

Vote Bulletin: Union Pacific Corporation

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| Company | Union Pacific Corporation (NYSE: UNP) |
| Market and Sector | United States/Industrials |
| Meeting Date | 13 May 2021 |
| Key Resolutions ¹ | Item 6: Report on EEO-1 (Shareholder proposal) Item 7: Publish Annually a Report Assessing Diversity and Inclusion Efforts (Shareholder proposal) Item 8: Annual Vote and Report on Climate Change (Shareholder proposal) |
| Key Topics | Climate risk, diversity, equity, and inclusion, human capital management |
| Board Recommendation | The Board recommended voting AGAINST these shareholder proposals |
| BlackRock Vote | BlackRock voted FOR these shareholder proposals |

Overview

Union Pacific Corporation (UNP) is a Class I freight-hauling railroad that operates over 32,200 miles in 23 U.S. states west of Chicago and New Orleans. Union Pacific is the second largest railroad in the U.S.

BlackRock Investment Stewardship (BIS) has engaged with the company to discuss corporate governance and sustainability issues that we believe drive long-term shareholder value. These topics included, among others, the management, oversight, and disclosure of climate-related risks and opportunities, diversity, equity, and inclusion (DEI) and human capital management. Most recently, we engaged with the company to discuss the shareholder resolutions included on the ballot at its 2021 Annual Meeting of Shareholders.

Rationale for BlackRock’s Vote

Item 6: Report on EEO-1 (FOR)

BIS voted for this shareholder proposal because the company currently does not meet our expectations for disclosure of material DEI policies and supporting data.

The shareholder proposal requests that Union Pacific Corp (UNP) annually disclose its consolidated EEO-1 report on its website no later than 60 days after its submission.²

¹ Union Pacific, “[2021 Proxy Statement & Notice of Annual Meeting of Shareholders](#)”.

² See previous footnote.

The company states that it already discloses information regarding its commitment to diversity and inclusion (D&I) on its website,³ in its sustainability report,⁴ and in its Form 10-K. According to the company, as of December 31, 2020, minorities comprised 30% of the workforce, while women made up 6%.⁵ The company has set a goal to increase representation of minorities and women to 40% and 11% respectively by 2030. The Board believes that EEO-1 data may not align with how the company's employees self-identify and therefore may not provide an accurate picture of Union Pacific's workforce.

While we appreciate the goals that the company has articulated to increase workforce diversity, UNP's current disclosure lacks the granularity and quantitative information to establish and track progress against a baseline. Shareholders would therefore benefit from greater disclosure on how the company is working towards achieving its publicly stated D&I goals.

The publication of EEO-1 data will allow investors to track progress against a variety of indicators as the company works towards its stated goals. EEO-1 disclosure also would allow for investors to benchmark or compare companies with which they compete for talent. Accordingly, BIS supported this proposal because it is consistent with our [expectations](#) for companies in the U.S. to report on diversity of their workforce, including demographics such as race, gender, and ethnicity through the disclosure of EEO-1 data. We also ask that companies disclose the steps that they are taking to advance DEI and support an engaged workforce because we believe that an inclusive, diverse, and engaged workforce contributes to business continuity, innovation, and long-term value creation.

Item 7: Publish Annually a Report Assessing Diversity and Inclusion Efforts (FOR)

BIS voted for this proposal because shareholders would benefit from greater disclosure on how the company is assessing policies and/or risks related to DEI.

The shareholder proposal requested that the company publish an annual report assessing its diversity and inclusion efforts. "At a minimum the report should include: 1) the process that the Board follows for assessing the effectiveness of its diversity, equity and inclusion programs, 2) the Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment, and retention of protected classes of employees."⁶

UNP has made commitments over the last year regarding its hiring practices and the desire to cultivate a diverse workforce through 2030. The company has also provided information about its recruiting partnerships and steps to achieve these goals.⁷ However, the company currently does not articulate how these efforts are overseen by the board and integrated into strategy. As we believe these are important components of successful implementation of DEI and cultivating a diverse and engaged workforce, we supported the proposal.

