

## Investment Stewardship

# Vote Bulletin: Helmerich & Payne, Inc.

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|------------------------------|---|
| Company                      | <b>Helmerich &amp; Payne, Inc. (NYSE: HP)</b>             |
| Market and Sector            | United States, Energy                                     |
| Meeting Date                 | March 1, 2022   |
| Key Resolutions <sup>1</sup> | <b>Items 1a-1l: Election of directors</b>                 |
| Key Topics                   | Climate risk  |
| Board Recommendation         | The board recommends shareholders to vote FOR Items 1a-1l |
| BlackRockVote                | BlackRockvoted FOR Items 1a-1l                            |

### Overview

Helmerich & Payne, Inc. (HP) is a US-based contract drilling company with operations around the world. The company engages in well drilling and related services for energy exploration and production companies.

BlackRock Investment Stewardship (BIS) has a multi-year engagement history with HP. Discussions have focused on a range of corporate governance and sustainable business matters that we believe contribute to the company's ability to deliver the durable, long-term shareholder returns on which our clients depend to meet their financial goals, including climate risk and opportunities and the global energy transition.

In order to assess companies' strategies for navigating the energy transition, BIS engages with company leadership and, where we have authority to do so, votes proxies in the economic interests of our clients.<sup>2</sup> As discussed in our commentary, [Climate risk and the global energy transition](#), BlackRock's stewardship approach is based on our fundamental role as a fiduciary to our clients. As the world transitions over the coming decades to a low-carbon economy, we are interested in hearing from the companies in which our clients are invested as to how they are assessing and managing the risks and opportunities arising from the global energy transition, while also managing for a reliable energy supply and a just transition. We look for companies to demonstrate that 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.

<sup>1</sup> Helmerich & Payne, "[Proxy Statement 2022](#)".

<sup>2</sup> Voting on our clients' behalf, when authorized to do so, is one of our core Stewardship responsibilities. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term financial interests. We aim to be a supportive, long-term focused shareholder who takes the context in which a company operates into consideration and makes voting decisions to advance our clients' interests. Climate-related voting decisions carefully assess companies' risk oversight and mitigation, alongside their disclosures detailing how climate risk and opportunity are integrated into their strategy and plans.

As investors, we understand that net zero pathways will not be linear or streamlined; the macroeconomic environment, including energy markets, is complex and volatile, and there is a great deal of regulatory and geopolitical uncertainty.<sup>3</sup> In this context, we believe that the board and management are best positioned to determine what approach will best equip the company to navigate risks and opportunities in the context of the company's business model and sector. Thorough company disclosures allow investors to understand corporate climate action plans, track progress, and assess the strategic changes that a company may undertake to adapt their business models to respond to different energy transition scenarios.<sup>4</sup>

At HP's 2021 annual general meeting (AGM), BIS voted not to support the election of a director with responsibility for oversight of environmental, social and governance (ESG) matters given our concerns that, at the time, HP lacked explicit board oversight of climate-related issues and did not produce disclosures aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) or industry-specific sustainability metrics.

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

### **Items 1a-1l: Election of directors (FOR)**

**BIS supported the election of all directors at the 2022 AGM to reflect the progress HP has demonstrated over the last year on their approach to navigating business relevant risks and opportunities stemming from the energy transition and important to the long-term financial interests of shareholders.**

In BIS' engagements with HP since the 2021 AGM, we have been encouraged by how the company has progressed their evaluation and management of transition risk. Specifically, HP has produced a sustainability report that is aligned with the TCFD, Sustainability Accounting Standards Board (SASB) and GRI, established an environmental governance team, published third-party audited scope 1 and 2 greenhouse gas (GHG) emissions, and increased their focus on operational improvements to reduce emissions and drive environmental-related accountability within the organization. HP has also provided investors with increased insights into how the company is assessing and executing on transition-related opportunities, specifically as it relates to the increased commercialization of geothermal resources.

We also appreciate that for an energy services provider such as HP, whose assets are predominantly equipment, the transition risk exposure differs from those operating in other parts of the energy value chain. We aim to factor all such considerations into our understanding of how a company is approaching climate-related risks and opportunities and the potential impact on the long-term financial interests of our clients as shareholders.

We note, however, that there remains room for improvement in the company's climate-related risk oversight, as shareholders would benefit from the inclusion of scope 1 and 2 GHG and methane emissions reductions targets. As BIS notes in our [U.S. Proxy Voting Guidelines](#), we look to companies to set short-, medium-, and long-term science-based targets, where available for their sector, for GHG reductions and to demonstrate how their targets are consistent with the long-term economic interests of their shareholders. The company's progress over the last year, however, have been substantial and BIS believes HP has accelerated the integration of transition risk into their business model. Furthermore, BIS acknowledges the HP's relatively small size, and the role they play in the energy value chain as an equipment and services company adjacent to the energy sector, especially in the context of the progress the company has made with regard to expanding its climate-

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<sup>3</sup> BlackRock Inc., "[Managing the Net-Zero Transition](#)", February 2022.

<sup>4</sup> We recognize that companies cannot deliver the energy transition in isolation. A range of stakeholders, including policy makers and consumers, have a role to play to ensure a better equilibrium between supply and demand, given the global economy's current dependence on traditional energy sources and the parallel need to invest in cleaner energy alternatives and other technologies. In our engagements we may also discuss how companies see their role in achieving that equilibrium.

related disclosures. We also acknowledge the importance of technological advances for energy services companies as they navigate the energy transition.

HP has also provided investors with insight into the investments the company is making that will afford HP a competitive advantage in a lower carbon economy. BIS considers such information key to the ability of long-term shareholders to more fully understand a company's business resilience in the context of the energy transition.

BIS believes that the long-term financial interests of our clients will be best served by HP's continued progress along the current trajectory. We look to HP to comprehensively address how the transition will impact the company's business model, including by setting meaningful short, medium- and long-term scope 1, 2 and methane emissions reduction targets in the near term. In the meantime, we believe that HP's board has demonstrated a commitment to making steady progress. Accordingly, BIS voted to support the election of all directors proposed by management at the 2022 AGM. We will monitor the company's progress, particularly on setting scope 1 and 2 emissions reduction targets over the coming 12 months.

## 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>5</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)

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<sup>5</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.