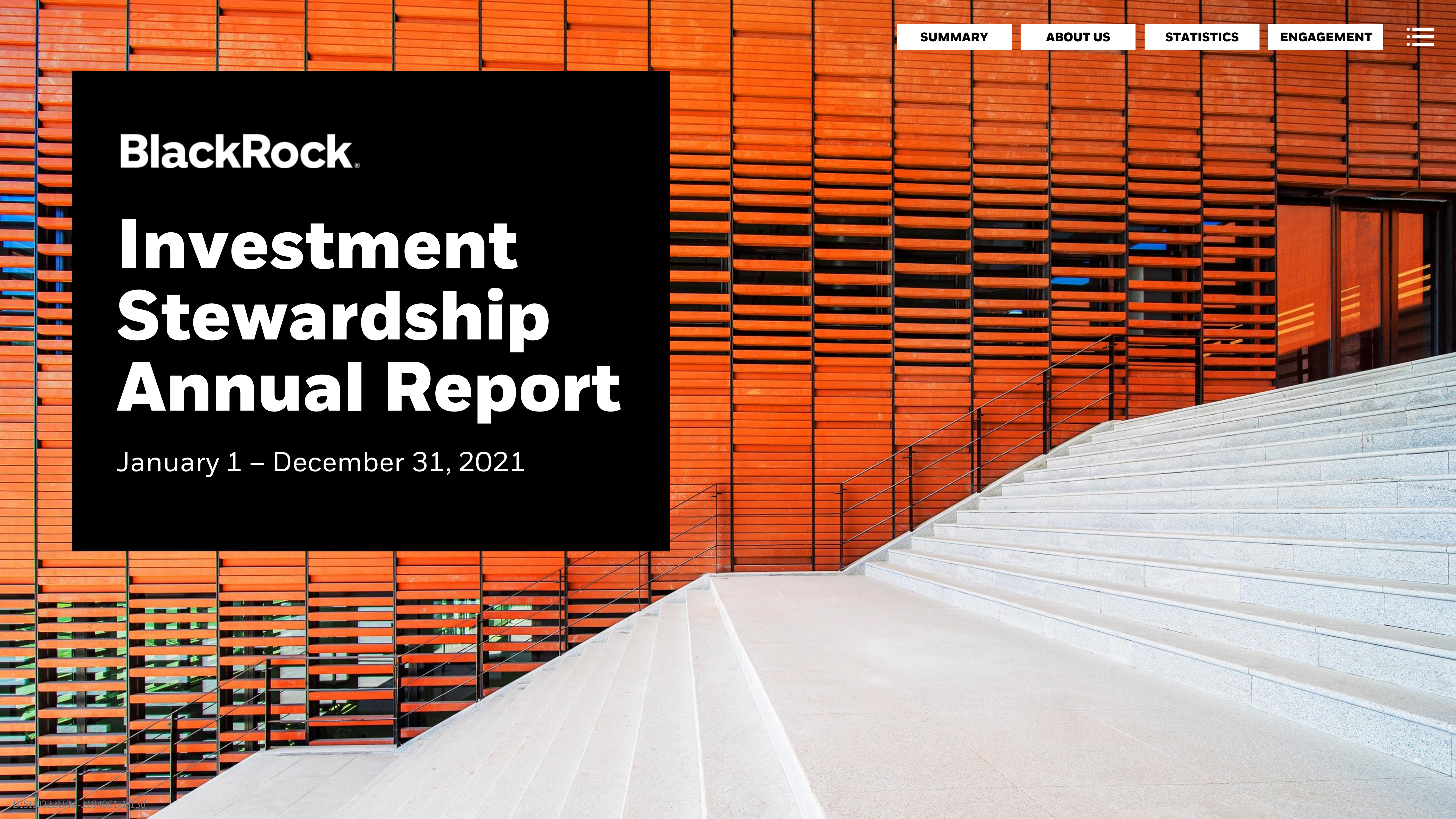
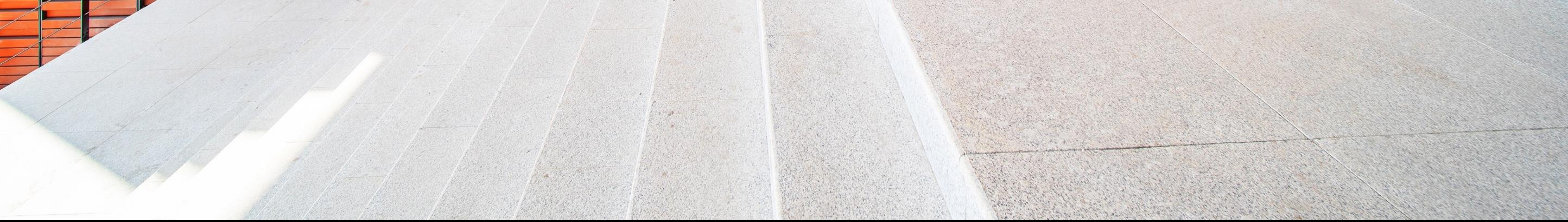


BlackRock

Investment Stewardship Annual Report

January 1 – December 31, 2021



Our 2021 Annual Report demonstrates how BlackRock Investment Stewardship is integral to BlackRock's purpose to help more and more people experience financial well-being.

The BlackRock Investment Stewardship (BIS) 2021 Annual Report covers BIS' work from January 1, 2021 to December 31, 2021. We aim to provide further clarity and insight to our clients, the companies they are invested in, and our other stakeholders about our approach to investment stewardship and the issues that are critical to long-term value creation. While we believe the information in this report is accurate as of December 31, 2021, it is subject to change without notice for a variety of reasons. As a result, subsequent reports and publications distributed may therefore include additional information, updates and modifications, as appropriate. The information herein must not be relied upon as a forecast, research, or investment advice. BlackRock is not making any recommendation or soliciting any action based upon this information and nothing in this document should be construed as constituting an offer to sell, or a solicitation of any offer to buy, securities in any jurisdiction to any person. References to individual companies are for illustrative purposes only.

The publication of this report also coincides with the timeline set by the UK's Financial Reporting Council (FRC) to comply with the UK Stewardship Code requirements. On March 22, 2022, prior to the submission to the FRC, this report was presented to the Nominating, Governance and Sustainability Committee (NGSC) of the BlackRock, Inc. Board of Directors by Sandy Boss — Global Head of Investment Stewardship and member of the BlackRock Global Executive Committee — and Michelle Edkins — Head of Global Institutional Relations and Policy. As described in the NGSC Charter, the NGSC has oversight over the BIS function and, per the New York Stock Exchange's listing requirements, is comprised entirely of independent directors.

Report contents

Larry Fink

Chairman and Chief Executive Officer

BlackRock Investment Stewardship was built for these times.

On behalf of BlackRock, I am pleased to present our 2021 Investment Stewardship Report. As an asset manager, everything we do is rooted in our fiduciary duty to our clients. We work every day to help our clients — the true owners of the assets we manage — achieve their financial goals. The financial security they seek is not created overnight. It is a long-term endeavor, and we take a long-term approach.

As a fiduciary, 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 our fiduciary duty, BlackRock Investment Stewardship (BIS)'s purpose is to support companies in their efforts to create long term durable financial performance on behalf of our clients. 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.

Our engagements often span multiple years and throughout each year, leading to stronger relationships with companies and more constructive outcomes for shareholders and businesses alike. Our analysts' sector expertise and local market knowledge allows for informed dialogue and strong understanding of the issues most material to companies' ability to create long-term value for our clients. And when it comes to voting, BlackRock does not depend on the recommendations of the proxy advisors. The team is equipped to make our own, well-informed, and thoughtfully considered decisions.

The events of the past few years and their impacts on companies' operating environments have only further highlighted the importance of effective governance and the work we undertake on behalf of our clients. That is why we have built an investment stewardship function that is as global as our clients' investments. Several years ago, we recognized that to provide the best possible support to our clients in an ever-changing and increasingly complex environment, we must dedicate even more people and technology resources to our stewardship activities. In 2018, we committed to doubling the size of our stewardship team from 30 to 60. Today, we have nearly 70 professionals based in markets around the world engaging with companies on the topics that we believe will impact our clients' investment outcomes and financial well-being. The team is now uniquely resourced to bring a globally consistent, locally relevant perspective to our clients and the companies with which we engage on their behalf.

Today, we also see a growing interest among investors — including BlackRock's clients — in the corporate governance of public companies. That is why, in October 2021, we announced the first in a series of steps to expand the opportunity for clients to participate in proxy voting decisions where legally and operationally viable. These voting choice options are currently available to institutional clients invested in equity index strategies — within institutional separate accounts globally and certain pooled funds managed by BlackRock in the U.S. and UK. Our ambition over time is to continue developing new technologies while working with industry partners to expand voting choice for even more clients.

Our deliberate investment in our stewardship function differentiates BlackRock: no other firm is as well-equipped to advance the interests of asset owners and help companies around the world navigate uncertain times. It is through all of these efforts that we are working to serve our clients and stay ahead of their needs. Our sole focus remains on helping them achieve their long-term financial goals, because the money we manage is theirs.

Stewardship plays an integral part of BlackRock's purpose to help more and more people experience financial well-being.

Our work rests on the explicit understanding that the money we manage is not our own; it belongs to our clients — ultimately people around the world investing for their long-term financial goals. Based on our role as a fiduciary to these clients, our stewardship team serves as a link between our clients and the companies we invest in on their behalf and regularly engages with companies to share the perspective of a long-term investor. We are interested in hearing from companies about their strategies for navigating challenges and capturing opportunities. And about the business and governance decisions that will matter not simply quarter by quarter, but likely in terms of years and decades.

We very much recognize the difficulty companies face in navigating ever more complex operating environments, be it in geopolitical, macro-economic, market, or sector-specific terms. That is precisely why we are committed to on-going dialogue with company boards and management. When we can better understand a company's approach to key governance and business considerations, we can also better understand the implications for the financial interests of long-term investors like our clients.

Building constructive, long-term relationships with companies

Many people ask about the nature of "engagement" and what exactly it entails. Simply put, it consists of constructive, on-going — sometimes frank — discussions with company boards and management. These conversations extend well beyond proxy season and form the bedrock of open communication, better understanding, and clarity that are essential to making informed decisions on our clients' behalf.

The topics we discuss, the questions we ask, and the guidelines under which we operate reflect the issues we believe are essential to the long-term financial performance of our clients' investments. They reflect the extensive research and analysis of our nearly 70 stewardship specialists covering more than 55 markets, who examine company disclosures, BlackRock proprietary research, and third-party analysis to understand the risks companies are managing and the opportunities they intend to pursue.

Our team is careful to bring an informed perspective to every engagement and to focus on issues we assess to be important to long-term shareholder value. We are interested in hearing from companies about their approach to material governance and sustainability risks and opportunities and in understanding how these can support or undermine long-term performance. Just as importantly, we seek to listen to companies to better understand how their strategic objectives and business decisions take into account the interests and concerns of various stakeholders, particularly their shareholders.

Offering clients choice

The other topic people frequently ask about is voting. It is important to note that voting is perhaps the broadest form of engagement available to us, and that we always do it through the lens of long-term investors' financial interests. Therefore, when clients authorize us to vote on their behalf, we do so according to what we assess to be in their best long-term financial interests.

Our voting is careful, methodical, and considered. Most votes are on standard company resolutions; less than 1% of votes are on shareholder proposals. As such, our degree of support of company management often reflects this fact, and we are for the most part a supportive shareholder. For example, in 2021, we voted to support 90% of directors proposed for (re)election by management globally.

One of BlackRock's founding principles, central to our culture today, is to focus everything we do on our clients. Providing our clients with a range of choices from which they can choose to best fit their investment preferences and goals is core to BlackRock's approach across our business. As voting becomes increasingly important to our clients, we have placed greater focus on offering them more options to participate more directly in that process. Specifically, in 2021, we launched an initiative that leverages new technologies and innovation to offer institutional clients invested in equity index strategies, within institutional separate accounts globally and certain pooled funds managed by BlackRock in the U.S. and UK, the option to participate in proxy voting decisions. We are the first in our industry to offer this option at scale and see this as just the first in a series of steps we are committed to taking to expand proxy voting choice for clients.

Looking ahead in stewardship

As 2022 began, the year was already expected to be just as challenging for companies as the prior two. Inflationary pressure, supply chain disruption, and continued uncertainty around the progress (and reversals) in managing the pandemic were already on the radar, and companies were responding to fast changing circumstances on the global, regional, and local level. Then, the tragic human consequences of Russia's invasion of Ukraine, and the subsequent political, economic, and social responses it set in motion, introduced even greater complexity to these matters and how companies adapt.

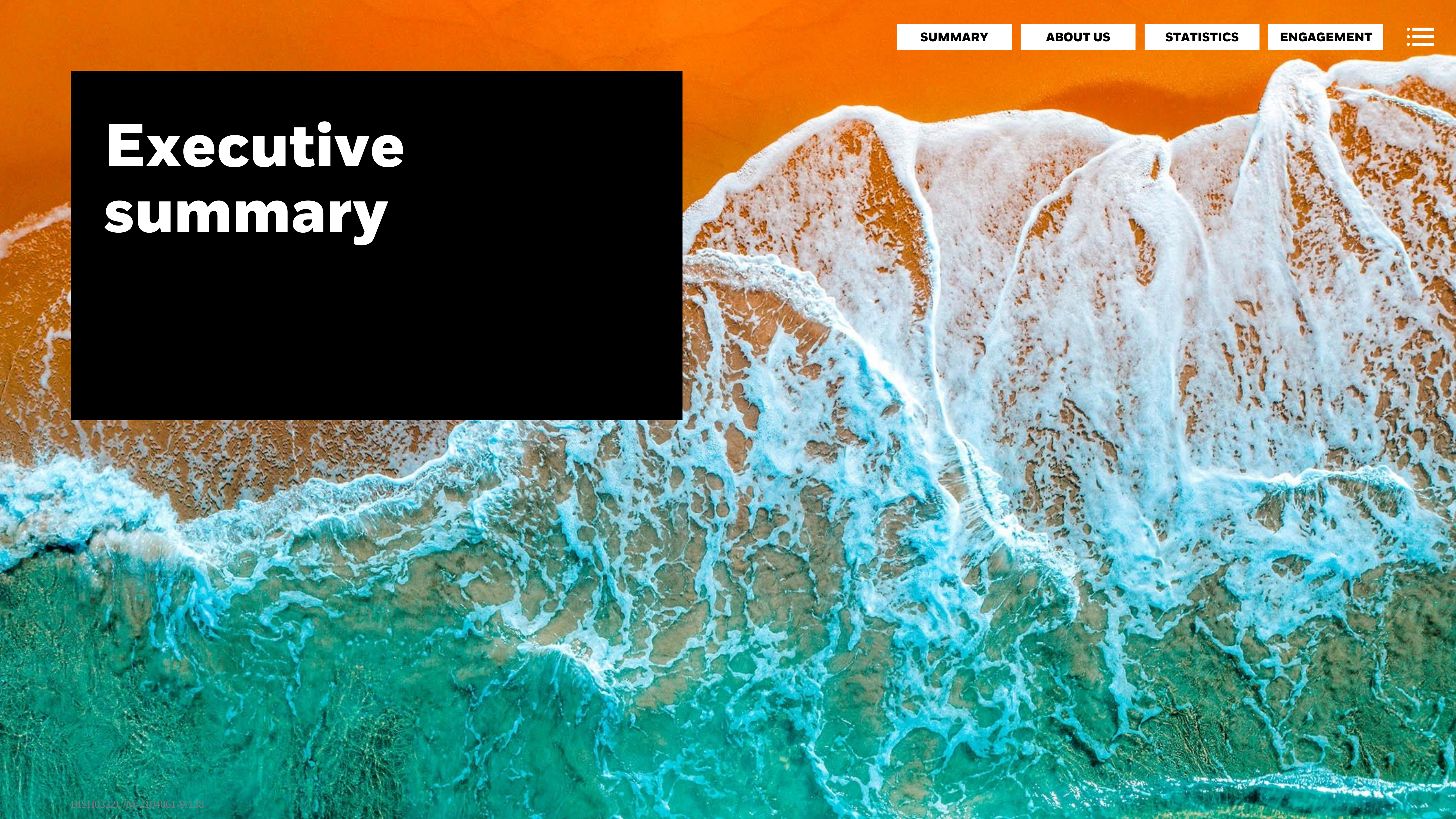
In the immediate term, many businesses are likely rethinking where and how they operate, and reviewing their own operational resilience, particularly in terms of securing or providing energy. For some, this may accelerate a shift towards diversifying to alternative sources and reducing dependency on fossil fuels. For others, it may mean increasing output of traditional energy resources to help with the immediate diversification of Europe's energy supply away from Russia and better support global energy needs during a time of acute scarcity and price volatility.

While BIS made marked changes to our policies in 2021 to reflect a business environment altered by changes in the governance and sustainability landscape, our policies for 2022 remain largely unchanged. As ever, we remain committed to hearing from the companies our clients are invested in on their strategies for navigating challenges and capturing opportunities, continuing to focus on the five key areas that we believe are most likely to impact companies' ability to generate the financial returns our clients depend on. And we will continue to take a thoughtful, informed, and careful approach reflective of long-term shareholders like our clients. We remain optimistic that companies will continue to respond and adapt in ways as profound as the changes taking place around us.

Sandy Boss

Global Head of
Investment Stewardship

Executive summary



> **Our 2021 Annual Report demonstrates how BlackRock Investment Stewardship (BIS) is integral to BlackRock's purpose and fiduciary duty."**

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Scope of the BIS 2021 Annual Report

This report aims to provide insight into our stewardship activities — primarily through a focus on engagement and proxy voting — from January 1, 2021 through December 31, 2021. Throughout our report, we emphasize how important sound corporate governance is to help companies deliver durable long-term value for our clients.

Stewardship is integral to BlackRock's purpose and fiduciary duty

BlackRock is a leading asset manager with a broadly diversified business across clients, products, and geographies. As of December 31, 2021, BlackRock's assets under management (AUM) stood at U.S. $10 trillion.[1] By product type, 53% of the assets we manage fall under equity. The majority of equity AUM is invested through index portfolios. As such, this report focuses on the fundamental role BIS plays on behalf of BlackRock's index portfolios.

As a fiduciary to our clients, BlackRock's goal is to support the long-term, durable shareholder value creation that our clients depend on to achieve their financial goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities, and ultimately individual investors, among others. Consistent with our fiduciary duty to them, in stewardship we are interested in hearing from the companies our clients are invested in about their strategies for navigating challenges and capturing opportunities. 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 take a long-term approach in our stewardship efforts, reflecting the investment horizon of our clients, many of whom are planning decades into the future. We believe multi-year engagements with companies can lead to constructive outcomes for businesses and shareholders alike. Our analysts' sector expertise allows for informed dialogue and strong understanding of the issues most material to long-term value creation for our clients.

A trusted global partner to clients and a constructive investor on their behalf

Over the last decade, BlackRock has built one of the largest and most diverse investment stewardship teams in the industry. This reflects both the importance of stewardship as a core component of BlackRock's fiduciary responsibility to our clients and the industry's evolving understanding of how corporate governance and sustainability issues can impact companies' long-term financial performance.

The events of the past few years and their impacts on companies' operating environments has only further highlighted the importance of effective governance and the work we undertake on behalf of our clients. That is why at BlackRock, we have built an investment stewardship function that is as global as our clients' investments. The team is uniquely resourced to bring a globally consistent, locally relevant perspective to our clients and the companies with which we engage on their behalf.

1 BlackRock Inc. "Q4 2021 Earnings – Earnings Release Supplement." January 14, 2022.

2021 stewardship in review

In December 2020, BIS announced updates to our global stewardship principles and market-level voting guidelines, effective January 2021, based on our role as a fiduciary to our clients and our vital role as a link between our clients and the companies we invest in on their behalf. In March 2021, we refreshed our Engagement Priorities and published a series of supporting commentaries to offer companies and other stakeholders a detailed overview of our approach to engagement on a number of ESG issues. We outlined our perspectives on the transition to a low-carbon economy, as well as companies' impacts on natural capital — forests, biodiversity, and water — and on people — including customers, employees, suppliers, and communities.

We brought a long-term perspective to our engagements and aimed to be constructive and supportive as companies grappled with near-term complexities — consistent with both our investment convictions around the energy transition and in consideration of the unprecedented events of the past two years. Companies have been challenged with making difficult, and in some cases extraordinary choices, in the face of uncertainty. We continue to be impressed by the remarkable progress many companies achieved on their strategic priorities during another year complicated by the COVID-19 pandemic.

More broadly, the pandemic accelerated a fundamental shift in the operating environment for virtually every company. In our engagements during the year, we found companies grappling with the acute challenges of ensuring operational, financial, and strategic resilience. The stop and start nature of the economic recovery severely disrupted global supply chains. At the same time, the pandemic accelerated the strategic transformation and digitization of many services. In addition, the relationship between employers and employees in many markets has been fundamentally altered. It is our conviction that for long-term shareholders like our clients, companies that are deliberate about their roles in society and act in the interests of their shareholders and key stakeholders — employees, customers, communities, and suppliers — can prosper and generate durable long-term profitability.

As in prior years, governance remained at the center of our stewardship approach and a consistent focus in our engagements. In our view, well-governed companies are best positioned to navigate the full range of investment risks and opportunities that come their way. We also focus on material long-term sustainability factors inherent in companies' business models. Our interest in hearing from companies how they consider environmental, social, and governance (ESG) risks and opportunities is informed by our investment convictions about what drives long-term value.

In 2021, our stewardship team held more than 3,600 engagements with more than 2,300 unique companies across 57 markets, covering 68% of our clients' equity assets under management (AUM). Engagement supports our stewardship efforts as it provides us with the opportunity to improve our understanding of the business risks and opportunities that are material to the companies in which our clients invest.

Engagement also informs our voting decisions when our clients authorize us to vote proxies on their behalf. We vote based on our clients' long-term financial interests. During the past year we voted at more than 17,000 meetings, and on more than 164,000 management and shareholder proposals. Nearly 60% of our engagements with companies included discussions related to board quality and effectiveness, highlighting how governance is at the heart of our stewardship efforts on behalf of clients. Where we did not support directors' re-elections, it was typically driven by governance issues like lack of board independence, lack of board diversity or concerns about whether compensation aligns with long-term value creation.

In 2021, we broadened our climate focus universe from 440 to more than 1,000 companies. We had nearly 2,300 engagements on climate and natural capital and did not support management at 341 companies — including not supporting the election of 281 directors — due to climate-related concerns.[1]

Similar to previous years, shareholder proposals represented less than 1% of the proposals we voted on during the year. As we anticipated, however, they played an increasingly important role in our stewardship efforts around sustainability. We supported 46 % of environmental and social (E&S) shareholder proposals (84 out of 184) and 34% of shareholder proposals overall (285 out of 829).[2]

1 Abstentions are included. Votes to not support unique companies on climate include: 1) votes to not support or abstain on director elections and director-related proposals, and 2) votes in support or abstention on climate-related shareholder proposals. **2** Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market.

Our fiduciary approach

At BlackRock we are driven by a single purpose: **to help more and more people experience financial well-being.**[1] As a fiduciary to our clients, we are dedicated to pursuing the outcomes that will help them achieve their long-term financial goals. BIS plays a central role in our approach to serving our clients' interests. BIS serves as an important link between our clients and the companies we invest in. With nearly 70 members, the BIS team is one of the largest in the industry. As stewards of our clients' assets, we find it most helpful as investors when companies manage and disclose material governance and sustainability risks and opportunities in their business models.

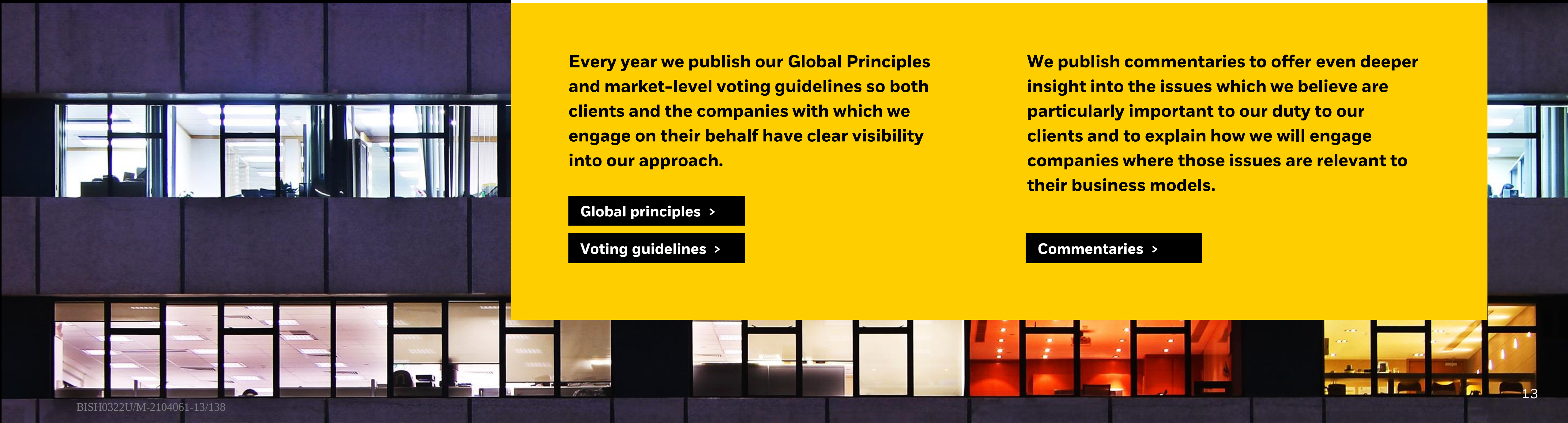
Our clients are generally invested for the long-term, and it is over the long-term that, in our experience, these factors shape a company's ability to generate durable financial performance. Governance is key — high-quality leadership and business management are at the heart of a company's ability to deliver sustained performance over time. Our stewardship program is therefore focused on board quality, effectiveness, and accountability across the broad universe of companies our clients are invested in globally.

1 https://www.blackrock.com/corporate/where-we-stand.

A commitment to transparency

It is important to us that our clients have a clear understanding of how the work we do on their behalf aligns with their investing goals. Our policies are reviewed annually and updated as necessary to reflect changes in market standards, evolving governance practices, and insights gained year over year from engagements with companies and clients. In 2021, BIS held more than 300 meetings with clients to get their perspectives on stewardship and better understand their thinking on the issues that are important to their investments. As an investment function, we are ever mindful of the radically changing macroeconomic and regulatory context in which we are working on behalf of our clients.

In order to bring greater clarity about our work, our full suite of publications to date includes our Global Principles, market-level voting guidelines, Engagement Priorities, and thematic commentaries. We have published more than 160 study cases, highlighting the breadth and depth of our stewardship efforts in 2021. In addition, we published 41 vote bulletins that explained our voting, and the engagement and analysis underpinning it, on multiple ESG issues at specific company shareholder meetings.



Every year we publish our Global Principles and market-level voting guidelines so both clients and the companies with which we engage on their behalf have clear visibility into our approach.

Global principles >

Voting guidelines >

We publish commentaries to offer even deeper insight into the issues which we believe are particularly important to our duty to our clients and to explain how we will engage companies where those issues are relevant to their business models.

Commentaries >

Our stewardship priorities in 2021

Our focus for engagement with companies was explained in our 2021 priorities, and related commentaries, in which we set out our thinking on a number of key governance and sustainability factors that can affect a company's ability to deliver long-term durable financial returns. As a long-term, constructive shareholder on behalf of clients, we believe it is helpful to be clear about the information long-term investors like our clients find useful in assessing a company's performance. We have also indicated how our priorities map to the United Nation's Sustainable Development Goals, given many clients are interested to understand how their investments may be contributing to such ambitions in addition to meeting their financial objectives.

BIS 2021 priorities:

Board quality and effectiveness

BIS seeks to understand how, and how effectively, a board oversees and advises management. To that end, we look for companies to communicate the boards' approach to director responsibilities and commitments, turnover, succession planning, and diversity.

Strategy, purpose and financial resilience

When engaging on long-term corporate strategy, purpose, and financial resilience, we aim to understand a company's strategic framework, the board's process for oversight and review, how the strategy incorporates stakeholders' needs, and how strategy evolves over time in response to changing operational, economic, regulatory, and societal conditions.

Incentives aligned with long-term value creation

BIS supports executive compensation policies that encourage durable performance and achievement of results consistent with a company's long-term strategic initiatives. Long-term investors benefit from a well-articulated executive compensation structure.

Climate and natural capital

As an asset manager, BlackRock's approach to climate risks and opportunities and the global energy transition is based on our role as a fiduciary to our clients. As the world navigates the transition to a low-carbon economy, we are interested in hearing from companies our clients are invested in about their strategies and plans to respond to the challenges and capture the opportunities this transition creates. As companies consider climate-related risks, it is likely that they will also assess their impact and dependence on natural capital, i.e., the supply of the world's natural resources from which economic value and benefits can be derived.

Company impacts on people

BIS engages with companies to understand how they are making decisions that take into account the interests of their key stakeholders – employees, suppliers, customers and communities. We believe failure to address their interests can reverberate across a company's value chain, which may affect critical relationships and impact shareholder value.

Engaging where it matters most

As we are long-term investors on behalf of our clients, how well companies navigate and adapt to long-term business dynamics will have a direct impact on our clients' investment outcomes and financial well-being. This past year, we once again increased the number of engagements, and the number of unique companies engaged, in part enabled by the increase in the number of team members we have. Preparing for, conducting and following up on engagement meetings to ensure they are effective for companies and to inform our work is resource intensive.

Through engagement, we build mutual understanding with companies on how they are addressing the issues that drive value and risk in their business models. We seek to engage in a patient and constructive manner, explaining any concerns, providing feedback and asking probing questions. Importantly, we do not tell companies what to do. We comply with requirements under the various laws and regulations that limit how BlackRock can interact with the companies in which we invest on behalf of our clients. As a long-term investor, we generally support companies when our engagement affirms that they 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 long-term value creation, we may signal our concerns in our voting on behalf of clients.

Most of the companies in which we invest on behalf of clients will have at least an annual shareholder meeting to put items of business to a vote. For those clients who have authorized us to do so, we exercise their voting rights to signal support for or concerns about a company's governance or performance.

In 2021, we voted on behalf of our clients at over 17,000 shareholders meetings globally and a total of over 164,000 proposals. At over 7,000 companies BIS did not support one or more proposals. Sometimes these were items for which there wasn't sufficient information such as proposals to vote on "any other business." Mostly these votes reflected concerns about director independence, board diversity, executive pay policies or outcomes, or other governance matters. In some cases, they reflected material environmental or social risks that were not fully addressed.

Effective boards and executive leadership

Our investment stewardship efforts have always started with the board and executive leadership. We look to boards to have directors with the relevant experience and expertise, and the independence, to effectively advise and oversee management. We look to executive leaders to develop and implement a long-term strategy and to put in place the high operating standards and sound controls that will support a company's long-term success. We find effective corporate leadership typically demonstrates the following governance characteristics:

- ✔ **Independence**
  Boards with a sufficient degree of director independence to look after the interests of all shareholders and at least one independent non-executive director who is willing to meet with shareholders as necessary
- ✔ **Diversity**
  Including directors' personal characteristics and professional experience, at least consistent with local market regulations and best practices to avoid group think and aid good governance and effective decision-making
- ✔ **Capacity**
  Directors who ensure that they have sufficient capacity to fulfil their board responsibilities in normal and more challenging times
- ✔ **Performance-based executive pay**
  A meaningful portion of executive pay tied to the long-term performance of the company, as opposed to being overly determined by short-term increases in the stock price
- ✔ **Responsibility to shareholders**
  A focus on delivering the long-term returns on which investors depend and protecting the rights of minority shareholders, such as our clients

On behalf of our clients, we voted on the re-election of 64,095 directors globally in 2021 and did not support the re-election of 6,572 or 10% of directors. Where we did not support directors, it was typically due to concerns over the approach taken by a company to material risks — mostly governance-related and in some cases related to the approach to sustainability factors inherent in their business models.

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Sustainable business models

In 2021, our CEO Larry Fink wrote to the CEOs of the companies our clients are invested in that “[a]ssessing sustainability risks requires that investors have access to consistent, high-quality, and material public information.” BIS engaged extensively with companies throughout 2021 on how they were enhancing their reporting on the material sustainability risks and opportunities in their business models and how these were taken into consideration in long-term strategy, capital expenditure planning and risk management and oversight.

BIS takes a principles-based approach to corporate sustainability reporting. We find long-term investors have better insight into risks and opportunities when a company explains clearly and comprehensively the material sustainability-related drivers of risk and value creation in their businesses.

There are several frameworks and standards for companies to use to disclose material sustainability risks and opportunities. Additionally, numerous jurisdictions are in the process of enhancing their sustainability-related disclosure frameworks.

We support a global baseline standard for sustainability disclosures, on which jurisdictions can build, to reduce the reporting burden on companies and help investors better assess risk and opportunities. We are encouraged by the progress being made by the International Financial Reporting Standards Foundation in establishing the International Sustainability Standards Board. We will continue to engage with them and others dedicated to developing a global baseline standard for sustainability reporting and assurance for the benefit of companies and investors alike.

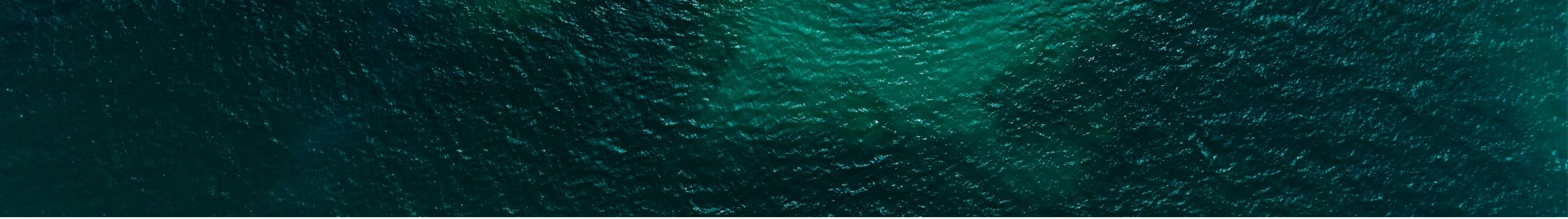
Navigating the energy transition

There is no company whose business model won't be profoundly affected by the global energy transition. Further, some companies have the opportunity to play a more significant role in the energy transition, in particular those with a greater dependence on hydrocarbons in their business models. We are interested in hearing from companies on their plans for navigating the transition where that has material implications for their ability to generate long-term durable profitability to help our clients meet their investing goals. In 2021, we expanded our climate focus universe to over 1,000 carbon-intensive public companies that represent nearly 90% of the global scope 1 and 2 greenhouse gas (GHG) emissions of the companies in which BlackRock invests on behalf of our clients.[1] We focus our engagement efforts on these companies because they are most likely to face the material impact of the energy transition on their businesses in terms of both risks and opportunities.

Like many governance issues, the energy transition is long-term in nature and our understanding of how it will affect companies' risks and opportunities will continue to develop over the coming years. BlackRock anticipates that our clients will remain long-term investors in carbon-intensive sectors because these companies play crucial roles in the global economy and an orderly energy transition.

The BIS climate universe includes many companies that are leaders in their sectors — they have defined climate risk strategies, rigorous GHG reduction targets, and are creating the technology and solutions that are vital for capitalizing on the energy transition. Others are at a much earlier stage in that journey.

1 Based on MSCI data. This list includes companies that were on the 2020 BIS Climate Watchlist and those that are constituents of the Climate Action 100+ focus universe, in addition to other companies that BlackRock held an equity position in on behalf of our clients as of the end of 2020.



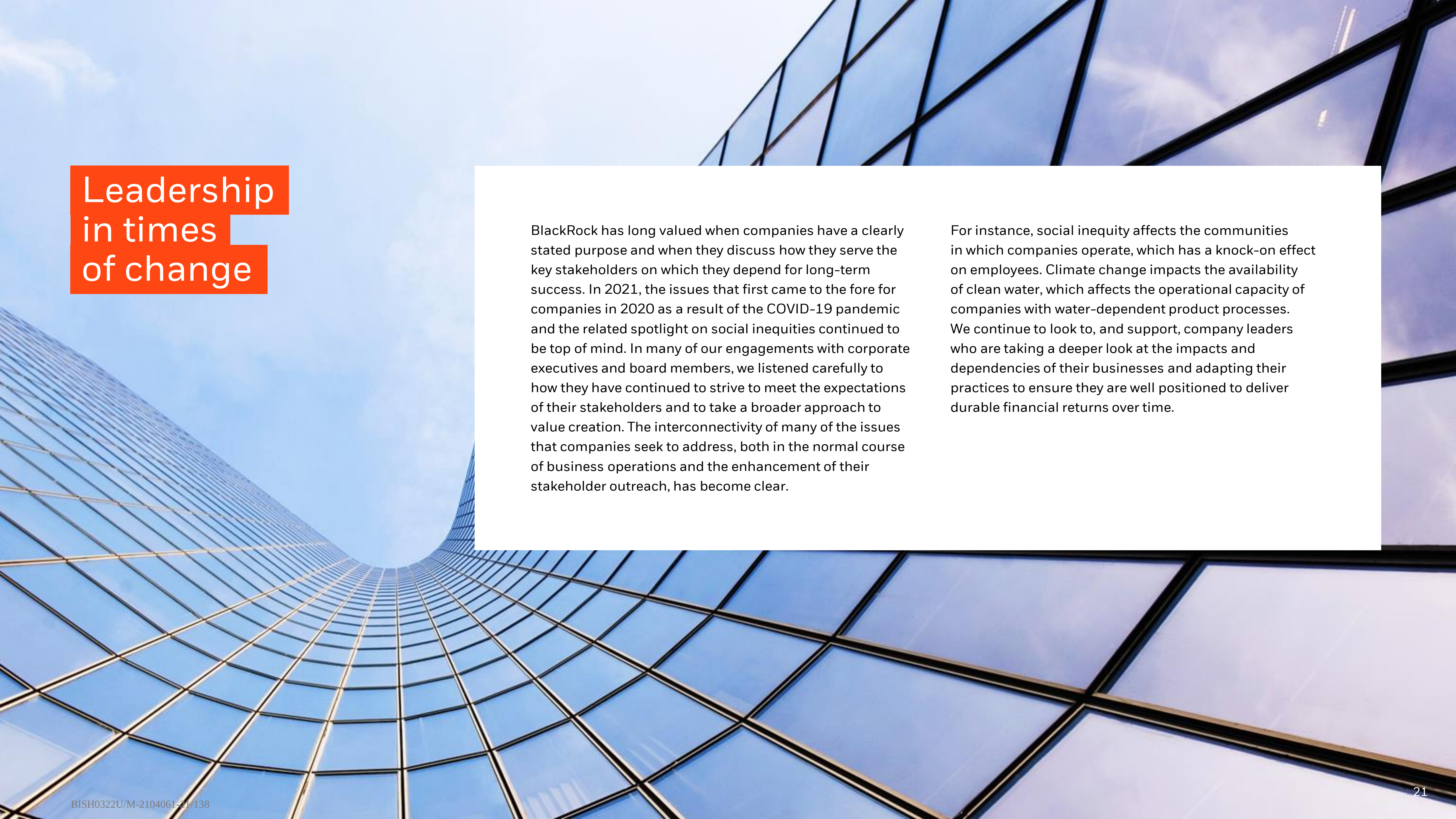
Marketplace engagement

BIS believes it is important to reflect the voice of long-term investors and encourage market-level policies and practices on governance and sustainability that are aligned with our clients' interests as long-term shareholders. To that end, members of the BIS team participated in over 400 marketplace engagements — conferences, roundtables and public policy discussions — globally in 2021.

