

BlackRock.

2023 global voting spotlight

Advancing our clients' financial interests

BlackRock Investment Stewardship
Overview of the 2022-23 proxy voting year

NM0823U-3091198-1/61

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Important notes

This report covers BlackRock Investment Stewardship's (BIS) proxy voting on behalf of clients from July 1, 2022 through June 30, 2023, representing the U.S. Securities and Exchange Commission's (SEC) 12-month reporting period for U.S. mutual funds, including iShares. Throughout the report we commonly refer to this reporting period as the "2022-23 proxy year." References to the "previous year" or "last year" cover the period from July 1, 2021, to June 30, 2022.

As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. At BlackRock, this is the responsibility of the BIS team. BIS' team of approximately 70 dedicated professionals, work across 10 global offices[1] and focus most of our efforts on corporate governance. In our experience, sound governance is critical to the success of a company, the protection of investors' interests, and long-term financial value creation. We have also observed that well-managed companies will effectively evaluate and address material sustainability-related risks and opportunities relevant to their businesses. Appropriate oversight of sustainability considerations is a core component of having an effective governance framework, which supports durable, long-term financial value creation. As one of many minority shareholders, BlackRock cannot – and does not try to – direct a company's strategy or its implementation. Rather, we take a constructive, long-term approach with companies and focus on the drivers of risk and financial value creation in their business models.

Through this report, we aim to provide further clarity to our clients, the companies they are invested in, and our other stakeholders, about BlackRock's approach to proxy voting and the issues that, in our experience, could impact a company's ability to deliver long-term, risk adjusted returns. The information in this report is dated as of June 30, 2023, unless otherwise noted. Proxy voting data reflects BIS' management and shareholder proposal categories in alignment with BIS' proposal taxonomy, updated in early 2023. In prior BIS publications, proxy voting data leveraged Institutional Shareholder Services' (ISS) proposal taxonomy. BIS' proposal taxonomy is a more comprehensive representation of BIS' proxy voting activity on behalf of clients, built in response to their informational and reporting needs. Given the migration from ISS' to BIS' proposal taxonomy, proxy voting data reported in prior years might differ at the category level (e.g., "director elections" or "board-related" proposal categories) as a result of reclassifying the proposals in alignment with BIS' taxonomy. However, our voting record by proposal category has not been materially impacted. To learn more about BIS' proposal taxonomy please refer to the Appendix section.

Information included in this report is subject to change without notice. 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.

For more information, contact the BIS team at contactstewardship@blackrock.com

1 As of June 30, 2023.

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Foreword





Foreword

Investment stewardship is one of the ways in which BlackRock fulfills our fiduciary responsibilities as an asset manager to our clients. BlackRock Investment Stewardship serves as a link between our clients and the companies they invest in. Our sole focus when we engage with companies or vote at shareholder meetings is to advance our clients' financial interests.

Over the past year, investors continued to navigate a complex macroeconomic backdrop. Persistent supply constraints have compelled central banks to keep monetary policy tight, creating greater market volatility. At the same time, investors are seeking to understand how a number of powerful structural forces will shape future returns at the companies, and in the economies, they invest in: how will geopolitical fragmentation rewire supply chains as governments realign trade and production with a focus on national security? How might recent advances in artificial intelligence supercharge productivity in some sectors and disrupt others over the coming years? How will a transition to a lower carbon economy unfold across economies based on policy, technology innovation, and shifting consumer preferences?

This proxy year, we held 4,000 engagements with more than 2,600 companies about these issues, amongst others, to understand how they might impact the financial interests of our clients who invest in these companies. We found many of these companies demonstrating agility in adapting their strategies and business models, to both manage this complex backdrop and capture opportunities spurred by it. We saw companies reexamine their capital and cost structures to bolster their financial resilience in the context of a slower growth and a higher interest rate environment.

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Others evolved their operating models — and in some cases their listing locations — to benefit from incentives afforded through the U.S. Inflation Reduction Act (IRA), the EU Green Deal Industrial Plan, and comparable programs in other countries. And in a post-pandemic world, management teams asked their employees to return to the office to boost productivity while trying to balance employee expectations for flexibility in a competitive talent market.

In our engagements with companies, one thing remains clear: sound corporate governance — the quality of company leadership and management — has never been more important for companies to successfully navigate these strategic questions. Our discussions therefore continued to center on core governance practices that align with our clients' long-term financial interests as investors in these companies – including board quality, the company's strategy and financial resilience, and executive incentives.

We also continued to engage with companies on sustainability-related factors that are material to their business models, including management of potential risks associated with climate and natural capital, as well as the impacts of a company's operations on their workforce, and broader value chain. We were encouraged by the disclosure improvements companies have made to help investors understand how they are navigating material risks and opportunities arising from these factors.

Energy companies, in particular, faced a complex set of choices as they sought to balance the immediate national and societal demand for energy security and affordability, with their long-term plans to invest in technologies that will enable them to continue to be successful as the world transitions to a lower carbon economy. By and large, companies garnered support from shareholders for their actions to balance these important — but sometimes competing — objectives. We continue to believe that companies would benefit from greater clarity in public policy to support their decision-making on these issues. This, in turn, would allow these companies to provide shareholders more transparency about their strategies.

Empowering more investors with voting choice

Over the past 12 months, we continued to expand Voting Choice to provide more options for investors who want a more direct role in the stewardship of their capital. Today, clients representing over $586 billion in assets under management (AUM) have chosen to participate in Voting Choice to express their preferences.[1]

1 Source: BlackRock. As of June 30, 2023. AUM figures are USD.

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We also announced a plan to expand Voting Choice to our largest ETF — subject to approval by the board that governs our U.S. ETFs — which would give millions of individual U.S. investors the option to choose from a range of different voting policies for their respective share of ETF votes.[1] We believe that corporate governance can benefit from this increased diversity of voices.

Proxy voting on our clients' behalf

For clients who have authorized us to vote on their behalf, we continued to take an "engagement first" approach — one that centers on meeting with management teams and understanding their approach to managing risks and delivering shareholder value, to inform our voting decisions.

In the vast majority of cases, we find that investors and management are aligned on how companies are delivering value to their shareholders. Our voting reflects this approach. In the proxy year under review, globally, we supported 89% of director elections, consistent with our voting in recent years.

Shareholders submitted a record number of proposals in the 2022-23 proxy year and the quality of proposals continued to decline. In the U.S., we saw a 34% increase in shareholder proposals focused on climate and natural capital risks (environmental), as well as company impacts on people (social) – namely their human capital and the communities in which they operate. We observed a greater number of overly prescriptive proposals or ones lacking economic merit. Importantly, the majority of these proposals failed to recognize that companies are already meeting their asks. **Because so many proposals were over-reaching, lacking economic merit, or simply redundant, they were unlikely to help promote long-term shareholder value and received less support from shareholders, including BlackRock, than in years past.**

Simply measuring stewardship by the number of votes for or against proposals, however, is an oversimplification of the issues that investors must contemplate. The binary nature of a proxy vote cannot reflect the complexity and multitude of considerations that go into a vote decision, drawing on company disclosures and our engagements with company leadership. It fails to reflect the unique circumstances in which a company operates, and the progress made to better align their practices with delivering financial performance over the long-term.

I am proud of the work that the BlackRock Investment Stewardship team has done on behalf of our clients. As we start another proxy year, our stewardship efforts, as always, remain grounded in our singular focus on the long-term financial interests of our clients. We look forward to continuing our dialogue with companies throughout the rest of 2023.

Because so many shareholder proposals were over-reaching, lacking economic merit, or simply redundant, they were unlikely to help promote long-term shareholder value and received less support from shareholders, including BlackRock, than in years past.



Joud Abdel Majeid
Global Head of
Investment Stewardship

1 Source: BlackRock. Based on estimated available reach from a proxy service advisor as of June 13, 2023.

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Executive summary



BIS makes voting decisions on management and shareholder proposals as a fiduciary acting in clients' long-term financial interests.

In the 2022–23 proxy year, our voting record was consistent with prior proxy years. We supported 89% of the ~76,700 director elections BIS voted on.

Where we did not support director elections or management proposals, the primary reason, as in prior years, was corporate governance concerns such as board quality and composition and executive compensation.

The poor quality of many shareholder proposals drew high market opposition. Given the increased proportion of prescriptive proposals or those lacking economic merit – as well as companies' continued progress on disclosures and practices – we supported approximately 9% of the shareholder proposals BIS voted on.[1]

1 Source: BlackRock, ISS. Reflects vote instructions on governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Votes "for" include abstentions. 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. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

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Our 2022-23 Global Voting Spotlight provides context on our global voting record on management and shareholder proposals covering the period from July 1, 2022 through June 30, 2023.[1] This is the fourth year we have published a Global Voting Spotlight to provide transparency on our voting activities that our clients authorize us to undertake on their behalf.

A long-term approach to serve our clients' financial interests

Most of BlackRock's clients are investing to meet long-term goals, such as retirement. As an asset manager, we are a fiduciary to our clients. The BlackRock Investment Stewardship (BIS) team serves as a link between our clients and the companies they invest in. We do this through engagement with companies, proxy voting on behalf of our clients, and participating in market-level dialogue to improve corporate governance standards.

We take a long-term approach to stewardship, focused on engaging with company boards and executive leadership to understand the drivers of risk and financial value creation in companies' business models. We find that many companies also welcome the dialogue as it enables them to explain their practices.

The importance of connectivity between companies and their investors

Over the past proxy year, investors continued to navigate a complex macroeconomic and geopolitical backdrop. Persistent supply constraints have caused major central banks to hold policy tight, creating greater macroeconomic and market volatility. Company earnings stagnated as pandemic-driven spending shifts normalized and labor costs increased.

At the same time, many companies adapted their business models to navigate these issues, amongst others. Some repositioned their strategies to capture opportunity from powerful structural forces — like advancements in artificial intelligence and public policy incentives spurred by geopolitical fragmentation.

It is during times like these when connectivity between companies and their investors becomes even more essential. **In the 2022-23 proxy year, BIS held 4,000 engagements with more than 2,600 unique companies in 49 markets, effectively covering more than 75% of the value of our clients' equity assets managed by BlackRock.**

4,000
total engagements

2,600+
unique companies engaged

1 Every year, BlackRock submits its global voting record to the U.S. SEC through the filing of Form N-PX, the annual form that mutual funds and other registered investment companies are required to submit disclosing how they voted proxy ballots. Form N-PX is to be filed not later than August 31 of each year, containing the proxy voting record for the most recent 12-month period ended June 30. See: "Form N-PX." **2** Reflects BlackRock exposure as of June 30, 2023.

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Voting on behalf of clients who authorize BlackRock to do so

As ever, we took these dynamics — and how they might impact a company's unique operating environments — into consideration in our voting decisions.

In the 2022-23 proxy year, BIS voted at more than 18,000 shareholder meetings on more than 171,500 management and shareholder proposals in 69 voting markets. As in past proxy years, most of the proposals that we voted on addressed routine matters, with most of these focused on director elections, board-related items, and executive compensation; less than 1% of votes were on shareholder proposals.[1]

The 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. In the vast majority of cases, we find that boards and management teams are acting in the best long-term financial interests of their shareholders. Our voting decisions reflect that alignment.

Consistent with prior proxy years, BIS supported 89% of the more than 76,700 proposals to elect directors. Across each region, areas of improvement in board practices varied but, in general, we observed ongoing enhancements to company disclosures, notably on the management of material sustainability-related factors, and stronger governance practices, such as executive compensation policies more closely aligned with investors' financial interests.

Similar to last year, corporate governance concerns – board quality and composition and executive compensation – were the leading reasons why we did not support director elections and management proposals at a global level.

171,500+
proposals voted

<1%
were shareholder proposals

1 Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy.





Record number of shareholder proposals

Globally, we saw a record number of shareholder proposals addressing issues such as climate and natural capital (environmental), as well as company impacts on people (social) – including their human capital and the communities in which they operate – submitted to a vote this proxy year.[1] The increase was largely driven by shareholder activity in the U.S. In this market, these proposals combined outnumbered governance-related proposals for the first time.

BIS evaluates each shareholder proposal on its economic merit, considering the company's individual circumstances and maintaining a singular focus on the proposal's implications for long-term financial value creation. Overall, we observed an increase in the number of shareholder proposals that did not warrant BIS support. These often addressed relevant issues but sought simplistic outcomes that overlooked the competing priorities companies were balancing and the complexity and interconnected nature of the issues.

In our assessment, there was an uptick in the number of such shareholder proposals that were overly prescriptive or unduly constraining on management decision-making. The number of single-issue proposals where the request made did not have economic merit also increased. Importantly, many proposals failed to recognize that companies had already substantively met their request.

Given the increased proportion of prescriptive proposals or those lacking economic merit, coupled with continued improvements in company practices and disclosures, BIS voted against 742 (~91%) out of a total of 813 shareholder proposals we voted on globally (~9% supported).[2] Considering only those proposals on climate and natural capital and company impacts on people, BIS supported 26 out of 399 we voted on globally (~7% supported).[2]

BIS votes as an independent fiduciary in accordance with BIS' policies. In making our decisions, BIS relies on a company's disclosures, our engagements with management, and insights shared across investors at BlackRock. While we may reference data and analysis produced by proxy research firms, BIS does not rely on any proxy research firm's voting recommendations.

U.S. shareholder proposals met higher market opposition

The poor quality of many shareholder proposals is reflected in market voting outcomes globally, largely driven by U.S. dynamics. Median shareholder support for environmental and social shareholder proposals in the U.S. was 15%, down from 25% in the 2021-22 proxy year. In addition, our analysis shows that nearly 70% of environmental and social proposals faced strong market opposition, receiving less than 25% support.[3]

1 Proposals related to matters beyond core governance issues are typically categorized in the market as environmental or social proposals. For ease of comparability, BIS uses that categorization in this report. However, BIS considers these to be sustainability-related issues and generally categorizes them in accordance with our engagement priorities, i.e., "climate and natural capital" and "company impacts on people." **2** Votes "for" include abstentions. 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. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023. **3** Source: ISS-ESG Voting Analytics Database. Measured in median shareholder support for U.S. environmental and social proposals that went to a final vote. Includes ISS data only for companies that have disclosed shareholder meeting results. Sourced on August 18, 2023, reflecting data by proxy year, i.e., running from July through June each year. Strong opposition for a proposal is defined as having received less than 25% of shareholder support. A proposal has received majority support if more than 50% of shares voted were "for."

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A commitment to innovation and choice

Nearly two years ago, BlackRock pioneered an industry movement by launching Voting Choice, making proxy voting easier and more accessible for eligible institutional clients, including public and corporate pension funds serving more than 60 million people globally.[1]

Over the past 12 months, we continued to expand BlackRock Voting Choice, extending eligibility to more clients in more funds where legally and operationally viable and increasing the range of voting policies available for clients. As of June 30, 2023, clients representing more than $586 billion in index AUM were committed to BlackRock Voting Choice.[2]

Most recently, we announced our plan to make Voting Choice available not just to institutional investors, but also to U.S. individuals invested in our largest ETF. This pilot — subject to iShares board approval — would give millions of individual investors[3] the option to choose from a range of different voting policies to participate in the program in 2024.

