

Shareholder Rights

Directive II – Engagement Policy

Investment Stewardship

This statement explains how BlackRock Investment Stewardship (BIS) meets the requirements in the Shareholder Rights Directive II relating to the team's stewardship activities, and, specifically, BIS' engagement with management teams and/or board members at the public companies in which BlackRock invests on behalf of clients. The below references extensively materials published on the BlackRock website explaining our approach to engagement and stewardship more broadly. Other materials not explicitly referenced below may also be relevant to the reader and can be found on the [Investment Stewardship](#) section of the BlackRock website.

Investment stewardship at BlackRock

As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. BlackRock has a dedicated function, the BIS team, which is responsible for doing so on behalf of our clients. BIS serves as a link between BlackRock's clients and the companies they invest in through:

- Engaging with companies
- Proxy voting for those clients who authorized us to vote on their behalf
- Contributing to industry dialogue on stewardship
- Reporting on our activities

The BIS team

The BIS team is one of the largest in the industry, with more than 65 dedicated professionals, operating across nine offices globally.¹ Our global reach and local presence enable more frequent and better-informed meaningful dialogue with companies, often in the local language. This allows us to listen to companies and execute our stewardship program most effectively across different jurisdictions, taking into consideration the local context while benefiting from observing best practices in corporate governance globally.

The BIS policies

The BIS Global Principles, regional voting guidelines, and 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. The BIS policies are applied on a pragmatic, case-by-case basis, taking into consideration the context within which a company is operating:

- **Global Principles:** reflect BIS' views on globally applicable fundamental elements of governance that contribute to a company's ability to create long-term financial value.
- **Regional voting guidelines:** provide context on local market rules and norms within the framework of BIS' overarching global corporate governance principles. The regional voting guidelines help provide clients, companies, and others guidance on BIS' position on common voting matters in each market.
- **Engagement priorities:** the five themes on which BIS most frequently engages with companies, where they are relevant and a source of material business risk or opportunity.

Through a globally coordinated and rigorous process, the BIS policies are reviewed annually by BIS and the BIS oversight and advisory committees, which are comprised of BlackRock senior executives and investment professionals with relevant experience and oversight responsibilities. The BIS policies are updated as necessary to reflect changes in market standards, evolving governance practices, and insights gained from multiyear engagements.

Our long-term approach to engaging with companies

A majority of BlackRock's equity assets under management are held in index strategies, which typically remain invested in a company for as long as it is included in the reference index.² This, in effect, means that most of our clients invested in index strategies are long-term investors in those companies. For this reason, BIS takes a long-term approach in our stewardship efforts – including engaging with public companies – reflecting the investment horizon of the majority of our clients.

Engagement is core to our stewardship efforts as it provides the BIS team with an opportunity to listen directly to company directors and executives and learn about how they are addressing their company's material business risks and opportunities that may impact their ability to deliver long-term financial performance.³ We find that many companies welcome this two-way dialogue as it enables them to explain their practices and help investors understand the company's long-term strategy, risk and opportunity set, and management's plan to deliver financial returns through business cycles. Engagement may also inform our voting decisions for those clients who have given us authority to vote on their behalf.

In our view, an engagement is a constructive, ongoing dialogue with a company's board and management. These two-way conversations take place all year long and extend well beyond proxy season.

BIS counts only direct interaction as an engagement. We may also write letters to raise companies' awareness of changes in policy or thematic issues on which we are focused, but this outreach is considered distinct from engagement as it is difficult to monitor the effectiveness of letter writing without direct interaction.

BIS assesses the effectiveness of our engagements over time based on a company's oversight of material business risks and opportunities, and its response to shareholder concerns over time, sometimes multiple years. If our assessment determines that company reporting and disclosure is inadequate or the company is not effectively addressing material risks, BIS may further engage with the company and/or communicate concerns through voting for those clients who authorize us to vote on their behalf.

