



Will Curbs on Proxy Advisors Make Shareholder Votes Less Predictable?

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Key Points

- The role of proxy advisors in shareholder voting is changing, as some institutional investors take that decision-making in-house and regulators challenges the use of DEI and ESG factors in voting recommendations.
- Some votes may now be determined by internal stewardship teams, in part with the use of AI tools.
- As decision-making by institutional investors becomes less centralized, companies will need to reassess the way they build support for important votes.
- Companies may also need to refine proxy and other disclosures to make sure that rationales and explanations are clear, with an eye to the way they could be read by AI models.

Proxy advisory firms have increasingly come under attack by regulators and were the targets of a White House [executive order](#) in December that may significantly impact their influence over the entire proxy voting ecosystem.

Most recently, it was reported that JPMorgan and Wells Fargo would stop using the services of proxy advisory firms, including Institutional Shareholder Services (ISS) and Glass Lewis, for research on public companies and voting recommendations on shareholder proposals and director elections. JPMorgan will instead rely on its own in-house stewardship team to make voting decisions with the assistance of proprietary artificial intelligence (AI) tools. Wells Fargo cut ties with ISS and will instead rely on a new internal proxy-voting platform powered by technology provided by Broadridge Financial Solutions.

As we head into the 2026 proxy season, these changes could make shareholder votes less predictable. Moreover, if shareholder decision-making is less centralized, boards and management

teams will need to rethink their investor outreach programs and disclosures to reach a wider audience.

Why Proxy Advisors Mattered – and Why the Ground Is Shifting

In recent decades, proxy advisors have become a central feature of the proxy ecosystem, providing cost-effective advice to diversified portfolio managers whose lean business models could not support independent analysis across thousands of shareholder meetings. By some estimates, ISS and Glass Lewis account for roughly 90% of the proxy advisory market, and their recommendations can swing voting outcomes by significant margins.

As their influence has grown, proxy advisors have faced criticism, both about the quality and rigidity of their analyses and about the perceived nonfinancial policy priorities that may underlie their recommendations. In particular, the Trump administration and GOP legislators have made a concerted effort to reduce the influence of proxy advisory firms on public companies with respect to their diversity, equity, and inclusion (DEI) and environmental, social and governance (ESG) initiatives.

What Has Changed

In June 2025, Texas enacted Senate Bill 2337 requiring proxy advisors to disclose when their voting recommendations involving companies incorporated in Texas are based in part on nonfinancial factors. (ISS and Glass Lewis won a preliminary injunction barring enforcement of the bill pending a trial that has not yet been scheduled.) Proposals to restrict proxy advisors in various ways have also been introduced in several other states.

The most sweeping bid to limit proxy advisory firms' influence has come from the White House, which issued an executive order on December 11, 2025, directing federal regulators, including the Securities and Exchange Commission and the Federal Trade Commission, to consider, among other things, revising or rescinding all rules and regulations relating to proxy advisory firms and shareholder proposals that implicate DEI and ESG priorities that are inconsistent with the purpose of the executive order, and enforcing antifraud provisions in securities laws against proxy advisory firms with respect to their voting recommendations.

The executive order also directed federal regulators to assess whether ISS and Glass Lewis subscribers who are registered investment advisers have breached their fiduciary duties by following the recommendations of proxy advisory firms on nonpecuniary factors such as DEI and ESG. This part of the executive order is likely putting considerable pressure on institutional

investors to shift their reliance away from ISS and Glass Lewis and lean into their own internal voting processes.

In response to this pressure, the proxy advisory firms are reconfiguring the services they offer in ways that are also likely to lead to less conformity in voting. Glass Lewis, for instance, will stop offering its standard benchmark proxy voting guidelines in 2027, making recommendations based on more client-specific factors such as investment philosophies and stewardship priorities.

The New Variable: AI in Proxy Voting

JPMorgan's move to use AI is unlikely to be the last. Whether other institutions follow will turn on the same factors that made proxy advisors central in the first place: cost, scale and the need for a defensible "informed voting" process.

AI can lower barriers, but it is not yet a substitute for stewardship. Investors will still need a policy framework, controls and documentation to support voting decisions at scale. As a result, we expect more institutional managers to take steps to internalize the voting process and gradually integrate AI solutions into their voting infrastructure, which could further fragment voting outcomes across investors.

When it comes to contested elections, it is not clear whether the use of AI will result in dramatically different recommendations than those of ISS and Glass Lewis. In contested elections, when determining whether board change is warranted, ISS and Glass Lewis have focused heavily on whether a company's total shareholder return (TSR) has underperformed on a multiyear basis.

As shareholder activists target companies they perceive are underperforming, proxy advisory firms, given their focus on TSR, have been more predisposed to supporting activists, leading to many criticisms that not enough weight is given to company-specific factors that may be contributing to the underperformance. As more institutional investors rely on AI-powered tools to help shape their voting decisions, companies may need to be more deliberate in their disclosures to explain idiosyncratic circumstances to avoid similar outcomes.

In the meantime, we expect stewardship teams that continue to rely on proxy advisory firm recommendations will closely monitor how these firms are integrating AI into their proxy voting infrastructure and assess the efficacy of their AI-driven or -influenced voting recommendations. Glass Lewis recently announced that it has been incorporating AI into its research and that it is "ramping up this investment in 2026."

However, recognizing that some of its competitors, including smaller new entrants into the proxy voting arena, are beginning to take a "completely AI-driven" approach to providing voting solutions, Glass Lewis believes these platforms are unproven and "currently lack the ability to automate

support for voting decisions that require global scale and nuanced analysis.” Instead, Glass Lewis posits that the future for the proxy advisory industry will be a hybrid model that harnesses both the experience of analysts and the power of AI, rather than total automation.

Practical Guidance for Boards

As institutional investors continue to take their voting processes in-house, the net effect will likely be less uniformity in voting decisions and reduced reliability on any single “house view,” making outcomes harder to handicap. As such, we recommend boards focus on the following:

Upgrade proxy disclosures for clarity and context. Assume more voting decisions will be consolidated through internal tools and, potentially, AI-assisted workflows. Make key rationales easy to find and hard to misread by using consistent terminology, clear cross-references and plain-language explanations for any “outliers.”

Engage earlier and more precisely. Start shareholder engagement before positions harden and focus on the few issues that most often drive opposition in director elections and other key votes.

Expect more peer-comparison benchmarking. Assume more votes will turn on how the company and board compare to peers on performance, governance, executive compensation and responsiveness to investor feedback. If you benchmark well, highlight the strengths clearly. If you do not, explain the rationale for differentiation and tie it to the company’s long-term financial horizon and strategy.

Customize messaging. Tailor communications to investors’ differing priorities — financial, sustainability or governance-driven — rather than rely on a single narrative.

Reassess activism vulnerability with counsel. In light of the company’s specific shareholder base and evolving investor voting patterns, work with legal and financial advisors to evaluate how these changes may affect the company’s exposure to activist campaigns and potential defensive readiness.