Investment Stewardship

BlackRock

Vote Bulletin: Restaurant Brands International

Company	**Restaurant Brands International (NYSE – QSR)**
Market and Sector	Canada, Consumer Discretionary
Meeting Date	23 May 2023
Key Resolutions[1]	**Item 1.01**: Election of Alexandre Behring **Item 2**: Advisory Vote on Executive Compensation **Item 5**: Shareholder Proposal Regarding Annual Glidepath ESG Disclosure **Item 6**: Shareholder Proposal Regarding the Company's Report on Lobbying Activities and Expenditures **Item 7**: Shareholder Proposal to Report on the Company's Business Strategy in the Face of Labor Market Pressure **Item 8:** Shareholder Proposal to Report on the Reduction of Plastic Use
Key Topics	Board quality & effectiveness, incentives aligned with financial value creation, animal welfare, corporate political activities, company impacts on people, and climate risk & natural capital
Board Recommendation	The board recommended shareholders vote FOR items 1.01 and 2 and AGAINST items 5, 6,7, 8
BlackRock Vote[2]	BlackRock voted AGAINST Items 1.01, 2, 5, 6, 7, and 8

Overview

Restaurant Brands International, Inc. (RBI) is a holding company that operates quick service restaurants and operates the following segments: Tim Hortons, Burger King, Popeyes, and Firehouse Subs. As of December 31, 2022, nearly all of RBI's restaurants were franchised.

BlackRock Investment Stewardship (BIS) engages with companies to better understand how company leadership identifies and manages the material risks and opportunities in their business model that, in our

[1] Restaurant Brands International "Notice of 2023 Annual General and Special Meeting of Shareholders and Proxy Statement," April 10, 2023.

[2] BIS conducts proxy voting for those clients who authorize BIS to vote on their behalf. As part of BlackRock's Voting Choice program, eligible clients can have a say in the proxy voting process by selecting their own proxy voting policy or one of 14 available third-party policies. 47% ($2.1 trillion of $4.5 trillion) of our index equity assets are eligible to participate in Voting Choice, and clients representing 25% of the $2.1 trillion in eligible assets are enrolled in Voting Choice. Currency shown in USD. Source: BlackRock. Data as of March 31, 2023.

assessment, can impact their ability to deliver durable financial performance for long-term investors like BlackRock's clients. BIS also engages to provide a long-term investor perspective on corporate governance practices.

Most recently, BIS has engaged with RBI's leadership on governance issues including board independence, executive compensation, the board's oversight of and management's approach to human capital management, as well as the company's approach to the material risks and opportunities associated with the use of plastics.

The agenda for RBI's 2023 annual general meeting (AGM) included a number of items on which BIS did not support management, namely the re-election of chair of the board's Compensation and Nominating and Corporate Governance Committees, and executive compensation, as well as several shareholder proposals, which we did not support, seeking enhanced disclosures on reducing plastics use, lobbying payments, animal welfare and risks arising from labor market pressure.

Rationale for BlackRock's vote

Item 1.01: Election of Alexandre Behring (AGAINST)

BIS did not support the election of the chair of the board's Compensation and Nominating and Corporate Governance Committees to reflect our concerns about a lack of board independence as well as concerns regarding the company's approach to executive compensation in light of the structure and size of Executive Chairman Patrick Doyle's compensation package, which we consider to be misaligned with the interests of long-term shareholders.

As discussed in our Global Principles, in our view, there should be a sufficient number of independent directors, free from conflicts of interest or undue influence from connected parties, to ensure objectivity in the decision-making of the board and its ability to oversee management. A strong board provides a competitive advantage to a company, providing valuable oversight and contributing to the most important management decisions that support long-term financial performance. In addition, as discussed in our U.S. securities proxy voting guidelines, in our view, a majority of the directors on the board should be independent and all members of board committees including audit, compensation, and nominating/governance committees should be independent.

