Diligent Market Intelligence

Investor Stewardship 2025

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Editor's foreword

Josh Black
jblack@diligent.com

Welcome to the latest report from Diligent Market Intelligence, curated by Antoinette Giblin and featuring data from our Voting, Compensation, and Activism modules. Distilling investor thinking in the ever-shortening gap between proxy seasons is crucial for issuers and their advisors, and it gives investors a clear benchmark to calibrate their voting and fine-tune engagements.

2025 was a good year for issuers. Support for directors rose across major U.S. and Canadian indices and was more or less flat for U.K. issuers, aided by robust market performance and earlier efforts to strengthen board composition. Of course, the Trump administration's executive action on DEI led to a retreat from explicit diversity quotas in investor voting policies, removing a common trigger for escalation and contributing to higher support for incumbent directors, even as boards elevated proportionately more men to directorships.

Support for "say on pay" also edged up. And while failures ticked higher in parts of the market, they remained low by historical standards. What is clear is that investors will punish directors in the most severe cases of performance and pay misalignment, which may be something to watch if inflationary pressures on executive compensation – or moonshot incentive structures – become more common.

Shareholder proposals were one of the headline items in a dizzying array of regulatory changes this year. In addition to the chairman of the Securities and Exchange Commission (SEC) floating the idea that precatory proposals may not be proper under Delaware law, temporary changes to the no-action process following the government shutdown give companies more leeway to exclude proposals from their ballots. They should do so at their own risk, wary that they might be inviting alternative tactics – litigation, withhold votes, and other creative campaigns - that may prove even more time-consuming for issuers.

A proxy season without shareholder proposals would be a shock to the system. Stewardship groups may not feel their loss too greatly, since the feeling grew in recent years those filing proposals were dictating the agenda and did not necessarily have the same fiduciary goals.

Few shareholder proposals pass, so it would be easy to question whether the demise of such nonbinding resolutions would have any major impact. Yet in a system where state legislatures are competing in a race to lower governance standards, investors will be an important arbiter of standards, through membership groups, by voting against reincorporation efforts, or else by voting against directors that take too strong a line on limiting the franchise.

The high degree of regulatory change is reshaping stewardship at speed, though the full effects will take years to play out. Other pressures including the desire for pass-through voting are leading to the fragmentation of voting blocs and the need for more intelligence on voting patterns and intentions.

To aid all sides of the stewardship ecosystem, Diligent Market Intelligence has processed and released this year's N-PX data with record speed some 60 days ahead of our nearest competitor - delivering unprecedented transparency into split voting across funds and the "pass-through voting" era. We've also introduced quick views that reveal the default stance of an asset manager's in-house stewardship team by filtering to proposals where at least 90% of shares were voted the same way, cutting through the noise, while preserving the depth needed to track votes closely.

We hope this report helps boards, their advisors, and investors to think about their priorities and strategies for the coming proxy season – and whets your appetite for the most comprehensive proxy voting data in market. Thank you for reading.

Curious how your peers are using these insights? Our team can walk you through real applications. Contact us at info.dmi@diligent.com.

Executive summary

1. Propelled by strong markets and a retreat from diversity quotas, average support for director reelections reached a five-year high in 2025, climbing to 96.3% in the S&P 500 and 95% in the Russell 3000.

2. Among the Big Three, State Street saw the biggest jump in S&P 500 director support to reach an average of 95.4%, up from 92.7% in the 2023/2024 proxy season.

3. Over half of Russell 3000 companies to face more than 50% opposition to their "say on pay" plans in 2025 also saw overall director support fall as dissent over pay spilled into the boardroom.

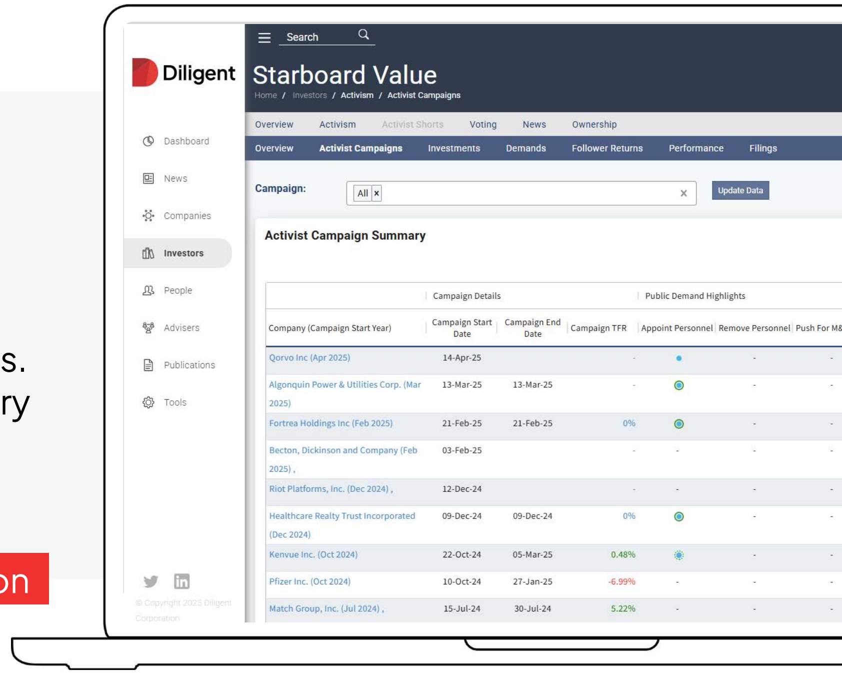
4. While Big Three support for environmental and social-focused shareholder proposals continued to decline, BlackRock, State Street and Vanguard saw merit in governance-driven resolutions with average support ranging from 21% to almost 30% in the Russell 3000.

5. Amid a tilt in the balance of power between proponents and issuers, the volume of no-action requests advanced to the U.S. Securities and Exchange Commission (SEC) reached a new record in 2025 with those that succeeded in getting the regulator's approval increasing by 33%.

6. Shareholder voting trends are fracturing under pressure from regulatory and political upheaval, new approaches from the proxy advisors, pass-through voting, and "listen-only" engagement.

Diligent Market Intelligence

The ultimate shareholder activism and proxy voting data solution.



Our **Shareholder Activism** module allows you gain a full understanding of new and developing activist campaigns worldwide. The downloadable profiles of activists ensures you can determine activists' key strategies, areas of focus and success rates. Gain deeper insights through our proprietary newswire, and make sure you never miss a beat with our live and daily alerts.

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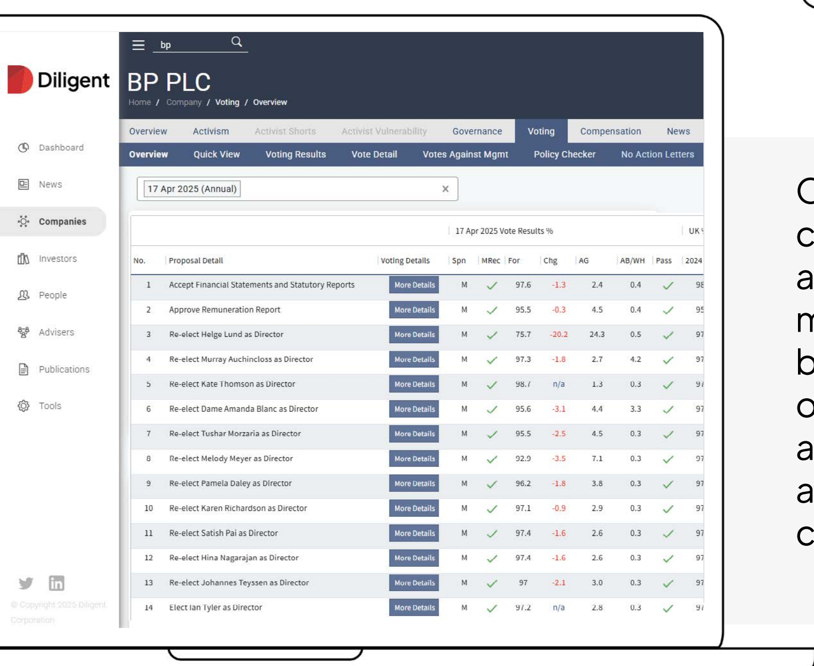

Our **Voting** module presents the most comprehensive set of proxy voting data available, and offers features designed to meet the requirements of users from both the buy and sell sides. Complete with thousands of investor profiles, voting policies, rationales and proxy adviser recommendations, this is an essential tool to navigate today's ever-changing stewardship landscape.

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Diligent

With complementary modules offering data on **governance**, **executive compensation**, **activism vulnerability** and **activist shorts**, Diligent Market Intelligence forms a central pillar to users' research processes, and offers tailored solutions to meet your exacting demands. Speak to a member of our team to discuss our offerings in more detail.

Big Three voting data reveal growing nuance and transparency

The latest proxy season data reveal that the world's largest asset managers – BlackRock, Vanguard, and State Street – are diverging on key governance and compensation issues, as new U.S. disclosure rules bring unprecedented transparency and complexity to shareholder voting, writes Josh Black.

This proxy season was the second year under the U.S. Securities and Exchange Commission's revamped Form N-PX disclosure rules, which now require investors to report the number of shares voted on each proposal. Combined with pass-through voting, the breakup of stewardship teams and active portfolio managers taking more control of voting, the result has been a surge in split voting disclosures, where funds under the same asset manager "split" their votes between different options for each proposal under consideration. Together, the new disclosure format and pass-through programs have increased transparency in the stewardship process while introducing new analytical challenges.

DMI's "House View"

To manage this, Diligent Market Intelligence (DMI) has introduced tools that allow for a cleaner view of asset managers' core preferences. To identify consistent voting trends, DMI assigns a "house view" – i.e. the default position of a fund family's in-house stewardship team – where at least 90% of shares held by the asset manager are voted in the same direction.

The 2024–2025 proxy season dataset discussed below, covering shareholder meetings in the Russell 3000 between July 1, 2024, and June 30, 2025, highlights the utility of these views.

BlackRock funds split their votes on almost 70% of "say on pay" resolutions in the period but contrasting votes were mostly de minimis. Only 1.6% of those proposals had a split greater than the 90:10 threshold for identifying the "house view."

