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BLOG

Proxy Advisory Firm Glass Lewis to Continue Using Diversity Factors for Voting Recommendations for U.S. Boards

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On March 4, 2025, the proxy advisory firm Glass, Lewis & Co. (Glass Lewis) stated in an email to its clients that it will continue to consider the diversity of a company's board of directors when making voting recommendations with respect to the election or re-election of directors of U.S. companies. Under its current U.S. Benchmark Policy Guidelines, for boards of U.S. companies within the Russell 3000 index, Glass Lewis will generally recommend voting against the chair of the nominating committee of a board that is not composed of at least 30% gender diverse directors, or against all members of the nominating committee of a board with no gender diverse directors. Glass Lewis will also generally recommend a vote against the nominating committee chair if the board of a Russell 1000 company has fewer than one director from an underrepresented community.

However, beginning on March 10, 2025, a diversity-related Glass Lewis recommendation "against" a director of a U.S. company will be accompanied by a "for your attention" flag that points investors to a countervailing rationale that they can use to support a vote "for" the director. "This approach allows Glass Lewis to deliver the vote recommendations expected by clients while also clearly flagging the potential risk that may result from an AGAINST vote decision and providing a clear path should some clients choose to vote FOR the proposal," stated Glass Lewis in its email.

The email from Glass Lewis comes weeks after proxy advisory firm Institutional Shareholder Services (ISS) announced that it "will indefinitely halt consideration of certain diversity factors in making vote recommendations with respect to directors at U.S. companies under its proprietary Benchmark and Specialty policies." ISS stated that voting recommendations for directors of U.S. companies will continue to be evaluated based on independence, accountability, responsiveness, and other factors outlined in its U.S. Proxy Voting Guidelines.

Prominent investment banks and fund managers have made similar recent announcements, including:

Goldman Sachs: Investment banking firm Goldman Sachs removed a requirement that its IPO clients include women and members of minority groups on their board of directors. "As a result of legal developments related to board diversity requirements, we ended our formal board diversity policy," said a Goldman Sachs spokesman. "We continue to believe that successful boards benefit from diverse backgrounds and perspectives, and we will encourage them to take this approach."

State Street Corporation: On February 28, 2025, State Street Corporation's asset management unit released a new Global Proxy Voting and Engagement Policy, which removed targets for the number of women and minority directors serving on the boards of companies in which State Street invests. "We annually review our proxy voting and engagement policy to ensure alignment with global protocols and local laws and regulations, guided by our core principles of effective board oversight, disclosure, and shareholder protection and a singular focus on value creation," stated a State Street representative.

Winston's Capital Markets and Securities Law Watch will continue to monitor developments on U.S. proxy voting guidelines, and we will provide our readers with additional updates as they become available.

For more information about U.S. proxy voting guidelines or if you have any questions, please contact the authors of this blog post or your regular Winston contacts.

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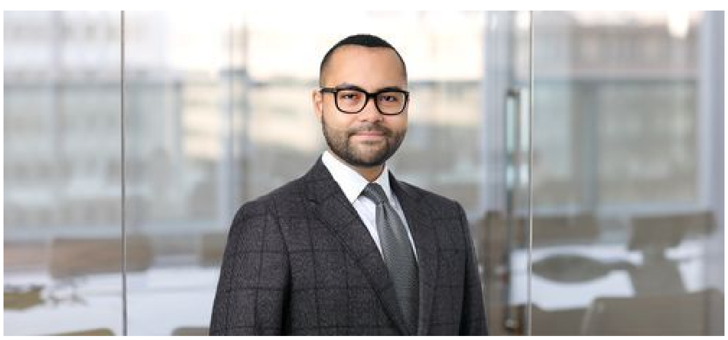

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