GLASS LEWIS

June 10, 2025

The Honorable Tim Scott, Chairman
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, D.C. 20510

The Honorable Bill Hagerty
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, D.C. 20510

The Honorable M. Michael Rounds
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, D.C. 20510

Re: Letter of May 20, 2025

Dear Chairman Scott and Senators Hagerty and Rounds:

On behalf of Glass Lewis, I write to respond to your May 20, 2025 letter. We welcome your interest in our work. As a leading proxy advisor, Glass Lewis is deeply committed to serving its institutional shareholder clients by, among other things, helping them to vote their proxies. Proxy voting is a critical component of the corporate governance system and we are proud of the longstanding work we continue to do to help our clients fulfill this responsibility in a manner that benefits and safeguards their beneficiaries' investments.

Your letter catalogues many of the charges some companies and their advisers make about proxy advisors and their work. We appreciate the opportunity to address these issues. As explained below, these criticisms are often exaggerated, unsupported by evidence, or rely on highly selective and distorted readings of our policies and other statements.

Because of the overlapping nature and number of questions in your letter, we have grouped them below, using the section headings in your letter, for purposes of responding to them. At your request, we are also producing copies of our voting policies and other publications. We would, of course, be pleased to discuss any of these issues in more depth with you or your staff at any time.

I. Ideologically Driven Recommendations Untethered from Economic Analysis

Your letter begins by asserting that Glass Lewis is making "ideologically driven" recommendations. As support for this charge, you cite the statement in a Glass Lewis blog post that “human capital management is a material risk and/or opportunity for all companies.” Your letter suggests that this “blanket assertion[]” conflicts with a Supreme Court decision on materiality under the federal securities laws and criticizes what you call our “one-size-fits-all approach to materiality.”

The sentence in question just reflected a common belief among those in the business and academic communities about the widespread and increasing importance of human capital. Put simply, employees matter to companies. Nonetheless, as our Benchmark Policy clearly provides, we evaluate all shareholder proposals on a case-by-case basis.[1] In fact, rather than making any “blanket assertion,” the next sentence of the blog post after the one you appear to have quoted explains this very point: “**However, our ultimate vote recommendations are made on a case-by-case basis, reflecting the risk/reward balance of the specific proposal request in the context of the company that received it**.”[2] While we do not believe that we have ever encountered this situation, if a company were confronted with a shareholder proposal on a human capital issue and maintained that human capital management was not a material issue for their company, we would evaluate that argument on its merits and in the context of that company.

Moreover, the blog post your letter cites actually contradicts your letter’s charge. That post discussed Boeing’s recent annual general meeting at which our Benchmark Policy had recommended against a shareholder proposal requesting a civil rights audit and one on the same general topic filed by a so-called anti-ESG proponent. Our blog post noted that “[i]nvestors with a material financial stake in Boeing may question the necessity and potential benefit of adopting either of these shareholder proposals,” and, after careful review and analysis, we concluded that neither was in shareholders’ long-term economic interest. This, of course, is the opposite of ignoring materiality or making “ideologically driven recommendations.”

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[1] Glass Lewis’s current benchmark voting guidelines for the meetings of U.S. companies are contained in our “2025 Benchmark Policy Guidelines - United States,” which addresses common management proposals at U.S. companies, and our “2025 Benchmark Policy Guidelines — Shareholder Proposals and ESG-Related Issues,” which addresses common shareholder proposals at both U.S. and non-U.S. companies. We make both documents available on our website and copies, along with predecessors to those policies during the relevant time period, are enclosed with this letter. For simplicity, these two documents are referred to as our “Benchmark Policy” in this letter.

[2] See Glass Lewis, “Dueling DEI Proposals Put Boeing Between a Rock and a Hard Place,” (April 8, 2025) (“We view measures related to human capital management as financially material for all companies, potentially resulting in lower attrition, higher employee engagement and more access to the broadest pool of talented employees. However, our ultimate vote recommendations are made on a case-by-case basis, reflecting the risk/reward balance of the specific proposal request in the context of the company that received it.”), available at https://www.glasslewis.com/article/dueling-dei-proposals-put-boeing-between-a-rock-and-a-hard-place.

Your other apparent basis for this charge is a portion of a 2023 House hearing in which our Head of Research explained that many voting items, such as an election of directors that involves the question of whether a director serves on an excessive number of boards, do not lend themselves to an "economic analysis." Although you characterize this as "remarkable and deeply troubling," your letter conspicuously lacks any detail concerning what additional analysis can or should be done on such proposals. Nor does it identify any participant in the proxy voting eco-system - a board of directors, institutional investor, NGO, or even an academic - that performs what your letter characterizes as "economic analysis" of these issues or "economic forecasts" of shareholder proposals.

