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BlackRock and Vanguard Release 2025 Proxy Voting Guidelines

February 5, 2025

On January 31, 2025, Vanguard issued its proxy voting policy for US portfolio companies, following the publication of BlackRock's proxy voting guidelines for benchmark policies – US securities in December 2024. The updates from these two leading institutional investors introduce new provisions to reflect evolving perspectives on governance, compensation, sustainability and shareholder engagement. As with the policy updates from Institutional Shareholder Services (ISS) and Glass Lewis published in December and November, respectively, most updates from both BlackRock and Vanguard were relatively minor. However, both firms include notable changes to policy language on board diversity, which along with other changes, may signal a less prescriptive approach on environmental and social (E&S) topics going forward, as also reflected by very weak support from both BlackRock and Vanguard for E&S shareholder proposals in the 2024 proxy season. Below, we provide an overview of key policy updates and insights from their 2025 policies.

Vanguard's 2025 proxy voting guidelines

Vanguard's updates continue to align with its shareholder-focused stewardship approach, emphasizing governance procedures and oversight, risk management, and long-term financial returns for shareholders. Notable updates include:

Board composition and diversity

Similar to BlackRock's updates, Vanguard's 2025 policy includes a significant rewording and softening of policies on board composition and diversity. The updated policy removes prior language providing for negative votes against nominating chairs for insufficient action to achieve "appropriately representative" board composition, as well as language stating 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." Nonetheless, the policy continues to emphasize the importance of "cognitive diversity" to effective boards, resulting from an appropriate breadth of skills and experience, as well as a diversity of personal characteristics, such as age, gender or race/ethnicity. In addition, the 2025 policy provides for potential negative votes against nominating chairs if board composition or related disclosure is inconsistent with relevant "market-specific governance frameworks or market norms." While the updated policy suggests a potentially relaxed approach to board diversity, like BlackRock's it preserves flexibility for engagement and negative votes where companies are outliers relative to market practice or otherwise have boards not "fit for purpose."

Overboarding

While Vanguard's prior policy applied a lower limit for board service (two total public company boards) to named executive officers, the 2025 update now refers more broadly to "any director who is a public company executive."

Board accountability

Vanguard's 2025 update maintains accountability policies against nominating committee members for "zombie" directors (directors staying on boards after failures to receive majority support), or unilateral board actions limiting shareholder rights, such as changing bylaws to include "overly onerous" advance notice provisions. However, it no longer specifically provides for potential negative votes against "other relevant" board members if nominating committee members are not on the ballot.

Executive compensation

Vanguard's 2025 executive compensation guidance remains essentially unchanged. For annual and long-term

bonus programs, Vanguard eliminated guidance regarding certain specifically enumerated factors that raise a higher level of concern (such as lack of correlation between performance and compensation), but the substance of those factors is already captured in other facets of the executive compensation guidelines.

Shareholder proposals

- Vanguard's 2025 updates seemingly codify a more skeptical approach to E&S proposals reflected in recent voting practices (discussed below). Notably, the 2025 policy update significantly cuts back on examples of E&S proposals that funds may support, removing references to requests for greenhouse gas emissions reporting in Scopes 1 and 2 and material Scope 3 categories, requests for climate scenario analysis, requests for workforce demographics disclosures, including EEO-1 reports, requests to disclose approaches to board diversity, or requests to include additional protected classes in diversity policies. The 2025 policy does, however, maintain broad guidance that funds may support shareholder proposals that address shortcomings in current disclosures relative to market norms and accepted frameworks, such as the International Sustainability Standards Board (ISSB), reflect an industry-specific, materiality-driven approach and are not overly prescriptive.
- The 2025 policy also emphasizes a preference for disclosure proposals over proposals requesting target or policy adoption, explaining that it is "not the funds' role as passive investors to dictate company strategy or interfere with a company's day-to-day management. That said, we believe that a company's fulsome disclosure of material risks to its long-term shareholder returns is beneficial to the public markets."
- Notably, the 2025 policy on E&S proposals also removes specific discussion of voting policies for corporate political activity shareholder proposals.

BlackRock's 2025 proxy voting guidelines

BlackRock's updates continue to align with its three-tiered stewardship approach, emphasizing governance practices, risk management and long-term financial value creation. Notable updates include:

Board oversight

BlackRock's 2025 policy adds language emphasizing the importance of board oversight of governance, business risks and long-term strategy. In particular, the update highlights BlackRock's focus on understanding long-term strategies and milestones against which progress can be measured and encourages detailed disclosures when strategic targets are missed or materially restated.