That said, BIS does not seek to direct companies on how they should manage their businesses. That is the responsibility of management, with input from the board. Even where, on BIS' analysis, risks are not appropriately being managed, the team aims to be constructive, patient, and persistent in working with portfolio companies over time. Our focus is on how the board and management team are advancing the financial interests of long-term shareholders such as BlackRock's clients.

The BIS [engagement priorities](#) and related thematic [commentaries](#)⁴ are published on the BlackRock website, with the aim of providing clients, companies BlackRock invests in on behalf of clients, and industry participants, more visibility into the topics on which BIS will be focusing and how BIS will engage companies on those topics.

The vast majority of BIS' engagements are focused on corporate governance. In our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests. Some governance issues are perennial, such as board quality and performance, although the areas of focus may change over time. Other issues have become priorities more recently, driven by the team's observations of emerging risks and opportunities material to financial value creation for companies, market developments, and changing client and societal expectations.

BIS independently determines which companies to engage, and on which issues, based on our engagement priorities, company disclosures, voting matters, and corporate developments, amongst other considerations.

BIS engages individual companies independently, rather than alongside other asset managers or asset owners. In our experience, this approach enables us to best advocate for our clients' long-term financial interests. In addition, BlackRock adheres to regulatory limits on collaborative engagement, particularly with respect to U.S. companies and companies with U.S.-listed securities. BIS may participate in collaborative engagements with other shareholders in limited instances outside the U.S., where permissible under local regulations and a market norm, and where, in our view, our clients' long-term financial interests could be more productively advanced through joint dialogue. When we do engage collaboratively, BIS determines our engagement objectives independently, including with whom and how best to partner.

We do not act collectively with other shareholders or organizations in voting shares. Instead, we make decisions on how to engage companies and how to vote proxies based solely on our assessment of what is in the long-term economic interests of our clients. BIS does not disclose our vote intentions in advance of shareholder meetings as we do not see it as our role to influence other investors. The BIS published regional voting guidelines provide clients, companies, and others guidance on our position on common voting matters.

BlackRock's analysis and integration

BlackRock seeks the best risk-adjusted returns within the mandates clients give us. As a fiduciary, we manage material risks and opportunities that could impact portfolios, including those related to sustainability. When financially material, we incorporate material sustainability-related information alongside other information into our firmwide processes to enhance risk-adjusted returns.⁵

We underpin our work with research, data, and analytics. Research informs our investment decisions and product innovation. We research major structural trends shaping the economy, markets, and asset prices. We assess how these trends could affect long-term value and how they could unfold over time.⁶

BIS' work contributes to this effort, to assess material sustainability-related risks and opportunities at the companies clients invest, where relevant. Please refer to the BIS [Global Principles](#) for further details on how BIS assess material sustainability-related risks and opportunities.⁷ BIS' company analysis and engagement notes are made available to BlackRock's Fundamental Active Equity (FAE) portfolio managers. BIS' perspective, informed in part by engagement with companies, can provide portfolio managers with a different assessment of a company that is not captured by third-party research and ratings. Where BIS and FAE's portfolio managers are interested to engage a company on the same topics, we may jointly meet with company representatives to hear how they are positioning their company to deliver durable profitability.

Other teams across BlackRock may engage with companies to help inform their work on a broad spectrum of risk and value drivers in their investible universe. However, while BIS' activities are not designed to drive outcomes, the themes of BIS' engagement under its policies may, at times, align with themes of certain funds.

Proxy voting on clients' behalf

When authorized to do so by BlackRock's clients, BIS votes to formally communicate its support for, or concerns about, how companies are serving the financial interests of BlackRock's clients as long-term investors. As shareholders of public companies, BlackRock's clients have certain fundamental rights, including the right to vote on proposals put forth by a company's management or its shareholders. The vast majority of these proposals are on routine matters, including the election of a company's directors, executive compensation, and the appointment of a company's auditor. Shareholders may also have the opportunity to vote on corporate actions such as a merger, or proposals from shareholders. In many cases, BlackRock's clients have authorized us to vote proxies on their behalf. In exercising this delegated authority, BlackRock acts as a fiduciary to our clients. We are required to vote in a manner that we determine is in the best economic interests of those clients. We do this by casting votes in favor of proposals that, in our assessment, will promote stronger governance and better management and, in turn, potentially enhance long-term shareholder value. BlackRock does not use our delegated voting authority to direct a company's business strategy, which is the role of the company's board and management. Accordingly, BlackRock seeks to understand how corporate leadership is managing risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns. We do not file shareholder proposals or seek to nominate directors for election to a company's board.

