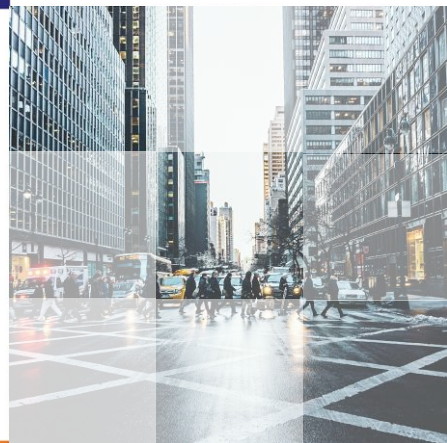


BLACKROCK®

BlackRock Investment Stewardship

2018 Annual Report
August 30, 2018





The Investment Stewardship Annual Report reviews BlackRock's approach to corporate governance and stewardship in support of long-term value creation for our clients. In this report we provide practical examples of the Investment Stewardship team's work over the year, distilling some of the trends and company-specific situations reported in our regional quarterly reports. We emphasize the outcome of our engagements with companies, including some which have spanned several years. We also provide examples of where we have contributed to the public discourse on corporate governance and investment stewardship.



Our Annual Report reporting period is July 1, 2017 to June 30, 2018, representing the Securities and Exchange Commission's (SEC) 12-month reporting period for U.S. mutual funds, including iShares.

Contents

Annual Report

Our global and local focus	1
Our mission in context: 2017-2018 highlights	2
Our achievements over the past year	3
Our principles, priorities and engagement commentaries	5
Engagement and voting case studies	7
Engagement and voting statistics	20
Investor perspective and public policy	21

Appendix

List of companies engaged	25
---------------------------------	----

Our global and local focus

BlackRock's number one focus, as a fiduciary investor, is on generating the long-term sustainable financial returns on which our clients depend to meet their financial goals. Investment Stewardship is focused on assessing the quality of management, board leadership and standards of operational excellence – in aggregate, corporate governance – at the public companies in which we invest on behalf of our clients. We see this responsibility as part of our fiduciary duty, through which we contribute to BlackRock's mission to create a better financial future for our clients.

BlackRock has had an investment stewardship function for over two decades. Our practices have evolved over the years, in line with changing client and company expectations. A more recent, and significant, change is the scrutiny of asset managers' investment stewardship activities. Not only has client interest increased, we have seen far greater interest from regulators, the media and academics, amongst others.

Accordingly, we recently published a *ViewPoint* entitled The Investment Stewardship Ecosystem in which we set out the roles of the different participants in determining investment stewardship outcomes. Some commentators have conflated the roles and responsibilities of asset owners, asset managers, index providers and proxy research firms, which has created misperceptions about where accountabilities lie. In addition, some have overstated the role that investors can play in influencing companies' governance practices. We emphasize in the *ViewPoint* that investment stewardship is a feedback mechanism through which BlackRock, as a long-term investor on behalf of our clients, can help build mutual understanding with companies.

One misperception related to voting at shareholder meetings equates 'good stewardship' with voting against management. Yet the vast majority of items that go to a vote are routine. Even the more controversial items are much more complex than a binary 'for' or 'against' vote decision. In our view, engagement with companies is more productive, as it allows us to explain our perspective on issues and how, in our assessment, they are relevant to investment decision-making, including stewardship. The public debate is often polarized. But, in our experience, practitioners tend to take a more nuanced and pragmatic approach focused on encouraging business and governance practices aligned with long-term shareholder value creation.

Measuring success in stewardship needs to focus on change over the long-term as meaningful changes in business and governance practices don't happen in a single quarter, and maybe not even in one year. We use our voice as an investor to provide feedback and encourage what we consider to be good governance. Company boards and management determine the strategic and operational priorities that in their judgment will best serve the interests of all the investors in their company. Market-level change requires hundreds of companies to change and thus takes time. Each region has its own examples of that kind of market-level change. As this report illustrates for the 2017/18 year, Investment Stewardship has been active in encouraging changes that we consider important to long-term value. Looking forward, we will continue to contribute to the dialogue at the company- and market-level to enhance business, governance and stewardship practices that are aligned with the long-term economic interests of our clients.



Barbara Novick
Vice Chairman



Michelle Edkins
Global Head of
Investment Stewardship

Our mission in context: 2017-2018 highlights

BlackRock seeks to create a better financial future for our clients. As we pursue that mission, we're guided by our focus on generating long-term sustainable performance for our clients. Investment Stewardship contributes to this objective by engaging with companies on governance and other business practices impacting their long-term financial performance and by voting at shareholder meetings.

Our team and its work has continuously evolved in response to changing developments and expectations. But one thing has remained constant: our focus on protecting and enhancing the long-term value of our clients' assets. That focus has led to numerous tangible outcomes which we detail in the following pages of this report.

Our team's key responsibilities are to:

Protect and enhance the value of clients' assets through engagement with companies, including proxy voting, in clients' best long-term economic interests

Encourage governance and business practices that in our experience support companies to deliver sustainable long-term financial performance

Provide specialist insight on governance considerations including environmental and social factors to BlackRock's investors



Engage clients to build an understanding of their expectations and areas of focus and how our work aligns

Participate in market-level dialogue to understand and contribute to the development of policies and practices that support long-term investing and value creation

Our achievements over the past year

BlackRock has maintained an in-house team dedicated to investment stewardship since the late 1980s. A lot has changed since then. If you compare today's governance norms to those of ten years ago, you see a significant shift both in terms of the breadth of engagement topics and the increased number of shareholder meetings at which votes are cast. Engagement is particularly important for index managers, where we cannot sell a company's shares to express a view on its long-term outlook if it remains in an index in which our clients choose to invest.