How the "Big Three" voted

All three investors recorded high support for directors under their "house views." At Russell 3000 companies, BlackRock supported 95% of directors and Vanguard 98%, while State Street supported 89% of directors.

As high as 42.8% of Vanguard director votes showed some level of split, falling to less than 0.4% with the "house view" filter applied.

Across the 11 Russell 3000 proxy contests that went to a vote during the 2025 proxy season, BlackRock voted for five dissident candidates from a possible 35, State Street four, and Vanguard three. Split voting in contests was less pronounced than for other categories, ranging from 15% at Vanguard to 35% at State Street. The fast-moving and complex nature of contested director elections, where information unfolds gradually across the course of a campaign, may explain why asset owners are not exercising pass-through voting rights as readily.

Support for "say on pay" plans remained high for the "Big Three," at 93.9% for BlackRock, 96.3% for State Street and 97.7% for Vanguard. Meanwhile, support for new or amended equity compensation plans was lower than for pay proposals overall but consistent with a constructive trend. While equity plans have long been a flashpoint for stewardship teams, aggregate opposition from the Big Three this year was relatively restrained, suggesting issuers' compensation structures are increasingly aligned with shareholder expectations.

A market at a crossroads

The 2025 proxy season underscores a fundamental transformation in how institutional investors exercise and disclose stewardship – and more complexity is on the way. Proxy voting advisors offering research products without recommendations could mean that stewardship teams continue to diverge in their interpretation of data and governance priorities.

For issuers and their advisors, these dynamics mean that solicitation strategies must evolve. Split votes and pass-through voting have made investor engagement more nuanced, requiring tailored outreach based on fund type, mandate, and stewardship alignment.

For asset managers, the shift reveals the growing importance of benchmarking and internal coordination. Voting consistency is no longer the sole measure of stewardship rigor; instead, the ability to articulate differentiated voting options across a complex portfolio has become the new benchmark of credibility.

About the dataset

N-PX data for the 2024–2025 proxy season were released by Diligent Market Intelligence on September 23, having been fully processed within weeks – the fastest turnaround to date. The release includes 23 million rows of N-PX voting records, mapped to 4,370 institutional investors, over 12,500 funds, and nearly 23,500 issuers, and is integrated with 9 million rows of VDS disclosure data as well as manual disclosures.

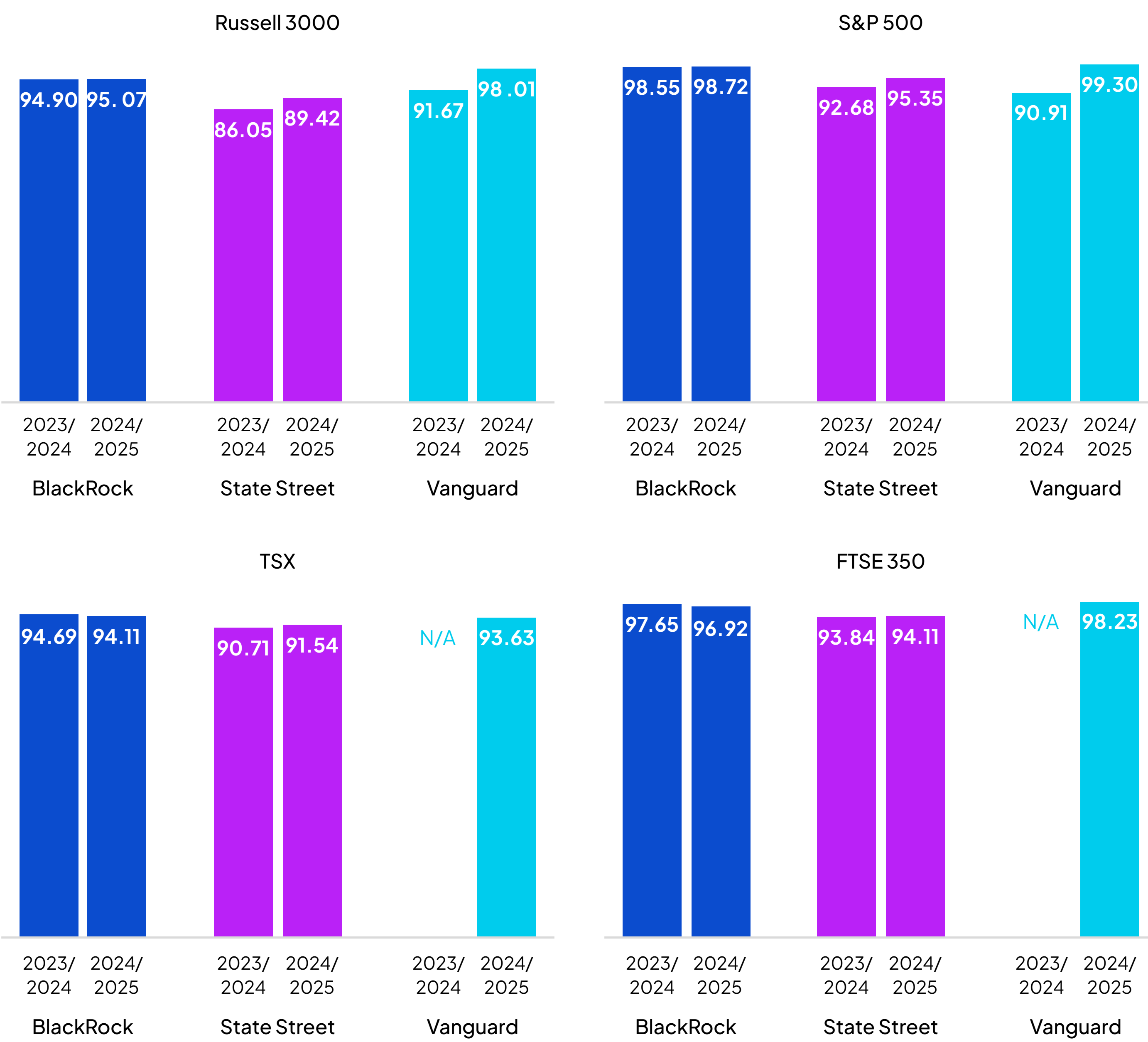
These records are now available through DMI's Voting module, which supports analysis by index, sector, and custom peer group. The dataset offers an unparalleled resource for understanding how institutional investors – particularly the "Big Three" – are adapting to the new era of transparency in proxy voting.

How the Big Three voted

Management proposals

Director reelections

Average support (%) for director reelection, by selected indices and proxy season



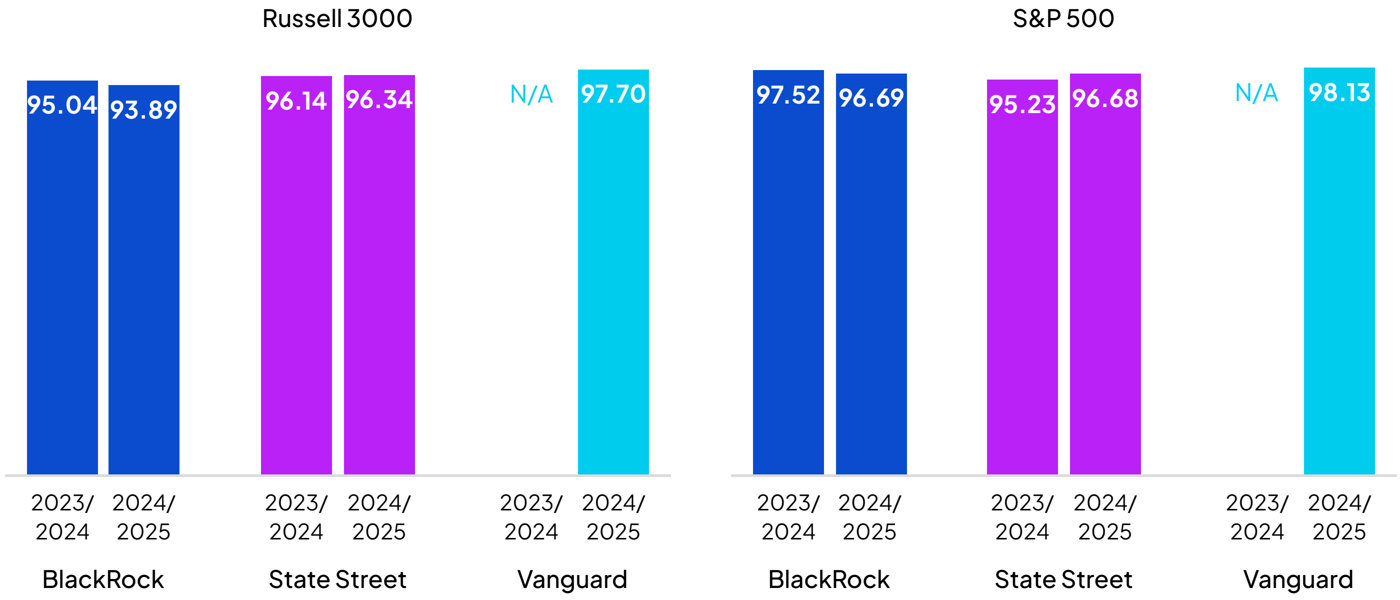
*Based on DMI 90% threshold view. Methodology based on shares voted, excluding shares on loan

**Some Vanguard data is currently unavailable

Source: Diligent Market Intelligence / Voting

Remuneration

Average support (%) for “say on pay” plans, by selected indices and proxy season



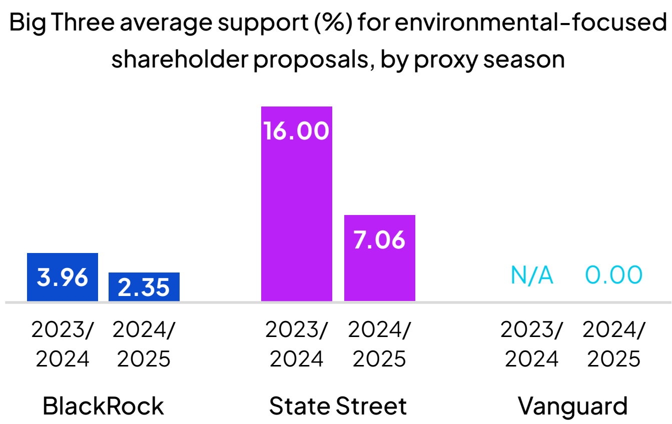
*Based on DMI 90% threshold view. Methodology based on shares voted, excluding shares on loan

