



Methodology overview

January 2025



A letter from Director Kevin McManus

We appreciate your interest in understanding how Egan-Jones determines its recommendations.

Our team has taken much time and consideration over two decades to craft policies that meet the unique needs of our customers. However, we would have been unable to do so without helpful counsel from customers, industry experts, consultants, issuers, proxy solicitors, and others over the years. Should you have any comments or questions about our policies, please reach us at research@ejproxy.com.

Thank you again for your interest and we wish you well.

Sincerely,

Kevin McManus

Kevin McManus

Director, Egan-Jones Proxy Services

I. Notable changes since last policy update

1. Policy details are now available in reference files vs in separate proxy methodology documents.
2. Previous items known as “scores” are now known as tests. Some of these like the board score have been modified. Egan-Jones is continuing to test these modifications to ensure alignment with policy expectations.
3. Some details of test calculations (particularly for threshold tests) are not shown in the reference files. Calculations details will continue to be included in all reports. Calculation details are available upon request.
4. Egan-Jones will make available a category-specific change log in our final update of the methodology document.

II. Categories [view categories →](#)

To issue a recommendation for a proxy proposal, first we must identify what type of proposal it is. A proposal regarding a director's election will require different analysis than a proposal regarding approval of an auditor. In the categories file, you will see the various categories to which a proposal might belong.

Commentary

Reasonable people might disagree about how to categorize a proposal. Thus, we require double entry of data to assure that we are getting the best possible answer. When two analysts disagree, the categorization is reviewed by a more experienced manager, who determines the result.

III. Policies

Just as investors have different investment goals, they also have different proxy voting goals. Some might seek solely to protect and enhance wealth, others might seek to promote environmental and social causes, and others may want to promote robust corporate governance. It is common for investors to pursue a blend of these or other goals. It is not Egan-Jones' role to advocate for a particular cause. Rather, we seek to identify the general frames through which our customers view proxy voting and recommend the appropriate policy. We seek to faithfully apply those policies as described.

In some cases, one of our off-the-shelf policies won't work for a customer's particularly unique needs. We are happy to work with any customer of any size or kind to quickly make a custom policy. Below we provide descriptions for our off-the-shelf policies.

Wealth-Focused Policy

Recommendations are based only upon the objective to protect and enhance the wealth of investors. "Stakeholder capitalism" proposals will be opposed by this policy, even if supported by management and the board. Opposed policies include those aimed at promoting diversity, equity, and inclusion (DEI) and those aimed at environmental protection, including scope 1, 2, and 3 carbon-neutral proposals.

Exceptions only exist when proposals are directly tailored to revenue generation. Egan-Jones supports executives and board members who have a track record of strong shareholder returns. Those same executives and board members may support implementing climate objectives that if presented as a shareholder proposal would be opposed by the Wealth-Focused policy.

Blended (formerly Standard) Policy

Recommendations are designed to prioritize shareholder returns and implement market-standard governance practices. This policy aggressively targets executive compensation while providing a more typical middle-of-the-road approach to both management and shareholder

proposals. Additionally, director tenure, auditor rotation and cyber security are all key issues addressed in detail by this policy's methodology.

ESG Policy

Introduced circa 2005, the Environmental, Social, Governance / Socially Responsible Investing policy seeks to promote industry-standard stewardship and governance values in its recommendations. The policy considers ESG risks as key business risks that may impact future profitability. Most carbon-neutral and environmental impact reduction proposals are supported by the ESG policy.

Catholic Policy

Introduced in 2014, the Catholic Policy complies with the principles of the United States Conference of Catholic Bishops (“USCCB”). Catholic client accounts are governed by the Principles for USCCB Investments, which enumerate rules under which investments must be managed and invested through strategies that seek to avoid participation in harmful activities, to use the role of stockholder for social stewardship, and to promote the common good.

This policy, like the principles of the USCCB upon which it is based, addresses issues that affect long-term shareholder value, while considering workplace issues that may have an impact on long-term economic best interests of participants and beneficiaries. This includes corporate policies that affect job security, wage levels, local economic development, corporate responsibility, workplace safety, and environmental safety.

Taft-Hartley Policy

Introduced circa 2005, the Taft-Hartley policy is similar to the ESG policy, in promoting diversity, equity, and inclusion as well as environmental goals.

Taft-Hartley client accounts are governed by the Employee Retirement Income Security Act (“ERISA”), which enumerates rules under which pension fund assets must be managed and invested. The U.S. Department of Labor has stated that proxy voting rights are valuable plan assets, which must be exercised in accordance with the fiduciary duties of loyalty and prudence.

