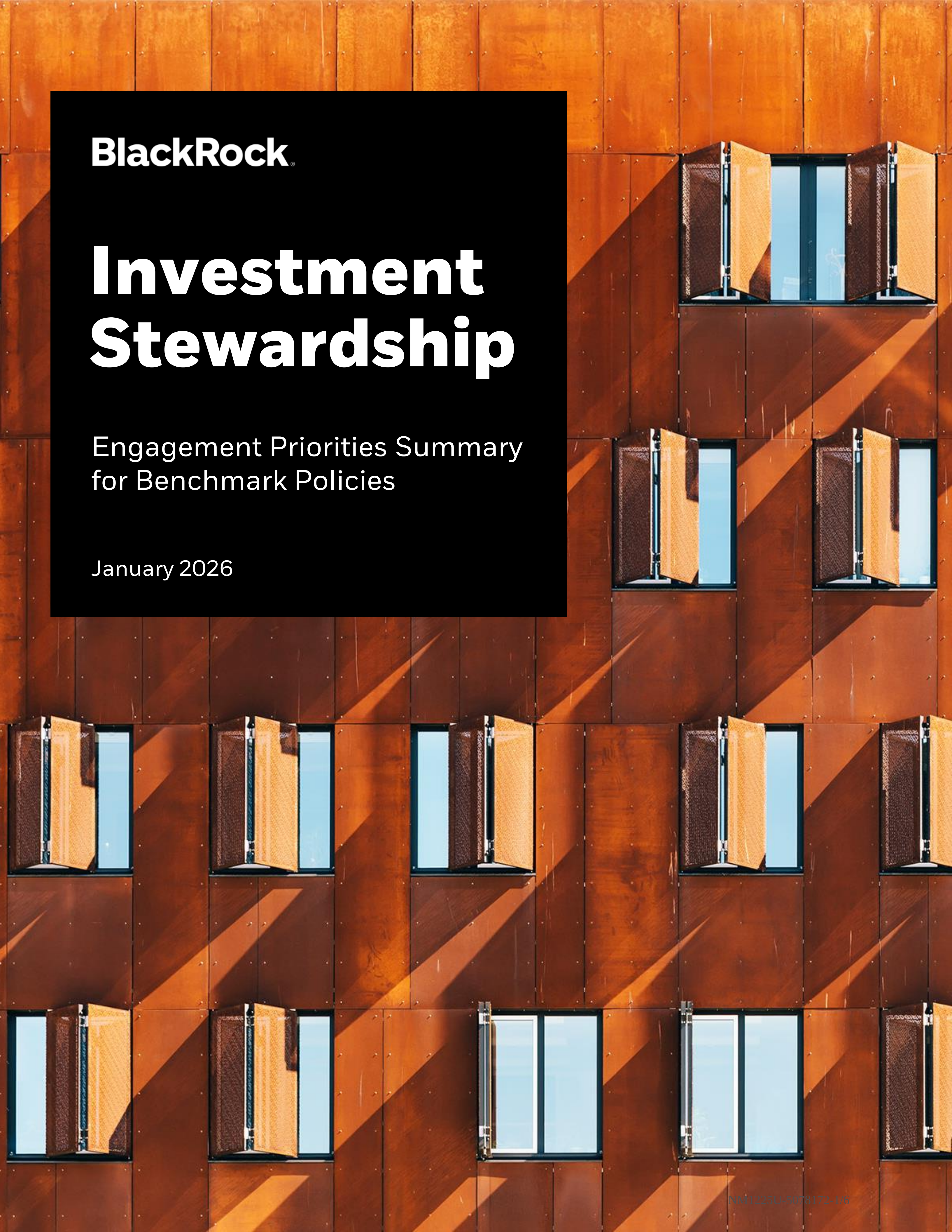
BlackRock

Investment Stewardship

Engagement Priorities Summary for Benchmark Policies

January 2026



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BlackRock Investment Stewardship (BIS) is a dedicated function within BlackRock, which is responsible for stewardship activities in relation to clients' assets invested in index equity strategies.

