United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

May 20, 2025

Gary Retelny
President and CEO
Institutional Shareholder Services Inc. (ISS)
1177 Avenue of the Americas
New York, NY 10036

Katherine Rabin
Chief Executive Officer
Glass, Lewis & Co. (Glass Lewis)
255 California Street, Suite 1100
San Francisco, CA 94111

Dear Mr. Retelny and Ms. Rabin:

We write to express our concerns with the expansive, opaque, and ideologically driven influence your firms exert over the corporate governance of U.S. public companies. Institutional Shareholder Services (ISS) and Glass, Lewis & Co. (Glass Lewis) hold a near-duopoly over proxy advisory services—and in doing so, have come to shape boardroom decisions, shareholder votes, and corporate strategy across the American economy, while influencing U.S. public policy on important economic, environmental and social issues. Yet you operate with virtually no transparency, minimal accountability, and no meaningful regulatory oversight.

While your influence over corporate governance has grown substantially, your practices have increasingly departed from sound economic principles, undermining the interests of shareholders and the competitiveness of U.S. capital markets.

I. Ideologically Driven Recommendations Untethered from Economic Analysis

Public admissions from your leadership—in congressional testimony and in appearance before national media—reveal that your firms routinely issue vote recommendations, particularly on environmental, social, and political proposals, without any underlying economic analysis. For example, an ISS representative admitted on CNBC that "[t]he investment thesis is something we leave to the investors."[1] Similarly, at a hearing before the U.S. House Committee on Financial Services last Congress, a Glass Lewis executive confirmed that the firm does not generally

[1] *See* CNBC Interview with ISS, *available at* https://app.criticalmention.com/app/#clip/view/4b83c84b-e5c7-4b78-b6a7-41dc0b53c69c?token=b1045656-a50c-4a09-8055-2c5845129a90.

conduct economic analyses of shareholder proposals before issuing recommendations.[2] These admissions are both remarkable and deeply troubling, especially given that your firms indirectly control roughly 40% of shareholder votes.

Even more concerning is your sweeping, unsubstantiated declarations of materiality. In a 2024 commentary on Boeing's shareholder proposals, Glass Lewis stated that *"human capital management is a material risk and/or opportunity for all companies."*[3] Such blanket assertions defy the core principle of materiality, which, under longstanding Supreme Court precedent and U.S. Securities and Exchange Commission (SEC) standards, must be determined based on a company's specific business model, industry context, and risk profile.[4] A one-size-fits-all approach to materiality imposes arbitrary compliance burdens on companies, increases costs for investors, and prioritizes political or social objectives over long-term value creation.

We, therefore, request full and complete answers to the following questions with respect to your approach to shareholder proposals:

- Do you base your vote recommendations solely on the economic interest of shareholders? If so, please provide the relevant policies and employee training materials. If not, what other factors do you consider, how do you determine whether those factors are relevant, and how do you weigh those non-economic factors relative to economic factors? Please provide all relevant policies and other relevant documentation regarding the factors your firm considers and how they are weighted.
- What controls exist to ensure that personal or political beliefs are excluded from your analyses? Please provide all documentation with respect to such controls.
- How do you ensure that your vote recommendations do not discourage legally permissible activities (*e.g.*, fossil fuels, guns, tobacco, etc.) for non-economic reasons?
- Do you forecast the long-term economic impact of shareholder proposals prior to recommending a vote in favor of such proposals? If so, over what timeframes? Do you back-test these forecasts? Please provide all documentation of economic forecasts conducted prior to recommending a vote in favor of each shareholder proposal over the past three years, as well as documentation of processes and procedures your firm has in place to ensure that the economic forecasts were properly conducted.
- Who at your firm (*e.g.*, economists, analysts, or subject-matter experts) performs these assessments? Please provide their qualifications and credentials.

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[2] *See* U.S. House Committee on Financial Services, Hearing entitled: *Oversight of the Proxy Advisory Industry*, July 2023, timestamp 1:17:43–1:19:37, *available at* https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=408896.

