BlackRock Investment Stewardship
Summary of Policy Updates 2023
Key Takeaways

BlackRock is the world's largest asset management firm with more than $8 trillion in AUM (2022). Recently, the 70-member **BlackRock Investment Stewardship (BIS)** team updated the firm's Global Principles effective in January 2023 for all markets. In addition, BIS has also issued market-specific voting guidelines to explain how the Principles inform voting decisions.

BIS **does not anticipate any material changes in voting**, and much of its engagement with companies will focus on continuing the dialogue on material risks and opportunities conducted in 2022. Two modifications are cited for 2023:

1. Nature-Related Factors
   - BIS encourages companies to report on sustainability-related risks and opportunities in alignment with Task Force on Climate-Related Financial Disclosures (TCFD) and supplement the disclosures with industry-specific KPIs according to the Sustainability Accounting Standards Board (SASB) standards.

   ➢ *Change:* BIS will engage with companies to enhance reporting on nature-related factors, to consider alignment with the recommendations of the **Taskforce on Nature-Related Financial Disclosures (TNFD).**

2. Sustainability Reporting
   - Companies will be encouraged to produce climate and other sustainability-related disclosure sufficiently in advance of their respective annual meetings so that investors have enough time to assess the data.

Select proxy disclosures and guidelines for **US securities** include:

- **Overboarding** – Maximum number of public boards for **non-executive directors is 4**, and for **executive directors is 2;**
- **Board Diversity** – Boards should aspire to at least **30% diversity** of membership;
- **Sustainability-Related Risks and Opportunities** – Disclose the identification, assessment, management, and oversight of material sustainability-related risks and opportunities in accordance with the four pillars of TCFD;
  - Publish material, investor-relevant, industry-specific metrics and rigorous targets, aligned with SASB (ISSB) or comparable sustainability reporting standards;
- **Human Capital Management** – Disclose the steps to advance diversity, equity, and inclusion; job categories and workforce demographics; and responses to the U.S. Equal Employment Opportunity Commission's **EEO-1 Survey**; and
- **Political Activities** – Disclose how political activities support long-term strategy and stated public policy priorities.

Reference: 2023 Policies Summary, Global Principles 2023, Proxy voting guidelines for U.S. securities

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Key Takeaways (Contd.)

There continues to be five **Engagement Priorities** upon which the stewardship policies are based:

1. **Board quality and effectiveness**
   - Disclose how diversity is considered in board composition, including professional characteristics such as a director's industry experience, specialist areas of expertise and geographic location; as well as demographic characteristics such as gender, race/ethnicity and age.

2. **Strategy, purpose and financial resilience**
   - Explain how business decision-making aligns with corporate purpose;
   - Describe how strategy and/or capital allocation adjustments address risks and opportunities in the business; and
   - Affirm that the board has been actively engaged with management in setting the company's strategic direction.

3. **Incentives aligned with value creation**
   - Disclose the connection between compensation policies and outcomes and the financial interests of shareholders;
   - Establish a clear link between variable pay and operational and financial performance;
   - Align performance metrics with strategy and business model; and
   - Select rigorous criteria if sustainability-related metrics are used in compensation (BIS still does not have a position on the use of sustainability-related criteria in compensation).

4. **Climate and natural capital**
   - Disclose strategies that mitigate material risks associated with various climate-related scenarios – including a scenario where global warming is limited to well below 2ºC; and
   - Disclose short-, medium- and long-term targets, ideally science-based targets, for Scope 1 and 2 greenhouse gas emissions (GHG) reductions;
     - **BIS continues to view Scope 3 emissions differently from Scopes 1 & 2 due to its methodological complexity,** recognizing that any disclosures on Scope 3 is provided only on a good faith basis as the methodology develops.

5. **Company impacts on people**
   - Disclose how the interests of stakeholders have been identified and considered in business decision-making; and
   - Disclose the role of the board in ensuring that management's approach is informed by and aligns with the company's strategy and purpose.

Reference: 2023 Policies Summary, Global Principles 2023, Proxy voting guidelines for U.S. securities

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