

# Shareholder proposal regarding enhanced board skills and diversity disclosure at NextEra Energy, Inc.

June 2024

**Company:** NextEra Energy, Inc. (NextEra)

**Meeting date:** May 23, 2024

**Proposal(s):** Item 4—Disclose Board Skills and Diversity Matrix

## How the funds voted

At the 2024 annual meeting of NextEra Energy, Inc. (NextEra), a U.S.-listed electric power and energy infrastructure company, the Vanguard-advised funds voted against a shareholder proposal requesting that NextEra disclose a board skills and diversity matrix.<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. When evaluating shareholder proposals, we analyze several factors including the reasonableness and prescriptiveness of the proposal. If we identify gaps in the company's disclosures, the funds may support a shareholder proposal that seeks enhanced reporting of the

company's approach to addressing a material risk. The funds do not support shareholder proposals that seek actions that are duplicative of existing company practices or otherwise introduce undue costs and/or risks to shareholders.

Regarding board composition, the funds look for companies to disclose their perspectives on the appropriate board structure and composition for their company and how those elements support the company's strategy, long-term performance, and shareholder returns. Disclosure of how the board's composition evolves over time enables shareholders to better understand how the board is positioned to serve as effective, engaged stewards of shareholders' interests. The funds also look for disclosure of director tenure, skills, and experience at the individual director level (sometimes referred to as a "skills matrix"). To this end, a fund may support requests for disclosure of a company's approach to board composition, inclusive of board diversity.

We believe disclosure of director skills and experience on an individual basis provides investors with more useful information and believe that it is appropriate for boards to consider which skills to include when preparing a skills matrix. We look to boards to also ensure that the appropriate level of skills assessment has been undertaken for accuracy. We look to

<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.

boards to identify the key skills, backgrounds, and experiences necessary to oversee current and future strategies and risks when conducting director assessments. They should also assess the diversity of skills, contributions, and attributes of current directors. Such exercises can allow boards to identify gaps in skills, backgrounds, and experiences to shape future director searches and make better-informed decisions when nominating or renominating directors. We remain comfortable with personal characteristics (such as race and ethnicity) being disclosed in the aggregate, not at the director level as requested by the proposal.

### **Analysis and voting rationale**

The voting agenda for NextEra's 2024 annual meeting included a shareholder proposal requesting a board skills and diversity matrix that would include each director nominee's self-identified gender, race, and ethnicity, as well as the defined skills and attributes that are most relevant to the company's overall business, long-term strategy, and risks, particularly with respect to climate change.

Prior to 2024, the Vanguard Investment Stewardship team conducted thorough reviews of NextEra's previous board disclosures.

This action was taken in response to similar shareholder proposals in 2022 and 2023 (neither of which the funds supported due to the combined nature of the proposals and our view that the level of diversity disclosure was appropriate). During this time, we also had conversations with the company to share our perspectives on the importance of disclosure, including disclosure of board composition and how disclosure on an individualized basis helps us understand a board's evolution over time.

During our review of the company's 2024 proxy statement, we observed that, relative to previous years, the company enhanced its disclosure of the board's composition, most notably to include an individual director level skills and gender matrix, which largely aligned with perspectives we have shared in our recent engagements.

Given the company's enhanced disclosures related to director skills and diversity, we determined that the 2024 shareholder proposal was largely duplicative of NextEra's existing disclosure. As a result, the funds did not support the proposal. We plan to continue to engage with leaders at NextEra and will use the details in the director skills matrix to help inform these conversations and provide context for discussions of board refreshment and ongoing director and board leadership succession planning.