

**BlackRock®**

# **BlackRock Investment Stewardship**

Protecting our clients' assets for the long-term

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This brochure sets out the philosophy and approach of the BlackRock Investment Stewardship team in promoting sound business practices aligned with long-term value creation. We explain our mission and purpose, how we engage corporates, clients, and the broader investment community on governance and stewardship. We aim to illustrate the breadth and complexity of this aspect of BlackRock's work on behalf of clients.

# Introduction

At BlackRock, we are guided by our culture and a set of principles that ensure we never forget what we stand for – to help more and more people invest in their financial well-being. BlackRock Investment Stewardship (BIS) is focused on assessing the quality of management, board leadership and standards of operational excellence – in aggregate, corporate governance – at the public companies in which we invest on behalf of our clients.

As a fiduciary, BlackRock has a duty to protect and enhance the value of our clients' assets. Thus, BlackRock frames its corporate governance activities, including the assessment and integration of environmental and social issues, within an investment context. It is for this reason that the Stewardship team is strategically positioned as an investment function. We have long believed that sound corporate governance promotes quality leadership by boards of directors, good management practices, and contributes to the long-term financial success of companies.

In each engagement BIS seeks to understand the business challenges and opportunities that companies are facing and, as a long-term investor, to give our feedback on their corporate governance and business practices. Our focus is on long-term sustainable financial outcomes, and we engage with companies on a range of issues, including board composition, executive compensation, and corporate reporting. We engage through direct dialogue with corporate leadership and we cast informed proxy votes aligned with clients' interests. Where appropriate, we hold directors accountable for their action or inaction.

BlackRock Investment Stewardship evaluates corporate governance and business practices against our published governance and engagement principles, as well as our market-specific voting guidelines. Our stewardship activities protect clients' economic interests and support companies in delivering long-term sustainable financial performance. In this way, we fulfil our purpose to help our clients, the true owners of these companies, achieve the returns that they depend on to meet their long-term financial goals.

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# Purpose

BlackRock's purpose is to help more and more people experience financial well-being. BlackRock Investment Stewardship contributes to this purpose by monitoring and engaging with companies to encourage them to adopt business practices consistent with sustainable long-term value creation.

## **BlackRock Investment Stewardship's key responsibilities are to:**



Engage with company leadership and vote on proxies to maximize long-term value for our clients



Encourage business and management practices that in our experience support sustainable financial performance over the long-term



Work with BlackRock's various investment teams to provide insight on environmental, social, and governance (ESG) considerations



Engage with clients to build understanding of our work and how it aligns with their objectives



Participate in market-level dialogue to understand and contribute to the development of policies and practices that support sustainable long-term value creation

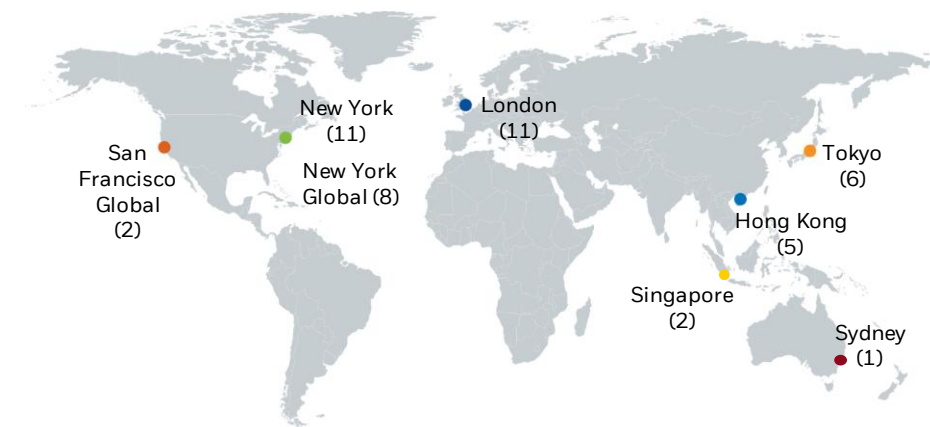
# Global team with a local presence

BlackRock is a global firm that combines the benefits of worldwide reach with local service and relationships. We operate in more than 30 countries and 70 cities across the Americas, Europe, the Middle East, Africa, Asia-Pacific, and have a presence in every major capital market in the world. This exposure gives us in-depth insight into increasingly interconnected financial markets. By gaining investment insights at the local level we are able to share these perspectives globally to maximize investment opportunities for our clients.

BIS' local presence allows us to understand the context in which companies operate and respond to their unique needs and objectives. Sharing local insights about leadership practices, emerging trends, and policy developments with colleagues globally contributes to the understanding and insights of the whole team. These diverse perspectives help the team evolve. They enhance our effectiveness as a trusted partner to clients and a constructive investor in companies.

Being local means we understand the context within which companies are conducting business. This is important because, although the basic tenets of good governance – transparency and accountability – are global, how that is realized in each market can vary significantly.

