

OXPROX CASE STUDY:

How UPP Evaluated Voting Alignment Among Its External Managers

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OXPROX

About OxProx

OxProx is a social venture spun out of [Oxford University Innovation](#), dedicated to amplifying investor stewardship through proxy voting. We are building the world's first public database of proxy voting records, empowering asset owners, stakeholders, and the public to see how institutional investors vote at corporate meetings. We provide data-driven insights to investors, NGOs, and other clients whose revenues support the development of the public database. We support investors' stewardship activities by helping them benchmark their voting records against peers and identifying alignment gaps with external managers.

Learn more at www.oxprox.org
Contact us at hello@oxprox.org

Acknowledgements



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Thanks to [X Eleva Group](#) for providing technology and database management services in support of this project.

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“The UPP project helped to validate what the research is telling us, which is that there are indeed voting misalignment issues in the market. And, as our first pension plan client, UPP helped us better understand the needs of this crucial market segment, and how we can improve our database and refine our service delivery.

We are grateful for the opportunity to work with UPP at this early stage in our journey.”

Dustyn Lanz
CEO, OxProx



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Key Points

- This case study outlines how University Pension Plan Ontario (“UPP” or “the Pension Plan”) worked with OxProx to evaluate proxy voting alignment across its external investment managers, and how the insights gained are helping to enhance oversight and advance UPP’s stewardship goals.
- OxProx provided UPP with a customized voting alignment report that gave a portfolio-level view of how manager votes compared with the Pension Plan’s own voting objectives and practices.
- The OxProx report helped UPP identify areas where proxy voting practices aligned or misaligned with expectations. The report will support the Pension Plan’s engagement efforts with external managers, and it now serves as a baseline for monitoring progress and potential shifts in alignment over time.

The Problem

Recent [research](#) and [headlines](#) have highlighted proxy voting misalignment – a matter of growing concern for asset owners. Misalignment arises when an investment manager or subadvisor (the agent) votes in ways that conflict with the voting preferences of the principal, which is typically an asset owner or a manager of managers.

Asset owners, particularly pension funds, tend to support shareholder proposals on environmental, social, and governance (ESG) issues at higher rates than investment managers. OxProx founder Ian Robertson’s doctoral [thesis](#) at Oxford found this to be the case after studying the voting patterns of nearly 1,000 institutional investors. (Findings from that research are anticipated to be published soon).

This divergence in voting may be attributable to asset owners’ longer-term investment horizons, more direct connection to beneficiaries including via their more transparent governance structures, and their ability to capture qualitative as well as financial returns to those

beneficiaries. Asset managers are often measured against a simple risk and return benchmark and so may reach different conclusions for votes on sustainability issues.

Whatever the causes of voting divergence may be, when asset managers' votes are misaligned with asset owner priorities, it raises questions about whether votes are being cast in clients and beneficiaries' interests. Furthermore, misalignment can have a negative impact on the asset owner's influence in the market and its stewardship efforts, while also posing potential reputational risks.

Voting misalignment can be difficult to identify because it requires collecting and analyzing large volumes of fragmented, unstandardized data, and asset owners typically lack the tools to systematically monitor and evaluate how managers' votes are cast at a portfolio level.

“Understanding voting alignment is essential for us to make sure that our AUM is used to send a consistent signal to the market and there are no discrepancies.”

Delaney Greig
Director, Investor Stewardship, UPP

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UPP's Context and Motivation

UPP views investor stewardship as a key lever for long-term value creation, risk management, and improved corporate behaviour. Proxy voting plays a central role in its stewardship program as a means to signal expectations and hold publicly traded companies accountable.

UPP primarily invests in public markets through external investment managers. While the Pension Plan strives to retain the proxy voting rights wherever possible, in some cases this option is not available and thus it relies on managers to execute the votes.

Understanding external managers' level of voting alignment is essential for UPP to ensure that its assets are used to send a consistent signal to the market, and to ensure there are no discrepancies in the way votes are cast. Even where UPP retains voting rights, it seeks to understand the managers' approach to voting to ensure the Pension Plan and its managers are broadly aligned and not working at cross purposes on important corporate governance issues. UPP wants to know its managers are communicating a message to companies that is similar to its own.

