This statement explains how BlackRock, principally through the work of the BlackRock Investment Stewardship (BIS) team, meets the requirements in the Shareholder Rights Directive II relating to engagement with public companies and other parties in the investment ecosystem. It references extensively materials published on the BlackRock website explaining our approach to engagement and stewardship. Other materials not explicitly referenced below may also be relevant to the reader and can be found on the Investment Stewardship section of the BlackRock website.

**Investment stewardship at BlackRock**

As part of its fiduciary approach, BlackRock has determined that it is in the best long-term interest of its clients to promote sound corporate governance through stewardship of our clients’ investments in public companies as an informed, engaged shareholder. We believe that high-quality leadership and business management is essential to delivering sustainable financial performance. That is why BIS focuses on board quality, effectiveness, and accountability.

BlackRock takes a long-term perspective in its investment stewardship work informed by two key characteristics of our business: the majority of our clients are saving for long-term goals, so we presume they have a long-term orientation; and the majority of our equity holdings are in index portfolios, so our clients are, by definition, long-term shareholders.

BlackRock’s approach to investment stewardship is outlined in the BIS Global Principles and market-level voting guidelines. The BIS Global Principles set out our stewardship philosophy and our views on corporate governance and sustainable business practices that support long-term value creation by companies. We recognize that accepted standards and norms of corporate governance differ between markets; however, there are sufficient common threads globally to identify an overarching set of principles which are anchored in transparency and accountability. Our market-specific voting guidelines provide detail on how BIS implements the Global Principles – taking into consideration local market standards and norms – and inform our voting decisions in relation to specific ballot items for shareholder meetings.

**BlackRock Investment Stewardship team**

The investment stewardship program led by BIS operates across all portfolios investing in public companies, whether or not clients invest in dedicated sustainable investment solutions. BIS engages with portfolio companies on behalf of BlackRock’s index funds and coordinates periodically with portfolio managers with active positions in a company, providing a central clearinghouse of BlackRock’s views across the various portfolios with holdings in individual companies. BIS aims to present a clear and consistent message on BlackRock’s approach to material environmental, social and governance (ESG) matters.

The team consists of over 50 dedicated professionals responsible for encouraging sound corporate governance practices at the companies in which BlackRock invests on behalf of clients. Strategically located in multiple offices across BlackRock’s Americas, EMEA and APAC regions, the team combines the benefits of BlackRock’s worldwide reach with local expertise to facilitate constructive dialogue with portfolio companies and participate in the public debate to shape corporate governance, sustainability, and stewardship norms and industry standards. The BIS team profile details the team’s approach and describes the core components of our stewardship work.
**Analysis and integration**

BlackRock integrates sustainability related insights and data into its investment processes across asset classes and investment styles through a process described as "ESG integration." Within this approach, BIS benefits from both internal and external resources which can be used in our analysis of and conversations with companies. These include internal research frameworks, fundamental investors’ views and sector analyst research, as well as sector and industry research from various external service providers (in addition to relevant qualitative and quantitative company information).

BIS’ investment stewardship work is similarly one mechanism BlackRock uses to integrate and advance material sustainability insights into the investment process to enhance long-term risk adjusted returns. BIS is strategically positioned as an investment function and exchanges engagement insights with BlackRock’s investment teams globally on material ESG factors and performance matters relevant to investment decisions, including providing its views on public companies to investment teams via the internal Aladdin® platform. In this way, our stewardship efforts benefit from firm-wide data and insights on sustainability-related issues, and our investment teams benefit from the sustainability insights derived from our stewardship activities – an effective positive feedback loop.

**Company engagement**

Engagement with companies is how BIS builds its understanding of a company’s approach to governance and sustainable business practices, and how it communicates its views and ensures companies understand its expectations. As a long-term investor on behalf of clients, BlackRock seeks to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company’s management and oversight of material issues. Engagement also allows BIS to provide feedback on company practices and disclosures, particularly where BIS believes they could be enhanced. Similarly, it informs our voting decisions (see further below).

Each year, BIS prioritizes its engagement work around themes that BIS believes will encourage sound governance and business practices. Some governance issues are perennial, such as board quality and performance, although the areas of focus may change over time. Other issues have become priorities more recently, driven by our observations of emerging risks and opportunities for companies, market developments, and changing client and societal expectations. BIS’ engagement priorities and supporting commentaries are published on the BlackRock website, with the aim of providing clients, companies BlackRock invests in on behalf of clients, and industry participants more visibility into the topics on which BIS will be focusing and how BIS will engage companies on those topics.

**Voting rights**

As a fiduciary investor and acting in the best long-term economic interests of its clients, BlackRock sees voting at the annual and special shareholder meetings of the companies in which it invests as one of its core stewardship responsibilities.

BIS votes in support of management and boards where and to the extent they demonstrate an approach consistent with creating sustainable long-term value. If we have concerns about a company’s approach, we may choose to engage to explain our expectations. Engagement also provides a formal channel for feedback to the board and management about investor perceptions of their performance and governance practices. Where BIS considers that a company has failed to address one or more material issues within an appropriate timeframe, our most frequent course of action is to hold the responsible directors accountable by voting against their re-election. We also see voting on shareholder proposals playing an increasingly important role in our stewardship efforts around sustainability. BIS applies its voting guidelines to achieve the outcome it believes is most aligned with clients’ long-term economic interests.
**Working with stakeholders**

BlackRock helps shape norms in corporate governance, sustainability, and stewardship through active participation in private sector initiatives and the public policy debate. We advocate for market-level corporate governance standards and best practices that help make the financial system more resilient, sustainable, and equitable – such as advancing common standards for how companies publicly report their ESG risks and opportunities. BIS partners with BlackRock’s Global Public Policy Group to establish a BlackRock view on emerging policy issues or existing policies that are under review. Details of positions and perspectives BlackRock has taken on key policy issues and initiatives can be found on the BlackRock website.

In addition to these interactions with relevant stakeholders in the global investment and corporate community, BIS may also participate, where permissible under local regulations, in collaborative engagements with other shareholders. Such engagements would be focused on concerns that have been identified by a number of investors, which we believe could be more productively addressed through collaborative dialogue.

**Conflict management policies and procedures**

The BIS Global Principles and its commentary on conflicts of interest management describe how BIS maintains policies and procedures that seek to prevent undue influence on BlackRock’s proxy voting activity. Such influence might stem from any relationship between the investee company (or any shareholder proponent or dissident shareholder) and BlackRock, BlackRock’s affiliates, a BlackRock advised fund or its affiliate, or BlackRock employees.

**Application**

This statement sets out BlackRock’s Engagement Policy for the purposes of the Shareholder Rights Directive II applicable from 1 January 2021.³

**Endnotes**

1. ESG integration is the practice of incorporating material ESG information into investment decisions with the objective of improving the long-term financial outcomes of our clients’ portfolios, consistent with our clients’ objectives. To learn more, please see BlackRock’s approach to ESG integration.

2. Supporting commentaries provide further detail into BIS’ perspectives and its approach to engagement on key corporate governance and sustainability issues such as board diversity, human capital management, and climate risk and the transition to a low-carbon economy, among others.

3. The prior version of this statement, which was applicable to 31 December 2020, can be found here.

**Want to know more?**

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