

BlackRock®

**2019
Investment
Stewardship
Annual Report**

August 2019

Annual Report

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Our Annual Report reporting period is July 1, 2018 to June 30, 2019, representing the Securities and Exchange Commission’s (SEC) 12-month reporting period for US mutual funds, including iShares.

Active stewardship: creating long-term value

The Investment Stewardship Annual Report provides an overview of BlackRock’s approach to corporate governance and stewardship in support of long-term value creation for our clients. In this report we provide practical examples of the BlackRock Investment Stewardship (BIS) team’s work over the year, distilling some of the trends and company-specific situations reported in our regional quarterly reports. We emphasize the outcome of our engagements with companies, including some which have spanned several years. We also provide examples of where we have contributed to the public discourse on corporate governance and investment stewardship.

Navigating long-term change – the year in review



Barbara Novick
Vice Chairman

The adage “change is the only constant” has never been more true than in the past year. We have seen initiatives to promote standardization in sustainability reporting, further acknowledgement of the need for companies to articulate their purpose, continuing dialogue on the importance of considering multiple stakeholders, and increasing interest from policy makers in all things stewardship.

Stewardship is how we use our voice as an investor on behalf of our clients to promote sound corporate governance and business practices. BIS focuses on board quality, effectiveness and accountability because corporate boards and management are responsible for deciding what is in the best long-term interests of a company.

One of the key global themes over the year was board accountability. In particular, ensuring that boards demonstrate diverse professional and personal characteristics, and that directors have the time to commit to their board work in order to be effective in a fast-changing business world. The board’s role in overseeing management’s implementation of long-term strategy and reinvestment in the business for future growth continued to be an area of focus. Woven through many of these discussions was how company leadership ensures that they have a sustainable business model. This includes how they are managing and reporting on the material environmental and social impacts of their operations. Over our clients’ long-term investment horizon, in our experience, companies with leading practices in these areas are more likely to deliver sustainable financial returns.



Michelle Edkins
Global Head of
Investment
Stewardship

Asset owners are also increasingly interested in better understanding asset managers’ investment stewardship activities. We are committed to transparency and are pleased to have received a global leadership award from our peers. We see our communications efforts as another way to engage with a broad audience of external stakeholders. This year we updated our website with enhanced navigability and refreshed content.

Voting at shareholder meetings is the formal mechanism through which we provide feedback to companies on their corporate governance and business practices. Engagement – or direct dialogue – with companies is critical to ensuring that we vote on an informed basis to protect our clients’ economic interests. This year we participated in over 2,000 engagements with nearly 1,500 companies. Engagement on non-routine, nuanced, and often complex issues takes considerable resources. We had multiple meetings with 25% of the companies we engaged. The continued investment in our team is a reflection of the time we take to assess myriad issues. We are now 45 strong based in seven offices around the world. As a global investor, we believe it is important to build relationships with companies, clients, policy makers, and others locally. It is also critical to have direct knowledge of the cultural, legal, and commercial contexts within which companies are operating. In our experience, the long-term relationships we have built through having a local presence support more constructive dialogue with all market participants.

Technology is increasingly important in any company’s ability to operate effectively at scale. This year, we developed new tools to enable the team to better facilitate, record, monitor, and report engagements. This has enhanced our ability to collaborate with BlackRock’s internal active investment teams. Combined, these actions help to deepen and broaden our dialogue with companies and clients regarding investment stewardship.

The majority of the assets BlackRock manages are for clients looking to fulfill long-term financial goals such as retirement. We provide clients with investment choices so that they can achieve the asset allocation our clients determine is best aligned with their investment horizon, returns objectives, and values. We invest and conduct our stewardship activities to support the long-term financial returns our clients depend on to meet their financial goals. Change is the only constant and BlackRock is steering the course to achieve steady progress in governance and stewardship practices.

2018-2019 Investment Stewardship highlights

Recognition of efforts


- Recipient of 2018 International Corporate Governance Network (ICGN) Global Stewardship Disclosure Award for Asset Managers
- Awarded A+ score for our stewardship and governance efforts in the most recent UN Principles for Responsible Investment (PRI) assessment³

Expanding our team's capabilities

- Expanded team to 45 members working in seven offices in six countries
- Enhanced internal record-keeping through BlackRock's Aladdin[®] investment and risk management platform
- Began leveraging a new technology platform to enhance the efficiency and connectivity of our work

Engaging with asset owners and industry groups

- Partnered with BlackRock client teams as a content expert in over 300 meetings
- Active participation in more than 30 governance-oriented organizations globally



2,050

Total engagements



1,458

Companies engaged¹



25%

Percentage of companies with multiple engagements



50.4%

Percentage of equity assets engaged²



42

Markets in which we engaged companies

Our achievements

The scope and scale of companies engaged

We held 2,050 engagements with 1,458 companies based in 42 markets from July 2018 to June 2019. This represented 50.4% by value of the equity assets BlackRock manages on behalf of clients, as of June 28, 2019. This is broadly consistent with the level engagement we did over the prior year.

BlackRock's Mission Statement on Sustainability

In July 2018, BlackRock published its [Mission Statement on Sustainability](#). Investment Stewardship features as one of the Mission Statement's 'four pillars,' alongside environmental, social, and governance (ESG) integration investment processes across the firm, sustainable solutions offered to our clients, and BlackRock's own business operations. In the statement, we explain that we engage companies in index and alpha-seeking portfolios alike on material sustainability-related issues – such as those identified in our team's [engagement priorities](#) – that impact long-term performance.

Expanding the team's capabilities

The team now consists of 45 multidisciplinary employees working from seven offices in six countries around the world. Our team has grown steadily from 16 governance experts in 2009, and 36 at the time of last year's annual report.

The team's continued global growth reflects the importance we place on meeting our fiduciary duty to clients and companies' expectations of us as a significant shareholder. This responsibility goes beyond casting proxy votes at annual meetings. It also reflects the fact that it takes *people* to perform the research, prepare for meetings, and conduct meaningful conversations with companies. It means investing the time and resources necessary to promote long-term value. We are committed to effectively resourcing

the function in order to conduct more frequent and deeper conversations within local markets, allowing us to assess a company's approach to governance in the context of its specific circumstances.

Regional leadership update

Asia-Pacific (APAC): In early 2019, Amar Gill assumed leadership of the APAC team following the retirement of Pru Bennett. Mr. Gill brings more than 30 years of experience in capital markets, predominantly in equity research at one of the leading securities firms in Asia and has been deeply involved in corporate governance research since 2001. Over the past year the APAC Investment Stewardship team has added four members.

Europe, Middle East, and Africa (EMEA): Amra Balic is now in her eighth year leading the EMEA team. Over the past year the team added five additional team members.

Americas (AMRS): Since July 2018, the Americas team has been led by Ray Cameron. Prior to joining BlackRock, Mr. Cameron led the corporate access engagement practice at several investment banking firms. The AMRS team has expanded its local coverage to Latin America and has added six members.

Harnessing technology

We have been particularly focused on leveraging technology to enhance the efficiency and connectivity of our work. This starts with the use of CorpAxe for scheduling and tracking meetings with companies. This tool has enabled the stewardship team to enhance our process, improving collaboration with active investment teams and increasing efficiency for BlackRock and for the companies with which we engage. In addition, we are utilizing BlackRock's Aladdin® platform for tracking engagements and voting globally, enabling us to more efficiently share information, as appropriate, with active investment teams.

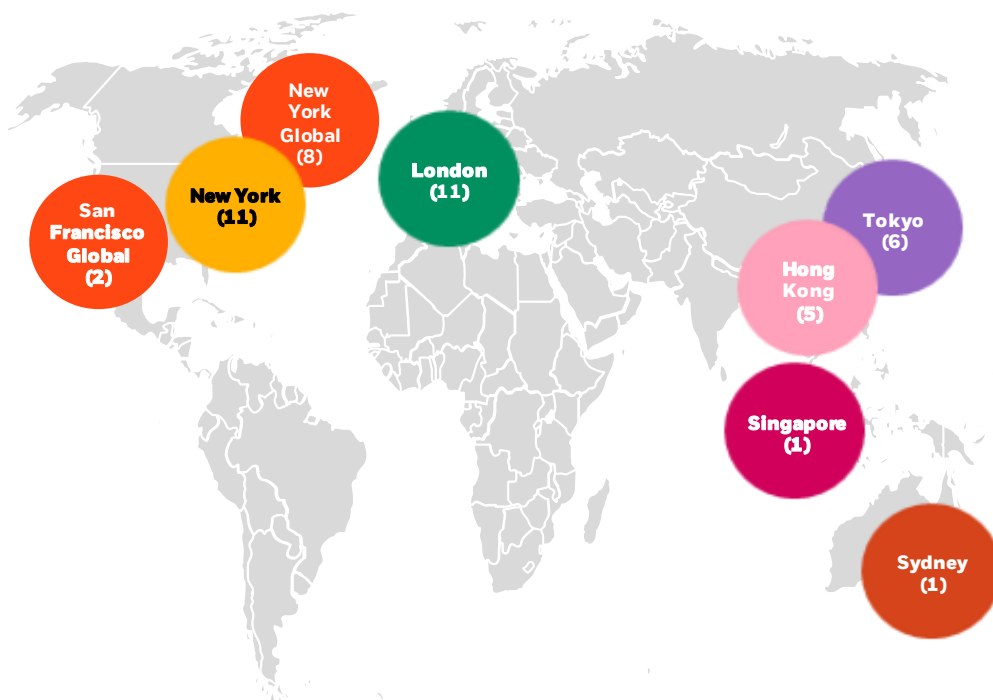
Setting the standard on disclosure

In January 2019, we launched our updated Investment Stewardship website. It provides enhanced navigability and access to our annual reports, Global Corporate Governance Guidelines & Engagement Principles, regional proxy voting guidelines, as well as other public reporting including our proxy voting history, engagement priorities, regional quarterly reports highlighting key voting and engagement outcomes, and vote bulletins on high profile votes. Collectively, these materials are a resource center for clients and others who are interested in learning about investment stewardship and understanding our process.

On the BIS website, we continue to provide significant insights into our perspectives on current public policy issues around the world. Please refer to the “Investor perspectives and public policy” section of this report for a summary of recent BlackRock responses to consultations on stewardship codes, dual share class companies, proxy advisors, and other topics.

BlackRock Investment Stewardship’s leadership in the corporate governance space has been recognized by industry groups. The team was awarded the 2018 International Corporate Governance Network (ICGN) Global Stewardship Disclosure Award for Asset Managers. ICGN is a highly respected driver of global corporate governance and stewardship best practices, led by investors in 45 markets responsible for assets under management in

Global team with a local presence



As of June 30, 2019

excess of US\$34 trillion. BlackRock has been member of ICGN since 1999. Additionally, SRI-Connect’s Independent Research in Responsible Investment (IRRI) Survey 2019, ranked BlackRock number one among asset managers contributing to sustainability and corporate governance.

BlackRock was also awarded an A+ score for our stewardship and governance efforts in the most recent UN PRI assessment as detailed on page 38 of this report.

Engaging with asset owners and industry groups

A significant portion of our work involves engaging with clients, prospects, consultants, and industry groups. This past year we had more than 300 such meetings. Most meetings involve the sharing of perspectives to understand expectations and areas of focus. Beyond these types of engagements, we respond to numerous client due diligence questionnaires, requests for information or requests for proposals that seek insight into aspects of our stewardship work in relation to specific products and investment mandates. The increasing scope of these interactions demonstrates the growing level of client interest in governance matters, including environmental and social issues.



- Global responsibilities – New York and San Francisco
- Regional engagement coverage from six offices
- 10 languages
- 15 professional certifications and academic degrees in 21 distinct disciplines
- Affiliations in over 30 organizations

Our principles, guidelines, priorities and commentaries

Global corporate governance and engagement principles

BlackRock's approach to corporate governance and stewardship is set out in our Global Corporate Governance and Engagement Principles ("[Principles](#)"). These high-level Principles provide the framework for our more detailed, market-specific voting guidelines, all of which are available on the BlackRock [website](#). The Principles describe our stewardship philosophy, our voting policies, and the manner in which we address conflicts of interest. The 2019 updates to the Principles do not include material changes in policy or voting implementation; rather, we clarified our views on certain issues, including:

- Incorporating new language related to our position on dual class shares, which aligns with a statement BlackRock [published separately](#) on these capital structures in 2018.
- Broadening the language relating to potential impediments to director independence to "having any other interest, business, or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company."
- Emphasizing that board diversity has multiple dimensions, including "personal factors such as gender, ethnicity, and age; as well as professional characteristics, such as a director's industry, area of expertise, and geographic location."
- Emphasizing that the environmental and social factors on which we engage are those we consider to be material to the company's business and long-term financial performance.

We have in place reporting and oversight structures that seek to ensure that the stewardship team is independent, focuses on voting in our clients' long-term economic interests, and is not influenced by BlackRock's commercial interests. Our conflicts management policies and procedures can be found within our Principles and, in June 2019, we published a stand-alone statement entitled, [How BlackRock Investment Stewardship manages conflicts of interest](#).

Regional proxy voting guidelines updates

In January 2019, our regional stewardship teams published updated proxy voting guidelines for most markets we cover. The majority of the changes were made in an effort to clarify language and augment certain points. We have outlined these changes below.

Americas

The primary changes to our [US proxy voting guidelines](#) were to align the language with the BIS' Global Principles. We updated our [Canadian proxy voting guidelines](#) to reflect changes in Canadian corporate governance best practices and align our view on diversity to that of our US voting guidelines.

We updated our [Latin America proxy voting guidelines](#) to align with country-specific corporate governance best practices, based on listing requirements and standards for relevant markets. We added a new section for publicly listed securities in Argentina and included a section on corporate social responsibility for both Brazil and Colombia, reflecting regional best practices and governance codes that encourage companies to consider disclosure of items related to environmental protection, labor safety, consumer rights, and gender equality.

Europe, the Middle East and Africa (EMEA)

The principal updates to our [EMEA proxy voting guidelines](#) were to align the language with BIS' Global Principles. Some enhancements included explaining our perspective on board diversity and updating the criteria for assessing the independence of a director. For example, we increased the shareholding threshold from 10% to 20% for a director to be considered non-independent. Changes to the criteria for assessing whether a director may be overcommitted reflect feedback received via company engagements. Specifically, we reduced the number of external boards on which an executive officer may serve from two to one and increased the total number of chairmanships a board member could hold from one to two, on the condition that these are the only two board seats the person holds. We clarified expectations regarding executive pay clawback and malus mechanisms, asking for better disclosure of the circumstances in which companies could use such provisions.

Asia-Pacific (APAC)

Our updates to the APAC guidelines focused on [Asia ex-Japan, Chinese & Hong Kong Securities](#) given significant regulatory changes in those markets. We clarified our view that boards should be comprised of at least one-third independent directors; companies should provide a clear explanation of the capacity to contribute in situations where a board candidate is serving on more than six other boards; audit committees should comprise only non-executive directors; and articulated our expectations on disclosure regarding strategy, purpose and culture. We explained our perspective on dual class shares capital structures, sharing our view that such structures be reviewed on a regular basis with periodic shareholder approval, in line with BIS' Global Principles. For our guidelines on Hong Kong-listed companies,⁴ we addressed rights issues, open offers, and other placings that could result in cumulative dilution of over 20% as is permitted under the Hong Kong Listing Rules. Our [Australian voting guidelines](#) align views on remuneration with that of the BIS EMEA proxy voting guidelines in relation to companies that follow UK listing rules.

