



SBA Corporate Governance & Proxy Voting Annual Report

FY2026

About the SBA

The Florida State Board of Administration (SBA) is a constitutionally established entity responsible for investing and safeguarding \$300 billion in total assets of Florida’s public funds on behalf of its beneficiaries. Governed by elected officials—the Governor, Chief Financial Officer, and Attorney General—the SBA manages a diverse portfolio that includes the Florida Retirement System (FRS) Trust Fund, one of the largest public pension funds in the United States, as well as the Florida PRIME™ local government investment pool and other mandates. Through disciplined portfolio construction, risk management, and a long-term investment horizon, the SBA seeks to deliver strong, risk-adjusted returns to meet the obligations owed to public employees, retirees, and participating local governments across the state.

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From Our Executive Director

At the State Board of Administration of Florida, every investment and proxy voting decision is rooted in our fiduciary duty to the beneficiaries we serve. As stewards of public assets entrusted to the Florida Retirement System and other state funds, we are committed to exercising our ownership rights in a manner designed to maximize long-term, risk-adjusted returns, without any consideration of social, political, or ideological interests.

Throughout the 2026 Fiscal Year, the SBA continued to apply an independent, disciplined approach to corporate governance and proxy voting, evaluating matters solely through the lens of pecuniary factors that are expected to materially affect the value of our investments. Whether assessing director elections, executive compensation, shareowner rights, or corporate transactions, our objective remains solely focused on protecting and enhancing long-term value for Florida's beneficiaries.

This report highlights a year of active stewardship, enhanced transparency, and continued innovation in governance oversight. During the year, the SBA expanded its corporate engagement initiative, strengthened its focus on board accountability through performance-conditioned director voting, and continued to advocate for governance practices that support durable financial performance and responsible corporate oversight. As markets, technology, and regulation continue to evolve, the SBA remains committed to applying rigorous analysis, independent judgment, and fiduciary discipline to every proxy voting and engagement decision.

Respectfully,



Chris Spencer
Executive Director
State Board of Administration of Florida



Executive Overview

The SBA's proxy voting and governance program supports long-term value creation through active ownership, disciplined stewardship, and independent voting decisions. This report highlights key outcomes, market developments, and governance initiatives that shaped fiscal year 2026.

SBA FY2026 Corporate Governance Annual Summary

A core component of the SBA’s investment approach is its commitment to active ownership, stewardship, and corporate governance.

As a long-term shareowner in public markets, the SBA integrates governance considerations into its investment decision-making and proxy voting activities, emphasizing board accountability, transparent disclosures, and alignment of executive compensation with performance. The organization engages constructively with portfolio companies to promote practices that enhance durability of returns and mitigate material risks, viewing governance not as a stand-alone objective but as a critical driver of financial outcomes. Through disciplined proxy voting, direct company engagement, and collaboration with other institutional investors, the SBA seeks to uphold the rights and responsibilities of shareowners while reinforcing its fiduciary duty to maximize long-term value for Florida’s beneficiaries.

Proxy voting generally refers to the practice of casting ballots on behalf of those shareowners of a corporation who may not attend shareowner meetings in person to exercise voting rights appurtenant to their share ownership.



Global Proxy Voting & Operations

The SBA conducts proxy voting across global markets on behalf of Florida beneficiaries, applying consistent governance principles focused on board accountability, shareowner rights, transparency, and long-term financial performance.

Global Proxy Voting & Operations

During fiscal year 2026 the SBA’s Investment Programs & Governance (IP&G) team continued its active stewardship of public assets through diligent proxy voting and corporate governance oversight. This report presents a comprehensive review of SBA’s proxy voting activities, governance initiatives, and key developments from July 1, 2025 through June 30, 2026, aligning with the SBA’s fiduciary mission to maximize long-term shareowner value.

All proxy voting decisions were guided solely by pecuniary factors and the SBA’s established governance principles – favoring one-share-one-vote rights, independent and accountable boards, performance-linked executive pay, transparent disclosures, and robust shareowner rights. The SBA cast votes globally in accordance with these principles to protect the interests of Florida’s beneficiaries.



The SBA maintains independent voting authority and does not engage in automatic “robo-voting.” Instead, proxy advisor research serves as one of many analytical inputs used to inform our decisions. We support efforts to improve the transparency of proxy research methodologies, regardless of their source. The SBA will comply with any applicable requirements and will continue to exercise independent judgment on all proxy votes, mindful of state directives that prohibit considering ESG (“environmental, social, and governance”) factors except where they materially impact financial returns.

NUMBER OF MEETINGS/PROPOSAL

Number of Votes	FY2022	FY2023	FY2024	FY2025	FY2026
Number of meetings	10,319	12,203	12,584	11,660	10,866
Number of proposals	99,759	116,460	114,660	106,902	103,851

2026 Proxy Season Review

The 2026 proxy season reflected continued focus on director oversight, executive compensation, and shareowner rights, while investor support for many environmental and social proposals continued to moderate.

2026 Proxy Season Review

The SBA actively casts proxy votes and engages portfolio companies throughout the year, addressing corporate governance concerns and seeking opportunities to improve alignment with our beneficiaries’ interests.

Corporate governance efforts by the SBA are dedicated to maximizing shareowner value and designed to ensure public companies remain accountable to their investors.

This is done by establishing efficient boards of directors, providing robust and accurate financial reporting, and enforcing governance policies that safeguard SBA investment value. The SBA’s focus is on the bottom line, and we gear all companies in which we invest towards policies and practices that lead to improved financial performance. Data transparency is promoted whenever feasible and votes directly contribute to shareowner value.

The SBA’s proxy voting decisions are based solely on pecuniary factors to promote the best risk adjusted returns for its beneficiaries. The SBA applies its corporate governance principles and proxy voting guidelines uniformly to all investment strategies, accounts, and fund assets with proxy voting. To ensure returns for our beneficiaries, we support the adoption of internationally recognized governance structures for public companies. This includes a basic and unabridged set of

shareowner rights, strong independent boards, performance-based executive compensation, accurate accounting and audit practices, and transparent board procedures and policies covering issues such as succession planning and meaningful shareowner participation.

The 2026 U.S. proxy season was marked by continued investor support for management-backed items, with director elections and say-on-pay proposals receiving strong approval rates overall, while executive compensation remained the most prominent source of shareowner dissent. Investors generally reserved opposition for perceived pay-for-performance misalignment, one-time executive awards, over-boarded directors, and governance concerns, resulting in only a limited number of failed say-on-pay votes and director election defeats. A notable takeaway was the continued decline in support for most shareowner proposals, including many environmental and social proposals, alongside a growing tendency for large institutional investors to rely on their own stewardship frameworks rather than external proxy advisor recommendations. This contributed to a more fragmented voting landscape in which outcomes were driven increasingly by company-specific facts, disclosure quality, and demonstrated responsiveness to investors rather than adherence to proxy advisor policies alone.

Unless noted otherwise, charts and figures throughout the report detail the market segment and summary breakdown of all proxy votes made between July 1, 2025, and June 30, 2026.

The voting categories detailed below pertain to SBA proxy voting at all U.S. shareowner meetings:

83.1%

SUPPORT RATE

of 16,628 individual
board nominees

DIRECTOR ELECTIONS—the SBA supported 83.1% of 16,628 individual board nominees at U.S. companies within the Russell 3000 stock index, a slight decrease of 0.8% from last fiscal year. In FY2024 and FY2025, SBA staff supported 83.3% and 83.9% of all U.S. director nominees, respectively. For comparison, 2025 the two largest proxy advisors, Glass, Lewis & Co. (GLC) and Institutional Shareowner Services (ISS), recommended their clients support 92.2% and 94.2%, respectively, of all similar directors. The largest drivers of the SBA’s withhold (against) votes were board nominees serving on too many boards simultaneously, dubbed as “over-boarded” directors, poor board practices, and related disclosures.

99.3%

SUPPORT RATE

of all external auditors
among U.S. companies

AUDITOR RATIFICATION—the SBA ratified 99.3% of all external auditors among U.S. companies within the Russell 3000 stock index, unchanged from last fiscal year. In FY2024 and FY2025, SBA staff supported 99.2% in both years among all external audit firm selections. Investors, including the SBA, assess the ratio of audit to non-audit fees to understand the services provided by external auditors. When there are high non-audit charges, especially when the non-audit work pertains to general (non-audit) accounting services, an external auditor’s independence and objectivity can be impaired.

96.7%

SUPPORT RATE

of all U.S. merger/
acquisition proposals

MERGERS & ACQUISITIONS—the SBA supported 96.7% of all U.S. merger/acquisition proposals, a decrease of 4.2% from last fiscal year. In FY2024 and FY2025, SBA staff supported 95.2% and 92.5% of all proposed M&A related proposals, respectively. These proxy votes are highly contextual and based on the specifics of the individual companies and deal terms.

54.7%

SUPPORT RATE

of all compensation
related ballot items

EXECUTIVE COMPENSATION & SAY-ON-PAY (SOP)—the SBA supported 54.7% of all compensation related ballot items at U.S. companies within the Russell 3000 stock index, an increase of 9.1% from last fiscal year. In FY2024 and FY2025, SBA staff supported 46.6% and 45.6% of all U.S. compensation related ballot items, respectively. The SBA supported 56.4% of all U.S. advisory say-on-pay (SOP) ballot items in FY2026. In FY2024 and FY2025, SBA staff supported 48% and 44% of all U.S. SOP items, respectively. Investor support for both SOP and individual equity compensation plan proposals was strong, with the number of failed SOP votes remaining extremely low.

60%

SUPPORT RATE

of 10 contested
board elections

PROXY CONTESTS—during the fiscal year, SBA staff voted on a total of 10 contested board elections globally, supporting one or more dissident nominees in 60% of these contested elections, while supporting a dissident’s entire slate (or group) of director nominees only 30% of the time. Only two of the contested elections involved a controlling proportion of the board of directors, and in both cases the SBA and other investors provided partial support to the dissident.

27.7%

SUPPORT RATE

of 1,187 shareowner-
proposed resolutions

SHAREOWNER RESOLUTIONS—Market convention is to classify resolutions by topic, into “environmental” issues (e.g., corporate water use, emissions goal setting, etc.), “social” issues (e.g., human capital, lobbying activity, geopolitical risks, etc.), and “governance” issues (e.g., board structure, anti-takeover devices, shareowner rights, etc.). The SBA backed 2.3% of environmental, 8.9% of social, and 35% of governance shareowner proposals globally.

Shareowner resolutions, as opposed to management resolutions, typically represent approximately 1% of total SBA proxy voting actions each year.

Focusing on U.S. shareowner proposals, the SBA’s voting support for all U.S. shareowner proposals (SHPs) increased by approximately 4% on a year-over-year fiscal basis, from 43% to 47%, across all U.S. SHPs. The increase in support was due solely to an increase in fundamental governance proposals, as both the number of proposals and the support percentages for environmental and social shareowner resolutions continued to decline. Support for those proposals exclusive to U.S. companies, the SBA supported 2.4% of environmental shareowner proposals, 9.7% of social shareowner proposals, and 39% of governance proposals. Of the 485 U.S. market shareowner proposals supported by the SBA, 286 were governance proposals.

Common items for governance proposals include shareowner rights protections such as annual elections, majority voting, and the elimination of super-majority voting rights. Almost all shareowner proposals are “precatory,” or advisory in nature, and are therefore not legally binding on corporate boards or management. Also, a sizable proportion of all filed proposals are withdrawn by proponents and not actually voted on by a company’s shareowners. This can result from acceptable engagement activities and company commitments regarding the issues presented by the resolution. Approximately 50% of all shareowner proposals that were submitted were voted on by investors, compared with 55% of submitted proposals voted on in 2025.

Proxy Voting Summary & Trends

Voting activity across regions, markets, and proposal categories provides insight into evolving governance practices and investor priorities. This section summarizes the SBA's voting patterns and key trends during FY2026.

Proxy Voting Summary and Trends

Global Voting Activity

For the full fiscal year ending June 30, 2026, SBA staff managed proxy voting across 10,866 meetings worldwide, voting on ballot items including director elections, audit firm ratification, executive compensation plans, mergers & acquisitions, and a variety of other management and shareowner proposals. These votes, which represent a 6.8% decrease from FY2025 levels, involved 8,408 companies with 103,851 distinct voting items—voting 84.1% “For” and 13.6% “Against or Withheld,” with the remaining 2.3% involving abstentions. Of all votes cast, 13.8% were “Against” the management-recommended vote, and 58.2% of all global ballots associated with at least one negative vote cast.”

Quarterly Voting at a Glance

The table to the right summarizes SBA’s proxy voting activity by quarter in FY2026, highlighting the number of meetings, proposals, and voting outcomes each period. Notably, the April–June 2026 quarter corresponds to peak proxy season and saw an especially large volume of meetings and agenda items.

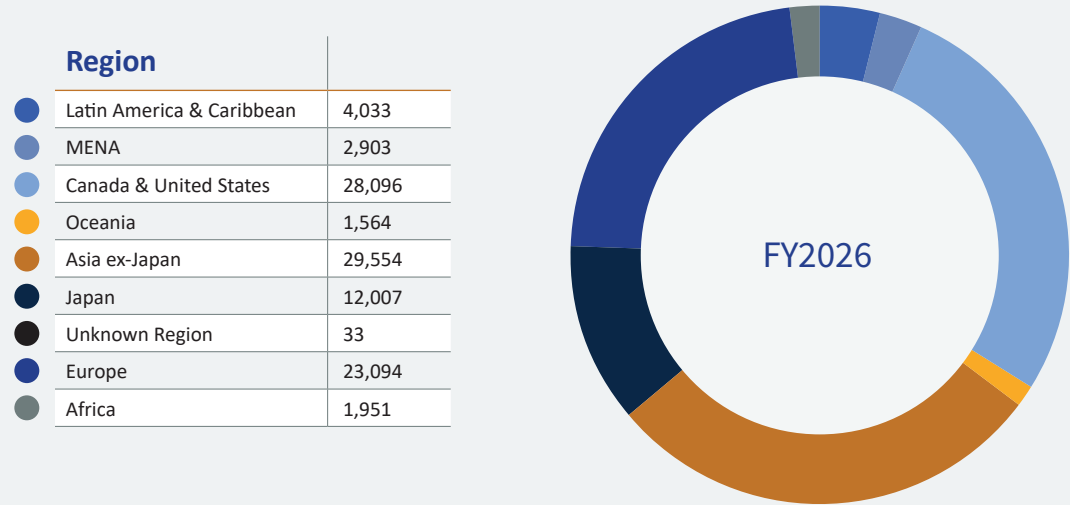
Support for environmental, social, and human capital management proposals were comparatively subdued, reflecting investor concerns about prescriptive requests, limited economic relevance, and duplication of existing disclosures.

