Q3 2020

BlackRock Investment Stewardship

Global Quarterly Stewardship Report

October 2020

BlackRock®

Contents

The BlackRock Investment Stewardship (BIS) team publishes global quarterly reports to provide transparency on BlackRock's approach to corporate governance engagement and how we support long-term sustainable value creation for our clients. The examples reported across our three regional teams – Americas, Europe, Middle East, and Africa (EMEA), and Asia-Pacific (APAC) – offer a global perspective of the wide range of issues our engagements and voting analyses address. We aim to provide examples that highlight particular environmental, social, and governance (ESG) considerations, emerging practices or issues, and notable company-specific developments. We also provide examples of our engagement in the public domain, such as in responses to formal policy consultations and presentations or informal discussions at conferences.

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Foreword

In January, BlackRock outlined a series of initiatives to make sustainability our new standard for investing.

Our investment conviction that climate risk is investment risk has seen BlackRock Investment Stewardship (BIS) evolve our approach to be more transparent and to keep clients, companies, and other stakeholders better informed.

Reflecting our commitment to transparency, we are publishing our Q3 Global Quarterly Stewardship report alongside the quarterly disclosure of our engagement activity and voting record. During the quarter we also published another 11 vote bulletins (providing our vote rationale and decision on high profile votes) taking our year to date total to 50 vote bulletins, five times more than in the previous three years combined. In addition, we published two milestone reports: a special report in July on Our Approach to Sustainability and our 2020 Annual Report in September.

These two reports provide insight into our sustainability journey as a stewardship team. For example:

- Engaging with over 400 carbon-intensive companies that face material financial risks in the transition to a low-carbon economy, asking that they disclose their plans for managing physical and transition risks due to climate change
- Identifying 244 companies that are making insufficient progress integrating climate risk into their business models or disclosures
- Taking voting action at 53 companies for insufficient progress, including voting against 55 directors at 49 companies
- Putting directors at 191 other companies 'on watch' or at risk for voting action during the 2021 annual general meeting season absent further progress

The BlackRock Effect on Sustainability Disclosure

Enabling investors to better identify, assess, measure and monitor sustainability-related risks is crucial to our role as stewards for our clients' capital. We believe company valuations can be significantly influenced by these risks. As such, better quality reporting and data would support more accurate asset pricing and enhance understanding of the drivers of risk and value in companies' business models as well as our ability to advocate for sound governance and business practices.

That is why in January, we asked that companies publish reports that aligned with the recommendations of the Sustainability Accounting Standards Board (SASB) standards and the Task Force on Climate-related Financial Disclosures (TCFD) framework.

Since then, we have witnessed a dramatic increase in companies filing disclosures aligned to these standards.

By the end of 3Q 2020, we had seen a 400% increase in SASB "reporters":[1]

- 403 unique companies had reported SASB metrics; 232 of them domiciled in the U.S. (58%) and 171 domiciled outside the U.S. (42%)

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[1] Global Use of SASB Standards. Available at: https://www.sasb.org/global-use/

    - Of these, 215 are part of the S&P Global 1200 Index
    - This figure is 5x the number of SASB reporters for the same period last year (80 companies)
    - It is also 3.4x the total number of reporters for the full year 2019 (117 companies)

- Since 2018, 461 unique companies have reported SASB metrics; 263 of them are domiciled in the U.S. (57%) and 198 are domiciled outside the U.S. (43%).
    - Of these, 247 are part of the S&P Global 1200 Index

Similarly, TCFD is garnering significant support – from over 1,400 organizations representing a market capitalization of over $12.6 tn. An increasing number of policy makers and stock exchanges around the world – such as the UK's Financial Conduct Authority and the New Zealand government – are recommending or mandating TCFD reporting.

BlackRock Endorses Convergence of Reporting Standards

While the uptick in interest is encouraging, one of the top observations we hear from the directors and leadership teams we meet with on this issue is the confusion caused by the various frameworks or standards. The lack of clarity is an obstacle to enhanced reporting.

Today, BlackRock is calling for convergence of the different private sector reporting frameworks and standards to establish a globally recognized and adopted approach to sustainability reporting.

While we welcome the various efforts by the myriad of organizations that are working to bring singularity to sustainability reporting standards, we recognize there is still a substantial challenge for both companies and investors to try and select the right reporting framework, let alone achieve alignment.

BlackRock believes the optimal outcome and the one most likely to succeed is the one proposed by the IFRS Foundation that would establish a sustainability standards board working with the existing initiatives and building upon their work. We believe this board would work best to combine the best ideas to minimize the reporting burden on companies and achieve the optimal results for users of company reporting on sustainability.

It may take some time to achieve the objective of a global sustainability reporting framework and supporting standards. Nonetheless, there is enough substantive guidance, including from the international reporting and auditing bodies, to support significant progress in the number of companies reporting and the quality and consistency of the information they disclose. BlackRock will continue to advocate for TCFD and SASB-aligned reporting until a global standard is established.

Ultimately, progress will help investors like BlackRock better understand a company's approach to enterprise value creation and, in turn, more effectively allocate capital across our investment universe to align with delivering the long-term sustainable financial returns on which our clients depend. The "Sustainability Reporting: Convergence to Accelerate Progress" section of this report includes a commentary on this subject. The commentary can also be accessed through the Positions and Perspectives section of the BIS website.

Engaging on the Response to COVID-19

This quarter, the BlackRock Investment Stewardship team has undertaken substantially more engagements than over the same period last year despite the continued disruption from the pandemic. BIS held 559 engagements –a 21% increase compared to Q3 2019 - with 490 unique companies globally across a range of environmental, social and governance (ESG) topics.

This quarter's report focuses on social and governance issues, mirroring our increased engagement to discuss human capital management and corporate strategy issues as companies continue to manage their response to COVID-19. Nonetheless, environmental risks and opportunities remained a topic of engagement in line with BlackRock's commitment to sustainability and our view that climate risk is an investment risk.

Looking Ahead – Annual Review of Engagement Principles

As we work through the final quarter of this challenging year, we continue to leverage all aspects of stewardship in our efforts to advance our clients' long-term interests. The annual review of our engagement priorities and voting guidelines is underway, which will further embed sustainability into everything that we do in stewardship. We will provide further detail of our review in the coming months, and ahead of the 2021 proxy season in which we expect more engagement and voting on material ESG risks.

Sandy Boss

Global Head of Investment Stewardship

Q3 in Review

Consistent with our fiduciary duty, during Q3 the BlackRock Investment Stewardship (BIS) team continued to engage (virtually) with companies across our five engagement priorities to promote sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

BIS held 559 engagements – a 21% increase compared to Q3 2019 - with 490 unique companies globally across a range of environmental, social, and governance (ESG) topics. Our active and ongoing dialogue with the boards and executive management at the companies in which we invest on behalf of our clients provides BIS with a valuable perspective on the business challenges they face and their strategies for overcoming them. As such, most engagement conversations cover multiple ESG topics.

Promoting Effective Disclosures of Environmental Risks and Opportunities

Over the past several years, BlackRock has been advocating for more widespread and standardized adoption of sustainability reporting. We believe that enhanced reporting is critical to the ability of companies and investors to take into consideration increasingly material ESG risks and opportunities.

As Larry Fink wrote in his 2020 CEO Letter, BlackRock supports the framework developed by the Task Force on Climate-related Financial Disclosures (TCFD) and the standards published by the Sustainability Accounting Standards Board (SASB).[2] Both are focused on achieving reporting on material sustainability risks and opportunities in a company's business that helps investors better assess how well these are being identified, monitored and managed. We acknowledge that there are other frameworks and standards against which some companies are reporting, in which case we ask that they map their existing reporting to TCFD and SASB.

This quarter, through our 324 engagements on environmental issues (+238% against Q3 2019), we continued to monitor companies' progress on managing environmental risks and opportunities in line with the TCFD framework and SASB standards. We noticed that although management teams and boards are naturally spending a considerable amount of time, effort, and resources to respond to the COVID-19 pandemic and various social issues, they remain focused on long-term climate risks and opportunities and the transition to a low-carbon economy.

In our engagements with company leadership, we hear from many that an obstacle to enhanced reporting is a lack of clarity about which framework or standard to use. We believe that convergence amongst the various frameworks and standards would alleviate this problem and accelerate progress on sustainability reporting in terms of both the

"In our engagements with company leadership, we hear from many that an obstacle to enhanced reporting is a lack of clarity about which framework or standard to use. We believe that convergence amongst the various frameworks and standards would alleviate this problem and accelerate progress on sustainability reporting in terms of both the number of companies reporting and the quality of the information disclosed."

[2] BlackRock is a founding member of the TCFD and an active member of SASB's Investor Advisory Group (IAG).

number of companies reporting and the quality of the information disclosed.

Several initiatives were launched in the quarter to realize the objective of a global sustainability reporting framework and set of standards. A group of five sustainability reporting organizations - the SASB, the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), the CDP (formerly the Carbon Disclosure Project), and the Carbon Disclosure Standards Board (CDSB) – announced that they plan to work together to develop "a comprehensive global corporate reporting system."[3] The World Economic Forum (WEF) followed with metrics for measuring stakeholder capitalism.[4] Importantly, the IFRS Foundation, which is responsible for developing and promoting financial reporting standards through the International Accounting Standards Board (IASB), published a consultation on its potential role in achieving convergence.

One option proposed in the paper[5] is that the IFRS Foundation establish a sustainability standards board, a sister board to the IASB, and become a sustainability standards-setter working with the existing initiatives and building upon their work. BlackRock welcomes these developments, which we discuss in more detail in the "Sustainability Reporting: Convergence to Accelerate Progress" section of this report. The commentary can also be accessed through the Positions and Perspectives section of the BIS website.

The accuracy of financial statements is clearly of paramount importance to investors. Financial reporting should reflect reasonable assumptions about the impact of climate risk and the transition to a low carbon economy[6] on the company's profits, liabilities, and assets. If they do not, and thus may be misleading, BlackRock would reflect our concerns about management's assumptions in our votes on the financial statements, approval of the auditor or election of directors.

We believe a combination of the best ideas would minimize the reporting burden on companies and achieve the optimal results for users of company reporting on sustainability. It may take some time to achieve the objective of a global sustainability reporting framework and supporting standards. Nonetheless, there is enough substantive guidance, including from the international reporting and auditing bodies, to support significant progress in the number of companies reporting and the quality and consistency of the information they disclose. BlackRock will continue to advocate for TCFD- and SASB-aligned reporting until a global standard is established. On behalf of our clients, we will continue to be actively engaged over the coming months in the efforts towards convergence.

"BlackRock strongly advocates for convergence of the different private sector reporting frameworks and standards to establish a globally recognized and adopted approach to sustainability reporting. We see the approach proposed by the IFRS Foundation as the most practicable and likely to succeed."

Progress will help investors like BlackRock better understand a company's approach to enterprise value creation and, in turn, more effectively allocate capital across our investment universe to align with delivering the long-term, sustainable financial returns on which our clients depend.