This note summarizes BIS' Engagement Priorities. Our approach to engaging on each priority is set out in detail in the supporting commentaries on each topic. This summary should be read in conjunction with the supporting commentaries.

In addition, the BIS Engagement Priorities should be read alongside our Global Principles and regional voting guidelines, which are collectively the foundation of our stewardship work under our Benchmark Policies in relation to the companies we invest in, on behalf of clients.

BIS' Benchmark Policies

The BIS Benchmark Policies — which are comprised of the BIS Global Principles, regional voting guidelines, and Engagement Priorities — apply to clients' assets invested through index equity strategies, which take a financial materiality-based approach, and are focused solely on advancing clients' long-term financial interests. We take a globally consistent approach, while recognizing the unique markets and sectors in which companies operate.

BIS reviews our policies every year and refreshes them, as necessary, to reflect changes in market standards and regulations, feedback from clients and companies, and insights gained over the year through third-party and our own research.

For 2026, BIS' Benchmark Policies are broadly consistent with those from prior years as they continue to reflect the corporate governance themes, that in our view, support long-term financial value, with any updates focused on incorporating policy developments in certain markets.

BIS' Engagement Priorities

1. Board quality and effectiveness
2. Strategy, purpose, and financial resilience
3. Incentives aligned with financial value creation
4. Climate and natural capital
5. Company impacts on people

BIS takes a constructive, long-term approach to our engagement with companies, reflecting the investment horizons of the majority of our clients. BIS engages with the boards and management of companies in which clients are invested to deepen our understanding of a company's business model, including how they are overseeing material business risks and opportunities over time, and to help inform our voting on behalf of clients.[1] Many of the engagements are initiated by companies to discuss their long-term strategy, risk and opportunity set, and management's plan to deliver financial returns through business cycles. BIS counts only direct interaction as an engagement. BIS does not count letters as engagement.

BIS does not view engagements as a mechanism to affect change. Setting, executing, and overseeing strategy are the responsibility of management and the board. As one of many minority shareholders in public companies, BlackRock does not direct a company's strategy or its implementation, nor how they should manage material business risks. Our role, on behalf of clients as long-term investors, is to better understand how corporate leadership is managing material risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns.

BIS' Engagement Priorities reflect the five themes on which we most frequently engage companies, where they are relevant and a source of material business risk or opportunity. The majority of BIS' engagements are focused on corporate governance because, in our experience, sound governance is critical to the success of a company and its long-term financial value creation, while ensuring investors' interests are supported.

We provide more detail on our Engagement Priorities in our seven thematic commentaries available on our website.

These commentaries explain why we consider these priorities to be investment issues, particularly for long-term investors like our clients, and set what we aim to understand from companies.

Summary of BIS' Engagement Priorities

Board quality and effectiveness

Commentary available here.

Appropriately qualified and engaged directors, with professional characteristics relevant to a company's business, enhance the board's ability to add long-term financial value and serve as the voice of shareholders in board discussions. In our view, a strong board gives a company a competitive advantage, providing valuable oversight and contributing to the most important management decisions that support long-term financial performance. For this reason, our investment stewardship efforts focus on the effectiveness of the board of directors. The election of directors to the board is a right of shareholders and an important signal of support for, or concern about, the performance of the board in overseeing and advising management.

Strategy, purpose, and financial resilience

Commentary available here.

We engage on long-term corporate strategy, purpose, and financial resilience to understand how boards and management are aligning their business decision-making with the company's purpose and adjusting strategy and/or capital allocation plans as necessary as business dynamics change. We also seek to understand how companies manage risks and opportunities within their operations to deliver long-term financial value for shareholders.

Incentives aligned with financial value creation

Commentary available here.

Executive compensation is an important tool used by companies to support long-term financial value creation. A well-structured compensation policy rewards the successful delivery of strategic, operational, and/or financial goals; encourages an appropriate risk appetite; and aligns the interests of shareholders and executives through equity ownership.[2]

To aid our understanding, BIS finds it helpful when companies make clear in their disclosures the connection between compensation policies and outcomes and the long-term financial interests of shareholders.[3]

Climate and natural capital

Climate-related risk commentary available here, natural capital commentary available here.

