**CLIENT ALERT |** December 17, 2025

# President Trump Issues Executive Order Targeting Proxy Advisors

***The Order takes aim at the proxy advisory industry, particularly with regard to DEI and ESG.***

## Key Points:

- The Order directs the SEC, FTC, and DOL to increase oversight of proxy advisors and assess their practices under applicable laws.
- ISS and Glass Lewis have already begun to modify their practices in light of mounting regulatory pressure.
- The Order could fundamentally reshape the proxy advisory landscape.

On December 11, 2025, President Trump signed an executive order titled “Protecting American Investors from Foreign-Owned and Politically-Motivated Proxy Advisors” (the Order), which explicitly names both Institutional Shareholder Services (ISS) and Glass Lewis. The Order expresses particular concern that proxy advisors are using their influence over shareholder proposals, board composition, and executive compensation to prioritize “radical politically-motivated agendas,” including diversity, equity, and inclusion (DEI) and environmental, social, and governance (ESG) matters.

The Order notes that investor returns should be the only priority in advising investors and directs the Securities and Exchange Commission (SEC), Federal Trade Commission (FTC), and Department of Labor (DOL) to increase oversight of proxy advisors and assess their practices under applicable laws.

The Order is not expected to directly impact proxy advisory firms for the upcoming 2026 proxy season, but it may indirectly impact their influence by focusing attention on the actions of proxy advisors and their clients. While the Order does not include any deadlines for regulatory action, we expect that the SEC, FTC, and DOL will act upon the directives addressed to each of them in the Order in the next year in ways that may well fundamentally reshape the proxy advisory landscape in 2027 and beyond.

## SEC Action

The Order directs the SEC to review all rules and guidance related to proxy advisors and to consider revising these rules to the extent they are inconsistent with the Order’s priorities, particularly with regard to DEI and ESG matters.

Latham & Watkins operates worldwide as a limited liability partnership organized under the laws of the State of Delaware (USA) with affiliated limited liability partnerships conducting the practice in France, Hong Kong, Italy, Singapore, and the United Kingdom and as an affiliated partnership conducting the practice in Japan. Latham & Watkins operates in Israel through a limited liability company, in South Korea as a Foreign Legal Consultant Office, and in Saudi Arabia through a limited liability company. © Copyright 2025 Latham & Watkins. All Rights Reserved. Under New York’s Code of Professional Responsibility, portions of this communication contain attorney advertising. Prior results do not guarantee a similar outcome. Results depend upon a variety of factors unique to each representation. Please direct all inquiries regarding our conduct under New York’s Disciplinary Rules to Latham & Watkins LLP, 1271 Avenue of the Americas, New York, NY 10020-1401, Phone: +1.212.906.1200.

Specifically, the Order directs the SEC Chairman to:

- enforce federal securities anti-fraud laws with respect to any material misstatements or omissions by proxy advisors that are identified in voting recommendations;
- evaluate whether proxy advisors warrant registration as registered investment advisors (RIAs);
- mandate enhanced transparency from proxy advisors regarding their voting recommendations (particularly around DEI and ESG matters);
- analyze whether proxy advisor-facilitated coordination among RIAs could trigger "group" status under Sections 13(d)/(g) of the Securities Exchange Act of 1934; and
- assess whether RIA reliance on proxy advisor advice relating to "non-pecuniary factors" in investing — which the Order states includes, as appropriate, DEI and ESG matters — is inconsistent with their fiduciary duties.

## FTC Action

The Order instructs the FTC Chairman, in consultation with the US Attorney General, to consider whether ongoing state antitrust investigations of proxy advisors raise issues under federal antitrust laws. Further, the Order requires the FTC, again in consultation with the US Attorney General, to assess whether proxy advisors engage in unfair competition or deceptive acts (e.g., collusion, conflicts of interest, inaccurate information, or other factors that prevent investors from making informed decisions).

## DOL Action

The Order directs the Secretary of Labor to (1) revise the department's existing regulations and guidance regarding the fiduciary status of those who manage, or — "like proxy advisors," advise those who manage — the rights appurtenant to shares held by employee benefit plans subject to ERISA, including with respect to proxy votes and corporate engagement, and (2) consider specifying that anyone "who has a relationship of trust and confidence with their client, including any proxy advisor," and who provides advice for direct or indirect compensation with respect to the exercise of rights appurtenant to shares held by ERISA plans is an investment advice fiduciary.

The Secretary of Labor is further directed to (1) take action to strengthen fiduciary standards, including by assessing whether proxy advisors act solely in the financial interests of plan participants and whether their practices undermine the pecuniary value of retirement assets, and (2) enhance transparency associated with the use of proxy advisors and investment practices based on DEI and ESG considerations.

## Key Takeaways

The Order signals the onset of intensified federal scrutiny of proxy advisory firms that may lead to regulatory changes, litigation, and/or other enforcement actions, and comes in the wake of state-level laws, litigation, and other actions by Texas and Florida, among others, regulating or otherwise challenging proxy advisor practices, including under state consumer protection and antitrust laws.

The prospect of declaring proxy advisory firms as ERISA fiduciaries may curtail certain practices of proxy advisory firms, including providing guidance that focuses on factors that may be considered non-pecuniary, and may subject proxy advisory firms to additional regulatory oversight and claims (including potentially from plan participants). Moreover, additional DOL scrutiny and fiduciary regulation may create tension for proxy advisory firms between a desire to give client-specific guidance (which could increase the risk of being a fiduciary) and limiting advice to only generic statements that do not take into account client-specific considerations (in an attempt to avoid fiduciary status).

ISS and Glass Lewis have already begun to modify their practices in light of mounting regulatory pressure — notably, Glass Lewis has announced that beginning in 2027 it will move to more customized or thematic proxy voting guidelines rather than a single "house" recommendation in order to provide its clients with voting recommendations more closely aligned with the client's priorities. In its North American and ESG Guidelines Webinar on December 16, 2025, Glass Lewis explained that its new thematic voting recommendations will fall into four "perspectives" to reflect the varied viewpoints of its clients, though it noted that these perspectives are still being fleshed out.

In addition, ISS has revised its proxy voting guidelines to provide that beginning with the 2026 proxy season it will no longer generally recommend voting for environmental and social proposals and will instead evaluate these proposals on a case-by-case basis. We expect more changes may come. ISS and Glass Lewis may also challenge the effectiveness of any rulemaking resulting from the Order.

In any event, the Order is likely to have a significant impact on the operation of proxy advisors and the proxy disclosure practices of public companies, in particular practices and disclosures relating to DEI and ESG.

## Contacts

**Betty M. Huber**
betty.huber@lw.com
+1.212.906.1222
New York

**Benjamin Rosemergy**
benjamin.rosemergy@lw.com
+1.312.876.7714
Chicago

**Larry Seymour**
larry.seymour@lw.com
+1.213.891.8780
Los Angeles

**Bradd L. Williamson**
bradd.williamson@lw.com
+1.212.906.1826
New York

**Aryeh Zuber**
aryeh.zuber@lw.com
+1.213.891.8523
New York / Los Angeles

**Ariel Woldar**
Knowledge Management Lawyer
ariel.woldar@lw.com
+1.212.418.7849
New York

*This publication is produced by Latham & Watkins as a news reporting service to clients and other friends. The information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the lawyer with whom you normally consult. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Latham lawyers are not authorized to practice. See our Attorney Advertising and Terms of Use.*