April 2025

Balancing Investor Voice and Value:

An Economic Perspective on Shareholder Proposals

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I. Executive summary

1. Shareholder proposals are a form of shareholder democracy whereby shareholders can request or recommend that a company and/or its board of directors take some action. In the United States, the threshold for proposal submission, in terms of market value of the shares held, is low and it is not surprising that there has been a steady growth in shareholder proposals in the United States over the past five years.

2. While proposals in earlier years focused overwhelmingly on Governance and Compensation issues, recent years have seen a notable increase in Environmental and Social ("E&S") proposals that now comprise the majority of shareholder proposals. These proposals predominantly pertain to issues such as climate change, diversity and inclusion, human capital management and political or lobbying activities.

3. Shareholder proposals are costly. They impose significant review and voting costs for non-proponent institutional and retail investors. I estimate the annual direct monetary costs to range between $745 million and $966 million for institutional investors, and between $42 million and $184 million for retail investors. Shareholder proposals are also costly for public companies who receive the proposals, as they bear the burden of reviewing, analyzing and responding to the proposals, engaging with institutional shareholders regarding the proposals, printing and mailing the proposals as part of the proxy statement and proxy card, and in some cases, seeking no-action relief from the Securities and Exchange Commission ("SEC") to exclude the proposals from the company's proxy materials. I estimate these costs for public companies to range between $117 million to $126 million annually.

4. As highlighted by industry participants, in addition to monetary costs, shareholder proposals can also impose indirect opportunity costs on company management who often divert significant time and resources from value-generating activities to address shareholder proposals.

5. While shareholder proposals impose significant costs on public companies and investors, academic literature has documented that most shareholder proposals are not viewed positively by investors, as measured by stock price reactions to such proposals. While earlier academic studies were focused more on Governance proposals as that was the dominant proposal topic, recent academic studies have analyzed E&S proposals and found them to be typically value-destroying. Studies have also found that investors associate positive value with management opposition to value-destroying proposals.

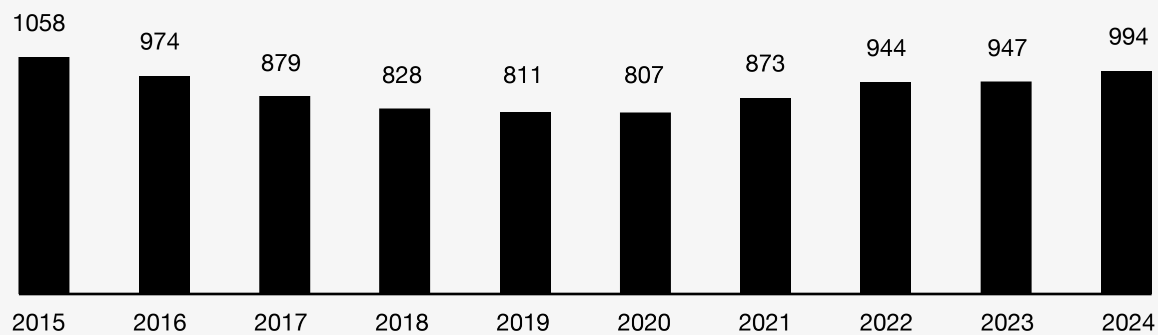
6. Unlike the low threshold for proposal submission in the United States, many international markets have a higher threshold for proposal submission; these include the United Kingdom, Germany, France, Australia, and Japan. These higher thresholds result in fewer proposals being submitted and voted on, suggesting a higher quality of proposals in these markets.

7. Proxy advisory firms exert outsized influence on shareholder voting outcomes. While these firms can provide value through research efficiencies, they are not subject to any meaningful regulation, and their one-size-fits-all approach, voting policies that are not generally the result of economic analysis and potential conflicts of interest pose risks toward sub-optimal voting outcomes. In other words, proxy advisory firm vote recommendations do not necessarily align with shareholder value maximization principles. The increasing trend of “robo-voting” and the significant impact of proxy advisor recommendations on vote outcomes mean that vote results (and therefore capital allocation and other corporate decisions) are driven by proxy advisor recommendations that are not necessarily based in economic value.

II. Background

8. There has been a steady growth in the volume of shareholder proposals submitted in the United States over time. Institutional Shareholder Services ("ISS") examined shareholder proposals submitted at U.S. public companies from July 2014 to June 2024[1]. **Figure 1** below reports the number of proposals submitted over the past decade. The graph follows a U-shaped pattern with a decline of 24% from 1,058 proposals submitted in 2015 to 807 proposals in 2020, followed by a subsequent increase of 23% to 994 proposals in 2024.

Figure 1: Number of shareholder proposals submitted at U.S. public companies[2]



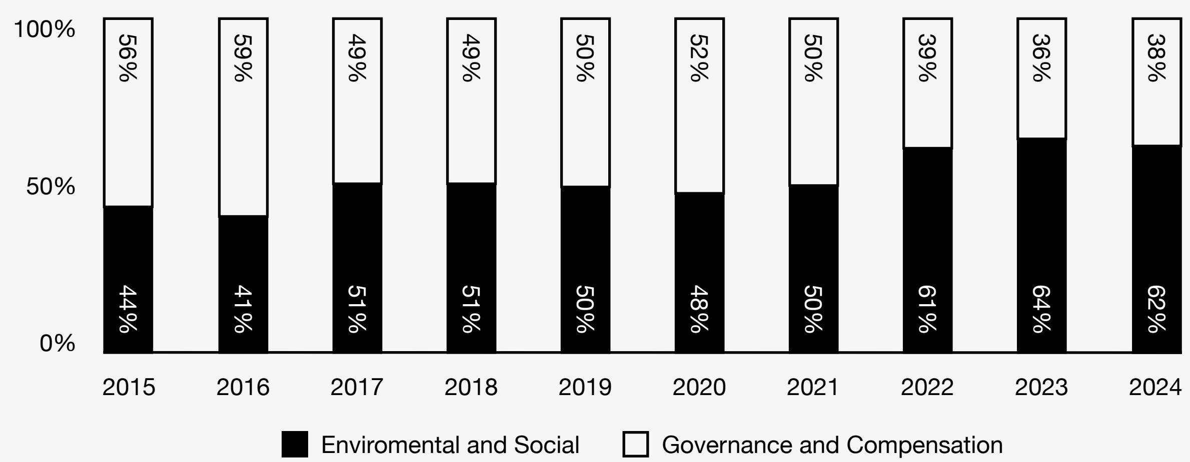
9. Another ISS study found that large-capitalization S&P 500 companies accounted for 90% of the shareholder proposals submitted to Russell 3000 companies.[3] This finding is further corroborated by a 2019 SEC Procedural Release, which showed that from 2004 to 2018, S&P 500 companies received on average 1.56 proposals each year, which was statistically significantly higher than the average number of proposals (0.33) received by Russell 3000 companies each year.[4]

10. The shareholder proposals submitted at U.S. public companies mainly touch upon E&S issues along with proposals on Governance and Compensation issues. Among Environmental proposals, climate is the most common subtopic, with proposals typically aiming to "enhance a company's disclosure regarding its climate change risks or to set and report [greenhouse gas] emissions reduction goals."[5] Social proposals relate to matters such as companies' diversity and inclusion policies, human rights issues and reporting on gender or racial pay gaps. They also include proposals related to political and lobbying activities, such as proposals that request transparency

regarding corporate funds used for political contributions and the alignment of lobbying initiatives with stated company values.[6] A subset of proposals also aims to discourage companies from implementing environmental or social initiatives.[7] Board-related issues and shareholder rights are among the most common Governance proposals.[8] Compensation proposals relate to the setting of compensation of executives or directors.

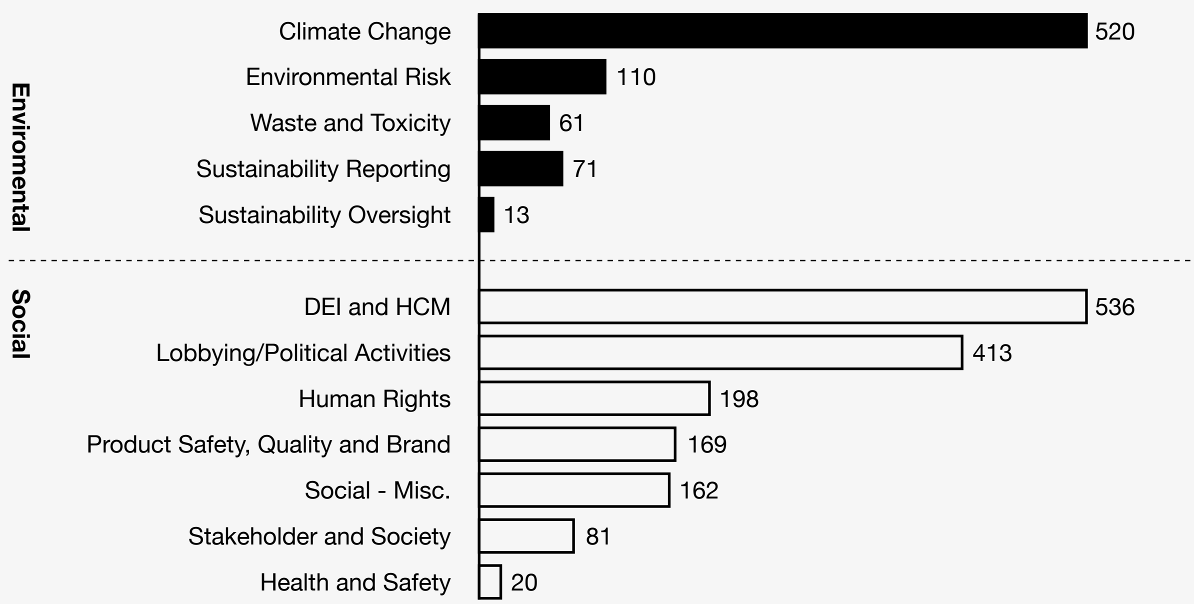
11. E&S proposals constituted the majority (62%) of all shareholder proposals submitted in 2024, as shown in **Figure 2** below, a gradual increase from just 44% in 2015. The increase in E&S proposals over the past five years was due primarily to an increase in climate change, human capital management ("HCM"), and political/lobbying activities related proposals, as shown in **Figure 3** below.

Figure 2: Types of shareholder proposals submitted (as a percentage of total)[9]



12. As implied by **Figure 3**, climate change proposals constituted 22% of all E&S proposals submitted in the past five years. These include proposals on climate-related issues such as an increased emphasis on alignment with the Paris Agreement and net zero targets.[10] HCM proposals accounted for 23% of E&S proposals submitted in the past five years. These include topics such as diversity, inclusion, discrimination in the workplace, employee benefits, and gender and racial pay equity.[11] Proposals related to political and lobbying activities constituted 18% of all E&S proposals submitted in the past five years.