We also contributed formally in written submissions to 18 public policy consultations. We continue to be an active member of numerous governance-related coalitions and shareholder groups to promote market-wide enhancements to current practice.

BlackRock is a member of the Task Force on Nature-related Financial Disclosures (TNFD). Established in 2021, the TNFD aims to develop and deliver a risk management and disclosure framework for organizations to report and act on evolving nature-related risks.[1] As TNFD notes, currently approximately half the world's economic output is moderately or highly dependent on nature, yet companies and investors do not have the information necessary to take informed decisions. We believe TNFD's recommendations will advance investors' understanding of nature-related risks and opportunities. Enhanced reporting will enable better informed investment decisions.

1 https://tnfd.global/about/.



Leadership in times of change

BlackRock has long valued when companies have a clearly stated purpose and when they discuss how they serve the key stakeholders on which they depend for long-term success. In 2021, the issues that first came to the fore for companies in 2020 as a result of the COVID-19 pandemic and the related spotlight on social inequities continued to be top of mind. In many of our engagements with corporate executives and board members, we listened carefully to how they have continued to strive to meet the expectations of their stakeholders and to take a broader approach to value creation. The interconnectivity of many of the issues that companies seek to address, both in the normal course of business operations and the enhancement of their stakeholder outreach, has become clear.

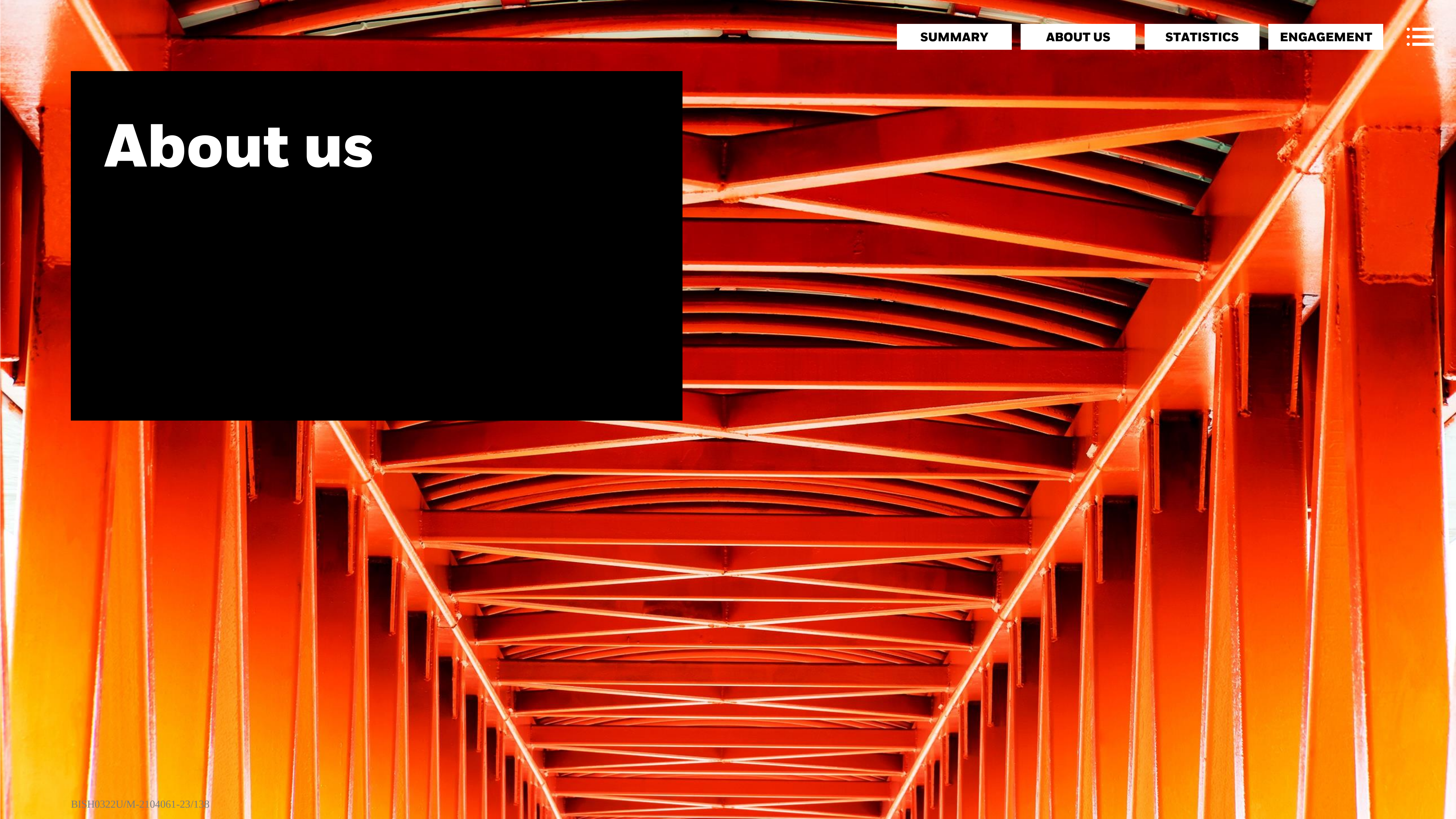
For instance, social inequity affects the communities in which companies operate, which has a knock-on effect on employees. Climate change impacts the availability of clean water, which affects the operational capacity of companies with water-dependent product processes. We continue to look to, and support, company leaders who are taking a deeper look at the impacts and dependencies of their businesses and adapting their practices to ensure they are well positioned to deliver durable financial returns over time.

Stewardship in 2021 and beyond

As noted above, 2022 was already expected to be just as challenging for companies as the prior two years. Macro-economic dynamics such as inflationary pressures, supply chain disruptions, and the uneven recovery from the social effects of the pandemic were already on the radar. Companies were responding to fast changing circumstances globally, regionally, and locally. That complexity and uncertainty compounded with Russia's invasion of Ukraine and the resulting human, political, economic consequences. Companies are facing some difficult decisions on these complex matters, as well as on longer term considerations such as the energy transition.

In the immediate term, many businesses are likely rethinking where and how they operate, and reviewing their own operational resilience, particularly in terms of securing or providing energy. For some, this may accelerate a shift towards diversifying to alternative sources and reducing dependency on fossil fuels. For others, it may mean increasing output of traditional energy resources to help with the immediate diversification of Europe's energy supply away from Russia and better support global energy needs during a time of acute scarcity and price volatility.

BIS is well-equipped to advance the interests of our clients, the asset owners, and help companies around the world navigate uncertain times. Our policies and areas of focus for 2022 remain largely unchanged and we continue to take a thoughtful, informed, and careful approach reflective of long-term shareholders like our clients.



About us

BlackRock’s purpose is to help more and more people experience financial well-being.

As a global investment manager and fiduciary to our clients, our purpose at BlackRock is to help more and more people experience financial well-being. For over two decades, we have been a leading provider of financial technology and solutions, and our clients turn to us when planning for their most important goals.

A BlackRock we are guided by our purpose

At BlackRock, the money we manage is not our own. It belongs to our clients — people investing over the long-term to meet their financial goals, like a secure retirement, a child’s education, or buying a first home. Founded on the core premise of understanding investment risk and thinking into the future for our clients to generate positive financial returns, we aim to deliver the outcomes our clients seek across the widest set of choices, empowering clients to choose what works best for them and their long-term financial goals.

BlackRock is committed to advancing:

Financial well-being

We help millions of real people invest to build savings that serve them throughout their lives.

Investment access

We make investing easier and more affordable.

Investment choice

We offer our clients choice, with an increasing expansion of sustainable investment options.

Inclusive economies

We contribute to a more resilient economy that benefits more people.

At BlackRock what is important to our clients is important to us

It is BlackRock's responsibility to put the long-term financial interests of our clients at the forefront of all that we do and to innovate to ensure that we stay ahead of their investing needs.

In 2021 BlackRock worked with clients to provide them more choice and to meet their diverse and evolving investing needs.

Innovating to enhance retirement security

In October, we announced that five large retirement plan sponsors elected to work with BlackRock to implement its LifePath Paycheck™ solution to provide the option and opportunity for U.S.-based 401(k) plan participants to obtain a guaranteed income stream in retirement.[1]

Reinforcing and diversifying our ETF operational foundation

The Exchange-Traded Fund (ETF) industry experienced record growth in 2021 as more investors looked to gain efficient and transparent access to sources of market return all around the world.[2] To serve this expanding growth, BlackRock has continued to invest to reinforce and diversify our ETF operational foundation to deliver more exposures at a greater scale and with the high standards that our clients expect.[3]

Expanding proxy voting choice for our clients

BlackRock has taken the first in a series of steps to expand the opportunity for certain institutional clients to participate in the proxy voting process if they choose, where legally and operationally viable. Through new technology and working with industry partners our goal is to enable a significant expansion in proxy voting choices for more clients.

Expanding client choice in investments

Worked with leading pensions and insurance clients from around the world to launch two transparent active carbon transition readiness ETFs.

Advancing sustainability in private markets

The BlackRock Alternative Investors team closed the largest renewable infra fund globally and made key investments in areas such as EV, solar, wind and social housing.

Building climate aware portfolios

The BlackRock Investment Institute incorporated climate considerations into its Capital Market Assumptions to account for the asset class impacts and opportunities of climate factors on economic growth over the next 20 years.

1 BlackRock press release. Dated October 6, 2021. **2** BlackRock Second Annual iShares Report on Investor Progress, "Our Next 100M Investors." **3** News Release: BlackRock Strengthens ETF Operating Platform by Diversifying Post-Trade Service Providers. December 7, 2021.

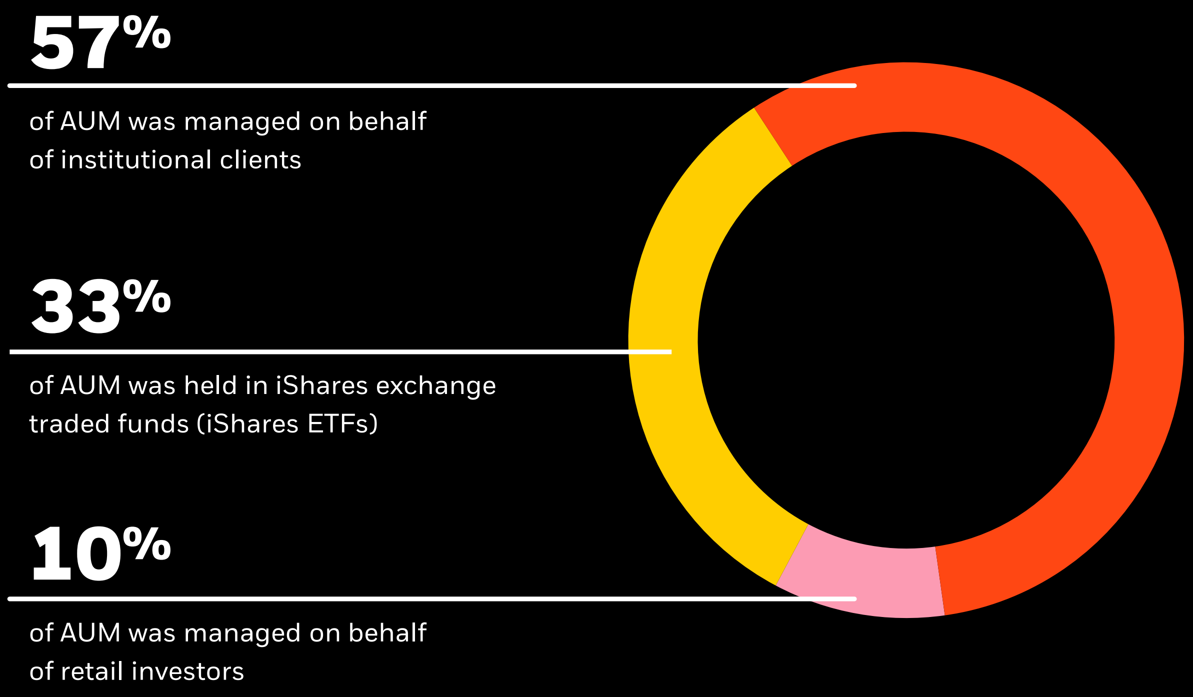
BlackRock's clients

BlackRock is a leading asset manager with a broadly diversified business across clients, products, and geographies, with $10.01 trillion of assets under management (AUM) at December 31. 2021.[1]

1 BlackRock Inc. "Q4 2021 Earnings – Earnings Release Supplement." January 14, 2022.

We invest on behalf of our clients.

The assets we manage are our clients', not ours. We are a fiduciary and offer a range of investment opportunities to help clients achieve their desired financial goals.



As of December 31, 2021. Source: BlackRock Inc. "Q4 2021 Earnings – Earnings Release Supplement." January 14, 2022.

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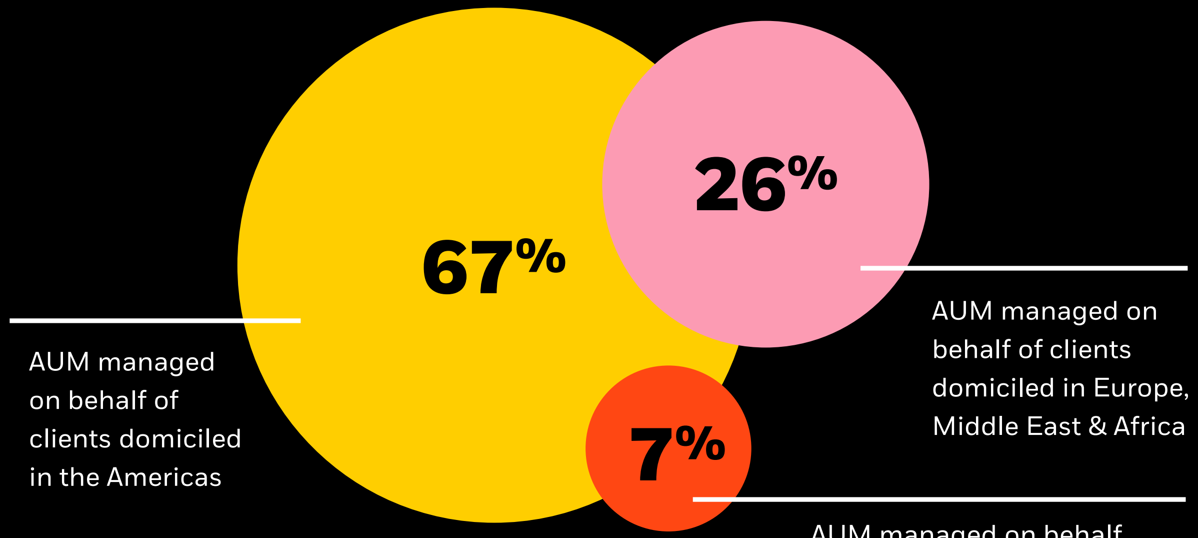
We serve millions of clients all over the world.

Our global reach and local presence allow us to provide our clients easier and more convenient ways to access market opportunities across the globe.



As of December 31, 2021. Source: BlackRock Inc. "Q4 2021 Earnings – Earnings Release Supplement." January 14, 2022.

We develop solutions to match our clients' unique needs.

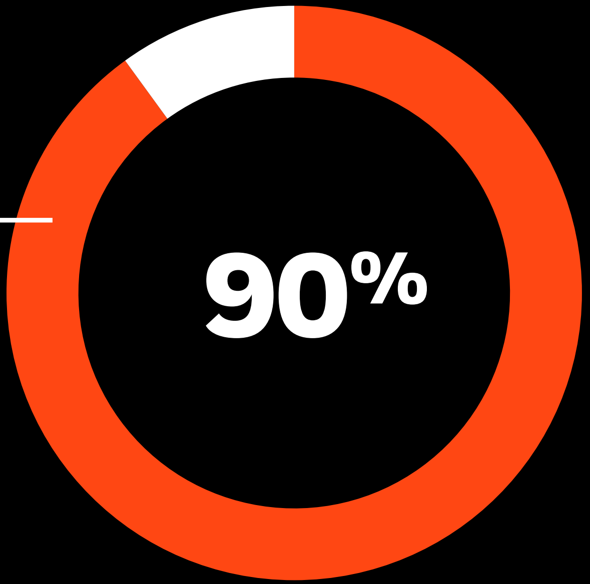
BlackRock's diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables us to help tailor investment outcomes and asset allocation solutions for client.

As of December 31, 2021. Source: BlackRock Inc. "Q4 2021 Earnings – Earnings Release Supplement." January 14, 2022.

We think long term on behalf of our clients.

The majority of equity AUM is invested through index portfolios. The clients who invest in these products are, by definition, long-term shareholders. This means our time horizon needs to be long-term as well.

Nearly 90% of equity AUM was held in iShares ETFs or BlackRock's non-ETF index products



As of December 31, 2021. Estimate based on figures reported in BlackRock Inc.'s 2020 Annual Report, which indicated that nearly 43% of total equity AUM was held in iShares ETFs, and a further 46% of total equity AUM was invested in index strategies on behalf of institutional clients.

BlackRock’s fiduciary approach

Our clients’ financial interests come first. As an asset manager, our fiduciary approach is the bedrock of our identity. It reflects our integrity and the unbiased advice we seek to provide our clients.

At BlackRock, we have always focused on helping our clients reach their long-term financial goals by facilitating access to a wide range of investment strategies across asset classes (alternatives, equities, fixed income, multi-asset) and investment styles (factor-based investing, index investing, fundamental investing, and systematic investing). To do this, our investment teams leverage technology and apply deep research and expert insight with the singular purpose of helping drive long-term financial performance, consistent with portfolio objectives.

While we have specialized teams focused on specific asset classes and investment styles, we employ a “One BlackRock” approach to our fiduciary responsibility, integrating expertise from across our investment functions — Risk and Quantitative Analysis (RQA), Investment Teams and BIS — with oversight from the Global Executive Committee and the BlackRock Board of Directors to drive the long-term, durable results our clients depend on to meet their financial goals. Our work on behalf of clients is supported by our proprietary, in-house Aladdin® technology.[1]

Our specialized teams leverage technology and apply deep research and expert insight with the singular purpose of helping drive durable profits for our clients over the long-term.

1 Aladdin® is BlackRock’s end-to-end investment management and operations platform that combines sophisticated risk analytics with portfolio management, trading, and operations tools on a single, unified platform. Over the past few years, we have been investing in the evolution of Aladdin to incorporate climate and ESG considerations as we move toward a world where sustainable investing is the standard. This includes Aladdin Climate, a nascent financial technology platform that helps investors uncover investment risks and opportunities associated with the physical impacts of a changing climate and the uncertain transition to a net zero world. In addition to Aladdin Climate, we have integrated more than 8,000 ESG-related data points into Aladdin from leading third-party ESG data providers, providing users the ability to analyze portfolios and portfolio holdings alongside more traditional risk metrics.

How BIS contributes to BlackRock's firm-wide identification of ESG risks and opportunities and is central to the firm's stewardship approach

Nearly 90% of BlackRock's equity AUM is invested through index portfolios. The clients who invest in these products are typically long-term shareholders investing to achieve long-term financial objectives such as a secure retirement.

BIS serves as a link between our clients and the companies we invest in on their behalf. Our stewardship team plays an integral role by engaging with companies on behalf of BlackRock's index portfolios and coordinating with portfolio managers with active positions in a company. When BIS engages a company, we apply a long-term lens and engage on a breadth of governance and business matters — including material environmental and social considerations — that we believe contribute to financial performance. It is BIS' conviction that accounting for ESG risks and opportunities in our analyses allows us to better understand the performance of companies in which our clients are invested. This is particularly important for our clients invested in indexed portfolios. While these clients may sell out of a portfolio in its entirety, a portfolio manager (PM) of an indexed portfolio, and by extension our clients invested in those portfolios, cannot sell holdings in individual companies that are not performing as expected. This is also pertinent to investors in fixed income and BIS is increasingly coordinating with portfolio managers in BlackRock's Fundamental Fixed Income team in relation to company engagement.

BlackRock as steward for private equity investments

Different private equity strategies have varying degrees of control over their investments, and therefore, use different levers to accomplish ESG integration.

Primary investments

These are investments in a blind pool, so due diligence must focus on ESG integration at the manager — General Partner (GP) — level. We examine overall policies, material risk identification processes, ESG value contribution and monitoring, and reporting capabilities. We evaluate GPs against best practices and may offer our own resources and network in support of smaller managers.

Co-investments

Here, investors have full visibility on the asset and can add their own due diligence to the sponsor's. The degree of influence can be significant but varies by transaction. Given the GP is typically the majority investor, an analysis of the GP ESG practices is a key part of due diligence. We look to see the ESG findings factored into the post-acquisition value creation plan and monitor sector-specific areas of ESG concern.

Secondary investments

A secondary investment may comprise a single company or hundreds of them managed by various third-party managers. Since there is some visibility into the underlying companies, asset-level due diligence can complement manager-level ESG evaluation. Where possible, each portfolio company and fund is assigned a risk rating to inform decision-making, if we proceed with the investment, all underlying interests are continually monitored.

Direct/control investments

We undertake a comprehensive ESG review as part of each investment case, tailored by industry and business model. This review informs the post-closing ESG value creation plan, and ESG remains a standing agenda item at every board meeting and strategy day.

How BlackRock is a steward to assets beyond public equities held in index portfolios

BlackRock has invested in our teams and our technology over the years to ensure that the firm is structured to support ESG integration. As detailed in our ESG Integration Statement, we are doing this across our active portfolios in both public and private markets seeking to enhance risk-adjusted returns over the long-term, in addition to the engagement we have with companies in index portfolios. We believe this integration allows for more robust risk assessments and thus better long-term financial outcomes for our clients. BlackRock Sustainable Investing, RQA, the BIS team, and colleagues across BlackRock's technology and analytics platform work together to advance ESG research and tools to support our comprehensive approach to risk management across our clients' investments.

For our private market strategies, we continue to develop and evolve proprietary tools to underpin investment team ESG due diligence so that the team's processes remain robust. These tools are tailored by asset class and by industry. The goal of our ESG integration process is to help inform our work, across all asset classes and investment strategies, on a broad spectrum of risk and value drivers in their investible universe. The investment teams leverage data on material ESG factors as well as the combined experience of our investment teams to efficiently and effectively identify investment opportunities and risks.

BlackRock's Global Investment Grade Credit Research Team's comprehensive approach to risk assessment

At BlackRock, our Credit investment team has holistically incorporated ESG into its investment process. The objective being to assess the fundamental financial prospects for companies — public and private — and highlight where ESG factors are material to the ultimate credit conclusion.

Assessments leverage both proprietary and external data sources:

- **Company disclosures**
  Including but not limited to, annual corporate sustainability/ESG reports, Sustainability Accounting Standards Board (SASB), Taskforce on Climate-related Financial Disclosures (TCFD), Global Reporting Initiative (GRI), and United Nations Sustainable Development Goals (SDGs).
- **Proprietary research**
  BlackRock Fundamental credit assessments, BlackRock Sustainability Investing research and models, BIS company engagements insights, and proprietary ESG fixed income tools.
- **External research**
  ESG research providers — MSCI, Sustainalytics, RepRisk, credit rating agencies Moody's, S&P and Fitch — and other external data providers.

BlackRock as a steward in real estate and infrastructure projects

Many issues can be factored into a comprehensive risk analysis for real estate and infrastructure projects. For example, when assessing projects, our teams perform a detailed review of social factors including those relating to the health and safety of employees, users, and local communities. Where applicable, BlackRock's Real Assets team reviews factors such as land rights and community impact and rights. Examples of the team's efforts include seeking informed consent for projects from local or indigenous communities where applicable, undertaking detailed reviews of land rights as part of investment due diligence, and aligning community and social engagement best practice with the International Finance Corporation Performance Standards for several of our emerging market strategies.[1] BlackRock's Real Assets team also regularly reviews and monitors on-site health and safety, in addition to wider community engagements and impacts. BlackRock Real Assets uses commercially reasonable efforts to comply with all relevant jurisdictional laws and expects BlackRock's appointed contractors to do the same.

1 The IFC Performance Standards were developed by the International Finance Corporation's ("IFC") to define IFC clients' responsibilities for managing their environmental and social risks. The Performance Standards include Risk Management, Labor, Resource Efficiency, Community, Land Resettlement, Biodiversity, Indigenous People and Cultural Heritage.

BIS as an investment function

Investment stewardship is strategically positioned as an investment function at BlackRock to help drive long-term financial returns for our clients.

Based on our role as a fiduciary to our clients, BlackRock's stewardship team serves as a link between our clients and the companies we invest in on their behalf and regularly engages with companies to share the perspective of a long-term investor. BlackRock Investment Stewardship (BIS) serves a critical investment function by:

- Representing the long-term financial interests of our clients at the companies in which they are invested. This is BIS' core responsibility. We do this through engagement and, when authorized by our clients, voting on our clients' behalf.
- Conferring regularly with investment professionals across BlackRock, including active investor teams, in identifying and assessing risks and opportunities impacting the long-term value creation of the companies in which BlackRock's clients are invested.

BIS' Global Principles and market-level voting guidelines set out the core elements of corporate governance that guide our investment stewardship efforts globally and within each regional market, including when voting at shareholder meetings. Our policies are informed by the fact that many of BlackRock's clients are investing to achieve long-term financial goals.

We are interested in hearing from the companies our clients are invested in about their strategies for navigating challenges and capturing opportunities. 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 believe that high-quality leadership and business management is essential to delivering long-term financial performance. We also believe that it is important for BlackRock's clients, and the companies they are invested in, to understand the work we do as stewards. We do this through engagement, voting, contributing to thought leadership, and transparency.

The BIS toolkit

Engaging with companies

Through engagement, we are interested in hearing from the companies our clients are invested in about their strategies for navigating challenges and capturing opportunities. 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.[1]

Voting in our clients' financial interests

When authorized to do so by our clients, we vote to formally communicate our support for or concerns about how companies are serving the long-term financial interests of our clients. When we determine it necessary to signal concern to companies through voting, we do so in two forms: we might not support the re-election of directors or other management proposals, or we might support a shareholder proposal. Not supporting the re-election of directors is the voting signal of concern BIS most frequently employs since it is a globally available mechanism.

Contributing to thought leadership

BIS believes it is important to reflect the voice of long-term investors and encourage market-level policies and practices on governance and sustainability that are aligned with our clients' interests as long-term shareholders.

Transparency

We inform clients, and other stakeholders, about our efforts to advance our clients' long-term financial interests through a range of publications on our website and direct reporting. We have consistently raised the bar on our transparency and appreciate the importance of evolving our approach to remain aligned with the needs of our clients and other stakeholders.

3,640+
engagements

17,200+
total meetings voted

164,000+
total proposals voted

68%
of the value of our clients' equity assets engaged*

55+
markets covered in our engagements

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

*Source: BlackRock Investment Stewardship data as of December 31, 2021.

The BIS Team

... is one of the largest stewardship teams in the industry.

Our team members bring diverse skills and life experiences to their work, with professional expertise developed in legal, financial, advisory, consulting, corporate, and governance roles. BIS operates across ten offices globally and engages locally with companies, enabling more frequent and better-informed dialogue, often in the local language. The team's diverse perspectives enhance its effectiveness as a trusted partner to clients and a constructive investor on their behalf.

...is strategically positioned as an investment function at BlackRock.

We are a long-term shareholder in the companies in which our clients are invested. To serve our clients' interests, our investment stewardship efforts aim to increase our understanding of how companies manage and disclose material business risks and opportunities effectively.[1] BIS' Global Head, Sandy Boss, who is also a member of BlackRock's Global Executive Committee, has primary oversight of BIS' activities.

...combines the benefits of BlackRock's worldwide reach with local expertise.

BIS benefits from the global and local expertise of BlackRock's legal and policy experts, investment analysts, specialists, researchers, and active investors. This allows us to most effectively execute our stewardship program and make comprehensive assessments of companies in the financial interests of our clients across different jurisdictions.

...evolves to respond to our clients' interests and needs.

Our team has grown from 16 in 2009 to 36 in 2018, to 68 as of December 2021. The continued global growth of the BIS team reflects the firm's commitment to building a strong and talented pool of professionals equipped with the relevant skills and experience to engage more frequently and effectively, which supports better informed voting decisions.

1 BlackRock. "ESG Integration Statement." Revised May 19, 2021.

…is committed to the professional development of its members.

Our team understands the importance of investing in people. With 25 professional certifications and 31 academic disciplines held by our team members, BIS has an incredible depth and breadth of expertise.[1] BlackRock promotes continued learning to ensure that BIS is equipped to innovate and evolve to best serve the financial interests of our clients. BIS benefits from internal training sessions and a close partnership with Legal & Compliance (L&C) to ensure compliance with the regulatory guardrails around voting and engagement. Opportunities are also made available to our team year-round through BlackRock Academies as well as through external educational seminars. This includes access to a variety of courses focused on core stewardship topics as well as courses ranging from leadership development to enhancing team members' technology skills. In addition, BlackRock has programs in place to support employees pursuing academic and career development opportunities externally.

…understands the value of well-supported colleagues.

No relationship has been changed more by the pandemic than the one between employers and employees. In 2021 BlackRock increased access to emotional well-being resources for employees, initiated various pilot programs at offices around the world to understand how various structures could best support employees and the organization in driving long-term performance, and has continued to prioritize work-life balance with a Flexible Time Off policy. BlackRock is proud that it has built a high-performance culture focused on fulfilling our purpose of helping more and more people experience financial well-being. The firm is committed to ensuring employees, including the BIS team, have the support they need to thrive in every aspect of their lives as BlackRock believes that benefits both the firm and clients.

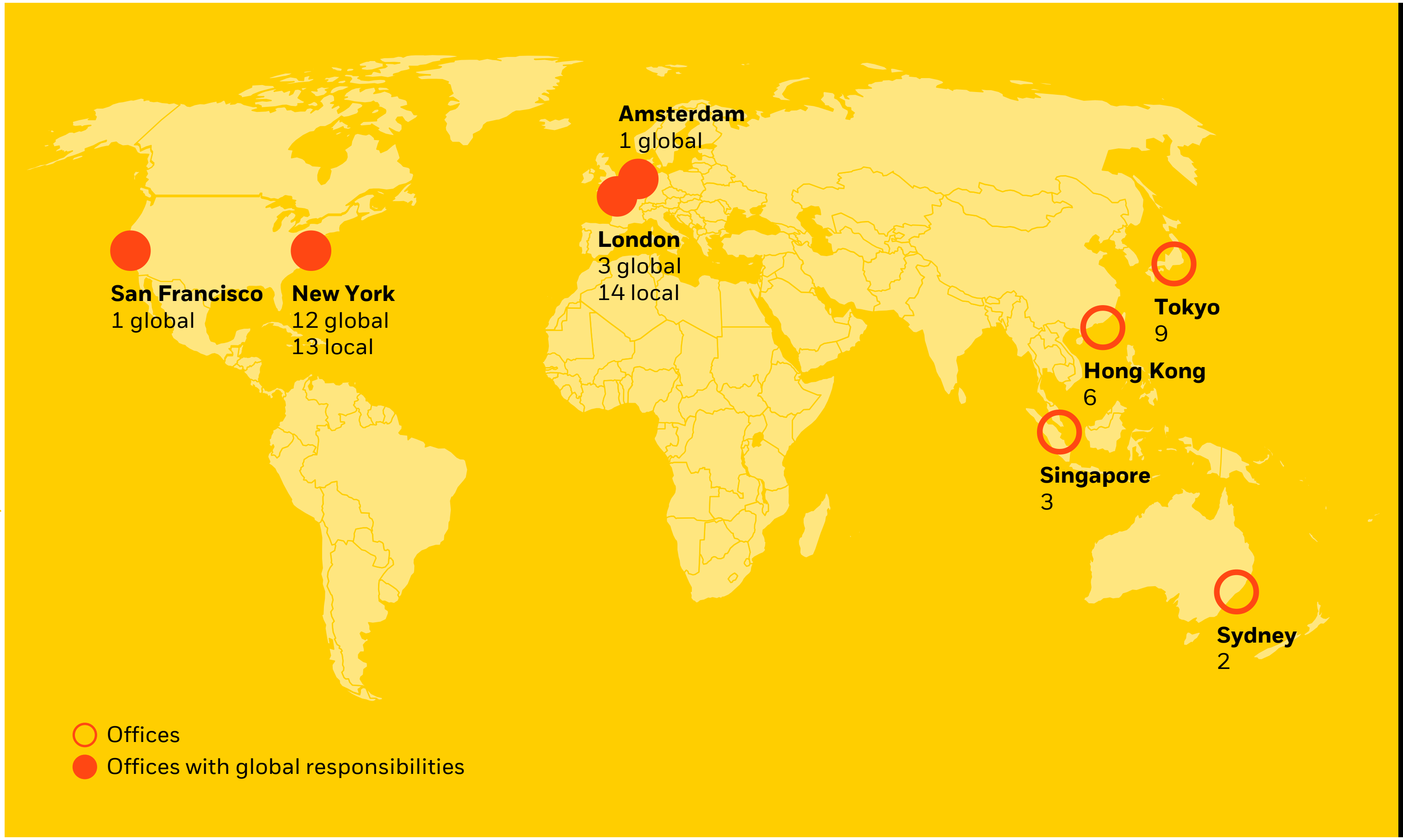
…recognizes the contributions of its people.

BlackRock believes that an investment in people is an investment in the future of the firm as an essential partner to our clients. BlackRock has developed a compensation structure that incentivizes current employees and continues to attract top tier talent. Furthermore, the firm aims to provide fulfilling career paths for employees as we believe talent retention is critical to long-term value creation at all organizations, including our own. In 2021, BIS saw three members promoted to either director or managing director, and members of our team were provided valuable professional exposure through participation in over 400 market events.

No relationship has been changed more by the pandemic than the one between employers and employees.

1 As of December 31, 2021.

Global reach and local presence



65+
member team

57
engagement markets

18
languages

25
professional certifications

31
academic disciplines

40+
organizational affiliations

Leveraging the global expertise of our:

Investment analysts
Researchers
Specialists
Active investors

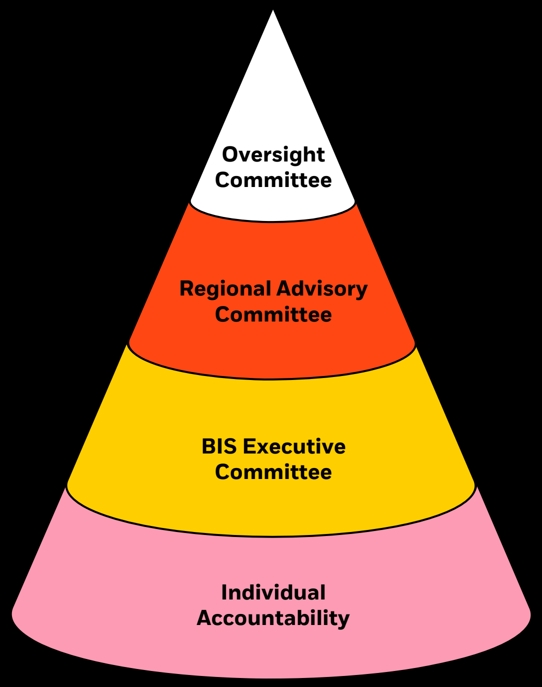
Source: BlackRock Investment Stewardship as of January 2022.

Governance and oversight of our stewardship efforts

The Global Executive Committee is BlackRock's leadership team and sets the strategic vision and priorities of the firm and drives accountability at all levels. Sandy Boss, Global Head of Investment Stewardship reports to the CEO of BlackRock and is a member of the Global Executive Committee. Sandy has primary oversight of BIS' activities.[1] Further, the Nominating, Governance and Sustainability Committee of BlackRock's Board of Directors periodically reviews BIS' investment stewardship-related policies, programs, and significant publications.[2,3]

The full BlackRock Board of Directors also receives an annual update on stewardship and may also be briefed on material updates to the team's strategy, for instance following the publication of our updated Global Principles.

Formal governance and oversight of investment stewardship is provided by the BIS Global Oversight Committee and three regional Stewardship Advisory Committees.



BIS Global Oversight Committee
A risk-focused committee, comprised of senior representatives from various BlackRock investment teams, a senior legal representative, the Global Head of Investment Stewardship, and other senior executives with relevant experience and team oversight. The committee is chaired by the Global Head of Investment Stewardship, although the majority of its members are independent from the investment stewardship function.

Regional Stewardship Advisory Committees
Americas, Europe, the Middle East and Africa (EMEA), and Asia-Pacific (APAC). Members are senior BlackRock investment professionals and/or senior employees with practical boardroom experience.

