BlackRock.

Investment Stewardship Annual Report

January 1 – December 31, 2023

How to read this report

This report covers BlackRock Investment Stewardship's (BIS) activities from January 1 through December 31, 2023. As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance practices and financial resilience as an informed, engaged shareholder on their behalf. BlackRock has a dedicated function, the BIS team, which is responsible for doing so on behalf of our clients.

BIS primarily engages public companies on behalf of index strategies, and we make our company analysis and engagement meeting notes available to BlackRock's active portfolio managers. Other investment teams across BlackRock may engage with companies to help inform their work on a broad spectrum of risk and value drivers in their investible universe.

The BIS team of more than 65 dedicated professionals[1] operates across nine global offices, taking a localized approach while also benefitting from global insights. We focus most of our efforts on corporate governance as, in our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests. As one of many minority shareholders in public companies, BIS cannot – and does not try to – direct a company's strategy or its implementation. Our role, on behalf of our clients as long-term investors is to better understand how corporate leadership is managing material risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns.

The report is structured to provide a comprehensive overview of our stewardship approach and our perspective on corporate governance matters – and material risks and opportunities, where relevant – that could impact our clients' portfolios. To illustrate our engagement with thousands of companies across sectors and markets, we have included case studies highlighting the focus of our discussions in the reporting period. However, engagement is an ongoing activity so topics raised at a particular company may span multiple reporting periods. We also include case studies providing the rationale for votes cast in 2023, many informed by our engagements. Similarly, we offer examples of our engagement at an industry level, we reference the thematic publications available on our website, and we describe improvements to our stewardship reporting to meet our clients' and their beneficiaries' informational and reporting needs. The information in this report is dated as of December 31, 2023, unless otherwise noted. Proxy voting data reflects BIS' management and shareholder proposal categories in alignment with BIS' proposal taxonomy, updated in early 2023. In prior BIS publications, proxy voting data leveraged Institutional Shareholder Services' (ISS) proposal taxonomy. BIS' proposal taxonomy is a more comprehensive representation of BIS' proxy voting activity on behalf of clients, built in response to their informational and reporting needs. Proxy voting data reported in prior years might differ at the category level (e.g., "director elections" or "board-related" proposal categories) as a result of reclassifying the proposals in alignment with BIS' taxonomy. However, our voting record by proposal category has not been materially impacted. To learn more about BIS' proposal taxonomy please refer to the Appendix section.

Information included in this report is subject to change without notice. As a result, subsequent reports and publications distributed may therefore include additional information, updates, and modifications, as appropriate. The information herein must not be relied upon as a forecast, research, or investment advice. BlackRock is not making any recommendation or soliciting any action based upon this information and nothing in this document should be construed as constituting an offer to sell, or a solicitation of any offer to buy, securities in any jurisdiction to any person. References to individual companies are for illustrative purposes only.

The publication of this report aligns with the timeline set by the UK's Financial Reporting Council (FRC) to comply with the UK Stewardship Code requirements. On March 12, 2024, prior to the submission to the FRC, this report was presented to the Nominating, Governance and Sustainability Committee (NGSC) of the BlackRock, Inc. Board of Directors by Joud Abdel Majeid, Global Head of Investment Stewardship and member of the BlackRock Global Executive Committee, and Michelle Edkins, BIS' Head of Institutional Relations and Policy. As described in the NGSC Charter, the NGSC has oversight over the BIS function and, per the New York Stock Exchange's listing requirements, is comprised entirely of independent directors. In the Appendix section, we map out the report to the UK Stewardship Code's principles.

For more information, contact the BIS team at contactstewardship@blackrock.com

1 As of December 31, 2023.

Report contents

Rick Lowes Untitled, 2023.
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Larry Fink

Chairman and Chief Executive Officer

From our Chairman and CEO

More than 35 years ago, my business partners and I founded BlackRock to help people invest in the capital markets because we believed participating in those markets was going to be crucial for people who wanted to retire comfortably and financially secure. Today, more than half the assets we manage are for retirement.

Healthy capital markets depend on a continuous feedback loop between companies and their investors. Companies set and execute their strategies to deliver enduring returns to their shareholders, and investors, in turn, signal their support or concern for their performance through their capital allocation and stewardship activities. And while various market forces may cause a company to pivot its strategy or an investor to rethink their allocation, this dynamic feedback loop – linking companies with their investors – is at the heart of well-functioning, vibrant capital markets.

At BlackRock, we manage money on behalf of our clients and serve as a fiduciary on their behalf. We have long endeavored to support this essential feedback loop between companies and their investors. We have done so by building an industry-leading investment stewardship program – one that is solely focused on advancing our clients' financial interests by encouraging sound governance practices that support long-term returns.

Over the past year, our clients continued to navigate a complex investing environment shaped by slower growth across several major markets. Against this backdrop, they sought to understand how companies are adapting and how long-term, structural forces – like artificial intelligence, geopolitical fragmentation, and the low carbon transition – might shape companies' future financial returns.

In 2023, BlackRock's stewardship team engaged with thousands of companies on these and other topics. As ever, they approached their work from the perspective of a long-term investor – always engaging in a constructive and open, two-way dialogue with companies to learn about their business and governance practices.

While this report focuses on the activities that our stewardship team undertook in 2023, their work benefits from decades of experience and a global footprint. Their expertise across markets enables them to bring a global perspective and local understanding to their engagements with companies, often alongside our investment teams, because we never believed in the industry's reliance on the recommendations of a few proxy advisors. We knew our clients would expect us to make independent proxy voting decisions, informed by our ongoing dialogue with companies – a philosophy that continues to underpin our stewardship efforts today.

For our clients who wish to take a more direct role in the proxy voting process, we continue to innovate to provide them with more choice. In 2022, we launched BlackRock Voting Choice. In 2023, we announced our plans to expand BlackRock Voting Choice to millions of U.S. retail shareholder accounts—another expression of our commitment to bring more voices to the proxy voting process.

I have long believed that companies led by forward-thinking management teams and effective board directors are better equipped to navigate uncertainty and deliver long-term financial performance. Last year, once again we witnessed the crucial role of strong corporate governance – the bedrock of our stewardship team's work – in enabling well-functioning capital markets.

I am proud of the work that our stewardship team has done over the past year to help advance our clients' financial interests and am pleased to present our 2023 Investment Stewardship Annual Report.

Joud Abdel Majeid
Global Head of Investment Stewardship

Foreword

A new economic regime and business operating environment

Over the past year, companies navigated a new regime of muted economic growth in many advanced economies, greater inflation pressures and higher borrowing costs. And even as the pandemic-related inflation pressures are abating and interest rates are set to fall from their peaks, a range of production constraints may cause central banks to maintain rates higher than they were before the pandemic, if they want to avoid resurgent inflation.

This new economic regime is shaped by powerful structural shifts, or mega forces that are changing how companies operate. Investors are seeking to understand how these forces will shape future returns at the companies they invest in: how might geopolitical fragmentation rewire supply chains as governments seek to realign trade and policy with a focus on national security? Which sectors will artificial intelligence propel with productivity gains, and which might it completely disrupt? How might a transition to a low-carbon economy unfold across markets? How can workforces adapt to labor shortages as populations age across major economies?

At BlackRock, investment stewardship serves as a link between our clients and the companies they invest in and is one of the ways we fulfill our fiduciary responsibilities as an asset manager to our clients. Over the past year, we had thousands of engagements with companies to learn about how this new operating environment might shape their performance and the financial returns they deliver to our clients.

A focus on strengthening financial resilience and adapting to capture opportunities

In our engagements, companies shared the steps they are taking to strengthen their financial resilience. Many CFOs were focused on building stronger balance sheets, increasing free cash flow generation, and improving their capacity for sustained earnings growth, amid an environment of higher interest rates and scarce capital.

Company leaders are also adapting their strategies to manage the risks and capture the opportunities spurred by these mega forces. For example, some companies shared how they reconfigured their supply chains through onshoring and diversifying suppliers to mitigate risk in their operations. Others evolved their operating models to access incentives from industrial policies, like the U.S. Inflation Reduction Act, the EU Green Industrial Plan, and other comparable programs in other countries. Several technology companies noted how they are pivoting their businesses around generative AI. Energy companies discussed how their strategies seek to pragmatically balance consumer demand for energy security and affordability, with their long-term plans to invest in and navigate the low-carbon transition.

And to better position their companies for this period of change, many board directors and leadership teams noted how they are evolving their companies' governance structures and talent practices to enable dynamic decision-making in an uncertain operating environment.

Our engagement-first approach to stewardship

We find that most companies welcome this two-way, constructive dialogue as it enables them to share how they are navigating issues that can impact their long-term financial performance. We value the opportunity to listen and learn from companies, to improve our understanding of their business models, and inform our proxy voting decisions.

In 2023, our more than 3,700 engagements with 2,500+ companies continued to center on core governance practices – including board quality, the company's strategy and financial resilience, and executive compensation.

We also engaged on factors that are material to their business models, including management of potential risks associated with climate and natural capital, as well as the impacts of a company's operations on their workforce and broader value chain.

Proxy voting on our clients' behalf

Voting at a company's shareholder meeting is a basic right of share ownership and a core principle of corporate governance. As a fiduciary , BlackRock is legally required to make proxy voting determinations on behalf of clients who have delegated voting authority to us in a manner that we believe is in their economic interests. We do this by casting votes in a favor of proposals that, in our assessment, will promote stronger governance and better management and, in turn, potentially enhance long-term shareholder value.

In the vast majority of cases, we find that investors and management are aligned on how companies are delivering financial value to their shareholders. Our voting record reflects this alignment. In 2023, BIS voted more than 170,000 proposals at 14,000+ companies globally, supporting management in ~88% of these proposals.

Shareholders submitted a record number of proposals in 2023 and the quality of proposals continued to decline. Because so many proposals were overly prescriptive, lacking economic merit, or simply redundant, they were unlikely to help promote long-term shareholder value and received less support from shareholders, including BlackRock, than in years past.

Empowering more investors with choice

We recognize that some clients want a more direct role in the stewardship of their capital. Over the past 12 months, we announced a plan to extend BlackRock Voting Choice to our largest ETF, which will give millions of shareholder accounts the option to choose from a range of different voting policies for their respective share of ETF votes.

Clients representing $598 billion in eligible assets under management (AUM) have chosen to participate in BlackRock Voting Choice to express their preferences.[1] We believe that corporate governance can benefit from this increased diversity of voices.

The year ahead

In the year ahead, we are excited to bring more innovative choices to our clients in investment stewardship. We will continue to build on our BlackRock Voting Choice offering to provide more options for investors who want a more direct role in the proxy voting process, where legally and operationally viable. We will also update clients on our recently announced decarbonization-focused engagement and voting option, to serve our clients who explicitly direct us to prioritize decarbonization investment objectives.

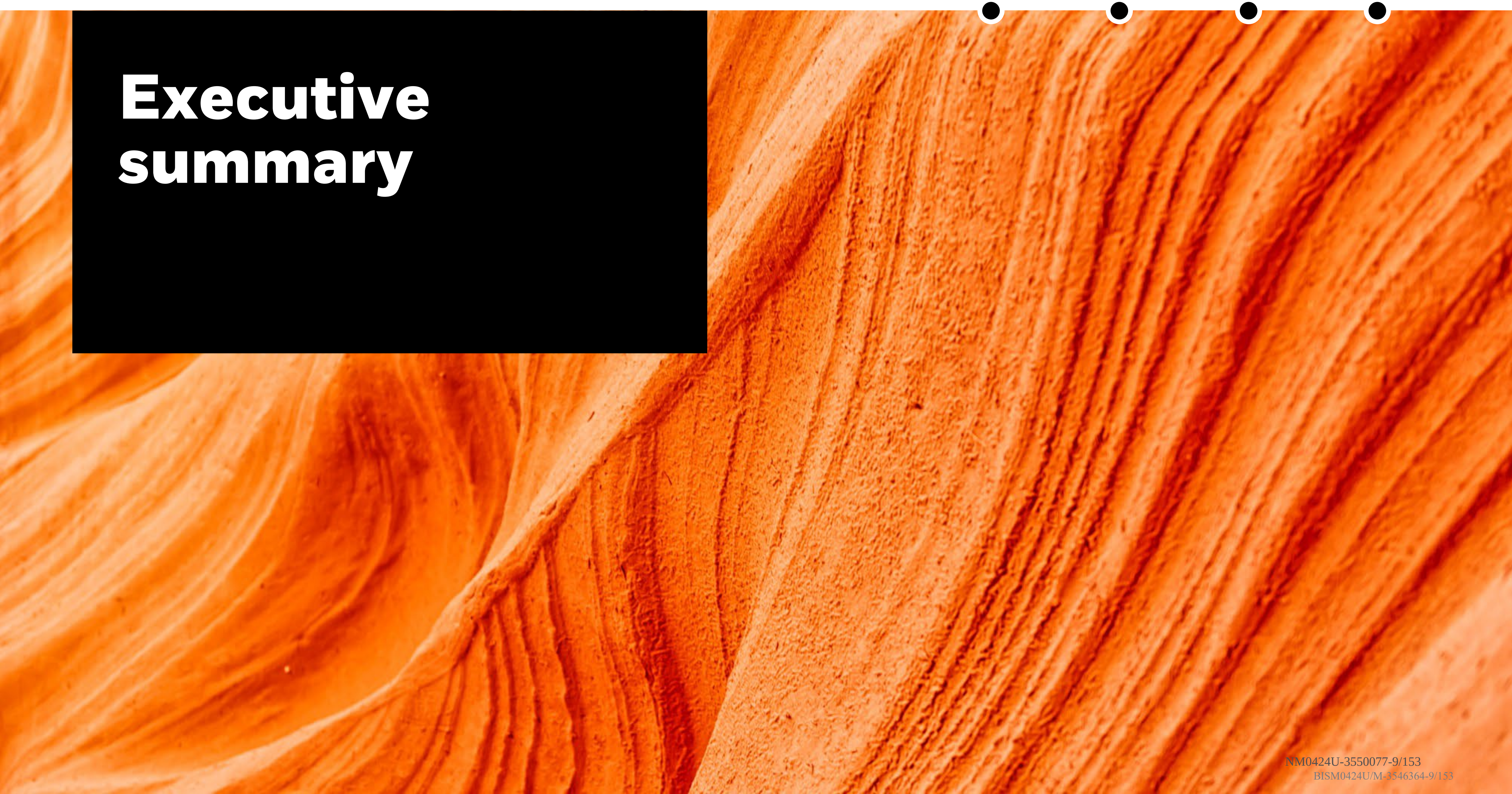
For clients who have not directed us to prioritize decarbonization as an investment objective, our sole focus remains advancing their long-term financial interests. Our discussions with companies will continue to center on our five engagement priorities that we believe reflect the corporate governance norms that drive long-term financial value.

Amid this new economic regime, we are interested in learning how companies are strengthening their financial resilience. We believe the choices company leaders make as they adapt to these mega forces – and the opportunities catalyzed by them – will be important drivers of companies' long-term financial performance.

I am proud of the work that our team has done in 2023 on behalf of our clients and look forward to our continued dialogue with companies in 2024.

1 Source: BlackRock. As of December 29, 2023. In this report, currency shown in USD unless otherwise noted.

Executive summary



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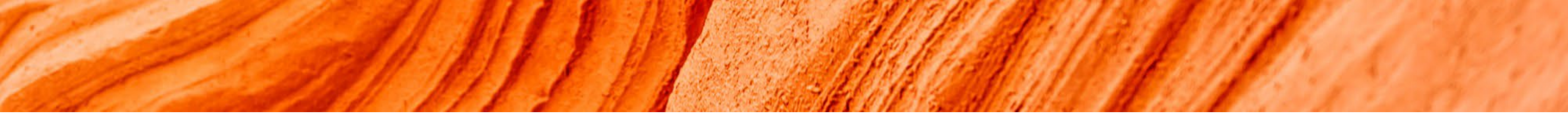

Overview and scope of this report

BlackRock is a leading asset manager with a diversified business across products, services, and geographies, serving clients with a broad spectrum of investing needs. As a fiduciary, we have an obligation to act in the best economic interests of our clients and to be solely focused on their investment objectives.

As of December 31, 2023, clients entrusted BlackRock with $10 trillion of assets under management (AUM).[1] The assets we manage belong to our clients, which include public and private pension plans, insurers, official institutions, endowments, universities, charities, family offices, wealth managers, and, ultimately, the individual investors that they serve, many of whom are saving for retirement. By product type, 52% of the assets we managed for clients were in equities.[2] Approximately 90% of public equity AUM was held in index strategies.[3]

At BlackRock, investment stewardship is one of the ways we fulfill our fiduciary responsibilities as an asset manager to our clients. This report focuses on BlackRock Investment Stewardship (BIS), the dedicated team responsible for engaging with public companies on behalf of index strategies.

Our work is grounded in our fiduciary responsibility as an asset manager to act in our clients' long-term economic interests. Through this report, we aim to provide further clarity to our clients, the companies they are invested in, and other stakeholders, about BIS' activities in 2023 and BlackRock's overall approach to investment stewardship.

Our long-term approach to investment stewardship

BIS takes a long-term approach in our stewardship efforts, reflecting the investment horizons of the majority of our clients.

Our sole focus when conducting our stewardship program is to advance our clients' long-term financial interests.

We do this through:

- **Engaging with companies**
- **Proxy voting on clients' behalf**
- **Contributing to industry dialogue on stewardship**
- **Reporting on our activities**

BlackRock's stewardship team is one of the largest in the industry, with more than 65 dedicated professionals, operating across nine offices globally.[4] Our global reach and local presence enables more frequent and better-informed meaningful dialogue with companies, often in the local language. This allows us to listen to companies and execute our stewardship program most effectively across different jurisdictions, taking into consideration the local context while benefiting from observing best practices in corporate governance globally.

In our view, the purpose of stewardship by asset managers is to advance the long-term financial interests of their clients as investors in companies, not to directly seek outcomes related to the financial system as a whole, which is the role of policymakers.

That said, BIS may participate in industry-level discussions to further dialogue on matters that could impact our clients' portfolios or to provide an increased understanding of BlackRock's approach to investment stewardship. We welcome opportunities to engage with the investment stewardship ecosystem, including clients, corporate directors, senior members of management teams, policymakers, and other industry stakeholders.

1 BlackRock, Inc. "Q4 2023 Earnings Release Supplement." January 12, 2024. 2 As of December 31, 2023, 52% of AUM were invested in equities. See "BlackRock Q4 2023 Earnings –Earnings Release Supplement" at page 2 to learn more. January 12, 2024. 3 Estimate based on figures reported in BlackRock Inc.'s "Form 10-K" for the fiscal year ended December 31, 2023, which indicated that approximately 48% of total equity AUM was held in iShares ETFs, and a further 40% of total equity AUM was invested in index strategies on behalf of institutional clients. 4 BlackRock. As of December 31, 2023.

The policies that guided our stewardship program in 2023

The BIS Global Principles, regional voting guidelines, and five engagement priorities (collectively, the BIS policies) set out the core elements of corporate governance that guide our investment stewardship program globally and within each regional market every year. These policies support effective stewardship processes and transparency and align with our commitment to pursue long-term financial returns for our clients as shareholders.

Through a globally coordinated and rigorous process, the BIS policies are reviewed annually by BIS and the BIS oversight and advisory committees, which are comprised of BlackRock senior executives and investment professionals with relevant experience and oversight. The BIS policies are updated as necessary to reflect changes in market standards, evolving governance practices, and insights gained from multiyear engagements.

For 2023, we made few changes to our stewardship policies.

Overall, the BIS Global Principles continued to reflect the overarching corporate governance standards and norms that, in our experience, support companies in delivering long-term durable financial performance.

The 2023 engagement priorities were also consistent with those from prior years: **strategy, purpose, and financial resilience; board quality and effectiveness; incentives aligned with financial value creation; climate and natural capital; and company impacts on people.**

Consistent with previous years, we refined the language in the supporting thematic commentaries – available to clients and the general public on the BIS website – to reflect relevant market updates, client feedback, and learnings from our engagements.

There were no material changes in our approach to these themes, our engagement with companies in 2023 continued to focus on material risks and opportunities relevant to their business models and sectors.

In this report, we describe the BIS policy review process in detail. We also explain how BIS maintained robust structures and processes to monitor and manage potential conflicts of interest when conducting our stewardship activities.

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How we engaged with companies on material risks and opportunities

BIS takes a constructive, long-term approach to our engagement with companies. Engagement is core to our stewardship efforts as it provides us with the opportunity to improve our understanding of a company's business model and material risks and opportunities. When assessing material risks and opportunities, we focus on the factors that could impact a company's long-term financial performance, which are unique to its business model and/or operating environment.

We find that many companies also welcome this two-way dialogue as it enables them to explain their practices and help investors understand the company's long-term strategy, risk and opportunity set, and management's plan to deliver financial returns through business cycles.

Engagement may also inform our voting decisions for those clients who have given us authority to vote on their behalf, particularly on issues where company disclosures are not sufficiently clear or complete, or management's approach seems misaligned with the long-term financial interests of shareholders.

In 2023, BIS held more than 3,700 engagements with 2,500+ unique companies across 50 markets, representing ~75% of the value of our clients' equity assets.[1]

As one of many minority shareholders in public companies, BIS cannot – and does not try to – direct a company's strategy or its implementation.[2] Our role, on behalf of our clients as long-term investors, is to better understand how corporate leadership is managing material risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns.

We describe our engagement activities across the five engagement priorities in the section titled "Engagement and Voting Outcomes." This section also includes case studies that illustrate our approach.

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BIS sought to have regular and continuing dialogue with investee company executives and, as necessary, board directors on issues related to governance and business practices aligned with long-term financial value creation.[3]

Total engagements[4]	Priority
2,562	Strategy, purpose, and financial resilience
2,205	Board quality and effectiveness
1,495	Incentives aligned with financial value creation
1,402	Climate and natural capital
1,353	Company impacts on people

1 BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Equity assets engaged reflects BlackRock exposure as of December 31, 2023. 2 BlackRock has been entrusted by clients to manage more assets than any other asset manager, which means that we are often listed as one of the larger minority shareholders in publicly traded companies. Minority shareholders are usually those who hold less than 50% of the shares in a company that have voting rights attached, meaning that they cannot block ordinary resolutions or special resolutions or any other resolution that must be passed by a higher majority. Our many clients are the ultimate owners of those shares. 3 BIS primarily engages public companies on behalf of BlackRock's index strategies and makes our company analysis and meeting notes available to BlackRock active portfolio managers. Other investment teams across BlackRock may engage with companies to help inform their work on a broad spectrum of risk and value drivers in their investible universe. 4 BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Most engagement conversations cover multiple topics and therefore the engagements across our five priorities' sub-totals may not add up to the total engagements held in 2023. Our engagement statistics reflect the primary topics discussed during the meeting.

Proxy voting is a way in which investors can signal their view on companies' corporate governance and management of material risks and opportunities. The BIS regional voting guidelines provide clients, companies, and others, guidance on our position on common voting matters. These guidelines are not prescriptive – we take into consideration the context in which companies are operating their businesses.

Our voting determinations are methodical, and always anchored in our fiduciary duty to our clients as an asset manager. BIS does not act collectively with other shareholders or organizations in voting shares. Instead, we make decisions on how to engage companies and how to vote proxies independently, based solely on our professional assessment of what is in the long-term economic interests of our clients.

BIS does not disclose our vote intentions in advance of shareholder meetings as we do not see it as our role to influence other investors. Our role is to signal to a company our view on how its board and management are fulfilling their responsibilities to shareholders.

How we voted on clients' behalf

When authorized to do so by our clients, we vote to formally communicate our support for, or concerns about, how companies are serving the financial interests of our clients as long-term investors. As the majority of our clients' equity AUM is invested through index strategies, the voting rights attached to their holdings are an important mechanism for investors to signal support for, or concern about, a company's performance.

When we determine it is in our clients' financial interests to signal concern to companies through voting, we typically do so in two forms: we might not support the election of directors or other management proposals, or we might not support management's voting recommendation on a shareholder proposal.

In 2023, BIS voted at 18,000+ shareholder meetings on more than 170,000 management and shareholder proposals in 69 voting markets. As in past years, most of the proposals that we voted on addressed routine matters, such as director elections, board-related items, and executive compensation. Similar to last year, BIS supported management on approximately 88% of the more than 170,000 proposals voted in 2023.[1]

Globally, we saw a record number of shareholder proposals addressing issues such as climate and natural capital (environmental), as well as company impacts on people (social) – including their human capital and the communities in which they operate – submitted to a vote in 2023.[2] The increase was largely driven by shareholder activity in the U.S.

We observed a greater number of overly prescriptive proposals or ones lacking economic merit. Importantly, the majority of these proposals failed to recognize that companies are already meeting their asks. Because so many proposals were over-reaching, lacking economic merit, or simply redundant, they were unlikely to help promote long-term shareholder value and received less support from shareholders, including BlackRock, than in years past.

BIS supported ~9% – or 73 out of a total 830 proposals – submitted by shareholders globally (123 out of 770 in 2022).[3] Even with a marked increase of shareholder proposals going to a vote in 2023, they still represented less than 1% of BIS' voting.[4, 5]

Director elections

The election of directors to the board is a near-universal right of shareholders globally and an important signal of support for, or concern about, the performance of the board in overseeing and advising management. In the vast majority of cases, we find that boards and management teams are acting in the best long-term financial interests of their shareholders. Our voting decisions in 2023 reflected that alignment.

BIS' voting decisions on director elections has remained consistent over the past years. In 2023, BIS supported ~89% of the more than 76,700 proposals to elect directors.

In 2023, BIS voted at 18,000+ shareholder meetings on more than 170,000 management and shareholder proposals in 69 voting markets.

1 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. 2 Proposals related to matters beyond core governance issues are typically categorized in the market as environmental or social proposals. BIS considers these to be sustainability-related issues and generally categorizes them in accordance with our engagement priorities, i.e., "climate and natural capital" and "company impacts on people." 3 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Support includes votes "for" and "abstentions." Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. 4 Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. 5 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.

Similar to last year, corporate governance concerns – board composition and effectiveness and executive compensation – were the leading reasons why we did not support director elections and other management proposals at a global level.

The section titled "Engagement and Voting Outcomes " includes case studies covering a number of sectors and geographies that bring to life our voting activities and the rationale behind certain voting decisions on behalf of clients in 2023. These examples include voting on governance-related issues – such as on director independence concerns in APAC – as well as other material risks and opportunities that may impact a company's ability to deliver long-term performance. While infrequent, active portfolio managers and BIS may reach different voting conclusions on proposals made by management or shareholders, as explained in the case study on a vote on the re-election of a Swedish company's board chair.

The case studies also illustrate how companies across regions made governance improvements, resulting in our voting more in support of management in 2023. We observed ongoing enhancements to company disclosures overall, notably on the management of material sustainability-related factors and stronger governance practices, such as executive compensation policies more closely aligned with investors' long-term financial interests.

Our report also describes BIS' vote escalation process, in which BIS analysts raise high-profile and non-routine voting matters for further discussion with senior BIS leaders and BlackRock investors. We illustrate the application of our internal escalation process in a case study on voting on executive remuneration at a Danish company.

How we monitored our voting process

BIS has operational specialists on the team who are fully focused on ensuring votes cast on behalf of clients are successfully instructed, using our vendor's electronic voting platform. This report details the controls we have in place to escalate and execute proxy vote instructions on behalf of clients, as part of the overall governance, risk oversight, and accountability processes BIS has established.

In addition, this report outlines how we monitor service providers to ensure services are delivered to meet the requirements of our stewardship program, including proxy research firms that provide research and support voting, record keeping, and reporting processes. While we may use the data and analysis produced by proxy research firms, BIS does not rely solely on this information in making voting decisions, nor do we follow any proxy research firm's voting recommendations.

How we continued to innovate to stay ahead of clients' needs

Throughout 2023, we observed growing interest from clients who wish to exercise their proxy voting rights as long-term owners of publicly traded companies. Launched in January 2022, BlackRock Voting Choice – sometimes referred to as pass-through voting – is an industry leading offering giving more clients the option to participate more directly in the proxy voting process where legally and operationally viable.

In 2023, we announced a pilot program to make BlackRock Voting Choice available for U.S. investors, including individuals, in our largest ETF for the first time, increasing eligible BlackRock Voting Choice assets to \$2.6 trillion.[1]

As of December 29, 2023, clients representing \$598 billion in index equity AUM had adopted BlackRock Voting Choice.[2] A detailed description of the program is included in the section "About BlackRock Voting Choice."

How we engaged with the industry to promote well-functioning capital markets

While BIS conducts our engagement program with individual companies independently from other investors, BIS team members may participate in industry-level discussions[3] to further dialogue on matters that could impact our clients' portfolios or to provide increased clarity on BlackRock's approach to investment stewardship.

BIS team members may participate in industry-level discussions to further dialogue on matters deemed important to investors or to provide increased clarity on BlackRock's approach to investment stewardship.

1 BlackRock. As of December 29, 2023. Assets include index equity assets held in multi-asset fund of funds strategies. BlackRock launched the pilot in February 2024. See "U.S. Pilot Program" on the BlackRock Voting Choice website here. 2 BlackRock. 3 These efforts are separate from our bilateral engagements with public companies and from engagements with clients and are carried out with the objective of sharing our perspective as a long-term minority investor. However, clients and companies may often participate in marketplace engagements given the nature of the topics. Examples of marketplace engagements include speaking at industry events and conferences, or participating in academic seminars, among others. The work that we do is intended to advance the economic interests of BlackRock's clients' as long-term investors.

BIS prioritizes opportunities to engage with the investment stewardship ecosystem that enable us to connect with clients, corporate directors, senior members of management teams, policymakers, and industry stakeholders.

Examples of industry-level engagements we held in 2023 include our participation in the Taskforce on Nature-related Financial Disclosures (TNFD) at the global level. At the regional level, BIS is a member of the Asian Corporate Governance Association (ACGA) and the Eumedion Corporate Governance Forum. These examples are described in detail in the section titled "Industry affiliations and memberships to promote well-functioning capital markets."

BIS may also respond to policy consultations to serve as a resource and provide our perspectives with a focus on promoting well-functioning capital markets.

In 2023, BIS responded or provided input to eight policy consultations, such as BlackRock's response to the UK Financial Conduct Authority's (FCA) discussion paper "Finance for positive sustainable change: governance, incentives and competence in regulated firms." A summary of the response can be found in the section of the report titled "Contributing to industry dialogue on stewardship."

How we reported our activities to and communicated with clients

BIS regularly engages with clients to share developments in our stewardship approach and policies, obtain their feedback on engagement priorities, and respond to inquiries on our voting on their behalf. In 2023, we also updated them on the BlackRock Voting Choice program.

The BIS website provides a comprehensive library of materials on our stewardship policies and activities. In addition to the information provided on the website, clients may request mandate-specific reporting covering the voting and engagement activity associated with their portfolios on a monthly, quarterly, or annual cadence.

In the past year, we discussed with clients whether our reporting is meeting their informational needs and providing the necessary quality, breadth, frequency, and accessibility to meet the disclosure expectations of their beneficiaries and regulators. In their feedback, clients acknowledged our continuing efforts to enhance our public reporting in 2023 – which are outlined in the section titled "Communicating our stewardship approach."

We have also heard from portfolio companies that our reporting is fair, balanced, and useful to deepen their understanding of BlackRock's approach to stewardship.

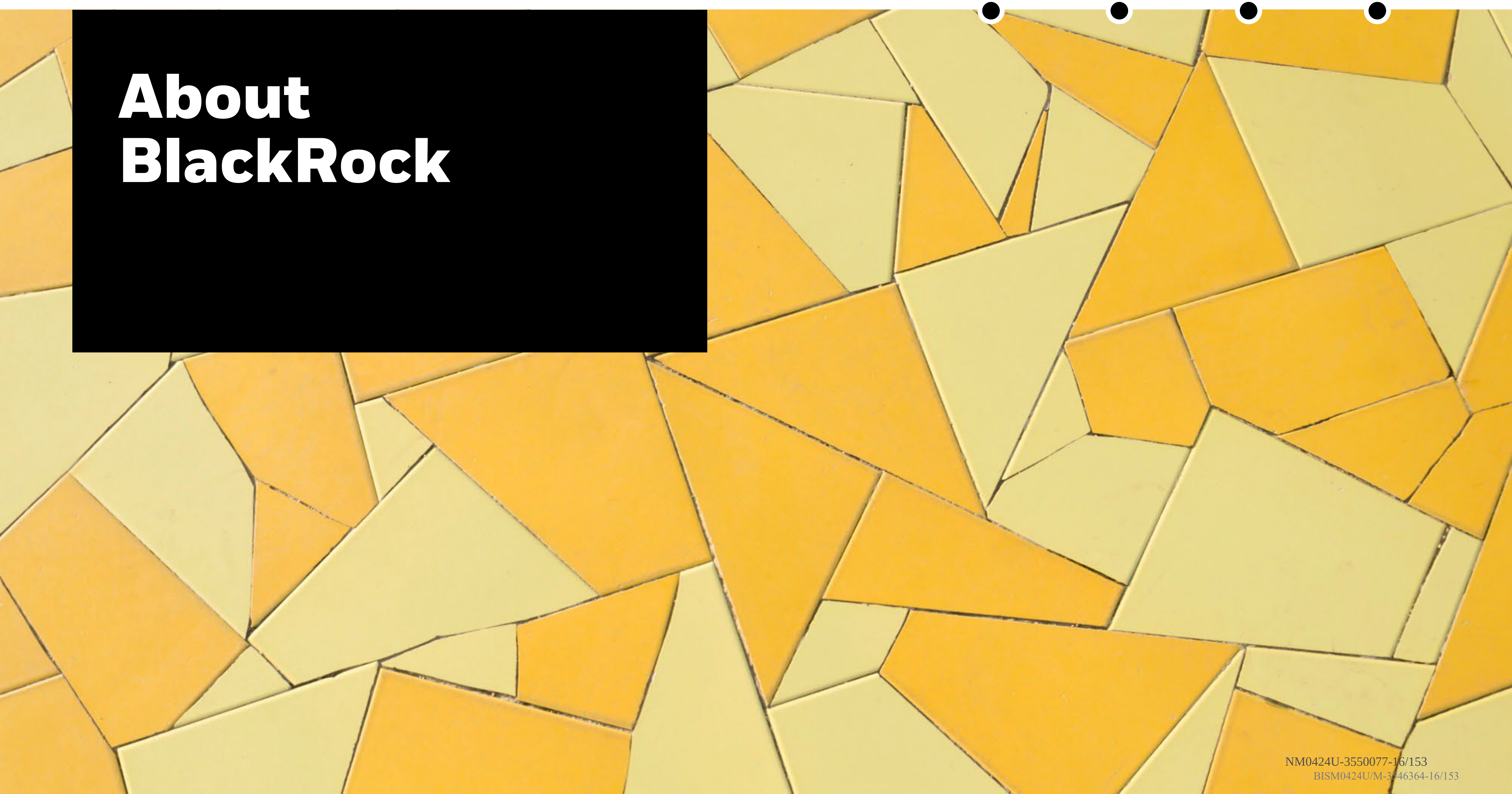
Recognition of our stewardship approach

In 2023, we were pleased to see our approach to engaging and voting on our clients' behalf be recognized by various organizations around the globe, such as our recent inclusion in the Taiwan Stock Exchange's annual rating of institutional investors stewardship disclosure.

During the year, our signatory status to market-level codes and frameworks received renewed status, including our recognition as signatory of the UK Stewardship Code for the third year in a row in September 2023. The section of this report titled "Recognition of our stewardship approach and reporting" includes several examples of how our stewardship program has been recognized by different entities across regions.

In 2023, we discussed with clients whether our reporting is meeting their informational needs and providing the necessary quality, breadth, frequency, and accessibility to meet the disclosure expectations of their beneficiaries and regulators.

About BlackRock



Our purpose

BlackRock's purpose is to help more and more people experience financial well-being.

BlackRock is a global asset manager focused on delivering the best risk-adjusted returns for each and every client, in line with their objectives and goals. Our firm is relentless about staying ahead of our clients' needs, providing them with choice, and innovating to help them achieve financial well-being.

The assets we manage belong to our clients, which include public and private pension plans, insurers, official institutions, endowments, universities, charities, family offices, wealth managers, and, ultimately, the individual investors that they serve, many of whom are saving for retirement. As a fiduciary, we have an obligation to act in the best economic interests of our clients and to be solely focused on their investment objectives.

We are a fiduciary to our clients.

The money we manage belongs to our clients, who trust us to manage their investments to help them prepare for the future. We serve clients of all types – large and small, individuals and institutions, in all parts of the world – so providing them choice is critical in helping each of them achieve their unique financial goals.

We provide investment choice.

We offer choice to help our clients reach their goals, and we manage their assets consistent with their objectives and guidelines. The consistency of our growth – across markets – comes from our clients' confidence in BlackRock's performance, guidance, and fiduciary standard in managing their assets.

BlackRock's comprehensive platform allows us to serve clients around the world of all types and sizes – whether they are looking for a broad-based index exposure, active, private markets, or fully outsourced solutions. For many clients, a market-weighted portfolio will suit their needs. Others may want access to precise exposures in certain regions or sectors. Still, others will want their investments to reflect their values.

BlackRock provides investment choice to our clients, and our clients decide how to invest their money.

We have built a unified investment and technology platform.

Over the past 30+ years, we have built a comprehensive and integrated investment and technology platform.[1] Throughout that time, BlackRock has strategically invested in our platform both organically and inorganically in anticipation of our clients' evolving needs. What has made our investments so successful is our steadfast commitment to integrate our capabilities as one platform, with one culture, using one technology. That is what One BlackRock is all about.

We embrace opportunity.

Over the course of BlackRock's history, markets have experienced periods of volatility and uncertainty, as well as stability. BlackRock aims to support clients throughout by listening to them, anticipating and embracing change, and innovating ahead of their future needs.

We connect through our culture.

A collaborative and entrepreneurial culture – where people can thrive and where every person can contribute to drive innovation and performance – has always been central to our ability to deliver for our clients. BlackRock's growth over time is only possible because of our culture and the dedicated employees who nurture it each day.

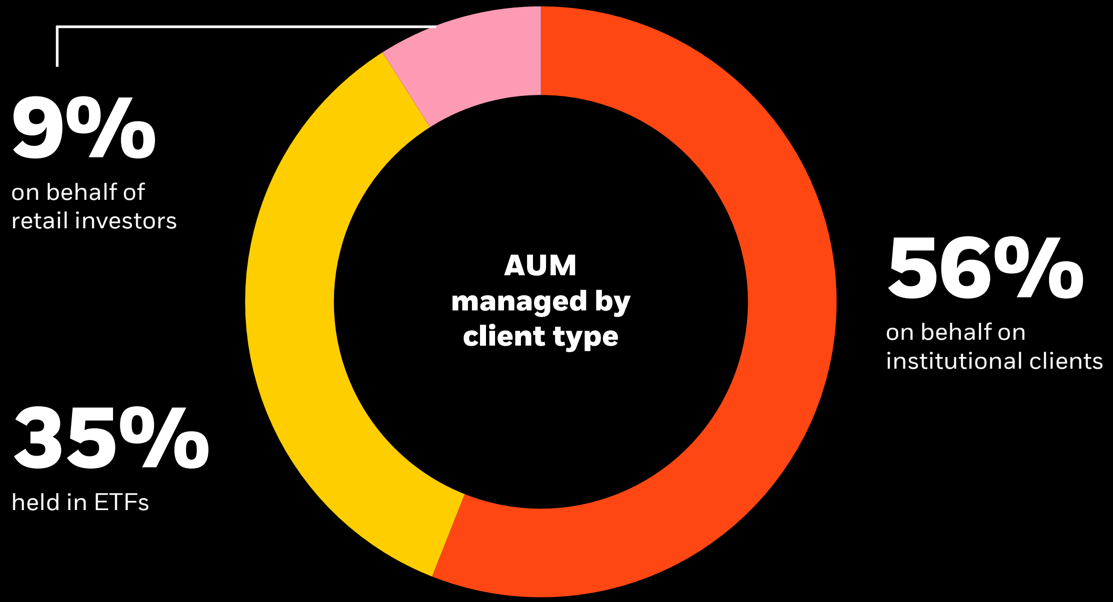
1 BlackRock, Inc. "2022 Annual Report." April 2023. Page 3.

Our clients

We offer a range of solutions to help clients with a broad spectrum of investing needs achieve their desired objectives.

We are a fiduciary to our clients. We manage their assets consistent with their objectives and guidelines.

As a leading asset manager with a diversified business across products, services, and geographies, serving clients with a broad spectrum of investing needs, we have been entrusted with $10 trillion of assets under management (AUM) as of December 31, 2023.[1]

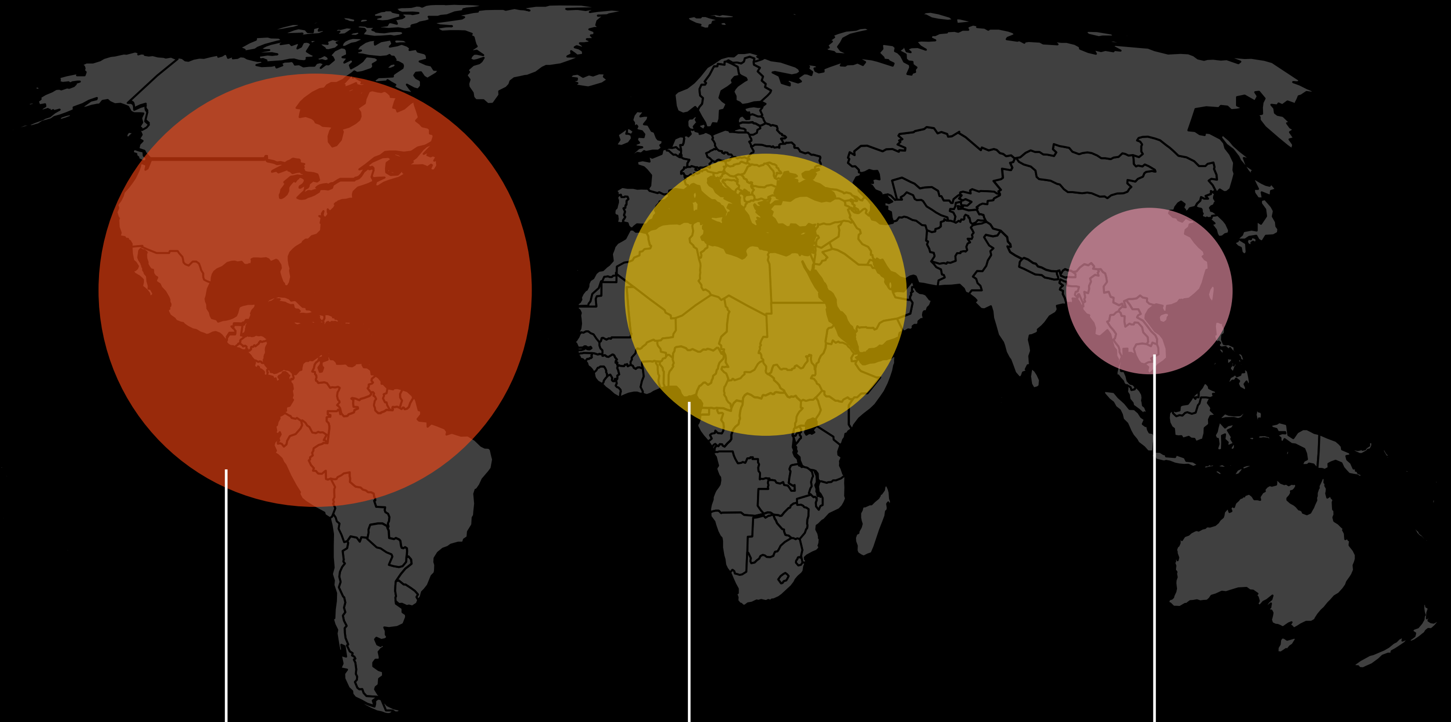


1 BlackRock, Inc. "Q4 2023 Earnings Release Supplement." January 12, 2024; BlackRock. Inc. "Form 10-K" for the fiscal year ended December 31, 2023.

