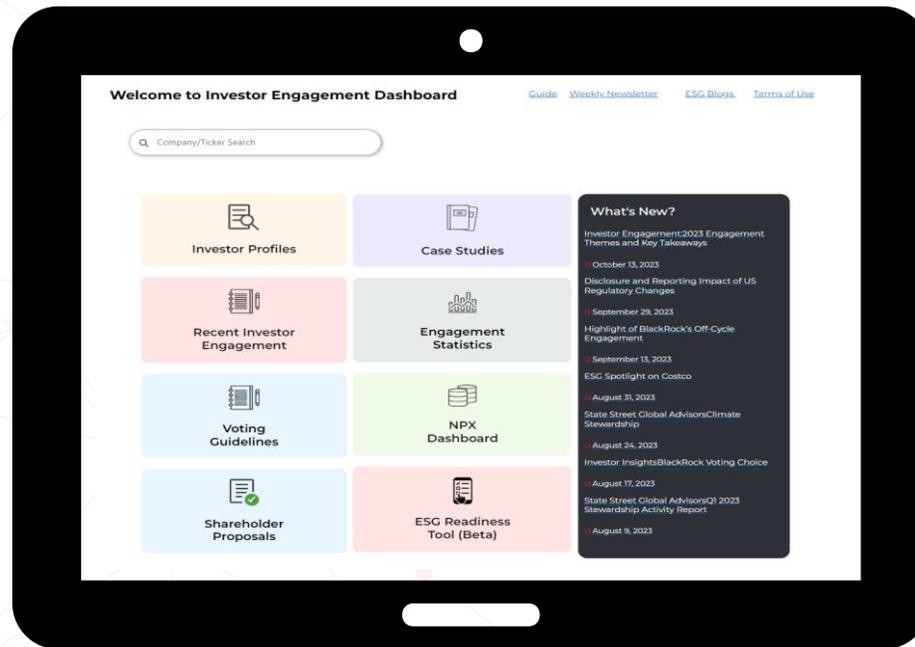




# ZMH Insights

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## Influence of ISS, GL, and the Big Three on Proxy Contests



*Engagement Simplified.*



# Influence of ISS, GL and the Big Three on Proxy Contests

## Takeaways

- Proxy advisor recommendations continue to be highly correlated with the outcomes of proxy contests
  - Pursuant to an abbreviated data set of 2023 campaigns, 90% of dissident nominees that were supported by both ISS and Glass Lewis received majority shareholder support, while only 29% of dissidents that failed to receive backing from both ISS and Glass Lewis won majority support
- Votes cast by BlackRock and State Street continue to be highly correlated to proxy advisor recommendations with slightly more alignment with ISS than Glass Lewis; Vanguard support is more highly correlated with proxy advisor recommendations when there is consensus between ISS and Glass Lewis
- The outcome of proxy contests involving companies with a low percentage of institutional ownership, tend to be less correlated with proxy advisor recommendations – dissidents can overcome the lack of support from proxy advisors and large index funds in those cases

## Background to the Solicitation

Proxy advisors continue to play a significant role in activist campaigns as they are often the first to help identify and frame the core issues of a contested matter for institutional investors. The recent advent of the universal proxy card coupled with the expanded focus of institutional investors on stewardship, has led to greater effort within the investment community to engage with the principals of a proxy contest to better understand the underlying conflict and concerns, and how best to address them through voting.

To examine the influence of proxy advisors on large institutional voting patterns and the respective correlation with contested director elections, we compiled a sample of 16 proxy contests in 2023 with 52 dissidents challenging for incumbent board seats.

Company	Activist	Market Cap	# of Dissidents	Successful Dissidents	Company	Activist	Market Cap	# of Dissidents	Successful Dissidents
Alkermes Plc	Sarissa Capital	\$4,452.9 M	3	0	Masimo Corporation	Politan Capital	\$8,897.6 M	2	2
Amarin Corporation	Sarissa Capital	\$484.6 M	7	7	Mind Medicine	FCM MM Holdings	\$277.7 M	4	0
Blue Foundry Bancorp	Lawrence B. Seidman	\$258.5 M	2	0	Nano Dimension	Murchinson	\$678.6 M	3	0
Broadwind	WM Argyle Fund	\$120.9 M	3	0	People's Financial Corporation	Stilwell Value	\$70.2 M	1	0
Exelixis	Farallon Capital and Caligan Partners	\$5,940.5 M	3	3	Pitney Bowes	Hestia Capital Partners	\$622.9 M	5	4
First Foundation	Driver Management	\$857.1 M	1	0	Stratasys	Nano Dimension	\$1,143.1 M	7	0
Forte Biosciences	Camac Partners and ATG Capital Management	\$27.1 M	2	0	WisdomTree	ETFS Capital	\$933.2 M	3	1
Illumina	Carl C. Icahn	\$30,653.6 M	3	1	Zevra Therapeutics	Daniel J. Mangless	\$201.2 M	3	3



