

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

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## INTRODUCTION

The “Big Three” institutional investors, BlackRock, State Street Global Advisors and Vanguard, recently released proxy voting policies and related guidance for the 2023 proxy season. Companies are well-advised to review these policies and guidance in planning for engagement with the Big Three throughout the year, 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 2023 Proxy Season: Key Disclosure and Engagement Topics](#).
- Identify changes to the proxy voting policies and guidance of the Big Three on ESG topics for 2023.
- Summarize the expectations of the Big Three as to company practices and disclosures around selected ESG topics, including 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 of 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 SEC filings, company websites and other materials. To better reflect Big Three expectations, in planning ESG disclosures for the year ahead, companies may consider expanding disclosure on certain ESG topics, for example:
  - Refresh risk factor disclosure relating to material ESG topics
  - Expand proxy statement disclosure of board oversight of material ESG-related risks and opportunities; many companies are reviewing this in light of SEC comments, as discussed in our recent [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
  - Provide climate-related risk disclosure in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework
  - Provide ESG-related disclosure in accordance with applicable Sustainability Accounting Standards Board (SASB) standards

### BIG THREE: 2023 ESG POLICY CHANGES






ESG Topic	2023 ESG Policy Change
<b>Board Diversity</b>	<ul style="list-style-type: none"> <li>• <u>S&amp;P 500</u>: BlackRock encourages S&amp;P 500 companies to lead in achieving at least 30% board diversity.</li> <li>• <u>Russell 1000</u>: State Street expects Russell 1000 companies (expanded from S&amp;P 500 companies) to disclose board composition in terms of gender and race/ethnicity; may vote against nominating committee chairs where disclosure not made.</li> <li>• <u>Russell 3000</u>: State Street expects Russell 3000 boards to be composed of at least 30% women directors; may vote against nominating committee chair.</li> <li>• <u>All companies</u>: Vanguard may support directors on boards with insufficient progress on board diversity where compelling reason is disclosed.</li> </ul>
<b>Director Time Commitments / Overboarding</b>	<ul style="list-style-type: none"> <li>• <u>S&amp;P 500</u>: Starting in 2024, State Street will no longer use numerical limits to identify overcommitted directors at S&amp;P 500 companies, and will no longer vote against individual directors due to their time commitments. Instead, it will vote against nominating committee chair at S&amp;P 500 companies that do not disclose their internal policy on director time commitments.</li> </ul>
<b>Board Oversight of ESG Risks &amp; Opportunities</b>	<ul style="list-style-type: none"> <li>• BlackRock has moved away from “ESG” nomenclature, now using “sustainability” (see also our alert, <a href="#">BlackRock’s Engagement Priorities and Chairman’s Letter Provide Key Messages to Stakeholders</a>).</li> <li>• <u>All companies</u>: BlackRock may vote against relevant directors or support relevant shareholder proposals where it determines that a company is not appropriately considering stakeholder interests in a way that poses material financial risk to the company and its shareholders (e.g., with respect to human rights matters such as a hostile or discriminatory workplace, or child labor).</li> <li>• <u>Companies in relevant sectors (as defined by the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework)</u>: State Street may vote against directors who fail to implement and communicate effective oversight of climate transition risks applicable to the company.</li> </ul>
<b>Climate Risk-Related Disclosure</b>	<ul style="list-style-type: none"> <li>• <u>S&amp;P 500</u>: State Street no longer threatens votes against independent board leader at all S&amp;P 500 companies that fail to provide sufficient disclosure in accordance with TCFD framework including total Scope 1 and Scope 2 greenhouse gas (GHG) emissions and targets for reducing GHG emissions. <ul style="list-style-type: none"> <li>○ Companies in carbon-intensive industries are still expected to disclose interim GHG reduction targets to accompany long-term climate ambitions, and disclose Scope 1, 2 and material categories of Scope 3 GHG emissions, and companies in relevant sectors (as defined by the IIGCC Net Zero Investment Framework) are encouraged to develop climate transition plans.</li> </ul> </li> <li>• <u>All companies</u>: <ul style="list-style-type: none"> <li>○ BlackRock encourages companies to produce sustainability-related disclosures sufficiently in advance of annual meeting so that disclosures can be considered in relevant vote decisions.</li> <li>○ BlackRock has clarified that at this stage, it views Scope 3 emissions differently from Scopes 1 and 2, given methodological complexity, regulatory uncertainty, concerns about double-counting and lack of direct control by companies. That said, BlackRock welcomes disclosures about Scope 3 emissions, recognizing that companies are providing them on a good faith basis as methodology develops.</li> <li>○ Proposals requesting disclosure of goals or target setting for relevant GHG emissions no longer appear in Vanguard’s list of environmental proposals that it may support.</li> </ul> </li> </ul>

