

Investment Stewardship

Vote Bulletin: The Walt Disney Company

Company	The Walt Disney Company (NYSE: DIS)
Market and Sector	United States, Communication Services
Meeting Date	3 April 2024
Key Resolutions ¹	Items 1A-1Q: Elect Management Nominee Directors Items 5-10: Shareholder proposals
Key Topics	Contested director elections, board quality, corporate strategy, succession planning
Board Recommendation	The board recommended shareholders vote FOR Items 1A-1L (Management Director Nominees), AGAINST Items 1M-1Q (Dissident Director Nominees), and AGAINST Items 6-10 (Shareholder proposals)
BlackRock Vote ²	BlackRock voted FOR Items 1A-1L (Management Director Nominees), AGAINST Items 1M-1Q (Dissident Director Nominees), and AGAINST Items 6-10 (Shareholder proposals)

Overview

The Walt Disney Company (Disney) is a diversified global entertainment company with operations in three business segments: Entertainment, Sports and Experiences.

As part of our fiduciary duty to our clients, BlackRock Investment Stewardship (BIS) considers it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. In our experience, sound governance is critical to long-term financial value creation and the protection of investors' interests.

BIS takes a constructive, long-term approach to our engagement with companies and focuses on the management and oversight of the drivers of risk and financial value creation in a company's business model. Engagement may also help inform our voting decisions for those clients who have given us authority to vote on their behalf.

BIS has had extensive, multiyear engagements with Disney where we have discussed our concerns about the company's governance as well as the implementation of its long-term strategy, and how these align with

¹ Item numbers refer to proposals as described on The Walt Disney Company proxy card, contained in the company's "[Notice of Annual Meeting of Shareholders and Proxy Statement](#)".

² BIS conducts proxy voting for those clients who authorize us to vote on their behalf. As part of BlackRock's Voting Choice program, eligible institutional and retail clients can have greater access to the proxy voting process where legally and operationally viable. Read more about Voting Choice [here](#).

financial performance. In particular, we have engaged on the issues of board composition and oversight, strategy, executive compensation, and succession planning, among others.

Disney's performance in recent years attracted three shareholder activist campaigns, each with suggestions for strategic change at the company. Two of the shareholders believed that their proposed changes would best be enabled by adding dissident director nominees to Disney's board at its April 2024 annual general meeting (AGM), and each proposed alternative candidates to the company's nominees. In January, the third shareholder entered into an information-sharing agreement with Disney and pledged its support for the company's nominees.

BIS looks at each activist situation individually and votes in support of the outcome we consider to be most aligned with our clients' long-term financial interests. When assessing director elections in contested situations, we will engage with the company, and we may also engage with the dissident shareholder to understand their position if we believe it would inform our voting decision. In these situations, we consider the following factors: the qualifications and past performance of the candidates proposed by management and the dissident shareholder; the concerns identified by the dissident to justify board changes; the viability of both the dissident's and management's plans to address any valid concerns; the ownership stake and holding period of the dissident; the likelihood that the dissident's strategy will contribute to better business and financial performance; and whether the dissident's nominees would, in our view, enhance the board's ability to effectively oversee and advise management to deliver long-term shareholder value. Where the board and management are responsive to shareholder concerns; have the requisite expertise to effectively address them; and indicate publicly the steps they will take to do so, we are inclined to support management, as in our experience, this results in a less disruptive transformation.

Rationale for BlackRock's vote

Items 1A-1L: Elect management director nominees (FOR)

Items 1M-1Q: Elect dissident director nominees (AGAINST)

BIS voted in support of management's recommended slate of directors. We recognize that many of the issues we have discussed with the company over the past few years will take time to address and translate into financial results. In our assessment, the Disney board and management have taken steps to restore investor confidence, have been responsive to shareholders and have demonstrated progress in implementing the company's revised strategy. As a result, we determined that the directors proposed by management are best placed to oversee the implementation of the revised strategy and make any necessary governance changes.

BIS engaged extensively with Disney's board and leadership ahead of the April 2024 AGM, including several joint engagements with BlackRock's active portfolio managers, where we discussed Disney's business transformation strategy; progress against managements' key priorities; financial performance; and succession planning. BIS also engaged with both dissident investors. Our active portfolio managers joined us for one of those meetings as we collectively wanted to understand how the dissidents' proposed strategy and board changes might add long-term economic value at Disney.

