

United States



GLASS LEWIS

Approach to
Diversity Disclosure Ratings

An Overview of the Glass Lewis Methodology for Assessing
Proxy Statement Disclosures Related to Board Diversity

www.glasslewis.com

About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make sustainable 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

Preface

Because company disclosure is a critical aspect of assessing the mix of diverse attributes and skills of directors, Glass Lewis will begin tracking the quality of board diversity disclosures in company proxy statements.

This document provides insight into our approach to assessing proxy statement disclosures relating to board diversity, skills and the director nomination process. The information in this document serves as supplemental, supporting information relating to how Glass Lewis applies its published [proxy voting guidelines](#).

This document does not replace our existing voting policies relating to board composition or proxy disclosure, and does not guarantee how Glass Lewis may apply our voting policies.

Background

Our Proxy Paper reports for companies in the Russell 1000 index will include an assessment of company proxy statement disclosures relating to board diversity, skills and the director nomination process. Specifically, we will reflect how a company's proxy statement presents: (i) the board's current percentage of racial/ethnic diversity; (ii) whether the board's definition of diversity explicitly includes gender and/or race/ethnicity; (iii) whether the board has adopted a policy requiring women and minorities to be included in the initial pool of candidates when selecting new director nominees (aka "Rooney Rule"¹); and (iv) board skills disclosure. We will not be making voting recommendations solely on the basis of this assessment in 2021; however, such ratings will help inform our assessment of a company's overall governance and may be a contributing factor in our recommendations when additional board-related concerns have been identified.

Please find more details below concerning our assessment of each category.

Update: January 1, 2022. We have expanded our assessment of company proxy statement disclosures relating to board diversity to companies in the Russell 1000 index beginning in January 2022. Additionally, we have revised the Race and Ethnicity Disclosure section to provide that companies must disclose racial/ethnic diversity of directors on an individual or aggregate basis to achieve our highest rating. Furthermore, we have revised the Rooney Rule section to add a third option - "Commitment". This captures scenarios where companies disclose in their proxy statements or nominating committee charter a commitment, but not a requirement, to include diverse candidates in its director search pool. Previously, this scenario would have been reflected in our reports as "Yes" if the company disclosed such a commitment in its nominating committee charter.

¹ The Rooney Rule is a National Football League policy that requires league teams to interview external diverse candidates for head coaching and senior football operation jobs.

Race and Ethnicity Disclosure

There has been a growing demand for additional disclosure concerning director attributes, particularly those related to the racial and ethnic background of directors. Recent regulatory developments, such as boardroom diversity laws passed in California², require shareholders to assess the diversity of boards. However, without sufficient disclosure on a board's self-identified racial and ethnic composition, shareholders are unable to accurately ascertain how boards are performing in this important area. Through engagements with companies and with recent initiatives like Illinois' Russell 3000 Board Diversity Disclosure Initiative³, shareholders are seeking to bridge this gap in disclosure. Glass Lewis believes that such disclosure provides a basis for shareholders to make these crucial determinations. Our assessment of race and ethnicity disclosure will consider the following:

- Individual – Racial/ethnic diversity of directors is disclosed on an individual basis.*
- Aggregate – Racial/ethnic diversity of directors is disclosed on an aggregate basis but does not identify specific directors.*
- Combo/Individual – Diversity disclosure is provided on an individual basis but it is not clear what measures of diversity are represented.
- Combination – Diversity disclosure is provided on an aggregate basis and it is not clear what measures of diversity are represented.
- None – No data is provided in the proxy statement regarding racial/ethnic backgrounds of directors.

**To achieve our highest rating, companies must disclose racial/ethnic diversity of directors on an individual or aggregate basis. Companies disclosing racial/ethnic diversity of directors on a Combo/Individual or Combination basis, or not at all, will not be able to achieve our highest rating.*

Diversity Considerations for Director Candidates

Item 407(c)(2)(vi) of the U.S. Securities and Exchange Commission's Regulation S-K requires a description of how a board implements any policies that it follows regarding the consideration of diversity in identifying director nominees. In part because many boards of U.S. public companies do not have formal diversity policies and no regulatory requirement compels boards to adopt such a policy, compliance with this disclosure requirement has for years been achieved by many issuers with a small amount of relatively boiler-plate disclosure in the proxy statement. However, companies have begun including more specific disclosure about what measures of diversity and background characteristics are considered. We believe that gender and race/ethnicity are important diversity considerations in the director nomination process.

- Gender and Race/Ethnicity – Both are expressly included in the definition of diversity that is considered in the director search process.