ESG Topic	2023 ESG Policy Change
	<ul style="list-style-type: none"> <li>• <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>: BlackRock expects disclosure of how reliance on and use of natural capital is considered, including appropriate risk oversight and relevant metrics and targets, to understand how factors are integrated into strategy.</li> <li>• <u>Companies with material risks related to adverse environmental impacts</u>: State Street expects disclosure of adverse environmental impacts on communities the company considers most material, management of material risks, including role of stakeholders, and board oversight of such risks.</li> <li>• <u>Deforestation-intensive companies</u>: State Street expects disclosure of strategy to assess and manage deforestation-related risks and opportunities for high-risk commodities in operations and/or business value chain, quantitative and/or qualitative metrics and time-bound targets used to assess such risks and opportunities, and board oversight and accountability for deforestation and/or land use-related risks.</li> </ul>
<b>Human Capital Management / Workforce Diversity, Equity and Inclusion</b>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: State Street guidance on human capital management no longer states that companies might want to be aware of the disclosure framework outlined by the Human Capital Management Coalition. This guidance also no longer states that State Street will consider taking voting action against directors at companies State Street identifies as laggards that are not adequately managing human rights risks.</li> <li>• <u>All companies that use concealment clauses</u>: State Street expects disclosure of a description of concealment clauses used (e.g., arbitration, non-disclosure, non-disparagement) in employment and post-employment agreements for direct and contract employees, carveouts, and the board’s role in overseeing use of concealment clauses.</li> </ul>
<b>Human Rights</b>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: <ul style="list-style-type: none"> <li>○ State Street guidance on human rights disclosures and practices no longer includes an expectation that relevant disclosures are to align with international standards such as the UN Guiding Principles on Business and Human Rights. This guidance also no longer states that State Street will consider taking voting action against directors at companies State Street identifies as laggards that are not adequately managing human rights risks.</li> <li>○ State Street guidance on diversity disclosures and practices no longer specifically addresses racial equity audits. This guidance also no longer states that when evaluating pay gap shareholder proposals, State Street looks for confirmation that individuals, regardless of race or gender, are compensated equally in the same positions. In addition, this guidance no longer states that State Street intends to shift its focus in the coming years to diverse representation at the workforce and executive levels, and no longer states that companies should prepare by ensuring they are recruiting, promoting and retaining diverse talent at all levels of the organization.</li> </ul> </li> </ul>
<b>ESG Metrics in Compensation</b>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: New policy that Vanguard does not look for nonfinancial metrics (such as ESG metrics) to be a standard component of compensation plans. When compensation committees choose to include nonfinancial metrics, Vanguard looks for the same qualities as for traditional metrics, such as rigor, disclosure, and alignment with key strategic goals and/or material risks.</li> </ul>

## 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 company practices and/or disclosures relating to selected ESG topics, as described in proxy voting guidelines and related guidance in effect for the 2023 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 for the following: (1) BlackRock encourages companies to produce sustainability-related disclosures sufficiently in advance of the annual meeting so that disclosures can be considered in relevant vote decisions, and (2) State Street expects corporate political spending disclosure to be on the corporate website or in corporate responsibility reports (i.e., not only through mandated filings regarding such contributions).

ESG Topic	BlackRock	State Street	Vanguard
<b>Board Diversity</b>	<ul style="list-style-type: none"> <li>• <u>All companies</u> to aspire to at least 30% diversity of membership, including at least two women and 1 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&amp;P 500</u> companies encouraged to lead in achieving this</li> <li>• 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</li> <li>• Disclose demographic diversity (including gender and race/ethnicity) on aggregate basis</li> </ul>	<p><b>Gender Diversity</b></p> <ul style="list-style-type: none"> <li>• <u>Listed company</u> boards to have at least one female director</li> <li>• <u>Russell 3000</u> boards to have at least 30% women</li> <li>• <u>Russell 1000</u> companies to disclose board composition in terms of gender</li> </ul> <p> <b>May vote against nominating committee chair</b> if threshold not met</p> <p> <b>After 3 consecutive years, may vote against entire nominating committee</b></p> <p> May waive if company provides specific time-bound plan to reach applicable threshold</p> <p><b>Racial/Ethnic Diversity</b></p> <ul style="list-style-type: none"> <li>• <u>S&amp;P 500</u> boards to have at least one director from an underrepresented racial/ethnic community</li> <li>• <u>Russell 1000</u> companies to disclose board composition in terms of race/ethnicity (can be aggregate-level or individual-level)</li> </ul> <p> <b>May vote against nominating committee chair</b></p>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Board should at a minimum represent diversity of personal characteristics inclusive of at least gender and race/ethnicity diversity</li> <li>• Disclose: <ul style="list-style-type: none"> <li>○ Directors' personal characteristics (including gender and race/ethnicity) on a self-identified basis (can be aggregate-level or individual-level)</li> <li>○ Board's intended composition strategy (including any targets)</li> <li>○ Policies related to promoting progress toward increased board diversity</li> </ul> </li> </ul> <p> <b>Will generally vote against nominating and/or governance committee chair or another relevant director</b> if, absent compelling reason, board is making insufficient progress in board diversity and/or in addressing board diversity-related disclosures</p>

