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The Big Three & ESG:
A Guide to BlackRock, State Street &
Vanguard Proxy Voting Policies &
Guidance on Key ESG Issues

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Public Company
Advisory Group

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INTRODUCTION

The “Big Three” institutional investors, BlackRock, State Street Global Advisors and Vanguard, recently released 2024 proxy voting policies and related guidance applicable to US companies. Companies are well-advised to review these policies and guidance in planning for engagement with the Big Three throughout the year and as the proxy season wraps up, and in considering environmental, social and governance (ESG) disclosures going forward.

In this Guide, we:

- Provide ESG-focused practical guidance for public companies to consider in light of these policies and guidance. See also our alert, [Heads Up for the 2024 Proxy Season: Key Corporate Governance, Disclosure and Engagement Topics](#).
- Identify changes to the proxy voting policies and guidance of the Big Three on ESG topics for 2024.
- Summarize the expectations of the Big Three as to company practices and disclosures around selected ESG topics, and highlight where failing to meet expectations may result in votes against directors.

Links to the proxy voting policies and guidance are included at the end of this Guide.

PRACTICE POINTERS


- **Refine Approach to Shareholder Engagement.** Companies should review agendas and goals for engagement meetings with the Big Three, to ensure they reflect shareholder engagement priorities and can address as appropriate areas where the company may not be currently meeting expectations. Companies should ensure that directors and senior management participating in engagement meetings are well-briefed on material ESG-related risks and opportunities, current disclosures and practices relating to ESG topics, and do's and don'ts of shareholder engagement.
- **Identify Vulnerabilities.** Companies should review their disclosures and practices in light of the Big Three's policies and guidance, to help identify where one or more of the Big Three may vote against directors and/or support shareholder proposals. Companies may work with proxy solicitors to determine the expected support of the Big Three and other major shareholders on ballot items, as well as the expected recommendations of proxy advisory firms. To reduce the risk of significant votes against directors, companies should assess director vulnerabilities and may wish to conduct additional shareholder outreach.
- **Refresh Materiality Analysis as to ESG-Related Risks and Board Oversight.** Given significant recent ESG developments, companies should refresh their materiality analysis relating to ESG-related risks, and how ESG-related risks are integrated into the company's enterprise risk management framework that facilitates risk identification, assessment, mitigation and monitoring. Companies should also review how the board provides oversight of material ESG-related risks and opportunities, and how this is reflected in board committee charters and related disclosure.
- **Enhance Practices and Disclosures if Appropriate.** Companies should confirm that the ESG narrative is cohesive across Securities and Exchange Commission (SEC) filings, sustainability reports, company websites and other materials. To better reflect Big Three expectations, in planning ESG disclosures for the year ahead, companies may consider refining disclosure on certain ESG topics, for example:
 - Refresh risk factor disclosure relating to material ESG topics, as well as forward-looking statement disclaimers
 - Expand proxy statement disclosure of board oversight of material ESG-related risks and opportunities (see discussion in our [alert](#))
 - Enhance board diversity disclosure
 - Disclose the company's policy on director time commitments
 - Post the company's most recent EEO-1 survey response to the website and/or integrate it into the sustainability report
 - Prepare for compliance with SEC and California climate disclosure rules, where applicable (discussed in our alerts, [here](#) and [here](#), respectively)

- For companies that have provided climate-related risk disclosure in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework, review disclosure in light of new International Sustainability Standards Board (ISSB) standards





BIG THREE: 2024 ESG POLICY CHANGES

ESG Topic	2024 ESG Policy Change
All	<ul style="list-style-type: none"> State Street centralized its standalone policies for specific markets and environmental and social factors into a single Global Proxy Voting and Engagement Policy.
Board Diversity	<ul style="list-style-type: none"> <u>S&P 500</u>: State Street continues to require S&P 500 boards to have at least one director from an underrepresented racial/ethnic community, but new for 2024, it now specifies that it may waive voting against the nominating chair if the company provides a specific timebound plan to elect such a director.
Director Time Commitments / Overboarding	<ul style="list-style-type: none"> <u>S&P 500</u>: As previewed last year, starting in 2024, State Street will vote against nominating committee chairs at S&P 500 companies that do not disclose their policy on director time commitments or do not commit to doing so within a reasonable timeframe. The policy or associated disclosure must include: <ul style="list-style-type: none"> Description of the annual review process undertaken by the nominating committee to evaluate director time commitments Numerical limit(s) on public company board seat(s) the company’s directors can serve on.
Climate Risk-Related Disclosure	<ul style="list-style-type: none"> <u>All companies</u>: BlackRock has moved away from “energy transition” nomenclature, now using “low-carbon transition.”
Human Capital Management / Workforce Diversity, Equity and Inclusion	<ul style="list-style-type: none"> <u>All companies</u>: BlackRock policy no longer states that it may vote against members of the appropriate committee if disclosures or practices fall short relative to the market or peers, or BlackRock is unable to ascertain board and management effectiveness in overseeing human capital-related risks and opportunities; Vanguard policies no longer explicitly discuss oversight of material human rights risks. <u>All companies that use concealment clauses</u>: State Street policy no longer specifies its expectation that all companies that use concealment clauses describe concealment clauses used (e.g., arbitration, non-disclosure, non-disparagement) in employment and post-employment agreements for direct and contract employees globally, carveouts, and the board’s role in overseeing use of concealment clauses.
Political Contributions, Lobbying & Trade Association Memberships	<ul style="list-style-type: none"> <u>All companies</u>: BlackRock has removed its commentary on corporate political activity from the investment stewardship section of its website.
ESG Metrics in Compensation	<ul style="list-style-type: none"> <u>All companies</u>: Vanguard has provided more granular information about its expectations when ESG metrics are included in compensation plans.

