BlackRock

Investment Stewardship

Vote Bulletin: Electric Power Development Co.

Company	**Electric Power Development Co. (TYO: 9513)**
Market and Sector	Japan, Utilities
Meeting Date	28 June 2022
Key Resolutions[1]	**Shareholder proposal(s):** • **Item 8:** Partial Amendments to the Articles of Incorporation (AOI) to formulate and disclose a business plan to reduce greenhouse gas (GHG) emissions and align with the Paris Agreement • **Item 9:** Partial Amendments to the AOI to disclose alignment of capital expenditure with GHG emissions reduction targets • **Item 10:** Partial Amendments to the AOI to disclose how the remuneration policies facilitate the achievement of the company's GHG emissions reduction targets
Key Topics	Climate risk; strategy, purpose, and financial resilience; incentives aligned with value creation
Board Recommendation	The board recommended shareholders vote AGAINST items 8, 9, and 10
BlackRock Vote	BlackRock voted AGAINST items 8, 9, and 10

Overview

Electric Power Development Co. (J-POWER) is Japan's leading electric utility company that provides thermal, geothermal, wind, and hydroelectric power through 100 power stations nationwide.[2] In FY2021, the company generated 60 TWh of electricity, supplying approximately 7% of the domestic power usage.[3] The company also engages in power generation projects and consulting services – on power stations, transformers, and transmission equipment, among others – in markets outside of Japan.[4]

BlackRock Investment Stewardship (BIS) engages companies to offer a long-term investor perspective and better understand how company leadership identifies and manages risks and opportunities – including material environmental, social, and governance (ESG) factors – that we believe can impact their ability to deliver sustained financial performance for long-term investors like BlackRock's clients.

[1] J-POWER. "Notice of the 70th Ordinary General Meeting of Shareholders." June 7, 2022.
[2] J-POWER. "Corporate Brochure 2021-2022." Page 4.
[3] J-POWER. "Operational Data."
[4] J-POWER. "Corporate Brochure 2021-2022." Pages 10 and 11.

Our engagements with J-POWER have addressed, amongst other things, leadership's approach to managing environmental-related risks and opportunities.[5] BIS has engaged with the company to gain a better understanding of the progress towards achieving their decarbonization goals by 2050, and how management plans to align corporate strategy, as well as technology investments to make further progress. More recently, BIS engaged with company leadership to discuss the three shareholder proposals submitted by a group of shareholders for consideration at this year's annual general meeting (AGM).

Rationale for BlackRock's vote

Item 8: Partial Amendments to the AOI to formulate and disclose a business plan to reduce GHG emissions and align with the Paris Agreement (AGAINST)

Item 9: Partial Amendments to the AOI to disclose alignment of capital expenditure with GHG emissions reduction targets (AGAINST)

Item 10: Partial Amendments to the AOI to disclose how the remuneration policies facilitate the achievement of the company's GHG emissions reduction targets (AGAINST)

Given that the company has provided disclosures aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) framework since 2020, as well as the progress achieved against their 2050 decarbonization strategy to date, BIS did not support the shareholder proposals. The climate-related proposals asked the company to amend their AOI to formulate and disclose a Paris Agreement-aligned business plan, to report on progress against the business plan in their annual report, and to disclose how remuneration policies facilitate the achievement of GHG emissions reduction targets. We considered these proposals to be overly prescriptive unduly restricting on management's ability to make business decisions.

At the June 2022 AGM, the company received three shareholder proposals requesting partial amendments to J-POWER's AOI and to then require the company to take certain climate-related actions and disclosures. The three climate-related shareholder proposals ask that the company disclose the following in alignment with their previously stated carbon neutrality by 2050 goals:

- Formulate and disclose a business plan with science-based short- and mid-term GHG emissions reduction targets aligned with Articles 2.1(a) and 4.1 of the Paris Agreement, and report on progress against the business plan in the annual report.[6]
- Disclose, in the annual report, details of how J-POWER assesses the alignment of capital expenditure with GHG emissions reduction targets.[7]
- Disclose, in the annual report, details of how the company's remuneration policies facilitate the achievement of GHG emissions reduction targets.[8]

BIS did not support the three shareholder proposals as, in our assessment, J-POWER has published enhanced disclosures providing investors greater transparency in relation to their climate action plans and remuneration policies. In addition, we believe the three shareholder proposals are overly prescriptive and risk unduly restricting management's ability to make business decisions.

