BlackRock

2024 Global Voting Spotlight

Voting in our clients' long-term financial interests

BlackRock Investment Stewardship

NM0824U-3806989-1/70

Contents

Important notes

This report covers BlackRock Investment Stewardship's (BIS) proxy voting activities from July 1, 2023, through June 30, 2024, 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 "2023-24 proxy year" or the "proxy year."

The report provides a comprehensive overview of BIS' approach to voting on corporate governance matters and other material risks and opportunities under BIS' benchmark policies. BIS' full proxy voting record is also available through the Global Vote Disclosure tool, which provides a quarterly update of our vote instructions on behalf of clients for all proposals voted at individual shareholder meetings globally. When votes cast differ from a company's voting recommendation, BIS provides a brief vote rationale. This report does not cover proxy voting for those clients that have elected to vote their holdings through BlackRock Voting Choice.

The majority of BIS' efforts are focused 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. As one of many minority shareholders in public companies, BIS cannot – and does not try to – direct a company's strategy or its implementation.[1] Our role, on behalf of our clients as long-term investors, is to better understand how corporate leadership is managing material risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns.

The information in this report is dated as of June 30, 2024, unless otherwise noted. Currency is shown in USD. Proxy voting data reflects BIS' management and shareholder proposal categories in alignment with BIS' proposal taxonomy. In the case of shareholder proposals, the BIS taxonomy considers the full scope of the proposal's intent, as understood through the proponent's materials and public statements. Based on this information, we categorize them as either governance, climate and natural capital, or company impacts on people-related shareholder proposals.[2] 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 BlackRock has been entrusted by clients to manage more assets than any other asset manager, which means that we are often listed as one of the larger minority shareholders in publicly traded companies. Minority shareholders are usually those who hold less than 50% of the shares in a company that have voting rights attached, meaning that they cannot block ordinary resolutions or special resolutions or any other resolution that must be passed by a higher majority. Our many clients are the ultimate owners of those shares. **2** Proposals related to matters beyond core governance issues are typically categorized in the market as environmental or social proposals. 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" (a company's employees, its broader value chain, or the communities in which it operates). To learn more about BIS' proposal taxonomy, please refer to the Appendix section.

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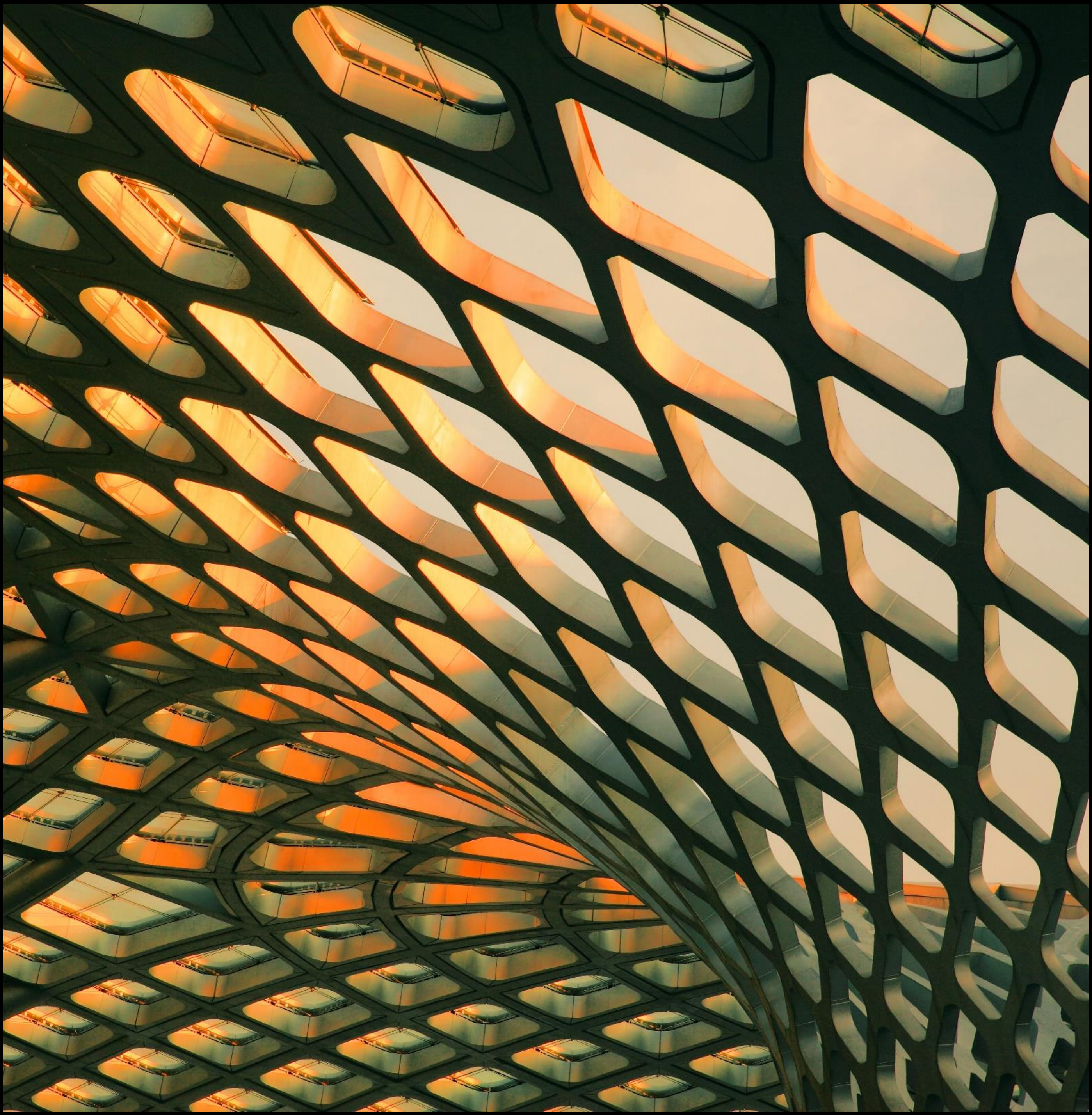
Foreword



Joud Abdel Majeid
Global Head of Investment Stewardship

Financial resilience in focus in an uncertain macro environment

Over the past year, investors continued to navigate an unusual economic backdrop of higher interest rates, weaker economic growth, inflation, and high public debt. At the same time, waves of transformation are on the horizon — shaped by powerful forces including artificial intelligence, the low-carbon transition, and rewiring of supply chains — and are transcending this macro environment, spurring major capital investments into advanced technology, energy systems, and infrastructure.

While the speed and scale of these investments remain uncertain, investors are keen to understand how companies are positioning themselves to benefit from this transformation, and strengthening their resilience to support their business across a wider range of macro environments.

At BlackRock, investment stewardship serves as a link between our clients and the companies they invest in and is one of the ways we fulfill our fiduciary responsibilities as an asset manager to our clients. We do this through engaging with companies to inform our voting for clients who authorize us to vote on their behalf. Our sole focus when conducting our stewardship program under our benchmark policies is to advance our clients' long-term financial interests.

Companies are responding to dynamic market conditions

In our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests. Companies led by effective management teams and board directors are better equipped to navigate uncertainty.

This proxy year, we held thousands of conversations with members of the boards and management teams of the companies our clients invest in, to learn about how this new operating environment might shape their performance and long-term financial returns.

Against a complex macro landscape and greater performance dispersion across companies, activism was in greater focus this proxy year. Shareholder activists targeted large U.S. companies in high-profile campaigns with limited success. In Japan and South Korea, ongoing government reforms to improve corporate governance and valuations catalyzed record activism this past year.

We found many companies adapting their strategies to both manage this complex backdrop and capture opportunities spurred by it. In some sectors, companies pursued inorganic strategies to accelerate growth and reposition their businesses for this transformation. For example, the race to build and enhance artificial intelligence capabilities prompted several transactions in the technology sector. In the U.S. energy sector, a handful of mega deals sparked a wave of consolidation that is reshaping the energy landscape.

Our ongoing, two-way dialogue with companies provided us the opportunity to listen to their perspectives and inform our voting decisions

Amid a high interest rate environment, some companies streamlined their businesses and brought stronger capital discipline. Some European oil majors, for example, underscored their focus on delivering returns to shareholders, improving valuations and streamlining non-core segments. By and large, these companies continued to receive shareholder support for their pragmatic approach in balancing near-term consumer demand for energy security and affordability with their long-term plans to invest in technologies that support their business as it transitions to a low-carbon economy.

Geopolitical fragmentation continued to rewire companies' supply chains and operations. Several companies described shifts in their supply chains to India, Vietnam, and Mexico. Others leveraged industrial policies, like the U.S. Inflation Reduction Act (IRA), the European Green Deal, and others, to support investment in strategic sectors like technology, clean energy, and critical minerals.

As ever, our ongoing, two-way dialogue with companies provided us the opportunity to listen to their perspectives on these issues and inform our voting decisions at thousands of shareholder meetings. Our conversations continued to center on core corporate governance practices, like a company's strategy and financial resilience, the quality of its board, and executive incentives to reward long-term performance. We also discussed material sustainability-related factors, where relevant to a company's business model, including material risks associated with climate and natural capital, as well as the impacts of a company's operations on their workforce and its broader value chain.[1]

Proxy voting in our clients' long-term financial interests

Voting at a company's shareholder meeting is a basic right of share ownership and a core principle of corporate governance. As a fiduciary, BlackRock is legally required to make proxy voting determinations on behalf of clients who have delegated voting authority to us in a manner that is consistent with their investment objectives.

In the vast majority of cases, we find that investors and management are aligned on how companies are delivering financial value to their shareholders.

Our voting reflects this alignment and acknowledges the continued improvement we observe in companies' disclosures regarding their approach to material risks and opportunities that may impact financial returns. This proxy year, we supported ~88% of management proposals and ~90% of director elections, globally, consistent with our voting in recent years.[2]

1 Our engagement priorities encompass the themes on which we most frequently engage with companies year-round, where they are relevant and a source of material business risk or opportunity. Engagement may also inform our voting decisions, on management and shareholder proposals, for those clients who have given us authority to vote on their behalf. Proposals related to matters beyond core governance issues are typically categorized in the market as environmental or social proposals. 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" (a company's employees, its broader value chain, or the communities in which it operates). To learn more about BIS' proposal taxonomy, please refer to the Appendix section. **2** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024.

In the 2023-24 proxy year, investors – including BlackRock – supported more shareholder proposals addressing corporate governance issues than in previous years

In the 2023-24 proxy year, investors – including BlackRock – supported more shareholder proposals addressing corporate governance issues than in previous years. Generally, these proposals focused on introducing provisions to further strengthen the rights of minority shareholders, such as BlackRock's clients.

Many of the same themes we observed last year around non-governance shareholder proposals persisted in the 2023-24 proxy year. In the U.S., shareholder proposals focused on climate and natural capital risks (environmental), and company impacts on their employees and communities (social) again made up the majority of voted shareholder proposals, increasing ~13% year-on-year.[1] Like last year, investors found the majority of these proposals to be overly prescriptive, lacking economic merit, or asking companies to address material risks they are already managing. As a result, these proposals continued to receive low support from shareholders, including BlackRock.

Empowering more investors with choice in stewardship

BlackRock's benchmark policies, which we are entrusted to apply to the large majority of our clients' assets, take a financial materiality-based approach and are focused solely on advancing clients' financial interests. Over two years ago, BlackRock launched our Voting Choice program, empowering investors to participate in the proxy voting process. Clients representing $634 billion in assets under management (AUM) have adopted the program.[2]

Over the past year, we have taken additional steps to expand our stewardship options to provide our clients more choice. We launched a pilot to make BlackRock Voting Choice available to our largest ETF, giving millions of eligible shareholder accounts the option to choose from a range of different voting policies for their proportionate shareholding.

We expanded the BlackRock Voting Choice platform by adding Egan-Jones as a third proxy advisor, further building out the menu of third-party policies – to a total of 16 – available to institutional clients.

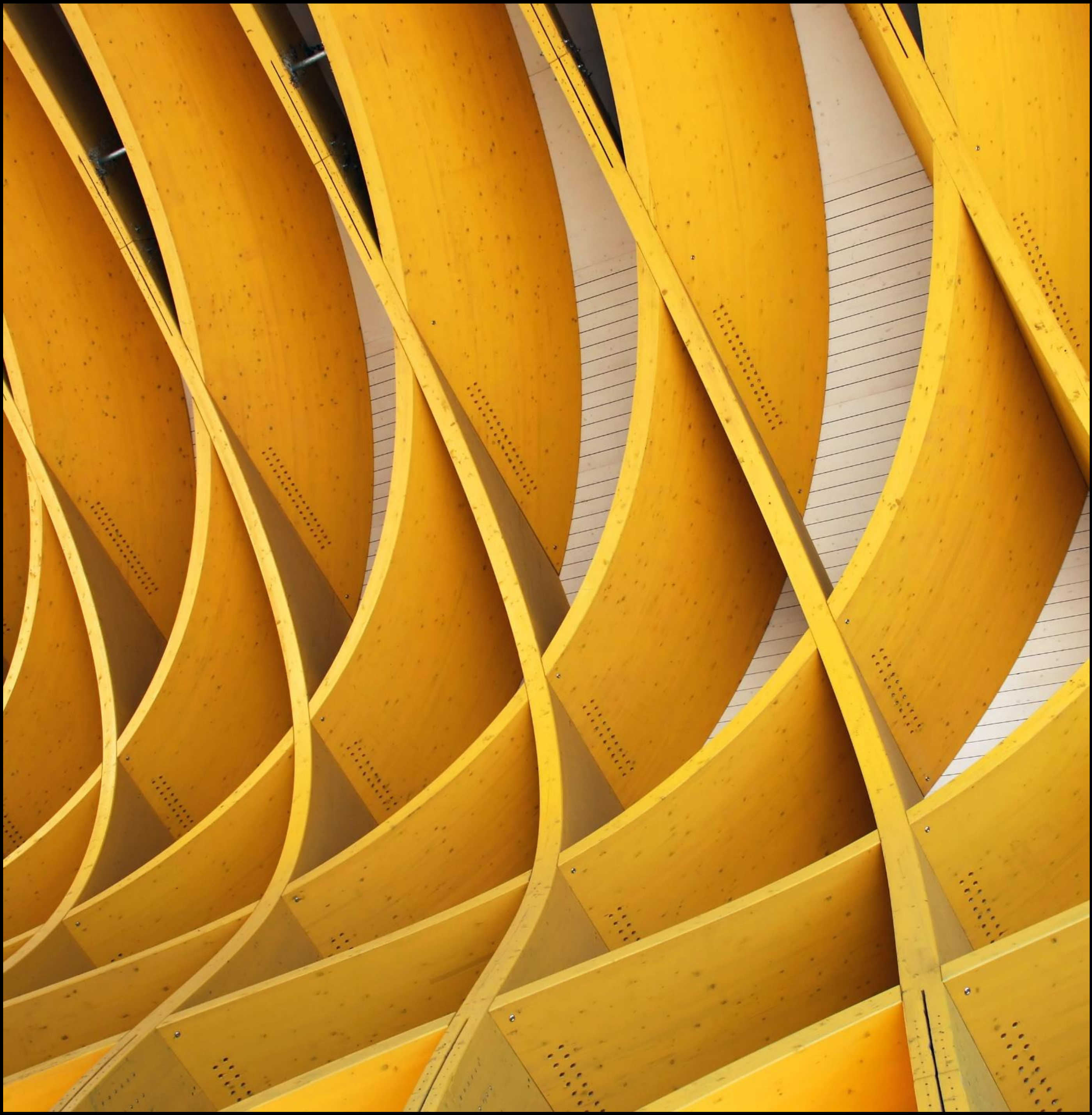
And, finally, we announced a climate and decarbonization stewardship option that we developed in consultation with interested clients, for select funds that have explicit climate-related objectives – 83 funds with ~$150 billion in AUM as of July 2, 2024.

We are committed to offering a range of choices to support clients who wish to express different preferences, including in the stewardship of their capital. As ever, we remain focused on fulfilling our fiduciary duty as an asset manager to our clients and helping them achieve their investment goals.

I am proud of the work that the BlackRock Investment Stewardship team has done over the past year on behalf of our clients and look forward to our continued dialogue with companies throughout the rest of 2024.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **2** BlackRock. Client funds participating in BlackRock Voting Choice are as of March 31, 2024.

Executive summary



2023–24 proxy year highlights

BlackRock Investment Stewardship (BIS) has a fiduciary responsibility to make voting determinations – when clients choose to delegate voting authority to us – consistent with their investment objectives.

In the 2023-24 proxy year, BIS voted on more than 169,200 management and shareholder proposals globally.[1] The substantial majority of proposals were on routine matters such as director elections, board-related items, and executive compensation.

169,200+

management and shareholder proposals voted globally

BIS supported management on ~88% of total proposals voted globally.[2] Our support for company management is consistent with previous years.

~88%

of proposals voted consistent with management's vote recommendation

BIS supported ~90% of the nearly 76,000 director elections voted on globally.[3]

~90%

of director elections supported

While the number of shareholder proposals reached a new record, they continued to represent less than 1% of total proposals BIS voted in 2023-24.[4] BIS supported ~11% of proposals, compared to ~9% last proxy year.[5]

~11%

shareholder proposals supported

1 BlackRock. ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **2** BlackRock. ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. Votes to not support management recommendation include votes withheld and abstentions. **3** BlackRock. ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **4** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. **5** BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. Support includes votes "for" and "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.

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We supported more governance-related shareholder proposals this year. The proposals we supported sought to implement governance practices to further protect minority shareholders' rights, such as the adoption of simple majority voting.

We supported more governance-related shareholder proposals this year

Consistent with last year, we found that most shareholder proposals on climate and natural capital issues (environmental), as well as company impacts on people (social), were overreaching, lacked economic merit, or sought outcomes that were unlikely to promote long-term shareholder value. A significant percentage were focused on business risks that companies already had processes in place to address, making them redundant. As a result, investor support – including BlackRock's – for such proposals remained low.

Investor support – including BlackRock's – for non-governance proposals remained low

BIS' benchmark policies, and the vote decisions made consistent with those policies, reflect our reasonable and independent judgment of what is in the long-term financial interests of clients. BIS does not act collectively with other shareholders or organizations in voting shares.

We do not act collectively with others in voting shares

To illustrate BIS' approach to voting at companies' shareholder meetings in the 2023-24 proxy year, we have included 90+ case studies describing our analysis and vote decisions throughout the report.

90+ case studies describing our vote decisions

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The 2023-24 Global Voting Spotlight is a comprehensive overview of our approach to voting on corporate governance matters, and other material risks and opportunities, from July 1, 2023 through June 30, 2024.[1] Our goal is to provide clients with clear and timely information on the work that our stewardship team has done on their behalf over the past year. Our sole focus when conducting our stewardship program under our benchmark policies – including our voting activities – is to advance our clients' long-term financial interests.

Our fiduciary responsibility to our clients

As shareholders of public companies, BlackRock's clients have certain fundamental rights, including the right to vote on proposals put forth by a company's management or its shareholders. The voting rights attached to these clients' holdings are an important mechanism for investors to express support for, or concern about, a company's performance.

As a fiduciary, BlackRock is legally required to make proxy voting determinations, on behalf of clients who have delegated voting authority to us, in a manner that is consistent with their investment objectives. BlackRock Investment Stewardship (BIS) does this by casting votes in favor of proposals that, in our assessment, will promote stronger governance and better operating practices and, in turn, potentially enhance long-term shareholder value. Our vote decisions are informed by our in-depth analysis of company disclosures, engagement with boards and management teams, input from investment colleagues as relevant, third-party research, and comparisons against a company's industry peers.

Through this report, we aim to provide further clarity to our clients, the companies they are invested in, and other stakeholders, about our voting activities during the 2023-24 proxy year, for clients who authorize BIS to vote on their behalf under our benchmark policies.

Our engagement first approach to stewardship

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 material risks and opportunities. We raise business-relevant questions and listen to and learn directly from company directors and executives. We find that many companies also welcome this two-way dialogue as it enables them to explain their long-term strategy, risk and opportunity set, and management's plan to deliver financial returns through business cycles.

In the 2023-24 proxy year, BIS held more than 3,500 engagements with 2,400+ unique companies in 47 markets, representing ~76% of the value of our clients' equity assets.[2]

Engagement may also inform our voting decisions for those clients who have given us authority to vote on their behalf. In case of concerns, we typically raise these through dialogue with board members and management teams first. When we determine that it is in our clients' financial interests to convey concerns through voting, we may do so by not supporting director elections or other management proposals, or by not supporting management's voting recommendation on a shareholder proposal.

3,500+
total engagements

2,400+
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 no 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" to learn more. **2** BlackRock. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. Equity assets engaged reflects BlackRock exposure as of June 30, 2024.

Voting in our clients' long-term financial interests

BIS' benchmark policies – comprised of the BIS Global Principles, regional voting guidelines, and engagement priorities – provide clients, companies, and others, guidance on our position on common voting matters. We take a globally consistent approach, while recognizing the unique markets and sectors in which companies operate.

In the 2023-24 proxy year, BIS voted at 18,300+ shareholder meetings on more than 169,200 management and shareholder proposals in 67 voting markets.[1] Most of the proposals that we voted on addressed routine matters, such as director elections, board-related items, and executive compensation.

