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SEC Signals Changing Views on Regulation of Proxy Advisory Firms

Sep 18, 2018

Client Alert

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In recent years, the friction between public companies and proxy advisory firms—companies that provide proxy vote recommendations to institutional fund managers and other investment advisers—has intensified. Public issuers contend that two firms have a duopoly on the proxy advisory services market and wield an outsized role in setting corporate governance norms. Of particular frustration to some issuers are the two companies' allegedly progressive views, made manifest in the recommendations they give to investment advisers, on "ESG" issues (environmental, social, governance). The two firms also offer corporate governance consulting services to issuers—including the very same issuers upon whose proxy solicitations the firms advise investment advisers—which many issuers see as an inherent conflict of interest. For their part, proxy advisory firms (and, to some extent, investment advisers who rely on them to advise on thousands of proxy questions each year) contend that they offer neutral, independent advice and serve a vital role in maintaining the efficiency of public capital markets.

To read the full alert, click the PDF link above.

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