Investment Stewardship

Vote Bulletin: Marathon Petroleum Corporation

Company	**Marathon Petroleum Corporation (NYSE: MPC)**
Market and Sector	United States, Energy
Meeting Date	27 April 2022
Key Resolutions[1]	**Item 7:** Reduce Ownership Threshold for Shareholders to Call Special Meeting **Item 8:** Amend Compensation Clawback Policy **Item 9:** Report on Climate Strategy Consistent with ILO's "Just Transition Guidelines"
Key Topics	Executive compensation, climate risk
Board Recommendation	The board recommended shareholders vote AGAINST the shareholder proposals (Items 7-9)
BlackRock Vote	BlackRock voted AGAINST the shareholder proposals (Items 7-9)

Overview

Marathon Petroleum Corporation (MPC) engages in refining, marketing, retailing, and transporting petroleum products primarily in the United States.

BlackRock Investment Stewardship (BIS) has engaged regularly with MPC over the last several years to discuss 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 on which our clients depend to meet their financial goals. This has included discussions on material climate risks and opportunities, which BlackRock believes can be important factors in companies' long-term prospects.

In order to assess companies' strategies to navigate 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.[2] 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 to a low-carbon economy, we are interested in hearing from companies, on behalf of our clients, to better understand how they are assessing and managing the risks and opportunities arising from the decarbonization of the global economy, while also managing for a reliable energy supply and a just transition. We look for companies to demonstrate

[1] Marathon Petroleum Corporation, "2022 Notice of Annual Meeting and Proxy Statement".

[2] 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.

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. T

As investors, we understand that net zero pathways will not be linear; the macroeconomic environment, including energy markets, is complex and volatile, and there is a great deal of regulatory and geopolitical uncertainty.[3] In this context, we believe 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 particular 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.[4]

Rationale for BlackRock's vote

Item 7: Reduce Ownership Threshold for Shareholders to Call Special Meeting (AGAINST)

BIS did not support this proposal because we believe that the company's 25% threshold for shareholders to call a special meeting is appropriate.

The proposal asks MPC's board to "take the steps necessary to amend the appropriate company governing documents to give the owners of a combined 10% of our outstanding common stock the power to call a special shareholder meeting."[5]

As stated in our Proxy voting guidelines for U.S. securities, we believe that shareholders should have the right to call a special meeting in cases where a reasonably high proportion of shareholders (typically a minimum of 15% but no higher than 25%) share concerns about an issue that should go to a shareholder vote..

In our view, MPC already provides shareholders the right to call a special meeting at an appropriate threshold of 25%, which we believe offers shareholders a reasonable opportunity to raise issues of substantial importance without having to wait for management to schedule a meeting. For these reasons, we did not support the proposal.

Item 8: Amend Compensation Clawback Policy (AGAINST)

BIS did not support this shareholder proposal because we believe that the company's existing clawback policy is aligned with market practice and we recognize the potential for near-term Securities and Exchange Commission (SEC) rulemaking on clawback policies.

The shareholder proposal urges the company to amend the "recoupment/clawback policy to add that the [Compensation and Organization Development] Committee will review and determine whether to seek recoupment of long-term incentive and short-term incentive compensation paid, granted or awarded to an executive officer" in certain situations[6] and that the company "disclose to shareholders the circumstances of any recoupment or decision not to pursue recoupment in those situations."

---

[3] BlackRock Inc., "Managing the Net-Zero Transition", February 2022.

[4] We recognize that companies cannot deliver the energy transition in isolation. A range of stakeholders, including policy make rs 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 e ngagements we may also discuss how companies see their role in achieving that equilibrium.

[5] Marathon Petroleum Corporation, "2022 Notice of Annual Meeting and Proxy Statement".

[6] "[I]f, in the Committee's judgment, (a) an executive officer engaged in conduct that resulted in a violation of law or MPC policy, and that caused financial or reputational harm to the Company, or (b) an executive officer failed in their responsibility to manage co nduct or risks, and such failure contributed to financial or reputational harm to the Company, with MPC to disclose to shareholders the circumsta nces of any recoupment or decision not to pursue recoupment in those situations." Marathon Petroleum Corporation, "2022 Notice of Annual Meeting and Proxy Statement".

We appreciate that the proponent's request contains several components that are aligned with BIS proxy voting guidelines, which state in part that BIS favors "recoupment from any senior executive whose behavior caused material financial harm to shareholders, material reputational risk to the company, or resulted in a criminal proceeding, even if such actions did not ultimately result in a material restatement of past results."

