BlackRock Investment Stewardship

Q1 2021 Global Quarterly Report

May 2021

Table of Contents

The BlackRock Investment Stewardship (BIS) team publishes global quarterly reports to provide transparency on BlackRock's approach to corporate governance engagement and the role stewardship plays in supporting long-term sustainable value creation for our clients.

This report includes examples of our Q1 2021 stewardship efforts across our three regional teams – Americas, Europe, Middle East, and Africa (EMEA), and Asia-Pacific (APAC) – offering a perspective of the wide range of issues our team addresses when focusing on our engagement priorities. Environmental, social, and governance (ESG) considerations, emerging practices or issues, and notable company-specific developments feature prominently in our work. Engagement in the public domain, which includes responses to formal policy consultations and presentations, as well as informal discussions at conferences, is also an important part of our work.

A commitment to meeting our clients' long-term goals

The turbulent events of 2020 placed an increased focus on deep seated issues such as climate change, racial and social equality, treatment of the workforce, and economic resilience, among others. More than ever, these issues are impacting company valuations and driving our clients' choices in how and where they invest. The reallocation of capital into sustainable investing strategies[1] observed over the last year provides clear evidence of this trend. As Larry Fink, BlackRock Chairman and CEO, stated in his 2021 letter to CEOs, we are at the beginning of a long but accelerating transition towards sustainable investing.

BlackRock's conviction is that sustainability risk – and climate risk in particular – is investment risk. This conviction is increasingly prevalent. Governments, companies, communities, and other investors are rallying behind global efforts towards achieving a net zero economy by 2050. But this is not just about managing risk. BlackRock also believes the climate transition presents a historic investment opportunity. In January, BlackRock announced key actions to help our clients capture the opportunities presented by the net zero transition.

Corporate engagement is central to our work and informs our voting. Through engagement, BlackRock Investment Stewardship (BIS) builds an understanding of a company's corporate governance and sustainable business practices, including leadership quality, corporate strategy, financial performance, and approach to material environmental, social and governance (ESG) risks and opportunities. Engagement is also how we represent the voices of millions of BlackRock clients globally and communicate directly with the companies we invest in on their behalf.

In Q1 2021, BIS has continued to accelerate the pace of our stewardship activities. We engaged with more companies and held more companies accountable compared to a year ago, reflecting our heightened expectations.

BIS Q1 Key Highlights:

- Held nearly **1,000** engagements with **800+** unique companies; a **24%** increase year-on-year in engagements
- Focused **712** specific engagements on environmental issues; a **52%** increase year-on-year
- Voted against **53** directors* for climate-related concerns
- Supported **75%** of environmental and social shareholder proposals
- Voted against management on one or more proposals at **35%** of shareholder meetings; compared to **30%** in Q1 2020

* Abstentions are included. For further detail please see Appendix Section. Votes against directors reflect all director-related proposals.

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1 Larry Fink's 2021 letter to CEOs: From January through November 2020, investors in mutual funds and ETFs invested U.S. $288 billion globally in sustainable assets, a 96% increase over the whole of 2019. Sources: Simfund, Broadridge, GBI. Data as of November 2020. Closed-end funds, funds of funds excluded; Money Market funds included.

Communicating our expectations for the year ahead

As we do every year, BIS reviewed and updated our investment stewardship policies for 2021. In December 2020, we announced updates to our Global Principles and market-level voting guidelines, effective January 2021.[2] Then in March of this year, BIS refreshed our Engagement Priorities for 2021 and published a series of supporting commentaries detailing our approach to engagement on a number of ESG issues.

We outlined our perspectives on the transition to a low-carbon economy, as well as companies' impacts on natural capital — forests, biodiversity, oceans and freshwater — and on people – including customers, employees, suppliers, and communities.

2021 Engagement Priorities

Board quality and effectiveness – Quality leadership is essential to performance. Board composition, effectiveness, diversity and accountability remain top priorities.

Climate and natural capital – Mitigating climate-related risks, implementing plans to transition to a low-carbon economy, and managing their impact and dependence on natural capital can be a defining feature in companies' ability to generate long-term sustainable value for shareholders.

Strategy, purpose and financial resilience – A purpose driven long-term strategy, underpinned by sound capital management, supports financial resilience.

Incentives aligned with value creation – Appropriate incentives reward executives for delivering sustainable long-term value creation.

Company impacts on people – Sustainable business practices create enduring value for all key stakeholders.

In our experience, well-governed, purpose-driven companies that work towards integrating sustainability into their long-term strategies – and that effectively balance the needs of their stakeholders – have been better able to attract capital, build financial resilience, and deliver long-term value for shareholders. Sustainable long-term returns are the ultimate reflection of corporate preparedness and resilience; the work we do in BIS plays an integral role in delivering those returns for our clients.

BIS has been raising material ESG issues with companies for years. Our priorities reflect our continuing emphasis on the important role that boards of directors play in overseeing the implementation of robust policies and sustainable business practices by management. This is particularly important as we do not seek to dictate a company's strategy. We expect companies to demonstrate, through their disclosures, how they incorporate sustainability risk into their strategy and how they are building resilience into their business models. Typically, we hold the responsible members of the board accountable when a company's practices or disclosures fall short by voting against the re-election of relevant board directors.

2 We expect companies to demonstrate how climate and sustainability-related risks are considered and integrated into their strategy. If a company does not provide adequate public disclosures for us to assess how material risks are addressed, we will conclude that those issues are not appropriately managed and mitigated. This perspective has applied to our voting on management and shareholder proposals since July 1, 2020 and is also reflected in the key updates to our policies for 2021.

Q1 in review

Since January, we have voted against 53 directors and 47 companies for climate-related concerns. BIS has also supported 75% of environmental and social shareholder proposals.

The first quarter of each year is focused on engaging with companies ahead of the shareholder meeting – or proxy – season. We use this time to communicate our priorities, and, through discussion with boards and executive teams, to understand how companies are delivering against our expectations. These discussions are critical in allowing us to assess areas of risk and to track progress.

BIS held nearly 1,000 engagements with 800+ unique companies in the first quarter. This is a 24% increase year-on-year, and an indication of how our heightened expectations continue to drive a strong level of engagement with companies. In our stewardship approach we always focus on the quality of board and executive leadership, given our view that strong governance from the top is key. Therefore, across E, S and G we continue to engage most heavily on governance-related risks, followed by environmental and social factors.

For the first quarter, environmental engagements increased 52%, while engagements where we discussed governance and social issues remained in line with the prior year. Total engagements in the EMEA region rose 157% versus Q1 2020, as BIS engaged intensively on sustainability reporting and as the timing of annual general meetings normalized after COVID-related delays in 2020. Total engagements in the Americas and APAC regions were relatively consistent year-on-year, as this year's pick up in climate and other sustainability-related engagements replaced the COVID-related engagements that were the focus in the first quarter last year.

As highlighted in our 2021 Stewardship Expectations report, key updates to our policies for this year focus on, among other things, the physical and transition risks of the move to a low-carbon economy, our expectations of board oversight of diversity, equity, and inclusion (DEI), as well as how company boards consider key stakeholders' interests in their decision-making. Our expectations build on issues we have flagged to companies in prior years, giving them time to respond to our feedback. As a result, our Q1 2021 engagements reflect our accelerated efforts to inform boards and management teams of our increased expectations across our five engagement priorities for the year.

Engaging across our five priorities*

710
addressed climate risk and natural capital

470
addressed board quality and effectiveness

410
addressed strategy, purpose and financial resilience

310
addressed incentives aligned with value creation

230
addressed company impacts on people

*From January 1 to March 31, 2021. Most engagement conversations cover multiple topics. Our statistics reflect the primary topics discussed during the meeting. Numbers rounded to the nearest ten.

Although proxy season has just started, in Q1 2021 BIS voted at more than 2,600 shareholder meetings on over 21,000 proposals. We voted against management on one or more proposals at 35% of shareholder meetings globally, a slightly higher level than the 30% in the same period in 2020.

Finally, two noteworthy developments from our engagements in Q1 relate to shareholder proposals asking companies to conduct racial equity audits and votes on climate action plans (commonly referred to as "say on climate").[3] These proposals reflect the heightened focus that shareholders have on a company's approach to DEI and climate. We believe these proposals have merit at many of the companies at which they have been filed and are generally not unduly constraining for management. As we do with all proposals, we will evaluate each in the context of a company's existing practices and public disclosures. A more fulsome update of voting on this emerging 2021 theme will be captured in our next report.

Increasing accountability on environmental and social issues

When we determine that companies are not appropriately addressing material risks, and in turn, not acting in the best interests of shareholders, BIS will express our concerns through our voting.

Our most frequent course of action is to vote against the re-election of directors, holding them accountable for not adequately protecting the interests of long-term shareholders. In alignment with our market-level voting guidelines, from January 1 to March 31, 2021, BIS has voted against 1,196 directors[4] at 549 unique companies for reasons related to lack of independence, executive compensation misalignment with long-term performance, or lack of diversity, amongst other business practices inconsistent with sustainable long-term financial performance.

For 2021, we have reinforced our expectations of boards in their oversight and support of management in ensuring that companies have a sustainable long-term business model. We have also raised our expectations of companies in terms of their preparedness for the energy transition. As highlighted in our commentary, Climate risk and the transition to a low-carbon economy, we expect companies to articulate how they are aligned to a scenario in which global warming is limited to well below 2°C, consistent with a global aspiration to reach net zero greenhouse gas (GHG) emissions by 2050. Our approach to engagement on natural capital also outlines our perspectives and expectations of companies on deforestation risk management, biodiversity preservation, and oceans and freshwater protection.

Our emphasis on climate risk is apparent in our voting. In 2020 BIS put 191 companies "on watch" for potential voting action in 2021 absent significant progress on their management and reporting of climate-related risks. In calendar year 2020, we voted against 64 directors and 69 companies for climate concerns. In the first quarter of 2021, we have taken voting action against 53 directors and 47 companies,[5] demonstrating we are holding more directors accountable for inadequate progress on climate. We expect this number to increase meaningfully as we go through the peak proxy season, which runs March through June in most markets.

BIS expanded our expectations for how companies monitor and manage their impacts on people. In addition to addressing workforce needs and expectations, we ask companies to mitigate adverse impacts on people – suppliers, customers, communities, Indigenous peoples, and other stakeholders – that could arise from their business practices and expose them to material risks.

3 Racial equity audit proposals have mostly been filed with U.S. companies, while "say on climate" proposals are more prevalent across global markets.

4 Votes against directors reflect all director-related proposals.

5 Votes against unique companies on climate include votes against directors and in support of climate-related shareholder proposals.

From July last year, we also implemented a refreshed approach to shareholder proposals. Where we agree with the intent of a shareholder proposal addressing a material business risk, and if we determine that management could do better in managing and disclosing that risk, we will support the proposal. We may also support a proposal if management is on track, but we believe that voting in favor might accelerate their progress.

In the first quarter of 2021, BIS supported 12 of 16 environmental and social shareholder proposals.

A sustained commitment to transparency

Over the past two years, we have enhanced our communications and reporting capabilities to best provide the transparency that our clients, the companies we invest in on their behalf, and the broader stakeholder community seek.

Since the beginning of the year, BIS has published a series of materials to inform clients and stakeholders as to how we use our voice as an investor to promote the sound corporate governance and sustainable business practices that support long-term value creation. One recent example is the publication of our annual investment stewardship report for 2020, which is aligned with the requirements of the UK Stewardship Code.

In addition to the publication of our policies and engagement priorities, we further expanded our BIS Vote Bulletin library. In the first quarter, BIS published four Vote Bulletins on proposals at Top Glove, Tyson Foods, TransDigm, and AmerisourceBergen. The Vote Bulletins provide detailed explanations of key votes relating to workers' health and safety conditions and companies' human rights due diligence processes, corporate lobbying disclosures and executive compensation practices, among other material issues.