² California Senate Bill 826, California Assembly Bill 979

³ Illinois State Treasurer Russell 3000 Board Diversity Disclosure Initiative

- Gender – Gender, but not race/ethnicity, is included in the definition of diversity that is considered in the director search process.
- None – Neither gender nor race/ethnicity are expressly included in the definition of diversity that is considered in the director search process.

Rooney Rule

Some of the largest U.S. public companies have begun to include proxy statement disclosure highlighting the considerations they employ to ensure that women and racial/ethnic minorities are included in the initial pool of director candidates when nominating new directors, also known as the Rooney Rule. We will generally note that a company has adopted such a rule where a formal commitment is included in the proxy statement or otherwise enshrined in the charter of a board's nominating committee. This may take the form of an official Rooney Rule or equivalent policy that ensures women and minorities are included in the initial pool of director candidates considered when nominating new directors.

- Yes – The company discloses in its proxy statement, nominating committee charter, or corporate governance guidelines that it utilizes a formal Rooney Rule in its director search process, or expressly states a requirement to include diverse candidates in its director search pool.
- Commitment – The company discloses in its proxy statement a commitment to include diverse candidates, or otherwise, the nominating committee is bound by a committee charter which expressly states a commitment to include diverse candidates, in its director search pool.
- Not disclosed – No such disclosure is provided in the proxy statement or relevant committee charter.

Director Skills Disclosure

A growing priority for many investors in recent years has been standardized disclosure of director skills. Shareholder campaigns and initiatives like the Boardroom Accountability Project⁴ have pushed companies to provide clear, concise representations of key knowledge and expertise that individual directors exemplify. These efforts have had an impact on proxy statement disclosure as it has become increasingly commonplace for many U.S. public companies to now disclose a director skills matrix. Our categorization for a skills disclosure assessment will consider the following:

- Skills Matrix – A single table which identifies each director's knowledge and proficiency in specified skills.
- Individual – Individual director biographies contain standardized skills disclosure which could be tabulated into a single table.
- Aggregate – Aggregated information that indicates how many directors have a particular skill but does not identify which directors have those skills.
- None – No standardized, tabulatable skills data is provided in the proxy statement.

4 New York City Comptroller - Boardroom Accountability Project Overview

Connect with Glass Lewis

Corporate Website | www.glasslewis.com

Email | info@glasslewis.com

 [@glasslewis](https://twitter.com/glasslewis)  [Glass, Lewis & Co.](https://www.linkedin.com/company/glass-lewis-&-co)

Global Locations

North America

United States

Headquarters
255 California Street
Suite 1100
San Francisco, CA 94111
+1 415 678 4110
+1 888 800 7001

44 Wall Street
Suite 503
New York, NY 10005
+1 646 606 2345

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

Europe

Ireland

15 Henry Street
Limerick V94 V9T4
+353 61 292 800

United Kingdom

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

Germany

IVOX Glass Lewis
Kaiserallee 23a
76133 Karlsruhe
+49 721 35 49 622

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

DISCLAIMER

© 2021 Glass, Lewis & Co., and/or its affiliates. All Rights Reserved.

This document is intended to provide an overview of Glass Lewis' proxy voting guidelines. It is not intended to be exhaustive and does not address all potential voting issues. Glass Lewis' proxy voting guidelines, as they apply to certain issues or types of proposals, are further explained in supplemental guidelines and reports that are made available on Glass Lewis' website – <http://www.glasslewis.com>. These guidelines have not been set or approved by the U.S. Securities and Exchange Commission or any other regulatory body. Additionally, none of the information contained herein is or should be relied upon as investment advice. The content of this document has been developed based on Glass Lewis' experience with proxy voting and corporate governance issues, engagement with clients and issuers, and review of relevant studies and surveys, and has not been tailored to any specific person or entity.

Glass Lewis' proxy voting guidelines are grounded in corporate governance best practices, which often exceed minimum legal requirements. Accordingly, unless specifically noted otherwise, a failure to meet these guidelines should not be understood to mean that the company or individual involved has failed to meet applicable legal requirements.

No representations or warranties express or implied, are made as to the accuracy or completeness of any information included herein. In addition, Glass Lewis shall not be liable for any losses or damages arising from or in connection with the information contained herein or the use, reliance on, or inability to use any such information. Glass Lewis expects its subscribers possess sufficient experience and knowledge to make their own decisions entirely independent of any information contained in this document.

All information contained in this report is protected by law, including, but not limited to, copyright law, and none of such information may be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any such purpose, in whole or in part, in any form or manner, or by any means whatsoever, by any person without Glass Lewis' prior written consent.