BlackRock Investment Stewardship

Protecting our clients' assets for the long-term

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

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Foreword

BlackRock's responsibility to help our clients achieve their long-term financial goals

In today's rapidly evolving macroeconomic and political environment, investors are looking to BlackRock for cues more than ever before, and the responsibility we have to our clients has never been greater. Our Investment Stewardship efforts, including our direct engagement and voting activities, aim to ensure companies deliver long-term, sustainable growth and returns for our clients.

Our pursuit of sound corporate governance – that is, quality leadership and management – at the companies in which we invest on behalf of our clients is driven by our responsibility as a fiduciary. BlackRock Investment Stewardship's engagement-first approach is undertaken to help companies understand our team's work, and aims to protect and enhance the economic value of the assets clients have entrusted to us.

In each engagement BlackRock Investment Stewardship engages with companies to help them understand our expectations as a long-term investor and to help us understand the business challenges the companies are facing. Our focus is on long-term economic outcomes, and we engage with companies on a range of issues, including board composition, executive compensation, and disclosure practices. We engage primarily through dialogue, but also through votes against management where we do not see sufficient progress.

BlackRock Investment Stewardship evaluates various factors that are disclosed in our governance framework and voting guidelines, as well as each company's unique circumstances. Our stewardship activities protect clients' economic interests and support companies in delivering sustainable returns. In this way, we support our purpose to help our clients achieve their long-term financial goals, as they are the true owners of these companies.

Investment Stewardship aims to ensure companies deliver long-term, sustainable growth and returns for our clients.

Larry Fink
Chairman and Chief Executive Officer, BlackRock

Purpose

BlackRock's purpose is to create a better financial future for our clients. BlackRock Investment Stewardship contributes to this purpose by monitoring and engaging with companies to encourage them to adopt business practices consistent with sustainable long-term value creation.

BlackRock's Investment Stewardship team's key responsibilities are to:

Protect and enhance the value of clients' assets through engagement with companies, and proxy voting, in clients' best long-term economic interests

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

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

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

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

Global team with a local presence

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

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

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

Leveraging the global expertise of our portfolio managers, researchers and specialists

7 offices globally | **40+** member team | **85+** voting markets

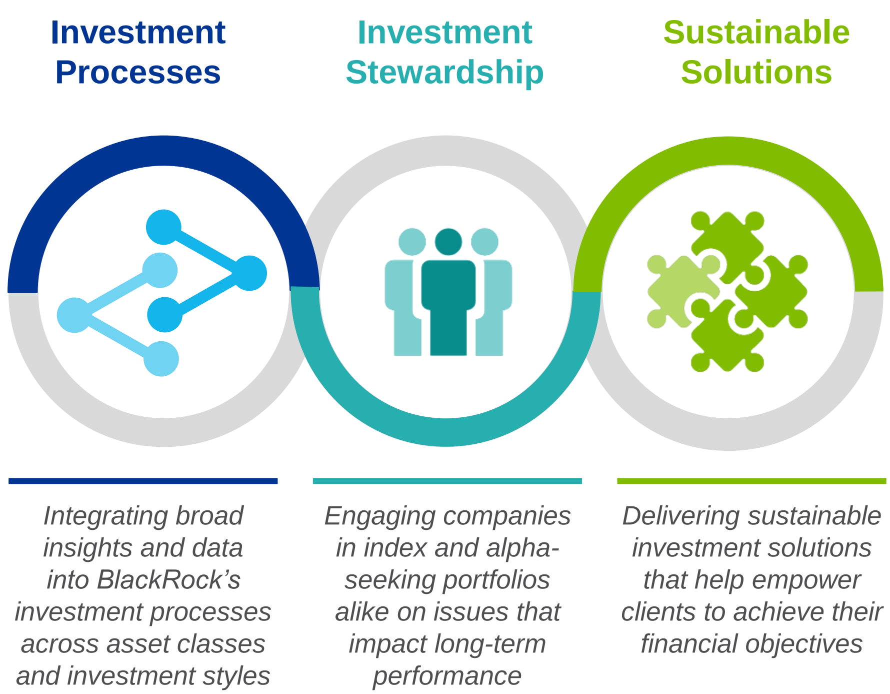
The anatomy of an engagement

Engagement is an important mechanism to provide feedback or signal concerns about factors affecting long-term performance, not to tell companies what to do. Where we believe a company's governance or business practices fall short, we ask probing questions, we explain our concerns and expectations, and then allow time for a considered response. In addition to meeting with executives and board directors, we may also communicate with the company's advisors, and engage with other shareholders where appropriate.