In our assessment, none of the directors directly or indirectly affiliated with 3G Capital Partners LP, a 29% shareholder, can be deemed fully independent. This includes Mr. Behring, co-founder and co-managing partner of 3G Capital Partners LP. As a result, we calculate that RBI's board is evenly split between independent and non-independent directors. Although we recognize the appropriateness of board representation for significant shareholders and the contributions made by these directors, in our view, management oversight could be enhanced with greater independent director representation. Accordingly, we decided not to support the re-election of Mr. Behring, who is the Chair of the Compensation Committee and the Nominating and Corporate Governance Committee and the most tenured non-executive director.

Item 2: Advisory Vote on Executive Compensation (AGAINST)

BIS did not support the say-on-pay proposal due to our concerns about the alignment of the structure and size of new Executive Chairman Patrick Doyle's compensation package with the interests of long-term shareholders.

As discussed in our commentary, Incentives aligned with financial value creation, in our assessment, investors benefit when companies disclose how their compensation policies and outcomes are consistent with the financial interests of long-term shareholders. In any situation where there may be perceived or actual misalignment, it is helpful to investors' understanding when the board explains the rationale in detail, behind the pay outcome and how it serves the interests of shareholders.

Following BIS' analysis of RBI's executive compensation packages, we had concerns about the structure of and potential pay-out arising from the compensation package for Patrick Doyle. Mr. Doyle, a quick service restaurant veteran, was recruited in 2022 to be the company's Executive Chairman. His front-loaded $116 million package includes Performance Share Units, stock options, and $30 million in matching Restricted Stock Units. As we discuss in Our Approach to U.S. Executive Compensation, front-loaded programs may limit the board's ability to make compensation course-corrections over a multi-year period, increasing potential for both windfalls and retentive risks.

Mr. Doyle's Performance Share Units are earned upon the averaging certain stock price targets across 30 days, a structure that may allow for awards to be earned without long-term performance being sustained. The company has taken steps to mitigate this risk by not allowing awards to be earned for the first 30 months of the performance period, and above-target awards to be earned only during the final year of the more than five year performance period. We appreciate the inclusion of these features; however, they were insufficient to fully mitigate our concerns.

His compensation was in part justified on the basis that the company is in the midst of a CEO succession, and he is training the new CEO and needs to be retained to ensure an effective succession. The company plans for the Executive Chair to guide strategy while the CEO handles execution, and over time, the Executive Chair will reduce his hands-on role. However, the timeline for this transition is unclear.

While RBI has taken positive steps to include some features in Mr. Doyle's compensation plan to incentivize long-term financial value creation, BIS did not support the say-on-pay proposal due to the uncertainties surrounding the retentive value of the front-loaded grant structure and its alignment with the interests of long-term shareholders, combined with our lack of clarity around the division of responsibilities between the Executive Chair and CEO.

Item 5: Shareholder Proposal Regarding Annual Glidepath ESG Disclosure (AGAINST)

BIS did not support this shareholder proposal in recognition of RBI's existing disclosure which includes targets as well as the company's progress against their strategy on the issue of animal welfare demonstrated to date.

The shareholder proposal requested RBI to "disclose any annual glidepath benchmarks it may have established for reaching its animal welfare goals,"[3] within six months of the 2023 AGM.

It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses. Appropriate oversight of sustainability considerations is a core component of having an effective governance framework, which supports durable, long-term financial value creation. Robust disclosure is essential for investors to effectively evaluate companies' strategies and business practices around material sustainability-related risks and opportunities.