Expanding the team's capabilities

In 2008 (the year BlackRock became a UN Principles for Responsible Investment signatory), our team consisted of 13 full-time employees voting at approximately 8,500 meetings. Our team has nearly tripled and now has 36 regional specialists located in seven offices who vote at more than twice the number of meetings (over 17,000 this past reporting period) than we did a decade ago.

The Investment Stewardship team has expanded in the past year, adding team members in Singapore, Australia, and New York. Increasing client expectations around stewardship means that we must continue to invest in technology and human capital. We believe these initiatives will lead to deeper and more robust engagements with companies.

Stewardship partners with BlackRock's Global Public Policy Group (GPPG)

Increasingly, public policy issues are intersecting with stewardship, as policy makers and other stakeholders recognize the importance of the role that institutional investors – both asset owners and asset managers – can play in corporate governance and shareholder engagement. There is significant overlap and both contribute to BlackRock's key objective: to represent the interests of the millions of savers and pensioners who entrust us with their capital to help them achieve a better financial future. For this reason, we have brought the stewardship and public policy teams closer together this year under the leadership of Vice Chairman Barbara Novick.

The intersection of public policy with stewardship revolves around topics like the regulation of public companies and their disclosures, capital formation, the complex operating environment for proxy voting, the appropriateness of dual class structures, and regional stewardship codes, among many others. In Section VII – Investor perspective and public policy, we detail some of this work including our stance on dual class shares and our efforts around the EU Shareholder Rights Directive II.

Director Dialogue 2018

In March 2018, we hosted our first US Director Dialogue in New York, an event attended by nearly 60 representatives over half of which were company directors from 27 companies with whom we had not previously engaged on stewardship. The event provided an opportunity to introduce our team and its function within BlackRock and to meet independent directors in person to exchange views on a broad spectrum of topical governance issues.

Seminar with executive remuneration consultants

We also hosted a UK remuneration consultant seminar ahead of the 2018 proxy season. The interactive session provided an opportunity to discuss our voting guidelines, share our belief that engagement be a year-round process focused on the company's long-term strategy, as well as our expectations on executive remuneration structures that include performance metrics aligned to long-term corporate strategy. We developed this new outreach given that, in the first quarter of this year alone, our team responded to over 100 UK company remuneration consultations.

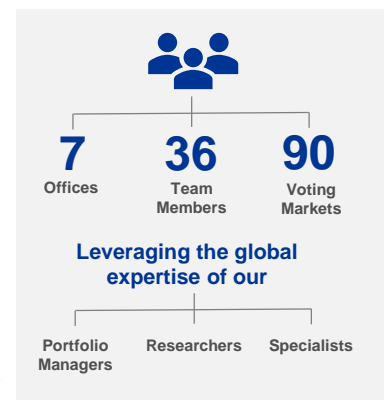
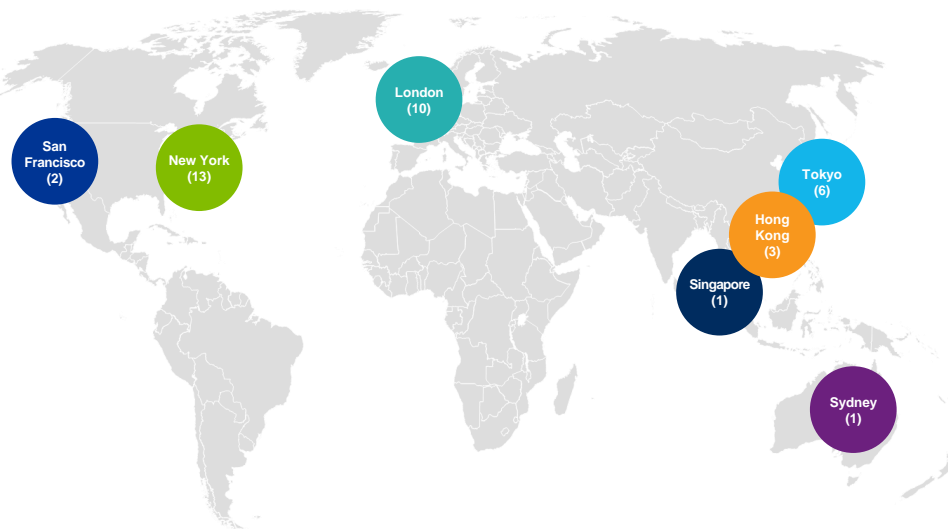
Diversity and climate risk letters

The team also scaled its engagements around our 2018 priorities by sending letters to companies sharing our perspectives on board diversity and climate risk. We wrote to nearly 300 companies in the Russell 1000 with fewer than two women on their boards to explain our view that board diversity is an important factor in board effectiveness. While we recognize that gender is not the only means to evidence board diversity, it is observable and the letters created opportunities to learn how companies approach board diversity. We also sent letters to over 100 of the most carbon intensive companies asking them to engage with us on their assessment of their climate risk reporting and how it aligns with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). This disclosure could lead to the development of comparable disclosures from companies across sectors, providing investors with insight into how companies are managing these risks. We discuss both priorities in greater detail later in this report.

Commentaries and reporting

In our effort to continually improve the transparency of our work, we publish 12 quarterly reports (four per region) each year, highlighting key engagements and voting decisions, public speaking events, and market developments. In 2018, we also published several notes detailing our approach to engagement on topical governance matters. These notes discuss our views on, and expectations for companies, in relation to our 2018 governance priorities: (i) strategy, (ii) purpose and culture, (iii) diversity, and (iv) human capital – which continue to serve as useful engagement guides for companies.