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

Engagement bridges BlackRock's portfolios

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



We do not dictate to management how to address our concerns. We are very clear we are not trying to micro-manage, not least because our suggestions may be inconsistent with the realities of how the company operates. Even where we seek a change in approach, we aim to be constructive, patient, and persistent in working with our portfolio companies. In this way, and through keeping the details of our engagement private, we build the trust that supports continued, effective dialogue.

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

Reasons we engage

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

Indexed investors and the value of engagement

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

Our focus and priorities

Our primary focus is on the quality of the board.

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

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

The core components of our program are:

Analyzing
corporate governance, including environmental and social factors, impacting the long-term value of our clients' investments

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

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

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

How we identify companies for engagement

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

In many instances, we engage because companies have not provided sufficient information in their disclosures to fully inform our assessment of the quality of governance, including the exposure to and management of material environmental and social factors. We ask companies to review their reporting in light of their investors' informational needs. In our view, companies that report only to meet the regulatory disclosure requirements are missing a prime opportunity to more comprehensively engage new and existing investors about how effectively a business is led and managed. Where reporting requirements are silent on an emerging issue, we believe it is important for companies and investors to develop disclosure guidelines.

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

How we identify engagement candidates

- Portfolio managers or Investment Stewardship team have concerns with company performance and governance
- During the governance analysis and voting process when clarification of company information is required
- There has been an event at the company that has impacted or may impact long-term company value
- The company is in a sector or market where there is a thematic governance issue material to shareholder value

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

Investment Stewardship's five engagement priorities for 2019

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

Governance	Board composition, effectiveness, diversity, and accountability remain top priorities.
Corporate Strategy & Capital Allocation	A clear articulation of corporate strategy and capital allocation provide a clear sense of the direction a company intends to take.
Compensation that Promotes Long-Termism	Executive pay policies and outcomes should link closely to long-term strategy, goals, and performance.
Environmental Risks and Opportunities	Disclosure provides enhanced understanding of board and management oversight of policies, risk factors and opportunities that drive long term financial performance.
Human Capital Management	In a talent constrained environment, companies should focus on sound business practices that create an engaged and stable workforce.

Principles and voting guidelines

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

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

Policy development

Guideline Review

Reviewed annually and updated as necessary to reflect:

- Changes in market standards
- Evolving governance practice and
- Insights gained from engagement year over year

Drafting Process

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

Oversight

- A Global Investment Stewardship Oversight Committee ensures BlackRock complies with its fiduciary and regulatory responsibilities in relation to engagement and voting within market level stewardship codes
- Guidelines are only implemented after final acceptance by the global committee
- The firm's Equity Policy Oversight Committee receives an annual update on relevant aspects of the work of the Investment Stewardship team

Policies and publications

Our corporate governance and engagement principles

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

Corporate governance philosophy

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

We also believe that there are certain fundamental rights to share ownership. For instance, companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' long-term interests. Effective voting rights are central to the rights of ownership and there should be one vote for one share. Shareholders should also have the right to elect, remove and nominate directors, approve the appointment of the auditor and to amend the corporate charter or by-laws.

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

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

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

When we do not see progress despite ongoing engagement, or companies are insufficiently responsive to our efforts to protect the long-term economic interests of our clients, we will not hesitate to exercise our right to vote against management recommendations.

Our voting process

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

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

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

How an investment stewardship team analyst decides to vote

The team votes at over 17,000 meetings a year, which are initially allocated by region. For example, all companies listed in Europe, the Middle East and Africa, are voted by the team in London, regardless of where the portfolio manager is based or the client funds originated. Each regional universe is then subdivided again, either by market or sector.