RBI acknowledges in its 2022 10-K filing that the company's business practices with respect to animal welfare and a range of other issues can impact consumer acceptance of their products and therefore affect the

[3] Restaurant Brands International, "Notice of 2023 Annual General and Special Meeting of Shareholders and Proxy Statement," page 69, April 10, 2023.

company's brand value and financial results.[4] RBI provides clear disclosure regarding their approach to the management of material risks and opportunities related to animal welfare. For example, RBI has pledged to have cage-free eggs in key regions by 2025 and globally by 2030[5] and aims to eliminate the use of gestation crates for housing pregnant sows from their supply chains globally by 2035.[6] The company has also demonstrated progress against their animal welfare targets, such has the establishment of global broiler chicken key welfare indicators and the use of cage-free eggs at Burger King in Australia, New Zealand and the UK.[7]

In general, we do not support proposals asking for fixed waypoint targets in connection with a medium- or long-term goal as we find that they can have a prescriptive impact on companies that doesn't necessarily align with shareholder interests. However, we appreciate when companies disclose their strategy for achieving multi-year goals at the outset of their efforts, as well as periodic updates regarding progress towards these goals and updates to the strategy for achieving their goals.

Overall, RBI provides a clear assessment of their plans to manage the material sustainability-related risks and opportunities associated with animal welfare in their business model and has demonstrated continued delivery against their stated targets. As a result, BIS determined that support for this shareholder proposal was not warranted.

Item 6: Shareholder Proposal Regarding the Company's Report on Lobbying Activities and Expenditures (AGAINST)

The shareholder proposal requested that the company prepare "a report updated annually disclosing: Restaurant Brands International's policy and procedures governing its lobbying, both direct and indirect and grassroots lobbying communications."[8]

In our regional proxy voting guidelines for U.S. Securities, we explain that we appreciate when companies who engage in political activities provide accessible and clear disclosures so that investors can easily understand how their political activities support their long-term strategy, including stated public policy priorities. These activities can create risks, including: the potential for allegations of corruption; certain reputational risks; and risks that arise from the complex legal, regulatory, and compliance considerations associated with corporate political spending and lobbying activity. Companies that engage in political activities should develop and maintain robust oversight and risk mitigation processes.

In our view, RBI has demonstrated incremental progress on the issue by adding disclosures to its corporate website following engagements with shareholders about what disclosures would be helpful to their understanding. This includes the nature of its lobbying expenditures and membership in trade associations of which RBI is a member and pays annual dues of $50,000 or more. RBI also confirmed that it does not have a federal political action committee. BIS determined that a dedicated report was not warranted and, accordingly, did not support the shareholder proposal.

In our assessment, RBI could enhance their disclosures by including more details about their policies on corporate political activities and the purpose of the company's contributions to and engagement in lobbying

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[4] United States Securities and Exchange Commission, "Restaurant Brands International Form 10-K," page 12, February 22, 2023.
[5] Restaurant Brands International, "Restaurant Brands for Good 2021," page 25.
[6] Restaurant Brands International, "Animal Health & Welfare," December 2022.
[7] Restaurant Brands International, "Restaurant Brands for Good 2021," page 25..
[8] Restaurant Brands International, "Notice of 2023 Annual General and Special Meeting of Shareholders and Proxy Statement," page 71, April 10, 2023.

activities and trade associations. It would also be helpful to investors' understanding for the company to set out how this activity aligns with their long-term strategy and strategic public policy goals, including the company's legislative and regulatory priorities. We will continue to engage with RBI on disclosures with respect to corporate political activities and the company's contributions and engagement in lobbying and trade associations.

Item 7: Shareholder Proposal to Report on the Company's Business Strategy in the Face of Labor Market Pressure (AGAINST)

BIS recognizes the distinct complexities, including important legal considerations, resulting from nearly all of RBI's restaurants operating under a franchise model. While BIS acknowledges that RBI could improve their currently limited labor-related disclosures, the company indicated that they are committed to doing so in the near term. Therefore, we determined it would be more constructive to continue to monitor company progress on this issue. Accordingly, we did not support the shareholder proposal.

The shareholder proposal requested that RBI "(1) explain how the Company's strategy programs and incentives enable franchisees to adopt competitive employment standards including wages and benefits and (2) demonstrate the effectiveness of its strategy through the disclosure of aggregated human capital performance indicators and information."[9]

As discussed in our commentary on our approach to engagement on human capital management, companies need to be able to attract, retain, and develop workers with the skills and expertise necessary to execute their long-term strategy, meet the needs of their customers and others in their value chain, and deliver financial returns for shareholders.

