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Why all the Fuss about Proxy Advisors

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Introduction of Proxy Advisors

Banks and Washington Grow Wary

For decades, a duopoly of proxy advisory firms has quietly shaped trillions of dollars in shareholder votes, swaying corporate outcomes with little public attention. Now the era of quiet influence is over. JPMorgan Chase (\$4.8 trillion AUM) and Wells Fargo (\$2.5 trillion AUM), representing over \$7 trillion of managed assets, recently announced transitions away from third-party advisors toward AI-driven platforms, thrusting the two proxy advisory firms, Institutional Shareholder Services (ISS) and Glass, Lewis & Co., into the spotlight.¹

The CEO of JPMorgan, Jamie Dimon, is a longtime critic of the duopoly and has in the past advised shareholders to vote against his pay requests and his dual role as CEO and Chairman of the Board. He has framed the issue as one of national values – Germany’s Deutsche Borse owns ISS, and Canadian private equity company Peloton Capital Management owns Glass Lewis – and more recently publicly complained that proxy advisors provide inaccurate data and insights, promote laziness among institutional investors, and ultimately wield “undue influence.”² Wells Fargo echoed these sentiments and voiced a desire to “take more direct responsibility” for its proxy voting approach.³

Both banks’ decisions occurred alongside a backdrop of mounting criticisms in

¹ Jack Pitcher, “Wells Fargo Cuts Proxy Adviser Ties in Latest Blow to Industry,” *Wall Street Journal*, January 28, 2026.

² Richard Torrenzano, “Jamie Dimon’s bombshell on proxy advisory delivers a body blow to the firms he called ‘incompetent’,” *Fortune*, January 7, 2026. <https://fortune.com/2026/01/07/jamie-dimon-jpmorgan-asset-management-proxy-advisory-iss-glass-lewis-what-it-means/>

³ Wells Fargo, “Wells Fargo Wealth & Investment Management Launches Internal Proxy Voting System,” news release, January 28, 2026, <https://newsroom.wf.com/news-releases/news-details/2026/Wells-Fargo-Wealth--Investment-Management-Launches-Internal-Proxy-Voting-System>.

Washington. In December 2025, the Trump Administration issued an Executive Order directing the SEC Chairman to review rules related to proxy advisors. The order admonished proxy advisors supporting DEI or ESG policies, which, according to the Trump Administration, raise concerns about “conflicts of interest and the quality of their recommendations.”⁴ As proxy advisory firms come under increasing scrutiny, fundamental questions emerge: What do proxy advisors do? How are they constituted? What are critics saying about them? How well founded are the criticisms? Additionally, as rapid developments in AI continue to disrupt various industries, how will the proxy advisor business be affected?

In order to help navigate the debates surrounding proxy advisors and to understand which claims are warranted, unwarranted, or in need of more research, this paper will discuss the work of proxy advisors, their methodologies, why leaders across Wall Street and Washington are challenging them, how far those criticisms are justified, and whether their influence will wane in the age of AI.

Background: Who Proxy Advisors Are And How They Came to Be

At a high level, proxy advisors make money by selling research and voting recommendations on shareholder ballot items to institutional investors. For example, a proxy advisor, in addition to providing research about the issue, may recommend that BlackRock use its shares in the company to vote against a merger proposed by Coca-Cola’s management, among other recommendations on matters like director elections and executive compensation plans.

The beginnings of the proxy advisory industry lie in the development of regulatory obligations for informed shareholder voting. Since the 1970s, several pieces of legislation have

⁴ The White House, “Protecting American Investors from Foreign-Owned and Politically Motivated Proxy Advisors,” Presidential Actions, December 11, 2025.

increased the scrutiny of institutional investors' proxy voting practices, raising expectations that their voting decisions be informed. In 1974, the Employee Retirement Income Security Act (ERISA) established that pension plan managers, as part of their fiduciary responsibilities, must exercise proxy voting rights in the interest of plan beneficiaries, the first regulatory introduction of scrutiny. From there, scrutiny intensified significantly in 2003, when the SEC adopted Rule 206(4)-6 under the Investment Advisers Act. This rule required that registered investment advisers formally adopt written proxy voting policies to ensure voting in clients' best interests, and it mandated that mutual funds publicly disclose their complete proxy voting records through an annual filing called Form N-PX. Together, these changes transformed proxy voting into a highly regulated fiduciary activity for investment advisers, whose decisions became increasingly subject to public scrutiny.

