BlackRock Investment Stewardship

Q3 2021 Global Quarterly Report

October 2021

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The BlackRock Investment Stewardship (BIS) team publishes global quarterly reports to provide transparency on BlackRock's approach to corporate governance engagement and the role stewardship plays in supporting long-term sustainable value creation for our clients.

This report includes examples of our Q3 2021 stewardship efforts across our three regional teams – Americas; Europe, Middle East, and Africa (EMEA); and Asia-Pacific (APAC) – offering a perspective of the wide range of issues our team addresses when focusing on our engagement priorities. Environmental, social, and governance (ESG) considerations, emerging practices or issues, and notable company-specific developments feature prominently in our work. Engagement in the public domain, which includes responses to formal policy consultations and presentations, as well as informal discussions at conferences, is also an important part of our work.

Pursuit of sustainable long-term value

BlackRock Investment Stewardship (BIS) encourages sound corporate governance and sustainable business models that can help deliver the long-term financial returns that enable clients to meet their investing goals. We do this through engaging with companies and proxy voting on clients' behalf.

BlackRock Investment Stewardship's (BIS) approach is anchored in BlackRock's investment convictions about what drives long-term value. The assets we manage on behalf of clients — who are the true owners of the companies we invest in — represent the futures of millions of people across the world. BlackRock's fiduciary approach is central to our role as an asset manager: it is clients' money we manage, not ours.

To that end, BIS undertakes all our activities – primarily engaging with companies, voting on clients' behalf, and furthering dialogue with the stewardship ecosystem – with the goal of advancing clients' long-term economic interests. We aim to be as transparent as possible and are publishing this report to provide insight into our work during Q3 2021.

Each year, the third quarter is typically a quieter one given it follows the conclusion of a busy proxy season in much of the world. This year was no different, with our Q3 2021 activities reflecting a similar annual pattern and alignment to those of Q3 2020.

BIS continued to urge companies to focus on the governance and sustainability risks and opportunities that can impact their ability to generate long-term financial returns. As the world keeps navigating a range of challenges – for example, the emergence of a new COVID-19 variant, hurricanes resulting in massive floods, and strained supply chains, to name a few – companies' operations and financial resilience also faced continued pressure. Once again, we observed that solid corporate governance is a critical factor in companies' ability to respond to these challenges.

BIS Q3 Key Highlights

- Held more than **570** engagements with **520** unique companies
- Focused **330+** engagements on environmental issues
- Voted against **17** directors for climate-related concerns*
- Supported **2 of 5** total environmental and social shareholder proposals
- Voted against management on one or more proposals at **39%** of shareholder meetings

* Abstentions are included. For further detail please see Appendix Section. Votes against directors reflect purely director elections.

Our engagement with companies often spans multiple months and even years. As shown across select case studies in this report, after continued engagement with shareholders and other key stakeholders, we are encouraged by the fact that more and more companies are enhancing their risk management processes to better identify and manage material environmental, social, and governance (ESG) risks and opportunities that may impact their operational resilience. In Q4 2021, we will continue to engage on these material issues and monitor companies' progress in the pursuit of sustainable long-term value creation.

BlackRock was founded on the core premise of understanding investment risk and staying ahead of our clients' needs, to enable them to achieve their long-term investment goals. BIS plays a key role in helping clients navigate the governance and sustainability risks and opportunities at the companies they are invested in that, in our view, can affect their paths towards reaching those goals. We remain steadfast in our commitment to clients' economic interests and will continue to further our stewardship efforts in support of that commitment.

Q3 in review

BIS had more than 570 engagements with 520 unique companies during Q3 2021, in line with our engagement over the same period last year.

Consistent with our view that a company's leaders are central to its long-term success, governance continued to be the primary focus in the majority of our engagements. It was among the topics discussed in more than 90% of our engagements in Q3 2021.

We also discussed climate and natural capital in more than half of our engagements, and we discussed company impacts on people in more than a third of our engagements. This reflects the fact that for many companies, ESG issues are closely interconnected, as detailed in several of the case studies in this report.

We continued to engage companies on enhancing their disclosures to help investors and other stakeholders better understand the sustainability risks and opportunities that are relevant to enterprise value creation. We were encouraged by the announcement from the Value Reporting Foundation (VRF) that more than half of the S&P Global 1200, which represents 70% of global market capitalization, use the industry-specific, financially-material metrics identified by the Sustainability Accounting Standards Board (SASB) in their corporate reporting.[1] Through our involvement in the VRF, we are following developments at the International Financial Reporting Standards (IFRS) Foundation in relation to establishing an International Sustainability Standards Board and the work of its Technical Readiness Working Group. We support efforts to establish a global, baseline set of sustainability reporting standards, building on existing frameworks and standards, such as SASB, as part of a "buildings block" approach to comprehensive corporate reporting.

We signaled concerns about governance or sustainability by voting against the re-election of 800 directors globally, primarily in relation to director independence, board diversity, and executive pay. We also supported 22% of - or 12 out of 54 - shareholder proposals in Q3 2021.[2,3]

Given the second quarter of the year is peak proxy season in the Americas and Europe, more than half of the 2,430 shareholder meetings that took place in Q3 2021 were in the Asia-Pacific (APAC) region.

Engagements across our five priorities*

330
addressed climate risk and natural capital

325
addressed board quality and effectiveness

370
addressed strategy, purpose, and financial resilience

205
addressed incentives aligned with value creation

225
addressed company impacts on people

* From July 1 to September 30, 2021. Most engagement conversations cover multiple topics. Our statistics reflect the primary topics discussed during the meeting. Numbers rounded to the nearest five.

[1] The Value Reporting Foundation. "More than half of S&P Global 1200 now disclose using SASB standards." September 21, 2021.
[2] Does not include "other" shareholder proposals. For further detail please see Appendix section.
[3] Does not include shareholder proposals filed in the Japan market.

Strengthening the stewardship ecosystem

The third quarter saw the launch of a number of global initiatives to advance disclosure practices, particularly in relation to sustainability. BIS is pleased to have been invited, along with BlackRock Sustainable Investing, to join the Task Force on Nature-related Financial Disclosures (TNFD), which aims to deliver a disclosure framework on evolving nature-related risks.[4] We are also delighted to join the G7's Impact Taskforce, which aims to harness private sector capital to support a sustainable global recovery from COVID-19.[5] In addition to these efforts, our team continued to engage in the policy development process in key markets, including through submitting responses to governmental consultations on a range of ESG issues. In the UK, we responded to consultations on audit and corporate governance, integrating social considerations into pension fund policies, and workforce diversity. We also continue to participate in market-level working groups such as the study groups hosted by Japan's Ministry of Economics, Trade, and Industry.

Consistent with our fiduciary approach, BIS adheres to multiple stewardship codes and other market-level stewardship related requirements. We were delighted to be approved as a signatory to the UK's 2020 Stewardship Code in September – on the basis of our 2020 Investment Stewardship Annual Report – given the UK Stewardship Code is recognized globally as a best-practice benchmark in investment stewardship.

Another development in the stewardship ecosystem was BlackRock introducing the first in a series of steps to expand the opportunity for more clients to participate in proxy voting decisions, where legally and operationally viable. This capability responds to a growing interest in investment stewardship from clients. It also reflects broader industry dynamics, such as the impact of advancing technology on investing. Beginning January 1, 2022, BlackRock will be expanding the voting choice options available to eligible institutional clients invested in index strategies. Voting choice options will allow clients to: 1) vote their shares according to their own policies using their own infrastructure; 2) leverage third-party proxy-voting polices using BlackRock's voting infrastructure; 3) direct votes on individual resolutions or companies of their choice using BlackRock's voting infrastructure;[6] and 4) continue to use BIS to vote proxies on behalf of clients, according to BlackRock's voting policy using BlackRock's voting infrastructure. Approximately 40% of the U.S. $4.8 trillion index equity assets BlackRock manages for clients will be eligible for this new capability.[7] BlackRock is committed to exploring all options to expand proxy voting choice to even more investors.

Finally, we have begun the annual review of our engagement priorities and voting guidelines. We anticipate any changes to our policies will be points of emphasis and clarification, reflecting feedback received in company and client engagement, as well as insights gained from BlackRock and third-party research.

Even as we continue to innovate and evolve our stewardship approach, BIS remains core to BlackRock's fiduciary approach and will continue to engage with companies, vote at shareholder meetings on clients' behalf, and further market-level dialogue to advance clients' economic interests.

[4] TNFD. "About – Our mission."
[5] UK Government. "UK backs Impact Investment Taskforce as road to pandemic recovery." Foreign, Commonwealth and Development Office and James Duddridge MP. July 9, 2021.
[6] This is an option for clients in institutional separate accounts only.
[7] As of June 30, 2021.

Engagement Statistics

July 1 through September 30, 2021

571 Total engagements

520 Individual companies engaged

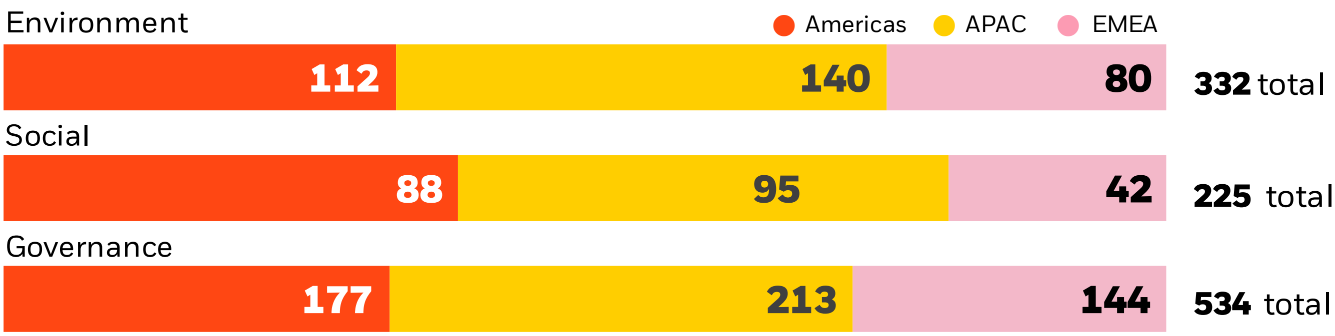
43 Companies engaged multiple times

38 Markets covered in our engagements

21% Of our clients' equity assets engaged[1]

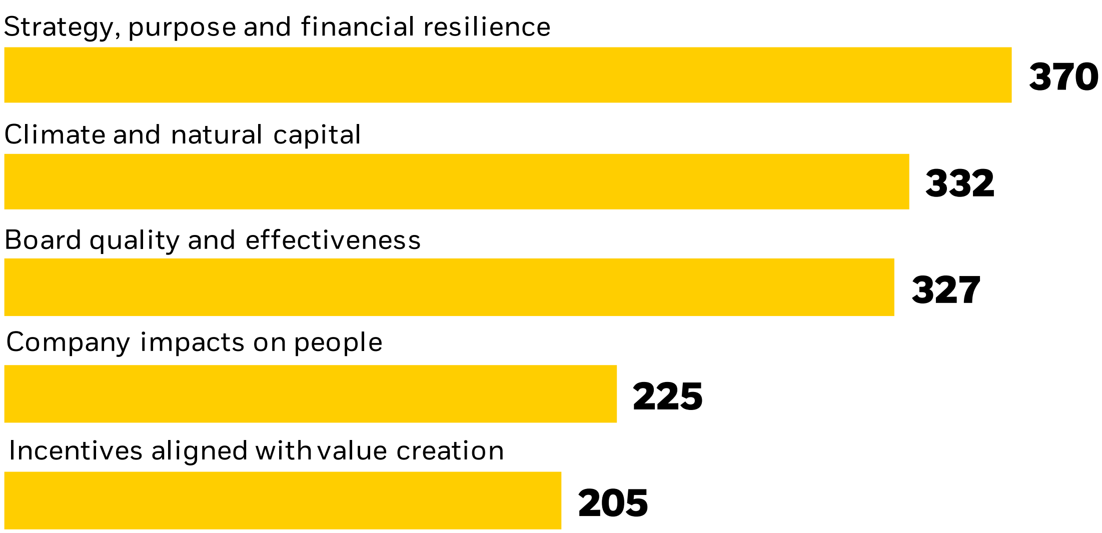
1 Reflects BlackRock exposure at September 30, 2021. Data sourced on October 7, 2021.