RBI acknowledges in their 2022 10-K filing that labor-related challenges for its franchisees could adversely affect their business.[10] Moreover, the risk to the business of poor labor-related practices is material as employees and customers identify with the brand, not whether a restaurant is franchised or company-operated. Moreover, in our view, the company has yet to address the workforce-related risks concerning the estimated 500,000 workers in its franchised networks with meaningful disclosures to shareholders.

While we believe that RBI could enhance their reporting on their human capital management practices and material labor-related risks, we determined it would be more constructive to encourage improvements through continued engagement to explain why, as a long-term investor, we find such information helpful, and did not support the shareholder proposal.

Our rationale was guided by several considerations. First, BIS acknowledges that quantitative franchise-wide reporting on workforce-related issues is not common practice among franchisors due to the differences in legal liabilities between franchisors and franchisees on labor and employment matters. Nonetheless, we recognize that some of RBI's competitors provide more transparency concerning these issues. Second, we also acknowledge the challenges for RBI of building partnerships with franchisees in order to collect the requested indicators and information, given that nearly all of the company's restaurants are operated by franchisees, in contrast to some of its competitors, which manage more company-operated restaurants.[11] Lastly, we understand that the regulatory context continues to evolve in the U.S. as joint-employer standards may increase franchisor liability in workforce-related matters.[12]

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[9] Restaurant Brands International "Notice of 2023 Annual General and Special Meeting of Shareholders and Proxy Statement," page 73, April 10, 2023.
[10] United States Securities and Exchange Commission, "Restaurant Brands International Form 10-K," page 18, February 22, 2023.
[11] Restaurant Brands International "Notice of 2023 Annual General and Special Meeting of Shareholders and Proxy Statement," page 73, April 10, 2023.
[12] National Labor Relations Board, "NLRB Issues Notice of Proposed Rulemaking on Joint-Employer Standard," September 6, 2022.

Nevertheless, we recognize the industry is evolving towards more robust disclosures on material labor-related risks and will be monitoring the company's progress in keeping up with best practices.

Item 8: Shareholder Proposal to Report on the Reduction of Plastic Use (AGAINST)

BIS did not support this proposal because, in our analysis, RBI's existing disclosures on plastics use are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing the risks and opportunities of plastics use.

The shareholder proposal requested that RBI issue a report on how the company could "reduce its plastics use…to reduce its contribution to ocean plastics pollution."[13]

BIS engages with companies in certain sectors on their approach to plastic packaging. Given the impact on long-term shareholder value (such as potential reputational risk related to waste management and increasing customer demand for recyclable packaging), we appreciate when companies who produce or rely heavily on plastics in their products or operations disclose information on how waste is managed. Where a matter such as plastic usage is material to a company's long-term strategy, we look to their disclosures to assess risk oversight, and to understand how such impacts and dependencies are managed. Specifically, we find it helpful when they disclose any targets for managing these factors, how they monitor progress against these stated goals, and how these efforts might contribute to process and resource efficiencies.

While we recognize the importance of transparency on plastic usage for the benefit of shareholders, we also acknowledge that RBI is already taking steps to address this issue, including the disclosure of a number of commitments, such as phasing out intentionally added PFAS from guest facing packaging by 2025[14] or sooner as well as recycling guest facing packaging in restaurants globally, where commercially viable and where infrastructure is available by 2025.[15] RBI has indicated that they will continue to enhance their disclosures, including providing quantitative information, in future sustainability reports. As a result, BIS did not support this shareholder proposal.

[13] Restaurant Brands International, "Notice of 2023 Annual General and Special Meeting of Shareholders and Proxy Statement," page 75, April 10, 2023.
[14] Restaurant Brands International, "Restaurant Brands for Good 2021," page 11.
[15] Ibid.

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 as appropriate. 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.[16]

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 durable, 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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Prepared by BlackRock, Inc.

[16] 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.

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