AUGUST 2021

Engine No. 1
Proxy Voting Guidelines

Engine No. 1 LLC

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INTRODUCTION

Engine No. 1 is an impact investment group purpose-built to create long-term value by driving positive impact through active ownership. We believe companies that invest in their employees, customers, communities, and the environment are stronger as a result. And we believe that what we do as active owners—how we vote our shares, how we engage with our companies, and how we work with other shareholders and stakeholders—are some of the most important actions we take as investors.

Every year, shareholders vote on tens of thousands of proposals at public companies. That's our right as shareholders—to vote. Through that right, we're able to elect boards and ratify auditors. We're able to support or oppose important social and environmental resolutions. Ultimately, we're able to hold companies and their leaders accountable.

At Engine No. 1, we have developed voting guidelines to harness the power we have as shareholders to drive positive impact. They are designed to best create and protect long-term shareholder value, which we believe requires us to focus on the social and environmental impact that companies have on their stakeholders, in addition to traditional financial, operational, and governance factors. These voting guidelines are a critical part of our active ownership strategy.

A core goal of these voting guidelines is to accelerate the economy's transition towards the recommendations of the Intergovernmental Panel on Climate Change (IPCC) to meet a 1.5° Celsius scenario. For many companies, we believe this requires significant changes in transparency, accountability, strategy, and operations to achieve net zero emissions. This includes ensuring that the company's board and senior management are properly considering the environmental, social, and economic risks relevant to climate change, which may require adoption of net zero-aligned transition plans.

The following sections detail the primary topics presented at annual and special meetings:

Leadership and Oversight
Environmental and Social Proposals
Incentive Alignment
General Governance
Capital Structure
Mergers & Acquisitions
Auditor

While these guidelines are intended to provide an overview of how we may vote on particular agenda items, they are most often applied case-by-case based on particular facts and circumstances at each company. Therefore, we may at times diverge from voting per the guidelines if the circumstances are merited. While Engine No. 1 may seek an active ownership approach, there are regulatory restrictions applicable that may limit the nature and extent of engagement in certain circumstances. Nonetheless, Engine No. 1 intends to seek opportunities where possible to employ its active ownership beliefs, while being mindful of such regulatory limits.

These guidelines are entirely custom to Engine No. 1, and all decisions are made by the firm's investment and stewardship teams. We have contracted with Institutional Shareholder Services (ISS) in order to execute our voting decisions. We occasionally reference ISS in these guidelines where specific definitions (like "director independence") are required.

LEADERSHIP AND OVERSIGHT

We determine how well a company's Board is representing its investors' interests. In cases where we believe directors are failing to act in the best interest of investors, we may withhold our support or vote against.

Absence of Auditor Ratification on the Agenda - Vote against or withhold votes from incumbent Audit Committee members when auditor ratification is not included on the proxy ballot.

Board Diversity - Vote against or withhold votes from incumbent nominating committee members if the board lacks at least one female and one racially diverse director, and if the board is not at least 30 percent diverse. If the company does not have a formal nominating committee, vote against or withhold votes from the entire board of directors except new nominees. Vote for requests for reports on a company's efforts to diversify the board. Vote for proposals asking a company to increase the gender and racial minority representation on its board.

Board Independence - We rely on ISS's definition of independence. The majority of the Board should be comprised of independent Directors. In situations where this is not the case, we will vote against the Nominating and Governance Committee of the Board.

Board Size - We typically defer setting the size of the board to the board. However, boards that are too small or too large may not function efficiently.

Climate-Related Risks - Generally we vote against or withhold votes from directors individually, or relevant responsible committee members, due to a failure to adequately address climate-related risks, or capitalize on climate-related opportunities. We believe the entire board is responsible for climate governance processes and reporting weaknesses, and we consider holding boards accountable when they have failed in their oversight over material climate-related risks, including providing adequate disclosure on material issues.

Contests for Control - Assessed on a case-by-case basis, we consider the qualifications of the candidates on both slates, the validity of the concerns identified by the dissident, the viability of the plans from the competing slates, the likelihood that the dissident's plan will produce the desired impact, and whether the dissident represents the best option for enhancing long-term shareholder value.

