

# How BlackRock Investment Stewardship manages conflicts of interest

BlackRock®

BlackRock manages assets on behalf of a broad range of clients including pension plans, endowments, foundations, charities, official institutions, insurers, and other financial institutions, as well as individuals around the world. We provide the investment and technology solutions to help protect and enhance the long-term value of our clients' assets.

BlackRock Investment Stewardship (BIS) is focused on assessing the quality of management, board leadership, and standards of operational excellence – in aggregate, corporate governance – at the public companies in which we invest on behalf of our clients. We see this responsibility as part of our fiduciary duty, through which we contribute to BlackRock's mission to create a better financial future for our clients. BIS is independent from BlackRock sales, vendor management or business partnership management. We regularly publish our governance principles, market-specific voting guidelines, activity reports, and position papers on the investment stewardship website.<sup>1</sup> For those clients who have given us authority, we vote in accordance with the relevant market voting guidelines, taking into consideration a company's specific circumstances. Votes are cast to achieve an outcome that, in the professional judgment of the BIS analyst, is most consistent with our clients' long-term economic interests. Through our Voting Choice program, institutional clients have the ability to participate in voting decisions where legally and operationally viable.

In fulfilling our duty, there may be a small number of situations where BlackRock may determine not to vote itself due to regulatory restrictions or a perceived or actual conflict of interest. In such cases, BlackRock uses an independent third party voting service provider to make proxy voting recommendations for our clients' holdings. In such circumstances, the voting service provider provides BlackRock with recommendations, in accordance with the relevant market voting guidelines, as to how to vote such proxies.

BIS maintains policies and procedures that seek to prevent undue influence on BlackRock's proxy voting activity.<sup>2</sup> Such influence might stem from any relationship between the investee company (or any shareholder proponent or dissident shareholder) and BlackRock, BlackRock's affiliates, a Fund or a Fund's affiliates, or BlackRock employees. The following are examples of sources of perceived or potential conflicts of interest:

- BlackRock clients who may be issuers of securities or proponents of shareholder resolutions
- BlackRock business partners or third parties who may be issuers of securities or proponents of shareholder resolutions
- BlackRock employees who may sit on the boards of public companies held in funds and other fiduciary account(s) managed by BlackRock
- Significant BlackRock, Inc. shareholders who may be issuers of securities held in funds and other fiduciary accounts managed by BlackRock
- Securities of BlackRock, Inc. or BlackRock investment funds held in funds and other fiduciary accounts managed by BlackRock
- BlackRock, Inc. board members who serve as senior executives or directors of public companies held in funds and other fiduciary accounts managed by BlackRock

BlackRock has taken certain steps to mitigate perceived or potential conflicts including, but not limited to, the following:

**Voting guidelines** – Adopted voting guidelines which are designed to advance our clients' interests in the companies in which BlackRock invests on their behalf.

**Structural separation** – Established a reporting structure that separates BIS from employees with sales, vendor management, or business partnership roles. In addition, BlackRock seeks to ensure that all engagements with companies, dissident shareholders or shareholder proponents are managed consistently and without regard to BlackRock’s relationship with such parties. Clients or business partners are not given special treatment or differentiated access to BIS. Consistent with this structural separation, only BIS or active portfolio managers engage with, and provide feedback to, companies on corporate governance and voting matters. BIS does not disclose voting intentions and/or voting decisions to BlackRock employees not involved in BlackRock’s proxy voting process in advance of a meeting or date of written consent. BIS prioritizes engagements based on factors including, but not limited to, our need for additional information to make a voting decision or our view on the likelihood that an engagement could lead to positive outcome(s) over time for the economic value of the company. Within the normal course of business, BIS may engage directly with BlackRock clients, business partners and/or third parties, and/or with employees with sales, vendor management, or business partnership roles, in discussions regarding our approach to stewardship, general corporate governance matters, client reporting needs, and/or to otherwise ensure that proxy-related client service levels are met.

**Engaging a voting service provider** – In certain instances, BlackRock has determined to engage an independent third party voting service provider to make proxy voting recommendations as a further safeguard to avoid potential conflicts of interest, to satisfy regulatory compliance requirements, or as may be otherwise required by applicable law. In such circumstances, the voting service provider provides BlackRock with recommendations, in accordance with the regional voting guidelines, as to how to vote such proxies. BlackRock’s Legal and Compliance team is responsible for determining the issuers where BIS should employ the third party voting service provider.

BlackRock uses a third party voting service provider to make proxy voting recommendations for shareholder meetings held by BlackRock, Inc. and companies affiliated with BlackRock, Inc. BlackRock may also use a third party voting service provider to make proxy voting recommendations for: (i) public companies that include BlackRock employees on their boards of directors, (ii) public companies of which a BlackRock, Inc. board member serves as a senior executive or a member of the board of directors, (iii) public companies that are the subject of certain transactions involving BlackRock Funds, (iv) public companies that are joint venture partners with BlackRock, and (v) public companies when legal or regulatory requirements compel BlackRock to use a third party voting service provider.

In selecting a third party voting service provider, we assess several characteristics, including but not limited to: independence, an ability to analyze proxy issues and make proxy voting recommendations in the best economic interest of our clients in accordance with regional proxy voting guidelines, reputation for reliability and integrity, and operational capacity to accurately deliver the assigned vote recommendations in a timely manner. We may engage more than one third party voting service provider, in part, to mitigate potential or perceived conflicts of interest.

BIS reviews annually, after peak shareholder meeting season, the vote recommendations made by the third party voting service provider to ensure they reflect BlackRock’s published voting guidelines. We report the findings of the review to the Investment Stewardship Global Oversight Committee, which is responsible for appointing and reviewing the performance of the third party voting service provider. We also meet with the third party voting service provider once a year to discuss any vote recommendations that seemed inconsistent with BlackRock’s guidelines and to explain any changes to voting guidelines planned for the following year.

BlackRock is confident that these measures enable us to appropriately manage perceived and potential conflicts of interest related to proxy voting while ensuring that we exercise, on our clients’ behalf, the voting rights that help protect and enhance the long-term value of their assets.

## Endnotes

1. BlackRock Investment Stewardship website: <https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines>
2. How BlackRock Investment Stewardship manages perceived or potential conflicts of interests is also explained in BlackRock Investment Stewardship’s [Global Principles](#). These principles describe our philosophy and approach to investment stewardship. It is reviewed, and updated as necessary, on an annual basis in light of market trends, learnings from engagement, and public policy developments. These high-level principles are the framework for our more detailed, [market-specific proxy voting guidelines](#).

## **Want to know more?**

[blackrock.com/stewardship](https://blackrock.com/stewardship)

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