Appropriate oversight of material risks and opportunities, including material sustainability-related risks and opportunities, is an important component of having an effective governance framework that supports durable, long-term financial value creation.[4]

Climate-related risk

Under our Benchmark Policies, BIS' approach to financially material climate-related risks and opportunities is based on our fundamental role as a fiduciary to our clients.

While companies in various sectors and geographies are affected differently by climate-related risks and opportunities, the low-carbon transition is an investment factor that can be financially material for many companies around the globe.[5]

For companies facing material climate-related risks, we find it helpful when they publicly disclose, consistent with their business model and sector, how they intend to deliver long-term financial performance through the transition to a low-carbon economy.

Natural capital

For companies whose strategies, operations, or supply chains are materially reliant on natural capital, managing nature-related risks and opportunities may affect their ability to generate long-term financial returns.[6] For these companies, we rely on disclosures to understand how their strategies consider nature-related impacts and dependencies and to assess how the board oversees these risks.

BIS recognizes that natural capital is a broad and complex topic for companies to address. Therefore, where it is material for companies, we focus on the governance of three key components — land use and deforestation, water, and biodiversity — which may affect the long-term financial returns of companies with material exposure.

Company impacts on people

Commentary on human capital management available here, commentary on companies' human rights impacts available here.

In our experience, companies that invest in the relationships that are critical to their strategic objectives are more likely to deliver durable, long-term financial performance. By contrast, we have found that poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks. This is particularly relevant to a company's workforce, which is central to long-term financial value creation.

Human capital management

In our engagements, BIS focuses on understanding the effectiveness of boards and management in ensuring a company has the workforce necessary for delivering long-term financial performance. Our discussions cover material workforce-related risks and opportunities, which may include how a company promotes a workforce with a variety of experiences, perspectives, and skillsets to identify financially relevant opportunities and risks; enhance job quality and employee engagement; enable career development; promote positive labor relations, safe working conditions, and fair wages; and consider human rights.

Companies' human rights impacts

From an investor's perspective, unmanaged potential or actual adverse human rights issues can expose companies to significant legal, regulatory, operational, and reputational risks. These risks can materialize in a variety of ways and may damage a company's standing with business partners, customers, and communities. BIS engages with companies to understand how they are overseeing and managing the material business risks associated with human rights issues, and monitoring the effectiveness of their human rights practices on a best-efforts basis. As one of many minority shareholders in public companies, BlackRock does not tell companies how to identify, manage, and mitigate material human rights-related risks. We recognize that most companies' business models, including their supply chains, are multi-tiered and complex and, thus, not always easily assessed.

Endnotes

1. On February 11, 2025, the U.S. Securities and Exchange Commission (SEC) staff issued updated guidance for shareholders to maintain their eligibility to report their beneficial ownership under Schedule 13G of the Exchange Act. We comply fully with these requirements and do not engage with portfolio companies for the purpose, or with the effect, of changing or influencing control of any company.
2. The terms “compensation,” “remuneration,” and “pay” are used interchangeably to describe the same concept in different markets.
3. A compensation outcome generally relates to the payout of a performance-conditioned pay component, and reflects both the construction of the pay program as well as the performance of the company and executives against defined performance objectives.
4. By material sustainability-related risks and opportunities, we mean the drivers of risk and financial value creation in a company’s business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management, and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty, and relationships with regulators.
5. We recognize that companies in different markets are adapting to the low-carbon transition in varying contexts as a result of differences in the current government policy landscape. For example. the European Union (EU) and European governments are developing incentives to support the transition to a net zero economy and drive growth. Source: BlackRock Investment Institute, “Mega forces: An investment opportunity,” accessed in November 2025.
6. See Taskforce on Nature-related Financial Disclosures (TNFD), “Evidence review on the financial effects of nature-related risks,” July 2025; and BloombergNEF, “When the Bee Stings Counting the Cost of Nature-Related Risks,” December 9, 2023. Websites accessed in December 2025.

Want to know more?

blackrock.com/stewardship
contactstewardship@blackrock.com

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