[3] Glass Lewis: "Dueling DEI Proposals Put Boeing Between a Rock and a Hard Place," February 2024, *available at* https://www.glasslewis.com/article/dueling-dei-proposals-put-boeing-between-a-rock-and-a-hard-place.

[4] SEC Staff Accounting Bulletin No. 99; Basic Inc. v. Levinson, 485 U.S. 224 (1988).

- When your recommendations are inconsistent with the recommendations of independent boards of directors, what processes do you have in place to ensure that your judgments are more economically sound than the judgments of the independent boards of directors are not? Please provide all documentation relating to such processes.

II. Conflicts of Interest and Market Coercion

ISS's dual role as both a proxy advisor and a governance consultant presents inherent conflicts of interest. Specifically, it incentivizes companies to purchase expensive consulting services from ISS to secure favorable voting recommendations, which distorts governance decisions and undermines shareholder trust.

ISS and Glass Lewis also have policies that effectively require supermajority support (*i.e.*, greater than 70 and 80% of votes cast, respectively) for shareholder votes on executive compensation. For example, ISS's U.S. Proxy Voting Guidelines state that ISS may recommend against a company's compensation committee members if a say-on-pay proposal receives less than 70% support.[5] Glass Lewis takes a similar approach, threatening negative recommendations against compensation committee members if a say-on-pay proposal receives more than 20% opposition and the board fails to respond in a manner Glass Lewis deems sufficient.[6]

These arbitrary standards effectively override state corporate law and punish companies for failing to meet thresholds that have no basis in statute or regulation. Compounding this issue is the fact that public companies that do not meet the proxy advisors' supermajority thresholds often purchase consulting services from ISS to ensure a favorable say-on-pay recommendation the following year.

Given these conflicts of interest, we request full and complete responses to the following questions:

- Does your firm provide consulting services to corporations on the same matters on which your firm provides vote recommendations?
- What is the justification for the supermajority vote thresholds your firm applies with respect to say-on-pay proposals? Are they supported by data relevant to the economic interest of shareholders?
- Does your firm issue adverse recommendations when public companies that receive majority support (but not supermajority support, pursuant to your policies) for their say-on-pay proposals do not make changes to their executive compensation programs?

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[5] ISS 2024 U.S. Proxy Voting Guidelines, pp. 13, 47–50, *available at* https://www.issgovernance.com/file/policy/active/americas/US-Voting-Guidelines.pdf?v=2025.2.

[6] Glass Lewis 2024 U.S. Benchmark Policy Guidelines, p. 22, *available at* https://resources.glasslewis.com/hubfs/2025%20Guidelines/2025%20US%20Benchmark%20Policy%20Guidelines.pdf.

III. Foreign Ownership and Political Bias

ISS is 80% owned by a German entity, Deutsche Börse, which has stated that it aims to *"allocate capital to sustainable initiatives,"* that "[c]ompanies are responsible – not just for their business but also for the transition to a sustainable society," and that its "acquisition of ISS is a further demonstration of Deutsche Börse's commitment to ESG [environmental, social, and governance]."[7] Glass Lewis is owned by a Canadian private equity firm, Peloton Capital Management, whose website explicitly states that *"people come before profits"* and that ESG remains a *"key factor in investment decision-making."*[8]

These public declarations by your parent companies reveal a foundational orientation toward ESG advocacy, which appears to influence the recommendations your firms provide. As a result, we request:

- A detailed explanation of how you insulate your recommendations from the ESG philosophies of your parent companies.
- All internal procedures ensuring that vote recommendations are not influenced by non-U.S. entities with competing policy agendas.
- Any communications from Deutsche Börse or Peloton Capital that reference ESG criteria in connection with your work.

IV. Lack of Transparency and Politicization of Proxy Recommendations

A review of the ISS Voting Analytics platform suggests partisan patterns in ISS's recommendation history. Specifically, it appears that ISS did not recommend a vote in favor of even one environmental, social, or political shareholder proposal submitted by a conservative proponent in either 2023 or 2024, while it appears to have recommended a vote in favor of the majority of all other environmental, social, and political proposals in both years. Glass Lewis's refusal to publicly disclose its voting recommendations makes similar analysis impossible, unless costly reports are purchased on a case-by-case basis. This lack of transparency prevents

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[7] Deutsche Börse ESG Commitment, corporate website, press release on ISS acquisition, *available at* https://www.deutsche-boerse.com/dbg-en/about-us/regulation/regulation-sustainable-finance/csrd, https://insights.issgovernance.com/posts/deutsche-borse-successfully-completes-acquisition-of-iss-strengthening-the-focus-on-sustainable-investing/.

