2025 Proxy Season in Review

August 14, 2025

The 2025 proxy season was an eventful one—unfolding against the backdrop of a new federal administration, changes to the regulatory landscape, and evolving investor sentiment on a variety of issues. New guidance from the U.S. Securities and Exchange Commission relating to Schedule 13G eligibility and no-action relief had immediate impacts on shareholder engagement, while revised proxy advisor and institutional shareholder guidelines were cause for many companies to review their DEI initiatives and related disclosures. As in prior years, investors demonstrated willingness to hold directors accountable, through traditional proxy contests as well as through "withhold" campaigns.

Based on our experience and data compiled by Diligent, this Debevoise In Depth identifies key takeaways from the 2025 proxy season.

State of Play: Shareholder Activism

SEC Guidance and Shareholder Engagement

Within weeks of the start of the Trump administration, the Staff of the SEC's Division of Corporation Finance issued new guidance affecting shareholder engagement and activism, as we have discussed previously.

The Staff revised a Compliance and Disclosure Interpretation ("C&DI") addressing the circumstances in which a shareholder's engagement with a company's management would cause the shareholder to be deemed to hold the subject securities with the "purpose or effect of changing or influencing control of the issuer"—thereby losing its eligibility to report on short-form Schedule 13G. Following the publication of the C&DI, some investors paused their shareholder engagement while they assessed their ability to engage constructively without being disqualified from reporting on Schedule 13G. A number of companies reported an initial, though in many cases not sustained, chilling effect on shareholder engagement during the proxy season.

The Staff also issued Staff Legal Bulletin No. 14M, rescinding Staff Legal Bulletin No. 14L and reinstating prior SEC guidance, thereby expanding companies' ability to exclude Rule 14a-8 shareholder proposals on the grounds of "economic relevance" and "ordinary business." As discussed further in our article "*Early Trends In Proxy Exclusion After SEC Relaxes Guidance*" (published in *Law360* and available here), SLB 14M was helpful to some companies in excluding Rule 14a-8 proposals—as of June 1, 2025, the SEC had responded to 65 no-action requests relating to SLB 14M, approximately 45% of which were granted and 38% of which were rejected (with the remainder being withdrawn).

SLB 14M was published in the middle of this proxy season, meaning that the 2026 proxy season will be the first opportunity for proponents to tailor their proposals to the new guidance. Companies will also have more time to craft their no-action requests with SLB 14M in mind. As a result, we may see more meaningful trends responsive to SLB 14M in 2026.

Shareholder Proposals at a Glance

Overall, the number of Rule 14a-8 proposals that were included on the ballots of U.S. companies (442) declined as compared to the comparable period in 2024 (591). Despite a lower volume of ESG-related shareholder proposals, shareholder responses to ESG-related proposals were generally consistent with 2024 data. As was the case in 2024, governance proposals in 2025 received higher rates of shareholder support and passed at higher rates than environmental and social ("E&S") proposals.

As of June 30, 2025, shareholders have voted on 400 ESG-related proposals, including proposals critical of traditional ESG policies (often referred to as "anti-ESG proposals"). In the same period in 2024, shareholders had voted on 529 ESG-related proposals. John Chevedden and the North Atlantic States Carpenters Pension Fund were among the most prolific proponents of ESG-related proposals.

The number of E&S proposals that were voted upon declined, as did support for such proposals, continuing a multiyear decline from COVID-era highs. A total of 66 environmental resolutions proceeded to a vote in the first half of 2025, compared to 90 in the comparable period in 2024. Environmental proposals related to a range of matters, including greenhouse gas reduction and reporting, and single use plastics and plastic packaging. Consistent with 2024, the average support for environmental proposals remained low—approximately 14% in 2025, compared to approximately 19% in 2024. As of June 30, 2025, no environmental proposals had received majority support from shareholders.

Social proposals, including those relating to political lobbying, political contributions and human rights, also declined in 2025. A total of 149 social proposals proceeded to a vote in the first half of 2025, down from 256 in the same period in 2024, with support averaging approximately 10%, down from approximately 15% in 2024. Despite lower overall levels of support for social proposals, four passed in 2025 compared to only one in 2024.

Governance proposal volume remained steady in 2025, with 185 governance-related proposals proceeding to a vote, up slightly from the 183 in the comparable period in 2024. Support for governance-related proposals increased, with 51% of shareholders supporting these proposals on average, up from the 36% average support rate for the 2024 season. Of the governance proposals that went to a vote, 43 passed in the 2025 proxy season, compared to 44 in the 2024 proxy season. Governance proposals covered a wide range of issues, from board declassification to chair independence and severance pay.

The number of anti-ESG proposals that proceeded to a vote decreased in 2025, with a total of 60 such proposals included on ballots compared to 76 in 2024. Support remained low for these proposals, with average support below 2% in both years.

Say-on-Pay

Consistent with years prior, say-on-pay proposals received a high level of shareholder support, with an average of 90% of votes cast in favor of these proposals in both 2025 and 2024. Among the reasons for ”no” votes on say-on-pay proposals in 2025 were perceived misalignment with pay vs. performance, problematic pay practices identified by proxy advisory firms, and the payment of special awards or “mega-grants.”

“Withhold” Campaigns

A notable feature of the 2025 proxy season was the use of “withhold” or “vote no” campaigns, in which shareholders oppose and advocate that other shareholders oppose the re-election of incumbent directors without nominating alternative candidates. These campaigns have long formed part of the activist toolkit and can be an attractive alternative for activists wanting to avoid the costs and expenses of pursuing a full proxy contest.

