



BlackRock®

2022 voting spotlight

BlackRock Investment Stewardship

A look into the 2021-2022
proxy voting year

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This report covers BlackRock Investment Stewardship's (BIS) stewardship activities — focusing on proxy voting — covering the period from July 1, 2021 to June 30, 2022, representing the U.S. Securities and Exchange Commission's (SEC) 12-month reporting period for U.S. mutual funds, including iShares. Throughout the report we commonly refer to this reporting period as "the 2021-22 proxy year." References to "previous year" or "last year" cover the period from July 1, 2020 to June 30, 2021. While we believe the information in this report is accurate as of June 30, 2022, it is subject to change without notice for a variety of reasons. As a result, subsequent reports and publications distributed may therefore include additional information, updates and modifications, as appropriate.

The information herein must not be relied upon as a forecast, research, or investment advice. BlackRock is not making any recommendation or soliciting any action based upon this information and nothing in this document should be construed as constituting an offer to sell, or a solicitation of any offer to buy, securities in any jurisdiction to any person. References to individual companies are for illustrative purposes only.

Foreword



Foreword

Creating long-term value for our clients — who entrust BlackRock to invest their assets — remained the driving focus of the BlackRock Investment Stewardship (BIS) team as we navigated through another turbulent year, in which complex geopolitical and socioeconomic forces disrupted communities and the global economy.

In the last 12 months, investors have been confronted with inflation running at multi-decade highs, as disrupted supply chains and tight labor markets impaired the ability of many companies to meet customer needs. The Russian invasion of Ukraine not only created a humanitarian crisis, but also intensified the mismatch in global energy supply and demand. This was exacerbated by surging energy demand on the back of the post-COVID restart while investment has lagged what is needed in both renewable and traditional energy. With inflationary pressures driving up the cost of living and impeding companies' long-term planning, the consequent market turmoil has left policy makers, companies and — most importantly for us — our clients uncertain about the path ahead.

Despite the difficult macro-economic backdrop, many companies are demonstrating remarkable resilience, evolving their businesses to manage risks and capture opportunities. This year, BlackRock's 70-strong investment stewardship team reached a record 3,690 engagements with 2,460 unique companies in 55 markets.¹ We continued to engage constructively with investee companies throughout this turbulent year on a consistent set of engagement priorities, anchored in sound corporate governance and effective board leadership. As ever, we took a long-term view and supported companies that continued to deliver for their shareholders and other key stakeholders, taking into consideration the constraints they faced. Globally, we supported 90% of director elections, consistent with the previous proxy year.² For perspective, votes on director elections represented nearly 40% of our total voting, while votes on shareholder proposals were less than 1%.³

In keeping with our investment convictions, our view continues to be that the best economic outcomes for our clients will come through an orderly energy transition by companies that recognizes the needs of their consumers and other key stakeholders. In our work engaging with companies, and, where clients have tasked us with it, casting proxy votes, our work on climate-related issues remains unchanged in focusing on the material risks and opportunities that the energy transition poses. This proxy season underscored our belief that a constructive stewardship approach contributes to companies making meaningful progress in their climate-related planning and disclosures, where this is a material financial risk and/or opportunity for them. But it also reinforced our long-held view that that the pathway to decarbonization is difficult to predict and will not occur in a straight line. Consistent with that view, we have not supported certain climate shareholder proposals that are overly prescriptive or micro-manage **how** companies should decarbonize.

As we entered the 2022 peak proxy season, we had the opportunity to observe and assess some of the themes in focus in the shareholder proposals coming to a vote. For example, in the U.S. we saw a 133% increase in the number of environmental and social (E&S) shareholder proposals, many of them more prescriptive than in prior years, enabled by changing guidance by the U.S. Securities and Exchange Commission (SEC).⁴ Further, many climate-related shareholder proposals sought to dictate the pace of companies' energy transition plans despite continued consumer demand, with little regard to company financial performance. Other proposals failed to recognize that companies had largely already met their ask.

We continued to engage constructively with investee companies throughout this turbulent year on a consistent set of engagement priorities, anchored in sound corporate governance and effective board leadership.

In our work engaging with companies, and, where clients have tasked us with it, casting proxy votes, our work on climate-related issues remains unchanged in focusing on the material risks and opportunities that the energy transition poses.

¹ Source: BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. Total engagements and unique companies engaged numbers are rounded to the nearest ten. Team composition as of July 17, 2022. ² Source: BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. ³ Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. ⁴ Source: ISS Voting Analytics. See our commentary, "[2022 climate-related shareholder proposals more prescriptive than 2021.](#)"

In our voting on behalf of clients, BIS supported 24% of E&S shareholder proposals in the U.S. this year, down from 43% last year, reflecting how these factors made these proposals less supportable in the 2021-22 proxy year.¹ As ever, BIS took a case-by-case approach and voted to advance our clients' long-term financial interests. Overall, E&S shareholder proposals voted at U.S. companies attracted 27% shareholder support on average — down from 36% last year — which suggests that most investors took a measured, materiality-based approach in their analysis and voting on this year's proposals.²

BIS is committed to investing and innovating in stewardship to support long-term value creation for our clients. BIS will continue to take a principled approach on behalf of the clients who rely on us to exercise voting authority, while also enabling more of them to use [BlackRock Voting Choice](#) to vote their shares in line with their own preferences if they desire to. **Our fiduciary duty to our clients is our “North Star,” as the money BlackRock manages is theirs and our responsibility is to help them meet their long-term financial goals.**



Sandy Boss

Global Head of
Investment Stewardship

Lower market support for more prescriptive shareholder proposals

Environmental and social (E&S) shareholder proposals voted at U.S. companies attracted 27% shareholder support on average — down from 36% last year — which suggests that most investors took a measured, materiality-based approach in their analysis and voting on proposals this proxy year. In our own voting on behalf of our clients, we supported 24% of E&S shareholder proposals in the U.S. this year, down from 43% last year.

¹ Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. ² Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 18, 2022 reflecting data from July 1, 2021 through June 30, 2022. The term “average” refers to “mean” shareholder support. Median shareholder support for E&S shareholder proposals in the U.S. was 21% for the 2021-22 proxy year, down from 33% last year.

Executive summary



Consistent with BlackRock’s fiduciary duty as an asset manager, BIS’ purpose is to support companies in their efforts to deliver long-term durable financial performance on behalf of our clients. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and, ultimately, individual investors, among others.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. Our clients depend on BlackRock to help them meet their investment goals; the business and governance decisions that companies make will have a direct impact on our clients’ long-term investment outcomes and financial well-being. **This report provides an overview of our proxy voting from July 1, 2021, through June 30, 2022, as part of our broader stewardship work engaging with the companies we invest in on behalf of our clients.**

With one of the industry’s largest teams of stewardship and governance specialists from a range of disciplines, BIS is well-equipped to bring a globally consistent, locally nuanced perspective to our clients and to the companies in which we invest on their behalf. We engage with companies throughout each year and our engagements often span multiple years. This leads to stronger relationships with companies and more constructive outcomes for shareholders and businesses alike. We work closely with BlackRock’s active investment colleagues to help ensure our stewardship work is grounded in encouraging the practices that support long-term corporate financial performance, rather than the pursuit of good governance for its own sake. Our analysts’ sector expertise and local market knowledge allows for informed dialogue on the issues most material to companies’ ability to create durable, long-term value for our clients.

This depth of experience also enables us to make informed, considered voting decisions – we do not rely on the recommendations of proxy advisors. We continued to take a measured approach to the stewardship policy enhancements that inform our voting, maintaining a consistent year-on-year view on what we find to be helpful as investors in assessing the material governance and sustainability risks facing the companies we invest in for our clients.

BIS serves as an important link between our clients and the companies they invest in.

We aim to build constructive relationships with companies, engaging in continuing dialogue with company leadership about the governance and sustainability factors material to generating the long-term financial returns on which our clients depend.

While BIS is central to our fiduciary approach, we also see a growing interest among investors – including our clients – in the corporate governance of public companies. That is why we announced [BlackRock Voting Choice](#) in October 2021 and continue to expand the opportunity for more clients to participate in proxy voting decisions over their listed equity investments, where legally and operationally viable. As detailed in our paper, [It's All About Choice](#), our ambition over time is to continue developing new technologies while working with industry partners to expand voting choice for even more clients – including individual investors.

Through all these efforts, we are working to serve our clients and stay ahead of their needs. Our sole focus remains on helping them achieve their long-term financial goals, because the money we manage is theirs, not ours.

Our Investment Stewardship toolkit

Engaging with companies

How we build our understanding of a company's approach to corporate governance and sustainable business models, and how we communicate our views.

Voting in our clients' interests

How we signal our support for or raise our concerns over a company's corporate governance or business model. We may signal concerns by not supporting the election of directors or other management proposals, or by voting in support of a shareholder proposal. Voting on director elections is a globally consistent signal of concerns when boards do not seem to have acted in shareholders' long-term financial interests.

Transparency in our activities

How we inform stakeholders of our work to advance the long-term economic interests of our clients. We continue to raise the bar on our transparency. This report illustrates our voting on behalf of our clients at 14,140 companies, highlighting the breadth and depth of our stewardship efforts on behalf of our clients in the 2021-22 proxy year.¹

¹ Source: BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. Numbers are rounded to the nearest ten.

Our stewardship approach: engaging on material risks and opportunities for our clients

BlackRock was founded on the core premise of understanding investment risk and anticipating the needs of our clients, supporting them in achieving their long-term investment goals. Our stewardship team plays a key role in helping our clients navigate the governance and sustainability risks and opportunities that, in our view, can affect their paths towards reaching those goals. Companies continued to face complex strategic and operational challenges over the year, due to persistent geo-political and socio-economic factors. In our engagement with company boards and management, BIS has acknowledged these headwinds and continued to encourage a long-term focus.

We firmly believe in the value of engaging with companies.

Encouraging responsible business operations serves the interests of long-term investors in public companies. BIS engages companies on behalf of BlackRock's equity index funds and accounts and coordinates with portfolio managers with active positions in a company. When BIS engages a company, we do so from the perspective of a long-term investor. Engagement enables us to have ongoing dialogue with companies and build our understanding of the challenges they face. This is particularly important for our clients invested in indexed funds, which represent a significant majority of BlackRock's equity assets under management, as they do not have the option to sell holdings in companies that are not performing as expected. Companies can continue to look to BIS, as a long-term shareholder on behalf of our clients, to provide constructive feedback as they enhance their corporate governance and sustainable business models. Likewise, we will communicate our views when we believe a company is not appropriately managing risks that could potentially impact our clients' ability to meet their long-term investment goals.



We firmly believe in the value of engaging with companies.

3,690+

total engagements¹

2,460+

unique companies engaged¹

¹ BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. Numbers rounded to the nearest ten.

Our industry-leading, specialist team of experienced stewardship analysts conducts year-round engagements with thousands of companies across 55 markets on behalf our clients and their millions of beneficiaries. This year, the BIS team continued our intensive, year-round engagement program, reaching a record-level 3,690 engagement meetings (3,650 last year) with 2,460 unique investee companies (2,340 last year). We continue to focus our engagement on a consistent set of five priorities that we believe are essential to the long-term financial performance of our clients' investments: board quality and effectiveness; strategy, purpose, and financial resilience; incentives aligned with value creation; climate and natural capital; and company impacts on people.

In our engagements, we encourage companies to provide comprehensive disclosures on their long-term strategy, the milestones to delivering it, and the governance and operational processes that underpin their businesses and long-term financial performance. In addition to robust financial disclosures, we find it helpful when companies provide the data and narrative that help investors understand how they approach material, business relevant sustainability risks and opportunities. BlackRock has consistently advocated for enhanced reporting to help investors understand risks and opportunities in the business models of the companies they invest in. Better quality information leads to better investment decision-making and capital allocation. We are encouraged by the significant progress made over the past 12 months, at a global and market level, advancing towards a global baseline set of sustainability reporting standards. Once such standards are realized, we are hopeful that the reporting burden on companies can be reduced and the quality of information – both data and narrative – available to investors will be improved, supporting more efficient capital markets. These disclosures inform our voting and engagement activities.

| Priority | Total engagements |
|---|-------------------|
| Board quality and effectiveness | 2,330 |
| Strategy, purpose, and financial resilience | 2,120 |
| Incentives aligned with value creation | 1,350 |
| Climate and natural capital | 2,060 |
| Company impacts on people | 1,280 |

Source: BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. Numbers rounded to the nearest ten. Our engagement statistics reflect the primary topics discussed during the meeting.

Voting on behalf of clients who authorize BlackRock to do so

Informed by our [Global Principles](#) and [market-level voting guidelines](#), we have expressed our support for or concern about companies' management of issues that have a long-term impact on shareholder returns, such as sustainability risks and opportunities, through voting at annual general and special shareholder meetings. Globally, we voted on, behalf of those clients who authorized us to do so, at more than 18,000 shareholder meetings on more than 173,000 proposals. Similar to previous years, shareholder proposals represented less than 1% of the total proposals we voted on during the 2021-22 proxy year.

Our voting in support of management was largely consistent with the prior proxy year: **globally we voted in support of 90% of directors standing for election and for all items on the agenda at 57% of shareholder meetings (also 57% last year)**. This year, BIS was more supportive of management in the Americas and EMEA, where companies have made significant progress on the governance and sustainability matters that inform our voting. In the Americas, we were more supportive of directors as companies made substantial improvements in board diversity; we did not support the election of 4% of directors (6% last year) for lack of board diversity. In EMEA, we were more supportive as companies adapted their remuneration policies and disclosures to align better with their long-term shareholder returns in the prolonged post-COVID economic environment, not supporting 6% of directors due to concerns about executive compensation (7% last year). In both the Americas and EMEA, we were also more supportive of companies with material climate risk in their business models as they improved their climate action plans and disclosures, voting to signal concern at 155 companies (264 last year). We were less supportive of companies in Asia, where director independence remains a significant governance concern for minority shareholders like our clients. Director independence concerns led us to not support the election of 8% of directors (6% last year) in APAC.

BIS centers our stewardship work in corporate governance. In our experience, sound governance, in terms of both process and practice, is critical to the success of a company, the protection of shareholders' interests, and long-term shareholder value creation. That is why board quality and effectiveness remain a top engagement priority, and a key factor in the majority votes cast on behalf of clients. Like last year, our leading reasons for not supporting director elections – and management proposals more broadly – were governance-related: 1) lack of board independence, 2) lack of board diversity, 3) directors having too many board commitments and 4) executive compensation that was not aligned with company strategy or long-term performance.

Board quality and effectiveness remain a top engagement priority, and a key factor in the majority of votes cast on behalf of clients.

Like last year, our leading reasons for not supporting director elections – and management proposals more broadly – were governance-related:

- 1** • Lack of board independence
- 2** • Lack of board diversity
- 3** • Directors having too many board commitments
- 4** • Executive compensation not aligned with long-term performance

It is also our conviction that climate risk is investment risk, and we see growing recognition that climate risk and the energy transition are already transforming both the real economy and how people invest in it. As outlined in our commentary, [Climate risk and the global energy transition](#), we looked to companies to make disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) — including in relation to governance, strategy, and risk management — that enable investors to assess their climate risk. For completeness, such disclosure was most helpful when it included scope 1 and 2 greenhouse gas (GHG) emissions metrics and meaningful short-, medium-, and long-term emissions reduction targets.¹

We have been encouraged by the progress many companies in key sectors have made in their energy transition planning and actions, as detailed in their enhanced disclosures. Market-level initiatives, such as the [Net Zero Banking Alliance](#) and [Oil & Gas Methane Partnership 2.0](#), have helped companies take steps relevant to their business models and sectors. We have also seen enhanced disclosure by many companies on how they are engaging on policies addressing climate risk and the energy transition, through their own corporate political activities and those of the trade associations of which they are active members. This has enabled us to be more supportive of management in our voting on shareholder proposals seeking enhanced disclosure on these issues this proxy voting year.

Globally, we voted to signal concerns about climate action or disclosure at 234 companies, or 1.7% (321 or 2.4% last year). We did not support the election of 176 directors for climate-related concerns (254 last year). We were pleased to note that 291 — over a quarter — of the companies in our 1,000+ company [climate focus universe](#) have demonstrated marked progress in climate disclosures and targets during the last two years.² We engaged and/or voted on climate concerns at 81% of these improving companies.

Votes to signal concerns about climate actions or disclosure

We have been more supportive of management this year, as companies make progress on setting climate action strategies and managing material-related risks and opportunities that affect their ability to generate long-term financial returns.

234 (321 last year)

companies where we voted to signal concerns about climate action or disclosure³

176 (254 last year)

directors BIS did not support due climate-related concerns⁴

¹ The [GHG Protocol Corporate Standard](#) classifies a company's GHG emissions into three "scopes." Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. ² Limited to companies within the BIS climate focus universe who improved their GHG reduction targets since July 1, 2020 according to MSCI. See page 47 in this report for further detail. ³ Votes not supporting unique companies on climate include: 1) votes not supporting or abstaining on director elections and director-related proposals, and 2) votes supporting or abstaining on climate-related shareholder proposals. ⁴ Abstentions are included.

2022 shareholder proposals more prescriptive than 2021

We consider well-crafted, well-targeted shareholder proposals to play a useful role in the stewardship toolkit. Our research indicates that proposals that receive high support from shareholders lead to beneficial responses from companies.¹ However, as we explained in our May commentary, 2022 climate-related proposals more prescriptive than 2021,² we observed a marked increase in E&S shareholder proposals that went to a vote (e.g., in the U.S. we saw a 133% increase³) and many more proposals were unduly constraining on management or were overly prescriptive as to information sought or timeframes. Others failed to recognize the progress made such that companies had largely met the ask of the proposal.

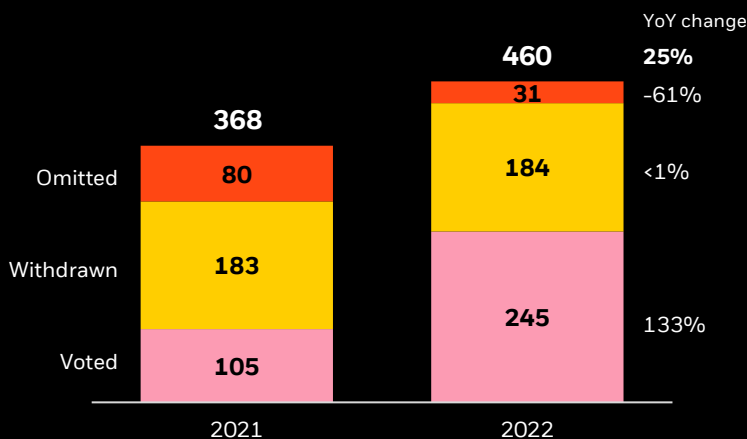
E&S shareholder proposals voted at U.S. companies attracted 27% shareholder support on average — down from 36% last year — which suggests that most investors took a measured, materiality-based approach in their analysis and voting on this year’s proposals.⁴ A recent report noted that only 9% of the 208 E&S shareholder proposals in its sample passed, compared with 27% of 131 such proposals last year.⁵

Among the several themes we observed this year included proposals requesting:

- Ceasing providing finance to traditional energy companies;
- Decommissioning the assets of traditional energy companies;
- Requiring alignment of bank and energy company business models solely to a specific 1.5°C scenario;
- Changing articles of association or corporate charters to mandate climate risk reporting or voting;
- Setting absolute scope 3 GHG emissions reduction targets;⁶
- Directing climate lobbying activities, policy positions or political spending, among others.

Increased U.S. E&S shareholder proposal activity and less SEC no-action relief⁷

U.S. E&S shareholder proposal filings and votes up; SEC no-action relief down



Source: Institutional Shareholder Services (ISS) Voting Analytics Database (voted proposals); ISS Shareholder Proponent Database (omitted and withdrawn proposals).

¹ See page 10 in our report, “Our 2021 Stewardship Expectations.” ² This relates to the companies in the BIS U.S. voting universe where we voted on behalf of our clients. ³ Source: ISS Voting Analytics. ⁴ Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 18, 2022 reflecting data from July 1, 2021 through June 30, 2022. The term “average” refers to “mean” shareholder support. Median shareholder support for E&S shareholder proposals in the U.S. was 21% for the 2021-22 proxy year, down from 33% last year. ⁵ Freshfields Bruckhaus Deringer LLP. “Trends and Updates from the 2022 Proxy Season.” July 2022. ⁶ Regarding scope 3 emissions, this is not to minimize value chain, or scope 3, GHG emissions. They are a major global societal issue and, for companies where they are material, the prospect of future policy change could affect the economic viability of their business models. To effect change in scope 3 GHG emissions in a fair and balanced way, policy action by governments will be necessary. Companies cannot solve scope 3 on their own. As national and regional policy expectations around scope 3 evolve and crystallize, we will look to companies to align their disclosures and commitments accordingly. ⁷ Year 2021 reflects data from July 1, 2020-June 30, 2021. Year 2022 reflects data from July 1, 2021 - June 30, 2022. Omitted refers to proposals for which the SEC has granted “no-action relief” and are excluded from a company’s proxy without the proponent’s consent.

How we voted on E&S shareholder proposals

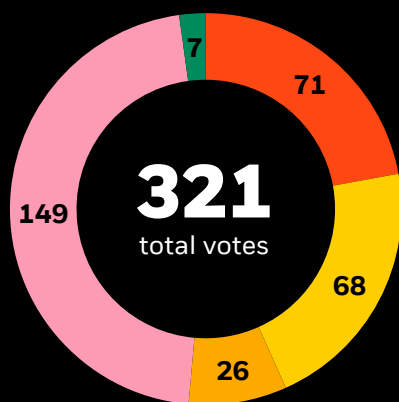
Globally, this proxy year we supported 22% of the E&S shareholder proposals that we voted on; in absolute terms, this reflects support for 71 E&S proposals (81 last year). Average market-wide support was 26%.¹

Whereas last year we saw climate-related shareholder proposals that addressed material business risks and often requested reports providing information, as mentioned in the previous section, in 2021-22, [BIS observed and assessed several notable themes](#) that ultimately reduced our support for some shareholder proposals. For instance, such proposals sought decommissioning fossil fuel assets, elimination of financing and insurance underwriting for fossil fuel projects, and cessation of fossil fuel exploration and development. Many of these more prescriptive proposals attracted lower levels of investor support more broadly.²

Amongst social proposals, diversity equity and inclusion audits in the U.S. achieved notable support, with eight proposals passing and six others receiving more than 40% support; we supported 54% of these proposals this season.

