



Balancing Proxy Advisory Influence: Why Retail Investor Empowerment Matters

Debate around the SEC's no-action position on ExxonMobil's retail voting program is unfolding against an often-overlooked backdrop. For years, the shape of corporate governance in North America has been driven not by the millions of individuals who own shares but by a small set of institutions that rely heavily on the recommendations of two proxy advisory firms: ISS and Glass Lewis.

The proxy advisory industry provides valuable technical analysis, yet its influence has grown far beyond what most investors or issuers realize.

When retail voting rates are low and institutions hold the balance of power, the default voting policies of two private companies can determine outcomes at thousands of issuers.

This is not a theoretical concern. It is the obvious reality at every proxy season.

Concentrated Influence, Limited Transparency

Proxy advisors operate under business models that are largely opaque to retail investors. Clients receive voting recommendations that are marketed as impartial, yet the development of these policies is shaped by feedback from a narrow set of market participants.



Retail investors, smaller institutions and many issuers have limited visibility into how decisions are made or how competing interests are weighed.

Although proxy advisors are not fiduciaries, their recommendations often carry more weight than those of many investment managers. High-volume index investors depend on them to vote shares at a scale that would be impractical to manage manually.

The result is a system where thousands of companies face voting outcomes that hinge more on generalized models and unfair peer group comparisons than on the nuanced judgment of investors who own the shares.

Conflicts and Calibration Issues

The current narrative against ISS and Glass Lewis has resulted in rhetorical onslaught, an antitrust probe and a lot of commentary in between.

While ISS and Glass Lewis emphasize independence, structural conflicts within them persist. Some advisory divisions offer consulting services or technological solutions to issuers seeking to understand recommendations. Both firms face pressure to react quickly during the compressed proxy season, which increases reliance on standardized approaches. That efficiency comes at a cost. It is not unusual for companies to receive recommendations that overlook context, local law or unique dynamics that have material consequences to long-term value.

The challenge is not that proxy advisors exist, nor that they hold undue influence. It is that their influence is not mitigated or counterbalanced by a strong retail shareholder voice. When millions of individual investors do not vote, institutions become the default decisionmakers. When institutions lean on advisory templates, advisory firms become de facto arbiters of governance.

A Misplaced Critique of Retail Programs

Some opposition to retail voting programs centres on concerns that giving individuals easier access to voting tools will unfairly favour management. Those objections ring hollow when contrasted with the scale and uniformity of institutional robo-voting already in place.



If proxy advisors can guide the voting of trillions of dollars in assets through automated processes, it is disingenuous to argue that retail investors should not be given an option that offers similar convenience and autonomy.

It is inconsistent to defend automation for institutions while warning against it for individuals. The more likely concern is that higher retail participation reduces reliance on proxy advisors and therefore reduces their market-shaping power.

The Case for a More Balanced Ecosystem

Kingsdale believes proxy advisors play a legitimate role, but their influence should be matched by a corresponding level of broad retail shareholder participation. Retail engagement reduces systemic reliance on third-party recommendations and strengthens the link between investment ownership and voting power. It also forces all participants, including activists, large institutions and proxy advisors, to earn support through persuasion rather than structural advantages.

A healthier governance system is not one in which any single group dominates the vote. It is one where companies hear from a wide mix of shareholders, each with different perspectives and time horizons. Retail voting programs help move the market in that direction by lowering barriers that have kept many investors silent.

Retail Voting Program in Canada

Increasing retail investor participation is a must at a time when U.S. companies saw retail investors vote just 28% of the shares they owned in 2025, a nine-year low, compared to institutional investors at 76.6%, according to Broadridge.

Similarly, Canadian companies continue to see retail participation pale in comparison to institutional influence. For Canadian issuers, similar programs can ensure retail votes increase while maintaining safeguards such as annual reminders and opt-out flexibility.



Strengthening Market Integrity

Retail empowerment is not a threat to governance standards. It is a response to a system that has become too dependent on an oligopoly whose models were never designed to carry this much weight.

Retail investors are significantly increasing their investments in public companies. Why shouldn't retail participation in the voting process increase as well?

Diversity of thought reduces concentration risk and enhances legitimacy in voting outcomes.

In our view, modernizing the way retail investors participate in proxy voting is not only sensible but necessary. It reduces friction, restores balance and helps correct a dynamic that has tilted toward proxy advisory firms by default rather than design.

Kingsdale supports a proxy ecosystem where advisory firms remain influential voices, not unintentional gatekeepers. Broadening shareholder participation through retail voting programs is a practical way to achieve that balance.

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