ACTIVITY BY QUARTER IN FY2026

SBA Support %	Q1.FY26	Q2.FY26	Q3.FY26	Q4.FY26
Number of meetings	1,718	1,436	1,618	6,096
Number of proposals	13,374	9,211	13,727	66,932
Number of companies	1,577	1,324	1,557	5,814
Number of countries	46	46	46	66
% Total votes "For"	86.4%	83.6%	85.2%	83.5%
% Total votes "Abstain" or DNV	0.9%	1.4%	1.8%	2.8%
% Total votes "Against" or "Withhold"	12.7%	15.0%	13.0%	13.8%
Number of SHPs	69	114	178	826
% SHPs For	20.3%	30.7%	36.0%	26.2%

Approximately 14% of all votes cast went “Against” management’s recommendations, underscoring instances where proposals were misaligned with shareowner interests or SBA governance guidelines. This level of management opposition, while significant, was virtually identical to the prior year, reflecting consistent application of voting policies amid shifting proposal quality.

NUMBER OF PROPOSALS BY REGION



In FY2026, SBA proxy voting occurred in 69 countries, with the top five by meeting volume comprised of the United States (2,956), India (1,455), China (1,214), Japan (1,146), and Hong Kong (529).

NUMBER OF PROPOSALS BY COUNTRY

Country	Proposal				
Argentina	30	Hong Kong	812	Panama	14
Australia	1,417	Hungary	97	Peru	29
Austria	92	India	6,878	Philippines	421
Bahamas	10	Indonesia	437	Poland	1,238
Belgium	699	Ireland	714	Portugal	72
Bermuda	533	ISLE OF MAN	39	Puerto Rico	50
Brazil	1,314	Israel	1,125	Romania	23
Canada	4,133	Italy	674	Singapore	761
Cayman Islands	708	Japan	12,007	Slovenia	7
Chile	277	Jersey	328	South Africa	1,919
China	13,358	Kazakhstan	31	Spain	941
Colombia	26	Korea, Republic of	3,963	Sweden	2,476
Curaçao	14	Liberia	14	Switzerland	1,912
Cyprus	22	Luxembourg	366	Taiwan	1,528
Czech Republic	73	Malaysia	1,025	Thailand	278
Denmark	584	Malta	14	Turkey	1,423
Egypt	67	Marshall Islands	75	United Arab Emirates	288
El Salvador	14	Mauritius	18	United Kingdom	5,563
Faroe Islands	22	Mexico	928	United States	23,963
Finland	555	Netherlands	1,130	Unknown Country	33
France	2,268	New Zealand	72	Vietnam	44
Germany	2,003	Norway	716	Virgin Islands (British)	86
Greece	362	Pakistan	18		
Guernsey	104				

Highlighted Proxy Votes

Selected proxy votes illustrate how the SBA applies its governance principles to complex situations involving director elections, executive pay, shareowner rights, strategic transactions, and other significant governance matters.

Highlighted Proxy Votes: Tesla, Inc.

ANNUAL GENERAL MEETING ON NOVEMBER 6, 2025

The SBA voted 2,998,843 Tesla shares, net of 6,095 shares on loan as of the record date, representing approximately \$1.38 billion in Florida Retirement System assets and one of FRS’s top ten individual stock holdings.



*The SBA supported all
director nominees and
compensation proposals*



The 2025 Tesla AGM at Gigafactory Texas centered on CEO Elon Musk’s near \$1 trillion performance award, along with governance, compensation, and shareowner-rights proposals. SBA staff applied its long-term economic-benefit proxy voting framework, supporting management items and shareowner proposals that strengthened rights while opposing proposals viewed as insufficiently aligned with shareowner interests or existing disclosure.

The SBA supported all director nominees, citing board continuity and no material independence or oversight concerns, while noting board declassification as a future engagement topic. The SBA also supported Say on Pay, the 2019 Equity Incentive Plan amendment, and the 2025 CEO Performance Award based on pay-for-performance alignment, fiduciary standards, and potential long-term value creation, despite proxy advisor concerns about award size, dilution, cost, burn rate, and plan design.

The SBA supported auditor ratification, elimination of the supermajority requirement, and board authorization of investment in xAI, deferring to management where disclosure was limited. The SBA opposed proposals to link executive pay to sustainability metrics and to report on child labor in the EV supply chain, citing adequate existing disclosure or insufficient linkage to performance. Among shareowner proposals, the SBA supported those enhancing accountability and rights, including derivative litigation thresholds, proposal-limit approval, board declassification, and elimination of supermajority voting.

SBA EXEMPT SOLICITATION TO THE SEC

In its exempt solicitation filing with the SEC, the SBA expressed strong support for Tesla’s 2025 CEO Performance Award, describing it as a performance-driven incentive aligned with long-term shareowner value. Staff cited Tesla’s prior 2012 and 2018 performance awards, both previously supported by SBA proxy voting decisions which were followed by substantial market capitalization growth and shareowner returns. The 2025 plan similarly conditions compensation on twelve tranches tied to ambitious market capitalization and operational milestones, with no guaranteed salary or cash bonus.

The plan includes strict vesting and holding requirements intended to reinforce long-term alignment. Shares earned before year five vest after 7.5 years; shares earned after year five vest at year ten, followed by a mandatory five-year holding period. Musk must remain in an approved executive role, and final tranches require collaboration with the Board on CEO succession planning. Although full achievement would increase Musk’s ownership and voting power and create permanent dilution, the SBA viewed the safeguards as consistent with prior awards.

The award offers up to 423.7 million shares, or roughly 12% of outstanding shares, but only if Tesla achieves substantial valuation and operational goals, including market capitalization milestones from \$2 trillion to \$8.5 trillion. The SBA concluded that potential dilution was outweighed by an estimated \$7.5 trillion in incremental value creation if all metrics are met, and that the plan’s measurable goals, governance safeguards, and prior precedent justified support.

**Source: Tesla Def 14a Proxy Filing; milestones structure from pages A-31 and A-32.*

PROXY ADVISOR RECOMMENDATIONS

All three major U.S. proxy advisory firms opposed the CEO Performance Award. Glass Lewis cited significant dilution, key-person risk, and the possibility of extraordinary pay outcomes even if only limited tranches vest. ISS acknowledged the value creation potential but objected to the scale of the opportunity, noting that twelve tranches valued above \$7 billion each could limit the board’s flexibility over the next decade.

Egan-Jones also opposed the proposal, emphasizing the magnitude of the potential award and related human-capital concerns. Overall, proxy advisor opposition focused on dilution, award size, concentration of voting influence, key-person risk, and whether potential payouts were sufficiently matched to exceptional performance.

Proxy Voting Results

Shareowners approved the 2025 CEO Performance Pay Plan with approximately 72% support. Although a supermajority, support was low relative to 2025 averages for incentive plans and individual executive grants, making Tesla’s plan one of the least-supported individual grant proposals of the year. Other major outcomes included approval of the Texas reincorporation at about 84%, director support at comparatively modest levels, auditor ratification at about 96%, and Say on Pay at 79%. ESG-related shareowner proposals were rejected, each receiving well below 30% support.

Highlighted Proxy Votes: Cracker Barrel

ANNUAL MEETING ON NOVEMBER 20, 2025

SBA staff withheld votes on all Cracker Barrel director nominees, including CEO Julie Masino, and voted against the Say-on-Pay proposal due to concerns over poor pay-for-performance alignment.



*SBA withheld votes on 13 of
the 16 proposals on the ballot*



The SBA also opposed two management proposals related to bylaw changes on nominee eligibility and reimbursement provisions for contested elections, citing shareowner-unfriendly practices. These decisions were influenced by dissatisfaction with Cracker Barrel’s handling of its August 2025 rebranding effort, which caused a sharp decline in shareowner value and raised governance concerns.

Most recently, the company disclosed that despite SBA’s opposition, shareowners elected nine of ten company nominees and approved all management proposals, including executive compensation plans. Independent director Gilbert Dávila resigned immediately after the vote, and the meeting followed a heated proxy contest involving activist investor Sardar Biglari, who sought to remove Masino and Dávila over performance and governance issues.

SBA EXEMPT SOLICITATION TO THE SEC

Prior to the company’s annual meeting, SBA staff filed an exempt solicitation with the SEC highlighting a number of strategic concerns. Cracker Barrel’s recent rebranding initiative, which involved changes to the company’s logo and store remodels, was executed without sufficient board oversight and risk management. The abrupt reversal of the rebranding—prompted by widespread public backlash and a sharp decline in market capitalization—indicated a lapse in governance controls.

The State Board of Administration of Florida (SBA) explicitly cites concerns about the lack of clarity on the rationale, costs, and risk assessments associated with the rebranding, and questions whether proper controls exist to prevent similar unforced errors in the future.

The rebranding controversy led to a swift erosion of nearly \$100 million in market value, and although the share price has started to recover of recovery after the reversal, the episode exposed the company to severe reputational harm and likely ongoing financial risks. The SBA’s communications emphasize the need for transparency regarding the total costs incurred for both the initial rebranding and the subsequent reversal, including marketing, consulting, and retrofitting expenses. While Cracker Barrel’s response claims these costs were not material and were part of the general marketing budget, the lack of detailed disclosure raises concerns about the true financial impact.

The SBA raised concerns about the potential influence of social, political, ideological, or other non-pecuniary factors (such as DEI or ESG considerations) in the decision-making process for the rebrand. Florida law requires investment decisions to be based solely on pecuniary factors, and the SBA calls for assurance that shareowner interests are not subordinated to other objectives. Cracker Barrel’s board asserts that the rebranding was motivated purely by business considerations, but the SBA’s inquiry reflects broader investor apprehension about initiatives that may prioritize non-financial agendas over long-term shareowner value.

The SBA’s exempt solicitation and correspondence urged fellow shareowners to demand accountability and corrective action from Cracker Barrel’s leadership. The documents advocate for improved board oversight, stronger governance frameworks, and a reaffirmation of the company’s commitment to long-term shareowner value. The recent governance events at Cracker Barrel highlight significant risks to investors, including financial losses, reputational damage, insufficient risk disclosure, and concerns about board oversight and the influence of non-pecuniary factors. The SBA’s engagement underscores the need for transparency, accountability, and a business-first approach to corporate decision-making to safeguard shareowner interests. Subsequent to the SBA’s actions, the board began a significant leadership transition and strategic refocus aimed at improving profitability and strengthening its balance sheet. In July 2026, the board appointed David Deno, former CEO of Bloomin’ Brands and a longtime restaurant industry executive, as CEO and director effective August 10, 2026. Julie Masino stepped down as CEO and director and is serving in an advisory role through October 2026 to support the transition.

Highlighted Proxy Votes: Coca-Cola Co.

ANNUAL MEETING ON APRIL 29, 2026

Strong shareowner support for all management-backed proposals alongside limited support for investor proposals.



*All twelve director nominees
were elected with high
levels of support*



All twelve director nominees were elected with high levels of support, ranging from 76% for Thomas S. Gayner, the most contested nominee, to 99.84% for Henrique Braun, reflecting his concurrent transition to CEO. The advisory vote on executive compensation (“Say-on-Pay”) was approved with 90.84% support, and the ratification of Ernst & Young LLP as independent auditor passed with 93.56% support, both consistent with typical outcomes at large-cap U.S. companies. In contrast, all five shareowner proposals were rejected, including a proposal seeking a bylaw amendment to establish a formal board-level sustainability committee with defined oversight and financial review responsibilities related

to environmental and social risks; this proposal received only 0.87% support, indicating minimal investor appetite for mandating prescriptive governance structures tied to sustainability oversight. The SBA abstained on this proposal, noting in its voting rationale: “While we support the general principle of using financial metrics, including return on investment (ROI), to assess the effectiveness of sustainable business practices, we believe this proposal is overly prescriptive in how it seeks to apply that concept. Because the request imposes a narrow and inflexible framework rather than allowing the company and board appropriate discretion in implementation, we have abstained.”

The remaining shareowner proposals garnered support ranging from 0.81% to 22.31%, with the highest support observed for a proposal seeking improved sustainability disclosure, which the SBA also supported. Overall, the results indicate continued alignment between investors and management on core governance, compensation, and audit matters, with only minor support for expanded disclosure topics related to sustainability, human capital, and exceptionally low interest in structural bylaw changes.

Highlighted Proxy Votes: Eli Lilly and Company

ANNUAL SHAREOWNERS MEETING ON MAY 4, 2026

Lilly’s 80% supermajority requirement can block governance reforms proposal.



SBA supported all director nominees and opposed two shareowner proposals



The SBA supported all director nominees and opposed two shareowner proposals requesting an independent board chair and an annual lobbying report, citing Lilly’s performance record and adequate disclosure. Both shareowner proposals failed, receiving 33.7% and 14.9% support, respectively.