When assessing shareholder proposals, we evaluate each proposal on its merit, with a singular focus on its implications for long-term value creation. We consider the business and economic relevance of the issue raised, as well as its materiality and the urgency with which we believe it should be addressed.³ BIS supported 21% of all environmental, social, and governance (ESG) shareholder proposals put to a vote in the 2021-22 proxy year.

BIS reasons for votes on E&S shareholder proposals⁴



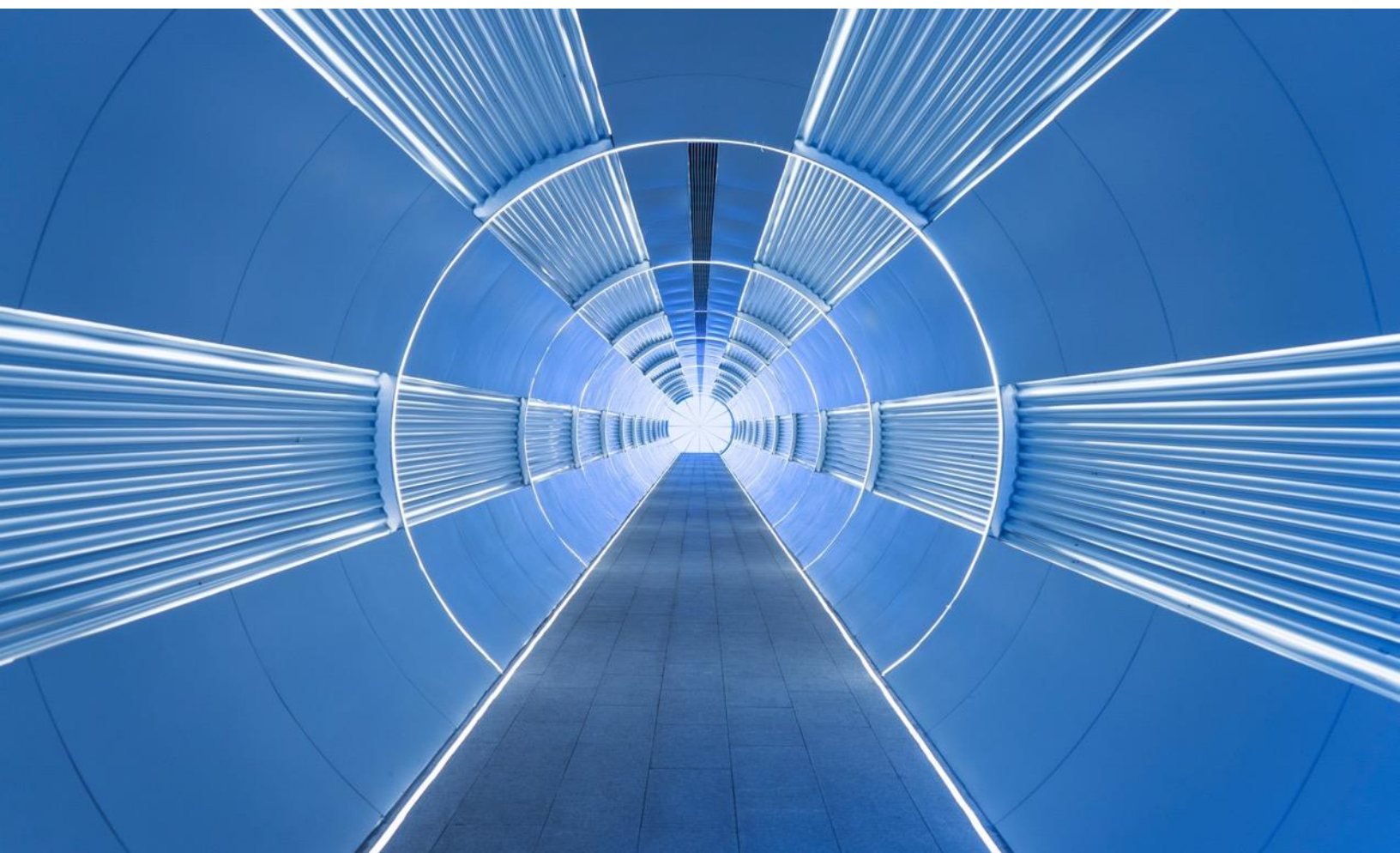
- Supported (in the financial interests of long-term shareholders) **22%**
- Not supported (too prescriptive/immaterial) **21%**
- Not supported (not beneficial to shareholders) **8%**
- Not supported (implemented/company progress) **46%**
- Not supported, rationale unspecified (voted by independent fiduciary)⁵ **2%**

Source: BlackRock, Institutional Shareholder Services (ISS). ISS classifications used. Sourced on July 11, 2022, reflecting data July 1, 2021 through June 30, 2022. Excludes Japan.

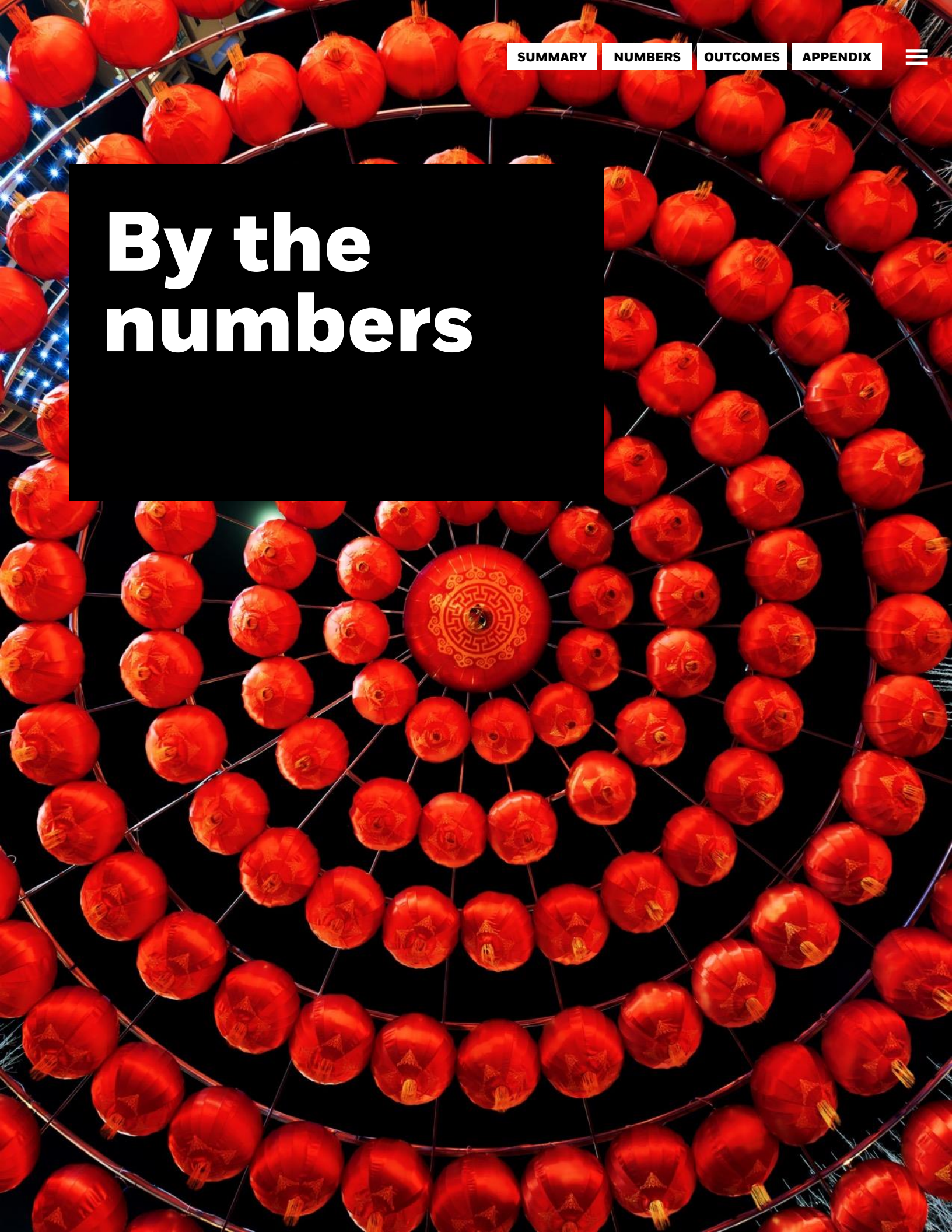
¹ Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 18, 2022 reflecting data from July 1, 2021 through June 30, 2022. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. Votes to not support shareholder proposals includes withhold votes. Globally, median shareholder support for E&S shareholder proposals was 19% for the 2021-22 proxy year. ² Financial Times, "Investors at top US banks refuse to back climate proposals", April 26, 2022. ³ See page 14 of BIS' [Global Principles](#) for a complete explanation of our approach to shareholder proposals. ⁴ Does not include director election, director-related, or "other" proposals put forth by shareholders. BIS votes cast on shareholder proposals on behalf of our clients are independent of whether management recommended voting for or against the proposal. ⁵ The independent fiduciary makes voting decisions based solely on BlackRock's publicly available [proxy voting guidelines](#), which aim to advance our clients' long-term financial interests, and public information disclosed by the relevant company. See page 2 in our commentary, "[How BlackRock Investment Stewardship Manages conflicts of interest](#)."

Looking forward

We expect to continue to take a measured approach to our stewardship activities on behalf of clients. We continuously receive useful feedback from companies and clients as we engage over the proxy year, and these insights will help us refine our global principles and voting guidelines. We do not anticipate significant changes in these or in our engagement priorities, which we believe to be grounded in enduring factors that shape the ability of companies to deliver durable profitability. The context within which companies are managing their businesses will continue to be a consideration in our voting and engagement. We remain focused on outcomes for our clients that create long-term shareholder value and help them achieve financial well-being.



By the numbers



By the numbers

How we engaged at a glance

3,693

Total engagements

2,464

Unique companies engaged

782

Companies engaged multiple times

55

Markets covered in engagements

Source: BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022.

Engagement across our five priorities¹

2,326

Board quality and effectiveness

2,115

Strategy, purpose and financial resilience

1,352

Incentives aligned with value creation

2,058

Climate and natural capital

1,283

Company impacts on people

Source: BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022.

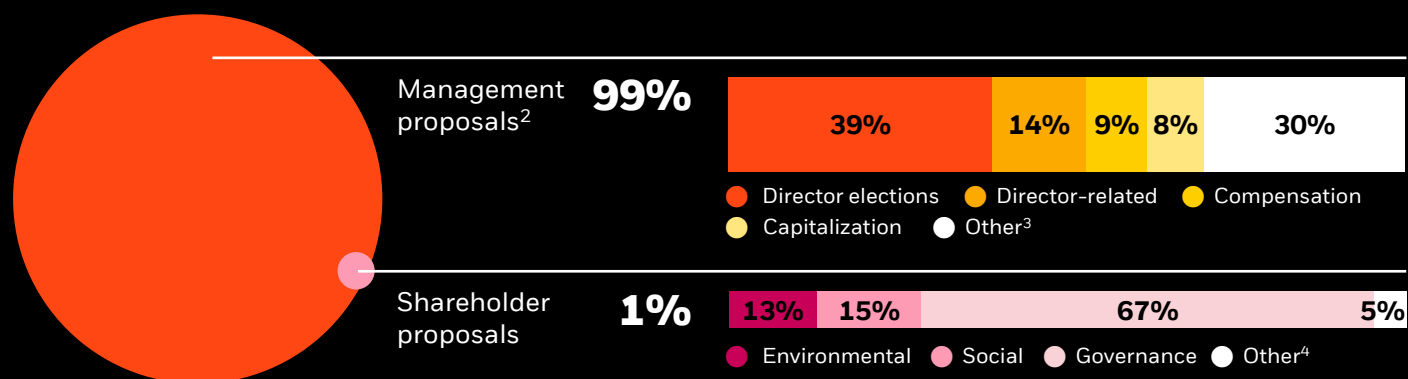
How we voted at a glance

| | Companies voted | Markets voted | Meetings voted at | Proposals voted |
|---------------------|-----------------|---------------|-------------------|-----------------|
| Americas | 5,138 | 9 | 5,668 | 47,826 |
| APAC | 6,135 | 17 | 8,919 | 74,736 |
| EMEA | 2,866 | 44 | 3,513 | 50,440 |
| Global total | 14,139 | 70 | 18,100 | 173,002 |

Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022.

¹ Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topics discussed during the meeting.

Proposals voted on at a glance¹



Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022.

How we voted on behalf of clients

7,024

Unique companies where BIS did not support management^{5,6}

43%

% of meetings where BIS did not support at least one voting item⁷

6,555

Total director elections BIS did not support⁸

207

Shareholder proposals supported⁹

Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022.

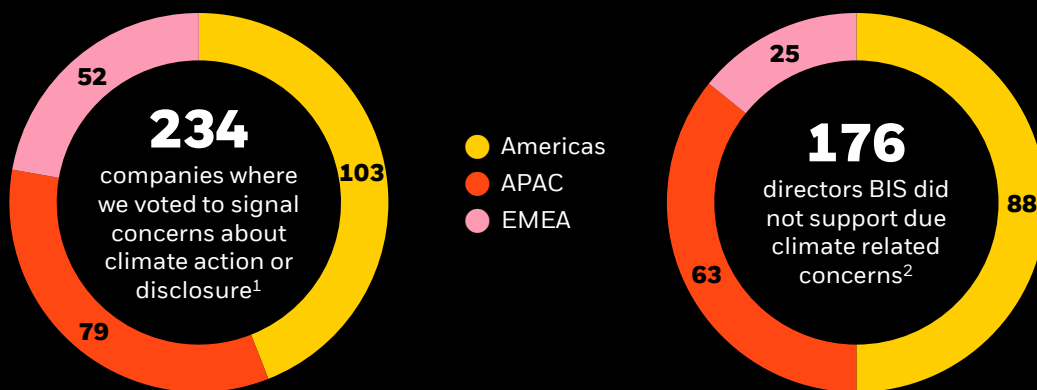
Number of companies where BIS did not support director for core governance concerns^{10, 11}

| | Americas | APAC | EMEA | Total |
|-----------------|----------|-------|------|-------|
| Independence | 203 | 1,108 | 210 | 1,521 |
| Board diversity | 648 | 119 | 169 | 936 |
| Overcommitment | 182 | 89 | 390 | 661 |
| Compensation | 246 | 9 | 321 | 576 |

Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022.

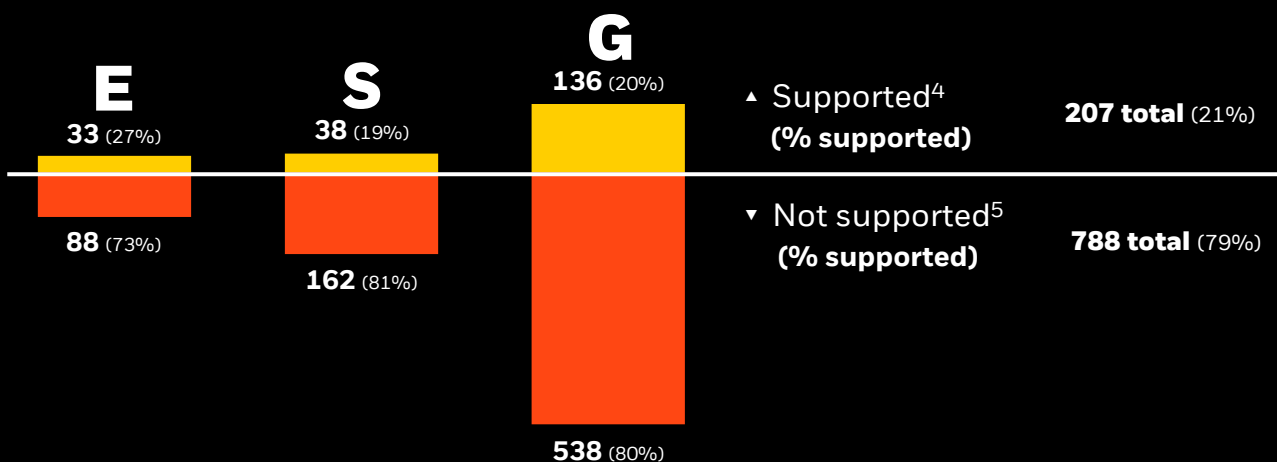
1 This calculation excludes director-related shareholder proposals and other shareholder proposals that are predominantly filed in Greater China, often by controlling shareholders and are, in effect, late agenda items from management. By excluding these proposals in this calculation, we believe we can show a better reflection of our voting activities on behalf of clients across markets. Please note that across the report, other graphs displaying shareholder proposal-related data may exclude the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. Where shareholder proposals in Japan are excluded in the calculation, this is duly noted. **2** Does not include management proposals asking shareholders to approve how often (e.g. every year or every three years) compensation policies should be voted on, i.e. "Say on Pay" proposals. **3** "Other" management proposals include the following categories: reorganization and mergers, anti-takeover related, say-on-climate proposals brought by management, routine business/miscellaneous, preferred-bondholder, and other proposals. For full detail please see the "Appendix" section. **4** These reflect shareholder proposed election of directors/supervisors and contested elections and fall outside the categories that most shareholders would view as ESG proposals but are included here to provide visibility of the contested elections of the 2021-22 proxy year. **5** Votes not supporting management recommendation include votes not supporting all director-related proposals and in support of shareholder proposals. **6** Abstentions are included. **7** Includes abstentions and reflects percentage of shareholder meetings where BIS did not support management on one or more proposals. **8** Includes only votes where BIS did not support director elections, including abstentions. **9** Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. **10** Votes where we did not support management includes votes withheld and abstentions. **11** Votes where we did not support directors reflect only director elections.

BIS voting to reflect climate-related concerns



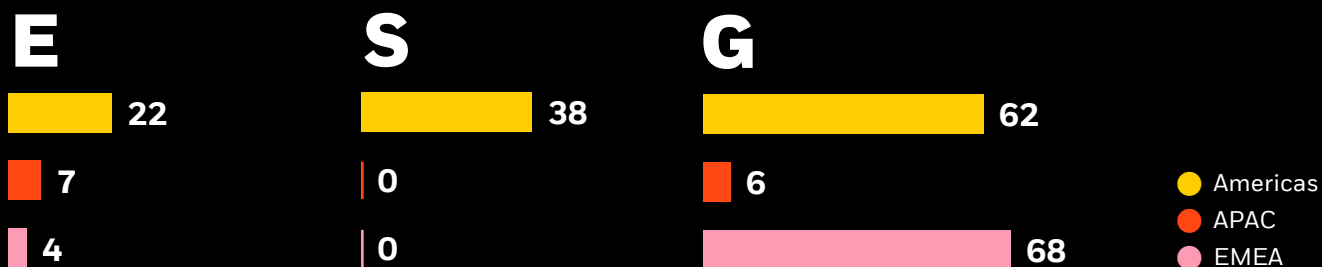
Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022.

How BIS voted on behalf of clients on shareholder proposals³



Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. Measured in number of proposals supported/not supported.

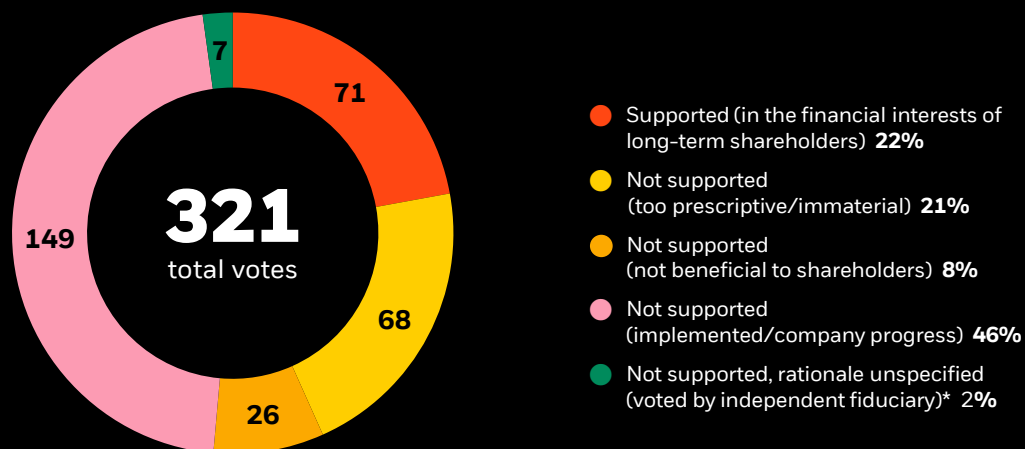
Number of shareholder proposals BIS supported by region⁶



Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022.

¹ Votes not supporting unique companies on climate include: 1) votes not supporting or abstaining on director elections and director-related proposals, and 2) votes supporting or abstaining on climate-related shareholder proposals. ² Abstentions are included. ³ Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. See the "Proposal terminology explained" section for a detailed explanation of proposal categories. ⁴ Includes abstentions. ⁵ Includes withhold votes. ⁶ Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. See the "Proposal terminology explained" section for a detailed explanation of proposal categories. Support for shareholder proposals includes abstentions.