As reflected in our voting each proxy year, BIS is generally supportive of management at companies which have sound corporate governance and deliver strong financial returns over time. Consistent with recent years, BIS supported management recommendations on ~88% of the proposals we voted in proxy year 2023-24.[1]

Director elections

Of the total proposals voted in 2023-24, nearly 76,000 were on director elections. BIS supported ~90% of those proposals.[1] This level of support reflects our assessment that boards and management teams generally acted in alignment with shareholders' interests.

The four key reasons we did not support management recommendations on ~10% of director elections were governance-related and have been consistent over the years: director independence, board composition, executive compensation that is not aligned with shareholder interests, and director overcommitment.

169,200+

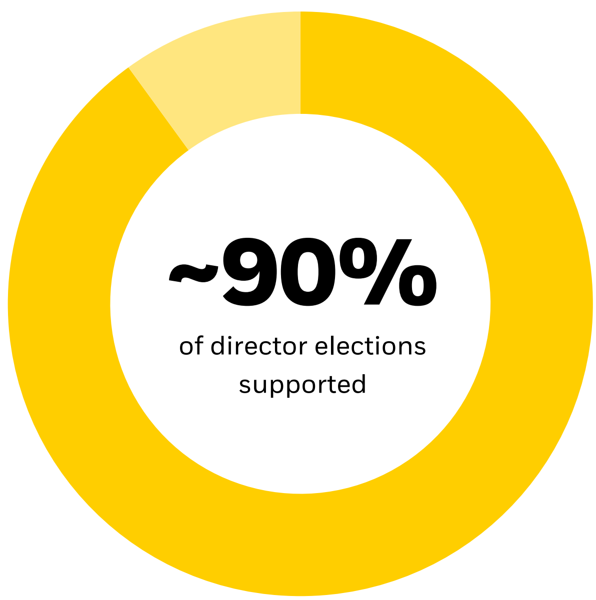
management and shareholder proposals voted at 18,300+ shareholder meetings in 67 voting markets

Concerns about independence remained the primary reason we did not support directors nominated to the board globally, largely driven by votes against management in APAC, and reflecting the prevalence of controlling shareholder structures in the region. Board composition remained the top reason we did not support management on director elections in the Americas. In EMEA, executive remuneration continued to be the key governance theme and a driver of votes against director elections this proxy year.[2]

We provide multiple examples of voting on director elections across the three regions in the "**Management proposals**" section of this report, located on pages 26-44.

In a demanding economic environment, activist shareholders launched campaigns through which they sought to alter the composition of company boards. In the U.S., while the number of proxy contests that went to a vote remained relatively consistent, contests at larger companies proceeded to a vote more often, and more contests sought board control. Few activist nominees received majority support from investors. In APAC, shareholder activism reached record levels in Japan and South Korea.[3, 4]

We share examples of how we approached contested director elections on pages 33 and 34.



1 BlackRock. ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **2** In this report, the term "remuneration" is used as an equivalent to the words "compensation" or "pay." **3** The Economist. "The rise of the Asian activist investor." August 31, 2023. **4** Lazard, Inc. "Review of Shareholder Activism – H1 2024." July 2, 2024.

Executive compensation

Globally, BIS supported ~82% of compensation-related management proposals put to a shareholder vote in 2023-24 (also ~82% in 2022-23).[1]

Our support was largely driven by many companies' enhanced disclosures and a clearer articulation of how their policies align with shareholders' long-term financial interests. In general, companies improved their explanations of how short- and long-term incentive plans complement one another and are effective in rewarding executives who deliver long-term financial value.

In the UK, in particular, the debate on CEO pay levels garnered widespread attention.[2] Several companies proposed increases to CEO pay in an effort to further incentivize long-term financial performance and retain global talent.[3, 4]

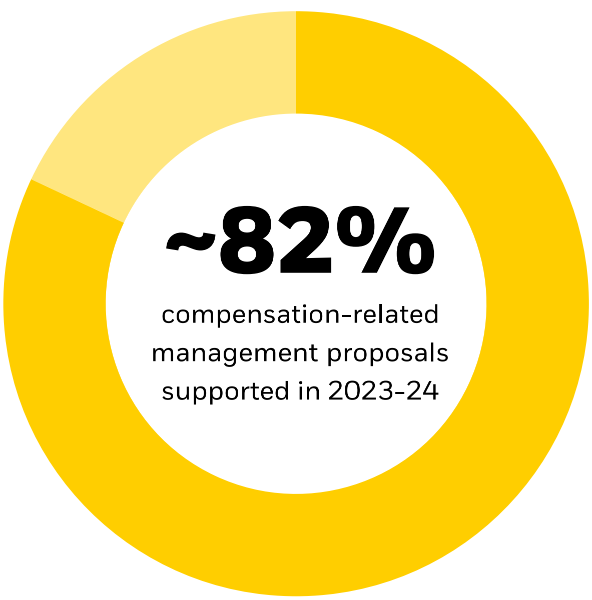
We describe our approach to executive compensation and offer examples of region-specific compensation developments on pages 41-44.

Shareholder proposals

While the number of shareholder proposals reached another high this proxy year, they continued to represent less than 1% of total proposals BIS voted.[5]

Globally, the number of voted shareholder proposals grew by approximately 7% this proxy year. In the U.S., the market where the most shareholder proposals are submitted, we voted on ~4% more such proposals than last year.[6]

Notably, more U.S. companies sought permission from the SEC to omit shareholder proposals. In the 2023-24 proxy year, companies requested "no-action relief" from the SEC on 271 shareholder proposals, up from 187 in the year prior. The SEC also granted relief at higher levels – albeit still lower than in 2020-21. A total of 140 proposals were omitted from company ballots in the 2023-24 proxy year compared to 87 in the year prior.[7]



<1%

Proportion that shareholder proposals represent out of total global proposals voted

1 BlackRock. ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. Compensation-related proposals include Say on Pay proposals, remuneration policy proposals, proposals to approve new or revised incentive plans, and other compensation-related proposals. **2** Financial Times. "UK boards and investors push for higher CEO pay to bridge gap with US." March 2, 2024. **3** The Times. "Lower executive pay in the UK 'risks drain of talent to America'." July 8, 2024. **4** Financial Times. "LSE chief calls for higher UK executive pay to retain listings." May 3, 2023. **5** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. **6**. BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 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. **7** U.S. Securities and Exchange Commission. "Incoming No-Action Requests Under Exchange Act Rule 14a-8." Last reviewed or updated: August 14, 2024.

BIS supported approximately 11% of shareholder proposals we voted on globally (99 out of a total 867) this proxy year, compared to ~9% (71 out of 811) in the prior proxy year.[1]

Consistent with last year, the greatest portion of proposals BIS supported addressed corporate governance matters. Our support for governance proposals increased relative to last year (79 against 41 in the prior year).[2] The proposals we supported sought to enhance minority shareholders' rights, for example, by introducing simple majority voting. Market support for governance proposals also increased relative to last year.

As a result, like last year, the number of proposals focused on climate and natural capital issues (environmental) or company impacts on people (social) outnumbered governance proposals.[3] In our assessment, the majority of these were over-reaching, lacked economic merit, or sought outcomes that were unlikely to promote long-term shareholder value. A significant percentage were focused on business risks that companies already had processes in place to address, making them redundant.

In addition, within this same set of proposals, we saw a greater number seeking to roll back company efforts to address material sustainability-related risks. We determined that these proposals were also overly prescriptive or lacked economic merit.

As a result of these factors, like last year, proposals on climate and natural capital and company impacts on people continued to garner low investor support. BIS supported ~4% of such proposals (20 out of 493, compared to 30 out of 455 in the prior year).[4]

Where BIS is authorized to vote on behalf of clients, we base our voting decisions on our Global Principles and regional voting guidelines. BIS does not follow any proxy research firm's voting recommendations. For example, when the proxy research firm Institutional Shareholder Services (ISS) and company management differed in their voting recommendation on shareholder proposals, BIS voted in line with management on ~82% of these proposals in proxy year 2023-24.[5, 6]

We illustrate our case-by-case analysis and voting decisions on shareholder proposals featuring multiple company examples in the **"Shareholder proposals"** section on pages 45-63.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Support includes votes "for" and "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. To learn more about BIS' proposal taxonomy and a full detail of total proposals voted, please refer to the Appendix section. **2** BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. 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. **3** Proposals related to matters beyond core governance issues are typically categorized in the market as environmental or social proposals. 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" (a company's employees, its broader value chain, or the communities in which it operates). To learn more about BIS' proposal taxonomy, please refer to the Appendix section. **4** BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. **5** BIS leverages ISS as an external proxy services vendor. ISS' electronic voting platform allows us to monitor voting activity, execute proxy vote instructions, record keep, and generate client and regulatory voting reports. **6** BlackRock, ISS, reflecting data from July 1, 2023, through June 30, 2024. BlackRock data sourced on August 5, 2024. ISS data sourced on August 15, 2024. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals where both management and ISS disclosed a voting recommendation. 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. To learn more about BIS' proposal taxonomy and a full detail of total proposals voted, please refer to the Appendix section.

U.S. shareholder proposals continue to meet high market opposition

BIS voted on 661 shareholder proposals at U.S. companies, of which 55 passed. Of these, the substantial majority (52 proposals) were governance-related and 29 received over 75% shareholder support. Approximately three quarters of proposals focused on climate and natural capital, or company impacts on people were opposed by more than 75% of the votes shareholders cast. [1]

The continued low support rate for these shareholder proposals suggests that like last year, investors continue to perceive them to be of poor quality or unconnected to how a company delivers long-term shareholder value.

It also reflects the nature of how these proposals are filed. Our analysis indicates that a relatively small number of shareholder proponents and advocacy groups filed the majority of proposals at U.S.-based companies.[2] Based on our review of proxy materials, these proponents often filed similar proposals at multiple companies, regardless of the specifics of their sectors or business models.

Offering more choice to meet our clients' investment needs

Throughout the past proxy year, we expanded our stewardship options to provide clients with more choice to meet their investment needs.

We made BlackRock Voting Choice available for individual investors in our largest ETF for the first time. We also announced the addition of Egan-Jones on the BlackRock Voting Choice platform beginning in July 2024, supporting the expansion of proxy advisory options available to eligible clients.[3]

Additionally, BlackRock introduced a new stewardship option in July 2024 for clients focused on decarbonization investment objectives.

We are committed to providing clients with a range of investment product choices to support their individual investment needs and preferences.

The section titled **"Offering clients more choice"** contains more detail about the expansion of BlackRock Voting Choice and the new Climate and Decarbonization Stewardship Guidelines.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **2** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023 through June 30, 2024. **3** The three proxy advisors are Egan-Jones, Glass Lewis, and ISS. To learn more, please refer to the BlackRock Voting Choice website.

By the numbers

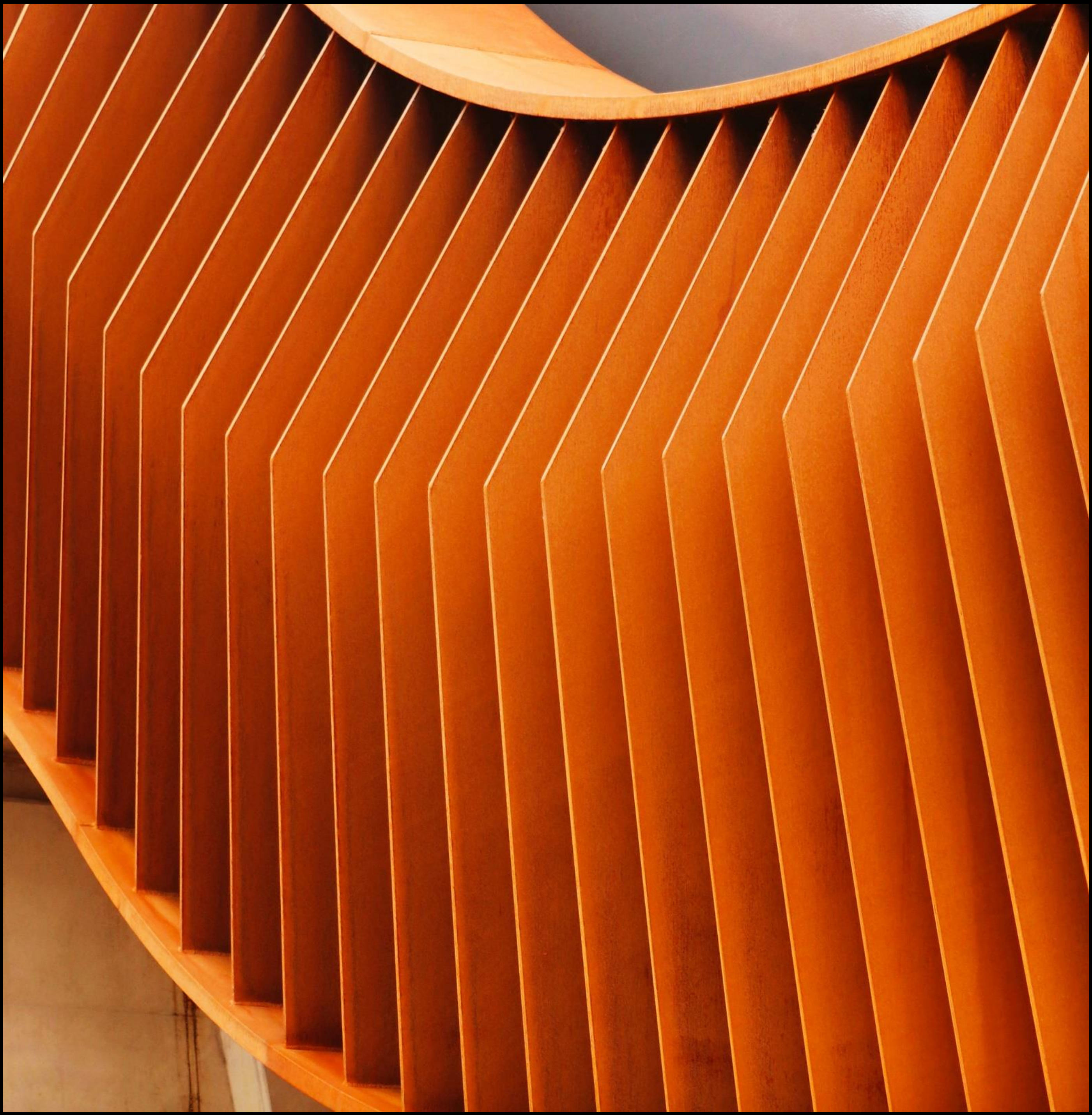


Figure 1

Engaging on material risks and opportunities

Why does BIS engage with public companies?

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 material risks and opportunities to inform our voting on behalf of clients. When assessing material risks and opportunities, we focus on the factors that could impact a company's long-term financial performance, which are unique to its business model and/or operating environment.

Region	Engagements	Companies engaged	Companies engaged multiple times	Markets engaged
Americas	**1,767**	**1,265**	**369**	**7**
APAC	**992**	**711**	**213**	**13**
EMEA	**840**	**519**	**187**	**27**
Total	**3,599**	**2,495**	**769**	**47**

Source: BlackRock. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024

Figure 2

Engagements across our five priorities

2,683	2,120	1,342	1,254	1,398
Strategy, purpose, and financial resilience	Board quality and effectiveness	Incentives aligned with financial value creation	Climate and natural capital	Company impacts on people

Source: BlackRock. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. Most engagement conversations cover multiple topics and therefore the engagements across our five priorities sub-totals may not add up to the total 3,599 engagements held in the 2023-24 proxy year. Our engagement statistics reflect the primary topics discussed during the meeting.

~76% **of the value of BlackRock's clients' equity assets engaged***

*Reflects BlackRock exposure as of June 30, 2024.

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Figure 3

Voting on behalf of clients' long-term financial interests

Why does BIS vote on behalf of BlackRock's clients?

The majority of our clients' equity assets under management (AUM) are invested through index strategies.[1] The voting rights attached to these clients' holdings are an important mechanism for investors to express support for, or concern about, a company's performance. BIS votes on clients' behalf when they authorize us to do so.

Region	Proposals voted	Meetings voted at	Companies voted	Markets voted
Americas	**45,492**	**5,281**	**4,801**	**8**
APAC	**74,275**	**9,632**	**6,441**	**17**
EMEA	**49,453**	**3,446**	**2,807**	**42**
Total	**169,220**	**18,359**	**14,049**	**67**

Source: BlackRock. ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024.

Figure 4

Proposals voted on at a glance

169,220
total proposals voted

86,104
on director elections and board-related proposals (~51%)[2]

19,709
on executive compensation proposals (~12%)[3]

867
on shareholder proposals (<1%)[4]

Source: BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. Numbers in parenthesis reflect the percentage each category represents out of total proposals voted. 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.

1 Estimate based on figures reported in BlackRock Inc.'s financial results for the three and six months ended June 30, 2024, which indicated that approximately 49% of total equity AUM was held in iShares ETFs, and a further 40% of total equity AUM was invested in index strategies on behalf of institutional clients. Source: BlackRock, Inc. "BlackRock Reports Second Quarter 2024 Diluted EPS of $9.99, or $10.36 as adjusted." July 15, 2024. **2** 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. **3** Includes management executive compensation proposals. **4** 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

Voting on management proposals

~88%

of proposals voted consistent with management's vote recommendations[1]

~90%

of director elections supported

7,133

# of companies where BIS did not support one or more of management's vote recommendations[1]

Source: BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024.

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

	Americas	APAC	EMEA	Total
Board independence	**608**	**1,355**	**321**	**2,284**
Board composition	**597**	**86**	**228**	**911**
Overcommitment[2]	**238**	**127**	**299**	**664**
Executive compensation	**175**	**15**	**465**	**655**

Source: BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024.

Figure 6

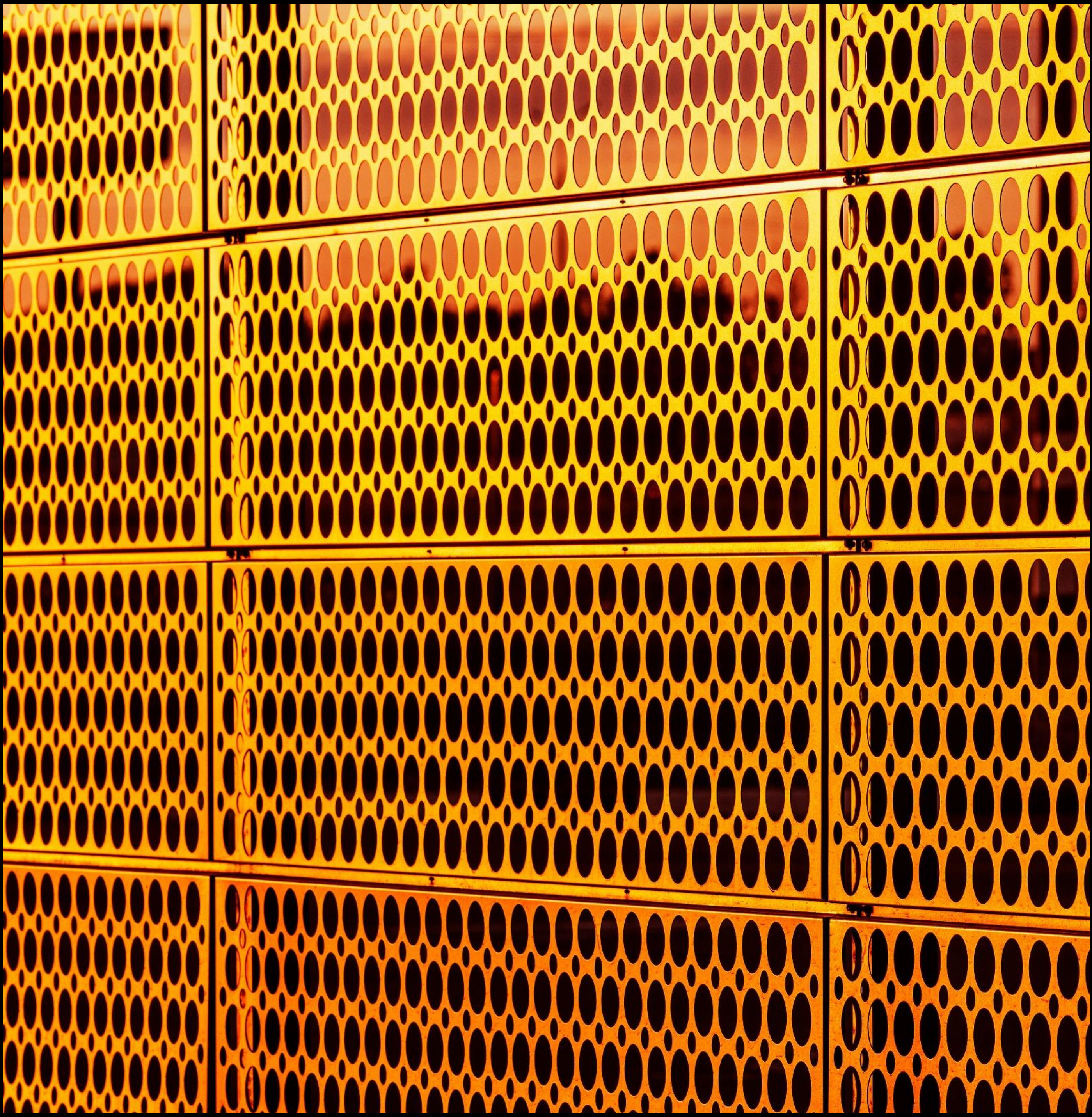
Voting on shareholder proposals

Shareholder Proposal Category	For	Against	Total
Governance	**79**	**295**	**374**
Company impacts on people	**16**	**316**	**332**
Climate and natural capital	**4**	**157**	**161**
Total	**99**	**768**	**867**

Source: BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. 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.

