

## Investment Stewardship

# Vote Bulletin: Alphabet, Inc.

Company	<b>Alphabet, Inc. (NYSE: GOOGL)</b>
Market and Sector	United States, Communication Services
Meeting Date	1 June 2022
Key Resolutions <sup>1</sup>	<p><b>Item 8:</b> Report on Metrics and Efforts to Reduce Water Related Risk (Shareholder proposal)</p> <p><b>Item 9:</b> Oversee and Report a Third-Party Racial Equity Audit (Shareholder proposal)</p> <p><b>Item 11:</b> Approve Recapitalization Plan for all Stock to Have One-vote per Share (Shareholder proposal)</p> <p><b>Item 16:</b> Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms (Shareholder proposal)</p>
Key Topics	Natural capital, company impacts on people, diversity, equity and inclusion
Board Recommendation	The board recommended shareholders vote AGAINST these shareholder proposals
BlackRock Vote	BlackRock voted FOR these shareholder proposals

### Overview

Alphabet, Inc. (Alphabet) is a communications services company which operates through the Google and Other Bets segments.

BlackRock Investment Stewardship (BIS) has a long history of engagement with Alphabet's leadership where we have discussed a range of corporate governance and sustainable business matters that we believe contribute to a company's ability to deliver the durable, long-term shareholder returns our clients depend on to meet their financial goals. This has included discussions on the company's approach to human capital management, diversity, equity and inclusion, natural capital and executive compensation.

The meeting agenda at Alphabet's 2022 annual general meeting (AGM) included seventeen shareholder proposals for consideration, in addition to proposals put forth by management on items such as the election of directors and executive compensation.

Consistent with our fiduciary approach, BIS takes a case-by-case approach to assessing shareholder proposals, evaluating each proposal on its merit and with a singular focus on its implications for long-term value creation. We consider the business and economic relevance of the issue raised, as well as its materiality and the urgency

<sup>1</sup> Alphabet, Inc., "[Notice of 2022 Annual Meeting of Stockholders & Proxy Statement](#)".

with which we believe it should be addressed. While we may not agree with all aspects of a shareholder proponent's views or all facets of the proponent's supporting statement, we may still support proposals that address material business risks in relation to which we believe it would be helpful for shareholders to have more detailed information on how those risks are identified, monitored and managed to support a company's ability to deliver long-term financial returns. We are unlikely to support shareholder proposals that in our determination are overly prescriptive in nature, unduly constraining on management, or are focused on issues already appropriately addressed by the company's existing practices and disclosure.<sup>2</sup>

Please see below for a discussion of BIS' voting, on behalf of those clients who have given us authority, on select proposals at Alphabet's 2022 AGM.<sup>3</sup>

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

### **Item 8: Report on Metrics and Efforts to Reduce Water Related Risk (FOR)**

**BIS supported this shareholder proposal because, in our assessment, shareholders would benefit from more information on the company's approach to water dependencies and impact.**

The shareholder proposal requested that "Google annually report, at reasonable cost, quantitative water-related metrics by location, including data centers, and for each location, practices implemented to reduce climate-related water risk."<sup>4</sup>

Engaging on water risks is an increasingly important topic for BIS, as discussed in our commentary on [Our approach to engagement on natural capital](#). We appreciate when companies disclose their policies on water, waste, and materials, including their approach to identifying and managing water scarcity and pollution-related risks, as well as responsible waste disposal and recycling efforts as they relate to fresh water and oceans. In addition, we also find it useful when companies disclose their water stewardship strategy, with a focus on facilitating sustainable water security for their business and for the communities in which they operate.

BIS believes that water management is a material risk for Alphabet given the significant volumes of water used to cool data centers.<sup>5</sup> The company recently enhanced their water metrics disclosure to include three water indicators (total water withdrawal, consumption, and discharge), in line with industry standards.<sup>6</sup> Alphabet has a goal to replenish more water than the company consumes by 2030 and is focusing water stewardship efforts in three main areas: 1) enhancing stewardship of water resources across Google office campuses and data centers; 2) replenishing 120% of the average amount of water they consume across their offices and data centers, and improving watershed health and ecosystems in water-stressed communities; and, 3) sharing technology and tools that help everyone predict, prevent, and recover from water stress.

However, the company does not explicitly disclose annual water use or other risk metrics by location; therefore, it is difficult for stakeholders to determine the company's regional approach, localized water stress trends and risks, as well as possible progress year over year. Notably, Alphabet's peers provide this level of information. For

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<sup>2</sup> As discussed in our paper, "[2022 climate-related shareholder proposals more prescriptive than 2021](#)", BIS is not supportive of shareholder proposals that do not promote long-term shareholder value and/or are unduly prescriptive. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term economic interests.

<sup>3</sup> We recognize that some of our clients may take a different view, and more of our clients are interested in having a say in how their index holdings are voted. Beginning in 2022, BlackRock is taking the first in a series of steps to expand the opportunity for clients to participate in proxy voting decisions where legally and operationally viable. To do this, BlackRock developed new technology and worked to enable a significant expansion in proxy voting choices for more clients. For more information see: <https://www.blackrock.com/corporate/about-us/investment-stewardship/proxy-voting-choice>.

<sup>4</sup> Alphabet, Inc., "[Notice of 2022 Annual Meeting of Stockholders & Proxy Statement](#)".

<sup>5</sup> See, Fortune, "[Big Tech needs to tackle its water addiction](#)", 5 October 2021.

<sup>6</sup> Google, "[Environmental Report 2021](#)".

these reasons, we supported this shareholder proposal as we believe it is in the best economic interests of our clients for Alphabet to enhance their disclosure on this material long-term business risk.

