

Comments on
The Proxy Voting Revolution

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The Paper's Key Empirical Conclusion

Expanded voting choice could have a meaningful impact on corporate governance by effectively channeling investor preferences

Assumptions:

- Voting choice was available for all Vanguard Funds
- All investors opt in and choose a program
- All these investors would choose among the different programs in the same proportion as actual participants did during the sample period

Conclusion:

- Out of the 132 “close votes” (closer the 60-40), 14 would have flipped

Empirical Conclusion Question #1

Accepting for the moment all the paper's assumptions, do the results suggest that expanded voting choice would meaningfully channel investor preferences in ways that change corporate governance?

If voting choice is to have this effect, it is when the plans vote opposite to Vanguard, i.e. make Vanguard less pivotal

And Glass Lewis – ESG (“GL-ESG”) and on Egan-Jones Wealth Focused (EJ) need to vote in ways that reflect the preferences of their distinctive clientels

Empirical Conclusion Question #1, cont'd

Presumably GL-ESG is available for investors who

- prefer corporations to behave in some ESG friendly way even when that might involve some sacrifice in return
- fear that Vanguard will be too share value oriented in these situations and vote in a way that pushes firms to ignore their ESG concerns

Presumably EJ is available for investors who

- prefer corporations to maximize share value
- fear that Vanguard will vote in ways that pushes them to ignore share value maximization in order to further ESG aims

Table 6: Counterfactual Analysis										
Company Name	Meeting Date	Sponsor	Proposal Text	Result	Support Rate	Vanguard Policy	Egan-Jones Policy	Glass Lewis ESG Policy	Counterfactual Support Rate	
Tronox Holdings	5/7/2025	Mgmt	Elect Fawaz Al-Fawaz	Fail	49.0%	Against	For	Against	53.1%	
The Chefs' Warehouse	5/9/2025	Mgmt	Elect Richard Peretz	Fail	49.2%	Against	For	For	54.5%	
Akamai Technologies	5/14/2025	Mgmt	Shareholder ability to call special meetings	Pass	56.1%	For	Against	Against	49.3%	
Kohl's Corporation	5/14/2025	Mgmt	Say-on-Pay	Pass	55.3%	For	Against	Against	45.3%	
LCI Industries	5/15/2025	Mgmt	Say-on-Pay	Pass	50.2%	For	Against	Against	44.8%	
Elanco Animal Health	5/16/2025	Mgmt	Say-on-Pay	Pass	53.5%	For	Against	Against	49.2%	
Medical Properties Trust	5/29/2025	Mgmt	Say-on-Pay	Pass	58.3%	For	Against	Against	44.6%	
CoStar Group	6/26/2025	Mgmt	Say-on-Pay	Pass	53.8%	For	Against	Against	46.5%	
Eversource Energy	5/1/2025	SH	Independent chairman	Fail	47.4%	Against	Against	For	50.1%	
AbbVie	5/9/2025	SH	Simple majority vote	Fail	49.0%	Against	For	Against	51.9%	
Xylem	5/13/2025	SH	Reduce threshold to call special meetings	Fail	46.0%	Against	For	For	51.6%	
Align Technology	5/21/2025	SH	Reduce threshold to call special meetings	Fail	45.1%	Against	For	For	50.6%	
Booking Holdings	6/3/2025	SH	Reduce threshold to call special meetings	Fail	48.9%	Against	For	For	53.1%	
eBay	6/25/2025	SH	Reduce threshold to call special meetings	Fail	49.0%	Against	For	For	55.2%	

Empirical Conclusion Question #1 (cont'd)

The results do not show things worked this way

- In 11 of the 14 cases, the two plans voted the same way
- In the 3 where they divided, GL-ESG got 1 its way, and EJ got 2

Looks more like the voting choice plans just add noise, rather than effectively channeling shareholder specific preferences in ways that affect outcomes

The other possibility is each plan's "outsideness" is all that matters

- In 10 of the 11 where they voted the same way, they were voting against management's position while Vanguard was voting for it
- Either the vote was not expected to have an ESG effect, or management, abetted by Vanguard, was ignoring pro-ESG conduct that could increase share value

Empirical Conclusion Question #2

Are the paper's assumptions ones that provide meaningful insight as to how voting choice will work when offered to investors in all Vanguard funds?

Assumption 1: Voting choice was available for all Vanguard Funds

Assumption 2: All investors opt in and choose a program

- Only 2.8% (Panel B) opted in the sample
- The paper states that a survey and the uptake experience of other funds suggest greater interest

These points need to be expanded if readers are to be convinced that a substantial portion of fund investors will ultimately opt in once given the choice

Empirical Conclusion Question #2, cont'd

Assumption 3: To the extent that participation expands beyond this 2.8%, all the members of the expanded group would choose among the different programs in the same proportion as did those

- Many in the sample who did not opt in probably did so because they were happy to let Vanguard decide
- If the percentage that opt in increases because the overall environment makes people feel they should, some who in the sample failed to opt in will opt in in the future and simply increase the percentage choosing “Vanguard Advised” from the sample’s 35%

The Paper's Key Normative Conclusion

A properly designed voting choice system could achieve a “goldilocks” solution

Funds: Their continued role reaps the gains having better-resourced, more effective blockholders playing a major role

Choice Plans: Votes of the choice plans could act as a “safety valve” that helps correct some of the identified problems with fund voting

Normative Conclusion Question

Given the various ways fund voting has been criticized, how would the existence of well-designed choice plans act as a “safety valve” that helps to correct these problems?

- Failure to use or threaten to use their votes in ways that encourage managers to maximize share value
 - Not devoting sufficient resources to detect failures to maximize share value
 - Not acting on detected failures to maximize share value because of conflicts of interest
- Failing to use or threaten to use their votes to push managers to sacrifice share value in ways that investors would like them to in order to further some social concern
- Using, or threatening to use, their votes to push managers to sacrifice share value in order to further the social concerns of the small group who run the funds