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BlackRock Releases Updated 2025 U.S. Proxy Voting Guidelines

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BlackRock recalibrates board diversity expectations, de-emphasizing demographic factors and seeking disclosure of how companies' approach to board composition supports their governance practices

2025 updates also include minor policy clarifications/elaborations in the areas of executive compensation, climate risk and shareholder proposals

BlackRock Investment Stewardship (BlackRock) has published its updated 2025 U.S. Proxy Voting Guidelines, 2025 Global Principles and 2025 Engagement Priorities, which collectively set out the core elements of corporate governance that guide BlackRock's investment stewardship efforts, including when engaging with public companies and voting at shareholder meetings. BlackRock will apply these policies, which are **effective as of January 2025**, on a pragmatic, case-by-case basis, taking into consideration a number of factors, including the sector, market and business environment within which a company is operating. BlackRock is the world's largest asset manager with more than $11 trillion of total assets under management. Policy updates from Vanguard and State Street, the two other asset management firms that, together with BlackRock, comprise the "Big Three," are expected in Q1 2025.

2025 U.S. PROXY VOTING GUIDELINES

The proxy voting guidelines summarize BlackRock's general philosophy and approach to engagement and voting, as well as its view of governance best practices and the roles and responsibilities of boards and directors for publicly listed U.S. companies. New for 2025:

Boards and Directors

- BlackRock engages, as necessary, with members of the board’s nominating and/or governance committee to assess whether governance practices and board composition are appropriate given a company’s business model, and it takes into consideration a number of factors, including the sector, market and business environment within which a company is operating.

- **BlackRock seeks to understand management’s long-term strategy and the milestones against which investors should assess its implementation. If any strategic targets are significantly missed or materially restated, BlackRock finds it helpful when company disclosures provide a detailed explanation of the changes and an indication of the board’s role in reviewing the revised targets**. BlackRock looks to the board to articulate the effectiveness of these mechanisms in overseeing the management of business risks and opportunities and the fulfillment of the company’s strategy.

- While BlackRock’s vote against the election of a certain director may signal concerns with the director’s suitability for service on a particular board, **such vote may also signal BlackRock’s concerns with the particular role an otherwise qualified and effective director serves on a particular board**.

Board Composition

- BlackRock has changed the title and focus of this section from “Board Diversity” to “Board Composition,” and most references to “diverse” or “diversity” have been replaced with phrasing such as “a variety of experiences, perspectives and skillsets,” “a relevant mix of professional and personal characteristics” and “different backgrounds.”

- **In assessing board composition, BlackRock will take a case-by-case approach based on a company’s board size, business model, strategy, location and market capitalization**. **BlackRock will look for companies to explain how their approach to board composition supports the company’s governance practices**.

- **BlackRock has removed its previous aspirational targets for U.S. boards to be at least 30% diverse, and to include at least two directors who identify as female and at least one director who identifies as a member of an underrepresented group**. It has also deleted the sentence that “[s]elf-identified board demographic diversity can usefully be disclosed in the aggregate, consistent with local law.”

- Instead, BlackRock states that more than 98% of S&P 500 companies currently have diverse representation in the boardroom of 30% or greater. **To the extent *an S&P 500 company board* is an outlier and does not have a mix of professional and personal characteristics that is comparable to market norms, BlackRock may vote on a case-by-case basis against members of the nominating/governance committee**. Personal characteristics may include, but are not limited to, gender; race/ethnicity; disability; veteran status; LGBTQ+; and national, indigenous, religious or cultural identity.

- **BlackRock recognizes that *companies with smaller market caps and in certain sectors* may face more challenges in nominating directors from different backgrounds and will look for "a relevant mix of professional and personal characteristics" among such companies**.

- In order to help investors understand a company's approach to board composition, BlackRock will continue to ask boards to disclose how candidates for board positions are identified (including whether professional firms or other resources outside of incumbent directors' networks are engaged to identify and/or assess candidates), but **will no longer ask boards to disclose whether a diverse slate of nominees is considered for all available board nominations**.

Consistent with prior years, BlackRock will also continue to expect boards to disclose how directors' professional characteristics (e.g., domain expertise, sector- or market-specific experience) are complementary and link to the company's long-term strategy; and how diversity, including professional and personal characteristics, is considered in board composition, given the company's long-term strategy and business model.

- Beginning in 2025, **BlackRock will no longer vote against members of the nominating/governance committee if, based on its assessment of corporate disclosures, a company has not adequately explained its approach to diversity in its board composition**.

Oversight Role of the Board

- **BlackRock may vote against members of the audit committee where the board has failed to provide timely disclosure of remediation of material weaknesses** (in addition to where the board has failed to facilitate quality, independent auditing or accounting practices, as previously was the case).

Board Term Limits and Director Tenure

- The 2025 guidelines state that **BlackRock may oppose the election of "certain directors" who serve on boards that appear to have an insufficient mix of short-, medium- and long-tenured directors** (previous years' iterations of the guidelines stated BlackRock would consider opposing "boards" with an insufficient mix).

Executive Compensation

- In its discussion of compensation committees' use of peer group evaluation to help calibrate competitive pay, BlackRock added a new sentence **encouraging companies to clearly explain how compensation outcomes have rewarded performance**. This paragraph now reads as follows (new language in bold):

> "We acknowledge that the use of peer group evaluation by compensation committees can help calibrate competitive pay; however, we are concerned when the rationale for increases in total compensation is solely based on peer benchmarking**, rather than also considering rigorous measure(s) of outperformance. We encourage companies to clearly explain how compensation outcomes have rewarded performance**."