Engagement priorities and related supplemental commentaries

In January 2019, we updated [our engagement priorities](#), keeping the same five priorities from 2018 but enhancing the language to better articulate our areas focus. We did so to provide clients, companies, and other industry stakeholders with visibility into the areas in which we will be particularly focused in our engagements with companies. Our priorities are determined based on our observation of market developments and emerging governance practices, aiming to promote sound corporate governance and business practices that are consistent with sustainable long-term financial returns. For each of our five priorities, we have published supplemental statements setting out key questions we may ask boards and management teams during our engagements. These priorities are summarized in the table on the following page.

2019 engagement priorities and supplemental commentaries

BIS priorities and commentaries serve as frameworks for how we will engage with boards and management around material factors that we believe affect the long-term performance of a company.

2019 engagement priorities

2019 supplemental commentaries explaining how we will engage on key topics

1

Governance

We focus on board composition, effectiveness, and accountability as a top priority. In our experience, most governance issues require board leadership and oversight. We engage to better understand how boards assess their effectiveness and performance, as well as their position on director responsibilities and commitments, turnover and succession planning, crisis management, and diversity.

Board effectiveness and diversity

- Board composition and alignment with strategy
- Board evaluation and succession planning
- Position on board diversity and its evolution
- Approach to phasing director tenures
- Deepening the pool of director candidates

2

Corporate strategy and capital allocation

We expect boards to be fully engaged with management on the development and implementation of the company's long-term strategy. Companies should succinctly explain their long-term strategic goals, the milestones that demonstrate progress, and any obstacles anticipated or incurred.

Engagement on strategy, purpose and culture

- Board's role in shaping and monitoring
- Clear articulation of purpose and long-term strategy
- Milestones to assess performance
- How culture is shaped and assessed

3

Compensation that promotes long-termism

We expect executive pay policies to use performance measures that are closely linked to the company's long-term strategy and goals to ensure executives are rewarded for delivering strong and sustainable returns over the long-term, as opposed to short-term hikes in share prices.

Executive compensation

- Board oversight of executive pay
- Transparency and connection with long-term shareholder value creation
- Demonstrable alignment of pay with company performance
- Disclosure of performance measures and selection rationale

4

Environmental risks and opportunities

Sound practices in relation to material environmental factors inherent to a company's business model can be a signal of operational excellence and management quality. Environmental factors relevant to the long-term economic performance of companies are typically industry-specific, although in today's dynamic business environment some, such as regulation and technological change, can have a broader impact. Corporate reporting should help investors and others understand the company's approach to these factors and how risks are integrated, and opportunities realized.

Climate risk

- The board's role in assessing impact and adaptation in regard to climate risk
- How climate risk may impact long-term strategy
- How reporting is evolving
- Assessing potential opportunities
- Climate risk as a factor in long-term capital expenditure plans and value creation

5

Human capital management (HCM)

In a talent constrained environment, we view a company's approach to HCM as a potential competitive advantage. We expect disclosure around a company's approach to ensuring the adoption of sound business practices that would likely create an engaged and stable workforce.

Human capital management

- Level of reporting to the board on HCM issues to help assess policies and their effectiveness
- Oversight of policies meant to protect employees
- Diversity of the board and workforce composition
- HCM strategy for ensuring the desired culture is realized

In addition, in 2019, we published two new commentaries. The [commentary on corporate political activities](#) details our view on why voluntary disclosure of corporate activities would be helpful to investors. The commentary on our approach to [engagement with the palm oil industry](#) explains our approach to the complex issues involved in palm oil production and monitoring.

Engagement and voting case studies

Board quality and effectiveness remain our primary focus

Board quality, accountability, and effectiveness remain the focal points of our engagements with companies. Companies with strong board and executive-suite leadership are better able to successfully navigate the complex and evolving range of business issues they face. This year, our engagements on board quality fell into three main categories: (1) board directors' time commitments; (2) diversity of backgrounds, skills, and expertise in the boardroom; and (3) enhancements to governance frameworks and accountability to shareholders.

Nearly 80% of our engagements centered on the quality and effectiveness of the board and executive management. Most of these engagements would also cover a number of other topics such as board oversight of corporate strategy, executive compensation, or management of environmental and social issues material to a company.

We believe holding directors accountable is the most effective way to pursue changes at a company. When we do not see progress through engagement, we generally express our concern by voting against or withholding votes from directors, primarily lead independent directors and members of particular board committees with oversight over the issue. Last year we voted against directors or withheld votes nearly 4,800 times (~8%) at more than 2,700 different companies around the world.

EMEA

Across the EMEA region, companies with directors serving on multiple boards proved a key area of focus. We are concerned that directors who are overcommitted will not have the capacity to effectively discharge their duties, especially if there is an unanticipated development such as a hostile takeover bid. As we explain in our [EMEA proxy voting guidelines](#), we believe that a director serving as chair

of a board should have no more than two other board directorships. Furthermore, if that director serves as chair of another board then that should be his or her only other board commitment. Our guidelines state that non-CEO directors who do not hold chair positions must limit themselves to serving on at most four public company boards. We expect overcommitted directors to remedy the situation in the near-term or risk losing our support. We discussed some of our engagements on this topic in our [EMEA Q1 2019 Quarterly Report, case study one](#).

Below we display our EMEA proxy voting record on individual directors over the past three reporting periods, which reflects our concerns about overcommitment. This year, in most markets, we voted against more directors than in the previous year, with the exception of the Netherlands and Denmark. We expect director commitments to remain a focus for BIS in the coming years.

Reporting period	Total number of EMEA director votes	Total number of EMEA votes against individual directors on the basis of overcommitment
2016 - 2017	11,310	103
2017 - 2018	11,602	217
2018 - 2019	10,980	316

Source: ISS Proxy Exchange

The vote to discharge the board is a unique governance characteristic in certain European markets. Depending on each market's legal framework, the discharge can either be a vote to release the directors from liability to the company or a vote of confidence on the management and/or the board's actions over the fiscal year. At a number of companies this year, the discharge vote was more contentious than usual as a result of pending litigation, ongoing investigations into fraud and other illegal practices, or concerns about corporate leadership. In this reporting period, we voted against the discharge for one or more directors at 17 EMEA companies where we deemed that management had not addressed issues that were likely to impair the company's ability to deliver long-term sustainable financial returns.⁵

Americas

We find that engagement with directors on general trends and developments in corporate governance, unrelated to a specific company situation, helps build relationships that support future engagement. As part of our focus on engaging board directors, in February 2019, the Americas team hosted its second annual Director Dialogue to share perspectives on a broad array of topical governance issues with corporate directors. More than 60 board and management representatives from more than 30 companies attended the event. The sessions focused on BlackRock’s approach to stewardship, our 2019 engagement priorities, and trends in ESG reporting. This event included a moderated conversation with BlackRock Chairman and CEO Larry Fink regarding his [2019 letter to CEOs](#), as well as his views on the macroeconomic trends impacting the investment landscape.

In the US, director board commitments have been a long-standing engagement topic. We believe the focus on this topic has contributed to the reduction in the average number of boards on which directors sit: today, the percentage of non-CEO directors sitting on more than four boards has decreased from 8.8% in 2008 to 6.7% in 2019.⁶ In addition, more than three-quarters of S&P 500 boards have established some limit on their directors’ ability to accept other corporate directorships, an increase from 56% in 2008.⁷ From our perspective, this trend toward fewer board seats for any individual director is positive for US governance standards, as it allows directors to spend more time on issues important to companies on whose boards they sit.

As noted in the table below, our pattern of voting against individual directors has changed over time.

Reporting period	Total number of US votes against individual directors on the basis of overcommitment	Total number of US votes against individual CEOs on the basis of overcommitment
2015 - 2016	105	36
2016 - 2017	87	25
2017 - 2018	79	32
2018 - 2019	69	94

Source: ISS Proxy Exchange

In the case of non-CEO directors, our votes against individuals for over-boarding have declined, reflecting the fact that independent directors are serving on fewer boards than in the past. On the other hand, in our [US proxy voting guidelines](#), we explain our position that serving CEOs

should commit to no more than one public company board outside their own company. Previously, we had considered two external board positions manageable.⁸ This update reflects the increasing expectations and responsibilities of sitting CEOs. As such, this year we voted against the re-election of more CEO-directors to external boards on which they served than last year (we did not vote against them at their own company). Increasingly, companies are limiting the participation of CEOs on outside boards. We expect these trends will lead to improved governance as both independent and CEO directors have the time to be more focused on a more limited number of companies.

Board diversity

Diversity – and the inclusion of different perspectives – is a globally relevant feature of board quality and effectiveness, although pertinent diversity characteristics may differ across markets based on the available labor pool. For example, where women and minority groups have been actively involved in the corporate world, their representation on boards and in senior executive leadership is often the main criterion for having diverse perspectives on company boards. In other markets, having directors with experience outside the company’s industry may be more appropriate for introducing diversity in the boardroom. BIS combines a global view on diversity with a local lens which enables us to engage on board diversity in a manner appropriate to each market.

Global participation in the 30% club

BlackRock has long championed inclusion and diversity. Larry Fink, BlackRock’s CEO, is a founding member of the [US 30% Club](#) – a group committed to increasing gender representation on boards and in senior management. Michelle Edkins, Global Head of Investment Stewardship for BlackRock, serves on the US Steering Committee. BlackRock actively participates in 30% Club chapters in the UK, Australia, and China, including at the steering committee level in Australia and China. The 30% Club runs a number of specific and targeted initiatives that seek to increase the number of women at all levels of organizations.

Board diversity progress in the US

We have engaged with many companies for multiple years on the relationship between board diversity and board effectiveness. Boards are responsible for making decisions that impact the long-term strategy, opportunities, and performance of companies. As we discuss in our [commentary on board diversity](#), diverse groups make better decisions, particularly in dynamic and fast moving circumstances.

As we state in our [US](#) and [Canada](#) proxy voting guidelines, we expect boards to include a diverse array of individuals who bring their personal and professional experiences to bear, in order to foster constructive dialogue on boardroom matters. In identifying potential candidates, boards should consider the full breadth of diversity including personal factors, such as gender, ethnicity, and age; as well as professional characteristics, such as a director's industry, area of expertise, and geographic location. BIS considers factors such as a company's commitment to increase board diversity within the next 12-18 months, the addition of a diverse director within the previous year, board tenure, and public statements that focus on diverse recruiting efforts.

In 2018, BIS sent a letter to the companies within the Russell 1000 (approximately 30%) that had fewer than two women on their board. This year, we began voting against the re-election of directors, usually the chair or members of the nominating and governance committee, at companies that did not publish a clear policy on board diversity or that hadn't improved diversity in the boardroom.

In the 2019 proxy season, we voted against board members at 52 companies in the Russell 1000 with boards that included fewer than two women or no other diverse directors.

As of June 2019, less than 20% (178) of companies in the Russell 1000 had fewer than two women on their boards, down from 30% in 2018. Put another way, about 122 companies added at least one woman to their boards over the past year.

In our view, the acceleration in the increase in the number of women on public company boards is, in part, attributable to the engagement undertaken by investors, including voting on director elections. Given our view that diverse boards add a valuable perspective to companies, we will continue to monitor companies' overarching approach to board quality and composition.

Board diversity in APAC

In Australia, female board representation has been a long-standing engagement topic. In fact, within the last five years, female representation on boards has more than doubled to 30%. Other markets in the APAC region, however, have demonstrated slower uptake, even in more developed markets like Singapore and Hong Kong where

female board representation remains below 15%. In Korea and Japan, female representation on boards is less than 5%, and less than 1% of CEOs are women.

We believe that the work of our APAC team, along with that of other institutional investors, is bringing attention to the issue of board diversity and has, at least indirectly, helped improve the ratio of women serving on boards in the region. We recognize that bigger improvements have been made where regulators have set higher requirements for female board representation, for instance in Malaysia and Thailand.

Female board representation across the APAC region

	2013	2014	2015	2016	2017	2018
Australia	13%	16%	19%	24%	24%	28%
New Zealand	16%	22%	24%	24%	27%	26%
Malaysia	10%	12%	14%	14%	18%	20%
Thailand	12%	12%	13%	13%	14%	16%
India	7%	9%	12%	13%	13%	14%
Philippines	10%	12%	13%	13%	14%	14%
Indonesia	9%	11%	9%	7%	6%	13%
Singapore	7%	7%	8%	9%	12%	13%
Hong Kong	9%	9%	9%	10%	11%	12%
South Korea	2%	1%	2%	2%	2%	2%

Source: ISS Proxy Exchange

Board quality and effectiveness in APAC

A key area of engagement in quickly-developing APAC economies is whether directors have the relevant expertise to contribute to the assessment of the evolving challenges faced by companies, and the strategies to implement them.

In Japan, companies increasingly disclose a skills matrix for their board. Historically, many Japanese companies have appointed board members with academic or legal backgrounds to meet non-executive director requirements and investors' demands for a higher proportion of independent directors. Disclosure of the board skills matrix highlights the diversity of the board across skills, background, and areas of expertise. We note that the common skills and backgrounds of directors are shifting towards corporate leadership, legal experience, and corporate finance.

One area of expertise that BlackRock considers increasingly important is technology. Recently, our team in Japan engaged with a large bank to discuss the need for technology expertise on their board, given the rapid rise of financial technology. The engagement was constructive because the company agreed with our views and expressed a desire to seek out directors with the necessary expertise.

Given the scarcity of available talent with necessary skills (like technology expertise) in more developed APAC markets, human capital management has become a very competitive issue. Some Southeast Asian companies are emphatic that the lack of women in director roles is not an issue, given that their boards include individuals with a range of professional backgrounds. Where relevant, we have urged companies to obtain an external evaluation of their board, to consider nominees from outside the country, or seek directors with different backgrounds. We recognize these are evolving trends in the region and we intend to have further engagements on these topics.

Governance engagements with companies in emerging APAC markets often center on related party transactions and conflicts of interest with controlling shareholders. Such companies often have a controlling shareholder, although not necessarily majority ownership. In most jurisdictions, the controlling shareholder is not able to vote for related party transactions which puts more importance on the vote of other institutional shareholders. For transactions where controlling shareholders are able to vote, engagement allows us to provide a long-term perspective and share our views on the structure of the transaction(s). For example, one of the major Korean *chaebols*⁹ attempted a group restructuring in order to secure control for the next generation. In early 2018, BlackRock and other investors indicated reservations about the proposed terms. Days before the company's shareholder meeting, the group called off the meeting and withdrew the proposals, acknowledging negative feedback from investors. The company announced that it would craft a new, more shareholder-friendly plan, which we presently await.

In Hong Kong, we continue to have reservations about the number of companies designating "independent" directors who have served on their board for decades. Oftentimes, these same directors are also serving on a number of other boards, which raises questions about their ability to contribute fully to any one of them. In our [APAC Q2 2019 Quarterly Report](#), case study 4, we provide an example of our engagement on such situations.