Glass Lewis research reports on a company's annual meeting often consist of 50 or more pages of financial analysis, including dense tables of quantitative and qualitative information. Not only do we provide multi-year data on total shareholder returns relative to a company's index and peers, the section on the Advisory Vote on Executive Compensation alone for large companies often includes multiple tables of quantitative data and graphical representation of the company's executive compensation against its peer group, performance comparisons on earning per share (EPS), return on equity (ROE), and returns on assets (ROA) against peers, and well over 100 financial data points. Further, each proxy paper provides company financial performance relative to peers across a multitude of financial measures of economic performance, including, but not limited to: gross profit margin, operating and net income margins, price/earnings ratios, total enterprise value to revenue and EBIT, and five-year revenue growth rate and earnings per share. We are providing several samples of our recent research reports to illustrate the deep, sophisticated quantitative and qualitative financial analysis that underlies our recommendations. We are proud of the quality of our research and welcome comparison of it to our competitors or any other participant in the proxy voting system.

The claim that Glass Lewis is providing its clients with advice that is "ideologically driven" is also not supported by our voting record. Glass Lewis' Benchmark Policy supported 94% of all management proposals at S&P 500 companies last year. Our Benchmark Policy explicitly provides that it "**evaluates all environmental and social issues through the lens of long-term shareholder value**," and, under that policy, we routinely recommend against shareholder proposals on environmental and social issues that — however worthwhile as an environmental or social goal — have not demonstrated a nexus to shareholder value. In fact, our Benchmark Policy only supported 30% of shareholder proposals on environmental and social issues last year. Our record reflects our careful, case-by-case analysis of what is in our asset owner and manager clients' best interests, not an ideological agenda.

Your letter also asks what controls we have in place to ensure that personal or political beliefs are excluded from our analyses. Glass Lewis' Code of Ethics strictly forbids any Glass Lewis professional, including our research analysts, from making recommendations based on their personal, social, or political preferences. Specifically, the Glass Lewis Ethics Code states –

> All Supervised Persons are expected to adhere to the high standards associated with Glass Lewis' fiduciary duty, including care and loyalty to clients, competency, diligence and thoroughness, and trust and accountability. This includes conducting all affairs in such a manner as to avoid: (i) serving their own personal interests, including advancing their own social and political preferences, ahead of clients; (ii) taking inappropriate advantage of their position with Glass Lewis; and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

We are enclosing with this letter Glass Lewis' Code of Ethics, as well as our most recent report on our compliance with the Best Practice Principles for Providers of Shareholder Research & Analysis, which discusses in greater detail Glass Lewis' internal controls, training programs, and oversight mechanisms.

Finally, this section of your letter asks whether we have additional processes in place to support our recommendations when they differ from the recommendation of an "independent board[] of directors." While the board's perspective and recommendation are always important considerations in our evaluation of a proposal, we do not defer to recommendations of the company's board, even if that board is composed of a majority of independent directors. Under state corporate law (as well as exchange listing standards and federal law), shareholders have the right to vote on certain issues that are essential to safeguarding the capital they have provided the corporation. Our clients retain us to provide them with objective, expert advice on these matters. By doing so, we help them meet their own legal responsibilities to safeguard pensioners' and other individuals' investments.

II. Conflicts of Interest and Market Coercion

In this section of your letter, you discuss our largest competitor's consulting business and ask us to justify our Benchmark Policy's expectations for board responsiveness to low shareholder support for the company's executive compensation.

As you are aware, the Dodd-Frank Wall Street Reform and Consumer Protection Act requires most public companies to hold a periodic advisory vote on executive compensation. Although so-called say-on-pay proposals are non-binding, a high level of "against" or "abstain" votes indicates substantial shareholder concern about a company's compensation policies and procedures. Specifically, as our Benchmark Policy explains –

> When companies receive a significant level of shareholder opposition to a say-on-pay proposal, which occurs when more than 20% of votes on the proposal are cast as AGAINST and/or ABSTAIN, we believe the board should demonstrate a commensurate level of engagement and responsiveness to the concerns behind the

> disapproval, with a particular focus on responding to shareholder feedback. … While we recognize that sweeping changes cannot be made to a compensation program without due consideration, and that often a majority of shareholders may have voted in favor of the proposal, given that the average approval rate for say-on-pay proposals is about 90%, we believe the compensation committee should demonstrate in its proxy statement a level of response to a significant vote against.

Your letter also asks whether we automatically issue adverse recommendations when companies with low support do not change their executive compensation. Our Benchmark Policy explicitly says that the responsiveness it expects does not necessarily have to include making changes to the company's compensation program. We are including copies of our US Benchmark Policy for the past three years, which explain our approaches to this issue in more detail.