Ultimately, we supported Disney's nominees for three key reasons:

- Disney's board and management team have the most clearly articulated strategy and plan for completing the ongoing business transformation. We note that Disney's management has been addressing performance issues by making strategic, operational and organizational changes (announced last year), and providing periodic progress updates to investors. Also, Disney broke with its tradition of promoting from within and appointed an external candidate as CFO, thereby bringing in someone well known to investors and with a fresh perspective.

- Disney has demonstrated progress in implementing their plan, resulting in improved financial performance and a rebounding stock price. Results released on Feb 7, 2024 reported increased EPS, cost savings on pace with announced targets, shrinking Entertainment Direct to Consumer (DTC) operating losses and improved free cash flow generation.³ Further, the market has reacted favorably to the company's latest quarterly earnings, with Disney stock up more than 7% from Feb. 7, 2023 (the day prior to the announcement of the new strategy) through the end of March 2024.
- Disney's board has taken steps to restore investor confidence, including improving engagement with shareholders and focusing on making its own composition more relevant to the needs of the company. Specifically, the board has brought in new directors with deep experience in media, finance, operations and succession planning – skills that are additive and helpful to oversee the company's future strategy. In addition, the board has established a more robust and transparent succession planning process and has continued to make adjustments to the executive compensation program that, in BIS' view, are aligned with shareholders' interests.

Ultimately, we determined that management has a long-term strategy, a plan for delivering on that strategy, and recent financial results indicate that the actions to date, and outlined for the future, have the potential to lead to improved long-term financial returns for our clients.

We therefore supported Disney's nominees.

Items 5-10: (AGAINST)

BIS did not support any of the six shareholder proposals on the agenda at Disney's April 2024 AGM. Based on our assessment, these shareholder proposals were largely redundant given the company's existing practices and disclosure.

When assessing shareholder proposals, BIS evaluates each on its merit, with a singular focus on its implications for long-term financial value creation by the company. We consider the business and economic relevance of the issue raised, as well as its financial materiality and the timeframe over which, in our experience, addressing it would likely advance shareholders' economic interests.

The agenda of Disney's April 2024 AGM included six shareholder proposals which spanned various issues, including two related to the contested director elections (Items 9 and 10). Item 5 requested that the board seek shareholder approval for pay packages with certain severance-related terms. Items 6 and 8 requested reports on political expenditures and charitable contributions, respectively, and Item 7 requested a publication on gender transitioning benefits.⁴ BIS did not support any of the shareholder proposals because, based on our assessment, we saw little likelihood that these proposals would promote incremental long-term economic performance.

Specifically, regarding Item 5, we consider the company's annual say-on-pay vote and the election of directors who serve on the company's Compensation Committee the more appropriate channel to express concerns about compensation, including severance arrangements.

Regarding Items 6 and 8, based on our analysis of publicly available materials, the company already thoroughly discloses activities related to its corporate political spending, including lobbying expenses, as well as its charitable contributions. We do not consider the information sought by the shareholder proposals to be additive such that investors would have a better understanding of the company's approach to these issues.

³ The Walt Disney Company, "[The Walt Disney Company Reports First Quarter Earnings for Fiscal 2024](#)", February 7, 2024.

⁴ The Walt Disney Company, "[Notice of Annual Meeting of Shareholders and Proxy Statement](#)".

Regarding Item 7, Disney already provides thorough reporting related to human capital management,⁵ and, in BIS' view, it is not the role of investors to intervene in the benefits offerings companies make to their employees.

⁵ The Walt Disney Company, "[Workforce](#)".

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on behalf of our clients. For those clients who have given us authority,⁶ we vote proxies in line with our public [Global Principles and regional voting guidelines](#) and informed by our engagements, where relevant, as well as our analysis of company disclosures.⁷ We vote with the sole objective to advance our clients' long-term financial interests.

As one of many shareholders, and typically a minority one, our role, on behalf of our clients as long-term investors, is to better understand how a company's leadership is managing risks and capitalizing on opportunities to help protect and enhance its ability to deliver long-term financial returns.

The BIS team of more than 65 dedicated professionals⁸ operates across nine offices globally, taking a localized approach while also benefitting from global insights. We focus most of our efforts on corporate governance as, in our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests.

We are committed to transparency in the stewardship work we do on behalf of clients. The BIS [Global Principles, regional voting guidelines](#), and five [engagement priorities](#) (collectively, the BIS policies) set out the core elements of corporate governance that guide our investment stewardship program globally and within each regional market every year. These policies support effective stewardship processes and transparency and align with our commitment to pursue long-term financial returns for our clients as shareholders.

In addition, we inform clients about our engagement and voting policies and activities through direct communication and through various other 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 explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

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⁷ 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.

⁸ As of December 31, 2023.