

# Voting Bulletin: Cheniere Energy, Inc.

As part of our fiduciary duty, BlackRock’s Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our [engagement priorities](#) based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The BIS team’s key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	<b>Cheniere Energy, Inc.</b>
Market	United States
Meeting Date	14 <sup>th</sup> May 2020
Key Resolutions <sup>1</sup>	<p><b>Item 1A:</b> Elect Director G. Andrea Botta</p> <p><b>Item 1H:</b> Elect Director Andrew Langham</p> <p><b>Item 5:</b> Report on Plans to Address Stranded Carbon Asset Risks</p>
Board Recommendation	The company recommended shareholders vote FOR the re-election of these directors and AGAINST the shareholder proposal.
BlackRock Vote	We voted AGAINST the re-election of Directors G. Andrea Botta and Andrew Langham for insufficient progress on climate reporting, and over-boarding, respectively. We voted AGAINST the shareholder proposal as we view it as too prescriptive.

<sup>1</sup> The full meeting resolutions and agenda can be accessed at: <https://Ingir.cheniere.com/news-events/2020AnnualMeeting>.

## Overview

Cheniere Energy, Inc. (Cheniere) is primarily involved in producing liquified natural gas (LNG). Headquartered in Houston, Texas, Cheniere provides LNG to integrated energy companies, utilities, and energy trading companies around the world. The company owns and operates two LNG export facilities on the US Gulf Coast; the Sabine Pass LNG terminal in Cameron Parish, Louisiana, and Corpus Christi LNG terminal near Corpus Christi, Texas.

BIS has a multi-year history of engagement with Cheniere, where we have discussed compensation, diversity, climate disclosure, and the involvement of Icahn Partners on the board after the Nomination and Standstill Agreement in 2015,<sup>2</sup> among other issues.

## Climate disclosure and target-setting

As a fiduciary on behalf of our clients, we rely on company disclosures, in tandem with our direct engagements, to assess whether companies are appropriately managing and overseeing material environmental risks within their business and adequately planning for the transition to a lower carbon future. In the absence of those disclosures, we are increasingly concluding that companies, especially those with carbon-intensive businesses, are not adequately managing risk.

During our most recent engagement with Cheniere earlier this year, we raised our concern that the company does not have fulsome TCFD aligned reporting available to shareholders. While the company provides information on its website regarding board oversight of climate risk and the company's belief that LNG will remain a viable source of energy into the future,<sup>3</sup> the company does not set forth scenario analysis, GHG reduction targets, or its risk management process. The company advised BIS that it is aware of this gap and plans to release an inaugural corporate responsibility report by year end 2020. The report will be aligned with elements of the reporting standards and recommendations set forth by the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB), among others. The report is also expected to include a discussion of the company's outlook for LNG demand under the International Energy Agency's Sustainable Development Scenario,<sup>4</sup> as well as its views on the risk of stranded LNG facility assets during the transition to a lower-carbon economy.

We are encouraged by Cheniere's plans to publish a report aligned with the recommendations of TCFD and SASB and are hopeful that these disclosures answer many of the questions we currently have with regard to risk management and strategic planning around climate risk. However, given the company's business model, we would have expected the company's current reporting on these topics to be more advanced, particularly given BIS' engagement with the company in prior years.

By not having this reporting already in place, the company is lagging its peers and leaving investors without a clear sense of important components of the company's risk-management approach. These facts, combined with our inability to predict the fulsomeness of the future reporting, leaves us concerned about the robustness of the company's current approach to climate risk.

## Rationale for BlackRock vote

Based on our analysis and multi-year engagement with the company, BlackRock voted against the following agenda items:

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<sup>2</sup> For additional information, please see: <https://www.sec.gov/Archives/edgar/data/3570/000119312515299622/d28439d8k.htm>.

<sup>3</sup> For additional information, please see: <https://www.cheniere.com/corporate-responsibility/climate/>.

<sup>4</sup> For additional information, please see: <https://www.iea.org/reports/world-energy-model/sustainable-development-scenario>.

### **Item 1A: Elect Director G. Andrea Botta (AGAINST)**

As we note in our [Global Engagement Principles](#), when a company is not effectively addressing a material issue likely to impact its ability to deliver sustainable long-term value, we look to hold the company's board members accountable.

In line with that approach, we voted against the Chair of the Nominating and Governance Committee for insufficient progress on climate-related reporting. As disclosed in the company's proxy, the Nominating and Governance Committee evaluates current and emerging environmental, sustainability and social responsibility issues and opportunities facing the company, and reviews the company's climate change and sustainability policies and strategies. We therefore look to the chair of this committee for failing to ensure that management has robust practices and disclosures on climate risk in place.

### **Item 1H: Elect Director Andrew Langham (AGAINST)**

BIS has a longstanding focus on board commitments. Serving on an excess number of boards limits a director's capacity to focus on issues important to each company. As we explain in our [proxy voting guidelines for U.S. securities](#), non-CEO directors should limit themselves to serving on a total of no more than four public company boards.

Director Langham currently sits on five public company boards. We therefore voted against his re-election for being over-committed. In our view, board members should be able to contribute effectively to the board as corporate strategy evolves and business conditions change, and all directors, regardless of tenure, must demonstrate appropriate engagement in their duties. A director that serves on an excessive number of boards may be limited in his or her capacity to focus on each board's requirements.

### **Item 5: Report on Plans to Address Stranded Carbon Asset Risks (AGAINST)**

Cheniere received a shareholder proposal at the 2020 annual general meeting (AGM) from an individual shareholder requesting a report on plans to address the risks of its assets being "stranded," (or unable to be monetized) due to lack of demand in a low carbon economy.

*RESOLVED: The company shall prepare a report discussing price, amortization and obsolescence risk to existing and planned Liquid Natural Gas capital investments posed by carbon emissions reductions of 50% or higher applied to Scope Two and Scope Three emissions by 2030 (in line with the Paris Accord's 2C target) as well as 'net zero' emissions targets by 2050, also called for in the Paris Accord and what the company plans to do about managing this risk. The report shall be produced at reasonable cost, omit proprietary information and cite sources.*

We share the underlying concerns reflected in the resolution regarding board oversight of climate-related risks and ambitious emissions targets. However, in our view, the shareholder proposal is highly prescriptive as it is requesting that the company report on stranded asset risks associated with carbon emissions reduction of 50% or higher applied to Scope 2 and Scope 3 emissions by 2030, as well as 'net zero' emissions targets by 2050. **Given the specificity of this proposal and the company's lack of reporting baseline on account of its lagging scenario analysis disclosures, the company should prioritize bringing its reporting in line with the recommendations of SASB and the TCFD. Once we have had an opportunity to review the company's forthcoming disclosures, we can better provide them our feedback on the rigor of their targets.**

We look forward to reviewing the company's forthcoming disclosures and to continued engagement with them on the full range of governance topics.