UPP conducts ongoing reviews and engagement with managers on key Responsible Investment (RI) topics. One common challenge it faces in this area is obtaining a portfolio-level view of a manager's approach to proxy voting. A typical review is limited to assessing the policies in place, where available, and in some cases, individual votes. While this approach provides insights on the manager's philosophy when it comes to voting, it does not answer the question of how aligned or misaligned the actual voting practices are with UPP's own voting guidelines. Given the number of strategies and diversification in UPP's portfolio, it would have been highly resource-intensive and challenging to conduct such comparative analysis internally.

UPP needed a scalable, systematic way to evaluate voting alignment across its managers. That's where OxProx comes in.

The Process

The project involved several steps, as outlined below:

1. **Issue Identification:** UPP identified the key issues and topics for which it wanted to assess voting alignment. These included a general overview of all votes and how often each manager voted "With" or "Against" UPP's guidelines, as well as a drill down into voting patterns across a range of ESG issues such as climate risk, diversity, and executive compensation. UPP also sought to understand the rationales provided for votes against the election of directors.
2. **Voting Record Retrieval:** The next step was to retrieve the managers' voting records. Several of UPP's managers were already in the OxProx database as their voting records were public, but others were not. UPP contacted the other managers to request their voting records. Upon receipt, UPP anonymized all the data and shared that information with OxProx. UPP's own voting records are publicly available on the UPP website and were used for the analysis.
3. **Data Processing:** Large datasets of voting records are typically "messy," meaning they require "cleaning" to ensure data quality and comparability. They also require classification into relevant categories. OxProx performed this cleaning and classification using standardized frameworks wherever possible. For instance, OxProx aligns its categorization of ESG topics with the [SASB Standards' ESG topics](#). OxProx consulted UPP to ensure alignment on challenging issues, such as defining "anti-ESG" proposals.
4. **Report Preparation:** Once the data were processed and ready for analysis, OxProx prepared a series of reports for UPP which showed how each manager's voting record compared to UPP's. The reports were organized into sections comparing each manager's votes on a priority issue, in both bar graphs and tabular formats. (*See a few examples of the graphs below*). The series of reports included a master report containing all the data, as well as individual manager reports that UPP used as engagement tools with each respective manager.

Note: OxProx is developing a platform that enables users to perform much of this work online.

How the OxProx Report Helped UPP

The OxProx report provided UPP with several valuable insights, which are outlined below. Notably, it surfaced some unexpected findings. For instance, one manager that was previously understood to be closely aligned with UPP's views on board independence and diversity showed low rates of votes against directors on these issues. Meanwhile, another manager with a less prominent ESG profile demonstrated strong support for shareholder proposals related to environmental and social matters.

Overall, the OxProx project helped UPP in five key ways:

1. **A Portfolio-Level View of Voting Practices:** The OxProx report provided UPP with a portfolio-level view of voting results, which is more comprehensive and provides greater insight than analyzing individual voting policies or a sample of votes.
2. **Misalignment Identification:** UPP gained insights on how aligned each of its managers are with its own voting. Crucially, the OxProx reports highlighted key areas of misalignment, such as votes on director elections, executive compensation, and certain ESG-related shareholder proposals.
3. **Alignment Leaders & Laggards:** The OxProx report also helped UPP to identify managers with more or less alignment – in terms of alignment with UPP voting practices – both at an aggregate level across all votes and at a more granular level by issue.
4. **Manager Accountability:** UPP used the OxProx analysis to corroborate or identify gaps in the information it had received directly from managers about their approach. For example, where a manager had indicated a prioritization of climate in its engagement, UPP was able to assess its voting record on climate-related shareholder proposals.
5. **Engagement Tools:** The findings helped UPP develop specific questions and discussion items for its ongoing engagement with individual investment managers, tailored to their specific issues and areas of misalignment.

“The analysis conducted by OxProx provided us with a portfolio-level view of proxy voting practices, offering valuable insights into how closely our managers’ votes align with UPP’s own positions. It also identified key areas of misalignment.”