### **Item 9: Oversee and Report a Third-Party Racial Equity Audit (FOR)**

**BIS supported this shareholder proposal because, in our view, shareholders would benefit from a third-party assessment of Alphabet's diversity, equity and inclusion (DEI) practices.**

The shareholder proposal requested that the Board “commission a third-party, independent racial equity audit analyzing Alphabet Inc.’s adverse impacts on Black, Indigenous and People of Color (BIPOC) communities. Input from racial justice and civil rights organizations and employees, temporary vendors, and contractors should be considered in determining specific matters to be analyzed.”<sup>7</sup>

BIS believes that periodic racial equity audits can be beneficial for companies in addressing material risks and opportunities to enable stakeholders to track the effectiveness of the company’s DEI efforts, and their stated goals, thereby providing insight into the company’s ongoing priorities. As such, we appreciate when companies disclose how they consider the interests of their workforce in business decision-making. In this context, we look to companies to disclose information about their commitment to advancing DEI, including their efforts to recruit, retain, and develop diverse talent, create an inclusive workplace for all workers, support executive training for underrepresented groups, and address any compensation gaps across different workforce demographics.<sup>8</sup>

Alphabet’s current reporting is clear and robust, including their racial equity commitments and internal DEI efforts.<sup>9</sup> As part of their racial equity commitments, Alphabet set a goal to improve leadership representation of Black+, Latinx+ and Native American+ Googlers in the U.S. by 30% by 2025.<sup>10</sup> In 2020, the Board agreed on a series of industry-leading principles and improvements that incorporated input from both Googlers and stockholders, including the creation of a DEI Advisory Council comprised of senior executives and external DEI experts. The company also created the positions and appointed a dedicated Head of Civil Rights and a Global Head of Human Rights. Also, Google invests \$50 million in Historically Black Colleges and Universities (HBCUs) in the U.S. in order to better address the diversity gap in tech.<sup>11</sup>

While the company has enhanced their work and program development as it relates to DEI, we believe that a third-party audit would better enable shareholders to assess the effectiveness and outcomes of the company’s stated policies and track progress against their stated goals. As a result, we supported this shareholder proposal.

### **Item 11: Approve Recapitalization Plan for all Stock to Have One vote per Share (FOR)**

**In line with our view that one vote per share is in the best economic interests of long-term shareholders, BIS supported this shareholder proposal to disband the company’s multi-class stock structure.**

The shareholder proposal requested that Alphabet’s board “take all practicable steps in its control to initiate and adopt a recapitalization plan for all outstanding stock to have one vote per share. [This would be] done through a phase-out process in which the board would, within seven years or other timeframe justified by the board, establish fair and appropriate mechanisms through which disproportionate rights of Class B shareholders could be eliminated.”

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<sup>7</sup> Alphabet, Inc., “[Notice of 2022 Annual Meeting of Stockholders & Proxy Statement](#)”.

<sup>8</sup> BlackRock Investment Stewardship, “[Our approach to engagement on human capital management](#)”, February 2022.

<sup>9</sup> Google, “[Our commitments to racial equity](#)”, and “[Belonging](#)”.

<sup>10</sup> See previous footnote.

<sup>11</sup> See previous footnote.

As discussed in our [Global Principles](#), effective voting rights are a fundamental right of share ownership. We believe that “one vote for one share” is a guiding principle that supports effective corporate governance. In principle, we disagree with the creation of a share class with equivalent economic exposure and preferential, differentiated voting rights. We also recognize there may be potential benefits of multi-class shares to newly public companies as they establish themselves; however, we believe that these structures should have a specified and limited duration. Accordingly, we supported this shareholder proposal as we believe it is in our clients’ long-term financial interests to disband the multi-class stock structure.

**Item 16: Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms (FOR)**

**BIS supported this shareholder proposal because, in our view, shareholders would be better served by the company undergoing an independent assessment of their approach to information management rather than one conducted by a third-party with which Alphabet is affiliated.**

The shareholder proposal requested that the company commission and publish “an independent Human Rights Impact Assessment report, conducted by a reputable third party at reasonable cost, evaluating the efficacy of Alphabet’s existing policies and practices to address the human rights impacts of its content management policies to address misinformation and disinformation across its platforms.”<sup>12</sup>

Google’s Human Rights Policy describes the company’s human rights due diligence process, which includes human rights impact assessments, regular engagement and formal consultation with internal and external stakeholders on topics such as content policies and data governance.<sup>13</sup> In 2020, the Global Network Initiative (GNI)—an NGO aimed at bringing together information and communications technology (ICT) companies with other stakeholders to protect the freedom of expression and privacy online<sup>14</sup>—released its third assessment, *The GNI Principles at Work*,<sup>15</sup> which confirmed that Google was making good-faith efforts to implement the GNI Principles with improvement over time.<sup>16</sup>

However, given that Alphabet is a member of the GNI, and the significance of this issue to the company’s ability to operate, BIS believes that an independent assessment by a truly independent third-party without membership ties would provide shareholders, and others interested in the company’s approach to this material business risk, greater assurance about the company’s human rights policies and practices. As a result, we supported this shareholder proposal.

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<sup>12</sup> Alphabet, Inc., “[Notice of 2022 Annual Meeting of Stockholders & Proxy Statement](#)”.

<sup>13</sup> Google, “[Human Rights](#)”.

<sup>14</sup> The GNI’s [mission](#) is “to protect and advance freedom of expression and privacy rights in the ICT industry by setting a global standard for responsible company decision making and serving as a multistakeholder voice in the face of government restrictions and demands.”

<sup>15</sup> Global Network Initiative, “[The GNI Principles at Work](#)”.

<sup>16</sup> Global Network Initiative, “[The GNI Principles](#)”.

## 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.<sup>17</sup>

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](https://blackrock.com/stewardship)

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

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<sup>17</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.