BlackRock

Investment Stewardship Annual Report

January 1 – December 31, 2022

The 2022 BlackRock Investment Stewardship (BIS) Annual Report covers BIS' work on behalf of clients from January 1, 2022 to December 31, 2022.

As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. At BlackRock, this is the responsibility of the BlackRock Investment Stewardship (BIS) team. BIS' team of 70+ dedicated professionals, who work across 10 global offices, focus most of our efforts on corporate governance. In our experience, sound governance is critical to the success of a company, the protection of investors' interests, and long-term financial value creation. We have also observed that well-managed companies will effectively evaluate and manage material sustainability related risks and opportunities relevant to their businesses. Appropriate oversight of sustainability considerations is a core component of having an effective governance framework, which supports durable, long-term value creation.

As one of many minority shareholders, BlackRock cannot – and does not try to – direct a company's strategy or its implementation. Rather, we engage companies and encourage them to publish disclosures that help investors understand how they identify and manage material risks and opportunities, in the context of their business model, sector, and geography. To that end, BIS takes a constructive, long-term approach to our engagement with companies and focuses on the drivers of risk and financial value creation in their business models. BIS primarily engages public companies on behalf of index strategies, and we make our company analysis and engagement meeting notes available to BlackRock's active portfolio managers. Other teams across BlackRock may engage with companies to help inform their work on a broad spectrum of risk and value drivers in their investible universe. While we have specialized teams focused on specific asset classes and investment styles, we employ a "One BlackRock" approach, integrating expertise from across our investment functions. Our work on behalf of clients is supported by our proprietary, in-house Aladdin® technology.

Through this report, we aim to provide further clarity to our clients, the companies they are invested in, and our other stakeholders, about BlackRock's approach to investment stewardship and the issues that, in our experience, could impact a company's ability to deliver long-term, risk adjusted returns. The information in this report is dated as of December 31, 2022, unless otherwise noted, and is subject to change without notice. As a result, subsequent reports and publications distributed may therefore include additional information, updates, and modifications, as appropriate. The publication of this report also aligns with the timeline set by the UK's Financial Reporting Council (FRC) to comply with the UK Stewardship Code requirements. On March 20, 2023, 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 Joud Abdel Majeid — 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

Supporting long-term value creation through stewardship

As an asset manager, we are a fiduciary to our clients. Investment stewardship is a part of how we fulfill our fiduciary responsibilities to our clients, the true owners of the assets we manage. We do so by encouraging companies to have sound corporate governance and business practices that support the long-term, durable financial returns that our clients depend on to meet their investing goals. I am proud of the work BlackRock Investment Stewardship (BIS) has done over the past 12 months on behalf of our clients, and I am pleased to present our 2022 Investment Stewardship Annual Report.

2022 was one of the most challenging market environments in history – we saw significant market volatility, driven by elevated inflation, monetary policy uncertainty, geopolitical tensions, a global cost-of-living crisis, and labor market dislocations. At the same time, the Russian war in Ukraine and extreme weather events, such as the devastating floods in Pakistan and the heatwave in Europe, reminded companies how their businesses and their supply chains are not immune to major developments in the world around them – and must be resilient if they are to deliver long-term shareholder returns.

As part of our fiduciary responsibilities to act in our clients' long-term economic interests, we assess how companies respond to these and other material risks, as well as the opportunities, that have the potential to affect their financial performance. We have seen an expansion in the issues companies and their investors are focused on when assessing the drivers of risk and returns in business models. In our view, this more holistic approach to understanding long-term financial performance is a good thing. But even within this dynamic business environment, one thing that has not changed is the importance of strong leadership in the boardroom and in executive management. Similarly, BlackRock has been consistent in our sole focus on supporting companies in their efforts to generate long-term, risk-adjusted returns for our clients.

Larry Fink

Chairman and Chief Executive Officer

Today, more than 120 million people around the world rely on BlackRock to help them reach their investment goals.[1] BIS serves as a link between our clients and the companies in which they are ultimately invested. While this report focuses on the 2022 calendar year, BIS' work benefits from decades of experience. Through engagement, proxy voting, and participation in market-level dialogue, BIS focuses on promoting effective corporate governance while recognizing the unique markets and sectors in which companies operate. Importantly, the team aims to be constructive in their engagements with companies, because our clients do well when the companies they invest in do well. BIS engages from the perspective of a long-term investor to understand companies' strategy and how they are managing the risks and opportunities they face.

BlackRock is proud of our strong track-record in serving both public and private pension plans providing for workers in communities across the globe, as well as governments, insurance companies, endowments, charities, and ultimately individual investors. We understand the important responsibility that we have to advance their financial interests. That is why we have continually invested to build the best stewardship team in the industry. Our 70+ professionals are in 10 offices around the world and are uniquely equipped to bring more local insights in more markets globally than anybody else.

Some of our clients have expressed interest in taking a more direct role in the stewardship of their capital. That is why over the course of the year, BlackRock focused on advancing the opportunity for more of our clients to participate in proxy voting through BlackRock Voting Choice. An industry first, Voting Choice is an extension of BlackRock's commitment to innovation in technology to provide clients with more choice. As I have stated before, my hope is that in the future, every investor will ultimately be able to have access to choice in proxy voting, if they want it.

Even with this exciting progress, BIS' work will continue to be a foundational component of how we serve our clients as long-term investors in public companies. This past year has made clear the importance of strong corporate governance, with companies led by an effective board of directors and executive management team better able to navigate macro-economic and societal challenges that can impact their financial performance. In 2023, our stewardship efforts, as always, will be grounded in corporate governance and a singular focus on the long-term financial interests of our clients.

1 Second Annual iShares Report on Investor Progress. "Our next 100M investors." As of December 4, 2021.

Foreword

Sound corporate governance rests on a set of interconnected business practices that support companies' long-term financial value creation

Most of BlackRock's clients are investing to meet long-term goals, such as retirement. As an asset manager, we are a fiduciary to our clients. In that capacity, BlackRock's Investment Stewardship team serves as a link between our clients and the companies we invest in on their behalf.

We do so by engaging with companies to advance governance practices aligned with our clients' long-term financial interests as investors in public companies. And it is over a longer time horizon that many of the issues addressed in our stewardship work – such as board quality, enterprise risk management processes or sustainable business practices – will impact financial returns.

That said, we recognize that, while it may sound simple, it is not easy – for companies or investors. There is no single best way to govern or operate a company. Investment stewardship, therefore, must be pragmatic and nuanced, not a checklist. It should also factor in the complexity of the dynamic environment within which companies operate.

The value of a constructive, ongoing dialogue with companies

The challenging market conditions in 2022 have underscored how forces outside company control can weigh on near-term financial performance. It is during times like these when connectivity between companies and their investors becomes even more essential.

At BlackRock, we take an ongoing engagement approach. We meet with companies throughout each year and our engagements span multiple years. As investors, these conversations help us understand how companies are navigating issues likely to impact long-term financial performance. We find that most companies also welcome the dialogue as it enables them to explain their practices and understand how their investors view them.

Our stewardship professionals – who have deep regional and sector expertise – conduct extensive analyses using company disclosures and BlackRock's proprietary research to inform this dialogue. When we identify company practices that, based on our analysis, could be enhanced to better align with our clients' financial interests, we discuss these with management, seek to understand their approach, and share our perspectives.

A singular focus on long-term financial returns

In our experience, our clients do well when the companies in which they invest do well. In the vast majority of cases, we find that investors and management are aligned on how companies are delivering value for their investors.

Our voting reflects that alignment, as well as our engagement-first approach. For clients who authorize us to vote on their behalf, we use voting to signal support for or concern about management's approach, usually *after* we have engaged with management. Most votes are on standard company resolutions and are not contentious; shareholder proposals typically represent less than 1% of our voting every year. In 2022, we voted to support ~90% of director elections.

As a fiduciary, our sole focus when we vote is on advancing our clients' financial interests by encouraging practices that support long-term returns.

There are competing voices – with different objectives than BlackRock's – with strong opinions about how we should vote on behalf of our clients. In our experience, measuring the quality of stewardship by the number of votes for or against management is an oversimplification of the issues that investors must contemplate. For one, it fails to acknowledge the progress that many companies are making year-on-year. It also misses other factors like the nature, quality and number of shareholder proposals that come to a vote every year. In 2022 for example, BIS saw a marked increase in the number of shareholder proposals on environmental and social issues. Many of these did not address a material business risk for the company or were overly prescriptive.

For our clients who have entrusted us with this important responsibility, we remain guided by our duty to make independent, and well-informed decisions about what, in our assessment, is in their best financial interests.

More voting choice and a transforming voting ecosystem

Some of our clients have expressed interest in a more direct role in the stewardship of their capital. In 2022, we continued to expand Voting Choice to provide more options for investors to vote their shares.

Nearly half of our index equity assets under management (AUM) are now eligible for Voting Choice. Products offering Voting Choice are now available to all the public and private pension plan assets we manage in the U.S. as well as retirement plans serving more than 60 million people around the world. Clients representing over U.S. $500 billion in AUM have chosen to participate in Voting Choice to express their preferences.[1]

This trend will add more voices to corporate governance, a development we welcome. Importantly, as more investors choose to direct their own votes, they will want to be informed. Commensurately, companies will likely seek new ways to reach a broader set of investors who are voting in line with their preferences – at scale. Amid these shifts, we believe the corporate governance ecosystem could meaningfully transform over the next decade.

A look ahead into 2023

As we enter another year of continued macroeconomic and geopolitical uncertainty, management teams – and the investors in their companies – are sharpening their focus on financial and operational resilience.

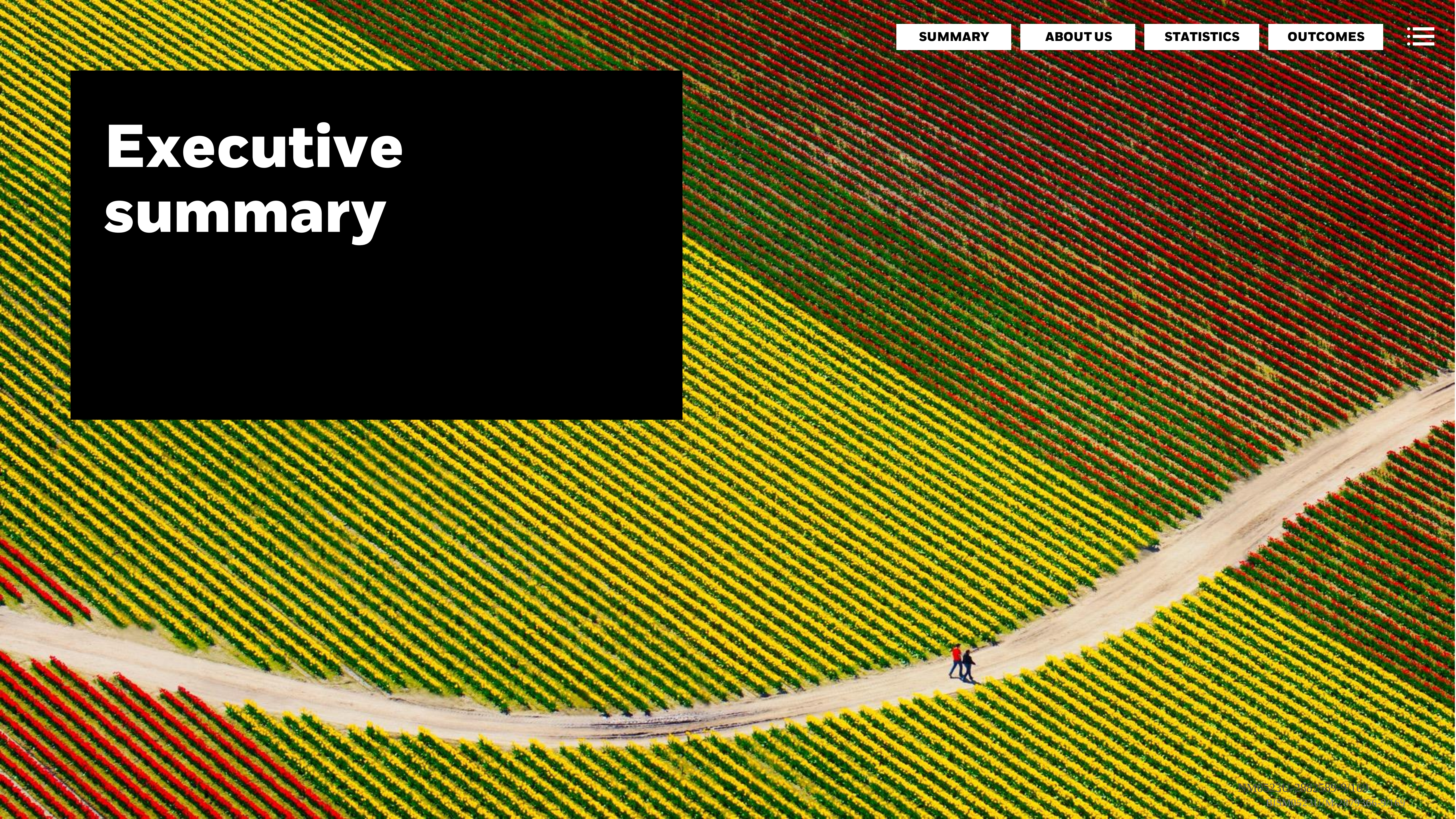
In environments like these, high standards of corporate governance and stewardship have never been more important for the integrity, trust, and efficient and effective functioning of capital markets. Our engagement priorities for 2023 remain largely unchanged as we believe that they continue to reflect the corporate governance norms that support companies in delivering long-term financial performance.

In February, I was delighted to join the Investment Stewardship function. I am proud of the work that the team has done in 2022 on behalf of our clients. We look forward to continuing our dialogue with companies in 2023 to learn more about how they are adapting in this rapidly changing landscape.

Joud Abdel Majeid

Global Head of
Investment Stewardship

1 As of March 2023.



Executive summary

Scope of the BIS 2022 Annual Report

This report aims to provide insight into our stewardship activities from January 1, 2022 through December 31, 2022. Consistent with BlackRock's fiduciary duty as an asset manager, BlackRock Investment Stewardship's (BIS) purpose is to support companies in their efforts to deliver durable financial returns on behalf of long-term shareholders like BlackRock's clients, who are the asset owners. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and, ultimately, individual investors, among others.

BlackRock is a leading asset manager with a broadly diversified business across clients, products, and geographies. As of December 31, 2022, BlackRock's assets under management (AUM) stood at approximately U.S. $8.6 trillion.[1] By asset class, 51% of the assets we manage for clients are in equity strategies. The majority of equity AUM is invested through index portfolios. As such, this report focuses on the important role BIS plays on behalf of BlackRock's clients invested in index portfolios.

We take a long-term approach in our stewardship efforts, reflecting the investment horizon of our clients, many of whom are investing for decades into the future to achieve their financial goals. In our experience, multi-year engagements with companies can lead to constructive outcomes for businesses and investors alike. Our dedicated stewardship analysts have the sector and local market expertise that allows for informed dialogue and understanding of the issues most material to how companies deliver long-term financial value creation.

The role of stewardship at BlackRock remains as important as ever

BIS serves as a link between our clients and the companies they invest in. Our clients depend on BlackRock to help them meet their investment goals; the business and governance decisions that companies make will have a direct impact on our clients' long-term investment outcomes and financial well-being.

BIS' 70+ professionals across 10 offices are well-equipped to bring a globally consistent, locally nuanced perspective to our clients and to the companies in which we invest on their behalf. This leads to stronger relationships with companies and a quality of dialogue that helps build mutual understanding.

Most of our clients are investing for long-term goals like retirement. We firmly believe in the value of engaging with companies and encouraging responsible business practices that serve the interests of long-term investors in public companies. This is particularly important for our clients invested in index strategies. A majority of BlackRock's equity AUM is held in index strategies, which track the performance of a particular grouping of public companies – for example, the S&P 500 in the U.S. or the TOPIX in Japan. Those funds and accounts typically remain invested in each company for as long as a company is included in the reference index. While investors in these strategies may sell out of a fund or account in its entirety, they cannot sell holdings in individual companies in that fund or account. This, in effect, means that most of our clients invested in index strategies are long-term investors in those companies.

As ever, we aim to build constructive relationships with companies, engaging in continuing dialogue with company leadership about the factors material to generating the long-term financial returns on which our clients depend.

1 BlackRock, "Q4 2022 Earnings Release", January 13, 2023.

Companies can continue to look to BlackRock, to provide constructive feedback on behalf of our clients and with a long-term view. Likewise, we will communicate our concerns when our observations indicate a company may not be appropriately managing risks that could potentially impact our clients' financial returns.

Our stewardship analysts have the sector expertise and local market knowledge that allows for informed dialogue on the issues most material to companies' ability to create durable, long-term financial value. Where appropriate, we also work with BlackRock's active investment teams to help ensure our stewardship work is grounded in encouraging the practices that support long-term corporate financial performance. BIS does not pursue good governance for its own sake – everything we do is grounded in supporting companies who act in the long-term financial interests of investors

This depth of experience also enables us to make informed, considered voting decisions. We vote on behalf of those clients who authorize us to do so. Guided by our Global Principles and regional voting guidelines, we vote in support of companies that continue to deliver financial value for their shareholders, taking into consideration the constraints they face. As ever, we do not rely on the recommendations of proxy advisors.

Expanding proxy voting options for more of our clients

We have seen continued interest among investors — including our clients — in the corporate governance of public companies. That is why we launched BlackRock Voting Choice in January 2022 and continued to expand the opportunity throughout the year (see June and November updates) for more clients to participate in the proxy voting process, where legally and operationally viable. Voting Choice is a proprietary initiative and was an industry first. As detailed in our paper, It's All About Choice, our ambition over time is to continue to expand Voting Choice where client demand exists and the regulatory framework permits.

Through all these efforts, we are working to serve our clients and stay ahead of their needs. Our sole focus remains on helping clients achieve their long-term financial goals, because the money we manage is theirs, not ours.

We firmly believe in the value of engaging with companies to encourage sound corporate governance that serves the financial interests of long-term investors in public companies.

2022 stewardship in review

In 2022, companies faced complex strategic and operational challenges driven by inflation at multi-decade highs, tight labor markets, and disrupted supply chains. In addition, challenging geopolitical and socioeconomic factors and market volatility further impeded companies' long-term planning. In our engagements with company boards and management, BIS acknowledged these headwinds and continued to encourage a long-term focus. Despite the difficult macroeconomic backdrop, many companies are demonstrating remarkable resilience, evolving their businesses to manage risks and capture opportunities.

In December 2021, BIS announced updates to our policies which guided our stewardship work for the 2022 calendar year. Our policies are comprised of our Global Principles and regional voting guidelines. Each year, we review our policies and update them as necessary to reflect changes in market standards and regulations, insights gained over the year through third-party and our own research, and feedback from clients and companies. We endeavor to take a globally consistent yet locally relevant approach, informed by market-specific corporate governance codes, listing standards and practices. Our goal is to make clients and companies aware of our views on current and emerging corporate governance practices that, based on our observations, support long-term shareholder value creation.

Our 2022 policy updates were incremental, with most clarifying our views on continuing areas of focus. In particular, we encouraged companies to make clear links between performance metrics used in incentive pay plans and corporate strategy. Given continuing advances in sustainability reporting standards, we suggested companies continue to enhance their disclosures by referencing global baseline standards and highlighting industry- or company-specific metrics.

Overall, our views on investment stewardship topics have continued to reflect the corporate governance practices that can support companies in their efforts to deliver long-term financial value. These have been developed over the years through our engagements with companies, clients, practitioners, and the broader market.

In February 2022, 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 key corporate governance-related issues. Our Engagement Priorities remained consistent with prior years, reflecting our long-term focus on the corporate governance topics that our decades-long experience engaging with companies indicates are aligned with corporate performance over time.

Engaging on material risks and opportunities for our clients[1]

In 2022, the BIS team continued our structured, year-round engagement program. Our analysts held 3,886 meetings (3,645 last year) with 2,588 unique investee companies (2,357 last year) across 51 markets. We continued to focus on the corporate governance and material, business relevant sustainability risks and opportunities in companies' business models.

We have set out our approach to discussing these issues with companies in our engagement priorities covering: board quality and effectiveness; strategy, purpose, and financial resilience; incentives aligned with financial value creation; climate and natural capital; and company impacts on people.

3,880+ total engagements

2,580+ unique companies engaged

Priority	Total engagements[2]
Board quality and effectiveness	2,349
Strategy, purpose, and financial resilience	2,118
Incentives aligned with financial value creation	1,509
Climate and natural capital	2,115
Company impacts on people	1,469

1 Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022. Most engagement conversations cover multiple topics and therefore the engagements across our five priorities sub-totals may not add up to the total engagements held in 2022. Our engagement statistics reflect the primary topics discussed during the meeting.

Our stewardship priorities in 2022

An engagement consists of constructive, ongoing 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. BIS counts only direct interaction as an engagement.

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

Board quality and effectiveness

Our investment stewardship efforts have always started with the board and executive leadership. We believe that the performance of the board is critical to the financial success of a company and the protection of shareholders' interests over the long-term.

Strategy, purpose, and financial resilience

As one of many minority shareholders, BlackRock cannot – and does not try to - direct a company's strategy or its implementation. We engage on long-term corporate strategy, purpose, and financial resilience to understand how boards and management are aligning their business decision-making with the company's purpose and adjusting strategy and/or capital allocation plans as necessary as business dynamics change.

Incentives aligned with financial value creation

Appropriate and transparent compensation policies are a focus in many of BIS' engagements with the companies in which we invest on behalf of clients. BIS looks to a company's board of directors – typically a relevant committee – to put in place a compensation policy that incentivizes and rewards executives against appropriate and stretching goals tied to relevant strategic metrics, especially those measuring operational and financial performance.

Climate and natural capital

BIS engages with companies to better understand their approach to, and oversight of, climate-related risks and opportunities as well as how they manage material natural capital impacts and dependencies, in the context of their business model and sector.

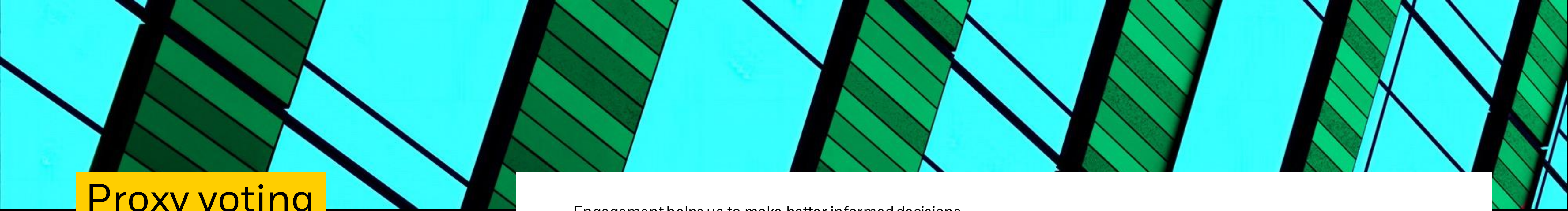
Company impacts on people

In our experience, companies that invest in the relationships that are critical to their ability to meet their strategic objectives are more likely to deliver durable, long-term financial performance. By contrast, poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks. This is particularly the case with regard to a company's workforce, as a significant number of companies acknowledge the importance of their workers in creating long-term financial value.

Evolving global reporting standards

BlackRock has consistently advocated for enhanced reporting to help investors understand risks and opportunities in the business models of the companies that our clients invest in. Better quality information leads to better capital allocation and decision-making by investors. In our engagements, we continued to encourage companies to provide – in addition to robust financial reporting – comprehensive disclosures on their long-term strategy, the milestones to delivering it, and the governance and operational processes that underpin their businesses and long-term financial performance. This includes sustainability-related risks and opportunities that are material to how a company manages risk or creates long-term financial value.

As to the evolving reporting landscape, we were encouraged by the significant progress made in 2022, at a global and market level, towards establishing a global baseline set of sustainability reporting standards. Once such standards are realized, we remain hopeful that the reporting burden on companies can be reduced and the quality of information — both data and narrative — available to investors will be improved, supporting more efficient capital markets.



Proxy voting on behalf of clients[1]

Engagement helps us to make better informed decisions for those clients who authorize us to vote on their behalf. Our Global Principles and regional voting guidelines set out our benchmark corporate governance policies, which we apply on a case by case basis. Voting at annual general and special shareholder meetings is how we formally signal support for or concern about how a company is managing issues that may have a long-term impact on shareholder returns. Globally, in 2022 we voted on behalf of those clients who authorized us to do so at more than 18,000 shareholder meetings on more than 173,000 proposals.

Our voting in support of management was largely consistent with the prior year: globally we voted in support of ~90% of directors standing for election and for all management proposed items on the agenda at 56% of shareholder meetings.

Similar to previous years, shareholder proposals represented less than 1% of the total proposals we voted on during the year. Globally, BIS supported 133 shareholder proposals, down from 285 proposals supported in 2021.[2] Several factors played into our decisions to support fewer shareholder proposals in 2022.

Notably, and as discussed in further detail beginning on page 90, in 2022 BIS observed a shift in the types and number of shareholder proposals that went to a vote. This was evident in a marked increase in the number of shareholder proposals on environmental and social issues, particularly in the U.S. In our assessment, many of these did not address a material business risk for a company or were overly prescriptive about the required course of action by management. This trend was largely enabled by an update to U.S. Securities and Exchange Commission (SEC) guidance, which broadened the scope of permissible proposals that addressed "significant social policy issues."[3]

Globally, in 2022 we supported about 20% of the environmental and social-related shareholder proposals that we voted on; in absolute terms, this reflects support for 64, out of 325, environmental and social proposals (84 out of 184 last year). Average market-wide support was about 24%.[4]

For further details on our engagement and voting activities throughout the year, please see the section, "Our approach to stewardship" beginning on page 87.

1 Clients who have authorized BlackRock to do so. **2** Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. Includes abstentions. 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. **3** See our commentary "2022 climate-related shareholder proposals more prescriptive than 2021" to learn more.
4 See source # 2.

An industry leader in the transparency of our stewardship work

In 2022, we remained committed to transparency in the stewardship work we do on behalf of clients. We continued to inform clients about our engagements, voting policies, and activities through direct communication and disclosure on our website. Our full suite of publications for the year included our Global Principles, engagement priorities, supporting commentaries; and our regional voting guidelines — all of which are updated annually. Along with the 2021 calendar year annual report, in July 2022 BIS published our regular Voting Spotlight, focusing on our voting on behalf of clients during the 2021-22 proxy year.[1] We also continued to disclose the list of companies we met with, engagement topics discussed and the votes we cast on our clients' behalf on a quarterly basis.

In addition, BIS published 41 vote bulletins on 2022 annual and special shareholder meetings that explained our voting, and the engagement and analysis underpinning it, on multiple corporate governance issues at certain company shareholder meetings.[2]

As part of an upgrade to our digital presence in 2022, BIS also launched our Insights Hub, an online resource that serves as a channel to publish insights – through commentaries and reports – on our approach to stewardship-related issues.

In recent years, BIS has increased the direct dialogue that we have with clients to better understand the stewardship issues that are important to them. We continued these conversations in 2022, holding more meetings with clients than the previous year, in large part prompted by client interest in the BlackRock Voting Choice offering.[3] In other meetings, we discussed how our stewardship process continues to evolve, specific case studies and votes, and our views on market-level corporate governance and stewardship policy developments of interest to clients.

1 The 2021-22 proxy year covers the period from July 1, 2021, to June 30, 2022, representing the U.S. Securities and Exchange Commission's (SEC) 12-month reporting period for U.S. mutual funds, including iShares. **2** Please refer to the Appendix section in this report for further detail about published Vote Bulletins. **3** Voting Choice is our proprietary, industry first initiative that enables eligible institutional clients to participate in voting decisions where legally and operationally viable.

Marketplace engagement

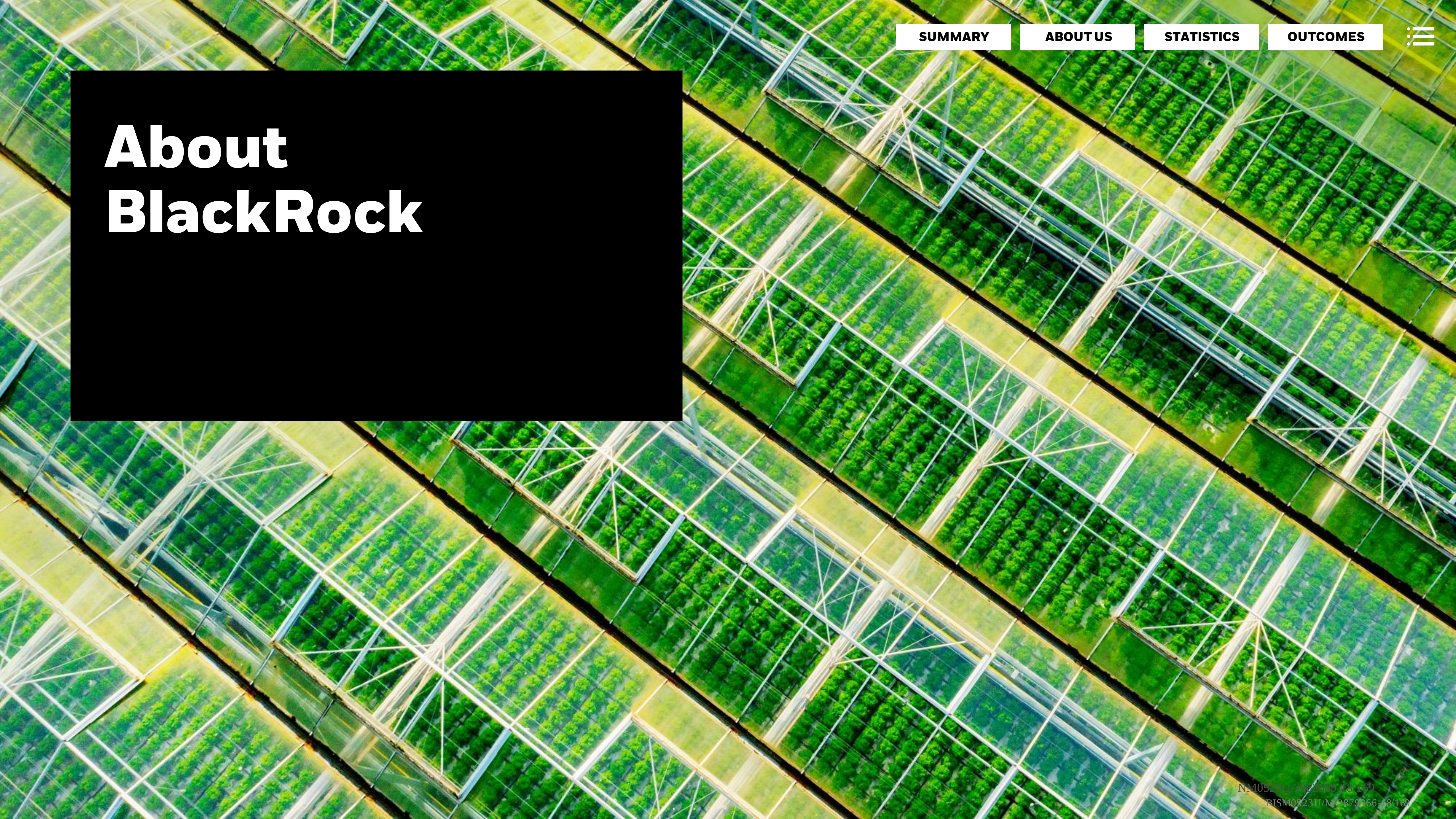
We encourage market-level policies and practices that advance the long-term economic interests of investors such as our clients.

To that end, members of the BIS team participated in over 460 marketplace engagements[1] globally in 2022, inclusive of conferences, roundtables, and public policy discussions. We also contributed formally in written submissions to 10 public policy consultations.

One example is our participation in the Taskforce on Nature-related Financial Disclosures (TNFD). In June 2021, the TNFD was formally launched to address the lack of transparency and consistent information available to financial institutions on how nature impacts a company's immediate financial performance, or the longer-term financial risks that may arise from how a company depends on and impacts nature.[2]

Backed by the G7 Finance Ministers and G20 Sustainable Finance Roadmap, the TNFD aims to develop a risk management and disclosure framework to help companies to report, and act on, natural capital risks and opportunities.[3] The TNFD has made significant progress, including with the release of several beta versions of the framework, leading up to the final disclosure recommendations anticipated in September 2023. BlackRock is a contributing member of the TNFD.

1 Source: BlackRock. Sourced on January 31, 2023, reflecting data from January 1, 2022 to December 31, 2022. These efforts are separate from our engagements with public companies and from engagements with clients, and are carried out with the objective of sharing our perspective as a long-term minority investor. Examples of marketplace engagements include speaking at industry events and conferences, or participating in academic seminars, among others. The work that we do is intended to advance the economic interests of BlackRock's clients' as long-term investors. **2** For more information, please see the TNFD's website: "Taskforce on Nature-related Financial Disclosures." **2** Better information will allow financial institutions and companies to incorporate nature-related risks and opportunities into their strategic planning, risk management and asset allocation decisions. For more information, please see the TNFD's website: "Taskforce on Nature-related Financial Disclosures."



About BlackRock

BlackRock is a leading asset manager with a diversified business across products, services, and geographies, serving clients with a broad spectrum of investing needs. As a fiduciary asset manager to our clients, our purpose is to help more and more people experience financial well-being.

We are a global asset manager and a leading provider of financial technology and solutions with approximately 19,800 people serving clients in more than 30 countries as of December 31, 2022. [1] Our purpose is to help more and more people experience financial well-being. We do this by helping millions of people invest to build savings and making investing easier and more affordable. We also offer clients choice and aim to contribute to a more resilient economy that benefits more people.

By operating with a strong sense of purpose each and every day, we seek to deliver better outcomes for clients no matter the market environment, create opportunities for and deepen our connections with employees, support communities, and generate long-term financial results for shareholders.

At BlackRock we put the long-term financial interests of our clients at the forefront of all that we do, and we innovate to ensure that we stay ahead of their investing needs.

We have continuously invested in our business to build a comprehensive, scaled investment platform across active and index funds, with solutions ranging from illiquid alternatives to cash management strategies. Our diverse investment platform is supported by our technology and risk management system, Aladdin®, which helps us better identify risks and opportunities, which in turn helps make portfolios more resilient for our clients. We believe the stability of BlackRock's globally integrated asset management and technology platform can help drive strong, long-term performance for our clients. Returns to clients support BlackRock's financial performance and returns to our shareholders which allows us to continuously and deliberately invest in our business and our people.

1 Source: BlackRock. "Form 10-K for the fiscal year ended December 31, 2022"

Our client centric approach guides our commitment to advance

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.

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Our global investment and technology platform allows us to offer our clients a wide range of choices

BlackRock's investment management clients, who entrust us to manage their assets, are the driving force behind everything we do. Our clients have a range of goals and are looking to invest across asset classes and investment themes to capture opportunities and mitigate risk. We believe BlackRock's market insights, proprietary technology, scale, and client-first approach differentiates us and positions our firm to contribute to the outcomes our clients experience. We have steadily built a global platform capable of serving their whole portfolio and our investment capabilities span active, index, alternative, and cash strategies.

We are committed to constantly expand choices across our business and we work diligently to stay ahead of our clients' needs. This includes investing in our business to capture growth opportunities in index investing and exchange-traded funds (ETFs), private markets, high-performing active strategies, sustainable investments, and whole portfolio solutions, as well as a continued focus on income and retirement.

Empowering investors through BlackRock Voting Choice

Our clients have a range of goals and preferences, and they look to BlackRock to meet their needs. We offer choice in investment products, portfolio construction, analytics, and proxy voting. One example is BlackRock Voting Choice.

In January 2022, BlackRock launched BlackRock Voting Choice, a capability that gives more and more clients – who are the true owners of the assets the firm manages – the option to engage more directly in proxy voting.

BlackRock Voting Choice was first made available to institutional clients invested in index strategies in certain pooled funds managed by BlackRock in the U.S. and the UK, as well as all institutional separate accounts globally.[1]

In response to growing client demand, in June 2022, BlackRock announced the expansion of the institutional pooled fund ranges to include the Canadian and Irish institutional pooled funds and one additional fund range in the UK.[2]

In November 2022, BlackRock announced that the Voting Choice program was extending the pool of eligible assets that can participate, expanding the range of voting guidelines from which clients can choose, and working to bring this capability to individual investors in select mutual funds in the UK.[3]

The ongoing expansion of the BlackRock Voting Choice program reflects the firm's commitment to provide clients with a wide range of choices to help them meet their investment objectives. For the many clients who choose to continue to use BlackRock as their fiduciary for voting, our global stewardship team continues to engage and vote on their behalf, focusing on how companies are delivering long-term profitability for their shareholders. Continuing to rely on BlackRock to exercise voting authority is itself a choice by clients to entrust the Investment Stewardship team to advance their long-term economic interests.

BlackRock Voting Choice milestones

Announced in October 2021, BlackRock Voting Choice aims to make proxy voting easier and more accessible for eligible clients.

January 2022

BlackRock launches Voting Choice

June 2022

BlackRock expands voting choice to additional clients

November 2022

BlackRock Voting Choice program grows further

1 BlackRock. "Working to expand proxy voting choice for our clients." October 7, 2021. **2** BlackRock. "BlackRock expands voting choice to additional clients." June 13, 2022. **3** BlackRock. "The transformative power of choice in proxy voting." November 3, 2022.

Our research and innovation help clients navigate risks and capture opportunities

BlackRock's clients have a variety of goals and preferences. Many clients are asking how to mitigate risk and capture opportunities, including those associated with the transition to a low-carbon economy.

Research is at the center of our investment approach and processes. It informs our pursuit of the best risk-adjusted returns, and it underpins product creation and innovation. To seek the best risk-adjusted returns for our clients, we research major structural trends shaping the economy, markets, and asset prices. We assess how these trends could affect long-term value and how they could unfold over time.

It is in this context that we research is the transition to a low-carbon economy. We research it because we see it having implications for macroeconomic trends, such as inflation, company financial prospects and business models, and portfolios. Physical climate change continues to create financial risk and affect asset prices. Government policy, technological innovation, and consumer and investor preferences are driving a material economic transformation to a lower-carbon world, creating investment risks and opportunities.

BlackRock's research-based assessment[1] is that companies positioning themselves to benefit from these shifts can improve their earnings outlook relative to others over time. And our research[2] shows that an orderly transition would result in higher economic growth compared with no climate actions, and would create a more constructive macro environment for financial returns for our clients overall.

Our dedication to a culture where all BlackRock employees can thrive helps us better serve our clients

Asset management is a people-centric business and everything we do and all that we accomplish is underpinned by our dedicated employees. We are incredibly proud of their unwavering commitment to our clients and our purpose. They are the driving force behind our innovations, our deep partnerships with more and more clients, and the growth we have generated over time across the BlackRock business.

We make a deliberate effort to foster a unifying culture, encourage innovation and ensure that we are recruiting developing, and retaining the best talent. We also recognize that a diverse workforce is indispensable to our success as diverse perspectives make our business more resilient to changing conditions. We strive to foster a collaborative culture where all employees can flourish and have a strong sense of belonging. We have made commitments to increase representation of underrepresented groups and we are measuring progress against our goals, with processes to create accountability at every level.[3,4]

For our people, being at BlackRock means benefiting from our global scale and sharing in the firm's growth and success. We encourage curiosity and offer employees a range of programs to support their careers at BlackRock. In addition to professional development programs, the BlackRock Academies have been designed to provide tailored educational experiences to build mastery in global markets, technology, and client services in support of our unique culture of learning.

Furthermore, BlackRock employees can join a wide range of internal networks.[5] Our global networks are dynamic communities built on shared experiences, intersectionality and allyship. They are culture carriers for the firm, offering employees and allies the opportunity to enhance and shape the inclusive culture to which we aspire. We have experienced a significant increase in network membership over the past year - with over 90% of employees belonging to our networks - which underscores the importance of investing in and maintaining environments where all employees feel a sense of belonging.[6] Through these resources, learning opportunities, and development activities, we aim to grow our leaders throughout their careers while driving BlackRock's future growth.

19,800~
employees[7]

30+
countries[7]

130+
languages and dialects[8]

1 BlackRock Investment Institute. "Positioning for the net-zero transition." June 2022.
2 BlackRock Investment Institute. "Climate change – Turning investment risk into opportunity." February 2021. 3 To learn more about our philosophy and life at BlackRock, please refer to the BlackRock's Careers website. 4 BlackRock. "Our path forward – 2022 Global Diversity, Equity and Inclusion Annual Report." April 2023. 5 See footnote #4 at pages 44-51. 6 See footnote #4 at page 44. 7 BlackRock. "Form 10-K for the fiscal year ended December 31, 2022."
8 See footnote #4. Data as of January 1, 2023.

Our commitment to help our clients achieve financial well-being can generate a positive impact in our communities

BlackRock is committed to helping more people in the communities in which we operate, including through programs that promote financial inclusion and unlock economic opportunity — because our employees, clients, partners, suppliers, and shareholders are all members of these vibrant communities.

BlackRock's investments on behalf of clients help fuel more resilient and inclusive economies. Through our objective of delivering risk-adjusted returns for clients, they, in turn, are able to meet their long-term investing goals, whether that is to save for retirement, start businesses, or support their communities.

BlackRock is committed to helping more people in the communities in which we operate.

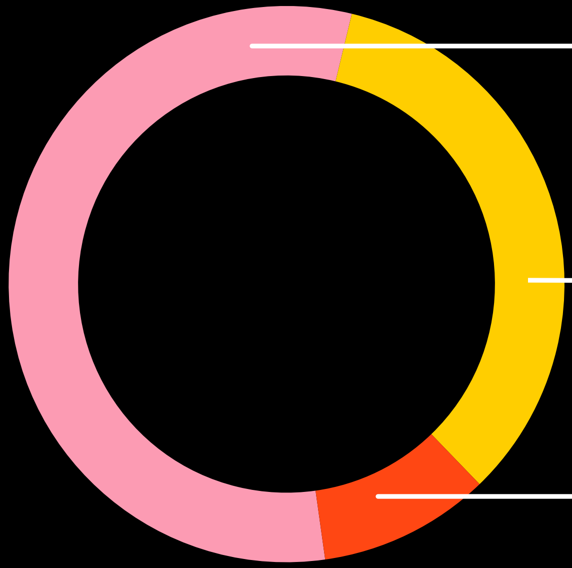
BlackRock's clients, who entrust us to manage their assets, are the driving force behind everything we do.

