

## Investment Stewardship

# Vote Bulletin: The Boeing Company

Company	<b>The Boeing Company (NYSE: BA)</b>
Market and Sector	United States, Industrials
Meeting Date	17 May 2024
Key Resolutions <sup>1</sup>	<b>Item 1h:</b> Elect Director David L. Joyce <b>Item 2:</b> Advisory Vote to Ratify Named Executive Officers' Compensation
Key Topics	Board quality, executive compensation, corporate strategy and financial resilience
Board Recommendation	The board recommended shareholders vote FOR Item 1h and 2
BlackRock Vote <sup>2</sup>	BlackRock voted AGAINST Item 1h and FOR Item 2

### Overview

The Boeing Company (Boeing) is a U.S. aerospace company that designs, develops, manufactures, sells, services, and supports commercial jetliners, military aircraft, satellites, missile defense, human space flight, and launch systems.

As part of our fiduciary duty to our clients, BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on their behalf. In our experience, sound governance is critical to long-term financial value creation and the protection of investors' interests.

BIS takes a constructive, long-term approach to our engagement with companies and focuses on the management and oversight of the drivers of risk and financial value creation in a company's business model. Engagement may also help inform our voting decisions for those clients who have given us authority to vote on their behalf.

BIS has had multiyear engagements with Boeing on various business-relevant risks and opportunities, including board composition, corporate strategy, executive compensation, and human capital management. We engaged extensively with Boeing following two fatal crashes in 2018 and 2019 involving the 737 MAX aircraft model that led to a worldwide grounding, and temporary suspension of production, of the planes.<sup>3</sup> Due to

<sup>1</sup> The Boeing Company, "[Annual Meeting of Shareholders](#)", May 2024.

<sup>2</sup> BIS conducts proxy voting for those clients who authorize us to vote on their behalf. As part of BlackRock's Voting Choice program, eligible institutional and retail clients can have greater access to the proxy voting process where legally and operationally viable. Read more about Voting Choice [here](#).

<sup>3</sup> The Boeing Company, "[Boeing Statement Regarding 737 MAX Production](#)," December 16, 2019.

concerns regarding the board's oversight of management's approach to strategy, operations, and corporate culture in light of these incidents, BIS did not support the election of four directors nominated to the board at Boeing's April 2020 annual general meeting (AGM).

While Boeing has made several changes to its management and oversight structure in recent years, a January 2024 equipment failure on one of its 737 MAX 9 aircraft operated by Alaska Airlines suggests more remains to be done. A preliminary investigation into the incident indicated that the equipment had not been properly installed at the time the aircraft left Boeing's factory.<sup>4</sup>

Subsequently, Boeing has faced further scrutiny from regulators, and considerable reputational and financial damage.<sup>5, 6</sup> In response, Boeing is conducting additional inspections throughout its build process;<sup>7</sup> engaging a third party to independently assess its quality management system;<sup>8</sup> proposing the acquisition of its largest supplier, Spirit AeroSystems;<sup>9</sup> and changing its executive compensation program to emphasize operational performance, quality, and safety.<sup>10</sup> Boeing also announced senior management changes, including CEO David Calhoun's departure by the end of 2024 and Board Chair Larry Kellner not standing for re-election at the 2024 AGM.<sup>11</sup>

BIS engaged with Boeing's leadership following the Alaska Airlines incident to better understand the company's ongoing response, as well as its approach to the CEO succession planning process.

## **Rationale for BlackRock's vote**

### **Item 1h: Elect Director David L. Joyce (AGAINST)**

**BIS did not support the re-election of Director David L. Joyce, who serves as Chair of the Board's Aerospace Safety Committee. While BIS notes that Boeing is taking the 2024 Alaska Airlines incident seriously, the National Transportation Safety Board and Federal Aviation Administration's findings highlight the scale of the deficits in Boeing's overarching safety culture.**

Boeing's compliance issues related to manufacturing and quality control identified by the National Transportation Safety Board (NTSB) and the Federal Aviation Administration (FAA)<sup>12</sup> indicate shortfalls in the board's approach to overseeing management and the company's quality control and safety policies, processes, and culture. As such, BIS did not support Mr. Joyce's re-election as Chair of the Aerospace Safety Committee to convey our concerns about continuing oversight missteps and our view that to protect the interests of the

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<sup>4</sup> National Transportation Safety Board, "[Aviation Investigation Preliminary Report](#)."

<sup>5</sup> Boeing disclosed a USD \$355 million loss in its Q1 2024 results. See: The Boeing Company, "[Boeing Reports First Quarter Results](#)," April 24, 2024.

<sup>6</sup> Since December 31, 2019, Boeing's stock price has decreased by 46%, including by more than 25% from January 2, 2024 to May 17, 2024.

<sup>7</sup> The Boeing Company, "[Boeing announces immediate actions to strengthen quality](#)," January 15, 2024.

<sup>8</sup> The Boeing Company, "[Our Commitment to Safety and Transparency](#)."

<sup>9</sup> The 737 MAX's fuselage and door plug is manufactured by Spirit AeroSystems, a U.S. company which was spun off from Boeing in 2005. For more information, visit [Boeing Statement on Discussions with Spirit AeroSystems](#).

<sup>10</sup> The Boeing Company, "[Annual Meeting of Shareholders](#)," page 2, May 2024.