Looking forward

We believe we now offer the most choice in the industry when it comes to voting policies catering to a wide range of investor preferences.

For the many clients who choose to entrust BIS with voting on their behalf, we remain steadfast in our focus on their long-term financial interests, consistent with BlackRock's fiduciary duties as an asset manager.

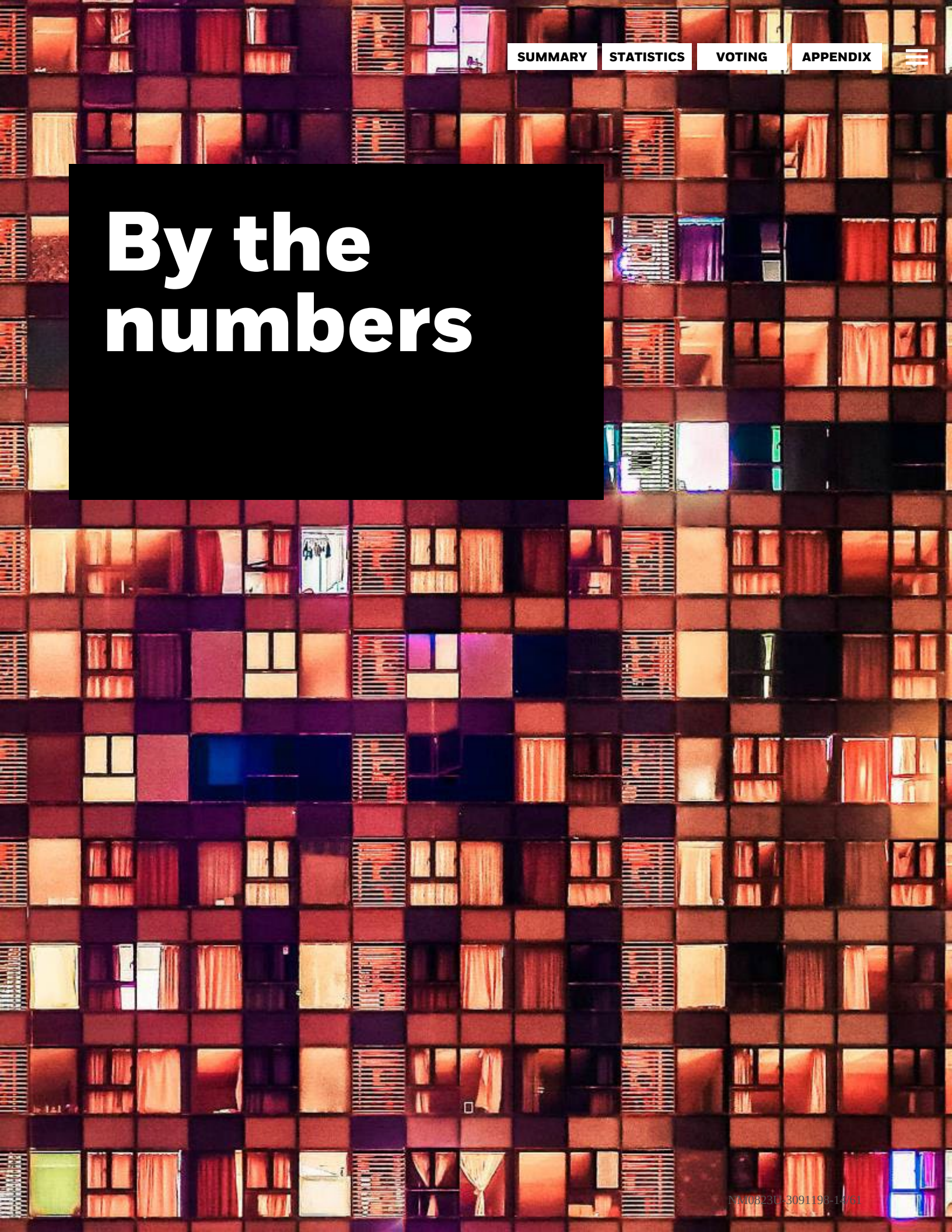
We look forward to continuing our dialogue with companies throughout the remainder of the year.

1 Source: BlackRock. As of September 2022. Over 60 million people globally directly or indirectly invest in retirement assets eligible for Voting Choice. **2** Source: BlackRock. As of June 30, 2023. AUM figures are USD. **3** Source: BlackRock. Based on estimated available reach from a proxy service advisor as of June 13, 2023.



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By the numbers



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By the numbers

Figure 1

Engaging on material risks and opportunities

In the 2022-23 proxy year, the BIS team continued our year-round engagement program, focusing on the corporate governance and material sustainability-related risks and opportunities in companies' business models, as appropriate.

We have set out our approach to discussing these issues with companies in our engagement priorities covering:

4,000
Total engagements

2,642
Unique companies engaged

879
Companies engaged multiple times

49
Markets covered in engagements

75%+
Of the value of our clients' equity assets engaged[1]

Source: BlackRock. Sourced on July 11, 2023, reflecting data from July 1, 2022 through June 30, 2023.

Figure 2

Engagements across our five priorities



Board quality and effectiveness

Strategy, purpose and financial resilience

Incentives aligned with financial value creation

Climate and natural capital

Company impacts on people

Source: BlackRock. Sourced on July 11, 2023, reflecting data from July 1, 2022 through June 30, 2023. Reflects total engagements per priority. Most engagement conversations cover multiple topics and therefore the engagements across our five priorities sub-totals may not add up to the total engagements held in the reporting period. Our engagement statistics reflect the primary topics discussed during the meeting.

1 Reflects BlackRock exposure as of June 30, 2023.

Figure 3

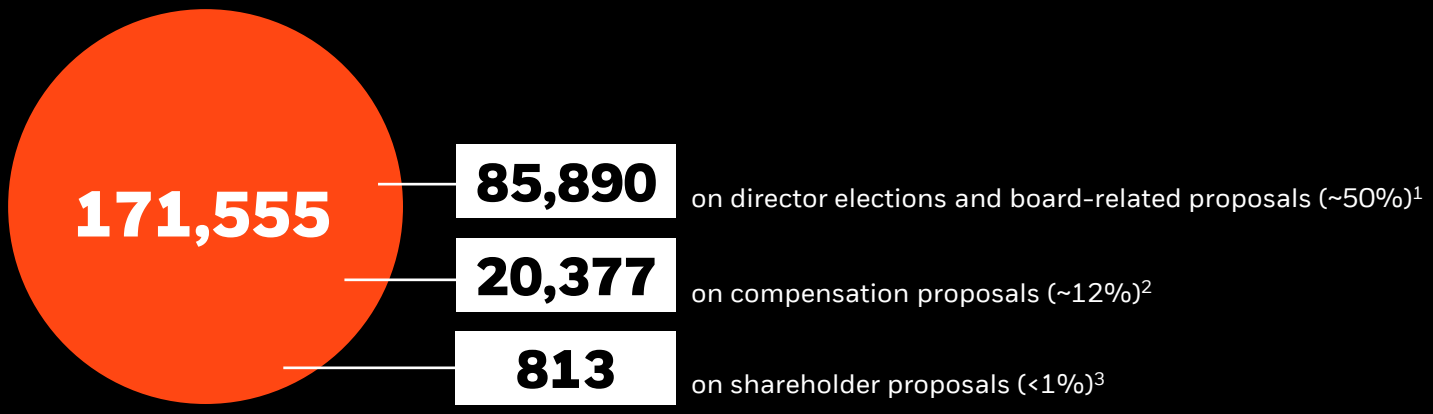
Voting in our clients' financial interests

	Companies voted	Markets voted	Meetings voted at	Proposals voted
Americas	**5,020**	**9**	**5,536**	**47,770**
APAC	**6,261**	**17**	**9,230**	**74,225**
EMEA	**2,848**	**43**	**3,435**	**49,560**
Global	**14,129**	**69**	**18,201**	**171,555**

Source: BlackRock. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

Figure 4

Proposals voted on at a glance



Source: BlackRock, ISS. Reflects BIS' proposal taxonomy. To learn more about BIS' proposal taxonomy and a full detail of total proposals voted, please refer to the Appendix section. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

1 Includes management and shareholder director elections and board-related proposals. Board-related items include advisory votes, the election of alternate and deputy members to the board, and internal auditing matters, among others. For a full description of items included in each proposal category, please refer to the Appendix section. **2** Includes management executive compensation proposals. **3** Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. 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.

Figure 5

2022–23 proxy year voting highlights

Management proposals

89%

% of director elections BIS supported

12%

% of proposals where BIS did not support management recommendation[1]

7,219

# of companies where BIS did not support one or more management recommendation[1]

Source: Source: BlackRock, ISS. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

Number of companies where BIS did not support director elections for governance concerns[1]

	Americas	APAC	EMEA	Total
Board independence	467	1,395	337	2,199
Board composition	630	121	267	1,018
Compensation	243	15	491	749
Overcommitment[2]	286	99	353	738

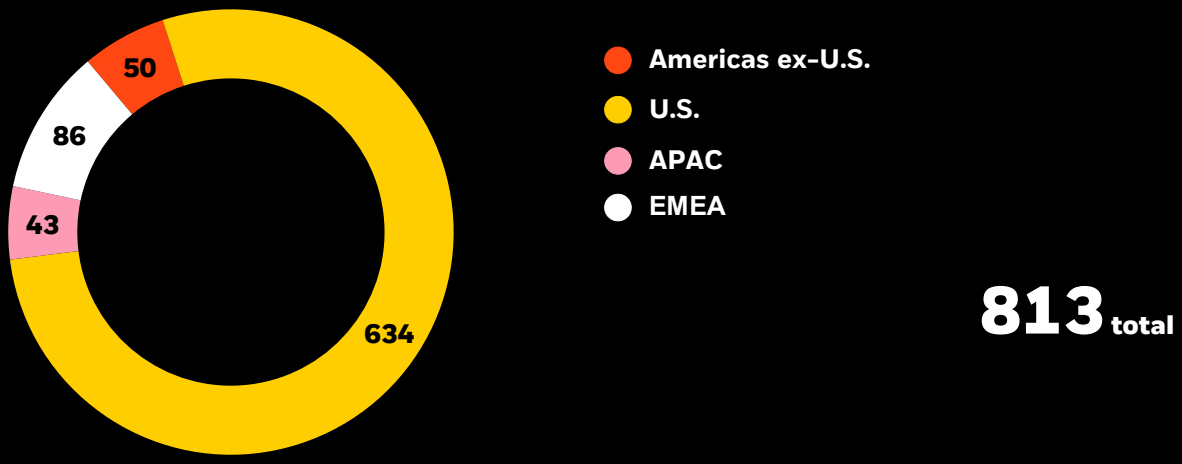
Source: Source: BlackRock, ISS. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

1 Votes to not support management recommendation include votes withheld and abstentions. **2** Includes voting action on regular overcommitment policy and overcommitment policy for executives per the BIS Global Principles.

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Figure 6

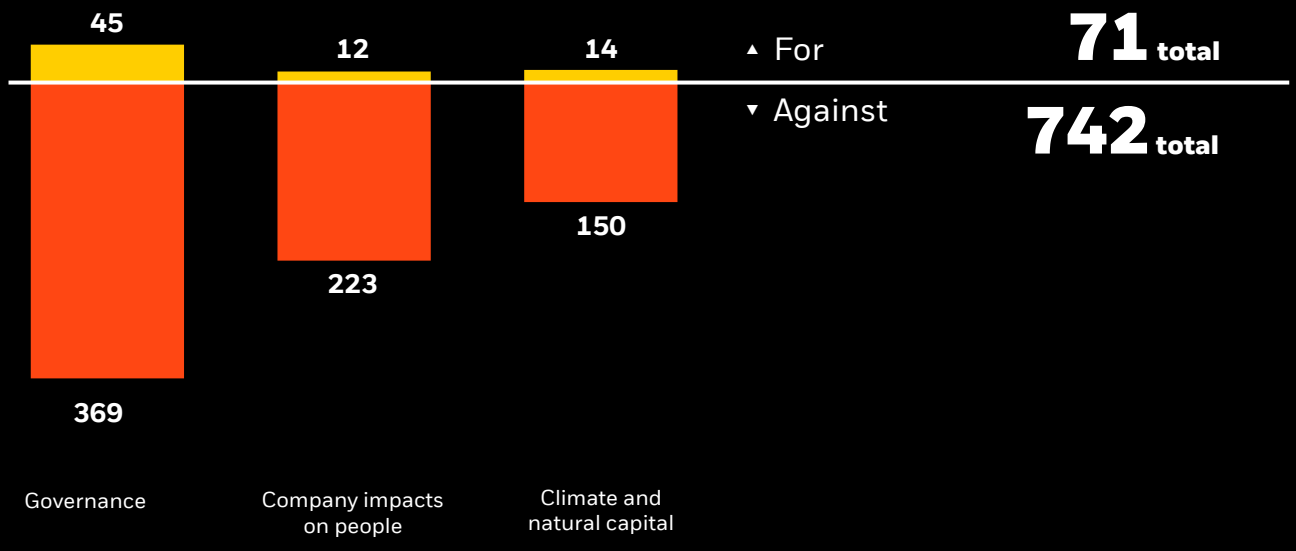
Geographic distribution of shareholder proposals BIS voted on



Source: BlackRock, ISS. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. 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.

Figure 7

BIS' vote decisions on shareholder proposals



Source: BlackRock, ISS. Reflects vote instructions on governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Votes "for" include abstentions. 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. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

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BlackRock Voting Choice



BlackRock Voting Choice

Today, investors can choose from among thousands of low-cost, high-quality investment funds across asset classes and markets. BlackRock believes that greater choice should extend to proxy voting and is committed to a future where every investor can participate in the shareholder voting process if they so choose.

Launched in January 2022, BlackRock Voting Choice is an industry first, proprietary offering giving more clients – the true owners of the assets we manage – the option to participate more directly in proxy voting where legally and operationally viable. Throughout the 2022-23 proxy year, we continued to invest in and expand the program, extending eligibility to more clients in more funds and increasing the range of voting policies available for clients.

In November 2022, in response to increasing client demand, we expanded Voting Choice by adding Systematic Active Equity strategies to the range of eligible pooled funds and additional policies that clients can choose from. Most recently, we announced a planned expansion that would bring $2.3 trillion of BlackRock's total index equity AUM – more than half our index equity AUM globally – in scope for participation in BlackRock Voting Choice.[1] As of June 30, 2023, clients representing more than $586 billion in index equity AUM were committed to BlackRock Voting Choice.[2]

As more investors choose to direct their own votes, they will want to be informed. Commensurately, companies will likely seek new ways to reach a broader set of investors who are voting in line with their preferences – at scale. Amid these shifts, we believe the corporate governance ecosystem could meaningfully evolve over the next decade. For the many clients who choose to continue to use BlackRock as their fiduciary for voting, our global stewardship team continues to engage and vote on their behalf, focusing on how companies are delivering long-term financial value for their shareholders.