[3] SASB. *Progress Towards a Comprehensive Corporate Reporting System*. September 11, 2020. Available at: https://www.sasb.org/blog/progress-towards-a-comprehensive-corporate-reporting-system/
[4] WEF. *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting on Sustainable Value Creation.* September 22, 2020. Available at: https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation
[5] IFRS Foundation. *Consultation Paper on Sustainability Reporting. September 2020.* Available at: https://cdn.ifrs.org/-/media/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf?la=en
[6] That is, one in which global warming is limited to well below 2°C, ideally 1.5°C, and is consistent with a global aspiration to reach Net Zero carbon emissions by 2050.

Sound Governance to Promote Sustainable, Long-Term Growth

Governance issues were addressed in 512 of our engagements during the quarter. We asked boards and management teams to explain how the events of 2020 might impact their corporate strategy and potential for sustainable value creation. We held 277 engagements where we discussed corporate strategy and capital allocation, an increase of 38.5% compared to Q3 2019.

As we discussed in our 2020 Annual Report, during the first half of the year, financial resilience was, and remains, a pressing issue for many companies. As the daily number of COVID-19 cases continue to fluctuate from region to region, BIS took each engagement as an opportunity to discuss with companies how they are balancing the near-term challenges of responding to various lock-down measures in specific regions, while re-starting operations in others, managing supply chain disruptions, and keeping their employees and customers safe.

BIS also held 260 engagements on board composition and 200 on executive compensation, an increase of 17% and 31% against Q3 2019, respectively. The majority of those conversations focused on board diversity and on ensuring the board had the necessary skill set to support corporate strategy execution over the long-term.

Purposeful Leadership to Navigate Uncertainty

In our 256 engagements where we discussed a range of social issues (+246% compared to Q3 2019), we learned that companies are increasingly finding it essential to have a clearly articulated purpose that guides their decision-making processes and helps them better evaluate the impact that their actions might have on their social license to operate.

As companies managed their response to COVID-19, some were forced to reorganize and reduce their workforces as a result of temporary shutdowns or definitive closures. In such cases, we asked companies to explain if they did so in a responsible way that balanced sustainable long-term performance with the need to meet short-term investment needs in a cash-constrained environment. We paid particular attention to the terms offered to redundant employees and any adjustments to executive compensation programs.

In a similar vein, our 213 engagements where we discussed human capital management (+188% compared to Q3 2019) BIS asked companies to explain how they plan to establish themselves as the employer of choice for the workers on whom they depend. We learned that companies continue to re-examine their roles in society, with many announcing increased commitments on diversity, equity and inclusion (DEI) targets, childcare or mental health support, and work from home facilitation, among other programs to support their employees. In other cases, companies looked into human rights-related risks in their supply chains, among other human capital management issues, and are working to improve their policies and procedures. It is clear from our engagements that we are observing a fundamental shift in awareness of the role that companies should play in society and the increased expectations and scrutiny of their stakeholders.

COVID-19: Four Actions to Enhance Resilience

From January through September we held more than 600 engagements on the impact of COVID-19 globally. Through our engagements, we identified four key actions that companies, across markets and sectors, implemented, and continue to focus on, to enhance their resilience as they adapt to the unprecedented circumstances brought on by COVID-19:

Maintaining operational resilience and flexibility	Prioritizing human capital management to ensure business continuity	Adapting to the acceleration of pre-existing trends	Increasing focus on the company's social license to operate
How companies implement business continuity plans, including extended remote work periods and increased internal communication	How companies care for employees' health and safety, ensuring they have the support they need (financial, physical, mental or otherwise)	How companies adapt to accelerating trends[7] (e-commerce, digitalization, alternative working models and sustainability) and to new ones that will persist after COVID-19	How companies re-evaluate their role in society and take into consideration the external environment when making corporate strategy and capital allocation decisions

Although it may take several years to determine the full impact of the pandemic on businesses as well as society more broadly, we observed that, on a relative basis, companies that had effectively or were already implementing one or more of these four actions were, in most cases, able to absorb the short-term financial and operational impacts of the pandemic. The "Regional Engagement and Voting Highlights" section of this report includes examples of our continued engagements on the impact of COVID-19, and specific case studies that illustrate how companies took one or more of the actions identified above.

As we note in our 2020 Annual Report, in the coming months we expect continuing disruption and uncertainty. Yet we remain convinced that companies focused on their purpose, with a credible strategy to deliver for all their stakeholders, will be well-positioned to create sustainable, long-term value for our clients.

[7] BlackRock Investment Institute (BII). *2020 Midyear Global Outlook. The future is running at us*. Available at: https://www.blackrock.com/corporate/insights/blackrock-investment-institute/publications/outlook

Sustainability Reporting: Convergence to Accelerate Progress

Over the past several years, BlackRock has been advocating for more widespread and standardized adoption of sustainability reporting. We believe that enhanced reporting is critical to the ability of companies and investors to take into consideration material environmental, social and governance (ESG) risks and opportunities. Company valuations can be significantly influenced by these factors, also known as intangibles. Better quality reporting and data would support more accurate asset pricing and enhance understanding of the drivers of risk and value in companies' business models.

Recognized private sector sustainability framework and standards setters recently committed to work together to establish a comprehensive corporate reporting system. The IFRS Foundation[8] is consulting on the role it might play in convergence towards globally recognized sustainability reporting. Further, international accounting and auditing standards setters have issued guidance that climate risk may be material for some companies and, if so, should be reflected in financial reporting under existing standards. As discussed below, **BlackRock strongly supports convergence to achieve a globally recognized and adopted approach to comprehensive reporting. In the meantime, we expect companies to accelerate their efforts to publish sustainability data and contextual information under existing frameworks and standards.**

BlackRock has been engaging with companies for several years on enhanced sustainability reporting, which we consider to be reporting aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and the metrics identified by the Sustainability Accounting Standards Board (SASB). Some companies are already reporting to other standards, commonly the Global Reporting Initiative (GRI). In those cases, we ask that they map existing reporting to the metrics identified for their sector by SASB as being relevant to investment decision-making, given other standards address a broader group of stakeholders.

We consider SASB a globally relevant standard for reporting to investors because it is focused on achieving disclosure that is financially material, decision-useful, cost-effective, industry-specific, evidence-based and informed by market practitioners. Although initially US-oriented, over 40% of companies reporting against SASB are now based outside the US, a trend that we expect will continue. We see the TCFD framework and the SASB standards as complementary. TCFD is focused on climate-risk reporting but, in our view, is conceptually as applicable to all corporate reporting relating to environmental and social risks and opportunities. It has four pillars – governance, strategy, risk management, and metrics and targets. The SASB standards provide the content, principally for the metrics pillar. One of the key advantages of TCFD and SASB from an investor's perspective is that each is grounded in the language of business planning and operations. We expect both to be significant building blocks in the convergence effort.

BlackRock is encouraged by the increased use by companies of SASB metrics in their reporting, 3.4x higher in the nine months to September 30, 2020 on the full calendar year 2019. Similarly, TCFD is garnering significant support – from over 1,400 organizations representing a market capitalization of over $12.6 tn, as of September 2020. In addition, an increasing number of policy makers and stock exchanges around the world – such as the UK's Financial Conduct Authority and the New Zealand government - are recommending or mandating TCFD reporting.

We will continue to contribute directly to the development of TCFD and SASB through our engagement with each initiative. Both encourage feedback from companies and investors and work to enhance their recommendations and supporting tools. We will also actively engage in the efforts to converge frameworks and standards to achieve a comprehensive, globally recognized sustainability reporting system that will benefit companies by reducing the reporting burden and investors by improving the quality of data and narrative available to them for investment decision-making.

[8] International Financial Reporting Standards: https://www.ifrs.org/

Introduction

With the increased awareness of the materiality of environmental, social and governance factors to companies' long-term financial performance, investors and other stakeholders need a clearer picture of how companies are managing sustainability today and planning for the future. In January, BlackRock called for companies to enhance their sustainability reporting, highlighting that: "Important progress improving disclosure has already been made – and many companies already do an exemplary job of integrating and reporting on sustainability – but we need to achieve more widespread and standardized adoption."[9] We are encouraged that many more companies are publishing substantive disclosures on their management of environmental and social risks and opportunities, as discussed above . However, the proliferation of disclosure initiatives, many of which are overlapping, has led to duplicative efforts by reporters and a lack of consistent and comparable data. We believe that this could be resolved by aligning and converging to establish a globally recognized sustainability reporting framework and set of standards. Ideally, these would be developed by those with domain expertise in the private sector and supported by public policy makers as they move to require more comprehensive corporate reporting.

Efforts to develop a global approach to sustainability reporting

To that end, we welcomed the joint statement[10] on September 9, 2020 by a group of five sustainability reporting organizations - the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council, the CDP (formerly the Carbon Disclosure Project) and the Carbon Disclosure Standards Board - that they plan to work together to develop "a comprehensive global corporate reporting system". The following week, the International Federation of Accountants (IFAC) called for the creation, under the umbrella of the IFRS Foundation, of an International Sustainability Standards Board, which would sit alongside the International Accounting Standards Board (IASB).[11] IFAC noted that there is a pressing need for a "reporting system that delivers consistent, reliable, adaptable and assurable information relevant to enterprise value creation, sustainable development and evolving expectations."

Adding to the mix, the World Economic Forum's (WEF) International Business Council (IBC), working with the Big Four accountancy firms, announced[12] on September 22, 2020 its own set of universal sustainability metrics for reporting that measures stakeholder capitalism. The IBC's stated objective was "to encourage greater cooperation and alignment among existing standards as well as to catalyze progress towards a systemic solution, such as a generally accepted international accounting standard in this respect." The WEF's corporate convening power makes its support of convergence important, in our view, particularly in relation to channeling corporate perspectives into convergence efforts driven by the recognized global standard setters.