BLACKROCK INVESTMENT STEWARDSHIP – GLOBAL TEAM WITH LOCAL PRESENCE



- 10 languages
- 15 professional certifications and 21 academic degrees
- Affiliations in over 30 organizations

Our principles, priorities and engagement commentaries

By explaining our thinking on the topics on which we intend to focus, we aim to build awareness of our approach and to help companies prepare for engagement with us. Our voting guidelines are reviewed annually by the regional teams and updated as necessary in light of market trends, learnings from engagement, and public policy developments.

Global principles and regional voting guidelines

BlackRock's approach to corporate governance and stewardship is set out in our [Global Corporate Governance and Engagement Principles](#). These high-level principles provide the framework for our more detailed, market-specific voting guidelines, which are published on the BlackRock website. The Principles describe our stewardship philosophy, our voting policies, and the manner in which we address conflicts of interest. The Principles apply across different asset classes and products as appropriate to the specific investment strategies.

In February 2018, our regional stewardship teams published updated proxy voting guidelines for [US Securities](#) and [European, Middle East, and African securities](#). The majority of the changes were made in an effort to clarify our language. A few substantive changes centering on board quality and effectiveness were made that may affect vote outcomes for the 2019 proxy season. We have outlined these below:

Americas

Overcommitted Directors/CEOs – Serving on an excess number of boards may limit a director's capacity to focus on each board's requirements. Due to the ever-increasing demands of running a company, we lowered the threshold by which we will consider a sitting CEO overcommitted by one outside public company board. For a director who is also the CEO of a public company, the maximum number of boards they can serve on is now a total of two public company boards.

Board composition and effectiveness – We expect boards to be comprised of a diverse selection of individuals who bring personal and professional experiences to bear in order to create a constructive debate of competing views and opinions in the boardroom. This year we added that we would normally expect to see at least two women directors on every board, as one of the multiple dimensions across which we consider important factors. These factors also include ethnicity, age, and professional characteristics such as a director's industry, area of expertise, and geographic location.

Europe, the Middle East and Africa (EMEA)

Overcommitted Directors/CEOs – We believe the role of board chair requires a significant investment in terms of time commitment. We expect the chair not to hold any other chair or executive positions in external listed companies. We will engage with companies that do not meet these expectations. This change in policy is in line with BlackRock's view that board directors should be directly held to account for their performance in their roles and responsibilities.

Director elections – This year, we decided to change how we respond to director elections for board members we believe are non-independent. Rather than voting against the re-election of these non-independent candidates, we may instead vote against the re-election of the nomination committee members. We may even vote against the board chair if we consider them unresponsive to our concerns following engagement. This is consistent with our approach to hold directors accountable for their roles and responsibilities. In this case, we view the nomination committee members to be the directors responsible for board committee composition, rather than the non-independent directors who were appointed to the committee.

Asia Pacific

China market – Our clients' investments in Chinese companies have increased significantly over the past few years as the Chinese market has opened up to foreign investors.¹ As a result, we are engaging with a growing number of Chinese companies, which have rather limited experience speaking with investors on corporate governance and sustainability issues. Most of our engagements are still at a stage of educating issuers on the importance of these issues and the strategic relevance, why we care about governance practices, and what types of disclosure we expect companies to make. Our proxy voting guidelines, which were published in [Simplified Chinese](#) in April 2018, provide a useful reference for companies to understand BlackRock's views on the key corporate governance and voting issues prior to or following an engagement. The guidelines also help our stewardship efforts as we are able reach a much wider audience than could be met through in-person engagements alone.

Priorities and commentaries

In March 2017, we published our engagement priorities, which we updated in February 2018. Our aim in sharing these priorities is to provide clients, companies, and other industry stakeholders more visibility into the areas on which we will be particularly focused and how we aim to engage companies on those topics. [BlackRock's Investment Stewardship 2018](#) priorities include: (1) Governance - board composition, effectiveness, diversity, and accountability; (2) Corporate strategy for the long term - board review of corporate strategy including a company's purpose and culture; (3) Compensation that promotes long-termism - executive pay policies that link closely to long-term strategy and goals; (4) Disclosure of material climate risks - consistent disclosure and reporting standards that enhance understanding of the impact of material climate change risk on individual companies, sectors and investment strategies; and (5) human capital management - how companies are attracting and retaining employees in a tightening labor market.

In March 2018, we also published several new engagement [commentaries](#) for each of our five priorities to help clients and companies understand our thinking on these key governance issues. These commentaries serve as engagement guides to enhance our dialogue with boards and management around material factors that we believe affect the long-term performance of a company.

ENGAGEMENT COMMENTARIES

Engagement on strategy, purpose and culture

- Board role
- Clear articulation of purpose and long-term strategy
- Milestones to assess performance
- How culture is shaped and assessed

Human capital management (HCM)

- Level of reporting to the board on HCM issues to help assess policies and their effectiveness
- Oversight of policies meant to protect employees
- Diversity of the board and employee composition
- HCM strategy for ensuring the desired culture is realized

Climate risk

- Board's role in assessing approach to managing material nature of climate risk
- How climate risk may impact long-term strategy
- How reporting is evolving
- Assessing potential opportunities
- Climate risk as a factor in long-term capex plans and value creation

Diversity

- Board composition and alignment with strategy
- Board evaluation and succession planning
- Position on board diversity and its evolution
- Approach to phasing director tenures
- Deepening the pool of director candidates

Executive compensation

- Board oversight of executive pay
- Transparency and connection with long-term shareholder value creation
- Demonstrable alignment of pay with company performance
- Disclosure of performance measures and selection rationale

Engagement and voting case studies

Who and where we have engaged

We participated in 2,049 company engagements with 1,453 companies this past year. This represents 51.9% by value of the equity assets BlackRock manages on behalf of clients, as of June 29, 2018. This year we engaged in 34 countries, many outside the traditional engagement universe, including in Brazil, China, India, Mexico, South Africa, Singapore and Taiwan.

