

A person wearing a bright yellow hoodie and blue jeans is walking up a long, modern staircase. The staircase has dark metal railings and glass panels. The steps are made of a light-colored material, possibly stone or concrete. The person is positioned on the right side of the frame, moving upwards. The background shows the continuation of the staircase and the building's structure.

BlackRock®

Pursuing long-term value for our clients

BlackRock Investment Stewardship

A look into the 2020-2021
proxy voting year

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This report covers BlackRock Investment Stewardship's (BIS) stewardship activities — focusing on proxy voting — covering the period from July 1, 2020 to June 30, 2021, representing the U.S. Securities and Exchange Commission's 12-month reporting period for U.S. mutual funds, including iShares. Throughout the report we commonly refer to this reporting period as "the 2020-21 proxy year." While we believe the information in this report is accurate as of June 30, 2021, it is subject to change without notice for a variety of reasons. As a result, subsequent reports and publications distributed may therefore include additional information, updates and modifications, as appropriate.

The information herein must not be relied upon as a forecast, research, or investment advice. BlackRock is not making any recommendation or soliciting any action based upon this information and nothing in this document should be construed as constituting an offer to sell, or a solicitation of any offer to buy, securities in any jurisdiction to any person. References to individual companies are for illustrative purposes only.

Executive summary

BlackRock Investment Stewardship (BIS) advocates for sound corporate governance and sustainable business models that can help drive the long-term financial returns that enable our clients to meet their investing goals. We do this through engaging with companies and proxy voting on our clients' behalf.

As a long-term minority shareholder on behalf of our clients, BIS undertakes all engagement and voting activities with the goal of advancing their economic interests. Our clients — the owners of the companies we invest in — are predominantly long-term investors. This means that we, as stewards, must be focused in building constructive relationships with the companies on our clients' behalf to support their investment goals. To that end, we aim to be the voice of the long-term investor, urging companies to focus on the governance and sustainability risks that can impact their ability to generate long-term financial returns. More than ever, we believe company valuations can be significantly influenced by these risks.

This report aims to provide insight into our stewardship activities — primarily through a focus on proxy voting — from July 1, 2020 through June 30, 2021. Throughout our report, we focus on how important sound corporate governance practices are to delivering sustainable long-term value. We also explore how factors such as climate change, the fair treatment of workers, and racial and gender equality, among others, are increasingly relevant to a company's business operations. For this reason, these topics are part of our conversations with leadership at the companies we invest in on our clients' behalf, and are important considerations when assessing their long-term value proposition and informing voting decisions.

Our Investment Stewardship toolkit

Engaging with companies

How we build our understanding of a company's approach to corporate governance and sustainable business models, and how we communicate our views and ensure companies understand our expectations.

Voting in our clients' interests

How we signal our support for or raise our concerns over a company's corporate governance or business model. Where we have concerns, we may vote against directors or other management proposals, or in support of a shareholder proposal. We employ votes against directors more frequently since that is a globally available signal of concern.

Transparency in our activities

How stakeholders are informed of our work to advance the long-term economic interests of our clients. We continue to raise the bar on our transparency. This report illustrates our engagement and voting at 100+ companies, highlighting the breadth and depth of our stewardship efforts in the 2020-21 proxy year.

Our stewardship approach

BlackRock was founded on the core premise of understanding investment risk and thinking into the future for our clients, to enable them to achieve their long-term investment goals. Our stewardship team plays a key role in helping our clients navigate the governance and sustainability risks that, in our view, can affect their paths towards reaching those goals.

The last 12 months have posed significant challenges on boards and management teams. BIS has continued to emphasize the interests of long-term shareholders — our clients — and other key stakeholders. In alignment with our [Global Principles](#) and [market-level voting guidelines](#), we have expressed our support for or concern about companies' management of issues that have a long-term impact, such as sustainability risks and opportunities, through voting at annual general and special shareholder meetings.

BIS has long considered corporate governance as critical to the success of a company, the protection of shareholders' interests, and long-term shareholder value creation. In our experience, companies with engaged, diverse, and experienced board directors, who actively advise and oversee management, have a competitive advantage.¹ That is why **board quality and effectiveness** remains a top [engagement priority](#), and a key factor in the majority votes cast on behalf of clients.

It is also our conviction that sustainability risk — including [climate risk](#) — is investment risk. In order to help improve our clients' investment outcomes our firm has incorporated climate considerations into the way we manage risk, build portfolios, and pursue investment stewardship.² It is our belief that successfully mitigating climate change risk will help drive economic growth and will offer investors better long-term returns.³ We have increased the number of engagements with companies on **climate and natural capital**, especially in sectors where climate change may pose the greatest risk to our clients' long-term investment returns.

¹ As discussed in our commentary, [Our approach to engagement on board diversity](#), diversity not only contributes to more robust discussions, it is also likely to lead to more innovative and resilient decisions, particularly in complex and fast moving circumstances. ² BlackRock 2021 letter to clients. "Net zero: a fiduciary approach." ³ Globally, we estimate a cumulative loss in economic output of nearly 25% over the next two decades due to the level of Gross Domestic Product being 2.3% lower in 20 years' time if no climate change mitigation measures were taken. See "[Climate change — Turning investment risk into opportunity](#)."

Developments in 2020, such as the global spread of COVID-19 and attention to deep-seated social issues, have amplified the importance of **purpose, strategy, and financial resilience** for a company's long-term success. Our conviction is that the value of a credible long-term strategy, founded on a clearly articulated purpose, is increasingly recognized by companies. Those that can commit to this will be rewarded by patient, long-term capital and will generate long-term value. Those that do not will face increasing market skepticism, and a higher cost of capital.

The past year highlighted that companies still have a long way to go to achieve workplaces that are truly diverse, equitable, and inclusive. Confronted with making difficult, and in some cases extraordinary choices, companies wrestled with how to manage their **impacts on people**. By engaging on behalf of our clients, we have been able to assess how companies have weighed their decision-making in relation to their employees' experiences, as well as those of other key stakeholders — suppliers, customers, and communities. In some cases, our engagements with management teams have contributed, in part, to companies accelerating their efforts to advance gender and ethnic diversity, while being mindful of the different regional challenges and norms.

Given these challenges, BIS also looked closely at how companies structured executive pay and **incentives aligned with value creation** in relation to the experiences of their employees. We considered the reputational risk of making outsized payments to executives, especially if they reduced their workforces as a result of temporary shutdowns or definitive closures in response to the pandemic.

The past year highlighted that companies still have a long way to go to achieve workplaces that are truly diverse, equitable, and inclusive.



How we engaged

To better understand how boards and management teams are steering their companies to deliver long-term value, we ask that they provide clear and comprehensive disclosures. This information helps BlackRock, and other investors, better understand the unique challenges each company faces and how they are appropriately addressing material risks and opportunities to deliver sustainable financial returns for shareholders.

To that end, we ask that companies provide comprehensive disclosures on their long-term strategy, the milestones to delivering it, and the governance and operational processes that underpin their businesses. In addition to robust financial disclosures, we ask that companies provide the data and narrative that help investors understand how they approach material, business relevant sustainability risks and opportunities. We are encouraged by global regulatory developments around sustainability disclosures and we support international efforts toward a single, globally consistent set of baseline standards on which different jurisdictions can build.¹ Until such a global set of standards is established, we will, in our engagements with companies and the broader stewardship ecosystem, continue to advocate for corporate sustainability reporting that aligns with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), supplemented by industry-specific metrics such as those identified by the Sustainability Accounting Standards Board (SASB).

We complement our analysis of a company's approach to its material risks and opportunities with engagement across five priorities: board quality and effectiveness; incentives aligned with value creation, climate and natural capital; strategy, purpose, and financial resilience; and company impacts on people. Our specialist stewardship team of nearly 70 experienced analysts supports year-round engagements with thousands of companies across 55 markets on behalf of millions of clients.²

¹ BlackRock Investment Stewardship. "Sustainability Reporting: Convergence to Accelerate Progress." October 2020. ² Source: BlackRock Investment Stewardship. Sixty-seven team members as of June 30, 2021. Engagements held across 55 markets between July 1, 2020 through June 30, 2021.

We firmly believe in the value of engaging with companies. Encouraging responsible business operations serves the interests of long-term investors in both equity and fixed income securities issued by public companies. BIS engages companies on behalf of BlackRock's index funds and accounts and coordinates with portfolio managers with active positions in a company. When BIS engages a company, we do so from the perspective of a long-term investor. Engagement enables us to have ongoing dialogue with companies and build our understanding of the challenges they face. This is particularly important for our clients invested in indexed funds, which represent a significant majority of BlackRock's equity assets under management, as they do not have the option to sell holdings in companies that are not performing as expected.

As a long-term shareholder, companies can continue to expect BIS to provide constructive feedback as they enhance their corporate governance and sustainable business models. Likewise, we will communicate our views when we believe a company is not appropriately managing risks that could potentially impact our clients' ability to meet their long-term investment goals.

When BIS engages a company, we do so from the perspective of a long-term investor.

Engaging across our five engagement priorities

Engagement priority	# of engagements
Board quality and effectiveness	2,150
Incentives aligned with value creation	1,240
Climate and natural capital	2,330
Strategy, purpose, and financial resilience	2,200
Company impacts on people	1,350

Source: BlackRock Investment Stewardship from July 1, 2020 to June 30, 2021. Numbers rounded to the nearest ten. Most engagement conversations cover multiple topics. Our statistics reflect the primary topic discussed during the meeting.

How we voted

Voting on our clients' behalf is one of our core stewardship responsibilities, yet at each company it is a tool we use at a single moment in time every year. We vote to achieve an outcome we believe is most aligned with our clients' long-term economic interests. Between July 1, 2020 and June 30, 2021, BIS voted on more than 165,000 management and shareholder proposals across 71 voting markets. We voted against management on one or more proposals at 42% of shareholder meetings — a slight uptick on the 39% in the previous year.

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 that BlackRock, and other investors, can signal support for or concern about a board's oversight of management. This is a voting tool available in almost all the markets that we invest in on behalf of our clients, although not all markets re-elect directors on an annual basis.¹

We believe that sound corporate governance — underpinned by a capable, well-functioning board — is integral to our clients' long-term economic interests in the companies we invest in on their behalf. We will seek to engage with the appropriate directors where we have concerns about issues that matter to us as long-term investors, including the effectiveness of the board or individual directors. We believe that when a company is not effectively addressing a risk that could impact long-term value, its directors should be held accountable. During the 2020-21 proxy year, BIS voted on more than 64,000 director elections, voting against 10% for falling short of our expectations. We voted against one or more directors at over 3,400 companies globally. Corporate governance concerns — including lack of board independence, insufficient diversity, and executive compensation — prompted most of the votes against directors' elections, and other director-related proposals, globally.²

Corporate governance concerns prompted most of the votes against directors' elections, and other director related-proposals, globally.

Key reasons we voted against directors*

2020-2021 proxy year

	Votes against
1 Lack of independence	2,222
2 Lack of board diversity	1,862
3 Executive compensation concerns	931
4 Overcommitments**	758
Total votes against directors globally	6,560

*Director elections only. Votes against do not include director-related proposals. **Also known as "over-boarding."

¹ BIS believes that directors should stand for re-elections on a regular basis, ideally annually. In our experience, annual re-elections allow shareholders to reaffirm their support for board members or to signal concerns in a timely manner. ² Director elections and director-related proposals includes voting on proposals to elect individual directors, board discharge, bundled board elections, committee member elections, supervisory board matters, declassification of boards, and implementation of majority voting, among other categories.

A focus on leadership

Our investment stewardship efforts have always started with the board and executive leadership. We believe high-quality leadership and business management is essential to delivering sustainable long-term financial returns. We look to board directors on key committees to ensure appropriate board composition, oversight of issues, independence from management, careful deliberation, and the protection of shareholders' interests. For this reason, we voted against relevant directors, either due to concerns that board independence or diversity were lacking or if executive pay was not aligned with long-term shareholders' interests and stakeholders' experiences.

We believe directors should stand for re-election on a regular basis, and that companies should seek a balance between the knowledge and experience of longer-serving members and the fresh perspectives of newer members to avoid "group think." **In Asia-Pacific (APAC), inadequate independence was the top reason for voting against a director(s).** We often have concerns with the balance of independence on boards in many Asian markets, especially where independent directors have served on the board for what we consider to be an excessive period.¹ In response, we have introduced a new policy in Asia where we evaluate the tenure of independent directors combined with other factors including overall board renewal trends, directors' skills profile, and the diversity and demographic make-up of the board.² We voted against 1,448 directors for inadequate independence in APAC.

We have been asking companies to disclose their approach to board diversity for several years. When disclosure is insufficient for us to assess board diversity — particularly in markets where we consider demographic diversity a priority, where we have been raising the issue, and where gender diversity remains inadequate — we typically vote against the re-election of members of the committee responsible for nominating directors. **This meant that in the Americas, insufficient board gender diversity was the top reason for voting against a director(s).** We voted against 1,554 directors in the region. Nonetheless, the growing focus on and awareness of diversity is starting to have a noticeable impact on corporate boards. After years of engagement by shareholders to raise awareness and ask for action, as of June 2021, all the companies in the S&P 500 Index have at least one woman director, with an average of nearly 30% of board seats held by women.³

Globally, lack of independence was the most common reason we voted against directors this proxy year. We care deeply about director independence, diversity of perspective, and capacity to serve a company through good times and bad.

BIS did not support the discharge of the Supervisory Board of a German-based technology company over concerns about the poor composition of its Nomination Committee, which became wholly non-independent in 2021.

In Hong Kong, Singapore, and Malaysia, we voted against either the chair of the board or a member(s) of the nomination committee at companies with all-male boards.

BIS voted against the election of Compensation Committee members and the proposal to approve executive compensation for misalignment between pay and performance at a U.S. telecommunications company.

¹ See our [market-level voting guidelines](#) for Asia-Pacific securities for details on our approach to voting on the re-election of long-tenured independent directors. ² See our market-level voting guidelines for [Hong Kong securities](#) and for [Asia ex Japan, Hong Kong, and Chinese securities](#). ³ Bloomberg, "After Pressure, All-Male Boards Have Now Vanished from the S&P 500," 4 June 2021.

BIS takes a case-by-case approach when evaluating “Say on Pay” proposals.¹ We consider a company’s specific circumstances and local market and policy developments.² This year, as companies managed their response to COVID-19, we paid particular attention to how executive remuneration plans aligned with the economic interests of our clients — as long-term shareholders — and with the experiences of key stakeholders. Globally, BIS supported management recommendations on 84% “Say on Pay” proposals to approve executive compensation.

Most pay proposals voted against were at companies located in Europe, the Middle East and Africa (EMEA), where BIS voted against management on 33% “Say on Pay” proposals — compared to 26% the previous year. The increase is largely attributed to COVID-19 related in-flight adjustments that companies made to reward executives despite missing financial performance targets, reducing their workforces, or taking government financial support. BIS opposed executive pay programs when companies were not able to explain how these adjustments supported long-term, sustainable value creation. The increase is also explained, in part, by cases of companies’ slow progress in meeting the European Union Shareholder Rights Directive II’s (SRD II) enhanced executive pay disclosure requirements, effective as of September 2020.

Most pay proposals voted against were at companies located in Europe, the Middle East and Africa (EMEA).

Rising to the year’s challenges

In our experience, companies that build strong relationships with their stakeholders are more likely to meet their own strategic objectives, while poor relationships may create adverse impacts that expose a company to legal, regulatory, operational, and reputational risks that may hurt performance and constrain growth, and in the extreme, even jeopardize their social license to operate.

Through our multi-year engagements, we continue to witness how companies are increasingly re-examining their roles in their communities and society at large. In particular, this past year we observed companies rise to the challenge and implement measures to support employees and enhance their health and safety under very complicated, COVID-19 constrained scenarios. In the UK, for example, a large supermarket showed true leadership during the pandemic by looking after their employees by ensuring at-risk-staff could shield without any impact on their pay, among other measures. We voted to signal our support for management.

¹ The terminology can vary across markets, but “Say on Pay” is the generic expression referring to the ability of shareholders to vote on the compensation of executives. ² For a specific review of our approach to market-specific compensation practices, please refer to BIS’ [market-level voting guidelines](#).

With a U.S. food producer, however, a widespread COVID-19 outbreak occurred amongst workers as a result of poor working conditions. This disruption introduced risk to business operations and thus financial performance. We looked after our clients' interests by voting against company management. We will continue to engage with companies in this sector, and others, to understand their approach to workforce physical and mental health and safety.

We also saw companies respond to calls for greater diversity, equity, and inclusion (DEI) in their workplaces and value chains. That was the case at a U.S. agricultural company that has advanced DEI in the communities in which it operates with the implementation of a program to address an identified gap in access to land titles for Black farmers. In other cases, this year's developments shed light into the work companies still have ahead to improve human rights-related risks in their operations, including supply chains. At a Malaysian rubber glove manufacturer — which BIS has engaged with consistently over forced labor allegations — we voted against the re-election of board members given the board's failure to provide effective oversight over worker health and safety issues.




The BIS Climate Focus Universe

As a long-term investor on behalf of our clients, we are engaging with companies in sectors where climate change and other sustainability factors pose the greatest risk to their investments. We engage because we are convinced that companies that act early to anticipate these risks will also be those best positioned to capture associated growth opportunities at a time of significant industry transition.