BIS leverages the global expertise of our portfolio managers, researchers, and specialists



<b>7</b>	<b>45+</b>	<b>85</b>
offices globally	member team	voting markets

# The anatomy of an engagement

Engagement is a key mechanism for providing feedback or signaling concerns to companies about factors that affect long-term performance. Where we believe a company's governance or business practices fall short, we ask probing questions, explain our concerns and expectations, and then usually allow time for a measured response. In addition to meeting with executives and board directors, we may also communicate with the company's advisors (investor relations, legal teams, etc.), and engage with other shareholders where appropriate.

We initiate many of our engagements because companies have not provided sufficient information in their disclosures to fully inform our assessment of the quality of governance. We ask companies to review their reporting in light of their investors' informational needs. In our view, companies that embrace corporate governance as a strategic objective – as opposed to a compliance function – are more likely to identify and adopt business practices consistent with sustained financial returns over time.

We do not direct management on how to address our concerns, nor do we micromanage. Even where we suggest a change in approach, we aim to be constructive, patient, and persistent in working with our portfolio companies. In this way, and by keeping the details of our engagements private, we build the trust that supports continued, effective dialogue.

We encourage companies to adopt sound business practices consistent with generating sustainable financial returns over the long-term, and the financial impact of that can be incremental. That said, it is relatively easy to find evidence of the costs of poor governance and stewardship. When companies suffer significant operating events or gradually diminishing investor confidence, value is destroyed.

## Reasons we engage

- Inform our voting decisions and voting guidelines
- Provide feedback on or signal concerns about factors affecting long-term financial performance
- Help companies understand our approach to investment stewardship and our expectations as a long-term investor
- Understand how a board counsels and oversees management
- Augment our research and confirm our understanding of public information
- Understand and assess the relevance of management targets and metrics
- Gauge a management team's strategy and its ability to adapt where necessary
- Understand performance against company-specific metrics
- Understand potential vulnerabilities in a business model and operations
- Hone our understanding of a company's investment and growth opportunities
- Identify potential impacts of regulatory developments
- Understand how companies mitigate risks and/or leverage opportunities

***Where companies are not responsive to feedback from shareholders, including BlackRock, BIS may signal continued concern by voting against directors standing for re-election.***

# Engagement bridges BlackRock’s portfolios

The Stewardship team is strategically positioned as an investment function. It bridges BlackRock’s various portfolio management groups, and helps to protect and enhance value for our clients through our full range of mandates that includes alpha-seeking, factor, indexing, and sustainability strategies. The team confers regularly with portfolio managers to share insights on governance and performance matters relevant to investment decisions.

## Indexed investors and the value of engagement

Some question the impact that “index-tracking” investors can have given they cannot sell their holdings. However, it is precisely because we cannot sell that we are so committed to engagement. BlackRock can demonstrate a long-term commitment to the company, potentially well beyond the tenure of the current board and management, and can be persistent in encouraging changes in practices that enhance financial sustainability.

### Sustainability at BlackRock



# Our focus and priorities

## Our primary focus is on the quality of the board.

We assess board quality in terms of the relevance of the skills and experience of the directors, the apparent fit of the board's profile with the stated strategy of the company, board tenure and diversity, as well as the board's track record of representing the interests of long-term investors.

Good governance is about leadership. We focus our efforts on the board of directors because, without competent board and executive-suite leadership, companies may not have sound governance practices covering a range of critical business drivers, including operational, environmental and social factors. The core components of our program are:



### Analyzing

corporate governance, including environmental and social factors, and how it impacts the long-term value of our clients' investments



### Engaging

with management or board members on corporate governance, social, and environmental factors



### Voting

at company shareholder meetings in the best long-term economic interests of shareholders



### Participating

in industry dialogue to understand and contribute to the development of governance policies and practice

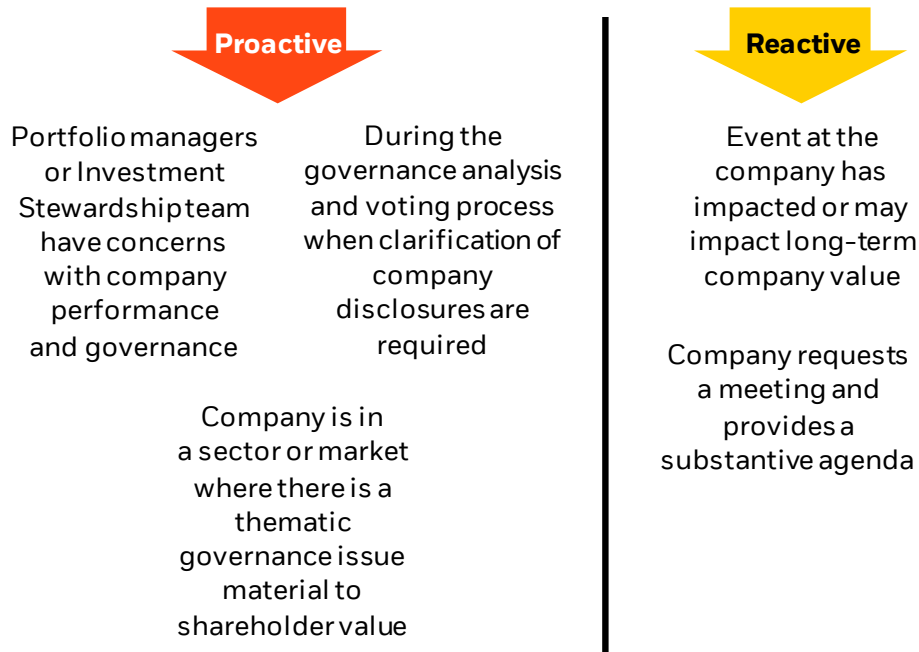
## How we identify companies for engagement

