

Proxy Advisors and Institutional Shareholders Revise Voting Guidelines on Board Diversity

February 24, 2025

Several proxy advisors and institutional shareholders have revised their voting guidelines for the 2025 proxy season to scale back their expectations regarding board diversity. The renewed scrutiny on board diversity unfolds against a backdrop of intensifying “anti-DEI” sentiment from some quarters in the United States, causing many public companies to reconsider their DEI commitments and related disclosures.

Revised Guidance

- **ISS.** On February 11, 2025, Institutional Shareholder Services issued a [press release](#) announcing that it “will no longer consider the gender and racial and/or ethnic diversity of a company’s board when making vote recommendations with respect to the election or re-election of directors at U.S. companies.” The policy change applies to ISS’s U.S. benchmark and specialty policies and applies to proxy statements filed on or after February 25, 2025. Other ISS guidance regarding directors of U.S. companies, including guidance relating to independence, accountability and responsiveness, remains the same.
- **Glass Lewis.** On February 18, 2025, Glass Lewis announced in a client update that it is reviewing its voting guidance on board diversity and DEI-related shareholder proposals at U.S. companies and will advise investors and companies of any modifications to its policies and guidelines by March 3, 2025. Glass Lewis’s current policy is that it generally recommends against the chair of the nominating committee of a board without at least one director from an underrepresented community on the board at companies within the Russell 1000 index.
- **BlackRock.** BlackRock’s [proxy voting guidelines](#) (effective January 2025) remove BlackRock’s previous recommendation that boards aspire to have at least 30% of their directors be diverse, as well as BlackRock’s prior policy of considering voting action if a company did not adequately explain its approach to board diversity. Notwithstanding BlackRock’s shift away from an explicit policy on board diversity, BlackRock retained flexibility in its guidelines, stating that it may vote against

members of the nominating committee of an S&P 500 company whose board “does not have a mix of professional and personal characteristics that is comparable to market norms.” In describing “market norms,” BlackRock noted that 98% of S&P companies have a “diverse board,” which it defines as one in which at least 30% of the members are from diverse backgrounds.

- **Vanguard.** Vanguard’s [proxy voting policy](#) (effective February 2025) states that boards should be “fit for purpose by reflecting sufficient diversity of skills, experience, perspective, and personal characteristics (such as gender, age, race, and ethnicity) resulting in cognitive diversity.” Under the policy, Vanguard funds may vote against a nominating committee chair if a company’s board composition or related disclosure is inconsistent with relevant market-specific governance frameworks or market norms. The revised policy takes a softer stance on board diversity than Vanguard’s prior policies, which stated that boards should, “at a minimum, represent a diversity of personal characteristics, inclusive of at least diversity in gender, race, and ethnicity on the board.”

Takeaways

ISS’s and Glass Lewis’s policy changes are late-breaking developments for companies with a December 31 fiscal year-end, many of which are currently finalizing the drafting of their proxy statements. However, many companies had already been revising their board diversity disclosures, including following President Trump’s Executive Orders on DEI. When doing so, companies should keep in mind that shareholders such as BlackRock and Vanguard have retained flexibility in their guidelines for engagement with or votes against boards whose composition is inconsistent with market norms.

We anticipate that institutional investors will also revisit their voting guidelines in light of the SEC’s new Compliance and Disclosure Interpretation (“C&DI”) regarding the eligibility of shareholders to file beneficial ownership reports on Schedule 13G. As a result of the new C&DI, institutional shareholders that currently file on Schedule 13G and whose voting policies state that they will withhold support for incumbent directors at companies with policies inconsistent with their own may now be reluctant to engage with management if doing so would require them to file on Schedule 13D. For more information on the C&DI, see our [Debevoise Debrief - SEC Provides New Guidance on Schedule 13G Eligibility](#).

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Please do not hesitate to contact us with any questions.



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