The practical problem of meeting these rising expectations was economic. Institutional investors' core business was portfolio management, not corporate governance research, and developing proprietary platforms for analyzing thousands of portfolio companies was excessively costly for most firms. It became apparent that many institutional investors needed a third-party corporate governance expert to outsource critical research tasks, paving the way for proxy advisory companies. Unlike individual investors, the proxy advisory companies could benefit from scale by standardizing governance research across thousands of public companies, making the model financially viable.

Within this window of opportunity, ISS and Glass Lewis emerged to dominate the proxy advisory industry. ISS was founded in 1985, initially serving public pension funds and governance-focused investors, while Glass Lewis entered the market in 2003 as a credible alternative to ISS. Today, these two firms are widely cited as controlling more than 90% of the

U.S. proxy advisory market. Glass Lewis advises approximately 1,300 clients, many of them U.S.-based, whereas ISS serves over 3,000 clients worldwide, reflecting both the scale of institutional demand for proxy voting guidance and the significant concentration that has emerged within the industry.⁵

Influence of Proxy Advisors

Lots of Clients, But How Much Sway?

One of the central concerns surrounding ISS and Glass Lewis's market dominance is that they may wield excessive influence over how institutional investors vote. This concern is sharpest for lower-resourced investment firms that cannot afford extensive governance due diligence and may therefore delegate voting decisions to ISS and Glass Lewis almost entirely. If such influence extends across trillions of dollars in voting assets, critics argue, these two firms are functioning as unelected policymakers on corporate governance, setting standards for board composition, executive pay, and shareholder rights without any democratic mandate or regulatory accountability. The question, then, is: how much influence do ISS and Glass Lewis truly have over how institutional investors vote their shares?

Before diving into the data from the literature, it helps to understand a distinction that runs through all of the research on proxy advisor influence. In the universe of ballot items, one may think of two camps. The first consists of items where everyone is going to agree anyway – management, ISS, Glass Lewis, and institutional investors are all on the same page. These items include ratifying auditors, electing unopposed directors, and approving routine bylaw changes.

⁵ James R. Copland, David F. Larcker, and Brian Tayan, "The Big Thumb on the Scale: An Overview of the Proxy Advisory Industry," Stanford Closer Look Series (Rock Center for Corporate Governance at Stanford University, May 2018), <https://corpgov.law.harvard.edu/2018/06/14/the-big-thumb-on-the-scale-an-overview-of-the-proxy-advisory-industry/>.

The second camp consists of items that are actually contentious – shareholder proposals, say-on-pay resolutions, contested director elections. These are the items where management, proxy advisors, and institutional investors are more likely to disagree, and where the outcome of the vote is not predetermined, making the contentious camp the more revealing indicator of just how sensitive certain institutional investors are to higher-stakes recommendations by ISS and Glass Lewis.

Robovoting: High Alignment Across Both Camps

With that framework in mind, consider the evidence on "robovoting." In a 2021 study, Paul Rose of Ohio State University identified 114 institutional investors that aligned with either ISS or Glass Lewis at least 99.5% of the time across all ballot items in 2020 – both camps – suggesting that their collective \$5 trillion in managed assets were voted in near-lockstep with proxy advisors within both the low-dispute camp (which occupies around 95% of those ballot items) and contentious camp (the remaining ballot items).⁶

While the \$5 trillion robovoting figure is striking, it represents only a fraction of total U.S. institutional assets under management, warranting closer examination of other institutional investors who may not qualify as robovoters but could still exhibit significant alignment with proxy advisors. That said, even a comparatively small block of mechanically voted shares can prove decisive on proposals won or lost by narrow margins, and nearly one-quarter of shareholder proposals in recent proxy seasons have been decided by a margin of 10% or less.⁷

The Big Three in the Contentious Camp

⁶ Institutional Shareholder Services, "Proxy Adviser Industry Resources," ISS Governance, accessed April 15, 2026, <https://www.issgovernance.com/compliance/due-diligence-materials/industry-resources/>.