The team identifies companies for engagement through internal processes that are based on 1) our prior history of engagement with the company, 2) our engagement priorities, and 3) our assessment of a company's financial and governance performance relative to its peers. We also consider events that have impacted or may impact long-term shareholder value and the management of sector-specific concerns, which are also material to long-term shareholder value. We prioritize engagements based on our level of concern and the likelihood that engagement can lead to positive change.



As previously mentioned, we work closely with BlackRock’s active portfolio managers when engaging companies and in addressing relevant governance issues. BlackRock’s investment teams leverage qualitative and quantitative company information, as well as sector and industry research, from various external service providers, which can be used in BIS’ analysis of and conversations with companies and with clients.

## How we define companies for engagement



Ideally, the best time for engagement is outside the peak shareholder meeting season, unless the issue raised is time-sensitive. Additionally, we strongly recommend companies provide an agenda when they request a meeting. This allows our team to determine how we should best engage. Our preference is to engage privately as we believe it better serves the long-term economic interests of our clients to establish relationships with companies that enhance dialogue. We also engage with companies to discuss substantive matters on which they would like our feedback.

## Investment Stewardship’s engagement priorities

Each year we prioritize our work around engagement themes that we believe will encourage sound governance practices and help our clients achieve long-term value. Some governance issues are perennial, such as board quality and performance, although the areas of focus may change over time. Other priorities are evolving and are informed by regulatory and other market developments. In order to provide greater clarity and transparency to our clients and the companies in which we invest, we publish our [engagement priorities](#) on BlackRock’s website.

# Principles and voting guidelines

BlackRock’s approach to corporate governance and stewardship is outlined in our [Global Corporate Governance and Engagement Principles](#). These high-level principles provide the framework for our more detailed, market-specific voting guidelines, all of which are published on the [BlackRock website](#). The Principles describe our stewardship philosophy (including how we monitor and engage with companies), our voting policy, our integrated approach to stewardship matters, and how we deal with conflicts of interest.

Our guidelines are reviewed annually by regional teams and updated as necessary in light of market trends, insights gleaned from engagements, and public policy developments.

## Policy development



Reviewed annually and updated as necessary to reflect:

- Changes in market standards
- Evolving governance practices
- Insights gained from year over year engagements with companies and clients

- Three regional teams contribute to reviewing the global principles
- Each region updates its own proxy guidelines, which provide market specific guidance on voting
- There are three regional stewardship advisory committees composed of senior BlackRock investment professionals that contribute to BIS’ thinking and ensure a long-term value creation context to our work

- A Global Investment Stewardship Oversight Committee ensures BlackRock complies with its fiduciary and regulatory responsibilities in relation to voting and stewardship and complies within market level stewardship codes
- Guidelines are only implemented after final acceptance by the global committee

We are transparent and publish our policies and explanations of how BIS engages on topical issues on our website so clients and companies understand our approach

## Our corporate governance and engagement principles

We recognize that accepted standards of corporate governance differ across markets, but we believe that are common threads exist globally. In our regional and market-specific voting guidelines we explain how these principles inform our voting decisions in relation to specific resolutions that may appear on the agenda of a shareholder meeting in the relevant market.

### Corporate governance philosophy

BlackRock's [Principles](#) and voting guidelines provide a framework for the team to undertake its analysis. We apply them pragmatically because we believe that effective corporate governance is nuanced.

We also believe that certain rights are fundamental to share ownership. For instance, companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they are well positioned to deliver sustainable long-term returns.

Effective voting rights are central to the rights of ownership and [one vote for one share](#) should be the norm.

Shareholders should also have the right to hold directors accountable for their action or inaction, approve the appointment of the auditor, and amend the corporate charter or by-laws.

Shareholders should also be able to vote on matters that are material to the protection of their investment including but not limited to changes to the purpose of the business, dilution levels and pre-emptive rights, and the distribution of income and the capital structure. In order to exercise these rights effectively, we believe shareholders have the right to sufficient and timely information to allow for an informed view of the proposals and the performance of the company and management.

Our primary focus is on the board of directors, which should set the company's strategic aims within a framework of prudent and effective controls that enables risk to be assessed and managed. The board should provide direction and leadership to the management and oversee management's performance.