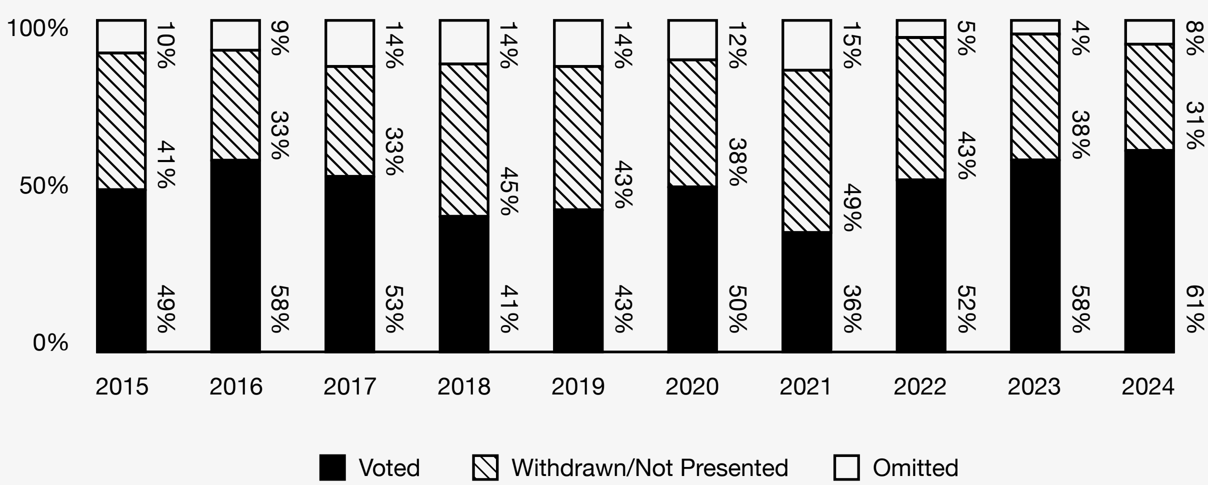
Figure 3: E&S proposals submitted by topic (2020 to 2024)[12]



13. Not all shareholder proposals are ultimately submitted to a shareholder vote. Some proposals may be withdrawn by the proponent prior to the shareholder meeting, indicating a likely settlement between the proponent and the company, sometimes with concessions being made by one or both parties.[13] Proposals can also be omitted by the company under Rule14a-8 of the SEC, pursuant to what are known as "no-action" requests.[14] In a no-action request, which can be submitted by a company to the SEC, the company seeks confirmation that the SEC will not take any enforcement action against the company if it omits a shareholder proposal from its proxy statement pursuant to the procedural and/or substantive exclusions enumerated in Rule 14a-8.

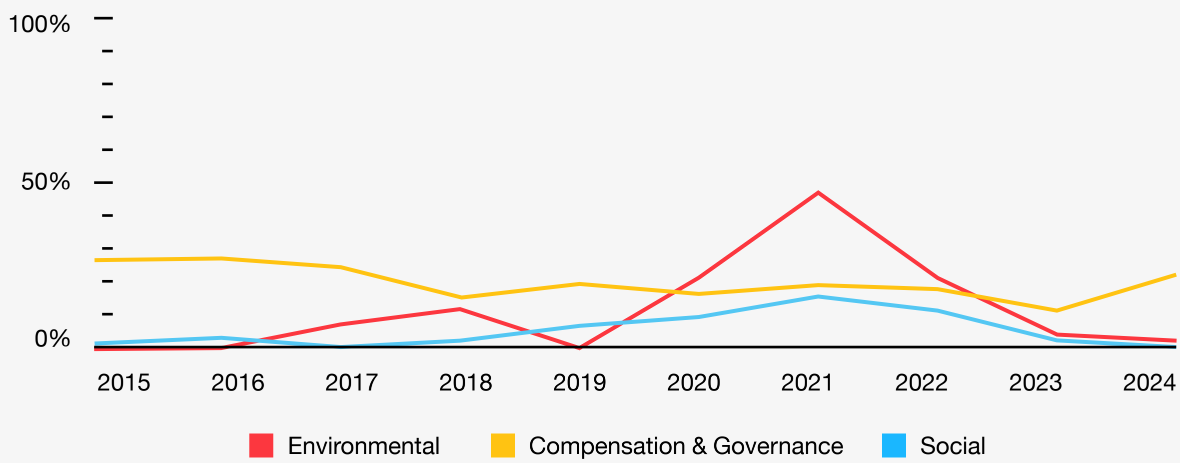
14. ISS found that during the July 2014 to June 2024 period, 36% to 61% of E&S proposals went to vote, 31% to 49% were withdrawn, and 4% to 15% were omitted, as summarized in **Figure 4** below. For Governance and Compensation proposals submitted over the same period, 59% to 81% went to vote, 8% to 24% were withdrawn, and 9% to 28% were omitted.[15]

Figure 4: E&S proposals by vote status[16]



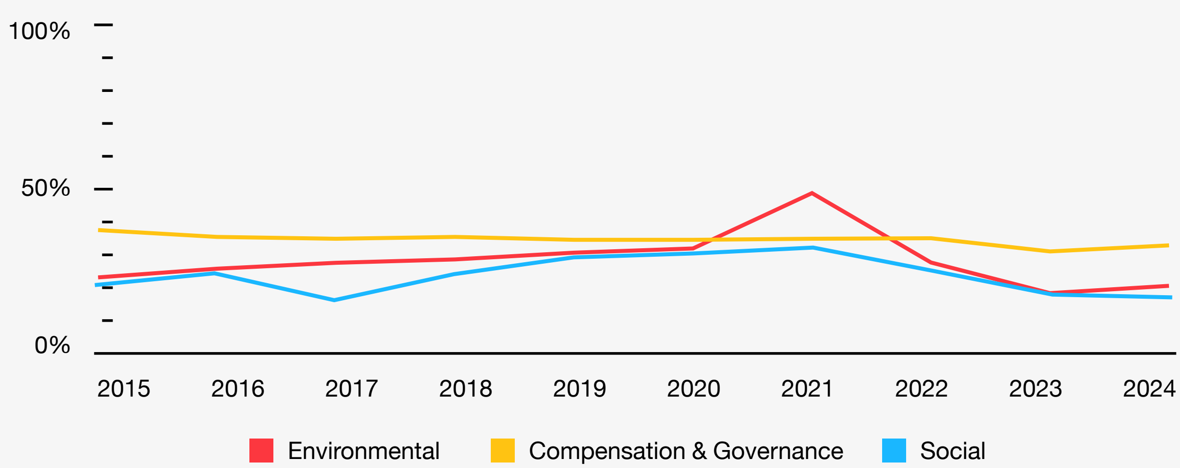
15. Not all shareholder proposals submitted to a shareholder vote are successful. ISS found that 0% of Environmental proposals voted on passed in 2015, with the pass rate increasing to 46% in 2021, before declining again to 2% in 2024, as shown in **Figure 5** below. For Social proposals, the pass rate remained low from 2015 to 2024, ranging from 0% to 15%, with a 5% average pass rate across this period. Compensation and Governance proposals had a higher success rate, with 20% of proposals passing, on average. The outcome of shareholder voting can be legally binding or non-binding for the company. In the United States, non-binding advisory votes are more common, whereby companies are not legally bound to implement a proposal even if it has strong shareholder support. Nevertheless, as discussed further below, through their outsized influence and policies that target directors of companies that do not implement shareholder proposals receiving majority support, proxy advisory firms ISS and Glass Lewis have created a system in which shareholder proposals are effectively binding, de facto.

Figure 5: Proposals that gained majority support as a percentage of proposals voted on[18]



16. The median support (as a % of votes cast) for Environmental proposals increased from 24% in 2015 to 49% in 2021, before declining again to 21% in 2024, as shown in **Figure 6** below. A similar trend also holds for Social proposals. The median support for Compensation and Governance proposals has been around 31% to 35% over the past five years.

Figure 6: Median support level for proposals[19]



17. The pass rates and median support rates discussed above are based on proposals submitted to a shareholder vote; they do not account for proposals that were negotiated out and withdrawn because companies thought those proposals could get significant or even majority support. Accordingly, they likely do not tell the whole story.

18. The recent decline in pass rates and support rates for E&S proposals has been attributed to E&S proposals becoming increasingly "prescriptive" and "overreaching"[20]. This is owing to a 2021 revision in the SEC's guidance on what proposals could be excluded by companies as part of a no-action request.[21] These recently revised SEC guidelines have allowed shareholders to submit proposals which "demand specific actions, detailed targets, and strict timelines", as opposed to just asking companies to "consider doing better."[22] In addition, the decline in support may also be due to the fact that, in recent years, many public companies have been taking significant action with respect to environmental and social issues, such that the proxy advisors and/or institutional investors deem them to have done "enough" to warrant an "against" recommendation or vote.

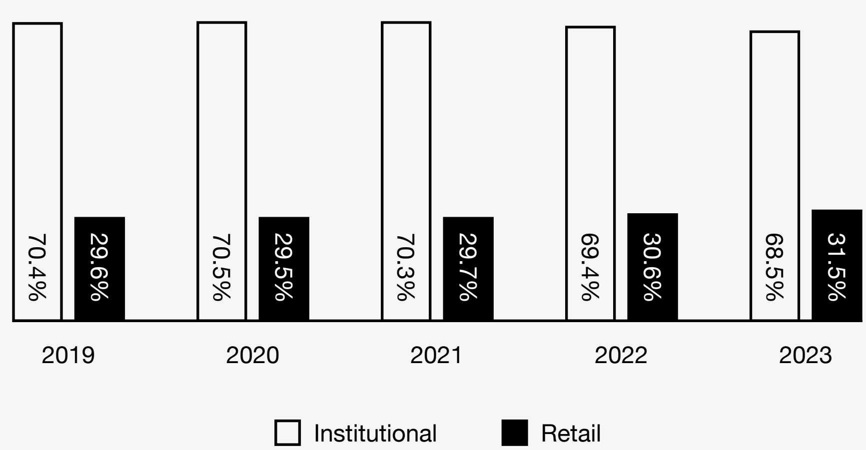
III. Economic costs of shareholder proposals

19. Shareholder proposals impose costs on other non-submitting investors of a company who expend time and resources to review these proposals. In the first section below, I estimate the direct monetary costs of shareholder proposals for both retail and institutional investors (direct monetary costs are out-of-pocket costs associated with personnel involved in responding to proposals). Additionally, I analyze the costs faced by publicly listed companies who receive these shareholder proposals from proponent investors. Further below in the second section, I also discuss the indirect costs that companies incur in reviewing shareholder proposals. Indirect costs may include the opportunity costs of time and attention of company management in reviewing these proposals, the costs of implementing value-destroying proposals or negotiated settlements, or the costs associated with failing to implement shareholder approved proposals (e.g., higher board turnover which follows from proxy advisor recommendations against boards that don't implement all shareholder approved proposals).

A. Direct costs of shareholder proposals

20. The majority of the shareholder base of publicly listed U.S. companies consists of institutional investors who represent approximately 70% of share ownership. Retail investors as a group constitute the remaining 30%, as show in **Figure 7** below. I quantify the direct monetary costs incurred by these investors in the sections below.

Figure 7: Share ownership by investor type of U.S. publicly listed companies[23]



i. Institutional Investors

21. To calculate the cost of shareholder proposals for institutional investors, I started by looking at the universe of Russell 3000 companies.[24] For each Russell 3000 company, I collated a list of institutional investors holding the shares of the company.[25,26] The distribution of institutional investors by market capitalization is summarized in **Table 1** below.

22. The average number of institutional investors in mega-cap companies (market capitalization exceeding $200 billion) is slightly more than 4,000. On average, 1,279 institutional investors hold shares of large-cap companies (market capitalization between $10 billion to $200 billion). The average number of institutional investors holding the stock of smaller sized companies is lower; for example, 217 institutional investors, on average, own small-cap company shares (market capitalization between $250 million to $2 billion).

