

For Immediate Release

November 9, 2018

Robo-Voting Confirmed: New Report Finds Numerous Asset Managers Voting in Lockstep with Proxy Advisor Recommendations

Despite growing evidence of proxy advisor errors, new research confirms asset managers with over \$5 trillion in assets are voting in line with ISS recommendations over 95 percent of the time

Washington, D.C. – With days to go before a Securities and Exchange Commission roundtable on the proxy process, [new research](#) from the American Council for Capital Formation (ACCF) finds numerous asset managers automatically rely on proxy firms' recommendations, in an alarming practice known as robo-voting. The conclusions challenge proxy advisors' claims that they are simply providers of data and raises questions over whether the current proxy process is serving the interests of investors.

Explored initially in ACCF's prior paper, [Are Proxy Advisors Really A Problem?](#), robo-voting is the practice of investors automatically relying on proxy advisors' recommendations without evaluating their merits. By surveying 100 public companies' experiences in the 2016 and 2017 proxy seasons, the research demonstrated that almost 20% of votes are cast within three days of an adverse recommendation, suggesting that many asset managers blindly follow proxy advisory firms.

The new paper, [The Realities of Robo-Voting](#), goes further to examine the other side of the process, identifying those asset managers that have historically voted in line with the recommendations of the largest proxy advisory firm, Institutional Shareholder Services (ISS).

While major fund advisors have internal analysts to implement voting policies, the research reiterates the conclusion that many investors are not carrying out their due diligence themselves, finding that 175 entities with more than \$5 trillion in assets under management have followed the proxy advisory firm over 95% of the time.

The conclusions are a direct challenge to proxy advisors claims that their role is limited to providing intelligence. While ISS [argues](#) the company is an "independent provider of data, analytics and voting recommendations to support our clients in their own decision-making," the research shows that it is directly impacting shareholder votes within America's public companies.

Timothy Doyle, Vice President and General Counsel of the American Council for Capital Formation, commented: "ACCF's previous research shed light on the experience of the issuer community, showing that many investors vote immediately after proxy advisory firms issue their guidance. This paper builds on that study to show how often those votes then track that guidance. Taken together they prove that this is a case of causation, not correlation and that robo-voting is a real phenomenon.

"The other important conclusion of the paper is that the proxy advisory firms' argument that they are simply purveyors of data is entirely inaccurate. Despite lacking any statutory authority, this duopoly operates as quasi-regulators, with huge influence over the fate of America's public enterprises and the people who invest in them. Compounded by well-documented concerns over flawed voting recommendations, closed-door decision making, and one-size-fits-all guidance, the research suggests that it is time for the SEC to look closely at the role proxy advisors play in our corporate governance system."

The full report, [The Realities of Robo-Voting](#), is available at ACCFcorp.gov.org.

Methodology

ACCF conducted an analysis of Proxy Insight data and evaluated those asset managers that historically voted in line with ISS recommendations. Specifically, the evaluation sought to identify those managers



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that aligned with ISS recommendations more than 95% of the time on both shareholder and management proposals.

Proxy Insight data was pulled from the platform as of October 13, 2018 and was filtered to include only those funds that had voted on more than 100 resolutions. ISS alignment data on the platform reflects all data available for each investor, which generally dates back as early as July 1, 2012 through to October 2018.

AUM (Assets Under Management) data drawn from Proxy Insight reported data, except in limited cases where information was unavailable, and was instead augmented by IPREO data as of August 1, 2018.

About ACCF

The American Council for Capital Formation is a nonprofit, nonpartisan organization that advocates for tax, energy, environmental, regulatory, trade, corporate governance, retirement, infrastructure, and economic policies that encourage saving and investment, economic growth, and job creation.

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