SUMMARY OF BIG THREE PROXY VOTING POLICIES AND KEY GUIDANCE ON SELECTED ESG ISSUES

The chart below summarizes the expectations of BlackRock, State Street and Vanguard as to US company practices and/or disclosures relating to selected ESG topics, as described in proxy voting guidelines and related guidance in effect for the 2024 proxy season. These expectations guide Big Three engagement with companies on material issues as well as voting on directors and relevant shareholder proposals (e.g., proposals calling for particular disclosure on an ESG topic). The chart also highlights (with a ) where failure to meet expectations may result in votes against directors, as described in the relevant proxy voting guidelines and/or guidance.

While the Big Three provide specific guidance in proxy voting policies about the disclosures they expect to see on a range of ESG topics, they do not specify when or where this disclosure should be provided (e.g., ESG report, publicly available policy, company website, SEC filing), except that BlackRock encourages companies to provide sustainability-related disclosures sufficiently in advance of the annual meeting so that disclosures can be considered in relevant vote decisions.

ESG Topic	BlackRock	State Street	Vanguard
Board Diversity	<ul style="list-style-type: none"> <u>All companies</u> to aspire to at least 30% diversity of membership, including at least two women and one director who identifies as a member of an underrepresented group (based on race/ethnicity, sexual orientation, national, religious or cultural identity, veteran status and/or disability); <u>S&P 500</u> companies encouraged to lead in achieving this Disclose how diversity is considered in board composition, in light of long-term strategy and business model, how directors' professional characteristics are complementary and link to the company's long-term strategy, and process by which director candidates are identified including whether a diverse slate of nominees is considered for all nominations Disclose demographic diversity (including gender and race/ethnicity) on aggregate basis  Will vote against members of the nominating/governance committee when a company has not adequately explained its approach to board diversity 	Gender Diversity <ul style="list-style-type: none"> <u>Listed company</u> boards to have at least one female director <u>Russell 3000</u> boards to have at least 30% female directors <u>Russell 1000</u> companies to disclose board composition in terms of gender (can be aggregate-level or individual-level)  May vote against nominating committee chair if threshold not met or disclosure not provided  After 3 consecutive years, may vote against entire nominating committee  May waive 30% voting guideline if company provides specific timebound plan to reach threshold Racial/Ethnic Diversity <ul style="list-style-type: none"> <u>S&P 500</u> boards to have at least one director from an underrepresented racial/ethnic community <u>Russell 1000</u> companies to disclose board composition in terms of race/ethnicity (can be aggregate-level or individual-level) 	<ul style="list-style-type: none"> <u>All companies</u>: Board should at a minimum represent diversity of personal characteristics inclusive of at least gender and race/ethnicity diversity Disclose: <ul style="list-style-type: none"> Directors' personal characteristics (including gender and race/ethnicity) on a self-identified basis (can be aggregate-level or individual-level) Board's intended composition strategy (including any targets) Will generally vote against nominating and/or governance committee chair or another relevant director if, absent compelling reason, board is not taking action to achieve board composition that is appropriately representative

