

Director capacity and commitments at The Beauty Health Company

July 2024

Company: The Beauty Health Company (BeautyHealth)

Meeting date: June 6, 2024

Proposal(s): Item 1: Election of three Class III directors

How the funds voted

At the 2024 annual meeting of BeautyHealth, a U.S.-listed company focused on esthetic technologies and products, the Vanguard-advised funds supported the election of all directors.¹

The funds' proxy voting policies

As articulated in the funds' proxy voting policies, the Vanguard-advised funds evaluate director capacity and commitments on a case-by-case basis, taking into consideration the facts and circumstances at the company in question. Directors' responsibilities are complex and time-consuming. Therefore, we seek to understand whether the number of directorship positions held by an individual makes it challenging for them to dedicate the requisite time and attention to effectively fulfill their responsibilities at

each company (sometimes referred to as being "overboarded"). While no two boards are identical and time commitments may vary, we believe that limitations on the number of board positions held by individual directors are appropriate, absent compelling evidence to the contrary. To that end, the funds may have concerns regarding director capacity for directors who hold a high number of board commitments. For example, the funds look to understand the capacity of directors who:

- Hold an executive role at any public company and serve on more than two public company boards.
- Serve on more than four public company boards.

In certain instances, a fund will consider supporting the election of a director who would otherwise be considered overboarded under the standards above because of company-specific facts and circumstances. This may include, but is not limited to, indications that the director will have sufficient capacity to fulfill their responsibilities and/or a review of the full board's composition. We look for portfolio companies to adopt good governance practices regarding director commitments, including an overboarding policy and disclosure of the board's oversight of the implementation of that policy. Helpful disclosure includes a discussion of the company's policy (e.g., what limits are in place

¹ 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.

regarding a director's commitments to other organizations) and, if a nominee for director exceeds the company's policy, the rationale for their nomination. Additionally, we view it as good practice for the company to provide disclosure of how the board developed its policy and how frequently it is reviewed to ensure it remains appropriate.

Analysis and voting rationale

Prior to BeautyHealth's 2024 annual meeting, we assessed the commitments of one of the directors up for re-election, and identified that, as a named executive officer (NEO) who sat on three public company boards, he would be considered overboarded under the funds' proxy voting policies. In reviewing the company's public materials, we noted that BeautyHealth's own director capacity and commitments policy generally limits its directors who are sitting CEOs from serving on more than two public company boards, inclusive of the director's service on BeautyHealth's board. The company provided a detailed history of the chair's relevant experience in its proxy statement, noting the unique experience he brought to the board in the areas of business transformation, mergers, acquisitions, divestitures, and licensing transactions. Following the chair's appointment as CEO/chair of another company, BeautyHealth indicated in a press release that he would step back from several public and private boards to concentrate on BeautyHealth and one other company, where he serves as chair.

We engaged with BeautyHealth executives and the chair of the company's Nominating and Corporate Governance Committee to inform the funds' voting decision and to encourage robust disclosure of the board's oversight of the director's extensive commitments. They highlighted the director's high level of engagement, attendance record, deep sector knowledge, and experience as an industry expert and leader of large global health care companies. They also emphasized that the director was uniquely positioned to provide guidance to the company's new CEO and executive team because he is the company's former executive chair.

Ultimately, we determined that the director brought unique experience and perspective to the BeautyHealth board, and we concluded that the board's oversight of his commitments was appropriate. His role as an industry expert and advisor to the new CEO and current executive team carried additional weight in our analysis, given the company's recent leadership turnover and the director's tenure at the company. As a result, the Vanguard-advised funds supported the re-election of the director. We will continue to assess how the director's unique skills and experience align with and support the company's overall board composition should he remain an NEO serving on more than two public company boards.