Engagement themes[2] (July 1 through September 30, 2021)



2 Most engagement conversations cover multiple topics and therefore the ESG columns may not add up to the total number of engagements reported for the period. Our statistics reflect the primary topics discussed during the meeting.

Engagement across our five priorities[3] (July 1 through September 30, 2021)



3 Most engagement conversations cover multiple topics. Our statistics reflect the primary topics discussed during the meeting.

Regional engagement (July 1 through September 30, 2021)

	Total engagements	YoY change	Companies engaged	YoY change
Americas	187	▼-14%	175	▼-13%
APAC	220	▲ 22%	197	▲ 26%
EMEA	164	▼ -6%	148	▲ 3%

Source: BlackRock. Data sourced on October 7, 2021.

Voting Statistics

July 1 through September 30, 2021

2,430 Total meetings voted

18,634 Total proposals voted

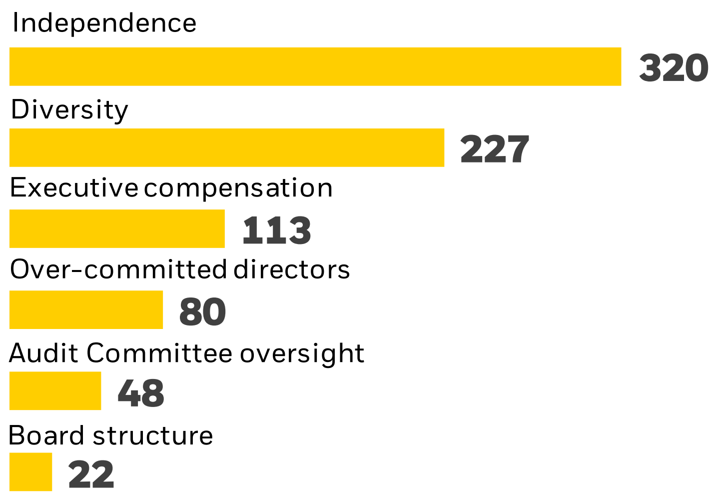
800 Total votes against director elections[1,2]

467 Unique companies voted against director elections[1,2]

39% Shareholder meetings we voted against management [3]

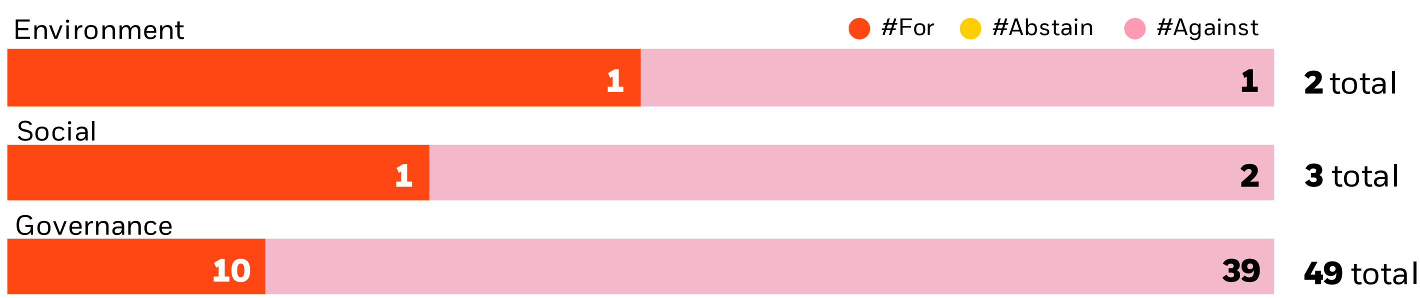
1 Abstentions are included. For further detail please see Appendix Section. 2 Votes against directors reflect only director elections
3 Includes abstentions and reflects percentage of shareholder meetings where we voted against management on one or more proposals.

Key reasons for votes against directors[4,5] (July 1 through September 30, 2021)



4 Abstentions are included. For further detail please see Appendix Section. 5 Votes against director elections.

Votes on shareholder proposals[6,7] (July 1 through September 30, 2021)



6 Abstentions are included. For further detail please see Appendix Section. 7 Does not include "other" shareholder proposals,and does not include shareholder proposals filed in the Japan market. For further detail please see Appendix Section

Voting action on climate-related concerns (July 1 through September 30, 2021)

17 Directors BIS voted against[8,9]

21 Unique companies where BIS took voting action against[10]

8 Abstentions are included. For further detail please see Appendix Section.
9 Votes against directors reflect only director elections
10 Votes against unique companies on climate include votes against director elections, director-related proposals and in support of climate-related shareholder proposals.

Source: BlackRock and Institutional Shareholder Services (ISS). Data sourced October 7, 2021

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 covered in the engagements and voting we do globally on behalf of clients.

BIS believes clients – and other stakeholders – benefit from learning how we have communicated with companies and expressed our views on a range of ESG risks and opportunities that could potentially impact our clients' ability to meet their long-term investment goals. As stewards of our clients' investments, we build constructive relationships with the companies we invest in on their behalf. To that end, select cases have been anonymized in support of current stewardship efforts. The full record of the votes BIS has cast on behalf of clients and our engagements with specific companies can be accessed through the voting record and engagement summary for Q3 2021, available on the BIS website under the Engagement and Voting History tab.

Number	Case Study	BIS 2021 Engagement Priority(ies)
Americas		
1	Ambev: The Brazilian beverage company commits to improving its natural capital-related-disclosures	Climate and natural capital
2	Texas Instruments: Engaging to understand the semiconductor company's approach to enhancing its ESG disclosures	Climate and natural capital
3	U.S specialty athletic retail company: Engaging to understand how the board will oversee expansion plans in North America and APAC	• Board quality and effectiveness • Strategy, purpose, and financial resilience
4	Plug Power: Promoting compensation practices at a U.S. company that supports long-term value creation linked to the energy transition	Incentives aligned with value creation
Europe, Middle East, and Africa (EMEA)		
5	Oxford Instruments: Demonstrating a commitment to advancing diversity at the board level	Board quality and effectiveness
6	German apparel brand: Encouraging acceleration of timing for board refreshment	Board quality and effectiveness
7	Halma: Assessing a remuneration policy review at a UK company in the context of significant company growth and COVID-19	Incentives aligned with value creation
8	Central Asia Metals: A base metals company in the UK leverages renewable power opportunity to reduce emissions	Climate and natural capital
Asia- Pacific (APAC)		
9	Nitori: Encouraging increased gender diversity and related initiatives at a Japanese furniture and home furnishing chain	Board quality and effectiveness
10	Wuxi AppTec: Supporting an inclusive compensation proposal at a Chinese global pharmaceutical company	Incentives aligned with value creation
11	Adani Enterprises: Signaling concern at the Indian conglomerate due to growing environmental and social risks	• Climate and natural capital • Company impacts on people
12	Top Glove: The Malaysian company addresses labor concerns in response to, in part, BIS engagement and voting	Company impacts on people
13	Zijin Mining Group: Engaging with the mining company on social controversies	Company impacts on people

1 Ambev: The Brazilian beverage company commits to improving its natural capital-related disclosures

Region	Americas
Engagement Priorities	Climate and natural capital
Outcome	Over the course of 2021, the company has demonstrated receptivity to shareholder feedback, and has committed to improving its natural capital-related disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework and the Sustainability Accounting Standards Board (SASB) standards.

Issue: Ambev is a Brazilian beverage company operating in 18 countries in the Americas and with a beverage portfolio that includes more than 30 alcoholic and non-alcoholic brands.[8,9] Ambev's processes use renewable and non-renewable natural capital, where water is the main raw material.

BIS views how companies manage natural capital as an investment issue. As described in our commentary Our approach to engagement on natural capital, the ability of many resource-intensive companies to operate is dependent on sustaining the ecosystems that provide them with these underlying resources. Inadequate oversight of the use of natural resources may result in negative consequences arising from regulatory, reputational, and/or operational risks, among others, that may impact a company's social license to operate and its ability to create long-term value.

BIS Response: Over the course of 2021, BIS has held multiple engagements with Ambev, most recently in August. When we engage with companies whose business models may have material dependencies or impacts on natural capital, we aim to understand how they are managing natural capital risks and realizing opportunities.

In our engagements, BIS has focused on how Ambev can improve its natural capital-related disclosures. BIS shared how investors like BlackRock use corporate disclosures to understand how a company has identified its material natural capital risks and opportunities, and the specific oversight roles of management and the board. In this case, we encouraged the company to disclose the actions it is taking to mitigate water-related risks, as well as the initiatives it is implementing to recycle glass, aluminum, and plastics across the beverage bottling process.

BIS also provided the company with our perspective on reporting aligned with the recommendations of the TCFD, supplemented by industry-specific metrics, such as those identified by SASB. For companies – like Ambev – that are already reporting against other standards such as the Global Reporting Initiative (GRI), BIS recommends that companies map existing reporting to sector-specific metrics, like those of SASB. BIS stressed how TCFD-aligned disclosures, supported by industry-specific metrics, would be helpful to further understand Ambev's approach to water risk management, and to measure progress

[8] Ambev. "Ambev Annual and ESG Report 2020." Page 17.
[9] Ambev. "Sobre a Ambev."

against its own plastic pollution reduction goals and circular packaging targets, which BIS views as leading market practices.[10] Corporate disclosures are also helpful to understand the board's role in overseeing how management takes account of natural capital in strategy setting and risk management processes.

Outcome: As a result of Ambev's engagement with shareholders, including BIS, as well as other key stakeholders, the company has committed to enhancing its natural capital-related disclosures. During our August 2021 engagement, the company reiterated its public commitment to improving its sustainability disclosures and materiality assessment, and to align its disclosures with the TCFD framework and SASB standards, in addition to the GRI standards.[11] The company also shared that it is working towards updating its net zero commitments and harnessing recycling opportunities, where circular packaging plays a critical role.

BIS is encouraged by Ambev's response to shareholder feedback regarding its environmental-related disclosures and we look forward to continuing our engagement to monitor the company's progress on its reporting. BIS also looks forward to reviewing the company's progress against its plastic pollution reduction goals and circular packaging targets, and the board's oversight of management in the achievement of these goals.

2 Texas Instruments: Engaging to understand the semiconductor company's approach to enhancing its ESG disclosures

Region	Americas
Engagement Priorities	Climate and natural capital
Outcome	Following BIS' vote against management on behalf of clients for insufficient TCFD disclosure, BIS engaged with Texas Instruments to discuss the progress made in advancing its ESG disclosures and climate targets.

Issue: Texas Instruments (TI) is a U.S. technology company engaged in designing and manufacturing semiconductors and circuits. BIS engaged multiple times with TI in 2021, specifically with respect to the company's stated plans to align their sustainability reporting with the principles and standards of the TCFD and SASB, respectively. BIS had encouraged TI to fully incorporate TCFD and accelerate the planned timing of disclosures as we would generally expect that companies with high carbon emissions operating in the U.S. would be further advanced in these efforts. Ahead of the April 2021 Annual General Meeting (AGM), the company told BIS that it planned to include some TCFD- and SASB-aligned disclosures in its 2020 sustainability report, however, the disclosures would not be fully aligned with the four pillars of the TCFD. The report was later published in Q3 2021.