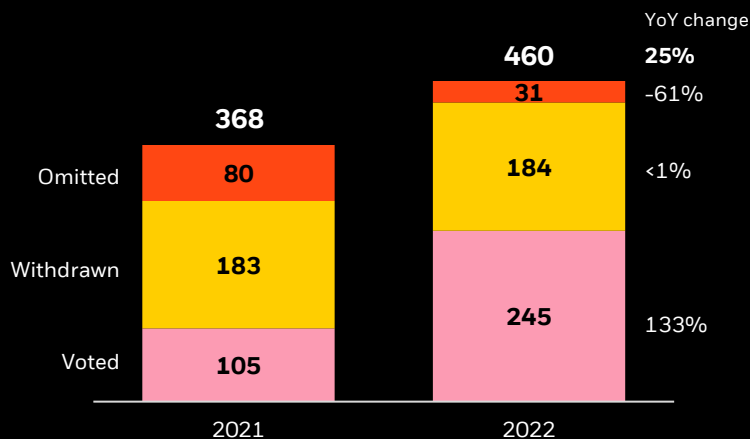
BIS reasons for votes on E&S shareholder proposals¹



Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data July 1, 2021 through June 30, 2022. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. Does not include director election, director-related, or “other” proposals put forth by shareholders. BIS votes cast on shareholder proposals on behalf of our clients are independent of whether management recommended voting for or against the proposal.

* The independent fiduciary makes voting decisions based solely on BlackRock’s publicly available proxy voting guidelines, which aim to advance our clients’ long-term financial interests, and public information disclosed by the relevant company. See page 2 in our commentary, “How BlackRock Investment Stewardship Manages conflicts of interest.”

Increased E&S shareholder proposal activity in the U.S.

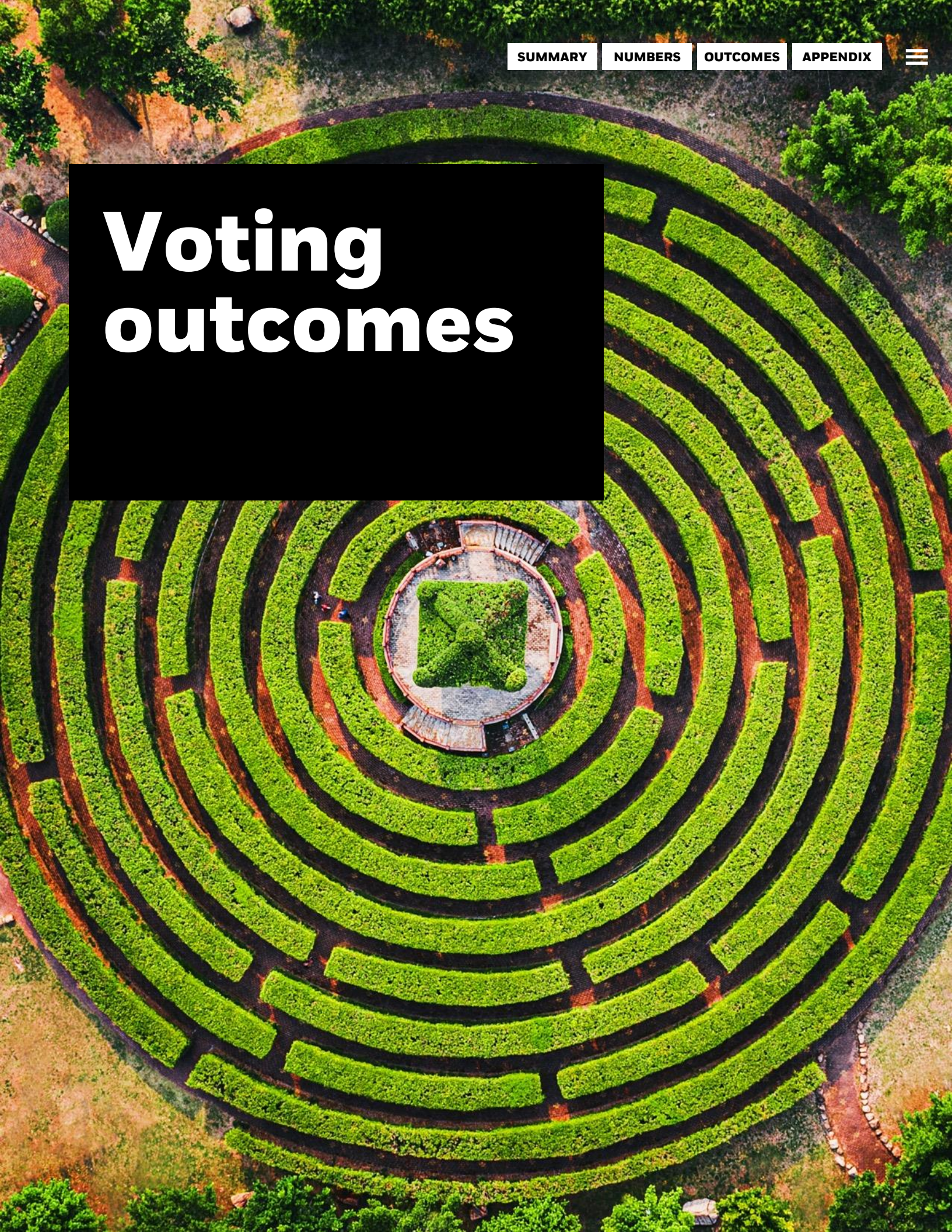


In the U.S., we saw a 133% increase in the number of environmental and social shareholder proposals – many of them more prescriptive than in prior years, enabled by changing guidance by the U.S. SEC.²

Source: Institutional Shareholder Services (ISS) Voting Analytics Database (voted proposals); ISS Shareholder Proponent Database (omitted and withdrawn proposals)

¹ Excludes the Japanese market, Does not include director election, director-related, or “other” proposals put forth by shareholders. BIS votes cast on shareholder proposals on behalf of our clients are independent of whether management recommended voting for or against the proposal. ² To learn more, please refer to our Investment Stewardship commentary, “2022 climate-related shareholder proposals more prescriptive than 2021.” Year 2021 reflects data from July 1, 2020 through June 30, 2021. Year 2022 reflects data from July 1, 2021 through June 30, 2022. Omitted refers to proposals for which the SEC has granted “no-action relief” and are excluded from a company’s proxy without the proponent’s consent.

Voting outcomes



Board quality and effectiveness

2,330

total engagements

Engaging and voting on board quality and effectiveness

Our investment stewardship efforts have always started with the board and executive leadership. We look to boards to have directors with the relevant diversity of thought, experience, and expertise, as well as the independence, to effectively advise and oversee management. We look to executive leaders to develop and implement a long-term strategy and to put in place the high operating standards and sound controls that will support a company's long-term success. Learn more about our approach [here](#).

Source: BlackRock Investment Stewardship. Sourced on July 11, 2022, reflecting data from July 1, 2021 to June 30, 2022. Numbers rounded to the nearest ten. Most engagement conversations cover multiple topics. Our statistics reflect the primary topic discussed during the meeting.

Sound corporate governance is at the heart of our investment stewardship efforts. Quality leadership by the board of directors is essential to the long-term economic success of a company. The members of a company's board have fiduciary duties, spelled out in relevant company law, including to act in shareholders' best interests in overseeing the strategic direction and operations of the company.

We believe companies with experienced, engaged, and diverse directors, who are effective in actively advising and overseeing management as a board, are well positioned to deliver long-term value creation for our clients. That is why board quality and effectiveness remains one of our top engagement priorities, and factors in to the majority of votes cast on behalf of those clients who have given us authority.

In our view, effective corporate leadership typically demonstrates the following governance characteristics:

Independence

Boards with a sufficient degree of director independence to look after the interests of all shareholders and at least one independent non-executive director who is willing to meet with shareholders as necessary

Diversity

Boards aspire to meaningful diversity, including directors' personal characteristics and professional experience, at least consistent with local market regulations and best practices to avoid group think and aid good governance and effective decision-making

Capacity

Directors who ensure that they have sufficient capacity when considering their role at the company in light of other non-executive and executive roles to fulfil their board responsibilities in "business as usual" and more challenging times

Performance-based executive pay

A meaningful portion of executive pay tied to the delivery of the long-term strategy and thus the durable financial performance of the company, and not overly determined by short-term increases in the stock price

Responsibility to shareholders

A focus on delivering the long-term returns on which investors depend and protecting the rights of minority shareholders, such as our clients

When we have questions or concerns related to how a board fulfils its responsibilities on key governance and business issues which may impact long-term value creation, we seek to engage with the responsible non-executive directors. We find it helpful when boards communicate their approach to director responsibilities and commitments, turnover, succession planning, and diversity, among other issues. These perspectives are discussed in our [Global Principles](#) and in each of our market-specific [voting guidelines](#).

Voting on the election of directors at shareholder meetings remains one of the most important ways that shareholders can signal support for or concern about a board's oversight of management and long-term value creation. During the 2021-22 proxy year, BIS voted on more than 65,000 proposals from company management to elect directors, supporting 59,410 (90%). Where we did not support directors standing for election, it was typically driven by core governance concerns. We did not support the election of one or more directors at 3,645 companies globally.

How we voted

Most of our votes opposing the election of directors were cast for the following reasons:

6,555

Total director elections BIS did not support*

9.9%

Percentage of director elections BIS did not support*

33%

Percentage of companies with a director election where BIS did not support at least one director¹

Percentage of companies BIS did not support at least one director due to:¹

| | U.S. | AMERS ex U.S. | EMEA | APAC |
|-----------------------------|------|---------------|------|-------------------|
| Independence | 4% | 11% | 10% | 25% |
| Board diversity | 14% | 12% | 8% | 3% |
| Overcommitment ² | 6% | 12% | 19% | 2% |
| Compensation | 6% | 2% | 15% | .02% ³ |

Source: BlackRock, Institutional Shareholder Services (ISS). Data as of June 29, 2022. Sourced on June 29, 2022, reflecting data July 1, 2021 through June 29, 2022.

¹ Votes where we did not support at least one director in unique companies excludes director-related proposals, abstentions included. ² Includes voting action on regular overcommitment policy for executives. ³ Includes only votes where BIS did not support director elections, including abstentions. ³ In general our voting guidelines for compensation in APAC markets focus on Say on Pay but do not include escalation to votes on director election. Whilst the level of fixed compensation is not considered to be particularly controversial in the majority of Asian companies, administration and disclosure of performance metrics as well as the structure of equity-based incentive schemes can be an issue. Please refer to the "Incentives aligned with value creation" section in this report for further detail about BIS voting on executive compensation during the 2021-22 proxy year.

BIS' board quality focus areas

Board effectiveness, composition, independence, diversity, and accountability are focus areas when we engage with companies to advance our clients' financial interests.

Independence

An essential factor in sound corporate governance is director independence – from management, significant shareholders, or other related parties. We look for boards to have a sufficient number of independent directors, free from conflicts of interest or undue influence from connected parties, to bring an objective view to and influence on board decisions to ensure that the interests of all shareholders are protected. In our experience, an independent board is better able to oversee management and ensure that business models are aligned with the goal of delivering durable, long-term financial performance. Our market-specific voting guidelines include criteria that we use as a benchmark in each market to assess whether a director is independent. These reflect local norms, board and ownership structures, and governance standards and therefore differ slightly across regions.

During the 2021-22 proxy year, BIS did not support 2,529 directors at 1,521 unique companies globally over concerns about independence, with a concentration of such voting in APAC and EMEA. In APAC, inadequate independence was the top reason for not supporting a director(s) or director-related item(s). Our assessment considered a number of factors, including the balance of independent and non-independent directors and the tenure of directors and the overall board on average.

Case Study

Voting on board independence at H&M

Hennes & Mauritz AB (H&M) is a Swedish retailer of clothing and homeware. The founders continue to control approximately 76% of the company's voting rights through a holding investment company. In our engagements in recent years, we have expressed our concerns about H&M's board independence, governance, and executive remuneration. In advance of this year's Annual General Meeting (AGM), the company still had not provided sufficient transparency on the Company's Short-Term Incentive Plan, nor had it established a dedicated remuneration committee. This lags best practice in the European market and in this case (given our concerns on executive remuneration policies and outcomes) we believe minority shareholders would benefit from there being a separate board committee responsible for remuneration processes and outcomes.

In addition, the board's audit committee chair is not considered independent, either by the company's own assessment or by BIS' director independence standards, because he represents the holding investment company on H&M's board. We did not support the election of the former board chairman in both 2018 and 2019 for poor governance practice. In the absence of a remuneration committee and because the audit committee was chaired by a non-independent director in 2022, we did not support the re-election of the chairman (who took over the role from his father in 2020). This was a signal of our ongoing concerns about the company's failure to develop its board structure and practices more broadly.

Director refreshment

We believe having clear definitions of the role of the board, the committees of the board, and senior management contributes to board and governance effectiveness. The responsibilities of each may differ by company, sector, and geography, as boards tailor their approach in light of the context within which a company operates, including local corporate governance norms. Having clearly defined responsibilities also helps boards ensure they have the appropriate composition, particularly as the strategy and business environment change over time. BlackRock believes it is beneficial for new directors to be brought onto the board periodically, in a manner that supports both continuity and appropriate succession planning. This refreshment can not only refresh the board's thinking, but it can also help the board address gaps in skills, experience, diversity, and independence.

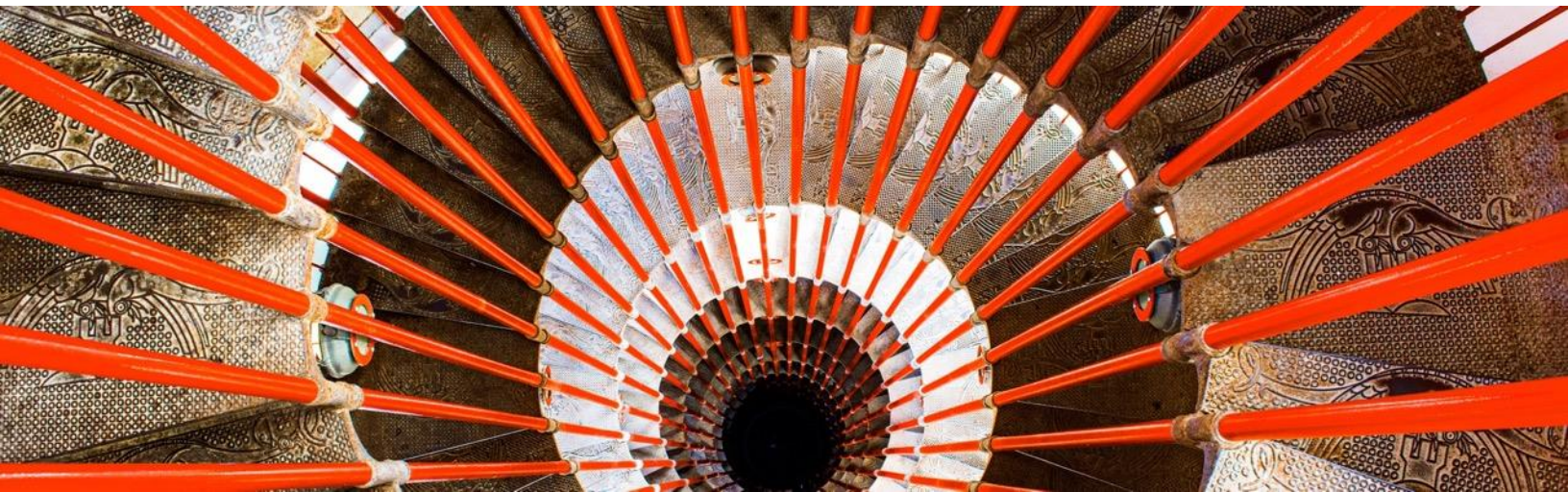
This is an issue on which we have been engaging extensively in Latin America. BIS noted improvements at a number of companies in 2022. Enhanced disclosures by companies in Mexico and Brazil, for example, allowed us to better understand board composition and refreshment processes.

We believe having clear definitions of the role of the board, the committees of the board, and senior management contributes to board and governance effectiveness.

Case Study

Engaging on director refreshment and board-related disclosures at Cogna Educação, S.A. (Cogna).

Cogna Educação, S.A. (Cogna) is a Brazilian company that provides educational services and digital solutions across Brazil's teaching ecosystem. As a result of ongoing engagement with shareholders, including BlackRock, Cogna has significantly improved their board-related disclosures. In their "2021 Sustainability Report," released in advance of the 2022 AGM, the company introduced an overview of the composition of the board, including a clear description of the board members' diversity, skills, attendance, and tenure. While this is a global best practice and the market norm in most countries, many Latin American companies disclose little about their board composition. We found the description in the report of the four key board committees helpful to our understanding of how each director's skills and expertise, in aggregate, contribute to board effectiveness. We are encouraged by Cogna's receptiveness to shareholder feedback, including BlackRock's, and the improvements in the quality, detail, and timeliness of their disclosures. As a result, BIS supported all five directors up for election.





Board diversity

We anchor our assessment of board diversity on local market best practices and norms. As noted in our [Global Principles](#), in our experience, diversity in the board room contributes to more robust discussions, more innovative decisions, and better long-term economic outcomes for companies and our clients. Diversity amongst directors is a means of promoting diversity of thought and avoiding ‘group think’. Diversity in the board room may also support diversity in executive leadership teams and a company’s workforce. This can help companies to develop businesses that more closely reflect and resonate with the customers and communities they serve, thus contributing to better resilience and long-term financial performance.

In 2022, we [strengthened](#) our focus on the diversity of directors’ personal characteristics. We look to boards to have meaningful diversity of membership, at least consistent with local market regulatory requirements and best practices. We find it helpful when boards disclose how diversity is considered in board composition. Such disclosure may include a discussion of demographic characteristics that companies identify as being relevant to their business and market context such as gender, race, ethnicity, and age; as well as professional characteristics, such as a director’s industry experience, specialist areas of expertise, and geographic location. We recognize that building a strong, diverse board can take time. In the U.S. and the UK, we are looking to the largest companies in each market (i.e., the companies in the S & P500 and the FTSE 100 indexes respectively) to continue to lead in advancing diversity in boardrooms and executive leadership.

We may not support the election of responsible directors when board diversity does not align with local regulation or best practice, or where disclosures make it difficult for investors to assess a company’s approach to board diversity. During the 2021-22 proxy year, we did not support 1,664 directors at 936 unique companies globally for concerns related to board diversity.

Voting on Gender Diversity in APAC

Around the world, significant strides have been made towards advancing gender diversity in the board room – especially following national voluntary initiatives and mandatory quotas in markets such as Australia, Canada, the U.S., the UK, and the European Union.¹ Progress has been more mixed amongst smaller companies in these regions, and voluntary efforts have been more nascent in markets across Asia and Latin America.

In 2022, we strengthened our focus on board gender diversity in several major markets in Asia, including Japan, Hong Kong, mainland China, and Singapore in line with local market regulations and initiatives. For example, as explained in our [proxy voting guidelines for Hong Kong securities](#), BIS generally would not consider boards with only male directors to be diverse, given there are few boards in the market that have other aspects of diversity. We encourage companies to have at least one female board director and may not support the election of director(s) where this is not the case. In APAC, we did not support 138 directors at 119 companies in the 2021-22 proxy year due to the lack of gender diversity.

¹ An example of voluntary initiatives is the 30% Club, which runs a number of specific and targeted initiatives that seek to increase gender representation on boards and in senior management. An example of a mandatory quota includes France (which requires 40% female directors on French company boards) and an example of a soft quota includes Canada (which requires companies to disclose diversity policies or explain why they don’t). See [“Diversity Disclosure for board of directors and senior management comes into force”](#) and [“Canada: Higher Standards Set for Workplace Diversity.”](#)

Case Study

Engaging on gender diversity at China Tower Corporation Limited (China Tower).

China Tower is a state-owned telecommunications company and the world's largest telecommunications tower infrastructure service provider. On 14 January 2022, the company held an Extraordinary General Meeting (EGM) to elect its board of directors. Management's proposed director candidates – who would serve three-year terms if elected – included five incumbent directors and three new nominees, all of who were male. Unless a female director is appointed in the next three years, China Tower will not be able to meet the board diversity requirements of the Hong Kong Stock Exchange (HKEX). This all-male slate of directors, the timing of the company's 2022 AGM, and the fact that directors are usually appointed for three-year terms, mean that China Tower will be in breach of the HKEX requirement that boards have at least one female director by 2024. This has potential regulatory and reputational risk, which combined with the potential for a lack of diversity to undermine board effectiveness, may impact the company's ability to create long-term shareholder value. We conveyed these concerns in our engagement with the company and did not support the re-election of the two incumbent directors on China Tower's Nomination Committee, for the lack of gender diversity among candidates put forward at the EGM.

Voting on Diversity, Equity and Inclusion (DEI) at the board level in the U.S.

There has been increasing momentum in the U.S. in recent years towards advancing multiple dimensions of board diversity. In 2022, BIS updated our [proxy voting guidelines for U.S. Securities](#) to signal that we look to companies to have at least two women on their boards and at least one director who identifies as a member of an underrepresented group.¹ Overall, we encourage U.S. boards to aspire to 30% diverse membership and look to the largest companies for continued leadership toward these goals.

Securities to signal that we look to companies to have at least two women on their boards and at least one director who identifies as a member of an underrepresented group.

¹ Including, but not limited to, individuals who identify as Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, or Native Hawaiian or Pacific Islander; individuals who identify as LGBTQ+; individuals who identify as underrepresented based on national, Indigenous, religious, or cultural identity; individuals with disabilities; and veterans.





In the U.S., insufficient board diversity was the top reason for not supporting a director during proxy year 2021-22.

This is largely a result of extending our policy on board gender diversity to small and medium-sized companies and some votes at S&P 500 companies for lack of diversity beyond gender. In total, we did not support 1,035 directors at 589 U.S. companies due to the lack of board diversity, mostly outside the S&P 500 where companies did not have at least two women on the board. However, we note that this is an improvement over the 2020-21 proxy year; BIS did not support 1,369 directors at 727 U.S. companies due to lack of board diversity.