Since our founding, we have listened to our clients, we have tried to anticipate the impact of long-term trends and macro developments on their portfolios, and we have constantly evolved to stay ahead of their needs.

As a leading asset manager with a diversified business across products, services, and geographies, serving clients with a broad spectrum of investing needs, we have been entrusted with U.S. $8.6 trillion of assets under management (AUM) as of December 31, 2022.[1]

1 BlackRock Inc. "Q4 2022 Earnings – Earnings Release Supplement." January 13, 2023.

We offer a range of investment solutions to help clients achieve their desired investment objectives.



56%

of AUM was managed on behalf of institutional clients

34%

of AUM was held in ETFs

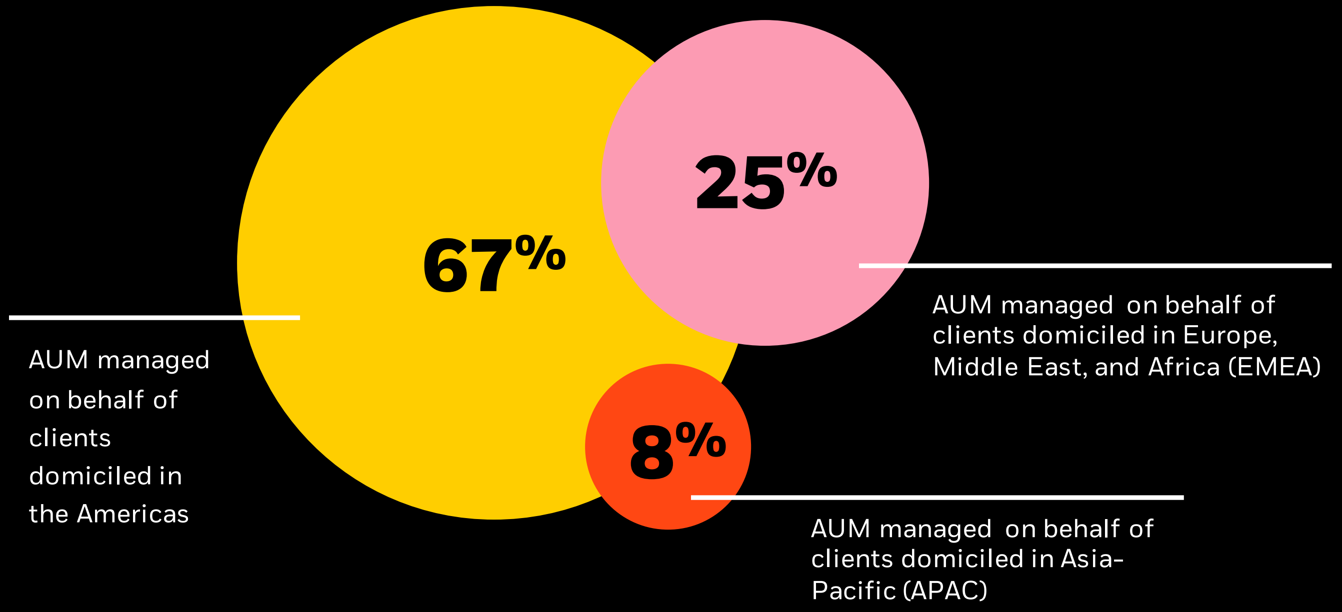
10%

of AUM was managed on behalf of retail investors

Source: BlackRock Inc. "Q4 2022 Earnings – Earnings Release Supplement." January 13, 2023.

We serve millions of clients all over the world.

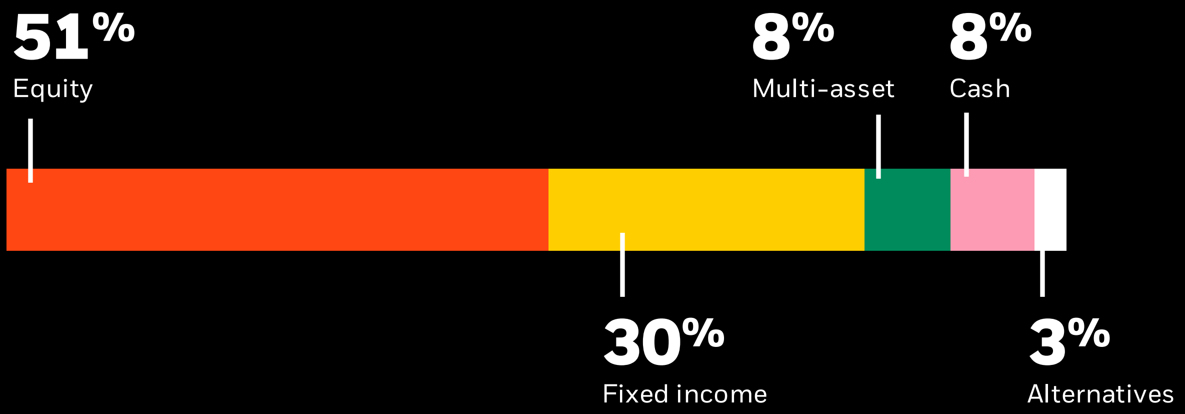
Our global reach and local presence allow us to provide our clients easier and more convenient ways to access market opportunities across the globe.



Source: BlackRock Inc. "Q4 2022 Earnings – Earnings Release Supplement." January 13, 2023.

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 clients reach their desired investment outcomes and asset allocations.

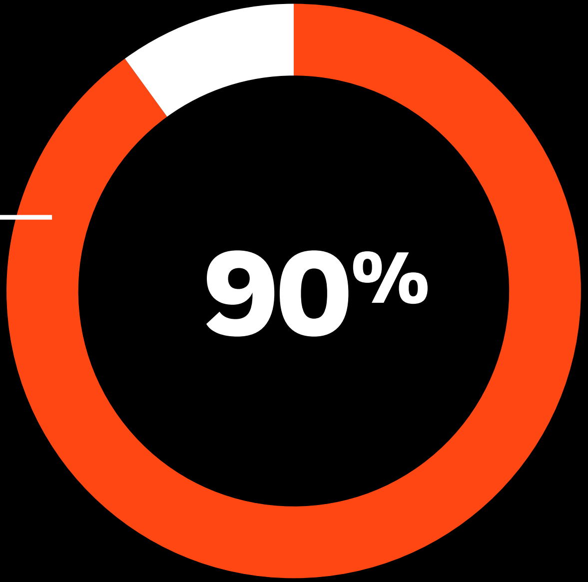


Source: BlackRock Inc. "Q4 2022 Earnings – Earnings Release Supplement." January 13, 2023.

We apply a long-term perspective on behalf of our clients.

A majority of BlackRock's equity AUM are held in index strategies, which typically remain invested in each company for as long as a company is included in the reference index. This, in effect, means that most of our clients invested in index strategies are long-term investors in those companies.

Approximately 90% of equity AUM was held in iShares ETFs or BlackRock's non-ETF index products.[2]



1 As of December 31, 2022, 51% of the assets BlackRock managed were invested in equities. See "BlackRock Q4 2022 Earnings – Earnings Release Supplement" at page 2 to learn more. January 13, 2023. **2** Estimate based on figures reported in BlackRock Inc.'s "Form 10-K for the fiscal year ended December 31, 2022," which indicated that nearly 47% of total equity AUM was held in iShares ETFs, and a further 44% of total equity AUM was invested in index strategies on behalf of retail and institutional clients.

BlackRock’s investment approach

As a fiduciary, we invest on our clients’ behalf to help them meet their investment objectives. Our focus is on understanding and managing investment risk, anticipating our clients’ needs, and supporting them in achieving their long-term investment goals.

BlackRock’s broader investment approach is rooted in our fiduciary duty as an asset manager and is informed by three principles:

1. **We provide choice to our clients**
2. **We seek the best risk-adjusted returns within the mandate they give us**
3. **We underpin our work with research, data, and analytics**

BlackRock's approach to ESG integration

At BlackRock, we define "ESG integration" to be the practice of incorporating financially material environmental, social or governance (ESG) data or information[1] into our firmwide processes with the objective of enhancing risk-adjusted returns of our clients' portfolios. This applies regardless of whether a fund or strategy has a sustainable or ESG-specific objective.

ESG integration is a part of the investment process at BlackRock, and as with all other components of the investment process, is the responsibility of our investment teams.

ESG integration for active funds and advisory strategies, where applicable, means: i) each strategy has a description of how financially material ESG data or information fits into its investment process, ii) portfolio managers are accountable for managing exposure to financially material ESG risks, and iii) investment teams are able to provide evidence of how they consider financially material ESG data or information in their investment processes.

In index portfolios, the investment objective is to track a predetermined benchmark index. BlackRock engages with third-party index providers to provide input on the design of their benchmark indexes, including benchmark indexes that take into account sustainability-related characteristics, in order to meet client demands and regulatory requirements.

In addition, the BIS team engages with investee companies on material risks and opportunities to enhance long-term financial value for our clients, including, when relevant, material sustainability-related risks and opportunities.

Oversight and governance

BlackRock employs a three-lines of defense approach to managing risks, including ESG risks, in client portfolios. BlackRock's investment teams and business management are the primary risk owners, or first line of defense. BlackRock's risk management function, the Risk and Quantitative Analysis (RQA) group is responsible for BlackRock's Investment and Enterprise risk management frameworks and serves as a key part of the second line of defense along with BlackRock Legal and Compliance. RQA evaluates investment risks, including financially material ESG risks, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives, complementing the first-line monitoring. RQA also has a dedicated Sustainability Risk group that partners with risk managers and businesses to oversee sustainability risk across the platform.

The third line of defense, BlackRock's Internal Audit function, operates as an assurance function.

The mandate of Internal Audit is to objectively assess the adequacy and effectiveness of BlackRock's internal control environment to improve risk management, control, and governance processes, including those relevant to sustainability.

The Investment Sub-Committee of BlackRock's Global Executive Committee (GEC) oversees firm wide investment processes, including ESG integration. Members of the Sub-Committee include the global heads or sponsors of all of BlackRock's major investment platforms and the firm's Chief Risk Officer. The RQA Sustainability Risk team reports on ESG integration to the GEC Investment Sub-Committee at least annually.

Please refer to BlackRock's firm-level ESG Integration Statement for additional information.

1 Any data or information around E, S and/or G issues that could impact a companies' ability to perform over time. Companies may self-identify ESG issues as financially material to their business models through external or financial reporting. A portfolio manager may identify ESG issues as financially material to the investment process because they impact company risk, opportunity, performance, volatility, etc. Examples of environmental issues include, but are not limited to, water use, land use, waste management and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty and relationships with regulators. Governance issues are anything related to the core means by which boards can oversee the creation of durable, long-term financial value.

BlackRock's approach to investment stewardship

Investment Stewardship at BlackRock serves as a link between our clients and the companies they invest in. BIS' objective is to support companies in creating the long-term value that our clients depend on to achieve their financial goals, consistent with our fiduciary duty as an asset manager.

Because our clients' financial outcomes depend on the success of the companies in which they are invested, BIS takes a long-term approach in our stewardship efforts, reflecting the investment horizon of the majority of our clients.

BIS' efforts are conducted from the perspective of a long-term investor.

A majority of BlackRock's equity AUM is held in index strategies,[1] which track the performance of a particular grouping of public companies – for example, the S&P 500 in the U.S. or the TOPIX in Japan. Those funds and accounts typically remain invested in each company for as long as a company is included in the reference index. While investors in these strategies may sell out of a fund or account in its entirety, they cannot sell holdings in individual companies in that fund or account. This, in effect, means that most of our clients invested in index strategies are long-term investors in those companies.

BIS centers our stewardship work in corporate governance.

In our experience, sound governance, in terms of both process and practice, is critical to the long-term success of a company, the protection of shareholders' interests, and long-term shareholder value creation. We focus on factors such as the quality of the board and its ability to oversee executive leadership. We have also observed that well-managed companies will effectively evaluate and manage material sustainability related risks and opportunities relevant to their businesses. Appropriate oversight of sustainability considerations is a core component of having an effective governance framework, which supports durable, long-term value creation.

BIS aims to build constructive relationships with companies,

engaging in continuing dialogue with company leadership on factors that may be material to a company's ability to generate the long-term financial returns on which our clients depend. Through our engagement we may also communicate our views on material risks and opportunities when our analysis – which is guided by the BIS Global Principles, regional voting guidelines, and engagement priorities – indicates company leadership may not be acting in the economic interests of long-term investors, like BlackRock's clients.

BIS works with active investment teams to share insights.

BIS' company analysis and engagement meeting notes are made available to BlackRock active portfolio managers. This can help further identify and assess risks and opportunities that may impact long-term financial value creation by the companies in which BlackRock's clients are invested. Where BIS and a BlackRock active portfolio manager are interested to engage a company on the same topics, we may jointly meet with company representatives to hear how they are positioning their company to deliver durable profitability.

1 As of December 31, 2022, 51% of the assets BlackRock managed were invested in equities. See "BlackRock Q4 2022 Earnings – Earnings Release Supplement", January 13, 2023" at page 2 to learn more..

How different teams at BlackRock seek the best risk-adjusted returns for client portfolios across asset classes

As a fiduciary, BlackRock considers material risks and opportunities and, where appropriate, assesses how risks could impact the financial returns of our clients' portfolios. In addition, we continuously evaluate the extent to which risks and opportunities created by possible future changes in regulation, technology, and consumer and investor preferences, among others, can impact our clients' financial goals or unlock new investment opportunities for them.

Our goal at BlackRock is to seek the best risk-adjusted returns for client portfolios, within the mandates our clients give us. To that end, BlackRock has invested in our teams and our technology over the years to ensure that the firm is structured to support this process. 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.

As mentioned previously in this report, BIS primarily engages public companies on behalf of index strategies. Other teams across BlackRock may engage with companies to help inform their work on a broad spectrum of risk and value drivers in their investible universe.

The following are some examples of how different investment teams at BlackRock evaluate risks and opportunities on behalf of clients invested across asset classes.

Example 1

How BlackRock's Fixed Income team engages with sovereigns

Sovereign issuers represent approximately 40% the global bond market.[1] BlackRock's Fixed Income team houses dedicated sovereign research teams who are tasked with the evaluation of sovereign debt and associated pricing for our active portfolios.

Engagement is an important tool to understand BlackRock's clients' financial exposure to these investment vehicles, and the Fixed Income team's engagement approach is similar, in many ways, to how BlackRock engages with public companies.

Just as public companies face unique challenges – based on their business model, sector, and location – sovereign issuers are confronted with varying levels of geopolitical, economic, social, and environmental risks and opportunities, among others. Through engagement, the Fixed Income team seeks to build their understanding of these unique circumstances.

1 World Bank "Striking the right note: Key performance indicators for sovereign sustainability-linked bonds." January 6, 2022.

One example of the application of this approach is the team's engagement with the UK, which issued their inaugural green bond in September 2021.[1,2] The bond is of particular relevance to investors as the UK's first sovereign green issuance. Prior to bond's launch, the Fixed Income team engaged with the sovereign in order to further understand the allocation of the bond's proceeds in alignment with the Green Bond Principles.[3] The Green Bond Principles recognize several broad categories of eligibility criteria for green projects and recommends sovereigns to appropriately describe how the proceeds are intended to be used through annual reporting.[4]

The Fixed Income team's main concern surrounding the bond revolved around its allocations towards blue hydrogen, which encompasses a variety of infrastructural applications. In the team's analysis, renewable energy, as a whole, constituted ~20% of the total eligible project portfolio, but it was unclear what proportion of this would be dedicated to blue hydrogen.

Following the initial engagement, the team has continued its regular engagement with the sovereign to gain further insights into the bond's issuance cycle, and the intended allocation of the bond's proceeds thereafter.

Through insights afforded during these engagements, the Fixed Income team was able to update its analysis and shading of the bond per BlackRock's proprietary bond taxonomy,[5] thus making it an eligible green bond for its portfolios. Due in the second half of 2023, the sovereign will release the bond's annual reporting. The team will continue engaging with the sovereign as the annual report gets published.

1 This case study is shown for illustrative purposes only and was selected to demonstrate BlackRock's capabilities with respect to engaging with sovereigns, and in this case in particular, an engagement covering the issuance process of a green bond in the EMEA market, and a first of its kind in the UK. 2 Reuters. "UK's first green gilt draws record $137 billion demand." September 21, 2021. 3 The Green, Social, Sustainability, and Sustainability-Linked Bond Principles are "a collection of voluntary frameworks with the stated mission and vision of promoting the role that global debt capital markets can play in financing progress towards environmental and social sustainability." To learn more, please refer to the International Capital Market Association's "Green Bond Principles." 4 The annual report should include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. To learn more, please refer to the International Capital Market Association's "Green Bond Principles," 2021 (with June 2022 Appendix 1). 5 BlackRock has developed a proprietary green bond taxonomy that shades each BlackRock-labelled green bond on a scale of Very Light Green to Dark Green based on the bond's intended use of proceeds, associated environmental benefits, and its issuers' ongoing commitment to allocation and impact reporting. To learn more, please refer to BlackRock's article "How green is your bond?"

Example 2

Private equity investments

The different private equity strategies that BlackRock's Private Equity Partners (PEP), Long Term Private Capital (LTPC) and Decarbonization Partners deploy have varying degrees of control over their investments and use different levers to evaluate material risks and opportunities consistently with their investment processes.

Primary investments

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

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 evaluation. Where possible, each portfolio company and fund are assigned a risk rating to inform decision-making. If PEP proceeds with the investment, all underlying interests are continually monitored.

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 the transaction. Given that the GP is typically the majority investor, an analysis of the GP practices is a key part of due diligence. PEP looks to see the findings factored into the post-acquisition financial value creation plan and monitor sector-specific areas of concern.

Direct private equity

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

Late venture / early growth investments

One or several members of the Decarbonization Partners Investment Team will hold board seats or observer seats on a portfolio company's board through which the team can offer guidance and input, as appropriate, around potential ESG initiatives that the portfolio company may pursue, including measures to enhance the decarbonization outcome of the portfolio company's technology/solution. Decarbonization Partners has also started engagement with its portfolio companies around collection of ongoing ESG data.

Example 3

A multi-alternative fund built to accelerate positive outcomes for underserved communities

The BlackRock Impact Opportunities (BIO) Fund is a first-of-its-kind multi-alternative strategy that enables clients to accelerate positive economic outcomes for undercapitalized racial and ethnic groups in the U.S., with particular focus on Black, Latinx, and Native American communities. BIO takes a novel approach to social impact by making direct investments across private equity, private credit, infrastructure, real estate, and other niche asset classes — using a wide range of tools to seek to create collective wealth for the businesses and communities in which it invests and to generate market-rate returns for the fund's investors. BlackRock leverages its holistic investment processes to evaluate risk and opportunities in each of these investments.

Since inception in 2021, BIO has reviewed more than 500 potential investments across different asset classes, demonstrating the opportunity set that exists within the fund's mandate. Thus far, BIO has closed seven investments and has committed U.S. $221 million of capital out of the fund, alongside another U.S. $100 million of capital from other funds and accounts managed by BlackRock.[1]

1 BlackRock. "Our path forward – 2022 Global Diversity, Equity and Inclusion Annual Report." April 2023. Pages 57-59.

Example 4

Real estate and infrastructure: Property and project-level risk analysis

When assessing property-level and project-level investments, BlackRock conducts a comprehensive risk analysis, including a detailed review of material on-site social factors such as those relating to the health and safety of employees, users, and local communities.

Where applicable, BlackRock's Real Estate and Infrastructure teams will also review 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 our emerging market strategies.[1]

The team uses commercially reasonable means to comply with all relevant jurisdictional laws and expects BlackRock's appointed contractors to do the same.

Example 5

Applying a comprehensive risk analysis approach in the acquisition of a New Zealand renewable energy technology provider

In September 2022, the BlackRock Infrastructure team acquired solarZero, a New Zealand-based rooftop solar and battery technology provider, committing approximately U.S. $60 million (over NZ $100 million) of capital over the next three years to accelerate the growth of the company's solar and battery technology platform.

The acquisition enables greater renewable energy adoption and has a high potential for growth into other markets and strategic relationships with other portfolio businesses. The Infrastructure team applied a comprehensive risk analysis that considered on-site health and safety factors, land rights, and wider community impacts. solarZero marks the team's first residential solar and battery acquisition within its Climate Infrastructure business in the APAC region.[2]

1 The IFC Performance Standards were developed by the International Finance Corporation (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.
2 solarZero. "solarZero Announces Acquisition by BlackRock Real Assets." September 13, 2022.

About BlackRock Investment Stewardship

Our Investment Stewardship function is a trusted global partner to clients and a constructive investor on their behalf.

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

BIS' Global Principles and regional voting guidelines set out the core elements of corporate governance that guide our investment stewardship efforts globally and within each regional market, including when engaging with companies and 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:

- Engaging with companies
- Voting in our clients' financial interests
- Contributing to emerging thinking on stewardship
- Being transparent in our activities

The BIS toolkit

Engaging with companies

Our engagement is guided by the BIS policies – which are comprised of the Global Principles, regional voting guidelines, and engagement priorities. BIS holds year-round dialogue with companies and takes a constructive, long-term approach to our engagement with companies, focusing on the drivers of risk and financial value creation in their business models. Engagement is core to our stewardship efforts as it provides us with the opportunity to improve our understanding of a company's business model and the risks and opportunities that are material to how they create financial value, including business relevant sustainability-related risks and opportunities.[1] Engagement may also inform our voting decisions for those clients who have given us authority to vote on their behalf.

Engagement consists of constructive, on-going 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.

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

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 financial interests of our clients as long-term investors. The vast majority of matters that we vote on are routine and we generally support management. When we determine it is in our clients' financial interests to signal concern to companies through voting, we do so in two forms:

1. We might not support the election of directors or other management proposals; or
2. We might support a shareholder proposal.

Not supporting the election of directors is the voting signal of concern BIS most frequently employs since it is a globally available mechanism.

3,886
engagements

173,326
total proposals voted

70%+
of the value of our clients' equity assets engaged*

18,272
total meetings voted

51
markets covered in our engagements

14,250
Total companies voted

Source: Source: BlackRock. Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022.

*Reflects BlackRock exposure as of December 31, 2022.

1 By material sustainability-related risks and opportunities, we mean the drivers of risk and long-term financial value creation in a company's business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty and relationships with regulators. It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses. Governance is the core means by which boards can oversee the creation of durable, long-term financial value. Appropriate risk oversight of business-relevant and material sustainability-related considerations is a component of a sound governance framework.

We also see growing interest among investors – including our clients – in the corporate governance of public companies. That is why in January 2022, we launched BlackRock Voting Choice, a capability that leverages technology and innovation to give our clients the option to engage more directly in proxy voting.

Contributing to emerging thinking on stewardship

We participate in market-level dialogue to share our perspectives with clients, policymakers, and others in the corporate governance ecosystem, on topical and emerging stewardship issues that we believe may impact our clients' financial interests as long-term investors. We also benefit in that engagement from hearing from our clients, policy makers and others on their perspectives on emerging issues.

Being transparent in our activities

We inform clients about our stewardship activities on their behalf through a range of publications on our website and direct reporting to clients. We are committed to our clients and appreciate the importance of continuing to refine our approach to remain aligned with their needs.

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, technology, corporate, and governance roles. BIS operates across 10 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 our effectiveness as a trusted partner to clients and a constructive investor on their behalf.

...brings a long-term perspective to our work to advance BlackRock's clients' financial interests.

We are a long-term investor 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 effectively manage and disclose material business risks and opportunities that impact their ability to deliver long-term financial performance. BIS' Global Head, who is also a member of BlackRock's Global Executive Committee (GEC), 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 and innovates to respond to our clients' interests and needs.

Our team has grown from 16 in 2009 to over 70 as of December 2022. 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 companies more frequently and effectively, make better informed voting decisions, and adapt to meet our clients' needs.

...is committed to the professional development of its members.

Our team understands the importance of investing in people. With 25+ professional certifications, 30+ academic disciplines, and 18+ languages spoken by our team members.[1] BIS has an incredible depth and breadth of expertise. BlackRock promotes continued learning to ensure that BIS is equipped to innovate and evolve to best serve the long-term 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. Learning opportunities are also made available to our team year-round through BlackRock Academies as well as through external educational seminars and conferences. 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 internally and externally.

...understands the value of well-supported colleagues.

We are people serving people. 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 have the support they need to thrive in every aspect of their lives as BlackRock believes that doing so benefits both the firm and clients.

In 2022, BlackRock was named one of America's most JUST companies for the third consecutive year.[2] BlackRock was also included in Bloomberg's Gender Equality Index 2022 and was awarded a perfect score for the 11th consecutive year in the 2022 Human Rights Campaign's Corporate Equality Index.[3,4,5] BlackRock continues to make a deliberate effort to foster an inclusive and connected unifying culture. We aim to encourage innovation and attract, develop and retain the best talent by aligning employee incentives and risk taking with those of the firm, and by incorporating diverse backgrounds, experiences and perspectives into all levels of our business, including BIS.

...recognizes the contributions of its people.

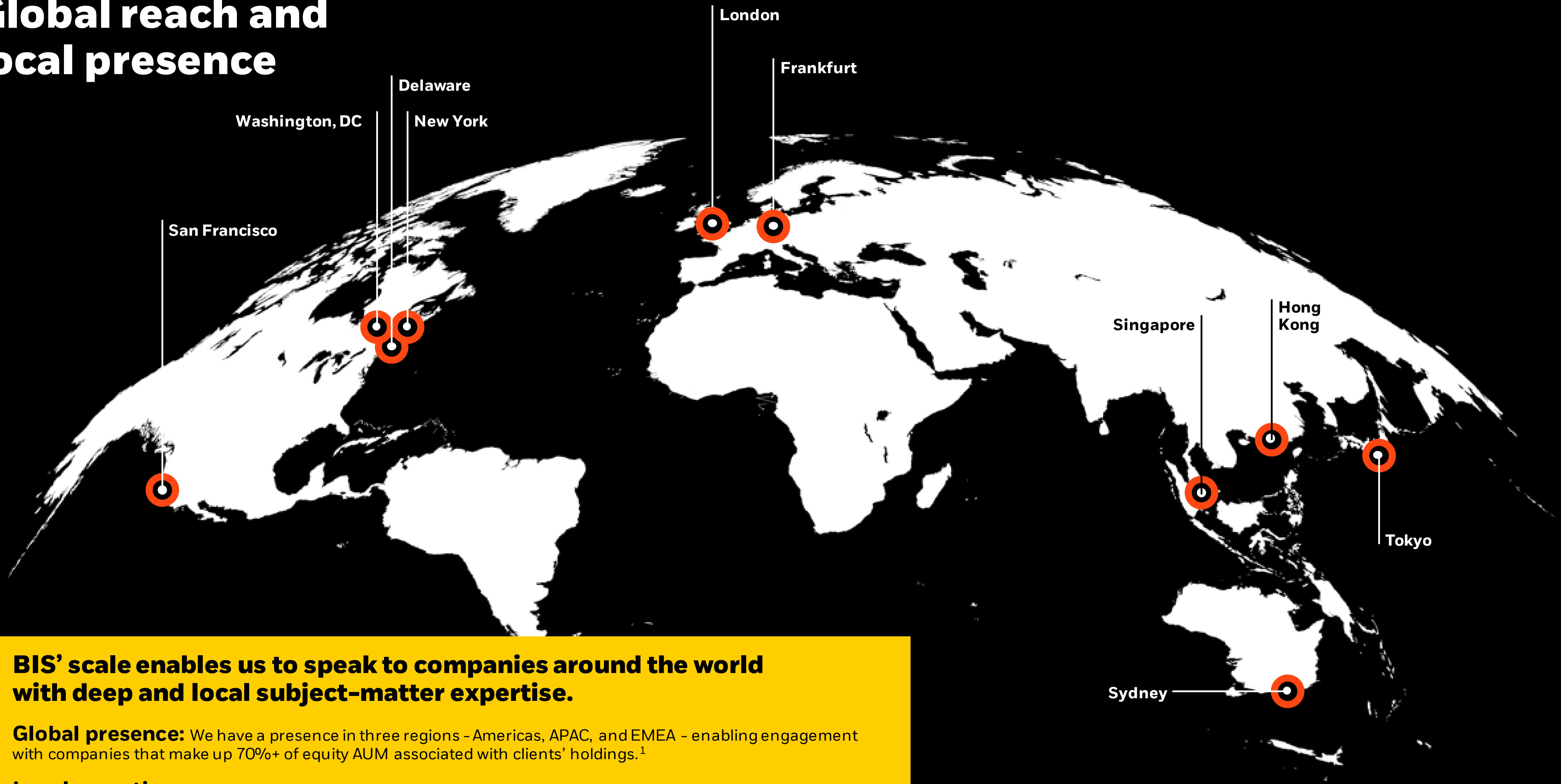
BlackRock believes that an investment in people is an investment in the future of the firm as an essential partner to our clients. BlackRock has developed a compensation structure that incentivizes current employees and continues to attract top tier talent. Furthermore, the firm aims to provide fulfilling career paths for employees as we believe talent retention is critical to long-term financial value creation at all organizations, including our own.

In 2022, BIS integrated 18 members to the team, including one member to lead the BlackRock Voting Choice program. New team members were recruited both from within and outside BlackRock. BlackRock supports internal mobility and encourages employees to take ownership of their careers.[6] In 2022, BIS also promoted 11 members across managing director, director, vice president, and associate positions.[7] In addition, members of our team were provided valuable professional exposure through participation in over 460 marketplace engagements.[8]

We are people serving people. BlackRock believes that an investment in people is an investment in the future of the firm as an essential partner to our clients.

1 Source: BlackRock. As of December 31, 2022. 2 A ranking of the performance of the largest publicly traded companies in the U.S. on issues such as prioritizing good governance, investing in employees, and supporting communities they operate in. Source: JUST Capital. "2022 Overall Rankings." 3 The Bloomberg Gender Equality Index tracks the performance of public companies based on their disclosures of gender diversity in their workforce. The 2022 Bloomberg Gender-Equality Index included 418 companies across 50 industries headquartered in 45 countries and regions. Source: "2022 Bloomberg Gender-Equality Index." 4 The Human Rights Campaign's Corporate Equality Index ranks companies' commitments to creating workplaces free of sexual orientation-based discrimination. Source: "Corporate Equality index 2022." 5 Ratings, rankings and awards shown herein may not be indicative of BlackRock's investment performance, or any future investment performance or sustainability accomplishments. BlackRock has sourced these ratings and rankings from third party providers. We have not solicited or paid for any of these ratings or ranking. The rating or ranking may not be representative of any client's individual experience. 6 Source: BlackRock Careers. "At BlackRock, you can change career paths without leaving the company." January 21, 2022. Article originally published on *The Muse*. 7 One Managing Director, three Directors, one Vice President, and six Associate position promotions. Effective January 1, 2023. 8 Source: BlackRock. Sourced on January 31, 2023, reflecting data from January 1, 2022 to December 31, 2022. These efforts are separate from our engagements with public companies and from engagements with clients, and are carried out with the objective of sharing our perspective as a long-term minority investor.

Global reach and local presence



BIS' scale enables us to speak to companies around the world with deep and local subject-matter expertise.

Global presence: We have a presence in three regions - Americas, APAC, and EMEA - enabling engagement with companies that make up 70%+ of equity AUM associated with clients' holdings.[1]

Local expertise: Our local presence allows teams to establish relationships in local markets and develop knowledge of market-specific regulations and norms, which support more effective company engagement in-region.

1 Reflects BlackRock's exposure as of December 31, 2022.

70+ member team

18 languages

25 professional qualifications

31 academic disciplines

51 engagement markets

Leveraging the global expertise of our: Investment analysts | Researchers | Specialists | Active investors

Source: BlackRock. As of December 31, 2022

Stewardship's engagement insights are made available to BlackRock's active teams

BIS' company analysis and engagement meeting notes are made available to BlackRock active portfolio managers. Other investment teams across BlackRock may engage with companies to help inform their work on a broad spectrum of risk and value drivers in their investible universe. While we have specialized teams focused on specific asset classes and investment styles, we employ a "One BlackRock" approach, integrating expertise from across our investment functions. Our work on behalf of clients is supported by our proprietary, in-house Aladdin® technology.

Research

Stewardship's company analyses and engagement insights are made available to BlackRock's portfolio managers. The insights BIS develops through engaging with companies can be unique.

BIS research into companies' corporate governance profiles can provide portfolio managers with an up-to-date fundamental perspective, with insights not captured by third party ratings.

Voting

As an asset manager, BlackRock has a fiduciary responsibility to vote shares in the long-term economic interests of clients who choose to delegate voting authority to us. Most of this voting is conducted by BIS, as approximately 90% of the equity investments BlackRock manages on behalf of clients are in index strategies.[1]

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

In general, active portfolio managers rely on BIS for voting insights and recommendations given our team's focus on long-term financial returns in determining how to vote.

From time to time, active portfolio managers and BIS may reach different voting conclusions on proposals made by management or shareholders. These instances are infrequent and occurred at 56 of the more than 18,000 shareholder meetings voted in 2022.[2] Reasons for a difference of opinion on voting vary. Both BIS and active portfolio managers base their vote decision on the outcome they believe to be most consistent with the long-term financial interests of clients invested in the company under consideration. BIS determines how to vote on behalf of index investors, who are locked-in, long-term shareholders of companies. An active portfolio manager may vote differently based on their views of what is best for clients invested in their fund in line with the fund's or clients' investment mandates. Additionally, in certain pooled vehicles, a split vote may be seen resulting from different policies being chosen by BlackRock's Voting Choice clients.

1 Estimate based on figures reported in BlackRock Inc.'s "Form 10-K for the fiscal year ended December 31, 2022," which indicated that nearly 47% of total equity AUM was held in iShares ETFs, and a further 41% of total equity AUM was invested in index strategies on behalf of institutional clients.
2 Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on February 28, 2023, reflecting data from January 1, 2022 through December 31, 2022.

Case study

Voting on remuneration at a British publishing company

Reasons for a difference of opinion on voting can 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.

Over the course of 2022, BIS engaged with Pearson plc (Pearson) on material governance-related issues, including on the company's remuneration policy. While the company is based in the UK, Pearson's CEO is based in the U.S., a reflection of the market's strategic importance.

Remuneration[1] practices between the UK and U.S. differ, particularly surrounding the comparatively higher base salary and executive officers' variable pay schemes in the U.S. In our engagements with Pearson's leadership prior to the April 2022 annual general meeting (AGM), we sought to understand the company's approach to pay practices, given our concerns that, in our assessment, the remuneration policy seemed unbalanced across markets and misaligned with long-term shareholders' economic interests

BIS looks to a company's board of directors – typically a relevant committee – to put in place a remuneration policy that incentivizes and rewards executives against appropriate and stretching goals tied to relevant strategic metrics, especially those measuring operational and financial performance. In 2020, Pearson had awarded the CEO with high base pay and a one-off co-investment award granted to secure his appointment.

In our view, the performance metrics underlying the co-investment award were not sufficiently rigorous, especially considering the value of the award. To signal our concerns, BIS did not support either the approval of the company's remuneration report, or the election of directors to the remuneration committee at the April 2021 AGM.

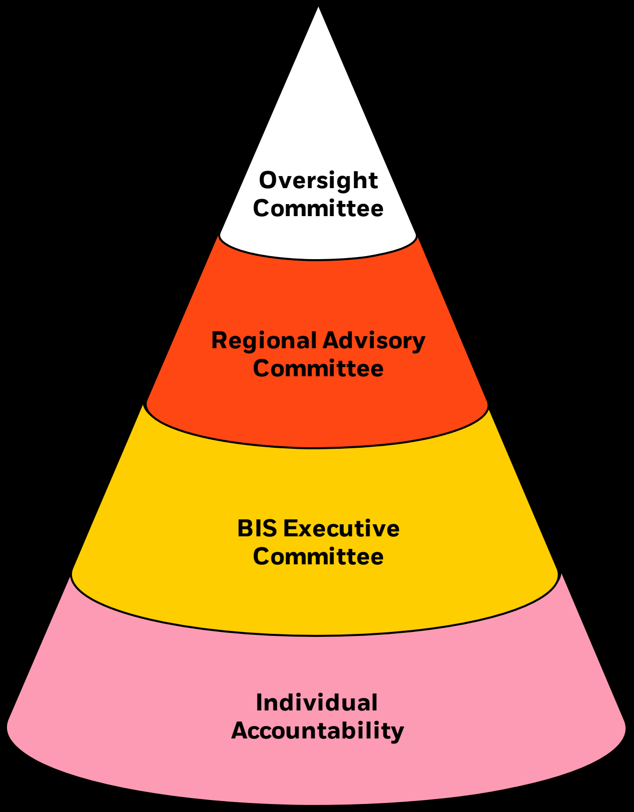
Similarly, at the April 2022 AGM, BIS did not support the approval of the remuneration report to signal our continuing concerns that the company's remuneration was misaligned with long-term financial value creation for shareholders. BIS also did not support the election of directors to the remuneration committee. BlackRock's Fundamental Active Equities team broadly shared BIS' concerns, but abstained on these proposals reflecting on the importance of remuneration in attracting and retaining talent and Pearson's need for a high caliber CEO to effect a successful turnaround at the time. BIS engaged with Pearson after the April 2022 AGM to encourage the company to address shareholder concerns, including from BlackRock. The approval of the remuneration report received 77% shareholder support, and while remuneration committee members received majority shareholder support, we note the decrease in support from shareholders against 2021.

1 In this report, the term "remuneration" is used as an equivalent to the words "compensation" or "pay."

The governance, oversight, and accountability of stewardship at BlackRock

The Global Executive Committee (GEC) is BlackRock's leadership team and sets the strategic vision and priorities of the firm and drives accountability at all levels. Joud Abdel Majeid, Global Head of Investment Stewardship reports to the CEO of BlackRock and is a member of the GEC.[1] Joud has primary oversight of BIS – she is responsible for leading the stewardship team and all BIS activities as we engage with companies to promote effective governance and create long-term financial value for clients.[2] Further, the Nominating, Governance, and Sustainability Committee (NGSC) of BlackRock's Board of Directors periodically reviews BIS' investment stewardship-related policies, programs, and significant publications, and makes recommendations on such matters to the full Board.[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 Global Principles, updated on an annual basis. Formal risk oversight of investment stewardship is provided by the BIS Global Oversight Committee. Three regional Stewardship Advisory Committees provide mostly policy-related insights to BIS and help ground our stewardship positions in long-term financial value. These three Advisory Committees are composed of senior BlackRock investment professionals and subject matter experts.



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. The Global Oversight Committee meets at least twice a year.

Regional Stewardship Advisory Committees
Three regional Stewardship Advisory Committees for the 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, qualified to provide BIS members with feedback on general stewardship matters and with their perspectives on investment. Each regional committee meets at least three times a year.

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 on routine stewardship matters, as well as career development and performance. The BIS ExCo meets on a weekly basis to discuss routine stewardship matters, as well as BIS team members' performance and talent development plans, including career progression and succession planning within BIS. The BIS ExCo also holds routine Global Town Halls with the 70+ stewardship team members to discuss strategic objectives, performance milestones, and future initiatives.

1 As of February 1, 2023. Sandy Boss served as Global Head of Investment Stewardship from May 2020 through January 2023. **2** BlackRock. "The Global Executive Committee." **3** BlackRock, Inc. "Board of Directors – Nominating, Governance and Sustainability Committee Charter," November 17, 2021.

The governance and advisory structures described above support oversight and accountability of stewardship-related activities on behalf of clients and in alignment with our firm's business model and size.

As part of our continuous focus on improving our stewardship approach, BIS considers recommendations from BlackRock's GEC, the BIS Global Oversight Committee, and the three regional Stewardship Advisory Committees, and implements this feedback on a continuous basis and as appropriate.

Moreover, as a team that operates across many jurisdictions, BIS works diligently with internal experts to monitor and ensure our stewardship activities comply with the rules of each market, bringing together best practices across the globe.

BIS Executive Committee

Joud Abdel Majeid

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

Jessica Burt

Global Platform and Business Strategy

Michelle Edkins

Global Institutional Relations and Policy

Amra Balic

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

Amar Gill

Regional Head Asia-Pacific

John Roe

Regional Head Americas

The stewardship policy review process

BIS' stewardship policy serves as the foundation for BIS' voting and engagement decisions. It is comprised of published Global Principles, regional voting guidelines, and engagement priorities. BIS publishes the stewardship policies to provide clients, and other external stakeholders, visibility into our priorities and the factors considered in engagement and voting. These policies ensure we enable effective stewardship processes and align with our commitment to pursue long-term financial returns for our clients as shareholders.

BlackRock's stewardship policy is reviewed annually by a broad group of stakeholders within the firm.

How we determine stewardship policy: a rigorous internal process

Each year, BIS reviews and updates our policies. The rationale for any change in our chosen approach is to ensure that our policies are aligned with our commitment to pursuing long-term financial returns for our clients:

1. The BIS team reviews and amends as necessary the Global Principles, which are the overarching framework for BIS' engagement and voting work and reflect common themes in stewardship across regions.
2. Through a globally coordinated process, the regional stewardship teams also review the regional voting guidelines implemented in their region and propose amendments to reflect changes in market standards, evolving governance practices, and insights gained from engagements with companies and clients.
3. The proposed policies are reviewed at this initial stage in the process, and again subsequently as necessary, by internal partners in Legal & Compliance (L&C), the Global Public Policy Group (GPPG), and others as necessary.
4. BIS benefits from input from the three regional Stewardship Advisory Committees described in the previous section. 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 regional voting guidelines, as proposed by the regional Committees.[1]
5. The updated regional voting guidelines are then submitted, along with the Global Principles, to the Global Investment Stewardship Oversight Committee, for review and approval. This step is intended to promote global consistency, while allowing for regional nuance.
6. The Vote Issues Advisory Council (VIAC), an advisory body composed of some of the firm's senior-most investment professionals and governance and stewardship experts, may also be asked to review the proposed changes if new policies are being considered.

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

The principles and guidelines are deliberately high level and not prescriptive. We publish our policies 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. We believe our yearly review process is rigorous, allows for continuous improvement, but also flexible, ensuring that policies – and in particular, our regional proxy voting 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.