ESG Topic	BlackRock	State Street	Vanguard
	<p>⚠️ <b>Will vote against members of the nominating/governance committee</b> when a company has not adequately explained its approach to board diversity</p>	<p><b>Board Diversity Goals &amp; Strategy</b></p> <ul style="list-style-type: none"> <li>• <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</li> </ul>	
<p><b>Director Time Commitments / Overboarding</b></p>	<ul style="list-style-type: none"> <li>• <u>NEO or executive chair of a public company</u>: No more than two public company boards</li> <li>• <u>Directors</u>: No more than four public company boards</li> <li>• Chair of European listed company board counts as two board commitments</li> </ul> <p>⚠️ <b>May vote against a director who exceeds limit on number of board mandates</b></p>	<ul style="list-style-type: none"> <li>• <u>NEO of a public company</u>: No more than two public company boards</li> <li>• <u>Non-executive board chair or lead independent director</u>: No more than three public company boards</li> <li>• <u>Director nominees</u>: No more than four public company boards</li> <li>• <u>At S&amp;P 500 companies, starting in 2024</u>: Will no longer use numerical limits to identify overcommitted directors</li> <li>• Service on the board of a SPAC or UK investment trust not considered when evaluating directors for excessive commitments</li> </ul> <p>⚠️ <b>May vote against a director who exceeds limit on number of board mandates</b></p> <p>⚠️ May consider waiving if director is imminently leaving a board</p> <p>⚠️ May consider waiving if a company discloses its director commitment policy including:</p> <ul style="list-style-type: none"> <li>○ Numerical limit on public company board seats, which limit cannot exceed State Street’s policy by more than one seat</li> <li>○ Consideration of public company board leadership positions (e.g., committee chair)</li> <li>○ Affirmation that all directors currently comply with the company policy</li> </ul>	<ul style="list-style-type: none"> <li>• <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)</li> <li>• <u>Director nominees</u>: No more than four public company boards</li> <li>• Adopt an overboarding policy and disclose board oversight of policy implementation (including frequency of policy review and rationale for nominations exceeding limits)</li> </ul> <p>⚠️ <b>Will generally vote against a director who exceeds limit on number of board mandates;</b> votes against such a director at each company except an NEO’s home board and companies where the director serves as board chair or lead independent director</p> <p>⚠️ May consider waiving under company-specific facts, or if director has publicly committed to reducing directorships</p>



ESG Topic	BlackRock	State Street	Vanguard
		<ul style="list-style-type: none"> <li>○ Description of an annual policy review process to evaluate outside director time commitments</li> </ul> <p>Sample disclosure: “Directors can sit on no more than five public company boards (including our own), with consideration given to public company leadership roles and outside commitments. The Nominating Committee conducts an annual review of director commitment levels, and affirms that all directors are compliant at this time.”</p> <p>⚠ <u>At S&amp;P 500 companies, starting in 2024: May vote against nominating committee chair</u> if no disclosure of company policy on director time commitments; will no longer vote against individual directors due to their time commitments</p>	
<b>Independent Board Leadership</b>	<ul style="list-style-type: none"> <li>• <u>All companies:</u> Supports independent leadership in the boardroom (independent chair or lead independent director with specific disclosed responsibilities)</li> <li>• Defers to the company’s board as to its leadership structure to ensure adequate balance and independence, absent significant governance concerns</li> </ul> <p>⚠ <b>May vote against most senior non-executive member of the board</b> when appropriate independence is lacking in designated leadership roles</p>	<ul style="list-style-type: none"> <li>• <u>S&amp;P 500</u> boards to have separate Chair/CEO or lead independent director</li> </ul> <p>⚠ <b>May vote against nominating committee chair or members at S&amp;P 500 companies</b> that have Chair/CEO and no lead independent director</p>	<ul style="list-style-type: none"> <li>• <u>All companies:</u> Supports independent leadership in the boardroom (independent chair or lead independent director)</li> <li>• Defers to the company’s board as to its independent leadership, absent significant governance concerns such as: <ul style="list-style-type: none"> <li>○ Lack of lead independent director role</li> <li>○ Lack of board accessibility</li> <li>○ Low overall board independence</li> <li>○ Governance structural flaws</li> <li>○ Lack of responsiveness</li> <li>○ 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)</li> </ul> </li> </ul>
<b>Board Oversight of</b>	<ul style="list-style-type: none"> <li>• <u>All companies:</u> Demonstrate through actions and/or disclosure how material issues are identified, managed and overseen,</li> </ul>	<ul style="list-style-type: none"> <li>• <u>All companies:</u> Disclose how the board provides oversight of its risk management system and risk identification, including committee</li> </ul>	<ul style="list-style-type: none"> <li>• <u>All companies:</u> Effective board oversight of material risks, including identifying, monitoring and managing material risks and</li> </ul>