1 Source: BlackRock. AUM figures are USD and as of March 31, 2023. This proposed expansion of BlackRock Voting Choice is subject to U.S. iShares Board approval and, if approved later this year, is expected to be in effect for the 2024 proxy voting season. **2** Source: BlackRock. As of June 30, 2023. AUM figures are USD.



Voting on our clients' behalf



Our voting on our clients' behalf where we are authorized to do so signals our support for, or concerns about, a company's approach to managing material drivers of risk and financial value in their business model. Our voting decisions are always undertaken with the objective of encouraging corporate governance and business practices that support long-term financial value creation by companies.

The BIS Global Principles, regional voting guidelines, and engagement priorities (collectively, the "BIS policies") set out the core elements of corporate governance that guide our investment stewardship efforts globally and within each regional market, including when engaging with companies and voting at shareholder meetings, the latter being the focus of this report. The BIS policies are applied on a pragmatic, case-by-case basis, taking into consideration the context within which a company is operating.

Engaging with companies. BIS holds year-round dialogue with companies and takes a constructive, long-term approach, focusing on the management and oversight of the drivers of risk and financial value creation in company business models.

In the 2022-23 proxy year, BIS held 4,000 engagements with 2,642 companies across 49 markets.[1] Engagement is core to our stewardship efforts as it provides us with the opportunity to improve our understanding of a company's business model and the risks and opportunities that are material to how they create financial value. Engagement may also inform our voting decisions, particularly on issues where company disclosures are not sufficiently clear or complete, or management's approach seems misaligned with the financial interests of long-term shareholders.

Voting on our clients' behalf. When authorized to do so by our clients, we vote to formally communicate our support for, or concerns about, how companies are serving the financial interests of our clients as long-term investors.

When we determine it is in our clients' financial interests to signal concern to companies through voting, we typically do so in two forms: we might not support the election of directors or other management proposals, or we might not support management's voting recommendation on a shareholder proposal. Voting to elect 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.

During the 2022-23 proxy year, BIS voted at more than 18,000 shareholder meetings on more than 171,500 management and shareholder proposals in 69 markets.[2] The vast majority of maters that we vote on are routine and we generally support management's recommendation because, in our assessment, the company is appropriately governed and managed; less than 1% of votes are on shareholder proposals.[3]

While we may reference data and analysis produced by proxy research firms, BIS does not rely solely on this information in taking voting decisions, nor do we follow any proxy research firm's voting recommendations.

Proxy voting is a way in which investors can signal their view on companies' corporate governance and management of material risks and opportunities. In our voting determinations, we take into consideration the context in which companies are operating their businesses. Our voting is thoughtful, methodical, and always anchored in our fiduciary duty to our clients as an asset manager. Globally, in the 2022-23 proxy year, BIS voted on:

171,500+ proposals

14,100+ companies

18,000+ meetings

69 voting markets

1 Source: BlackRock. Sourced on July 11, 2023, reflecting data from July 1, 2022 through June 30, 2023. **2** Source: BlackRock, ISS. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023. **3** Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. To learn more about BIS' proposal taxonomy please refer to the Appendix section.

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Management proposals

Corporate law in most jurisdictions affords shareholders, or their proxies, the right to vote on business matters that affect the form and function of the company in which they own shares. These are generally routine business matters and include the election of directors and board-related proposals, the appointment of the auditor, executive compensation,[1] and amendments to a company's bylaws. **Each proxy year, the vast majority of the proposals on which we vote on behalf of clients are proposed by company management.**

BIS' voting reflects our assessment of whether a company is acting in the financial interests of long-term investors. We are, for the most part, a supportive shareholder. We do not seek to micromanage and believe it is the role of the board and management to set a company's long-term strategy. We support companies which have sound corporate governance and deliver financial returns over time.

Director elections

Engaging with, and voting on, the election of directors to encourage sound corporate governance at companies is one of BIS' most important responsibilities as a fiduciary to our clients.

As we explain in the BIS Global Principles, in our experience, the performance of the board of directors is critical to the economic success of a company, and therefore to the economic interests of our clients as long-term shareholders.[2] A high caliber, effective board is intrinsic to a company's ability to create long-term financial value.

During the 2022-23 proxy year, BIS had 2,246 engagements with 1,764 companies where we discussed topics related to board quality and effectiveness, such as board independence and composition, and succession planning, among others.

BIS assesses board quality in the context of a company's business model and whether investors' interests have been protected. We look to the board to provide timely and comprehensive information on director-related matters, including how effectively the board oversees and advises management. While we consider sound corporate governance practices to be globally relevant, we acknowledge that local-market norms shape company actions and take that into account in our voting decisions.

Director elections represent the majority of the management-proposed items we vote on every single year. It is our view that directors should stand for re-election on a regular basis, ideally annually. This cadence allows shareholders the opportunity to reaffirm their support for board members or to signal concerns in a timely manner.

BIS supported 89% of the more than 76,700 director elections we voted on during the 2022-23 proxy year. Year-over-year, our reasons for not supporting director elections – and management proposals generally – are consistently governance-related: board composition and effectiveness, including director independence and overcommitment, and executive compensation. Across each region, areas of improvement in board practices varied (see Figure 1 on page 25).

1 Throughout the report, the term "compensation" is used as an equivalent to the words "remuneration" or "pay." **2** Also see: "Our approach to engagement on board quality and effectiveness," March 2023.

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In our experience, an effective board has a number of responsibilities, including but not limited to, the following:

- Establishing an appropriate corporate governance structure and having a formal plan for both anticipated and unexpected CEO succession
- Supporting and overseeing management in setting long-term strategic goals and applicable measures of financial value creation and milestones that will demonstrate progress, and taking steps to address anticipated or actual obstacles to success
- Providing oversight on the identification and management of material risks and opportunities in a company's business model
- Overseeing the financial resilience of the company, the integrity of financial statements, and the robustness of a company's Enterprise Risk Management Framework[1]
- Making decisions on matters that require independent evaluation, which may include mergers and other significant financial transactions
- Establishing and overseeing executive compensation structures that help the company attract, retain, and reward key personnel, while ensuring appropriate risk behaviors, consistent with delivering long-term financial performance

1 Enterprise risk management is a process, effected by the entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide reasonable assurance regarding the achievement of objectives. See: Committee of Sponsoring Organizations of the Treadway Commission (COSO). "Enterprise Risk Management – Integrated Framework." September 2004. New York, NY. Updated in 2017.

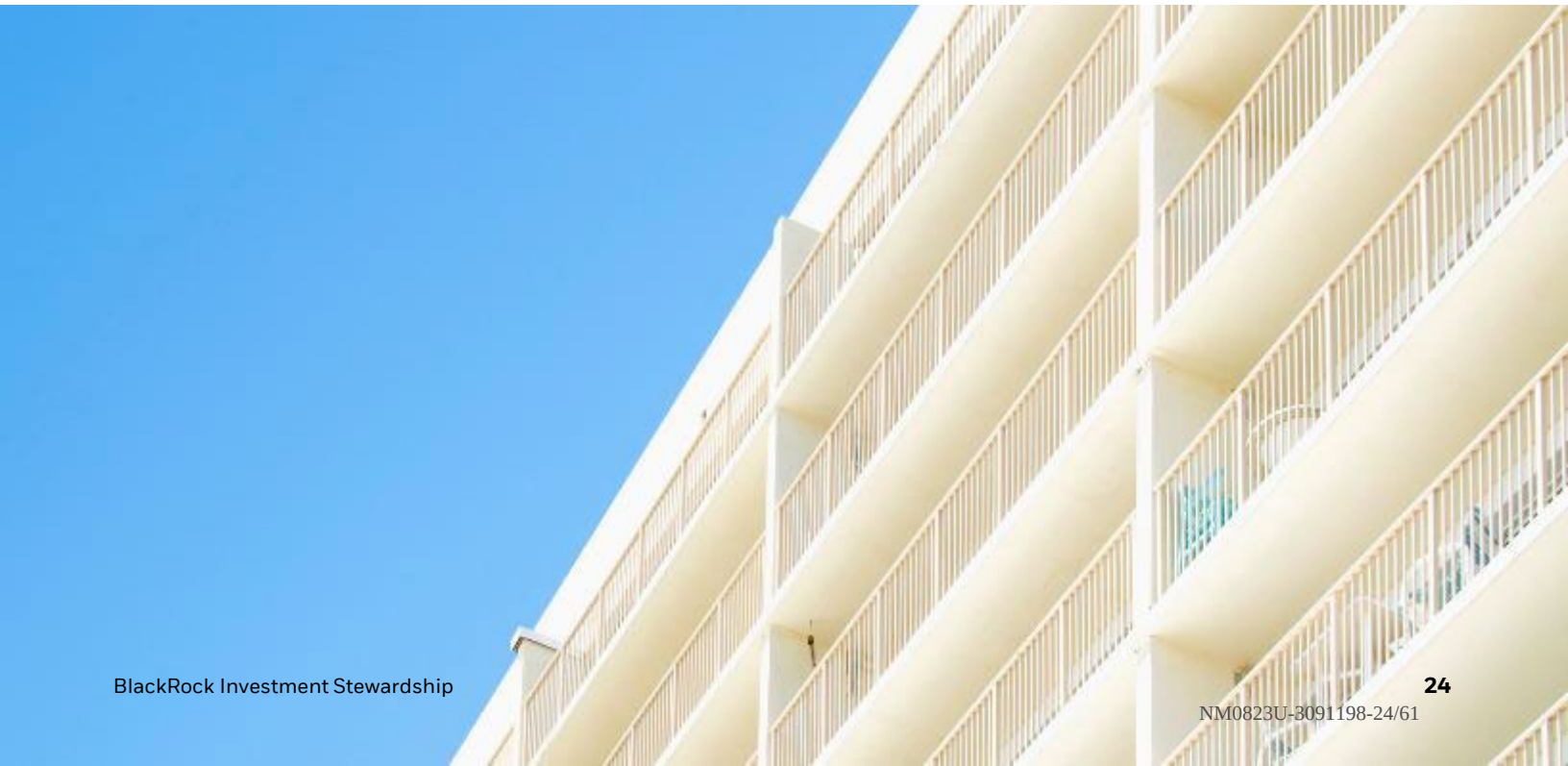


Figure 1

Drivers of our voting decisions on director elections in the 2022-23 proxy year

Region	% support for director elections	Key observations
Americas	92%	Support for director elections remained consistent at 92% year-over-year. Board quality and composition was the top reason we did not support management on director elections in the Americas. Within this category, lack of director independence was behind the largest increase in votes to not support director elections. However, improved disclosures on material business risks led to fewer votes against director elections on transparency grounds.
APAC	89%	There was a slight decrease in support for director elections in the APAC region (we supported 90% of directors last proxy year). Director independence continued to be a significant driver of votes to signal concerns, relative to other regions. BIS did not support director elections for independence concerns at nearly 1,400 companies in the APAC region, compared to nearly 1,200 in the previous year. Out of the total 2,199 companies at which BIS signaled director independence concerns globally, 63% are APAC-based (21% in the Americas and 15% in EMEA, approximately). While companies gradually continue to increase independence at the board level, a significant number of boards in the APAC region have yet to achieve a level of independence that we consider consistent with protecting minority shareholder interests.[1] In line with the BIS regional voting guidelines, we also continued to signal concerns on other aspects of board quality and effectiveness, including director overcommitment.
EMEA	84%	Support for director elections slightly increased from 83% in the 2021-22 proxy year. While we noted enhanced disclosures and policies better aligned with shareholders' long-term economic interests, remuneration continued to be the key governance theme driving most votes to not support director elections in the EMEA region. Out of the total 749 companies at which BIS signaled remuneration concerns and did not support a director globally, 66% are EMEA-based (32% in the Americas and 2% in APAC). The two other main areas of concerns were director overcommitment and independence.

Source: BlackRock, ISS. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

1 Source: BlackRock Investment Stewardship. "Board Independence in Asia-Pacific: a stewardship perspective." June 2023.

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Board quality and effectiveness

Our investment stewardship efforts have always started with a company's board, namely its composition, and its effectiveness in overseeing management in creating long-term financial value for our clients.[1] When evaluating board composition as a whole, we look at a number of factors. This includes the board's effectiveness as a group, individual directors' independence and time commitments, as well as the diversity and relevance of director experiences and skillsets, and how these factors may contribute to the performance of the company. We look to boards to establish a formal and transparent nominating process for appointing directors that reflects the company's long-term strategy and business model. In our experience, regular director elections benefit boards' ability to adjust their composition in an orderly manner to account for a company's operating environment, and to refresh the group's thinking on matters material to financial value creation.

1. Director independence

In our experience, the independence of members of a company's board of directors is essential to sound corporate governance. We look for boards to have a sufficient number of independent directors to ensure that the interests of all shareholders are protected.

When assessing the likelihood that a director is independent, we consider criteria that we outline in the BIS regional voting guidelines, which reflect market-specific regulation and local norms. In markets where we observe a prevalence of controlling shareholders, we look to the board to have a sufficient number of directors who do not have conflicts of interest and are demonstrably independent of, and free from undue influence by, the controlling shareholder. In markets where this is not prevalent, our main focus is on independence from management.

During the 2022-23 proxy year, we signaled independence-related concerns at 2,199 companies globally and as a result, did not support the election of 3,531 directors. Independence remained the primary reason we did not vote to support director elections. In the Americas, we signaled independence concerns by not supporting management's recommendations on director elections at more than 460 companies in the 2022-23 proxy year, compared to a little over 200 in the previous proxy year. In January 2023, BIS updated our proxy voting guidelines for North American markets to ask companies to have an independent director in either the board chair or lead director role.

Case studies

Examples of voting on independence-related matters:

Americas

We voted to signal concerns about director independence, CEO and board succession planning, and independent board leadership at the May 2023 annual general meeting (AGM) of **First Quantum Minerals Ltd.** in Canada; we observed the appointment of a lead independent director in Brazil at the April 2023 AGM of **Localiza Rent A Car SA,** where BIS voted in support of all management recommendations.

When assessing the likelihood that a director is independent, we consider criteria that we outline in the BIS regional voting guidelines, which reflect market-specific regulation and local norms.

1 Source: BlackRock Investment Stewardship. "Global Principles." January 2023.

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APAC

In the Indian market, we did not support the election of the vice chair of the board of **UltraTech Cement Ltd.** at the August 2022 AGM. At the time of the AGM, we had concerns, in line with our proxy voting guidelines for Indian securities, that both the board and audit committee were not comprised of a majority of independent directors upon our reclassification of an overly tenured independent director. In the Japanese market, at the March 2023 AGM of **Dentsu Group, Inc.**, BIS did not support the election of a non-executive director due to concerns that cross holdings and certain business relationships between the company and the director's previous employer undermine their independence.

EMEA

At the April 2023 AGM of **Atlas Copco AB** in Sweden, BIS did not support management's recommendation on the election of the chairman of the company's board, due to concerns that the audit and remuneration committees are not majority independent. At the May 2023 AGM of **SAP SE** in Germany, BIS voted in support of all management recommendations. We noted several enhancements to the level of independence on the company's board, including the appointment of a lead independent director.