The most significant governance issue was Lilly’s 80% supermajority voting standard. Management proposals to declassify the board and eliminate supermajority voting received strong support of 87.2% and 87.1% of votes cast, respectively, but failed because approval required 80% of all outstanding shares, not just shares voted. With 944.8 million shares outstanding, each proposal needed approximately 755.9 million votes in favor and fell short by roughly 90 million votes. The outcome demonstrates how outstanding-share approval thresholds can allow abstentions, broker non-votes, and unvoted shares to function like “against” votes, preserving governance restrictions despite strong support from participating shareowners.

Overall, Lilly’s meeting highlighted continued investor confidence in the company’s board, compensation program, and auditor, while underscoring how supermajority provisions can impede board-supported governance reforms. The SBA supported the management governance proposals as consistent with shareowner rights and accountability, but the existing voting standard again prevented Lilly from moving toward annual director elections and a simple majority vote framework.

Highlighted Proxy Votes: Sturm, Ruger & Co. (Ruger) and Beretta Holding

Resolved an increasingly contentious governance and control dispute through a Strategic Cooperation Agreement announced on May 4, 2026.



The agreement ends Beretta's proxy contest at Ruger's May 27, 2026 annual meeting and replaces it with a negotiated arrangement that would allow Beretta, Ruger's largest shareowner at about 9.95%, to launch a partial cash tender offer that could raise its stake to as much as 25% at a minimum price of \$44.80 per share, subject to regulatory approval. In return, Beretta withdrew its four director nominees, agreed to a three-year standstill, and committed to vote its shares in line with Ruger's board recommendations, subject to

limited exceptions for proxy advisor recommendations and certain extraordinary transactions.

The conflict began after Beretta disclosed, and later increased, its stake in Ruger in fall 2025, prompting Ruger to adopt a short-term stockholder rights plan, or "poison pill," with a 10% ownership trigger. Ruger said the measure was intended to guard against a creeping control acquisition without an adequate premium or proper board review. Beretta later nominated four

independent directors for Ruger's 2026 annual meeting, arguing that the company had suffered sustained underperformance, weakening margins and earnings, poor capital allocation, and low director ownership. Ruger rejected those claims, contending that Beretta was seeking disproportionate governance rights, discounted share accumulation, and influence that could raise antitrust, Committee on Foreign Investment in the United States (CFIUS), and independence concerns.

The settlement effectively turns the poison pill from a defensive measure into a negotiated exception. Instead of allowing Beretta to proceed on its own, Ruger created a controlled path for a tender offer while preserving board oversight and regulatory safeguards. Beretta gains a route to a meaningfully larger economic stake and as many as two board seats, but those directors must be independent of both Ruger and Beretta, meet NYSE and SEC standards, and cannot be Beretta insiders, employees, advisors, or representatives of a competitor. Ruger retains a role in nomination and governance review and will support the Beretta-backed directors at the 2027 and 2028 annual meetings, but not after 2028.

From a shareowner-rights standpoint, the agreement has mixed effects. It ends a costly and distracting proxy fight, gives shareowners who want to sell a premium tender opportunity, and adds some board refreshment and strategic accountability without triggering a full change-of-control transaction. At the same time, it materially limits Beretta’s usual rights as a major shareowner by barring further activism during the standstill and requiring it to vote with management. Because Beretta is Ruger’s largest shareowner, that voting commitment could reduce contestability and make future dissident campaigns or shareowner-led challenges harder during the standstill period.

For Ruger shareowners, the agreement offers stability, preserves the company’s public-company independence, and avoids an immediate contested election, but it also locks in a negotiated governance structure under which the largest shareowner receives special economic and board-access rights while its voting discretion is restricted. For Beretta shareowners, the agreement provides a disciplined route to expand ownership and influence a strategic competitor, but only within strict limits meant to address control, antitrust, information-sharing, and national security concerns. Overall, the pact is best understood as a control-adjacent proxy settlement:

Beretta gains a larger stake and limited governance influence, while Ruger preserves board control, ends the 2026 proxy contest, and secures a three-year period of reduced activist pressure. Since the date of the agreement, Ruger’s stock price performance has drifted lower by about 10%.

Highlighted Proxy Votes: United Parcel Service (UPS)

ANNUAL MEETING ON MAY 7, 2026

UPS has been targeted by the SBA’s engagement initiative, failing a sustained performance test and having subsequent investor outreach prior to the proxy vote.



*The SBA voted against
several director nominees*



Due to the sustained poor financial performance, the SBA voted against several director nominees who have served during the period of under-performance, as well as against its say-on-pay advisory compensation vote.

The central governance issue was UPS’s dual-class capital structure. UPS has Class A shares carrying ten votes per share and Class B shares carrying one vote per share; Class B shares are publicly traded on the NYSE, while Class A shares are primarily held by current and former employees, retirees, and certain founder-related trusts or descendants, and are convertible into Class B shares. Although unequal voting rights are generally viewed as inconsistent with the “one share, one vote” principle, the specific UPS structure presents mitigating factors: the Class A shares are widely held, the company reports no single controlling Class A block, and UPS imposes a voting limitation that restricts voting power above 25% of outstanding voting power, other than for employee benefit plans. Although the shareowner proposal did not pass, it received a relatively significant vote in favor and signals continuing investor concern over unequal voting rights and the long-term accountability implications of UPS’s dual-class governance model. The SBA supported the shareowner proposal.

“The one share, one vote principle is essential to proper functioning of capitalism; dual class shares distort the commensurate relationship between economic interest and voting power and ultimately risk harm to companies and their shareowners.”

- SBA Corporate Governance Principles and Proxy Voting Guidelines, Summer 2026

Highlighted Proxy Votes: Lyft

On August 14, 2025, Lyft announced that co-founders Logan Green and John Zimmer would leave the board and convert their Class B shares to Class A, ending the dual-class structure.



SBA has long opposed dual class share structures without sunset provisions



This move – coming after persistent investor pressure and a significant stock price decline – will give all shareowners equal voting rights. The SBA has long opposed dual-class structures without a reasonable sunset. We have supported shareowner proposals at other companies advocating one-share-one-vote, such as with News Corp, Alphabet, Ford Motor, Tyson Foods, and United Parcel Service. Lyft’s board also saw the co-founders step off, and an independent chair was appointed. While the SBA was not directly involved in Lyft’s governance reforms, this trend of removing dual-class structures is encouraging and aligns with our broader push for equitable voting power. We cite it here as an example of market movement in the direction SBA supports.

In making voting decisions on shareowner proposals, SBA staff evaluate whether the underlying issues are already being effectively addressed through regulation or the company’s existing policies and disclosures, and how the company’s practices compare with relevant industry standards. The analysis also considers whether the proposal is appropriately scoped and timed, avoids undue prescriptiveness, and does not impose unreasonable operational or strategic burdens. In addition, SBA staff assesses whether the company faces material controversies, regulatory actions, or litigation related to the proposal’s subject matter, and whether additional disclosure would meaningfully improve transparency without revealing proprietary or competitively sensitive information that could disadvantage the company. Ultimately, proposals that address substantive matters with credible implications for shareowners’ long-term interests, rights, or risk profile are more likely to receive favorable consideration.

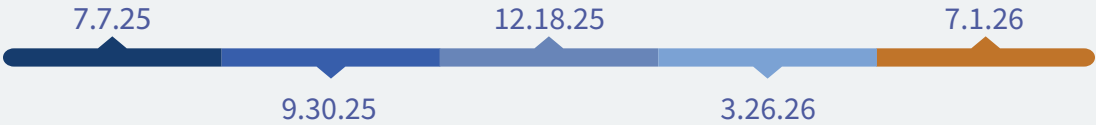
Corporate Governance Oversight

Effective stewardship requires strong oversight and accountability. Through established governance processes and committee review, the SBA evaluates voting activity, policy developments, and emerging risks affecting long-term shareowner value.

Corporate Governance & Proxy Voting Oversight

The Proxy Committee met several times during the most recent fiscal year.

TIMELINE OF COMMITTEE MEETINGS



The Proxy Committee reviews ongoing corporate governance issues including the volume and trends for recent SBA proxy votes, company-specific voting scenarios, corporate governance policies, governance-related investment factors, major regulatory developments and individual company research related to the Protecting Florida’s Investments Act (PFIA), and other statutory investment restrictions related to China, Israel and Venezuela.

As part of a broader structural update to the SBA’s oversight group framework and risk management practices in FY2026, a new Charter for the Proxy Committee was developed and implemented.



Looking Ahead

The governance landscape continues to evolve as market participants respond to changing expectations around accountability, disclosure, fiduciary duty, and long-term value creation. The following section highlights key developments in corporate governance, proxy voting, regulation, technology, and investment stewardship that may shape future market practices. As these trends emerge, the SBA will continue to evaluate them through a disciplined fiduciary framework focused exclusively on pecuniary factors and long-term shareowner value

Regulatory & Market Developments

State Corporate Law & Governance

STATE TO STATE REINCORPORATION ACTIVITY

The landscape for reincorporation in the U.S. market shifted significantly during the last two years. The State of Delaware saw elevated levels of companies moving away to other states in 2025, dubbed “DExit” by market observers, and this trend continued into 2026, although the pace of new announcements moderated later in the proxy season. As of June 1, 2026, 26 companies had proposed or were completing moves away from Delaware, while only five companies proposed moving into it. This represents a short-term reversal from Delaware’s historical role as the premier state for incorporation.

Available reincorporation data show that 12 of the 26 companies exiting Delaware chose Nevada, while 11 selected Texas and the remaining three selected Maryland or the Cayman Islands. Nevada has attracted companies in part through lower franchise taxes and a more statute-focused legal environment. Nevada law also provides substantially greater protection against director and officer liability, which can insulate management but is not necessarily beneficial for shareowners seeking strong accountability and enforcement rights. These corporate protections include broader exculpation of officers/directors from fiduciary duty violations, higher thresholds for director removal and other restrictions placed on shareowners’ ability to present resolutions aimed at improving financial performance. Although the State of Florida does not represent a substantial proportion of incorporation activity, two companies proposed moving from Delaware to Florida last year. The



most prominent was Trump Media & Technology Group Corp., which completed its reincorporation effective April 30, 2025, following shareowner approval at its annual meeting. Delaware’s response to these trends have resulted in reforms to its General Corporation Law aimed at reversing recent Chancery Court rulings and improving the state’s attractiveness as a location to incorporate. Another knock-on effect of this trend has seen Texas enacting significant corporate-law reforms, including legislation that strengthens protections for directors, permits ownership thresholds for derivative actions, and allows certain publicly traded Texas corporations to adopt heightened eligibility requirements for shareowner proposals. These provisions may reduce litigation and proposal-related burdens but could also restrict traditional shareowner enforcement and proposal rights. Unrelated to the reincorporation issues, the NYSE has moved its Chicago electronic exchange to Dallas, rebranding it as NYSE Texas to benefit from the state’s business-friendly climate and substantial number of listed companies. Despite these recent shifts, Delaware remains the dominant state for incorporations among U.S. publicly traded companies with approximately 63% of all firms incorporated there.



Executive Compensation

GLASS LEWIS OVERHAULS ITS PAY-FOR-PERFORMANCE MODEL

Glass Lewis’ 2026 North America Pay-for-Performance (PFP) framework evaluates whether executive compensation aligns with company performance using a proprietary, data-driven model. The analysis focuses on the Chief Executive Officer (CEO) role and the top five highest-paid named executive officers, emphasizing granted values for equity awards and incorporating U.S. “Compensation Actually Paid” as well as the Canadian markets realized-pay perspectives. The model applies to all U.S. companies in the S&P 500 and Russell 3000 stock indices, as well as over two hundred Canadian companies included in the S&P/TSX Composite index.

Six quantitative tests compare CEO and Named Executive Officers (NEO) pay against total shareowner return (TSR) and multi-year financial metrics such as revenue growth, return on equity (ROE), return on assets (ROA), earnings per share (EPS), operating cash flow, and sector-specific measures. Growth type metrics use a weighted blend of 1-, 2-, 3-, 4-, and 5-year annualized growth; whereas ROA and ROE are weighted averages of annual figures (i.e., single year points combined across years). Peer groups, which Glass Lewis customizes based on company-disclosed peers, related networks, and market/industry cohorts, will be refreshed twice annually, with a minimum of ten peers required for scoring. Companies can submit updates or corrections (including compensation data) via the Glass Lewis issuer portal.

Alongside this shift, Glass Lewis extended its measurement period for key tests from three to five years, reinforcing a longer-term perspective on pay-performance alignment. While the model produces concern levels (e.g., Severe, High), these do not automatically dictate say-on-pay recommendations; qualitative factors like one-off awards, discretion, vesting terms, and the overall quality of corporate disclosure also influences client recommendations. The methodology aims to provide investors with a consistent, comparative view of pay-performance alignment while allowing for contextual judgment.

In line with their historical approach, Glass Lewis’ qualitative judgment on structure, trajectory, program changes, and business context will remain decisive in advisory voting recommendations. Strong disclosures, a balanced pay mix, and robust performance goals are likely to result in favorable assessments. Red flags of the analysis include one-off individual awards, upward discretion by Compensation Committees, fixed pay outweighing variable pay, unlimited/undisclosed incentive caps, excessive long-term incentive plan (LTIP) amounts, short vesting periods, and non-disclosure of performance goals.

The SBA examines the level of transparency in corporate disclosure of executive compensation plans’ performance objectives’ rigor, performance metric efficacy, peer group benchmarking, and realized versus realizable pay outcomes for both annual and long-term incentive plans.

SEC EXECUTIVE COMPENSATION ROUNDTABLE

On June 26, 2025, the SEC held a roundtable to reassess executive compensation disclosure rules (largely unchanged since 2006) and consider updates to Item 402 of Regulation S-K. Commissioners and panelists agreed the current regime is overly complex, costly to prepare, and often not decision-useful for investors. Tensions surfaced between issuer burden and investor calls for clearer transparency on the equity-award lifecycle, pay-versus-performance, and perquisites. Several Dodd-Frank mandates, including CEO pay ratio, pay-versus-performance, and claw backs, drew criticism for limited utility, especially among smaller issuers.

