

Investment Stewardship Group

Voting bulletin: Sanderson Farms

As part of our fiduciary duty, BlackRock's Investment Stewardship (BIS) team 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, social, and governance factors that potentially have material economic, operational or reputational ramifications for the company. 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, and (where relevant) providing information around our engagement with the issuer.

These Voting Bulletins are made public on, or shortly after, the day of the meeting.

Company	Sanderson Farms
Meeting Date	13 th February 2020
Resolutions ¹	Item 6: Report on Water Resource Risks Item 7: Report on Human Rights Due Diligence
Board Recommendation	Item 6: AGAINST Item 7: AGAINST
BlackRock Vote	BIS voted FOR all management proposals and AGAINST both shareholder proposals due to our engagements with the company and their willingness to produce SASB-aligned sustainability reporting

We are publishing this vote bulletin due to interest in the outcome of non-binding shareholder resolutions which came to a vote at the annual meeting asking the company to enhance its sustainability disclosures.

Following our engagement, BlackRock determined that Sanderson Farms' policies and processes adequately addressed the proponents' concerns regarding the company's oversight of the environmental and social issues pertaining to water stewardship and human rights. While neither resolution garnered majority support, the company issued a press release following its annual meeting announcing its commitment to align its sustainability reporting with Sustainability Accounting Standards Board (SASB) standards.

1. Full meeting agenda and resolutions can be accessed at <http://ir.sandersonfarms.com/index.php/financial-information/annual-reports>

Overview

Sanderson Farms is the third largest poultry producer in the U.S. The company is engaged in the production, processing, marketing and distribution of fresh, frozen and minimally prepared chicken. The company sells its fresh and frozen chicken products primarily under the Sanderson Farms brand name to retailers, distributors and casual dining operators. Through its prepared chicken division, the company also sells, primarily under the Sanderson Farms brand name, minimally prepared chicken to distributors and food service establishments.

BIS regularly reviews Sanderson Farms' governance structure and risk profile. In advance of this year's annual meeting, BIS had two engagements with the company's board and management where we discussed a range of material issues driving long-term shareholder value, including board oversight and company disclosures regarding environmental and social issues. Sustainability topics we covered during the engagements include energy conservation efforts, waste management, greenhouse gas emissions management, water stewardship, and human rights.

In their latest corporate responsibility report, Sanderson Farms discloses their annual corporate water usage as well as their water conservation goals and renovation initiatives. Additionally, the company's 2020 proxy statement provides additional details relating to its sustainable agriculture initiatives and high water stress exposure. Regarding their human rights due diligence process, Sanderson Farms discloses details in their corporate responsibility report, proxy statement and supplement filing. During our engagement, management reiterated their policies and process, confirming visibility and auditing of their supply chain.

Rationale for the BlackRock Vote

The agenda items for the Annual Meeting, and upon which BlackRock voted, were:

1. Election of Directors
2. Approval of the Sanderson Farms, Inc. and Affiliates Amended and Restated Stock Incentive Plan
3. Consideration of an advisory vote to approve executive compensation
4. Determination of the frequency with which the company should hold future non-binding advisory votes on executive compensation
5. Ratification of the independent auditors for fiscal 2020
6. Consideration of a shareholder proposal requesting an annual report on water resource risks and related metrics
7. Consideration of a shareholder proposal requesting a report on the company's human rights due diligence process

BlackRock supported management on all proposals.

Based on our analysis and engagement with the company, regarding the two sustainability-related shareholder proposals, BlackRock voted in support of management given Sanderson Farms' current level of sustainability disclosures and its willingness to improve its reporting by aligning reporting with the SASB framework, as discussed in our engagement with the company prior to the annual meeting.

The company issued a press release immediately following the annual meeting stating "Even though the two stockholder proposals were rejected, the company announced that following recent extensive engagement with many of its largest stockholders, and in recognition of evolving investor expectations in regard to sustainability reporting, the company is committing to integrate the reporting standards of the Sustainability Accounting Standards Board (SASB) into its environmental, social, and governance (ESG) disclosures by the end of fiscal 2020. The purpose of these enhanced disclosures is to provide the company's stockholders with transparent, comparable, and decision-useful ESG data that SASB has identified as being material to the company's business."

BlackRock considers the SASB an appropriate starting point for any company assessing its environmental and social risks and opportunities, including climate risk. A company's disclosure should reflect its financially material business practices. How management articulates a company's approach to an issue can signal leading or lagging practices and performance on that issue. Sanderson Farms' willingness to produce SASB-aligned reporting is a positive indication of the company's willingness to effectively communicate their material sustainability initiatives.

We will continue to engage with the board and management on a range of governance, and material sustainability issues, and we intend to monitor and provide feedback on the quality of relevant disclosures.