

# Board declassification proposal at Meritage Homes Corporation

May 2024

**Company:** Meritage Homes Corporation (Meritage Homes)

**Meeting date:** May 16, 2024

**Proposal(s):** Item 4: Shareholder Proposal to Elect Each Director Annually

## How the funds voted

At the 2024 annual meeting of Meritage Homes, a U.S.-based designer and builder of single-family homes, the Vanguard-advised funds voted against a shareholder proposal to declassify the board given management's publicly disclosed plan to declassify the board by 2027.<sup>1</sup>

## The funds' proxy voting policies

As articulated in the funds' proxy voting policies, the Vanguard-advised funds evaluate all shareholder proposals on a case-by-case basis, taking into consideration the facts and circumstances at the company in question.

Generally, the Vanguard-advised funds support shareholder proposals calling for declassification of a board as we believe that directors should be elected annually, enabling shareholders to evaluate the performance of directors each year and use their vote to either support the status quo or encourage change. We believe a well-functioning capital markets system requires companies to have governance structures, such as a declassified board structure, that safeguard and support foundational rights for shareholders.

## Analysis and voting rationale

In advance of Meritage Homes' 2024 annual meeting, we reviewed a shareholder proposal that requested the declassification of the board (i.e., to elect each director annually). However, upon review of the company's 2023 annual report, we noted that the board passed a resolution to sunset its current classified board structure within five years of 2023. As outlined in company disclosures, Meritage Homes subsequently decided to accelerate the timeline to declassify the board by the conclusion of the 2027 annual meeting.

<sup>1</sup> Vanguard's Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, "we" and "the funds" are used to refer to Vanguard's Investment Stewardship program and Vanguard-advised funds, respectively.

Prior to the 2024 annual meeting, we engaged with Meritage Homes' lead independent director, nominating and governance committee chair, and members of management. Through this engagement and company disclosures, we learned that the company accelerated the timeline to declassify by 2027 in response to shareholder feedback, and planned to methodically declassify the board, allowing

enough time to avoid declassifying a sitting director with a continuing term.

Based on our assessment of the company's disclosures and our engagement with company leaders, the funds determined that support of the proposal was not warranted, as the board outlined a plan for declassification. As a result, the Vanguard-advised funds did not support the shareholder proposal to declassify the board.

Vanguard publishes information regarding its voting and engagement activities, including the funds' proxy voting policies, Insights, and quarterly reports, to promote good corporate governance practices and to provide public companies and investors with our perspectives on important governance topics and key votes. This is part of our effort to provide useful disclosure of Vanguard's investment stewardship activities. We aim to provide clarity on Vanguard's positions on governance matters beyond what a policy document or a single vote can provide.

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