In a consultation paper issued by the IFRS[13] Foundation Trustees on sustainability reporting published on September 30, the IFAC proposal was subsequently given as one option, along with IFRS taking no action or facilitating existing initiatives. **The consultation proposes that the IFRS Foundation establish a sustainability standards board and become a standards-setter working with the existing initiatives and**

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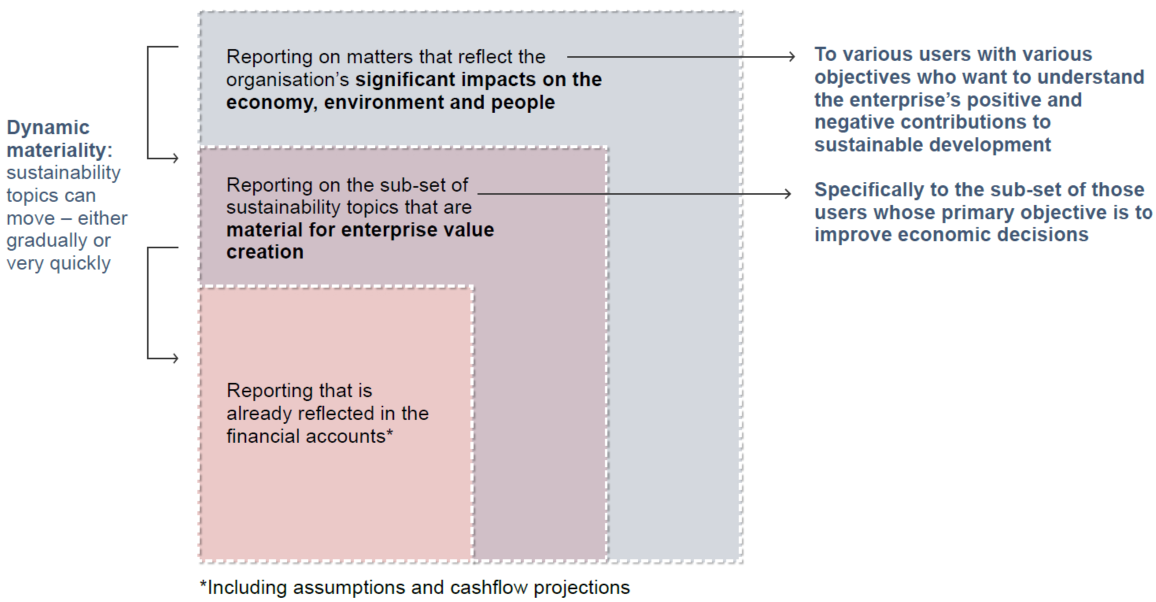
[9] https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter
[10] https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf
[11] https://www.ifac.org/news-events/2020-09/ifac-calls-creation-international-sustainability-standards-board-alongside-international-accounting
[12] https://www.weforum.org/press/2020/09/measuring-stakeholder-capitalism-top-global-companies-take-action-on-universal-esg-reporting/
[13] International Financial Reporting Standards: https://www.ifrs.org/

building upon their work. BlackRock believes this would be the optimal outcome and plans to submit a response to the consultation by the deadline of December 31, 2020.

A changing understanding of materiality

The group of five organizations introduced the concept of nested materiality (see Figure 1 below) to explain the gradation between core financial information already reported in financial statements, to ESG information relevant to enterprise value creation, to information on the impact on society of a company's operations, products and services. Similarly, the European Union's concept of double materiality addresses the importance of reporting both the economic and societal impacts of companies. Also captured within the concept map produced by the partnering organizations is the concept of dynamic materiality, whereby the factors recognized as material change over time based on facts and circumstances as well as increased understanding of the drivers of risk and value in a company's business model. Dynamic materiality resonates with BlackRock, particularly in terms of the sector-specific factors and information necessary for the different audiences that companies are trying to address in their reporting.

Figure 1: Dynamic, nested materiality



Source: SASB et al

Progress in sustainability reporting as we move towards a global standard

The momentum behind convergence towards a global standard for sustainability reporting is significant but it will take time to realize the objective. BlackRock envisages a two-track approach to reporting in the near term with companies, investors and others contributing to efforts to achieve convergence, while simultaneously making progress on enhanced reporting under the existing frameworks and standards. Two important announcements from the IASB, whose financial reporting standards are followed in over 140 jurisdictions,[14] and the International Auditing and Assurance Standards Board (IAASB) on climate risk support the latter work.

[14] https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/

In a recent paper,[15] the IASB noted that companies may need to take climate risk, including the impact of a transition to a low carbon economy, into consideration in the materiality judgments underpinning their financial statements. This guidance is based on the public and growing recognition by investors that climate risk is a material investment risk, particularly for companies in carbon-intensive sectors. Similarly, the IAASB's recent audit practice alert on climate-related risks[16] notes that "… climate-related events or conditions may contribute to the susceptibility to misstatement of certain amounts and disclosures in an entity's financial statements." Under the concept of dynamic materiality, this interpretation may eventually cover additional sustainability factors material to a company's business model as measurement capabilities improve.

Thus, we anticipate that companies will increasingly be expected, under existing accounting and audit standards and processes, to take climate risk into consideration in preparing financial statements. Assumptions and materiality judgments that are inconsistent with a company's stated position on the transition to a low carbon economy may be challenged by investors, auditors and regulators, and therefore ought to be explained and justified. **Given the recognition of the materiality of sector-specific sustainability risks to long-term investment returns, we expect increased investor scrutiny of the assumptions underlying financial reports, with concerns reflected in engagement and voting.**[17]

The accuracy of financial statements is clearly of paramount importance to investors. Financial reporting should reflect reasonable assumptions about the impact of climate risk and the transition to a low carbon economy[18] on the company's profits, liabilities and assets. If they do not, and thus may be misleading, BlackRock would reflect our concerns about management's assumptions in our votes on the financial statements, approval of the auditor or election of directors.

Conclusion

BlackRock strongly advocates for convergence of the different private sector reporting frameworks and standards to establish a globally recognized and adopted approach to sustainability reporting. We see the approach proposed by the IFRS Foundation as the most practicable and likely to succeed. We believe a combination of the best ideas would minimize the reporting burden on companies and achieve the optimal results for users of company reporting on sustainability. It may take some time to achieve the objective of a global sustainability reporting framework and supporting standards. Nonetheless, there is enough substantive guidance, including from the international reporting and auditing bodies, to support significant progress in the number of companies reporting and the quality and consistency of the information they disclose. BlackRock will continue to advocate for TCFD and SASB-aligned reporting until a global standard is established. Progress will help investors like BlackRock better understand a company's approach to enterprise value creation and, in turn, more effectively allocate capital across our investment universe to align with delivering the long-term sustainable financial returns on which our clients depend.

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[15] https://cdn.ifrs.org/-/media/feature/news/2019/november/in-brief-climate-change-nick-anderson.pdf?la=en
[16] https://www.iaasb.org/news-events/2020-10/iaasb-issues-staff-audit-practice-alert-climate-related-risks
[17] https://www.unpri.org/sustainability-issues/accounting-for-climate-change
[18] That is, one in which global warming is limited to well below 2°C, ideally 1.5°C, and is consistent with a global aspiration to reach Net Zero carbon emissions by 2050.

Engagement Statistics

Global Q3 2020 Engagement Statistics

559 Total engagements[4]

490 Individual companies engaged

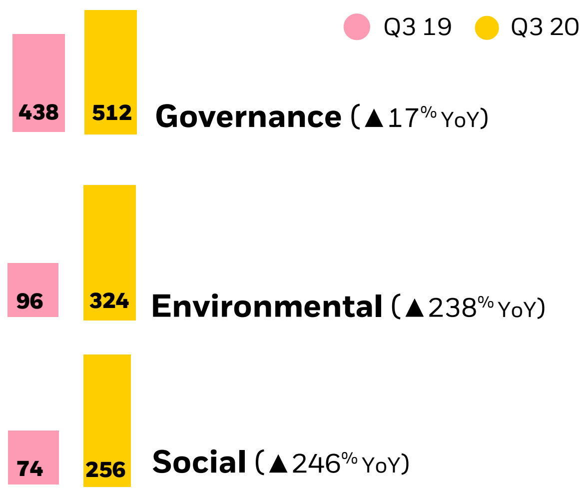
13% Multiple engagements[5]

2,672 Meetings voted[6]

22,103 Proposals voted

4 The global engagement statistics are sourced from BlackRock on October 22, 2020 and are a reflection of 3rd Quarter 2020.
5 Multiple engagements represent percentage of companies we engaged with multiple times during Q3.
6 The global engagement statistics are sourced from BlackRock on October 22, 2020 and are a reflection of 3rd Quarter 2020.

Engagement Themes



Top Engagement Topics*

Governance
- Board Composition and Effectiveness discussed **260** times
- Corporate Strategy** discussed **277** times
- Executive Compensation discussed **200** times

Environmental
- Climate Risk Management discussed **272** times
- Operational Sustainability*** discussed **218** times

Social
- Human Capital Management discussed **213** times

* Most engagement conversations cover multiple topics.
** Corporate strategy conversations focus on long-term strategic direction, how strategy, purpose and culture are aligned, and corporate milestones against which to assess management.
*** Operational sustainability engagements focus on topics like waste and water management, packaging, product life cycle management, product offerings, and energy efficiency.

Region	Total company engagements		Individual companies engaged		Multiple engagements*	
	Q3 20	Q3 19	Q3 20	Q3 19	Q3 20	Q3 19
Americas	207	214	192	189	7%	9%
EMEA	176	123	145	107	16%	11%
APAC	176	126	153	119	13%	5%
Global	**559**	**463**	**490**	**415**	**13%**	**8%**

Source: BlackRock and ISS, sourced on October 22, 2020. Q3 30 covers the period July 1, 2020 to September 30, 2020. Q3 19 covers the period July 1, 2019 to September 30, 2019.
* Multiple engagements represent percentage of companies we engaged with multiple times during Q3.

www.blackrock.com/corporate/about-us/investment-stewardship

Voting Statistics

Voting at shareholder meetings enables investors to provide feedback to the company and, where relevant, encourage the board and management team to consider and address investor concerns. We make our voting decisions on a case-by-case basis in the context of our published voting guidelines for each region. We engage with companies to build our understanding of a company's approach to governance and sustainable business practices. We will also engage companies where we have concerns that the board or management might not be acting in the best long-term economic interests of shareholders, such as our clients. We will vote against a company's proposals if we believe that the issue under consideration is clearly not in our clients' interests, the company does not wish to engage with us, or engagement fails to resolve our concerns.

Global Q3 2020 Voting Statistics

Region	Total number of meetings voted		Total number of proposals voted		% of meetings voted against one or more management recommendations		% of proposals voted against management recommendations	
	Q3 20	Q3 19	Q3 20	Q3 19	Q3 20	Q3 19	Q3 20	Q3 19
U.S. and Canada	457	385	3,434	2,700	39%	34%	11%	8%
Latin America (LATAM)	124	56	881	340	46%	25%	10%	7%
United Kingdom	181	195	2,540	2,606	27%	23%	4%	4%
EMEA (ex-UK)	406	290	4,654	3,056	47%	44%	11%	9%
Japan	170	111	1,474	919	30%	40%	6%	7%
Asia-Pacific (ex-Japan)	1,334	964	9,120	6,749	34%	33%	12%	9%
Total	**2,672**	**2,001**	**22,103**	**16,370**	**37%**	**34%**	**10%**	**8%**

Source: BlackRock and ISS, sourced on October 22, 2020. Q3 30 covers the period July 1, 2020 to September 30, 2020. Q3 19 covers the period July 1, 2019 to September 30, 2019.

