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## INTEGRATING PROXY VOTING INTO THE 'OWNERSHIP INVESTING' PARADIGM: FROM RESEARCH FINDINGS TO AN ACTION PLAN

*"What are the implications of the investment theory/practice evolution being fostered by people like Ambachtsheer, Kay, Penrose, Madden, and TenHaken? It should surely lead to decisions to emphasize ownership-focused long-term value-creation strategies over short-term 'beauty contest' trading gains."*

The Ambachtsheer Letter, April 2025

*"Proxy voting is often done in the context of shareholder meetings to facilitate decision-making when investors cannot be present at a given meeting. Shareholders might receive proxy materials by mail or email with explanations and voting instructions. Often, these votes concern board elections, mergers and acquisitions, corporate social responsibility, and are an important aspect of corporate governance."*

Investopedia

*"The proxy voting system is a vital part of the corporate value chain as it provides a necessary tool for shareholders and issuers to engage on key issues in corporate governance. However, this vital role has been undermined by the tendency for market participants to blame each other for its shortcomings, rather than look for mutually beneficial solutions."*

"Voting for Value: Reforming Proxy Systems for Lasting Impact"  
FCLTGlobal—Focussing Capital on the Long Term, 2025

### The 'Ownership Investing' Paradigm

Regular readers of this publication will know that 'ownership investing' has been a recurring theme in recent issues. The theme follows logically from Peter Drucker's 1976 book "The Unseen Revolution" where he visualized workers becoming owners of the means of production not through violent revolution, but through their pension funds. The April 2025 Letter titled "[Rethinking Pension Fund Investing: The Journey Continues](#)" asserted that Drucker's now 50 year-old vision is slowly becoming reality. As evidence, it pointed to Sir John Kay's new book "The Corporation In The 21st Century", which advocates replacing old business models based on agency theory and rules, with new ones encompassing co-operation, win-win outcomes, and long-horizon value creation.

Bartley Madden's *Pragmatic Theory of the Firm (PTF)* formalizes these ideas through identifying four corporate value-drivers: 1. A motivational vision, 2. Continuous gains in efficiency and innovation, 3. Win-win relations with suppliers, employees, and customers, and 4. Taking care of future generations through minimizing waste and pollution. The July 2025 Letter titled: "[Can The CPP Investments Organization Pass The 'Legitimacy' Test?](#)" described how *CPP Investments* is actually using the *PTF* framework to engage its portfolio companies with the goal of enhancing their value-creation efforts and capabilities. This Letter explains how the proxy voting system also fits into this ownership investing story.

## How Does Proxy Voting Fit into this Story?

The *PTF* framework is a ‘bottom up’ approach in the sense that it evolves from transforming value-creation principles into practices one firm at the time. In contrast, the proxy voting system is a ‘top down’ approach in the sense that it applies a common set of behavioral rules to thousands of firms and investors at the same time.

These rules relate to organizing thousands of shareholder meetings to elect corporate boards of directors, as well as to address other measures requiring shareholder approval. Clearly, the ‘top down’ proxy voting system is a tool that ownership investors should understand and use in the quest to foster value-creation in their portfolio companies. How well is the proxy voting system actually working? A December 2024 *FCLTGlobal* study titled “[Beyond the Blame Game: Why the Proxy System Needs to Change](#)” addressed this question.

### Current Proxy System Shortcomings

The key shortcoming findings that *FCLTGlobal* study uncovered may be summarized as five issues:

1. The current proxy system costs exceed its perceived benefits.
2. It detracts from long-term focused dialogues between investors and corporations and is one of the sources of short-term pressures of being a public company.
3. Investors and companies simply go through the motions of voting, minimizing the costs that the system creates for them.
4. Investors generally believe that proxy voting does not affect their long-term investment performance in any attributable way.
5. Proxy advisors like ISS and Glass Lewis must provide a scalable service at a price that clients are willing to pay. This leads to disappointment as both issuers and investment organizations would prefer much deeper and differentiated analysis of the issues behind the votes.

These findings led to *FCLTGlobal*’s follow-on June 2025 study “[Voting for Value: Reforming Proxy Systems for Lasting Impact](#)”.