At Charter Communications, Inc. (Charter), a major broadband connectivity and cable operator, for example, BIS did not support the Nominating and Governance Committee members at the April 2022 AGM due to the lack of gender diversity. There is one woman on the 13-member board, representing less than 8% gender diversity. Overall board diversity is 23% percent, which is disappointing for a company of Charter's size with a customer base of more than 32 million people in 41 U.S. states.¹ We understand that two directors are designees selected by the Advance/Newhouse Partnership (A/N) and three are selected by Liberty Broadband. The appointment of the remaining eight directors are at the discretion of the company.

BIS will continue to engage Charter to discuss corporate governance issues that we believe drive long-term shareholder value, including board diversity.

Similarly, at Garmin, a U.S. multinational manufacturer and distributor of Global Positioning System (GPS) and wearables technologies, BIS did not support members of the Nominating and Governance Committee due to ongoing board diversity concerns, a voting signal we have sent the company since 2019. Consistent with our [U.S. proxy voting guidelines](#), we encourage companies to have at least two women and at least one director who identifies as a member of an underrepresented group, and look to the largest companies for continued leadership. While Garmin, an S&P 500 company, has added a woman to the board in recent years and the Founder/Chair identifies as Asian, the company does not have an ongoing board refreshment process in place to ensure relevant skills and experience are in the boardroom. Over the past several years, we have provided feedback that the company could consider enhancing its disclosures around how the board's current composition and diversity are aligned with its long-term strategy and business model, but they have not been receptive. Given Garmin's lack of responsiveness to minority shareholders' feedback, we remained concerned about the board's approach to board composition, diversity, and refreshment.

¹ Charter Communications, Inc. "Form 10-K for the fiscal year ended December 31, 2021."

Strategy, purpose, and financial resilience

2,120

total engagements

Engaging and voting on strategy, purpose, and financial resilience

We believe capital management discipline, a purpose-driven long-term strategy, and a strong corporate culture can be determining factors in companies' long-term financial performance. In our experience, purpose-driven companies that effectively balance stakeholder considerations while delivering value for their shareholders have been better able to attract long-term capital and build financial and business resilience. Such companies are better able to maintain investor confidence, attract and retain a high caliber workforce, and build stronger customer loyalty. These are all factors important to building business resilience and delivering long-term profitability. Learn more about our approach [here](#).

Source: BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. Numbers rounded to the nearest ten. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

Establishing and aligning a company's strategy and purpose to effectively drive long-term performance is the responsibility of their executive leadership and board of directors. As one of many, and typically a minority shareholder, BlackRock is not in the position to dictate a company's strategy or its implementation. Our role, on behalf of our clients as long-term shareholders, is to better understand how company leadership is managing risks and capitalizing on opportunities to help protect and enhance the financial interests of their shareholders.

BIS seeks to understand how companies are building financial resilience through sound governance, operational and risk management practices. This includes how a company's board ensures effective oversight of balance sheet risks and contingent liabilities, as well as how companies are approaching material or business relevant environmental and social risks and opportunities.

Case Study

Encouraging a long-term approach to succession planning to support continuity and long-term value creation

BIS looks to company boards to have a clearly defined role in overseeing executive leadership's approach to the company's strategy, purpose, and culture, and in overseeing the company's financial resilience. Since 2020, BIS has had more than a dozen engagements with Petróleo Brasileiro S.A. (Petrobras) – a global energy company based in Brazil – to discuss a range of issues which can have a material impact on the company's long-term financial performance, including leadership turnover at the company over the past several years. In our engagements we shared our concern that these frequent changes – both at the board and management level – can make it difficult for management to establish a transformative and dependable strategy, which can potentially undermine Petrobras' ability to create long-term value.

Following our engagements, we voted in support of the new nominee to chair the board of directors at the April 2022 AGM. The chair nominee was proposed by the Brazilian government, which is the controlling shareholder, after the previous nominee unexpectedly pulled out of the board nomination process.¹ BIS supported the new nominee, and we are hopeful that he will work with the controlling shareholder to establish a structured, long-term succession plan for key board and executive roles.

While we believe that it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking, we also strongly believe that a long-term approach to board composition and succession planning supports both continuity and appropriate levels of renewal. This in turn can position a board well to establish sound corporate governance practices to support and oversee management in setting and delivering a company's long-term strategy for the benefit of all shareholders, including those in the minority, such as BlackRock's clients.

BIS looks to company boards to have a clearly defined role in overseeing executive leadership's approach to the company's strategy, purpose and culture, and in overseeing the company's financial resilience.

¹ The nominee pulled out in the interests of his other business commitments and after being indicted by the Brazilian Federal Prosecutor's office. See our [Vote Bulletin](#) to learn more.





Case Study

Engaging with a company looking to transform a business division into a new subsidiary

POSCO Holdings (POSCO), a South Korean steel maker, announced the split-off of their steel division into a wholly owned subsidiary, creating a holding company structure. We have observed a number of similar corporate transactions in South Korea whereby a company splits off its growth business into a wholly owned subsidiary, which would subsequently get listed without distributing pro-rata shares of the newly listed entity to existing shareholders. This arrangement significantly dilutes existing shareholders' ownership of the split-off entity – oftentimes the core asset and reason that shareholders invested into the company to begin with.

Given these concerns, BIS engaged with POSCO in advance of the January 2022 EGM, where the restructuring was put to a shareholder vote. Management assured BIS during the meeting, as well as through public disclosure, that there would be no separate listing of the split-off steel business, and that the company would codify this into the revised company bylaws.¹ Management also disclosed that the resulting holding company structure would allow the company to receive full valuation of their core steel business, as well as the growing secondary battery and hydrogen businesses, creating greater shareholder value in conjunction with the retention of a 30% dividend payout ratio.²

Based on this engagement and the company's disclosures, BIS voted in support at the EGM. However, ahead of the March 2022 AGM, the company announced a significantly lower dividend than promised.³ This sudden change raised concerns about the credibility of management's commitments on this strategic step, as well as other aspects of the company's long-term strategy.

BIS engaged with management shortly after the announcement. In our engagement, we sought clarification on the reason behind the sudden change in the capital plan and conveyed our concern about the company's credibility in executing on their long-term strategy. This is particularly important as management plans to make significant capital investments in low-carbon steel technology, such as hydrogen, to help decarbonize their business model in response to the global energy transition.⁴

BIS believes that capital management and dividend policy are an area where management and the board are in the best position to determine the appropriate approach in support of financial resilience. In this situation, we emphasized that open communication with shareholders to build credibility around decisions that have an impact on long-term financial performance is equally important in order for corporate leadership to maintain high levels of shareholder support.

¹ POSCO Holdings. "2022 Extraordinary General Meeting of Shareholders – Transition to a Holding Company & Business Strategies for 2030." ² See previous footnote at pages 2 and 8. ³ The Korea Times. "POSCO restructuring plan edges closer to realization." June 22, 2022. ⁴ Financial Times. "South Korean steelmaker warns green push will benefit China and India." June 5, 2022.

Shareholder activism

Shareholder activist situations represent a small portion of the votes made in any given year, yet they are one of the most common mechanisms through which corporate strategy and financial resilience become specific voting considerations. The intention behind each activist shareholder campaign is unique. While there is not usually a ballot item on corporate strategy on which shareholders vote, they have an opportunity to signal support for or concerns about management's approach by voting on director-related items.

After a lull largely caused by the COVID-19 pandemic, shareholder activism picked up again over the past year. Traditionally, activist shareholders identify strategic issues that are dragging down the company's financial performance and push for change — often involving changes in corporate leadership, strategy or capital expenditures — that they believe will address the problem. In the 2021-22 proxy year, there were several high-profile campaigns in Europe and the U.S.^{1,2} Several shareholder campaigns this year were grounded solely in ESG issues, rather than strategy or performance. Even in many of the more traditional activism situations, ESG issues were woven into the cases made for change or continuity.³

BlackRock does not initiate shareholder activism campaigns. In situations where another shareholder launches a shareholder activism campaign, engagement remains the core of BIS' stewardship approach. When an activist investor campaigns for change at a company, BIS engages with company board and management representatives to understand their response to the campaign.

We may also meet with the activist if we believe that it would help us take a better-informed voting decision, although most activists publish detailed “white papers” or similar, in which they make the case for their proposed strategic changes or director candidates.

We are more inclined to support the incumbent board and management team if they are responsive to shareholder feedback, including that from the activist as appropriate. Establishing and aligning a company's strategy to effectively drive long-term performance is the responsibility of the executive leadership team and board of directors. In our experience, insiders are usually in a better position to determine and lead the appropriate actions by the company than outsiders and we will support them in doing so if we believe they have a credible plan of action.⁴

Establishing and aligning a company's strategy to effectively drive long-term performance is the responsibility of the executive leadership team and board of directors.

¹ Bloomberg. “Shareholder Activism's Rebound to Confront Game-Changing Rules.” December 29, 2021. ² Reuters. “U.S. ESG shareholder resolutions up 22% to record level for 2022, study finds.” March 17, 2022. ³ As an example, BIS noted that many of the climate-related shareholder proposals coming to a vote in 2022 were more prescriptive or constraining on companies and may not promote long-term shareholder value. To learn more, see our commentary “2022 climate-related shareholder proposals more prescriptive than 2021.” ⁴ To learn more about our perspective on the role of boards and executive leadership teams on corporate strategy, purpose, and financial resilience, please see our commentary on the topic [here](#).

Case Study

Examples of activist situations in Germany, Japan, and the U.S.

Germany

Germany: At Bayer AG (Bayer), a German life and crop sciences company, two investors raised concerns in advance of the April 2022 AGM about the destruction of shareholder value since the company's controversial 2018 acquisition of U.S. crop sciences company, Monsanto Company (Monsanto). The two shareholders were rumored to be pushing for the removal of the Bayer CEO who had overseen the acquisition and the resolution of the legacy Monsanto litigation. Ultimately, a number of shareholders filed countermotions¹ against the discharge of the management board for FY2021. BIS determined to support the discharge of the management board, which was supported² by 82% of shareholders voting.³

While we recognized Bayer's performance issues, we believe that the leadership team is well placed to course correct in the near term and that stability in the team is important to the company's ability to deliver long-term shareholder returns. It is worth noting that at this AGM we did not support the management pay proposal over concerns that the financial impacts of the Monsanto litigation were not appropriately taken into consideration in the remuneration committee's decisions on management awards. The management pay proposal received 24% shareholder support.

United States

Huntsman Corporation (Huntsman), a U.S.-based manufacturer and marketer of differentiated chemical products, faced a challenge from an activist shareholder. The shareholder launched a contest for four board seats over concerns about the company's historical financial performance, strategic discipline, and governance issues, including director suitability and succession planning.⁴ In our engagements with Huntsman management and members of the board over the past several years, BIS discussed a range of topics including board composition, corporate strategy, and climate risk. Since 2018, the company has added eight directors to a 10-person board, enabling refreshed committee composition. They have transformed their product portfolio to focus on differentiated solutions, which helped them deliver record results in 2021.⁵ They also committed to publish a 2021 TCFD-aligned report in 2022. While we were still concerned about the independence of the longer serving directors, we voted in support of the company's nominees for the board as we considered them to be best placed to work with management on realizing the long-term strategy and did not consider the activist shareholder's case for change to be compelling. We also reiterated our views on director independence. Following the AGM, the board rotated the longer serving directors off their respective key committees.⁶ This ultimately was a landmark situation as it is the first time in seven years that an activist failed to get even one seat as a result of a contested director election campaign, even with the support of the proxy service provider Institutional Shareholder Services (ISS) for two of their candidates.⁷

¹ Bayer AG. "Countermotions and Proposals for Election for the Annual Stockholders' Meeting 2022 of Bayer AG." ² Bayer AG. "Voting results – Annual Stockholders' Meeting of Bayer AG." April 29, 2022. ³ BlackRock's active equity holding was voted against the discharge of the management board as the portfolio managers were concerned about operational performance and capital allocation decisions in the wake of the Monsanto acquisition. ⁴ For more details see "Transforming Huntsman Corporation." ⁵ Huntsman Corporation. "The Huntsman Story: The Right Strategy, the Right Execution, the Right Board," pages 2, 21, and Huntsman's March 2022 [press release](#). ⁶ Huntsman Corporation, "Committee Composition." ⁷ See "Lessons from Huntsman's Proxy Fight Victory Over Starboard."

Japan

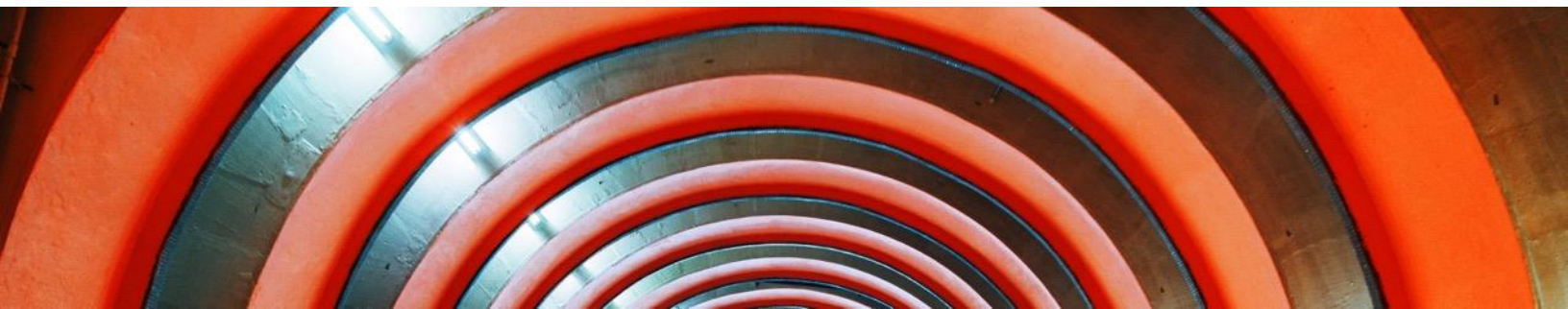
Toshiba Corporation (Toshiba), a Japanese multinational industrial conglomerate,¹ has, over the past few years, gone through several leadership changes and faced strategic challenges that have raised shareholder concerns about the company's ability to deliver long-term value. At the EGM held in March 2022, shareholders were asked to vote on two proposals addressing Toshiba's strategic direction,² one from management and the other from a shareholder. Management's proposal was to obtain shareholders' support for the strategic plan, which was a reformulation of the original plan published in November 2021, to separate Toshiba into two independent, publicly traded companies. The other proposal from a shareholder sought a re-examination of management's November plan to split the company, and in addition to establish a board committee to regularly report in detail to shareholders all efforts around restructuring of the company, proposals received, and matters evaluated.

Prior to this development, BIS had regularly engaged with Toshiba's management team and members of the board of directors on a range of governance and sustainability issues — specifically corporate strategy and financial resilience, as well as board quality and effectiveness.

We were concerned that neither of the two proposals served the interests of long-term shareholders, like BlackRock's clients, so BIS did not support either one at the March 2022 EGM. In our [view](#), the newly appointed CEO and CFO needed more time to review strategic options with the board, and their options should not be limited by narrowly-crafted proposals.

Both proposals failed to garner sufficient support at the EGM, and since the meeting the board and management have published a mid- to long-term business plan.³ The company also announced changes to the board of directors, including the appointment of a new independent chair of the board.⁴ Our expectation for the management and the board is to consider the long-term value of the strategic options and recommend those it assesses to be in the best economic interest of long-term shareholders.

¹ Toshiba operates four main business divisions: Building Solutions, Digital Solutions, Electronic Devices and Storage Solutions, Energy Systems and Solutions, and Infrastructure Systems and Solutions. ² In 2021, Toshiba established the Strategic Review Committee (SRC) as part of a series of public commitments to address shareholder concerns about the company's ability to deliver long-term, durable financial performance. Toshiba's board and the SRC worked for several months to formulate a long-term "Strategic Reorganization" plan intended to "pursue sustainable and profitable growth and enterprise value creation." See Toshiba Corporation, "Convocation Notice of the Extraordinary General Meeting of Shareholders," March 8, 2022, at page 8 and a press release "[Toshiba to hold Extraordinary General Meeting of Shareholders on March 24th](#)." ³ Toshiba Corporation, "[Toshiba Group Management Policy](#)," June 2, 2022. ⁴ Toshiba Corporation, "[Notice Regarding Appointments of Directors and Officers of the Company](#)," June 28, 2022.





Case Study

ESG-driven shareholder campaigns at U.S. based companies

At the May 2021 AGM of ExxonMobil Corporation (Exxon), a major U.S. energy company, shareholders elected to the board three directors with energy sector expertise nominated by an activist shareholder. The activist shareholder argued that investors would benefit from, among other things, improved capital allocation discipline, greater investment in technologies that would enable Exxon to meet more ambitious long-term total emissions reduction targets, and fresh perspectives in the boardroom to guide these, and other strategic changes. BIS [voted](#) in support of the three directors reflecting our concerns about the incumbent board's capacity to oversee corporate strategy in a changing energy market to deliver long-term value for the company's shareholders.

In the wake of this meeting, there was speculation that shareholder activists would increasingly succeed in their campaigns if they grounded them in ESG considerations.¹

Many mistakenly attributed the Exxon outcome solely to climate-related considerations, rather than recognizing broader, long-standing investor concerns. However, subsequent activist campaigns over the past year gave a clear signal that institutional investors, including BlackRock, continue to assess voting decisions in relation to the materiality of the issues and their impact on companies' ability to deliver shareholder value.

At McDonald's Corporation (McDonald's), a U.S.-based multinational fast-food chain, a shareholder sought two board seats over concerns about the use of gestation stalls by the company's pork suppliers. We and other shareholders did not support the investor nominees, who received less than 1% of the vote. In our [view](#), while this supply chain issue may create some level of reputational risk, it is not material to McDonald's risk profile. As the company explains in their disclosures, they are actively working with their suppliers to improve animal welfare practices, such that by 2024 all pork sourced in the U.S. will come from farms that do not use gestation stalls. A similar proposal at U.S. supermarket retailer, The Kroger Co., was [withdrawn](#)² before it went to a vote.

¹ The widespread view amongst commentators was that the activist campaign at Exxon was solely about climate change. In our view, this was a misunderstanding about shareholders' long-held concerns about the company's strategic direction and the support shareholders expressed for the directors, each of whom had strategic and commercial experience relevant to Exxon's business model. As BIS explained in our [Exxon vote bulletin](#), we believed Exxon and its Board needed to further assess the company's strategy and board expertise in the context of the global energy transition and the possibility that demand for fossil fuels may decline rapidly in the coming decades. In our assessment, failure to do so had the potential to undermine the company's long-term financial sustainability. ² U.S. Securities and Exchange Commission. "Carl Icahn Issues Statement to Shareholders of McDonald's and Kroger." June 6, 2022.

Incentives aligned with value creation

1,350

total engagements

Engaging and voting on incentives aligned with value creation

BIS supports executive compensation policies that encourage the achievement of long-term profits consistent with a company's strategic initiatives and the economic interests of shareholders. Appropriate and transparent compensation policies are a focus in many of BIS' engagements with the companies we invest in on behalf of clients. Read more about our approach [here](#).

Source: BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. Numbers rounded to the nearest ten. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting

Our clients' financial future depends on the success of the companies in which they are invested. Executive compensation is an important tool used by companies and their boards to drive long-term value creation by motivating and rewarding executives for the successful delivery of strategic goals and financial outperformance against peers.¹

However, when compensation policies are not appropriately structured, and when outcomes are misaligned with performance, companies may face business and/or reputational risks.²

Across markets, shareholders are offered different aspects of compensation on which to vote. They may vote on new incentive plans, usually because the plans require a company to issue shares, thus diluting existing shareholders. Shareholders may also vote on reports explaining how existing pay policies have worked to reward executives, so called "Say on Pay."³

Where BIS finds apparent misalignments between executive pay and company performance or has concerns over a company's compensation policies or disclosures, we may signal concerns through not supporting the election of members of the compensation committee or other members of the board whom we consider responsible for compensation. BIS may also signal concerns through not supporting proposals to approve compensation.

In the 2021-22 proxy year, BIS did not support the election of 1,079 directors responsible for setting executive pay at 576 companies globally. Most votes not supporting directors to signal compensation-related concerns were concentrated in EMEA, where BIS did not support 685 director elections, followed by the Americas and APAC, where we did not support 382 and 12 directors, respectively.

¹ The term "compensation" is used as an equivalent to "remuneration" or "pay." ² In this report, "compensation policy(ies)" refers to the complete set of pay-related tools; "plan(s)" refers to the specific short-term and long-term incentives schemes; and "practice(s)" refers to the processes behind determining how to deploy the compensation policy. ³ The terminology can vary across markets, but "Say on Pay" is the generic expression referring to the ability of shareholders to vote on a company's compensation policy, plan, and/or practices. For select markets in EMEA this term may also refer to shareholders' ability to vote on the report companies publish on the implementation of its policies.

Improving compensation-related policies and disclosures in EMEA

While votes BIS cast reflecting compensation concerns were concentrated in EMEA, we observed companies in this region are making efforts to better explain how their policies and pay outcomes are tied to strategy and long-term financial performance. The increased transparency is attributed, in part, to companies’:

- 1.** Enhanced disclosures aligning with the EU Shareholder Rights Directive II (SRD II) executive compensation disclosure requirements;
- 2.** Improved response to shareholder feedback, including BlackRock’s, on COVID-19-related compensation concerns; and
- 3.** Progress articulating how executive pay aligns with company performance, long-term strategy, and shareholders’ interests, in general.

BIS welcomes the progress companies have made to date and will continue to engage leadership in markets where disclosure remains an ongoing and material concern.