Finally, this section of your letter asks whether our policies on company responsiveness to low say-on-pay votes are "supported by data relevant to the economic interest of shareholders." While we believe the economic interest of shareholders in the structure and amount of executive compensation is evident, there is, in fact, empirical scholarship on the economic benefits of these policies to companies.[3]

III. Foreign Ownership and Political Bias

Your letter expresses concern that Glass Lewis is partly owned by a Canadian private equity firm, Peloton Capital Management. Your letter highlights excerpts from Peloton publications stating that "people come before profits" and that ESG remains a "key factor in investment decision-making," and you contend that these statements "reveal a foundational orientation toward ESG advocacy, which appears to influence the recommendations your firms provide."

Peloton Capital Management is not an ESG activist and does not have any political agenda. Instead, as your letter notes, it is a private equity firm that invests in and helps build businesses in the financial, healthcare, consumer, and business services sectors. While it is true that it considers environmental, social, and governance factors in its investment decisions and believes in "focusing on people first, then profits," this common practice and human sentiment are hardly "ESG advocacy" or evidence of "political bias." Peloton Capital

[3] See Dey, Starkweather and White, "Proxy Advisory Firms and Corporate Shareholder Engagement," Review of Financial Studies (forthcoming) ("Our findings reveal a positive stock price response when firms both fall just below the 70% treatment threshold and for which ISS had issued an "against" SOP vote recommendation. This stock price response is economically meaningful, with positive abnormal returns between 2% and 3%."), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3871948.

Management is focused on generating the highest possible returns for their investors over the long term.

In any event, Peloton Capital Management has no involvement in the day-to-day management of Glass Lewis' business. Glass Lewis operates as an independent company separate from Peloton Capital Management. Moreover, Glass Lewis excludes Peloton from any involvement in the formulation and implementation of its proxy voting policies and guidelines and in the determination of voting recommendations for shareholder meetings. We are enclosing a copy of Glass Lewis' Conflict of Interest Policy, which explains these safeguards and our related conflicts practices in more detail.

IV. Lack of Transparency and Politicization of Proxy Recommendations

This section of your letter criticizes another proxy advisor for not supporting any shareholder proposal from what you call a "a conservative proponent" in 2023 or 2024, while supporting a "majority of all other environmental, social, and political proposals in both years." Your letter further suggests Glass Lewis is not as transparent as our competitor on these issues, "mak[ing] similar analysis impossible."

While Glass Lewis' business involves selling research reports and those reports and their recommendations are our proprietary information, Glass Lewis does publish an array of information about its voting policies and its vote recommendations on an annual basis. In particular, at the conclusion of the proxy season in the US and other major markets we cover, we analyze and aggregate our Benchmark Policy recommendations and shareholder voting results. We then publish our key findings to our clients and the public to provide further transparency into our recommendations and voting trends. In fact, we have one report just for the shareholder proposals we considered each US proxy season that contains extensive statistical information and discussion of our approach to the issues we analyzed that year. We are enclosing copies of our most recent Season Reviews of the United States for the last two proxy seasons for your review.

As reflected in these publications, Glass Lewis' support rate for shareholder proposals under its Benchmark Policy differs from what is presented in your letter. In particular, our Benchmark Policy only supported roughly 30% of all environmental and social shareholder proposals in both 2023 and 2024. For all shareholder proposals, including governance proposals (which our policy tends to support at a much higher rate) and excluding those put forward by so-called anti-ESG proponents, our Benchmark Policy supported roughly 50% of shareholder proposals in both years. Our Benchmark Policy also supported some shareholder proposals from so-called anti-ESG proponents over that two-year period. And we have supported more of those proposals this past proxy season. Our Benchmark Policy, however, has not supported a significant majority of these proposals because, in most cases, we were unable to conclude that they were in shareholders' long-term economic interest. We note that these anti-ESG shareholder proposals have also received very low support from company shareholders – approximately 5% on average in 2023 and 2.5% in 2024.

V. Retaliatory and Ideologically Prescriptive Practices

Finally, your letter accuses Glass Lewis of imposing "one-size-fits-all board diversity mandates" and suggests that our advice on board composition is "ideologically prescriptive." Again, however, our Benchmark Policy and supplemental reports clearly explain the shareholder value rationale for our approaches to these issues, which is neither "one-size-fits-all," nor a "mandate."