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.

Offering clients more choice



In addition to our core benchmark policies, this year we made available additional stewardship options to provide clients more choices: BlackRock Voting Choice and the Climate and Decarbonization Stewardship Guidelines.

Empowering investors through BlackRock Voting Choice

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

Launched in January 2022, **BlackRock Voting Choice** – sometimes known as pass-through voting – provides eligible clients with more opportunities to participate in the proxy voting process, where legally and operationally viable.

In late 2023, we announced plans for a pilot program to make BlackRock Voting Choice available for individual investors in our largest ETF for the first time. This pilot – launched in February 2024 – increases eligible BlackRock Voting Choice assets to $2.8 trillion, nearly half of BlackRock's index equity AUM.[1] Clients representing $634 billion in index equity AUM – or nearly a quarter of eligible assets – have adopted BlackRock Voting Choice.[2]

In June 2024, we announced the addition of Egan-Jones as the third proxy advisor on our BlackRock Voting Choice platform beginning in July 2024. We also announced that we will support interested institutional clients with separately managed accounts (SMA) in implementing custom voting guidelines reflecting their investment goals and preferences.

With the addition of two Egan-Jones guidelines, BlackRock Voting Choice gives eligible clients more choice with 16 distinct voting guidelines from three proxy advisor services, in addition to BIS' benchmark policies.[3]

$634b

index equity AUM exercising BlackRock Voting Choice

BlackRock believes that greater choice should extend to shareholder proxy voting and is committed to a future where every investor can participate in the proxy voting process, should they wish to do so. The majority of eligible clients continue to entrust the BIS team with this important responsibility, consistent with BlackRock's fiduciary duties as an asset manager.

1 BlackRock. As of March 31, 2024. Eligible assets include index equity products in scope for BlackRock Voting Choice. **2** BlackRock. As of March 31, 2024. **3** The three proxy advisors are Egan-Jones, Glass Lewis, and ISS. To learn more, please refer to the BlackRock Voting Choice website.

Stewardship for climate and decarbonization-focused funds[1]

Many clients around the world have decarbonization as an investment objective, and 100% of our largest European clients have made net zero commitments.

In response to client demand, in February 2024, we announced we were designing a new stewardship option for clients with decarbonization investment objectives and were meeting with interested clients globally to gather feedback. In July 2024, the new Climate and Decarbonization Stewardship Guidelines (Guidelines), and the funds to which they initially apply, were published.

In addition to financial objectives, the Guidelines consider companies' strategies to align with a transition to a low-carbon economy that would limit average global temperature rise to 1.5°C above pre-industrial levels.

The Guidelines apply only to those funds that have climate and decarbonization objectives, the substantial majority of which are currently domiciled in Europe. To date, 83 such funds domiciled in Europe (representing approximately $150 billion in AUM)[2] with these objectives have been approved by the relevant fund boards to apply the Guidelines, which will go into effect in October 2024. Funds with decarbonization and climate-focused objectives domiciled in the Americas and APAC are expected to adopt the Guidelines in the second half of 2024, subject to fund board approvals. All SMA clients can also instruct BlackRock to apply the Guidelines to their holdings.

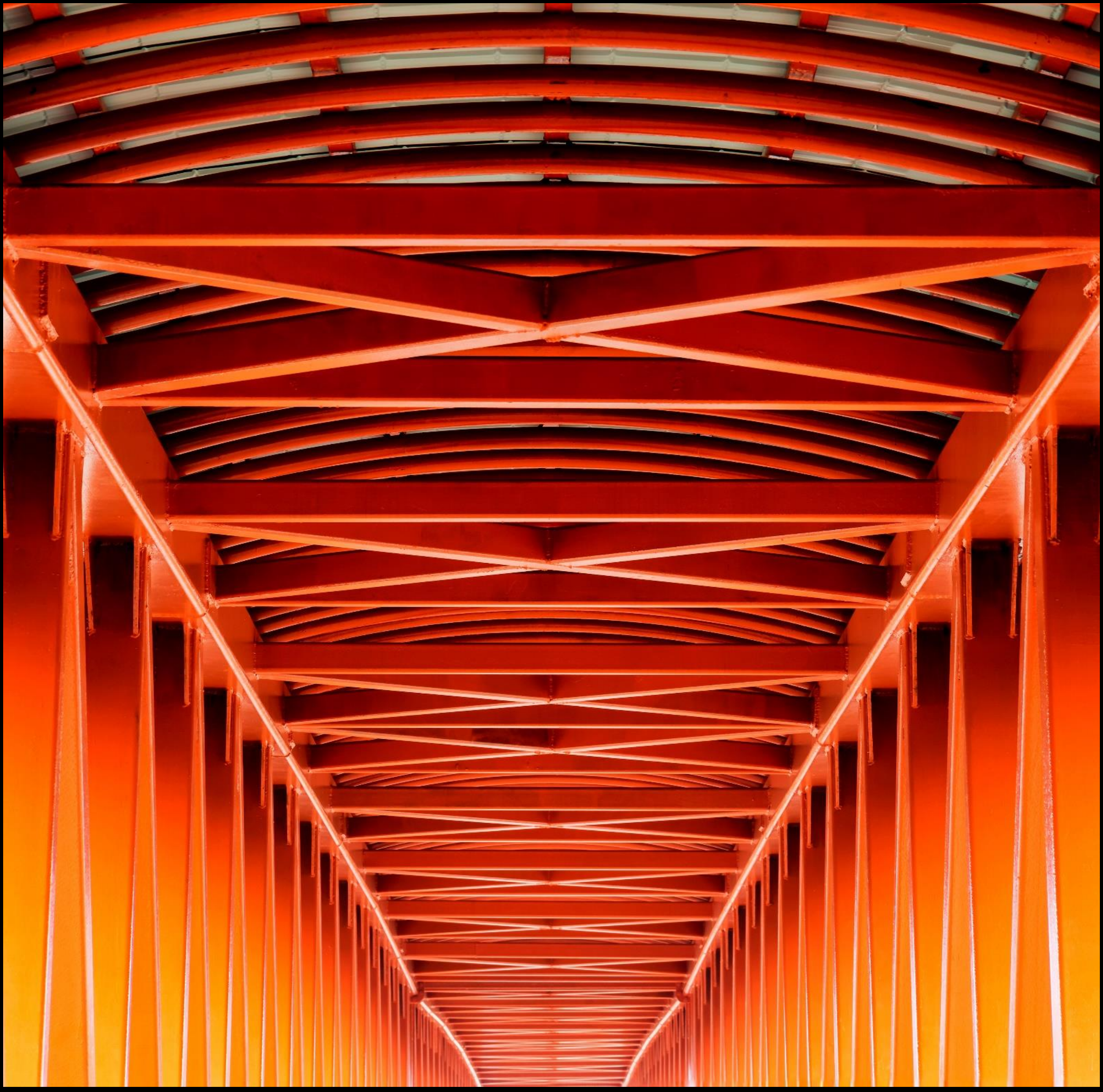
For all other funds, BlackRock will continue to undertake our stewardship responsibilities with a sole focus on advancing clients' long-term financial returns in line with the BIS benchmark policies.[3]

Climate and Decarbonization Stewardship Guidelines

Click to download guidelines

1 Key climate, decarbonization, and low-carbon transition related terms are explained in the BIS Climate and Decarbonization Guidelines available here. **2** As of March 31, 2024 **3** BIS' benchmark policies set out the core elements of corporate governance that guide our investment stewardship efforts globally and within each market, including when engaging with companies and voting at shareholder meetings. They are anchored in our Global Principles, which set out certain globally applicable fundamental elements of governance that contribute to a company's ability to create long-term financial value, anchored in transparency and accountability. They also include our regional voting guidelines, which explain how the Principles inform our voting decisions in relation to common ballot items for shareholder meetings in those markets. We publish our engagement priorities which reflect the five themes on which we most frequently engage companies, where they are relevant, as these can be a source of material business risk or opportunity. The BIS policies are applied on a case-by-case basis, taking into consideration the context within which a company is operating. They are reviewed annually and updated as necessary to reflect market developments and feedback from clients and companies.

Voting in our clients' long-term financial interests



As shareholders of public companies, BlackRock's clients have certain fundamental rights, including the right to vote on proposals put forth by a company's management or its shareholders. The voting rights attached to these clients' holdings are an important mechanism for investors to express support for, or concern about, a company's performance. The vast majority of these proposals are on routine matters, including the election of a company's directors, executive compensation, and the appointment of a company's auditor. Shareholders may also have the opportunity to vote on corporate actions such as a merger, or proposals from shareholders.

As a fiduciary, BlackRock is legally required to make proxy voting determinations, on behalf of clients who have delegated voting authority to us, in a manner that is consistent with their investment objectives. BlackRock Investment Stewardship (BIS) does this by casting votes in favor of proposals that, in our assessment, will promote stronger governance and better operating practices and, in turn, potentially enhance long-term shareholder value.

BlackRock does not use our delegated voting authority to direct a company's business strategy, which is the role of the company's board and management. Accordingly, BlackRock seeks to understand how corporate leadership is managing risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns. We do not file shareholder proposals or seek to nominate directors for election to a company's board.[1]

BlackRock seeks to understand how corporate leadership is managing risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns.

1 BlackRock is subject to certain U.S. rules and regulations that place restrictions and limitations on how BlackRock can interact with the companies in which we invest on behalf of our clients, including our ability to submit shareholder proposals or nominate directors for election to the board. Non-compliance with these rules could adversely affect BlackRock's ability to serve its clients' interests.

Proxy voting in practice

BIS' benchmark policies – comprised of BIS' Global Principles, regional voting guidelines, and engagement priorities – provide clients, companies, and others, guidance on our position on common voting matters. The vast majority of the voting decisions we take on behalf of clients are straightforward applications of the BIS regional voting guidelines. That said, these guidelines are not prescriptive as we take into consideration the context in which companies are operating their businesses.

BIS' benchmark policies, and the vote decisions made consistent with those policies, reflect our reasonable and independent judgment of what is in the long-term financial interests of clients. They are informed by our in-depth analysis of company disclosures, engagement with boards and management teams, input from investment colleagues as relevant, third-party research, and comparisons against a company's industry peers.

BIS, for the most part, is supportive of management at the companies in which we invest on behalf of clients. In case of concerns, we typically raise these through dialogue with board members and management teams first. When we determine that it is in our clients' financial interests to convey concerns through voting, we may do so in two forms:

1. We might not support the election of directors or other management proposals; or
2. We might not support management's voting recommendation on a shareholder proposal.

BIS does not act collectively with other shareholders or organizations in voting shares. Instead, we make decisions on how to engage companies and how to vote independently, based solely on our professional assessment of what is in the long-term financial interests of our clients.

Where BIS is authorized to vote on behalf of clients, we base our voting decisions on our own Global Principles and regional voting guidelines. BIS does not follow any proxy research firm's voting recommendations. For example, when the proxy research firm Institutional Shareholder Services (ISS) and company management differed in their voting recommendation on shareholder proposals, BIS voted in line with management on ~82% of these proposals in proxy year 2023-24.[1, 2]

BIS does not disclose our vote intentions in advance of shareholder meetings as we do not see it as our role to influence other investors' proxy voting decisions.[3] Our role is to convey to a company our view on how its board and management are fulfilling their responsibilities to shareholders.

1 BIS leverages ISS as an external proxy services vendor. ISS' electronic voting platform allows us to monitor voting activity, execute proxy vote instructions, record keep, and generate client and regulatory voting reports. **2** BlackRock, ISS, reflecting data from July 1, 2023, through June 30, 2024. BlackRock data sourced on August 5, 2024. ISS data sourced on August 15, 2024. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals where both management and ISS disclosed a voting recommendation. 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. To learn more about BIS' proposal taxonomy and a full detail of total proposals voted, please refer to the Appendix section. **3** While certain asset owners and managers may publicly pre-disclose some of their votes, we have not seen this practice widely adopted by asset managers globally, nor have we heard from clients that they want or expect it. We have observed that the few asset managers that choose to pre-disclose their voting intentions do so for a limited number of shareholder meetings every year. In our view, this limited adoption suggests that pre-disclosure of voting is not generally considered best practice in stewardship. Further, it is important to note that shareholders in the U.S. and U.S.-listed issuers are subject to the U.S. SEC rules that deem certain vote pre-disclosures to be formal proxy solicitations, exposing those pre-disclosing votes to potential liability.

Management proposals

Each proxy year, the vast majority of the proposals on which we vote on behalf of clients are proposed by company management.

The substantial majority of the more than 169,200 total proposals voted in the 2023-24 proxy year were on routine matters such as director elections, board-related items, and management proposals related to executive compensation.[1] BIS also engages and votes on a range of non-routine and special situations, including in instances where shareholders nominate director candidates or when they oppose the view of management on mergers, acquisitions, and other transactions.

As reflected in our voting each proxy year, BIS is generally supportive of management at companies which have sound corporate governance and deliver strong financial returns over time. BIS' overall support rate for management has been consistent with previous years at ~88%.[2]

Director elections

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 long-term financial success of a company and the protection of shareholders' financial interests. **For this reason, we see engagement with boards, and the election of directors, as one of our most important responsibilities on behalf of clients.**

During the 2023-24 proxy year, BIS held 2,120 engagements with 1,753 companies to discuss their approaches to director independence, board composition, director overcommitment, and succession planning.[3]

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 skillsets, and how these factors may contribute to the performance of the company.

During the 2023-24 proxy year, BIS voted on nearly 76,000 director elections, supporting ~90%.[4] The four key reasons we did not support management recommendations on ~10% of director elections were governance-related and have been consistent over the years: director independence, board composition, executive compensation that is not aligned with shareholder interests, and director overcommitment.

While we consider sound corporate governance practices to be globally relevant, our voting decisions take into account the local-market norms that may shape company actions. Our support for director elections is broadly consistent with last year, reflecting our assessment that boards and management teams generally acted in alignment with shareholders' interests. Our support also reflects the enhancements in board governance practices we have observed over recent years across the three regions.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **2** BlackRock, ISS. Sourced on August 5, 2024, reflecting data for the 12 months ending on June 30 since the 2021-22 proxy year. **3** BlackRock. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **4** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024.

Voting on director elections during the 2023-24 proxy year

% support for director elections

~93%

Americas

Support for director elections was comparable to last proxy year (~92% support in 2022-23). Board composition, followed by board independence, remained the top reasons we did not support management on director elections in the Americas. In the U.S., we continue to encourage companies with a non-independent chair to designate a lead independent director, and we may vote against the election of one or more directors where this is not the case.

~90%

APAC

Support for director elections was comparable to last year's (~89% support in 2022-23). Director independence continued to be the primary driver for votes to not support director elections in APAC, reflecting the prevalence of controlling shareholder structures in many markets. We voted against fewer directors for independence reasons this year, reflecting some companies' efforts to resolve shareholders' concerns. That said, we saw independence issues emerge at new companies in the region.

~85%

EMEA

As in the Americas and APAC, support for director elections in EMEA was also comparable to last year's (~84% in 2022-23). Remuneration continues to be a key governance theme in EMEA and a driver of votes against director elections each proxy year. During the 2023-24 proxy year, however, we observed enhancements in companies' remuneration disclosures and policies and found pay outcomes to be better aligned with shareholders' long-term financial interests.

BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. The term "remuneration" is used an equivalent to the words "compensation" or "pay".

Director independence

Director independence — from management, significant shareholders, or other related parties – is a central tenet of sound corporate governance in stewardship codes across markets.[1] BIS encourages boards to have a sufficient number of independent directors to ensure that the interests of all shareholders are protected and the company is led and managed to deliver long-term financial returns for investors.

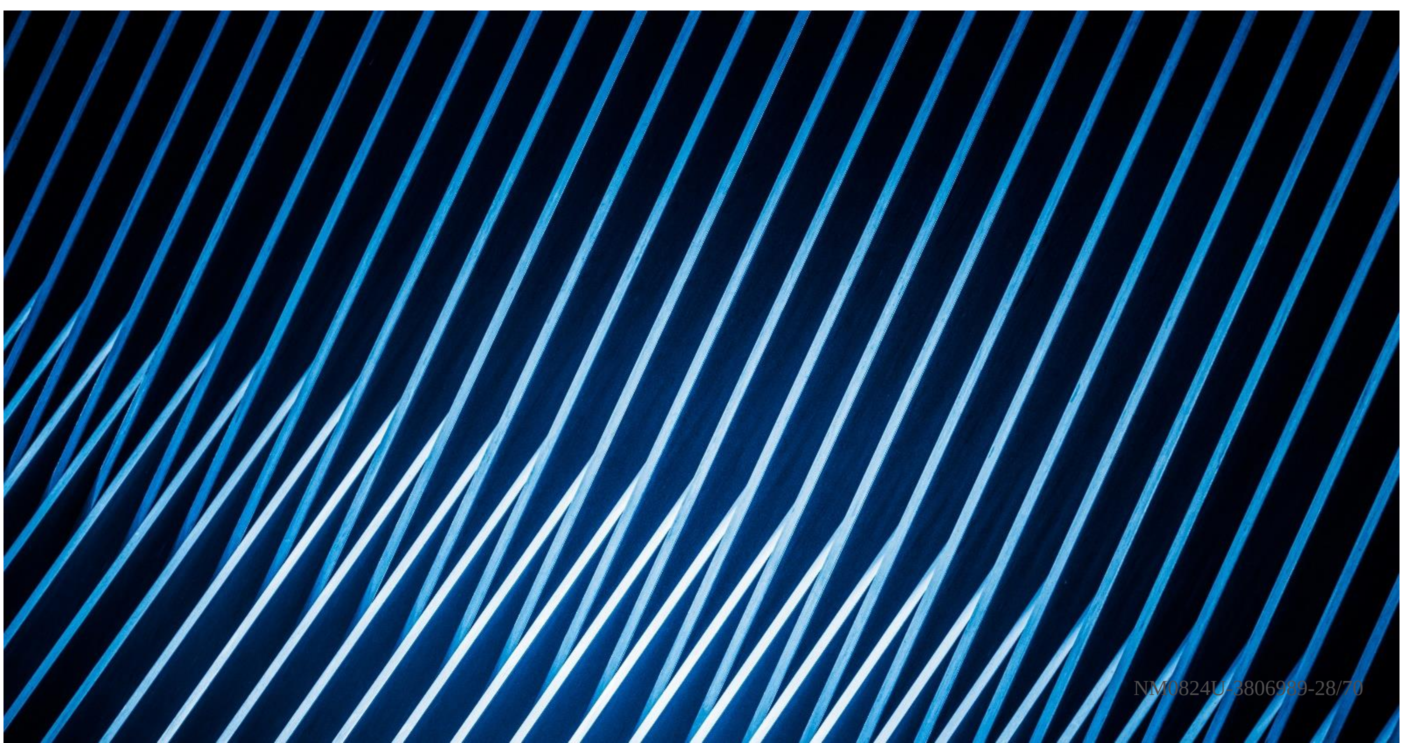
When assessing the likelihood that a director is independent, we consider criteria that we outline in the BIS regional voting guidelines, which reflect market-specific regulation and local norms. In markets where we observe a prevalence of controlling shareholders, we look to the board to have a sufficient 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 dispersed shareholdings are the norm, BIS usually assesses this in terms of independence from management.

Independent board leadership helps balance the interests in the board room between management, minority shareholders and, where relevant, controlling shareholders. It can be achieved in several ways, including through either an independent board chair or by an independent non-executive director (INED) serving in a formal leadership role such as a lead independent director. Where we are concerned that the board does not have an appropriately empowered INED, we may not support the election of one or more directors.[2]

We assess a director's independence using our regional voting guidelines as a benchmark but we recognize that companies may take a different approach, which may result in varying levels of independence among board directors. We encourage companies to disclose how their unique approach supports long-term financial value creation.

Concerns about independence remained the primary reason we did not support directors nominated to the board, voting against management's recommendations at 2,284 companies globally on 3,509 director elections, largely driven by votes against management proposals in APAC reflecting the prevalence of controlling shareholder structures in the region.[3]

1 See: Tokyo Stock Exchange. "Japan's Corporate Governance Code." June 11, 2021; Financial Reporting Council. "UK Corporate Governance Code." July 16, 2018; Investor Stewardship Group. "Corporate Governance Principles for US Listed Companies." **2** Independent non-executive directors (INEDs) play a key role in ensuring objectivity in the decision-making of a company board and its ability to advise and oversee the management team. INED empowerment is key to their effectiveness in resolving potential conflicts of interest between controlling and minority shareholders. The appointment of a Lead INED is often a key differentiator among companies with more effective boards and INEDs, particularly in controlling shareholder structures. **3** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024.



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Case studies

Examples of voting on independence-related matters:

Americas

As we note in our proxy voting guidelines for U.S. securities, we find independent leadership structures help ensure management is acting in the financial interests of long-term shareholders.[1] Independent board leadership through an independent chair, or a lead independent director when the roles of chair and CEO are combined, or the chair is otherwise not independent, can help ensure board effectiveness in protecting long-term shareholders' interests. We defer to boards to designate the most appropriate leadership structure to ensure adequate board oversight of, and independence from, management.[2] However, BIS may not support the election of the most tenured non-executive member of the board when appropriate independence is lacking in designated leadership roles. This was the case in the 2023-24 proxy year annual general meetings (AGMs) of U.S. companies **Eastman Kodak Company**, **Liberty Latin America Ltd.**, and **Kopin Corporation**.

