House Committee on Financial Institutions and Pensions
Presented by Beau Roysden, Fusion Law, Representing Consumers Defense
Testimony in Support of Senate Bill 375 – the Proxy Advisor Transparency Act

Wednesday, March 4, 2026

Mr. Chairman and members of the committee, my name is Beau Roysden and I work for Fusion Law, representing Consumers' Defense. Prior to working for Fusion, I worked at a state attorney general's office, and my duties included leading consumer protection matters.

Over 30 years ago, the U.S. Department of Labor issued guidance stating that fiduciaries must vote the shares of stock they hold, because of the potential effect on shareholder value.[1]

This guidance made legal sense. Fiduciaries have a responsibility to maximize the investments in their care, and shareholder votes can benefit or harm the value of investments. However, in practical terms, it put many pension plans and financial institutions in a bind. If you have a well-diversified portfolio, or even some shares of index funds, then by definition you own stock in many different companies. The DOL guidance thus meant that fiduciaries had to figure out what votes would increase value at all of those companies.

As the number of shareholder proposals skyrocketed, figuring out which way to vote all of their shares became more difficult for pension plans and financial institutions. Proxy advisors offered a solution to this problem – they would develop recommendations on all votes based on financial value, and companies could simply pay a fee for those recommendations. Companies saw this as a way to uphold their fiduciary duties without needing to spend significant amounts of money to analyze these proposals themselves.

The situation created economies of scale, favoring large proxy advisors who could cover all votes and sell their services cheaply to many customers. For years, two proxy advisors have controlled over 90% of the proxy advisory market. Those advisors are ISS and Glass Lewis, and both are foreign-owned.

Last year, one of those proxy advisors admitted under oath that it **does not** conduct financial analyses to assess the effect on shareholder value before making recommendations.[2] The advisor's representative also stated that it was not aware of any other proxy advisor making such financial analyses either.

This is a serious problem for three reasons. **First,** proxy advisors advertise that they attempt to increase shareholder value, so there's a conflict between what proxy advisors are advertising and what clients are actually receiving. **Second,** companies are depending on proxy advisors to meet their fiduciary duties to increase the value of their investments. If proxy advice isn't based on financial analysis, those fiduciary duties may not be met. **Third,** proxy advisors hold tremendous sway in the U.S. market, with one prior estimate finding

[1] 59 FR 38860, 38861 (1994)
[2] *Glass, Lewis & Co., LLC v. Paxton*, 1:25-cv-01153, Dkt. 5, ¶ 45 (July 24, 2025)

that the recommendations of the big two advisors can swing votes between 10% and 30%.[3] If proxy advisors aren't conducting financial analyses, these votes could be swung in ways that harm shareholders. This concern is especially acute in situations where proxy advisors are recommending votes against a company's management, because those directors have their own fiduciary duties and presumably are conducting financial analyses.

Senate Bill 375 simply requires disclosure of facts when a proxy advisor makes a recommendation to vote against company management. If a proxy advisor is **not** doing so based on a written financial analysis, the advisor must disclose that fact. If a proxy advisor **is** making that recommendation based on a written financial analysis, the advisor must make that analysis available to companies and to their clients.

Investors receiving this information will be able to better evaluate whether following the proxy advisor's recommendation will increase the value of their investment and meet their fiduciary duties.

Violations of the bill would be considered violations of the Kansas Consumer Protection Act, to be enforced by the attorney general.

This bill is an important and common-sense consumer-protection measure. We appreciate the opportunity to discuss it with the committee, and I am happy to answer any questions the committee may have.

[3] *See, e.g.*, https://corpgov.law.harvard.edu/2018/06/14/the-big-thumb-on-the-scale-an-overview-of-the-proxy-advisory-industry/