Individual accountability
The BIS Executive Committee (BIS ExCo) promotes individual accountability while simultaneously providing day-to-day guidance, oversight and support to the global BIS team.

1 BlackRock. "Our leadership: members of BlackRock's Global Executive Committee." **2** BlackRock Corporate Sustainability. "We are committed to transparency." 2021. **3** BlackRock Nominating, Governance and Sustainability Committee Charter.

BIS Executive Committee

Sandy Boss

Global Head of Investment Stewardship and member of the Global Executive Committee

Michelle Edkins

Global Institutional Relations and Policy

Jessica Burt

Global Platform and Business Strategy

Amar Gill

Regional Head Asia-Pacific

Amra Balic

Regional Head Europe, Middle East and Africa; Global client strategy and fundamental research

John Roe

Regional Head Americas

Policy review process

Each year, BIS reviews and updates our Global Principles and market-level voting guidelines. The rationale for any change is to ensure that our policies are aligned with our commitment to pursuing long-term financial returns for our clients as shareholders. The regional Stewardship Advisory Committees review and advise on amendments to the voting guidelines covering markets within each respective region. The BIS Global Oversight Committee reviews and approves amendments to the Global Principles. It also reviews and approves amendments to the market-level voting guidelines, as proposed by the regional Committees.[1]

Our Global Principles set out our overarching approach to corporate governance and sustainability, as well as our own commitment to governance and transparency.

They are complemented by market-specific voting guidelines that explain our likely voting on matters that are commonly put to a shareholder vote in key markets globally. In this way, we aim to take a globally consistent approach that allows for local market norms and context.

The principles and guidelines are deliberately high level and not prescriptive. Their purpose is to inform clients about our views on governance good practices and alert companies to areas where their governance may differ from BIS' views. They also help clients understand how we are likely to vote should they give us authority to do so on their behalf. The guidelines are applied pragmatically, and on a case-by-case basis with the goal of voting to achieve an outcome most aligned with the long-term economic interests of our clients as shareholders.

1 BlackRock Investment Stewardship Global Oversight Committee Charter as of November 2020.

Review

Our policies are reviewed annually and updated as necessary to reflect changes in market standards, evolving governance practices, and insights gained from year over year engagements with companies and clients.

Draft

Three regional BIS teams contribute to reviewing the Global Principles (Americas, APAC, EMEA). While coordinated globally, each region updates its own proxy guidelines, which provide market specific guidance on voting. Three regional Stewardship Advisory Committees contribute to BIS' thinking and ensure a long-term value creation context to our work.

Approve

The BIS Global Oversight Committee oversees BIS' compliance with its fiduciary and regulatory responsibilities in relation to voting and stewardship including with market-level stewardship codes. Guidelines are only implemented after final approval by the BIS Global Oversight Committee.

Publish

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 voting and engagement reports demonstrate how the policies are applied in practice.

Ongoing assessment and review of policies and processes

As described in the Global Principles, the BIS Global Oversight Committee receives and reviews periodic reports regarding the votes cast by BIS, as well as updates on material process issues, procedural changes, and other risk oversight considerations. The BIS Global Oversight Committee reviews these reports in an oversight capacity as informed by the BIS corporate governance engagement program and the market-level voting guidelines. The BIS Global Oversight Committee also confirms annually the reappointment of the independent fiduciary (please see page 46 for more information). The purpose of our internal governance structure is to ensure that BIS is operating in line with our fiduciary duty. When we review our policies, it is always with our clients' long-term financial interests in mind.

From the perspective of external assurance, BIS contracts with third-party specialists to undertake specific vote reviews. These service providers review a sample of proxy votes cast by BIS and when applicable the independent fiduciary to ensure votes cast accurately reflect BlackRock's voting policy guidelines.

With respect to votes cast by the independent fiduciary, BIS also has processes in place for periodic due diligence to assure that the independent fiduciary is instructing votes appropriately and in accordance with our published market-specific voting guidelines, which encourage corporate governance that advances our clients' long-term financial interests.[1]

In April 2021, BlackRock published its 2020 BlackRock Sustainability Disclosure as of and for the year-ended December 31, 2020, which comprised two types of metrics: 1) reporting presented in accordance with the Sustainability Accounting Standards Board Standard for Asset Management and Custody Activities; and 2) reporting in accordance with select additional criteria defined by management.[2] Included in BlackRock's Sustainability Disclosures are certain metrics related to BIS' "proxy voting and investee engagement policies and procedures."

BlackRock's independent accountant's performed a review engagement related to specified metrics contained within the 2020 Sustainability Disclosure.[3,4] The independent accountant's review report is included within BlackRock's 2020 Sustainability Disclosure.[5]

1 How BlackRock Investment Stewardship manages conflicts of interest is available here. Updated January 2022. **2** BlackRock's 2020 Sustainability Disclosure is available here. Published April 2021. **3** The list of specific metrics are included in page 39 of BlackRock's 2020 Sustainability Disclosure. **4** Please refer to pages 39 through 42 of the BlackRock 2020 Sustainability Disclosure available here. Published April 2021. **5** The independent accountant's review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) in AT-C section 105, Concepts Common to All Attestation Engagements, and AT-C section 210, Review Engagements. For more information, please see the Independent Accountant's Review Report included within BlackRock's 2020 Sustainability Disclosure.

Maintaining our commitment to transparency

Transparency helps our clients understand how the work we do on their behalf aligns with their investment goals. We inform clients about our engagement and voting policies and activities through regular reporting sent directly to them and through disclosure on our website. Further details are provided below under the 'Enhanced transparency' section.

Commentaries

BIS regularly publishes and updates commentaries to provide stakeholders an understanding of our perspectives and how BIS approaches engagement and voting on important investment issues at the companies in which our clients are invested.

Vote bulletins

BIS published 41 vote bulletins that explained our voting, and the engagement and analysis underpinning it, on issues at company shareholder meetings.

Read now >

Contributing to global norms and industry standards

We contribute to the development of global norms and industry standards through participation in public policy consultations and private sector policy initiatives consistent with our clients' interests as long-term shareholders. BIS believes it is important to reflect the voice of long-term investors and encourage market-level policies and practices on governance and sustainability that are aligned with our clients' interests as long-term shareholders. For a detailed list of BIS' industry affiliations and memberships, please refer to the Appendix section.

Client feedback helps shape and improve BIS stewardship reporting

In addition to the information provided for clients on the BlackRock website, BIS provides those clients who have requested additional stewardship reporting with client-specific voting and engagement reports. To that end, we continued to improve our client reporting capabilities by enhancing our function through Aladdin, which was created specifically to deliver portfolio-specific company engagement reports for our clients.

Moreover, we continued to develop our "Client Strategy and Engagement" function. This function was established in 2020 within BIS to better serve clients' informational needs relating to stewardship and assist client relationship managers across the firm.

Direct dialogue with clients

BIS values opportunities where we can directly engage with clients to hear their feedback on our stewardship approach and the quality of our reporting. In 2021, BIS held more than 300 meetings with clients to get their perspectives and better understand the issues that are important to them. This was a notable increase against the 200 meetings held the prior year.

During our discussions, we focused on the evolution of our stewardship approach, the priorities that guided our engagement activity on their behalf in 2021, as well as the quality and accessibility of our reporting. These conversations can help inform future areas of focus as fiduciaries to our clients.

As a result of direct dialogue with clients, the BIS team has also invested in enhancing our communications efforts and growing our digital presence to better inform clients about our stewardship policies, as well as our engagement and proxy voting on their behalf.

Historically, our annual reports were published to coincide with the U.S. Securities and Exchange Commission's 12-month reporting period for U.S. mutual funds. In 2021, BIS moved to reporting on a calendar year basis as we observed that clients find that cycle more relevant to their own reporting, such as that required under the UK Stewardship Code or the Principles for Responsible Investment (PRI).

In addition to our flagship annual report, our global engagement summary and vote disclosure, our vote bulletins, and our mid-year thematic reports have been highlighted by clients and portfolio companies alike as useful, fair, and balanced reporting tools to deepen clients' understanding of BlackRock's approach to stewardship.

300+

client meetings BIS held in 2021

Case studies and spotlights

In our 2021 publications we provided more than 160 case studies focused on engagement and voting on behalf of our clients.

Global Engagement Summary Report

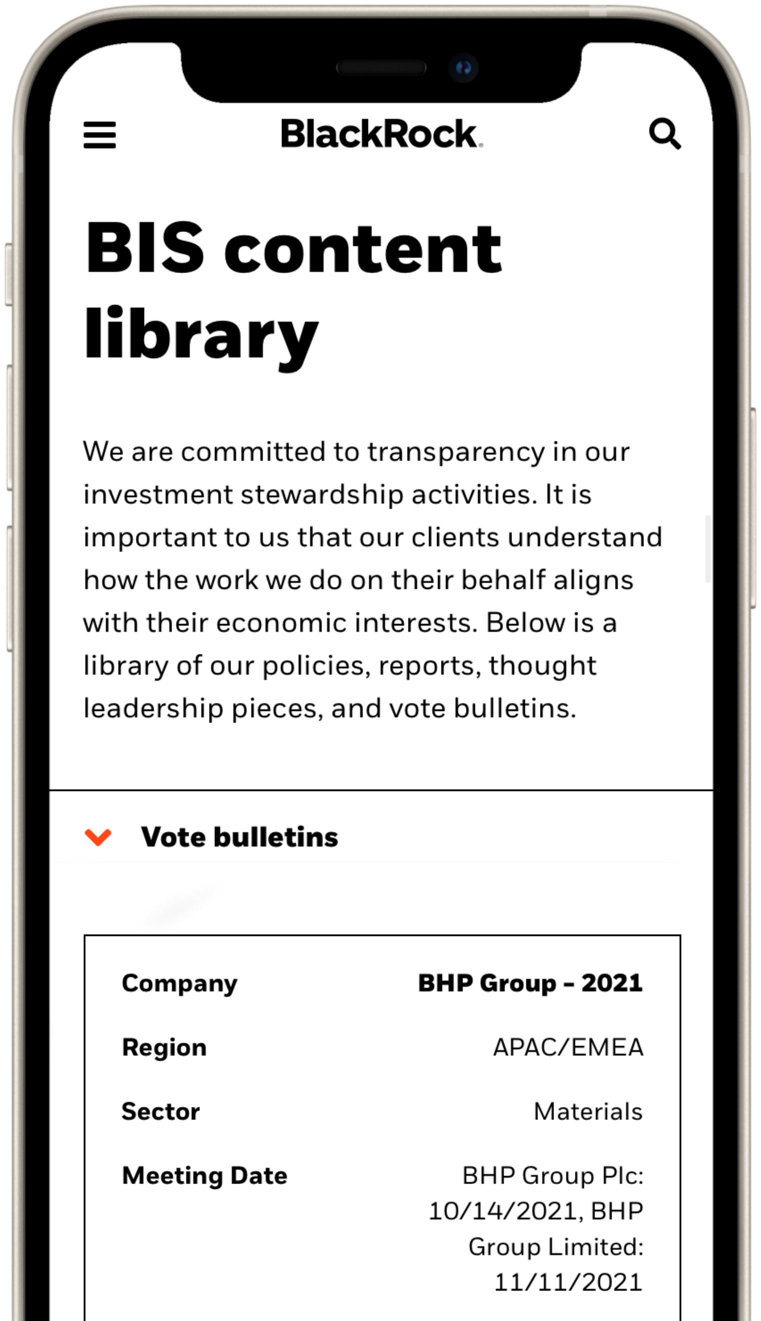
Updated quarterly, BIS provides a rolling summary of our global company engagement activity from January 1 through December 31.

Read now >

Global vote disclosure

Updated quarterly, BIS publishes its vote instructions on behalf of clients for all proposals voted at individual meetings globally.

Read now >



For example, the University of Illinois System (U of I System), which manages U.S. $4.27 billion AUM in its operating and endowment pools, recently highlighted the publication of our "policies on a range of governance and sustainability issues" in its report titled "Commitment to Sustainability" Investment Strategies at the University of Illinois System."[1] The Transport for London Trustee Company Limited also recognized "that the quality of our quarterly voting and engagement reports have really improved." The client also said, through a letter, that while they "may not agree with the intent of all of our voting decisions, which is to be expected, considering the complexity of some of the issues involved," our improved reporting helps them understand the rationale and approach taken.[2] Another EMEA-based insurance and pension company congratulated BlackRock on our inclusion in the UK Code's 2021 list of first signatories after the successful submission of the BIS 2020 Calendar Year Annual Report. The client highlighted that our reporting showed significant progress on BlackRock's approach to stewardship and ESG issues of focus.

BIS also received positive feedback from portfolio companies as a result of our enhanced communication efforts throughout 2021. A dual-listed company in the UK and Australia informed BIS that they viewed our Vote Bulletins as a helpful and detailed tool to understand BIS' vote rationale on behalf of clients. In 2021, BIS published a total of 41 Vote Bulletins.

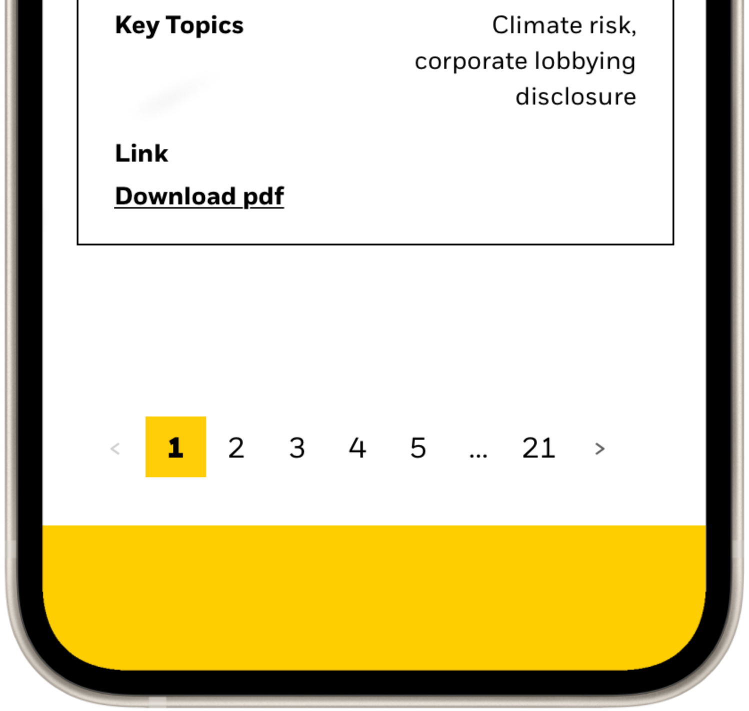
Exercise of rights and responsibilities

When investing as a fiduciary, we must act in the best long-term interests of our clients. Most of our clients have also delegated voting authority to us to vote at the annual and special shareholder meetings of the public companies in which we invest on their behalf. For these clients, we see this as one of our core stewardship responsibilities.

Voting on our clients' behalf is how we signal our support for or raise our concerns over a company's corporate governance or business model. Where we have concerns, we may not support director re-elections or other management proposals, or we may vote in support of a shareholder proposal. The re-election of directors to the board is a near-universal right of shareholders globally and an important signal of support for, or concern about, the performance of the board in overseeing and advising management.

As noted in the Global Principles, when exercising voting rights, BlackRock will normally vote on specific proxy issues in accordance with the guidelines for the relevant market. In certain markets, proxy voting involves logistical issues which can affect BlackRock's ability to vote, as well as the desirability of voting.3 As a consequence, BlackRock votes on a "best-efforts" basis. In addition, BIS may determine that it is generally in the best interests of BlackRock's clients not to vote if the costs associated with exercising a vote are expected to outweigh the benefit the client would derive by voting on the proposal.[4]

1 University of Illinois System. "Commitment to Sustainability" Investment Strategies at the University of Illinois System." February 2022. Page 5. **2** The letter, dated February 23, 2022, was addressed to Sarah Melvin, Head of BlackRock's UK Business, Jennifer Ryan, Head of UK Institutional Client Business, and James Rowe, Director at BlackRock's UK Institutional Client Business. **3** Percentage estimated with ISS and BlackRock Investment Stewardship data as of 31 December 2021. The meetings where BIS did not vote are due to market impediments such as share-blocking, sanctions, and other logistical challenges that limit BIS' ability to vote such proxies. Please refer to the BIS Global Principles for a list of considerations which can affect BlackRock's exercise of voting rights. **4** Or due to regulatory restrictions on voting.



41

vote bulletins published in 2021

Working to expand proxy voting choice for clients

We see a growing interest among investors — including BlackRock's clients — in the corporate governance of public companies. For many asset owners and asset managers, control over how their proxies are voted can help them meet their regulatory requirements as well as respond to the expectations of beneficiaries and other stakeholders. We believe clients should, where possible, have more choices as to how they participate in the voting process for their index holdings.

To that end, in October 2021, BlackRock announced the first in a series of steps to expand the opportunity for clients to participate in proxy voting decisions where legally and operationally viable. Through new technology and working with industry partners our goal is to enable a significant expansion in proxy voting choices for more clients. These Voting Choice options are currently available to institutional clients invested in many equity index strategies — within institutional separate accounts globally and certain pooled funds managed by BlackRock in the U.S. and the UK[1] We are working to expand that universe.

Choice is what makes BlackRock unique. Eligible institutional clients invested in index strategies now have the choice to:

1. vote their shares according to their own policies using their own infrastructure;[2]
2. leverage third-party proxy-voting polices using BlackRock's voting infrastructure;
3. direct votes on individual resolutions or companies of their choice using BlackRock's voting infrastructure; and
4. continue to use BIS to vote proxies on behalf of clients, according to BlackRock's voting policy using BlackRock's voting infrastructure.

BlackRock Investment Stewardship remains central to BlackRock's fiduciary approach. We anticipate many clients will continue to use our Investment Stewardship team to vote on their behalf. Since its inception two decades ago, the Stewardship team has worked to advance our clients' economic interests as long-term shareholders. The team will continue to engage companies and vote at shareholder meetings for clients, all year round, all over the world, while as an organization we also work to expand choice to clients that wish to participate in voting more directly.

We know there are significant regulatory and logistical hurdles to achieving this today, but we believe this could serve to accelerate the inclusion of more and more voices in capital markets. For this reason, BlackRock will continue to pursue innovative solutions by working with other market participants and regulators to help advance this vision toward reality.

BIS voted at 98.2% of the shareholder meetings at which our clients were entitled to vote during 2021.

1 Institutional separate account clients have the opportunity to vote eligible proxies in eligible markets for the companies in which they are invested. Investors in participating pooled funds who meet the eligibility criteria and who elect option 1 or 2 will have the opportunity to direct voting on eligible proxies in eligible markets for companies held by the funds. BlackRock will determine eligibility criteria under this program based upon, among other things, local market regulation and practice, cost considerations, operational risk and/or complexity, and financial considerations, including the decision to lend securities.
2 Because BlackRock is a fiduciary with respect to the pooled funds, BlackRock must review any voting policy that will apply to votes in connection with the funds' holdings to confirm that the policy is consistent with the fiduciary standards that apply to the funds.

BlackRock Investment Stewardship's approach to proxy research firms and other service providers

BlackRock Investment Stewardship oversees proxy research firms and other service providers using the firm's global approach to all business partners. BlackRock values its business partners and views its suppliers and/or service providers as an extension of ourselves. As a result, BlackRock requires its suppliers to undergo thorough financial, operational, risk, and contract diligence process on a consistent basis.

BlackRock's "Supplier Code of Conduct & Ethics" outlines the minimum expectations and standards for all BlackRock suppliers in relation to human rights, inclusion and diversity, environmental sustainability, integrity and ethics in management practices. In alignment with the firm's approach, BIS places a high priority on fostering relationships with third parties/service providers that are committed to diversity and sustainable business models.

For more information about the firm's approach to third parties/service providers please refer to the "Doing Business with BlackRock" website.

Read now >

Proxy research firms: one of multiple research tools to inform BIS' votes on behalf of clients

Proxy research firms are a critical component in the proxy voting system, providing research and recommendations on proxy votes. Proxy research firms also provide voting infrastructure, and some provide consulting services to public companies.[1] For example, to facilitate voting and record keeping of votes, BIS contracts with the proxy service provider Institutional Shareholder Services (ISS) and leverages its online proxy voting platform, ProxyExchange.

It is important to note that although proxy research firms provide important data and analysis, **BIS does not rely solely on their information, nor do we follow any single proxy research firm's voting recommendations.**

In most markets, BIS subscribes to two research providers. We use several other inputs to support the BIS team in assessing a company's approach to multiple ESG risks and opportunities, as well as to arrive to an informed voting decision on behalf of clients. **A company's disclosures, BIS' record of past engagements and voting, and ESG insights shared across multiple teams at BlackRock are the primary tools to inform our voting decision on behalf of clients**. Where BlackRock has been authorized by clients to vote proxies, BIS votes in accordance with our Global Principles and market-specific voting guidelines.

Institutional Voting Information Service (IVIS) in the UK, Ownership Matters in Australia and Stakeholder Empowerment Services (SES) in India are examples of market-specific research providers whose research is used by the BIS team to support us in arriving at an informed voting decision on behalf of our clients.

Monitoring of proxy research firms or third-party voting platforms

BlackRock closely monitors the proxy advisors we contract with to ensure that they are meeting our service level expectations and have effective policies and procedures in place to manage potential conflicts of interest. This oversight includes regular meetings with client service teams, systematic monitoring of vendor operations, as well as annual due diligence meetings.

For example, to facilitate voting and record keeping of votes, BIS contracts with the proxy service provider ISS and leverages its online proxy voting platform, ProxyExchange. Each week, we meet with the client service team at ISS to review service levels, account set-ups, vote execution, on-going projects, and other developments that might affect our ability to vote thoughtfully and accurately on behalf of clients.

Each year, we have an in-person due diligence meeting with an extended group, including senior leadership, at ISS and cover a range of issues including research and vote execution quality, operations processes and controls, conflicts management, business continuity, current and planned projects and product improvements, corporate developments (e.g. ownership, key personnel and resources) and the regulatory landscape.

1 BlackRock Investment Stewardship. "Protecting our clients' assets for the long-term."

How BIS manages conflicts of interest

In fulfilling our duty, there may be a small number of situations where BlackRock may determine not to vote itself due to regulatory restrictions or a perceived or actual conflict of interest. In such cases, BlackRock uses an independent third party, here referred to as an independent fiduciary, to instruct the votes on our clients' holdings. We have also published best practices when using an independent fiduciary to cast proxy votes across the various circumstances where one may be needed.

BIS maintains policies and procedures that seek to prevent undue influence on BlackRock's proxy voting activity.[1] Such influence might stem from any relationship between the investee company (or any shareholder proponent or dissident shareholder) and BlackRock, BlackRock's affiliates, a Fund or a Fund's affiliates, or BlackRock employees.

The following are examples of sources of perceived or potential conflicts of interest:

- BlackRock clients who may be issuers of securities or proponents of shareholder resolutions
- BlackRock business partners or third parties who may be issuers of securities or proponents of shareholder resolutions
- BlackRock employees who may sit on the boards of public companies held in funds and other fiduciary account(s) managed by BlackRock
- Significant BlackRock, Inc. shareholders who may be issuers of securities held in funds and other fiduciary accounts managed by BlackRock
- Securities of BlackRock, Inc. or BlackRock investment funds held in funds and other fiduciary accounts managed by BlackRock
- BlackRock, Inc. board members who serve as senior executives or directors of public companies held in funds and other fiduciary accounts managed by BlackRock

1 How BIS manages perceived or potential conflicts of interests is also explained in BIS' Global Principles.

How BIS applied its conflicts of interest policy in 2021

The Chairman and CEO of Cisco Systems, Inc. (Cisco) is also a member of BlackRock. Inc.'s board of directors. As such, BIS outsourced the voting decision at the company's December 2021 AGM to an independent fiduciary.

To learn more about our policy, please refer to our commentary, "How BlackRock Investment Stewardship manages conflicts of interest."

Read now >

BlackRock's approach to using an independent fiduciary

BlackRock appoints an independent fiduciary to vote proxies where we are required by regulation not to vote ourselves or where there are actual or perceived conflicts of interest. The independent fiduciary makes voting decisions based solely on BIS' publicly available, market-specific proxy voting guidelines, as well as information disclosed publicly by the relevant companies.

The independent fiduciary may engage with companies in its own name at its discretion to ask clarifying questions or in response to a company's request for engagement on voting matters, though it is not authorized to engage with companies on BlackRock's behalf or represent BlackRock's views. The list of companies for which BlackRock appoints an independent fiduciary is managed by BlackRock's Legal and Compliance team. For more information please refer to BIS' commentary, "Best practices when using an independent fiduciary in proxy voting."

Case study

BIS monitors service providers and ensures services have been delivered to meet our stewardship needs on behalf of clients

Sustainalytics, a global leader in ESG and corporate governance research and ratings, has served (together with its predecessor firms) as BlackRock's primary independent fiduciary for over a decade. BIS periodically reviews Sustainalytics' performance and its suitability against the characteristics outlined in our statement on conflicts of interest and proxy voting best practices. Sustainalytics makes voting decisions based solely on BIS' publicly available market-specific voting guidelines which aim to advance clients' long-term financial interests, and information disclosed publicly by the relevant companies. Sustainalytics may engage with companies in its own name at its discretion to ask clarifying questions or in response to a company's request for engagement on voting matters, though it is not authorized to engage with companies on BlackRock's behalf or represent BlackRock's views.

BIS does not influence Sustainalytics' voting determination and does not know the voting decision prior to Sustainalytics providing our proxy voting agent with vote instructions. As detailed in our statement on conflicts of interest, BIS' oversight process in relation to Sustainalytics' role is to review annually the votes it casts to ensure consistency with BIS' published voting guidelines. We report the findings of the review to BIS' Global Oversight Committee, which is responsible for confirming the reappointment of the independent fiduciary. The process also involves discussing with Sustainalytics any votes that appeared to be inconsistent with BIS' guidelines and to explain any changes to voting guidelines planned for the following year.

BlackRock's approach to the relationship between securities lending and proxy voting

When so authorized, BlackRock acts as a securities lending agent on behalf of its clients. With regard to the relationship between securities lending and proxy voting, BlackRock's approach is informed by our fiduciary responsibility to act in our clients' best financial interests. The decision whether to recall securities on loan as part of BlackRock's securities lending program in order to vote is based on an evaluation of various factors which include, but are not limited to, assessing potential securities lending revenue alongside the potential long-term financial benefit to clients of voting those securities (based on the information available at the time of recall consideration). Periodically, BlackRock reviews our process for that analysis and may modify it as necessary.[1]

1 BlackRock Securities Lending Viewed through the Sustainability Lens. Published December 2021.

Responsible leadership

Year after year, members of the BIS team participate in global and market-level industry discussions with the goal of furthering dialogue on matters deemed important to investors and/or providing an increased understanding of BlackRock's approach to investment stewardship. The money BlackRock manages is our clients', not ours. BIS participates in market-level industry discussions on behalf of our clients to offer perspective on the value of better disclosures and more effective market practices for long-term investors. The work that we do is driven by our clients' financial interests, not a political agenda.

In 2021, BIS participated in over 400 marketplace engagements in the Americas, APAC, and EMEA, compared to over 230 in 2020. BIS prioritizes opportunities to engage with the investment stewardship ecosystem that enable us to connect with key constituents and thought leaders, including corporate directors, senior members of management teams, policy makers, fellow shareholders, and other stakeholders.

In 2021 BIS also responded, or provided input, to 18 public policy consultations to share our perspective as a long-term shareholder on behalf of clients.

Our responses to public policy consultations in 2021

Region	Title	
Global	Our response to the Technical Scope of the Taskforce on Nature-related Financial Disclosures Consultation Document	Read now >
Global	Our Response to the Taskforce on Scaling Voluntary Carbon Markets (TSVCM) Phase II	Read now >
Americas U.S.	Our Response to SEC's Request for Input on Climate Change Disclosure	Read now >
Americas U.S.	Comment letter on the SEC's proposed rule "Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers"	Read now >
Americas U.S.	Comment letter on the SEC's proposed rule amendments "Proxy Voting Advice"	Read now >
APAC China	Our response to the CSRC Consultation Paper on Revising the Guidelines for Investor Relations Management by Listed Companies (Chinese version available)	Read now >
APAC China	Our Response to CSRC Consultation Paper on the Guidelines for Content and Format of Information Disclosures by Companies Offering Securities to the Public (Chinese version available)	Read now >

APAC Hong Kong	Our response to the HKEX's consultation paper on "Listing Regime for Overseas Issuers"	Read now >
APAC Hong Kong	Our response to the HKEX's consultation paper on "Review of Corporate Governance Code and Related Listing Rules"	Read now >
APAC India	Our response to SEBI's Consultation Paper on the review of regulatory provisions related to independent directors	Read now >
APAC Japan	Our response to the public consultation on the proposed "Revisions of Japan's Corporate Governance Code and Guidelines for Investor and Company Engagement" (Japanese version available)	Read now >
APAC Singapore	Our response to the SGX's consultation paper on "Climate and Diversity: The Way Forward"	Read now >
APAC Singapore	Our response to the SGX's consultation paper on "Starting with a Common Set of Core ESG Metrics"	Read now >
EMEA EU	Response to the European Commission's Consultation on Sustainable Corporate Governance	Read now >
EMEA UK	Response to "Call for evidence: Consideration of social risks and opportunities by occupational pension schemes," issued by the UK Department for Work and Pensions ('DWP')	Read now >
EMEA UK	Response to the "Restoring trust in audit and corporate governance: Consultation on the government's proposals" issued by the UK's Department for Business, Energy & Industrial Strategy (BEIS)	Read now >
EMEA UK	Response to "Diversity and inclusion in the financial sector — working together to drive change / DP21/2" issued jointly by the Financial Conduct Authority, the Prudential Regulation Authority and the Bank of England	Read now >
EMEA UK	Our response to the FCA Consultation Paper "CP21/24: Diversity and inclusion on company boards and executive committees"	Read now >

Industry affiliations and memberships to promote well-functioning financial markets

Industry affiliations and memberships provide a means to share our views on a variety of corporate governance topics, reflect the global perspective and the local expertise of the BIS team, and listen to the views of our peers.

Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD was created in 2020 with the objective of supporting "a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes."[1] To that end, TNFD members will work towards "delivering a risk management and disclosure framework for organizations to report and act on evolving nature-related risks."[1] On September 30, 2021, the TNFD announced its membership, including Jessica McDougall, BIS Director, and Chris Weber, Managing Director at BlackRock Sustainable Investing. Over the next two years, Ms. McDougall and Mr. Weber will join thought leaders from other organizations to develop the framework. BIS is delighted to contribute to the TNFD's efforts to develop a framework to help guide companies in disclosing how they are addressing material natural capital risks and opportunities.

Investment Company Institute

BlackRock has long been a member of the Investment Company Institute (ICI) and Salim Ramji, BlackRock's Global Head of iShares and Index Investments, currently serves on the ICI Executive Committee. Grounded in its mission to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor, the ICI is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide.[2]

In addition to Mr. Ramji's role on the Executive Committee, several specialists from BlackRock participate in ICI committees with the aim of driving progress to strengthen financial markets and advance issues that are important to our clients and investors, such as access to market. BlackRock is honored to contribute to this important work.

1 TNFD. "About – Our mission." **2** Investment Company Institute.

Investor Advisory Group of the Sustainability Accounting Standards Board

BIS has participated in the Investor Advisory Group (IAG) of the Sustainability Accounting Standards Board (SASB) since it was founded in 2016. The IAG comprises leading global asset owners, asset managers, and investment intermediaries who recognize the need for consistent, comparable, and reliable disclosure of financially-material, decision-useful environmental, social, and governance (ESG) information to investors.

Through our membership of the IAG, we have worked with other investors to provide feedback to SASB on the reporting we find helpful to our investment decision-making, including in our stewardship activities. We heard from companies who presented to the group, their desire for a global baseline standard to reduce the reporting burden on them and to help their investors understand their business models and the drivers of risk and value.

Through our involvement in the IAG, it became clear to us that companies would find it helpful for investors to be clear about the sustainability information they found material to their investment decision making. At that time, there were numerous disparate private sector reporting initiatives and companies were not sure how to report the information investors were seeking.

Given the alignment of the SASB standards with investors' informational needs, in 2020, BlackRock asked that companies "publish a disclosure in line with industry-specific SASB guidelines by year-end, if you have not already done so, or disclose a similar set of data in a way that is relevant to your particular business".

BlackRock was interested in companies referencing the SASB standards precisely because they are grounded in financial materiality and are evidence-based, informed by market practitioners, and industry-specific. In our experience, corporate governance tends to be shaped by companies' domicile while the material environmental and social considerations relevant to a particular business are determined by industry.

BlackRock believes that there is a need for a global set of internationally recognized, baseline sustainability reporting standards. With the increased awareness of the financial materiality of environmental, social and governance — collectively sustainability — factors to companies' long-term performance and prosperity, investors and other stakeholders need a clearer picture of how companies are managing sustainability factors today and for the future. In our view, a global baseline set of standards for sustainability reporting will help companies provide consistent and comparable disclosures that will inform investors' decision-making and capital allocation.

Through our involvement in the IAG and engagement with policy makers and others who shape reporting standards, we have, in 2021, encouraged an acceleration of efforts to establish and advance a global baseline standard, on which different jurisdictions can build to meet their policy objectives. The International Financial Reporting Standards (IFRS) Foundation is making progress on forming an International Sustainability Standards Board (ISSB) to build on the work of private sector reporting initiatives. Through the IAG, and in direct engagement, we have added our support to this effort and will encourage the ISSB to continue to engage users and reporters through a mechanism based on the IAG to ensure the standards they develop meet the needs of investors.

Collaboration with the wider stewardship ecosystem

In addition to BIS' affiliations, we work informally with other shareholders — where such activities are permitted by law to promote market-wide enhancements to current practice.

Example 1

Contributing to Harvard Business School's pilot of the Impact Weighted Accounts Initiative (IWAI)

In 2020-2021, BIS and the BlackRock Global Impact Team collaborated with Harvard Business School to pilot its Impact-Weighted Accounts Initiative (IWAI).[1] Specifically, BIS beta tested the IWAI's employment impact template and provided feedback on whether these tools help inform our analysis of a company's stewardship profile. We found that the IWAI template provides an opportunity to identify gaps in a company's approach and develop more focused and outcome-oriented company engagements. The findings from the beta testing of the template were used to inform our engagement with UPS on the company's efforts to create a diverse and inclusive workplace. Based on our engagement and evaluation of UPS' disclosures and practices, we ultimately supported a shareholder proposal requesting more information on how the company measures the effectiveness of their programs. The Harvard Business School published a case study on our collaboration and the IWAI's findings.

The pilot bolstered our conviction that standardized disclosures are critical. We have long called for a single, globally consistent set of baseline sustainability reporting standards on which different jurisdictions can build. We believe the progress the IFRS Foundation is making in forming an ISSB will help drive progress toward the convergence needed to improve the quality of information available to investors and other stakeholders, while reducing the reporting burden on companies. We also hope the ISSB will build on the work that's already been done to establish industry-specific standards that explain material sustainability factors driving enterprise value creation, such as those developed by SASB.[2]

Example 2

Partnerships with universities in Latin America

In 2021, BlackRock embarked on a pilot to partner with the Universidad Adolfo Ibañez in Chile on their Impact Investing Diploma. Gabriel Hasson, BIS Head for Latin America, and Claudia Morales, Vice President in BlackRock's Multi Asset Portfolio and Investment Consulting team for Latin America, delivered a portfolio construction and ESG seminar, as well as an ESG seminar from the "perspective of the international institutional investor."[3] As a result of the success of the seminar, in 2022 BlackRock will expand the program partnering with Universidad Panamericana, a prestigious business school in Mexico.[4]

1 The BlackRock working group consisted of Quyen Tran, Director of Impact Investing and Head of Fundamental Equity Sustainable Investment Research, investment analyst Daniel Concessi, who covers healthcare, software, telecommunications, and financial services, investment analyst William McSweeney, who covers financial and education technology sectors, and investment stewardship analyst Ariel Smilowitz, who is responsible for proxy voting and engaging with senior executives and board members of portfolio companies on matters related to corporate strategy, governance, and environmental and social issues. **2** BIS 2022 Policies Updates Summary. Published December 2021. **3** Universidad Adolfo Ibañez. Escuela de Gobierno. "Programa de formación en estrategias para invertir con impacto." **4** Universidad Panamericana. "UP y BlackRock listos para trabajar juntos." January 27, 2022.

Thought leadership to promote well-functioning financial markets

BIS regularly contributes and benefits from research driven by our colleagues in BlackRock Sustainable Investing, BlackRock Investment Institute, and BlackRock Systematic Investing. These teams provide an investment research function that produces insights that inform firm investment processes. The teams develop proprietary views on the materiality of specific sustainability-related, as well as other investment relevant topics by leveraging external data, as well as proprietary research. This thought leadership is communicated through thematic publications publicly available on BlackRock.com.

Recognition of our stewardship approach

Statements of adherence

Consistent with our fiduciary approach, BIS adheres to multiple stewardship codes and other market-level stewardship related requirements. We publish statements of adherence and update them regularly to provide clarity and transparency on how we fulfill our stewardship responsibilities on behalf of clients. We also explain our reasons for taking a different approach where relevant.

Our approach to the recommendations of:

The Dutch Stewardship Code

Read now >

The Principles for Responsible Institutional Investors in Japan

Read now >

The Stewardship Principles for Institutional Investors in Taiwan

Read now >

The European Union Shareholder Rights Directive II

Read now >

The UK Stewardship Code

Read now >

BlackRock recognized among first signatories of the UK 2020 Stewardship Code

On September 6, 2021, the UK's Financial Reporting Council (FRC) published the list of signatories to the 2020 UK Stewardship Code.[1] BlackRock was recognized among the first signatories based on the FRC's evaluation of BIS' 2020 Calendar Year Annual Report and its determination that we met the standard of reporting.