ESG Topic	BlackRock	State Street	Vanguard
<p><b>ESG Risks &amp; Opportunities</b></p>	<p>including material sustainability-related risks and opportunities (i.e., drivers of risk and long-term financial value creation in a business model that have an environmental or social dependency or impact); disclose oversight of material sustainability-related risks in accordance with TCFD framework</p> <ul style="list-style-type: none"> <li>Effectively oversee and mitigate material risks related to stakeholders (such as employees; business partners (such as suppliers and distributors); clients and consumers; government and regulators; and constituents of communities in which a company operates) with appropriate due diligence processes and board oversight</li> <li>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, type and frequency of information reviewed by the board/committee and how performance on related metrics may be linked to executive compensation to encourage accountability</li> </ul> <p><b>⚠ Will consider voting against committee members or most relevant directors</b> responsible for oversight of material sustainability-related issues including if BlackRock determines that the company is not appropriately considering their key stakeholder interests in a way that poses material financial risk to the company and its shareholders</p>	<p>responsibilities and KPIs/metrics to assess effectiveness of risk management processes</p> <ul style="list-style-type: none"> <li>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; reviews SASB materiality map to inform views on the materiality of environmental and social issues</li> <li>Considers whether directors have adequate skills to provide effective oversight of corporate strategy, operations, and risks, including environmental and social issues</li> </ul> <p><b>⚠ May vote against directors responsible</b> 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> <ul style="list-style-type: none"> <li><u>S&amp;P 500 companies</u> to provide sufficient disclosure of board oversight of climate-related risks and opportunities, in accordance with TCFD framework</li> </ul> <p><b>⚠ May vote against directors</b> where the company fails to provide sufficient disclosure in line with TCFD framework</p> <ul style="list-style-type: none"> <li><u>Companies in relevant sectors (as defined by the IIGCC Net Zero Investment Framework)</u> to implement and communicate effective oversight of climate transition risks</li> </ul> <p><b>⚠ May vote against directors</b> where the company fails to implement and communicate effective oversight of climate transition risks</p>	<p>business practices, including material environmental and social risks</p> <ul style="list-style-type: none"> <li>Disclosure of board processes for overseeing and mitigating material risks including climate risks and DEI risks, including: <ul style="list-style-type: none"> <li>Assignment of responsibilities to committees/full board</li> <li>Qualitative disclosures of governance and risk management processes</li> <li>Disclosures in line with TCFD and SASB frameworks</li> </ul> </li> <li>Board competence as to material climate-related risks, including directors with relevant experience, diverse backgrounds/perspectives and ongoing education</li> <li>To assess climate risk oversight failure, fund considers: <ul style="list-style-type: none"> <li>Materiality of the risk</li> <li>Effectiveness of disclosures to enable the market to understand and price the risk</li> <li>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</li> <li>Company-specific context, market regulations, and expectations</li> <li>Board’s overall governance of and effective independent oversight of climate risk</li> </ul> </li> </ul> <p><b>⚠ Will generally vote against relevant committee members and other relevant directors</b> if board has failed to effectively identify, monitor and ensure management of material risks and business practices under its purview</p>

