Egan-Jones Proxy Services
Conflict of Interest Statement

Egan-Jones Proxy Services ("EJPS") strives to avoid conflicts of interest whenever and wherever possible, acknowledging that it is not feasible to prevent all conflicts. Importantly, the avoidance of some conflicts may lead to the creation of others. In general, conflicts of interest applicable to the proxy advisory business can be divided into three categories:

- **Revenue** - Revenue based conflicts potentially come into play from the sources of revenue the firm receives.
- **Cost** – Cost conflicts result from the firm's interest in avoiding and reducing certain costs.
- **Structural** - Structural conflicts come from how the firm owned, organized and operated.

Revenue-based conflicts of interest may arise whenever a firm has more than one client. The typical example in this scenario would be when a firm sells to both the issuer and investor side of the proxy industry, for example by selling copies of a company's final report to the company directly. To the best of our knowledge, all major U.S. proxy firms do business that way, including EJPS. A less obvious conflict, but one that exists for most proxy services firms including Egan-Jones, is when a firm works with two institutional investors that have different investment objectives or philosophies, or are on opposing sides of an issue. An example in this case could be a pension plan for a large oil company's employees versus a socially responsible investment fund focused on renewable energy growth. Egan-Jones manages revenue-based conflicts of interest in three ways:

1. EJPS avoids relationships that, in our opinion due to the nature of the product, produce conflicts that are not mitigatable or controllable, specifically with direct engagement in environmental, social and corporate governance (ESG), or compensation consulting. In our mind engaging in this type of consulting is the equivalent of a building's architect functioning as the building's inspector, signing off on the very plans they created.

2. EJPS is related to Egan-Jones Ratings Co. ("EJR"), a SEC-registered nationally recognized statistical rating organization ("NRSRO"). EJR also sells products (credit rating services and subscriptions) to institutions and issuers. To manage any potential conflict, EJPS and EJR and are separately managed and staffed.

3. Finally, EJPS's revenues are dispersed among multiple clients and client types. As a result, no one client produces enough revenue that they would have an outsized impact on our research product.

Cost or resource-based conflicts are always an issue. The least costly and most expedient course for any proxy advisor to take is to agree with management as often as possible. That's why you will see many proxy advisors vote with management, especially on controversial issues. For instance, many proxy advisors will align with management on a "say-on-pay" proposal nearly 90% (or more) of the time. By comparison, the Egan-Jones Standard Guidelines percentage is currently well under 70% for say-on-pay.

By agreeing with management a proxy advisor can avoid the costs and time of thoroughly researching the issue and handling complaints by issuers that the recommendation was wrongly reached. And, some proxy advisors may discourage or completely avoid engagement with issuers about their proxy reports, even though current regulatory direction discourages this, especially in the case of material errors (See the SEC's "Staff Legal Bulletin No. 20 (IM/CF)" Question Five and the CSA's "National Policy 25-201 Guidance For Proxy Advisory Firms" Section 2-4-4).

EJPS has a robust and company resource-intensive outreach program for issuers, both before the report is written with our December-January Guidelines comment period, and after it is written with our Report Preview program, where companies receive copies of the report before publication from either a participating provider (solicitor) or for free by submitting a request form to issuer@ejproxy.com.

Structural conflicts are probably the most problematic and difficult to control of all the possible types of conflict of interest. Since most (if not all) proxy advisory companies are also engaged other lines of business or are owned by groups who do, this issue is very significant. Some proxy advisory firms are owned by institutions that have a vested interest in proxy votes that may not align with that of other investors. Proxy advisory companies that are owned by investors or private equity often have a strict time horizon in which to maximize profitability (i.e. an upcoming liquidity event), and they may not be as well understood by their ownership as it changes often.

At EJPS such structural conflicts are very minimal, if any. Egan-Jones Ratings Co. (of which Egan-Jones Proxy Services is part), is privately owned and has been since its inception in 1992. EJR is in the business of issuing timely and accurate credit reports and ratings on issuers, and has built a reputation based on being fair and independent. Additionally as a SEC-registered nationally recognized statistical rating organization (NRSRO), EJR is heavily regulated (including annual SEC examinations), and such conflicts of interest, if they exist, are very controlled and fully disclosed in EJR's Form NRSRO filing with the SEC.

Conflicts will always exist in the proxy advisory business. Egan-Jones Proxy Services avoids, manages and controls these conflicts due to the NRSRO status of EJR, the nature of our business (including our revenue sources and cost centers), and the ownership and organization structure of our firm. EJPS's minimal conflict of interest risk is especially evident and relevant when comparing our firm to its peer group of US –based proxy advisory firms.