The 2020 UK Stewardship Code — which took effect on January 1, 2020 — sets high expectations for how investors, and the service providers that support them, manage assets on behalf of UK savers and pensioners, and how this contributes to sustainable benefits for the economy, the environment and society.[2]

BlackRock, and in particular the BIS team, are proud that our stewardship program was listed among the first signatories given the UK Stewardship Code is recognized globally as a best-practice benchmark in investment stewardship. We are committed to striving to continue to improve our stewardship practices and reporting for our clients, which in turn we hope will ensure that we meet the high expectations of the FRC.

Our SRD II Engagement Policy

The Shareholder Rights Directive II (SRD II) is an amended European Union directive that focuses on enhancing the oversight of companies through a strengthening of the relationship between companies and their shareholders. BlackRock, through the work of the BIS team, meets the requirements in SRD II relating to engagement with public companies and other parties in the investment stewardship ecosystem. On an annual basis, we disclose how we set out BlackRock's SRD II Engagement Policy, and how we have implemented such policy. Our SRD II Engagement Policy for 2021 can be accessed here. The disclosure on our implementation of our SRD II Engagement Policy during 2020/2021 can be found here.

Strong results as assessed by the PRI

BlackRock has been a signatory to the United Nations supported Principles for Responsible Investment (PRI) since 2008. PRI's six aspirational statements 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 uphold all six principles.

In August 2021, the PRI notified signatories that it would be delaying the 2021 reporting cycle until January 2023.[3] In the past two reporting cycles (2020 and 2019) the PRI assessed BlackRock's ESG integration capabilities to be at or above median scores in each of the reporting segments. BlackRock's 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 A 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. We look forward to completing the next Transparency and Assessment Report when the PRI releases guidance in due course.

1 FRC. "FRC lists successful signatories to the UK Stewardship Code." 6 September 2021. **2** FRC. "The UK Stewardship Code 2020." Page 4. **3** Principles for Responsible Investment (PRI). "Reporting Framework pilot: next steps for signatories." August 2, 2021.

BlackRock and Investment Stewardship senior team members recognized among top leaders in the industry

NACD 2021 Directorship Honorees

In August 2021, the National Association of Corporate Directors (NACD) announced the 2021 Directorship 100 Honorees, "an annual recognition of the leading corporate directors, corporate governance experts, policymakers, and influencers who have made a significant impact on boardroom practices and performance."[1,2] BlackRock's CEO, Larry Fink, and BIS Managing Director, Michelle Edkins, were recognized as "NACD 2021 Governance Professionals and Institutions" honorees.[3] We were pleased to learn our stewardship activities were recognized in the 2021 NACD Honoree list and we remain committed, more than ever, to continue working to advance of our clients' long-term economic interests.

1 The NACD is a U.S. based community of directors representing more than 22,000 board members. **2** NACD. "NACD Announces 2021 Directorship 100 Honorees; Awards Celebrate "Most Influential" Directors and Governance Professionals." August 23, 2021. **3** NACD. "2021 Honorees." NACD Directorship 100.

2021 Top 35 Advocate Executives

In September 2021, Shinbo Won, BIS head of Asia ex-Japan, and Robert Fairbairn, BlackRock's Vice Chairman and Co-Chair of the Human Capital Committee were recognized by HERoes as two of 35 global senior leaders advocating for women in business.[1] Ranked number two on the list, Mr. Won was recognized for his contributions to creating a more diverse and inclusive business environment for women, including his role as Co-Founder and Co-Chair of BlackRock Singapore's Male Allies program, which focuses on building awareness of biases and behaviors that act as barriers to achieving gender equality in the workplace. At number 11 on the list, Mr. Fairbairn was recognized for leading and sponsoring a number of initiatives aimed at increasing gender equality in the workplace, including the launch of BlackRock's Women Leadership Forum. As one of BlackRock Women's Leadership Forum Chairs, Mr. Fairbairn has been a Global Executive Committee (GEC) sponsor of the program for many years.

1 HERoes. "2021 Top 35 Advocate Executives."

FN100 Women in Finance 2021

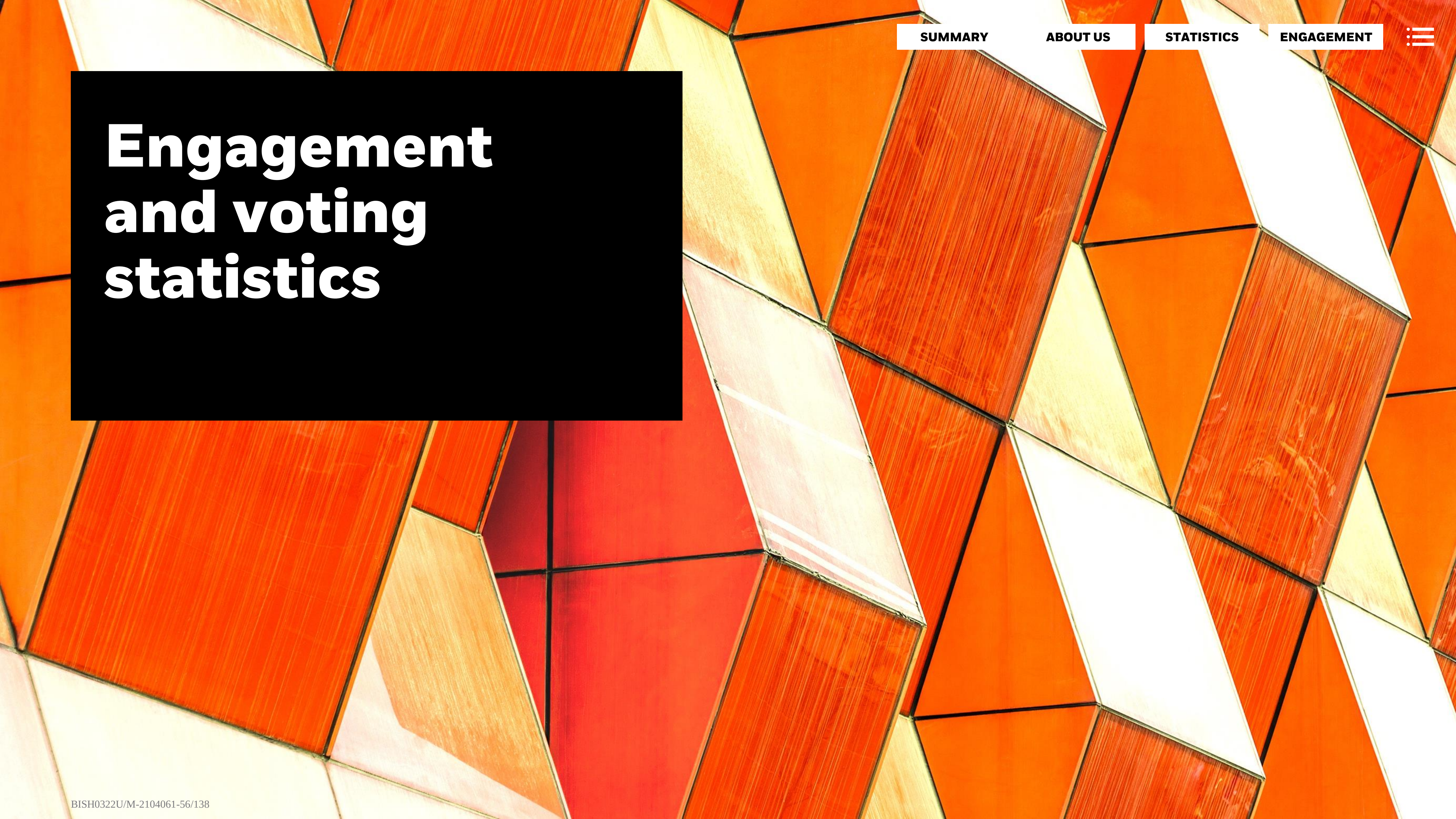
Sarah Melvin, Head of BlackRock's UK Business; Sandy Boss, Global Head of BIS; and Anne Parthiot-Mons, who leads global consultation relations and institutional business in Continental Europe, were recognized on the 2021 Financial News 15th annual list of 100 Most Influential Women in European Finance.[1]

1 Financial News. "FN100 Women in Finance 2021." In March 2022, Barron's released its third annual list of the 100 Most Influential Women in U.S. Finance.

BlackRock leaders recognized among Barron's 100 most influential women in U.S. finance

In 2021, Anne Ackerley, Head of BlackRock's Retirement Group, and Carolyn Weinberg, Global Head of Product for ETF and Index Investments, were named by Barron's as among the 100 Most Influential Women in U.S. Finance. Both leaders were also named in this list in 2020.[1] Anne has helped redefine the global retirement landscape and is among those leading the firm's efforts to build a more financially secure workforce for the future. Carolyn leads product innovation, development, and commercialization for our ETF and Index portfolio platform. She is the architect behind the growth of our sustainable and fixed income ETF platforms and leads the development of related data, trading, and index partnerships. We are delighted by this prestigious honor as it recognizes the contributions each of our leaders has made in shaping the future of the industry.

1 Both Anne Ackerley and Carolyn Weinberg were recognized for the third consecutive year. Samara Cohen, BlackRock's Chief Investment Officer for ETFs and Index Investments was recognized for the first time.



Engagement and voting statistics

By the numbers

Engagement is core to what we do

3,642

engagements in 2021

2,354
Unique companies engaged

772
Companies engaged multiple times

57
Markets covered in engagements

68%
Of the value of our clients' equity assets engaged*

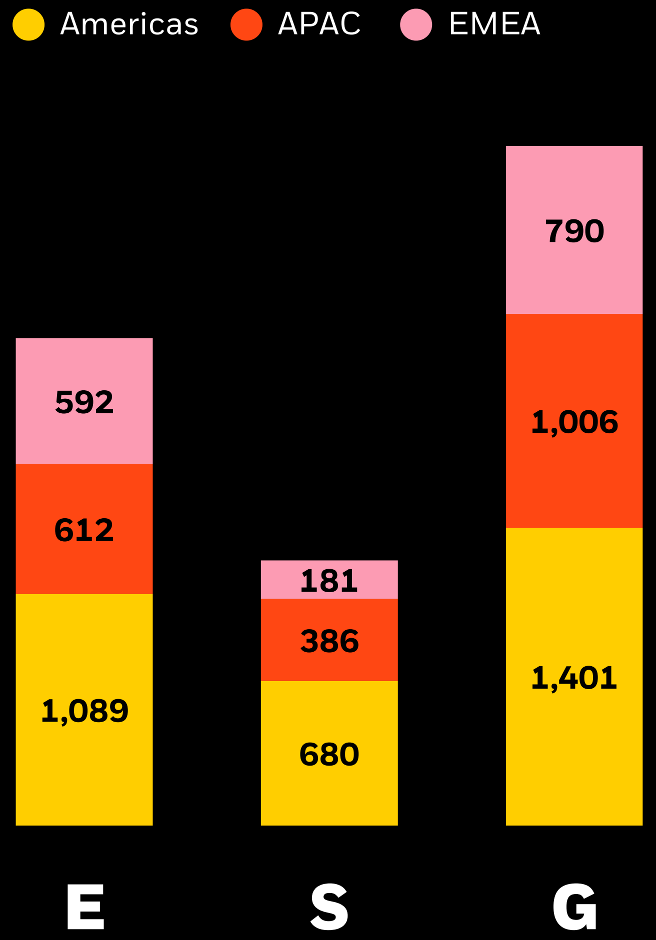
Source: BlackRock, sourced on January 31, 2022, reflecting data from January 1, 2021 through December 31, 2021.

*Reflects BlackRock exposure as of December 31, 2021.

Engagement across our five priorities*

Board quality and effectiveness	**2,142**
Strategy, purpose and financial resilience	**2,038**
Incentives aligned with value creation	**1,213**
Climate and natural capital	**2,293**
Company impacts on people	**1,247**

Engagement by theme*



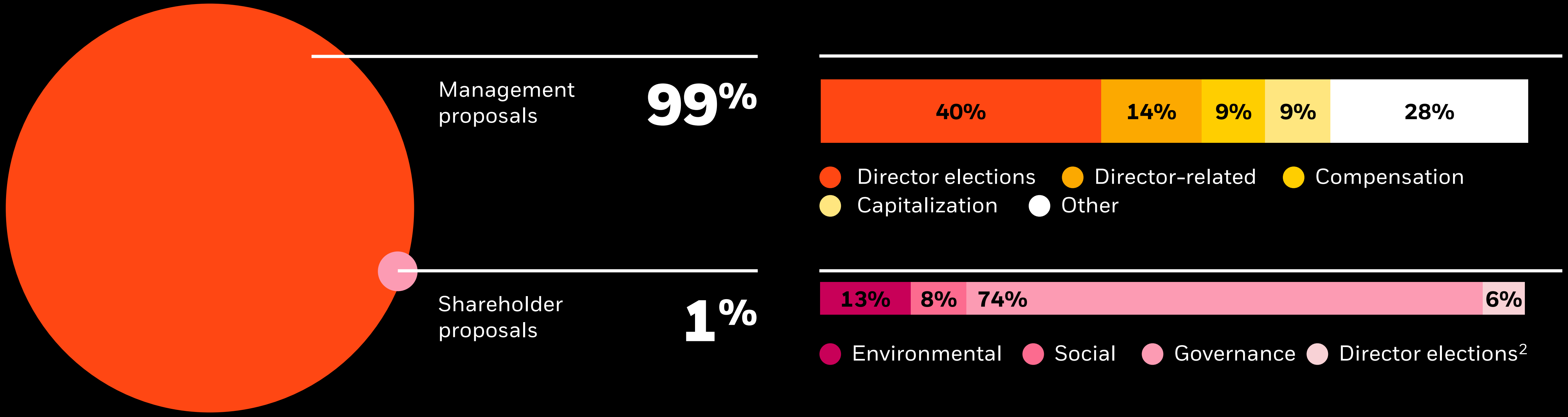
Source: BlackRock, sourced on January 31, 2022, reflecting data from January 1, 2021 through December 31, 2021.
*Most engagement conversations cover multiple topics and therefore the ESG columns may not add up to the total column. Our engagement statistics reflect the primary topics discussed during the meeting.

BIS 2021 overview

	Companies voted	Number of meetings voted at	Number of proposals voted
Americas	4,865	5,379	46,019
APAC	5,934	8,372	69,058
EMEA	2,797	3,461	48,997
Global total	**13,596**	**17,212**	**164,074**

Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 31, 2022, reflecting data from January 1, 2021 through December 31, 2021.

Proposals voted at a glance[1]



Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 31, 2022, reflecting data from January 1, 2021 through December 31, 2021.

1 This calculation excludes Director-Related Shareholder Proposals and Other Shareholder Proposals that are predominantly filed in Greater China, often by controlling shareholders and are, in effect, late agenda items from management . By excluding these proposals in this calculation, we believe we can show a better reflection of our voting activities on behalf of clients across markets. Please see Appendix I and Appendix II for further detail. **2** These reflect shareholder proposed election of directors/supervisors & contested elections., and fall outside the categories that most shareholders would view as ESG proposals but are included here to provide visibility of the contested elections of 2021.

BIS voting on behalf of clients at a glance

285

Shareholder proposals supported[1]

10%

% of director elections that BIS did not support[2]

12%

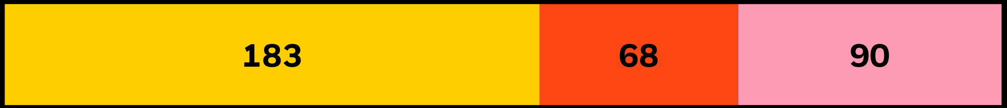
% of proposals where BIS did not support management recommendation[3]

BIS voting to reflect climate-related concerns

Americas APAC EMEA

Did not support director elections[4]

Unique companies at which BIS did not support management[5]



Number of companies where BIS did not support directors

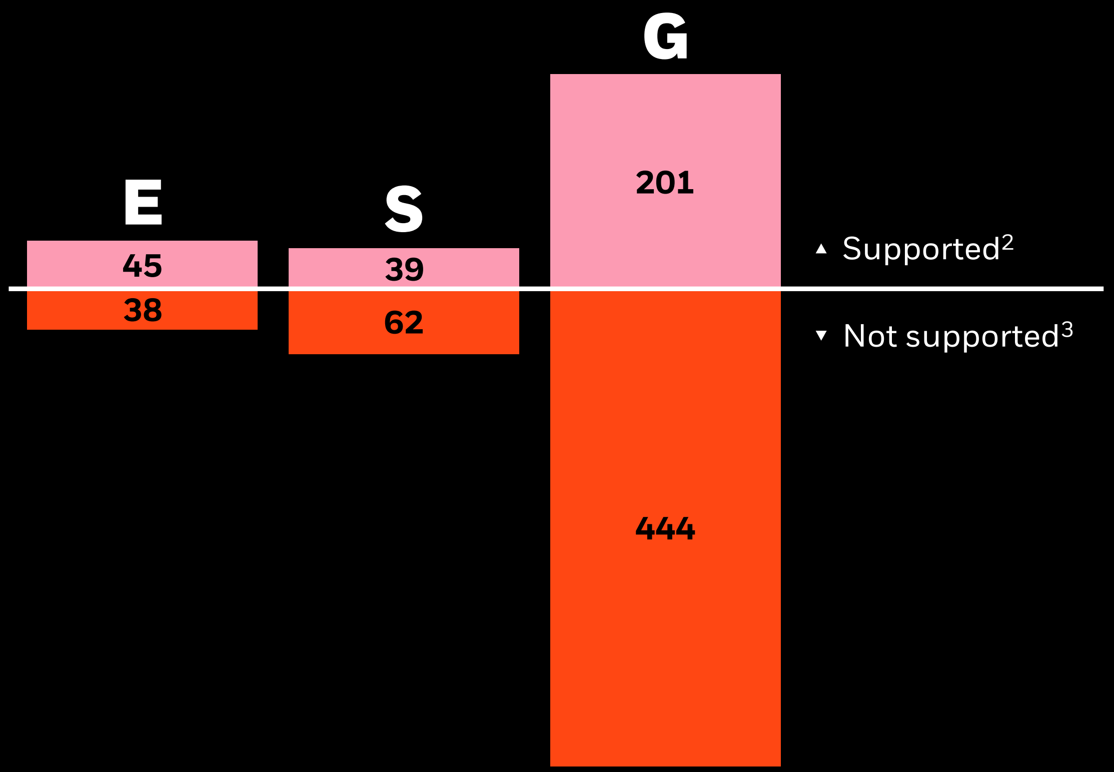
Americas APAC EMEA

	Americas	APAC	EMEA
Independence*	215	927	260
Diversity*	823	17	148
Overcommitment*	163	95	394
Compensation*	166	2	310

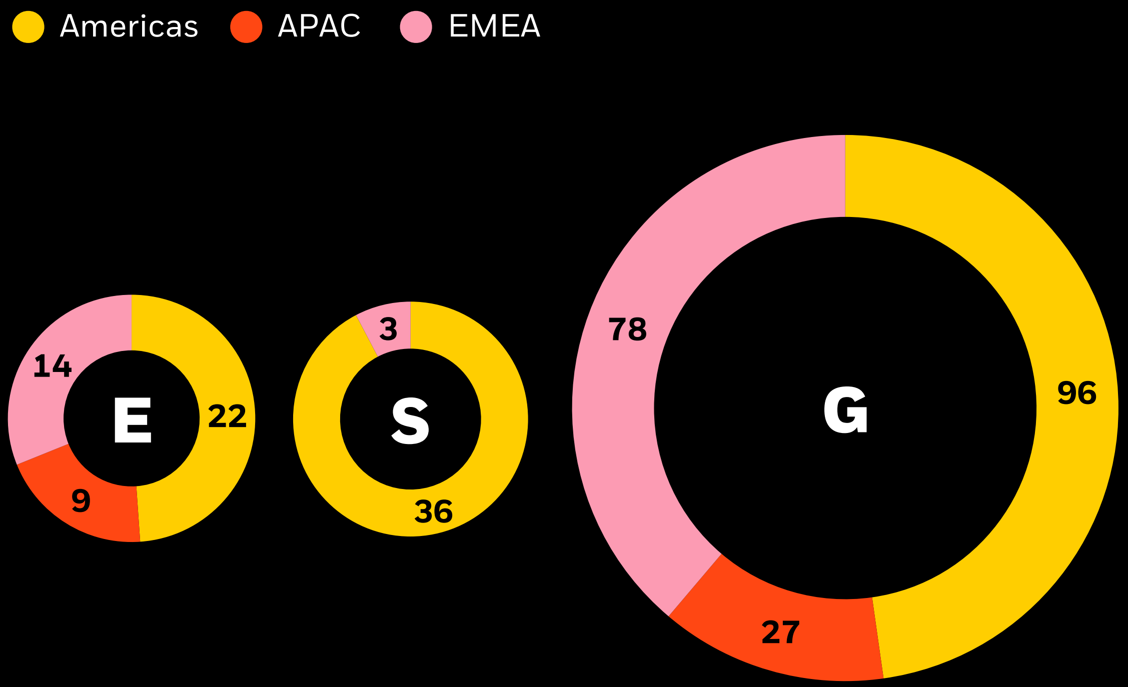
Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 31, 2022, reflecting data from January 1, 2021 through December 31, 2021.

1 Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market, abstentions included. **2** Includes only votes against director elections, including abstentions. **3** Votes to not support management recommendation include votes against all director-related proposals and in support of shareholder proposals, abstentions included. **4** Abstentions are included. **5** Votes against unique companies on climate include: 1) votes against or abstain on director elections and director-related proposals, and 2) votes in support or abstain on climate-related shareholder proposals. ***** Includes only votes to not support director elections, including abstentions.

How BIS voted on behalf of clients on shareholder proposals[1]



ESG shareholder proposals BIS supported[1]



Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 31, 2022, reflecting data from January 1, 2021 through December 31, 2021.

1 Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. **2** Includes abstentions. **3** Includes withhold votes.

Seeking better sustainability disclosures to assess material risks and opportunities

As stewards of our clients' capital we seek to better identify, assess, measure, and monitor important investments risks and opportunities, which include material sustainability-related risks.

BIS takes a principles-based approach to corporate sustainability reporting. We find long-term investors have better insight into risks and opportunities when a company explains clearly and comprehensively the material sustainability-related drivers of risk and value creation in their businesses. There are several frameworks and standards for companies to use to disclose material sustainability risks and opportunities. Additionally, numerous jurisdictions are in the process of enhancing their sustainability-related disclosure frameworks. We support a global baseline standard for sustainability disclosures, on which jurisdictions can build, to reduce the reporting burden on companies and help investors better assess risk and opportunities.

We believe it would be helpful to investors and companies alike to have a global set of baseline sustainability reporting standards on which different jurisdictions can build to meet their regulatory requirements and public policy objectives. BlackRock is engaged in public and private sector efforts — at the global and local level — to help achieve standardized sustainability reporting to explain enterprise value creation.

We are encouraged by the progress being made by the IFRS Foundation in this regard. We support the IFRS Foundation playing a central role in setting globally accepted sustainability reporting standards through the International Sustainability Standards Board (ISSB), as proposed in 2021. The IFRS and ISSB have the domain expertise and relationships with policy makers and market regulators essential to establishing a credible reporting system that achieves regulatory recognition and adoption. Importantly, the International Organization of Securities Commissions — an association of organizations that regulate the world's securities and futures markets — has been public in its support for the IFRS taking the lead.[1]

Until a global baseline is established, we appreciate companies' efforts to enhance their corporate sustainability reporting and find it helpful when they describe how sustainability risks and opportunities are governed, reflected in strategy, integrated into risk management practices, and measured (i.e., metrics and targets). This is the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD), which we have long endorsed.

We find it useful when this disclosure is supported with metrics that are sector-specific, financially material, and relevant to investment decision-making in that they help explain how a company creates value and manages risk. The Sustainability Accounting Standards Board (SASB) has developed standards and identified metrics that we believe could be a helpful guide for companies in their reporting. These will continue to be developed under the auspices of the ISSB.[2] We recognize that some companies may report using different standards, which may be required by regulation, or one of a number of private standards. We welcome and respect these companies' choice of reporting framework to the extent it provides investors a complete picture of a company's material or business relevant sustainability risks and opportunities.

1 IOSCO media release. February 2021. **2** IFRS Foundation announces International Sustainability Standards Board. Published November 2021. The aim is to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs. The IFRS Foundation plans to complete consolidation of the Climate Disclosure Standards Board (CDSB — an initiative of CDP) and the Value Reporting Foundation (VRF—which houses the Integrated Reporting Framework and the SASB Standards) by June 2022.

TCFD disclosure recommendations

The TCFD provides an overarching four-part framework applicable regardless of sector, to help investors understand a firm's governance and business practices related to the specific topic of climate risk.

Governance	Strategy	Risk management	Metrics and targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Describe the board's oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities.	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long-term. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Describe the organization's processes for identifying and assessing climate-related risks. Describe the organization's process for managing climate-related risks. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. Disclose scope 1, scope 2, and if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks. Describe the targets used by the organization to manage climate-related risks and opportunities to perform against targets.

Source: TCFD, Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures.

Available at: https://www.fsb-tcfd.org/wp-content/uploads/2017/12/FINAL-TCFD-Annex-Amended-121517.pdf, as of June 2017.

Case study

Engaging to encourage progress on sustainability disclosures

Issue

Based in Brazil, Centrais Eletricas Brasileiras (Eletrobras) is Latin America's largest power utility company. BIS has engaged frequently in recent years with the company to share our perspective on climate and sustainability-related disclosures. In early 2021, the company had not yet produced corporate sustainability reporting describing how sustainability risks and opportunities are governed, reflected in strategy, integrated into risk management practices, and measured (i.e., metrics and targets).

Enhanced reporting benefits companies and investors in assessing material business risks. Furthermore, better quality reporting and data supports investors' understanding of the drivers of value in companies' business operations. Disclosures also inform our efforts as stewards of our clients' capital to enhance the long-term value of their investments by encouraging sound corporate governance.

BIS response

The carbon-intensive nature of Eletrobras' business model and the scale of its operations underscores the importance of comprehensive disclosure of the company's approach to the management of climate- and sustainability-related risks and opportunities. In our engagements with the company, in early 2021 we further emphasized how long-term investors like us have better insight into risks and opportunities when a company explains clearly and comprehensively the material sustainability-related drivers of risk and value creation in their businesses.

Outcome

In November 2021, Eletrobras produced its first TCFD and SASB-aligned reports. We have been encouraged by the company's efforts to enhance disclosures and have continued to engage to provide constructive feedback, at the company's request, on potential areas for improvement. Eletrobras has been receptive to our feedback, and we look forward to seeing how the company integrates this feedback and advances their disclosures in 2022. BIS will continue to engage to monitor this progress and provide feedback as appropriate.

Engagement priorities

Based on our role as a fiduciary, our stewardship team serves as a link between our clients and the companies we invest in on their behalf and regularly engages with companies to share the perspective of a long-term investor. We do this because our clients' investment returns depend on the success of the companies in which they are invested. We believe engagement is an important mechanism for gaining a thorough understanding of companies' approach to material business issues and for providing feedback from the perspective of a long-term investor on their practices and disclosures. Alongside our colleagues across investor teams, BIS is one of the firm's key means for developing and maintaining these relationships with the companies in which we invest on behalf of clients.

BIS routinely reviews and refreshes our engagement priorities to focus our work on the issues we consider to be top of mind for companies and important to long-term value creation for our clients as investors. Some issues have long been core components of BIS' work. Others have become priorities more recently, driven by our observations of emerging risks and opportunities for companies, market developments, and changing client and societal expectations. We believe that when companies focus on these issues they enhance their ability to maximize long-term shareholder value for our clients, the vast majority of whom are investing for long-term goals, such as retirement.

Board quality and effectiveness

Quality leadership is essential to performance. Board composition, effectiveness, diversity, and accountability remain top priorities.

Strategy, purpose and financial resilience

A purpose driven long term strategy, underpinned by sound capital management, supports financial resilience.

Incentives aligned with value creation

Appropriate incentives reward executives for delivering long-term value creation.

Climate and natural capital

Business plans with targets to advance the transition to a low carbon economy. Managing natural capital dependencies and impacts through sustainable business practices.

Company impacts on people

Sustainable business practices create enduring value for key stakeholders employees, customers, suppliers and communities.

Systemic risks

BIS' engagement priorities guide our discussions with companies about how they are identifying and managing risk, both idiosyncratic — risk particular to a company — and systemic — risk that impacts or is impacted by the broader market or economy.[1] Some of these risks have been more recently integrated into risk discussions — environmental crises and data fraud and theft — others have been long-discussed — fiscal crises and energy price shocks — while others have had particular relevance over the last 24 months — pandemic and escalated geopolitical tensions.

Our discussions with companies strengthen our understanding of how they are navigating current risks as well as how they are building business resilience and are positioned to navigate all forms of uncertainty. In 2021, we observed a shift in mindset at some companies from a singular focus on efficiency to now focus on the appropriate balance between efficiency and resilience. We welcomed this increased focus on resilience. As stewards of long-term investments, BIS believes this conception of risk and building resilience is both in the best financial interests of our clients who are invested in these companies, and a well-functioning financial system since more companies are better positioned to weather risk.

1 The World Economic Forum (WEF) published the 16th edition of its The Global Risks Report 2021. Published January 2021. In this report the WEF highlight 35 global risks that described as economic, environmental, geopolitical, societal, or technological.

2,142
Board quality and effectiveness engagements*

2,038
Strategy, purpose, and financial resilience engagements*

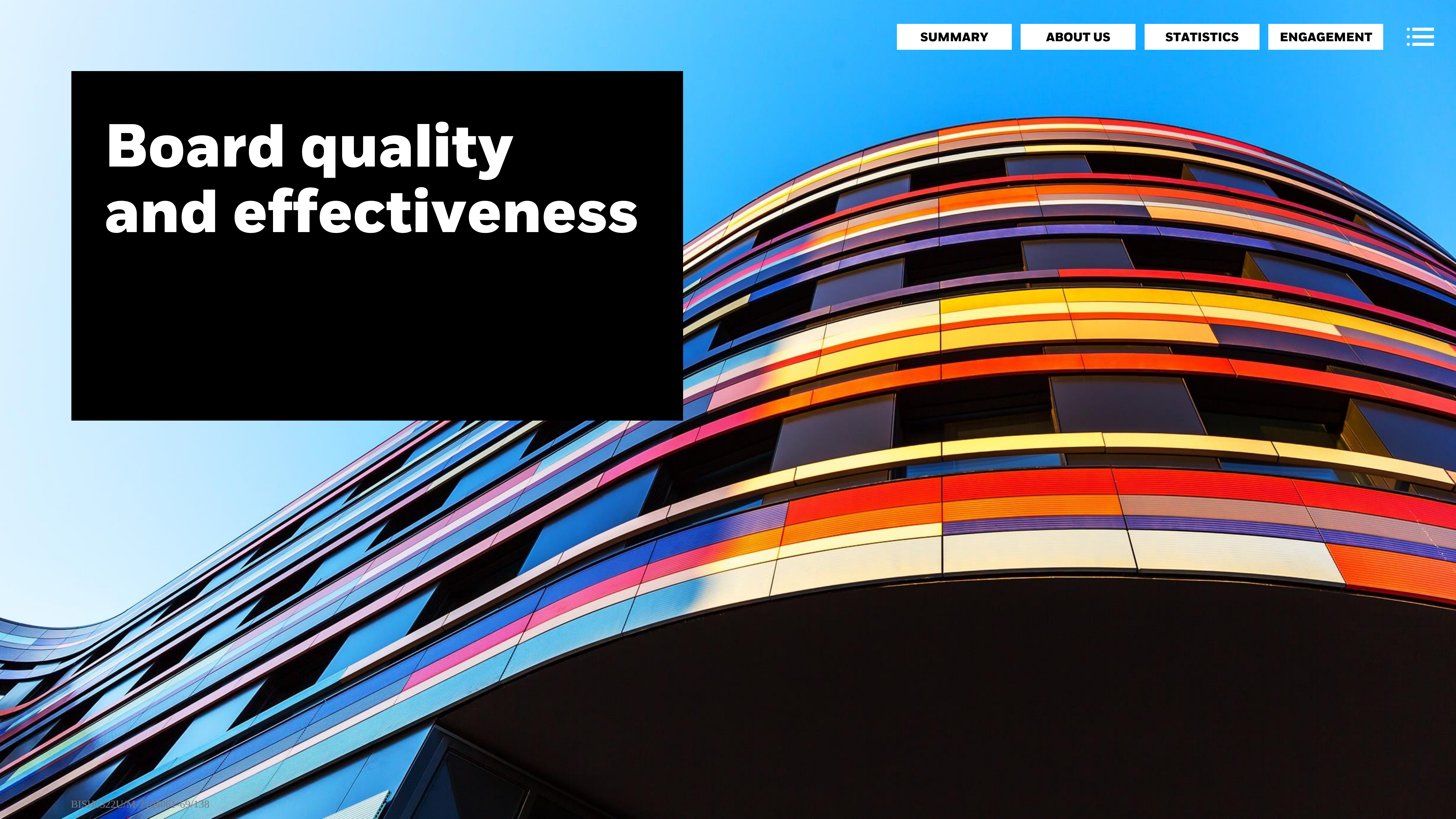
1,213
Incentives aligned with value creation engagements*

2,293
Climate and natural capital engagements*

1,247
Company impacts on people engagements*

Source: BlackRock Investment Stewardship from January 1, 2021 to December 31, 2021. * Most engagement conversations cover multiple topics. Our statistics reflect the primary topic discussed during the meeting.

Board quality and effectiveness



Engaging and voting on board quality and effectiveness

Our clients' investment returns depend on the success of the companies in which they are invested. As we explain in our Global Principles, we consider the performance of the board key to the economic success of a company and the protection of shareholders' interests. We believe that companies with experienced, engaged, and diverse board directors, who actively advise and oversee management, better contribute to the company's long-term value creation. That is why board quality and effectiveness remains one of our top engagement priorities, and factor in the majority of votes cast on behalf of those clients who have given us authority.

Our primary focus is on the performance of the board of directors. The board has fiduciary duties to shareholders in overseeing the strategic direction and operations of the company.

BIS sees the election of directors as one of our most important and impactful responsibilities. When we are interested in understanding how the board fulfils its responsibilities on key governance and business issues, we seek to engage with the responsible non-executive directors. We appreciate when companies disclose how, and how effectively, board members oversee and advise management. We look to directors on key committees to demonstrate that they have taken into consideration the interests of long-term shareholders — such as BlackRock's clients — and other stakeholders as they make the decisions that shape their companies. We find it helpful when boards communicate their approach to director responsibilities and commitments, turnover, succession planning, and diversity, among other issues. These perspectives are discussed in our Global Principles and in each of our market-specific voting guidelines.

2,142

engagements*

BIS looks to understand how, and how effectively, a board oversees and advises management. To that end, we appreciate it when companies communicate their boards' approach to director responsibilities and commitments, turnover, succession planning, and diversity.

Source: BlackRock Investment Stewardship from January 1, 2021 to December 31, 2021. * Most engagement conversations cover multiple topics. Our statistics reflect the primary topic discussed during the meeting.

Systemic risk

The global pandemic has shaped the operating environment for all companies over the last two years. In 2020, BIS' dialogue with companies reflected the reality at the time of the recent onset of COVID-19 and helped us understand how companies were approaching the related macro-economic and business-specific uncertainty. In 2021, our dialogue progressed to reflect how companies were, and in some cases were less, able to adapt business models in response to the pandemic. BIS was also interested in understanding companies' views on their risks and opportunities in light of continuing changes to their operating environment.

We were encouraged to see that many companies found innovative ways to adapt business models to best navigate the disruption and, in some cases, benefit from opportunities. Given the abrupt onset, magnitude of global disruption experienced, and prolonged nature of the pandemic there has been some evolution in these conversations.

For some companies, drastically changed consumer behavior provided fresh opportunity. For instance, certain companies with exposure to home delivery services, consumer staples, and specific consumer durables experienced strong demand during the pandemic. In our engagements with these companies, we looked to understand how they were approaching any potential reversal in trends and how they were taking this opportunity to enhance governance to ensure they remained well-positioned to handle those potential shifts with the goal of delivering long-term durable profits for shareholders. This often included a focus on corporate strategy and capital allocation, compensation practices, board quality and effectiveness, and the value of consistent and sector-specific sustainability disclosures.

Most of our votes to not support management proposals to elect directors were cast for the following reasons:

- **Lack of director independence**
- **Lack of board diversity**
- **Executive compensation not aligned with long-term value**
- **Director over-commitment**

In 2021, we had 2,142 engagements with 1,650 companies where we discussed board governance, performance, composition, and succession planning with the companies that our clients are invested in.

We regularly engage with members of the nominating and/or governance committee to understand how governance practices and board composition of companies align with the business and the broader context in which the company operates. In our engagements, we cover various governance topics including board composition and independent leadership, board oversight of management's approach to strategy and risk, succession planning for key management roles and the board's own nomination and evaluation processes. We support boards whose approach is consistent with creating durable, long-term value. This includes the effective management of strategic, operational, financial, and material ESG factors and the consideration of key stakeholder interests. We believe boards best serve shareholders' interests when they establish and maintain a framework of robust and effective governance mechanisms to support oversight of the company's strategic aims. We look to the board to demonstrate the effectiveness of these mechanisms in overseeing the management of business risks and opportunities and the fulfillment of the company's purpose.

We believe there are certain fundamental elements of governance practice that are intrinsic globally to a company's ability to create long-term value. One of these is a high caliber, effective board responsible for overseeing and advising management and accountable to shareholders.

Given the importance of the role of the board in a company's success over time, we aim to engage with the appropriate directors where we have concerns about how the performance of the company, board, or individual directors may impact long-term value creation. We may signal outstanding concerns through voting at shareholder meetings.

Voting on the re-election of directors at shareholder meetings remains one of the most important ways that BlackRock, and other investors, can signal support for or concern about a board's oversight of management and the impact on long-term value creation.

In contrast to shareholder proposals, voting to support a director's re-election is a voting tool available in almost all the markets that we invest in on behalf of our clients, although not all markets re-elect directors on an annual basis. BlackRock believes that the interests of shareholders are best served when directors stand for re-election on a regular basis, ideally annually.

