

CLIENT ALERT

Navigating Compensation Governance

ISS Revokes Policy on Board Diversity

ISS will no longer consider board diversity when issuing vote recommendations on directors.

Under prior ISS policy, ISS generally recommended AGAINST the nominating committee chair (or other directors on a case-by-case basis) if a company's board of directors did not have (i) any women or (ii) any apparent racial or ethnic minorities.

Under the new ISS policy, ISS will no longer consider the gender and racial and/or ethnic diversity of a company's board when making vote recommendations with respect to director elections at U.S. companies. This new ISS policy applies to ISS reports published on or after February 25, 2025.

In updating its policy, ISS cites the Trump administration's executive orders essentially prohibiting DEI programs and activities throughout federal agencies. ISS also acknowledges that "institutional investors and U.S. companies will have a range of perspectives on DEI, including whether and how companies can or should adapt their specific policies and practices to the evolving market and governmental activity."

Glass Lewis has not indicated whether it will update its policies on board diversity. Under its current policy, Glass Lewis will recommend against the chair of the nominating committee if the company's board is not (i) at least 30% gender diverse¹ or (ii) does not have at least one director from an underrepresented community.²

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The **Client Alert** is prepared by Meridian Compensation Partners' Governance and Regulatory Team led by Donald Kalfen. Questions regarding this Client Update or executive compensation technical issues may be directed to Donald Kalfen at 847-347-2524.

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¹ For Russell 3000 Index constituent companies

² For Russell 1000 Index constituent companies