Finally, major governance lapses, in some cases involving serious allegations of fraud, have proven distressingly common in the APAC region. In India, for example, the former promoters¹⁰ of a healthcare group are under investigation for allegedly funneling tens of millions of dollars from the listed company to their private investments. The promoters were ousted from the board when this was discovered yet sought to keep control by determining their successors. In our engagement with the board, we emphasized the importance of a clear and transparent bidding process to bring in new controlling shareholders. We are pleased that the company embraced these ideas.

Corporate strategy and capital allocation

Engaging on corporate strategy best practices

As described in [Our Approach to Engagement on Strategy, Purpose, and Culture](#), during our engagements we seek to understand a company's strategic framework, the board's process for strategic review, and how strategy evolves over time in response to changing economic, regulatory, and social conditions.

This past year nearly 46% of our engagements included discussions about long-term corporate strategy, a third of which involved multiple meetings with the same company on this topic.

Where relevant, we inquire about the board's role in helping management assess the company's purpose, which can inform corporate strategy, and its link to long-term value creation. Many of this past year's engagements featured companies that offered their own views on how a clearly articulated purpose helps deepen relationships with stakeholders, and how it serves as an organizing principle for corporate strategy.

APAC

As highlighted in our [APAC Q2 2019 Quarterly Report](#), corporate strategy in family-controlled Korean *chaebols* remains a major focus in our South Korean engagements. We engaged with some of these family-led companies to encourage strengthened board policies and controls that promote long-term value creation. In June 2019, BIS met with the management team of a Korean petrochemical company as part of a multi-year engagement. In 2018, the company introduced various measures to overhaul internal controls, including increasing the headcount of the legal and compliance teams, increasing the number of internal audits, and strengthening the independence of both the board and audit committee, with the latter now comprised only of independent members. The following year we recommended further strengthening internal controls, including trading policies, with more robust oversight by the audit committee to prevent future insider trading issues. To ensure that capital is deployed to create long-term value, and that the board has sufficient oversight based on a longer-term view, we emphasized the importance of formulating a long-term strategy that is ratified by the board and clearly communicated to shareholders. The company's decision to implement these policies underscores the benefit of both recurring dialogue, and the positive impact that engagement can have on improving companies' governance practices to allow for enhancements to long-term corporate strategy.

This year, we added capital allocation to our engagement priorities. When capital management issues come to a vote we closely assess their merits from the perspective of a

long-term shareholder, in some cases, supporting management and in others voting against management. As noted in our [APAC Q1 2019 Quarterly Report](#), BIS voted against a share buyback proposal at a Hong Kong-listed medical device developer. While we have historically supported share buyback plans in Asian markets, we were concerned about the company's lack of transparency, and the share price for the transaction, which may have impacted minority shareholders' long-term interests. At another company listed in Hong Kong, we voted in favor of a privatization proposal after conferring with our portfolio management team. On balance, we concluded that the proposal was better than locking our clients into an underperforming stock with no positive foreseeable future performance.

EMEA

Engagements may also cover companies that need to adjust to economic, geopolitical and cultural shifts. In the UK, where Brexit dominates political discourse, a number of our engagements with UK companies focused on understanding strategy in the context of potential Brexit scenarios. We detail one set of engagements with companies in the aviation industry in our [EMEA Q1 2019 Quarterly Report](#).

Changing economic norms were a focus of discussion during an engagement with a French electronics company, which highlighted the need for boards to respond adroitly to market factors like the emergence of the [sharing economy](#). In order to limit their "uberization" risk — whereby a new competitor disrupts the market by using a new technology or a different business model — the company 1) established an internal start-up hub and made external acquisitions to offer new payment solutions to clients and 2) obtained new technologies. In this instance, our engagement affirmed that the board's process and current level of expertise relating to capital allocation were appropriately focused on protecting and building long-term value.

Evolution of purpose-driven companies

[Larry Fink's 2019 letter to CEOs](#) discussed the inextricable link between profits and purpose. This year a number of companies described the work they've done to align their mission, vision, and values with their day-to-day operations. We are pleased to see companies increasingly recognize that their license to operate can depend on their ability to balance sustainable financial performance with delivering value to society. A purpose-driven approach to corporate strategy represents an evolution from traditional practices that relied substantially — if not entirely — on

“ Profits are in no way inconsistent with purpose — in fact, profits and purpose are inextricably linked.

Larry Fink
Chairman and Chief Executive Officer

conventional financial metrics. We believe forward-thinking boards are focused on the people who work for the company, and how they consider stakeholder perspectives in determining their business strategy.

For many executives, running a purpose-driven company is a developing challenge. Through engagements, we've observed that some companies are working towards embedding their purpose in all facets of the firm, whether by establishing new behavioral norms, by transforming formal systems (e.g., compensation and rewards mechanisms), or by shifting products to more renewable resources.

This past year, BIS met with the President of a Japanese specialty food company, who is taking active measures to improve work-life balance for his employees, while simultaneously aspiring to have the company recognized as a global best-in-class food company. Such a designation, however, requires the company to balance financial metrics and ESG targets that are consistent with the United Nations (UN) Sustainable Development Goals (SDGs).¹¹ Interestingly, the management team aims to achieve these financial and operational targets by introducing flexible work arrangements, reducing working hours, and offering professional development such as training in artificial intelligence.

In some cases, demonstrating commitment to a company's purpose requires that the firm pivot from one business line to another that has better long-term environmental and financial prospects. In the Americas, we engaged with a US-based containers and packaging company whose management team shifted their business to manufacture packaging from aluminum, instead of glass, because aluminum is more recyclable than glass and plastic. The company's shift occurred more than two decades ago, which positioned them well to serve contemporary customer demands to reduce the use of plastics. Their approach has also paid off for shareholders — the company demonstrated consistent growth in sales, gross income, and other key financial figures over the past ten years.

What companies told us they are doing in relation to purpose

In our engagements it was clear that every company has its own approach to articulating and realizing its purpose. The following are some of the more common activities:

- Conducting multi-stakeholder engagement processes to solicit input into their corporate and human capital management strategies.
- Inviting specialists on corporate culture to present at board meetings; boards reportedly are becoming more engaged on the topics of culture, mission, vision and values.
- Developing techniques to assess and manage the intangibles of business, such as culture or diversity, in addition to financial metrics.
- Investing in human capital through training and work-life balance programs, with the aim of inspiring and retaining talent consistent with long-term corporate strategy.

Executive compensation

Executive compensation continues to garner attention and is a focus in many of our engagements. We expect the board to implement executive pay policies that help a company attract, reward, and retain competent directors, executives, and other staff who are fundamental to the long-term sustainable growth of the company. We believe incentive-based pay should be aligned with long-term performance. In our [approach to executive compensation](#), we describe our expectations for executive compensation practices, our framework, and our typical approach to engagement and voting.

We expect companies to use proxy disclosures as their primary mechanism for explaining executive compensation practices. We may engage with companies, preferably independent members of the compensation committee when concerns are identified or where we seek to better understand a company’s approach to executive compensation.¹²

This year we engaged with nearly 600 companies on the topic of executive compensation practices¹³ and, over the last two years, 458 of these companies had Say on Pay¹⁴ votes.¹⁵ Of those 458, 211 (46%) companies saw year-over-year increases in voting support. Furthermore, 93 of the 211 (44%) companies received a 10% or greater increase in support for their Say on Pay proposal.¹⁶

Over time, we have seen companies structure incentive plans that seem more consistent with rewarding long-term performance. This evolution reflects a combination of

engagement with investors and voting results. Increased support in voting validates this positive governance trend.

Alignment of equity plans in the US

The proliferation of performance-based compensation for executives underscores one of the key goals of executive compensation – to incentivize business leaders. Equity plans reward participants by enabling them to share in the long-term future success of the company. As a percentage of total equity compensation, performance-based equity grants almost doubled between 2009 and 2018. Cash and equity performance-based compensation now account for around 58% of total pay, up over 20% from since the 2008 recession.¹⁷

The nature of equity plans makes them an effective tool to attract and retain talent – in essence, a [human capital management](#) tool. These plans are particularly effective when applied to a wide range of executives. They can help create an “ownership” mentality and provide a streamlined incentive structure across the employee base.

When we engage with companies that receive low shareholder support for their compensation plans, we generally discuss limiting one-off grants and disclosing more detail on the performance metrics used in the executive compensation plans.

We look for alignment of payout and company performance. Factors contributing to our decision to not support management equity plan proposals include evergreen provisions (when additional shares are automatically granted to participants every year), repricing of options, and unreasonable dilution in relation to peers or the stage of a company’s development.

In the 2018-19 reporting year, BlackRock voted against 14% of management sponsored equity plan ballot items in North America, consistent with our voting record for the prior two reporting periods. During this reporting period, BlackRock voted against nearly 7% of plans in the Russell 3000, but against approximately 24% of US equity plans in small capitalization companies. This confirms a general trend that we see in corporate governance practices, namely that smaller capitalization companies are still evolving their governance and compensation policies to meet market best practices.

Reporting period	Number of equity plan votes in the Americas region	Votes against equity plans	% of votes against
2016-2017	1,318	132	10%
2017-2018	1,004	132	13%
2018-2019	1,002	140	14%

Source: ISS Proxy Exchange

Observable improvements to CEO pay practices in the UK and Ireland

In countries across EMEA, shareholders appear increasingly willing to express dissatisfaction with executive pay. In the UK and Ireland, dissatisfaction is measured by the growing number of companies included in the Investment Association's (IA) public register, which lists firms within the UK FTSE All Share Index Tracking Fund that receive 20% or greater votes against their compensation proposals. BIS observed that among the 25 companies where we voted against compensation plans during the 2017-18 reporting period, we then voted for 14 (56%) of those compensation plans in 2018-19.¹⁸ This suggests that remuneration committee members respond positively to engagement and in turn were supported by shareholder votes. Where we 1) voted against compensation in the 2017-18 reporting period and 2) engaged with their remuneration committee, we voted in favor of their compensation plans in 2018-19. These engagements and subsequent votes highlight the impact that shareholder feedback can have in shaping companies' responses.

Nonetheless, we still observe issues at EMEA-based companies around Say on Pay voting. We voted against just over a third (36%) of Say on Pay plans during the 2017-18 reporting year, and just under a third (32%) in 2018-19, suggesting that many companies still, in our view, need better disclosure, pay policies, and performance alignment. We attribute this trend to the fact that we vote against more pay plans in non-UK EMEA companies, because the UK has maintained market-level corporate governance standards longer than other countries in the region.

Improving practices in pension contributions in the UK

As noted in our [2018 Annual Report](#), in the 2017-18 year we engaged extensively on executive pension plan contributions in the EMEA region.¹⁹ This year, the IA began flagging companies where pension provisions for executive directors were not aligned with those available to the workforce. The pressure to curb excessive pensions has already shown results, as one of Britain's largest banks²⁰ reduced executive pensions from 30% to 10% of salary in the past year, and a large insurer told its new CEO that he would receive a pension payment worth just 14% of his salary, compared with the 28% given to the former CEO.²¹ These are just two examples among a number of others we noted. The IA's actions illustrate a noteworthy instance in which an industry group speaks out to amplify shareholder concerns and effects positive change.

Banking misconduct in Australia

Executive compensation is a global engagement priority. Events in Australian financial institutions highlight the importance of this engagement priority as part of corporate governance. In December 2017, after outcry from the Australian public in relation to the short-term bonuses (predominantly paid in cash) paid to the executives of three of the four major banks, the Australian government established a Royal Commission into alleged misconduct in the banking, superBe annuation and financial services industry (Financial Services Royal Commission, or FSRC). The FSRC identified misconduct on the part of four major banks and other financial institutions.

Our engagements with the Australian financial institutions concentrated on increasing accountability, improving disclosure, and enhancing culture and governance – all featured heavily in the FSRC's report. We discussed the need for executives to balance appropriate risk-taking with the possibility of becoming overly risk-averse at the expense of shareholder value.

As a result of public pressure and shareholder engagement, one of the banks reduced short-term incentives for their CEO and other senior executives to zero. We engaged with the chairmen of the other banks that made only nominal adjustments, reiterating our intention to scrutinize compensation decisions in the year ahead. We will continue to monitor policies at these financial institutions and will continue to engage with companies generally in Australia on the FSRC's recommendations.

Environmental risks and opportunities

This year, we expanded the scope of our previously titled "climate risk disclosure" engagement priority to reflect that many of our engagements encompass an increasingly broad set of environmental factors.

In the past reporting year, we engaged 256 companies globally on environmental risks and opportunities. These engagements spanned topics from the robustness of board oversight, ESG disclosure frameworks, climate risk management, environmental impact management, and operational sustainability (e.g., waste, water, energy efficiency, packaging, product life cycle management, product offerings from a business opportunities perspective). Climate specific risks were a topic of discussion in more than 80% of our environmental risks and opportunities-related engagements. For a number of companies, physical risks and changing expectations around climate change of governments, clients, and communities around climate change create investment risks, that if not appropriately managed, have the potential to impact the value of these companies over the long-term.

Persistent engagement on material ESG factors led to improved practices and disclosure

As we note in [our engagement priorities](#), investors find it difficult to navigate inconsistent and incomplete ESG data on material factors relevant to a company's business. Over the past few years, an increasing number of ESG-related surveys, data requests, and ratings have emerged, which underscore the need for agreed upon reporting standards. In considering the options available, we have identified the Sustainability Accounting Standards Board (SASB) and the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) as the most useful reporting frameworks for issuers and investors alike, and we have been actively involved in efforts to broaden acceptance of these frameworks. In our engagements, we discuss SASB's industry-specific guidance as set out in its [materiality map](#), because we find it beneficial for helping companies identify and discuss their governance practices, risks assessments, and performance against these key performance indicators (KPIs).

A number of BlackRock employees are active participants in these initiatives. For instance, Michelle Edkins and Ray Cameron are members of the SASB Investor Advisory Group. Verity Chegar, ESG Integration Team Lead on the BlackRock Sustainable Investment team, is Vice Chair of SASB's Standards Board. Samantha Tortora, Global Head of Investor Relations for BlackRock is a member of the SASB Standards Advisory Group. Brian Deese, Global Head of Sustainable Investing at BlackRock, is a member of the TCFD.

Improving ESG disclosure is a multi-year process, in which we have already seen, and expect to continue to see, progress. We began engaging with companies on the TCFD's preliminary recommendations in 2017, around the same time that the SASB framework was nearing completion. In 2018, as part of our involvement with SASB's Investor Advisory Group (IAG), we wrote to 32 US-listed companies that had a strong track record of ESG disclosure, asking them to consider following SASB's reporting framework.

In 2019, we continued our participation with the IAG and engaged several multinational companies to discuss their sustainability disclosures. One of the companies announced that they had used SASB for their first ever ESG materiality assessment. Another company – a US multinational industrial conglomerate – announced that, starting in 2019, they would embed sustainable practices into the production of every new product. These products span several markets, so the company could tackle various challenges such as reducing greenhouse gas (GHG)

Investment Stewardship: Investment function and ESG integration

BIS is an investment function at BlackRock. As such, we work closely with BlackRock's active portfolio management teams. Core tenets of good governance – board oversight, minority shareholder rights, and management quality – are desirable qualities for all investors and can be a differentiating factor for equity or fixed income investor decisions. BIS confers regularly with BlackRock's equity and credit analysts and portfolio managers to exchange insights on material ESG topics. In January 2019, BIS began providing its views on companies to BlackRock investment teams via the [Aladdin](#)® platform.

emissions, improving air quality, and enhancing the health and safety of customers and employees. Moving forward, the company intends to measure and report on its progress annually.

