

## Section-by-Section: The Protecting Americans' Retirement Savings from Politics Act

**Sec. 101. Mandatory Materiality Requirement.** Section 101 amends *the Securities Act of 1933* and the *Securities Exchange Act of 1934* to mandate that information required to be disclosed to the Securities and Exchange Commission (SEC) by issuers be material to voting or investment decisions regarding those issuers.

**Sec. 201. Public Company Advisory Committee.** Section 201 amends the *Securities Exchange Act of 1934* to establish within the SEC the Public Company Advisory Committee.

**Sec. 301. Protecting U.S. Business Sovereignty.** Section 301 requires the SEC to conduct a study on the detrimental impacts that the European Union's Corporate Sustainability Due Diligence Directive and Corporate Sustainability Reporting Directive may have on U.S. companies, consumers, and investors.

**Sec. 401. Corporate Governance Examination.** Section 401 requires the SEC to conduct a comprehensive study every five years with respect to proxy advisory firms and the proxy process.

**Sec. 501. Registration of Proxy Advisory Firms.** Section 501 requires proxy advisory firms to formally register with the SEC and certify that their voting recommendations are based on accurate data and serve the best economic interests of shareholders.

**Sec. 601. Liability for Certain Failures to Disclose Material Information or Making of Material Misstatements.** Section 601 amends Section 14 of the *Securities Exchange Act of 1934* to state that failure to disclose material information or making material misstatements regarding proxy voting advice will be considered false or misleading with respect to material facts.

**Sec. 701. Duties of Investment Advisors, Asset Managers, and Pension Funds.** Section 701 requires institutional investment managers who utilize proxy advisory firms to file annual reports with the SEC providing a detailed explanation of their voting record on every shareholder proposal.

**Sec. 801. Protecting Americans' Savings.** Section 801 prohibits institutional investors from "robo-voting," or automatically casting proxy votes based on third-party recommendations without performing an independent internal analysis.

**Sec. 901. Empowering Shareholders.** Section 901 requires managers of passive funds to either follow the specific instructions of individual investors, vote in alignment with the company's board, mirror vote, or abstain from the vote entirely.

**Sec. 1001. Best Interest Based on Pecuniary Factors.** Section 1001 amends the *Investment Advisers Act of 1940* to specify requirements concerning the consideration of pecuniary and non-pecuniary factors, with the option for investors to consent to the use of non-pecuniary factors in decision-making.