We serve clients across geographies.

Our global reach and local presence allow us to provide our clients easier and more convenient ways to access market opportunities across the globe.

AUM managed by region



67%
on behalf of clients domiciled in the Americas

25%
on behalf of clients domiciled in Europe, Middle East, and Africa (EMEA)

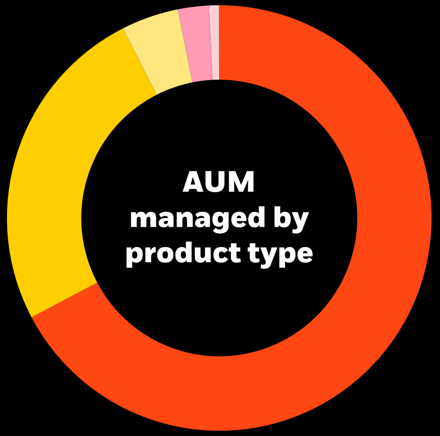
8%
on behalf of clients domiciled in Asia-Pacific (APAC)

Source: BlackRock, Inc. "Q4 2023 Earnings Release Supplement," January 12, 2024.

We develop solutions to match our clients' unique needs.

We think long-term on behalf of clients.

BlackRock's diverse platform of alpha-seeking active, index, and cash management investment strategies across asset classes enables us to help clients reach their desired investment outcomes and asset allocations.



Source: BlackRock, Inc. "Q4 2023 Earnings Release Supplement," January 12, 2024.

A majority of BlackRock's equity AUM are held in index strategies, which typically remain invested in a company for as long as it is included in the reference index.[1] This, in effect, means that most of our clients invested in index strategies are long-term investors in those companies.

For this reason, our investment stewardship team takes a constructive, long-term approach to our stewardship efforts, reflecting the investment horizon of BlackRock's clients. We describe BlackRock's approach to stewardship in the section titled "About BlackRock Investment Stewardship."

Approximately 90% of public equity AUM was held in iShares ETFs or index strategies.[2] **90%**

1 As of December 31, 2023, 52% of AUM were invested in equities. See "BlackRock Q4 2023 Earnings —Earnings Release Supplement" at page 2 to learn more. January 12, 2024. 2 Estimate based on figures reported in BlackRock Inc.'s "Form 10-K" for the fiscal year ended December 31, 2023, which indicated that approximately 48% of total equity AUM was held in iShares ETFs, and a further 40% of total equity AUM was invested in index strategies on behalf of institutional clients.

Our people

~19,800
employees

150+
language and dialects

30+
countries

18
global networks

BlackRock. As of January 1, 2024; BlackRock Careers website.

BlackRock's long-term success depends on our people. With approximately 19,800 employees in more than 30 countries who serve clients in 100 countries across the globe,[1] BlackRock provides a broad range of investment management and technology services to clients worldwide.

BlackRock's culture is underpinned by five core principles that unify our workforce and guide how we interact:

1. **We are a fiduciary to our clients.**
2. **We are One BlackRock.**
3. **We are passionate about performance.**
4. **We take emotional ownership.**
5. **We are committed to a better future.**

BlackRock makes a deliberate effort to foster a unifying culture, encourage innovation, and ensure that we are recruiting developing, and retaining the best talent.

We encourage curiosity and offer employees a range of programs to support their careers at BlackRock. In addition to professional development programs, the BlackRock Academies have been designed to provide tailored educational experiences to build mastery in global markets, technology, and client services.

Furthermore, BlackRock employees can join a wide range of employee networks. Our global networks are dynamic communities built on shared experiences and affinities. They offer employees the opportunity to enhance and continually shape our culture.

We have experienced a significant increase in network membership over the past year – with approximately 90% of employees belonging to our networks – which underscores the importance of investing in and maintaining environments where all employees feel a sense of belonging.

1 BlackRock Inc. "Form 10-K" for the fiscal year ended December 31, 2023.

Our investment approach

BlackRock's investment approach is rooted in our fiduciary duty as an asset manager and is informed by three principles:

Client choice.

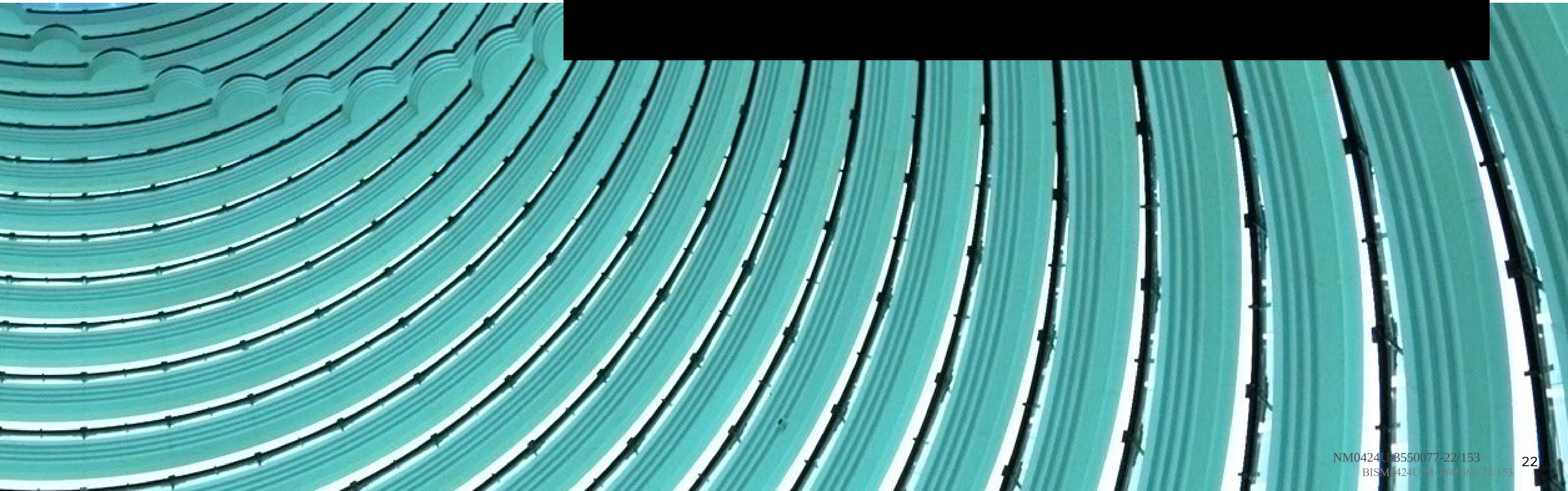
We start with the client.

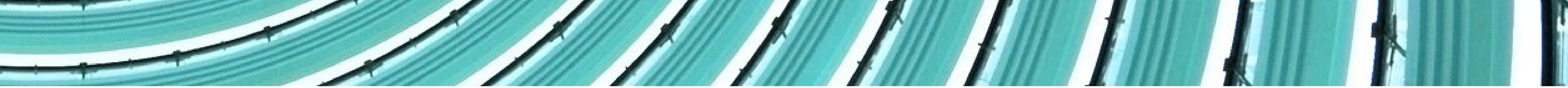
Performance.

We seek the best risk-adjusted returns within the mandates clients give us.

Research.

We underpin our work with research, data, and analytics.





How different investment teams at BlackRock seek the best risk-adjusted returns within the mandates clients give us

As a fiduciary, BlackRock's goal is to seek the best risk-adjusted returns for clients' portfolios, within the mandates our clients give us. To that end, BlackRock monitors material risks and opportunities that could impact the financial returns of our clients' portfolios, and takes these into consideration, as relevant, in investment decision-making.

We have invested in our teams and technology over the years to ensure that the firm is equipped to support this process.

As part of this focus on investment performance, investment teams across BlackRock may engage with companies to help inform their work on a broad spectrum of material risk and value drivers in their investible universe.

Engaging across markets on bond issuance programs

Engagement is a core component of the Global Fixed Income ESG Investment team's efforts. In 2023, the Global Fixed Income ESG Investment team held 150 engagements on green, social, and sustainable (GSS) bonds.[1] A majority of these engagements were held with European issuers, focusing on green bond issuances or these issuers' green financing frameworks.

One example of these engagements is the Global Fixed Income ESG Investment team's dialogue with the European Commission. In 2020, following the initial outbreak of the COVID-19 pandemic, the European Commission enacted certain economic measures that were designed to spur investment and recovery within the Eurozone. NextGenerationEU (NGEU), one such program introduced, provided nearly EUR 807 billion (~$872 billion) for various programs, including green expenditures.[2]

BlackRock's Global Fixed Income ESG Investment team first engaged with the European Commission in October 2021 in advance of the European Union's inaugural green bond issuance.[3] In these initial engagements, the team shared their perspective on the funding categories and subcategories of the green bond. The team was encouraged by steps the European Commission later took to enhance its disclosure on its current project pool and allocated expenditures in alignment with the Green Bond Principles (GBP).[4, 5]

In particular, the team noted that over 90% of the project pool consisted of 100% climate-coefficient[6] projects such as renewable energy, clean transport, and energy efficiency.

The team has continued engagement with the European Commission, most recently in November 2023 to discuss the publication of the latest allocation report and expenditure plans for the future.[7]

The assessment of environmental and social risks and opportunities is becoming an increasingly important part of the Global Fixed Income ESG Investment team's ability to evaluate sovereign bonds in the context of its portfolios with explicit ESG investment objectives. Many sovereign borrowers are welcoming new avenues of discourse with investors around these themes.

From a data availability, issuer adoption, liquidity, and standardization perspective, green bonds are the most mature. As of December 29, 2023, BlackRock invested $61 billion on behalf of clients in green bonds across dedicated portfolios and as a component of broader fixed income mandates.[8] These bonds support a variety of green projects, including renewable energy, energy efficiency, and clean transport, among other relevant project categories outlined by the GBP.

1 Bonds are fixed income securities issued in capital markets to raise financing for different projects and activities. Thematic bonds – which include GSS bonds – are designated to finance projects and activities that are expected to have a positive environmental or social impact, or a combination of both. Many governments are turning to such bonds to raise funding for critical investment needs. Source: The World Bank. "Sovereign green, social and sustainability bonds – Unlocking the potential for emerging markets and developing economies." October 2022. 2 European Central Bank, "Next Generation EU: a euro area perspective." January 2022. 3 This case study is shown for illustrative purposes only and was selected to demonstrate BlackRock's capabilities with respect to engaging with markets on GSS bonds, and in this case in particular, an engagement covering the issuance process of the European Union's inaugural green bond. Reference to the names of the issuers mentioned is for illustrative purposes only and should not be construed as investment advice or an investment recommendation. 4 The Green, Social, Sustainability, and Sustainability-Linked Bond Principles are "a collection of voluntary frameworks with the stated mission and vision of promoting the role that global debt capital markets can play in financing progress towards environmental and social sustainability." To learn more, please refer to the International Capital Market Association's "Green Bond Principles." 5 The GBP recognize several broad categories of eligibility criteria for green projects and recommends sovereigns to appropriately describe how the proceeds are intended to be used through annual reporting. 6 Over the course of 2021-2027, the EU is set to spend at least 30% of its budget on climate-relevant objectives. The EU climate coefficients are designed to quantify expenditure that contributes to climate objectives. 100% climate coefficient activities are expected to make a substantial contribution to climate change mitigation or adaptation objectives in line with EU climate goals. Source: European Commission. "Climate Mainstreaming Architecture in the 2021-2027 Multiannual Financial Framework." 7 European Commission. "NextGenerationEU Green Bonds Allocation Report." December 16, 2022. 8 BlackRock Inc. "2023 TCFD report. BlackRock's climate-related disclosures."

Sustainable investing at BlackRock

To enable choice and meet client demand, BlackRock offers a wide range of sustainable investment strategies to clients. As of December 31, 2023, BlackRock had over 400 sustainable funds globally covering a spectrum of sustainable solutions, as well as customized solutions to meet clients' objectives, and managed $802 billion – or 8% of total AUM – in our sustainable investing platform on behalf of our clients.[1]

Read more about our fiduciary approach to sustainability and the transition to a low-carbon economy here.

The same principles that inform our investment approach – client choice, performance, and research – apply to BlackRock's approach to sustainability and the low-carbon transition:

Client choice.

We start with the client. Our role is to listen to and deliver choice for our clients. Our clients choose their investment objectives, and they look to BlackRock to meet their needs. We offer them choices across a wide range of index, active, and whole portfolio solutions. For clients asking how to mitigate risk and capture opportunities associated with sustainability-related trends (such as the low-carbon transition), or for clients asking for products with sustainability- or transition-focused objectives, we offer a range of options and choices in products, portfolio construction, analytics, and stewardship (BlackRock Voting Choice). We continue to innovate for and with clients, responding to client demand.

See how we empower investors with BlackRock Voting Choice.

Performance.

We seek the best risk-adjusted returns within the mandates clients give us. As a fiduciary, we manage material risks and opportunities that could impact portfolios, including those related to sustainability. When financially material, we incorporate environmental, social, and governance information alongside other information into our firmwide processes to enhance risk-adjusted returns.

Download our ESG Integration Statement.

Research.

We underpin our work with research, data, and analytics. Research informs our investment decisions and product innovation. We research major structural trends shaping the economy, markets, and asset prices. We assess how these trends could affect long-term value and how they could unfold over time. The transition to a low-carbon economy is one trend that we research, because we see it having implications on macroeconomic trends, company financial prospects and business models, and portfolios.

Explore our research.

1 BlackRock Inc. "2023 TCFD report. BlackRock's climate-related disclosures."

About BlackRock Investment Stewardship

BlackRock's approach to investment stewardship

As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. BlackRock has a dedicated function, the BlackRock Investment Stewardship (BIS) team, which is responsible for doing so on behalf of our clients.

In our experience, sound governance is critical to the success of a company, the protection of investors' interests, and long-term financial value creation. We take a constructive, long-term approach with companies and seek to understand how they are managing the drivers of risk and financial value creation in their business models.

We have observed that well-managed companies will effectively evaluate and address risks and opportunities relevant to their businesses, which supports durable, long-term financial value creation.

BlackRock, on behalf of our clients, is one of many minority shareholders in public companies around the world

We've been entrusted by clients to manage more assets than any other asset manager,[1] which means that BlackRock is often listed as one of the larger minority shareholders in publicly traded companies.[2] But our many clients are the ultimate owners of those shares.

As one of many minority shareholders in public companies, BIS cannot – and does not try to – direct a company's strategy or its implementation. Our role, on behalf of BlackRock's clients as long-term investors, is to better understand how corporate leadership is managing material risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns. We aim to take a globally consistent approach, while recognizing the unique markets and sectors in which companies operate.

BIS' stewardship program is conducted from the perspective of a long-term investor

A majority of BlackRock's equity AUM is held in index strategies, which track the performance of a particular grouping of public companies – for example, the S&P 500 in the U.S. or the TOPIX in Japan. Those funds and accounts typically remain invested in a company for as long as that company is included in the reference index. While investors in these strategies may sell out of a fund or account in its entirety, they cannot sell holdings in individual companies in that fund or account. This, in effect, means that most of our clients invested in index strategies are long-term investors in those companies.

Because our clients' financial outcomes depend on the success over time of the companies in which they are invested, BIS takes a long-term approach in our stewardship efforts, reflecting the investment horizon of the majority of our clients.

1 BlackRock. Based on $10 trillion in AUM as of December 31, 2023. 2 Minority shareholders are usually those who hold less than 50% of the shares in a company that have voting rights attached, meaning that they cannot block ordinary resolutions or special resolutions or any other resolution that must be passed by a higher majority.

The BIS policies

The BIS Global Principles, regional voting guidelines, and engagement priorities (collectively, the BIS policies) set out the core elements of corporate governance that guide our investment stewardship program globally and within each regional market.

The BIS policies are applied on a pragmatic, case-by-case basis, taking into consideration the context within which a company is operating:

- **Global Principles:** reflect our views on the globally-applicable fundamental elements of corporate governance that contribute to a company's ability to create long-term financial value.
- **Regional voting guidelines:** provide context on local market rules and norms within the framework of our overarching global corporate governance principles. The regional voting guidelines help provide clients, companies, and others guidance on BIS' position on common voting matters in each market.
- **Engagement priorities:** the five themes on which we most frequently engage with companies, where they are relevant and a source of material business risk or opportunity.

The policies are reviewed every year and updated as necessary. We describe this process in detail in the section titled "How BIS conducts our yearly stewardship policy review process."

The BIS toolkit

BIS serves as a link between our clients and the companies they invest in. Our sole focus when conducting our stewardship program is to advance our clients' financial interests. We do this through:

- **Engaging with companies**
- **Proxy voting on clients' behalf**
- **Contributing to industry dialogue on stewardship**
- **Reporting on our activities**

Engaging with companies

Engagement provides the BIS team with an opportunity to listen directly from company directors and executives and learn about how they are addressing material business risks and opportunities that may impact their ability to deliver durable, long-term financial performance.[1] Similarly, it is an important mechanism to provide feedback on company practices and disclosures, particularly when, in our judgment, a company does not appear to be acting in the financial interests of long-term investors like BlackRock's clients.

The BIS team takes a localized approach to engagement with companies while also benefiting from collective global insights. BIS primarily engages public companies on behalf of BlackRock's index strategies. BIS' analysis and engagement notes are available to BlackRock's active portfolio managers.

Engagement is also an opportunity for companies to provide their investors with insights into the business and clarification on key governance or voting matters. In fact, in 2023, many of our engagements were initiated by companies to discuss on these topics. We see leading companies more proactively communicating how they are adapting to the opportunities and risks that most materially impact their business models.

That said, comprehensive company disclosures can help build a foundation of investor understanding such that further engagement may not be necessary. In our view, companies benefit when they provide timely, comparable, and comprehensive reporting on all material governance and business matters, as that serves as a broad-based platform to inform investors and other key stakeholders.

BIS' engagement priorities reflect the five themes on which we most frequently engage companies, where they are relevant and a source of material business risk or opportunity.

Our engagement priorities:

- **Strategy, purpose, and financial resilience**
- **Board quality and effectiveness**
- **Incentives aligned with financial value creation**
- **Climate and natural capital**
- **Company impacts on people**

The vast majority of BIS' engagements are focused on corporate governance. In our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests.

BIS determines which companies to engage, and on which issues, based on our engagement priorities, company disclosures, voting matters, and corporate developments, amongst other considerations.

1 When assessing material risks and opportunities, we focus on the factors that could impact a company's long-term financial performance, which are unique to its business model and/or operating environment.

Engagement in practice

In our view, an engagement is a constructive, ongoing dialogue with a company's board and management. These two-way conversations take place all year long and extend well beyond proxy season.

BIS counts only direct interaction as an engagement. We may also write letters to raise companies' awareness of changes in policy or thematic issues on which we are focused, but this outreach is considered distinct from engagement as it is difficult to monitor the effectiveness of letter writing without direct interaction.

BIS assesses the effectiveness of our engagements over time based on a company's oversight of material business risks and opportunities, and its response to shareholder concerns over time, sometimes multiple years. If our assessment determines that company reporting and disclosure is inadequate or the company is not effectively addressing material risks, BIS may further engage with the company and/or signal concerns through voting for those clients who authorize us to vote on their behalf.

That said, BIS does not seek to direct companies on how they should manage their business. That is the responsibility of management, with input from the board. Even where, on BIS' analysis, risks are not appropriately being managed, the team aims to be constructive, patient, and persistent in working with portfolio companies over time. Our focus is on how the board and management team are advancing the financial interests of long-term shareholders such as BlackRock's clients.

How BIS identifies and prioritizes companies for engagement

Identifying companies for engagement

- Engagement and voting history/pre-vote clarification
- Assessment of a company's financial and governance performance relative to peers
- Events that have impacted or may impact long-term shareholder value
- Management of sector-specific concerns material to long-term shareholder value
- Thematic issues
- A company seeks a meeting and has a substantive agenda

Prioritizing companies for engagement

- Level of concern
- Aggregate client exposure
- Engagement would be productive for the company and BIS
- Engagement would focus on issues material to the company's business model and how it generates long-term financial value

Companies can request an engagement through BlackRock's CorpAxe platform.

2023 engagements by the numbers:

3,768
engagements

2,560
unique companies engaged

780
companies engaged multiple times

50
markets covered in our engagements

5
engagement priorities

~75%
of the value of BlackRock's clients equity assets engaged[1]

BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.

1 Reflects BlackRock exposure as of December 31, 2023.

Proxy voting on clients' behalf

When authorized to do so by our clients, we vote to formally communicate our support for, or concerns about, how companies are serving the financial interests of BlackRock's clients as long-term investors. As the majority of our clients' equity AUM is invested through index strategies, the voting rights attached to their holdings are an important mechanism for investors to signal support for, or concern about, a company's performance.

When we determine it is in our clients' financial interests to signal concern to companies through voting, we typically do so in two forms:

1. We might not support the election of directors or other management proposals; or
2. We might not support management's voting recommendation on a shareholder proposal.[1]

Voting to elect directors to the board is a near-universal right of shareholders globally and an important signal of support for, or concern about, the performance of the board in overseeing and advising management.

In January 2022, we launched BlackRock Voting Choice, an industry leading offering to provide more options for investors who want a more direct role in the proxy voting process, where legally and operationally viable.

We describe the program in greater detail in the section titled, **"About BlackRock Voting Choice."**

1 BlackRock is subject to certain U.S. rules and regulations that place restrictions and limitations on how BlackRock can interact with the companies in which we invest on behalf of our clients, including our ability to submit shareholder proposals or nominate directors for election to the board. Non-compliance with these rules could adversely affect BlackRock's ability to serve its clients' interests.

Proxy voting in practice

Proxy voting is a way in which investors can signal their view on companies' corporate governance and management of material risks and opportunities. The BIS regional voting guidelines provide clients, companies, and others, guidance on our position on common voting matters. These guidelines are not prescriptive – we take into consideration the context in which companies are operating their businesses.

Our voting determinations are methodical, and always anchored in our fiduciary duty to our clients as an asset manager. BIS does not act collectively with other shareholders or organizations in voting shares. Instead, we make decisions on how to engage companies and how to vote proxies independently, based solely on our professional assessment of what is in the long-term economic interests of our clients.

BIS does not disclose our vote intentions in advance of shareholder meetings as we do not see it as our role to influence other investors. Our role is to signal to a company our view on how its board and management are fulfilling their responsibilities to shareholders.

2023 proxy voting by the numbers:

170,000+
total proposals voted

18,000+
total meetings voted

14,000+
total companies voted

69
voting markets

Source: BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.

Contributing to industry dialogue on stewardship

BIS participates in market-level dialogue to share the team's perspectives with clients, policymakers, and others in the corporate governance ecosystem on topical and emerging stewardship issues that, in our experience, may impact clients' financial interests as long-term investors. BIS also benefits from hearing from clients, policymakers, and others, on their perspectives on emerging issues.

Thought leadership in practice

BIS may participate in market-level industry discussions on behalf of clients or respond to policy consultations to offer our perspective on issues such as the value of better disclosures for long-term investors. These responses are available on the BIS website. We also publish thematic publications to explain our stewardship approach.

2023 thought leadership by the numbers:

10+
thematic publications

8
responses to policy consultations

Reporting on our activities

We inform clients about our stewardship activities on their behalf through a range of publications on our website, as well as through direct reporting.

We are committed to providing our clients with the reporting on our stewardship program that meets their informational needs.

Reporting in practice

The BIS website provides a comprehensive library of materials on our stewardship approach. The section titled "The BIS content library" outlines all publications available to clients.

2023 reporting by the numbers:

~170
case studies[1]

23
vote bulletins[2]

1 Includes case studies featured in our 2022 Annual Report and the 2023 Global Voting Spotlight. **2** Includes vote bulletins published in 2023.

The BIS team

BlackRock (and its predecessor companies) has had a stewardship team for well over two decades. The function has developed and innovated over time to respond to clients' stewardship expectations and reporting needs.

What makes BIS stand out?

1. We are singularly focused on advancing BlackRock's clients' long-term financial interests.

We are a long-term investor in the companies in which our clients invest. Our investment stewardship program focuses on listening to companies, and improving our understanding of their business models and the risks and opportunities that are material to how they create long-term financial value.

2. We are one of the largest stewardship teams in the industry.

We are a team of more than 65 professionals focused full time on stewardship.[1] Our team members bring various skillsets and life experiences to their work, with a combination of professional expertise and academic disciplines in various fields, including legal, financial, advisory, consulting, technology, corporate, and governance roles. The team's perspectives enhance our effectiveness as a trusted partner to clients and a constructive, long-term investor on their behalf.

3. We benefit from BlackRock's worldwide operations and local expertise.

BIS operates across nine offices globally and engages locally in 50 markets,[2] enabling more frequent and better-informed meaningful dialogue with companies, often in the local language. BIS also benefits from the global and local expertise of BlackRock's legal and policy experts, investment analysts, specialists, researchers, and active investors. This allows us to most effectively execute our stewardship program across different jurisdictions, taking into consideration the local context, while comprehensively assessing the drivers of risk and financial value creation in the business models of the companies in which our clients are invested.

4. We are constantly innovating to respond to our clients' needs.

BlackRock understands the importance of investing in people. In 2009, we were a team of 16, which predominantly focused on proxy voting. Since then, we expanded the team and brought in experts with a growing range of relevant skills and experience to engage companies to advance our clients' financial interests. We have also developed data analysis and reporting capabilities and innovated to meet clients' changing expectations through offerings such as BlackRock Voting Choice.

1 BlackRock. As of December 31, 2023. 2 BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.

5. We are committed to the professional development of our members

BIS' expertise comprises nearly 20 professional certifications, 50 academic disciplines, and 20 languages spoken by our team members. BIS benefits from internal training sessions and a close partnership with BlackRock's Legal & Compliance (L&C) team to ensure compliance with the regulatory guardrails around voting and engagement. Learning opportunities are also made available to our team year-round through BlackRock Academies, internal learning sessions with firm leadership, as well as through external educational seminars and conferences. This includes access to a variety of courses focused on core stewardship topics as well as courses ranging from leadership development to enhancing team members' technology and presentation skills. In addition, BlackRock has programs in place to support employees pursuing academic and career development opportunities internally and externally.

6. We understand the value of well-supported colleagues.

BlackRock is proud that it has built a high-performance culture that is focused on fulfilling our purpose of helping more and more people experience financial well-being. The firm is committed to ensuring employees have the support they need to thrive in every aspect of their lives as BlackRock believes that doing so benefits both the firm and clients. In 2023, BlackRock was proud to be named one of America's most JUST companies for the fourth consecutive year[1] and to be included in the 2023 Bloomberg Gender Equality Index, reflecting the firm's high level of disclosure and performance across multiple dimensions.[2, 3]

7. We recognize the contributions of our people.

BlackRock believes that an investment in people is an investment in the future of the firm as an essential partner to our clients. BlackRock has developed a pay for performance compensation structure that incentivizes current employees and continues to attract top tier talent. Furthermore, the firm aims to provide fulfilling career paths for employees as we believe talent retention is critical to long-term financial value creation at all organizations, including our own. BlackRock supports internal mobility and encourages employees to take ownership of their careers.[4] In 2023, BIS promoted 13 members across Director, Vice President, and Associate positions.[5]

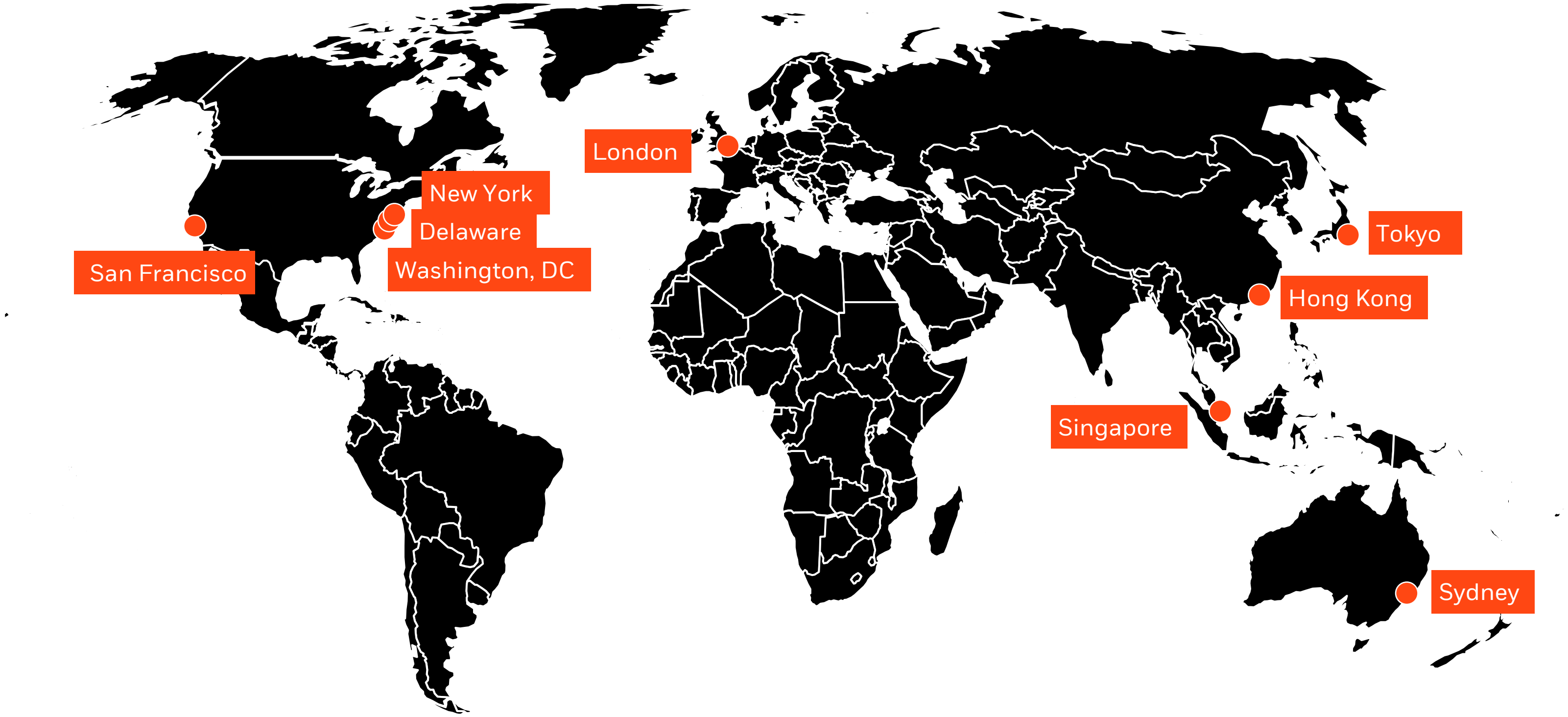
1 JUST Capital's annual analysis of corporate performance is a comprehensive ranking of the performance of the largest publicly traded companies in the U.S. on issues such as prioritizing good governance, investing in employees, and supporting communities they operate in. Source: JUST Capital. "2023 Overall Rankings." January 10, 2023. 2 The Bloomberg Gender Equality Index includes publicly traded companies if they score above a global threshold score, established by Bloomberg, reflecting a high level of disclosure and performance across five dimensions: leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, anti-sexual harassment policies, and external brand. The 2023 Bloomberg Gender-Equality Index featured 484 companies across 45 countries and regions, representative of 54 industries. Source: Bloomberg. "Gender-Equality Index 2023." Page 46. 3 Ratings, rankings and awards shown herein may not be indicative of BlackRock's investment performance, or any future investment performance or sustainability accomplishments. BlackRock has sourced these ratings, rankings, and awards from third party providers. BlackRock has not solicited or paid for any of these ratings, rankings, and awards. The rating, ranking, or award may not be representative of any client's individual experience. 4 Source: BlackRock. "At BlackRock, you can change career paths without leaving the company." January 21, 2022. 5 Six members promoted to Director, four to Vice President, and three to Associate. Effective January 1, 2024.

Our BIS team has global reach and local presence

BIS' global reach enables us to speak to companies around the world with deep subject-matter expertise and a localized approach.

Global presence: We have a presence in three regions – Americas, Asia-Pacific (APAC), and Europe, the Middle East, and Africa (EMEA) – enabling engagement with companies that make up ~75% of equity AUM associated with clients' holdings.[1]

Local approach: Our local presence allows teams to establish relationships in local markets and develop knowledge of market-specific regulations and norms, which support more effective company engagement in-region.



Leveraging the global expertise of our:

- **Investment analysts**
- **Researchers**
- **Specialists**
- **Active investors**

65+ member team

50 academic disciplines

20 languages

19 professional qualifications

9 offices

Source: BlackRock. As of December 31, 2023.

1 Reflects BlackRock's exposure as of December 31, 2023

The governance structure, risk oversight, and accountability process of the stewardship function at BlackRock

The Global Executive Committee (GEC)[1] is BlackRock's leadership team and sets the strategic vision and priorities of the firm and drives accountability at all levels. Joud Abdel Majeid, Global Head of Investment Stewardship, reports to the CEO of BlackRock and is a member of the GEC. Joud has primary oversight of BIS – she is responsible for leading the stewardship team and all BIS activities as we engage with companies to promote sound corporate governance and as we vote in clients' long-term financial interests.

Further, the Nominating, Governance, and Sustainability Committee (NGSC) of BlackRock's Board of Directors periodically reviews BIS' investment stewardship-related policies, programs, and significant publications, and makes recommendations on such matters to the full Board.[2]

The full BlackRock Board of Directors also receives an annual update on stewardship and may also be briefed on material updates to the team's strategy, for instance, following the publication of the BIS Global Principles, updated on an annual basis.

Formal risk oversight of investment stewardship is provided by the BIS Global Oversight Committee. Three regional Stewardship Advisory Committees provide mostly engagement and voting policy-related insights to BIS and help ground our stewardship positions in long-term financial value. These three Advisory Committees are composed of senior BlackRock investment professionals and subject matter experts.

Risk oversight and accountability at BIS:

These governance and advisory structures support oversight and accountability of stewardship-related activities on behalf of clients and in alignment with our firm's business model and size.

As part of our continuous focus on improving our stewardship approach, BIS considers recommendations from BlackRock's GEC, the BIS Global Oversight Committee, and the three regional Stewardship Advisory Committees, and implements this feedback on a continuous basis and as appropriate.

Moreover, as a team that operates across many jurisdictions, BIS works diligently with internal experts to monitor, and ensure our stewardship activities comply with, the rules of each market, bringing together best practices across the globe.

- **Global Oversight Committee**
- **Regional Advisory Committee**
- **BIS Executive Committee**
- **Individual Accountability**

1 BlackRock. "The Global Executive Committee." 2 BlackRock. "Board of Directors – Nominating, Governance and Sustainability Committee Charter." November 17, 2021.

BIS Executive Committee

Joud Abdel Majeid
Global Head of Investment Stewardship and member of the Global Executive Committee

Philip Alexander
Chief Operations Officer and Head of Platform

Michelle Edkins
Head of Institutional Relations and Policy

Amra Balic
Head of International

John Roe
Head of Americas

BIS Global Oversight Committee

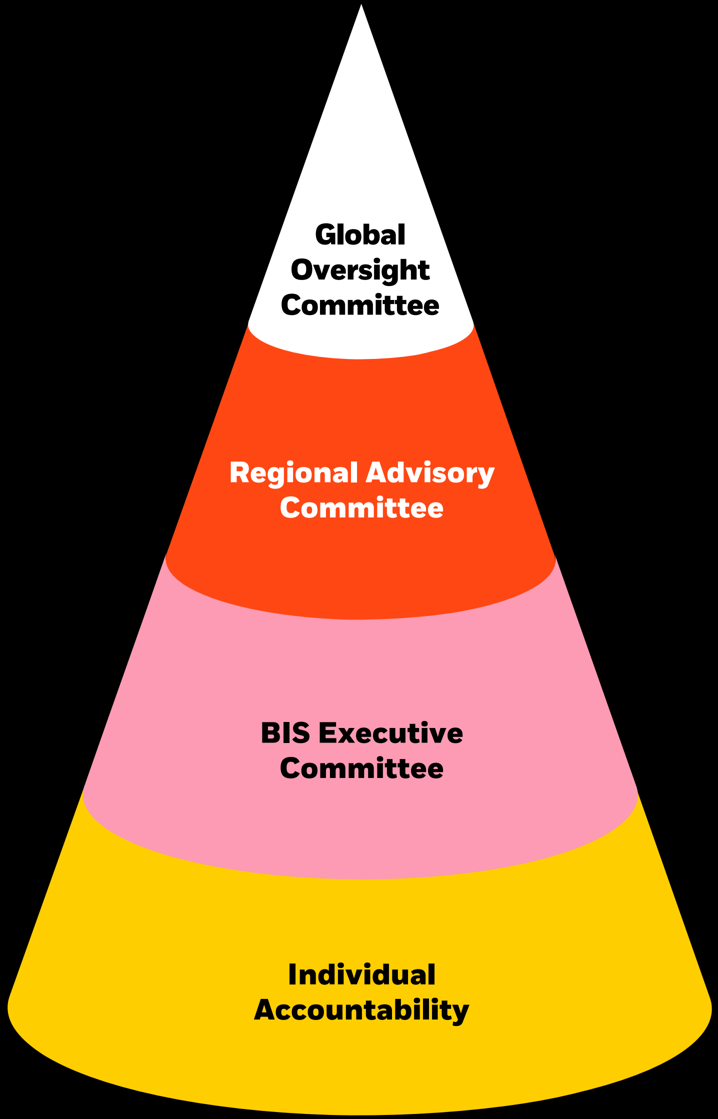
A risk-focused committee, comprised of senior representatives from various BlackRock investment teams, a senior legal representative, the Global Head of Investment Stewardship, and other senior executives with relevant experience and team oversight. The committee is chaired by the Global Head of Investment Stewardship, although the majority of its members are independent from the investment stewardship function. The Global Oversight Committee meets at least twice a year.

Regional Stewardship Advisory Committees

Three regional Stewardship Advisory Committees for the Americas, APAC, and EMEA. Members are senior BlackRock investment professionals and/or senior employees with practical boardroom experience, qualified to provide BIS members with feedback on general stewardship matters and with their perspectives on investment. Each regional committee meets at least three times a year.

BIS Executive Committee/ Individual accountability

The BIS Executive Committee (BIS ExCo) promotes individual accountability while simultaneously providing day-to-day guidance, oversight, and support to the global BIS team on routine stewardship matters, as well as career development and performance. The BIS ExCo meets on a weekly basis to discuss routine stewardship matters, as well as BIS team members' performance and talent development plans, including career progression and succession planning within BIS. The BIS ExCo also holds routine Global Town Halls with the stewardship team to discuss strategic objectives, performance milestones, and future initiatives.



How BIS conducts its yearly stewardship policy review process

The 2023 BIS policies were updated in late 2022 and published thereafter[1] to inform clients about our views on governance good practices and alert companies to areas where their governance may differ from BIS' views. They also help provide clients with visibility into the factors considered in engagement and give an indication of how we are likely to vote should they give us authority to do so on their behalf. These policies support effective stewardship processes and transparency and align with our commitment to pursue long-term financial returns for our clients as shareholders.

For 2023, we made few changes to our stewardship policies. Overall, the BIS Global Principles continued to reflect the overarching corporate governance standards and norms that, in our experience, support companies in delivering long-term durable financial performance.

In the 2023 Global Principles, we refined the language to clarify the concept of material sustainability-related risks and opportunities[2] that we reference when engaging with companies. While our engagement approach on these factors remained unchanged, we noted that appropriate board oversight of business-relevant and material sustainability-related considerations – including climate and natural capital and companies' impacts on people – is a component of sound corporate governance.

In addition, we made two modifications – prompted by market-level developments – on nature-related factors and the timing of sustainability disclosures. Across our regional voting guidelines, we reflected this refined language and incorporated any changes specific to the local market.

1 The 2023 BIS Global Principles and regional voting guidelines were published in December 2022. The 2023 engagement priorities were published in March 2023. 2 By material sustainability-related risks and opportunities, we mean the drivers of risk and value creation in a company's business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management, and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty, and relationships with regulators. It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses. Governance is the core means by which boards can oversee the creation of durable, long-term financial value. Appropriate risk oversight of business-relevant and material sustainability-related considerations is a component of a sound governance framework.

How BIS reviews and approves policy to enable effective stewardship

The BIS policy review and approval process is rigorous, yet flexible, as it allows for continuous improvement. This process helps us ensure that the BIS policies – and in particular, our regional voting guidelines – are applied pragmatically and on a case-by-case basis, with the goal of voting to achieve an outcome most aligned with the long-term financial interests of our clients as shareholders. The rationale for any change in our approach is to align our policies with market practices and our commitment to pursuing long-term financial returns for our clients:

1. The BIS team reviews, and amends as necessary, the Global Principles, which are the overarching framework for BIS' engagement and voting work and reflect common themes in stewardship across regions.
2. Through a globally coordinated process, the regional stewardship teams also review the regional voting guidelines implemented in their region and propose amendments to reflect changes in market standards, evolving governance practices, and insights gained from engagements with companies and clients.
3. The proposed policies are reviewed at this initial stage in the process, and subsequently as necessary, by internal partners in Legal & Compliance (L&C), Government Affairs and Public Policy Group (GAPP), and others as necessary, to reflect updates such as those related to applicable law and regulation.
4. BIS benefits from input from the three regional Stewardship Advisory Committees described in the previous section. The three Advisory Committees review and advise on amendments to the regional voting guidelines covering markets within each respective region. The BIS Global Oversight Committee reviews and approves amendments to the Global Principles. It also reviews and approves amendments to the regional voting guidelines, as proposed by the regional Committees.