The need for high quality and consistent ESG data is relevant to all sectors but will differ across each of them. In April 2019, BIS hosted a Biopharma Sustainability Roundtable in New York, where senior sustainability and investor relations practitioners from seven companies sought insight from BlackRock and other investors on how to improve their ESG reporting. We are encouraged by the continued dialogue we've had since the initial roundtable and anticipate that these engagements will lead to more decision-useful ESG disclosures from these companies.

BlackRock's climate risk engagements

As an early participant of the 32-member, industry-led TCFD, BlackRock has supported the FSB's efforts to improve climate-related financial disclosure. We discuss our perspective on material climate risks, as well as our views on the TCFD, in [our commentary on our approach to engagement on climate risk](#). The document, first published in early 2017 and updated annually, has served as a guidepost for our engagements on the topic. TCFD disclosures are designed for investors, lenders, and insurers who need comparable climate-related information to make informed capital allocation and financial decisions. We believe that the TCFD is useful for investors due to its focus on material and decision-useful disclosures. TCFD recommendations are aimed at issuers, who generally have an obligation under existing law to disclose material information but lack a framework to do so for climate-related information.

Our climate risk engagements

	2018-2019
Companies engaged globally	207
Companies with multiple engagements globally	34
Global Industry Classification Standard (GICS®) sectors* engaged	11

Source: BlackRock

* Based on MSCI and Standard & Poor's GICS sector classification

The aims of our climate risk engagements remain two-fold: (1) to gain a better understanding, through disclosures, of the processes that each company has in place to manage material climate risks, and (2) to understand how those risks are likely to impact the company's business. Our climate risk engagements center on a company's potential for alignment with the TCFD recommendations: a four-pronged approach concerning governance, strategy, risk management, and metrics and goals.

In our [2018 annual report](#), we noted that more than 100 of the 232 engagements we had with companies on climate risk consisted of letters we sent to the CEOs and General Counsels of the most carbon-intensive companies globally in BlackRock's equity portfolio. This reporting year, the vast majority of our climate risk engagements were in person meetings. Whereas last year's engagements generally focused on introducing the TCFD and SASB frameworks to the companies with whom we engaged and asking them to consider reporting in alignment with them, this year's engagements involved in-depth preparation and analysis specific to each company.

As of July 2019, according to the TCFD, its list of supporting organizations had grown from 513 to 825.²² We are pleased to see continued progress on climate risk practices in various regions and sectors, and have observed improved disclosure by companies where we have engaged on the topic. Recently, two large North American energy companies improved their climate risk management practices, as discussed in our [Q3 2018 Americas Quarterly Report](#). Additionally, in EMEA we reported on our engagements with several European financial and insurance companies to assess the evolution of their climate risk disclosure. In the [EMEA Q4 2018 Quarterly Report](#), we discussed a Spanish bank's plans to report on climate risk in alignment with the TCFD recommendations by 2020.

Palm oil engagements in APAC

Over the past 20 years, palm oil has become a ubiquitous commodity. It is estimated that over half of all packaged goods sold in western supermarkets contain palm oil. While its production is credited with improving living standards for many, it has also caused a number of environmental and social issues, ranging from deforestation and biodiversity loss to disputed land use and questionable labor practices. Consequently, the possibility of regulatory measures and shifts in consumer demand may present risks to the long-term sustainability of companies producing and using palm oil.

Our APAC team reported on its palm oil-related engagements in our [Q3 2018](#) and [Q1 2019](#) Quarterly Reports. In these reports, we discuss our constructive engagements with seven palm oil producers: three in Indonesia, two in Malaysia, one in Korea, and one in Liberia. Our engagements are part of an ongoing, multi-year effort to further our understanding of, and encourage companies to better address, the environmental and social risks associated with the palm oil industry. Following these engagements, in May 2019, we published [BIS' approach to engaging with the palm oil industry](#). The document provides examples of the types of questions we may ask boards and management teams, and provides a roadmap for future engagements on the topic.

Multi-stakeholder initiatives

We are a member of organizations like the Asia Investor Group on Climate Change ([AIGCC](#)); [Ceres](#); Investor Group on Climate Change ([IGCC](#)); Institutional Investors Group on Climate Change ([IIGCC](#)); and Principles for Responsible Investment ([PRI](#)). Together, these groups monitor the progress that companies make towards climate risk related goals.

We participate in other climate risk related initiatives as well. In June 2019, the Vatican's Dicastery for Promoting Integral Human Development and the University of Notre Dame held the second dialogue on "The Energy Transition & Care for Our Common Home."²³ BlackRock actively contributed to the dialogue at the Vatican, and was among the attendees that signed both resulting statements, on [climate risk disclosure](#) and [carbon pricing](#). And, in July 2019, we became one of eight founding members of the [One Planet Asset Managers Initiative](#) to advance the understanding of the implications of climate-related risks and opportunities within long-term investment portfolios. This will involve sharing investment practices, publishing relevant research, and engaging with other key actors, including standard setters, regulators, and the broader industry.

We engage directly with companies and are committed to working collaboratively through these initiatives using a range of engagement approaches to ensure fulfillment of the above-mentioned goals. As we explained in [last year's annual report](#), we are often asked to join various multi-stakeholder initiatives. This includes joining groups like Climate Action 100+ and/or signing onto letters such as the Global Investor Statement to Governments on Climate Change, both of which overlap with our own direct efforts. Of the 207 companies we engaged on climate risk this year, 43 overlapped with the Climate Action 100+ list of target companies.²⁴ This is particularly important because we only join external groups when we believe that collective action can significantly augment our direct engagements. We try to avoid initiatives that duplicate our own efforts or that may cause confusion for issuers. Even when we are aligned with the objectives of collective initiatives, we recognize that certain market participants will take different approaches to advocate for common goals.

Our voting on environmental proposals

Each year, shareholder proposals receive a significant amount of attention, especially in the US where they are more prevalent. For some, there is a perception that asset managers' commitment to improving companies' practices in relation to environmental and social issues should be measured entirely by their voting record. However, the voting record does not capture the full scope of our approach to assessing and addressing environmental and social factors that are material and business-specific.

Additionally, to measure one's stewardship efforts by voting record intrinsically implies that all shareholder proposals are worthy of support. For this reason, we recently discussed some of our key observations and votes in the [Americas 2019 Q2 Quarterly Report](#). We address the challenges associated with supporting some of these proposals – which are often poorly constructed, largely US-centric, and encourage inconsistent reporting that impedes comparability across different sectors and markets.

The 207 companies we engaged globally on the topic of climate risk far exceed the 36 US shareholder proposals that came to a vote in the US this reporting period.

Environmental and social shareholder proposals that we supported

This year, in addition to engaging companies on environmental and social issues, we supported a total of 10 shareholder proposals at 10 companies in the US. These proposals addressed a range of topics such as climate risk management, gender pay, recycling, community-environmental impacts, human rights, and governance of social risks. Broadly speaking, we supported shareholder proposals when (1) we engaged with a company and felt unsatisfied by their response to a material issue and/or (2) the proposals appropriately addressed material business risks that we considered the company to be inadequately handling.

Number of US environmental and social shareholder proposals supported in 2018-2019

Topic	2018-2019 proposals supported
Climate risk - two-degree scenario analysis and greenhouse gas emissions	4
Environmental and community impacts	1
Recycling	1
Governance measures related to opioid risks	2
Human rights standards and policies	1
Gender pay gap	1

Source: BlackRock

The value of engaging – different vote outcome on oversight of opioid risks

We engaged with two drug retailers that received similar shareholder proposals asking them to report on governance measures implemented to address opioid-related risks. Though the proposals were similar, these engagements yielded two distinct outcomes. During our engagement with the first company, the board highlighted the work they had done internally to address these risks. However, they acknowledged that they have not produced robust disclosures and that they lagged both their peers and best practice standards. They committed to updating their reporting on this topic. We suggested they consider SASB's framework.

In our engagement with the second company, we asked the board to describe their opioid-related initiatives, provide an overview of the board’s oversight role and experience in this area, and highlight current and forthcoming disclosures. The company listed their initiatives and mentioned that their forthcoming corporate responsibility report would include information about these efforts. However, the company was reticent to share more detailed information publicly and was not willing to acknowledge potential material risks associated with the opioid epidemic. They also refused to acknowledge their relationship to an organization that is currently facing significant financial and reputational risk.

Ultimately, the first company committed to improving its sustainability disclosures, so we supported management. The second company did not see a need to disclose more information on its efforts, despite the fact that several of its peers have issued or have committed to issuing detailed reports. As a result, we supported the shareholder proposal asking the company to improve its sustainability disclosures.

Since our support of management at the first company’s 2019 annual meeting, we again engaged to assess their progress. They had hired an individual to focus on sustainability reporting, engaged an external consulting firm, and – consistent with our feedback – reviewed the SASB standards relevant to their sector. The company published their inaugural sustainability report in June 2019.

Human capital management (HCM) as an investment issue

For most companies, a key driver of success and value creation is their workforce, sometimes referred to as human capital. Ultimately, companies depend on their employees to operate at high standards and to effectively execute the company’s strategy.

This year, we engaged 237 companies on HCM topics globally across all sectors.

When we engage with companies on HCM, we consider material factors including: ensuring employee health and safety, employee training and development programs, supply chain concerns (i.e. policies and practices covering contingent workers, contractors and subcontractors), wellness programs, and support of employee networks. Our [approach to engagement on human capital management](#) explains our thinking on this key issue and outlines the topics we regularly discuss with boards and management.

HCM is both a board and a management issue. The table below shows that the topics we cover may vary depending on which company representatives we engage. We expect a company’s board to have a sound understanding of management’s HCM strategy and how the company’s employee policies and processes align with its long-term corporate strategy, purpose, and performance.

BlackRock Investment Stewardship engagement topics on human capital management

When engaging boards	When engaging management teams
Oversight of policies meant to guide and protect employees (e.g., whistleblowing and codes of conduct) and the level of reporting the board receives from management to assess policy implementation	Policies to encourage employee engagement outcomes (e.g., training and development programs, wellness programs, support of employee networks, and stock participation programs)
Assessment of how the components of a company’s HCM strategy align to create a positive culture and prevent unwanted behaviors	Process for ensuring employee health and safety are high and in compliance with occupational health and safety policies and regulations
Reporting to the board on the integration of HCM risks into risk management processes	Voluntary and involuntary turnover on various dimensions (e.g., seniority of roles, tenure, gender and ethnicity)
How the board ensures that diversity and inclusion are considered in recruitment, advancement, training and development, pay, and engagement	Statistics on gender and other diversity characteristics, as well as promotion rates and compensation gaps across different employee demographics
Consideration of linking HCM performance to executive compensation to promote accountability in senior leadership	Programs to engage organized labor and their representatives, where relevant
Board member visits to establishments or factories to independently assess the culture and employee experience at the company	Systems to oversee matters related to the supply chain (including contingent workers, contractors, and subcontractors)

Americas

HCM data remains a complex mix of metrics, binary indicators, and rating systems that are challenging for both companies and investors to gather and comprehend. In a continued effort to encourage improving company disclosures, we hosted a half-day HCM roundtable at our New York headquarters in May. The event brought together several institutional investors and company representatives from the software, insurance, retail, automobile, and containers and packaging sectors. We discussed key performance indicators, benchmarking, competing reporting frameworks, and challenges associated with company reporting resource constraints.

Controversies surrounding senior company leaders, who may or may not be directly related to its business, have become a prominent topic of our engagements in the past several years. In such situations, shareholders depend on the board to provide assurance that the appropriate steps have been taken to protect the company's reputation. In our [America's Q3 2018 Quarterly Report](#), we discussed our engagement with a multinational US restaurant franchise where the founder, CEO, and chairman made disparaging public comments, which led to the loss of his leadership role on the board. In our engagement, we were made aware of the company's lax corporate governance practices and tendency to give undue deference to the recently ousted CEO. In response to public and shareholder pressure, the company's board took the unusual step of publishing a letter, denouncing the founder's pattern of behavior and initiating an independent audit and investigation of its corporate culture. Consequently, the company's management undertook a series of engagements with investors that detailed their new strategic framework, which highlighted investing in its people.

The board explained that it plans to incorporate HCM into its corporate strategy and to diversify its board, management, and workforce. We suggested that the company publicly disclose more on its HCM strategy, including how it affects performance. We intend to continue engaging the company on its progress.

EMEA

One of the more prominent engagement themes in EMEA revolved around employee representation on boards, following the January 2019 implementation of the revised [UK Corporate Governance Code](#) ("Code"). Provision 5 relates to employee representation on the board to enhance engagement with the workforce. We shared our perspective on this topic in [our public response to the March 2018 consultation](#) to review the existing UK corporate governance code. As mentioned in our answer to the consultation, we believe that directors should act in the long-term interests of all shareholders and represent their views and concerns, rather than only those of a subset of

stakeholders. The unintended consequence of mandating stakeholder representation on boards is the creation of separate classes of directors, which creates special interest groups. This may undermine the effectiveness of the board as it may curtail its ability to fulfil its duty if different stakeholders' interests are in conflict.

Based on our engagements with various companies, we learned that boards are embracing the need to engage their workforces, however the approaches vary significantly from one company to another. A small number of UK-listed companies have added employees to their boards. In one of our engagements, a company chairman expressed concerns over how one person could represent more than 50,000 company employees and shared that they have a more robust process to give employees a voice and to assess and measure company culture. Another company, with an even larger workforce, also expressed reservations about employee board representation, and similarly elaborated on their significant employee engagement efforts. They described how the chair and the CEO have annual one-on-one meetings with employee representatives, which enabled these individuals to raise issues in a private forum.

A large bank we engaged with felt that having one employee representing the entire workforce was not effective. They have instead established a panel on their subsidiary board to have employee perspectives heard at the board level. Several companies are taking the route of designating a non-executive director to operate as a link between employees and the board. One company appointed a director who was formerly the head of human resources at another firm, who would be skilled at meeting with employees. Another company we engaged with appointed an employee-director who was elected by an independently supervised ballot of employees in their respective subsidiary companies. The appointment is then recommended to the board by the company's nominating committee, prior to confirmation by shareholders at the company's annual meeting. Our engagements confirm that company boards are grappling with the Code's employee engagement framework and are implementing various approaches to address its recommendations.

Another focus area is digital transformation as companies across sectors evolve their corporate strategies to advance operating models, capture new revenue pools, and cut costs through efficiencies. This year we met with a large Italian insurance company to discuss its retraining programs which are part of its ambitious 2021 corporate strategy. The company set a target of reskilling 50% of its employees in the next three years, a strategy that could have created significant anxieties across its core agent network workforce. In the engagement, however, the company's management noted that employees have embraced

reskilling as a way to enhance their productivity and the quality of interactions with customers.

In February 2019 we engaged a large French bank around the challenges associated with job cuts due to increased competition and consumer shifts towards digital banking. The company aimed to establish a climate of cooperation by working collaboratively with employee unions by having union representatives on the board to provide direct feedback. This bank has invested heavily in the retraining of employees.

