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United States Senate
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
WASHINGTON, DC 20510–6125
WEBSITE: https://commerce.senate.gov

October 27, 2026

Mr. Gary Retelny
President and Chief Executive Officer
Institutional Shareholder Services (ISS)
702 King Farm Boulevard, Suite 400
Rockville, MD 20850

Dear Mr. Retelny:

As Chairman of the U.S. Senate Committee on Commerce, Science and Transportation (Committee), I write to express my concern over previous reporting suggesting that Glass, Lewis, & Co. LLC (Glass Lewis) and Institutional Shareholder Services (ISS) may be using their dominant positions in the proxy advisory industry to improperly influence shareholder votes.[1]

Shareholders—including influential institutional investors like mutual funds and pension plans—possess rights to vote on important corporate decisions, such as executive compensation or a change in a company's state of incorporation.[2] Given the high volume of annual shareholder proposals, over 70 percent of institutional investors rely on ISS to provide objective recommendations on how they should vote.[3] According to one 2022 study, about 16.5 percent of ISS clients vote with ISS recommendations over 99 percent of the time.[4] As you know, ISS also offers its clients end-to-end-voting, allowing the firm to automatically cast votes on behalf of its clients in accordance with its recommendations.[5]

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[1] *See* Collin Eaton, *Exxon Blasts Proxy Advisers for Conflict of Interest in Fight Over Texas Move*, WALL ST. J. (May 21, 2026), https://www.wsj.com/business/energy-oil/exxon-blasts-proxy-advisers-for-conflict-of-interest-in-fight-over-texas-move-445db9db; Editorial Bd., *Did a Proxy Adviser Lie to Investors?*, WALL ST. J. (May 21, 2026), https://www.wsj.com/opinion/did-a-proxy-adviser-lie-to-investors-2e02f2e4.

[2] JAY B. SYKES, CONG. RSCH. SERV., IF13186, CORPORATE GOVERNANCE (Mar. 18, 2026), https://www.congress.gov/crs-product/IF13186; David F. Larcker, et al., *The Big Thumb on the Scale: An Overview of the Proxy Advisory Industry*, HARV. L. SCH. F. ON CORP. GOVERNANCE (June 14, 2018), https://corpgov.law.harvard.edu/2018/06/14/the-big-thumb-on-the-scale-an-overview-of-the-proxy-advisory-industry/.

[3] Ali Perry, et al., *2026 Annual Report and Proxy Season: Proxy Voting Matters*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Dec. 15, 2025), https://corpgov.law.harvard.edu/2025/12/15/2026-annual-report-and-proxy-season-proxy-voting-matters/; Tove Forsbacka, *The Proxy Advice Industry and Common Owners' Coordination*, ECGI (Oct. 14, 2024), https://www.ecgi.global/publications/blog/the-proxy-advice-industry-and-common-owners-coordination.

[4] John G. Matsusaka & Chong Shu, *Does Proxy Advice Allow Funds to Cast Informed Votes?* (USC CLASS Rsch. Paper No. CLASS21-37, USC L. Legal Stud. Paper No. 21-37, Oct. 25, 2022), https://ssrn.com/abstract=3866041.

[5] *See End-to-End Voting*, ISS STOXX, https://www.iss-stoxx.com/stewardship/proxy-voting-solutions/ (last visited July 29, 2026); Stone Washington, *The Politics of Proxy Voting and the Importance of Shareholder Representation*, COMPETITIVE ENTER. INST. (Aug. 7, 2024), https://cei.org/blog/the-politics-of-proxy-voting-and-the-importance-of-shareholder-representation/.