23. Large institutional investors are known to hold a high fraction of equity ownership of publicly listed companies. Research has found that asset managers BlackRock, Vanguard and State Street together constitute the largest shareholder in 88% of S&P 500 firms.[27] These large institutions can influence the voting results of a shareholder proposal due to both their share of the vote and because smaller institutional investors may be influenced by the voting positions of larger institutions.

Table 1: Distribution of institutional investors of Russell 3000 companies by market capitalization[28]

Number of Institutional Investors

Market Cap Category	Number of Companies	Mean	Median
Mega-Cap	45	4,033	4,117
Large-Cap	594	1,279	1,135
Mid-Cap	885	419	411
Small-Cap	984	217	219
Micro-Cap	249	97	102
Total	2,757		

24. Across the set of Russell 3000 constituents, I find 10,803 unique institutional investors. To aid with proxy related issues such as board member elections at corporate shareholder meetings and the shareholder proposal review and vote process, these institutions often hire one or more proxy advisory firms and/or conduct internal research within the firm, or they may decide not to participate in the shareholder voting process. According to a FINRA primer, 90% of institutional investors participate in shareholder voting,[29] i.e., 9,723 of the 10,803 institutions participate in the voting process. I assume that these 9,723 institutions hire a proxy advisor firm and/or conduct their own in-house research.

25. A 2023 article on the proxy advisory industry notes that medium and smaller-sized institutional investors often lack the necessary bandwidth to conduct cost-effective research themselves and outsource such work to advisory firms. Larger institutional investors tend to conduct their own in-house research but often subscribe to the research of proxy advisory firms as well.[30] Thus, even large institutional investors conducting their own research may be influenced by the recommendations of proxy advisory firms.

26. The proxy advisory business is dominated by two firms, Glass Lewis and ISS, which are jointly estimated to have a 97% share of the advisory market.[31] Glass Lewis reports having 1,300 institutional clients, and ISS reports having 4,200 clients, including both institutional investors and public companies.[32] The SEC estimates that ISS has 2,000 institutional clients.[33] Hence, I assume that 3,300 institutional investors use proxy advisor firms (1,300 to Glass Lewis and 2,000 to ISS) and the remaining 6,423 institutions conduct their own in-house research.

27. To calculate shareholder proposal costs for the 6,423 institutions doing in-house research, I begin by identifying the number of Russell 3000 stocks held by institutional investors. **Table 1** shows that in total there are 639 mega-cap or large-cap stocks, and the remaining 2,361 stocks are mid, small or micro-cap stocks.[34] Institutional investors hold on average 58 mega or large-cap stocks and 31 mid, small or micro-cap stocks.[35] As discussed in paragraph 3, on average S&P 500 companies receive 1.56 shareholder proposals each year. On average, each Russell 3000 company receives 0.33 proposals each year. Of these proposals, I assume that 70% go to vote and the remaining are withdrawn or omitted, as discussed above in paragraph 7.[36] Thus, an average institutional investor holding mega or large-cap stocks would have to consider and review 63.3 shareholder proposals annually. Similarly, an average institutional investor holding mid, small or micro-cap stocks would have to consider and review 1.8 shareholder proposals annually.[38]

28. I assume that 80 hours would be spent by each institutional investor to conduct its own in-house research on each shareholder proposal. This assumption is based on the SEC's estimate of 80 "burden hours" for a publicly listed company for activities related to considering a shareholder proposal.[39] Just as public companies have a fiduciary responsibility towards their shareholders to review and take subsequent action on shareholder proposals, institutional investors also have a fiduciary duty to act in the best interest of the beneficial owners of securities when participating in the voting process. Therefore, it is reasonable to assume that institutional investors would require a similar amount of time as taken by public companies to review shareholder proposals.[40]

29. As a check on the assumption that the burden hours of companies is a reasonable proxy for the burden hours of institutional investors, I consider the implications of that assumption as compared to what is known about large institutions' efforts. An assumption of 80 burden hours per proposal implies a total burden of 5,067 hours each year (across all proposals) for each institutional investor with broad-based holdings of mega and large-cap stocks. This implies about 2.5 full time equivalent employees dedicated to shareholder proposal work each year. For large institutional investors, this estimate is potentially conservative. For example, BlackRock, one of the world's largest asset managers, has an investment stewardship team of 60+ employees whose responsibilities include voting at shareholder meetings.[41] Given that similar proposals are often submitted at more than one company, large institutions likely obtain some economies of scale in their per-proposal costs – as a result, while an assumption of 80 burden hours seems reasonable for larger institutions, it may even be conservative for smaller institutions. For each institutional investor holding mid, small or micro-cap stocks, 80 burden hours multiplied by an average of 1.8 shareholder proposals implies only 146 burden hours each year.[42]

30. An hourly wage rate of $75 to $100 results in an annual cost of $380,016 to $506,688 for each institutional investor holding mega or large-cap stocks to do its own in-house research on shareholder proposals.[43] Using the same hourly wage assumption, for institutional investors holding mid, small or micro-cap stocks, the annual cost range is $10,937 to $14,582.

31. As shown in **Table 1**, on average, 2,656 institutional investors (or roughly 25% of all 10,803 institutional investors) hold mega or large-cap stocks.[44] Thus, total annual costs for 1,606 or 25% of all 6,423 institutions holding mega or large-cap stocks and doing in-house research is approximately $610 to $814 million. Total annual costs for the remaining 75% of institutional investors holding mid, small or micro-cap stocks and doing in-house research is $53 to $70 million.

32. Across all 6,423 institutions doing in-house research, this would imply a total annual cost of $663 million to $884 million.

33. To calculate shareholder proposal costs for the 3,300 institutional investors that use proxy advisory firms, I first identify the fees charged by proxy advisory firms to their clients. An ISS brochure indicates that ISS charges clients anywhere between $5,000 and $1 million annually.[46] The difference between the high and low end of the fee range and the specific amount charged depends on several factors including "the types of products purchased, the volume of products consumed, coverage universes, delivery mechanisms, and individual client use cases."[47]

34. The ISS fee range of $5,000 to $1 million is not solely attributable to shareholder proposals related services and can include other services, such as advice related to director elections, "say on pay" compensation votes, or special situations such as M&A proposals. Additionally, these costs do not capture incremental costs per shareholder proposal but are rather estimates of overall advisory related costs incurred by institutional investors. For illustrative purposes, assuming that only 5% of ISS's $1 million fee is attributable to shareholder proposals, and that only 50% of the institutional clients of proxy advisory firms use their services for shareholder proposal related work, implies a $83 million annual cost for the institutional clients of proxy advisory firms.[48]

35. Thus, a reasonable estimate of a lower and upper bound of potential shareholder proposal related costs incurred by institutional investors is $745 million and $966 million annually. This amount is arguably conservative, as some institutional investors who do their own research often subscribe to proxy advisory firm services as well.

ii. Retail Investors

36. To calculate the cost of shareholder proposals for retail investors, I first identified a range of 15.6 million to 26.0 million retail investors holding U.S. equities. According to a 2023 survey by Broadridge, 39% of the 40 million retail investors surveyed – i.e., approximately 15.6 million investors – had directly invested in U.S. equities.[49] According to another source, about 26 million U.S. families directly held U.S. equities.[50]

37. According to a FINRA primer, 25% to 33% of retail investors participate in shareholder voting.[51] This implies a range of 3.9 million to 8.6 million retail investors participating in shareholder voting. As of 2022, there were 4,642 publicly listed U.S. companies,[52] implying 840 to 1,848 retail investors participating in shareholder voting per company. I assume that 0.21 proposals are submitted per

public company each year. I assume for illustrative purposes that retail investors spend 30 minutes to one hour reviewing one proposal at a cost of $100 per hour.[53]

38. These assumptions are summarized in **Table 2** below, which also illustrates that the total cost for retail investors is in the range of $42 million to $184 million annually.

Table 2: Direct costs associated with shareholder proposals – retail investors

	Lower End	**Upper End**
Number of retail investors (m)	16	26
Participation rate	25%	33%
Number of retail investors participating in shareholder voting (m)	3.9	8.6
Number of U.S. publicly listed companies	4,642	4,642
Number of retail investors participating in shareholder voting per company	840	1,848
Number of proposals submitted per company each year	0.21	0.21
Number of hours spent	0.5	1
Cost per hour	$100	$100
Annual retail investor cost per company	$8,995	$39,579
Annual retail investor cost across U.S. publicly listed companies ($m)	**$42**	**$184**

iii. Public companies

39. Shareholder proposals also result in significant costs for publicly listed companies that receive the proposals.

40. The SEC has estimated "burden hours" for a company as 80 hours for activities related to considering a shareholder proposal and 20 hours associated with printing and mailing a shareholder proposal. In addition, according to the SEC, the burden hours associated with seeking no-action relief is 50 hours.[55] The SEC has calculated that the overall number of burden hours per proposal for a company is 107 hours by estimating that 40% of proposals are included in the proxy statement without seeking no-action relief, 16% are included after seeking no-action relief, 15% are excluded after seeking no-action relief, and 29% of proposals are withdrawn.[56]

41. This year, the Business Roundtable Corporate Governance Committee conducted an industry survey on the proxy process and received responses from 44 companies ("2025 Business Roundtable Survey").[57] The survey found that small companies received 2 proposals, on average, each proxy season. Medium and large companies received 4 proposals per season, on average, whereas very large companies received 8 proposals on average.[58,59]

42. 77% of the survey's respondents reported that their company spent between 100 to more than 2,000 internal hours managing and responding to shareholder proposals in a typical proxy season.[60] Further, the survey found that, on average, small companies spend 139 internal hours on shareholder proposals in a typical proxy season. Consistent with the greater number of shareholder proposals received by larger companies, as company size increases, the number of internal hours spent also increases, with medium companies spending 270 internal hours, large companies spending 522 hours, and very large companies spending 796 hours, on average.[61]

43. Across all company size ranges, on average, companies spend 481 internal hours on shareholder proposals in a typical proxy season. In terms of internal hours spent per proposal, this implies approximately 91 internal hours spent by each company per proposal on average.[62,63]

44. The 994 proposals submitted in 2024 across all publicly listed U.S. companies, as shown in **Figure 1**, would entail a total of 90,454 burden hours.[64] Assuming an hourly company wage rate of $200 or $300 results in a total "burden" cost of approximately $18 to $27 million (annually for all submitted proposals).[65]

45. Additionally, the 2025 Business Roundtable Survey respondents engaged external advisors in the shareholder proposal process, with 97% hiring outside counsel, 89% engaging proxy solicitors, and 49% hiring governance advisory firms.[66] The survey results further find that, on average, small companies spend $297k in external costs on shareholder proposals in a typical proxy season. As company size increases, the external costs also increase, with medium companies spending $380k in external costs, large companies spending $469k, and very large companies spending $602k, on average.[67]

46. Across all company size ranges, on average, companies spend approximately $450k on external costs in a typical proxy season to manage and respond to shareholder proposals. This implies approximately $100k in external costs spent by each company per proposal.[68] This would imply a total of $99 million in external costs for the 994 proposals submitted in 2024 across all publicly listed U.S. companies.