APAC

In the APAC region, a number of companies have recently dealt with (1) labor shortages and (2) occupational health and safety (OH&S) issues. For example, the Japanese airline industry is enjoying growth in demand for air travel but faces a shortage of ground and cabin crew members. Our [2018 Q4 APAC Quarterly Report](#) details what we learned from our engagement with a leading airline company that developed innovative policies for female and senior employees who need support to balance child and nursing care. Their policies have led to a notable rise in the staff's average tenure of service. We had the unique opportunity to conduct an on-site visit to better understand how these initiatives are implemented and to reaffirm that the company is investing in its people. This particular engagement helped us understand how best in class companies are attracting and retaining employees as part of their long-term corporate strategy amidst Japan's tight labor market.

Also in the APAC region, we continued to observe varying levels of commitment to OH&S by companies. For instance, in our [2018 Q4 Quarterly Report](#), we discussed our

engagement with a major Hong Kong-based utility, which had cut the compensation of senior executives following fatalities of some staff and contract workers. In light of these incidents, the company discussed the hiring of a new OH&S head and the implementation of a more comprehensive OH&S policy with a stronger focus on contractor management. Given assurance on these measures, we felt that the board's new oversight and new company procedures adequately addressed our concerns. We intend to continue monitoring the company's OH&S records to assess the long-term effectiveness of its revised safety program.

We wrote in our [2019 Q2 APAC Quarterly Report](#) about our engagement with a family-controlled property developer in China, which had come under scrutiny for several fatal accidents at its construction sites. Despite our request for a meeting, we were not granted time with the company's independent directors. It was clear from our conversation with the company secretary and investor relations officers that the controlling family dominated most aspects of the business, and that few checks-and-balances were built into the governance framework. While workplace safety metrics are incorporated in the company's executive remuneration plan, its impact is rather limited. We engaged with the company about its OH&S enhancements, which included the formation of a safety committee consisting of the CEO, COO, and the chairman of the board. After the engagement, we remained concerned that the company's oversight processes were inadequate to address the company's OH&S risks. We will continue to monitor and engage with other property developers, as well as other larger family-controlled companies, to share our views on best practices and encourage stronger governance systems.

Spotlight on Activism

Each year a number of high-profile voting situations arise where a shareholder, often a hedge fund, uses its equity stake in a corporation to pressure management to make changes to the company’s governance, operations, or strategy. This pressure often takes the form of proxy contests for the election of directors selected by the shareholder. Proponents of the process (known as “hedge fund activism,” or simply “activism”) claim that activists can promote enhanced focus on corporate governance practices and financial discipline, leading to improved company performance. Opponents contend that hedge fund activists impose a short-term view, negatively impacting the company, its employees, its community, and long-term shareholders.

Although each activist situation is unique, our vote decision is always determined by our assessment of which outcome best aligns with the long-term economic interests of our clients.

BlackRock’s clients, the asset owners, particularly those invested in index strategies, are primarily long-term investors who will typically hold shares in a company well after most activists have sold their positions. As part of our due diligence, we generally engage with the company and activist as often as necessary to ensure we understand the positions of each and can make an informed vote decision. Where management acknowledges the issues and sets out a clear plan to address them, our preference is to support management and the incumbent board directors. However, when a company fails to make necessary changes or effectively articulate its long-term strategic plans, we may support activists who propose constructive long-term strategies. The BIS voting statistics in the table below illustrate this case-by-case approach to activist situations. We attribute the year-over-year change in the percentage of proxy contests where we voted for a dissident candidate to the smaller number of proposals that ultimately went to a vote, which is likely due to an increasing number of settlements prior to shareholder meetings.²⁵ Settlements can be effective, but we monitor the outcomes carefully to ensure that the new board is performing well and benefiting the interests of all shareholders.²⁶

BlackRock US Proxy Contest Voting Statistics for Meetings Seeking Dissident Nominees

	Reported 2016- 2017	Reported 2017- 2018	Reported 2018- 2019
Number of contests seeking dissident nominees	27	19	13
% of proxy contests where we voted for a dissident candidate	19% (5 of 27 meetings)	21% (4 of 19 meetings)	31% (4 of 13 meetings)
% of dissident candidates supported	15% (13 of 89 seats)	16% (7 of 44 seats)	16% (8 of 49 seats)

Source: ISS for July 1 - June 30, for the three reporting periods of 2016-2017, 2017-2018 and 2018-2019. Numbers exclude settlements.

Value creation in contested situations

We approach our engagements in contested situations with the objective of protecting and enhancing the value of our clients’ assets. For instance, in our [Q4 2018 Americas Quarterly Report](#), we highlight an example of an engagement that improved the terms offered to shareholders during an unusual reverse merger transaction. The process included multiple engagements spanning the third and fourth quarters of 2018 and involved a number of conversations with management of the private company, various external advisors of the private company, and the two public companies party to the transaction.

When we engaged with the private company, we expressed our reservations with its terms, citing in particular their (1) heavily diminished tracking stock price, and relatedly, (2) our view that the company had severely undervalued its potential worth in the public market. After months of discussion and continued concerns expressed by shareholders about the price of the private company tracking stock, new terms were proposed, which BlackRock supported. The revised deal provided a US \$5 billion overall value-add when compared to the original valuation. Additionally, the company agreed to appoint a new independent board member. Our engagements and the resulting value-add to this contested situation underscores BIS’ role as an investment function focused on delivering value for our clients.

Engagement and voting statistics

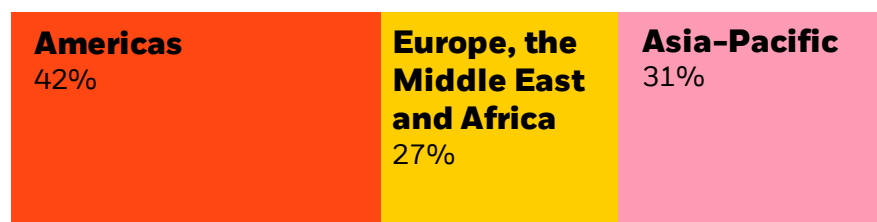
We annually disclose a statistical overview of our voting and engagement activity. Below are some of the engagement and voting highlights from this past year:

	2017 proxy season	2018 proxy season	2019 proxy season
Company engagements	1,273	2,039	2,050
Meetings voted	17,309	17,151	16,124
Proposals voted	163,461	159,429	155,131
Markets voted in*	88	89	85

*The number of markets voted in can vary from year to year. In certain markets, some companies do not hold annual shareholder meetings.

Our 2019 engagements

Engagements by region: 2,050 total



Breakdown of meetings voted* by region†

Country	Number of meetings voted	Number of proposals	% of meetings voted against management recommendations	% of proposals voted against management recommendation
United States	3,896	31,570	34%	7%
Americas (ex-USA)	1,070	10,147	49%	10%
United Kingdom	840	11,672	30%	5%
Europe, the Middle East and Africa (ex-UK)	2,507	34,926	53%	11%
Japan	2,164	22,465	37%	5%
Asia-Pacific (ex-Japan)	5,647	44,351	36%	9%
Totals	16,124	155,131	39%	8%

*Source: ISS Proxy Exchange on July 15, 2019

†The 12-month period represents the SEC reporting period for U.S. mutual funds, including iShares.

Investor perspectives and public policy

Global policies and governance codes

BlackRock believes in promoting sound corporate governance practices on behalf of our clients, acknowledging the regional variations due to corporate law, market practice, and culture. We provide commentaries on industry developments that have the potential to impact our clients' long-term assets and the functioning of global capital markets. As the objectives of investment stewardship and public policy often intersect, in 2018 we brought BIS and BlackRock's Global Public Policy Group (GPPG) closer together under the leadership of Vice Chairman Barbara Novick.

Clarifying the role of asset management

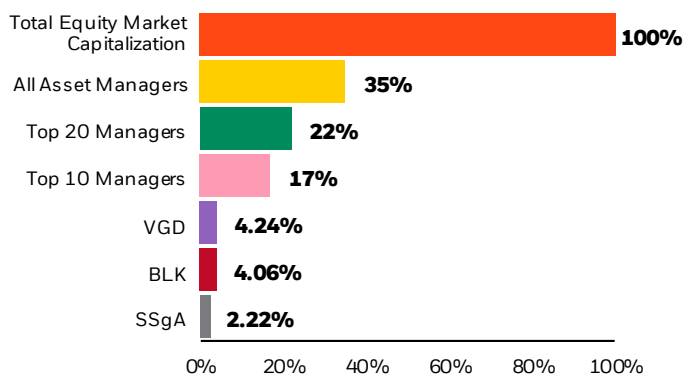
We continue to encounter misperceptions about asset managers – and, in particular, index managers – and their stewardship related work. One of the most persistent misunderstandings is that large index managers follow proxy advisory firms' – like Institutional Shareholder Services (ISS) and Glass Lewis – recommendations too closely. In our 2018 ViewPoint, [The Investment Stewardship Ecosystem](#), we explain that of the total votes cast in the US, the vast majority were routine management proposals with robust support from all shareholders. In 2019, uncontentious management proposals accounted for over 98% of all shareholder votes. Of the total votes cast in 2019, only 650 shareholder proposals (1.57%) were submitted. These proposals typically relate to more nuanced topics like governance structure, climate risk disclosure, diversity disclosure, and financial reporting.²⁷ Our analysis shows that managers of varying sizes tend to differ in their voting patterns. In sum: BlackRock's vote is correlated with ISS and Glass Lewis only on routine management proposals. When focusing on shareholder proposals, the correlation is close to zero.

Furthermore, in April 2019, GPPG, in collaboration with BIS, published a series of policy spotlights to further clarify misconceptions about shareholders, proxy voting, and investment stewardship. These papers include the following:

1. Shareholders are Dispersed and Diverse. There is a misconception that index investors are the predominant shareholders in public corporations and

that they effectively control those corporations. In this piece, we show that index fund managers are a relatively small portion of global equity assets and that equity ownership is dispersed across a wide range of investors. The largest three index fund managers represent between 2% and 5% of global equity markets each, and in aggregate manage just over 10% of total global equity market capitalization. The other 90% of equity assets are dispersed across a diverse range of investors, including in-house asset managers, independent asset managers, activist investors, and individuals. These investors have different investment objectives and strategies.

Equity Market Investors



Source: The World Bank as of January 30, 2019

2. Proxy Voting Outcomes: By the Numbers. Some commentators have suggested that asset managers are increasingly 'deciding' the outcome of proxy votes because their shareholdings are sufficiently sizeable to 'swing' the outcome. This view is simply not supported by the data. The vast majority of ballot items (including director elections, Say on Pay, and M&A-related votes) are won or lost by margins greater than 30%, meaning that even the three largest asset managers combined could not change the vote outcome. While the small subset of votes on shareholder proposals tend to be closer, the considerable variation in voting records among asset managers negates the concept of a multi-firm voting bloc as the 'swing vote'.

By our count, more than 28,000 individuals oversee public companies in the US alone. This includes: 3,948 CEOs and 24,259 board directors.

3. The Role of Shareholders in Public Companies. Some commentators claim that the growth of indexing will lead to a small handful of individuals effectively controlling all public companies in the near future. We counted how many unique individuals are currently running corporations in the US alone and found that more than 28,000 individuals have significant influence over US companies. The paper highlights that CEOs run public companies and boards of directors oversee CEOs. Shareholders provide a check on boards of directors through engagement and proxy voting.

Public companies and their boards have multiple advisors to help them make decisions including:

- 10+ compensation consultants
- Countless law firms and other corporate advisors
- 2 dominant proxy advisory firms
- Thousands of public company shareholders

4. Executive Compensation: The Role of Public Company Shareholders. Executive compensation is often cited as an example of how index fund managers can wield outsized control over corporations because as public company shareholders, they can participate in Say on Pay votes on behalf of their clients. This misperception reflects a lack of understanding of how executive compensation is determined and what Say on Pay votes actually entail. Say on Pay votes permit shareholders to express their views on executive compensation, but they do not dictate how much executives will be paid. Boards of directors, their compensation committees, and compensation consultants design, structure, and approve compensation plans. While shareholders do engage with companies to encourage good governance practices and alignment with company performance, compensation consultants and proxy advisors have a greater influence over the structure of executive compensation packages. Ultimately, the decision on executive compensation is the Board's.

Dual share class companies

BIS engages with companies to better understand their approach to issues or developments that, in our assessment, have the potential to impact long-term value creation. One such issue that is increasingly scrutinized by market regulators, index providers, media, academics, and practitioners, is dual share class structures.

In the past few years, several index providers have grappled with whether or not to include or exclude companies with dual class shares or unequal voting rights structures in their otherwise broad-based indexes. These structures give shares owned by company insiders greater voting power than those owned by the public. This preserves a level of control for management, thereby mitigating some of the challenges from management's perspective of existing in the public market.

We recognize that when companies are establishing themselves in the public market, unequal voting rights may allow founders to focus on long-term strategy and performance without being exposed to outside pressures. In early 2018, we published an [Open Letter Regarding Consultation on the Treatment of Unequal Voting Structures in the MSCI Equity Indexes](#) examining the impact of removing dual share class companies from these indexes. We were encouraged that in October 2018 MSCI decided not to change its methodology.

Separately, in October 2018, a group of investors, including BlackRock, petitioned the New York Stock Exchange and Nasdaq to amend their listing standards regarding unequal voting right structures. The petition recommends that public companies listing with multiple share classes should convert their share structure within seven years of the initial public offering to a 'one share, one vote' structure. Year-to-date, 19 US companies have gone public with multiple share classes with unequal voting rights. Of these, three included sunset provisions.²⁸

The issue of dual share class structures is part of a broader set of issues related to capital formation. We will continue to engage the marketplace on these issues.

Americas

In November 2018, the U.S. Securities and Exchange Commission (SEC) hosted a Staff Roundtable on the Proxy Process with various stakeholders. The goal was to provide the SEC with perspectives on existing regulations and processes related to shareholder engagement. The roundtable explored various topics within the proxy ecosystem, encompassing the voting process, shareholder proposals, and the role of proxy advisory firms. Ray Cameron, Americas Head of BIS was a panelist at this public event and used this platform to underscore BlackRock's support for increased transparency in the proxy voting process. In addition, BlackRock published a ViewPoint entitled [The Investment Stewardship Ecosystem](#) and submitted a [letter](#) to the SEC outlining our perspective on the issues.

Europe, the Middle East, and Africa

The EU adopted a revised Shareholder Rights Directive (“SRD II”) in December 2016 with the dual objectives of 1) reinforcing the alignment of the long-term interests of institutional investors, asset managers, and listed companies, and 2) fostering shareholder engagement in the EU. In order to explain how the work of BIS meets the requirements in SRD II, the team published a [statement on SRD II](#) in June 2019, the same month SRD II was implemented.

The first Dutch Stewardship Code was developed in 2018 and entered into force in January 2019. The Code will complement national, international, and global stewardship principles to which BlackRock is a signatory or has endorsed. We published [our statement on compliance with the new Code](#) in January 2019.