When an sector-specific analyst on the team has a forthcoming shareholder meeting assigned through the voting platform, she will review the meeting agenda and available research to assess whether there are any issues that might require detailed analysis. If the analyst is satisfied she has sufficient information to vote and has no concerns, she will instruct her vote decisions on the voting platform that connects with the 'proxy plumbing' of the operating environment.

If the analyst decides more analysis is required, she will review the materials the company has published, check our engagement and voting history at the company and research publicly available information that might be relevant. Sometimes a meeting with the company is necessary to ensure an informed vote or to advise that we cannot support management on certain proposals and to explain why. We also confer with, and engage alongside, active equity portfolio managers where an issue is closely related to long-term shareholder value, e.g. deciding how to vote on a material financial transaction. To ensure that active portfolio managers can execute votes in a manner consistent with their view of what is in the best interests of the clients invested in their fund, our process allows BlackRock to cast votes differently where index and active investors might have a different perspective on an issue. Key points from any engagement are noted on our engagement tracker for use in client reporting and future engagement and voting analysis.

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

We discuss all of these topics in greater depth in our *ViewPoint*: The Investment Stewardship Ecosystem.

Managing Conflicts of Interest

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

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

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

In general, companies should be skeptical of non-BlackRock personnel representing BlackRock's thoughts or positions on specific issues.

Engaging in activist situations

Each year there are a number of high profile voting situations where a company is engaged publically by an activist investor. BlackRock has an established process for engagement in such situations. Once an activist investor has made public their holding and proposals for change at a company, we will review their arguments and the counterarguments made by the company. We will engage with the company at management and board level to understand whether the issues identified are substantive and, if so, how management plans to address them. We may engage with the activist investor if we believe doing so would provide a better understanding of their proposals. If the activist is seeking board seats, we usually meet with the nominees in advance of the shareholder meeting to understand what they believe they would bring to the board.

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

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

Proxy process as an extension of BlackRock's engagement

1 Research and issue spotting

- Review research from leading proxy advisory firms, company materials, investment bank research, financial data providers and other publicly available news flow as necessary
- Analyst applies BlackRock's internally developed guidelines pragmatically to determine vote
- Straightforward meetings proceed to vote execution
- Remainder are flagged for additional research

2 Review and engagement

- Carry out in-depth research and review of potential votes against management and particularly complicated or controversial matters
- Confer with BIS colleagues as necessary, including senior-leadership
- Leverage expertise of portfolio managers as necessary
- Engage with the company's executives or board members to discuss key questions or concerns, as necessary

3 Vote execution

- Execute votes through electronic platform
- Reconcile vote positions against holdings to ensure clean operating environment
- By exception, votes may be cast by independent fiduciary
- Advisory committees meet several times a year to review voting and engagement

Proxy advisory firms: just one of many tools

Proxy advisory firms are a critical component of the proxy voting system, providing research and recommendations on proxy votes. Proxy advisory firms also provide voting infrastructure and some provide consulting services to public companies. The first dedicated proxy advisory firms were founded in the 1980s. The dominant firm in terms of market share is Institutional Shareholder Services (ISS), with Glass Lewis & Co. also widely used.