⁷ Barbara Novick, Michelle Edkins, and Tom Clark, "Proxy Voting Outcomes: By the Numbers," BlackRock, July 2019.

An important group to isolate for its sheer AUM includes BlackRock, Vanguard, and State Street, which are collectively known as the "Big Three" and cast approximately 25% of votes at S&P 500 annual meetings.⁸ On routine items, they align with ISS at high rates, like everyone else. But on more contentious items – proxied by shareholder proposal data – they deviate significantly.

Barbara Novick, co-founder of BlackRock, presented data showing that while ISS recommended in favor of over 70% of shareholder proposals in the 2016-2017 proxy seasons, the support rate from four of the largest asset managers for the same shareholder proposals hovered much lower between 14% and 33%.⁹ Where ISS was saying "vote yes," the major asset managers were voting "no" on the vast majority of them. This significant deviation indicates that the largest institutional investors carry out independent analysis of contentious ballot items, separate from the recommendations of proxy advisors.

Heath, Macciocchi, Michaely, and Ringgenberg (2022) corroborate this finding. They examined agenda items where company management and ISS made opposing recommendations – the contentious camp by definition – and found that index funds sided with management over ISS 55.5% of the time. Among the Big Three, the tilt toward management was even more pronounced.¹⁰

Beyond The Big Three: Across All Institutional Investors

⁸ Paul Rose, "Proxy Advisors and Market Power: A Review of Institutional Investor Robovoting," Ohio State Legal Studies Research Paper No. 631 (Ohio State University, 2021), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3851233.

⁹ Barbara Novick, "BlackRock Makes Its Own Proxy Voting Choices," *Wall Street Journal*, September 27, 2018, <https://www.wsj.com/articles/blackrock-makes-its-own-proxy-voting-choices-1538075415>.

¹⁰ Davidson Heath, Daniele Macciocchi, Roni Michaely, and Matthew C. Ringgenberg, "Do Index Funds Monitor?," *Review of Financial Studies* 35, no. 1 (2020): 91–131, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3259433.

The evidence above focuses on the Big Three – firms with dedicated stewardship teams and the scale to justify independent analysis. But the Big Three represent only about 25% of votes cast at S&P 500 companies. When researchers examine proxy advisors’ impact across a broader pool of institutional investors, including not only the Big Three but also the hundreds of mid-size and smaller managers that make up the majority of institutional votes, the independence narrative changes.

Copland, Larcker, and Tayan (2018) examined the aggregate voting records of 713 institutional investors and found that when ISS recommended "for" a say-on-pay proposal, 95.3% of institutional shares voted in favor; when ISS recommended "against," support dropped to 67.6% – a raw gap of approximately 27 percentage points. Similar gaps appeared for equity-plan proposals (~17 points) and uncontested director elections (~18 points).¹¹ The magnitude of these gaps suggests that most institutional investors outside the Big Three are significantly more aligned with proxy advisor recommendations. Furthermore, because the Big Three's relative independence is baked into these aggregate numbers, their moderation is already pulling the headline effect down. The sensitivity to ISS among the many institutional investors outside the Big Three is almost certainly larger than what the aggregate figures show.

One might argue that alignment is driven by cases of ISS issuing “against” recommendations that are genuinely difficult to refute for low-quality proposals, with investors independently converging on the same conclusions. But the relative independence displayed by the Big Three cuts against that interpretation: if the recommendations were self-evidently correct, there is little reason why the Big Three’s analytical capacity would produce divergence rather than

¹¹ Copland, Larcker, and Tayan, "The Big Thumb on the Scale."

convergence. The more plausible interpretation is that smaller institutional investors are deferring to ISS out of analytical dependence, not thoughtful agreement.