65%

Approximately 65% of the companies assessed from the 2020 climate focus-universe were determined this year to have made meaningful progress.³



We believe carbon-intensive companies will play an integral role in unlocking the full potential of the energy transition. To do this, they must be prepared to adapt, innovate, and pivot their strategies toward the low-carbon economy.

In line with BlackRock's investment conviction that climate risk is investment risk, over the last 12 months we have amplified our climate-related discussions, closely monitored progress, and, in the absence of progress, communicated the potential for voting action against management. In 2020 we identified 244 companies that, on our assessment, were not adequately addressing their exposure to or management of climate risk.¹ One year later, we are encouraged to see the meaningful progress many of these companies have made towards integrating climate risk into their business models or disclosures.

In 2021, we expanded our climate focus universe to over 1,000 carbon-intensive public companies that represent 90% of the global scope 1 and 2 greenhouse gas (GHG) emissions of our clients' public equity holdings with BlackRock.² We communicated our position throughout the past year that we expect companies to demonstrate how climate and sustainability-related risks are considered and integrated into their strategy. If a company does not provide adequate public disclosures for us to assess how material risks are addressed, we may conclude that those issues are not appropriately managed and mitigated. This perspective has applied to our voting on behalf of clients on management and shareholder proposals since July 1, 2020.

¹ See our special report, [Our approach to sustainability](#), that outlines our engagement approach and voting on climate risk and other sustainability topics. ² Based on MSCI data. This list includes companies that were on the 2020 BIS Climate Watchlist and those that are constituents of the Climate Action 100+ focus universe, in addition to other companies that BlackRock held an equity position in on behalf of our clients as of the end of 2020. ³ 54% of the entire 2020 244 climate-focus universe.

For companies in our climate universe, we have more rigorously assessed their climate action plans and risk disclosures, voting against management when we believe accelerated progress is necessary to best serve the long-term economic interests of our clients. BIS will continue to engage with these companies to encourage further action and enhanced disclosures that enable us to assess corporate preparedness and financial resilience we believe is necessary to navigate the energy transition.

In the 2020-21 proxy year, BIS voted against 255 directors and against 319 companies for climate-related concerns that could negatively affect long-term shareholder value.* For example, we voted against the Board Chair — as the director most responsible for oversight of the company’s strategy — at a utility because we believed that the company could better articulate to its shareholders how its long-term value proposition would be impacted by the anticipated decline in demand for coal-based energy.

*Votes against unique companies on climate include: 1) votes against or abstain on director elections and director-related proposals, and 2) votes in support or abstain on climate-related shareholder proposals.

How we approached and voted on shareholder proposals

In December 2020, BIS informed our clients that we viewed shareholder proposals playing an increasingly important role in our stewardship efforts around sustainability. We clarified that where we agree with the intent of a shareholder proposal addressing a material business risk, and if we determine that management could do better in managing and disclosing that risk, we may choose to support the proposal. We may also support a proposal if management is on track, but we believe that voting in favor might accelerate progress.

As we do with all proposals, we take a case-by-case approach and evaluate each shareholder proposal in the context of a company's existing practices and public disclosures. We also take into consideration the individual market's legal and regulatory context.

<1%

Out of the over 165,000 proposals BIS voted this season, less than 1% were shareholder proposals.

How BIS Voted on Behalf of Clients on 2020–21 Proxy Year Shareholder Proposals^{1*}

	% Supported ²	# Supported ²	# Against ³
Environmental	64%	46	26
Social	35%	35	65
Governance	32%	216	455

Source: BlackRock and Institutional Shareholder Services (ISS). ISS classifications used. Sourced on July 8, 2021, reflecting data July 1, 2020 through June 30, 2021

2020–21 Proxy Year Number of ESG Shareholder Proposals Voted on^{1**}

Environment	33	12	27
Social	88	5	7
Governance	418	69	184

Source: BlackRock and Institutional Shareholder Services (ISS). ISS classifications used. Sourced on July 8, 2021, reflecting data July 1, 2020 through June 30, 2021

¹ Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. ² Includes abstentions. ³ Includes withhold votes.

* Does not include director election, director-related, or "other" proposals put forth by shareholders. Please see Appendix. ** BIS votes cast on shareholder proposals on behalf of our clients are independent of whether management recommended voting for or against the proposal.

BIS supported 35% of shareholder proposals (297 out of 843), compared to 17% (155 out of 889) the previous year.¹ Votes are cast in alignment with our Global Principles and market-level voting guidelines, in what we determined to be in the best long-term financial interests of our clients.

35%

BIS supported 35% of shareholder proposals (297 out of 843), compared to 17% (155 out of 889) the previous year.¹



Environmental

We supported a shareholder proposal asking a consumer goods company to report on whether and how it could increase the scale, pace, and rigor of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains.



Social

We supported a shareholder proposal at a company undergoing a strategic repositioning asking the company to broadly assess its human rights risks.



Governance

We voted against a legally binding shareholder proposal requiring that the company amend its Articles of Incorporation (AOI) to require specific disclosures related to its business plans, which we did not consider to be consistent with the purpose of AOI.

47%

BIS supported 47% of E&S shareholder proposals (81 of 172).¹

¹ Excluding the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers. Shareholder proposals are often legally binding for directors in this market. Supported shareholder proposals include abstentions.

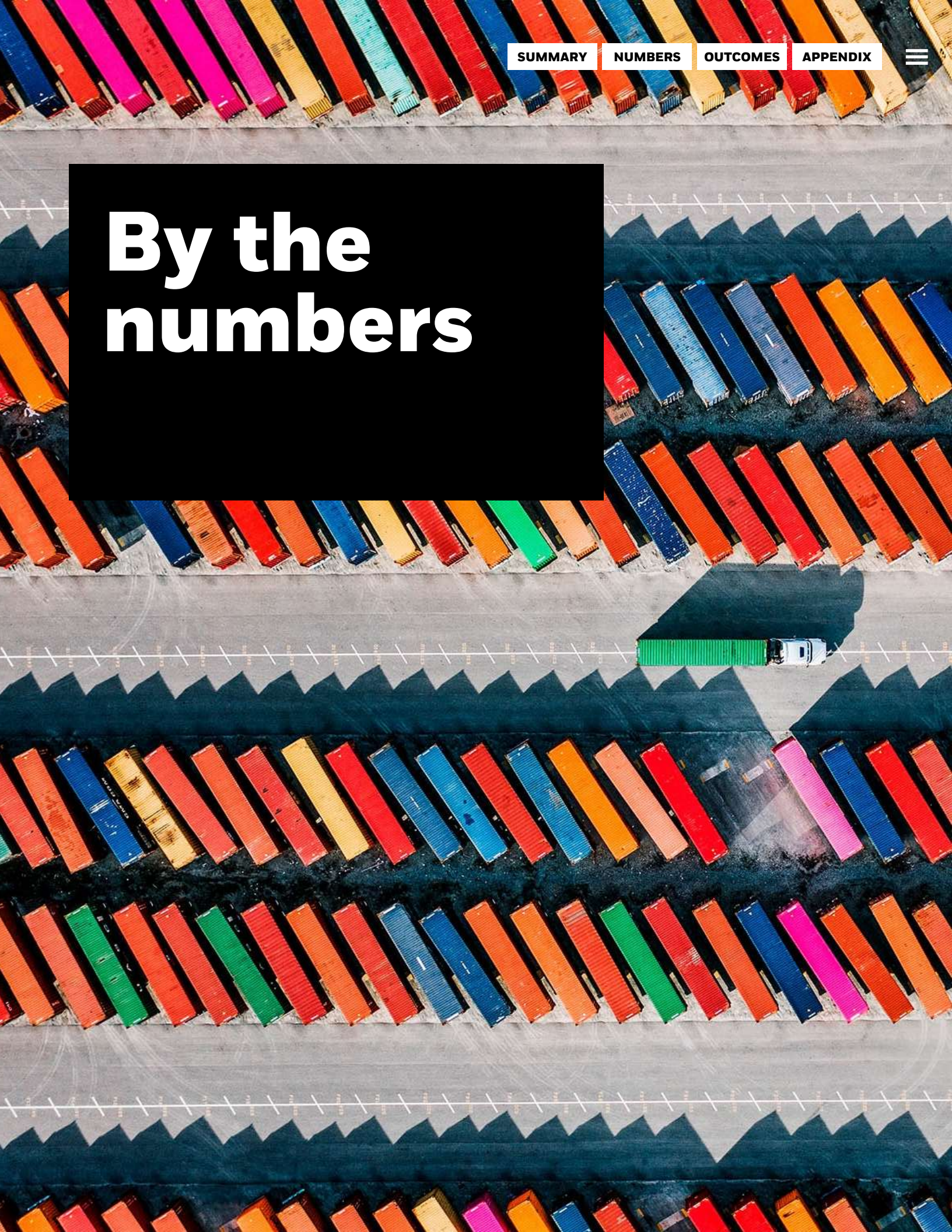
Looking forward

We believe corporate preparedness and long-term financial resilience are about both managing risk and leaning into investment opportunity. The turbulent events of 2020 placed an increased focus on issues such as climate change, social and racial equality, treatment of the workforce, and economic resilience, among others. More than ever, we believe company valuations can be significantly influenced by these, and other sustainability-related risks.

Looking forward, through the rapidly evolving global investment landscape, BIS will remain steadfast in our commitment to the interests of our clients and helping them achieve their long-term financial goals. We will continue to further our stewardship efforts with companies in the years ahead in support of that commitment.



By the numbers



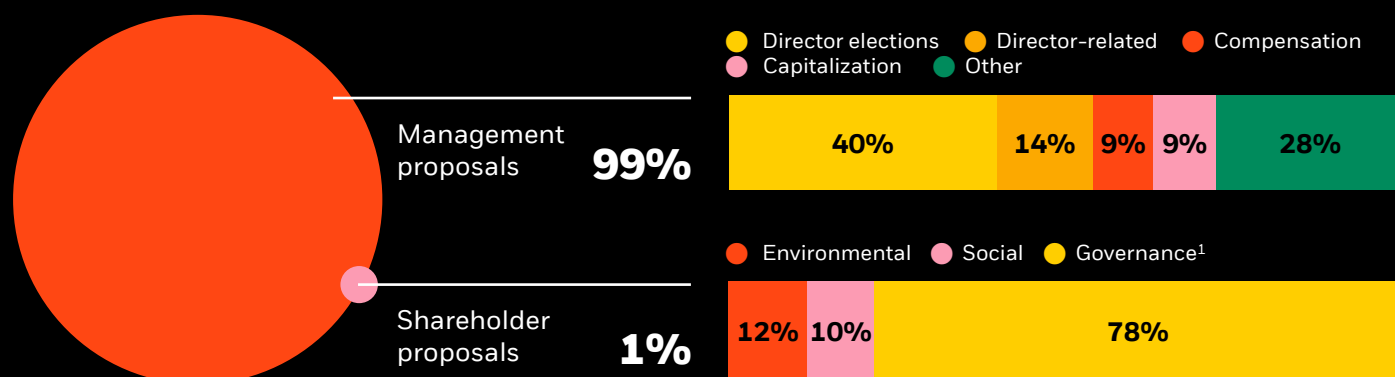
By the numbers

BIS 2020-21 proxy year overview

	Companies voted	Markets voted	Total number of meetings voted at	Total number of proposals voted
Americas	4,675	9	5,282	45,602
APAC	5,797	17	8,218	69,636
EMEA	2,718	45	3,555	50,500
Global total	13,190	71	17,055	165,738

Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on July 8, 2021, reflecting data July 1, 2020 through June 30, 2021.

Proposals voted on at a glance



Source: BlackRock, Institutional Shareholder Services (ISS). ISS classifications used. Sourced on July 8, 2021, reflecting data July 1, 2020 through June 30, 2021.

How we voted at a glance

6,451

Unique companies voted against management²

297

Shareholder proposals voted for³

6,560

total votes against⁴ director election

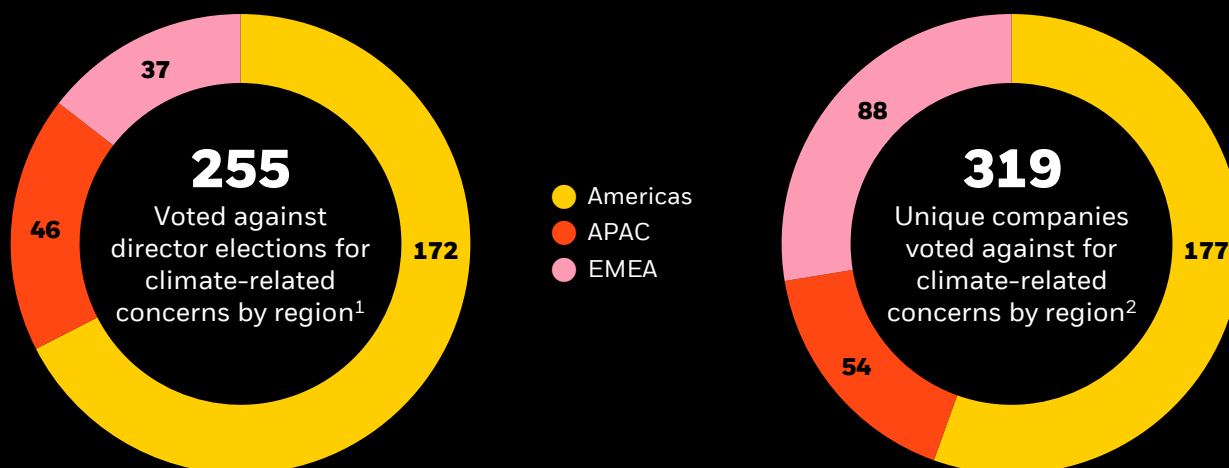
42%

shareholder meetings we voted against management⁵

Source: BlackRock, Institutional Shareholder Services (ISS). Data as of July 8, 2021. Sourced on July 8, 2021, reflecting data July 1, 2020 through June 30, 2021.

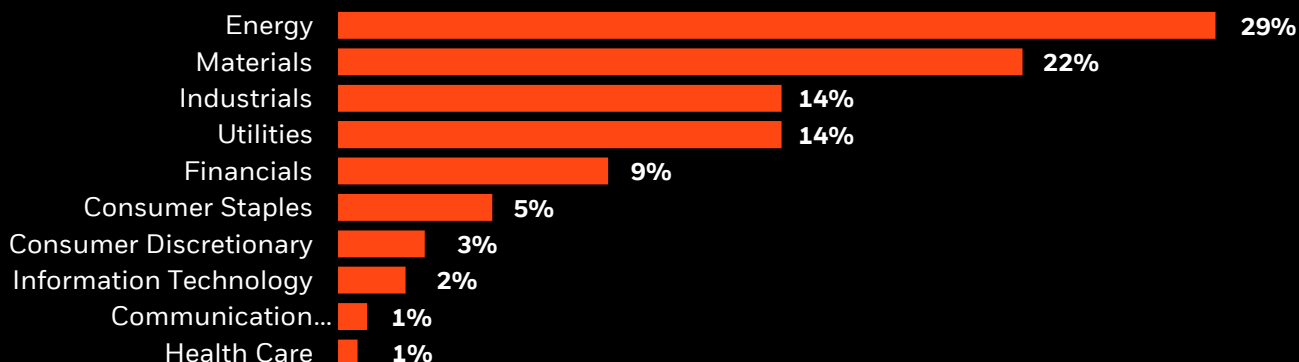
¹ Does not include "other" shareholder proposals. Please see [Appendix](#). ² Votes against unique companies include votes against all director-related proposals and in support of shareholder proposals, abstentions included. ³ Abstentions are included, excludes Japan. ⁴ Abstentions are included. Please see [Appendix](#). ⁵ Includes abstentions and reflects percentage of shareholder meetings where we voted against management on one or more proposals. For more information please see [Appendix](#).

Voting action for climate-related concerns



Source: BlackRock and Institutional Shareholder Services (ISS). ISS classifications used. Sourced on July 8, 2021, reflecting data July 1, 2020 through June 30, 2021.

Unique companies where BIS voted against management for climate-related concerns by sector^{2*}



Source: BlackRock and Institutional Shareholder Services (ISS). ISS classifications used. Sourced on July 8, 2021, reflecting data July 1, 2020 through June 30, 2021.

# of companies voted against directors for	Americas	APAC	EMEA
Compensation*	138	3	312
Independence*	213	819	295
Diversity*	816	18	141

Source: BlackRock and Institutional Shareholder Services (ISS). ISS classifications used. Sourced on July 8, 2021, reflecting data July 1, 2020 through June 30, 2021.

¹ Abstentions are included. ² Votes against unique companies on climate include: 1) votes against or abstain on director elections and director-related proposals, and 2) votes in support or abstain on climate-related shareholder proposals.

* Includes only votes against director elections, including abstentions.

Voting outcomes

Board quality and effectiveness

BIS has long considered the performance and effectiveness of the board as critical to the success of a company, the protection of shareholders' interests, and long-term shareholder value creation. Governance issues, including the management of material sustainability issues, all require effective leadership and oversight from a company's board. In our experience, companies with engaged, diverse, and experienced board directors who actively advise and oversee management have a competitive advantage. That is why board quality — effectiveness, composition, diversity, and accountability — remains a top engagement priority, and a key factor in the majority of our voting decisions on behalf of clients.