Spotlight

Our perspective on board independence in Asia-Pacific

In the APAC region, board independence is a major corporate governance issue and one that, in our view, may have an impact on the ability of local companies to create long-term financial value for shareholders, including minority shareholders such as BlackRock's clients.

In June 2023, BIS published a research paper outlining our approach to board independence in APAC, within which we share our observations on certain challenges to independent non-executive directors' (INEDs) abilities to ensure objectivity in the board of directors' oversight of management and related matters that may affect the economic interests of shareholders.

While independence concerns remained the top reason for not supporting director elections in APAC, many companies continue to take steps to increase the number of independent directors serving on their boards. Nearly half of APAC-based companies where BIS did not support management's recommendations in the 2018-2021 proxy year period due to director independence issues improved to a level that enabled us to support directors on independence grounds in the 2021-2022 proxy year. BIS will continue to engage with companies in the region to share our perspectives on board independence, and to monitor whether boards increase the balance of independence over time.

For further reading, please see: "Board Independence in Asia-Pacific: A Stewardship Perspective." June 2023.

2. Board composition

As we note in the BIS Global Principles, in our experience, diverse perspectives in the board room help reduce the risk of "group think" in the board's exercise of its responsibilities to advise and oversee management. This is likely to result in more robust discussions, more innovative decisions, and better long-term economic outcomes for companies.

BIS looks at board diversity in considering board quality and composition, along with director independence, tenure, and succession planning, among other factors. We take a case-by-case approach to analyzing a board's composition and we do not prescribe any particular board composition in our engagements or voting.

BIS considers diversity broadly and in connection with a company's business model, strategy, location, and size. Depending on the company, we may consider professional characteristics, such as a director's industry experience, specialist areas of expertise, and geographic location, as well as demographic characteristics. We note that in many markets, policymakers have set board gender diversity goals which we may discuss with companies, particularly if there is a risk their board composition may be misaligned.

In our assessment of director elections in the context of board quality, we seek to understand the unique professional experience and expertise each director brings to the board. Recognizing the demands of board service in a dynamic business environment, we consider it critical to the success of a company that each director enhances the caliber of the board and has skills that complement those of their fellow directors. This is particularly important where directors are nominated by shareholders, such as in shareholder activism campaigns (see First Foundation, Inc. example).

During the 2022-23 proxy year, at 1,018 companies globally, we signaled concerns that the board did not have a breadth of perspectives consistent with the company's long-term strategy and business model, resulting in BIS not supporting management's recommendation on the election of 1,683 directors. The dynamics in each region differed. In the Americas, we observed an increase in the diversity of directors serving on boards, as well as more comprehensive disclosures that helped investors understand how different perspectives are considered in board composition.[1] In APAC and EMEA, reflecting regulatory requirements in several markets, we saw an increase in gender diversity in the boardroom.[2,3]

Case studies

Examples of voting on board composition:

Americas

First Foundation, Inc., a U.S.-based financial services company, faced a contested director election at their June 2023 AGM. The activist shareholder candidate lacked sufficient direct sector, public company board, or senior public company executive experience. Despite performance concerns, in our view, the incumbent board's mix of skills and corporate operational experience was more appropriate to guide and oversee management. BIS did not support the election of the dissident's candidate, who ultimately received less than 20% shareholder support.[4]

APAC

At the November 2022 AGM of **New World Development Company Limited (NWD)**, BIS voted in support of all director elections. In September 2022, NWD had appointed three new qualified female INEDs as part of a board refreshment process. At **Canon Inc.'s** March 2023 AGM, BIS did not support the election of the company's board chair and CEO, who concurrently serves as the chair of the nomination committee, due to our concerns about the composition of the board. We note that Canon currently has no female directors, making them an outlier amongst large Japanese companies and putting them at risk of not meeting the government's requirement of 30% female board directors by 2030.[5,6]

1 Source: Spencer Stuart. "2023 S&P 500 New Director and Diversity Snapshot." August 2023. 2 Source: Bloomberg. "Foreign Pressure Is Leading to More Women on Japan's Boards." August 7, 2023. 3 Source: Reuters. "Women make up 40% of boards at top UK companies for first time." February 28, 2023. 4 Source: BlackRock, ISS. 5 Egon Zehnder. Spotlight on Japan 2022/23, notes that 92% of large Japanese companies have at least one woman director. 6 Source: Lexology. "Japanese Law Update #14: The Japanese Government Mandates a 30% Female Board Members Ratio for Japanese Listed Companies by 2030." June 22, 2023.

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EMEA

In this region, we also observed a year-over-year increase in board gender diversity at several companies at which we had voted to signal concerns in prior years. These include **ABB Ltd.** in Switzerland, and **SoftwareONE Holding AG** and **TeamViewer AG** in Germany, all of which now meet local board representation guidelines. As we note in our proxy voting guidelines for EMEA securities, we look for companies in the region to be taking steps to align their board composition with local market requirements. BIS voted in support of all management recommendations on the election of directors at these companies' AGMs.

3. Overcommitments[1]

As the role of directors is becoming more complex, it is important they have the capacity to meet all of their responsibilities — including when there are unforeseen events. In our experience, serving on an excessive number of boards[2] is likely to impair directors' ability to fulfill their legal and professional duties.[3]

We believe the effectiveness of the board in advising and overseeing management is enhanced when directors ensure they have the time to fully prepare for board meetings and are apprised of company and industry developments.

In our view, companies should be clear about the time commitments relating to service on their board and monitor directors' outside commitments.

We signaled concerns on director commitments at 738 companies globally and did not support management's recommendation on the election of 849 directors. This is approximately 110 fewer companies and 150 fewer directors than in the 2021-22 proxy year, predominantly driven by EMEA.[4]

Case studies

Examples of voting on director commitments:

Americas

In the Mexican market, we voted to signal concerns at the AGMs of **CEMEX SAB de CV, Industrias Peñoles SAB de CV**, and **Grupo Televisa SAB**, given the relevant director(s) held an excessive number of board commitments per the BIS proxy voting guidelines. In Latin America, for directors who are public company executives, we consider service on more than three total boards as overcommitted. For directors who are not public company executives, the maximum number of public boards we consider reasonable is five.

APAC

In Hong Kong, we signaled concerns about directors being overcommitted at the AGMs of **NWS Holdings Limited** and **China Resources Cement Holdings.** By contrast, a director that BIS had previously considered to be overcommitted reduced his overall board commitments by the time of the AGM at **Towngas Smart Energy Company Limited.** In the Hong Kong market, we consider service on more than six public boards to be excessive.

EMEA

BIS voted to signal director overcommitment concerns at the AGMs of **Orange SA** in France, **DKSH Holding AG** in Switzerland. We also saw companies, including **Vodafone Group Plc** in the UK and **Nokia Oyj** in Finland, address shareholder concerns on overcommitment by directors reducing their external board mandates.

1 The term "overcommitment" is used as an equivalent to the word "overboarding." **2** In this context, we are referring to unrelated operating companies. Certain companies, such as investment vehicles or listed subsidiaries, may have significantly overlapping businesses that warrant a different approach. **3** See: "BIS Global Principles." January 2023. **4** Source: BlackRock, ISS.

Voting on climate-related risks and opportunities

As an asset manager, BlackRock's approach to climate-related risk and the opportunities presented by the low-carbon transition is based on our fundamental role as a fiduciary to our clients. Our role is to help our clients navigate investment risks and opportunities; it is not our role to engineer a specific decarbonization outcome in the real economy.

Public disclosures allow investors to evaluate how a company considers climate-related risks and opportunities material to their business model and to track progress against management's stated goals. We encourage disclosures aligned with the reporting framework developed by the Task Force on Climate-related Financial Disclosures (TCFD).[1]

Since 2021, we have observed steady improvements in the TCFD-aligned reporting published by companies in carbon-intensive sectors for which a transition to a lower carbon economy is a material risk. Of over 1,000 such companies,[2] 78% now report across all four pillars of the TCFD (57% in 2021) and 71% (57% in 2021) provide the detailed information necessary for investors to assess a company's approach to managing climate-related risks and their ability to deliver shareholder returns over time. We did not support 213 proposals at 155 companies related to the election or discharge of directors because of concerns regarding inadequate disclosure or effective board oversight of climate-related risks, compared to not supporting 270 similar proposals at 201 companies last proxy year.[3]

We look to boards to oversee management's approach to addressing material climate risk in the company's business model and may signal concerns about board oversight in our voting on director elections when, in our assessment, the board is not acting in shareholders' interests.

Public disclosures allow investors to evaluate how a company considers risks and opportunities material to their business model and to track progress against management's stated goals. Since 2021, we have observed steady improvements in the reporting published by companies for which a transition to a lower carbon economy is a material risk.

For example, at **BKW AG's** May 2023 AGM, BIS did not support the election of the board chair due to continued concerns about their lack of climate-related disclosure. We have previously engaged with the Swiss energy and infrastructure company to encourage TCFD-aligned disclosures. Compared with their European peers, BKW AG's disclosures do not provide sufficient understanding of how management plans to mitigate the risk posed by a transition to a lower carbon economy, whilst delivering long-term financial value in the context of their business model and sector. BIS raised similar concerns at BKW AG's 2022 and 2021 AGMs.

1 Consistent with the TCFD, investors have greater clarity – and ability to assess risk – when companies detail how their business model aligns to a range of climate-related scenarios, including a scenario in which global warming is limited to well below 2°C, and considering global ambitions to achieve a limit of 1.5°C. **2** BIS' climate focus universe includes more than 1,000 companies and represents nearly 90% of the global scope 1 and 2 greenhouse gas (GHG) emissions of the aggregate equity holdings in public companies in which BlackRock invests on behalf of our clients. Based on MSCI data. **3** Source: BlackRock, ISS.

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Board-related and shareholder rights' matters

Every year, BIS votes on a range of board-related and shareholders' rights matters that include proposals on the declassification of boards, the implementation of majority voting, and supervisory board matters, among other topics.

When assessing these proposals, we evaluate whether they protect and enhance the rights of minority shareholders, such as BlackRock's clients:

- **Unbundling of director elections**: In certain markets, such as Greece and Finland, companies may propose directors for election by slate, rather than individually, leading to potential board oversight or effectiveness concerns. Unbundling proposals allow for the election of individual directors which enables shareholders to better indicate support for, or opposition to, individual directors rather than voting against an entire slate of candidates should shareholders have concerns regarding individual nominees. In the Americas and Europe, we observed that some companies unbundled their boards during the 2022-23 proxy year, including at **Banco de Chile SA** in Chile and **B3 SA-Brasil, Bolsa, Balcão,** in Brazil; as well as **Nokia Oyj** in Finland.
- **Declassification of boards:** In our experience, the annual election of directors allows shareholders to regularly evaluate a board's performance and to select directors. We therefore will typically support proposals requesting board de-classification.[1] Without a voting mechanism to immediately address concerns we may have about any specific director, we may not support management's recommendation on the election of directors at the time of the AGM. During the 2022-23 proxy year, we observed companies declassify, or begin to declassify their boards, including at **Comtech Telecommunications Corp.**, **Ceridian HCM Holding Inc.**, and **Freshpet, Inc.** in the U.S. We supported these changes.
- **Supervisory board matters:** Based on our experience, directors should stand for re-election on a regular basis, ideally annually, and we look to companies to institute annual election cycles. In the German market, while we signaled concerns on remuneration and board composition at **Telefonica Deutschland Holding AG's** May 2023 AGM, BIS noted that, following engagement with management, the company took steps to reduce the election cycle of the supervisory board from five to four years, in line with market practice.[2]

1 In this context, we are referring to unrelated operating companies. Certain companies, such as investment vehicles or listed subsidiaries, may warrant a different approach.
2 See: Prof Dr Christoph H. Seibt and Dr Sabrina Kulenkamp. "Corporate Governance and Directors' Duties in Germany: Overview." October 1, 2022.

Spotlight

There are certain fundamental rights attached to shareholding

These include the right to vote on the election of directors, on amendments to the corporate charter or bylaws, and on other key board decisions that are material to the creation of long-term financial value. In support of this, BIS encourages companies[1] to adopt the principle of "one share, one vote." In our view, shareholders' voting rights should match their economic exposure, so as to protect their economic interests in a company.

Case studies

Examples of voting on board-related and shareholders' rights matters:

Americas

During the 2022-23 proxy year, we continued to vote in support of items to enhance the rights of our clients as minority shareholders. For instance, at the March 2023 AGM of **Steel Dynamics, Inc.**, in the U.S., BIS voted in support of management's recommendation to amend the company's articles of incorporation (AOI) to provide for the election of directors by majority vote in cases of uncontested elections.

APAC

In Hong Kong, we saw several issuers propose amendments to their Articles of Association (AOA) in response to regulatory changes proposed by the Stock Exchange of Hong Kong in February 2023. The proposed changes include removing requirements for separate shareholder meetings that, in effect, afford shareholders of both domestic shares and overseas listed shares (H shares) veto power over certain proposals related to the issuance and repurchase of securities.[2, 3] These class meetings can be seen as a protection mechanism for minority shareholders in a market with a prevalence of controlling shareholders. Ahead of the May 2023 AGM of **Zhejiang Expressway Co., Ltd.**, at which such an AOA amendment was proposed, BIS engaged with the company to communicate our concerns. While the proposal was ultimately withdrawn by the company in response to shareholder concerns,[4] we would not have voted to support it had it remained on the agenda. In July 2023, the Stock Exchange of Hong Kong finalized the Listing Rules amendments, formally removing such class meeting requirements, which if originally included in companies' AOAs would however remain valid and binding until and unless issuers voluntarily amend their articles to remove such provisions. In general, the amendment itself would still require approvals at separate class meetings. The Listing Rule amendments came into effect on August 1, 2023.

EMEA

At the February 2023 AGM of **Siemens AG** in Germany, BIS voted to support proposals from management providing for the holding of virtual-only AGMs, in response to recent regulation from the German government permitting such arrangements.[5] In our view, the proposals were aligned with the regulatory requirements, and in our assessment of the plans and our engagement with the company, Siemens AG was taking the necessary steps to ensure that shareholder rights were respected.

1 In this context, we are referring to unrelated operating companies. Certain companies, such as investment vehicles or listed subsidiaries, may warrant a different approach. **2** See: Hong Kong Stock Exchange. "Exchange Publishes Consultation Paper on Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers." February 24, 2023. **3** BIS shared our perspective on the proposed regulatory changes in a consultation response to the HKEX in March 2023. **4** See: Zhejiang Expressway Co., Ltd.. "Announcement." April 26th, 2023. **5** See: Bundestag. "Introduction of virtual general meetings of stock corporations." 2022

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Executive compensation

Executive compensation[1] is an important tool used by companies to drive long-term financial value creation by incentivizing and rewarding the successful delivery of strategic goals and financial outperformance against peers. However, when compensation policies are not well-structured, and when outcomes are misaligned with performance,[2] companies may face business and/or reputational risks.