In our experience, annual re-elections allow shareholders to reaffirm their support for board members or to communicate concerns about board oversight in a timely manner. When board members are not re-elected annually, we believe it is good practice for boards to have a rotation policy to ensure that, through a board cycle, all directors have had their appointment re-confirmed, with a proportion of directors being put forward for re-election at each annual general meeting.

We believe that sound corporate governance – underpinned by a capable, well-functioning board – is integral to our clients' long-term financial interests in the companies we invest in on their behalf.

In 2021, BIS voted on more than 64,000 proposals to elect directors. Where we voted on behalf of clients to not support the election of directors, nearly 90% of those decisions were related to concerns about board quality and effectiveness. We did not support the election of one or more directors at 3,597 companies globally.

BIS’ 2021 board quality focus areas

Board effectiveness, composition, independence, diversity, and accountability are focus areas when we engage with companies on behalf of our clients’ financial interests.

Independence

An essential factor in sound corporate governance is director independence — from management, significant shareholders, or other related parties. We look for boards to have a sufficient number of independent directors to ensure that the interests of all shareholders are protected. In our experience, an independent board is better able to oversee management and ensure that business models are aligned with the goal of delivering durable, long-term financial performance.[1]

Our market-specific voting guidelines include criteria that we use as a benchmark in each market to assess the likelihood that a director is independent. These reflect local norms and standards and therefore differ slightly across regions. For example, in APAC where ownership structures often result in controlling shareholders largely determining the appointment of most directors, we tend not to support the election of more directors over independence concerns. Many directors may meet the letter but not the spirit of our, and market-level, independence criteria.

Case study

Vedanta Limited (Vedanta) is India’s largest natural resources company. At the company’s 2021 annual general meeting, BIS did not support the re-appointments of the Chairman of the Board or the longest serving non-executive independent director given our governance concerns relating to board oversight. In particular, BIS was concerned about a loan of approximately U.S.$1 billion from Vedanta’s fully-owned subsidiary to the unlisted holding company of the controlling shareholders. BIS was also concerned about a series of related party transactions that in our view were not aligned with minority shareholders’ long-term financial interests, such as our clients, and which had systematically favored the controlling shareholders.

After a careful assessment of the issues, and discussions with management intended to clarify the decision making around these issues, we considered it appropriate to not support the re-election of both directors to signal our concerns about accountability of the board to all shareholders and its oversight of management.

1 Our market-level voting guidelines include specific criteria that we use as a benchmark in each key market to assess the likelihood that a director is independent. These reflect local norms and standards so differ slightly across regions.

As discussed in our Global Principles, we believe that boards are most effective at overseeing and advising management when there is a senior independent board leader. This director may chair the board, or, where the chair is also the CEO (or is otherwise not independent), be designated as a lead independent director.

The role of this director is to enhance the effectiveness of the independent members of the board through shaping the agenda, ensuring adequate information is provided to the board, and encouraging independent participation in board deliberations. We appreciate when the lead independent director or another appropriate director is made available to shareholders in those situations where an independent director is best placed to explain and contextualize a company's approach.

Director refreshment

We believe clear definitions of the role of the board, the committees of the board, and senior management contribute to board and governance effectiveness. These may differ by company, sector, and geography, as each board tailors their approach to company context in light of local corporate governance norms. BlackRock also believes it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking in a manner that supports both continuity and appropriate succession planning. This refreshment can usefully include the assessment of factors such as the need to address gaps in skills, experience, diversity, and independence.

We believe shareholder interests are best served when there is orderly renewal of the board, and, in some cases, that a very long tenure may impair the independence of a director. In the U.S., BIS will consider the board's average tenure to evaluate processes for board renewal. We may not support boards that appear to have an insufficient mix of short-, medium-, and long-tenured directors.

Long director tenures are a characteristic of boards in many Asian markets. For instance, independent directors at companies in Hong Kong tend to serve long tenures, sometimes that span across several decades. After years of engagement both with companies and regulators, BIS noted improvements on this issue at select companies in 2021. For example, four years ago at a family-controlled property development company in Hong Kong, all five independent directors had a tenure of over 12 years. Two of the five had tenures of 28 and 32 years. Recently, however, the company added two new independent directors and replaced one of the longer tenured independent directors

Complexities of board independence and engagement in Asia

In Asia, where concentrated ownership structures are common, it is often the case that controlling shareholders dominate the board even if they have less than majority ownership of the company. This disproportionate influence has an exacerbated impact when there are related party transactions directed by the controlling shareholder which may disadvantage minority shareholders. We look to companies, through a robust selection process, to nominate non-executive directors who can bring an independent view to and influence on board discussions to help protect minority shareholder interests and the long-term value of the company. We believe that access to independent directors for investors, including stewardship teams, is crucial to fostering directors' accountability to the broader shareholder base. BIS appreciates it when boards appoint a lead or senior independent director whose responsibility includes engagement with investors. This can help ensure that the views of one of a company's key stakeholders, investors, are communicated to the board without being filtered by management.

Board diversity

We are interested in diversity in the board room as a means of promoting diversity of thought, which we believe can positively impact how companies perform over the long-term by avoiding 'group think'. We look for boards to disclose how diversity is considered in board composition, including demographic characteristics that the company identifies as being relevant to its business and market context such as gender, race, ethnicity, and age; as well as professional characteristics, such as a director's industry experience, specialist areas of expertise, and geographic location. We look to understand a board's diversity in the context of a company's domicile, business model, and strategy. Self-identified board demographic diversity can usefully be disclosed in aggregate, consistent with local law.

We believe boards should aspire to meaningful diversity of membership, at least consistent with local regulatory requirements and best practices, while recognizing that building a strong, diverse board can take time.

This position is based on our view that diversity of perspective and thought — in the board room, in the management team and throughout the company — leads to better long-term financial outcomes for companies. Academic research already reveals correlations between specific dimensions of diversity and effects on decision-making processes and outcomes.[1] In our view, greater diversity in the board room increases the likelihood of more robust discussions and more innovative and resilient decisions. Over time, greater diversity in the board room can also promote greater diversity and resilience in the leadership team, and the workforce more broadly. That diversity can enable companies to develop businesses that more closely reflect and resonate with the customers and communities they serve.

When considering a company's commitment to diversity, BIS looks at factors, such as alignment with market-level expectations, the addition of a director who enhances the board's diversity within the previous year, the existence of timebound targets for increasing board diversity, average board tenure, and public statements that focus on efforts to advance diversity, equity and inclusion in the board room. As previously noted, we appreciate when boards disclose how diversity is considered in identifying potential candidates, including demographic characteristics that the company identifies as being relevant to its business and market context as well as professional characteristics.

Gender diversity continued to improve on boards in the S&P 500 in recent years, with women now accounting for 30% of all directors, up from 16% in 2011.[2]

Board diversity has become an engagement topic in most countries in APAC. In response to market developments and our continued focus on the issue, female representation on boards was included in our 2021 voting guidelines although we voted to communicate concern mostly in the more developed markets in the region in 2021, companies in more emerging markets need appropriate time to develop and implement their approach to board diversity enhancement. Several companies in the Asia markets have been demonstrating progress on enhancing board gender diversity. In China, Tencent, JD.com, Anta Sports, Mengniu Dairy and Air China, and in Taiwan, Hon Hai, Delta Electronics and CTBC, are examples of companies over the past few years that have introduced female directors for the first time. Meanwhile, by August 2021, Australia achieved the milestone of having no all-male boards for the top 200 listed companies.[3]

1 For example, the role of gender diversity on team cohesion and participative communication is explored by: Post, C., 2015, When is female leadership an advantage? Coordination requirements, team cohesion, and team interaction norms, Journal of Organizational Behavior, 36, 1153-1175. http://dx.doi.org/10.1002/job.2031. **2** Spencer Stuart, "2021 U.S. Spencer Stuart Board Index." **3** The constituents of the ASX 200.

Case studies

Engagement that led to votes to improve board quality or support effective boards

Throughout the past year, engagement helped inform vote decisions on board quality matters in a number of key cases.

Imperial Brands (UK)

BIS has had multiyear engagements with Imperial Brands Plc to discuss various corporate governance and business issues. In 2021 BIS did not support the re-election of five directors who were members of the Nomination and Governance Committee for inadequately accounting for diversity on the board. In the following months, however, the board appointed two female directors, one of whom is also from a racial/ethnic minority group. The company also hired two female senior executives (one of which, who identifies as from a racial/ethnic minority group, joined the Executive Leadership Team as President and CEO of the US Region), thus adding diversity at the executive management level. During our engagements with the company's board chair, we heard about the hiring process and strategy to enhance diversity.

Enhancing diversity at the board level

Issue

BIS engaged with the e-commerce company Etsy Inc. (Etsy) on several occasions in 2021 to gain understanding of the company's approach to a range of corporate governance practices that we believe contribute to the durable, long-term profitability our clients depend on to meet their financial goals. This included conversations about board diversity where we shared our views on the importance of having directors with diverse personal and professional experiences to support comprehensive and constructive dialogue on board matters.

Outcome

Upon engagement, the company described how it had recently enhanced its focus on board diversity with updated policies, disclosure and recruitment practices. For the first time, ethnic and racial diversity of Etsy's board was disclosed in their 2021 proxy. Looking ahead, the company disclosed that when recruiting new directors, the Nominating and Corporate Governance Committee will actively seek diverse candidates. We were encouraged to see these steps being made by Etsy's board on diversity and will continue to engage and discuss with the company their progress towards achieving diverse representation, including the demographic profile of the board.

Overcommitments

As the role of directors is becoming more complex, it is important that directors have the capacity to meet all of their responsibilities — including when there are unforeseen events. Therefore, we believe that an excessive number of roles could impair their ability to fulfill their duties.

Director overcommitment or "over-boarding," remains a key focus for BIS when engaging with companies. We encourage directors to have the necessary time and effort to advise and oversee management. We believe that when directors limit the number of boards on which they serve, this ensures that they have the capacity to fulfill their responsibilities on each board. We appreciate when boards explain the time commitments expected of their directors and how they gain comfort with any commitments that board members may have to other companies or roles. Notably, the ongoing COVID-19 pandemic has shown that companies must have committed and quality leadership to effectively manage extraordinary challenges.

Our regional proxy voting guidelines provide our views on market-specific limits to the number of boards on which non-CEO directors (who do not hold any chair positions) may serve. We believe that sitting CEOs are best able to fulfil their responsibilities when they serve on no more than two boards in total — one board in addition to that of the company they lead.

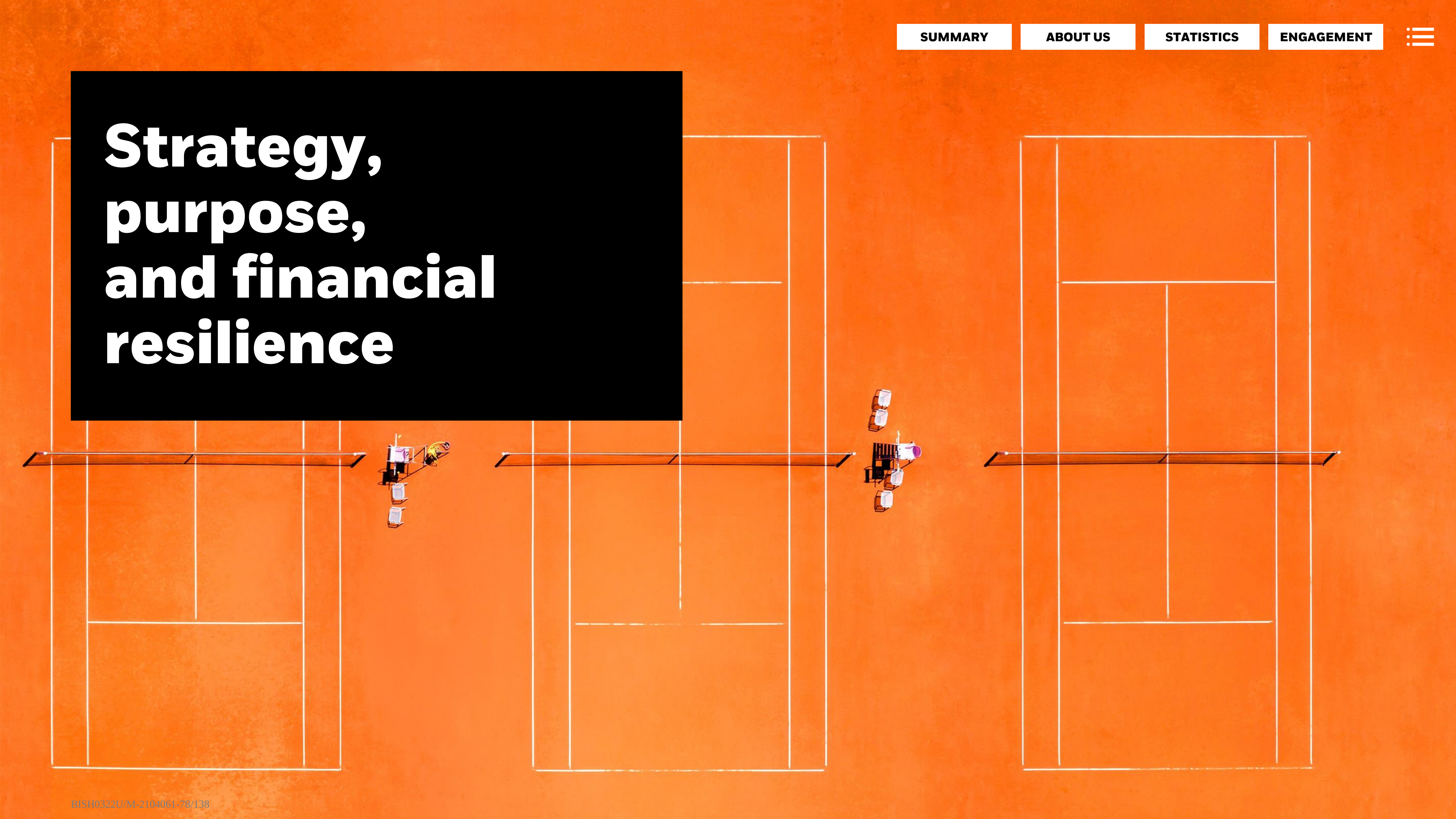
In Europe, director overcommitment remained a key reason for not supporting the re-election of directors. This was particularly the case in those European markets without specified limits on the number of boards on which a director may serve.

In the U.S. at Charter Communications, Inc. (Charter), we did not support the re-election of a director during the 2021 annual general meeting for serving on an excessive number of public company boards, which we believed raised substantial concerns about his ability to exercise sufficient oversight on this board. As noted in our proxy voting guidelines for U.S. securities, we believe that CEO directors should limit themselves to serving on a total of no more than two public company boards. At the time of the annual meeting, this director served on nine boards (including Charter Communications), and served as the CEO of Liberty TripAdvisor Holdings, Inc., Liberty Broadband Corp., and Liberty Media Corp.

We recognize that it may take time for companies and individual directors to make the necessary adjustments, so we will monitor their progress towards orderly transitions.

Board quality and effectiveness look ahead

Building on insights gained in recent years from engagements, client feedback, regulatory developments and BlackRock as well as third-party research, in 2022 we have refreshed our understanding of diversity of personal characteristics on boards. We want to understand a board's diversity in the context of a company's domicile, business model, and strategy. Self-identified board demographic diversity can usefully be disclosed in aggregate, consistent with local law. We believe boards should aspire to meaningful diversity of membership, at least consistent with local regulatory requirements and best practices, while recognizing that building a strong, diverse board can take time. Please see our Global Principles for greater detail.



Strategy, purpose, and financial resilience

Engaging and voting on strategy, purpose, and financial resilience

To meet their long-term financial goals, our clients depend on the success of the companies in which they are invested. 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. Capital management, long-term strategy, purpose, and culture can be determining factors in companies' long-term performance. In our experience, purpose-driven companies that effectively balance stakeholder considerations while delivering value for their shareholders have been better able to attract long-term capital and build financial and business resilience to help navigate volatility.[1,2]

As discussed in our commentary on strategy, purpose and financial resilience, we look for companies' disclosures to succinctly explain long-term strategic goals, the milestones against which performance can be assessed, and any obstacles incurred or anticipated. We recognize that most companies adapt their short- and medium-term implementation plans to reflect fast-changing operational, economic, and societal conditions. In these situations, it is helpful to shareholders for leadership to explain the changes made and how they help better align the company's long-term purpose and strategic framework.

BIS appreciates it when companies can explain how they are building financial resilience through sound governance, operational, and risk management practices. We look to a company's board to ensure effective oversight of balance sheet risks and contingent liabilities, and to oversee how management teams are approaching material or business relevant environmental and social risks and opportunities. Additionally, sustainable investment trends are accelerating and reshaping the flow of capital. We look for companies to demonstrate a comprehensive, yet flexible, approach to how they will maintain financial resilience over time in the context of such accelerating trends.

2,038

engagements*

When engaging on long-term corporate strategy, purpose, and financial resilience, we aim to understand a company's strategic framework, the board's process for oversight and review, how the strategy incorporates stakeholders' needs, and how strategy evolves over time in response to changing operational, economic, regulatory, and societal conditions.

Source: BlackRock Investment Stewardship from January 1, 2021 to December 31, 2021. * Most engagement conversations cover multiple topics. Our statistics reflect the primary topic discussed during the meeting.

1 Larry Fink's "2022 letter to CEOs." **2** In "A Guide to Building a More Resilient Business" Martin Reeves and Kevin Whitaker explain that "resilience is a property of systems," meaning that an individual's company's resilience means little if its supply and customer base, or the social systems upon which it depends are disrupted. Reeves and Whitaker consider companies should take a "collaborative, systems view" as one of six key actions to build resilience. According to the authors, resilience "requires systems thinking and systemic solutions, which in turn depend on collaboration among employees, customers, and other stakeholders."

Systemic risk

Commodity price shocks have long been a systemic risk for companies. They are often unpredictable, but they are not infrequent. While some companies are more exposed than others, no business is unaffected by the price of commodities, particularly volatility. These shifts can be structural, reflecting a fundamental change that serves to establish a new price equilibrium, or "event" driven, reflecting a supply/demand disequilibrium that can drive periods of distinct volatility. Energy prices over the last 24 months remain a prominent example of commodity price risk. The volatility has been driven by various factors including geopolitical pressures, extreme macro-driven shifts in supply/demand balances related to the pandemic and weather-induced events. This volatility combined with the ultimate medium- and long-term equilibrium price for both oil and natural gas, has highlighted the importance of the conversations we have with companies around this systemic risk.

In 2021, frequently in collaboration with our Fundamental Equities colleagues, these issues were prominent in discussions we had with energy companies in which BlackRock clients are invested. BIS appreciated hearing from companies how their approach to gearing, hedging, dividend programs, and capital allocation plans support their ability to navigate commodity prices changes, including periods of volatility.

BlackRock engages on long-term corporate strategy, purpose and financial resilience to understand how companies are aligning their business decision-making with their purpose and adjusting their strategy and/or capital allocation plans to address the risks and opportunities of their operations to deliver long-term value for their shareholders. We are not in the position, nor do we seek, to dictate a company's strategy or its implementation.

Case study

Engaging as a long-term investor with a U.S. oil and gas producer through bankruptcy

Issue

Chesapeake Energy is a U.S.-based onshore oil and gas producer. The company was an early leader in U.S. shale resource development, pursuing a business model centered on robust growth ambitions, which became increasingly challenging to maintain in a rapidly changing U.S. commodity price environment. In 2013, the founder and CEO stepped down as the financial resilience and strategic direction of the company was increasingly called into question. Challenges persisted in the years that followed, and the company's financial performance worsened.

BIS response

Our team is careful to bring an informed perspective to every engagement and to focus on issues we perceive to be important to long-term shareholder value. As a long-term investor on behalf of our clients, we have a multi-year engagement history with Chesapeake. Over the years we have sought to understand the company's long-term strategic direction and approach to navigating the risks and opportunities of both near-term market dynamics and the long-term energy transition. Our discussions have covered the breadth of our engagement priorities but have been most focused on board quality and effectiveness, strategy, purpose, financial resilience, and climate-related risks and opportunities.

Outcome

In January 2021, Chesapeake's Chapter 11 bankruptcy plan was approved. The company's performance since has been supported by the approved restructuring, a new management team and board, and an improved commodity price environment. We are encouraged by Chesapeake's efforts to focus the company's strategy on its core competencies and assets as it undertook operational efficiencies and portfolio high grading with an eye towards sustainability and environmental stewardship. This focus has included significant progress on the company's disclosures to investors regarding its approach to managing the risks and opportunities of the energy transition.

Energy companies, including Chesapeake, are balancing complicated near-term market conditions and geopolitical pressures against a backdrop of a longer-term energy transition. BIS is not in the position to dictate a company's strategy or its implementation. We aim to offer constructive perspectives as a long-term investor interested in the long-term performance of the companies in which our clients are invested. We do this with an understanding of the value needing to be placed on global energy security and an orderly transition to a low carbon economy. We look forward to seeing Chesapeake execute on its refreshed strategy and to watching the company evolve efforts to strengthen financial resilience and lean into investment opportunities. We will continue to engage with the company in pursuit of the durable financial performance upon which our clients rely.

1 As of December 31, 2021.

Case study

Engagement and voting on a major related party transaction

Issue

In May 2021, CK Asset Holdings Limited (CK Asset) held a special meeting to approve an acquisition of equity interests in four European infrastructure assets from its parent Li Ka Shing Foundation Limited (LKSF) for a purchase price of HK$17 billion (approximately US$2.2 billion) by issuing 333 million consideration shares at HK$51 per share. The three company proposals for this transaction also included a share buy-back of 380 million shares at the same maximum price of HK$51 per share, and a request for a whitewash waiver, which would waive LKSF's obligation to make a mandatory general offer.[1]

BIS response

In a combination of one-on-one engagements, and in joint engagements with active investment team colleagues with holdings in the company, BIS sought to gain a better understanding around the valuation of the consideration of shares. We had the opportunity, both before and after the meeting, to discuss with CK Asset's management our concerns on behalf of our clients as long-term shareholders that the valuation of the consideration shares at HK$51 per share implied a discount of 46.9% to the net asset value (NAV) as of December 31, 2020, and a discount of as large as 60.8% to the reassessed NAV as of February 28, 2021.

Guided by our Global Principles and market-level voting guidelines, and our view of the long-term financial interests of our clients, BIS did not support the proposal. At BlackRock, active portfolio managers with positions in a given company can vote their shares independently of BIS or in agreement. From time to time, active portfolio managers and BIS may reach different voting conclusions on proposals. This was an example of a situation where a portion of BlackRock shares were voted differently than those cast by BIS.

Reasons for a difference of opinion on voting vary, but both BIS and active portfolio managers base their vote decision on the outcome they believe to be most consistent with the long-term economic interests of clients invested in the company under consideration. BIS determines how to vote on behalf of index investors, who are very long-term shareholders. An active portfolio manager may vote differently based on their views of what is best for clients in their fund in line with their investment mandate.

Outcome

The proposals required support from 75% of the votes cast by independent shareholders under Hong Kong Listing Rules as LKSF is a connected party.[2] We believe our concerns about the transaction were shared by other investors as the transaction was approved by only a narrow margin. The proposal passed with 77% of independent shareholders voting in favor, just 2%-points above the required approval.

1 Under the Takeovers Code in Hong Kong, a mandatory offer is triggered when a shareholder owning between 30% and 50% of the company increases its holding by more than 2% in any 12-month period ("the 2% creeper rule"); the share buy-back proposal in question would increase LKSF's stake from 35.99% to 41.29% assuming no shares are bought back pursuant to the share buyback proposal, or to 45.60% assuming the maximum of shares are bought back pursuant to the share buyback proposal. Please refer to the meeting circular for more details. **2** The acquisition and the share buyback proposals required approval by more than 50% of the votes cast by independent shareholders. The whitewash waiver required approval by at least 75% of the votes cast by independent shareholders. While the three proposals are separate, they are interdependent. Therefore, if the whitewash waiver did not pass, all three proposals would not pass; accordingly, the highest threshold of the whitewash waiver set the minimum for all three proposals to pass.

Spotlight

Assessing investor activist situations through the lens of long-term value creation

We believe that, in most cases, our clients – the true owners of the companies we invest in on their behalf – are best served when a company is constructively engaged, is receptive to shareholder feedback, and initiates change from within. We are inclined to support management in such situations. Where we have independently assessed that companies have not considered shareholder feedback, and where BIS sees significant risk to the long-term value of a company, we may decide to not support management on relevant proposals.

Activist situations represent a small portion of the votes made in any given year; however, they often receive disproportionate attention. In 2021, there were several very high-profile situations as well as a general rebound in investor activism as the economy started to recover from the pandemic.[1]

The intention behind each activist shareholder campaign is unique. It is common, but not always the case, that activist investors have a shorter-term investment focus. BIS always assesses the situation through the lens of the economic interests of our clients, most of whom are long-term minority investors.

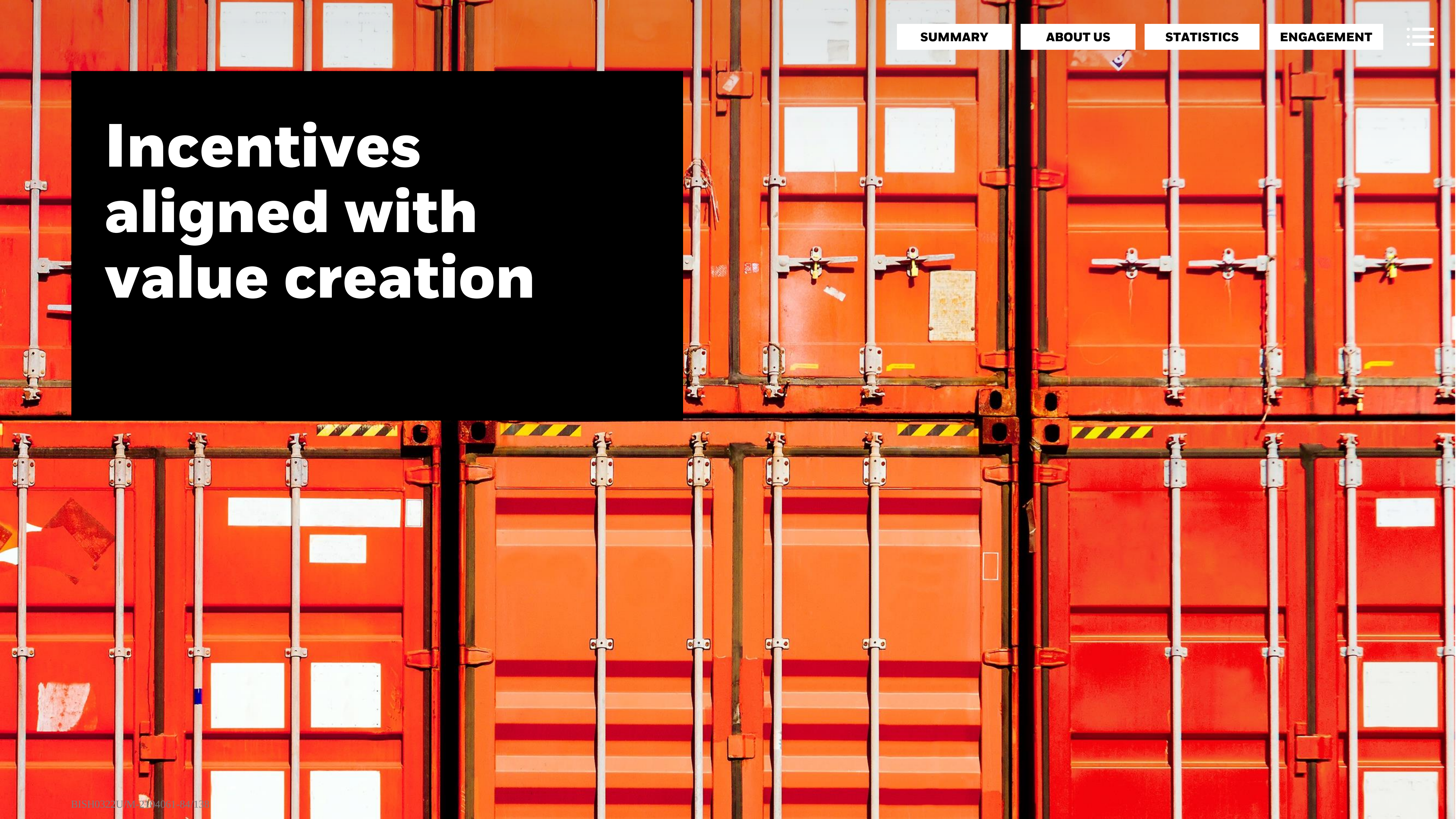
Engagement remains the core of BIS' stewardship approach. When an activist investor initiates a campaign for change at a company, BIS seeks to engage with the company and usually with the activist to further our understanding. There are cases where boards come to an agreement with the activist investor, as seen at both Danone and Kohl's in 2021. Others, however, ultimately get voted on by shareholders, such as at ExxonMobil, Toshiba, and Tegna. In each case, we voted to support the outcome that we determined to be in the best financial interests of our clients as minority long-term shareholders.

1 The first six months of the year marked a rebound in activism generally as the economy started to recover from the pandemic. Advisors expect that momentum to continue into the second half of the year and into 2022 and beyond. – LA Times

Strategy, purpose and financial resilience look ahead

In 2021, we observed growing interest in how a company's purpose is enshrined in its legal structure. As detailed in our Global Principles, we believe it is the responsibility of the board and executive leadership to determine the corporate form that is most appropriate given the company's purpose and business model. Companies proposing to change their corporate form to a public benefit corporation or similar entity best serve their shareholders by putting it to a shareholder vote if not already required to do so under applicable law. Supporting documentation should clearly explain how the interests of shareholders and different stakeholders would be impacted as well as the accountability and voting mechanisms that would be available to shareholders.

Incentives aligned with value creation



Engaging and voting on incentives aligned with value creation

Our clients' investment returns depend on the success of the companies in which they are invested. Executive compensation is an important tool used by companies to drive long-term value creation by incentivizing and rewarding executives for the successful delivery of strategic goals and financial outperformance against peers.[1] However, when compensation policies are not appropriately structured, and when outcomes are misaligned with performance, companies may face business and/or reputational risks.[2]
To that end, appropriate and transparent compensation policies are a focus in many of BIS' engagements with companies we invest in on behalf of clients. We believe companies benefit from disclosing how they seek to ensure that compensation policies and outcomes are consistent with the financial interests of long-term shareholders.

BIS looks to a company's board of directors — specifically its relevant committee — to put in place a compensation policy that incentivizes and rewards executives against appropriate, rigorous, and stretching goals tied to relevant strategic metrics, especially those measuring operational and financial performance. BIS also looks to compensation plans to appropriately balance retention-oriented awards with performance-oriented awards based on the context of the company and each executive. Companies may encourage, and possibly implement, share ownership guidelines for executives to further align the interests of management and shareholders.

BIS believes long-term shareholders' interests are served when a meaningful portion of a company's executive compensation plan is tied to the long-term consistent performance of the company, as opposed to merely short-term increases in the stock price. The vesting schedules and holding periods associated with incentive plans should facilitate a focus on long-term value creation.

1,213

engagements*

BIS supports executive compensation policies that encourage the achievement of durable results consistent with a company's long-term strategic initiatives. BIS looks for a well-articulated executive compensation structure.

Source: BlackRock Investment Stewardship from January 1, 2021 to December 31, 2021. * Most engagement conversations cover multiple topics. Our statistics reflect the primary topic discussed during the meeting.

1 The term "compensation" is used as an equivalent to "remuneration" or "pay." **2** In this report, "compensation policy(ies)" refers to the complete set of pay-related tools; "plan(s)" refers to the specific short-term and long-term incentives schemes; and "practice(s)" refers to the processes behind determining how to deploy the compensation policy.

Engaging on incentives aligned with value creation

As discussed in our commentary, Incentives aligned with value creation, through a company's disclosures, BIS looks to understand whether the board's approach to compensation is rigorous, yet reasonable, in light of its stated long-term corporate strategy. We use third party research, in addition to our own analysis of company disclosures, to evaluate existing and proposed compensation policies.

BIS takes a case-by-case approach, and considers a company's specific circumstances, as well as local market and policy developments; our approach to executive compensation is locally nuanced as executive pay proposals, such as "Say on Pay," and associated disclosures are not applicable to every jurisdiction.[1]

After years of engaging with companies on incentives aligned with value creation — across sectors and markets — we have observed that most boards take this responsibility very seriously. They put great care into structuring compensation plans that incentivize executives to deliver long-term value. But where BIS finds apparent misalignments between executive pay and company performance, or has concerns over a company's compensation policies, we may engage to better understand the company's approach and/or signal our concerns. BIS may also signal concerns through not supporting the re-election of members of the compensation committee, other members of the board whom we consider responsible for compensation, or proposals to approve compensation. Similarly, we may support relevant shareholder proposals that, in our view, seem to be aligned with the best financial interests of long-term shareholders.

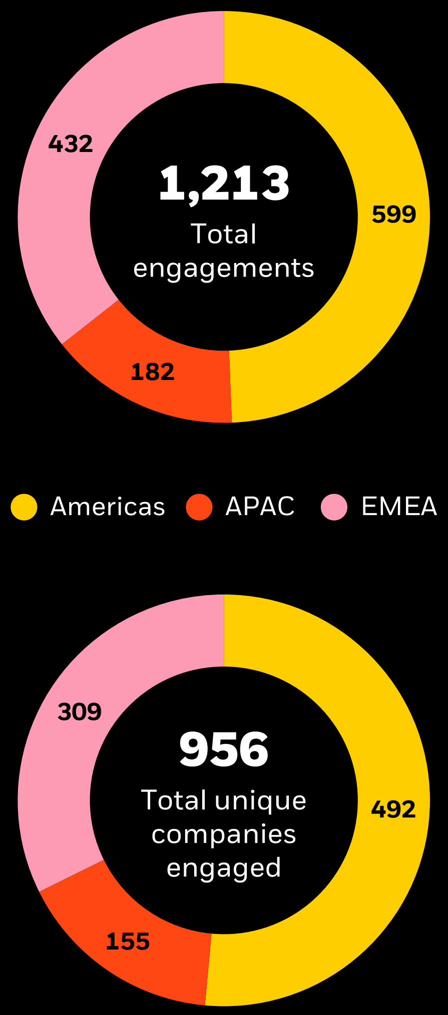
In 2021, the BIS team held 1,213 engagements with 956 unique companies focused on incentives aligned with value creation. We prefer to engage with the relevant directors, most likely a member of the compensation committee, where we have concerns about or feedback on compensation policies or outcomes.

The terminology can vary across markets, but "Say on Pay" is the generic expression referring to the ability of shareholders to vote on a company's compensation policy, plan, and/or practices. For select markets in Europe, the Middle East, and Africa, this term may also refer to shareholders' ability to vote on the report companies publish on the implementation of its policies.

Voting on incentives aligned with value creation: director elections

As discussed in the previous section, where BIS finds apparent misalignments between executive pay and company performance, or has concerns over a company's compensation policies, BIS may signal concerns through voting on behalf of clients. When clients authorize us to vote on their behalf, we do so according to what we assess to be in their best long-term financial interests.

BIS may signal concerns through not supporting the re-election of members of the compensation committee, other members of the board whom we consider responsible for compensation, or not supporting proposals to approve compensation.



Source: BlackRock Investment Stewardship from January 1, 2021 to December 31, 2021.

1 The terminology can vary across markets, but "Say on Pay" is the generic expression referring to the ability of shareholders to vote on a company's compensation policy, plan, and/or practices. For select markets in Europe, the Middle East, and Africa, this term may also refer to shareholders' ability to vote on the report companies publish on the implementation of their policies.

Similarly, we may support relevant shareholder proposals that, in our view, seem to be aligned with the best financial interests of long-term shareholders. In practice, such proposals are few and our support levels tend to be low as we typically find them overly prescriptive. By way of example, in 2021, BIS supported 15% - or 6 out of 40 - compensation-related shareholder proposals put to a shareholder vote globally.[1]

In 2021, BIS did not support the re-election of 964 directors responsible for setting executive pay globally, i.e. 652 directors in EMEA, 310 in the Americas, and 2 in APAC. In EMEA, our votes on behalf of clients are largely attributed to COVID-19 related in-flight adjustments that companies made to reward executives despite missing financial performance targets, reducing their workforces, or taking government financial support. Besides our COVID-19 related concerns, BIS also looked at the recent changes to the European Union's regulatory landscape. With the full implementation of the EU Shareholder Rights Directive II (SRD II) in September 2020, companies must meet enhanced executive compensation disclosure requirements in their reporting. Prior to the full implementation of SRD II, BIS engaged with companies in applicable markets to explain how our regional voting guidelines aligned with the SRD II's enhanced disclosure and transparency expectations on executive pay.

A look into our voting on compensation proposals in 2021

In addition to voting on the re-election of directors, as described above, when assessing our voting on compensation proposals, BIS looked at companies' disclosures to determine how their compensation policies and outcomes aligned with the financial interests of long-term shareholders, like our clients.

As companies continued to shape their responses to COVID-19 and its multiple variants over 2021, we aimed to be constructive and supportive long-term investors. BIS assessed how companies weighed executive pay decisions in relation to the experiences of their employees, and other key stakeholders. BIS considered the reputational risk of making outsized payments to executives, especially if they reduced their workforces as a result of temporary shutdowns or definitive closures.

Globally, BIS supported 80% of the 14,606[2] compensation-related management proposals put to a shareholder vote in 2021; this includes votes in support of "Say on Pay" proposals — also known as remuneration reports — remuneration policy proposals, proposals to approve incentive plans, and other compensation-related proposals.[3]

In EMEA, BIS supported management recommendations on 70% proposals — or 3,678 out of 5,281 — to approve compensation policies. As noted before, our votes on behalf of clients reflected our concerns about certain COVID-19-related in-flight adjustments, as well as companies' transparency in response to higher expectations such as those set by the enhanced reporting requirements in SRD II.