ESG Topic	BlackRock	State Street	Vanguard
<b>Use of ESG Disclosure Frameworks</b>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Encourages disclosures aligned with TCFD framework, supported by industry-specific metrics, such as those identified by SASB or comparable sustainability reporting standards; TCFD’s four pillars (Governance, Strategy, Risk Management, and Metrics and Targets) can be used for variety of sustainability-related risks and opportunities (not just climate)</li> <li>• Disclose any material supranational standards adopted</li> <li>• Emerging recommendations of Taskforce on Nature-related Financial Disclosures (TNFD) may be useful to some companies</li> <li>• Disclose adherence to applicable voluntary or mandatory frameworks relating to human rights (e.g., the UN Guiding Principles, OECD Guidelines, UN Global Compact, UN Sustainable Development Goals, the EU Non-Financial Reporting Directive and relevant Modern Slavery Acts, among others)</li> <li>• BlackRock welcomes efforts by the International Sustainability Standards Board to develop a global baseline of sustainability reporting standards</li> </ul> <p>See below relating to climate risk-related disclosure</p>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Leverage established frameworks such as the SASB standards and TCFD framework to inform views on materiality of environmental and social issues</li> <li>• Provide disclosures in accordance with four pillars of TCFD framework and, in applicable industries, SASB standards</li> <li>• Comply with UN Global Compact</li> </ul> <p>See below relating to climate risk-related disclosure</p>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Environmental and social disclosures to align with widely accepted frameworks endorsed or referenced by Vanguard (e.g., SASB standards and TCFD)</li> </ul> <p>See below relating to climate risk-related disclosure</p>
<b>Climate Risk-Related Disclosure</b>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Disclose material sustainability-related issues that affect long-term strategy and business creation, in accordance with four pillars of TCFD framework, and supported by industry-specific metrics such as those identified in SASB standards</li> </ul>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Provide disclosures in accordance with four pillars of TCFD framework and, in applicable industries, SASB standards <ul style="list-style-type: none"> <li>○ Will consider supporting Say on Climate shareholder proposal if the company has not provided investors with meaningful climate-related disclosure, nor signaled the intention</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Environmental and social disclosures to align with widely accepted frameworks endorsed or referenced by Vanguard (e.g., SASB standards and TCFD) and market norms, and reflect industry-specific, materiality-driven approach; disclose: <ul style="list-style-type: none"> <li>○ Material financial climate-related risks</li> </ul> </li> </ul>

ESG Topic	BlackRock	State Street	Vanguard
	<ul style="list-style-type: none"> <li>• Provide robust disclosure in advance of annual meeting of how companies are integrating material sustainability risks and opportunities across their business and strategic, long-term planning</li> <li>• Disclose any material supranational standards adopted, industry initiatives in which they participate, any peer group benchmarking undertaken, and any assurance processes</li> <li>⚠ <b>Relevant to voting on director elections</b> (but specific triggers not identified)</li> <li>• Disclose strategies that mitigate and are resilient to any material risks to their long-term business model associated with a range of climate-related scenarios including global warming limited to well below 2°C, and considering global ambitions to achieve a limit of 1.5°C</li> <li>• Disclose short-, medium-, and long-term targets, ideally science-based targets where available for the company’s sector, for Scope 1 and 2 GHG emissions reductions (Scope 3 emissions viewed differently), and demonstrate how targets are consistent with long-term economic interests of shareholders; disclose execution against stated emissions goals and other climate-risk related efforts</li> <li>• Encourages disclosure of a business plan explaining how companies intend to deliver long-term financial performance through a transition to global net zero carbon emissions, and how capital allocation to energy sources is consistent with strategy; disclose how the company considers,</li> </ul>	<p>to enhance disclosure; does not endorse annual advisory climate vote</p> <ul style="list-style-type: none"> <li>• <u>Companies in carbon-intensive sectors</u>: Disclose interim GHG reduction targets to accompany long-term climate ambitions, discussion of impacts of scenario-planning on strategy and financial planning, incorporation of climate considerations in capital allocation decisions, and Scope 1, 2 and material categories of Scope 3 GHG emissions</li> <li>• <u>Companies in relevant sectors (as defined by the IIGCC Net Zero Investment Framework)</u>: Develop climate transition plans that take into account risks and opportunities associated with transition to a lower carbon economy, and provide related disclosure including long-term climate ambition, emissions reduction targets, TCFD-aligned disclosure, decarbonization strategy, capital allocation, climate policy, board oversight, risks and stakeholder engagement</li> <li>• <u>Companies that have developed a climate transition plan</u>: Provide disclosure relating to climate transition plans including long-term climate ambition, emissions reduction targets, TCFD-aligned disclosure, decarbonization strategy, capital allocation, climate policy, board oversight, risks and stakeholder engagement</li> <li>• <u>Companies with material risks related to adverse environmental impacts</u>: Disclose adverse environmental impacts on communities the company considers most material, management of material risks, including role of stakeholders, and board oversight of such risks</li> <li>• <u>Deforestation-intensive companies</u>: Disclose strategy to assess and manage deforestation-related risks and opportunities for high-risk commodities in operations and/or business value chain, quantitative and/or qualitative metrics and</li> </ul>	<ul style="list-style-type: none"> <li>○ Scope 1 and Scope 2 emissions data, and Scope 3 emissions data in categories where climate-related risks are deemed material by the board</li> <li>○ Assessment of the climate’s impact on the company, including appropriate scenario analysis and related impacts on strategic planning</li> <li>○ Goals and targets, performance metrics and progress against strategies and targets; may include goals related to Paris Agreement</li> </ul> <p>See above relating to board oversight of ESG</p>