Ancora Advisors pursued a withhold campaign, targeting three directors of Forward Air, citing poor board oversight and strategic direction. The campaign resulted in the departure of all three directors—one of whom was not reelected by shareholders and two of whom resigned—demonstrating that withhold campaigns have the potential to catalyze significant change. H Partners also used a withhold campaign to encourage Harley-Davidson shareholders to withhold support from three incumbent directors, citing concerns over the company’s governance and performance. While the targeted directors were ultimately re-elected, they were elected only by narrow margins.

Universal Proxy

2025 was the third full proxy season following the effectiveness of Rule 14a-19, which requires management and dissident shareholders to use universal proxy cards in contested elections. Some commentators predicted that the universal proxy card would benefit activists by making it easier to support one or more non-management candidates on an individual basis without committing to the activist's entire slate.

In the first half of 2025, activists sought to elect 216 directors and successfully obtained 112 board seats, a 52% success rate, as compared to a 36% success rate for the comparable period in 2024. Most of these seats (103, or 92%) were obtained via settlement, with only 9 (8%) of the seats won through a vote.

To the extent that proxy contests did proceed to a vote, shareholders appeared willing to elect only part of an activist slate—electing three of the four directors from the activist slate to the board of Air Products and two of the four directors from the activist slate to the board of Phillips 66.

Disclosure Highlights

Diversity, Equity and Inclusion

Several developments—including changes to proxy advisor and institutional investor voting guidelines on board diversity, the vacating of Nasdaq's board diversity listing rule, and the Trump administration's executive orders on DEI initiatives caused companies to reconsider their board diversity commitments and related disclosures.

In response to these developments, many companies scaled back their board diversity and other DEI-related disclosures. Many companies softened their existing disclosures, focusing on "belonging," "inclusion" and merit-based practices rather than on "diversity" and "DEI." In addition, some companies transitioned from standalone statistics regarding board diversity in their proxy disclosure to a skills matrix format that incorporated certain demographic attributes alongside other director experience and abilities.

Striking a balance between competing stakeholder expectations was, and we anticipate will continue to be, a challenge. Institutional shareholders such as BlackRock and Vanguard revised their voting guidelines to remove diversity targets, but retained flexibility in their guidelines permitting engagement with or votes against boards whose composition is inconsistent with market norms or does not reflect sufficient diversity of personal characteristics. Proxy advisors took differing approaches—ISS announced that it would 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, while Glass Lewis retained its strict diversity targets but provided a "*For Your Attention*" flag on any proxy report with a negative diversity-related director recommendation. Companies were also managing retail shareholder expectations, which have been shifting in recent months.

Board and Committee Governance

Proxy statement disclosures revealed varied approaches to the oversight of AI and technology. At some companies, oversight over technology resides with the full board, while at others, such oversight resides with either an existing committee (e.g., audit or governance), or a newly formed committee dedicated to technology. As we have discussed previously, the appropriate framework will differ for each company and should align with the company's strategic needs and relationship to technology.

We also observed companies responding to changes in investor sentiment regarding DEI and climate change. In recent years, it had become commonplace for DEI and climate change to be listed among the matters overseen by board committees. This year, some companies removed such responsibilities from their committees altogether, or replaced them with alternative descriptions such as "inclusion" and "sustainability."

Executive and Director Perquisites

Executive perks such as personal security benefits and private aircraft usage, previously viewed as luxury benefits, are increasingly seen as essential risk-management and safety practices, particularly following the murder of UnitedHealthcare CEO Brian Thompson.

According to Equilar, the 2025 proxy season saw increased disclosures of executive security perks, with 33.8% of the largest 500 companies by revenue providing some form of security perk in 2024, up 45.1% from 2020. Several companies also proactively disclosed new security programs planned for 2025 in their proxy statement.

Companies should remain mindful of SEC disclosure rules as they consider new or enhanced perquisites for executive officers and directors. The SEC views executive security arrangements as disclosable perquisites, even if the company considers them to be necessary business expenses. Under Item 402 of Regulation S-K, the aggregate incremental cost to the company of providing a perquisite or personal benefit must be reported in the "All Other Compensation" column of the Summary Compensation table.

The SEC has brought 21 enforcement actions against public companies for not properly disclosing executive perks over the past decade, most recently against Express Inc. in December 2024.

Developments to Watch

Later this year, we will publish practical tips for companies preparing for the upcoming proxy season. In the meantime, companies should be mindful of the following developments:

- **SEC Roundtable on Executive Compensation Disclosure Matters**. In late June, the SEC hosted a roundtable to discuss executive compensation disclosure requirements. The roundtable was convened to evaluate the effectiveness of current executive compensation disclosure and consider how evolving market practices should be reflected in future rulemaking.

- **SEC Reg-Flex Agenda**. The SEC is expected to release its semi-annual Reg-Flex Agenda in the coming weeks, which sets out the SEC's rulemaking agenda for the upcoming year.

- **Proxy Advisor Benchmark Policy Surveys**. Glass Lewis and ISS are currently seeking responses to their annual benchmark policy surveys to obtain feedback from stakeholders on questions relating to a variety of topics, including shareholder rights, governance, executive compensation and risk management matters. Glass Lewis has also released updated guidelines relating to its pay-for-performance methodology, effective for the 2026 proxy season.

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Please do not hesitate to contact us with any questions.

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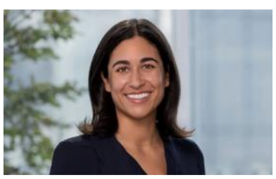

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