ESG Topic	BlackRock	State Street	Vanguard
		<ul style="list-style-type: none"> ⚠ May vote against nominating committee chair if threshold not met or disclosure not provided ⚠ May waive voting guideline if company provides specific timebound plan to reach threshold <p>Board Diversity Goals & Strategy</p> <ul style="list-style-type: none"> • <u>All companies</u> to articulate goals and strategy related to board diversity (gender and race/ethnicity, at a minimum) including how the board reflects the diversity of the company’s workforce, community, customers and other key stakeholders 	
<p>Director Time Commitments / Overboarding</p>	<ul style="list-style-type: none"> • <u>NEO or executive chair of a public company</u>: No more than two public company boards • <u>Directors</u>: No more than four public company boards • Chair of European listed company board counts as two board commitments ⚠ May vote against a director who exceeds limit on number of board mandates 	<ul style="list-style-type: none"> • <u>S&P 500 companies</u>: Disclose director time commitment policy (in corporate governance guidelines, proxy statement and/or company website), which must: <ul style="list-style-type: none"> ○ Describe the nominating committee’s annual review process undertaken to evaluate director time commitments and ○ Numerical limit(s) on public company board seat(s) the company’s directors can serve on • <u>Non S&P 500 companies</u>: Limits apply: <ul style="list-style-type: none"> ○ NEO of a public company: No more than two public company boards ○ Non-executive board chair or lead independent director: No more than three public company boards ○ Director nominees: No more than four public company boards • Service on the board of a SPAC, mutual fund board or UK investment trust not considered when evaluating directors for excessive commitments, but should be considered by nominating committees when evaluating director time commitments ⚠ <u>S&P 500 companies</u>: May vote against nominating committee chair if no disclosure of 	<ul style="list-style-type: none"> • <u>NEO of a public company</u>: No more than two public company boards (NEO’s home board plus one, or two boards if NEO does not serve on home board) • <u>Director nominees</u>: No more than four public company boards • <u>All companies</u>: Adopt an overboarding policy and disclose board oversight of policy implementation (including frequency of policy review and rationale for nominations exceeding limits) ⚠ Will generally vote against a director who exceeds limit on number of board mandates; votes against such a director at each company except the home board (for an NEO) and companies where the director serves as board chair or lead independent director (for other director nominees) ⚠ May consider waiving under company-specific facts (including indications that the director will have sufficient capacity to fulfill responsibilities and/or a review of the full board’s skill and diversity composition), or if director has publicly committed to reducing directorships

ESG Topic	BlackRock	State Street	Vanguard
		<p>company policy on director time commitments that complies with State Street’s requirements; may consider waiving if company has committed to adopting a compliant policy within a reasonable timeframe</p> <p>⚠ Non-S&P 500 companies: May vote against a director who exceeds limit on number of board mandates; may consider waiving if director is imminently leaving a board and this is disclosed in a written and timebound manner</p>	
Independent Board Leadership	<ul style="list-style-type: none"> • <u>All companies:</u> Supports independent leadership in the boardroom (independent chair or lead independent director with specific disclosed responsibilities) • Defers to the company’s board as to its leadership structure to ensure adequate balance and independence, absent significant governance concerns <p>⚠ May vote against most senior non-executive member of the board when appropriate independence is lacking in designated leadership roles</p>	<ul style="list-style-type: none"> • <u>S&P 500</u> boards to have separate Chair/CEO or lead independent director <p>⚠ May vote against nominating committee chair or members at S&P 500 companies that have Chair/CEO and no lead independent director</p>	<ul style="list-style-type: none"> • <u>All companies:</u> Supports independent leadership in the boardroom (independent chair or lead independent director with robust authority and responsibilities) • Defers to the company’s board as to its independent leadership, absent significant governance concerns such as: <ul style="list-style-type: none"> ○ Lack of robust lead independent director role ○ Lack of accessibility of shareholders to independent directors ○ Low overall board independence ○ Governance structural flaws (such as dual-class shares, non-independent members on key committees) ○ Lack of responsiveness to shareholders ○ Oversight failings (could include failure to provide appropriate oversight and/or evidence of failure to oversee material or manifested risks including environmental or social risks)
Board Oversight of ESG Risks & Opportunities	<ul style="list-style-type: none"> • <u>All companies:</u> Disclose oversight of material sustainability-related risks; BlackRock encourages transparency around risk management, mitigation and reporting to the board, to give a sense of long-term 	<ul style="list-style-type: none"> • <u>All companies:</u> Disclose how the board provides effective oversight of its risk management system and risk identification, including committee oversight of specific risks and opportunities, topics overseen at the full board level, use of 	<ul style="list-style-type: none"> • <u>All companies:</u> Provide effective board oversight of material risks, including identifying, monitoring and managing material risks and business practices, including material environmental and social risks