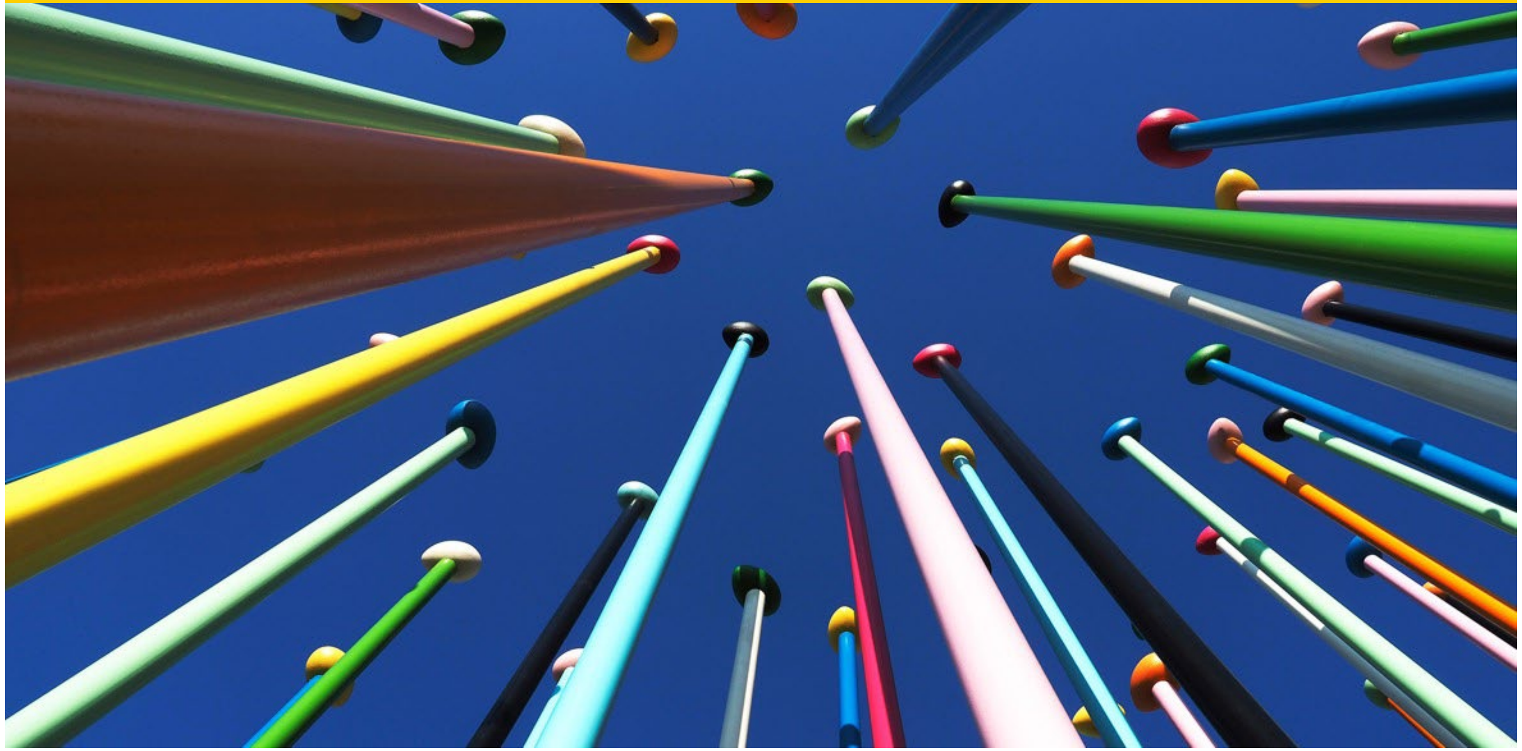
The 2023 engagement priorities were also consistent with those from prior years: strategy, purpose and financial resilience; board quality and effectiveness; incentives aligned with financial value creation; climate and natural capital; and company impacts on people.

Consistent with previous years, we refined the language in the supporting thematic commentaries – available to clients and the general public on the BIS website – to reflect relevant market updates, client feedback, and our learnings from our engagements.

The BIS policies are solely focused on advancing BlackRock clients' long-term financial interests. They are grounded in the issues we consider likely to impact companies' ability to deliver durable long-term shareholder returns.

5. The updated regional voting guidelines are then submitted, along with the Global Principles, to the Investment Stewardship Global Oversight Committee, for review and approval. This step is intended to promote global consistency, while allowing for regional nuance.

6. The Vote Issues Advisory Council (VIAC), an advisory body composed of some of the firm's senior-most investment professionals and governance and stewardship experts, may also be asked to review the proposed changes if new policies are being considered.



Ongoing assessment of stewardship voting processes

As described in the Global Principles, the BIS Global Oversight Committee receives and reviews periodic reports regarding the votes cast by BIS, as well as updates on material process issues, procedural changes, and other risk oversight considerations. The BIS Global Oversight Committee reviews these reports in an oversight capacity as informed by the BIS regional voting guidelines.

The BIS Global Oversight Committee also reviews and confirms, on an annual basis, the appointment of an independent third-party voting service provider to address actual or perceived conflicts of interest in relation to BIS' voting activities on behalf of our clients. The purpose of our internal governance structure is to provide internal assurance in relation to our stewardship voting processes and ensure that BIS is operating in line with our fiduciary duty.

For external assurance, BIS contracts with third-party specialists to undertake specific vote reviews. These service providers review a sample of proxy votes cast by BIS and, when applicable, the voting recommendations made by the independent third-party voting service provider to ensure votes cast accurately reflect BlackRock's voting policy guidelines.

More information about how we ensure services are delivered to meet our stewardship needs on behalf of clients is included in the section titled, "How BIS monitors the quality of proxy research firms and other service providers."

External review of stewardship-related metrics

In July 2023, BlackRock published its 2022 BlackRock Sustainability Disclosure[1] as of and for the year-ended December 31, 2022, which comprised two types of metrics:

1. Reporting presented in accordance with the Sustainability Accounting Standards Board Standard for Asset Management and Custody Activities; and
2. Reporting in accordance with select additional criteria defined by management.

Included in BlackRock's Sustainability Disclosures were certain metrics related to BIS' "proxy voting and investee engagement policies and procedures."

For the third consecutive year, BlackRock's independent accountant performed a review on management of BlackRock's assertion related to specified metrics contained within the 2022 Sustainability Disclosure. The independent accountant's review report is included within BlackRock's 2022 Sustainability Disclosure.[2]

Internal review of stewardship processes

BlackRock Internal Audit is a global function with audit delivery teams covering all BlackRock businesses and support functions. The mandate of Internal Audit is to objectively assess the adequacy and effectiveness of BlackRock's internal control environment in order to improve risk management, control, and governance processes.

Internal Audit employs a risk-based audit methodology that optimizes the allocation of resources to the areas of highest risk to the company, its clients, and its shareholders. An annual multi-dimensional risk-based audit plan is developed from a risk assessment process that evaluates all of BlackRock businesses and includes key risk considerations.

The last audit of BIS took place in Q4 2023.

1 BlackRock's 2022 Sustainability Disclosure is available here. 2 The independent accountant's review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) in AT-C section 105, Concepts Common to All Attestation Engagements, and AT-C section 210, Review Engagements. For more information, please see the Independent Accountant's Review Report included within BlackRock's 2022 Sustainability Disclosure.

Exercise of rights and responsibilities: How voting decisions are made on behalf of clients

As shareholders of public companies, BlackRock's clients have certain fundamental rights, including the right to vote on proposals put forth by a company's management or its shareholders. The vast majority of these proposals are on routine matters, including the election of a company's directors, executive compensation, and the appointment of a company's auditor. Shareholders may also have the opportunity to vote on corporate actions such as a merger, or proposals from shareholders. In many cases, BlackRock's clients have authorized us to vote proxies on their behalf. In exercising this delegated authority, BlackRock acts as a fiduciary to our clients. We are required to vote in a manner that we believe is in the best economic interests of those clients. We do this by casting votes in favor of proposals that, in our assessment, will promote stronger governance and better management and, in turn, potentially enhance long-term shareholder value. BlackRock does not use our delegated voting authority to direct a company's business strategy, which is the role of the company's board and management. Accordingly, BlackRock seeks to understand how corporate leadership is managing risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns. We do not file shareholder proposals or seek to nominate directors for election to a company's board.

The vast majority of the stewardship team's voting decisions are straightforward applications of the regional voting guidelines and are determined by the relevant voting analyst, in consultation with team members or the regional BIS head, as necessary. BIS analysts may, in the exercise of their professional judgment, conclude that the guidelines do not cover the specific matter upon which a proxy vote is required or that an exception to the guidelines would be in the long-term economic interests of BlackRock's clients.

BIS' vote decisions reflect our reasonable and independent judgment of what is in the best long-term financial interests of clients. This is informed by analysis of company disclosures, third-party research, comparisons against a company's industry peers, as well as engagement with companies and with BlackRock's active portfolio managers.

BIS, for the most part, is supportive of management at the companies in which we invest on behalf of clients. We may determine not to support management in our voting when, in our assessment, a board or management team is not acting in the long-term financial interests of BlackRock's clients.

In certain markets, proxy voting involves logistical issues which can affect BlackRock's ability to vote, as well as the desirability of voting. In these cases, BlackRock votes on a "best efforts" basis.

In addition, BIS may determine that it is generally in the economic interests of BlackRock's clients not to vote proxies (or not to vote our full allocation) if the costs (including but not limited to opportunity costs associated with share-blocking constraints) associated with exercising a vote are expected to outweigh the benefit the affected clients would derive by voting on the proposal.[1]

In 2023, BIS voted at 98%[2] of the shareholder meetings at which our clients were entitled to vote, globally. Our voting record on behalf of clients is available on the BIS website through our Global Vote Disclosure tool.

Transparency in our voting record on behalf of clients

Through our Global Vote disclosure tool, BIS provides a quarterly update of our vote instructions on behalf of clients for all proposals voted at individual shareholder meetings globally. When votes cast differ from a company's voting recommendation, BIS provides a brief voting rationale.

We are committed to transparency in everything we do. Our Global Vote Disclosure tool provides clients with visibility into our voting on their behalf.

1 Or due to regulatory restrictions on voting. 2 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023 through December 31, 2023. The meetings where BIS did not vote are due to market impediments including, but not limited to, share-blocking, sanctions, regulatory restrictions, economic reasons, and other logistical challenges that limit BIS' ability to vote such proxies. Please refer to the BIS Global Principles for a list of considerations which can affect BlackRock's exercise of voting rights.

The proxy voting process

As the proxy voting process is operationally complex, BIS has operational specialists on the team who are fully focused on ensuring votes cast on behalf of clients are successfully instructed, using our vendor's electronic voting platform.

We leverage Institutional Shareholder Services (ISS) as an external proxy services vendor. ISS' electronic voting platform allows us to monitor voting activity, execute proxy vote instructions, record keep, and generate client and regulatory voting reports. The controls we have in place ensure that we identify upcoming meetings, cast votes ahead of the voting deadline for each meeting, reconcile holdings with ballots received, and identify any uninstructed ballots.

The following steps describe the process for casting votes on behalf of clients, from onboarding portfolios to providing voting reports to clients:

1. Onboarding	For portfolios where BlackRock is authorized to vote, BIS onboards the portfolio to be voted on the electronic voting platform.
2. Reconciliation	BIS reconciles portfolio holdings with upcoming shareholder meetings to ensure BIS is voting all positions we are entitled to.
3. Ballot creation	When company announces an upcoming shareholder meeting, custodian banks send voting entitlements to a ballot distributor who in turn distributes proxy ballots to ISS.
4. Ballot reception, research, and issue spotting	The respective BIS analyst is alerted to a shareholder meeting allocated to them entering the proxy services vendor's electronic platform. The BIS analyst reviews company materials, broker research, third-party data, and other publicly available information, as necessary. The BIS analyst then applies the BIS regional voting guidelines to determine how to vote on behalf of clients. Straightforward meetings proceed to vote execution. The remainder are flagged for additional research.
5. Review and engagement	In the case of particularly complicated or controversial matters, the BIS analyst conducts in depth research and may engage with the company's executives or board members to discuss key questions or concerns. The BIS analyst discusses issues and vote options with BIS colleagues and the relevant BIS advisory committee, as necessary (See the section "BIS' internal vote escalation process" for further detail on this step). The BIS analyst may also leverage the expertise of BlackRock's portfolio managers.

Pre-population of ballots

Given the large universe BIS covers, our team employs the proxy services vendor to streamline the voting process by making voting recommendations based on the BIS regional voting guidelines when the items on the meeting agenda are routine. Agenda items that are not routine are referred back to the relevant BIS analyst to vote. Vendor recommendations based on BlackRock's regional voting guidelines can be overridden at any time prior to the vote deadline and are regularly reviewed by BIS. Both BIS and the proxy services vendor actively monitor securities filings, research reports, company announcements, and direct communications from companies to ensure awareness of supplemental disclosures and proxy materials that may require a modification of votes. The proxy services vendor's performance is reviewed on a periodic basis.

6. Vote execution

The BIS analyst executes the final vote decisions. Per BIS policy, the independent third-party voting service provider supplies vote recommendations to mitigate potential conflicts of interest (See the section "How BIS manages conflicts of interest" for further detail on this step). The BIS regional advisory committees meet several times a year and review voting and engagement activity (See the section "The governance structure, risk oversight, and accountability process of the stewardship function at BlackRock " for a detailed description of the regional advisory committees' role).

7. Reporting

BIS provides portfolio-level engagement and vote reports to clients and complies with relevant regulatory reporting such as SEC Form N-PX.[1] Lastly, BIS makes public its voting record, annual report, and quarterly engagement statistics on its website.

1 Every year, BlackRock submits its global voting record to the U.S. SEC through the filing of Form N-PX, the annual form that mutual funds and other registered investment companies are required to submit disclosing how they voted proxy ballots. Form N-PX is to be filed not later than August 31 of each year, containing the proxy voting record for the most recent 12-month period ended June 30. See: "Form N-PX."

BIS' internal vote escalation process

BIS has a vote escalation process that allows analysts and regional heads to raise high-profile and non-routine voting matters for further review by committees of senior BIS leaders and the BIS advisory committees.

Examples of high-profile votes include shareholder activist situations, mergers, executive compensation proposals, and certain shareholder proposals, among others.

We illustrate our internal vote escalation process in the following case study.

Case study

Voting on executive remuneration at a Danish company

ChemoMetec A/S (ChemoMetec)

Background

ChemoMetec is a manufacturer of cell counting and analysis equipment based in Denmark, serving an international client base across the fields of cell-based immunotherapy, cancer and stem cell research, drug development and production.[1]

BIS and BlackRock's Fundamental Active Equity (FAE) team held several engagements with ChemoMetec throughout 2023. The BIS team had concerns related to the overall structure of ChemoMetec's remuneration policy. In our view, the company's disclosures did not provide investors with a comprehensive explanation of how the remuneration policy served shareholders' long-term financial interests. We also observed that ChemoMetec's board did not have established committees – such as audit, nomination, and/or remuneration committees – to support it in fulfilling its responsibilities, including the board's oversight of the company's remuneration structures.

At previous annual general meetings (AGMs) BIS had signaled similar concerns by not supporting management's remuneration-related resolutions, including the most recent remuneration policy, submitted to a shareholder vote at the October 2020 AGM.

BIS Activity

In our engagements, BIS highlighted that as long-term investors, we find it helpful when companies publish robust disclosures to understand how their remuneration structures support long-term financial value creation. We also shared our concerns about the absence of key committees and the full board's suitability to oversee corporate governance matters, overall.

1 ChemoMetec A/S. "About ChemoMetec."

In April 2023, the company announced the appointment of a new CEO, who would join no later than August 2023.[1] Following the announcement, BIS continued to engage with ChemoMetec noting that its remuneration policy lacked a long-term component to overall pay. A well-structured compensation policy serves to reward executives for accomplishments in the short-term, and to incentivize the delivery of long-term financial performance. In our engagements, we also noted how the company could enhance its corporate governance structure to best serve shareholders' long-term financial interests.

At ChemoMetec's October 2023 AGM, the company submitted to a shareholder vote two management proposals related to executive remuneration: the approval of its remuneration report and the approval of amendments to its remuneration policy. The agenda also included a management proposal to re-elect the board chair.

At the time of the AGM, BIS noted a continued absence of an incentive structure aligned with shareholders' long-term financial interests. BIS also noted the continued absence of a basic governance structure to ensure the adequate oversight of key issues to support long-term financial performance. BIS escalated these high-profile matters with various portfolio management groups – including BlackRock's FAE team – through stewardship's internal vote escalation process.

Ultimately, BIS did not support the company's remuneration-related proposals, nor the re-election of ChemoMetec's board chair. BlackRock's FAE team agreed with BIS' voting decision and voted their holdings in alignment with BIS.

Outcome

All proposals received majority shareholder support, except the approval of the updated remuneration policy.[2]

BIS shared the rationale for our voting decision with the company, which was receptive to our feedback as a minority long-term investor. In 2024, BIS will engage to further encourage alignment between the remuneration policy and the long-term financial interests of shareholders. A best practice we have observed when boards seek to incentivize executives to deliver long-term sustained performance is the consideration of shareholders' perspectives. Should the company not respond to shareholder feedback we will continue to signal concerns through voting, as appropriate.

1 ChemoMetec A/S. "Appointment of new CEO." April 17, 2023. 2 ChemoMetec A/S. "Proceedings of the ordinary general meeting." October 12, 2023.

BIS' engagement insights are made available to BlackRock's active investment teams

BIS collaborates with BlackRock's active portfolio managers even aside from direct discussions on high-profile votes as in the example described above. Most significantly, BIS' company analyses and engagement notes are made available to BlackRock's FAE portfolio managers. BIS' perspective, informed in part by engagement with companies, can provide portfolio managers with a different assessment of a company that is not captured by third party ratings. Where BIS and FAE portfolio manager are interested to engage a company on the same topics, we may jointly meet with company representatives to hear how they are positioning their company to deliver durable profitability.

Other investment teams across BlackRock may engage with companies to help inform their work on a broad spectrum of risk and value drivers in their investible universe. While BlackRock has specialized teams focused on specific asset classes and investment styles, we employ a "One BlackRock" approach, integrating expertise from across our investment functions. Our work on behalf of clients is supported by our proprietary, in-house Aladdin® technology.

Who votes for active portfolio managers?

As an asset manager, BlackRock has a fiduciary responsibility to vote shares in the long-term economic interests of the clients who choose to delegate voting authority to us. Most of this voting is conducted by BIS, as nearly 90% of the public equity investments BlackRock manages on behalf of clients are in index strategies.[1]

1 Estimate based on figures reported in BlackRock Inc.'s "Form 10-K" for the fiscal year ended December 31, 2023, which indicated that approximately 48% of total equity AUM was held in iShares ETFs, and a further 40% of total equity AUM was invested in index strategies on behalf of institutional clients. 2 BlackRock. ISS Sourced on April 12, 2024, reflecting data from January 1, 2023 through December 31, 2023.

Participating in BlackRock's 10th annual Tech Tour in Silicon Valley

In August 2023, a representative from BIS, with a coverage universe including North American technology and telecommunications companies, participated in a tour led by BlackRock's FAE Technology team to visit technology investee companies. The Tech Tour – held annually since 2013 – involved more than 30 attendees from 14 BlackRock teams holding discussions with the corporate leadership of 31 technology companies based in Northern California.

The teams were interested in understanding how these companies are addressing significant shifts in the landscape which may be impactful to their business models. For example, the deployment of generative AI capabilities, related increase in demands for physical computing infrastructure, and potential future implications of AI across sectors were areas of discussion. Return-to-office considerations, solar energy, and the metaverse were also in focus, among other topics.

BIS routinely escalates vote recommendations, based on pre-determined criteria, to FAE portfolio managers with holdings in the company whose shareholder meeting we are reviewing. FAE portfolio managers may vote the holdings in their portfolios differently to BIS' recommendation. For routine governance and other non-controversial matters, FAE portfolio managers typically look to BIS for insights and vote recommendations.

From time to time, active portfolio managers and BIS may reach different voting conclusions on proposals made by management or shareholders. However, these instances are infrequent and occurred at 16 of the more than 18,000 shareholder meetings voted in 2023.[2]

Reasons for a difference of opinion on voting vary. Both BIS and FAE portfolio managers base their vote decision on the outcome they determine to be most consistent with the clients' investment objectives. BIS determines how to vote on behalf of index investors, who are locked-in, long-term shareholders of companies. An FAE portfolio manager may vote differently based on their views of what is most aligned with the financial interests of the clients invested in their fund, and in line with the fund's investment objectives.

In general, FAE portfolio managers rely on BIS for voting insights and recommendations given the BIS team's focus on long-term financial returns in determining how to vote.

Case study

Signaling board independence concerns at a Swedish company

Epiroc AB (Epiroc)

Background

Based in Sweden, Epiroc is a company that develops and provides equipment for the construction and mining industries.[1] It employs approximately 18,000 employees serving customer in 150 countries.[2]

At Epiroc's 2021 and 2022 AGMs, BIS did not support management on a number of remuneration-related proposals. Per BIS' assessment of the company's disclosures, we determined that the link between Epiroc's remuneration policies and long-term financial performance was not clear. BIS also had concerns about the overall independence of the remuneration committee. As a result, BIS did not support the re-election of the chairman of the board at both AGMs.

In addition, BIS did not support the re-election of a director who served on an excessive number of public company boards. In EMEA, BIS will consider voting against a director when he or she serves on more than four public company boards, which was the case at the time both AGMs took place.

BIS Activity

Since 2021, BIS has engaged on multiple occasions with Epiroc to explain our board composition and remuneration-related concerns.

Regarding director overcommitment, BIS shared our view that given the nature of the role, it is important that directors have sufficient flexibility to respond to unforeseen events and therefore only take on a maximum number of non-executive mandates that provides this flexibility.

On remuneration, BIS explained that when assessing the link between pay and performance, we find it helpful when companies provide a cogent explanation of the policies used and a clear understanding of how pay correlates with and supports the company's stated strategy.

1 Epiroc AB. "About Epiroc." 2 As of November 2023. Source: Epiroc AB. "About Epiroc – Epiroc in numbers."

To aid investor understanding of Epiroc's approach to board composition and remuneration, and material risks and opportunities in general, BIS encouraged the company to enhance its disclosures. In our discussions, we shared that when companies disclose their approach covering governance, strategy, risk management, and metrics and targets – and that include industry-specific metrics – investors, like BlackRock's clients, can make better informed investment decisions.

Outcome

Following the 2022 AGM, BIS noted that Epiroc took shareholder feedback into consideration – including BlackRock's – and published annual reports that included industry-specific metrics.[1]

Regarding board composition, Epiroc announced that the overcommitted director would not seek re-election at the May 2023 AGM. BIS considered this step addressed the concerns raised in our engagements with the company.

Regarding remuneration, while BIS supported the approval of the company's remuneration report at the May 2023 AGM due to Epiroc's improved remuneration disclosures, BIS will encourage further disclosures on the company's short-term targets. We find it helpful when disclosures explain how the different components of a remuneration policy work together to attract, retain, and motivate key executives.

On independence, BIS continued to express concerns on the overall independence of Epiroc's remuneration committee. As described in our proxy voting guidelines for EMEA securities, we consider it good practice when a board, and key committees, are majority independent, with each committee chaired by an independent director. As a result, BIS did not support the re-election of the chairman of the board, whom we consider responsible for ensuring sufficient independent balance is maintained when structuring key sub-committees.

BlackRock's FAE team supported the re-election of the chairman. While the team broadly shared BIS' board independence concerns, it determined that the company had taken positive steps to address shareholders' feedback. The team also acknowledged the chairman's track record and role in the process.

Building on Epiroc's positive response to shareholder feedback, BIS will engage with the company, highlighting the importance of having majority independent directors to ensure objectivity in the decision-making of the board and its ability to oversee management.

1 The company's 2022 sustainability report included metrics against the Sustainability Accounting Standards Board's (SASB)"Industrial Machinery and Goods Standards." Epiroc's disclosures were also aligned with other reporting standards, such as the Task Force on Climate-Related Financial Disclosures (TCFD). See: Epiroc AB. "Sustainability Reporting – Standards Disclosure 2022."

How BIS manages conflicts of interest

Stewardship is an independent function within BlackRock. While BIS engages with a broad range of internal groups, the team's responsibilities are separate from sales and distribution activity to mitigate conflicts of interest and to preserve voting integrity and clients' trust. BlackRock maintains robust structures and processes to monitor for and manage potential conflicts of interest and to ensure that proxy voting is insulated from impact.

BIS votes at the shareholder meetings of many clients, business partners, and vendors. It is vital that all issuers are treated equally, regardless of whether they are clients or business partners; no issuers are given special treatment in voting or differentiated access to the BIS team. Just as our commercial interests do not affect a portfolio manager's buy/sell decisions, they also do not influence a voting decision or engagement activity.

BIS maintains policies and procedures that seek to prevent undue influence on BlackRock's proxy voting activity. How BIS manages perceived or potential conflicts of interests is also explained in our Global Principles. Such influence might stem from any relationship between the investee company (or any shareholder proponent or dissident shareholder) and BlackRock, BlackRock's affiliates, a Fund or a Fund's affiliates, or BlackRock employees.

BlackRock has identified five primary sources of potential conflicts of interest relevant to stewardship when we vote and/or engage with portfolio companies as a fiduciary on behalf of clients.

BlackRock's L&C team applies the criteria in the chart on page 49 to develop a list of companies where potential or perceived conflicts of interest could arise. When companies fall within certain categories identified in the chart, and for other reasons as deemed necessary by L&C, BIS uses an independent third-party voting service provider to make proxy voting recommendations to be submitted independent of BIS, for our clients' holdings. These recommendations are made in accordance with the relevant regional voting guidelines, as to how to vote such proxies.

To facilitate the implementation of our conflicts procedures with respect to voting, the list of the companies is sent to the proxy services vendor providing the electronic voting platform used by BIS and the independent third-party voting service provider. The independent third-party voting service provider makes voting recommendations based on BIS' publicly available Global Principles and regional voting guidelines and information disclosed publicly by the relevant companies. The independent third-party voting service provider may engage with companies in its own name to ask clarifying questions or in response to a company's request for engagement on voting matters, though it is not authorized to engage with companies on BlackRock's behalf or represent BlackRock's views.

Case study

How BIS applied its conflicts of interest policy in 2023

Conflicts of interest are managed in accordance with BIS' policies and procedures. BlackRock maintains robust structures and processes to monitor for and manage potential conflicts of interest and to ensure that proxy voting is insulated from impact.

The CEO of Zoetis, Inc. (Zoetis) – an animal health company – is also an independent non-executive director on BlackRock, Inc.'s board, serving on the audit committee.[1] At Zoetis's May 2023 AGM, consistent with BIS' policy, BIS outsourced the voting recommendation(s) to the independent third-party voting service provider. Voting decisions, including those made at the recommendation of the independent third-party voting service provider, are available on BIS' Global Vote Disclosure tool.

To learn more about our policy, please refer to our commentary, "How BlackRock Investment Stewardship manages conflicts of interest."

1 BlackRock, Inc. "Board of Directors."

Areas where potential or perceived conflicts of interest could arise and how BIS addresses them

Separation of stewardship from commercial responsibilities to ensure independent decisions[1]	Use of an independent third-party voting service provider
Clients BlackRock clients may be either issuers of securities held in BlackRock portfolios or shareholders actively interested in certain ballot items	**Employees and BlackRock Board Directors** BlackRock employees may serve on the boards of, or BlackRock board members may be senior executives or board members of, companies held in BlackRock portfolios
Business Partners and Vendors Our business partners and vendors may also be issuers of securities held in BlackRock portfolios	**BlackRock Entities** BlackRock securities, securities of BlackRock investment funds, or securities of companies with whom we have a joint venture, may be held in BlackRock portfolios
	Public Company Transactions Certain BlackRock investment teams may be engaged in transactions involving public companies; investment teams outside of and unrelated to the transaction may also hold positions in these companies

1 See page 2 in "How BlackRock Investment Stewardship manages conflicts of interest."

BIS' approach to proxy research firms and other service providers

BIS oversees proxy research firms and other service providers leveraging BlackRock's global approach to all business partners.

BlackRock requires its suppliers to undergo thorough financial, operational, risk, and contract diligence processes on a consistent basis.

BlackRock prides itself on its reputation for conducting business activities in the highest ethical and professional manner. As a participant of the United Nations Global Compact,[1] BlackRock considers methods to implement practices that align its corporate operations with the universal principles on human rights, labor, the environment, and anti-corruption. As such, BlackRock expects all companies and individuals which supply goods, materials, or services to BlackRock to seek to adhere to these same standards and principles or their equivalent.

BlackRock's "Supplier Code of Conduct & Ethics" – updated in October 2023 – outlines the minimum expectations and standards for all BlackRock suppliers in relation to human rights, diversity, equity, and inclusion, environmental sustainability, and integrity, ethics, and anti-corruption in their management practices.

In alignment with the firm's approach, BIS places a high priority on fostering relationships with third parties/service providers that are committed to meet the business requirements and standards set forth in the "Supplier Code of Conduct & Ethics."

For more information about the firm's approach to third parties/service providers please refer to the "Doing Business with BlackRock" website.

How BIS uses proxy research firms

Proxy research firms provide research and recommendations on proxy votes, as well as voting infrastructure.

As mentioned previously, BIS contracts with the proxy service provider ISS and leverages its online platform to supply research and support voting, record keeping, and reporting processes. BIS also uses Glass Lewis' services to support research and analysis. In addition to the global research provided by ISS and Glass Lewis, BIS subscribes to market-specific research providers including Institutional Voting Information Service in the UK, Ownership Matters in Australia, Stakeholder Empowerment Services in India, and ZD Proxy in China.

It is important to note that, although proxy research firms provide important data and analysis, BIS does not rely solely on their information or follow their voting recommendations. For example, in cases where ISS recommended voting against management in 2023 on director elections, executive compensation-related proposals, and shareholder proposals, BIS supported the company in 60%, 30%, and 85% of votes cast in each of these proposal categories respectively, at a global level.[2] A company's disclosures, BIS' record of past engagements and voting, investment colleagues' insights and our voting policies are important inputs into our voting decisions on behalf of clients.

BIS votes in accordance with our Global Principles and regional voting guidelines and does not act collectively with other shareholders or organizations in voting shares. We make decisions on how to engage companies and how to vote proxies based solely on what we determine, in our professional judgment, is aligned with the long-term economic interests of our clients.

1 The United Nations Global Compact (UNGC) is a principles-based framework for businesses. The Ten Principles of the UNGC are available here. 2 BlackRock, ISS. Sourced on April 25, 2024, reflecting data from January 1, 2023, through December 31, 2023. Includes only proposals where both management and ISS disclosed a voting recommendation. Director elections include management and shareholder director elections and board-related proposals; executive compensation-related proposals include only management proposals; shareholder proposals include only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy and excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market. To learn more about BIS' proposal taxonomy and a full detail of total proposals voted, please refer to the Appendix section.

How we monitor the quality of proxy research firms and other service providers

BIS closely monitors the proxy research firms and service providers we contract with to ensure that they are meeting our service level expectations and have effective policies and procedures in place to manage potential conflicts of interest.

This oversight includes regular meetings with client service teams, systematic monitoring of vendor operations, as well as annual due diligence meetings:

- Each week, we meet with the client service team at ISS to review service levels, account set-ups, vote execution, on-going projects, ad hoc events, and other developments that might affect our ability to vote thoughtfully and accurately on behalf of clients. In the weekly meetings, BIS also escalates any previously reported issues on research, data, or reporting.
- Each year, we also have an in-person, due diligence meeting with an extended group, including ISS senior leadership. We cover a range of issues, such as research quality, vote execution, operational processes and controls, conflicts management, business continuity, product improvements, corporate developments (e.g. ownership, key personnel, and resources) and the regulatory landscape.

For the year 2023, BIS determined that our service providers – including contracted research firms and proxy voting service providers – met our service level expectations.

Our oversight of service providers includes regular meetings with client service teams, systematic monitoring of vendor operations, as well as annual due diligence meetings in accordance with BlackRock's firmwide policies.

Monitoring an independent third-party voting service provider to ensure services are delivered to meet our needs

BIS uses an independent third-party voting service provider in the small number of situations where we may determine no to vote due to regulatory restrictions or a perceived or potential conflict of interest.

In selecting an independent third-party voting service provider, BIS assesses several characteristics, including but not limited to independence, an ability to analyze proxy issues, a reputation for reliability and integrity, and the operational capacity to accurately deliver vote recommendations for the assigned companies in a timely manner. The independent third-party voting service provider makes its vote recommendations based on its assessment of the outcome most aligned with the economic interests of our clients, in accordance with BIS' regional voting guidelines. We may engage more than one independent third-party voting service provider, in part, to mitigate potential or perceived conflicts of interest.

BIS has dedicated staff responsible for overseeing daily operations related to the independent third-party voting service provider and to ensure that the service provider(s) meets our service level expectations.

BIS reviews annually, after peak shareholder meeting season, the vote recommendations submitted on behalf of the independent third-party voting service provider to ensure they reflect BIS' published regional voting guidelines.

We report the findings of the review to the BIS Global Oversight Committee. We also meet with the independent third-party voting service provider once a year to discuss any vote recommendations that seemed inconsistent with BIS' guidelines and to explain any changes to these guidelines planned for the following year.

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

For 2024, BIS has retained Glass Lewis as the independent third-party voting service provider. Their performance in this function will be evaluated at the end of 2024 as part of BIS' aforementioned annual reviews, as well as BlackRock's vendor due diligence process.

BlackRock's approach to securities lending and its relationship with proxy voting

When so authorized, BlackRock acts as a securities lending agent on behalf of its clients. Lending securities allows BlackRock an additional means of increasing the returns clients' portfolios, and BlackRock's lending agreements allow it to recall securities out on loan at any time. BlackRock does not retain voting rights for securities out on loan. The decision whether to recall securities on loan as part of BlackRock's securities lending program in order to vote is based on an evaluation of various factors which include, but are not limited to, assessing potential securities lending revenue alongside the potential long-term financial benefit to clients of voting those securities (based on the information available at the time of recall consideration). Given our analysis that it is normally more aligned with clients' financial interests to retain the lending revenue, we have recalled securities on loan in order to vote shares in only a limited number of cases. Periodically, BlackRock reviews our process for that analysis and may modify it as necessary.[1]

1 BlackRock. "BlackRock Securities Lending Viewed through the Sustainability Lens." December 2021.

Contributing to industry dialogue on stewardship

BIS team members may participate in industry-level discussions to further dialogue on matters that could impact our clients' portfolios or to provide an increased understanding of BlackRock's approach to investment stewardship.[1]

BIS prioritizes opportunities to engage with the investment stewardship ecosystem including clients, corporate directors, senior members of management teams, policymakers, and other industry stakeholders.

BIS may engage with players in the investment stewardship ecosystem along with other teams such as BlackRock's Government Affairs and Public Policy team. BIS may also respond to policy consultations to serve as a resource and provide our perspectives with a focus on promoting well-functioning capital markets.

In 2023, BIS responded or provided input to eight policy consultations. Throughout the year, BIS also engaged with representatives of regulatory bodies and policymakers in the markets in which our clients are invested and participated in thought leadership activities such as soft consultations and policy discussions. Responses to policy consultations are available on the BIS website.

1 These efforts are separate from our bilateral engagements with public companies and from engagements with clients and are carried out with the objective of sharing our perspective as a long-term minority investor. However, clients and companies may often participate in marketplace engagements given the nature of the topics. Examples of marketplace engagements include speaking at industry events and conferences, or participating in academic seminars, among others. The work that we do is intended to advance the economic interests of BlackRock's clients' as long-term investors.

BIS responses to policy consultations in 2023

Region - Market	Date submitted	Title
EMEA – UK	January 31, 2023	Our response to the Financial Conduct Authority's consultation paper on "Sustainability Disclosure Requirements (SDR) and investment labels."
APAC – Hong Kong	March 27, 2023	Our response to the Stock Exchange of Hong Kong Limited's consultation paper on "Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers."
EMEA – UK	May 10, 2023	Our response to the Financial Conduct Authority's discussion paper, "Finance for positive sustainable change: governance, incentives and competence in regulated firms."
APAC – China	May 13, 2023	Our response to the Chinese Securities Regulatory Commission's public consultation on measures for the administration of independent directors of listed companies.
APAC – Hong Kong	July 14, 2023	Our response to the Stock Exchange of Hong Kong Limited's consultation paper on "Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework."
APAC – Singapore	September 29, 2023	Our response to the Accounting and Corporate Regulatory Authority (ACRA) and Singapore Exchange Regulation (SGX RegCo) consultation paper on the recommendations by the Sustainability Reporting Advisory Committee (SRAC) to advance climate reporting in Singapore.
APAC – Hong Kong	December 27, 2023	Our response to the Stock Exchange of Hong Kong Limited's consultation paper on "Proposed Amendments to Listing Rules Relating to Treasury Shares."
APAC - Singapore	December 31, 2023	Our response to the Monetary Authority of Singapore's consultation paper on the MAS Guidelines on Transition Planning (Asset Managers).

Case study

Response to the Financial Conduct Authority's discussion paper "Finance for positive sustainable change: governance, incentives and competence in regulated firms"

On February 10, 2023, the UK Financial Conduct Authority (FCA) published the discussion paper "Finance for positive sustainable change: governance, incentives and competence in regulated firms," which sought input from financial services firms on the governance of material sustainability-related risks and opportunities at regulated companies.

The letter in response – dated May 10, 2023 – noted the encouragement of companies to align their disclosures with the reporting frameworks developed by the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).[1] It also emphasized that stewardship should not be considered a channel for driving specific sustainability outcomes, as the paper proposed. The purpose of stewardship by asset managers is to advance the long-term financial interests of their clients as investors in companies, not to directly seek outcomes related to the financial system as a whole, which is the role of policymakers. Requiring managers to use stewardship as a means of seeking to impose policy changes on the companies in which they invest on behalf of their clients could potentially be at odds with their legal and contractual responsibilities to those clients.

Read more>

1 The IFRS has assumed responsibility for monitoring companies' climate-related financial disclosures from the TCFD, which was disbanded in October 2023.

Publications

BIS publishes content on our website to help our clients, and other stakeholders, better understand BIS' perspectives on corporate governance and stewardship issues.

The below are examples of publications featured in or informed by our work in 2023. The full thought leadership library is publicly available on the BIS website.

Financial resilience in a new economic regime

The BIS paper titled "Financial resilience in a new economic regime" discusses how companies are navigating a new operating environment that is shaped by mega forces – including muted economic growth in many advanced economies, greater inflation pressures, and higher interest rates.

In this paper, BIS highlights structural shifts that are shaping this new economic regime. In BIS' view, the choices companies make as they adapt to this new environment will be an important driver of their long-term financial performance. Many companies have told BIS that they are reassessing their financial position to ensure they are resilient to structurally slower economic growth and a higher cost of capital.

In BIS' engagements with companies, and through reviewing their disclosures, BIS seeks to understand how they are positioned to create value and deliver financial returns as these mega forces take full effect for their long-term investors, like BlackRock's clients.

Key takeaways from engagements with palm oil producers

Palm oil, a widely used commodity oil, is often linked to unsustainable production practices impacting the environment and people. Its production poses risks related to deforestation, climate change, biodiversity loss, disputed land use, labor issues, and corruption. In our experience, these risks can affect companies' ability to deliver long-term performance, for example through public scrutiny, enhanced regulations, and diverging customer demand for sustainable production. The BIS team engages with palm oil companies, primarily in the Asia ex-Japan region, to understand their long-term strategies and risk management. BIS assesses these companies based on their risk management, remediation mechanisms, and governance structures. Four key dynamics impacting the industry include the need for understanding minority shareholders' perspectives, improved company disclosures, challenges for sustainable palm oil demand, and labor and community-related risks.

Industry affiliations and memberships to promote well-functioning capital markets

BIS participates in industry initiatives to contribute to a dialogue on issues that are important to the firm's clients. Our engagement and voting activities are governed strictly by our fiduciary duty to clients. As such, BIS does not make any commitments or pledges that would interfere with our independent determination on how to engage with issuers and vote proxies on clients' behalf. In this section, we provide some examples of our contributions to industry dialogue in 2023.

Taskforce on Nature-related Financial Disclosures

In our experience, the management of material nature-related risks and opportunities is a component of the ability to generate long-term financial returns for companies whose strategies or supply chains are materially reliant on natural capital.[1] For these companies, BIS looks for disclosures to assess risk oversight and to understand how nature-related impacts and dependencies are considered within the company's strategy.

BlackRock has contributed to the Taskforce on Nature-related Financial Disclosures (TNFD) since its launch in June 2021. The TNFD aims to address gaps in disclosures on how natural capital-related risks may impact a company's ability to deliver financial value for shareholders over time. Through 2023, the TNFD worked to develop and finalize a risk management and disclosure framework to help companies report, and manage, material natural capital risks and opportunities.

The final recommendations of the TNFD – released in September 2023 – may prove useful to some companies as they initiate or enhance their reporting on natural capital over time.

Asian Corporate Governance Association

The Asian Corporate Governance Association (ACGA) is a group of investment managers, pension funds, listed companies, and other financial organizations with an interest in encouraging corporate governance best practices in APAC. As a member of the ACGA, representatives from BlackRock, including BIS, occasionally participate in industry-level conferences and market working groups to discuss the state of corporate governance and market developments in the region, as well as to share BIS' perspectives on these issues.

1 See BloombergNEF. "When the Bee Stings Counting the Cost of Nature-Related Risks." December 9, 2023..

Eumedion Corporate Governance Forum

BIS is a member of the Eumedion Corporate Governance Forum (Eumedion) since 2021. Eumedion "represents the interests of institutional investors in the field of corporate governance and sustainability."[1] Institutional investors that hold shares in Dutch listed companies can become a member of Eumedion. A member of the BIS EMEA team is also part of Eumedion's general board.[2] The forum allows us to share our perspective on emerging governance developments with other members, especially in the Dutch market.

1 Eumedion Corporate Governance Forum. "About Eumedion." 2024. 2 Eumedion Corporate Governance Forum. "Board." 2024.

Collaboration with the wider stewardship ecosystem

While BIS does not engage individual companies collectively with other investors, nor coordinate voting with them, we may participate in high-level dialogues on corporate governance matters. In addition to the industry affiliations and memberships examples provided above, our broad-based engagement tends to be focused on market-level developments or sharing best practices.

Discussing BIS' approach to engagement at the 13th Taiwan CEO Week

A senior member of BIS delivered a keynote address to attendees of the 13th Taiwan CEO week, co-hosted in Singapore by the Taiwan Stock Exchange and the Quantum Investment Corp (QIC), a Taiwanese capital market advisor. Discussions included how BIS approaches our stewardship efforts on behalf of our clients and, in particular, our encouragement of sound corporate governance and the management of risks that may be impactful to companies' long-term financial value. BIS also highlighted Taiwan market-specific governance-related issues that the team has identified through our experience engaging and casting proxy votes on our clients' behalf.

BIS' approach to engagements

BIS engages individual companies independently, rather than alongside other asset managers or asset owners. In our experience, this approach enables us to best advocate for our clients' long-term financial interests. In addition, BlackRock adheres to regulatory limits on collaborative engagement, particularly with respect to U.S. companies and companies with U.S.-listed securities.

BIS may participate in collaborative engagements with other shareholders in limited instances outside the U.S., where permissible under local regulations and a market norm, and where we believe that our clients' long-term financial interests could be more productively advanced through joint dialogue. When we do engage collaboratively, BIS determines our engagement objectives independently, including with whom and how best to partner.

