

# Vote Bulletin: Whitehaven Coal

Company	<b>Whitehaven Coal (ASX: WHC)</b>
Market and Sector	Australia, Mining
Meeting Date	27 October 2021
Key Resolutions <sup>1</sup>	<p><b>Item 1:</b> Approve Remuneration Report</p> <p><b>Item 3:</b> Elect Fiona Robertson as Director</p> <p><b>Item 4:</b> Elect Lindsay Ward as Director</p> <p><b>Item 6:</b> Approve the Amendments to the Company’s Constitution</p> <p><b>Item 7:</b> Approve Capital Protection</p>
Key Topics	Climate risk
Board Recommendation	The board recommended a vote FOR items 1, 3, 4 and a vote AGAINST items 6 and 7
<b>BlackRockVote</b>	BlackRockvoted AGAINST all items

## Overview

Whitehaven Coal Ltd (Whitehaven) is an Australia-based coal mining company with four mines in the Gunnedah Basin of New South Wales, Australia – Maules Creek, Narrabri, Tarrawonga, Werris Creek – and two additional regional coal assets in development – Vickery Extension, Winchester South.<sup>2</sup>

BlackRock Investment Stewardship (BIS) regularly engages with the company to discuss a range of governance matters and its approach to climate and energy transition risks as we believe management of these issues can impact the long-term financial interests of BlackRock clients as shareholders. We engage based on the conviction that companies, in particular carbon-intensive companies, that act early to anticipate and mitigate climate and sustainability risks will be better positioned to capture growth opportunities through a period of significant industry transition.

At last year’s Annual General Meeting (AGM), BIS voted on behalf of clients against the re-election of the longest-standing director to signal concerns about the adequacy of disclosures regarding its plans to transition its business model to be viable in a low-carbon economy. We believe that Whitehaven and shareholders would benefit from the company more proactively and ambitiously managing the climate risks inherent in its business model.

<sup>1</sup> Whitehaven Coal Limited 2021 [Notice of Annual General Meeting](#)

<sup>2</sup> [Whitehaven Coal Limited](#)

BIS has continued to engage with the company to understand how it is adapting to respond to potential changes in the energy sector and the long-term policy environment, both globally and in Australia. We have also underscored the importance of carbon-intensive companies providing investors with disclosures for all four pillars of the Task Force on Climate-related Financial Disclosures (TCFD) framework, including short-, medium-, and long-term GHG emissions reduction targets. We ask companies to explain how their business model will be compatible with a global aspiration of net zero global GHG emissions by 2050. Our request that companies provide these disclosures is based on our conviction that such efforts better prepare companies to navigate the energy transition and deliver long-term value for shareholders.

While the company's current disclosures reference TCFD, they do not address all four pillars of the framework, nor do they include GHG reductions targets or alignment with a global aspiration of net zero GHG emissions by 2050. Based on our multi-year dialogue regarding the importance of integrating climate-related risks into its business model, as well as our previous vote to communicate our concerns on the issue, we had hoped the company would have made more progress over the past year.

## **Rationale for BlackRock's Vote**

### **Item 1: Approve the remuneration report**

**BIS voted AGAINST the 2021 remuneration report for several concerns including whether there was sufficient transparency on how short-term incentive measures, including the "Health, Safety & Environment" measures, were set and achieved.**

BIS supports remuneration plans that encourage the delivery of performance that is aligned with a company's corporate strategy and shareholder interests — particularly the generation of long-term value for shareholders, BlackRock's clients. We will continue to engage with Whitehaven to encourage greater transparency on how incentive outcomes are set and determined.

### **Item 3 and 4: Election of Directors Fiona Robertson and Director Lindsay Ward**

**BIS voted AGAINST the re-election of the two directors up for election to signal persistent concern that the company is not proactively or ambitiously managing the climate risk inherent in its business model.**

An effective board is critical to a company's economic success and the protection of shareholders' interests. Voting on the re-election of directors remains one of the most important ways investors can signal support for or concern about a board's oversight of management. We believe that when a company is not effectively addressing risks that could impact long-term value, its directors should be held accountable.

Based on the company's current disclosures, BIS believes that the board has not sufficiently challenged management to address the climate-related risks in its business model and anticipated changes in the energy sector and long-term policy environment, both in Australia and globally. In our assessment, this impairs the company's ability to generate durable financial returns and serve the long-term economic interests of shareholders. BIS voted against the two directors standing for re-election at the 2021 AGM as we believe they, and their fellow board directors, are responsible for ensuring management takes the appropriate steps to manage and mitigate business risk. We will continue to engage with the board and management to encourage an acceleration of its efforts to clearly articulate how it is adapting its business model to reflect climate-related risks and opportunities.

### **Item 6: Amendment to the Constitution**

**BIS voted AGAINST the proposal to amend the Constitution, a requirement under Australian voting rules to allow ordinary resolutions to be placed on the agenda at a company's AGM.**

**The full resolution reads as follows:**

*To amend the constitution to insert beneath Clause 9 'General meetings' the following new sub-clause:*

*“The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to a material risk as identified by the company and cannot either advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company.”<sup>3</sup>*

As required under the Australia Corporations Act 2001, a resolution calling for an amendment to the company’s constitution is first necessary to allow for the subsequent ordinary resolution (in this case item 7). A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution.

BIS is generally not supportive of constitutional amendment resolutions. Our concern is that the relative ease of filing introduces the risk of potentially distracting and time-consuming proposals being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base.

### **Item 7: Ordinary resolution on capital protection**

**BIS voted AGAINST the resolution as it is overly prescriptive and risks unduly constraining management’s ability to make business decisions.**

**The full resolution reads as follows:**

*Shareholders request that the company disclose, in subsequent annual reporting, information demonstrating how the company’s capital expenditure and operations pertaining to its coal assets will be managed in a manner consistent with a scenario in which global energy emissions reach netzero by 2050.*

*This information should include: 1. Details of how the company’s capital expenditure will facilitate the efficient managing down of coal operations and assets. 2. Production guidance for the lifetime of coal assets. 3. Plans and capital expenditure requirements for decommissioning and rehabilitating coal asset sites at the end of their lifetimes. 4. Plans for how employees of the company will be informed of coal asset closures, and employee transition plans, including any compensation for job losses, training and support in seeking future employment. 5. Details of how the company’s remaining capital will be redeployed or returned to investor.<sup>4</sup>*

In general, BIS does not support shareholder proposals that we believe to be overly prescriptive and as such, would risk unduly constraining management’s ability to make business decisions, as is the case with this resolution. BIS believes companies should disclose a plan for how their business model will be compatible with a low-carbon economy. The plan should be integrated into company strategy and include short-, medium-, and long-term targets and goals. We recognize that Whitehaven does not meet these expectations and we have communicated our concern on behalf of clients by voting against both the two directors up for election at this year’s AGM and the remuneration report. We believe this to be the most appropriate voting action at this time to urge the company to address what we have determined are gaps in its efforts to address climate-related business risk.

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<sup>3</sup> Whitehaven Coal Limited 2021 [Notice of Annual General Meeting](#)

<sup>4</sup> Whitehaven Coal Limited 2021 [Notice of Annual General Meeting](#)

BIS maintains that carbon-intensive companies have a critical role to play in unlocking the value of the energy transition. BIS will continue to monitor Whitehaven's progress and responsiveness to shareholder concerns, specifically as it relates to the impact of climate- and sustainability-related risks on long-term financial performance. BIS will also continue to use both engagement and voting as a means of advancing the interests of BlackRock clients as shareholders, in pursuance of long-term value creation.

## 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.

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