

# Beyond the Blame Game: Why the Proxy System Needs to Change

## Project Brief

Updated 21 August 2025



The global proxy voting system is in need of fundamental change, as corporate and investment executives view the current system as a legal obligation rather than an engagement tool. FCLTGlobal has three recommendations to get away from the current “box-ticking” mentality and return the proxy process to being a channel for meaningful dialogue between investors and listed companies. [Read the full report.](#)

## Key Insights

- **Misaligned Expectations:** Companies assume investors care equally about each vote and judge merits based on firm strategy. In reality, investors typically focus only on strategic items while commoditizing routine matters. This disconnect leads to finger-pointing at proxy advisors, rather than addressing systemic issues.
- **Volume vs. Engagement Gap:** The sheer volume of proxy votes cast contrasts starkly with the limited direct engagements between investors and corporations, highlighting inefficiencies in the system.
- **Potential for Cost Reduction:** Opportunities exist to lower the system’s costs and enhance its value through technology, focusing on critical votes, and simplifying voting mechanisms.

## Facts & Figures

- ISS covered 590,000 voting items worldwide in 2024—a 145% increase from 240,000 in 2005, creating an overwhelming scale problem.
- Only 77.8% of institutional investors voted in 2024 (down from ~85% in 2020), while just 29.8% of retail investors participated.
- Two firms (ISS and Glass Lewis) control 84% of the proxy advisory market.

## Target Outcomes

- Investors make consistent and open pre-declaration of voting intentions
  - Creates a transparent tool for comparison of voting intentions for the whole market, similar to the formation of sell-side earnings estimates
  - Enables all market participants to opt in to form the market consensus
- Proxy advisors unbundle services (i.e., platform, data, research, and recommendations)
  - Lets investors pay only for the services they get value from
  - Creates a price signal for the value of the research and recommendations
  - Prevents issuers and investors from placing the responsibility for the outcome of votes on advisors
- Companies create “engagement days” to focus on non-binding issues
  - Creates space in an already busy AGM season
  - Provides better insights into the likely material level of support or opposition to non-binding items
  - Proxy season can then be used to validate or challenge management on material issues