We do not act collectively with other shareholders or organizations in voting shares. Instead, we make decisions on how to engage companies and how to vote proxies based solely on our belief of what is in the best long-term economic interests of our clients.

BIS does not disclose our vote intentions in advance of shareholder meetings as we do not see it as our role to influence other investors. The BIS published regional voting guidelines provide clients, companies, and others guidance on our position on common voting matters.

Communicating our stewardship approach

BIS values direct dialogue with clients.

Engaging with clients is important to our understanding of their changing needs and the issues that are top of mind for long-term asset owners. It also enables us to go into more detail about our thinking on emerging issues and the developments we are observing across the markets we cover.

BIS values opportunities where we can directly engage with clients to hear their feedback on our stewardship approach. We conduct all our company engagements guided by the BIS Global Principles, regional voting guidelines, and engagement priorities. We also engage with clients to understand their informational needs and, as necessary, enhance our reporting.

In recent years, BIS has had more of these direct dialogues to better understand the issues that are important to clients. In 2023, these conversations focused predominantly on:

1. Our general approach to stewardship, including how we engage and vote in clients' long-term financial interests, and how our approach changes over time
2. The reasoning behind the updates to our policies, published in early 2023
3. Our approach to engaging companies on material risks and opportunities in their business model
4. The BlackRock Voting Choice program

Our meetings with clients also covered specific case studies and key votes and our views on market-level corporate governance and stewardship policy developments of interest to clients.

In addition, we discussed with clients whether our reporting is meeting their informational needs and providing the necessary quality, breadth, frequency, and accessibility to meet the disclosure expectations of their beneficiaries and regulators. In their feedback, clients acknowledged our continuing efforts to enhance our public reporting in 2023. We have also heard from portfolio companies that our reporting is fair, balanced, and useful to deepen their understanding of BlackRock's approach to stewardship.

A few examples of enhancements we introduced to our public-facing reporting throughout 2023 are below.

Enhancing our client engagement and reporting capabilities

BIS' full suite of publications includes reports – available through the BIS website – that describe in detail our engagement and proxy voting activities on behalf of clients. On a quarterly basis, BIS also publishes our vote instructions on behalf of clients for all proposals voted at individual meetings globally through our Global Vote Disclosure tool.

In years past, BIS reports reflected proxy voting activity on management and shareholder proposals in alignment with the taxonomy of our primary proxy services vendor, ISS. As a result of client feedback, in 2023 BIS created our voting proposal taxonomy to:

1. provide more detail of the variety of proposals on which we vote every year, and
2. to better differentiate the topics addressed in the proposals considering regional differences.

The 2023 Global Voting Spotlight – which provides a detailed account of our voting on behalf of clients during the 2022-23 proxy year – reflects our voting activities in alignment with BIS' proposal taxonomy.[1] BIS will review our proposal taxonomy annually to ensure that it remains in alignment with the evolving corporate governance and shareholder proposal landscape and that it continues to meet clients' reporting needs.

In addition to the information reported on the BlackRock website, BIS provides those clients who have requested additional stewardship reporting with client-specific voting and engagement reports. Clients may request specific reporting covering the voting and engagement activity associated with their portfolios on a monthly, quarterly, or annual cadence.

We have also continued to develop our "Client Strategy and Engagement" function. This function was established in 2020 within BIS and initially focused on clients in EMEA. In 2022, we expanded the function to better serve clients' informational needs across other regions. This also enabled us to better assist client relationship managers across the firm. In 2023, we further enhanced our partnerships with other client-facing teams to enable relationship managers to more rapidly respond to client inquiries about stewardship. Throughout 2024, we will continue to develop the function, leveraging technology to better address their informational needs.

1 Given the migration from ISS' to BIS' proposal taxonomy, proxy voting data reported in prior years might differ at the category level (e.g., "director elections" or "board-related" proposal categories) as a result of reclassifying the proposals in alignment with BIS' taxonomy. However, our voting record by proposal category has not been materially impacted.

Reporting most significant votes

In 2023, BIS periodically published “vote bulletins” and “case studies” on key votes at shareholder meetings, after the meeting took place. Vote bulletins and case studies may also include observations on emerging corporate governance issues and market-level stewardship developments. The vote bulletins are published on the “Vote Bulletin library” section of the BIS website. The case studies can be found in our flagship publications, namely the BIS Annual Report and the Global Voting Spotlight, as well as in thematic publications available on the “BIS Insights Hub” website.

These vote bulletins and case studies are intended to explain our vote decisions relating to proposals addressing a range of corporate governance issues, including material sustainability-related matters that may be relevant to a company’s business model, that are on the agenda for a shareholder general meeting.

Other factors we may consider in deciding to publish a vote bulletin and/or a case study include the profile of the issue in question and the level of interest we expect in the vote decision. The vote bulletins and case studies include relevant company-specific background, sector or local market context, and engagement history when applicable.

In 2023, BIS published approximately 170 case studies and 23 vote bulletins.[1]

Engaging with clients in APAC

Throughout 2023, BIS participated in multiple in-person opportunities in the APAC region to engage with clients, including pension funds and wealth advisory firms in Hong Kong, Malaysia, New Zealand, Singapore, and South Korea. BIS also contributed to BlackRock hosted events, such as a summit held in Tokyo in October 2023 that brought together government officials and more than 30 local clients and business leaders. Among other topics, conversations provided clients in-depth discussions regarding BIS’ engagement and voting during the 2022-23 proxy year, the BlackRock Voting Choice program, and broader observations regarding recent trends in the governance field.

As a result of such meetings, clients gained a better understanding of our stewardship approach, while BIS benefited from directly hearing about the issues that are top of mind for clients. BIS is encouraged by the constructive feedback received from clients, and we will continue to engage to address their most pressing informational needs and further strengthen the quality of BIS reporting.

BlackRock’s Iris Davila on investment stewardship

In September 2023, Nigel Grant – Head of Wealth Product at ASB, a provider of integrated financial solutions in New Zealand – interviewed Iris Davila, Head of Investment Stewardship for Australia and New Zealand.

BlackRock has managed ASB’s global and emerging markets equities portfolios since 2017. In the interview, Iris shared in detail our constructive, long-term approach to stewardship on behalf of clients like ASB.

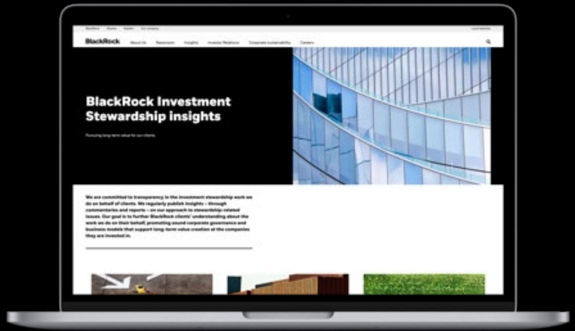
For more detail, read the interview here.

1 Includes case studies featured in our 2022 Annual Report and the 2023 Global Voting Spotlight and vote bulletins published in 2023.

The BIS content library

Transparency helps our clients understand how the work we do on their behalf aligns with their long-term financial interests. We inform clients about our stewardship activities through regular reporting sent directly to them, and through a comprehensive library of materials available on the BIS website that includes:

Stewardship policies and engagement priorities	Our policies are reviewed annually and published to reflect changes in market standards, evolving governance practices, and insights gained from multiyear engagements.
Commentaries, spotlights, and position papers	Thematic publications help explain our approach to how we engage with companies on corporate governance and material business risks and opportunities that can affect their long-term financial performance.
Flagship reports	Our reports provide a detailed overview of BIS voting and engagement activities in alignment with clients' preferred reporting timeframes. Flagship reports include this "Annual Report," covering our stewardship activities on a calendar year basis, and the "Global Voting Spotlight," which provides a detailed account of our voting on behalf of clients in alignment with the U.S. SEC's proxy year reporting period.
Global Engagement Summary and Voting Statistics reports	Updated quarterly, BIS provides a rolling summary of our global company engagement activity from January 1 through December 31. BIS also provides a quarterly snapshot of key market voting activity. Based on client feedback, this quarterly snapshot provides a comprehensive and useful set of market-level data to further understand how BIS is working to support their long-term financial interests.
Most significant votes	BIS publishes vote bulletins and case studies on key votes at shareholder meetings to provide insight into certain vote decisions we expect will be of particular interest to clients. Our library includes case studies and vote bulletins bringing to life our stewardship activities on behalf of clients.
Global Vote Disclosure tool	Updated quarterly, BIS publishes our vote instructions on behalf of clients for all proposals voted at individual meetings globally.
BIS Insights Hub	Through this online resource, BIS publishes insights on our approach to stewardship-related issues.



All BIS publications undergo a rigorous internal review process – similar to the BIS policy review process described on pages 37 and 38 - ensuring our stewardship reporting is clear and balanced.

Recognition of our stewardship approach and reporting

In 2023, we were pleased to see our approach to engaging and voting on our clients' behalf be recognized by various organizations around the globe. During the year, our signatory status to market-level codes and frameworks received renewed status.

The below are a few examples of how our stewardship approach and reporting have been recognized by different entities across regions.

BlackRock recognized as a signatory of the UK Stewardship Code, for the third year in a row

In August 2023, the UK's Financial Reporting Council (FRC) updated the list of signatories to the 2020 UK Stewardship Code.[1] BlackRock was recognized as a signatory for the third year in a row based on the FRC's evaluation of BlackRock Investment Stewardship's 2022 calendar year annual report. The FRC determined that we met the UK Stewardship Code's requirements. The UK Stewardship Code is recognized globally as a best-practice standard in investment stewardship.

BlackRock recognized in Institutional Investor's European Asset Managers ranking

In October 2023, Institutional Investor published its "first-ever ranking of buy-side asset managers in Europe."[2] BlackRock Investment Management, in the UK, was recognized as one of the top five European asset managers. Institutional Investor ranked the asset managers based on investor relations officers' responses to questions assessing their managers' activities, such as efficient engagement across funds and transparency.

BlackRock's stewardship activities scored an A in Sage's 2023 Annual ETF Stewardship Report

In 2023, BlackRock was one of 19 ETFs providers that participated in Sage Advisory Services, Ltd. Co's (Sage)[3] annual stewardship survey. The survey evaluated ETF providers across seven areas, four directly related to stewardship activities: proxy voting, company engagement, stewardship resources, and disclosure practices. In November 2023, Sage published the results of the survey,[4] revealing that BlackRock earned an overall score of A. BlackRock also received an A in all four stewardship-related categories.

BIS' reporting recognized by the Taiwan Stock Exchange

BIS' 2022 Annual Report, and stewardship-related disclosure, was reviewed and rated by the Taiwan Stock Exchange in its annual rating of institutional investors stewardship disclosure. Based on BIS' reporting, BlackRock, Inc. was recognized as one, out of five, foreign companies with better institutional investor stewardship disclosure in 2023.[5] For the first time, BlackRock Investment Management Taiwan Limited was also recognized as one of the local asset managers with better disclosure. This recognition underscores BIS' commitment to transparency – both at the global and local level – to better meet our clients' informational needs.

1 Financial Reporting Council. "UK Stewardship Code Signatories." August 30, 2023. 2 Institutional Investor. "Europe's Top Asset Management Firms." October 2, 2023. 3 Sage Advisory Services, Ltd. Co. is a registered investment adviser based in Austin, Texas. Source: Sage Advisory Services, Ltd. Co. "Sage Company Overview." October 2023. 4 Sage Advisory Services, Ltd. Co. "2023 Annual ETF Stewardship Report." November 8, 2023. 5 Taiwan Stock Exchange. "List of companies with better institutional investor stewardship disclosure 2023 (in type and alphabetical order)." December 29, 2023.

Publishing statements of adherence

Consistent with our fiduciary approach, BIS adheres to multiple stewardship codes and other market-level stewardship related requirements. We publish statements of adherence and update them regularly to provide clarity and transparency on how we fulfill our stewardship responsibilities on behalf of clients.[1] We also explain our reasons for taking a different approach where relevant. For example, we publish our approach to the recommendations of:

The European Union Shareholder Rights Directive II Engagement Policy

The European Union Shareholder Rights Directive II Implementation of Engagement Policy

The Principles for Responsible Institutional Investors in Japan

The Stewardship Principles for Institutional Investors in Taiwan

The UK Stewardship Code

1 BIS recently retired the statement of adherence with the 2018 Dutch Stewardship Code as a result of its dormant status following the incorporation of its most important principles into the 2022 Dutch Corporate Governance Code. Source: Eumedion.

About BlackRock voting choice

Empowering investors through BlackRock Voting Choice

While many asset owners are pleased to have BIS cast proxy votes on their behalf, others want the choice to participate more actively in the proxy voting process.

Today, investors can choose from thousands of low-cost, high-quality investment funds across asset classes and markets. We believe that greater choice should extend to proxy voting and BlackRock is committed to a future where every investor can participate in the proxy voting process if they so choose.

Launched in January 2022, BlackRock Voting Choice – sometimes known as pass-through voting – provides eligible clients with more opportunities to participate in the proxy voting process where legally and operationally viable.

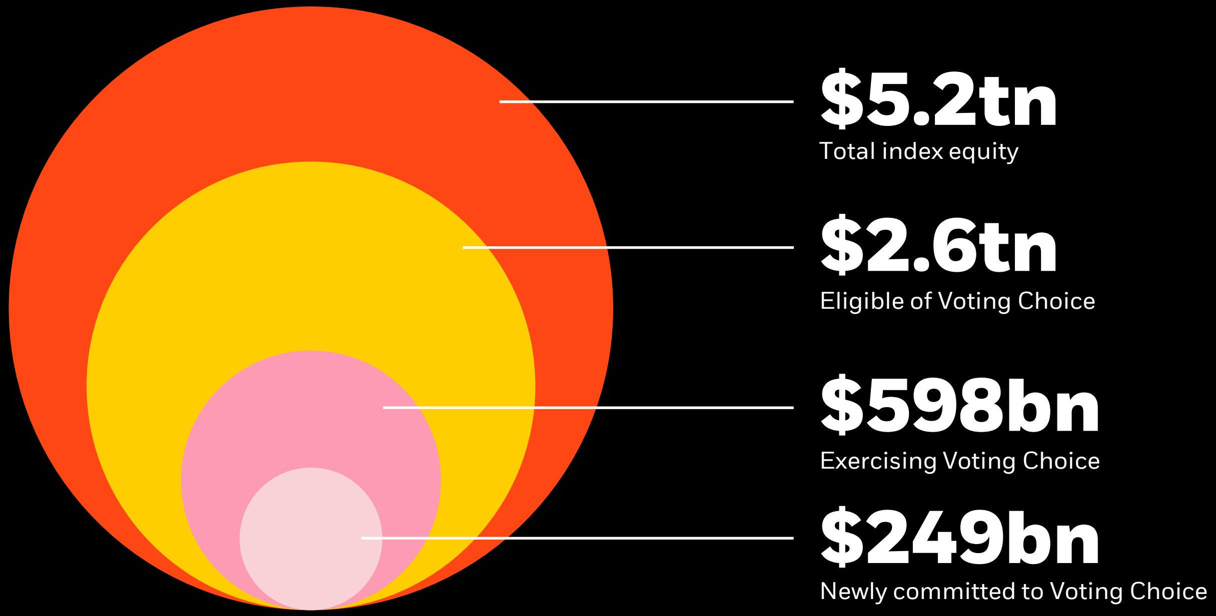
In late 2023 we announced a pilot program to make BlackRock Voting Choice available for individual investors in our largest ETF for the first time. This pilot – launched in February 2024 – increases eligible BlackRock Voting Choice assets to $2.6 trillion,[1] nearly half of BlackRock's index equity AUM.

Clients representing $598 billion in index equity AUM have adopted BlackRock Voting Choice.[2]

BlackRock believes that greater choice should extend to shareholder proxy voting and is committed to a future where every investor can participate in the proxy voting process.

The majority of currently eligible clients continue to entrust the BIS team with this important responsibility, consistent with BlackRock's fiduciary duties as an asset manager.

Index Equity clients participating in Voting Choice as of December 29, 2023



Source: BlackRock. Client funds participating in BlackRock Voting Choice are as of December 29, 2023. Assets include index equity assets held in multi-asset fund of funds strategies.

Note: Newly committed Voting Choice AUM includes pooled fund clients that have elected BlackRock Voting Choice options 1 or 3 and separate account clients that have elected BlackRock Voting Choice options 2 or 3. Certain institutional pooled funds that implement Systematic Active Equity (SAE) strategies are also eligible for BlackRock Voting Choice but are not displayed in the chart. Eligible SAE institutional pooled funds and separate accounts amount to $104bn in eligible Voting Choice assets. All currency shown in USD.

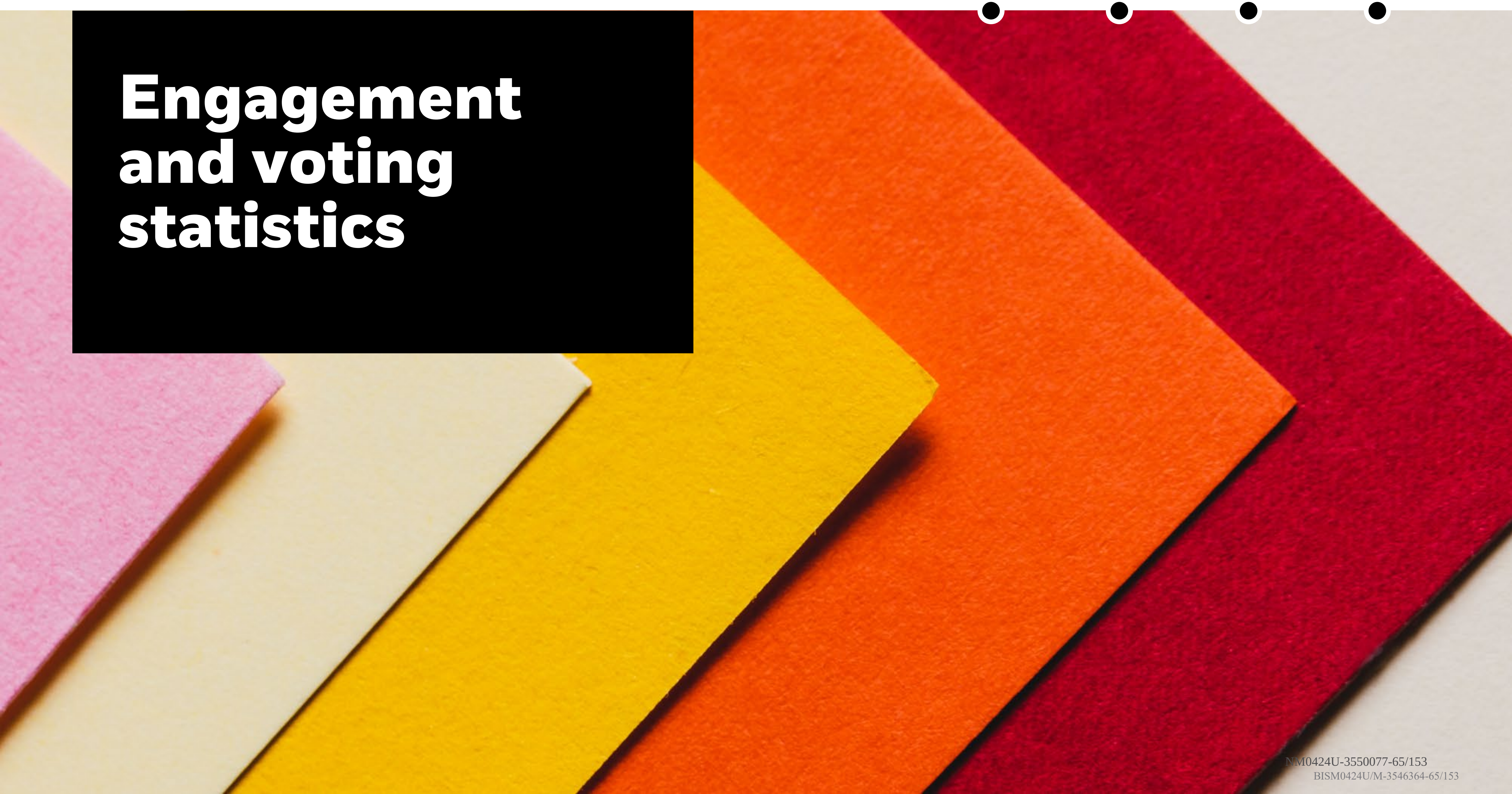
1 BlackRock. As of December 29, 2023. Assets include index equity assets held in multi-asset fund of funds strategies 2 BlackRock. As of December 29, 2023.

Eligible clients can choose one of four options:[1]

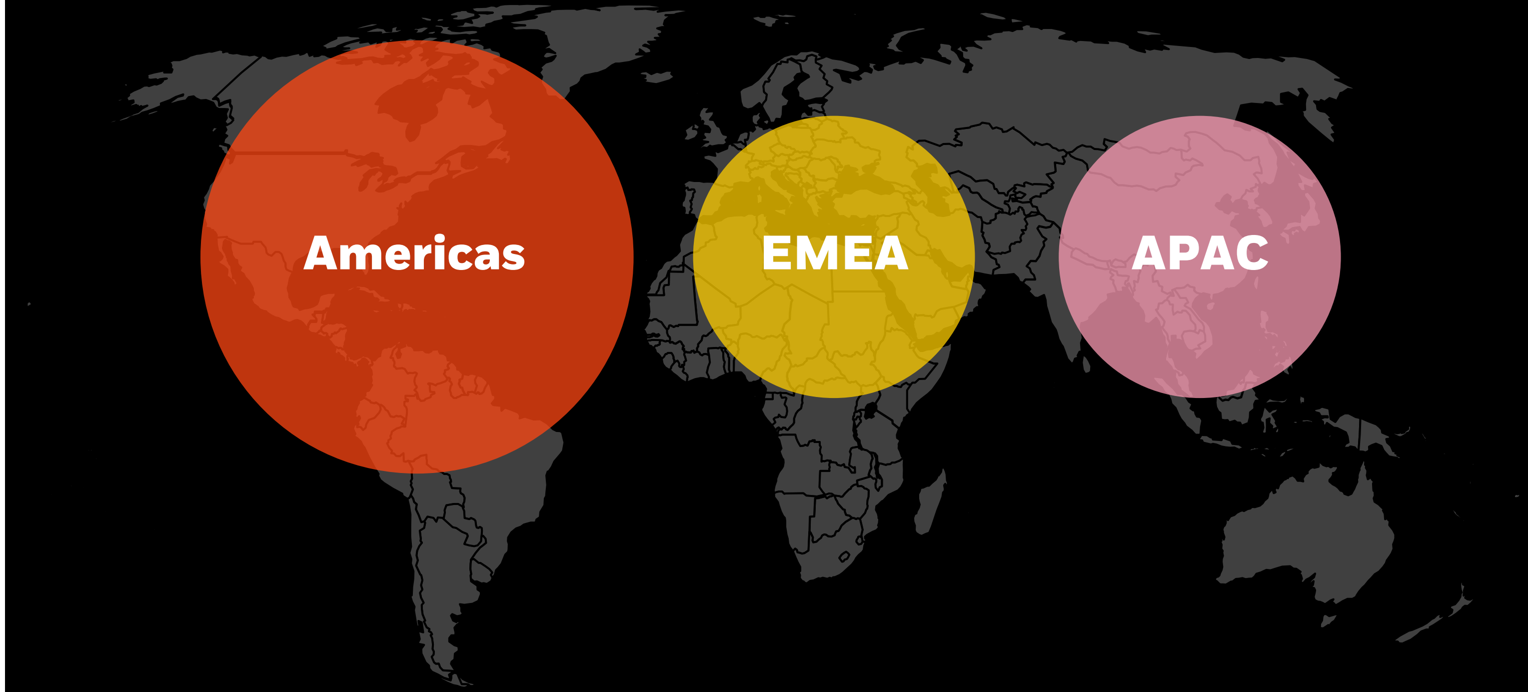
1 Clients choose and implement their preferred voting policy	Clients in certain institutional pooled vehicles have the ability to apply their preferred voting policy to shares in the pooled fund reflecting the client's proportional ownership of that fund. Clients either develop their own processes and policies to be implemented by an in-house team or contract directly with a third-party proxy advisor to develop and implement a custom policy.[2] The preferred voting policy, whether designed in-house by the client or a third-party, can be applied in a consistent way across a broader share of their overall portfolio allocation, using the client's preferred proxy voting service provider and allowing the client to exercise a high degree of control over the decision-making process and the voting implementation.
2 Clients take a hybrid approach to voting	Clients in separately managed accounts (SMAs) who have authorized BlackRock to vote in accordance with BIS' voting policy or a third-party voting policy offered through BlackRock Voting Choice have the ability to make specific voting decisions on the topics or at the companies that matter most to them. The ability to take a hybrid approach to voting is not available to clients in institutional pooled vehicles.
3 Clients choose from a slate of third-party policies	Clients in eligible institutional pooled vehicles and SMAs have the ability to select from a set of voting policies from third-party proxy advisers the policy that best aligns with their views and preferences. BlackRock can then use its proxy voting infrastructure to cast votes based on the client's selected voting policy.
4 Clients rely on BlackRock's informed judgment for all voting decisions	Clients have the choice to rely on BIS for all of their voting decisions. Electing to rely on BlackRock to exercise voting authority is itself a choice and a deliberate decision by the client to entrust BIS to vote in the client's economic interests.

1 Institutional SMA clients have the opportunity to vote eligible proxies for the companies in which they are invested. Investors in eligible institutional pooled vehicles will have the opportunity to direct voting on eligible proxies in eligible markets for companies held by the pooled vehicle. BlackRock will determine eligibility criteria under this program based upon, among other things, local market regulation and practice, cost considerations, operational risk and/or complexity, and financial considerations, including the decision to lend securities. Voting policies shall be consistent with applicable fiduciary standards. 2 Client policies must seek voting outcomes consistent with the economic interests of the relevant pooled fund.

Engagement and voting statistics



How we engaged with companies on material risks and opportunities



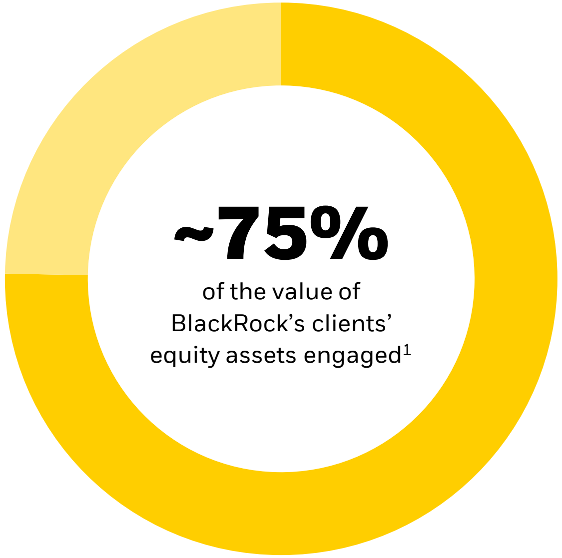
2023 engagements by the numbers:

Region	Engagements	Companies engaged	Companies engaged multiple times	Markets engaged
Americas	**1,812**	**1,275**	**370**	**8**
APAC	**997**	**697**	**200**	**13**
EMEA	**959**	**588**	**210**	**29**
Total	**3,768**	**2,560**	**780**	**50**

Source; BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.

Spotlight

What is an engagement?



1 Reflects BlackRock exposure as of December 31, 2023.

In our view, an engagement is a constructive, ongoing dialogue with a company's board and management. These two-way conversations take place all year long and extend well beyond proxy season. Engagement serves to build mutual understanding on emerging or complex governance issues and can be an important input into informed voting by shareholders.

BIS counts only direct interaction as an engagement. We may also write letters to raise companies' awareness of changes in BIS policies or thematic issues on which we are focused, but this outreach is considered distinct from engagement as it is difficult to monitor the effectiveness of letter writing without direct interaction.

BIS primarily engages public companies on behalf of BlackRock's index strategies and makes our company analysis and meeting notes available to BlackRock active portfolio managers. Other teams across BlackRock may engage with companies to help inform their work on a broad spectrum of risk and value drivers in their investible universe.

Engagements across our five priorities:

Priority and total engagements

2,562	2,205	1,495	1,402	1,353
Strategy, purpose, and financial resilience	**Board quality and effectiveness**	**Incentives aligned with financial value creation**	**Climate and natural capital**	**Company impacts on people**

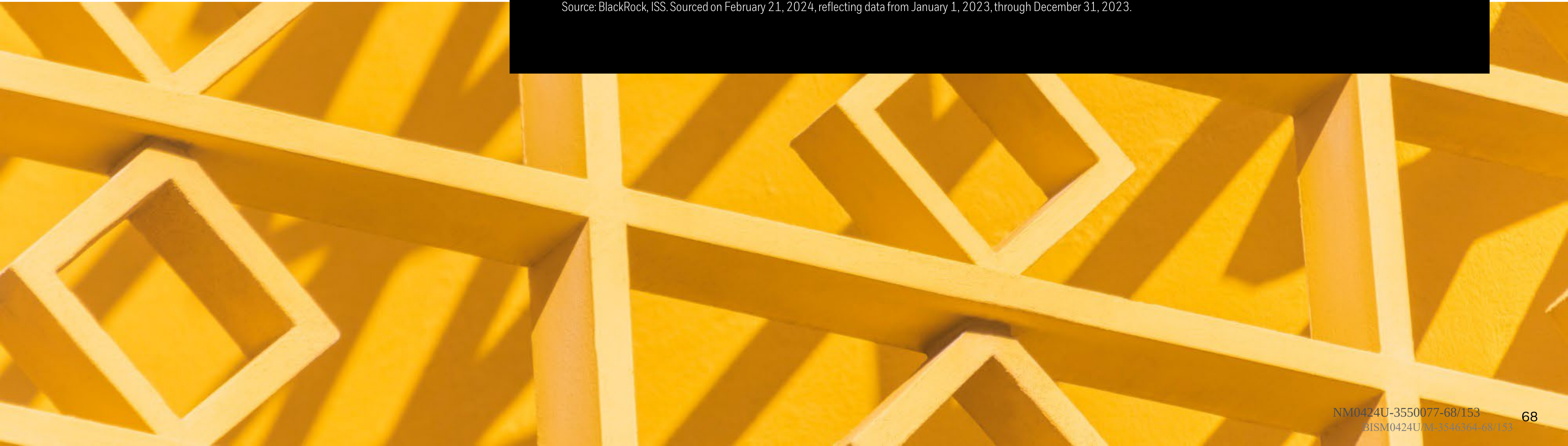
Source: BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Most engagement conversations cover multiple topics and therefore the engagements across our five priorities sub-totals may not add up to the total 3,768 engagements held in 2023. Our engagement statistics reflect the primary topics discussed during the meeting.

How we voted on clients' behalf

2023 proxy voting by the numbers:

Region	Proposals voted	Meetings voted at	Companies voted	Markets voted
Americas	**47,772**	**5,478**	**4,990**	**9**
APAC	**73,742**	**9,446**	**6,389**	**17**
EMEA	**49,314**	**3,375**	**2,821**	**43**
Total	**170,828**	**18,299**	**14,200**	**69**

Source: BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.



Proposals voted at a glance

170,828
total proposals voted

86,340
on director elections and board-related proposals (~50%)[1]

20,629
on executive compensation proposals (~12%)[2]

830
on shareholder proposals (<1%)[3]

Source: BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Reflects BIS' proposal taxonomy. To learn more about BIS' proposal taxonomy and a full detail of total proposals voted, please refer to the Appendix section.

1 Includes management and shareholder director elections and board-related proposals. Board-related items include advisory votes, the election of alternate and deputy members to the board, and internal auditing matters, among others. For a full description of items included in each proposal category, please refer to the Appendix section. 2 Includes management executive compensation proposals. 3 Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market.

Voting on management proposals

~89%
of director elections BIS supported

12%
of proposals where BIS did not support management recommendation[1]

7,350
# of companies where BIS did not support one or more management recommendation[1]

Source: BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.

Number of companies where BIS did not support director elections for governance concerns[1]

	Americas	APAC	EMEA	Total
Board independence	**564**	**1,424**	**331**	**2,319**
Board composition	**642**	**129**	**268**	**1,039**
Overcommitment[2]	**297**	**108**	**345**	**750**
Executive compensation	**215**	**15**	**478**	**708**

Source: BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.

Director elections represent the majority of the management-proposed items we vote on every single year. We consider it a best practice for directors to stand for re-election on a regular basis, ideally annually. We find that this cadence allows shareholders the opportunity to reaffirm their support for board members or to signal concerns in a timely manner.

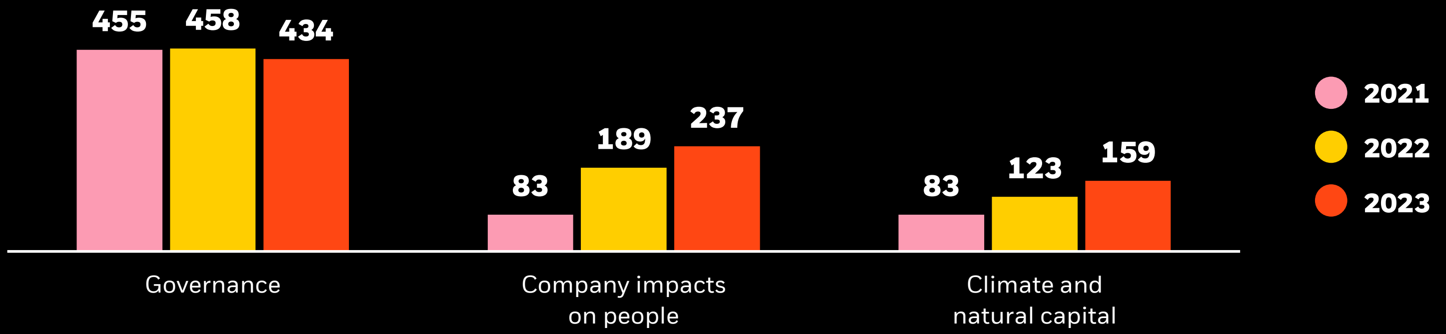
BIS supported ~89% of the more than 76,700 director elections we voted in 2023.[3] Year-over-year, our reasons for not supporting director elections – and management proposals generally – are consistently governance-related: board composition and effectiveness, including director independence and overcommitment, and executive compensation.

1 Votes to not support management recommendation include votes withheld and abstentions. 2 Includes voting action on regular overcommitment policy and overcommitment policy for executives per the BIS Global Principles. 3 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Reflects BIS' proposal taxonomy. Includes management and shareholder director elections.

Voting on shareholder proposals

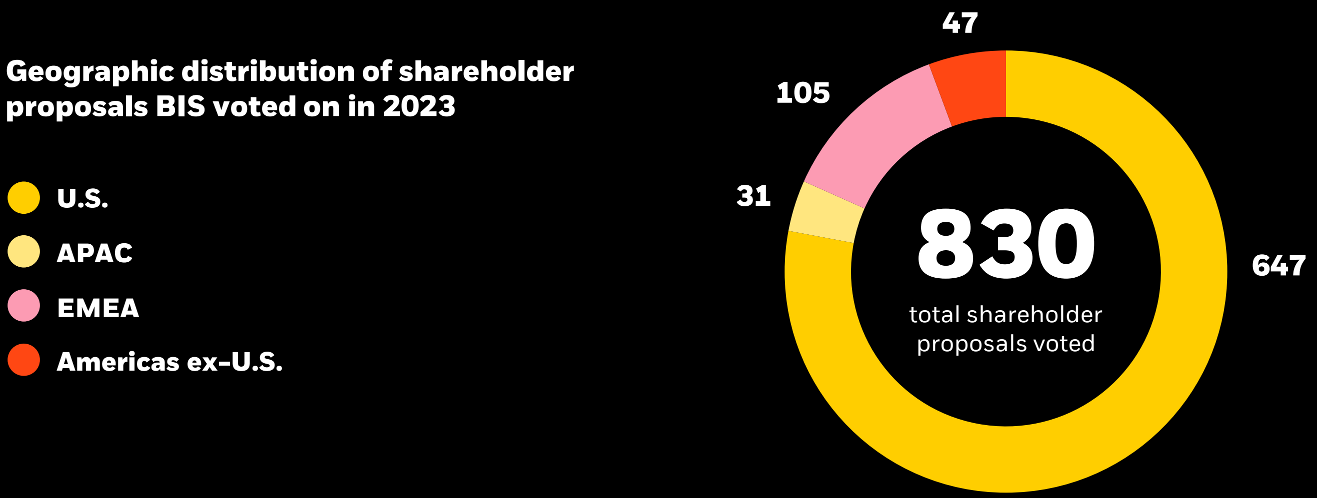
Global shareholder proposals in 2021-2023

Measured in number of shareholder proposals BIS voted on globally



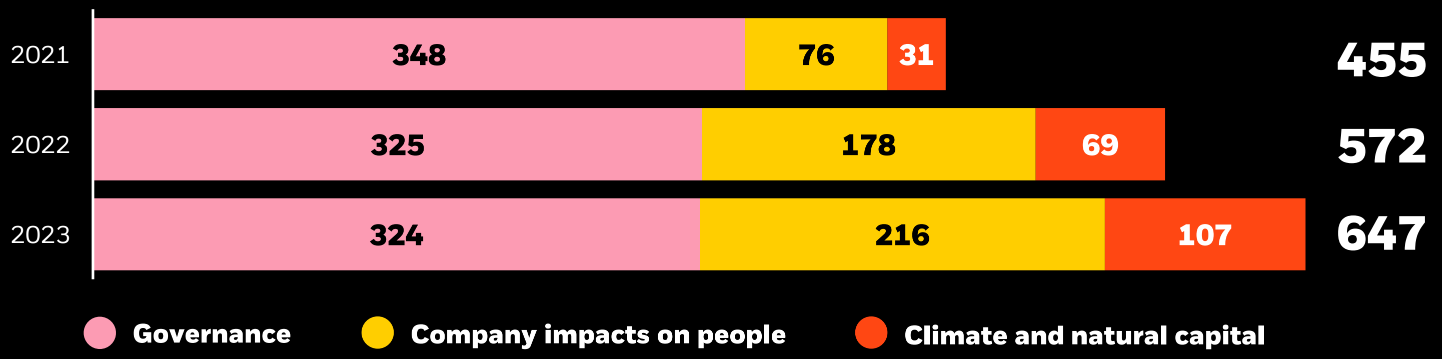
Source: BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2021, through December 31, 2023. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market.

Geographic distribution of shareholder proposals BIS voted on in 2023



Source: BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market.

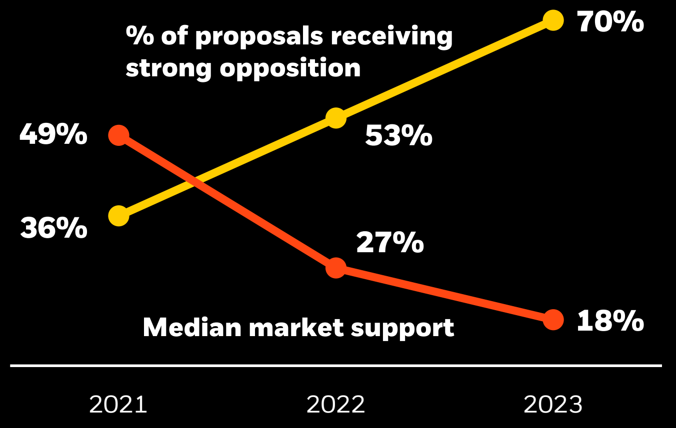
Year-on-year increase in U.S. shareholder proposals



Source: BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2021, through December 31, 2023. Includes only governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy.

Decreasing shareholder support for proposals in the U.S.

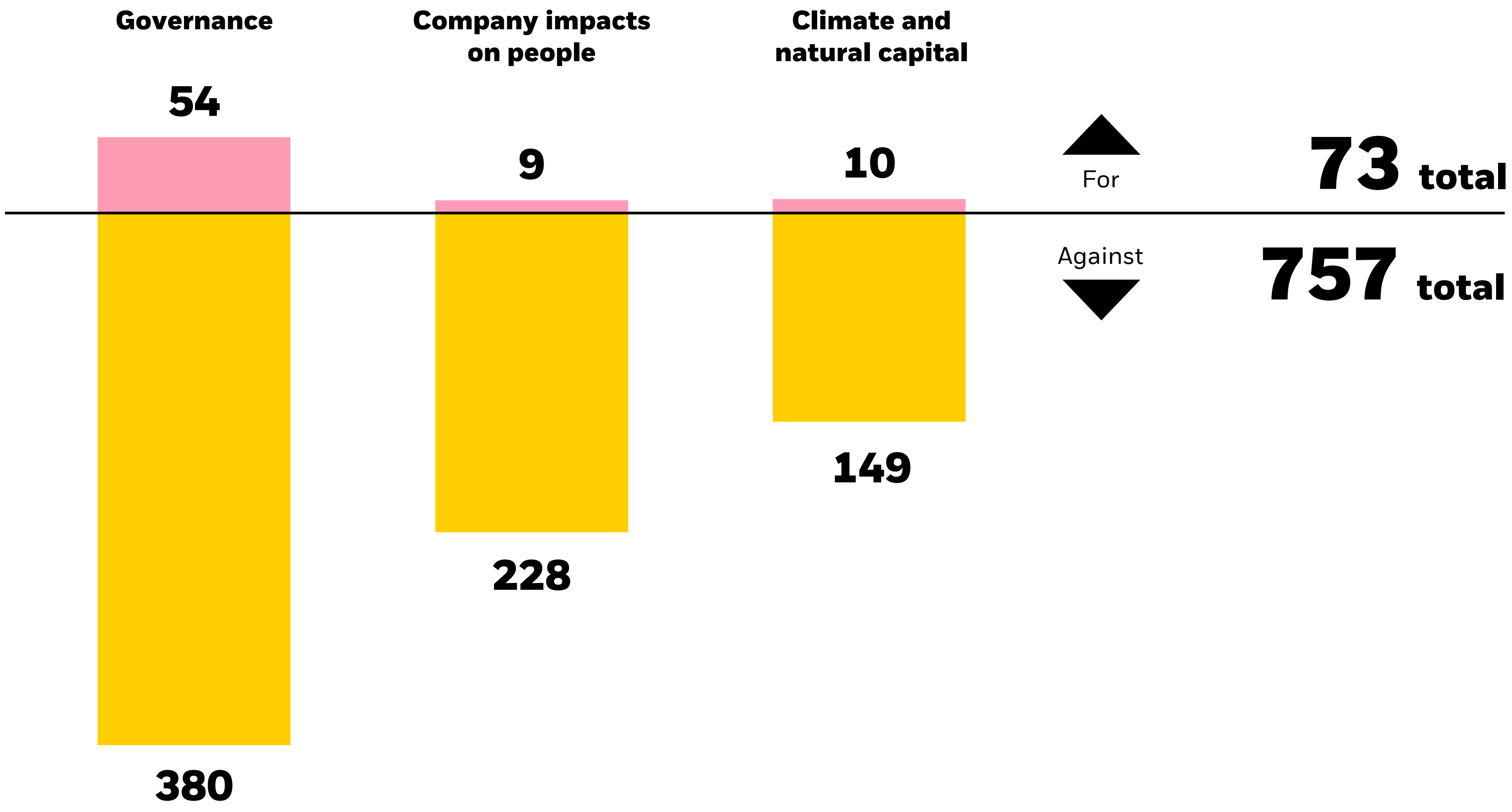
The poor quality of shareholder proposals in 2023 resulted in lower market support. Median shareholder support for U.S. environmental and social shareholder proposals decreased from 49% in 2021 to 18% in 2023. Notably, 70% of environmental and social proposals received 75%, or more, opposition in this market.