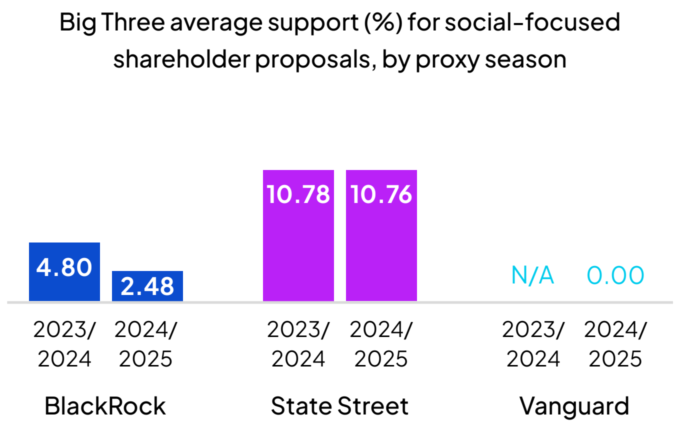
**Some Vanguard data is currently unavailable

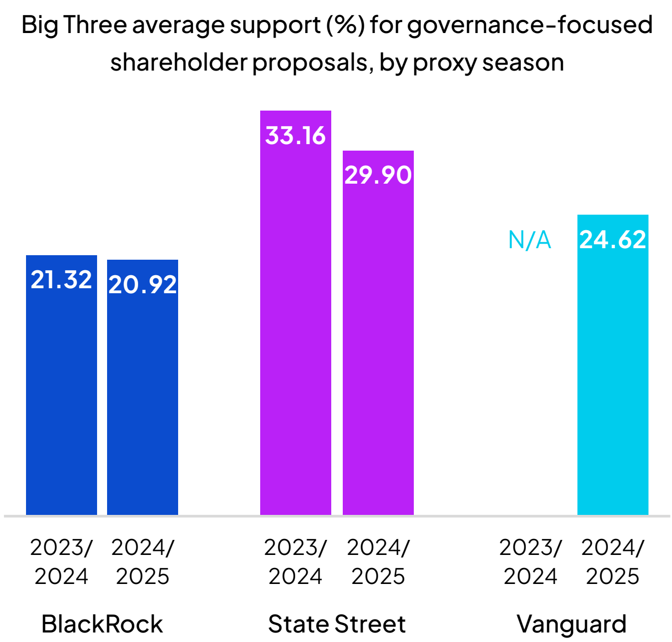
Source: Diligent Market Intelligence / Voting

How the Big Three voted

Russell 3000 shareholder proposals







*Based on DMI 90% threshold view. Methodology based on shares voted, excluding shares on loan

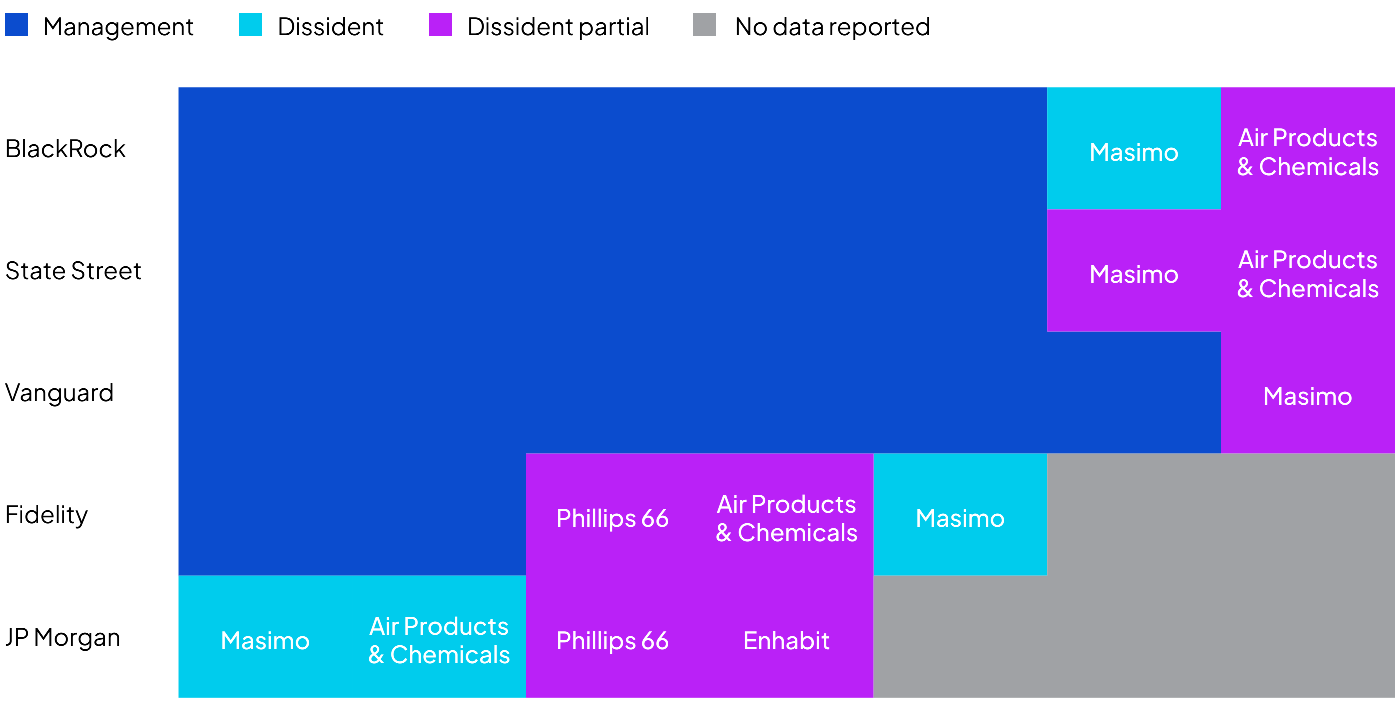
**Some Vanguard data is currently unavailable

Source: Diligent Market Intelligence / Voting

How the Top 5 asset managers voted at Russell 3000 proxy contests

Highlights:

- Of seven proxy contests examined by DMI that faced a vote at the Russell 3000 in the 2024/2025 season, dissidents were at least partially successful in 70% of such efforts with market volatility seeing many make adjustments in their tactical battle for board seats.
- Board control was sought in one of the seven contests examined with dissidents securing a partial win in that case.
- In the two contests where management defended their respective boards, BlackRock, Vanguard and State Street had given their full backing to the incumbents.
- All but one of the seven contests were led by established primary- or partial-focused activists.

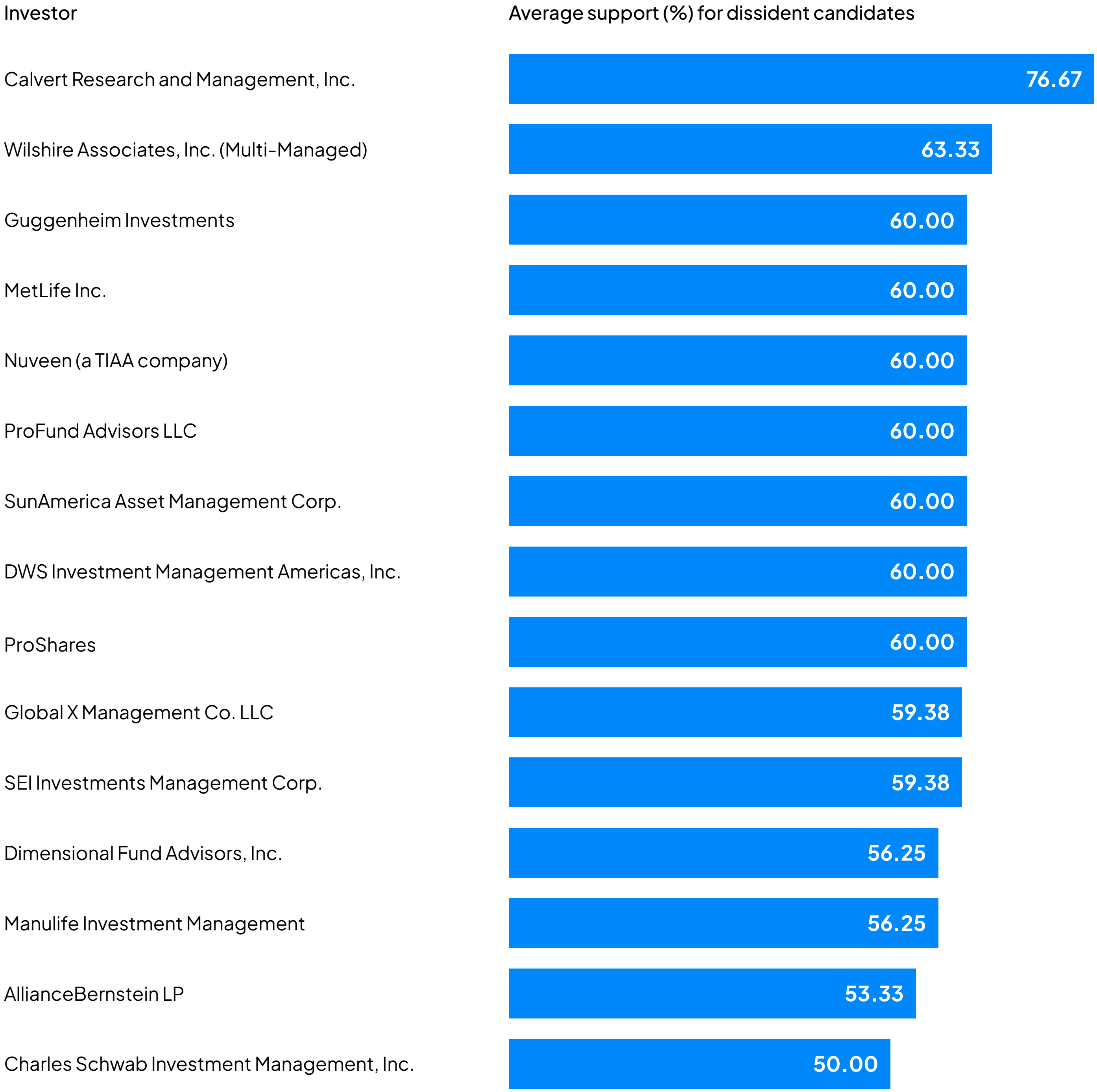


Russell 3000 proxy contests from July 1, 2024 to June 30, 2025

Source: Diligent Market Intelligence / Voting

Investors with the highest support for dissident candidates in the 2024/2025 proxy season