ESG Topic	BlackRock	State Street	Vanguard
	<p>quantifies and accounts for material climate-related risks in financial statements</p> <ul style="list-style-type: none"> <li>• <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 on and use of natural capital (land use, water, biodiversity) is considered, including appropriate risk oversight and relevant metrics and targets, to understand how factors are integrated into strategy; disclose corporate policies and supply chain due diligence processes, material investments in strategic initiatives or R&amp;D relating to natural capital dependencies and impacts, community engagement efforts, and third-party assessments of natural capital-related risks; TNFD framework may be helpful; additional disclosures expected for companies in the palm oil industry</li> <li>• <u>Companies utilizing carbon offsets</u>: Disclose how offsets and evaluated and assessed for permanence and additionality, and leakage; carbon offsets should not replace long-term emissions reductions plans</li> </ul> <p>See above relating to board oversight of ESG</p>	<p>time-bound targets used to assess such risks and opportunities, and board oversight and accountability for deforestation and/or land use-related risks</p> <ul style="list-style-type: none"> <li>⚠ <b>May vote against directors</b> where the company fails to provide sufficient disclosure in line with TCFD framework</li> <li>⚠ <b>May vote against directors</b> of companies in relevant sectors (as defined by the IIGCC Net Zero Investment Framework) where the company fails to demonstrate responsiveness and sufficient disclosure relating to climate transition plans following engagement with State Street</li> </ul> <p>See above relating to board oversight of ESG</p>	
<p><b>Human Capital Management / Workforce Diversity, Equity and Inclusion</b></p>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Demonstrate a robust approach to human capital management including disclosure of how approach aligns with strategy and business model</li> <li>• Disclose steps to advance DEI; job categories and workforce demographics; and responses to EEO-1 survey</li> <li>• Material workforce-related risks and opportunities may include how business</li> </ul>	<p><b>Human Capital Management</b></p> <ul style="list-style-type: none"> <li>• <u>S&amp;P 500 companies</u> to disclose original EEO-1 report response or exact content of the report translated into custom graphics</li> <li>⚠ <b>May vote against compensation committee chair (under proxy voting policy) or nominating committee chair (under guidance)</b> if EEO-1 disclosure not provided</li> </ul>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Disclose workforce demographics inclusive of gender, racial, and ethnic categories, at executive, non-executive and overall workforce levels, considering other widely accepted industry standards, and if appropriate under applicable laws and regulations; could include publishing EEO-1 reports</li> </ul>

ESG Topic	BlackRock	State Street	Vanguard
	<p>practices foster a diverse, equitable 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, commitment to advancing DEI, worker rights and protections (including relating to child labor, harassment and discrimination), and health and safety</p> <p><b>⚠ May vote against members of the appropriate committee</b> 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</p>	<ul style="list-style-type: none"> <li>• <u>All companies</u> to disclose:               <ul style="list-style-type: none"> <li>○ How the board oversees human capital-related risks and opportunities</li> <li>○ How the company considers human capital management in the context of overall long-term business strategy</li> <li>○ How pay strategies help to attract and retain employees, and incentivize contributions to an effective human capital strategy</li> <li>○ How concerns and ideas from employees are solicited (and acted upon if appropriate), and how the workforce is engaged in the organization</li> <li>○ How the company advances DEI</li> </ul> </li> </ul> <p><b>Diversity, Equity &amp; Inclusion</b></p> <ul style="list-style-type: none"> <li>• <u>All companies</u> to disclose:               <ul style="list-style-type: none"> <li>○ How the board executes its role in oversight of risks and opportunities related to diversity and inclusion</li> <li>○ Role that diversity (gender, race/ethnicity, at minimum) plays in the company’s broader human capital management practices and long-term strategy</li> <li>○ DEI-related goals, how goals contribute to overall strategy and how they are managed and progressing</li> <li>○ Diversity metrics (gender and race/ethnicity, at minimum) for full-time employees globally, broken down by industry-relevant employment categories or levels of seniority</li> </ul> </li> </ul> <p><b>Pay Equity</b></p> <ul style="list-style-type: none"> <li>• <u>US companies</u> to 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</li> </ul>	<ul style="list-style-type: none"> <li>• Include sexual orientation, gender identity, minority status, or protected classes, as appropriate under applicable laws and regulations, in employment and diversity policies when the company has not already formally established such protections</li> <li>• Disclose how workforce diversity is integrated into broader talent strategy, and to demonstrate the board’s oversight and objectives related to DEI priorities</li> <li>• Disclose policies on employee recruitment, retention and inclusion</li> </ul>