Turning to the Americas, in our multi-year engagement on incentives aligned with value creation we have observed that companies, in general, publish high-quality disclosures that are helpful in building an understanding of how they are aligning their compensation practices with long-term value creation. In the Americas, BIS supported management on 90% of compensation-related proposals in 2021 (4,536 out of 5,029).

Disclosure that provides transparency and rationale

BIS believes companies benefit from disclosing how their compensation policies and outcomes are consistent with the financial interests of long-term shareholders, like our clients. In most markets, companies are required to provide disclosures on executive compensation. In others, regulators require relatively little disclosure on compensation policies or outcomes. In addition to companies observing the relevant laws and regulations of their market of incorporation and listing, BIS appreciates it when they consider enhancing their disclosure to provide shareholders, and other key stakeholders, with sufficient information to understand how compensation policies are structured.

In our view, a rigorous, informative compensation disclosure is one that details how the components of a compensation policy work together to attract, retain, and motivate key executives. It is also helpful to investors' understanding when companies describe how compensation is set by the board or relevant committee, the components of the compensation policy, any metrics used in performance-related incentives, and how the compensation policy and its outcomes are tied to strategy and long-term financial performance.

1 Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market, abstentions included. **2** Encompasses proposals submitted in the Americas, EMEA and APAC, including Japan. **3** Other compensation-related proposals include proposals to approve employee stock purchase plans (ESPP), employment agreements, director compensation limits, and golden parachute compensation arrangements, among other compensation-related proposals.

We are generally encouraged by how companies are responding to shareholders' long-term financial interests, and considering stakeholders' experiences, in their compensation-related decision making. Although compensation-related disclosures are still nascent in Latin America, we have observed companies are more willing to engage to discuss their compensation policies and are more receptive to our feedback as a long-term investor. Access to enhanced disclosures — and well in advance of the companies' shareholder meetings — is helpful to further our understanding of companies' compensation policies and thus, to arrive at well-informed voting decisions on behalf of clients.

Upon close analysis of companies' disclosures, and engagement, the main reasons as to why BIS did not support management's proposed compensation plans in the Americas include cases of poor disclosure or lack of rigor of performance metrics, as well as cases where companies granted executives outsized awards that were not linked to long-term performance, or when companies did not provide robust rationale to explain such outsized awards.

In APAC, where BIS supported management on 80% of compensation-related proposals,[1] whilst the level of fixed compensation is not considered to be particularly controversial in the majority of Asian companies, administration and disclosure of performance metrics as well as the structure of equity-based incentive schemes can be an issue. When assessing compensation proposals, BIS appreciates when companies' disclosures demonstrate how the approach taken supports long-term consistent performance and is aligned with shareholders' interests. Where, without explanation, the disclosures have not been made or BIS considers other features of the scheme to not be in the best interests of shareholders, including our clients, BIS may consider not supporting such schemes.

1 Or 3,428 out of 4,296, including Japan.

Voting on compensation proposals by region

Say on Pay

Globally, BIS supported 82% of management proposals to approve "Say on Pay" proposals, also known as remuneration reports. We acknowledge that executive pay proposals, such as "Say on Pay," and associated disclosures are not applicable to every jurisdiction. To that end, BIS took a case-by-case approach, and considered a company's specific circumstances, as well as local market and policy developments, when assessing a company's compensation policies.

Region	Total number of "Say on Pay" proposals 2021*	Votes for (% votes for)*	Total number of "Say on Pay" proposals 2020**	Votes for (% votes for)**
Americas	3,288	3,077 (94%)	3,351	3,204 (96%)
APAC***	2,084	1,693 (81%)	1,940	1,584 (82%)
EMEA	2,619	1,787 (68%)	2,285	1,691 (74%)
Total	7,757	6,367 (82%)	7,289	6,248 (86%)

***** Includes "Say on Pay" proposals and proposals to approve grants. Data from January 1 – December 31, 2021.

****** Includes "Say on Pay" proposals and proposals to approve grants. Data from January 1 – December 31, 2020. ******* Includes Japan.

Remuneration policies

BIS supported 69% of proposals to approve remuneration policies in the EMEA region (or 1,018 out of 1,482). We focus on this region given proposals to approve remuneration policies are most common in the European Union.[1] Under the SRD II, companies must meet enhanced executive compensation disclosure requirements in their reporting, including submitting a remuneration policy for a shareholder vote at least every four years.[2]

	Total number of remuneration policy proposals 2021*	Votes for (% votes for)*	Total number of remuneration policy proposals 2020**	Votes for (% votes for)**
Total in EMEA	**1,482**	**1,018 (69%)**	**1,692**	**1,168 (69%)**

Incentive plans

BIS supported 77% of management proposals to approve incentive plans at companies globally in 2021.[3] We appreciate when companies construct appropriate and well-governed incentive plans, and use them to align the long-term interests of shareholders and award recipients.

Region	Total number of proposals to approve incentive plans 2021*	Votes for (% votes for)*	Total number of proposals to approve incentive plans 2020**	Votes for (% votes for)**
Americas	**1,242**	**1,049 (84%)**	**1,201**	**1,036 (86%)**
APAC***	**1,241**	**964 (78%)**	**918**	**720 (78%)**
EMEA	**584**	**387 (66%)**	**572**	**405 (71%)**
Total	**2,469**	**1,904 (77%)**	**2,308**	**1,847 (80%)**

* Data from January 1 – December 31, 2021. ** Data from January 1 – December 31, 2020. *** Includes Japan.

1 The proposals to approve remuneration policies put to a shareholder vote in the Americas and APAC (13 in 2021 ad 18 in 2020) are included under the "other compensation-related proposals" category as these proposals are less common in these regions. **2** Deloitte. "Shareholders Rights Directive II." **3** Includes votes in support of equity compensation plans as well as other closely related proposals.

Other compensation-related proposals

BIS supported 77% of management recommendations on all other compensation-related proposals. Other compensation-related proposals include proposals to approve employee stock purchase plans (ESPP), employment agreements, director compensation limits, and golden parachute compensation arrangements, among other compensation-related proposals.

Region	Total number of other compensation-related proposals 2021*	Votes for (% votes for)*	Total number of other compensation-related proposals 2020**	Votes for (% votes for)**
Americas	499	410 (82%)	327	288 (88%)
APAC***	971	771 (79%)	782	653 (84%)
EMEA	596	486 (82%)	543	437 (80%)
Total	1,706	1,310 (77%)	1,368	1,094 (80%)

* Data from January 1 – December 31, 2021. ** Data from January 1 – December 31, 2020. *** Includes Japan.

Case study

Supporting a "Say on Pay" proposal at a U.S. media and entertainment company

In the U.S., BIS engaged with The Walt Disney Company to discuss compensation, as well as other governance matters. The company's compensation committee sought to inform investors about their adjusted compensation targets following: the CEO transition in early 2020, a reorganization of its multiple business lines, and their response to COVID-19 in support of key stakeholders. The company made a number of changes to reduce the new CEO's target compensation at a significantly lower level than the prior CEO's — the latter remained at the company serving as Executive Chairman until December 31, 2021.[1] The new CEO's target compensation was also fixed at below the median for the company's media and general industry peers.[1] Additionally, the Compensation Committee adjusted the former CEO and Executive Chairman's one-time performance award by reducing his annual compensation opportunity and eliminating a U.S. $5 million completion bonus to which he was contractually entitled.[1]

Following the 2021 AGM, at which BIS supported the company's "Say on Pay" proposal, the committee enhanced the financial and non-financial performance-related metrics into the company's 2021 bonus plan. As disclosed in the company's proxy statement for 2022, in fiscal year 2021, the "compensation committee removed adjusted earnings per share (EPS) as a financial metric to better align with market practice and incorporated adjusted revenue as a financial metric to reflect the importance of driving new and existing revenue growth."[1] The company also disclosed it incorporated diversity and inclusion (D&I) as a non-financial metric. According to the company's 2022 proxy statement, D&I "has the highest weighting among non-financial metrics."[1] BIS will analyze the company's disclosures and will continue monitoring alignment between their compensation policies, company performance, and shareholders' interests.

1 The Walt Disney Company. "2021 Notice of Annual Meeting of Shareholders and Proxy Statement." January 19, 2021.

Spotlight

Assessing compensation policies at EMEA-based companies in the context of COVID-19

When evaluating compensation policy proposals, BIS takes a case-by-case approach. We consider a company's specific circumstances and local market and policy developments.[1]

Executive compensation outcomes are increasingly assessed in the context of the impacts a company has had on its key stakeholders over the relevant period.[2] BIS believes that accounting for the interests of key stakeholders in compensation outcomes recognizes the collective nature of long-term value creation, and the extent to which each company's prospects for growth are tied to its ability to foster strong sustainable relationships with and support from those key stakeholders.

This was of particular focus as companies continued to manage their response to the pandemic in 2021. We looked at how executive remuneration plans aligned with the financial interests of our clients — as long-term shareholders — and with the experiences of key stakeholders.

1 For a specific review of our approach to market-specific compensation practices, please refer to BIS' market-specific voting guidelines. **2** Key stakeholders are likely to include employees, business partners (such as suppliers and distributors), clients and consumers, government, and the communities in which companies operate, as well as investors. As we explain in our Global Principles, it is for each company to determine its key stakeholders based on what is material to its business. To learn more, please also refer to the BIS commentary "Our approach to engagement with companies on their human rights impacts."

Case studies

Case study 1

At the April 2021 AGM of Stellantis N.V. — the Dutch company formed through the merger of Fiat Chrysler Automobiles N.V. (FCA) and Peugeot S.A.[1] BIS did not support the remuneration report, which received 55.8% shareholder support. BIS also did not support the approval of the board discharge. BIS had concerns with the legacy FCA Board's use of discretion to make in-flight adjustments to lower the bonus targets as a result of COVID-19, which resulted in executives receiving a higher bonus payout in 2020 relative to 2019 for lesser performance. As described in BIS' proxy voting guidelines for EMEA securities, BIS will not support relevant remuneration proposals and/or the election of remuneration committee members in instances where a board of directors decides to make retrospective/in-flight changes to performance criteria and disclosures are insufficient to demonstrate a connection between remuneration outcomes and company performance.

Case study 2

At the July 2021 AGM, BIS did not support Industria de Diseño Textil's (INDITEX) remuneration report given our concerns about the lack of transparency over the company's COVID-related upward adjustment to its executive pay. BIS also did not support the re-election of a compensation committee member at the family-controlled Spanish apparel company. BIS recognizes that compensation committees may, from time to time, determine it is necessary to use discretion to override the structure of an incentive plan or to make exceptional awards. We believe that in such situations, disclosures should address whether and why the committee used its discretion, as well as factors taken into consideration in determining the appropriate compensation outcome. The information in the company's disclosures — and subsequent engagement with company management — fell short of providing a clear explanation as to why the approach taken by INDITEX supports long-term sustainable performance and is aligned with shareholders' financial interests.

Case study 3

In 2021, BIS engaged with AstraZeneca — a UK-based pharmaceutical company — to discuss governance issues and, in particular, a remuneration proposal presented by the board at the May 2021 AGM to increase the CEO's maximum long-term performance share award from 550% to 650% of his base salary. Upon closely analyzing the remuneration plan and engaging with the company, BIS found no structural concerns and no evidence to suggest that the award adjustment would encourage unnecessary management risk-taking. BIS also took into consideration the company's strong financial performance and the CEO-driven achievement of targets, as well as the board's oversight role in the CEO's delivery of such performance. In addition, we (and other stakeholders) recognize that the company has played an important role in the global response to the pandemic through the development, manufacture, and supply of a COVID-19 vaccine along with the University of Oxford. As a result, BIS supported the approval of the company's remuneration policy and report in alignment with our proxy voting guidelines for the market. Both proposals received majority shareholder support. However, BIS did not support the re-election of two directors given that they serve on an excessive number of public company boards which, in our view, may compromise the directors' ability to exercise sufficient oversight on this board.

1 Stellantis N.V. "The merger of FCA and Groupe PSA has been completed." January 16, 2021.

Spotlight

The value of engagement to understand shareholders' perspectives on compensation policies

As compensation committees evaluate compensation policies, one factor we consider relevant is the level of shareholder support — or lack thereof — on relevant proposals at previous shareholder meetings, and other feedback received through engagement with shareholders and other key stakeholders.

BIS believes it is important for compensation committees to understand shareholders' perspectives on compensation policy and outcomes, and that effective committees focus on incentivizing executives to deliver long-term consistent performance aligned with shareholder value. In our experience, enhanced communications that clearly explain the approach to compensation can be a key factor in gaining "Say on Pay" support.

Case study

Informa plc

Issue

In May 2020, BIS supported the non-pre-emptive placing of new ordinary shares to ensure liquidity during COVID-19 at Informa plc, a UK-based media company. However, BIS had concerns over the company's pay plan given the outsized amount of the target bonus compared with market practice and a clear misalignment between the executive pension plan and that of the workforce. BIS engaged with the company to share our concerns. We did not support the plan at the June 2020 AGM, which received 35.1% shareholder votes against. The company held an Extraordinary General Meeting (EGM) in December 2020 to request approval of a revised plan featuring a new restricted share plan. BIS did not support the plan for a second time as, in our view, the company had not addressed our original concerns. The plan received 40.6% shareholder votes against.

BIS response

At the June 2021 AGM, BIS did not support the plan for a third time in light of our continued concern over the company's failure to determine appropriate executive pay and the poor discretion exercised by the Remuneration Committee to make in-flight changes to performance conditions. In addition, BIS did not support the re-election of members of the Remuneration Committee, including the Committee Chair.

This time, 61.7% of shareholder votes did not support the pay plan, reflecting a higher level of shareholder dissatisfaction with the company's lack of responsiveness to feedback and overall misalignment between executive pay outcomes and shareholders' long-term financial interests.

Outcome

We firmly believe in the value of engaging with companies. With declining shareholder support, we view further dialogue with Informa as a step in the right direction to signal any continuing concerns, provide constructive feedback, and encourage Informa's enhancement of their corporate governance and executive compensation practices. Based on our post-AGM engagements with the company, we have reason to believe shareholder feedback will be considered in the remuneration plan that Informa will submit to a shareholder vote in 2022. In addition, we are encouraged by the appointment of a new Chair of Informa's Remuneration Committee, who will commence his role in early 2022.[1] We will continue to engage with Informa to monitor the consideration of shareholder feedback as the company evaluates compensation policies further, and assess alignment with long-term performance and shareholder interests, in general.

1 Informa plc. "Press Release – Board Update." October 1, 2021.

Case study

Cardinal Health

Issue

In the fall of 2020, the annual advisory "Say-on-Pay" proposal of Cardinal Health, a global integrated healthcare services and products company, was the subject of a "vote no" campaign. The campaign urged shareholders to hold Cardinal Health's executives accountable for the company's alleged role in the opioid crisis by rejecting executive payouts that were based on non-Generally Accepted Accounting Principles (GAAP) operating results that excluded a U.S. $5.6 billion charge that was recorded due to the potential settlement of opioid lawsuits filed by state and local governmental entities.

BIS response

In October 2020, BIS engaged with the Chairman of the Board and members of the management team at Cardinal Health to understand the Human Resources and Compensation Committee's (Compensation Committee) executive pay decisions, including the decision to set annual incentive targets below the prior year's actual results, which suggested a lack of rigor. At the November 2020 AGM, BIS did not support the company's "Say-on-Pay" proposal, which received 61% shareholder support. BIS also did not support the re-election of all four members of the Compensation Committee, including its chair, due to poor executive compensation design. We also had concerns about the Compensation Committee's lack of consideration of the significant opioid-related litigation charge in setting executive compensation awards.

Outcome

Following the 2020 AGM, the company engaged with investors, including BlackRock, to collect feedback and understand investors' concerns over the company's executive compensation program. As a result of these engagements, Cardinal Health said it took several actions in recognition of the impact of the opioid litigation on the company's performance and its shareholders. Among the various actions, Cardinal Health reduced the fiscal 2021 annual cash incentive awards to its CEO by 65% and to the other named executives by 20% and deferred meaningful portions of the payouts from the fiscal 2022 performance share unit grants to the CEO and the other executives for two- and one-year periods, respectively, after vesting. In addition, the company significantly enhanced its disclosures in response to shareholder feedback that Cardinal Health's Compensation Committee "should be more transparent about its thought process and decision-making around executive compensation, particularly in regard to opioid litigation impacts."[1]

In view of the Compensation Committee's actions, at the November 2021 AGM, BIS supported the company's "Say on Pay" proposal — which received 86% shareholder support — and voted in support of the re-election of all members of the Compensation Committee.

BIS welcomes the company's continued engagement and will maintain direct dialogue to further our understanding of the board's oversight of compensation policies as well as reputational and legal risks.

1 Cardinal Health Inc. "Proxy Statement – Notice of Annual Meeting of Shareholders 2021." September 23, 2021.

Examples of integration of sustainability-related criteria in compensation policies in Europe and the U.S.

The integration of sustainability-related criteria in compensation policies is common in EMEA. BIS has observed how in certain sectors — such as the technology, media, and telecom sector, as well as the industrials sector — companies are frequently introducing two main criteria: carbon emissions reduction targets as well as human capital related metrics.

For example, since 2018, the board at Capgemini SA — a French technology and engineering services company — has set the "increase in the number of women becoming Vice-President" as a metric applicable to performance shares granted to executive corporate officers and group managers' annual compensation.[1,2] More recently, BIS has engaged with Vesuvius plc — a UK company providing solutions to steel and foundry industries — to understand their approach to executive compensation.

While the company already integrates sustainability-related criteria in their short-term incentive plans, our engagement helped us further our understanding about how the company is planning to integrate energy, safety, and diversity-related metrics in their long-term incentive plans in support of Vesuvius' long-term goals.[3]

In the U.S., we are also observing more integration of sustainability-related criteria in compensation policies. For example, Starbucks Corporation and Walgreens Boots Alliance Inc. incorporated diversity-related metrics into their compensation programs for fiscal year 2021.[4,5] In the case of BorgWarner Inc., an auto-parts supplier, in the first quarter of 2021 the company introduced a performance metric based on the company's total revenue derived from its eProducts division in order to support its long-term electrification strategy.[6] The company projects that "over 25% of its revenue will derive from electrified vehicle parts by 2025, and approximately 45% by 2030."[7]

1 Capgemini SA. "ESG Policy." November 2021. **2** For the 2021-2023 period, the award will start vesting at 30% if the percentage of women in the Vice-President inflow population through recruitment or internal promotion is equal to 28% and will vest at 100% if it is superior than or equal to 30%. Source: Capgemini SA. "Grant of performance shares to the CEO." October 7, 2021. **3** Non-financial metrics linked to the annual short-term incentive plan support, among others, the sustainability aims of reducing Lost Time Incident Frequency Rate (LTIFR, defined as work-related illness or injuries which resulted in an employee being absent for at least one day – measured per million hours worked); 10% reduction of Scope 1 and Scope 2 Energy CO2e emissions per metric tonne of product packed for shipment by 2025 (vs 2019); and 30% female representation in top management by 2025. Source: Vesuvius plc. "Annual Report and Financial Statements 2020." **4** Starbucks Corporation. "2021 Notice of Annual Meeting of Shareholders and Proxy Statement." **5** Walgreens Boots Alliance. "2021 Notice of Annual Meeting of Stockholders and Proxy Statement." **6** BorgWarner Inc. "Form 10-K for the year ended December 31, 2021." **7** BorgWarner Inc. "Evolving for All – 2021 Sustainability Report." Page 15. **8** Guerdon Associates. Global Governance and Executive Compensation Group (GECN Group). "2021 and Beyond: Global Executive Incentive Trends. The Shift to Non-Financial Measures." 2021. **9** Please refer to the study case "Linking executive compensation to ESG metrics" in our special report, "Pursuing long-term value for clients." Page 38.

Incentives aligned with value creation look ahead

In 2021, BIS observed that companies are increasingly including sustainability-related criteria — such as those tied to specific environmental and social targets — as performance measures in their short- and long-term incentive plans.[8,9] Some companies tied executive pay to a specific percentage increase in gender and ethnic diversity in the workforce or to greenhouse gas (GHG) emissions reduction targets within a defined timeframe.

BIS does not have a strong view on the use of sustainability-related performance criteria in executive compensation. However, BIS finds it helpful when companies integrating sustainability-related criteria in their incentive plans clearly explain the connection between what is being measured and rewarded and the company's strategic priorities. Not doing so may leave companies vulnerable to reputational risks and/or undermine the credibility of their sustainability efforts.

Climate and natural capital

Engaging and voting on climate and natural capital

The focus of this report is on BIS' activities in 2021, but the tragic human consequences of Russia's recent invasion of Ukraine, and the subsequent political, economic, and social responses it set in motion, has introduced great complexity since the end of the year. Many businesses are likely rethinking where and how they operate, and reviewing their own operational resilience, particularly in terms of securing or providing energy. For some, this may accelerate a diversification to different types of energy supply and reducing dependency on fossil fuels. For others, it may mean increasing output of traditional energy resources to help with the immediate diversification of Europe's energy supply away from Russia and to better support global energy needs during a time of acute scarcity and price volatility. Circumstances could not be more challenging for companies. BIS will continue to engage with the companies in which our clients are invested to understand how they are approaching this challenging environment. We aim to be supportive in an important role as a link between our own clients and the companies we invest in for them.

Climate risk and the global energy transition

At BlackRock, the money we manage is not our own. It belongs to our clients — and ultimately people investing over the long-term to meet their financial goals, like a secure retirement, a child's education, or buying a first home. Climate risk and the energy transition have a similarly long-term time horizon, and while companies in different sectors and geographies will be affected differently, this transition is an increasingly unavoidable investment issue. Therefore, as stewards of our clients' assets, we engage companies to understand how they identify and manage both the risks and opportunities of climate change and the energy transition.

BIS plays a key role in representing the long-term interests of our clients and their investment outcomes. In order to understand companies' strategies to navigate the energy transition, BIS meets with companies and, where we have authority to do so, votes proxies in the financial interests of our clients.[1] Our engagements extend well beyond the proxy season to periodically consider companies' strategic and operational responses to climate risk and opportunities and the energy transition. In our feedback to companies, we seek to offer a long-term perspective focused on durable profitability.

2,293

engagements*

As an asset manager, BlackRock's approach to climate risk and opportunities and the global energy transition is based on our fundamental role as a fiduciary to our clients. As the world works toward a transition to a low-carbon economy, we are interested in hearing from companies our clients are invested in about their strategies and plans for responding to the challenges and capturing the opportunities this transition creates. As companies consider climate-related risks, it is likely that they will also assess their impact and dependence on natural capital, i.e., the supply of the world's natural resources from which economic value and benefits can be derived.

Source: BlackRock Investment Stewardship from January 1, 2021 to December 31, 2021. * Most engagement conversations cover multiple topics. Our statistics reflect the primary topic discussed during the meeting.

1 For more information on BIS engagement and voting, please see the 2020 Calendar Year Annual Report: https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020-calendar-year.pdf.

Climate risk and opportunity as an investment issue

As explained in our Global Principles, climate change has become a critical factor in companies' long-term profitability. We look to company leadership to disclose to investors how climate risks and opportunities might impact their business, and how these factors are addressed in the context of a company's business model and sector. Specifically, investors have greater clarity — and ability to assess risk — when companies detail how their business model aligns to scenarios for the global economy that limit temperature rise to well below 2°C, moving toward net zero emissions by 2050.

The financial impacts of climate risk and transition risk will reverberate across all industries and global markets, affecting long-term shareholder returns, as well as economic stability.[1] This shift has significant implications for the profitability and pricing of virtually all assets in the investment universe.[2] BlackRock research calculates that inaction regarding climate risk could lead to a global cumulative loss in economic output of nearly 25% over the next two decades.[3]

We endeavor to consider climate and transition-related risks and opportunities in our clients' portfolios, and to assess asset values in the context of different transition scenarios. As a steward of our clients' assets, we take a long-term perspective with regard to the future financial performance of companies whose products and strategies could be most affected by the transition, as well as how companies across all sectors and geographies are aligning their plans with the possibility of a lower carbon future.

Equally, we are interested in hearing from companies on their decarbonization investment opportunities. For some, this may mean meeting a growing consumer demand for low-carbon versions of products and services. For others, it may mean investing in and developing current and future low-carbon technologies. Such emerging technologies are critical to the rate at which emissions can be reduced and may well provide fresh opportunities for companies to expand on business lines, grow resources, and provide clean energy aligned with net zero goals.[4] Companies that can effectively realize such opportunities are likely to better navigate the energy transition, and BlackRock's capital markets assumptions[5] estimate that this will impact expected asset class returns and shift strategic asset allocation towards companies that are better equipped to navigate these dynamics.[6]

We are also interested in companies' perspectives on and plans to invest in hydrocarbons, such as natural gas. We recognize that continued investment is required to maintain a reliable, affordable supply of fossil fuels during the transition.

An orderly transition is ultimately more likely to boost growth and mitigate inflation as compared to scenarios in which no efforts are undertaken to manage climate risk or there is an eventual rush to decarbonize. Accordingly, and as long-term investors, we seek to understand how public companies are considering the impact to their valuations and long-term business models as they assess various options for hydrocarbon-producing assets including divesting the assets versus winding them down. We have seen companies face reputational risk as they look to sell such assets to private, less transparent buyers, given that, while this might help move the companies to net zero, it might not reduce emissions from the asset.

Climate risk is investment risk

Research has found that while the transition to a net zero economy can introduce inflationary pressures,[7] an orderly transition is ultimately more likely to boost growth and mitigate inflation as compared to scenarios in which no efforts are undertaken to manage climate risk or there is an eventual rush to decarbonize.[8] As long-term investors, BIS aims to understand how public companies are considering, where material, the impact of climate risk and the energy transition on their valuations and long-term business models. We recognize that there are significant financial risks inherent in the transition, including potential for stranded assets.[9] We believe that these dialogues can serve to build a mutual understanding from the perspective of a long-term shareholder on behalf of our clients.

1 See report by McKinsey Global Institute, "Climate Risk and Response: Physical Hazards and Socioeconomic Impacts, Jan 2020, https://www.mckinsey.com/business-functions/sustainability/our-insights/climate-risk-and-response-physical-hazards-and-socioeconomic-impacts#. **2** See BlackRock publication, Sustainability: The tectonic shift transforming investing: https://www.blackrock.com/corporate/insights/blackrock-investment-institute/publications/sustainability-in-portfolio-construction. **3** https://www.blackrock.com/corporate/literature/whitepaper/bii-macro-perspectives-january-2022.pdf. **4** See Stopping Global Warming Will Cost $50 Trillion: Morgan Stanley Report: https://www.forbes.com/sites/sergeiklebnikov/2019/10/24/stopping-global-warming-will-cost-50-trillion-morgan-stanley-report/?sh=91a745c51e23. **5** See BlackRock Investment Institute climate-aware capital markets assumptions (CMAs) as of February 2021, https://www.blackrock.com/institutions/en-zz/insights/portfolio-design/turning-climate-risk-into-opportunity. **6** https://www.blackrock.com/us/individual/insights/blackrock-investment-institute/investing-in-climate-awareness. **7** https://www.blackrock.com/corporate/literature/whitepaper/bii-macro-perspectives-january-2022.pdf. **8** https://www.blackrock.com/institutions/en-zz/insights/portfolio-design/turning-climate-risk-into-opportunity. https://www.blackrock.com/corporate/literature/whitepaper/bii-portfolio-perspectives-february-2021.pdf. **9** Stranded assets are those that at some time prior to their anticipated useful life are no longer able to earn an economic return as a result of changes associated with the transition to a low-carbon economy; these asses are worth less than expected as result of changes associated with the energy transition. Stranded assets can include construction costs that may not be recouped; capital that has to be retired before being amortized; loss of premiums or loss of insurance coverage; unanticipated or premature write-downs; and oil and gas resources that are owned but are no longer profitable to extract.

Companies' preparedness to navigate the energy transition

Investors — our clients — must depend on company boards and executives to set and execute strategies that deliver long-term, durable financial performance. As one of many, and typically a minority shareholder, BlackRock is not in the position to dictate a company's strategy or its implementation. Our role, on behalf of our clients as long-term shareholders, is to better understand how company leadership is managing risks and capitalizing on opportunities to protect and advance the economic interests of shareholders.

As stated in our Global Principles, we look to companies to disclose their business plan for how they intend to deliver long-term financial performance through the energy transition, in the context of their business model, sector, and geography. Clear disclosures allow investors to assess how companies are adapting their business models to respond to different transition scenarios.

As investors, we understand that net zero pathways will not be linear or streamlined; energy markets and the macro-economic environment are complex and volatile, and there is a great deal of regulatory and geopolitical uncertainty.[1] In this context, we therefore rely on the board and management, who are best positioned to determine what approach will equip the company to navigate climate risks and pursue emerging opportunities.

Thorough company disclosures allow investors to track progress — whether positive or negative — and to understand what strategic changes may be undertaken to manage key risks, such as emissions reduction efforts.

Consistent, comparable data across companies in the market allows investors to better analyze companies and allocate capital. That is why we endorse disclosures aligned with the TCFD framework, as well as industry-specific metrics, such as those identified by the SASB. The four pillars of the TCFD — governance, strategy, risk management, and metrics and targets — allow companies to use a common vocabulary and disclose to investors standardized information, in both data and narrative form. While this is a voluntary, admittedly complex, and evolving reporting recommendation, we believe that companies that consider all aspects of the TCFD framework and provide suitable detail will be in a better position to maintain investor confidence and support.

Consistent with the TCFD, we look to companies to demonstrate how their business model aligns to scenarios that limit temperature rise to well below 2°C, moving toward net zero emissions by 2050.[2] We, and other investors, are better able to track progress and identify innovative leaders, when companies disclose scope 1 and 2 emissions, along with short-, medium-, and long-term[3] science-based reduction targets, where available for their sector.

Voting on our clients' behalf, when authorized to do so, is one of our core Stewardship responsibilities. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term financial interests. We aim to be a supportive, long-term focused shareholder who takes the context in which a company operates into consideration and makes voting decisions to advance our clients' interests. Climate-related voting decisions carefully assess companies' risk oversight and mitigation, alongside their disclosures detailing how climate risk and opportunity are integrated into their strategy and plans.

1 See BlackRock, February 2022, Managing the Net-Zero Transition: https://www.blackrock.com/corporate/literature/whitepaper/bii-managing-the-net-zero-transition-february-2022.pdf. **2** Throughout this publication, our reference to "net zero" refers to "net zero GHG" emission rather than "net zero carbon dioxide" emissions. We are aware that the goal for a net zero GHG economy is technically more ambitious than the current pathways outlined for a 1.5-degree scenario. However, our ambitious focus highlights the urgency of action in order to maintain the opportunity to achieve this goal. In scenarios limiting warming to 1.5 degrees C, carbon dioxide (CO2) needs to reach net-zero between 2044 and 2052, and total GHG emissions must reach net-zero between 2063 and 2068. Reaching net zero earlier in the range avoids a risk of temporarily overshooting 1.5 degrees C. https://www.wri.org/insights/net-zero-ghg-emissions-questions-answered. **3** BIS generally considers short-, medium-, and long-term targets to be a range of years, such as 0-5, 5-10, and 10+ years. Our goal is not to set finite timelines, but to understand how companies consider emissions reduction efforts over the years as they transition toward net zero. Consistent with guidance from TCFD, specifying exact timeframes across sectors could hinder organizations' consideration of climate-related risks and opportunities specific to their businesses. We encourage companies to decide how to define their own timeframes according to the life of their assets, the profile of the climate-related risks they face, and the sectors and geographies in which they operate.

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How we engage with companies on the energy transition

BIS regularly and methodically engages company executives, and, as appropriate, board directors. We have had multi-year engagements with many of the companies in which we invest on behalf of our clients, building a strong foundation for constructive dialogue on governance, climate risk, and other sustainability matters that can have an impact on long-term financial performance.

Engagement enables us to assess a company's approach to material drivers of business risk and opportunity, which in turn helps inform our voting. In our engagements, we also provide feedback from the perspective of a supportive, long-term shareholder on behalf of our clients. That said, we consistently maintain that executive leadership and the board, informed by feedback from investors and other stakeholders, are best positioned to determine the course of action that, in their view, is in the best economic interests of their company and investors.

Where companies seem unresponsive to investor concerns, expressed through engagement and/or voting, this may be reflected in reduced shareholder support for directors or, where investors have discretion, a decision to exit or reduce holdings.

We understand that the energy transition presents different challenges and potential rates of change for companies across sectors. Our focus is therefore on engaging with companies regarding how they are managing the transition—and how they are factoring it into their long-term business plans and emissions reduction targets.

As laid out in 2021, we have focused our efforts where the transition is likely to most materially impact a company's performance.

How we approached companies with the greatest exposure to climate change in 2021

There is growing recognition that climate risk and the energy transition are already transforming both the real economy and global finance. Regardless of business model, sector, size, or geography, companies are engaging with investors as they determine how demand for their goods and services may change, and how efforts to reduce emissions will affect durable financial performance.

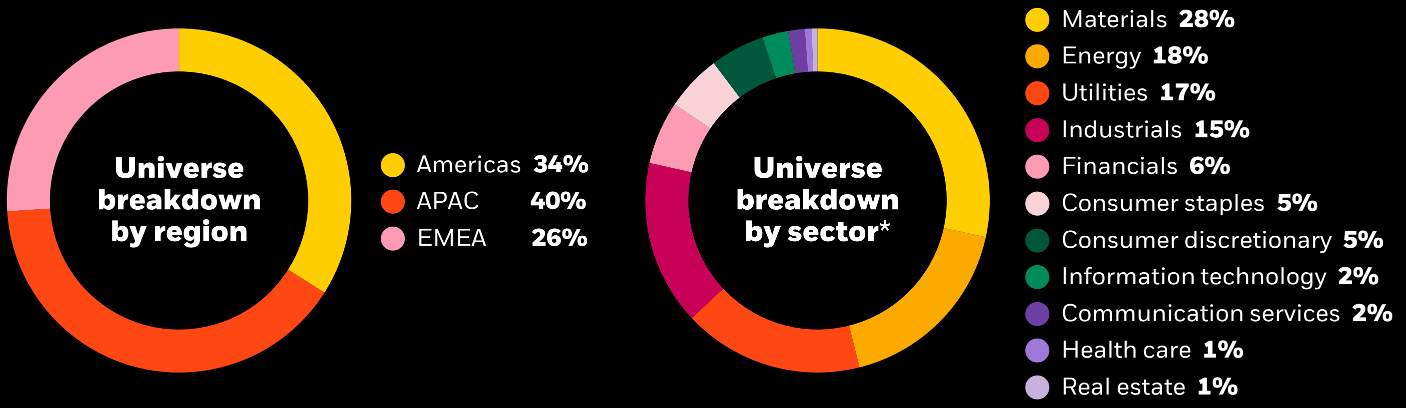
In 2020, we focused our climate-related engagement on 440 public companies that represented about 60% of the global scope 1 and scope 2 GHG emissions of the companies in which BlackRock invests on behalf of clients. Of those companies, we identified 244 as, at that time, not adequately assessing and addressing their exposure to and management of climate risk. We voiced concerns from a long-term investor perspective and, when authorized to do so, voted on behalf of our clients. We were encouraged that, by 2021, many of the 244 companies had made meaningful efforts to address investor feedback.

In 2021, we expanded our focus universe to over 1,000 carbon-intensive public companies that represent nearly 90% of the global scope 1 and 2 GHG emissions of the companies in which BlackRock invests on behalf of our clients. The list is developed from publicly available information and is intended to focus engagement efforts where the energy transition is likely to have the most material impact on a company.

The BIS climate universe includes many companies that are leaders in their sectors — they have defined climate risk strategies, rigorous GHG reduction targets, and are creating the technology and solutions that are vital for capitalizing on the transition. Others are at a much earlier stage in that journey.

Like many governance issues, the energy transition is long-term in nature and will continue over the coming years. For more information, please see the full list of companies included in our Climate Universe.

Our 2021 climate focus universe represented companies where climate change and other sustainability factors pose the greatest risk to our clients' investments.



Source: BlackRock, as of December 31, 2021. * Based on MSCI's GICS sector characterization.

2021 was a seminal year for many companies in advancing their efforts to address climate-related risks and opportunities. Companies across a wide range of carbon-intensive sectors were observed to be transforming their businesses and creating technologies and we are increasingly seeing sector-wide ambitions gain traction. Other companies remained at an earlier stage of their climate risk and opportunity management journey, and in 2021 we felt they could benefit from accelerated progress. For those companies, we amplified through engagement and voting our perspectives as a long-term investor seeking durable profits for our clients.

In 2021, BIS voted on behalf of clients to not support the election of 281 directors and not support management on ballot items at 341 companies for climate-related concerns.

At BlackRock, we expect to remain long-term investors in carbon-intensive sectors because these companies play crucial roles in the economy and an orderly energy transition. We have some clients who avoid such investments and others who take an alternative approach. Recognizing the range of preferences, we realize the careful balance between risk and opportunity is particularly important for traditional energy companies — those making investments in oil and gas, as well as those companies that largely rely on carbon-intensive fuels for their operations, including heavy industrials and utilities. For these companies we have sought to gain a good understanding of:

- How they are balancing short-term investment with a long-term outlook toward the energy transition, particularly where investments and capital allocation primarily increase dependence on hydrocarbons
- The positioning of their operating models under a low-carbon future scenario, including the companies expect to play in contributing to the reliable, affordable supply of energy

We recognize that companies cannot deliver the energy transition in isolation. A range of stakeholders, including policy makers and consumers, have a role to play to ensure a better equilibrium between supply and demand, given the global economy's current dependence on traditional energy sources and the parallel need to invest in cleaner energy alternatives and other technologies.

Through engagement, we have endeavored to understand the management and reporting of climate-related risks and ascertain how companies plan to harness opportunities emerging through the transition to a low-carbon economy. We believe that these efforts are a crucial component of meeting our fiduciary duty to our clients to act in their financial interests. It also supports our ability to help our clients meet their long-term financial goals.

