BlackRock

Investment Stewardship

Vote Bulletin: Dow, Inc.

Company	**Dow, Inc. (NYSE: DOW)**
Market and Sector	United States/Commodity Chemicals
Meeting Date	15 April 2021
Key Resolutions[1]	Multiple routine items
Key Topics	Climate risk
Board Recommendation	The board recommended voting FOR all management items
BlackRock Vote	BlackRock voted in line with management

Overview

Dow, Inc. (Dow) is a U.S.-based materials science and commodity chemicals company, manufacturing polyethylene and silicone used in markets such as consumer care, infrastructure, and packaging around the world. The company has gone through a series of transitions, including a merger with Dupont to create DowDupont. However, in June 2019 DowDuPont dissolved into three separate businesses; DuPont, Dow, and Corteva.[2]

BlackRock Investment Stewardship (BIS), along with BlackRock's active equity teams, have engaged with DowDupont and Dow for several years to discuss environmental, social, and governance (ESG) issues that we believe drive long-term shareholder value, including management and board oversight of climate-related risks, sustainability disclosure, strategy, purpose, and financial resilience. Prior to the merger and subsequent split, Dow had maintained a foundational role within the US chemicals space. However, as "new" Dow, the company took the opportunity to review existing disclosures, practices, and business to articulate how ESG considerations are integral to their strategy. Over the last four years, BIS has encouraged reporting in line with the Task Force on Climate-related Disclosures (TCFD) framework, in conjunction with the Sustainability Accounting Board Standards (SASB) metrics. In considering these non-financial yet material factors within their strategy, the company has demonstrated to shareholders and stakeholders the way in which its products are serving a purpose, while addressing globally pressing issues such as climate change and plastic waste.

The chemicals sector faces increased scrutiny for its greenhouse gas (GHG) emissions and responsible use of materials in the context of global waste and recycling efforts. We consider Dow to be an example of a company that has successfully integrated sustainability into its corporate strategy. Specifically, the company has set

[1] Dow Inc, "2021 annual meeting of stockholders".

[2] See http://www.dow-dupont.com/.

rigorous GHG emissions reduction targets and has pledged to contribute solutions to the mounting issue of global plastic waste.

Rationale for BlackRock's Vote

BIS supported management; we consider the company, which is in BIS' Climate Focus Universe, to be an industry leader in its management of material ESG risks and opportunities.

Dow is an example of a leader among U.S. chemicals and materials companies in the transition to a low-carbon economy. The company has demonstrated that it has sufficiently assessed its operations and vulnerabilities, is crafting scalable solutions, and considering low-carbon investments, among other initiatives. As we discuss in our commentary, "*Climate Risk and the Transition to a Low-Carbon Economy*," we believe that the company has positioned itself to address near-term climate risks and opportunities, while simultaneously making the necessary internal process, policy, and capital allocation adjustments to allow for long-term financial viability in a low-carbon economy.

Dow has made sustainability pivotal to its strategy and a core pillar of its purpose.[3] The company is also well positioned to contribute to a circular economy, while mitigating risks of climate change as an early adopter of alternative energy and internal carbon pricing.[4]

Chemicals companies are often in a unique position—the heat requirements needed for chemical reactions and related industrial processes can, in many cases, be electrified, meaning these companies can source alternative energy on-site (wind/solar) or contract with grid providers to ensure that energy is sourced from non-carbon emitting fuels. Studies show that 50% of the fuel used in industrial processes could be replaced with electricity, using technologies available today. This includes all energy required to generate heat for industrial processes up to approximately 1,000 degrees Celsius.[5]

In addition, considering its products footprint, Dow is one of the largest industrial users of renewable energy.[6] In 2019, the company obtained approximately 13% of total electricity consumption from renewable sources and has announced several new renewable energy purchases in 2020. Past investments in purchased renewable power have contributed to the company reducing its overall GHG emissions by 15% in the last 15 years.

Dow has made rigorous GHG emissions reduction goals and is working to transform and enhance the sustainability of the plastics industry more broadly.[7] In addition, the company has publicly stated climate-related targets, including:

- Reducing net annual carbon emissions by 5 million metric tons, as compared to a 2020 baseline (equal to 15% absolute reduction in emissions) by 2030;
- Achieving carbon neutrality by 2050 (including scope 1+2+3 emissions, plus product benefits);
- Enabling the collection of 1 million metric tons of plastic for re-use and recycling through direct actions and partnerships by 2030; and
- Creating 100% reusable or recyclable packaging by 2035.[8]

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[3] Dow, Inc., "2025 Sustainability Goals".

[4] Dow, Inc., "Making our operations less carbon intensive".

[5] McKinsey & Company, "Plugging in: What Electrification Can do for Industry".

[6] Dow, Inc., "Investing in Renewable Energy".

[7] Dow, Inc., "2025 Sustainability Goals".

[8] Dow, Inc., "Dow sets targets to reduce GHG emissions, stop plastic waste, and drive toward a circular economy".

In addition, the company's latest sustainability report demonstrates its commitment to accountability and transparency. The report provides disclosure aligned with the TCFD and SASB metrics.[9] We believe that the TCFD framework and SASB metrics are highly complementary; companies are well-served to consider them in tandem.

Overall, Dow has demonstrated that sustainability is pivotal to its strategy, while also being a core pillar of its purpose. It is also mitigating climate-related risks and implementing plans to transition to a low-carbon economy. Accordingly, BIS supported management at the company's 2021 Annual Meeting of Stockholders.

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[9] Dow, Inc., "2019 Sustainability Report".

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.