

**Commonwealth of Pennsylvania  
Public School Employees' Retirement System**

DATE: February 4, 2021

SUBJECT: PSERS' Proxy Voting and Modifications to the U.S. and Non-U.S. Proxy Voting Policies

TO: Members of the Corporate Governance Committee

FROM: Lenann T. Engler  
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At the March 4, 2021 Corporate Governance Committee Meeting, we will request that the Committee adopt the U.S. Proxy Voting Policy and the Non-U.S. Proxy Voting Policy. These policies adopt the standard Glass, Lewis & Co., Inc. (Glass Lewis) U.S. and International Proxy Paper Policy Guidelines.

Glass Lewis has provided PSERS with analysis of proxy voting issues, vote recommendations, and vote execution since January 2006. The most recent contract renewal was effective January 1, 2021, following a successful RFP bid.

Proxy voting is the primary means for PSERS to influence the operations, corporate governance or ESG (environmental, social or governance) activities of the public companies in which it holds shares. When voting proxies, PSERS reviews Glass Lewis' recommendations, conducts research, and, if necessary, consults with our investment managers to reach a voting decision. We support resolutions that empower management and boards of directors to act in the best interests of the company, maximizing a company's shareholder value. We also support governance structures that assert management's accountability to its shareholders, transparency, and sound corporate governance.

There are specific voting issues that show how PSERS applies these principles. These issues include: elections of directors, director performance and compensation, majority standard in director elections, staggered boards/annual election of directors, responsiveness of directors, conflicts of interest, cumulative voting, routine business matters, and ESG (environmental, social and governance) issues.

PSERS' proxy voting policy includes the Glass Lewis policy guidelines with overrides for certain shareholder initiatives including reincorporation proposals and MacBride Principles. PSERS' Chief Investment Officer has the authority to interpret the proxy voting policies to meet PSERS' fiduciary responsibilities. On significant policy issues, the Chief Investment Officer and/or the Executive Director, in conjunction with the Chair

of the Corporate Governance Committee and/or Chair of the Board, will evaluate and determine any proxy vote. Votes on such matters are then reported to the Corporate Governance Committee at its next regularly scheduled meeting.

For your reference attached are the following documents:

- U.S. Proxy Voting Policy;
- Glass Lewis U.S. Proxy Paper Policy Guidelines;
- Non-U.S. Proxy Voting Policy; and,
- Glass Lewis International Proxy Paper Policy Guidelines.

Revisions to the Glass Lewis U.S. Proxy Paper Policy Guidelines include:

- Glass Lewis' current policy on board gender diversity requires at least one female board director. Beginning in 2021, Glass Lewis will note as a potential concern boards with fewer than two female directors. For shareholder meetings held after January 1, 2022, Glass Lewis will generally recommend voting against nominating a committee chair of a board with less than two female directors. For boards with six or fewer total members, the existing policy requiring a minimum of one female director will remain in place.
- While a director's experience can be an asset to shareholders, a lack of refreshment can contribute to a lack of board responsiveness to poor company performance. Beginning in 2021, Glass Lewis will note a potential concern when the average tenure of non-executive directors is 10 years or more and no new independent directors have joined the board in the past five years. While voting recommendations will not be based solely on this factor, insufficient board refreshment may be a factor in recommendations when other board-related concerns are identified.
- Glass Lewis has provided clarification that they use a proprietary methodology to determine the peer groups used in their A-F pay-for-performance letter grades. When forming the proprietary peer group, both country-based and sector-based peers are considered as well as each company's network of self-disclosed peers. The peer groups used are provided to Glass Lewis by CGLytics based on Glass Lewis' methodology and using CGLytics' data.
- For meetings held after January 1, 2021, Glass Lewis will recommend voting against the governance committee chair when a detailed record of proxy voting results from the last annual meeting of the company has not been disclosed.

Revisions to the Glass Lewis International Proxy Paper Policy Guidelines include:

- Glass Lewis expects companies listed on a blue-chip index in major global markets to have at least one woman on the board.
- Glass Lewis has also updated the International Guidelines to account for the growth of virtual shareholder meetings. While supporting virtual attendance by shareholders at general meetings, Glass Lewis may recommend voting against members of a governance committee in cases where a company holds a virtual-only shareholder meeting and does not provide adequate disclosure of if, how, and when shareholders can participate.

The following revisions apply to both the U.S. and International Proxy Paper Policy Guidelines:

- Glass Lewis will note a concern when a company listed on a major blue-chip index does not provide clear disclosure related to board-level oversight of environmental and social issues. For shareholder meetings held after January 1, 2022, Glass Lewis will generally recommend voting against the governance chair of a board who does not provide explicit disclosure of the board's role in overseeing these issues.
- Both sets of guidelines have been updated to reflect that when a board applies age or term limits, those limits should be applied to all members equally. If a board waives a limit for an individual without a compelling reason, Glass Lewis will consider recommending voting against the chair of the nominating committee.

Glass Lewis' detailed 2021 Proxy Paper Guidelines can be accessed here: [Glass Lewis Detailed Guidelines 2021](#). If questions arise, please contact me at 717-720-4687.