

Investment Stewardship

Vote Bulletin: Pacific Basin Shipping Limited

Company	Pacific Basin Shipping Limited (HKEX: 2343)
Market and Sector	Hong Kong, Industrials
Meeting Date	April 19, 2024
Key Resolutions ¹	Item 7: Approve and Adopt Third Amended and Restated Bye-Laws
Key Topics	Corporate governance
Board Recommendation	The board recommended shareholders vote FOR
BlackRock Vote ²	BlackRock voted AGAINST Item 7

Overview

Pacific Basin Shipping Limited (Pacific Basin) is one of the world’s largest owners and operators of modern Handysize and Supramax dry bulk ships.³ Pacific Basin is listed in Hong Kong.

As part of our fiduciary duty to our clients, BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on their behalf. In our experience, sound governance is critical to long-term financial value creation and the protection of investors’ interests.

BIS takes a constructive, long-term approach to our engagement with companies and focuses on the management and oversight of the drivers of risk and financial value creation in a company’s business model. Engagement may also help inform our voting decisions for those clients who have given us authority to vote on their behalf.

BIS has had multiyear engagements with Pacific Basin in which we have discussed a range of business-relevant risks and opportunities. These have included corporate governance topics such as how Pacific Basin is managing material human capital-related issues and climate-related risks and opportunities. In 2024, BIS engaged with the company prior to its April annual general meeting (AGM) to discuss the management

¹ Pacific Basin. “[Proxy Form](#).” 2024.

² BIS conducts proxy voting for those clients who authorize us to vote on their behalf. As part of BlackRock’s Voting Choice program, eligible institutional and retail clients can have greater access to the proxy voting process where legally and operationally viable. Read more about Voting Choice [here](#).

³ Pacific Basin. “[2023 Annual Report](#).” 2024.

proposal to amend the company's bye-laws in anticipation of potential regulatory changes.⁴ Specifically, the Hong Kong Stock Exchange (the Exchange) undertook a consultation on its "Proposed Amendments to Listing Rules Relating to Treasury Shares,"⁵ which proposed rules permitting companies to keep repurchased shares as treasury shares and to re-issue on the market later.

Rationale for BlackRock's vote

Item 7: Approve and Adopt Third Amended and Restated Bye-Laws (AGAINST)

BIS did not support the proposal to amend Pacific Basin's bye-laws because, in our view, it could potentially weaken an important shareholder return mechanism and prudent capital management.

On the agenda of Pacific Basin's April 2024 AGM included a management proposal to amend its bye-laws which, if approved by shareholders, would enable the company to purchase its own shares for cancellation or retention as treasury share,⁶ subject to relevant regulations and the company's memorandum of association.⁷

In our experience, companies acquiring their own shares to hold as treasury shares can run counter to the financial interests of long-term minority shareholders, like BlackRock's clients. Firstly, it undermines the effectiveness of share buybacks as a signal to the market. Share buybacks are, in part, a mechanism to return cash to shareholders and reduce the cost of capital. To be effective, repurchased shares need to be cancelled to signal to the market that an issuer does not expect to raise equity capital in the foreseeable future. Our experience in other markets suggests that, when repurchased shares are not cancelled but held in treasury, investors typically expect those shares to return to the market. Accordingly, investors do not exclude treasury shares from earnings per share (EPS) calculations in their modelling, in contrast to the accounting treatment.⁸ As a result, the market may not react favorably or rerate the company.

Secondly, holding treasury shares enables the easy re-issuance of equity capital. This could weaken prudent capital management and allows companies to potentially trade their own shares on the Exchange.⁹ As a result of these considerations, BIS determined that support for this proposal was not in our clients' financial interests as long-term investors.

BIS will continue to engage with issuers, including Pacific Basin, in the Greater China market to understand their perspectives and approaches to the use of treasury shares, and other governance matters impacted by the regulatory changes which became effective in June 2024,¹⁰ as well as the processes they have in place to consider the interests of independent minority shareholders.

⁴ HKEX published the consultation paper in Oct 2023, and published the consultation conclusion in April 2024. Pacific Basin's AGM circular was published in March 2024.

HKEX, "[Exchange Publishes Consultation Paper on Proposed Amendments to Listing Rules Relating to Treasury Shares and Guidance Letter on Issuers' Automatic Share Buy-back Programs](#)", 2023.

HKEX, "[Exchange Publishes Conclusions on Proposed Amendments to Listing Rules Relating to Treasury Shares](#)", 2024.

⁵ See footnote above on HKEX's consultation paper.

⁶ Treasury shares are shares that were once part of the outstanding shares of a company but were subsequently repurchased by the company. These shares do not pay dividends and do not carry voting rights.

⁷ Pacific Basin. "[Declaration of Final Dividend, Re-election of Directors, General Mandates to Issue Shares and to Buy Back Shares, Proposed Amendments to the Existing Bye-Laws and Adoption of the New Bye-Laws and Notice of Annual General Meeting](#)", 2024.

⁸ See footnote above on HKEX's consultation paper, page 26.

⁹ BIS' public comment letter in response to the Exchange's consultation explains our views in more detail. Please see: BlackRock Investment Stewardship, "[Our response to the Exchange's consultation paper on "Proposed Amendments to Listing Rules Relating to Treasury Shares"](#)", 2023.

¹⁰ See footnote above on HKEX's consultation conclusion.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on behalf of our clients. For those clients who have given us authority,¹¹ we vote proxies in line with our public [Global Principles and regional voting guidelines](#) and informed by our engagements, where relevant, as well as our analysis of company disclosures.¹² Under our benchmark policies we vote with the sole objective to advance our clients' long-term financial interests.

As one of many shareholders, and typically a minority one, our role, on behalf of our clients as long-term investors, is to better understand how a company's leadership is managing risks and capitalizing on opportunities to help protect and enhance its ability to deliver long-term financial returns.

The BIS team of more than 65 dedicated professionals¹³ operates across nine offices globally, taking a localized approach while also benefitting from global insights. We focus most of our efforts on corporate governance as, in our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests.

We are committed to transparency in the stewardship work we do on behalf of clients. The BIS [Global Principles, regional voting guidelines](#), and five [engagement priorities](#) (collectively, the BIS policies) set out the core elements of corporate governance that guide our investment stewardship program globally and within each regional market every year. These policies support effective stewardship processes and transparency and align with our commitment to pursue long-term financial returns for our clients as shareholders.

In addition, we inform clients about our engagement and voting policies and activities through direct communication and through various other disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

contactstewardship@blackrock.com

This Vote Bulletin is provided for information and educational purposes only and does not constitute legal advice, a recommendation or an offer or solicitation to buy or sell the securities of any company. The information here is as of September 13, 2024. BlackRock has no obligation to provide any updates. Investing involves risk, including the loss of principal.

Prepared by BlackRock, Inc.

©2024 BlackRock, Inc. All rights reserved. BLACKROCK is a trademark of BlackRock, Inc., or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

¹¹ BIS conducts proxy voting for those clients who authorize us to vote on their behalf. As part of BlackRock's Voting Choice program, eligible institutional and retail clients can have greater access to the proxy voting process where legally and operationally viable. Read more about Voting Choice [here](#).

¹² 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.

¹³ As of December 31, 2023.