

Vote Bulletin: AmerisourceBergen Corporation

Company	AmerisourceBergen Corporation (NYSE: ABC)
Market and Sector	Americas, Health Care
Meeting Date	11 March 2021
Key Resolutions ¹	<p>Item 1d: Re-elect Richard W. Gochnauer (Compensation Committee member)</p> <p>Item 1g: Re-elect Kathleen W. Hyle (Compensation Committee member)</p> <p>Item 1h: Re-elect Michael J. Long (Compensation Committee Chair)</p> <p>Item 3: Advisory Vote to Approve the Compensation of Named Executive Officers</p> <p>Item 4: Shareholder Proposal to Adopt a Policy that the Chairman of the Board be an Independent Director</p>
Key Topics	Corporate governance, executive compensation
Board Recommendation	The board recommended voting FOR the management items and AGAINST the shareholder proposal.
BlackRock Vote	BlackRock voted AGAINST the management items and AGAINST the shareholder proposal.

Overview

AmerisourceBergen (ABC) is “one of the largest global pharmaceutical sourcing and distribution service companies, helping both healthcare providers and pharmaceutical and biotech manufacturers improve patient access to products and enhance patient care.”²

As a distributor of opioid medications, ABC is subject to a number of lawsuits brought by private plaintiffs and governmental entities. In the fourth quarter of the fiscal year ended September 30, 2020, ABC recorded a charge of \$6.6 billion related to a potential global settlement of multi-district opioid litigation involving certain state and local governmental entities.³

BlackRock Investment Stewardship (BIS) regularly reviews ABC’s governance structure and risk profile. BIS has a long history of engagement with the company and most recently engaged with members of ABC’s management team and board regarding the company’s executive compensation program and board structure.

¹ AmerisourceBergen Corporation. [2021 Proxy statement and notice of annual meeting of stockholders](#). 28 January 2021.

² AmerisourceBergen Corporation. [Annual Report on Form 10-K](#) for the fiscal year ended September 30, 2020 (filed with the SEC on 19 November 2020), p. 1.

³ Id. at p. 14.

Rationale for BlackRock's Vote

Items 1d, g and h: Re-elect Richard W. Gochnauer; Kathleen W. Hyle; and Michael J. Long

BIS voted AGAINST the re-election of all three members of the Compensation and Succession Planning Committee: Richard W. Gochnauer, Kathleen W. Hyle, and the Chair of said Committee, Michael J. Long, due to concerns over the poor exercise of discretion regarding CEO compensation.

ABC's Compensation Committee has the "discretion to increase or reduce any portion of a calculated award for reasons including, but not limited to, issues that may positively or negatively impact the company."⁴ Per the BIS commentary on our approach to [incentives aligned with value creation](#), where a compensation committee has used its discretion in determining the outcome of any compensation structure, we expect transparency with respect to how and why discretion was used. As was the case in this instance, we hold members of the compensation committee, or equivalent, accountable for poor compensation practices or structures, and the lack of sufficient disclosure. Please refer to item 3 below for more detail regarding our concerns over the Compensation Committee's decisions.

Item 3: Advisory Vote to Approve the Compensation of our Named Executive Officers

BIS voted AGAINST ABC's Say-on-Pay proposal for failing to sufficiently address the magnitude of the opioid settlement-related adjustment and its effect on executive compensation payouts in its disclosures.

ABC Chairman, President and CEO Steven H. Collis received \$14.3 million in total compensation for fiscal year 2020, representing an increase of 26% from the prior year. We do not believe that support for ABC's Say-on-Pay proposal is warranted given the significant divergence between ABC's operating loss of \$5.1 billion – as calculated according to generally accepted accounting principles (GAAP) – and adjusted operating income of \$2.2 billion, as measured on a non-GAAP basis, which includes an adjustment for the \$6.6 billion opioid settlement-related charge.

ABC maintains that excluding the opioid settlement-related adjustment from its executive compensation payout determinations was an appropriate use of non-GAAP accounting practices. However, the company's original proxy statement failed to describe whether the Compensation Committee considered the charge when reaching its compensation decisions. We believe the circumstances call for a robust explanation by the Compensation Committee of its decision not to exercise discretion to lower Mr. Collis' payout. While a supplemental proxy filing⁵ made by ABC provided additional insight into the Compensation Committee's decisions, we believe that the filing did not sufficiently address the magnitude of the opioid settlement-related adjustment and the fact that it did not affect executive compensation payouts.

Item 4: Shareholder Proposal to Adopt a Policy that the Chairman of the Board be an Independent Director

BIS voted AGAINST the shareholder proposal requesting that ABC's Board of Directors adopt a policy and amend its governing documents as necessary to require that the Chairman of the Board of Directors to be an independent member of the Board, whenever possible.⁶

BIS did not support the proposal because the company has a designated Lead Independent Director, Dr. Jane E. Henney, who fulfills the requirements appropriate to such role. As stated in our [2021 Proxy voting guidelines for](#)

⁴ AmerisourceBergen Corporation. [Safe and Secure Distribution of Controlled Substances](#). September 2019, p. 8.

⁵ AmerisourceBergen Corporation. [Letter to Stockholders from the Compensation and Succession Planning Committee of the Board of Directors](#) (filed with the SEC on 2 March 2021).

⁶ AmerisourceBergen Corporation. [2021 Proxy statement and notice of annual meeting of stockholders](#). 28 January 2021.

[U.S. securities](#), “In the absence of a significant governance concern, we defer to boards to designate the most appropriate leadership structure to ensure adequate balance and independence. In the event that the board chooses a combined chair/CEO model, we generally support the designation of a lead independent director if they have the power to: 1) provide formal input into board meeting agendas; 2) call meetings of the independent directors; and 3) preside at meetings of independent directors. Furthermore, while we anticipate that most directors will be elected annually, we believe an element of continuity is important for this role to provide appropriate leadership balance to the chair/CEO.” While we maintain concerns regarding the decision related to compensation, we do not have any overarching governance or independence concerns that would warrant support for this proposal at this time.

About BlackRock Investment Stewardship (BIS)

BIS plays a fundamental role in the activation of BlackRock's purpose of helping more and more people experience financial well-being. Consistent with the firm's fiduciary duty, BIS advocates for sound corporate governance and business practices that deliver the sustainable, long-term financial returns that enable our clients to meet their investing goals. This objective drives our engagements and votes at company meetings.

We engage company leadership on key environmental, social, and governance (ESG) topics that, if not adequately addressed in policies, managed, and overseen, could expose the company to material economic, operational or reputational risks. Every year, we determine our engagement priorities based on our observation of market developments and emerging governance themes. Engagement also informs our voting decisions.

Our approach to investment stewardship is grounded in an expectation that the board will oversee and advise management, influencing management's approach to key business issues. When effective corporate governance is lacking, we believe that voting against the responsible director(s) and/or supporting a shareholder proposal that addresses a material risk are often the most impactful actions a long-term shareholder can take.

We are committed to transparency in our stewardship practices. Where we believe it will help to understand our decisions on key votes at shareholder meetings, we will publish a Vote Bulletin explaining the rationale for how we have voted and (where relevant) providing information around our engagement with the company.