

A MANUFACTURING AGENDA FOR CAPITAL FORMATION AND CORPORATE GOVERNANCE

Manufacturers need access to capital to invest, grow, and drive the innovation that fuels growth and job creation. America's public capital markets are the deepest and most liquid in the world, but outdated regulatory structures often make it harder for companies to raise the funds they need—and the politicalization of the proxy process in recent years has increased costs dramatically for public companies and made it more difficult for manufacturers to deliver shareholder returns and drive economic growth.

Manufacturers are calling on Congress and the Securities and Exchange Commission to advance reforms to promote capital formation, streamline compliance burdens, and depoliticize the proxy process.

To support manufacturers and Main Street investors, policymakers should:

1. **Tailor disclosure rules** to ease regulatory burdens on small and mid-cap manufacturers;
2. Ensure that publicly traded manufacturers are only required to **report information that is material to their shareholders**;
3. **Prevent activists from hijacking the proxy ballot** in pursuit of political agendas unrelated to long-term business growth and shareholder value creation;
4. **Rein in proxy advisory firms** and limit their outsized influence on corporate governance; and
5. **Increase ownership transparency** to help manufacturers engage more effectively with their investors.

78%

of publicly traded manufacturers said they are concerned about outside pressure on environmental, social and political topics from activists investors, institutional investors, proxy advisory firms and other third parties.

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Tailor Disclosure Rules to Ease Regulatory Burdens on Small and Mid-Cap Manufacturers

Manufacturing is a capital-intensive industry, with high-dollar investments in equipment, facilities, systems, and research powering the modern manufacturing shop floor and the broader economy. The NAM supports reforms to foster capital formation for small and mid-cap manufacturers, improve the regulatory environment so that these companies can go (and remain) public, and reduce existing disclosure burdens on smaller issuers. The NAM urges the SEC and Congress to:

- Update the outdated thresholds for smaller reporting companies, non-accelerated filers, and accelerated filers so that these categories reflect widely accepted definitions for small and mid-cap companies;
- Broaden the emerging growth company definition by increasing the revenue threshold and extending the duration of the IPO On-Ramp;
- Exempt smaller companies from costly disclosure mandates, such as conflict minerals, cybersecurity, climate risk, clawbacks, and pay vs. performance;
- Help private manufacturers raise capital by providing permanent relief from Rule 15c2-11 for fixed-income securities;
- Increase private companies' access to capital by allowing more individuals to qualify as accredited investors; and
- Establish a new Public Company Advisory Committee at the SEC to represent the views of manufacturers in important policy debates.



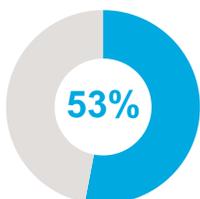
77% of publicly traded manufacturers believe that a focus on ESG disclosure will increase reporting costs and divert funds from productive uses.

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Ensure that Publicly Traded Manufacturers Are Only Required to Report Information That Is Material to Their Shareholders

Many of the SEC's new disclosure rules mandate the disclosure of information that is not material to the investing or proxy voting decisions of Main Street investors. Manufacturers urge Congress and the SEC to reaffirm the principle of materiality, as recognized by the U.S. Supreme Court—which limits disclosure obligations to information that would alter the total mix of information available to a reasonable investor. Specifically, manufacturers encourage policymakers to reconsider, revise, or rescind entirely any requirements that mandate non-material disclosures, as well as those rules where the significant costs of compliance exceed the benefits to investors. The SEC should:

- Streamline the SEC's executive compensation disclosure rules to reduce costs for companies and increase the usefulness of information for investors;
- Rescind or substantially revise the climate risk disclosure rule (if it survives a legal challenge) to ensure that it focuses on the disclosure of material information for investors rather than unrelated policy goals;
- Simplify the pay vs. performance rule by allowing companies to report a CEO's "take-home" pay instead of hiring consultants to perform complex calculations that are not relevant for Main Street investors;
- Delay enforcement of the "clawback" listing standards, which will impose significant costs on companies that likely will exceed any recoveries from executives;
- Rescind the rigid requirement that companies report cybersecurity incidents within four business days, and provide more flexibility so that companies can contain attacks and cooperate with law enforcement and national security officials;
- Provide relief from the costly conflict minerals disclosure requirements and support the repeal of this Dodd-Frank mandate; and
- Direct the Financial Accounting Standards Board to revise, rescind, or delay its new accounting standard on income tax payments, which will require the disclosure of confidential tax data that is not material to investors.



53% of publicly traded manufacturers believe that a focus on ESG disclosure will empower and encourage shareholder activists.

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Prevent Activists from Hijacking the Proxy Ballot in Pursuit of Political Agendas Unrelated to Long-Term Business Growth and Shareholder Value Creation

Manufacturers are increasingly caught in the middle as activists seek to advance social and political agendas using the proxy ballot. While the SEC recently changed course on shareholder proposals by rescinding Staff Legal Bulletin 14L, which had empowered activists at companies' expense, more should be done to protect manufacturers and their shareholders from activists who hijack the corporate proxy ballot to push their narrow agendas. The NAM recommends that the SEC:

- Adopt a rule that limits the SEC's authority to force companies to include politically motivated shareholder proposals on their proxy ballot;
- Clarify that companies can always exclude shareholder proposals that are irrelevant to their business or that seek to micromanage their operations;
- Increase the outdated \$2,000 ownership threshold that allows special-interest activists to place proposals on company proxy ballots year after year;
- Increase the resubmission thresholds that force shareholders to consider failed proposals on a recurring basis; and
- Close loopholes that allow activists to evade the SEC's shareholder proposal rules.

Rein in Proxy Advisory Firms and Limit Their Outsized Influence on Corporate Governance

Proxy advisory firms exercise outsized influence on corporate governance at manufacturers of all sizes. The proxy firms' significant conflicts of interest, minimal accountability, and frequent errors pose a threat to Americans' retirement savings. The NAM recommends the following reforms:

- Congress should reaffirm the SEC's authority to regulate proxy advice as solicitation under the Exchange Act;
- The SEC should require proxy firms to offer companies an opportunity to review and provide feedback on draft recommendations before investors vote on that advice;

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- The SEC should require proxy firms to provide robust, issuer-specific conflict-of-interest disclosures;
- The SEC should prohibit proxy firms from distorting company decisions and investor votes by offering consulting services to the same companies whose governance is the subject of their voting advice; and
- The SEC should issue new guidance that sets guardrails for investment managers that use the proxy firms' "robo-voting" services.

Increase Ownership Transparency to Help Manufacturers Engage More Effectively with Their Investors

The SEC's outdated Form 13F ownership transparency rules make it challenging for publicly traded manufacturers to learn the identity of their institutional investors and effectively engage with them. Manufacturers rely on quarterly 13F filings to guide their vital shareholder outreach, communication, and education efforts. These filings also are used to attract capital, as many smaller issuers utilize 13F data to identify potential investors who invested in similar companies. Unfortunately, the 45-day filing deadline for Form 13F has not been updated since the 1970s, so much of the ownership data is out of date by the time companies receive it. The NAM urges the SEC to:

- Enable companies to obtain more timely information on their investors by reducing the Form 13F disclosure window from 45 days to five business days; and
- Help companies better prepare for "short and distort" attacks by providing them information on investment managers that take significant short positions.

To strengthen America's manufacturing competitiveness, policymakers should act now to ease unnecessary compliance burdens and restore balance to the proxy process. Reforms that streamline disclosures, prioritize materiality, rein in proxy abuses, and boost ownership transparency will unlock capital, fuel innovation, and keep manufacturers driving growth and job creation across the United States.