ESG Topic	BlackRock	State Street	Vanguard
		<p><b>Concealment Clauses</b></p> <ul style="list-style-type: none"> <li>• <u>All companies</u> that use concealment clauses to disclose description of concealment clauses used (e.g., arbitration, non-disclosure, non-disparagement) in employment and post-employment agreements for direct and contract employees, carveouts, and the board’s role in overseeing use of concealment clauses</li> </ul>	
<p><b>Human Rights</b></p>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Implement processes to identify, manage and prevent adverse human rights impacts that could expose the company to material risks, and provide robust disclosures on these processes; for example: <ul style="list-style-type: none"> <li>○ Whether a company considers human rights as appropriate across the value chain – products and services, operations, and suppliers – and whether they adhere to applicable voluntary or mandatory frameworks (e.g., the UN Guiding Principles, OECD Guidelines, UN Global Compact, UN Sustainable Development Goals, the EU Non-Financial Reporting Directive and relevant Modern Slavery Acts, among others)</li> <li>○ Board oversight of human rights-related risks as appropriate, including whether the full board or a specific committee has responsibility to oversee related policies and processes, and the type and frequency of information reviewed</li> <li>○ Identification, mitigation and prevention of potential human rights impacts and due diligence processes to</li> </ul> </li> </ul>	<p><b>Human Rights</b></p> <ul style="list-style-type: none"> <li>• <u>All companies</u> to disclose: <ul style="list-style-type: none"> <li>○ Processes for identifying risks related to human rights</li> <li>○ Description of human rights-related risks the company considers most material, plans to manage and mitigate these risks, board oversight of these risks, and assessment of the effectiveness of its human rights risk management program</li> </ul> </li> <li>• Per guidance, in 2022, State Street targeted companies that were noncompliant with UN Global Compact; 2021 focus was on modern slavery</li> </ul> <p><b>Civil Rights</b></p> <ul style="list-style-type: none"> <li>• <u>US companies</u> to disclose risks related to civil rights, plans to manage and mitigate these risks, and process for board oversight of such risks</li> </ul> <p>See above relating to human capital management, workforce diversity and DEI</p>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Board to be fully engaged and knowledgeable about material social risks including human rights risks</li> <li>• Monitors human rights practices, including analysis of third party research based on UN Global Compact</li> <li>⚠ Will take appropriate action in best interests of Vanguard, which <b>could include voting against directors</b></li> </ul> <p>See above relating to human capital management, workforce diversity and DEI</p>

ESG Topic	BlackRock	State Street	Vanguard
	<p>minimize risk across the value chain (e.g., human rights risk assessments, supply chain tracing, recruitment procedures, and auditing and grievance mechanisms)</p> <ul style="list-style-type: none"> <li>○ 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</li> <li>○ Navigation of ambiguities or contradictions between local human rights laws or regulations and international standards, and how the board and management team balances stakeholder considerations and maintains trust</li> <li>○ 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, and provide access to resources and/or compensation in the event of displacement or destruction)</li> <li>○ 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)</li> </ul> <p>See above relating to human capital management, workforce diversity and DEI</p>		