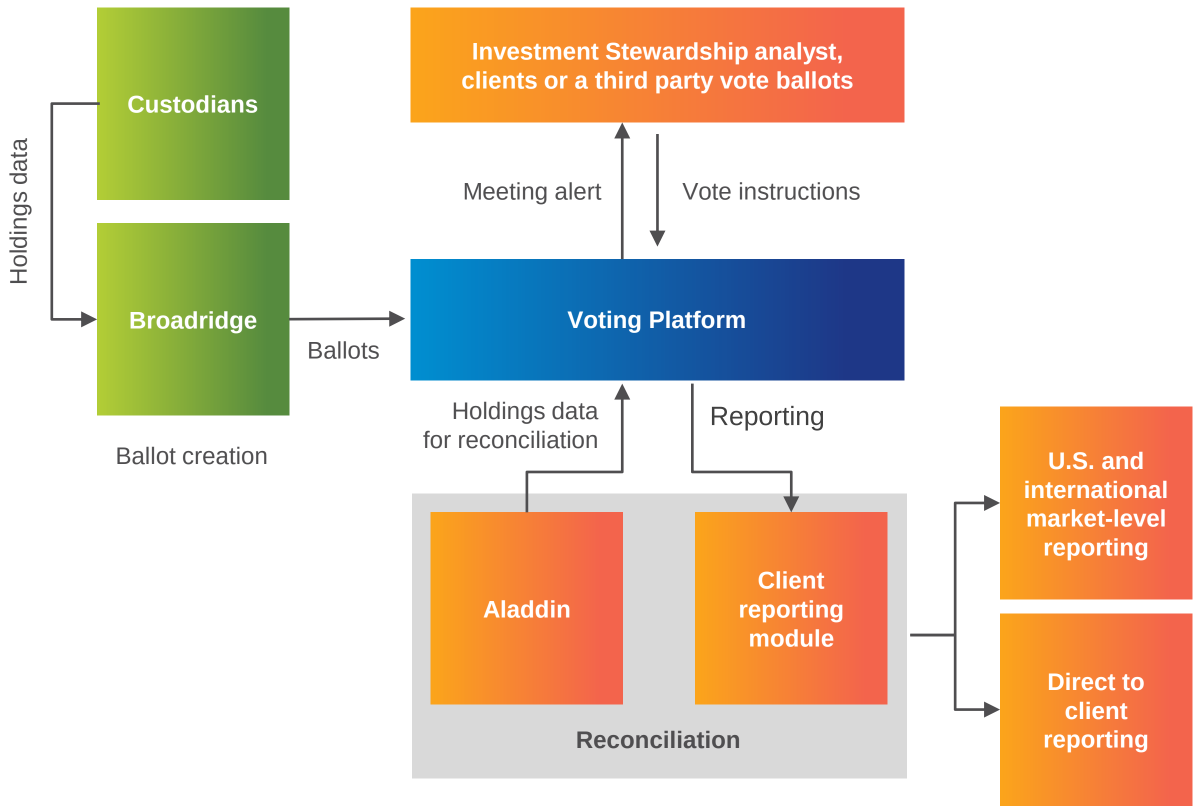
Both asset owners and asset managers use proxy advisory firms in different ways and rely on them to a different extent. Some investors (inclusive of asset owners and asset managers) have their own in-house proxy voting and stewardship functions that use the research from proxy advisory firms as an input into their investment stewardship process, whereas others rely more heavily or even exclusively on the recommendations of proxy advisors for deciding how to vote. As a result, proxy advisors can have significant influence over the outcome of both management and shareholder proposals.

We do not follow any single proxy advisor's voting recommendations, and in most markets we subscribe to two research providers and use several other inputs in our own analysis in advance of making our voting decision. BlackRock performs annual in-person due diligence of the firms whose research we use.

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

Vote flow

As the proxy voting process is operationally complex, we have multiple specialists on the team who are fully focused on ensuring accurate and timely vote execution. We leverage an external proxy vendor to consolidate the tens of thousands of ballots received from over 80 global custodians. Our vendor's platform allows us to monitor voting activity, execute proxy vote instructions, record keep, and generate client and regulatory voting reports. The controls we have in place ensure that we identify upcoming meetings, cast votes ahead of deadline, reconcile holdings and ballots received, and identify any uninstructed ballots. We have weekly meetings with the vendor to discuss production issues and we conduct monthly and quarterly assessments to ensure appropriate services levels and a robust operating environment. Each year we have an onsite due diligence meeting with our lead service provider to discuss relevant issues such as business developments, disaster recovery, compliance, and emerging products and services.