APAC

At **Eicher Motors Limited (Eicher Motors)**, an Indian automotive manufacturer, we did not support the election of the CEO, in his capacity as a board director in 2021 and 2022 as he served on the audit committee. In response to shareholder feedback, the CEO stepped off the audit committee. The company appointed new independent directors to the board, one of whom joined the committee.[3, 4] As a result, BIS supported the election of the CEO as a director at the August 2023 AGM. In the South Korean market, BIS did not support the March 2024 election of two directors at **CJ CheilJedang Corp**, a food and bio products manufacturer. BIS had concerns about the relationship of a director nominee with a law firm that has provided legal services on material lawsuits involving the company on a multiyear basis. In alignment with our regional voting guidelines, BIS also did not support the re-election of the longest tenured non-independent director.

Similarly, BIS did not support the election of a director at **SK Inc.**, a South Korean conglomerate, due to independence concerns, namely the director's service as the Vice Chair of a company which is party to a joint venture with SK Inc.

EMEA

We voted in support of director elections at several European companies following increases in their levels of board and committee independence during the 2023-24 proxy year. These included at Dutch beverage company **Heineken N.V.**, which enhanced the independence levels of its committees on a multi-year basis; and at **BASF SE** and **UCB SA**, both of which took steps to address shareholder concerns about non-independent leadership of key board committees.

1 Council of Institutional Investors. "Policies on Corporate Governance." March 6, 2023. **2** To this end, we do not view shareholder proposals asking for the separation of Chair and CEO to be a proxy for other concerns we may have at the company for which a vote against directors would be more appropriate. Rather, support for such a proposal might arise in the case of overarching and sustained governance concerns such as lack of independence or failure to oversee a material risk over consecutive years. **3** Eicher Motors Limited. "Constitution of Various Committees of Board of Directors of Eicher Motors Limited." **4** Eicher Motors Limited. "Notice of Postal Ballot." September 29, 2023.

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 financial 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. In that context, we 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 important 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.

During the 2023-24 proxy year, at 911 companies globally, BIS did not support management’s recommendation on the election of 1,453 directors because of concerns related to the board’s composition. For perspective, BIS voted on nearly 76,000 director elections, supporting ~90%.[1] As explained in the previous section, independence-related concerns were the primary reason we did not support director elections, globally.

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 skills and perspectives are considered in board composition.[2] We saw an increase in gender diversity in the boardroom in APAC and EMEA,[3] in response to new regulatory requirements in several markets.

Board refreshment

We find that, given the dynamic nature of business, new directors being brought onto the board on a periodic basis helps support board continuity and succession planning. The board refreshment process may, where appropriate, include assessments of factors such as the need to address gaps in skills, experiences, and independence.

We have observed that, in some cases, a very long tenure may impair the independence of a director. In many markets, limits on director tenure are set in regulation or by local norms. In the U.S., where there is no market standard for director tenure, BIS will consider the board’s average tenure to evaluate the effectiveness of processes for board renewal.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **2** The Conference Board, Inc. “How Board Diversity can Contribute to Board Effectiveness.” November 2, 2023. **3** The Economist. “More women are getting on corporate boards. Good.” March 7, 2024.

Examples of voting on board composition and refreshment:

Americas

Latin American companies are seeking to increase female representation within their boards, following trends and regulatory developments in other regions. For example, companies like **Alfa S.A.B. de C.V.**, a Mexican conglomerate, and **B3 S.A.**, a Brazilian stock exchange, took steps to enhance the levels of diversity on their boards at their 2024 AGMs. BIS supported all directors up for election. Conversely, BIS did not support the election of management's bundled slate of directors at Mexican beverage company **Becle, S.A.B. de C.V.'s** April 2024 AGM due to concerns about the levels of diversity on the board. We have observed that bundled director elections in these markets may result in investors with board oversight concerns voting against the entire slate of proposed candidates instead of voting on relevant individual directors standing for election to convey specific concerns.

As part of our process to evaluate contested director elections, for each director nominee we analyze the alignment of the individual's skillsets with the challenges that a company currently faces and may face over the next few years. In the May 2024 contested director election at **Xperi Inc.**, we determined that, although the dissident's candidates were well-qualified directors and proven senior executives, the skillsets of the incumbent directors better matched the challenges facing the U.S. technology company as it continued to execute a significant multi-year strategic shift. This alignment contributed to our decision to support each of management's director nominees. Ultimately, management's nominees were elected.

APAC

During the 2023-24 proxy year, we observed several companies take steps to increase board diversity in line with local regulation. At Taiwanese financial services company **Fubon Financial Holding Company Ltd.'s** June 2023 AGM, BIS did not support the election of the chair of the nomination committee due to concerns about the levels of gender diversity on the board. Following the 2023 AGM, a female director was appointed to the board as a representative of the Taipei City Government, a shareholder of the company. We were encouraged to see the company nominate a second, qualified independent female director to the board at the June 2024 AGM, whose professional experience was additive, in our view, and voted in support of the election of the director.

EMEA

In this region, we also observed a year-over-year increase in board gender diversity at several companies, including at **Oxford Instruments Plc** in the UK, which has added two female directors to its board since 2019 in line with market-level developments.[1, 2] BIS voted in support of all management recommendations at the September 2023 AGM as we assessed their professional experiences to be additive to the board. Conversely, we did not support the election of relevant directors at companies in various sectors that, in our assessment, could strengthen the composition of their boardrooms. This included at the April 2024 AGMs of **ATOSS Software AG**, **Chocoladefabriken Lindt & Spruengli AG**, and **Henkel AG & Co. KGaA**, each of which had levels of board gender diversity that fell below local European norms.

1 The Financial Conduct Authority (FCA) Listing Rules operate on a comply or explain basis, asking for boards to have at least 40% female representation; for at least one of the senior board positions (Chair, CEO, CFO or Senior Independent Director) to be held by a woman; and for at least one member of the board to be from an ethnic minority background excluding white ethnic groups. **2** Refers to targets set by the Hampton-Alexander Review and the Parker Review. The recommendations of the Hampton-Alexander Review were for female representation of at least 33% on corporate board and Executive Committees (inclusive of direct reports) to be achieved at FTSE 350 companies by the end of 2020. Further, the Parker Review sets the target of at least one board-level director from a minority ethnic group to be appointed at FTSE 100 companies by the end of 2021 and at FTSE 250 companies by the end of 2024.

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Overcommitment

As the role and expectations of a director become increasingly demanding, directors are reporting that they need to commit more time to board and committee matters.[1] An excessive number of roles could impair directors' ability to fulfill all of their responsibilities, even more so when there are unforeseen events.

Our regional voting guidelines set out how we assess the limits on board service for non-CEO directors who do not hold any chair positions. We consider sitting CEOs to best be able to fulfill their responsibilities when they serve on no more than two boards in total — one board in addition to that of the company they lead.

We conveyed concerns about director overcommitment at 664 companies globally and did not support management's recommendation on the election of 751 directors.

This is 74 fewer companies and 98 fewer directors than in the 2022-23 proxy year, predominantly driven by improvements in board practices in EMEA.[2]

In APAC, our voting to convey concerns about overcommitment increased after falling between the 2021-22 and 2022-23 proxy years. This was due, in part, to developments in the Indian market, namely an increase in the number of Indian companies in which clients are invested, and where overcommitment issues were present. As we note in our regional voting guidelines for Asia ex Japan, Hong Kong and Chinese securities, we look to directors to limit their outside commitments to service on no more than six public company boards. We note that in the Indian market, listing regulations instead limit directors to seven public boards.[3] During the 2023-24 proxy year, BIS did not support the election of 130 directors at 127 companies in the region due to concerns about overcommitment (compared to 103 directors at 99 companies in 2022-23).[2]

1 McKinsey & Company. "The rising complexity of board directorship." March 2024. Page 3. **2** BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. **3** Securities and Exchange Board of India. "Listing Obligations and Disclosure Requirements Regulations, 2015," September 2, 2015.

Case studies

Examples of voting on overcommitment:

Americas

In the U.S. BIS did not support the election of a director at the AGM of June 2024 **MongoDB, Inc.**, due to their service on five public boards. BIS expressed similar concerns at the AGMs of **A10 Networks, Inc.**, where a director was a sitting CEO and served on two external public boards, and at **Vishay Precision Group, Inc.,** where a sitting CEO served on three public boards. In the Mexican market, we conveyed similar concerns at the AGMs of **CEMEX S.A.B. de C.V.** and **Grupo Comercial Chedraui S.A.B. de C.V.** According to their own disclosures, both directors sat on seven boards at the times of the AGMs.

APAC

At the May 2024 AGM of **China Resources Building Materials Technology Holdings Ltd.** BIS did not support the election of a director who, at the date of the AGM, also served at 16 other publicly listed companies.

BIS conveyed similar concerns at the AGMs of **COSCO SHIPPING Energy Transportation Co., Ltd.** and **Delta Electronics, Inc.** and did not support the election of directors who, respectively, sat on eight and seven public boards at the times of the AGMs.

EMEA

BIS voted in support of director elections at the June 2024 AGM of **Scout24 SE (Scout24)**, a German media services company. Prior to the June 2024 AGM, BIS engaged with Scout24 to discuss its approach to board composition. We were encouraged to learn of the chair's plans to reduce his number of outside commitments in advance of the AGM.

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Spotlight

Shareholder activism in the 2023–24 proxy year

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.

In a demanding economic environment, activist shareholders launched campaigns through which they sought to alter the composition of company boards. In the U.S., while the number of proxy contests that went to a vote remained relatively consistent, contests at larger companies proceeded to a vote more often, and more contests sought board control. Few activist nominees received majority support from investors. BIS supported two dissident nominees – out of a total of 37 – across the 15 contested elections BIS voted at U.S. companies this year.[1]

We also observed a higher number of settlements between companies and activist investors due, in part, to larger companies being more inclined to settle. One notable settlement was at **Starbucks Corporation (Starbucks)**. Ahead of Starbucks' March 2024 AGM, SOC, a coalition of North American labor union funds, nominated three dissident directors to the company's board, seeking, among other things, changes to its approach to labor rights. One week prior to the AGM, SOC announced that it would withdraw its three director nominees, following an agreement between the two parties.[2]

BIS does not instigate shareholder activism. When evaluating a contested director election proposed by another shareholder, engagement remains at 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 determine it would be useful to better inform our voting decision. We look at each situation individually and vote in support of the outcome we consider to be most aligned with our clients' long-term financial interests.

For example, BIS has had multiyear engagements with **The Walt Disney Company (Disney)** to discuss how its governance and long-term strategy align with long-term financial performance. The company's performance in recent years attracted shareholder activist campaigns, including two dissident investors who sought strategic changes by proposing alternative candidates to the company's nominees at the April 2024 AGM.

In advance of the AGM, BIS and BlackRock's active portfolio managers engaged with Disney's board and leadership – as well as with both dissident investors – to better understand how the proposed strategies of each might add long-term financial value at Disney.[3] Ultimately, BIS voted in support of management's recommended slate of directors. We recognized that many of the issues discussed with the company over the past few years will take time to address and translate into financial results. In our assessment, the Disney board and management have taken steps to restore investor confidence, have been responsive to shareholders, and have demonstrated progress in implementing the company's revised strategy. As a result, we determined that the directors proposed by management were best placed to oversee the implementation of the revised strategy and make any necessary governance changes. Disney's recommended slate of directors received majority shareholder support at the April 2024 AGM.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **2** Business Wire. "Strategic Organizing Center Issues Statement on Starbucks." March 5, 2024. **3** BIS' company analyses and engagement notes are made available to BlackRock's active portfolio managers. BIS' perspective, informed in part by engagement with companies, can provide portfolio managers with a different assessment of a company that is not captured by third party ratings. Where BIS and active portfolio managers are interested to engage a company on the same topics, we may jointly meet with company representatives to hear how they are positioning their company to deliver durable profitability.

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BIS also engaged with the corporate leadership of **Norfolk Southern Corporation (NSC)** ahead of its May 2024 AGM, at which a dissident investor nominated a controlling slate of seven directors to the company's 13-member board. The dissident investor sought changes to NSC's executive leadership and operational strategy, following financial underperformance relative to its industry peers, and regulatory and public scrutiny following the derailment of an NSC-operated train in East Palestine, Ohio in February 2023.[1]

Prior to the May 2024 AGM, BIS engaged with NSC's executive management team and five independent directors, as well as with the dissident investor's proposed management and director nominees. At the May 2024 AGM, BIS voted in support of one dissident nominee's election as an alternative to a management-nominated director. In our view, NSC's board could benefit from this director's additional expertise – which includes decades of service on the boards of publicly listed railroad companies – as it oversees planned operational initiatives outlined by company leadership. Three dissident director nominees – including the nominee BIS voted in support of – were elected in place of three NSC director nominees at the May 2024 AGM.

In APAC, shareholder activism reached record levels in Japan and South Korea.[2, 3, 4] At **Samsung C&T Corporation (Samsung C&T)**, for instance, a group of activist shareholders sought changes to the company's capital allocation frameworks and governance, contending that its share price was significantly undervalued relative to its net asset value (NAV).[5, 6] The dissident shareholders subsequently submitted two shareholder proposals at the March 2024 AGM: one which sought an increase in the company's share dividend payout, and one requesting the company initiate a share buyback in order to increase the company's share price.

In advance of the March 2024 AGM, BIS and BlackRock's active portfolio managers held joint engagements with Samsung C&T's corporate leadership to better understand the company's management strategy. Ultimately, we assessed that voting in support of the shareholder proposal which sought an increase in the dividend was in the financial interests of our clients, particularly due to the valuation gap between Samsung C&T's share price and its intrinsic value. The shareholder proposal did not receive majority shareholder support at the March 2024 AGM.[7] Investor sentiment could have appeared as muted given a controlled ownership structure, with insiders and affiliates owning about 43% of outstanding shares.[8]

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. The Universal Proxy Card (UPC) means that shareholders can choose to elect some directors nominated by the company and others nominated by the activist shareholder.

Out of the more than 4,400 shareholder meetings voted in the U.S., 15 involved contested director elections.[9] In the 2023-24 proxy year, we found that the UPC did not drive a notable increase in the election of dissident directors.

1 National Transportation and Safety Board. "Norfolk Southern Railway Derailment and Hazardous Materials Release." **2** Bloomberg. "Activist Investor Campaigns Hit Record High, Driven by Japan." July 1, 2024. **3** The Economist. "The rise of the Asian activist investor." August 31, 2023. **4** Lazard, Inc. "Review of Shareholder Activism – H1 2024." July 2, 2024. **5** Business Wire. "Whitebox Advisors Sends Letter to Samsung C&T Corporation's Board of Directors Regarding Immediate Opportunities to Enhance Shareholder Value." November 21, 2023. **6** City of London Investment Management Company Limited. "Re: Samsung C&T Corporation." September 19, 2023. **7** Samsung C&T Corporation. "General Meeting of Shareholders." March 2024. **8** Whitebox & City of London Investment Management, "Unlock SCT Value," February 2024. **9** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024.

Spotlight

Voting on material climate-related risks and opportunities in the 2023-24 proxy year

While companies in various sectors and geographies may be affected differently by climate-related risks and opportunities, the low-carbon transition is an investment factor that can be material for many companies around the globe.[1] 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.

Companies determine the best approach for addressing material climate-related risks and opportunities, if any, given their business models, sectors, and areas of operations. At companies where these risks are material, we find it helpful when they publicly disclose, consistent with their business models and sectors, how they intend to deliver long-term financial performance through a transition to a low-carbon economy, including, where available, their transition plan.[2] We encourage boards to oversee management's approach to addressing material climate risk in a company's business model and may convey concerns about board oversight in our voting on director elections when, in our assessment, the board is not acting in shareholders' long-term financial interests.

Throughout the 2023-24 proxy year, we continued to observe companies expand their climate-related reporting in alignment with the Task Force on Climate-related Financial Disclosures (TCFD). With the absorption of TCFD by the IFRS Foundation, we will discuss with companies whether and how they plan to align their reporting with the IFRS S2 Climate-related disclosure standard (see **"Developments in corporate sustainability reporting"** on page 36 for more detail).

Like last year, we observed enhanced disclosure around how companies are managing material climate-related risks. As a result, BIS voted against fewer director nominees for climate reporting-related concerns compared to the prior year. Additionally, other factors – including market transactions, special situations, and instances where directors responsible for climate risk oversight were not up for election this year – also contributed to the year-on-year change. During the 2023-24 proxy year, BIS did not support 128 proposals at 104 companies related to the election or discharge of directors because of concerns about inadequate disclosure or effective board oversight of climate-related risks, compared to not supporting 213 similar proposals at 155 companies last proxy year.[3] For perspective, BIS voted on nearly 76,000 director elections, supporting ~90%.[4] As explained on page 28, independence-related concerns were the primary reason we did not support director elections, globally.

For example, at the April 2024 AGM of **Saras SpA (Saras)**, an Italian energy company, BIS did not support the election of management's proposed slate of directors due to continued concerns about a lack of material, climate-related disclosures. Compared to its industry peers, Saras' disclosures do not provide investors with sufficient information to assess its approach to climate-related risks and opportunities, including the transition to a low-carbon economy. BIS previously voted to express concerns about Saras' lack of climate-related disclosures in 2021, 2022, and 2023. We note that Saras' controlled shareholding structure may limit the company's receptivity to investor feedback.[5]

1 We recognize that companies in different markets are adapting to the low-carbon transition in varying contexts as a result of differences in the current government policy landscape. For example, the Inflation Reduction Act in the U.S. is creating significant opportunities for investors to allocate capital to the low-carbon transition. This legislation commits an estimated $369 billion for investment in energy security and climate change mitigation. The European Union (EU) and European governments are also developing incentives to support the transition to a net zero economy and drive growth. Please also see, BlackRock Investment Institute, "Mega forces: An investment opportunity," 2023. **2** We have observed that more companies are developing such plans, and policymakers in a number of markets already have requirements for transition plans in place, such as Australia, Brazil, and the European Union, or noted their plans to introduce them. In response to and anticipation of regulatory requirements, we view transition plans (TPs) as a method for a company to both internally assess and externally communicate long-term strategy, ambition, objectives, and actions to create financial value through the global transition towards a low-carbon economy. While many initiatives across jurisdictions outline a framework for TPs, there is no consensus on the key elements these plans should contain. We view useful disclosure as that which communicates a company's approach to managing financially material, business relevant risks and opportunities – including climate-related risks – to deliver long-term financial performance, thus enabling investors to make more informed decisions. **3** BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. **4** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **5** As of July 5, 2024, Vitol Holding II SA held 45.48% of Saras' shares.

However, BIS will continue to engage with Saras as appropriate to encourage the disclosure of its approach to material climate-related risks and opportunities. Should the company not respond to shareholder feedback we will continue to convey concerns through voting, as appropriate.

In Latin American markets, we observed several companies take steps to address shareholder concerns about disclosure of material climate-related risks to their business. This included in Mexico at building materials company **GCC, S.A.B. de C.V.** which introduced TCFD-aligned and Science Based Target Initiative (SBTi) certified disclosures in 2024, airline **Controladora Vuela Compañía de Aviación, S.A.B. de C.V. (Volaris)**, which enhanced its TCFD reporting with SBTi-certified targets, and in Brazil at utility company **ENGIE Brasil Energia S.A.**, which also enhanced its TCFD-aligned reporting and disclosed its strategy for addressing the risks and opportunities presented by the transition to a low-carbon economy. BIS did not support bundled director elections at these companies' 2023 AGMs due to concerns about their climate-related disclosure efforts. We voted in support of management's recommendation on the election of directors in 2024 in recognition of these enhancements.

Developments in corporate sustainability reporting

Long-term investors can make better informed investment decisions when they understand how a company's business model is resilient to material sustainability-related risks, such that the company can deliver durable, long-term financial returns. Such reporting is most useful to investors' understanding when it covers governance, strategy, risk management, and metrics and targets, including industry-specific metrics.

The International Sustainability Standards Board (ISSB) standards, IFRS S1 and S2,[1] provide companies with a useful guide to prepare this disclosure. The standards build on the TCFD framework and the standards and metrics developed by the Sustainability Accounting Standards Board (SASB), which have converged under the ISSB.[2, 3] We note that climate-related financial disclosures will soon become mandatory in a number of jurisdictions.[4]

We recognize that companies may phase in reporting aligned with the ISSB standards over several years, depending on local requirements. We also recognize that some companies may report using different standards, which may be required by regulation, or one of a number of voluntary standards. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

1 The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The objective of IFRS S2 Climate-related disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. **2** The IFRS has assumed responsibility for monitoring companies' climate-related financial disclosures from the TCFD, which was disbanded in October 2023. The IFRS S2 Climate-related disclosure standard builds on the four pillars and 11 recommendations of the TCFD, but has additional requirements. For more information, please see, IFRS. "Comparison IFRS S2 Climate-related Disclosures with the TCFD Recommendations," July 2023. **3** For more information, please see, IFRS, "Comparison IFRS S2 Climate-related Disclosures with the TCFD Recommendations," July 2023. **4** For example, in the EU, the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) have passed, and other markets, including the UK, Australia, Singapore, Japan, and Canada, are consulting on their proposals to introduce disclosure requirements.