Roundtable speakers, including SBA staff, highlighted how proxy adviser expectations and say-on-pay outcomes shape pay design and disclosure, and urged simpler, plain-English, comparable, and machine-readable reporting; many favored overhauling the Summary Compensation Table and streamlining Item 402 tables, with potential expansion of named executive officer coverage. Corporate Governance staff plan to submit a comment letter to the SEC recommending Additionally, SBA staff advocated for the inclusion of NEOs with strategic influence in compensation disclosures, irrespective of their remuneration levels, and emphasized the importance of utilizing clear and accessible language, as well as the adoption of broader and more consistent performance metrics for assessing pay-performance alignment. Following the roundtable, the SEC solicited public input and incorporated executive compensation disclosure into its broader review of Regulation S-K. SEC staff is evaluating potential revisions to Item 402, but the Commission has not adopted final executive compensation disclosure amendments as of late September 2026.

Proxy Advisor Oversight

PROXY ADVISOR REGULATION

Proxy advisory firms such as Institutional Shareowner Services (ISS) and Glass Lewis continue to face heightened scrutiny from lawmakers, regulators, and courts over their influence on shareowner voting and corporate governance. These firms play a significant role in shaping institutional investor behavior, particularly in contested director elections and on contentious management and shareowner proposals. Their perceived market dominance, “one-size-fits-all” recommendations, and potential conflicts of interest have drawn criticism from issuers and trade groups, leading to both federal and state efforts to regulate their activities.

At the federal level in 2020, the SEC issued rules that treated proxy voting advice as “solicitation” under Section 14 of the Exchange Act. The amendments codified the SEC’s view that covered proxy voting advice generally constituted a solicitation, clarified the application of Rule 14a-9 to materially false or misleading statements, and conditioned commonly used exemptions from the proxy information and filing requirements on conflicts disclosure and specified procedural protections. Those protections included making advice available to the subject company no later than its delivery to clients and providing clients with a mechanism to become aware of any written company response. ISS challenged the rule in court, and after a district court struck it down in 2024, the D.C. Circuit Court of Appeals affirmed in July 2025 that proxy voting advice is not solicitation, but “simply a recommendation.” The court held that the advice did not constitute solicitation under Section 14(a); other potentially applicable regulatory regimes, including the Investment Advisers Act, were not the basis of the court’s holding. This decision effectively voided the 2020 rules and left a gap in federal oversight of proxy advisors.



In July 2020, the SEC under Chairman Jay Clayton adopted rules that formally defined proxy voting advice as a form of “solicitation” under Section 14 of the Exchange Act of 1934. This brought proxy advisors such as Institutional Shareowner Services (ISS) and Glass Lewis into the same regulatory regime that applies to activist investors and corporate solicitors. The rules imposed several key obligations:

1) Proxy advisors could be held liable for materially false or misleading statements in their voting recommendations; 2) Companies were granted opportunities to review proxy advice before distribution and to respond, giving issuers a more direct channel to challenge proxy advisors; and 3) Proxy advisors were required to make public filings with the SEC if their advice constituted solicitation.



In October 2019, even before final rules were adopted, ISS sued the SEC in federal court, arguing that the Commission had improperly expanded its authority by treating independent proxy voting advice as “solicitation.” After the rules were finalized in 2020, ISS amended its complaint, asserting that: 1) the SEC’s interpretation of “solicitation” was overly broad and contrary to the plain meaning of the statute; 2) the rules imposed compelled speech and threatened ISS’s independence; and 3) Proxy advice is more akin to investment research than to active solicitation on behalf of an issuer or activist investor.

The case was closely watched by both investors and issuers, with the Council of Institutional Investors (CII) filing an amicus brief supporting ISS. In July 2024, Judge Amit P. Mehta of the U.S. District Court for the District of Columbia ruled in favor of ISS. He held that the SEC lacked statutory authority to regulate proxy advice as solicitation and concluded Section 14 of the Exchange Act was intended to cover efforts to persuade or obtain proxies on behalf of a party, not independent voting recommendations requested by clients. They opined that proxy advice is “simply a recommendation,” not an attempt to solicit votes. This decision vacated the 2020 rules in their entirety.

On appeal, a three-judge panel of the U.S. Court of Appeals for the D.C. Circuit unanimously affirmed the district court. The court determined the ordinary meaning of “solicit” and “solicitation” does not extend to advice provided at the request of an investor. The SEC’s effort to redefine proxy advice as solicitation was “contrary to law” and an impermissible expansion of its authority. Proxy voting advice remains subject to oversight under the Investment Advisers Act, but not the Exchange Act’s solicitation rules. ISS welcomed the ruling, calling it a validation of its long-held view that independent proxy advice is not solicitation and it emphasized that its recommendations are part of a fiduciary service to institutional clients, not an effort to campaign for or against management.

The ISS v. SEC case ended with a major win for proxy advisors, as the D.C. Circuit confirmed that their independent voting advice does not constitute solicitation under the Exchange Act. The 2020 rules were invalidated, leaving federal regulation of proxy advisors weaker and prompting both congressional action and state initiatives to fill the gap.

Meanwhile, Congress has responded with renewed interest in proxy advisor oversight. In April 2025, the House Subcommittee on Capital Markets held a hearing titled “Exposing the Proxy Advisory Cartel,” which criticized the firms for conflicts of interest, inaccuracies, and “robo-voting” practices. Over a half dozen bills have since been introduced that would amend the Exchange Act to impose mandatory registration, expand liability for misstatements, prohibit automated voting, and even bar proxy advisors from issuing advice when conflicts exist. The most sweeping proposal, the “Stopping Proxy Advisor Racketeering Act,” would sharply restrict the firms’ activities if enacted.

Taken together, the federal court decision rejecting SEC authority, the congressional proposals for new legislation, and the Texas law illustrate a fragmented regulatory environment. Proxy advisors remain influential but face significant political and legal challenges, with regulation increasingly shifting toward a patchwork of state-level mandates unless Congress acts to establish a uniform framework. The outcome will shape not only how ISS and Glass Lewis operate, but also how institutional investors and issuers approach proxy voting and governance engagement in the future.

Enforcement & Compliance

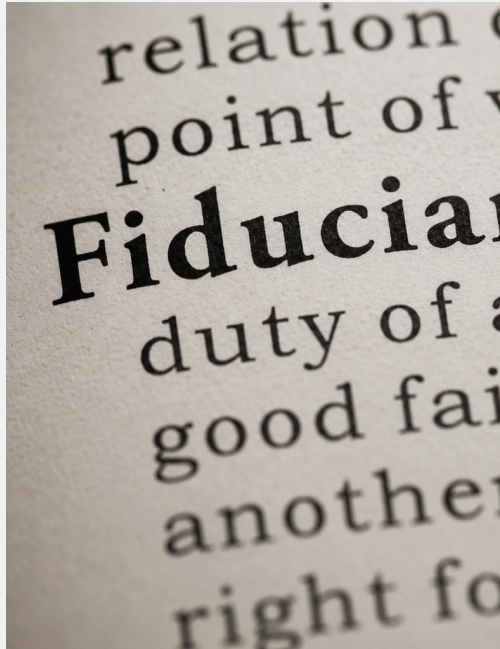
INSIDER TRADING CASE TIED TO 10B5-1 PLAN MISUSE

In June 2025, Terren S. Peizer, the former CEO and Executive Chairman of Ontrak, was sentenced to 42 months in prison and ordered to pay \$17.9 million in fines and forfeiture in the first criminal case based solely on misuse of Rule 10b5-1 trading

plans. A jury in 2024 determined that he established two trading plans in 2021 while possessing material nonpublic information about the potential loss of Ontrak’s second-largest customer, did not observe any cooling-off period, and initiated sales on the next trading day—thereby avoiding approximately \$12.5 million in losses after the termination was disclosed six days later and the stock price declined by 44%. The evidence included false pre-clearance and broker certifications as well as inaccurate SEC filings. Peizer has stated his intent to appeal.

Rule 10b5-1 allows an affirmative defense to insider-trading allegations if trades are executed under a plan adopted in good faith when the insider does not have material nonpublic information (MNPI). Amendments by the SEC in 2022 introduced additional requirements, such as mandatory cooling-off periods (for officers/directors, generally the later of 90 days after adoption or modification of the plan, subject to a maximum of 120 days), insider attestations regarding absence of MNPI and good faith, and a continuous obligation to act in good faith (for example, not timing disclosures to coincide with trades under the plan). Although Peizer’s actions occurred prior to these amendments, the case focused on the underlying principles of intent, timing, and good faith. This case shows that prosecutors and regulators are employing data-driven analytics to evaluate trading plans and will not necessarily treat a 10b5-1 plan as automatic protection against scrutiny.

The DOJ and SEC will keep reviewing plans made or changed near major market events. Recommended practices include: legal review and documentation of MNPI checks at plan adoption or modification; use of conservative cooling-off periods (at least those required by the amended rules, or longer in practice); avoidance of plan adoption or changes during sensitive periods; maintenance of comprehensive pre-clearance and attestation processes; and monitoring for patterns such as rapid plan adoptions, concentrated sales, or deviations from past behavior that may affect a good-faith defense.



DOL SEES PROXY ADVISORS AS ERISA FIDUCIARIES IN NEW GUIDANCE

The Department of Labor's (DOL) Technical Release 2026-01, released on April 1, 2026, explains how ERISA fiduciary duties may apply to proxy advisory firms serving ERISA-covered plans and how ERISA preemption may apply to certain state proxy-advisor laws; it is directed both to plan fiduciaries that use proxy advisors and to state lawmakers considering

regulation in this area. This may increase compliance burdens for advisers and pension fund clients and heighten litigation risk if the DOL alleges proxy advice or voting was not provided solely in beneficiaries' financial interest; this potential liability has prompted some investors, including the asset-management arms of JPMorgan and Wells Fargo, to move away from ISS and Glass Lewis and bring proxy research in house.

The guidance also states that certain state disclosure rules are not preempted by ERISA, reinforcing laws such as Texas' SB 2337, which require advisers to disclose when recommendations based on ESG or DEI analysis are not provided solely in the financial interest of the shareowners. State-level disclosure rules focused on identifying recommendations based on non-financial objectives may still apply to proxy advisory firms and, in the DOL's view, are generally compatible with ERISA if they do not regulate ERISA plans directly. The DOL's central message is that a proxy advisory firm

may be treated as an ERISA functional fiduciary in two circumstances: (1) it exercises authority or control over shareowner rights that are plan assets (including proxy voting), or (2) it provides investment advice for a fee to an ERISA plan regarding how shareowner rights should be exercised. The DOL reiterates that proxy voting rights attached to plan-owned shares are plan assets, so voting decisions are fiduciary acts subject to ERISA's duties of prudence and loyalty.

Key takeaways from the Release are: 1) Proxy advisors may be ERISA fiduciaries even without formally acknowledging that status if, in practice, they exercise discretion over proxy voting or provide covered investment advice for a fee; 2) Contract disclaimers are not dispositive; the DOL states that language denying a fiduciary relationship may not control if the facts show a mutual understanding and reliance on the advisor's recommendations; 3) Proxy advisors serving ERISA's plans should ensure advice and voting frameworks are grounded in financial, risk-adjusted

return considerations, not non-financial preferences; and 4) Advisors that retain discretion over voting implementation, policy settings, or client vote execution face heightened risk of being deemed functional fiduciaries under ERISA.

The release does not establish a new formal rulemaking regime, but it delivers a more explicit warning that proxy advisors may incur ERISA fiduciary liability when services move from general support into discretionary control or covered investment advice. Practically, it raises compliance stakes by reinforcing that ERISA clients require a clearly financial-return-focused approach, careful role definition, and service models that can withstand scrutiny under ERISA's functional fiduciary framework.

Digital Governance

TOKENIZED SECURITIES AND PROXY VOTING

Tokenized securities are traditional financial instruments—such as equity or fund interests—that are issued, recorded, or represented on a blockchain or distributed ledger, enabling ownership, transfer, and shareowner rights to be digitally reflected while remaining subject to securities laws. In April and May 2026, Broadridge Financial Solutions announced a series of related initiatives extending its market leading proxy voting and disclosure infrastructure to tokenized equities, culminating in support for company (issuer) sponsored, investor held, and third party custodied tokenized securities across all major tokenization models recognized by the U.S. Securities and Exchange Commission. Collectively, these initiatives are intended to ensure that governance, voting rights, and disclosure practices for tokenized securities achieve parity with traditional capital markets.

In April 2026, Broadridge announced that its governance platform would support on chain proxy voting and corporate actions for tokenized equities, with Galaxy becoming the first U.S. public company to conduct an on chain shareowner vote for native tokenized equity. Proxy votes are recorded on Broadridge’s blockchain infrastructure and integrated into existing ProxyVote workflows, allowing investors to receive materials, confirm holdings, and submit votes with a transparent and verifiable record.

The Broadridge solution consolidates voting across registered, beneficial, and tokenized holdings into a single view for companies, reducing fragmentation and enabling consistent oversight of governance activity regardless of how shares are issued or held.



An expansion in May 2026, extended these capabilities to tokenized securities held by third party custodians, allowing retail and institutional investors to vote tokenized and traditional holdings through familiar ProxyVote and ProxyEdge platforms without altering established policies or workflows. Issuers, broker dealers, and custodians retain access to institutional grade reporting, auditability, and compliance

controls, while issuers benefit from a unified view of on and off chain share ownership. From a fiduciary perspective, these announcements mark a significant maturation of tokenized securities by embedding voting, disclosure, and accountability within existing governance infrastructure, shifting the focus of future oversight from operational feasibility toward substantive economic, legal, and policy considerations.