We also published our Climate Focus Universe. Our focus universe has expanded from 440 to over 1,000 carbon-intensive public companies in 2021 that represent 90%[6] of the global scope 1 and 2 GHG emissions of our clients' public equity holdings with BlackRock.

We will continue to raise the bar on transparency as we work to provide further insight to clients on how we are advancing their long-term economic interests. In this report we have included 11 case studies that provide a representation of our work across regions, sectors, and engagement priorities thus far in 2021. BIS remains committed to engaging with companies on our clients' behalf, voting in their interests, and providing the insight into our work that enables our clients to hold us accountable.

Strengthening the stewardship ecosystem

Since January, we have participated in or hosted a number of events globally to build understanding of BlackRock's approach to investment stewardship with a particular focus on our 2021 expectations and engagement priorities.

In the Americas, BIS kicked-off the year hosting its fifth Director Day. We engaged with directors representing 10 sectors and 92 unique companies – including a record-level representation of portfolio companies in Latin America.[7] BIS dedicated this session to the market dynamics observed in 2020 and how these shaped our 2021 expectations and engagement priorities. BIS also responded to a number of public policy consultations –

6 Based on MSCI data. This list includes companies that were on the 2020 BIS Climate Watchlist and those that are constituents of the Climate Action 100+ focus universe, in addition to other companies that BlackRock held an equity position in on behalf of our clients as of the end of 2020.
7 Approximately one third of attendees represented portfolio companies in Latin America.

most notably in the APAC region – to provide our perspective on key corporate governance topics and in an effort to promote a more sustainable financial system.

In support of our membership of Climate Action 100+ BlackRock works alongside other investors to ensure that those companies in which our clients are invested are managing climate risk and taking advantage of the opportunities created by the climate transition. As a member of the CA 100+ Asia Advisory Group, we seek to provide the group with strategic insight into the characteristics of local Asian markets to help inform engagements. By way of example, we were the lead investor in the engagements with China Steel — a Taiwanese steel company in CA100+'s focus universe — and undertook certain meetings together with a local CA100+ member, Cathay Life, to encourage the company to commit to publishing a Task Force on Climate-related Financial Disclosures (TCFD)-aligned report in 2021. In February 2021, the company established a Task Force on Energy Saving & Carbon Reduction and Carbon Neutrality, led by the Chairman.

Finally, BIS participated in a number of focused discussions with stakeholders to discuss the issues most important to them. In March, BIS and members of other BlackRock teams met with Indigenous leaders and partners from various countries in the Americas, Africa, and Asia to discuss how companies impact the human rights of the communities in which they operate, including those of Indigenous peoples.

Going forward, BIS will continue to seek opportunities to engage with the broader stewardship ecosystem. This will allow BIS to further advance our efforts to advocate for corporate governance standards and sustainable business practices aligned with our clients' interests as long-term investors.

Engagement statistics

January 1 through March 31, 2021 (YTD)

992 Total engagements

841 Individual companies engaged

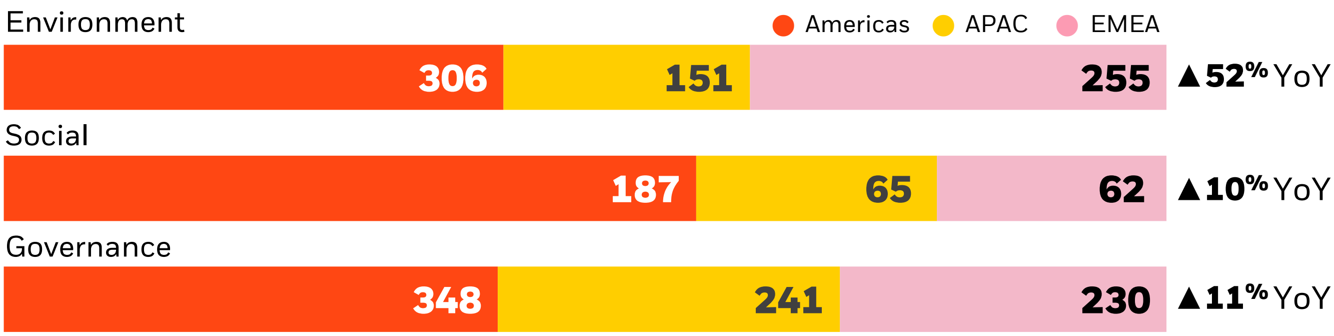
117 Companies engaged multiple times

49 Markets covered in our engagements

28% Of our clients' equity assets engaged[1]

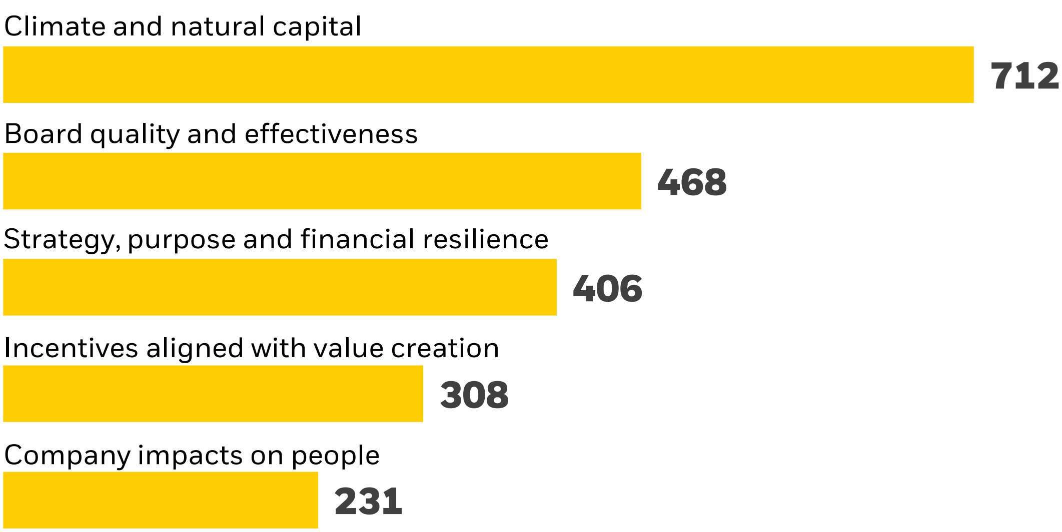
1 Reflects BlackRock exposure at March 31, 2021.

Engagement themes[2] (YTD 2021)



2 Most engagement conversations cover multiple topics and therefore the ESG columns may not add up to the total number of engagements reported for the period. Our statistics reflect the primary topics discussed during the meeting.

Engagement across our five priorities[3] (YTD 2021)



3 Most engagement conversations cover multiple topics. Our statistics reflect the primary topics discussed during the meeting.

Regional engagement (YTD 2021)

	Total engagements	YoY change	Companies engaged	YoY change
Americas	393	▼-2%	334	▼-1%
APAC	255	▼-5%	228	▼-1%
EMEA	344	▲157%	279	▲134%

Source: BlackRock. YTD reflects January 1 through March 31, 2021 data.

Voting statistics

January 1 through March 31, 2021 (YTD)

2,633 Total meetings voted

21,413 Total proposals voted

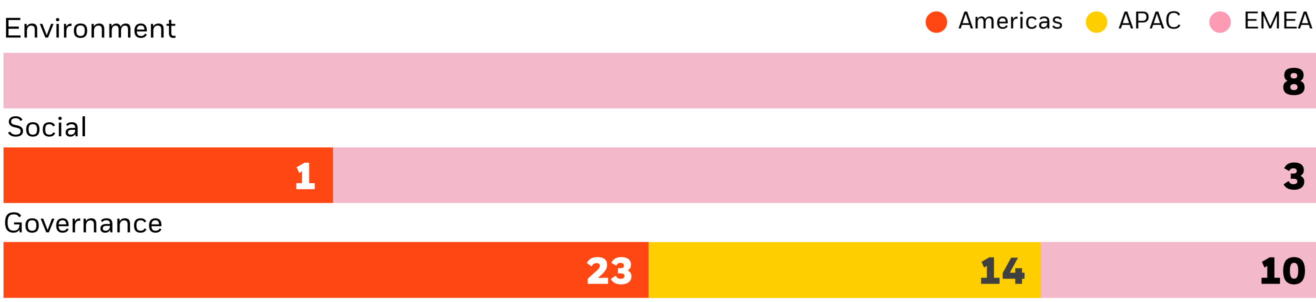
1,196 Total votes against directors[1,2]

549 Unique companies voted against directors[1,2]

35% Shareholder meetings we voted against management [3]

1 Abstentions are included. For further detail please see Appendix Section.
2 Votes against directors reflect all director-related proposals.
3 Includes abstentions and reflects percentage of shareholder meetings where we voted against management on one or more proposals.

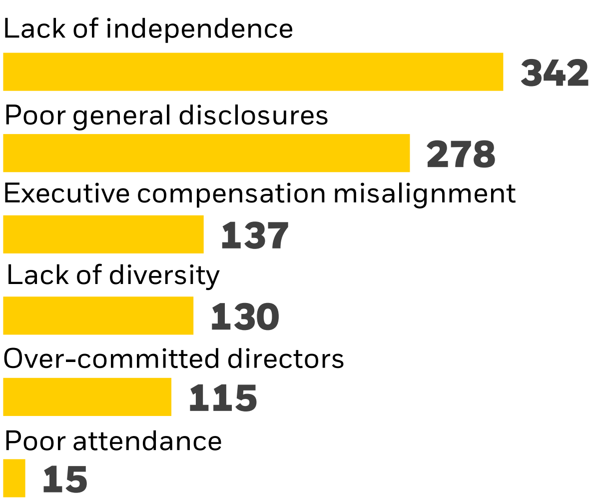
Votes in support of shareholder proposals[4] (YTD 2021)



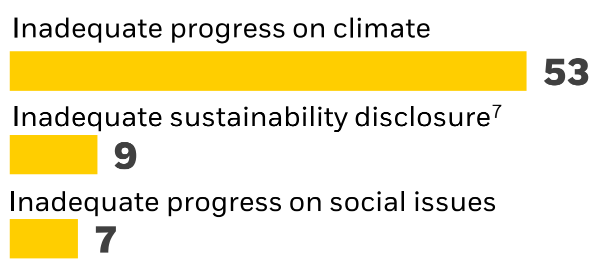
4 Abstentions are included. For further detail please see Appendix Section.

Key reasons for votes against directors[5,6] (YTD 2021)

Governance



Environment & Social



5 Abstentions are included. For further detail please see Appendix Section.
6 Votes against directors reflect all director-related proposals.
7 Failure to align with Sustainable Accounting Standards Board (SASB).

Voting action on climate-related concerns (YTD 2021)

53 Directors BIS voted against[8,9]

47 Unique companies where BIS took voting action[10]

8 Abstentions are included. For further detail please see Appendix Section.
9 Votes against directors reflect all director-related proposals.
10 Votes against unique companies on climate include votes against directors and in support of climate-related shareholder proposals.
Source: BlackRock and Institutional Shareholder Services (ISS). YTD reflects January 1 through March 31, 2021 data.

Regional engagement and voting highlights

The following case studies – organized geographically across our three regional teams (Americas, EMEA, and APAC) – provide insight into the wide range of issues our engagements and voting analyses cover globally. Each case study aims to demonstrate outcomes of these stewardship activities.

We typically anonymize these case studies because we conduct our engagements in confidence in order to encourage frank, open discussions. We may name the companies in select case studies where: the specific circumstances underlying the engagement are already reported publicly, we have published a Vote Bulletin[8] or, occasionally, when it might advance the engagement outcome. We sometimes name the companies when we want to spotlight progress or good business practices.

The full record of our vote and engagements with specific companies can be accessed through our voting record and engagement summary for Q1 2021 on the BIS website under Engagement and Voting History.

