

CONSERVATIVE GUIDELINE

(delivered to most major institutional investors and parties interested in proxy matters)

Meeting Information	
Company	CHEVRON CORPORATION
Ticker	CVX
CUSIP	166764100
Meeting Type	Annual
Meeting Date	05/26/21
Record Date	03/29/21

Items & Recommendations

We recommend that clients holding shares of CHEVRON CORPORATION vote:

Item	Egan-Jones Recommendation	Management Recommendation
1A-1L – Election of Directors	FOR ALL	FOR ALL
2 – Ratify PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm	FOR	FOR
3 – Approve, on an Advisory Basis, Named Executive Officer Compensation	AGAINST	FOR
4 – Shareholder Proposal to Reduce Scope 3 Emissions	AGAINST	AGAINST
5 – Shareholder Proposal Regarding Report on Impacts Of Net Zero 2050 Scenario	AGAINST	AGAINST
6 – Shareholder Proposal Regarding Shift to Public Benefit Corporation	AGAINST	AGAINST
7 – Shareholder Proposal Regarding Report on Lobbying	AGAINST	AGAINST
8 – Shareholder Proposal Regarding Independent Chair	AGAINST	AGAINST
9 – Shareholder Proposal Regarding Special Meetings	AGAINST	AGAINST

Considerations and Recommendations

Egan-Jones' review centered on the Proposals in the context of maximizing shareholder value, based on publicly available information.

Governance Rating Score Summary

The Egan-Jones Governance Rating is based upon data sourced from FactSet Research Systems Inc., the company's public filings, reputable news sites, as well as other regulatory disclosures such as those found at the SEC and FASB

Ticker
Company name

CVX
CHEVRON CORPORATION ...

Board Rating

Item	TRUE/FALSE
CEO and Chairman Separate	FALSE
Annual Director Elections	TRUE
All Classes of Stock Have Equal Voting Rights	TRUE
Compensation Committee with All Independents	FALSE
Audit Committee with All Independents	TRUE
Nominating Committee with All Independents	FALSE
Non-binding Compensation Vote on Agenda	TRUE
Two Thirds Majority Independent Directors on Board	TRUE
Over-boarded CEO Director	FALSE

Over-boarded Board Chair	FALSE
Over-boarded Non-CEO Director	FALSE
Major cyber security breach	FALSE
Failure to implement sufficient carbon risk plan	FALSE
Other financial or operational risk control failure	FALSE
Other serious reputational risk failure by the Board	FALSE
Version	VER 2.10 12/15/2017
Sub Total	60.00
Performance Adjustment	0.00
Total	60.00
Final Board Score	Neutral

Compensation Rating

CEO Total Comp(\$)	29,016,686
CEO Salary (\$)	1,635,417
TSR (%)	-25.93
Market Capitalization (\$M)	162,581.97
Wealth Creation (\$M)	-42154.95
Wealth Creation/CEOPAY	0.00
Raw Score (pre adjustments)	Needs Attention
Final Score	Needs Attention
Rating Model Version	VER 3.10 1/22/2021
High CEO Total Compensation	Negative Adjustment
CEO Salary Under \$1 Million Limit	No Adjustment
Other Adjustments:	No Adjustment

Audit Rating

Audit Fees	28,300,000
Total Fees	30,100,000
Non-Audit Fees exceed 50%	FALSE
Auditor has served for seven or more years	TRUE
Raw Score	Some Concerns
Version	VER 1.11 1/22/2021
Final Score	Needs Attention

Governance Rating

Overall Score	Needs Attention
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Cyber Security Risk Rating

The Egan-Jones Cyber Risk Ratings helps stake holders assess the security posture (health) of covered entities. EJPS analysts use the SecuritiesScorecard platform to ascertain the company's Score which is incorporated into the EJPS Proxy Research Report. The methodology utilized for determining the Score can be found at http://ejproxy.com/media/documents/Egan-Jones_Proxy_Services_Cyber_Risk_Rating.pdf. For additional questions or comments please contact research@ejproxy.com or +1-844-495-5244 x1102.