CEO and Management Succession Planning - We support transparency into the executive succession planning process, including Board responsibility, recognizing appropriate sensitivity.

Classified / Staggered Board - We believe that directors should be elected annually, but may support staggered boards in some circumstances.

Cumulative Voting - We believe that a majority vote standard is in the best long-term interests of shareholders and generally oppose proposals requesting the adoption of cumulative voting.

Director Compensation - Compensation for directors should be structured to attract, retain and align directors' interests with shareholders. It should be linked with long-term value creation and directors should build share ownership over time.

Director Tenure - Tenure is not a factor in our classifying directors.

Independent Chair and Separation of CEO/Chair Positions - We generally vote for shareholder proposals requiring that the board chair's position be filled by an independent director, taking into consideration the following:

- The scope and rationale of the proposal;
- The company's current board leadership structure;
- The company's governance structure and practices;
- Company performance; and
- Any other relevant factors that may be applicable.

Key Committee Independence - We tend to vote against or withhold votes from non-independent director nominees if they serve on the audit, compensation, or nominating committee or if the company lacks a key board committee so that the full board functions as that committee.

Majority Vote Requirements - We believe directors should be elected by a majority of the shares voted and will support proposals requiring a majority vote standard for director elections.

Over Boarding - We generally vote against or withhold votes from CEOs serving on more than two outside boards and from non-CEO board members serving on more than five total boards.

Reimbursement of Expenses for Successful Shareholder Campaigns - We generally support shareholder proposals seeking the reimbursement of proxy contest expenses if the contest is well-merited in our view.

Risk Oversight Failure - We may vote against directors due to failure to manage environmental, social and governance (ESG) risks. Vote against or withhold from directors individually, on a committee, or potentially the entire board due to material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate ESG risks, or a lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks.

Responsiveness to Shareholders - If we believe a board has not been responsive to shareholders, we will vote against the responsible committee or individual director, and if the circumstances merit, the entire board.

Shareholder Rights - We expect a board to act with integrity and to uphold governance best practices. Where we believe a board has not acted in the best interests of its shareholders, we will vote against the responsible committee or individual director, and if the circumstances merit, the entire board.

ENVIRONMENTAL AND SOCIAL PROPOSALS

We firmly believe that shareholder proposals, especially on environmental and social issues, represent an important tool for investors to address issues that may historically have not been deemed financially relevant but that are increasingly accepted as critical to a company’s ability to create long-term value for shareholders.

Shareholder proposals tend to fall into two categories: those requesting reports or additional disclosure, and those that are more prescriptive. Prescriptive proposals may be requests for policies or for the company to take action beyond issuing a report.

Generally, we support requests for additional disclosure, and we evaluate requests for action beyond that on a case-by-case basis. In both circumstances, we rely in part on the Sustainability Accounting Standards Board (SASB) definition of materiality. Shareholder proposals that are aligned with SASB may be more likely to gain our support than those that are not aligned. For shareholder proposals that do not necessarily align with SASB, we will assess related industries and the potential for financial relevance in determining our vote.

In determining how to vote on environmental and social proposals, the following issue categories are considered in terms of these financial, environmental and social impacts:

Air Pollution - We generally support requests for disclosure to understand a company's contribution to air pollution. A leading cause of respiratory disease, allergies and premature deaths, it has been associated with lost labor income, and negative impacts on job performance, recruitment and consumer spending. For proposals that dictate a particular action, we will be inclined to support, but will evaluate on a case-by-case basis.

Climate Change - We tend to support shareholder proposals that seek additional disclosure on the impacts of climate change, approaches to energy efficiency or renewable energy. This can include climate-related lobbying and financing, disclosure, targets, and "Say on Climate" proposals, which are related to reporting on net zero-aligned transition plans and annual non-binding votes on these plans. We believe companies should generally disclose in alignment with the Climate Action 100+ Net Zero Company Benchmark Indicators and sector-specific investor expectations, as well as the Task Force on Climate-Related Financial Disclosures (TCFD).