Voting Innovation

ExxonMobil

NOVEL RETAIL PROXY VOTING PROGRAM AT EXXONMOBIL

Permitted to proceed under fact-specific SEC staff no-action relief on September 15, 2025, ExxonMobil’s new retail voting program introduces a mechanism that allows retail shareowners to establish standing voting instructions for future shareowner meetings based on the company’s board recommendations. The program is aimed at increasing participation among retail investors, who constitute roughly 40% of ExxonMobil’s shareowner base, by simplifying the voting process for individuals who may find it too time-consuming or complex to evaluate numerous shareowner proposals each year. Although it creates a “set-it-and-forget-it” approach, ExxonMobil emphasizes that all shareowners retain full control of their voting rights because they will continue to receive traditional proxy materials and will be able to override or revoke their standing instructions at any time, and at no cost.

ExxonMobil began outreach to eligible retail shareowners on September 22, 2025, through non-proxy interim communications delivered by email or mail. These communications included links or QR codes directing shareowners to a secure microsite hosted by Broadridge Financial (a company that provides proxy solicitation and vote tabulation services), where they can opt to participate in the program. Shareowners may choose to apply standing instructions to all meetings or only to routine meetings, and they may change their participation status at any time. Shareowners will continue to receive full proxy materials ahead of every meeting, and they will receive an annual reminder, sent outside the company’s active solicitation period, which confirms their opt-in status and informs them of their right to opt out.



The program is entirely voluntary and free for all retail investors, defined as any registered or beneficial owner of ExxonMobil shares whose proxies are not voted by an investment adviser registered under the Investment Advisers Act of 1940. Advisers with discretionary voting authority are explicitly excluded from participating. ExxonMobil has publicized the program broadly through major media outlets, social media, webinars, and its corporate website, with additional communications expected in subsequent periods. Brokers will distribute interim communications using standard NYSE-approved fee schedules, and they will have access to client participation reports and related voting details upon request.

To implement the program, ExxonMobil sought relief from SEC proxy rules that generally limit proxies to a single meeting and prohibit granting authority to vote contrary to a shareowner’s instructions. In its no-action letter, the SEC’s Division of Corporation Finance stated that it would not recommend enforcement action under Exchange Act Rules 14a-4(d)(2) or 14a-4(d)(3), provided that ExxonMobil operates the program exactly as described in its request. The SEC highlighted several key representations: that the program is offered on equal terms to all retail investors at no cost; that investment advisers with voting authority are excluded; that shareowners receive clear annual reminders and retain the unrestricted right to cancel or override their standing instructions; that all proxy materials will continue to be distributed for each meeting; and that ExxonMobil will provide full disclosure about the program on its website and in its proxy statements. The SEC cautioned that its relief is based solely on the facts presented and does not preclude different conclusions if circumstances change or if different facts emerge. It also emphasized that it did not provide legal conclusions on broader questions raised by the request.

The program differs from pass-through voting initiatives offered by asset managers such as BlackRock, which transfer voting authority back to underlying fund investors. In contrast, ExxonMobil’s program creates a pathway for retail investors to automatically vote in alignment with the board’s recommendations, subject to their right to override. Because many retail investors historically do not vote, the structure may increase participation and, because standing instructions follow board recommendations, may increase the number of votes cast in favor of management-backed items as well as influence outcomes on shareowner proposals, especially those involving environmental, social, or governance considerations. The initiative has attracted attention from activists, proxy advisors, and legal scholars, given the novelty of offering standing voting instructions in the public-company context and the possibility that this mechanism could be tested by other issuers. It also poses litigation risk, particularly regarding whether the use of standing instructions effectively circumvents the long-standing rule against multi-meeting proxies.

Overall, ExxonMobil’s Retail Voting Program represents an unprecedented shift in U.S. proxy voting mechanics by granting retail shareowners the ability to establish standing voting preferences that align automatically with board recommendations. The SEC’s no-action relief enables ExxonMobil to proceed with the program but leaves open the possibility of future regulatory or legal challenges.

The novel program is expected to increase retail engagement, strengthen management-aligned voting outcomes, and serve as a model that other companies may seek to emulate, pending regulatory scrutiny and potential litigation.



SEC Rulemaking

SEC RULE 14A CHANGE

On November 17, 2025, the U.S. Securities and Exchange Commission’s (SEC) Division of Corporation Finance (“Corp Fin”) announced significant changes to its approach for handling so called “no-action” requests under Rule 14a-8, which governs shareowner proposals in proxy statements. Prompted by resource constraints following a 43-day government shutdown and a surge in registration statements and filings, the SEC stated it would not respond to most no-action requests regarding exclusions of shareowner proposals for the 2025-26 proxy season. This move marks a departure from previous practice, where the SEC routinely provided opinions on whether proposals met exclusion criteria. Now, companies wishing to exclude a proposal need only notify the SEC 80 days prior to filing a definitive proxy statement, with SEC responses no longer required for most exclusion claims.

A notable exception concerns Rule 14a-8(i)(1), which allows exclusion of proposals not considered proper subjects for shareowner action under state law, which are suitable matters reserved for the board of directors or routine business operations. Due to insufficient guidance around the intersection of state law and Rule 14a-8(i)(1), especially regarding precatory proposals, the SEC’s staff will continue to review and express views on no-action requests related to this section. For all other exclusions, companies may submit notifications with an “unqualified representation” that they have a reasonable basis for exclusion, grounded in Rule 14a-8, prior guidance, or judicial decisions. In such cases, the SEC will acknowledge receipt but not comment on the substance, leaving the ultimate responsibility and risk with the companies themselves.

This regulatory shift coincides with the reinstatement of more traditional, company-specific standards for evaluating proposal exclusions, as outlined in Staff Legal Bulletin No. 14M (SLB 14M) earlier in 2025. The bulletin emphasizes a fact-specific approach for “economic relevance” and “ordinary business” exclusions: proposals must show a direct nexus to the company’s business and be “otherwise significantly related” to its operations, not simply address broad societal concerns.

This approach increases clarity for companies seeking to justify exclusions and compels shareowner proponents to clearly demonstrate how their proposals relate to the company’s business.

The practical effect is that, while companies have greater latitude to exclude proposals, they must carefully evaluate legal authority and business relevance, especially under state laws such as Delaware’s, which may not grant shareowners the right to have proposals addressed. SEC Chair Paul Atkins highlighted that, with proper legal counsel, companies can prevail in excluding proposals deemed improper under state law. However, investor groups have raised concerns that these changes could result in blanket bans, inconsistent application, and potential legal challenges. For the 2026 proxy season, companies and shareowner proponents closely monitored whether SEC staff issued a written response or declined to state a view. The guidance applied retroactively to no-action requests submitted before October 1, 2025, that remained unanswered. Overall, these changes placed the burden of exclusion justification squarely on public companies, reinforced the importance of state law and business nexus, and reduced the SEC’s direct involvement in most shareowner proposal exclusions, reshaping proxy season dynamics for both companies and investors. Diligent Market Intelligence (DMI), a corporate governance and voting consultancy, noted, “The move could allow companies to introduce a blanket ban on shareowner proposals in 2026, although that could open some up to lawsuits from shareowners and create inconsistencies in the application of the rule.”

SEC Chair Paul Atkins’ citation of a legal paper, by Kyle A. Pinder, argues that under Delaware law, shareowners do not possess an inherent right to submit non-binding (precatory) proposals for action at annual meetings. While federal law—specifically SEC Rule 14a-8—facilitates the inclusion of such proposals in proxy materials, Delaware law does not independently confer this right. The Delaware General Corporation Law (DGCL) and relevant case law recognize only three core shareowner rights: to vote, to sell, and to sue. The right to propose business at meetings is strictly tied to matters on which shareowners have a recognized right to vote, as defined by law, charter, or bylaw, or as submitted by the board.

Non-binding proposals, unless specifically authorized, fall outside these categories. The paper emphasizes that the SEC’s framework for shareowner proposals is not mirrored in Delaware statutory or judicial authority, and that “proper business” at annual meetings is limited to matters for which shareowners have a substantive voting right. Given this legal landscape, the paper concludes that Delaware corporations have broad authority to regulate or exclude precatory proposals through their bylaws. Such bylaws may impose procedural and substantive requirements—like ownership thresholds or advance notice provisions, so long as they are reasonable and consistent with the DGCL and the company’s charter.

On September 16, 2026, the SEC proposed rescinding Rule 14a-8 and leaving the availability and treatment of shareowner proposals primarily to state corporate law and company governing documents. The Commission also proposed amendments to Rule 14a-4 that would expand company discretionary authority to vote proxies on proposals presented at a meeting but omitted from company proxy materials, while allowing individual shareowners to instruct the company not to exercise that authority for their shares. These proposals remain subject to public comment and have not been adopted as final rules. If adopted, the rescission would fundamentally alter the federal shareowner-proposal framework. Eligibility, procedural rights, company exclusion authority, and the availability of precatory proposals could vary based on state law and individual company charters and bylaws. The SEC separately proposed broader modernization of the proxy-solicitation process, including eliminating Notices of Exempt Solicitation.

Ultimately, the paper calls for greater clarity, either through market consensus or legislative action, to reduce uncertainty and litigation risk, but affirms that, as the law stands, Delaware corporations may validly adopt reasonable bylaw provisions to regulate or exclude shareowner proposals.

PRESCRIPTIVE PROPOSALS AND THE SHIFT IN SHAREOWNER SUPPORT

A recent study finds that support for environmental and social shareowner proposals fell sharply beginning in 2022 after more than a decade of steady gains. In their paper titled, “Expanding Shareowner Voice: The Impact of SEC Guidance on Environmental and Social Proposals,” authors Kenneth Khoo, with the National University of Singapore, and Roberto Tallarita, with the Harvard Law School, find that this reversal is closely linked to the SEC’s 2021 reinterpretation of Rule 14a-8, which removed prior limits on proposals considered “micromanagement” and allowed many more detailed, time-bound, and operationally prescriptive proposals to reach proxy ballots. These newly permissible proposals were more demanding, more costly to implement, and more interventionist in scope, which triggered lower support from most investors. Before 2021, investors did not meaningfully differentiate between prescriptive and non-prescriptive proposals, but after the guidance the gap widened significantly, with prescriptive proposals receiving 6% to 8% less support than comparable proposals.



The findings show that the decline in average support reflects changes in proposal composition rather than diminished investor interest in environmental or social issues. The analysis also shows that this decline is not the product of broader political reactions or changes in capital flow. ESG fund flows remained stable after 2021, anti-ESG proposals remained a small slice of the overall universe, and large passive managers did not materially alter voting behavior in ways that would drive the observed trend. Instead, investor ideology continues to shape voting patterns, with strongly E&S-oriented funds maintaining support for prescriptive proposals while financially oriented and active managers increasingly oppose them. For boards, the core implication is that engagement expectations around environmental and social topics remain high, but the cost, feasibility, and specificity of proposals now weigh more heavily on investor decisions.

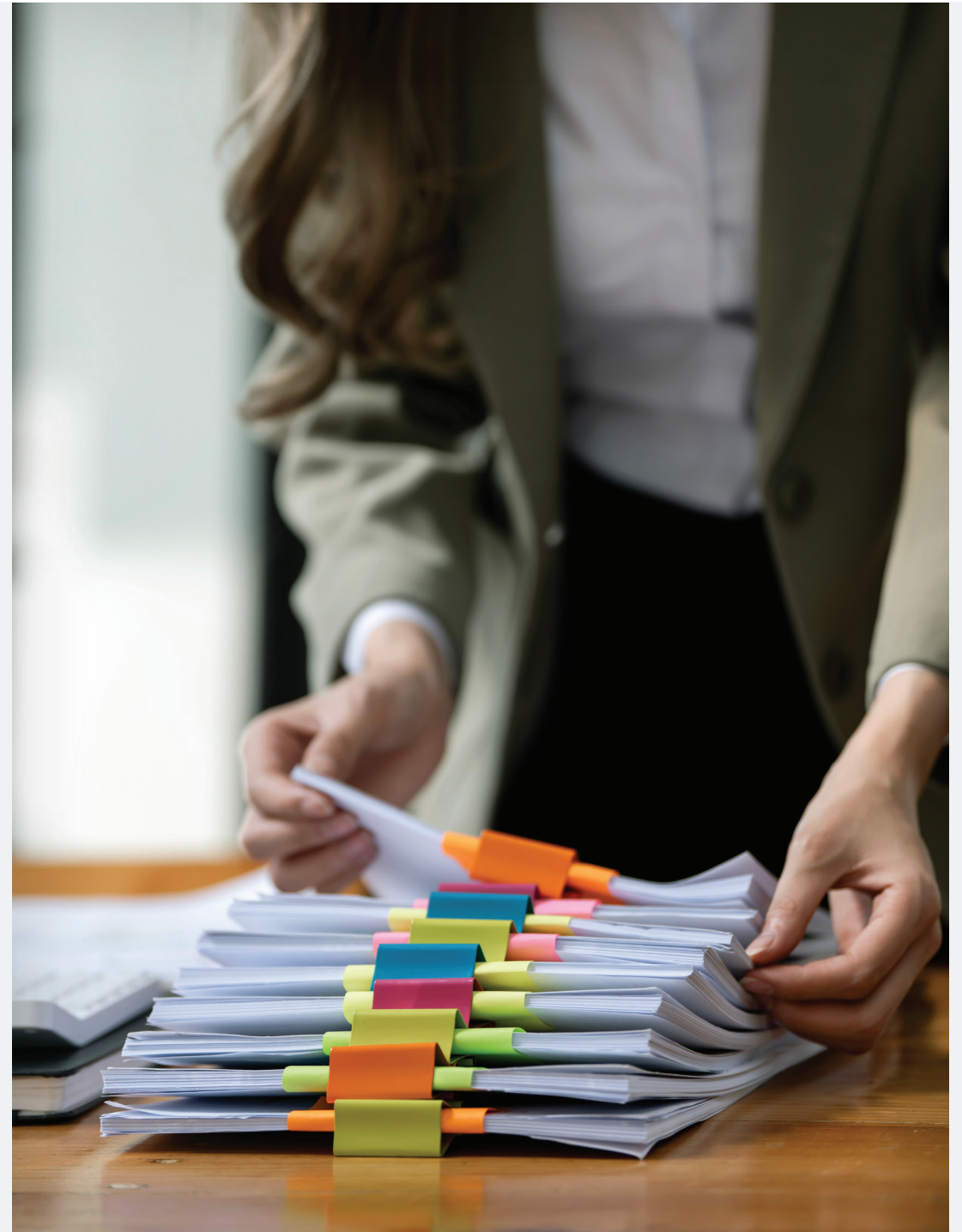
Companies should expect continued scrutiny and a higher volume of prescriptive proposals, making proactive engagement, credible disclosure, and clear articulation of long-term strategic alignment more important tools for reducing unnecessary escalation to shareowner votes.