As discussed in our commentary, "[Our approach to engagement on human capital management](#)," BIS is focused on understanding the effectiveness of a company's board and management in supporting the needs and meeting the expectations of its workforce. Through our analysis of a company's disclosures and engagement with management, we aim to understand its commitments to advancing DEI, including its efforts to recruit, retain, and develop diverse talent; create an inclusive workplace for all workers; support executive training for underrepresented groups; and address any compensation gaps across different workforce demographics.

³ Union Pacific, "[Diversity & Inclusion at Union Pacific](#)".

⁴ Union Pacific, "[Building America Report](#)".

⁵ Union Pacific, "[2021 Proxy Statement & Notice of Annual Meeting of Shareholders](#)".

⁶ See previous footnote.

⁷ See previous footnote.

Item 8: Annual Vote and Report on Climate Change (FOR)

While we are supportive of the company's efforts to date with respect to its climate strategy, we voted for this proposal because it may accelerate the company's progress.

The company received a “say on climate” shareholder proposal, which asked the company to annually disclose its 1) greenhouse gas (GHG) emissions, 2) GHG emissions reduction plan, and 3) allow shareholders to approve or disapprove of its plan within 60 days of the annual meeting.⁸

The company currently discloses its policies and actions addressing climate change, including reporting to the CDP,⁹ and plans to provide annual updates to shareholders. In February 2021, the company received certification of its GHG reduction goals from the Science-based Targets initiative (SBTi),¹⁰ which includes targets to reduce absolute scope 1 and 2 GHG emissions from its operations 26% by 2030 against a 2018 baseline.¹¹ Nonetheless, as of the annual meeting, the company notes that they have “not to date issued a report detailing actions [the company] expect[s] to take to mitigate [the company’s] carbon footprint in the future”.¹² In order to assess progress, BIS asks companies for disclosures that articulate GHG emissions reduction efforts, including short-, medium-, and long-term targets, alongside needed capital allocation and strategy considerations to achieve those goals.

While we are supportive of the company's efforts to date with respect to this material climate issue, particularly the company's SBTi's certification, we supported this proposal because we believe that voting in favor may accelerate the company's disclosure progress. In addition, as a long-term investor on behalf of our clients, we believe it is important to understand how effectively a company is transitioning its business and positioning itself to deliver sustainable shareholder value as the global economy decarbonizes. As we set out in our [Global Principles](#), we expect companies to articulate how they are aligned to a scenario in which global warming is limited to well below 2° C, consistent with a global aspiration to reach net zero GHG emissions by 2050. We discuss in our commentary, “[Climate risk and the transition to a low carbon economy](#),” that we expect companies to provide adequate disclosure and articulate strategic changes that may impact progress, either negatively or positively. Short-, medium-, and long-term targets allow investors and other stakeholders to track progress and identify innovative leaders. We believe additional disclosure of UNP's plan to achieve the stated GHG emissions reduction targets will be beneficial to shareholders.

We encourage the company to report in line with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). The four pillars of the TCFD—governance, strategy, risk management, and metrics and targets—provide an opportunity for companies to disclose standardized information, in both data and narrative form, and allow investors to assess financially material and decision-useful information that is comparable within each industry.

Ultimately, BIS will continue to take a case-by case approach to “say on climate” proposals more broadly. We did not vote against any members of UNP's Board, which would be our standard course of action where we have significant concerns about a company's management of material sustainability issues, such as climate risk management.

⁸ See previous footnote.

⁹ See previous footnote.

¹⁰ Industry bodies, such as the Science Based Targets Initiative provide guidance and assurance processes for companies to set targets aligned with less than 2° C of warming and to track milestones. For more information, see Science Based Targets, “[Ambitious Corporate Climate Action](#)”.

¹¹ Union Pacific, “[Union Pacific's Science-based Targets Reducing Emissions Approved](#)”.

¹² Union Pacific, “[2021 Proxy Statement & Notice of Annual Meeting of Shareholders](#)” page 101

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance – and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our [Global Principles](#), [market-level voting guidelines](#), and [engagement priorities](#), material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.

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