



BlackRock Investment Stewardship

2022 Voting Spotlight

Key Takeaways



BlackRock Investment Stewardship (BIS), which manages more than \$10 trillion AUM (2021), published its '2022 Voting Spotlight' report in July 2022. The report provides an overview of its proxy voting and engagement from July 1, 2021, through June 30, 2022. Globally, BIS voted at more than 18,000 shareholder meetings and on more than 173,000 proposals (shareholder proposals represented less than 1% of total proposals) during the 2021-22 proxy year.

Engagements

BIS conducted a record-level of 3,690 total engagements through the year, with 2,460 unique companies. BIS engagement priorities focused on:

| Engagement Priorities | Number of Engagements |
|--|-----------------------|
| Board quality and effectiveness | 2330 |
| Strategy, purpose, and financial resilience | 2021 |
| Incentives aligned with value creation | 1350 |
| Climate and natural capital | 2060 |
| Company impacts on people | 1280 |

Voting Overview

Director elections

Globally, BIS voted in support of 90% of directors standing for election and supported management on all agenda items at 57% of shareholder meetings (same as last year). The leading reasons for not supporting director elections —and management proposals —were governance-related:

- Lack of board independence
- Lack of board diversity
- Directors having too many board commitments (over-boarding)
- Executive compensation not aligned with company strategy or long-term performance

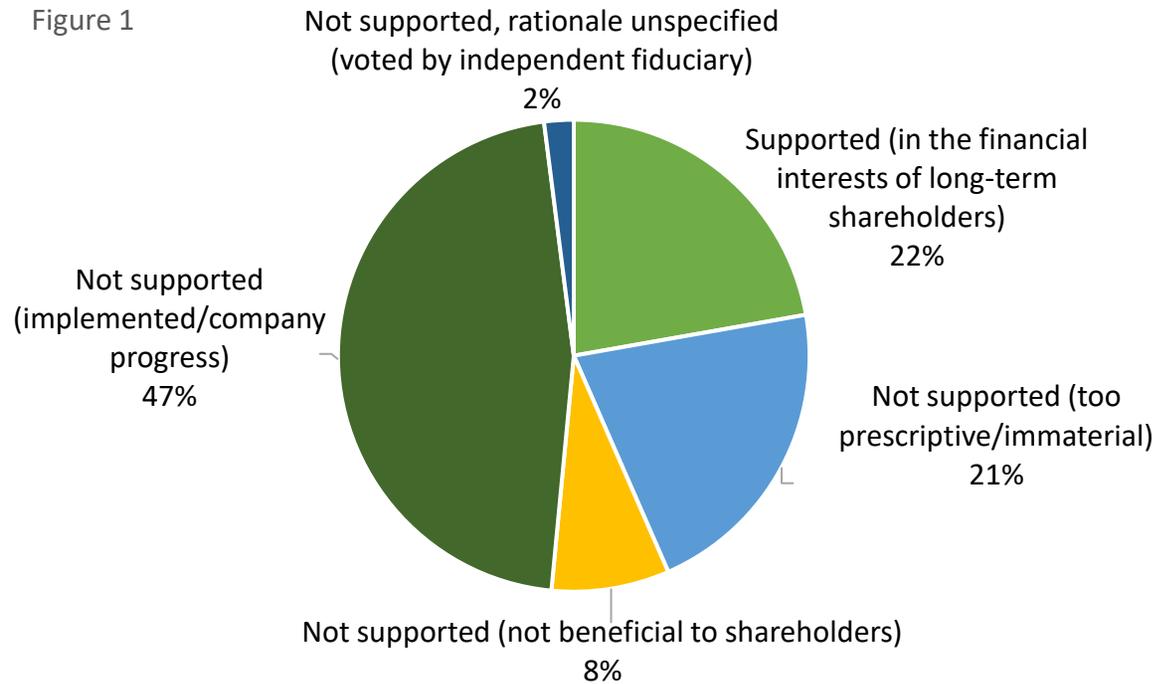
In the U.S., lack of board diversity was the top reason for not supporting directors during the 2021-22 proxy year despite overall improvement across the region in board diversity. In 2022, BIS updated its proxy voting guidelines for U.S. securities to signal that it looks for companies to have at least two women on their boards and at least one director who identifies as a member of an underrepresented group.

Climate Risk Disclosures and Engagement

BIS expects companies to align their reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) —including those disclosures relating to governance, strategy, and risk management. For completeness, BIS recommends including Scope 1 and 2 greenhouse gas (GHG) emissions metrics and meaningful short-, medium-, and long-term emissions reduction targets. BIS did not support 176 directors due to climate-related concerns (254 last year).

E&S Shareholder Proposals

Globally, BIS supported 22% of the environmental & social (“E&S”) shareholder proposals that it voted on (see Figure 1). BIS notes that many climate-related shareholder proposals sought to dictate the pace of companies’ energy transition plans, with little regard for company financial performance. BIS was also concerned that other proposals failed to recognize that companies had largely already met their previous proposal goals. Many of these more prescriptive proposals, particularly climate-related proposals, attracted lower levels of investor support more broadly.





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Voting Case Studies:

| Company | Issue | Action |
|-------------------------------------|---|--|
| Board Diversity | | |
| Charter Communications, Inc. | Board contained one woman out of 13 directors, representing less than 8% gender diversity | BIS did not support the Nominating and Governance Committee members |
| Garmin | Company had not refreshed its board, had failed to improve board composition and diversity | BIS did not support members of the Nominating and Governance Committee |
| Climate | | |
| Atmos Energy Corporation | Company had not made progress on TCFD-aligned reporting; not disclosed its GHG emissions, scenario analysis, or forward looking GHG reduction targets | BIS did not support the re-election of the Chair of the Corporate Responsibility, Sustainability and Safety Committee |
| Costco Wholesale Corporation | Company published new quantitative targets for GHG emission reductions just one week before the 2022 AGM | BIS supported re-election of the board chairman and did not support a shareholder proposal seeking SBTi participation due to the updated disclosures |
| Shareholder proposals | | |
| Amazon.com, Inc. | Company had not disclosed the amount of plastic used, making it difficult to evaluate this risk | BIS supported a shareholder proposal requesting the board issue a report on how it will reduce plastic use |
| XPO Logistics | Company had identified DEI as a priority but failed to publish comprehensive targets or results amid numerous lawsuits | BIS supported a shareholder proposal seeking a third-party civil rights audit |

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