SEC SIGNALS A “SPRING CLEANING” DISCLOSURE REVAMP

SEC Chair Paul Atkins delivered a sweeping proposal for regulatory reform at Texas A&M University, outlining his most detailed plan yet to streamline corporate disclosure requirements. Central to his vision is an overhaul of Regulation S-K to reduce what he characterizes as regulatory creep that has stifled the public markets. Atkins proposed a significant reduction in the number of executives subject to compensation disclosure, questioning whether reporting on as many as seven executives is truly material to investors when information beyond the CEO is often irrelevant. He suggested that the SEC must recalibrate these requirements to better balance the utility of the information against the excessive costs of compliance.

Atkins also called for a modernization of decades-old rules regarding executive security perks. He argued that the agency’s 2006 guidance is outdated because it treats protection as a luxury perk rather than a necessity in the modern threat environment, asserting that 24/7 security should be viewed as a legitimate business requirement.

His plan further includes simplifying the pay-versus-performance rule, which has been widely criticized by issuers for being overly complex and difficult for investors to interpret. This speech serves as a concrete roadmap for his broader spring-cleaning initiative, which targets bloated risk factor sections and impractical requirements, such as the mandate to track the shareholdings of executives who have already left a company.



Market participants and advocacy groups have expressed sharply divided views on these proposals. The Council of Institutional Investors (CII) and other shareowner groups have historically opposed such rollbacks, maintaining that frequent and detailed disclosures are essential for the transparency that drives market efficiency. In a letter to the SEC, CII emphasized that these rules are critical tools for accountability and that reducing the flow of information could undermine the quality of the capital markets. Conversely, many corporate issuers and industry groups have welcomed the shift, echoing Atkins’ sentiment that filings have grown from the size of a gym locker to the size of an artificial intelligence data center.

For the 2026 proxy season, the world’s largest asset managers signaled a cautious but notable shift in their own stewardship priorities that align with the Chairman’s focus.

BlackRock and Vanguard have updated their 2026 voting guidelines to emphasize financial materiality, specifically replacing broader terms like long-term shareowner value with long-term financial value.

BlackRock’s Investment Stewardship team clarified that executive pay should be tied strictly to operational and financial performance, moving away from more prescriptive social or personal characteristics. Vanguard has similarly split its stewardship teams to refine its focus, with both firms showing a decreased appetite for environmental and social shareowner proposals that do not demonstrate a direct link to financial value.

Despite this alignment on materiality, the National Legal and Policy Center (NLPC) has emerged as a critic from the right, warning that Atkins’ reforms might inadvertently shield corporate managers from accountability. NLPC President Peter Flaherty argued that by dismantling the mechanisms shareowners use to challenge management, the SEC may effectively side with a managerial class that is often at odds with conservative values. Flaherty expressed concern that these proposals could remove the tools activists use to challenge DEI and ESG policies, asserting that suppressing shareowner dissent does not necessarily support corporate integrity.

This tension had already moved into the courtroom due to the SEC’s new policy of issuing “no-objection” responses instead of substantive no-action letters. By late June 2026, companies had sought and not withdrawn requests for no-objection letters covering over 150 proposals. Under this longstanding system, companies could exclude proposals by providing an “unqualified representation” of a reasonable basis for doing so, which the SEC then notes without assessing the validity of the argument. In February 2026, AT&T was sued by four New York City public pension funds in Manhattan federal court after the company used this new standard to block a shareowner proposal requiring workforce diversity data disclosure. The lawsuit alleges that AT&T improperly prevented a vote on demographic details it already provides to the EEOC, claiming the exclusion causes irreparable harm to shareowners. This growing litigation trend underscores the friction between the administration’s goal of lowering the multi-billion-dollar annual cost of public company reporting and the investor community’s demand for granular data to manage risk. Effective August 14, 2026, the Division discontinued responding both to Rule 14a-8 no-action requests and to Rule 14a-8(j) notifications seeking no-objection letters.

PUBLIC PENSION FUNDS SECURE INCLUSION OF AT&T SHAREOWNER PROPOSAL

In early 2026, several New York City public pension funds — overseen by NYC Comptroller Mark Levine — filed a lawsuit against AT&T Inc. in federal court in the Southern District of New York after the company refused to include a shareowner proposal in its 2026 proxy materials for its annual meeting. The proposal, submitted in December 2025 under Securities and Exchange Commission (SEC) Rule 14a-8, would require AT&T to publicly disclose its Consolidated EEO-1 Report — detailed workforce demographic data by race, ethnicity, and gender — which the company had voluntarily published from 2021-2023 but stopped doing in 2024.

AT&T notified the SEC it planned to omit the proposal under the “ordinary business” exclusion of Rule 14a-8. The SEC’s Division of Corporation Finance recently changed its approach to shareowner proposal exclusions, broadly accepting companies’ representations that they have a reasonable basis to exclude proposals rather than issuing detailed no-action responses — a policy change that parties in the case have highlighted. The pension funds argued that the proposal meets all Rule 14a-8 eligibility requirements, that workforce diversity and transparency are significant policy issues that transcend ordinary business, and that omitting it violates federal securities laws and deprives shareowners of their right to vote. They sought an injunction preventing AT&T from soliciting shareowner proxies for its 2026 meeting unless the proposal was included in the proxy.

The matter was resolved through a settlement rather than a merits decision, with AT&T agreeing to include the pension funds’ proposal in its 2026 proxy materials. There was no substantive court ruling on whether AT&T’s attempted exclusion violated federal proxy rules. The court action that closed the case was a “so ordered” stipulation of settlement and dismissal entered on February 26, 2026, which dismissed the case without prejudice and reflected the parties’ agreement, including AT&T’s commitment to include the proposal.

While the outcome could influence how companies use the ordinary-business exception and how aggressively institutional investors litigate to protect shareowner voting rights amid evolving SEC guidance on shareowner proposals, there are several other companies attempting to exclude shareowner proposals in their proxy statements and thereby prohibit the issue from being voted on by investors. Several firms have formally stated an intent to omit a shareowner proposal from their proxy materials or moved to omit one, and these disputes are increasingly ending up in court rather than being resolved through the traditional SEC no-action process because the SEC Division of Corporation Finance announced on November 17, 2025 that it generally would not provide substantive views on most Rule 14a-8 exclusion requests (with limited exceptions) and would instead issue limited “no objection” responses based solely on a company’s “reasonable basis” representation.

Axon Enterprise is one example: it notified the SEC of its intent to exclude a Nathan Cummings Foundation proposal seeking greater political spending transparency, argued the proposal was “micromanagement,” received a staff “no objection” response based solely on the company’s representation, and then faced a federal lawsuit, with reporting indicating the judge sought additional information and encouraged a compromise proposal. PepsiCo is another example: it was sued over an alleged intent to exclude an animal-welfare/supply-chain related proposal submitted by shareowner Kerry Masters (supported by the PETA Foundation), and PETA later stated that PepsiCo reversed course after the lawsuit and agreed to include the proposal on the ballot for PepsiCo’s 2026 annual meeting. Chubb Limited provides another example: As You Sow filed suit after Chubb moved to exclude a climate-related proposal requesting a report on whether pursuing subrogation claims against parties responsible for climate change could reduce losses and benefit shareowners; releases and reporting describe Chubb’s notice of intent to exclude and the lawsuit seeking an injunction to compel inclusion in Chubb’s 2026 proxy materials.

WHITE HOUSE ISSUES NEW EXECUTIVE ORDER ON PROXY VOTING

On December 11, 2025, President Trump signed Executive Order (EO) 14366, titled “Protecting American Investors from Foreign-Owned and Politically Motivated Proxy Advisors.” The EO targets the dominant influence of the two primary proxy advisory firms, Institutional Shareowner Services (ISS) and Glass Lewis & Co., which together control over 90 percent of the market. The administration argues that these firms have used their significant leverage to promote politically motivated agendas, specifically citing diversity, equity, and inclusion (DEI) and environmental, social, and governance (ESG) initiatives. The order asserts that such practices often prioritize social and political goals over the primary objective of maximizing financial returns for American investors and retirees.

To address these concerns, the EO order directs the Securities and Exchange Commission to conduct a comprehensive review of all existing rules and guidance governing proxy advisors. Key policy changes being considered include enforcing anti-fraud provisions against material misstatements in voting recommendations and evaluating whether these firms should be required to register as investment advisers under the Investment Advisers Act of 1940. Furthermore, the order seeks to increase transparency regarding the methodologies and potential conflicts of interest inherent in proxy recommendations, particularly when those recommendations are based on non-pecuniary factors like climate goals or board diversity.

The order also mandates significant actions from the Department of Labor and the Federal Trade Commission. The Secretary of Labor is instructed to revise regulations under the Employee Retirement Income Security Act (ERISA) to strengthen fiduciary standards for pension and retirement plans. This includes determining whether proxy advisors should be classified as fiduciaries themselves, ensuring they act solely in the financial interest of plan participants. Simultaneously, the FTC is directed to investigate whether the proxy advisory industry engages in unfair

methods of competition or deceptive practices, including potential collusion that could reduce the value of consumer investments or violate federal antitrust laws.

Ultimately, this executive action signals a policy shift toward requiring proxy advice and ERISA-related voting activity to be grounded in pecuniary considerations and risk-adjusted financial returns. While the EO does not immediately change federal law, it initiates a regulatory process that could force proxy advisors to justify their recommendations based strictly on economic impact. By pressuring firms to move away from one-size-fits-all ESG benchmarks toward more transparent and financially focused advice, the administration intends to restore what it describes as public confidence and accountability in the U.S. capital markets.

CII’s informational report emphasized that proxy advisors help institutional investors fulfill fiduciary duties by making large-scale proxy voting more efficient and informed. For investors voting on thousands of companies and tens of thousands of ballot items during a compressed proxy season, advisors provide research, data, peer comparisons, translation support, standardized analysis, and operational services such as ballot processing, tracking, transmission, confirmation, and market-specific documentation.

CII also noted that proxy advisors can apply an investor’s own voting policies to generate preliminary recommendations, while leaving final voting authority with the investor. In this role, advisors function as a resource—not a substitute—for fiduciary judgment, helping investors identify risks, organize information, and execute votes consistently while retaining the ability to accept, reject, or disregard any recommendation.

Finally, CII argued that investors benefit from continued access to independent proxy research in a competitive, market-based environment where clients remain free to hire, fire, switch, or ignore providers as needed.

Published Research

STUDY IDENTIFIES THE SBA AS A TOP RANKED PROXY VOTER

A recent study by Tao Li, Associate Professor of Finance at the University of Florida Warrington College of Business, and co-author Alon Brav, Bratton Family Distinguished Professor at the Duke University Fuqua School of Business finds that reported institutional ownership can overstate actual governance influence because voting authority is often delegated, split among clients and advisers, or not fully exercised at the record date. Using Form ADV, Form 13F, Form N-PX, and fund disclosures, the authors show wide variation in voting utilization, with centrally managed voting authority producing higher realized voting activity than client-retained or segmented arrangements.

The study finds that this ownership-voting gap affects voting outcomes and turnout, and that securities lending explains only a small portion of the average wedge. More broadly, the allocation and exercise of voting authority within adviser-client relationships drives much of the difference between reported holdings and actual voting power.

Among 51 global pension funds and two sovereign wealth funds, the SBA stood out as a large and active proxy voter, with approximately \$50.8 billion in reported 13F public equity assets under management, a mean ownership-control wedge of about 1.87, and an average loan-to-own ratio of 16.8%.

The paper highlights the SBA as an example of how realized voting can exceed reported sole ownership while still reflecting securities lending and voting-authority complexities.



PROXY RESEARCH AND USE OF ARTIFICIAL INTELLIGENCE (AI)

A recent Glass Lewis paper argues that AI can improve proxy research through faster disclosure processing, consistent policy application, and earlier risk identification, but only if supported by investment-grade data, defensible methodology, and strong human oversight. The paper emphasizes that fiduciary accountability remains with the asset manager and cannot be delegated to an AI system.

Glass Lewis distinguishes between AI-first workflows, where humans mainly review outputs, and expertise-governed systems, where governance professionals design the rules, data models, escalation paths, and decision framework before AI produces results. The paper favors the latter approach because proxy voting involves fiduciary duty, cross-border regulation, multiple languages, and non-routine judgment calls.

Key questions for asset managers include how data is governed, how human judgment is embedded, how “investment-grade” quality is defined, where AI’s limits are drawn, and who is accountable in exceptional cases. The paper concludes that AI adoption in proxy voting is inevitable, but sustainable use requires institutional expertise first and technology second.

STUDY FINDS COMPLEX SHORT-TERM COMPENSATION STRUCTURES LEAD TO HIGHER PAY LEVELS

An ISS Governance study of Russell 3000 companies from 2023 through 2025 finds a consistent correlation between more complex annual incentive plans and higher CEO payouts. Companies using more than six annual incentive metrics generally produced higher median payouts, with the most metric-heavy plans showing the highest payout outcomes.