Number	Case Study	BIS 2021 Engagement Priority(ies)
Americas		
1	U.S.: Demonstrating a commitment to advancing diversity, equity, and inclusion in agriculture	Company impacts on people
2	Mexico: A petrochemical company conducts a constructive engagement with BIS and enhances its ESG disclosures	• Board quality and effectiveness • Climate and natural capital
3	U.S.: Engaging and voting lessons learned from natural gas companies amid the transition to a low-carbon economy	Climate and natural capital
4	Colombia: State-owned oil and gas company announces plan to achieve net zero carbon emissions by 2050	Climate and natural capital
Europe, Middle East, and Africa (EMEA)		
5	France: Engaging to understand a company's approach to strategy, amid leadership changes	Strategy, purpose and financial resilience
6	UK: Voting against a company's compensation policy that failed to incorporate appropriate and rigorous performance metrics	Incentives aligned with value creation
7	Netherlands: Multi-year concerns on the executive compensation practices of a technology company	Incentives aligned with value creation
Asia- Pacific (APAC)		
8	Japan: Demonstrating sound business practices leading to long-term growth and value creation	• Strategy, purpose and financial resilience • Company impacts on people
9	APAC: Companies demonstrate progress in disclosing sustainability-related risks and opportunities	Climate and natural capital
10	Singapore: Engagement with a palm oil company on environmental and social controversies	• Climate and natural capital • Company impacts on people
11	Malaysia: Holding directors accountable on human capital management in light of the COVID-19 pandemic	Company impacts on people

8 Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider material to a company's sustainable long-term financial performance, based on our Global Principles, market-level voting guidelines, and engagement priorities. We publish vote bulletins on the BIS website after the shareholder meeting to provide transparency for clients and other stakeholders on our approach to the votes that we consider to be most significant and thus require more detailed explanation.

1 United States: Demonstrating a commitment to advancing diversity, equity, and inclusion in agriculture

Region	Americas
Engagement Priorities	Company impacts on people
Outcome	BIS gained insight into the company's approach to building strong relationships with its key stakeholders and the actions it is taking to advance land ownership rights for Black farmers in the U.S.

Issue: As discussed in our engagement priority, Company impacts on people, BIS believes that in order to deliver value for shareholders, companies should also consider the interests of their other key stakeholders. In our experience, companies that build strong relationships with their stakeholders are more likely to meet their own strategic objectives, while poor relationships may have adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks and jeopardize their social license to operate.

During a recent engagement with Deere & Company, we discussed the company's commitments to advance DEI, both within the company and externally.

BIS Response: In our engagement, we discussed a program initiated by the company last year to address an identified gap in access to land titles for Black farmers in the U.S. In many cases where land is passed down – over generations or a significant period of time – proof of title is often lost over the years or simply not recorded in family transactions. This creates significant impediments whereby the lack of legal documentation means that these farmers are, in many cases, unable to prove legal ownership and realize the full economic benefits of the land they have owned or have been entitled to for generations.

These structural inequality issues directly impact the company's business, communities, and customer base. Accordingly, the company has initiated two key partnerships. First, the company joined together with the National Black Growers Council and the Thurgood Marshall College Fund to create a coalition called Legislation, Education, Advocacy, and Production Systems (LEAP), which aims to bring awareness and resources to assist farmers in gaining access to land titles. The second partnership is with law students from Historically Black Colleges and Universities (HBCUs) and the National Association of Black Growers and Farmers to better address these issues. The company also funds internships for law students through the Federation of Southern Cooperatives to help find and clear titles for the land or enable mediation with family members.

Outcome: This case study showcases an example of a company that is critically evaluating the challenges and opportunities related to its impact on people – its farmers and customer base – while addressing structural inequities that can impede economic growth and access for one of their key stakeholders. In addition to its internal approach to DEI with its employees, the company is considering DEI in the context of its key stakeholders, which is a component of their business sustainability and success over the long-term. We are encouraged by the company's actions and efforts thus far and will continue to monitor progress.

2 Mexico: A petrochemical company conducts a constructive engagement with BIS and enhances its ESG disclosures

Region	Americas
Engagement Priorities	Board quality and effectiveness Climate and natural capital
Outcome	The company informed BIS that our constructive feedback contributed, in part, to the enhancement of its corporate ESG disclosures, and, in turn, the company improved its ESG scores with various reporting agencies.

Issue: BIS engages companies across active and index investment strategies to promote the governance and business practices that support sustainable long-term performance, which advances the interests of both equity and fixed income investors. The insights BIS obtains from our engagements help BIS analysts make better informed voting decisions on behalf of the clients that have delegated voting authority to BlackRock. The BIS team also shares these insights with BlackRock's active investment teams, through BlackRock's Aladdin platform and/or direct dialogue. BIS' insights help further BlackRock's understanding of how companies are performing in relation to financially material ESG factors relevant to investment decisions for both equity and fixed income strategies.[9]

BIS Response: Since 2020, BIS has engaged with Alpek, S.A.B. de C.V., a leading Mexican petrochemical company and a subsidiary of Alfa, S.A.B. de C.V., a larger Mexican multinational conglomerate. Our discussions have focused on the company's disclosure of information related to the composition of the Board of Directors, the nomination process, board diversity, skills matrix, and other board characteristics.

BIS also provided feedback to the company on its environmental and social-related disclosures. BIS expects companies to disclose scope 1 and scope 2 emissions and accompanying GHG emissions reductions targets. Companies in carbon-intensive industries, such as the petrochemical industry, should also disclose scope 3 emissions.

Outcome: In line with our expectations, in our engagement, BIS encouraged Alpek to disclose its identification, assessment, management, and oversight of sustainability-related risks in accordance with the four pillars of the TCFD. BIS also requested that the company align its ESG disclosures with the Sustainability Accounting Standards Board (SASB) standards, and include industry-specific, material metrics, and rigorous targets. The company showed receptiveness to our feedback and communicated its efforts towards compiling all the necessary information to report in alignment with the TCFD framework and the SASB standards. The company also informed BIS that our constructive feedback as a long-term investor contributed, in part, to the enhancement to its ESG disclosures, and, in turn, the company improved its ESG scores with various reporting agencies.

BlackRock's Fixed Income teams are increasingly integrating ESG factors into their investment analysis and the insights BIS has gained from its engagements with companies in Latin America have helped them identify gaps and common areas for improvement in ESG disclosures across the Latin American region. Moreover,

9 BlackRock Investment Stewardship (BIS). "Engagement bridges BlackRock's portfolios." BIS 2020 Calendar Year Annual Report. March 2021. Page 35.

these insights have helped inform and guide the Fixed Income teams' own discussions with companies that are outside BIS' focus universe, due to their smaller size or because their securities are not publicly-traded.

Similar to the reporting agencies mentioned by the company, BlackRock's Fixed Income teams also noted a marked improvement in Alpek's reporting of its ESG risks and opportunities, as well as increasingly productive discussions on ESG issues.

While recognizing the progress made, we believe there is room for improvement. BIS voted against the proposal on director elections at the company's annual general meeting (AGM) in March, to encourage further progress on sustainability reporting. BIS will monitor the company's sustainability reporting progress over the next few months.

3 United States: Engaging and voting lessons learned from natural gas companies amid the transition to a low-carbon economy

Region	Americas
Engagement Priorities	Climate and natural capital
Outcome	BIS took different voting action at two U.S. natural gas companies given differing progress on climate-related disclosure.

Issue: The natural gas industry has been under intensifying scrutiny regarding its role in the global energy transition. The medium- and long-term business models of natural gas companies will need to adapt to be consistent with a low-carbon economy. Flaring, for instance, is an issue for natural gas companies that requires immediate attention. It is a process whereby, during the production of natural gas, uncaptured gas is released into the atmosphere, emitting methane, a particularly potent contributor to global warming.

Progress on limiting emissions globally over the next decade will play a critical role in determining the success of net zero GHG emissions by 2050.[10] On this pathway, the International Energy Agency (IEA) estimates that total CO_2 emissions need to fall by approximately 45% from 2010 levels by 2030.[11] Companies participating in fossil fuel intensive operations should be exploring and taking action on strategic alternatives. Investments need to be made today to avoid the risk of stranded assets in company portfolios and support a company's long-term value proposition. Governments and policy makers will play a critical role in this evolution of the industry. The public and private sectors need to work together to support the development and deployment of existing and emerging emissions reduction technologies and other low/zero carbon solutions.

BIS Response: Amid this context, BIS held numerous engagements with two U.S.-based natural gas companies, both of which are in our Climate Focus Universe. The first is a holding company that engages in the production, gathering, transportation, distribution, and marketing of natural gas. The second engages in regulated natural gas distribution and the pipeline and storage businesses.

In 2020, we voted against the election of the Chair of the Audit Committee at the first company for insufficient progress with respect to climate-related reporting. At the time, the company published very limited disclosures

10 BlackRock Investment Stewardship (BIS). "Climate risk and the transition to a low-carbon economy." March 2021.
11 The International Energy Agency, "World Energy Outlook 2020."

of climate risk and did not produce SASB- or TCFD-aligned reporting, nor had it set any reduction targets related to GHGs or methane.

Since the 2020 vote, the company published its first SASB-aligned corporate social responsibility report. The company also established formal oversight of corporate responsibility and ESG strategy under the Board's Nominating/Corporate Governance Committee and created an executive steering committee of senior company management who are accountable for integrating applicable sustainability practices in their respective areas. This company also appointed a Vice President of Corporate Responsibility who is responsible for ESG disclosures and identifying further sustainable business practices for the company. The company has enhanced its disclosure regarding board oversight of strategy, reporting, and risk management, and disclosed details about the company's participation in the U.S. Environmental Protection Agency's Natural Gas STAR Methane Challenge Program, a voluntary program designed to provide a platform for utilities, pipeline, and storage companies, and energy producers to make, track, and communicate commitments to reduce methane emissions. The company has publicly committed to full alignment with TCFD reporting in 2021, including setting forth GHG reductions targets.

The second company published corporate social responsibility reports in 2019 and 2020, as well as a standalone methane report that provides details on the company's management of these emissions. These publications, while not yet explicitly aligned with the TCFD framework, address the company's governance and risk management processes including the board oversight of climate risk. The 2020 report is aligned to SASB and displays a detailed index mapping its ESG disclosures to specific SASB standards for the Gas Utilities and Distributors industry within the infrastructure sector. The 2020 report is also aligned with the Global Reporting Initiative (GRI), and the company has committed to aligning its reporting with the TCFD framework in 2021. In the 2019 fiscal year, the Board of Directors established a new Corporate Responsibility, Sustainability and Safety Committee responsible for the oversight, direction and strategy in support of the company's ESG and safety programs. Importantly, the company has set a target to reduce methane emissions by 50% from 2017 to 2035 in its natural gas distribution system. The recently created Corporate Responsibility, Sustainability and Safety Committee oversees this goal as well as the company's other sustainability and environmental practices.

Outcome: At the 2021 AGM, BIS supported management at the first company with no votes against directors. This decision reflected the company's market position relative to its peers, the significant improvements in business practices and reporting the company made between 2020 and 2021, as well as its public commitment to achieve further alignment with our expectations by year end.

At the second company, however, BIS voted against the Chair of the Corporate Responsibility, Sustainability and Safety Committee at the 2021 AGM, for insufficient progress with respect to TCFD-aligned reporting, specifically as it relates to future strategy and alignment with net zero emissions. While both companies have been making steady progress on disclosure, in BIS' view, the second company had a larger market footprint and was still lacking adequate disclosure of its strategy to address the transition away from natural gas or to invest in research and development for carbon capture and alternative fuels. Since the vote, BIS has engaged further with the second company. Based on these discussions BIS believes the company will enhance its reporting on these matters in 2021.

4 Colombia: State-owned oil and gas company announces plan to achieve net zero carbon emissions by 2050

Region	Americas
Engagement Priorities	Climate and natural capital
Outcome	After engaging with BIS, the company announced its plans to achieve net zero carbon emissions by 2050. The plan includes short-, medium-, and long-term decarbonization targets and goals. The company is the first Latin American oil and gas company to announce such goals.