While MPC's current clawback policy falls short of comprehensively containing the provisions that BIS favors,[7] we recognize that MPC voluntarily implemented (and has maintained for more than a decade) a policy that meets market norms. Specifically, MPC's annual cash bonus and long-term incentive programs provide for recoupment in the case of certain forfeiture events. This includes in the event of a material accounting restatement resulting from misconduct, "if the [Compensation and Organization Development Committee] determines such officer knowingly engaged in misconduct; was grossly negligent with respect to misconduct; knowingly failed or was grossly negligent in failing to prevent misconduct; or engaged in fraud, embezzlement or other similar misconduct materially harmful to [the] company."[8]

BIS recognizes that the U.S. Securities and Exchange Commission (SEC) reopened the comment period on the Dodd-Frank clawback rule on October 14, 2021, signaling that final rulemaking may be close at hand. BIS believes that our clients will be best served if companies that already have a market-standard clawback policy have the flexibility to incorporate changes to their policy with the full knowledge and benefit of a final Dodd-Frank rule once it becomes available. As companies make adjustments to align with the final Dodd-Frank clawback rule, BIS encourages boards to keep in mind our preferences for clawback policy provisions as communicated in our proxy voting guidelines. In the interim, companies with market-meeting clawback policies should operate within their full recoupment authority for the long-term benefit of shareholders.

<u>Item 7: Report on Climate Strategy Consistent with ILO's "Just Transition Guidelines" (AGAINST)</u>

BIS did not support this shareholder proposal because we believe the company's recently published disclosure addresses the topic of a 'just transition' and provides BIS with meaningful information to understand the company's approach and risk oversight process.

MPC received a shareholder proposal requesting that the board "prepare a report stating how Marathon is responding to the social impact of Marathon's climate change strategy on workers and communities, consistent with the "Just Transition" guidelines of the International Labor Organization ("ILO")."[9]

According to the ILO, the just transition involves maximizing the social and economic opportunities of climate action while minimizing and carefully managing challenges, including through effective social dialogue among all groups impacted and respect for fundamental labor principles and rights.[10]

MPC recently published a report, "Creating Shared Value Through a Just and Responsible Transition,"[11] that details the company's approach to addressing potential social impacts in the context of the energy transition across stakeholder engagement, human capital management, community involvement and investment. In discussing the company's principles for a just and responsible transition, the report specifically addresses alignment with the ILO's Guidelines for a Just Transition The report also discusses the dedicated forums within the company that help facilitate internal and external engagement on topics including climate risk and the potential social impacts of the global energy transition. For example, MPC has a "Tribal Affairs Working Group"

---

[7] While BIS also favors recoupment in instances where material reputational risk to the company has taken place, even if such actions did not ultimately result in a material restatement of past results, there is a range of decision making that should fall squarely within the Board's discretion.

[8] See previous footnote.

[9] See footnote 7.

[10] International Labour Organization, "<u>Frequently Asked Questions on just transition</u>".

[11] Marathon Petroleum Corporation, "<u>Creating Shared Value Through A Just And Responsible Transition</u>".

which aims to foster sustained relationships with the indigenous groups within the company's operational footprint.[12] The report also mentions the various corporate policies in place that are relevant to this issue, including MPC's Policy on Human Rights, Including the Rights of Indigenous People, Charitable Contributions Policy, and Stakeholder Engagement Policy.[13]

In addition, MPC details the integration of a just energy transition into the company's governance structure through the mandate and oversight of the board's Sustainability and Public Policy Committee.[14]

To conclude, we believe that MPC's disclosure is sufficiently comprehensive for our assessment of their approach to supporting a just transition. In our view, it also seems to cover the information sought by the proponent. BIS did not, therefore, believe support was warranted. We recognize that reporting around a just transition is an evolving and complex topic, and we are closely following the development of reporting frameworks and standards which can help companies effectively disclose their management and oversight of this material business risk and opportunity. We will continue to discuss the subject with MPC as their approach evolves and the company has likewise assured investors of a "continued commitment to stakeholder listening and engagement."

[12] See previous footnote.

[13] See footnote 12.

[14] See footnote 12.

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.[15]

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

contactstewardship@blackrock.com

This Vote Bulletin is provided for information and educational purposes only and does not constitute legal advice, a recommendation or an offer or solicitation to buy or sell the securities of any company. The information here is as of June 1, 2022. BlackRock has no obligation to provide any updates. Investing involves risk, including the loss of principal.

Prepared by BlackRock, Inc.

[15] 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.