Voting on “Say on Climate” proposals

While less prominent than in prior proxy years, we observed a few cases where companies, mostly Europe-based, submitted proposals to approve their climate transition plans or progress reports – sometimes known as “Say on Climate.” Through such votes, companies seek investor support for their approach to managing climate-related risks in their business models and the risks and opportunities of the low-carbon transition.

Broadly speaking, companies garnered shareholder support for how they assessed climate and low-carbon transition-related risks and opportunities and articulated their plans to manage them.

Management-proposed Say on Climate proposals received ~96% market support in the 2023-24 proxy year. [1] BIS voted on 44 Say on Climate resolutions globally – 31 proposed by management and 13 by shareholders. BIS supported management on all of these proposals during the 2023-24 proxy year.[2]

For example, at **Shell plc’s (Shell)** May 2024 AGM, BIS supported management’s proposal to approve the company’s energy transition update and its “Energy Transition Strategy 2024,” both of which are disclosed on the company’s website.[3, 4] The proposal received ~78% shareholder support.[5]

Shell first submitted its “Energy Transition Strategy” for a vote at the May 2021 AGM, when it received ~89% support from shareholders, including BIS.[6] In the two subsequent years, the company proposed an advisory shareholder vote on the progress made to date against its “Energy Transition Strategy.” The proposals received approximately 80% shareholder support in 2022 and 2023, including from BIS.[7]

In our view, Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities, while also demonstrating progress against its stated “Energy Transition Strategy.”

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. Measured in median market support. **2** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **3** Shell plc. “Annual reports and publications.” **4** Shell plc. “Annual General Meeting.” **5** Shell plc. “Form 6-K.” May 22, 2024. **6** Shell plc. “Form 6-K.” May 18, 2021. **7** Shell plc. “Form 6-K.” May 25, 2022; and Shell plc. “Form 6-K.” May 23, 2023.

Spotlight

Voting on strategy, purpose, and financial resilience

Establishing and aligning strategy and purpose to effectively drive a company's long-term financial performance is the responsibility of executive leadership and the board of directors. As a long-term investor on behalf of our clients, BIS finds it helpful when companies publish disclosures that clearly state their purpose and set out a long-term strategy consistent with it, including milestones against which shareholders can measure performance. We also seek to understand the board's role in advising on, and overseeing executive leadership's approach to, the company's strategy, purpose, and culture, and in overseeing the company's financial resilience.

To aid investor understanding, we encourage companies to disclose their long-term strategic goals, the milestones against which performance can be assessed, and any obstacles encountered or anticipated. Disclosures can provide context for critical strategic, capital allocation, and operational decisions that a company may have to make to respond to business challenges and/or opportunities, including material sustainability-related considerations.

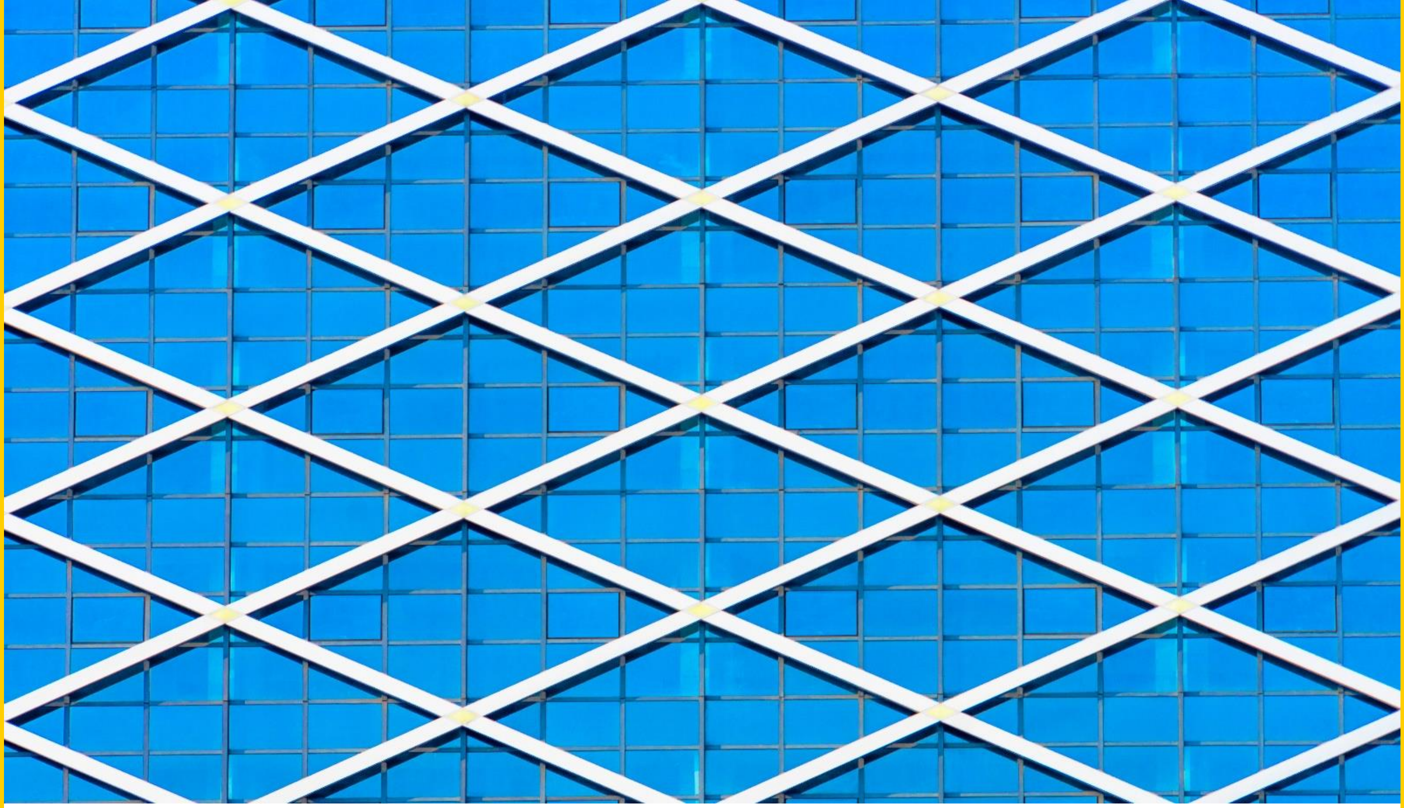
During the 2023-24 proxy year, BIS engaged 2,683 times on strategy, purpose, and financial resilience-related themes with 2,014 companies – more than any of our other engagement priorities.[1] These engagements were opportunities to learn how companies are adapting to fast-changing operational, economic, regulatory and societal conditions, and how these plans are aligned with the delivery of durable financial performance. The following are examples of how we engaged in support of the financial resilience of the companies in which our clients are invested:

At the March 2024 AGM of **Cementos Argos SA (Cementos Argos)**, a Colombian construction materials company, BIS supported management's recommendation on a proposal to approve a conversion of preferred shares to common shares, a product of efforts by the company to improve the liquidity and share price after a multi-year period of falling share value. As detailed in our Global Principles, a company's capital structure is critical to shareholders as it can have an impact on the value of their investment and the priority of their financial interests in the company relative to that of other equity or debt investors. We review capital structure proposals on a case-by-case basis, in line with our regional voting guidelines for Latin American securities. In BIS' assessment, Cementos Argos is aiming to position itself to enable growth by not only driving operational efficiency, but also by increasing the marketability of its securities and reducing potential differential liabilities introduced by preferred shares.

Prior to the November 2023 AGM of **New World Development Company Limited (NWD)**, a property development company in the Chinese market, BIS and BlackRock's active portfolio managers held a joint engagement with the company regarding a management proposal to sell NWD's 61% stake in a listed subsidiary, NWS Holdings, to its parent.[2] BIS and BlackRock's active portfolio managers sought to better understand the company's capital management – particularly as the company continues to navigate liquidity issues – and how potential conflicts of interest are being managed. BIS voted in support of the proposed deal, as in our assessment, the proceeds would help strengthen the company's balance sheet and create shareholder value by reducing a significant amount of interest expenses.[3]

At the May 2024 AGM of **CSPC Pharmaceutical Group Limited (CSPC)**, a pharmaceutical manufacturer in the Chinese market, BIS did not support a management proposal seeking approval to grant additional share options to certain parties, including its Chairman, who holds a controlling stake in the company. In BIS' assessment, the terms outlined in the scheme were not in the interests of our clients as long-term shareholders.

1 BlackRock. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **2** NWD is 45%-controlled by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited. See: NWD. 2022 Annual Report. **3** New World Development Company Limited. "(1) Major and connected transaction – disposal of shares in NWS Holdings Limited, (2) revision of annual caps for the continuing connected transactions under the CTFE Master Services Agreement, and (3) notice of EGM." October 13, 2023. Page 32.



Case study

Consolidation in the U.S. energy sector

Over the past year, dealmaking in the oil and gas sector continued to accelerate, reshaping the U.S. energy landscape. Several companies announced and sought approval from shareholders for transactions during the 2023-24 proxy year.[1,2]

This included **Chevron Corporation** which announced in October 2023 that it had entered into a definitive agreement to acquire **Hess Corporation (Hess)** in an all-stock transaction valued at $53 billion.[3] Hess subsequently sought shareholder approval for the transaction at a May 2024 special meeting. In evaluating the economic benefits of the proposed transaction to our clients as long-term investors, BIS, along with BlackRock's active investment teams, held multiple engagements with Hess' and Chevron's corporate leadership. Ultimately, we determined that the potential value of the combined entity – as well as the strategic and financial rationale – to be in our clients' long-term financial interests. We voted in support of the proposed transaction, which received a narrow majority of support from shareholders.[4]

1 Reuters. "Hess shareholders approve merger with Chevron." May 28, 2024. **2** Pioneer Natural Resources Company. "Pioneer Natural Resources Announces Results of Special Meeting." February 7, 2024. **3** Chevron Corporation. "Chevron Announces Agreement to Acquire Hess." October 23, 2023. **4** Hess Corporation. "Form 8-K." May 28, 2024.

Spotlight

Voting to protect minority shareholders' rights in the Italian market

Globally, there are common rights associated with owning the shares of a public company. These rights include voting on the election of the board of directors and other standard governance matters, voting on key board decisions that may affect the creation of long-term financial value for shareholders, and having access to information on material governance, strategic, and business matters to make informed decisions.

In our view, shareholder voting rights should be proportionate to economic ownership. We find that the principle of "one share, one vote" helps to achieve this balance. BIS, as a fiduciary to our clients, is not supportive of impediments to the exercise of these rights.

In March 2024, the Italian government enacted significant regulatory changes with the stated goal of positioning the Italian capital market as a more attractive and competitive listing option for public companies. The legislation – known as the "Law Capitali" – was approved by the Italian parliament in February 2024.[1] Among its provisions, the Law Capitali allows Italian-listed companies to amend their articles of association (AOA) to significantly increase the voting rights of certain shareholders, and to alter the format of their shareholder meetings, including providing the option to hold meetings with the exclusive participation of a sole representative appointed by the company.[2]

Amplifon SpA (Amplifon), a large hearing care solutions company, was one of the first companies in the Italian market to propose amendments to its AOA in accordance with the new provisions contained in the Law Capitali.

Included on the agenda of its April 2024 extraordinary general meeting (EGM) were two proposals that would, respectively, further increase voting rights for certain shareholders and impact shareholders' ability to directly participate in shareholder meetings, limiting the facilitation of open, meaningful, and two-way dialogue.

BIS engaged with Amplifon's corporate leadership in advance of the EGM to better understand its approach to the new regulation, and the impact of the proposed AOA amendments on the rights of our clients as long-term, minority shareholders. BIS determined that support for both proposals was counter to our client's long-term financial interests due to concerns we had that the proposed changes would significantly impact the rights of minority shareholders.

1 Gazzetta Ufficiale. "LEGGE 5 marzo 2024, n. 21." **2** Simmons & Simmons LLP. "Draft Law on Capital Markets (the so-called "DDL Capitali")." March 4, 2024.

Changes to UK listing rules

During the 2023-24 proxy year, the UK Financial Conduct Authority (FCA) sought market input on proposed changes to the UK listing rules. The FCA ultimately determined to implement the proposed changes, arguing that they would enhance the UK capital markets' attractiveness as a listing option for public companies.[3,4] They include, but are not limited to, the removal of the requirement for listed companies to seek shareholder approval for significant and related party transactions, and the removal of time-based sunset clauses in dual class share structures (DCSS) arrangements. Furthermore, the finalized rules also permit additional pre-initial public offering (IPO) institutional investors to hold additional voting rights under DCSS arrangements for a maximum of 10 years with a view that they are not disincentivized from supporting pre-IPO funding rounds or bringing companies to listing in the UK.

3 Financial Conduct Authority. "Primary Markets Effectiveness Review: Feedback to CP23/31 and final UK Listing Rules." July 2024. **4** Financial Times. "UK announces biggest overhaul of listings regime in decades." July 10, 2024.

Executive compensation

Executive compensation is an important tool used by companies to promote long-term financial value creation by facilitating equity ownership among senior leaders, encouraging an appropriate risk profile, and rewarding the successful delivery of strategic, operational, and/or financial goals.[1] When compensation policies are not well-structured, and when outcomes are misaligned with performance, companies may face business and/or reputational risks.[2]

Appropriate and transparent compensation policies remained a focus in many of BIS' engagements with companies in the 2023-24 proxy year. BIS held 1,342 engagements with 1,126 companies on incentives aligned with financial value creation.[3]

Expressing executive compensation concerns when voting on director elections

Where BIS finds apparent misalignment between executive pay and company performance, or has other concerns about a company's compensation policies, we may engage to better understand the company's approach. Aside from engagement, we may convey 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. Globally, BIS did not support the election of 1,101 directors at 655 companies due to executive compensation concerns (1,303 director elections at 751 companies in 2022-23).[4]

As in previous years, executive compensation issues were the primary governance concern reflected in BIS' voting on directors in EMEA. We voted against 852 proposals to elect directors at 465 companies in EMEA over compensation concerns.[5] We noted enhanced disclosures and policies aligned with shareholders' long-term financial interests at many companies, but there continues to be room for improvement at others.

Across the Americas, we voted against fewer directors due to compensation concerns as there was a notable drop in the number of companies making discretionary, insufficiently substantiated adjustments to their compensation programs than in prior years.

In most markets in APAC other than Australia, shareholders do not have the opportunity to vote annually on executive compensation policies. Instead, compensation-related proposals in the region mostly seek approval of items such as equity, grants, or incentive plans. In most cases, the structure of these plans is not a source of concern. In addition, in some Asian markets, compensation votes may be bundled with other items submitted to a shareholder vote. For example, in India, when a new executive joins a company, their appointment is bundled together with pay in one single proposal at the start of the executive's term. Expressing compensation-related concerns by voting against this bundled item would also result in a vote against the executive's appointment. As a result of these multiple factors, votes against directors to express compensation concerns are significantly fewer than in the Americas or EMEA. In the Americas and APAC, BIS did not support director elections as a result of compensation concerns in 233 and 16 instances, respectively.[5]

Voting on compensation-related management proposals in 2023-24

In addition to voting on the election of directors responsible for setting executive pay, when assessing compensation proposals, BIS reviews companies' disclosures to determine how their compensation policies and outcomes align with the financial interests of long-term shareholders, like our clients.

Globally, BIS supported ~82% — or 16,175 out of the 19,709 — of compensation-related management proposals put to a shareholder vote in 2023-24 (also ~82%, or 16,706 out of 20,378 proposals, in 2022-23).[4,6] Our support was largely driven by many companies' enhanced disclosures and a clearer articulation of how their policies align with

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** BlackRock. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **4** BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. **5** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **6** Compensation-related proposals include Say on Pay proposals, remuneration policy proposals, proposals to approve new or revised incentive plans, and other compensation-related proposals.

shareholders' long-term financial interests. In general, companies improved their explanations of how short- and long-term incentive plans complement one another and are effective in rewarding executives who deliver long-term financial value.

Say on Pay proposals and related grant approval proposals accounted for approximately 47% of all compensation-related proposals globally.[1] These proposals are common practice in markets such as Australia, the U.S., and the UK. They give shareholders the opportunity to express support for, or concerns with, executive pay programs. BIS supported ~80% of management proposals to approve Say on Pay and related grant approval proposals put to a shareholder vote in 2023-24 (81% in 2022-23).[2]

1 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. For select markets in Europe, the Middle East, and Africa, this term may also refer to shareholders' ability to vote on the report companies publish on the implementation of its policies. **2** BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year.

We describe some region-specific compensation developments observed below:

Americas

~90%

Management compensation-related proposals supported by BIS

In the Americas, BIS supported management recommendations on ~90% of proposals — or 5,274 out of 5,836 — to approve compensation policies in 2023-24 (~89% in 2022-23). Support for only Say on Pay proposals was broadly consistent with last year's (~92% in 2023-24; ~91% in 2022-23), reflecting better program disclosure and increased alignment with companies' long-term financial outcomes.[3]

While we supported a greater proportion of Say on Pay proposals in 2023-24, we continued to vote against programs that had large outside-of-program awards that lacked a compelling rationale, lacked sufficient linkages between compensation and financial returns to shareholders, and did not articulate clear connections between compensation program design and corporate strategy. However, we saw fewer companies making one-time adjustments to their pay programs as companies stabilized operations following the COVID-19 pandemic, acclimated to a higher interest rate environment, and continued to address geopolitical disruptions in their supplier and customer bases.

For example, at **Workday, Inc.'s (Workday)** June 2024 AGM, BIS did not support the Say on Pay proposal and the election of a member of the compensation committee due to ongoing concerns about the size and structure of the company's pay practices. BIS previously voted to convey concerns about executive compensation at Workday's June 2022 and June 2023 AGMs. Similar concerns about executive compensation practices being misaligned with long-term shareholders' financial interests led us to not support the election of compensation committee members at the June 2024 AGMs of **AppLovin Corporation** and **Marvell Technology, Inc.**

At **Tesla Inc.'s (Tesla)** June 2024 AGM, the company sought shareholder approval to re-ratify its CEO's 2018 compensation package, following a January 2024 Delaware Court of Chancery ruling invalidating it on the grounds that shareholders in 2018 were not fully informed of its approval process, or of relationships between Tesla's CEO and key directors responsible for executive compensation.[4] BIS voted in support of the re-ratification of the 2018 compensation package because we recognized that

3 BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. **4** Richard J. Tornetta et al. v. Elon Musk et al., case number 2018-0408, in the Court of Chancery of the State of Delaware. Full text is available here.

the CEO and Tesla have achieved all the relevant performance milestones, creating substantial value for shareholders. However, BIS intends to provide feedback regarding go-forward executive compensation practices. Furthermore, we would be unlikely to support a compensation program with similar structures at mature operating companies in sectors where these practices have not traditionally been employed.

In 2023-24, BIS supported ~85% of equity compensation plan proposals in the U.S., compared to ~83% in 2022-23.[1] The uptick in support was driven by fewer plans containing potentially concerning features, including evergreen share reserve refreshment features, provisions that permit award repricing or cash buyouts without shareholder ratification, and share reserve requests that could lead to excessive dilution. In select cases where equity compensation plans posed a significant concern, BIS withheld support from a director.

APAC

~79%

Management compensation-related proposals supported by BIS

In APAC, our voting was consistent year-over-year. BIS supported management on ~79% of compensation-related proposals — or 5,279 out of 6,697 (~78% in 2022-23).[1]

In Australia, we observed an uptick in practices that we did not consider to be aligned with minority shareholders' long-term financial interests. Say on Pay resolutions in this market are advisory only. However, since 2011, companies listed on the Australian Securities Exchange (ASX) have been subject to provisions that allow shareholders to escalate concerns on compensation-related matters.[2] Included in these provisions is the "two strikes" rule, which mandates that, if a company's remuneration report receives 25% or more "no" votes at two consecutive AGMs, shareholders may then vote on a resolution to hold a special meeting to re-elect the company's directors within 90 days of the last AGM (a "spill" resolution).[2]

During the 2023 Australian proxy season,[3] we noted that there was a considerable increase in shareholders voting against Say on Pay resolutions, with "first strikes" increasing from 22 in 2022 to a record high of 41 in 2023.[4]

Shareholder dissent reached significant levels – ranging from 73% to 83% – at **Lovisa Holdings Limited (Lovisa),**[5] **Link Administration Holdings Limited (Link Group),**[6] **Qantas Airways Ltd. (Qantas),**[7] and **Harvey Norman Holdings Limited (Harvey Norman).**[8] This was the first strike at Qantas and Harvey Norman, but the third consecutive strike since 2021 at Lovisa and Link Group.[9] BIS did not support the remuneration reports at these companies' November 2023 AGMs as, in our assessment, their compensation policies were not aligned with the long-term financial interests of their shareholders, including BlackRock's clients.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. **2** Parliament of Australia. "Executive remuneration: a quick guide," September 13, 2022. **3** In the Australian market, a majority of public companies hold their annual shareholder meetings in the fourth quarter of the year. **4** Guerdon Associates. "Highest Number of Remuneration Reports 'Strikes' on Record." March 3, 2024. **5** Lovisa Holdings Limited. "Results of 2023 Annual General Meeting." November 22, 2023. **6** Link Administration Holdings Limited. "Results of 2023 Annual General Meeting," November 28, 2023. **7** Qantas Airways Limited. "Results of 2023 Annual General Meeting – Proxy Voting Percentage Correction." November 3, 2023. **8** Harvey Norman Holdings Limited. "Results of Annual General Meeting 2023," November 29, 2023. **9** Note: a spill resolution is only required after every second consecutive strike. For further reading please see: Federal Register of Legislation: "Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011." June 27, 2011.