While ISS claims to provide apolitical, independent advice, the firm continues to rely on ideological, non-financial concepts like those in the environmental, social, and governance (ESG) movement.[6] For example, ISS recommends its clients generally vote in favor of proposals to report on a company's animal welfare record, efforts to mitigate the environmental impacts of hydraulic fracturing, and "efforts to diversify the board."[7] It instructs clients to vote in favor of reincorporation proposals only "when the economic factors outweigh any neutral or negative governance changes."[8]

In November 2025, my home state of Texas reached a record milestone of having over three million active Texas businesses, including several major companies that reincorporated in the more business-friendly Lone Star State after having fled increasingly anti-business blue states.[9] For example, after an activist Tesla investor with just nine shares brought a lawsuit to invalidate a compensation package for CEO Elon Musk, costing shareholders $70 million in legal fees, Tesla departed Delaware for Texas.[10] On May 27, 2026, Exxon Mobil (Exxon) became the latest major company to reincorporate into Texas, with over 70 percent of shareholders voting to approve the move.[11]

Despite broad support from both corporate boards and shareholders, ISS has opposed eight Texas reincorporation proposals reviewed since May 2025.[12] ISS's purported reason for opposing reincorporation proposals is its concern that Texas state law unduly restricts shareholder rights.[13]

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[6] *See* ISS GOVERNANCE, BEST PRACTICE PRINCIPLES FOR PROVIDERS OF SHAREHOLDER VOTING RESEARCH AND ANALYSIS, 2024 COMPLIANCE STATEMENT, at 3–4, https://bppgrp.info/wp-content/uploads/2025/06/ISS-BPPG-Statement_2025.pdf (committing to earning trust "by providing high quality services which are understood by our clients to rest upon high degrees of transparency, objectivity, and independence"); PROTECT THE VOICE OF SHAREHOLDERS, https://www.protectshareholders.com/ (last visited July 29, 2026) (outlining ISS research reports and analysis from ISS).

[7] ISS STIXX, U.S. GOVERNANCE, PROXY VOTING GUIDELINES BENCHMARK POLICY RECOMMENDATIONS, at 75, 80, 83 (Feb. 1, 2026, published Dec. 9, 2025), https://www.iss-stoxx.com/file/policy/current/americas/us-voting-guidelines.pdf.

[8] *Id.* at 36.

[9] Press Release, Off. of Tex. Governor Greg Abbott, Governor Abbott Celebrates Over 3 Million Active Texas Business Entities (Nov. 5, 2025), https://gov.texas.gov/news/post/governor-abbott-celebrates-over-3-million-active-texas-business-entities.

[10] Randall Chase, *Delaware Judge Reaffirms Ruling that Invalidated Massive Tesla Pay Package for Elon Musk*, AP (Dec. 2, 2024), https://apnews.com/article/tesla-elon-musk-executive-pay-compensation-shareholders-86c5811b738e3a9df2b6e4adbcd055bb; Tom Hals, *Tesla Persuades Delaware's Top Court to Slash Legal Fees in Director Pay Lawsuit*, REUTERS (Jan. 30, 2026), https://www.reuters.com/legal/government/tesla-persuades-delawares-top-court-slash-legal-fees-director-pay-lawsuit-2026-01-30/; Theo Francis, *The Big Loser in Tesla's Shareholder Vote is Delaware*, WALL ST. J. (June 16, 2024), https://www.wsj.com/business/tesla-texas-incorporation-delaware-edcbd0dd.

[11] Collin Eaton, *Exxon Shareholders Approve Moving Legal Home to Texas*, WALL ST. J. (May 27, 2026), https://www.wsj.com/livecoverage/stock-market-today-dow-sp-500-nasdaq-05-27-2026/card/exxon-shareholders-approve-moving-legal-home-to-texas-Nc3jXyoB4LDJyBbSlsG8.

[12] Michael Toth, *Proxy Advisors Vote "No" on Texas*, CIVITAS OUTLOOK (May 21, 2026), https://www.civitasoutlook.com/research/proxy-advisors-vote-no-on-texas-6a7a6370-fa95-4863-a77b-049cf822ae27.