Energy and utility companies were the most complex users of annual incentive metrics and accounted for a disproportionate share of outlier plans. The study also finds that companies with numerous metrics rely more heavily on non-financial measures, which are more likely than financial metrics to pay out at or above target. ISS stops short of claiming causation, but the findings suggest investors should scrutinize unusually high metric counts, the use of non-financial measures, and disclosure explaining why each metric is necessary, how targets are assessed, and whether payouts are justified by performance.

ACADEMIC STUDY ON DECENTRALIZED PROXY VOTING

A 2025 study by Herrmann, McInnis, Monsen, and Starks examines Vanguard’s 2019 decision to decentralize voting authority from a centralized stewardship group to external investment advisers for certain funds. Using more than 5.8 million fund-ballot votes from 2016 through 2022, the authors find that decentralization reduced uniform voting and produced more active, independent voting behavior.

After decentralization, Vanguard funds were less likely to vote uniformly and more likely to oppose management and support shareowner proposals, particularly environmental, social, and governance proposals. The authors report that decentralized voters did not simply follow proxy advisor recommendations, suggesting greater independent judgment by fund managers.

The findings suggest that decentralizing voting authority can increase voting independence and support for shareowner-sponsored proposals, with implications for pass-through voting and broader debates over whether centralized asset-manager voting reflects beneficial owner preferences.



ARTIFICIAL INTELLIGENCE CAN MIMIC PROXY ADVICE

A study by Lee and Souther, “Beyond Bias – AI as a Proxy Advisor,” tests whether a large language model programmed to follow ISS’s public guidelines can serve as an objective benchmark for proxy recommendations. The AI matched ISS in about 79% of cases but more accurately predicted actual shareowner voting outcomes, suggesting guideline-based AI may help identify subjectivity or potential conflicts in traditional proxy advice.

The study finds that ISS guidelines have become more subjective over time, with “case-by-case” categories rising to about 60% by 2021. Where ISS and the AI disagreed, the AI more often supported proposals that ISS opposed, and those AI-supported proposals tended to receive stronger shareowner backing.

The largest divergences occurred when companies disclosed use of third-party governance consultants, including firms that may also provide proxy advisory services. In those cases, ISS-AI alignment dropped from 79.9% to 73.3%, with ISS recommendations more often favoring management than the AI benchmark.

Overall, the authors conclude that AI can replicate and benchmark proxy advice, while helping investors detect potential conflict-driven or discretionary deviations. They emphasize that AI is not a substitute for human analysts, but can serve as a complementary oversight tool for transparency and consistency.

LEADERSHIP & SPEAKING EVENTS

Staff periodically participate in investor and corporate governance conferences and other meetings. Typically, these events include significant involvement by the largest asset owners and managers, corporate directors, senior members of management, and other key investors or regulatory stakeholders. The following details cover the most recent events:

In June 2025, staff participated in the SEC’s Roundtable on Executive Compensation Disclosure Requirement, addressed the evolution of compensation frameworks, the need for clear links between executive pay to long-term performance metric, and encouraging issuers to provide concise, relevant disclosures.

In July 2025, staff participated in the summer conference of the International Corporate Governance Network (ICGN), speaking on a panel focused on fiduciary duty and proxy voting decision making and general trends in the US market.

In August 2025 and 2026, staff participated in the summer meeting of The Independent Steering Committee of Broadridge Financial Solutions, covering numerous proxy-voting topics including end-to-end vote confirmation, securities lending and recall data services, and tokenization of investment funds and their voting protocols.

In September 2025, staff participated in and spoke at the Council of Institutional Investors (CII) 2025 Fall conference, covering a wide range of corporate governance topics. Staff also participated in the quarterly board meeting and attended the CII Proxy Voter Group meeting subsequent to the event.

In late October 2025, staff participated in the Europe conference of the International Corporate Governance Network (ICGN), covering a wide range of corporate governance, with a focus on European and Italian market governance practices.

In late November 2025, staff participated in the joint Council of Institutional Investors (CII) and New York University (NYU) School of Law’s Corporate Governance Bootcamp, covering a variety of governance, proxy voting, and empirical data.

In January 2026, SBA staff participated in a quarterly Board meeting of the Council of Institutional Investors (CII), covering membership and organizational issues.

In March 2026, SBA staff participated in CII’s Spring Conference, covering a wide variety of corporate governance and proxy voting topics with a general focus on corporate disclosure reforms. Staff participated in a quarterly Board of Directors meeting as well as moderating one of the breakout sessions and attending the Spring meeting of its Proxy Voter Group.

In May 2026, SBA staff were appointed to CII’s U.S. Asset Owner Advisory Council (AOAC), a group of U.S. asset owners that advises CII’s board and staff on corporate governance trends, policy development, event topics, speaker selection, member benefits, and other issues relevant to long-term institutional investors.

In September, 2026, staff participated in CII’s Fall Conference, covering a wide variety of corporate governance and proxy voting topics. Staff moderated a plenary session of the conference focused on emerging issues of using artificial intelligence (AI) and attending the Spring meeting of its Proxy Voter Group. Staff also participated in a separate meeting of the U.S. Asset Owner Advisory Council (AOAC), a group of U.S. asset owners that advises CII’s board and staff on corporate governance trends, policy development, event topics, speaker selection, member benefits, and other issues relevant to long-term institutional investors

ENHANCED PROXY VOTING DASHBOARD



In October 2025, the SBA transitioned to a new premium voting disclosure service provided by Glass, Lewis & Co., available within the Corporate Governance section on the SBA's website. The new voting dashboard retains all the information previously available and now includes notable advancements in charting and data filtering capabilities. The new reporting goes well beyond the prior individual company look-up features, utilizing Power BI software as its reporting platform. This upgrade enables the SBA to analyze and interpret proxy voting data more effectively and efficiently. In many respects, the new disclosure service mirrors the existing comprehensive proxy voting dashboard, but with some additional reporting elements such as breakdowns by industry sector, meeting type, and more. This new voting disclosure service is not intended to replace the current SBA historical voting dashboard, rather it will serve as a bridge to expanded disclosure until the enhanced version of the historical dashboard is completed in late calendar year 2026.

The expanded historical voting dashboard offers an innovative tool that stands out among other institutional investors' proxy voting disclosure tools and is aimed at maximum transparency in proxy vote decision making.





SHAREOWNER PROPOSAL VOLUMES BY TOPIC: E, S, AND G (1970–2025)

Historically, hundreds of shareowner proposals have been submitted and voted on by investors each year. The SEC Rule 14a-8, which governs how and when shareowner resolutions can be submitted, dates back to the 1940's. Although there is no definitive dataset over the entire time frame, since 1970 an estimated 33,000 individual shareowner proposals have been submitted for a vote by investors. In the 1970–1980 period, the majority of proposals focused on governance issues—such as board structure, voting rights, and executive accountability. Environmental and social topics were rare but did begin to emerge, especially in the late 1980s as shareowner activism grew. In the 1990's, Environmental (E) and Social (S) proposals began to rise, but governance still dominated. By the late 1990's, E and S topics, such as environmental disclosures and workplace diversity, started to gain traction, contributing to a modest increase in total proposal volumes.

In the 2000's, governance activism surged, especially after the Sarbanes-Oxley Act (SOX) was passed by Congress, with proposals on audit committee independence, executive compensation, and anti-takeover measures. E and S proposals continued to grow but remained a minority compared to governance items. In the 2010's, environmental proposals saw a significant increase, particularly around climate risk, sustainability reporting, and carbon emissions. Social proposals also rose, focusing on diversity, human rights, and political spending. For example, in 2015, investors submitted 474 social/environmental proposals, indicating that these issues were becoming a substantial portion of the total. In the current period, 2020 to 2025, proposal volumes remained high, with E and S topics now representing a significant share, especially at large-cap companies. In 2024, there were 929 total proposals, with a notable portion related to environmental and social issues, reflecting evolving investor priorities and regulatory attention.

Overall, governance proposals dominated early decades, driving the initial surge in activism. Environmental and social proposals have steadily increased, especially since the 2010s, and now account for a substantial share of annual volumes. Since the 2000s, total proposal volumes have consistently been in the high hundreds or low thousands per year. Shareowner activism has evolved from a governance-dominated landscape to one where environmental and social issues are increasingly prominent, especially in the last 15 years. This reflects both regulatory changes and shifting investor priorities toward ESG concerns. According to Diligent Market Intelligence, more than 350 shareowner proposals were filed at U.S.-based companies during the first half of 2025. Of the proposals reaching corporate ballots, 456 were put to a shareowner vote in the first half of 2025 and 655 during the full calendar year. In the first half of 2026, approximately 386 proposals faced a vote, representing a decline of about 15% from the comparable 2025 period.

Active Ownership & Corporate Engagement

The SBA actively engages portfolio companies throughout the year, addressing corporate governance concerns, reviewing forthcoming proxy voting items, and seeking opportunities to improve alignment with the interests of our beneficiaries. During fiscal year 2026, SBA staff has conducted engagement meetings with numerous companies owned within Florida Retirement System (FRS) portfolios (or with investor groups owning the same companies), including (in alphabetical order):



Corporate Engagement Initiative

In October 2025, the SBA introduced a new corporate governance engagement initiative aimed at identifying companies with inferior performance and addressing governance weaknesses through structured engagement. The initiative employs a four-step framework that combines quantitative measures of shareowner returns with qualitative assessments of governance practices. Companies that underperform both market benchmarks and industry peers are evaluated for potential engagement, which may include direct communications with boards of directors and executive management, proxy voting actions, shareowner proposals, or other escalation measures when warranted.

The initiative reflects the SBA’s proactive approach to protecting beneficiary assets through engagement on corporate governance issues that may affect long-term shareowner value. The program is grounded in research linking effective governance practices to improved financial performance, stronger oversight, and reduced risk. Companies are evaluated using multi-horizon total shareowner return (TSR) metrics, governance diagnostics, and shareowner rights assessments. The quarterly screening process currently reviews approximately one hundred companies across a broad range of market capitalizations and industry sectors, with additional prioritization based on the size of the Florida Retirement System’s (FRS) investment and the nature of identified governance concerns.

During the first half of 2026, the SBA transitioned the initiative from framework development to active execution. The program now operates as an engagement process that combines performance screening, governance analysis, direct company engagement, outcome assessment, and quarterly reassessment.



Companies identified through the screening process are categorized using a Monitor, Engage, or Escalate framework, enabling staff to focus resources on situations where governance reform may have the greatest potential to enhance long-term shareowner value.

A significant finding emerging from the initiative is the persistence of many companies on the quarterly screening list. Since the program’s launch, the SBA has completed four screening cycles, providing an increasingly robust data set for identifying companies experiencing sustained underperformance. While each quarterly review identifies both new and recurring companies, a meaningful subset of companies has appeared on multiple screens, suggesting that their challenges may extend beyond short-term market fluctuations and warrant additional governance analysis and engagement. Repeated appearances allow staff to distinguish temporary performance disruptions from more persistent issues that may be associated with poor capital allocation decisions, board oversight, strategic execution, or other governance-related concerns.

The second-quarter screening identified seventy-three companies meeting the initiative’s performance and governance criteria. Of these, twenty-five companies had appeared on multiple prior screens, while twenty-three companies were newly identified. These repeat appearances are particularly important because they provide a basis for enhanced monitoring and help inform decisions regarding engagement priorities, escalation considerations, and long-term assessment of engagement outcomes. Companies that consistently appear on the screen receive additional scrutiny as staff evaluate whether governance practices, board effectiveness, shareowner rights protections, or other factors may be contributing to prolonged value deterioration.

Throughout the quarter and into the end of the fiscal year, staff continued direct engagement with companies identified through the initiative while also reviewing governance issues observed during the 2026 proxy season. Discussions focused on matters including board independence, board composition, shareowner rights, executive compensation alignment, capital structure, and other governance practices that may affect long-term shareowner value. Staff also continued refining engagement processes, enhancing outcome tracking mechanisms, and incorporating lessons learned from meetings with portfolio companies, investment managers, and other market participants.

Looking forward, the SBA will continue monitoring companies that repeatedly appear on the quarterly screen, assessing engagement outcomes, and evaluating whether additional engagement or escalation measures are appropriate. The initiative remains grounded in the SBA’s fiduciary duty to safeguard beneficiary assets and promote governance practices that support sustainable long-term value creation and accountability to shareowners.

Performance Conditioned Director Proxy Voting

In June 2026, Trustees approved a significant policy change designed to enhance the accountability of long-tenured directors serving on boards of directors at underperforming companies. This new “performance-conditioned” director voting policy has been integrated into the SBA’s proxy voting approach and reflected in the Election of Directors section of its Corporate Governance Principles and Proxy Voting Guidelines. The SBA believes that long-term director service should be coupled with sustained value creation for shareowners. While director experience is valuable, extended tenure during periods of chronic under-performance suggests a lack of effective oversight or a failure to initiate necessary strategic pivots.

The SBA’s new Performance-conditioned Director Voting framework, and related proxy voting guidelines, represent a significant evolution in our stewardship activities, embedding a direct and measurable relationship between board tenure and financial performance. The framework reflects a deliberate policy shift toward outcome-based governance and strengthened fiduciary accountability to beneficiaries of the Florida Retirement System (FRS). As a long-term investor with a fiduciary duty to our beneficiaries, the SBA continuously evaluates its proxy voting guidelines to ensure they promote robust corporate governance and sustainable long-term value creation. This policy shift will ensure that directors who have had sufficient time to influence strategy and corporate performance (i.e., 3- to 5- year periods), are held directly accountable for the economic outcomes experienced by shareowners. The approach also encourages boards to proactively evaluate whether long-tenured directors possess the skills, knowledge, and business experience required to navigate a turnaround in financial performance. By using a dual test (both absolute and relative performance calculations), the policy avoids punishing directors for broad market downturns while identifying idiosyncratic failure.



The new approach to director elections emphasizes performance, accountability, and the SBA’s commitment to applying a “link to value” to all its proxy voting decisions.