We had multiple meetings with approximately 29% of the companies with which we engaged. In complex and evolving situations we will often meet with different representatives of the company at the management and board level. In other situations, where we have given the company our feedback and given them time to respond, we will generally have one or more follow up meetings to check in with management on their progress.

Our primary focus is board quality and effectiveness

Board quality remains a focal point of our conversations with many companies. We assess board quality in terms of the relevance of skills and experience of the directors, the apparent fit of the board's profile with the stated strategy of the company, board tenure and diversity, as well as the board's track record of representing the interests of long-term investors. Topics we have highlighted in our discussions this past year include: (1) overcommitted CEOs/directors; (2) board diversity; and (3) engagement protocols that foster constructive dialogue.

Overcommitted CEOs and Directors

We believe that when a director serves on too many boards, his or her capacity to focus on each company's requirements may be limited which in turn undermines the board's overall quality and effectiveness. Recent studies identify companies' own recognition on this front, with more than three-quarters of boards establishing a limit on their directors' responsibility to accept other corporate directorships, up from 55% in 2007.² The fact that directors now tend to serve on fewer boards is likely attributable to the mounting time commitment, coupled with greater investor scrutiny of board effectiveness.

Our US voting guidelines were among the first to establish heightened scrutiny around director participation standards on public boards.³ And this year we have added even more specificity to our US guidelines. Due to the ever-increasing demands of running a company, as previously noted, we lowered the threshold by which we will consider a sitting CEO overcommitted by one outside public company. For a director who is also the CEO of a public company, the maximum number of boards they can serve on is now a total of two public company boards. Where a CEO serves on more than two boards, we would generally vote against the director's re-election on one of the boards where he/she is not serving as the chief executive.

Reported N-PX period	Total number of Investment Stewardship votes against individual directors on the basis of overcommitment	Total number of Investment Stewardship votes against individual CEOs on the basis of overcommitment
2015 - 2016	105	36
2016 - 2017	87	25
2017 - 2018	79	32

Source: ISS, July 1, 2015 - June 30, 2018

We also revised our EMEA voting guidelines, which resulted in further engagement with issuers on this topic. We have observed many positive outcomes from our engagements, particularly with Danish, German, and UK companies. However, we recognize that there is still work to be done, even at FTSE 100 companies where governance practices are generally exemplary.

Our engagements across EMEA have made it clear that, due to cultural and business distinctions countries differ in how they view this issue. For example, the Nordic nations remain vigilant about overcommitted CEOs, while UK directors have generally expressed less concern. We have compiled this information and intend to use it to inform our guidelines and engagements in the future.

Investment Stewardship will continue to advocate for a limit to the number of boards that directors can serve on to ensure that they have the capacity should unexpected demands be made of them. Nonetheless, we remain open to discussion with companies depending on unique circumstances.

Board Diversity

[Research](#) suggests that diverse groups make better decisions. Boards are, in effect, decision-making bodies. Diverse boards are better able to consider, where appropriate, a range of options in their decision-making, which can ultimately lead to sustained value creation over the long-term.⁴ In the Americas region, we have discussed board diversity in our engagement meetings for a number of years, and have witnessed progress made by many of the companies with which we engaged. Still, a significant number of companies have yet to demonstrate in their director selection that they appreciate the value that diversity can bring to decision making bodies.

In January 2018, the Americas stewardship team wrote to the nearly 300 companies in the Russell 1000 with fewer than two women on their board.⁵ We identified these companies on the basis of low gender representation in the boardroom, which we consider a potential signal of weaknesses in the nominating process. However, we engage on diversity across multiple dimensions, with the objective of understanding the board's approach to achieving diversity of thought. Our letter, which reflected views we have explained in our [2018 Proxy voting guidelines for US securities](#), emphasized that:

1. **Board diversity is an investment issue** – Companies succeed (or fail) over time because of their people, and people in leadership positions have an outsized impact on long-term corporate performance.
2. **Boards set the tone at the top** – In a talent-constrained labor market where the highest caliber professionals are diverse, it is essential for companies to have a demonstrable commitment to recruiting, retaining and developing top diverse talent. Visible diversity in leadership embodies that message, giving a company a competitive advantage.

We have received responses from or engaged with nearly 160 of these companies to date.⁶ We plan direct engagement over the coming year with the remaining companies in that universe.

We are encouraged by the responses we have received so far, and have already witnessed tangible change at a number of companies. For example, we engaged with a software company which discussed their ongoing search for two new board members and the difficulty they had in finding and appointing diverse individuals with executive experience in their industry. Despite these challenges, since our conversation, the company has appointed two high caliber women to the board. We interpret this as a positive development in line with our expectation that a deliberate focus on diversity accelerates the pace of change

In the 2018 proxy season, approximately 33% of the incoming director class were women. This compares with nearly 27% of newly appointed directors being women in calendar year 2017.

Source: ISS Analytics

We have also seen marked improvements on diversity in particular sectors. Although many factors likely came into play, in the wake of our engagements we have witnessed encouraging change in the Real Estate Investment Trust (REIT) sector. A number of firms we engaged had noted that investor actions had made them more aware of these gaps in their board composition. According to a recent study, of the 94 newly elected, non-employee/outside REIT directors this year, 52% are female, doubling from just two years earlier, which marks the first time ever that new male directors comprised less than the majority across the REIT sector.⁷

Policies around board diversity in most European markets are more evolved, often as a result of regulatory requirements. Still, some companies have not appointed any female directors to their board and, in these instances, we have both engaged companies and/or voted against nominating committee members responsible for oversight of board diversity. Of the 52 EMEA companies with male-only boards where we voted against directors for lack of diversity during the first half of 2017, 16 companies (or 31% of companies) had appointed at least one new female board member by their 2018 annual meeting. In total, we identified that these companies collectively added 21 new female board members during this one year time period.