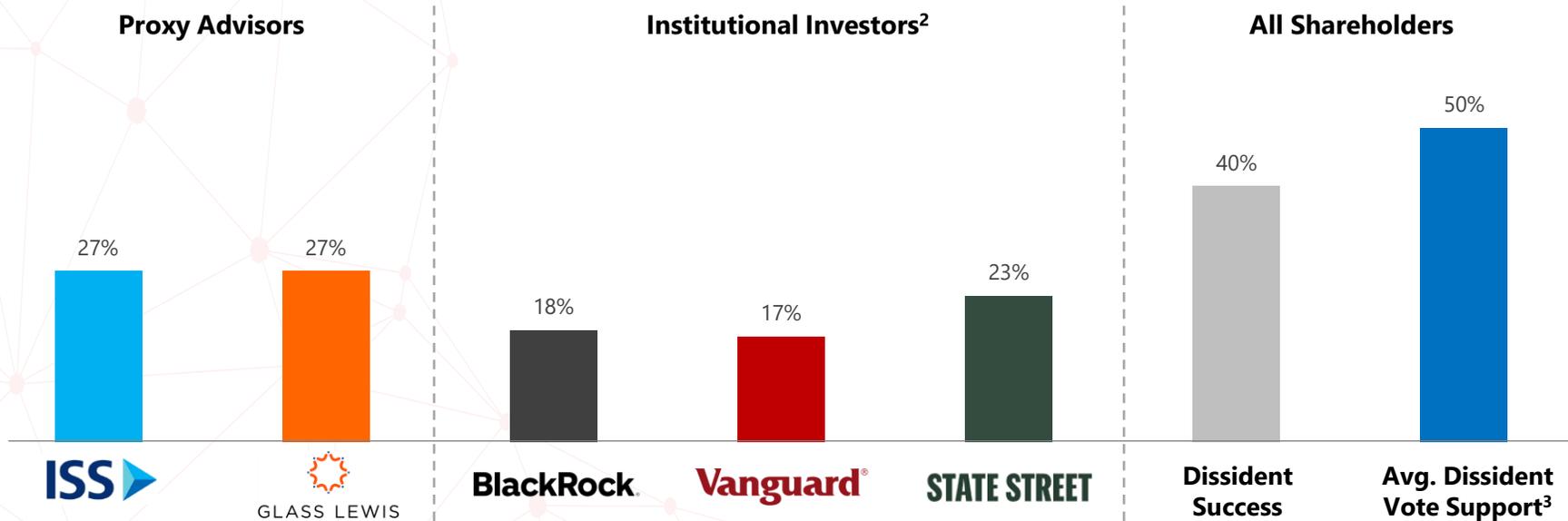
# Influence of ISS, GL and the Big Three on Proxy Contests

## Reasons for the Solicitation

Leveraging the ZMH proprietary Investor Engagement Platform along with data from FactSet and The Deal, we set out to determine how often leading proxy advisors Institutional Shareholder Services (ISS) and Glass Lewis supported dissident candidates, as well as how often three of the largest institutional investors in Blackrock, Vanguard, and State Street – the “Big Three” – did the same.

As we can see in the figure below, ISS and Glass Lewis supported dissidents in almost 30% of cases, while the Big Three’s support for dissidents hovered around 20%. Overall, dissident success was relatively high with 40% of the total 52 contested seats being won by activist nominees with an average vote support for all dissidents at 50%.

### Support for Dissident Nominees in 2023 Proxy Contests<sup>1</sup>



Data compiled from ZMH Analytics, FactSet, and The Deal

- 1 Data set includes 52 dissidents spanning 16 select campaigns that culminated in a shareholder vote in 2023
- 2 Certain institutional votes were not disclosed for Amarin (Vanguard), Forte Biosciences (Vanguard and State Street), Nano Dimension (State Street), Peoples Financial Corporation (BlackRock, Vanguard, and State Street), and Stratasys (State Street)
- 3 Individual vote results were not disclosed for Nano Dimension as a foreign private issuer domiciled in Israel