Global Q3 2020 Votes Against Management by Proposal Type for the Quarter

Region		Global	U.S. and Canada	LATAM	United Kingdom	EMEA (ex-UK)	Japan	Asia-Pacific (ex- Japan)
Management Proposals								
Anti-takeover and related proposals	total number of proposals voted	176	54	NA	98	16	2	6
	% of proposals voted against management	11%	24%	NA	0%	25%	100%	17%
Capitalization	total number of proposals voted	3,495	102	44	547	517	9	2,276
	% of proposals voted against management	9%	5%	9%	1%	10%	0%	11%

Region		Global	U.S. and Canada	LATAM	United Kingdom	EMEA (ex-UK)	Japan	Asia-Pacific (ex- Japan)
Management Proposals								
Election of directors and related proposals	total number of proposals voted	9,875	2,294	458	959	2,050	1,244	2,870
	% of proposals voted against management	11%	13%	4%	8%	11%	6%	13%
Compensation	total number of proposals voted	1,835	483	43	289	437	61	522
	% of proposals voted against management	23%	8%	7%	8%	33%	25%	37%
Mergers, acquisitions and reorganizations	total number of proposals voted	1,410	47	34	21	129	47	1,132
	% of proposals voted against management	9%	2%	6%	0%	6%	9%	10%
Routine business	total number of proposals voted	4,851	424	261	600	1,465	98	2,003
	% of proposals voted against management	6%	4%	23%	1%	5%	1%	8%
Shareholder Proposals*								
Governance	total number of proposals voted	60	25	3	9	7	0	16
	% of proposals voted against management	15%	20%	0%	11%	14%	0%	13%
Environmental**	total number of proposals voted	0	0	0	0	0	0	0
	% of proposals voted against management	0%	0%	0%	0%	0%	0%	0%
Social***	total number of proposals voted	4	4	0	0	0	0	0
	% of proposals voted against management	0%	0%	0%	0%	0%	0%	0%
Other	total number of proposals voted	397	1	38	17	33	13	295
	% of proposals voted against management	2%	100%	0%	0%	6%	0%	2%

* See Appendix for "Proposal Terminology Explained."

** Environmental proposals cover shareholder proposals relating to reports on climate risk, energy efficiency, recycling, community environmental impacts, and sustainability reports, among other sustainability topics. During this quarter there were no shareholder proposals categorized under "environmental." However, in line with our commitment to make sustainability integral to the way that BlackRock manages risk, constructs portfolios, designs products, and engages with companies on behalf of our clients, in Q3 we voted against three directors at two companies for insufficient progress integrating climate risk into their business models or disclosures. To learn more about our approach to sustainability, engagement and voting on climate risk please refer to the BlackRock Investment Stewardship report Our approach to sustainability."

*** Other proposals cover a number of shareholder proposals that fall outside the categories that most shareholders would view as ESG proposals. These resolutions include (but are not limited to) electing directors in contested situations, appointing internal statutory auditor(s) nominated by shareholders, amending articles/bylaws/charters, and approving the allocation of income/income distribution policy. Additionally, there are a substantial number of shareholder proposals in Greater China relative to other markets. This is due to the China Securities Regulatory Commission (CSRC) requiring companies that have a foreign listing to submit their proposals 45 days prior to the meeting (which applies to all Chinese companies that have an A-share listing in China together with H-shares listed in Hong Kong). However, the CSRC allows shareholder proposals for these companies to be included up to 10 days prior to the meeting. The result is that many shareholder proposals are submitted by controlling shareholders and are, in effect, late agenda items from management.

Regional Engagement and Voting Highlights

The following case studies – organized geographically across our three regional teams (Americas, EMEA, and APAC) – provide insight into the wide range of issues our engagements and voting analyses cover globally. Each case study aims to demonstrate outcomes of these stewardship activities. We typically anonymize these case studies, unless we have published a Voting Bulletin[19] or if the company has agreed to disclose their name within the report. We do this because we conduct our engagements in confidence in order to encourage frank, open discussions. We may name the companies in select case studies where the specific circumstances underlying the engagement are already reported publicly or, occasionally, when it might advance the engagement outcome. The full record of our vote and engagements with specific companies can be accessed through our voting record and engagement summary for Q3 2020 on the Engagement and Voting History section of our website. For more case studies, please visit the BlackRock Investment Stewardship website.

Case Study Number	Case Study	BlackRock Investment Stewardship Engagement Priority(ies)
Americas		
1	U.S.: Balancing heightened demand for essential products and ensuring the wellbeing of essential employees while navigating the COVID-19 pandemic	• Corporate strategy and capital allocation • Human capital management
2	U.S.: Promoting sustainable business practices at companies on the front lines of the COVID-19 response	• Corporate strategy and capital allocation • Human Capital Management • Compensation that promotes long-termism
3	U.S.: Encouraging companies to align disclosure reports with the SASB standards through engagement and voting	• Environmental risks and opportunities • Corporate strategy and capital allocation • Human capital management
4	U.S.: Large technology hardware company maps existing disclosures to the TCFD framework and SASB standards	• Board quality • Environmental risks and opportunities • Human capital management
Europe, Middle East, and Africa (EMEA)		
5	France: Automaker balances employee health and safety with the need to restart operations	• Human capital management
6	UK: Food retailer prioritizes human capital management to ensure business continuity, while maintaining its commitment to its sustainability agenda	• Environmental risks and opportunities • Human capital management
7	UK: Designing a purpose-driven recovery plan ensuring a fair deal for stakeholders impacted by the company's reorganization	• Corporate strategy and capital allocation • Human capital management
8	UK: Financial services company refreshes its purpose to better reflect the views of multiple stakeholders	• Corporate strategy and capital allocation • Human capital management
9	Germany: Apparel company faces employee complaints over handling of diversity issues	• Human capital management

[19] These bulletins explain our vote decision, and the engagement and analysis underpinning it, on certain high-profile proposals at company shareholder meetings. We make this information public after the meeting, so clients and others can be aware of the vote when it is most relevant to them. All our Voting Bulletins are published on the BIS website.

Case Study Number	Case Study	BlackRock Investment Stewardship Engagement Priority(ies)
Asia- Pacific (APAC)		
10	Thailand: Full steam ahead on sustainable business practices	• Environmental risks and opportunities • Human capital management
11	Greater China: Oversight of human rights and risk management takes center stage	• Board quality • Environmental risks and opportunities • Human capital management
12	Greater China: Large consumer electronics manufacturer reacts swiftly to protect their over one million employees during the pandemic	• Corporate strategy and capital allocation • Human capital management
13	Malaysia: Engagement with a manufacturing company facing forced labor allegations, followed by a U.S. import ban	• Human capital management

1 U.S.: Balancing heightened demand for essential products and ensuring the wellbeing of essential employees while navigating the COVID-19 pandemic

Region	Americas
Engagement Priorities	Corporate strategy and capital allocation / Human capital management
Outcome	BIS gained insight into the company's COVID-19 response and environmental and social-related sustainability initiatives, which include SASB-aligned reporting.

BIS believes that aligning purpose, strategy, and culture is key to a company's ability to create value for all its stakeholders. A strong sense of purpose builds business confidence, aligns employees with management's strategy, creates loyal customers, and informs other stakeholders. During the quarter, BIS engaged with several companies which effectively balanced fulfilling their purpose while navigating through the health crisis. Such was the case of a multinational manufacturer and marketer of consumer and professional products that has played a significant role during the pandemic given its portfolio of disinfecting products. BIS engaged with a board member and members of senior management to discuss not only management's response during the COVID-19 pandemic, but other material ESG issues, such as recent board and management change, diversity, equity and inclusion (DEI), and the company's ESG strategy, which includes SASB-aligned reporting.

At the onset of the COVID-19 pandemic, the Lead Independent Director and the CEO had weekly check-in calls to discuss operational impacts and emotional ramifications on the workforce, as the company has had to produce a record number of disinfecting products, while also increase the production of other essential household products to meet the unprecedented high demand. To accomplish this, the company has streamlined manufacturing, simplified product assortment, and significantly increased output, especially of the disinfecting products that are in the highest demand.

The company has increased pay, staggered shifts, and implemented numerous safety measures to protect factory employees who are essential workers. It has also provided ergonomic, physical, and mental health benefits and programs for employees working from home and has regularly conducted employee surveys to gauge how well they have been adapting to working from home, as well as for those on the frontline. The company informed BIS it has also expanded benefits – e.g. childcare, eldercare, and an app-based mental health program – to support employees' wellbeing throughout the pandemic.

In response to the social unrest in the U.S. and abroad, the company made several commitments to advancing racial equity. This includes the development of governance practices to determine when and how the company speaks out publicly on social and potentially divisive issues. This process includes an assessment of the company's strategic goals and an awareness of issues that may impact business interests while also demonstrating the company's core values.

The company has donated $3.1 million to support Black businesses, Black youth, and Black communities in and around their headquarters and their largest manufacturing facilities. The donations will also support access to justice and criminal justice reform initiatives. During our engagement, we learned the Lead Independent Director authored a personal blog on racial equity. The blog was shared internally at the company, which was very impactful and demonstrated a unique level of connectivity with the board and employees. The company hosted several listening sessions and generated significant dialogue internally. The company has already been conducting bias training for several years. Looking ahead, it plans to double these efforts and materially increase its recruiting efforts to focus on under-represented communities.

BIS is a member of SASB's Investor Advisory Group (IAG), which addressed a letter to the company's CFO in December 2017 to highlight investor support for sustainability reporting consistent with SASB. In September 2018, BIS and other members of the IAG engaged with the company to share our perspective on the value of SASB's approach for achieving sector-relevant, material sustainability reporting useful to investors' decision-making. We were satisfied to learn that as a result of multi-year engagement, the company will include reporting in line with the SASB standards - and the United Nations Global Compact (UNGC) - as part of its broader ESG integration strategy.[20] The company also committed to produce climate disclosures aligned with the TCFD framework.

In the midst of a global health crisis, the company has been able to keep its shareholders updated on how it has executed operationally, implemented a CEO succession plan, amplified its DEI efforts, and continued to advance its ESG integration strategy. In line with our approach to engagement on long-term strategy, purpose and culture, we expect boards to be fully engaged with management on the development and implementation of the company's long-term strategy. Dialogue at the board and management level with the company has contributed to further our understanding of the board's role in helping management deliver on the company's purpose, corporate strategy, and its link to long-term value creation for our clients.

2 U.S.: Promoting sustainable business practices at companies on the front lines of the COVID-19 response

Region	Americas
Engagement Priorities	Corporate strategy and capital allocation / Human capital management / Compensation that promotes long-termism
Outcome	BIS provided feedback on key corporate governance and sustainability considerations to three biotechnology companies that are actively reforming their business practices to maintain their license to operate during the pandemic.

Over the past several months, BIS has proactively engaged with healthcare companies researching solutions to combat COVID-19. In our Q1 2020 BIS Global Quarterly Stewardship Report, we highlighted how our discussions with companies were focused on how they were balancing near-term pressures with efforts to oversee long-term material financial, reputational, and social risks. As the global response to COVID-19 has progressed, we learned through our engagement how companies are now focused on transforming their corporate governance and business practices to build better relationships with their full set of stakeholders.

We engaged for the first time with three biotechnology companies that were chosen to participate in Operation Warp Speed, the U.S. government's public-private partnership to facilitate the development, manufacturing, and distribution of COVID-19 medicines and diagnostics. As a result of this collaboration, each company has

[20] The company's ESG integration strategy incorporates sustainable business practices into each core segment, as well as growth and cost savings opportunities that managers have identified, such as packaging reduction targets by 2025. The company is also planning to publish a restricted substances list by the end of 2020 and is investigating opportunities in "green chemistry" (the design of chemical products and processes that reduce or eliminate the generation of hazardous substances).

experienced unprecedented growth. For instance, one company's strategic plan to achieve commercialization was accelerated by approximately three years, while another company roughly doubled its employee base to meet the demand for its vaccine candidate. However, these companies have also experienced unprecedented scrutiny regarding their management of issues such as board independence, executive compensation, business ethics, supply chain management, product quality, and patient safety. Consequently, we initiated discussions to understand how each company approached these topics.