Climate change impact may include human health, agriculture and food security, and significant financial losses throughout multiple sectors such as fossil fuels, thus driving a preference towards cleaner technologies and renewable energy. For proposals calling for specific reductions in GHG emissions, or actions to be taken on energy efficiency and renewable energy, we tend to support based on a case-by-case review of materiality.

Corruption - Generally speaking we support requests for additional disclosure or reporting on business activities if it helps to avoid potential fraud. Bribery and fraud can lead to economic inefficiency as capital is mis-allocated, leading to damage to the environment and an impact on human rights. Financial consequences, reputational damage, withdrawn lines of credit may also result. If a proposal requests that a company take a particular action beyond disclosure to avoid corruption related activities, we will tend to support but we will evaluate case-by-case to avoid unintended consequences.

Community Relations - Generally speaking we support requests for additional disclosure or reporting on community relationship building. How a business interacts with the community may have positive economic benefits or conversely, negative impacts if not managed appropriately. If a proposal requests that a company to take a particular action in a community beyond disclosure, we will evaluate on a case-by-case basis.

Customer Privacy & Data Security - Generally speaking we support requests for additional disclosure or reporting on a company's approach to privacy and security. Breaches can result in significant financial losses and reputational damage. If a proposal requests a company to take a particular action beyond disclosure, we will evaluate based on our assessment of materiality and relevance.

Consumer Utility of Products and Services - Generally speaking we support requests for additional disclosure or reporting. The production of certain goods or services that provide consumer utility benefits may go beyond what is accounted for in the price of the good/service. In other words, inherent benefits may exert positive externalities on the consumer, for example, the use of exercise equipment may improve health, or educational services may increase productivity. If a proposal requests a company to take a particular action beyond disclosure, we will evaluate based on our assessment of materiality.

Consumer Health - Generally speaking we support requests for additional disclosure or reporting on the health impacts of a particular product or service. The production of goods or services with inherent negative impacts, includes cigarettes, alcoholic beverages or fast food can affect consumers directly or indirectly (e.g., smoking vs. second-hand smoking), physically or mentally, and can be linked to single use or long-term excessive use. Conversely, certain products and services may have positive impacts. If a proposal requests a company to take a particular action beyond disclosure, we will evaluate based on our assessment of relevance and appropriateness to the company's operations.

Diversity & Inclusion - We tend to support requests for additional disclosure or reporting on diversity and inclusion strategies, approaches and metrics. Valuable in its own right by contributing to a fairer society, it has also shown many corporate benefits, such as improved culture, revenue, readiness to innovate and employee retention. This not only affects an organization's internal structure, but also its supply chain, consumers and broader stakeholders. If a proposal requests a company take action beyond disclosure, we will evaluate on a case-by-case basis, with a tendency to support more inclusivity.

Employee Health & Safety - We tend to support requests for additional disclosure or reporting particularly as it relates to worksite injuries or fatalities. Injuries and illnesses lead to an increase in employee morbidities and premature deaths. In addition, reduced productivity due to incidents can result in employees moving out of the workforce, temporarily or permanently, making it more expensive to run the business. If a proposal requests a company take a particular action beyond disclosure, we will evaluate on a case-by-case basis.

ESG-linked Compensation Programs - Generally speaking we support requests for additional disclosure or reporting on compensation, and support the concept of linking ESG metrics to executive compensation. Management teams must be incentivized to create value across various metrics including environmental and social criteria. If a proposal seeks to micromanage the metrics or approach taken by the company, we will evaluate case-by-case.

Human Rights - We tend to support requests for additional disclosure, assessments or reporting on a company's approach to human rights. Fairness, equality and respect results in greater levels of productivity, innovation, more predictable supply, better retention and motivation, and more robust due diligence. If a proposal requests a company to take a particular action on human rights beyond disclosure, we will evaluate case-by-case based on our assessment of relevance and appropriateness.

