

Directive II – Engagement Policy

Investment Stewardship

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 as an informed, engaged shareholder. At BlackRock, this is the responsibility of BIS.

We believe that high-quality leadership and business management is essential to delivering sustainable financial performance. Investment stewardship is how we use our voice as an investor to promote sound corporate governance and business practices to help maximize long-term shareholder value for our clients, the vast majority of whom are investing for long-term goals such as retirement.

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, we believe there are certain fundamental elements of governance practice that are intrinsic globally to a company's ability to create long-term value. 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 65 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.”¹ 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 provides BIS with the opportunity to improve its understanding of the business risks and opportunities that are material to the companies in which our clients invest, including those related to ESG. Engagement also informs our voting decisions (see further below). 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 provides BIS an opportunity to hear directly from company boards and management on how they believe their actions are aligned with sustainable long-term value creation.

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](#)² 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, where it has been given voting authority 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 generally votes in support of management and boards that demonstrate an approach consistent with creating sustainable long-term value. If we have concerns about a company’s approach, we may choose to explain our expectations to the company’s board and management. We may signal through our voting that we have outstanding concerns, generally by voting against the re-election of directors we view as having responsibility for an issue. BIS applies its [voting guidelines](#) to achieve the outcome it believes is most aligned with clients’ long-term economic interests.

BlackRock believes that clients should, where possible, have more choices as to how they participate in voting their holdings. BlackRock has introduced a program known as “Voting Choice” whereby it provides investors with the ability to exercise proxy voting in relation to the underlying securities of certain BlackRock-managed funds. This is the first in a series of steps to expand the opportunity for investors to participate in proxy voting decisions where legally and operationally viable. BlackRock wants to provide choice to these clients while continuing to support those who have selected BIS to vote on their behalf.

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 3 January 2022.³

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 from 1 January 2021 to 2 January 2022, can be found [here](#).

Want to know more?

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