Our starting position is to support boards in their oversight efforts on shareholders' behalf, and we would generally expect to support the items of business they put to a vote at shareholder meetings. Where we have concerns, we will usually engage management or board members and give them the opportunity to explain and justify their approach. We will generally support management during the period in which they are addressing our concerns.

When we do not see progress despite ongoing engagement, or companies are insufficiently responsive to feedback from shareholders, including BlackRock, we will not hesitate to exercise our right to vote against management recommendations.

# Our voting process

We see it as one of our responsibilities as a fiduciary investor to vote at public company annual general meetings and special meetings in the best long-term economic interests of our clients.

Casting informed votes aligned with clients' interests is an essential part of our efforts to protect and enhance shareholder value. It is the most broad-based form of engagement we have with companies, and provides a channel for feedback to the board and management about investor perceptions of their performance and governance practices.

We caution, however, that voting is only one part of stewardship. The continued focus on "how often firms vote against management" is a flawed and inaccurate way of assessing a stewardship team's overall engagement activities and impact.

## How an investment stewardship team analyst decides to vote

The team votes at over 16,000 meetings a year, which are initially allocated by region. For example, all companies listed in Europe, the Middle East and Africa, are voted by the team in London, regardless of where the portfolio manager is based or the client funds originated. Each regional universe is then subdivided again, either by market or sector.

When a sector-specific analyst on the team has a forthcoming shareholder meeting assigned through the voting platform, she will review the meeting agenda and available research to assess whether there are any issues that might require detailed analysis. If the analyst is

satisfied that she has sufficient information to vote and has no concerns, she will instruct her vote decisions on the voting platform that connects with the 'proxy plumbing' of the operating environment.

If the analyst decides further analysis is required, she will review the materials the company has published, check our engagement and voting history at the company, and research publicly available information that might be relevant. Sometimes a meeting with the company is necessary to ensure an informed vote or to advise that we cannot support management on certain proposals and to explain why.

We also confer with and engage alongside active portfolio managers where an issue is closely related to long-term shareholder value, e.g. deciding how to vote on a material financial transaction. To ensure that active portfolio managers can execute votes in a manner consistent with their view of what is in the best interests of the clients invested in their fund, our process allows BlackRock to cast votes differently where index and active investors might have a different perspective on an issue. Key points from any engagement are noted in Aladdin® Research, a database used by investors and the Stewardship team.

While most voting is on relatively routine matters, there are some proposals that attract significant attention and are particularly sensitive or high profile. Our internal stewardship processes ensure that high profile votes receive the necessary due diligence.

We discuss all of these topics in greater depth in our *ViewPoint: [The Investment Stewardship Ecosystem](#)*.

## Proxy process as an extension of BlackRock’s engagement

### 1 RESEARCH AND ISSUE SPOTTING

BIS analyst alerted to a meeting allocated to them entering system

Analyst reviews proxy research, company materials, broker research, and other publicly available information as necessary

Analyst applies internally developed guidelines to determine how to vote

Straightforward meetings proceed to vote execution

Remainder are flagged for additional research

### 2 REVIEW AND ENGAGEMENT

In depth research and review of particularly complicated or controversial matters

Discuss issues and vote options with BIS colleagues, as necessary

Leverage expertise of investment colleagues, as necessary

Engage with company leadership or board members on key issues to discuss key questions or concerns, as necessary

### 3 VOTE EXECUTION

Execute votes through external provider’s electronic platform

Reconcile vote positions against holdings to ensure clean operating environment

By exception, votes may be cast by independent fiduciary

Regional advisory committees meet several times a year to review voting and engagement

## Proxy advisory firms: just one of many tools

Proxy advisory firms are a critical component of the proxy voting system, providing research and recommendations on proxy votes. Proxy advisory firms also provide voting infrastructure and some provide consulting services to public companies. Both asset owners and asset managers use proxy advisory firms in different ways and rely on them to varying extents. Some investors (inclusive of asset owners and asset managers) have their own in-house proxy voting and stewardship functions that use the research from proxy advisory firms as an input into their investment stewardship process. Others rely more heavily or even exclusively on the recommendations of proxy advisors for deciding how to vote. As a result, proxy advisors can have significant influence over the outcome of both management and shareholder proposals.

