BlackRock

Investment Stewardship

Vote Bulletin: Berkshire Hathaway, Inc.

Company	**Berkshire Hathaway, Inc. (NYSE: BRK)**
Market and Sector	United States/Financial Services
Meeting Date	1 May 2021
Key Resolutions[1]	**Item 1.1**: Elect Director Warren E. Buffett (Chairman and CEO) **Item 1.11**: Elect Director Thomas S. Murphy (former Chairman of the Audit Committee) **Item 1.13**: Elect Director Walter Scott, Jr. (Chairman of the Governance Committee) **Item 2**: Report on Climate-Related Risks and Opportunities (Shareholder Proposal) **Item 3**: Publish Annually a Report Assessing Diversity and Inclusion Efforts (Shareholder Proposal)
Key Topics	Governance structure, board oversight, climate risk, diversity, equity and inclusion
Board Recommendation	The board recommended voting FOR Items 1.1, 1.11, and 1.13, and AGAINST the two shareholder proposals (Items 2 and 3)
BlackRock Vote	BlackRock voted FOR Items 1.1, 2 and 3, and AGAINST Items 1.11 and 1.13

Overview

Berkshire Hathaway, Inc. (Berkshire Hathaway) engages in the provision of property and casualty insurance, reinsurance, utilities and energy, freight rail transportation, finance, manufacturing, and retailing services through its diverse public and private subsidiary businesses. Notably, Berkshire Hathaway controls 91% of public subsidiary Berkshire Hathaway Energy.

Berkshire Hathaway has a long history of strong financial performance, however, as we discuss in this Vote Bulletin, our concerns are related to our observation that the company is not adapting to a world where environmental, social, governance (ESG) considerations are becoming much more material to performance.

As a long-term investor on behalf of our clients, BlackRock Investment Stewardship (BIS) engages with companies to understand their approach to managing material corporate governance and sustainable business practices and to explain our views and provide feedback on issues of importance to a company's ability to generate sustainable long-term returns. BIS has attempted to engage with Berkshire Hathaway for several years, but our requests for engagement have not been granted. The company has pointed to Chairman and CEO Warren Buffett's Letter to Shareholders and the annual general meetings (AGMs) as the appropriate forums for insight into the company's strategy and to ask questions of management and the board, respectively. We agree that the AGM is an important venue for shareholders to raise issues with a company. However, Berkshire Hathaway's dual class structure means that the votes of minority investors, such as BlackRock, have a muted effect on the outcome of voting on business put to the AGM. We believe that as a shareholder with a significant

[1] Berkshire Hathaway Inc., "Notice of Annual Meeting of Shareholders".

economic exposure to the company on behalf of our clients, it is important to provide direct feedback or signal our concerns about governance and sustainability factors affecting long-term performance to management and the board.

We have a number of governance concerns at the company, including its current board structure. Berkshire Hathaway only has two board sub-committees. One is responsible for governance and compensation and the other is the audit committee.[2] We are also concerned with the leadership structure within the board. Warren Buffett serves as both the Chairman and CEO, yet there is no lead independent director. As discussed in our market-level voting guidelines for U.S. securities and Global Principles, we believe that independent leadership is important in the boardroom, and that the board is best able to fulfill its fiduciary duty when there is an independent, senior non-executive board chair or, where the chairman is also the CEO (or is otherwise not independent), a strong Lead Independent Director. BIS will look to support the board in the structure of its choice, so long as we have confidence that the Lead Independent Director is appropriately challenging management and demonstrating sufficient independence.

In addition, we have concerns about the succession planning for key leadership roles, including the Chairman/CEO. BIS views orderly succession as one of the key roles of the board. It has been reported that Warren Buffett would be succeeded by a team comprised of one CEO and two to four investment managers. While we acknowledge the progress made on the succession plan, the company has not provided any disclosure around how succession risk is being addressed (including, but not limited to, a review by the Board of Directors of potential internal and/or external candidates). In Berkshire Hathaway's specific context, we believe this risk is greater because of the strong leadership and impact Warren Buffett has had on the company and the unique breadth of subsidiary companies under the holding company umbrella.

Rationale for BlackRock's Vote

Item 1.1: Elect Director Warren E. Buffett (Chairman and CEO)

BIS voted for the re-election of Chairman and CEO, Warren Buffett. While voting action is warranted against the company for both governance and climate disclosure shortfalls (see below), exercising the vote against a sitting CEO is unwarranted at this time.

BIS did not consider it appropriate or beneficial for shareholders to vote against the re-election of Warren Buffett. We do not have concerns about the company's recent financial performance or Warren Buffett's performance in the role.

That being said, we have held the company accountable for shortfalls in its governance practices and sustainability disclosure, as discussed in further detail below.