Source: BlackRock, ISS-ESG Voting Analytics Database. Measured in median shareholder support for U.S. environmental and social proposals that went to a final vote. Includes ISS data only for companies that have disclosed shareholder meeting results. Sourced on February 21, 2024, reflecting data from January 1, 2021 through December 31, 2023. Strong opposition for a proposal is defined as having received less than 25% of shareholder support. A proposal has received majority support if more than 50% of shares voted were "for."

BIS' vote decisions on shareholder proposals in 2023

BIS did not support shareholder proposals that were overly prescriptive or unduly constraining on management, that lacked economic merit, or made asks that the company already fulfills.



Source: BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Reflects vote instructions on governance, climate and natural capital, and company impacts on people shareholder proposals per BIS' proposal taxonomy. Votes "for" include abstentions. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market.

Engagement and voting outcomes

Strategy, purpose, and financial resilience

Establishing and aligning strategy and purpose to effectively drive a company's long-term financial performance is the responsibility of executive leadership and the board of directors. As a long-term investor on behalf of our clients, BIS finds it helpful when companies publish disclosures that clearly state their purpose and set out a long-term strategy consistent with it, including milestones against which shareholders can measure performance. We also look for the board to have a clearly defined role in advising on, and overseeing executive leadership's approach to, the company's strategy, purpose, and culture, and in overseeing the company's financial resilience.

This year BIS engaged more on strategy, purpose, and financial resilience-related issues than any of our other engagement priorities (2,562 engagements with 1,884 companies).

When engaging, we seek to understand a company's strategic framework, the board's process for oversight and review, how the strategy incorporates key stakeholders' interests, and how strategy evolves over time in response to changing economic regulatory, and societal conditions.

We look to companies to disclose their long-term strategic goals, the milestones against which performance can be assessed, and any obstacles encountered or anticipated. Disclosures can provide context for critical strategic, capital allocation, and operational decisions that a company may have to make to respond to business challenges and/or opportunities, including material sustainability-related considerations.[1]

We recognize that most companies adapt their short- and medium-term implementation plans to reflect fast-changing operational, economic, regulatory, and societal conditions. In these situations, it is helpful to investors for corporate leadership to explain the changes made and how they help better align the company's long-term purpose and strategic framework with delivering durable financial performance.

2,562

engagements

We engage to understand how boards and management are aligning their business decision-making with the company's purpose and long-term strategy and/or capital allocation plans, and adjusting these as necessary as business dynamics change. We also seek to understand how companies manage material risks and opportunities within their business models to support their ability to deliver long-term financial returns for investors.

Source: BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023 through December 31, 2023. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

1 The International Sustainability Standards Board (ISSB) standards, IFRS S1 and S2, provide companies with a useful guide to preparing this disclosure. The standards build on the Task Force on Climate-related Financial Disclosures (TCFD) framework and the standards and metrics developed by the Sustainability Accounting Standards Board (SASB), which have converged under the ISSB. We recognize that companies may phase in reporting aligned with the ISSB over several years. We also recognize that some companies may report using different standards, which may be required by regulation, or one of a number of voluntary standards. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

Market-based economic risks: Financial resilience in a new economic regime

The business environment companies are operating in has changed. Companies are navigating a new regime of muted economic growth in many advanced economies, greater inflation pressures and higher interest rates. A range of production constraints are limiting how much those economies can produce and grow in the future before prices start rising too quickly. Even as pandemic-related inflation pressures abate and interest rates fall from their peaks, central banks may have to keep rates higher than they were before the pandemic, compromising growth if they want to avoid resurgent inflation.[1]

At the same time, a set of mega forces – large, long-term structural shifts such as artificial intelligence, geopolitical fragmentation, the transition to a low carbon economy, and others – are changing how economies are structured, how consumers and governments spend, and how companies operate.

Investors are seeking to understand how these forces will shape both future economic performance and the returns at companies they invest in.

BIS discusses these issues in our viewpoint, "Financial resilience in a new economic regime," based on our investment stewardship team's conversations with company leadership.

1 BlackRock Investment Institute. "2024 Global Investment Outlook."

Case study

New World Development Company Limited (NWD)

Background

NWD is a holding company located in Hong Kong primarily engaged in property development and investment businesses with operations in Greater China. To support NWD's deleveraging, NWD's parent company proposed a major restructuring to buy NWD's 61% stake in a listed subsidiary, NWS Holdings.[1]

BIS Activity

BIS and BlackRock's FAE team held a joint engagement with the company regarding the disposal. BIS and FAE sought to better understand NWD's approach to corporate strategy and financial resilience, particularly as the company navigates a complex macroeconomic environment. We also focused on how potential conflicts of interest were managed given the risks to minority shareholders' interests posed by the related-party transaction.

After meaningful engagement with an independent non-executive director (INED) and the company's CFO, BIS and FAE determined that it was in the best financial interests of our clients as shareholders to support the proposed deal. While the offer price was at a slight discount to book value, in our view, the proceeds would help strengthen the company's balance sheet.[2] In addition, it has the potential to create long-term financial value for our clients in the deleveraging process, largely by reducing interest expenses.

Outcome

The disposal was approved with 99.4% support from NWD's independent shareholders at the Extraordinary General Meeting (EGM) on November 2, 2023,[3] and the transaction was completed on November 20, 2023.[4] Subsequently, a special dividend was paid to NWD's shareholders as proposed, and the company repurchased a significant amount of outstanding bonds to reduce its leverage and interest expenses.[6]

1 NWD is 45%-controlled by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited. See: NWD. 2022 Annual Report. 2 New World Development Company Limited. "(1) Major and connected transaction – disposal of shares in NWS Holdings Limited, (2) revision of annual caps for the continuing connected transactions under the CTFE Master Services Agreement, and (3) notice of EGM." October 13, 2023. Page 32. 3 New World Development Company Limited. "Poll results of the extraordinary general meeting." November 2, 2023. 4 New World Development Company Limited. "(1) Completion of major and connected transaction – disposal of shares in NWS Holdings Limited; (2) revised annual caps for the CTFE transactions under the CTFE Master Services Agreement; and (3) payment of the special dividend." November 20, 2023. 6 New World Development Company Limited. "Tender offer to purchase for cash." November 23, 2023. "Tender offer to purchase for cash" (Results of tender offer), December 4, 2023. "Voluntary announcement repurchase and cancellation of parts of the notes and securities." January 5, 2024.

Momentum for EMEA-based companies relisting in the U.S.

We observed a number of EMEA-based companies with a relatively large U.S. footprint shifting their primary listing to the U.S. These companies cited a range of reasons for changing their listing. Some noted the potential to enhance their financial resilience through access to the relatively more liquid U.S. capital markets, while others highlighted the potential benefits from U.S. federal economic stimulus policies, such as the Inflation Reduction Act.

One example is Linde plc, a German industrial gases and engineering company. BIS evaluates these proposals on a case-by-case basis and supported re-listings to the U.S. at each of the companies proposing a relisting in 2023, based on our assessment that the moves were made to support long-term financial performance.

Capital structure impacting financial value

During the 2023 calendar year, BIS voted on more than 19,700 capitalization proposals globally that sought shareholder approval for issues such as increasing issued share capital or issuing shares on a dilutive basis.[1] As we highlight in the BIS Global Principles, the capital structure of a company is critical to shareholders as it impacts the value of their investment and the priority of their interests in the company relative to those of other equity or debt investors. Preemptive rights are a key protection for shareholders against the dilution of their interests.

Voting on capitalization proposals in APAC

In South Korea, issuing new shares or convertible bonds does not require a shareholder vote. Instead, this authority resides with the board, with an issuance limit stipulated within the Articles of Incorporation (AOI), which requires shareholder approval to amend. As a result, we often see companies seek shareholder approval to amend their AOI to change the issuance limit of shares or convertible bonds. Generally, these proposed amendments could result in the issuance of new shares without pre-emptive rights which could dilute the value of existing shareholders' holdings significantly.

In line with BIS' regional proxy voting guidelines, we review the details of a recapitalization proposal, the company's rationale for it and its financial position. We seek to determine that:

1. the capital increase is necessary;
2. the issuance limit is not excessive; and
3. the potential dilution to existing shareholders is at a reasonable level.

1 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023 through December 31, 2023. Reflects BIS' proposal taxonomy.

Spotlight

Assessing contested director elections through the lens of long-term financial value creation

Shareholder activist situations, and in particular contested director elections, are one of the mechanisms through which corporate strategy and financial resilience become specific voting considerations. During 2023, globally we saw 134 board seats gained by activists through settlements (98 seats) or through a contested vote (36 seats), the largest number in at least five years.[1] While the intention behind each shareholder activist campaign is unique, reshaping company strategy was among the key motivators for dissident shareholders launching proxy contests in 2023.[2]

BIS does not engage in shareholder activism. When evaluating a contested director election proposed by another shareholder, engagement remains the core of BIS' stewardship approach. BIS will generally engage with the company to understand their response to the shareholder activist campaign. We may seek to meet with members of the company's board, particularly any directors the activist is seeking to replace.

We may also meet with the shareholder activist if we believe it would be useful to better inform our voting decision.

We look at each situation individually and vote in support of the outcome we consider to be most aligned with our clients' long-term financial interests.

1 Barclays. "Activists secure more board seats and demand M&A." February 2024.
2 Barclays. "H1 2023 Review of Shareholder Activism." 2023.

Case studies

Cosmo Energy Holdings Co, Ltd. (Cosmo)

Background

Cosmo, a Japanese energy company, faced a proxy contest at its June 2023 AGM from a shareholder which called for a spinoff of the company's renewable energy business and a reorientation of its capital allocation. In response, the company proposed a plan that would significantly dilute the dissident's holding in the company.

BIS Activity

BIS rarely supports corporate defense mechanisms that dilute investors. However, in this instance, we determined that management's strategy for addressing the strategic issues identified, including long-term strategy and capital policy, was more aligned with the interests of long-term shareholders like BlackRock's clients. As a result, BIS voted in support of management's plan.

Outcome

A majority of shareholders approved the plan, which received 60% support from minority shareholders.[3] In December 2023, Japanese gas company Iwatani Corp agreed to buy the shareholder calling for the spinoff's approximately 20% stake in Cosmo.[4] BIS will continue to stay abreast of the situation.

3 Cosmo Energy Holdings Co., Ltd. "Extraordinary Report." June 23, 2023. 4 Cosmo Energy Holdings Co, Ltd. "Notice Concerning Change of Major Shareholder and Largest Shareholder Among Major Shareholders." December 4, 2023.

Spotlight

The Universal Proxy Card (UPC)

The implementation of the Securities and Exchange Commission's (SEC) universal proxy rules was an important development for shareholder activism in the U.S. The rules, applicable to shareholder meetings taking place after August 31, 2022, enable shareholders to vote, if they wish, for a combination of directors nominated for election by management and the activist shareholder (or dissident). This stands in contrast to the previous rules, which generally required investors to vote on the candidates named on the proxy card from either the dissident or management. The UPC means that shareholders can choose to elect some directors nominated by the company and others nominated by the activist shareholder.

BIS considers a number of factors when assessing director elections in these contested situations, which may include: the qualifications and past performance of the candidates proposed by management and the dissident shareholder; the concerns identified by the dissident to justify board changes; the viability of both the dissident's and management's plans to address any valid concerns; the ownership stake and holding period of the dissident; the likelihood that the dissident's strategy will contribute to better business and financial performance; and whether the dissident's nominees would, in our view, enhance the board's ability to effectively oversee and advise management to deliver long-term shareholder value.

Industry observers suggested prior to 2023 that the new rules may make running a proxy contest at smaller companies more economical for activists and increase the likelihood a dissident could gain one or more board seats.[1]

Out of the more than 4,600 shareholder meetings voted in the U.S. in 2023, 17 involved contested director elections (compared to between 11 and 19 annually over the previous five years).[2] So far, the UPC has not driven as notable of an increase as expected in terms of the number of meetings with contested director elections.

Case studies

Pitney Bowes, Inc. (Pitney Bowes)

Background

At Pitney Bowes, a U.S.-based shipping and mailing company, a dissident shareholder launched a campaign with five nominees for control of the nine-member board amid declining shareholder returns.

BIS Activity

At the company's May 2023 AGM, because of the UPC BIS was able to signal our concerns about board composition and oversight of strategy execution – whilst not supporting the activist bid to control the board. We supported three of the dissident's five directors, including one candidate who was mutually agreed upon by the dissident and the company, and supported two of management's nominees who the dissident sought to displace.

Outcome

At the AGM, four dissident candidates were elected to the board. The UPC enabled us to support the combination of directors from each slate that we considered were best positioned to oversee management and navigate the significant strategic realignment that the company faced. In the following months, the board decided to conduct a search for a new CEO and formed a special committee to do so.

1 Ernst & Young. "Universal proxies: what boards should know and how companies can prepare." May 10, 2022. 2 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2018 through December 31, 2023. Reflects BIS' proposal taxonomy.

WisdomTree, Inc. (WisdomTree)

Background

WisdomTree, a U.S.-based asset management company, faced a proxy contest at their June 2023 AGM from a dissident shareholder concerned about the company's strategy, underperformance relative to WisdomTree's peers, and the board's oversight of management.

1 BlackRock analysis, FactSet. 2 U.S. SEC. "Form 8-K." July 26, 2023.

BIS Activity

Through the UPC, BIS supported two of three dissident nominees due to the company's historical underperformance[1] and four of the six candidates nominated by the board due to their expertise in a critical function of the business.

Outcome

At the AGM, one dissident nominee and five management nominees were elected to the board. In July 2023, WisdomTree announced that the board had appointed new chairs and members to all three key board committees.[2]

Spotlight

Our perspective on corporate political activities[1]

BIS engages with companies to understand how their corporate political activities relate to their long-term strategy and financial performance. As part of this, we look at a company's publicly available required and voluntary disclosures to understand how industry body memberships, lobbying, and political contributions support its stated policy positions.

Companies may engage in a number of political activities, within legal and regulatory limits, in order to support their preferred outcome on public policy matters material to their long-term strategies.[2] These activities may include direct lobbying of government officials, public responses to proposed regulatory changes or legislation, and political contributions. Participation in industry and trade associations may also help companies to stay informed about developments likely to impact their industry.

These activities can also create regulatory, compliance, and reputational risks. In our view, companies can, through their disclosures, help investors understand how their governance and oversight processes mitigate any material risks arising from their corporate political activities.

BIS does not tell companies which policy positions they should take, or how to conduct such activities. Instead, we encourage companies to provide investors with disclosures that aid understanding of the link between their stated strategic policy priorities and the approach taken to political activities, including participation in industry associations.

BIS may support a shareholder proposal requesting additional disclosure where increased transparency would help investors understand how a company's political activities support its strategic policy priorities or where there seem to be material inconsistencies between those policy priorities and the company's activities. In our voting analysis, BIS will review information disclosed by the company, as well as third-party research for industry peer comparison.[3]

1 Corporate political activities may include lobbying as defined by local regulations, engagement with public officials with the intent to influence legislation or regulation and activities related to the election of policymakers. 2 Regulations differ across markets. For example, in the U.S., while lobbying is constitutionally protected free speech under the First Amendment, federal law requires corporations register individual employees engaged in lobbying activity as lobbyists if they meet the standards under the Lobbying Disclosure Act of 1995 and disclose the corporation's expenses related to federal lobbying. Further, U.S. federal law prohibits corporations from making political contributions in connection with federal elections. However, corporations are permitted to make independent expenditures in support of a candidate and may establish a Political Action Committee (PAC) funded by voluntary contributions from a restricted class of eligible employees. Federal law requires campaigns, political party committees, and PACs to publicly report the identity of their contributors and contributions made by them. In addition to federal laws, there are also various state and local laws governing corporate contributions in those jurisdictions. Some states and localities also require additional company-specific filings. Local jurisdictions may set their own laws on what constitutes lobbying and is disclosed to relevant governments.
3 For example, the CPA-Zicklin Index of Corporate Political Disclosure and Accountability. The index, issued annually, is measures the performance of the largest U.S. public corporations in three areas: disclosure, company political spending decision-making policies, and board oversight and accountability policies. See "CPA-Zicklin Index: A Focus on Transparency" to learn more.

Case study

Yum! Brands, Inc. (Yum!)

Background

Yum! is a restaurant company headquartered in the U.S. The agenda for Yum!'s May 2023 AGM included a shareholder proposal requesting that the board prepare and annually issue a report disclosing Yum!'s lobbying efforts, the board's oversight of them, and any connected payments in support of these activities. The request contended that the company did "not currently report on the full extent of [their] lobbying activities."[1]

BIS Activity

BIS did not support this shareholder proposal because, in our view, Yum!'s existing disclosures already provided sufficient transparency on the company's lobbying practices for investors to understand the related governance processes.

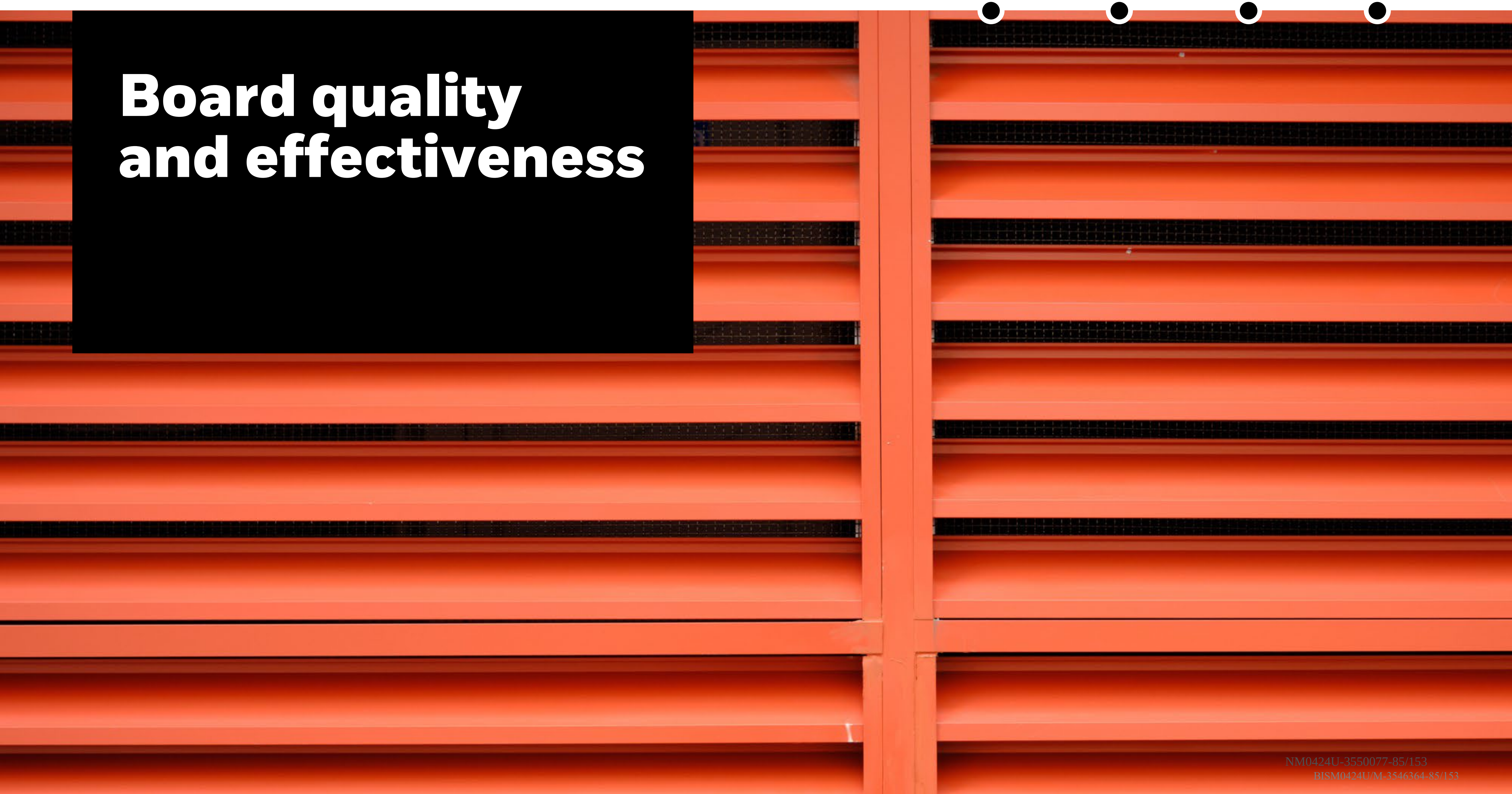
For instance, Yum!'s publicly disclosed policy governing political contributions and lobbying stipulates that all contributions are required to be approved by the company's Vice President of Government Affairs; they are also reported to the nominating and governance committee of the board annually.[2]

Outcome

As investors, it helps our understanding when companies provide easy to navigate information on their public websites. BIS appreciates the steps Yum! has taken to enhance their corporate political activities disclosures.

1 Yum! Brands, Inc. "Notice of Annual Meeting of Shareholders." Page 31. April 7, 2023. 2 Yum! Brands, Inc. "Political Contributions & U.S. Government Advocacy Policy." August 20, 2012.

Board quality and effectiveness



We have observed that companies whose boards are comprised of highly qualified and engaged directors are best equipped to establish the corporate governance practices that support long-term financial value creation. This is why our investment stewardship efforts have always started with the performance of the board of directors,[1] and why we see engagement with, and the election of, directors as one of our most important responsibilities.

We engage, as necessary, with members of the board's nominating and/or governance committee to assess whether governance practices and board composition are appropriate given a company's business model and the broader context within which it operates.

In our engagements, we may discuss various governance topics, including board composition and independent leadership, board oversight of management's strategy and approach to risk management, succession planning for key board and management roles, and the board's nomination and evaluation processes.

While BIS is generally supportive of management's recommendation on the election of directors, the main reasons for which we voted to signal concerns in 2023 were:

Lack of director independence

Board composition

Executive compensation not aligned with long-term financial value

Director overcommitment

Voting on the election of directors at shareholder meetings remains one of the most important ways that BlackRock, and other investors, can signal support for or concern about a board's oversight of management and the impact on long-term financial value creation.

2,205

engagements

BIS looks to understand how, and how effectively, a board oversees and advises management. To that end, we appreciate it when companies communicate their boards' approach to director responsibilities and commitments, turnover, succession planning, and composition.

Source: BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023 through December 31, 2023. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

1 BIS. "Global Principles." January 2024.

BIS' 2023 board quality focus areas

Board composition, effectiveness, and accountability are focus areas when we engage with companies to advance our clients' long-term financial interests. Key considerations in terms of board quality and effectiveness are director independence, board composition, overcommitment, and succession planning.

When evaluating boards as a whole, we look at a number of factors. This includes the board's effectiveness as a group, individual directors' independence and time commitments, as well as the diversity and relevance of director experiences and skillsets, and how these factors may contribute to the performance of the company. We look to boards to establish a formal and transparent nominating process for appointing directors that reflects the company's long-term strategy and business model. In our experience, regular director elections benefit boards' ability to adjust their composition in an orderly manner to account for a company's operating environment, and to refresh the group's thinking on matters material to financial value creation.

We look to boards to establish a formal and transparent nominating process for appointing directors that reflects the company's long-term strategy and business model.

Director independence

In our view, an essential factor in sound corporate governance is director independence — from management, significant shareholders, or other related parties.

We look for boards to have a sufficient number of independent directors to ensure that the breadth and depth of objective perspectives to the interests of all shareholders are protected. This can also support the effective operation of specialist board sub-committees that specialize in audit, director nominations, and compensation matters.

In our experience, an independent board is better able to oversee management and ensure that business models are aligned with the goals of delivering durable, long-term financial performance and strengthening financial resilience.

Our regional voting guidelines include criteria that we use as a benchmark in each market to assess the likelihood that a director is independent. These reflect local norms and standards and therefore may differ slightly across regions. For example, in markets where controlling shareholders dominate the corporate ownership structure, independence criteria generally focus on a director's independence from the controlling shareholder. In markets where dispersed shareholdings are the norm, BIS usually assesses this in terms of independence from management.

As with every proposal, we take a case-by-case approach to the election of directors. We understand that many directors may not fully match the independence criteria in our regional voting guidelines.

Additionally, in our experience, boards are most effective at overseeing and advising management when there is a senior independent board leader. This director may chair the board, or, where the chair is also the CEO (or is otherwise not independent), be designated as a lead independent director.

The role of this director is to enhance the effectiveness of the independent members of the board through shaping the agenda, ensuring adequate information is provided to the board, and encouraging independent participation in board deliberations. We encourage the lead independent director or another appropriate director to be available to shareholders in those situations where an independent director is best placed to explain and contextualize a company's approach.

In 2023, we signaled independence-related concerns at 2,319 companies globally and, accordingly, did not support the election of 3,645 directors. Independence remained the primary reason we did not support director elections, globally. In APAC, director independence continues to be a top area of focus for BIS. We saw the number of companies at which we voted to signal concerns for this reason increase compared to 2022 (1,424 in 2023 against 1,295 last year). In the Americas, we signaled independence concerns at 564 companies in 2023, compared to 219 in the previous calendar year. In January 2023, BIS updated our voting guidelines for North American markets to encourage companies to have an independent director in either the board chair or lead director role, accounting for this uptick. In EMEA, our voting was consistent. We raised independence concerns at 331 companies, against 322 in 2022.

The following are examples of BIS' engagement and voting on director independence-related issues during 2023.

Case studies

SAP SE (SAP)

Background

SAP is a large multinational software company based in Germany.

Over time, BIS has engaged productively with SAP's corporate leadership on corporate governance topics such as executive compensation disclosures and the levels of independence on the supervisory board of directors. We have been particularly encouraged by SAP's responsiveness to shareholder feedback on director independence, including the recent appointment of a lead independent director. SAP also addressed overcommitment-related concerns in advance of the May 2023 AGM. We are pleased to see that SAP is implementing a clear succession planning process for the chairman role in line with the company's strategic direction.

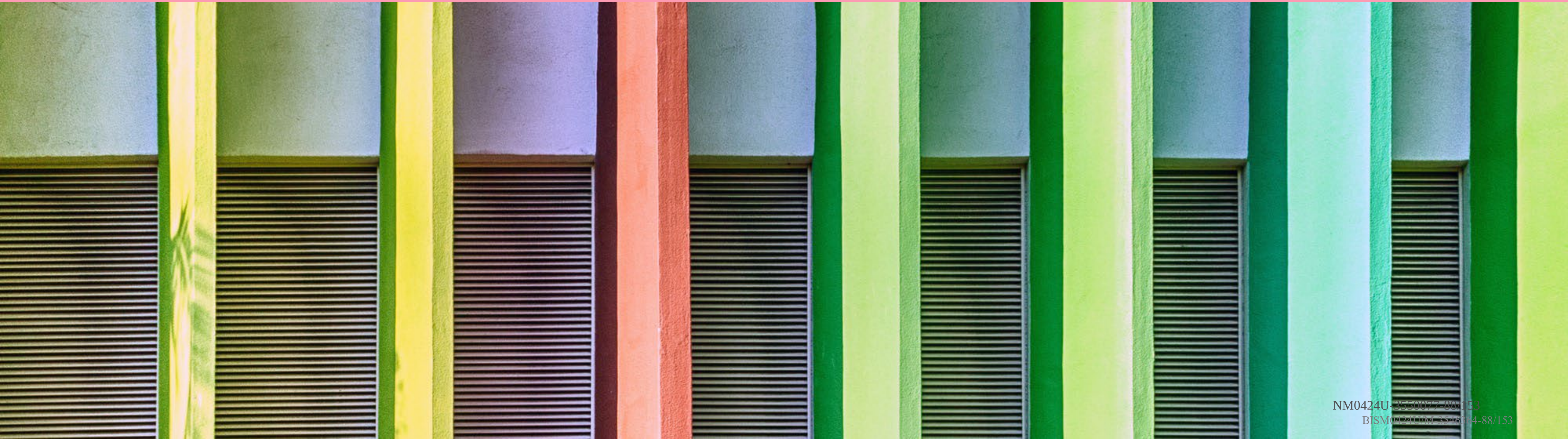
BIS Activity

In light of management's responsive to shareholder feedback, and alignment with the financial interests of long-term shareholders, at SAP's May 2023 AGM, BIS voted in support of all management recommendations, including approving the discharge of the management and supervisory boards.

Outcome

All management-proposed items received majority support from shareholders at the May 2023 AGM.[1] We remain encouraged by the steps SAP has taken to enhance board independence.

1 SAP SE. "Voting on Resolutions: General Meeting of Shareholders." May 2023.



Our focus on board independence in Asia-Pacific

In the APAC region, board independence is a major corporate governance issue and one that, in our view, may have an impact on the ability of local companies to create long-term financial value for shareholders, including minority shareholders such as BlackRock's clients. In June 2023, BIS published a research paper outlining our approach to board independence in APAC. In it we share our observations on certain challenges to INEDs' abilities to ensure objectivity in the board of directors' oversight of management and related matters that may affect the long-term economic interests of shareholders, particularly as controlling shareholders are common in the region.[2]

While independence concerns remained the top reason for not supporting director elections in APAC, many companies continue to take steps to increase the number of independent directors serving on their boards. BIS will continue to engage with companies in the region to share our perspectives on the importance of board independence to sound corporate governance practices, and to monitor whether boards increase the balance of independence over time.

Eicher Motors Limited (Eicher Motors)

Background

Eicher Motors is an Indian automotive manufacturer which owns and operates the Royal Enfield motorcycle brand. Through VE Commercial Vehicles Limited, a joint venture with the Volvo Group, Eicher Motors is also involved in the design and manufacture of commercial buses and trucks.

In the Indian market, we encourage companies to compose their audit committees with only non-executive directors and a majority of independent directors, an independent chair, and at least one member having an appropriate accounting (or related financial) background. At Eicher Motors' August 2021 AGM, BIS did not support the election of the CEO – an executive director of the company who served on the audit committee at the date of the meeting.

At the August 2022 AGM, we again signaled our concerns about the CEO's role on the audit committee and did not support the election of a nominated director.

BIS Activity

BIS has had multiyear engagements with Eicher Motors to better understand the company's approach to board independence. Prior to the August 2023 AGM, BIS engaged with Eicher Motors to discuss the independence level of the board and the audit committee. BIS also raised the length of tenure of the INED sitting as chair of the board.

Shortly before the AGM, Eicher Motors announced that the company's board of directors would "engage in [a] review of the number of independent directors on the board and composition of various board committees."[3] Based on public comments made by the company in response to shareholder concerns, BIS determined that supporting the election of the CEO at the August 2023 AGM was warranted.

Outcome

In September 2023, Eicher Motors announced the appointment of two new independent directors to the board, raising the independence of the board to 50%. Furthermore, the CEO stepped down from the audit committee as part of the company's review of the number of independent directors on the board and the composition of various board committees.[1]

We are encouraged by the steps that Eicher Motors has taken to address shareholder concerns and its willingness to adopt stronger corporate governance practices, consistent with the interests of long-term investors like BlackRock's clients. We therefore supported management's recommendation on the election of the two new directors at the November 2023 Extraordinary General Meeting (EGM).

1 Eicher Motors Limited. "Constitution of Various Committees of Board of Directors of Eicher Motors Limited." 2 Controlling shareholders include those that individually or collectively hold over 50% of a company's listed equities and thus have significant influence over corporate decision-making. The threshold is lower than 50% in certain markets (e.g. 30% in Hong Kong). A controlled company is one with this share ownership structure. 3 Eicher Motors Limited. "Addendum to the Notice of the 41st Annual General Meeting of the Company to be held on August 23, 2023." August 18, 2023.

Board composition

As we note in the BIS Global Principles, in our experience, diverse perspectives in the board room help reduce the risk of "group think" in the board's exercise of its responsibilities to advise and oversee management. This is likely to result in more robust discussions, more innovative decisions, and better long-term economic outcomes for companies. BIS looks at board diversity in considering board quality and composition, along with director independence, tenure, and succession planning, among other factors. We take a case-by-case approach to analyzing a board's composition and we do not prescribe any particular board composition in our engagements or voting.

BIS considers diversity broadly and in connection with a company's business model, strategy, location, and size.

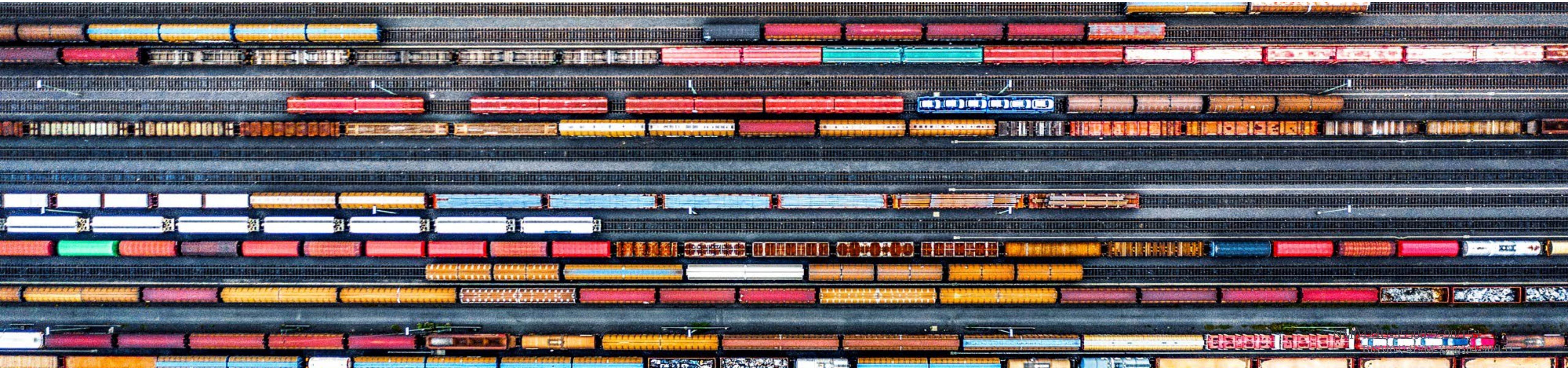
Depending on the company, we may consider professional characteristics, such as a director's industry experience, specialist areas of expertise, and geographic location, as well as demographic characteristics. We note that in many markets, policymakers have set board gender diversity goals which we may discuss with companies, particularly if there is a risk their board composition may be misaligned.

In our assessment of director elections in the context of board quality, we seek to understand the unique professional experience and expertise each director brings to the board. Recognizing the demands of board service in a dynamic business environment, we consider it critical to the success of a company that each director enhances the caliber of the board and has skills that complement those of their fellow directors.

In 2023, at 1,039 companies globally, BIS did not support management's recommendation on the election of 1,651 directors because of concerns related to the board's composition. For perspective, BIS voted on more than 76,700 proposals to elect directors across the world, supporting ~89%.[1] As explained in the previous section, independence-related concerns remained the primary reason we did not support director elections, globally.

In the Americas, we observed an increase in the diversity of directors serving on boards, as well as more comprehensive disclosures that helped investors understand how different perspectives are considered in board composition.[2] We similarly saw an increase in gender diversity in the boardroom in APAC and EMEA, in response to new regulatory requirements in several markets.[3, 4]

1 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. 2 Bloomberg. Spencer Stuart. "2023 S&P 500 New Director and Diversity Snapshot." August 2023. 3 "Foreign Pressure Is Leading to More Women on Japan's Boards." August 7, 2023. 4 Reuters. "Women make up 40% of boards at top UK companies for first time." February 28, 2023.



Board refreshment

We find that, given the dynamic nature of business, new directors being brought onto the board on a periodic basis helps to support the board's thinking on continuity, appropriate succession planning, and long-term financial resilience. This refreshment may, where appropriate, include assessments of factors such as the need to address gaps in skills and experiences, independence, and diversity.

We have observed that, in some cases, a very long tenure may impair the independence of a director. In many markets, limits on director tenure are set in regulation or by local norms. In the U.S., where there is no market standard for director tenure, BIS will consider the board's average tenure to evaluate the effectiveness of processes for board renewal.

Case studies

B2Gold Corp. (B2Gold)

Background

B2Gold is a Canadian mining company which operates gold mines in Mali, Namibia, and the Philippines.[1] BIS has held multiyear engagements – including in partnership with members of BlackRock's active portfolio management team – with B2Gold's corporate leadership to better understand the company's approach to board composition and effectiveness, including the experiences and skillsets of its directors.

At B2Gold's June 2021 AGM, BIS signaled concerns about the independence and composition of the company's board of directors by not supporting the election of six out of nine directors nominated by management. The long tenure of certain directors was a specific area of focus.

BIS engaged with B2Gold's corporate leadership in 2022 to discuss these aforementioned issues. We were encouraged to learn about company's planned actions to address shareholder feedback, including committing to meaningful board refreshment by 2023, and voted in support of management's recommendation on all items at the June 2022 AGM.

BIS Activity

At the June 2023 AGM, the board completed its refreshment process by nominating three new directors for election. Specifically, the board identified directors – including two female directors – with financial and professional expertise in the mining industry, and geographic experience in the African markets in which B2Gold operates.

Based on these significant steps to enhance the board's composition, BIS supported all management recommendations at the June 2023 AGM.

Outcome

The election of directors at the June 2023 AGM received majority shareholder support.[2] We acknowledge B2Gold's focus on improving the quality of the board and their receptiveness to shareholder feedback.

Canon Inc. (Canon)

Background

Canon is a Japanese industrial conglomerate with which we have discussed a range of corporate governance topics that are important for long-term financial value creation, including board composition and long-term executive leadership planning.

We note that at the time of the March 2023 AGM, Canon had no female directors, making it an outlier amongst large Japanese companies. Furthermore, in June 2023, the Japanese government instituted a requirement for public companies to meet a 30% female board director member ratio by 2030.[3]

1 B2Gold Corp. "Producing." 2 B2Gold Corp. "B2Gold Announces Voting Results from its 2023 Annual General and Special Meeting." June 26, 2023. 3 Source: Lexology. "Japanese Law Update #14: The Japanese Government Mandates a 30% Female Board Members Ratio for Japanese Listed Companies by 2030." June 22, 2023.

In line with local requirements, since 2021 BIS has looked to companies in the TOPIX 100 index to have at least one female director. As of 2023, we now look for these larger Japanese companies to have at least two female directors to achieve more meaningful diversity of thought on the board.[1] Where this is not the case, we look to boards to provide a reasonable explanation as to why the current board structure is optimal for delivering long-term financial performance.

BIS Activity

At the March 2022 AGM, BIS signaled concerns about Canon's lack of board diversity and did not support the election of the board chair and CEO, concurrently serving as the chair of the nomination committee. The proposed item received 75.28% support from shareholders, significantly below the results for the other board members' elections.[2]

At Canon's March 2023 AGM, BIS took the same voting action again due to continuing concerns about the composition of Canon's board, for which the chair is responsible. The Chairman's election received only 50.59% support from investors, compared to an average of 83.77% for other directors,[3] suggesting widespread investor concern on the matter.

Outcome

Following the AGM, the company announced that it would appoint one female director to the board at its March 2024 AGM. BIS welcomes this development and looks forward to engaging further as Canon continues to enhance the composition of the board in support of board effectiveness and long-term financial value creation for our clients.

Board composition developments in Latin America

We have seen an increased focus from companies and policymakers in select Latin America markets on strengthening corporate governance practices.

Some companies, for example, still hold bundled director elections, rather than individually. In our view, holding individual director elections allows shareholders to assess the suitability and performance of each director. BIS engaged with Grupo Aeroportuario del Pacifico SAB de CV (GAP) to encourage the Mexican airport operator to unbundle director elections. The company has a dual class share structure. At the April 2023 AGM, director elections were grouped as a single agenda item, which BIS did not support. A month later, GAP scheduled an ordinary shareholder meeting. The May 2023 agenda included, among other items, unbundled director elections for one of the share classes. Recognizing GAP's responsiveness to shareholders' concerns, BIS supported management.

Access to high-quality and timely disclosures is another area for improvement. BIS encourages companies across Latin America to publish materials well before the shareholder meeting takes place, ideally 30-45 days in advance. Having access to timely disclosures – including directors' biographical information – facilitates investor analysis and decision-making when voting on director elections.

Other Latin American companies are seeking to increase female representation within their boards, following trends and regulatory developments in other regions. For example, companies like Wal-Mart de México SAB de CV in Mexico and Embraer SA in Brazil nominated female directors at their 2023 AGMs. BIS supported all directors up for election given that the companies published timely and comprehensive disclosures, articulating how the candidates' background and expertise enhanced the caliber of each board.

1 BIS. "Proxy Voting Guidelines for Japan Securities", January 2023. 2 Canon Inc. "Extraordinary Report." April 1, 2022. 3 Canon Inc. "Extraordinary Report." April 3, 2023.

Overcommitment

As the role and expectations of a director become increasingly demanding, directors must be able to commit an appropriate amount of time to board and committee matters. Assuming an excessive number of roles could impair directors' ability to fulfill all of their responsibilities, even more so when there are unforeseen events.

To that end, we encourage companies to be clear about the time commitment expected of directors and monitor the number of commitments their directors have outside their own board.

To support the effectiveness of the board in advising and overseeing management, it is also important that directors have the time necessary to fully prepare for board meetings, keep abreast of company and industry developments between meetings, and commit to their own professional development.

Our regional voting guidelines provide our market-specific best practices on the number of boards on which non-CEO directors (who do not hold any chair positions) can, in our view, serve effectively. We consider sitting CEOs to best be able to fulfil their responsibilities when they serve on no more than two boards in total — one board in addition to that of the company they lead.

We signaled concerns on director commitments at 750 companies globally and did not support management's recommendation on the election of 860 directors. This is 85 fewer companies and 118 fewer directors than in 2022, predominantly driven by changes in board practices in EMEA. In the U.S., for instance, we have observed the number of independent S&P 500 directors who serve on three or more boards gradually decline – from 33% in 2013 to 29% in 2023.[1]

1 Martin Lipton, Wachtell, Lipton, Rosen & Katz. "Thoughts for Boards: Key Issues in Corporate Governance for 2024." January 3, 2024.

Case studies

Volvo AB (Volvo)

Background

Volvo is a Swedish company, which manufactures and sells trucks, buses, construction equipment, and marine and industrial engines globally. BIS has engaged Volvo on a variety of business-relevant corporate governance matters that we find are material to the creation of long-term financial value for shareholders. In recent years, this has included BIS expressing concerns about the composition of the board of directors, namely the number of outside commitments held by certain directors.

BIS Activity

As we have observed that the roles of directors become increasingly demanding, we look to boards to provide investors with disclosures on board and committee members' attendance, as well as the time commitment required from directors. This, in our experience, allows shareholders to better understand directors' ability to be engaged and for the board to function effectively.