ESG Topic	BlackRock	State Street	Vanguard
	<p>risk management practices and the quality of the board’s oversight</p> <ul style="list-style-type: none"> BlackRock reviews board approach to overseeing material sustainability-related risks (such as human capital management and human rights) including whether a specific committee has oversight responsibility, and the type and frequency of information reviewed by the board/committee including measures of progress in management’s strategy Describe board oversight of climate-related risks and opportunities and management’s role in assessing and managing these risks and opportunities <p>⚠️ Will consider voting against members of the responsible committee or most relevant directors who BlackRock determines have particular responsibility for material sustainability-related issues if the company has not adequately disclosed and demonstrated that the board has fulfilled its risk oversight responsibility for those issues</p>	<p>KPIs/metrics to assess effectiveness of risk management processes, engagement with key stakeholders including employees and investors, and how management is held accountable and ensures effective leadership through periodic reviews and training</p> <ul style="list-style-type: none"> Manage risks and opportunities that are material and industry-specific and that have a demonstrated link to long-term value creation, and provide high-quality disclosure of this process Disclose against the four pillars of the TCFD (described below under climate risk-related disclosure) Considers whether directors have adequate skills to provide effective oversight of corporate strategy, operations, and risks, including sustainability-related issues <p>⚠️ May vote against directors responsible if fail to implement and communicate effective oversight of risks and opportunities the company has deemed to be material to its business or operations</p> <p>⚠️ May vote against S&P 500 directors if fail to provide sufficient disclosure regarding board oversight of climate-related risks and opportunities; may waive if company engages with State Street and provides a specific, timebound plan for providing the expected disclosures</p> <p>⚠️ May vote against directors due to failure to demonstrate effective oversight in following areas for relevant companies:</p> <ul style="list-style-type: none"> Governance Climate risk management at companies in carbon-intensive industries or companies receiving shareholder proposals that exhibit significant misalignment with State Street’s TCFD disclosure assessment criteria 	<ul style="list-style-type: none"> Disclose board processes for overseeing and mitigating material risks (including climate, human capital, DEI and other social risks), including: <ul style="list-style-type: none"> Assignment of responsibilities to committees/full board Qualitative disclosures of governance and risk management processes Disclosures in line with ISSB framework Board competence as to material climate-related risks, including directors with relevant experience, diverse backgrounds/perspectives and ongoing education To assess climate risk oversight failure, funds consider: <ul style="list-style-type: none"> Materiality of the risk Effectiveness of disclosures to enable the market to understand and price the risk Disclosed business strategies including reasonable risk mitigation plans in the context of the anticipated regulatory requirements and changes in market activity in line with the Paris Agreement (or subsequent agreements) Company-specific context, market regulations, and expectations Board’s overall governance of and effective independent oversight of climate risk <p>⚠️ Will generally vote against relevant committee members and other relevant directors if board has failed to effectively identify, monitor and ensure management of material risks and business practices under its purview (or against lead independent director and/or chair if risk does not fall under the purview of a particular committee)</p>

ESG Topic	BlackRock	State Street	Vanguard
<p>Use of ESG Disclosure Frameworks</p>	<ul style="list-style-type: none"> • <u>All companies</u>: ISSB standards provide companies with a useful guide to preparing disclosures that cover governance, strategy, risk management, and metrics and targets, including industry-specific metrics, and can demonstrate a resilient business model • May disclose any material supranational standards adopted • Recommendations of Taskforce on Nature-related Financial Disclosures (TNFD) may be useful to some companies • Disclose adherence to applicable mandatory and voluntary frameworks relating to human rights (e.g., the UN Guiding Principles on Business and Human Rights (UN Guiding Principles), OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines), UN Global Compact, UN Sustainable Development Goals, the EU Corporate Sustainability Reporting Directive and relevant Modern Slavery Acts, among others) <p>See below relating to climate risk-related disclosure</p>	<ul style="list-style-type: none"> ○ Human capital management, at largest global holdings (not specified) <ul style="list-style-type: none"> • <u>All companies</u>: Provide disclosures in accordance with four pillars of TCFD framework (described below under climate risk-related disclosure) <p>See below relating to climate risk-related disclosure</p>	<ul style="list-style-type: none"> • <u>All companies</u>: Environmental and social disclosures to align with widely accepted investor-oriented frameworks endorsed or referenced by Vanguard (e.g., ISSB) <p>See below relating to climate risk-related disclosure</p>
<p>Climate Risk-Related Disclosure</p>	<ul style="list-style-type: none"> • <u>All companies</u>: Provide disclosures that cover governance, strategy, risk management, and metrics and targets, including industry-specific metrics, and can demonstrate a resilient business model; ISSB standards provide a useful guide; for companies reporting using standards other than ISSB, highlight the metrics that are industry- or company-specific 	<ul style="list-style-type: none"> • <u>All companies</u>: Provide disclosure in accordance with four pillars of the TCFD framework: <ul style="list-style-type: none"> ○ Governance: Describe board’s oversight of, and management’s role in, assessing and managing climate-related risks and opportunities ○ Strategy: Describe identified climate-related risks and opportunities and impact of these on business, strategy and financial planning 	<ul style="list-style-type: none"> • <u>All companies</u>: Environmental and social disclosures to align with widely accepted investor-oriented frameworks endorsed or referenced by Vanguard (e.g., ISSB) and market norms, and reflect industry-specific, materiality-driven approach; where climate-related risks are material to the company, disclose: <ul style="list-style-type: none"> ○ Material financial climate-related risks

