THE ADVISOR

# BlackRock 2021 Policy Updates

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## *Overview*

BlackRock recently released its 2021 proxy voting guidelines, 2021 Stewardship Expectations, and Global Principles.

Some of the key takeaways include:

- **Board Composition:** In the U.S., BlackRock is asking large companies to disclose the gender and race/ethnicity of directors with an eye toward more voting action against boards—specifically members of the nominating/governance committee--in 2022 if they are not exhibiting diversity. BlackRock will also be looking more closely at average director tenure. It may oppose boards that appear to have an insufficient mix of short-, medium-, and long-tenured directors.

- **Diversity, Equality and Inclusion (DEI)**: In the U.S., BlackRock is asking companies to report their workforce diversity in line with the U.S. Equal Employment Opportunity Commission's EEO-1 Survey, as well as steps they are taking to advance DEI. Where BlackRock believes a company's disclosures or practices fall short relative to the market or peers, or if BlackRock is unable to ascertain the board's and management's effectiveness in overseeing related risks and opportunities, it may vote against members of the appropriate board committee or support relevant shareholder proposals.

- **Climate Risk**: BlackRock is stepping up its engagement efforts by expanding its focus universe of carbon-intensive global companies from 440 to over 1,000 firms, representing 90% of global Scope 1 and 2 emissions. It is explicitly asking those companies to disclose a business plan aligned with the Paris Agreement goal of limiting global warming to well below 2°C in order to achieve net-zero global greenhouse gas (GHG) emissions by 2050. If a company does not provide adequate disclosure on how material risks are addressed, BlackRock will conclude that they are not adequately being managed and mitigated. BlackRock may support shareholder proposals that ask companies to disclose climate plans aligned with its expectations.

- **Lobbying**: BlackRock will seek confirmation from companies—through engagement or disclosure—that their corporate political activities are consistent with their public statements on material and strategic policy issues (such as climate change). It will also expect companies to monitor the positions taken by trade associations in which they are active members and provide and explanation where inconsistencies exist. BlackRock may support a shareholder proposal requesting additional disclosure if it identifies a material misalignment.

- **Key Stakeholder Interests**: Beginning in 2021, BlackRock will be prioritizing a focus universe of 150 global companies whose business practices may have resulted in adverse impacts or reflect insufficient management of social risks. BlackRock expects companies to implement monitoring processes to identify and mitigate potential adverse impacts and grievance mechanisms to remediate any actual adverse impacts.

- **Shareholder Proposals**: Given the need for urgent action on various sustainability issues, BlackRock will be more likely to support a shareholder proposal without waiting to assess the effectiveness of engagement. It will support shareholder proposals addressing a material business risk if it agrees with the intent of the resolution and feels the company could do better in managing and disclosing that risk. BlackRock may also support a proposal if the company is on track, but it believes voting in favor might accelerate progress.