(Investors that supported 30 or more OR voted on 30 or more of dissident candidates at Russell 3000 companies)

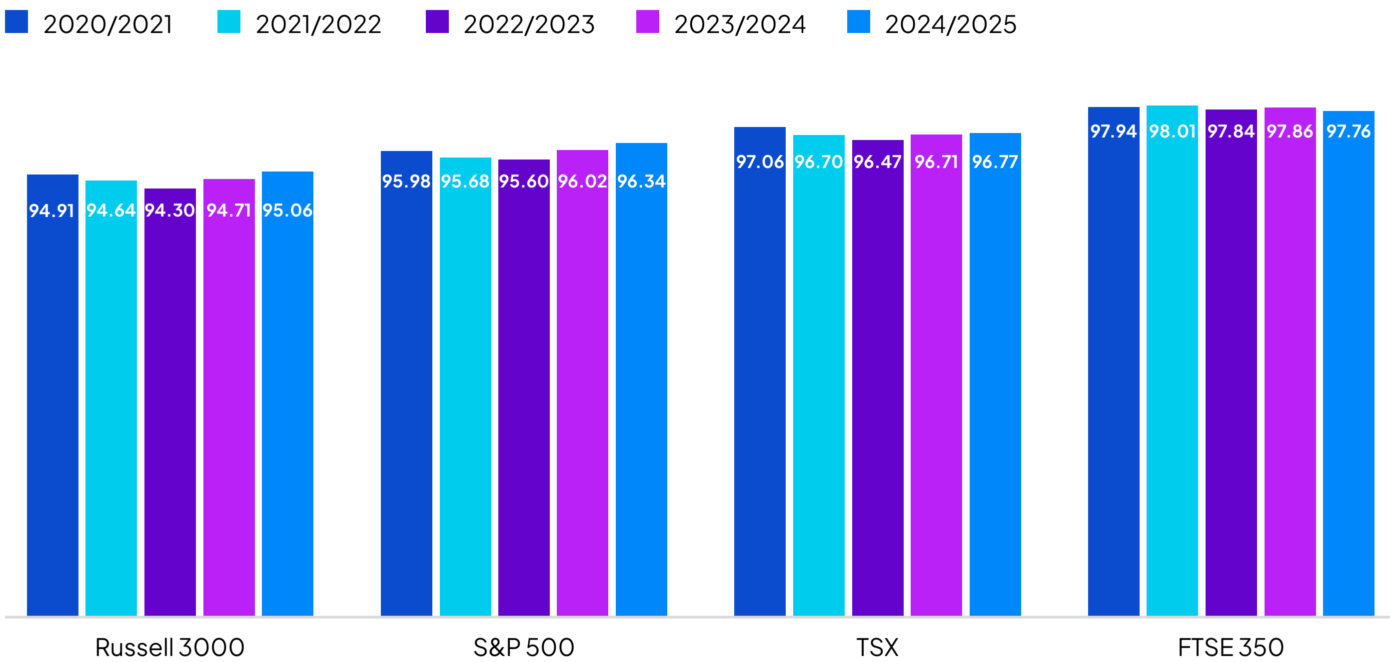


*Based on DMI 90% threshold view. Methodology based on shares voted, excluding shares on loan

Source: Diligent Market Intelligence / Voting

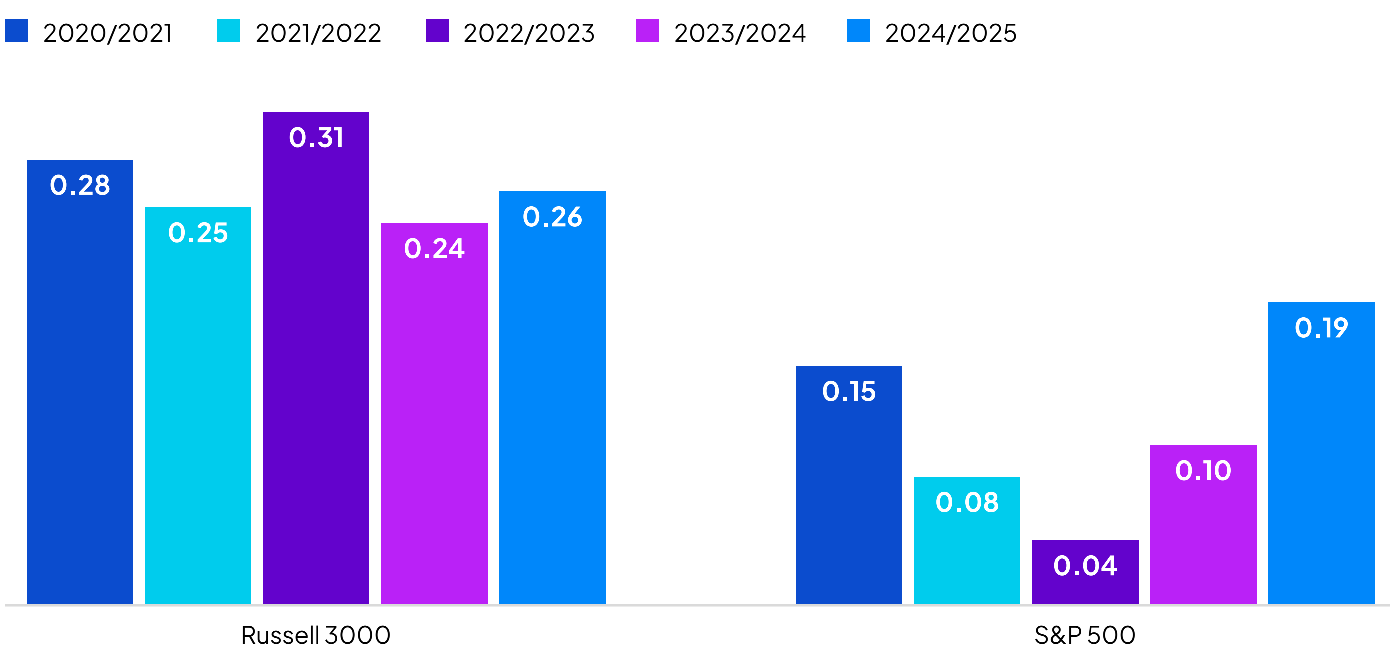
Voting trends at a glance

Average support (%) for director reelection by index and proxy season



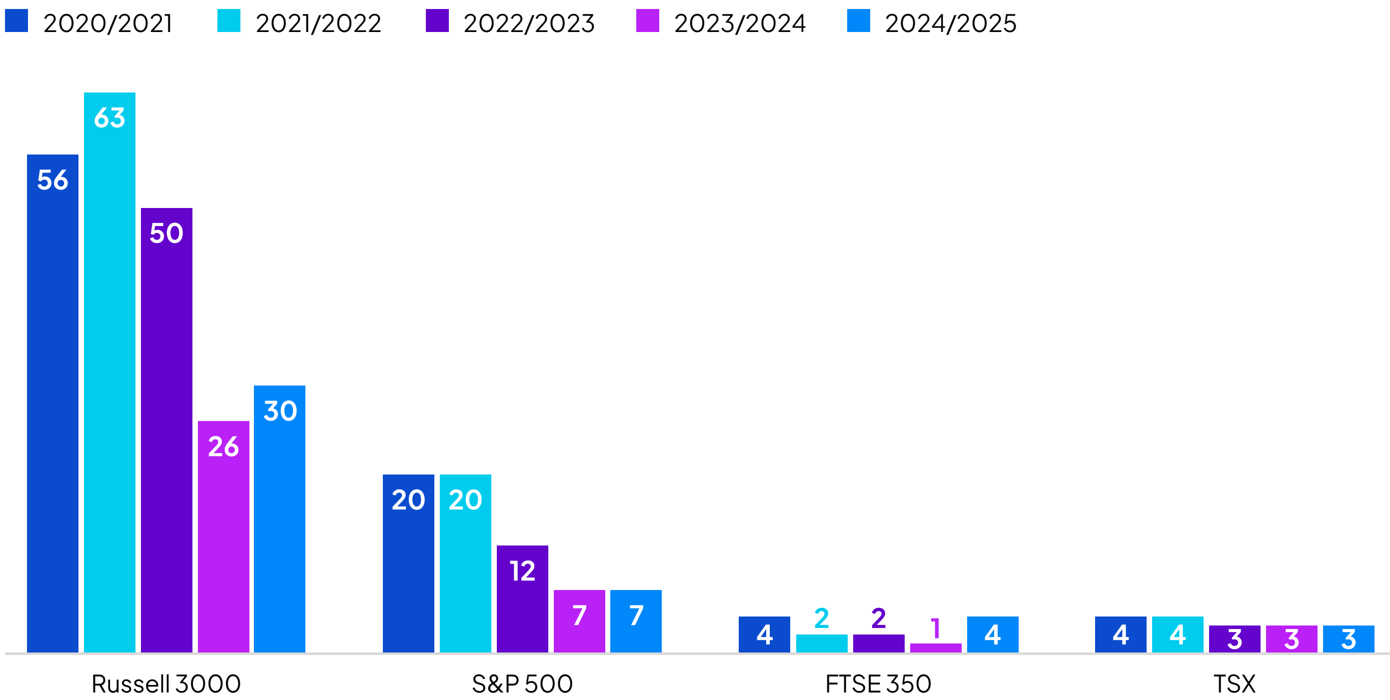
Source: Diligent Market Intelligence / Voting

Proportion (%) of director reelection proposals to receive less than 50% support, by proxy season and selected indices



