

Investment Stewardship

Vote Bulletin: The Home Depot, Inc.

Company	The Home Depot, Inc. (NYSE: HD)
Market and Sector	United States, Consumer Discretionary
Meeting Date	19 May 2022
Key Resolutions ¹	<p>Item 1f: Elect Director Albert P. Carey</p> <p>Item 6: Require Independent Board Chair (Shareholder proposal)</p> <p>Item 8: Report on Steps to Improve Gender and Racial Equity on the Board (Shareholder proposal)</p> <p>Item 9: Report on Efforts to Eliminate Deforestation in Supply Chain (Shareholder proposal)</p> <p>Item 10: Oversee and Report a Racial Equity Audit (Shareholder proposal)</p>
Key Topics	Board quality, diversity, equity and inclusion, and natural capital
Board Recommendation	The board recommended shareholders vote FOR Item 1f, and AGAINST Items 6, 7, 8, 9, 10
BlackRock Vote	BlackRock voted AGAINST Items 1f, 6, 7 and 8, and FOR Items 9 and 10

Overview

The Home Depot, Inc. sells building materials and home improvement products and services in North America.

BlackRock Investment Stewardship (BIS) engages companies to reflect a long-term investor perspective and better understand how company leadership identifies and manages risks and opportunities – including 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.

BIS has a multi-year engagement history with Home Depot, where we have discussed 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 board quality, human capital management, business oversight and risk management, and the global energy transition.

Included below is a discussion of BIS’s voting, on behalf of clients who have given us voting authority, on select proposals at Home Depot’s 2022 annual general meeting (AGM).

¹ The Home Depot, Inc., “[2022 Annual Meeting of Shareholders](#)”.

Rationale for BlackRock's vote

Item 1f: Elect Director Albert P. Carey (AGAINST)

BIS did not support the re-election of Director Albert P. Carey because we consider him to be overcommitted per our [U.S. proxy voting guidelines](#). We believe serving on three public company boards may limit his ability to effectively fulfil his responsibilities on each board.

We believe that sound corporate governance —underpinned by a capable, well-functioning board —is integral to our clients' long-term financial interests as shareholders in the companies we invest in on their behalf. BIS has long believed that directors should limit their commitments to ensure they have the time and capacity to be fully engaged in the work of each board.

As their role is becoming more complex, it is important that directors have the capacity to fulfill all of their responsibilities —including when there are unforeseen events. Therefore, we believe that serving on an excessive number of boards could impair their ability to fulfill their duties to each board. Director overcommitment, or “over-boarding,” remains a key focus for BIS. When engaging with companies, we encourage the chairman to ensure that directors to have the necessary time to advise and oversee management. We believe that when directors limit the number of boards on which they serve, they are more likely to have sufficient capacity to fulfill their responsibilities on each board. We appreciate when boards explain the time commitments expected of their directors and how they gain comfort with any commitments that board members may have to other companies or roles.

As we explain in our [U.S. proxy voting guidelines](#), we believe sitting executive directors are best able to fulfill their responsibilities when they serve on no more than two public company boards. Currently Mr. Carey is an Executive Chairman who serves on three public company boards. As a result, we did not support his re-election given our concerns about his being overcommitted.

Item 6: Require Independent Board Chair (AGAINST)

Consistent with our [U.S. proxy voting guidelines](#), BIS did not support this shareholder proposal because Home Depot's board has a designated lead independent director with adequate and clearly delineated responsibilities.

The shareholder proposal requested that the board “adopt as policy, and amend the bylaws as necessary, to require hereafter that the Chair of the Board of Directors be an independent member of the Board, consistent with applicable law and existing contracts. If the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time.”²

As discussed in our [U.S. proxy voting guidelines](#) and [Global Principles](#), we believe that independent leadership is important in the boardroom, and that the board is better able to fulfill its fiduciary duty when there is an independent, senior non-executive board chair or, where the chairman is also the CEO (or is otherwise not independent), a strong Lead Independent Director. In the absence of a significant governance concern, we defer to boards to determine the most appropriate leadership structure to ensure adequate balance and independence.