In March and April 2019, BlackRock [responded](#) to consultations launched by the UK Financial Reporting Council on proposed revisions to the UK Stewardship Code and, jointly, by the UK Financial Conduct Authority and the Financial Reporting Council on building a regulatory framework for effective stewardship. Taken together, the consultations sought investors’ views on how to enhance the regulatory environment in the UK (including that shaped by industry codes like the UK Stewardship Code) to encourage more effective investor engagement across the industry. BlackRock welcomed these initiatives, which we saw as raising important questions about the ways in which investors can exercise meaningful stewardship.

Asia-Pacific

Our APAC team has been involved in a variety of industry initiatives relating to stewardship. In Japan, we have engaged representatives from the Financial Services Agency to share perspectives on governance and reporting in advance of a forthcoming public comment period on the proposed revisions to the Japan Corporate Governance and Stewardship Code. Additionally, the BIS Tokyo team is also

actively involved in Japan’s Ministry of Economy, Trade and Industry (METI) study group on implementing TCFD recommendations. Our industry engagements also included meeting with representatives from the Tokyo Stock Exchange to discuss various topics ranging from market structures and improving governance standards, to the importance of standardizing reporting, and the evolution of ESG disclosures.

In India, the Securities and Exchange Board of India (SEBI) issued a consultation paper on differential voting rights (in essence, dual class shares). [BIS responded to the SEBI consultation](#) in April 2019, underscoring that such rights offered to founders undermine the legitimate voting entitlement of shareholders, generally; and, if such capital structures are permitted, there should be robust protections for investors. SEBI proposed that shareholders should be able to vote on a one-share one-vote basis if the capital structure is to be extended beyond five years and similar periods thereafter. Our response recommended additional protective measures as well, including that such companies should have only independent directors on their Corporate Governance and Remuneration and Nominating Committee, and that a lead independent director should be identified as a point of contact for shareholders to discuss governance issues.

We [responded to the China Securities Regulatory Commission \(CSRC\)’s consultation](#) on a revised version of the Chinese Code of Corporate Governance for Listed Companies (the Code), which concluded in mid-July 2018. We recognized and affirmed CSRC’s focus on further enhancing the protection of retail investors, strengthening the role of audit committees, and mandating the disclosure of ESG issues. We also expressed our views for enhancing disclosure requirements on critical corporate governance matters, further strengthening the structure and effectiveness of the board, tightening oversight of rules on controlling shareholders’ share pledging activities, and encouraging better alignment between a company’s social responsibility activities and its long-term growth strategy.

Industry affiliations and memberships

Industry affiliations and public speaking events provide important forums in which to advocate for our views on a variety of corporate governance topics, as well as listen to the views of our peers. We presented at conferences and panel discussions over the past year to share our views on a wide range of topics, including shareholder activism, stewardship in emerging markets, engagement on environmental and social factors, executive compensation, and investor expectations of boards of directors. Some of these events were small, private roundtables where we were able to have detailed discussions with board members about themes relating to governance and board

performance. Others were large, annual conferences of practitioners including investor relations professionals and institutional investors. For more information, please see the Responsible Leadership section in any of our publicly available Investment Stewardship quarterly reports.

BlackRock also engages the global investment and corporate community to promote a sustainable financial system through a number of coalitions and shareholder groups. In addition to those listed on the next page, we work informally with other shareholders (where such activities are permitted by law) to engage companies on specific issues or to promote market-wide enhancements to current practice.

Industry affiliations and memberships

Americas	Europe, Middle East and Africa	Asia-Pacific	Global
<ul style="list-style-type: none"> American Council on Renewable Energy American Wind Energy Association Anita Borg Institute for Computing Associação de Investidores no Mercado de Capitais (AMEC) Association of Latino Professionals for America (ALPFA) Broadridge Independent Steering Committee Business Roundtable Canadian Coalition for Good Governance (CCGG) Commonsense Principles of Corporate Governance Council of Institutional Investors (CII) Council of Urban Professionals Defined Contribution Institutional Investment Association Diversity Project Energy Storage Association Harvard Law School Institutional Investor Forum Human Rights Campaign (HRC) Intentional Endowments Network (IEN) Investor Network on Climate Risk (INCR) / Ceres Investor Stewardship Group (ISG) Lesbians Who Tech Power to Fly Solar Energy Industries Association The Robert Toigo Foundation Watermark Conference for Women indCoalition 	<ul style="list-style-type: none"> British Property Federation (BPF) Business in the Community Commission for Sustainable Finance (of the union of German investment professionals DVFA) Corporate Governance and Engagement Committee of the UK Investment Association Corporate Governance Working Group of the Asset Management and Investors Council Diversity Project Dutch Association of Investors for Sustainable Development (VBDO) Dutch Fund and Asset Management Association (DUFAS): National Climate Agreement Eumedion Fondsfrauen (German equivalent of 100 Women in Finance) Green Finance Initiative Institut du Capitalisme Responsable Institutional Investors Group on Climate Change (IIGCC) OUTstanding PLSA (previously NAPF) Stewardship Disclosure Framework Real Estate Balance Board Responsible Investment Committee - EFAMA Stewardship Committee of the European Fund and Asset Management Association Stonewall Sustainability and Responsible Investment Committee of the UK Investment Association Sustainable Finance Policy Working Group - Association for Financial Markets in Europe Sustainable Investing Platform of DNB (Dutch Central Bank) Sustainable Nation Ireland Sustainable Pension Investments Lab (SPIL) The FRC Investor Advisory Group The UK Investor Forum WeAreTheCity 	<ul style="list-style-type: none"> Asian Corporate Governance Association (ACGA) Asian Investor Group on Climate Change (AIGCC) Financial Services Council (FSC) Hong Kong Green Finance Association (HKGFA) Investor Group on Climate Change (IGCC) Australia/New Zealand KOSPI Market Advisory Committee Responsible Investment Association Australasia (RIAA) 	<ul style="list-style-type: none"> 30% Club Investor Group Catalyst CDP (formerly Carbon Disclosure Project) CECP's Strategic Investor Initiative CEO in Action CFA Institute CICERO Climate Finance Climate Bonds Initiative Coalition for Inclusive Capitalism FCLT Global (formerly Focusing Capital on the Long Term) FSB TCFD Green Bond Principles (GBP) run by International Capital Markets Association (ICMA) Green Subcommittee of Board International Capital Markets Association (ICMA) GRESB (formally known as Global Real Estate Sustainability Network) International Corporate Governance Network (ICGN) International Integrated Reporting Council (IIRC) McKinsey / Lean In (Women in the Workplace Study) Out & Equal Principles for Responsible Investment (PRI) Sustainability Accounting Standards Board (SASB), SASB Investor Advisory Group, SASB Standards Advisory Group, SASB Alliance Science of Diversity Initiative (SODI) The Lab (Global Innovation Lab for Climate Finance) The Terrawatt Initiative (TWI) Vatican Energy Transition & Care for Our Common Home Participant Statement Women in Technology International World Business Council for Sustainable Development - Aligning Retirement Assets World Economic Forum's Active Investor Stewardship Project World Economic Forum's Building an Effective Ecosystem for ESG Project World Economic Forum's Future of Energy Council

Endnotes

1. Includes in person meetings, calls, and letters sent to companies.
2. We engaged with companies that represented 50.4% by value of the equity assets BlackRock manages on behalf of clients, as of June 28, 2019.
3. See appendix II on page 38 of this report for a detailed summary of PRI's 2019 assessment of BlackRock.
4. The Chinese Securities voting guidelines are also [publicly available in simplified Chinese](#).
5. Includes voting on the following ISS codes: Approve Discharge of Management Board, Approve Discharge of Supervisory Board, Approve Discharge of Management and Supervisory Board, or Approve Discharge of Board and President
6. Source: Institutional Shareholder Services.
7. 2018 United States SpencerStuart Board Index at https://www.spencerstuart.com/-/media/2018/october/ssbi_2018.pdf.
8. We updated our policy prior to the 2018 proxy season but did not begin to vote against directors in 2017-2018 in order to allow time for companies to consider our policy.
9. The Korean market is dominated by chaebols whose founding families often retain group control through a complex web of holdings in various affiliate companies that themselves often have interlocking ownership.
10. A corporate promoter is a firm or person, usually the founder, who remains a dominant shareholder after bringing the company to the market.
11. United Nations, *The Sustainable Development Agenda* (2015), available at <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>.
12. BIS may also decline opportunities to engage with companies where we do not have any questions or concerns or believe that existing company disclosures sufficiently address the issues at hand.
13. Source: BlackRock.
14. The terminology can vary depending on markets but "Say on Pay" is the generic expression referring to the ability of shareholders to vote on the compensation of executives. The vote can be advisory or binding, as well as prospective or retrospective.
15. In this analysis we include all voting results where 2017-18 and 2018-19 data exists for a company. We have excluded from this analysis companies that had triennial say on pay or did not have a vote for other reasons in the year over year period.
16. Source: Proxy Insight. A year-over-year comparison on Say on Pay votes at the companies we engaged on executive compensation. Of the 593 companies specified in the analysis, 458 held Say on Pay votes in 2018 & 2019. Due to differing Say on Pay regulations globally, a mixture of Advisory and Binding proposals on the remuneration report were used for this analysis.
17. Harvard Law School Forum on Corporate Governance and Financial Regulation, *2019 U.S. Executive Compensation Trends* (Apr. 2019), available at <https://corpgov.law.harvard.edu/2019/04/16/2019-u-s-executive-compensation-trends/>.
18. For example, in 2019, we voted in favor of the compensation plan at a building materials company that had faced substantial shareholder opposition the previous year. A British housebuilding company recognized the need to more closely align compensation with performance. And, a British satellite telecommunications company that received a nearly 60% vote against compensation the prior year, implemented a simplified pay structure, a single annual bonus plan, and a balance between short- and long-term performance metrics. Collectively, these factors gave us reason to vote in favor of their proposal the following year.
19. In January 2017, we sent letters to the chairmen of the board of the top 300+ listed companies in the UK to inform companies of these updates to our voting guidelines. One of the points highlighted in our UK compensation letter and policy was that, "we expect pension contributions for executives to be in line with the rest of the workforce for new contracts."
20. <https://uk.reuters.com/article/uk-britain-investors-agm/fund-managers-turn-up-heat-on-uk-companies-over-diversity-pensions-audit-idUKKCN1R128T>.
21. <https://www.theguardian.com/business/2019/mar/24/executive-pay-government-flounders-investors-find-way-to-curb>.
22. According to the TCFD, the list reflects all current supporters in time for the 2019 Status Report launch on June 5, 2019 at <https://www.fsb-tcfd.org/tcfd-supporters/>.
23. https://news.nd.edu/assets/323618/2019_oil_gas_press_release.pdf
24. <http://www.climateaction100.org/>
25. Settlements include contests that are resolved before proceeding to a shareholder vote.
26. When we do vote for dissident candidates proposed by activists, we seldom vote in a way that would give the activists control of the board.
27. BlackRock 2019 N-PX Filings. The percentage of shareholder proposals to total votes is consistent with previous years.
28. Council for Institutional Investors, *Companies with Time-Based Sunsets on Dual-Class Stock*, (Jul. 2019) available at <https://www.cii.org/files/8-15-19%20Time-based%20Sunsets.docx.pdf>.
29. The PRI categorizes investment managers (IMs) is synonymous with asset managers, but it does not include asset owners (AOs).

Appendix I: Engagements

BIS had substantive dialogue with the companies listed on the following pages. This list does not include companies where we engaged solely via letter. Our team engages companies for various reasons including 1) to ensure that we can make well-informed voting decisions, 2) to explain our voting and governance guidelines, and 3) to convey our thinking on long-term value creation and sound governance practices.

Americas Engagements

3M Company	Applied Optoelectronics	Braemar Hotel & Resorts	Columbia Property Trust
Abbott Laboratories	Aqua America	Brighthouse Financial	Comcast
Abbvie Inc.	Arch Capital Group	Bristol-Myers Squibb	Commercial Metals Company
Acacia Communications	Arch Coal, Inc.	Brixmor Property Group	CommScope Holding
ACADIA Pharmaceuticals	Archer Daniels Midland Company	Brookfield Property REIT	Concho Resources
Acuty Brands	Arconic	Bunge Limited	ConocoPhillips
Advanced Emissions Solutions	Argo Group International Holdings	Burlington Stores	Consolidated Edison
Advanced Energy Industries	Arista Networks	C&J Energy Services	Consolidated-Tomoka Land Co.
Advaxis	Armour Residential REIT	C.H. Robinson Worldwide	Consumer Portfolio Services
AECOM	Array Biopharma	Cadence Design Systems	Container Store Group
Aecon Group	ARRIS International	Caesars Entertainment	Continental Building Products
Aflac	Arthur J. Gallagher & Co.	Calavo Growers	Core-Mark Holding Company
Agilysys	Ashford Hospitality Trust	Campbell Soup Company	Costco Wholesale Corporation
Akebia Therapeutics	Ashford Inc.	Cannae Holdings	CRA International
Akorn	Assured Guaranty	Capital One Financial Corporation	Crane Co.
Alamo Group	At Home Group	Capstead Mortgage Corporation	Crescent Point Energy
Albemarle Corporation	Atlas Air Worldwide Holdings	Cardinal Health	CryoLife
Alcanna Inc.	Atmos Energy Corporation	CarGurus, Inc.	CTI BioPharma
Alexander & Baldwin	Aurinia Pharmaceuticals	Carrizo Oil & Gas	Cullen/Frost Bankers
Alexandria Real Estate Equities	Automatic Data Processing	Cars.com	Customers Bancorp
Alexion Pharmaceuticals	AutoNation	Castle Brands	Cypress Semiconductor Corporation
Alico	Avanos Medical	Catalent	D.R. Horton
Allegheny Technologies Incorporated	Axon Enterprise	Caterpillar	Danaher Corporation
Alliant Energy	B. Riley Financial	CBOE Global Markets	Darling Ingredients
Allstate Corporation, The	Baker Hughes, a GE company	CCR S.A.	Dell Technologies
Alphabet Inc.	Ball Corporation	Centene Corporation	Detour Gold
Amazon	Bandwidth Inc.	Centerra Gold	Devon Energy
Ambac Financial Group	Bank of America	CenturyLink	Diamondback Energy
AMC Networks	Bank of New York Mellon, The	CEVA Logistis	Diebold Nixdorf
American Airlines Group	Bank OZK	CF Industries Holdings	Discovery, Inc.
American Electric Power	Barnes Group	Charter Communications	Dollar General
American Express Company	Barrick Gold	Chevron	Dollar Tree
American International Group	Baycom	Chipotle Mexican Grill	Dominion Energy
American Outdoor Brands Corporation	BB&T	Cigna	Donnelley Financial Solutions
American Water Works Company	Beacon Holdings Inc	Cisco Systems	Dorman Products
American Woodmark Corporation	Bed Bath & Beyond	Citigroup	Dover Corporation
Ameriprise Financial	Berkshire Hills Bancorp	Citizens Financial Group	Drive Shack Inc.
AMERISAFE	BGC Partners	Citrix Systems	DTE Energy
AmerisourceBergen	BioCryst Pharmaceuticals	Clearwater Paper	Duke Energy
Amphenol Corporation	Biogen	Clearway Energy	Duke Realty
Anadarko Petroleum	BioScrip, Inc.	Cleveland-Cliffs	DuPont
Annaly Capital Management	BioSpecifics Technologies Corp.	Clorox Company, The	Dycom Industries
Anthem, Inc.	Black Knight	CME Group	Dynavax Technologies
Apartment Investment & Management Company	Blackstone Mortgage Trust	CMS Energy	E*TRADE Financial
Aphria Inc.	Boeing	CNB Financial	E.W. Scripps Company, The
Apogee Enterprises	Bombardier	CNO Financial Group	Eastman Chemical Company
Applied Materials	Bond Street Holdings	CNX Resources	eBAY
	BorgWarner Inc.	Coastal Capital Acquisition	Edgewell Personal Care
	Boston Scientific	Coeur Mining	

