

PULLBACK ON CONSIDERATION OF BOARD DIVERSITY BY ISS, BLACKROCK AND VANGUARD

Feb 13, 2025

WHAT HAPPENED

Citing recent DEI developments in the U.S., ISS released its [Statement on Diversity Factors in Director Elections](#) on February 11, 2025 announcing that it will “indefinitely halt consideration of certain diversity factors in making vote recommendations with respect to directors at U.S. companies.” Specifically, 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 change covers its proprietary Benchmark and Speciality policies and begins with shareholder meeting reports published on or after February 25, 2025.

ISS’s announcement follows recent voting policy changes by two large asset managers:

- According to [Barron's, BlackRock proxy voting guidelines](#) dropped language recommending that boards should aspire to at least 30% diversity of their members. Additionally, it no longer expressly asks boards to consider the gender, race, and ethnicity of their members in the course of evaluating board composition.
- According to [Reuters, Vanguard proxy voting guidelines](#) removed a statement that a board should “represent diversity of personal characteristics, inclusive of at least diversity in gender, race, and ethnicity.” However, its policy retained language favoring “[d]iversity of thought, background, and experience, as well as personal characteristics (such as age, gender, and/or race/ethnicity).”

It also follows the invalidation of Nasdaq’s board diversity rule, as discussed in a recent post: [Nasdaq Concedes Invalidation of Board Diversity Rule by Divided Fifth Circuit *en banc*](#).

TAKEAWAYS

The recent Presidential Executive Order, [Ending Illegal Discrimination and Restoring Merit-Based Opportunity](#), and the Attorney General's recently disseminated internal memorandum, [Ending Illegal DEI and DEIA Discrimination and Preferences](#), and other political trends may place pressure on companies to reevaluate DEI policies and programs. However, they should nevertheless consider the expectations of all their relevant constituencies, including shareholders, customers (particularly consumers in the case of retailers), employees and communities. In many cases, their demands may conflict. For example, some other institutional investors continue to support DEI policies, as discussed in this article: [Investors criticise ISS for DE&I rollback in US voting recommendations](#). Accordingly, boards and management will need to determine an appropriate balance, taking into account their particular circumstances, including the composition of their shareholder bases, and adjust their disclosures to reflect any changes in their priorities and policies.

RELATED PRACTICE AREAS

- Securities & Corporate Governance

MEET THE TEAM

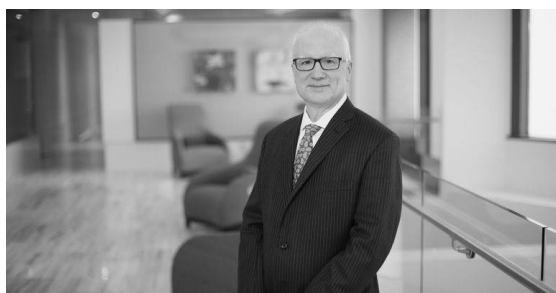


R. Randall Wang

St. Louis

randy.wang@bclplaw.com

+1 314 259 2149



Robert J. Endicott

St. Louis

rob.endicott@bclplaw.com

+1 314 259 2447

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