Labor Practices & Employee Engagement - Generally speaking we support requests for additional disclosure or reporting to help us understand how a company manages its employee resources. We recognize that a decent wage can make good business sense as it tends to improve a company's reputation in the market and increase the motivation and productivity of employees. If a proposal requests a company to take a particular action beyond disclosure, we will evaluate based on our assessment of materiality and relevance.

Land Use / Nature / Biodiversity - We tend to support additional disclosure on land use and biodiversity impacts. As the global population increases pressure on land and biodiversity does too, thus putting agricultural and forestry profits and yields at risk. If a proposal requests a company to take a particular action beyond disclosure, we will evaluate it case-by-case based on our assessment of materiality and appropriateness.

Political Contributions - We generally support requests for additional disclosure or reporting on political contributions. Understanding how a business deploys resources on public policy issues allows investors to ensure alignment with business strategy. If a proposal requests that a company be barred from making political contributions or similarly attempts to micromanage the company's approach, we will evaluate on a case-by-case basis.

Product Quality and Safety - We tend to support requests for additional disclosure or reporting. To prevent significant financial issues, companies need to manage consumer health and safety issues in the process of developing a product or service. This includes design defects, manufacturing defects or advertising failures where consumers are not warned of a hazard. If a proposal requests a company to take a particular action beyond disclosure, we will evaluate based on our assessment of materiality.

Sustainability Reporting - Consistent with our preference for additional transparency, we generally support requests for sustainability or related reporting.

Selling Practices & Product Labelling - Generally speaking we support requests for additional disclosure or reporting in advertising. There is significant evidence that deceptive advertising is not good for businesses, consumers, or society. If a proposal requests a company take a particular action beyond disclosure of process or approach, for example requiring product labels, we will evaluate case-by-case.

Waste - We tend to support proposals seeking additional disclosure on waste management approaches and impacts. Inappropriate waste disposal can be hazardous in many ways such as impacts on health, while innovations in waste removal reduce reliance on imports, reduce supply chain risk and provide opportunities for circular economy solutions. Proposals that seek particular waste management processes be implemented, such a recycling measures, will be evaluated on a case-by-case basis to ensure that they are reasonable.

Water Consumption - Generally we support proposals requesting disclosure on water consumption, particularly in industries that are water intensive. Corporate activities may lead to water scarcity that impact human health and the environment. Unsustainable water usage can lead to price fluctuations, disrupt production and supply chains, and increase operating costs. Proposals that dictate particular action be taken to reduce water consumption may be supported, but will be evaluated on a case-by-case basis to determine materiality.

Water Pollution - We tend to support additional disclosures on water pollution. Child growth, brain development and other health impacts may be the result of poor water quality which may also lead to increased health care spending, reduced agricultural yields and costs of ecosystem damage. If the proposal seeks a particular action with regards to mitigating water pollution, our tendence will be to support, but we will evaluate on a case-by-case basis to ensure it's appropriate and relevant.

Training & Development - Generally speaking we support requests for additional disclosure or reporting on employee training and development. Employees will have greater productivity after undertaking training and development, which benefits both their current and future employers. If a proposal requests a company take a particular action beyond disclosure, we will evaluate based on our assessment of relevance.

INCENTIVE ALIGNMENT

Claw Back Proposals - We generally favor recoupment from compensation based on faulty financial reporting or deceptive business practices.

Management Say-on-Pay - Vote case-by-case on management proposals seeking advisory votes on executive compensation with closer scrutiny on pay magnitude and performance alignment, internal pay disparity, performance-based equity, and problematic change-in-control and/or severance provisions. We consider not voting for pay packages or compensation plans that we do not believe sufficiently incentivize oversight and management of climate or other social and environmental risks and opportunities.

Equity-Based Compensation Plans - Vote case-by-case on certain equity-based compensation plans depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "equity plan scorecard" (EPSC) approach with three pillars:

Plan Cost: The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:

- SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
- SVT based only on new shares requested plus shares remaining for future grants.

Plan Features:

- Quality of disclosure around vesting upon a change in control (CIC);
- Discretionary vesting authority;
- Liberal share recycling on various award types;
- Lack of minimum vesting period for grants made under the plan; and
- Dividends payable prior to award vesting.

