

How BlackRock Investment Stewardship manages conflicts of interest

BlackRock®

BlackRock manages assets on behalf of a broad range of clients including public and private pension plans, insurers, official institutions, endowments, universities, charities, family offices, wealth managers, and, ultimately, the individual investors that they serve, many of whom are saving for retirement.

BlackRock's clients depend on us to help them meet their varied investment goals. We consider it one of our responsibilities to be an informed, engaged shareholder on their behalf, given the business decisions that companies make have a direct impact on our clients' long-term investment outcomes and financial well-being. BlackRock Investment Stewardship (BIS) is a dedicated function within BlackRock, which is responsible for proxy voting and engaging with public companies on behalf of index equity strategies. Investment stewardship is one of the ways we fulfill our fiduciary responsibilities as an asset manager to our clients.

BIS takes a long-term approach in our stewardship efforts, reflecting the investment horizons of the majority of our index equity clients. BIS does this through engaging with companies, voting at shareholder meetings on behalf of clients who have delegated voting authority to BlackRock, contributing to industry dialogue, and reporting on our activities.

As a fiduciary, BlackRock is legally required to make proxy voting determinations on behalf of clients who have delegated voting authority to us in a manner that is consistent with their investment objectives. BIS' responsibilities are separate from BlackRock's sales, business partnership or enterprise-level vendor management activities. We publish our policies, activity reports, and position papers on the BIS [website](#).¹

BIS votes to formally communicate our support for, or concerns about, how companies are creating long-term shareholder value. In fulfilling our duty, there may be a small number of situations where BlackRock may determine not to vote itself due to regulatory restrictions or a perceived or actual conflict of interest. In such cases, BlackRock uses an independent third-party voting service provider to make proxy voting recommendations for our clients' holdings. In such circumstances, the independent third-party voting service provider provides BlackRock with recommendations, in accordance with the relevant BIS regional voting guidelines, as to how to vote such proxies.

BlackRock maintains policies and procedures that seek to prevent undue influence on BIS' proxy voting activity.² Such influence might stem from any relationship between the investee company (or any shareholder proponent or dissident shareholder) and BlackRock, BlackRock's affiliates, a fund or a fund's affiliates, or BlackRock employees. The following are examples of sources of perceived or potential conflicts of interest:

- BlackRock clients who may be issuers of securities or proponents of shareholder resolutions
- BlackRock business partners or third parties who may be issuers of securities or proponents of shareholder resolutions
- BlackRock employees who may sit on the boards of public companies held in funds and other fiduciary account(s) managed by BlackRock
- Significant BlackRock, Inc. shareholders who may be issuers of securities held in funds and other fiduciary accounts managed by BlackRock
- Securities of BlackRock, Inc. or BlackRock investment funds held in funds and other fiduciary accounts managed by BlackRock
- BlackRock, Inc. board members who serve as senior executives or directors of public companies held in funds and other fiduciary accounts managed by BlackRock

BlackRock has taken certain steps to mitigate perceived or potential conflicts including, but not limited to, the following:

Voting guidelines – Adopted voting guidelines which are designed to ensure BIS votes based on consistent standards that advance our clients’ long-term financial interests, without regard to BlackRock’s relationship with an issuer.

Dedicated function and implementation approach – BIS is a dedicated function whose responsibilities are separate from BlackRock’s sales, business partnership or enterprise-level vendor management activities. BIS seeks to ensure that all engagements with companies, dissident shareholders or shareholder proponents are managed consistently and without regard to BlackRock’s relationship with such parties. Clients or business partners are not given special treatment or differentiated access to BIS. BIS does not disclose voting intentions in advance of shareholder meetings as we do not seek to influence other investors’ proxy voting decisions. BIS prioritizes engagements based on factors including, but not limited to, our need for additional information to make a voting decision or our view on the likelihood that an engagement could lead to positive outcome(s) over time for the economic value of the company. Within the normal course of business, BIS may engage directly with BlackRock clients, business partners and/or third parties, and/or with employees with sales, vendor management, or business partnership roles, in discussions regarding our approach to stewardship, general corporate governance matters, client reporting needs, and/or to otherwise ensure that proxy-related client service levels are met. Voting decisions are made by BIS, consistent with the applicable voting guidelines and to advance our clients’ long-term financial interests.