Voting and engagement transparency and oversight

Just as we seek transparency in the companies in which we invest, as a responsible investor we are committed to providing transparency into how we conduct our investment stewardship activities. Although we generally do not publicly disclose the details of engagements with individual companies, we do discuss the most interesting situations in an anonymized format in both quarterly reports and a comprehensive annual report, so as to give a sense of the scope of our work. In both documents, we detail our perspective on market developments and highlights of industry events in which we have participated. Finally, our team publishes on a very limited basis statements on our analysis, engagements and votes in relation to certain high profile proposals at company shareholder meetings. These vote bulletins aim to explain our approach and decision publicly on the day of the meeting, or shortly thereafter, so interested clients and others can understand the rationale behind BlackRock's vote when it is of most relevance to them. We do not disclose our vote intentions in advance of shareholder meetings as we do not see it as our role to influence other investors. Our role is to send a signal to the company about how well we believe the board and management has done in delivering long-term shareholder value. We also file our voting record with the Securities and Exchange Commission each August; these disclosures are available on our website.

The Stewardship Ecosystem

Client engagements	Industry partnerships (PRI, SASB, Ceres, CDP and more)	Public policy	Improving the corporate governance landscape

BlackRock invests in more than 17,000 companies across approximately 90 markets and multiple sectors on behalf of clients. This diverse exposure provides the impetus to work at the market and systems level to improve shareholder protections, disclosure standards, and corporate governance and stewardship frameworks globally. We participate actively in over 30 global, regional and market-level organizations and initiatives to advance good practice and to share perspectives on ESG integration and stewardship (see Appendix for a list of our organization affiliations). In these forums, we discuss emerging trends and public policy issues. We also contribute to public policy through direct engagement and responses to public consultations that help to shape the frameworks within which we and the companies we invest in operate.

Engaging our clients

The Investment Stewardship team participates in over 350 client meetings a year globally to exchange perspectives on evolving governance practices, to build their understanding of our approach, and to get their feedback. These client exchanges enhance our understanding of client expectations and provide insights into areas where we might evolve our approach. We believe these engagements also help clients understand how the work of the Investment Stewardship team supports the realization of the long-term shareholder value on which they depend to meet their financial goals and obligations.

Engaging at scale

Another important form of engagement the team undertakes is public speaking. We present at approximately 190 conferences and panel discussions each year to share our views on a wide range of topics including ESG integration, shareholder activism, stewardship in emerging markets, executive compensation, and investor expectations of boards. Some of these events are small, private roundtables through which we can have a free and frank discussion with board directors about governance and board performance. Others are large, annual conferences of practitioners such as investor relations professionals or institutional investors.

Appendix

BlackRock organization affiliations

Americas

- Associação de Investidores no Mercado de
- Canadian Coalition for Good Governance (CCGG)
- Capitais (AMEC)
- Ceres Investor Network on Climate Risk & Sustainability
- Council of Institutional Investors (CII)
  - Green Bonds Working Group
  - Investor Initiative for Sustainable Exchanges
- Investor Stewardship Group (ISG)
- The Broadridge Independent Steering Committee
- The Harvard Law School Institutional Investor Forum
- The Stanford Institutional Investors' Forum
- Sustainability Accounting Standards (SASB)
  - Standards Board Member
  - Investor Advisory Group (IAG)

Europe, the Middle East and Africa

- Corporate Governance Forum
- Eumedion
- European Fund and Asset Managers Association (EFAMA)
- Institute de Capitalisme Responsible
- Institutional Investors Group on Climate Change (IIGCC)
- Pensions and Lifetime Savings Association (PLSA, previously NAPF)
- The Investment Association
- The UK Investor Forum
- The UK Stewardship Code

Asia – Pacific

- Asian Corporate Governance Association (ACGA)
- Australian Institute of Company Directors (AICD)
- Financial Services Council (FSC)
- Hong Kong Investment Fund Association
- Investor Group on Climate Change (IGCC)
- Public Shareholder Group
- Responsible Investment Association Australasia (RIAA)

Global

- 30% Club Investor Group
- CDP (formerly Carbon Disclosure Project)
- Global Impact Investing Network (GIIN)
- International Corporate Governance network (ICGN)
- International Integrated Reporting Council (IIRC)
- Principles for Responsible Investment (PRI)
- The Task Force on Climate-related Financial Disclosures (TCFD)

UN PRI

BlackRock has been a signatory to the United Nations-backed Principles for Responsible Investment (PRI) since 2008. The six aspirational statements of PRI provide a framework within which ESG issues can be taken into account in investment decision-making and engagement with companies, clients and others.