How BIS determines policy to enable effective stewardship

Regional BIS Teams	L&C, GPPG	Regional Stewardship Advisory Committees	Global Investment Stewardship Oversight Committee
Review and propose amendments to regional voting guidelines to reflect: • Changes in market standards • Evolving governance practices • Insights gained from engagements with companies and clients	Review proposed amendments to Global Principles and regional voting guidelines to reflect changes in applicable law and regulation	Review and advise on amendments to regional voting guidelines	Reviews and approves amendments to Global Principles and regional voting guidelines

BIS regularly publishes thought leadership pieces which undergo a similar review process, ensuring our stewardship reporting is clear and balanced.

Ongoing assessment of stewardship voting 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 regional voting guidelines. The BIS Global Oversight Committee also reviews and confirms, on an annual basis, the appointment of an independent third-party voting service provider, to address actual or perceived conflicts of interest in relation to voting on behalf of our clients. The purpose of our internal governance structure is to provide internal assurance in relation to our stewardship voting processes and ensure that BIS is operating in line with our fiduciary duty.

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 voting recommendations made by the independent third-party voting service provider to ensure votes cast accurately reflect BlackRock's voting policy guidelines.

With respect to voting recommendations made by the independent third-party voting service provider, BIS also has processes in place for periodic due diligence to assure that the independent third-party voting service provider is providing vote recommendations appropriately and in accordance with our published regional voting guidelines, which encourage corporate governance that advances our clients' long-term financial interests.[1] More detail about how we ensure services are delivered to meet our stewardship needs on behalf of clients can be found on page 59 in this report.

External review of stewardship-related metrics

In July 2022, BlackRock published its 2021 BlackRock Sustainability Disclosure as of and for the year-ended December 31, 2021, 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 were certain metrics related to BIS' "proxy voting and investee engagement policies and procedures."

For the second consecutive year, BlackRock's independent accountant performed a review engagement on management's assertion related to specified metrics contained within the 2021 Sustainability Disclosure.[3, 4] The independent accountant's review report is included within BlackRock's 2021 Sustainability Disclosure.[5]

1 "How BlackRock Investment Stewardship manages conflicts of interest" commentary is available here. Updated January 2023. **2** BlackRock's 2021 Sustainability Disclosure is available here. Published July 2022. **3** The list of specific metrics are included in page 37 of BlackRock's 2021 Sustainability Disclosure. **4** Please refer to pages 37 through 39 of the BlackRock 2021 Sustainability Disclosure. **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 2021 Sustainability Disclosure.

Exercise of rights and responsibilities: How BIS makes voting decisions on behalf of clients

BIS votes for those clients who have authorized us to do so on their behalf. The vast majority of the stewardship team's voting decisions are straightforward applications of the regional voting guidelines and are determined by the relevant voting analyst, in consultation with team members or the regional BIS head, as necessary.

BIS' vote decisions reflect our reasonable and independent judgment of what is in the best long-term financial interests of clients. This is informed by analysis of company disclosures, third-party research, comparisons against a company's industry peers, as well as engagement with companies and BlackRock's active portfolio managers.

BIS, for the most part, is supportive of management at the companies in which we invest on behalf of clients. We may determine not to support management in our voting when, in our experience, we observe that a board is not acting in the best long-term financial interests of BlackRock's clients.

As noted in the BIS 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. As a consequence, BlackRock votes on a "best efforts" basis. In addition, BIS may determine that it is generally in the economic 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.[1] Our voting record on behalf of clients is available on the BIS website through our Global Vote Disclosure tool.

BIS voted at 98.3%[2] of the shareholder meetings at which our clients were entitled to vote during 2022, globally.

Global Vote Disclosure tool

Through our Global Vote disclosure tool, BIS provides a quarterly update of our vote instructions on behalf of clients for all proposals voted at individual meetings globally. When votes cast differ from a company board's voting recommendation, BIS provides a voting rationale. We are committed to transparency in everything we do. Our Global Vote Disclosure tool helps clients have clear visibility into our voting on their behalf.

1 Or due to regulatory restrictions on voting. **2** Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. The meetings where BIS did not vote are due to market impediments including, but not limited to, share-blocking, sanctions, regulatory restrictions, economic reasons, 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.

Stewardship's internal escalation process

BIS has a vote escalation process that allows analysts and regional heads to raise high-profile and certain non-routine voting matters for further review by committees of senior BIS leaders and the BIS advisory committees. Examples of high-profile votes include shareholder activist situations, mergers, executive compensation proposals, certain environmental- and social-focused shareholder proposals, among others.

Case study

Vote escalation process at a Norwegian energy company

At the May 2022 AGM, Equinor ASA (Equinor) received several environmental and social-related shareholder proposals, including a proposal seeking enhanced reporting on the company's action plan on employee safety, as well as on the management of human rights and corruption risks. BIS escalated these high-profile matters with various portfolio management groups – including BlackRock's Fundamental Equities team – through stewardship's vote escalation process.

As explained in our Vote Bulletin, BIS believed that support for the proposal was warranted given that the issues of health and safety and bribery and corruption are material risks for the company. The company also recognized that their performance could be enhanced in some areas including reducing the frequency of personnel injuries, which is still higher than Equinor's peers and industry benchmarking. BlackRock's Fundamental Equities team did not support this proposal. Fundamental Equities was aligned with the views on BIS on the remaining items raised in the vote escalation process.

How BIS voting decisions are made

1. Research and issue spotting	2. Review and engagement	3. Vote execution
BIS analyst alerted to a meeting allocated to them entering system	In depth research and review of particularly complicated or controversial matters	Execute votes through external provider's electronic platform
Analyst reviews proxy research, company materials, broker research, and other publicly available information as necessary	Discuss issues and vote options with BIS colleagues and BIS advisory committees, as necessary	Reconcile vote positions against holdings to ensure clean operating environment
Analyst applies internally developed guidelines to determine how to vote	Leverage expertise of investment colleagues, as necessary	Per BIS policy, vote recommendations may be made by independent third-party voting service provider
Straightforward meetings proceed to vote execution	Engage with the company's executives or board members to discuss key questions or concerns, as necessary	Regional advisory committees meet several times a year and review reports of votes cast and key engagements
Remainder are flagged for additional research		

Pre-population of ballots

Given the large universe BIS covers, our team employs a vendor to streamline the voting process by making voting recommendations based on the BIS regional voting guidelines when the items on the meeting agenda are routine. Agenda items that are not routine are referred back to the relevant BIS analyst to vote. Vendor recommendations based on BlackRock's regional voting guidelines can be overridden at any time prior to the vote deadline and are regularly reviewed by BIS. Both BIS and our vendor actively monitor securities filings, research reports, issuer announcements, and direct communications from issuers to ensure awareness of supplemental disclosures and proxy materials that may require a modification of votes. BIS' vendor's performance is reviewed on a periodic basis.

BlackRock Voting Choice

We are committed to a future where every investor – across investment vehicles and client types – can have the option to participate in the proxy voting process if they choose.

BlackRock believes that greater choice should extend to shareholder proxy voting. In January 2022, BlackRock launched BlackRock Voting Choice, a capability that gives more and more clients – who are the true owners of the assets the firm manages – the option to engage more directly in proxy voting.

BlackRock Voting Choice was first made available to institutional clients invested in index strategies in certain pooled funds managed by BlackRock in the U.S. and the UK, as well as all institutional separate accounts globally.[1]

In response to growing client demand, in June 2022, BlackRock announced the expansion of the institutional pooled fund ranges to include the Canadian and Irish institutional pooled funds and one additional fund range in the UK.[2]

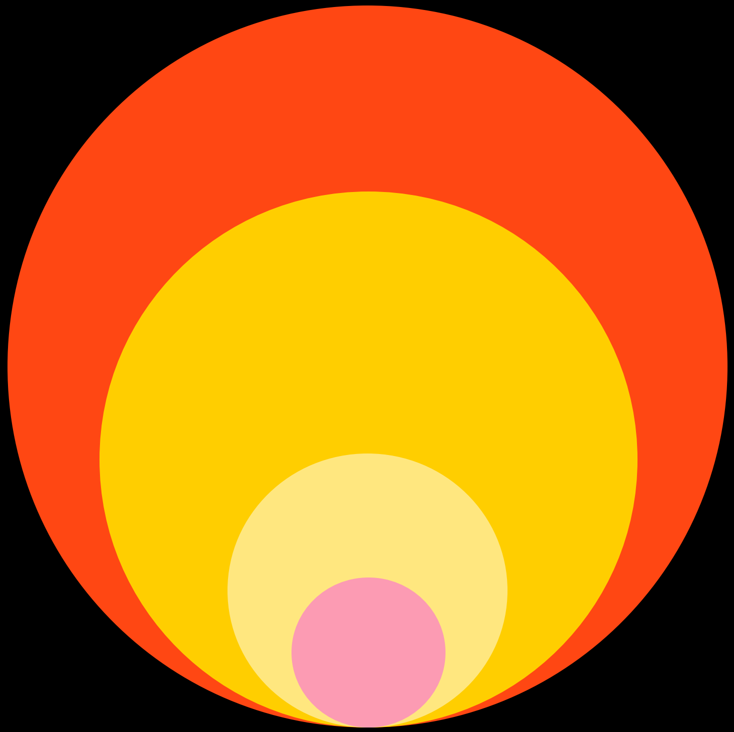
In November 2022, the BlackRock Voting Choice program grew again, extending the range of eligible client assets that can participate, expanding the range of voting guidelines from which clients can choose, and working to bring this capability to individual investors in select mutual funds in the UK.[3]

The ongoing expansion of the BlackRock Voting Choice program reflects the firm's commitment to provide eligible institutional clients with one of the industry's broadest range of choices across their portfolios. For the many clients who choose to continue to use BlackRock as their fiduciary for voting, our global stewardship team continues to engage and vote on their behalf, focusing on how companies are delivering long-term profitability for their shareholders. Continuing to rely on BlackRock to exercise voting authority is itself a choice by clients to entrust the Investment Stewardship team to advance their long-term economic interests.

1 BlackRock. "Working to expand proxy voting choice for our clients." October 7, 2021. **2** BlackRock. "BlackRock expands voting choice to additional clients." June 13, 2022. **3** BlackRock. "The transformative power of choice in proxy voting." November 3, 2022.

BlackRock Voting Choice, an industry first and a proprietary offering, enables institutional clients to participate in voting decisions where legally and operationally viable.

BlackRock index equity and Voting Choice asset breakdown



Source: Source: BlackRock. Client funds participating in BlackRock Voting Choice are as of March 31, 2023. Assets include index equity assets held in multi-asset fund of funds strategies. Note: Newly committed Voting Choice AUM includes pooled fund clients that have elected BlackRock Voting Choice options 1 or 3 and separate account clients that have elected BlackRock Voting Choice options 2 or 3. Certain institutional pooled funds that implement Systematic Active Equity (SAE) strategies are also eligible for BlackRock Voting Choice but are not displayed in the chart. Eligible SAE institutional pooled funds and separate accounts amount to $102bn in eligible Voting Choice assets. All currency shown in USD. See options on the next page.

These clients can choose from four options:[1]

1. Clients exercise control over their voting	2. Clients take a hybrid approach to voting	3. Clients choose from a slate of third-party policies	4. Clients rely on BlackRock's informed judgment for all voting decisions
This option gives institutional clients in certain pooled vehicles the ability to apply their stewardship preferences in a consistent way across a broader share of their overall portfolio allocation, and to exercise a high degree of control over the decision-making process and the voting implementation.	This option gives institutional clients in separately managed accounts (SMAs) (but not pooled vehicles) the ability to exercise their voting decisions on the topics or at the companies that matter most to them. The client can choose to leave all other voting decisions to the manager's discretion.	This option gives institutional clients in both SMAs and certain pooled vehicles the ability to vote in accordance with an off-the-shelf voting policy from third-party proxy advisers, choosing the policy that best aligns with their views and preferences.	This option gives clients the choice to rely on BlackRock for all of their voting decisions. Continuing to rely on BlackRock to exercise voting authority is itself a choice and a deliberate decision by the client to trust BlackRock as a fiduciary asset manager to look after their long-term economic interests.

1 Institutional SMA clients have the opportunity to vote eligible proxies for the companies in which they are invested. Investors in eligible pooled funds 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. Voting policies shall be consistent with applicable fiduciary standards.

Collaborating with the industry to expand BlackRock Voting Choice

Larry Fink

Chairman and CEO, BlackRock

"One year after its launch, I am convinced that Voting Choice has the power to transform the relationship between asset owners and companies. And, if widely adopted, it can enhance corporate governance by injecting important new voices into shareholder democracy."

Salim Ramji

Global Head of iShares and Index Investments, BlackRock

"The foundation of BlackRock has always been about providing choice to our clients. This extends to proxy voting where we believe every investor should have easy and efficient options to participate in proxy voting if they choose. BlackRock launched BlackRock Voting Choice in January 2022 and today it represents the broadest program of its kind on the market, available to nearly half of our index equity assets under management."

Dan Concannon

Chief Commercial Officer, Glass Lewis

"Glass Lewis has built a global reputation for providing industry leading proxy research and a range of proxy voting policy options that investors rely on to meet their governance goals. We are delighted to offer our suite of Thematic Policies, including our Governance-Focused Policy which can be applied across globally listed assets, to BlackRock Voting Choice clients. Our wide breadth of policies enables investors to exercise their voting rights in alignment with their views on how to best drive shareholder value. We are pleased to partner with BlackRock to extend access to the Glass Lewis proxy voting policies through the BlackRock Voting Choice program."

Dean Little

CEO and Co-Founder, Proxymity

"As long-time advocates of shareholder democracy and delivering a more efficient and transparent ecosystem for all, we are proud to be working with BlackRock on their Voting Choice project. The combination of Proxymity's unrivalled direct-to-issuer connections will enable BlackRock's community of non-direct investors to cast an independent vote at company meetings. This collaboration, our first in sharing this functionality with the ecosystem, will bring significant benefits to investors, enabling them to access their shareholder rights on assets held within the fund, so they can be seen and heard on the important issues that matter to them."

Alan MacDougall

Managing Director, Pensions & Investment Research Consultants (PIRC)

"Hounslow is the first of our clients to take up this option, but the interest in proxy voting choice is growing rapidly. We're in dialogue with a number of other LGPS funds that are looking at how they can put their own policies into effect, with a range of different asset managers. With different motivations and duties across funds, the demand to be able to select a voting policy is very much on the up. BlackRock is to be commended for breaking the logjam that has frustrated asset owners for many years. It has changed nature of the question for all asset managers about proxy voting choice from 'if' to 'when'."[1,2]

1 PIRC. "Hounslow Pension Fund adopts own policy in BlackRock index fund." March 16, 2023. 2 LGPS refers to Local Government Pension Scheme.

It's all about choice

In our white paper, "It's All About Choice," we outline BlackRock's ambition to expand Voting Choice to all investors, including individual investors in funds.

We believe that capital markets are improved when investors have more ways to express their views. Moreover, greater transparency and participation around shareholder issues are likely to strengthen corporate accountability and governance. The BlackRock Voting Choice initiative is scalable, though it will take time and effort to extend participation to include individual fund investors.

More technological and operational innovation is required from participants across the investment ecosystem, as is a supportive regulatory environment. We hope to work with funds' governing bodies to gauge their interest and to understand what kind of operational support they might require to get comfortable with BlackRock Voting Choice. We welcome the opportunity to work with all market participants to build out a robust voting platform that is fit for the future.

Read now >

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

BIS 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 processes 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 meet the business requirements and standards set forth in the "Supplier Code of Conduct & Ethics"

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

Read now >

How we use proxy research firms

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. For example, to facilitate voting and record keeping of votes, BIS contracts with the proxy service provider Institutional Shareholder Services (ISS) and Glass Lewis and leverages their online proxy voting platform, ProxyExchange and ViewPoint, respectively.

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 material business risks and opportunities and to arrive to an informed voting decision on behalf of clients. A company's disclosures, BIS' record of past engagements and voting, and 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 regional voting guidelines.

Institutional Voting Information Service in the UK, Ownership Matters in Australia, Stakeholder Empowerment Services in India, and ZD Proxy in China 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.

BIS votes in accordance with our Global Principles and regional voting guidelines.

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

How we monitor the quality of proxy research firms and other service providers

As part of our oversight responsibilities as a fiduciary asset manager, BIS closely monitors the proxy research firms and service providers 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, one of the providers BIS contracts with to facilitate voting and record keeping of votes is ISS. Each week, we meet with the client service team at ISS to review service levels, account set-ups, vote execution, on-going projects, ad hoc events, and other developments that might affect our ability to vote thoughtfully and accurately on behalf of clients.

Each year, we also have an in-person, full day due diligence meeting at ISS with an extended group, including senior leadership. We 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.

Similar to ISS, BIS holds an annual due diligence meeting with Glass Lewis where we discuss service level expectations and review any instances or situations where Glass Lewis could better meet those expectations. During this meeting, we also touch on market level trends, product updates, and areas of improvement for next year, including product enhancement opportunities to continue meeting our stewardship and reporting needs, among other topics.

For the year 2022, all BIS service providers – including contracted research firms and proxy voting service providers – adequately met our needs after evaluation under the annual BIS review processes, as well as BlackRock's supplier due diligence process.

How BIS manages conflicts of interest

While BIS engages with a broad range of internal groups, the team's responsibilities are separate from sales and distribution activity to mitigate conflicts of interest and to preserve voting integrity and clients' trust.

BIS votes at the shareholder meetings of many clients, business partners and vendors. It is vital that all issuers are treated equally, regardless of whether they are clients or business partners; no issuers are given special treatment in voting or differentiated access to the BIS team. Just as our commercial interests do not affect a portfolio manager's buy/sell decisions, they also do not influence a voting decision or engagement activity.

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 voting service provider to make proxy voting recommendations for our clients' holdings.

In such circumstances, the voting service provider provides BlackRock with recommendations, in accordance with the relevant regional voting guidelines, as to how to vote such proxies.

BIS maintains policies and procedures that seek to prevent undue influence on BlackRock's proxy voting activity. How BIS manages perceived or potential conflicts of interests is also explained in our Global Principles. 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.

BlackRock has identified five primary sources of potential conflicts of interest relevant to stewardship when we vote and/or engage with portfolio companies as a fiduciary on behalf of clients.

BlackRock's L&C team applies the criteria in the chart on the next page to develop a list of companies where potential or perceived conflicts of interest could arise. When companies fall within certain categories identified in the figure, and for other reasons as deemed necessary by L&C, BlackRock uses an independent third-party voting service provider to make proxy voting recommendations at those shareholder meetings on behalf of clients who have authorized us to vote.

Conflicts of interest are managed in accordance with BIS' policies and procedures. BlackRock maintains robust structures and processes to monitor for and manage potential conflicts of interest and to ensure that proxy voting is insulated from impact.

Areas where potential or perceived conflicts of interest could arise and how BIS addresses them

Separation of stewardship from commercial responsibilities to ensure independent decisions[1]

Clients
BlackRock clients may be either issuers of securities held in BlackRock portfolios or shareholders actively interested in certain ballot items

Business Partners and Vendors
Our business partners and vendors may also be issuers of securities held in BlackRock portfolios

Use of an independent third-party voting service provider

Employees and BlackRock Board Directors
BlackRock employees may serve on the boards of, or BlackRock board members may be senior executives or board members of, companies held in BlackRock portfolios

BlackRock Entities
BlackRock securities, securities of BlackRock investment funds, or securities of companies with whom we have a joint venture, may be held in BlackRock portfolios

Public Company Transactions
Certain BlackRock investment teams may be engaged in transactions involving public companies; investment teams outside of and unrelated to the transaction may also hold positions in these companies.

The list of the companies is sent to the vendor managing BlackRock's voting platform (i.e. ISS) and the independent third-party voting service provider. The independent third-party voting service provider makes voting recommendations based on BIS' publicly available Global Principles and regional voting guidelines, which aim to advance clients' long-term financial interests, and information disclosed publicly by the relevant companies. The independent third-party voting service provider may engage with companies in its own name 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.

Case study

How BIS applied its conflicts of interest policy in 2022

The President and CEO of the Estée Lauder Companies, Inc. (Estée Lauder) is also a member of BlackRock Inc.'s board of directors. As such, BIS outsourced the voting decision to the independent third-party voting service provider at Estée Lauder's AGM held in November 2022.

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

Read now >

1 See page 2 in "How BlackRock Investment Stewardship manages conflicts of interest."

Monitoring an independent third-party voting service provider to ensure services are delivered

In selecting an independent third-party voting service provider, BIS assesses several characteristics, including but not limited to independence, an ability to analyze proxy issues and make proxy voting recommendations in the economic interests of our clients in accordance with BIS' regional voting guidelines, reputation for reliability and integrity, and operational capacity to accurately deliver the assigned vote recommendations in a timely manner. We may engage more than one independent third-party voting service provider, in part, to mitigate potential or perceived conflicts of interest.

BIS has dedicated staff responsible for overseeing daily operations related to the independent third-party voting service provider and to ensure that the service provider(s) meets our needs on an annual basis.

As part of our monitoring activities to hold to account our service providers, BIS reviews annually, after peak shareholder meeting season, the vote recommendations made by the independent third-party voting service provider to ensure they reflect BlackRock's published regional voting guidelines.

We report the findings of the review to the Investment Stewardship Global Oversight Committee, which is responsible for appointing and reviewing the performance of the independent third-party voting service provider. We also meet with the independent third-party voting service provider once a year to discuss any vote recommendations that seemed inconsistent with BlackRock's guidelines and to explain any changes to regional voting guidelines planned for the following year.

BlackRock is confident that these measures enable us to appropriately manage perceived and potential conflicts of interest related to proxy voting while ensuring that we exercise, on our clients' behalf, the voting rights that help protect and enhance the long-term value of their assets.

For 2023, BIS retained Glass Lewis as the independent third-party voting service provider after determining that the provider's services meet our proxy voting needs, as well as our rigorous monitoring processes and quality control standards. Glass Lewis's performance in meeting the firm's needs for an independent third-party voting service provider will be evaluated at the end of 2023 as part of BIS' annual reviews – as described above – as well as BlackRock's vendor due diligence process.

BlackRock's approach to securities lending and its relationship with 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. While this has occurred in a limited number of cases, 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 Source: BlackRock. "BlackRock Securities Lending Viewed through the Sustainability Lens" December 2021.

Communicating with clients to share our stewardship approach

Insights gained from direct dialogue with clients is one of several inputs we consider as part of our yearly process to update the BIS voting and engagement policies.

As such, BIS values opportunities where we can directly engage with clients to hear their feedback on our stewardship approach. We conduct all our company engagements guided by the BIS Global Principles, regional voting guidelines, and engagement priorities. We also engage with clients to take into account their informational needs and improve the quality of our reporting. In recent years, BIS has increased these direct dialogues to better understand the issues that are important to them.

We continued these conversations in 2022, holding more meetings with clients than in the previous year, in large part, prompted by client interest in the BlackRock Voting Choice program – our proprietary, industry first initiative that enables eligible institutional clients to participate in voting decisions where legally and operationally viable. In other meetings, we discussed how our stewardship process continues to evolve, specific case studies and votes, and our views on market-level corporate governance and stewardship policy developments of interest to clients.

Other topics covered in these conversations included sharing with clients the priorities that guided our engagement activity on their behalf in 2022, as well as the quality, transparency, and accessibility of our reporting. We believe these conversations are important in helping to inform future areas of focus for stewardship as fiduciaries to our clients. One example is our regular engagement with Japanese public pension funds with these constructive dialogues serving to seek their feedback and deepen our partnerships. In Japan, the total AUM of public pension clients has grown by 37%.[1]

Moreover, clients are increasingly leveraging the BIS website to fulfill their own stewardship reporting requirements. To better serve this reporting need, in 2022 the BIS team invested in our communications efforts, expanding our capabilities, and growing our digital presence to better inform clients about our stewardship policies, as well as our engagement and proxy voting on their behalf. Our efforts included the addition of new team members to support the communications and data analytics functions within BIS, as well as the launch of the BIS Insights Hub, an online resource that serves as a channel to publish insights – through commentaries and reports – on our approach to stewardship-related issues.

A comprehensive library of materials

Transparency helps our clients understand how the work we do on their behalf aligns with their investment objectives. We inform clients about our engagement and voting policies and activities through regular reporting sent directly to them and through disclosure on our website.

Stewardship policies

Our policies – comprised of our Global Principles, regional voting guidelines, and engagement priorities – are reviewed annually and published to reflect changes in market standards, evolving governance practices, and insights gained from year over year engagements.

Commentaries and position papers

Through commentaries, we aim to help our clients, the companies we invest in on their behalf, and other market participants, better understand how our fiduciary approach informs our stewardship activities.

Flagship reports

Our reports provide a detailed overview of BIS voting and engagement activity in alignment with clients' preferred reporting timeframes. Flagship reports include the BIS Annual Report and the BIS Voting Spotlight.

1. Source: BlackRock. Data as of December 31, 2022.

Historically, our annual reports were published to coincide with the U.S. SEC'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.

In 2022 we continued providing transparency into our stewardship activities on behalf of clients producing two flagship reports – for the second consecutive year – tailoring to clients' reporting and timeframe needs:

1. This "Annual Report," covering our stewardship activities on a calendar year basis; and
2. a "Voting Spotlight," providing a detailed account of our voting on behalf of clients in alignment with the U.S. SEC's proxy year reporting period.

In 2022, BIS also inaugurated a quarterly "By the Numbers" report, which outlines key market voting activity on behalf of our clients that have authorized us to do so. This new report complements our quarterly "Global Engagement Summary," a rolling summary of our global company engagement activity from January 1 through December 31.[1]

In our experience, it is important that our clients have a clear understanding of how the work we do on their behalf aligns with their investing goals. Based on their feedback, this quarterly snapshot provides a comprehensive and useful set of data for them to learn how BIS is working to support their long-term financial interests.

Throughout the year, we also publish ad-hoc Vote Bulletins that describe our rationale for certain high-profile votes at companies' shareholder meetings, as well as our observations on emerging corporate governance issues and market-level stewardship developments. In Latin America, two companies in the consumer services and financial sectors informed BIS that they found our Vote Bulletins to be useful in understanding our vote decisions on behalf of our clients at their respective shareholder meetings.

In their feedback, our enhanced and continued investment in our communications and data analytics efforts throughout 2022 have been highlighted by our clients and portfolio companies alike as useful, fair, and balanced reporting tools that help deepen their understanding of BlackRock's approach to stewardship. BIS is encouraged by the positive feedback received from both clients and portfolio companies and will continue to look to ways to improve our efforts in order to meet their informational needs.

41

Vote Bulletins published on shareholder meetings held in 2022.[2]

Case studies and spotlights

In our 2022 publications we provided more than 150 case studies focused on our engagement and voting on behalf of our clients.

Vote bulletins

Where we believe it will be beneficial to explain our voting rationale on behalf of clients at certain shareholder meetings, we publish a Vote Bulletin. BIS published 41 vote bulletins explaining our voting, and the engagement and analysis underpinning it, on issues at company shareholder meetings held during 2022.

Global Engagement Summary Report

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

Global Statistics Report

Also known as "By the Numbers," this report provides a quarterly snapshot of key market voting activity on behalf of our clients that have authorized us to do so.

Global vote disclosure

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

1 All reports are available to the public on the BIS content library under "Stewardship reports."
2 Please refer to the Appendix section in this report for further detail about published Vote Bulletins.

Enhancing our client engagement and reporting capabilities beyond our public website

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. In 2022, and in response to increasing client interest in stewardship at BlackRock, BIS continued our investment in our client reporting capabilities. This included the addition of new, more specific engagement topics across our five engagement priorities, allowing us to deliver even more granular 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 initially to better serve our clients' in EMEA and address their stewardship-related informational needs. We soon expanded the function, and in 2022, continued to dedicate resources to better serve clients' informational needs across other regions, including those relating to stewardship and Voting Choice, while assisting client relationship managers across the firm. Further, we enhanced our partnerships with other client-facing teams throughout the firm to ensure consistent and accurate messaging of BIS' work with clients.

How BIS partners with BlackRock's Fundamental Fixed Income team to better assist client's information needs

BIS' approach to engagement and voting on clients' behalf is pertinent to the work of BlackRock's Fundamental Fixed Income team. To that end, BIS' engagement insights and meeting notes are made available to Fixed Income analysts. These engagement insights may complement the Fixed Income team's assessment of the fundamental financial prospects of public companies, including sector relevant risks and opportunities that are material to credit views. Credit analysts from the Fixed Income team may also participate in individual company engagements with BIS, enabling a three-way dialogue to better understand company-specific challenges and opportunities.

The combined expertise of the BIS and Fixed Income teams has also enabled both to better respond to clients' increasing information needs. For example, one outcome of the BIS-Fixed Income partnership is the production of the "Global Fixed Income Engagement Report," a quarterly summary of activities and engagements specific to Fixed Income investment portfolios and clients. The report is available for certain clients in Europe.

Contributing to emerging thinking on stewardship

Year after year, members of the BIS team may participate in industry-level 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.[1] For example, BIS may participate in market level industry discussions on behalf of our clients to offer perspective on the value of better disclosures for long-term investors. In 2022, BIS participated in over 460 marketplace engagements in the Americas, APAC, and EMEA.[2]

460+

BIS participated in over 460 marketplace engagements in the Americas, APAC, and EMEA in 2022

1 These efforts are separate from our engagements with public companies and from engagements with clients, and are carried out with the objective of sharing our perspective as a long-term minority investor. Examples of marketplace engagements include speaking at industry events and conferences, or participating in academic seminars, among others. The work that we do is intended to advance the economic interests of BlackRock's clients' as long-term investors. 2 Source: BlackRock. Sourced on January 31, 2023, reflecting data from January 1, 2022 to December 31, 2022.

Our responses to public policy consultations in 2022

Region	Date Submitted	Title	
APAC - Hong Kong	January 6, 2022	Our response to the Exchange's consultation paper on "Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers"	Read now >
APAC - Taiwan	January 7, 2022	Our response to Proposed Draft Amendments to Regulations Governing the Acquisition and Disposal of Assets by Public Companies	Read now >
APAC - India	March 10, 2022	Our response to the SEBI consultation paper on "Environmental, Social, and Governance (ESG) Rating Providers for Securities Markets"	Read now >
EMEA - EU	May 23, 2022	Our response to the European Commission's "Proposal for a Directive on Corporate Sustainability Due Diligence."	Read now >
Americas - U.S.	June 17, 2022	Our response to the SEC's proposed rule "The Enhancement and Standardization of Climate-Related Disclosures for Investors (File Number S7-10-22)."	Read now >

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. BIS may engage with players in the investment stewardship ecosystem along with other teams such as BlackRock's GPPG.

In 2022 BIS responded, or provided input, to 10 public policy consultations to share our perspective as a long-term shareholder on behalf of clients – two in the Americas, four in APAC and four in EMEA, reflecting the breadth and depth of our local market expertise. We enlist these consultations and provide a more detailed explanation of three consultations BIS responded, or provided input, to in 2022 in the Americas, APAC, and EMEA, as mere examples of the perspectives shared at the market-level.

EMEA – UK	July 29, 2022	Our response to the ISSB's "Exposure Draft ED/2022/S1 General Requirements for Disclosure of Sustainability-related Financial Information"	Read now >
EMEA – UK	July 29, 2022	Our response to the ISSB's "Exposure Draft ED/2022/S2 Climate-related Disclosures"	Read now >
EMEA – EU	August 8, 2022	Our response to the Consultation on European Sustainability Reporting Standards, issued by the European Financial Reporting Advisory Group (EFRAG).	Read now >
Americas - U.S.	August 16, 2022	Our response to the SEC's proposed rule "Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices (File Number S7-17-22)"	Read now >
APAC - Singapore	November 17, 2022	BlackRock's response to the SGX's consultation paper on "Board Renewal and Remuneration Disclosures"	Read now >

2
in the Americas

4
in APAC

4
in EMEA

10
public policy consultations BIS responded, or provided input to in 2022

Case study

APAC

Recommendations to strengthen Related-Party Transactions regulations in Taiwan

On November 9, 2021, the Financial Supervisory Commission (FSC) of Taiwan proposed draft amendments to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” that require shareholder approval on Related-Party Transactions (RPT)[1] for asset acquisitions and disposals that exceed 10% of a company's total assets. The initiative aims to strengthen minority shareholder protections.[2]

BIS and GPPG submitted a series of recommendations on January 7, 2022, including a clear definition of "related parties" and a consolidated regulatory regime for RPTs, requiring shareholder approval for all types of RPTs. The proposed amendments would exempt intergroup RPTs from shareholder vote and subject them to board approval only.

Most of Taiwan’s listed company boards were still, in BIS’ view, insufficiently independent – only one-third or less of the board being independent directors – to provide the necessary independent oversight to protect against conflict of interest.

As such, we recommended that intergroup RPTs should not enjoy any exemptions from independent shareholder approval and that regulations be further enhanced to require independent shareholders’ approval for all such transactions. We also suggested a requirement for related parties to abstain from voting on RPT resolutions, multiple criteria for assessing voting threshold triggers, and additional disclosure requirements that include the background and rationale of the transaction, the identity of the related party, and the audit committee's recommendation on the transaction. Our observations lead us to believe that a consolidated approach to all types of RPTs in Taiwan will strengthen minority shareholder protection.

1 A Related Party Transaction (RPT) refers to a deal or arrangement made between two parties who are joined by a preexisting business relationship or common interest. Examples of related parties are affiliates, other subsidiaries under common control, owners of the business, its managers, and their families, the parent entity, and trusts for the benefit of employees. Deals and arrangements in RPTs can include asset acquisition or disposal, rental agreements, privatization, mergers, loans, guarantees, endorsements, sales of goods and services, etc. **2** Conglomerates with controlling-shareholders are a common corporate structure in Taiwan. It is not uncommon to see intergroup RPTs whereby the interests of a controlling shareholder take precedence over minority shareholders.

Case study

Americas

Recommendations to the U.S. SEC's proposed rule on climate-related disclosures

In response to the U.S. SEC's proposed rule on climate-related disclosures, BlackRock submitted a letter on June 17, 2022, in which we expressed our support for the Commission's goal of implementing a framework for public companies to provide investors with more comparable and consistent climate-related disclosures.

We also noted our concern that certain elements of the proposal, which go beyond or differ from the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), will undermine the effectiveness of the Commission's overarching goal of ensuring companies provide reliable, comparable, and consistent climate-related information to investors.

In offering our support for the Commission's initial efforts to mandate climate-related disclosures for investors and to offer much-needed guidance to companies, we submitted recommendations which in our view would allow the final rules to address our concerns and promote reliable, comparable, and consistent disclosures. Furthermore, we urged the Commission to consider ways to encourage greater transparency on climate-related considerations from U.S. private companies.

With the changes outlined in our letter, we believe the SEC's proposal would create a robust framework for climate-related disclosures and help set a global benchmark for efficient, informed capital markets.

Case study

EMEA

Recommendations to EFRAG's consultation on European sustainability reporting standards

On July 29, 2022, BIS and GPPG responded to the European Financial Reporting Advisory Group's (EFRAG) consultation on the draft European Sustainability Reporting Standards (ESRS) that are intended to set out the detail of what must be reported by entities in scope of the EU Corporate Sustainability Reporting Directive (CSRD). While BlackRock views the draft ESRS as an important contribution to establishing a sustainability reporting framework, we believe this is an opportunity to improve the interoperability of sustainability reporting standards to enhance the availability, quality, comparability, and timeliness of disclosures on material business relevant sustainability related risks and opportunities. Accordingly, we submitted several comments and recommendations to EFRAG.

These included welcoming the incorporation of core tenets of the TCFD framework into EFRAG's standards and recommending flexibility for value chain and Scope 3 disclosures given the emerging methodologies and lack of direct control by companies over this data. BlackRock urged EFRAG to continue its efforts to align with the global baseline sustainability reporting standards being developed by the International Sustainability Standards Board (ISSB), in the interests of a coherent outcome for both preparers and users of sustainability reporting, and to meet the policy objective of reliable, comparable, and consistent disclosures.

Industry affiliations and memberships to promote well-functioning financial markets

We participate in market-level dialogue to share our perspectives with clients, policymakers, and others in the corporate governance ecosystem, on topical and emerging stewardship issues that we believe may impact our clients' interests as long-term investors. In this section, we provide some examples of our contributions to industry dialogue in 2022.

Taskforce on Nature-related Financial Disclosures

BlackRock continues to encourage companies to, when appropriate, consider reporting on material sustainability-related risks and opportunities in their business models. While guidance is still under development for a unified disclosure framework related to natural capital, given the growing materiality of these issues for certain businesses, in our experience, enhanced reporting would help investors' understanding, and we note that the emerging recommendations of the TNFD may prove useful to some companies. We recognize that some companies may report using different standards, which may be required by regulation, or one of a number of other private sector standards.

In June 2021, the TNFD was formally launched to address the lack of transparency and consistent information available to financial institutions on how nature impacts a company's immediate financial performance, or the longer-term financial risks that may arise from how a company depends on and impacts nature.[1] Backed by the G7 Finance Ministers and G20 Sustainable Finance Roadmap, the TNFD aims to develop and deliver a risk management and disclosure framework to help companies to report, and act on, natural capital risks and opportunities.[2] On September 30, 2021, the TNFD announced its membership, which includes a member of each BIS and BlackRock Sustainable and Transition Solutions (STS) teams.

Through 2022, TNFD has made progress, including with the release of several beta versions of the framework, leading up to the final disclosure recommendations anticipated in September 2023.

Investment Company Institute

BlackRock has long been a member of the Investment Company Institute (ICI). 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, ETFs, closed-end funds, and unit investment trusts (UITs) in the U.S., and similar funds offered to investors in jurisdictions worldwide.[3]

BlackRock specialists actively participate in ICI's work 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 also working alongside other asset managers in the ICI's working group on directed voting in retail products as part of our commitment to offer more voting choice.

1 For more information, please see the TNFD's website: "Taskforce on Nature-related Financial Disclosures." **2** Better information will allow financial institutions and companies to incorporate nature-related risks and opportunities into their strategic planning, risk management and asset allocation decisions. For more information, please see the TNFD's website: "Taskforce on Nature-related Financial Disclosures." **3** For more information, please see the Investment Company Institute's website: "Investment Company Institute."

International Financial Reporting Standards Foundation and the International Sustainability Standards Board

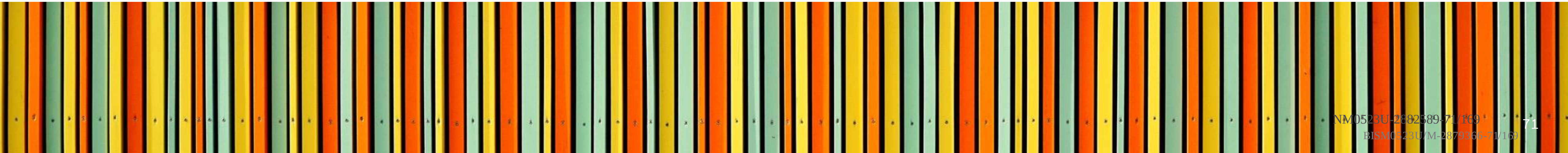
In response to growing demand to simplify reporting on sustainability disclosures on material risks and opportunities from BIS and other businesses and investors from around the world, the International Financial Reporting Standards (IFRS) Foundation Trustees announced the formation of the International Sustainability Standards Board (ISSB) to develop a global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

To meet these goals, the IFRS Foundation absorbed the Value Reporting Foundation, which housed the Integrated Reporting and the Sustainability Accounting Standards Board (SASB).[1] The ISSB pledges to build upon the SASB standards and embed SASB's industry-based standards development approach into the ISSB's standards development process. ISSB has also signed a Memorandum of Understanding (MoU) with the Global Reporting Initiative (GRI) to coordinate their work programs and standard-setting activities, as well as join each other's consultative bodies related to sustainability reporting activities. The ISSB is also working closely with the EFRAG and other EU bodies to create an interoperable sustainability standard for European companies.

We welcome the convergence of sustainability reporting initiatives that has occurred in the past two years to advance the objective of developing a global baseline of climate-related disclosure standards to help companies provide consistent and comparable disclosures that will inform investors' decision-making and capital allocation. We view the standard-setting work of the ISSB as an important contribution to a multi-year, multi-jurisdictional effort towards improving interoperability of sustainability reporting standards to enhance the availability, quality, comparability, and timeliness of disclosures on material business relevant sustainability related risks and opportunities.

To support the ISSB's objective to promote reliable, comparable, and consistent disclosures, BlackRock has submitted detailed comment letters in response to ISSB's elicitation for feedback on climate and sustainability-related financial disclosures. In particular, we provided guidance on the location and timing of climate-related disclosures, the need for flexibility in areas where relevant data, methodologies, and controls are still emerging, and consistency across public and private companies. Moreover, BIS is actively involved in the ISSB Investor Advisory Group, one of several advisory groups convened by ISSB to gather practitioner input into their work.

1 IFRS Foundation. "IFRS Foundation completes consolidation with Value Reporting Foundation" August 1, 2022.



Collaboration with the wider stewardship ecosystem

BIS' approach to collaborative engagements

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

For example, in 2022, we included a local insurance company into our engagement with a Taiwanese steel company, to foster the sharing of local perspectives and thus, a more constructive dialogue between investors and the company.[1] BIS independently determined how we voted at the company's AGM, in accordance with BIS' regional voting guidelines.

1 Article 146-1 of Taiwan's Insurance Act states that local investors holding <10% of investee's total shares issued may not vote to elect directors and supervisors at their investee companies, either by the insurer itself or via third party. To learn more, please refer to the Insurance Act here.

BIS' engagement with the wider stewardship ecosystem

BIS may participate in market-level dialogue to share our perspectives with clients, policymakers, and others in the corporate governance ecosystem, on topical and emerging stewardship issues that we believe may impact our clients' interests as long-term investors.

While BIS does not conduct collective engagements, we broadly participate in the stewardship ecosystem.

As illustrated by the three examples below, these tend to be conversations about market level developments or sharing best practices.

Example 1

In person engagements with clients and financial regulators in Latin America

BIS serves as a link between our clients and the companies we invest in on their behalf. In emerging markets, engagement at the market level is key to promote governance practices that are aligned with our clients' interests as long-term shareholders and that contribute to the continued improvement of local financial markets. Where such activities are permitted by law, we believe it is important to reflect the global perspective and the local expertise of the BIS team on key corporate governance issues. To that end, we often engage with regulators, as well as other key industry players and organizations.