Issue: BIS expects companies to disclose a plan for how their business model will be compatible with a low-carbon economy, i.e. where global warming is limited to well below 2°C. BIS is aware that the path towards net zero may not be linear or streamlined; however, companies should provide adequate disclosure and articulate strategic changes that may impact progress, either negatively or positively. Short-, medium-, and long-term targets allow investors and other stakeholders to track progress and identify innovative leaders.

BIS Response: During the first half of 2020, BIS engaged with Ecopetrol, S.A. – a state-owned Colombian oil and gas company – to provide feedback on its ESG disclosures. On each occasion, BIS has provided a detailed description of our sustainability reporting expectations, with an emphasis on TCFD- and SASB-aligned disclosures, and more recently on scope 1,2, and 3 target-setting.

Given that the company is a United Nations Global Compact (UNGC) signatory, BIS has also discussed Ecopetrol's alleged controversies in violation of the UNGC's principles reported by MSCI[12] - specifically, on Ecopetrol's high exposure to risks associated with bribery and corruption due to its oil and gas operations in Colombia, as well as the company's environmental and community impacts. In particular, BIS sought to understand the company's approach to the protection of Indigenous communities as well as the anti-bribery mechanisms the company has in place to mitigate adverse impacts.

Outcome: In the first quarter of 2021, the company requested an engagement with BIS to share its progress in terms of its ESG-related disclosures. Soon after the engagement, the company publicly announced its plans to achieve net zero carbon emissions by 2050[13] and the publication of its first SASB-aligned report.[14] In alignment with BIS' reporting expectations for carbon-intensive companies, the company's net zero plan includes short-, medium-, and long-term decarbonization targets and goals, becoming the first Latin American oil and gas company to announce such goals.

At BIS' suggestion, the company made publicly available a letter from the UNGC that showed the company is a UNGC signatory since May 13, 2009 and mentioned that the company is a member of the Steering Committee of the Global Compact Network Colombia.[15] Lastly, the letter certified that the UNGC's database did not register any negative report involving the company.[16] BIS will continue to engage and monitor the company's sustainability reporting progress, and, in particular, its alignment with the TCFD framework and the SASB standards.

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12 MSCI is a provider of research, data, and technology tools for investors, and other clients, to gain insight into and improve transparency across the investment process.
13 Ecopetrol, S.A. "Grupo Ecopetrol anuncia compromiso y plan para lograr cero emisiones netas de carbono en 2050." March 25, 2021.
14 Announced in April 2021.
15 Pacto Global Red Colombia – UN Global Compact. "Carta Ecopetrol – NIT: 900.327.192-5." October 15, 2020.
16 As of October 15, 2020.

5 France: Engaging to understand a company's approach to strategy amid leadership changes

Region	EMEA
Engagement Priorities	Strategy, purpose and financial resilience
Outcome	BIS used engagement with the company to understand the board's approach and the implications for its strategy.

Issue: In 2020, Danone amended its bylaws to become an *enterprise à mission* – a company whose stated purpose is aligned with specific social and environmental objectives. This amendment was voted on and supported by 99% of the company's shareholders, including BlackRock. This was a significant decision and a strong signal of the company's commitment to sustainable business practices.

Since late-2020, however, Danone has come under growing pressure from investors to demonstrate that its progress on sustainability is being matched by strong financial performance. The investors questioned aspects of the company's strategy and governance, and specifically called for the combined Chairman and CEO role to be split, and for the then Chairman and CEO, Emmanuel Faber, to be replaced.

On March 1, 2021, Danone's Board of Directors initially announced its decision to separate the functions of Chairman and CEO, and that Emmanuel Faber would become a non-executive Chairman on the appointment of a new CEO.[17] On March 15, 2021, the board went further and announced Emmanuel Faber would no longer take on the non-executive Chairman role but instead step down as Chairman and CEO with immediate effect.[18] Gilles Schnepp, a recently-appointed member of the board, was elevated to the role of Chairman, and Veronique Penchienati-Bosetta (CEO International) and Shane Grant (CEO North America) were named to jointly lead the business until a new CEO is appointed.

BIS Response: Engagement is an essential part of what BIS does. It is how we build an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. BIS has a strong history of engagement with Danone and following recent investor pressure, we – alongside members of BlackRock's active investment teams – met with the then Chairman and CEO Emmanuel Faber in February 2021 to discuss governance and strategic direction.

Following the March 1st announcement, BIS engaged again – this time with the newly-appointed Lead Independent Director to understand better the proposed governance changes and the process for identifying a new CEO. Finally, after the departure of Emmanuel Faber, we sought engagement with the new non-executive Chairman. We had numerous questions about the board's approach to oversight and succession planning during this quickly evolving situation. We made clear our expectation that the company continue to improve its board governance to provide a strong foundation on which new executive management can take the business forward.

17 Danone. "Press Release." March 1, 2021.
18 Danone. "Press Release." March 15, 2021.

Outcome: The board is currently focused – rightly, in our view – on CEO recruitment, but Danone has indicated that we can expect the company to return in due course to the issue of potential further board changes. The new non-executive Chairman also addressed the public speculation that the investor pressure and changes in leadership will result in Danone changing its approach to the sustainable business practices at the heart of its designation as an *enterprise à mission*. He clarified that business performance and the company's sustainability agenda remain priorities,[19] both in their own right but also in combination, as the company moves forward from these recent events. BIS will continue to monitor progress as the company identifies and integrates new leadership in the months ahead, and we will continue to engage to ensure that appropriate attention is given to any governance and strategy questions that remain.

6 UK: Voting against a company's compensation policy that failed to incorporate appropriate and rigorous performance metrics

Region	EMEA
Engagement Priorities	Incentives aligned with value creation
Outcome	BIS voted against a UK media company's compensation policy. In our view, the company's policy did not incorporate appropriate nor rigorous performance metrics to be sufficiently aligned with shareholders' economic interests.

Issue: The vast majority of BlackRock's clients have delegated voting authority to us to vote at the annual and special shareholder meetings of the public companies in which we invest on their behalf. We see voting as one of our core stewardship responsibilities. Voting is how we hold companies accountable if they fall short of our expectations.[20]

While ballots are frequently cast in a uniform manner reflecting the position of BIS – in alignment with our market-level voting guidelines – portfolio managers may, and sometimes do, vote shares in the funds under their management differently from the BIS position. This was the case at this year's AGM at a UK media company. BIS voted against the company's compensation policy, whereas certain BlackRock portfolio managers supported it, as they considered the proposal to be aligned with the interests of clients invested through their portfolios.

Executive compensation[21] is a topic of focus in many of BIS' engagements with executives and board directors at the companies in which we invest on our clients' behalf. As discussed in our commentary, Incentives aligned with value creation, BIS views executive pay as an important tool to drive long-term value creation by incentivizing and rewarding the successful delivery of strategic goals and outperformance. BIS expects a company's board of directors to put in place a compensation structure that incentivizes and rewards executives against appropriate and rigorous goals and metrics. BIS believes outcomes should be aligned with shareholder interests – particularly the generation of sustainable long-term value.

19 Danone. "Press Release." March 15, 2021.
20 BlackRock Investment Stewardship (BIS). "Exercise of rights and responsibilities." BIS 2020 Calendar Year Annual Report. March 2021. Page 34.
21 The term "compensation" is used as an equivalent to the words "remuneration" or "pay."

BIS Response: During the first quarter, BIS engaged with the Chairman and the Chair of the Remuneration Committee at the media company. BIS engaged to provide feedback on the company's compensation policy and underlying value creation plan, which were subject to a vote at the company's AGM held in February 2021.

In general, we expect a meaningful portion of executive pay to be tied to the long-term, sustained performance of the company, as opposed to short-term increases in the stock price. As a result, BIS assesses not only total shareholder returns, but also a company's overall strategy when evaluating long-term, sustainable performance. In this case, the company's value creation plan relied on a single metric – absolute total shareholder return – which in our view, is a de-facto share price hurdle which allows for excessive pay-outs. BIS believes that share price hurdles are not ideal because they may inappropriately reward or penalize an executive as a consequence of market conditions, rather than rewarding the individual's contribution.

BIS shared our concern with the company and explained that we believe measuring executive performance against multiple metrics –that are company-specific – allows investors to better understand the milestones against which a company's, and executive's, overall performance can be assessed. BIS also explained this furthers our understanding of how the company's incentive plan supports long-term sustainable performance and is aligned with shareholder interests.

Outcome: BIS voted against the company's compensation policy and the re-election of all the Remuneration Committee members. We believe the company's proposed compensation policy did not incorporate appropriate nor rigorous performance metrics, and thus, was not aligned with shareholders' interests. The company maintained a view that reliance on a single performance metric offered simplicity and outweighed the advantages of including multiple performance metrics. In prior years, BIS had raised similar concerns over the company's compensation practices. The company's lack of responsiveness to BIS' feedback also factored into our vote against. BIS will engage with the company's board and management team over the coming months to continue raising our concerns over the compensation policy and its misalignment with long-term value creation.

7 Netherlands: Multi-year concerns on the executive compensation practices of a technology company

Region	EMEA
Engagement Priorities	Incentives aligned with value creation
Outcome	Following legacy concerns over the company's executive compensation package, BIS engaged with a technology company to share our feedback over its compensation policy.

Issue: BIS voted against the compensation package at the AGM of a Netherlands-based technology company in 2020. At the time, BIS had concerns about the excessive size of the CEO's pay package and the Supervisory Board's approval of a significant discretionary one-off award. Although the company's performance proved to be strong during the challenging market environment posed by the COVID-19 pandemic, the CEO's pay was considerably higher than the company's peer group median. BIS' concerns were also driven by the Supervisory Board's lack of disclosure regarding its use of discretion to grant a one-off award.

As discussed in our market-level voting guidelines, BIS may vote against executive compensation proposals when we determine that remuneration is excessive relative to peers without appropriate rationale or explanation, including the appropriateness of the company's selected peers. BIS may also vote against when we observe an overreliance on discretion or extraordinary pay decisions to reward executives, without clearly demonstrating how these decisions are aligned with shareholders' interests.

BIS Response: During the quarter, BIS engaged with the Chairman of the Board and members of the Remuneration Committee – including the Chair. Following legacy concerns over the company's executive compensation package, the objective of our engagement was to provide our feedback on the company's updated compensation policy.[22]

BIS recognized the company addressed various concerns we raised in 2020, including the removal of discretionary adjustments that resulted in the approval of the one-off award to the CEO in 2020. During the engagement, BIS provided a detailed explanation of our approach to executive compensation and reiterated our expectation that any one-off award made to an executive should be based on very exceptional circumstances that would need to be detailed by the company in the remuneration report.

Outcome: The company was receptive to BIS' feedback, as demonstrated by the notable improvements in the proposed compensation policy. Upon analyzing the policy in detail, however, BIS believes there is still extensive room for improvement to meet our expectations. This includes, but is not limited to, the need to further strengthen short- and long-term targets and their disclosure, as well as a reconsideration of the Remuneration Committee's discretion regarding increases and one-off awards. As a result, BIS voted against the remuneration report and policy for 2021 and the discharge of the Supervisory Board. As explained in our market-level voting guidelines, in general, BIS will vote against the election of remuneration committee members when we determine that a company disclosure is insufficient to undertake our pay analysis, among other instances.[23] In this case, there were no individual director re-elections on the ballot, so BIS voted, in turn, against the discharge of the Supervisory Board to hold the company accountable.

Following the AGM, BIS engaged once again with the Remuneration Committee Chair to share additional feedback. BIS will continue to engage with the company to further our understanding of its approach to executive compensation and reflect any concern in our voting.

8 Japan: Demonstrating sound business practices leading to long-term growth and value creation

Region	APAC
Engagement Priorities	Corporate strategy, purpose and financial resilience Company impacts on people
Outcome	BIS gained insight into the company's approach to strategy, purpose, and financial resilience as well as human capital management.