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[10] Ambev's goal is to ensure that 100% of its products use returnable packaging or packaging made mostly of recycles material by 2025. Refer to pages 84 and 85 in the "Ambev Annual and ESG Report 2020" to learn more.
[11] Ambev. "ESG Update." June 28, 2021.

While recognizing the commitments TI had made towards improving its sustainability disclosures, and that this is a years-long journey, it is BIS' position that companies that fully align with the four pillars of the TCFD are better equipped to navigate the energy transition and deliver long-term value creation for our clients. To that end, at the 2021 AGM, BIS voted against the Chair of the Audit Committee, who has responsibility for overseeing climate-related matters, to signal our concern about insufficient TCFD-aligned reporting and to encourage further progress on climate-related sustainability practices, measurements, and reporting.

BIS Response: BIS engaged with TI in Q3 2021 as a follow-up to the company's April 2021 AGM. It was an opportunity for us to again provide the company with the necessary context to the voting action we took on behalf of clients at the AGM and to hear about how the company planned to integrate the feedback it has received from shareholders. During our engagement, TI communicated its plans to continue improving its sustainability reporting, including investigating the potential of incorporating science-based targets into the company's strategy and that it has joined its peers in participating in industry-level dialogue to advance its strategy. For context, the semiconductor industry, in which TI operates, has struggled to make net zero commitments and to align with the Science Based Targets initiative, in part, given the critical use of hydrocarbons and perfluorocarbons in the complex semiconductor manufacturing process and the lack of viable substitutes for broad use.[12]

Outcome: Since its AGM, TI has released its 2020 sustainability report, which included SASB and TCFD-aligned disclosures, as well as a new goal to reduce absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 25% and reduce energy intensity by 50% by the end of 2025 (against a 2015 baseline). As a result of these efforts, BIS believes TI recognizes the need for clear plans to transition its business model to operate in a low-carbon economy. We will continue to monitor the company's progress on fully aligning to TCFD's four pillars and delivering on its climate- and sustainability-related commitments.

3 U.S. specialty athletic retail company: Engaging to understand how the board will support and oversee expansion plans in North America and APAC

Region	Americas
Engagement Priorities	Board quality and effectiveness; strategy, purpose, and financial resilience
Outcome	BIS gained a better understanding of a company's corporate governance enhancements – in particular, efforts to advance board diversity – and the board's role to support and oversee corporate strategy in light of the company's international expansion plans.

Issue: BIS focuses on board quality and effectiveness because high-performing boards play an important role in developing strong management teams, who execute a company's long-term strategy. BIS believes

[12] Across certain industries, corporate adoption of science-based targets is increasing with over 1,000 companies worldwide using them to align their greenhouse gas (GHG) emissions reduction targets and trajectory with the Paris Agreement as of October 2021 – Science Based Targets. "Companies taking action."

that board diversity is an important factor in enabling quality leadership and financial performance. BIS also recognizes that diversity has multiple dimensions, including personal factors such as gender, race, ethnicity, and age, as well as professional characteristics such as a director's industry experience, area of expertise, and geographic location.

BIS has engaged with a U.S. based specialty athletic retail company that operates in nearly 30 markets across North America, Europe, and APAC. Our engagements with the company have focused on a range of ESG risks and opportunities, including board composition and how the board supports and oversees management's process for strategic review amid an evolving retail market and changing consumer preferences. BIS has also engaged to understand the impact of COVID-19 on the company's operations – given that it operates around 3,000 retail stores worldwide – and long-term corporate strategy.

In August 2021, the company announced it had entered into definitive agreements to acquire two companies with the objective of expanding its customer base and product mix to further augment its footprint – retail, online, and mobile – in markets in North America and the APAC region.

BIS Response: Following the announcement, BIS sought to engage with the company to understand how the acquisitions will support its growth plans in a post-COVID marketplace. BIS also engaged to discuss the compatibility between the board's current composition and future refreshment plans considering the company's long-term strategy.

In September 2021, the company provided BIS with an update on the corporate governance practices it is carrying out to support the implementation of the expansion strategy and deliver value to shareholders and other key stakeholders. The company shared it has considered background and skills, gender and ethnic diversity, and age and tenure as important factors to build a board that is well placed to advise and oversee management as the company expands.

As a result of its intentional efforts to add diversity to and refresh the board, the company has added four new directors in the last five years, including two new independent directors since 2020. These new additions reflect a mix of skills and expertise to support risk management oversight and future growth plans, including knowledge of retail, brand management and social media, as well as experience operating in young target markets. The company also shared that 60% of its directors are female or ethnically diverse and highlighted that it periodically rotates committee assignments on a staggered basis to foster diverse perspectives and develop breadth of knowledge within the board.

Outcome: BIS was encouraged to learn about the company's progress to advance board diversity, and its implementation of practices to fully integrate diverse views from directors with multiple backgrounds and skills across board committees, in support of the company's current growth plans and long-term corporate strategy.

Following our engagement, the company announced it had completed the acquisition of one of the two companies. BIS will continue to engage with the company in the coming months as it completes the second acquisition. BIS will also monitor how the board's combined skills and expertise, supplemented by periodic board refreshment, are aligning with the company's expanded operations in the interest of long-term value creation for clients.

4 Plug Power: Promoting compensation practices at a U.S. company that supports long-term value creation linked to the energy transition

Region	Americas
Engagement Priorities	Incentives aligned with value creation
Outcome	BIS voted against the "Say on Pay" proposal and against the Chair of the Compensation Committee over concerns about the misalignment between pay and long-term performance.

Issue: Plug Power Inc. (Plug Power) engages in the design, development, manufacture, and commercialization of hydrogen and fuel cell systems for markets primarily in North America and Europe. Its business model has recently benefitted significantly from the acceleration of electrification trends across its core markets, and thus the company has experienced tremendous growth in both operations and market valuation.

In July 2021, Plug Power held its AGM where shareholders voted on its executive compensation program ("Say on Pay"), which featured a year-over-year CEO pay increase of 290% due to sizable discretionary cash bonuses and an increase in value of time-vested equity. The company pointed to its substantial growth and strong financial performance over the last year as justification.

BIS Response: It is our conviction that executive compensation is an important tool to drive long-term value creation by incentivizing and rewarding executives for the successful delivery of strategic goals and outperformance. When evaluating "Say on Pay" proposals, BIS takes a case-by-case approach. We consider a company's specific circumstances and local market and policy developments.

In advance of the AGM, we engaged with Plug Power's board and management representatives to discuss executive compensation and gain a better understanding of both the program's structure and the Compensation Committee's decision-making process in exercising discretion this year. The company emphasized its view that talent retention and the ability to attract high caliber leaders are important considerations in its compensation practices as it continues to capitalize on its growing market opportunity.

When assessing Plug Power's compensation program this year, we took into consideration the company's performance as well as its potential expanding growth opportunity given its exposure to the energy transition. We also acknowledged that in the face of the pressures of the COVID-19 pandemic, when many companies were adjusting metrics and targets, Plug Power did not. That said, and in alignment with our commentary Incentives aligned with value creation, we remained concerned with the limited disclosures explaining the rationale for awarding discretionary bonuses and that the long-term component of the program did not include sufficiently rigorous performance metrics relative to the company's peers that are tied to its strategic plan.

Outcome: BIS, on behalf of clients, voted against Plug Power's "Say on Pay" proposal and Compensation Committee Chair to communicate our concerns. The proposal nearly failed, receiving 53.8% shareholder support, and the Compensation Committee Chair received low shareholder support at 71.3%. As companies like Plug Power capitalize on the opportunities associated with the transition to a low-carbon economy, we will continue to advocate for improved governance and compensation practices that align with long-term shareholders' interests.

5 Oxford Instruments: Demonstrating a commitment to advancing diversity at the board level

Region	EMEA
Engagement Priorities	Board quality and effectiveness
Outcome	The company continues to progress towards increasing gender diversity on its board in alignment with the recommendations of the Hampton-Alexander review.

Issue: BIS believes that diverse and experienced board directors are critical to the success of a company and long-term value creation. We look to board directors on key committees to ensure appropriate board composition and the protection of shareholders' interests. We ask that boards explain their approach to ensuring diversity among directors and how board composition aligns with a company's strategy and business model.

Oxford Instruments is a manufacturing and research company engaged in designing and manufacturing research tools and systems. As one of Britain's largest companies, Oxford Instruments is in the FTSE 350 index group of companies being encouraged under the recommendations of the government-sponsored Hampton-Alexander review to have a 33% representation target on its board by the end of 2020. [13] Ahead of its September 2021 AGM, the company confirmed that it still had not met the 33% board representation target.

BIS Response: Prior to the 2021 AGM, BIS engaged with management to understand the company's approach to board composition. The company expressed its commitment to appointing additional female board members in the next year in order to reach the Hampton-Alexander target by the 2022 AGM. Oxford Instruments communicated that as the company continues to grow, it plans to continue increasing gender diversity at the board level. BIS was encouraged by the company's response and commitment to progress. As a result, BIS voted in line with management at the 2021 AGM.

Outcome: As of September 2021, Oxford Instruments has appointed an additional female board member as Senior Independent Director. We believe this is a sign of positive progress as the company continues to work towards reaching the 33% board representation target. The company has also expressed its intention to work with consultants and search firms who have signed the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice in order to improve their recruitment of diverse executives and directors. BIS will continue to monitor progress as the company identifies and integrates new leadership in the months ahead.

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[13] The Hampton-Alexander Review set a target of 33% representation of women on FTSE 350 Boards and in Executive Committee and Direct Reports to be achieved by the end of 2020. The Review captured over 23,000 leadership roles in 350 of Britain's largest companies making the UK's voluntary approach to improving women's representation at the top table, arguably the biggest and most ambitious of any country.

6 German apparel brand: Encouraging acceleration of timing for board refreshment

Region	EMEA
Engagement Priorities	Board quality and effectiveness
Outcome	BIS gained insight into a company's approach to evolving board composition and encouraged the company to review its timing for board refreshment and succession planning.

Issue: BIS believes that board quality and effectiveness, including succession planning and board independence, are essential to a company's long-term strategy and business model. BIS has previously engaged with a German apparel brand, to express concern about the lack of independent members on its Supervisory Board (BIS considers three of the company's four shareholder-elected Supervisory Board members to be non-independent).[14] Of particular BIS concern, two directors with long tenure continue to hold the key leadership positions of Board Chair and Deputy Chair/Audit Committee Chair. These are positions where we look for boards to have greater independent representation.

BIS Response: Having voted against the discharge of the Supervisory Board at the company's May 2021 AGM for reasons including the continuing lack of board independence, BIS engaged with the company again in Q3 2021 to better understand its approach to succession planning and board refreshment. During the engagement, the company communicated that it has begun to focus on succession planning at the Supervisory Board level, including considering the possible refreshment of leadership roles. Although the company's current Supervisory Board members are not up for re-election until 2023, we were of the view that, if the company were looking to appoint new independent members to increase board independence in 2023, the transition to new membership (and potentially leadership) would need to be carefully managed to ensure the Supervisory Board continued to operate effectively. With this in mind, we emphasized to the company the importance of beginning the process of nomination and appointment of new members as early as possible ahead of the 2023 AGM, with the potential that a successor group could be brought onto the Supervisory Board before existing members' terms expire.

Outcome: The company was receptive to this possibility, indicating that BIS' constructive engagement, and formal expression of concerns through voting, has encouraged the company to consider accelerating its timing for board refreshment to allow for the successful integration of new board members, which we believe will reduce the risk of disruption to board effectiveness. BIS will continue to monitor the company's progress in the coming months.