We currently do not have concerns about Home Depot's board leadership structure. The company has a Lead Independent Director with sufficient and clearly defined responsibilities.³ As a result, we voted against this proposal.

² The Home Depot, Inc., “[Proxy Statement and Notice of the 2022 Annual Meeting of Shareholders](#)”.

³ The Home Depot, Inc., “[Proxy Statement and Notice of the 2022 Annual Meeting of Shareholders](#)”.

Item 8: Report on Steps to Improve Gender and Racial Equity on the Board (AGAINST)

In line with our [U.S. proxy voting guidelines](#), we did not support this shareholder proposal because we do not currently have concerns about the diversity of Home Depot's board.

The shareholder proposal requested that the board “report to shareholders within six months after the Company’s annual meeting, at reasonable expense excluding confidential information, with action steps to foster greater racial and gender equity on the board.”⁴

As described in our [Global Principles](#), we are interested in diversity in the board as a means to promoting diversity of thought and avoiding ‘group think.’ In our view, greater diversity in the boardroom contributes to more robust discussions and more innovative and resilient decisions. High-performing boards play an important role in developing strong management teams, on which the long-term success of companies depend. It is our view that diversity in the boardroom, at least consistent with local regulatory requirements and best practices, leads to better long-term economic outcomes for companies, and therefore contributes to the durable, long-term value creation on which our clients’ investments depend to meet their financial goals.

This position is based on our view that diversity of perspective and thought – in the boardroom, on the management team, and throughout the company – leads to better long-term economic outcomes for companies. Academic research already reveals correlations between specific dimensions of diversity and effects on decision-making processes and outcomes.⁵ In our experience, greater diversity in the boardroom contributes to more robust discussions and more innovative and resilient decisions. We recognize that building high-quality, diverse boards can take time. We will look to the largest companies (e.g., S&P 500) for continued leadership. Our commentary provides more information on [our approach to board diversity](#).

We ask boards to disclose how diversity is considered in board composition, including demographic factors such as gender, race, ethnicity, and age; as well as professional characteristics, such as a director’s industry experience, specialist areas of expertise, and geographic location. We assess a board’s diversity in the context of a company’s domicile, business model, and strategy. As discussed in our [U.S. proxy voting guidelines](#), we believe boards should aspire to 30% diversity of membership and encourage companies to have at least two directors on their board who identify as female and at least one who identifies as a member of an underrepresented group.

At Home Depot, the board’s Nominating and Corporate Governance Committee has a policy to consider a diverse slate of candidates for each position that becomes available on the board, including diversity of gender and race/ethnicity. Of the current fourteen members, six (43%) are identified by the company as bringing gender or racial/ethnic diversity of the board. Of the twelve independent directors, four (33%) are women and four (33%) are members of historically under-represented racial or ethnic groups. Accordingly, in line with our [U.S. proxy voting guidelines](#), we do not currently have concerns about the diversity of Home Depot’s board, and therefore did not support this shareholder proposal.

⁴ The Home Depot, Inc., “Proxy Statement and Notice of the 2022 Annual Meeting of Shareholders”.

⁵ For example, the role of gender diversity on team cohesion and participative communication is explored by Post, C., 2015, “When is female leadership an advantage? Coordination requirements, team cohesion, and team interaction norms”, *Journal of Organizational Behavior*, 36, 1153-1175.

Item 9: Report on Efforts to Eliminate Deforestation in Supply Chain (FOR)

BIS supported this shareholder proposal because we believe that Home Depot could improve their supply chain management by including responsible sourcing standards within their wood purchasing.

The shareholder proposal requested that the company publish a report “assessing if and how it could increase the scale, pace, and rigor of its efforts to eliminate deforestation and the degradation of primary forests in its supply chains.”⁶

As awareness grows of the importance of natural capital to companies’ business models and ability to generate long-term durable financial returns, BIS is interested in hearing from companies about their strategies and plans for managing their impacts and dependencies on nature, such as through land management—including the impacts that supply chains can have on land, forests, and water. As discussed in our commentary, [Our approach to engagement on natural capital](#), companies with complex supply chains may face reputational and operational risks, which they can mitigate by taking steps to ensure that their sourcing processes support sustainable business practices by their suppliers. The opportunity to engage with and support improvements in suppliers can contribute to supply chain resilience. It is helpful to investors when companies disclose how they identify and protect against adverse impacts across supply chains, and how they engage with their suppliers and work with them to remediate any shortfalls.