Issue: As we lay out in our commentary, Our approach to engagement on corporate strategy, purpose, and financial resilience, BIS does not aim to dictate a company's strategy. Instead, we engage with companies to understand their approach to strategy, purpose, and financial resilience in order to inform our proxy voting

22 The term "compensation" is used as an equivalent to the words "remuneration" or "pay."

23 See "Voting on Say on Pay" in the BIS proxy voting guidelines for European, Middle Eastern, and African securities. January 2021. Page 12.

decisions. We believe that how a company operates, specifically its culture, has a strong influence on what it achieves.

In the context of corporate strategy, we also seek to understand companies' approaches to human capital management. We believe companies should explain how they attract, retain, and develop workers with the skills and expertise necessary to execute strategy and deliver value creation.

BIS Response: In early 2021, we engaged with a Japan-based food manufacturer in order to deepen our understanding of the company's business practices. We discussed the company's strong growth and how it more than doubled its market capitalization in the last decade. Notably, during the COVID-19 pandemic, the firm's supply chain management strategies and deep analysis of consumer purchase motivations led to more repeat customers.

Another engagement topic was the company's consistency in business practices throughout its 60-year history, which the company expressed has been grounded in its strong culture and clear purpose. At the foundation of that company culture is the belief that diversity and inclusion leads to higher employee performance. For example, the company often hires external talent, a strategy that differs from the traditional employment model of other large corporates in Japan that recruit new graduates who then enjoy lifetime employment.[24] The company has a relatively large business outside of Japan that it has been investing in for several years and believes that recruiting internationally allows the company to leverage local perspectives and expertise in the other countries it is expanding to.

As the company seeks to accelerate the growth of its workforce outside of Japan, one of the most important issues to tackle is talent management and how it will attract new employees that can manage and implement go-to-market strategies in new markets. One way the company is improving its talent management is implementing an educational program for future global leaders to become well equipped with the skills necessary to drive strong revenue. Although diverse talent naturally enriches the company, it is mindful of the challenges it faces in creating a common culture across geographies.

Outcome: BIS believes the company's strong culture, human capital management, and purpose are driving consistent long-term value creation for shareholders. The company also explained that it is investing in enhancing its internal communication in order to more clearly articulate its purpose, values, and strategy to its employees globally. Overall, we have been encouraged by the company's actions and efforts thus far and will continue to monitor progress in integrating a diverse workforce while maintaining its strong culture and purpose.

24 Japan's traditional employment system includes lifetime employment as well as a seniority-based wage and promotion system. See OECD's working paper: "Labour market reform in Japan to cope with a shrinking and ageing population." September 16, 2019.

9 APAC: Companies demonstrate progress in disclosing sustainability-related risks and opportunities

Region	APAC
Engagement Priorities	Climate and natural capital
Outcome	Multi-year BIS engagement has contributed to progress in corporate sustainability disclosure in alignment with the TCFD framework and SASB standards in the APAC region.

Issue: In January 2020, BlackRock wrote to clients about the clearer link between sustainability factors and investment risks and returns. Since then, BIS signaled our intention to engage more deeply and more often with companies in carbon-intensive sectors on climate-related business risks and opportunities as the world addresses the transition to a low-carbon economy. We also asked companies to demonstrate that they were adequately managing climate and other sustainability-related risks by reporting in line with the TCFD framework and metrics provided in the SASB standards. We believe the TCFD framework and the SASB standards provide companies with a guide to financially material and decision-useful information related to the risks and opportunities associated with the transition to a low-carbon economy.

For 2021, BIS updated our policies to reflect our expectations of companies in disclosing how they are aligning their underlying business models with the goal of limiting global warming to well below 2ºC and reaching net zero GHG emissions by 2050.

Although this expectation is global, BIS leverages our local presence to understand the context in which companies operate in order to consider their unique situations, needs and objectives. Particularly, we have taken a more localized approach to our engagements with companies in the APAC region.

BIS Response: As we discuss in our commentary, Climate risk and the transition to a low-carbon economy, we recognize that some countries in developing markets and Asia have not yet reached peak emissions, as outlined by their Nationally Determined Contributions (NDCs).[25] In these countries, the corporate dialogue around curbing GHG emissions is at an earlier stage and engagement on climate risk and the energy transition is more nascent. As such, our expectations for companies in these countries are proportionate.

In our engagements with companies in APAC, we have discussed a few common themes over the quarter: companies' strategies for transitioning to a low-carbon economy, whether they are committed to TCFD-aligned reporting, and the extent to which they are already aligned with the four pillars of the TCFD. We also seek to understand how companies are aligning to their respective national and international goals to address climate risk.

During our engagements, we found that many companies have made notable year-on-year progress. For example, a Malaysian shipping company shared its decarbonization strategy and plans to align with the International Maritime Organization (IMO)'s 2050 decarbonization target. The company has also published a TCFD-aligned sustainability report in 2021. We noticed similarly encouraging improvements in sustainability disclosures with a Philippines-based investment holding company. The company's recently published

25 Nationally Determined Contributions (NDCs) refer to the self-determined climate plans by each country to reduce national emissions and adapt to the impacts of climate change in the context of their national priorities, circumstances, and capabilities. NDCs must be submitted every five years.

Integrated Report[26] is now aligned to SASB standards and mentions a commitment to be TCFD-aligned by 2022. The company shared that in the last year, it had formalized and enhanced its sustainability governance structure with the hiring of a Chief Sustainability Officer, demonstrating the importance of sustainability and ESG-related issues to management and the board. We were also encouraged by our engagement with a Singapore-based land transport company that recently announced its commitment to formally align with the Science Based Target initiative (SBTi) in March 2021.[27]

Outcome: These are just a few examples of companies in the region demonstrating positive progress in reporting climate-related risks and transitioning to a low-carbon economy. Although there is still further progress to be made, we remain encouraged that the companies are demonstrating a commitment to manage oversee and report on climate-related issues.

More broadly, in recent years we have noticed significant progress in the APAC region with companies accelerating disclosure efforts in alignment with the TCFD framework and the SASB standards. According to SASB data, after the U.S. and Canada, the APAC region recorded the highest number of unique SASB reporting companies for 2020. South Korea topped the list with 16 public companies publishing SASB-aligned disclosures, 14 of them for the first time.[28] A number of these companies informed BIS that they had decided to disclose SASB- and/or TCFD-aligned material risks and opportunities as a result, in part, of our continued engagement and feedback.

Based on our Q1 2021 engagements in the region, BIS believes there are notable improvements being made across APAC and we expect accelerated progress in the coming months. However, we will continue to monitor the progress of the companies in the region, particularly those in the BIS Climate Focus Universe and take voting action where we observe a lack of progress.

10 Singapore: Engagement with a palm oil company on environmental and social controversies

Region	APAC
Engagement Priorities	Climate and natural capital Company impacts on people
Outcome	BIS engaged with a company on environmental and social controversies related to its operations in Africa. We underscored our belief that to deliver value for shareholders, companies should build strong relationships with their key stakeholders.

Issue: BIS believes that how a company manages material ESG factors can be a signal of operational excellence and management quality. For companies whose business models have material dependencies or

26 For FY2020.
27 The Science Based Targets initiative (SBTi) "defines and promotes best practice in science-based target setting. Science-based targets are considered to be in line with meeting the goals of the Paris Agreement and limiting global warming to well below 2º C.
28 BlackRock Investment Stewardship (BIS). Investment Stewardship Annual Report 2020. "Accelerated adoption of SASB-aligned disclosures in South Korea." March 2021. Page 39.

impacts on natural capital[29] – such as those in the palm oil industry – the management of ESG factors can be a defining driver of their ability to generate long-term, sustainable value for shareholders.

Locations where biological diversity is greater tend to be inhabited by Indigenous and traditional peoples whose livelihoods, languages, and traditions are dependent on that land and its species.[30] As such, BIS is particularly interested in understanding companies' impacts on the communities in which they operate, locally or through their supply chains.

BIS Response: BIS engaged with a Singapore- listed palm oil plantation company, and its subsidiary in Africa, to discuss environmental and social controversies related to the operations of the subsidiary. In February, an independent grievance panel at the High Carbon Stock Approach (HCSA) [31] published a final grievance report of the company's operations. In this report, HCSA found that some allegations, pointing to the company's subsidiary clearing forests in Africa, were valid.

In addition, the report validated assertions from a group of NGOs – communicated through a letter of concern – that the African subsidiary did not conduct a proper Free, Prior, and Informed Consent (FPIC) process, leading to complaints by the local community. The report also found that the subsidiary did not do enough to remediate this misconduct and compensate the local community,

In our engagement, BIS sought to better understand the background of the complaints and learned that the environmental and social controversies raised in the report had been first acknowledged by the Roundtable on Sustainable Palm Oil (RSPO)[32] in 2018.

BIS underscored our belief that in order to deliver value for shareholders, companies should also consider their other key stakeholders. In our experience, companies that build strong relationships with their stakeholders are more likely to meet their own strategic objectives, while poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks and jeopardize their social license to operate.

Outcome: The management team at the parent company informed BIS about the remediation steps it had taken since the first High Carbon Stock (HCS) forest clearance allegations were raised in 2018. Firstly, the company had consistently acknowledged that HCS forest clearance did occur. The company then commissioned an independent third-party to investigate the extent of forest clearance. Finally, the company shared that, at present, HSCA is in the process of determining a compensation amount for forest areas that had been cleared.

Management at the parent company shared that they were aware of the social controversies highlighted in the HCSA report as they were not new. In response to several complaints, filed against the company's subsidiary since 2012, the RSPO Complaints Panel (CP) conducted its first site visit to the community in question in 2014, yet cleared the subsidiary of the allegations raised. In light of ongoing complaints from NGOs, the RSPO CP conducted another site visit in 2017, and a year later announced that it had found evidence of breaches. The company acknowledged the lack of progress in providing remediation to the impacted communities under the RSPO process, although it explained that a delay on the process was due, in part, to factors outside the company's control – including most recently, the COVID-19 pandemic. The company informed BIS that the remediation process has been reactivated as of March 2021.

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29 Natural capital refers to the supply of the world's natural resources from which economic value and benefits can be derived. See BIS' approach to engagement on natural capital.

30 United Nations Environment Programme. "Cultural and Spiritual Values of Biodiversity." 1999.

31 The High Carbon Stock Approach (HCSA) "is a methodology and toolkit that sets the standard approach for implementing no deforestation on-the-ground in tropical moist forest landscapes."

32 The Roundtable on Sustainable Palm Oil (RSPO) is a not-for-profit that "has developed a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO)."

We expect the company to continue paying attention to the environmental and social controversies signaled in HSCA's report and work towards resolving them. Given that the allegations have not been completely addressed – as reported by both the RSPO and the HSCA - BIS will continue engaging with the company and monitoring its progress. In particular, BIS will follow-up with the company on its progress on the remediation process with the local community and HSCA's compensation determination. It is our conviction that our clients, as long-term shareholders, benefit when companies operate their businesses responsibly. Unmanaged potential or actual adverse company impacts on people can not only harm the people directly affected, but also expose companies to significant legal, regulatory, operational, and reputational risks.

11 Malaysia: Holding directors accountable on human capital management in light of the COVID-19 pandemic

Region	APAC
Engagement Priorities	Company impacts on people
Outcome	BIS voted against the re-election of six Independent Non-Executive Directors (INEDs) and against a proposal for the Senior Independent Director to continue as an INED due to the board's ineffectiveness in COVID-19 mitigation in its workforce and a track record of inadequate oversight of worker health and safety issues.

Issue: Top Glove is a Malaysia based company that is the world's largest rubber gloves manufacturer. The company has been the subject of intense scrutiny over various labor-related and human rights issues in its supply chain since 2018. BIS conducted multiple engagements with Top Glove's management and board of directors since the company was placed on the UNGC Watchlist in 2018 in response to allegations about the use of forced labor and subjecting its workers to excessive working hours, amongst other issues. The U.S. Customs and Border Protection (CBP) determined that there was reasonable evidence of forced labor at two Top Glove subsidiary manufacturing facilities and in July 2020 issued a Work Release Order (WRO) on Top Glove's disposable gloves. Since then, BIS has had several engagements with the company.