47. Thus, public companies incur shareholder proposal costs in the form of internal burden hours and external costs in the range of $117 million to $126 million annually for all submitted proposals, in addition to the shareholder proposal related costs accruing to institutional and retail investors.[69]

B. Indirect costs of shareholder proposals

48. In addition to the direct monetary costs identified above, shareholder proposals can also impose indirect costs such as time and effort expended by a company's management in reviewing and processing shareholder proposals. This time and effort represent an opportunity cost, as these management resources could have been allocated to other, value-creating opportunities within the company.

49. Industry participants have noted how proposals dealing with social or political matters can serve as a serious distraction for boards. Frivolous proposals are also believed to lessen consideration of more significant proposals and limit the time to respond to questions from investors that may be unrelated to ballot items.[70] Similarly, comments from industry highlight that management time and effort are spent both on proposals that are included in the proxy statement and on proposals that are ultimately excluded under the no-action process. These activities divert management and board attention away from creating long-term shareholder value. The comments also point out the diversion of capital resources to the "removal of an immediate distraction and away from investment in value-adding allocations, such as research and development and corporate strategy."[71] A U.S. Chamber of Commerce study likewise concluded that management time and effort defending against proposals considered detrimental to the firm creates an opportunity cost by diverting time and attention away from value-creating activities. According to the study, management hesitation to make strategic decisions in order to avoid costly and time-consuming negotiations with specific shareholders may also harm shareholders.[72]

50. Although difficult to quantify the opportunity costs of management distraction, a 2021 study by Matsusaka et al. found that while waiting for the SEC's decision on no-action relief for shareholder proposals, a company's stock price drifted downwards over time (they find a statistically significant negative cumulative abnormal return from the day a no-action request is filed until two days before the SEC's decision date). The study authors suggest this may be related to the costs that challenged proposals impose through management distraction.[73]

51. In addition to the opportunity costs of management distraction, shareholder proposals may impose indirect costs in two other ways. First, there may be indirect costs associated with implementing

shareholder proposals that decrease shareholder value but, nevertheless, gain majority shareholder vote approval. In the section below, I consider the evidence suggesting that today's shareholder proposals do not typically create shareholder value, and, in particular, that proposals focused on environmental or social issues are more likely to destroy shareholder value.

52. Second, there may be indirect costs on the firm in the event value-destroying proposals receive majority shareholder vote but that the company decides not to implement the proposal. Although it may seem such situations avoid the costs associated with value-destroying proposals, there is evidence that shareholders are more likely oppose board candidates in the future after the company fails to implement an approved shareholder proposal, particularly given proxy advisors' policies indicating that they will (or may) recommend a vote against board members if a shareholder proposal that received majority support is not substantially implemented.[74] Thus, the firm faces the indirect cost of loss of support for its board of directors, or pressure on board members to placate the proxy advisors and investors by implementing proposals they believe to be value-destroying.

IV. Effectiveness of shareholder proposals in creating shareholder value

53. As discussed in the sections above, shareholder proposals can impose both direct and indirect costs on companies and shareholders. The academic literature has also documented that most shareholder proposals are not viewed positively by investors (as reflected by impact on stock price), and that recent proposals focused on environmental or social topics are likely value-destroying. The stock price of a company reacts negatively to proposals that are viewed by investors as value-reducing – for example, generic proposals that do not address company-specific circumstances. It also appears that the value of shareholder proposals in the aggregate has shifted over time from positive toward zero / negative value as the subject of proposals has swung from governance and related issues (e.g., compensation) toward social and environmental subjects. In this section, I discuss the findings of some of these academic studies.

54. In evaluating the research on shareholder proposals, it is important to consider the timing of the research, because the subject matter of shareholder proposals has shifted over time. In particular, early studies of shareholder proposals necessarily focused on governance-related proposals, as that was the dominant subject of proposals. For example, Bizjak and Marquette (1998) studied shareholder proposals to rescind "poison pills" and found that such proposals were more frequent when the pill was likely to harm shareholder value and that managers respond to proposals by restructuring or rescinding pills.[75] Similarly, Del Guercio and Hawkins (1999) studied shareholder proposals from the largest, most active pension funds, finding the topics of all such proposals to be governance related (e.g., proposals dealing with shareholder voting, antitakeover provisions, or board of directors composition) and concluding that the evidence did not support any motivations for the proposals other than fund value maximization.[76]

55. Thomas and Cotter (2007) studied shareholder proposals in the 2002 to 2004 proxy season and found that abnormal returns surrounding the proxy mailing and board meeting dates were not statistically significant.[77] Notwithstanding not finding positive stock returns associated with these proposals, they found greater majority support for proposals and increased board responsiveness for the studied period compared to earlier periods. The proposals with the greatest majority support related to external corporate control, such as repealing poison pills or policies that impeded the replacement of the board of directors.

56. A 2010 study by Cuñat, et al., found passage of governance-related proposals associated with a small but statistically significant positive share price impact of about 1.3% (estimated as average stock abnormal return around the passage date for proposals with "close" votes).[78] The study noted that passage of a shareholder proposal may give a discounted view of the total value of

the proposal if there is a substantial likelihood that the proposal will not later be implemented notwithstanding its passage. The study estimated that the value of a governance proposal itself was about 2.7%, accounting for this implementation discount. Finally, the study found that the stock price reaction was larger for firms with concentrated ownership and with a larger number of anti-takeover provisions in place.[79]

57. Rennebook and Szilagy (2011) studied shareholder proposals from 1995 to 2005 and found that proposals tend to be targeted at firms that both underperform and have poor governance structures.[80] They found small positive price effects (overall average abnormal return of 0.25%), driven mainly by the target firm's prior performance and governance quality, and concentrated in positive returns for antitakeover related proposals.

58. Shifting toward more recent studies, a 2021 study by Gantchev and Giannetti found significant cross-sectional variation in the quality of shareholder proposals submitted by different sponsors.[81] Using data on shareholder proposals between 2003 and 2014 for all firms in the Standard & Poor's ("S&P") 1500 index, the study shows that proposals submitted by "gadflies" – i.e., most active individual sponsors – destroy shareholder value if they pass. These active sponsors are likely to submit generic proposals that do not address company specific circumstances. Specifically, the study showed that the proposals submitted by the top 10 individual sponsors generate short-term returns that are lower by 2.4% compared to other individual sponsors.[82] This 2.4% decrease in the valuation of an S&P 1500 company, with an average market capitalization of $26.8 billion, implies that in a year in which an average number of 15 "gadfly" proposals pass, these proposals destroy value by $9.7 billion.[83]

59. Gantchev and Giannetti (2021) also analyzed how the implementation of individual sponsor proposals impacts long-term shareholder returns, finding that for the "gadfly" proposals, corporate valuations drop by 12% in the 12 months following the shareholding meeting, compared to the valuations of firms that implement other individuals' proposals.[84] This implies an estimated average annual cost of "gadfly" proposals of $19 billion; in other words, "gadflies' proposals almost wipe out the value equivalent of one S&P 1500 firm per year (the average market capitalization of an S&P 1500 firm over [the study's] sample period is $25 billion)."[85]

60. However, the authors observed positive short-term and long-term abnormal returns for companies with an informed shareholder base.[86] In these firms, "harmful proposals have a higher probability of being weeded out" and an informed shareholder base can help "minimize the costs" associated with shareholder proposals.[87]

61. The cases where the authors found that proposals receiving majority support are more likely to be value enhancing pertain to companies with an informed shareholder base.[88] The authors found that for a subsample of proposals that pass, "informed mutual funds that vote against active individuals' proposals reduce their shareholdings by about 12% in the quarter after the vote."[89]

62. Another 2021 paper by Matsusaka et al., used data on more than 3,900 proposals for which companies requested no-action relief during the 2017-2019 period.[90] The authors found that the stock market reacted positively when the SEC permitted companies to exclude shareholder proposals from their proxy statements, suggesting that investors viewed these shareholder proposals as value-reducing on average. The average cumulative abnormal return ("CAR") associated with the SEC granting a no-action letter is in the range of 0.11% to 0.58% and is statistically significant.[91] The study also considers that investors might not necessarily be surprised by the no-action response for some proposals, so the authors calculate a probability adjusted CAR that accounts for the likelihood that each proposal would receive a positive no-action response.[92] The average probability-adjusted CARs range from 0.91% to 2.99%, indicating that "the market seems to have associated the deleted proposals with value-destruction in the vicinity of 1 percent or more."[93]

63. Berkman et al. (2024) studied the value impact of environmental proposals, distinguishing between climate-related and non-climate related proposals.[94] They found statistically insignificant returns associated with the proxy statement disclosure of non-climate environmental proposals, regardless of whether the proposal was successful or not. Thus, such proposals are either not material to firm value or managers are not able to differentiate between value-enhancing and value-detracting proposals.

64. The study found small, but statistically significant positive returns associated with the proxy statement filing date CARs for unsuccessful climate-related proposals (0.41% 2-day returns and 2.06% 21-day returns). They interpret these finding as indicating that investors generally view such proposals as not being aligned with shareholder value, and there is positive value associated with management opposition to value-destroying proposals. They also found a small but delayed positive (0.74%) reaction for climate-related proposals that are successful. The authors interpret this as an indication that investors value management's ability to negotiate with activists when proposals are potentially value-enhancing.

65. Berkman et al. (2024) also studied market reaction at the time of shareholder votes, controlling for the vote percentage by which a proposal is approved or fails. The study finds significant

negative price reaction on approval by a narrow margin (i.e., close to 50% approval) of non-climate environmental proposals. Thus, management-rejected proposals that subsequently garner majority support from shareholders lead to negative market reactions that are quite sizable (e.g., -5.2% for proposals dealing with environmental reporting and -8.6% for proposals focused on operational changes).

66. Busch, et al. (2023) studied the impact of ESG shareholder proposals based on a sample of over 7,000 proposals from 2006 to 2020.[95] The study found that companies receiving these proposals are associated with an increase in ESG scores by a third-party rating firm and lower carbon intensities after they receive the proposals,[96] with effects more pronounced when the proposals are sponsored by conventional investors (i.e., investors without any explicit sustainability agenda).[97,98] The study found no impact on carbon emissions. The study found that ESG proposals are associated with positive, but small (less than 0.5%), shareholder returns when information about the proposals is made public. Governance and carbon-related proposals did not have a statistically significant price effect.

67. In addition to academic studies, insights from institutional investors indicate that they find most shareholder proposals today to be value destructive. For example, investment management firm T. Rowe Price noted that, "more than half of shareholder proposals brought in [their] clients' portfolios in 2023 can be categorized as either untethered to, or negatively aligned with, economic outcomes for investors."[99] Similarly, BlackRock's 2024 report concluded that the majority of climate, environmental and social proposals were "over-reaching, lacked economic merit, or sought outcomes that were unlikely to promote long-term shareholder value. A significant percentage were focused on business risks that companies already had processes in place to address, making them redundant."[100]

68. The same holds true for public companies that receive shareholder proposals. An overwhelming majority (91%) of the respondents to the 2025 Business Roundtable Survey agreed that "shareholder proposals are more focused on advancing the particular interests or policy objectives of the proponent than increasing overall value of the company."[101]

69. To summarize, my review of the academic literature finds that earlier studies on shareholder proposals, from the late 1990s to the mid-2010s, focused on governance proposals, as that was the dominant subject of proposals. More recent studies from the 2020s have analyzed shareholder proposals, in general, with some studies focusing on Environmental or ESG proposals. The more recent studies found lower short-term and long-term returns for companies after they received

shareholder proposals. These studies also suggest that investors view shareholder proposals in general, and climate related proposals in particular, as value reducing and associate positive value with management opposition to value-destroying proposals.