[8] Peloton Capital Management, Responsible Investing pages, *available at* https://www.pelotoncapitalmanagement.com/, https://www.pelotoncapitalmanagement.com/responsible-investing, https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Furldefense.com%2Fv3%2F__https%3A%2Fwww.pelotoncapitalmanagement.com%2Fresponsible-investing__%3B!!Bg5easoyC-OII2vlEqY8mTBrtW-N4OJKAQ!OT7C02_pyyrHZKFLEBWJEteV-mKxivk0EmI0c-iu7D59STYvluJdkvLLnkdzUjDlVopQfTOXxfQyFJFaaNT8HOY%24&data=05%7C02%7CWAnderson%40brt.org%7C3ab589c53bc04f5ece0708dd7ddab289%7C51d9e80322994119891 2629dc85bd290%7C0%7C0%7C638805100594369698%7CUnknown%7CTWFpbGZsb3d8eyJFbXB0eU1hcGkiOnRydWUsIlYiOiIwLjAuMDAwMCIsIlAiOiJXaW4zMiIsIkFOIjoiTWFpbCIsIldUIjoyfQ%3D%3D%7C4000%7C%7C%7C&sdata=m72YdxpzeXsB6at%2B2mbdUduOwhqnF07tWtTcjnJcSaM%3D&reserved=0.

shareholders, regulators, and policymakers from properly scrutinizing your firm's impact on capital markets. Therefore, we ask that you provide:

- A complete list of sources, frameworks, and third-party inputs used to develop your voting policies.
- All memberships or affiliations, financial or otherwise, with institutional investors, activist groups, or special interest groups that submit and/or actively support shareholder proposals.
- At what rate did your firm recommend voting in favor of politically progressive environmental, social, and/or political proposals, including proposals mandating reductions in greenhouse gas emissions and proposals mandating workforce diversity requirements?
- At what rate did your firm recommend voting in favor of politically conservative environmental, social, and/or political proposals, including proposals prohibiting mandatory reductions in greenhouse gas emissions and proposals prohibiting mandatory workforce diversity requirements?

V. Retaliatory and Ideologically Prescriptive Practices

For years, ISS and Glass Lewis have applied one-size-fits-all board diversity mandates, often issuing adverse recommendations against directors when demographic quotas were not met. This has occurred regardless of industry-specific talent pipelines or company-specific circumstances—ignoring commendable, proactive efforts by individual firms to recruit, promote, and maintain diverse talent. We, therefore, request that you provide the following information:

- All board diversity-related policies and methodologies used to guide voting recommendations between 2022 and 2024.
- All policies and methodologies used to assess board and workforce diversity-related shareholder proposals for the same period (2022–2024).
- Explain how your diversity standards were reconciled with directors' fiduciary duties to shareholders.
- Disclose whether companies that did not meet your diversity standards were automatically subject to negative recommendations, and identify any conditions under which exceptions were granted.
- Provide your current policies and methodologies used to evaluate board diversity and documentation reflecting how these policies are communicated internally to staff.
- Provide your current policies and methodologies used to assess shareholder proposals related to board and workforce diversity.

VI. Conclusion and Request for Response

Given the significant and growing role your firms play in shaping corporate behavior, we believe it is critical to understand the foundations of your recommendations, the potential for conflicts of interest, and the processes you use to develop and apply your voting policies.

We request your full and complete responses to the above questions by June 10, 2025. We appreciate your prompt attention to these matters.

Sincerely,

Tim Scott
Chairman

M. Michael Rounds
United States Senator

Bill Hagerty
United States Senator

cc: The Honorable Paul Atkins, Chairman, U.S. Securities and Exchange Commission