

Reelection of zombie director at Keros Therapeutics, Inc.

November 2024

Company: Keros Therapeutics, Inc.
(Keros Therapeutics)

Meeting date: May 30, 2024

Proposal(s): Items 1.2-1.3: Elect directors

How the funds voted

At the 2024 annual meeting of Keros Therapeutics, a U.S.-listed, clinical-stage biopharmaceutical company focused on developing and commercializing novel therapeutics, the Vanguard-advised funds supported the election of all directors.¹ One of the three directors was re-elected despite failing to receive majority support from shareholders at the company's 2023 annual meeting.

The funds' proxy voting policies

In the interest of maximizing the long-term return of their investment in a company, the funds seek to ensure that board members are appropriately independent, experienced, committed, capable, and diverse.

As articulated in the funds' proxy voting policies, the Vanguard-advised funds will typically vote against members of the nominating committee if the board proposes the reappointment of a director or directors who failed to receive majority shareholder support (known as a "zombie director") at a prior annual meeting and if the board has not resolved the underlying issue driving the lack of shareholder support. This policy applies only when the funds themselves withheld initial support for a director. If nominating committee members are not on the ballot in any given year, the funds may vote against other relevant board members to express concerns regarding this situation.

The presence of a zombie director on a board can be an indicator of weak shareholder accountability. If a board chooses to retain a zombie director, we look for the board to provide clear disclosure to investors regarding the rationale. We also look for boards to disclose how they sought to understand and respond to shareholders' concerns about directors who have received less than majority support in a prior year.

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.

Analysis and voting rationale

In 2023, we identified concerns related to the number of public directorship positions (sometimes referred to as "overboarding") for one director on the Keros Therapeutics board. Consequently, at the 2023 annual meeting, the funds withheld support from the nomination of that director, who subsequently received less than a majority of shareholder support at the company's 2023 annual meeting. Since directors at Keros Therapeutics were elected by a plurality vote standard rather than a majority vote standard, the director remained on the board. The board did not publicly disclose whether the director had offered to tender his resignation.

Following the annual meeting, we engaged with an independent director and company leaders. They shared their approach to engaging with shareholders to better understand what led to the lack of support for the director in question at the 2023 annual meeting. They also shared their perspective that the director had demonstrated his ability to effectively commit to his duties, and they articulated that his educational background and industry experience were critical for the board's composition. They explained these qualities are particularly important as the company progresses its clinical development efforts. In turn, we shared our concerns regarding the number of public company boards on which the director sits, which drove the funds' prior lack of support.

At the 2024 Keros Therapeutics annual meeting, two members of the Nominating and Corporate Governance committee were on the ballot for election. Given that the company had a classified

board, neither the zombie director nor other Nominating and Corporate Governance committee members were on the ballot for election. The company disclosed in its proxy statement that the zombie director remained on the board despite receiving less than majority support at the prior annual meeting. However, the company disclosed that, following the 2023 annual meeting, company representatives held discussions with shareholders representing over 45% of the outstanding shares of common stock. Company leaders shared the feedback they received during these discussions, noting that overall shareholder opposition to the zombie director's nomination was specifically related to his number of board commitments and not his experience or other qualifications. The director in question reduced his number of board commitments in response to shareholder feedback.

The Vanguard team engaged with an independent director and company leaders in advance of the 2024 annual meeting. We discussed how the Keros Therapeutics board oversaw and assessed director commitments and capacity and determined that the board's oversight of the director's capacity was sufficient. Given the board's oversight of the director's commitments, the fact that the zombie director reduced his number of public directorships (which indicated responsiveness to shareholder concerns), and the disclosure Keros Therapeutics provided detailing the board's process, the funds supported all Nominating and Corporate Governance committee members on the ballot at the 2024 annual meeting.

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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