70. Separate from the literature on the value impact of ESG shareholder proposals, it is worth noting that there have been many studies on the impact of ESG initiatives / scores on corporate performance and shareholder value. An analysis of that literature found that while there are studies showing a positive impact of ESG measures on corporate performance and investor performance, the evidence is mixed.[102] Given managerial incentives to support shareholder value creation, it is more likely that positive benefits from ESG efforts would come from management-led initiatives rather than shareholder proposals.

V. Shareholder proposals in international markets

71. In the prior sections, the focus of my analysis and research was centered around the United States. In this section, I discuss the differences between the shareholder proposal framework in the United States and international markets based on two different aspects: i) thresholds for proposal submission, and ii) number of proposals voted on. Since data on the number of proposals submitted per country was not available to me, I used the number of proposals voted on as a reasonable substitute.

72. **Thresholds for proposal submission:** To be eligible to submit a shareholder proposal in the United States, SEC Rule 14a-8 requires that an investor continuously holds $2,000 or $25,000 in market value of the company's securities for at least three years or one year, respectively.[103] For context and comparison to countries that set thresholds based on percentage of voting rights or shares, the $2,000 threshold is only about 0.0001% of the $2.5 billion median market capitalization of the Russell 3000 companies.[104] The $25,000 threshold is only about 0.001% of the $2.5 billion median market capitalization of the Russell 3000 companies.

73. In contrast, the threshold requirements for submitting shareholder proposals are significantly higher in several international markets, such as the United Kingdom, Germany, France, Australia, and Japan, as discussed below.

74. In the United Kingdom, only shareholders holding at least 5% of a listed company's voting rights or at least 100 members representing an average of at least GBP£100 each may request the submission of proposals to the agenda of the general meeting.[105] A 5% threshold applied to the $2.5 billion median market capitalization of the Russell 3000 companies is more than $100 million. While the alternative threshold of 100 members holding at least GBP£100 each imposes a much smaller economic burden, the requirement to coordinate across at least 100 parties likely poses a more significant burden than would be indicated by the value of shares held.

75. Similarly, in Germany, only shareholders owning at least 5% of a company's share capital, or a nominal value of €500,000 in a company's shares, may request that a proposal be included on the general meeting agenda.[106]

76. In France, the shareholder proposal filing threshold depends on the amount of share capital, but for large public companies it is effectively close to 0.5% of share capital.[107]

77. In Australia as well, shareholders can collectively submit proposals (the legislation refers to Australian proposals as resolutions) if the shareholders own at least 5% of the voting rights, or there are a total of 100 individuals who are entitled to vote during the general meeting.[108]

78. Japanese policy requires that shareholders hold at least 1% of the company voting rights or 300 voting rights (typically, 300 shares) for at least six months.[109]

79. Other countries, such as Canada, Denmark, and Sweden, have less strict threshold requirements for submitting shareholder proposals. Under the Canadian Business Corporations Regulations, a shareholder is eligible to submit a proposal provided that the shareholder holds at least 1% of the total number of voting capital or voting shares with a fair market value of at least CAD$2,000. Threshold levels also differ across provinces.[110] Denmark and Sweden allow all shareholders to submit proposals.[111,112]

80. **Number of proposals voted on:** Bakker (2023) calculated the total number of shareholder proposals, by jurisdiction of incorporation of companies, that were put to a vote between 2020 to 2022.[113] The study also identifies the subset of passed resolutions.

Table 3: Shareholder proposals voted on (2020-2022) by jurisdiction [114]

Country	Proposals voted on	% of Total
United States	1,340	67%
Japan	169	8%
Canada	140	7%
Sweden	104	5%
Denmark	75	4%
Australia	38	2%
Norway	28	1%
France	20	1%
Poland	16	1%
United Kingdom	13	1%
Other Countries	52	3%
Total	**1,995**	**100%**

81. As shown in **Table 3**, the United States dominates the country list. 67% of the 1,995 proposals voted on between 2020 to 2022, pertain to companies incorporated in the United States. Japan ranks second on the list with 8% of the proposals, followed by other OECD member countries Canada (7%), Sweden (5%) and Denmark (4%). Other countries like Australia, France and the United Kingdom have a proportion lower than 2%. These findings are consistent with submission threshold requirements – countries with a low threshold have a much higher number of proposals voted on (and submitted) in comparison to countries with stricter submission thresholds.

82. **Table 4** puts the number of proposals voted on in the context of the number of publicly listed companies in each country. The United States ranks second to Denmark in terms of number of proposals voted on per public company. For Denmark, the number of proposals scaled by the number of public companies is 0.49, whereas for the United States, it is 0.29. These results are again consistent with low submission threshold countries having a significantly higher number of proposals voted on (and submitted). While the study does not present any direct evidence on the quality of proposals, it is reasonable to infer that the quality (defined as promoting value creation) of proposals submitted in jurisdictions with a stricter threshold is likely to be higher given the lower number of proposals submitted.

Table 4: Number of proposals voted on (2020-2022) scaled by number of publicly listed companies[115]

Country	Proposals voted on	Publicly listed companies	Proposals scaled
United States	1,340	4,642	0.29
Japan	169	3,856	0.04
Canada	140	3,534	0.04
Sweden	104	773	0.13
Denmark	75	154	0.49
Australia	38	1,976	0.02
Norway	28	153	0.18
France	20	1,472	0.01
Poland	16	773	0.02
United Kingdom	13	1,646	0.01
Other Countries	52	3,366	0.02
Total	**1,995**	**22,354**	

VI. Risks of investor over-reliance on proxy advisory firm recommendations

83. I review below a selection of research papers on the impact of proxy advisory firms on shareholder voting, an important factor that contributes to the costs and outcomes of shareholder proposal voting. Overall, the literature establishes that while there are important benefits of proxy advisor firms (e.g., cost sharing across investors for research activity), there are also costs involved, including advice that may be biased (either to cater to the interests of shareholders or management or to advance certain public policy objectives), lacking in empirical support, may incentivize some investors to underinvest in their own research, and may create needless controversy as a way of promoting the value of the proxy advisor's recommendations. A widely recognized problem of the proxy advisory business is its tendency toward one-size-fits-all recommendations, i.e., advice that is not customized to particular company or investor situations (for example, blanket policies to oppose directors that do not implement a shareholder approved proposal, regardless of the substance of such proposal). The one-size-fits-all problem is exacerbated by the increase in "robo-voting," whereby investors automatically vote in lockstep with proxy advisory recommendations. While there are some checks on the influence of proxy advisory firms such as large institutions conducting with their own research, the empirical research indicates the proxy advisory firm recommendations continue to have a significant influence on vote outcomes. Overall, the research summarized below highlights that proxy advisory firm influence on vote outcomes poses significant risk that shareholder proposals (as well as other items to put to shareholder votes) may not necessarily be decided based on shareholder value maximization principles.

84. Further below I also summarize the SEC's shifting stance on regulation of proxy advisory business. Overall, the positions taken by the SEC in 2020, when it last addressed proxy advisor issues head-on, reflect the potential for conflicts of interest and misleading advice in proxy advisory recommendations, while balancing against costs imposed by stricter regulations.

A. Research on proxy advisory influence

85. This section summarizes individual research papers on proxy advisor firms' influence on shareholder voting. While this section reviews the literature chronologically, the summary above aggregates the important findings of that literature, particularly as pertaining to the influence of proxy advisory firms on shareholder proposal vote outcomes.

86. Early studies first established that proxy advisory firms have influence on shareholder voting outcomes. Alexander, et al. (2009) found that news of ISS recommendations that endorse

"dissident" directors is associated with an average nine-day CAR of 3.76%, compared to -0.56% for pro-management recommendations.[116] The paper further found that vote recommendations have predictive power – i.e., that they provide incremental explanatory power for vote outcomes beyond other observable factors. The study also found that the proxy advisor's recommendations convey information to investors about how much value a dissident team would bring to the firm if elected.

87. Choi et al (2010) studied proxy advisors' influence on votes and found that ISS's impact on shareholder votes, at the time, shifted 6% to 13% of the vote for the median company.[117,118] The authors argued that ISS bases its recommendations on factors that are otherwise already important to investors and that competition among proxy advisors places bounds on their influence; however, given the limited competition in the actual proxy advisor being dominated by ISS and Glass Lewis, the beneficial effects of competition are likely limited.

88. One concern with the proxy advisory recommendations is potential deficiencies in the process used to form vote recommendations. A 2013 study identified a number of deficiencies in ISS's processes, including reliance on a small (and declining) sample size of investors for input through policy surveys, undisclosed composition of the investor respondent pool to ensure applicability across a range of investor types, survey design errors, lack of clarity as to how investor feedback is incorporated into voting policies, and unclear linkage between investor opinions collected and voting policies.[119] The authors pointed out that, at the time, few proxy advisor policies were supported by empirical economic research. For example, the authors noted that while proxy advisors' guidelines on anti-takeover protections (such as staggered boards and dual-class shares) are supported by empirical research, proxy advisor recommendations for "say on pay" and stock option exchanges are associated with decreased shareholder value, and their proprietary executive compensation metrics are not supported by empirical research.

89. There is some concern that proxy advisor recommendations may be swayed by public opinion rather than rigorous research. Aggarwal et al (2015) found that proxy advisor recommendations are associated with public opinions on corporate governance.[120] To the extent such public opinions are not aligned with shareholder interests, the influence of proxy advisors on voting results could lead to voting that is not value-maximizing.

90. Research has shown that there are many investors that may over-rely on proxy advisory recommendations, potentially to the determinant of shareholder value. A 2015 study of mutual funds found that over 25% rely almost entirely on ISS recommendations when voting on

shareholder proposals. Funds with higher benefits and lower research costs were less likely to rely on ISS.[121] These "active" voting funds mitigate ISS's influence and are much less likely to vote in a "one-size-fits-all" manner. Examining proposals with votes that are close to the 50% threshold (which allows identification of votes for which the market may not be able to anticipate the outcome), the researchers found a positive price reaction associated with proposals that passed that were backed by active voters (and negative price reactions for proposals that failed that were backed by active voters).[122]

91. Copland et al. (2018) summarized much of the facts and literature surrounding proxy advisory firms. They noted that there is demand for proxy advisors because smaller institutions will not have the resources to conduct their own research, and because the SEC had clarified that reliance on proxy advisors could be used to satisfy regulatory requirements that registered institutions develop and disclose their voting policies (although the SEC has stated that institutions cannot solely rely on the proxy advisory firms to satisfy their fiduciary duties).[124] The authors referenced studies indicating deficiencies in the transparency of the proxy advisor's policy processes and noted that neither ISS nor Glass Lewis had disclosed whether their voting recommendations are associated with positive future corporate performance. The authors reported that there is wide agreement that the proxy advisors influence shareholder votes, but that there is disagreement about the extent to which this is the case. In addition to influencing shareholder votes, the study noted that proxy advisors influence corporate choices, such as the design of compensation plans – i.e., that management anticipates the proxy advisors' recommendations and designs policies to obtain positive recommendations.