ESG Topic	BlackRock	State Street	Vanguard
	<ul style="list-style-type: none"> ○ To the extent that companies do not provide reporting aligned with the ISSB standards and have material climate and low-carbon transition risk in their business models, provide fulsome explanation of how they have assessed and integrated the risks and opportunities they have identified (e.g., how they are allocating capital and evaluating investment opportunities as a result of the low-carbon transition) ○ Provide sustainability-related disclosures sufficiently in advance of the annual meeting so that disclosures can be considered in relevant vote decisions ● Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term (taking into account industry specific factors and where in a company’s value chain risks and opportunities may lie) ● Disclose strategies in place to manage material risks to and opportunities for the long-term business model associated with a range of climate-related scenarios, including a 2°C or lower scenario ● Describe processes for identifying and assessing climate-related risks and opportunities (including data upon which the company relies, assumptions made and any changes over time) ● Disclose the metrics used to assess climate-related risks and opportunities in line with strategy and risk management process; disclose short-, medium-, and long-term targets, ideally science-based targets where available for the company’s sector, for 	<ul style="list-style-type: none"> ○ Risk Management: Describe processes for identifying, assessing and managing climate-related risks and describe how these processes are integrated into overall risk management ○ Metrics and Targets: Disclose metrics and targets used to assess and manage climate-related risks and opportunities; TCFD recommends disclosing Scope 1, Scope 2 and, if appropriate, Scope 3 emissions; expect companies to identify and disclose the most relevant categories of Scope 3 emissions per Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, or if Scope 3 impracticable to estimate, encourage companies to explain these limitations; encourage disclosure on efforts to address Scope 3 emissions in line with TCFD such as engagement with suppliers, customers or other stakeholders across the value chain, where relevant ● Companies not required to adopt net zero ambitions or Scope 3 targets ● <u>Companies that have not adopted net zero ambitions</u>: Explain how the company measures and monitors progress on managing climate-related risks and opportunities in line with TCFD recommendations ● <u>Companies that have adopted a climate transition plan and/or net zero ambitions</u>: Disclose (assessment of criteria may vary to account for best practices in specific industries): <ul style="list-style-type: none"> ○ Long-term climate ambitions ○ Short and/or medium-term interim climate targets ○ Alignment of climate targets with relevant jurisdictional commitments, specific 	<ul style="list-style-type: none"> ○ Scope 1 and Scope 2 emissions data, and Scope 3 emissions data in categories ○ Assessment of a changing climate’s impact on the company, including appropriate scenario analysis and related impacts on strategic planning ○ Goals and targets, performance metrics and progress against strategies and targets; may include goals related to Paris Agreement <p>See above relating to board oversight of ESG</p>

ESG Topic	BlackRock	State Street	Vanguard
	<p>Scope 1 and 2 GHG emissions reductions (Scope 3 emissions viewed differently), and demonstrate how targets are consistent with long-term financial interests of shareholders; disclose execution against stated emissions goals and other climate-risk related efforts (and reasons for any deviations from goals) and where available, transition plan; disclose how any carbon credits will be used to meet GHG emissions reduction targets</p> <ul style="list-style-type: none"> • <u>Companies whose strategy is heavily reliant on availability of natural capital, or whose supply chains are exposed to locations with nature-related risks</u>: Disclose how reliance and impact on and use of natural capital (focusing on land use and deforestation, water, and biodiversity) is managed, including appropriate risk oversight and relevant metrics and targets, to understand how factors are integrated into strategy, and where appropriate, evaluation of the business impacts of potential, or unpredictable, changes in the availability of critical natural resources; disclose corporate policies and supply chain due diligence and compliance processes, material investments in strategic initiatives or R&D relating to natural capital dependencies and impacts, community engagement efforts, and third-party assessments of natural capital-related risks; additional disclosures expected for companies in the palm oil industry; TNFD framework may be helpful including disclosure metrics where relevant to the company’s business model or location it operates in <p>⚠ How companies are integrating material sustainability risks and opportunities</p>	<p>temperature pathways, and/or sectoral decarbonization approaches</p> <ul style="list-style-type: none"> ○ As recommended by TCFD, approach to identifying and assessing climate-related risks and opportunities; resilience of company’s strategy, taking into consideration a range of climate-related scenarios; Scope 1, Scope 2 and relevant categories of Scope 3 emissions and any assurance ○ Decarbonization strategy including plans and actions to support stated climate targets and ambitions; emissions management efforts within company operations and across the value chain; any carbon offsets utilization; role of climate solutions such as carbon capture and storage; any potential social risks and opportunities related to climate transition plan ○ Capital allocation including integration of climate considerations in financial planning; total actual and planned capital deployed toward climate transition plan; approach to assessing and prioritizing investments toward climate transition plan ○ Climate policy engagement including position on climate-related topics relevant to decarbonization strategy; assessment of stated positions on relevant climate-related topics versus those of associations and other policy-influencing entities to which the company belongs, and any efforts taken to address misalignment ○ Climate governance including board and management roles in overseeing climate transition plan ○ Physical risk including assessment of climate-related physical risks and approach to managing identified climate-related physical risks 	