[13] *See* Sasha Richie, *Texas Capital to Stay Incorporated in Delaware after Dexit Vote Fails*, DALLAS MORNING NEWS (Apr. 24, 2026), https://www.dallasnews.com/business/banking/article/texas-capital-stay-incorporated-

Section 21.373 of the Texas Business Organizations Code allows companies to set a threshold of up to three percent, or $1 million in market ownership, in order to bring a shareholder proposal.[14] Your argument, however, is betrayed by your record.[15] For example, ISS opposed Exxon and Texas Capital Bancshares' reincorporation proposals even though both companies excluded changes to shareholder rights.[16] Your firm also opposed logistics company ArcBest's proposal, which would have prohibited the company from adopting Texas's increased thresholds for shareholder proposals.[17]

ISS has maintained that its proxy advising services are free of conflicts of interest and that "it shall not engage in any actions that could be perceived to be a conflict of interest."[18] But ISS appears to have not been forthcoming with its clients.[19] According to lawsuits filed by four state attorneys' generals, ISS employees took direction from ESG investors for its advice, with one senior ISS analyst suggesting they "frame it as something that we agree would be good for shareholders."[20]

In its recommendation against Exxon's reincorporation into Texas, ISS also failed to disclose its litigation against the Texas Attorney General regarding the state's proxy advisor law, commonly referred to as S.B. 2337.[21] Fortunately, ISS's misinformed advice failed to be persuasive, as

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delaware-dexit-22222952.php; Exxon Mobil Corp., Schedule 14A Proxy Statement at 1–2 (May 12, 2026), https://investor.exxonmobil.com/sec-filings/all-sec-filings/content/0001193125-26-219320/0001193125-26-219320.pdf.

[14] TEX. BUS. ORG. CODE ANN. § 21.373 (e)(1)(A) – (B) (West 2025).

[15] Toth, *supra* note 12.

[16] Shane Goodwin, *Read the Fine Print: What ExxonMobil's Proxy Actually Says About Texas Redomiciliation*, SMU HILLTOP F. (May 13, 2026), https://www.smu.edu/cox/hilltop-forum/forum/exxonmobil-proxy-texas-redomiciliation; Richie, *supra* note **Error! Bookmark not defined.**.

[17] Toth, *supra* note 12.

[18] Letter from Ken Paxton, Att'y Gen. of Tex., and Derek Brown, Att'y Gen. of Utah, to Gary Retelny, President and CEO, ISS, and Kevin Cameron, Executive Chairman, Glass Lewis, at 2 (Jan. 17, 2023), https://www.texasattorneygeneral.gov/sites/default/files/images/press/Utah%20%26%20Texas%20Letter%20to%20Glass%20Lewis%20%26%20ISS%20FINAL.pdf (citing agreements with state investment vehicles to provide proxy voting services).

[19] Editorial Bd., *supra* note 1; Lamar Johnson, *Proxy Advisor ISS Sued by 4 Republican AGs Over ESG*, ESG DIVE, https://www.esgdive.com/news/proxy-adviser-iss-sued-by-4-republican-ags-over-esg-board-recommendation-voting-policies/821124/ (May 26, 2026); Pet., *Tex. v. ISS*, Cause No. 471-03459-2026 (Tex. D. Ct. Collin Cnty, Tex. May 20, 2026), https://www.texasattorneygeneral.gov/sites/default/files/images/press/ISS%20Petition.pdf.

[20] *Id*.; Compl., *Neb. V. ISS*, Case No. D02CI260001712 at ¶ 21 (D. Ct. Lancaster C'nty May 20, 2026), https://ago.nebraska.gov/sites/default/files/doc/Court%20Filing_24.pdf.