The COVID-19 pandemic has had far reaching impacts on many aspects of corporate governance and business strategy. We acknowledged the significant strains facing boards and management teams, and we aimed to be constructive and supportive. That said, we continued to look to boards and executive leadership to demonstrate that, as they addressed near-term factors and situations that impacted strategy and operations, they took into consideration the interests of long-term shareholders — such as our clients — and other stakeholders.

This year, we reinforced our expectations of boards in their oversight and support of management in ensuring that companies have a sustainable, long-term business model. These expectations are reflected in how we vote on behalf of clients. Generally, our most frequent course of action is to vote against the re-election of directors when they do not seem to be acting in the economic interests of long-term shareholders. The effectiveness of voting against directors is well documented in BlackRock's, as well as independent third-party, research.^{1,2} For example, our research shows that across the FTSE 350 companies where we voted against directors over remuneration concerns, 83% made revisions to their pay policies within 12 months.³

2,150

engagements*

Engaging and voting on board quality and effectiveness

BIS seeks to understand how, and how effectively, a board oversees and advises management. To that end, we ask companies to communicate the boards' approach to director responsibilities and commitments, turnover, succession planning, and diversity.

*From July 1, 2020 to June 30, 2021.

¹ A relatively recent working paper called, "The Big Three and Board Gender Diversity: The Effectiveness of Shareholder Voice", demonstrates that voting against directors has advanced gender diversity on boards. Researchers found that advocacy by BlackRock, State Street, and Vanguard led firms to add at least 2.5 times as many women directors in 2019 as they had in 2016 and increased a woman director's likelihood of holding a key position on the board. For more information, see, "The Big Three and Board Gender Diversity: The Effectiveness of Shareholder Voice", Todd A. Gormley, Vishal K. Gupta, David A. Amtsa, Sandra C. Mortal and Lukai Yang, 6 November 2020. ² BlackRock Investment Stewardship, [Our 2021 Stewardship Expectations](#). ³ We assessed the year-on-year changes to votes taken on behalf of our clients against directors of companies in the FTSE 350 over concerns about remuneration in the three years from July 2017 to June 2020. We only voted against a company's directors over remuneration concerns in consecutive years in 17% of cases. The remuneration concerns we raised were substantively addressed by 83% of companies when we held a director accountable the prior year. See BlackRock Investment Stewardship, [Our 2021 Stewardship Expectations](#)

Lack of independence

An essential factor in sound corporate governance is director independence – from management, significant shareholders, or other related parties. Lack of independence was the primary reason why we did not support directors this year. We expect there to be a sufficient number of independent directors on the board to ensure that the interests of all shareholders are protected and that the board is able to oversee management and ensure that business models are aligned with the goal of delivering sustainable, long-term financial performance.^{1,2} As set out in our [2021 Engagement Priorities](#), shareholders should have access to a non-executive, preferably independent, director(s) in order to best evaluate how a company’s board oversees and advises management, as well as the board’s capability and capacity to adequately support management.

During the 2021 proxy year, BIS did not support 2,222 directors at 1,327 unique companies globally over concerns about independence. Votes against directors for independence concerns were concentrated mostly in APAC and EMEA. In APAC, inadequate independence was the top reason for voting against a director(s) or director-related item(s). Our assessment considered a number of factors, including the balance of independent and non-independent directors and the average tenure of the overall board. As discussed in our [market-level voting guidelines](#), in Asian markets, we seek a balance between the knowledge and experience of longer-serving members and the fresh perspectives of newer members.

Lack of board diversity

We believe that a diverse range of skills, experience, and demographic characteristics amongst directors is necessary for boards to be effective and avoid “group think.” We voted against 1,862 directors at 975 unique companies globally for concerns related to board diversity. We recognize that diversity is multi-faceted with a range of considerations, expectations, and sensitivities across regions. We ask that boards explain their approach to ensuring diversity among directors and how board composition aligns with the company’s strategy and business model. When disclosure is insufficient, particularly in markets where we consider demographic diversity a priority, have been raising the issue and where gender diversity remains inadequate, we typically vote against the re-election of members of the committee responsible for nominating directors.³

The re-election of directors to the board is a near-universal right of shareholders globally and an important signal of support for, or concern about, the performance of the board in overseeing and advising management.

6,560

From July 1, 2020–June 30, 2021, BIS did not support 6,560 proposals to re-elect individual directors.

¹ We believe that a core component of a company’s board quality is the proportion of board members who are independent of the company or any significant shareholders. We expect independent directors to be free from conflicts of interest that could impair their ability to act in the interests of the company and its shareholders. ² Our [market-level voting guidelines](#) include specific criteria that we use as a benchmark in each key market to assess the likelihood that a director is independent. These reflect local norms and standards so differ slightly across regions. ³ As discussed in our commentary [Our Approach to Engagement on Board Diversity](#) we combine a global view on diversity with a local lens, which enables us to engage on board diversity in a manner appropriate to each market. In addition, we recognize that diversity has multiple dimensions, including personal factors such as gender, race, ethnicity, and age, as well as professional characteristics such as a director’s industry, area of expertise, and geographic location.

In the Americas region, insufficient board gender diversity was the top reason for voting against a director. We voted against 1,554 directors at 816 companies — or 61% of the votes we cast against directors in the region — for board gender diversity-related reasons. The growing focus on and awareness of diversity is starting to have a noticeable impact on corporate boards. After years of engagement by shareholders to raise awareness and ask for action, as of June 2021, all companies in the S&P 500 have at least one woman director, with an average of nearly 30% of board seats held by women.¹ In 2018, 24% of all S&P 500 directors were women, up from 18% in 2013.²

In the Americas region, insufficient board gender diversity was the top reason for voting against a director.

Overcommitted directors

Expectations of directors have steadily increased over the past decade, with a commensurate increase in the necessary time commitment, particularly during a crisis such as the past year. Another key reason we voted against director elections this year was director overcommitment (also known as “over-boarding”).³ Director overcommitment remains a key focus given the increasing workload and range of matters on which boards are expected to advise and oversee management. The COVID-19 pandemic put most companies in crisis mode, when they needed to swiftly, and effectively, manage extraordinary challenges. We ask that directors limit the number of boards on which they serve to ensure that they have the capacity to fulfill their responsibilities on each board. Globally, BIS voted against 758 directors at 639 unique companies for being overcommitted.⁴ In EMEA, overcommitment was a particular concern and resulted in voting against 497 directors who we considered served on too many boards, as discussed later on in further detail.



¹ Bloomberg, “After Pressure, All-Male Boards Have Now Vanished from the S&P 500”, 4 June 2021. ² Harvard Law School Forum on Corporate Governance, “The 2018 U.S. Spencer Stuart Board Index”, 13 November 2018. ³ Our [market-level voting guidelines](#) include specific criteria that we use as a benchmark in each key market to assess overcommitted directors. ⁴ This excludes overcommitted CEOs.

Case Study

Engagement that led to votes to improve board quality or support effective boards

Throughout this year, engagement helped inform vote decisions on board quality matters in a number of key cases.

SAP SE (SAP)

For instance, In April 2021 BIS did not support the discharge of the Supervisory Board of SAP, a German-based technology company. This action was taken to reflect our concerns about the composition of SAP's Nomination Committee, which became wholly non-independent in 2021 (falling below our expectation that key committees be majority independent). In addition, the Nomination Committee is chaired by SAP's non-independent Supervisory Board Chairman, who is a co-founder of the company and formerly its CEO. We had previously engaged with the company in December 2020 to discuss our concerns around board governance, particularly in light of related challenges including the sudden departure of one of the company's co-CEOs in April 2020.

Vale S.A. (Vale)

We voted to support boards that had demonstrated effective leadership and oversight or notable progress. For example, over the course of 2020 and the first half of 2021, BIS had numerous engagements with Vale, in large part to discuss remediation following the Brumadinho disaster.¹ In the first half of 2021 alone, BIS met with Vale over ten times.

The 2019 dam collapse in Brumadinho is considered one of the deadliest industrial disasters in the world, in which approximately 270 employees and community members lost their lives.² It also caused significant environmental damage. In January 2020, 11 high-level executives at Vale — including the former CEO Fabio Schvartsman — were charged with homicide and environmental crimes.³

Beyond engaging on developments directly related to the Brumadinho disaster, BIS has focused our discussions on board effectiveness and sustainability matters. We shared our expectations of board quality — including composition, diversity, and independence — and the role of the board in overseeing corporate strategy and culture. While Vale's work to regain stakeholder trust and to ameliorate the effects of the disaster on impacted communities is far from over, BIS voted for all management items at the company's 2021 annual and special shareholder meetings because the company has enacted necessary changes at the board level, which led to significant improvements in board composition, diversity, and independence. These changes are consistent with generating long-term shareholder value. Please see our [Vote Bulletin](#) for more detail.

¹ Vale, "Repair and development: Frequently asked questions." ² Davis, S., and Guerra, S. "Crisis-Resilient Boards: Lessons from Vale." Harvard Law School Forum on Corporate Governance. 23 February 2021. ³ It was also recently reported by [Brazilian media](#) that a court has ordered Vale to pay \$1M BRL for each employee who died in Brumadinho. 10 June 2021.

Case Study

Voting against management for persistent lack of engagement and multiple governance concerns

Berkshire Hathaway has a long history of strong financial performance; however, we had concerns related to our observation that the company was not adapting to a world where sustainability considerations are becoming material to performance. For several years BIS attempted to engage with Berkshire Hathaway, but our requests for direct dialogue were not granted. We have had a number of governance concerns at the company, including its current board structure, leadership structure and succession planning, which we discuss in detail in our [Vote Bulletin](#). To signal our concerns over shortfalls in the company's governance practices, climate action planning and disclosure, BIS voted against the re-election of the former Chairman of the Audit Committee and the Chairman of the Governance Committee, who we held responsible for these issues. We also supported two shareholder proposals, one requesting that the company publish an annual report addressing climate risks and opportunities, and the other requesting that Berkshire Hathaway's holding companies publish annual reports assessing their diversity and inclusion efforts.

Case Study

Board independence and gender diversity in APAC

BIS believes that diversity is an important factor in enabling quality leadership and financial performance. As discussed in our [commentary](#),¹ we recognize that pertinent diversity characteristics are multi-dimensional and may differ across markets. Therefore, we combine a global view on diversity with a local lens, aiming to engage on board diversity and seek outcomes appropriate to each market.

In Asia, board gender diversity is more in focus, with several local corporate governance codes recommending greater female board participation. Given it is still a relatively nascent issue, we are mostly engaging companies to better evaluate and encourage board diversity and quality. We have introduced in our [proxy voting guidelines](#) gender diversity expectations for developed markets in the region. As a result, we did not support 22 directors at 18 companies in APAC for inadequate board gender diversity.

In Malaysia, the corporate governance code recommends women make up 30% of the board. In Singapore, the government has been encouraging increased female participation on boards.² We voted against either the chair of the board or a director(s) on the nomination committee at companies in each market with all-male boards, including COSCO Shipping Singapore, OUE Limited, Golden Agri-Resources, Yanlord, AEM Holding, Frontken Corporation and Kenon Holdings. In Hong Kong, the Stock Exchange is currently proposing to introduce a mandatory disclosure requirement for companies to set and disclose numerical targets and timelines for achieving gender diversity. Board gender diversity is actively discussed in our engagements with companies. Accordingly, we voted against directors for lack of board diversity at companies such as Power Assets Holdings and Hong Kong and China Gas Company.

¹ Published in March 2021. ² Council for Board Diversity, which was established by the Ministry of Social and Family Development to promote a sustained increase in the number of women on boards of listed companies, statutory boards and non-profit organizations. For more information, see: <https://www.councilforboarddiversity.sg/>.

There were also instances where companies did not have directors standing for election at their shareholder meetings so we could not signal our concerns about diversity through voting this year.¹ This was the case at Haw Par Corporation in Singapore and Comfort Gloves in Malaysia, which we believe need to increase their board gender diversity. We will continue to monitor such companies and look to the next shareholder meeting to vote accordingly.

Regarding independence, we often have concerns with the balance of independence on boards in many Asian markets, especially where independent directors have served on the board for a very long time. We believe shareholder interests are best served when there is orderly renewal of the board, and that a very long tenure may impair the independence of a director.² Many publicly traded companies in Asia have a controlling shareholder or block of shareholders who act together. Control is often effective at a declared shareholding of 30% or more of issued share capital, as the largest shareholder will often have aligned but undeclared shareholders that can be counted on to act collectively with it. Although required by listing rules, the real independence of these directors in controlled companies is generally unclear, with the approach to independence being compliance driven. Furthermore, this is compounded by very long-tenured independent directors serving on boards, which increases the risk of board entrenchment and “group think.”

In response, we have introduced a new policy in Asia ex Japan where we evaluate the tenure of independent directors combined with other factors including overall board renewal trends, directors’ skills profile, and the diversity and demographic make-up of the board.³ We may vote against long-tenured independent directors when the board appears to be entrenched. We voted against 1,448 directors at 819 companies in APAC for inadequate independence.

As BlackRock is a minority shareholder in the companies we invest in on behalf of our clients, BIS is concerned when a board may not be focused on serving the interests of all shareholders. We engage with controlled companies to provide our feedback and to encourage governance mechanisms that afford additional protections for minority shareholders in certain circumstances, such as related party transactions and director elections. We also engage with policy makers and industry associations at the market level to advocate for enhanced governance standards that protect minority shareholders.

¹ For example, Directors on staggered or classified boards stand for re-election on a rotating basis, with each class of usually three to five directors standing for re-election every three years, on average. This undermines investors’ ability to hold boards accountable by voting against the relevant directors when policies or outcomes do not align with the investor’s expectations. BIS believes that directors should be re-elected annually on an individual basis so that shareholders can confirm their support for each director’s continued service on the board. ² In the region, independent directors often remain on the board for 20+ years. ³ See our market-level voting guidelines for [Hong Kong securities](#) and for [Asia ex Japan, Hong Kong, and Chinese securities](#).

Case Study

Voting against directors in the Americas and EMEA for being overcommitted

BIS has a longstanding focus on the number of boards individual directors serve on, assessing whether directors have the time and capacity to be fully engaged in the work of each board. Serving on an excess number of boards may limit a director's capacity to contribute to the work of each board, particularly if there are unanticipated events at any of the companies. We also assess whether directors serve on committees and what roles they serve in those committees given the time necessary to effectively execute those responsibilities. According to a recent PwC survey, directors found that they needed to devote more time to their board and committee responsibilities — such as on the risk or audit committees — during the COVID-19 crisis when compared to the same time period in the previous year.¹

In the Americas, we voted against 163 directors at 149 companies who we considered to be overcommitted. This included directors at Alphabet, the Wendy's Company, and Occidental Petroleum.

At Alphabet, BIS voted against the re-election of two directors due to overcommitments. At the time of the annual general meeting (AGM), one of the directors served on five publicly traded company boards while the other served on six publicly traded company boards.

In EMEA, we voted against 497 directors at 396 companies for concerns about overcommitments. For example, we voted against a director at both Nestle S.A. and Siemens AG given he is also the CEO of Adidas AG.

Meanwhile at Lonza Group AG, a Swiss-based healthcare company, we had concerns about the Chairman of the Board and his overcommitments since 2019. We had an engagement in April 2021 to discuss this issue with the company.² In 2020, we supported his re-election as he temporarily acted as interim CEO and Chairman, and we didn't want to trigger instability in that transitional period. However, he remained overcommitted in 2021, after stepping down as interim CEO. We therefore voted against his re-election at the 2021 AGM due to our concerns that his serving on an excess number of public company boards may limit his ability to exercise sufficient oversight on the board of Lonza Group.

¹ PwC, "PwC's 2020 Annual Corporate Directors Survey." ² See BlackRock Investment Stewardship's Global Engagement Summary Report for additional information.

Case Study

Related-party transactions in APAC

Due to the evolution of the various regional economies and role of the state, many Asian companies conduct transactions with connected or related parties. As discussed in our [proxy voting guidelines](#), these transactions can be categorized as recurring or continuing services agreements or non-recurring transactions. We are particularly concerned about non-recurring transactions as these tend to be merger and acquisition (M&A) deals, asset sales or going private transactions with material impacts on shareholder value. For such non-recurring transactions between related parties, we would expect the independent directors to make the recommendation to support, and ideally, the terms would have been assessed through an independent appraisal process. In addition, we consider it to be good practice when the transaction is approved by a separate vote of the non-affiliated shareholders.

In April 2021, Jardine Strategic Holdings Limited held a special meeting to approve an “Amalgamation Agreement” whereby Jardine Matheson Holdings Limited (JMHL) – the Jardines Group parent company, which held an 84.89% interest in Jardine Strategic – proposed to “simplify the parent company structure of the Group” through the cash acquisition of Jardine Strategic (Jardine Strategic held a 59.3% interest in JMHL). As discussed in our [Vote Bulletin](#), BIS voted against the acquisition due to our concerns about conflicts of interests inherent in this related-party transaction, as well as the opportunistic pricing of Jardine Strategic considered under the acquisition terms.