To address these concerns and realize long-term strategic growth, each company is undertaking a process to evolve its corporate governance and sustainability practices. All three emphasized their focus on board refreshment to bring more diverse perspectives and skill sets to the boardroom. For example, one company's board chairman launched a robust board evaluation program that includes the creation of a skills matrix, interviews with current directors, and a third-party assessment of the board's structure. We also discussed executive compensation programs at all three companies. At one company, the Compensation Committee has already begun to re-evaluate its pay for performance philosophy so that it can better align its compensation program with the company's financial performance.

Additionally, each company demonstrated a commitment to enhancing transparency to their stakeholders. With economic recovery plans deeply tied to vaccine availability and distribution, and to appease citizens' concerns over the safety and effectiveness of a vaccine,[21] keeping stakeholders informed is increasingly important for these companies' ability to build trust and deliver on the agreed strategic goals. One pointed to its recent decision to release its full clinical trial safety protocol to the public, while another notified us of its intention to strengthen its proxy statement. All three companies asked for feedback on areas for improvement.

During these engagements, we shared our views on board diversity, highlighted our position on director commitments, and commented on the importance of enhancing disclosures around pay practices so shareholders can adequately assess rigor and sustained performance. Given each company's elevated profile as a member of Operation Warp Speed, we also advocated for TCFD- and SASB-aligned reporting as an opportunity to mitigate shareholders' and other stakeholders' concerns regarding material environmental and social risks. The companies were receptive and informed BIS that they were in the process of reviewing the SASB standards and were assessing market trends and investors' perspectives.

Ultimately, we believe that how a company balances the needs of its stakeholders can either support or significantly impair its ability to deliver sustainable financial performance. That is why we are encouraged to see that these companies are dedicated to enhancing their corporate governance practices and adopting more sustainable business practices to build trust among their stakeholders and enable long-term value creation.

[21] Tyson, A., Johnson, C., Funk, C. September 17, 2020. U.S. Public Now Divided Over Whether To Get COVID-19. Vaccine. Available at: https://www.pewresearch.org/science/2020/09/17/u-s-public-now-divided-over-whether-to-get-covid-19-vaccine/

3 U.S.: Encouraging companies to align disclosure reports with the SASB standards through engagement and voting

Region	Americas
Engagement Priorities	Environmental risks and opportunities / Corporate strategy and capital allocation / Human capital management
Outcome	BIS continues to monitor the progress of SASB-aligned disclosures on material human capital management risks and opportunities at two companies in various stages of enhancing their sustainability reporting.

A company's disclosure that adequately reflects its financially material risks and opportunities helps inform investors, and other stakeholders, about a company's approach to a particular issue, and can signal leading or lagging practices and performance on the issue.

As discussed in our approach to engagement on the TCFD and the SASB aligned reporting, BIS considers the SASB standards an appropriate starting point for any company assessing its environmental and social risks and opportunities, including climate risk. SASB's stated purpose is to help businesses identify, manage, and report on the sustainability topics that matter most to its investors. The SASB standards are industry specific, enabling investors and companies to compare performance from company to company within an industry. As highlighted in the introductory section of this report, the increase in SASB-aligned disclosure reporting is a positive indication of companies taking the initiative to effectively communicate their material sustainability initiatives, as well as environmental and social risks and opportunities, to their stakeholders.

BIS engaged with several companies during the last quarter regarding the potential adoption of SASB standards aligned disclosures. Following our engagements, a number of companies conducted materiality assessments and decided to provide stakeholders with more information regarding their sustainability efforts, the governance associated with these efforts, and their impact on society.

Earlier this year, we engaged with Sanderson Farms and published a voting bulletin explaining our support for management during the company's annual general meeting after it committed to aligning their sustainability reporting with the SASB framework following engagements with its largest shareholders, including BlackRock. In September 2020, the company released its updated 2019 Corporate Responsibility Report aligned with SASB standards for the meat, poultry, and dairy sector. The report highlights the company's human capital management, supply chain (particularly family farmers), product safety protocols, and how they are engaging customers, the communities they serve, and the environment. They enhanced their disclosure regarding water stewardship, packaging/waste management, natural gas, and electricity usage. The company has hired a third-party consultant to measure their greenhouse gas emissions (GHG) and they expect to have additional GHG disclosure in its next report.

We also held a post-proxy season engagement with Genuine Parts, an automotive parts and industrial retailer and distributor. At their annual shareholder meeting in April, a shareholder proposal requesting human capital management disclosures was approved with 79% support, including from BlackRock. Since the proposal passed, the company has reviewed the SASB Multiline and Specialty Retailers & Distributors standards for all aspects of its business, including human capital management. The company explained its commitment to expanding its human capital management disclosure to include metrics regarding labor practices and workforce diversity and inclusion, along with details about its talent and development initiatives. In the meantime, the company published its 2020 Sustainability Report and a separate Human Rights Policy on 30 September 2020.

The company plans to also expand its disclosure regarding product sourcing, packaging and marketing, and include revenue from products that are third-party certified for environmental and/or social sustainability standards.

These case studies demonstrate the effectiveness of encouraging progress on sustainability disclosures through both direct engagement with companies and voting proxies at shareholder meetings that address issues material to a company's business model and that are consistent with our clients' long-term economic interests. BIS continues to seek greater understanding around the management and oversight of the appropriate business risks and opportunities, and to encourage more meaningful and material disclosures. We will monitor the progress of these two companies in regard to their efforts to enhance their sustainability disclosures.

4 U.S.: Large technology hardware company maps existing disclosures to the TCFD framework and SASB standards

Region	Americas
Engagement Priorities	Board quality / Environmental risks and opportunities / Human capital management
Outcome	As a result of ongoing multi-year engagement, the company mapped its existing set of disclosures to the TCFD framework and SASB standards.

BIS has held multiple engagements in recent years with a large technology hardware company to discuss our approach for evaluating environmental and social-related risks, as well as to encourage the company to adopt the TCFD framework and SASB standards to disclose climate-related risks.

The company has had a history of producing robust but decentralized and lengthy reports on environmental and social issues. Last year, we encouraged the company to disclose its approach to climate-related risks in alignment with the SASB standards and TCFD framework. At the time, the company determined the standards had garnered insufficient momentum to consider adoption.

The company informed BIS that as they reflected on their current ESG approach, and solicited shareholder feedback, it became clear there was an opportunity to enhance the sustainability disclosures relevant to the investment community. To that end, in 2020 the company established a cross-functional ESG Steering Committee that, among other achievements, has overseen the creation and publication of an ESG index, which maps its existing set of disclosures to the TCFD framework and SASB standards. We believe the company's shift in stance is critical and appropriate as the SASB's stated purpose is to help businesses identify, manage, and report the sector-specific sustainability metrics that matter most to its investors. As we shared with the company in our Q3 engagement discussion, we recognize enhancements to sustainability disclosures is an iterative process and consider this mapping a step in the right direction with further room for improvement. As market adoption of TCFD and SASB continues to grow, BIS looks forward to furthering dialogue on the relevance of each framework for reporting on all material environmental and social factors.

Our recent engagement discussion also touched on governance lessons the company learned in managing its workforce and supply chain while navigating COVID-19. The company noted the health and safety measures it adopted to ensure both employees and customers could safely interact as retail locations started to re-open across the globe. The company also highlighted the set of actions it took to support communities, such as the distribution of personal protective equipment (PPE) globally. Lastly, the company shared that in response to human rights-related risks in its supply chain, it recently adopted an official human rights policy, incorporating feedback from human rights experts and shareholders' views on the topic.

We plan to engage with a member of the nominating/governance committee to discuss the company's board composition, after sharing our concerns regarding board size, relative to industry peers, and the aggregation of skill sets required to support corporate strategy. As companies continue to navigate these unprecedented times and seek to appropriately identify and manage environmental and social risks and opportunities, we continue to believe sound governance is foundational to their ability to generate long-term shareholder value.

5 France: Automaker balances employee health and safety with the need to restart operations

Region	EMEA
Engagement Priorities	Human capital management
Outcome	The company shared with BIS how it balanced the physical, emotional, and psychological impact of the COVID-19 crisis on its employees, with the need for the business to restart operations.

Companies with a flexible operating model were better able to embrace a 'work from home' setting, support safe on-site working conditions for essential employees, and manage supply chain disruptions. By observing how their peers reacted, particularly in the APAC region that was affected by COVID-19 earlier than the rest of the world, some companies were able to replicate best practices locally.

That is the case of a European automaker we engaged with to understand how the company is managing the impact of COVID-19 on its operations as well as its employees. Given that the automaker operates manufacturing facilities in Wuhan, China, it was in a good position to adapt lessons learned from reopening these operations to the local culture and conditions in other locations which were subsequently reopening. For example, civil servants conducted on-site audits in the automaker's manufacturing facilities in China, while in Europe these were conducted by an internal committee.

When re-opening its European production sites, the company found that 20-25% of its employee population was not comfortable returning to work, despite the respective country having officially lifted the "lockdown." The company shared its approach to addressing this unease, making clear that the needs of employees with legitimate health concerns or care responsibilities would be accommodated. In the immediate term, the company still paid each employee's wages while they worked with the employee to address specific health and safety concerns. Separately, the company continued to pay wages for those employees who wished to stay home because of concerns about sending their children to school and that had obtained notes from those schools.

Over the course of three weeks, the company saw an increase in the number of employees returning to work. BIS considers the company to have demonstrated understanding and empathy in balancing the physical, emotional, and psychological impact of the crisis on its employees, with the need for the business to restart operations.

We further discussed a return to operations for the company as a whole, beyond the production teams. The company shared how it shifted non-production work to a remote setting during the crisis and has now determined to adopt new remote working practices more permanently. Employees whose activity does not require them to be physically on-site can now work remotely two-thirds of the time. At this time, the automaker has safely restarted operations and all production sites have reopened. The automaker has also made progress regarding its commitments to reduce CO2 emissions and does not see the COVID-19 crisis as a reason for the industry to postpone steps to meet CO2 reduction targets.

BIS will remain in contact with the company to obtain updates as it continues to adapt to the evolving COVID-19 situation. We will also continue to engage to monitor the company's progress on its environmental-related commitments.

6 UK: Food retailer prioritizes human capital management to ensure business continuity, while maintaining its commitment to its sustainability agenda

Region	EMEA
Engagement Priorities	Environmental risks and opportunities / Human capital management
Outcome	BIS learned how the company placed a clear focus on its employees and suppliers as it designed its response to COVID-19, while maintaining its commitment to its pre-pandemic sustainability agenda.

We engaged with members of the board, including the board chair, of a UK food retailer to understand how a company on the frontline of the pandemic managed the impact of COVID-19 on its multiple stakeholders—employees, customers, suppliers, and communities. We were pleased to learn that the company's commitment to its sustainability agenda had not been impacted by the crisis, as we view the retailer as a leader within its industry for its development and oversight of various sustainable business practices.