# Influence of ISS, GL and the Big Three on Proxy Contests

## Dissident Support Relative to Proxy Advisor Recommendations

### Matters to Be Voted Upon at the Annual Meeting

#### Dissidents Supported by both ISS and Glass Lewis (10)

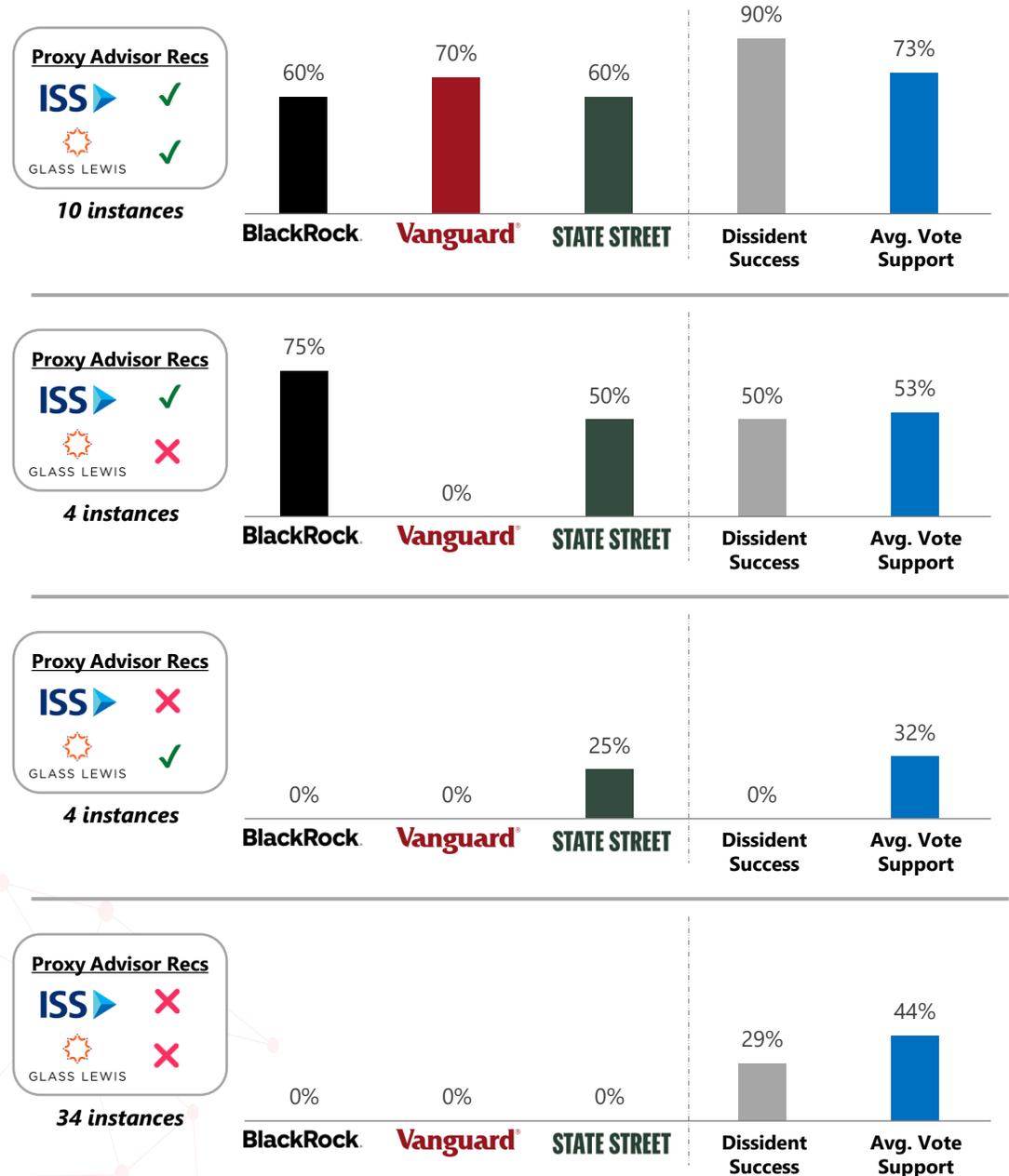
Voting patterns between the Big Three and the proxy advisors are most highly correlated when both ISS and Glass Lewis support the same dissident. There were 10 such instances in our data set and of those cases, BlackRock and State Street supported 60% of the dissidents, while Vanguard supported 70% of the dissidents. Overall, 9 out of the 10 dissidents won majority shareholder support.

#### Dissidents Supported by ISS or Glass Lewis (8)

When ISS and Glass Lewis voted for dissidents in opposition to each other, Big Three votes were more highly correlated with ISS than with Glass Lewis. In instances where ISS supported a dissident and Glass Lewis did not, BlackRock and State Street supported the same dissident 75% and 50% of the time, respectively. When Glass Lewis supported a dissident and ISS did not, only State Street supported that same nominee 25% of the time. ISS-supported dissidents won majority support 50% of the time while none of Glass Lewis-supported dissidents were able to win majority support.