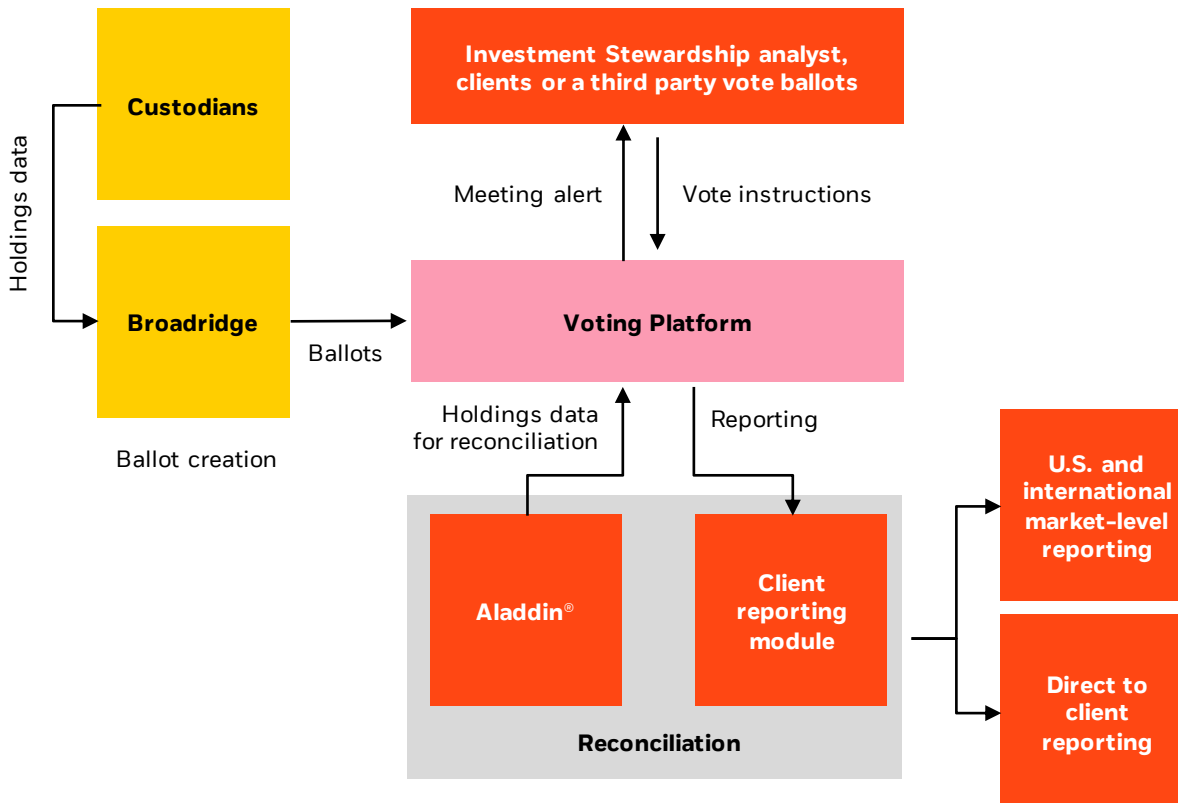
We do not follow any single proxy research firm’s voting recommendations, and in most markets we subscribe to two research providers. We use several other inputs, including a company’s own disclosures, and our record of past engagements, in our voting and engagement analysis.

Recently, proxy advisory firms have attracted the attention of policy makers globally, many who want to understand how proxy advisors determine their voting recommendations and manage conflicts of interest. Some policy makers have called for legislation or regulation that would require greater transparency and further enhancements to proxy advisors’ processes for determining voting recommendations. As we outlined in [our letter](#) to the US Securities and Exchange Commission (SEC), we believe that improvements can be made throughout the proxy process, including around voting processes, shareholder proposals, and proxy advisors. Proxy advisors play an important role in the corporate governance ecosystem; however, we think that some improvements would benefit all stakeholders.

## Vote flow

As the proxy voting process is operationally complex, we have specialists on the team who are fully focused on ensuring accurate and timely vote execution. We leverage an external proxy vendor to consolidate the tens of thousands of ballots received from 85 global custodians. Our vendor’s platform allows us to monitor voting activity, execute proxy vote instructions, record keep, and generate client and regulatory voting reports. The controls we have in place ensure that we identify upcoming

meetings, cast votes ahead of deadline, reconcile holdings and ballots received, and identify any uninstructed ballots. We have weekly meetings with the vendor to discuss production issues and we conduct monthly and quarterly assessments to ensure appropriate services levels and a robust operating environment. Each year we have an onsite due diligence meeting with our lead service provider to discuss relevant issues such as business developments, disaster recovery, compliance, and emerging products and services.



## Voting and engagement transparency and oversight

Just as we seek transparency from the companies in which we invest, we are also committed to providing transparency into how we conduct our investment stewardship activities. Although we generally do not publicly disclose the details of engagements with individual companies, we do discuss the notable situations in an anonymized format in both quarterly reports and a comprehensive annual report. In these documents, we detail our perspective on market developments and highlights of industry events in which we have participated. Finally, our team publishes vote bulletins detailing our analysis, engagements, and votes in relation to a small number of high-profile proposals at company

shareholder meetings. These bulletins aim to explain our approach and decision on the day of the meeting, or shortly thereafter, so interested clients and others can understand the rationale behind BlackRock’s vote. We do not disclose our vote intentions in advance of shareholder meetings as we do not see it as our role to influence other investors. Our role is to send a signal to the company about how well we believe the board and management has done in delivering long-term shareholder value. We publish a report of votes cast each quarter with a rationale for certain votes. We also file our voting record with the SEC each August. These disclosures are available on [our website](#).