Americas Engagements

Edison International	GATX Corporation	Ingles Markets	Marathon Oil Corporation
Education Realty	General Dynamics	Ingredion	Marathon Petroleum Corporation
Eldorado Gold	General Electric	Innospec	MarketAxess
Eldorado Resorts	General Motors	Insignia Systems	Marlin Business Services
Ellington Residential Mortgage	GenMark Diagnostics	Intel	Marsh & McLennan Companies
Emerson Electric	Genpact	Intellia Therapeutics	Marvell Technology Group
Empire Resorts	Gentherm	Intercontinental Exchange	Mastercard
Empire State Realty Trust	Genworth Financial	Interface	Matson
Enbridge	G-III Apparel Group	International Business Machines	Mattel
Enel Americas	Glaukos	Invacare	Matthews International
EnPro Industries	Gluskin Sheff + Associates Inc.	Invesco	MBIA
Entercom Communications	GNC Holdings	IPG Photonics	McDonald's Corporation
Entergy	GoDaddy	IQVIA	McKesson Corporation
Entertainment One	Goldman Sachs Group	ITT	Medifast
EOG Resources	Gray Television	J. Alexander's Holdings	Medley Capital
EQT	Great Elm Capital Group	J.B. Hunt Transport Services	Mednax
Equifax	Great Lakes Dredge & Dock Company	J. C. Penney	Merck & Co.
Equinix	Groupon	J.M. Smucker Company	Meritage Homes
Essex Property Trust	Grupo Financiero Banorte	Jefferies Financial Group	Meta Financial Group
Etsy	GUSS? Inc.	Johnson & Johnson	Methanex
Evercore	H&R Block	Joint Corp.	Metro Inc.
Eversource Energy	Haemonetics	Jones Lang LaSalle	Metropolitan Bank Holding
Evolution Petroleum	Hain Celestial Group	JPMorgan Chase & Co.	MGE Energy
Exelon	Halliburton	Kadmon Corporation	Microchip Technology Inc.
Expeditors International	Hawaiian Electric Industries	Kansas City Southern	Micron Technology
Express	HCI Group	Keryx Biopharmaceuticals	Minerals Technologies Inc.
Exterran	Heartland Financial	Kilroy Realty	Mitek Systems
Exxon Mobile	HEICO Corporation	Kimberly-Clark	Mobile Mini
F.N.B. Corporation	Henry Schein, Inc.	Kinsale Capital Group	Model N
Facebook	Heritage Financial	KP Tissue	Mohawk Industries
Fastenal	Hess Corporation	Kraton	Molina Healthcare
Fidelity National Financial	Hewlett Packard Enterprise	Kroger Company, The	Mondelez International
Fidelity National Information Services	Hexcel	Ladder Capital	Monmouth Real Estate Investment Corporation
First Hawaiian	Hillenbrand	Lam Research	Monster Beverage
First Horizon National	Hilltop Holdings	Laredo Petroleum	Moody's Corporation
First Quantum Minerals	HNI Corporation	Las Vegas Sands	Morgan Stanley
First Republic Bank	Hologic	LaSalle Hotel Properties	Motorola Solutions
FirstEnergy Corp.	Home Depot, The	Lattice Semiconductor	Movado Group
Fitbit	HomeStreet	Legg Mason	MSC Industrial Direct
FLEETCOR Technologies	HomeTrust Bancshares	LendingClub	Nabors Industries
Flexion Therapeutics	Honeywell International	Lennar	NASDAQ
FLIR Systems	Hospitality Properties Trust	Lincoln National Corporation	National CineMedia
Flotek Industries	Hostess Brands	Lions Gate Entertainment	National Oilwell Varco
Flowers Foods	HP Inc.	Liquidity Services	NCI Building Systems
Flowserve	Hudbay Minerals	LM Funding America	Netflix
Fluor Corporation	Humana	Lockheed Martin	Nevada Gold & Casinos
Flushing Financial	Huntington Bancshares	Loews Corporation	New York Community Bancorp
Ford Motor Company	Huntsman	Lowe's Companies	Newell Brands
Forest City Realty Trust	Huron Consulting	Loxo Oncology	Newmont Mining
Fortive	IAC	Luby's	Nexstar Media Group
Fortuna Silver Mines	Illinois Tool Works	Lumber Liquidators	Nicolet Bankshares
Fossil Group	Illumina	Lyft	Nielsen Holdings
Franklin Resources	Immersion	M&T Bank	Nike
Fresnillo	Immunomedics	M.D.C. Holdings	Noble Energy
Frontier Communications	Incyte	Mack-Cali Realty Corporation	Norfolk Southern Corporation
FTI Consulting	Industrial Logistics Properties Trust	Macquarie Infrastructure	Northern Trust Corporation
Gannett	Infinera	MAG Silver Corporation	Northfield Bancorp
Gap, Inc.	InfuSystems Holdings	Maiden Holdings	Northrop Grumman
		ManpowerGroup	

Americas Engagements

NRG Energy	Rayonier Advanced Materials	Stars Group	Unisys
Nuance Communications	Raytheon	State Street	United Parcel Service
Nucor	Realogy Holdings	Stemline Therapeutics	United Rentals
Nutrisystem	Recipe Unlimited	Sterling Construction	United States Steel
NVIDIA	Regeneron Pharmaceuticals	Steven Madden	United Technologies
NVR	Regional Management Corp.	Stewart Information Services	United Therapeutics
Occidental Petroleum	Regions Financial Corporation	Strata Skin Sciences	Universal Display Corporation
Office Properties Income Trust	Renaissancere Holdings	Stratasys	Universal Insurance Holdings
Olin	Republic Services	Sturm, Ruger & Co., Inc	Vale
Omnicom Group	Restaurant Brands International	Suncor Energy	Valero Energy
Oracle	Retail Opportunity Investments	Sunstone Hotel Investors	Valley National Bancorp
Oritani Financial	Rite Aid	Superior Banks	Varian Medical Systems
Ormat Technologies	Rockwell Automation	Superior Industries International	Varonis Systems
Overstock.com	Ross Stores	Symantec	Vector Group
Owens Corning	Ruth's Hospitality Group	Synchrony Financial	Vectrus
Owens Realty Mortgage	Ryder System	Synopsys	Verastem
PACCAR	S&P Global	Synovus Financial	Veritiv
PacWest Bancorp	S&T Bancorp	Sysco	Verso
Papa John's International	Sachem Capital	Tableau Software	Versum Materials
PayPal Holdings	Safety Insurance	Tandem Diabetes Care	Vertex Pharmaceuticals
PDC Energy	Salem Media Group	Tanger Factory Outlet Centers	VICI Properties
Pebblebrook Hotel Trust	Sally Beauty	Taubman Centers	Virtusa
PepsiCo	Sanderson Farms	TCF Financial	Visa
PetMed Express	Sandy Spring Bancorp	Tech Data	Vista Outdoor
Pfizer	Sanmina Corporation	Tegna Inc.	VMware
PG&E	Sarepta Therapeutics	Tempur Sealy International	Vonage Holdings
Pilgrim's Pride	Schlumberger	Tenet Healthcare	Vornado Realty Trust
Pinnacle West Capital Corporation	Scientific Games	Territorial Bancorp	W. R. Berkley Corporation
Pitney Bowes	Seacor Holdings	Tesla	Walgreens Boots Alliance
Plantronics	Seattle Genetics	TETRA Technologies	Walker & Dunlop
PNM Resources	SeaWorld Entertainment	Texas Instruments	Walmart Inc.
PNMAC Holdings	Select Bancorp	Textron	Walt Disney Company, The
Post Holdings	Sempra Energy	Thermo Fisher Scientific	Waters Corporation
PPG Industries	Semtech	Tidewater Inc.	Waterstone Financial
Preferred Bank	Senior Housing Properties Trust	Timken Company	Watsco
Pretium Resources	Seritage Growth Property	Titan International	WEC Energy Group
PriceSmart, Inc.	Service Corporation International	TJX Companies, The	Weight Watchers International
Primo Water	ServiceNow	TransAlta	Wells Fargo & Company
Progenics Pharmaceuticals	Silicon Labs	TransCanada	Wendy's
Proofpoint	Simply Good Foods Company	TransDigm Group Incorporated	Western Digital
Prudential Bancorp	SiteOne Landscape Supply	Travelers Companies, The	Wheeler Real Estate Investment Trust
Prudential Financial	Six Flags Entertainment	TreeHouse Foods	WhiteHorse Finance
PTC	SJW Group	TRI Pointe Group	William Lyon Homes
Public Service Enterprise Group	Skechers U.S.A.	Tribune Media Company	Williams-Sonoma
QEP Resources	Skyworks Solutions	Trinseo	WisdomTree Investments
Qorvo	SL Green Realty	Triumph Bancorp	Wolverine World Wide
QTS Realty Trust, Inc.	SM Energy	Tutor Perini	World Acceptance Corporation
Qualcomm	Sonic Automotive	Twitter	Wynn Resorts
Quality Care Properties	Southern Company, The	Tyson Foods	Xenia Hotels & Resorts
Qualys	SpartanNash	U.S. Bancorp	Xerox
Quanex Building	SPX Corporation	U.S. Physical Therapy	Xilinx
Quanta Services	Stag Industrial	Ultrapar Participacoes	XPO Logistics
Ralph Lauren Corporation	Stanley Black & Decker	UMH Properties	Xylem
Range Resources	Starbucks	Uni-Select Inc.	Yelp
			Yum! Brands
			Zimmer Biomet Holdings

Asia-Pacific Engagements

77 Bank, Ltd., The	Construction	Fortis Healthcare	Iwatani Corporation
Adeka Corporation	China Development Financial Holding	Fubon Financial	Iyo Bank
Advantest	China International Marine Containers	Fujifilm Holdings	J. Front Retailing Co., Ltd.
AGL Energy	China Life Insurance	Fujikura	JAFCO
AIA Group	China National Building Material	Fujitec	Japan Airlines
Aichi Bank	China Power International Development	Fujitsu	Japan Post Holdings
Aizawa Securities	China Resources Land	Fukuoka Financial Group	Japan Securities Finance
Ajinomoto	China Resources Sanjiu Medical & Pharmaceutical	Futaba Industrial Co.	Japan Steel Works
Akebono Brake	China Taiping Insurance Holdings	Galaxy Entertainment Group	Japan Tobacco
Alfresa Holdings	China Telecom	Geely Auto	Japara Healthcare
Alibaba Group	China Vanke	Golden Agri-Resources	Jasa Marga
Alliance Global Group	Chiyoda Corporation	GPT Group	JFE Holdings
Alpine Electronics	Chubu Electric Power	Grape King Bio	JGC Corporation
Alps Alpine	Chunghwa Telecom	Great Wall Motor Company	JP-Holdings
ALS	CLP Holdings	GS Yuasa	JUKI Corporation
Altech Corporation	CNOOC Limited	Guangzhou R&F Properties	Juroku Bank
Amada Holdings	Coca-Cola Amatil	Gunze	JVC Kenwood
Amcor	Coles Group	Hachijuni Bank	Kajima
AMP Limited	ComfortDelGro	Haitong Securities	Kaneka
ANA Holdings	Computershare	Hamamatsu Photonics	Kansai Electric Power
Ansell	Concordia Financial Group	Hanjin Transportation	Kansai Paint
Anta Sports Products	COSCO Shipping Energy Transportation	Hankyu Hanshin Holdings	Kao Corporation
Asahi Group Holdings	Country Garden Holdings	Haseko	Kasikombank
Asahi Kasei	Credit Saison	Hazama Ando	Kawasaki Kisen Kaisha
Ascendas Real Estate Investment	CSL Limited	Heiwa Real Estate	KB Financial Group
ASICS	CTBC Financial Holding	Hengan International Group	KDDI Corporation
ASM Pacific Technology	Dai Nippon Printing	Hisamitsu Pharmaceutical	Keihan Holdings
ASUSTek Computer	Daicel	Hitachi	Keiryu
ASX	Dai-ichi Life Holdings	Hitachi Zosen	Keio Corporation
Ateam	Daikin Industries	Hokkaido Electric Power	Kerry Logistics Network
AU Optronics	Daio Paper	Hokuriku Electric Power Company	Kewpie Corporation
Aurizon Holdings Limited	Daito Trust Construction	Hon Hai Precision Industry	Keyence
Australia and New Zealand Banking Group	Daiwa House Industry	Honda Motor	Kikkoman
Australian Agricultural Company	Daiwa Securities Group	Hong Kong Exchanges And Clearing	Kingston Resources
Aventus Retail Property Fund	DBS Group Holdings	Hopewell Holdings	Kirin Holdings
Avex Group	DeNA	Hotel Shilla	Kobe Steel
Axis Bank	Denka	Housing Development Finance Corporation	Kohnan Shoji
Azbil Corporation	Denki Kogyo	Huadian Power International	Komatsu
BAIC Motor Corporation	Dentsu	Huatai Securities	Komori Corporation
Bank of China Ltd.	Descente	Hyundai Mobis	Korea Electric Power Corporation
Bank of China Hong Kong Holding	Dexerials Corporation	Hyundai Motor	Korea Tobacco & Ginseng Corporation
Bank of East Asia	Dialog Group Berhad	Ibiden	Korona
Beijing Capital Land	Domino's Pizza Enterprises	ICICI Bank	KS Holdings
Beijing Enterprises Water Group	DyDo Group	ICICI Lombard General Insurance	Kubota Corporation
Bendigo Bank Limited	East Japan Railway Company	Idemitsu Kosan	Kumho Petrochemical
BHP Group Limited	Ebara Corporation	IHI Corporation	Kunlun Energy
BlueScope Steel Limited	Eisai	IINO KAIUN KAISHA	Kuraray
Boral Limited	Electric Power Development Company	Iluka Resources	Kurita Water Industries
Bridgestone	Faith, Inc.	Inabata & Co., Ltd.	KYB Corporation
Canon	FamilyMart UNY Holdings	Indofood Agri Resources	Kyocera
Capcom	FANUC	Industrial and Commercial Bank of China	Kyokuto Boeki
CapitaLand	First Tractor	Infosys	Kyosan Electric Manufacturing
Cathay Financial Holding	Fortescue Metals	INPEX	Kyushu Electric Power
Central Japan Railway Company		IOI Corporation Berhad	Kyushu Railway Company
Champion REIT		Isetan Mitsukoshi Holdings	Lacto Japan
China Agri-Industries Holdings		ITOCHU Corporation	Lenovo
China Communications			Leopalace21
			LG Chem

