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Investment Stewardship

Vote Bulletin: voestalpine AG

Company	**voestalpine AG (Vienna Stock Exchange: VOE)**
Market and Sector	Austria, Materials
Meeting Date	3 July 2024
Key Resolutions[1]	**Item 7a-7h:** Elect Supervisory Board Members **Item 8:** Approve Remuneration Report
Key Topics	Board quality and effectiveness, executive compensation
Board Recommendation	The board recommended shareholders vote FOR Items 7a-7h and 8
BlackRock Vote[2]	BlackRock voted AGAINST Items 7a-7h and 8

Overview

voestalpine AG (voestalpine) is an Austria-based steel company that develops, manufactures, and sells steel products globally.

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

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

Over the past four years, BIS has engaged with members of voestalpine's management team to discuss the company's board composition and independence, compensation practices, and disclosures of climate-related risks and opportunities.

As discussed in our Global Principles, an effective and well-functioning board that has appropriate governance structures to facilitate oversight of a company's management and strategic initiatives is critical to the company's long-term financial success and the protection of shareholders' economic interests.

[1] voestalpine AG, "Annual General Meeting 2024".

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

When evaluating boards 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 mix and relevance of director experiences and skills, and how these factors may contribute to the performance of the company.

Rationale for BlackRock's vote

Items 7a–7h: Elect Supervisory Board Members (AGAINST)

BIS did not support the items relating to Supervisory Board directors' elections because of our continued concerns about board independence and director overcommitments.

As discussed in our proxy voting guidelines for EMEA securities, we have found that it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking, while supporting both continuity and appropriate succession planning. We recognize that a variety of director tenures within the boardroom can be beneficial to ensure board quality and continuity of experience. However, in our view, excessively long tenure can be an impediment to an individual director's independence. In these instances, we consider director tenure in the context of whether there is a sufficient balance of independence on the board.

Also, it is good practice, in our view, for the board, as well as its key committees, to be majority independent, with each key committee chaired by an independent director.

Separately, directors should stand for election on a regular basis, ideally annually, to allow shareholders to reaffirm their support for or signal their concerns about the board's efforts to advance investors' long-term financial interests. In our view, companies should provide a clear explanation of their approach to director accountability and election frequency, especially if the proposed term extends beyond four years. While many Austrian companies have five-year board terms, we have observed best practice is moving toward shorter terms.

To convey our concerns about the length of director terms at voestalpine, BIS did not support the election of directors Heinrich Schaller, Franz Gasselsberger, Ingrid Joerg, Florian Khol, Maria Kubitschek, Elisabeth Stadler, and Martin Hetzer (Items 7b-7h). We also did not support the election of director Wolfgang Eder, who along with Mr. Schaller, is a member of the nomination committee, to convey our concerns about insufficient independence within the board and its committees. We note that Mr. Gasselsberger, who chairs the audit committee, has served on the board for 20 years and, as such, is not considered an independent director under our voting guidelines.

In addition, in our assessment, Mr. Gasselsberger and Ms. Stadler are both overcommitted. As explained in our voting guidelines, in our view, the role of a director is becoming increasingly demanding. To be effective, directors need appropriate time to commit to their role and engage effectively on board and committee matters. We consider it important that a director has sufficient flexibility to respond to unforeseen events and therefore takes on no more than four non-executive, non-Chair mandates on public company boards. As of the time of voting, Mr. Gasselsberger is the CEO at Oberbank AG, and sits on the board of four other companies, including voestalpine. Ms. Stadler is the chair of the board at Oesterreichische Post, and sits on the board of four other companies, including voestalpine.

Item 8: Approve Remuneration Report (AGAINST)

BIS did not support the remuneration report because, in our view, the disclosure about the variable pay outcome and discretionary sign-on bonuses to newly appointed executives lacked sufficient detail to assess their alignment with shareholder interests. In addition, we had concerns about the amounts of supplementary pension contributions awarded to certain executives.

As discussed in BIS' Global Principles, we find it helpful when companies disclose a clear link between variable pay and operational and financial performance in executive remuneration practices, with performance metrics aligned with a company's strategy and business model.

voestalpine currently discloses that for the executive bonus, 75% of targets are based on financial metrics and 25% are based on non-financial metrics, however, it does not disclose specific targets within these two categories. Moreover, the company does not disclose a clear rationale for the discretionary sign-on bonus amounts made to newly appointed executives.

BIS also notes that certain executives received relatively high pension contributions which, in our assessment, are not aligned with market practice. Per our voting guidelines, we view pensions as being part of the benefits offered by a company and therefore pension contributions for executives should be in line with the rest of the workforce. Contracts for new executives should reflect this alignment, and in relation to legacy arrangements there should be disclosure of a clear plan towards achieving alignment within a reasonable timeframe.

As a result, BIS did not support the proposal to approve the remuneration report as the company's current disclosure lacks sufficient detail as to how these aspects of the remuneration structure align with the long-term financial of interests of minority shareholders, including BlackRock's clients.

BIS recognizes the importance of competitive executive pay, including performance incentive awards, in attracting and retaining talented company leaders. However, we look to companies to demonstrate that incentive pay for executives is performance-based and consistent with the long-term financial returns received by shareholders.[3] We will continue to engage with the company to discuss its approach to future remuneration structures.

[3] Please see our commentary "Our approach to engagement on incentives aligned with financial value creation" for further information on our views.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on behalf of our clients. For those clients who have given us authority,[4] we vote proxies in line with our public Global Principles and regional voting guidelines and informed by our engagements, where relevant, as well as our analysis of company disclosures.[5] We vote with the sole objective to advance our clients' long-term financial interests.

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

The BIS team of more than 65 dedicated professionals[6] operates across nine offices globally, taking a localized approach while also benefitting from global insights. We focus most of our efforts on corporate governance as, in our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests.

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

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

Want to know more? blackrock.com/stewardship

contactstewardship@blackrock.com

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

[5] 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.

[6] As of December 31, 2023.