## Managing Conflicts of Interest

BlackRock maintains policies and procedures that are designed to prevent undue influence on BlackRock's proxy voting activity that might stem from any relationship between the issuer of a proxy (or any dissident shareholder) and BlackRock, BlackRock's affiliates, a fund, or a fund's affiliates.

In certain instances where there is a potential conflict of interest or the appearance of one, e.g. BlackRock Inc.'s shareholder meeting, BlackRock engages an independent fiduciary to vote on behalf of clients.

The independent fiduciary will also vote where that is required by applicable law. The independent fiduciary determines its vote in the context of what outcome would be in the best interests of long-term shareholders.

## Engaging in activist situations

Each year a number of high profile voting situations arise where a shareholder, often a hedge fund, uses its equity stake in a corporation to pressure management to make changes to the company's governance, operations, or strategy. This pressure often takes the form of proxy contests for the election of directors selected by the shareholder. Proponents of the process (known as "hedge fund activism," or simply "activism") claim that activists can

promote enhanced focus on corporate governance practices and financial discipline, leading to improved company performance. Opponents contend that hedge fund activists impose a short-term view, negatively impacting the company, its employees, its community, and long-term shareholders.

In some cases, we have multiple meetings with both the company and the activist over many months as the situation evolves. We believe it is essential for companies to engage their long-term investors as early as possible and ideally before agreeing on any settlements with the activist investor, especially in relation to awarding board seats. We appreciate that proxy contests can be a distraction for management and are costly, but would argue that poorly thought through board appointments can be even more detrimental.

Our vote decision will be determined by our assessment of which outcome best aligns with the long-term economic interests of our clients. BlackRock's clients, particularly those invested in index strategies, are long-term investors and will hold shares in a company well after most activists will have sold their positions. While in certain instances we will support activist investors, in some situations we will support the board and management of a company that has presented a credible plan to address the performance, strategic, or operational issues identified.

# The Stewardship Ecosystem

✓ Client engagements

✓ Public policy

✓ Industry partnerships  
(PRI, SASB, Ceres, and more)

✓ Improving the corporate  
governance landscape

BlackRock invests in nearly 16,000 companies across 85 markets and multiple sectors on behalf of clients. This diverse exposure provides the impetus to work at the market and systems level to improve shareholder protections, disclosure standards, and corporate governance and stewardship frameworks globally. We participate actively in over 40 global, regional and market-level organizations and initiatives to advance good practice and to share perspectives on ESG integration and stewardship (see Appendix for a list of our organization affiliations). In these forums, we discuss emerging trends and public policy issues, for the sake of improving industry and governmental standards and driving adoption by companies. We also contribute to public policy through direct engagement with policy makers and responses to public consultations that help to shape the frameworks within which we, and the companies in which we invest on behalf of clients, operate.

## Engaging with asset owners and industry groups

A significant portion of our work involves engaging with clients, prospects, consultants, and industry groups. Each year we had more than 300 such meetings. Most meetings involve the sharing of perspectives to understand expectations and areas of focus. Beyond these types of engagements, we respond to numerous client due diligence questionnaires, requests for information or requests for proposals that seek insight into aspects of our stewardship work in relation to specific products and investment mandates. The increasing scope of these interactions demonstrates the growing level of client interest in governance matters, including environmental and social issues.



# Appendix

BlackRock engages the global investment and corporate community to promote a sustainable financial system through a number of coalitions and shareholder groups. Industry affiliations provide important forums in which to advocate for our views on a variety of corporate governance and sustainability topics, as well as listen to the views of our peers.

## Americas

- Commonsense Principles of Corporate Governance – since 2016
- Business Roundtable – since 2010
- Ceres Investor Network on Climate Risk & Sustainability – since 2008
- Investor Initiative for Sustainable Exchanges
- Associação de Investidores no Mercado de Capitais (AMEC) – since 2009
- The Broadridge Independent Steering Committee – since 1999
- The Harvard Law School Institutional Investor Forum – since 2013
- Council of Institutional Investors (CII) – since 2006
- Canadian Coalition for Good Governance (CCGG) – since 2005
- Investor Stewardship Group (ISG) – since 2017

## Europe, the Middle East and Africa

- The UK Investment Association – since 2005
- Corporate Governance Forum – since 1992
- European Fund and Asset Managers Association (EFAMA) – since 2006
- Institutional Investors Group on Climate Change (IIGCC) – since 2004
- Pensions and Lifetime Savings Association (PLSA, previously NAPF) – since 2015
- The FRC Investor Advisory Group – since 2018
- The UK Investor Forum – since 2015
- Eumedion Corporate Governance Forum – since 2010
- Institut du Capitalisme Responsable – since 2017
- UK HMT Asset Management Taskforce – since 2017

