; 2 years, $15K; and 3 yrs, $2K)
- Higher **resubmission** thresholds (5% after year 1; 15% after year 2; 25% after year 3)
- Tighter rules on proponent representatives/one proposal per meeting
- Requirement that proponents list their **availability for engagement**

How You Can Help

Write Comment Letters to the SEC

- Issuer letter signed by CEO or general counsel
- Issuer letter signed by IRO or corporate secretary
- Join issuer letter circulated by Nasdaq, NYSE, or industry group
- NIRI chapter letter signed by chapter president and/or board members
- 60-day comment period

Polling Question #2



Would your company (or clients) take advantage of a draft-review process for proxy advisor research?

A. Yes – We would take advantage of a draft review opportunity every year.

B. Yes – If we knew we had potentially contentious matters on our ballot.

C. No

D. Not Sure



Revitalizing Markets

REIGNITING AMERICA'S ECONOMIC ENGINE AND FUELING CLIENT SUCCESS

Nasdaq

Nasdaq's Commitment To Reforming U.S. Capital Markets

In 2017, Nasdaq unveiled our blueprint to revitalize the U.S. capital markets. The blueprint outlines proposals to create a vibrant ecosystem that delivers enhanced capital formation opportunities, a more inviting environment for growth and innovation, and accelerated job formation and wealth creation. The blueprint addresses three pillars:







Since the launch of our blueprint, we have seen many positive developments within Congress, federal agencies, and the business community at large, including:

- Movement at the SEC and in Congress to enhance transparency and fairness in the proxy advisory industry
- Changes by the SEC to the process for removing repetitive, unsuccessful proposals from proxies
- Growing support from the business community to streamline and allow flexibility in disclosure obligations for small and medium growth companies
- Interest at the SEC in helping smaller public companies by consolidating displayed liquidity onto a single trading venue
- The U.S. Treasury Department's 2017 Report, "A Financial System That Creates Economic Opportunities - Capital Markets"

Our equities markets are built on timeless, proven principles, but the markets of tomorrow require a new way of thinking

Current Areas of Focus in Progress

Proxy Advisory Firms & Proxy Reform

Continuing outreach to SEC for needed reforms; Feb 2019 letter to SEC signed by 300+ companies outlined key priorities

Improving Issuer Trading Quality

Continued advocacy for issuer choice to consolidating liquidity; quality of trading

Short Selling Disclosure & Venture Exchange Legislation

Working with coalition partners, congressional members around bi-partisan sponsorship of legislation



Disclosure Simplification

Continue push for disclosure relief – March SEC comment letter on 10-Q and quarterly earnings releases reflected nearly 200 client views

Dual Class

Exploring research / data identifying negative impact of sunset or arbitrary timeline ending dual class

Preserving Stock Buy Backs as a Capital Allocation Tool

Actively monitoring risks/ opportunities re: debate in DC and in the press, and educating clients

Prioritizing Long-Term Growth Over Short-Term Returns

>> Summer 2019 Recap <<



Recent Momentum Around Nasdaq's Revitalize Agenda

- Nasdaq participated in a July 2019 SEC roundtable where we urged the SEC to drive changes that help companies prioritize long-term growth over short-term returns.
- The SEC issued guidance in late August 2019 clarifying the legal responsibilities of proxy advisory firms and investment advisors to provide complete and accurate information, disclose methodologies, and address conflicts of interest.
- H.R. 2899, introduced in the Senate in summer 2019, is aimed at improving capital formation, liquidity and the market structure experience for smaller companies.
- Legislation was introduced to require the SEC to implement rules simplifying the quarterly financial reporting regime by making the Form 10-Q optional.
- Nasdaq's comment letters to the SEC commending their consideration of ways to reduce compliance burdens for public companies while maintaining important investor protections.
- An op-ed with Nelson Griggs and BIO CEO Jim Greenwood urging Congress to enact legislation to reform short-sale disclosure.

Polling Question #3



Considering your company and your stakeholders – as well as the potential risks and benefits related of increased short sales disclosure – would you prefer

A. Market-wide short sale disclosure (sunlight disinfecting all, notwithstanding any effect of piling on).

B. Company-specific short sale disclosure (knowledge empowers more constructive investor dialogue).

C. No change to short sale disclosure.

Increasing Chapter Involvement

Chapters can play a key role in building grass roots support

- Half of NIRI chapters don't have advocacy ambassadors; NIRI plans outreach to those chapters
- NIRI can provide letter templates and FAQs for chapters that wish to support NIRI's advocacy initiatives
- Don't wait to get involved; the issuer-friendly SEC may change after 2020 election

Mobilizing Corporate Support

The SEC wants to hear from issuers

- Determine how your company is impacted by the outdated 13D/13F equity disclosure rules. Has your company been victimized by short sellers?
- How would your company benefit from the SEC's proxy reforms proposals?
- Educate your management team (including general counsel, corporate secretary, and govt. affairs) on these issues
- Encourage your company to submit a comment letter (or at least allow the IRO to submit a letter).
- It should be an easier sell to persuade your company to endorse pro-issuer rule proposals by the SEC

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Polling Question #4



Which of the following are ways that issuers, IROs, and NIRI chapters can support NIRI's advocacy efforts?

A. Submit comment letters to the SEC during public comment periods on proposed regulations or after policy roundtables.

B. Submit comment letters to key members of Congressional committees.

C. Sign on to NIRI comment letters to the SEC and Congressional committees

D. Attend NIRI's Leadership Week, September 2020, in Washington, D.C.

E. Volunteer to serve as your NIRI Chapter's Advocacy Ambassador.

F. All of the above.

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2019 – 2020 Virtual Chapter Program Calendar

Date	TOPIC
November 20, 2019	Demystifying Market Structure
December 11, 2019	Building Relationships with Passive Investors
January 8, 2020	Proxy and Governance Outreach
February 19, 2020	Election Year Forecasting
March 20, 2020	Targeting
April 15, 2020	ESG
May 6, 2020	Award Winning Investor Relations
June 2020	NIRI National Event – Miami

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