Company Name	CHEVRON CORPORATION
Domain	chevron.com
SSC Letter Grade	B
SSC Industry	energy

Application Security	D
Cubit Score	A
DNS Health	D
Endpoint Security	B
Hacker Chatter	A
IP Reputation	A
Network Security	B
Information Leak	A
Patching Cadence	A
Social Engineering	A

Minimum Factor Grade D

EJP Qualitative Adjustment None

Final Score **Some Concerns**

Cyber Security Scoring Engine Version 2.0.1 - EJP

Items 1A-1L

Election of Directors

Director Name	Nominee	Key Committee Membership	Attendance (<75%)	Position CEO/Chair	Director Since	Diverse director	Classification	Footnotes	EJP recommendation
	1	2	3	4	5	6	7	8	9
CHARLES W W. MOORMAN IV	Yes	A	No		2012		Independent Outside Director		FOR
ENRIQUE HERNANDEZ JR	Yes	C	No		2008	Yes	Independent Outside Director		FOR
ALICE P. GAST	Yes	N	No		2012	Yes	Independent Outside Director		FOR
JON M. HUNTSMAN JR	Yes	C	No		2020		Independent Outside Director		FOR
RONALD D. SUGAR	Yes	C;N	No		2005		Independent Outside Director		FOR
MICHAEL K. WIRTH	Yes		No	CHAIRMAN AND CHIEF EXECUTIVE OFFICER	2017		Inside Director		FOR
DAMBISA F. MOYO	Yes	A	No		2016	Yes	Independent Outside Director		FOR
WANDA M. AUSTIN	Yes	N	No		2016	Yes	Independent Outside Director		FOR
JOHN B. FRANK	Yes	A	No		2017		Independent Outside Director		FOR
JAMES D. UMPLEBY III	Yes	C;N	No		2018		Independent Outside Director		FOR
DEBRA REED KLAGES	Yes	A	No		2018	Yes	Independent Outside Director		FOR
MARILLYN A. HEWSON	Yes	A	No		2020	Yes	Independent Outside Director		FOR

Item 2

Ratify PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm

Recommendation:

While we are concerned about the issues outlined below, such as the disciplinary record of this auditor (if applicable), we do not believe that they have risen to the level that this auditor's integrity, professionalism or independence is in question. **We recommend a vote FOR this Proposal.**

Background:

While ratification of auditors is one of the most common proposals submitted to shareholders it should not be overlooked. After employing the most qualified directors and CEO, to manage and grow the company, having equally experienced auditors should be next in importance. Reliable auditors are critical to ensuring shareholders receive accurate and timely reports of the Company's financial performance.

Exhibit 1 - Audit Fees

	Current Fiscal Year		Prior Fiscal Year
Audit Fees	\$ 28,300,000		\$ 28,200,000
Audit Related Fees	\$ 100,000		\$ 1,100,000
Non Audit and Tax Fees	\$ 1,700,000		\$ 900,000
Total Fees	\$ 30,100,000		\$ 30,200,000

Exhibit 2 - Audit Fee Ratios

	Relevant Ratios	Note
Total Fee Increase/Decrease	-0.3%	
Non-Audit Related Fees divided by Total Fees (Current FY):	5.6%	Should not be higher than 50%

Board Auditor Choice: **PricewaterhouseCoopers, LLP**

PricewaterhouseCoopers, LLP is a PCAOB (Public Company Accounting Oversight Board) registered auditor. Public records show that there have been a disciplinary actions taken against this firm; however, we do not believe this to be unusual for such a large company with a big number of employees, in most of these cases.

Nevertheless, we note the PCAOB Release No. 105-2017-032 from August 2, 2017 in which the Public Company Accounting Oversight Board censured PricewaterhouseCoopers LLP ("PwC" or "Respondent") and imposed on PwC a civil money penalty in the amount of \$1,000,000. The Board imposed these sanctions on the basis of its findings that PwC violated PCAOB rules and standards in connection with its 2014 audit and examination engagements for Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill"), a broker-dealer registered with the United States Securities and Exchange Commission ("Commission").