While the duty of loyalty requires that the voting fiduciary exercise proxy voting authority solely in the economic interest of participants and plan beneficiaries, the duty of prudence requires that proxy voting authority be exercised with care, skill, prudence and diligence that a similarly situated prudent person knowledgeable in such matters would exercise.

Commentary

The Egan-Jones team performs analysis for each meeting and for each of our policies from the ground up. Egan-Jones does not use a "standard" report and morph it to create other reports. That practice risks biasing results of other reports toward those of the "standard."

IV. Tests [view tests →](#)

Egan-Jones runs various types of analysis to determine a recommendation for a particular proposal.

In some cases, the analysis is straightforward. For example, there is a proposal to introduce a carbon emissions reporting requirement. The Wealth-Focused policy would generally recommend AGAINST.

In other cases, the analysis is more difficult. For example, there is a proposal that the company be purchased by a larger firm. For any policy, we would have to implement case-by-case analysis. Different policies may weigh different factors in a case-by-case analysis.

And there are some cases that are somewhere in the middle. For example, auditor selection must be ratified by the shareholders. The auditor's independence and reputation would be considered for most policies.

We refer to "tests" to describe the type of analysis we run. Tests vary by the factors or "metrics" they consider, how onerous they are, and how much they rely on quantitative vs qualitative metrics. See definitions for our various kinds of tests below.

Logic tests	This test considers one or more metrics, each of which are Boolean statements (true/false). If the metrics meet their “ideal condition”, the test passes.
Threshold tests	This test considers just one metric. If the metric meets a particular threshold, the test passes.
Management tests	This test simply outputs the recommendation of management for the proposal.
Auto-result	This test always outputs a FOR, AGAINST, or WITHHOLD vote.
Case-by-case	This test is run ad-hoc by the manager weighing factors in such a way that can’t adequately be captured by one of our other tests.

Commentary

While our tests are an effective means of distilling the most relevant analysis of a company, they are not expected to cover all cases. Thus, even when Egan-Jones applies a test, a manager may override the result and supplement the original analysis as needed.

For example, if a director was convicted of a serious crime, it is unlikely that any policy would recommend a vote FOR his election despite what our test might suggest.

V. Test thresholds [view test thresholds →](#)

While no policies are required to use the same tests, there often is some overlap between policies. However, even when two policies use the same test, they may have a different threshold to “pass.”

Just as a high school and college track team may both use a mile run as a test during tryouts, the college team will typically have a more onerous threshold to “pass.”

VI. Test selection [view test selection →](#)

Given the category of a proposal and a customer's policy, we know what type of analysis to run. The category alone would be insufficient to identify the test as it tells us nothing of the customer's proxy goals. The policy alone would be insufficient to identify the test as it tells us nothing of the specifics of the matter at hand. But with both, we have enough information to identify the test needed.

VII. Metrics

Most tests require data to perform the analysis. We call these data “metrics.” Egan-Jones uses hundreds of metrics in our analysis, which includes both qualitative and quantitative considerations. Many of these metrics are available on the “tests” table.

VIII. Conclusion

As you may have noticed, this methodology overview is relatively brief. The “logic” of our methodologies can be found in the various links dispersed throughout this document.

In the interest of brevity, we have excluded some items from this methodology, including the low-level metrics we use to calculate the results for tests, our justification for running particular tests according to each policy, and our process of implementing this methodology into practice.

Please contact research@ejproxy.com should you have any questions or comments.

IX. Legal Disclaimer

DISCLAIMER © 2025 Egan-Jones Proxy Services, a division of Egan-Jones Ratings Company and/or its affiliates. All Rights Reserved. This document is intended to provide a general overview of Egan-Jones Proxy Services' proxy voting methodologies. It is not intended to be exhaustive and does not address all potential voting issues or concerns. Egan-Jones Proxy Services' proxy voting methodologies, as they apply to certain issues or types of proposals, are explained in more detail in reference files on Egan-Jones Proxy Services' website – <http://www.ejproxy.com>. The summaries contained herein should not be relied on and a user or client, or prospective user or client, should review the complete methodologies and discuss their application with a representative of Egan-Jones Proxy Services. These methodologies have not been set or approved by the U.S. Securities and Exchange Commission or any other regulatory body in the United States or elsewhere. No representations or warranties, express or implied, are made regarding the accuracy or completeness of any information included herein. In addition, Egan-Jones Proxy Services shall not be liable for any losses or damages arising from, or in connection with, the information contained herein, or the use of, reliance on, or inability to use any such information. Egan-Jones Proxy Services expects its clients and users to possess sufficient experience and knowledge to make their own decisions entirely independent of any information contained in this document or the methodology reference files contained on <http://www.ejproxy.com>.