In APAC we continue to raise board and senior management diversity as a topic of engagement. While progress on this topic is in the early stages throughout much of the region, there are now only three companies amongst the Australian Stock Exchange (ASX) 200 companies with no women on their board. Given the significant progress in Australia, our discussions are now focused on increasing the number beyond one. We have also consistently shared our view that diversity amongst the senior executive ranks is also important.

Encouraging engagement protocols in France that foster constructive dialogue

In early 2015 the EMEA Investment Stewardship team identified the lack of dialogue between institutional investors and company directors as a major concern in the French market. Traditionally, management teams have handled all investor relations and the CEO was the only board representative available to meet with investors. However, we believe that direct dialogue between board members and long-term shareholders is important for building trust and developing mutual understanding between companies and their investors, so we started systematically asking for non-executive directors (NEDs) to attend our company engagements, facing many refusals at first.

The Association Française de la Gestion Financière, the local association of asset managers, is opposed to the practice of NEDs meeting with investors, as they claim there is a high risk of material nonpublic information (MNPI) being shared. Nonetheless, our approach has proven fruitful. In 2017, a NED was present at 22% of our engagements with French issuers (whereas we did not meet any NEDs in 2014). And during the first half of 2018, we already met NEDs at 14 companies, more than any previous year. We believe that the numerous proactive engagements and market initiatives undertaken by Investment Stewardship – such as company meetings, public speaking events, industry participation, and publications – have helped change governance practices and have helped drive home the importance of NED/institutional investor dialogue.

Our perspective on shareholder proposals

With respect to BlackRock's approach to shareholder proposals, our engagement on material governance issues, including how companies manage environmental and social aspects of their business, does not begin or end with a vote on a shareholder proposal. During our direct engagements with companies, we address the issues covered by any shareholder proposals that we believe to be material to the long-term value of that company. Where management demonstrates a willingness to address the material issues raised, and we believe progress is being made, we will generally support the company and vote against the shareholder proposal. Sometimes, shareholders will withdraw proposals we might have otherwise supported from company ballots due to effective engagement with companies. Such engagements may result in the company voluntarily adopting additional disclosures similar to those that were sought in shareholder proposal.

We also vote against shareholder proposals that, in our assessment, are too prescriptive or narrowly focused, or deal with issues we consider to be outside the purview of the board or management. Our interpretations of the gradual decline in the number of shareholder proposals and levels of support over the past few years⁸ is that direct engagement is building mutual understanding between companies and their long-term investors on emerging issues, particularly as it relates to governance proposals. That said, in some instances BlackRock supports shareholder proposals on material environmental, social or governance issues when we do not see demonstrated commitment to address investor concerns or the company has made insufficient progress.

Climate risk in focus

BlackRock views climate risks as having the potential to materially impact the companies in which we invest on behalf of our clients. Since all companies are impacted by environmental policies or changes, this topic is likely to arise in many engagement conversations.

The aims of our climate risk engagements are twofold: (1) to gain a better understanding, through disclosures, of the processes that each company has in place to manage climate risks, and (2) to understand how those risks are likely to impact the business.

Our climate engagement framework

The Investment Stewardship team recently published our [approach to engagement on climate risk](#) in which we note that for the past several years we have contributed to initiatives such as the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). Both initiatives provide frameworks for standardizing disclosure of these climate risks and opportunities with a particular focus on information that investors would find material. These initiatives have enhanced our understanding of climate risk and helped guide our engagement approach. As many of the most heavily impacted companies are global, SASB and TCFD level the playing field by seeking comparable disclosures from companies within a given sector, providing investors with insight into how companies are managing these risks.

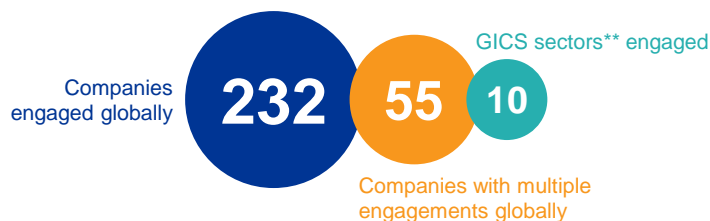
As the TCFD and SASB standards evolve, we believe they will gain wider adoption. This, in turn, will provide an opportunity to work collaboratively with companies to evolve their reporting practices and to continue to improve the relevance to investors of climate-related financial disclosures and analysis.

The number and scope of our climate-related engagements have steadily increased

For the reporting period of July 1, 2017 to June 30, 2018, we engaged globally with 232 companies on climate-related risks. This includes letters we sent to the CEOs and General Counsels at over 100 of the most carbon-intensive companies globally in BlackRock's equity portfolio. We asked them to review the TCFD's recommendations and consider reporting in alignment with them, and to engage with us so we can better understand the changes in reporting that might be necessary for them to achieve alignment and any obstacles the company anticipates. Our engagements nearly tripled the over 80 engagements we had from July 1, 2016 to June 30, 2017.

Since sending our letters, 21% of companies responded in substantive fashion, and others have sent letters acknowledging receipt. A summary of our global results is illustrated in the following chart:

SCOPE OF BLACKROCK'S CLIMATE RISK ENGAGEMENTS*



*Source: BlackRock

** Based on MSCI and Standard & Poor's GICS sector classification

We have observed that companies are taking it upon themselves (both of their own accord and based on investor feedback) to acknowledge that climate change presents both risks and opportunities and, as such, are taking steps to provide investors with relevant information. Some companies are describing how climate considerations are incorporated into corporate strategy, how the board oversees challenges to their business model stemming from climate change, and how the company is accounting for climate risk in its capital expenditure planning. Others have reported how various climate scenarios may impact their business and a small number have adopted emission reduction targets.