In addition, we note the 2014 PCAOB order (PCAOB Release No. 105-2014-007) in which the Board censured Randall A. Stone, CPA ("Stone"), Randall A. Stone, age 51, of Austin, Texas, a certified public accountant licensed under the laws of Texas (license no. 047916), imposed a civil money penalty in the amount of \$50,000; and barred Stone from being associated with a registered public accounting firm. At all relevant times, Stone was a partner in the Austin, Texas office of PwC was an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). Stone retired from PwC effective June 30, 2014. This PCAOB order resulted from its findings concerning Stone's violations of PCAOB rules and auditing standards in connection with (1) the audit of the consolidated financial statements of ArthroCare Corporation ("ArthroCare" or "Company") for the fiscal year ended December 31, 2007, and (2) the consent to incorporate by reference the fiscal year 2007 audit report in a Form S-8 Registration Statement filed by ArthroCare with the United States Securities and Exchange Commission ("Commission" or "SEC") in June 2008.

Item 3

Approve, on an Advisory Basis, Named Executive Officer Compensation

Recommendation:

After taking into account both the quantitative and qualitative measures outlined below, we believe that shareholders cannot support the current compensation policies put in place by the Company's directors. Furthermore, we believe that the Company's compensation policies and procedures are not effective or strongly aligned with the long-term interest of its shareholders.

Therefore, we recommend a vote AGAINST this Proposal.

Background:

At Egan-Jones Proxy Services we review a number of factors, both qualitative and quantitative in nature, before issuing a recommendation regarding the advisory vote on executive compensation. These include total CEO compensation, company performance, and any past issues with compensation.

The sum of our quantitative look at compensation can be found in the compensation corporate governance grade we give this company. Generally and absent other negative factors, a score of *Neutral* or higher in compensation merits a positive "say-on-pay" vote. This Company has earned a grade of **Needs Attention** in compensation and thus, has failed to pass our quantitative tests.

Our qualitative review of this Company's compensation has identified one minor issue; the CEO's salary at \$1,635,417 exceeds the \$1 million dollar deductibility limit imposed by section 162m for salaries and non-qualified incentive payments. Failure to abide by IRS 162m rules results in loss of deductibility for the compensation in question and possibly increased and unnecessary tax payments. While this issue is not sufficient to trigger a negative vote alone, it does impact the Company's overall compensation score, we would recommend the board investigate and consider alternative means of compensation for the CEO and any other 162m covered NEOs who exceed this limit in the future.

This advisory vote is not binding. Although non-binding, the Compensation Committee will consider the outcome of the advisory vote when making future decisions regarding the executive compensation programs.

Item 4

Shareholder Proposal to Reduce Scope 3 Emissions

Recommendation:

Instead of adopting GHG emission reduction targets as a specific objective, the Company should work for the full range of benefits realized from lower energy usage. Setting absolute GHG emission reduction goals in the midst of product demand fluctuations, unpredictable macroeconomic factors and evolving regulations would simply be misguided. **After evaluating the details pursuant to the shareholder proposal and in accordance with the Egan-Jones' Proxy Guidelines, we recommend a vote AGAINST this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests that the Company to substantially reduce the greenhouse gas (GHG) emissions of their energy products (Scope 3) in the medium- and long- term future, as defined by the Company.

Chevron shares the view that managing climate change-related risks and energy transition opportunities is vital to delivering superior long-term value. Chevron is taking actions that support a global approach to achieving the goals of the Paris Agreement as efficiently and cost-effectively as possible for society.