ESG Topic	BlackRock	State Street	Vanguard
	<p>across their business and strategic, long-term planning is relevant to voting on director elections (but specific triggers not identified)</p> <p>See above relating to board oversight of ESG</p>	<ul style="list-style-type: none"> ○ Internal and external stakeholder engagement related to climate transition plan ● <u>Companies in carbon-intensive industries:</u> Disclose interim GHG reduction targets to accompany long-term climate ambitions, scenario-planning on relevant risk assessment and strategy planning processes (per TCFD recommendations; State Street is not prescriptive as to scenario selection), incorporation of climate considerations in financial planning and/or capital allocation decisions, and Scope 1, 2 and relevant categories of Scope 3 GHG emissions ● <u>Companies that have determined biodiversity, deforestation, water management, wastewater management, plastics and packaging, waste management or product lifecycle represent a long-term risk and/or opportunity to their business and/or operations:</u> Disclosure in alignment with four pillars of TCFD framework (see above); State Street may review the company’s disclosure against industry and market practice (e.g., peer disclosure, relevant frameworks, relevant industry guidance) ● <u>Companies that operate oil and gas assets:</u> Describe methane emissions detection and monitoring efforts; efforts to enhance measurement, reporting and verification; strategy to manage methane emissions and methane-related metrics and targets utilized <p>⚠ May vote against directors at S&P 500 companies where those directors fail to provide sufficient disclosure regarding (1) board oversight of climate related risks and opportunities; (2) total direct and indirect GHG emissions (Scope 1 and Scope 2); (3) climate-related targets, in accordance with the TCFD framework; may waive if company engages with</p>	

ESG Topic	BlackRock	State Street	Vanguard
		<p>State Street and provides a specific, timebound plan for providing the expected disclosures</p> <p>⚠ May vote against directors due to failure to demonstrate effective oversight of climate risk management at companies in carbon-intensive industries or companies receiving shareholder proposals that exhibit significant misalignment with State Street’s TCFD disclosure assessment criteria</p> <p>See above relating to board oversight of ESG</p>	
<p>Human Capital Management / Workforce Diversity, Equity and Inclusion</p>	<ul style="list-style-type: none"> • <u>All companies</u>: Demonstrate a robust approach to human capital management including disclosure of how approach aligns with strategy and business model • Disclose approach to DEI, workforce demographics (baselined by responses to EEO-1 survey) and most relevant human capital management factors for the company’s business (e.g., approach to workplace safety, compensation, benefits, talent development, and performance management) • Material workforce-related risks and opportunities may include how business practices foster a diverse and inclusive workforce culture, enhance job quality and employee engagement, enable career development, promote positive labor relations, safe working conditions and fair wages, and consider human rights; through company disclosures and engagement discussions, BlackRock focuses on the board’s approach to overseeing human capital management, workforce engagement, workforce compensation, training and development, efforts to advance diversity and inclusion, worker rights and protections (including relating to 	<p>Human Capital Management</p> <ul style="list-style-type: none"> • <u>S&P 500 companies</u> to disclose original EEO-1 report response or exact content of the report translated into custom graphics ⚠ May vote against compensation committee chair if EEO-1 disclosure not provided • <u>All companies</u>: Disclose: <ul style="list-style-type: none"> ○ How the board oversees human capital-related risks and opportunities ○ Approaches to human capital management and how these advance long-term business strategy ○ Strategies throughout the organization that aim to attract and retain employees, and incentivize contribution to an effective human capital strategy ○ Channels to ensure that concerns and ideas from workers are solicited and acted upon, and how the workforce is engaged and empowered in the organization ○ Efforts to advance DEI ⚠ May vote against directors due to failure to demonstrate effective oversight of human capital management, at largest global holdings (not specified) 	<ul style="list-style-type: none"> • <u>All companies</u>: Disclose workforce demographics inclusive of gender, racial, and ethnic categories, considering other widely accepted industry standards, and if appropriate under applicable laws and regulations; could include publishing EEO-1 reports • Include additional protected classes, as appropriate under applicable laws and regulations and consistent with a focus on risks and opportunities related to long-term performance, in employment and diversity policies <p>See above relating to board oversight of ESG</p>