## Asia – Pacific

- Asian Corporate Governance Association (ACGA) – since 2011
- Asian Investor Group on Climate Change (AIGCC) – since 2016
- Financial Services Council Australia (FSC) – since 2009
- Investor Group on Climate Change (IGCC) – since 2009
- Responsible Investment Association Australasia (RIAA) – since 2011
- Hong Kong Investment Fund Association (HKIFA) – since 2007
- Hong Kong Green Finance Association (HKGFA) – since 2018
- Public Shareholders Group (SFC) – since 2015
- KRX Market Advisory Committee – since 2018
- Keidanren (Japan Business Federation) – since 2010
- The Investment Trusts Association of Japan – since 1998

## Global

- Climate Action 100+
- International Corporate Governance Network (ICGN) – since 2008
- Principles for Responsible Investment (PRI) – since 2008
- International Integrated Reporting Council (IIRC) – since 2011
- 30% Club Investor Group – since 2011 UK, 2014 US, 2015 AUS, 2019 Brazil
- FSB – since 2013
- The Task Force on Climate-related Financial Disclosures (TCFD) – since 2017
- Climate Bonds Initiative (CBI) – since 2015
- Global Real Estate Sustainability Benchmark (GRESB) – since 2011
- International Capital Markets Association (ICMA) – since 2014
- Sustainability Accounting Standards (SASB) – since 2011
  - Standards Board Member
  - Investor Advisory Group (IAG)

## UN PRI

BlackRock has been a signatory to the United Nations supported Principles for Responsible Investment (PRI) since 2008. The six aspirational statements of PRI provide a framework in which ESG issues can be taken into account in investment decision-making and engagement with investee companies, clients, and other stakeholders. As a signatory, BlackRock commits to upholding all six principles, including Principle 6: We will each report on our activities and progress towards implementing the principles. To that end, BlackRock submitted a 2019 PRI Transparency Report and received PRI's assessment of that report. In 2019, as in 2018, PRI assessed BlackRock's ESG integration capabilities to be at or above median scores in each of the reporting segments. In 2019, our Investment Stewardship function received A+ scores in Strategy & Governance and Listed Equity Active Ownership. Notably, our score in Listed Equity Incorporation improved year over year from B to A. We are pleased to see these continuing strong results against a backdrop of rising median peer group scores, most notably across fixed income sectors. Our overall "Strategy and Governance" score of A+ placed us above the 2019 median in the top 24% of all 1,343 investment managers (76th percentile).

For our direct active ownership score for listed equity, we also well exceed other institutional manager respondents placing in the:

- Top 15% of 678 investment managers (85th percentile) for individual engagements
- Top 17% of 512 investment managers (83rd percentile) for collaborative engagement
- Top 8% of 702 investment managers (92nd percentile) for proxy voting

### **BlackRock's alignment with the Principles for Responsible Investment:**

**PRINCIPLE 1: We will incorporate ESG issues into investment analysis and decision-making processes**

#### **Possible actions recommended by the PRI:**

- Address ESG issues in investment policy statements.
- Support development of ESG-related tools, metrics, and analyses.
- Assess the capabilities of internal investment managers to incorporate ESG issues.
- Assess the capabilities of external investment managers to incorporate ESG issues.
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis.
- Encourage academic and other research on this theme.
- Advocate ESG training for investment professionals.

#### **BlackRock work aligned with the principles:**

- As of December 2019, BlackRock has \$107.3bn in its dedicated sustainable investment platform, with \$30.3bn in BSI focus products; \$21.2bn in iShares Sustainable ETFs; and \$55.8bn in additional ESG, thematic, and impact funds. We have an additional \$547bn in screened products in our broader platform.
- A number of investment teams at BlackRock have developed capabilities to incorporate ESG considerations into their research and due diligence processes. The Emerging Market Corporate Debt team analyzes ESG factors in routine fundamental analysis. The Cash Management team has developed an internal Responsible Cash (RC) model, which combines third party and internal research to provide a holistic issuer assessment. The model allows analysts to incorporate additional ESG risk factors when making investment decisions. The firm's Scientific Active Equity and Model Based Fixed Income teams combine research-driven equity and credit signals with environmental and social factors to determine appropriate position sizes relative to fund benchmarks. The Infrastructure Debt team created a custom ESG scorecard to assess projects in the due diligence phase. BlackRock Private Equity Partners has a structured process for evaluating ESG at the due diligence and investment monitoring phases.
- Our advisory business to assist clients with external manager selection and asset allocation decisions can include ESG considerations where relevant for clients. The group uses a framework to assess the capabilities of external investment managers to incorporate ESG issues.
- BlackRock integrates ESG research and information into Aladdin®, our risk and portfolio management tool. This brings ESG information in front of BlackRock investors where they normally look to manage and monitor funds. Aladdin® also supports multiple applications, so investment teams can create unique views and reports incorporating ESG information to suit their investment process and investment management style.