92. Given the influence of proxy advisory firms on vote outcomes, one concern is the potential for conflicts of interest to influence their voting advice. Li (2018) studied conflicts of interest in the proxy advisory business. The paper found that competition between proxy advisors reduces proxy advisors' tendencies to support management positions in its recommendations.[125] This finding supports the view that proxy advisors face real conflicts of interest, such that consulting fees from management may bias their recommendations in the absence of strong competition in the form of other proxy advisors' recommendations. Given the high degree of concentration in the proxy advisory business being dominated by ISS and Glass Lewis, potential conflicts of interest may not be fully mitigated by competition among advisors.

93. There is evidence that proxy advisory recommendations to withhold votes in director elections can influence the firm to take actions. Ertimur, et al. (2018) found that uncontested director elections

with high levels of withheld votes are rare absent a negative recommendation from a proxy advisor.[126] Furthermore, they found that while withheld votes do not result in director turnover, firms often address the underlying concern behind the withheld votes highlighted by the proxy advisor's recommendation.

94. Whether and when proxy advisors add value continues to be a subject of research. Malenko and Malenko (2019) derived a theoretical model to assess when proxy advisors can add value with their recommendations.[127] They found that proxy advisors are beneficial to firm value only if their recommendations are of sufficiently high quality (which others suggest may not be the case with one-size-fits-all recommendations). They also found that if the proxy advisor's information is very precise, it has an incentive to ration that information to maximize the price it can charge, leading to a situation where fewer investors than otherwise would have access to such information and, therefore, any positive informational impact to the shareholder voting process would be limited. Their model suggests that proxy advisors can improve voting decisions only for smaller shareholders without the resources to conduct as much research as might be needed to make the optimal voting decision. On the other hand, their model predicts that proxy advisors can "crowd out" the benefits of independent research – i.e., that investors would invest very little in conducting their own research. The positive impact of proxy advisors is much more likely for companies with widely dispersed shareholdings. The authors cite to empirical studies consistent with their model.

95. Gantchev and Giannetti (2020) studied, among other things, ISS's practice of advising shareholders to vote against directors who do not implement proposals supported by a majority of votes.[128] The study found that withhold vote recommendations are associated with higher director turnover, and that the risk of such turnover can lead directors to choose to implement a value-reducing proposal in order to avoid a negative vote recommendation.

96. Boone, et al. (2020) found that the impact of proxy advisors on vote outcomes has decreased over time.[129] This has come as the "big 3" passive fund families (Blackrock, State Street and Vanguard) have increasingly voted with management, and as mutual funds have been increasingly less likely to vote according to ISS recommendations. The study also found that neither ISS nor Glass Lewis recommendations are predictive of vote outcomes for controversial proposals, especially after the financial crisis.

97. A recurring criticism of proxy advisor recommendation is their one-size-fits-all approach, leading to research on whether such an approach can still add value. Levit and Tsoy (2022) developed a model where a one-size-fits-all approach can still be informative and can serve as a mechanism

to hide conflicts of interest.[130] A concern with proxy advisory services is the potential for conflicts of interest which could sway vote recommendations – for example, favoring proposals proposed by institutional clients of the proxy advisor, or favoring management for proposals affecting companies to whom the proxy advisor provides consulting services. This bias is hidden because proxy advisors are not required to disclose their proprietary client lists. ISS reportedly has claimed a one-size-fits-all approach mitigates such conflicts of interest.

98. Given the influence of proxy advisors, it is important to consider potential bias in their recommendations. Malenko, et al (2022) developed a model which predicts that it may be in a proxy advisor's interest to bias its public recommendations in order to "create controversy."[131] The advisor benefits from subscribers paying for its private reports, so it has incentive through its public recommendations to create conditions more likely to create close votes. When votes are expected to be close, investors' votes are more consequential to outcomes, and they are therefore more likely to pay for the proxy advisors' private reports. The advisor is incentivized to make the private reports unbiased and more precise to maintain its reputation for repeated sales in the future. The study finds that these incentives help explain the one-size-fits-all approach of proxy advisors, as such an approach helps facilitate "creating controversy." Under the model developed in this study, investors who deviate from proxy advisor recommendations may simply be correcting for the advisor's public bias rather than exhibiting any of their own bias toward management.

99. While earlier research noted above indicated that proxy advisor research can "crowd out" independent research conducted by investors, Buechel, et al. (2022) argued that the presence of proxy advisors can result in increased investment by shareholders in conducting their own research.[132] The researchers' model found that when the proxy advisor creates controversy in the form of disagreement with other informed advisors (e.g., the board of directors, management), some investors will choose to invest in their own research to resolve that conflict, whereas in the absence of such controversy, those investors might otherwise simply defer to the board's expertise.

100. In addition to academic literature, public companies receiving shareholder proposals have also reported issues with proxy advisory firms' voting recommendations. About two-thirds of respondents to the 2025 Business Roundtable Survey indicated that they frequently or occasionally saw "proxy advisory firms issue voting recommendations that [they] believe are factually inaccurate or based on incomplete information" and that these are frequently or occasionally "based on political or ideological criteria."[133]

101. Across size categories for companies, 89% of small companies participating in the survey responded that they believe proxy advisory firms occasionally or frequently issue voting recommendations that are factually inaccurate or based on incomplete information. For medium to very large companies, this number was in the range of 56% to 60%.[134] An overwhelming majority (97%) of the respondents also experienced proxy advisory firm recommendations that conflicted with their board of directors' recommendations.[135]

102. Finally, the issue of robo-voting (the practice of automatically voting in lock-step with proxy advisor recommendations) is an important consideration in whether proxy advisors lead to sub-optimal voting by investors. 71% of the respondents to the 2025 Business Roundtable Survey "observed institutional investors relying on robo-voting practices."[136]

103. Shu (2024) studied the voting pattern of proxy advisor customers and found that when the advisor opposes management, its customers are 20 percent more likely to also oppose management, as compared to other investors. The paper found that robo-voting has increased to an estimated 23% of ISS's customers and 9% of Glass Lewis's customers as of 2021. Smaller investors, index-investors, and investors using the proxy advisors' voting systems are more likely to robo-vote. Finally, the paper found that the proxy advisors revise their recommendations when there is significant investor disagreement with previous recommendations – particularly when that disagreement is with informed investors (the paper defines informed investors as holding at least 5% of company shares, thus having significant economic incentive to acquire information about the company's fundamentals). This may be due to proxy advisors catering to their market and/or learning from more informed investors.

B. SEC Stance on Proxy Advisors

104. The SEC's views on proxy advisors have changed over time. In 2004, the SEC issued two no-action letters that, combined, allowed investment advisers to rely on proxy advisory firms to satisfy their fiduciary duty of voting proxies not impacted by conflicts of interest.[138] In 2018, the SEC shifted its policy by the withdrawal of these no-action letters, questioning whether proxy advisors were too influential and lacked accountability.[139] Guidance issued in 2019 reclassified proxy voting advice as a solicitation subject to SEC regulations and specified that if investment advisers are to rely on proxy adviser recommendations, they must conduct thorough due diligence of the proxy advisory firm, assess its capacity to provide accurate and reliable advice, and evaluate it for potential conflicts of interest.[140] The SEC in 2020 codified its view that proxy voting advice constitutes a "solicitation" and required that proxy advisory firms disclose conflicts of interest and

adopt policies ensuring that companies subject to the advice have access to proxy voting advice concurrently with dissemination to the proxy advisory firm's clients.[141] In 2022, the SEC rolled back the 2020 regulations, arguing that they impeded independent proxy voting advice and created unnecessary burdens.[142]

Conclusion

105. This paper provides an overview of the shareholder proposal landscape in the United States. I estimate significant costs associated with shareholder proposals for institutional and retail investors, with annual direct monetary costs ranging between $745 million and $966 million for institutional investors, and between $42 million and $184 million for retail investors. I discuss how shareholder proposals are also costly for public companies that receive and review these proposals, with costs ranging between $117 million to $126 million annually. Moreover, shareholder proposals can impose indirect opportunity costs on company management, which may divert significant time and resources from value-generating activities to address shareholder proposals.

106. I review the threshold for shareholder proposal submission across different countries, finding that unlike the low threshold for proposal submission in the United States, many international markets (such as the United Kingdom, Germany, France, Australia, and Japan) have a higher threshold for proposal submission. These higher thresholds result in fewer proposals being submitted and voted on.

107. I also review and summarize academic literature on shareholder proposals. The literature has documented that most shareholder proposals are not viewed positively by investors, as measured by stock price reactions to such proposals. Academic studies also report that proxy advisory firms' vote recommendations do not necessarily align with shareholder value maximization principles.

Endnotes

1. ISS-Corporate, “U.S. Shareholder Proposals: A Decade in Motion,” November 18, 2024 (“2024 ISS study”), p. 2.
2. Using data from the 2024 ISS study, pages 2-4. The data are based on twelve-month periods starting on July 1 of the previous year and ending on June 30 of the reference year and include Governance, Compensation, and E&S Proposals. Proposals that are critical of corporate responsibility for environmental or social issues are also included within the E&S category.
3. ISS-Corporate, “U.S. Shareholder Proposals Jump to a New Record in 2023,” May 23, 2023 (“2023 ISS study”), page 2.
4. SEC, “Procedural Requirements, Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8,” Proposed Rule, Release No. 34-87458, November 5, 2019 (“2019 SEC Procedural Release”), pages 73-74. The SEC uses ISS Analytics as the source for its analysis.
5. 2024 ISS study, pages 4-5. 2023 ISS study, page 3.
6. 2024 ISS study, pages 4-5. 2023 ISS study, pages 1 and 3. Subodh Mishra, ISS STOXX (2024), “Corporate Political Activity Disclosures: A Continued Priority for Investors and Companies,” Harvard Law School Forum on Corporate Governance.
7. 2024 ISS study, page 2. 2023 ISS study, page 2.
8. 2023 ISS study, page 1.
9. Using data from the 2024 ISS study, pages 2-4. E&S proposals include proposals which seek to counter environmental or social initiatives.
10. 2024 ISS study, page 4.
11. 2024 ISS study, page 4.
12. Using data from the 2024 ISS study, page 5. Data from July 1, 2019, to June 30, 2024. E&S proposals considered here exclude proposals which seek to counter environmental or social initiatives. Sustainability Reporting and Sustainability Oversight included within Environmental proposals.
13. 2024 ISS study, page 5.
14. SEC, 17 CFR § 240.14a-8, pages 6-7.
15. 2024 ISS study, page 7.
16. Using data from the 2024 ISS study, page 6.
17. Principles for Responsible Investment, “A Guide to Filing Impactful Shareholder Proposals,” February, 2023.
18. Using data from the 2024 ISS study, pages 8-9.
19. Using data from the 2024 ISS study, pages 8-9.
20. ECGI, “The Rise (and Fall?) of Prescriptive ESG Proposals,” January 06, 2025. Matteo Tonello, The Conference Board (2024), “Navigating ESG Fatigue in Shareholder Voting,” Harvard Law School Forum on Corporate Governance.
21. In 2017, SEC guidelines implied that companies could exclude social proposals that attempted to “micromanage” the company by including “the imposition or assumption of specific time-frames or methods for implementing complex policies.” In 2021, the SEC reversed its prior guidance and announced that “social policy proposals” “seeking detail or seeking to promote timeframes or methods do not per se constitute micromanagement.” Hence, proposals requesting that “companies adopt timeframes or targets to address climate change” were no longer considered as excludable. Kenneth Khoo and Roberto Tallarita (2024), “Expanding Shareholder Voice: The Impact of SEC Guidance on Environmental and Social Proposals,” pages 8-9.
22. ECGI, “The Rise (and Fall?) of Prescriptive ESG Proposals,” January 06, 2025.
23. Using data from Broadridge ProxyPulse, “2023 Proxy Season Review,” October 10, 2023, page 7.
24. Using a snapshot of the Russell 3000 constituents from June 24, 2022. Russell U.S. Indexes, Membership List, June 24, 2022.
25. Data on institutional ownership from LSEG Workspace as of December 31, 2023.
26. Our focus has been on shareholders of common stock of a company. We have not considered holders of debt or other securities.
27. Jan Fichtner, Eelke M. Heemskerk and Javier Garcia-Bernardo (2017), “Hidden power of the Big Three? Passive index funds, re-concentration of corporate ownership, and new financial risk,” Business and Politics, Volume 19, Special Issue 2, pages 298-326.
28. Using institutional ownership and market capitalization data from LSEG workspace as of December 31, 2023. Information on institutional ownership and market capitalization was missing for 243 companies out of the 3000 constituents. The market capitalization of mega-cap firms exceeds $200 billion, the market cap of large-cap firms is between $10 billion and $200 billion, the market cap of mid-cap firms is between $2 billion and $10 billion,

the market capitalization of small-cap firms is between $250 million and $2 billion, and the market capitalization of micro-cap firms is less than $250 million. FINRA, “Market Cap Explained,” 30 September 2022, page 1.