Our Benchmark Policy on this issue reflects an emerging consensus over recent years in the business and investor community about the value of addressing historical diversity imbalances in board composition. As your letter notes, many companies have made "commendable, proactive efforts . . . to recruit, promote, and maintain diverse talent." In fact, the vast majority of the boards of S&P 500 companies today have at least 30% gender diverse board representation and only a small percentage of larger US companies do not have at least one racially and/or ethnically diverse director. As these companies have explained in their disclosures, having directors from different backgrounds helps ensure a broad range of perspectives and insights and can help them better understand and navigate complex issues.[4]

Our Benchmark Policy likewise takes the view that a board can best protect and enhance the interests of shareholders if it is sufficiently independent, has a record of positive performance, and consists of individuals with diverse backgrounds and relevant experience, as "such diversity benefits companies by providing a broad range of perspectives and insights." Accordingly, our Benchmark Policy considers the composition of the board in evaluating the performance of the chair of the board's nominating committee and, for the minority of larger companies that have not achieved a basic level of board diversity, expects them to explain their failure to do so.

Importantly, however, we apply our guidelines on this topic in a flexible, "comply or explain" manner. When we see outliers that have not met market standards, we take a case-by-case approach and invite companies to provide sufficient rationale or context regarding the composition of their boards in disclosures to shareholders. Examples of relevant factors we regularly consider include, but are not limited to, the alignment of diversity in recent years to market standard, recent board composition changes, commitments and timelines to enhance diversity. We have also noted that "the current US

[4] For these reasons, we are confused by your request for an explanation of "how [our] diversity standards were reconciled with directors' fiduciary duties to shareholders." We see no basis to suggest that the board members of the many companies that have taken steps to diversify their boards have not complied with their fiduciary duties. And, obviously, all directors have the same fiduciary duties to shareholders, irrespective of their personal characteristics.

legal and policy environment may pose additional challenges for some companies' efforts and plans for their board composition," and that, "[a]s part of this case-by-case analysis, we will, of course, also consider any company disclosures about such challenges."

Nor are our policies "one-size." As explained in our Benchmark Policy, our expectations for both board gender and racial diversity do not apply to all companies and vary by the size of the company.

This section of your letter also asks about our approach to shareholder proposals on board and workforce diversity. Our Benchmark Policy provides that "in cases of egregious oversight lapses or behavior seriously detrimental to **shareholder value**, we will consider supporting reasonable, well-crafted proposals to broaden a board's composition including, for example, to increase board diversity where there is evidence a board's lack of diversity led to a **decline in shareholder value**." (emphases added) Likewise, our Benchmark Policy will support reasonable, well-crafted proposals on workforce diversity disclosure that we believe will benefit the company and its shareholders. As we explained in our most recent Season Review, however, for our policy to support these proposals, "we believe that proponents need to effectively articulate: (i) why additional reporting would **benefit shareholders**, (ii) that the company had mismanaged issues related to diversity and inclusion, or (iii) that the target company's reporting was ineffective in allowing shareholders to judge how it was managing these issues." (emphasis added)

As these excerpts reflect, our Benchmark Policy considers these issues as they relate to mitigating risk and promoting the long-term economic interest of shareholders. As that policy clearly explains –

> **Glass Lewis evaluates all environmental and social issues through the lens of long-term shareholder value**. We believe that companies should be considering **material** environmental and social factors in all aspects of their operations and that companies should provide shareholders with disclosures that allow them to understand how these factors are being considered and how attendant risks are being mitigated. (emphases added)

Finally, we recognize that many companies are reevaluating their approaches to diversity, equity and inclusion issues in the current environment. In light of these developments, we have, since March 2025, flagged in our research all director election proposals at US companies in which our recommendation is based, at least in part, on diversity considerations. For these items, we offer our clients two recommendations – one that applies our Benchmark Policy approach and one that does not consider diversity as part of the recommendation. As always, our clients have the choice of which recommendation to consider, if any, in casting their proxy votes.

These issues are more fully explained in our Benchmark Policy itself. As requested, we are enclosing copies of that policy for the last three years with this letter. We are also including a copy of our In-Depth Report on “Board Diversity” which summarizes some of the reasons many investors view board diversity as a material issue and surveys the empirical scholarship on the issue, as well as our 2025 Supplemental Statement on Diversity Considerations at U.S. Companies.

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We appreciate the opportunity to explain our role in the proxy voting process and to respond to your questions about our policies and work.

Proxy advisors play a critical support role in corporate governance, offering a market-based solution to the practical challenge of analyzing thousands of ballot proposals annually across global investments and thereby enabling institutional investors to effectively exercise their ownership rights and fulfill their fiduciary duties to beneficiaries and retail investors. Protecting the independence and viability of proxy advisors is paramount to ensuring a fair and fully-functioning proxy voting system that serves the best interests of investors and our markets.

We hope that you will continue to support the institutions that enable our corporate governance system to work. We would be happy to discuss any of these issues further with you or your staff at any time.

Sincerely,

Bob Mann
Chief Executive Officer

cc: The Honorable Paul Atkins, Chairman, U.S. Securities and Exchange Commission