Asia Pacific

We have seen steady improvements from companies on climate-related reporting across the APAC region. After receiving letters and engaging with our Investment Stewardship team, two large Chinese oil and gas enterprises increased disclosure on their carbon emissions in their latest sustainability reports. While not fully aligned with the TCFD recommendations, we are pleased with this progress and intend to pursue further adoption. Following extensive engagements in 2017 with two Australian oil and gas producers, we were pleased to find in their 2018 climate change reports utilize the TCFD recommendations for the first time in a comprehensive manner.

Europe, the Middle East, and Africa

The response rate to our letters, and subsequent follow-up engagements, was higher in EMEA than in other regions. EMEA-based companies have generally demonstrated strong awareness of climate risks, and therefore tend to disclose information more comprehensively.

Three climate-related shareholder proposals were submitted in the EMEA region this reporting period. Following an engagement with a large European oil company, we voted against a shareholder proposal seeking detailed 2°C scenario planning disclosure, because we found the proposal overly prescriptive. During the process we engaged with management, the board, and the proponent to review the proposal and understand the different perspectives. We also participated in a collaborative investor engagement with a UK shareholder advocacy group to consider additional investor perspectives on the matter. Based on the company's public disclosures and our extensive engagements, we voted against the proposal after concluding that it was unnecessarily prescriptive and could potentially lead to unintended negative consequences impacting the long-term value of our clients' assets.

Americas

Our engagements and subsequent analysis suggest that American companies are increasingly recognizing that climate risks can be material to the company. This year, the top 20 American energy companies by market cap listed climate risks as material in their SEC 10-K filings this year, suggesting that they view these factors as impactful to their businesses and long-term shareholder value.⁹

This year, more companies received climate-related shareholder proposals than last year, but companies are also settling with sponsors of these resolutions more often than in the past.¹⁰ Once again, this shows that companies are increasingly recognizing the material nature of climate-related risks, and are reaching agreements to expand disclosures without waiting for feedback through a vote on a shareholder resolution. In this reporting period, 59 companies received 72 climate-related shareholder proposals, 25 of which went to a shareholder vote.¹¹ We engaged all 25 companies that received these shareholder proposals, in some instances having several conversations.

In this reporting period, BlackRock supported two climate-related shareholder proposals after engaging with the companies for multiple years, ultimately determining they had not progressed in line with our expectations. Based on our assessment of the companies' existing disclosures, we felt that increased transparency surrounding how emerging technologies and new regulations may impact those companies' long-term business strategies could better inform shareholders of the investment risks and opportunities. A third shareholder proposal, which we would have voted in favor of, was withdrawn.¹² In the case of this third company, we continued conversations we had already started and determined that disclosures had improved incrementally.

Our view on multi-stakeholder company engagements

We often get asked to participate in large, multi-stakeholder company initiatives. We typically do not join these initiatives for several reasons. At times, the objectives of these collaborative engagements can overlap with many of our own existing initiatives. This was the case with our climate risk-related engagement plan and the [Climate Action 100+](#) – namely, both seek to improve climate risk governance and reporting. In other instances, we find that there may be misalignment of views or engagement approaches that can lead to substantial administrative burdens and ineffectiveness. And, in many cases, our team will have already established an engagement rapport with an issuer whereby a collective engagement can cause confusion.

Engaging on purpose

In six of the past seven years, BlackRock's Chairman and CEO Larry Fink has written a [letter](#) on issues of corporate governance and long-termism to the CEOs of leading companies in which our clients are shareholders.

This year's letter addressed the increased importance of investment stewardship given the continued rise of index-based investing, which results in holding stocks regardless of views on the individual companies. It also set out our view that there is now a need for deeper and more complete engagement between shareholders and companies, moving towards year-round conversations about improving long-term value.

The letter suggested that companies that better articulate their purpose are more likely to build strong relationships with their employees and customers, and have a clear sense of their strategic objectives.



“Your company’s strategy must articulate a path to achieve financial performance. To sustain that performance, however, you must also understand the societal impact of your business as well as the ways that broad, structural trends – from slow wage growth to rising automation to climate change – affect your potential for growth.”

Larry Fink,
Chairman and Chief Executive Officer, BlackRock

We think of “purpose” as another way of expressing “long-term strategy.” A company needs to take into account changes in the environment around them. Is the regulatory environment changing? Is the hiring environment changing? For example, in today’s low unemployment environment, a war for talent exists. As such, companies may need to rethink hiring and retention strategies. When we engage on purpose, we do not tell companies what their purpose should be. We seek to understand how the company’s purpose informs its long-term strategy and culture to underpin sustainable long-term financial performance. In this way, companies have a defense against short-term pressures to distribute earnings, without which they may be forced to sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth.

This year Investment Stewardship published [our engagement approach to strategy, culture and purpose](#), which outlines our thinking and how we engage on these aspects of the board and management’s leadership of the company. Our engagements to date suggest that many companies are evolving their thinking and disclosures on this front, even where they already have a clearly articulated purpose.

Thematic engagements

When events occur that have the potential to impact all companies in a sector we aim to engage with all of those companies to understand how the event or reactions to it may affect the long-term value of our clients' assets.

