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Executive Order Targets Shareholder Advisory Firms

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On December 11, 2025, President Trump signed an executive order targeting the two major shareholder advisers, Institutional Shareholder Services, Inc. (ISS) and Glass, Lewis & Co., LLC (Glass Lewis). The executive order instructs the Securities and Exchange Commission (SEC), the Federal Trade Commission (FTC) and the Department of Labor to investigate approaches to limit shareholder advisors' ability to influence corporate governance matters, including executive compensation, shareholder proposals, and board composition, based on criteria related to Diversity, Equity and Inclusion (DEI) or Environmental, Social and Governance (ESG).

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Purpose of the Order

The purpose of the order is to address the influence that ISS and Glass Lewis have over the governance decisions of publicly traded companies and therefore the value of American investments, as the two advisers control more than 90 percent of the proxy advisory market. The order expresses that this is concerning because ISS and Glass Lewis are foreign owned (by German and Canadian entities, respectively), push political agendas (i.e., DEI and ESG), and operate without sufficient oversight. The order instructs the SEC, FTC and Department of Labor to take action to provide greater oversight of the proxy advisers.

SEC

Under the order, the SEC must: Review all proxy advisory rules and guidance and consider revising or rescinding anything related to DEI and ESG considerations; enforce anti-fraud laws on proxy advisory firms if misleading claims are made; consider having the firms register as investment advisors so they are under fiduciary duty and have greater compliance; increase the firms' transparency around recommendations and methodology; investigate if the firms are a vehicle for coordinating shareholder voting; and determine if ESG/DEI recommendations interfere with fiduciary duty.

FTC

Under the order, the FTC must assess if ISS' and Glass Lewis' behavior violates federal anti-trust law by investigating deceptive practices including collusion, conflicts of interest, misleading or omitted information, and the undermining of investor ability to make informed choices.

Department of Labor/ERISA

The order requires the Department of Labor to protect the interests of pensions and retirement plans by ensuring that organizations are acting in the financial interests of plan participants. The Department of Labor must consider making ISS and Glass Lewis ERISA fiduciaries, which would require greater compliance and liability.

Conclusion

The order will likely be viewed positively by most issuers and less positively by shareholder advisors and institutional investors. Based on recent experience, we expect any restrictions or regulations that the administration proposes to be contested in the courts by the shareholder advisory firms. It is possible that the pressure from the administration will lead to shareholder advisory firms continuing to back away from DEI and ESG in their policies.



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