[21] Editorial Bd., *supra* note 1. S.B. 2337 requires proxy advisers to provide financial analyses of non-financial advice on DEI and ESG matters and to disclose that its advice is not provided solely in the financial interests of clients. While a federal district court enjoined Texas from enforcing S.B. 2337 against Glass Lewis, the suit is ongoing. *See* TEX. BUS. ORG. CODE ANN. §§ 6A.001 – 6A.202 (West 2026); *Texas Court Blocks Enforcement of New Texas Proxy Advisor Law Against ISS and Glass Lewis*, GIBSON DUNN, https://www.gibsondunn.com/texas-court-blocks-enforcement-of-new-texas-proxy-advisor-law-against-iss-and-glass-lewis/ (Aug. 30, 2025); *Glass Lewis & Co., LLC v. Paxton* (1:25-cv-01153) (W.D. Tex. Feb. 2, 2026). ISS has also brought suits in Kansas and Indiana, challenging similar laws targeting proxy firms. *See* Jason Alatidd, *Proxy Advisor Sues Over New Kansas Law Targeting ESG and DEI in Investing*, TOPEKA CAPITAL-J. (May 5, 2026), https://www.cjonline.com/story/news/politics/government/2026/05/05/new-anti-esg-law-in-kansas-challenged-by-

Exxon shareholders supported the company's proposal to reincorporate into Texas.[22] Given the allegations against your firm, however, I am concerned ISS may be prioritizing political objectives over the best financial interests of its clients. These allegations also raise questions about whether ISS is engaging in anticompetitive conduct or unfair or deceptive acts or practices in violation of federal antitrust or consumer protection laws.

The Standing Rules of the Senate grant the Committee jurisdiction over the regulation of interstate commerce, including the ability to comprehensively "study and review" all matters relating to "consumer affairs."[23] To assist the Committee's oversight, please provide the requested documents and written responses to the questions below no later than November 10, 2026, in accordance with the attached instructions:

(1) Please explain all factors, including "neutral or negative governance changes" that ISS considers in its "case-by-case" analysis of reincorporation proposals.[24] How does ISS weigh such factors in making a proxy recommendation for reincorporation?

    a. Please provide copies of all methodologies, draft analyses, and final recommendations ISS issued regarding reincorporation proposals from January 2025 to present.

(2) How, if at all, does ISS apply its conflicts-of-interest policy in its assessment of reincorporation proposals?

    a. Please provide a copy of ISS's most up-to-date conflicts-of-interest policy and any written guidance issued to employees on adherence to this policy.

(3) Why did ISS not disclose its litigation against Texas in its proxy advice regarding Exxon's reincorporation proposal? Does ISS plan to disclose its litigation in Texas, Indiana, and Kansas in evaluating future reincorporation proposals?[25]

(4) In its process of assessing reincorporation proposals from January 2025 to present, has ISS ever formally or informally communicated with any state government officials or institutional investors? If so, please provide—

    a. the specific reincorporation proposal being considered;
    b. the name(s) of the state government official(s) or institutional investor(s) ISS engaged with;

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investment-proxy-adviser-firm/89876008007/; Mark Segal, *ISS Sues Indiana Over New Law Targeting Proxy Advisors for Recommendations Against Management*, ESG TODAY (Apr. 15, 2026), https://www.esgtoday.com/iss-sues-indiana-over-new-law-mandating-disclosures-for-proxy-advice-against-management/.

[22] Eaton, *supra* note 11; Goodwin, *supra* note 16.

[23] *See* S. Rules XXV(1)(f)(1)(6); XXVI (1)(f)(2).

[24] ISS, *supra* note 7 at 36.

[25] *See supra* note 211; Benjamin P. Edwards, *Mid-April 2026 Reincorporation Update*, BUS. L. PROF BLOG (Apr. 13, 2026), https://www.businesslawprofessors.com/2026/04/mid-april-2026-reincorporation-update/.

c. the date of the engagement, and
d. a summary of what was discussed.

Thank you for your attention to this matter. If you have any questions, please contact Sean Brebbia on my Committee staff at Sean_Brebbia@commerce.senate.gov.

Sincerely,

Ted Cruz
Chairman