Moreover, in our view, the Transaction Committee and the Board of Directors of Jardine Strategic did not effectively protect the interests of minority shareholders – which held approximately 15% of Jardine Strategic’s issued share capital – resulting in a privatization price significantly below the fundamental net asset value (NAV) of the company.

In May 2021, CK Asset Holdings Limited (CK Asset) held a special meeting to approve an acquisition of equity interests in four European infrastructure assets from its parent Li Ka Shing Foundation Limited (LKSF) for a purchase price of HK\$17 billion by issuing 333 million consideration shares at HK\$51 per share. The three company proposals for this transaction also included a share buy-back of 380 million shares at the same maximum price of HK\$51 per share, and a request for a whitewash waiver, which would waive LKSF’s obligation to make a mandatory general offer.¹ The proposals required approval from 75% of the votes cast by independent shareholders under Hong Kong Listing Rules as LKSF is a connected party.² The proposal passed with 77% of independent shareholders voting in favor, just 2%-points above the required approval. One concern that BIS communicated with CK Asset’s management both before and after the meeting was that the valuation of the consideration shares at HK\$51 per share implied a discount of 46.9% to the NAV as of 31 December 2020, and a discount of as large as 60.8% to the reassessed NAV as of February 28, 2021. We believe this concern was shared by other investors and was a key reason for the narrow margin of approval of this transaction.

¹ Under the [Takeovers Code](#) in Hong Kong, a mandatory offer is triggered when a shareholder owning between 30% and 50% of the company increases its holding by more than 2% in any 12-month period (“the 2% creeper rule”); the share buy-back proposal in question would increase LKSF’s stake from 35.99% to 41.29%, assuming no shares are bought back pursuant to the share buyback proposal, or to 45.60% assuming the maximum of shares are bought back pursuant to the share buyback proposal. Please refer to the [meeting circular](#) for more details. ² The acquisition and the share buyback proposals required approval by more than 50% of the votes cast by independent shareholders. The whitewash waiver required approval by at least 75% of the votes cast by independent shareholders. While the three proposals are separate, they are interdependent. Therefore, if the whitewash waiver did not pass, all three proposals would not pass. Accordingly, the highest threshold of the whitewash waiver set the minimum for all three proposals to pass.

Incentives aligned with value creation

Executive compensation is an important tool to drive long-term value creation by incentivizing and rewarding executives for the successful delivery of strategic goals and outperformance.¹ For this reason, we look to a company's board of directors to put in place a compensation structure that incentivizes and rewards executives against appropriate and rigorous performance goals and metrics. We also ask companies to be transparent about executive compensation structures and how the outcomes sought are aligned with their corporate strategy and shareholder interests — particularly the generation of sustainable long-term value.

After years of engaging with companies across sectors and markets, we have observed that most boards take this responsibility very seriously. They put great care into structuring compensation plans that incentivize executives to deliver long-term value. But when compensation plans are not appropriately structured and outcomes are misaligned with performance, executive pay can carry business and reputational risks. In such circumstances, BIS may hold accountable members of the compensation committee or other members of the board whom we consider responsible for compensation. We may also vote against proposals to approve compensation.

Executive compensation was one of the top reasons we voted against directors globally in the 2020-21 proxy year. BIS voted against the re-election of 931 directors at 453 companies. This is a notable increase compared to the 2019-20 proxy year, where we voted against 668 directors responsible for setting executive pay at 338 companies.

1,240

engagements*

Engaging and voting on incentives aligned with value creation

BIS supports executive compensation plans that encourage the sustainable achievement of results consistent with a company's long-term strategic initiatives. BIS asks for a well-articulated executive compensation structure.

*From July 1, 2020 to June 30, 2021.

¹ The term "compensation" is used as an equivalent to "remuneration" or "pay."

The increase is largely attributed to COVID-19 related in-flight adjustments that companies made to reward executives despite missing financial performance targets, reducing their workforces, or taking government financial support. BIS opposed executive pay programs when companies were not able to explain how these adjustments supported long-term, sustainable value creation. As discussed in our commentary, [Incentives aligned with value creation](#), BIS expects rigorous disclosure and justification when mid-cycle adjustments are made. We believe incentive plans should be structured within appropriate risk parameters and should reflect a company's long-term strategy, such that the plan remains relevant even in the face of an economic shock like the one caused by COVID-19.

BIS expects rigorous disclosure and justification when mid-cycle adjustments are made.

Most votes against directors for compensation concerns were concentrated in the EMEA region, where we voted against 661 directors, compared to 498 in the 2019-20 proxy year. Besides our COVID-19 related concerns, this increase is also due to the European Union's regulatory landscape. With the full implementation of the EU Shareholder Rights Directive II (SRD II) in September 2020, companies must meet enhanced executive compensation disclosure requirements in their reporting.¹ Prior to the full implementation of SRD II, BIS engaged with companies in applicable markets to explain how our regional voting guidelines would adhere to SRD II's enhanced disclosure and transparency expectations on executive pay.



¹ The Shareholder Rights Directive II (SRD II) is an amended European Union (EU) directive that focuses on enhancing the oversight of companies through a strengthening of the relationship between companies and their shareholders.

“Say on Pay”

Given the unprecedented circumstances posed by COVID-19, we aimed to be constructive and supportive as companies sought flexibility from investors to manage their response to the pandemic. At the same time, BIS assessed how companies weighed executive pay decisions in relation to the experiences of their employees, and other key stakeholders. BIS considered the reputational risk of making outsized payments to executives, especially if they reduced their workforces as a result of temporary shutdowns or definitive closures.

Globally, BIS supported management recommendations on 84% “Say on Pay” proposals to approve compensation, compared with 88% supported during the 2019–20 period.¹ Most pay proposals voted against were at companies located in EMEA. In the 2020–21 proxy year, BIS voted against management on 33% of the “Say on Pay” proposals in EMEA, against 26% the previous year. As discussed in the prior section, this increase reflected our concerns about certain COVID-19-related in-flight adjustments, as well as companies’ slow progress in meeting SRD II’s enhanced executive pay requirements.

Management “Say on Pay” proposals by region

Region	Total number of proposals (2020–21)*	% voted against management*	Total number of proposals (2019–20)**	% voted against management**
Americas	3,181	5% (161)	3,095	4% (130)
APAC	308	10% (31)	282	5% (13)
EMEA	2,215	33% (741)	1,829	26% (469)
Total	5,704	16% (933)	5,206	12% (612)

*From July 1, 2020 to June 30, 2021. **From July 1, 2019 to June 30, 2020.

¹ The terminology can vary across markets, but “Say on Pay” is the generic expression referring to the ability of shareholders to vote on the compensation of executives.

Case Study

Companies pay bonuses not appropriately reflecting stakeholders' experience

When evaluating “Say on Pay” proposals, BIS takes a case-by-case approach. We consider a company’s specific circumstances and local market and policy developments.¹ As companies managed their response to COVID-19, however, we paid particular attention to how executive remuneration plans aligned with the economic interests of our clients — as long-term shareholders — and with the experiences of key stakeholders.

- The remuneration report at the UK-based supermarket chain Wm Morrison was subject to 70.1% votes against at this year’s AGM. BIS voted against the report — and against members of the Remuneration Committee — because we considered the Committee’s exercise of upward discretion to increase the size of the CEO’s annual bonus inappropriate. Our voting on behalf of clients also signaled our concern about similar discretion being applied to the long-term incentive plan (LTIP) award that vested in 2020. The Committee’s approach effectively sought to strip out COVID-19 related costs that had impacted the company’s profitability, meaning that corresponding performance targets were met (instead of lapsing). But we were not convinced by the Committee’s rationale for determining the size of these apparent costs.

We were also unconvinced that the adjustments to both the annual bonus and the LTIP award were necessary to deliver a “fair” outcome, as the Committee was seeking to do, when set against the challenges faced by the company’s key stakeholders over the course of the year. Where such discretion is used, compensation committees ought to clearly explain how these decisions reflect the creation of long-term sustained performance aligned with key stakeholder interests.

- BIS expects executive remuneration outcomes to reflect the experience of the company’s broader stakeholders, including shareholders and employees. This was not the case at Stellantis N.V. — the Dutch company formed through the merger of Fiat Chrysler Automobiles N.V. (FCA) and Peugeot S.A.² At the 2021 AGM, BIS voted against the remuneration report, which received 44.2% votes against. BIS also voted against the approval of the board discharge. BIS had concerns with the legacy FCA Board’s use of discretion to make in-flight adjustments to lower the bonus targets as a result of COVID-19, which resulted in executives receiving a higher bonus payout in 2020 relative to 2019 for lesser performance.

When evaluating “Say on Pay” proposals, BIS takes a case-by-case approach. We consider a company’s specific circumstances and local market and policy developments.

¹ For a specific review of our approach to market-specific compensation practices, please refer to BIS’ [market-level voting guidelines](#).

² Stellantis N.V. “The merger of FCA and Groupe PSA has been completed.” 16 January 2021.

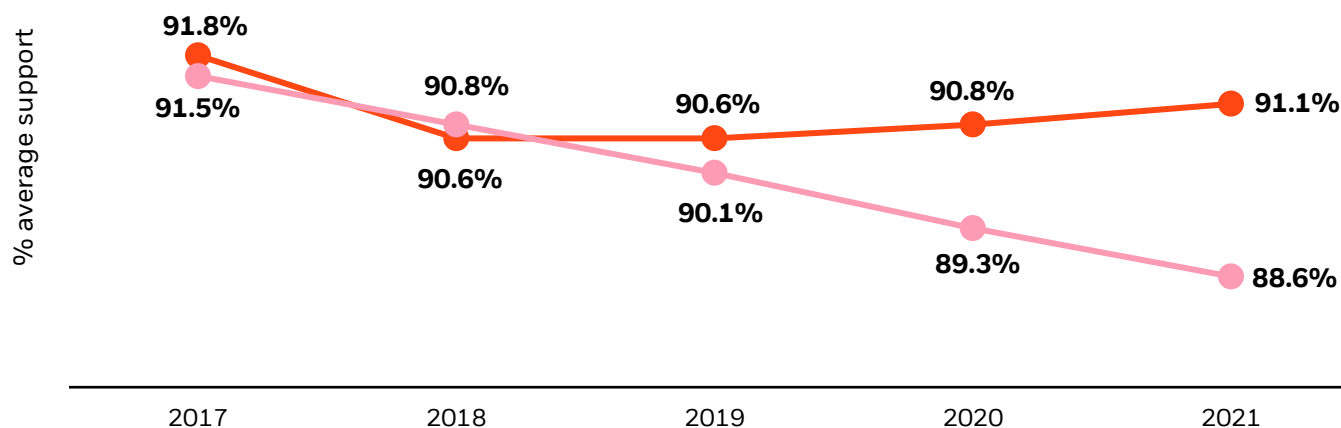
A look into “Say on Pay” proposals in the S&P 500 Index

In general, shareholders tend to be more supportive of management’s proposed executive pay plans in the U.S. than in other markets. The level of shareholder support for executive pay plans at S&P 500 companies, however, has fallen gradually over the past years. This year, support for “Say on Pay” plans at S&P 500 companies averaged 89% versus 90% the previous year. At Russell 3000 companies (excluding the S&P 500 Index), average support stayed flat at 91%.

Like BIS, investors generally sought to understand how companies balanced long-term performance with the need to address short-term demands in an uncertain environment. This was particularly true in relation to assessing compensation-related decisions. This year proved that investors are increasingly willing to vote against compensation plans when companies fall short of demonstrating a clear connection between executive pay, long-term strategy, shareholders’ interests, and key stakeholders’ experiences.

Average shareholder support for “Say on Pay” proposals

● Russell 3000 Index ● S&P 500 Index



Source: BlackRock and Institutional Shareholder Services (ISS). Percentage support is based on companies vote tally.

This year proved that investors are increasingly willing to vote against compensation plans when companies fall short of demonstrating a clear connection between executive pay, long-term strategy, shareholders’ interests, and key stakeholders’ experiences.

In the U.S., BIS supported management on 95% of “Say on Pay” proposals in the 2020-21 proxy year. Support the previous year was also 95%. Our main reasons for not supporting management’s proposed compensation plans include poor disclosure or lack of rigor of performance metrics and outsized executive awards not linked to long-term performance and without robust rationale.

For example, “Say on Pay” proposals at Intel Corporation and Skyworks Solutions Inc. failed with 38.3% support and 22.3% support, respectively. BIS voted against the companies’ pay proposals because, while both expressed a need to structure competitive plans to attract and retain executive talent, in our view, they lacked appropriate and rigorous performance goals and also carried risk of misalignment between pay and performance. In general, we expect a meaningful portion of executive pay to be tied to the long-term, sustained performance of the company, as opposed to short-term increases in the stock price.

At Skyworks, the pay plan included performance periods of less than two years within the long-term incentive plan (LTIP). It also used outsized peers and lacked a clawback policy. At Intel, we had concerns over the plan’s rigor, among other issues. For instance, the payout for the short-term incentive plan (STIP) goals was at target, despite the company’s underperformance in total shareholder returns (TSR) against its peers and the overall market.

BlackRock votes on management “Say on Pay” proposals at S&P 500 companies 2020-21 proxy year

Vote outcome (% support)	BlackRock vote against	BlackRock vote for	Total
<40%	6	1	7
40-50%	6	5	11
50-60%	3	11	14
60-80%	2	20	22
80%+	3	420	423
Total	20	457	477

Source: BlackRock and Institutional Shareholder Services (ISS) ESG Voting Analytics. Data covers votes between July 1, 2020 and June 30, 2021. Includes insider votes.

Among S&P 500 Index component companies, BIS voted against “Say on Pay” proposals at a total of 20 companies. Notably, at 12 of these companies, “Say on Pay” proposals received less than 50% support.

Case Study

Pay practice and financial performance misalignment at AT&T and General Electric

As a long-term investor on behalf of our clients, we ground our analysis and voting decisions on achieving the outcomes most aligned with our clients' long-term economic interests. BIS voted against the election of relevant directors and proposals to approve executive compensation given the misalignment between pay and performance at AT&T and General Electric.

At AT&T, we voted against the executive pay package and five Compensation Committee members due to concerns around poor compensation practices and structures. In the midst of historical performance challenges, we were concerned about the U.S. \$48 million multi-year equity award to the new CEO of WarnerMedia, which lacked performance criteria.¹ We also had concerns about the timing of the inducement grant, which benefited the new CEO prior to his start date. The "Say on Pay" proposal failed with 48.9% support. Moreover, the company exercised upward discretion and increased payouts under short-term awards; granted a U.S. \$9 million equity award for "career retention" to the General Counsel; and paid post-employment consulting fees for the former CEO and former CFO. This was done amid ongoing underperformance relative to peers and the broader market and without properly explaining how these decisions were driving long-term sustained performance aligned with shareholder interests. Of note, WarnerMedia was one of AT&T's operating units until its spin-off and merger with Discovery, Inc., announced May 2021.²

In the case of General Electric, the company has undergone significant changes to its management, board, and portfolio since 2017. Under the current Chairman and CEO, the company has made strides towards enhanced governance and strategic and operational improvements. However, over the last year, COVID-19 significantly impacted the company's aerospace and health care businesses. When the current CEO joined the company in 2018, the Compensation Committee constructed a four-year pay package aimed at doubling the stock price, with a U.S. \$57 million initial grant. The compensation package was repriced in 2020 when General Electric's stock hit a 20-year low as a result of COVID-19 impacts.³ The revised package maintained a focus on stock price increase, but the goals were re-set, based on the lower stock price in 2020. BIS acknowledged that the CEO declined his regular salary through much of last year. However, if the new stock price hurdles are maintained, he stands to earn U.S. \$124 million at target payout and U.S. \$232.5 million at maximum, based on changes made throughout 2020.⁴ BIS voted against the ratification of the CEO's compensation plan, and the election of four directors on the Compensation Committee, based on a pay and performance misalignment, as well as mid-cycle adjustments to the plan based on short-term stock declines. The "Say on Pay" proposal failed with 42.4% support.

¹ AT&T. "2021 Notice of Annual Meeting of Shareholders and Proxy Statement."

² AT&T. "AT&T's WarnerMedia and Discovery, Inc. Creating Standalone Company by Combining Operations to Form New Global Leader in Entertainment." 17 May 2021.

³ General Electric. "GE releases its 2Q 2020 Results."

⁴ General Electric. "2021 Notice of Annual Meeting and Proxy Statement." Page 36.

Executive pay misalignment and reputational risks

As we explain in our commentary, [Incentives aligned with value creation](#), we believe companies should consider disclosing how their executive compensation structures align with their long-term strategy and purpose, including shareholder interests and key stakeholder considerations. Otherwise, they may see their reputation damaged and their social license to operate impaired.

The “Say on Pay” proposal at Cardinal Health, Inc. — a major U.S. pharmaceutical distribution company — was the subject of a “vote no” campaign led by members of the Investors for Opioid and Pharmaceutical Accountability coalition. The campaign urged shareholders to hold executives accountable for the company’s role in the opioid crisis by rejecting executive payouts based on metrics that excluded the impact of record accounting charges due to a potential legal settlement of opioid-related litigation claims.