At the time of the April 2023 AGM, a Volvo board director concurrently served as the CEO of a large German industrial conglomerate, and as a non-executive director at another global technology company.

In the Swedish market, we look to directors who are also serving as an executive officer[1] at a public company to limit their outside commitments to service on one other public company board. As we note in our proxy voting guidelines for EMEA securities, in instances where BIS has concerns about the risks stemming from a director's outside commitments, we may consider not supporting management's recommendation on their election.

At Volvo's April 2022 AGM, BIS voted to signal our concerns on this director's commitments by not supporting management's recommendation on her election. In 2023, we again voted against the election of this director at the April AGM.

Outcome

The director received majority support from shareholders and was elected to the board.[2] We note that following the AGM, it was announced that the director would be resigning as the CEO of the large German industrial conglomerate.

1 In BIS' proxy voting guidelines for EMEA securities, the executive officer consists of the executive chair, the chief executive officer (CEO), the deputy chief executive officer, the chief financial officer, the chief operating officer and other similar level executives who are members of the management leadership team or executive committee (e.g. Chief Information Officer, Chief Technology Officer, Chief Risk Officer, Chief People Officer, etc.) or members of the management board of listed companies with a two-tier system. 2 Volvo AB. "Minutes of the Annual General Meeting of Aktiebolaget Volvo (556012-5790), April 4, 2023."

CLP Holdings Limited (CLP)

Background

CLP is a company based in Hong Kong which has interests in the generation, transmission, and sale of electric power in multiple APAC markets.[1] BIS has engaged on a multiyear basis with CLP to discuss the composition of the company's board and professional experience of its directors.

BIS Activity

The ballot of CLP's May 2023 AGM included proposals to elect six directors to the company's board. We note that CLP, as a large public utilities company, operates in a highly regulated industry, and thus, would benefit from directors with past experience in the regulatory sector. One nominated director had immediate previous experience serving as a convenor of the Executive Council of the Government of the Hong Kong Special Administrative Region, which regularly reviews the company's capital expenditure plans.

As discussed in our proxy voting guidelines for Hong Kong securities, given the increasing demands upon directors, we encourage companies to provide robust disclosures on the rationale for nominating individuals who presently serve on more than six public company boards. We note that at the time of CLP's May 2023 AGM, this newly nominated director served on seven boards. However, in our assessment, his addition to the board was in shareholders' long-term financial interests, especially in leveraging his understanding of the regulatory process in the market. BIS therefore voted in support of management's recommendation on his election.

Outcome

The director was elected by a majority of shareholders at the May 2023 AGM. BIS will engage with CLP to better understand how the director plans to manage his multiple commitments.

Banco de Chile SA (Banco de Chile)

Background

Banco de Chile is a leading Chilean bank with which we have had multiyear conversations about core corporate governance topics such as caliber and independence of its directors, executive compensation, and human capital management.

Notably, ahead of the March 2023 AGM, the company took several steps to unbundle its director elections. In the Chilean market, like others in the region, companies propose directors for election by slate, which we have observed may result in investors with board oversight concerns voting against the entire slate of proposed candidates instead of voting on relevant individual directors standing for election to signal specific concerns. We view the unbundling of Banco de Chile's director elections as an encouraging step forward in the Chilean market, and one which allowed us to cast a vote on each individual director's election on behalf of our clients.

BIS Activity

In our Latin American voting guidelines we explain that we consider directors serving on more than five boards to be overcommitted. Due to actions Banco de Chile took to unbundle its director elections and disclose relevant director experience, BIS was able to individually support management's recommendation on the election of seven candidates. In our analysis, which was based on disclosures that detailed the suitability of their experience, the election of these seven directors was in shareholders' best long-term economic interests.

We did not support management's recommendation on the election of two directors because we were concerned that their service on an excessive number of outside public boards could limit their ability to fulfil their oversight duties at Banco de Chile. In prior years, because all directors were elected as a slate, we would have had to vote against all nine over these concerns.

Outcome

We are pleased to note Banco de Chile's receptivity to investor feedback, and that the company is one of the first Chilean issuers to unbundle its director elections. We welcome this improvement, which allows investors to make more informed vote decisions on the relevant directors' capabilities to serve on the company's board, and to signal their support for or concerns about individual directors, rather than potentially having to apply the respective voting action against the entire slate of directors.

1 CLP Holdings Limited. "CLP at a Glance." June 30, 2023.

BIS' approach to engagement on succession planning

In our experience, a robust approach to succession planning for senior management roles helps to limit share price volatility arising from leadership changes and protect long-term shareholder value, particularly in instances of unanticipated executive departures. In planning for these scenarios – both in the short and long-term – BIS looks to the board to explain the planning process, including where accountability lies within the group for this responsibility. Specifically, we encourage boards to consider how succession plans are consistent with the company's long-term strategic direction and any leadership needs over time as identified by management. Where BIS has significant concerns regarding a company's succession planning efforts, we may vote to not support management's vote recommendation on the election of the members of the responsible committee.

RB Global Inc. (RB Global)

Background

RB Global (formerly known as Ritchie Bros. Auctioneers Incorporated) is a leading, omnichannel marketplace that provides value-added insights, services, and transaction solutions for buyers and sellers of commercial assets and vehicles worldwide. Through its auction sites in 13 countries and digital platform, RB Global serves customers in more than 170 countries across a variety of asset classes, including automotive, commercial transportation, construction, government surplus, lifting and material handling, energy, mining, and agriculture.[1]

In November 2022, RB Global announced the acquisition of IAA, Inc. in a transaction valued at approximately $7 billion; the deal attracted opposition among certain shareholders. In January 2023, RB Global announced that Starboard Value LP had invested $500 million in the company, partnering with management to support the transaction. Concurrently, the company announced that Starboard's CEO would be appointed to the board following the acquisition. The transaction, subject to a contested March 2023 vote, was narrowly approved by shareholders and closed six days later.

BIS Activity

Upon a contested situation and/or activist involvement in a company, even when public statements are made in support of the company's management team, BIS often applies additional scrutiny to a company's succession planning disclosures to better understand how the company has prepared for a range of leadership contingencies.

RB Global's proxy materials contained disclosures describing robust management processes and board oversight of succession planning, including disclosure of both an "ordinary course" CEO succession plan, as well as "a succession plan to address unanticipated emergency situations."[2] RB Global's disclosures gave BIS comfort that the company was adequately prepared for a range of potential succession scenarios.

Outcome

In August 2023, RB Global announced the abrupt departure of the company's CEO, indicating such departure was unplanned following a dispute over executive pay.[3] The company immediately put its succession plan into place and named the new permanent CEO.

The company's CFO's departure was also announced and the company immediately appointed an interim Principal Finance and Accounting Officer.

BIS engaged with management and two members of the board the same month to understand the dynamics of the succession and impacts on the company, its employees, and its operations. The company provided insight into the impacts of the succession, and reassurance that the transition plan had operated as designed.

Through these leadership transitions, the company has continued to perform. From August 1, 2023 (immediately prior to the transaction) through March 28, 2024, the company's stock price has appreciated more than 17%.

1 RB Global. "About Us." 2 Ritchie Bros. Auctioneers International. "2023 Proxy Statement." 3 RB Global. "RB Global Announces Leadership Changes." August 2, 2023.

Market-based economic risks: Board oversight of generative artificial intelligence capabilities

In recent years, BIS has observed that more and more companies are highlighting the deployment of generative artificial intelligence (GenAI) as a material driver of both risk and opportunity for their business models. For companies that do, BIS seeks to understand how their boards are building sufficient fluency in AI - including remaining abreast of technological, strategic, and regulatory developments. We also seek to understands how boards stay informed of management's strategic decision-making and to oversee the company's evaluation of GenAI's impact on key stakeholders and navigation of any associated risks.

We have seen some companies take principles-based approaches to disclosures explaining how they integrate GenAI into their business models. Common principles include accountability, inclusivity, fairness, transparency, security and reliability.[1]

1 Principle-based approaches around various regions tend to include common principles that may vary but are generally consistent with the characteristics noted by the U.S. Department of Commerce's National Institute of Standards of and Technology (NIST), the Artificial Intelligence Risk Management Framework (AI RMF 1.0) released in January 2023 as well as the EU AI Act. The NIST AI RMF encourages parties involved in the development and deployment of AI systems to address certain characteristics which may enhance the trustworthiness of such systems. These principles or characteristics include ensuring AI systems being: Valid and Reliable; Safe; Secure and Resilient; Accountable and Transparent; Explainable and Interpretable; Privacy-Enhanced; Fair with Harmful Bias Managed.

Incentives aligned with financial value creation

Executive compensation[1] is an important tool used by companies to promote long-term financial value creation by facilitating equity ownership among senior leaders, encouraging an appropriate risk profile, and rewarding the successful delivery of strategic, operational, and/or financial goals. When compensation policies are not well-structured, and when outcomes are misaligned with performance, companies may face business and/or reputational risks.[2]

Appropriate and transparent compensation policies remained a focus in many of BIS' engagements with companies in 2023.[3] Globally, we held 1,495 engagements with 1,204 unique companies on incentives aligned with financial value creation.

Engaging on incentives aligned with financial value creation in 2023

In most markets, a company's board of directors is responsible for putting in place a compensation structure that motivates and rewards executives appropriately. In our view, board compensation committees are in the best position to make compensation decisions. We recognize the need to maintain flexibility in administering compensation policies, given their knowledge of a company's strategic plans, the industry in which they operate, the appropriate performance measures and other factors that may be unique to the company.

Companies are also often required to provide disclosures on executive compensation. When we analyze a company's disclosures, BIS seeks to determine whether the board's approach to executive compensation is rigorous, yet reasonable, in light of the company's stated long-term corporate strategy operating context.

Where BIS finds apparent misalignment between executive pay and company performance, or has other concerns about a company's compensation policies, we may engage to better understand the company's approach. We prefer to engage with directors with the relevant oversight responsibilities, most likely a director serving on the compensation committee, where we have concerns about or feedback on compensation policies or outcomes.

Signaling executive compensation concerns when voting on director elections

Aside from engagement, we may signal concerns when executive compensation is misaligned with company performance by not supporting the election of members of the compensation committee or other members of the board whom we consider responsible for compensation. BIS may also signal concerns through not supporting management's proposals to approve compensation.

In 2023, BIS did not support 1,213 proposals to elect directors at 708 companies globally due to concerns regarding executive compensation (1,416 director elections at 814 companies in 2022).[4] For perspective, BIS voted on more than 76,700 proposals to elect directors across the world.[4]

1,495

engagements

Compensation policies are a focus in many of BIS' engagements with the companies we invest in on behalf of clients. In our view, it is important for companies to make clear in their disclosures the connection between compensation policies and outcomes, corporate strategy, the performance of the company, and the financial interests of long-term shareholders.

Source: BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023 through December 31, 2023. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

1 The term "compensation" is used as an equivalent to the words "remuneration" or "pay." Executive compensation typically consists of several components, including, but not limited to, annual base salary, short- and long-term incentives plans, and benefits plans. Across markets, shareholders are offered a vote on different aspects of compensation. They may vote on new incentive plans, usually because the plans require a company to issue shares, which may involve diluting existing shareholders. Shareholders may also vote on reports explaining how existing pay policies have worked to reward executives, so called Say on Pay.2 A compensation outcome generally relates to the payout of a performance-conditioned pay component, and reflects both the construction of the pay program as well as the performance of the company and executives against defined performance objectives. 3 In this report, "compensation policy" refers to the complete set of pay-related tools; "plan" refers to the specific short-term and long-term incentives schemes; and "practice(s)" refers to the processes behind determining how to deploy the compensation policy. 4 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.

As in previous years, voting to signal compensation-related concerns through not supporting director elections were concentrated at companies located in EMEA, where it was the top governance issue reflected in our voting on directors. We noted enhanced disclosures and policies aligned with shareholders' long-term economic interests at many companies, but there continues to be room for improvement at others. Across the Americas, our votes against directors were affected by fewer companies making discretionary adjustments to their compensation programs without a compelling rationale compared to recent years.

BIS did not support 907 proposals to elect directors in the EMEA region for compensation reasons, compared to 290 and 16 such proposals in the Americas and APAC, respectively.[1]

Compensation-related management proposals in 2023

In addition to voting on the election of directors responsible for setting executive pay, when assessing compensation proposals, BIS reviews companies' disclosures to determine how their compensation policies and outcomes align with the financial interests of long-term shareholders, like our clients. We find it helpful when compensation disclosures explain how the components of a compensation policy work together to attract, retain, and motivate key executives.

It is also helpful to investors' understanding when companies describe how the quantum and mechanics of compensation are set by the board or the relevant committee, the details of the components of the compensation policy, any metrics used in performance-related incentives, and how the compensation policy and its outcomes support the company's strategy and long-term financial performance.

In addition, we consider it to be a best practice when disclosures clearly show how short- and long-term incentive plans have been designed to support corporate strategy and complement one another as a means to motivate appropriate risk taking and long-term financial value creation. A narrow focus on short-term stock price or profit may be inconsistent with, or even detrimental to, long-term shareholder value creation. Moreover, any situation where there may be perceived, or actual misalignment between executive pay and performance is best explained in detail and justified in terms of how it serves the interests of long-term shareholders.

Globally, BIS supported 82% — or 16,959 out of the 20,629[1] — of compensation-related management proposals[2] put to a shareholder vote in 2023. In general, companies improved their explanations of how short- and long-term incentive plans complement one another and are effective in rewarding executives who deliver long-term financial value. However, we noted several companies continued to tie a meaningful portion of incentive pay exclusively to absolute increases in stock price that are affected by many factors outside the control of management and may be transitory in nature.

In EMEA, BIS supported management recommendations on nearly 79% of proposals — or 5,647 out of 7,178 — to approve compensation policies in 2023 (~78% in 2022).[1] BIS' support of compensation plans was lower in EMEA relative to other regions. This was due, in large part, to disclosures lacking sufficient information to fully understand how compensation policies were structured to properly motivate executives and to support long-term financial value creation. We also observed the continued use of unwarranted discretion by remuneration committees, calling into question the alignment between pay and performance.

In the Americas, BIS supported management recommendations on ~90% of proposals — or 6,434 out of 7,181 — to approve compensation policies in 2023 (~88% in 2022).[1] While our support for compensation-related proposals increased compared to last year, we voted against a number of proposals as a result of large outside-of-program awards that lacked a compelling rationale, insufficient linkages between compensation program results and shareholder financial outcomes, and unclear connections between compensation program design and corporate strategy.

In a number of APAC markets, we observed an uptick in practices that we did not consider to be aligned with minority shareholders' long-term financial interests. As a result, BIS supported management on ~78% of compensation-related proposals — or 4,878 out of 6,270 — compared to ~81% in 2022.[1]

That said, we noted many companies in this region are making incremental improvements in their disclosures to better explain how their policies and pay outcomes are tied to strategy and long-term financial performance.

1 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. 2 Compensation-related proposals include Say on Pay proposals, remuneration policy proposals, proposals to approve new or revised incentive plans, and other compensation-related proposals.

Say on Pay and grants proposals in 2023

In 2023, Say on Pay[1] proposals and related grant approval proposals accounted for approximately 52% of all compensation-related proposals globally. These proposals are common practice in markets such as Australia, the U.S. and the UK. They give shareholders the opportunity to signal support for, or concerns with, executive pay programs.

BIS supported ~82% of management proposals to approve Say on Pay and related grant approval proposals put to a shareholder vote in 2023 (~80% in 2022).[2]

Say on Pay Frequency votes were a significant component of the total compensation-related proposals in the Americas in 2023. Inaugural votes on Say on Pay Frequency were required in 2011 at most U.S. companies, and subsequent votes are required on six-year intervals. The third round of Say on Pay Frequency proposals in 2023 required such votes at more than 1,800 U.S. companies.[2] BIS will generally support annual advisory votes on executive compensation. Approximately 89% of companies in our clients' equity holdings in the U.S. recommended annual Say on Pay voting.[2]

1 The terminology can vary across markets, but "Say on Pay" is the generic expression referring to the ability of shareholders to vote on a company's compensation policy, plan, and/or practices. For select markets in Europe, the Middle East, and Africa, this term may also refer to shareholders' ability to vote on the report companies publish on the implementation of its policies. 2 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023.

Spotlight

Our approach to U.S. executive compensation

For years, BIS has advocated for well-structured compensation programs that reward executives for creating long-term financial value for shareholders. We recognize that boards hear from many investors of various styles who offer their viewpoints on executive compensation structures and who, at times, may voice contradictory feedback. Nonetheless, we consider it helpful to compensation committee members to understand the range of investor perspectives. The views of long-term shareholders are important given they will likely remain invested for the full duration of the executive pay programs.

In 2023, based on our observations of recent dynamics, trends, and practices in the U.S. market, BIS published a commentary to outline the high-level factors companies may consider in the future. These include the balance between retentive and motivational components of compensation programs, the resilience of these programs across dynamic market environments, and clear disclosure of the rationale for the selected performance metrics, demonstrating how pay underpins strategy.

Read more about our approach to U.S. executive compensation >

Case studies

Carnival Corporation & plc (Carnival)

Background

Carnival is an international cruise line operator. BIS has a multiyear engagement history with Carnival with respect to executive compensation, where we have signaled concerns about the structure and transparency of its pay practices.

At Carnival's April 2022 AGM, BIS did not support management's advisory vote on executive compensation, or the election of several members of the compensation committee. In our view, Carnival's pay practices lacked transparency, and the short-term incentive plan (STIP) overly relied on qualitative non-specific criteria – including liquidity, return to service (following the COVID-19 pandemic), ESG performance, and compliance and transparency – to determine its outcomes.[1]

Additionally, in April 2022, Carnival's CEO announced his resignation, while subsequently being allowed to continue vesting all of his outstanding equity awards under a consulting agreement with the company.[2]

BIS Activity

Prior to Carnival's April 2023 AGM, the company disclosed sizeable one-time awards granted in February 2022 to executives, to encourage retention.[1] Given our aforementioned concerns, BIS did not support the advisory vote on executive compensation and the re-election of several members of the compensation committee at the company's April 2023 AGM.

Outcome

Carnival's advisory vote on executive compensation received 86% shareholder support and all of the compensation committee members were re-elected.[3] BIS will continue engaging with Carnival on its compensation policies and how these align with the financial interests of long-term shareholders. Should we remain concerned we may vote against additional board members at future AGMs, as appropriate.

1 Securities and Exchange Commission. Carnival Corporation Schedule 14A. February 28, 2023. 2 Securities and Exchange Commission. Carnival Corporation Form 8-K. November 3, 2022.
3 Securities and Exchange Commission. Carnival Corporation Form 8-K. April 21, 2023.

Hertz Global Holdings, Inc. (Hertz)

Background

Hertz is a large car rental company based in the U.S., which operates the Hertz, Dollar, Thrifty, and Firefly brands across multiple regions.[1] The company held a post-bankruptcy initial public offering (IPO) on November 2021,[2] and hired its current CEO in February 2022.[3]

In Hertz's 2022 executive compensation program, the company disclosed that the new CEO received awards that were valued by the company at more than USD $182 million during 2022, the majority of which were conveyed through a new hire equity award.[4]

We were concerned about certain practices outlined in Hertz's compensation disclosures. This included the price targets of certain segments of the new CEO's sign-on award, and the structure of performance awards for other named executive officers (NEO). In addition, we found that there were opportunities for the company to enhance its disclosures on the structure of and performance metrics within the incentive plans.

BIS Activity

The agenda for Hertz's May 2023 AGM included a Say on Pay proposal. We note that the performance award stock price hurdles were already partially earned when it was granted, and the amount of compensation granted under the time-based award exceeded the company's peers.

For the other NEOs, the short-term and long-term incentive programs also used an overlapping performance metric, thus rewarding them twice for the same performance in the short-term and long-term incentive programs. We find that such structures may not appropriately incentivize the delivery of long-term financial performance for shareholders.

As we note in our Global Principles, BIS typically looks for distinct performance metrics in compensation structures to ensure appropriate incentives and focus on operational indicators over differing timeframes. Given our concerns about the amount of the potential rewards and the performance targets used, BIS did not support the company's Say on Pay proposal at the May 2023 AGM.

Response

The Say on Pay proposal received 85.5% support from investors,[5] which we interpret as a reflection of shareholder concern about the company's approach.

1 Hertz Global Holdings, Inc. "Company Overview." 2 Hertz Global Holdings, Inc. "Hertz Re-Listing on NASDAQ." November 9, 2021. 3 The New York Times. "Hertz hires a former Goldman Sachs finance chief as its C.E.O." February 4, 2022. 4 Hertz Global Holdings, Inc. "Notice of Annual Meeting and Proxy Statement." Page 51. April 5, 2023. 5 Hertz Global Holdings, Inc. "Submission of Matters to a Vote of Security Holders." May 17, 2023.

D.R. Horton, Inc. (D.R. Horton)

Background

D.R. Horton is a U.S.-based home construction company. In January 2022, following concerns about the size and rigor of D.R. Horton's executive compensation plans against its sectoral peers, BIS did not support a proposed vote on Say on Pay at the January 2022 AGM. The proposal did not pass, receiving only 27.4% support from shareholders.[1]

BIS Activity

We note steps that D.R. Horton has taken to address shareholder concerns on executive compensation since the January 2022 AGM, including aligning the incentive plans of the CEO and Executive Chair of the Board. The magnitude and structure of the Executive Chair's compensation package was of particular concern to BIS.

Specific actions D.R. Horton took prior to the January 2023 AGM to enhance its executive compensation plans include introducing a payout cap in the STIP, modifying the LTIP to set the target at which awards could be earned above the median compared to the company's peers, reducing the payout percentage of the STIP, and increasing the emphasis on long-term incentives as a percentage of total target compensation.

Following these encouraging changes, BIS supported management's recommendation on executive compensation at the January 2023 AGM.

Outcome

The proposed compensation plans received 85.3% support from shareholders at the January 2023 AGM, a year-over-year increase of almost 58 percentage points.[2]

We are encouraged by D.R. Horton's efforts to address shareholder concerns. As areas of improvement remain to align executive compensation with long-term performance and shareholder value, BIS will engage further in 2024.

1 D.R. Horton, Inc. "Submission of Matters to a Vote of Security Holders." January 26, 2022. 2 D.R. Horton, Inc. "Submission of Matters to a Vote of Security Holders." January 18, 2023.

Spotlight

Engaging and voting on executive compensation in EMEA

We look to companies to be transparent on their executive compensation structures and the outcomes they are looking to achieve. It is helpful to our understanding when compensation committees provide detail on how variable pay plans incentivize executives to deliver the firm's strategy. We look to committees to explain the relevance of the performance metrics used and the timeframes over which shareholders should assess outcomes.

Due, in part, to the Shareholders Rights Directive II (SRDII),[1] we have recently found that a number of European companies have taken steps to address shareholder concerns around the structure and transparency of their remuneration policies. While remuneration remains a governance concern in the EMEA region, BIS' vote decisions against management's compensation-related resolutions decreased in 2023, compared to 2022.

1 SRDII is a legally binding regulatory act which amended a previous EU Shareholder Rights Directive, introducing new transparency obligations and disclosure requirements to institutional investors and asset managers. Its goal is to enhance the flow of information across the institutional investment community and to promote common stewardship objectives between institutional investors and asset managers, while improving transparency of issuers, investors and intermediaries.

Case studies

Koninklijke Ahold Delhaize N.V. (Ahold Delhaize)

Background

Ahold Delhaize is a Dutch owner and operator of grocery, pharmacy, retail, and liquor store businesses in 10 countries. BIS has engaged with Ahold Delhaize over several years to encourage alignment of its executive compensation policies and disclosures with the interests of long-term shareholders, such as BlackRock's clients.

At Ahold Delhaize's April 2020 and April 2021 AGM, BIS did not support management's recommendation to approve the prior year's remuneration reports, due to concerns about limited transparency in executive pay policies. Following the 2021 AGM, we engaged with Ahold Delhaize again to share our perspectives around executive remuneration. We were encouraged by the discussion and by the company's intentions, announced ahead of the April 2022 AGM, to increase shareholding requirements of executive officers, rebalance performance-based components of variable pay towards the long-term and to enhance the remuneration disclosures.[2] Informed by this, BIS voted to support the approval of the 2021 remuneration report at the April 2022 AGM.

BIS Activity

Ahead of the company's April 2023 AGM, BIS engaged with members of Ahold Delhaize's board and senior management team to discuss changes to the executive leadership team that were announced in November 2022[3] and January 2023.[4] During the engagements, the company shared that it had taken shareholders' feedback – including BlackRock's – into consideration concerning executive remuneration and enhanced disclosures in preparing the 2022 remuneration report.

At the April 2023 AGM, BIS supported an advisory vote to approve the 2022 remuneration report in recognition of the year-over-year progress that Ahold Delhaize has made in addressing prior shareholder concerns.

Outcome

BIS has been encouraged by Ahold Delhaize's responsiveness to shareholder feedback. We note that the 2022 report discloses several new factors that we find helpful in understanding how the remuneration policy links to shareholder value creation. We also noted an enhanced focus on long-term incentives, with shifts towards variable remuneration. At the company's 2023 AGM, shareholder support for the remuneration report increased from 88.69% the prior year to 94.43%.[5,6]

2 Koninklijke Ahold Delhaize N.V. "Agenda and explanatory notes of the 2022 Annual General Meeting of Shareholder of Koninklijke Ahold Delhaize N.V." March 2, 2022. 3 Koninklijke Ahold Delhaize N.V. "Ahold Delhaize announces retirement of Kevin Holt, CEO, Ahold Delhaize USA at the 2023 Shareholder Meeting; JJ Fleeman, President of Peapod Digital Labs, to be nominated as CEO of Ahold Delhaize USA." November 15, 2022. 4 Koninklijke Ahold Delhaize N.V. "Chief Financial Officer Natalie Knight to leave Ahold Delhaize." January 10, 2023. 5 Koninklijke Ahold Delhaize N.V. "General Meeting of Shareholders: Resolutions taken April 13, 2022." 6 Koninklijke Ahold Delhaize N.V. "General Meeting of Shareholders: Resolutions taken April 12, 2023."

Evotec SE (Evotec)

Background

Evotec is a German drug discovery and development company with global operations.

At Evotec's June 2021 AGM, BIS did not support the forward-looking remuneration policy and the discharge of the supervisory board, due to our concerns that the structure of the plans was not aligned with investors' long-term financial interests.

BIS Activity

Following the 2021 AGM, BIS engaged with Evotec's corporate leadership, where we sought to better understand the company's approach to executive compensation.

We noted encouraging steps under the updated remuneration policy that was submitted for shareholder vote in 2022, including discontinuing a discretionary incentive plan and extending the performance period under the LTIP.

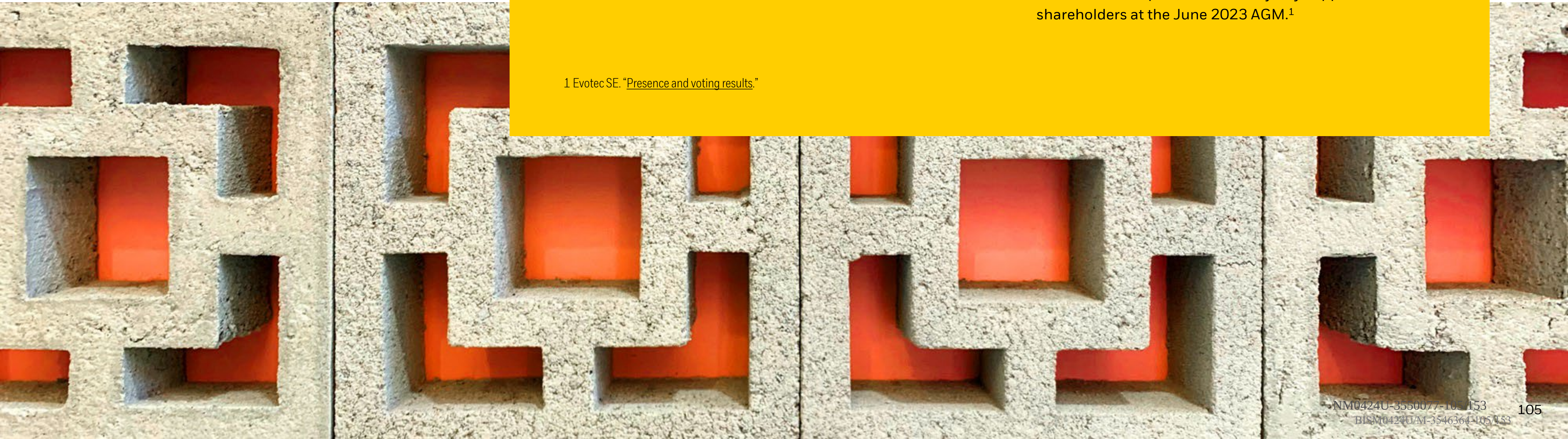
While the 2022 remuneration report continued to include discretionary awards to key executives, in our engagements, the company clarified that this was due to commitments predating approval of the 2022 policy and would no longer be in effect after the June 2022 AGM.

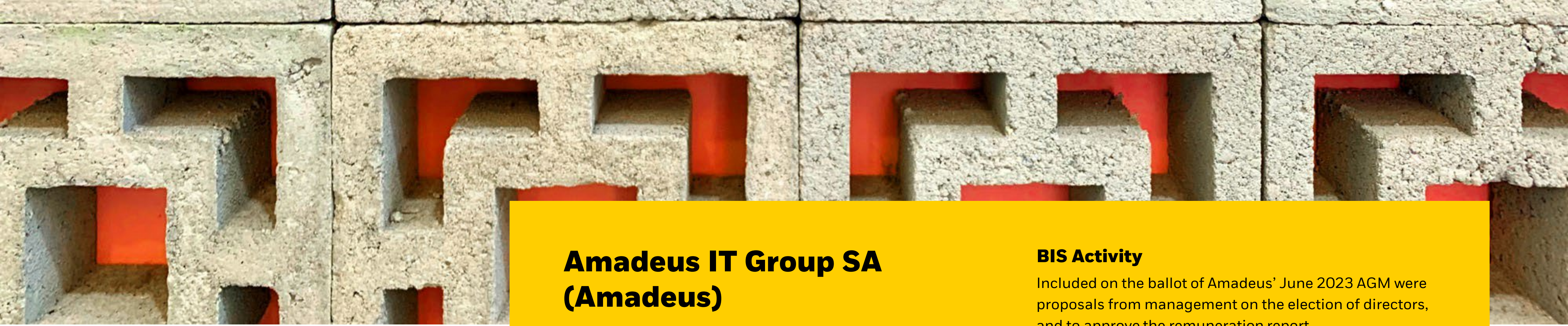
As a result of these actions and given this context, BIS voted in support of all management recommendations at the June 2023 AGM.

Outcome

All items, including the approval of the 2022 remuneration report, received majority support from shareholders at the June 2023 AGM.[1]

1 Evotec SE. "Presence and voting results."





Amadeus IT Group SA (Amadeus)

Background

Amadeus is a Spanish technology company which develops and distributes software for the global travel industry.

At Amadeus' June 2021 AGM, BIS did not support the remuneration report, or the election of members of the remuneration committee, due to concerns over midcycle adjustments made to the LTIP despite missing performance targets.

Following the 2021 AGM, Amadeus enhanced its remuneration disclosure, made certain adjustments to its short- and long-term incentive plans, and decided to "forego the use of any discretion over the 2021 Annual Bonus and the Performance Share Plan cycles for 2019-2022 and 2020-2023."[1]

BIS voted in support of the remuneration report and election of directors at the June 2022 AGM.

BIS Activity

Included on the ballot of Amadeus' June 2023 AGM were proposals from management on the election of directors, and to approve the remuneration report.

As we have continued to observe encouraging improvements, BIS voted in support of both the approval of the remuneration report, and of the election of members of the compensation committee to the board.

Outcome

We are encouraged by Amadeus' responsiveness to shareholder concerns on executive compensation, reflected in 92.9% shareholder support for the remuneration report.[2]

1 Amadeus IT Group. "Directors' Remuneration Report 2021." Page 4. 2 Amadeus IT Group. "Results of the General Shareholders Meeting 2023."

Spotlight

Observations on executive compensation in APAC

As in other markets, we look to companies in APAC to align their pay practices with the interests of long-term shareholders. In certain APAC markets, such as Australia, India, and Japan, shareholders have the right to vote on compensation related matters. While we note that the levels of executive compensation at most Asian companies are not particularly controversial, we do continue to encourage disclosure on performance metrics and the structure of equity-based incentive schemes.

In 2023, however, BIS noted an uptick in practices we did not find were aligned with our clients' economic interests, including in Australia and India. The following are examples of our engagement and voting on executive compensation in these markets during 2023.

Voting on executive compensation in the Australian market

In Australia, "Say on Pay" resolutions are advisory only. However, since 2011, companies listed on the Australian Securities Exchange (ASX) have been subject to provisions that allow shareholders to escalate concerns on compensation-related matters.[1] Included in these provisions is the "two strikes" rule, which mandates that, if a company's remuneration report receives 25% or more "no" votes at two consecutive AGMs, shareholders may then vote on a resolution to hold a special meeting to re-elect the company's directors within 90 days of the last AGM (a "spill" resolution).[1]

In 2023, we noted that there was a considerable increase in shareholders voting against Say on Pay resolutions, with "first strikes" increasing from 22 in 2022 to a record high of 41 in 2023.[2]

Shareholder dissent reached significant levels – ranging from 73% to 83% – at **Lovisa Holdings Limited (Lovisa)**,[3] **Link Administration Holdings Limited (Link Group)**,[4] **Qantas Airways Ltd. (Qantas)**,[5] and **Harvey Norman Holdings Limited (Harvey Norman)**.[6] This was the first strike at Qantas and Harvey Norman, but the third consecutive strike since 2021 at Lovisa and Link Group.[7]

BIS did not support the remuneration reports at these companies' November 2023 AGMs as, in our assessment, their compensation policies were not aligned with the long-term financial interests of their shareholders, including BlackRock's clients.

BIS will continue to track developments in the Australian market and encourage companies to consider the level of shareholder support on relevant proposals at previous shareholder meetings to better align pay with the long-term financial interests of shareholders.

1 Parliament of Australia. "Executive remuneration: a quick guide," September 13, 2022. 2 Guerdon Associates. "Highest Number of Remuneration Reports 'Strikes' on Record." March 3, 2024. 3 Lovisa Holdings Limited. "Results of 2023 Annual General Meeting." November 22, 2023. 4 Link Administration Holdings Limited. "Results of 2023 Annual General Meeting," November 28, 2023. 5 Qantas Airways Limited. "Results of 2023 Annual General Meeting – Proxy Voting Percentage Correction." November 3, 2023. 6 Harvey Norman Holdings Limited. "Results of Annual General Meeting 2023," November 29, 2023. 7 Note: a spill resolution is only required after every second consecutive strike. For further reading please see: Federal Register of Legislation: "Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011." June 27, 2011.

Bharti Airtel Limited (Bharti Airtel)[1]

Background

Headquartered in India, Bharti Airtel is a global communications solutions provider with customers in 17 countries across South Asia and Africa. The company is India's largest integrated communications solutions provider and the second largest mobile operator in Africa.[2,3]

BIS has had multiyear engagements with Bharti Airtel, covering topics including executive compensation, company strategy, and capital raising. Our most recent engagements have focused on understanding the approach to the Chairman's compensation. We expressed concern about compensation disclosures, as well as the structure of the overall package and that a significant portion of his pay is not subject to shareholder approval.

In 2020, due to the pandemic and other challenges the company faced, the Chairman's compensation from the company decreased, although his pay out was unchanged as the reduction from Bharti Airtel was made up by a fully-owned UK subsidiary, Network i2i (UK) Limited (Ni2i).[4]

At the time, the company did not seek shareholder approval for the Chairman's pay being supplemented by the subsidiary.[5] At its 2023 AGM, Bharti Airtel sought shareholder approval to substantially increase the Chairman's annual compensation.[6]

BIS Activity

We continued to be concerned about the company's approach to the Chairman's compensation. In addition to the supplementary payment in 2020, the company did not initially disclose a related increase in the supplement from Ni2i paid in 2022, only doing so in its notice for the 2023 AGM. It was unclear in the notice whether the compensation paid by Ni2i would continue and could potentially increase in the future.

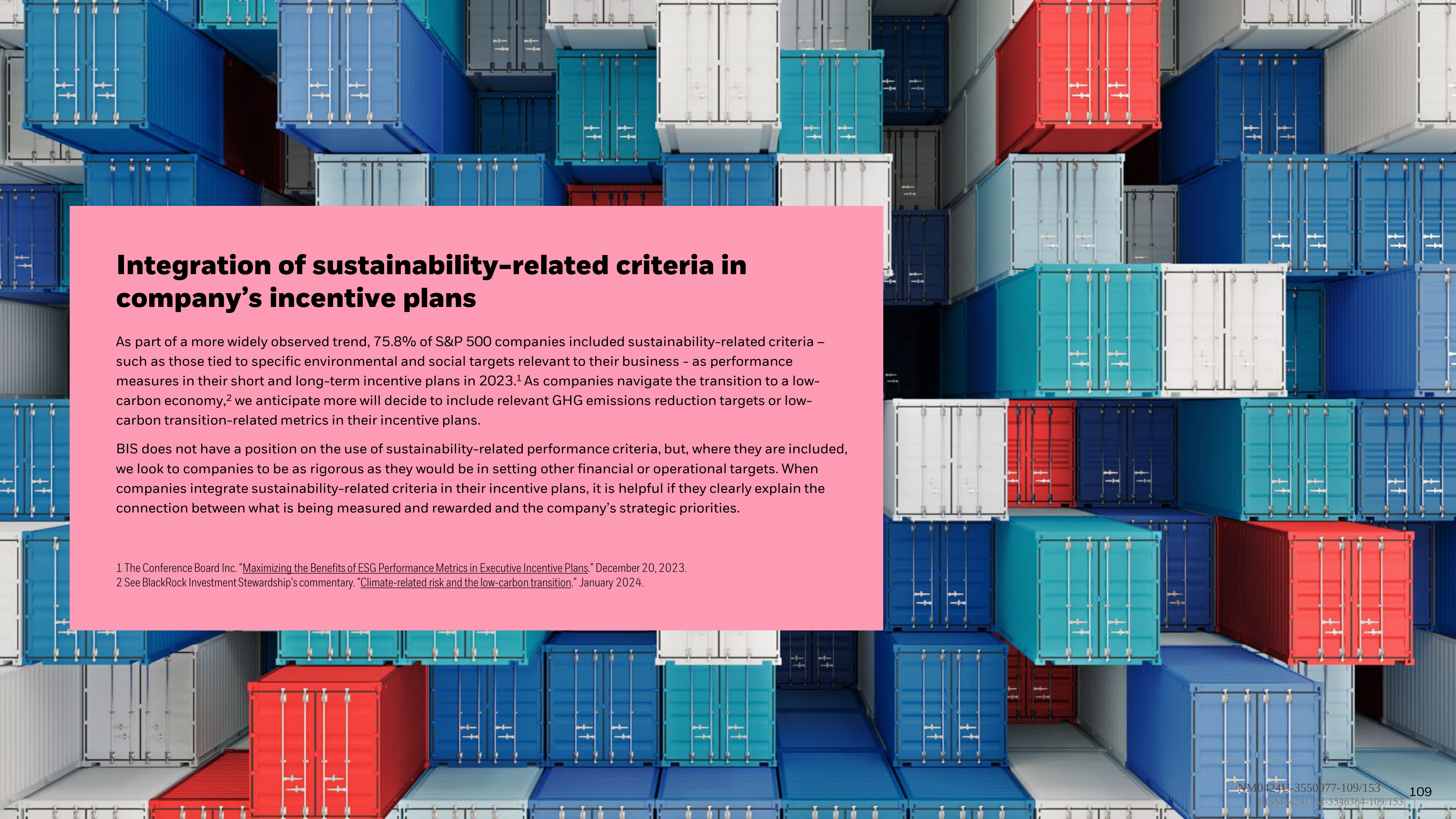
We were concerned that a significant portion of the Chairman's total compensation does not need to be disclosed to or approved by shareholders, which gives the company significant discretion to increase his pay without regard to the alignment with shareholders' long-term financial interests.

BIS engaged with the company to confirm that our assessment was accurate and to express our concerns about the lack of transparency. As a result of our continuing concerns, we did not support the resolution to increase the Chairman's compensation at the August 2023 AGM.

Outcome

The resolution passed, although we note that 26% of shareholders unaffiliated with the company did not support increasing the Chairman's compensation.[7]

1 Consistent with BIS' policy on managing conflicts of interest, vote recommendations at Reliance Industries Ltd.'s 2023 shareholder meetings were outsourced to the independent third-party voting service provider. To learn more about our policy, please refer to our commentary, "How BlackRock Investment Stewardship manages conflicts of interest." 2 Bharti Airtel. Media Release June 30, 2023. 3 Bharti Airtel. FY2022-23 Annual Report. Page 395-6. 4 Bharti Airtel. Notice of Annual General Meeting. 5 The disclosure of compensation paid by a subsidiary is not required by the Securities Exchange Board of India (SEBI), so is done at the company's discretion. 6 Exchange rate as of August 24, 2023, the date of Bharti Airtel's AGM, i.e. 1USD/82.57INR, 1USD/1.26GBP. 7 Bharti Airtel, "Outcome of 28th Annual General Meeting," August 24, 2023. The 26% figure is based on a calculation combining the votes of public institutions and public non-institutions.



Integration of sustainability-related criteria in company’s incentive plans

As part of a more widely observed trend, 75.8% of S&P 500 companies included sustainability-related criteria – such as those tied to specific environmental and social targets relevant to their business - as performance measures in their short and long-term incentive plans in 2023.[1] As companies navigate the transition to a low-carbon economy,[2] we anticipate more will decide to include relevant GHG emissions reduction targets or low-carbon transition-related metrics in their incentive plans.

BIS does not have a position on the use of sustainability-related performance criteria, but, where they are included, we look to companies to be as rigorous as they would be in setting other financial or operational targets. When companies integrate sustainability-related criteria in their incentive plans, it is helpful if they clearly explain the connection between what is being measured and rewarded and the company’s strategic priorities.

1 The Conference Board Inc. “Maximizing the Benefits of ESG Performance Metrics in Executive Incentive Plans.” December 20, 2023.
2 See BlackRock Investment Stewardship’s commentary. “Climate-related risk and the low-carbon transition.” January 2024.

Climate and natural capital

While companies in various sectors and geographies may be affected differently by climate-related risks and opportunities, the low-carbon transition is an investment factor that can be material for many companies and economies around the globe.[1]

Our role is to help our clients navigate investment risks and opportunities; it is not our role to engineer a specific decarbonization outcome in the real economy. In this role, we find it helpful to hear from the companies in which we invest for our clients about the impact material climate-related risks and opportunities, including those related to the low-carbon transition, are expected to have on their long-term strategies and business models.