BIS response: While we acknowledge the board and management's willingness to engage with the BIS team, as well as the steps the company has taken in response to some of the recent controversies, the COVID-19 pandemic has exposed severe shortcomings in management and oversight of worker health and safety-related issues. Specifically, at the time that BIS voted, we had significant concerns about the company's approach to worker protections.

The company is still on the UNGC Watchlist and faces pending investigations by both the CBP and the Malaysian government. Despite the board and management's reassurance that COVID-19 preventive measures had been implemented since the start of the pandemic, as of January 2021 a quarter of its workers had been infected with the virus, with one associated death. The investigations conducted by Malaysia's Ministry of Human Resources (MoHR) and the CBP, together with media reports as well as a whistleblower's account, showed that Top Glove's workers live in dense, unsuitable accommodations with a lack of proper ventilation and physical distancing[33]– a stark contrast to what the board had conveyed to shareholders. Given Top Glove's role as a leading Personal Protective Equipment (PPE) manufacturer, we view the board's

33 Top Glove. "Top Glove Working with Authorities to Improve Workers' Accommodations." November 27, 2020.

ineffectiveness in implementing COVID-19 protections for its workforce and inadequate oversight of worker health and safety issues as especially egregious. It has potentially serious implications for its reputation as a supplier of such equipment to hospitals around the world.

As the COVID-19 pandemic ravaged the region, the board failed in a key aspect of its oversight responsibility given that it did not identify and set policies to manage risks including the health and safety of workers living in its dormitories. This is particularly surprising given the enhanced awareness and attention to the company's worker safety issues since 2018.

Outcome: Given the gravity of the situation and the material failure in oversight by the board, BIS voted against the re-election of six Independent Non-Executive Directors (INEDs) and a separate proposal for Senior Independent Director Lim Han Boon to continue in office as an INED. Since our vote, the company has made notable progress, including engaging an independent consultant to assess the company's ethical trade, human rights and fair labor practices. As of January 2021, the independent consultant found that several forced labor indicators were no longer present in the company's direct operations. We will continue to engage with the company to assess the measures that are taken towards the resolution of the CBP and MoHR investigations, how it is meeting its various commitments to improve labor rights and workers' accommodation, and how it is addressing health and safety-related issues.

Responsible leadership

Industry engagement and policy consultations

Members of the BIS team participated in several global and market-level industry events in the first quarter of 2021, with the goal of furthering discussion on matters deemed important to investors and/or promoting an increased understanding of BlackRock's approach to investment stewardship.

We prioritize events that enable us to connect with key constituents and thought leaders, including corporate directors, senior members of management teams, policy makers, fellow shareholders (some of which are also clients), and other stakeholders. In alignment with local health and safety guidelines to prevent the spread of COVID-19, BIS has continued to engage with the stewardship ecosystem virtually.

BIS also responded to a number of public policy consultations to provide our perspective as a long-term shareholder on behalf of clients, with the objective of promoting a sustainable financial system. We value opportunities that provide a means to share our views on a variety of corporate governance topics, reflect the global perspective and the local expertise of the BIS team, and listen to the views of our peers. The full record of BIS responses to policy consultations is available under the Positions and Perspectives section of the BIS website.

BIS' commitment to responsible leadership is not limited to external participation. Sandy Boss, Global Head of Investment Stewardship, was recently appointed Co-Chair of BlackRock's Diversity, Equity, and Inclusion (DEI) Steering Committee, alongside Michelle Gadsden-Williams, BlackRock's Global Head of DEI. The commitment to diversity is core to our purpose at BlackRock. We know progress will require a long-term effort, but we are committed to advance DEI both at our Firm, and in the companies we invest in on our clients' behalf.

Global

The Taskforce on Nature-related Financial Disclosures (TNFD) Consultation Document

In March, BIS responded to an invitation to comment on the technical scoping of the TNFD framework. The TNFD's objective is to "provide a framework for corporates and financial institutions to assess, manage, and report on their dependencies and impacts on nature, aiding in the appraisal of nature-related risks and opportunities and thereby redirecting global financial flows away from nature-negative outcomes and towards nature-positive outcomes."[34] The TNFD Informal Working Group (IWG) – in charge of defining the scope, governance, plan, and budget for the taskforce – was established in September 2020 and comprises 74 financial institutions, regulators, corporates, and other members representing over U.S. $8 trillion assets under management (AUM).[35] In our response, BIS informed the TNFD Working Group Co-Chairs that while we are aligned with the overall goal of the taskforce and are supportive of the TNFD's alignment with the TCFD, we believe the TNFD's aim should be to develop, implement, and fine-tune reporting standards that result in disclosure that explains to investors how a company has considered its reliance and impacts on natural capital. This should be evaluated from a financial perspective, but also in the context of a company's ability to execute on a sustainable business model.

34 TNFD. "Why a Taskforce is needed." 2021
35 TNFD. "Who we are." 2021.

The Women's Earth and Climate Action Network (WECAN) International Workshop

In March, BIS and members of other BlackRock teams met with Indigenous leaders and partners, as part of two workshops organized by the Women's Earth and Climate Action Network (WECAN) International to discuss how companies impact the human rights of the communities in which they operate, including those of Indigenous peoples. The presentations focused on the need for business practices that align with the Paris Agreement and address human and Indigenous rights issues.

The workshop engagements offered BIS valuable insights on the impact of extractive industries on local and Indigenous communities. Discussions addressed the links between deforestation, the production of commodities and climate change, as well as the impacts of oil, gas, and coal extraction on Indigenous communities. WECAN International outlined its views on how investors can assess whether Free, Prior and Informed Consent (commonly, FPIC) has been given before projects that affect communities are started and how continuing support can be determined. The workshops were helpful to the BIS team as we continue to develop our approach to engaging companies on their human rights impacts.

Americas

Americas: Fifth BIS Americas Director Day

In February, the BIS Americas team hosted its fifth Director Day to engage with company directors on topical governance issues. Directors representing 10 sectors and 92 unique companies – including a record-level representation of portfolio companies in Latin America[36] – and a total market capitalization of more than U.S. $2.1 trillion attended the dialogue. Sandy Boss, Global Head of Investment Stewardship, led the conversation reflecting on the events that took place in 2020 and that shaped the BIS 2021 stewardship expectations and engagement priorities. Alexis Rosenblum, BlackRock's Chief Corporate Sustainability Officer, shared insights from BlackRock's experience adopting and reporting in line with the recommendations of the TCFD and SASB, while Tom Donilon, Chair of the BlackRock Investment Institute, shared his outlook on how geopolitical trends will inform long-term investments. Larry Fink, BlackRock's Chairman and CEO, shared the key takeaways from his 2021 letter to CEOs.

Latin America: Gender Equity and the Advancement of Women in Business – *Mujeres en Finanzas* and Bloomberg Webinar

In March, BIS participated in a Bloomberg-led conversation on the advancement of women in business and the importance of data disclosure to support gender equity – through policy development, representation, and transparency. The discussion was organized in partnership with *Mujeres en Finanzas* (Women in Finance),[37] an organization that seeks to promote the professional development and empowerment of women in the finance industry. BIS shared our perspective on board effectiveness and our expectations of the companies we are invested in on behalf of our clients. We also discussed how stewardship contributes to the advancement of DEI in Latin America. In particular, BIS focused on how our team advocates for diversity at the board and workforce levels, and how a lack of progress by a company may trigger a vote against directors for an apparent shortfall in board quality and effectiveness.

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36 Approximately one third of attendees represented portfolio companies in Latin America.

37 *Mujeres en Finanzas* is an organization co-founded in 2017 by women at BlackRock. The organization currently has chapters in Mexico and Chile, and over 3,000 members.

North America: Tapestry Networks Audit Committee Leadership Network

In March, BIS joined members of Tapestry Networks' Audit Committee Leadership Network (ACLN) "for a discussion of investor perspectives on ESG reporting and targets."[38] BIS shared how corporate sustainability disclosures allow investors to assess companies' long-term prospects and reiterated how we have been engaging with companies on sustainability disclosures for years. Since January 2020, we have explicitly asked companies to demonstrate how they are adequately managing climate and other sustainability-related risks by reporting in line with the TCFD framework and SASB standards. Lastly, BIS shared our 2021 stewardship expectations related to climate-risk disclosure, GHG emission reduction targets, and board diversity, among other sustainability-related risks and opportunities.

United States: Harvard Business School & Kennedy School hosted Social Enterprise Conference (SECON)

In March, BIS and the BlackRock Global Impact Team, an investing team, participated in the Social Enterprise Conference (SECON) hosted by Harvard Business School & Kennedy School. SECON 2021 gathered attendees from across the private, public, and academic sectors to engage on the urgent challenge to address both the COVID-19 pandemic and deepening social and economic issues. We participated in a panel discussion on the Impact-Weighted Accounts Project (IWA), a Harvard Business School research initiative that BlackRock contributes to as a thought partner. IWA seeks to create a new framework with practical tools for investors to themselves incorporate environmental, social, and product externalities into financial accounting analysis. During the session, BIS provided an overview of our collaboration to pilot the IWA Initiative's methodologies and presented initial insights regarding how the tools inform our assessment of a company's stewardship profile, business fundamentals, and overall social and environmental impact.

United States: Securities and Exchange Commission (SEC) Asset Management Advisory Committee (AMAC) Meeting

Sandy Boss, Global Head of Investment Stewardship, participated as a panelist in the AMAC meeting held on March 19, 2021.[39] Acting SEC Chair Allison H. Lee offered welcoming remarks, followed by Commissioners Hester M. Peirce, Elad L. Roisman, and Caroline A. Crenshaw. We and another asset manager, alongside four companies, discussed the SEC's ESG Subcommittee's recommendations of December 1, 2020 to "improve the data and disclosure used for ESG investing, in order to create better transparency for investors, and better verifiability of investment products' ESG strategies and practices."[40] We shared our perspective on corporate sustainability disclosures and our expectation that companies disclose ESG-related risks and opportunities in alignment with the TCFD framework and SASB standards. In addition, we suggested ways in which the SEC could work with international regulators and private standard setters to accelerate progress in corporate sustainability disclosures. We reiterated our belief that this is an opportune moment for the SEC, along with other U.S. regulators, to provide leadership toward establishing a globally consistent, mandatory sustainability disclosures framework.

38 Tapestry Networks. "Investor perspectives on ESG Reporting." Audit Committee Leadership Network. March 2021.
39 U.S. SEC. "SEC Issues Agenda for March 19 Meeting of the Asset Management Advisory Committee." March 17, 2021.
40 U.S. SEC. "Potential Recommendations of ESG Subcommittee." December 1, 2020.

Europe, Middle East, and Africa (EMEA)

EMEA: BlackRock Investment Consultant Sustainability Roundtable

In February, BlackRock's EMEA Global Consultant Relations team hosted its flagship Investment Consultant Roundtable on Sustainability. The meeting was attended by approximately 25 representatives of 15 different consulting firms. BIS joined BlackRock leaders to share BlackRock's commitment to sustainable investing and stewardship. BIS discussed how stewardship at BlackRock contributes to the Firm's objectives related to sustainability and net zero. We highlighted the 2020 milestones in our sustainability journey – including our increased engagement on sustainability, reinforced by our voting. We also discussed BIS' thought leadership activities and our 2021 stewardship expectations of the companies in which we invest on behalf of clients.

Sweden: Nasdaq Board Talks

In March, BIS joined a Nasdaq Board Talks webinar – alongside representatives of pension funds and local asset managers in Sweden – to discuss how corporate governance can help drive ESG progress. The discussion also touched on how Swedish companies can communicate their ESG progress to secure continued support from investors while aligning to local corporate governance models. BIS shared our approach to investment stewardship. We also described how we participate as active and engaged stewards of our clients' capital in Sweden, in alignment with the regulatory framework applicable to global asset managers, while reflecting regional and country-specific norms. The webinar was attended by approximately 100 senior executives and board members of listed Swedish companies.