After multiple engagements with management and board representatives, BIS voted against the company’s executive pay proposal, and against the re-election of all four members of the Human Resources and Compensation Committee, including its chair, due to poor executive compensation design. The committee had set annual incentive targets below the prior year’s actual results, indicating a lack of rigor. BIS also had concerns about the committee’s lack of consideration of the significant U.S. \$5.6 billion opioid-related litigation charge in setting executive compensation awards. The executive pay proposal passed with 61.4% support, and the committee members were re-elected with support ranging from 84.5% to 92% of the votes cast.

We believe companies should consider disclosing how their executive compensation structures align with their long-term strategy and purpose, including shareholder interests and key stakeholder considerations.

Case Study

Linking executive compensation to ESG metrics

This proxy year we saw a number of companies incorporate environmental, social, and governance (ESG) metrics in their executive compensation plans. We also saw select companies receive shareholder proposals asking them to report how they are integrating specific ESG metrics into executive compensation programs. With rising stakeholder scrutiny of executive pay plans, these requests will likely increase in the next proxy year.

BIS believes ESG-performance metrics should reflect material business factors and be aligned with a company's long-term strategy. It is important that companies using sustainability performance metrics in their executive compensation plans carefully explain the connection between what is being measured and rewarded alongside business goals and long-term performance. It is important that sustainability-related performance metrics are stretching and well tested, just as would be the case for financial metrics. Failure to do so may leave companies vulnerable to reputational risks and undermine their sustainability efforts.

The U.S. automobile company, General Motors, received a shareholder proposal requesting it produce a report evaluating and disclosing if and how the company has met the criteria of the Executive Remuneration Indicator of the Climate Action 100+ Net Zero Benchmark, or whether it intends to revise its policies to be fully responsive to such Indicator and, if so, when it intends to do so.^{1,2} The proposal failed with 16.3% support.

BIS did not support the proposal because it is not our policy to advocate for specific performance metrics. As discussed in our commentary, [Incentives aligned with value creation](#), we believe compensation committees are in the best position to make decisions about the appropriate performance measures — including ESG metrics — relevant to the company's business model and strategy. BIS supported the company's "Say on Pay" proposal — which passed with 95.5% shareholder support — and supported the election of all members of the Compensation Committee. In our view, the executive compensation plan has appropriate performance conditions. The plan also measures qualitative performance against strategic goals that implicitly include GHG emissions reduction efforts. BIS did, however, provide feedback about how General Motors could further enhance its compensation disclosures. We believe there is an opportunity for the Compensation Committee to provide more clarity as to how it will factor the company's strategic pivot to electric vehicles into its future compensation decisions.

¹ General Motors Company, "Proxy Statement and Notice of 2021 Annual Meeting of Shareholders," Page 90. ² The Climate Action 100+ Net Zero Benchmark evaluates 159 of Climate Action 100+ focus companies' progress related to emissions reductions, governance, and disclosures. Companies are assessed against 10 indicators, including climate governance, capital allocation, TCFD disclosures, and the existence of short-, medium-, and long-term emissions reduction targets, among others. Executive remuneration is a sub-indicator of the climate governance category.

Seeking better sustainability disclosures to assess material risks and opportunities

Over the past several years, BlackRock has been advocating for more widespread and standardized sustainability reporting. We believe that enhanced reporting is critical to the ability of companies and investors to assess material business risks, including sustainability risks and opportunities. Better quality reporting and data supports investors' understanding of the drivers of risk and value in companies' business models. Disclosures also inform our efforts as stewards of our clients' capital to enhance the long-term value of their investments by encouraging sound governance and sustainable business models.

The increasing demand from investors for more complete and comparable sustainability reporting, and from companies for clarity on what to report, led BlackRock to ask, in January 2020, that companies publish reports aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), supplemented by industry-specific metrics such as those identified by the Sustainability Accounting Standards Board (SASB).

We seek reporting that provides a comprehensive picture of a company's business model and financial and operational performance. Reporting should be consistent over time and comparable across companies within industry sectors. BIS has continued to engage with companies over the last year on their sustainability reporting.

We provided feedback where companies could enhance their disclosure and explained that we might vote against management if we assessed a company's reporting did not adequately address material sustainability risks in its business.

Sustainability reporting is developing rapidly and regulators in several key markets, e.g. the European Union, UK, Asia-Pacific, and U.S., are exploring reporting frameworks, standards or guidance. We also support, and are closely following, the work of the IFRS Foundation in establishing an International Sustainability Standards Board, with the goal of developing a global baseline set of sustainability reporting standards on which jurisdictions can build. We are mindful of the challenge companies face in light of the multitude of frameworks and, as yet unresolved, regulatory expectations. BlackRock will continue to keep our position under review, taking into consideration regulatory, developments in standards and metrics, and corporate practices. Until a global set of standards is established, we will, in our engagements with companies and the broader stewardship ecosystem, continue to advocate for corporate sustainability reporting that supports investors' understanding of the long-term sustainability of a company's business model, operations and financial performance.

When assessing a company's disclosures, we review whether the information provided clearly and comprehensively explains the material sustainability-related drivers of risk and value in its business. In the 2020-21 proxy year we voted against 107 companies for inadequate sustainability reporting.

Climate and natural capital

BlackRock, as a long-term investor on behalf of our clients, believes that climate risk is investment risk and that every company's business model will be profoundly affected by the transition to a net zero economy.^{1,2} 2021 is already shaping up to be a seminal year in the world's response to climate change. Governments, companies, and investors have committed to sustainability at a pace we couldn't have imagined even a year ago.

Corporate Science-Based Targets commitments are already making significant strides. Over 800 companies worldwide have set science-based emissions reduction targets, aligning their emissions trajectory with the Paris Agreement.³

We look forward to greater alignment between the public sector, companies, investors, and other stakeholders as to what a transition that works for all looks like across sectors. The reality is that in many developing countries, near term economic considerations around low-cost energy and employment still take precedence over the transition to a low-carbon economy. Also, there are countries, industries, and communities dependent on hydrocarbons to fuel their economy. These considerations must be balanced with the urgency for companies to get ahead of this transition to ensure that their business model is resilient and that they will continue to be able to attract capital while the global economy shifts onto a net zero pathway.

2,330

engagements*

Engaging and voting on climate and natural capital

BlackRock believes that climate risk is investment risk. As a long-term investor on behalf of our clients, we engage with companies to understand how they are approaching climate risks and opportunities. We ask for sufficient disclosures to assess companies' plans to transition their business models to a low-carbon economy, including short-, medium-, and long-term targets. In addition, we encourage companies to disclose how their business models are consistent with the sustainable use and management of natural capital, including natural resources such as air, water, land, minerals, and forests.

*From July 1, 2020 to June 30, 2021.

¹ In January 2020, [Larry Fink's letter to CEOs](#) stated that climate change has become a defining factor in companies' long-term prospects. This highlighted an investment conviction that sustainability risk, and most specifically climate risk, is investment risk. ² [Larry Fink's 2021 letter to CEOs](#). ³ Science Based Targets, "[Companies taking action](#)."

Outlined in our [commentary](#),¹ Climate Risk and the Transition to a Low-Carbon Economy, we ask that companies establish a baseline and disclose how their strategy aligns with the global aspiration of net zero greenhouse gas (GHG) emissions by 2050, including short-, medium-, and long-term targets for GHG emissions reductions. Where corporate disclosures are insufficient to make a thorough assessment, or they indicate a company has not provided a credible plan to transition its business model to a low-carbon economy, including short-, medium-, and long-term targets, we may vote against the directors we consider responsible for the oversight of climate risk. We may also support business relevant shareholder proposals that we believe address gaps in a company's approach to climate risk and the energy transition. In some instances, we might also support shareholder proposals where a company is moving in the right direction but where we believe action could be accelerated. We vote with the purpose of supporting the long-term investment interests of our clients.

The magnitude of the global energy transition cannot be overstated, and it will be a decades long process. We believe readiness is about both managing risk and leaning into what is a global investment opportunity.

2%

BIS voted against management on climate risk concerns at approximately 2% of the 13,190 companies we voted at on behalf of our clients.

255

In the 2020-21 proxy year, BIS voted against 255 directors and against management at 319 companies for climate risk related concerns.^{2,3}

¹ Published in February 2021. ² Abstentions are included. ³ Votes against unique companies on climate include: i) votes against or abstain on director elections and director-related proposals, and ii) votes in support or abstain on climate-related shareholder proposals.

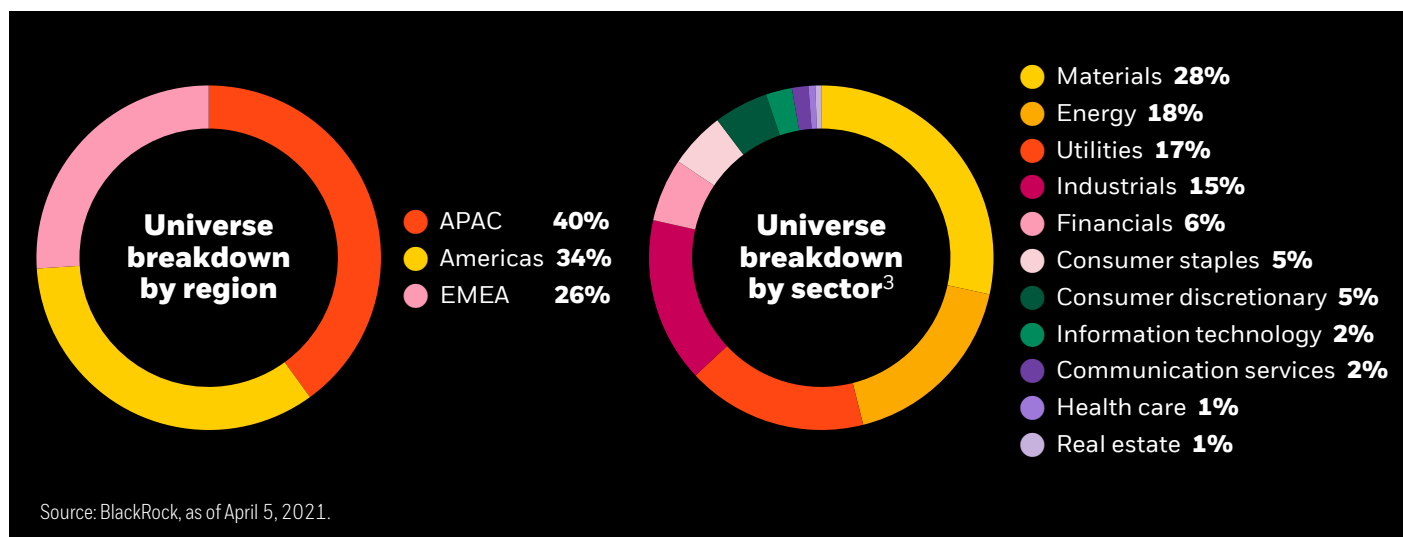
BIS Climate Universe

We have engaged hundreds of companies on climate and sustainability-related issues over the past few years. In the last 12 months we amplified our climate-related discussions, closely monitored progress, and, in its absence, communicated the likelihood that we would vote against management at the 244 companies that we determined last year to not be adequately addressing their exposure to and management of climate risk. BIS was encouraged to see that meaningful progress had been made by many of these companies.

In 2021, we expanded our climate focus universe to over 1,000 carbon-intensive public companies that represent 90%¹ of the global scope 1 and 2 GHG emissions of our clients' public equity holdings with BlackRock.

Approximately 65% of the companies assessed from last year's climate focus universe were determined this year to have made meaningful progress.² We voted against 68 companies that we determined still needed to show more urgency in their climate-related action plans.

Our 2021 climate focus universe represents companies where climate change and other sustainability factors pose the greatest risk to our clients' investments.



¹ Based on MSCI data. This list includes companies that were on the 2020 BIS Climate Watchlist and those that are constituents of the Climate Action 100+ focus universe, in addition to other companies that BlackRock held an equity position in on behalf of our clients as of the end of 2020. By convention, emissions in most companies' disclosures, and the databases that aggregate these, are reported in tons CO₂ equivalent (GHG emissions in tCO₂e). They include carbon dioxide (CO₂) but may also include methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). All these gases contribute to climate change. Instead of reporting them separately, the convention is to convert and disclose them as a single figure. ² 54% of the entire 2020 244 climate-focus universe. ³ Based on MSCI's GICS sector characterization.

The climate universe was created objectively based on GHG emissions provided by third-party data providers, it does not reflect a BIS assessment of the climate strategies of companies.¹ In fact, many of the companies in BIS' climate universe are leaders in their sectors that have articulated climate adaptation strategies, committed to rigorous GHG reduction targets, and are creating the technologies and solutions that are vital for a low-carbon transition, such as Honeywell, Dow, Inc., UPS, Swiss RE, and Holcim AG. Others on the list, however, are at an earlier stage in their energy transition strategy development/integration.

Our 2021 climate focus universe represents companies where climate change and other sustainability factors pose the greatest risk to our clients' investments.

For companies in our climate universe, we have more rigorously assessed their climate action plans and risk disclosures, voting against management when we believe accelerated progress is necessary. Engagement with these companies on climate-related issues has been, and will remain, a priority. BIS had over 1,300 engagements with nearly 670 of the companies in the expanded 2021 climate universe between July 1, 2020 and June 30, 2021.

This year 161 of the companies in our climate universe where we voted are also a focus of the industry led coalition Climate Action 100+, of which we have been a member since 2020.² We voted against management at 38 of those companies for climate-related concerns.

Over the past year, votes we cast around climate-related issues reflected whether companies had met our ask of them:

- Disclosures that address all four pillars of the TCFD framework
- Transparency on scope 1&2 GHG emissions data
- Short-, medium-, and long-term GHG emissions reduction targets
- An articulation of how a company will contribute to the decarbonization of its value chain, including progress towards disclosing scope 3 emissions and targets³

Votes we took on climate this year reflect our focus on sectors where climate change and other sustainability factors pose the greatest risk to those company's business operations and performance. Globally, our climate-related voting against management is predominantly weighted to carbon-intensive sectors, appropriately reflecting their share of global scope 1&2 emissions.

Every sector, and every company, is faced with unique challenges and opportunities when it comes to the management of climate-related risks and opportunities. We have aimed to be cognizant of those key differences in how we voted on behalf of our clients. When we have voted against management to signal our expectation that further progress on climate-related issues is needed, we have done so in the long-term economic interests of our clients, the shareholders of these companies. BIS will continue to engage with all companies, but in particular those in our climate universe, to encourage further action and enhanced disclosures that enable us to assess the corporate preparedness and financial resilience we believe is necessary to navigate the energy transition.

¹ MSCI is the third-party data provider referenced. ² In 2020, BlackRock joined Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The coalition has selected 167 focus companies for engagement, accounting for over 80 percent of corporate industrial greenhouse gas emissions. ³ This expectation relates specifically to companies in the energy, power, industrials, materials, and transportation sectors.

Energy companies are integral in unlocking full potential of the transition

BlackRock was founded on the core premise of understanding investment risk and thinking into the future for our clients. As a long-term investor on behalf of our clients, we are engaging with companies in sectors where climate change and other sustainability factors pose the greatest risk to their investments, such as the energy sector. We believe energy companies will play an integral role in unlocking the full potential of the transition to a low carbon economy, but they must be prepared to adapt, innovate, and pivot their business models.

Every energy company's situation is unique to its portfolio of assets, region of operation, and demand markets. We understand that a small natural gas company or utility faces different risks and opportunities when compared to a global oil and gas major with an integrated value chain. BIS compares companies across peer sets to identify best in class operators and contributors to low-carbon solutions. This approach allows us to take into consideration different scales of operations but also the uneven climate-related political landscape in developed markets, and the reality that for some countries in developing markets and Asia, the corporate dialogue around curbing GHG emissions is at an earlier stage and engagement on climate risk and the energy transition is more nascent. Our expectations of companies are proportionate.

We expect energy companies to have appropriately factored climate risk into their strategy development and be able to articulate a long-term value proposition to shareholders. Emissions goals should be rigorous, contain interim targets, rely predominantly on commercial technologies as opposed to those yet to be proven as commercially viable, and be supported by a capital allocation plan.

Globally, the energy and utilities sectors combined represent approximately 52% of the total industry scope 1 and 2 GHG emissions of the companies in which our clients invest. Those two sectors represented nearly 45% of the votes we took globally on behalf of our clients against unique companies for climate-related concerns, reflecting our commitment to focus votes against management appropriately on sectors where it is expected the most significant progress will need to be made to meet long-term global emissions reduction targets.

Case Study

A global energy services company sets a high standard

Schlumberger is a global energy services company operating in over 120 countries. The company is leading in its sector in setting a GHG reduction target aligned with the Science Based Target Initiative (SBTi), and reports to SASB, GRI and TCFD. Schlumberger developed a five-year initiative to map its initiatives and opportunities to the United Nations Sustainable Development Goals (SDGs) framework. The company evaluated all 169 underlying targets of the 17 UN SDGs and selected the 11 SDGs through which it expects it could achieve the greatest positive impact while creating commercial value.¹ This work highlighted that in addition to climate risk, the company has a broader focus on natural capital, specifically water and biodiversity. BIS is encouraged to see how Schlumberger has clearly articulated an action plan that integrates climate risk as well as social and natural capital considerations. We voted in support of management at this year's AGM.