Where BIS finds apparent misalignments between executive pay and company performance, or has other concerns about a company's compensation policies, we engage with directors with the relevant oversight responsibilities, most likely a member of the compensation committee, to provide our feedback on compensation policies or outcomes. BIS held 1,600 engagements with 1,273 companies on incentives aligned with financial value creation in the 2022-23 proxy year.

Aside from engagement, we may signal concerns when executive compensation is misaligned with company performance by not supporting the election of members of the compensation committee or other members of the board whom we consider responsible for compensation. BIS may also signal concerns through not supporting management's proposals to approve compensation.

Globally, BIS supported 82% — or 16,706 out of the 20,377 — compensation-related management proposals put to a shareholder vote in the 2022-23 proxy year. Compensation-related proposals include Say on Pay proposals,[3] remuneration policy proposals, proposals to approve new or revised incentive plans, proposals to approve new or revised equity plans, and other compensation-related proposals.

In EMEA, BIS supported management recommendations 78% of compensation-related proposals (5,586 out of 7,121), consistent with our support rate in the past proxy year. Issues related to executive compensation were the most common reason we did not support management's recommendation on director elections in this region. Our voting on compensation-related proposals in the Americas was also consistent year-on-year, supporting management recommendations on 89% of proposals (6,255 out of 7,004).[4] In a number of APAC markets, namely India, China, Hong Kong and South Korea, we observed an uptick in practices that we did not consider to be aligned with minority shareholders' interests. As a result, BIS supported management on 78% of compensation-related proposals — or 4,865 out of 6,252 — compared to 84% in the last proxy year.

1 The term "compensation" is used as an equivalent to the words "remuneration" or "pay." **2** A compensation outcome generally relates to the payout of a performance-conditioned pay component, and reflects both the construction of the pay program as well as the performance of the company and executives against defined performance objectives. **3** The terminology can vary across markets, but "Say on Pay" is the generic expression referring to the ability of shareholders to vote on a company's compensation policy, plan, and/or practices. **4** Every six years U.S. companies must seek shareholder approval of the frequency with which they put their compensation policies up for a shareholder vote. The 2,000+ increase in compensation votes in 2023 are a result of this requirement.





Year-on-year progress on remuneration transparency and disclosures in EMEA

U.S. and UK companies are generally subject to stringent disclosure requirements on executive compensation frameworks and outcomes. While a number of Continental European companies have historically been less transparent on executive pay, many are now making improvements in their disclosures to better explain how their policies and pay outcomes are aligned to strategy and long-term financial value creation. This is due, in part, to the Shareholders Rights Directive II (SRDII).[1]

We look to companies to be transparent on their executive compensation structures and outcomes they are looking to achieve. It is helpful to our understanding when compensation committees provide detail on how variable incentive plans deliver on the firm's strategy and incorporate long-term financial value drivers, including the metrics and timeframes by which shareholders should assess performance.

For example, BIS has engaged **Koninklijke Ahold Delhaize NV**, a Dutch wholesale and retail conglomerate, to encourage the company to align their executive pay policies with long-term shareholder interests. We did not support the company's remuneration reports at the 2020 and 2021 AGMs due to a lack of transparency in their pay policies, particularly performance measures and targets.

We engaged again with the company after the 2021 AGM to explain our concerns about their policies and reporting on pay. The company improved disclosures with clearly stated targets for short- and long-term incentives in their 2022 report. BIS supported both reports at the April 2022 and 2023 AGMs.

SAP SE and **Telefonica SA** also serve as key examples in the EMEA region where engagement contributed to enhanced disclosures on executive remuneration. SAP SE, a German multinational software company, in response to shareholder feedback, improved transparency by outlining specific targets within their long-term incentive plans, revealing actual achievements related to bonuses. The company has also made a series of adjustments to their compensation structure to better align rewards with long-term performance. These positive developments led BIS to support the remuneration proposals at both the May 2022 and 2023 AGMs. In 2023, Telefonica SA, a Spanish multinational telecommunications company, made strides towards transparency, disclosing achievements against bonus targets. The company further introduced a clawback policy and eliminated discretionary awards from their compensation plans. As a result of these improvements, BIS supported Telefonica's remuneration report at their March 2023 AGM having not supported it in 2022.

1 SRDII is a legally binding regulatory act which amended a previous EU Shareholder Rights Directive, introducing new transparency obligations and disclosure requirements to institutional investors and asset managers. Its goal is to enhance the flow of information across the institutional investment community and to promote common stewardship objectives between institutional investors and asset managers, while improving transparency of issuers, investors and intermediaries.

Trends in executive compensation structures in the U.S. and Canada

Rising potential payout from one-time awards

In the post-pandemic era, there has been a noticeable shift in one-time awards. During the 2022-23 proxy year, companies used out-of-plan awards less frequently than in previous years, with the number decreasing to 323 from a high of 427 in the 2021-2022 proxy year.[1]

As we note in the BIS Global Principles, we are not supportive of one-off or special bonuses unrelated to company or individual performance. Where discretion has been used by the compensation committee or its equivalent, we look to the board to disclose how and why the discretion was used, and how the adjusted outcome is aligned with the interests of shareholders.

As a result, BIS supported executive pay at fewer companies that made out-of-plan awards in 2022-23 proxy year because, in our view, these awards were increasingly unrelated to company performance and the financial interests of long-term shareholders like our clients.

As we note in the BIS Global Principles, we are not supportive of one-off or special bonuses unrelated to company or individual performance.

Case studies

Examples of how BIS assessed one-time awards at U.S. companies:

At **Broadcom, Inc.**, a U.S. manufacturer and global supplier of a wide range of semiconductor and infrastructure software products, BIS did not support members of the compensation committee or the Say on Pay proposal at the April 2023 AGM given several concerns including: the company granting a one-time award to the CEO for consecutive years and a long-term pay plan that, in our view, was overly oriented to the short-term, as well as insufficient transparency and risk-mitigating measures.

Live Nation Entertainment, Inc., a U.S. company which engages in producing, marketing, and selling tickets for live concerts for artists, granted their CEO an outsized award. BIS did not support several members of the compensation committee and their Say on Pay proposal at the June 2023 AGM given the lack of disclosure regarding the rationale for the award.

In February 2022, **Carnival Corporation & plc**, a U.S. international cruise line operator, granted sizeable one-time awards to executives to encourage retention. However, in April 2022, the CEO announced his resignation and subsequently was allowed to continue vesting all of his outstanding equity awards under a consulting arrangement with the company. BIS did not support the election of several members of the compensation committee and the Say on Pay proposal at the company's April 2023 AGM due to the one-off award and related terms under the consulting arrangement.

1 Source: BlackRock, ISS-ESG ExecComp Analytics. Sourced on August 8, 2023, reflecting data from July 1, 2022 through June 30, 2023.

Front-loaded multi-year grants, i.e. "mega-grants" or "moonshot" grants

We have continued to see companies award front-loaded, multi-year grants particularly in sectors undergoing strategic change. Given the unusual structure and often sizable potential payout, we look to companies to make a strong case for how these awards serve the company's and shareholders' long-term interests.

For example, **Compass Minerals International, Inc.**, a U.S. provider of minerals such as salt, sulfate of potash, and magnesium chloride, asked shareholders at their February 2023 AGM to approve an amendment to their equity plan that would support incentivizing key executives towards executing on their growth initiatives. However, the compensation committee determined the number of shares – which would have resulted in significant dilution (approximately 16%) for existing shareholders – without providing details on the structure of the proposed plan.

While BIS appreciates the considerations that Compass Minerals is balancing as they aim to grow and utilize equity as a retention tool, we remained concerned with the potential dilution and the decision to request shares without giving shareholders an opportunity to evaluate the forward-looking plan and ensure it is aligned with their financial interests. Consequently, BIS did not support the equity plan, which did not receive majority support (<50%).[1]

Sizable awards to incoming executives

Trends in compensation packages offered to newly-hired executives have become more of a concern over the past several years. During this time, a number of companies have shown a greater willingness to provide high value compensation packages to newly recruited CEOs without a thorough rationale.

We acknowledge that sometimes it is necessary for a company to offer "make-whole" awards, which replace compensation that an executive forfeits when leaving their former position and we find this acceptable within reason. However, many companies do not provide sufficient disclosure that helps shareholders delineate a "make-whole" award from an inducement award, complicating our assessment of their new-hire compensation package.[2]

Consequently, in the 2022-23 proxy year, BIS did not support the executive compensation plans at 20% of the companies that made a new hire award.[3] This past proxy year marked the highest percentage of companies offering a new hire agreement that BIS declined to support in over five years. While BIS' voting is based on the misalignment of the structure of the award with long-term shareholder interests, we note that the median value of the new hire awards in programs that BIS did not support increased from U.S. $5.9 million in 2020 to U.S. $28.2 million in 2023.[4]

For example, at **Restaurant Brands International Inc.**, BIS did not support the election of the chair of the board's compensation committee nor the Say on Pay proposal at the May 2023 AGM because the Canadian quick service restaurant holding company offered a U.S. $116 million front-loaded grant for a new executive on the basis of facilitating CEO succession planning.[5] As we discuss in our commentary, "Our Approach to U.S. Executive Compensation," front-loaded programs may limit the board's ability to make compensation course-corrections over a multi-year period, increasing potential for both windfalls and retentive risks.

At **Dollar Tree, Inc.**, a U.S. owner and operator of discount variety stores, BIS did not support the election of the compensation committee chair or the Say on Pay proposal at the company's June 2023 AGM because the compensation for the new CEO was excessive compared to peers and lacked performance-based metrics.

1 Source: BlackRock, ISS. **2** A new hire award is characterized as a new hire grant, awards provided specifically for being a new hire but not included in an employment agreement, and/or a new employment agreement grant, awards granted to new hires which were mentioned in an employment agreement. **3** Source: BlackRock, ISS-ESG ExecComp Analytics. Sourced on August 8, 2023, reflecting data from July 1, 2019, through June 30, 2023. **4** Source: BlackRock, ISS-ESG ExecComp Analytics. Sourced on August 8, 2023, reflecting data from July 1, 2019, through June 30, 2023. **5** Restaurant Brands International Inc. "Notice of 2023 Annual General and Special Meeting of Shareholders and Proxy Statement." April 10, 2023. Page 46.

The company offered an annual U.S. $1 million base salary and a U.S. $135.6 million front-loaded, sign-on stock option award (approximately U.S. $27 million on an annualized basis) to attract an industry veteran to serve as executive chairman in 2022.[1] When the executive chairman was subsequently appointed CEO in January 2023, the company amended the pay package to provide an increase in base salary and a short-term incentive package, adding to an already sizable remuneration plan relative to industry peers.[2,3]

Hertz Global Holdings, Inc., a U.S. car rental company, requested that shareholders at their May 2023 AGM support their Say on Pay proposal that included a sizable new hire equity award valued at U.S. $250 million to the company's new CEO.[4] The award was already partially earned when it was granted. The CEO's compensation package also used an overlapping metric in the short-term and long-term incentive programs. BIS typically looks for distinct metrics in compensation structures to ensure appropriate incentives and focus on operational indicators over differing timeframes. As a result, BIS did not support the company's Say on Pay proposal.

Supporting resilient, long-term oriented pay plans

We look to companies to explain how their executive compensation program is resilient and, thus, will deliver reasonable pay outcomes across a broad range of business outcomes and market environments over the long-term. In this context, resilient means that programs will provide sufficient retentive impact without intervention when market conditions are difficult, motivate appropriate risk behaviors by executives, reward performance when conditions are more favorable, and adequately reflect the financial performance that shareholders are experiencing.

At **TopBuild Corp.**, a U.S. installer and distributor of insulation and building material products, BIS voted to approve management's Say on Pay proposal at the company's May 2023 AGM. The company has demonstrated a resilient executive compensation plan that combines short-term and long-term incentives that have resulted in stable and predictable outcomes consistent with the company's performance. The company uses short-term incentives linked to key performance indicators, provides balanced long-term incentives based on earnings per share and total shareholder return, and has achieved an approval rate of 97-98% on Say on Pay proposals,[5] all while delivering strong financial returns for shareholders.

Fidelity National Information Services, Inc. (FIS), is a U.S.-based payments and fintech solutions company. The company has had a number of concerning pay practices in the past, such as incentives with short-term performance targets and a misalignment between pay outcomes and financial performance. After receiving low support in 2022 (approximately 65%),[6] the company engaged with shareholders, including BIS, to discuss their executive compensation approach. FIS made several enhancements to their long-term incentive plan to address shareholder concerns. These changes included targeting outperformance of a benchmark on a relative total shareholder return basis, increasing transparency around long-term performance goals, and extending their performance measurement period in the long-term plan to three years. As a result, BIS supported the company's Say on Pay proposal at their May 2023 AGM. The proposal passed with 92% support.[7]

1 See: Dollar Tree, Inc. "Dollar Tree 2023 Proxy Statement." Page 77. May 2, 2023. **2** See: Dollar Tree, Inc. "Dollar Tree 2023 Proxy Statement." Page 55. May 2, 2023. **3** See: Dollar Tree, Inc. "Dollar Tree 2023 Proxy Statement." Page 55. May 2, 2023. **4** See: Hertz Global Holdings, Inc. "Notice of Annual Meeting and Proxy Statement." Page 26. April 5, 2023. **5** Source: BlackRock, ISS. **6** Source: BlackRock, ISS. **7** Source: BlackRock, ISS.

Shareholder activism and strategy, purpose, and financial resilience

Capital management, long-term strategy, purpose, and culture can be determining factors in companies' long-term performance. To meet their long-term financial goals, our clients depend on the success of the companies in which they are invested. To aid our understanding, we appreciate when companies set out their purpose and strategy and provide milestones against which shareholders can measure performance through clear and comprehensive disclosure. We also look for the board to have a clearly defined role in advising on and overseeing executive leadership's approach to the company's strategy, purpose, and culture, and in monitoring the company's financial resilience.

This proxy year BIS engaged more on strategy, purpose, and financial resilience-related issues than any of our other engagement priorities, with 2,585 engagements with 1,868 companies. These engagements covered issues such as succession planning, management track record, capital management, and mergers and acquisitions opportunities, amongst others. As one of many minority shareholders, BlackRock's role is not to direct a company's strategy or its implementation. Our role as a long-term shareholder on behalf of our clients is to better understand how company leadership is managing risks and capitalizing on opportunities to protect and enhance the financial interests of their shareholders.

Spotlight

The inaugural proxy season for the Universal Proxy Card (UPC)

The implementation of the U.S. SEC's universal proxy rules was an important development for shareholder activism in the U.S. The rules, applicable to shareholder meetings taking place after August 31, 2022, enable shareholders to vote, if they wish, for a combination of directors nominated for election by management and the activist shareholder (or dissident). This stands in contrast to the previous rules, which generally required investors to vote on the candidates named on the proxy card from either the dissident or management.

