



# Comments on Proposed Proxy Adviser Reforms

## Proxy Insight

Dear Commissioners and Staff of the SEC,

Proxy Insight has watched the debate around the SEC's proposed reforms with interest. We appreciate the opportunity to have our say on this vital governance issue. We are not a proxy adviser, an investor, or an issuer subject to recommendations, unlike most with specialist knowledge in this area. We feel we are uniquely placed to offer an unbiased view.

We carried out some analysis for this response, looking at support for management over a 12-month period, and our data throws serious doubt on the way critics have characterised proxy advisers. Both ISS and Glass Lewis are, as the table to the right shows, more likely to side with management than a typical investor.

Put another way, if the average investor suddenly started following either of the two main proxy advisers to the letter, their support for management would actually increase by up to 4.1 percentage points.

The 20 biggest investors do buck this trend a little, but still only fall in between the two advisers. Besides, while the top 20 have the biggest influence, criticism is just as often levelled at smaller investors. Lacking the in-house resources of their larger counterparts, they are often accused of deferring to an adviser instead of making their own decisions.

In light of these findings, it is difficult to subscribe to a view of proxy advisers as arbitrarily swaying shareholders against management. In fact they seem to do the opposite, encouraging investors to support board proposals more often than is typical.

We have carried out a number of studies on proxy advisers over the past few years. In [one report](#) for our newsletter Proxy Monthly, we discovered that when so-called "robo-voters" override their advisers, they are more likely to side with management than to oppose a controversial resolution, casting doubt on the idea that they will blindly oppose management when ISS or Glass Lewis tell them to. A [follow-up guest article](#) a couple of months later detailed the careful decision-making that goes into following or departing from a policy.

In [our submission](#) to the SEC's roundtable on the proxy process in 2018, we made the case that investors typically use proxy advisers' services to help them implement their own policies, rather than outsourcing their decisions entirely. We also argued that much of the correlation between advisers and investors is down to the simple fact that most resolutions are not contentious, and both advisers and investors strive to adopt common principles of good governance.

Investor/Adviser	Support (%)
Global Investors	88.6
US Investors	89.6
Top 20 Investors	91.8
ISS	90.3
Glass Lewis	92.7

*Based on Russell 3000 management proposals, 1st July 2018-30th June 2019*

**Proxy Insight — Ultimate Voting Intelligence**

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