BlackRock

Investment Stewardship

Vote Bulletin: Uniper SE

Company	**Uniper SE (XETRA: UN01)**
Market and Sector	Germany, Utilities
Meeting Date	19 December 2022
Key Resolutions[1]	**Item 2.1:** Approve EUR 8 Billion Capital Increase without Preemptive Rights **Item 2.2**: Approve Creation of EUR 25 Billion Pool of Authorized Capital 2022 without Preemptive Rights
Key Topics	Corporate strategy, climate risk
Board Recommendation	The board recommended shareholders vote FOR Items 2.1 and 2.2
BlackRock Vote	BlackRock voted FOR items 2.1 and 2.2

Overview

Uniper SE (Uniper) is an energy generation and energy trading company based in Germany. Previously, the company was controlled by Fortum Oyj (77.96%),[2] a Finnish utility. On 21 September, 2022 Fortum announced the intention to fully divest Uniper to the German state, and the sale of ownership was completed as of 19 December, 2022.[3]

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 the material sustainability-related risks and opportunities that we believe can impact their ability to deliver sustained financial performance for long-term investors like BlackRock's clients.

Our engagements with Uniper's leadership over the past several years have covered a range of topics, including board quality, corporate strategy, sustainability reporting, and climate risk management.

At Uniper's May 2020 and 2021 annual general meetings (AGMs), BIS did not support the discharge of the supervisory board for the previous fiscal years. This was due, in part, to our concerns at the time about the company's lack of progress on climate-related reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

[1] Uniper SE, "Extraordinary General Meeting 2022".

[2] Source: Factset, as of July 12, 2022.

[3] Fortum Ojy, "Fortum to fully divest Uniper to the German State", 21 September 2022. As of 19 December, 2022, Fortum concluded the sale of its ownership in Uniper SE to the German State. See, Fortum Ojy, "Fortum has completed the divestment of Uniper", 21 December 2022.

At Uniper's May 2022 AGM, BIS supported management in relation to climate-related reporting given that Uniper had published a TCFD-aligned report earlier in the year. However, BIS did not support the election of the board's chairman due to our concerns about the continued lack of an independent chair of the Nomination and Remuneration Committee.[4]

On December 19, 2022, Uniper held an Extraordinary General Meeting of Shareholders (EGM) to vote on two items, the first to approve a capital increase without preemptive rights of EUR 8 billion via a private placement of 4.7 billion shares against contributions in cash of EUR 1.7 per share. The shares would be subscribed to solely by the German federal government or a private legal entity whose shares were held (directly or indirectly) by the government. The second item on the agenda was to approve the creation of a EUR 25 billion pool of authorized capital via the issuance of 14.7 billion shares against contributions in cash and/or kind over a period of 5 years, at a price of EUR 1.7 per share. As with the previous item, only the German government and/or an affiliated third party would be able to subscribe to shares. These measures required subsequent approval from the European Commission.

The two proposed items came after the company suffered significant net losses of over EUR 40 billion during the first nine months of 2022 due to the ramifications of the Russian invasion of Ukraine.[5] Uniper, the largest European importer of Russian natural gas,[6] saw natural gas prices soar after Russia's invasion of Ukraine and the shutdown of the major natural gas pipeline, Nord Stream 1. Due to the long-term contracts agreed upon prior to the invasion, Uniper was unable to pass these cost increases to consumers.

To prevent the company from becoming insolvent and to enable the company to continue supplying energy to customers across Europe amid a geopolitically complex environment, the German government agreed to bailout the company by acquiring a significant stake in Uniper under the Energy Security Act.[7] Fortum, the previous controlling shareholder had already provided approximately EUR 7.5 billion in financial aid to Uniper,[8] while, as of the beginning of October 2022, the German state-owned bank, Kreditanstalt fur Wiederaufbau (KfW) had provided approximately EUR 14 billion of a EUR 18 billion credit facility.[9]

Rationale for BlackRock's vote

Item 2.1: Approve EUR 8 billion Capital Increase without Preemptive Rights (FOR)

Item 2.2: Item 2.2 Approve Creation of EUR 25 billion Pool of Authorized Capital 2022 without Preemptive Rights (FOR)

BIS supported these items given our view that the issuance authorities were necessary to help stabilize and support the continuity of Uniper's business operations. It was therefore in the best financial interests of our clients to support these proposals.

As mentioned, Uniper has experienced significant financial losses as a result of the Russian invasion of Ukraine, which resulted in increased natural gas prices and forced Uniper to procure gas on the spot market. The impact

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[4] At the 2020 AGM, BIS did not support the election of a director who we considered to be overcommitted in respect to his other responsibilities at other public companies.

[5] Financial Times, "Germany's Uniper reports one of biggest losses in corporate history," November 3, 2022.

[6] The German government, "Federal Government takes over energy company Uniper," 30 September 2022.

[7] The German government acquired a c.99% stake in Uniper - this was done in part by buying Fortum's shares. Uniper also issued a large amount of new shares to which the German government was the only subscriber, which diluted the remaining share capital (and other shareholders' positions) so that they now hold c.99% of shares.

[8] Uniper SE, "Cancellation of the Extraordinary General Meeting for Notifying Losses and Invitation to the Extraordinary General Meeting for Notifying Losses and Resolving Stabilization Measures."

[9] See previous footnote.

to Uniper's balance sheet and deterioration of the company's credit rating (downgraded to BBB- by S&P), meant that they were unable to raise the required stabilization funds through the capital markets or debt financing.

The purchase price of EUR 1.7 was determined as the pro-rata amount of Uniper's share capital based on the (then) current number of issued shares and therefore corresponds to the lowest possible issue price according to stipulations of the German law. However, the board clarified that while the subscription price was below the market price at the time it was agreed, after "comprehensive negotiations" between Uniper and the German government, and that no other viable alternatives were available to guarantee the continuation of the company's operations,[10] which would otherwise face insolvency.

Given this, BIS supported the proposals in order to support Uniper's business continuity as well as the company's ability to deliver on their long-term strategy. Despite the significant dilution to existing shareholders, we believed that it was in the best long-term financial interests of our clients to support Uniper in their efforts to ensure ongoing solvency. In doing so we have taken steps to prevent the complete value destruction that would have resulted from insolvency.

[10] 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-related 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.[11]

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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Prepared by BlackRock, Inc.

[11] 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.