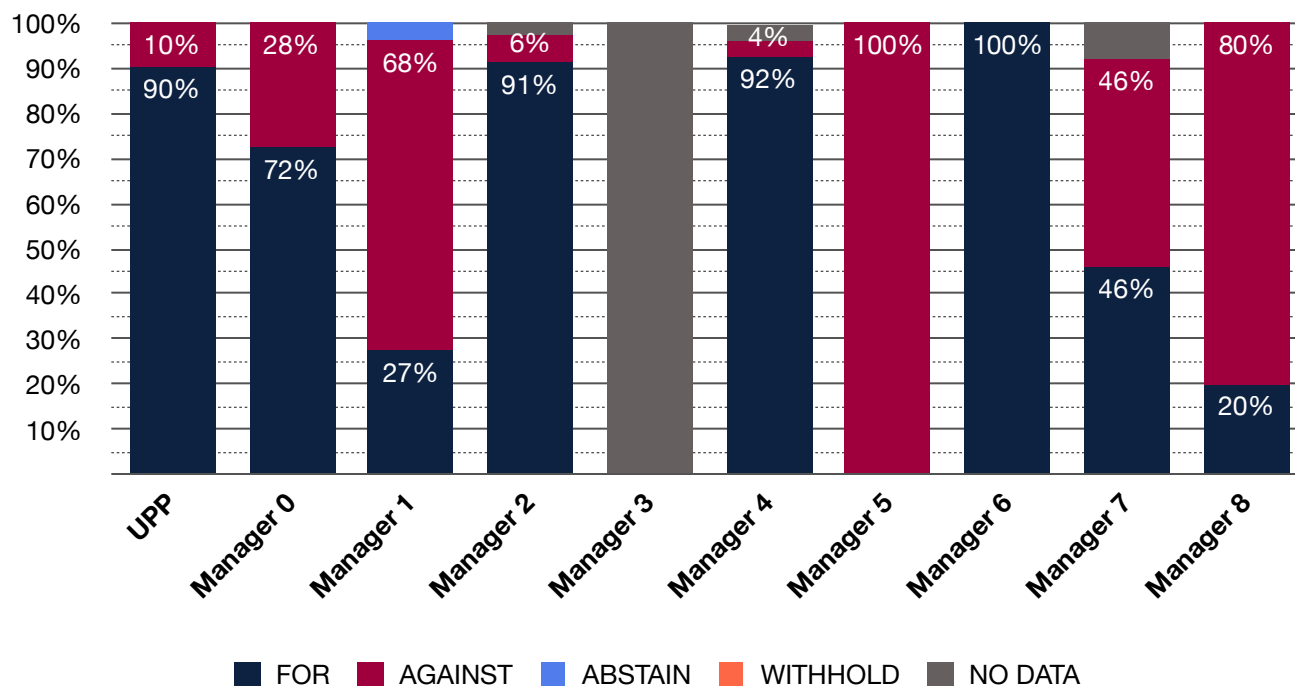
Delaney Greig
Director, Investor Stewardship, UPP

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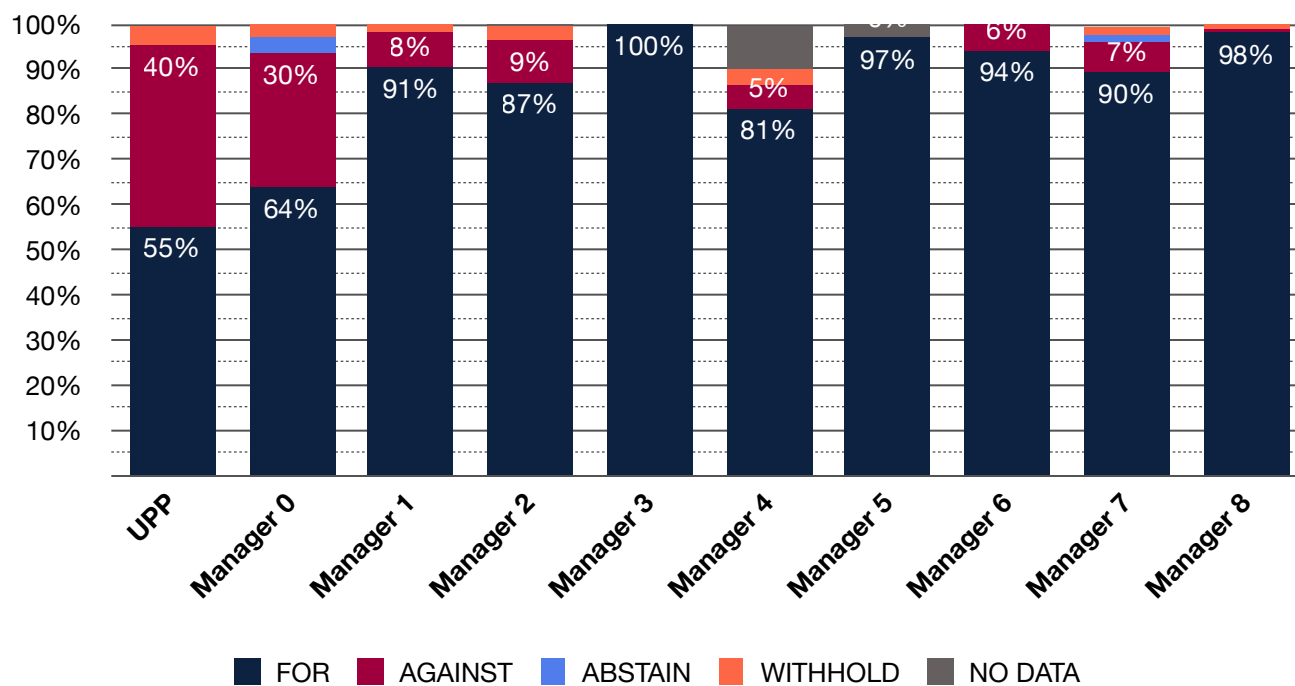
Snapshots from the Report