### Addressing Proxy System Shortcomings

The preamble to the follow-on study is instructive:

*“FCLTGlobal has conducted research on the topic since late 2024, looking for areas of common ground that could lead to a better system for the entire value chain – corporate issuers, asset managers, asset owners, and service providers. This research has yielded insights into initiatives, some more nascent than others, that offer compelling opportunities to enhance the proxy system.*

*The first set are steps that companies and/or investors can take within the current regulatory environment in most countries, though some regulatory safe harbors or amendments to company bylaws may be necessary in some instances. The second set of initiatives would require policy or regulatory interventions in most countries.*

*Together however, they would each contribute to restoring the proxy system to its most valuable intent: a mechanism for open and constructive investor-corporate dialogue, focused on the most salient issues for long-term sustainable value-creation in public markets.”*

## Actions Investors and Companies Can Take Now

There are three:

1. Pre-disclosure of voting intentions: a more widespread use of declared voting intentions from leading institutional investors (together with rationales) would provide a market signal about the value of the issue. A few leading investors already do this. Their actions provide a transparent voting intentions comparison tool for the whole market. It enables all market participants to opt in to form the market consensus. It conveys the insights of an informed group with dedicated stewardship resources.
2. Unbundle the services of proxy advisors to investors: their four services are 1. Automation of the proxy voting process, 2. Aggregation of proxy information, 3. Data research, and 4. Recommendations on voting. Paying only for the services a client values is in line with established fiduciary principles.
3. Reschedule Voting and AGM timelines: the issuance of proxy materials is often only a few weeks before the vote, a clear roadblock to meaningful engagement. Genuine investor-corporate dialogue on long-term value-creation is impossible in that timeframe. Better to create an 'Investor Engagement Day' during a quiet time of the year where key strategic value-creation issues can be properly discussed and debated.

## Actions that Regulators Could Take

Again, there are three:

1. Strengthen the requirements for valid shareholder proposals: to ensure such proposals are material and not trivial, increase the threshold number shares for a shareholder to put forth a proposal. Also, limit the ability to refile the same proposal (e.g., require a 3-5 year waiting period). Finally, clarify the conditions under which one party can vote or purport to vote another party's shares.
2. Clarify the appropriateness of pre-disclosures: regulators could specify that pre-disclosure is an appropriate activity that does not trigger regulations that shift investors from the passive to active category.
3. Clarifying requirements to vote: most investors value the option to vote when it is important for them to do so, but do not consistently value the vote itself. Regulatory clarity on voting requirements would be helpful.

## Where Does the *FCLTGlobal* Initiative Go From Here?

The June 2025 *FCLTGlobal* paper concludes by observing that its study has put all the problematic issues related to the proxy voting system on the table, and that the study sets out what "the best and most feasible solutions are". When asked what the organization sees as the next step in moving "beyond the proxy voting blame game", *FCLTGlobal*'s response was:

- *Since we believe that greater pre-disclosure of proxy votes would be useful, we will engage with asset owners, asset managers, and corporate issuers on this topic. One avenue through which to do this are industry forums and conferences.*
- *We will work with data providers (such as Bloomberg), to facilitate the aggregation and dissemination of action-oriented information such as proxy voting intentions.*
- *We will stay steadfast in our messaging. We will monitor and measure the rate of adoption of our recommendations, and report our findings on a quarterly basis.*

## In Conclusion

*FCLTGlobal* is to be commended for its initiative to make the proxy voting system a more constructive, positive corporate governance mechanism. A key component of it is the simple idea of corporations organizing an 'Investor Engagement Day' separate and distinct from the Annual General Meeting.

Such an event, if it is well-planned, would provide a clear, explicit opportunity for corporations to share their vision for long-term value-creation. Madden's '*Pragmatic Theory of the Firm*' could serve as the basis for the day's agenda: 1. An inspiring firm vision, 2. How we innovate, 3. Our win-win relationships with customers, employees, and suppliers, and 4. How we respect the right of future generations to a livable planet.

At the same time, such an event should provide the opportunity for the corporation's investors to also have a say on these matters, and on any others of specific concern to them.

Let's get on with it!

*Keith Ambachtsheer*

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