Press Release

Proxy Advisory Firms: A Primer

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In advance of two House Financial Services Committee hearings on proxy advisory firms tomorrow, Director of Financial Services Policy Thomas Kingsley explains in a primer the function and potential problems with proxy advisory, which investors use to streamline the voting process at corporate shareholder meetings.

Kingsley concludes:

> Proxy advisors' lack of transparency and potential conflicts of interest have real-world consequences. At their best they operate as way of streamlining shareholder involvement in the companies they invest in. All too frequently, however, the proxy advisory firms that are assumed to have only the best interests of their shareholders in mind demonstrate that this is far from the case. One study from Stanford concluded that "when boards altered course to implement the compensation policies preferred by proxy advisors, shareholder value was measurably damaged." Assuming that the sole responsibility of a business or investment fund is to increase shareholder profits, the proxy advisory firms hired by these businesses and funds may instead simply be advancing their own agendas at the cost of their clients.

Read the analysis