The energy transition invites innovation

A heavy equipment company pioneering alternative technology

Cummins is a U.S.-based company that has been in the traditional diesel engine space since the 1920s. Cummins has recently expanded the company's portfolio to alternative engine technology, including electric. Most recently, with the purchase of Hydrogenics, Cummins expanded fuel cell and hydrogen production technologies. Over years of engaging with Cummins, BIS has seen the company emerge as an example for setting rigorous emissions reduction targets, considering sustainability factors in the company's strategy, and investing in technologies that advance the energy transition. This innovation and investment are supporting technology advancements that will increase the potential for the transportation industry, particularly trucking, to swiftly de-carbonize.

A global leader in cement production eyes opportunity in the energy transition

Taiwan Cement (TCC) is one of the top ten cement companies globally in terms of annual production, and a company that has demonstrated an industry-leading commitment to addressing climate-related risks and opportunities.[1] BIS has had multiyear engagements with TCC — including the Chairman and CEO.

BIS welcomes how management in a carbon-intensive industry such as this has evolved the company's strategy to align with a low-carbon future. TCC is implementing a combination of technology adoption and innovation, operational modifications, and natural capital investment (reforestation) to deliver on ambitious sustainability objectives, which include Science Based Targets (SBT) by 2025 and carbon neutrality by 2050.[2,3]

Acknowledging the company's commitment to rigorous targets that are underpinned by a clearly articulated strategy focused on a strong long-term value proposition for the company, BIS voted to support management on climate-related issues. That said, despite improvements, BIS voted to not support the election of two directors in 2021 due to concerns about attendance and overcommitment. While we have had some concerns about board composition at the company, we recognize recent efforts by TCC to address the issue and look forward to continued improvements that we believe will further strengthen the company's governance and support the execution of TCC's long-term strategy.

1 World's 10 Largest Cement Companies, As of March 2022. **2** Taiwan Cement Company "TCC Stands as a Pioneer in Carbon Neutrality by 2050." **3** Emissions reductions targets are considered "science-based" if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement — limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Source: Science Based Targets.

Case study

Constructive engagement in pursuit of long-term value creation at a utility company

Issue

AGL Energy Ltd. (AGL) is Australia's leading integrated essential services provider. The company "delivers 4.5 million gas, electricity, and telecommunications services to residential, small and large business, and wholesale customers across the country."[1] AGL operates Australia's largest electricity generation portfolio, representing approximately 20% of the total generation capacity within Australia's National Electricity Market. AGL is also Australia's largest carbon emitter, largely attributable to the company's coal-fired power station operations.[2]

In 2021, AGL announced plans "to undertake a demerger to create two leading energy businesses with separate listings on the Australian Securities Exchange (Accel Energy and AGL Australia)."[3]

BIS response

We have a long and constructive history of engagement with members of AGL's board and executive leadership team. During the past year, BIS focused many of our discussions with AGL on sustainability issues that we believe drive long-term shareholder value, including how the company is addressing climate-related risks and opportunities and the energy transition, as well as what role, if any, coal-fired operations might play in its portfolio over time.

Following AGL's announcement of the company's plan to undertake a demerger, BIS also engaged to seek a full understanding of how each company will integrate the management of climate-related risks and opportunities into their respective business models and how the board and management team will address labor implications — including potential employee redundancies — that may result from the demerger.[4]

At the 2021 AGM, BIS voted in support of the shareholder proposal requesting that AGL commit to scope 1, 2 and 3 emissions reduction, capex and remuneration targets for the proposed demerged companies (Accel Energy and AGL Australia) in line with the Paris Agreement. BIS supported this proposal as it is consistent with what we believe to be in the best long-term financial interests of our clients as investors in AGL. We viewed the proposal as not overly prescriptive nor unduly constraining on management's decision making and it was our view that it could help AGL further advance its commitments to transition away from coal-fired power over time. The proposal did not pass.[5]

Outcome

Since the 2021 AGM, BIS has continued to engage with AGL to maintain a dialogue about the company's energy transition roadmap prior to and following the demerger. This has included discussion of how the company will approach ensuring the current and future boards have the experience and skills necessary to be effective in their oversight of management's approach to the company's climate-related risks and opportunities.

Aligned with the ask of a shareholder proposal that passed in 2020, which BIS voted in support of, in February 2022, AGL announced it would accelerate the closure of two coal-fired facilities — Bayswater Power Station and Loy Yang A Power Station — by two and three years, respectively.

The company expects this will materially reduce emissions, relative to previously modelled expectations, from generation assets for the proposed Accel Energy business in the FY23 to FY50 time period.[4] The company also received in February an offer from Brookfield and Grok Ventures (the "Brookfield Consortium") to acquire 100% of the company and to de-list it from the Australian Exchange, following which the Consortium indicated that it would accelerate the de-carbonization plans of the company; this proposal has been rejected by the board. An additional higher offer by the Consortium was also rejected by the Board. BIS has been engaging with the Consortium as well as with the company to evaluate the de-listing proposal as well as management's proposed demerger plan to encourage continued consideration of the long-term climate and sustainability risk profiles and opportunities for AGL and the proposed new entities.

1 AGL Energy Ltd. "Who we are." Sourced March 15, 2022. **2** See footnote #122. **3** AGL Energy Ltd. "Notice of Annual General Meeting." 12 August 2021. Page 14. **4** On February 10th, 2022, AGL Energy announced AGL Australia and Accel Energy's new climate commitments, **5** AGL first announced the demerger plans on 30 March 2021 and confirmed them on 30 June 2021. Under the demerger proposal, AGL Energy will become Accel Energy, an electricity generation business focused on the accelerating energy transition. Accel Energy will demerge a new entity, AGL Australia Limited, a multi-product energy-led retailing and flexible energy trading, storage and supply business. AGL Australia will retain the AGL brand. See "ASX & Media Release – Confirmation of intention to demerge, announcement of dividend actions and affirmation of earnings guidance." 30 June 2021.

Case study

A base metals company in the UK leverages renewable power opportunity to reduce emissions

Issue

Central Asia Metals (CAML) is a London-based copper, zinc, and lead production and exploration company with operations in Kazakhstan and North Macedonia. Following regular engagements over the last few years — including in July 2021 with the Chairman, the Chair of the Sustainability Committee, and Investor Relations — the company reached out to BIS in September 2021 to discuss its recent announcement of an annualized 35% reduction in CAML's GHG emissions achieved through the completion of a renewable power deal at the Sasa mine with its North Macedonian power provider.[1] This is a particularly noteworthy arrangement as the North Macedonia energy mix remains heavily reliant on coal and oil.[2]

BIS has engaged with companies, including CAML, on environmental risks and opportunities for several years. In our engagements we have sought to understand how companies are mitigating climate-related risks, implementing plans to transition their business model to operate in a low-carbon economy, and integrating the management of broad sustainability-related risks and opportunities into business operations. In addition, we have looked for companies to increasingly consider their impact and dependence on natural capital as BIS believes the management of these factors can be a defining feature in certain companies' ability to generate long-term value for our clients as shareholders.

BIS response

BIS was encouraged to see CAML's recent GHG emissions reduction announcement. We believe this advancement of the company's environmental efforts builds on several initiatives CAML has undertaken in recent years to further integrate the management of sustainability-related risks and opportunities — including climate and natural capital risks — into its business operations. Such efforts included the addition of a sustainability expert to the board in 2019, the annual publication of sustainability reports that as of 2021 are prepared in accordance with the GRI standards, initiation of climate strategy work with the intention of alignment with the TCFD framework, and a recent commitment to report to the Global Industry Standard on Tailings Management (GISTM) within a three-year timeframe (2021-23).[3]

Outcome

Looking holistically at the engagements we have had with CAML over the last two years, and the progress we have observed in its sustainability-related activities and disclosures, we believe the company has continued to make a real and deliberate effort to improve the way it addresses and communicates the incorporation of ESG factors into its business operations. The company's 35% GHG emissions reduction announcement in 2021 was a clear reflection of this.

We welcome the company's commitment to enhance its reporting. We will continue to engage regularly with CAML to monitor its progress on these initiatives as we believe the company's continued efforts to manage and mitigate sustainability-related risks into its business operations will be integral to it delivering durable long-term profitability for our clients.

1 CAML. Results for the Six Months Ended 30 June 2021. **2** IEA North Macedonia country profile. **3** Global Industry Standard on Tailings Management: The International Council on Mining and Metals (ICMM), the United Nations Environment Programme (UNEP) and the Principles for Responsible Investment (PRI) co-convened the Global Tailings Review to establish an international standard for the safer management of tailings storage facilities.

Say on Climate

A noteworthy development across various markets in 2021 was proposals to approve a company's climate action plan, commonly referred to as say on climate. BIS voted on 34 say on climate proposals, of which 28 were put forward by company management.[1]

On average, proposals put forward by management received approximately 97% of shareholder support, while the 6 proposals put forward by shareholders received an average of 33% support.[2] In some cases, such as at Royal Dutch Shell and Union Pacific Corporation, proposals focused on putting companies' climate plans to a vote in the future. In other cases, such as at VINCI and TotalEnergies, shareholders voted to approve a company's current climate action plan.

In Australia at Woodside Petroleum, Santos Limited and Rio Tinto, shareholder proposals were ultimately withdrawn from agendas ahead of several annual meetings after companies agreed to put their climate plans to a vote themselves in the future. This reflects both the heightened focus that shareholders have on a company's approach to the transition to a low-carbon economy, as well as companies' understanding of the importance of this issue for shareholders.

BIS believes these types of proposals had merit at many of the companies at which they were submitted in 2021. As we do with all proposals, we evaluated each in the context of a company's existing practices.

For example, at VINCI and Moody's Corporation, we supported management's proposed "say on climate" because each company provided the type of clear roadmap towards its stated climate ambitions and targets that we believe is necessary to prepare for a low-carbon economy.

As companies choose to introduce say on climate plans, and as investors are increasingly interested in companies' management of climate risks and opportunities, more third-party research will be needed to support investors in assessing companies' climate action plans. BIS will continue to monitor the development of say on climate proposals, and we welcome ongoing progress regarding corporate climate policies, ambitions and targets to manage climate risk.

A focus on natural capital

As companies consider climate-related risks, it is likely that they will also assess their impact and dependence on natural capital, i.e., the supply of the world's natural resources from which economic value and benefits can be derived. Businesses which impact or depend on natural capital are expected to experience increased financial risks and opportunities as ecosystems come under stress. As a result, we view the careful management of natural capital as a core component of a resilient long-term corporate strategy for companies that rely on the benefits that nature provides, as discussed in our commentary, Our approach to engagement on natural capital. Because natural capital can create material risks for the companies we are invested in on behalf of clients, it is important to understand companies' approach to managing it for long-term durable profitability.

Case study

We engaged with Aviva plc ahead of its annual meeting to discuss various corporate governance and sustainability issues, including a management-proposed say on climate proposal. We provided feedback and reiterated our perspective that if management proposes a say on climate, it is helpful for the proposal to be clear about where accountability lies for the climate action plan, i.e., with the board and management. We supported the proposal at Aviva because it demonstrated clear policies and action plans to manage climate risk. In particular, Aviva reports in line with the TCFD framework and some of its targets are leading among large insurers

1 Proposals were either put forward by management or shareholders. **2** Excluding those missing vote tabulation disclosure.

While recognizing that natural capital is a complex issue and ecosystems are interconnected, for the purposes of our stewardship work, in 2021 we focused on three key areas — biodiversity, deforestation and water — which we believe can impact the long-term financial returns of some companies. As long-term investors, we look for companies to disclose how they have adopted or plan to incorporate business practices consistent with the sustainable use and management of natural capital, including resources such as clean air, water, land, minerals and forests. We are also interested to hear from companies how they contribute to biodiversity and ecosystem health and consider their broader impact on the communities in which they operate.[1]

Company disclosures help investors assess performance in relation to the many factors that contribute to value creation, including how relevant risks are identified, assessed, managed and mitigated, and how opportunities are harnessed. This information supports informed investment decision-making, including in relation to stewardship. While it has historically been difficult to assess the value of natural capital to companies as reporting methodologies were nascent, in our view, the forthcoming recommendations of the TNFD will be a valuable resource for companies in their reporting.[2]

Investors are increasingly seeking to understand how companies manage their dependencies and impacts on natural capital given the increasing fragility of the natural resources many depend on in their businesses. BIS will continue to engage with companies to better understand their approach to, and oversight of, the natural capital that underpins their long-term strategy.

In 2021, BIS engaged with companies to better understand their approach to their natural capital impacts and dependencies. We supported several relevant shareholder proposals addressing material natural capital risks that we believed a company could have better managed or reported on its approach.

At the U.S.-based Kroger Co. (Kroger), we supported a shareholder proposal which requested that the board issue "a report by December 2021 on plastic packaging, estimating the amount of plastics released to the environment by [Kroger's] use of plastic packaging, from the manufacture of plastic source materials, through disposal or recycling, and describing any company strategies or goals to reduce the use of plastic packaging to reduce these impacts."[3] Kroger, which operates retail establishments across the U.S. and is currently one of the largest grocery retailers in North America, has been notably responsive to stakeholders with respect to enhancing its sustainability efforts and disclosure, particularly in relation to recyclable and/or reusable packaging. For example, the company has committed to establishing 2030 goals for sustainable packaging and provided intentions to reduce the non-recyclable packaging for its "Our Brands" offerings. We acknowledged these efforts that the company has made to address its exposure to natural capital-related risks, however, at the time of the 2021 AGM it had yet to finalize the details of its 2030 strategy and lagged some of its peers that had made more robust commitments to reduce the overall use of plastic in both their operations and supply chain. As a result, we supported the shareholder proposal in an effort to further encourage Kroger's progress on improving its packaging and waste management.

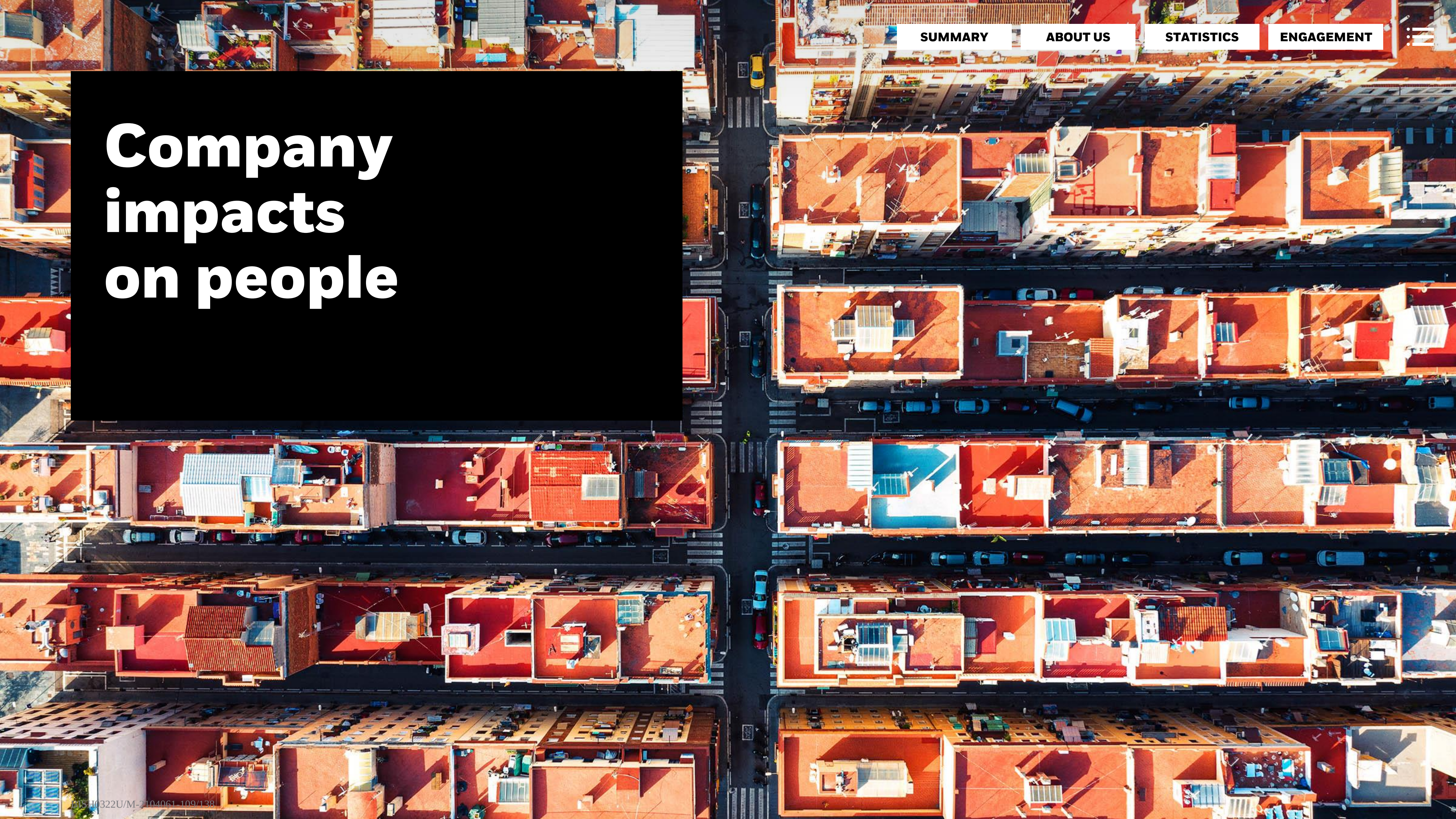
Climate and natural capital look ahead

Where companies adopt carbon offsets and/or nature-based solutions to advance carbon neutrality goals, we find disclosures detailing how these projects or offsets are evaluated and assessed for their permanence and additionality, as well as for leakage, to be beneficial.* This provides investors assurance that such investments achieve their stated purpose. We see carbon offsets as a complement to, not a replacement for, companies' substantive and sustained long-term emissions reductions plans. We look forward to the work of the TNFD to provide further guidance to companies on how they can best disclose their approach to managing and mitigating material risk associated with the natural capital on which their businesses depend.

* "Leakage" in reference to carbon offsets generally refers to an unintended increase in greenhouse gas emissions or the shifting of emissions from one place to another. For example, leakage may occur when a carbon offset project preserved forest in one area, only to increase logging somewhere else, thus mitigation the intended purpose of removing carbon via the offset.

1 Our Global Principles underscore our belief that in order to deliver value for shareholders, companies benefit from also considering their other key stakeholders. As described in our commentary on Our approach to engaging companies on their human rights impacts, we ask companies to implement processes to identify, manage and prevent adverse human rights impacts that are material to their business, and provide robust disclosures on these practices. **2** The Taskforce on Nature-related Financial Disclosures aims to deliver a risk management and disclosure framework for organizations to report and act on nature-related risks. See: https://tnfd.global/. **3** Kroger, "Notice of 2021 Annual Meeting and 2021 Proxy Statement", (page 65).

Company impacts on people



Engaging and voting on company impacts on people

As part of our fiduciary approach, BIS considers a range of factors that can affect the long-term financial performance of the companies in which we invest on behalf of clients. This approach includes engaging with companies on the potential impacts of their business operations and how they consider the interests of their key stakeholders — employees, suppliers, customers, and communities — in their decision-making.

As part of our fiduciary approach, BIS considers a range of factors that can affect the long-term financial performance of the companies in which we invest on behalf of clients.

In our experience, companies that build strong relationships with their stakeholders are more likely to meet their own strategic objectives, while poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks and jeopardize their long-term success.[1] This is why we appreciate when companies disclose how they consider the interests of their workforce in business decision-making and how they implement processes to identify, manage, and prevent adverse human rights impacts that could expose them to material risks.

While we have engaged with companies on stakeholder considerations for years, in early 2021 we updated our priorities to include a more holistic approach to our engagement on company impacts on people.

1,247

engagements*

BIS engages with companies to understand how they considering the interests of key stakeholders in their decision-making. We believe that companies focusing on these issues will enhance their ability to maximize long-term financial returns for our clients.

Source: BlackRock Investment Stewardship from January 1, 2021 to December 31, 2021. * Most engagement conversations cover multiple topics. Our statistics reflect the primary topic discussed during the meeting.

1 Other organizations have also shared their beliefs around stakeholder capitalism and the the role of companies in building more resilient societies. JUST Capital — and independent non-profit — "believes that businesses can and must be a greater force for good and that markets must be part of the solution." In 2019, the Business Roundtable — a network representing CEOs at U.S. leading companies — redefined their "statement on the purpose of a corporation," and outlined a modern standard for corporate responsibility. In their statement, the network recognized that each stakeholder is essential and announced a series of commitments to deliver value to all.

Companies have a role to play in advancing human capital development, which in turn can help foster a more prosperous and inclusive society. This can create a virtuous cycle that reinforces a company's reputation with its key stakeholders. For example, investing in efforts to build a strong local workforce in the community in which it operates may bolster economic growth, which in turn may have a positive effect on consumers. Furthermore, the COVID-19 pandemic deepened our conviction that human capital is one of a company's key drivers of long-term value creation. BIS also recognizes the fact that in a highly interconnected global economy, companies face increasing scrutiny regarding how they address human rights issues that may arise from their business practices.

Company impacts on people as an investment issue

Human capital can be defined as "the knowledge, skills and health that people invest in and accumulate throughout their lives, enabling them to realize their potential as productive members of society."[1] From a corporate perspective, human capital management (HCM) is the approach that companies take to harness these contributions.[2] This approach may vary across sectors and geographies, as well as over time, but is a factor in business continuity, innovation, and success for all companies.

Companies are faced with a labor market that is affected by a number of challenges, including demographic and technological shifts; workforce shortages; the prevalence of contract, freelance, and gig work; and economic and social inequalities; as well as early-stage efforts to navigate an orderly and just global energy transition. In this context, many companies and investors consider robust HCM to be a means through which to achieve a competitive advantage. Companies need to be able to attract, retain, and develop workers with the skills and expertise necessary to execute their long-term strategy and to deliver value creation. It is therefore important that companies explain as part of their corporate strategy how they establish themselves as an employer of choice for the workers on whom they depend and how they enable a diverse and engaged workforce aligned with and contributing to its purpose and corporate culture.[3]

Our clients depend on the long-term performance of the companies in which they are invested. It is our conviction that clients, as long-term shareholders, benefit when companies operate their businesses responsibly. Unmanaged potential or actual adverse human rights issues can not only harm the people directly affected, but also expose companies to significant legal, regulatory, operational, and reputational risks. Failure to address these risks can reverberate across a company's value chain, which may affect critical relationships with key stakeholders and impact shareholder value. We believe that having a better understanding of how companies manage these risks and encouraging the adoption of responsible business practices is important to our ability to steward our clients' assets.

The COVID-19 pandemic deepened our conviction that human capital is one of a company's key drivers of long-term value creation.

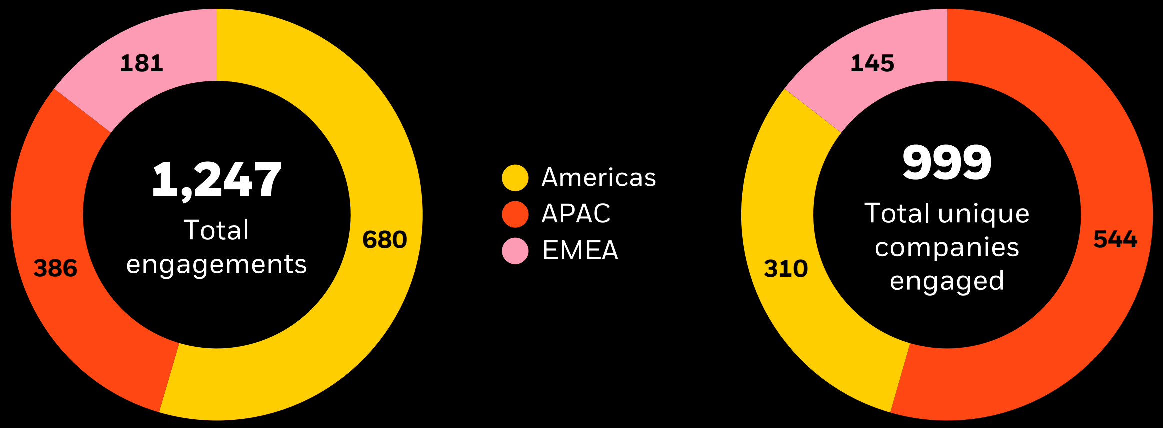
1 As defined by the World Bank's "Human Capital Project". More information about the Project is available at: https://www.worldbank.org/en/publication/human-capital/brief/abouthcp#:~:text=Human%20capital%20consists%20of%20the,societies%20by%20developing%20human%20capital.
2 Bernstein, Aaron and Beeferman, Larry. "Corporate Disclosure of Human Capital Metrics". Pensions and Capital Stewardship Project (2017). Labor and Worklife Program, Harvard Law School. Available at: https://lwp.law.harvard.edu/publications/corporate-disclosure-human-capital-metrics.
3 For additional insights, see BlackRock Investment Stewardship's "Approach to Engagement on Corporate Strategy, Purpose, and Financial resilience". Available at: https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-A strategy-purpose-financial-resilience.pdf.

How we engaged on company impacts on people in 2021

In 2021, we held 1,247 engagements to deepen our understanding of how companies are monitoring and managing their impacts on people. In our conversations, we continued to witness how companies are increasingly re-examining their roles in their communities and society at large. In the past year in particular, many companies announced increased commitments on diversity, equity and inclusion (DEI) targets, measures to support employees' childcare or mental health needs, or programs to facilitate work from home, among other initiatives to support their employees during a very difficult year. In other cases, companies made a concerted effort to support front line workers or increase hourly wages for their employees. The latter was the case at multinational companies such as The Kroger Company, Walmart Inc., and restaurant chain Brinker International, Inc.

Engagements

We view these engagements as valuable opportunities to share with companies BIS perspectives on the value of reporting how they are considering the interests of their workforce and addressing significant adverse impacts and/or unintended consequences that may arise. In addition to meeting workforce needs and expectations, we believe companies' performance is more resilient when they mitigate adverse impacts to people that could arise from their business practices, because it reduces their exposure to material risks and enhances stakeholder engagement.



Source: BlackRock Investment Stewardship from January 1, 2021 to December 31, 2021.

Spotlight

Our approach to engagement on human capital management (HCM)

In considering a company's approach to HCM, we focus on understanding the effectiveness of a company's board and management in supporting the needs and meeting the expectations of its workforce.

HCM was the topic of focus in 959 engagements globally. In our dialogue with companies, we aimed to understand how companies foster a diverse, equitable and inclusive workforce culture; enhance job quality and engagement; enable career development; promote positive labor relations, safe working conditions, and fair wages; and prioritize human rights.

In our view, a diverse and inclusive workforce contributes to a company's ability to innovate, adapt, and be attuned to the customers and communities they serve. We acknowledge demographic characteristics may vary by country, so we encourage companies to report this information in accordance with regional frameworks.

The relationship companies have with their employees has long been core to our engagement with companies in which our clients are invested. We have amplified these conversations in light of the recent redefinition of that relationship. Companies need to be able to attract, retain, and develop workers with the skills and expertise necessary to execute their long-term strategy and to deliver long-term value for our clients as investors. Over the last year we have continued to discuss with companies across markets and sectors how they establish themselves as an employer of choice for the workers on whom they depend, and how they enable a diverse and engaged workforce aligned with and contributing to its purpose and corporate culture.[1]

1 For additional insights, see BlackRock Investment Stewardship's "Approach to Engagement on Corporate Strategy, Purpose, and Financial resilience". Available here.

Systemic risks

The global pandemic was a systemic risk that shaped the operating environment for all companies over the last two years. Since early 2020, the global pandemic's ubiquitous effect on the current operating environment has placed it at the forefront of many of our engagement conversations with the companies in which our clients are invested. In 2021, we observed that the pandemic led to a redefinition in many markets of the relationship between a company, its employees, and society.

Spotlight

Our approach to engagement with companies on their human rights impacts

As defined by the United Nations, human rights are inherent to all human beings and include the right to life, health and well-being, privacy, fair wages, and decent working conditions; freedom from discrimination, slavery, and torture; and freedom of association.[1,2] Considerations regarding the role of business in upholding human rights have been an important topic for decades, culminating in the establishment of the UN Guiding Principles on Business and Human Rights (UNGPs) and the Organization for Economic Cooperation and Development's (OECD) global standards for promoting responsible business conduct.[3,4] Governments, corporations, and other stakeholders increasingly consider these frameworks as a basis for managing human rights issues related to corporate activities.

As part of our enhanced approach to company impacts on people, in 2021 BIS published a commentary outlining our approach to engagement with companies on their human rights impacts.

We are committed to engaging with companies on how they manage the human rights issues that are inherent in their businesses and monitor human rights practices on a best-efforts basis. As minority investors, we must rely on public information which may not capture every issue that could be relevant. While we engage with companies, and where appropriate may choose to not support management, we lack authority to direct companies to address weaknesses in their business practices. Rather, the responsibility for managing human rights issues — and all business practices — lies with boards and management of companies and the governments that regulate them.

Failure to address these risks can reverberate across a company's value chain, which may affect critical relationships with key stakeholders and impact shareholder value. Our clients depend on the long-term performance of the companies in which they are invested. We believe that having a better understanding of how companies manage these risks and encouraging the adoption of responsible business practices is important to our ability to steward our clients' assets.

We are committed to engaging with companies on how they manage the human rights issues that are inherent in their businesses and monitor human rights practices on a best-efforts basis. As minority investors, we must rely on public information which may not capture every issue that could be relevant. While we engage with companies, and where appropriate may choose to not support management, we lack authority to direct companies to address weaknesses in their business practices. Rather, the responsibility for managing human rights issues — and all business practices — lies with boards and management of companies and the governments that regulate them.

To learn more, please refer to our commentary, "Our approach to engagement with companies on their human rights impacts."

Read now >

1 United Nations. "Universal Declaration of Human Rights (UHDR)". **2** The Universal Declaration of Human Rights was adopted by the UN General Assembly in 1948. Since then, the core principles have been reiterated in various international human rights conventions and treaties. Today, all UN member states have ratified at least one of the nine core international human rights treaties on behalf of their governments, and 80% have ratified four or more. More information is available at https://www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm. **3** United Nations. "Guiding Principles on Business and Human Rights". **4** Originally adopted in 1976, the OECD Guidelines for Multinational Enterprises were most recently updated in 2011. In 2017, the OECD published guidance for institutional investors on how they can monitor companies' business practices, which are available at: https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf.

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Systemic risks

Data privacy and security is a more nascent risk but one that is growing in importance. The advancement of digital technology has increased interactions between companies and stakeholders, but with that has come increased risks associated with data privacy and security. These risks can be both idiosyncratic, e.g., the implications on individuals' personal information as a result of a data privacy breach limited to a single company, and systemic, e.g. the impact of a cybersecurity incident with ripple effects through the broader financial system.

As an issue that manifests across sectors, BIS is increasingly discussing data privacy and security with the companies in which BlackRock is invested on behalf of clients. We consider this issue in the context of a company's industry and market, as well as government policy. We recognize how advancing technologies are creating a rapidly evolving landscape and appreciate when companies are able to explain how they are prepared to best navigate these developments.

In 2021, BIS engaged with companies on their data privacy standard operating procedures, policies, and guidelines, that govern the collection, use, disclosure, transfer, storage, and retention of their customers' personal information. We also looked to gain an understanding of board oversight and its capacity to assess management's approach to these issues. Additionally, BIS has appreciated hearing from companies about their data security protocols, specifically how these may serve to build information security resilience.

We also found it helpful to understand the compliance, training and awareness, monitoring, and incident response planning across companies' applications, networks, and overall system security that supports adherence to those protocols. We believe it is helpful for companies to disclose how they integrate and evolve oversight and management of this increasingly important risk to their business models. That said, we recognize the sensitivity of disclosing too much information that could in turn undermine a company's security efforts.

Our approach to engagement on companies and their human rights impacts across regions

BIS recognizes that exposure to human rights-related risks will vary by company, industry, and geographic location, and that no single governance model or approach is universally appropriate for how companies address human rights issues. We leverage our regional presence and local expertise to inform our engagement on human rights, considering both international and local market standards, regulations, and context.

Case study

Malaysia-based Top Glove

At the January 2021 AGM of the Malaysia-based Top Glove — the world's largest rubber gloves manufacturer — BIS did not support the re-election of six Independent Non-Executive Directors (INEDs). BIS also did not support a proposal for the Senior Independent Director to continue as an INED.

Given the company's role as a leading Personal Protective Equipment manufacturer and as a supplier of such equipment to hospitals around the world, BIS viewed the company's ineffectiveness in implementing COVID-19 protections for its own workforce as especially concerning. Prior to COVID-19, Top Glove had already faced serious financial and reputational impacts, after the U.S. Customs and Border Protection (CBP) determined that there was reasonable evidence of forced labor at Top Glove's manufacturing facilities.

Following the 2021 AGM, Top Glove was proactive in engaging with various stakeholders, including BIS. The company provided regular updates of the measures it adopted to address the various worker health and safety issues as well as labor rights concerns. On September 9, 2021, the U.S. CBP announced the modification of the forced labor finding on Top Glove. The U.S. CBP communicated it had reviewed the evidence provided by Top Glove and determined that the company had addressed all indicators of forced labor identified at its Malaysian manufacturing facilities.

BIS acknowledged the progress demonstrated by the company and will continue to monitor the various measures aimed at improving labor conditions in its facilities and across its operations.

Read more about this case in our Vote Bulletin.

Read now >

Case study

Canada and U.S.-based Thomson Reuters

At the June 2021 AGM, Thomson Reuters — the business information services company — put to a vote a shareholder proposal asking the company to broadly assess human rights risk and compare its human rights risk mitigation practices to its peers. The shareholder proposal made specific reference to Thomson Reuters' announced change in strategy to become a content-driven technology company .[1]

In advance of the AGM, BIS engaged with Thomson Reuters to gain a further understanding of their policies around board oversight and human rights risk in light of their new business focus. Technology companies are playing an increasingly important role in both the global economy and society. With that influence comes increased responsibility to consider how the use of personal data is integrated into a company's strategy, and how this information is protected.

While Thomson Reuters was able to detail some efforts to integrate additional oversight, which included the adoption of the "AI Principles" in 2020, BIS determined that more progress in this area would be beneficial to the company as it looks to reposition itself strategically. BIS voted in support of the shareholder proposal as we believed the company could accelerate the implementation of policies to help mitigate future legal, operational, and reputational risk and support long-term shareholder value. The shareholder proposal received 18.8% shareholder support.

1 Thomson Reuters. "Transitioning to a Content-Driven Technology Company." March 16, 2021.

Voting on behalf of clients to signal concern about company impacts on people

Where a company's practices do not appear aligned with long-term shareholders' interests or disclosures provide insufficient clarity on the board and management's effectiveness in addressing HCM issues, we may choose not to support the re-election of directors responsible for these decisions. We may also express our concern through support for shareholder proposals that address business-relevant human capital risks. Similarly, when a company's business operations or practices have resulted in adverse impacts or outcomes that may materially impair a company's ability to operate, we may reflect our concerns in our voting on behalf of clients.

In 2021, BIS did not support a number of director re-elections due to concerns about social issues at select companies, including at Skechers U.S.A, Inc. in the Americas, boohoo in the UK, and Top Glove in APAC.

Case study

Engaging and voting at a UK online clothing retailer

Issue

During 2020, BIS had multiple engagements with Boohoo Group, a UK online clothing retailer. This culminated in BIS actively participating in a collective engagement with other investors in the fourth quarter of 2020 to discuss various issues, the most visible of these being allegations of worker exploitation in the company's UK supply chain. The severity of that issue had prompted the board to commission an independent third-party review of the company's practices.

BIS' earlier bilateral engagements, both before and after the company's 2020 AGM, had been with the Senior Independent Director to discuss broader concerns we had with governance and related issues including board independence and effectiveness. During the collective engagement, we emphasized again the need for the company to do more to demonstrate a commitment to strong governance. In particular, we were seeking visibility on a program of improvements to business practices that the company was embarking on following the independent review, and for these improvements to be supported by material enhancements to the company's approach to governance.

The collective nature of the engagement was, in our view, important for escalating the concerns raised by shareholders on expectations of change. In this instance, as in all cases when BIS participates in collective engagement, BIS will make our own assessment of the company's progress and will make our voting decision independent of any other participant in the engagement.

BIS response

Going into 2021, we observed the company taking important steps in response to this feedback, including the appointment of a new independent director to chair the audit committee and a senior retired judge to oversee the implementation of the improvement program. However, the extent to which the company would voluntarily adopt more rigorous corporate governance standards, in general, remained uncertain. This raised questions about the company's commitment to greater accountability.

As a result, at the June 2021 AGM, BIS did not support the re-election of the co-founder and former co-CEO who serves on the board as an executive director. In general, when assessing how best to vote on behalf of our clients regarding the re-election of directors, we would limit our considerations to non-executive directors whom we consider the primary actors accountable to shareholders. In this case, however, the company is listed on the Alternative Investment Market (AIM) segment of the London Stock Exchange and has chosen not to comply voluntarily with the UK Corporate Governance Code. As a result, it does not put all directors up for re-election annually. In 2021 the only non-executive directors on the ballot were those appointed after the supply chain issues came to light.

Outcome

This vote reflected our view that there needed to be accountability at the board level for the poor oversight and practices that resulted in supply chain controversies and related value destruction.[1] We also considered the change in board membership consistent with the demonstrable governance change necessary to support the company's remediation steps at the heart of the company's Agenda for Change program.[2] BIS will continue to engage with the company to monitor progress on these issues, as well as the company's efforts to enhance their governance structure.

1 "Independent Review into the boohoo Group PLC's Leicester supply chain." September 24, 2020. **2** boohoo group. "An agenda for change in UK garment manufacturing."

Voting on social-related shareholder proposals

We may also express concern about a company's impact on people through voting for shareholder proposals that address business-relevant social risks and opportunities. These may encourage a company to accelerate its efforts to address key risks such as DEI issues at the workforce level, forced labor risks at the supplier level, or human rights controversies impacting communities, among others. In 2021, BIS supported 39 out of 101 social-related shareholder proposals.[1]

As we do with all shareholder proposals, we evaluated each in the context of a company's existing practices and disclosures. As a long-term investor on behalf of our clients, we grounded our final decision on achieving the outcomes we assessed to be most aligned with our clients' long-term economic interests.