29. FINRA, “Prepping for Proxy Season: A Primer on Proxy Statements and Shareholders’ Meetings,” February 06, 2023, page 2.

30. Congressional Research Services, “The SEC’s Proxy Advisory Firm Disclosure Reforms,” January 25, 2023 (“2023 CRS article”), page 1.

31. 2023 CRS article, page 1.

32. See: https://www.glasslewis.com/special-situations-research-and-data/#:~:text=Opportunity%20to%20convey%20your%20narrative,ahead%20of%20final%20vote%20decisions and https://www.issgovernance.com/about/about-iss/.

33. SEC, “Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8,” Final Rule, Release No. 34-89964, September 23, 2020 (“2020 SEC Procedural Release”), page 130.

34. 639 = [b][1] + [b][2], Table 1. 2,361 = 3,000 – 639. Because information on market capitalization was missing for 243 companies, I assumed these were either mid, small or micro-cap stocks.

35. Using institutional ownership and market capitalization data from LSEG workspace as of December 31, 2023.

36. This is based on the average of 58% of E&S proposals and 81% of Governance and Compensation proposals going to vote in 2023. 2024 ISS study, pages 6-7.

37. 63.3 = 58 x 1.56 x 70%.

38. 1.8 = 30 x 0.084 x 70%. 0.33 proposals on average for all Russell 3000 companies is adjusted downwards to 0.084 proposals on average for non-S&P 500 constituents.

39. 2019 SEC Procedural Release, page 163. The SEC also estimated 20 hours associated with printing and mailing a shareholder proposal. The burden hours associated with seeking no-action relief was estimated to be 50 hours. In arriving at these estimates, the SEC was informed by a range of estimates provided by industry commenters and a survey of companies conducted by Business Roundtable.

40. The comparable costs relate to burden hours spent considering a proposal and exclude costs of seeking no action relief, printing and mailing costs, etc. Although even after such exclusions companies may incur some burden hours that are not incurred by investors (e.g., drafting opposition statements), investors likely have their own costs not included in the company’s burden hours (e.g., documenting their research and compliance, coordination between investment analysts / portfolio managers and staff researching proxy voting issues).

41. See: https://careers.blackrock.com/job/new-york/vice-president-blackrock-investment-stewardship-consumer-technology/45831/72071076208.

42. 5,067 = 63.3 x 80. 146 = 1.8 x 80.

43. $380,016 = $75 x 5.067. $506,688 = $100 x 5,067. An hourly wage rate of $75 (or $100) corresponds to an annual employee salary of $150,000 or $200,000 and approximately 2,000 work-hours in a year (40 work-hours per week for 52 weeks).

44. 2,656 = Average of [c][1] and [c][2], Table 1.

45. $610 million = $380,016 x 1,606. $814 million = $506,688 x 1,606.

46. ISS brochure, March 27, 2020, pages 5-6. The ISS notes that most services are offered on an annual subscription basis.

47. ISS brochure, March 27, 2020, page 5.

48. $83 million = 5% x $1 million x 3,300 x 50%.

49. This excludes indirect holding of stocks through mutual funds and ETFs. Broadridge, “Landmark Broadridge Study or More than 40 Million U.S. Retail Investors Highlights the Dramatic Shifts in How Americans Invest,” May 22, 2024, page 5.

50. Jack Caporal, The Motley Fool, “How many Americans own stock? About 162 million – but the wealthiest 1% own more than half,” December 27, 2024, page 3. This study points to data from the Federal Reserve.

51. FINRA, “Prepping for Proxy Season: A Primer on Proxy Statements and Shareholders’ Meetings,” February 06, 2023, page 2.

52. World Bank Group, “Listed Domestic Companies, total – United States,” 2022, available at:https://data.worldbank.org/indicator/CM.MKT.LDOM.NO?locations=US.

53. This is based on the 994 proposals submitted in 2024 for U.S. companies as shown in Figure 1, implying 0.21 proposals per company (994 / 4,642).

54. This is based on the SEC’s assumption that individual investors spend 0-60 minutes reading a proposal. 2020 SEC Procedural Release, page 131. The $100 per hour cost is consistent with household income at about the 85th

percentile. I assume that the retail investors that submit proxy votes are more likely to hold larger positions and are from relatively higher income households.

55. 2019 SEC Procedural Release, page 163. The SEC arrived at these estimates informed by a range of estimates provided by industry commenters and a survey of companies conducted by Business Roundtable.

56. 2019 SEC Procedural Release, pages 163, 166-167. The SEC estimated that 75% of the burden is carried by the company or shareholder proponent internally, implying 80 internal burden hours.

57. The number of responses received differ across each survey question.

58. Small companies are defined as less than $20 billion in annual revenue, medium between $20 billion and $50 billion annual revenue, large between $50 billion and $100 billion annual revenue, and very large more than $100 billion annual revenue. Number of responses = 35. 7 companies received no proposals, and 2 companies did not respond.

59. Some companies receive a comparatively large number of proposals. For example, Amazon reported in its 2024 proxy statement that it received more than 20 proposals in each of the prior five years. Amazon.com, Inc. 2024 Proxy Statement, April 11, 2024, p. 32.

60. 27 out of 35 responses = 77%. Excluding companies receiving no proposal

61. Using a weighted average across responses to the range of hours included in the question options for each size category. Specifically, 8 respondents indicated "Less than 100 hours", 11 indicated "100-200 hours", 8 indicated "200-500 hours", 4 indicated "500-1,000 hours", 1 indicated "1,000-2,000 hours" and 3 indicated "More than 2,000 hours." The survey calculates the weighted average using the midpoint of the range of hours. The survey assumed the midpoint of the "More than 2,000 hours" option to be 2,500 hours.

62. The results are adjusted for the average number of proposals received by companies in a given size category.

63. These internal hours are not directly comparable to the SEC's estimated 80 internal burden hours. The SEC's estimate includes the burden carried by the shareholder proponent, whereas the 2025 Business Roundtable Survey estimate does not measure the time spent by shareholder proponents. 2019 SEC Procedural Release, pages 163, 166-167.

64. 994 x 91 = 90,454.

65. $200 (or $300) x 90,454 = $18 (or $27) million. An hourly wage rate of $200 (or $300) corresponds to an annual salary of $400,000 (or $600,000) for an employee and approximately 2,000 work-hours in a year (40 work-hours per week for 52 weeks). The wage rate assumes that burden hours would be borne by both employees and senior executives at the company. The 2025 Business Roundtable Survey found that on average senior management collectively spent 44 hours in connection with shareholder proposals each proxy season (using a weighted average across size categories with 31 responses received and excluding companies receiving no proposal). In terms of hours spent per proposal, the survey results imply 11 hours on average spent by senior management (the results are adjusted by the average number of proposals received by companies in a given size category). An annual salary of $1 million to $3 million earned by senior management and an annual salary of $350k earned by non-senior employees supports an assumption of an hourly wage rate of $200 to $300.

66. Number of responses = 35. Across companies receiving at least one proposal.

67. Number of responses = 35. Excludes companies receiving no proposal. Using a weighted average across responses to the range of costs included in the question options for each size category.

68. The results are adjusted by the average number of proposals received by companies in a given size category.

69. $18 (or $27) million + $99 million = $117 (or $126) million.

70. Tom Quaadman, Executive Vice President, Center for Capital Markets Competitiveness, Letter to Vanessa A. Countryman, Secretary, SEC, Re: Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8, 17 CFR Part 240; Release No. 34-87458; RIN 3235-AM49 File No. S7-23-19, January 31, 2020.

71. Maria Ghazal, Senior Vice President & Counsel, Business Roundtable, Letter to Vanessa Countryman, Acting Secretary, SEC, Re: File Number 4-725, June 3, 2019.

72. Workforce Freedom Initiative, U.S. Chamber of Commerce, Joao Dos Santos and Chen Song, "Analysis of the Wealth Effects of Shareholder Proposals – Volume II, May 18, 2019.

73. John G. Matsusaka, Oguzhan Ozbas and Irene Yi (2021), "Can Shareholder Proposals Hurt Shareholders? Evidence from Securities and Exchange Commission No-Action-Letter Decisions," Journal of Law and Economics, University of Chicago press, Volume 64(1), pdf page 1 and Table 6.

74. Gantchev, Nickolay, and Mariassunta Giannetti. “The costs and benefits of shareholder democracy: Gadflies and low-cost activism.” The Review of Financial Studies 34.12 (2021): 5629-5675.

75. Although the study finds a stock price decline associated with the proposal announcements, it also finds stock price increases associated with restructuring or rescission of the poison pills. Bizjak JM, Marquette CJ. “Are Shareholder Proposals All Bark and No Bite? Evidence from Shareholder Resolutions to Rescind Poison Pills.” Journal of Financial and Quantitative Analysis. 1998;33(4):499-521.

76. Del Guercio, Diane, and Jennifer Hawkins. “The motivation and impact of pension fund activism.” Journal of financial economics 52.3 (1999): 293-340.

77. Thomas, Randall S., and James F. Cotter. “Shareholder proposals in the new millennium: Shareholder support, board response, and market reaction.” Journal of corporate finance 13.2-3 (2007): 368-391.

78. A “close” shareholder vote is defined as one which either passes with approval rate less than 55% or fails with approval rate above 45% (i.e., +/- 5% around the 50% cutoff for approval). The literature focuses on such cases as more likely to be a surprise to the market at the time of the vote, in comparison to votes that are approved or disapproved by wide margins. Cuñat, Vicente, Mireia Gine, and Maria Guadalupe. “Corporate governance and value: Evidence from ‘close calls’ on shareholder governance proposals.” Journal of Applied Corporate Finance 25.1 (2013): 44-54.

79. The study authors argue that concentrated ownership may be associated with greater monitoring of the firm by investors, which can be a complement to shareholder proposals, and that a larger number of anti-takeover provisions indicates greater room for improvement on governance.

80. Renneboog, Luc, and Peter G. Szilagyi. “The role of shareholder proposals in corporate governance.” Journal of corporate finance 17.1 (2011): 167-188.