Case Study

EMEA-based companies respond to shareholder feedback over COVID-19 related compensation adjustments

As reported in our [2021 Voting Spotlight](#), our votes to signal concerns in the 2020-21 proxy year were largely attributed to COVID-19 related in-flight adjustments that companies made to reward executives despite missing financial performance targets, reducing their workforces, or taking government financial support. In the 2021-22 proxy year we observed many companies – in EMEA in particular – improve their disclosures to better explain how executive pay was consistent with company strategy and stakeholders’ experiences.

For example, at Amadeus IT Group, S.A.’s (Amadeus IT) June 2021 AGM, BIS did not support the remuneration report¹ nor the re-election of members of the remuneration committee. This was due to concerns over in-flight adjustments made to the Spanish travel technology company’s long-term incentive plan, despite missing performance targets in a year where the travel industry was harshly impacted by the pandemic. Ahead of the 2022 AGM, the company provided more detail in their remuneration report. Among other adjustments made in response to shareholder feedback, Amadeus IT reviewed their short- and long-term incentive plans against performance and decided to “forego the use of any discretion over the 2021 Annual Bonus and the Performance Share Plan cycles for 2019-2022 and 2020-2023.”² BIS supported the company’s remuneration report and the re-election of members of the remuneration committee at the 2022 AGM.

¹ Remuneration reports are also known as “Say on Pay” proposals. ² Amadeus IT Group. “[Directors’ Remuneration Report 2021](#).” Page 4.

A look into compensation-related management proposals in the 2021-22 proxy year

In addition to voting on the election of directors, when assessing compensation proposals, BIS reviews companies' disclosures to determine how their compensation policies and outcomes align with the financial interests of long-term shareholders, like our clients.

Globally, BIS supported 80% – or 12,025 out of the 14,995¹ – compensation-related management proposals put to a shareholder vote in the 2021-22 proxy year. Compensation-related proposals include Say on Pay proposals, remuneration policy proposals, proposals to approve new or revised incentive plans, and other compensation-related proposals.²

In EMEA, BIS supported management recommendations on 72% proposals – or 3,841 out of 5,331 – to approve compensation policies (70% supported in the past proxy year). In general, companies improved their explanations of how short- and long-term incentive plans complement one another and are effective in rewarding executives who deliver long-term value. However, we noted several companies continued to tie a meaningful portion of incentive pay exclusively to increases in stock price that may be transitory in nature. We believe a narrow focus on short-term stock price or a company's profit may be inconsistent with, or even detrimental to, long-term shareholder value creation and thus BlackRock clients' interests.

One example is our long-standing concerns about the use of share price growth as a performance measure at the Ocado Group Plc (Ocado), a UK-based online grocery retailer. Share price growth underpinned both the Growth Incentive Plan, which ran from 2014 to 2019, and the Value Creation Plan (VCP) that was introduced in 2019.

This year, the company extended the life of the VCP by three years (to 2025) and increased the size of the pool of shares available to be awarded under the plan. At Ocado's May 2022 AGM, BIS determined it was in our clients' best interests not to approve the extension of the VCP or the renewed Remuneration Policy of which it formed a significant part. BIS also did not support the re-election of members of the remuneration committee to reflect our concerns about remuneration practices at the company.

On compensation-related proposals – in the Americas – primarily consisting of Say on Pay proposals and proposals to approve new or revised incentive plans – BIS supported management on 89%, or 4,419 out of 4,987 proposals. BIS supported 92% in the past proxy year. Upon close analysis of companies' disclosures, and engagement, the main reasons for diminished support of management's executive compensation programs in the Americas, include cases of:

- 1 Lack of clarity regarding the alignment of performance metrics and their weightings with company strategy;
- 2 Concerns regarding performance goal rigor;
- 3 Awards that were not aligned with sustained long-term performance; and
- 4 Front-loaded awards without a compelling rationale for long-term shareholders.

In APAC, BIS supported management on 81% of compensation-related proposals – or 3,765 out of 4,677³ – against 79% in the last proxy year. Whilst the level of fixed compensation is not considered to be particularly controversial in the majority of Asian companies, administration and disclosure of performance metrics as well as the structure of equity-based incentive schemes can be an issue.

As in other markets, we look to companies to provide detailed disclosures on their approach to pay and may not support management in our voting if pay policies or disclosures are not aligned with shareholders' interests.

¹ Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. Encompasses compensation-related proposals submitted in the Americas, EMEA and APAC, including Japan. ² Other compensation-related proposals include proposals to approve employee stock purchase plans (ESPP), employment agreements, director compensation limits, and golden parachute compensation arrangements, among other compensation-related proposals. ³ Including Japan.

A deeper dive into how we voted on Say on Pay proposals in the 2021-22 proxy year

In the 2021-22 proxy year, Say on Pay proposals and related grant approval proposals accounted for 56% of all compensation-related proposals globally.¹ These proposals, which primarily appear on ballots of companies in the Americas and EMEA, give shareholders the opportunity to signal support for, or concerns with, executive pay programs.

BIS supported 82% of management proposals to approve Say on Pay and related grant approval proposals put to a shareholder vote this proxy year.² In the Americas, BIS supported management on 91% of these proposals, against 94% the previous proxy year. The decrease is largely attributed to increased concerns with compensation program structures, including those that tie awards to stock price hurdles which need only to be maintained for a relatively short duration. BIS sought to understand how compensation programs supported corporate strategy, and how companies balanced long-term shareholder value creation with short-term demands, including retention, through a continuing uncertain environment.

BIS voting on Say on Pay proposals by region*

2021-22 proxy year**

| Region | Total number of proposals | Votes in support (%) |
|--------------|---------------------------|----------------------|
| Americas | 3,422 | 3,130 (91%) |
| APAC**** | 2,214 | 1,793 (81%) |
| EMEA | 2,763 | 1,949 (71%) |
| Total | 8,399 | 6,872 (82%) |

2020-21 proxy year***

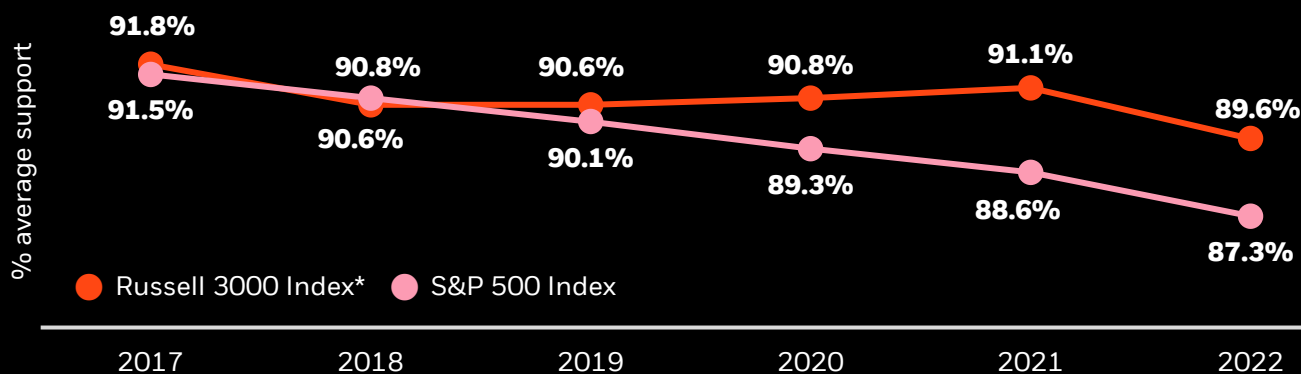
| Region | Total number of proposals | Votes in support (%) |
|--------------|---------------------------|----------------------|
| Americas | 3,382 | 3,191 (94%) |
| APAC**** | 1,993 | 1,580 (79%) |
| EMEA | 2,660 | 1,819 (68%) |
| Total | 8,044 | 6,590 (82%) |

*Source: BlackRock, Institutional Shareholder Services (ISS). Includes Say on Pay and proposals to approve grants. ** Data sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. *** Data sourced on July 11, 2022, reflecting data from July 1, 2020 through June 30, 2021. ****Includes Japan.

Market support for executive pay plans at S&P 500 companies

The level of shareholder support for executive pay plans at S&P 500 companies has fallen gradually over the past years. This year, support for Say on Pay proposals³ at S&P 500 companies averaged 87% versus 89% the previous year. At Russell 3000 companies (excluding S&P 500 companies), shareholder support for Say on Pay proposals averaged 90% versus 91% the previous year.

Average shareholder support for Say on Pay proposals in the 2021-22 proxy year



*Excludes S&P 500 Index. Source: BlackRock, Institutional Shareholder Services (ISS). Percentage support is based on companies vote tally.

¹ 8,399 proposals out of a total of 14,995 compensation-related proposals. Say on Pay proposals and related grant approval proposals are combined for this analysis as both are backward-looking approvals of the board's compensation decisions. Related grant approval proposals are relatively rare in the U.S., with fewer than 50 voted during the proxy year.

² Includes Say on Pay proposals and proposals to approve grants. ³ Only includes Say on Pay proposals.

Case Study

Voting on executive compensation at U.S. based vehicle and component manufacturing companies

BIS did not support the Say on Pay proposals at the AGMs of several vehicle and component manufacturing companies, including Harley-Davidson, Inc., QuantumScape, Lucid Group, Inc., and Rivian Automotive, Inc. These companies are increasingly benchmarking themselves against technology peers – and other electric vehicle companies – to attract talent, leading to pay structures that may not be consistent with the financial interests of long-term shareholders. While we recognize that the companies in this sector are undertaking strategic changes and/or investing in emerging technologies to facilitate the energy transition, we look to their board of directors to set incentive structures that align proportionately to their stated strategy, much of which is still anchored in traditional technologies.

Consequently, we did not support compensation at these companies over concerns related to:

- 1.** Mega or front-loaded grants tied to the share price rather than outcomes of strategic change being sought over the long-term;
- 2.** Potentially problematic sign-on grants and/or one-time awards; and/or,
- 3.** Limited disclosures that failed to demonstrate how their pay structures appropriately incentivize executives to deliver appropriate risk-adjusted returns and long-term financial performance.

Case Study

Integration of sustainability-related criteria in compensation policies in EMEA and the U.S.

The integration of sustainability-related criteria in compensation policies is common in EMEA.¹ Over the past proxy year, BIS has observed that in certain sectors – such as the technology, media, and telecom (TMT) sector, as well as the industrials sector – many companies have introduced ESG performance criteria, most commonly carbon emissions reduction targets and human capital-related metrics. In the U.S., we also observed more integration of sustainability-related criteria in compensation policies. The following examples illustrate this trend and our approach to cases where companies chose to integrate sustainability-related criteria in their incentive plans.

Netherlands

ASML, a Netherlands-based photolithography system supplier, improved their use of ESG criteria by identifying business relevant metrics. The company uses the annual Dow Jones Sustainability Index (DJSI) review as a way to measure their company performance against an ESG index. In past years, ASML also incorporated this score as ESG criteria in their incentive plan. For the 2022-24 performance period, ASML selected instead energy consumption, employee engagement, and female representation as ESG performance metrics. We believe these metrics are better aligned with the long-term strategy of the company than the DJSI annual score.² BIS supported the proposal to amend the company's remuneration policy at the April 2022 AGM, which received 93.2% shareholder support.³

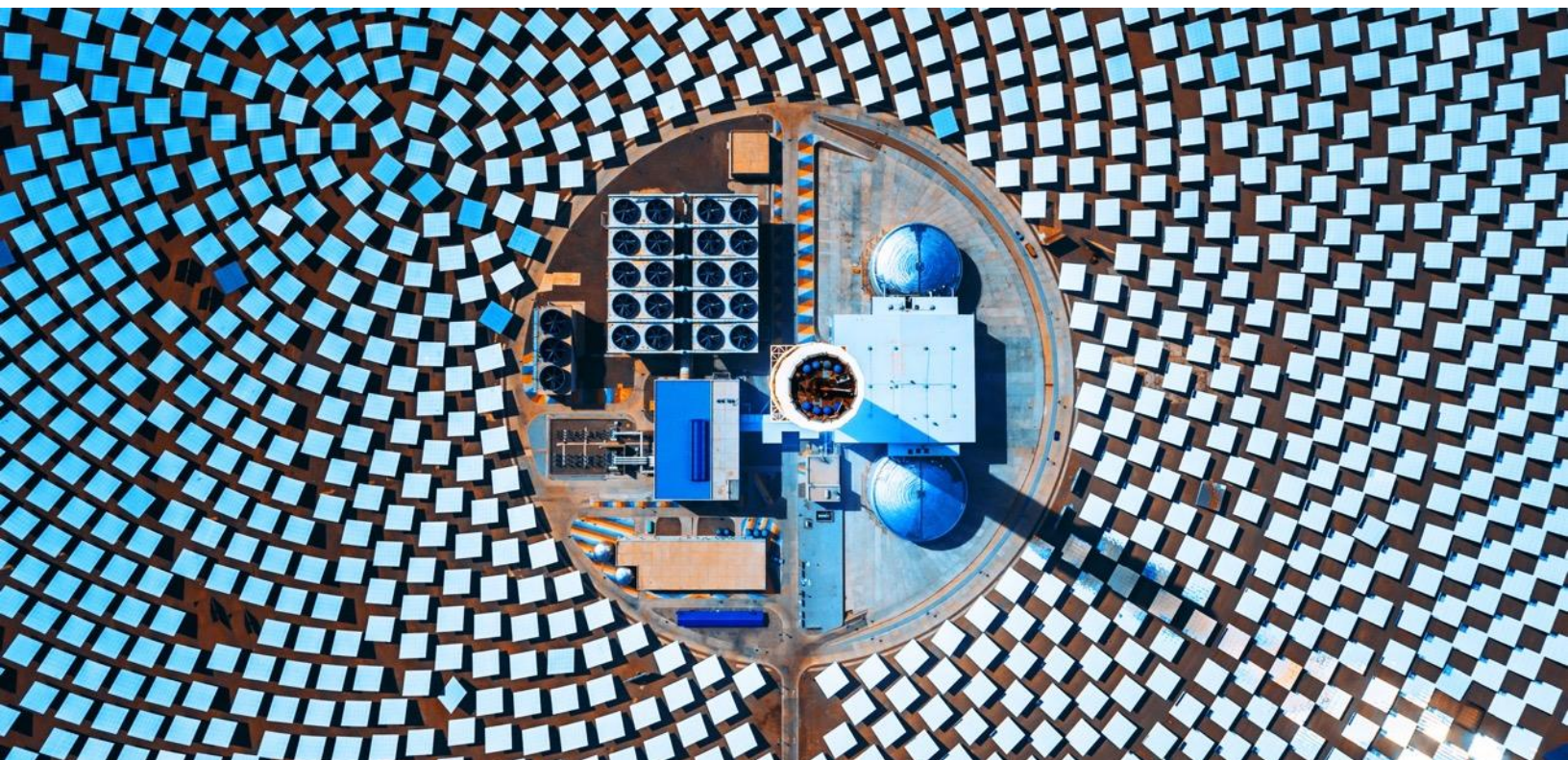
¹ Sustainability-related criteria includes those tied to specific environmental and social targets as performance measures in companies' short- and long-term incentive plans. For example, some companies tie executive pay to a specific percentage increase in gender and ethnic diversity in the workforce or GHG emissions reduction targets within a defined timeframe. To learn more see our commentary "[Our approach to engagement on incentives aligned with value creation](#)." ² For the 2022-2024 performance period, ASML's supervisory board selected the following ESG metrics in the LTIP: 1) extreme ultraviolet (EUV) energy use per wafer pass reduction targets; 2) increased employee engagement percentages; and 3) increased female representation in senior roles. Source: ASML, "[Remuneration policy for the board of management of ASML Holding N.V. \(Version 2022\)](#)." ³ ASML, "[2022 Annual General Meeting of Shareholders – Resolutions taken 29 April 2022](#)," Page 2.

United States

Following the 2021 AGM of General Motors, a U.S. automobile manufacturer, at which BIS supported management on pay, we discussed with management how they might enhance their compensation disclosures. In our view, there was an opportunity for the company to better articulate their strategic pivot to electric vehicles (EV) and how it was being factored into future compensation decisions. Per the company's 2022 proxy statement, General Motors responded to shareholder feedback and provided additional detail on the goal setting process for the short-term incentive plan. The company also made changes to the design of the long-term plan, adding "Electric Vehicle financial performance measures that reward performance" among other adjustments.¹ BIS subsequently supported the company's Say on Pay proposal at the June 2022 AGM, which received 92.3% shareholder support.

BIS does not have a strong view on the use of sustainability-related performance criteria in executive compensation.

However, we find it helpful when companies integrating sustainability-related criteria in their incentive plans clearly explain the connection between what is being measured and rewarded and the company's strategic priorities. Not doing so may leave companies vulnerable to reputational risks and/or undermine the credibility of their sustainability efforts.



¹ General Motors Company. "Proxy Statement and Notice of 2022 Annual Meeting of Shareholders." Page 50.

Climate and natural capital

2,060

total engagements

Engaging and voting on climate and natural capital

BlackRock's approach to climate risk and opportunities and the global energy transition is based on our role as a fiduciary to our clients. As the world works toward a transition to a low-carbon economy, we are interested in hearing from companies about their strategies and plans for responding to the challenges and capturing the opportunities that this transition creates. When companies consider climate-related risks, it is likely that they will also assess their impact and dependence on natural capital, i.e., the supply of the world's natural resources from which economic value and benefits can be derived.¹ How well companies navigate and adapt to long-term business dynamics like natural capital dependency and scarcity will have a direct impact on our clients' investment outcomes and financial well-being. Learn more about our approach to climate risk and the energy transition [here](#) and to natural capital [here](#).

Source: BlackRock Investment Stewardship from July 1, 2021 to June 30, 2022. Numbers rounded to the nearest ten. Most engagement conversations cover multiple topics. Our statistics reflect the primary topic discussed during the meeting.

Climate risk and the energy transition are long-term factors impacting businesses and communities globally, and while companies in different sectors and geographies will be affected differently, this transition is an increasingly unavoidable investment issue. Therefore, as stewards of our clients' assets, we engage companies to understand how they identify and manage the material risks and opportunities of climate change and the transition towards a decarbonized economy.

As investors, we understand that net zero pathways will not be linear or streamlined; the macroeconomic environment, including energy markets, is complex and volatile, and there is a great deal of regulatory and geopolitical uncertainty, as has been made particularly clear over the past year.² In this context, we believe the board and management remain best positioned to determine what approach will equip a company to navigate the risks and opportunities stemming from the energy transition in the context of the company's business model and sector.

¹ United States Department of Commerce, "What is Natural Capital?" ² See BIS commentary, "Climate risk and the global energy transition," February 2022.

Climate risk is investment risk

Research has found that while the energy transition can introduce inflationary pressures, an orderly transition is ultimately more likely to boost growth and mitigate inflation as compared to scenarios in which no efforts are undertaken to manage climate risk or there is an eventual rush to decarbonize.¹ As our clients are long-term investors, BIS aims to understand how public companies are considering the material impact of climate risk and the energy transition on their valuations and long-term business models. We recognize that there are significant financial risks inherent in the transition, including potential for stranded assets.² We also believe companies that are prepared for the transition and more able to seize its opportunities may continue to benefit relative to others over time. Our engagement on these factors can serve to build a mutual understanding with companies from our perspective as a long-term shareholder on behalf of our clients.

BIS set out in our [Global Principles](#) and commentary published in early 2022 on [Climate Risk and the Global Energy Transition](#), our view that climate change has become a critical factor in companies' long-term profitability. We therefore look to companies to help their investors understand how climate risks and opportunities are integrated into their governance, strategy, and risk management, to provide scope 1 and 2 greenhouse gas (GHG) emissions disclosures, and meaningful short-, medium-, and long-term science-based reductions targets, where available for their sector.³ This disclosure can helpfully set out their business plan for how they intend to deliver long-term financial performance through the energy transition, in the context of their business model, sector, and geography. We encourage companies to align their reporting with the recommendations of the TCFD.⁴

As outlined in BIS' [market-specific voting guidelines](#), where companies, particularly those with material climate risk in their business models, did not provide this information in sufficient detail for us to assess their climate action plans, we were unlikely to support the election of directors responsible for climate risk oversight. In some cases, we may have also supported shareholder or management proposals on climate risk management or disclosures that we concluded strengthened a company's approach.

At this stage, we view scope 3 emissions differently from scope 1 and 2, given methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct control by companies.⁵ While we encourage companies to disclose their scope 3 emissions and targets where material to their business model, we did not consider such scope 3 disclosures and commitments essential to our support for directors during the 2021-22 proxy year.⁶

¹ McKinsey & Company, "[The net-zero transition: What it would cost, what it could bring](#)" January 2022. ² Stranded assets are those that at some time prior to their anticipated useful life are no longer able to earn an economic return as a result of changes associated with the transition to a low-carbon economy; these assets are worth less than expected as result of changes associated with the energy transition. Stranded assets can include construction costs that may not be recouped; capital that has to be retired before being amortized; loss of premiums or loss of insurance coverage; unanticipated or premature write-downs; and oil and gas resources that are owned but are no longer profitable to extract. ³ Industry bodies, such as the Science Based Targets Initiative (SBTi) provide guidance and assurance processes for companies in setting GHG emissions reduction targets. SBTi provides a useful tool to help companies and investors benchmark aspirations and progress on the path to net zero. ⁴ See BIS commentary, "[Climate risk and the global energy transition](#)," February 2022. ⁵ "The [GHG Protocol Corporate Standard](#) classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions." ⁶ For additional information on our approach to scope 3 emissions, please see our commentary, [Climate Risk and the Global Energy Transition](#).

Climate-related voting

As laid out in 2021,¹ we have continued to focus our efforts where the energy transition is likely to materially impact a company's performance. To that end, the [BIS Climate Focus Universe](#),² which includes over 1,000 carbon-intensive public companies, represents nearly 90% of the global scope 1 and 2 GHG emissions of the companies in which BlackRock invests on behalf of our clients.³

Between the 2020-21 and 2021-22 proxy years, BIS noted significant progress being made by those companies on the management and disclosure of climate-related risks and opportunities. We believe engagement and voting by investors has played an important role in encouraging this progress. We are encouraged by the steps that companies have been taking to better assist their shareholders and other stakeholders in understanding their preparedness to successfully navigate the energy transition. As a result, we were more supportive of management proposals compared to the 2020-21 proxy year and supported fewer climate-related shareholder proposals.