We engage on this topic because the way in which companies navigate material climate-related risks and adapt through the low-carbon transition may have a direct financial impact on our clients' investment outcomes and financial well-being. We seek to understand, from company disclosures and engagement, the strategies companies have in place to manage material risks to, and opportunities for, their long-term business models associated with a range of climate-related scenarios, including a scenario in which global warming is limited to well below 2°C, considering global ambitions to achieve a limit of 1.5°C.

It is the role of the board and management to set and implement a company's long-term strategy to deliver long-term financial returns. When discussing climate- and transition-related risks with companies, we take into consideration the reality that the low-carbon transition presents different challenges and potential rates of change for companies across sectors and markets. With this in mind, we focus our conversations where the transition is most likely to materially impact a company's long-term financial performance.

The BIS Climate Focus Universe includes more than 1,000 companies, representing approximately 80-90% of the global scope 1 and 2 greenhouse gas (GHG) emissions of our clients' aggregate public equity holdings with BlackRock.[2] The universe is based on public information.

1,402

engagements

As an asset manager, BlackRock's approach to climate-related risks, and the opportunities presented by the low-carbon transition, is based on our fundamental role as a fiduciary to our clients. BIS engages with companies to better understand their approach to, and oversight of, material climate-related risks and opportunities. For companies with material natural capital-related impacts and dependencies, we engage to understand how these are managed in the context of their business model and sector. Learn more about our approach to climate risk here and to natural capital here.

Source: BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023 through December 31, 2023. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

1 We recognize that companies in different markets are adapting to the low-carbon transition in varying contexts as a result of differences in the current government policy landscape. For example, the Inflation Reduction Act in the U.S. is creating significant opportunities for investors to allocate capital to the low-carbon transition. This legislation commits an estimated U.S. $369 billion for investment in energy security and climate change mitigation. The European Union (EU) and European governments are also developing incentives to support the transition to a net zero economy and drive growth. Please also see, BlackRock Investment Institute, "Mega forces: An investment opportunity," 2023. 2 Based on MSCI data as of February 15, 2024. The Universe also includes some companies which face material climate-related risks and opportunities where scope 3 emissions are the largest component of their overall emissions, such as those in the financial services sector.

How we engage with companies on the low-carbon transition

Companies determine the best approach for addressing the material climate-related risks and opportunities, if any, given their business models, sectors, and areas of operations. In our engagement conversations with company leadership, we seek to understand, where relevant, whether and how:

- The board and management assess material climate-related risk and opportunity relevant to the company's strategy and operations and how this may impact the company's long-term performance, as well as the key assumptions being relied on such as evolving technology.
- The board and management consider shifting demand for goods and services due to changes in regulation, technology, and/or consumer preferences that may result from the low-carbon transition.
- The company measures its current emissions baseline, sets short-, medium-, and long-term science-based emissions reduction targets, where available, and evaluates resilience to scenarios, including a range of pathways to a low-carbon economy.[1]
- The company executes year-on-year, or over a series of years, against its stated emissions reduction goals and other climate-risk related efforts, and, where there are deviations from such goals, the company sets out the reasons for the deviations.
- The company incorporates climate-related risk and opportunities in its capital allocation decisions, and how related investments support the long-term economic interests of shareholders.
- The company considers and, if relevant, quantifies, and accounts for material climate-related risks in its financial statements, including if the company explains such risks within the context of its audit report and/or as part of the company's strategic planning and performance outlook.

We recognize that the role companies play in the low-carbon transition will be dependent on a range of stakeholders, including policymakers and consumers. Other potential drivers of the transition include market forces and supply and demand—with consideration to the global economy's current dependence on traditional energy sources and the parallel investments in cleaner energy alternatives and other technologies. In our engagements we may also discuss how companies see their role in balancing the competing interests of policymakers and consumers in connection with the low-carbon transition, such as energy security, energy affordability, decarbonization, and minimizing dislocation.

1 BIS generally considers short-, medium-, and long-term targets to be a range of years, such as 0-5, 5-10, and 10+ years. Our goal is not to set finite timelines, but to understand how companies consider emissions reduction efforts over the years as they transition toward net zero. Consistent with guidance from TCFD, specifying exact timeframes across sectors could hinder organizations' consideration of material climate-related risks and opportunities specific to their businesses. We encourage companies to decide how to define their own timeframes according to the life of their assets, the profile of the climate-related risks they face, and the sectors and geographies in which they operate.

Assessing companies' long-term resilience through disclosures on material climate-related risks and opportunities

In this context, we encourage companies to publicly disclose, consistent with their business models and sectors, how they intend to deliver long-term financial performance through a transition to a low-carbon economy, including, where available, their transition plan.[1] The International Sustainability Standards Board (ISSB) standards, IFRS S1 and S2,[2] provide companies with a useful guide to prepare this disclosure. The standards build on the Task Force on Climate-related Financial Disclosures (TCFD) framework and the standards and metrics developed by the Sustainability Accounting Standards Board (SASB), which have converged under the ISSB.[3, 4] We note that climate-related financial disclosures will soon become mandatory in a number of jurisdictions.[5]

We recognize that companies may phase in reporting aligned with the ISSB standards over several years, depending on local requirements. We also recognize that some companies may report using different standards, which may be required by regulation, or one of a number of voluntary standards. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

The following case studies illustrate how we engaged with companies - representing multiple regions and sectors - that have identified climate risk as material to their business models. In our engagements, we discussed how they are managing and disclosing the material risks and positioning their businesses for future growth.

1 We have observed that more companies are developing such plans, and policymakers in a number of markets are signaling their intentions to require them. We view transition plans (TPs) as a method for a company to both internally assess and externally communicate long-term strategy, ambition, objectives, and actions to create financial value through the global transition towards a low-carbon economy. While many initiatives across jurisdictions outline a framework for TPs, there is no consensus on the key elements these plans should contain. We view useful disclosure as that which communicates a company's approach to managing financially material, business relevant risks and opportunities – including climate-related risks – to deliver long-term financial performance, thus enabling investors to make more informed decisions. 2 The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The objective of IFRS S2 Climate-related disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. 3 The IFRS has assumed responsibility for monitoring companies' climate-related financial disclosures from the TCFD, which was disbanded in October 2023. The IFRS S2 Climate-related disclosure standard builds on the four pillars and 11 recommendations of the TCFD, but has additional requirements. For more information, please see, IFRS. "Comparison IFRS S2 Climate-related Disclosures with the TCFD Recommendations," July 2023. 4 For more information, please see, IFRS, "Comparison IFRS S2 Climate-related Disclosures with the TCFD Recommendations," July 2023. 5 For example, in the EU, the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) have passed, and other markets, including the UK, Australia, Singapore, Japan, and Canada, are consulting on their proposals to introduce disclosure requirements.

Case studies

Kumho Petrochemical Co., Ltd. (Kumho Petrochemical)

Background

Kumho Petrochemical is a multinational petrochemical company based in South Korea, with a primary focus on manufacturing synthetic rubbers. The company has identified increasing customer demand for low-carbon products, as well stricter carbon emissions regulation given the country's 2030 Nationally Determined Contributions (NDC), as significant transition risks to its business. At the same time, it recognizes that increased demand for eco-friendly products and market expansion can represent business opportunities.[1]

BIS Activity

To better understand how the company plans to remain competitive in light of these self-identified risks and opportunities related to the transition, BIS has engaged with senior management for several years, including meeting with the CEO and CFO in 2023 to discuss the company's corporate governance practices, the developments in climate-related reporting, and its recent climate risk-related plans for 2024.

Outcome

Over the past few years, Kumho Petrochemical has strengthened its approach to material climate-related risks and opportunities. In 2021, the company established a board-level committee to oversee climate-related risks. In the following year, the company started to disclose scope 1 and 2 emissions and medium- and long-term emissions targets for carbon neutral growth. In the latest sustainability report, released in 2023, the company also announced that it had established a framework to identify business relevant environmental and social risks when evaluating investment decisions.[2]

BKW AG (BKW)

Background

BKW is a Swiss energy and infrastructure company. Over the years, the company has publicly stated that a three-pillar strategy, consisting of "Energy, Grid and Services,"[3] underpins BKW's growth path and uniquely positions it to navigate the low-carbon transition with limited downside risk. Compared with its European peers, however, BKW AG's disclosures did not provide sufficient information for investors to understand how the company plans to mitigate the risk posed by a transition to a low-carbon economy, whilst delivering long-term financial value.

1 Kumho Petrochemical. "Sustainability Report 2022." 2 Kumho Petrochemical. "ESG Policy and Guideline." 2023. 3 BKW AG. "About us."

BIS Activity

At BKW's May 2023 AGM, BIS did not support the election of the board chair due to continued concerns about the company's lack of climate-related disclosure on a material business risk. BIS raised similar concerns at BKW's 2022 and 2021 AGMs.

Outcome

In 2024, the company enhanced its disclosure to begin aligning with the recommendations of the TCFD, noting its response to forthcoming regulatory requirements related to climate disclosures.

Freeport-McMoRan Inc. (Freeport-McMoRan)

Background

Freeport-McMoRan is a U.S.-based mining company and is one of the world's leading copper producers. With the growth forecast in renewable power, EVs, and battery storage, the demand for copper and other critical minerals is estimated to at least double by 2040.[1] Within this context, the mining sector is poised to play an important role enabling the low-carbon transition. As a result, we seek to understand the strategies these companies have in place to manage material climate-related risks and opportunities.

BIS Activity

BIS engaged with Freeport-McMoRan in 2023 to discuss governance and material sustainability-related risks and opportunities, building upon several years of engagements where we had encouraged the company to enhance its climate-related reporting to enable investors to understand its strategic initiatives.

Outcome

Freeport-McMoRan has made significant improvements since 2020 to its climate-related reporting by aligning it to the recommendations of the TCFD. In 2023, reporting included details on significant investments towards its stated transition strategy, including in process innovations.[1] This has better allowed BIS to understand how the company's focus on new technologies, as well as operational efficiencies, will further enable it to navigate the transition to a low-carbon economy.

1 BlackRock. "The brown to green transition." September 2023.

Engaging with U.S. airlines on physical climate-related risks

In 2023, BIS engaged with various U.S. airlines to discuss how they consider physical climate-related risks to their business models, among other topics. These risks can be driven by extreme weather events or longer-term shifts in climate patterns.[1] Physical climate-related risks may be material for companies through possible direct damage to assets and operations or by disrupting supply chains.[1] The U.S. airline industry, in particular, could be impacted given the large number of airports located next to bodies of water throughout the country, as well as the general impact of weather events on flight routes and broader operations.

In line with the recommendations of the TCFD to evaluate different risks and opportunities that may arise in various climate scenarios, airlines have bolstered their reporting and identified a range of implications across flooding impacts on airports, extreme heat affecting workers and infrastructure, and potential increases in high impact storms. As airlines have long-term capital planning cycles, many investments made today will account for future expectations of the possible impacts of physical climate-related risks and opportunities. From our engagements, BIS learned how U.S. airlines are factoring these risks into their contractual relationships with airports and long-term strategic planning.

1 Taskforce on Climate-related Financial Disclosures. "Recommendations of the Task Force on Climate-related Financial Disclosures: B Climate-Related Risks, Opportunities, and Financial Impacts."

Voting on material climate-related risks and opportunities

We look to boards to oversee management's approach to addressing material climate risk in the company's business model and may signal concerns about board oversight in our voting on director elections when, in our assessment, the board is not acting in shareholders' long-term financial interests.

In 2023, we did not support 212 proposals at 156 companies related to the election or discharge of directors because of concerns regarding inadequate disclosure or effective board oversight of climate-related risks (266 similar proposals at 202 companies in 2022).[1] For perspective, BIS voted on more than 76,700 proposals to elect directors across the world, supporting ~89%.[1] As explained in the "Board quality and effectiveness" section, independence-related concerns remained the primary reason we did not support director elections, globally.

With regard to shareholder proposals addressing climate-related risks, our voting decisions reflected a number of factors at play in 2023. Many proposals requested actions or disclosures by a company that were not consistent, in our view, with our clients' long-term financial interests.

There were several types of prescriptive outcomes sought such as changes to a company's long-term strategy or asset mix. These proposals generally attracted low levels of investor support.

There were cases where both a management and shareholder proposal on a company's approach to addressing the business impacts of a transition to a lower carbon economy were on the ballot. BIS – as well as the broader market – tended to support the management proposal, as it generally demonstrated that the company had oversight of, and a process in place to manage, material climate-related risks and opportunities. These management proposals were more prevalent in Europe, where companies have continued to introduce management proposals to approve their climate action plans or progress reports, sometimes known as "Say on Climate." Through these proposals, companies have an opportunity to seek investor feedback as they aim to balance the need to contribute to energy security and affordability with the management of climate-related risk in their business models and the risks and opportunities of the low-carbon transition. Say on Climate proposals have typically been met with high shareholder support.

BIS voted on 36 Say on Climate resolutions or similar – 29 proposed by management and seven by shareholders. BIS supported management on 33 of these proposals in 2023 (26 proposed by management and on all seven proposed by shareholders).[2]

For example, the agenda for Holcim Ltd.'s (Holcim) May 2023 AGM included a management-proposed advisory vote on the company's climate report. BIS supported the advisory vote on the Swiss building materials company's climate report. In our view, the climate report warranted support given the company continued to enhance its climate-related disclosures and delivered on its stated action plan over the past year. In addition, Holcim determined to have its 2030 targets for GHG emissions reductions validated by a third party.

We note further that Holcim has disclosed actions aligned with its stated climate plans, including a commitment to invest CHF 2 billion (approximately $2.3 billion) in Carbon Capture Utilization and Storage (CCUS) by 2030. Notably, Holcim is one of the first cement companies to have SBTi validation across scopes 1, 2 and 3 to 2030.[3] The proposal received over 95% shareholder support.[4]

1 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. 2 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Votes "for" include abstentions. 3 Science Based Targets initiative, "Cement sector's first 1.5°C science-based targets." November 11, 2022. 4 BlackRock, ISS.

Globally, BIS supported 10 out of the 159 shareholder proposals on climate and natural capital that we voted on (~6%).[1] BIS did not support shareholder proposals that were overly prescriptive or unduly constraining on management, that lacked economic merit, or made asks that the company already fulfills.

1 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023 through December 31, 2023. Reflects vote instructions on shareholder proposals per BIS' proposal taxonomy. Votes "for" include abstentions. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market.

Types of prescriptive outcomes sought in climate-related shareholder proposals that BIS did not support in 2023

Prescriptive outcome	Examples
1. Ceasing providing finance and/or insurance underwriting to traditional energy companies	Multiple proposals at financial companies, including: Danske Bank A/S in Europe; The Goldman Sachs Group, Inc., in the U.S.; National Australia Bank Limited, Westpac Banking Corporation, and Mizuho Financial Group, Inc., Mitsubishi UFJ Financial Group, Inc. and Sumitomo Mitsui Financial Group, Inc. in Japan.
2. Publishing a report or plan on decommissioning the assets of traditional energy companies.	ExxonMobil Corporation, Imperial Oil Limited, Marathon Petroleum Corporation in the U.S.; and Woodside Energy Group Ltd and Santos Limited in Australia.
3. Requiring that companies align their business models to a specific scenario or set absolute emissions reduction targets.	Multiple proposals at public companies globally, including Chevron Corporation, ExxonMobil Corporation, The Goldman Sachs Group, Inc., KLA Corporation in the U.S.; Danske Bank A/S in Denmark; Total Energies SE in France; Mitsubishi Corporation, Mizuho Financial Group, Inc., Mitsubishi UFJ Financial Group, Inc., Sumitomo Mitsui Financial Group, Inc., Tokyo Electric Power Co. Holdings Inc., and Chubu Electric Power Co., Inc. in Japan.
4. Changing articles of association or corporate charters to mandate climate risk reporting or voting.	Santos Limited, Whitehaven Coal Limited, and Woodside Petroleum Limited in Australia; and Toyota Motor Corporation in Japan.

Our approach to understanding material nature-related risks and opportunities

The management of material nature-related risks and opportunities is a component of the ability to generate long-term financial returns for companies whose strategies or supply chains have material impacts or dependencies on natural capital. For these companies, we look for disclosures to assess risk oversight and to understand how nature-related considerations are integrated into the company's strategy and risk management processes.

While natural capital is a broad term, we focus on three key components — land use and deforestation, water, and biodiversity — which can affect the long-term financial returns of companies with material exposure.[1]

Land use and deforestation.

Given the growing pressures impacting land and forests from which many companies derive their products and services, companies with material impacts and dependances on land and forests may face financial risks associated with the depletion of these resources.

Water.

Companies for which water is essential to their business operations may be required to demonstrate that they use this scarce natural resource efficiently.

Biodiversity.

Biodiversity loss can pose financially material risks to companies in certain sectors.

Reporting on natural capital impacts and dependencies

We find it helpful when disclosures include a discussion of material natural capital risks and opportunities in the context of a company's governance, strategy, risk management, and metrics and targets. This information could be augmented with an evaluation of the business impacts of potential, or unpredictable, changes in the availability of critical natural resources. It is also helpful to hear from companies about how they manage natural capital dependencies and impacts in the context of their value chains.

While nature-related disclosures have historically been limited and difficult to compare across companies, private-sector initiatives, such as the Taskforce on Nature-related Financial Disclosures (TNFD),[2] provide frameworks to guide disclosure on material, nature-related impacts and dependencies, alongside associated risks and opportunities, consistent with the TCFD framework and the approach of the ISSB. In our view, the final recommendations of the TNFD may prove useful to some companies as they build or improve their reporting over time, although we recognize that some companies may report using different guidance.

1 Please note, this summarizes our views and the full commentary on our approach to engagement on natural capital should be read for the full explanation of our approach. 2 The TNFD released its final recommendations in September 2023.

Case study

ASM International NV (ASMI)

Background

ASMI is a Netherlands-based company which is a major supplier of wafer processing equipment to semiconductor manufacturers. The company faces material water-related risks given that its water withdrawal operations are in regions exposed to high water stress.[1]

ASMI's main water consumption stems from its research and development labs. However, given the potential risks to the company's operations and reputation from its significant water usage in high water stressed regions, it has taken action to reduce the consumption of water or improve the reusability of water through equipment, system, or operational enhancements. This decision followed water audits on key engineering sites that the company undertook.

BIS Activity

BIS engaged with ASMI in 2023 to discuss the company's approach to managing material natural capital-related risks and its efforts to re-use water, where possible. This is particularly important given the company's absolute water consumption increased due to operation expansions as a result of higher demand for its products.

Outcome

The company identified water risk as one of the five most "relevant hazards" when analyzing the physical risks under the TCFD framework.[2] BIS notes the company's disclosure efforts and appreciates the ongoing dialogue to further understand its water management approach to support continued operational efficiency in high-water stress areas.

1 World Resources Institute. "Aqueduct Water Risk Atlas." October 6, 2021. The three largest engineering centers in South Korea, Japan, and Phoenix, Arizona in the US, accounted for 69% of the company's water consumption in 2021; they are all located in medium-high or extremely high water-stressed regions. ASM International NV (ASMI). "Sustainable Operations." 2023. 2 ASM International NV (ASMI). "Annual Report 2022." March 2, 2023.

Natural capital-related shareholder proposals

BIS observed a variety of shareholder proposals related to natural capital in 2023, including requests for increased disclosure on water risks, plastics use, and sustainable material sourcing. As with climate-related proposals, those that we supported addressed, in our assessment, gaps in a company's approach to material nature-related risk in their business model or asked for additional disclosures that would allow investors to better assess how the company is managing these risks and opportunities.

Case study

Westlake Corporation (Westlake)

Background

Westlake is a U.S.-based global manufacturer and supplier of materials and essential products used in everyday products.

Westlake has identified tightening regulation on the use of plastics as a material risk for the company given the potential impacts on demand for its polyethylene products.[1]

The agenda for Westlake's May 2023 AGM included a shareholder proposal requesting that the company prepare a report discussing how it "could shift its plastic resin business model from virgin to recycled polymer production as a means of reducing plastic pollution of the oceans."[2]

BIS Activity

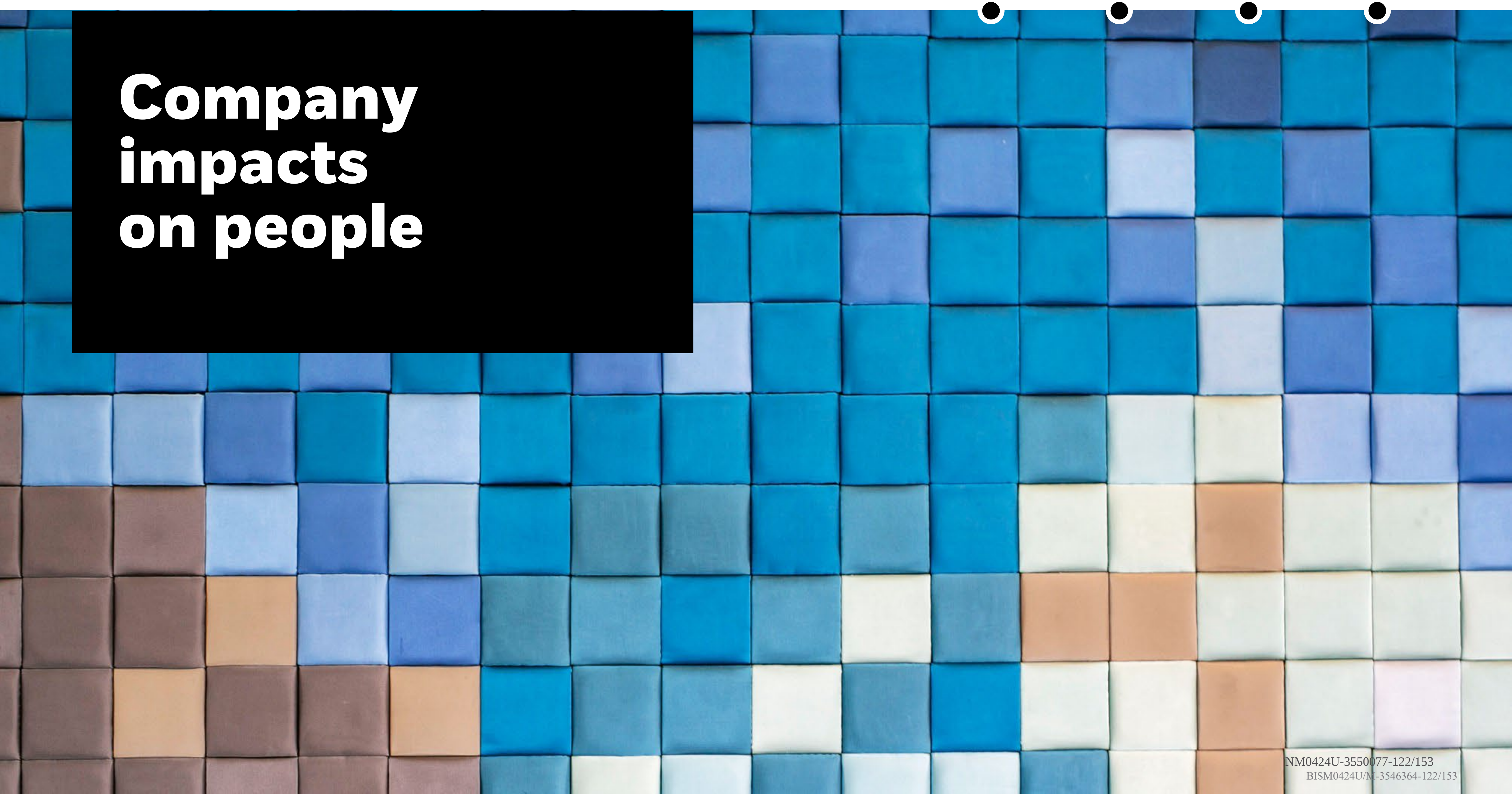
BIS supported the shareholder proposal. In our view, additional information on how the company is overseeing potential financial impacts of regulations banning single use plastics,[3] alongside evolving consumer preferences would help shareholders better assess the investment risks and opportunities associated with polymer production.

Outcome

In part as a result of the company having a controlling shareholder,[4] the proposal received 9% support (but approximately 39% support from unaffiliated investors).[5]

1 Westlake Corporation. "Form 10-K." March 31, 2023. 2 Westlake Corporation. "Notice of Annual Meeting of Stockholders." March 31, 2023. 3 Westlake Corporation. "Form 10-K." March 31, 2023. 4 Source: ISS. The Chao family, through TTWF LP and TTWFGP LLC, beneficially own 72.5% of Westlake's shares. 5 Source: BlackRock, ISS.

Company impacts on people



Human capital can be defined as “the knowledge, skills and health that people invest in and accumulate throughout their lives, enabling them to realize their potential as productive members of society.”[1] From a corporate perspective, human capital management (HCM) is the approach that companies take to harness these contributions in their workforce.[2] This approach may vary across sectors and geographies, as well as over time, but is an important factor in business continuity, innovation, and success for all companies.

In our experience, companies that invest in the relationships that are critical to their ability to meet their strategic objectives are more likely to deliver durable, long-term financial performance. By contrast, poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks.[3] This is particularly the case with regard to a company’s workforce, as a significant number of companies acknowledge the importance of their workers in creating long-term financial value.[4] As a result, many companies and investors consider robust HCM to be a means through which to achieve a competitive advantage. Companies need to be able to attract, retain, and develop workers with the skills and expertise necessary to execute their long-term strategy, meet the needs of their customers and others in their value chain, and deliver financial returns for shareholders.

For more information about BIS' approach to engaging companies on material HCM risks and opportunities, please see our commentary.

How we engaged with companies on their potential impacts on people in 2023

In 2023, we held 1,353 engagements with 1,116 companies to deepen our understanding of how they are monitoring and managing their impacts on people.[5]

In our engagements, BIS primarily focused on understanding a company’s approach to HCM. For example, we engaged with a number of companies globally to further our understanding of the effectiveness of boards and management in ensuring a company has the workforce necessary for delivering long-term financial performance. We also engaged on material workforce-related risks and opportunities, including those related to working conditions for employees that promote safety and health, responsible supply chain management, and the prevention of child/forced labor.

1,353

engagements

BIS engages with companies to understand the effectiveness of boards and management in ensuring a company has the workforce necessary and human rights practices in place for delivering long-term financial performance.

Source: BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Most engagement conversations cover multiple topics. Our engagement statistics reflect the primary topic discussed during the meeting.

1 As defined by the World Bank’s “Human Capital Project.” Source: The World Bank. “The Human Capital Project: Frequently Asked Questions.” October 3, 2022. 2 Bernstein, A., and Beeferman, L. “Corporate Disclosure of Human Capital Metrics.” Pensions and Capital Stewardship Project Labor and Worklife Program. Harvard Law School. October 19, 2017. 3 Specifically, breaches in international standards such as the UN Guiding Principles on Business and Human Rights (UNGPs) (2011) and the Organization for Economic Cooperation and Development’s (OECD) global standards for promoting responsible business conduct (updated in 2023). 4 This perspective is also backed by research, for example: Fedyk, A and Hodson, J. “Trading on Talent: Human Capital and Firm Performance.” Review of Finance, forthcoming. October 15, 2022. 5 BlackRock. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023

Spotlight

Engaging on employees' health and safety in the industrials and materials sector

For companies in the industrials and materials sectors – where employees may be exposed to high-risk environments – our engagements often touch on companies' approach to occupational safety. Companies that experience poor safety performance may see increased regulatory action, costs to affected employees, legal and reputational risks, and may struggle to attract talent, among other risks. For example, one study found that in the U.S., the top 10 causes of workplace injuries cost businesses more than $1 billion per week.[1]

In these conversations, BIS seeks to understand how a company evaluates and develops its safety culture, how the board oversees this topic, and the metrics and targets used to measure safety outcomes. BIS may focus on specific incidents and the company's response, including any considerations of enhancing governance mechanisms to mitigate health and safety risks. Additionally, BIS may engage on ongoing practices and priority areas within a company's safety strategy.

The following are examples of the insights BIS gained through our engagement in 2023:

- **Identifying gaps to improve training and policies.** BIS consistently heard that safety is a continuous learning practice. For example, a Canadian copper ores company shared a new program where employees complete a questionnaire assessing mental, physical, and socio-economic factors that can affect daily readiness to perform in high-risk environments. Another Canadian railway company noted that its training campus utilizes technologies to simulate different weather conditions that operators may experience out in the field.
- **Assessing the effectiveness of health and safety policies for subcontractors.** Companies that utilize subcontractor labor shared different approaches in mitigating risks within this group, including turnover. In our engagement, a US chemicals company noted that a strong focus on safety with their subcontractors created a reciprocal relationship where those workers would indicate strong preferences to work on their sites.

1 Liberty Mutual Insurance. "2022 Workplace Safety Index."

- **Utilizing leading indicators to reduce high-risk exposure.**[1] BIS often heard from companies that leading indicators can help better target certain behaviors and track opportunities to reduce high-risk exposure to serious incidents. BIS learned from one South African mining company that integrating leading indicators has helped the company evolve from a reactionary to a proactive approach.
- **Incorporating safety standards, where material, in executive compensation structures.** BIS observed that, where material, companies have incorporated a safety metric in their bonus compensation program, most commonly a variation of recordable incident rates. BIS finds it helpful when companies explain how those measures and payouts are indicative of the performance that the board is seeking to incentivize. In our engagements, BIS encouraged companies to disclose how remuneration committees consider the company's broader safety performance, including fatalities, when assessing a formulaic outcome under a safety-related metric in a bonus plan. BIS also observed that some companies proactively articulated guardrails that the board would consider when evaluating bonus payouts in the event of significant incidents.

Across these conversations, BIS noted that there are opportunities for companies to enhance their disclosures to better inform shareholders how safety-related risks are being identified and mitigated. We find it helpful when companies provide information on the oversight role of board, the frequency and severity of any incidents, the use and definition of leading indicators, as relevant, contractor safety performance, and initiatives to promote the desired safety culture and behavior.

1 Leading indicators refer to metrics that are seeking to measure preventative or proactive behaviors and can highlight potential problems in health and safety programs. These metrics are also often customized to the organization. Lagging indicators measure the occurrence and frequency of incidents that have occurred in the past, such as injuries, illnesses, and fatalities (OSHA).

Market-based economic risks: Labor Organizing

Companies' treatment of and relationship with their workforce have, in a number of markets, been under greater scrutiny in recent years from investors and consumers. Labor strikes, walkouts, and demands for collective bargaining have increased as employees have sought to express their expectations of and concerns with employers around the globe. In 2023, there were 470 work stoppages that engaged approximately 539,000 employees in the U.S. alone.[1]

Strikes generally were attributed with the loss of thousands of jobs in the U.S. in 2023.[2] These disruptions can be particularly costly for companies operating in labor-intensive sectors as food services, transportation, warehousing, and manufacturing – which are globally-connected and feature complex supply chains. For example, one estimate of the impact of the months-long autoworker strikes in the U.S. was that it cost the economy a total of $9 billion.[3] Company management and boards can benefit from monitoring and managing the potential material risks and opportunities presented by heightened employee demands and expectations.

1 Ritchie, K., Kallas, J., & Iyer, D. K. (2024). Labor Action Tracker: Annual Report 2023. ILR School, Cornell University & LER School, University of Illinois. 2 Yahoo! Finance. "Strikes have cost the US economy more than 75,000 jobs this year." November 3, 2023. 3 Fox Business. "United Auto Workers strike: Cost to US economy tops $9 billion." October 23, 2023.

Engaging companies on workplace conditions

Amazon, Inc. (Amazon)

Background

Amazon is an online retailer, media company and technology solutions provider.[4]

The agenda for Amazon's May 2022 AGM included a shareholder proposal requesting that the Board "commission an independent audit and report of the working conditions and treatment that Amazon warehouse workers face, including the impact of its policies, management, performance metrics, and targets."[5]

BIS engaged the company in advance of the AGM and did not support the proposal as, in our assessment, Amazon's "Delivered with Care" report provided investors with sufficient information on the company's approach to working conditions.[6] Specifically, the disclosure discussed Amazon's commitments and existing efforts to improve workplace safety, as well as workforce injury incident rates. At the time, Amazon also was tracking incidents that lead to the most serious injuries to focus greater attention to activities with potentially higher risk. At the May 2022 AGM, the proposal did not pass, receiving 44% investor support.[7]

However, BIS signaled concerns about the responsiveness of the board to a number of broader HCM risks by not supporting the election of the chair of the Leadership Development and Compensation Committee, which is responsible for assessing "programs and practices for attracting, developing, training, and retaining talented employees at all levels, including succession plans for executive officers, and employee compensation and benefits."[8] In BIS' assessment, the company's approach at the time may have created adverse impacts that could expose Amazon to legal, regulatory, and operational risks and potentially jeopardize the company's long-term financial performance.

Amazon's May 2023 AGM agenda included a similar shareholder proposal seeking an audit on working conditions at the company's warehouses and the effectiveness of its policies to address what the proponent alleged was an increase in injuries.

BIS Activity

BIS engaged with the company in 2023, where Amazon highlighted updates stemming from investments made in its facilities safety programs and more robust HCM disclosures in its "Delivered with Care" report. The company reported that its global recordable incident rate improved 30% from 2019 to 2023, while its global lost time incident rate improved 60% over the same period.[9]

Given BIS' assessment that the company's disclosures were sufficiently robust and Amazon reported improved safety statistics, we did not support the working conditions proposal at the May 2023 AGM. BIS voted in line with management on all other proposals.

Outcome

The proposal did not pass as it received 35% support.[10]

4 Amazon Web Services accounted for 15.8% of 2023 revenue and 67% of 2023 operating income. Amazon.com, Inc. "Amazon.com Announces Fourth Quarter Results." February 1, 2024. 5 Amazon.com, Inc., "Notice of 2022 Annual Meeting of Shareholders & Proxy Statement." 6 Amazon.com, Inc. "Delivered with Care: 2022 Safety, Health, and Well-Being Report." May 2022. 7 Securities and Exchange Commission. "Amazon.com, Inc. – Form 8-K." May 25, 2022. 8 Amazon.com, Inc. "Leadership Development and Compensation Committee." 9 Amazon.com, Inc. "Our Safety Performance." 10 Securities and Exchange Commission. Amazon.com, Inc. Form 8-K. May 24, 2023.

Case study

Teleperformance SE (Teleperformance)

Background

Teleperformance, a France-based global digital services company, faced multiple allegations of violating workers' freedom of association rights in several countries at the start of the pandemic. Reportedly, employees protesting workplace health and safety practices at the company were "dismissed in retaliation," resulting in members of UNI Global, a global union based in Switzerland representing the skills and services sectors, raising concerns over the company's approach to COVID-19 risks and working conditions.[1]

As a result, the company faced a review by the Organisation for Economic Co-operation and Development's (OECD) French National Contact Point (NCP).[2] The French NCP recommended that the company strengthen its due diligence and engagement with stakeholders representing workers in order to ensure respect for the right to freedom of association and collective bargaining of workers as provided in the OECD Guidelines.[3]

BIS Activity

Since August 2021, BIS and BlackRock's FAE team held joint engagements with the company. BIS and FAE sought to better understand Teleperformance's approach to revamping their employment practices to reflect the NCP's findings and recommendations. Additionally, we sought to understand how updates to the company's oversight processes would result in better monitoring of material risks and relationships with local unions.

Outcome

The company acknowledged the existence of the controversy in its 2020 and 2021 annual reports and provided details of its resolution. In 2021, the board focused on several priorities, including HCM, and the impact of the pandemic on the company's workforce.[4]

Teleperformance has also disclosed data on the number of complaints made through its internal employee hotline. Furthermore, the company made improvements to monitoring and escalating workplace safety issues in the company and through UNI Global, as an independent third party, to prevent similar breakdowns from occurring in future escalation and process monitoring.

Teleperformance has publicly recognized unions and started implementing global agreements with them in a number of countries including Colombia and Romania.[5,6]

Lastly, Teleperformance publicly committed to comply with the working conditions standards from the UN Global Compact, the Universal Declaration of Human Rights, ILO conventions and OECD guidelines.[7] Teleperformance also addressed the OECD's French NCP's recommendations.[8,9] In December 2022 the OECD NCP published a press release where it noted that the measures put in place by Teleperformance met its recommendations, ending the proceedings against the company.[10] In 2023, Teleperformance was recognized as a Top 5 World's Best Workplaces due to its achievements in "fostering a diverse, inclusive, and fair workplace culture."[11]

1 Investigate Europe. "How a global call centre giant (mis)managed the pandemic." May 7, 2020. 2 National Contact Points (NCP) for Responsible Business Conduct are agencies established by governments with a twofold mandate: promote the OECD Guidelines for Multinational Enterprises, a set of recommendations on responsible business conduct directed at multinational corporations and provide a non-judicial mechanism to resolve cases (known as "specific instances) when responsible business conduct issues arise in a company's operations. To date, 51 governments have an NCP for responsible business conduct. 3 OECD. Guidelines for Multinational Enterprises on Responsible Business Conduct. June 8, 2023. 4 Teleperformance SE. "2021 Integrated Report." 5 Teleperformance SE. "Teleperformance signs agreement with unions in Colombia." April 19, 2023. 6 UNI Global Union. "UNI and Teleperformance Move Forward with Global Agreement in Romania." May 22, 2023. 7 Teleperformance SE. Integrated report 2020. Page 48. February 25, 2021. 8 Ministère de l'Économie, des Finances et de la Souverainteté Industrielle et Numérique Direction générale du Trésor. "Français NCP - Communiqué final TELEPERFORMANCE en France et dans le monde." July 29, 2021. 9 The French NCP made six recommendations to TEP in July 2021 that mainly focused on strengthening its due diligence and engagement with stakeholders representing workers to ensure that workers' rights to association and collective bargaining are respected as set out in the OECD guidelines. 10 Yahoo Finance. "Teleperformance Commended by the OECD French National Contact Point for Implementing Its Recommendations and Maintaining Duty of Care." January 30, 2023. 11 Teleperformance SE. "Relentless for Great Experiences, Teleperformance is Top 5 World's Best Workplaces for 2023." June 12, 2023.

Market-based economic risk: Evolving workforce skills related to innovation and technology

The proliferation of accessibility to AI has attracted the attention of corporations across industries, given forecasts that recent forms of GenAI could boost global GDP by $20 trillion by 2030 and has the potential to save over 300 billion in work hours per year.[1] About 42% of large companies with over 1,000 employees surveyed by IBM in 2023 have actively deployed AI in their business, while an additional 40% are exploring or experimenting with the technology.[2] However, a third of companies surveyed in the report cite limited worker AI skills and expertise as one of the top barriers to full deployment.

The pressure to adopt innovative technologies presents the potential for a significant reshaping of employees' roles and responsibilities. According a survey of businesses in the World Economic Forum's (WEF) The Future of Jobs Report 2023, almost a quarter of jobs globally are expected to change and nearly half of workers' core skills will be disrupted by 2027.[3] Millions of workers around the world could find themselves in a skills gap – inhibiting a smooth transition to new roles in expanding industries, while companies could potentially encounter increased complexities in talent management and recruitment in attempting to fill tech-intensive job functions.

As such, the need to upskill and attain technology-friendly competencies is mutually important for workers and companies alike. The WEF identifies technological literacy and AI/big data proficiency as two of its top ten "skills on the rise."[3] Companies may stand to benefit from re-examining their talent recruitment, retention, and training practices, but may equally face risks related with fundamentally altering the day-to-day functions of their workforces.

For example, 84% of AI-using employees may have already leaked company data to public generative AI tools – potentially exposing corporates to external cybersecurity and privacy vulnerabilities.[1]

Similarly, a diversity and balance of skillsets to safeguard against technological overdependencies is key area of consideration for corporate human resources functions.

Overall, when evaluating opportunities associated with enterprise-level integration of innovative technologies like AI, companies could benefit from identifying and managing the potential workforce-related risks that may impact the company's ability to create long-term financial value.

1 Oliver Wyman. "How Generative AI is Transforming Business and Society." January 2024. 2 IBM. Global AI Adoption Index 2023. January 10, 2024. 3 World Economic Forum. "The Future of Jobs Report." April 30, 2023.

Case study

Fortinet, Inc. (Fortinet)

Background

Fortinet is a U.S. cybersecurity company, established in 2000, and employing over 13,000 workers. [1]

The company's operations could be affected by broader risks associated with shifting demographics.[2] According to the Information System Security Certification Consortium (ISC2), the cybersecurity industry faces a significant skills gap of over 3.9 million professionals worldwide.[3]

In 2021, Fortinet bolstered its commitment to address the cybersecurity skills gap by pledging to train one million people globally over the next five years.[4] BIS has had multiyear engagements with Fortinet during which we have discussed the company's approach to contributing to the pool of workers with the skills necessary for the workplace of the future, among other topics material to its business model.

BIS Activity

BIS engaged with Fortinet in January 2023 to better understand how the talent shortage as flagged by the ISC2 could affect its operations and long-term performance. We also discussed the company's progress towards its 2021 commitment. In our discussion, the company provided an update on the Fortinet Training Institute, established to address the industry talent shortage. Through this initiative, Fortinet provides cybersecurity training and certifications, career growth resources, and hiring opportunities to make a career in cybersecurity more accessible attainable for all. Inherently, the company benefits from an increasingly skilled, competitive, and diverse talent pool that it can recruit from.

Outcome

In April 2023, Fortinet published its 2022 Sustainability Report. As an indication of progress towards its five-year goal, Fortinet reported that in 2022 the company empowered over 219,000 individuals to reskill or expand their skills for a career in cybersecurity through various initiatives sponsored by the Fortinet Training Institute.[1]

1 Fortinet. 2022 Sustainability Report. April 11, 2023. 2 Fortinet. "Fortinet 2023 Global Cyber Skills Gap Report Finds More Needs to be Done to Untap New Talent." March 21, 2023. 3 ISC2. "ISC2 Cybersecurity Workforce Study: Looking Deeper into the Workforce Gap." November 3, 2023. 4 Fortinet. Press Release. September 8, 2021.

Engaging on data privacy

With advancing technologies creating a rapidly evolving landscape and subsequent material risks and opportunities for companies across regions and sectors, BIS discusses data privacy and security – and the related impacts on workers, communities, and consumers - with the companies in which BlackRock is invested on behalf of our clients.

Read more on Our approach to data privacy and security.

Case study

T-Mobile US Inc. (T-Mobile)

Background

T-Mobile is a major wireless network operator in the U.S. In August 2021, the U.S. Federal Communications Commission (FCC) launched an investigation into the company after approximately 47 million current, former, and prospective customers were impacted by a leak of sensitive private information.[1]

Additionally, after multiple class action lawsuits were filed for T-Mobile's failure to protect their customers' private information, the company agreed to pay a settlement of $350 million in July 2022.[2] As part of the settlement, T-Mobile also committed to a $150 million investment in cybersecurity infrastructure. In January 2023, another data breach was detected – potentially affecting 37 million customer accounts.[3]

BIS Activity

BIS engaged with T-Mobile in June 2023 to better understand the board's approach to overseeing and improving the company's cybersecurity infrastructure.

In our engagement, the company discussed the actions it was taking to improve its cybersecurity practices including independent testing, monitoring, and personnel training to create an internal culture of cyber awareness. Additionally, T-Mobile has enhanced its board oversight over cybersecurity via increased touchpoints for board members with key internal compliance leaders and providing more detailed reports.