BIS considers a number of factors when assessing director elections in these contested situations, which may include: the qualifications and past performance of the dissident and management candidates; the validity of the concerns identified by the dissident to justify board changes; the viability of both the dissident's and management's plans to address any valid concerns; the ownership stake and holding period of the dissident; the likelihood that the dissident's strategy will produce the desired change; and whether the dissident's candidate(s) represents the best option for enhancing long-term shareholder value.

Industry observers suggested prior to this proxy year that the new rules may make running a proxy contest at smaller companies more economical for activists and increase the likelihood a dissident could gain one or more board seats.[1]

Out of the more than 4,500 shareholder meetings voted in the U.S. in the 2022-23 proxy year, only 19 involved contested director elections (compared to between 12 and 21 annually over the previous five proxy years). While the inaugural proxy season for UPC did not drive a notable increase in the number of meetings with contested director elections, there was an increase in settlements year-over-year, and a greater proportion of dissident candidates won seats, up from 34% in aggregate across 2017-2022 to 42% in 2023.[2]

1 See: Ernst & Young. "Universal proxies: what boards should know and how companies can prepare." May 10, 2022. **2** Source: ISS-ESG Voting Analytics Database data as of July 13, 2023.

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The impact of the UPC rules on proxy contests: Shareholder activists challenge Illumina leadership over GRAIL acquisition

Illumina, Inc., a prominent U.S. biotech firm, was challenged at the company's May 2023 AGM by a shareholder activist, who called for a change in company leadership after Illumina, Inc. made the decision in 2020 to re-acquire GRAIL, an early cancer screening test startup that it had initially spun-off in 2016, for U.S. $8 billion.[1]

The deal to reacquire GRAIL is currently facing regulatory obstacles and potential penalties linked to antitrust issues. It has also materially impacted the firm's operational performance and has resulted in Illumina's stock significantly falling in value.[2]

The ensuing proxy contest was one of the first since the implementation of the U.S. SEC's new UPC rules. After carefully reviewing the qualifications and potential contributions of all nominees, BIS assessed that the outcome most aligned with our clients' financial interests would be to support candidates from Illumina, Inc.'s board rather than any of the dissident's nominees. In our assessment, the directors nominated by Illumina, Inc. are in a better position to navigate the complexities and potential outcomes of the GRAIL deal. Ultimately, one of the activists' nominees was elected, replacing the chairman of the board. Eight of the board's nominees were also elected.

1 See: Illumina, Inc. "Illumina to Acquire GRAIL to Launch New Era of Cancer Detection." September 21, 2020. **2** See: Axios. "Icahn's Illumina fight heads to high-stakes vote." May 22, 2023.

Corporate strategy shifts through shareholder activism

Shareholder activist situations, and in particular contested director elections, are one of the mechanisms through which corporate strategy and financial resilience become specific voting considerations. During the 2022-23 proxy year, globally we saw 29 contested shareholder activist situations, a level comparable to the previous proxy year. While the intention behind each shareholder activist campaign is unique, reshaping company strategy and setting direction were key motivators for dissident shareholders launching proxy contests this year.

BIS does not engage in shareholder activism. When evaluating a contested director election, engagement remains the core of BIS' stewardship approach.

BIS will generally engage with the company to understand their response to the shareholder activist campaign. We may seek to meet with members of the company's board, particularly any directors the activist is seeking to replace. We may also meet with the shareholder activist if we believe it would be useful to better inform our voting decision.

BIS does not have a predisposition towards activists or management. We look at each situation individually and vote in support of the outcome we consider to be most aligned with our clients' financial interests.

Case studies

Examples of voting on shareholder activist situations:

At **Pitney Bowes, Inc.**, a U.S.-based shipping and mailing company, a dissident shareholder launched a campaign for control of the board amid declining shareholder returns. At the company's May 2023 AGM, BIS supported three of the dissident's directors, including one candidate who was mutually agreed upon by the dissident and the company, to signal our concerns about board composition and oversight of strategy execution.

Masimo Corporation, a U.S.-based global medical technology company, faced a proxy contest at their June 2023 AGM from a dissident shareholder that sought to replace two directors on the company's board. BIS supported the election of one of the dissident's nominees to signal our concerns about the company's historical corporate governance practices and encourage greater independent board oversight of the company's strategy and financial performance.

WisdomTree, Inc., a U.S.-based asset management company, faced a proxy contest at their June 2023 AGM from a dissident shareholder concerned about the company's strategy, underperformance relative to WisdomTree, Inc.'s peers, and the board's oversight of management. BIS supported two of three dissident nominees due to the company's historical underperformance and one of the six candidates nominated by the board due to their expertise in a critical function of the business.

BIS rarely supports corporate defense mechanisms that dilute investors. One exception was at **Cosmo Energy Holdings Co., Ltd** in Japan. The oil company, faced a proxy contest at their June 2023 AGM from a dissident shareholder which called for a spinoff of the company's renewable energy business and a reorientation of their capital allocation. In response, the company proposed a plan that would significantly dilute the dissident's holding in the company. BIS voted in support of management's plan as we determined that management's strategy for addressing the issues identified was more aligned with the interests of long-term shareholders, like BlackRock's clients. A majority of shareholders approved the plan, which received 60% support.[1]

1 See: Cosmo Energy Holdings Co., Ltd. "Extraordinary Report." June 23, 2023.



Momentum for UK and European companies relisting in the U.S.

We observed a few EMEA-based companies with a relatively large U.S. footprint shifting their primary listing to the U.S. These companies cited a range of reasons for changing their listing. Some noted the potential to enhance their financial resilience through access to the U.S. capital markets, while others highlighted the potential benefits from U.S. federal economic stimulus policies such as the IRA.

Examples include **CRH plc**, an Irish building materials company, and **Linde plc**, a German industrial gases and engineering company.

BIS evaluates these proposals on a case-by-case basis and supported re-listings to the U.S. at each of these companies based on our assessment that the moves were made to support long-term financial performance.

Capital structure impacting financial value

During the 2022-23 proxy year, BIS voted on 20,430 capitalization proposals that sought shareholder approval for increasing issued share capital or issuing shares on a dilutive basis, amongst other things.

As we highlight in the BIS Global Principles, the capital structure of a company is critical to shareholders as it impacts the value of their investment and the priority of their interest in the company relative to that of other equity or debt investors. Pre-emptive rights are a key protection for shareholders against the dilution of their interests.

The capital structure of a company is critical to shareholders as it impacts the value of their investment and the priority of their interest in the company relative to that of other equity or debt investors.

Case study

An example voting on capitalization proposals in APAC:

In South Korea, proposals on issuing new shares or convertible bonds do not come to shareholders for a direct vote. Companies, instead, ask shareholders for approval to amend the company's AOI to change the issuance limit of equity shares or convertible bonds.

Daewon Pharmaceutical Company, Ltd., a South Korean manufacturer and wholesaler of generic and special drugs, proposed a bundled proposal to amend the AOI to increase the share issuance limit from 25 million to 50 million and increase the maximum issue size of convertible bonds and bonds with warrants from KRW 30 billion (U.S. $23 million) to KRW 70 billion (U.S. $54 million).[2] BIS did not support the bundled proposal at the company's March 2023 AGM because the company did not provide a rationale as to why the change to the company's capital structure was needed.

1 See: Dollar Tree, Inc. "Dollar Tree 2023 Proxy Statement." Page 77. May 2, 2023. **2** See: Daewon Pharmaceutical Co Ltd. "Notice of convening a general meeting of shareholders." March 2023.

Shareholder proposals

As a fiduciary, BlackRock's sole focus is on advancing our clients' financial interests. Our stewardship activities, including voting on shareholder proposals, are performed with that fiduciary mindset.

Shareholder proposals span a wide range of topics and have varying degrees of relevance for companies across sectors, locations, and business models. We evaluate each proposal on its economic merit, considering the company's individual circumstances and maintaining a singular focus on the proposal's implications for long-term financial value creation. BIS' evaluation considers whether a shareholder proposal addresses a material risk that, if left unmanaged, may impact a company's long-term financial performance. We look for consistency between the specific request formally made in the proposal, the proponents' related communications on the issues, the company's practices and disclosures, and the costs and benefits to the company of meeting the request made in the proposal. BIS also reviews a company's governance practices and disclosures against those of their peers.

BIS is more likely to support shareholder proposals that request disclosures that help us, as long-term investors, better understand the material risks and opportunities companies face and how they are managing them, especially where this information is additive given the company's existing disclosures. In some cases, we may support business-relevant shareholder proposals that address gaps in a company's approach to material business risks.

We recognize that some shareholder proposals bundle topics and/or specific requests. Further, the proponent's supporting statement may refer to topics that are not directly related to the request made in the proposal. We may support a shareholder proposal because we find a significant component of the request to be aligned with an outcome consistent with our clients' long-term financial interests. That said, our support does not necessarily indicate we agree with every component of the resolve clause and/or supporting statement, or share the proponent's concern on every issue raised or their overarching position on those issues. We would normally explain our rationale for supporting such proposals when we engage with the company.

In many markets, shareholders may submit proposals to be voted on at a company's annual and/or special meeting, as long as eligibility and procedural requirements are met. BIS complies with the requirements under the various laws and regulations that limit how BlackRock can interact with the companies in which we invest on behalf of our clients. As such, BIS does not file shareholder proposals at companies' shareholder meetings, but we vote on proposals put forth by others. We consider voting on well-crafted shareholder proposals, focused on issues material to a company's business model, to play an important role in the stewardship toolkit.

For example, over the past several years, we have seen a number of companies receive proposals requesting they disclose their "full scope" greenhouse gas (GHG) emissions, including scope 3. In cases where companies have offered no disclosure of scope 1 and scope 2 information, we have supported these proposals as a means of enhancing disclosure that we consider important to help investors understand a material business risk; however, our support for the proposals has not been intended to convey a focus on scope 3 emissions reporting.

BIS does not support shareholder proposals that we view as inconsistent with long-term financial value or where the intent is to micromanage companies. This includes proposals that are unduly prescriptive and constraining on the decision-making of the board or management, that call for changes to a company's strategy or business model, or that address matters that, based on our analysis, are not material to how a company delivers long-term shareholder value. In our view, it is not appropriate for minority shareholders, such as BlackRock, to seek to direct companies on how they should manage their business. That is the responsibility of management, with oversight from the board. In addition, we do not believe that shareholder proposals are the proper means for addressing issues unrelated to a company's future financial performance.

BIS does not support shareholder proposals that we view as inconsistent with long-term financial value or where the intent is to micromanage companies.

In our view, the effectiveness and quality of stewardship should not be measured by the number of votes for or against management or shareholder proposals. Evaluating stewardship on the basis of a binary vote oversimplifies the issues that investors must contemplate. Importantly, it fails to acknowledge the unique circumstances in which a company operates and improvements made to better align their practices with delivering financial performance over the long-term.



Record number of shareholder proposals[1]

Despite representing a small fraction of proxy voting items, shareholder proposals often garner significant media attention because they tend to address non-routine matters and sometimes involve public campaigns seeking support. They also receive close scrutiny from investors given the reputational impacts on companies that can arise from many of the requests.

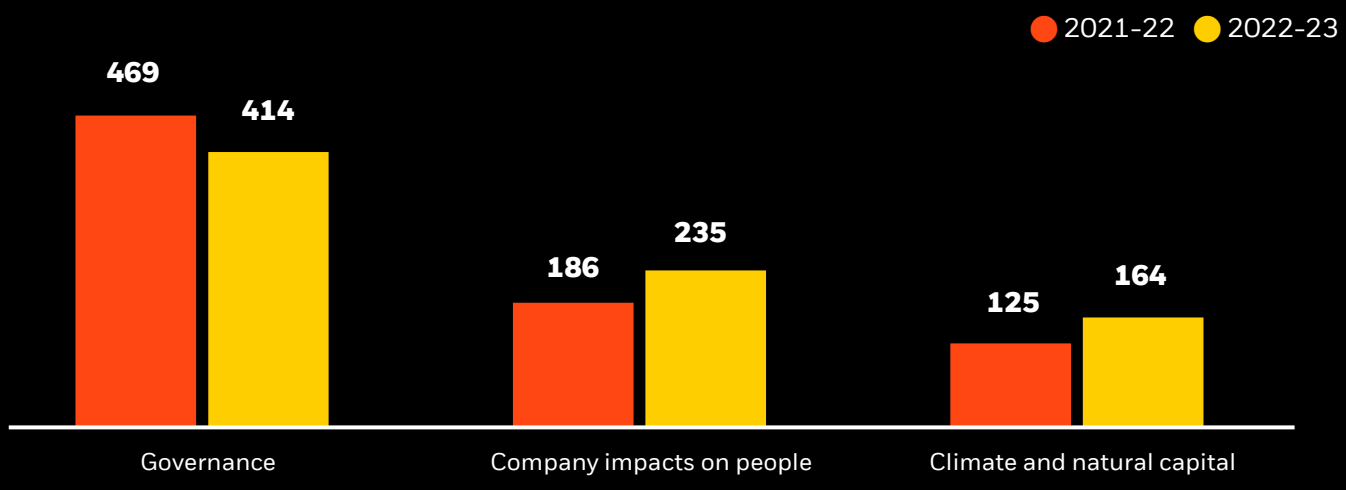
While governance-related proposals were still a majority of shareholder proposals BIS voted on globally, as shown in figure 2, shareholders submitted a record number of proposals addressing issues such as climate and natural capital risks (environmental), as well as company impacts on people (social) – namely their human capital and the communities in which they operate – in the 2022-23 proxy year.

In the U.S., shareholders may submit proposals under rules implemented by the SEC.[2] In November 2021, the SEC issued guidance that broadened the scope of permissible proposals to those that address "significant social policy issues," effectively enabling more shareholder proposals to appear on company ballots.[3] This, in part, contributed to the increase in the number of shareholder proposals BIS voted on in 2022-23, reaching a new record of 813, 78% of which were in the U.S. (see figure 3).

Figure 2

Global shareholder proposals in the 2022-23 proxy year

Measured in number of shareholder proposals BIS voted on globally



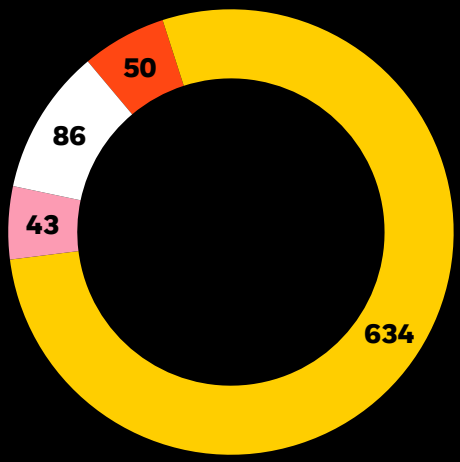
Source: BlackRock, ISS. Sourced on August 18, 2023, reflecting data by proxy year, i.e., running from July through June each year. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Excludes the Japanese market, where 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.