Chevron has established Scope 1 and Scope 2 metrics for Upstream oil, gas, flaring and methane and believes that the most appropriate approach for measuring the emissions performance of an Upstream asset is greenhouse gas ("GHG") intensity by commodity on an equity basis. This approach ensures Chevron is accountable for all Upstream GHG emissions, irrespective of who is the operator, unlike many others who account only for emissions from a subset of assets in which they have invested. Consistent

with the timing of the global stock-takes under the Paris Agreement, Chevron has set metrics for 2023 and 2028 and intends to do so every five years thereafter. Successfully achieving these emissions intensity reduction metrics is linked to most Chevron employees' variable compensation, as reflected in the Chevron Incentive Plan (CIP) scorecard. The Company leverages its capabilities, assets, and expertise to focus on these three action areas that aim to deliver measurable progress: (1) lower carbon intensity cost efficiently, (2) increase renewables and offsets in support of its own business, and (3) invest in low-carbon technologies to enable commercial solutions. Chevron believes the world's continued demand for oil and gas should be supplied by the cleanest and most efficient producers. Chevron addresses Scope 3 emissions by taking the following actions:

1. Supporting a price on carbon through well-designed policies;
2. Transparently reporting Scope 3 emissions from the use of the products; and
3. Enabling customers to lower their emissions through increasing the renewable products, offering offsets, and investing in low-carbon technologies.

These contributions support a global approach to achieve the goals of the Paris Agreement as efficiently and cost-effectively as possible for society.

Chevron also prioritizes the most cost efficient and effective emissions reductions - an approach that is good for stockholders and good for society. Through 2028, Chevron plans to spend approximately \$2 billion in carbon reduction projects. Further, Chevron has increased renewable fuels and products in its value chains over the last decade and plans to spend \$750 million by 2028 in investments in renewables and offsets. Chevron also recently increased its commitment to invest in low-carbon technologies that address Scope 3 emissions, such as carbon capture utilization and storage and lower carbon energies by committing \$300 million to the Future Energy Fund II.

Chevron's employees are proud of their role in providing affordable, reliable, and ever-cleaner energy that people around the world depend on every day.

The Board believes that Chevron's actions and reporting are appropriate and that the Company's strategy and method for setting emissions intensity reduction metrics effectively position Chevron to address future opportunities and risks. The Company's strategies, such as those outlined above, are intended to drive higher returns and lower carbon.

Item 5

Shareholder Proposal Regarding Report on Impacts Of Net Zero 2050 Scenario

Recommendation:

We believe that a report of the type requested by the proposal would be of limited usefulness to shareholders and management and duplicative of past and ongoing Company and regulatory activities. Given the limited value of such a report, its preparation would be an inefficient use of corporate resources and an unnecessary expense. **As such, in accordance with Egan-Jones' Proxy Guidelines, we recommend a vote AGAINST this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests that Chevron's Board of Directors issue an audited report to shareholders on whether and how a significant reduction in fossil fuel demand, envisioned in the IEA Net Zero 2050 scenario, would affect its financial position and underlying assumptions. The Board should summarize its findings to shareholders by January 31, 2022, and the report should be completed at reasonable cost and omitting proprietary information.

Chevron believes the future of energy is lower carbon and aims to equip stockholders with data and facts so that they can make informed choices as the world moves toward the global net-zero ambitions of the Paris agreement. In March 2021, the Company published its third Climate Change Resilience Report aligned with the Task Force for Climate-related Financial Disclosures. The report

outlines Chevron's approach to the energy transition, including testing the resiliency of Chevron's portfolio against the International Energy Agency's Sustainable Development Scenario ("SDS") and Net Zero Scenario.

At its Investor Day on March 9, 2021, Chevron outlined the steps it is taking, and the challenges it faces, in working toward a net-zero future. This includes changes in portfolio, execution of projects identified through marginal abatement cost curves, and the policy, innovations, and offsets necessary to achieve net-zero.

Chevron uses long-term energy demand scenarios and a range of commodity prices to test its portfolio, guide investment strategies, and evaluate business risks to ensure it can deliver results under a range of potential futures. Chevron analyzes how various factors may combine to create alternative scenarios to stress-test its portfolio and integrate learnings into its decision making to remain competitive and resilient under multiple scenarios.