ESG Topic	BlackRock	State Street	Vanguard
	<p>child labor, harassment and discrimination), and health and safety</p> <p>See above relating to board oversight of ESG</p>	<p>Diversity, Equity & Inclusion</p> <ul style="list-style-type: none"> • <u>All companies</u>: Disclose: <ul style="list-style-type: none"> ○ How the board executes its role in oversight of risks and opportunities related to diversity and inclusion ○ Role that diversity (gender, race/ethnicity, at minimum) plays in the company’s broader human capital management practices and long-term strategy ○ DEI-related goals, how goals contribute to overall strategy and how they are managed and progressing ○ Diversity metrics (gender and race/ethnicity, at minimum) for full-time employees globally, broken down by industry-relevant employment categories or levels of seniority <p>Pay Equity</p> <ul style="list-style-type: none"> • <u>All companies</u>: Disclose adjusted pay gaps related to race and gender, strategy to achieve and maintain pay equity, and role of the board in overseeing pay strategies <p>See above relating to board oversight of ESG</p>	
Human Rights	<ul style="list-style-type: none"> • <u>All companies</u>: Implement processes to identify, manage and prevent adverse human rights impacts that could expose the company to material business risks, and provide robust disclosures on these processes; for example: <ul style="list-style-type: none"> ○ Whether a company considers human rights across its value chain, as appropriate in the context of its products and services, operations, and suppliers, and whether it adheres to applicable mandatory and voluntary frameworks (e.g., the UN Guiding Principles, OECD 	<p>Human Rights</p> <ul style="list-style-type: none"> • <u>All companies</u>: Regularly identify whether there are risks related to human rights in their operations and manage any material risks that emerge; disclose: <ul style="list-style-type: none"> ○ Processes for identifying risks related to human rights ○ Human rights-related risks the company considers most material ○ Plans to manage and mitigate these risks ○ Board oversight of these risks ○ Assessment of the effectiveness of the human rights risk management program 	<ul style="list-style-type: none"> • <u>All companies</u>: Board to be fully engaged and knowledgeable about material social risks; policies do not specifically discuss human rights <p>See above relating to board oversight of ESG and human capital management / workforce DEI</p>

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	<p>Guidelines, UN Global Compact, UN Sustainable Development Goals, the EU Corporate Sustainability Reporting Directive and relevant Modern Slavery Acts, among others)</p> <ul style="list-style-type: none"> ○ Board oversight of human rights-related risks including, as appropriate, whether the full board or a specific committee has responsibility to oversee related policies and processes, and the type and frequency of information reviewed ○ Identification, mitigation and prevention of potential human rights impacts and due diligence processes to minimize risk across the value chain (e.g., human rights risk assessments, supply chain tracing, recruitment procedures, and auditing and grievance mechanisms) ○ Measurement and assessment of effectiveness of human rights management and mitigation strategy, including due diligence processes, relevant metrics and targets, and the use of any third-party assurance providers ○ Navigation of ambiguities or inconsistencies between local human rights laws or regulations and international standards, and how the board and management team balances matters important to key stakeholders and maintains trust ○ Engagement with affected stakeholders and access to resources to address actual human rights impacts (e.g., obtaining free, prior, and informed consent of Indigenous Peoples for business decisions that affect their rights, protect cultural heritage sites, 	<p>Civil Rights</p> <ul style="list-style-type: none"> • <u>All companies</u>: Disclose risks related to civil rights (including risks associated with products, practices and services), plans to manage and mitigate these risks, and process for board oversight of such risks <p>See above relating to board oversight of ESG and human capital management / workforce DEI</p>	