Brav, Cain, and Zytneck (2022) reinforce this conclusion by comparing the voting behavior of institutional investors with that of retail investors, who largely lack access to ISS recommendations. In a proposal-level regression, they found that ISS opposition to management corresponded to a 50.7 percentage-point reduction in institutional voting support, versus only a 1.8 percentage-point reduction among retail investors.¹² This gap is telling because retail investors serve as a natural control group: if institutional sensitivity to ISS were merely a byproduct of ISS correctly identifying low-quality proposals, retail investors evaluating those same proposals should show similar voting patterns to institutional investors – converging with ISS's position through independent analysis, just as institutions do. The fact that they do not isolate the ISS recommendation itself as a meaningful independent driver of institutional voting behavior, one that operates beyond whatever any investor could discern from the proposals alone.

Takeaway on Sway

The influence of proxy advisors is real but uneven. The Big Three and other large, well-resourced firms exercise meaningful discretion in the contentious camp and do not mechanically follow proxy advisors. But they are the exception. For the broader institutional investor base, which collectively casts the majority of votes, a negative ISS recommendation remains one of the single most powerful predictors of voting outcomes. The research collectively points to an underlying mechanism: proxy advisors generally hold the strongest influence where investors lack

¹² Alon Brav, Matthew D. Cain, and Jonathon Zytneck, "Retail Shareholder Participation in the Proxy Process: Monitoring, Engagement, and Voting," *Journal of Financial Economics* 144, no. 2 (2022): 492–522, <https://ssrn.com/abstract=3387659>.

resources for independent analysis, while their influence is the weakest among the most resourced firms with dedicated stewardship teams.

Criticisms of Proxy Advisors

So Why All The Fuss? What Are Critics Saying?

With considerable influence over trillions of dollars in voting assets, ISS and Glass Lewis arguably bear duty to the maxim, “with great power comes great responsibility.” Yet, critics view the two proxy advisors as threats to corporate governance in America. Dimon has emerged as a consistent and particularly powerful voice against ISS and Glass Lewis, with his opposition culminating in the firm’s asset-management division severing ties with proxy advisors in January 2026 – marking the first time a major investment firm has stopped using proxy advisor services.¹³ Dimon’s criticisms against the firms are broad, yet this paper will examine two claims in particular: (1) that proxy advisor recommendations are sometimes factually inaccurate and reflect a single firm-wide philosophy applied across diverse clients, and (2) that the consulting arm of ISS poses conflicts of interest to its advisory arm.¹⁴ The following sections will critically evaluate these criticisms and analyze how proxy advisors are responding.

¹³ Torrenzano, "Jamie Dimon's Bombshell on Proxy Advisory Delivers a Body Blow to the Firms He Called 'Incompetent.'"

¹⁴The Editorial Board, "Jamie Dimon Unloads on the Proxy Duopoly," *Wall Street Journal*, March 14, 2025, <https://www.wsj.com/opinion/jamie-dimon-proxy-advisory-firms-iss-glass-lewis-08694389>.

Claim: Proxy Advisors Are Sometimes Wrong And Their Recommendations Are Singular

This first criticism concerns the validity of proxy advisor research methodologies and recommendations. Because proxy advisors are tasked with analyzing thousands of public companies, critics like Dimon question whether the research and recommendations produced for each firm are truly accurate, tailored, and carefully considered. The American Council for Capital Formation (ACCF), a free-market-leaning think tank, has tracked this issue for more than a decade by counting supplemental filings in which public companies allege errors or other problems in proxy advisor recommendations. Across 2016, 2017, and 2018, the ACCF identified 107 such filings, in which companies collectively claimed 39 “factual errors,” 51 “analytical errors,” and 49 “material disputes.”¹⁵ The first two categories, which collectively allege misinformation issues or inaccuracies in proxy advisor methodology, are well-contested. For instance, the Council of Institutional Investors has argued that most alleged “errors” are indeed methodology disputes that companies dislike but cannot legitimately call mistakes.¹⁶ Without access to the proxy advisors’ internal research processes, the accuracy debate is difficult to adjudicate from the outside. That said, the third category, material disputes, raises a different and more revealing concern.