Item 1.11: Elect Director Thomas S. Murphy (former Chairman of the Audit Committee)

Item 1.13: Elect Director Walter Scott, Jr. (Chairman of the Governance Committee)

BIS voted against the re-election of the former Chairman of the Audit Committee, Thomas Murphy, and the Chairman of the Governance Committee, Walter Scott, due to our concerns over shortfalls in the company's governance practices and climate action planning and disclosure.

As we discuss in our commentary, "Climate Risk and the Transition to a Low-Carbon Economy," we believe companies should disclose not only the outcomes of their analyses under different climate scenarios, but a credible strategic plan to operate under a scenario in which the average rise in global temperatures stays well below 2 degrees Celsius. This includes setting targets for reducing greenhouse gas (GHG) emissions in the short-, medium-, and long-term, disclosure on the company's anticipated transition to be viable in a lower

[2] Berkshire Hathaway, Inc., Corporate Governance documents.

carbon economy (i.e. plans to align the company's business model with net zero GHG emissions by 2050) and disclosure on the global warming path the company is on.

Currently, Berkshire Hathaway does not produce any type of sustainability disclosure, nor does it file a Climate Disclosure Project (CDP) report.

We voted against the re-election of the former Chairman of the Audit Committee, Thomas Murphy, due to concerns over the shortfalls in the company's climate-related action planning and disclosures, as well as a lack of demonstrated oversight of this risk. On the latter, Berkshire Hathaway has not assigned the oversight of climate risk, or broader sustainability risk, to a particular committee. However, the proxy statement does give a risk assessment and management authority to the audit committee.[3] As stated in our US proxy voting guidelines, BIS will hold members of the relevant committee or the most senior non-executive director accountable for inadequate disclosures and the underlying business practices. Thomas Murphy was the Chair of the Audit Committee until this year and many of these issues arose under his tenure.

BIS also voted against the re-election of the Chairman of the Governance Committee, Walter Scott, due to the company's failure to meaningfully engage with institutional shareholders, failure to appoint a lead independent director, and limited disclosure on succession planning. We look to a company's board for oversight of and influence in shaping management's approach to material business issues. In the absence of robust board involvement as assessed through our engagement with management and board members, corporate disclosures, and observed outcomes, we may conclude that a board is failing in its responsibilities to shareholders in ensuring that the company is adequately managing material risks. Where that is the case, as demonstrated in this instance, we will hold relevant directors accountable by voting against their re-election.

Item 2: Report on Climate-Related Risks and Opportunities (Shareholder Proposal)

BIS supported this proposal because the company does not currently meet our expectations for disclosing a plan for how its business model will be compatible with a low-carbon economy.

The shareholder proposal requested that the company publish an annual report "addressing how the Company manages physical and transitional climate-related risks and opportunities, commencing prior to its 2022 annual shareholders' meeting."[4] At the Board's discretion, this would include: "Summaries of risks and opportunities for each of the Company's subsidiaries and investee organizations that the board believes could be materially impacted by, or significantly contribution to, climate change; An explanation of how the board oversees and manages climate-related risks and opportunities; and, an examination of the feasibility of the Company establishing science-based, greenhouse gas (GHG) reduction targets, consistent with limiting climate change to well-below 2C."[5]

BIS supported this shareholder proposal because of the lack of progress that the company has made regarding the management and disclosure of climate-related risks and opportunities. On our assessment, the shareholder proposal is reasonable and not unduly constraining to management, and therefore our support may help accelerate action on climate-related business risks by the company.

[3] Berkshire Hathaway Inc., "Notice of Annual Meeting of Shareholders".

[4] See previous footnote.

[5] See previous footnote.

Item 3: Publish Annually a Report Assessing Diversity and Inclusion Efforts (Shareholder Proposal)

BIS supported this proposal because the company does not meet our expectations for disclosure of material diversity, equity, and inclusion policies and/or risks.

The shareholder proposal requested that Berkshire Hathaway's "holding companies publish annual reports assessing their diversity and inclusion efforts, at reasonable expense and excluding proprietary information. At a minimum the report should include: the process that the Board follows for assessing the effectiveness of diversity, equity and inclusion programs, and; the Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment and retention of protected classes of employees."[6]

BIS supported this shareholder proposal seeking enhanced reporting on the Board's oversight of diversity, equity, and inclusion (DEI) policies and outcomes at its holding companies, through which it employs 360,000 people, because Berkshire Hathaway has not disclosed any information to help investors assess its performance on this material business issue. BIS agrees with the intent of advancing DEI and on our assessment, the shareholder proposal is reasonable and not unduly constraining to management.

[6] See previous footnote.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance — and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our Global Principles, proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our Global Principles, market-level voting guidelines, and engagement priorities, material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.