81. Nickolay Gantchev and Mariassunta Giannetti (2021), “The Costs and Benefits of Shareholder Democracy: Gadflies and Low-Cost Activism,” The Review of Financial Studies, Volume 34, Issue 12, pages 5629-5675.

82. The study calculates cumulative abnormal returns (“CAR”) during a three-day window around the shareholder meeting. Based on a sub-sample of proposals that passed with 50% to 70% of votes. Gantchev and Giannetti (2021), pages 18-19 and Table 4.

83. $9.7 billion = 15 x 2.4% x $26.8 billion. Gantchev and Giannetti (2021), page 19.

84. The study calculates abnormal monthly returns in the 12 months starting from the month of the shareholder meeting. The study uses a sample of proposals that passed with 50% to 70% of votes and were subsequently implemented. Gantchev and Giannetti (2021), pages 23-24 and Table 6.

85. $19 billion = 12% x $17.3 billion x 9. The average market capitalization of a firm that implements shareholder proposals is $17.3 billion and the number of individual proposals that are implemented in a year is 9. Gantchev and Giannetti (2021), pages 24-25.

86. The authors measure an informed shareholder base by metrics including institutional ownership concentration, the size of investor portfolios and the voting behavior of mutual funds. Gantchev and Giannetti (2021), pages 30-34 and Table IA.6.

87. Gantchev and Giannetti (2021), page 30.

88. The study finds that firms with high ownership by informed mutual funds experience 1.6% higher three-day CARs. It uses a sample of majority-passed proposals. For proposals that are implemented after passing with a majority, the study finds a 19-23% higher annualized long-term return when a firm has an informed shareholder base. Gantchev and Giannetti (2021), pages 35-36 and Table 10.

89. Gantchev and Giannetti (2021), pages 36-37 and Table 11.

90. Matsusaka et.al. (2021), pages 107-152.

91. The paper uses event windows beginning one trading day before the SEC’s decision date and ending from one to 10 trading days after the decision date. Matsusaka et.al. (2021), pages 18-20 and Table 4.

92. To calculate probability-adjusted CARs, the authors estimate an empirical model of the ex-ante probability of each outcome—no-action, declined, withdrawn—and then adjust each CAR by its model-based predicted probability.

93. Matsusaka et.al. (2021), pages 20-22 and Table 5. Excluding concurrent events i.e., excluding other news about the company during the event window.

94. Hank Berman, Jonathan Jona, Joshua Lodge, and Joshua Shemesh, “The value impact of climate and non-climate environmental shareholder proposals,” Journal of Corporate Finance, 89 (2024).

95. Busch, Timo, et al. “ESG and firm value effects of shareholder proposals.” Academy of Management Proceedings. Vol. 2023. No. 1. Briarcliff Manor, NY 10510: Academy of Management, 2023.

96. The authors include up to ten years after a firm received a shareholder proposal. Busch, et al. (2023), page 14.

97. The authors distinguish between funds which have socially responsible investing ("SRI") preferences and conventional funds which have financial preferences in terms of their investment objectives. Busch, et al. (2023), pages 8-9, 21.

98. The study uses Refinitiv's ESG scores, which are an aggregation of E, S and G scores, measured on a percentile rank basis from 0 to 100. Carbon performance is measured using an emissions score (tracking commitment to and effectiveness in achieving emission reductions), as well as a measure of direct carbon emissions.

99. Donna Anderson and Jocelyn Brown, T. Rowe Price, "For or against? The year in shareholder resolutions—2023," April 2024.

100. BlackRock 2024 Global Voting Spotlight, BlackRock Investment Stewardship.

101. 2025 Business Roundtable Survey. Number of responses = 35. Across companies receiving at least one proposal.

102. Whelan, T., Atz, U., Van Holt, T., & Clark, C. (2022). "ESG and Financial Performance: Uncovering the relationship by aggregating evidence from 1,000 plus studies published between 2015–2020." NYU Center for Sustainable Business.

103. SEC, §240.14a-8. See: https://www.law.cornell.edu/cfr/text/17/240.14a-8

104. Using a snapshot of the Russell 3000 constituents from June 24, 2022. Russell U.S. Indexes, Membership List, June 24, 2022. Using market capitalization data from LSEG workspace as of December 31, 2023. Information on market capitalization was missing for 243 companies out of the 3000 constituents.

105. Principles for Responsible Investment, "Filing a shareholder proposal in the UK," February 22, 2023.

106. Glass Lewis, "An overview of the Glass Lewis approach to proxy advice Germany," Proxy Paper Guidelines, 2020.

107. The threshold is 4% of share capital under €750,000, 2.5% of additional share capital under €7.5 million, 1% of additional share capital under €15 million, and 0.5% for any additional share capital. Principles for Responsible Investment, "Filing a shareholder proposal in France," February 22, 2023.

108. Corporations Act 2001 - Section 249N Members' resolutions.

109. Companies Act, Act No. 86 of July 26, 2005, Article 303, paragraph 2.

110. Principles for Responsible Investment, "Filing a shareholder proposal in Canada," February 22, 2023.

111. International Bar Association, "Denmark Minority Shareholder Rights," IBA Corporate and M&A Law Committee, 2022.

112. The Swedish Corporate Governance Code, The Swedish Corporate Governance Board, November 2019, page 8.

113. Michael H.C. Bakker (2023), "Shareholder Proposals and Sustainability: An Empirically-Based Critical Reflection," European Company and Financial Law Review, De Gruyter, Volume 20(2), pages 276-313.

114. Using data from Bakker (2023), pages 282-283.

115. Using data on number of proposals voted on from Bakker (2023), pages 282-283. Data on number of publicly listed companies in each country obtained from https://www.theglobaleconomy.com/ (accessed January 16, 2025).

116. Alexander, Cindy R., Mark A. Chen, Duane J. Seppi, and Chester S. Spatt. "The role of advisory services in proxy voting." No. w15143. National Bureau of Economic Research, 2009.

117. Choi, Stephen, Jill Fisch, and Marcel Kahan. "The power of proxy advisors: Myth or reality." Emory Law Journal, 59 (2009).

118. This study likely does not reflect the full magnitude of proxy advisors' influence on votes in the current environment, as the study focuses on the influence of only ISS's recommendations rather than the combined influence of both ISS and Glass Lewis, and does not reflect the increased incidence of robo-voting since this study was completed.

119. Larcker, David F., Allan L. McCall, and Brian Tayan. "And then a miracle happens!: How do proxy advisory firms develop their voting recommendations?" Rock Center for Corporate Governance at Stanford University Closer Look Series: Topics, Issues and Controversies in Corporate Governance and Leadership No. CGRP-31 (2013)

120. Aggarwal, Reena, Isil Erel, and Laura T. Starks. "Influence of public opinion on investor voting and proxy advisors." Fisher College of Business Working Paper No. WP (2015).

121. The study proxies net benefits from voting by fund turnover, arguing that low turnover allows time for the fund to realize benefits (for example, of governance changes) and spreads the research costs over longer time horizons. The study also considers the weight of the company in the fund's portfolio (the benefits of active voting are more material for higher weighted investments) and percent of the company's shares owned by the fund (voting results are more likely with greater ownership stake, and research costs may be lower for larger shareholders who have more direct access to investor relations departments).

122. Peter Iliev, Michelle Lowry, “Are Mutual Funds Active Voters?” The Review of Financial Studies, Volume 28, Issue 2, February 2015, 446–485.

123. Copland, James, David F. Larcker, and Brian Tayan. “The big thumb on the scale: An overview of the proxy advisory industry.” Rock Center for Corporate Governance at Stanford University Closer Look Series: Topics, Issues and Controversies in Corporate Governance No. CGRP-72, Stanford University Graduate School of Business Research Paper 18-27 (2018).

124. Investment advisors must take reasonable steps to ensure their use of proxy advisory firm advice is consistent with the advisor’s fiduciary duties. Securities and Exchange Commission, “SEC Clarifies Investment Advisers’ Proxy Voting Responsibilities and Application of Proxy Rules to Voting Advice,” August 21, 2019.

125. Li, Tao. “Outsourcing corporate governance: Conflicts of interest within the proxy advisory industry.” Management Science 64.6 (2018): 2951-2971.

126. Ertimur, Y., Ferri, F., & Oesch, D. (2018). “Understanding uncontested director elections.” Management Science, 64(7), 3400-3420.

127. Malenko, Andrey, and Nadya Malenko. “Proxy advisory firms: The economics of selling information to voters.” The Journal of Finance 74.5 (2019): 2441-2490.

128. Gantchev, Nickolay, and Mariassunta Giannetti. “The costs and benefits of shareholder democracy: Gadflies and low-cost activism.” The Review of Financial Studies 34.12 (2021): 5629-5675.

129. Boone, Audra L., Stuart Gillan, and Mitch Towner. “The role of proxy advisors and large passive funds in shareholder voting: Lions or lambs?” 2nd Annual Financial Institutions, Regulation and Corporate Governance Conference. 2020.

130. Levit, Doron, and Anton Tsoy. “A theory of one-size-fits-all recommendations.” American Economic Journal: Microeconomics 14.4 (2022): 318-347.

131. Malenko, Andrey, Nadya Malenko, and Chester S. Spatt. “Creating controversy in proxy voting advice.” No. w29036. National Bureau of Economic Research, 2022.

132. Buechel, Berno, Lydia Mechtenberg, and Alexander F. Wagner. “When two experts are better than one: The example of shareholder voting.” No. 832. ECGI Finance Working Paper, 2022.

133. 2025 Business Roundtable Survey. Number of responses = 35. Across companies receiving at least one proposal.

134. 2025 Business Roundtable Survey. Number of responses = 35. Across companies receiving at least one proposal.

135. 2025 Business Roundtable Survey. Number of responses = 35. Across companies receiving at least one proposal.

136. 2025 Business Roundtable Survey. Number of responses = 34. Across companies receiving at least one proposal.

137. Shu, Chong. “The proxy advisory industry: Influencing and being influenced.” Journal of Financial Economics 154 (2024): 103810.

138. A letter to Egan-Jones Proxy Services, stated that an investment adviser could demonstrate that its proxy votes were not influenced by conflicts of interest if it voted according to pre-determined policy based on recommendations from an independent third party. A letter to ISS indicated that investment advisers could fulfill their fiduciary duties without evaluating a proxy advisory firm’s potential conflict on a case-by-case basis, but, instead, by assessing the adequacy of the proxy advisory firm’s conflict procedures and their effective implementation. Investment Advisers Act of 1940 – Rule 206(4)-6; letter to Egan Jones Proxy Services, dated May 27, 2004, and letter to Institutional Shareholder Services, Inc. dated September 15, 2004.

139. SEC Division of Investment Management, “Statement Regarding Staff Proxy Advisory Letters,” September 13, 2018.

140. SEC, “SEC Clarifies Investment Advisers’ Proxy Voting Responsibilities and Application of Proxy Rules to Voting Advice,” August 21, 2019.

141. SEC, “SEC Adopts Rule Amendments to Provide Investors Using Proxy Voting Advice More Transparent, Accurate and Complete Information; SEC Issues Supplemental Guidance Concerning Proxy Voting Responsibilities of Investment Advisors,” July 22, 2020.

142. SEC, “SEC Adopts Amendments to Proxy Rules Governing Proxy Voting Advice; Amendments Address Concerns by Investors and Others Regarding Rules that May Impair the Timeliness and Independence of Proxy Voting Advice.” July 13, 2022.