
PRE-DECLARATION: ALPHABET – SHAREHOLDER ENGAGEMENT

AGM date: 2nd June 2023

Background	<p>Alphabet is a long-standing holding in the Fundamental Growth Portfolio (FGP). The Railpen team has sought to engage on multiple occasions with Alphabet on sustainability and governance issues, in light of extensive concerns not only regarding well-publicised issues with its approach to AI, but also governance issues including: dual-class share structures, limited transparency on NEO pay, insufficient gender diversity on the board and an approach to say on pay and bylaw amendments which lags peers. Evidence shows that these issues are financially material to long-term company performance.</p> <p>Despite repeated requests to engage over the last few years, no response has been received from the company. In 2022, Railpen put forward an AGM question to Alphabet that not only did not get asked, but which also failed to elicit a response from the firm (standard practice). Other escalation efforts – including repeated votes against directors – have also failed to elicit a reaction or sufficient improvement.</p>
Summary of resolution(s) and our voting intention	<p>Item 1d – Elect Director John L.Hennessy – AGAINST Item 1e – Elect Director Frances H.Arnold – AGAINST Item 18 – Approve Recapitalisation Plan for all Stock to Have One-vote per Share – FOR</p>
Rationale for our voting decision	<p>Railpen has significant exposure to Alphabet and concerns about a number of financially material governance and social issues at the company. Alphabet is one of the world’s biggest companies and so should have the investor relations resource available to meet with the breadth of its shareholder base.</p> <p>Yet despite repeated attempts to engage, and escalate, we have been unable to achieve dialogue that would allow us to better understand Alphabet’s approach to sustainability and governance. We understand from conversations with peers that they have similar difficulties engaging.</p> <p>We have long-standing concerns about unequal voting rights and their impact on financial performance, as well as the fact they insulate management from shareholder concerns. We believe that Alphabet’s unequal voting rights arrangement, as well as the other governance issues flagged above, is a factor in their approach to shareholder engagement.</p> <p>We therefore intend to vote AGAINST Director John L. Hennessy, in his capacity as Chair and the long-standing Chair of the Nominating and Corporate Governance Committee, and AGAINST Frances H.Arnold as the other long-standing member of the Nominating and Corporate Governance Committee.</p>

We also intend to vote FOR a resolution that seeks to remove the dual-class share structure arrangement currently in place at Alphabet and replace it with equal voting rights for investors (one-vote per share).

We would welcome the opportunity for dialogue with Alphabet and will continue to seek to engage with them, including through notification of our fuller voting intentions and asking questions at future AGMs.