[14] BlackRock expects that a board should include a sufficient number of independent directors, free from conflicts of interest or undue influence from connected parties, to ensure objectivity in the decision-making of the board and its ability to oversee management. Please refer for our EMEA 2021 proxy voting guidelines for more details.

7 Halma: Assessing a remuneration policy review at a UK company in the context of significant company growth and COVID-19

Region	EMEA
Engagement Priorities	Incentives aligned with value creation
Outcome	BIS voted against the company's proposed remuneration policy for concerns about its implementation timeframe and the reputational risk of making significant compensation increases in the context of COVID-19.

Issue: Halma plc (Halma) is a UK-based global group of safety equipment companies. Halma's valuation has grown over the last five years such that it has moved from the FTSE 250, into the FTSE 100 in December 2017 and in 2021, the FTSE 50.[15]

At its 2021 AGM, Halma proposed material changes to its remuneration policy that included simultaneous increases to all pay elements. It was the board's position that the remuneration policy approved in 2018 no longer appropriately reflected the scale, scope, and complexity of Halma. The board argued that to accommodate Halma's recent growth and future ambitions there had been significant investment in its high performing leaders and the recruitment of new talent globally. Ultimately, this recruitment of talent in key management roles created compression with executive management pay and acute retention risk. The Remuneration Committee contended that a change in remuneration policy was required to allow for effective succession planning for the CEO and other executive director roles.[16]

As detailed in our commentary Incentives aligned with value creation, BIS believes executive compensation is an important tool to drive long-term value creation by incentivizing and rewarding executives for the successful delivery of strategic goals and outperformance, and that compensation structures include rigorous metrics. Over the last 18 months, BIS has also more closely scrutinized executive compensation to reflect the importance we place on how companies weighed executive pay decisions in relation to the experiences of their employees, and other key stakeholders.

BIS Response: In July 2021 BIS had two meetings with Halma's Board Chair, its outgoing Board Chair, and the Remuneration Committee Chair to discuss the substantial increases included in its review of the executive remuneration policy.

In these discussions BIS communicated that in assessing the proposed remuneration policy, we weighed the company's strong performance, and an understanding that remuneration policy refreshment is often warranted when the scale and scope of operations has changed, against BIS' concern about the significant year-on-year salary increases and our view that there are persistent perception sensitivities with company stakeholders in the context of COVID-19.

Furthermore, in situations where remuneration adjustments are needed, we encourage a plan be structured so that adjustments be made gradually in smaller increments granted over a longer time, with

[15] Halma Annual Report and Accounts 2021. Page 117.
[16] Halma Annual Report and Accounts 2021.Page 117.

a commensurate increase in "stretch" of any variable remuneration pay performance metrics. In our opinion, such a structure both incentivizes and supports sustainable achievement of results consistent with long-term value creation for our clients as shareholders.

Outcome: BIS, on behalf of clients, voted against the proposed remuneration policy due to our concerns that 2021 was not the appropriate year to introduce such significant salary increases for the management team and that the proposed remuneration plan did not balance the need to incentivize executives today, and attract strong talent, against the need to promote sustainable long-term performance from leadership.

The management resolution passed at the AGM but had strong shareholder opposition (39.8%), which resulted in Halma being placed on the Investment Association Public Register. The Register details companies in the UK FTSE All Share that have received significant opposition by shareholders to a resolution.[17] BIS will continue to monitor the situation and engage with Halma on its remuneration practices in support of long-term value creation.

8 Central Asia Metals: A base metals company in the UK leverages renewable power opportunity to reduce emissions

Region	EMEA
Engagement Priorities	Climate and natural capital
Outcome	Following years of engagement with a base metals company to encourage advancement of its efforts to integrate the management of sustainability-related risks and opportunities into its business operations, the company announced a reduction in annualized GHG emissions.

Issue: Central Asia Metals (CAML) is a London-based copper, zinc, and lead production and exploration company with operations in Kazakhstan and North Macedonia. Following regular engagements over the last few years – most recently in July 2021 with the Chairman, the Chair of the Sustainability Committee, and Investor Relations – the company reached out to BIS in September 2021 to discuss its recent announcement of an annualized 35% reduction in CAML's GHG emissions achieved through the completion of a renewable power deal at the Sasa mine with its North Macedonian power provider.[18] This is a particularly noteworthy arrangement as the North Macedonia energy mix remains heavily reliant on coal and oil.[19]

BIS has engaged with companies, including CAML, on environmental risks and opportunities for several years. In our engagements we have sought to understand how companies are mitigating climate-related risks, implementing plans to transition their business model to operate in a low-carbon economy, and integrating the management of broad sustainability-related risks and opportunities into business operations. In addition, we have encouraged companies to increasingly consider their impact and

[17] The Investment Association Public Register.
[18] CAML. Results for the Six Months Ended 30 June 2021.
[19] IEA North Macedonia country profile.

dependence on natural capital as BIS believes the management of these factors can be a defining feature in certain companies' ability to generate long-term sustainable value for our clients as shareholders.

BIS Response: Every sector, every market, and every company, is faced with unique challenges and opportunities when it comes to the management of climate-related risks and opportunities. BIS has aimed to be cognizant of those key differences in our interactions with companies and in our expectations around the stage at which companies are in their adaptation of business models to align with a transition to net zero.

BIS has engaged with companies, in particular those like CAML with material exposure to climate and natural capital issues, to encourage further action and enhanced disclosures that enable us to assess the corporate preparedness and financial resilience we believe is necessary to navigate the risks of such exposure.

BIS was encouraged to see CAML's recent GHG emissions reduction announcement. We believe this advancement of the company's environmental efforts builds on several initiatives CAML has undertaken in recent years to further integrate the management of sustainability-related risks and opportunities – including climate and natural capital risks – into its business operations. Such efforts included the addition of a sustainability expert to the board in 2019, the annual publication of sustainability reports that as of 2021 are prepared in accordance with the GRI standards, initiation of climate strategy work with the intention of alignment with the TCFD framework, and a recent commitment to report to the Global Industry Standard on Tailings Management (GISTM) within a three-year timeframe (2021-23).[20]

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

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

[20] Global Industry Standard on Tailings Management: The International Council on Mining and Metals (ICMM), the United Nations Environment Programme (UNEP) and the Principles for Responsible Investment (PRI) co-convened the Global Tailings Review to establish an international standard for the safer management of tailings storage facilities.

9 Nitori: Encouraging increased gender diversity and related initiatives at a Japanese furniture and home furnishing chain

Region	APAC
Engagement Priorities	Board quality and effectiveness
Outcome	Prioritized continued engagement to promote ongoing initiatives at a company in Japan that made significant strides this year in board composition with the appointment of two female directors.

Issue: BIS believes that diversity is an important factor in enabling quality leadership and financial performance as it promotes the inclusion of different perspectives in board discussions and decision-making, which can lead to more innovative and resilient decisions. As discussed in our commentary Our approach to engagement on board diversity, we recognize that diversity characteristics are multi-dimensional and may differ across markets. Therefore, we combine a global view on diversity with a local lens, aiming to engage on board diversity and seek outcomes appropriate to each market.

In Asia, board gender diversity has been an area of focus, with several local corporate governance codes recommending greater female board participation. Because this is still a relatively nascent issue in the region, BIS has been largely focused on engaging companies to better evaluate and understand how they are approaching board diversity and effectiveness. BIS has now introduced in our proxy voting guidelines gender diversity expectations for developed markets in the region, including Japan, which is a market where the government has instituted targets for women in leadership.[21,22] BIS particularly looks for gender diversity at the key decision-making bodies of companies, asking that they promote medium- to long-term initiatives to achieve such representation.

Nitori Holdings (Nitori) is the largest furniture and home furnishing chain in Japan. BIS has had engagements with various members of the senior management team and other company representatives over multiple years to discuss board quality, among other topics. The early board quality discussions were initially focused on our concerns regarding the lack of diversity in the skillsets and backgrounds of the directors, to which the board was highly responsive. The company proceeded to appoint multiple independent non-executive directors (INED) with management experience in 2019 and 2020, addressing those concerns. At that point, however, the board still lacked female representation, which we believed did not reflect or resonate with the customers and communities of a company with the aim of becoming a global household brand. In the last two years, in alignment with our market-level policies, BIS has

[21] As detailed in our Corporate governance and proxy voting guidelines for Japanese securities, we expect investee companies to appoint female directors / statutory auditors to the Board of Directors / the Audit & Supervisory Board. Furthermore, we expect companies to adequately disclose key relevant matters including but not limited to strategy, targets, roadmaps, and management policies to achieve such goals.
[22] Per the 30% Club Japan Investor Group, in Japanese companies the proportion of women in leadership positions has gradually improved but is still at a very low level. In 2003 the government set a target of women in leadership positions in all sectors of at least 30% by 2020, but the current status falls largely short of the goal and the target was postponed to "during the 2020s". - 30% Club Japan Investor Group 2020/21 Annual Report.

reiterated our views on the value of board gender diversity in multiple engagements with Nitori, including with its top management.

The company was once again receptive to BIS' feedback and we were encouraged to see that two women directors, one executive and the other non-executive, were appointed to the Board at Nitori's 2021 AGM held in May.

BIS Response: BIS welcomed the news of Nitori's appointment of two female directors. We were particularly encouraged by the company's decision to appoint both an internal and an external female director. In Japan, often when companies have appointed a female director they have chosen exclusively from external candidates. We believe it is important to also appoint female directors from within the company to signal the development of diverse talent and motivate female employees. BIS appreciated Nitori's attention to this with its recent appointments.

BIS also noted that the appointment of these two female directors not only strengthened the gender diversity on Nitori's board but also enhanced the diversity of skillsets and expertise at the board level. The newly appointed INED has extensive experience and expertise in digital technology. The newly appointed executive director is experienced in talent development and is expected to accelerate progress on building a strong pipeline of future female managers and leadership talent that will support the company in pursuance of its aim of becoming a global household brand with a diverse customer base.

We engaged the company following the AGM to discuss how its approach to enhancing leadership diversity would build on the progress to date. We appreciated Nitori's transparency in those conversations, the additional insight it provided into its ongoing diversity initiatives, and the ways in which it intends to translate the progress it has made to-date into better gender representation across all levels of leadership at the organization.

Outcome: BIS believes Nitori has emerged as an example of best practices in improving representation of women on corporate boards in Japan. We are encouraged to see the progress that has been made and the company's acknowledgement of the importance of ongoing board quality and diversity initiatives in support of long-term value creation.

BIS is focused on maintaining a strong dialogue with Nitori to monitor the company's progress in promoting initiatives that increase diversity, in particular as it relates to gender representation, at all levels of leadership within the organization.

10 Wuxi AppTec: Supporting an inclusive compensation proposal at a Chinese global pharmaceutical company

Region	APAC
Engagement Priorities	Incentives aligned with value creation
Outcome	BIS voted in support of a series of management compensation initiatives to help ensure talent retention and attraction.

Issue: Wuxi AppTec is a China-based global pharmaceutical, biopharmaceutical, and medical device company. On August 30, 2021, the company held an Extraordinary General Meeting (EGM) for shareholders to vote on a series of resolutions related to the management proposed 2021 H Share Award and Trust Scheme and Shareholder Alignment Incentive (SAI) H Share Scheme (2021 Schemes).[23]

As detailed by the company, subsequent to shareholder approval of the adoption of the 2021 Schemes, the company will transfer funds totalling HK$9.5 billion for a Trustee to acquire H Shares through on-market transactions from time to time at prevailing market price as the source of the Award Shares under the 2021 Schemes. The criteria for the granting of awards varies among the two schemes: 1) H Share Awards will only be granted if the year-on-year revenue growth of Wuxi AppTec for the year ending December 31, 2021 is 34% or higher; 2) Granting and vesting of the SAI H Share Awards is more complicated and includes four share price milestones for four share award pools.[24]

Wuxi AppTec, in the materials it made available to shareholders ahead of the EGM, explained the respective approaches to each of the 2021 Schemes. At a high level, Wuxi AppTec articulated that both schemes intend to help retain, reward, and attract talent that will enable the future development and expansion of Wuxi AppTec and improve the alignment of interests of share award recipients with those of shareholders. As detailed in our commentary Incentives aligned with value creation, BIS believes these are both important considerations when structuring compensation plans.

