

The Honorable Members of the
U.S. House Committee on Financial Services
Subcommittee on Capital Markets
Washington, D.C.

28 April 2025

Dear Chairman, Ranking Member, and Members of the Subcommittee on Capital Markets,

Subject: Hearing on Exposing the Proxy Advisory Cartel: How ISS & Glass Lewis Influence Markets

The International Corporate Governance Network (ICGN) would like to offer its perspective to the Subcommittee on Capital Markets on the role and influence of proxy advisory firms, ahead of the hearing taking place on 29 April on this topic. We would appreciate it if you would add our letter to the official record.

Led by investors responsible for assets under management of >US\$ 90 trillion, ICGN promotes high standards of corporate governance and investor stewardship globally. Our membership is based in more than 40 countries, and comprises asset owners, asset managers and advisers.

We are concerned by the fact that many parties continue to either misunderstand, or wilfully misrepresent, the role proxy advice and proxy research providers play in the voting process. We are worried that a hearing entitled “Exposing the Proxy Advisory Cartel: How ISS & Glass Lewis Influence Markets” does not create a helpful environment for an unbiased, factual, and balanced conversation. In this context, we want to make sure that the Subcommittee can hear the perspective of institutional investors, who are the main users of proxy research.

Stewardship is a fundamental aspect of an investor's fiduciary duty to protect and enhance long-term value for beneficiaries and clients, such as pensioners and retail investors. ICGN defines stewardship as the responsible allocation, management, and oversight of capital to protect and enhance long-term value for beneficiaries and clients. An important aspect of investor stewardship is voting on major issues affecting investee companies, for example on capital allocation matters, incentive schemes and appointment of directors.

Investors inform and make their voting decisions based on myriad inputs, such as in-house voting policy, investment thesis, engagement with the company, as well as internal and external research. Exactly what these inputs are vary by manager and investment approach. Proxy advisors are one such input. As fiduciaries and investment experts, the investor organisations who use these services do so to help them meet their client needs and fiduciary duties.

Proxy advisors provide useful company-specific research and analysis which helps investors make informed decisions. They also help investors in their voting execution, by making it possible for investors to vote across thousands of company meetings. However, **there are some misconceptions on the influence of proxy advisors. It is important to remember that the investor remains the decision-maker. Proxy advisors don't vote. Investors do.**

A vast majority of institutional investors have their own voting guidelines, which are implemented by their proxy advisors through customised voting policies. Proxy advisors have specific agreements with each of their clients and act on the instructions of those clients.

Furthermore, proxy advisors' benchmark policies reflect the voting preferences of their clients and are developed after regular and extensive client outreach. Proxy advisors regularly consult with their clients to understand what information and data points are useful to them and should therefore be included in their research reports. They also consult on the evolution of their own voting policy direction to reflect evolving clients' views.

As a result, the market may observe a correlation between the vote recommendations by proxy advisors and significant votes against management at company Annual General Meetings (AGMs). This correlation should not be confused with causation. If there is a causal link, it is rather that proxy advisors have been asked by their clients to flag certain issues through their vote recommendations.

The UK Financial Reporting Council (FRC) commissioned independent research to investigate the influence and impact of proxy advisors on FTSE 350 companies' actions and investors' voting decisions.¹ The research found that "the nature and extent of this influence may be more nuanced and less clearcut than is believed to be the case by many companies, stakeholders and other commentators."

Additionally, we would note that use of outsourced service providers can support quality client service and value, by reducing costs. Undue interference with the use of any relevant service providers for asset management firms, pension schemes, 401k providers and other investment product providers, risks adding costs to the end beneficiary, which may then negatively impact long-term returns.

We would be happy to discuss our perspective with you directly and include some of our global institutional investor members who subscribe to these services, if that would be helpful. Please contact Severine Neervoort, Global Policy Director at Policy@icgn.org.

Yours faithfully,



Jen Sisson

Chief Executive Officer, ICGN

¹ UK Financial Reporting Council, *Analytical report: The influence of proxy advisors and ESG rating agencies on the actions and reporting of FTSE350 companies and investor voting* (June 2023)