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EMEA

~78%

Management compensation-related proposals supported by BIS

In EMEA, BIS supported management recommendations on ~78% of proposals — or 5,622 out of 7,176 — to approve compensation policies in 2023-24 (also ~78% in 2022-23).[1]

Pay practices and disclosures, and the related proposals put to shareholders for approval, differ markedly across European markets. For example, in France and Switzerland there can be multiple management proposals asking shareholders to approve different aspects of executive pay, both retrospectively and related to the future. Our most common reasons for voting against management compensation proposals are concerns about the link between pay and performance, often as a result of unwarranted discretion applied by remuneration committees, and inadequate disclosures.

For instance, BIS has regularly engaged with **Sonova Holding AG (Sonova)**, a Swiss hearing care solutions company, on its approach to remuneration. Among other issues, we have sought to provide feedback to the company regarding its approach to disclosing performance targets for its variable pay plan. Due to continued concerns about insufficient disclosure, BIS did not support the remuneration report at the June 2024 AGM. We note that more than 48% of investors voted against the proposal.[2]

At Finnish technology company **Nokia Oyj (Nokia)** we were pleased to note increased transparency on its executives' long-term incentive plans (LTIP) and performance targets, as well as the introduction of a relative total shareholder return (TSR) metric. BIS voted in support of all compensation-related items at the April 2024 AGM, each of which received more than 90% support from shareholders.[3]

In the UK, in particular, the debate CEO pay levels garnered widespread attention.[4] Several companies proposed increases to CEO pay in an effort to further incentivize long-term financial performance and retain global talent.[5,6]

In assessing executive remuneration proposals, BIS seeks to understand how companies balance the contractual obligations to and rewards for their executives, while preserving the link between pay and long-term performance and preventing outsized awards relative to originally established goals.

In the 2023-24 proxy year, we observed that UK companies improved the level of detail in their executive pay disclosures, helping investors further understand alignment with long-term financial value creation. In addition to enhanced disclosures, companies were more proactive in their efforts to engage with investors – including BlackRock – to provide them with a comprehensive overview of their approach to remuneration in advance of their shareholder meetings. This was the particular case of several companies with a global footprint. Companies which sought shareholder approval to amend executive remuneration in the context of their global business models included **AstraZeneca Plc** and the **London Stock Exchange Group plc,** each of which proposed increases in their cash bonuses and long-term incentive plans. BIS supported the remuneration-related proposals at these companies' 2024 AGMs in recognition of their significant exposure to the global markets, as well as their strong financial performance over time.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. **2** Sonova Holding AG. "Ordentliche Generalversammlung vom 11.06.2024." **3** Nokia Corporation. "Annual General meeting of Nokia Corporation." April 2024. **4** Financial Times. "UK boards and investors push for higher CEO pay to bridge gap with US." March 2, 2024. **5** The Times. "Lower executive pay in the UK 'risks drain of talent to America'." July 8, 2024. **6** Financial Times. "LSE chief calls for higher UK executive pay to retain listings." May 3, 2023.

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Shareholder proposals

Shareholder proposals span a wide range of topics and have varying degrees of relevance for companies across sectors, locations, and business models.

When assessing shareholder proposals, we evaluate each 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 supporting documentation, and the proponents' other communications on the issues. We also assess the company's practices and disclosures and the costs and benefits to the company of meeting the request made in the proposal. We take into consideration a company's governance practices and disclosures against those of their peers.

BIS is likely to support shareholder proposals that request disclosures that help us, as long-term investors on behalf of our clients, 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. We may also support shareholder proposals that address business-relevant issues that may pose a material risk if, in our assessment, management's approach is not aligned with shareholders' long-term financial interests.

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 formal proposal or share the proponent's concern on every issue raised or their overarching position on those issues. We typically explain our rationale for supporting such proposals when we engage with the company.

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.

Another record year for shareholder proposals

For the third year in a row, we observed a record number of shareholder proposals BIS voted on at a global level – 867 compared to 811 total proposals voted last proxy year.[1]

While shareholder proposals reached another high this proxy year, consistent with the long-term trend, they continued to represent less than 1% of total proposals BIS voted.[2]

Globally, the number of voted proposals grew by approximately 7% this proxy year, a slower growth rate than we have seen in recent years.

In the U.S., the market where the most shareholder proposals are submitted, we voted on ~4% more such proposals than last year. Notably, more U.S. companies sought permission from the SEC to omit shareholder proposals.

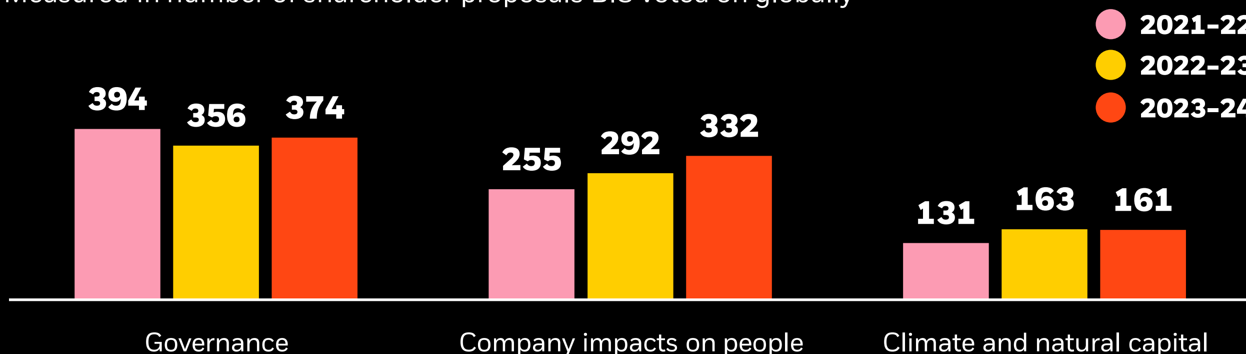
In the 2023-24 proxy year, companies requested "no-action relief" from the SEC on 271 shareholder proposals, up from 187 in the year prior.[3] The SEC also granted relief at higher levels – albeit still lower than in 2020-21. A total of 140 proposals were omitted from company ballots in the 2023-24 proxy year compared to 87 in the year prior.

Of the total global shareholder proposals, 661 (or 76%) were voted at U.S. companies (see figure 2 on page 47).[4] However, shareholder proposals were filed across more markets beyond the U.S., by both domestic and international shareholders. In the 2023-24 proxy year, companies in 27 markets put shareholder proposals to a vote, compared to 17 the prior year.[5] The increase was more pronounced in EMEA, where companies in 19 markets included at least one shareholder proposal in their ballots, against 10 markets the prior proxy year.[5] In Canada, shareholder activity also increased and BIS voted on ~65% more proposals than in 2022-23.[5]

Figure 1

Global shareholder proposals in the 2023-24 proxy year

Measured in number of shareholder proposals BIS voted on globally

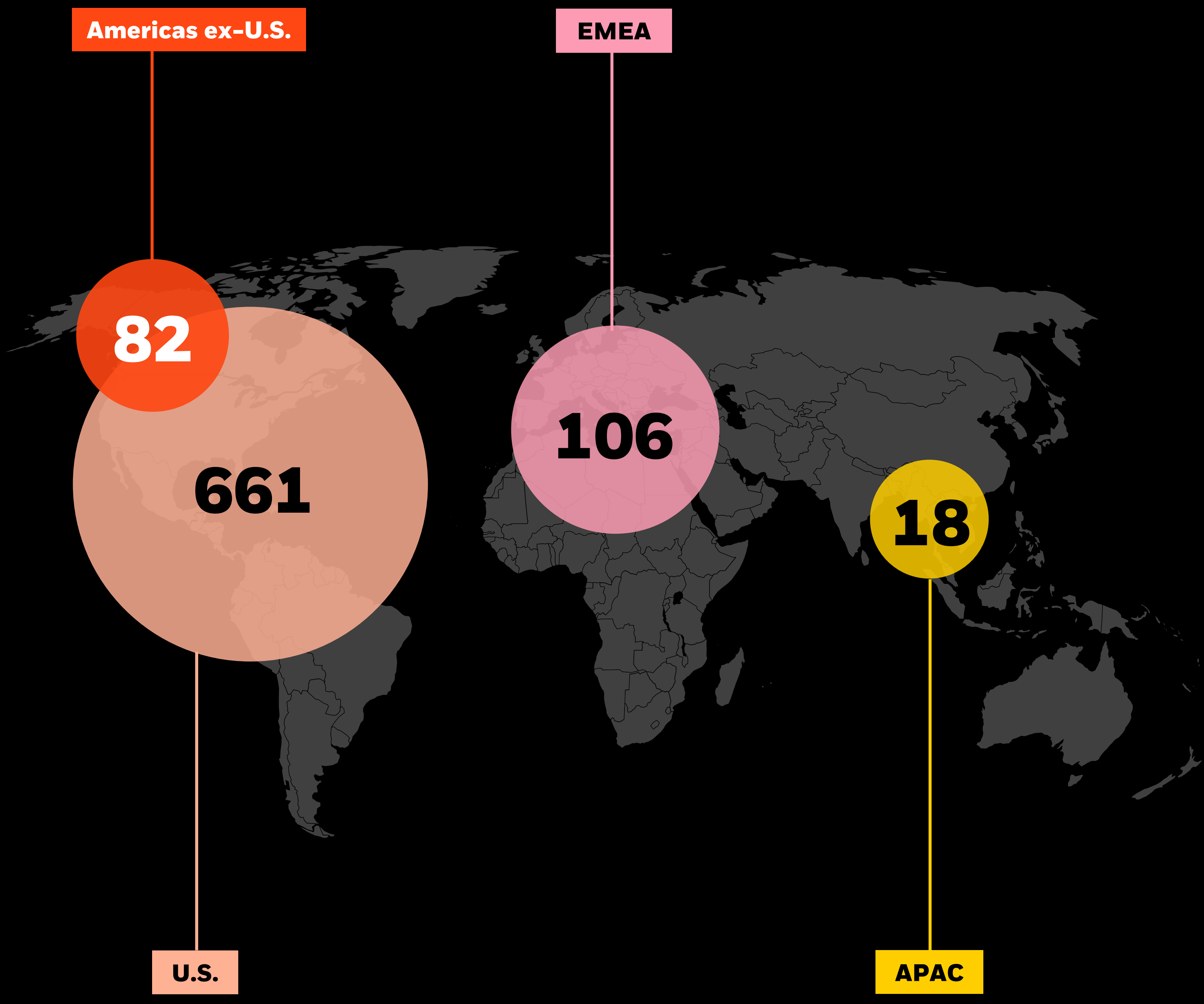


Source: BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Excludes the Japanese market, where 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 BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 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. **2** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. **3** U.S. Securities and Exchange Commission. "Incoming No-Action Requests Under Exchange Act Rule 14a-8." Last updated July 31, 2024. **4** In November 2021, the U.S. 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. This, in part, contributed to the increase in the total number of shareholder proposals BIS has voted on in recent years globally – culminating in this proxy year's 867. **5** BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. Measured in terms of number of markets in which we voted at least one shareholder proposal in a company's ballot. 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 2

Geographic distribution of shareholder proposals BIS voted on



Source: BlackRock. Sourced on August 5, 2024, reflecting data from July 1, 2023 through June 30, 2024. 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

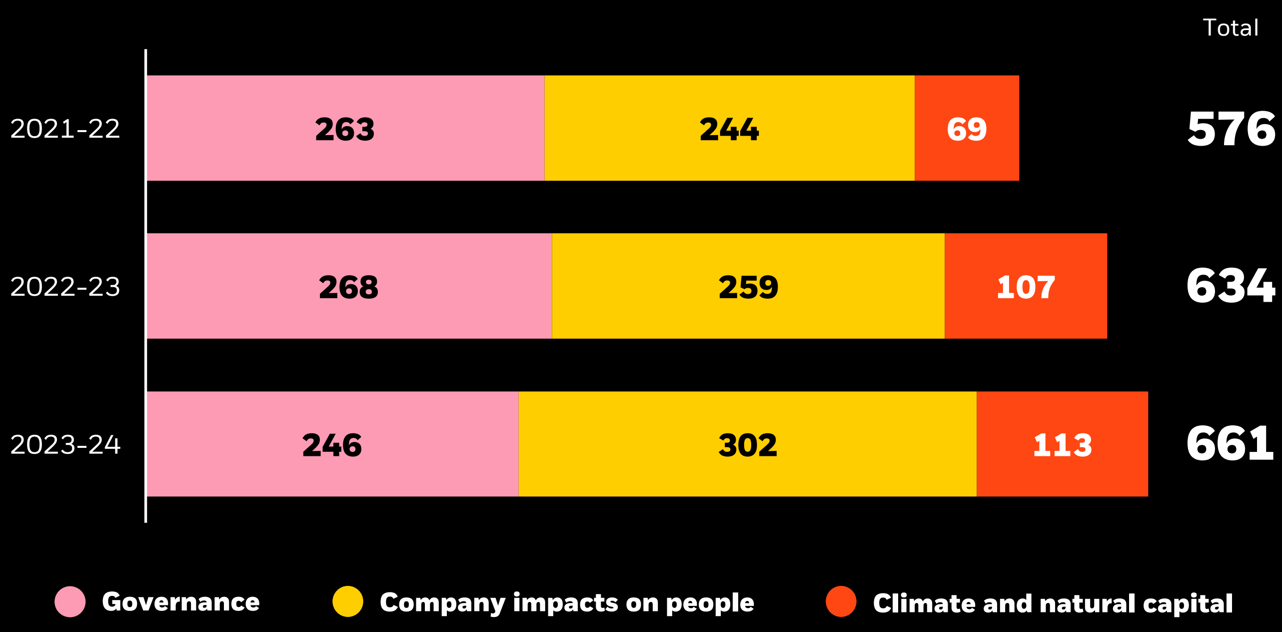
U.S. shareholder proposals

In the U.S., the volume of shareholder proposals set a new record in the 2023-24 proxy year. Shareholder proposals addressing climate and natural capital and company impacts on people increased 13% this proxy year against last, outnumbering governance-related proposals once again (see figure 3). The increase was mainly driven by a greater number of proposals seeking to roll back company efforts to address material sustainability-related risks and proposals focused on companies' political activities (see more detail on page 51).

Our analysis indicates that a relatively small number of shareholder proponents and advocacy groups filed the majority of proposals at U.S.-based companies – with fewer than 10 filing approximately 80% of proposals in the 2023-24 proxy year.[1] Based on our review of proxy materials, these proponents often filed similar proposals at multiple companies, regardless of the specifics of their sectors or business models.

Figure 3

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



Source: BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e. running from July 1 through June 30 each year. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023 through June 30, 2024.

Governance proposals regained shareholder support

BIS voted on 661 shareholder proposals at U.S. companies in the 2023-24 proxy year, of which 55 received majority support.

Of these majority-supported proposals, 52 were governance-related, of which 29 received more than 75% shareholder support.[1] In comparison, in the 2022-23 proxy year, 27 governance-related shareholder proposals received majority support, of which six received more than 75% shareholder support.

Median market support for U.S. governance-related shareholder proposals also increased to ~33% in the 2023-24 proxy year, compared to ~30% the previous year.

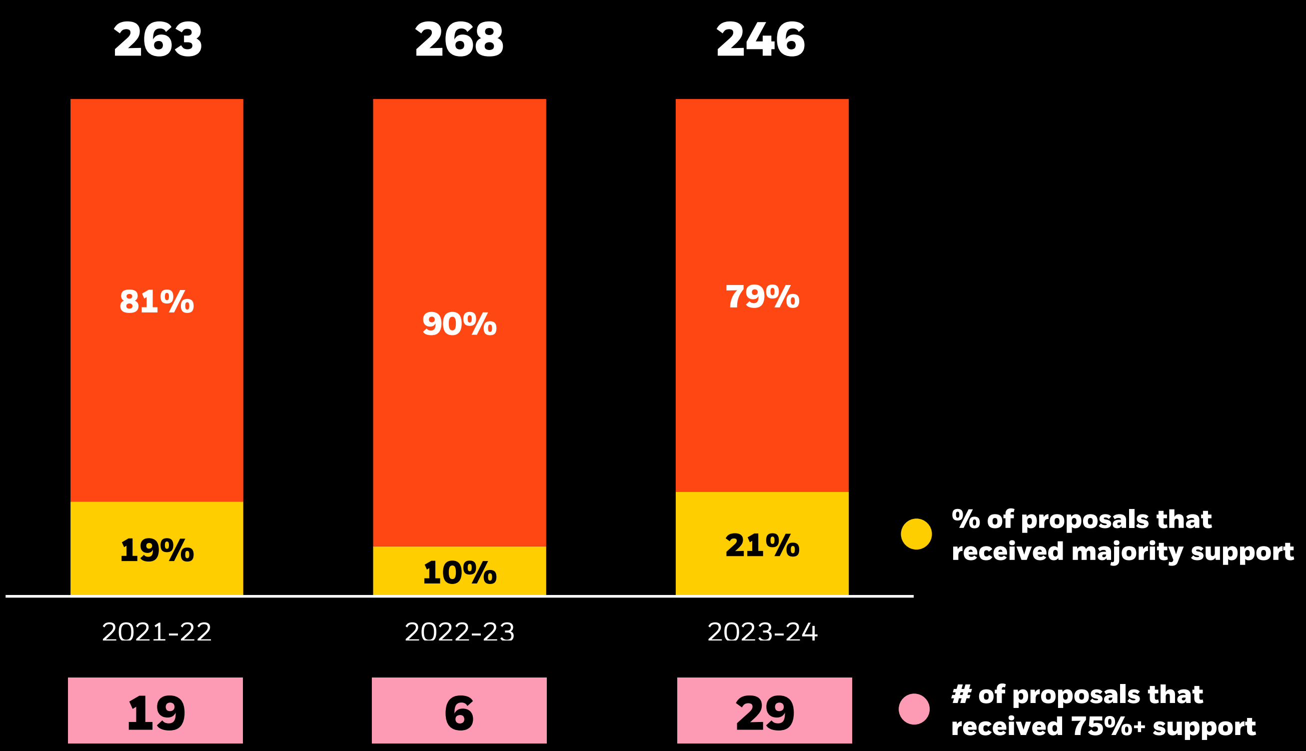
The proposals that garnered most support sought to enhance minority shareholder rights, for example, by introducing simple majority voting.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023 through June 30, 2024.

Figure 4

Governance proposals regain shareholder support in the U.S.

Measured in proportion of proposals that received majority support



Environmental and social proposals continued to receive low market support

BIS voted on 415 proposals focused on climate and natural capital and company impacts on people in the U.S. Like last year, the poor quality of those proposals resulted in low market support (median shareholder support of ~13%). Notably, about three quarters of the 415 proposals were opposed by more than 75% of the votes shareholders cast.[1] We highlight two developments in these proposals that we observed this year: an increase in shareholder proposals seeking to roll back company efforts to address material sustainability-related risks, and more shareholder proposals focused on corporate political activities.

415 proposals

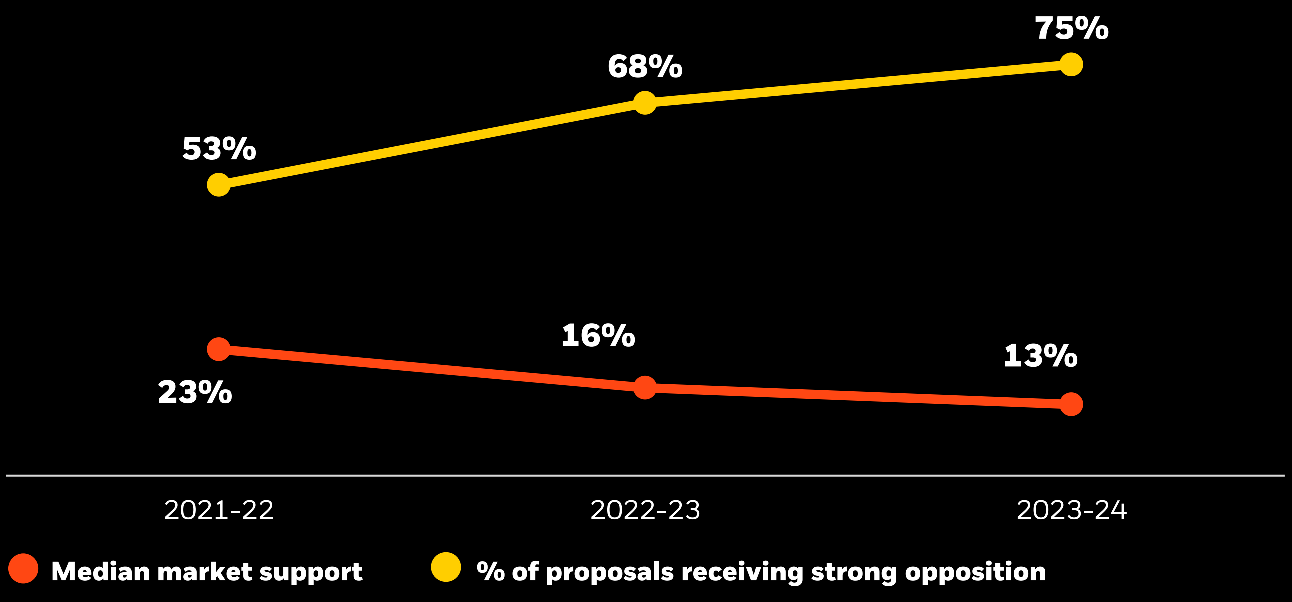
BIS voted on 415 proposals focused on climate and natural capital and company impacts on people in the U.S.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year.

