

Investment Stewardship

Vote Bulletin: HCA Healthcare, Inc.

Company	HCA Healthcare, Inc. (NYSE: HCA)
Market and Sector	United States, Health Care
Meeting Date	21 April 2022
Key Resolutions ¹	Item 1g: To re-elect Charles O. Holliday, Jr. to the Board of Directors Item 4: Shareholder Proposal to Report on Political Contributions Item 5: Shareholder Proposal to Report on Lobbying Payments and Policy
Key Topics	Climate risk, corporate political spending, and lobbying disclosure
Board Recommendation	The board recommends shareholders to vote FOR item 1g and AGAINST items 4 and 5
BlackRock Vote	BlackRock voted FOR item 1g and AGAINST items 4 and 5

Overview

HCA Healthcare, Inc. (HCA) is a leading provider of health care services in the United States. The company employs more than 283,000 people and operates 182 hospitals and over 2,300 care sites across 20 states in the U.S. and in the UK.²

BlackRock Investment Stewardship (BIS) engages regularly with HCA’s management team to discuss a range of topics that we believe can help drive long-term shareholder value creation. This includes discussions about board quality and effectiveness, as well as the company’s response to COVID-19 given their position as the largest hospital operator in the U.S. In addition, as one of the 1,000+ companies included in the BIS [climate focus universe](#),³ our engagements have also covered the board’s role in overseeing the management and reporting of climate-related risks and opportunities.

As described in the BIS commentary, [Climate risk and the global energy transition](#), investors like BlackRock rely on the board and management to determine the appropriate approach to navigating climate risks and pursuing emerging opportunities stemming from the energy transition. Thorough company disclosures allow investors to

¹ HCA Healthcare, Inc. “[Proxy statement \(definitive\)](#).” 11 March 2022.

² HCA Healthcare, Inc. “[Who We Are](#).”

³ The BIS climate focus universe is a list of approximately 1,000 carbon-intensive public companies that represent nearly 90% of the global scope 1 and 2 greenhouse gas (GHG) emissions of our clients’ public equity holdings. The list is derived from public information and is intended to focus BIS’ climate engagement efforts. Many of these companies are leaders in their sectors—they have detailed climate adaptation strategies, rigorous GHG emissions reduction targets, and are creating the technology and solutions that are vital for a low-carbon transition. Others are at a much earlier stage in this journey. We look to 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.

understand corporate climate action plans, track progress, and assess the strategic changes that a company may undertake, such as investing in innovation to achieve emissions reduction targets.

Consistent, comparable data from companies across the market allows investors to better analyze company performance and allocate capital. That is why we encourage disclosures aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) framework, as well as industry-specific metrics, such as those identified by the Sustainability Accounting Standards Board (SASB). The four pillars of the TCFD — governance, strategy, risk management, and metrics and targets — allow companies to use a common vocabulary and disclose to investors standardized information, in both data and narrative form.

Consistent with the TCFD, we look to companies to demonstrate how their business model aligns to scenarios that limit temperature rise to well below 2°C, moving toward net zero emissions by 2050. We, and other investors, are better able to assess progress and identify innovative leaders, when companies disclose scope 1 and 2 emissions, along with short-, medium-, and long-term science-based reduction targets, where available for their sector.

Rationale for BlackRock's vote

Item 1g: To re-elect Charles O. Holliday, Jr. to the Board of Directors

As a result of the company's demonstrated progress with respect to reporting climate-related risks and opportunities over the past year, BIS decided that it is in the best economic interests of clients to support Charles O. Holliday, Jr.'s re-election to HCA's Board of Directors.

Last year, at the time of the company's April 28, 2021 Annual General Meeting (AGM), HCA had not designated a board committee to oversee ESG matters, and the company lacked TCFD-aligned reporting. As a result, BIS voted against the re-election of Charles Holliday, Jr., the independent presiding director of HCA's board, who we deemed responsible for ensuring an appropriate approach by the board to overseeing key business risks. Prior to the 2021 AGM, BIS engaged with the company and reiterated how we look to a company's board to ensure effective oversight of management's approach to risks and opportunities, including climate-related risks.