For longer-term scenarios, Chevron routinely uses external views to both inform and challenge its internal analysis. Chevron's analysis includes scenarios forecasting emissions pathways that keep global warming to well below 2° C above pre-industrial levels, as well as scenarios forecasting net-zero emissions by 2050.¹ One example of a lower carbon scenario tested against Chevron's portfolio is the SDS. The SDS outlines one potential path to 2040 that achieves the objectives of recent clean energy policies, including the Paris Agreement, keeping global average temperatures well below 2° C above pre-industrial levels and putting the world on track to achieve net-zero emissions by 2070.

In 2020, more than 60 percent of Chevron's total Scope 1 and Scope 2 equity GHG emissions were in regions with existing or developing carbon pricing policies.² Chevron uses carbon prices and derived carbon costs in business planning, investment decisions, impairment reviews, reserves calculations, and assessment of carbon reduction opportunities. The Board believes that the Company's portfolio is resilient, and that its governance structure, risk management, strategy, actions, and asset mix enable it to be flexible in response to potential changes in supply and demand, even in lower carbon scenarios.

The Company leverages its capabilities, assets, and expertise to focus on these three action areas that aim to deliver measurable progress: (1) lower carbon intensity cost efficiently, (2) increase renewables and offsets in support of its own business, and (3) invest in low-carbon technologies to enable commercial solutions.

Chevron's employees are proud of their role in providing affordable, reliable, and ever-cleaner energy that people around the world depend on every day.

Given Chevron's current disclosures and robust strategy, planning, and risk management processes, your Board believes that the requested report is unnecessary.

Item 6

Shareholder Proposal Regarding Shift to Public Benefit Corporation

Recommendation:

We believe that approval of the proposal is not in the best interests of the Company and its shareholders. **We recommend a vote AGAINST this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the board of directors to approve an amendment to the company's Restated Certificate of Incorporation to become a Public Benefit Corporation (PBC) pursuant to Delaware law, and to submit the proposed amendment to shareholders for the approval. Such a change would enable the company to operate in a responsible and sustainable manner that balances the stockholder's pecuniary interests, and the best interests of those materially affected by the corporation's conduct.

The Business Roundtable Statement on the Purpose of a Corporation sets forth commitments in five key areas: delivering value to customers; investing in employees; dealing fairly and ethically with suppliers; supporting communities in which the Company works; and generating long-term value for stockholders. Chevron has a long track record of success in each of these five areas and remains dedicated to these principles because they have always contributed to the long-term, sustainable health of the Company.

Chevron engages with stakeholders, including investors, civil society organizations, customers, and others, to inform its approach to its social and environmental responsibilities. Expectations continue to rise, and responding to these expectations is a responsibility Chevron takes seriously. The ability to continue to create value for stakeholders depends on maintaining financial, operational, and cultural strength – and the Company is committed to doing so.

Chevron's social investments strive to empower people to improve their lives and meet their full potential. Partnerships in health, education, and economic development advance progress and strengthen communities. Moreover, the employees, retirees, and contractors apply their skills, and contribute their resources, in volunteer activities that help improve education, provide basic needs, foster new business opportunities, and ultimately strengthen the communities in which the Company operates.

Chevron addresses the risks and opportunities presented by the global transition toward a lower-emissions energy system through its three strategic action areas: (1) lower carbon intensity cost efficiently, (2) increase renewables and offsets in support of its own business, and (3) invest in low-carbon technologies to enable commercial solutions.