Figure 5

Environmental and social proposals continue to meet high market opposition in the U.S.

Measured in median market support for U.S. 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. climate and natural capital and company impacts on people-related shareholder proposals that went to a final vote. Includes ISS data only for companies that have disclosed shareholder meeting results. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. BIS defines strong opposition to a proposal 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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Increase in shareholder proposals seeking to roll back company efforts to address material sustainability-related risks

BIS noted an uptick in proposals that sought to roll back company efforts to address material sustainability-related risks: 88 out of the total 661 U.S. shareholder proposals voted in 2023-24; compared to 57 in 2022-23 and 39 in 2021-22.[1] Many of these proposals focused on assessing the value and risks of a company's diversity initiatives, while others addressed "the potential risks associated with omitting 'viewpoint' and 'ideology'" from a company's Equal Employment Opportunity (EEO) policies.[2]

Overall, these proposals received low investor support. For example, at **The Coca-Cola Company**, a global branded beverage company, a shareholder filed a proposal requesting that the company produce a report on the risks created by the company's diversity, equity, and inclusion efforts. The company has identified "people and culture as critical business priorities" and countered the proposal noting that its success "hinges on [its] capacity to attract, employ, cultivate, inspire, and retain a highly competent and diverse workforce."[3] The proposal received less than 2% shareholder support at its May 2024 AGM.[4]

BIS did not support any of the 88 proposals requesting management to roll back company efforts to address material sustainability-related risks.[5] We determined that these proposals were overreaching, overly prescriptive, or lacked economic merit.

In our analysis, we considered each company's policies, practices, and disclosures, as well as the balance between the costs and benefits of addressing the business risk, the merits of the proponent's request and long-term financial value creation for shareholders, such as BlackRock's clients.

BIS' voting reflects industry trends. Investors supported more governance proposals. About three quarters of proposals focused on climate and natural capital or company impacts on people were opposed by more than 75% of the votes shareholders cast.

Shareholder proposals focused on corporate political activities also increased

There were more shareholder proposals focused on corporate political activities filed at U.S.-based companies this proxy compared to last.[6] Some of these proposals centered on enhanced reporting on political contributions and lobbying activities. Others went further and asked companies to examine the risks of association with specific organizations. In the 2023-24 proxy year, BIS followed the SEC's N-PX guidance in classifying these proposals as company impacts on people-related (social) proposals, except where they focused on climate-related risks. In these cases we classified them as climate and natural capital-related (environmental) proposals.[7,8]

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. **2** Redfin Corporation. "2024 Proxy Statement." April 25, 2024. **3** A The Coca-Cola Company. 2024 Proxy Statement. March 18, 2024. **4** BlackRock, ISS. **5** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023 through June 30, 2024. **6** Corporate political activities may include lobbying as defined by local regulations, engagement with public officials with the intent to influence legislation or regulation and activities related to the election of policymakers. **7** In the case of shareholder proposals, the BIS taxonomy considers the full scope of the proposal's intent, as understood through the proponent's materials and public statements, to then categorize these under governance, climate and natural capital, or company impacts on people-related proposals. To provide an accurate year-on-year comparison, BIS reclassified several lobbying proposals that we had previously classified as governance-related in past proxy years as climate and natural capital or company impacts on people shareholder proposals in accordance with this methodology. **8** U.S. SEC. "Form N-PX: Annual Report of Proxy Voting Record General Instructions."

Our perspective on corporate political activities

BIS engages with companies to understand how their corporate political activities relate to their long-term strategy and financial performance.[1] As part of this, we look at a company's publicly available required and voluntary disclosures to understand how industry body memberships, lobbying, and political contributions support its stated policy positions.

Companies may engage in a number of political activities, within legal and regulatory limits, in order to support their preferred outcome on public policy matters material to their long-term strategies.[2]

These activities may include direct lobbying of government officials, public responses to proposed regulatory changes or legislation, and political contributions. Participation in industry and trade associations may also help companies to stay informed about developments likely to impact their industry.

These activities may create reputational risks when companies' stated policy positions and their corporate political activities seem misaligned. In our view, companies can, through their disclosures, help investors understand how their governance and oversight processes mitigate any material risks arising from their corporate political activities.

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 that aid understanding of the governance processes supporting board oversight of these activities, as well as the link between companies' stated strategic policy priorities and the approach taken to political activities, including participation in industry associations.

BIS may support a shareholder proposal requesting additional disclosure where increased transparency would help investors understand how a company's political activities support its stated strategic policy priorities or where there seem to be material inconsistencies between those policy priorities and the company's activities. In our voting analysis, BIS will review information disclosed by the company, as well as third-party research for industry peer comparison.[3]

1 Corporate political activities may include lobbying as defined by local regulations, engagement with public officials with the intent to influence legislation or regulation and activities related to the election of policymakers. **2** Regulations differ across markets. For example, in the U.S., while lobbying is constitutionally protected free speech under the First Amendment, federal law requires corporations register individual employees engaged in lobbying activity as lobbyists if they meet the standards under the Lobbying Disclosure Act of 1995 and disclose the corporation's expenses related to federal lobbying. Further, U.S. federal law prohibits corporations from making direct political contributions to candidates for federal office. However, corporations are permitted to make independent expenditures in support of a candidate and may establish a Political Action Committee (PAC) funded by voluntary contributions from a restricted class of eligible employees. Federal law requires campaigns, political party committees, and PACs to publicly report the identity of their contributors and contributions made by them. In addition to federal laws, there are also various state and local laws governing corporate contributions in those jurisdictions. Some states and localities also require additional company-specific filings. Local jurisdictions may set their own laws on what constitutes lobbying and is disclosed to relevant governments. **3** For example, the CPA-Zicklin Index of Corporate Political Disclosure and Accountability. The index, issued annually, is measures the performance of the largest U.S. public corporations in three areas: disclosure, company political spending decision-making policies, and board oversight and accountability policies. See "CPA-Zicklin Index: A Focus on Transparency" to learn more.

How we voted on shareholder proposals globally

BIS supported approximately 11% of shareholder proposals we voted on globally (99 out of a total 867) this proxy year, compared to ~9% (71 out of 811) in the prior proxy year, reflecting the continued poor quality of proposals put forward by shareholders.[1]

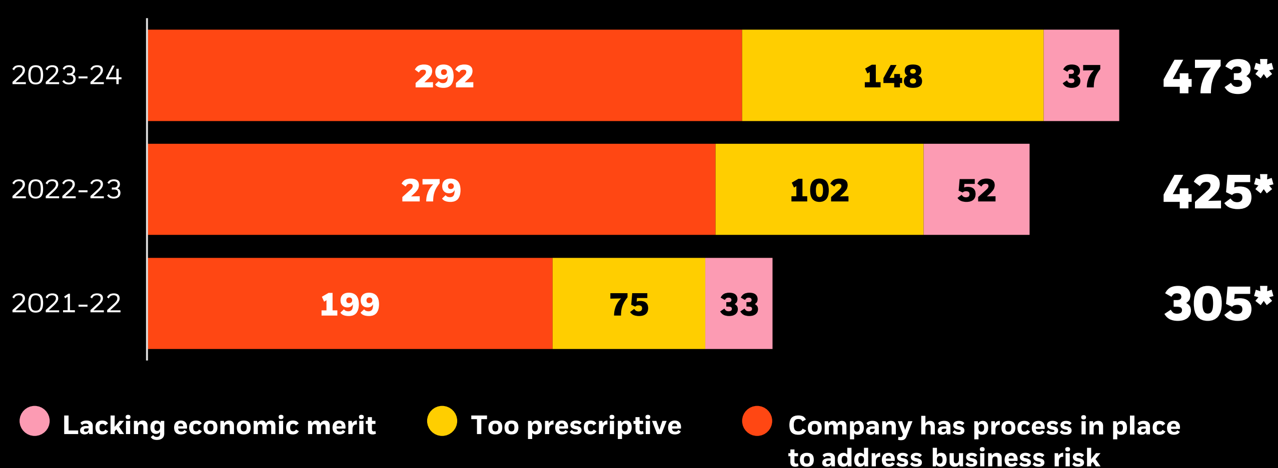
Consistent with last year, the greatest portion of proposals BIS supported addressed corporate governance matters. Our support for governance proposals increased relative to last year (79 against 41 in the prior year).[2] The proposals we supported sought to enhance minority shareholder' rights, for example, by introducing simple majority voting.

However, we still observed many poor-quality proposals come to a vote, particularly on proposals that attempted to address climate and natural capital or company impacts on people-related issues. Consistent with last year, we found the majority of proposals addressing these topics were overreaching, lacked economic merit, or sought outcomes that were unlikely to promote long-term shareholder value. A significant percentage were focused on business risks that companies already had processes in place to address, making them redundant (see figure 6). In addition, as described in the prior section, we saw a greater number of proposals seeking to roll back company efforts to address material sustainability-related risks. As a result, our support for proposals on climate and natural capital and company impacts on people that we voted on globally remained low at ~4% (20 out of 493).[3]

Figure 6

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

Measured in number of shareholder proposals BIS voted on globally



Source: BlackRock, ISS. Includes only climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Sourced on August 5, 2024 reflecting data by proxy year, i.e., running from July 1 through June 30 each year. 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 * 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 BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Support includes votes "for" and "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.**2** BlackRock, ISS. Sourced on August 5, 2024, reflecting data by proxy year, i.e., running from July 1 through June 30 each year. **3** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023 through June 30, 2024.

Shareholder proposals on governance issues

Governance-related shareholder proposals typically address matters affecting shareholder rights such as proposals to amend governance structures, as well as proposals on executive compensation or capital/share classification structures.[1] 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]

In the 2023-24 proxy year, BIS voted on 374 governance-related shareholder proposals. We supported 79 (~21%).[3]

The spotlights and company examples below illustrate BIS' approach to voting on recurring themes within governance-related proposals identified in the 2023-24 proxy year.

1 For example, amendments to a company's articles of incorporation (AOI), bylaws, constitution, or board committee charters. **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** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. Support includes votes "for" and "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.

Spotlight

Shareholder proposals to adopt a simple majority vote

BIS evaluates governance proposals on whether they protect and enhance the rights of minority shareholders, such as BlackRock's clients, and their potential to improve core governance practices that align with our clients' long-term financial interests as investors in these companies. In BIS' view, supermajority vote requirements disproportionately favor management in a way that may be counter to minority shareholders' interests.

BIS supported 32 out of 46 shareholder proposals asking U.S. companies to adopt a simple majority vote threshold.[1] Examples of supported proposals included at **Eversource Energy,** an energy provider, **IDEXX Laboratories, Inc.**, an animal-focused medical devices company, and **Revvity Inc.**, a health sciences solutions company. These proposals received more than 90% shareholder support.[2]

As stated in our regional voting guidelines for U.S. securities, BIS generally favors a simple majority voting requirement to pass proposals. Therefore, we will generally support the reduction or the elimination of supermajority voting requirements to the extent that we determine shareholders' ability to protect their economic financial interests is improved. Nonetheless, in situations where there is a substantial or dominant shareholder, supermajority voting may protect minority shareholder interests as broad-based shareholder support is necessary to make any changes. We may support supermajority voting requirements in those situations.

At the multinational oil and gas producer **ConocoPhillips'** May 2024 AGM, BIS supported a shareholder proposal requesting the replacement of supermajority voting requirements in favor of a simple majority threshold in compliance with applicable laws. The proposal was also supported by management and received ~99% investor support.[2]

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023 through June 30, 2024. **2** BlackRock, ISS.

Shareholder proposals tied to changes in governance structures

In certain markets in APAC, such as Australia, shareholder proposals seeking to amend a company's articles of incorporation (AOI), bylaws, constitution, or board committee charters are common.

As required under the Australia Corporations Act 2001, a resolution calling for an amendment to the company's constitution is first necessary to allow for the subsequent ordinary resolution(s). A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution.

At **National Australia Bank, Ltd.,** a banking and financial services company; **New Hope Corporation, Ltd.,** a diversified energy company; **Westpac Banking Corp.,** a banking and financial services company; and **Whitehaven Co., Ltd.**, a coal producer, shareholders submitted governance-related resolutions that requested the standard constitutional amendment to then mandate changes in the companies' transition plans or their capital expenditure and operations.

BIS is generally not supportive of constitutional amendment resolutions. Our concern is that the relative ease of filing resolutions may result in resolutions where the proponents' interests are not necessarily aligned with those of the broader shareholder base. Shareholder support for these resolutions ranged between 0.7% and 6%.[1]

In South Korea, while governance-related shareholder proposals requesting changes at the board level or in relation to the declaration of dividends far outweigh proposals to amend a company's AOI, we have observed a slight increase in the latter. For example, shareholder proposals at the semiconductor company **DB Hitek Co., Ltd. (DB Hitek)** and at the petrochemical company **Kumho Petro Chemical Co., Ltd. (Kumho)** requested amendments to the companies' AOI to then allow for the cancellation of treasury shares by shareholder vote. In BIS' view, capital management decisions, such as the management of treasury shares, fall under the strategic decision-making and oversight roles of management teams and boards. BIS did not support the proposals at either company, given they were unduly prescriptive and constraining on management. At DB Hitek, the proposal received ~16% investor support.[2] The proposal at Kumho was filed by the single largest shareholder and received ~26% support as a result.[3]

1 BlackRock, ISS. **2** DB Hitek. "Corporate Governance Report Disclosure." **3** Kumho Petrochemical. "Corporate Governance Report Disclosure."

Shareholder proposals to counter bylaw amendments

In anticipation of the U.S. SEC's universal proxy rule applicable to contested director elections after August 31, 2022, companies in the U.S. made bylaw amendments to "ensure that, from a procedural and mechanical perspective, the bylaws function properly in the case of contested election using a universal proxy card."[1]

Many of these bylaw amendments were procedural and administrative in nature, with no significant entrenchment impact. However, there were a few cases where these amendments had a strong potential to entrench the sitting board and dissuade shareholders from exercising the right to nominate directors. These amendments were sometimes made in the lead-up to a potentially contested shareholder meeting.

As a result, a new type of shareholder proposal became more prominent in 2023-24, calling for a company to roll back bylaw amendments made in the lead-up to a contested annual meeting.

These proposals were filed at multiple U.S. companies across sectors facing contested director elections, including **Crown Castle, Inc. (Crown Castle)**, **Norfolk Southern Corporation (NSC),** and **The Walt Disney Company (Disney)**. BIS did not support these shareholder proposals as, in each case, we did not observe management making bylaw amendments that would significantly increase the entrenchment of sitting directors. These shareholder proposals did not pass at Crown Castle (~9% shareholder support) and at Disney (~19% shareholder support).[2] The proposal was approved at NSC, receiving ~61% shareholder support.[2]

Shareholder proposals to review severance agreements

In the 2023-24 proxy year, shareholders filed proposals requesting specific modifications to compensation plan structures, including limits on severance or termination payments for outgoing executives. BIS is of the view that executive compensation matters should be left to company boards and management. Shareholders can formally convey any concerns regarding severance or termination payments for outgoing executives on management proposals to elect directors or approve compensation policies (see pages 41 for examples of our approach to voting on management proposed executive compensation items).

At **Labcorp Holdings Inc.'s** May 2024 AGM, the company's ballot included a shareholder proposal requesting that the board adopt a policy to seek shareholder approval any time a new or renewed executive pay package included severance or termination payments with an estimated value exceeding nearly three times the sum of the executive's base salary, plus their short-term bonus.[3]

In BIS' view, this proposal was overly prescriptive and not in the financial interests of shareholders, given that it could have a negative impact on the U.S.-based health care services company's ability to attract and retain executive talent. Furthermore, the proposal could create a misalignment between the company's executives and shareholders during special situations, such as a change-in-control transaction.[4] BIS did not support the proposal, which received ~7% investor support.[5]

1 White & Case. "Amending Bylaws and Charters to Address Universal Proxy, Shareholder Activism, and Officer Exculpation." June 1, 2023. **2** BlackRock, ISS. **3** Labcorp Holdings. "2024 Proxy Statement." **4** Change-in-control transactions include takeover and acquisitions, which can oftentimes feature special payments or benefits for executives. **5** BlackRock, ISS.

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Shareholder proposals on climate and natural capital

As an asset manager, 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. In this role, we find it helpful to hear from the companies in which we invest for our clients about the impact material climate-related risks and opportunities, including those related to the low-carbon transition, are expected to have on their long-term strategies and business models.

BIS engages with companies to better understand their approach to, and oversight of, material climate-related risks and opportunities. For companies with material natural capital-related impacts, we engage to learn how these are managed in the context of their business model and sector. Often these issues are interconnected as climate-related risks can impact natural capital, and vice versa in some instances. In the 2023-24 proxy year, BIS held 1,254 engagements with 1,059 companies on climate and natural capital.[1]

With regard to shareholder proposals addressing climate and natural capital-related risks and opportunities, a significant percentage were focused on business risks that companies already has processes in place to address, making them redundant. Many others requested actions or disclosures by a company that were not consistent, in our view, with our clients' long-term financial interests or that were too prescriptive or unduly constraining on management. In addition, we saw a greater number seeking to roll back company efforts to address material sustainability-related risks (see figure 6 on page 53).

As an asset manager, 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.

As a result, BIS supported four out of the 161 shareholder proposals on climate and natural capital that we voted on (~2.5%).[1] The four shareholder proposals we supported were all at U.S. companies: **Berkshire Hathaway, Inc.,** a multinational conglomerate holding company, and at restaurant chains **Denny's Corporation**, **Jack in the Box, Inc.**, and **Wingstop, Inc.** These proposals addressed, in our assessment, gaps in these companies' disclosures, which once addressed could support investor understanding of how they are managing material risks and opportunities in their business models. All shareholder proposals received between ~50% and ~55% shareholder support, except **Berkshire Hathaway, Inc.,** which received nearly 18% shareholder support.[2] Notably, given Berkshire Hathaway's dual class structure, the votes of minority investors, such as BlackRock, have a muted effect on the outcome of voting on business put to the AGM.

The below are some common themes in climate and natural capital-related shareholder proposals that BIS observed in the 2023-24 proxy year and how we determined our voting decisions on behalf of clients.

1 BlackRock. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **2** BlackRock, ISS.

Spotlight

Shareholder proposals focused on value chain and Scope 3 emissions reductions

As stated in BIS' commentary on climate-related risks and the low-carbon transition, we view Scope 3 greenhouse gas (GHG) emissions differently from Scopes 1 and 2, given methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct control by companies. We welcome disclosures and commitments companies choose to make regarding Scope 3 emissions as these help us evaluate companies' assessments of their emissions across their value chain, where appropriate, and their efforts to reduce them over time. We have observed a growing number of companies disclosing Scope 3 reduction targets and recognize that these disclosures are provided on a good-faith basis as methodology develops.

In the 2023-24 proxy year, some companies received overly prescriptive proposals requesting the adoption of Scope 3 emissions targets, and BIS did not support these. One such example was at the multinational oil and gas producer **Shell plc (Shell)**. The company's 2024 AGM included a shareholder proposal requesting it to "align its medium-term emissions reduction targets covering the GHG emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C."[1] In our view, the proposal was overly prescriptive and would contradict the Energy Transition Strategy 2024 put forward by the board and management team, which BIS supported (see page 37 for a description of this proposal). The shareholder proposal received ~19% support.[2]

Shareholder proposals on climate-related corporate political activities

From our observations during the 2023-24 proxy season, BIS noticed an increase in shareholder proposals related to corporate political activities, particularly those requesting more information to demonstrate alignment between a company's climate goals and their policy engagement efforts. Some proposals specifically called for companies to produce reports on their climate lobbying and related activities conducted through trade associations and coalitions.

At the April 2024 AGM of **PACCAR Inc.,** a U.S.-based designer and manufacturer of light-, medium- and heavy-duty trucks, a shareholder proposal requested an annual evaluation and report detailing how the company's lobbying and policy activities align with the goals of the Paris Agreement. BIS supported a similar shareholder proposal requesting a report on climate lobbying at the company's April 2023 AGM.[3] Our vote decision reflected the company's relative lack of disclosure regarding its lobbying and policy activities compared to that provided by peers. The proposal received ~46% support. Since then, PACCAR has been responsive to shareholder feedback and enhanced transparency in its publicly available reports.[4] As such, BIS did not support the proposal in 2024, which received ~29% investor support.[5]

While less common outside the U.S., we also observed that a few of these proposals were filed at companies in Japan. These proposals sought to amend companies' AOI as a first step to then seek more prescriptive and management constraining outcomes.

1 Shell plc. "Notice of Annual General Meeting." April 17, 2024. **2** BlackRock, ISS. **3** PACCAR, Inc. "Notice of Annual Meeting of Stockholders." March 15, 2023. **4** For more information, visit PACCAR Inc's "2024 TCFD – CDP Climate Annual Report" and "PACCAR SASB-ESG Report 2024." **5** BlackRock, ISS.