#### Dissidents Not Supported by ISS and Glass Lewis (34)

Dissidents that failed to receive support from either ISS or Glass Lewis, did not receive any votes from the Big Three. There were 34 of those instances in our data set and of those, 29% of the dissidents were able to win majority support. The 10 successful dissidents were part of campaigns at companies (Amarin and Zevra Therapeutics) where institutional ownership hovered around 30%. The successful dissidents received resounding shareholder support with over 75% of the vote for almost all nominees. This contributed to the relatively high average support total of 44% for all dissidents in this group.





# Influence of ISS, GL and the Big Three on Proxy Contests

## Other Matters to be Considered at the Annual Meeting

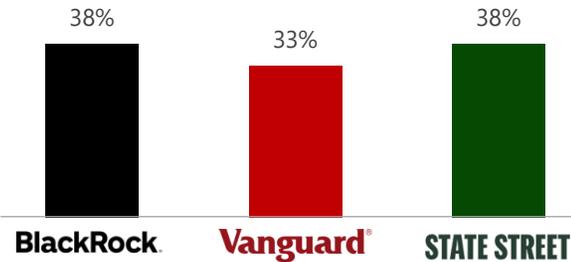
The Big Three voted in favor of more than 30% of the 21 successful dissidents in our data set. BlackRock and State Street supported 38% of the winning nominees (8 dissidents), while Vanguard supported 33% of the winning nominees (7 dissidents).

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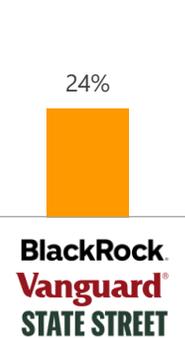
Although the support of large institutional investors and proxy advisors appear to be highly correlated to each other and to the outcomes of proxy contests, several factors have not been accounted for in this abbreviated analysis. The merits of the shareholder argument and the ability to convey that message in a compelling manner to proxy advisors and investors cannot be understated.

## Big Three Support of Successful Dissidents

% of Successful Dissidents Supported Independently



% of Successful Dissidents Supported by All Three



ZMH Analytics, FactSet, and The Deal

***Understanding How Investors Approach Proxy Contests and What Issues Resonate the Most, Significantly Impact Campaign Outcomes***

***Engagement is Key for Management and Dissidents, and Should Not be Reserved Only for Times of Crisis***



# What ZMH Can Do for You

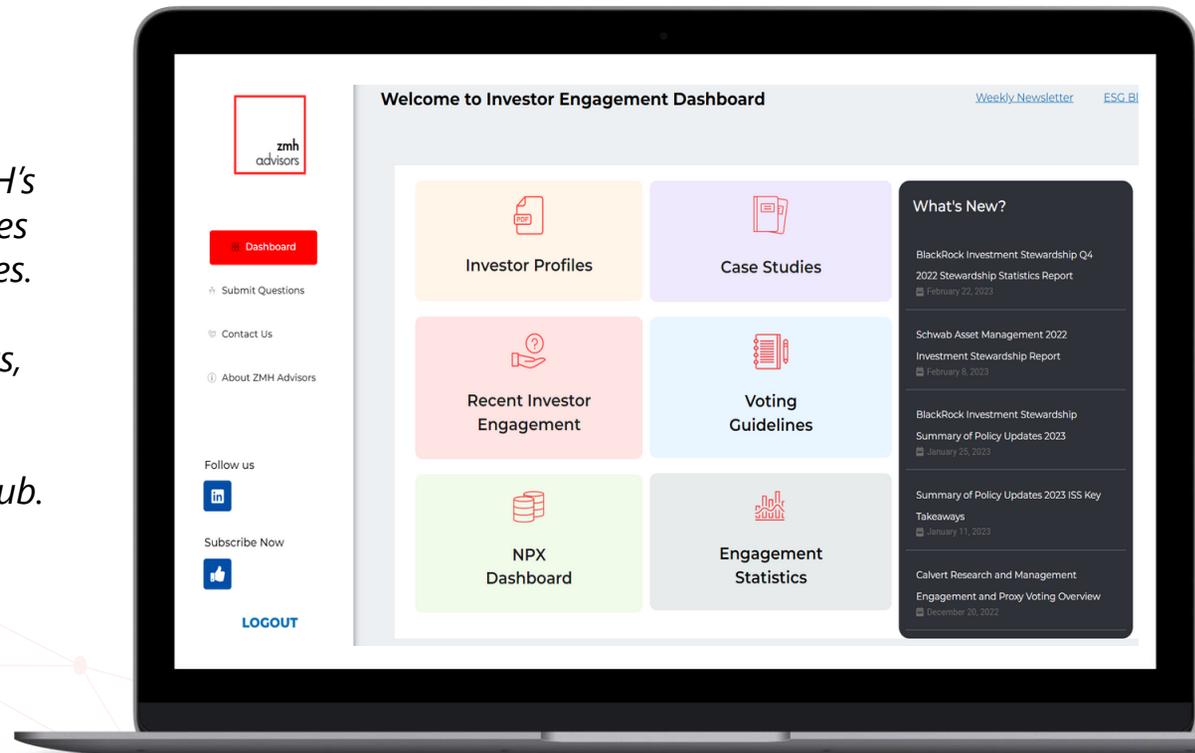
[ZMH Advisors](#) is a technology-based shareholder and ESG advisory firm revolutionizing how companies approach corporate governance and investor engagement. Our mission is simple yet transformative: to make ESG strategy and shareholder engagement more impactful, efficient, and effective through the application of AI and Big Data.