In the summer of 2022, the BIS team embarked on a roadshow across Brazil, Chile, Colombia, and Mexico to engage with financial regulators, as well as clients and public companies we invest in on their behalf. The objective of the roadshow was to share – in person and in local language – our approach to investment stewardship. We also continued to foster relationships with local regulators to share our perspective, as a minority, long-term shareholder, on the importance of encouraging public companies to produce timely and industry-specific disclosures to better inform investors' decision-making process, including proxy voting, on behalf of clients.

280+

Engagements with 160+ unique companies in Latin America in 2022

During the roadshow, BIS also met 14 clients – including the largest pension funds in each market – to share our approach to engagement with and voting at company shareholder meetings on their behalf, and to seek their feedback on our approach. Clients were receptive and stressed that our continued engagement in the region is valuable to their understanding of how local companies are responding to global challenges, including material sustainability-related risks and opportunities and thus, support their investments on behalf of local beneficiaries.

BIS also hosted "Director Days" in each market, at which 60+ companies were represented. During these sessions we discussed key corporate governance risks and opportunities we have identified across markets, such as the importance of having a board of highly qualified, engaged, and independent directors with professional characteristics relevant to a company's business who can add value and be the voice of shareholders in board discussions. BIS also encouraged directors to continue engaging with their investor base. Based on our experience in the region, companies in Latin America are increasingly willing to engage with minority investors like BlackRock. This, in turn, has allowed us to gain better insight into the drivers of risk and financial value creation in their business models and in the context of their sectors and geographies.

Overall, in 2022, our dedicated BIS Latin America team held 284 engagements with 167 unique companies, covering 90% of BlackRock's clients equity AUM across six markets in the region, including the in-person engagements.[1]

Lastly, our team also continued to raise awareness on stewardship and how we aim to support companies in the region in their efforts to deliver long-term durable financial returns on behalf of our clients, the asset owners. Our educational efforts included the placement of an op-ed, published in Spanish, in the official blog of the Mexican Stock Exchange,[2] as well as a fireside chat with members of the Brazilian Institute on Corporate Governance.[3]

BIS will continue to engage with market leaders – including regulators – as companies in Latin America seek to further enhance their corporate governance standards. We also remain committed to hearing from the companies our clients are invested in on their strategies for navigating challenges and capturing opportunities. And we will continue to take a thoughtful, informed, and careful approach, reflective of long-term shareholders like our clients.

1 Source: BlackRock. Sourced on January 29, 2023 reflecting data from January 1, 2022, through December 31, 2022. Client equity AUM reflects BlackRock exposure as of December 31, 2022. The six markets covered are: Argentina, Brazil, Chile, Colombia, Mexico, and Peru. **2** Bylined by Gabriel Hasson, BIS Latin America Head, the op-ed focused on corporate governance progress and opportunities in the Mexican market. Source: Hablemos de Bolsa. "Gobierno corporativo en México: progreso y oportunidades." June 15, 2022. **3** Founded in 1995, the Brazilian Institute of Corporate Governance (IBGC) is a local organization and an industry leader that aims to promote the adoption of best international governance practices in the local market. Source: "O IBGC."

Example 2

Exploring the corporate governance role of institutional investors at Harvard Business School

BIS participated in a Harvard Business School (HBS) class in March 2022. The class discussed a case study, written by HBS Professor Ethan Rouen, titled "BlackRock – Linking Purpose to Profit," which explored the corporate governance role played by major institutional investors and the evolution of their responsibilities.

During the discussion, BIS provided insight into the thought process of BlackRock and how the company approached the complex issues presented in the case study. Overall, BIS' participation in the class was an opportunity to demonstrate BlackRock's commitment to responsible stewardship practices and hear the thinking on emerging corporate governance issues from future business leaders.

Example 3

Assessing the implications of new disclosure requirements with the Singapore Institute of Directors

BIS participated in a panel discussion in May 2022 at the Singapore Institute of Directors (SID) to discuss board diversity disclosure requirements announced by the Singapore Exchange[1] and what it meant for SID members.

We emphasized during the discussion that diversity is a matter of bringing diverse perspectives into board decision making – key to avoiding group think – which, in our view, supports enhanced long-term financial performance given the critical role boards play in companies' long-term success. While disclosing targets on board gender diversity is a meaningful indicator of how a company's board approaches the wider concept of board diversity, other helpful disclosures for investors would also include strategic factors that will impact a company's financial performance.

Specifically, BIS noted that it is crucial that boards explore skillsets, risks, opportunities, and succession plans that will help the company generate durable value for investors over time.

BlackRock takes a broader view of board diversity when assessing board quality, as, in our experience, it is essential for companies to perform well in the future. The SID forum was an important platform for sharing BIS' global approach.

1 Singapore Exchange. "Enhancements to Sustainability Reporting Regime and Board Diversity Disclosures Amendments to Mainboard Rules." January 2022.

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.

For example, we publish our approach to the recommendations of:

The Dutch Stewardship Code

Read now >

The European Union Shareholder Rights Directive II Engagement Policy

Read now >

The European Union Shareholder Rights Directive II Implementation of Engagement Policy

Read now >

The Principles for Responsible Institutional Investors in Japan

Read now >

The Stewardship Principles for Institutional Investors in Taiwan

Read now >

The UK Stewardship Code

Read now >

BlackRock recognized as a signatory of the UK Stewardship Code, for the second year in a row

In September 2022, the UK's Financial Reporting Council (FRC) published the list of signatories to the 2020 UK Stewardship Code.[1] BlackRock was recognized as a signatory for the second year in a row based on the FRC's evaluation of BlackRock Investment Stewardship's 2021 calendar year annual report. The FRC determined that we met the UK Stewardship Code's requirements. The UK Stewardship Code is recognized globally as a best-practice standard in investment stewardship.

BlackRock achieved high marks across all modules from the UN Principles of Responsible Investment

In 2020, the Principles for Responsible Investment (PRI) assessed BlackRock's ESG integration capabilities and provided a rating of an A+ or A across every reporting segment. In 2021, the UN PRI new Pilot Reporting Framework methodology introduced a significant change to the grading system from an alphabetical (A+ to E) system to a numerical (1 to 5 stars) system, such that the 2021 reporting cycle cannot be compared to previous years. That said, BlackRock received 4 stars with a score of 88% in the Investment and Stewardship Policy module with 22 out of 30 sub-indicators in this module receiving a top score. Please find more details here.

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. On an annual basis, BIS discloses our SRD II Engagement Policy. This statement explains how BIS meets the requirements in the SRD II relating to the team's stewardship activities, and specifically, BIS' engagement with management teams and/or board members at the public companies in which BlackRock invests on behalf of clients. Our SRD II Engagement Policy can be accessed here and our statement on the implementation of the SRD II Engagement Policy can be found here.

1 "FRC lists successful signatories to UK Stewardship Code." September 7, 2022.

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

National Association of Corporate Directors (NACD) 2022 Directorship 100™

In 2022, Sandy Boss, Global Head of Investment Stewardship at the time, was recognized in the "NACD Directorship 100: Directors" List. The Annual NACD Directorship 100™ "celebrates and recognizes the most influential directors and leaders in the corporate governance community who have demonstrated excellence in the boardroom through innovation, courage, and integrity." The "NACD Directorship 100™: Directors" is one of six distinctions. BIS encourages sound corporate governance and resilient business models that can help drive the long-term financial returns that enable our clients to meet their investing goals. We were pleased to learn our stewardship activities were recognized in the "NACD Directorship 100: Directors" List and we remain committed, more than ever, to continue working to advance of our clients' long-term economic interests.

2022 Financial News, 50 Most Influential in Sustainable Finance and 2022 Financial News, 100 Most Influential Women in Finance

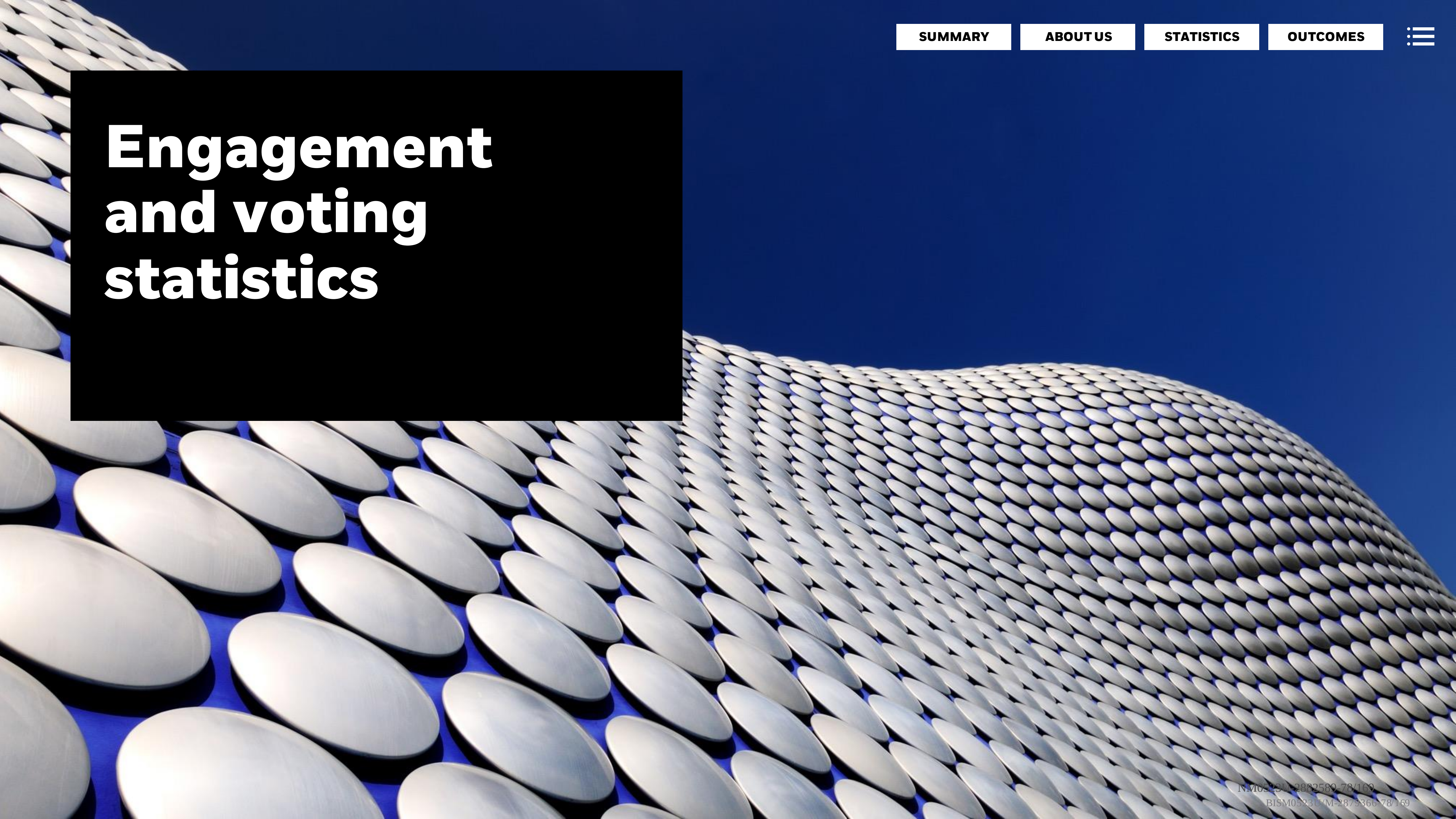
Sandy Boss, Global Head of Investment Stewardship at the time, was recognized as a top sustainable finance executive[2] across financial services by Financial News. Specifically, Ms. Boss was selected due to her leadership within the sector. Similarly, Ms. Boss was also recognized by Financial News as an influential woman in finance[3] for her work in growing business and championing diversity initiatives amidst macroeconomic headwinds.

2022 Black Women in Asset Management, 40 Under 40 and 2022 Yahoo! Finance Empower Role Model, Empower Future Leaders

Shannon Nelson, Vice President at BIS, was recognized with Black Women in Asset Management 40 Under 40 Award for her boundary-breaking professional success and community service.[4] Moreover, Ms. Nelson was awarded the Yahoo! Finance Empower Role Model Award[5] due to her work with the BlackRock Black Professional Network (BPN). Ms. Nelson served as co-chair of BPN in the Americas for over two years, where she led efforts to maximize the BPN community's impact through mentorship, professional development, and philanthropy. In 2021, Ms. Nelson helped provide a BPN network grant to external community stakeholders. Partnering with BlackRock's Women's Network, the selected grant provided hundreds of black women in need with access to mental health services.

1 National Association of Corporate Directors. "NACD Directorship 100." 2022 Honorees. 1 Financial News. "50 Most Influential in Sustainable Finance." 2022 List – Sandra Boss. 3 Financial News. "100 Most Influential Women in Finance." 2022 List – Sandra Boss. 4 Ratings, rankings and awards shown herein may not be indicative of BlackRock's investment performance, or any future investment performance or sustainability accomplishments. BlackRock has sourced these ratings and rankings from third party providers. We have not solicited or paid for any of these ratings or ranking. The rating or ranking may not be representative of any client's individual experience. 5 Yahoo! Finance. "The Empower 100 Future Leaders Role Models 2022." May 18, 2022.

Engagement and voting statistics



By the numbers

3,886

engagements in 2022

2,588

Unique companies engaged

834

Companies engaged multiple times

51

Markets covered in engagements

70%+

Of the value of our clients' equity assets engaged[1]

Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022.

1 Reflects BlackRock exposure as of December 31, 2022.

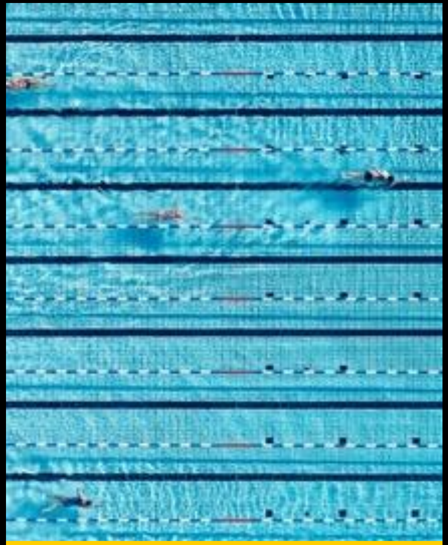
Engagement across our five priorities[1]

Board quality and effectiveness

2,349

Strategy, purpose, and financial resilience

2,118



Incentives aligned with financial value creation

1,509

Climate and natural capital

2,115

Company impacts on people

1,469

Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022.

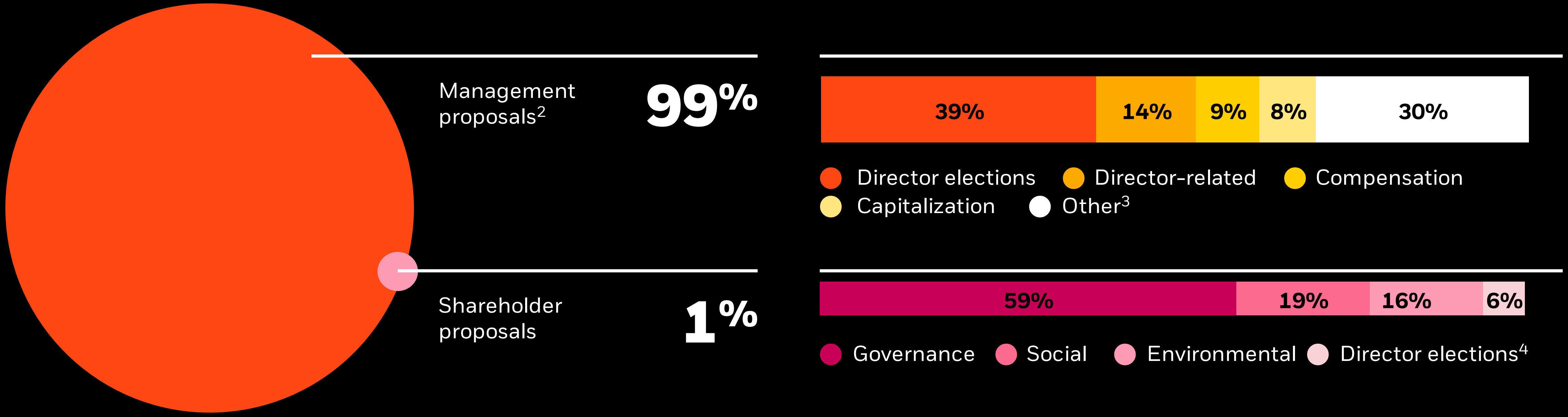
1 Most engagement conversations cover multiple topics and therefore the engagements across our five priorities sub-totals may not add up to the total engagements held in 2022. Our engagement statistics reflect the primary topics discussed during the meeting.

BIS 2022 voting overview

	Companies voted	Number of meetings voted at	Number of proposals voted
Americas	5,165	5,629	47,309
APAC	6,210	9,167	76,084
EMEA	2,875	3,476	49,933
Global total	**14,250**	**18,272**	**173,326**

Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022.

Proposals voted at a glance[1]



Source: BlackRock, Institutional Shareholder Services (ISS). Categories reflect ISS classifications. From time to time, ISS may update the categorization of proxy voting matters across management and shareholder proposals as part of their proposal categorization enhancement and standardization process. The information was sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. **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. Other graphs displaying shareholder proposal-related data may exclude 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. Where shareholder proposals in Japan are excluded in the calculation, this is duly noted. **2** Does not include management proposals asking shareholders to approve how often (e.g. every year or every three years) compensation policies should be voted on, i.e. "Say on Pay" proposals. **3** "Other" management proposals include the following categories: reorganization and mergers, anti-takeover related, say-on-climate proposals brought by management, routine business/miscellaneous, preferred-bondholder, and other proposals. **4** These reflect shareholder proposed election of directors/supervisors and contested elections and fall outside the categories that most shareholders would view as environmental, social, and governance. NM0523U-2882589-82/169

BISM0523U/M-2879366-82/169

BIS voting on behalf of clients at a glance

90%

% of director elections that BIS supported

13%

% of proposals where BIS did not support management recommendation[1]

133

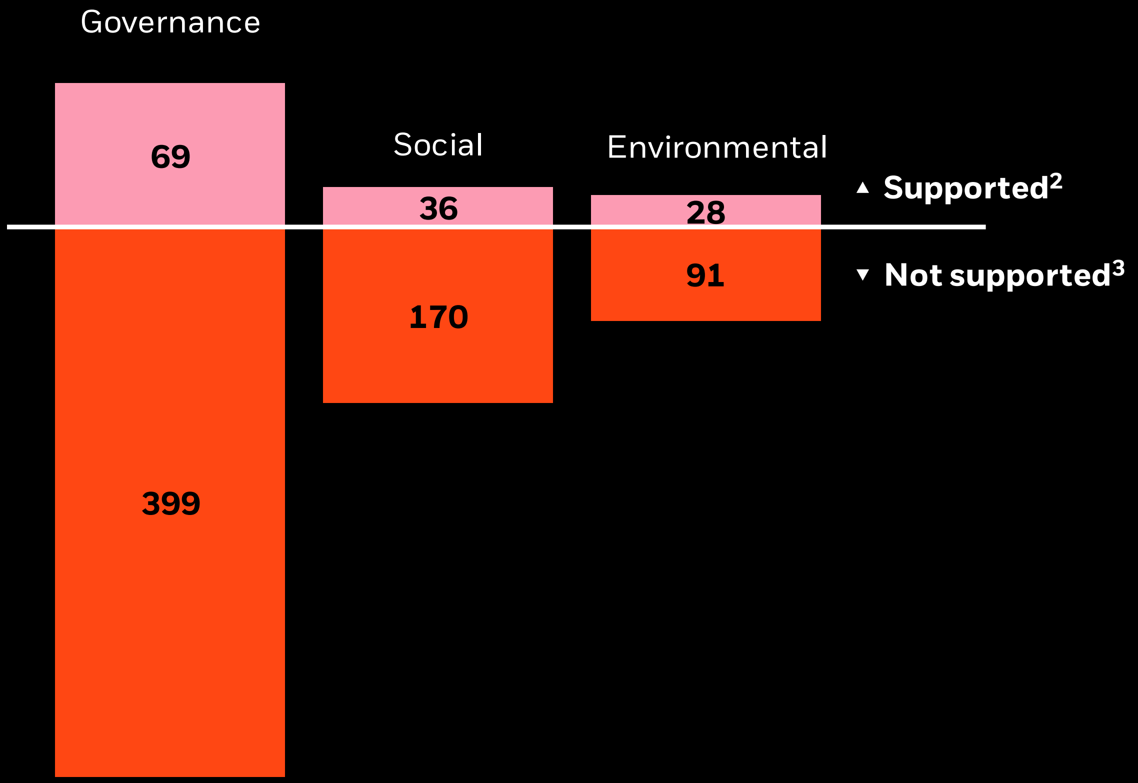
Shareholder proposals supported[2]

Number of companies where BIS did not support directors for core governance concerns[3,4]

	Americas	APAC	EMEA	TOTAL
Independence	212	1,203	205	1,620
Board diversity	640	131	185	956
Overcommitment	185	89	382	656
Compensation	275	12	312	599

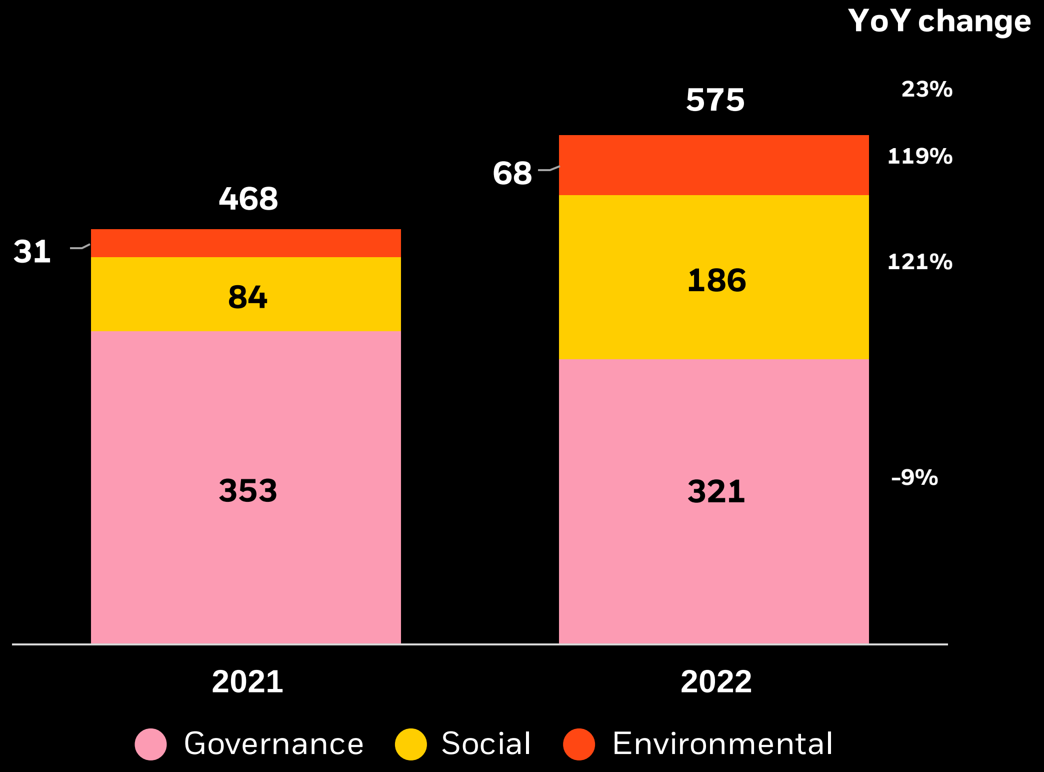
Source: BlackRock, Institutional Shareholder Services (ISS). Categories reflect ISS classifications. From time to time, ISS may update the categorization of proxy voting matters across management and shareholder proposals as part of their proposal categorization enhancement and standardization process. The information was sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. **1** Votes to not support management recommendation include votes to not support director-related proposals and in support of shareholder proposals, abstentions included. **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, abstentions included. **3** Votes where we did not support management includes votes withheld and abstentions. **4** Votes where we did not support directors reflect only director elections.

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



Measured in number of proposals supported/not supported.

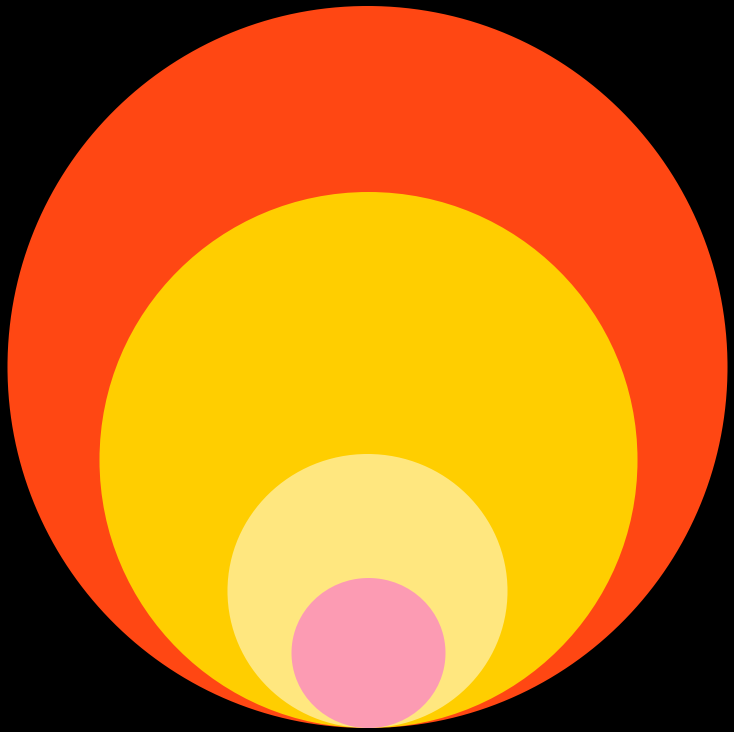
Increase in U.S. E&S shareholder proposals that BIS voted on[4,5]



In the U.S., we saw a significant increase in the number of environmental and social shareholder proposals we voted on, many of them more prescriptive than in prior years, enabled by changing guidance by the U.S. SEC.[6]

Source: BlackRock, Institutional Shareholder Services (ISS). Categories reflect ISS classifications. From time to time, ISS may update the categorization of proxy voting matters across management and shareholder proposals as part of their proposal categorization enhancement and standardization process. The information was sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. **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. **4** Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 29, 2023. **5** Year 2021 reflects data from January 1, 2021 through December 31, 2021. Year 2022 reflects data from January 1, 2022 through December 31, 2022. **6** To learn more, please refer to our Investment Stewardship commentary, "2022 climate-related shareholder proposals more prescriptive than 2021."

BlackRock index equity and Voting Choice asset breakdown



$4.5tn
Total index equity AUM

$2.1tn
Eligible for Voting Choice

$555bn
Exercising Voting Choice

$223bn
Newly Committed to Voting Choice

An industry first and a proprietary offering, enables institutional clients to participate in voting decisions where legally and operationally viable.

Source: Source: BlackRock. Client funds participating in BlackRock Voting Choice are as of March 31, 2023. Assets include index equity assets held in multi-asset fund of funds strategies. Note: Newly committed Voting Choice AUM includes pooled fund clients that have elected to participate in Voting Choice and assets of separate account clients that have elected to participate in newly-available Voting Choice options for separate accounts. Certain institutional pooled funds that implement Systematic Active Equity (SAE) strategies are also eligible for BlackRock Voting Choice but are not displayed in the chart. Eligible SAE institutional pooled funds and separate accounts amount to $102bn in eligible Voting Choice assets. All currency shown in USD. Please see the Voting Choice factsheet to learn more about the options.

Engagement and voting outcomes

Our approach to stewardship

Engagement is core to our stewardship efforts as it provides us with the opportunity to improve our understanding of a company's business and the risks and opportunities that are material to long-term financial performance, including material sustainability-related risks and opportunities.[1] Engagement may also inform our voting decisions for those clients who have given us authority to vote on their behalf.

In 2022, companies continued to face complex strategic and operational challenges, due to persistent geopolitical and socioeconomic factors. In our engagement with company boards and management, BIS acknowledged these headwinds and continued to encourage a long-term focus.

3,880+

total engagements

2,580+

unique companies engaged[2]

1 By material sustainability-related risks and opportunities, we mean the drivers of risk and financial value creation in a company's business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty and relationships with regulators. It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses. Governance is the core means by which boards can oversee the creation of durable, long-term financial value. Appropriate risk oversight of business-relevant and material sustainability-related considerations is a component of a sound governance framework. **2** Sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022.

BIS primarily engages public companies on behalf of index strategies, and we make our company analysis and engagement meeting notes available to BlackRock's active portfolio managers. When BIS engages a company, we do so from the perspective of a long-term investor and consistent with the policies reflected in the BIS Global Principles and regional voting guidelines. We seek to have regular and continuing dialogue with investee company executives and, as necessary, board directors on issues related to governance and business practices aligned with long-term financial value creation. Engagement provides us an opportunity to hear directly from company boards and management on how they believe their actions are aligned with durable, long-term financial value creation. Similarly, it is an important mechanism for providing feedback on company practices and disclosures, particularly when our experience leads us to believe a company is not appropriately managing material risks that could potentially impact financial returns.

Our industry-leading, specialist team of experienced stewardship analysts conducts year-round engagements with thousands of companies across developed and emerging markets globally. This year, BIS conducted 3,886 engagement meetings (3,645 last year) with 2,588 unique investee companies (2,357 last year). We continue to focus our engagement on a consistent set of five priorities that, in our experience, are essential to the long-term financial performance of our clients' investments: board quality and effectiveness; strategy, purpose, and financial resilience; incentives aligned with financial value creation; climate and natural capital; and company impacts on people.

In our engagements, we encourage companies to provide comprehensive disclosures on their long-term strategy, the milestones to delivering it, and the governance and operational processes that underpin their businesses and long-term financial performance. We are encouraged by the significant progress made in 2022, at a global and market level, towards developing a global baseline set of sustainability reporting standards. Once such standards are realized, we are hopeful that the quality of information — both data and narrative — available to investors will improve, supporting more efficient capital markets. Corporate disclosures are a key input into our voting and engagement activities.

Priority	**Total Engagements[1]**
Board quality and effectiveness	**2,349**
Strategy, purpose and financial resilience	**2,118**
Incentives aligned with financial value creation	**1,509**
Climate and natural capital	**2,115**
Company impacts on people	**1,469**

Market-based economic risks

The risks companies face may be idiosyncratic — risk particular to a company — or systemic — risk that impacts or is impacted by the broader market or economy.[2] Some of these risks – like the Covid-19 pandemic or a fiscal crisis – were not anticipated while others – like climate or cybersecurity risks, where material – are often integrated in companies' enterprise risk management processes. In 2022, escalated geopolitical fragmentation and the effects of the cost-of-living crisis had a significant impact on many companies' financial performance.[2]

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 uncertainty. In 2022, we continued to observe a shift in mindset at some companies from a singular focus on efficiency to achieving balance between efficiency and resilience. BIS believes a more balanced approach by companies is aligned with both the financial interests of our clients and a well-functioning financial system, since more companies are better positioned to weather shocks.

1 Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022. Most engagement conversations cover multiple topics and therefore the engagements across our five priorities sub-totals may not add up to the total engagements held in 2022. Our engagement statistics reflect the primary topics discussed during the meeting. **2** The World Economic Forum (WEF) published the 18th edition of its The Global Risks Report 2023. Published January 2023. In this report, the WEF highlights 32 global risks that are categorized as economic, environmental, geopolitical, societal, or technological.

Voting on behalf of clients who authorize BlackRock to do so

BIS is focused on supporting companies as they address the material business challenges that they face. Proxy voting is a way in which investors can provide feedback to companies on their corporate governance and management of material risks and opportunities. BIS votes in accordance with our polices for those clients who authorize us to do so. In our voting determinations, it is crucial that we take into consideration the context in which companies are operating their businesses. Our voting is careful, methodical, considered, and always anchored in our fiduciary duty to our clients as an asset manager. **Most of the votes that we take are on routine resolutions proposed by company management; less than 1% of votes are on shareholder proposals.**

Informed by our Global Principles and regional voting guidelines, we have expressed our support for or concern about companies' management of issues that have a long-term impact on shareholder returns through voting at annual general and special shareholder meetings. Globally, BIS voted on behalf of those clients who authorized us to do so, at more than 18,000 shareholder meetings on more than 170,000 proposals.

As previously discussed, BIS centers our stewardship work in corporate governance. In our experience, sound governance, in terms of both process and practice, is critical to the success of a company, the protection of shareholders' interests, and long-term shareholder value creation. That is why board quality and effectiveness remain a top engagement priority and a key factor in the majority votes cast on behalf of clients. Similar to last year, our leading reasons for not supporting director elections — and management proposals more broadly — were governance-related: 1) lack of board independence, 2) lack of board diversity, 3) directors having too many board commitments and 4) executive compensation that was not aligned with company strategy or long-term performance.

Our voting in support of management was largely consistent with the prior year: globally we voted in support of ~ 90% of directors standing for election and for all items on the agenda at 56% of shareholder meetings.

This year, BIS voted in line with more of management's recommendations in the Americas and EMEA, where companies have made significant progress on the governance and material sustainability-related matters that inform our voting. In the Americas, we were more supportive of directors as companies made substantial improvements in board diversity, which, in our experience, promotes diversity of thought and avoids "group think" in the board's exercise of its responsibilities to advise and oversee management; lack of board diversity was the reason we did not support the election of 2.5% of directors (2.9% last year). In EMEA, we were more supportive of management as companies adapted their remuneration policies and disclosures to align better with their long-term shareholder returns in the prolonged post-COVID economic environment, not supporting 5.5% of directors due to concerns about executive compensation (6.9% last year). In both the Americas and EMEA, we were also more supportive of companies with material climate risk in their business models as they improved their climate action plans and disclosures, voting to signal concern at 67 companies compared to 177 last year (please see the "Climate and natural capital" section of this report for additional details).

In APAC, director independence and board performance remained significant governance concerns for minority shareholders like our clients, and led us to not support the election of 8.4% of directors (6.2% last year) in the region for a lack of independence.

Similar last year, our leading reasons for not supporting director elections – and management proposals more broadly – were governance-related:

Lack of board independence

Lack of board diversity

Directors having too many board commitments

Executive compensation not aligned with long-term performance

In addition, in 2022 BIS strengthened our focus on board gender diversity in several major markets in Asia, including Japan, Hong Kong, mainland China, and Singapore in line with local market regulations and initiatives. For example, as explained in our proxy voting guidelines for Hong Kong securities, BIS generally would not consider single-gender boards to be diverse, especially as other aspects of board diversity are often also lacking in these markets. We encourage companies in Hong Kong to have at least one female board director and may not support the election of director(s) where this is not the case. In APAC, as we phased in this policy, we did not support the election of 155 directors at 131 companies compared to 18 directors at 17 companies in 2021 due to the lack of gender diversity on their boards.

BIS approach to shareholder proposals

In many markets, shareholders may submit proposals to be voted on at a company's annual and/or special meeting, as long as eligibility and procedural requirements are met.[1]

> **Our voting on our clients' behalf, where so authorized by them, signals our support for — or concerns about — a company's approach to managing material drivers of risk and financial value in their business model and will always be undertaken with the sole objective of advancing our clients' long-term financial interests.**

BIS takes a case-by-case approach to our voting on shareholder proposals. When assessing them, we evaluate each on its merit, with a singular focus on its implications for long-term financial value creation. We consider voting on well-crafted shareholder proposals focused on issues material to a company's business model to play a useful role in the stewardship toolkit. We also check for consistency between the specific request formally made in the proposal and the proponents' related communications on the issues. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term financial interests.

BIS is more likely to support shareholder proposals that are consistent with our request to companies to deliver information that helps us to understand the material risks and opportunities they face, especially where this information is additive given the company's existing disclosures. In some cases, we may support business-relevant shareholder proposals that we believe address gaps in a company's approach to material business risks.

We do not believe it is appropriate for minority shareholders such as BlackRock to seek to direct companies on how they should manage their business. In our view, it is the responsibility of management, with input from the board, to determine, for example, what specific emissions targets they should set and meet, the employee benefits they should offer to be competitive, or the extent of their political lobbying.

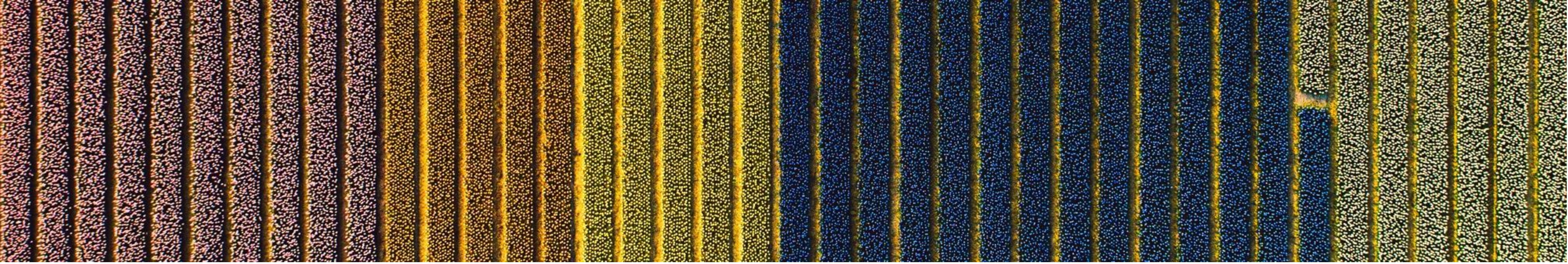
> **We are unlikely to support shareholder proposals that, in our assessment, are intended to micromanage companies. This includes those that are unduly prescriptive and constraining on the decision-making of the board or management, call for changes to a company's strategy or business model, or address matters that, based on our observations, are not material to how a company delivers long-term shareholder value.**

The majority (59%) of shareholder proposals that BIS votes on are related to governance. In 2022, BIS supported 69 governance-related shareholder proposals out of the 468 on which we voted (about 14%).[2] For example, at Rite Aid Corporation's July 2022 AGM, BIS supported a shareholder proposal to adopt a simple majority vote, consistent with our U.S. proxy voting guidelines.

We found shareholder proposals in 2022 were more prescriptive

In 2021, we observed a shift in the nature of environmental and social-related shareholder proposals from previous years with requests that addressed material business risks or sought reports that would be useful to investors in assessing a company's ability to create long-term value. As a result, BIS supported 45% of environmental and social shareholder proposals (84 of 184) in 2021,[3] as we determined those proposals to be consistent with our clients' financial interests as long-term investors and not unduly constraining on management in pursuing their strategies to deliver financial value.

1 BIS complies with the 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. We are generally not able to submit shareholder proposals but can vote on proposals put forth by others. **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. **3** See footnote #2.



However, in 2022, we observed another shift, evident in a marked increase in environmental and social-related shareholder proposals that went to a vote and the return to more prescriptive and "single issue" proposals. The number of proposals that went to a vote in the U.S. increased year over year by 23% to 575.[1] In May 2022, BIS noted how these changes in the U.S. were enabled by an update to U.S. SEC guidance, which broadened the scope of permissible proposals that address "significant social policy issues." As a result, BIS observed many more proposals in the U.S. (where the majority of shareholder proposals are filed on a global basis) [2] that were unduly constraining on management, sought to micromanage a company's strategy or were overly prescriptive as to information sought or timeframes within which management needed to respond. In our view, others failed to recognize the progress already made by companies such that they had largely met the ask of the proposal, particularly relating to the management of climate-related risks and opportunities. This meant that, even where we agreed with the issue in focus, we did not consider it appropriate to support the proposal given our view that the outcome, if it passed, would not align with the financial interests of BlackRock's clients as long-term investors.

In the 2022, environmental and social-related shareholder proposals voted at U.S. companies attracted 26% shareholder support on average — down from 36% last year[3] — which suggests that most investors took a measured, materiality-based approach in their analysis and voting on this year's proposals.

Globally, in 2022 we supported about 20% of the environmental and social-related shareholder proposals that we voted on; in absolute terms, this reflects support for 64, out of 325, environmental and social proposals (84 out of 184 last year). Average market-wide support was about 24%.[4]

Of the 325 environmental and social-related shareholder proposals BIS voted on in 2022, 254 (~78%) were in the U.S., 31 (~10%) were in Canada, and 18 (~6%) were in Australia. The remaining 22 (~7%) were in EMEA.[4]

1 Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 29, 2023. For additional information, see the chart on page 84. **2** BlackRock, Institutional Shareholder Services (ISS). **3** Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. **4** Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2021 through December 31, 2022. Includes abstentions. 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.

Climate risk-related shareholder proposals

The changes in proposals in 2022 discussed above and the progress that companies made ultimately resulted in our supporting fewer climate-related shareholder proposals. In our view, many proposals requested actions or disclosures by a company that we did not consider to be consistent with our clients' long-term financial interests. Prescriptive proposals, particularly climate-related proposals, seeking to direct corporate strategy generally attracted low levels of investor support.[1] Average shareholder support for environmental-related proposals in the U.S. fell from 52% in 2021 to 35% in 2022.[2]

Exacerbated by the impact from the pandemic and the Russian invasion of Ukraine, under-investment in both traditional and renewable energy sources put additional pressure on companies.[3] This set of dynamics highlights the need in the global economy – in the near and medium term – for companies that invest in a range of energy sources. Based on our observations, the companies that do that effectively may be better positioned to produce attractive returns for our clients over the long-term. In addition, BIS noted that companies, particularly in Europe, were increasingly choosing to introduce management proposals to approve their climate action plans or progress reports. They were especially prevalent in REITs/infrastructure, utilities, energy and mining companies, as well as banks, and are considered a tool for companies seeking investor feedback on climate-related risk and a low-carbon transition.

In those cases where both a climate-related management proposal and a similar shareholder proposal were on the ballot, we observed that investors, including BlackRock, were inclined to support the management proposal, as the company was demonstrating a commitment to act by setting out their business plan for how they intend to deliver long-term financial performance. BIS supported 46 management proposals and 43 shareholder proposals to approve a company's climate action plan or progress report globally in 2022.

In addition, BIS noted significant progress made by many companies in our climate focus universe between 2021 and 2022 on the management and disclosure of climate-related risks and opportunities.[4] In our view, engagement and voting by investors along with market-level initiatives have helped companies take steps relevant to their business models and sectors to address the impacts of a low-carbon transition. On a related point, we saw enhanced disclosure by many companies on how they engaged on policy matters that impact their business models and low-carbon transition plans through their own corporate political activities and those of the trade associations of which they were active members.