1 Proposals related to matters beyond core governance issues are typically categorized in the market as environmental or social proposals. For ease of comparability, BIS uses that categorization in this report. However, BIS considers these to be sustainability-related issues and generally categorizes them in accordance with our engagement priorities, i.e., "climate and natural capital" and "company impacts on people." **2** In the U.S., a shareholder may submit a shareholder proposal pursuant to SEC rules when they have continuously held U.S. $2,000 in market value of a company's securities for three years. This drops to one year if the shareholder holds U.S. $25,000 in securities. Shareholders must hold the securities through the date of the shareholder meeting they are submitting a proposal for. See "U.S. SEC Rule 14a-8" to learn more. **3** In an early proxy season assessment published in May 2022, BIS noted how these changes were already resulting in an increased number of environmental and social shareholder proposals of varying quality coming to a vote. To learn more, please refer to our commentary "2022 climate-related shareholder proposals more prescriptive than 2021," May 2022.

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Figure 3

Geographic distribution of shareholder proposals BIS voted on



- Americas ex-U.S.
- U.S.
- APAC
- EMEA

813 total

Source: BlackRock, ISS. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. 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.



Spotlight

U.S. shareholder proposals: Poor proposal quality was met with declining shareholder support

In the U.S., shareholder proposal volumes set a new record in the 2022-23 proxy year. For the first time, proposals addressing climate and natural capital (environmental) and company impacts on people (social), combined, outnumbered governance-related proposals (see figure 4).

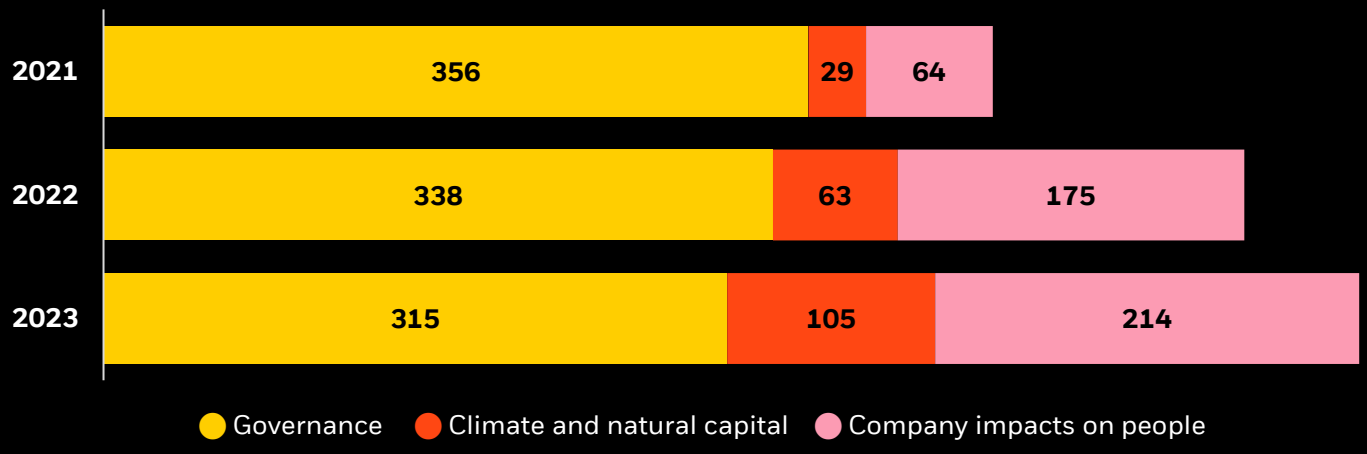
In addition to the increase in the number of these proposals, similar to the prior proxy year, we found many of the shareholder proposals to be **overly prescriptive or unduly constraining of management**, including some that sought to micromanage a company's strategy, or change a company's business model.

We also **observed a number of shareholder proposals that did not clearly identify an issue associated with a material risk** that could undermine a company's ability to deliver durable financial returns.

Importantly, **most of the proposals on climate and natural capital and company impacts on people failed to acknowledge the improvements companies have made to their disclosures and practices.**

Figure 4

Year-on-year increase in U.S. shareholder proposals



Source: BlackRock, ISS. Sourced on August 18, 2023, reflecting data by proxy year, i.e., running from July through June each year. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy.

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Of the 399 such proposals that BIS voted on globally, more than 60% had already substantively met the proponent's ask.

For example, at **Amazon.com, Inc.'s** May 2022 AGM, BIS supported a proposal requesting a report on packaging materials. The company responded by enhancing their packaging disclosure to include single-use plastic data in December 2022.[1] Amazon received a substantially similar proposal the following year. Given that the company had already enhanced their disclosure on packaging, BIS did not support the second proposal on plastic use at the company's May 2023 AGM.

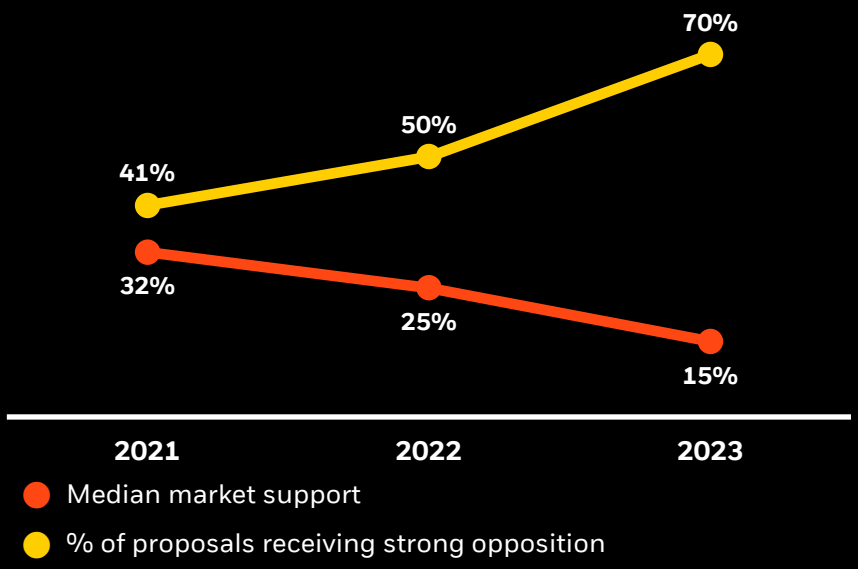
The poor quality of this year's shareholder proposals resulted in lower market support.

Median shareholder support for U.S. environmental and social shareholder proposals decreased from 25% in the 2021-22 proxy year to 15% in the 2022-23 proxy year. Notably, nearly 70% of environmental and social proposals received strong opposition in this market (see figure 5).

Figure 5

Decreasing shareholder support for proposals in the U.S.

Measured in median market support for U.S. environmental and social proposals that went to a final vote and % of proposals receiving at least 75% market opposition



Source: BlackRock, ISS-ESG Voting Analytics Database. Measured in median shareholder support for U.S. environmental and social proposals that went to a final vote. Includes ISS data only for companies that have disclosed shareholder meeting results. Sourced on August 18, 2023, reflecting data by proxy year, i.e., running from July through June each year. Strong opposition for a proposal is defined as having received less than 25% of shareholder support. A proposal has received majority support if more than 50% of shares voted were "for."

1 See: Amazon.com, Inc. "How Amazon is reducing packaging." December 13, 2022.

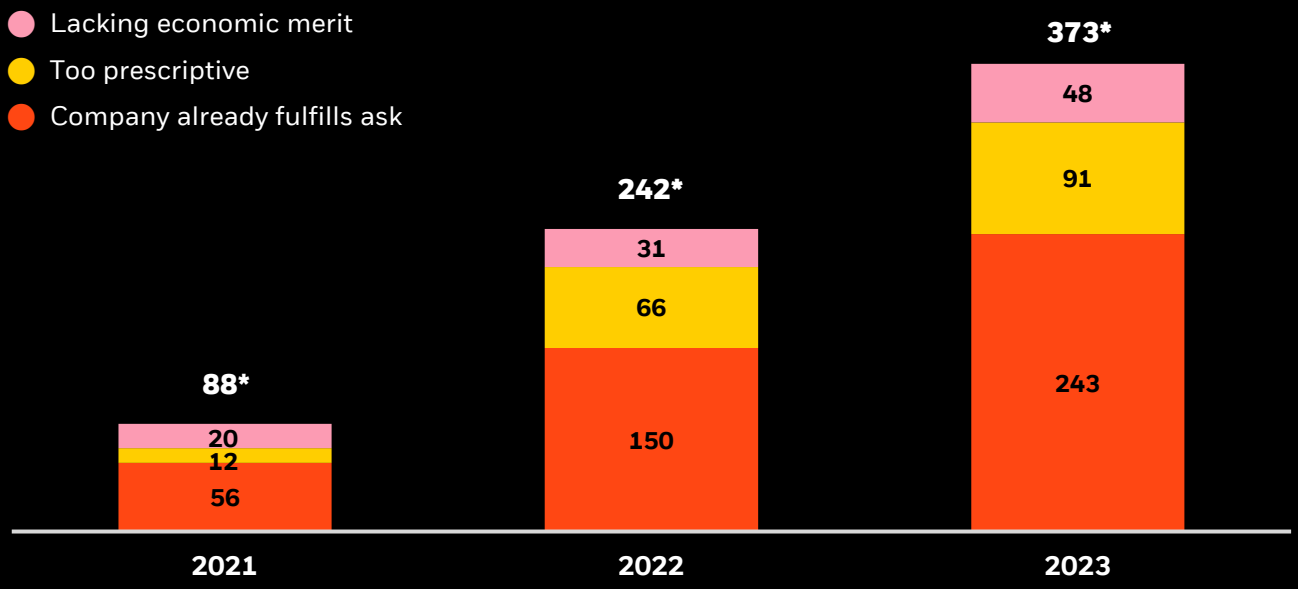
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How we voted on shareholder proposals globally

Globally, BIS supported 26 out of the 399 shareholder proposals on climate and natural capital and company impacts on people that BIS voted on (~7%).[1] BIS did not support shareholder proposals that were overly prescriptive or unduly constraining on management, that lacked economic merit, or made asks that the company already fulfills (see figure 6).

Figure 6

Reasons BIS did not support climate and natural capital and company impacts on people shareholder proposals globally



Source: BlackRock, ISS. Includes only climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Sourced on August 18, 2023, reflecting data by proxy year, i.e., running from July through June each year.

* Total climate and natural capital and company impacts on people shareholder proposals BIS voted against. Each column totals may not add due to some proposals being not supported for more than one of these reasons.

1 Source: BlackRock, ISS. Reflects vote instructions on shareholder proposals per BIS' proposal taxonomy. Votes "for" include abstentions. 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. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

Shareholder proposals on governance issues

In the 2022-23 proxy year, BIS voted on 414 governance-related shareholder proposals. We supported 45 (11%).[1]

Governance-related proposals typically address matters affecting shareholder rights such as proposals to amend governance structures (amendments to AOI/bylaws/constitution), as well as proposals on executive compensation or capital/share classification structures.

BIS looks to boards to establish governance structures aligned with shareholders' long-term financial interests and may not support management where this does not appear to be the case.[2] For example, we supported a shareholder proposal at **Alphabet, Inc.'s** June 2023 AGM seeking equal voting rights across all share classes.

BIS did not support most governance-related shareholder proposals because, in our assessment, the majority were intended to micromanage or did not address a material gap in the company's approach to the issue. At **YUM! Brands, Inc.'s** May 2023 AGM, for example, BIS voted against a shareholder proposal asking for stricter share retention requirements for executives because we perceived the company's stock ownership guidelines to be sufficiently robust.

There were a few instances in which management recommended supporting a shareholder proposal. We voted on six governance-related shareholder proposals where this was the case. As ever, BIS looks at each proposal through the lens of its alignment with our clients' financial interests which may lead us to vote differently to management's recommendation. For example, at the August 2022 AGM of **U-Haul Holding Co.**, a U.S.-based moving and storage company, BIS voted against a proposal which asked shareholders to ratify and affirm the decisions taken by company leadership and management during fiscal year 2022.

This is not a typical proposal at U.S.-based companies, and in our assessment, was not in shareholders' long-term economic interests. In part due to management's recommendation in support of the proposal, the proposal received nearly 70% support.[3] In our experience, the election of directors is the most effective way for shareholders to reaffirm their support for or communicate concerns about the actions of company leadership or strategic direction.

Shareholder proposals tied to changes in companies' governance structures

In markets like Australia, Japan, or South Korea, shareholder proposals seeking to amend a company's AOI, bylaws, or constitution are common. In some cases, these proposals are binding, which may create legal liability for a company should they pass, particularly if the proposal language is vague or open to interpretation, which could make it harder to determine whether the requests have been met by the company. We saw several proposals asking Australian energy companies to amend their governance structure to enable shareholders to vote on issues not currently permitted in corporate law.[4] BIS did not support requests to amend the AOIs at **BHP Group Limited, Origin Energy Limited, Santos Limited, Whitehaven Coal Limited,** and **Woodside Energy Group Limited** because we considered the current AOI provisions to be appropriate. Shareholder support for these proposals was between 3% and 9%.[5]

1 Source: BlackRock, ISS. Reflects vote instructions on shareholder proposals per BIS' proposal taxonomy. Votes "for" include abstentions. 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. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023. **2** Please refer to the BIS Global Principles for a comprehensive overview of our approach to voting on shareholder rights on behalf of clients. **3** Source: BlackRock, ISS. **4** Source: Australian Council of Superannuation Investors. "Shareholder resolutions in Australia." October 2017. **5** Source: BlackRock, ISS.

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Shareholder proposals related to corporate political disclosures

BIS looks to companies to explain their approach to, and oversight of, corporate political activities, and how these support the company's long-term strategy.[1]

BIS does not tell companies which policy positions they should take, or how to conduct such activities. Instead, we encourage companies to provide investors with disclosures related to these activities to better understand how they are managing business relevant risks and opportunities.

For example, at **Cintas Corporation's** October 2022 AGM, BIS supported a proposal requesting a report on political contributions. The proposal received 45% shareholder support.[2]

BIS supported a similar proposal at the 2020 AGM because, at the time, the U.S. commercial services and supplies company had no such reporting. The proposal received 42% support.[3]

While the company's disclosures have improved since 2020, Cintas is still lacking consolidated information on their trade association membership and participation. As such, BIS regarded the information sought in the proposal would be useful to investors in understanding how the company weighed the risks and opportunities of participating in the public policy process. Moreover, we did not consider the request to be unduly burdensome.

1 For further detail on our approach, please refer to the BIS commentary on "Our perspective on corporate political activities." February 2022. **2** Source: BlackRock, ISS. **3** Source: BlackRock, ISS.



Shareholder proposals on climate and natural capital

As an asset manager, BlackRock's approach to environmental risks, including material climate-related risk and opportunities presented by a low-carbon transition, is based on our fundamental role as a fiduciary to our clients.

BIS engages with companies to better understand their approach to, and oversight of, material climate-related risks and opportunities, as well as how they manage material natural capital impacts and dependencies, in the context of their business model and sector. In the 2022-23 proxy year, BIS held 1,662 engagements with 1,302 companies on climate and natural capital.