It is our conviction that executive compensation is a key tool used to attract, reward, and retain high calibre executives and senior employees who are responsible for strategic decision-making and the long-term sustainable growth of a company. Effectively structured pay serves as an incentive for executives to drive long-term financial performance, which aligns with the long-term interests of our clients as shareholders, within appropriate risk parameters, while building on short-term returns. It is essential that policies include rigorous performance goals and metrics.

BIS Response: BIS had the opportunity to engage with senior management of Wuxi AppTec ahead of the EGM. This discussion provided an opportunity to get further clarification around the motivation and the potential implications of the proposed 2021 Schemes. BIS was specifically interested in gaining a better understanding of how the cost of this program will be expensed, how the company determined the scale and performance hurdles included, and the potential impact of the Trustee's purchase of shares on the Wuxi AppTec share price.

The discussion reaffirmed that the motivation behind the 2021 Schemes was largely talent retention. Wuxi AppTec highlighted that the employee turnover rate had increased recently, and that Wuxi AppTec determined that an adjustment in its compensation program was essential to mitigate talent loss and ensure the ongoing competitiveness of the company. In designing the 2021 Schemes, the company looked to benchmark itself against other large global companies.

In response to our questions regarding the potential impact of the Trustee's purchase of shares on the company's share price and our concerns about the rigor of the performance hurdles, specifically within the SAI Award Scheme, BIS appreciated the company providing additional insight into the company's approach. It was highlighted that daily purchase limits would be put in place to avoid the company's share price being impacted by the Trustee's purchase of shares to support the 2021 Schemes, and that, with respect to performance hurdles, the company had aimed to balance rigor against the need to prioritize achievability as to not detrimentally impact talent retention efforts.

[23] Wuxi AppTec Notice of Extraordinary General Meeting.
[24] Wuxi AppTec Extraordinary General Meeting Circular.

Outcome: BIS determined that, on balance, the 2021 Schemes have the potential to assist Wuxi AppTec in retaining and attracting talent, which we agree is crucial to the company's long-term value proposition and beneficial to our clients as shareholders. We were particularly encouraged with the inclusivity of the proposed program.[25] We voted in support of all the management proposed resolutions connected to the 2021 Schemes, as did the majority of shareholders. The resolutions passed.

BIS will continue to engage with Wuxi AppTec to monitor how the 2021 Schemes impact the company's talent retention and attraction efforts and we will encourage a continued focus on the use of incentives to appropriately ensure long-term value creation for our clients as shareholders.

11 Adani Enterprises: Signaling concern at the Indian conglomerate due to growing environmental and social risks

Region	APAC
Engagement Priorities	Climate and natural capital; company impacts on people
Outcome	BIS voted against the re-election of an executive director on the company's Risk Management Committee and against a proposal seeking to provide the board with discretion to raise equity or equity-linked capital, due to growing environmental and social risks.

Issue: Adani Enterprises Ltd. (Adani Enterprises) is one of India's largest conglomerates. It has ten main business segments, related to airports, roads, water, data centers, solar modules manufacturing, defence and aerospace, edible oils and foods, mining, resource solutions, and agriculture-supply chain services. The company is majority controlled, by the Adani Group (75% ownership), a multinational with six listed subsidiaries – including Adani Enterprises – and a combined market capitalisation of over U.S. $100 billion.[26,27] BlackRock's exposure on behalf of our clients in the Adani Group's subsidiary, Adani Enterprises, is limited relative to the controlling shareholder's 75%. The majority of clients' exposure is via index strategies where BlackRock does not have the ability to add or remove securities that continue to be held in the relevant index.

Adani Enterprises has been developing a large greenfield coal mine and rail project in Australia – the Carmichael Mine – for several years. While the company obtained approvals from federal and state governments and reduced planned output from an initial 60m to 10m metric tonnes, the project has prompted strong opposition from key stakeholders – environmental and community groups mainly – concerned about the project's impact on the environment and climate change.[28] BIS believes that failure to address key stakeholders' interests and concerns can reverberate across a company's value chain, which may affect critical relationships and impact shareholder value.

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[25] Only 5.5% of the 2021 Scheme and 21.4% of the SAI Scheme will be allocated to connected selected participants, who are mainly senior management of the company.
[26] Adani Enterprises, Ltd. "Corporate Day Singapore." August 24, 2021. Page 2.
[27] Adani Green Energy Limited. "Equity Presentation." September 2021. Page 4.
[28] Reuters. "Adani recruiting 280 roles for Australia's Carmichael coal mine." September 9, 2021.

While the Adani Group has publicly stated ambitious renewable energy goals,[29] its growing involvement in developing the Carmichael Mine project has been beset by controversy. In March 2021, its subsidiary, Adani Global Pte Limited, signed an agreement to acquire the Bowen Rail Company Pty Limited (Bowen Rail) from Adani Ports.[30] In our view, the transaction correspondingly increases Adani Enterprises' exposure to risks associated with the Carmichael Mine project.

BIS Response: BIS believes that carbon-intensive companies can play an integral role in unlocking the full potential of the energy transition. As such, we engage based on the conviction that companies that act early to anticipate and mitigate climate change and sustainability risks will also be those best positioned to capture associated growth opportunities at a time of significant industry transition.

Adani Enterprises is in BIS' climate focus universe, i.e. a set of over 1,000 companies with significant GHG emissions. Given significant environmental and social risks of its current development projects, namely the Carmichael Mine project, BIS and other BlackRock investment teams have directly engaged to raise concerns to Adani Enterprises, other companies in the Adani Group's portfolio and the main financial institution providing support to the group. We have also heard from a broader set of concerned stakeholders.

At the July 12, 2021 AGM, BIS voted against the re-election of an executive director on Adani Enterprises' Risk Management Committee. BIS maintains that the company's Risk Committee should ultimately be held accountable for the increase in environmental and social-related risks due to growing exposure to the Carmichael Mine project and lack of relevant disclosures. Another reason BIS voted against this executive director's re-election is that only one member of the Risk Committee is an independent director. As specified in the BIS proxy voting guidelines for this market, to play an effective oversight role, we believe that a majority of the members of key board committees should be independent.[31]

Further, BIS voted against a management proposal seeking to approve the board's absolute discretion to issue equity or equity-linked securities up to an amount of INR 25 billion (~U.S. $335 million) without pre-emptive rights for existing shareholders. Although the issuance proposed only represented 1.5% of Adani Enterprises' market capitalization, BIS voted against this proposal given the lack of a clear need for capital raising, concerns over potential use toward funding controversial projects, and the related unnecessary dilution for existing shareholders. BIS has voted against similar proposals seeking to provide the board with discretion to raise equity or equity-linked capital at each AGM since 2015.

Outcome: Given the 75% controlling interest in Adani Enterprises, all management proposals received majority support. The re-election of the executive director on Adani Enterprises' Risk Management Committee received 98.7% support. The management proposal seeking to approve the board's absolute discretion to issue equity or equity-linked securities passed with 99% support.

BIS remains concerned regarding the environmental and social risks associated with the Carmichael Mine project, Adani Enterprises' increasing coal exposures and the company's overall potential impact on key stakeholders. Despite limited holdings in the company, we will continue to engage with Adani Enterprises, the broader Adani Group, and other stakeholders on a range of associated concerns.[32] BIS will also continue

[29] The parent Adani Group has stated plans to invest in renewable energy, including its goal to be the world's largest solar company by 2025 with a target generating capacity of 25 GW, and to be the largest renewable operator globally by 2030. The Adani Group entered the renewable sector in India in 2015 through Adani Green Energy Limited, one of the largest renewable companies in India and ranked as the largest solar power developer in the world. In addition, Adani Enterprise's solar modules manufacturing business segment is the largest Indian module supplier with 1.4 GW of installed capacity.
[30] The sale was completed in the current year, FY March 2022, as stated in the Offering Circular dated July 26, 2021.
[31] BlackRock Investment Stewardship, "Proxy voting guidelines for Asia ex Japan, Hong Kong, and Chinese securities".
[32] Please see case study on page 74 of BIS 2020 Calendar Year Report

engaging with Adani Enterprises to encourage it to address climate and transition risks and put in place governance mechanisms that afford additional protections for minority shareholders like BlackRock's clients.

12 Top Glove: The Malaysian company addresses labor concerns in response to, in part, BIS engagement and voting

Region	APAC
Engagement Priorities	Company impacts on people
Outcome	In January 2021, BIS voted against the re-election of six INEDs and against a proposal for the Senior Independent Director to continue as an INED to signal our concerns about the board's failure to address worker health and safety issues, as well as labor rights concerns. As of the publication of this report, Top Glove has been proactive in addressing such issues, and in providing BlackRock, and other stakeholders, regular updates of the measures taken.

Issue: Over the past three years, Top Glove Corporation Bhd. (Top Glove) – the world's largest rubber gloves manufacturer – has been the subject of intense scrutiny over various labor-related and human rights issues in its supply chain. In 2018, the company faced allegations about the use of forced labor, and about subjecting its workers to excessive working hours, amongst other issues. In July 2020, the U.S. Customs and Border Protection (CBP) issued a Withhold Release Order blocking Top Glove's disposable gloves from being imported into the U.S. after determining that there was reasonable evidence of forced labor at two Top Glove subsidiary manufacturing facilities.[33] In November 2020, Top Glove's dormitories became the site of Malaysia's largest COVID-19 cluster, with more than 5,000 workers (a quarter of the company's workforce) infected and one reported fatality. The investigations conducted by Malaysia's Ministry of Human Resources and the CBP – together with media reports as well as a whistleblower's account – showed that Top Glove's workers lived in dense, unsuitable accommodations with a lack of proper ventilation and physical distancing.

BIS Response: Since 2018, BIS has conducted multiple engagements with Top Glove's management and board of directors. In 2020 and early 2021, we engaged to discuss the company's labor and human-rights related issues, including its accommodations for workers and the poor management of the COVID-19 outbreak.

Given the gravity of the situation and what BIS views as a material failure in oversight by the board of worker health and safety issues, at the January 2021 AGM, BIS voted against the re-election of six Independent Non-Executive Directors (INEDs) and against a proposal for the Senior Independent Director to continue as an INED. BIS communicated our concerns and vote rationale in our Vote Bulletin.

[33] The CBP implements Section 307 of the Tariff Act of 1930 (19 U.S.C. §1307) through issuance of Withhold Release Orders and findings to prevent merchandise produced in whole or in part in a foreign country using forced labor from being imported into the U.S. See U.S. CBP's "Trade - Forced Labor" website to learn more.

Outcome: After the 2021 AGM, Top Glove has been proactive in engaging with BlackRock, and other stakeholders, providing regular updates of the measures it has adopted to address the various worker health and safety issues, as well as labor rights concerns. These measures include investing in new facilities to relocate more than 2,000 workers to alleviate overcrowding issues, as well as enhancing its whistleblower protection mechanism, among other improvements.

Furthermore, on September 9, 2021, the CBP announced the modification of the forced labor finding on Top Glove, permitting, effective immediately, the importation of disposable gloves into the U.S. The CBP communicated it had reviewed the evidence provided by Top Glove and determined that the company had addressed all indicators of forced labor identified at its Malaysian facilities.[34] BIS acknowledges the progress demonstrated by the company, as well as its response to our continued engagement and voting on behalf of clients. BIS will continue engaging to monitor the various measures implemented by the company to improve its labor conditions across its facilities.