In 2022, BIS supported 24% (28) of environmental shareholder proposals and 18% (20) of climate-related shareholder proposals.[5]

There were several types of prescriptive outcomes sought in climate risk-related shareholder proposals that we did not support this year, including:

- ✔ Ceasing providing finance and/or insurance underwriting to traditional energy companies
- ✔ Decommissioning the assets of traditional energy companies
- ✔ Requiring that bank and energy company business models align solely to a specific 1.5ºC scenario
- ✔ Changing articles of association or corporate charters to mandate climate risk reporting or voting
- ✔ Setting absolute scope 3 greenhouse gas (GHG) emissions reduction targets[1]
- ✔ Directing climate lobbying activities, policy positions or political spending

1 Financial Times. "Investors at top US banks refuse to back climate proposals." April 26, 2022. 2 In such cases, we also note that global proxy advisors ISS and Glass Lewis recommended that shareholders not support overly prescriptive or constraining proposals. Average shareholder support represents the mean support. Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. 3 Please see "2022 market-based economic risks" on page 113 for additional information. 4 BIS' climate focus universe includes more than 1,000 companies and represents nearly 90% of the global scope 1 and 2 GHG emissions of the aggregate equity holdings in public companies in which BlackRock invests on behalf of our clients. Based on MSCI data. 5 Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2021 through December 31, 2022. Includes abstentions. 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.

Case study

Prescriptive climate-related shareholder proposal in the Americas

At the April 2022 AGM of Canadian-based Bank of Montreal (BMO), a shareholder proposal asked the bank to adopt a policy to not finance new fossil fuel supplies. BIS did not support the proposal, which we considered overly prescriptive and unduly constraining on management and the board's decision-making. BIS does not tell companies what their strategies should entail, as this proposal prescribed. Rather, we consider, based on a company's disclosures, their climate action plan, board oversight, and business model alignment with a low-carbon transition. In this case, based on the company's disclosures and our multi-year engagement with BMO, we considered the company was actively addressing climate-related risks and opportunities, so we did not support the proposal.

Case study

Prescriptive climate-related shareholder proposals in Japan

As discussed in our 2022 Voting Spotlight, between 2021 and 2022 investors saw improvements in Japanese companies' reporting in line with the TCFD framework, including three companies in our climate focus universe: Air Water, Hitachi Metals, and Central Japan Railway. None of these companies had TCFD-aligned reporting at the time of their AGMs in 2021, but each produced a report in 2022 that covered all four pillars of the framework. While BIS evaluates every proposal on a case-by-case basis, those filed in Japan often require an additional degree of consideration as they could entail amending the company articles of incorporation (AOI), which would make them legally binding. This introduces a unique degree of personal liability for directors and management. It also creates material legal liability for a company should a proposal pass, particularly if the proposal language is vague or open to interpretation, which could make it harder to determine whether the requests have been met. Three of the largest energy companies in Japan – Electric Power Development Company, Tokyo Electric Power Company Holdings, and Chubu Electric Power Company – had very similar climate-related shareholder proposals requiring them, in effect, to produce an annual report regarding the impact of decarbonization of the global economy on their capital expenditures and long-term asset mix. All three companies published reports in which they disclosed their scope 1 and 2 GHG emissions and their targets to reduce emissions by 40-50% by 2030. In addition, they have all committed to achieving carbon neutrality by 2050. Given these companies' disclosures and actions taken, we did not support the proposals, particularly given the mandated changes to the companies' AOI and resulting legal risks placed on management and the board.

In some cases, we supported business-relevant shareholder proposals that we believed addressed gaps in a company's approach to climate-related risk. For example, at Chevron Corporation, we supported a proposal, backed by management, requesting a report on efforts to reduce methane emissions. The shareholder proposal received 98% support.[1]

Shareholder proposals on social issues

Examples of social issues that have been the subject of shareholder proposals include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty, and relationships with regulators. It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses. Governance is the core means by which boards can oversee the creation of durable, long-term value. Appropriate risk oversight of business-relevant and material sustainability-related considerations is a component of a sound governance framework.

All of the 36 shareholder proposals on social issues which BIS supported in 2022 were in the Americas region. These addressed a range of issues including racial equity and civil rights audits, policies on pay and benefits, freedom of association and other labor issues, human rights due diligence, Indigenous Peoples' rights, and diversity, equity and inclusion (DEI).[2] We supported those that we considered relevant to the company's business model, addressed a material risk or gap in management's approach and were aligned with our clients' financial interests as long-term investors.

BIS supported 36 shareholder proposals globally relating to company impacts on people (social-related proposals) out of 206 i.e., approximately 17%.

At the same time, we did not support proposals that we found to be overly prescriptive or unduly constraining on management's business decision-making.

Shareholder proposals requesting racial equity audits in the U.S.

In 2022, 25 shareholders asked U.S.- based companies to undertake racial equity audits, civil rights assessments, or closely related reviews, and publish the results.[3] BIS did not support 11 and voted in support of 14 of these proposals.[4]

Within the 25 proposals in this broader category, 14 were characterized as racial equity audits.[5] BIS did not support eight proposals and voted in support of six.[6] These were all companies where we assessed, given material risks or past events, the benefits of better understanding their policies and the impact of their practices outweighed the costs of undertaking the audit.

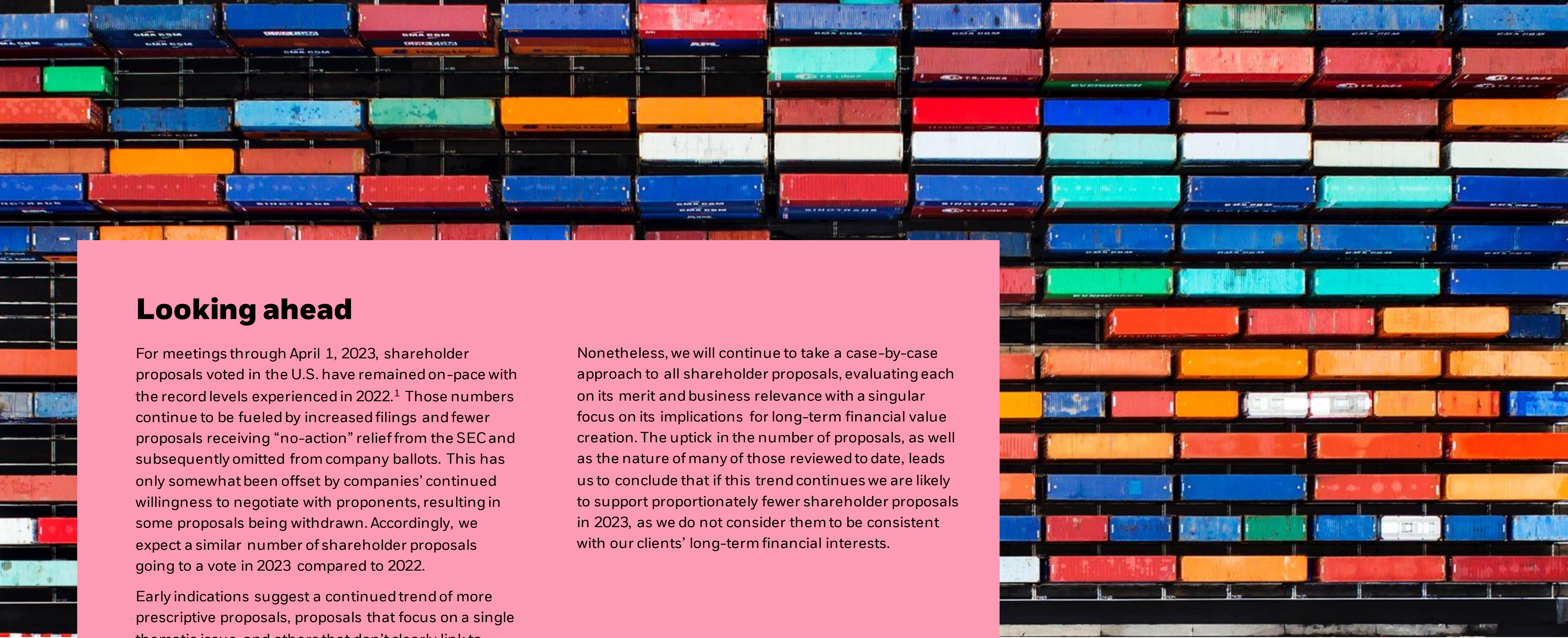
Shareholder proposals focused on pay and benefits

In another development in relation to shareholder proposals on social issues, there was an increase in proposals seeking to direct management on the types of employee pay and benefits they should offer. At J Sainsbury plc, the request was that the company benchmark pay rates to the "real living wage" schedule developed by the UK's Living Wage Foundation[4] (see case study on page 146). In the U.S., three companies – Lowe's Companies, Inc., The TJX Companies, Inc., and Walmart, Inc. – had proposals addressing the provision of reproductive healthcare benefits. In terms of worker pay, CVS Health Corporation and The TJX Companies, Inc. had proposals focused on providing paid sick leave across the workforce (see the CVS Health Corporation case study on page 147). At Dine Brands Global, Inc. and Denny's Corporation, proposals sought to direct management to increase tipped workers' pay to full minimum wage, with tips on top.

While BIS recognizes the important role that employees play in companies' ability to generate long-term financial value, we did not support these proposals.

None of the proposals passed, with most getting approximately 10% support. However, the proposals on reproductive health care benefits at Lowe's Companies, Inc. and The TJX Companies, Inc. received 30% support, which is notable given that 2022 was the first year that this issue went to a shareholder vote. We anticipate that employee pay and benefits will again be raised in shareholder proposals in 2023. In our view, employee benefits are best determined by company management, not shareholders. Management is best positioned to assess the appropriate approach to ensuring employee pay and benefits are competitive and support the company in attracting and retaining the workforce they need to be successful.

1 U.S. SEC. "Form 8-K." May 25, 2022. **2** Many of the diversity, equity, and inclusion-related proposals sought disclosure of a company's Equal Employment Opportunity Commission's EEO-1 Survey. Please see the U.S. Equal Employment Opportunity Commission website for additional information regarding the EEO-1 Survey. **3** Racial equity audits refer to third-party assessments of racial justice or racial discrimination in the workplace; civil rights assessments are broader and may include requests to examine issues in relation to gender, sexual orientation, physical abilities, or other attributes, in addition to racial/ethnic identity; other reviews may include requests to disclose EEO-1 related data, or similar. **4** Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. **5** Categories reflect ISS classifications. From time to time, ISS may update the categorization of proxy voting matters across management and shareholder proposals as part of their proposal categorization enhancement and standardization process. **6** Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022



Looking ahead

For meetings through April 1, 2023, shareholder proposals voted in the U.S. have remained on-pace with the record levels experienced in 2022.[1] Those numbers continue to be fueled by increased filings and fewer proposals receiving "no-action" relief from the SEC and subsequently omitted from company ballots. This has only somewhat been offset by companies' continued willingness to negotiate with proponents, resulting in some proposals being withdrawn. Accordingly, we expect a similar number of shareholder proposals going to a vote in 2023 compared to 2022.

Early indications suggest a continued trend of more prescriptive proposals, proposals that focus on a single thematic issue, and others that don't clearly link to financial outcomes for shareholders, as well as competing proposals approaching an issue from different perspectives.

Nonetheless, we will continue to take a case-by-case approach to all shareholder proposals, evaluating each on its merit and business relevance with a singular focus on its implications for long-term financial value creation. The uptick in the number of proposals, as well as the nature of many of those reviewed to date, leads us to conclude that if this trend continues we are likely to support proportionately fewer shareholder proposals in 2023, as we do not consider them to be consistent with our clients' long-term financial interests.

1 Source: Institutional Shareholder Services (ISS).

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, in our experience, the performance of the board is critical to the financial success of a company and the protection of shareholders' interests over the long-term. We have observed companies with boards comprised of experienced and engaged directors, who bring diverse perspectives such that they are effective in advising and overseeing management, are better positioned to deliver the durable, long-term financial value on which our clients depend to meet their financial goals. That is why board quality and effectiveness continues to be one of our top engagement priorities, and a 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 and the corporate governance practices it has established to support long-term financial value creation. As part of their responsibilities, board members owe fiduciary duties to shareholders in overseeing the strategic direction and operation of the company.**

Assessing board composition and voting on the election of directors is one of BIS' most important responsibilities and one we take seriously. We are interested in understanding how the board fulfils its responsibilities on key corporate governance and business issues and may 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 regional voting guidelines.

2,349

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 composition.

Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. *Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

Market-based economic risks

As the world emerges from the COVID-19 pandemic, there are myriad and complex situations that companies are facing globally, including record inflation, the global increases in commodity prices and the cost of living, and resultant labor market dynamics. This is an unprecedented operating environment for companies and their stakeholders. As we discuss in our approach to engagement on board quality and effectiveness, board members' responsibilities, as spelled out in relevant company law, generally include a fiduciary duty to act in shareholders' long-term interests by overseeing the strategic direction and operation of the companies they oversee. As such, we focus on assessing and voting on board composition with the objective of supporting high caliber boards of directors with the diversity of skills and experience necessary to advise management. Effective board oversight of management's approach to material risks and opportunities – strategic, operational, financial or otherwise – has never been more critical to long-term financial performance.

During 2022, we continued our dialogue with companies to understand how they were impacted by and adapting to these macroeconomic dynamics. For instance, utilities companies with exposure to the European markets experienced dramatic shocks in the aftermath of Russia's invasion of Ukraine, leading in certain cases to potential insolvency concerns. In other markets, such as the U.S., we observed instances of shareholders asking technology companies to assess their approaches to information management. In our approach to data privacy and security, we note that the average cost of mega breaches – those that include 50-65 million compromised records – is estimated at U.S. $400 million.[1] Given the complexity of the topic and the material implications, we encourage boards to have formal oversight of management's approach to data security and privacy, and for respective responsibilities to be clearly defined.

1 IBM Security and Ponemon Institute. "Cost of Data Breach Report 2021."

While we generally support directors standing for election, the main reasons we did not support certain directors in 2022 were:

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

In 2022, we had 2,349 engagements with 1,820 companies where we discussed corporate governance, board performance and composition, and succession planning.[1]

We engage, as necessary, with members of the nominating and/or governance committee to assess whether governance practices and board composition were aligned with the business and the broader context in which the company operates. In our engagements, we discussed various governance topics including board composition and independent leadership, board oversight of management's strategy and approach to risk management, succession planning for key board and management roles and the board's nomination and evaluation processes.

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

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

In our experience, annual 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 elected annually, we have observed it to be good practice for boards to have a rotation policy to ensure that, through a board cycle, all directors have had their appointment confirmed, with a proportion of directors being put forward for election at each annual general meeting.

Voting on the 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 financial value creation.

1 Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022.

BIS’ 2022 board quality focus areas

Board composition, effectiveness, and accountability are focus areas when we engage with companies in support of our clients’ long-term financial interests. Key considerations in terms of board composition are director independence, board diversity, and succession planning.

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 breadth and depth of objective perspectives to the interests of all shareholders are protected. This also supports the effective operation of specialist board sub-committees such as the compensation, and nominating and governance sub-committees. 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.

Our regional 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 may differ slightly across regions. For example, in markets where controlling shareholders dominate the corporate ownership structure, independence criteria generally focus on a director’s independence from the controlling shareholder. By comparison, in markets where dispersed shareholdings are the norm, independence is usually assessed in terms of independence from management.

As with every proposal, we take a case-by-case approach to the election of directors. We note that many directors may not fully match the independence criteria in our market-level voting guidelines.

As we note in our Global Principles, in our experience, 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. The lead independent director or another appropriate director should be available to shareholders in those situations where an independent director is best placed to explain and contextualize a company’s approach.

Challenges to director independence in APAC markets

In the APAC region, we have identified board independence as a major corporate governance issue that may impact on local companies’ ability to create long-term financial value for shareholders, including minority shareholders such as BlackRock’s clients. Independent non-executive directors (INEDs) play a key role in ensuring objectivity in the decision-making of a company board and its ability to advise and oversee the management team. This is particularly important given controlling shareholders are common in the region. INEDs can provide a balance to controlling shareholders’ influence and help ensure appropriate management of conflicts of interest that have the potential to be detrimental to the interests of minority shareholders, such as related-party transactions. The appointment of INEDs, however, is often dependent on controlling shareholders, who have significant say on director nominations and the largest vote in director elections.

In 2022, independence concerns resulted in BIS not supporting directors standing for election at 1,203 companies in APAC.[1] A major factor driving decisions not to support director elections was concern regarding the independence of long-tenured INEDs.

1 Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022.

Case studies

Hennes & Mauritz AB (H&M)

Background

H&M is a Swedish retailer of clothing and homeware. The founders continue to control 78.1% of the company's voting rights through a holding investment company.[1] In our engagements in recent years, we have expressed our concerns about H&M's board independence, governance, and executive remuneration.

In advance of the May 2022 AGM, the company still had not provided sufficient transparency on their short-term incentive plan, nor had they established a dedicated remuneration committee. In our experience, this lags best practice in the European market and, given our concerns, minority shareholders would benefit from there being a board committee responsible for remuneration processes and outcomes. Another governance concern is that the board's audit committee chair is not considered independent, either by the company's or BIS' assessment, because he represents the founders' holding investment company on H&M's board.

BIS Response

We have long-held governance concerns in relation to H&M, which led us not to support the election of the former board chairman in both 2018 and 2019. The current chairman took over the role from his father in 2020. We did not support his election to signal our continuing concerns about board composition and executive remuneration.

Outcome

The board chairman was reelected at the company's May 2022 AGM. This reflects the difficulty minority shareholders have in advancing governance outcomes at controlled companies. BIS will continue to monitor H&M's progress on director independence.

UltraTech Cement Limited (UltraTech)

Background

UltraTech is an India-based cement manufacturer. In August 2022, the company held their AGM, to approve, amongst other things, the election of its board of directors. As we outline in our proxy voting guidelines for Indian securities, BIS looks for companies' audit committees to be comprised of a majority of independent directors and chaired by an INED. Further, in line with Indian regulation, BIS looks for boards with the Chairmen representing the controlling shareholder, such as UltraTech, to have 50% independent directors. At the time of the AGM, both the board and audit committee were below these guidelines upon re-classification of a long-tenured INED.

BIS Response

At the AGM, BIS did not support the election of the Board's Vice Chair to signal our concerns about board independence.

Outcome

The board's vice chair was reelected at the August 2022 AGM. Following the AGM, BIS engaged with members of UltraTech's board and management to discuss the company's approach to governance issues, including board independence and refreshment. We were encouraged by this discussion, and will continue to follow UltraTech's progress in this respect.

1 Source: H&M Group. "Shareholders." February 28, 2023.

First Quantum Minerals Ltd.
(First Quantum Minerals)

Background

First Quantum Minerals is a Canadian metals and mining company that is primarily focused on copper production. Since 2017, BIS has partnered with BlackRock's active portfolio managers to engage with company leadership and board members on governance topics such as director independence, board composition, and management and board succession planning, among other issues.

While BIS has engaged thematically with other Canadian mining companies on these topics, First Quantum is a distinct example due to the familial relationships that exist within the boardroom and senior management team. Specifically, BIS and BlackRock's active portfolio managers engaged with the company in 2019 to better understand the internal review process for potential CEO candidates, including what operational skills and geographic experience was important for a short list of internal talent.

At the May 2021 AGM, BIS withheld support from two directors due to independence concerns. Per our proxy voting guidelines for Canadian securities, when evaluating a company's board renewal process, we consider the average board tenure and may not support boards that appear to have an insufficient mix of short-, medium, and long-tenured directors.

In November 2021, the company announced that the son of the founder and sitting CEO would be the next leader, while the founder would take on the role of Board Chair for an indefinite period. Ultimately, BIS and BlackRock's active portfolio managers identified concerns with the company's CEO succession planning process, given that: 1) this transition further impacted the independence of the board due to the familial relationship between the new CEO and Board Chair; and 2) that there was no clear timeline for the founder to step out of his leadership role.

Ahead of the May 2022 AGM, we engaged extensively with company leadership to share our perspective. During these discussions, we encouraged the company to disclose a more explicit timeline for how long the founder would retain his role as Board Chair while his son remained CEO of the company. Given our longstanding concerns on director independence, we also encouraged the board to evaluate its current leadership structure.

BIS Response

In alignment with our voting guidelines, BIS did not support the election of four directors at the 2022 AGM, including the Board Chair and Lead Independent Director, to signal our concerns on succession planning and our view that greater independence and refreshment in the boardroom would be conducive to long-term financial value creation.

Outcome

Following the 2022 AGM, BIS and BlackRock's active portfolio managers engaged with board leadership to discuss their response to our concerns. We learned that the board has initiated a multi-year refreshment process to rotate longer-tenured directors with new members,[1] but still do not have a definitive timeline for when this refreshment – as well as the Board Chair succession – will take place. With this in mind, we continue to have concerns with the succession planning process. In addition to not being responsive to investor feedback on these issues, in our view, the lack of robust succession planning may expose First Quantum to potential long-term risks.

1 First Quantum Minerals. "Notice and Management Information Circular." 2023.

Director tenure in APAC

There are certain structural challenges in the region undermining the ability of INEDs to fulfil their responsibilities as independent board members. For example, most APAC markets are characterized by a high concentration of share ownership and it is common to find directors who have been on a board for decades. In our experience, the tenure of INEDs in APAC is a key issue for investors. In Asia, BIS considers INEDs that have served on a board for 12 or more years as non-independent, unless local market regulation has determined a lower limit of nine years.[1] A major factor in the region driving our voting decisions to not support director elections was concerns about the independence of long-tenured INEDs. It is common to find directors who remain classified as independent even though they have been on the board for 20 years or more. Votes to not support director elections for independence concerns were high in some of the Association of Southeast Asian Nations (ASEAN) markets.[2, 3] BIS did not support elections of one director or more due to independence-related concerns at 66% of companies in Thailand and 44% of Malaysian companies where we voted on director elections. In Hong Kong, India, Japan, and Singapore, BIS did not support one director or more elections due to independence concerns at approximately 30% of the companies where we voted on director elections. South Korea, however, saw higher levels of support on independence given tight regulatory limits on tenure of INEDs.[4]

Director renewal

We believe clear definitions of the respective roles of the board, the board sub-committees, and senior management contribute to board and governance effectiveness. These responsibilities and structures may differ by company, sector, and geography, as each board tailors their approach to their company's business model, in light of local regulations and corporate governance norms. Given the dynamic nature of business, based on our observations, 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 should include the assessment of factors such as the need to address gaps in skills, experience, diversity, and independence.

In our experience, 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 many markets, limits on director tenure are set in regulation or by local norms. In the U.S., where there is no market standard for director tenure, BIS will consider the board's average tenure to evaluate the effectiveness of processes for board renewal. We may not support the election of directors to boards that appear to have an insufficient mix of short-, medium-, and long-tenured directors.

1 BIS considers INEDs who have been on the board for 12 or more years as long-tenured INEDs and hence essentially non-independent in Asia. Based on existing local market regulations and guidelines, that number is nine years in Singapore, Malaysia and the Philippines; unless an explanation is provided by the board, justifying the retention of the director as independent. We observe that different jurisdictions in APAC have different thresholds for defining long-tenured INEDs, ranging from six to 12 years of service on the board. While there is no consensus, BIS considers that a 12-year threshold, in general, provides the board the flexibility for retaining capable directors whilst still promoting board independence and succession planning. Similar to other developed markets, in Australia and New Zealand, nomination committees are not generally in the shadow of a controlling shareholder. In these markets we look at the average tenure of all the INEDs rather than any individual director. **2** Our analysis considers BIS' votes on director elections during the 2021-22 proxy year, covering the period from July 1, 2021 to June 30, 2022, representing the U.S. SEC's 12-month reporting period for U.S. mutual funds, including iShares. **3** ASEAN markets referred to in this report include Indonesia, Malaysia, the Philippines, Singapore, and Thailand. **4** South Korea has a six-year limit for INEDs' tenure, which is set by law. For financial institutions, the tenure limit for INEDs is five years in South Korea. See: "Enforcement Decree Of The Commercial Act" based on translation by Korea Law Translation Center.

Board diversity

As we note in our Global Principles, in our experience, diverse perspectives in the board room help reduce the risk of "group think." This is likely to result in more robust discussions, more innovative decisions, and better long-term economic outcomes for companies.

We appreciate when boards disclose how diversity is considered in board composition, including in demographic characteristics that the company identifies as being relevant to their business and market context. Relevant diversity factors may include personal characteristics 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, market capitalization, business model, and strategy. Self-identified board demographic diversity can usefully be disclosed in aggregate, consistent with local law.

In the U.S., companies have made meaningful efforts to increase gender diversity on their boards, with women representing 31% of directors.[1]

Board diversity has become an engagement topic in most countries in APAC. We note that significant progress has been made in recent years towards advancing gender diversity in the boardroom, following voluntary initiatives and mandatory quotas in markets such as Singapore,[2] Malaysia,[3] South Korea,[4] and Japan.[5] Given generally low likelihood of other forms of diversity, we would not consider single gender boards to be diverse, and we look for listed companies to have at least one female board director.

We note that companies across Asia have continued to enhance the gender diversity of their boards. In Hong Kong, New World Development Company Limited (NWD) increased female representation on their board to 35% from 20% through the appointment of three new female directors at their November 2022 AGM.

Further, 39 female directors were appointed to boards across the 33 top 100 companies listed on the Singapore Stock Exchange (SGX).[6]

In Europe, women comprised 37.7% of directors at companies listed on the STOXX Europe 600 Index in 2022.[7] For instance, in our engagement with Telefónica Deutschland Holding AG (Telefónica Deutschland), a German telecommunications firm, we learned they have committed to meeting new regulations from the European Union, which will require 40% gender diversity on boards by 2026. The company further shared they have started the recruitment process to have more women on board, which is a top priority for the Chairman of the Board. The company has committed to appoint at least one additional female director in 2024.[8] Given the company's receptiveness to shareholder feedback on this issue as well as the recent improvements on board independence, BIS supported the election of directors to the board at the May 2022 AGM.

1 Heidrick & Struggles. "Board Monitor US 2023." **2** Singapore Council for Board Diversity; SGX Consultation Paper on Climate and Diversity. **3** Malaysian Code on Corporate Governance. **4** South Korea's Financial Investment Services and Capital Markets Act. **5** Japan's Corporate Governance Code. **6** Council for Board Diversity. "Organisations that Appointed Woman onto Boards in 2022." **7** ecoDA. "Barometer of Gender Diversity in Governing Bodies in Europe". 2023. **8** Telefónica Deutschland. "Annual Report 2022" Page 166.

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.

Shin-Etsu Chemical Co., Ltd.
(Shin-Etsu Chemical)

Background

Shin-Etsu Chemical is one of the largest chemical manufacturers in Japan. At the company's June 2022 AGM, shareholders were asked to elect a newly appointed INED, who had executive leadership experience in the global chemicals sector. This was a follow up to the company's 2021 AGM, where the company proposed the election of a long-tenured independent director, who had served as the CEO of a large global chemical company. BIS voted in support of that director's election in 2021, with the understanding that the company would initiate a search for a suitable director with the appropriate skillset to succeed him in 2022. We expect the director appointed in 2022 to bring to the board not only industry expertise but also a global perspective that will foster diverse thinking, which is critical given the global footprint of the company's businesses.

BIS Response

BIS voted to support the election of the proposed director, as informed by our engagement with the company prior to their 2021 AGM.

Outcome

At the 2022 AGM, Shin-Etsu Chemical appointed a new INED with relevant executive leadership experience.

Encouraging enhanced disclosures on board quality in Latin America

In 2019, given the growing importance of the Latin American market for BlackRock, BIS established a dedicated team to drive our stewardship efforts in the region on behalf of our clients. In 2022, we observed companies throughout Latin America, including in Brazil, make significant and encouraging progress in enhancing their board disclosures, providing investors with important information to understand how they are addressing the material risks and opportunities associated with their businesses. These enhanced disclosures help us to make better informed voting decisions for those clients who authorize us to vote on their behalf.

As we explain in our proxy voting guidelines for Latin American securities, BIS strongly encourages Latin American issuers to adopt best-in-class global disclosures and operational processes that facilitate analysis and market participation from international investors. For instance, we have observed that an essential factor in sound corporate governance is director independence, from management, significant shareholders, or other related parties. In our experience, an independent board is better able oversee management and ensure that business models are aligned with the goal of delivering durable, long-term financial performance. In some emerging markets, such as Brazil, we continued to observe limited director independence, which given the predominance of controlling ownership structures, can be detrimental to minority shareholders' interests.

Grupo México, S.A.B. de C.V.
(Grupo México)

Background

At Grupo México, a Mexico based materials company engaged in copper production, freight transportation, and infrastructure activities, we have had multi-year conversations with management on board quality and effectiveness, transparency and how the company's leadership is effectively identifying and managing their business-relevant risks and opportunities, amongst other topics. At Grupo México's 2020 AGM, BIS did not support the election of management's proposed directors given that, in our analysis, the company did not provide timely or detailed disclosures on how each director's skills and experience supports long-term financial value creation. Following the AGM, BIS again engaged with Grupo México to encourage the company to allow shareholders to elect each director individually, rather than under a single ballot item, as this allows investors to make more informed vote decisions on the relevant directors' responsibilities for specific risk oversight. Relatedly, we have also directly engaged the company in relation to Southern Copper Corporation (SCC), a majority-owned, indirect subsidiary of Grupo México and one of the largest integrated copper producers in the world. We signaled similar concerns relating to board independence, and a lack of detailed disclosures on directors and their skills and experience that demonstrates that they are strong candidates to serve on the board.

BIS Response

As we explain in our proxy voting guidelines for Latin American securities, we look to companies to adopt best-in-class global disclosures to facilitate analysis and market participation from international investors. At Grupo México's April 2022 AGM, BIS determined that it was in the interests of our clients as long-term shareholders to not support the director bundled election, given that the company has yet to address shareholder concerns regarding the quality and effectiveness of the board of directors.

Outcome

The bundled director election received majority support from shareholders at the April 2022 AGM. BIS will continue to engage Grupo México to share our concerns, and to encourage the company to enhance their disclosures in alignment with shareholders' long-term interests.

Cogna Educação, S.A. (Cogna)

Background

In 2022, BIS held 114 engagements with Brazil-based public companies, and in each we covered the key governance issues that we believe may impact their ability to create durable financial value over the long-term.[1]

Cogna is a Brazilian company that provides educational services and digital solutions across Brazil's teaching ecosystem. As a result of ongoing engagement with shareholders, including BlackRock, Cogna has significantly improved their board-related disclosures. In their 2021 Sustainability Report, released in advance of the April 2022 AGM,[2] the company introduced an overview of the composition of the board, including a clear description of the board members' relevant skills, diversity characteristics, meeting attendance records, and length of tenure. While this is a global best practice and the market norm in most countries, many Latin American companies disclose little about their board composition. We found the description in the report of the four key board committees helpful to our understanding of how each director's skills and expertise contribute to board effectiveness and align with the company's current corporate strategy.

BIS Response

We are encouraged by Cogna's receptiveness to shareholder feedback, including BlackRock's, and the improvements in the quality, detail, and timeliness of their disclosures. As a result, BIS supported all five directors up for election.

Outcome

We note the positive outcome of our multi-year engagements with market participants in the region, to promote corporate governance practices that support companies in serving shareholders' interests. We are encouraged by Cogna's response to shareholder feedback, providing more detailed disclosures on the qualifications of directors in the context of the company's strategy and business model. BIS will continue to follow Cogna's progress as it relates to their disclosures.

1 Source: BlackRock. Sourced on January 30, 2023, reflecting data from January 1, 2022 through December 31, 2022. **2.** Cogna Educação, S.A. "2021 Sustainability Report," Page 10.

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. In our experience, serving on an excessive number of boards is likely to impair directors' ability to fulfill their legal and professional duties.

Director overcommitment or "over-boarding," remains a key focus for BIS in assessing board composition and director elections. We encourage directors to ensure that they have the time necessary to fully prepare for board meetings, keep abreast of company and industry developments between meetings, and commit to their own professional development. This supports the effectiveness of the board in advising and overseeing management. It is good practice, in our view, when companies are clear about the time commitment expected of directors and monitor the number of commitments their directors have outside their own board.

Our regional voting guidelines provide our views on market-specific guidelines to the number of boards on which non-CEO directors (who do not hold any chair positions) may serve. In our experience, 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.

Case studies

Ferrari NV

(Ferrari)

Background

Ferrari is an Italian manufacturer of luxury sports cars, listed in the Netherlands. In our engagement history with Ferrari since 2021, we have signaled to company leadership and management concerns we have around board quality, including a number of overcommitted directors. In line with our proxy voting guidelines for EMEA securities, we consider there to be a significant risk that a board candidate has insufficient capacity, and therefore may consider voting to not support their election. At Ferrari's April 2020 and 2021 AGMs, BIS voted to not support the election of two, and four directors, respectively, for their service on an excess number of public companies.

BIS Response

The agenda of Ferrari's April 2022 AGM included proposals from the company to elect directors to the board. BIS voted to not support the election of four directors – including the board chairman – to signal our continuing concerns on director overcommitments.

Outcome

The proposed directors were re-elected at the April 2022 AGM. BIS will continue to monitor Ferrari's progress towards addressing investor concerns on board quality.

Country Garden Holdings Co. Ltd (Country Garden), and **China Resources Cement Holding Limited** (CR Cement)

Background

Country Garden is a large property developer based in China. In line with our proxy voting guidelines for Hong Kong securities, we look for companies to provide a clear explanation of a director's capacity to fulfil their responsibilities when they serve on more than six public company boards. This higher figure relative to other markets is due to the differing regulatory requirements and market expectation on director's time-commitment in Greater China.

As of May 2022, a director serving on Country Garden's board also served on 16 other listed companies' boards, including on the board of CR Cement.

BIS Response

BIS did not support the election of the concerned director at both companies' May 2022 AGM, due to overcommitment concerns. BIS also engaged with CR Cement's management to convey concerns about three long-tenured independent directors on the board.

Outcome

This director was elected at both respective AGMs. BIS will continue to engage companies to discuss corporate governance issues that we believe drive long-term shareholder value, including director independence.

The Home Depot, Inc.
(Home Depot)

Director overcommitment remained a key reason for not supporting the election of directors. In the U.S. at the Home Depot, we did not support the election of a director – who is also an Executive Chairman at another public company and who serves on three boards – at the company's May 2022 AGM because, in our assessment, he was overcommitted. As we note in our proxy voting guidelines for U.S. securities, in our experience, sitting executive directors are best able to fulfill their responsibilities when they serve on no more than two public company boards. We recognize that it may take time for companies and individual directors to make the necessary adjustments, and will monitor this director's commitments in the coming year.

Universal proxy card look ahead

As we emphasize in our U.S. proxy voting guidelines, we assess all proposals, including contested director elections and special situations,[1] on a case-by-case basis and consistently through the lens of enhancing long-term shareholder value for our clients.

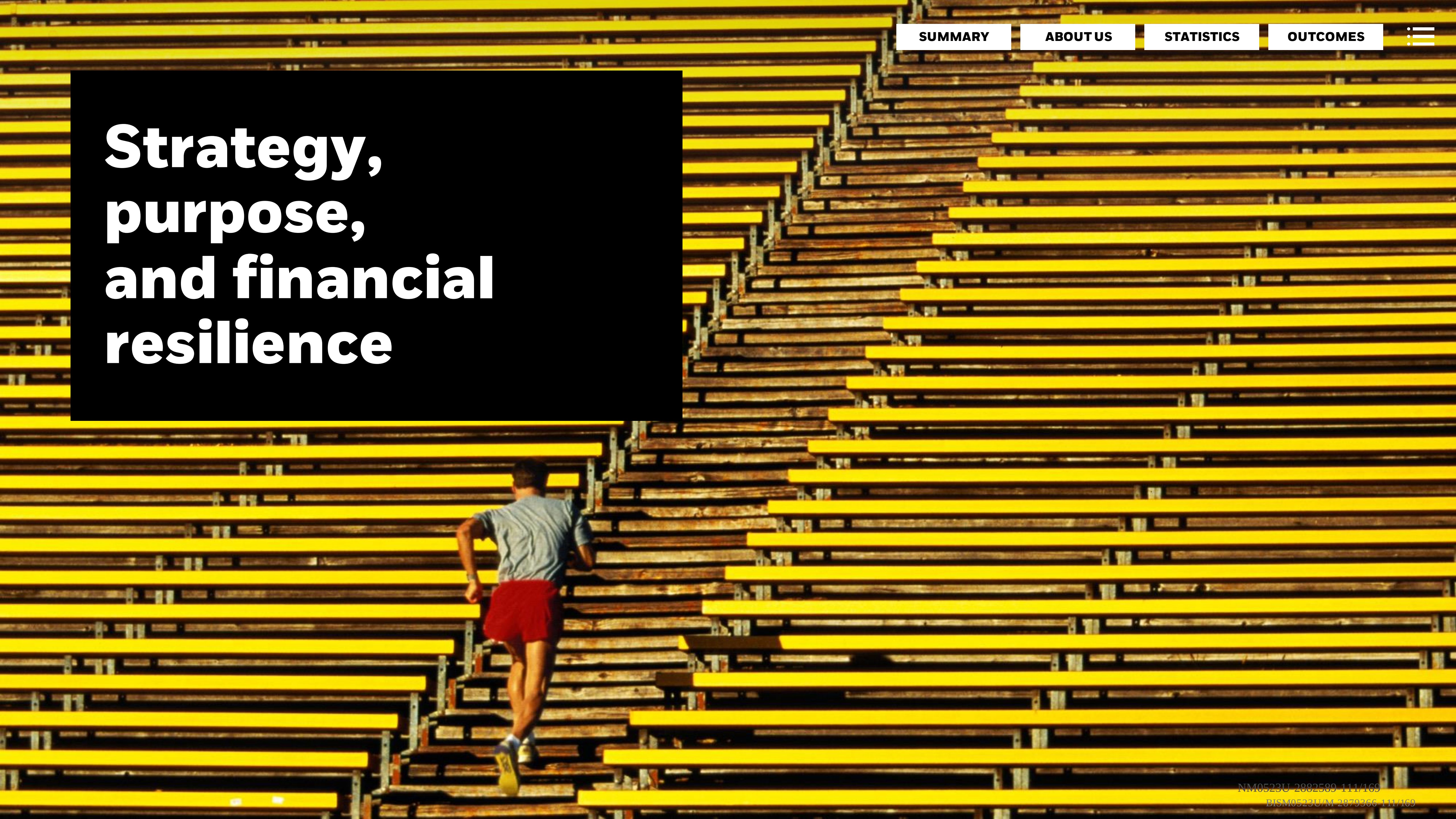
On January 1, 2022, amendments to Schedule 14A of the Securities Exchange Act of 1934 – the SEC's proxy solicitation rules[2] – came into effect and are to be applied to all U.S. shareholder meetings which involve director elections after August 31, 2022. The rules, first proposed in 2016 and adopted in November 2021, significantly modified the method by which directors are elected in the U.S. Previously, in cases of contested elections, slates of directors proposed by the company and by the activist, or "dissident," shareholder were voted on separate proxy cards. In determining which candidates to support, shareholders were only able to pick within each slates, and could not, for example, vote in support of a combination of management and dissident candidates. The new regime requires all nominees for director elections at shareholder meetings to instead be included on the same proxy card, enabling shareholders to choose from both sides' candidates.

We evaluate a number of factors when assessing director elections in these situations, which may include: the qualifications and past performance of the dissident and management candidates; the validity of the concerns identified by the dissident to justify board changes; the viability of both the dissident's and management's plans to address any valid concerns; the ownership stake and holding period of the dissident; the likelihood that the dissident's strategy will produce the desired change; and whether the dissident represents the best option for enhancing long-term shareholder financial value.

1 Special situations are broadly defined as events that are non-routine and differ from the normal course of business for a company's shareholder meeting, involving a solicitation other than by management with respect to the exercise of voting rights in a manner inconsistent with management's recommendation. These may include instances where shareholders nominate director candidates, oppose the view of management and/or the board on mergers, acquisitions, or other transactions, etc.

2 Code of Federal Regulations, "Schedule 14A. Information required in proxy statement."

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, and capital management, long-term strategy, purpose, and culture can be determining factors in companies' long-term performance.

We engage on long-term corporate strategy, purpose, and financial resilience to understand how boards and management are aligning their business decision-making with the company's purpose and adjusting strategy and/or capital allocation plans as necessary as business dynamics change. We also seek to understand how companies address the risks and opportunities of their operations to deliver long-term financial value for shareholders. These discussions also allow us to communicate any concerns about a company's approach that, in our assessment, have the potential to affect their performance, and in turn, our clients' long-term financial interests.

Companies with a well-defined purpose – the reason a company exists and the role they play in society and across their value chain – are more likely to have a strong sense of direction that will better position them to compete, navigate short-term challenges and achieve long-term growth.[1,2] We have observed that companies that effectively embed a purpose into their strategy and operations have been better able to maintain investor confidence, attract and retain a high caliber workforce, and build stronger customer loyalty. We believe that these are factors important to building financial and business resilience,[3] attracting long-term capital, and delivering durable profitability.

To aid our understanding, we appreciate when companies set out their purpose and strategy and provide milestones against which shareholders can measure performance through clear and comprehensive disclosure. We also look for the board to have a clearly defined role in advising on and overseeing executive leadership's approach to the company's strategy, purpose and culture, and in overseeing the company's financial resilience.

As one of many minority shareholders, BlackRock's role is not to direct a company's strategy or its implementation. Our role as a long-term shareholder on behalf of our clients is to better understand how company leadership is managing risks and capitalizing on opportunities to protect and enhance the financial interests of their shareholders.

2,118

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. Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. *Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting

1 In August 2019, the Business Roundtable (BRT) published an updated Statement on the Purpose of a Corporation. 181 CEOs signed the Statement and committed to leading their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders. The Statement letter has not been updated. **2** 66% of respondents to the 2021 Edelman Trust Barometer survey agree that CEOs should take the lead on change rather than waiting for government to impose it; 65% agree that CEOs should hold themselves accountable to the public and not just to the board of directors or shareholders. January 13, 2021. **3** 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 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." July 2, 2020.