The BIS regional voting guidelines provide clients, companies, and others, guidance on the team's position on common voting matters. These guidelines are not prescriptive – BIS takes into consideration the context in which companies are operating their businesses. BIS' voting determinations are methodical, and always anchored in BlackRock's fiduciary duty to its clients as an asset manager. BIS does not act collectively with other shareholders or organizations in voting shares. Instead, BIS makes decisions on how to engage companies and how to vote proxies independently, based solely on the team's professional assessment of what is in the long-term economic interests of BlackRock's clients. BIS does not disclose its vote intentions in advance of shareholder meetings as the team do not see it as its role to influence other investors. BIS' role is to communicate to a company its view on how the board and management are fulfilling their responsibilities to shareholders.

BIS generally supports management when its engagement affirms that companies are taking appropriate steps to address shareholders' concerns. However, when concerns persist despite ongoing engagement, or a company's actions do not seem aligned with durable, long-term financial value creation, BIS may communicate concerns in its voting on behalf of clients.

BIS can vote to convey concerns in two primary ways: it might not support the election of directors or other management proposals, or it might not support management's voting recommendation on a shareholder proposal.⁸ Voting to elect directors to the board is a near-universal right of shareholders globally and an important communicate of support for, or concern about, the performance of the board in overseeing and advising management.

Who votes for active portfolio managers?

As an asset manager, BlackRock has a fiduciary responsibility to vote shares in the long-term economic interests of the clients who choose to delegate voting authority to us. Most of this voting is conducted by BIS, as nearly 90% of the public equity investments BlackRock manages on behalf of clients are in index strategies.⁹

BIS routinely escalates vote recommendations, based on predetermined criteria, to BlackRock's FAE portfolio managers with holdings in the company whose shareholder meeting we are reviewing. FAE portfolio managers may vote the holdings in their portfolios differently to BIS' recommendation. For routine governance and other non-controversial matters, FAE portfolio managers typically look to BIS for insights and vote recommendations.

From time to time, active portfolio managers and BIS may reach different voting conclusions on proposals made by management or shareholders. However, these instances are infrequent and occurred at 16 of the more than 18,000 shareholder meetings voted in 2023.¹⁰

Reasons for a difference of opinion on voting vary. Both BIS and FAE portfolio managers base their vote decision on the outcome they determine to be most consistent with clients' investment objectives. BIS determines how to vote on behalf of index investors, who are locked-in, long-term shareholders of companies.¹¹ A FAE portfolio manager may vote differently based on their views of what is most aligned with the financial interests of clients invested in their fund, and in line with the fund's investment objectives.

BlackRock Voting Choice

While many asset owners are pleased to have BlackRock's stewardship team cast proxy votes on their behalf, others want the choice to participate more actively in the proxy voting process.

Launched in January 2022, BlackRock Voting Choice gives many clients the option to participate more directly in the proxy voting process where legally and operationally viable. As of December 29, 2023, clients representing more than \$598 billion in index equity AUM were participating in BlackRock Voting Choice.

In early 2024, BlackRock extended the Voting Choice program to its largest ETF through a pilot program for the 2024 proxy voting season. With this expansion, BlackRock is empowering millions of shareholder accounts in the U.S., which will enable more than half of its global index equity AUM to be eligible to participate in Voting Choice. This expansion reflects the firm's commitment to providing clients with a broad range of choices across strategies, products, and services. More information about BlackRock Voting Choice is available [here](#).