Our recent PRI assessments reflect the strength of our stewardship program and the firm's commitment to ESG integration across our investments in index-tracking and active equity strategies and other asset classes. Recent PRI assessments determined that BlackRock's performance in Strategy & Governance exceeds the peer median score. The assessments found BlackRock's approach to incorporating ESG into Listed Equity Active Ownership activities to be above the peer median as well. In particular, the assessments recognized the strength of our policies and processes, the large amount of our assets under management covered by our ESG integration activities, and our high level of public disclosure. The PRI asked signatories to submit a fixed income integration report for the first time in 2016, and our recent assessment scores exceed the peer median demonstrating our continuing evolution of incorporation practices for this asset class. For the first time in 2017, BlackRock submitted reports on ESG integration practices into our private equity and infrastructure strategies.

Whether we receive strong or improving scores, we are committed to developing our ESG integration capabilities, and we work continuously to enhance our existing programs.

BlackRock's alignment with the Principles for Responsible Investment:

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

Possible actions recommended by the PRI:

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

BlackRock work aligned with the principles:

- BlackRock invests more than US$180 billion in ESG strategies globally.
- A number of investment teams at BlackRock have developed capabilities to incorporate ESG considerations into their research and due diligence processes. Our Fundamental Active Equity team incorporates an ESG Risk Window into the standard equity research profile. The Emerging Market Corporate Debt team analyses ESG factors in routine fundamental analysis. The Investment Grade Credit Research team includes ESG ratings alongside credit ratings for portfolio manager consideration. The firm's Scientific Active Equity and Model Based Fixed Income teams combine research-driven equity and credit signals with environmental and social factors to determine appropriate position sizes relative to fund benchmarks. The Infrastructure Debt team created a custom ESG scorecard to assess projects in the due diligence phase. BlackRock Private Equity Partners has a structured process for evaluating ESG at the due diligence and investment monitoring phases.
- Our advisory business to assist clients with external manager selection and asset allocation decisions can include ESG considerations where relevant for clients. The group uses a framework to assess the capabilities of external investment managers to incorporate ESG issues.
- BlackRock integrates ESG research and information into Aladdin, our risk and portfolio management tool. This brings ESG information in front of BlackRock investors where they normally look to manage and monitor funds. Aladdin also supports multiple applications, so investment teams can create unique views and reports incorporating ESG information to suit their investment process and investment management style.

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

Possible actions recommended by the PRI:

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

BlackRock work aligned with the principles:

- BlackRock's 40+ member Investment Stewardship team averages approximately 2,000 engagements annually, and undertakes this activity on behalf of clients as a fiduciary regardless of investment vehicle or strategy type.
- We publish and review annually our Global Corporate Governance and Engagement Principles and region-specific voting guidelines.
- We publish engagement priorities which explain the engagement themes on which we will focus in a specific year.
- We use an ESG-risk model to identify companies in index-tracking portfolios that lag their peers in managing material ESG issues and prioritize them for engagement.
- We engage with companies on shareholder resolutions consistent with long-term economic considerations.
- Investment Stewardship exercises BlackRock's voting rights consistent with our firm's published voting guidelines. We vote at approximately 17,000 shareholder meetings a year.
- BlackRock participates in the development of market policy, regulation and standard setting globally through direct institutional engagement and via third party organizations acting consistently with our position. We contribute to ESG-related public consultations and publish our submissions on BlackRock's public policy website.

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

Possible actions recommended by the PRI:

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

BlackRock work aligned with the principles:

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

PRINCIPLE 4: *We will promote acceptance and implementation of the Principles within the investment industry*

Possible actions recommended by the PRI:

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

BlackRock work aligned with the principles:

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

PRINCIPLE 5: *We will work together to enhance our effectiveness in implementing the Principles*

Possible actions recommended by the PRI:

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

BlackRock work aligned with the principles:

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

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

Possible actions recommended by the PRI:

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

BlackRock work aligned with the principles:

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

Want to know more?

blackrock.com/stewardship contactstewardship@blackrock.com

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