Americas

We generally prefer to engage privately with companies although we may report an engagement on an anonymized basis in our [Quarterly Reports](#). However, the February 14, 2018 shooting at a school in Parkland, Florida resulted in widespread speculation about, and commentary on, the role of investors in companies that manufacture and distribute civilian firearms. On March 2, 2018, BlackRock published a [statement](#) to help clients, companies and others understand how the Investment Stewardship team will engage on this topic.

In addition to the publication of the statement, we wrote to all thirteen public companies that make or sell civilian firearms and met with nearly all of them. The focus of our engagements was to discuss the materials risks to these companies as a result of potential legislative and regulatory changes, reputational risks, and related impacts to their business. The conversations were intended to follow-up on the questions set out in our statement and to understand each company's approach and perspective. We found the engagements overall to be constructive and informative.

One firearms manufacturing company has a policy prohibiting shareholder engagement with management or the board. We therefore relied on the company's public response to our letter and prior publicly available disclosures to decide how to vote on a shareholder proposal seeking a report on its activities to enhance gun safety measures. From the available information, we were unclear about:

- Management and the board's assessment of the company's reputational and financial risks
- How the company monitors firearms distribution channels
- How the company addresses the topic of gun safety with their employees and contractors who work in their manufacturing operations

As a result, we were not able to fully assess the board's oversight of a variety of key risks, nor its assessment of any potential challenges to the company's long-term prospects. We, therefore, voted in favor of the non-binding shareholder proposal to encourage enhanced public disclosures.

Europe, the Middle East and Africa

Our EMEA Stewardship team engaged extensively with companies in the real estate, hospitality, and pharmaceuticals industries on various sector-specific strategic challenges.¹³ We have also seen companies becoming increasingly exposed to activist campaigns and takeover bids because historically they have insufficiently articulated their strategy and goals or have delivered subpar returns to investors.

For instance, our EMEA team had an extensive engagement, in collaboration with BlackRock's Fundamental Active Equity team, with a large European pharmaceutical company whose performance remained volatile following several acquisitions and whose prospects of long-term sustained performance were increasingly difficult to assess. We held multiple conversations with the company's senior management and board around how their ability to deliver against the proposed strategy continued to fall short of expectations, impacting the company's financial performance. Our conversations centered on director quality in the context of relevant skillsets to support management's implementation of the strategy. We also sought to better understand how the company links director remuneration to strategic objectives. Ultimately, unable to sufficiently articulate their long-term strategy and meet market expectations regarding successful strategy execution, the company became the target of a takeover, which the board unanimously recommended its shareholders accept.

Asia Pacific

The APAC Stewardship team has had to address corporate strategy from a unique perspective in South Korea, where distinct market practices come into play. South Korea is a market largely dominated by family-owned conglomerates (chaebols) whose founding family retains group control through a thin but complex web of holdings in various affiliate companies that themselves often have interlocking ownerships.

Under regulatory pressure to simplify ownership structures and the need for families to cede control to the next generation, we have observed an increase in corporate restructuring proposals such as mergers and spin-offs in South Korea over the last three years.

The unique challenge in South Korea for investors like BlackRock is the lack of a market mechanism that allows fair pricing (such as mandatory tender offers or control premium) in the event of corporate restructuring. Instead, the law is highly prescriptive in setting the terms, whereby a transaction may carry significant valuation discount at the target company despite being fully compliant with local rules. There is inherent conflict between the need of the family to consummate succession of assets as economically as possible and the need for investors to have the value of their assets protected. Given the rigid statutory pricing formula, the only protection shareholders have from severe undervaluation of restructuring plans is the integrity of the board, which should ideally enter into these transactions only when the terms are in the best interest of the company and its shareholders.

A 2015 merger between an engineering and construction (E&C) company and a fashion and food catering company within the same chaebol group underscores these investor concerns. The market, including BlackRock, assessed the transaction was proposed at an unfair valuation that transferred significant value from the E&C company shareholders to the fashion and food company, in which the third generation siblings held a material stake. BlackRock voted against the transaction to protect clients from the deep undervaluation represented in the share swap terms.

That experience helped us in our approach to a similar situation at another chaebol. In 2018, a Korean multinational automotive and technology group shelved a restructuring plan that would have involved the spin-off of key businesses from its auto-parts company to be acquired by its logistics arm through a share swap. Unless management was prepared to publicly announce remedies to address the undervaluation concerns of the assets being transferred, BlackRock was prepared to represent our clients' interest by voting against the transaction at the auto-parts company while supporting the transaction on our logistics arm position.

As a fiduciary that is typically a shareholder on both sides of the transaction, Investment Stewardship will engage to inform our vote decision in corporate restructurings to ensure that our clients' economic interests are protected and enhanced.

Executive compensation

We expect executive pay to attract, retain and reward the effective implementation of the company's long-term strategy and to be aligned with performance over time. In [our approach to executive compensation](#) we describe our beliefs and expectations related to executive compensation practices, our analysis framework, and our typical approach to engagement and voting.

Remuneration engagement outcomes in Europe, the Middle East and Africa

In January 2017, and in advance of the second quarter shareholder-meeting season, we published [our approach to executive remuneration in EMEA](#). We were looking to further clarify what we see as best practice in pay setting following the adoption of say-on-pay regulations in a number of EMEA markets. Concurrently, we sent [letters to the chairmen of the board of the top 300+ listed companies in the United Kingdom](#) to inform companies of these updated guidelines. One of the points highlighted in our UK remuneration letter and policy was that “we expect pension contributions for executives to be in line with the rest of the workforce for new contracts.” A year and a half later, almost all of the largest 305 companies have renewed their executive remuneration policy. We reviewed whether they have taken our remarks on board and found that as of June 28, 2018:

- 21% of the 305 companies we contacted have reduced their executive pension contributions. Moreover, nearly 10% went further than restricting this change to new contracts only and reduced the contribution for existing executives as well. This demonstrates that many boards were able to renegotiate existing contracts, which is something boards and companies had previously described as a material hurdle.
- 31% of the FTSE 100 reduced executive pension contributions. Of these, approximately one-third applied the changes to existing executive contracts. However, as FTSE 100 companies tend to have the highest misalignment between pension contributions for executives and the rest of the workforce, this is a significant improvement.
- Looking at the 64 companies which have modified their policies regarding pension contributions, the median maximum contribution has decreased from 30% to 20%. 67% of these companies were moving from pension contributions of 25% or higher.