FIDUCIARY FOUNDATION

The SBA’s proxy voting program is grounded in a strict fiduciary obligation to consider only pecuniary factors—those expected to materially affect risk and return—when exercising shareowner rights. This principle anchors the entire framework and reinforces that governance decisions must be evaluated through a financial lens. Consistent with this mandate, the SBA has continued to refine its traditional focus on governance inputs toward measurable economic outcomes, particularly total shareowner return (TSR). The SBA’s framework therefore embeds a clear link to portfolio value, ensuring that proxy voting decisions relate to the investment performance of owned companies. This evolution is particularly important in the context of board of director(s) elections. Whereas earlier approaches assessed directors based on qualifications or adherence to best practices, the SBA will begin to more formally evaluate directors based on whether they have overseen strategies that create or destroy shareowner value over a defined investment horizon.

THE CORE SHIFT: PERFORMANCE-LINKED TENURE

The defining feature of the new SBA policy is the explicit linkage between a director’s tenure and total-shareowner-return (TSR) performance. Under the new policy framework, the SBA will vote against (or withhold support from) any directors who have served long enough to influence outcomes—typically four or more years—when the company fails both of the following TSR performance tests:

Financial Metrics	Performance Threshold
Absolute Performance	The company’s weighted 3- and 5-year cumulative Total Shareowner Return (TSR) is negative.
Relative Performance	The company’s weighted 3- and 5-year cumulative TSR is in the bottom 25th percentile of its primary industry index or peer group.

This dual-trigger approach is central to the SBA’s design. It reflects a deliberate effort to isolate idiosyncratic underperformance, ensuring that directors are held accountable only when shareowners have experienced real value destruction and the company has underperformed its peers. By requiring both negative absolute returns and bottom-quartile relative returns, the SBA avoids “false positives” — penalizing directors during a systemic market crash where many firms may perform poorly, but the company has outperformed its direct competitors.

We believe that experience on a board is an asset, but it must be validated by results. The SBA will apply heightened scrutiny to directors who have served for five or more years during periods of sustained underperformance. A 3 to 5-year window provides a reasonable time for a director to influence corporate strategy and oversee management’s execution. When a company consistently underperforms both its peers and the broader market, it raises critical questions regarding the board’s current composition, its refreshment process, and its ability to provide effective oversight. The SBA’s 3-to-5-year performance window is significantly more aggressive than the typical standard applied by other global asset owners and asset managers. Most institutional investors give a grace period of 5 to 10 years before tenure becomes even a potential proxy voting consideration. We also encourage boards to proactively address performance-tenure alignment in their proxy statements. Our goal is not to mandate turnover for turnover’s sake, but to ensure that the individuals leading our portfolio companies are the right stewards to return the company to a path of growth.

HOW THE POLICY FRAMEWORK MAY SHAPE DIRECTOR VOTE DECISIONS

The table below lists example scenarios and their probable SBA proxy vote outcomes. Directors associated with high tenure plus dual performance failures receive an automatic “Against” (or “Withhold”) vote:

Company Name	Director Name	Tenure (Years)	3-5 Yr Absolute TSR	3-5 Yr Relative TSR (vs Peer)	SBA Recommendation
Example Corp	John Doe	4.2	-12% (FAIL)	18th %ile (FAIL)	AGAINST
Example Corp	Jane Smith	0.8	-12% (FAIL)	18th %ile (FAIL)	FOR (New Nominee)
Growth Inc	Alan Smith	6.0	+45% (PASS)	22nd %ile (FAIL)	FOR (Positive Absolute)
Legacy Co	Bob White	10.5	-2% (FAIL)	65th %ile (PASS)	FOR (High Relative)



TIME HORIZON AND CLOSING THE ACCOUNTABILITY GAP

A defining element of the SBA framework is its 3-to-5-year evaluation horizon, which aligns closely with a typical business cycle and corporate strategic planning cadence. Unfortunately, boards of directors are often afforded extended time horizons before facing meaningful investor consequences, allowing value erosion to persist. The SBA’s policy is designed to close this gap by ensuring that directors who have participated in multiple strategy cycles—approving budgets, capital allocation decisions, and long-term plans—are evaluated based on the outcomes of those decisions within a realistic timeframe. This approach reframes director tenure not as a passive attribute, but as a performance evaluation period tied directly to investment outcomes. Requiring a negative absolute TSR sets the SBA apart, as many other shareowners consider only relative underperformance. This ensures directors are not penalized for positive shareowner returns, even if those lag peers. Typically, a 3-to-5-year period comprises a full business cycle. If a director has been on the board for 4 or more years, they have overseen at least three annual strategy retreats and three sets of annual budgets. If the company is still in the bottom quartile of its peers with negative absolute returns after 3-to-5-year period, the board has had sufficient time to correct the company’s direction but has failed to do so. While operational milestones (like R&D breakthroughs) are important, our policy is designed to address the “disconnect” where management is rewarded for “progress” while shareowners lose value. Negative absolute TSR is a hard line to ensure we are not subsidizing value destruction.

WHOLE-BOARD ACCOUNTABILITY AND STRATEGIC RESPONSIBILITY

The SBA’s framework also introduces a broader conception of accountability by applying performance-based voting consequences across the entire board, rather than focusing on individual members or specific committees. This reflects a critical governance insight: strategy, oversight, and capital allocation are inherently collective board responsibilities. As a result, sustained underperformance is not viewed as an isolated failure but as evidence of deficiencies in overall board effectiveness. By adopting this approach, the SBA strengthens the alignment between board responsibility and economic outcomes, reinforcing that all directors with sufficient tenure must be accountable for value creation. As well, some large passive asset managers typically focus voting dissent on committee chairs to express dissatisfaction, while the SBA’s proposal applies collective accountability to any director with four or more years’ tenure—a noticeably different and potentially more contentious stance.

Other market participants typically adopt a more passive five-year (or longer) model, but the SBA’s duty is active asset protection for Florida Retirement System (FRS) beneficiaries. SBA’s voting approach takes a much firmer stance compared to prevailing proxy advisor policy frameworks and other asset owner and asset manager practice. While the “Big 3” asset managers, BlackRock, Vanguard, and SS&A, have shifted to less prescriptive, more principles-based guideline language for 2026 and beyond, the SBA introduces a strict performance-tenure connection as part of its vote decision-making on incumbent nominees for corporate boards of directors.

The SBA argues that five or more years allows too much time for boards to erode value—analyzing a board’s 3-to-5-year performance can better serve as an advanced alert and avoid an accountability gap when boards do not respond quickly enough when corporate performance deteriorates. ISS and Glass Lewis extended their board and director evaluations to five years to buffer against one-off bad years, such as those caused by the volatility of 2024 and other prior periods.

The SBA’s approach triggers a negative vote when shareowners lose money, with voting direction aimed primarily at real value loss. With this direction, the SBA shifts away from the “universal owner” scenario of large passive investment managers and toward an active stewardship model, strengthening its influence during engagements on compensation, director elections, and other corporate governance concerns.

Trends from the 2026 proxy season saw some large passive investment managers removing many explicit policy drivers that lead to votes against (or withheld) from individual directors, in favor of merely encouraging the adoption of best practices. The SBA, in contrast, opts for firm quantitative triggers, which may make it an outlier in major director elections. A 3-to-5-year weighted period threshold, aligned with a normal business cycle, pushes for meaningful board accountability without unnecessary delay. Most investment strategies and many long-term executive incentive plans (LTIPs) run on three-to-five-year timelines, and we believe that board oversight should match, not exceed by several years, that same period.

STRATEGIC IMPLICATIONS FOR BOARDS OF DIRECTORS AND THE MARKET

The SBA’s framework carries broader implications for corporate governance and institutional investing. For boards of directors, the policy reinforces the need for continuous evaluation of director effectiveness, clear articulation of strategy and performance drivers, and proactive board refreshment aligned with company performance. For institutional investors, the framework provides a replicable model of outcome-based stewardship, demonstrating how proxy voting can be systematically tied to financial performance. More broadly, the policy signals a potential shift in market expectations toward quantitative accountability standards, where director’s performance is evaluated based on actual share-owner outcomes rather than governance proxies alone. The approach strengthens both the credibility and enforceability of the SBA’s voting decisions, reinforcing that sustained underperformance will translate into tangible governance consequences. Furthermore, as the regulatory landscape continues to evolve and shifts more power to boards of directors and management, this approach may serve as a key complement to proxy voting decision making.

This policy aligns well with existing SBA voting guidelines on contested elections and an overall performance orientation on board voting and thereby provides additional objective criteria to evaluate activist claims. If an activist targets a 10-year director at a high-performing firm, our policy is likely to support the director. If they target a 4-year director at an underperforming firm, our policy aligns with the activist’s “Vote No” campaign. We follow the data, not necessarily the activist’s guidance.

By embedding a dual TSR test, a defined 3-to-5-year accountability window, whole-board responsibility, and a strict fiduciary focus on pecuniary outcomes, the SBA reinforces a central principle: Board accountability must be measured by the economic value delivered to shareowners.



In doing so, the SBA not only strengthens its own proxy voting program but also contributes to a broader redefinition of institutional stewardship—one in which the “link to value” is explicit, measurable, and enforceable through voting decisions.

HISTORICAL BACK TESTING OF SBA PROXY VOTING ON DIRECTOR ELECTIONS

Among SBA owned companies, there are approximately 28,000 individual directors currently serving on the board of directors. Approximately 38.1% of all companies in the Russell 3000 stock index have a classified (staggered) board structure. The average director-tenure at Russell 3000 companies is 7 years, with approximately 24.5% having less than 4 years of continuous service. Based on several assumptions applied to the director voting category at U.S. companies and adjusting for those companies with classified board structures (with typically one-third of directors standing for election each year) as well as those directors with less than 4 years of tenure, the number of directors this performance-conditional voting approach impacts is approximately 3,943 (or about 14.1% of all director nominees). This statistic is entirely independent from other factors that already drive SBA voting patterns, such as director over-boarding policies and other governance concerns at specific companies.

The SBA’s historical voting on U.S. board members was 83.8% and 83.1% in fiscal years 2025 and 2026, respectively. Over the last decade, the average SBA support for U.S. directors has landed within a 75% to 85% range. When combining the new performance-conditioned approach along with existing SBA policy drivers on director election voting, the novel approach is expected to decrease overall support for U.S. company director nominees by approximately 21.3%. Assuming the bottom-quartile performance screen applies (adjusted for classified boards and lower tenure nominees) and 16.2% of annual director nominees are also opposed for other independent reasons, approximately 7,840 directors would likely receive against votes—leading to opposition for 37.5% of all U.S. company director nominees up for a vote by investors, and a corresponding total level of support of 62.5%.

SBA staff may exercise discretion and support a director nominee despite underperformance if the company exhibits compelling mitigating conditions, including but not limited to the following:

TENURE CALCULATION Service is calculated from the date of the director’s initial election or appointment to the board.

TARGETED DIRECTORS Applies to the entire board (excluding recent nominees with less than 4 years of service).

SIGNIFICANT RECENT LEADERSHIP CHANGES (e.g., a new CEO appointed within the last few years).

TRANSFORMATIVE CORPORATE ACTIONS are currently underway (e.g., a pending merger or divestiture).

UNIQUE PERFORMANCE DEFICIENCIES caused by sector-specific cycles.

EXTERNAL “BLACK SWAN” EVENTS that disproportionately affected the company compared to its direct peers.

RECENT CORPORATE ACTION, such as a spin-off, initial public offering (IPO), or the company is otherwise new to the public equity market with less than 3 years of trading history.

Conclusion/Summary

The 2026 fiscal year was a pivotal period for corporate governance, marked by evolving market norms and regulatory winds. Through it all, the State Board of Administration's commitment to principled, value-driven proxy voting and engagement remained steadfast. The SBA cast tens of thousands of votes in line with carefully considered guidelines, supported by rigorous oversight from the Proxy Committee and informed by deep expertise in governance matters. Many of those votes and engagement efforts contributed to positive changes – from refreshed boards to more accountable executives. At the same time, new challenges, such as regulatory attempts to constrain shareowner rights or novel voting frameworks, required the SBA to adapt and respond proactively.

Looking ahead, the SBA will continue to refine its strategies to uphold the highest fiduciary standards. This includes staying abreast of legal developments (and adjusting our policies accordingly), and actively participating in the conversation on sustainable corporate value creation. Our focus will remain on enhancing long-term shareowner value for Florida's beneficiaries. Every vote we cast, every engagement we pursue, and every conference we join will be with that objective in mind.

The SBA appreciates the guidance of its Trustees, members of its Investment Advisory Council (IAC) and the support of all beneficiaries and other shareowners in these governance endeavors. With a solid foundation of effective proxy voting processes and a clear vision grounded in fiduciary duty, we are well-prepared to navigate a challenging market environment, ensuring that Florida's investments are protected and poised to prosper.

Appendix - SBA Resources and Report References

SBA website Corporate Governance section:

<https://www.sbafla.com/governance/>

SBA Corporate Governance Principles & Proxy Voting Guidelines:

<https://www.sbafla.com/media/4hefjtn5/2026-sba-corporate-governance-voting-guidelines.pdf>

SBA Proxy Voting Dashboard (Basic):

<https://votingdashboard.glasslewis.com/floridastateboardofadministration/?siteId=FSBA>

SBA Proxy Voting Dashboard (Enhanced):

https://public.tableau.com/views/ProxyVotingDataAnalytics-forTableauPublic/Overview1?:showVizHome=no&:embed=true&:display_count=yes

SBA Company Correspondence & Exempt Solicitations:

<https://www.sbafla.com/governance/correspondence-and-exempt-solicitations>

SBA Global Governance Mandates (Divestment Research):

<https://www.sbafla.com/governance/global-governance-mandates/>

SBA Annual Investment Report FY25:

<https://www.sbafla.com/media/ucznhyvg/2024-2025-air-final.pdf>



Thank you