United States

GLASS LEWIS

Supplemental Statement on Diversity Considerations at U.S. Companies

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Diversity Considerations at U.S. Companies

The current US Administration has signaled a pronounced shift in the government's approach to diversity, equity and inclusion ("DEI") programs. Multiple Executive Orders have targeted DEI programs in the federal government and at private companies, including one instructing the Attorney General to provide "recommendations for enforcing Federal civil-rights laws and taking other appropriate measures to encourage the private sector to end illegal discrimination and preferences, including DEI." The Department of Justice in turn has indicated that its Civil Rights Division will "investigate, eliminate, and penalize illegal DEI and DEIA preferences, mandates, policies, programs, and activities in the private sector…"

These developments have caused many in the private sector to review and, in some cases, reconsider their policies on diversity. Glass Lewis has also been monitoring these developments and, in consultation with its clients, considering how they may affect the proxy voting guidance we provide to them.

We continue to believe that diversity contributes to improved company performance and long-term shareholder value. In the case of board elections, our US Benchmark Policy 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. In fact, today, the vast majority of the boards of S&P 500 companies have at least 30% gender diverse board representation. Only a small percentage of larger US companies do not provide director demographic information or 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.

At the same time, we recognize that the current environment in the US is leading companies to assess the risks of maintaining their diversity programs, including their efforts to diversify their boards. Likewise, we recognize that institutional investors – both those based in the US and those in other countries – have different perspectives, as well as different mandates, and may also choose to take different approaches to voting on diversity matters.

In light of these developments, we are modifying our approach to providing proxy voting guidance related to diversity factors at US companies under our US Benchmark Policy, effective March 10, 2025.

Election of Directors

For Proxy Papers published beginning on that date, we will flag all director election proposals at US companies in which our recommendation is based, at least in part, on considerations of gender or underrepresented community diversity and offer our clients two recommendations – one that applies our Benchmark Policy approach as articulated in our 2025 Benchmark Policy Guidelines for the US Market, and one that does not consider gender or underrepresented community diversity as part of the recommendation. As always, our clients will have the choice of which recommendation to consider, if any, in casting their proxy votes.

We also reiterate how our US Benchmark Policy approaches these issues. As noted above, boards with gender diversity and underrepresented community representation have become the market standard. Accordingly, our benchmark policies on these issues expect most companies to have met this market practice. Importantly, however, these policies operate on a "comply or explain" basis. As such, the numerical standards in those policies align with the typical market practice and remain flexible, rather than imposing rigid requirements. When confronted with outliers that do not meet these 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 also recognize, as noted above, that the current US legal and policy environment may pose additional challenges for some companies' efforts and plans for their board composition. As part of this case-by-case analysis, we will, of course, also consider any company disclosures about such challenges.

Shareholder Proposals

This modified approach also applies to proxy voting guidance on diversity-related shareholder proposals. For Proxy Papers published beginning March 10, 2025, we will flag all shareholder proposals at US companies where Glass Lewis is recommending in favor of the proposal and the proposal is related to a company's diversity policies and/or initiatives or if diversity is considered as a factor in our recommendation. In those instances, we will offer our clients two recommendations – one that applies our 2025 Benchmark Policy Guidelines for Shareholder Proposals & ESG-Related Issues, and one that does not consider diversity considerations as part of the recommendation.

Custom/Thematic Voting Policies

In addition to its Benchmark Policy, Glass Lewis also offers its clients thematic policies, some of which consider gender and underrepresented community diversity, and some of which may also support shareholder proposals related to diversity, and some of which do not. Likewise, many of our clients receive recommendations under custom policies that we help to administer. These, too, vary widely in whether and how they take diversity considerations into account. We respect our clients' choices and, as a service provider, our role is to support their chosen approach to stewardship and proxy voting. Accordingly, we will continue to provide recommendations under these policies as we do today. As always, our client service teams will work closely with all of our clients to confirm policy preferences.

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While we believe that our modified approach to these issues accommodates the evolving landscape, we will continue to monitor developments and will reassess our approach if further developments, such as regulatory or legislative changes on this issue, occur. We will provide our clients with updates on any material changes.

About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make informed decisions based on research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over $40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' **Viewpoint** platform to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading **Proxy Paper** product provides comprehensive environmental, social, and governance research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative **Report Feedback Statement** to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

Join the Conversation

Glass Lewis is committed to ongoing engagement with all market participants.

info@glasslewis.com | www.glasslewis.com

Connect with Glass Lewis

Corporate Website | www.glasslewis.com

Email | info@glasslewis.com

Social | @glasslewis Glass, Lewis & Co.

Global Locations

North America

United States
Headquarters
100 Pine Street, Suite 1925
San Francisco, CA 94111
+1 415 678 4110

New York, NY
+1 646 606 2345

2323 Grand Boulevard
Suite 1125
Kansas City, MO 64108
+1 816 945 4525

Asia Pacific

Australia
CGI Glass Lewis
Suite 5.03, Level 5
255 George Street
Sydney NSW 2000
+61 2 9299 9266

Japan
Shinjuku Mitsui Building
11th floor
2-1-1, Nishi-Shinjuku, Shinjuku-ku,
Tokyo 163-0411, Japan

Europe

Ireland
15 Henry Street
Limerick V94 V9T4
+353 61 534 343

United Kingdom
80 Coleman Street
Suite 4.02
London EC2R 5BJ
+44 20 7653 8800

France
Proxinvest
6 Rue d’Uzès
75002 Paris
+33 ()1 45 51 50 43

Germany
IVOX Glass Lewis
Kaiserallee 23a
76133 Karlsruhe
+49 721 35 49622

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