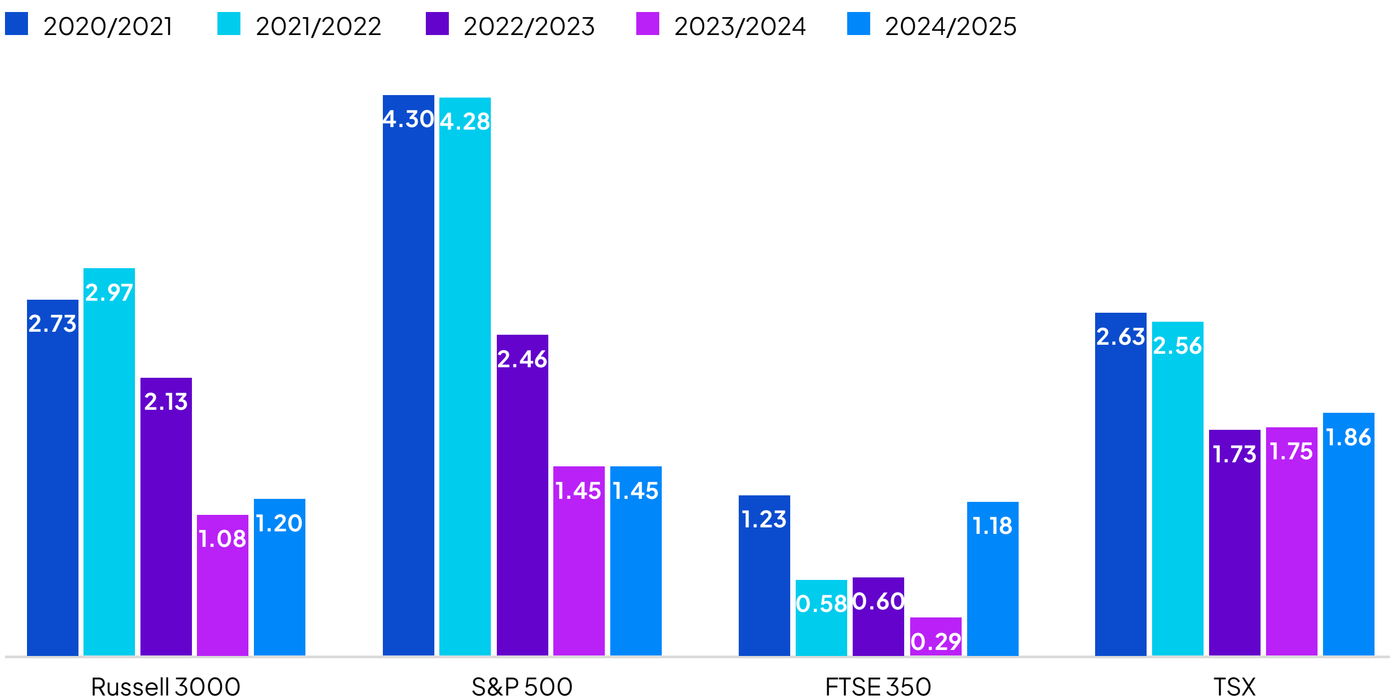
Source: Diligent Market Intelligence / Voting

No. of advisory remuneration proposals that received less than 50% support, by index and proxy season



Source: Diligent Market Intelligence / Voting

Proportion (%) of advisory remuneration proposals that received less than 50% support, by index and proxy season



Source: Diligent Market Intelligence / Voting

Average support for shareholder proposals by season and selected indices

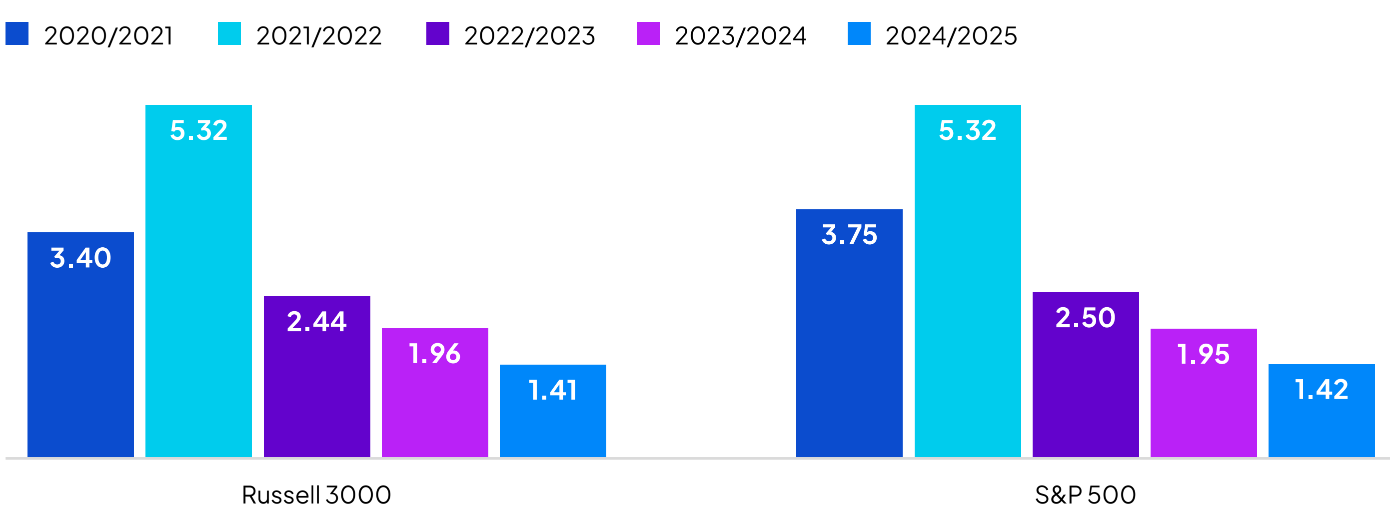
Average support (%) for environmental-focused shareholder proposals					
Index	**2020/2021**	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**
Russell 3000	38.78	34.88	22.87	18.94	13.10
S&P 500	40.47	34.10	21.94	17.06	13.01
TSX	31.00	18.00	18.89	12.18	16.27
FTSE 350	21.67	15.67	22.00	19.00	21.00

Average support (%) for social-focused shareholder proposals					
Index	**2020/2021**	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**
Russell 3000	36.20	24.18	19.12	15.52	12.06
S&P 500	33.40	24.12	19.32	14.78	10.34
TSX	22.00	27.27	15.73	12.00	21.17

Average support (%) for governance-focused shareholder proposals					
Index	**2020/2021**	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**
Russell 3000	35.20	35.96	28.99	38.94	38.09
S&P 500	34.04	33.34	27.70	36.59	32.61
TSX	10.80	4.47	8.70	22.27	8.82

Source: Diligent Market Intelligence / Voting

Average support (%) for anti-ESG shareholder proposals by season and index



Source: Diligent Market Intelligence / Voting

What now for shareholder proposals?

Shareholder proposals, long a predictable fixture of proxy season, are suddenly facing an existential test, writes Antoinette Giblin.

After a year marked by political backlash, regulatory whiplash, and collapsing support for environmental and social demands, the very rule that has governed such nonbinding proposals since 1947 is back in the crosshairs.

The most recent warning shot came from the Securities and Exchange Commission (SEC) Chair Paul Atkins who suggested in an October keynote that shareholders should have to justify their right to file proposals under Delaware law rather than Rule 14a-8.

The move saw a wave of investors sound the alarm over a shift that could upend decades of investor influence with some likening it to "a car wreck waiting to happen."

For veteran shareholder advocate James McRitchie, it reignited fears that it would return corporate governance "to a pre-Depression era of managerial dominance."

Not everyone viewed Atkins' stance as a backward step, however. Lawrence Cunningham of the University of Delaware who testified before Congress in recent years on what he viewed as the misuse of Rule 14a-8, argued that Atkins was right to invite Delaware to clarify the issue. "When the corporate ballot becomes a front in national culture wars, no one wins – not employees, not investors, not the public," he wrote in an October Bloomberg insight.

Atkins' comments mark the latest turn in a long-running and contentious debate, one that has already produced five SEC legal bulletins since 2017, four of which have been rescinded.

And in the current environment, the balance of power is clearly seen to be tilting. "Companies have more tools in their toolbox than shareholder proponents right now and of course they're going to take advantage of that," noted Laura Wanlass, Partner within Aon's executive and board advisory practice.

The SEC's no-action process, perceived to be more corporate-friendly under Trump's administration, had been one such tool. In the 2024–2025 proxy season, DMI data show that the volume of requests increased by over 30% to reach a new record. Meanwhile, the number of requests to succeed in getting SEC no-action relief increased from 147 in the 2023/2024 proxy season to just shy of 200 this year.

However, shortly after the lifting of the government shutdown, the SEC announced another significant policy twist, advising that it would no longer respond substantively to no-action requests - with issuers who intend to exclude proposals required to notify the commission "for information only."

"In light of recent developments regarding the application of state law and Rule 14a-8(i) to precatory proposals, the division has determined that there is not a sufficient body of applicable guidance for companies and proponents to rely on," the SEC noted in its November 17 statement.

The writing had already been on the wall with some issuers emboldened to exclude proposals from their ballot without receiving an SEC response some weeks before. "It's kind of an unwritten rule that you don't do that," said shareholder advocate John Chevveden in response to Microsoft's move to exclude his resolution pushing for an independent chair from the ballot. "I guess they're taking advantage of the government shutdown."

Now, one of the few remaining options investors may consider is using Rule 14a-4(d), which allows investors to file their own proxy statement and include proposals on those. Used by the AFL-CIO and Starboard Value in 2024, the practice is more expensive than 14(a)-8 proposals and hasn't taken off but was clearly trialed as an alternative.

Falling out of fashion

One of the incoming SEC Chair's first actions was a February bulletin signaling a move away from a prior policy that forced companies to put proposals with "broad societal significance" before investors. Support levels had nosedived with average backing for environmental-related demands at the S&P 500 falling from over 40% in the 2021 proxy season to 13% in 2025, while support for social demands fell from 33% to 10% over the same timeframe. Proxy advisors are also changing their stance; Institutional Shareholder Services (ISS) updated its policy on four E&S-related shareholder proposal topics.