Case Study

Seeking more progress at a utility with a coal-weighted fuel-mix

PPL Corporation (PPL) is a utility holding company with operations in both the UK and U.S. In our assessment of the company, BIS noted it has TCFD- and SASB-aligned reporting, as well as a carbon emissions reduction targets with interim benchmarks.² While BIS has had regular engagement with PPL and recognized their progress over time on climate disclosures, we remained concerned because, unlike many of its industry peers, we believed the company had not shown sufficient urgency in its actions to achieve its targets nor articulated to shareholders how its long-term value proposition would be impacted by the anticipated decline in demand for coal-based energy.³

BIS voted against the Board Chair, who we held responsible for these issues, at the company's 2021 AGM.

Case Study

A global energy giant provides a roadmap to its climate ambitions

TotalEnergies is a global integrated energy company whose strategy BIS believes strikes a reasonable balance between ambition and pragmatism as it relates to the global energy transition. The company's stated carbon neutrality strategy meets our expectations of a company committed to the energy transition. This includes a clear demonstration of ambition, actions, and targets to achieve net zero by 2050 across its production, energy productions and customer consumption (scopes 1, 2 and 3 emissions).⁴

The company has also demonstrated a commitment to transparency, and reports in line with the recommendations of the TCFD and SASB sector-specific standards. BIS supported management's proposal to approve its sustainable development and energy transition plan at this year's AGM because it reflects a clear integration of climate risk into the company's strategy and provides a roadmap towards its stated climate ambitions and targets.

Of the nearly 11,000 proposals we voted on at energy/utilities companies globally this year, we voted against management 2% for climate-related concerns.

For more information about some key votes at energy companies this proxy year, please see our Vote Bulletins for: [Chevron](#), [Royal Dutch Shell](#), [BP](#), [Equinor](#), [Woodside Petroleum](#).

¹ Schlumberger, "Global Stewardship Report." ² The CO2 emissions goal. ³ PPL Corporation Climate Assessment. ⁴ Total SE, "Getting to Net Zero."

The energy transition invites innovation

Technology plays a pivotal role in the global transition pathway. We believe the development of current and future low-carbon transition technologies is an essential component to achieving a net zero target. Many companies have embraced the opportunity that comes with being an innovator amidst a time of transition. Some are focused on the development of significant disrupters, such as hydrogen fuel cells; while others are focused on small-scale innovation and business operation adaptations that can support immediate reductions to their GHG emissions, such as sustainable aviation fuels.



Case Study

A heavy equipment company pioneering alternative technology

Cummins is a U.S.-based company that has been in the traditional diesel engine space since the 1920s but has recently expanded its portfolio to alternative engine technology, including electric. Most recently, with the purchase of Hydrogenics, Cummins expanded its fuel cell and hydrogen production technologies. Over years of engaging with Cummins, BIS has seen the company emerge as an example for setting rigorous emissions reduction targets, considering sustainability factors in its strategy, and investing in technologies that advance the energy transition. This innovation and investment are supporting technology advancements that will hopefully allow the transportation industry, particularly trucking, to de-carbonize.

BIS voted in support of management this year, in acknowledgement of Cummins' continued advancement of its climate-related strategy and integration of sustainability factors into its long-term value proposition for shareholders.

Case Study

A global leader in cement production eyes opportunity in the energy transition

Taiwan Cement (TCC) one of the top ten cement companies globally in terms of annual production, and a company that has demonstrated an industry-leading commitment to addressing climate-related risks and opportunities.¹ BIS has engaged with TCC — including the Chairman and CEO — three times in the past year. This level of access is uncommon in the APAC region and offered BIS the opportunity to hear the Chairman himself clearly articulate the company's energy transition strategy, which began in 2017.

BIS welcomes how management in a carbon-intensive industry such as this has evolved its strategy to align with a low-carbon future. TCC is implementing a combination of technology adoption and innovation, operational modifications, and natural capital investment (reforestation) to deliver on its ambitious sustainability objectives; which include Science Based Targets (SBT) by 2025 and carbon neutrality by 2050.^{2,3} BIS voted in support of management at TCC acknowledging its commitment to rigorous targets that are underpinned by a clearly articulated strategy focused on creating a strong long-term value proposition for the company. BIS has had some concerns about board composition, but we recognize recent efforts by TCC to ameliorate the issue and look forward to improvements that we believe will further strengthen its governance and support the execution of its long-term strategy.

¹ World's 10 Largest Cement Companies." ² Taiwan Cement Company "TCC Stands as a Pioneer in Carbon Neutrality by 2050." ³ Emissions reductions targets are considered "science-based" if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement — limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Source: [Science Based Targets](#).

Financial institutions' role in the energy transition

Investors and other stakeholders are increasingly interested in learning how financial institutions are assessing climate-related risks within their corporate operations, and how their risk management and under-writing policies are taking into consideration the climate risk and opportunity profile of the companies to which they provide financial services.

BIS had 634 engagements with companies in the financial sector this proxy year. Like in all sectors, companies are at varying stages of their climate integration strategies and, in many cases, the process of responsibly unwinding certain financing activities will take time. We are encouraged with what we have seen across the sector with so many companies clearly demonstrating that the risks and opportunities presented by the energy transition rank high on their business priorities. We are also cognizant of the need to continue monitoring progress across the sector to ensure that commitments are upheld and that those commitments in fact drive progress in the global effort to shift onto a pathway to net zero GHG emissions.

634

BIS had 634 engagements with companies in the financial sector this proxy year.

Case Study

Financial institutions around the world increase climate commitments

Over the last year companies across the sector increased net zero commitments and demonstrated efforts to keep pace with external advancements around measurement methodologies, scenario analysis and regulatory requirements for both reporting and stress testing. We have seen companies commit to heightened climate scrutiny in the financing policies as well as the development of products to further finance sustainability.

ING's 2020 Terra report expanded on its 2019 report to include performance, portfolio targets, challenges, and next steps for additional sectors, including steel and aviation, not covered in the previous report. It also included an update on other climate-sensitive sectors like power generation.¹ Société Générale has provided additional credit portfolio alignment goals in its 2020 TCFD-aligned climate disclosure.

Citibank's TCFD report included scenario analysis for physical risk to oil & gas portfolios and a pilot transition risk portfolio analysis including commercial real estate and agriculture under both 1.5°C and 2°C scenarios in Mexico. Citibank intends to expand the analyses across portfolios based on carbon intensity and client focus. The company's disclosures also include a climate-risk heatmap for physical and transition risk with current credit exposure in its metrics and targets.²

Banco do Brasil has committed to playing a transformative role in financing sustainability with:

- 1** The development of an innovative sustainable finance model that links the interest paid on emissions to the performance of ESG indicators
- 2** The construction of a sustainable loan portfolio in support of finance activities that have a positive socioenvironmental impact.³

¹ ING's 2020 Terra Report. ² Citi's Finance for a Climate-Resilient Future II. ³ Banco do Brasil, "Annual Report 2020."

Case Study

Approaching a legally binding shareholder proposal at two Japanese companies

At this year's AGM, Mitsubishi UFJ Financial Group, Inc. (MUFG) — the fifth-largest financial institution by asset size — received a shareholder proposal requesting it “to adopt and disclose a plan to align its financing and investments with the goals of the Paris Agreement.”^{1,2} The proposal required that the company amend its Articles of Incorporation (AOI) by incorporating the following clause: “The company shall adopt and disclose in its annual reporting a plan outlining its business strategy, including metrics and short-, medium-, and long-term targets, to align its financing and investments with the goals of the Paris Agreement.”³

While we agreed with the general intent of the proposal, BIS voted against because we were concerned about the proposal's request to amend the company's AOI, given the legally binding nature of shareholder proposals in Japan. In addition, BIS believed that the company had demonstrated reasonable progress in disclosing and addressing climate-related risks and opportunities, measured against both its Japanese and global peers. A similar shareholder proposal was filed at Sumitomo Corp.'s 2021 AGM.

As in the case of MUFG, BIS voted against the shareholder proposal given the extensive business implications for this multi-sector conglomerate stemming from amending the AOI. BIS also considered that the company had demonstrated reasonable progress in terms of its climate-related policies and disclosures, including the introduction of mid-term targets to achieve carbon neutrality by 2050.

BIS assesses proposed changes to a company's AOI in the context of our [market-level voting guidelines](#). We would support changes that enhance shareholder rights or protect shareholder interests in the governance of a corporation. The AOI are a company's constitution, which defines the fundamental principles of a company: its objectives and the businesses to operate, director-related provisions, the increase in authorized shares, or the creation and issuance of class shares, among other provisions. Under the Companies Act of Japan, Article 423, a violation to the AOI is treated in the same way as a violation of laws, whereby the directors are “liable for damages arising as a result thereof.”⁴ Therefore, we considered it inappropriate to include a clause aimed at defining matters related to a company's execution of its business — including disclosure related to business execution.

¹ MUFG, “Corporate Profile – We are MUFG in the Americas.” ² MUFG, “Notice of Convocation of the Annual General Meeting of Shareholders.” 8 June 2021, Page 32. ³ See previous footnote. ⁴ Japanese Law Translation, “Companies Act (Part I, Part II, Part III, and Part IV).”

“Say on Climate”

A noteworthy development across various markets globally this proxy year was proposals to approve a company’s climate action plan, commonly referred to as “say on climate”. BIS voted on 28 “say on climate” proposals, of which 22 proposals were put forward by company management.¹ As of early July 2021, voting outcomes were known for 20 of those, and they received an average of approximately 97% support, while the six shareholder proposals received an average of 33% support. In some cases, such as at Royal Dutch Shell and Union Pacific Corporation, proposals focused on putting companies’ climate plans to a vote in the future. In other cases, such as at [VINCI](#) and [TotalEnergies](#), shareholders voted to approve a company’s current climate action plan.

In Australia at [Woodside Petroleum](#), Santos Limited and [Rio Tinto](#), proposals were ultimately withdrawn from the agenda ahead of the annual meeting after the companies agreed to put their climate plans to a vote themselves in the future. This reflects both the heightened focus that shareholders have on a company’s approach to the transition to a low-carbon economy, as well as companies’ understanding of the importance of this issue for shareholders.

BIS believes these types of proposals have merit at many of the companies at which they were filed. As we do with all proposals, we evaluated each in the context of a company’s existing practices and public disclosures. For example, at [VINCI](#) and [Moody’s Corporation](#), we voted for management’s proposed “say on climate” because each company provided the type of clear roadmap towards its stated climate ambitions and targets that we believe is necessary to prepare for a low-carbon economy, and met our [expectations](#).

Looking ahead, more third-party research will be needed to support investors in assessing companies’ climate action plans. BIS will continue to monitor the development of “say on climate” proposals, and we welcome ongoing progress regarding corporate climate policies, ambitions and targets to manage climate risk.

26

We supported 26 “say on climate” proposals at 23 companies, 93% of those put to a vote this year.²

¹ Proposals were either put forward by management or shareholders. ² Of which BIS voted on. Data sourced on July 8, 2021, reflecting data July 1, 2020 through June 30, 2021.

2020-21 Proxy year “say on climate” voting detail

Company name	Proponent	Region	BIS vote	Management recommendation	Vote result (% support)
Severn Trent Plc	Management	EMEA	For	For	*
Iberdrola SA	Management	EMEA	For	For	97.3%
Total SE	Management	EMEA	For	For	91.9%
HSBC Holdings Plc	Management	EMEA	For	For	99.7%
Royal Dutch Shell Plc	Management	EMEA	For	For	88.7%
ATOS SE	Management	EMEA	For	For	97.1%
Gestamp Automocion SA	Management	EMEA	For	For	*
Aviva Plc	Management	EMEA	For	For	100%
S&P Global Inc.	Management	AMER	For	For	99.5%
Unilever Plc	Management	EMEA	For	For	99.6%
Glencore Plc	Management	EMEA	For	For	94.4%
Aena S.M.E. SA	Management	EMEA	For	For	100%
Aena S.M.E. SA	Management	EMEA	For	For	95.7%
Canadian National Railway Company	Management	AMER	For	For	92.1%
Moody's Corporation	Management	AMER	For	For	93.3%
Nestle SA	Management	EMEA	For	For	95%
VINCI SA	Management	EMEA	For	For	98.1%
Ferrovial SA	Management	EMEA	For	For	96.6%
Ferrovial SA	Management	EMEA	For	For	96.8%
Aena S.M.E. SA	Management	EMEA	For	For	99.2%
Investec Ltd.	Management	EMEA	For	For	100%
Investec Plc	Management	EMEA	For	For	100%
Monster Beverage Corporation	Shareholder	AMER	Against	Against	7%
Booking Holdings Inc.	Shareholder	AMER	Against	Against	34.1%
Union Pacific Corporation	Shareholder	AMER	For	Against	31.6%
Hennes & Mauritz AB	Shareholder	EMEA	For	None	2.6%
Charter Communications, Inc.	Shareholder	AMER	For	Against	39%
Canadian Pacific Railway Limited	Shareholder	AMER	For	For	85.4%

Source: BlackRock and Institutional Shareholder Services (ISS). *Unknown voting outcome as of early July 2021.

Case Study

Management endorses “say on climate” proposals

In October 2020, the first “say on climate” shareholder proposal was filed at Spanish airport operator Aena S.M.E. SA (Aena). It asked that the company publish a detailed climate action plan to be submitted to an advisory shareholder vote in 2021 and publish related progress reports annually thereafter, also to be submitted to an advisory shareholder vote. Aena recommended that shareholders support the proposal, along with a management proposal committing to a report on the company’s climate action plan. BIS supported these proposals, as discussed in our [Vote Bulletin](#), which both passed with over 90% support.

At Canadian Pacific Railway Limited’s (CP) and Canadian National Railway Company’s (CN) 2021 AGMs, both had non-binding advisory “say on climate” proposals. CN’s was proposed by management, while CP’s was a shareholder proposal, though CP recommended that shareholders support the proposal. BIS [voted](#) for these proposals at each company.

In contrast, U.S. railway company, Union Pacific Corporation also received a “say on climate” shareholder proposal this year, though the company recommended that shareholders vote against it given existing policies to address climate change. BIS [voted](#) for the proposal, because, while we are supportive of the company’s efforts to date with respect to this material climate, issue, particularly the company’s Science Based Targets initiative’s (SBTi) certification, we believed that voting in favor may accelerate its disclosure progress. The proposal received about 32% support, while the proposals at CP and CN both passed with about 85% and 92% support, respectively.

**BIS voted in support of various
“say on climate” shareholder
proposals where we believed that
voting in favor may accelerate a
company’s disclosure process.**

A focus on natural capital

Over half of global economic activity depends on natural capital or natural resources.¹ For companies whose business models have material dependencies or impacts on natural capital, BIS believes that the management of these factors can be a defining feature in their ability to generate long-term, sustainable value for shareholders, as discussed in our commentary, [Our approach to engagement on natural capital](#).

As part of our approach to engagement and voting on natural capital, BIS considers biodiversity preservation, deforestation risk management, and oceans and freshwater protection to be potential drivers of long-term value. As long-term investors, we encourage companies to disclose how they have adopted or plan to incorporate a business model consistent with the sustainable use and management of natural capital, including resources such as air, water, land, minerals, and forests.

This year, BIS supported several shareholder proposals or voted against directors to encourage companies to address material natural capital risks where we believed that they could have better managed such risks or reported on their approach. At Bunge Limited, we supported a shareholder proposal requesting the company “issue a report assessing if and how it could increase the scale, pace, and rigor of its efforts to eliminate native vegetation conversion in its soy supply chain.”² Management recommended that shareholders support this proposal. While we recognized the company’s efforts to date on this issue, we believed that supporting the proposal may accelerate the company’s progress on managing biodiversity loss and deforestation in its operations and supply chain.

In the 2020-21 proxy year, BIS supported several shareholder proposals or voted against directors to encourage companies to address material natural capital risks where we believed that they could have better managed such risks or reported on their approach.

¹ World Economic Forum, PwC, “Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy.”

² Bunge Limited, “Notice of Annual General Meeting of Shareholders and 2021 Proxy Statement.”

Palm Oil industry: An emphasis on engagement

Palm oil production is an example of a particularly complex investment stewardship issue. Managing the inherent risks and opportunities that come with a business model with a material dependence on natural capital may require time to implement policies and establish robust practices. There are also often nuanced market-level, and/or company specific, dynamics to navigate. As part of our approach to this issue, BIS focuses our engagement efforts across the supply chain, from primary producers to the buyers of products. This is particularly important given that many of the primary producers are either controlled or private companies.

Minority investors lack authority to direct companies to address weaknesses in their business operations; rather, the responsibility lies with boards and management of companies. Governments and other public policy makers are responsible for implementing and enforcing relevant laws and regulations in their respective markets.