Board diversity

The updated policy language removes previous numerical diversity targets (two women on boards and a 30% diversity target for S&P 500 companies). The revised policy also removes BlackRock's prior disclosure-based vote policy (i.e., BlackRock previously would consider taking voting action if a company did not adequately explain its approach to board diversity). The 2025 policy nonetheless provides that BlackRock may consider taking voting action if an S&P 500 board is an outlier relative to market norms (BlackRock included a footnote suggesting that 30% diversity may still be the expectation, noting that 98% of S&P 500 companies have boards with overall diversity of 30% or more).

Sustainability disclosures

The 2025 update reiterated BlackRock's expectation for sustainability-related disclosures when tied to financial performance and long-term financial value creation – including ISSB-aligned disclosures – but generally, the 2025 updates adopt a less prescriptive tone and emphasize financial materiality.

Executive compensation

BlackRock reiterated its desire for companies to implement compensation policies that drive outcomes that align executive compensation with both the performance of the company and shareholder returns. The 2025 policy also notes that while evaluation of peers' compensation helps to calibrate competitive pay, increases in compensation should not be based solely on peer benchmarking, and should also consider rigorous measure(s) of outperformance.

Equity plans

While this policy remained largely consistent with that from 2024, BlackRock emphasized that companies are encouraged to seek shareholder approval of equity plans more frequently than required by listing standards to facilitate the timely consideration of evolving plan governance practices, with a focus on clear disclosure of significant changes to equity usage. BlackRock added language for 2025 emphasizing that it may vote against compensation committee members when there are concerns about the design of a compensation plan, the company's equity grant practices or the imprudent use of equity.

Option repricing and exchanges

While this policy also remained largely consistent with the 2024 policy, BlackRock added new language making clear that it may vote against members of the compensation committee where a board implements or approves a repricing or option exchange without shareholder approval, and that, where such a repricing or option exchange includes named executive officers, it may also vote against the company's say-on-pay proposal.

Clawback proposals

BlackRock maintained its position that policies should provide for recoupment or forfeiture from any senior executive whose behavior caused material financial harm to shareholders, brought material reputational risk to the company or resulted in a criminal investigation – even if such actions did not result in a material restatement of past results. The updated policy also added language that boards should exercise limited discretion in deciding whether to waive, release or settle financial obligations incurred by executives, and made clear that companies should not provide indemnification or insurance coverage for losses incurred by executives.

Shareholder proposals

Similar to Vanguard, BlackRock updated its general policy language on shareholder proposals to emphasize that it may support proposals that help investors understand material business risks, while opposing those proposals deemed overly prescriptive or constraining on management.

Proxy voting policies in practice

As with proxy advisors, while certain policies have clear-cut voting implications, most BlackRock and Vanguard policies related to shareholder proposals and executive compensation leave significant discretion for the evaluation of company-specific factors. As a result, engagement and voting practices, as disclosed in stewardship reports published after each proxy season, may be more illustrative than policy language in highlighting changes to priorities.

In the 2024 proxy season, both BlackRock and Vanguard slightly increased their overall support for shareholder proposals from the prior year, driven primarily by support for governance proposals, though overall support remained low. BlackRock's support rose from 9% to 11%, while Vanguard's support increased from 2% to 7%. Specifically for E&S proposals, BlackRock supported just 4% in 2024, compared to 6.5% in 2023, while Vanguard declined to support a single proposal in 2024 and supported only 2% in 2023. Both firms cited concerns that E&S proposals tend to be overly prescriptive and encroach on core business decisions and emphasized that many targeted companies are already taking action in the relevant areas –though each maintained willingness to engage on these issues when material. On the other hand, consistent with the overall increase in, and robust support for, governance proposals in the 2024 proxy season, BlackRock supported 22% of governance proposals, with a particular focus on supporting proposals to eliminate supermajority provisions, while Vanguard supported 35%.

Both BlackRock and Vanguard maintained broadly high levels of support for management proposals in 2024. BlackRock supported 88% of all management proposals, including 92% of director elections and say-on-pay votes, and Vanguard supported approximately 90% of all management proposals, including 94% of director elections and 98% of say-on-pay votes. In 2024, the leading reasons BlackRock withheld director support related to concerns with board independence, board composition, overcommitment and executive compensation. For Vanguard, the top reasons for withholding support in 2024 included concerns regarding committee and committee chair independence, compensation and incentives, and insufficient disclosure.

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