While BIS evaluates every proposal on a case-by-case basis, those filed in Japan often require an additional degree of consideration as they could entail amending the company articles of incorporation (AOI), which would make them legally binding. This introduces a unique degree of personal liability for directors and management. It also creates material legal liability for a company should a proposal pass, particularly if the proposal language

[5] J-POWER is one of the companies included in BIS' climate focus universe, a list of approximately 1,000 carbon-intensive public companies that represent nearly 90% of the global scope 1 and 2 GHG emissions of BlackRock's clients' public equity holdings.
[6] J-POWER. "Notice of the 70th Ordinary General Meeting of Shareholders." June 7, 2022. Page 47.
[7] Ibid at page 48.
[8] Ibid at page 48 and 49.

is vague or open to interpretation, which could make it harder to determine whether the requests have been met.

As detailed in the BIS commentary, "Climate risk and the global energy transition," we encourage company leadership to disclose to investors how climate risks and opportunities might impact their business, and how these factors are addressed in the context of a company's business model and sector. Specifically, long-term investors benefit when companies demonstrate they have strategies in place that address and are resilient to a range of scenarios, including likely decarbonization pathways well below 2°C, as well as global ambitions to limit temperature rise to 1.5°C. That is why we endorse disclosures aligned with the TCFD framework, as well as industry-specific metrics, such as those identified by the Sustainability Accounting Standards Board (SASB). While this is a voluntary, admittedly complex, and evolving reporting recommendation, we believe that companies that consider all aspects of the TCFD framework and provide suitable detail will be in a better position to maintain investor confidence and support.

J-POWER has provided disclosures aligned with the TCFD framework since 2020.[9] In February 2021, J-POWER announced the "Blue Mission 2050" plan, a comprehensive plan towards achieving carbon neutrality by 2050. The plan, which is also aligned with the TCFD framework, includes a target to reduce GHG emissions by 40%[10] from their domestic operations, compared to 2017-2019 average levels, by 2030.[11] In addition, in a May 2022 presentation to investors that included an update on the company's progress towards their 2050 carbon neutrality goal, J-POWER announced a short-term target to reduce GHG by 7 million tCO2e, or 15% compared to 2017-2019 average levels, from domestic operations by 2025.[12] In this same presentation, the company also provided a robust update on several decarbonization initiatives, including investments in technologies to reduce and remove emissions – both domestic and abroad – and details about how the company screens investment projects in consideration of associated risks and capital costs.

Based on a thorough analysis of the company's "Blue Mission 2050" plan, as well as our engagements with company leadership, BIS believes that J-POWER is making credible progress towards the achievement of their carbon neutrality goals by 2050. In our view, the company is providing timely and essential disclosure, including detail of capital allocation plans to further reduce GHG emissions in the short-, medium-, and long-term. These disclosures enable long-term investors to better understand how J-POWER intends to deliver long-term financial performance through the energy transition.

Therefore, BIS did not support the shareholder resolutions asking that the company amend their AOI to formulate and disclose a Paris Agreement-aligned business plan and to report on progress against the business plan in the annual report.

Regarding the shareholder proposal requiring the company disclose how remuneration policies facilitate the achievement of GHG emissions reduction targets, on our assessment, this proposal is overly prescriptive and risks potentially dictating the company's remuneration policies while also unduly restricting management's ability to make business decisions

As described in our commentary, "Our approach to engagement on incentives aligned with value creation," BIS believes that compensation committees are in the best position to make compensation decisions and should maintain flexibility in administering compensation policies, given their knowledge of a company's strategic plans, the industry in which a company operates, the appropriate performance measures (including material sustainability-related metrics), and other factors that may be unique to the company. Currently, compensation decisions are determined by J-POWER's majority-independent Nomination and Compensation Committee (NCC), chaired by an independent non-executive director. We believe that is in the best interests of

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[9] J-POWER. "TCFD Recommendations-based Scenario Analysis."
[10] 1.9 million t-CO2e.
[11] J-POWER. "Blue Mission 2050 – Efforts to realize a carbon-neutral and hydrogen society."
[12] J-POWER. "Progress of J-POWER: Medium-Term Management Plan." Page 9.

shareholders, such as BlackRock's clients, to leave the design of remuneration policies to the NCC as we do not believe investors have the necessary insights into strategic priorities, risks and opportunities to dictate the board's approach to executive pay. Further, in our view, it is not advantageous to the company or its investors to insert policies on remuneration in the AOI.

We recognize that the energy transition presents different challenges and varying potential rates of change for companies across sectors. Our focus is therefore on engaging with companies on behalf of our clients to understand how they are managing the transition and monitoring their own progress — as well as how they are factoring it into their long-term business plans and emissions reduction targets. BIS will continue to engage with the company, including on progress against J-POWER's plans to manage climate-related risks and opportunities. Long-term investors like BlackRock's clients will benefit from greater transparency, particularly regarding how the board provides oversight of the company's climate plans and actions.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public voting guidelines and informed by our analysis of company disclosures and, where relevant, our engagements.[13]

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our website. For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

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Prepared by BlackRock, Inc.

[13] As detailed in our Global Principles, proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.