Governance-related demands remained an outlier with support holding steady in the 2025 season at 33%, a marginal decline on the S&P 500 record for 2021. The Big Three also saw the "G" as key with BlackRock, State Street and Vanguard all recording average support* upwards of 20% at the Russell 3000.

Many who spoke to DMI said that "G" is likely to prove the only area to continue to resonate with the investor base for any proponents who opt to push through the noise with demands under Rule 14a-8 for the season ahead. "They're just going to have to be really thoughtful about where they want to place their time and focus, making sure that what they're asking for in a proposal could be deemed to be reasonable in terms of a company's business focus and that could well be governance in today's uncertain landscape," said Wanlass. "Are they targeting a topic that other institutional investors could get behind without receiving much scrutiny."

Cutting off a hydra

The challenges facing shareholder proposals have some investors thinking more about targeting board members directly. "At Calvert, we do look at the ESG performance of companies as one of the factors that we use in evaluating boards. It doesn't tend to be the criteria that drives us to vote against, but it's possible," John Wilson, executive director of corporate engagement at Calvert Research and Management, told DMI. "Some of the regulatory changes may well impact on the ways some investors vote."

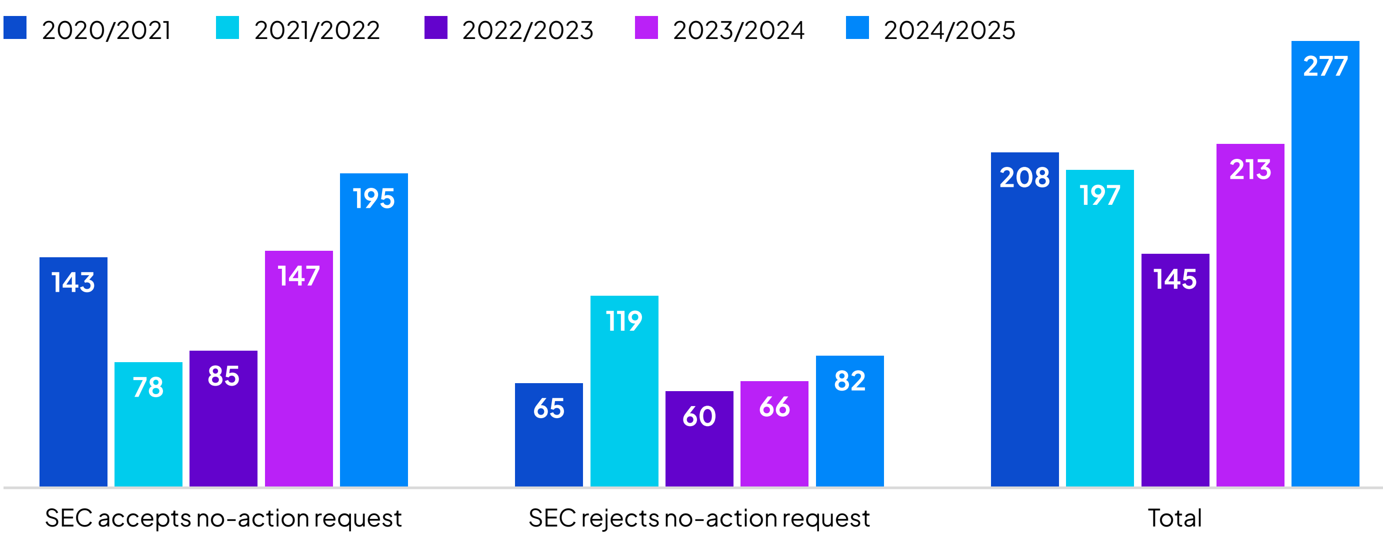
Withhold campaigns, which emerged as a key feature of the recent proxy season for the more financial-focused cohort of activists, have also been cited by some in the ESG space as a more combative tool to push for accountability if needed. "I don't believe that most companies want to end shareholder proposals. They provide a safety valve to the system," Danielle Fugere, president of As You Sow, told DMI. "Without this mechanism, concerned shareholders would have to address their concerns by challenging directors more frequently or using other mandatory mechanisms that entail greater expense to companies and consume more time."

As well as the costs involved, it might not be the cure-all expected by some opponents. "Many of the issues that these proposals address, especially governance, are still important to shareholder proponents," Jonathan Kovacs, a director at proxy solicitor Innisfree M&A, told DMI, adding that "those voices won't go away even if 14a-8 proposals are curtailed." In addition to withhold campaigns, he points to 14a-4 shareholder proposals, used by the AFL-CIO at Warrior Met Coal and Starboard Value at News Corp. as alternative methods of putting these issues on the ballot. "It's like cutting off the hydra's head only to see others emerge," he warned. "Issuers should be careful what they wish for."

For many, what follows will also see litigation and testing of the Atkins theory with a delay in the what some view as a "barrage" of shareholder proposals considered a win for companies - but only in the short-term. "It would be misguided for companies to think of this as a permanent shift," cautioned Wanlass. "I do think a lot of traditional shareholder proponents aren't going to give up. They're just trying to figure out how to operate going forward and both sides need to be nimble in working out their best strategy."

*N-PX data featured in this article is based on DMI's 90% threshold view. Methodology focuses on the shares actually voted and excludes shares on loan.

No. SEC no-action requests, by outcome and proxy season



Source: Diligent Market Intelligence / Voting

Boards enjoy increased investor support as markets deliver and DEI pressure fades

Support for director reelections at U.S.-based companies reached a five-year high in 2025, buoyed by substantial market gains and a retreat from diversity quotas, writes Ross Carney.

According to Diligent Market Intelligence (DMI) Voting data, average support for director elections at U.S.-based companies during the 2024–2025 proxy season was 94.2%, up from 93.7% on the previous year, and 93.4% in the 2022–2023 season.

For companies in the Russell 3000, average support for director elections in the 2024–2025 season was 95%, up from 94.7% the previous year, and 94.3% in 2022–2023 season. In the S&P 500, support averaged at 96.3% this season, up from 96% the previous year, and 95.6% in the 2022–2023 season.

"It's not surprising to see director votes increase. Companies deserve credit for doing a better job," said John Wilson, executive director of corporate engagement for Calvert Research and Management.

> "The expectation that director votes should correlate with company performance is actually more normal than what we've seen in some past upward-trending markets."

Big Three backing

The record wave of support was also evident at the Big Three.

At the S&P 500, BlackRock backed 98.72% of director reelection proposals, up from 98.55% the previous season. The world's largest asset manager also recorded increased support for directors at Russell 3000 companies to reach 95.07%. Vanguard saw director support in the S&P 500 reach 99.3%.

Out of all three, State Street saw the biggest jump in backing with S&P 500 director support reaching 95.35%, up from 92.68 the previous season while recording a similar jump in the Russell 3000.

Almost all major asset managers had reviewed or modified their diversity policies in the months that followed the January release of the Trump administration's executive order to curtail DEI programs at the federal and private level.

BlackRock made changes to the use of DEI terminology in its 2024 annual report, removing mention of its "three pillar DEI strategy." State Street removed a target of 30% female board members at key indices and wording that suggested it would vote against S&P 500 or FTSE 100 boards without at least one ethnic or racial minority director. Vanguard removed a line from its policy which had previously stated that as well as having diversity of tenure and skills, boards should also, at a minimum, "represent diversity of personal characteristics, inclusive of at least diversity in gender, race and ethnicity."

Yet even before such policy shifts, the momentum behind board diversity had already begun to slow. DMI *Governance* data show that the share of newly appointed women directors fell from 37% in 2022 to 32% in 2024, declining further to 26% in the first half of 2025.

For some investors, this retreat in DEI expectations has reduced the incentive to cast protest votes. "Investors will look at whether it is as worthwhile to vote against a director because of a DEI policy, compared to some of the other good attributes that the company and the director might have," Steve Balet, formerly of FGS Advisors, told DMI. "I think there's been a more balanced and thoughtful weighing of those decisions in this market than we've had in the past."

However, many boards had already been working to build stronger board composition long before the DEI reset, according to Wilson. "They've become more diverse and more independent, so it's not surprising to me that director support has increased. You have to give companies credit for genuinely doing better here."

Policies around environmental and social issues - once a common trigger for votes against directors - are now also being approached with more nuance.

Balet added that investors who may previously have voted against directors they disagreed with over a company's policy around environmental or social issues, are also now taking a different approach.

"Governance-related standards remain largely unchanged, but E&S-related voting decisions are much more flexible now," he said. "Previously, institutions often felt that voting against directors was the right response. Now they're re-evaluating whether those protest votes actually add value for their own investors."

> "It's not surprising to see director votes increase. Companies deserve credit for doing a better job."

Rewarding performance

As well as lifting company valuations, rising markets have also given investors greater confidence in the incumbent boards steering them. With the Russell 3000 delivering nearly 24% total shareholder return in 2024 and the S&P 500 seeing returns of 25%, shareholders appear more willing to reward directors who oversaw that growth.

"The expectation that director votes should correlate with company performance is actually more normal than what we've seen in some past upward-trending markets. This is more aligned with what you'd expect in a strong market," noted Balet.

But performance isn't the only driver. Issuers are also seen to have noted the growing importance of ongoing, substantive engagement to ensure concerns are heard and addressed. "Dialogue between companies and shareholders has become more routine and constructive. Companies now have systems and teams dedicated to engagement, and they tend to welcome conversations, especially when investors bring real expertise," said Wilson.

Managing the message in uncertain times

Still, the path ahead is far from straightforward. The sweeping regulatory changes seen in 2025 have reshaped the engagement landscape, and lingering market uncertainty is forcing boards to rethink how and with whom they communicate.

"One challenge is knowing who to communicate with. Algorithmic traders and index funds are less open to engagement, while the share of active institutional investors is shrinking," said Balet. "Boards may struggle to get their messages out to shareholders."

That challenge extends to both ends of the investor base: crafting communication that resonates with retail investors while finding a way to address engagement barriers on the institutional side.

"The landscape has become more complex and navigating it requires deeper engagement between shareholders and companies," said Wilson. "This work can't be done on autopilot anymore, and the demand for thoughtful, expertise-driven dialogue continues to grow."