Material disputes capture cases where disagreement is not about what the facts are but about how the facts should inform a recommendation. The recent Atricare, Inc. case illustrates this dynamic. In a 2024 supplemental filing, AtriCure pushed back against a Glass Lewis recommendation opposing its officer-exculpation proposal, which had been designed to align with recent changes in Delaware law that permitted such protections. Glass Lewis, applying its benchmark view that officers should be held to the highest standard of conduct, treated the

¹⁵ Council of Institutional Investors, *Proxy Advisors and Institutional Investors: Facts and Clarifications* (Washington, DC, July 2025), https://www.cii.org/Files/publications/CIH_The%20Role%20of%20Proxy%20Advisors%20in%20Investor%20Decision-Making%2007_17_25.pdf.

¹⁶ *Ibid.*

proposal as a threat to shareholder interests. In response, AtriCure argued that the change reflected a balanced response to a litigation environment Delaware itself had recognized as problematic, in which plaintiffs were pressing far too many nuisance lawsuits against officers. ISS, evaluating the same proposal, agreed with AtriCure and recommended in favor.¹⁷ That ISS and Glass Lewis reached opposite conclusions on the same facts is itself a point: this was a contestable case where reasonable analysts could, and did, disagree. The criticism that follows is what Glass Lewis nonetheless did with that contestability internally. Operating from a single benchmark philosophy, Glass Lewis channeled all of its roughly 1,300 clients through one house view, even though some of those clients almost certainly held governance views closer to AtriCure's position than to Glass Lewis's. The deeper concern AtriCure exposes, then, is not that proxy advisors get hard cases wrong – there often is no single right answer – but that they resolve those cases on behalf of every client through a single firm-wide judgment.

The natural response to this critique would be for ISS and Glass Lewis to internalize the kind of disagreement they displayed externally, offering a range of defensible perspectives within their own products. ISS and Glass Lewis appear to be headed in that direction: ISS implemented approximately 480 customized voting policies in 2025, and Glass Lewis announced that beginning with the 2027 proxy season, it will discontinue single-benchmark recommendations entirely in favor of client-customized outputs.¹⁸ ¹⁹ These changes meaningfully address the singular-recommendation concern, at least on paper. Whether they translate into genuine pluralism in practice, or whether default benchmarks continue to dominate among clients without the resources

¹⁷ AtriCure, Inc., Definitive Additional Materials (Form DEFA14A) (U.S. Securities and Exchange Commission, April 23, 2024), <https://ir.atricure.com/static-files/8aded913-c351-4726-884f-c0a57339cc7c>.

¹⁸ Institutional Shareholder Services, *Form ADV Part 2A Brochure* (March 2025), <https://olui2.fs.ml.com/Publish/Content/application/pdf/GWMOL/mliap-institutional-shareholder-services-brochure.pdf>.

¹⁹ Glass Lewis & Co., "Glass Lewis Leads Change in Proxy Voting Practices," news release, October 15, 2025, <https://www.glasslewis.com/news-release/glass-lewis-leads-change-in-proxy-voting-practices>.

to design custom policies, will depend on how the new frameworks are adopted across the broader institutional investor base.

Claim: Proxy Advisors Pose Conflicts of Interest

Beyond analytical inaccuracies and one-size-fits-all recommendations, proxy advisors are also under fire for conflict of interest issues. For ISS in particular, the concern comes from its business model: not only does ISS sell voting recommendations to institutional investors, but it also sells consulting services to the very corporations whose governance it evaluates. The SEC acknowledged as early as 2010 that this dual-role model creates inherent conflicts, as corporations may purchase consulting services from ISS to gain its support when voting recommendations are made.²⁰

While ISS often cites a “firewall” defense, claiming that information barriers are separating its consulting and research divisions, its claim of innocence struggles in the face of empirical research.²¹ Li (2016) examines a particularly revealing behavior of ISS involving its competitor, Glass Lewis. Li finds that after Glass Lewis – holding no corporate consulting arm of its own – initiates governance coverage of a firm, ISS becomes considerably tougher on its *likely* corporate clients relative to non-client firms.²² The direction of this shift is revealing. Had ISS never been conflicted, Glass Lewis's arrival should have had no differential effect on how ISS treats paying clients versus everyone else. That ISS's recommendations changed specifically and

²⁰U.S. Securities and Exchange Commission, *Concept Release on the U.S. Proxy System*, Release No. 34-62495 (July 14, 2010), <https://www.sec.gov/rules/concept/2010/34-62495.pdf>.