UK: Leadership in Extraordinary Times Series

In February, BIS participated in the third "Leadership in Extraordinary Times Series" organized by the University of Oxford's Saïd Business School.[41] In the session titled "How capital markets can take sustainability to the next level," BIS shared our views on the need for a global reporting standard to provide investors with accurate, comparable, and comprehensive sustainability-related data to inform investment decision-making. BIS also reiterated our support of the International Financial Reporting Standard (IFRS) Foundation's proposal to establish a Sustainability Standards Board and become a sustainability standards-setter, building upon the work of existing sustainability reporting initiatives. BIS explained our support for the convergence of reporting standards in our commentary, Sustainability Reporting: Convergence to Accelerate Progress, published in October 2020.

UK: 2020 UK Stewardship Code

BIS submitted our 2020 Calendar Year Annual Report as part of our application to become a signatory to the 2020 UK Stewardship Code – which sets high stewardship standards for asset owners and asset managers and for service providers that support them.[42] The BIS 2020 Calendar Year Annual Report demonstrates how we advocate for sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals. The report also highlights how our team has applied the Stewardship Code's twelve principles for asset managers over the twelve months to December 31, 2020.

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41 University of Oxford. Saïd Business School. "How capital markets can take sustainability to the next level." February 16, 2021.
42 Financial Reporting Council (FRC). "UK Stewardship Code."

Asia-Pacific (APAC)

Australia: BIS engages at the market-level to provide thought leadership that drives progress on increased transparency, protection of shareholder interests, and engagement on ESG

BIS participates in market-level thought leadership through various means. In Q1 2021, we submitted a response to the Australian Prudential Regulation Authority (APRA) on its revised remuneration consultation (CPS 511). BIS reiterated the positions laid out in our October 2019 response to APRA's discussion paper: Strengthening prudential requirements for remuneration. We agree with APRA's aim of ensuring that an entity's remuneration arrangements produce appropriate incentives and outcomes and appreciated the opportunity to contribute to this conversation.

BIS also attended local industry events that allowed us to broadly share our views on the role that engagement plays in furthering progress on ESG issues. In March, BIS sat on the "Black Swan + Climate Risk" panel at the Australian Institute of Corporate Directors' Australian Governance Summit. The summit was attended by 1,200 directors with half the attendees taking part online. BIS shared views that clients investing in BlackRock products are increasingly seeking to invest in companies that take account of climate change, based on an expectation that laggard companies run the risk of being starved of capital over time. We explained the role of the BIS team in advocating for enhanced disclosures that enable better decision making by investors through engagement with companies and boards on their climate risk.

That same month, BIS also sat on a discussion panel for Citi's "Asia & Global Perspectives in ESG," along with the Head of EMEA ESG Research at Citi Research and Head of Sustainable Finance at Citi Global Insights. The event was attended by institutional investors with whom BIS shared our engagement priorities and BlackRock's approach to stewardship and climate risk.

Lastly, BIS participated in two "Tone from the Top Matters" panels hosted by the Australian search firm Derwent. BIS addressed BlackRock's approach to stewardship, our 2021 stewardship expectations and engagement priorities, and our approach to engagement on sustainability and climate risks.

These events allowed us to further engage with the stewardship ecosystem in Australia and enhance our own understanding of the issues most relevant in the market.

China: Active market-level engagement with the local stewardship ecosystem

BIS engages the global investment and corporate community through a number of coalitions and shareholder groups. BIS also participates in market-level industry events, enabling more frequent and better-informed dialogue, often in the local language. During the quarter, BIS participated in a panel organized by the Shanghai Stock Exchange (SSE) to share our perspective, as a global investor, on ESG investments in the China A-share market. BIS also discussed our expectation that companies have clear policies and action plans to manage climate risks and to realize opportunities as they transition to a low-carbon economy.

China: BIS response to CSRC Consultation Paper on Revising the Guidelines for Investor Relations Management

In March 2021, BIS submitted a response to the "Consultation Paper on Revising the Guidelines for Investor Relations Management by Listed Companies" issued by the China Securities Regulatory Commission (CSRC). BIS' views covered three main areas: 1) Specifying the Role of the Board in Investor Relations; 2) Elaborating on the Expectation around Communication of ESG Information; and 3) Clarifying Rules on Information Disclosure via Social Networks.

India: BIS response to SEBI Consultation Paper on the review of regulatory provisions related to independent directors

In March, BIS submitted a response to the Securities and Exchange Board of India's (SEBI) "Consultation Paper" on regulatory provisions related to independent directors (IDs) nomination, resignation, and fees. The paper requested feedback from the public on creating greater transparency and structure around the process of appointing IDs and what the role of IDs should be. BIS expressed our general alignment with the proposals. We support the proposed dual approach to voting on IDs – which requires approval of shareholders and approval by a "majority of the minority" (simple majority of independent shareholders) – as a useful means for signalling concern when a nominee may not have the confidence of the independent shareholders. However, the consultation also proposes share options as part of the compensation package for IDs, which we believe could impair their independence and result in greater risk taking by the company.

Japan: BIS participated in several market-level events that affirmed the relevance of our 2021 Engagement Priorities for stakeholders

The opportunities to engage in Japan this quarter confirmed the relevance of our 2021 engagement priorities. In January, BIS participated in the New Year Governance Seminar, hosted by MUFJ Trust Bank. BIS provided the background to our market-level voting guidelines and engagement approach on key ESG issues. The seminar attracted participants from over 100 Japanese listed corporates.

BIS also spoke at the MUFG CFO Forum where we shared views on how the stewardship landscape has evolved over the last year. BIS provided context to our voting and engagement approach on key sustainability issues, particularly climate risk and the transition to a low-carbon economy. The virtual forum was attended by CFOs from key Japanese listed corporates.

Climate risk was a dominant theme in our discussions, together with our BlackRock Sustainable Investing (BSI) colleagues, in the SDGs/ESG study group hosted by the Regional Bank Association of Japan. This was a valuable opportunity for BIS to communicate how we integrate sustainability, including climate risk, into both our investment and stewardship activities. While climate is at the forefront of many conversations, we equally appreciated the chance to provide thought leadership on governance, the topic BIS engages most frequently on with companies. The virtual study group was attended by numerous participants representing Japanese regional banks.

In March, BIS participated in the "Director Training Seminar for Women Directors," an event for over 70 women directors and director candidates. The event was hosted by Proned, an independent director training service provider. The discussion focused on key corporate governance and stewardship developments and the expectations that investors, like BlackRock, have for directors on the board of a public company. As a main speaker at the event, we shared how BIS believes board quality and effectiveness is fundamental to a company delivering on long-term performance for its shareholders.

Singapore Institute of Directors' Listed Entity Director (LED) Programme

BIS joined a panel discussion hosted by the Singapore Institute of Directors as part of its mandatory Listed Entity Director (LED) Programme. The LED Programme is supported by the Singapore Exchange (SGX) and is a pre-requisite course for first-time appointees on boards of listed companies, to equip them with the skills and knowledge to execute their duties as directors effectively.[43] We shared our observations on the current state of corporate reporting as well as our views on the need for improved shareholder engagements by board directors.

43 Singapore Institute of Directors (SID). "LED-Listed Entity Director Programme." 2021.

Market developments and trends

Global

BlackRock joins Net Zero Asset Managers Initiative

In March 2021, BlackRock joined the Net Zero Asset Managers Initiative, an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. The Initiative has 87 global asset manager signatories[44] representing U.S. $32 trillion in AUM, signaling that net zero by 2050 is now a widely backed objective amongst asset managers.

International Financial Reporting Standards (IFRS) Foundation Trustees announce next steps in response to broad demand for global sustainability reporting standards

The Trustees of the IFRS Foundation announced on March 22, 2021, "the formation of a working group to accelerate convergence in global sustainability reporting standards and to undertake technical preparation for a potential international sustainability reporting standards board under the governance of the IFRS Foundation."[45] As detailed in our commentary, Sustainability Reporting: Convergence to Accelerate Progress, BlackRock strongly supports convergence in global sustainability reporting standards to achieve a globally recognized and adopted approach to comprehensive reporting. BIS sees the approach proposed by the IFRS Foundation as the most practicable and likely to succeed and looks forward to the potential establishment of a Sustainability Standards Board at the meeting of the United Nations Climate Change Conference COP26 in November 2021.

Climate Action 100+ released its inaugural net zero company benchmark

In January 2020, BlackRock joined Climate Action 100+ (CA100+), now the largest ever investor-led engagement initiative on climate change. On March 22, 2021, CA 100+ launched its first Net Zero Company Benchmark that assessed 159 focus companies against nine indicators, including net zero GHG emissions by 2050; short-, medium-, and long-term GHG reduction targets; and TCFD-aligned disclosure, among others. The benchmark highlighted that alignment of value chain GHG (Scope 3) emissions remains a blind spot. The benchmark also emphasized that long-term ambitions need to be backed by clearer strategies and robust short- and medium-term targets and pointed out that ambitious 1.5°C pathways are often missing from climate scenario planning. BIS looks forward to contributing to CA100+ net zero efforts, in particular through our independent engagement with companies in the focus universe and active participation as members of the CA100+ Asia Advisory Group.

44 As of April 28, 2021,
45 IFRS. "IFRS Foundation Trustees announce working group to accelerate convergence in global sustainability reporting standards focused on enterprise value." March 22, 2021.

Americas

United States: Department of Labor (DOL) Statement on Enforcement of the ESG Rule and Proxy Voting Rule

On March 10, 2021, the U.S. DOL's Employment Benefits Security Administration released a statement announcing the temporary non-enforcement of the recently published final rules on "Financial Factors in Selecting Plan Investments" (the ESG rule) and "Fiduciary Duties Regarding Proxy Voting and Shareholder Rights" (the proxy voting rule). The announcement highlighted that until further guidance is published, the "department will not enforce either final rule or otherwise pursue enforcement actions against any plan fiduciary based on a failure to comply" with both rules.[46] We welcome this development and the DOL's ongoing efforts to issue a new rule that would remove the ambiguity for BlackRock's ERISA clients in relation to the voting and reporting we do on their behalf.

United States: Securities and Exchange Commission (SEC) Creates Climate and ESG Task Force

On March 4, 2021, the SEC's Division of Enforcement announced the creation of a "Climate and ESG Task Force" to "develop initiatives to proactively identify ESG-related misconduct." The Task Force will focus initially on identifying "material gaps or misstatements in issuers' disclosure of climate risks under existing rules."[47] It will also "analyze disclosure and compliance issues relating to investment advisers' and funds' ESG strategies." As BIS describes in our commentary, Climate risk and the transition to a low-carbon economy, investors need comparable, consistent, and comprehensive information in order to assess companies' long-term transition plans and near-term actions. Effective disclosure of climate-related risks and GHG emissions data enables investors to make more informed asset allocation decisions. It also allows markets to correctly price the financial impact of climate change, which in turn ensures the reallocation of capital necessary to transition to a low-carbon economy. As such, BIS welcomes the establishment of the Task Force and looks forward to sharing our perspectives on opportunities to accelerate progress in ESG-disclosure efforts locally and globally.

Europe, Middle East, and Africa (EMEA)

EU: Financial Reporting Advisory Group report on NFRD

The European Financial Reporting Advisory Group (EFRAG) created a task force to provide technical advice to the European Commission on how to revise the Non-Financial Reporting Directive (NFRD). In February 2021, the task force released its roadmap and recommendations for developing sustainability reporting standards that address public good alignment, set clear boundaries, and support connectivity between financial and sustainability reporting.[48] Since then, the European Commission released its proposal to revise the NFRD, now called the Corporate Sustainability Reporting Directive, and formally requested EFRAG to draft the European sustainability standards. We welcome the great advances the EU is making on corporate sustainability reporting and we see these advances as complementary to our expectations for material sustainability and climate disclosures by investee companies.