**PRINCIPLE 2: We will be active owners and incorporate ESG issues into our ownership policies and practices**

#### **Possible actions recommended by the PRI:**

- Develop and disclose an active ownership policy consistent with the Principles.
- Exercise voting rights or monitor compliance with voting policy (if outsourced).
- Develop an engagement capability (either directly or through outsourcing).
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).
- File shareholder resolutions consistent with long-term ESG considerations.
- Engage with companies on ESG issues.
- Participate in collaborative engagement initiatives.
- Ask investment managers to undertake and report on ESG-related engagement.

**BlackRock work aligned with the principles:**

- BlackRock's 45+ member Investment Stewardship team averages approximately 2,500 engagements annually, and undertakes this activity on behalf of clients as a fiduciary regardless of investment vehicle or strategy type.
- We publish and review annually our Global Corporate Governance and Engagement Principles and region-specific voting guidelines.
- We publish engagement priorities that explain the engagement themes on which we will focus in a specific year.
- We engage with companies on shareholder resolutions consistent with long-term sustainable financial considerations.
- Investment Stewardship exercises BlackRock's voting rights consistent with our firm's published voting guidelines. We vote at approximately 16,000 shareholder meetings a year.
- BlackRock participates in the development of market policy, regulation and standard setting globally through direct institutional engagement and via third party organizations acting consistently with our position. We contribute to ESG-related public consultations and publish our submissions on BlackRock's public policy website.

**PRINCIPLE 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest****Possible actions recommended by the PRI:**

- Ask for standardized reporting on ESG issues (using tools such as the Global Reporting Initiative).
- Ask for ESG issues to be integrated within annual financial reports.
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact).
- Support shareholder initiatives and resolutions promoting ESG disclosure.

**BlackRock work aligned with the principles:**

- Through engagement, we encourage companies to report on ESG issues where relevant and material to the business and the long-term economic performance of the company.
- We encourage companies to use peer benchmarking and market standards to provide comparable disclosures relevant to investment and stewardship analysis and decision-making.
- We actively participate in the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCDF), which promote ESG factor integration into financial reports.
- We ask companies about the standards and initiatives they adopt or participate in and why these are the most appropriate given the nature of the particular business in question.

**PRINCIPLE 4: We will promote acceptance and implementation of the Principles within the investment industry****Possible actions recommended by the PRI:**

- Include Principles-related requirements in requests for proposals (RFPs).
- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate).
- Communicate ESG expectations to investment service providers.
- Revisit relationships with service providers that fail to meet ESG expectations.
- Support the development of tools for benchmarking ESG integration.
- Support regulatory or policy developments that enable implementation of the Principles.

**BlackRock work aligned with the principles:**

- We include explanations of our approach to stewardship and ESG integration in our responses to RFPs.
- We discuss ESG issues with clients, including offering education on developments in the marketplace and how our work is consistent with the PRI.
- We engage the PRI Secretariat to share perspectives on market developments and emerging trends.
- We support regulatory and policy developments that enable shareholder rights, stewardship, and long-term investing.

**PRINCIPLE 5: We will work together to enhance our effectiveness in implementing the Principles****Possible actions recommended by the PRI:**

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning.
- Collectively address relevant emerging issues.
- Develop or support appropriate collaborative initiatives.

**BlackRock work aligned with the principles:**

- We publish reports and guides on engagement and ESG issues to contribute to a body of knowledge available to support ESG analysis by investors and more sustainable financial performance by companies.
- We address relevant emerging issues at a market-wide or policy level through our responses to consultations, which are available on our firm's website.
- We support a number of collaborative initiatives to advance a more sustainable capital markets system which encourages effective corporate risk management and more efficient capital deployment.

**PRINCIPLE 6: We will each report on our activities and progress towards implementing the Principles**

**Possible actions recommended by the PRI:**

- Disclose how ESG issues are integrated within investment practices.
- Disclose active ownership activities (voting, engagement, and/or policy dialogue).
- Disclose what is required from service providers in relation to the Principles.
- Communicate with beneficiaries about ESG issues and the Principles.
- Report on progress and/or achievements relating to the Principles using a comply-or-explain approach.
- Seek to determine the impact of the Principles.
- Make use of reporting to raise awareness among a broader group of stakeholders.

**BlackRock work aligned with the principles:**

- We disclose how business-relevant ESG factors are integrated into the diverse investment processes conducted by various investment teams at BlackRock. These teams are responsible for investing in active and index-tracking strategies.
- We disclose our Investment Stewardship activities in quarterly and annual reports, and we publish our approach to corporate engagement and our regional voting guidelines on our website.
- We disclose our approach to engaging policymakers and publish our consultations to our website.
- We complete the PRI's annual questionnaire on ESG integration activities, we publicly disclose its results in our annual reporting, and participate in the PRI's feedback process.
- We examine the relationships between ESG analysis and financial performance and evaluate the effectiveness of our stewardship activities.

## Want to know more?

[blackrock.com/corporate/about-us/investment-stewardship](https://blackrock.com/corporate/about-us/investment-stewardship) | [ContactStewardship@blackrock.com](mailto:ContactStewardship@blackrock.com)

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