

# 1 one-page summary of doctoral research project

One of institutional investors' responsibilities is to vote on proposals at annual general shareholder meetings (referred to as voting proxies) and to cast their votes in their clients' best interests. The voting results determine a series of corporate governance issues, such as the appointment of the board of directors, the compensation of executives, and the engagement with external auditors. Making informative voting decisions plays an important role in protecting shareholders' rights and promoting good corporate governance practices.

Instead of researching proxies on their own, institutional investors usually hire proxy advisory firms to understand the proposals. Proxy advisory firms do costly research, certify or rebut proxy statements, offer recommendations, and reason their opinions. Some researchers have raised concerns about the aggregate effects proxy advisory firms have. To the extent that it crowds out individual research, a proxy firm's report may reduce the overall information environment, leading individual investors to condition their voting decisions on largely the same information. Relatedly, if a large number of investors base their votes on a given proxy firm's report, the proxy firm is able to influence the resolutions that the covered firm (known as the covered issuer) proposes, and can do so in ways that may be imperfectly aligned with shareholder interests.

I plan to investigate the effects of proxy advisory firms on the overall informational environment. My research question is "Do proxy advisory firms reduce the amount of information that voting decisions are based on?". The goal is to find necessary and/or sufficient conditions under which proxy advising leads to greater informativeness of shareholder votes.

A theoretical model is employed to address this research question. The goal of the model is to find a sequentially rational equilibrium that would characterize the probability that voting decisions are in investors' interests and the amount of information on which the decision is based. The efficiency of the voting decisions would consider the costs of Type I and Type II errors. A fully informative equilibrium would incorporate the information in all signals into the voting decision. An efficient equilibrium would incorporate enough signals until the expected benefit to investors of an additional signal would exceed the cost of obtaining one.