2022 market-based economic risks

As informed by analysis from the BlackRock Investment Institute, persistent inflation, and geopolitical uncertainty have emerged as the primary market-based economic risks in a post-pandemic world. High inflation has sparked cost-of-living crises worldwide, pushing central banks to tame inflation. Geopolitical tensions are rewiring globalization and driving energy supply and demand mismatches. These forces together are testing the long-term strategy and financial resilience of companies around the globe. In 2022, BIS was interested in understanding how companies might have been impacted by these market-based economic risks – in addition to other business-relevant risks and opportunities – and how these factors were considered within strategy in a manner consistent with the company's business model and sector.

The economic reverberations from the pandemic continue to impact operations. Supply chain disruptions, for example, remain a critical challenge for many companies. The pandemic shift in consumer spending from services to goods caused shortages and bottlenecks, and aging populations in developed economies have led to worker shortages, ultimately leading to persistent inflation even as the pressures on supply chains begin to ease. These disruptions have been compounded by intensifying strategic competition between the U.S. and China.

They have underscored the efforts by some companies to reassess their supply chains and explore alternative sources to reduce dependence on a single region or supplier – essentially trading off efficiency and lower costs for resilience and national security.

The economic aftershocks and the diplomatic ramifications of the Russian invasion of Ukraine are also prime examples of the challenges that companies worldwide must be prepared to face. The conflict has profoundly impacted financial, energy, and technology markets and has created global energy price shocks that have forced companies to revise their short-term sustainability and long-term energy procurement strategies. The possibility of a protracted conflict has created the potential for sustained high energy prices, particularly in the European market, that could have a profound impact on the financial soundness of companies in the coming years. The economic ramifications of the conflict in Ukraine highlight the importance of proactive risk management in the face of ongoing global geopolitical uncertainty.

It is imperative to their long-term financial success that companies remain agile and resilient in the face of these ongoing challenges and BIS will engage company management to understand how they are adapting to those dynamics most materially impacting their businesses.

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

Case study

Engaging with a company looking to transform a business division into a new subsidiary

POSCO Holdings (POSCO)

Background

POSCO, a South Korean steel maker, announced the split-off of their steel division into a wholly owned subsidiary, creating a holding company structure. We have observed a number of similar corporate transactions in South Korea whereby a company splits off its growth business into a wholly owned subsidiary, which would subsequently get listed without distributing pro-rata shares of the newly listed entity to existing shareholders. This arrangement significantly dilutes existing shareholders' ownership of the split-off entity — oftentimes the core asset and reason that shareholders invested into the company to begin with.

BIS response

Given these concerns, BIS engaged with POSCO in advance of the January 2022 EGM, where the restructuring was put to a shareholder vote. Management assured BIS during the meeting, as well as through public disclosure, that there would be no separate listing of the split-off steel business, and that the company would codify this into the revised company bylaws.[1] Management also disclosed that the resulting holding company structure would allow the company to receive full valuation of their core steel business, as well as the growing secondary battery and hydrogen businesses, creating greater shareholder value in conjunction with the retention of a 30% dividend payout ratio.[2]

Based on this engagement and the company's disclosures, BIS voted in support of the restructuring. However, ahead of the March 2022 AGM, the company announced a significantly lower dividend than promised.[3] This sudden change raised concerns about the credibility of management's commitments on this strategic step, as well as other aspects of the company's long-term strategy.

Outcome

BIS believes that capital management and dividend policy are areas where management and the board are in the best position to determine the appropriate approach in support of financial resilience. In this situation, we emphasized that open communication with shareholders to build credibility around decisions that have an impact on long-term financial performance is equally important in order for corporate leadership to maintain high levels of shareholder support.

1 POSCO Holdings. "2022 Extraordinary General Meeting of Shareholders – Transition to a Holding Company & Business Strategies for 2030." **2** See footnote #1. **3** The Korea Times. "POSCO restructuring plan edges closer to realization" June 22, 2022.

Case study

Adapting to Crisis: Navigating Market Turbulence and Uncertainty

Fortum Oyj
(Fortum)

Background

On November 23, 2022, Fortum, which engages in energy generation and the operation and maintenance of power plants, held an EGM to vote on whether to issue new shares – roughly 1% of issued share capital at the time[1] – for a private placement to Solidium Oy (Solidium),[2] a Finnish state-owned investment company. The transaction would increase the shareholding of the Finnish government to 51.26% from the current 50.76%, correspondingly diluting the ownership of the other shareholders[3].

The share issuance was a condition of a September 2022 bridge financing arrangement with the Finnish government. The details of the arrangement included €2.35 billion (U.S. $2.34 billion) for one year to Fortum to ensure access to sufficient liquidity for potential collateral requirements on the Nordic commodities exchange[4].

According to Fortum, the European energy crisis following Russia's invasion of Ukraine caused trading volumes on the Nordic power commodities exchange to fall significantly, and Fortum needed to be prepared for greater uncertainty in the markets and for a possible need to rapidly commit significant amounts of working capital under the European Market Infrastructure Regulation (EMIR) regulatory framework.

BIS response

Financial stability benefits all shareholders, and BIS did not consider dilution of share capital by roughly 1% to be significant and/or detrimental to long-term shareholder interests. As a result, BIS supported the proposed issuance of new shares as it was clear the company's ability to prepare for prolonged market turbulence would be enhanced by ensuring access to bridge financing, even though Fortum stated that they had sufficient liquidity near term.

In addition, Fortum's divesture of its stake in Uniper SE, a German energy generation and trading company, underscored the importance for Fortum to have the ability to remain nimble and revise its strategy to meet the challenges of market volatility and a dynamic business environment.

In 2020, Fortum acquired a majority stake in Uniper, increasing its stake in the company from 49.9% to 70%. On September 21, 2022 Fortum announced their intention, in agreement with the German Government, to fully divest from Uniper in order to facilitate the de-facto nationalization of Uniper. This transaction enabled Uniper to continue in business and fulfil its role as a critical energy provider in Germany.[5]

Outcome

Following the liquidity injection from Solidium, Fortum has continued to operate. At the AGM in April 2023, the majority of the incumbent board of directors, including the Chairman, were replaced. The new board will lead the company in what the Finnish Government called a "fresh start at Fortum."[6]

1 Fortum Oyj. "Proposal by the Board of Directors on a Directed Share Issue Without Payment." 2 Solidium is a holding company of the Finnish government whose purpose is "to strengthen and stabilize Finnish ownership in companies and to increase the value of its holdings in the long run." Solidium Oy, "We strengthen and stabilize Finnish ownership." 3 Fortum Oyj. "Notice to the Extraordinary General Meeting of Share-holders of Fortum Corporation." September 26, 2022. 4 See footnote #3. 5 Fortum Oyj. "Fortum to fully divest Uniper to the German State." September 21, 2022. As of the December 19, 2022, Fortum concluded the sale of ownership in Uniper SE to the German State. See: Fortum Ojy. "Fortum has completed the divestment of Uniper", December 21, 2022. 6 Reuters, "'Time for a fresh start at Fortum' Says Finnish Minister", January 27, 2023

Case study

The ramifications of geopolitics impacting a company's strategy and financial resilience

Uniper SE (Uniper)

Background

Uniper, an energy generation and energy trading company based in Germany, held an EGM to approve its de facto nationalization following significant net losses of over €40 billion during the first nine months of 2022, due to the ramifications of the Russian invasion of Ukraine.

Uniper was the largest European importer of Russian natural gas and saw natural gas prices soar after Russia's invasion of Ukraine and the shutdown of the major natural gas pipeline, Nord Stream. The impact on Uniper's balance sheet and deterioration of the company's credit rating (downgraded to BBB- by S&P)[1], meant that they were unable to raise the required stabilization funds through the capital markets or debt financing.

To prevent the company from becoming insolvent and to enable the company to continue supplying energy to customers across Europe amid a geopolitically complex environment, the German government agreed to bail out the company[2] by acquiring a significant stake in Uniper under the Energy Security Act.

At the December EGM, the company shareholders were asked to approve two financial mechanisms to facilitate the nationalization by the German government.[3]

BIS response

BIS supported these items given our view that the issuance authorities were necessary to help stabilize and support the continuity of Uniper's business operations. Despite the significant dilution to existing shareholders, we believed that it was in the best long-term financial interests of our clients to support Uniper in their efforts to ensure ongoing solvency.

Outcome

Following the bailout of Uniper, the company has continued to operate and anticipates returning to profitability in the medium term. The company has appointed new management and supervisory boards[4] to oversee the next stage in the company's journey with a view to returning the company to profitability.

1 Reuters. "S&P affirms Uniper's long-term credit rating in step towards bailout." July 29, 2022. **2** The German government. "Federal Government takes over energy company Uniper." September 30, 2022. **3** Uniper. "Cancellation of the Extraordinary General Meeting for Notifying Losses and Invitation to the Extraordinary General Meeting for Notifying Losses and Resolving Stabilization Measures." December 19, 2022. **4** Uniper. "Personnel Changes in Uniper's Board of Management Announced." January 10, 2023.

Case study

Evaluating a related-party transaction through the lens of creating long-term shareholder value

Shimao Services Holdings Co (Shimao Services)

Background

In December 2021, BlackRock's Fixed Income and BIS teams reviewed a related-party transaction proposed by Shimao Services, the property management arm of a distressed property developer in China, to acquire a property management business from an affiliate controlled by Shimao Group in an all-cash acquisition.

Investors raised concerns about the proposed acquisition because it would allow Shimao Group to replenish working capital at the expense of Shimao Services' liquidity. The proposed valuation of the acquisition also raised questions in the midst of the property market downturn.

BIS response

BIS and the Fixed Income team engaged with the company and wrote to the board of directors in December 2021 expressing our concerns about both the timing and valuation of the deal due to the unprecedented liquidity stress experienced by Shimao Group.

Outcome

In their public disclosures in December 2022, Shimao Services explained that the acquisition had been terminated, in large part as a result of feedback from independent shareholders.[1] In a follow-up engagement with Shimao Services, the BIS team discussed the company's decision to terminate the transaction.

1 Shimao Services. "Termination of Disclosable and Connected Transaction." December 23, 2022

Spotlight

Assessing contested director elections through the lens of long-term value creation

Shareholder activist situations, and in particular, contested director elections are one of the mechanisms through which corporate strategy and financial resilience become specific voting considerations. The intention behind each shareholder activist campaign is unique. While there is not usually a ballot item on corporate strategy on which shareholders vote, contested director elections present an opportunity to signal support for, or concerns about, management's approach.

In 2022, contested director elections, which are largely concentrated in the U.S., exceeded pre-pandemic levels, despite turbulent markets and macroeconomic uncertainties. Globally, BIS voted at 22 meetings where shareholder activists had nominated directors to the board in 2022, compared to 15 and 17 in 2021 and 2020 respectively.[1]

Engagement remains the core of BIS' stewardship approach in evaluating a contested director election. BIS will generally engage with the company to understand their response to the shareholder activist campaign. We may seek to meet with members of the company's board, particularly any directors the activist is focused on. We may also meet with representatives from the activist firms if we believe it would be useful to better inform our voting decision. "Shareholder activism situations, and contested director elections, tend to be dynamic and complex, which means we spend considerable time determining how to vote to advance the financial interests of our clients as long-term investors in a company."

The implementation of the SEC's universal proxy rules was an important development for shareholder activism in the U.S. The rules, applicable to shareholder meetings taking place after August 31, 2022, enable shareholders to vote, if they wish, for a combination of directors nominated for election by management and the activist shareholder. This stands in contrast to the previous rules, which required investors to vote on the candidates named on the proxy card from either the dissident or management, and only being able to vote on the candidates presented on that card. Industry observers suggest that the new rules may make running a proxy contest at smaller companies more economical and increase the likelihood a dissident could gain one or more board seats.

We have been preparing for universal proxy since mid-February 2022 by seeking perspectives from a wide range of internal and external stakeholders, and ensuring our proxy contest decision making process reflects the flexibility and ease with which we may now cast our votes. After re-examining our processes in light of the universal proxy rules, we expect our process to largely remain the same.

1 BlackRock. Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2020 through December 31, 2022.

We believe that shareholder activists can bring value to the market by introducing new ideas to companies, potentially bringing new skills and experiences into the boardroom, and ensuring directors spur long-needed changes to a company's board or practices. However, we also find that activism can sometimes be a distraction and can be either too focused on unlocking short-term value at the expense of long-term value, agitating for unnecessary change, and disrupting high-performing boardrooms at companies that are struggling due to exogenous factors, etc. BlackRock does not have a pre-disposition towards activists or management. Our only pre-disposition is towards the long-term financial well-being of our clients.

Case studies

Examples of contested director and activist situations in the U.S. and Japan

Huntsman Corporation (Huntsman)

Background

Huntsman, a U.S.-based manufacturer and marketer of differentiated chemical products, faced a challenge from an activist shareholder, Starboard Value LP. The shareholder launched a contest for four board seats over concerns about the company's historical financial performance, strategic discipline, and governance issues, including director suitability and succession planning.[1]

BIS Response

BIS engaged with Huntsman management and members of the board as well as Starboard Value LP prior to the shareholder contest.

While we were concerned about the independence of the longer serving directors, we voted in support of the company's nominees for the board as we considered them to be best placed to work with management on realizing the long-term strategy and did not consider the activist shareholder's case for change to be compelling. We also reiterated our views on director independence.

Over the past several years, BIS has engaged Huntsman on a range of topics including board composition, corporate strategy, and climate risk. Since 2018, the company has added eight directors to a 10-person board, enabling refreshed committee composition. They have transformed their product portfolio to focus on differentiated solutions, which helped them deliver record results in 2021.[2] They also committed to publish a 2021 TCFD-aligned report in 2022.

Outcome

Following the AGM, the board rotated the longer serving directors off their respective key committees.[3] Huntsman also followed through on their commitment to publish a TCFD-aligned report in 2022[4].

1 For more details see "Transforming Huntsman Corporation." **2** Huntsman Corporation. "The Huntsman Story: The Right Strategy, the Right Execution, the Right Board" Pages 2, 21, and Huntsman's March 2022 press release. **3** Huntsman Corporation. "Committee Composition."
4 Huntsman Corporation, "2021 Sustainability Report.""

Toshiba Corporation

(Toshiba)

Background

Toshiba, a Japanese multinational industrial conglomerate,[1] has, over the past few years, gone through several leadership changes and faced strategic challenges that have raised shareholder concerns about the company's ability to deliver long-term value. At the EGM held in March 2022, shareholders were asked to vote on two proposals addressing Toshiba's strategic direction,[2] one from management and the other from a shareholder. Management's proposal was to obtain shareholders' support for the strategic plan, which was a reformulation of the original plan published in November 2021, to separate Toshiba into two independent, publicly traded companies. The second proposal was submitted by a shareholder and sought a re-examination of management's November plan to split the company. To that end, it proposed the board establish a committee to regularly report in detail to shareholders all efforts around restructuring of the company, proposals received, and matters evaluated.

Prior to this development, BIS had regularly engaged with Toshiba's management team and members of the board of directors on a range of governance issues — specifically corporate strategy and financial resilience, as well as board quality and effectiveness.

BIS Response

We were concerned that neither of the two proposals served the interests of long-term shareholders, like BlackRock's clients, so BIS did not support either one at the March 2022 EGM. In our view, the CEO and CFO, who were only appointed in March and April 2022 respectively, needed more time to review the company's strategic options with the board, and narrowly-crafted proposals that limited their options were not in shareholders' financial interests.

Outcome

Both proposals failed to garner sufficient support at the EGM. The board and management have since published a mid- to long-term business plan.[3]

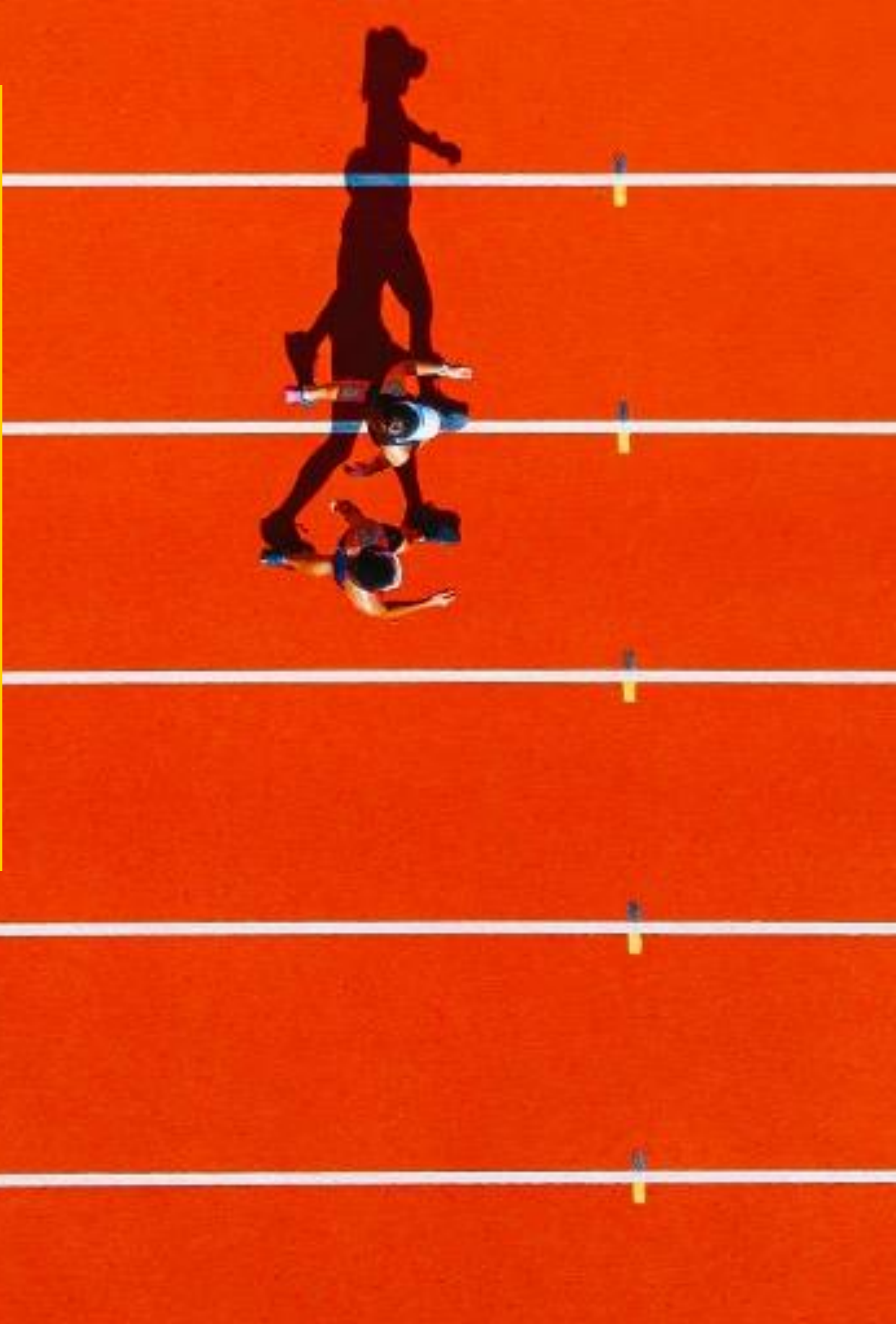
The company also announced changes to the board of directors, including the appointment of a new independent chair of the board.[4] The board received a take private bid in March 2023; we will monitor the outcome of the ensuing tender offer.[5]

1 Toshiba operates four main business divisions: Building Solutions, Digital Solutions, Electronic Devices and Storage Solutions, Energy Systems and Solutions, and Infrastructure Systems and Solutions. **2** In 2021, Toshiba established the Strategic Review Committee (SRC) as part of a series of public commitments to address shareholder concerns about the company's ability to deliver long-term, durable financial performance. Toshiba's board and the SRC worked for several months to formulate a long-term "Strategic Reorganization" plan intended to "pursue sustainable and profitable growth and enterprise value creation." See Toshiba Corporation, "Convocation Notice of the Extraordinary General Meeting of Shareholders," March 8, 2022, at page 8 and a press release "Toshiba to hold Extraordinary General Meeting of Shareholders on March 24th." **3** Toshiba Corporation. "Toshiba Group Management Policy." June 2, 2022. **4** Toshiba Corporation. "Notice Regarding Appointments of Directors and Officers of the Company." June 28, 2022. **5** Financial Accounting Standards Foundation (FASF). "Notice Regarding Planned Commencement of Tender Offer for the Shares of Toshiba Corporation (Code: 6502) by TBJH Inc." March 23, 2023.

Strategy, purpose, and financial resilience look ahead

In 2022, we observed companies focusing on building financial resilience with the increasing economic and market volatility, central banks tightening monetary policy, and a recession possibly looming in developed economies such as the United States and the European Union.

Whether it is optimizing their operations by placing heightened focus on costs and maintaining profitability in the face of persistent inflation or taking steps to re-evaluate their supply chain strategies and diversifying their supplier base, boards of directors and company management are making financial resilience a priority to weather the uncertain global economic environment. Companies focused on building financial resilience, will be in a better position to manage risk and uncertainty, and achieve long-term success and growth. Looking ahead, BlackRock believes that building financial resilience will remain a top priority for companies around the world. We will support companies in their efforts to be financially resilient and drive durable, long-term financial value creation for our clients.



Incentives aligned with financial value creation

Incentives aligned with financial value creation

Executive compensation[1] is an important tool used by companies to drive long-term financial value creation by incentivizing and rewarding the successful delivery of strategic goals and financial outperformance against peers. However, when compensation policies are not well-structured, and when outcomes are misaligned with performance,[2] companies may face business and/or reputational risks.

Appropriate and transparent compensation policies[3] were a focus in many of BIS' engagements with companies in 2022. Globally, BIS held 1,509 engagements with 1,193 unique companies on incentives aligned with financial value creation.[4]

Many compensation structures are complex; we engage to ensure we understand the board's approach to incentivizing key executives. In many of our engagements, we encouraged companies to make clear in their disclosures the connection between compensation policies and outcomes, the performance of the company, and the financial interests of long-term shareholders. In most markets, companies are required to provide disclosures on executive compensation. In addition to observing the relevant laws and regulations of their market of incorporation and listing, BIS encouraged companies to consider enhancing their disclosure to provide shareholders and other key stakeholders with sufficient information to understand how compensation policies were structured and implemented.

1,509

engagements*

We engage companies to understand their approach to the material drivers of risk and value in their business models, provide feedback, and raise any concerns, as appropriate. Compensation policies are a focus in many of BIS' engagements with the companies we invest in on behalf of clients.
We engage where, based on our experience, it would be productive to provide feedback or improve our understanding of how the policies are aligned with long-term shareholders' financial interests.

Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

1 The term "compensation" is used as an equivalent to the words "remuneration" or "pay." **2** A compensation outcome generally relates to the payout of a performance-conditioned pay component, and reflects both the construction of the pay program as well as the performance of the company and executives against defined performance objectives. **3** In this report, "compensation policy" refers to the complete set of pay-related tools; "plan" 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. **4** Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022.

Engaging and voting on incentives aligned with financial value creation in 2022

In most markets, a company's board of directors is responsible for putting in place a compensation structure that incentivizes and rewards executives appropriately. BIS believes that board compensation committees are in the best position to make compensation decisions and should maintain flexibility in administering compensation policies, given their knowledge of a company's strategic plans, the industry in which they operate, the appropriate performance measures, and other factors that may be unique to the company.

When we analyze a company's disclosures, BIS seeks to determine whether the board's approach to executive compensation is rigorous, yet reasonable, in light of the company's stated long-term corporate strategy and specific circumstances, as well as local market and policy developments. We use third party research, in addition to our own analysis of company disclosures, to evaluate existing and proposed compensation policies.

Where BIS finds apparent misalignments between executive pay and company performance, or has other concerns about a company's compensation policies, we may engage to better understand the company's approach. We prefer to engage with directors with the relevant oversight responsibilities, most likely a member of the compensation committee, where we have concerns about or feedback on compensation policies or outcomes. When we determine it is in our clients' financial interests, we may signal concerns through not supporting the election of members of the compensation committee or other members of the board whom we consider responsible for compensation. BIS may also signal concerns through not supporting proposals to approve compensation.

In 2022, BIS did not support 1,091 proposals to elect directors responsible for setting executive pay at 599 companies globally. For perspective, BIS voted on more than 66,000 proposals to elect directors across the world. As in 2020 and 2021, most votes not supporting directors to signal compensation-related concerns were concentrated in EMEA. BIS did not support 659 proposals to elect directors in the EMEA region, followed by the Americas and APAC, where we did not support 419 and 13 proposals to elect directors, respectively. [1]

Compensation-related management proposals in 2022

Executive compensation typically consists of several components, including, but not limited to, annual base salary, short- and long-term incentives plans, and benefits plans.[2] Across markets, shareholders are offered different aspects of compensation on which to vote. They may vote on new incentive plans, usually because the plans require a company to issue shares, thus diluting existing shareholders. Shareholders may also vote on reports explaining how existing pay policies have worked to reward executives, so called "Say on Pay."[3]

In addition to voting on the election of directors responsible for setting executive pay, when assessing compensation proposals BIS reviews companies' disclosures to determine how their compensation policies and outcomes align with the financial interests of long-term shareholders, like our clients. In our view, compensation disclosure should explain 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 details of 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.

In addition, disclosures should clearly show how short- and long-term incentive plans have been designed to complement one another as an effective mechanism to deliver long-term value. A narrow focus on short-term stock price or profit may be inconsistent with, or even detrimental to, long-term shareholder financial value creation. Moreover, any situation where there may be perceived, or actual misalignment between executive pay and performance is best explained in detail and justified in terms of how it serves the interests of long-term shareholders.

Consistent with our support last year, BIS supported nearly 80% — or 11,894 out of the 15,456[4] — compensation-related management proposals put to a shareholder vote in 2022, globally. Compensation-related proposals include Say on Pay proposals, remuneration policy proposals, proposals to approve new or revised incentive plans, and other compensation-related proposals.[5]

1 Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. Includes abstentions. **2** Deloitte Insights. "Executive compensation: Plan, perform and pay." 2023. **3** 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 EMEA this term may also refer to shareholders' ability to vote on the report companies publish on the implementation of its policies. **4** Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. Encompasses compensation-related proposals submitted in the Americas, EMEA and APAC. **5** 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.

In EMEA, BIS supported management recommendations on 72% of proposals — or 3,826 out of 5,295 — to approve compensation policies in 2022 (70% supported in 2021).[1] In general, companies improved their explanations of how short- and long-term incentive plans complement one another and are effective in rewarding executives who deliver long-term financial value. However, we noted several companies continued to tie a meaningful portion of incentive pay exclusively to increases in stock price that may be transitory in nature. We believe a narrow focus on short-term stock price or a company's profit may be inconsistent with, or even detrimental to, long-term financial value creation and thus BlackRock's clients' interests.

One example is our long-standing concerns about the use of share price growth as a performance measure at the Ocado Group Plc (Ocado), a UK-based online grocery retailer. Share price growth underpinned both the Growth Incentive Plan, which ran from 2014 to 2019, and the Value Creation Plan (VCP) that was introduced in 2019. In 2022, the company extended the life of the VCP by three years (to 2025) and increased the size of the pool of shares available to be awarded under the plan. At Ocado's May 2022 AGM, BIS determined it was in our clients' long-term economic interests not to approve the extension of the VCP or the renewed Remuneration Policy of which it formed a significant part. BIS also did not support the election of members of the remuneration committee to reflect our concerns about remuneration practices at the company.

In the Americas, BIS supported management recommendations on 82% of proposals — or 4,388 out of 5,375 — to approve compensation policies in 2022 (85% supported in 2021).[2] Compensation-related proposals in this region consist primarily of Say on Pay proposals and proposals to approve new or revised incentive plans.

The main reasons for our lower level of support to approve compensation policies in the Americas include:

- Lack of clarity regarding the alignment of performance metrics and their weightings with company strategy
- Concerns regarding performance goal rigor
- Awards that were not aligned with sustained long-term performance
- Front-loaded awards without a compelling explanation of how they were aligned with the economic interests of long-term shareholders

For example, at Copart Inc. (Copart) – a U.S. online car auction company – and Monolithic Power Systems (Monolithic) – a leading U.S. semiconductor company we identified concerning practices in terms of front-loading compensation and performance metrics, respectively.

In 2022, Copart introduced a co-CEO governance structure,[3] awarding the new co-CEO a front-loaded grant of approximately U.S. $30 million upon his hiring.[4] However, the company's disclosures lacked a fulsome explanation regarding how having two CEOs – and their corresponding pay structures – support the company's long-term performance and is aligned with shareholders' interests.

In addition, the company's disclosures provided minimal detail about the short vesting periods of the co-CEO's long-term incentive plans. In our view, the vesting schedules and holding periods associated with incentive plans should facilitate a focus on sustained long-term financial value creation. As a result, BIS did not support the Say on Pay proposal nor the election of two members of the compensation committee at Copart's December 2022 AGM.

In the case of Monolithic, the executive compensation program relied on relatively short-term performance goals within the long-term plan, in addition to a highly qualitative sustainability-related goal which focused on process rather than a rigorous performance metric. While the company has publicly stated that developing efficient power solutions is a main driver of Monolithic's business strategy,[5] when analyzing the company's disclosures, we found it difficult to understand the board's approach to executive compensation in light of the company's stated strategy. Additionally, in the context of the substantial payout opportunity, the program lacked risk-mitigating policies such as a clawback policy, should any awards be made on the basis of fraudulent or inaccurate financial measures. As a result, BIS did not support the Say on Pay proposal at Monolithic's June 2022 AGM.

In APAC, BIS supported management on 77% of proposals – or 3,680 out of 4,786 – to approve compensation policies in 2022 (80% in 2021).[6] Whilst the level of fixed compensation is not considered to be particularly controversial in the majority of Asian companies, disclosure of performance metrics as well as the structure of equity-based incentive schemes can be an issue. As in other markets, we look to companies to provide detailed disclosures on their approach to pay and may not support management in our voting if pay policies or disclosures are not aligned with shareholders' interests.

1 Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. **2** See footnote #1. **3** Copart, Inc. "Copart's Executive Management Team." 2023. **4** Copart, Inc. "2022 Proxy Statement." Page 43. **5** Monolithic Power Systems. "Sustainability: Creating Eco-Efficiency through Technology." 2023. **6** Source: BlackRock, Institutional Shareholder Services (ISS). Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022.

Spotlight

Improving compensation-related policies and disclosures in EMEA

BIS' support of compensation plans was lower in EMEA relative to other regions. This was due, in large part, to disclosures lacking sufficient information to fully understand how compensation policies were structured to properly incentivize executives and to support long-term financial value creation. We also observed the continued use of unwarranted discretion by remuneration committees, calling into question the alignment between pay and performance.

That said, we noted many companies in this region are making incremental improvements in their disclosures to better explain how their policies and pay outcomes are tied to strategy and long-term financial performance. As we explained in our 2022 Voting Spotlight, the increased transparency was attributed, in part, to companies':

1. Enhanced disclosures aligning with the EU Shareholder Rights Directive II (SRD II) executive compensation disclosure requirements[1]
2. Improved response to shareholder feedback, including BlackRock's, on COVID-19 related compensation concerns
3. Progress explaining how executive pay aligns with company performance, long-term strategy, and shareholders' interests, in general

BIS welcomes the progress companies have made to date and will continue to engage leadership in markets where disclosure remains an ongoing and material concern.

1 Under SRD II, shareholders have the right to vote on director remuneration policy every four years. Per the directive, the policy should support company strategy and should describe the fixed and variable components of directors' pay, including the main characteristics of pension and payments linked to the termination of a contract. Shareholders also have the right to vote on annual remuneration reports that provide information on individual directors' pay during the previous financial year. Prior to the full implementation of SRD II in September 2020, BIS engaged with companies in applicable markets to explain how our regional voting guidelines would adhere to SRD II's enhanced executive compensation disclosure requirements. The European Commission is in the process of reviewing the SRD II directive. To learn more about the SRD II directive, please refer to EUR-Lex's "Summaries of EU legislation" here.

Case study

Improved disclosures allow BIS to support a French company's remuneration policy

1 Edenred Group. "Edenred in brief." 2022.

Edenred SA (Edenred)

Background

BIS did not support the remuneration policy nor the election of the members of the remuneration committee at the 2021 AGM of Edenred, a French digital platform for services and payments that serves clients across 45 countries.[1]

On our assessment, the company's disclosures did not provide enough detail on the components of the remuneration policy. In particular, the disclosures lacked a robust explanation of how the performance metrics used in the short- and long-term incentive plans supported long-term financial performance. BIS also had concerns regarding the remuneration committee's use of discretion when adjusting the bonus targets due to COVID-19 impact, which resulted in above target achievement. Additional concerns included questions on the stringency of the targets – whereby some metrics allowed for vesting for underperformance compared to peers or did not seem to be particularly challenging. In addition, at the time, the CEO had access to a two-year bonus-based termination payout in case of departure, regardless of performance.

BIS response

Following the 2021 AGM, BIS held several engagements with the company to encourage enhancements to their disclosures and policies. In our engagements, BIS also touched on the remuneration committee's lack of disclosure around the use of discretion. BIS explained that we recognize that committees may, from time to time, determine it is necessary to use discretion. However, in such situations, disclosures should address whether and why the committee used discretion, as well as factors taken into consideration in determining the appropriate compensation outcome. BIS also raised the importance of applying challenging targets into executive remuneration to reinforce the alignment between management and long-term financial value creation for shareholders.

Outcome

BIS noted a series of improvements in the remuneration policy that came to a shareholder vote at the 2022 AGM. Edenred had strengthened the conditions related to the CEO's potential severance payment by incorporating more demanding performance conditions applicable to a reference period of three years before departure. The company also improved disclosure on the short- and long-term incentive plans, allowing investors to better evaluate the performance metrics considered in the plans, as well as the weight allocated to each metric. BIS also observed that while Edenred's remuneration policy preserved the discretion clause, the remuneration committee did not exercise any discretionary power to adjust outcomes during the period under analysis. As a result of Edenred's improved approach and remuneration disclosures, BIS supported the remuneration policy and the election of all members of the remuneration committee at the company's May 2022 AGM. BIS appreciates the company's efforts to make the targets more challenging, and we will continue engaging with Edenred on potential areas of improvement, such as the vesting applicable to the metrics under the long-term incentive plan.

Case study

Assessing compensation adjustments at EMEA and U.S.-based companies following COVID-19

As reported in our 2021 Voting Spotlight, our votes to signal concerns in 2021 were 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. Over the course of 2021 and 2022 we observed that many companies — in EMEA in particular — improved their disclosures to better explain how executive pay was consistent with company strategy and stakeholders impacted by the pandemic.

For example, at Amadeus IT Group, S.A.'s (Amadeus IT) June 2021 AGM, BIS did not support the remuneration report[1] nor the re-election of members of the remuneration committee. This was due to concerns over in-flight adjustments made to the Spanish travel technology company's long-term incentive plan, despite missing performance targets in a year where the travel industry was harshly impacted by the pandemic. Ahead of the 2022 AGM, the company provided more detail in their remuneration report. Among other adjustments made in response to shareholder feedback, Amadeus IT reviewed their short- and long-term incentive plans against performance and decided to "forego the use of any discretion over the 2021 Annual Bonus and the Performance Share Plan cycles for 2019-2022 and 2020-2023."[2] BIS supported the company's remuneration report and the re-election of members of the remuneration committee at the 2022 AGM.

BIS raised similar concerns at Sabre Corporation (Sabre), a U.S. based travel technology company whose corporate and international travel segments were impacted during the pandemic. BIS did not support the executive compensation policy nor the election of members of the compensation committee at the company's April 2021 AGM given our concerns regarding multiple mid-cycle adjustments to the company's long-term incentive component of the policy. BIS also raised concerns over multiple off-cycle time-vesting retention awards granted during 2020 and 2021, including one retention award granted to the CEO with an undisclosed value. Other shareholders signaled similar concerns, resulting in only 36.4% support for executive compensation at the 2021 AGM.

BIS encourages boards to consider the level of shareholder support on relevant proposals at previous shareholder meetings, as well as other feedback received through engagement with shareholders and other key stakeholders. As a result of low shareholder support, Sabre made several improvements to the compensation policy, including using a three-year performance period to focus management on the company's long-term performance.

In our view, it is important for compensation committees to understand shareholders' perspectives on compensation policy and outcomes. Committees should ultimately be focused on incentivizing executives to deliver long-term sustained performance aligned with generating financial value. Based on Sabre's improved compensation policy, the company received majority shareholder support at the April 2022 AGM. BIS voted in support of both the compensation policy and the election of all members of Sabre's compensation committee.

1 Remuneration reports are also known as "Say on Pay" proposals. **2** Amadeus IT Group. "Directors' Remuneration Report 2021." Page 4.

Say on Pay proposals in 2022

In 2022, Say on Pay proposals and related grant approval proposals accounted for 55% of all compensation-related proposals globally.[1] These proposals are most common in markets such as Australia, the U.S. and the UK. They give shareholders the opportunity to signal support for, or concerns with, executive pay programs.

BIS supported 81% of management proposals to approve Say on Pay and related grant approval proposals put to a shareholder vote in 2022, compared to 82% in 2021.[2] Globally, concerns with compensation program structures were primary contributors to our compensation program opposition. BIS sought to understand how compensation programs supported corporate strategy, and how companies balanced long-term financial value creation with short-term demands, including retention, in a business environment that continues to be unpredictable.

BIS Voting on Say on Pay proposals by region*

Region	Total number of proposals 2022**	Votes in support	Total number of proposals 2021***	Votes in support
Americas	**3,469**	**3,149** (91%)	**3,288**	**3,077** (94%)
APAC	**2,315**	**1,793** (77%)	**2,084**	**1,693** (81%)
EMEA	**2,738**	**1,927** (70%)	**2,619**	**1,787** (68%)
Total	**8,522**	**6,869** (81%)	**7,991**	**6,557** (82%)

*Source: BlackRock, Institutional Shareholder Services (ISS). Includes Say on Pay and proposals to approve grants. **Data sourced on January 29, 2023, reflecting data from January 1, 2022, through December 31, 2022. ***Data sourced on January 29, 2023, reflecting data from January 1, 2021, through December 31, 2021.

1 8,522 proposals out of a total of 15,456 compensation-related proposals. Say on Pay proposals and related grant approval proposals are combined for this analysis as both are backward-looking approvals of the board's compensation decisions.
2 Includes Say on Pay proposals and proposals to approve grants.

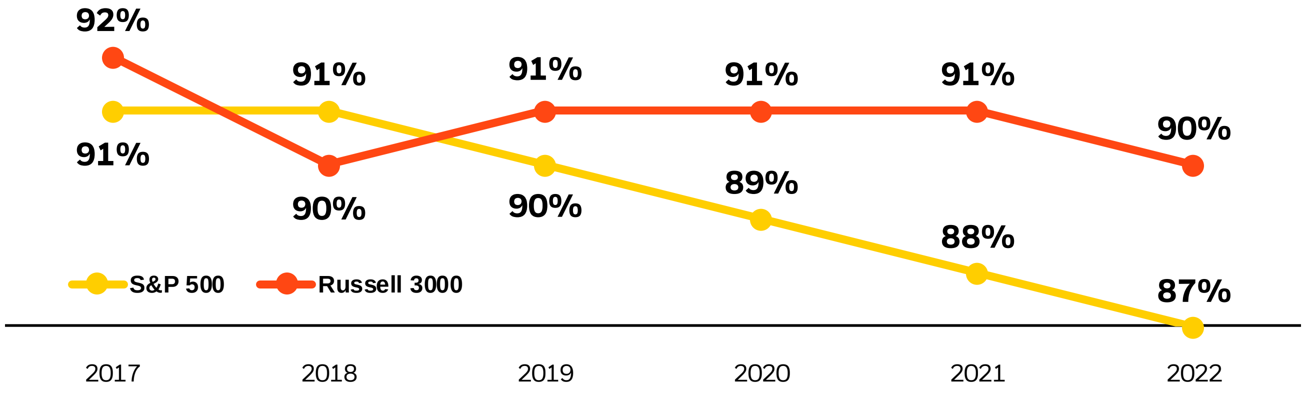
Market support for executive pay plans at S&P 500 and Russell 3000 companies

The level of shareholder support for executive pay plans at S&P 500 and Russell 3000 companies has fallen gradually over the past six years. In 2022 support for Say on Pay proposals at S&P 500 companies averaged 87% versus 91% in 2017. At Russell 3000 companies (excluding S&P 500 companies), shareholder support for Say on Pay proposals averaged 90% versus 92% in 2017.

BIS' support of management on Say on Pay proposals at S&P 500 companies has ranged between 93% and 98% over the past six years (and between 92% and 97% for Russell 3000 companies during the same period).

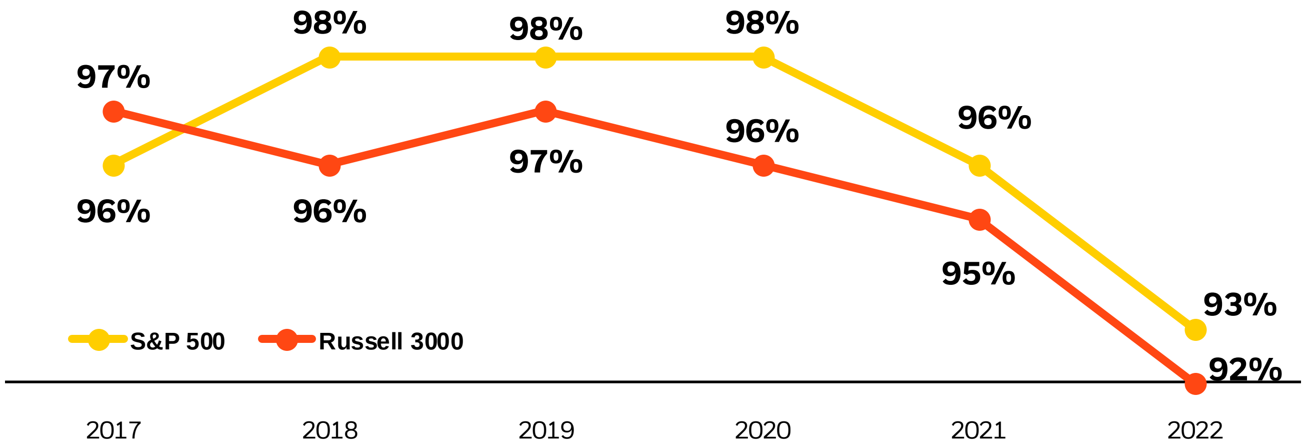
In the U.S., factors that led to BIS not supporting Say on Pay proposals included concerns with compensation program structures, modifications to existing award structures, and sizeable one-time awards without a clear benefit to long-term shareholders.