Engagement is always at the core of what we do, and in situations such as these it can be the most effective way for us to communicate concerns. For the palm oil industry in APAC specifically, we have focused our engagements with companies this year on key expectations that we believe are crucial for a company's ability to sustain value creation and maintain its social license to operate, including:

- Board oversight of how management is adapting and innovating its practices to meet sustainable palm oil standards
- Establishment of key performance indicators (KPIs) to evaluate the efficacy of its sustainable palm oil program
- Policy implementation to respond to environmental, social, and reputational risks relating to the production of palm oil as well as grievances submitted by employees, communities, and other industry and company stakeholders
- Visibility into a company's path to sustainable palm oil certification

Procter & Gamble (P&G) is an example of a company that we have been actively engaging with on natural capital issues. At the 2020 AGM, we supported a shareholder proposal asking the company to report on whether and how it could increase the scale, pace, and rigor of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains as we determined that there was room for P&G to improve the frequency and depth of disclosure. Recognizing the importance of the entire supply chain, BIS also voted against management at Astra International, a supplier to P&G, at its AGM for similar concerns.

Over the last year we provided feedback on P&G's Citizenship Report, which, upon our assessment, would be more useful to investors, and other stakeholders, if it were more detailed and aligned with the TCFD and SASB. This would help provide transparency into how the company is identifying, assessing, and managing potential material weaknesses in its palm oil supply chain management, including in relation to the forestry management and harvesting practices of its local suppliers. The company has since enhanced its reporting. The 2020 Citizen Report included TCFD, SASB and GRI frameworks, while also mapping to the UN SDGs.¹

¹ Procter & Gamble "2020 Citizenship Report."

We have had multi-year, in-depth discussions with Brazilian food products company, JBS, about its risk management processes and commitments to deforestation-free supply chains.

As a long-term shareholder on behalf of our clients, we have communicated our expectations to the company that it demonstrate, either through its direct operations or supply chain connectivity, a more sustainable business model and continue to enhance its disclosures.

BIS is increasingly engaging on plastic pollution, which threatens food safety and quality, human health, and coastal tourism, and contributes to climate change, among other negative environmental impacts.¹ Companies that do not adequately address the sourcing and use of plastic products in their operations face regulatory and reputational risks to their business. More than ever, we believe company valuations can be significantly influenced by these risks.

Through our engagement, we seek to understand:

- 1** How companies are accelerating efforts related to recycling and reuse of plastic products in consideration of a circular economy.
- 2** Efforts and investments around research and innovation to develop new products such as biodegradable plastics to replace single-use plastics.
- 3** Targets established to limit runoff and waste and to support efforts to clean up existing plastics pollution.

At the Kroger Co. (Kroger), BIS supported a shareholder proposal requesting that the company issue a report on its use of plastic packaging, as well as the company's strategies or goals to reduce plastic packing and impacts. While acknowledging the efforts the company has made to address its exposure to natural capital-related risks, specifically in connection to the packaging of its "Our Brands" products, we ultimately agreed with the proposal's intent to address the business risk of plastic packaging and determined that support for it could accelerate Kroger's progress on this issue.

¹ National Oceanic and Atmospheric Administration (NOAA). "Ocean pollution." U.S. Department of Commerce. April 2020.

Strategy, purpose, and financial resilience

As outlined in our commentary on how we engage with companies on [strategy, purpose and financial resilience](#), we seek to understand how a company is adjusting its strategy and/or capital allocation plans to address the risks and opportunities of its business and ensure long-term value for its shareholders.

BIS does not seek to dictate a company's strategy. Determining strategy is the responsibility of management and overseen by the board.

On behalf of clients, we do analyze how boards have performed in working with management teams to steer their companies towards long-term value creation. We vote in support of management and boards where they demonstrate an approach consistent with creating sustainable long-term value. Where company reporting and disclosure is inadequate, we will engage and/or vote to encourage sound corporate governance and sustainable business models.

2,200

engagements*

Engaging and voting on strategy, purpose, and financial resilience

We engage on long-term corporate strategy, purpose, and financial resilience to understand a company's strategic framework and how strategy incorporates stakeholders' needs.

We seek an articulation of the board's role in helping management assess the company's purpose and culture, which can inform corporate strategy and be a link to long-term value creation.

*From July 1, 2020 to June 30, 2021.

Case Study

Prioritizing employees, customers, and other key stakeholders

We engaged with members of the board at Tesco plc, a UK-food retailer, including the board chair, to understand how the company managed the impact of COVID-19 on its multiple stakeholders — employees, customers, suppliers, and communities. Tesco explained that it regularly takes steps to make its supply chain more resilient, including during the pandemic. For example, during the crisis the company took produce that would ordinarily have been sold to the hospitality sector (which was largely closed) and amended some smaller suppliers' contractual terms. It also took steps to ensure at-risk staff could shield without any impact on their pay.

Tesco's strategy considerations also include its impacts on customers, particularly in relation to healthy eating, where the company has spent time developing its strategy. In the first half of 2021, Tesco received a shareholder proposal requesting the company disclose the share of sales of healthy products and make plans to significantly increase that share by 2030.¹ Tesco subsequently announced it had established a series of commitments to help customers eat more healthily, including a target to increase sales of healthy products by 2025.² The proponent initially did not withdraw the proposal, citing differences between the requested actions and the company's commitments. BIS engaged with the company and with the proponent to discuss these apparent differences, including the potential to extend the company's healthy products strategy beyond its UK and Irish business. After continued engagement with shareholders and the proponent, Tesco decided to make further commitments on healthy products in its Central European and wholesale business.³

The proponent, in turn, decided to withdraw the shareholder proposal. In BIS' view, the extended strategy sets out meaningful commitments across the company's business lines and will accelerate its efforts to position itself as a source for healthy and sustainable diets for its customers. As a result, we supported management at the 2021 Tesco AGM.

Case Study

Mitigating risk and seizing opportunity in the transportation sector

The global airline industry has acknowledged the critical role it has to play in the global economy achieving net zero by 2050. To that end, all of the major U.S. airlines have affirmed the industry-wide effort led by Airlines for America (A4A) to achieve net zero GHG emissions by 2050.⁴ This is an ambitious goal as the industry is faced with the lack of a commercially viable transformative technology, for example, hydrogen and/or electric battery engines.

BIS believes that companies that are investing in sustainable aviation fuel (SAF), developing fleet renewal programs to retire older planes and increase efficiencies, or working with airports to source zero carbon electric grid power to support ground operations are putting forth best efforts to decarbonize while the industry awaits transformative technology.⁵

This year we have voted in support of companies that we believe are aligning their business models and operations with the transition to a low-carbon economy, helping to ensure their long-term financial resiliency. Delta, Jet Blue, American Airlines, Southwest Airlines, and Alaska Airlines are all companies that are sufficiently adapting their business models with a focus on short-, medium-, and long-term goals aligned with delivering shareholder value in a more carbon conscious future.

¹ ShareAction. "Tesco faces shareholder challenge over its role in UK obesity crisis." 10 February 2021.

² Tesco plc. "Tesco makes ambitious new commitments to support healthy, sustainable diets." 5 March 2021.

³ Tesco plc. "Tesco extends ambitious new health commitments to Central Europe and Booker." 5 May 2021.

⁴ Airlines for America, "Major U.S. Airlines Commit to Net-Zero Carbon Emissions by 2050."

⁵ Sustainable aviation fuel (SAF) has the potential to decrease lifecycle emission by 60-80% as compared to traditional jet fuel.

Case Study

Strategically repositioning as a technology company requires increased oversight

In February 2021, Thomson Reuters announced a two-year “Change Program” to transition from a holding company to an operating company, and from a content provider to a content-driven technology company.¹

At this year’s AGM, Thomson Reuters received a shareholder proposal asking the company to broadly assess human rights risk and compare its human rights risk mitigation practices to its peers, making specific reference to the company’s announced change in strategy to become a content-driven technology company. In advance of the AGM, BIS engaged with Thomson Reuters to gain a further understanding of how its policies around board oversight and human rights risk have been amended to reflect its new business focus, particularly as the company transitions its business model to align with other technology peers.

Technology companies are playing an increasingly important role in both the global economy and society. With that influence comes increased responsibility to consider how the use of personal data is integrated into the company’s strategy, and how this information is protected. As these considerations for data privacy and human rights are material to the business and the ability for companies to maintain trust from their customer and client base, we have seen an increased emphasis on regular reporting and transparency amongst leaders in the sector.

While Thomson Reuters was able to detail some efforts to integrate additional oversight, which included its adoption of the “AI Principles” in 2020, we determined that more progress in this area is required. We voted in support of the shareholder proposal as we believed it could accelerate the implementation of policies to help mitigate Thomson Reuters’ future legal, operational, and reputational risk and support long-term shareholder value.

Case Study

Aligning corporate political activity with company strategy in the U.S.

This year many U.S. based companies received shareholder proposals that requested additional disclosures related to companies’ political spending and lobbying. BIS agrees that this is an important issue and regularly engages with companies to understand how their activities and disclosures on political spending and lobbying are consistent with a company’s overall strategy and long-term shareholder value creation that they address instances where significant inconsistencies between publicly stated priorities and affiliated group views on major policy positions could create reputational risk.

We supported political spending and lobbying shareholder proposals this year at Lyft, [Tyson Foods](#), [Pfizer](#), and [Charter Communications](#), among others, as we determined increased transparency would help shareholders’ understanding of these companies’ political activities and how they aligned with each company’s strategic policy positions and long-term performance.

¹ For additional details, see: <https://ir.thomsonreuters.com/static-files/e9dd3d54-b4ad-4393-8c3b-7c2a84cd65bb>.

Assessing investor activist situations through the lens of long-term value creation

Activist situations represent a small portion of the votes made in any given year; however, they often receive disproportionate attention. This year, there were several very high-profile situations as well as a general rebound in investor activism as the economy started to recover from the pandemic.¹

The intention behind each activist shareholder is unique. It is common, but not always the case, that activist investors have a shorter-term investment focus. BIS always assesses the situation through the lens of the economic interests of our clients, who are long-term investors.

Engagement remains the core of BIS' stewardship approach. When an activist investor initiates a campaign for change at a company, BIS seeks to engage with the company and usually with the activist to further our understanding. There are cases where boards come to an agreement with the activist investor, as seen at both Danone and Kohl's this year. Others, however, ultimately get voted on by shareholders, such as at ExxonMobil, Toshiba and Tegna. In each case, we voted to support the outcome that we have independently determined to be in the best economic interest of our clients as long-term shareholders.

We believe that, in most cases, our clients — the owners of these companies — are best served when a company is constructively engaged, is receptive to shareholder feedback, and initiates change from within. We are inclined to support management in such situations. Where we have independently assessed that companies have not considered shareholder feedback, and where BIS sees significant risk to the long-term value proposition of a company, we have voted against management.

¹ The first six months of the year marked a rebound in activism generally as the economy started to recover from the pandemic. Advisors expect that momentum will continue into the second half of the year and into 2022 and beyond. – [Bloomberg Law](#).

Case Study

Toshiba

Toshiba Corporation (Toshiba) has several activist investors as shareholders. It held an extraordinary general meeting (EGM) in March 2021 when a shareholder proposal seeking an investigation by lawyers nominated by the activist proponents was passed. The lawyers were to investigate whether Toshiba's 2020 AGM was conducted in a fair manner. The findings of this investigation indicated pressure from certain government officials which appear to have had an impact on shareholder voting. Given its involvement in nuclear and defense sectors, Toshiba falls under the ambit of Japan's Foreign Exchange and Foreign Trade Act which results in its being under the purview of relevant government departments with restrictions on foreign ownership and board membership.

The former CEO resigned ahead of the 2021 AGM and two members of the audit committee did not stand for re-election. At the June 2021 AGM, BIS voted against the remaining incumbent member of the audit committee given his responsibility on the audit committee and for insufficient oversight as a board member since 2019. BIS supported the other board members standing for re-election as we believed some stability in leadership during this turbulent period was necessary. The Chair, however, was not re-elected, despite the fact that he had only been on the board for a year and was not implicated in the 2020 AGM issues. This left the company in the unsatisfactory position of having an interim Chair who was also interim CEO. The company has committed to calling another EGM within a few months of the AGM in order to elect a reconstituted board. BIS will monitor the situation closely to assess the board's process in identifying suitable candidates to secure appropriate leadership of Toshiba.

Case Study

ExxonMobil

ExxonMobil Corporation (Exxon) came under pressure this year from activist investor Engine No. 1 that advocated for, among other things, improved capital allocation discipline, greater investment in technologies that will enable Exxon to meet more ambitious long-term total emissions reduction targets, and fresh perspectives in the boardroom to guide these, and other strategic changes. At this year's AGM, Engine No. 1 proposed a slate of four new directors for election.

BIS has had a long and extensive engagement history with Exxon on its governance and its response to the energy transition. In our view, Exxon and its Board were not adequately assessing the company's strategy and board expertise against the possibility that demand for fossil fuels may decline rapidly in the coming decades. We see this as a corporate governance and oversight issue that has the potential to undermine the company's long-term financial sustainability.

To reflect our concerns, BIS voted for three of the four directors nominated by Engine No. 1. We believe that they, together with directors recently nominated to Exxon's board by the company, have the potential to bring the fresh perspectives and more relevant experience to the Board to help the company position itself competitively to address the risks and opportunities presented by the energy transition and to mitigate the impacts of climate risk on long-term shareholder value. We also voted for the re-election of the Lead Independent Director and the CEO. As discussed in our [Vote Bulletin](#), votes we cast aim to reflect our desire to see both fresh perspectives and some continuity in leadership given the urgency with which the company needs to act on its new climate-related commitments, strengthen its financial performance and secure its competitive position.

Case Study

Danone

Since late-2020, Danone had come under growing pressure from activist investors to demonstrate that its progress on sustainability is being matched by strong financial performance. The activist investors questioned aspects of the company's strategy and governance, and specifically called for the combined Chairman and CEO role to be split, and for the then Chairman and CEO to be replaced.

With activist investor pressure escalating, on March 1, 2021, Danone's Board of Directors initially announced its decision to separate the functions of Chairman and CEO, and that the Chairman/CEO would become a non-executive Chairman on the appointment of a new CEO.¹ On March 15, 2021, the board went further and announced that the Chairman/CEO would no longer take on the non-executive Chairman role but instead step down as Chairman and CEO with immediate effect.² A recently-appointed member of the board, was elevated to the role of Chairman, and two business line CEOs from within the company were named to jointly lead the business until the new CEO arrives.

BIS has engaged several times with Danone as the situation evolved to ensure our understanding of the board's efforts and make clear our expectation that the company continue to improve its board governance to provide a strong foundation on which new executive management can take the business forward.

In our view, the board's actions defused the immediate concerns of the activist and subsequent events have been constructive. BIS is encouraged by how the company has chosen to effect change in its governance structure while maintaining its commitment to a sustainable business model, including its status as an enterprise à mission.

We voted in support of management at this year's AGM. BIS will continue to monitor progress as the company integrates new leadership in the months ahead, and we will continue to engage to ensure that appropriate attention is given to governance and strategic priorities that further the interests of our clients as long-term shareholders.

¹ Danone. "Press Release." March 1, 2021. ² Danone. "Press Release." March 15, 2021.

Company impacts on people

Through our multi-year engagements, we continue to witness how companies are increasingly re-examining their roles in their communities and society at large. In the past year, in particular, many companies announced increased commitments on diversity, equity and inclusion (DEI) targets, measures to support employees' childcare or mental health needs, or programs to facilitate work from home, among other initiatives to support their employees during a very difficult year. In other cases, companies looked into human rights-related risks in their supply chains and are working to strengthen their policies and procedures.

We believe that BlackRock's clients, as shareholders, will benefit if companies create enduring sustainable value for all stakeholders. Our conviction is that companies perform better when they are deliberate about their roles in their communities and society overall and act in the interests of their employees, consumers, customers, suppliers, and shareholders.

Key stakeholders will vary from company to company. For a majority, employees are a key stakeholder group. We have engaged with companies on human capital management for several years to understand how they establish themselves as an employer of choice for their workers, and how they support a diverse and engaged workforce. Key stakeholders can also include suppliers, customers, and communities in which companies operate, both locally and abroad. While each company should determine its key stakeholders — based on what is material to its business — we advocate for improved disclosures to understand how companies are making prudent decisions considering their stakeholders' interests. We also ask companies to demonstrate how they have put in place appropriate board oversight, due diligence, and remediation mechanisms relating to adverse impacts on people arising from their business operations — including those indirectly employed or communities that could be harmed or displaced by a company's expanding operations. We consider the SASB materiality framework to be a helpful tool for companies considering enhancing their disclosures on industry-specific human capital metrics.

1,350

engagements*

Engaging and voting on company impacts on people

BIS engages with companies to understand how they are making prudent decisions that benefit their key stakeholders. We believe failure to address key stakeholders' interests can reverberate across a company's value chain, which may affect critical relationships with key stakeholders and impact shareholder value.

*From July 1, 2020 to June 30, 2021.

BIS voted in support of management at Deere & Company in acknowledgement of its commitments to advance DEI in the communities in which it operates with the implementation of a program to address an identified gap in access to land titles for Black farmers in the U.S. This program has included partnering with the National Black Growers Council and the Thurgood Marshall College Fund to create a coalition called Legislation, Education, Advocacy, and Production Systems (LEAP) and with law students from Historically Black Colleges and Universities (HBCUs) and the National Association of Black Growers and Farmers. This is an example of a company that is critically evaluating the role it plays in communities, which BIS believes is a component of its business sustainability and success over the long-term.