²¹ *Ibid.*

²² The term "likely" reflects a data limitation central to Li's study: because ISS does not publicly disclose its corporate client list — and bound Li by a confidentiality agreement preventing use of the list for research purposes — client status cannot be directly verified. Li proxies “likely” clients using the largest 1,000 Russell 3000 firms by assets, on the basis that ISS itself states a great majority of its corporate clients are S&P 500 firms and most of the remainder come from S&P 1500 firms. Results are robust to using the largest 25% of Russell 3000 firms as an alternative threshold.

disproportionately for *likely* client firms, and not for non-clients, reveals that the prior leniency was commercially motivated.²³ The underlying mechanism seems to be that Glass Lewis's entry raises the risk of getting caught; its coverage serves as an independent benchmark against which institutional investors can directly compare ISS's recommendations, making it harder for ISS to quietly favor corporations that were simultaneously paying its consulting subsidiary.

Although ISS's firewall framework appears robust on the surface – emphasizing informational isolation, strict engagement rules, and compensation decoupling – it does not eliminate the core conflict created by the dual-business model: not only can that structure distort recommendations, as Li (2016) suggests, but it also allows ISS to monetize the very authority those recommendations create. A firewall can separate people and processes, but it cannot remove the firm's overarching incentive to monetize the companies it evaluates. For that reason, the central problem is not simply that ISS offers consulting after issuing recommendations; a negative recommendation could, in principle, be followed by a legitimate offer to help a company improve its governance practices. The problem is that this sequencing gives ISS the ability to convert evaluative authority into commercial opportunity, creating a structure in which an unfavorable recommendation can also function as aggressive sales leverage.

The Axcelis and Garmin episodes make that structure concrete. In Axcelis's case, ISS recommended against the company's equity incentive plan shortly before its annual meeting and then offered to help model alternative proposals, effectively marketing paid access to the criteria

²³ Tao Li, "Outsourcing Corporate Governance: Conflicts of Interest within the Proxy Advisory Industry" (SSRN Working Paper, 2016), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2828690.

that had just been used against the company.²⁴ Garmin described a similar arrangement: a poor governance assessment, little explanation, and the implication that meaningful guidance would come only through a substantial consulting fee.²⁵ These episodes do not by themselves prove that ISS systematically distorts every recommendation for commercial ends; that claim was supported separately by Li (2016). They do show, however, why the firewall may be inadequate. Issues arise because the same firm that can impose reputational or voting pressure also has a financial incentive to sell relief from that pressure.

Proxy Advisors in the Era of AI

Dangerous Turning Point for the Proxy Advisory Industry?

In light of these analytical inaccuracies, one-size-fits-all benchmark recommendations, and potential conflicts of interest, many critics have called on Washington to reduce the influence of proxy advisors. Yet by 2026, another global force may naturally curb their dominance. As AI redefines the foundations of the legal and software industries, proxy advisors are facing a similar moment of reckoning.

Recall that the proxy advisor model emerged in response to a specific economic constraint: many institutional investors lacked the resources to independently analyze thousands of portfolio companies, making outsourcing to a scaled third party the only viable option. AI collapses that constraint. Mirroring the “agentic coding” shift in software, investors now possess the technical potential to handle proxy data extraction and policy application themselves through automation,

²⁴ Lynnette C. Fallon, Comment Letter to U.S. Securities and Exchange Commission, Re: File Number S7-14-10, *Concept Release on the U.S. Proxy System — Proxy Advisory Firms* (July 19, 2013), <https://www.sec.gov/comments/s7-14-10/s71410-253.pdf>.