Outcome

While BIS continues to remain attentive to the board's oversight of T-Mobile's cybersecurity functionalities and practices to avoid data breaches, at the June 2023 AGM, BIS voted in line with management across all items except an advisory vote on the company's Say on Pay frequency, unrelated to aforementioned cybersecurity issues.[4]

1 Reuters. "U.S. telecoms agency to probe T-Mobile data breach." August 18, 2021. 2 Reuters. "T-Mobile to pay $350 mln in settlement over massive hacking." July 22, 2022. 3 T-Mobile. Press Release. January 19, 2023. 4 In BIS' view, it is in the best interests of shareholders for issuers to hold votes on executive compensation every year, not every three years as suggested by company management. For more information on our view of executive compensation, including say on pay frequency, refer to pages 97 to 109 of this report.

Our approach to engagement with companies on corporate human rights risks

Within our company impacts on people engagement priority, we may also engage on companies' potential human right risks.

Unmanaged potential or actual adverse human rights issues can expose companies to significant legal, regulatory, operational, and reputational risks. These risks can materialize in a variety of ways that may damage a company's standing with business partners, customers, and communities. We have observed several common impacts including fines and litigation, customers severing contracts as a result of human rights-related regulatory requirements on them, and workforce and supply chain disruptions.

We note that regulation and regulatory action on human rights is increasing.[1] Consequently, companies face increasing scrutiny regarding how they address human rights issues that may arise from their business practices.

Furthermore, these risks may call into question a company's ability to maintain operations in a certain location and benefit from the labor, raw materials, community support, or regulatory structures in place, particularly if they significantly undermine their corporate reputation and purpose.

This is why, in our view, long-term investors can benefit when companies implement processes to identify, manage, and prevent adverse human rights impacts that could expose them to material business risks, and provide robust disclosures on these processes.

A company that addresses human rights-related risks in a proactive and effective manner can, in addition to mitigating against such risks, also create opportunities for improved relationships across their value chain (e.g., through access to education, employment, and other economic and social benefits), increased productivity, higher-quality products, better positioning for their corporate reputation, and a stronger purpose-driven culture.

Recognizing that exposure to human rights related risks will vary by company, by industry, and by geographic location, we appreciate when companies disclose whether and how they integrate human rights considerations into their operations and risk management processes and identify the steps they are taking to address these issues, if any.

The below is an example of how we engaged on this issue in 2023.

1 Institutional Shareholder Services. "The Rapidly Changing World of Human Rights Regulation: A Resource for Investors." July 18, 2022.

Case study

Hyundai Motor Co., Ltd. (Hyundai Motor)

Background

Hyundai Motor is an automaker headquartered in Seoul, South Korea.

In July and December 2022, multiple media outlets reported that Hyundai Motor's suppliers based in the U.S. employed underaged children.[1]

As noted in Our approach to engagement on corporate human rights risks, poor working conditions, substandard wages, and use of forced labor or child labor – by a company or its key suppliers – can expose a company to supply chain stoppages, health and safety incidents, strikes, international trade disruption, reputational damage, and negative impact on a company's ability to deliver long-term financial returns.

BIS Activity

BIS engaged with Hyundai Motor multiple times, including with an independent director, to address governance mechanisms, board oversight, and risk management surrounding the child labor controversy.

Before the March 2023 AGM, the company published a shareholder letter addressing its view on the child labor controversy, as well as a summary report on its audit of the labor practices of the Tier 1 suppliers of Hyundai Motor America.[2,3] In the letter, Hyundai Motor committed to ensuring that suppliers would comply with the company policies in future and introduced new requirements of suppliers to fulfill third-party audits for purposes of greater transparency in reporting around its supply chain. Hyundai Motor also confirmed that their suppliers have terminated relationships with the third-party staffing agencies who falsely certified that they had screened for underaged workers.

Outcome

Given Hyundai Motor's enhanced disclosure, proactive supplier assessments, and commitment to enhancing its labor practices, BIS supported management across all items at the company's March 2023 AGM.

In July 2023, Hyundai Motor published the results of supplier assessments in its 2023 Sustainability Report.[4]

1 Reuters. "Child workers found throughout Hyundai-Kia supply chain in Alabama." December 16, 2022. 2 Hyundai Motor Co. "Summary Report - Audit of Child Labor Practices of HMMA Tier 1 Suppliers." February 2023. 3 Hyundai Motor Co. "Letter to Shareholders." February 24, 2023. 4 Hyundai. "Road to Sustainability: 2023 Sustainability Report." July 2023.

Shareholder proposals on company impacts on people

Proposals related to company impacts on people represented approximately 29% (or 237 out of 830) of the shareholder proposals BIS voted on behalf of clients in 2023, with most of them submitted at U.S. companies, and a handful in EMEA. The issues that were raised in these shareholder proposals included labor issues, human rights due diligence, and supply chain management risks, among others.

BIS supported nine out of 237 shareholder proposals we voted on (~4%), including one proposal which management also supported (see FLSmidth case).[1] While certain shareholder proposals on company impacts on people may have related to a material risk for a company, in our assessment, many of them sought an outcome that was already substantively addressed by the company's existing disclosures or not aligned with shareholders' long-term financial interests.

The following cases provide examples of how we engaged and voted on shareholder proposals related to company impacts on people in 2023.

1 BlackRock, ISS. Sourced on February 21, 2024, reflecting data from January 1, 2023, through December 31, 2023. Reflects vote instructions per BIS' proposal taxonomy. Votes "for" include abstentions. Excludes the Japanese market, where numerous shareholder proposals are filed every year due to low filing barriers, and where shareholder proposals are often legally binding for directors in this market.

Case study

FLSmidth & Co. A/S (FLSmidth)

Background

FLSmidth is a Danish multinational technology firm.

The agenda for FLSmidth's March 2023 AGM included a shareholder proposal requesting the company report on the risks associated with human and labor rights in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and alignment with forthcoming Corporate Sustainability Reporting Directive (CSRD).[2]

The proposal called for the publication of an assessment detailing human rights-related risks and how FLSmidth planned to address them. Furthermore, the proponent highlighted FLSmidth stood to benefit and create a competitive advantage from strengthening its human rights due diligence and risk management processes.

The company noted that the board of the directors had engaged with the proponents and ultimately recommended shareholders support the proposal.[2]

BIS Activity

BIS noted that the company had certain disclosures regarding how it manages these risks in its human rights policy and sustainability report, but agreed with the view held by FLSmidth leadership that more information around workforce-related risks would benefit investors.[3,4]

Accordingly, BIS supported the shareholder proposal at the March 2023 AGM.

Outcome

The proposal received 99% investor support.[5] BIS will review the report once published to further understand the company's general approach to human and labor rights.

2 FLSmidth. "Notice to Convene the Annual General Meeting Of FLSmidth & Co. A/S." March 3, 2023. 3 FLSmidth. Human Rights Policy. July 21, 2023. 4 FLSmidth. 2023 Sustainability Report. December 31, 2023. 5 FLSmidth. "Votes cast at FLSmidth & Co. A/S' Annual General Meeting 2023."

Etsy, Inc. (Etsy)

Background

Etsy is an e-commerce company based in the U.S. BIS has regularly engaged with corporate leadership on a multitude of governance issues, including the company's workplace policies. The agenda for Etsy's June 2023 AGM included a shareholder proposal requesting that it issue a report on the effectiveness of its efforts to prevent workplace harassment and discrimination.

BIS Activity

BIS engaged with the company multiple times in 2023 to better understand the board's approach to managing workforce harassment and discrimination-related risks and the policies in place intended to prevent them. Etsy leadership reiterated the company's commitment to fostering an inclusive workplace. In addition to internal reporting mechanisms to address possible violations, in January 2022, Etsy published a report regarding employment-related concealment clauses that largely addressed the proponent's concerns.[1]

BIS did not support the shareholder proposal, as based on our engagement and the company's disclosures, the approach taken reflected appropriate oversight of material business risk and was in line with the company's peers.

Outcome

The shareholder proposal received 10% support and thus did not pass at the June 2023 AGM.[2]

In 2023, Etsy provided updates around the growth of its employee resources group and equity-focused employee programming. In doing so, the company also reported that per a survey it conducted in May 2022, "89% of Etsy.com respondents feel that [the company's] community values diversity (six points higher than the industry benchmark), and 94% feel that Etsy fosters a culture of compliance."[3]

1 Etsy, Inc. "Etsy Report Regarding Employment-Related Concealment Clauses." January 31, 2022. 2 Securities and Exchange Commission. "Etsy, Inc. – Form 8-K." June 14, 2023.
3 Etsy, Inc. "Notice of 2023 Annual Meeting of Stockholders & Proxy Statement."

Metro Inc. (Metro)

Background

Metro is a Canadian food and drug retailer with over 900 food stores and 600 pharmacies in its network. The agenda for the January 2023 AGM included a shareholder proposal requesting that Metro conduct and publish a report with the results of an independent human rights impact assessment identifying and assessing the actual and potential human rights impacts on migrant workers from the company's business activities in its domestic operations and supply chain.

BIS Activity

BIS did not support the shareholder proposal, as Metro already had a supplier code of conduct which sufficiently addressed the ask of the proponent. Moreover, the company has enhanced its engagement with suppliers and committed to continuing to refine its policies and due diligence practices in relation to the key supply chain risks, including those identified in the shareholder proposal.

Metro publishes a detailed Supplier Code of Conduct for Responsible Procurement.[1] In 2023, over 60% of Metro's suppliers met the principles in its Supplier Code of Conduct, which covers all workers in the company's supply chain regardless of their status (seasonal, casual, part-time, full-time, local or migrant).[2]

In addition, in its efforts to enhance its supply chain due diligence, Metro conducted a pilot project in 2022 to survey the working conditions of over 400 suppliers.[3] In 2023, Metro continued making improvements in the collection and analysis of data from its suppliers, resulting in a strengthened ability to identify risks and opportunities in its supply chain.[4] From engagement, we understand that the company plans to enhance its disclosure to address its efforts to prevent and mitigate labor risks in its supply chain.

Outcome

At the January 2023 AGM, the shareholder proposal did not pass, receiving 28% investor support.[5]

As of January 2024, federal legislation passed requiring Canadian companies to report publicly on the measures taken to prevent and mitigate the risk of forced or child labor in their supply chain; companies are required to report to the Minister of Public Safety and Emergency Preparedness by May 31st annually.[6] Given the company's supplier engagements to date, Metro will be in a position to comply with the legislation.

1 Metro, Inc. "Supplier Code of Conduct for Responsible Procurement." January 2022. 2 Metro, Inc. "Corporate Responsibility Report – 2023 Fiscal Year." December 22, 2023. 3 Metro, Inc. "2022 Corporate Responsibility Report – 2022 Fiscal Year." 4 Metro, Inc. 2023 Corporate Responsibility Report – 2023 Fiscal Year. 5 SEDAR+. "Metro, Inc. Report of Voting Results pursuant to section 11.3 of National Instrument 51-102 - Continuous Disclosure Obligations ("NI51-102"). January 25, 2023. 6 The federal bill S-211 (Fighting Against Forced Labour and Child Labour in Supply Chains Act) was enacted in Canada, requiring companies with operations in Canada to enhance their human capital disclosures.

Engaging companies on key stakeholder interests

As a long-term shareholder on behalf of our clients, BIS finds it helpful when companies disclose how they have identified their key stakeholders and considered their interests in business decision-making. It is for each company to determine their key stakeholders based on what is material to their business and long-term financial performance.

The following are examples of how we engaged with companies to understand how they are considering the interests of their key stakeholders, and how this informs the company's long-term corporate strategy and purpose.

Promigas S.A. E.S.P. (Promigas)

Background

Promigas is a Colombian energy company that provides natural gas to the Colombian and Peruvian market, serving over 24 million people in both countries.[1]

BIS has had multiyear engagements with Promigas regarding the company's corporate strategy. More recently, BIS engaged with the company to better understand how Promigas has identified its key stakeholders and the initiatives the company has taken to support its long-term corporate strategy, whilst considering these key stakeholders' interests.

Promigas has launched several initiatives to improve their clients' financial, economic, and social conditions in low-income areas that it operates in. The company publicly reports its community relations strategy, which includes hiring of local labor, its approach to government relations, and environmental damage prevention.[2] Moreover, through the Promigas Foundation, the company focuses on community development, social inclusion, and environmental care.[3]

BIS Activity

BIS engaged with Promigas in November 2023 where the company provided an update on the implementation of its Multidimensional Energy Poverty Index (IMPE), initiated in and aimed at identifying underserved communities lacking adequate access, quality, and ownership of energy services.[4]

Promigas also shared updates on the Brilla program, which offers loans and financial assistance to existing customers in Colombia's lowest income levels to purchase basic home appliances.[5] The company also noted the program's expansion in Peru, reaching a total of 775,000 people served.[6] Promigas also expanded its natural gas services, with the goal to replace wood burning ovens in under-resourced communities to contribute to household savings, emissions reductions, and business-generating opportunities for the company. In Promigas' view, these initiatives will support market penetration and expansion efforts, while strengthening consumer loyalty and long-term profitability.

BIS voted in line with management across all items at Promigas' March 2023 AGM – except on a management proposal requesting that shareholders approve director compensation, due to a lack of disclosure.

Outcome

All agenda items were approved with over 90% shareholder support (the director compensation proposal received ~78% support).[7] BIS appreciates the company's clear identification of key stakeholders and how their interests have been incorporated to address their needs, whilst building customer loyalty and shaping Promigas' long-term corporate strategy.

1 Promigas. "About Promigas." 2024. 2 Promigas. "Community Relations Manual Summary." 2024. 3 Promigas. "Social Management." 2024.4 Promigas. "Primer Informe Del Índice Multidimensional De Pobreza Energética." 2023. 5 Inclusive Business. "Brilla, a program of Promigas." 2020. 6 Promigas. "Primer Informe Del Índice Multidimensional De Pobreza Energética." 2023. 7 Promigas. "Decisions Adopted by the Investor Assembly." 2023

BorgWarner Inc. (BWA)

Background

BWA is a U.S.-based automotive component company that manufactures and sells technology solutions for internal combustion, hybrid, and electric vehicles (EV).

BIS has engaged with BWA over multiple years regarding the company's progress in advancing their corporate strategy, titled "Charging Forward," to grow their electrification product portfolio through organic investments and technology-focused acquisitions.[1]

The agenda for BWA's April 2023 AGM included a shareholder proposal which requested that the board annually publish "a just transition report, disclosing how BWA is assessing, consulting on, and addressing, the impact of its climate change-related strategy on relevant stakeholders, including but not limited to its employees, workers in its supply chain, and communities in which it operates, consistent with the International Labor Organization's (ILO) 'just transition' guidelines."[2]

BIS Activity

BIS did not support this shareholder proposal because, in our assessment, the company is taking the appropriate steps to gather insights on the material business risks and opportunities presented by a transition to a low-carbon economy, including the impact of "Charging Forward" on the key stakeholders it has identified as being core to its long-term success.

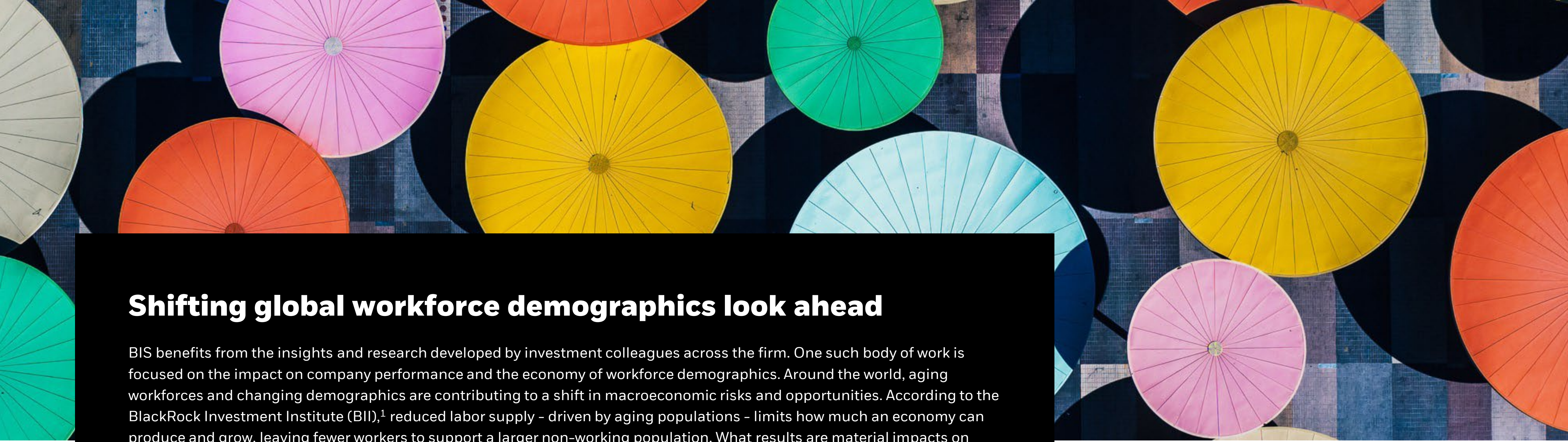
As part of this effort, BWA has created a training program "Power to Evolve" to help their engineering workforce adapt to its new strategy and has engaged key stakeholders such as customers, suppliers, and employees to identify their priorities in areas such as education and development, employee engagement, and human/labor rights and align their feedback with the company's new business strategy.[2]

In our engagement and the company's proxy statement, BWA emphasized its willingness to enhance its upcoming disclosures in response to shareholder feedback on this topic.[3]

Outcome

The shareholder proposal did not pass, receiving approximately 32% support at the May 2023 AGM. However, BWA took steps to respond to feedback it received from shareholders, including BlackRock. Specifically, the company published additional disclosures in its 2023 Sustainability Report to include more details on how Charging Forward and other measures the company is taking to support its workforce and customers.[3]

1 BorgWarner Inc. "2022 Sustainability Report. Charging Forward Together." June 2022. 2 BorgWarner Inc. "2023 Notice of Annual Meeting of Stockholders and Proxy Statement." March 17, 2023. 3 BorgWarner Inc. "2023 Sustainability Report."



Shifting global workforce demographics look ahead

BIS benefits from the insights and research developed by investment colleagues across the firm. One such body of work is focused on the impact on company performance and the economy of workforce demographics. Around the world, aging workforces and changing demographics are contributing to a shift in macroeconomic risks and opportunities. According to the BlackRock Investment Institute (BII),[1] reduced labor supply – driven by aging populations – limits how much an economy can produce and grow, leaving fewer workers to support a larger non-working population. What results are material impacts on government spending and debt (as collections from income tax decrease and spending on pension and retirement plans increase), and new inflationary pressures driven by older consumers who spend less. Such phenomena are currently occurring in major economies, while select emerging market economies are poised to benefit from younger populations and growing middle classes.

We discuss this structural shift and its impact on companies in our paper "Financial resilience in a new economic regime." Companies benefit from being attuned to workforce dynamics in their respective countries of operation and using those insights to adapt their HCM strategies if appropriate. In 2024, BIS continues to engage companies to understand their approach to evolving human capital-related risks and opportunities, such as changing workforce demographics.

1 BlackRock Investment Institute. "Mega Forces: Demographic Divergence." 2023.

Parting thoughts

This report demonstrates how in 2023, the BIS team remained steadfast in our focus on helping our clients meet their long-term financial goals, such as retirement.

We did this through listening to, learning from, and engaging with, companies to promote effective corporate governance and to understand how they are managing material business risks and opportunities. Where our clients entrusted us with the important responsibility to vote on their behalf, we did so through independent, detailed analysis to inform our voting decisions. We also engaged with the industry to share our perspective on matters that could impact our clients' portfolios, whilst furthering our understanding of local markets, and we reported on our activities, always keeping in mind our clients' informational needs.

In what we anticipate will be another year of rapidly changing markets, we remain committed to innovating to meet the needs of our clients and delivering on our fiduciary responsibility to act in their financial interests. Our policies for 2024 are consistent with previous years to continue to reflect the corporate governance norms that, in our experience, drive long-term financial value.

As companies continue to adapt their strategies and business models, to both manage the risks in this complex environment and capture opportunities spurred by it, we are particularly interested in how companies are adapting to strengthen their financial resilience. In 2024, our discussions will continue to encompass our five engagement priorities, of which strategy and financial resilience is one. We look forward to our continued dialogue with companies.

Appendix

Appendix I – Voting statistics

		Americas	EMEA	APAC	Global Total
Management proposals					
Director elections	Support	27,060	13,777	26,224	67,061
	not support	2,310	2,517	3,276	8,103
Board-related	support	729	2,209	4,266	7,204
	not support	135	647	992	1,774
Compensation	support	6,434	5,647	4,878	16,959
	not support	747	1,531	1,392	3,670
Capital structure	support	1,372	7,391	9,220	17,983
	not support	123	399	1,250	1,772
Strategic transactions	support	449	1,275	3,983	5,707
	not support	23	129	1,109	1,261
Takeover defense	support	280	550	75	905
	not support	22	38	89	149
Auditor	support	4,592	3,320	2,680	10,592
	not support	1	267	46	314
Mutual funds	support	12	47	0	59
	not support	0	2	0	2
Climate and natural capital	support	2	21	3	26
	not support	0	3	0	3
Company impacts on people	support	11	368	20	399
	not support	0	58	19	77
Other	support	1,713	7,208	10,783	19,704
	not support	871	1,084	1,218	3,173

Source: BlackRock, ISS. Reflects BIS' proposal taxonomy. "Support" means BIS voted in alignment with management's voting recommendations. "Not support" means BIS voted different from management's voting recommendations. Sourced on February 21, 2024 reflecting data from January 1, 2023, through December 31, 2023.

		Americas	EMEA	APAC ex-Japan	Japan	Global Total
Shareholder proposals						
Governance	Support	306	177	151	267	**901**
	not support	27	24	7	29	**87**
Company impacts on people	support	220	9	0	1	**230**
	not support	8	0	0	0	**8**
Climate and natural capital	support	125	20	6	49	**200**
	not support	8	0	0	0	**8**
Board-related	Support	68	151	299	3	**521**
	not support	13	67	5	0	**85**
Director elections	support	76	175	1,019	84	**1,354**
	not support	20	130	80	8	**238**
Other	support	12	52	153	5	**222**
	not support	3	21	53	0	**77**

Source: BlackRock, ISS. Reflects BIS' proposal taxonomy. "Support" means BIS voted in alignment with management's recommendations. "Not support" means BIS voted different from management's voting recommendation. Sourced on February 21, 2024 reflecting data from January 1, 2023, through December 31, 2023.

Appendix II – Proposal terminology explained

Proxy voting data reflects BIS' management and shareholder proposal categories in alignment with BIS' proposal taxonomy, updated in early 2023. BIS' proposal taxonomy is a comprehensive representation of BIS' proxy voting activity on behalf of clients, built in response to their informational and reporting needs.

Management proposals

Auditor – proposals related to the appointment and compensation of external auditors serving corporations.

Board-related – a category of management originated, board-related proposals (excluding director elections), pertaining to advisory board matters, alternate and deputy directors, board policies, board committees, board composition, among others.

Capital Structure — generally involves authorizations for debt or equity issuances, dividends and buybacks, stock splits, and conversions of securities.

Climate and natural capital — includes management originated proposals related to environmental issues, such as proposals to approve a company's climate action plan, commonly referred to as "Say on climate."

Company impacts on people — includes management originated proposals relating to a range of social issues such as corporate social responsibility and diversity, equity, and inclusion.

Compensation — proposals concerning executive compensation policies and reports (including Say on Pay, Say on Pay Frequency, and approving individual grants), director compensation, equity compensation plans, and golden parachutes.

Director election — a category of management originated proposals which includes the election, discharge, and dismissal of directors.

Mutual Funds – proposals related to investment management agreements and the structure of mutual funds.

Other — covers an assortment of common management originated proposals, including formal approvals of reports, name changes, and technical bylaws, among many others.

Strategic transactions – involves significant transactions requiring shareholder approval like divestment, mergers and acquisition, and investment.

Takeover defense — proposals concerning shareholder rights, the adoption of "poison pills," and thresholds for approval, among others.

Shareholder proposals

Board-related – a category of shareholder originated, board-related proposals (excluding director elections), pertaining to advisory board matters, alternate and deputy directors, board policies, board committees, board composition, among others.

Climate and natural capital — covers shareholder originated proposals relating to reports on climate risk, emissions, natural capital, and sustainability, among others.

Company impacts on people — includes shareholder originated proposals relating to a range of social issues such as reports on diversity, equity, and inclusion, human capital management, and human rights, among others.

Director-election – a category of shareholder originated proposals which includes the election, discharge, and dismissal of directors.

Governance — generally involves key corporate governance matters affecting shareholder rights including governance mechanisms and related article/bylaw amendments, as well as proposals on compensation.

Other — includes non-routine procedural items and other voting matters.

Appendix III – List of Vote Bulletins BIS published on annual and/or special shareholder meetings held in 2023

Company	Market	Sector	Meeting Date	Key Topics
Siemens AG	EMEA	Industrials	2/11/2023	Corporate governance, shareholder rights
Banco de Chile	AMRS	Financials	3/23/2023	Board quality and effectiveness
Dentsu	APAC	Communicative Services	3/30/2023	Corporate governance
Canon	APAC	Industrial Conglomerates	3/30/2023	Board quality and effectiveness, succession planning
Ahold Delhaize	EMEA	Consumer Staples	4/12/2023	Executive remuneration
Besi	EMEA	Semiconductor Equipment	4/26/2023	Executive remuneration
Vale	AMRS	Materials	4/28/2023	Executive compensation
AAL	APAC	Consumer Staples	4/3/2023	Natural capital, company impacts on people
Broadcom	AMRS	Semiconductors & related devices	4/3/2023	Incentives aligned with financial value creation
Techtronic Industries	APAC	Machinery	5/12/2023	Board quality and effectiveness, incentives aligned with financial value creation
Yum!	AMRS	Consumer Discretionary	5/18/2023	Climate-risk and natural capital, corporate political activities, company impacts on people, incentives aligned with financial value creation
Restaurant Brands International	AMRS	Consumer Discretionary	5/23/2023	Board quality and effectiveness, incentives aligned with financial value creation, animal welfare, corporate political activities, company impacts on people, and climate risk & natural capital
Shell	EMEA	Energy	5/23/2023	Corporate strategy, climate risk
Dassault Systèmes	EMEA	Software	5/24/2023	Executive remuneration
Chevron	AMRS	Energy	5/31/2023	Corporate strategy, climate risk, human capital management
Exxon	AMRS	Energy	5/31/2023	Corporate strategy, climate risk, human capital management
Zhejiang Expressway	APAC	Transportation	5/4/2023	Corporate governance, capital management
Dollar Tree	AMRS	Consumer Staples	6/13/2023	Executive compensation
HKCG	APAC	Utilities	6/7/2023	Board quality and effectiveness, board independence
Shin Kong	APAC	Financials	6/9/2023	Board quality and effectiveness
Eicher Motors	APAC	Automobiles	8/23/2023	Board quality and effectiveness

Appendix IV – Evidence of adherence to the UK Stewardship Code

The table below is a guide to help readers understand how this report is aligned with the principles of the UK Stewardship Code, to which BlackRock is a signatory. For further information about our approach to stewardship, please refer to the BlackRock Investment Stewardship website. Our full suite of publications includes our Global Principles, regional voting guidelines, engagement priorities, and thematic commentaries, all of which are updated annually.

Principle	Evidence of adherence in this report (Section and/or "subtitle")
Principle 1 Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	• Words from our Chairman and CEO (pages 4-5) • Foreword (pages 6-8) • "Our long-term approach to investment stewardship" under Executive summary (page 10) • About BlackRock (pages 16-21) • Our investment approach (page 22) • Sustainable investing at BlackRock (page 24) • BlackRock's approach to investment stewardship (page 26) • The BIS team (pages 32-33) • Contributing to industry dialogue on stewardship (pages 53-56) • Recognition of our stewardship approach and reporting (page 60)
Principle 2 Signatories' governance, resources and incentives support stewardship.	• Words from our Chairman and CEO (pages 4-5) • Foreword (pages 6-8) • Executive summary under "Our long-term approach to investment stewardship" (page 10) • The BIS team, Our BIS team has global reach and local presence, The governance structure, risk oversight, and accountability process of the stewardship function at BlackRock, and How BIS conducts its yearly stewardship policy review process (pages 32-38) • BIS' approach to proxy research firms and other service providers (page 50) • Recognition of our stewardship approach and reporting (page 60)

Principle	Evidence of adherence in this report (Section and/or "subtitle")
Principle 3 Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	• Ongoing assessment of stewardship voting processes (page 39) • How BIS manages conflicts of interest (page 48) • How BIS applied its conflicts of interest policy in 2023 (page 48) • How we monitor the quality of proxy research firms and other service providers (page 51) • Monitoring an independent third-party voting service provider to ensure services are delivered to meet our needs (page 52)
Principle 4 Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	• Words from our Chairman and CEO (pages 4-5) • Foreword (pages 6-8) • Our investment approach (page 22) • Sustainable investing at BlackRock (page 24) • BlackRock's approach to investment stewardship (page 26) • The BIS team (pages 32-33) • How different investment teams at BlackRock seek the best risk-adjusted returns within the mandates clients give us (page 23) • The BIS toolkit (page 28) • BIS' engagement insights are made available to BlackRock's active investment teams (page 45) • Contributing to industry dialogue on stewardship (pages 53-55) • Industry affiliations and memberships to promote well-functioning capital markets (pages 55-56) • About BlackRock voting choice (page 62-64) • Engagement and voting outcomes (pages 74-139) – Market-based economic risks: Financial resilience in a new economic regime under Strategy, purpose, and financial resilience (page 77); Market-based economic risks: Generative artificial intelligence capabilities under Board quality and effectiveness (page 96); Climate and natural capital (pages 110-121); Market-based economic risks: Labor Organizing under Company impacts on people (page 126); Market-based economic risk: Evolving workforce skills related to innovation and technology under Company impacts on people (page 128); Shifting global workforce demographics look ahead under Company impacts on people (page 138) • Parting thoughts (page 139)

Principle	Evidence of adherence in this report (Section and/or "subtitle")
Principle 5 Signatories review their policies, assure their processes and assess the effectiveness of their activities.	• How to read this report (page 2) • Words from our Chairman and CEO (pages 4-5) • Foreword (pages 6-8) • BlackRock's approach to investment stewardship (page 26) • The governance structure, risk oversight, and accountability process of the stewardship function at BlackRock, and How BIS conducts its yearly stewardship policy review process (pages 35-38) • Ongoing assessment of stewardship voting processes (page 39) • BIS' approach to proxy research firms and other service providers (page 50) • How we monitor the quality of proxy research firms and other service providers (page 51) • Monitoring an independent third-party voting service provider to ensure services are delivered to meet our needs (page 52) • Communicating our stewardship approach (page 57) • Enhancing our client engagement and reporting capabilities (page 57) • Recognition of our stewardship approach and reporting (page 60)
Principle 6 Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	• Words from our Chairman and CEO (pages 4-5) • Foreword (pages 6-8) • "How we reported our activities to and communicated with clients" under Executive summary (page 15) • About BlackRock (pages 16-21) • Our clients (pages 18-20) • How different investment teams at BlackRock seek the best risk-adjusted returns within the mandates clients give us (page 23) • BlackRock's approach to investment stewardship (page 26) • Contributing to industry dialogue on stewardship (pages 53-54) • Communicating our stewardship approach (page 57) • Enhancing our client engagement and reporting capabilities (page 57) • The BIS content library (page 59) • Recognition of our stewardship approach and reporting (page 60) • About BlackRock voting choice (page 62-64) • Engagement and voting outcomes (pages 74-139)

Principle	Evidence of adherence in this report (Section and/or “subtitle”)
Principle 7 Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change to fulfil their responsibilities.	• The policies that guided our stewardship program in 2023 (page 11) • About BlackRock (pages 16-21) • Our investment approach (page 22) • How different investment teams at BlackRock seek the best risk-adjusted returns within the mandates clients give us (page 23) • Sustainable investing at BlackRock (page 24) • BlackRock’s approach to investment stewardship (page 26) • Engagement and voting outcomes (pages 74-139)
Principle 8 Signatories monitor and hold to account managers and/or service providers.	• BIS’ approach to proxy research firms and other service providers (page 50) • How we monitor the quality of proxy research firms and other service providers (page 51) • Monitoring an independent third-party voting service provider to ensure services are delivered to meet our needs (page 52) • BlackRock’s approach to securities lending and its relationship with proxy voting (page 52) • Recognition of our stewardship approach and reporting (page 60)
Principle 9 Signatories engage with issuers to maintain or enhance the value of assets.	• Entire report • Words from our Chairman and CEO (pages 4-5) • Foreword (pages 6-8) • The policies that guided our stewardship program in 2023 (page 11) • How we engaged with the industry to promote well-functioning financial markets (page 14) • How different investment teams at BlackRock seek the best risk-adjusted returns within the mandates clients give us (page 23) • BlackRock’s approach to investment stewardship (page 26) • The BIS team, Our BIS team has global reach and local presence, The governance structure, risk oversight, and accountability process of the stewardship function at BlackRock, and How BIS conducts its yearly stewardship policy review process (pages 32-36) • Engagement and voting statistics (pages 65-73) • Engagement and voting outcomes (pages 74-139)

Principle	Evidence of adherence in this report (Section and/or "subtitle")
Principle 10 Signatories, where necessary, participate in collaborative engagement to influence issuers.	• Contributing to industry dialogue on stewardship (pages 53-54) • Publishing thought leadership pieces (page 55) • Industry affiliations and memberships to promote well-functioning capital markets (page 55) • Collaboration with the wider stewardship ecosystem (page 56) • BIS' approach to engagements (page 56) • Engagement and voting statistics (pages 65-73) • Engagement and voting outcomes (pages 74-139)
Principle 11 Signatories, where necessary, escalate stewardship activities to influence issuers.	• Entire report • The governance structure, risk oversight, and accountability process of the stewardship function at BlackRock, and How BIS conducts its yearly stewardship policy review process (pages 35-38) • BIS' internal vote escalation process (page 43) • Engagement and voting statistics (pages 65-73) • Engagement and voting outcomes (pages 74-139)
Principle 12 Signatories actively exercise their rights and responsibilities.	• Entire report • The BIS team, Our BIS team has global reach and local presence, The governance structure, risk oversight, and accountability process of the stewardship function at BlackRock, and How BIS conducts its yearly stewardship policy review process (pages 34-38) • Ongoing assessment of stewardship voting processes (page 39) • BIS' approach to proxy research firms and other service providers (page 50) • BlackRock's approach to securities lending and its relationship with proxy voting (page 52) • Monitoring an independent third-party voting service provider to ensure services are delivered to meet our needs (page 52) • Recognition of our stewardship approach and reporting (page 60) • About BlackRock voting choice (page 62-64) • Engagement and voting statistics (pages 65-73) • Engagement and voting outcomes (pages 74-139)

Appendix V – Glossary

ACGA – Asian Corporate Governance Association
An organization that works to implement effective corporate governance practices throughout Asia.

ACRA – Accounting and Corporate Regulatory Authority
The national regulator of business entities and public accountants in Singapore.

AGM – Annual General Meeting
A gathering of a corporation's shareholders which takes places on a yearly basis, typically featuring agenda items such as the presentation of an annual report by company leadership in addition to reviewing business strategy and answering investor questions.

AI – Artificial Intelligence
A branch of computer science dealing with the simulation of intelligent behavior in computers or the capability of a machine to imitate intelligent human behavior.

AOI – Articles of Incorporation
Documents filed with a government body to legally document the formation of a corporation. Also known as the corporate charter.

ASX – Australian Securities Exchange
The primary securities exchange in Australia.

AUM – Assets under management
The total market value of financial assets (securities) a financial institution or firm owns or manages on behalf of its clients.

CCUS – Carbon Capture Utilization and Storage
A process that captures carbon dioxide emissions from sources like coal-fired power plants and either reuses or stores it so it will not enter the atmosphere.

CSDDD – EU Corporate Sustainability Due Diligence Directive
A directive proposed by the European Commission to improve the sustainability and human rights record of companies.

CSRD - Corporate Sustainability Reporting Directive
Sustainability-related disclosure requirements formally adopted by the European Union commission in 2022 as part of commitments under the European Green Deal.

EGM – Extraordinary General Meeting of Shareholders
A special meeting of shareholders that is not the company's scheduled annual general meeting, typically convened for urgent matters to address.

ETF – Exchange Traded Fund
An investment fund that aims to track the performance of a specific index. An index represents the total return of a particular group of securities – often shares or bonds. In an ETF, a group of securities are effectively collected in a basket with the amount of each security in the fund weighted by size to precisely replicate a particular index. An ETF is bought and sold on a stock exchange, like a share.

FCA – U.K. Financial Conduct Authority
A financial regulatory body in the United Kingdom, but operates independently of the UK government, and is financed by charging fees to members of the financial services industry.

FCC – U.S. Federal Communications Commission
An independent agency of the United States government created to regulate interstate communications by radio, television, wire, satellite, and cable.

FRC – Financial Reporting Council
Independent UK regulatory body that regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.

GDP – Gross Domestic Product
The monetary value of final goods and services produced in a country in a given period of time.

GenAI – Generative Artificial Intelligence
A subset of AI that is concerned with algorithms and models that can generate new content or data that is similar but not identical to the data they were trained on.

GHG – Greenhouse Gas Emissions
Gases in the Earth's atmosphere that trap heat. GHG emissions from human activities strengthen the greenhouse effect, contributing to climate change.

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The monetary value of final goods and services produced in a country in a given period of time.

GenAI – Generative Artificial Intelligence
A subset of AI that is concerned with algorithms and models that can generate new content or data that is similar but not identical to the data they were trained on.

GHG – Greenhouse Gas Emissions
Gases in the Earth's atmosphere that trap heat. GHG emissions from human activities strengthen the greenhouse effect, contributing to climate change.

GSS – Green, Social, and Sustainable (bonds)
Bonds that are used to finance or re-finance projects that have environmental and/or social outcomes.

HCM – Human Capital Management
The approach that companies take to harness employee knowledge, skills, and productivity gains through contributions to their workforce.

IIAG – ISSB Investor Advisory Group
A group that provides a formal mechanism for the International Sustainability Standards Board to consult with investors who use financial and non-financial information to make investment decisions.

ISC2 – International Information System Security Certification Consortium, Inc.
A non-profit organization that specializes in training and certifications for cybersecurity professionals.

IFRS - International Financial Reporting Standards Foundation
A not-for-profit, public interest organization established to develop high-quality, understandable, enforceable, and globally accepted accounting and sustainability disclosure standards. In 2022 it absorbed the Value Reporting Foundation, which housed the Integrated Reporting and the Sustainability Accounting Standards Board (SASB) and formed the International Sustainability Standards Board (ISSB) to develop a global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

ILO – International Labour Organization
A United Nations agency whose mandate is to advance social and economic justice through setting international labor standards.

INED – Independent Non-Executive Director
A member of a company's board of directors who does not partake in the day-to-day management of the company and is not a significant shareholder, ensuring unbiased oversight.

ISS – Institutional Shareholder Services
Proxy advisory firm that provides corporate governance data and analytics, market insight, and investment solutions for institutional investors and corporations.

ISSB – International Sustainability Standards Board
Formed by a 2022 IFRS-VRF consolidation in order to develop a global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

LTIP – Long-Term Incentive Program
A compensation system designed to improve executives' long-term performance by providing rewards that may not be tied to the company's share price.

MAS – Monetary Authority of Singapore
Singapore's central bank and financial regulatory authority.

NEO – Named Executive Officer
An executive officer who is a key decision-maker in the company and is subject to specific disclosure rules by the SEC.

NGEU – NextGeneration EU
A temporary recovery instrument to help repair the immediate economic and social damage brought about by the coronavirus pandemic.

OECD – Organization for Economic Cooperation and Development
Intergovernmental organization whose mission is to develop policy standards to promote economic growth, prosperity, and sustainable development.

OSHA – Occupational Safety and Health Administration
An agency of the United States Department of Labor that ensures safe and healthy working conditions for workers by enforcing standards and providing workplace safety training.

PAC – Political Action Committee
An organization that pools campaign contributions from members and donates those funds to campaign for or against candidates, ballot initiatives, or legislation.

QIC – Quantum Investment Corporation
A Taiwanese capital market advisor.

S&P 500 – Standard and Poor's 500 Index
Stock market index tracking the performance of 500 leading U.S. publicly traded companies.

SASB – Sustainability Accounting Standards Board
Non-profit organization created in 2011 to guide corporations in the disclosure of financially material sustainability information to investors. Formerly of the VRF and now part of ISSB.

SBTi – Science-Based Targets Initiative
A collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) which champions science-based target setting as a powerful way of boosting companies' competitive advantage in the transition to a low-carbon economy.

SEBI – Securities Exchange Board of India
The regulator for the securities market in India.

SEC – United States Securities and Exchange Commission
Independent U.S. federal agency responsible for regulating and overseeing the securities markets and protecting investors.

SGX – Singapore Exchange
An investment holding company located in Singapore that provides services related to securities and derivatives trading and others.

SMA – Separately Managed Accounts
Allows investors to appoint a manager that customizes a portfolio of direct securities on their behalf. This provides investors flexibility to maximize returns according to their own guidelines.

SRAC – Sustainability Reporting Advisory Committee (Singapore)
A committee that advises on sustainability reporting matters in Singapore.

SRD II – Shareholder Rights Directive II
A legally binding regulatory act which amended a previous EU Shareholder Rights Directive, introducing new transparency obligations and disclosure requirements to institutional investors and asset managers. Its goal is to enhance the flow of information across the institutional investment community and to promote common stewardship objectives between institutional investors and asset managers, while improving transparency of issuers, investors and intermediaries.

STIP – Short-Term Incentives Program
A compensation program designed to motivate and reward executives or employees based on short-term performance objectives.

TCFD – Task Force on Climate-related Financial Disclosures
An organization established by the Financial Stability Board to develop a set of recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions.

TOPIX – Tokyo Stock Price Index
A market benchmark with functionality as an investable index which covers all of the companies listed on the First Section of the Tokyo Stock Exchange (TSE), a section that organizes all large firms on the exchange into one group.

TNFD – Task Force on Nature-related Financial Disclosure
Formally launched in June 2021 to address the lack of transparency and consistent information available to financial institutions on how nature impacts a company's immediate financial performance, or the longer-term financial risks that may arise from how a company depends on and impacts nature. Backed by the G7 Finance Ministers and G20 Sustainable Finance Roadmap, the TNFD aims to develop a risk management and disclosure framework to help companies to report, and act on, natural capital risks and opportunities.

UNGPs – United Nations Guiding Principles
A set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations.

UPC – Universal Proxy Card
A form that lists all board of director candidates in a contested election, allowing shareholders to vote for a mix of incumbent and dissident nominees.

WEF – World Economic Forum
An international organization for public-private cooperation that engages the foremost political, business, cultural and other leaders of society to shape global, regional and industry agendas.

Prepared by BlackRock, Inc.

Want to know more?

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