13 Zijin Mining Group: Engaging with the mining company on social controversies

Region	APAC
Engagement Priorities	Company impacts on people
Outcome	BIS engaged with a company on social controversies related to its operations in Papua New Guinea. The company continues to take steps towards improving disclosures of management oversight of its operations.

Issue: Zijin Mining Group LTD (Zijin), is a mining company based in China focused on mining and developing gold, copper, and other minerals. In 2015 Zijin entered into a joint venture with Barrick Gold, a fellow gold and copper mining company, where they hold equal stakes to the Porgera mine in Papua New Guinea. Prior to the JV, Barrick (Niugini) Limited (BNL), the local operating entity, had launched internal investigations regarding unrest in the surrounding community since 2009. Barrick Gold continues to manage the mine's daily operations today.

BIS Response: In 2020, BIS began engaging with Zijin to better understand their approach to managing sustainability risks and social controversies related to the local communities within which they operate. During the engagement, the company acknowledged that it was at the preliminary stage of building capacity for stakeholder engagement and sustainability-related reporting. Zijin explained that it provides oversight into BNL's operations of Porgera through representation on the board of directors. Zijin also closely collaborates with the local government in Papua New Guinea on managing community members' grievances, including using third-party auditors. In 2021, BNL announced a new partnership with the local government following license renewal, where the economic benefits generated from the mine will be allocated to a broader group of local landowners.

Outcome: In 2021, BIS engaged with Zijin again in partnership with the BlackRock fundamental equity team. We encouraged the company to increase disclosure regarding the operations of its overseas joint ventures, even when it does not own a majority stake, which the company committed to include in its

[34] U.S. Customs and Border Protection. "CBP Modified Forced Labor Finding on Top Glove Corporation Bhd." 9 September 2021.

2021 sustainability report. BIS is encouraged by Zijin's openness to feedback and its greater contribution to the development of local communities where it operates. Based on these discussions, we look forward to enhanced disclosures in its 2021 sustainability report. We will continue to monitor the company's progress and engage on an on-going basis as the company advances its ESG practices.

Responsible Leadership

Industry engagement and policy consultations

Members of the BIS team participated in several global and market-level industry discussions in the third quarter of 2021, with the goal of furthering matters deemed important to investors and/or promoting an increased understanding of BlackRock's approach to investment stewardship. We prioritize opportunities to engage with the investment stewardship ecosystem that enable us to connect with key constituents and thought leaders, including corporate directors, senior members of management teams, policy makers, fellow shareholders, and other stakeholders.

BIS also responded to a number of public policy consultations to provide our perspective as a long-term shareholder on behalf of clients. We value opportunities that provide a means to share our views on a variety of corporate governance topics, reflect the global perspective and the local expertise of the BIS team, and listen to the views of our peers. The full record of BIS responses to policy consultations is available under the Positions and Perspectives section of the BIS website.

Global

G7 Impact Taskforce (ITF)

Created in July 2021 under the UK's G7 2021 presidency, the ITF is a "new, industry-led Impact Taskforce that will harness private finance at scale to ensure a sustainable recovery from covid."[35] The ITF is composed of global leaders from the private, public and social sectors, including Sandy Boss, BIS Global Head and member of BlackRock's Global Executive Committee; Michelle Edkins, BIS Managing Director; and Eric Rice, Managing Director and Head of Impact Investing at BlackRock.[36] Ms. Boss is a member of the ITF's Steering Committee and Ms. Edkins is a member of the "Impact Transparency, Integrity and Reporting" working group. Mr. Rice is an advisory panel member of the "Instruments and Policies to Scale Impact Investment" working group. The ITF will share its recommendations and publish a final report to be delivered to G7 governments in December 2021. BIS looks forward to sharing its global corporate governance expertise to advance the group's goal of promoting solutions that contribute to achieving a sustainable and inclusive recovery from COVID-19.

2021 Top 35 Advocate Executives

In September 2021, Shinbo Won, BIS head of Asia ex-Japan, and Robert Fairbairn, BlackRock's Vice Chairman and Co-Chair of the Human Capital Committee were recognized by HERoes and Yahoo! Finance as two of 35 global senior leaders advocating for women in business.[37] Ranked number two on the list, Mr. Won was recognized for his contributions to creating a more diverse and inclusive business environment for women, including his role as Co-Founder and Co-Chair of BlackRock Singapore's Male

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[35] UK Government. "UK backs Impact Investment Taskforce as road to pandemic recovery." Foreign, Commonwealth and Development Office and James Duddridge MP. July 9, 2021.
[36] Impact Investing Institute. "Press Release: G7 Impact Taskforce announces membership." August 17, 2021.
[37] HERoes. "2021 Top 35 Advocate Executives."

Allies program, a program that focuses on building awareness of biases and behaviors that act as barriers to achieving gender equity in the workplace. At number 11, Mr. Fairbairn was recognized for leading and sponsoring a number of initiatives aimed at increasing gender equality in the workplace, including the launch of BlackRock's Women Leadership Forum. As one of BlackRock Women's Leadership Forum Chairs, Mr. Fairbairn has been a Global Executive Committee (GEC) sponsor of the program for many years and has been instrumental in involving other GEC members at BlackRock as sponsors of women in the program.[38]

Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD was created in 2020 with the objective of supporting "a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes."[39] To that end, TNFD members will work towards "delivering a risk management and disclosure framework for organizations to report and act on evolving nature-related risks."[40] On September 30, 2021, the TNFD announced its membership, including Jessica McDougall, BIS Director, and Chris Weber, Managing Director at BlackRock Sustainable Investing. Over the next two years, Ms. McDougall and Mr. Weber will join thought leaders from other organizations to develop the framework. In BIS' view, how companies manage natural capital is an investment issue. The ability of many resource-intensive companies to operate, and as result create long-term value, is dependent on sustaining the ecosystems that provide them with these underlying resources. On behalf of BlackRock's clients as long-term investors, BIS encourages companies to disclose how they have adopted or plan to develop a business model consistent with the sustainable use and management of natural capital, including resources such as air, water, land, minerals, and forests. As such, we are delighted to contribute to the TNFD's efforts to develop a framework to further guide companies in disclosing how they are addressing material natural capital risks and opportunities.

Americas

National Association of Corporate Directors (NACD) 2021 Directorship 100 Honorees

In August 2021, the NACD announced the 2021 Directorship 100 Honorees, "an annual recognition of the leading corporate directors, corporate governance experts, policymakers, and influencers who have made a significant impact on boardroom practices and performance."[41,42] BlackRock's CEO, Larry Fink, and BIS Managing Director, Michelle Edkins, were recognized as "NACD 2021 Governance Professionals and Institutions" honorees.[43] BIS advocates for sound corporate governance and sustainable business models that can help drive the long-term financial returns that enable our clients to meet their investing goals. We are pleased to learn our stewardship activities are recognized in this year's NACD Honoree list and we remain committed, more than ever, to continue working to advance of our clients' long-term economic interests.

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[38] HERoes. "2021 Top 35 Advocate Executives."
[39] TNFD. "About – Our mission."
[40] TNFD. "About – Our mission."
[41] The NACD is a U.S. based community of directors representing more than 22,000 board members. See "About NACD."
[42] NACD. "NACD Announces 2021 Directorship 100 Honorees; Awards Celebrate "Most Influential" Directors and Governance Professionals." August 23, 2021.
[43] NACD. "2021 Honorees." NACD Directorship 100.

Canada: Special Paper released summarizing "The Value in Indigenous Relations" roundtable

On September 28, 2021, Mining Association of Canada (MAC) and Millani published a special paper summarizing the main findings from a June 2021 roundtable BIS participated in that brought together representatives of Indigenous communities and institutional investors, as well as members of MAC. The roundtable discussion was coordinated by MAC and Millani, an organization that provides sustainability consulting services to both institutional investors and issuers.[44] Participants shared ways corporate issuers can successfully engage in long-term, meaningful relationships with Indigenous communities. During the discussion, BIS shared our belief that companies that build strong relationships with their stakeholders are more likely to meet their own strategic objectives, while poor relationships may create adverse impacts and may even jeopardize their social license to operate. We also shared how, as long-term investors on behalf of our clients, we aim to understand how companies engage with their key stakeholders – which may include Indigenous peoples – and ask that companies provide disclosure regarding board oversight, due diligence, and remediation of potential adverse impacts on people arising from their business operations.

Mexico: 2030 Agenda Sustainable Investing Working Group

On August 18, 2021, at the invitation of Mexico's Business Coordination Council (CCE) and the UN Global Compact, BlackRock chaired the first meeting of the Sustainable Investing Working Group.[45] The Sustainable Investing Working Group – which includes Gabriel Hasson, BIS' Latin America Head, and will meet approximately every month – is one of several working groups convened by the CCE and the UN Global Compact as part of a 2019 agreement between the Government of Mexico and representatives of the private sector to work together towards the implementation of the 2030 Sustainable Development Agenda. BIS plans to contribute to each monthly session and to share our perspectives on how companies can enhance their corporate governance models in support of sustainable development.

U.S.: EY's Think ESG Webcast "The investor perspective on ESG reporting"

On September 21, 2021, BIS participated in Ernst & Young's (EY) second Think ESG webcast titled "The investor perspective on ESG reporting." During the discussion, BIS and other investors shared their views on ESG reporting and disclosures and what ESG information is important to different investors and why.[46] BIS discussed how comprehensive disclosure helps BlackRock, and other investors, better understand the unique challenges each company faces and how boards and management teams are appropriately addressing material risks and opportunities in an effort to deliver sustainable financial returns for shareholders over the long-term. BIS also shared trends and insights from the 2020-21 proxy year, discussed in detail in BIS' special report, "Pursuing long-term value for our clients." In particular, BIS discussed that when assessing a company's disclosures, we review whether the information provided clearly and comprehensively explains the material sustainability-related drivers of risk and value in its business. We also shared that during the 2020-21 proxy year, BIS voted against 107 companies for inadequate sustainability reporting.

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[44] Millani. "About Millani."

[45] The CCE is a widely recognized organization that coordinates and represents the private sector as an engine of economic and social development in Mexico. See "*¿Qué es el Consejo Coordinador Empresarial?*" to learn more.

[46] Ernst & Young. "Think ESG: the investor perspective on ESG reporting." September 2021.

U.S.: FCLT Global's Implementation Forum "The Future of Long-term Executive Remuneration Design"

On September 23, 2021, BIS team members participated in FCLT Global's Implementation Forum that gathered stewardship and remuneration leaders to reflect on the future of long-term executive remuneration design.[47] During the discussion, participants exchanged general views on executive compensation, as well as lessons from the 2020-21 proxy year. As highlighted in our commentary, "Incentives aligned with value creation," BIS believes that companies should explicitly disclose how incentive plans reflect strategy and incorporate performance metrics that are aligned with long-term shareholder value drivers. In the smaller break-out sessions, BIS shared how given the past year's unprecedented circumstances, we looked closely at how companies structured executive pay and incentives aligned with value creation in relation to the experiences of their employees. For example, BIS acknowledged the potential for companies to face reputational risk as a result of making outsized payments to executives, especially if they reduced their workforces as a result of temporary shutdowns or definitive closures in response to the COVID-19 pandemic.