BIS voted on 164 shareholder proposals addressing climate and natural capital issues in 2022-23 and supported 14 (~9%).[1] The shareholder proposals we supported addressed, in our assessment, gaps in a company's management of material risks and opportunities in their business model.

Climate-related shareholder proposals

Our voting decisions on climate-related shareholder proposals reflect a number of factors at play in the 2022-23 proxy year. Many proposals requested actions or disclosures by a company that were not consistent, in our view, with our clients' long-term financial interests. There were several types of prescriptive outcomes sought such as changes to a company's long-term strategy or asset mix (see figure 7 on page 52). These proposals generally attracted low levels of investor support.

For example, at **Toyota Motor Corporation's** June 2023 AGM, the Japanese automobile company received a shareholder proposal that required a report on climate lobbying and alignment with the Paris Agreement to be formalized into their AOI, and the company to subsequently publish the report annually. In BIS' view, the proposal was overly prescriptive and constraining on management. In addition, Toyota's disclosures already provided investors sufficient information to understand how the company's climate lobbying activities align with long-term corporate strategy. BIS did not support the proposal, which received 15% shareholder support.[2]

There were cases where both a management and shareholder proposal on a company's approach to addressing the business impacts of a transition to a lower carbon economy were on the ballot. BIS – as well as the broader market – tended to support the management proposal, as it generally demonstrated that the company had oversight of, and a process in place to manage, material climate-related risks and opportunities.

These management proposals were more prevalent in Europe, where companies have continued to introduce management proposals to approve their climate action plans or progress reports, sometimes known as "Say on Climate." Through these proposals, companies have an opportunity to seek investor feedback as they aim to balance the need to contribute to energy security and affordability with the management of climate-related risk in their business models and the risks and opportunities of a low-carbon transition. Say on Climate proposals have typically been met with high shareholder support.

BIS voted on 41 Say on Climate resolutions or similar – 34 proposed by management and seven by shareholders. BIS voted for 30 management resolutions and against all seven shareholder proposed resolutions.[3]

1 Source: BlackRock, ISS. Reflects vote instructions on shareholder proposals per BIS' proposal taxonomy. Votes "for" include abstentions. 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. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023. **2** Source: BlackRock, ISS. **3** Source: BlackRock, ISS. Votes "for" include abstentions.

At **Holcim Ltd.'s**, May 2023 AGM, BIS supported an advisory vote on the company's climate report. In BIS' view, the climate report warranted support given the Swiss building materials company continued to enhance their climate-related disclosures and delivered on their stated action plan over the past year. In addition, Holcim determined to have their 2030 targets for GHG emissions reductions validated by a third party. We note further Holcim's commitment to invest CHF 2 billion (approximately U.S. $2.3 billion) in Carbon Capture Utilization and Storage (CCUS) by 2030. The proposal received over 95% shareholder support.[1]

At **Glencore plc's** May 2023 AGM, BIS did not support a Say on Climate resolution proposed by management, which requested approval of the company's 2022 climate report via a non-binding advisory vote.[2] While the UK-listed mining company has improved their disclosure of climate-related risks and opportunities and has continued to deliver on their Climate Action Transition Plan, BIS is concerned that aspects of the report and recent developments have pointed to inconsistencies in the company's stated strategy. The proposal received 70% investor support.[3]

1 Source: BlackRock, ISS. **2** Glencore, plc. "Notice of the 2023 Annual General Meeting." **3** Source: BlackRock, ISS.

Figure 7

Types of prescriptive outcomes sought in climate-related shareholder proposals that BIS did not support in the 2022-23 proxy year

	Prescriptive outcome	Examples
1.	Ceasing providing finance and/or insurance underwriting to traditional energy companies.	Multiple proposals at financial companies, including: **Danske Bank A/S** in Europe; **The Goldman Sachs Group, Inc.**, in the U.S.; **Commonwealth Bank of Australia, National Australia Bank Limited, Westpac Banking Corporation, ANZ Group Holdings Limited** in Australia; and **Mizuho Financial Group, Inc., Mitsubishi UFJ Financial Group, Inc.**, and **Sumitomo Mitsui Financial Group, Inc.** in Japan.
2.	Publishing a report or plan on decommissioning the assets of traditional energy companies	**ExxonMobil Corporation, Imperial Oil Limited, Marathon Petroleum Corporation** in the U.S.; and **Woodside Energy Group Ltd** and **Santos Limited** in Australia.
3.	Requiring that companies align their business models to a specific scenario or set absolute emissions reduction targets.	Multiple proposals at public companies globally, including **Chevron Corporation, ExxonMobil Corporation, The Goldman Sachs Group, Inc., KLA Corporation** in the U.S.; **Danske Bank A/S** in Denmark; **Total Energies SE** in France; **Mitsubishi Corporation, Mizuho Financial Group, Inc., Mitsubishi UFJ Financial Group, Inc., Sumitomo Mitsui Financial Group, Inc., Tokyo Electric Power Co. Holdings Inc.**, and **Chubu Electric Power Co., Inc.** in Japan.
4.	Changing articles of association or corporate charters to mandate climate risk reporting or voting	**BHP Group Limited, Origin Energy Limited, Santos Limited, Whitehaven Coal Limited**, and **Woodside Petroleum Limited** in Australia; and **Toyota Motor Corporation** in Japan.

Natural capital-related shareholder proposals

BIS observed a variety of shareholder proposals related to natural capital in the 2022-23 proxy year, including requests for increased disclosure on water risks, plastics use, and sustainable material sourcing, among others.

As with climate-related proposals, those that we supported addressed, in our assessment, gaps in a company's approach to material nature-related risk in their business model, or asked for additional disclosures that would allow investors to better assess how the company is managing these risks and opportunities.

At their May 2023 AGM, **The Kraft Heinz Company** received a shareholder proposal requesting a report on metrics and efforts to reduce water-related risk. In BIS' view, the company already has robust disclosures addressing these risks, so we did not support the proposal. The proposal ultimately did not pass, receiving nearly 7% investor support.[1]

Similarly, BIS did not support shareholder proposals requesting additional reporting on plastics use at the 2023 annual meetings for **Amazon.com, Inc., Exxon Mobil Corporation, The Phillips 66 Company**, and **YUM! Brands, Inc.**, either because the company already provided sufficient information, or the proposal was overly prescriptive. The proposals received between 12% and 37% investor support.[2]

However, BIS supported a shareholder proposal at **Westlake Corporation** requesting a report on plastic production and pollution. In our view, additional information on how the U.S. materials company is overseeing potential financial impacts of regulations banning single use plastics, alongside evolving consumer preferences would help shareholders better assess the investment risks and opportunities associated with polymer production. In part as a result of the company having a controlling shareholder,[3] the proposal received 9% support (but approximately 39% support from unaffiliated investors).[4]

1 Source: BlackRock, ISS. **2** Source: BlackRock, ISS. **3** Source: ISS. The Chao family, through TTWF LP and TTWFGP LLC, beneficially own 72.5% of Westlake's shares. **4** Source: BlackRock, ISS.



Shareholder proposals on company impacts on people

BIS does not seek to direct a company's policies or practices; rather, we support clear and consistent reporting to help investors understand a company's approach to a potentially material business risk, including risks related to their human capital and supply chains, and the communities in which they operate, which are often referred to in this context as social issues.

Proposals addressing these issues were approximately 29% of all shareholder proposals BIS voted on behalf of clients in the 2022-23 proxy year (235 out of 813), with most of them submitted at U.S. companies, and a handful in EMEA. BIS supported 12 such shareholder proposals.[1] Examples of issues that were the subject of shareholder proposals include: policies on employee pay and benefits, freedom of association and other labor issues, human rights due diligence, supply chain management risks, and Indigenous Peoples' rights, among others.

In the 2022-23 proxy year, BIS held 1,463 engagements with 1,185 companies to deepen our understanding of how they are monitoring and managing the potential impacts of their operations on their workforce and broader value chain.[2] These engagements helped better inform our voting on some of these shareholder proposals. In our experience, companies that invest in the relationships that are critical to their ability to meet their strategic objectives are more likely to deliver durable, long-term financial performance. By contrast, poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks.

While certain shareholder proposals on company impacts on people may have related to a material risk for a company, in our assessment, many of them sought an outcome that was not aligned with shareholders' long-term financial interests.

Case studies

At **Delta Air Lines Inc.**, **Netflix Inc.**, and **Amazon.com Inc.**, BIS did not support proposals asking companies to adopt and disclose a policy formally recognizing employees' right to freedom of association and collective bargaining. On our assessment, the companies had already demonstrated robust policies detailing their approach to collective bargaining and organizing in the workplace. These proposals received between 25% and 35% shareholder support.[3]

At **J Sainsbury plc's** July 2022 AGM, BIS did not support an overly prescriptive shareholder proposal which would, if adopted, have legally required a third-party organization to accredit the company's wage structure. In BIS' view, the adoption of this shareholder proposal would have precluded management – which has for many years paid wages above the UK National Minimum Wage – from making strategic and pay-related business decisions that are in our clients' long-term financial interests.

BIS recognizes the important role that employees play in companies' ability to generate long-term financial value. In our view, management is best positioned to assess the appropriate approach to ensuring employee pay and benefits are competitive and support the company in attracting and retaining the workforce they need to be successful. Similarly, we look to management to identify and address workforce related risks.

At their March 2023 AGM, **FLSmidth & Co. A/S**, a Danish multinational technology firm, had a shareholder proposal requesting a report on risks associated with human and labor rights. Management recommended supporting the proposal, and BIS agreed that more information around workforce-related risks would benefit investors. The proposal received 99% investor support.[4]

1 Source: BlackRock, ISS. Reflects vote instructions on shareholder proposals per BIS' proposal taxonomy. Votes "for" include abstentions. 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. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023. **2** For further detail on our approach, please refer to the BIS commentaries: "Our approach to engagement on human capital management" and "Our approach to engagement on corporate human rights risks." Both, March 2023. **3** Source: BlackRock, ISS. **4** Source: BlackRock, ISS.

Parting thoughts

The rapidly changing backdrop in which companies are operating has underscored the importance of strong corporate governance to company performance.

We look forward to engaging with company leadership in the new proxy year as companies navigate these and future challenges, offering our constructive feedback as a long-term minority investor.

We will continue to take a measured approach to our stewardship activities on behalf of our clients, leveraging our firm's innovative capabilities – such as BlackRock Voting Choice – to help our clients meet their long-term investing goals.

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Appendix

Appendix

July 1, 2022 through June 30, 2023 Voting Statistics

		Americas	EMEA	APAC	Global total
Management proposals					
Director elections	Support management	27,091	14,116	25,841	**67,048**
	Not support management	2,355	2,578	3,243	**8,176**
Board-related	Support management	739	2,160	4,081	**6,980**
	Not support management	141	600	815	**1,556**
Compensation	Support management	6,255	5,586	4,865	**16,706**
	Not support management	749	1,535	1,387	**3,671**
Auditor	Support management	4,632	3,396	2,747	**10,775**
	Not support management	3	253	62	**318**
Capital structure	Support management	1,293	7,412	9,891	**18,596**
	Not support management	123	401	1,310	**1,834**
Climate and natural capital	Support management	2	23	5	**30**
	Not support management	0	3	1	**4**
Company impacts on people	Support management	12	369	19	**400**
	Not support management	0	54	18	**72**
Mutual funds	Support management	15	46	0	**61**
	Not support management	0	1	0	**1**
Other	Support management	1,778	7,199	11,082	**20,059**
	Not support management	897	1,078	1,164	**3,139**
Strategic transactions	Support management	441	1,275	4,234	**5,950**
	Not support management	21	131	1,124	**1,276**
Takeover defense	Support management	291	542	80	**913**
	Not support management	18	33	92	**143**

Source: BlackRock, ISS. Reflects BIS' proposal taxonomy. "Support" means BIS voted in alignment with management's recommendations. "Not support" means BIS voted different from management's voting recommendation. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

Appendix

July 1, 2022 through June 30, 2023 Voting Statistics

		Americas	EMEA	APAC ex Japan	Japan	Global total
Shareholder proposals						
Governance	Support management	302	41	24	249	**616**
	Not support management	25	16	6	27	**74**
Climate and natural capital	Support management	119	20	13	49	**201**
	Not support management	12	0	0	0	**12**
Company impacts on people	Support management	215	9	0	1	**225**
	Not support management	11	0	0	0	**11**
Board-related	Support management	67	153	289	3	**512**
	Not support management	13	68	5	0	**86**
Director elections	Support management	90	143	977	73	**1,283**
	Not support management	30	135	77	7	**249**
Other	Support management	25	163	329	5	**522**
	Not support management	5	21	30	0	**56**

Source: BlackRock, ISS. Reflects BIS' proposal taxonomy. "Support" means BIS voted in alignment with management's recommendations. "Not support" means BIS voted different from management's voting recommendation. Sourced on August 18, 2023, reflecting data from July 1, 2022 through June 30, 2023.

Appendix

BIS proposal taxonomy

Management Proposals

Auditor
Proposals related to the appointment and compensation of external auditors serving corporations.

Board-related
A category of management-originated, board-related proposals (excluding director elections), pertaining to advisory board matters, alternate and deputy directors, board policies, board committees, board composition, among others.

Capital structure
Generally involves authorizations for debt or equity issuances, dividends and buybacks, stock splits, and conversions of securities.

Climate and natural capital

Includes management originated proposals related to environmental issues, such as proposals to approve a company's climate action plan, commonly referred to as Say on Climate.

Company impacts on people

Includes management originated proposals relating to a range of social issues such as corporate social responsibility, and diversity, equity, and inclusion.

Compensation

Proposals concerning executive compensation policies and reports (including Say on Pay, Say on Pay Frequency, and approving individual grants), director compensation, equity compensation plans, and golden parachutes.

Director election

A category of management-originated proposals which includes the election, discharge, and dismissal of directors.

Mutual funds

Proposals related to investment management agreements and the structure of mutual funds.

Other

Covers and assortment of common management-originated proposals, including formal approvals of reports, name changes, and technical bylaws, among many others.

Strategic transactions

Involves significant transactions requiring shareholder approval like divestment, mergers and acquisitions, and investment.

Takeover defense

Proposals concerning shareholder rights, the adoption of "poison pills," and thresholds for approval, among others.

Appendix

BIS proposal taxonomy

Shareholder proposals

Board-related

A category of shareholder-originated, board-related proposals (excluding director elections) pertaining to advisory board matters, alternate and deputy directors, board policies, board committees, board composition, among others.

Climate and natural capital

Covers shareholder-originated proposals relating to reports on climate risk, emissions, natural capital, and sustainability, among others.

Company impacts on people

Includes shareholder-originated proposals relating to a range of social issues such as reports on diversity, equity, and inclusion, human capital management, and human rights, among others.

Director-election

A category of shareholder-originated proposals which includes the election, discharge, and dismissal of directors.

Governance

Generally involves key corporate governance matters affecting shareholder rights, including governance mechanisms and related article/bylaw amendments, as well as proposals on compensation.

Other

Includes non-routine procedural items and other voting matters.

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