Average shareholder support for Say on Pay proposals (2017-2022)



Russell 3000 percentages excludes S&P 500 Index. **Source:** BlackRock, Institutional Shareholder Services (ISS). Data sourced on January 29, 2023, reflecting data from January 1, 2017, through December 31, 2022. Percentage support is based on companies vote tally.

BIS average support for Say on Pay proposals (2017-2022)



Russell 3000 percentages excludes S&P 500 Index. **Source:** BlackRock, Institutional Shareholder Services (ISS). Data sourced on January 29, 2023, reflecting data from January 1, 2017, through December 31, 2022.

Case studies

Voting on executive compensation at U.S. based vehicle and component manufacturing companies

BIS understands that many companies assess their compensation policy and outcomes against those of their peers to help ensure their compensation practices are competitive. However, we are concerned when the rationale for increases in target compensation is solely based on peer benchmarking rather than factoring in a rigorous measure of outperformance.

We encourage companies to clearly explain how compensation outcomes have also rewarded outperformance against peer firms or against rigorous pre-set objectives.

BIS did not support the Say on Pay proposals at the AGMs of several vehicle and component manufacturing companies, including Harley-Davidson, Inc., QuantumScape Corporation, Lucid Group, Inc., and Rivian Automotive, Inc. These companies are increasingly benchmarking themselves against technology peers — and other electric vehicle companies — to attract talent, leading to pay structures that may not be consistent with the financial interests of long-term shareholders. While we recognize that the companies in this sector are undertaking strategic changes and/or investing in emerging technologies to facilitate a low-carbon transition, we look to their boards of directors to set incentive structures that align proportionately to their stated strategy, which are still largely anchored in traditional technologies.

Consequently, we did not support compensation at these companies over concerns related to:

1. Mega or front-loaded grants tied to the share price rather than achievement of the targeted long-term change described in their strategies;
2. Potentially problematic sign-on grants and/or one-time awards without clear linkages to long-term shareholder value creation; and/or,
3. Limited disclosures that failed to demonstrate how their pay structures incentivize executives to deliver appropriate risk-adjusted returns and long-term financial performance.

Assessing Say on Pay proposals at technology companies amid a tumultuous business environment

Since 2020, the business environment has been challenging for many companies. We recognize that retaining and motivating key executives through turbulent business conditions has been a top priority for compensation committees and a driver of executive pay decisions. Balancing executive retention and motivation has been even more in focus in the past two years as companies report that the competition for talent has continued to intensify even amidst dynamic macro conditions.

BIS looks to company boards to consider and explain how their executive compensation program is resilient and, thus, will deliver reasonable pay outcomes across a broad range of business outcomes and market environments. In this context, resilient means that programs will provide sufficient retentive impact without intervention when market conditions are difficult, motivate appropriate risk behaviors by executives, reward performance when conditions are more favorable, and adequately reflect the financial performance that shareholders are experiencing.

BIS did not support the Say on Pay proposals at several software and hardware companies such as Bill.com Holdings, Inc., Fleetcor Technologies, Inc., ServiceNow, Inc., Upland Software, Inc., and Western Digital Corporation. In our view, the aforementioned companies' pay structures placed more weight on motivating outperformance during a short and volatile period rather than maintaining a focus on durable long-term performance. These five companies are just a few examples of tech companies where Say on Pay proposals failed to receive majority shareholder support at their respective 2022 AGMs. For context, only 14 companies failed to receive majority support in 2022, out of the 300+ information technology companies in the Russell 3000 that had a Say on Pay proposal on the ballot.[1] In 2023, BIS will continue our engagement with technology companies to encourage enhanced practices and disclosures that allow investors to better understand how their pay structures align with the interests of shareholders over the long-term.

1 Source: International Shareholder Services (ISS). Sourced on March 29, 2023 reflecting data for January 1, 2022, through December 31, 2022.

Integration of sustainability-related criteria in compensation policies

The integration of sustainability-related criteria in compensation policies is common in the UK and Europe.[1] In 2022, BIS observed that in certain sectors — such as the technology, media, and telecom (TMT) sector, as well as the industrials sector — many companies have introduced sustainability-related criteria; most commonly carbon emissions reduction targets and human capital-related metrics. In the U.S., we also observed more integration of sustainability-related criteria in compensation policies.

In BIS' view, it is for boards to determine whether it is appropriate to use sustainability-related performance criteria, but if used, they should be as rigorous as other financial or operational targets. When companies integrate sustainability-related criteria in their incentive plans, it is helpful if they 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 their sustainability efforts.

The following examples illustrate this trend and our approach to cases where companies chose to integrate sustainability-related criteria in their incentive plans.

ASML Holding NV (ASML)

ASML, a Netherlands-based photolithography system supplier, improved their use of sustainability-related criteria by identifying business relevant metrics. In past years, the company used the annual Dow Jones Sustainability Index (DJSI) review as a way to measure their performance on sustainability. ASML incorporated this score as a sustainability-related criteria in their incentive plan. For the 2022-24 performance period, ASML instead chose to use energy consumption, employee engagement, and female representation in the workforce as sustainability-related performance metrics. On our assessment, these metrics are better aligned with ASML's long-term strategy than the DJSI annual score.[2] BIS supported the proposal to amend the company's remuneration policy at the April 2022 AGM, which received 93.2% support.[3]

General Motors Company (General Motors)

Following the 2021 AGM of General Motors, a U.S. automobile manufacturer, at which BIS supported management on pay, we discussed with management how they might enhance their compensation disclosures. In our view, there was an opportunity for the company to better articulate their strategic pivot to electric vehicles (EV) and how it was being factored into future compensation decisions. Per the company's 2022 proxy statement, General Motors responded to shareholder feedback and provided additional detail on the goal setting process for the short-term incentive plan. The company also made changes to the design of the long-term plan, adding "Electric Vehicle financial performance measures that reward performance" among other adjustments. BIS subsequently supported the company's Say on Pay proposal at the June 2022 AGM, which received 92.3% shareholder support.[4]

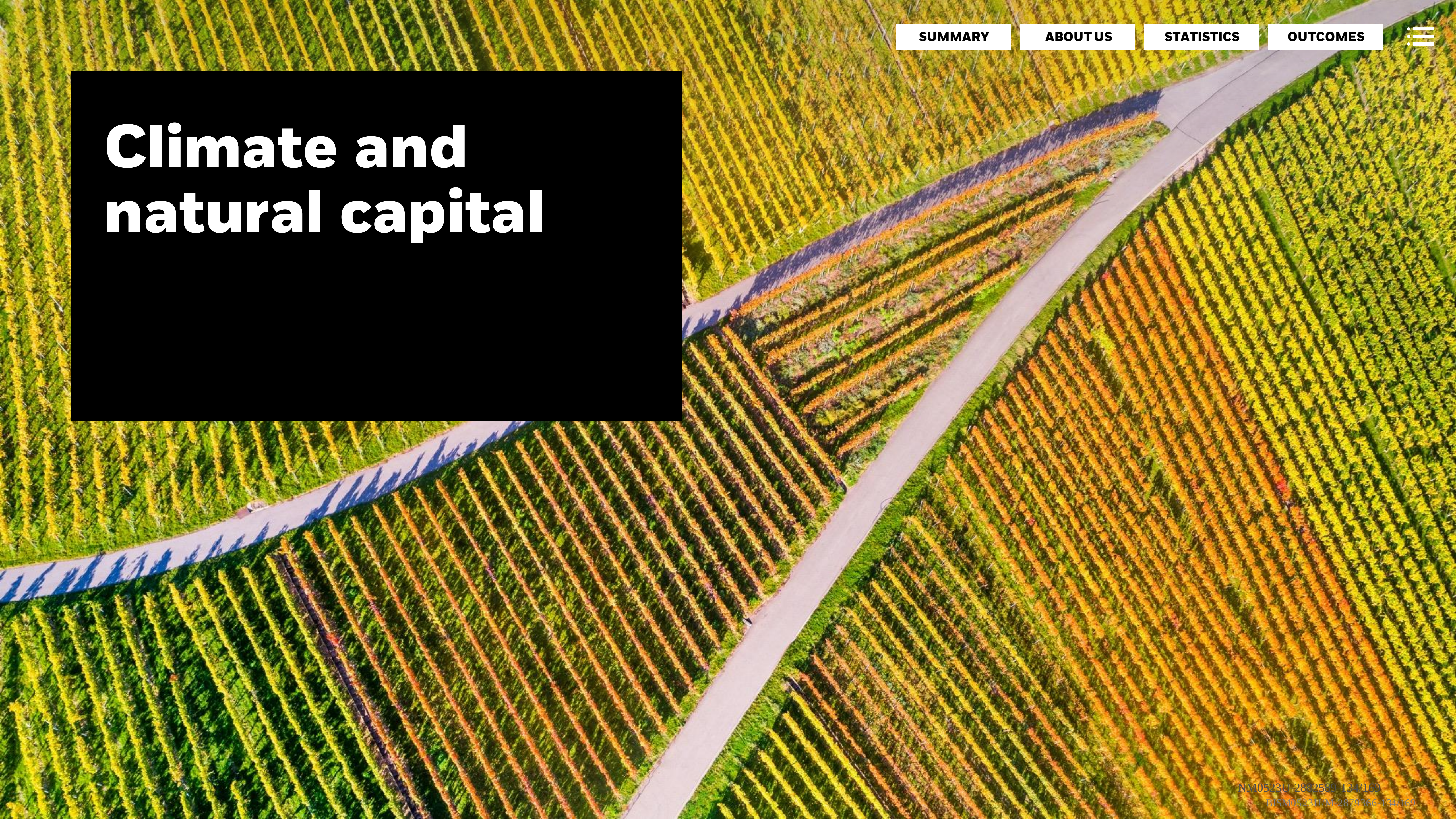
1 Sustainability-related criteria includes those tied to specific environmental and social targets as performance measures in companies' short- and long-term incentive plans. For example, some companies tie executive pay to a specific percentage increase in gender and ethnic diversity in the workforce or GHG emissions reduction targets within a defined timeframe. To learn more see our commentary "Our approach to engagement on incentives aligned with financial value creation." **2** For the 2022-2024 performance period, ASML's supervisory board selected the following metrics in the LTIP: 1) extreme ultraviolet (EUV) energy use per wafer pass reduction targets; 2) increased employee engagement percentages; and 3) increased female representation in senior roles. Source: ASML. "Remuneration policy for the board of management of ASML Holding N.V. (Version 2022)." **3** ASML. "2022 Annual General Meeting of Shareholders – Resolutions taken 29 April 2022." Page 2. **4** General Motors Company. "Proxy Statement and Notice of 2022 Annual Meeting of Shareholders." Page 50.

Incentives aligned with financial value creation look ahead

Executive compensation outcomes are increasingly assessed in the context of the impacts a company has had on their key stakeholders over the relevant period. BIS believes it may be appropriate to take into consideration the interests of key stakeholders in compensation policies to recognize the collective nature of long-term financial value creation. Our view is based on the extent to which companies' prospects for growth are tied to their ability to foster strong relationships with and support from those parties across their value chains who are instrumental to their long-term success. To aid investor understanding, companies may consider discussing in their disclosures how they have taken into account the experience of a company's key stakeholders when reviewing and approving incentive plans and pay outcomes.

Further, with increasing expectations of the role CEOs and companies play in society, executive compensation continues to garner significant attention. Poorly structured compensation policies –such as those that result in outsized potential or realized awards or with performance metrics not aligned with strategy –are likely to be even more closely scrutinized. This may carry potential reputational risks, particularly if pay outcomes are not aligned with financial performance or a company has negatively impacted key stakeholders, for example, through making significant number of employees redundant or harming customers by mis-selling products.

In 2023, BIS will continue engaging companies to understand their approach to the material drivers of risk and value in their business models, provide feedback and raise any concerns, as appropriate.



Climate and natural capital

Our role is to help our clients navigate investment risks and opportunities; it is not our role to engineer a specific decarbonization outcome in the real economy. The money we manage is not our own – it belongs to our clients.

As part of this role, we are interested in hearing from the companies in which our clients invest on the impact of climate change and a low-carbon transition on their strategy and long-term business model. We engage on this topic because the way in which companies navigate material climate-related risks and adapt through a low-carbon transition may have a direct financial impact on our clients' investment outcomes and financial well-being.[1]

While companies in various sectors and geographies may be affected differently by climate change, a low-carbon transition is an investment factor that we expect to be material for many companies and economies around the globe.[2] Within this context, and as stewards of our clients' assets, we engage companies and encourage them to publish disclosures that help their investors understand how they identify and manage the material risks and opportunities they face arising from climate change and a low-carbon transition.

Our approach to climate related investment risks and opportunities

The effective management and mitigation of climate-related risks, alongside a low-carbon transition, requires a long-term outlook, yet climate impacts are increasingly seen on a near-term, and sometimes, immediate, timeline.[3] These trends are dynamic and will create or impair value across companies and industries, and generate investment risks and opportunities.

BlackRock research shows that an orderly transition would result in higher economic growth compared with no climate actions, and would create a more constructive macro environment for financial returns for our clients overall.[4] Research has also found that while the transition to a net zero economy can introduce inflationary pressures, 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-related risk or in those where there is a highly accelerated rush to decarbonize after delayed action.[5, 6]

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engagements*

As an asset manager, BlackRock's approach to climate-related risk, and the opportunities presented by a low-carbon transition, is based on our fundamental role as a fiduciary to our clients. BIS engages with companies to better understand their approach to, and oversight of, material climate-related risks and opportunities, as well as how they manage material natural capital impacts and dependencies, in the context of their business model and sector. Learn more about our approach to climate risk here and to natural capital here.

*Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

1 We make frequent reference to terminology pertaining to the transition to a low-carbon economy. The Intergovernmental Panel on Climate Change provides a helpful glossary for this terminology. **2** We recognize that companies in different markets are adapting to a low-carbon transition in varying contexts as a result of differences in the current regulatory landscape. Future regulatory changes to support countries in meeting their national commitments to reach peak emissions will also impact companies' long-term energy strategies. For example, the Inflation Reduction Act in the U.S. creates significant opportunities for investors to allocate capital to a low-carbon transition. This legislation commits an estimated U.S. $369 billion for investment in energy security and climate change mitigation. European governments are also developing incentives to support the transition to a net zero economy and drive growth. **3** BlackRock, Inc., "BlackRock's 2030 net zero statement", 2021. **4** BlackRock Investment Institute, ""Managing the net-zero transition", 2023. **5** 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. 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. **6** McKinsey & Company, "The net-zero transition", January 2022. Also, please refer to BlackRock Investment Institute, "Managing the net-zero transition", February 2022.

Some companies may see this shift as an opportunity—they may decide to mitigate or reduce their contributions to climate change, such as by employing emissions reduction efforts, which may provide efficiency and cost saving opportunities. Other companies may see a low-carbon transition as a risk—they may conclude that their current business model is not consistent with projections for future market or consumer demands, or that failure to plan for the implications of climate change may position them poorly relative to peers to deliver long-term shareholder value. However, these conclusions are not necessarily exclusive; companies may benefit from considering the effects of climate change in the context of both risk and opportunity.

BIS set out in our Global Principles and commentary published in early 2022 on Climate Risk and the Global Energy Transition our view that climate change has become a factor in many companies' long-term prospects. As such, as long-term investors we are interested in understanding how companies may be impacted by material climate-related risks and opportunities - just as we seek to understand other business-relevant risks and opportunities - and how these factors are considered within strategy in a manner consistent with the company's business model and sector.

BlackRock endeavors to consider climate-related physical[1] and transition[2] 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 different sectors and geographies may find opportunities to capitalize on the technology, products, and solutions needed for a low-carbon transition. We recognize that there are significant financial risks inherent in a transition, including the potential for stranded assets.[3]

We recognize that the speed and shape of the transition is not clear. Accordingly, we seek to understand whether and how companies are navigating this uncertainty. We have found that public disclosures of companies' scenario analysis, transition plans, and emissions reduction efforts[4] better enable the market to quantify company-specific climate-related risk and in turn, better inform investors' capital allocation decisions and risk/return profiles for companies. As investors, we rely on the boards and management teams of companies to develop and implement the strategies they deem most appropriate.

Assessing companies' preparedness to navigate a low-carbon transition via disclosures

Public disclosures allow investors to evaluate how a company considers climate-related risks and opportunities for the business and to track progress against management's stated goals.

We encourage disclosures aligned with the reporting framework developed by the Task Force on Climate-related Financial Disclosures (TCFD). We welcome efforts by the International Sustainability Standards Board (ISSB) to develop a global baseline of sustainability reporting standards.[5] We believe that a global baseline, on which policy makers in different jurisdictions can build to meet their policy objectives, may help increase the quality of information available to investors, while reducing the reporting burden on companies. The ISSB is building on many of the reporting frameworks developed to date, particularly the pillars of the TCFD—governance, strategy, risk management, and metrics and targets—and the industry-specific metrics identified by the Sustainability Accounting Standards Board (SASB). In our experience, this framing helps companies disclose how they identify, assess, manage, and oversee a variety of material sustainability-related risks and opportunities in their business models.

Consistent with the TCFD, investors have greater clarity — and ability to assess risk—when companies detail how their business model aligns to a range of climate-related scenarios, including a scenario in which global warming is limited to well below 2°C, and considering global ambitions to achieve a limit of 1.5°C.[6]

We are better able to assess preparedness when companies disclose short-, medium-, and long-term targets, ideally science-based where these are available for their sector, for scope 1 and 2 greenhouse gas emissions (GHG) reductions and to demonstrate how their targets are consistent with the long-term financial interests of their shareholders.

1 Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Please see the TCFD website for additional information. **2** Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations. Source, TCFD **3** 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 assets are worth less than expected as result of changes associated with the low-carbon 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. **4** International Auditing and Assurance Standards Board (IAASB), "IAASB issues staff audit practice alert on climate-related risks," October 2020. **5** The International Financial Reporting Standards (IFRS) Foundation announced in November 2021 the formation of an International Sustainability Standards Board (ISSB) to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs. SASB standards will over time be adapted to ISSB standards but are the reference reporting tool in the meantime. **6** The global aspiration to achieve a net-zero global economy by 2050 is reflective of aggregated efforts; governments representing over 90% of GDP have committed to move to net-zero over the coming decades. In determining how to vote on behalf of clients who have authorized us to do so, we look to companies only to address issues within their control and do not anticipate that they will address matters that are the domain of public policy.

Case studies

Encouraging enhanced disclosures on material business risk

BIS engaged globally with companies that have material climate-related risks in their business models to encourage them to enhance their reporting in line with the recommendations of the TCFD. Corporate disclosures reflect the plans and actions of a company's board and management, and help investors understand the risks and opportunities companies face over the short-, medium-, and long-term.

We prioritize engagement with companies in our climate focus universe as their ability to deliver durable, long-term financial returns for investors will be most impacted as the global economy decarbonizes. We encourage disclosure that explains to investors how the board and management consider these risks in the context of their fiduciary responsibilities and governance processes, how they are integrated into long-term strategic planning, including capital expenditures, and how enterprise risk management systems reflect the company's exposure to climate-related risk. Clear metrics and targets are also important to investors so we can assess a company's progress towards achieving their long-term strategic goals in relation to climate-risk and other material factors relevant to their business model.

We have been engaging companies on TCFD-aligned reporting since 2017 when the first recommendations were published. Since then, we have observed a significant increase in understanding of and reporting on climate-related risks. That said, our approach is focused on the long-term and we aim to support companies that are making steady progress in adapting their business models to be able to deliver financial returns through the energy transition. Given the complexity of most companies' business models, our engagements usually cover several governance and sustainability-related issues material to how a company creates financial value or manages business risk.

We held over 1,700 engagements with companies on their approach to the management of material climate-related risks and opportunities (879 in the Americas, 339 in EMEA, and 491 in APAC.[1]) The following examples illustrate our case-by-case approach to company engagement and voting. For the purposes of this section of the report we focus only on the climate-risk reporting aspect of our engagement and voting with the named companies. We may have engaged these companies on other issues and would have voted on a much broader range of proposals at their shareholder meetings.

1 Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

BIS voting and engagement/outcome	Company/ market	Business model/nature of material climate-related risk
BIS engaged in prior years on climate-related risks and TCFD-aligned reporting. Company reporting in 2021 was not sufficient to enable BIS to assess their approach to climate-risk so we did not support one or more directors standing for election to the board. In advance of the 2022 AGM, the company published a TCFD-aligned report, and BIS voted in support of the election of directors.	**Koc Holding** ***Türkiye***	The company is a large industrial conglomerate with extensive exposure to energy, automotive, consumer durables, finance and other industries. The company conducted a materiality assessment in 2020, engaging numerous stakeholders which identified material climate-related risks and opportunities for the company.[1] Notably, given the company's extensive exposure to the aforementioned industries, they are exposed to material low-carbon transition-related risks arising from the high volume of carbon emissions generated by each respective business line and the extensive level of energy they consume.
	Airbus ***France***	The company engages in the design, manufacture, and marketing of aerospace products, services, and solutions. The company is exposed to material low-carbon transition-related risks and opportunities, driven in large part from the significant emissions linked to product use and shifts in customer demand. They are also exposed to environmental-related risks given the industrial nature of their operations.
	China Gas Holdings ***China***	The company is engaged in investment, construction, and management of city and town gas pipeline infrastructure and distribution of natural gas and LPG. A low-carbon transition presents opportunities for the company given its focus on gas, while also presenting transition risks in the longer term as the economy further decarbonizes.
BIS engaged to encourage the company to enhance their reporting on climate-related issues, which they recognize as a material business risk. Shortly before the 2022 AGM, the company published additional information related to their climate risks and opportunities, so BIS voted in support.	**Costco Wholesale** ***U.S.***	A major retailer that operates through membership warehouse stores and e-commerce websites. In April and July 2022, Costco's global executives conducted in-depth climate-related scenarios analysis, exploring climate-related risks and opportunities to operations, supply chain, members, employees, reputation, and products. From this analysis, they created an inventory of climate-related risks and opportunities related to Costco's business. They anticipate transitional and physical impacts from climate change and will continue to evaluate impacts on Costco's financial position.[2]
BIS engaged to encourage TCFD-aligned reporting, and the company indicated a commitment to do so. The report was published in January 2023. In it, the company published a TCFD-aligned framework, set a target to be carbon neutral by 2050, nine years ahead of their previous target, and strengthened their oversight mechanism for sustainability, which is advanced practice in the market.	**Zijin Mining** ***China***	The largest gold and copper miner in China, with international materials assets such as lithium and cobalt. A low-carbon transition presents a significant opportunity for the company given their asset mix and growing demand for new minerals in products such as electric vehicles.

1 Koc Holding, "Koç Holding 2022 Annual Report". **2** Costco Wholesale, "TCFD", updated December 2022.

As investors, it is also helpful to be able to evaluate companies' assessments of their emissions across their value chain, or scope 3 GHG emissions, where appropriate, and any efforts to reduce them over time. A growing number of companies have started disclosing scope 3 reduction targets, which provide important insight into the full carbon component of companies' goods and services. This further allows investors to evaluate the long-term risks and resilience of companies' value chains.

However, we fully recognize that the methodology, accounting, assurance, and regulatory landscape for scope 3 GHG emissions is complex, varied, and still evolving—double counting is also a legitimate concern. Accordingly, we understand that the scope 3 disclosures that companies are able to make will necessarily be on a good faith and best-efforts basis. We believe regulators can support these efforts by requiring disclosure from public and private companies, while providing safe harbor protections in case companies need to restate their scope 3 GHG emissions in the future.[1]

Consistent with BIS' regional voting guidelines, where companies with material climate risks in their business models, did not provide a detailed plan on how they will adapt to address those risks, including plans to reduce scope 1 and 2 GHG emissions, and adapt to a low-carbon transition, we were unlikely to support the election of their directors with specific responsibility for climate risk oversight. In some cases, we may have also supported shareholder or management proposals on disclosures explaining the company's approach to climate risk management.

How we engaged with companies on a low-carbon transition

When discussing climate- and transition-related risks with companies, we take into consideration the reality that a low-carbon transition presents different challenges and potential rates of change for companies across sectors. With this in mind, we focus our engagements where the transition is most likely to materially impact a company's performance. To help us prioritize, we developed a climate focus universe which includes more than 1,000 companies and represents nearly 90% of the global scope 1 and 2 GHG emissions of the aggregate equity holdings in public companies in which BlackRock invests on behalf of our clients.[2]

We recognize that companies cannot, in isolation, deliver the necessary technologies, solutions, and innovation required for a low-carbon transition. Market participants, such as policy makers and consumers, have a role to play. Supply and demand over time, will reflect the global economy's current dependence on traditional energy sources and the parallel need to invest in cleaner energy alternatives and other technologies. In our engagements we may also discuss how companies see their role in achieving that equilibrium.

Climate-related voting

In 2022, BIS noted progress being made by companies on the management and disclosure of climate-related risks and opportunities, particularly those in developed markets, and were encouraged by the steps that companies took to better assist their shareholders and other stakeholders in understanding their preparedness to successfully navigate a low-carbon transition.[3] As a result, we were more supportive of management proposals compared to 2021 and supported fewer climate-related shareholder proposals in 2022.

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We voted to signal concerns about climate action or disclosure at 231 companies (343 last year).

With regard to climate-related shareholder proposals, as previously discussed, 2022 saw a marked increase in the number of shareholder proposals going to a vote. We considered a significant subset of these proposals to be unduly prescriptive and constraining on the decision-making of the board or management, seeking to direct changes to a company's strategy or business model, or addressing matters that we believed were not material to how a company delivers long-term shareholder value. We did not support those shareholder proposals that, in our assessment, were intended to micromanage companies. In addition, BIS noted the significant progress made by many companies between 2021 and 2022 on the management and disclosure of climate-related risks and opportunities. As a result, we supported fewer climate-related shareholder proposals in 2022.

BIS voted on 110 climate-related shareholder proposals in 2022. Those that we supported addressed, in our assessment, gaps in a company's approach to climate-related risk. In 2022, BIS supported 20 climate-related shareholder proposals at 17 companies globally, compared to 41 shareholder proposals at 31 companies last year.

1 International Financial Reporting Standards, "ISSB Update December 2022", December 2022 and "ISSB Update February 2023", February 2023. **2** Based on MSCI data. **3** In general companies in emerging markets remain in an earlier phase of their climate-related reporting journeys. We recognize varying contexts for companies in emerging markets, but we look to all companies to manage their carbon emissions and address transition risks – particularly in anticipation of future regulatory changes to support countries in meeting their national commitments to reach peak emissions and move towards net zero.

Our approach to understanding nature-related risks and opportunities

As discussed in our commentary on our approach to engagement on natural capital, the management of nature-related risks and opportunities is a component of the ability to generate long-term financial returns for companies whose strategies or supply chains are materially reliant on natural capital.[1] For these companies, we look for disclosures to assess risk oversight and to understand how nature-related impacts and dependencies are considered within the company's strategy.

We find it helpful when these disclosures include a discussion of material natural capital risks and opportunities in the context of a company's governance, strategy, risk management, and metrics and targets. It is also helpful to hear from companies about how they manage natural capital dependencies and impacts in the context of their value chains.

While natural capital is a broad term, we focus on three key components — land use, water, and biodiversity — which we believe can affect the long-term financial returns of companies with material exposure to nature-related impacts and dependencies.

Land use.

Given the growing pressures on the land and forests on which many companies depend for their products and other services, companies with material impacts and dependances on land and forests may face financial risks associated with the depletion of these resources. For example, governments may impose tariffs or import bans on consumer goods and agricultural products that are not certified as sustainably-sourced. Conversely, there could be material business opportunities in demonstrating responsible and regenerative practices.

Water use.

A number of economic sectors — such as agriculture, pharmaceuticals, manufacturing, technology, apparel, food and beverage production — are heavily dependent on fresh water.[2] Companies for whom water is essential to their business operations may need to demonstrate that they use this scarce natural resource efficiently. Overexploitation, increased demand, pollution, drought, or other factors may result in governmental regulations that restrict water availability and usage. For companies with material dependencies on water, this may impact their ability to deliver long-term financial performance.

Biodiversity.

Biodiversity refers to the variety and abundance of life on earth[3] and it is essential to a healthy ecosystem and the services it provides. Biodiversity loss is a potential risk to the future financial performance of companies in certain sectors as biodiversity is a critical component of ecosystem health, which is required to allow for sustainable use of natural capital inputs. While some companies flag this risk, at many others awareness is still nascent. That said, we are increasingly seeing companies working to develop a better understanding of the implications of biodiversity loss to their business models.

1 Natural capital refers to the living and nonliving components of ecosystems that contribute to the provision of goods and services to people. Some forms of natural capital have market value, including natural resource stocks, such as oil and gas, minerals, and timber. 2 For example, see World Bank, "Water in Agriculture", last updated on 5 October 2022. **3** The Convention for Biological Diversity (CBD) defines biodiversity as the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems, and the ecological complexes of which they are part; this includes diversity within species, between species, and of ecosystems.

Case study

Engaging and voting on the management of plastic packaging

Background

BIS engages with companies in certain sectors on their approach to plastic packaging. Given the impact on long-term shareholder value (such as potential reputational risk related to waste management and increasing customer demand for recyclable packaging), we appreciate when companies who produce or rely heavily on plastics in their products or operations disclose information on how waste is managed.

Amazon.com, Inc.'s (Amazon) had a shareholder proposal on the agenda for their May 2022 AGM that asked the board to issue a report "describing how the company could reduce its plastics use."[1]

BIS Response

While we believed that Amazon's goals in relation to plastic recycling were clear, at the time of the AGM, the company did not explicitly disclose the total amount of plastic used, making it difficult for investors to determine how effectively the company was managing this material risk and what progress they were making year over year.

As a result, we supported this shareholder proposal, as we believed having a better understanding, from enhanced disclosures, of how Amazon was addressing this material long-term business risk was aligned with our clients' financial interests.

Outcome

In December 2022, Amazon published an update to their packaging reduction strategy, detailing efforts to reduce and replace plastic packaging, among other initiatives.[2] BIS will continue to engage with Amazon to discuss these issues and will monitor progress against stated plans.

1 Amazon.com, Inc., "Notice of 2022 Annual Meeting of Shareholders & Proxy Statement".
2 Amazon.com, Inc., "How Amazon is reducing packaging", 13 December 2022. The company noted that in 2021, they reduced average plastic packaging weight per shipment by over 7%, resulting in 97,222 metric tons of single-use plastic being used across Amazon's global operations network to ship orders to customers.

While nature-related disclosures have historically been limited and difficult to compare across companies, private-sector initiatives, such as the TNFD, are working on frameworks to guide disclosure on material, nature-related impacts and dependencies, alongside associated risks and opportunities. We recognize that some companies may report using different standards, which may be required by regulation. In addition, some industry groups have developed their own nature-related disclosure standards, which may be useful for certain sectors.

1 Budweiser Brewing Company APAC, "Environmental, Social, and Governance Report 2022".

Case study

Improving nature-related disclosures in APAC

Background

BIS engaged with Budweiser Brewing Company APAC amid extreme droughts and weather events in China that had the potential to impact their production. The company's operations are highly water-intensive and, as a result, BIS sought to understand their approach to water-risk management, including the board oversight of material sustainability-related risks and opportunities.

At the time of our engagement, the company had detailed disclosure regarding their water impact and dependencies. In addition, the company emphasized their incident prevention efforts arising from droughts, as well as efforts to minimize any negative impacts to communities surrounding their operations through water replenishment infrastructure. While the company did not fully align their reporting to the TCFD framework, they expressed interest to do so.

BIS Response

BIS was encouraged by the company's disclosure on these natural capital-related risks and opportunities, and continued to monitor their progress against a stated interest in aligning reporting to the TCFD framework.

Outcome

In Budweiser APAC's 2022 sustainability report,[1] the company aligned reporting with the TCFD framework. BIS recognizes the company's proactive approach to enhance their climate reporting in line with the TCFD framework, and we will continue to engage with Budweiser APAC to monitor how the company enhances their future disclosure and oversight of climate-related risks and opportunities.

Company impacts on people

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 in their workforce.[2] This approach may vary across sectors and geographies, as well as over time, but is an important factor in business continuity, innovation, and success for all companies.

In our experience, companies that invest in the relationships that are critical to their ability to meet their strategic objectives are more likely to deliver durable, long-term financial performance. By contrast, poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks. This is particularly the case with regard to a company's workforce, as a significant number of companies acknowledge the importance of their workers in creating long-term financial value.[3]

In many markets, companies face a number of challenges in relation to their workforce, including aging demographics such that key workers are retiring; technological shifts that require workers to have very different skills to those they originally trained in; workforce shortages in some segments of the market; and worker turnover particularly stemming from the prevalence of contract, freelance, and gig work. Poor human capital practices may lead to worker protests, activism, or a breach of international standards,[4] resulting in potential declines in production, regulatory action, and/or damage to a company's reputation.

As a result, 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, meet the needs of their customers and others in their value chain, and deliver durable financial performance for investors.

Companies can also play an important role in advancing human capital development, which in turn can reinforce a company's reputation in the communities within which they operate. For example, a company investing in efforts to build a strong local workforce may bolster local economic growth, which in turn may have a positive effect on consumer spending.

1 As defined by the World Bank's "Human Capital Project". The World Bank. "The Human Capital Project: Frequently Asked Questions." October 3, 2022. **2** Bernstein, A., and Beeferman, L. "Corporate Disclosure of Human Capital Metrics." Pensions and Capital Stewardship Project Labor and Worklife Program. Harvard Law School. October 19, 2017. **3** This perspective is also backed by research, for example: Fedyk, A and Hodson, J. "Trading on Talent: Human Capital and Firm Performance." Review of Finance, forthcoming. October 15, 2022. **4** Specifically, breaches in international standards such as 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. 2011.

1,469

engagements*

BIS engages with companies to understand how they identify their key stakeholders, including investors, employees, business partners, customers, and communities in which they operate, amongst others, and how they are considered in business decision-making. In our experience, companies that effectively manage the key relationships across their value chain will enhance their ability to deliver long-term financial returns for our clients..

*Source: BlackRock. Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

How we engaged on their potential impacts on people in 2022

In 2022, we held 1,400+ engagements to deepen our understanding of how companies are monitoring and managing their impacts on people. In our engagements, BIS primarily focuses on understanding the effectiveness of boards and management in ensuring a company has the workforce necessary for delivering long-term financial performance. Our discussions cover material workforce-related risks and opportunities, which may include how a company's business practices foster diversity, equity and inclusion in their workforce; enhance job quality and employee engagement; enable career development; promote positive labor relations, safe working conditions, and fair wages; and consider human rights.[1]

For example, we engaged with a number of companies globally about their supply chain due diligence, specifically in relation to ensuring robust processes on human rights and in relation to employment practices. This broadened our understanding of companies' approaches to preventing bonded labor, ensuring worker safety, and supporting freedom of association, where appropriate.

BIS looks to companies to demonstrate a robust approach to HCM and provide shareholders with the necessary information to understand how the approach taken aligns with the company's stated strategy and business model. BIS does not seek to direct a company's policies or practices; rather, we believe that clear and consistent reporting on HCM matters helps investors to understand a company's approach to a potentially material business risk. We recognize that there are different reporting standards and frameworks on HCM, which may be voluntary or required by regulation. In such cases, we appreciate when companies provide context on their reporting and highlight the metrics reported that are industry- or company-specific.

The following are examples of how we engaged with companies on HCM, including how they addressed labor and supply chain-related issues, as well as steps taken to ensure they have the workforce necessary for delivering long-term financial performance.

BIS looks to companies to demonstrate a robust approach to HCM and provide shareholders with the necessary information to understand how the approach taken aligns with the company's stated strategy and business model.

1 For additional insights, see BlackRock Investment Stewardship's commentary on our "Approach to engagement with companies on their human rights impacts."

Engaging with a large European grocery chain on employee wage-related matters

J Sainsbury plc
(Sainsbury's)

Background

Sainsbury's is a groceries retailer in the UK. Sainsbury's also sells general merchandise, clothing, and has a financial services business. The company employs over 170,000 people.

At the July 2022 AGM, the company received a shareholder proposal that, if approved, would legally bind Sainsbury's to peg their worker pay levels to those set by the Living Wage Foundation.[1]

BIS Response

BIS is supportive of companies, including Sainsbury's, paying their workers a wage equal to or above current real living wage rates. We engage with boards and management on their pay and benefits policies, where we have concerns that their approach may not be aligned with attracting and retaining workers.

In this case, BIS sought to understand, from their disclosures, Sainsbury's existing policies and employee benefits plans. Sainsbury's disclosures set out that they paid higher hourly UK-wide and London rates than competitors in the UK supermarket sector, in addition to paying direct employees above the government-mandated UK National Minimum Wage for many years.

Furthermore, at the time of the AGM, Sainsbury's was paying at or above the prevailing "real Living Wage."[2] Sainsbury's engaged with the shareholders who submitted the proposal. As a result, the company disclosed that they had addressed the legacy difference in hourly rates between employees in inner and outer London.

Outcome

BIS did not support the shareholder proposal, as it was overly prescriptive and unduly constraining on management. In our view, worker pay policies and rates should be determined by company management, with reference to relevant regulations and board oversight. It is not the role of shareholders to direct company management to cede control of a key decision (i.e., the employee payroll), which is core to the company's ability to deliver their strategy and balance the interests of all stakeholders, to a third-party. Given the importance of frontline workers to the company's success, we have continued to engage with Sainsbury's on their approach to HCM.

1 Being an accredited "Living Wage Employer" would involve meeting the following key requirements; All direct employees are paid at least the "real Living Wage" now and in the future; An analysis is conducted by July 2023 of indirectly employed staff (i.e. contract workers) to identify who earns below the real Living Wage; A timetable is agreed for contract worker hourly rates to be uplifted to the real Living Wage, to be finalized by July 2026; All contract workers continue being paid the real Living Wage on an ongoing basis." 2 J Sainsbury plc, "Chairman's Letter to Shareholders and 2022 Notice of Annual General Meeting", May 9, 2022.

CVS Health Corporation
(CVS)

Background

CVS is a U.S. diversified health solutions company. The May 2022 AGM agenda included a shareholder proposal asking the company to develop and publish a policy that provides paid sick leave for all employees.[1] A similar proposal was submitted by the same shareholder in 2021, but that year the SEC allowed CVS to exclude it from the AGM agenda.

BIS Response

In our engagement, and in the company's public disclosures, management discussed their commitment to offer comprehensive and competitive wages and benefits to employees, which included, among other things, annual bonuses, 401(k) plans, stock awards, an employee stock purchase plan, health care and insurance benefits, paid time off, flexible work schedules, family leave, dependent care resources, employee assistance programs and tuition assistance. At the time, they noted that all full-time employees (representing more than 70% of CVS' workforce) had access to paid sick leave, as do many part-time employees.

Outcome

While BIS recognized the importance of frontline workers to CVS' long-term success, we did not support the shareholder proposal because it was overly prescriptive and attempted to direct basic business decision-making. We believe that policies on employee wages and benefits should be determined by company management, with reference to relevant regulations and appropriate board oversight. We do not believe that shareholders are well placed to direct policy on a matter core to a company's ability to deliver their strategy and balance the interests of all stakeholders. Given the importance of frontline workers to the company's success, we have continued to engage with CVS on their approach to HCM.

1 While most industrialized countries have policies providing for paid sick leave for workers, the U.S. does not have any federal legal requirements for paid sick leave although some U.S. states do have such provisions.

Constellation Software Inc.
(Constellation Software)

Background

At the May 2022 AGM, Constellation Software, one of the largest software and services providers in Canada, received a social-related shareholder proposal requesting a report on racial diversity in the workplace.

BIS Response

BIS had an engagement with Constellation Software to discuss the shareholder proposal and the company's established HCM practices in further detail. In our conversation with the company, Constellation Software stated that they were not inclined to disclose information about workforce diversity due to the company's decentralized structure. They believed that a central reporting initiative would undermine the autonomy of subsidiary business groups.

Outcome

Through being attentive to changing workforce dynamics, companies gain insights into how they can improve HCM strategies. Given the competition for scarce talent in the tech sector, the company faces material risk if they do not demonstrate that they have an attractive workplace culture that supports employees with diverse personal and professional characteristics. Accordingly, BIS voted in favor of the proposal, which passed with over 60% support.

BIS has taken note of Constellation's diligence in responding to shareholder concerns following the AGM result. For example, Constellation has disclosed several graphs relating to diversity statistics[1] in the workforce and has launched several DEI initiatives[2] related to women empowerment and mental health resources. BIS will continue to monitor Constellation Software's progress on implementing the request made in the proposal and enhancing their disclosures.

1 Constellation Software Inc. ESG. "Our People." 2023. 2 Constellation Software Inc. ESG. "What We're Doing." 2023.

Market-based economic risks: Labor Organizing Megatrends

Companies' treatment of and relationship with their workforce has been under greater scrutiny in recent years from investors and consumers. Labor strikes, walkouts, and demands for collective bargaining have increased as employees have sought to express their expectations of and concerns with employers around the globe. In 2022, there were over 400 work stoppages that engaged over 220,000 employees in the U.S. alone.[3] Workplace organizing is a global phenomenon, spanning sectors including hospitality, media, food services, and warehousing.[8] The pandemic and labor market shortages have led to workers around the world demanding higher pay and enhanced benefits and protections from their employers. Company management and boards can benefit from monitoring and managing the potential material risks and opportunities presented by evolving employee expectations.

3 Cornell University ILR School. Labor Action Tracker 2022. **8** Harvard Business Review. HBR IdeaCast: How the Unionization Trend is Changing Workplace Dynamics. 19 July 2022.

Spotlight

Our approach to engagement with companies on corporate human rights risks

As defined by the United Nations (UN), 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.

Unmanaged potential or actual adverse human rights issues can expose companies to significant legal, regulatory, operational, and reputational risks. These risks can materialize in a variety of ways, from fines and litigation to workforce and supply chain disruptions that may damage a company's standing with business partners, customers, and communities – and ultimately, its ability to deliver strong financial performance.