Chevron has established equity-basis greenhouse gas ("GHG") emissions reduction metrics to achieve goals related to activities over which it has financial or operational influence. Chevron believes in establishing metrics on an equity-basis, per commodity, and on an intensity basis, up to the point of sale, in a verifiable, tradable manner to transparently measure the efficiency of production for each product. Chevron set Upstream equity net GHG intensity reduction goals for 2028 for Scope 1 and Scope 2 emissions of 24 kg of carbon dioxide equivalent ("CO₂e") per barrels of oil-equivalent ("boe") for oil or gas production carbon intensity, zero routine flaring by 2030, 3 kg CO₂e/boe for flaring intensity, and 2 kg CO₂e/boe for methane intensity, along with a methane detection plan.¹ Successfully achieving these metrics is linked to most Chevron employees' variable compensation.

Chevron has a strong corporate governance structure to enable the Company to meet the rising expectations of stakeholders. Chevron's Board of Directors conducts an annual review with executive management that identifies significant financial, operational, market, political, environmental, and other risks. The Board oversees Chevron's risk management policies and practices to assess whether the appropriate systems are employed. The Board's Public Policy and Sustainability Committee monitors the social, political, environmental, human rights, and public policy aspects of Chevron's business and the communities in which it operates.

Item 7

Shareholder Proposal Regarding Report on Lobbying

Recommendation:

In light of the Company's policies and oversight mechanisms related to its political contributions and activities, we believe that the shareholder proposal is unnecessary and will not result in any additional benefit to the shareholders. Rather, the proposal promotes impractical and imprudent actions that would negatively affect the business and results. **After evaluating the details pursuant to the shareholder proposal and in accordance with the Egan-Jones' Proxy Guidelines, we recommend a vote AGAINST this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Chevron used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.

3. Chevron's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision-making process and oversight for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which Chevron is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Public Policy Committee and posted on Chevron's website.

A 2011 Si2 study revealed that S&P 500 companies spent a total of \$1.1 billion on 2010 political contributions where 87% or \$973 million went to federal lobbying expenditure. However, this figure does not include corporate lobbying expenditures for state and local governments, a fact recently highlighted in "Corporate Governance of Political Expenditures: 2011 Benchmark Reports on S&P 500 Companies," by Heidi Welsh and Robin Young and the Sustainable Investments Institute's IRR Institute, November 2011.

Recognizing that companies have their own policies and mechanisms on political spending, corporate directors do have fiduciary duties that they owe to the corporation and its shareholders. The Board should check and ensure that corporate dollars spent in the political arena are aligned with the company's business strategy. The board, through its oversight function should be aware of legal, regulatory, and reputational risks inherent in political spending.

Although much disclosure is already required by federal, state, and local campaign finance and lobbying regulations, these investors and groups also demand information not required by law to be reported. Shareholders particularly the most active institutional investors such as labor pension and investment funds—support the argument that corporations have a right to lobby because it safeguards shareholders' interests. Disclosure of political contributions increases the possibility that the contributions are aligned with the company's business strategy, policies and procedures and promotes awareness of reputational risks the company faces when making the donation. Also, transparency allows investors to align their investments with their values.

Some believe that corporations should not be making political contributions in a democracy for the people and by the people while some argue that corporations should have input into policies affecting them.

Item 8

Shareholder Proposal Regarding Independent Chair

Recommendation:

We believe that the separation of chairman and CEO roles or having an independent chairman is not a one-size-fits-all principle. We believe that that the Board should have the flexibility in determining the Board's leadership structure that is conducive for a company's goal in achieving its long-term performance and maximizing shareholder value. **In accordance with Egan-Jones's Conservative Guidelines we recommend a vote AGAINST this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the Board of Directors to adopt as policy, and amend the bylaws as necessary, to require that whenever possible the Chair of the Board of Directors be an independent member of the Board. This policy would phase in for the next CEO transition.

If the Board determines that a Chair who was independent when selected is no longer independent, within a reasonable period it shall select a new Chair who satisfies the requirements of this policy. Compliance with this policy can be waived if no independent director is available and willing to serve as Chair.

Since the occurrence of the financial crisis, the clamor for independent chairman proposals has usually formulated either as a proposal to separate the roles of CEO and chair or as a proposal that the chairman be an independent director. Lehman Brothers and Bear Stearns used to have a combined chairman and CEO post, a fact which has led to criticism of the dual role.