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	<p>and provide access to resources and/or compensation in the event of displacement or destruction)</p> <ul style="list-style-type: none"> ○ Collaboration with industry peers and stakeholders on initiatives to advance practices and address pervasive issues related to human rights (e.g., Responsible Business Alliance or Roundtable on Sustainable Palm Oil) <p>See above relating to board oversight of ESG and human capital management / workforce DEI</p>		
<p>Political Contributions, Lobbying & Trade Association Memberships</p>	<ul style="list-style-type: none"> • <u>All companies</u>: Provide disclosures that aid investor understanding of the link between the company’s stated strategic policy priorities and the approach taken to political activities, including participation in industry associations, and where there seem to be material inconsistencies between policy priorities and the company’s activities 	<ul style="list-style-type: none"> • <u>All companies</u>: Disclose: <ul style="list-style-type: none"> ○ All contributions (whatever the value) made by the company, subsidiaries and/or PACs to individual candidates, PACs and other political organizations at state and federal levels in the US ○ Membership in US trade associations where payments are above \$50,000 per year ○ Whether the company regularly performs a gap analysis of its stated positions on relevant issues versus those of its trade associations or other policy-influencing organizations of which it is a member ○ Board role in oversight of the company’s participation in the political process including political contributions, lobbying activities and memberships in trade associations and other policy-influencing entities • <u>Companies that have adopted a climate transition plan and/or net zero ambitions</u>: Disclose climate policy engagement including position on climate-related topics relevant to decarbonization strategy; assessment of stated positions on relevant climate-related topics versus those of 	<ul style="list-style-type: none"> • <u>All companies</u>: Vanguard considers: <ul style="list-style-type: none"> ○ Applicable laws and regulations regarding political spending and/or lobbying ○ Prevalence of corporate political activity within a company’s industry ○ Company’s current disclosure and level of board oversight of current corporate political activity ○ Disclosure regarding trade associations or other groups that a company supports, or is a member of, that engage in lobbying activities ○ Recent controversies, litigation, fines or other manifested risks associated with the company’s corporate political activity

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		associations and other policy-influencing entities to which the company belongs, and any efforts taken to address misalignment	

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<p>ESG Metrics in Compensation</p>	<ul style="list-style-type: none"> • <u>All companies</u>: Sustainability-related performance criteria not expected to be a standard component of all compensation plans • Sustainability-related performance criteria that are used in incentive plans should be as rigorous as other financial or operational targets; helpful to clearly explain the connection between what is being measured and rewarded and the company’s strategic priorities • Consider disclosing how pay outcomes are consistent with human capital management strategy and purpose <p>⚠ May hold compensation committee members accountable for poor compensation practices and/or structures generally (not specific to sustainability-related performance criteria)</p>	<p>No specific proxy voting policy on ESG metrics in compensation</p> <p>See above relating to incentivizing contributions to an effective human capital strategy</p>	<ul style="list-style-type: none"> • <u>All companies</u>: Nonfinancial metrics (such as ESG metrics) not expected to be a standard component of all compensation plans • When compensation committees choose to include nonfinancial metrics, expect same qualities as with more traditional metrics, such as rigor, disclosure, and alignment with key strategic goals and/or material risks; look for clear disclosure of quantifiable targets and progress against those targets over time • Caution against using ESG metrics to signal a commitment to sustainability values; expect companies that include ESG metrics in compensation plans to have mapped key ESG opportunities and material ESG risks to their business

REFERENCES

BlackRock:

- [Proxy Voting Guidelines for U.S. Securities \(January 2024\)](#)
- [Larry Fink’s Annual Chairman’s Letter to Investors \(March 2024\)](#)
- [Investment Stewardship Engagement Priorities \(January 2024\)](#)
- [Global Principles \(effective as of January 2024\)](#)
- *Additional Guidance:*
 - [Climate Focus Universe \(2024\)](#)
 - [Climate-Related Risks and the Low-Carbon Transition \(January 2024\)](#)
 - [Our Approach to Data Privacy and Security \(July 2022\)](#)
 - [Our Approach to Engagement on Board Quality and Effectiveness \(January 2024\)](#)
 - [Our Approach to Engagement on Corporate Human Rights Risks \(January 2024\)](#)
 - [Our Approach to Engagement on Corporate Strategy, Purpose, and Financial Resilience \(January 2024\)](#)
 - [Our Approach to Engagement on Human Capital Management \(January 2024\)](#)
 - [Our Approach to Engagement on Incentives Aligned with Financial Value Creation \(January 2024\)](#)
 - [Our Approach to Engagement on Natural Capital \(January 2024\)](#)
 - [Our Approach to Engagement with the Palm Oil Industry \(February 2022\)](#)
 - [Our Approach to U.S. Executive Compensation \(March 2023\)](#)

State Street:

- [Global Proxy Voting & Engagement Policy \(March 2024\)](#)
- [Summary of Material Changes to State Street Global Advisors’ 2024 Proxy Voting and Engagement Policy \(March 2024\)](#)

Vanguard:

- [Proxy Voting Policy for U.S. Portfolio Companies \(effective February 2024\)](#)
- [Global Proxy Voting Policy for Vanguard-advised Funds \(effective February 2024\)](#)
- *Additional Guidance:*
 - [ESG Metrics in Compensation Plans \(September 2023\)](#)
 - [Vanguard’s Approach to Shareholder Proposals Related to Worker Health and Safety \(December 2023\)](#)
 - [Vanguard’s Approach to Climate Risk Governance \(February 2023\)](#)

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