ESG Topic	BlackRock	State Street	Vanguard
<b>Political Contributions, Lobbying &amp; Trade Association Memberships</b>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Develop and maintain robust processes to guide engagement in political activities and mitigate risks, including board oversight</li> <li>• Provide accessible and clear disclosure (easy to navigate and on the company’s public website) about political activities and lobbying:               <ul style="list-style-type: none"> <li>○ Purpose of the company’s political contributions and engagement in lobbying activities and trade associations, and how this activity supports long-term strategy and/or goals of public participation, including the company’s legislative and regulatory priorities</li> <li>○ How the company engages in these activities</li> <li>○ Political activities policy</li> <li>○ Board oversight process for monitoring political activities</li> <li>○ How spending of any political action committee (PAC) furthers the aims of the company’s political activities</li> <li>○ Trade association memberships for which dues exceed a threshold that requires board approval or oversight</li> <li>○ Whether the company has analyzed consistency between the company’s stated, material policy positions and those of significant trade associations, and how any material inconsistencies were addressed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <u>US companies</u> to disclose:               <ul style="list-style-type: none"> <li>○ All contributions made by the company, subsidiaries and/or PACs to individual candidates, PACs and other political organizations at state and federal levels in the US; disclosure to be on corporate website or corporate responsibility report (not just mandated filings)</li> <li>○ Membership in US trade associations where payments are above \$50,000 per year</li> <li>○ Whether the company regularly performs a gap analysis of its stated positions on environmental and/or social issues versus those of its trade associations</li> <li>○ Board role in oversight of political contributions, lobbying activities and trade association memberships</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Vanguard considers:               <ul style="list-style-type: none"> <li>○ Applicable laws and regulations regarding political spending and/or lobbying</li> <li>○ Prevalence of corporate political activity within a company’s industry</li> <li>○ Company’s current disclosure and level of board oversight of current corporate political activity</li> <li>○ Disclosure regarding trade associations or other groups that a company supports, or is a member of, that engage in lobbying activities</li> <li>○ Alignment between political spending policy and long-term business strategy</li> <li>○ Recent controversies, litigation, fines or other manifested risks associated with the company’s corporate political activity</li> </ul> </li> </ul>
<b>ESG Metrics in Compensation</b>	<ul style="list-style-type: none"> <li>• <u>All companies</u>: Sustainability-related performance criteria not expected to be a standard component of all compensation plans</li> </ul>	<p>No specific 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"> <li>• <u>All companies</u>: Nonfinancial metrics (such as ESG metrics) not expected to be a standard component of all compensation plans</li> </ul>

ESG Topic	BlackRock	State Street	Vanguard
	<ul style="list-style-type: none"> <li>Sustainability-related 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 and risk mitigation efforts</li> <li>Consider disclosing how pay outcomes are consistent with human capital management strategy and purpose</li> </ul> <p><b>⚠ May hold compensation committee members accountable</b> for poor compensation practices generally (not specific to sustainability-related performance criteria)</p>		<ul style="list-style-type: none"> <li>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</li> </ul>

## REFERENCES

### BlackRock:

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

### State Street:

- [Proxy Voting and Engagement Guidelines: North America \(March 2023\)](#)
- [CEO’s Letter on Our 2023 Proxy Voting Agenda \(March 31, 2023\)](#)
- [Global Proxy Voting and Engagement Principles \(March 2023\)](#)
- [Global Proxy Voting and Engagement Guidelines for Environmental and Social Factors \(March 2023\)](#)
- [Summary of Material Changes to State Street Global Advisors’ 2023 Proxy Voting and Engagement Guidelines \(March 2023\)](#)
- *Additional Guidance:*
  - [Corporate Participation in the Political Process in the United States \(March 2023\)](#)
  - [Driving Action on Climate Change \(September 2022\)](#)
  - [Guidance on Board Oversight of Director Time Commitments \(April 2023\)](#)
  - [Guidance on Climate-Related Disclosures \(March 2023\)](#)
  - [Guidance on Disclosure Expectations for Effective Climate Transition Plans \(April 2023\)](#)
  - [Guidance on Diversity Disclosures and Practices \(March 2023\)](#)
  - [Guidance on Effective Board Oversight \(March 2023\)](#)
  - [Guidance on Environmental Management Disclosures \(March 2023\)](#)
  - [Guidance on Human Capital Management Disclosures & Practices \(March 2023\)](#)
  - [Guidance on Human Rights Disclosures and Practices \(March 2023\)](#)

- [Guidance on Managing Geopolitical Risk \(April 2023\)](#)

**Vanguard:**

- [Proxy Voting Policy for U.S. Portfolio Companies \(effective February 1, 2023\)](#)
- [Vanguard's Approach to Climate Risk Governance \(February 2023\)](#)
- [Highlighting Vanguard's Views on Executive Compensation \(May 2022\)](#)
- [Global Investment Stewardship Principles \(November 2021\)](#)
- [Investment Stewardship: About Our Program \(2021\)](#)

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