We saw a clear focus on the importance of the company's employees. The company distributed a 10% salary bonus during the early stages of the pandemic for frontline workers. It also took steps to ensure at-risk staff could shield without any impact on their pay. The company's ongoing efforts to make its supply chain more resilient were also visible during the crisis, through a resourceful approach to supporting its community of suppliers, for example by taking produce that would ordinarily have been sold to the hospitality sector (which was largely closed) and by amending some smaller suppliers' contractual terms.

We followed up this engagement with a more in-depth conversation with the chair of the company's corporate responsibility committee, whose role it is to ensure board oversight of material sustainability matters. This engagement affirmed how strong business practices can be supported by a front-footed approach from the board, led by a dedicated committee that is able to draw on expertise from within its own membership. The chair has a strong understanding of the company's supply chain, having joined the board after a decades-long career at one of the company's suppliers. The committee also has good access to recognized experts within the business, the result of which is a well-informed and thoughtful approach to multiple sustainability issues from climate-related risks to stakeholder engagement.

We discussed BIS' stated desire for companies to provide enhanced disclosures on their management of sustainability issues, to which the committee was responsive – the committee chair shared our view that transparency is an important aspect of demonstrating commitment and tangible progress. We see the company being well-positioned to meet our increasing expectations in this area as we move into 2021.

7 UK: Designing a purpose-driven recovery plan ensuring a fair deal for stakeholders impacted by the company's reorganization

Region	EMEA
Engagement Priorities	Corporate strategy and capital allocation / Human capital management
Outcome	The company shared with BIS its commitment to base its recovery plan on purpose – ensuring a good and fair deal for all the company's stakeholders.

As companies managed their response to COVID-19, we recognize that in some cases, companies were forced to reorganize, and at times reduce, their workforce as a result of temporary shutdowns or definitive closures. In such cases, we asked companies to explain if they did so in a responsible way.

This quarter we continued our long-standing engagement with a UK company that operates food outlets in transportation centers such as airports and train stations. As a result of the global lockdown during the early part of the crisis, the company's revenues were expected to drop by around 85% year-on-year in the second half of its 2020 financial year. Given the ongoing challenges that stand in the way of public transport numbers increasing, the company subsequently announced in July a major reorganization that could lead to 5,000 UK employees – more than half of the workforce – being made redundant.

In our latest conversation with the company, we focused on how it has adhered to its sense of purpose in navigating the crisis. Following a change in CEO leadership in 2019, the company had re-focused on its employee proposition and had identified ways in which this proposition could be improved – notably, through prioritizing a more empathetic style of people management, and by achieving a better balance between human capital management and the growth ambitions of the business. The importance of this reorientation has come very much to the fore during the crisis, which confirmed to the company how its success, both now and looking forward, depends on a strong sense of togetherness and recognizing its people as assets – values that the company has sought to put at the heart of its business.

In reflecting on what it means to fulfill its purpose in the current environment, the company shared with us its commitment to base its recovery plan on a strong sense of fairness – ensuring a good and fair deal for all the company's stakeholders. In our engagement, we discussed the importance of this approach being embedded in the company's strategy, and of robust disclosures that demonstrate how its commitment is shaping day-to-day business practices. In this respect, we encouraged the company to adopt and report against relevant SASB standards, and we will be looking to see how this informs the company's future reporting.

In relation to the ongoing redundancy consultation, we will be looking for the company to demonstrate how the commitment to fairness is reflected in decisions around allocating capital in a cash-constrained environment – considering, for example, the redundancy terms offered to employees and the extent of the company's plans to assist with re-skilling. In this context, we welcomed the company's focus during our engagement on remuneration – both that of the executives and the wider workforce – and how this might be structured going forward to ensure that everyone was appropriately incentivized to grow the business out of the crisis.

8 UK: Financial services company refreshes its purpose to better reflect the views of multiple stakeholders

Region	EMEA
Engagement Priorities	Corporate strategy and capital allocation / Human capital management
Outcome	The financial services company incorporated stakeholder feedback to refresh its corporate purpose and enhance its position as a "good partner" in the countries in which it operates in.

Throughout 2020, BIS has had multiple engagements with a UK financial services company to address a range of governance themes, including human capital management and corporate strategy and capital allocation. During Q3, BIS met with corporate leadership to discuss the company's recent updates to its corporate strategy and the alignment of this strategy with its refreshed purpose. The company believes a strong sense of purpose is a driver of long-term profitability and as such, this is making companies evaluate their place in, and contributions to, society.

Management communicated that the company's refreshed purpose was drafted drawing from the results of a survey answered by a significant proportion of its employee base globally. According to management, purpose drives culture and the exercise propelled the company to shift from a "what we won't tolerate" culture to one where employees feel empowered to proactively think about what they can do to have an impact on society.

In particular, the CEO shared with BIS how important it is for the company to demonstrate how it can become a good partner in the countries it operates in and the impact of its businesses in improving financial health and inclusion in these communities. To that end, it will be focusing on growth businesses in Asia and Africa, where low-insurance penetration and large populations in need of these services create an opportunity for the company to have an impact. This enables better collaboration with the local regulators and leads to the delivery of initiatives that create long-term value for both customers and shareholders.

Additionally, the company shared the series of actions it has been taking to help its employees, customers and communities throughout the pandemic. Efforts spanned from flexible "work-at-home" programs for employees, COVID-19 protection and flexible premium payment options for customers, and the launch of a $2.5 million COVID-19 relief fund for communities. BIS will continue to engage with the company to learn how management is delivering on its updated strategy and refreshed purpose and how it continues to take into consideration stakeholder feedback, including that from shareholders.

9 Germany: Apparel company faces employee complaints over handling of diversity issues

Region	EMEA
Engagement Priorities	Human capital management
Outcome	BIS engaged with a company to understand how it will establish itself as the employer of choice for the workers on whom it depends, after facing employee complaints over the handling of racial equity issues.

The demonstrations against racial inequality that took place in the U.S. during the summer, and quickly replicated across Europe and other regions, underscored the importance of addressing the S in ESG, placing companies' license to operate under greater scrutiny.

Such was the case of a German apparel company that faced several employee complaints over the handling of racial equity issues, which culminated in the departure of the company's global head of human resources (HR). BIS engaged with corporate leadership to understand the internal and external impact of these issues and learn what measures were being put in place by management to avoid similar instances in the future, as well as what actions were being taken to advance diversity, equity and inclusion (DEI) efforts.

While corporate leadership emphasized that its global diversity efforts should not be judged solely through a U.S. racial equity lens, it did recognize the importance of recruiting, retaining, and promoting more ethnically diverse employees into management positions. To accomplish this goal, the company established a new global committee to accelerate inclusion and equality and set specific key performance indicators (KPIs) for its U.S. business (including a new target that at least 30% open positions be filled with Black and Hispanic talent, and that 12% of leadership positions be filled by Black and Hispanic employees by 2025). Recognizing the importance of building an authentic connection with racial and ethnic minority communities, the company has also committed funding to grassroots entrepreneurial and scholarship programs which it believes will help support and empower those communities.

Company management also shared that the hiring process for a new HR head was well underway, and that they were looking for someone with strong views on how to take the company forward. Since our last engagement the company has announced an appointment. In keeping with what we heard during our engagement, the company has said that it expects the new hire's proven understanding of people and inclusion to help make it a truly diverse, inclusive, people driven, and equitable company.

As described in BIS' approach on human capital management, in our view it is important for companies to explain how they establish themselves as the employer of choice for the workers on whom they depend. While we welcome the company's decision to reorient its leadership around inclusion and equality and establish new and stretching KPIs to advance its goals, we will closely monitor the company's progress against these. Additionally, we plan to engage in the coming months with the company's Supervisory Board to understand better its role in overseeing the strategic implementation of these goals.

10 Thailand: Full steam ahead on sustainable business practices

Region	APAC
Engagement Priorities	Environmental risks and opportunities / Human capital management
Outcome	Our engagement increased our understanding of the company's efforts to enhance its sustainability practices, including ethical recruitment and to ensure proper board and management oversight

This quarter, BIS engaged for the first time with a global processor and exporter of canned and frozen seafood based in Thailand. We were interested in learning more about the company's sustainability program, as well as some of the various material issues impacting its supply chains.

The company's sustainability strategy has significantly evolved since the mid-2010's following a decision by the CEO and management to embark on a strategy focused on sustainability and innovation as a market differentiator. The company described the decision to move from separate regional approaches to corporate social responsibility (CSR) and instead cover sustainability from a global perspective with dedicated personnel. The company also enhanced its sustainability governance by hiring a global director of corporate affairs and sustainability who reports directly to the CEO and is a member of the global leadership team, while also sitting on the board's risk management committee. Sustainability has been on the risk management committee's agenda since that executive was hired. According to the company, the decision to boost their sustainability initiatives came amid intense media scrutiny of the company, including allegations of illegal, unreported, and unregulated fishing as well as associations with forced labor practices. While already in the process of addressing these issues, the media scrutiny expedited the company's efforts to enhance and prioritize sustainability-related business practices.

The company has seen progress in this regard, as it has been ranked at the top spot on the Dow Jones Sustainability Indices (DJSI) for its sector for two consecutive years. The company also sits at the top of the Seafood Stewardship Index. It advised that 79% of its branded tuna is responsibly sourced (either Marine Stewardship Council certified or in a Fishery Improvement Project) - achieving a 2020 target of 75% responsibly sourced branded tuna. Management is currently discussing a timeline for the goal of 100% responsible sourcing of branded tuna. However, the company recognizes that there is room for improvement on its environmental initiatives and targets. The company stated that consideration of carbon offsets and setting science-based targets is currently underway.

The company explained that it focuses ethical recruitment efforts on its own operations of about 14,000 employees. They are also in the process of targeting possible ethical recruitment for vessels, though it is a highly complex issue given that the company does not directly own the vessels. The company initiated an ethical recruitment policy in 2015, which shifted from recruiting using brokers in Thailand to in-house recruiting efforts. Around the same time, the company began working with the Migrants Workers Rights Network (MWRN) which facilitated meetings between workers and governmental representatives. We welcomed the company's progress on sustainable business practices and commitments to ethical recruiting. We will continue to monitor these efforts to evaluate the company's progress, and we will actively engage the company with a focus on their human capital management and environmental targets in order to confirm that there are appropriate levels of board and management oversight.

11 Greater China: Oversight of human rights and risk management takes center stage

Region	APAC
Engagement Priorities	Board quality / Environmental risks and opportunities / Human capital management
Outcome	The engagement shed light on the company's evolution of its board and management's oversight of human rights issues surrounding controversies at a mining site.

BIS considers human capital management an important investment issue. We believe that to deliver value for shareholders, companies must also balance the needs of other stakeholders — employees, suppliers, customers, and the communities in which they operate. How companies do so can either support or jeopardize their ability to deliver sustainable long-term, risk-adjusted returns.

BIS engaged with senior management at a large cement company to understand the company's response to controversies regarding the impact of one of its mining sites on local indigenous communities. BIS was also keen to understand the company's approach to assessing, managing, and mitigating environmental risks and opportunities, following criticism by non-governmental organizations (NGOs) and negative media coverage on the impact of the company's mining operations on the local environment and surrounding communities.