U.S.: The National Investor Relations Institute's (NIRI) Investor and Issuer Invitational Forum

On September 29, 2021, BIS participated in NIRI's Investor and Issuer Invitational Forum (The Big I). The theme for the 2021 edition of the Big I was stakeholder capitalism and BIS participated in the session titled "The relationship between corporate performance and purpose-driven corporate strategy." [48] During the session, speakers and participants exchanged views on why companies need to incorporate the needs of their multiple stakeholders – shareholders, employees, customers, communities, etc. – into their strategic thinking and internal goal setting. BIS shared an overview of "Our approach to engagement on corporate strategy, purpose, and financial resilience." In particular, we shared our belief that companies focused on their purpose, with a credible strategy to deliver for all their stakeholders, will be well-positioned to endure economic shocks, and create sustainable, long-term value for our clients, while boards and management teams that overlook purpose and key stakeholders may face operational, financial, and reputational risks.

Europe, Middle East, and Africa (EMEA)

EMEA: Tapestry's European Audit Committee Leadership Network (EACLN)

On September 2, 2021, BIS participated in Tapestry's summer session with EACLN members, which included chairs of the audit committees of the largest European public companies.[49] The session focused on corporate sustainability disclosures and the roles of the board and the audit committee in overseeing ESG policies and disclosures. BIS shared how corporate disclosures help investors like BlackRock assess how companies are appropriately addressing sustainability risks, including climate-related risks. Speakers and EACLN members also exchanged views on current external assurance for sustainability disclosures. Both speakers discussed that while assurance for sustainability disclosures is often limited to

[47] FCLTGlobal. "Implementation Forum: The Future of Long-term Executive Remuneration Design."
[48] The Big I forum engages public company stakeholders on emerging issues common to investors and issues See "Investor and Issuer Invitational Forum: The Big I" to learn more.
[49] Tapestry Networks. "European Audit Committee Leadership Network – Factsheet."

a few metrics at present, stronger assurance on ESG disclosures can be expected as ESG standards, regulations, and metrics evolve over time.

UK: 2020 Stewardship Code

On September 6, 2021, the UK's Financial Reporting Council (FRC) published the list of signatories to the 2020 UK Stewardship Code.[50] BlackRock was recognized among the first signatories based on the FRC's evaluation of BIS' 2020 Calendar Year Annual Report and its determination that we met the standard of reporting. The 2020 UK Stewardship Code – which took effect on January 1, 2020 – sets high expectations for how investors, and the service providers that support them, manage assets on behalf of UK savers and pensioners, and how this contributes to sustainable benefits for the economy, the environment and society.[51] BIS is proud that our stewardship program has been awarded official signatory status given the UK Stewardship Code is recognized globally as a best-practice benchmark in investment stewardship.

UK: BIS contribution to government and regulator consultations on corporate governance

In Q3, BIS contributed alongside other BlackRock teams (for example, Legal & Compliance, Human Resources, Finance, and the Global Public Policy Group) to firm-wide responses to three consultations relating to various corporate governance-related matters. One, entitled "Restoring trust in audit and corporate governance: Consultation on the government's proposals", which was issued by the Department for Business, Energy & Industrial Strategy (BEIS), set out multiple proposals including new reporting and attestation requirements covering internal controls, dividend and capital maintenance decisions designed to sharpen directors' accountability. In addition, specific proposals were put forward requesting a shareholder advisory vote on companies' Audit and Assurance policy and a formal opportunity to propose to the audit committee areas of emphasis to be considered within the auditor's annual audit plan. In its response, BlackRock was supportive of a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs.

Another, a Call for Evidence entitled "Consideration of social risks and opportunities by occupational pension schemes", which was issued by the Department for Work and Pensions, sought the market's views on how pension scheme trustees (a core client base supported by BlackRock in the UK) understand social factors and how they are included in trustees' ESG policies. Our response highlighted our understanding of the financial materiality of 'S' factors, our experience of engaging with investee companies on such issues, and our views around the importance of more consistent disclosures from companies in this area.

The third, a Discussion Paper entitled "Diversity and inclusion in the financial sector – working together to drive change", which was issued jointly by the Financial Conduct Authority, the Prudential Regulation Authority and the Bank of England, sought input on how regulators can accelerate the pace of meaningful change on diversity and inclusion in the financial services sector. In our response, BlackRock confirmed its support for the UK regulators' commitment to advancing diversity and inclusion across financial services firms, and that we place particular importance on promoting diversity, equity and

[50] FRC. "FRC lists successful signatories to the UK Stewardship Code." 6 September 2021.
[51] FRC. "The UK Stewardship Code 2020." Page 4.

inclusion, both within the firm and as an integral part of our stewardship engagement with companies in which we invest in on behalf of our clients.

Asia-Pacific (APAC)

Japan: Study group toward achieving Human Capital Management

On July 1, 2021, BIS participated in the first meeting of the "Study Group toward Achieving Human Capital Management." The study group was inaugurated by Japan's Ministry of Economy, Trade and Industry (METI) and will discuss the future direction in human capital management based on the findings of the "Report of the Study Group on Improvement of Sustainable Corporate Value and Human Capital," released in 2020.[52] BIS views human capital management as an investment issue, and regularly engages with companies to understand their approach to human capital and other social-related issues. We believe companies need to be able to attract, retain, and develop workers with the skills and expertise necessary to execute their long-term strategy and to deliver value creation. It is therefore important that companies explain as part of their corporate strategy how they establish themselves as an employer of choice for the workers on whom they depend and support a diverse and engaged workforce aligned with and contributing to its purpose and corporate culture. BIS looks forward to sharing our perspective and approach to engagement on human capital management with the study group's members.

China: BIS response to the CSRC Consultation Paper on Guidelines for Content and Format of Information Disclosures by Companies Offering Securities to the Public

On July 7, 2021, BIS and BlackRock's Global Public Policy Group (GPPG) in APAC submitted a response, in Chinese, to the "Consultation Paper on the Guidelines for Content and Format of Information Disclosures by Companies Offering Securities to the Public" issued by the CSRC. From our experience in the Chinese and global markets, BIS and GPPG shared considerations on the proposed revisions to the Guidelines on four main areas: 1) Coordination with International Standard Setters; 2) Bridging Strategy for Sustainability Reporting; 3) Enhancing Disclosures on Board Committees; and 4) Improving Disclosure on Share Pledging by Controlling Shareholders. BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing regulatory benefits versus implementation costs.

Singapore: "The Board perspective: ESG and climate-related risks and opportunities" webinar

On September 3, 2021, BIS participated in the session titled "The Board perspective: ESG and climate-related risks and opportunities." The session was coordinated by Eco-Business and the Singapore Institute of Directors. During the meeting, guest speakers exchanged views on the role of directors – and the challenges they face – in overseeing management's appropriate identification and management of ESG-related risks. Speakers also discussed how directors must account for key stakeholders' ESG views, such as changes in regulation and the rise in shareholder activism. BIS provided an overview of our approach to stewardship and how we engage on sustainability risks and opportunities, from the perspective of a long-term minority investor on behalf of clients. BIS also reiterated that we acknowledge the challenges boards and management teams have faced in the last year and reminded the webinar's

[52] METI. "Study Group toward Achieving Human Capital Management to Have its First Meeting." June 30, 2021.

attendees that our investment stewardship efforts have always started with the board and executive leadership. BIS has long considered corporate governance as critical to the success of a company, the protection of shareholders' interests, and long-term value creation.

China: Fourth Securities Investor Forum

On September 3, 2021, BIS participated in the Fourth Securities Investor Forum, coordinated by the Asset Management Association of China, the China Association of Public Companies, and the China Securities Investor Services Center. BIS provided an overview of our stewardship activities and highlighted that Investment Stewardship is strategically positioned as an investment function at BlackRock. BIS also shared that we undertake all our stewardship activities on behalf of clients, with the purpose of advocating for sound corporate governance and sustainable business models that can help drive the long-term financial returns that enable our clients to meet their investing goals. Lastly, BIS provided a high-level summary of our engagement and voting activities on behalf of clients in APAC, with a particular focus on our top five engagement priorities in the region. Promoting sound corporate governance is at the heart of our stewardship program. BIS believes that high-quality leadership and business management is essential to delivering long-term financial performance.

Market developments and trends

In our efforts to best represent the long-term financial interests of our clients, we aim to be abreast of key market developments and trends across global and regional markets, as well as sectors. Market developments and trends help inform our work, and inevitably shapes the context within which we are engaging with companies on the issues that are most relevant to the long-term investment interests of our clients.

Global

United Nations General Assembly shines spotlight on climate ahead of COP26

As the United Nations General Assembly got underway in September 2021, the climate crisis took center stage with leaders from the world's two largest economies – the U.S. and China – making statements regarding their commitment to climate action. The U.S. pledged it would significantly increase its international climate finance target to approximately U.S. $11.4 billion a year. China stated it would end all financing of coal fired power plants abroad and redirect its support to green and low-carbon energy.[53] The UN Secretary-General stated that these announcements are encouraging but reiterated that work still needs to be done to make COP26 – the twenty-sixth United Nations Climate Change Conference of Parties that takes place in November – a success and ensure that it marks a turning point in the collective effort to address the climate crisis.

BIS is similarly encouraged to see alignment of stakeholders on the need to advance the economy towards a global net zero goal, and we agree there is still work to be done to align the public sector, companies, investors, and other stakeholders on the transition pathway that delivers on this global goal, and works for all. BIS will continue to prioritize climate-related discussions with companies we are invested in on behalf of our clients with the intention of encouraging continued progress on the management of climate-related risks and opportunities into business models and in support of long-term value creation for our clients.

Company commitments to sustainability disclosures continues to accelerate

In September 2021, the Value Reporting Foundation announced that of the 1,201 companies within the S&P Global 1200 index, which captures approximately 70% of global market capitalization, 608 are unique reporters of SASB Standards. [54]

BIS is encouraged to see more companies adopt disclosures practices that better identify, assess, measure and monitor sustainability-related risks, which are increasingly recognized as investment risks as they can significantly influence company valuations. Until a global set of standards is established, we will, in our engagements with companies, continue to advocate for corporate sustainability reporting that

[53] United Nations – "World's two largest economies commit to climate action" – September 21, 2021

[54] SASB Reporters refers to companies who have disclosed SASB metrics in public company communications

describes how sustainability risks and opportunities are governed, reflected in strategy, integrated into risk management practices and measured (i.e. metrics and targets). This is the framework recommended by the TCFD, which we endorse. This disclosure should be supported with metrics that are sector-specific, financially material, and relevant to investment decision-making in that they help explain how a company creates value and manages risk, such as those developed by SASB.

Americas

United States: The staff of the Securities and Exchange Commission (SEC) clarifies current expectations on climate change disclosures

In September 2021, the staff of the Division of Corporation Finance (Division) at the U.S. Securities and Exchange Commission (SEC) issued a statement detailing that a number of the SEC's disclosure rules may require reporting related to climate change. To add further clarification, the SEC staff provided an illustrative letter containing sample comments that the Division – which includes staff that selectively review SEC filings to monitor and enhance disclosure requirements – may issue to companies regarding their climate-related disclosures or the absence of such disclosure.

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

Unites States: Nasdaq updates its listing standard for corporate board diversity

In August 2021, the SEC approved Nasdaq's December 2020 proposal for a new listing standard that requires, on a comply or explain basis, most of its nearly 3,000 listed companies to have a board of directors that includes at least one woman and one person from a racial minority or who identifies as gay, lesbian, bisexual, transgender, or queer ("LGBTQ+"). The listing standard also requires companies to publicly disclose statistics on the demographic composition of their boards. Companies have until August 2022 to comply.

Diversity, and the inclusion of different perspectives for board discussions and decision-making, is a globally relevant feature of board quality and effectiveness. BIS recognizes that pertinent diversity characteristics may differ across markets and looks for its policies to align with corporate governance codes or best practice guidelines. We combine a global view on diversity with a local lens, which enables us to engage on board diversity in a manner appropriate to each market.