Contributing to industry dialogue on stewardship

BIS team members may participate in industry-level dialogues to further discuss policy-related matters that could impact our clients' portfolios or to provide an increased understanding of BlackRock's approach to investment stewardship.¹² BIS engages with parties across the investment stewardship ecosystem including clients, corporate directors, senior members of management teams, policymakers, and other industry stakeholders. BIS may hold these discussions with other teams such as BlackRock's Government Affairs and Public Policy team. BIS may also respond to policy consultations to provide our perspectives on matters under review with a focus on promoting practices that support shareholder rights, sound corporate governance and well-functioning capital markets. Responses to policy consultations are available on the BIS [website](#).

Reporting on our activities

The BIS [website](#) provides a comprehensive library of materials on our stewardship policies and activities. In addition to the information provided on the website, clients may request mandate-specific reporting covering the voting and engagement activity associated with their portfolios on a monthly, quarterly, or annual cadence.

Conflict management policies and procedures

The BIS [Global Principles](#) and [our commentary on how we manage conflicts of interest](#) describe how BIS maintains policies and procedures that seek to prevent undue influence on our proxy voting activities. Such influence might stem from any relationship between an investee company (or any shareholder proponent or dissident shareholder) and BlackRock, BlackRock's affiliates, a Fund or a Fund's affiliates, or BlackRock employees and board directors who serve on other public company boards.

Application

This statement sets out BlackRock's Engagement Policy for the purposes of the Shareholder Rights Directive II applicable from 1 January 2024.¹³

Endnotes

1. As of December 31, 2023.
2. As of December 31, 2023, 52% of AUM were invested in equities. See "[BlackRock Q4 2023 Earnings –Earnings Release Supplement](#)" at page 2 to learn more. January 12, 2024.
3. When assessing material risks and opportunities, we focus on the factors that could impact a company's long-term financial performance, which are unique to its business model and/or operating environment.
4. Supporting commentaries provide further detail into BIS' perspectives and its approach to engagement on key corporate governance and material sustainability-related issues such as board composition, human capital management, and climate risk and the transition to a low-carbon economy, among others.
5. Please refer to BlackRock's ESG Integration Statement for further details available [here](#).
6. BlackRock Investment Institute, "Publications."
7. By material sustainability-related risks and opportunities, we mean the drivers of risk and value creation in a company's business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management, and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty and relationships with regulators. It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses. Governance is the core means by which boards can oversee the creation of durable, long-term value. Appropriate risk oversight of business-relevant and material sustainability-related considerations is a component of a sound governance framework.
8. BlackRock is subject to certain U.S. rules and regulations that place restrictions and limitations on how BlackRock can interact with the companies in which it invests on behalf of clients, including its ability to submit shareholder proposals or nominate directors for election to the board. Non-compliance with these rules could adversely affect BlackRock's ability to serve its clients' interests.
9. Estimate based on figures reported in BlackRock Inc.'s "Form 10-K" for the fiscal year ended December 31, 2023, which indicated that approximately 48% of total equity AUM was held in iShares ETFs, and a further 40% of total equity AUM was invested in index strategies on behalf of institutional clients.
10. BlackRock. ISS Sourced on April 12, 2024, reflecting data from January 1, 2023 through December 31, 2023.
11. A majority of BlackRock's equity AUM is held in index strategies, which track the performance of a particular grouping of public companies – for example, the S&P 500 in the U.S. or the TOPIX in Japan. Those funds and accounts typically remain invested in a company for as long as that company is included in the reference index. While investors in these strategies may sell out of a fund or account in its entirety, they cannot sell holdings in individual companies in that fund or account. This, in effect, means that most of our clients invested in index strategies are long-term investors in those companies.
12. These efforts are separate from our bilateral engagements with public companies and from engagements with clients and are carried out with the objective of sharing our perspective as a long-term minority investor. However, clients and companies may often participate in marketplace engagements given the nature of the topics. Examples of marketplace engagements include speaking at industry events and conferences, or participating in academic seminars, among others. The work that we do is intended to advance the economic interests of BlackRock's clients' as long-term investors.
13. The prior version of this statement, which was applicable from 2 January 2023 to 1 January 2024, can be found [here](#).

Want to know more?

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BlackRock