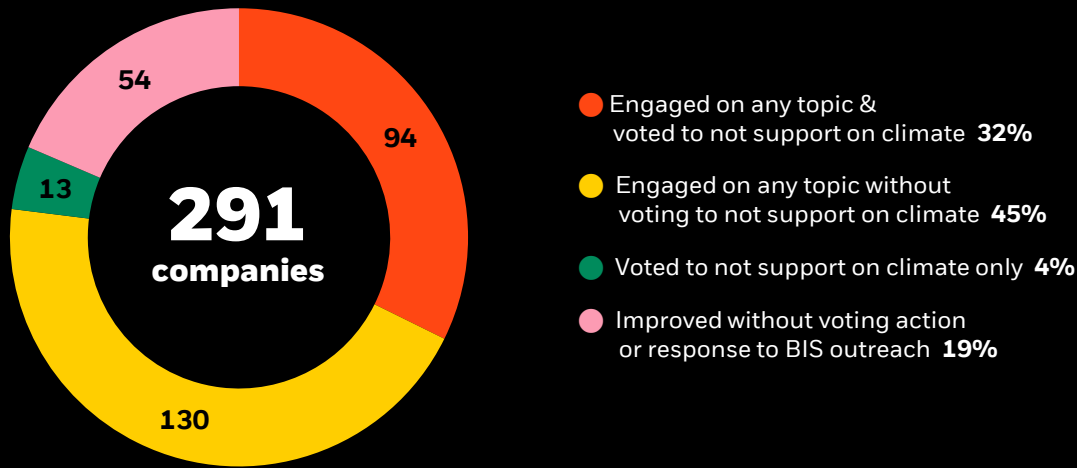
We were more supportive of management, recognizing significant progress from companies

We voted to signal concerns about climate action or disclosure at 234 companies (321 last year). We did not support the election of 176 directors for climate-related concerns (254 last year). We were pleased to note that, on our assessment, 291 of the companies in our [climate focus universe](#) have demonstrated progress in climate disclosures and targets during the last two years.⁴ We engaged and/or voted on climate concerns at 81% of these improving companies.



1 BlackRock Investment Stewardship, "Our 2021 Stewardship Expectations," December 2020. **2** In 2020, we focused our climate-related engagement on 440 public companies that represented about 60% of the global scope 1 and scope 2 GHG emissions of the companies in which BlackRock invests on behalf of clients. In 2021, we expanded our focus universe to over 1,000 carbon-intensive public companies that represent nearly 90% of the global scope 1 and 2 GHG emissions of the companies in which BlackRock invests on behalf of our clients. The list is developed from publicly available information and is intended to focus engagement efforts where the energy transition is likely to have the most material impact on a company. **3** Based on MSCI data. This list includes companies that were on the 2020 BIS Climate Watchlist and those that are constituents of the Climate Action 100+ focus universe, in addition to other companies that BlackRock held an equity position in on behalf of our clients as of the end of 2020. **4** Limited to companies within the BIS climate focus universe who improved their GHG reduction targets since July 1, 2020 according to MSCI. See page 47 in this report for further detail.

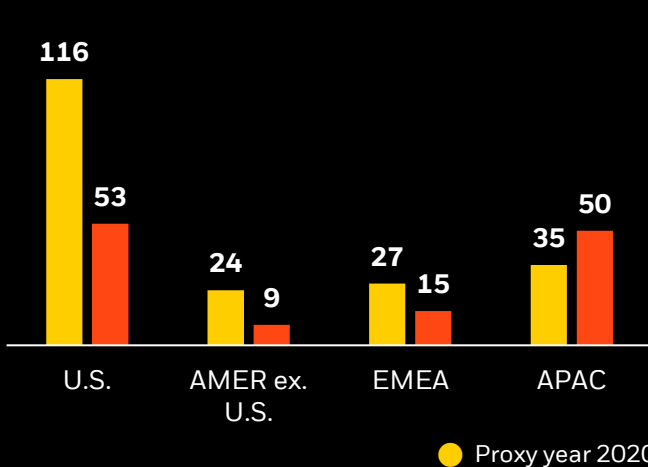
Companies in BIS' Climate Universe are disclosing emissions reduction targets¹



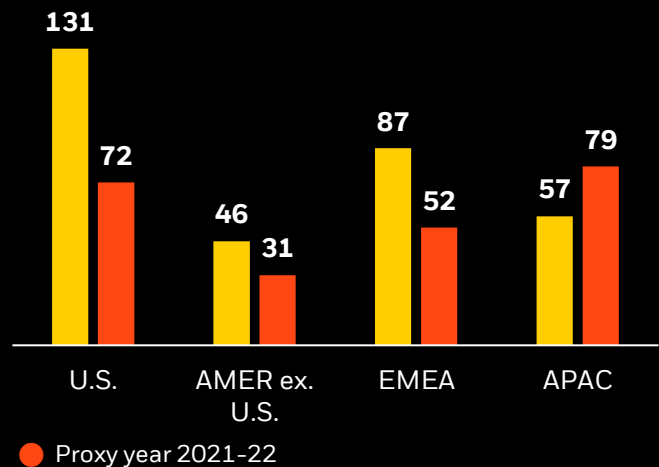
Source: BlackRock MSCI Emissions Reduction Target Score. Sourced on June 29, 2022 reflecting data July 1, 2020 through June 29, 2022.

Companies demonstrating notable year-over-year progress on climate-related disclosure

Companies BIS voted to not support directors due to climate concerns²



Companies BIS took any³ voting action due to climate concerns



Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 11, 2022, reflecting data July 1, 2020 through June 30, 2021 and July 1, 2021 through June 30, 2022.

¹ Limited to companies within the BIS climate focus universe who improved their GHG reduction targets since July 1, 2020 according to MSCI. Votes against unique companies included votes against all director-related proposals and in support of environmental shareholder proposals since July 1, 2020, abstentions included. Distinct companies within the BIS climate universe with enhanced emissions reduction targets with at least one engagement on any topic since July 1, 2020. ² Includes votes against, withhold or abstain on director elections, other director related proposals, and management say-on-climate proposals, as well as votes For or Abstain on Environmental shareholder proposals. ³ Includes votes against, withhold or abstain on director elections, other director related proposals, and management say-on-climate proposals, as well as votes For or Abstain on Environmental shareholder proposals.

In some cases, we supported business-relevant shareholder proposals that we believed addressed gaps in a company's approach to climate risk, the energy transition or natural capital management. During the 2021-22 proxy year, BIS supported 27% (33) of environmental shareholder proposals at 29 companies globally.¹ Importantly, as shown in the By the Numbers section, voting on shareholder proposal represents 1% of BIS' total voting on behalf of our clients. Of that 1%, environmental-related proposals made up less than one-sixth of the shareholder proposals we voted on this year globally. BIS supported 28% of climate-related shareholder proposals. Climate-related shareholder proposals comprised of 79% of all environmental-related shareholder proposals this year.

Conversely, we did not support those shareholder proposals that, in our assessment, were intended to micromanage of companies by shareholders. This included those that were unduly prescriptive and constraining on the decision-making of the board or management, called for changes to a company's strategy or business model, or addressed matters that we believed were not material to how a company delivers long-term shareholder value.

Globally, during the 2021-22 proxy year, BIS did not support the election of 176 directors who we considered responsible for the oversight of climate risk at 127 companies. Voting on the election of directors remains one of the most important ways that BlackRock, and other investors, can signal support for or concern about a board's oversight of management on material business risks and opportunities.

During the 2021-22 proxy year, BIS did not support management for climate reasons at 234 companies, compared to 321 companies in the 2020-21 proxy year. Reasons for a higher percentage of support for management include company progress on climate-related reporting and enhancements made to the management of climate risks and opportunities, as well as the more prescriptive nature of climate-related shareholder proposals this proxy season.

We note that while more and more companies in our climate universe, particularly in developed markets, are making progress on their climate-related disclosure, in general companies in emerging markets remain in an earlier phase of their climate-related reporting journeys. We recognize varying contexts for companies in emerging markets, but we look to all companies to take meaningful action to manage their carbon emissions and address transition risks — particularly in anticipation of future regulatory changes to support countries in meeting their national commitments to reach peak emissions and move towards net zero.

¹ This included proposals requesting a report on metrics and efforts to reduce water related risk, a report on efforts to reduce plastic use, a report on efforts to eliminate deforestation in supply chain, a report on sustainable packaging, among others.

Case studies: Climate-related voting on directors' elections

Case Study

BIS determined that it was in the best financial interests of our clients to not support the proposal to elect directors¹ at the 2022 AGM of Grupo México, S.A.B. de C.V. (Grupo México), a Mexican materials company. At the time of the shareholder meeting, the company did not have up to date sustainability-related reporting, and in particular, their climate-related data and disclosures had not been updated since the release of their 2020 Sustainable Development Report. This made it difficult for investors to assess the progress the company had made against their targets.

Case Study

BIS has had multi-year engagements with Atmos Energy Corporation (Atmos), a U.S.-based pureplay natural gas company. The company published corporate sustainability reports in 2019 and 2020, with the 2020 report including an index mapping their ESG disclosure to specific SASB metrics for the Gas Utilities and Distributors industry. They also published a report in 2020 detailing the company's approach to managing methane emissions. However, despite signaling intentions to align their reporting with the TCFD framework, the company had not made progress with respect to TCFD-aligned reporting at the time of their February 2021 AGM, nor their February 2022 AGM. Specifically, the company had not disclosed their GHG emissions, scenario analysis, or forward looking GHG reduction targets outside of methane. We find it helpful as investors when companies set forward-looking GHG reduction targets, something that many of Atmos' peers have done. To signal our concerns, at the 2021 AGM, BIS did not support the re-election of the Chair of the Corporate Responsibility, Sustainability and Safety Committee, who also serves at the Lead Independent Director, as this committee has oversight of climate matters.

Given the continued lack of progress, BIS did not support the same director's re-election at the 2022 AGM. To further signal our continued concerns about the company's progress on climate-related reporting, we also did not support the re-election of the other longest-tenured member of the Corporate Responsibility, Sustainability, & Safety Committee. We will continue to engage with the company to discuss their climate-related disclosure and their strategy to navigate the transition towards a decarbonized economy.

Case Study

At Helmerich & Payne (HP), a U.S.-based energy services company, BIS supported the election of all directors at the March 2022 AGM to reflect the progress HP has made over the last year in navigating the risks and opportunities in their business stemming from the energy transition. At the 2021 AGM, BIS did not support the election of a director with responsibility for oversight of ESG matters given our concerns that, at the time, HP lacked explicit board oversight of climate-related issues and did not produce disclosures aligned with the recommendations of the TCFD or industry-specific sustainability metrics such as those identified by SASB.² Since then, we have been encouraged by the company's efforts to evaluate and manage transition risk. Specifically, HP has produced a sustainability report that is aligned with the TCFD, SASB and the Global Reporting Initiative (GRI),³ established an environmental governance team, published third-party audited scope 1 and 2 emissions, and increased its focus on operational improvements to reduce emissions and drive environmental-related accountability within the organization. HP has also provided investors with increased insights into how the company is assessing and executing on transition-related opportunities, specifically as it relates to the increased commercialization of geothermal resources.

¹ In the region, director elections may be bundled in one agenda item. ² See "Value Reporting Foundation – SASB Standards." ³ The GRI is "a provider of the global best practice for impact reporting." For more information, see [here](#).

Case Study

Samsung Electronics Co., Ltd. (Samsung) is South Korea's largest company in market capitalization and one of the world's largest manufacturers of electronics and computer peripherals. Prior to the March 2022 AGM, investors were limited in their ability to assess the company's capacity to adapt their business model and operations to navigate the energy transition due to an absence of meaningful short-, medium-, and long-term GHG emissions reduction targets.¹ Nonetheless, Samsung's Board indicated it will bring in directors to improve expertise on climate and environmental-related issues. The company was also in the process of renewing their climate strategy, which would replace expired 2020 commitments. Accordingly, BIS supported all director elections at the 2022 AGM. Soon after the meeting, Samsung signaled intentions to join an initiative to support 100% renewable energy.² BIS welcomes this development, and the company's responsiveness to our feedback.

Case Study

Beijing Enterprises Holdings Limited (BEH) is a Chinese investment holding company comprised of piped gas, brewery, water, solid waste treatment, and other businesses. The company discloses scope 1 and 2 emissions by business segments. BEH achieved progress in the last financial year by providing disclosure aligned with the recommendations of the TCFD and establishing a Sustainable Development Committee to oversee climate and other ESG-related risks. However, at the time of the June 2022 AGM, BEH did not have meaningful scope 1 and 2 emissions reduction targets given that they solely provided 2025/2030 targets for the methane emission intensity of Beijing Gas, a wholly owned subsidiary in the gas segment. The company did not provide an explanation in their sustainability report of the breadth and stretch of this set of targets in the context of their total scope 1 and 2 emissions. BIS did not support the election of the Chairman of the Board to signal our concerns. However, we supported the other incumbent directors in light of the progress achieved by the company.

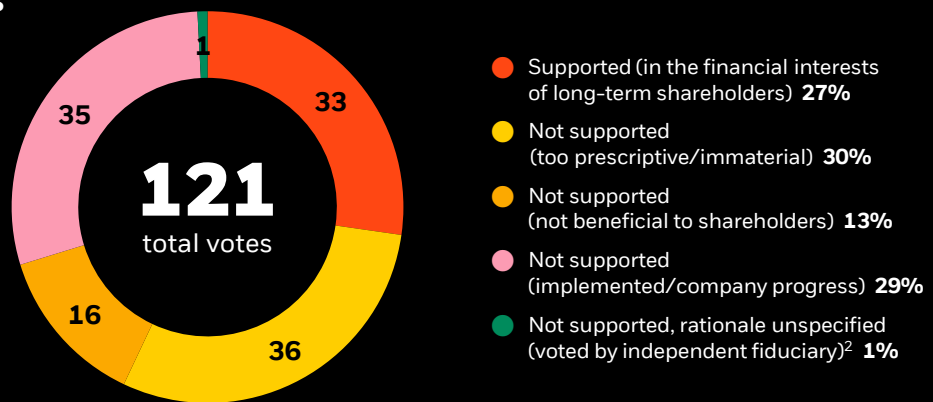


¹ We note that South Korean companies face a challenge in that fossil fuels account for 85% of total primary energy supply and reliable procurement options for renewable sources remain limited. ² Reuters, "Samsung Elec to join renewables pledge as S.Korea shifts gears on green energy," 26 April 2022.

2022 climate-related shareholder proposals more prescriptive than 2021

As previously discussed, last year we observed a shift in climate-related shareholder proposals to a focus on requests that addressed material business risks or that sought additional information about how companies were managing material drivers of risk and value creation in their business models. In 2022, we identified notable themes that ultimately impacted our decision whether to support various shareholder proposals.¹

BIS reasons for votes on Environmental proposals



Source: BlackRock and Institutional Shareholder Services (ISS). ISS classifications used. Sourced on July 11, 2022, reflecting data July 1, 2021 through June 30, 2022. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. Does not include director election, director-related, or “other” proposals put forth by shareholders. BIS votes cast on shareholder proposals on behalf of our clients are independent of whether management recommended voting for or against the proposal.

As a result, BIS supported proportionately fewer environmental shareholder proposals this proxy year than in the 2020-21 proxy year, as we did not consider them to be consistent with our clients’ long-term financial interests. Many of these more prescriptive proposals, particularly climate-related proposals, attracted lower levels of investor support more broadly.³ Average shareholder vote support for environmental-related proposals in the U.S. fell from 51% in the 2020-21 proxy year to 37% in the 2021-22 proxy year.^{4,5}

¹ Amid this context, we observed several themes of shareholder proposals this year, including proposals requesting: Ceasing providing finance to traditional energy companies; Decommissioning the assets of traditional energy companies; Requiring alignment of bank and energy company business models solely to a specific 1.5°C scenario; Changing articles of association or corporate charters to mandate climate risk reporting or voting; Setting absolute scope 3 GHG emissions reduction targets; Directing climate lobbying activities, policy positions or political spending. These types of proposals that came to a vote demonstrated requests that, in our view, were more prescriptive and unduly constraining on management. Regarding scope 3 emissions, this is not to minimize value chain, or scope 3, GHG emissions. They are a major global societal issue and, for companies where they are material, the prospect of future policy change could affect the economic viability of their business models. To effect change in scope 3 GHG emissions in a fair and balanced way, policy action by governments will be necessary. Companies cannot solve scope 3 on their own. As national and regional policy expectations around scope 3 evolve and crystallize, we will look to companies to align their disclosures and commitments accordingly. ² The independent fiduciary makes voting decisions based solely on BlackRock’s publicly available [proxy voting guidelines](#), which aim to advance our clients’ long-term economic interests, and public information disclosed by the relevant company. See page 2 in our commentary [“How BlackRock Investment Stewardship manages conflicts of interest.”](#) ³ Financial Times, “Investors at top US banks refuse to back climate proposals,” 26 April 2022. ⁴ In such cases, we also note that global proxy advisors ISS and Glass Lewis recommended that shareholders not support overly prescriptive or constraining proposals. ⁵ Average shareholder support represents the mean support. The median shareholder support in the U.S. was 32% in the 2021-22 proxy year.

Case studies: Voting on climate-related shareholder proposals

Case Study

Investors and other stakeholders are increasingly interested in understanding how financial institutions are considering climate-related risks and opportunities in their risk management and underwriting policies. Over the last year companies across the financial sector increased net zero commitments and demonstrated efforts to keep pace with external advancements around measurement methodologies, scenario analysis, and regulatory requirements for both reporting and stress testing. We have seen companies commit to integrating an assessment of climate and transition risk in their financing policies as well as the development of products to further finance sustainability.

During the 2021-22 proxy year, certain shareholders asked banks, especially in EMEA, the U.S., Canada and Australia, to make pledges to reduce and eliminate financing for fossil fuels. In our view, many of these proposals were prescriptive and unduly constraining on management and sought to dictate bank's lending policies. They also did not take into account the complex macroeconomic, geopolitical and regulatory contexts under which financial institutions must operate.

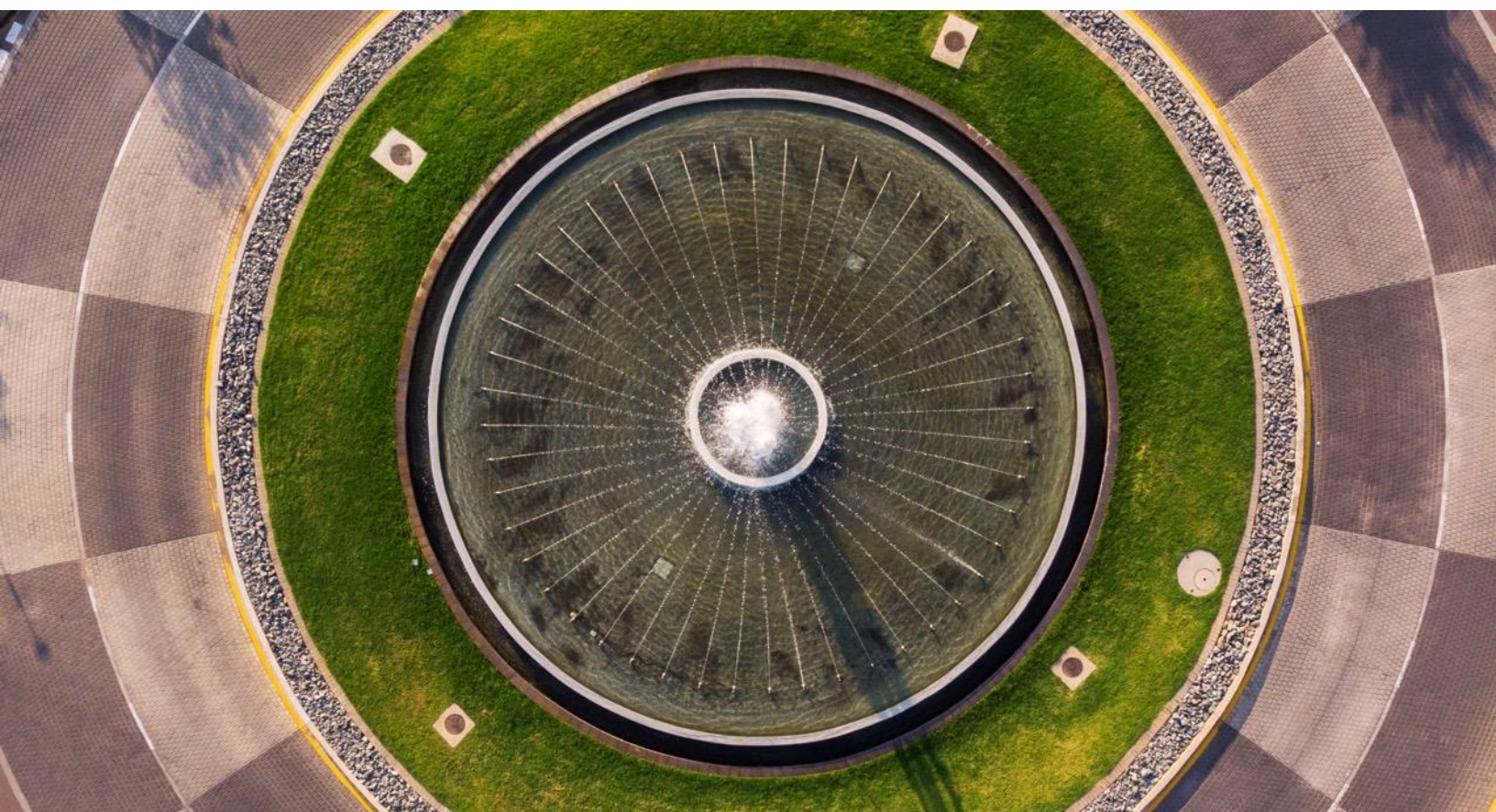
At the April 2022 AGM of Canadian-based Bank of Montreal (BMO), a shareholder proposal asked the bank to adopt a policy to not finance new fossil fuel supplies. BIS did not support the proposal, which we considered overly prescriptive and unduly constraining on management's and the board's decision-making. It is not BIS' position to tell companies what their strategies should entail, as this proposal prescribed. Rather, we assess, based on companies' disclosures, their climate action plan, board oversight and business model alignment with a transition to net zero by 2050. Further, based on the company's disclosures and our multi-year engagement with BMO, we considered the company to have made a clear commitment to align their business model with the transition to a net zero economy. In addition to our view that the company is actively addressing the risks and opportunities stemming from the energy transition, we are concerned that this proposal's goal of preventing the financing of new fossil fuel would undermine an orderly, just transition, contributing to potential dislocations in supply chains and energy and labor markets. The International Energy Agency (IEA) has been clear that it is important to ensure that the energy transition is people-centered.¹ BMO discusses in their Net-Zero Ambition statement how they plan to contribute to a just net-zero transition and note that financial regulators are similarly focused on that goal.²

¹ International Energy Agency (IEA), "Global Commission of government leaders and prominent figures announces key recommendations for putting people at the centre of clean energy transitions," October 2021. ² Bank of Montreal. "2021 Climate Report." See pages 13-14.