United States: The Biden Administration makes U.S. $10B commitment to support sustainable food systems

In his remarks at the UN General Assembly in September 2021, President Biden spoke of a new US commitment to end hunger and invest in food systems both domestically and abroad by expanding income opportunities, stabilizing food supply and prices, reducing food loss and waste, and improving dietary diversity and nutrition. The intersection of climate change and food systems was specifically referenced in the fact sheet released by the White House following the announcement, stating that "helping all the components of food systems adapt to a warming planet and reduce emissions through climate-smart agricultural practices is also critical to ensure long-term food and nutritional security".[55]

BIS appreciates this focus on an issue that we see as closely related to "Our approach to engagement on natural capital" because we believe the management of the supply of the world's natural resources from which economic value and benefits can be derived can be a defining feature in some companies' ability to generate long-term, sustainable value for shareholders.

As laid out in its 2020 Global Risks Report, the World Economic Forum has found that biodiversity loss was considered among the five most impactful and most likely business risks in the next decade.[56] Concerns range from the potential collapse of food and health systems, to the disruption of entire supply chains.[57]

Europe, Middle East, and Africa (EMEA)

European Union: EU announced delay to second phase of sustainable finance rules for asset managers

In July 2021, the EU announced that it would delay the second phase of the Sustainable Finance Disclosure Regulation (SFDR), which was meant to go into effect on January 1, 2022. Phase 2 will require additional detailed entity and product level 2 disclosures, including the "principal adverse sustainability impacts statement". The six-month delay implies that the second phase will not be implemented until July 2022.

Regulation, governance and reporting requirements and norms and shareholder expectations differ across regions. While BIS advocates for the development of a global baseline set of sustainability reporting standards, BIS recognizes variance based on local market practice and standards. BIS expects a company to provide reporting that explains clearly and comprehensively the sustainability-related drivers of risk and value creation in its business. The most useful reporting includes narrative that provides context, is supported by data, and which shows change over time. We recognize that some companies will provide additional disclosure on the impacts of their business on key stakeholders and that these may overlap with those that focus on material sustainability-related drivers of risk and value.

Asia-Pacific (APAC)

Australia: Diversity milestone achieved with no all-male boards on the ASX 200

In August 2021, the Australian Institute of Company Directors (AICD) revealed that for the first time in history, there are no all-male boards at Australia's top 200 companies. When the AICD began its quarterly reporting of women on ASX 200 boards in 2015, there were 28 all-male boards.[58]

BlackRock has been a member of the Australian 30% Club since 2015, and BIS has been engaging with Australia-based companies for many years on the importance of gender diversity in the boardroom. We are encouraged to see that this work has helped deliver results in the region. Along with the achievement

[55] Factsheet (September 23, 2021): Biden-Harris Administration Commit to End Hunger and Malnutrition, and Build Sustainable Resilient Food Systems
[56] World Economic Forum (WEF). "The Global Risks Report 2020"
[57] HM Treasury, Independent Review on the Economics of Biodiversity led by Professor Sir Partha Dasgupta. "The Economics of Biodiversity: The Dasgupta Review – Full Report." February 2021.
[58] No all-male boards milestone reached on ASX 200, August 2021

of no all-male boards described above, the representation of female directors on ASX 200 boards has increased from 21.7% in 2015 to 34% as of September 2021.[59] BIS will continue to engage with companies on behalf of our clients to encourage companies in Australia to maintain, and where appropriate progress, their commitment to diversity boards in the interest of long-term value creation for our clients.

Singapore: Singapore Exchange Regulation (SGX RegCo) proposed roadmap for mandatory climate-related disclosures and enhanced policies on board diversity

In August 2021, the SGX RegCo released a consultation paper on climate and diversity. With respect to climate reporting, the SGX RegCo has stated an expectation of issuers to make disclosures based on recommendations of the TCFD and proposed a phased approach on climate reporting that begins with all issuers adopting climate reporting on a 'comply or explain' basis commencing in 2022, with reporting becoming mandatory in some sectors commencing in 2023 while other sectors maintain 'comply and explain' status, and finally with mandatory reporting expanding to additional sectors in 2024 and onwards.[60] To ensure boards have common knowledge of their roles and responsibilities, the SGX RegCo is also proposing that all directors attend a one-time training on sustainability.

For diversity, SGX RegCo is seeking feedback on its proposal to mandate issuers to have a board diversity policy and to disclose in their annual reports: 1. a diversity policy that includes time-bound targets and 2. a description of how the combination of skills, talents, experience, and diversity of directors in the board serves the needs of the company. SGX RegCo proposes these enhancements be adopted in the sustainability reports and annual reports of issuers for financial years beginning on or after January 1, 2022.

BIS was pleased to have the opportunity to respond to the consultation. On the topic of climate reporting, we welcomed the SGX's proposed roadmap towards mandatory climate-related disclosure, consistent with the TCFD recommendations, and recognized the merits of the phased approach suggested by SGX and the prioritizing of mandatory reporting for issuers in the five non-financial sectors identified by TCFD as most affected by climate change. BIS did, however, suggest SGX consider broadening the universe of mandatory reporters by including companies above a certain market capitalization threshold in the prioritization model. Furthermore, until a global set of standards is established, we suggested SGX recommend the TCFD framework as a guide for corporate disclosure on the broader range of ESG factors. With respect to mandatory training, BIS suggested that, at the very least, directors directly responsible for the oversight of sustainability issues (such as members of the sustainability committee) should undergo regular refresher training of sustainability-related knowledge and skills to stay abreast of trends.

For diversity, BIS agreed that companies must set and disclose their board's own approach to diversity and definition of the different aspects to diversity – and that gender should be an aspect considered. Additional dimensions of diversity that should be disclosed include professional factors such as industry background, area of expertise and geographic location of said expertise, as well as factors such as ethnicity and age. We also stated our expectation that companies disclose the relevant targets, plans and timeline for achieving the stipulated diversity targets. However, we emphasized BIS does not believe in

[59] Australian Institute of Company Directors – Board Diversity Statistics, October 12, 2021
[60] SGX Consultation Paper on Climate and Diversity, August 2021

being overly prescriptive on the format or medium that the issuer chooses to disclose its board diversity policy, as long as it is regularly updated and readily accessible for stakeholders.

South Korea: Korea Corporate Governance Service (KCGS) published Revised Codes for ESG Practices

In August 2021, KCGS, the sole publisher of the ESG codes of practice in Korea, published the first revisions of its Corporate Environmental Responsibility Code (established December 2010) and its Corporate Social Responsibility Code (established December 2010), as well as a third revision to its Corporate Governance Code (established September 1999, 1st revision in February 2003, 2nd revision August 2016). These codes aim to present expectations on corporate governance and socially responsible management practices to support Korean companies in maximizing their corporate value.[61]

BIS regularly updates its own policies and positions to ensure they reflect changes within the stewardship ecosystem. While consultation on these Revised Codes was not open to BlackRock to provide feedback, we are encouraged to see regional governing bodies also refreshing policies and expectations to best support the integration of ESG risks and opportunities into companies' business models.

South Korea: South Korea passed a bill mandating carbon neutrality by 2050

BIS is encouraged to see alignment of stakeholders, including governments, on the need to advance the economy towards a global net zero goal. In September 2021, South Korea further emphasized its commitment by passing the Carbon Neutrality and Green Growth Act (the "Act"), which mandates national carbon neutrality by 2050, making South Korea the 14th country in the world to legislate a carbon target. In addition to the goal of carbon neutrality by 2050, the Act requires South Korea to cut GHG emissions by 35% or more from its 2018 levels by 2030.

BIS has been engaging with South Korean companies about the need to get ahead of the energy transition to ensure that their business models are resilient and that they will continue to be able to attract capital while the global economy shifts onto a net zero pathway. We believe these broader market commitments will further support those efforts.

[61] Korea Corporate Governance Service Codes for ESG Practices

Appendix I

July 1, 2021 through September 30, 2021 Voting Statistics

Management proposals		Americas	APAC[1]	EMEA	Global	% representation of global votes
Director elections (management proposed)[2]	For	2,030	1,978	1,537	5,545	87%
	Against[5]	289	307	192	788	12%
	Abstain	0	0	10	10	0%
Directors related (management proposed)[3]	For	84	1,029	464	1,577	79%
	Against[5]	22	141	141	304	15%
	Abstain	43	0	78	121	6%
Compensation[4]	For	395	446	411	1,252	72%
	Against[5]	90	285	114	489	28%
	Abstain	1	0	4	5	0%
Capitalization	For	151	1,333	854	2,338	92%
	Against[5]	36	119	34	189	8%
	Abstain	0	3	1	4	0%
Reorganization and mergers	For	172	756	132	1,060	85%
	Against[5]	9	163	7	179	14%
	Abstain	1	0	1	2	0%
Anti-takeover related	For	144	0	107	251	83%
	Against[5]	47	1	4	52	17%
	Abstain	0	0	0	0	0%
Social (management proposed)	For	0	0	0	0	0%
	Against[5]	0	0	0	0	0%
	Abstain	0	0	0	0	0%
'Say-on-climate' (management proposed)	For	0	0	7	7	100%
	Against[5]	0	0	0	0	0%
	Abstain	0	0	0	0	0%
Routine business/ miscellaneous	For	627	1,807	1,384	3,818	96%
	Against[5]	46	88	16	150	4%
	Abstain	5	0	26	31	1%
Preferred/bondholder	For	1	0	32	33	34%
	Against[5]	1	0	61	62	65%
	Abstain	1	0	0	1	1%

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. Sourced on October 7, 2021. **Note:** % may not add to 100 due to rounding.

1 Includes Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers. **2** Elect Directors/Supervisors & Contested Elections. **3** Includes Discharge of Directors, Committee Appointments, Bundled Elections and Election of Directors to Specific Board Positions. **4** Includes Say-on-Pay proposals, Approve Remuneration Policy, and Equity Plans. **5** Includes Votes Against and Withheld.

Appendix I

July 1, 2021 through September 30, 2021 Voting Statistics

Shareholder proposals		Americas	APAC[1]	EMEA	Global	% representation of global votes
Environmental	For	0	1	0	1	50%
	Against[2]	1	0	0	1	50%
	Abstain	0	0	0	0	0%
Social	For	1	0	0	1	33%
	Against[2]	2	0	0	2	67%
	Abstain	0	0	0	0	0%
Governance	For	5	1	4	10	20%
	Against[2]	12	9	18	39	80%
	Abstain	0	0	0	0	0%
Director elections (shareholder proposed)[3]	For	0	2	6	8	80%
	Against[2]	0	2	0	2	20%
	Abstain	0	0	0	0	0%
Directors related (shareholder proposed)[4]	For	8	191	20	219	91%
	Against[2]	1	17	3	21	9%
	Abstain	0	0	0	0	0%
Other[5]	For	0	24	2	26	87%
	Against[2]	0	4	0	4	13%
	Abstain	0	0	0	0	0%

Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications. Sourced on October 7, 2021. **Note:** % may not add to 100 due to rounding.

1 Includes Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers. **2** Includes Votes Against and Withheld. **3** Elect Directors/Supervisors & Contested Elections. **4** Includes Discharge of Directors, Committee Appointments, Bundled Elections and Election of Directors to Specific Board Positi ons. **5** For detail on "other" classification please see the Appendix "Proposal Terminology Explained."

Appendix II

Proposal terminology explained

Management Proposals

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

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

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

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

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

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

Shareholder Proposals

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

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

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

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

Director-related Proposals (SH) – a category of shareholder originated director-related proposals, excluding director elections such as supervisory board matters, declassification of boards, implementation of majority voting, among others, disparity, requests for enhanced anti-bias policies, or reports on human rights policies.

Other — includes a number of shareholder originated proposals that fall outside the categories that most shareholders would view as ESG proposals and are generally procedural in nature. 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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