Engaging a voting service provider – In certain instances, BlackRock has determined to engage an independent third-party voting service provider to make proxy voting recommendations as a further safeguard to avoid potential conflicts of interest, to satisfy regulatory compliance requirements, or as may be otherwise required by applicable law. In such circumstances, an independent third-party voting service provider provides BIS with recommendations, in accordance with BIS’ regional voting guidelines, as to how to vote such proxies. BlackRock’s Legal and Compliance team is responsible for determining the issuers where BIS should employ an independent third-party voting service provider.

BIS uses an independent third-party voting service provider to make proxy voting recommendations for shareholder meetings held by BlackRock, Inc. and companies affiliated with BlackRock, Inc. BIS may also use an independent third-party voting service provider to make proxy voting recommendations for: (i) public companies that include BlackRock employees on their boards of directors, (ii) public companies of which a BlackRock, Inc. board member serves as a senior executive or a member of the board of directors, (iii) public companies that are the subject of certain transactions involving BlackRock Funds, (iv) public companies that are joint venture partners with BlackRock, and (v) public companies when legal or regulatory requirements compel BlackRock to use an independent third-party voting service provider.

In selecting an independent third-party voting service provider, we assess several characteristics, including but not limited to: independence, an ability to analyze proxy issues and make proxy voting recommendations in the economic interest of our clients in accordance with regional voting guidelines, reputation for reliability and integrity, and operational capacity to accurately deliver the assigned vote recommendations in a timely manner. We may engage more than one independent third-party voting service provider, in part to mitigate potential or perceived conflicts of interest at a single voting service provider.

BIS reviews annually, after peak shareholder meeting season, the vote recommendations made by the independent third-party voting service provider to ensure they are consistent with our published regional voting guidelines. We report the findings of the review to the Investment Stewardship Global Oversight Committee, which is responsible for appointing and reviewing the performance of the independent third-party voting service provider. We also meet with the independent third-party voting service provider once a year to discuss any vote recommendations that seemed inconsistent with BIS’ regional voting guidelines and to explain any changes to these guidelines planned for the following year.

BlackRock may consider additional conflict mitigation tools on a case-by-case basis. BlackRock is confident that these measures enable us to appropriately manage perceived and potential conflicts of interest related to proxy voting while ensuring that we exercise, on our clients’ behalf, the voting rights that help protect and enhance the long-term financial value of their assets.

Endnotes

1. BIS' benchmark policies, and the vote decisions made consistent with these policies, take a financial materiality-based approach and are focused solely on advancing clients' financial interests. BIS' benchmark policies – comprised of the BIS Global Principles, regional voting guidelines, and engagement priorities – apply to clients' assets invested through index strategies and provide guidance on our position on common corporate governance matters. We take a globally consistent approach, while recognizing the unique markets and sectors in which companies operate. BlackRock offers a wide range of investment products and funds to support our clients' unique and varied investment objectives. We have taken additional steps to expand our stewardship options to provide our clients more choice. In July 2024, BIS finalized a new decarbonization stewardship option for those clients who explicitly direct BlackRock to invest their assets with decarbonization investment objectives. Specifically, the new decarbonization stewardship voting guidelines are applied to select funds that have explicit climate-related objectives and are available to clients with separately managed accounts. In addition to financial objectives, the guidelines consider whether companies' strategies are aligned with a low-carbon economy. For additional information, please see: [Climate and Decarbonization Stewardship Guidelines](#). Other materials on the BIS [website](#) might also provide useful context.
2. How BlackRock Investment Stewardship manages perceived or potential conflicts of interests is also explained in BIS' [Global Principles](#).

Want to know more?

blackrock.com/stewardship | contactstewardship@blackrock.com

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