*N-PX data featured in this article is based on DMI's 90% threshold view. Methodology focuses on the shares actually voted and excludes shares on loan.

Pay backlash spills into the boardroom

Executive "say on pay" votes are becoming more of a pressure point for boards with dissent over remuneration also eroding overall director support, writes Will Arnot.

According to DMI data, 30 “say on pay” plans failed to secure majority support at the Russell 3000 in the 2024–2025 proxy season, with over half seeing overall support for directors decline.

Of the 30 to see pay plans rejected, 16 had put the same slate of directors up for reelection this year with 10 recording a decline in average shareholder support for management’s slate.

For Bruce Kistler, managing director at Okapi Partners, the link between “say on pay” opposition and pushback on directors is “natural” with the compensation committee often in the crosshairs.

“These votes provide direct links where, if you have low ‘say on pay’ support, you’re going to have the proxy advisors and investors looking to see if and how you responded,” he told DMI. “If you are viewed as not being sufficiently responsive, that can escalate to members of the compensation committee.”

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Comp committee under fire

To be sure, few companies had directors fail to be reelected over compensation issues. Of the 30 Russell 3000 companies that faced “say on pay” revolts greater than 50% in the 2025 proxy season, none saw their compensation committee chairs also face majority opposition. Just five had compensation committee chairs backed by under 80% of the votes cast.

Nonetheless, proxy advisors have clear thresholds for shareholders should they wish to escalate voting behavior, based mainly on responsiveness to opposition votes. Management pay proposals that secure under 70% backing present a red flag for Institutional Shareholder Services, according to its U.S. executive compensation policy, while Glass Lewis sets its threshold at 80%.

Brian Myers, governance team lead and executive compensation consultant at Willis Towers Watson, told DMI that while company responses to “say on pay” pushback do not have to be immediate, action needs to be clearly demonstrated ahead of the following proxy. “Potential changes are discussed internally, and then whatever might need to be acted upon is usually done by the end of the year or just into the beginning of the year,” he said.

The number of companies falling below the leading proxy advisors’ thresholds for responsiveness has risen this year, with 282 Russell 3000 companies receiving under 80% support for their “say on pay” proposals and 137 of those getting less than 70% support. This compares to 267and 125, respectively, in the previous season.

Compensation committee chairs receive some of the greatest levels of scrutiny, according to DMI *Governance* data, with average investor support of 94.5% at S&P 500 companies in the 2025 proxy season, just above that of the nomination committee chair at 92.2%.

During the 2025 proxy season, activist investor Jonathan Litt of Land and Buildings sought withhold votes against compensation committee members for having overseen what he viewed as “unjustified multimillion dollar packages.”

The activist targeted 10 different Russell 3000 real estate companies as part of the overall campaign, including Equity Residential, Host Hotels & Resorts and Rexford Industrial Realty. In all 10 cases, the pay plan and directors targeted managed to secure sufficient investor backing – albeit with the “say on pay” vote drawing the greatest level of dissent.

According to Jeff Barbieri, director at AON, the compensation committee does not tend to attract the same level of pushback as the pay plan with dissent serving more as a warning shot. “Voting against a compensation committee member can be disruptive to the board. Investors are not shy to use that, but it is not their preferred first lever,” he told DMI. “The compensation committee chair, for example, is not just a remuneration expert. They also have expertise in business, strategy, operations, or are a former lawyer, former accountant etc. They add real value to the boardroom that investors, at least as a starting point, are a little bit wary of removing.”

Maintaining investor confidence

Overall, “say on pay” revolts are rare with just 1.2% of Russell 3000 companies seeing their pay plan receive less than 50% support in the 2024–2025 season, largely flat on last year and down from 2% in 2023. Opposition over 10% is also relatively rare. In the 2024–2025 season, 2,249 companies in the Russell 3000 had an executive compensation proposal that won at least 90% support, compared to 2,231 the season before.

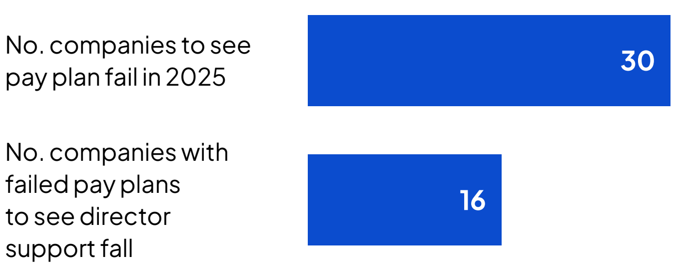
Where investors do push back, the reasons are consistent. An analysis of disclosed voting rationales from the 2025 proxy season found that pay versus performance misalignment was the number one reason investors opted to vote against a "say on pay" plan at the index, followed by concerns over discretionary awards or one-off grants, with poor disclosure and transparency coming in third.

For most companies, the solution is straightforward, according to AON's Barbieri. "Generally, if pay is aligned with performance, if investors understand the incentive plan and understand that it's designed to drive long-term outcomes for their clients, and the disclosure is clear and they can understand how the plan works in practice, investors are not looking for a reason to be concerned or to cause problems."

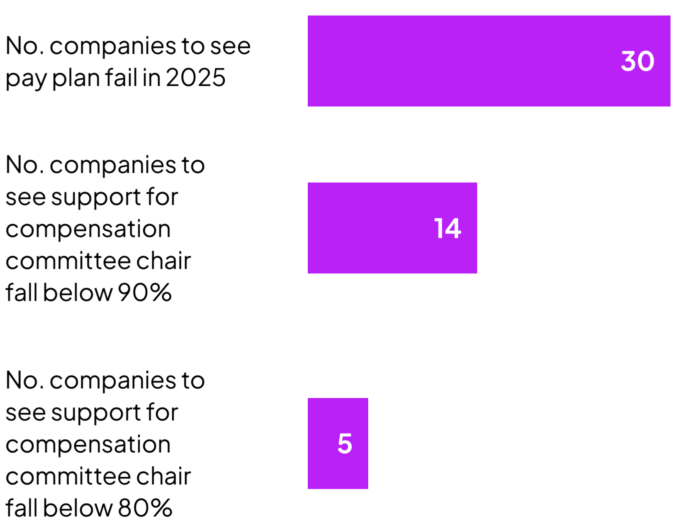
Compensation committees also have significant influence in shaping that trust with proactive communication and thoughtful disclosure considered powerful tools in maintaining support.

"The companies that take painstaking efforts to tell the story of their compensation before others can tell it for them, can often find themselves in a good position in terms of 'say on pay' support regardless of the company's overall performance," noted Myers.

Russell 3000 companies to see pay plan fail in 2025 while also recording decline in average director support (%)



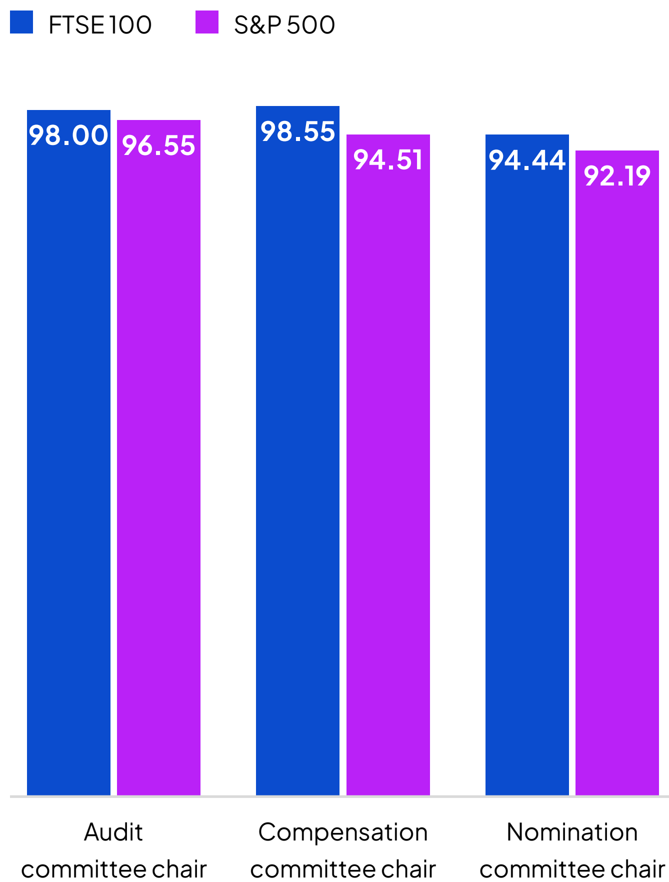
Russell 3000 companies to see pay plan fail in 2025 while also seeing support for compensation committee chair fall



Failed (less than 50% support)

Source: Diligent Market Intelligence / Voting

Average support (%) for committee chair roles, by selected indices



*Based on 2024/2025 proxy season

Source: Diligent Market Intelligence/ Governance and Voting

Why do pay plans fail?

Top themes cited in investor rationales for failed "say on pay" plans at Russell 3000 companies

Most common themes in investor rationales			
	Investor rationale against	**No. mentions**	**Driver**
1	Pay and performance misalignment	1,724	The most dominant theme — investors flagged weak linkage between executive pay outcomes and company performance or shareholder value.
2	Discretionary awards / one-off grants	1,239	Frequent opposition to retention or one-off awards viewed as unjustified or lacking measurable conditions.
3	Poor disclosure / lack of transparency	1,176	Frustration with insufficient detail around performance metrics, targets, and rationale for awards.
4	Lack of performance conditions / metrics	823	Many investors noted the absence of robust, measurable, or long-term performance conditions tied to incentive plans.
5	Quantum of pay / pay magnitude	322	Concerns over excessive overall remuneration levels relative to peers or company results.

*Based on pay plans that failed to secure majority support at Russell 3000 companies in the 2024/2025 proxy season

The board should ensure that all benefits have a clear business rationale.

The company has entered into a new single-trigger provision in change-in-control agreements.

Concerns are raised surrounding off-cycle awards provided to the CEO and CFO.

Excessive pay quantum.

Excessive severance package.

CEO pay exceeds the 75th percentile of peers and the company's performance is below the 75th percentile of the peer group.

Disclosure does not provide sufficient understanding of the company's remuneration policies and the link between performance-based pay.