Grant Practices:

- The company's three-year burn rate relative to its industry/market cap peers;
- Vesting requirements in most recent CEO equity grants (three-year look-back);
- The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);
- The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
- Whether the company maintains a claw-back policy;
- Whether the company maintains sufficient post exercise/vesting share-holding requirements.

Generally, we vote against the plan proposal if the combination of above factors indicates that the plan is not, overall, in shareholders' interests, or if any of the following egregious factors apply:

- Awards may vest in connection with a liberal change-of-control definition;
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it—for NYSE and Nasdaq listed companies—or by not prohibiting it when the company has a history of repricing—for non-listed companies);

- The plan is a vehicle for problematic pay practices, or a significant pay-for-performance disconnect under certain circumstances;
- The plan is excessively dilutive to shareholders' holdings;
- The plan contains an evergreen (automatic share replenishment) feature; or
- Any other plan features are determined to have a significant negative impact on shareholder interests.

Qualified Employee Stock Purchase Plans - Vote against qualified employee stock purchase plans where any of the following apply:

- Purchase price is less than 85 percent of fair market value; or
- Offering period is longer than 27 months; or
- The number of shares allocated to the plan is more than 10 percent of the outstanding shares.

Incentive Bonus Plans - Generally vote for proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- Addresses administrative features only; or
- Seeks approval for Section 162(m) purposes only, and the plan administering committee consists entirely of independent directors, per ISS's Classification of Directors. Note that if the company is presenting the plan to shareholders for the first time for any reason (including after the company's initial public offering), or if the proposal is bundled with other material plan amendments, then the recommendation will be case-by-case

Vote against proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- Seeks approval for Section 162(m) purposes only, and the plan administering committee does not consist entirely of independent directors, per ISS's Classification of Directors.

Vote case-by-case on all other proposals to amend cash incentive plans. This includes plans presented to shareholders for the first time after the company's IPO and/or proposals that bundle material amendment(s) other than those for Section 162(m) purposes.

Vote case-by-case on all other proposals to amend equity incentive plans.

Frequency of "Say on Pay" advisory resolutions - Generally we support annual advisory votes and consider biennial and triennial if we have no compensation concerns.

Golden Parachutes - Golden parachutes may encourage management to consider transactions that might be beneficial to shareholders. However, a large potential pay-out presents risk of a sub-optimal sale price. When evaluating a golden parachute plan, we consider whether the triggering event is in the interest of shareholder. We generally support proposals requiring shareholder approval of plans that exceed 2.99 times an executive's current salary and bonus, including equity compensation.

Option Exchanges - There may be instances where underwater options create an overhang on a company's capital structure and a repricing or option exchange may be warranted. We evaluate case -by-case.

Supplemental Executive Retirement Plans - We may support shareholder proposals requesting to put supplemental executive retirement plans ("SERP") benefits to a shareholder vote.

GENERAL GOVERNANCE

Adjourn Meeting - Generally support unless the agenda items are not aligned with shareholders' best long-term economic interests.

Amendment to Charter/Articles/Bylaws - Shareholders should have the right to vote on key governance concerns and amendments. When voting we consider the stated rationale; the company's governance profile and history; relevant jurisdictional laws; and situational or contextual circumstances.

Bundled Proposals - Shareholders should have the opportunity to review substantial governance changes individually without having to accept bundled proposals.

Exclusive Forum Provisions - We generally support exclusive forum for certain shareholder litigation.

IPO Governance - One vote for one share is our preferred structure for public companies. We also recognize dual class shares may be beneficial to newly public companies. We have a one-year grace period for boards to take steps to bring corporate governance standards in line with market expectations.

Other Business - We oppose these proposals since we may not have an opportunity to review and understand those measures and carry out an appropriate review.

Poison Pill Plans - Although we oppose most plans, we may support plans that include:

- shareholder ratification of the pill and stipulate a sunset provision whereby the pill expires unless it is renewed;

- a reasonable “qualifying offer clause”;
- an all-cash bid for all shares that includes a fairness opinion and evidence of financing does not trigger the pill;
- where it is protecting tax or economic benefits.

