RESOLVED:
Shareholders of Natus Medical Incorporated ("Natus") ask the Board of Directors to oversee the preparation of a report on the impact of the use of mandatory arbitration on Natus' employees and workplace culture. The report should evaluate the impact of Natus' current use of arbitration on the prevalence of harassment and discrimination in its workplace and on employees' ability to seek redress. The report should be prepared at reasonable cost and omit proprietary and personal information.

WHEREAS:
Title VII of the Civil Rights Act of 1964 states that it is unlawful "to discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment, because of such individual's race, color, religion, sex, or national origin."[1]

Nevertheless, forty-eight percent of African Americans and thirty-six percent of Hispanics have experienced race-based workplace discrimination.[2] Fifty-five percent of senior-level women say that they have been sexually harassed during their careers.[3]

A workplace that tolerates harassment invites legal, brand, financial, and human capital risk. Companies may experience reduced morale, lost productivity, absenteeism, and challenges in attracting and retaining talent. Unexpected changes in leadership after allegations of harassment or discrimination, as has occurred at CBS, Nike, Papa Johns, Uber, Walt Disney, and Wynn Resorts, puts shareholder value at risk.

In contrast, consultancy McKinsey found companies with high levels of ethnic and cultural diversity are thirty-three percent more likely to outperform in profitability while those in the top quartile for gender diversity are twenty-seven percent more likely to have superior value creation.[4] In a 2019 study by the *Wall Street Journal*, the twenty most diverse companies in the S&P500 had an average annual five year stock return that was almost six percent higher than the twenty least-diverse companies.[5]

Natus requires its employees to agree to arbitrate employment-related claims. Mandatory arbitration limits employees' remedies for wrongdoing, keeps misconduct secret, precludes employees from suing in court when discrimination and harassment occur, and prevents employees from learning about shared concerns.[6]

Arbitration clauses face a changing regulatory landscape. In 2019, the U.S. House of Representatives passed a bill banning mandatory arbitration. Attorneys general from every state voiced support for ending forced arbitration of sexual harassment claims. California banned the use of arbitration agreements as a condition of employment and Washington state invalidated contracts requiring

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[1] https://www.eeoc.gov/laws/statutes/titlevii.cfm

[2] https://www.nbcnews.com/politics/politics-news/poll-64-percent-americans-say-racism-remains-major-problem-n877536

[3] https://www.wsj.com/articles/what-metoo-has-to-do-with-the-workplace-gender-gap-1540267680?mod=ig_womenintheworkplaceoctober2018&mod=article_inline

[4] https://www.mckinsey.com/~/media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-through-diversity_full-report.ashx

[5] https://www.wsj.com/articles/the-business-case-for-more-diversity-11572091200

[6] https://www.eeoc.gov/eeoc/systemic/review/

arbitration of sexual harassment or assault claims. Other states are expected to follow suit. Continuing to rely on arbitration clauses when these protections may be removed, with retroactive implications, creates a long-tail risk for Natus.

Investors' concerns about non-transparent working conditions which allow for potential harassment and discrimination are particularly pertinent to Natus, which relies on a skilled and educated employee base. Natus does not currently report publicly on the diversity characteristics of its staff nor its approach to ensuring workplace diversity and inclusion.