The board should provide transparency on total remuneration to avoid unacceptable outcomes.

Unmitigated pay-for-performance misalignment.

Source: Diligent Market Intelligence / Voting

The great reset

Less than a year into the second Trump administration, regulatory shifts have proved more radical than anticipated for stewardship teams, setting in motion a range of changes that will take years to play out. Whether it will upend voting outcomes remains to be seen, writes Josh Black.

Following two years of growing pressure from conservative states and corporate lobby groups building up to the presidential election last year, legislators and regulators were well prepared to introduce new legal and regulatory constraints on shareholder engagement, proxy advisors and shareholder proposals, each of which has the potential to shape the proxy voting ecosystem.

The impact of those changes will take years, and maybe many presidential cycles to be truly known. Some might be reversed, others will have unexpected impacts. And while the psychological and cultural impacts may be profound, the relentless demands of proxy season may mean they are slow to take effect.

"Dramatic change would be like pivoting a battleship on a dime," Patrick Gadson, co-head of Sullivan & Cromwell's shareholder activism practice, told DMI. "I don't think the structure of the system could accommodate radical change fast."

A momentous year

In February, the Securities and Exchange Commission (SEC) introduced new guidance for institutional investors relying on passive intent to file 13G forms, rather than the more onerous 13Ds required of activist investors. SEC Chair Paul Atkins later mused that there may be no basis in national legislation or Delaware law for certain nonbinding shareholder proposals, suggesting a path for companies to exclude more from their proxy ballots. And in July, the Texas legislature approved an act that would place greater reporting burdens on proxy voting advisors – although the implementation is currently halted regarding Institutional Shareholder Services (ISS) and Glass Lewis pending litigation.

The real-world impact has been pronounced. Institutional investors, which removed explicit diversity expectations from their investor voting policies in February in response to an executive order on diversity, equity & inclusion (DEI) in the first months of the administration, have since shifted their engagement style and have even begun breaking up their stewardship teams to make their impacts more proportionate. Glass Lewis has announced plans to abandon its benchmark recommendations in 2027, replacing them with AI-driven custom policies, while ISS plans to offer investors the option of research without recommendations or customized data, on top of an expansion of alternative voting policies – including an ESG skeptic one – from previous years.

A culture shift

Many of the changes are driven by the same animus; roll back the expansion of shareholder influence over boards and management teams, particularly that driven by environmental or social concerns. The incoming SEC leadership also junked the previous administration's much-contested climate disclosure rule and has talked about simplifying compensation disclosures.

And institutional shareholders have shifted their approach, albeit subtly. There are no more letters from Larry Fink about the benefits of ESG. Average support for director elections and "say on pay" has increased slightly and support for environmental and social shareholder proposals is way down.

"At the end of the day, this is a question about the consequences of culture," said Gadson. "There will be pivots, adoption of what is seen to be in lockstep with the country's direction."

"Despite the anti-ESG, anti-DEI pressures that are out there, given this has all happened in the last year, I don't think investors' views have changed suddenly," Bob Marese, president of MacKenzie Partners said in an in interview. "Many investors still value the kind of disclosures that were common before the past year and although there's less incentive from issuers to disclose that information, I think companies can still expect desire to discuss these topics in engagement meetings despite regulatory pressures.

New styles of engagement

Anxiety over a potential shift in stewardship priorities was heightened by the SEC's warning in February that discussing voting intentions might disqualify an investor from filing a form 13G, requiring greater public disclosures around trading and engagement that would have proved onerous for large asset managers.

"In the immediate aftermath, you had a lockdown on engagement as stewardship teams at large index funds assessed the guidance's impact," said Jonathan Kovacs, a director at proxy solicitor Innisfree M&A. "Eventually they implemented policies to ensure compliance and resumed engagements, albeit now beginning meetings by explicitly disclaiming their intent to influence control of the issuer. Issuers also found, to their immense frustration, that these stewardship teams were often in 'listen-only' mode or only addressed topics the issuer raised proactively."

"Advisors going forward are going to have to prepare clients to be more predictive of the sorts of questions that the large passives would like to ask but aren't comfortable asking," said Gadson. "You almost have to ask their questions for them and answer their questions for them. The only way you can do that is if you've worked with a strong team of advisors to anticipate their questions and follow-up questions."

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Splinters in the woodwork

A bigger shift will see the largest institutional investors split their stewardship teams – BlackRock into active and passive stewardship, Vanguard into two teams under Glenn Booraem and Carolyn Cross to "diversify perspectives in the proxy voting ecosystem" and State Street with an engagement-as-a-service offering called the Sustainability Stewardship Service.

"Companies will need to do more homework to make sure they know where (within each firm) the shares are held, who is making decisions about proxy voting within each arm of each firm, and how to engage with all of the above," said Jessica Strine, CEO of governance advisory firm Jasper Street.

How dramatically the shift will affect voting outcomes in the longer-term is up for debate. Complicating the matter is pass-through voting, where asset managers give their clients the opportunity to vote their shares according to their own preferences. BlackRock has said that take-up was around $784 billion of the $3.3 trillion in eligible assets at the end of June – or about 11% of total index equity assets. Vanguard said in September that around $9 billion of its $1 trillion eligible assets were enrolled – but that policy options largely canceled each other out with 18% choosing an ESG policy, 24% choosing a board-friendly policy, and 35% picking Vanguard's own voting policy.

While institutional investors already have their own voting policies and increasingly cater to investor choice, moves from ISS and Glass Lewis to make their recommendations less monolithic and more of a menu will also add complexity and accelerate the shift in solicitation approaches from the sprint finish between proxy advisor recommendations being released and the annual meeting to "sunny day" engagement with investors.

"When I first started doing this, we didn't have the benefit of having ISS and Glass Lewis," says MacKenzie's Marese. "It's going back to that place where you really need to understand the landscape of institutional voting. Rather than getting easier, it's going to get more challenging."

"Decoding the vote is going to be a little more difficult," said Lyndon Park, a managing director at JP Morgan in its shareholder engagement and M&A capital markets group. "The decision-tree for companies just got more complicated. Though how investors will think about contested situations will not change dramatically, routine AGM matters, shareholder proposals, director elections – these might pose some challenges because decision-making at both investor stewardship groups as well as proxy advisory firms is starting to splinter."

Indeed – as they have for some years – advisors recommend proactive outreach outside of the proxy season, as well as getting to know how stewardship teams function and what issues are top of mind.

Proxy advisors look set for a tough environment over at least the next three years, especially for companies with a base or significant operations in Texas, where SB 2337 will, if it survives a court challenge, force the likes of ISS and Glass Lewis to offer more extensive financial analyses for any recommendations that diverge from board-recommended voting outcomes. In May, Jamie Dimon, JP Morgan's CEO and chairman, announced the elimination of proxy advisor recommendations from his company's internal voting systems.

According to Karla Bos - a recently retired former stewardship executive at ING and Fidelity, and advisor at Aon - companies may rue wishing for the downfall of the proxy advisors.

"Just because you have proxy advisor support, doesn't mean the investors are in the bag," she said. "Painful as dealing with proxy advisor recommendations was for companies, if it's all quicksand - is that any better?"

Takeaways from Stewardship Series London

More than 120 investors, advisors and issuers convened in London on November 11 for the latest leg of the Diligent Market Intelligence Stewardship Series, hosted in collaboration with White & Case, Okapi Partners and Forward Global. Over an agenda of six dynamic panels, expert speakers discussed how Europe's activism landscape is changing shape and how boards can best prepare for the next wave of stewardship expectations from AI to executive compensation.

The event opened with the launch of **DMI's Corporate Governance in Europe** report, sponsored by White & Case, and a clear message: U.S.-based activists are likely to continue dominating campaigns in the U.K. as the primary agitators.

Josh Black, Diligent and Tom Matthews, White & Case.

The second session shifted the spotlight to board preparedness. The message from JP Morgan, Okapi Partners and Forward Global was unanimous: engage early and often.

Elizabeth Ellicott, Diligent; Darren Novak, JP Morgan; Pat McHugh, Okapi Partners and Brendan Foo, Forward Global.

In a candid discussion moderated by White & Case partner Patrick Sarch, Spur Value Partners' Till Hufnagel pulled back the curtain on how activists identify opportunity and what his recently launched fund expects from boards. "In Europe, activists don't show up with boxing gloves just for the sake of it. The goal is constructive engagement, not theatrics."

Patrick Sarch, White & Case and Till Hufnagel, Spur Value Partners.

A session on evolving social stewardship heard that investors are in a much stronger position to engage effectively if companies have the right people, structures, systems, and processes in place to help navigate the uncertainties and fast-moving developments in AI. On pay inequality, investors increasingly see that long-term returns that are dependent on healthy, stable workforces and cohesive societies.

Josh Black, Diligent; Tom Powdrill, Social Governance; Louise Eldridge, ShareAction and Caroline Escott, Railpen (online).

Ahead of the rollout of the new UK Stewardship Code, delegates heard that U.K.-listed companies should feel more empowered to report more confidently and more purposefully with the FRC focused on clear, consistent reporting and an understanding of how stewardship is applied in practice.

Josh Black, Diligent; Ruth Nash, Financial Reporting Council (FRC); Oscar Warwick Thompson, UKSIF; Matt Roberts, Fidelity International and Philip Vernardis, Northern Trust Asset Management.

As the U.K. works to address the CEO pay gap while reviewing the overall structure of pay, investors want to see strong performance alignment around incentives and clear disclosure. The event heard that U.K.-listed companies should not lose sight of the focus on long-term share ownership when reviewing policies.

Rachit Gupta, Diligent; Stephen Cahill, Farient Advisors; Ann-Sophie Blouin, RELX; Amy Wilson, Norges Bank Investment Management and Andrew Ninian, The Investment Association (IA).

About Diligent Market Intelligence

Diligent Market Intelligence is the leading provider of corporate governance, shareholder engagement and investor stewardship data. Trusted by advisors, investors and issuers globally, the Diligent Market Intelligence platform equips firms with the necessary information to proactively manage shareholder pressures, mitigate governance risks, and maintain a competitive edge in the market.

For more information or to request a demo:

dmi.info@diligent.com