We note that regulation[5] and regulatory action[6] on human rights are increasing. Consequently, companies face increasing scrutiny regarding how they address human rights issues that may arise from their business practices. Furthermore, these risks may call into question a company's ability to maintain operations in a certain location and benefit from the labor, raw materials, community support, or regulatory structures in place, particularly if they significantly undermine their corporate reputation and purpose. This is why we believe long-term investors benefit when companies implement processes to identify, manage, and prevent adverse human rights impacts that could expose them to material risks, and provide robust disclosures on these processes.

A company that addresses human rights-related risks in a proactive and effective manner can, in addition to mitigating against such risks, also create opportunities for improved relationships across their value chain (e.g., through access to education, employment, and other economic and social benefits), increased productivity, higher-quality products, better positioning for their corporate reputation, and a stronger purpose-driven culture.

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: United Nations, "Universal Declaration of Human Rights". **3** United Nations, "Guiding Principles on Business and Human Rights." 2011. **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. To learn more, please refer to the "Responsible business conduct for institutional investors". **5** For example, please see regulations to prevent modern slavery in the UK and Australia (Legislation.gov.uk, "Modern Slavery Act 2015", 26 March 2015, and Australian Government, "Modern Slavery Act 2018", 10 December 2018), as well as regulation to prevent human trafficking in the U.S. (U.S. Department of Justice, "Human Trafficking, Key Legislation", last updated on 28 September 2022. In addition, in 2022, the European Union released a Draft Mandatory Human Rights and Environmental Due Diligence Directive **6** Bodoni, Stephanie. "EU's Tough Data Privacy Rules Rake in Biggest Annual Fines." Bloomberg. January 17, 2022.

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

Read now >

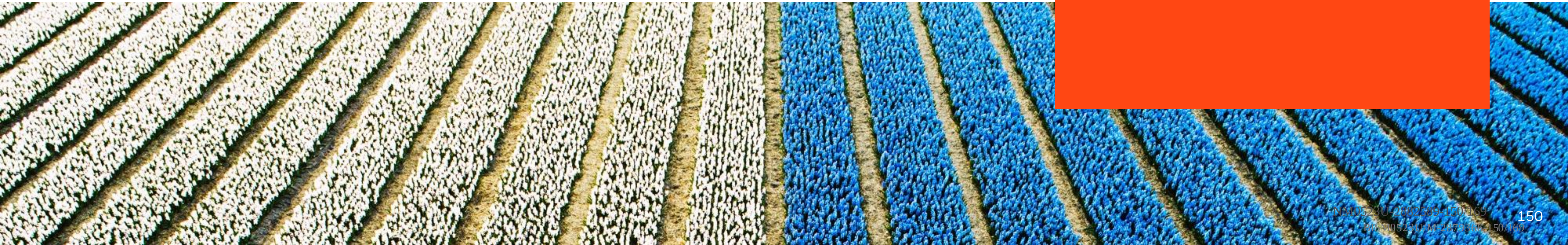
BIS engages with companies on how they manage the human rights issues that are material to their businesses and monitor the effectiveness of their human rights practices on a best-efforts basis. We are focused on the governance of this business risk, where appropriate. We do not, and are not in a position to, advise or direct companies in how they identify, manage and mitigate human rights-related risks. We recognize that most companies' business models, including their supply chains, are multi-tiered and complex and, thus, not easily assessed by shareholders. As minority investors, we must rely on public information, which may not capture every issue that could be relevant. In our view, the responsibility for managing human rights issues – and all business practices – lies with the boards and management of companies and the governments that regulate them. Governments and other public policy makers are responsible for implementing and enforcing relevant laws and regulations in their respective markets. BIS does not engage with governments on these issues.

BIS looks to corporate leadership to provide robust disclosures on their approach to governance, strategy, and management of material business risks and opportunities. This information can help investors better understand how companies are managing their material risks and planning for the long-term. Recognizing that exposure to human rights-related risks will vary by company, by industry, and by geographic location, we appreciate when companies disclose whether and how they integrate human rights considerations into their operations and risk management processes and identify the steps they are taking to address these issues, if any.

Market-based economic risks: Data privacy

Technology plays an important role in both the global economy and society. Most companies today use technology platforms throughout their businesses. With the advancement of digital technology increasing interactions between companies and stakeholders, many companies are collecting extensive amounts of personal, and often sensitive, data which creates responsibilities for those companies. With that has come increased risks associated with data privacy and security. Whereas the global average direct and indirect cost of a single data breach was estimated to be over U.S. $4 million in 2021, the financial tail risk associated with a very significant data breach can run to hundreds of millions of dollars.[1] A lack of adequate protections could increase that cost even further in the future, should customers become less willing to share information with or use services and products from an impacted company.

1 "Cost of Data Breach Report 2021", IBM Security and Ponemon Institute.



Spotlight

Our engagement with companies on their potential adverse impacts on people

BIS prioritizes engagement with companies implicated in severe controversies, which may result in adverse impacts on people and the environment and expose them to material business risks. By addressing material sustainability-related risks and opportunities inherent in their business models, companies can make a positive contribution to broader economic growth and development while delivering the long-term financial performance on which their investors depend.

Through engagement with companies, we seek to understand how their risk management and oversight approach appropriately identifies, mitigates, and prevents any adverse impacts. As such, BIS looks to companies to establish appropriate policies, practices, and risk controls in relation to HCM and human rights and respond promptly and comprehensively if they are implicated in related controversies. Starting in 2023, we will also identify companies for engagement based on early warning signals, such as the number of historical adverse impact events generated by a company, to inform analysts of emerging risks that could become more severe in the future.

We track companies' progress over time and may reflect concerns about a company's response or approach to these controversy-related risks in our voting for those clients who authorize us to vote on their behalf. This may result in not supporting the election of directors most responsible for risk oversight or executive compensation if incentives encouraged risky behaviours. We may also support business-relevant shareholder proposals that we believe address gaps in a company's approach to material business risks.

The following are examples of engagements with companies pertaining to potential adverse impacts on their workforce, such as health and safety risks and forced labor issues.

Case study

Evaluating a French company's response to concerns over its workplace conditions

Teleperformance (TEP)

Background

TEP is a French omni-channel company specializing in digital tech support. The company faced complaints from employees in different countries over working conditions amid the COVID-19 outbreak. For example, in India and the Philippines, company employees alleged that they were being forced to work on-site despite government lockdowns, travel restrictions, and curfews. Further, TEP employees reported that they received threats from management about salary reductions and absences marked as leave if they refused to work on-site. In some cases, employees even reported "subhuman" conditions including sleeping in close quarters on office floors and only being permitted to leave the site to buy groceries or use showers at a hotel nearby. As a result, the company faced a review by the OECD's French National Contact Point (NCP). The French NCP recommended that the company strengthen their due diligence and engagement with stakeholders representing workers in order to ensure respect for the right to freedom of association and collective bargaining of workers as provided for in the OECD Guidelines.

BIS Response

BIS and BlackRock's Fundamental Active Equities (FAE) team held joint engagements with the company regarding these human capital-related issues. Specifically, BIS and FAE sought to better understand TEP's approach to revamping their employment practices to reflect the NCP's findings and recommendations. Additionally, we sought to understand how updates to the company's oversight processes would monitor social risks and relationships with local unions.

Outcome

The company acknowledged the existence of the controversy in its 2020 and 2021 annual report and provided details of its resolution. In 2021, the Board focused on a number of priorities including human capital management and the pandemic's impact on the company's workforce. TEP also addressed the OECD NCP's recommendations, and in December 2022 the OECD NCP published a press release where it noted that the measures put in place by TEP met its recommendations; therefore, the NCP decided to end the proceedings. TEP also established a Health and Safety Committee in the Philippines and India to monitor workplace safety issues more closely and prevent similar events from occurring in the future. Finally, TEP publicly committed to comply with the working conditions standards from the UN Global Compact, the Universal Declaration of Human Rights, ILO conventions and OECD guidelines. BIS is encouraged by the company's response and will continue to engage with TEP on human capital-related issues.

Case Study

Engaging with a Malaysian company on human rights-related risks in its supply chain

Sime Darby Plantation (SDP)

Background

Sime Darby Plantation (SDP), a Malaysian palm oil producer, received a Withhold Release Order (WRO) from the United States Customs and Border Protection (U.S. CBP) in 2020 regarding the company's palm oil products due to allegations of forced labor in the supply chain.[1] The U.S. CBP WRO was issued "based on reasonable, but not conclusive information, that forced labor was being used in Sime Darby's production process and that such products were being, or likely to be, imported into the U.S." In January 2022, after the CBP's investigation, it was determined that there was sufficient information to support a finding that SDP and its subsidiaries were using forced labor and that their goods imported into the U.S. would be subject to seizure and forfeiture.[2]

BIS Response

In the last two years, BIS conducted nine engagements with members of SDP's management team and board of directors on a range of issues in the company's Malaysian palm oil operations, including forced labor allegations. Through our regular engagements with the company and an analysis of SDP's public disclosures, we find that the company has introduced several improvements to the governance structure, processes and operations to address and oversee these labor-related issues. For example, SDP has made constructive improvements to their worker policies, including placing a cap on overtime and consecutive days worked, and establishing an annual budget allocated towards improving and maintaining worker housing.[3] The company also reimbursed recruitment fees that may have been paid by current and eligible former workers to secure employment with the company, and enlisted the help of migrant worker rights specialists to enhance their Migrant Worker Responsible Recruitment Procedure.[4] The company has also enacted other structural changes including the establishment of a Social Welfare and Services (SWS) department responsible for overseeing the implementation of policies and procedures related to the well-being and safety of workers, amongst other initiatives.[5] Furthermore, SDP has been proactive in working with stakeholders, including migrant worker specialists and consultants.

Outcome

On April 26, 2022, the company submitted a comprehensive report to the CBP containing a detailed assessment of SDP's operations mapped against the ILO's forced labor indicators, containing in-depth descriptions of their improved governance structures and management systems, policies, guidelines and standard operating procedures, and providing supporting evidence and independent reports from third-party consultants appointed to audit SDP's operations.

In addition to enhanced disclosures, SDP has demonstrated a willingness to engage with stakeholders. In particular, BIS had the opportunity to engage with two of SDP's INEDs to better understand the board's oversight role in relation to material sustainability-related risks and opportunities. Based on SDP's demonstrated progress and responsiveness to concerns raised, BIS supported an INED's re-election at the company's 2022 AGM.

On February 3, 2023, the U.S. CBP announced that the Finding on SDP has been modified. With the modification of the Finding, the company contacted BIS acknowledging our fruitful engagements in the last two years. BIS will continue to engage with SDP on a range of material labor-related issues arising from the production of palm oil.

1 The CBP implements Section 307 of the Tariff Act of 1930 (19 U.S.C. §1307) through issuance of Withhold Release Orders and findings to prevent merchandise produced in whole or in part in a foreign country using forced labor from being imported into the U.S. See U.S. CBP's "Trade - Forced Labor" website to learn more. **2** U.S. Customs and Border Protection. Notice of Finding. January 28, 2022. **3** The Borneo Post. "Sime Darby Plant Awaits Outcome of Impactt's Report." March 23, 2022. **4** Sime Darby Plantation. Press Release. February 3, 2023. **5** Ibid.

Spotlight

Requests for racial equity audits at U.S. companies in 2022

In 2022, 25 shareholders asked U.S.- based companies to undertake racial equity audits, civil rights assessments, or closely related reviews, and publish the results.[1] BIS did not support 11 and voted in support of 14 of these proposals.[2]

Within the 25 proposals in this broader category, 14 were characterized as racial equity audits.[3] BIS did not support eight proposals and voted in support of six.[4]

These were all companies where we assessed, given material risks or past events, the benefits of better understanding their policies and the impact of their practices outweighed the costs of undertaking the audit.[5]

As a fiduciary, we view racial equity proposals through the lens of economic and reputational risk mitigation. In 2022, the 10 largest employee discrimination settlements in the U.S. totaled almost U.S. $600 million.[5]

As with other shareholder proposals, BIS made a case-by-case determination on each of these 14 racial equity audit proposals. In our analysis, we considered each company's policies, practices and disclosures, as well as the balance between the costs and benefits of undertaking a third-party assessment.

1 Racial equity audits refer to third-party assessments of racial justice or racial discrimination in the workplace; civil rights assessments are broader and may include requests to examine issues in relation to gender, sexual orientation, physical abilities, or other attributes, in addition to racial/ethnic identity; other reviews may include requests to disclose EEO-1 related data, or similar. **2** Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022 **3** Categories reflect ISS classifications. From time to time, ISS may update the categorization of proxy voting matters across management and shareholder proposals as part of their proposal categorization enhancement and standardization process. **4** Source: BlackRock, Institutional Shareholder Services (ISS), Sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022 **5** Bloomberg Law. "Workplace Class Settlement Values, Certifications Soared in 2022." January 6, 2023.

Evolving global workforce demographics look ahead

Around the world, aging workforces and changing demographics are contributing to a shift in consumer dynamics.[1] Aging workforce populations also decrease the labor force participation rate. For example, accelerated by the pandemic, older workers around the globe retired earlier than they would otherwise have done.[2] Partly as a result of these demographics-driven labor supply constraints, companies in countries around the world are experiencing worker shortages. This long-term trend was further exacerbated by reluctance by some unemployed workers to re-enter the workforce, meaning employers had difficulty filling job vacancies, creating upward wage pressure.

Bringing more women into the labor force can increase GDP and bolster economic growth, particularly in emerging markets. In developed markets, increased participation by women helps offset the negative growth impact of aging populations in the developed world. According to the IMF, the European workforce could increase by 6% if women's labor force participation rose to match men's.[3]

Companies benefit from being attuned to workforce dynamics in their respective countries of operation and using those insights to adapt their human capital management strategies if appropriate..

In 2023, BIS will continue engaging companies to understand their approach to evolving human capital-related risks and opportunities, such as changing workforce demographics.

1 Sciubba, Jennifer. "The Global Population Is Aging. Is Your Business Prepared?" Harvard Business Review. November 18, 2022. 2 Hsu, Andrea. "Many older workers retired after the pandemic gave them time to rethink priorities." National Public Radio. October 24, 2022. 3 Read more in BlackRock's white paper "Lifting global growth by investing in women. Long-term capitalism at BlackRock." February 2023.

Parting thoughts

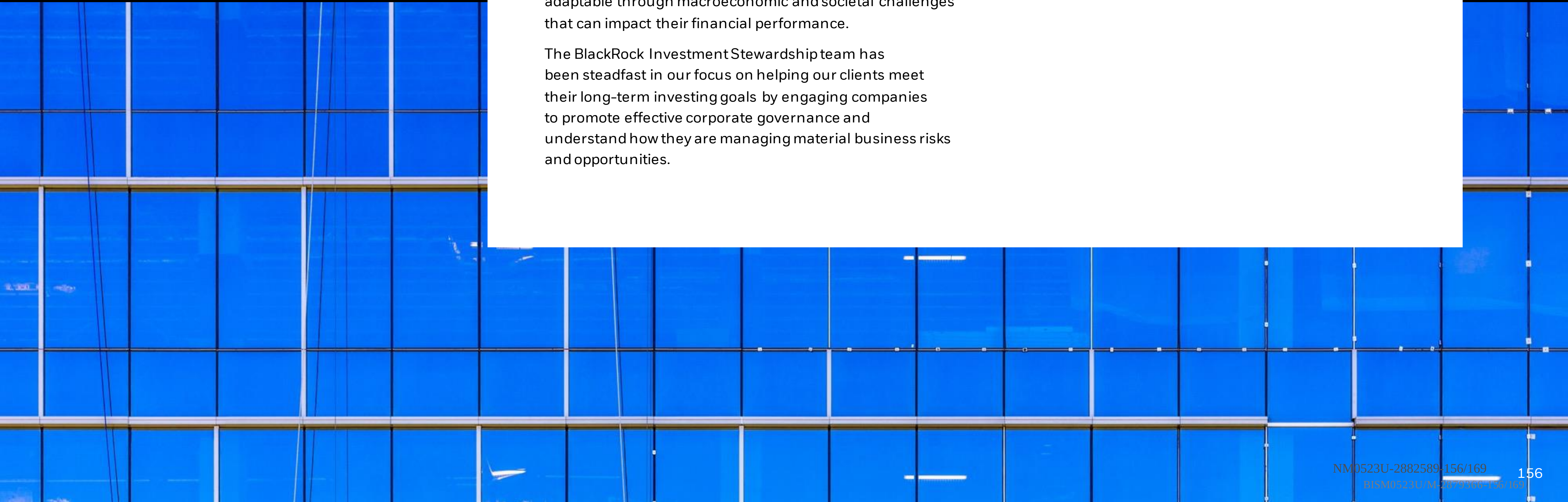
The past several years have been defined by dynamic market environments such as a global pandemic, elevated inflation, monetary policy uncertainty, geopolitical tensions, a global cost-of-living crisis, and labor market dislocations that have challenged the planning, operations and decision-making of companies worldwide.

This period has underscored the importance of strong corporate governance and sound boardroom and executive leadership so that companies can be resilient and adaptable through macroeconomic and societal challenges that can impact their financial performance.

The BlackRock Investment Stewardship team has been steadfast in our focus on helping our clients meet their long-term investing goals by engaging companies to promote effective corporate governance and understand how they are managing material business risks and opportunities.

Where our clients have entrusted us with the important responsibility to vote on their behalf, we are committed to making independent, well-informed voting decisions that support companies to deliver long-term shareholder returns.

In what we anticipate will be another year of rapidly changing markets, we remain committed to innovating to meet the needs of our clients and delivering on our fiduciary responsibility to act in their financial interests.



Appendix

Appendix I – Voting statistics

January 1, 2022 through December 31, 2022		Americas	EMEA	APAC	Global total
Management proposals					
Director elections[1]	support	27,104	10,234	21,972	**59,310**
	not support*	2,188	1,590	2,749	**6,527**
	abstain	4	171	4	**179**
Director-related[2]	support	1,336	7,718	9,623	**18,677**
	not support*	242	1,538	1,431	**3,211**
	abstain	986	1,058	73	**2,117**
Compensation[3]	support	4,388	3,959	3,680	**12,027**
	not support*	559	1,452	1,106	**3,117**
	abstain	0	31	0	**31**
Capitalization	support	852	5,332	6,298	**12,482**
	not support*	109	390	1,366	**1,865**
	abstain	0	18	6	**24**
Reorganization and mergers[4]	support	460	1,094	7,354	**8,908**
	not support*	40	83	1,687	**1,810**
	abstain	0	29	0	**29**
Anti-takeover related[4]	support	548	481	57	**1,086**
	not support*	53	22	61	**136**
	abstain	0	0	0	**0**
Social[4]	support	0	0	0	**0**
	not support*	0	0	0	**0**
	abstain	0	0	0	**0**
Say-on-climate	support	2	37	7	**46**
	not support*	0	1	1	**2**
	abstain	0	0	0	**0**
Routine business / Miscellaneous	support	6,549	12,841	16,008	**35,398**
	not support*	171	158	837	**1,166**
	abstain	378	545	1	**924**
Preferred / Bondholder[4]	support	4	165	0	**169**
	not support*	8	287	0	**295**
	abstain	10	0	0	**10**

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. From time to time, ISS may update the categorization of proxy voting matters across management and shareholder proposals as part of their proposal categorization enhancement and standardization process. The above information was sourced on January 29, 2023, reflecting data from January 1, 2022 through December 31, 2022. * Includes votes to not support and withheld. **1** Elect directors/supervisors and 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. **4** Pending final numbers. Due to a reclassification by ISS from 2021 to 2022, BIS is running a quality control check to ensure year-over-year consistency across these proposal categories.

		Americas	EMEA	APAC ex Japan	Japan	Global total	Global ex Japan
Shareholder proposals by theme							
Governance	support	48	14	5	10	**77**	**67**
	not support*	276	101	22	170	**569**	**399**
	abstain	2	0	0	4	**6**	**2**
Social	support	36	0	0	0	**36**	**36**
	not support*	167	3	0	4	**174**	**170**
	abstain	0	0	0	0	**0**	**0**
Environmental	support	24	3	1	0	**28**	**28**
	not support*	58	16	17	54	**145**	**91**
	abstain	0	0	0	0	**0**	**0**

		Americas	EMEA	APAC ex Japan	Japan	Global total	Global ex Japan
Other shareholder proposals							
Director elections[1]	support	27	0	0	0	**27**	**27**
	not support*	17	0	3	17	**37**	**20**
	abstain	0	0	0	0	**0**	**0**
Director-related[2]	support	112	344	1,252	2	**1,710**	**1,708**
	not support*	75	215	93	44	**427**	**383**
	abstain	48	3	0	0	**51**	**51**
Other[3]	support	0	0	61	0	**61**	**61**
	not support*	0	0	4	0	**4**	**4**
	abstain	0	0	0	0	**0**	**0**

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. From time to time, ISS may update the categorization of proxy voting matters across management and shareholder proposals as part of their proposal categorization enhancement and standardization process. The above information was sourced on January 29, 2023, reflecting data from January 1, 2022 through December 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. Given the low filing threshold, shareholder proposals may focus on items that are not necessarily related to long-term financial value creation. By separating these proposals, we believe we can show a better comparison of our voting activities on behalf of clients across markets.
* Includes votes to not support and withheld. **1** Shareholder proposed election of directors/supervisors and contested elections. **2** Includes discharge of directors, committee appointments, bundled elections and election of directors to specific board positions. **3** Includes a number of shareholder originated proposals that fall outside the categories that most shareholders would view as environmental, social, and governance proposals and are generally procedural in nature. There are a substantial number of shareholder proposals in Greater China relative to other markets.

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.

Compensation — proposals concerning executive pay programs (including say-on-pay and approving individual grants), remuneration policies, equity compensation plans, and golden parachutes.

Election of Directors — a category of management originated proposals which includes the election of directors.

Director-related Proposals – a category of management originated, director-related proposals (excluding director elections), such as supervisory board matters, declassification of boards, implementation of majority voting, and the discharge of directors or boards 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 an assortment of common management originated proposals, including formal approvals of reports, name changes, and technical bylaws, among many others.

Other management proposals

Preferred / Bondholder — includes management items presented at bondholder meetings that are reserved for voting by holders of preferred shares or bonds as well as other proposals used to confirm information regarding the individual or institution voting the shares.

Environmental — includes management originated proposals related to environmental issues, such as proposals to approve a company's climate action plan, commonly referred to as "say on climate."

Social — includes management originated proposals relating to a range of social issues such as guidelines on political contributions.

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 gender diversity, civil rights, and pay equity.

Election of Directors — a category of shareholder originated proposals which includes the election of directors on a dissident shareholder's slate.

Director-related Proposals — a category of shareholder originated director-related proposals (excluding director elections) such as discharges of directors, committee appointments, and elections of directors to specific board positions, among others.

A majority of these shareholder proposals appear on ballots 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.

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 majority of these shareholder proposals appear on ballots in Greater China. 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 – List of Vote Bulletins BIS published on annual and/or special shareholder meetings held in 2022

Company	Market	Meeting Date	Topic
China Tower	Hong Kong and China	1/14/2022	Board quality and effectiveness
Costco	U.S.	1/20/2022	Board quality and effectiveness, climate risk
Helmerich & Payne	U.S.	3/1/2022	Board quality and effectiveness, climate risk
Samsung	South Korea	3/16/2022	Board quality and effectiveness, climate risk
POSCO International	South Korea	3/21/2022	Company impacts on people
Toshiba Corporation	Japan	3/24/2022	Board quality and effectiveness
Hyundai Development Co.	South Korea	3/29/2022	Company impacts on people
Bank of Montreal	Canada	4/13/2022	Climate risk
Petrobras	Brazil	4/13/2022	Board quality and effectiveness
HCA Healthcare	U.S.	4/21/2022	Corporate political activities
Banorte	Mexico	4/22/2022	Board quality and effectiveness
Warrior Met Coal	U.S.	4/26/2022	Human capital management
Marathon Petroleum	U.S.	4/27/2022	Incentives aligned with financial value creation
Grupo Mexico	Mexico	4/28/2022	Board quality and effectiveness
Glencore	United Kingdom	4/28/2022	Climate risk
Cogna	Brazil	4/29/2022	Board quality and effectiveness
Santos	Australia	5/3/2022	Corporate political activities
Barclays	United Kingdom	5/4/2022	Climate risk
Ocado	United Kingdom	5/4/2022	Incentives aligned with financial value creation
Rio Tinto	United Kingdom, Australia	Rio Tinto plc: 4/8/2022, Rio Tinto Limited: 5/5/2022	Board quality and effectiveness

Company	Market	Meeting Date	Topic
Equinor	Norway	5/11/2022	Human capital management
Intel	U.S.	5/12/2022	Incentives aligned with financial value creation
Anthem	U.S.	5/18/2022	Company impacts on people
Home Depot	U.S.	5/19/2022	Board quality and effectiveness
Woodside Petroleum	Australia	5/19/2022	Corporate strategy
Shell	United Kingdom	5/24/2022	Climate risk
Meta	U.S.	5/25/2022	Company impacts on people
Amazon	U.S.	5/25/2022	Incentives aligned with financial value creation
ExxonMobil	U.S.	5/25/2022	Corporate political activities
Chevron	U.S.	5/25/2022	Human capital management
TotalEnergies	France	5/25/2022	Climate risk
McDonald's	U.S.	5/26/2022	Company impacts on people
Alphabet	U.S.	6/1/2022	Company impacts on people
Netflix	U.S.	6/2/2022	Incentives aligned with financial value creation
Monster Beverage	U.S.	6/14/2022	Climate risk
J-POWER	Japan	6/28/2022	Strategy, purpose, and financial resilience
SMFG	Japan	6/29/2022	Strategy, purpose, and financial resilience
J Sainsbury plc	United Kingdom	7/7/2022	Company impacts on people
NWD	Hong Kong	11/22/2022	Board quality and effectiveness
Fortum Oyj	Finland	11/23/2022	Corporate strategy
Uniper SE	Germany	12/19/2022	Corporate strategy

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

The table below is a guide to help readers understand how this report is aligned with the principles of the UK Stewardship Code, to which BlackRock is a signatory. For further information about our approach to stewardship, please refer to the BlackRock Investment Stewardship website. Our full suite of publications includes our Global Principles, engagement priorities, supporting commentaries; and our regional voting guidelines — all of which are updated annually.

Principle	Evidence of adherence in this report (*Section* and/or 'subtitle')
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 4–5)* • *Foreword (pages 6-8)* • *Executive summary under "The role of stewardship at BlackRock remains as important as ever" (pages 10-11)* • *About BlackRock (pages 18-23)* • *BlackRock's investment approach (page 27)* • BlackRock's approach to ESG integration *(page 28)* • *BlackRock's approach to investment stewardship (page 29)* • *Our Investment Stewardship function is a trusted global partner to clients and a constructive investor on their behalf (page36)* • *The BIS team (pages 39-41)* • *Contributing to emerging thinking on stewardship (page 66-69)* • *Recognition of our stewardship approach (pages 75-77)* • *Our approach to stewardship approach (pages 87-95)*
Principle 2 Signatories' governance, resources and incentives support stewardship.	• *Words from our Chairman and CEO (pages 4–5)* • *Foreword (pages 6-8)* • *Executive summary under "The role of stewardship at BlackRock remains as important as ever" (pages 10-11)* • *About BlackRock under "Our global investment and technology platform allows us to offer our clients a wide range of choices" (page 20), "Our research and innovation help clients navigate risks and capture opportunities" and "Our dedication to a culture where all BlackRock employees can thrive helps us better serve our clients" (page 22)* • *BlackRock's approach to investment stewardship (page 29)* • *The BIS Team, Global reach and local presence, The governance, oversight, and accountability of stewardship at BlackRock, and The stewardship policy review process (pages 36-47)* • *BlackRock Investment Stewardship's approach to proxy research firms and other service providers (page 58)* • *Recognition of our stewardship approach (pages 75-77)*

Principle	Evidence of adherence in this report (*Section* and/or 'subtitle')
Principle 3 Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	• *Ongoing assessment of stewardship voting processes (page 48)* • *How we monitor the quality of proxy research firms and other service providers (page 59)* • *How BIS manages conflicts on interest (page 60)* • *How BIS applied its conflicts of interest policy in 2022 (page 61)* • *Monitoring an independent third-party voting service provider to ensure services are delivered to meet our stewardship needs on behalf of clients (page 62)*
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 4-5)* • *Foreword (pages 6-8)* • *Evolving global reporting standards (page 14)* • *Our research and innovation help clients navigate risks and capture opportunities (page 22)* • *Our commitment to help our clients achieve financial well-being can generate a positive impact in our communities (page 23)* • *BlackRock's investment approach (page 27)* • *BlackRock's approach to ESG integration (page 28)* • *BlackRock's approach to investment stewardship (page 29)* • *How different teams at BlackRock seek the best risk-adjusted returns for client portfolios across asset classes (pages 30-34)* • *Our Investment Stewardship function is a trusted global partner to clients and a constructive investor on their behalf (page 36)* • *The BIS toolkit (pages 37-38)* • *The BIS team (pages 39-41)* • *Stewardship's engagement insights are made available to BlackRock's active teams (page 42)* • *BlackRock Voting Choice (pages 52-57)* • *Contributing to emerging thinking on stewardship (pages 66-69)* • *Industry affiliations and memberships to promote well-functioning financial markets (pages 70-74)* • *Our approach to stewardship approach (pages 87-95)* • *Engagement and voting outcomes (pages 86-155) – Market-based economic risks under Engagement and voting outcomes (page 88), Market-based economic risks under Board quality and effectiveness (page 98), 2022 market-based economic risks under Strategy, purpose, and financial resilience (page 113), Climate and natural capital (pages 134-142), Market-based economic risks: Labor Organizing Megatrends under Company impacts on people (page 148), Market-based economic risks: Data privacy under Company impacts on people (page 150), Evolving global workforce demographics look ahead under Company impacts on people (page 155)* • *Parting thoughts (page 156)*

Principle	Evidence of adherence in this report (*Section* and/or 'subtitle')
Principle 5 Signatories review their policies, assure their processes and assess the effectiveness of their activities.	• *The 2022 BlackRock Investment Stewardship (BIS) Annual Report covers BIS' work on behalf of clients from January 1, 2022 to December 31, 2022 (page 2)* • *Words from our Chairman and CEO (pages 4-5)* • *Foreword (pages 6-8)* • *Oversight and governance under BlackRock's approach to ESG integration (page 28)* • *Our Investment Stewardship function is a trusted global partner to clients and a constructive investor on their behalf (page 36)* • *The governance, oversight, and accountability of stewardship at BlackRock (page 44)* • *BIS Executive Committee (page 45)* • *Policy review process (pages 46-47)* • *How BIS determines policy to enable effective stewardship (page 47)* • *Ongoing assessment of stewardship voting processes (page 48)* • *External review of stewardship-related metrics (page 48)* • *BlackRock Investment Stewardship's approach to proxy research firms and other service providers (page 58)* • *How we monitor the quality of proxy research firms and other service providers (page 59)* • *Communicating with clients to share our stewardship approach (pages 63-64)* • *Enhancing our client engagement and reporting capabilities beyond our public website (page 65)* • *Recognition of our stewardship approach (pages 75-77)*
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 4-5)* • *Foreword (pages 6-8)* • *2022 stewardship in review (page 12)* • *An industry leader in the transparency of our stewardship work (page 16)* • *About BlackRock (pages 18-23)* • *BlackRock's clients, who entrust us to manage their assets, are the driving force behind everything we do (pages 24-26)* • *BlackRock's approach to investment stewardship (page 29)* • *How different teams at BlackRock seek the best risk-adjusted returns for client portfolios across asset classes (page 30)* • *Our Investment Stewardship function is a trusted global partner to clients and a constructive investor on their behalf (page 36)* • *BlackRock Voting Choice (pages 52-57)* • *Communicating with clients to share our stewardship approach (pages 63-64)* • *Enhancing our client engagement and reporting capabilities beyond our public website and How BIS partners with BlackRock's Fundamental Fixed Income team to better assist client's information needs (page 65)* • *Contributing to emerging thinking on stewardship (pages 66-69)* • *Collaboration with the wider stewardship ecosystem (pages 72-74)* • *Recognition of our stewardship approach (pages 75-76)* • *Engagement and voting outcomes (pages 86-155)*

Principle	Evidence of adherence in this report (*Section* and/or 'subtitle')
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 2022 (page 13)* • *About BlackRock (pages 18-23)* • *Our research and innovation help clients navigate risks and capture opportunities (page 22)* • *BlackRock's clients, who entrust us to manage their assets as a fiduciary, are the driving force behind everything we do* • *(page 24)* • *BlackRock's investment approach (page 27)* • *BlackRock's approach to ESG integration (page 28)* • *BlackRock's approach to investment stewardship (page 29)* • *How different teams at BlackRock seek the best risk-adjusted returns for client portfolios across asset classes (page 30-34)* • *Recognition of our stewardship approach (pages 75-76)* • *Engagement across our five priorities (page 80)* • *Engagement and voting outcomes (pages 86-155)*
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 58)* • *How we monitor the quality of proxy research firms and other service providers (page 59)* • *Monitoring an independent third-party voting service provider to ensure services are delivered (page 64)* • *BlackRock's approach to securities lending and its relationship with proxy voting (page 64)* • *Recognition of our stewardship approach (pages 75-76)*
Principle 9 Signatories engage with issuers to maintain or enhance the value of assets.	• *Entire report* • *Words from our Chairman and CEO (pages 4-5)* • *Foreword (pages 6-8)* • *Our stewardship priorities in 2022 (page 13)* • *Marketplace engagement (page 17)* • *BlackRock's approach to investment stewardship (page 29)* • *How different teams at BlackRock seek the best risk-adjusted returns for client portfolios across asset classes (page 30-34)* • *Our Investment Stewardship function is a trusted global partner to clients and a constructive investor on their behalf, The BIS Team, Global reach and local presence, Governance and oversight of our stewardship efforts, and Policy review process (pages 36-47)* • *Engagement and voting statistics (pages 78-85)* • *Engagement and voting outcomes (pages 86-155)*

Principle	Evidence of adherence in this report (*Section* and/or 'subtitle')
Principle 10 Signatories, where necessary, participate in collaborative engagement to influence issuers.	• *Contributing to emerging thinking on stewardship (pages 66-69)* • *Industry affiliations and memberships to promote well-functioning financial markets (pages 70-71)* • *BIS' approach to collaborative engagements (page 72)* • *Collaboration with the wider stewardship ecosystem (pages 72-74)* • *Recognition of our stewardship approach (pages 75-76)* • *Engagement and voting statistics (pages 78-85)* • *Engagement and voting outcomes (pages 86-155)*
Principle 11 Signatories, where necessary, escalate stewardship activities to influence issuers.	• *Entire report* • *Our Investment Stewardship function is a trusted global partner to clients and a constructive investor on their behalf, The BIS Team, Global reach and local presence, Governance and oversight of our stewardship efforts, and Policy review process (pages 36-47)* • *Stewardship's internal escalation process (page 50)* • *Engagement and voting statistics (pages 78-85)* • *Engagement and voting outcomes (pages 86-155)*
Principle 12 Signatories actively exercise their rights and responsibilities.	• *Entire report* • *Our Investment Stewardship function is a trusted global partner to clients and a constructive investor on their behalf, The BIS Team, Global reach and local presence, Governance and oversight of our stewardship efforts, and Policy review process (pages 36-47)* • *Ongoing assessment of stewardship voting processes (page 48)* • *Exercise of rights and responsibilities: How BIS makes voting decisions on behalf of clients (page 49)* • *How BIS voting decisions are made (page 51)* • *BlackRock Voting Choice (pages 52-57)* • *BlackRock Investment Stewardship's approach to proxy research firms and other service providers (page 58)* • *Monitoring a voting service provider to ensure services are delivered to meet our stewardship needs on behalf of clients (page 64)* • *BlackRock's approach to securities lending and its relationship with proxy voting (page 64)* • *Recognition of our stewardship approach (pages 75-76)* • *Engagement and voting statistics (pages 78-85)* • *Engagement and voting outcomes (pages 86-155)*

Appendix V – Glossary

AGM – Annual General Meeting - A gathering of a corporation's shareholders which takes places on a yearly basis, typically featuring agenda items such as the presentation of an annual report by company leadership in addition to reviewing business strategy and answering investor questions.

AOI – Articles of Incorporation - Documents filed with a government body to legally document the formation of a corporation. Also known as the corporate charter.

AUM – Assets under management - The total market value of financial assets (securities) a financial institution or firm owns or manages on behalf of its clients.

CSRD - Corporate Sustainability Reporting Directive - Sustainability-related disclosure requirements formally adopted by the European Union commission in 2022 as part of commitments under the European Green Deal.

DJSI – Dow Jones Sustainability Indices - Collection of investment benchmark indices with a sustainability focus. The annual review process invites companies to participate in a corporate sustainability assessment, which determines selection into an index.

EFRAG – European Financial Reporting Advisory Group - Private association established in 2001 with the encouragement of the European Commission to serve the public interest. In 2022, its mission was extended to assist the European Commission with the drafting of the European Sustainability Reporting Standards.

EGM – Extraordinary General Meeting of Shareholders – A special meeting of shareholders that is not the company's scheduled annual general meeting, typically convened for urgent matters to address.

ETF – Exchange Traded Fund - An investment fund that aims to track the performance of a specific index. An index represents the total return of a particular group of securities – often shares or bonds. In an ETF, a group of securities are effectively collected in a basket with the amount of each security in the fund weighted by size to precisely replicate a particular index. An ETF is bought and sold on a stock exchange, like a share.

FRC – Financial Reporting Council - Independent UK regulatory body that regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.

FSC – Financial Supervisory Commission - Independent government agency in Taiwan established in 2004 for development, supervision, regulation, and examination of financial markets and financial service enterprises. Seeks to ensure safe and sound financial institutions, maintain financial stability, and promote the development of Taiwanese financial markets.

FTSE – Financial Times Stock Exchange - A British financial organization that specializes in providing index offerings for the global financial markets. Now known as FTSE Russell Group.

GDP – Gross Domestic Product - The monetary value of final goods and services produced in a country in a given period of time.

GHG – Greenhouse Gas Emissions - Gases in the Earth's atmosphere that trap heat. GHG emissions from human activities strengthen the greenhouse effect, contributing to climate change.

GP – General Partner - An individual or entity engaged in a business for the purpose of joint profit, in charge of managerial and operational oversight of an investment in using capital from and providing returns to its investors. A typical example is a private equity firm who acts as a general partners by deploying capital and managing a portfolio of investments, while limited partners (LPs) are investors in the private equity firm who commit capital.

GRI – Global Reporting Initiative - Independent, international organization that promotes business and government reporting on economic, social, and environmental sustainability factors.

HCM – Human Capital Management - The approach that companies take to harness employee knowledge, skills, and productivity gains through contributions to their workforce.

ICI - Investment Company Institute - ICI's mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. It 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.

IFC – International Finance Corporation - The largest global development institution focused on the private sector in developing countries. Part of the World Bank Group.

IFRS – International Financial Reporting Standards Foundation – A not-for-profit, public interest organization established to develop high-quality, understandable, enforceable, and globally accepted accounting and sustainability disclosure standards. In 2022 it absorbed the Value Reporting Foundation, which housed the Integrated Reporting and the Sustainability Accounting Standards Board (SASB) and formed the International Sustainability Standards Board (ISSB) to develop a global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

ISS – Institutional Shareholder Services – Proxy advisory firm that provides corporate governance data and analytics, market insight, and investment solutions for institutional investors and corporations.

ISSB – International Sustainability Standards Board – Formed by a 2022 IFRS-VRF consolidation in order to develop a global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

IVIS – Institutional Voting Informational Service – UK-based provider of corporate governance services and monitoring services for compliance with industry best practices. Part of the Investment Association.

MOU – Memorandum of Understanding – A nonbinding agreement between two parties detailing mutual acceptance of intentions to take action, conduct a business transaction, or form a partnership.

NACD – National Association of Corporate Directors – An independent nonprofit membership organization for corporate board members, providing corporate governance educational resources to members.

OECD – Organization for Economic Cooperation and Development – Intergovernmental organization whose mission is to develop policy standards to promote economic growth, prosperity, and sustainable development.

PRI – Principles for Responsible Investment – A United Nations-supported network of investors working to promote sustainable and responsible investment through the incorporation of environmental, social and governance principles.

REIT – Real Estate Investment Trust – A company that owns, operates, or finances income-producing real estate or related assets across a range of property sectors.

SASB – Sustainability Accounting Standards Board – Non-profit organization created in 2011 to guide corporations in the disclosure of financially material sustainability information to investors. Formerly of the VRF and now part of ISSB.

SEC – United States Securities and Exchange Commission – Independent U.S. federal agency responsible for regulating and overseeing the securities markets and protecting investors.

SES – Stakeholder Empowerment Services – A Mumbai-based not-for-profit proxy advisory company. Its services include providing voting recommendations, corporate governance research, and risk reports.

SID – Singapore Institute of Directors – Singapore's national association for company directors, providing educational resources and advocating for corporate governance industry best practices.

S&P 500 – Standard and Poor's 500 Index – Stock market index tracking the performance of 500 leading U.S. publicly traded companies.

SMA – Separately Managed Accounts – Allows investors to appoint a manager that customizes a portfolio of direct securities on their behalf. This provides investors flexibility to maximize returns according to their own guidelines.

SRD II – Shareholder Rights Directive II – A legally binding regulatory act which amended a previous EU Shareholder Rights Directive, introducing new transparency obligations and disclosure requirements to institutional investors and asset managers. Its goal is to enhance the flow of information across the institutional investment community and to promote common stewardship objectives between institutional investors and asset managers, while improving transparency of issuers, investors and intermediaries.

TOPIX – Tokyo Stock Price Index – A market benchmark with functionality as an investable index which covers all of the companies listed on the First Section of the Tokyo Stock Exchange (TSE), a section that organizes all large firms on the exchange into one group.

TNFD – Task Force on Nature-related Financial Disclosure – Formally launched in June 2021 to address the lack of transparency and consistent information available to financial institutions on how nature impacts a company's immediate financial performance, or the longer-term financial risks that may arise from how a company depends on and impacts nature. Backed by the G7 Finance Ministers and G20 Sustainable Finance Roadmap, the TNFD aims to develop a risk management and disclosure framework to help companies to report, and act on, natural capital risks and opportunities.

UIT – Unit Investment Trust – A U.S. financial company that buys or holds a fixed portfolio of securities, such as stocks or bonds, and makes them available to investors as redeemable units.

Prepared by BlackRock, Inc.

Want to know more?

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