After the 2021 AGM, HCA's board formalized committee oversight responsibilities of ESG issues by documenting the various committees' roles in their respective charters and, among other things, designated the Audit and Compliance Committee responsible for overseeing HCA's policies and practices regarding environmental and sustainability issues. In addition, shortly before the 2022 AGM, HCA disclosed their scope 1 and scope 2 greenhouse gas (GHG) emissions⁴ and published their first TCFD-aligned report, disclosing that the company had "assessed its Scope 1 and Scope 2 greenhouse gas (GHG) emissions and water use for 2020."⁵ The company also reported that based on this environmental baselining exercise, HCA is currently "implementing a plan to reduce Scope 1 and Scope 2 emissions over the next 3 to 5 years, and a strategy to improve environmental performance more broadly."⁶ Given the significant progress that HCA has demonstrated with respect to reporting climate-related risks and opportunities since the 2021 AGM, BIS supported Mr. Holliday's re-election at this year's AGM.

We are encouraged by HCA's positive response to feedback from investors, including BlackRock. We acknowledge that HCA plans to share their GHG emission reduction targets "publicly in due course,"⁷ and believe that investors will benefit from understanding the company's short-, medium-, and long-term emission reduction targets before their 2023 AGM. In the absence of such disclosures, we may signal our concerns about the company's plans and/or disclosures in our voting on director elections. We will continue to engage with the

⁴ HCA Healthcare, Inc. "2022 Annual Impact Report—Community--Environmental stewardship."

⁵ HCA Healthcare, Inc. "Task Force on Climate-related Financial Disclosures Report." 31 March 2022. Page 7.

⁶ HCA Healthcare, Inc. "Task Force on Climate-related Financial Disclosures Report." 31 March 2022. Page 7.

⁷ HCA Healthcare, Inc. "Task Force on Climate-related Financial Disclosures Report." 31 March 2022. Page 8.

company to monitor progress in relation to the board's role in overseeing the management and reporting of climate- and sustainability-related risks and opportunities.

Item 4: Shareholder Proposal to Report on Political Contributions

Item 5: Shareholder Proposal to Report on Lobbying Payments and Policy

BIS did not support the two shareholder proposals on corporate political and lobbying activities given that, in our assessment, HCA provides sufficient transparency in their existing political contributions and lobbying-related disclosures.

HCA had on the 2022 AGM ballot two shareholder proposals, the first of which requested that the company prepare a report on their policies and procedures for making political contributions, and the second of which requested that the company prepare a report on their lobbying expenses, policies, and procedures.

In the BIS commentary on [our perspective on corporate political activities](#), we explain that we depend on companies to provide accessible and clear disclosures so that investors can easily understand how corporate political activities support long-term corporate strategy, including a company's stated public policy priorities. Although HCA's transparency on their corporate political activities historically lagged their peers, in response to shareholder feedback, in early 2022 the company significantly enhanced such disclosures. On BIS' assessment, HCA now provides sufficient transparency on their website⁸ on their approach to corporate political spending oversight. The company provides an overview of political spending and lobbying policies and practices, which includes clear board oversight of both. HCA has published a list of all federal and state political action committee (PAC) contributions for the 2022 election cycle, information on their federal lobbying activities, and a list of the major trade association memberships to which HCA has paid dues in excess of \$50,000 and the portion of such dues that were allocated to non-deductible lobbying activity.

Given HCA's recent actions to address investor feedback, BIS determined that current disclosures provide sufficient information for shareholders to be able to assess the company's political and public policy activities, including oversight of related risks by the Nominating and Corporate Governance Committee. We will continue to engage with the company to provide constructive feedback on how they may consider further enhancing their corporate political activities disclosure, including consolidating portions of the company's disclosure from the proxy statement into the company's web site disclosure and improving investors' ability to navigate to certain referenced information.

⁸ HCA Healthcare, Inc. "[HCA Healthcare Political Participation Overview](#)." January 2022.

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.⁹

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.

Want to know more? blackrock.com/stewardship

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⁹ 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.