²⁵ Clifton A. Pemble, Comment Letter to Vanessa A. Countryman, Secretary, U.S. Securities and Exchange Commission, Re: File No. S7-22-19, *Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice* (January 27, 2020), <https://www.sec.gov/comments/s7-22-19/s72219-6703085-206073.pdf>.

performing the labor-intensive workflows they have historically outsourced to proxy advisors. Just as importantly, AI also enables investors to generate bespoke voting recommendations tailored to their own stewardship philosophies, pivoting away from the standardized benchmarks that have drawn so much criticism. The combination of cost efficiency and hyper-personalization foreshadows a new era where the traditional proxy advisor's economic influence is steadily eroded by AI integration.

JPMorgan, Wells Fargo, Broadridge: Demand- and Supply-Side Signals of Technological Change

The shift is already underway, visible from both the demand and supply sides of the proxy market. On the demand side, JPMorgan and Wells Fargo, together representing more than \$7 trillion in managed assets, have announced transitions away from third-party proxy advisors toward internal AI-driven platforms. The two firms represent how the largest, best-resourced asset managers are choosing to internalize what they once outsourced, citing both Dimon's longstanding concerns about the accuracy and influence of proxy advisors and Wells Fargo's stated desire to "take more direct responsibility" for its proxy voting approach.²⁶

On the supply side, vendors are emerging to offer comparable capabilities to investors who lack the scale of JPMorgan or Wells Fargo to build in-house. Broadridge Financial Solutions, which has long provided the technological infrastructure that distributes and processes proxy votes

²⁶ Wells Fargo, "Wells Fargo Wealth & Investment Management Launches Internal Proxy Voting System."

for over 50% of public companies and mutual funds worldwide, is a notable example.²⁷ Building on its existing infrastructure, Broadridge is developing an AI-powered platform that actively extracts and organizes relevant proxy data for investors with reported 95% accuracy before any human review. Because of the platform's proactivity, the proxy data arrives several weeks ahead of ISS and Glass Lewis' traditional timelines during proxy season, significantly expanding the research window for investors using the data. According to Danielle Gurrieri, Head of Digital Product Management at Broadridge, this expanded research window and technological capacity during proxy season open a new possibility for investors. They now have the time, tools, and information needed to form their own voting judgments, independent from proxy advisors.²⁸

This model – where a firm like Broadridge is a technological “facilitator,” not a proxy advisor, and the investor is the agent of their own view – promises a remedy to several issues associated with current proxy advisors. First, since the facilitator does not provide its own normative recommendations to clients, the model minimizes conflict-of-interest concerns. Even if the facilitator contains a consulting arm, the absence of a recommendative function depositions it from favoring corporations that pay for its consulting business and also depositions it from building aggressive sales leverage through negative recommendations. Beyond conflict-of-interest issues, the model also alleviates the excessive influence concentrated around ISS and Glass Lewis. Investors executing their own views decentralizes them from the judgments of ISS and Glass Lewis, addressing the concern that just two firms could determine corporate governance outcomes for thousands of companies.²⁹

²⁷ "Broadridge Financial Solutions," *Retail Banker International*, accessed April 14, 2026, <https://www.retailbankerinternational.com/companies/broadridge-financial-solutions/>.

²⁸ Danielle Gurrieri (Head of Digital Product Management, Broadridge Financial Solutions), interview by Psaros Center for Financial Markets and Policy, Georgetown University, March 10, 2025.

²⁹ *Ibid.*

Concluding Thoughts and Recommendations

Several of the criticisms surrounding proxy advisors are legitimate. Research suggests that ISS and Glass Lewis exert genuine and disproportionate influence over the voting decisions of smaller institutional investors, that their recommendations have long channeled diverse clients through a single firm-wide philosophy, and that ISS's dual-business model creates conflicts of interest that the firm's firewall structure does not fully resolve. At the same time, the firms are not static targets. ISS and Glass Lewis are actively moving toward more flexible products, JPMorgan and Wells Fargo have begun building in-house alternatives, and emerging AI-driven platforms like Broadridge's are starting to offer the infrastructure investors need to form independent voting judgments. The proxy advisory industry is, in other words, in the middle of a period of substantial structural change.