It has been a prevalent practice for large companies to have the CEO and chair positions combined. According to Spencer Stuart (http://www.corpgov.deloitte.com/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/USEng/Documents/Nominating-Corporate%20Governance%20Committee/Board%20Composition%20and%20Recruitment/SpencerStuartBI%202013_04Nov2013-lowres.pdf), in 2013, 25% of S&P 500 boards have a truly independent chair, a non-executive director or a former executive director, compared with 16% five years ago – a proof that splitting the dual role has become a business trend since the mid-2000's. This reflects the views of certain shareholders that having the CEO or any top executive serve as chairman could be detrimental to the whole board's independence. The CEO's main role is to manage the company, with the board serving as a lookout to the management. As a result, the chairman, being the one who runs the board, should be accountable to the shareholders. When the two roles are combined, there is a possibility of lack of independent oversight and minimal accountability in the board room that could put a company's long-term health and profitability and the interests of shareholders at risk.

On the contrary, many companies believe that having an independent chairman is not a one-size-fits-all approach. Opponents of the proposal argue that there is no solid evidence that link a higher shareholder return with having an independent chair. As a matter of fact, this shareholder proposal failed to win majority support at large companies. For example, Walt Disney has split the chairman/CEO roles in 2005, but in 2012, it recombined the roles. In 2013, Disney shareholders rejected a proposal to separate the roles with a 65% "against" vote. Also, JPMorgan Chase CEO Jamie Dimon gained shareholder support to remain as chairman, against a proposal to split the roles after the bank has posted the "London Whale" trading loss. Also, the decision to maintain a combined Chair/CEO role or have an independent chairman should be also based on the specific circumstances of a corporation, the independence of its directors, and the leadership provided by its CEO. Moreover, proponents should take into account the current leadership structure and governance practices of a company which include but is not limited to the following:

- Having a Lead Independent Director
- Majority of the board is comprised of independent directors
- Independent directors comprise the key board committees
- Independent directors meet frequently in executive sessions that are presided over by the Lead Independent Director with no members of management present.

Item 9

Shareholder Proposal Regarding Special Meetings

Recommendation:

We do not believe it is appropriate to enable holders of below 25% of the common stock to have an unlimited ability to call special meetings for any purpose at any time. **After evaluating the details pursuant to the shareholder proposal and in accordance with the Egan-Jones' Proxy Guidelines, we recommend a vote AGAINST this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests to take the steps necessary to amend Company bylaws and appropriate governing documents to give holders of 10% of outstanding common stock the power to call a special shareholders meeting. To the fullest extent permitted by law, such bylaw text in regard to calling a special meeting shall not contain exceptions or excluding conditions that apply only to shareholders but not to management or the Board.

As a result of targeted activism in the last few years, more than half of the S&P 500 companies now allow shareholders to call special meetings (Davis Polk & Wardwell LLP, 2011). Annual meetings are important matters for the investors. Annual meetings usually take

place sometime in the spring, during “annual meeting season”, a few months after the December 31 fiscal year-end. Investors can also schedule a special shareholder meeting, subject to some diverse and stimulating rules, and a bit of strategy.

Some companies view that such right is burdensome in terms of financial expense, time and management resources. Also, such right permits a small percentage of shareholders to call a meeting that may serve their intended purposes, rather than those of the company and the majority of shareholders.

On the contrary, many investors believe that it is imperative that shareholders are given a right to timely call special meetings. A company usually requires a mandate from investors to hold a special meeting, in which the typical threshold is 25% ownership of the Company’s shares. Having an ownership threshold of 25% strikes a reasonable balance between enhancing stockholder rights and protecting against the risk that a small minority of stockholders could trigger a special meeting and the resulting financial expense and disruption to the Company’s business. Furthermore, special meetings should only be called to consider extraordinary events that are of interest to a broad base of stockholders and that cannot wait until the next annual meeting.

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