During our engagement, senior management shared that the company's leadership is highly involved in the situation at the mining site, performing frequent visits by a company executive and holding regular meetings between the CEO and the site's general manager. The company also shared it had engaged in close and constructive communication with the families that live in the affected areas, and that it had reached agreements with most of the local families. The company expects to reach agreements with the remaining affected families by 2021.

To further evaluate the company's overall sustainability practices – including the board's oversight level of human capital management and governance issues – we discussed the company's employment practices, particularly the long average tenure rate for employees, with about 34% having been with the company for over twenty-five years. As explained in our commentary on our approach to human capital, we consider human capital management a board and a management issue. We would expect a company's board to be deeply engaged in the oversight of a company's strategy and the defining of a company's purpose to help ensure the effective strategic implementation of human capital management throughout their organization. Management expressed a high regard for employees, and in return, the strong sense of belonging that employees feel towards the company. The company also shared a well-crafted internal employee training program and robust succession planning is in place. However, the company is aware that there is room for improvement, particularly as it relates to compensation. To this end, it is currently working on enhancing its remuneration system to improve employee incentives.

On governance issues, BIS voiced our concern regarding the potential for insufficient level of board independence given that its current composition only meets regulatory requirements. Management is aware of best practices regarding board independence levels and expressed a willingness to listen to and share investors' concerns about this topic with the board.

While we are encouraged by the company's policies and assurances, we will continue to monitor the company's progress and the board's oversight level of environmental risks and opportunities, human capital management – including continued engagement with the local communities - and the overall improvement of corporate governance practices to help maximize long-term shareholder value for our clients.

12 Greater China: Large consumer electronics manufacturer reacts swiftly to protect their over one million employees during the pandemic

Region	APAC
Engagement Priorities	Corporate strategy and capital allocation / Human capital management
Outcome	BIS gained good understanding of the company's response to COVID-19 and measures to keep its more than one million employees safe as they returned to the manufacturing facilities in multiple markets.

The BIS team engaged multiple times with a manufacturer of consumer electronics in China to understand and monitor their response to the COVID-19 pandemic. BIS was keen to learn the measures the company took to keep its more than one million employees safe as they returned to manufacturing facilities in multiple markets. BIS also engaged to understand the company's approach to human capital management over the long-term, considering the industry's fast-paced adoption of automated processes against the backdrop of an aging workforce in China.

The company's swift reaction to the pandemic was critical for two main reasons: it employs over one million people - including contract workers, spread across over 20 countries (in its factories and service centers) – and, it is one of the main suppliers of the largest technology companies in the world.

Through our engagements, the BIS team learned how the company quickly mobilized and deployed a top-down response strategy. The company installed a central response team led by the CEO and chairman of the board and advised by medical specialists. Local response teams were then set up in each of the markets the company operates in. The response teams were in charge of ensuring employees were equipped with personal protective equipment (PPE), following social distancing measures at factories, and granted access to COVID-19 testing kits if needed, among other safety measures. The company also quickly acted to design and produce face masks for employee use at its China factory within three days. Face mask production followed in factories located in the Czech Republic, Japan, Taiwan, and the U.S.

The company's medical business arm played a crucial role as well, as it allowed the manufacturer to tap into its network of experts to assess the company's response at the local level. The company also shared with BIS it liaised with local government officials to understand each location's procedures for re-opening, prioritizing social distancing over maximum production.

The company is well-aware of the possibility of a labor shortage in the short-term. The preferences of China's younger population are changing, and people are growing less interested in working on assembly lines. To ensure adequate labor supply during peak production season (September-December) the company shared it offers attractive compensation packages that include full pension contributions for contract workers.

Over the long-term, as the industry at-large automates and the demand for trained workers increases, company management understands it must adapt its approach to human capital management to deliver the company's long-term corporate strategy and maintain its competitive position in the market. To address potential labor shortages, the company informed BIS that over the course of the next ten years management is looking to expand the company's operations into other emerging markets whilst adopting automated processes at its facilities.

13 Malaysia: Engagement with a manufacturing company facing forced labour allegations, followed by a U.S. import ban

Region	APAC
Engagement Priorities	Human capital management
Outcome	The engagements increased our understanding of the board's oversight level of the company's labor practices and measures it is implementing to resolve the U.S. import ban on two of its Malaysian subsidiaries.

The COVID-19 pandemic has increased scrutiny over companies' labor practices, particularly in industries that employ essential workers or that supply them with the personal protective equipment (PPE) they need to safely perform their jobs. The BIS team engaged on two occasions with a manufacturing company that primarily serves the healthcare industry.

Following forced labor allegations raised by NGOs and human rights activists, in July 2020, U.S. Customs and Border Protection (CBP) issued a Withhold Release Order (WRO)[22] banning imports of disposable gloves manufactured by two of the company's subsidiaries located in Malaysia. That same month, BIS engaged with corporate leadership to discuss the WRO and concerns over the company's labor practices, including excessive overtime, the employment and working conditions of migrant workers, as well as allegations of debt bondage[23] and potential remediation measures.

During our first engagement, the company shared with BIS it had reached out to CBP to work towards a speedy resolution to lift the import ban. To this end, the company would submit to CBP an audit report on its labor practices conducted by an independent consultant who interviewed more than 1,000 workers. (According to the company's public records, the audit report was submitted to CBP in September.)

BIS also learned about the company's plan to issue remediation payments, including the retroactive application of its "Zero Recruitment Fee" policy, established in January 2019 to prevent debt bondage practices across its subsidiaries. In August, the company issued the first of 12-month remediation payments for all workers hired prior to the establishment of the policy.

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[22] Section 307 of the U.S. Tariff Act of 1930 (19 U.S.C. § 1307) prohibits the importation of merchandise mined, produced or manufactured, wholly or in part, in any foreign country by forced or indentured labor – including forced child labor. When information reasonably but not conclusively indicates that merchandise within the purview of this provision is being imported, the CBP Commissioner may issue a WRO. Source: U.S. Customs and Border Protection. Available at: https://www.cbp.gov/trade/programs-administration/forced-labor

[23] Debt bondage exists when labourers (sometimes with their families) are forced to work for an employer in order to pay off their own debts or those they have inherited. Source: International Labour Organization (ILO). Available at: https://www.ilo.org/empent/areas/business-helpdesk/WCMS_DOC_ENT_HLP_FL_EN/lang--en/index.htm

The amount to be paid to each worker was calculated considering: International Organization for Migration (IOM) guidelines; the number of years the worker has been employed by the company; and the independent consultant's research.

Following the first engagement, the BIS team had a meeting with the board's senior independent director to follow-up on the CBP import ban and learn how board-level oversight is practiced over human capital management issues, as well as other sustainability-related risks. According to the company, this was the first time it received a request from investors to speak with an independent director.

The rubber glove industry will be under increased scrutiny in the future over its labor practices, especially after its recent inclusion to the 2020 U.S. Department of Labor's Trafficking Victims Protection Reauthorization Act (TVPRA) list. As such, BIS will continue to engage with the company to monitor forced labor allegations, as well as the outcome of the company's request to remove the CBP import ban.

Responsible Leadership

Speaking Events:

Members of the BIS team participated in several virtual events over the past quarter, with the goal of furthering discussion on matters deemed important to investors and/or promoting an increased understanding of BlackRock's approach to investment stewardship. We prioritize events that enable us to connect with key constituents and thought leaders, including corporate directors, senior members of management teams, policy makers and other shareholders, including clients.

Speaking events have not tapered off as a result of COVID-19, and in fact have increased as a means for practitioners to stay connected and monitor trends. We observed three key themes in events this quarter: ESG, an increased focus on purpose as a result of the crisis, and the changing role and expectations of boards.

Global

Citigroup, Inc. "Sustainability, ESG and Alpha" Summit

During September 14-18, Citi Institutional Client Group coordinated the "Sustainability, ESG, and Alpha" summit – a weeklong virtual summit dedicated to sustainability and the growing importance of ESG considerations. The summit brought together sovereigns and corporates, investors, investment managers, leading technology innovators, and other financial industry participants to explore the future of sustainability and ESG investing. BIS participated as a co-panelist in the session on "Responsible Asset Ownership: Encouraging Corporate Change" to share our conviction that climate risk is investment risk, as well as our fiduciary approach to ESG-related risks.

Americas

U.S.: *IR Magazine's* ESG Integration Forum

In July, BIS participated in *IR Magazine's* ESG Integration Forum. The Forum was convened to discuss outcomes from this past proxy season and address investor expectations for improved ESG practices. During the event, we participated in a panel that explored how the COVID-19 pandemic has impacted ESG and shared our perspective on how companies should continue to maintain a long-term view to ensure sustainable financial performance and resiliency. Participants included corporate representatives and experts in investor relations, finance, sustainability, governance, risk, and compliance.

U.S.: World Economic Forum (WEF) Mining and Metals Industry Action Group Roundtable Discussion

In August, we contributed to the WEF Mining and Metals Industry Action Group's working session on the importance of accelerating corporate purpose during times of crisis. The Group, which was convened to support the mining industry's response to the COVID-19 pandemic, discussed challenges associated with quantifying ESG risks and encouraging transparency on ESG data.

U.S.: The Deal Economy: Predictions and Perspectives

In September, BIS participated in the Deal Economy, a virtual event for senior corporate executives, private equity and institutional investors, and corporate advisers to gain insights on navigating deal making during an uncertain market environment. During a panel session on balancing sustainability and growth, we discussed best practices for companies looking to demonstrate ESG integration to respond to increased investor demand.

U.S.: Pearl Meyer and WomenCorporateDirectors (WCD) Report on Workforce Disruption

In September, Pearl Meyer and WCD published the report titled "Work Has Changed: How Boards Navigate Disruption and Drive Human Capital Transformation". The report, which BIS contributed towards, provides a roadmap for boards and management teams to reframe risks related to workforce disruption into opportunities for shareholders and other stakeholders.

Latin America: Engagement with the region's corporate governance ecosystem

BIS participated in over 30 regional and country-specific virtual events in Latin America where we discussed the importance of adopting sound corporate governance and business practices to create long-term, sustainable growth, and how we approach specific ESG-related risks. Events included the Investment Stewardship Webinar organized in partnership with BlackRock Mexico and the Mexican Stock Exchange (BMV), attended by more than 140 representatives from the largest public companies in Mexico. We also participated in Baker McKenzie's podcast series on resilience, recovery, and renewal in the aftermath of the COVID-19 pandemic, where we communicated our views on how ESG practices can support long-term value creation.

Europe, Middle East, and Africa (EMEA)

UK: BlackRock Investment Forum 2020

BIS participated in BlackRock's two-day flagship investment forum during September 2020. The forum was an opportunity for clients and investors to hear from BlackRock's macro-economic and political strategists as well as our portfolio managers. They provided their perspectives and insights on the current market landscape and outlined some compelling solutions. The forum covered a diverse set of topics to address specific interests in different assets classes and investment styles, including redesigning portfolios with ESG or healthcare as drivers of thematic investing. BIS participated in the session focused on what ESG means for companies from an investment stewardship perspective.