**In 2020-21,
BIS voted against
management over
concerns about
social issues at
36 companies.**

When companies are unresponsive to our concerns — voiced in our frequent engagements — or their disclosures are insufficient to make an adequate assessment of how they are considering stakeholders' interests in decision-making, BIS may vote against the re-election of directors who we held responsible for oversight of these operating issues. In 2020-21, BIS voted against management over concerns about social issues at 36 companies. This included voting against director re-elections at: Oracle Corporation and Skechers U.S.A, Inc. in the Americas, and notably Top Glove in APAC.

In the case of boohoo group plc — an online clothing retailer based in the UK — BIS voted against the co-founder and former co-CEO who serves on the board as an executive director. In general, when assessing how best to vote on behalf of our clients regarding the re-election of directors, we would limit our considerations to non-executive directors whom we consider the primary actors accountable to shareholders. In this case, however, the company is listed on the Alternative Investment Market (AIM) segment of the London Stock Exchange and has chosen not to comply voluntarily with the UK Corporate Governance Code.¹ As a result, it does not put all directors up for re-election annually. This vote reflected our view that there needed to be accountability at the board level for the poor oversight and practices that resulted in the supply chain controversies and related value destruction. We also considered the change in board membership consistent with the demonstrable governance change necessary to support the company's remediation steps at the heart of the company's Agenda for Change program.²

¹ London Stock Exchange. "[London Stock Exchange's market for small and medium size growth companies.](#)" ² boohoo group. "[An agenda for change in UK garment manufacturing.](#)"

Voting on social-related shareholder proposals

We may also express our concern for a company's impact on people through voting for shareholder proposals that address business-relevant social risks and opportunities, or that may encourage a company to accelerate its efforts to address key risks such as DEI issues at the workforce level, forced labor risks at the supplier level, or human rights controversies impacting communities, among others.

This year, BIS supported 35 out of 100 social-related shareholder proposals — compared to eight out of 114 supported in the 2019-20 proxy year.¹ As we do with all shareholder proposals, we evaluated each in the context of a company's existing practices and disclosures. As a long-term investor on behalf of our clients, we grounded our final decision on achieving the outcomes most aligned with our clients' long-term economic interests.

Most social-related shareholder proposals were filed in the U.S where expectations of companies on social issues, such as DEI, have increased. Many of these proposals requested companies conduct racial equity audits, better report the actions that they are taking to advance DEI efforts, or disclose EEO-1 Component 1 data.²

BIS supported 27 out of the 75 shareholder proposals addressing social issues filed at U.S. companies. In line with our approach to shareholder proposals, where we agreed with the intent of the proposal addressing a material business risk, and if we determined that management could do better in managing and disclosing that risk, we supported the proposal. We may have also supported a proposal if management was on track, but we believed that voting in favor might accelerate their progress. There were instances in which, while we agreed with the spirit of the proposals put forward and the urgency of the underlying concerns, we did not support the proposals because we determined them to be overly prescriptive or as a constraint on the basic decision-making discretion of management.

**BIS supported
27 out of the 75
shareholder
proposals
addressing social
issues filed at
U.S. companies.**

¹ Excluding the Japan market, where numerous shareholder proposals are filed every year due to low filing barriers. Shareholder proposals are often legally binding for directors in this market. ² The EEO-1 Component 1 report is a mandatory annual data collection that requires all U.S. private sector employers with 100 or more employees, and federal contractors with 50 or more employees meeting certain criteria, to submit demographic workforce data, including data by race/ethnicity, sex and job categories. See "[EEO-1 Data Collection](#)."

Supporting DEI-related efforts to generate sustainable long-term value

The demonstrations against racial inequality that took place in the U.S. following the death of George Floyd underscored the shift in awareness of the role that companies should play in advancing more equal and inclusive societies, and the increased expectations and scrutiny of their stakeholders.

Companies in the U.S. and elsewhere around the world announced commitments to make additional efforts to advance social and racial equity in areas that were in their control, most notably within their workforces and surrounding communities. These included plans to hire more women and people of color, and promoting them into leadership roles, as well as efforts to increase support for minority-owned businesses. To name one example, the Business Roundtable — a network representing CEOs at U.S. leading companies employing more than 15 million people — established a Special Committee to identify meaningful steps member companies can take to advance racial equity and justice focused on employment, finance, education, health, housing, and the justice system.¹

BIS believes that an inclusive, diverse, and engaged workforce contributes to business continuity, innovation, and long-term value creation. As an issue that manifests differently in different regional contexts, we approach DEI issues considering the industry-and market-specific context.

In the UK, we expect companies to adopt the recommendations of the Parker and Hampton-Alexander reviews to ensure there is appropriate diversity at board level and beyond.

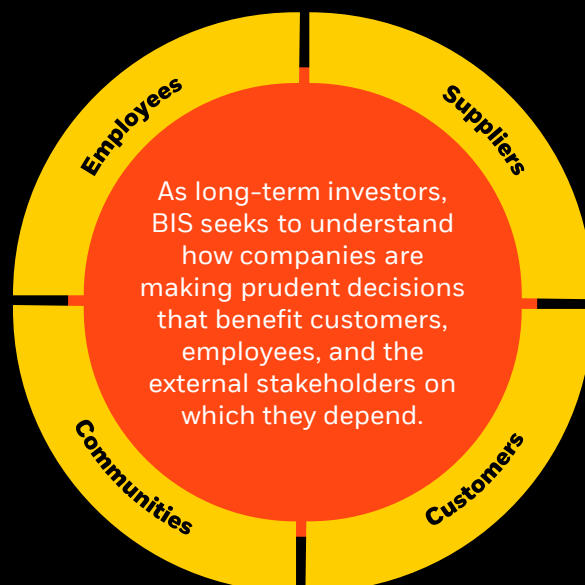
On our assessment of the Lloyds Banking Group plc efforts to increase gender and ethnic diversity, we found that the company has achieved the Hampton-Alexander goals of 33% female representation at both the board level and the executive committee level, including direct reports. The board has also met the recommendation of the Parker Review that by the end of 2021 at least one board member be of Black, Asian or Minority Ethnic background. In addition, the company's "Helping Britain Recover" plan continues its efforts to advance diversity by setting enhanced ambitions to achieve 50% women, 3% Black, and 13% Black, Asian and Minority Ethnic representation in senior roles by 2025.² This is the first FTSE 100 company to set a public goal aiming specifically at increasing Black representation in senior roles.³ The company's increased efforts to build a more inclusive organization — starting at the top — was an important factor in our support for all directors' re-election at the company's 2021 AGM.

In the U.S., we ask that companies disclose the diversity of their workforce, including demographics such as race, gender, and ethnicity in line with the Equal Employment Opportunity Commission's EEO-1 Survey. During the first half of 2021, we supported shareholder proposals at [Charter Communications](#), [Union Pacific Corporation](#), and Dupont requesting each company adopt a policy to annually disclose EEO-1 data. After assessing the companies' current disclosures of DEI policies and supporting data, we determined that the publication of EEO-1 data would allow investors to track progress as each company works towards its stated DEI-focused goals.

¹ The Business Roundtable. "Advancing racial equity and justice." ² Lloyds Banking Group. "Helping Britain Recover." ³ Lloyds Banking Group. "ESG Investor Presentation." February 2021. Page 6.

A look into companies' approaches to key stakeholders' interests

We believe it is important how boards and management teams consider key stakeholders' interests in their decision-making. Those stakeholders include employees, suppliers, customers, and communities.



Employees

BIS voted against the re-election of six Independent Non-Executive Directors (INEDs) and against a proposal for the Senior Independent Director to continue as an INED at Malaysia-based [Top Glove](#), the world's largest rubber gloves manufacturer. Given the company's role as a leading Personal Protective Equipment manufacturer and as a supplier of such equipment to hospitals around the world, we viewed the company's ineffectiveness in implementing COVID-19 protections for its own workforce and inadequate board oversight of worker health and safety issues as especially egregious. Prior to COVID-19, Top Glove had already faced serious financial and reputational impacts, after the U.S. Customs and Border Protection determined that there was reasonable evidence of forced labor. We stated, in our [Vote Bulletin](#), our intention to vote against directors up for re-election in the coming years given that only a portion of the board was up for re-election in the 2021 AGM.

Suppliers

At Tyson Foods' 2021 AGM, BIS supported the proposal requesting the board of directors prepare a report on the company's "human rights due diligence process to assess, identify, prevent, mitigate, and remedy actual and potential human rights impacts" given the company's limited disclosure regarding its supply chain audits. In the prior year, BIS supported a similar shareholder proposal requesting a report on the human rights risk assessment process because we were not satisfied with the company's disclosures and practices around sustainable working conditions. After continued engagement on the matter, we remained concerned about the company's lack of robust disclosures and decided to support the proposal at this year's AGM.

Customers

At its 2021 AGM, The Coca-Cola Company received a shareholder proposal requesting the board of directors issue a report on sugar and public health. The proposal — which was also filed at the 2020 and 2019 AGMs — received 9.3% support. BIS did not support this proposal because the company has been increasingly reporting on its sugar and calorie reduction efforts at a global scale. In fact, Public Health England's October 2020 Sugar Reduction report found that Coca-Cola Great Britain exceeded the government's target of 20% added sugar reduction with a 24% reduction for sparkling beverages, as well as reductions in the juice and milk-based categories, where more than 50% of the company's portfolio currently meets the government guidelines. The company's most recent progress on its sugar and calorie reduction targets is well documented in its 2020 Business & Environmental, Social, and Governance report, released in April 2021.¹

Communities

In 2020, Rio Tinto's expansion of an iron ore mine resulted in the destruction of a 46,000-year-old sacred site to the First Nations of Australia and Traditional Owners — the Puutu Kunti Kurrama and Pinikura peoples — in Western Australia at Juukan Gorge. The destruction prompted a parliamentary inquiry and a public outcry against the company's lack of oversight that resulted in three senior executives, including the CEO, leaving the company. BIS engaged extensively with members of the board and management to address this issue. At the 2021 AGM, BIS voted against the remuneration report because the executives' exit package did not adequately reflect the severity of the destruction of the Juukan Gorge and the resulting damage to the environment, relevant communities, and the company's social license to operate. Following the AGM, the company announced the appointment of the former Treasurer and Aboriginal Affairs Minister in the Western Australian Government as non-executive director.² This is the first time the company has appointed a First Nations person as a director. BIS welcomes the appointment and will continue to engage with the company as it seeks to rebuild stakeholder trust.

¹ The Coca-Cola Company. "Refresh the World. Make a Difference. 2020 Business & Environmental, Social, and Governance Report." 20 April 2021.

² Rio Tinto. "Ben Wyatt to join Rio Tinto Board." 4 June 2021.

Parting thoughts

Investment stewardship has long contributed to BlackRock's mission of helping more and more people experience financial well-being. As this year proved, it is now more important than ever that we remain focused on our objective to encourage sound corporate governance and business models that can help drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

We have been encouraged by companies' responses to the turbulent events of 2020, as well as the coordinated efforts emerging between companies, governing bodies, and investors to accelerate progress on environmental and social risks and opportunities. We look forward to seeing how this continues to evolve in the year ahead.

As stewards of our clients' assets, it is important we continue focusing our efforts on building long-term constructive relationships with the companies in which they are invested, to advance their interests and support long-term value creation. In alignment with our conviction that sound corporate governance is critical to the success of a company, companies can continue to expect BIS to provide constructive feedback as they enhance their corporate governance and business models. Likewise, we will communicate our views when we believe a company is not appropriately managing risks that may impair long-term performance.

We will remain steadfast in our commitment to help our clients achieve their long-term investment goals and will continue to encourage enhanced corporate governance and business sustainability through our stewardship activities while intensifying our engagements with companies on behalf of our clients.



Appendix

Appendix

July 1, 2020 through June 30, 2021 Voting Statistics

		Americas	APAC ¹	EMEA	Global	% representation of global votes
Management proposals						
Director elections (management proposed)²	For	25,361	22,703	9,625	57,689	90%
	Against ⁵	2,527	1,957	1,905	6,389	10%
	Abstain	5	8	134	147	0%
Director elections (shareholder proposed)²	For	20	0	0	20	26%
	Against ⁵	13	45	0	58	74%
	Abstain	0	0	0	0	0%
Directors related (management proposed)³	For	1,692	8,870	8,040	18,602	81%
	Against ⁵	203	975	1,418	2,596	11%
	Abstain	943	9	850	1,802	8%
Directors related (shareholder proposed)³	For	76	993	199	1,268	81%
	Against ⁵	5	73	152	230	15%
	Abstain	44	0	20	64	4%
Compensation⁴	For	4,631	3,168	3,843	11,642	80%
	Against ⁵	425	827	1,645	2,897	20%
	Abstain	0	0	19	19	0%
Capitalization	For	858	6,731	5,415	13,004	87%
	Against ⁵	86	1,368	484	1,938	13%
	Abstain	0	11	16	27	0%
Reorganization and mergers	For	507	5,211	1,085	6,803	86%
	Against ⁵	18	991	81	1,090	14%
	Abstain	0	1	5	6	0%
Anti-takeover related	For	439	46	465	950	85%
	Against ⁵	83	57	33	173	15%
	Abstain	0	0	0	0	0%
Social (management proposed)	For	0	0	8	8	100%
	Against ⁵	0	0	0	0	0%
	Abstain	0	0	0	0	0%
'Say-on-climate' (management proposed)	For	3	0	14	17	100%
	Against ⁵	0	0	0	0	0%
	Abstain	0	0	0	0	0%
Routine business/ miscellaneous	For	6,460	14,027	13,351	33,838	95%
	Against ⁵	192	619	169	980	3%
	Abstain	411	3	511	925	3%
Preferred/bondholder	For	2	0	162	164	34%
	Against ⁵	12	0	297	309	65%
	Abstain	5	0	0	5	1%

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. Sourced on July 8, 2021. **Note:** Percentages may not add to 100 due to rounding.

1 Includes Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers. **2** Elect Directors/Supervisors & Contested Elections. **3** Includes Discharge of Directors, Committee Appointments, Bundled Elections and Election of Directors to Specific Board Positions. **4** Includes Say-on-Pay proposals, Approve Remuneration Policy, and Equity Plans. **5** Includes Votes Against and Withheld.

Appendix

July 1, 2020 through June 30, 2021 Voting Statistics

		Americas	APAC ¹	EMEA	Global	% representation of global votes
Shareholder proposals						
Environmental	For	21	8	16	45	38%
	Against ²	12	51	10	73	61%
	Abstain	0	0	1	1	1%
Social	For	30	0	5	35	35%
	Against ²	58	6	2	66	65%
	Abstain	0	0	0	0	0%
Governance	For	96	42	76	214	27%
	Against ²	316	148	102	566	71%
	Abstain	6	0	6	12	2%
Other³	For	30	620	236	886	83%
	Against ²	1	68	100	169	16%
	Abstain	11	0	0	11	1%

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. Sourced on July 8, 2021. **Note:** Percentages may not add to 100 due to rounding.

1 Includes Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers. **2** Includes Votes Against and Withheld. **3** For detail on "other" classification please see the Appendix "[Proposal Terminology Explained](#)."

Appendix

Proposal terminology explained

Management Proposals

Anti-takeover and Related Proposals — proposals concerning shareholder rights, the adoption of “poison pills,” and thresholds for approval, among others.

Capitalization — generally involves authorizations for stock issuances, private placements, stock splits, and conversions of securities.

Election of Directors and Related Proposals — a broad category which includes the election of directors, supervisory board matters, declassification of boards, implementation of majority voting, among others.

Non-salary Compensation — covers shareholder approvals of compensation related matters like advisory or binding votes on remuneration, omnibus stock plans, vote frequency, and special compensation situations.

Mergers, Acquisitions, and Reorganizations — involves significant transactions requiring shareholder approval like spin-offs and asset sales, as well as changes to company jurisdiction or structure.

Routine Business — covers formal approvals of reports, name changes, and technical bylaws, among many others.

Shareholder Proposals

Governance — generally involves key corporate governance matters affecting shareholder rights including governance mechanisms and related article/bylaw amendments, as well as proposals on compensation, political spending, and lobbying policies.

Environmental — covers shareholder proposals relating to reports on climate risk, energy efficiency, recycling, community environmental impacts, and environmental policies.

Social — includes shareholder proposals relating to a range of social issues such as reports on pay disparity, requests for enhanced anti-bias policies, or reports on human rights policies.

Other — includes a number of shareholder proposals that fall outside the categories that most shareholders would view as ESG proposals. These resolutions include (but are not limited to) appointing internal statutory auditor(s) nominated by shareholders, amending articles/bylaws/charters, and approving the allocation of income/income distribution policy. Additionally, there are a substantial number of shareholder proposals in Greater China relative to other markets. This is due to the China Securities Regulatory Commission (CSRC) requiring companies that have a foreign listing to submit their proposals 45 days prior to the meeting (which applies to all Chinese companies that have an A-share listing in China together with H-shares listed in Hong Kong). However, the CSRC allows shareholder proposals for these companies to be included up to 10 days prior to the meeting. The result is that many shareholder proposals are submitted by controlling shareholders and are, in effect, late agenda items from management.

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