Case Study

The agenda for the April 2022 AGM of Marathon Petroleum Corporation (MPC), a U.S. integrated downstream energy company, included a shareholder proposal for consideration requesting that the board “prepare a report stating how Marathon is responding to the social impact of Marathon’s climate change strategy on workers and communities, consistent with the “Just Transition” guidelines of the International Labor Organization (ILO).”¹ BIS did not support this shareholder proposal because we believed the company’s report “Creating Shared Value Through

a Just and Responsible Transition,”² provided sufficiently detailed information to enable shareholders to assess how the company governs and manages this aspect of their climate action strategy. We recognize that reporting around a just transition is an evolving and complex topic, and we are closely following the development of reporting frameworks and standards which can help companies effectively disclose their management and oversight of this material business risk and opportunity. We will continue to discuss the subject with MPC as their approach evolves and the company has likewise assured investors that they are committed to stakeholder feedback.



¹ According to the [ILO](#), the just transition involves maximizing the social and economic opportunities of climate action while minimizing and carefully managing challenges, including through effective social dialogue among all groups impacted and respect for fundamental labor principles and rights. ² Marathon Petroleum Corporation, “[Creating Shared Value Through a Just and Responsible Transition](#).”

Case Study

Woodside Petroleum Ltd. (Woodside) is an Australian oil and natural gas company. At the company's May 2022 AGM, BIS supported two management proposals, among others, seeking shareholder approval of a merger with BHP Petroleum and of the company's 2021 Climate Report which outlines the company's view of climate risk and their energy transition strategy. The merger with BHP's oil and gas business would increase the likelihood of further development of natural gas projects in Australia, which have been scrutinized by activist groups. We discussed these issues with Woodside and sought to understand their long-term views on climate risk management, particularly as it relates to these projects. We had concerns in 2021 about the comprehensiveness of the company's climate risk management and target setting. This year's engagement reassured us that the company is focused on meeting its energy transition commitments even with this gas project expansion. At the 2022 AGM, BIS did not support several shareholder proposals that we felt were overly prescriptive and risked unduly restricting management's ability to make business decisions. We will continue to engage with Woodside and will discuss management's views on the role that the company plays in the transition to a decarbonized economy, among other issues that we believe contribute to Woodside's ability to deliver durable, long-term shareholder returns.

In some cases, we supported business-relevant shareholder proposals that we believed addressed gaps in a company's approach to climate risk and the energy transition.

Case Study

At the May AGM of QBE Insurance Group Limited (QBE), an Australian insurance company, BIS supported a shareholder proposal seeking enhanced disclosures on GHG reductions targets and the company's plans to reduce underwriting exposure to the oil and gas sector. The proposal, which BIS also supported last year, is not, in our view, overly prescriptive or unduly constraining on management. BIS believed that the company could enhance their climate-related disclosure to better enable shareholders to assess the company's progress year-over-year.

Case Study

At the May 2022 AGM of South African-based Standard Bank, BIS supported three climate-related shareholder proposals which set out a timeline and intermediate steps for target setting covering financed GHG emissions from the bank's exposure to oil and gas by March 2025. The bank's board recommended that shareholders support the proposals as the timeline was agreed with the proponents in advance of the shareholder meeting. In our view, Standard Bank has made progress on their climate practices and disclosures, including setting targets for oil, gas and thermal coal financing.

Prescriptive climate-related shareholder proposals in Japan

Between proxy years 2020-21 and 2021-22, investors saw improvements in Japanese companies reporting in line with the TCFD framework, including three companies in our climate focus universe: Hitachi Metals, Air Water, and Central Japan Railway. All of these companies had no TCFD-aligned reporting at the time of their AGMs last year, but each produced a report this year that covers all four pillars of the TCFD.

While BIS evaluates every proposal on a case-by-case basis, those filed in Japan often require an additional degree of consideration as they could entail amending the company articles of incorporation (AOI), which would make them legally binding. This introduces a unique degree of personal liability for directors and management. It also creates material legal liability for a company should a proposal pass, particularly if the proposal language is vague or open to interpretation, which could make it harder to determine whether the requests have been met.

Three of the largest energy companies in Japan – Electric Power Development Company, Tokyo Electric Power Company Holdings, and Chubu Electric Power Company – had very similar climate-related shareholder proposals requiring them, in effect, to produce an annual report regarding the impact of decarbonization of the global economy on their capital expenditures and long-term asset mix. All three companies publish reports in which they disclose their scope 1 and 2 GHG emissions and their targets to reduce emissions by 40-50% by 2030. In addition, they have all committed to achieving carbon neutrality by 2050.

Each is investing in innovation to develop new technologies – such as green hydrogen and carbon capture – and contributing to industry initiatives to accelerate the deployment of alternative energies. Given these companies' disclosures and actions taken to date, we did not support the proposals, particularly given the mandated changes to the companies' AOI and resulting legal risks placed on management and the board.

Japanese financial services companies, like their European, Canadian and American peers, also had shareholder proposals that, in effect, asked them to completely phase out providing finance to fossil fuel companies or projects. At Sumitomo Mitsui Financial Group (SMFG), one of Japan's three largest banks, BIS did not support two climate-related shareholder proposals that asked the company to disclose GHG emissions reduction targets on its lending activities and, in effect, not provide any new fossil fuel-related financing. These proposals risked unduly restricting management's ability to make strategic business decisions, and the requests could ultimately have barred the company from financing critical technologies to advance decarbonization, hindering SMFG's decarbonization trajectory as set out in the company's disclosures.

Companies demonstrating notable progress on climate policies, practices, and disclosure

As previously mentioned, between the 2020-21 and 2021-22 proxy years, BIS saw year-over-year improvements to include better climate-related reporting. We were pleased to note that 291 – over a quarter – of the companies in our [climate focus universe](#) have demonstrated marked progress in climate disclosures and targets during the last two years.¹ We engaged and/or voted on climate concerns at 81% of these improving companies.

Case studies: Companies demonstrating notable year-over-year progress on climate-related disclosure

Case Study

Chevron Corporation (Chevron) is a global integrated energy, chemicals, and petroleum company, operating through the upstream and downstream segments. After a shareholder proposal requesting the reduction of scope 3 GHG emissions (which BIS supported) passed at the 2021 AGM, the company took several steps to update their climate strategy, including incorporating scope 3 emissions within their Portfolio Carbon Intensity (PCI) metric and setting a reduction target.

At the company's 2022 AGM, BIS [voted in line with](#) management's recommendations on all proposals on the ballot. This included not supporting two climate-related shareholder proposals, the first requesting that Chevron set and publish medium-and long-term targets to reduce the scope 1, 2 and 3 GHG consistent with the goal of the Paris Climate Agreement, and the

second requesting that the company provide an audited report addressing how the assumptions of the IEA's Net Zero by 2050 pathway would affect the assumptions and estimates underlying their financial statements.² In our view, the company has appropriately responded to shareholder concerns by setting scope 1, 2 and 3 GHG reduction targets, and provides an in-depth and sophisticated scenario analysis in their existing disclosures.

BIS supported a shareholder proposal, which management also supported, requesting a report on the reliability of Chevron's methane emissions disclosures. Chevron had recommended that shareholders support the proposal given the board's recognition of the materiality of methane emissions reductions to the company's long-term strategy. BIS agreed with that assessment.

¹ Limited to companies within the BIS climate focus universe who improved their GHG reduction targets since July 1, 2020 according to MSCI. See page 47 in this report for further detail.

² Chevron, "[2022 proxy statement](#)."

Case Study

Costco Wholesale Corporation (Costco) is a major retailer based in the U.S. that operates through membership warehouse stores and e-commerce websites. A week before the 2022 AGM the company published new quantitative targets for GHG emissions reductions, including a commitment to reduce global scope 1 and 2 carbon emissions by 2% per year.³ BIS had considered not supporting the re-election of Costco's board chair for the lack of forward-looking scope 1 and scope 2 GHG emissions reduction targets. We supported his re-election given Costco's updated climate risk disclosures provided ahead of the AGM. In addition, we did not support a shareholder proposal requesting that the company adopt science based GHG emissions reduction targets because, in our view, Costco had been responsive to shareholder feedback. We believe investor engagement with the company, including by BlackRock, helped accelerate the disclosure of new GHG emissions reduction targets that, once met, may help Costco effectively manage their adaptation in the energy transition.

Case Study

HCA Healthcare, Inc. (HCA) is a leading provider of health care services in the U.S. At the 2021 AGM, BIS did not support the re-election of the independent presiding director of HCA's board. The company did not have TCFD-aligned reporting, despite having a material risk from the carbon dependency of their business. HCA had not designated a board committee to oversee ESG issues, so we held the most senior outside director responsible for ensuring an appropriate approach by the board to overseeing key business risks. After the 2021 AGM, HCA's board formalized committee oversight responsibilities of ESG issues by documenting the various committees' roles in their respective charters and, among other things, designated the Audit and Compliance Committee responsible for overseeing HCA's policies and practices regarding ESG issues. In addition, shortly before the April 2022 AGM, HCA disclosed their scope 1 and scope 2 GHG emissions and published their first TCFD-aligned report.⁴ Given the significant progress that HCA made, particularly with respect to reporting climate-related risks and opportunities since the 2021 AGM, BIS supported the re-election of the Chair of the Audit and Compliance Committee at the 2022 AGM.

³ Costco Wholesale Corporation. Supplemental filing. January 13, 2021. ⁴ HCA Healthcare, Inc. "2022 Annual Impact Report—Community—Environmental stewardship," and HCA Healthcare, Inc. "Task Force on Climate-related Financial Disclosures Report." 31 March 2022. Page 7.

Management proposals on their energy transition strategies increase

In the 2021-22 proxy year there was an increase in management proposals to approve a company's climate action plan or progress report, particularly in Europe. These proposals are a means for companies to get investor feedback on their approach to climate risk and the transition towards a decarbonized economy. They were especially prevalent in REITs/infrastructure,¹ utilities, energy and mining companies. BIS supported 46 management proposals and six shareholder proposals to approve a company's climate action plan or progress report globally.

Case studies: Supporting management proposals to approve the company's climate action plans

Case Study

At Shell Plc's (Shell) May 2022 AGM, management proposed an advisory, non-binding shareholder vote on the progress made to date against the company's Energy Transition Strategy. BIS supported this proposal in recognition of the company's disclosed energy transition plan to manage climate-related risks and opportunities and the company's progress against this strategy. BIS did not support a shareholder proposal requesting that the company set and publish targets that are consistent with the goal of the Paris Climate Agreement to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. BIS believed that it was not additive to Shell's Energy Transition Strategy and that the company's ability to set absolute short- and medium-term scope 3 emissions reduction targets was impeded by the current uncertainty around the pace of declines in oil and gas demand as well as energy security considerations.

Understanding that technology plays a pivotal role in the global energy transition, we also noted companies embracing the opportunities that come with being innovators amidst a time of transition. For example, in our engagement with Canadian Pacific Railway Limited (CP) in the second quarter of 2022, BIS discussed the company's plans to explore a transition to hydrogen for their alternative engines. The company saw an opportunity to invest in alternative technologies with the company's current engineering expertise, rather than rely on third party original equipment manufacturers, the company has decided to build a hydrogen engine in-house. CP shared that investor feedback played an important role in this strategic decision. BIS supported CP's management proposal at the 2022 AGM to approve the company's climate strategy. The company received a "say on climate" shareholder proposal in 2021 requesting an annual vote on the company's climate action plan, which BIS had supported. In our view, CP has clear policies and action plans in place and is proactively managing climate risks and opportunities.

¹ REITs stands for real estate investment trusts, which are companies that own or finance income-producing real estate across various property sectors.

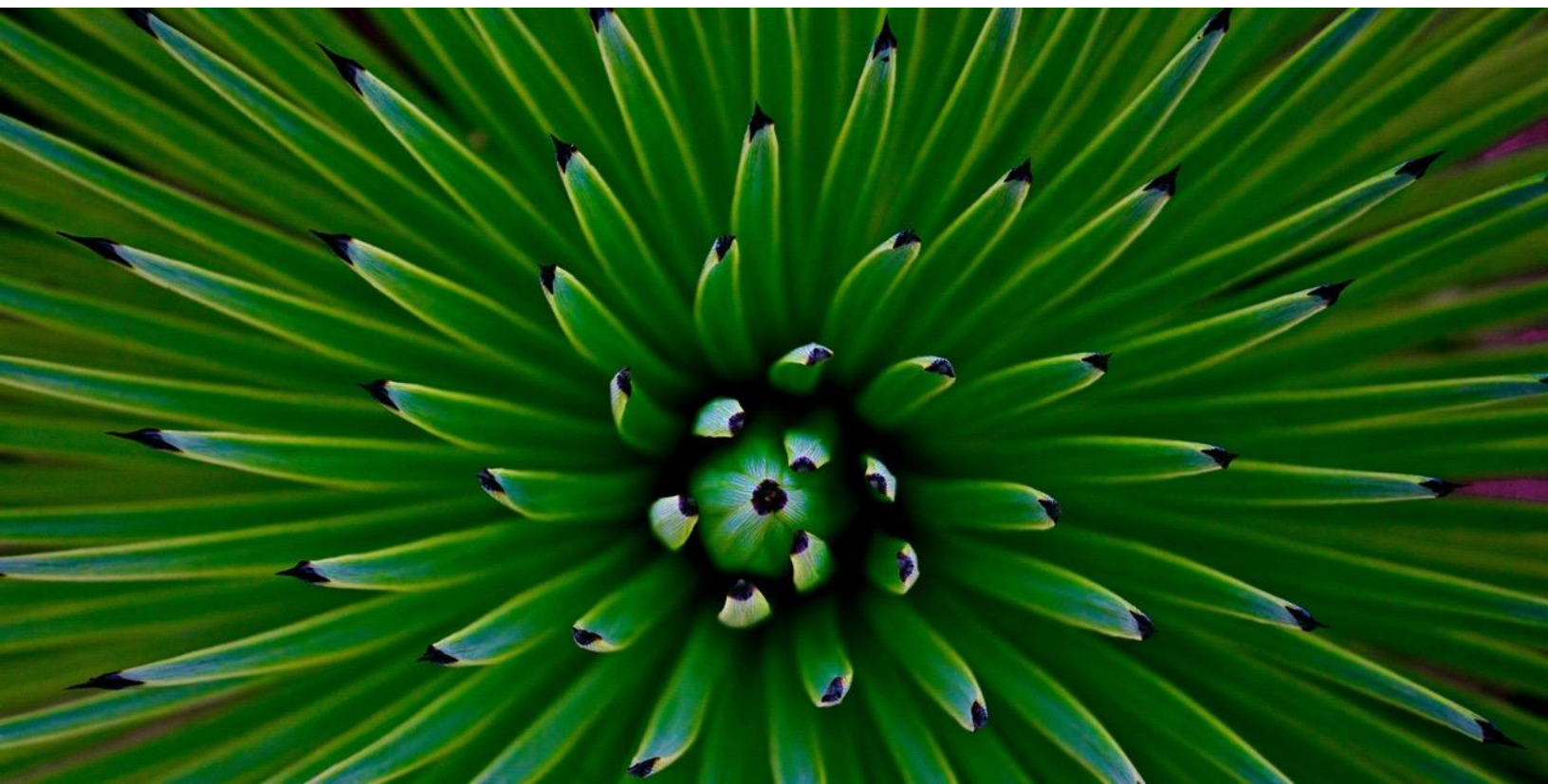
A growing focus on natural capital

As discussed in our commentary on our approach to engagement on natural capital, awareness continues to grow of the importance of natural capital to companies' business models and ability to generate long-term durable financial returns. We are therefore interested in hearing from the companies about their strategies and plans for managing their impacts and dependencies on nature. Given that we are long-term investors on behalf of our clients, how well companies navigate and adapt to long-term business dynamics like natural capital dependency and scarcity can have a direct impact on our clients' investment outcomes and financial well-being.

While recognizing that natural capital is a complex issue and ecosystems are interconnected, we have focused on three key areas — biodiversity,

deforestation, and water. Throughout the year, we encouraged companies to disclose how they have adopted or plan to incorporate business practices consistent with the sustainable use and management of natural capital, including resources such as clean air, water, land, minerals and forests. We were also interested to hear from companies how they contribute to biodiversity and ecosystem health and consider their broader impact on the communities in which they operate.

In cases where we had concerns that natural capital-related risks and opportunities were not being effectively managed, overseen, or disclosed, BIS may have withheld support for management proposals such as director elections, and/or supported shareholder proposals that we believed were business relevant and addressed a material gap in a company's approach.





Case studies: Voting on natural capital-related risks and opportunities

Case Study

BIS has had multi-year engagements with POSCO International Corporation (POSCO Intl), the trading arm subsidiary of South Korea's largest steelmaker, POSCO, in an effort to understand the company's management of palm oil-related risks and opportunities given that POSCO Intl has direct oversight of their palm oil operations in Indonesia. As a long-term investor in POSCO Intl on behalf of our clients, BlackRock recognizes the complex environment in which the company operates and that it may take time to fully implement more rigorous policies and practices to manage E&S risks.¹ However, at the time of the March 2022 AGM, the company's disclosures did not provide shareholders with sufficient transparency into the risks and liabilities relating to the adverse impacts associated with their operations. We are concerned these may pose a material risk to the company's long-term financial returns. POSCO Intl's policies and disclosures also lagged peers in the industry. As a result, BIS did not support the re-election of the incumbent directors on the ballot. While recognizing the company's efforts and progress to date, we believed the company can further improve the management of environmental and social risks associated with the production of palm oil.

Case Study

At Amazon.com, Inc. (Amazon), BIS supported a shareholder proposal that requested that the board issue a report "describing how the company could reduce its plastics use."² Engaging on plastics pollution is an increasingly important topic for BIS. Given the impact on long-term shareholder value, we appreciate when companies who produce or rely heavily on plastics in their products or operations disclose information on how waste is managed. While we believed that Amazon's goals in relation to plastic recycling were clear, at the time of the June 2022 AGM, the company did not explicitly disclose the total amount of plastic used, making it difficult for stakeholders to determine how effectively the company was managing this material risk and their progress year over year. As a result, we supported this shareholder proposal, as we believed it was in the best financial interests of our clients for Amazon to explain their approach to this material long-term business risk in enhanced disclosures.

¹ In 2021 BIS met with more than a dozen palm oil companies, including POSCO Intl, to better understand how companies in the sector address the environmental and social (E&S) risks associated with palm oil production in order to help protect shareholders' economic interests. Through these engagements and public disclosures, we assess companies' approaches to the unique governance, oversight, strategy, and management of risks and opportunities relating to palm oil, and their performance vis-à-vis their peers. We also note that different palm oil producers face different risks, and we acknowledge that it's appropriate for them to manage these risks differently. ² Amazon.com, Inc., "[Notice of 2022 Annual Meeting of Shareholders & Proxy Statement](#)."

Company impacts on people

1,280

total engagements

Engaging and voting on company impacts on people

BIS engages with companies to understand how they are considering the interests of key stakeholders in their decision-making. We believe that companies focusing on these issues will impact their ability to deliver durable long-term profitability. These issues are often considered the “S” in ESG. Learn more about our approach to human capital management (HCM) [here](#) and to human rights-related issues [here](#).

Source: BlackRock. Sourced on July 11, 2022, reflecting data from July 1, 2021 through June 30, 2022. Number rounded to the nearest ten. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

BIS’ [Global Principles](#) underscore our belief that companies are best placed to deliver value for long-term shareholders like BlackRock’s clients when they also consider the interests of their other key stakeholders. We look to companies to set out who they consider to be their key stakeholders, in addition to investors, which generally will include workers, business partners (such as suppliers and distributors), clients and consumers, government, and the communities in which they operate.

In [our experience](#), companies that build strong relationships with their stakeholders are more likely to meet their own strategic objectives, while poor relationships may create adverse impacts that expose a company to legal, regulatory, operational, and reputational risks and jeopardize their ability to deliver sustainable, long-term financial performance. Research has consistently shown the importance of human capital to company performance.¹ In this context, we seek to understand how companies address the needs and expectations of their [workforce](#) – also known as human capital management (HCM) – and how they manage [human rights](#) issues inherent in their business models.