## Learn More about ZMH's Dashboard

*All data in this document was sourced from ZMH's Investor Engagement Dashboard®, which houses shareholder proposal data, insights and resources.*

*Conduct more insightful off-cycle engagements, understand how ESG weighs into investor considerations, and streamline investor communications all in one easy-to-use central hub.*

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## SHAREHOLDER PROPOSALS

Company Name	Ticker	Year	Proposal	Proponent	Percentage For	Vote Outcome
<b>3M Company</b>						
MUM	2022	Report on environmental costs	John Montgomery as trustee of The John Bishop Montgomery Trust	13.16%	Fail	<a href="#">View Details</a>
MUM	2022	Communist China Audit	Steven J. Miloy	3.24%	Fail	<a href="#">View Details</a>
<b>A. O. Smith Corporation</b>						
AOS	2023	Assessing Inclusion in the Workplace	NorthStar Asset Management, Inc. Funded Pension Plan	8.98%	Fail	<a href="#">View Details</a>
<b>Abbott Laboratories</b>						
ABT	2023	Special Shareholder Meeting Improvement	John Chevedden	4.29%	Fail	<a href="#">View Details</a>
ABT	2023	Independent Board Chairman	Kenneth Steiner	30.45%	Fail	<a href="#">View Details</a>
ABT	2023	Shareholder Proposal on Lobbying Disclosure	The Province of Saint Joseph of the Capuchin Order and Proxy Impact, on behalf of Henry E. Van	22.97%	Fail	<a href="#">View Details</a>
ABT	2023	Shareholder Proposal on Incentive Compensation	The Shareholder Association for Research & Education, on behalf of HLB Investments LLC	14.44%	Fail	<a href="#">View Details</a>

## SEC NO-ACTION LETTERS

Company	Shareholder Proponent	Submission Date	Initial submission	Basis for Exclusion
Oracle Corporation	Change Finance, P.B.C.	8/18/2023	<a href="#">Link</a>	Rule 14a-8(i)(3) Rule 14a-8(i)(7)
Fox Corporation	Anne Butterfield	8/15/2023	<a href="#">Link</a>	14a-8(i)(10)
Fox Corporation	Kenneth Steiner	8/14/2023	<a href="#">Link</a>	14a-8(i)(3) 14a-8(i)(7)
Cisco Systems	Kenneth Steiner	7/21/2023	<a href="#">Link</a>	Incoming. To be determined.
Texas Pacific Land Corporation	Gabriel Glikberg	7/21/2023	<a href="#">Link</a>	Incoming. To be determined.
Texas Pacific Land Corporation	Jason Hubert	7/21/2023	<a href="#">Link</a>	Incoming. To be determined.
Texas Pacific Land Corporation	Lion Long Term Partners LP	7/21/2023	<a href="#">Link</a>	Incoming. To be determined.
Texas Pacific Land Corporation	Special Opportunities Fund	7/21/2023	<a href="#">Link</a>	Incoming. To be determined.

- Shareholder Proposals for S&P500 companies
- Smart Search Feature: Search by Proponent, Resolved Statement, Vote Result (Pass/Fail), and link to proxy statement
- Proposal text searchable by ESG categories and keywords

- Real-time repository of SEC No-Action Letters
- Smart Search Feature: Search proposal text, request for no-action, and SEC staff response by keywords and themes
- Links to underlying proposal, request for no-action, and SEC's response