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In Japan, 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. For example, at the June 2024 AGMs of **Toyota Motor Corporation**, a multinational automotive manufacturer, and at **Nippon Steel Corporation,** a multinational steel producer, each company's ballot featured shareholder proposals that requested amendments to the company's AOI to then issue an annual report on the alignment with climate-related lobbying activities and the goals of the Paris Agreement. BIS did not support either proposal, given the overly prescriptive nature of each request. We also note that Toyota already publishes a report on climate-related lobbying.[1] Neither proposal passed, with one receiving ~9% investor support at Toyota and the other ~28% at Nippon Steel.[2]

Natural capital-related shareholder proposals

BIS observed a variety of shareholder proposals related to natural capital-specific issues in the 2023-24 proxy year, including requests for increased disclosure on water risks, plastics use, and sustainable material sourcing, among others.

In particular, we noticed that multiple U.S. companies across sectors received plastic-related shareholder proposals focused on topics like single-use plastic, plastic reduction, and circular packaging. Overall, these proposals received varying levels of support, ranging from ~4% to 29%, including at: **Amazon.com Inc.**, **Chevron Corporation**, **Constellation Brands, Dow Inc.**, **Exxon Mobil Corporation**, **The Hershey Company**, **Phillips 66**, **Tyson Foods**, and **Westlake Chemical**.[2] BIS did not support these proposals, largely due to the fact that most companies with material risks related to these issues already had enhanced disclosures and/or policies in place which sufficiently addressed the asks of the proponents.

A significant percentage of shareholder proposals were focused on business risks that companies already had processes in place to address, making them redundant. Others requested actions or disclosures that were inconsistent with our clients' long term financial interests, or that were too prescriptive or unduly constraining on management.

1 Toyota. "Toyota's Views on Climate Public Policies 2023." January 2024. **2** BlackRock, ISS.

Shareholder proposals on company impacts on people

Proposals related to company impacts on people represented approximately 38% of total shareholder proposals BIS voted on behalf of clients in the 2023-24 proxy year (332 out of 867). Most of them were submitted at U.S. companies, and a handful in Canada and EMEA.

The themes that were raised in these shareholder proposals included labor issues, human rights due diligence, supply chain management risks, Indigenous Peoples' rights, and the use of artificial intelligence, among others.

BIS supported 16 out of the 332 shareholder proposals we voted on (~5%), 14 at U.S. companies and two in EMEA.[1] While certain shareholder proposals may have been related to a material risk for a company, in our assessment, many of them sought an outcome that was already substantively addressed by the company's existing disclosures or not aligned with shareholders' long-term financial interests.

To understand the potential adverse impacts of a companies' operations, BIS may engage with boards and management teams. In our discussions, we seek to learn more about companies' approach to human capital management to ensure it has the workforce necessary for delivering long-term financial performance. We may also engage on material workforce-related risks and opportunities, and other potential company impacts.

In our discussions, we seek to learn more about companies' approach to human capital management and the effectiveness of corporate leadership in ensuring it has the workforce necessary for delivering long-term financial performance.

In many cases, these are multiyear engagements as ongoing discussions allow us to build mutual understanding with companies and inform our vote decisions on complex or emerging issues at a specific point in time.

In the 2023-24 proxy year, BIS held 1,398 engagements with 1,154 companies to learn how they are monitoring and managing their impacts on people.[2] Our engagements helped better inform our voting at the shareholder meetings of the 191 companies that included at least one shareholder proposal on these issues in this proxy year, globally.[3]

The following cases provide examples of trends observed and how we voted on shareholder proposals related to company impacts on people in the 2023-24 proxy year.

1 BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023 through June 30, 2024. **2** BlackRock. Sourced on August 5, 2024, reflecting data from July 1, 2023, through June 30, 2024. **3** BlackRock, ISS. Sourced on August 5, 2024, reflecting data from July 1, 2023 through June 30, 2024. 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

Shareholder proposals on potential corporate human rights risks

Unmanaged potential or actual adverse human rights issues can expose companies to significant legal, regulatory, operational, and reputational risks that may damage their standing with business partners, customers, and communities. Several common impacts may include fines and litigation, customers severing contracts, and workforce and supply chain disruptions. Long-term investors can benefit when companies implement processes to identify, manage, and prevent adverse human rights impacts that could expose them to material business risks, and provide robust disclosures on these processes. BIS does not seek to direct companies on how to manage corporate human rights risks. In our view, the responsibility for managing human rights issues – and all business practices – lies with the boards and management of companies and the governments that regulate them.

At the May 2024 AGM for **The Travelers Companies Inc.**, a U.S. insurance company, a shareholder proposal requested the publication of a report on how the company evaluates human rights risks and impacts and incorporates them in the underwriting process, specifically in relation to respecting the rights of Indigenous Peoples through Free, Prior, and Informed Consent (FPIC). BIS did not support the proposal as it was overly prescriptive. The proposal received ~15% investor support.[1]

In our view, the responsibility for managing human rights issues – and all business practices – lies with the boards and management of companies and the governments that regulate them.

Overly prescriptive shareholder proposals regarding companies' product strategy and impacts on consumers

In the 2023-24 proxy year, some shareholder proposals sought to address company impacts on people through shareholder-directed product strategy and sales decisions. Because these decisions would normally rest with company executives, BIS viewed the proposals as unduly constraining on the decision-making abilities of management.

At the April 2024 AGM of **Nestle SA's (Nestle)** a Switzerland-based food and beverage company, for example, the ballot featured a shareholder proposal requesting that the company amend its AOA and focus its business activities and products on healthy food items. Specifically, proponents wanted the company to add an article enhancing sustainability reporting that included the nutritional breakdown of Nestle's portfolio, and to set absolute and proportional targets for heathy food sales.[2]

BIS did not have concerns regarding the company's current level of disclosure associated with the nutritional value of its products and nutrition strategy. Since 2008, Nestle has been publishing its "Creating Shared Value and Sustainability Report," which includes detail surrounding how the company supports access to healthy food and sustainable food systems.[3] The report voluntarily exceeds the transparency levels provided by most of its competitors. This includes disclosure of information on the nutritional value of its portfolio.

BIS did not support the shareholder proposal because we found that amending the company's AOA was an unnecessarily prescriptive course of action, and in our view, the company currently has robust reporting related to its portfolio. Moreover, the strategic changes sought by the proponent (an increased focus on healthy products) are decisions best left to management's discretion. The proposal did not pass, receiving ~11% investor support.[1]

1 BlackRock, ISS. **2** Nestle. "Invitation to the Annual General Meeting 2024 of Nestlé S.A." March 19, 2024. **3** Nestle. "Creating Shared Value and Sustainability Report." 2023.

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Shareholder proposals requesting companies report on their use of artificial intelligence (AI)

Over the past year, more companies highlighted advancements in AI as both material drivers of opportunity and risk for their business. During the 2023-24 proxy year, BIS voted on several proposals requesting companies to report on, and assess the impact of, their use of AI. The level of reporting detail varied across these proposals. Some asked companies to report on their use of AI, while others requested reports focused on the risks of AI-generated misinformation and disinformation. A few others requested that a company establish a board-level committee to oversee AI-related risks and opportunities.

BIS supported one AI-related proposal at the June 2024 AGM of **Alphabet, Inc. (Alphabet)**, a multinational communications services company, which requested that the company conduct an independent human rights impact assessment (HRIA) related to AI-driven targeted ad policies. BIS supported this proposal, given that the independent HRIA would help investors understand the effectiveness of the human rights due diligence carried out by Alphabet in relation to this material operational risk. The proposal received ~19% shareholder support.[1] Investor sentiment could have appeared as muted given a multi-class ownership structure with unequal voting rights.[2]

During the 2023–24 proxy year, we noted an increase in proposals requesting companies to report on, and assess the impact of, their use of AI.

Common AI-related proposals:

- Requested companies report on their use of AI
- Requested reports focused on the risks of AI-generated misinformation and disinformation
- Requested that a company establish a board-level committee to oversee AI-related risks and opportunities

1 BlackRock, ISS.. **2** As discussed in our Global Principles, effective voting rights are a fundamental right of share ownership. In our experience, "one vote for one share" is a guiding principle that supports effective corporate governance. In principle, we disagree with the creation of a share class with equivalent economic exposure and preferential, differentiated voting rights. In 2021, BIS supported a shareholder proposal requesting a recapitalization plan for all stock to have one vote per share.

Shareholder proposals related to corporate political activities with potential societal impacts

As mentioned previously, there were more shareholder proposals focused on corporate political activities filed at U.S. companies this proxy year. Some of these proposals centered on enhanced reporting on political contributions and lobbying activities. Others went further and asked companies to examine the risks of association with specific organizations. In the 2023-24 proxy year, BIS followed the SEC's N-PX guidance in classifying these proposals as company impacts on people-related (social) proposals, except where they focused on climate-related risks. In these cases we classified them as climate and natural capital-related (environmental) proposals.[1,2]

An example of a request seeking enhanced reporting was submitted to a shareholder vote at **Charter Communications Inc.'s (Charter)** April 2024 AGM. The company's ballot featured two shareholder proposals requesting greater detail into the company's political activities. BIS supported both proposals. In past years, we have supported similar proposals at companies that provided limited disclosures, including at Charter. In January 2024, the company made certain disclosure enhancements, including publishing a political activities policy statement which addressed board oversight of political spending.[3] However, unlike many of the company's peers, Charter still did not offer reporting on lobbying and trade association payments.

Neither proposal passed, each receiving approximately 22% investor support. Investor sentiment could have appeared as muted given strategic shareholders own about 40% of outstanding shares.[4]

In contrast, at the U.S. semiconductor and manufacturing equipment provider **Applied Materials Inc.'s** March 2024 AGM, BIS did not support a shareholder proposal requesting a report on transparency in regard to lobbying payments and policy. BIS determined that the proponent's ask was already sufficiently met by the company's existing disclosures, evidenced by publicly available reports on the company's political contributions, in addition to policies in place demonstrating board oversight of lobbying and political activities.[5] The proposal did not pass, receiving ~17% investor support.[6]

Proposals that were less disclosure focused and instead asked companies to examine the risks of association with specific organizations were submitted to a shareholder vote at the 2024 AGMs of multiple U.S. companies across sectors, including **Levi Strauss & Co.**, **Mastercard Inc.**, **Mondelez International Inc.**, **Starbucks Corporation**, and **Warner Bros Discovery Inc.**

BIS did not support these proposals as in our independent assessment, we determined the companies already had policies in place to address the proponent's request or assessed the proposals to be prescriptive and unduly constraining on the decision-making of the board or management. These proposals received less than 2% shareholder support.[6]

1 In the case of shareholder proposals, the BIS taxonomy considers the full scope of the proposal's intent, as understood through the proponent's materials and public statements, to then categorize these under governance, climate and natural capital, or company impacts on people-related proposals. To provide an accurate year-on-year comparison, BIS reclassified several lobbying proposals that we had previously classified as governance-related in past proxy years as climate and natural capital or company impacts on people shareholder proposals in accordance with this methodology. **2** U.S. SEC. "Form N-PX: Annual Report of Proxy Voting Record General Instructions." **3** Charter Communications, Inc. "Political Activities Policy Statement." January 30, 2024. **4** ISS. ProxyExchange. 2024. **5** Applied Materials Inc. "Reports and Policies." 2024. **6** BlackRock, ISS.

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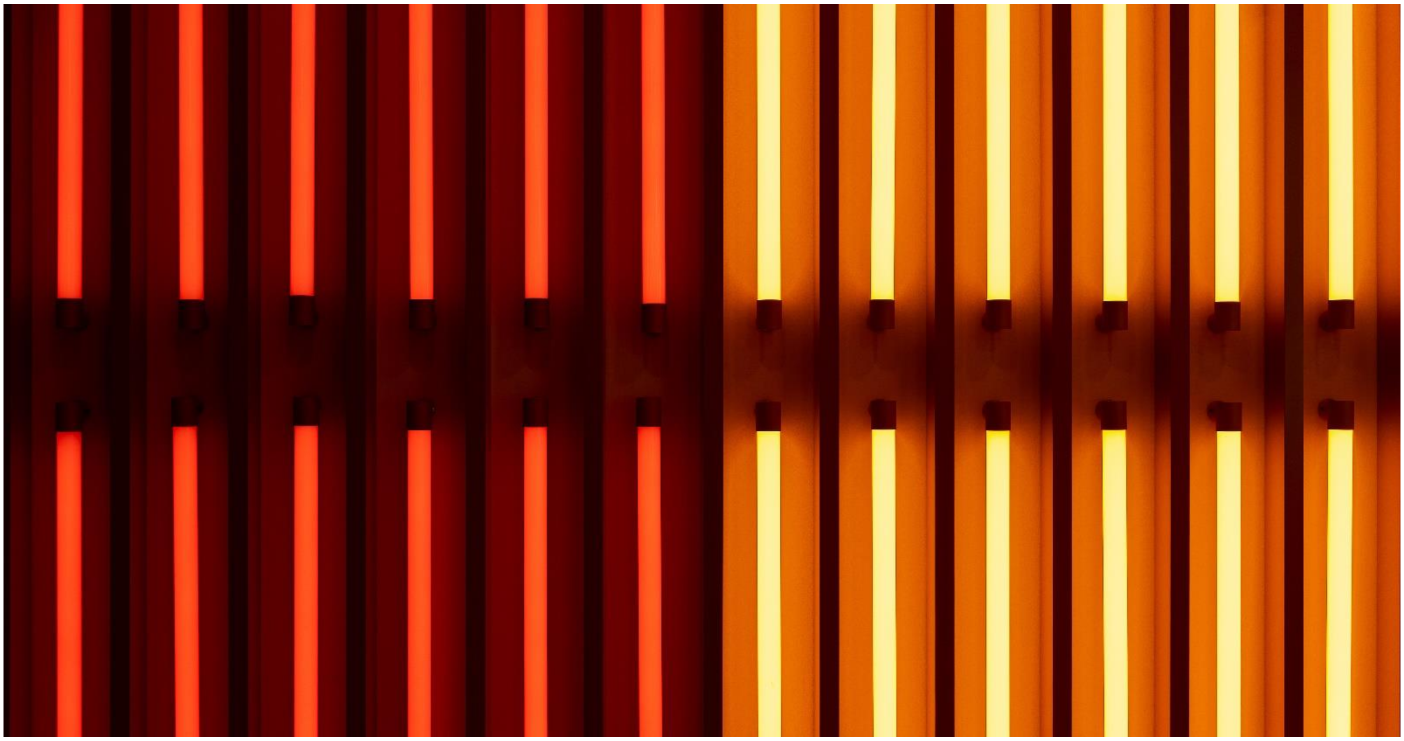
Parting thoughts

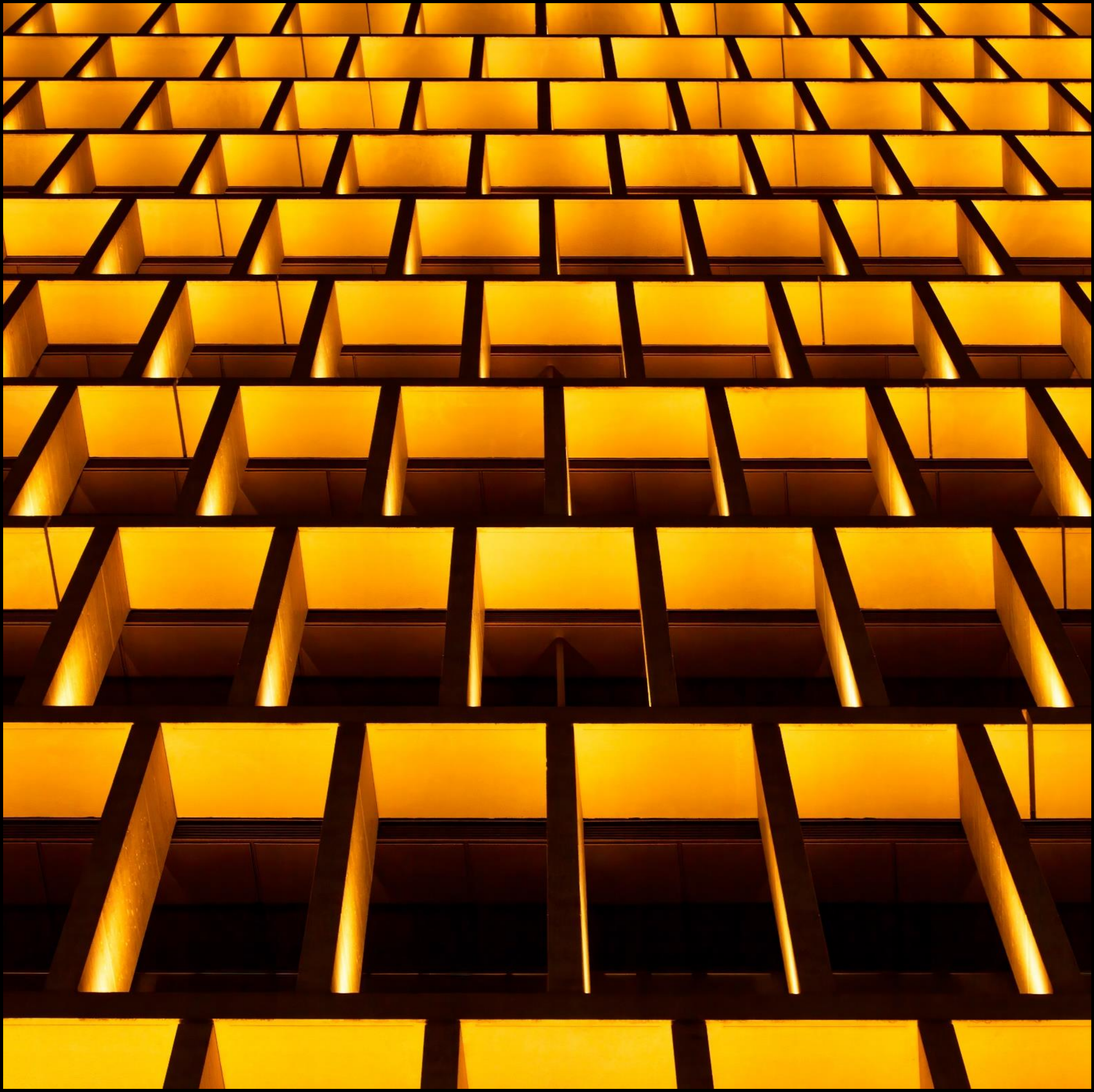
This report seeks to demonstrate how we undertake our engagement and voting activities on behalf of clients who have entrusted us with this important responsibility.

In the 2024-25 proxy year, we look forward to listening to, learning from, and engaging with, companies to promote effective corporate governance and to understand how they are managing material business risks and opportunities. Our discussions will continue to encompass our five engagement priorities.

We also remain committed to help our clients meet their long-term investing goals leveraging our firm's innovative capabilities, such as BlackRock Voting Choice and the recently announced Climate and Decarbonization Stewardship Guidelines.



Appendix



Appendix I

Voting statistics

		Americas	EMEA	APAC	Global total
Management proposals					
Director elections	Support management	26,624	13,765	26,358	66,747
	Not support management	2,101	2,271	2,980	7,352
Board-related	Support management	771	2,182	4,310	7,263
	Not support management	134	681	1,439	2,254
Compensation	Support management	5,274	5,622	5,279	16,175
	Not support management	562	1,554	1,418	3,534
Capital structure	Support management	1,363	7,407	8,649	17,419
	Not support management	98	341	1,186	1,625
Strategic transactions	Support management	472	1,318	3,921	5,711
	Not support management	20	142	1,090	1,252
Takeover defense	Support management	254	562	66	882
	Not support management	18	27	53	98
Auditor	Support management	4,407	3,319	2,576	10,302
	Not support management	1	252	36	289
Mutual funds	Support management	12	49	0	61
	Not support management	0	1	0	1
Climate and natural capital	Support management	2	26	3	31
	Not support management	0	0	0	0
Company impacts on people	Support management	14	494	24	532
	Not support management	0	69	18	87
Other	Support management	1,572	7,354	10,980	19,906
	Not support management	858	1,030	1,593	3,481

Source: BlackRock, ISS. Reflects BIS' proposal taxonomy. "Support" means BIS voted in alignment with management's voting recommendations. "Not support" means BIS voted different from management's voting recommendation. Sourced on August 5, 2024 reflecting data from July 1, 2023 through June 30, 2024.

Appendix I

Voting statistics

		Americas	EMEA	APAC ex Japan	Japan	Global total
Shareholder proposals						
Governance	Support management	231	213	178	225	847
	Not support management	47	25	8	22	102
Climate and natural capital	Support management	309	9	0	2	320
	Not support management	14	0	0	0	14
Company impacts on people	Support management	138	15	4	52	209
	Not support management	4	0	0	0	4
Board-related	Support management	74	193	329	2	598
	Not support management	12	66	1	0	79
Director elections	Support management	70	247	1,175	81	1,573
	Not support management	22	118	95	3	238
Other	Support management	10	59	81	1	151
	Not support management	4	42	37	0	83

Source: BlackRock, ISS. Reflects BIS' proposal taxonomy. "Support" means BIS voted in alignment with management's voting recommendations. "Not support" means BIS voted different from management's voting recommendation. Sourced on August 5, 2024 reflecting data from July 1, 2023 through June 30, 2024.

Appendix II
BIS proposal terminology explained

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 an 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 acquisition, and investment.

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

Appendix II

BIS proposal terminology explained

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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