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46 U.S. Department of Labor. "U.S. Department of Labor releases statement on enforcement of its final rules on ESG investments, proxy voting by employee benefit plans." March 10, 2021.
47 U.S. Securities and Exchange Commission. "SEC Announces Enforcement Task Force Focused on Climate and ESG Issues." March 4, 2021.
48 European Financial Reporting Advisory Group. "Proposals for a Relevant and Dynamic EU Sustainability Reporting Standard-Setting." February 2021.

EU: SFDR first wave of implementation

The Sustainable Finance Disclosure Regulation (SFDR) requires all financial market participants, including fund managers, financial advisors and certain other regulated firms in the EU, to disclose their ESG considerations at product and entity levels. The framework aims to deter greenwashing and increase transparency. On March 10, 2021, the SFDR became applicable, and BIS contributed to numerous aspects of BlackRock's implementation of its initial obligations. With the SFDR, the EU has delivered the first market-wide, comprehensive regulatory framework that more clearly defines the sustainable investment landscape and provides transparency to investors and other stakeholders. BlackRock welcomes this development as a catalyst for driving sustainability in Europe. BlackRock will work with our clients, regulators and policymakers, our industry and other stakeholders to help ensure that the full suite of SFDR rules and other complementary EU regulations further solidify the investor momentum behind sustainable investing.

UK: Publication of the fifth and final Hampton-Alexander Review

Launched in 2016, the Hampton-Alexander Review aimed at increasing the representation of women in senior leadership positions and on boards of FTSE 350 companies. On February 24, 2021, the Hampton-Alexander Review released its final report on improving gender balance across Britain's largest listed-companies' leadership roles. The report found that more boardroom representation at these firms led to greater representation across the companies. Although the top firms in the UK are still dominated by men, since the first report was published, representation of women on boards has increased to at least 33% for approximately 73% of the FTSE 350 companies. Amra Balic, Managing Director and Head of BIS EMEA, is quoted in the Hampton-Alexander Review and referred to it as a game-changer. She mentions that in terms of improving gender balance "the work is not done...When it comes to dialogue and engagement with companies, it's important to keep the foot on the accelerator."[49] BIS will continue to promote diversity in leadership more generally through our dialogue with company directors and management, share best practices, and contribute to the public debate, as appropriate. We are also considering how any lack of progress by individual companies in meeting the targets should be reflected in our assessment of those companies' approach to diversity and ultimately in our voting.

Asia-Pacific (APAC)

China: Fourteenth Five Year Plan

In March, China announced its detailed fourteenth Five Year Plan. The plan sets the national targets on energy intensity reduction, CO_2 intensity reduction, as well as forest coverage for the next five-year period. In addition, the country is expected to release its first ever climate plan in the second half of 2021, which will provide a sector-specific decarbonization pathway on emission peaking by 2030. In alignment with our conviction that climate risk is investment risk, BIS will continue engaging with companies in the region to understand how they are aligned to a scenario in which global warming is limited to well below 2°C, consistent with a global aspiration to reach net zero GHG emissions by 2050.

49 Hampton-Alexander Review. FTSE Women Leaders. "Improving gender balance – 5 year summary report." February 2021. Page 43.

Hong Kong: Implementation of Inspection Arrangements for Companies Register

The Government of Hong Kong announced it will implement a new inspection regime for the Companies Register, which would restrict public access to personal information of directors and company secretaries. In response to news reports citing concerns with the new regime, the Financial Services and the Treasury Bureau reiterated that the regime intends to strike “a reasonable balance between continuing to allow public access to the necessary personal information to ascertain the identity of directors…and protecting personal privacy.”[50] BIS will evaluate the new policy and will monitor developments in the comings months. BIS will also continue to engage with companies, regulators, and other stakeholders, to contribute to the advancement of a stronger local stewardship ecosystem.

Korea: Policies to enact mandatory ESG disclosure by 2030

In January, financial authorities in South Korea announced plans to require public companies to disclose ESG data.[51] The plan – put together by the Financial Supervisory Services (FSS), the Financial Services Commission (FSC), and the Korea Exchange (KRX) – will be introduced in stages. At present, disclosure is voluntary for all listed companies. Kospi listed companies with over KRW $2 trillion (U.S. $2 billion) in assets will be required to disclose ESG data by 2025.[52] The new rule will become mandatory for all listed companies by 2030. While this is a positive development, the regulators do not reference any specific reporting standards for companies to adopt. BIS will continue to engage with Korean issuers to promote stronger sustainability disclosure aligned with the TCFD framework and SASB standard.

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50 The Government of the Hong Kong Special Administrative Region. “Press Release – Implementation of inspection arrangements for Companies Register.” March 31, 2021.

51 Choi Jae-hee. “S. Korea to obligate listed firms to disclose ESG data from 2025.” The Korea Herald. January 14, 2021.

52 Fitch Ratings. “New Korean Exchange Disclosure Rules to Boost ESG Transparency.” January 21, 2021.

Appendix I – Voting statistics

January 1 to March 31, 2021 Voting Statistics

		Americas		Asia-Pacific		Europe, Middle East, and Africa		Global Total	
Management Proposals									
Director-related[1]	Against	166	9%	363	7%	407	12%	936	9%
	Abstain	77	4%	1	-	182	5%	260	3%
	For	1,562	87%	4,634	93%	2,778	83%	8,974	88%
Compensation[2]	Against	52	15%	154	16%	198	32%	404	21%
	Abstain	-	-	-	-	1	-	1	-
	For	303	85%	804	84%	414	68%	1,521	79%
Capitalization	Against	31	20%	56	5%	50	6%	137	7%
	Abstain	-	-	-	-	-	-	-	-
	For	124	80%	1,034	95%	727	94%	1,885	93%
Reorganization & mergers	Against	5	3%	183	19%	23	12%	211	16%
	Abstain	-	-	-	-	1	1%	1	-
	For	173	97%	766	81%	168	88%	1,107	84%
Anti-takeover related	Against	14	15%	5	83%	1	2%	20	13%
	Abstain	-	-	-	-	-	-	-	-
	For	81	85%	1	17%	53	98%	135	87%
Routine business	Against	36	5%	108	6%	151	6%	295	6%
	Abstain	101	13%	-	-	124	5%	225	4%
	For	633	82%	1,659	94%	2,423	90%	4,715	90%
Shareholder Proposals									
Environment	Against	-	-	-	-	1	11%	1	11%
	Abstain	-	-	-	-	-	-	-	-
	For	-	-	-	-	8	89%	8	89%
Social	Against	2	67%	-	-	1	25%	3	43%
	Abstain	-	-	-	-	-	-	-	-
	For	1	33%	-	-	3	75%	4	57%
Governance	Against	36	61%	15	52%	22	69%	73	61%
	Abstain	3	5%	-	-	-	-	3	3%
	For	20	34%	14	48%	10	31%	44	37%
Other[3]	Against	13	31%	48	13%	17	45%	78	17%
	Abstain	17	40%	-	-	3	8%	20	4%
	For	12	29%	322	87%	18	47%	352	78%

1 Votes against directors reflect all director-related proposals.
2 Compensation statistics include "Say When on Pay" votes. These are a frequency vote that provides shareholders with opportunity to vote on how often they would like to be presented with "Say on Pay" votes.
3 For detail on "other" classification please see the Appendix "Proposal Terminology Explained".

Note: Percentages may not add to 100 due to rounding.
Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications.

January 1 to March 31, 2020 Voting statistics

		Americas		Asia-Pacific		Europe, Middle East, and Africa		Global Total	
Management Proposals									
Director-related[1]	Against	131	8%	284	6%	233	10%	648	7%
	Abstain	57	3%	2	-	126	5%	185	2%
	For	1,508	89%	4,607	94%	2,037	85%	8,152	91%
Compensation[2]	Against	25	7%	115	12%	118	24%	258	14%
	Abstain	-	-	-	-	3	1%	3	-
	For	321	93%	859	88%	379	76%	1,559	86%
Capitalization	Against	27	19%	32	3%	39	6%	98	5%
	Abstain	-	-	3	-	1	-	4	-
	For	118	81%	1,016	97%	585	94%	1,719	94%
Reorganization & mergers	Against	5	5%	112	13%	17	9%	134	12%
	Abstain	-	-	-	-	2	1%	2	-
	For	93	95%	730	87%	168	90%	991	88%
Anti-takeover related	Against	6	7%	11	65%	6	9%	23	14%
	Abstain	-	-	-	-	-	-	-	-
	For	77	93%	6	35%	63	91%	146	86%
Routine business	Against	28	5%	69	4%	122	6%	219	5%
	Abstain	89	15%	1	-	76	4%	166	4%
	For	488	81%	1,570	96%	1,928	91%	3,986	91%
Shareholder Proposals									
Environment	Against	3	100%	-	-	-	-	3	100%
	Abstain	-	-	-	-	-	-	-	-
	For	-	-	-	-	-	-	-	-
Social	Against	7	88%	-	-	-	-	7	88%
	Abstain	-	-	-	-	-	-	-	-
	For	1	13%	-	-	-	-	1	13%
Governance	Against	17	74%	16	57%	37	93%	70	77%
	Abstain	-	-	-	-	-	-	-	-
	For	6	26%	12	43%	3	8%	21	23%
Other[3]	Against	2	15%	24	12%	14	50%	40	17%
	Abstain	-	-	-	-	-	-	-	-
	For	11	85%	172	88%	14	50%	197	83%

1 Votes against directors reflect all director-related proposals.
2 Compensation statistics include "Say When on Pay" votes. These are a frequency vote that provides shareholders with opportunity to vote on how often they would like to be presented with "Say on Pay" votes.
3 For detail on "other" classification please see the Appendix "Proposal Terminology Explained".

Note: Percentages may not add to 100 due to rounding.
Source: BlackRock and Institutional Shareholder Services (ISS). Categories reflect ISS classifications.

Appendix II

Proposal terminology explained

Management Proposals

Anti-takeover and Related Proposals — proposals concerning shareholder rights, the adoption of "poison pills," and thresholds for approval, among others.

Capitalization — generally involves authorizations for stock issuances, private placements, stock splits, and conversions of securities.

Election of Directors and Related Proposals — a broad category which includes the election of directors, supervisory board matters, declassification of boards, implementation of majority voting, among others.

Non-salary Compensation — covers shareholder approvals of compensation related matters like advisory or binding votes on remuneration, omnibus stock plans, vote frequency, and special compensation situations.

Mergers, Acquisitions, and Reorganizations — involves significant transactions requiring shareholder approval like spin-offs and asset sales, as well as changes to company jurisdiction or structure.

Routine Business — covers formal approvals of reports, name changes, and technical bylaws, among many others.

Shareholder Proposals

Governance — generally involves key corporate governance matters affecting shareholder rights including governance mechanisms and related article/bylaw amendments, as well as proposals on compensation, political spending, and lobbying policies.

Environmental — covers shareholder proposals relating to reports on climate risk, energy efficiency, recycling, community environmental impacts, and environmental policies.

Social — includes shareholder proposals relating to a range of social issues such as reports on pay disparity, requests for enhanced anti-bias policies, or reports on human rights policies.

Other — includes a number of shareholder proposals that fall outside the categories that most shareholders would view as ESG proposals. These resolutions include (but are not limited to) electing directors in contested situations, appointing internal statutory auditor(s) nominated by shareholders, amending articles/bylaws/charters, and approving the allocation of income/income distribution policy. Additionally, there are a substantial number of shareholder proposals in Greater China relative to other markets. This is due to the China Securities Regulatory Commission (CSRC) requiring companies that have a foreign listing to submit their proposals 45 days prior to the meeting (which applies to all Chinese companies that have an A-share listing in China together with H-shares listed in Hong Kong). However, the CSRC allows shareholder proposals for these companies to be included up to 10 days prior to the meeting. The result is that many shareholder proposals are submitted by controlling shareholders and are, in effect, late agenda items from management

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