UK: McKinsey & Company – Board Intelligence Forum

The Board Intelligence Forum (BIF) aims to bring the latest in management thinking to non-executive directors. The forum dedicated its September issue to discuss the social impacts derived from COVID-19 and other recent events that have highlighted the need for businesses to contribute to strengthening society. BIS shared how we are currently shaping our views towards an increased focus on the S in ESG, among other material business risks.

UK: *portfolio institutional* September 2020 issue

BIS participated in a panel interview featured in the September edition of *portfolio institutional*. BIS shared our views on executive compensation, including that we expect executive pay to be linked to a company's long-term strategy and goals. BIS also shared our observations on remuneration trends in the context of COVID-19, as well as our views on human capital management, as we believe the social pillar in ESG will come further into focus as a result of the COVID-19 crisis.

Asia-Pacific (APAC)

China: Panel discussion organized by the Shanghai Stock Exchange

In September, BIS participated in a panel discussion, “Dialogue with International Investors: ESG Capacity Building for Listed Companies”, organized by the Shanghai Stock Exchange. Other panelists included representatives from two international asset managers as well as senior executives of two listed companies in Shanghai. We emphasized the importance of having direct board oversight of sustainability issues and continued recommending both the TCFD framework and the SASB standards for Chinese companies that have recently begun ESG reporting. The local regulator is expected to make such disclosure mandatory and announce the new rule by the end of 2020.

India: Sustainable Finance Collaborative Webinar co-hosted by the Department of Economic Affairs at the Ministry of Finance

BIS participated in a Sustainable Finance Collaborative Webinar on 28 August 2020 hosted by the Department of Economic Affairs at the Ministry of Finance in India, together with the SDG Finance Facility platform at the United Nations Development Programme. The panel consisted of approximately 30 invited guests on the topic of “Promoting Comprehensive Sustainability Disclosures by Corporate India.” BIS emphasized the central role of good governance and the TCFD and SASB for reporting material and comparable sustainability information by listed companies.

Malaysia: The Cooler Earth Sustainability Summit, organized by CIMB

BIS participated as a speaker in “The Cooler Earth Sustainability Summit 2020” webinar organized by CIMB, a leading commercial bank in Malaysia. BIS participated in the session titled “A message from investors to boards” on 22 September 2020 speaking to approximately 300 corporate representatives in the ASEAN region. We emphasized the greater responsibility that boards have in oversight of sustainability issues and the increased focus that BlackRock is placing on sustainability-related disclosures and targets, which will determine our voting actions from 2021 and onwards in this region.

Thailand: Panel discussion hosted by the Thai Listed Company Association

BIS participated in a virtual panel discussion hosted by the Thai Listed Company Association on 30 September 2020, speaking to management and investor relations professionals of approximately 70 publicly listed companies in Thailand. The panel was also joined by the CFO of one of Thailand’s largest companies. We emphasized the importance of engaging with investors during the pandemic, sharing how the board has put in place structures and policies to manage the shorter-term risks posed by COVID-19, as well as institute necessary changes to capture the growth opportunities in a post-crisis environment. We highlighted the connection between resilience with strong sustainability practices and BlackRock’s emphasis on stronger disclosures aligned to the TCFD framework and the SASB standards.

Market Development and Trends

Americas

SEC Regulation S-K Final Rulemaking

On 26 August 2020, the U.S. Securities and Exchange Commission (SEC) approved rule amendments to modernize corporate disclosures in public companies' Regulation S-K filings. The proposed amendments address human capital as a disclosure topic, requiring companies to include any human capital measures or objectives "to the extent such disclosures would be material to an understanding of the registrant's business." Notably, the changes follow a principles-based approach, allowing companies to report only on items they deem material to their business. As we have stated before, we believe that clear and consistent reporting on these matters is critical. We are encouraged by this development and will continue to refer to SASB's materiality framework as a helpful tool for companies considering enhancing their disclosures on industry-specific human capital metrics.

SEC Amendment to Exchange Act Rule 14a-8

On 23 September 2020, the U.S. Securities and Exchange Commission (SEC) voted to amend Exchange Act Rule 14a-8 by raising the ownership threshold to submit a shareholder proposal. Currently, shareholders must hold at least $2,000 or 1% of a company's stock for at least one year. Under the new rule, which will go into effect in 2022, shareholders submitting a shareholder proposal will have to meet one of three thresholds: $2,000 of the company's stock for at least three years; $15,000 for two years or $25,000 for one year, among other changes.[24]

Europe, Middle East, and Africa (EMEA)

EU: Shareholder Rights Directive (SRD II) – Implementation of Engagement Policy

As noted in our Q2 2020 Global Quarterly Stewardship Report, BIS has contributed to BlackRock's reporting, both to institutional investor clients and publicly, to meet the requirements of the revised Shareholder Rights Directive (SRD II). In September 2020 BIS published the firm's SRD II Engagement Policy implemented during the period from July 2019 to June 2020. The implementation statement gives an overview of our approach and information on our voting record, as well as details of what we considered the most significant votes during the relevant period, and where explanations of our voting decisions in those cases could be found on our website. The publication of the statement furthers our commitment to transparency around the work that BIS undertakes on behalf of our clients.

Asia-Pacific (APAC)

China pledged to achieve carbon neutrality by 2060

China pledged to peak national carbon dioxide (CO2) emission by 2030 and achieve carbon neutrality by 2060, as declared by President Xi during his speech at the United Nations General Assembly in September 2020. While

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[24] *BlackRock SEC Comment Letter – Staff Roundtable on the Proxy Process.* Submitted November 16, 2018. Available at: https://www.blackrock.com/corporate/literature/publication/sec-roundtable-proxy-process-111618.pdf

China had made a similar commitment on CO2 emissions in 2015 under Paris Agreement, it was the first time that the world's largest carbon emitter committed to a carbon neutral target. More details on the roadmap to achieving these targets is expected to be disclosed in China's 14th Five-Year Plan in November 2020. BIS will leverage this momentum and continue engaging Chinese companies in our clients' portfolios to understand their plans for aligning with the newly declared national targets and to urge more disclosure on the topic of climate risk and adaptation to a low carbon economy.

India: Securities and Exchange Board of India (SEBI) Consultation on Business Responsibility and Sustainability Report

The (SEBI) conducted a consultation that closed on 18 September to expand the current Business Responsibility Report to a Business Responsibility and Sustainability report. BlackRock endorsed this proposal and recommended, among others, that companies be required to disclose medium-term sustainability targets wherever relevant and to encourage issuers to provide reporting aligned to the TCFD framework and SASB standards. Our response is available on the BIS website.

Japan: BlackRock Japan joined 30% Club Japan's Investor Group

The 30% Club Japan was launched in May 2019 with a goal to achieve 30% representation of women on the boards of TOPIX 100 companies by 2030. BlackRock Japan joined the 30% Club Japan's Investor Group in July 2020. As of September 2020, the 30% Club Japan's Investor Group has 24 members, both asset managers and asset owners. The 30% Club Investor Group is a global effort to co-ordinate the investment community's approach to diversity. BlackRock is an active member since it was established in 2011 and participates in local chapters in the UK, the U.S., Australia, Brazil, and now Japan. [25]

Japan: Contribution to METI's "Practical Guidelines for Business Transformations"

BIS participated in The Business Transformations Study Group at the Ministry of Economy, Trade and Industry (METI), which in July 2020 released "Practical Guidelines for Business Transformations" to encourage Japanese companies to review their business portfolio in order to achieve sustainable growth. BlackRock attended the six meetings that the group held since January 2020, where we stressed the importance of board oversight in the review of each company's business portfolio.

Japan: Contribution to METI's "Practical Guidelines for Independent Directors"

METI published new "Practical Guidelines for Independent Directors" following the discussions held by the Corporate Governance System Study Group (in its second term). The Study Group formulated practical guidelines for listed companies to improve corporate governance practices, in light of the Corporate Governance Code. The new guidelines for independent directors leveraged an extensive survey and interviews conducted by METI, and incorporated insights from members of the Study Group, including BlackRock.

Monetary Authority of Singapore's public consultation on Proposed Guidelines on Environmental Risk Management for Financial Institutions

In August 2020, BlackRock submitted a response to the Monetary Authority of Singapore's public consultation on the Proposed Guidelines on Environmental Risk Management for financial institutions. We voiced our support for the guidelines but highlighted a few areas where the proposed draft could be refined, such as distinguishing

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[25] See more at https://30percentclub.org/initiatives/investor-group

the difference between investment risk from enterprise risk as well as the difference in the role of an asset owner and that of an asset manager. BlackRock's response to the consultation is available on our website.

South Korea moving to ban overseas coal-financing for state-owned entities

On 28 July 2020, four draft legislation bills were filed by the ruling party to prevent further financing and development of overseas coal-powered plants by state-owned utilities, as well as state-owned financial institutions. While the timeline of National Assembly ruling is yet to be decided, this is a welcome development that is aligned with BIS' ongoing engagements with Korean state-owned enterprises and financial institutions on offshore coal-power projects.

Taiwan regulators propose new corporate governance roadmap

The Taiwan Financial Supervisory Commission (FSC) proposed "Corporate Governance 3.0 – Sustainable Development Roadmap" in August 2020, a three-year flagship program designed to promote company commitments to sustainable corporate development. The roadmap identifies 5 action plans that will strengthen the functions of boards, enhance company transparency, strengthen communication with stakeholders, encourage stewardship, and cultivate corporate culture around sustainable governance. We welcome these developments as an enhancement of market practice and are encouraged with the announcement of key proposals including increasing board independence level progressively to one third, a recommendation to establish nomination committees, as well as referring to the TCFD and SASB reporting framework for enhancing sustainability information disclosure. BIS will continue to engage with companies in order to promote sound corporate governance and best practice disclosure in line with the Roadmap.

Appendix

Proposal Terminology Explained:

Management Proposals

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

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

Election of Directors and Related Proposals — a broad category which includes the election of directors, supervisory board matters, declassification of boards, implementation of majority voting, among others.

Non-salary Compensation — covers shareholder approvals of compensation related matters like advisory or binding votes on remuneration, omnibus stock plans, vote frequency, and special compensation situations.

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

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

Shareholder Proposals

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

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

Social — includes shareholder proposals relating to a range of social issues such as reports on pay disparity, requests for enhanced anti-bias policies, or reports on human rights policies.

Other — includes a number of shareholder proposals that fall outside the categories that most shareholders would view as ESG proposals. These resolutions include (but are not limited to) electing directors in contested situations, appointing internal statutory auditor(s) nominated by shareholders, amending articles/bylaws/charters, and approving the allocation of income/income distribution policy. Additionally, there are a substantial number of shareholder proposals in Greater China relative to other markets. This is due to the China Securities Regulatory Commission (CSRC) requiring companies that have a foreign listing to submit their proposals 45 days prior to the meeting (which applies to all Chinese companies that have an A-share listing in China together with H-shares listed in Hong Kong). However, the CSRC allows shareholder proposals for these companies to be included up to 10 days prior to the meeting. The result is that many shareholder proposals are submitted by controlling shareholders and are, in effect, late agenda items from management

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