Most social-related shareholder proposals were filed in the U.S. where expectations of companies on social issues, such as DEI, have increased. Many of these proposals requested companies conduct racial equity audits, better report the actions that they are taking to advance DEI efforts or disclose EEO-1 Component 1 data.[1]

In line with our approach to shareholder proposals, where we agreed with the intent of the proposal addressing a material business risk, and if we determined that management could do better in managing and disclosing that risk, we supported the proposal. We may have also supported a proposal if management was on track, but we believed that voting in favor might accelerate their progress. There were instances in which, while we agreed with the spirit of the proposals put forward and the urgency of the underlying concerns, we did not support the proposals because we determined them to be overly prescriptive or a constraint on the basic decision-making discretion of management.

1 Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. **2** The EEO-1 Component 1 report is a mandatory annual data collection that requires all U.S. private sector employers with 100 or more employees, and federal contractors with 50 or more employees meeting certain criteria, to submit demographic workforce data, including data by race/ethnicity, sex and job categories. See "EEO-1 Data Collection."

DEI-related efforts to generate sustainable long-term value across markets

The demonstrations against racial inequality that took place in the U.S. following the death of George Floyd underscored the shift in awareness of the role that companies play in advancing more equal and inclusive societies, and the increased expectations and scrutiny of their stakeholders. Companies in the U.S. and elsewhere around the world announced commitments to make additional efforts to advance social and racial equity in areas that were in their control, most notably within their workforces and surrounding communities. These included plans to hire and promote into leadership roles more women and people of color, as well as efforts to increase support for minority-owned businesses.

To name one example, in 2020 the Business Roundtable — a network representing CEOs at U.S. leading companies — established a Special Committee to identify meaningful steps member companies can take to advance racial equity and justice focused on employment, finance, education, health, housing, and the justice system. Recognizing that there is more progress to be made to "close the racial wealth and address other inequities faced by communities of color," the Business Roundtable reported on milestones achieved one year after launching the initiative.

For example, more member companies are voluntarily disclosing key diversity metrics on at least an annual basis. As a long-term investor, we welcome increased transparency as it is helpful to investors' understanding when companies provide details of any relevant goals and targets so they can measure progress.

BIS believes that diversity of perspective and thought — in the board room, in the management team and throughout the company — leads to better long term economic outcomes for companies. Academic research already reveals correlations between specific dimensions of diversity and effects on decision-making processes and outcomes. In our experience, greater diversity in the board room contributes to more robust discussions and more innovative and resilient decisions. Over time, greater diversity in the board room can also promote greater diversity and resilience in the leadership team, and the workforce more broadly. That diversity can enable companies to develop businesses that more closely reflect and resonate with the customers and communities they serve.

1 The Business Roundtable. "Racial Equity and Justice Initiative – Year One Update." November 2021. **2** For example, the role of gender diversity on team cohesion and participative communication is explored by: Post, C., 2015, "When is female leadership an advantage? Coordination requirements, team cohesion, and team interaction norms." Journal of Organizational Behavior, 36, 1153-1175.

As an issue that manifests differently in different regional contexts, we approach DEI issues considering the industry-and market-specific context:

In the UK

As investors we welcome it when companies adopt the recommendations of the Parker and Hampton Alexander reviews to ensure there is appropriate diversity at board level and beyond. In our consideration of the Lloyds Banking Group plc efforts to increase gender and ethnic diversity, we found that the company has achieved the Hampton Alexander goals of 33% female representation at both the board level and the executive committee level, including direct reports. The board has also met the recommendation of the Parker Review that by the end of 2021 at least one board member be of Black, Asian or Minority Ethnic background. In addition, the company's "Helping Britain Recover" plan continues its efforts to advance diversity by setting enhanced ambitions to achieve 50% women, 3% Black, and 13% Black, Asian and Minority Ethnic representation in senior roles by 2025. This is the first FTSE 100 company to set a public goal aiming specifically at increasing Black representation in senior roles. The company's increased efforts to build a more inclusive organization — starting at the top — was an important factor in our support for all directors at the company's 2021 AGM.

In the U.S.

We find it useful when companies disclose the diversity of their workforce, including demographics such as race, gender, and ethnicity in line with the Equal Employment Opportunity Commission's EEO-1 Survey. During the first half of 2021, we supported shareholder proposals at Charter Communications, Union Pacific Corporation, and Dupont requesting each company adopt a policy to annually disclose EEO-1 data. After assessing each company's current disclosures, we determined that the publication of EEO-1 data would allow investors to track progress as each company works towards its stated DEI-focused goals.

In Latin America

We look to companies to disclose the steps they are taking to advance DEI, in the context of job categories and workforce demographics. We also appreciate when companies include forward-looking metrics around their DEI-related initiatives. We believe that clear and consistent disclosures on these matters are critical for investors to form a comprehensive understanding of a company's human capital management practices.

In our engagements with companies, it is useful to us as investors when they walk us through their HCM initiatives and disclosures, equipped with data and details of any relevant goals and targets that will demonstrate progress over time. In Brazil, we engaged with several companies to discuss our perspectives on human capital management and to provide feedback, on behalf of our clients as long-term investors, regarding potential gaps in their disclosures.
For example, we engaged with members of the management team at Grupo Fleury, a medical diagnostic services company. The company's disclosures include details on their workforce composition by race and gender, as well as a number of programs to train and educate employees, among other HCM initiatives. BIS highlighted in our engagement areas for improvement and shared that clear and consistent reporting on HCM matters is critical for investors to gain an informed understanding of a company's HCM practices.
We also shared that we consider the SASB materiality framework to be a helpful tool for companies looking to enhance their disclosures on industry-specific human capital metrics. Grupo Fleury was receptive to our feedback and agreed to continued engagement — including with members of the board — to follow progress as the company looks to enhance its disclosures in 2022.

Spotlight

A look into companies' approaches to customers and communities as key stakeholders

We believe it is important that boards and management teams consider key stakeholders' interests in their decision-making. Those stakeholders may include employees and suppliers, as well as customers and the communities in which companies operate:

Customers

At its 2021 AGM, the Coca-Cola Company had a shareholder proposal requesting the board of directors issue a report on sugar and public health. The proposal — which was also filed at the 2020 and 2019 AGMs — received 9.3% support. BIS did not support this proposal because the company has been increasingly reporting on its sugar and calorie reduction efforts globally. In fact, Public Health England's October 2020 Sugar Reduction report found that Coca-Cola Great Britain exceeded the government's target of 20% added sugar reduction with a 24% reduction for sparkling beverages, as well as reductions in the juice and milk-based categories, where more than 50% of the company's portfolio currently meets the government guidelines. The company's progress on its sugar and calorie reduction targets is well documented in its 2020 Business & Environmental, Social, and Governance report, released in April 2021.[1]

Communities

In 2021, BIS voted to support boards that had demonstrated effective leadership and oversight or notable progress. For example, BIS had numerous engagements with Vale, in large part to discuss remediation following the Brumadinho disaster.[2] BIS met with Vale 12 times throughout the course of the year.

The 2019 dam collapse in Brumadinho is considered one of the deadliest industrial disasters in the world, in which approximately 270 employees and community members lost their lives.[3] It also caused significant environmental damage. In January 2020, 11 high-level executives at Vale — including the former CEO Fabio Schvartsman — were charged with homicide and environmental crimes.[4] Beyond engaging on developments directly related to the Brumadinho disaster, BIS focused discussions on board effectiveness and sustainability matters. We shared our views on the importance of board quality — including composition, diversity, and independence — and the role of the board in overseeing corporate strategy and culture. While Vale's work to regain stakeholder trust and to ameliorate the effects of the disaster on impacted communities is far from over, BIS voted for all management items at the company's 2021 annual and special shareholder meetings because the company has enacted necessary changes at the board level, which led to significant improvements in board composition, diversity, and independence. These changes are consistent with generating long-term shareholder value. Please see our Vote Bulletin for more detail.

1 The Coca-Cola Company. "Refresh the World. Make a Difference. 2020 Business & Environmental, Social, and Governance Report." 20 April 2021. **2** Vale, "Repair and development: Frequently asked questions." **3** Davis, S., and Guerra, S. "Crisis-Resilient Boards: Lessons from Vale." Harvard Law School Forum on Corporate Governance. 23 February 2021. **4** It was also reported by Brazilian media that a court has ordered Vale to pay $1M BRL for each employee who died in Brumadinho. 10 June 2021.

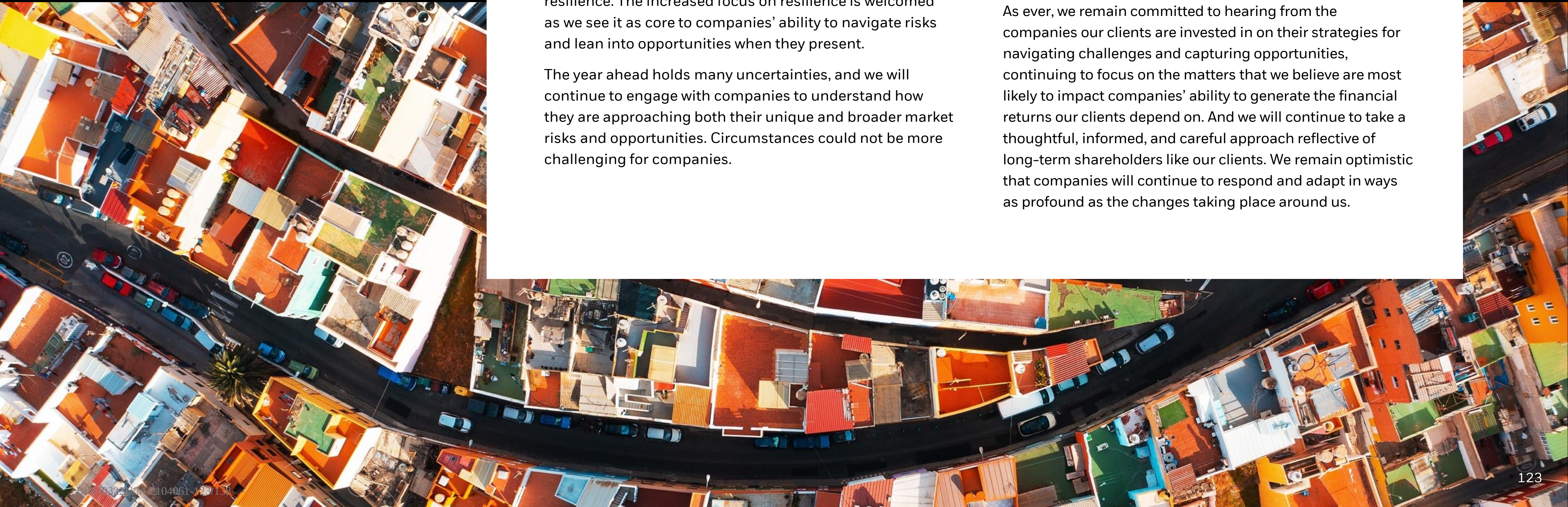
Parting thoughts

We have been encouraged by companies' responses to the turbulent events of the last two years, as well as the coordinated efforts emerging among companies, governing bodies, and investors to accelerate progress on many critical systemic risks. We noted in our discussions with some companies that there has been a shift in mindset from a singular focus on efficiency to a focus on the appropriate balance between efficiency and resilience. The increased focus on resilience is welcomed as we see it as core to companies' ability to navigate risks and lean into opportunities when they present.

The year ahead holds many uncertainties, and we will continue to engage with companies to understand how they are approaching both their unique and broader market risks and opportunities. Circumstances could not be more challenging for companies.

After two years, post-Covid normalization of both economies and individuals' personal lives remains elusive. And the tragic events in Ukraine have not only called into question decades of relative peace in Europe, but also shaken global energy security and created significant energy price volatility. The unstable and uncertain macro-economic environment will continue to impact companies' planning, operations and decision-making.

As ever, we remain committed to hearing from the companies our clients are invested in on their strategies for navigating challenges and capturing opportunities, continuing to focus on the matters that we believe are most likely to impact companies' ability to generate the financial returns our clients depend on. And we will continue to take a thoughtful, informed, and careful approach reflective of long-term shareholders like our clients. We remain optimistic that companies will continue to respond and adapt in ways as profound as the changes taking place around us.



Appendix

Appendix I – Voting statistics

January 1, 2021 through December 31, 2021		Americas	EMEA	APAC ex Japan	Japan	Global total	Global ex Japan
Management proposals							
Director elections[1]	support	25,358	9,606	5,607	16,919	**57,490**	40,571
	not support*	2,531	1,859	944	1,072	**6,406**	5,334
	abstain	5	128	0	8	**141**	133
Director-related[2]	support	1,521	7,591	7,172	1,754	**18,038**	16,284
	not support*	196	1,422	803	188	**2,609**	2,421
	abstain	817	910	9	0	**1,736**	1,736
Compensation[3]	support	4,536	3,678	2,385	1,043	**11,642**	10,599
	not support*	492	1,581	719	149	**2,941**	2,792
	abstain	1	22	0	0	**23**	23
Capitalization	support	845	5,245	6,113	71	**12,274**	12,203
	not support*	130	455	1,230	7	**1,822**	1,815
	abstain	0	3	7	0	**10**	10
Reorganization and mergers	support	650	1,058	4,297	629	**6,634**	6,005
	not support*	31	78	1,102	65	**1,276**	1,211
	abstain	1	10	0	0	**11**	11
Anti-takeover related	support	547	457	39	4	**1,047**	1,043
	not support*	128	27	0	56	**211**	155
	abstain	0	0	0	0	**0**	0
Social	support	1	0	0	0	**1**	1
	not support*	21	0	0	0	**21**	21
	abstain	0	0	0	0	**0**	0
Say-on-climate	support	3	23	1	0	**27**	27
	not support*	0	0	0	0	**0**	0
	abstain	0	0	0	0	**0**	0
Routine business / Miscellaneous	support	6,638	12,825	12,475	1,551	**33,489**	31,938
	not support*	234	158	583	6	**981**	975
	abstain	365	521	0	0	**886**	886
Preferred / Bondholder	support	2	151	0	0	**153**	153
	not support*	13	284	0	0	**297**	297
	abstain	4	0	0	0	**4**	4

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. Sourced on January 31, 2022. **Note:** The appendix separates management proposals voted in the Japanese market. By separating these proposals, we believe we can show a better comparison of our voting activities on behalf of clients across markets. ***** Includes votes against and withheld. **1** Elect directors/supervisors & contested elections. **2** Includes discharge of directors, committee appointments, bundled elections and election of directors to specific board positions. **3** Includes Say-on-Pay proposals, Approve Remuneration Policy, and Equity Plans.

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		Americas	EMEA	APAC ex Japan	Japan	Global total	Global ex Japan
ESG Shareholder proposals							
Environmental	support	22	13	9	0	**44**	44
	not support*	13	11	14	47	**85**	38
	abstain	0	1	0	0	**1**	1
Social	support	35	3	0	0	**38**	38
	not support*	39	2	0	1	**42**	41
	abstain	0	0	0	0	**0**	0
Governance	support	92	76	27	11	**206**	195
	not support*	281	119	44	104	**548**	444
	abstain	4	2	0	0	**6**	6

		Americas	EMEA	APAC ex Japan	Japan	Global total	Global ex Japan
Other Shareholder proposals							
Director elections[1]	support	15	6	2	0	**23**	23
	not support*	1	0	15	19	**35**	16
	abstain	0	0	0	0	**0**	0
Director-related[2]	support	82	300	1,247	1	**1,630**	1,629
	not support*	6	200	85	6	**297**	291
	abstain	48	8	0	0	**56**	56
Other[3]	support	0	137	316	0	**453**	453
	not support*	0	27	102	0	**129**	129
	abstain	0	0	0	0	**0**	0

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. Sourced on January 31, 2022. **Note:** The appendix separates shareholder proposals voted in the Japanese market, where numerous legally binding proposals are filed every year due to the low filing threshold. Japanese law allows proxy access for essentially any proposal and the threshold to file a legally binding shareholder proposal is relatively low, at 1% of outstanding shares or 300 trading-units, held for over six months. By separating these proposals, we believe we can show a better comparison of our voting activities on behalf of clients across markets. ***** Includes votes against and withheld. **1** Shareholder proposed election of directors/supervisors & contested elections. **2** Includes discharge of directors, committee appointments, bundled elections and election of directors to specific board positions. For more information please see Appendix II. **3** Includes a number of shareholder originated proposals that fall outside the categories that most shareholders would view as ESG proposals and are generally procedural in nature. There are a substantial number of shareholder proposals in Greater China relative to other markets. For more information please see Appendix II.

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Appendix II – Proposal terminology explained

Management proposals

Anti-takeover and Related Proposals — proposals concerning shareholder rights, the adoption of “poison pills,” and thresholds for approval, among others.

Capitalization — generally involves authorizations for stock issuances, private placements, stock splits, and conversions of securities.

Election of Directors (MGMT) — a category of management originated proposals which includes the election of directors and the discharge of directors or boards.

Director-related Proposals (MGMT) – a category of management originated, director-related proposals, excluding director elections such as supervisory board matters, declassification of boards, implementation of majority voting, among others.

Mergers, Acquisitions, and Reorganizations — involves significant transactions requiring shareholder approval like spin-offs and asset sales, as well as changes to company jurisdiction or structure.

Routine Business — covers formal approvals of reports, name changes, and technical bylaws, among many others.

Shareholder proposals

Governance — generally involves key corporate governance matters affecting shareholder rights including governance mechanisms and related article/bylaw amendments, as well as proposals on compensation, and corporate political activities and related disclosures.

Environmental — covers shareholder originated proposals relating to reports on climate risk, energy efficiency, recycling, community environmental impacts, and environmental policies.

Social — includes shareholder originated proposals relating to a range of social issues such as reports on pay

Election of Directors (SH) — a category of shareholder originated proposals which includes the election of directors on a dissident shareholder’s slate.

Director-related Proposals (SH) — a category of shareholder originated director-related proposals, excluding director elections such as supervisory board matters, declassification of boards, implementation of majority voting, among others, disparity, requests for enhanced anti-bias policies, or reports on human rights policies. A substantial number of these shareholder proposals are in Greater China relative to other markets. This is due to the China Securities Regulatory Commission (CSRC) requiring companies that have a foreign listing to submit their proposals 45 days prior to the meeting (which applies to all Chinese companies that have an A-share listing in China together with H-shares listed in Hong Kong). This is due to the China Securities Regulatory Commission (CSRC) requiring companies that have a foreign listing to submit their proposals 45 days prior to the meeting (which applies to all Chinese companies that have an A-share listing in China together with H-shares listed in Hong Kong). However, the CSRC allows shareholder proposals for these companies to be included up to 10 days prior to the meeting. The result is that many shareholder proposals are submitted by controlling shareholders and are, in effect, late agenda items from management.

Other — includes a number of shareholder originated proposals that fall outside the categories that most shareholders would view as ESG proposals and are generally procedural in nature. A substantial number of these shareholder proposals in Greater China relative to other markets. This is due to the China Securities Regulatory Commission (CSRC) requiring companies that have a foreign listing to submit their proposals 45 days prior to the meeting (which applies to all Chinese companies that have an A-share listing in China together with H-shares listed in Hong Kong). However, the CSRC allows shareholder proposals for these companies to be included up to 10 days prior to the meeting. The result is that many shareholder proposals are submitted by controlling shareholders and are, in effect, late agenda items from management.

Appendix III – Industry affiliations and memberships

Industry affiliations and memberships provide a means to share our views on a variety of corporate governance topics, reflect the global perspective and the local expertise of the BIS team, and listen to the views of our peers.

Global

Broad-based initiatives

- CECP's Strategic Investor Initiative (2017)
- Chief Executives for Corporate Purpose (2021)
- Global Impact Investing Network (GIIN) (2020)
- Financial Stability Board (2013)
- International Integrated Reporting Council (IIRC) (2011)
- IFC Operating Principles for Impact Management (2020)
- International Capital Markets Association – AMIC Sustainable Finance Working Group and Green Subcommittee of the Board (2019)
- Sustainability Accounting Standards Board (SASB), SASB Investor Advisory Group, SASB Standards Advisory Group, SASB Alliance (2011)
- Transition Pathway Initiative (TPI) (2021)
- UN Principles for Responsible Investing (PRI) (2008)
- 30% Club Investor Group (2011 in the UK; 2014 in the U.S.; 2015 in Australia; 2019 in Brazil; 2020 in Japan)

Environmental

- CDP (formerly Carbon Disclosure Project) (2007)
- Climate Action 100+ (2020)
- Climate Bonds Initiative (CBI) (2015)
- Climate Bonds Initiative (CBI) Working Group – Transition Investor Advisory Council (2021)
- Ellen MacArthur Foundation (2019)
- Global Canopy (2021)
- Green Bond Principles (GBP) (2015)
- Global Real Estate Sustainability Network (GRESB) (2011)
- NZAM – Net Zero Asset Managers Initiative (2021)
- One Planet Asset Managers Initiative (2019)
- Science Based Targets Initiative Expert Advisory Group (2021)
- TCFD – Task Force on Climate-related Financial Disclosures (2017)
- TNFD – Taskforce on Nature-related Financial Disclosures (2021)
- Taskforce on Scaling Voluntary Carbon Markets (2020)
- Terra Carta (2021)
- Vatican Energy Transition and Care for Our Common Home (2019)
- World Economic Forum's Future of Energy Council (2016)

Governance

- International Corporate Governance Network (ICGN) (2008)
- UN Global Compact (2020)

Americas

Broad-based initiatives	Environmental	Governance
• Business Roundtable (2010) • Defined Contribution Institutional Investment Association – ESG Subcommittee (2018) • Harvard Law School Institutional Investor Forum (2013) • Intentional Endowments Network (IEN) (2016)	• American Council on Renewable Energy (2013) • American Wind Energy Association (2016) • Ceres Investor Network on Climate Risk and Sustainability (2008) • Consejo Consultivo de Finanzas Verdes (2020)	• Broadridge Independent Steering Committee (1999) • Council of Institutional Investors (2006) • Canadian Coalition for Good Governance (CCGG) (2005) • CCGG – Investment Stewardship Principles (2020) • Investor Stewardship Group (2017)

APAC

Broad-based initiatives	Environmental	Governance
• Asia Securities Industry and Financial Markets Association (ASIFMA) (2013) • Financial Services Council Australia (FSC) (2009) • Hong Kong Investment Fund Association (2007) • Japan Investment Advisers Association (1988) • Keidanren, Japan Business Federation (2010) • Responsible Investment Association Australasia (2011) • Taiwan Stock Exchange Stewardship Code (2020) • The Investment Trusts Association of Japan (1988) • Public Shareholders Group (SFC) (2015)	• Asian Investor Group on Climate Change (2016) • Hong Kong Green Finance Association – ESG Disclosure and Integration Working Group (2018) • Investor Group on Climate Change Australia / New Zealand (2009)	• Asian Corporate Governance Association (2011)

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EMEA

Broad-based initiatives	Environmental	Governance
• Association for Financial Markets in Europe – Sustainable Finance Policy Working Group (2017) • European Fund and Asset Management Association – Responsible Investment and Stewardship Committee (2015) • Institut du Capitalisme Responsible (2017) • Impact Investing Institute (2019) • Pensions for Purpose (2019) • The FRC Investor Advisory Group (2018) • The UK Investor Forum – Governance and Engagement Committee (2015) • UK HMT Asset Management Taskforce (2017)	• Abu Dhabi Sustainable Finance Declaration (2020) • Denmark's Sustainable Investments Forum (2021) • Dutch Association of Investors for Sustainable Development (2018) • Dutch Fund and Asset Management Association (DUFAS) – Sustainability Committee (2019) • Green and Sustainable Finance Cluster Germany (2021) • Institutional Investors Group on Climate Change (IIGCC) (2004) • IIGCC Phase II Workstreams: Net Zero Stewardship Working Group, Net Zero Banking Sector Working Group (2020) • Pensions and Lifetime Savings Association Stewardship Disclosure Framework (previously NAPF) (2015) • UK Investment Association - Sustainability and Responsible Investment Committee (2005)	• Eumedion Corporate Governance Forum (2010) • Corporate Governance Forum (1992) • Pensions and Lifetime Savings Association Stewardship Disclosure Framework (2015) • UK Investment Association – Stewardship Committee and Corporate Governance and Engagement Committee (2011)

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Appendix VI – Evidence of adherence to the UK Stewardship Code 2020

Principle	Evidence of adherence in this report (*Section* and/or 'subtitle')	Evidence of adherence across the firm
Principle 1 Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	• *Words from our Chairman and CEO* (pages 4 and 5) • *Foreword* (pages 6-8) • *Executive summary* under *Stewardship is integral to BlackRock's purpose and fiduciary duty and A trusted partner to clients and a constructive investor on their behalf* (page 10) • *About us* (pages 24 and 25) • *BlackRock's fiduciary approach* (pages 29-31) • *Responsible leadership* (page 47) • *Recognition of our stewardship approach* (pages 52-55) • *Seeking better sustainability disclosures to assess material risks and opportunities* (pages 63-65)	**BlackRock** • Larry Fink's letters to CEOs (2020, 2021, 2022) • BlackRock's Global Executive Committee's letter to clients (2020,2021) • A framework for our clients: How to invest in the net zero transition (2022) • BlackRock's ESG Integration Statement **BIS** • BIS Global Principles and Engagement Priorities • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code)
Principle 2 Signatories' governance, resources and incentives support stewardship.	• *Words from our Chairman and CEO* (pages 4 and 5) • *Foreword* (pages 6-8) • *About us* (pages 24 and 25) • *BlackRock's fiduciary approach* (pages 29-31) • *BIS as an investment function, The BIS Team, Global reach and local presence, Governance and oversight of our stewardship efforts, and Policy review process* (pages 32-41) • *Monitoring of proxy research firms or third-party platforms* (page 44) • *Recognition of our stewardship approach* (pages 52-55)	**BlackRock** • Larry Fink's letters to CEOs (2020, 2021, 2022) • A framework for our clients: How to invest in the net zero transition (2022) • BlackRock's ESG Integration Statement • BlackRock's 2020 PRI assessment • BlackRock's 2021 TCFD report • BlackRock's 2020 Sustainability Disclosure reporting under SASB • ViewPoint: Asset managers of scale give voice to investors and support the economy **BIS** • BIS Global Principles and Engagement Priorities • BIS Regional Proxy Voting Guidelines • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code) • BIS Team Profile

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Principle 3 Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	• *Words from our Chairman and CEO* (pages 4 and 5) • *Foreword* (pages 6-8) • *About us* (pages 24 and 25) • *BlackRock's fiduciary approach* (pages 29-31) • *BIS as an investment function, The BIS Team, Global reach and local presence, Governance and oversight of our stewardship efforts, and Policy review process* (pages 32-49) • *Maintaining our commitment to transparency under Client feedback helps shape and improve BIS stewardship reporting and Direct dialogue with clients* (pages 40 and 41) • *Recognition of our stewardship approach* (pages 52-55) • *Working to expand proxy voting choice for clients* (page 43) • *How BIS manages conflicts on interest and How BIS applied its conflicts of interest policy in 2021* (page 45) • *BlackRock's approach to using an independent fiduciary* (page 46)	**BIS** • BIS Global Principles and Engagement Priorities • BIS Regional Proxy Voting Guidelines • BIS Commentary — "How BlackRock Investment Stewardship manages conflicts of interest" • BIS Spotlight — "Best practices when using an independent fiduciary in proxy voting" • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code) • BIS Team Profile
Principle 4 Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	• *Words from our Chairman and CEO* (pages 4 and 5) • *Foreword* (pages 6-8) • *How BIS contributes to BlackRock's firm-wide identification of ESG risks and opportunities and is central to the firm's stewardship approach* (page 30) • *Responsible leadership* and *Industry affiliations and memberships to promote well-functioning financial markets* (pages 47-50) • *Thought leadership to promote well-functioning financial markets* (page 52) • *Seeking better sustainability disclosures to assess material risks and opportunities* (pages 63-65) • *Systemic risks* under *Engagement priorities* (pages 67 and 68) • *Systemic risks* under *Board quality and effectiveness* (page 71) • *Systemic risks* under *Strategy, purpose, and financial resilience* (page 80) • *Climate and natural capital* (pages 98-108) • *Systemic risks* under *Strategy, purpose, and financial resilience* (pages 113 and 115) • *Parting thoughts (page 123)*	**BlackRock** • Larry Fink's letters to CEOs (2020, 2021, 2022) • A framework for our clients: How to invest in the net zero transition (2022) • BlackRock's ESG Integration Statement • BlackRock's 2021 TCFD report • BlackRock's 2020 PRI assessment • BlackRock's 2020 Sustainability Disclosure reporting under SASB • ViewPoint: Asset managers of scale give voice to investors and support the economy **BIS** • BIS Global Principles and Regional Proxy Voting Guidelines • BIS Engagement Priorities and Thematic Commentaries • BIS Thought Leadership • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code) • BIS Team Profile

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Principle 5 Signatories review their policies, assure their processes and assess the effectiveness of their activities.	• *Our 2021 Annual Report demonstrates how BlackRock Investment Stewardship is integral to BlackRock's purpose to help more and more people experience financial well-being* (page 2) • *Words from our Chairman and CEO* (pages 4 and 5) • *Foreword* (pages 6-8) • Governance and oversight of our stewardship efforts (page 37) • BIS Executive Committee (page 39) • Policy review process (pages 39 and 40) • *Maintaining our commitment to transparency under Client feedback helps shape and improve BIS stewardship reporting and Direct dialogue with clients* (pages 40 and 41) • BlackRock Investment Stewardship's approach to proxy research firms and other service providers, Proxy research firms: one of multiple research tools to inform BIS' votes on behalf of clients(page 44) • *Recognition of our stewardship approach* (pages 52-55)	**BlackRock** • BlackRock's ESG Integration Statement • BlackRock's 2021 TCFD report • BlackRock's 2020 Sustainability Disclosure reporting under SASB • BlackRock's 2020 PRI assessment • BlackRock, Inc. Board of Directors Nominating, Governance, and Sustainability Committee Charter • Doing Business with BlackRock **BIS** • BIS Global Principles and Regional Proxy Voting Guidelines • BIS Engagement Priorities and Thematic Commentaries • BIS Global Engagement Summary • BIS Global Vote Disclosure • BIS Proxy Voting and Shareholder Engagement FAQ • BIS Commentary — "How BlackRock Investment Stewardship manages conflicts of interest" • BIS Spotlight — "Best practices when using an independent fiduciary in proxy voting" • BIS Thought Leadership • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code) • BIS Team Profile

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Principle 6 Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	• *Words from our Chairman and CEO* (pages 4 and 5) • *Foreword* (pages 6-8) • *A trusted global partner to clients and a constructive investor on their behalf* (page 10) • *2021 stewardship in review* (page 11) • *At BlackRock what is important to our clients is important to us* (page 25) • BlackRock's clients (pages 26-28) • *BlackRock's fiduciary approach* (pages 29-31) • *Maintaining our commitment to transparency under Client feedback helps shape and improve BIS stewardship reporting and Direct dialogue with clients* (pages 40 and 41) • *BIS Content library* (page 42) • *Working to expand proxy voting choice for clients* (page 43) • *Recognition of our stewardship approach* (pages 52-55) • *Engagement Priorities* (pages 66-122)	**BlackRock** • Larry Fink's letters to CEOs (2020, 2021, 2022) • A framework for our clients: How to invest in the net zero transition (2022) • BlackRock's ESG Integration Statement • BlackRock's 2021 TCFD report • BlackRock's 2020 PRI assessment • BlackRock's 2020 Sustainability Disclosure reporting under SASB **BIS** • BIS Engagement Priorities and Thematic Commentaries • BIS Content Library • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code)
Principle 7 Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change to fulfil their responsibilities.	• Entire report • Our stewardship priorities in 2021 (pages 14 and 15) • *At BlackRock what is important to our clients is important to us* (page 25) • *How BIS contributes to BlackRock's firm-wide identification of ESG risks and opportunities and is central to the firm's stewardship approach* (page 30) • *BlackRock as steward for private equity investments* (page 30) • *How BlackRock is a steward to assets beyond public equities held in index portfolios* (page 31) • *Recognition of our stewardship approach* (pages 52-55) • *Seeking better sustainability disclosures to assess material risks and opportunities* (pages 63-65) • *Engagement Priorities* (pages 66-122)	**BlackRock** • BlackRock's ESG Integration Statement • BlackRock's 2021 TCFD report • BlackRock's 2020 Sustainability Disclosure reporting under SASB • BlackRock's 2020 PRI assessment **BIS** • BIS Global Principles and Regional Proxy Voting Guidelines • BIS Engagement Priorities and Thematic Commentaries • BIS Content Library • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code)

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Principle 8 Signatories monitor and hold to account managers and/or service providers.	• *BlackRock Investment Stewardship’s approach to proxy research firms and other service providers* (page 44) • *Proxy research firms: one of multiple research tools to inform BIS’ votes on behalf of clients* (page 44) • *Monitoring of proxy research firms or third-party platforms* (page 44) • *BIS monitors service providers and ensures services have been delivered to meet our stewardship needs on behalf of clients* (page 46) • *BlackRock’s approach to the relationship between securities lending and proxy voting* (page 46) • *Recognition of our stewardship approach* (pages 52-55)	**BlackRock** • BlackRock’s 2021 TCFD report • BlackRock’s 2020 Sustainability Disclosure reporting under SASB • BlackRock’s 2020 PRI assessment • Doing Business with BlackRock **BIS** • BIS Proxy Voting and Shareholder Engagement FAQ • BIS Commentary — “How BlackRock Investment Stewardship manages conflicts of interest” • BIS Spotlight — “Best practices when using an independent fiduciary in proxy voting” • BIS 2020 Annual Report (recognized by UK Stewardship Code) • BIS Team Profile
Principle 9 Signatories engage with issuers to maintain or enhance the value of assets.	• Entire report • Engaging where it matters most (page 16) • Marketplace engagement (page 20) • BlackRock’s fiduciary approach (pages 29-31) • *BIS as an investment function, The BIS Team, Global reach and local presence, Governance and oversight of our stewardship efforts, and Policy review process* (pages 32-49) • *How BIS contributes to BlackRock’s firm-wide identification of ESG risks and opportunities and is central to the firm’s stewardship approach* (page 30) • *BlackRock as steward for private equity investments* (page 30) • *How BlackRock is a steward to assets beyond public equities held in index portfolios* (page 31) • *Engagement and voting statistics* (pages 56-62) • *Engagement Priorities* (pages 66-122)	**BlackRock** • Larry Fink’s letters to CEOs (2020, 2021, 2022) • BlackRock’s Global Executive Committee’s letter to clients (2020, 2021) • A framework for our clients: How to invest in the net zero transition (2022) • BlackRock’s ESG Integration Statement • ViewPoint: Asset managers of scale give voice to investors and support the economy **BIS** • BIS Engagement Priorities and Thematic Commentaries • BIS Content Library

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Principle	Evidence of adherence in this report (*Section* and/or 'subtitle')	Evidence of adherence across the firm
Principle 10 Signatories, where necessary, participate in collaborative engagement to influence issuers.	• *How BlackRock is a steward to assets beyond public equities held in index portfolios* (page 31) • *Responsible leadership* and *Industry affiliations and memberships to promote well-functioning financial markets* (pages 47-50) • *Collaboration with the wider stewardship ecosystem* (page 51) • *Thought leadership to promote well-functioning financial markets* (page 52) • *Recognition of our stewardship approach* (pages 52-55) • *Systemic risks* under *Strategy, purpose, and financial resilience* (page 80) • *Engagement and voting on a major related party transaction* (page 82) • *Engaging and voting at a UK online clothing retailer* (page 118) • *Appendix III — Industry affiliations and memberships* (pages 128-130)	**BIS** • BIS Engagement Priorities and Thematic Commentaries • BIS Content Library • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code)
Principle 11 Signatories, where necessary, escalate stewardship activities to influence issuers.	• Entire report • *BIS as an investment function, The BIS Team, Global reach and local presence, Governance and oversight of our stewardship efforts, and Policy review process* (pages 32-49) • *Engagement and voting statistics* (pages 56-62) • *Engagement Priorities* (pages 66-122)	**BIS** • BIS Global Principles and Regional Proxy Voting Guidelines • BIS Engagement Priorities and Thematic Commentaries • BIS Global Engagement Summary • BIS Content Library • BIS Global Vote Disclosure • BIS Proxy Voting and Shareholder Engagement FAQ • BIS Commentary — "How BlackRock Investment Stewardship manages conflicts of interest" • BIS Spotlight — "Best practices when using an independent fiduciary in proxy voting" • BIS Thought Leadership • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code) • BIS Team Profile

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Principle 12 Signatories actively exercise their rights and responsibilities.	• Entire report • *BIS as an investment function, The BIS Team, Global reach and local presence, Governance and oversight of our stewardship efforts, and Policy review process* (pages 32-49) • Exercise of rights and responsibilities (page 42) • *BlackRock Investment Stewardship's approach to proxy research firms and other service providers* (page 44) • *Proxy research firms: one of multiple research tools to inform BIS' votes on behalf of clients* (page 44) • *Monitoring of proxy research firms or third-party platforms* (page 44) • *BIS monitors service providers and ensures services have been delivered to meet our stewardship needs on behalf of clients* (page 46) • *BlackRock's approach to the relationship between securities lending and proxy voting* (page 46) • *Recognition of our stewardship approach* (pages 52-55) • *Engagement and voting statistics* (pages 56-62) • *Engagement Priorities* (pages 66-122)	**BIS** • BIS Global Principles and Regional Proxy Voting Guidelines • BIS Engagement Priorities and Thematic Commentaries • BIS Global Engagement Summary • BIS Global Vote Disclosure • BIS Content Library • BIS Proxy Voting and Shareholder Engagement FAQ • BIS Commentary — "How BlackRock Investment Stewardship manages conflicts of interest" • BIS Spotlight — "Best practices when using an independent fiduciary in proxy voting" • BIS Thought Leadership • BIS 2021 Voting Spotlight — "Pursuing long-term value for out clients" • BIS 2020 Annual Report (recognized by UK Stewardship Code) • BIS Team Profile

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