Clawback Policies

- BlackRock included the following new sentence: "**Generally, we expect boards to exercise limited discretion in forgoing, releasing or settling amounts subject to recovery for executive officers and no indemnification or insurance coverage losses incurred by executive officers**."

- Consistent with previous years, **BlackRock will continue to favor clawback policies that exceed the minimum SEC/Dodd-Frank requirements**: "We also favor recoupment from or the forfeiting of the grant of any awards by any senior executive whose behavior caused material financial harm to shareholders, material reputational risk to the company, or resulted in a criminal investigation, even if such actions did not ultimately result in a material restatement of past results."

Equity Compensation Plans

- BlackRock included the following new paragraph about equity plan share requests:

> "**We find it helpful when companies submit their equity compensation plans for shareholder approval more frequently than required by listing exchange standards to facilitate the timely consideration of evolving plan governance practices**. Particularly when share reserve requests grow significantly versus prior plans, boards should clearly explain any material

factors that may potentially contribute to changes from the company's past equity usage. We may support an equity plan share request if we determine that support for such plan is in the best interests of shareholders; however, **we may also vote against members of the compensation committee to signal our concerns about the structure or design of the equity compensation plan or the company's equity grant practices and the imprudent use of equity**."

Option Repricings/Exchanges

- BlackRock has changed the title of this section from "Option Exchanges" to "Option Repricings/Exchanges" and clarified that the previous references to option exchanges are meant to also encompass option repricings.

- BlackRock added that **it "may vote against members of the compensation committee where a board implements or approves a repricing or option exchange without shareholder approval. Where such a repricing or option exchange includes named executive officers, we may also vote against the company's annual advisory vote on executive compensation."**

Material Sustainability-Related Risks and Opportunities

- In its discussion of recommended oversight and disclosure of companies' material sustainability-related risks and opportunities, **BlackRock included a definition of such risks and opportunities to mean "the drivers of risk and financial value creation in a company's business model that have an environmental or social dependency or impact**. Examples of environmental issues include, but are not limited to, water use, land use, waste management and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty and relationships with regulators."

Climate Risk

- BlackRock clarified that, while low-carbon transition plans are building momentum internationally and disclosure about transition plans can be helpful, **it does not make the preparation and production of climate transition plans a voting issue**. **BlackRock may engage companies that have chosen to publish a transition plan to understand their planned actions and resource implications**.

- BlackRock added language **expressing an explicit preference for climate-related disclosures consistent with the International Sustainability Standards**

Board (ISSB) standards or the Task Force on Climate-related Financial Disclosures (TCFD) framework. ISSB- or TCFD-aligned disclosures "can help investors assess company-specific climate-related risks and opportunities, and inform investment decisions. Such disclosures also provide investors with insights into how companies are managing the risks associated with climate change by managing their own carbon emissions or emissions intensities to the extent financially practicable."

BlackRock expects companies that report using different local standards (either mandatory or voluntary) to disclose their rationale for reporting in line with the specific disclosure framework chosen and highlight the metrics that are industry- or company-specific.

- BlackRock highlighted that **it "look[s] to boards to oversee management's approach to addressing material climate risk in a company's business model and may convey concerns about board oversight in our voting on director elections or supporting a business relevant shareholder proposal when, in our assessment, the board is not acting in shareholders' long-term financial interests."**

Shareholder Proposals

- BlackRock emphasized that **it "is likely to support shareholder proposals that request disclosures that help us, as long-term investors on behalf of our clients, better understand the material risks and opportunities companies face and how they are managing them, especially where this information is additive given the company's existing disclosures."**

2025 ENGAGEMENT PRIORITIES

BlackRock's engagement priorities reflect the five themes on which it most frequently engages public companies, where they are relevant and a source of material business risk or opportunity.

BlackRock notes that **this year's engagement priorities and the related thematic commentaries remain consistent with those from prior years as they continue to reflect the corporate governance norms that, in its experience, drive long-term financial value**. **For 2025, there are no material changes in BlackRock's approach to engaging companies on these key themes**. Many of the topics addressed in its engagement priorities may also be taken into consideration in its voting.

BlackRock's 2025 engagement priorities are:

1. **Board quality and effectiveness**

    - *Detailed commentary available here, which includes a list of governance questions to which BlackRock expects boards to have credible responses in order to demonstrate a robust approach to board quality and effectiveness*

2. **Strategy, purpose and financial resilience**

    - *Detailed commentary available here, which includes a list of topics BlackRock may discuss in its engagements to understand a company's strategy, purpose and ability to build financial resilience*

3. **Incentives aligned with financial value creation**

    - *Detailed commentary available here, which includes a discussion of sustainability-related criteria in companies' incentive plans*

4. **Climate and natural capital**

    - *Detailed climate-related risk commentary available here, which includes specific topics related to the low-carbon transition BlackRock may address in its engagement conversations with company leadership, and a table summarizing recommended disclosures related to material climate-related risks and opportunities*

    - *Detailed natural capital commentary available here, which prioritizes land use/deforestation, water and biodiversity for engagement purposes, and includes specific questions related to material natural capital-related risks and opportunities BlackRock may raise during engagements*

5. **Company impacts on people**

    - *Detailed commentary on human capital management available here, which includes discussion of board oversight of human capital risks and opportunities; workforce engagement; workforce compensation; training and development; efforts to support diverse perspectives in the workforce; worker rights and protection; and health and safety*

    - *Detailed commentary on companies' human rights impacts available here, which includes a list of considerations that guide BlackRock's understanding of how* *companies manage human rights-related risks and impacts inherent in their businesses*

All of the 2025 policy documents referenced above can also be found in BlackRock's content library.

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