<sup>11</sup> The Boeing Company, "[Boeing Announces Board and Management Changes](#)," March 25, 2024.

<sup>12</sup> Federal Aviation Administration, [Updates on Boeing 737-9 MAX Aircraft](#), March 4, 2024; [Organization Designation Authorizations \(ODA\) for Transport Airplanes Expert Panel Review Report](#), February 26, 2024.

company and its stakeholders, the board and management need to act swiftly and effectively to address the issues identified.

BIS notes Boeing's efforts to further enhance the oversight of, and management's approach to, its quality control and safety processes since the Alaska Airlines incident. We also recognize that effective board oversight of Boeing's complex businesses, which ranges across various commercial, defense, and space areas, necessitates a high level of institutional knowledge.

Consequently, we supported the election of other directors at the May 2024 AGM because we recognize that the expertise of the members of the Aerospace Safety Committee will be important as the company works to address the issues identified. At the time of the May 2024 AGM, Boeing's Aerospace Safety Committee was comprised of five independent board directors with industry experience in safety, manufacturing, and risk management.<sup>13</sup> Each director joined the board in the last five years.

Additionally, Boeing has asked an independent safety expert, retired U.S. Navy Admiral Kirkland Donald, to "conduct a thorough assessment of Boeing's quality management system for commercial airplanes, including quality programs and practices in Boeing manufacturing facilities and its oversight of commercial supplier quality."<sup>14</sup>

BIS will continue to engage with members of the Committee and Boeing's executive leadership to understand how these issues are being rectified and robust practices are being established to safeguard key stakeholders and advance the long-term financial interests of shareholders.

## **Item 2: Advisory Vote to Ratify Named Executive Officers' Compensation (FOR)**

**BIS supported the advisory vote on executive compensation given the Compensation Committee made significant changes to reduce payouts and restructure the compensation program following the Alaska Airlines incident and in response to shareholder feedback.**

As we outline in [our approach to engagement on incentives aligned with financial value creation](#), executive compensation is an important tool used by companies to drive long-term financial value creation by motivating and rewarding the successful delivery of strategic goals and financial outperformance against peers. In our view, it is important for companies to make clear in their disclosures the connection between compensation policies and outcomes and the financial interests of long-term shareholders.

Following the Alaska Airlines incident, Boeing's Compensation Committee reduced payouts for executive officers. CEO Calhoun did not receive an annual incentive payout and the executive leadership team's long-term incentive award for 2024 was reduced by 22% to reflect the decline in Boeing's stock price. Furthermore, CEO Calhoun will forfeit unvested portions of a special equity grant awarded to him in February 2023 given his impending departure.<sup>15</sup>

The Committee also made design changes, informed by shareholder feedback,<sup>16</sup> to Boeing's annual and long-term incentive plans to place a greater emphasis on safety, quality, and operational performance. For the commercial airplanes business in particular, quality and safety goals will constitute the majority of the short-

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<sup>13</sup> The Boeing Company, "Annual Meeting of Shareholders," pages 11-12, May 2024.

<sup>14</sup> The Boeing Company, "Boeing Names Independent Advisor to Lead Comprehensive Quality Review", January 2024.

<sup>15</sup> Ibid, pages 63-67, May 2024.

<sup>16</sup> The Boeing Company, "Annual Meeting of Shareholders," page 43, May 2024.

term incentive plan.<sup>17</sup> These metrics will determine payouts for Boeing’s executive officers, the broader executive team, and all employees globally.<sup>18</sup>

Despite some concerns regarding consecutive year-over-year increases in CEO Calhoun’s long-term incentive opportunity, on balance, BIS acknowledges the Compensation Committee’s actions and considers the approach taken to be aligned with our clients’ financial interests. Therefore, we supported the company’s Say-on-Pay proposal.

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<sup>17</sup> Ibid, page 66, May 2024.

<sup>18</sup> Ibid, page 2, May 2024.

## About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on behalf of our clients. For those clients who have given us authority,<sup>19</sup> we vote proxies in line with our public [Global Principles and regional voting guidelines](#) and informed by our engagements, where relevant, as well as our analysis of company disclosures.<sup>20</sup> We vote with the sole objective to advance our clients' long-term financial interests.

As one of many shareholders, and typically a minority one, our role, on behalf of our clients as long-term investors, is to better understand how a company's leadership is managing risks and capitalizing on opportunities to help protect and enhance its ability to deliver long-term financial returns.

The BIS team of more than 65 dedicated professionals<sup>21</sup> operates across nine offices globally, taking a localized approach while also benefitting from global insights. We focus most of our efforts on corporate governance as, in our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests.

We are committed to transparency in the stewardship work we do on behalf of clients. The BIS [Global Principles, regional voting guidelines, and five engagement priorities](#) (collectively, the BIS policies) set out the core elements of corporate governance that guide our investment stewardship program globally and within each regional market every year. These policies support effective stewardship processes and transparency and align with our commitment to pursue long-term financial returns for our clients as shareholders.

In addition, we inform clients about our engagement and voting policies and activities through direct communication and through various other 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 explaining how we voted on key proposals.

**Want to know more?** [blackrock.com/stewardship](https://blackrock.com/stewardship)

[contactstewardship@blackrock.com](mailto:contactstewardship@blackrock.com)

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<sup>20</sup> 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.

<sup>21</sup> As of December 31, 2023.