

# Vote Bulletin: Monster Beverage Corporation

Company	Monster Beverage Corporation (NASDAQ: MNST)
Market and Sector	United States, Consumer Staples
Meeting Date	14 June 2022
Key Resolutions <sup>1</sup>	<b>Item 4:</b> Shareholder Proposal Regarding a Report on the Company’s Plans to Reduce Greenhouse Gas (GHG) Emissions
Key Topics	Climate risk
Board Recommendation	The board recommended shareholders vote AGAINST item 4
BlackRockVote	BlackRockvoted FOR item4

## Overview

Monster Beverage Corporation (Monster Beverage) is a U.S.-based beverage company. The company, through multiple subsidiaries, develops and markets a wide variety of popular energy drink brands in 154 countries, including the Monster Energy line of energy drinks, which is second in U.S. market share.<sup>2</sup> Monster Beverage also develops the NOS, Samurai, and Reign energy drink brands and, through Monster Energy, offers coffee, tea, and alcohol products.

BlackRock Investment Stewardship (BIS) engages with companies to provide a long-term investor perspective on corporate governance best practices and to better understand how company leadership identifies and manages material risks and opportunities – including those related to 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.

Our multi-year engagements with Monster Beverage’s leadership have covered a range of topics, including executive compensation, climate risk management, and human capital management. We have sought to understand the company’s approach to identifying and managing material risks and opportunities in their business model, and the board’s oversight role in Monster Beverage’s risk management process. We have also encouraged Monster Beverage to publish timely, consistent, and substantive disclosures to allow investors to track progress overtime.

The ballot of Monster Beverage’s June 2022 annual general meeting (AGM) included a shareholder proposal asking that the company’s board publish a report addressing a number of climate risk-related subjects,

<sup>1</sup> Monster Beverage Corporation. “[Definitive proxy statement.](#)”

<sup>2</sup> Monster Beverage Corporation. “[Form 8-K press release.](#)” January 13, 2022.

including providing greenhouse gas (GHG) emissions reduction targets. Consistent with our fiduciary duty as an asset manager, 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 with which we believe it should be addressed.

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

### **Item 4: Shareholder Proposal Regarding a Report on the Company's Plans to Reduce GHG Emissions (FOR)**

**BIS recognizes the enhancements Monster Beverage has made to their climate-related disclosures over the last two years. However, we supported the shareholder proposal as current disclosures do not provide sufficient detail on plans to reduce Scope 1 and 2 GHG emissions to align the company's business model with likely pathways to a lower carbon economy.**

The shareholder proposal requested that Monster Beverage's board initiate a report outlining multiple aspects of the company's corporate sustainability strategy, including "disclosure of the Company's annual Scope 3 (where relevant) GHG emissions, a timeline for setting a net zero GHG reduction target and aligned interim goals, an enterprise-wide climate transition plan to achieve net zero emissions, a rationale for any decision not to set targets aligned with the Paris Agreement's 1.5 degree goal, and other information the board deems appropriate."<sup>3</sup> The proponents' request noted that Monster Beverage has not yet adopted any goals to reduce the company's GHG emissions.

As outlined in our commentary on [Climate risk and the global energy transition](#), to help us to assess how companies are navigating the energy transition, we encourage disclosures that demonstrate they have strategies in place that address and are resilient to a range of scenarios, including likely decarbonization pathways to limit global average temperature rise to well below 2°C, including those that limit it to 1.5°C, above pre-industrial levels. Consistent with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), we look to companies to help their investors understand how climate risks and opportunities are integrated into their governance, strategy, and risk management; to provide scope 1 and 2 GHG emissions disclosures; and meaningful short-, medium-, and long-term science-based reductions targets, where available for their sector. We also welcome disclosures on how companies are considering scope 3 GHG emissions, the impacts of the energy transition on their stakeholders and operations, and how companies will contribute to a reliable and affordable energy system over time. At this stage, we view scope 3 emissions differently from scope 1 and 2, given methodological complexity, regulatory uncertainty, concerns about double counting, and lack of direct control by companies. We believe that long-term investors, including BlackRock's clients, benefit when companies, through robust disclosures and related goal setting, make clear how the risks and opportunities arising from global energy transition are identified and managed.

BIS notes that Monster Beverage has enhanced their sustainability and climate-related reporting, including participating in the CDP since 2020. In 2021, the company published their first annual sustainability report, disclosing 2020 scope 1 and 2 GHG emissions and establishing an "initial baseline to understand and track future GHG emissions reduction progress."<sup>4</sup> Further, the metrics disclosed within the report, including GHG emissions, were disclosed in line with the Sustainability Accounting Standards Board (SASB) standards specific to the Non-Alcoholic Beverages industry.<sup>5</sup> The company has also enhanced the collection of emissions data – including prioritizing the collection of relevant scope 3 emissions data – and formalized board level oversight

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<sup>3</sup> Monster Beverage Corporation. "[Definitive proxy statement](#)," Page 62.

<sup>4</sup> Monster Beverage Corporation. "[Sustainability Report](#)," Page 51 and 54.

<sup>5</sup> Ibid, Page 10.

for ESG and sustainability strategies.<sup>6</sup> The company has said they will continue enhancing their disclosures in 2023.

While we recognize Monster Beverage's efforts to date, we nonetheless believe that long-term investors like BlackRock's clients would benefit from the company providing specific and meaningful scope 1 and 2 GHG emissions reduction targets and detail on plans to achieve them. Moreover, in our view, the request made in the shareholder proposal – disclosures on climate-related risks and opportunities that are directly material to the creation of long-term shareholder value – was not overly prescriptive and was consistent with management's indicated intentions. We view our support as encouragement to Monster Beverage to continue to enhance their climate-risk reporting.

For these reasons, BIS believed that it was in the best long-term financial interests of BlackRock's clients to support Item 4. BIS will continue to monitor Monster Beverage's progress relating to sustainability disclosures and provide our feedback through engagements with the company's management.

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<sup>6</sup> Monster Beverage Corporation. "[Definitive proxy statement](#)." Page 62.

## 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>7</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.

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<sup>7</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.