Asia-Pacific Engagements

77 LG Display	Nisshin Seifun Group	Senshu Ikeda Holdings	Terumo Corporation
Link Real Estate Investment Trust	Nisso	Seria	THK Company
Livzon Pharmaceutical Group	Nitori Holdings	Seven & I Holdings	Toda Corporation
Lixil Group	Nitto Denko	Shanghai Electric	Tohoku Electric Power Company
Maanshan Iron & Steel Company	Nomura Holdings	Shanghai Industrial Holdings	Tokyo Broadcasting System Holdings
Macquarie Group Limited	Nomura Real Estate	Shenzhou International Group	Tokyo Electric Power Company Holdings
Maeda Corporation	Northern Star Resources	Shiga Bank	Tokyo Gas
Maeda Road Construction	NSK	Shikoku Electric Power	Top Glove Corporation Bhd
Mahindra & Mahindra	NTT Corporation	Shimachu	Toppa Printing
Mandom Corporation	NTT Data	Shimadzu Corporation	Toray Industries
MARUI GROUP	NTT Docomo	Shimizu Corporation	Toshiba
Maruti Suzuki India	NTT Urban Development	Shinkawa	Toshiba Machine
Maxell Holdings	Obayashi	Shinsei Bank	TOTO
Media Tek	Oki Electric Industry	Shionogi & Company	Tourism Holdings
MediBank Private	Olympus	Shiseido	Towngas China Company
Mega Financial Holding	Omron	Shizuoka Bank	Toyo Suisan Kaisha
Meiji Holdings	Onward Holdings	Showa Shell Sekiyu	Toyo Tanso
Metcash	Orica Limited	Sime Darby Plantation Berhad	Toyo Tire Corporation
MinebeaMitsumi	Origin Energy	Singapore Telecommunications	Toyota Motor
MINTH Group	Oversea-Chinese Banking Corporation	Sino-Ocean Group	TPK Holding
Miraca Holdings	Panasonic	Sinopac Financial Holdings	TPR
Mitsubishi Chemical	PCCW	SK Holdings	Travelsky Technology
Mitsubishi Corporation	Persol Holdings	SK Telecom	Treasury Wine Estates
Mitsubishi Estate	Phison Electronics	SoftBank	Trend Micro
Mitsubishi Logistics	Pigeon Corporation	Sojitz	Tronox
Mitsubishi Materials	Ping An Insurance Company of China	SolGold	Trusco Nakayama
Mitsubishi UFJ Financial Group	Pioneer	Sompo Holdings	UBE Industries
Mitsui & Co.	POSCO	Sonic Healthcare	Uchida Yoko
Mitsui Chemicals	POSCO International	Sony Financial	UKC Holdings
Mitsui E&S Holdings	Premium Group	South32	Uni-President Enterprises Corporation
Mitsui Mining and Smelting	Qantas Airways	Stanley Electric	Unipress Corporation
Mixi	QBE Insurance Group	Star Entertainment Group	Unizo Holdings
Mizuho Financial Group	Rakuten	Subaru	Ushio
Monadelphous Group	Ramsay Health Care	Sumitomo Heavy Industries	Wesfarmers
Morinaga Milk Industry	Recruit Holdings	Sumitomo Metal Mining	West Japan Railway Company
MTR Corporation	Resona Holdings	Sumitomo Mitsui Financial Group	Westpac Banking
Musashino Bank, The	Ricoh	Sumitomo Realty & Development	WH Group
National Australia Bank	Riken	Sumitomo Rubber Industries	Wharf Holdings
NEC Corporation	Rio Tinto	Suncorp Group	Whitehaven Coal
NEC Networks & System Integration	Robinsons Retail Holdings	Suruga Bank	Wilmar International
Nestle India	Ruralco Holdings	Suzuki	WIN Semiconductors
New World Development	Ryohin Keikaku	Suzuki Motor	Woodside Petroleum
NH Foods	Ryosan	T&D Holdings	WorleyParsons
Nihon Unisys	Sa International	Tabcorp Holdings	Xinyi Solar Holdings
Nihon Yamamura Glass	Samsung C&T Corporation	Tadano	Yahoo! Japan
Nikkon Holdings	Samsung Electronics	Taisei Corporation	Yamaha
Nine Entertainment Co. Holdings	Sanken Electric	Taishin Financial Holding	Yamaha Motor
Nintendo	Sanrio	Taiwan Business Bank	Yamato Holdings
Nippon Chemi-Con	Sanshin Electronics	Taiwan Semiconductor Manufacturing	Yes Bank
Nippon Electric Glass	Santen Pharmaceutical	Taiyo Holdings	YiChang HEC ChangJiang Pharmaceutical
Nippon Paint Holdings	Sanyo Shokai	Takara Holdings	Yokogawa Electric
Nippon Paper Industries	Sanyo Special Steel	Takeda Pharmaceutical	Yokohama Rubber Finance
Nippon Sheet Glass	Sapporo Holdings	Tata Consultancy Services	Yuanta Financial Holdings
Nippon Shokubai	Sato Holdings	Tatung	Yuexiu Property
Nippon Steel & Sumitomo Metal	SECOM Co., Ltd.	TDK Corporation	Yungtay Engineering
Nippon Television Holdings	Sega Sammy Holdings	Tech Mahindra	Zhejiang Expressway
Nippon Thompson	Seikitokyu Kogyo	Teijin Limited	Zhejiang Sanhua
Nippon Yusen	Seiko Epson	Teikoku Sen-I Company	ZTE Corporation
Nishimatsu Construction	Sekisui Chemical	Telstra Corporation	
Nissan Motor	Sekisui House	Tencent Holdings	
Nissha			

Europe, The Middle East and Africa Engagements

77 4imprint Group	BP	easyJet	Intesa Sanpaolo
ABB	Breedon Group	Edenred	InvesTech
Absa Group Limited	British American Tobacco	EDP - Energias de Portugal	ITE Group
Acacia Mining	British Land Company	EI Group	J D Wetherspoon
Accenture	BT Group	Electrocomponents	John Laing Group
AccorHotels	Burberry Group	Enagas	Johnson Controls International
ACS, Actividades de Construcción y Servicios	Cairn Energy	Enel	Johnson Matthey
Adidas	Cairn Homes	Engie	Julius Baer Gruppe
Admiral Group	CaixaBank	Eni S.p.A.	Jupiter Fund Management
Advanced Medical Solutions	Capgemini	EssilorLuxottica	Just Group
Aena SME	Capita	Experian	Keller Group
Air Liquide	Carrefour	Ferguson	Kering
Airbus	Casino Guichard Perrachon	Ferrexpo	Kingfisher
AkzoNobel	Centamin	Fincantieri	Koninklijke DSM
Alkermes	Central Asia Metals	FirstGroup	Koninklijke Philips
Allergan	Centrica	Fuller Smith & Turner	Lafargeholcim
Allergy Therapeutics	CEZ	Future Plc	Lagardere
Allianz	Chemring Group	GAM Holding	Land Secs Group
Alstom	Chubb	Games Workshop Group	Legal & General Group
Amundi	City Of London Investment Group	GB Group	Liontrust Asset Management
Angling Direct	Clariant	GC Investment	Lloyds Banking Group
Anglo American	Clarkson	GEA Group	London Stock Exchange Group
Anheuser-Busch InBev	Close Brothers Group	Gear4music Holdings	Lonza Group
Antofagasta	Com Hem Holding	Genmab	L'Oreal
Aon	Comet Holding	Georg Fischer	Lundin Petroleum
Argo Group Ltd.	Commerzbank	Getlink	LVMH Moet Hennessy Louis Vuitton
Arkema	Compagnie de Saint-Gobain	Givaudan	Mallinckrodt Pharmaceuticals
Aryzta	Compagnie Financière Richemont	GlaxoSmithKline	Marston's
Ashmore Group	Compass Group	Glencore	Mattioli Woods
ASML Holding	Connect Group	Greencore Group	McCarthy & Stone
ASR Nederland	Consort Medical	Greene King	Mears Group
Assicurazioni Generali S.p.A.	Continental	Greggs	Melrose Industries
Aston Martin Lagonda Global Holdings	Credit Agricole	Gulf Marine Services	Merck KGAA
Atos	Credit Suisse Group	GVC Holdings	Merlin Entertainments
Audi	Crest Nicholson Holdings	Hammerson	Metro Bank
AXA	CRH plc	Hargreaves Lansdown	Micro Focus International
Azimut Holding	Croda International	Hastings Group Holdings	Mitie Group
Bacanora Lithium	CYBG	HeidelbergCement	Miton Group
BAE Systems	Daimler	Heineken	MJ Gleeson
Banca Piccolo Credito Valtellinese	Dairy Crest Group	Helical	Moncler
Banco Bilbao Vizcaya Argentaria	Danone	Henkel AG & Company	Morgan Advanced Materials
Banco BPM	Danske Bank	Hibernia REIT	Mr Price Group
Banco de Sabadell	DDC	Hill & Smith Holdings	Muenchener Rueckversicherungs Gesellschaft AG in Muenchen
Banco Santander	De La Rue	Hollywood Bowl Group	Mylan
Bank of Ireland Group	Debenhams	Horizon Pharma	Naspers
Barclays	Delivery Hero	HSBC Holdings	National Grid
BASF	Derwent London	Hunting	Nestle
Bayer	Deutsche Bank	Hyprop Investments	Nex Group
Bayerische Motoren Werke	Deutsche Boerse	IG Group	Next
BE Semiconductor Industries	Deutsche Lufthansa	Imperial Brands	Noble Corporation
Berkeley Group Holdings	Deutsche Telekom	Infineon Technologies	Nordea Bank
BHP Group plc	Diageo	Informa	Northgate
Bid Corporation	Dialight	ING Groep	Novartis
BNP Paribas	Direct Line Insurance Group	Ingenico Group	Novocure
Bodycote	Domino's Pizza Group	Inmarsat	nVent Electric
Boliden	Dormakaba Holding	InterContinental Hotels	Ocado Group
Bovis Homes Group	Drax Group	International Consolidated Airlines Group	Oesterreichische Post
	Dufry	Intertek Group	Old Mutual
	E.ON		

Europe, The Middle East and Africa Engagements

Orange	Royal Dutch Shell	Stagecoach Group	Truworths International
Paddy Power Betfair	Royal Mail	Standard Bank Group	Ubisoft Entertainment
Pandora	RWE	Standard Chartered	UBS Group
Paragon Group of Companies	Sabre Insurance Group	Standard Life Aberdeen	UniCredit
Park Group	Sage Group	SThree	Unilever
Partners Group Holding	Sampo Oyj	STMicroelectronics	Uniper
Pearson	Sanne Group	Stobart Group	United Utilities Group
Pernod Ricard	Sanofi	Stock Spirits Group	Valeo
Persimmon	SAP	Straumann Holding	Vectura Group
Petra Diamonds	Sasol	SUEZ	Vedanta Resources
Petrofac	Schneider Electric	Superdry	Weolia
Pets at Home Group	Schroders	Swedbank	Victrex
PGE Polska Grupa Energetyczna	SCOR	Swiss Life Holding	Vivendi
Phoenix Group Holdings	Segro	Swiss Prime Site	Vodafone Group
Premier Foods	Serco Group	Swiss Re Group	Vonovia
Premier Technical Services Group	Serica Energy	Tate & Lyle	Warpaint London
Primary Health Properties	Severn Trent	Tatton Asset Management	Wendel
ProSiebenSat.1 Media	Sherborne Investors (Guernsey)	Tecan Group	WFD Unibail-Rodamco
Prudential	Shoprite Holdings	TechnipFMC	Whitbread
Public Power Corporation	Siemens	Telecom Italia	WHSmith
Randgold Resources	SIG	Telefonica	Wienerberger
RDI REIT	Signify	Telenet Group Holding	William Hill
Reckitt Benckiser Group	Sika	Teleperformance	Wirecard
Redstone	Siltronic	Ten Entertainment Group	WPP
Renault	Snam	Teva Pharmaceutical Industries	XPS Pensions Group
Renishaw	Societe Generale	The Works	Zalando
Repsol	Sodexo	thyssenkrupp	Zotefoams
Restaurant Group	Sonova Holding	Titan Cement Company	Zurich Insurance Group
Rightmove	Sophos Group	Total	
Rio Tinto	Spirax-Sarco Engineering	TP ICAP	
Rotork	SSP Group	Trealt	

Appendix II:

BlackRock's 2019 PRI assessment report and score

BlackRock has been a signatory to the United Nations-supported Principles for Responsible Investment (PRI) since 2008. The six aspirational statements of PRI provide a framework in which ESG issues can be taken into account in investment decision-making and engagement with investee companies, clients, and other stakeholders. As a signatory, BlackRock commits to upholding all six principles, including Principle 6: We will each report on our activities and progress towards implementing the principles. To that end, BlackRock submitted a 2019 PRI Transparency Report and received PRI's assessment of that report.

In 2019, as in 2018, PRI assessed BlackRock's ESG integration capabilities to be at or above median scores in each of the reporting segments.

In 2019, our Investment Stewardship function received A+ scores in Strategy & Governance and Listed Equity Active

Ownership. Notably, our score in Listed Equity Incorporation improved year over year from B to A. We are pleased to see these continuing strong results against a backdrop of rising median peer group scores, most notably across fixed income sectors.

Our overall "Strategy and Governance" score of A+ placed us above the 2019 median in the top 24% of all 1,343 investment managers²⁹ (76th percentile). For our direct active ownership score for listed equity, we also well exceed other institutional manager respondents placing in the:

- Top 15% of 678 investment managers (85th percentile) for individual engagements
- Top 17% of 512 investment managers (83rd percentile) for collaborative engagement
- Top 8% of 702 investment managers (92nd percentile) for proxy voting

Summary PRI assessment scores for BlackRock

Section	Module	BlackRock 2019	2019 Median	BlackRock 2018
Strategy & Governance	Strategy & Governance	A+	A	A
Indirect – Manager Sel., App. & Mon.	Listed Equity	A	A	A
Indirect – Manager Sel., App. & Mon.	Fixed Income – SSA	A	B	A
Indirect – Manager Sel., App. & Mon.	Fixed Income – Corporate Financial	A	B	A
Indirect – Manager Sel., App. & Mon.	Fixed Income – Corporate Non-Financial	A	B	A
Indirect – Manager Sel., App. & Mon.	Fixed Income – Securitized	A	B	A
Indirect – Manager Sel., App. & Mon.	Private Equity	A	A	A
Direct & Active Ownership	Listed Equity – Incorporation	A	B	B
Direct & Active Ownership	Listed Equity – Active Ownership	A+	B	A
Direct & Active Ownership	Fixed Income – SSA	A	B	A
Direct & Active Ownership	Fixed Income – Corporate Financial	A	B	A
Direct & Active Ownership	Fixed Income – Corporate Non-Financial	A	B	A
Direct & Active Ownership	Fixed Income – Securitized	B	C	B
Direct & Active Ownership	Private Equity	A	B	A
Direct & Active Ownership	Property	A	B	A
Direct & Active Ownership	Infrastructure	A	A	A

Source: PRI Data Portal, as of 7/23/2019

PRI's assessment methodology can be found here and a companion document explaining the assessment of each indicator can be found here. Whether we receive strong or improving scores, we are committed to developing our ESG integration capabilities, and working to enhance our existing programs.

Want to know more?

blackrock.com/corporate/about-us/investment-stewardship | ContactStewardship@blackrock.com

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