Our focus is on how boards advise and oversee management in addressing these material business risks, and the disclosures companies provide on their policies and practices to ensure that their approach is effective. Investors depend on company leadership to determine the appropriate approach to managing their impacts on people.

We often engage to encourage enhanced disclosure where we believe it would help investors understand how the approach taken by a company appropriately addresses business risk and positions in relation to the key stakeholders on which they depend to ensure long-term success.² BIS does not seek to direct a company’s policies or practices; rather we seek to understand how boards and management are protecting the long-term interests of shareholders by establishing appropriate standards of practice to reduce the risks and build on the opportunities arising from their dependence on key stakeholders.

Similarly, in our voting, we may support shareholder proposals seeking enhanced reporting on how companies address HCM or human-rights-related issues, when they are on the AGM agenda. We may determine to not support the election of directors if a company’s approach to key stakeholders seems materially detrimental to shareholders’ long-term financial interests.

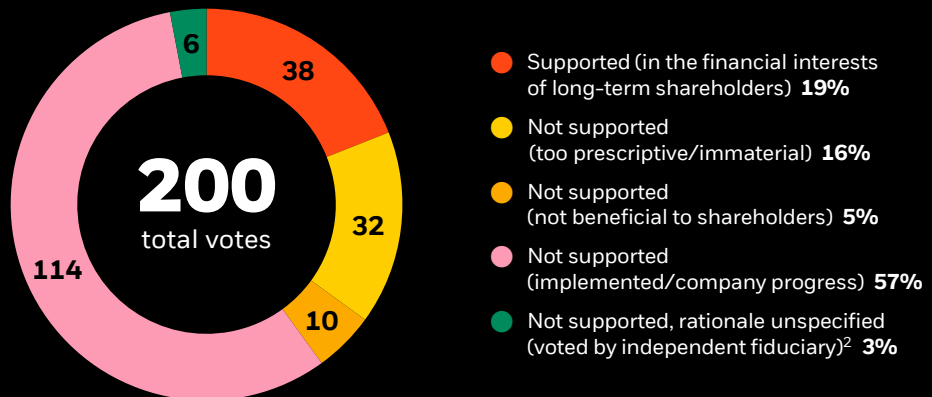
¹ In 2017, the Human Capital Management Coalition produced a compilation of this research in its petition to the U.S. Securities and Exchange Commission (“SEC”). The petition is available [here](#). ² BlackRock Investment Stewardship “Our approach to engagement on human capital management”. February 2022.

BIS' Approach to Data Privacy and Security

Companies across regions and sectors face a rapidly evolving operating and regulatory landscape as technology becomes integral to their business models and interactions with customers, employees and other stakeholders. As a result, it is increasingly important for shareholders to understand how companies assess and manage risks relating to data privacy and security and the potential adverse impacts on people if controls fail. Learn more about [how BIS engages on data privacy and security](#).

During the 2021-22 proxy year, BIS voted on 200 shareholder proposals related to social issues. These proposals addressed a wide range of issues including racial equity audits, race and gender-based pay gaps, labor issues, human rights due diligence, Indigenous Peoples' rights, and diversity, equity and inclusion/the U.S. Equal Employment Opportunity Commission's EEO-1 Survey (DEI/EEO).¹ In many cases, BIS found these proposals overly prescriptive and unduly constraining on management's basic decision-making. We did not support those that we believed were not in the best long-term financial interests of our clients, the asset owners. We supported those that we considered business-relevant, addressed a material risk or gap in management's approach and promoted long-term shareholder value. BIS supported 38 shareholder proposals relating to company impacts on people (social-related proposals) out of 200, i.e., approximately 19%.

BIS reasons for votes on Social proposals



Source: BlackRock and Institutional Shareholder Services (ISS). ISS classifications used. Sourced on June 29, 2022, reflecting data July 1, 2021 through June 30, 2022. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. Does not include director election, director-related, or "other" proposals put forth by shareholders. BIS votes cast on shareholder proposals on behalf of our clients are independent of whether management recommended voting for or against the proposal.

¹ Please see the U.S. Equal Employment Opportunity Commission website for additional information regarding the EEO-1 Survey ² The independent fiduciary makes voting decisions based solely on BlackRock's publicly available [proxy voting guidelines](#), which aim to advance our clients' long-term economic interests, and public information disclosed by the relevant company. See page 2 in our commentary "How BlackRock Investment Stewardship manages conflicts of interest."

DEI-related Shareholder Proposals in the U.S.

This proxy year in the U.S., building on a notable development in the 2020-21 proxy year, we observed shareholder proposals asking companies to undertake a racial equity or civil rights audit, usually conducted by an independent third party, and publish a report of the findings. There was also a counter motion posed at a number of companies seeking information about the costs of diversity programs and related matters filed by groups questioning their merits.¹ Another theme in shareholder proposals addressing HCM is disclosure of EEO-1 data in the U.S.² In addition to these proposals on DEI, indigenous peoples' rights, freedom of association, and workplace health and safety were the other issues addressed in shareholder proposals on company impacts on people. Some of these proposals, which we supported, were consistent with investors' needs for additional information on how companies are managing material risks and opportunities related to their businesses. On balance, however, many of these shareholder proposals were, in our view, overly prescriptive or constraining on companies, and we did not believe that they promoted long-term shareholder value.

BlackRock believes that a diverse and inclusive workforce contributes to a company's ability to innovate, adapt, and be attuned to the customers and communities it serves. We look to companies to disclose information about their commitment to advancing DEI, including their efforts to recruit, retain, and develop diverse talent. This year, we supported DEI-related shareholder proposals where there were insufficient DEI-related disclosures and did not support proposals in cases where the companies are already disclosing sufficient information to assess how they are addressing material risks and opportunities related to DEI issues in their HCM strategies.

Case Study

Examples of votes cast on DEI-related shareholder proposals

At McDonald's, BIS did not support a shareholder proposal seeking a third-party civil rights audit with a focus on company stakeholders. In our assessment, McDonald's currently provides clear, fulsome disclosures on their approach to DEI in relation to direct employees and other stakeholders on which they depend for their long-term success. The information the company currently provides, in our view, enables stakeholders to track the effectiveness of the company's DEI efforts, and their stated goals provide insight into the company's ongoing priorities. McDonald's discloses workforce composition data through their Diversity Snapshot. The company also has targets in place to increase DEI at the company level; by the end of 2025, McDonald's expects to increase representation of historically underrepresented groups in leadership roles with an overall goal to reach gender parity globally in leadership roles by the end of 2030.

XPO Logistics (XPO), a U.S. freight transportation company, BIS supported a shareholder proposal seeking a third-party civil rights audit on the basis that XPO has identified DEI as a priority but has not published comprehensive targets that would help investors assess the effectiveness of the initiatives in place to advance workforce diversity. Further, the company includes in the executive compensation plan a goal of increasing the number of women and minorities in managerial positions. Without additional detail and year-over-year data on progress, it is difficult for investors to understand how these metrics influence executives' pay outcomes. Finally, the company has faced numerous lawsuits claiming misclassification of workers as independent contractors rather than employees, with only employees being covered by the DEI policies. Additional disclosures would help investors assess how worker classifications are taken into account in the overall approach to DEI and the risks associated with worker misclassification. Accordingly, we determined that support for the shareholder proposal was aligned with our clients' long-term financial interests.

¹ See the Financial Times, "Political proxies: conservative activists file record shareholder proposals," March 28, 2022. ² As explained by the U.S. Equality Employment Opportunity Commission, "The EEO-1 Component 1 report is a mandatory annual data collection that requires all private sector employers with 100 or more employees, and federal contractors with 50 or more employees meeting certain criteria, to submit demographic workforce data, including data by race/ethnicity, sex and job categories. The filing by eligible employers of the EEO-1 Component 1 Report is required under section 709(c) of Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000e-8(c), and 29 CFR 1602.7-.14 and 41 CFR 60-1.7(a)."

Health and safety

BIS engages on worker health and safety with the companies where this is a material risk, given the importance of a company's workforce to their long-term success. Poor practices can not only endanger people but may also risk reputational damage, regulatory action and financial penalties. We believe that this is a critical issue for companies to manage effectively, and we look to boards and management to discuss in their disclosures, and in engagement, how the policies and practices in place protect workers and the company.

At Hyundai Development Co., a construction and engineering company in South Korea, BIS did not support the re-election of a director over concerns about the company's poor safety record and two high-profile, fatal construction incidents. An investigation by one of the company's regulators in early 2022 identified 636 safety regulation violations that resulted in the company paying a fine of approximately U.S. \$700,000. Although we acknowledge the recent progress on safety, particularly the implementation of the board's new Safety and Health Committee, we considered it important to hold a representative of the board responsible for poor board oversight of a material business risk. We did not, however, vote in support of a prescriptive, binding shareholder proposal seeking to change the company's bylaws to make it easier for shareholders to file proposals on ESG matters. We were concerned that the low threshold proposed in the shareholder proposal risked imposing unnecessary costs on the company or constraints on corporate decision-making. We determined that long-term shareholder interests are best served when there is a reasonable threshold for filing shareholder proposals.

BIS supported a shareholder proposal at Equinor ASA, a Norwegian oil and gas company, seeking enhanced reporting on the company's action plan on employee safety, as well as on the management of human rights and corruption risks. As the company notes, the frequency of personnel injuries is higher than peers and industry benchmarking. While we believe the company is making progress and has a sound approach to human rights and corruption risks, our vote reflected our support for the company's commitment to focus on further improving their safety record.

Terms and conditions for employees

Appropriately skilled and engaged workers are essential to companies' ability to deliver durable profitability. Employers need to consider the expectations of their current and potential workers with respect to terms and conditions, to ensure they can attract, retain and motivate the people they depend on for their companies' long-term success.

We look to management, overseen by boards, to determine the appropriate pay and benefits to offer, as well as other terms and conditions of work, that will position a company as an attractive employer. We seek to understand, not dictate, companies' policies and practices.

Several shareholder proposals this year focused on employee pay and benefits, in some cases seeking to prescribe terms that companies should adopt.

¹ While most industrialized countries have policies providing for paid sick leave for workers, the U.S. does not have any federal legal requirements for paid sick leave although some U.S. states do have such provisions.

Case Studies

As a result of a long-running labor dispute and concerns about the company's approach to climate risk, among other governance issues, we did not support the re-election of two directors at Warrior Met Coal, Inc. (Warrior Met Coal), a U.S. producer and exporter of metallurgical (met) coal used for steel production. Prolonged operational disruptions, such as labor disputes, can have a negative impact on a company's financial performance and business resilience. Near term, the ongoing labor dispute at Warrior Met Coal's Alabama mines negatively impacted their ability to take full advantage of favorable market conditions and maximize financial returns. As we communicated in our engagement and through the vote cast at the AGM, we believe the board could have been more effective in encouraging management to resolve the labor dispute and enhance the company's human capital management practices. This would better position the company to take advantage of the opportunities, and manage the risks, stemming from the energy transition, which will impact their ability to deliver durable long-term shareholder value.

CVS Health Corporation (CVS) is a U.S. diversified health solutions company. The May 2022 AGM agenda included a shareholder proposal asking the company to develop and publish a policy that provides paid sick leave for all employees.¹

A similar proposal was submitted by the same shareholder last year, but last year the SEC allowed CVS to exclude it from the AGM agenda. In our engagement, and as highlighted in the company's public disclosures, management discussed their commitment to offer comprehensive and competitive wages and benefits to employees, which include, among other things, annual bonuses, 401(k) plans, stock awards, an employee stock purchase plan, health care and insurance benefits, paid time off, flexible work schedules, family leave, dependent care resources, employee assistance programs and tuition assistance. They noted that all full-time employees (representing more than 70% of CVS' workforce) have access to paid sick leave, as do many part-time employees. While BIS recognizes the importance of frontline workers to CVS' long-term success, we did not support the shareholder proposal because it was overly prescriptive and attempted to direct business decision-making. We believe that policies on employee wages and benefits should be determined by company management, with reference to relevant regulations and appropriate board oversight. We do not believe that shareholders are well placed to direct policy on a matter core to the company's ability to deliver their strategy and balance the interests of all stakeholders. Given the importance of frontline workers to the company's success, we will continue to engage with CVS on their approach to human capital management.

¹ While most industrialized countries have policies providing for paid sick leave for workers, the U.S. does not have any federal legal requirements for paid sick leave although some U.S. states do have such provisions.





Parting thoughts

We expect to continue to take a measured approach to our stewardship activities on behalf of clients. We continuously receive useful feedback from companies and clients as we engage over the proxy year, and these insights will help us refine our global principles and voting guidelines. We do not anticipate significant changes in these or in our engagement priorities, which we believe to be grounded in enduring factors that shape the ability of companies to deliver durable profitability. The context within which companies are managing their businesses will continue to be a consideration in our voting and engagement. We remain focused on outcomes for our clients that create long-term shareholder value and help them achieve financial well-being.



Appendix

Appendix

July 1, 2021 through June 30, 2022 Voting Statistics

| | | Americas | EMEA | APAC ex Japan* | Japan | Global total | Global ex Japan* |
|--|---------------|----------|--------|----------------|--------|--------------|------------------|
| Management proposals | | | | | | | |
| Director elections¹ | Support | 27,067 | 10,158 | 5,955 | 16,176 | 59,356 | 43,180 |
| | Not support** | 2,206 | 1,614 | 1,068 | 1,475 | 6,363 | 4,888 |
| | Abstain | 5 | 174 | 0 | 3 | 182 | 179 |
| Director related² | Support | 1,321 | 7,774 | 7,801 | 1,575 | 18,471 | 16,896 |
| | Not support** | 258 | 1,587 | 1,178 | 149 | 3,172 | 3,023 |
| | Abstain | 985 | 1,099 | 34 | 0 | 2,118 | 2,118 |
| Compensation³ | Support | 4,419 | 3,964 | 2,760 | 1,005 | 12,148 | 11,143 |
| | Not support** | 567 | 1,471 | 794 | 118 | 2,950 | 2,832 |
| | Abstain | 1 | 32 | 0 | 0 | 33 | 33 |
| Capitalization | Support | 834 | 5,476 | 6,145 | 60 | 12,515 | 12,455 |
| | Not support** | 130 | 413 | 1,260 | 5 | 1,808 | 1,803 |
| | Abstain | 0 | 8 | 8 | 0 | 16 | 16 |
| Reorganization and mergers | Support | 588 | 1,102 | 4,813 | 2,189 | 8,692 | 6,503 |
| | Not support** | 38 | 90 | 1,418 | 81 | 1,627 | 1,546 |
| | Abstain | 1 | 35 | 0 | 0 | 36 | 36 |
| Anti-takeover related | Support | 564 | 483 | 43 | 4 | 1,094 | 1,090 |
| | Not support** | 91 | 26 | 1 | 59 | 177 | 118 |
| | Abstain | 0 | 0 | 0 | 0 | 0 | 0 |
| Social | Support | 0 | 0 | 0 | 0 | 0 | 0 |
| | Not support** | 0 | 0 | 0 | 0 | 0 | 0 |
| | Abstain | 0 | 0 | 0 | 0 | 0 | 0 |
| 'Say-on-climate' | Support | 2 | 39 | 4 | 0 | 45 | 45 |
| | Not support** | 0 | 1 | 0 | 0 | 1 | 1 |
| | Abstain | 0 | 0 | 0 | 0 | 0 | 0 |
| Routine business/ miscellaneous | Support | 6,854 | 13,043 | 14,197 | 1,560 | 35,654 | 34,094 |
| | Not support** | 228 | 151 | 745 | 4 | 1,128 | 1,124 |
| | Abstain | 382 | 543 | 0 | 0 | 925 | 925 |
| Preferred/bondholder | Support | 3 | 142 | 0 | 0 | 145 | 145 |
| | Not support** | 9 | 264 | 0 | 0 | 273 | 273 |
| | Abstain | 11 | 0 | 0 | 0 | 11 | 11 |

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. Sourced on July 11, 2022.

Note:** By separating these proposals, we believe we can show a better comparison of our voting activities on behalf of clients across markets. ***Includes votes against and withheld.

1 Elect directors/supervisors and contested elections. **2** Includes discharge of directors, committee appointments, bundled elections and election of directors to specific board positions.

3 Includes Say-on-Pay proposals, Approve Remuneration Policy, and Equity Plans.

Appendix

July 1, 2021 through June 30, 2022 Voting Statistics

| | | Americas | EMEA | APAC ex Japan* | Japan | Global total | Global ex Japan* |
|---------------------------------------|---------------|----------|------|----------------|-------|--------------|------------------|
| ESG shareholder proposals | | | | | | | |
| | Support | 22 | 4 | 7 | 0 | 33 | 33 |
| Environmental | Not support** | 54 | 17 | 17 | 54 | 142 | 88 |
| | Abstain | 0 | 0 | 0 | 0 | 0 | 0 |
| Social | Support | 38 | 0 | 0 | 0 | 38 | 38 |
| | Not support** | 159 | 3 | 0 | 4 | 166 | 162 |
| | Abstain | 0 | 0 | 0 | 0 | 0 | 0 |
| Governance | Support | 62 | 68 | 6 | 12 | 148 | 136 |
| | Not support** | 337 | 166 | 35 | 199 | 737 | 538 |
| | Abstain | 0 | 0 | 0 | 4 | 4 | 0 |
| Other shareholder proposals | | | | | | | |
| Director elections¹ | Support | 30 | 6 | 2 | 0 | 38 | 38 |
| | Not support** | 6 | 0 | 5 | 15 | 26 | 11 |
| | Abstain | 0 | 0 | 0 | 0 | 0 | 0 |
| Director-related² | Support | 96 | 207 | 1,205 | 1 | 1,509 | 1,508 |
| | Not support** | 11 | 145 | 112 | 15 | 283 | 268 |
| | Abstain | 37 | 3 | 0 | 0 | 40 | 40 |
| Other³ | Support | 0 | 113 | 300 | 0 | 413 | 413 |
| | Not support** | 0 | 19 | 56 | 0 | 75 | 75 |
| | Abstain | 0 | 0 | 0 | 0 | 0 | 0 |

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. Sourced on July 11, 2022.

Note:** Separates shareholder proposals voted in the Japanese market, where numerous legally binding proposals are filed every year due to the low filing threshold. Japanese law allows proxy access for essentially any proposal and the threshold to file a legally binding shareholder proposal is relatively low, at 1% of outstanding shares or 300 trading-units, held for over six months. By separating these proposals, we believe we can show a better comparison of our voting activities on behalf of clients across markets. ***Includes votes against and withheld.

1 Shareholder proposed election of directors/supervisors and contested elections. **2** Includes discharge of directors, committee appointments, bundled elections and election of directors to specific board positions. For more information please see the "Proposal terminology explained" section. **3** Includes a number of shareholder originated proposals that fall outside the categories that most shareholders would view as ESG proposals and are generally procedural in nature. There are a substantial number of shareholder proposals in Greater China relative to other markets. For more information please see the "Proposal terminology explained" section.

Appendix

Proposal terminology explained

Management Proposals

Anti-takeover and Related Proposals –

Proposals concerning shareholder rights, the adoption of “poison pills,” and thresholds for approval, among others.

Capitalization –

Generally involves authorizations for stock issuances, private placements, stock splits, and conversions of securities.

Election of Directors –

A category of management originated proposals which includes the election of directors and the discharge of directors or boards.

Director-related Proposals –

A category of management originated, director-related proposals, excluding director elections, such as supervisory board matters, declassification of boards, implementation of majority voting, among others.

Mergers, Acquisitions, and Reorganizations –

Involves significant transactions requiring shareholder approval like spin-offs and asset sales, as well as changes to company jurisdiction or structure.

Routine Business –

Covers formal approvals of reports, name changes, and technical bylaws, among many others.

Other Management Proposals

Preferred / Bondholder –

Includes management items presented at bondholder meetings that are reserved for voting by holders of preferred shares or bonds as well as other proposals used to confirm information regarding the individual or institution voting the shares.

Social –

Includes management originated proposals relating to a range of social issues such as guidelines on political contributions.

Say-on-climate –

Proposals to approve a company’s climate action plan, commonly referred to as “say on climate.”

Appendix

Proposal terminology explained

Shareholder Proposals

Governance –

Generally involves key corporate governance matters affecting shareholder rights including governance mechanisms and related article/bylaw amendments, as well as proposals on compensation, and corporate political activities and related disclosures.

Environmental –

Covers shareholder proposals relating to reports on climate risk, energy efficiency, recycling, community environmental impacts, and environmental policies.

Social –

Includes shareholder originated proposals relating to a range of social issues such as reports on pay.

Election of Directors –

A category of shareholder originated proposals which includes the election of directors on a dissident shareholder's slate.

Director-related Proposals –

A category of shareholder originated director-related proposals, excluding director elections, such as supervisory board matters, declassification of boards, implementation of majority voting, among others, disparity, requests for enhanced anti-bias policies, or reports on human rights policies. A substantial number of these shareholder proposals are in Greater China relative to other markets. This is due to the

China Securities Regulatory Commission (CSRC) requiring companies that have a foreign listing to submit their proposals 45 days prior to the meeting (which applies to all Chinese companies that have an A-share listing in China together with H shares listed in Hong Kong). However, the CSRC allows shareholder proposals for these companies to be included up to 10 days prior to the meeting. The result is that many shareholder proposals are submitted by controlling shareholders and are, in effect, late agenda items from management.

Other –

Includes a number of shareholder originated proposals that fall outside the categories that most shareholders would view as ESG proposals and are generally procedural in nature. A substantial number of these shareholder proposals in Greater China relative to other markets. This is due to the China Securities Regulatory Commission (CSRC) requiring companies that have a foreign listing to submit their proposals 45 days prior to the meeting (which applies to all Chinese companies that have an A-share listing in China together with H-shares listed in Hong Kong). However, the CSRC allows shareholder proposals for these companies to be included up to 10 days prior to the meeting. The result is that many shareholder proposals are submitted by controlling shareholders and are, in effect, late agenda items from management.

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