Below are a few graphs extracted from the report. For and Against values are labelled.

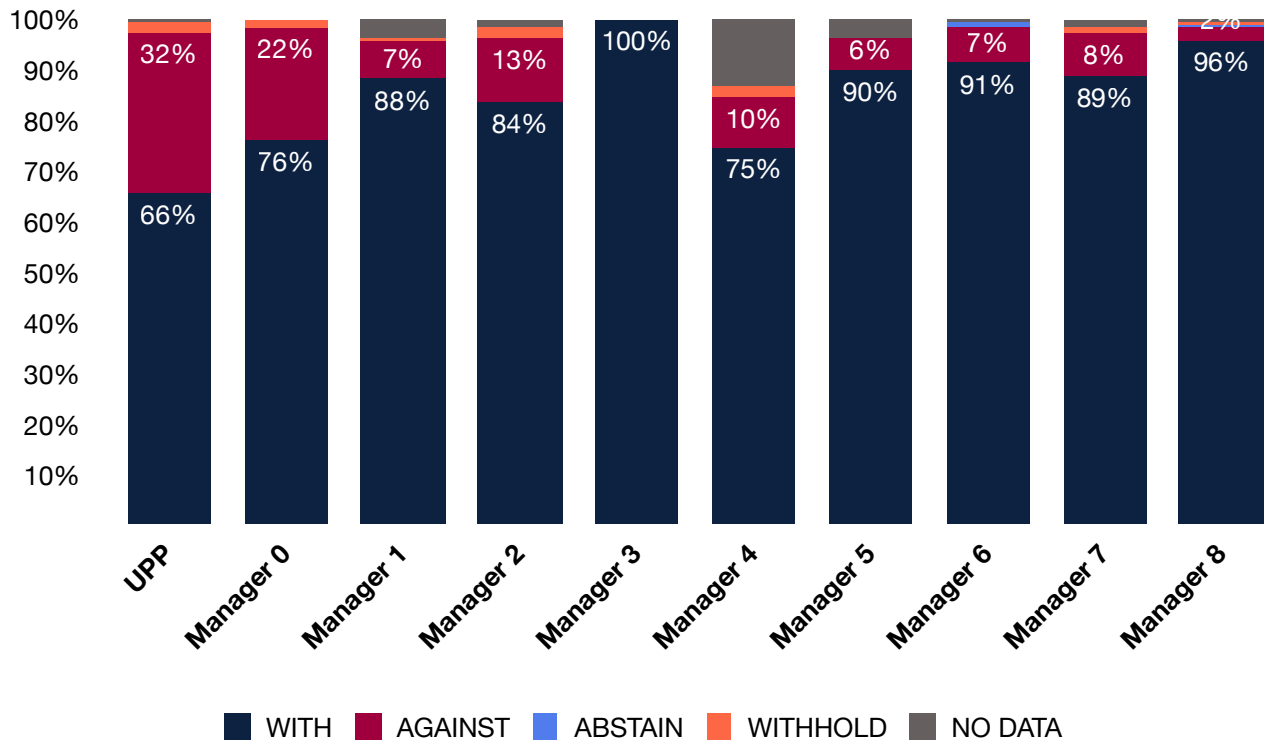
Votes on Proposals re: Climate Risk



Votes on Director Elections



Votes With / Against Mgmt. Recommendations



Looking Ahead

Based on the value of the OxProx analysis, UPP plans to incorporate periodic reassessments of proxy voting alignment into its ongoing monitoring framework. Regular measurement will enhance UPP's ability to track changes in manager practices over time, assess the impact of engagement, and verify any updates or improvements discussed in engagement meetings.



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