The right regulatory response should engage that change rather than ignore it. The SEC promulgated a rule in 2020 intended to address several of the concerns analyzed in this paper, but the courts later overturned it on the grounds that the SEC lacked the proper legal authority.³⁰ If the SEC needs additional authority to regulate proxy advisors, it should ask Congress to pass a law granting that authority. With or without new statutory authority, the substantive direction of reform is reasonably clear. Drawing on our own analysis and on prior work, including the Financial Economists Roundtable's 2022 statement on proxy voting and Spatt's 2019 analysis for the Milken Institute, the following four recommendations seem appropriate responses to the issues this paper has examined.

³⁰ Melissa Hodgman, Elizabeth Bieber, and Erik Gerding, "Proxy Voting Advice No Longer a Solicitation Under the Exchange Act," Harvard Law School Forum on Corporate Governance (blog), July 28, 2025, <https://corpgov.law.harvard.edu/2025/07/28/proxy-voting-advice-no-longer-a-solicitation-under-the-exchange-act/>.

1. Mandatory Disclosure Of Corporate Client Lists

ISS already maintains the data needed to assess whether being a paying corporate client predicts more favorable voting recommendations; what is missing is public access to that data. Disclosure would allow regulators, academics, and asset managers to test directly whether the dual-business model distorts recommendations in the way Li (2016) found. The auditing-industry analogy is instructive: after the Enron-era scandals, Sarbanes-Oxley imposed strict restrictions on auditing firms, while no comparable restrictions exist for proxy advisors today.³¹

2. Transparency About The Basis Of Benchmark Guidelines

Proxy advisor benchmarks depend on a mix of empirical evidence and philosophical judgment, and the two are not always clearly distinguished. Where guidelines rest on empirical claims, the underlying evidence should be disclosed; where guidelines reflect philosophical positions on which reasonable analysts could disagree, as the AtriCure illustrates, that should be acknowledged transparently rather than presented as neutral analysis. Proxy advisors could also adopt a public-comment process for material guideline changes, similar to the procedures regulators follow under the Administrative Procedure Act.³²

3. Regulatory Neutrality Toward New Entrants.

As the AI section of this paper has argued, new entrants, both in-house platforms at major asset managers and infrastructure providers like Broadridge, are beginning to offer alternatives to the traditional proxy advisor model. New regulations should be proportional

³¹ Chester S. Spatt, *Proxy Advisory Firms, Governance, Market Failure, and Regulation* (Milken Institute, 2019).

³² Financial Economists Roundtable, *Statement on Proxy Voting: "The controversy over proxy voting: The role of asset managers and proxy advisors"* (November 2022).

in their compliance burden, ensuring that smaller and emerging firms can compete rather than being squeezed out by costs that only the incumbents can absorb. The goal of regulation should be to discipline conflicts and enhance transparency, not to lock in the duopoly by raising barriers to entry.³³

4. Continued Movement Toward Client-Customized Recommendations Within Proxy Advisors

ISS's expansion to roughly 480 customized voting policies and Glass Lewis's 2027 transition away from single-benchmark recommendations meaningfully address the singular-recommendation concern this paper has identified. However, the ultimate success of these initiatives will depend on how aggressively the firms make custom-policy infrastructure accessible to clients without the resources to design custom policies on their own. The right benchmark for evaluating these reforms is not whether they are announced, but whether they meaningfully shift outcomes for the broader institutional investor base.

Taken together, these recommendations address each of the substantive concerns raised in this paper: regulatory authority, conflicts of interest, singular recommendations, and the changing economics of the industry. None of them requires dismantling the proxy advisory model, which has emerged in response to real economic constraints and continues to provide value to institutional investors who lack the resources for in-house governance research. The aim is to align the model's incentives with its public-interest function, to ensure that its outputs reflect genuine analytical pluralism rather than concentrated philosophical authority, and to allow the technological alternatives that are beginning to emerge to compete on a fair regulatory footing.

³³ Financial Economists Roundtable, *Statement on Proxy Voting*.

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