

Focus on Funds: New ICI Analysis Sheds Light on Proxy Voting

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ICI has released new research on how funds manage proxy voting. In the August 2, 2019, edition of *Focus on Funds*, ICI Chief Economist Sean Collins breaks down key findings [from the report](#).

Transcript

Stephanie Ortals-Tibbs, ICI director of media relations: One of the hottest topics in the fund industry is proxy voting, and [ICI has a new report](#) out that breaks down what fund companies are doing and why they do it.

Sean, what your data analysis shows is that fund companies really vote in many different ways, and they do a lot of thinking about it before they cast that vote.

Sean Collins, ICI chief economist: There are some misimpressions about what funds do. What funds do is try to vote on an issue. So they think about what a proposal is, what the details of the proposals say, and who it applies to. What is it, Company X or is it Company Y? And so across funds, across fund complexes, across time, and across industries, funds may vote different.

Ortals-Tibbs: Sean, one place where in your report, you really see an example of how funds can make different decisions is in the analysis you did of the 2 degree or ESG [environmental, social, and governance] climate change issue.

Collins: There are these things that we're calling "2 degree Celsius proposals." Basically what they are—applied to about 20 different companies—they're virtually identical proposals put forth by shareholders that say, "Look, evidence is that the climate temperatures will rise around the world about 2 degrees Celsius over some period of time, and we—the shareholders of the company—would like you—the management—to provide a report to us on what that will mean for your company's financial position and business operations going forward."

And what was really interesting about it was to see how funds voted. So sometimes, funds would vote for those proposals; sometimes, they would vote against them. Sometimes, it would be one fund saying, "I'm going to vote for this proposal at Company X, and I'm going to vote against it at Company Y."

Why is that? Well, funds look at the details of the specific proposals, who it applies to, and they think about the context.

Ortals-Tibbs: And of course, the bottom line, Sean, is that it always comes down to what's in the best interest of the shareholder.

Collins: Funds have a duty to vote proxies in the best interest of the fund and the shareholders. And to do that, they need to look at the details of the proposal. They need to understand the context to make a nuanced and careful decision.

Additional Resources

- [Release: ICI Calls on SEC to Improve Proxy System for Funds and Their Investors](#)
- [ICI Comment Letter on Proxy Voting](#)