For shareholder proposals, we generally vote to rescind poison pills.

Proxy Access - We believe that shareholders should be able to nominate directors on the company’s proxy card. We generally support proxy access proposals which allow a shareholder (or group of up to 20 shareholders) holding three percent of a company’s outstanding shares for at least three years the right to nominate the greater of up to two directors or 20% of the board.

Reincorporation - We evaluate on a case-by-case basis the strategic rationale behind the proposal to reincorporate.

Right to Act by Written Consent - We believe that shareholders should have the right to solicit votes by written consent under certain circumstances. We may oppose the right to act by written consent in when structured for the benefit of a controlling shareholder.

Right to Call a Special Meeting - Shareholders should have the opportunity to raise matters without having to wait for management to schedule a meeting. Accordingly, shareholders should be able to call a special meeting where a minimum of 15% but no higher than 25% are required to agree to such a meeting before it is called. However, we may oppose this right if structured for the benefit of a dominant shareholder.

Simple Majority Voting - We generally favor a simple majority requirement to pass proposals. We support the reduction or the elimination of supermajority voting, although in situations where there is a substantial or dominant shareholder, supermajority voting may be protective of minority shareholders.

Virtual Meetings - Shareholders should be able to participate in annual and special meetings and virtual meetings may facilitate accessibility, inclusiveness, and efficiency. We are concerned however if the technology is used to limit shareholder participation.

CAPITAL STRUCTURE

Authorized Capital Increase - Requests for additional capital are analyzed on a case-by-case basis after considering the company's use of authorized shares during the last three years, disclosure in the proxy statement of the specific purposes of the proposed increase, disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request, and the dilutive impact of the request as determined by an allowable increase calculated by ISS (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns.

We vote against proposals to increase the number of authorized common shares if a vote for a reverse stock split on the same ballot is warranted despite the fact that the authorized shares would not be reduced proportionally.

Blank Check Preferred - We generally oppose authorization of “blank check” preferred stock since it may be a possible entrenchment or anti-takeover device. We may support blank check where the company has committed to not use it for anti-takeover and has a legitimate need for the financing with this being an advantageous method.

Equal Voting Rights - Shareholders should be entitled to votes in proportion to their economic interests. Companies with multiple share classes should regularly engage shareholders on the topic.

Increase or Issuance of Preferred Stock - We generally support proposals to increase or issue preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and where the terms of the preferred stock appear reasonable.

Reverse Stock Splits - Vote for management proposals to implement a reverse stock split if:

- The number of authorized shares will be proportionately reduced; or
- The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with ISS's Common Stock Authorization policy.

Share Repurchase Programs - Vote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms, or to grant the board authority to conduct open-market repurchases, in the absence of company-specific concerns.

Vote case-by-case on proposals to repurchase shares directly from specified shareholders.

MERGERS & ACQUISTIONS

Vote case-by-case considering the following features:

- The premium relative to the unaffected share price;
- A clear strategic, operational, and / or financial rationale;
- Unanimous board approval and arm’s-length negotiations;

- The fairness opinion of a reputable financial advisor assessing the value of the transaction to shareholders in comparison to recent similar transactions

AUDITOR RELATED

Non-Audit Fees - Vote against the ratification of auditors when a company's non-audit fees (i.e., consulting fees) are greater than 25 percent of total fees paid to the auditor.

Auditor Tenure - We do not factor in tenure in auditor ratification proposals.

Auditor Rotation - Vote case-by-case on auditor rotation, taking into account the auditor's tenure, the rotation period in the proposal, whether there is a renewal process for evaluating audit quality and price, the number of Audit Committee meetings held each year, the number of financial experts serving on the committee, and any significant audit-related issues.

Reflecting Climate Risk – We consider not reinstating auditors when they have failed to ensure the company’s accounts properly reflect climate risk.

IMPORTANT NOTES AND DISCLOSURES

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