Home Depot first began publishing their “Wood Purchasing Policy” in 1999,⁷ which they have continued to update periodically since then. The policy includes commitments to give preference to the purchase of wood and wood products originating from certified, well-managed forests wherever feasible; eliminate the purchase of wood and wood products from forest regions identified as endangered; practice and promote the efficient and responsible use of wood and wood products; promote and support the development and use of alternative environmental products; not accept wood products from the Amazon or Congo Basin areas, Papua New Guinea or the Solomon Islands, unless they are Forest Stewardship Council (FSC)-certified; require that vendors and their suppliers of wood and wood products maintain compliance with laws and regulations pertaining to their operations and the products they manufacture.⁸

In addition, Home Depot’s 2021 ESG report includes their “Sustainable Forestry” policy,⁹ which reiterates the commitments made in their “Wood Purchasing Policy” and provides a link to a video outlining the company’s efforts to protect endangered forests.

However, these disclosures do not include a description of how the company’s wood and wood product sourcing impacts primary forests. The company lags peers in reporting this information.

Given the growing pressures on natural ecosystems on which Home Depot products depend and from which the company derives economic benefits, we believe that the company will increasingly face financial risks associated with any negative impacts on forests. Conversely, there could be material business opportunities in taking a more expansive approach. As a result, BIS determined that it was in the financial interests of our clients to support this shareholder proposal.

⁶ The Home Depot, Inc., “[Proxy Statement and Notice of the 2022 Annual Meeting of Shareholders](#)”.

⁷ The Home Depot, Inc., “[Wood Purchasing Policy](#)”.

⁸ See previous footnote.

⁹ The Home Depot, Inc., “[ESG Report](#)” 2021, page 68.

Item 10: Oversee and Report a Racial Equity Audit (FOR)

BIS supported this shareholder proposal because, in our view, shareholders would benefit from a third-party assessment of Home Depot’s diversity, equity and inclusion (DEI) practices given their large and diverse workforce and extensive presence in communities.

The shareholder proposal requested that the board oversee and publish “an independent racial equity audit analyzing Home Depot’s adverse impacts on nonwhite stakeholders and communities of color.”¹⁰

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 stakeholders 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.

Home Depot has enhanced their formal DEI program over the past several years. The company conducted an internal assessment of these DEI efforts, which resulted in the established of three focus areas: associates, community and suppliers. For associates, efforts to date have included launching a “series of Caring Conversations and C.A.R.E. (Champion Awareness, Respect and Equity) Talks by bringing in subject matter experts to speak to the company about topics that Champion Awareness, Respect and Equity.”¹¹

For communities, Home Depot has partnered with local and national organizations that support their diversity efforts.¹² Regarding suppliers, Home Depot has a supplier diversity program “dedicated to increasing spend with diverse suppliers, as well as providing development and mentoring to assist with business growth and partnering with organizations that provide certifications, education and opportunities for networking and capital.”¹³

However, the company’s large and distributed nature, combined with the workforce dynamics inherent in the retail industry, make it difficult to assess how undercurrents may be moving in disparate parts of the company, and how those undercurrents may be affecting Home Depot’s stakeholder groups including employees, customers, communities, partners, and suppliers.

An independent, third-party review of their DEI-related initiatives would provide objectivity, assurance, and specialized expertise beyond the company’s internal analysis. 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.

¹⁰ The Home Depot, Inc., “[Proxy Statement and Notice of the 2022 Annual Meeting of Shareholders](#)”.

¹¹ The Home Depot, Inc., “[Proxy Statement and Notice of the 2022 Annual Meeting of Shareholders](#)”, page 47.

¹² The Home Depot, Inc., “[Proxy Statement and Notice of the 2022 Annual Meeting of Shareholders](#)”, page 48.

¹³ See previous footnote.

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.¹⁴

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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¹⁴ 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.