There is clear momentum to align executive pension contributions with the rest of the workforce and we will continue to engage with companies where there is a misalignment.

Our perspective on equity plans in the U.S.

As executive pay attracts considerable attention in the media, it is important to highlight our views on equity plans. First, equity plans are intended to incentivize and reward participants and provide a way for them to share in the long-term future success of the company. Additionally, we find the fact that equity plan proposals are binding makes them an effective tool to underscore our concerns when equity is not being used effectively at the company.

We are generally supportive of management equity compensation plans as a means to attract and retain talent – in essence, a human capital management tool. These plans are particularly important when they apply to a wide range of employees. They can help create an “ownership” mentality, and provide a streamlined incentive structure across the employee base. Our [Americas 2018 Q1 Quarterly Report](#) delves into the importance of equity plans as a human capital management tool at US shipping company, where the company also has a dual class share structure.

In the 2017-18 reporting year, BlackRock voted against approximately 13% of the management sponsored equity plan¹⁴ ballot items in the Americas region, which is largely consistent with voting trends the prior two reporting periods:

Reporting N-PX period	Number of equity plan votes Americas region	Votes against equity plans	% of votes against
2015 - 2016	1,263	164	12.98%
2016 - 2017	1,318	132	10.02%
2017 - 2018	1,004	132	13.15%

During this reporting period, BlackRock voted against approximately 26% of US equity plans outside the Russell 3000, while voting against approximately 5% of plans in the Russell 3000. This confirms our findings across the governance spectrum, namely that smaller capitalization companies are still evolving their governance and compensation policies to meet market best practices.

In the US, we will generally vote against management because of a misalignment of payout with company performance. Factors contributing to our decision to not support management equity plans proposals include evergreen provisions (when additional shares are automatically granted to the plan every year), repricing of options, as well as unreasonable dilution in relation to peers or the stage of a company's development.

Asia Pacific remuneration insights

In China and Hong Kong we are seeing an increasing number of companies adopting a stock option scheme as they try to attract and retain talent. While we are generally supportive of employees and management holding shares in the company as it provides better alignment of interest, we have concerns with stock options functioning as the pay vehicle of choice given they provide different incentives to shares. Moreover, a typical option scheme for senior executives in Hong Kong lacks performance hurdles (or the disclosure of them) and any meaningful vesting period which raises questions about the effectiveness of the schemes.

Most jurisdictions in APAC, with Australia being an exception, have limited say-on-pay shareholder provisions. BlackRock continues to engage with regulators in the region to promote more transparency with respect to executive pay.

Human capital as an investment issue

For a majority of companies today, value is driven by employees, collectively known as human capital, rather than physical capital such as machinery. Ultimately, companies depend on their employees to effectively execute the corporate strategy and to operate at high standards. Material considerations include: ensuring employee health and safety, matters related to the supply chain (including contingent workers, contractors and subcontractors), wellness programs, support of employee networks, as well as training and development programs. For these reasons, we have identified human capital management as an engagement priority.

We published [our approach to engagement on human capital management](#) in March 2018 to set out in some detail our thinking and outline the topics we discuss with boards and management.

Human capital in Japan

Having regional teams allows us to better understand the challenges companies face in different markets. A series of engagements our Tokyo-based team had with companies in sectors facing severe labor shortages demonstrates the importance of human capital. They learned through these engagements that labor shortages are impacting the long-term strategies of companies across various industries, particularly in labor-intensive industries such as construction, retail, and logistics. For context, Japan's population fell for the seventh consecutive year in 2017. With 28% of Japan's population currently over the age 65, if current trends continue, nearly one-third of the population will be over 65 by 2030.¹⁵

Investment Stewardship's 2017 [APAC Q3 Quarterly Report](#) detailed our engagement with the Japanese construction industry as it faces these demographic headwinds alongside the surge in building projects ahead of the 2020 Tokyo Olympics. The industry is also facing labor regulation constraints that limit the annual working hours per worker.

Our engagement goal is simple – we seek to understand how the board and management are balancing the need to develop a stable and engaged workforce in the context of its long-term strategy.

A more recent 2018 engagement revealed that Japanese parcel shipping companies and, more broadly, the logistics industry are facing similar challenges. When we engaged with the largest parcel shipping company in Japan, we learned that the company opted to put a pause to their growth strategy and focused on establishing a long-term solution to labor shortages. Specifically, the company placed a cap on the number of packages shipped. It also negotiated a price hike with large volume shippers in order to afford additional night shift hires and pay retention salaries to existing delivery personnel. This helps fulfill the increasing shipping volume driven by the rise of e-commerce.

These engagements in Japan offer just one example of how Investment Stewardship is generating insight into how boards and management respond to local and global market forces. We share these local insights about leadership practices and evolving trends with investment colleagues globally.

Activist contests and the voting process

Activist investors are shareholders who accumulate relatively large positions in a company's stock, either directly or indirectly, and who may call for changes to operational or board structures, capital allocation policies or to express opposition to an agreed M&A transaction. Activists typically approach targeted companies privately with their critiques. Should they fail to gain traction with management, they may take their thesis public. Activists may further escalate the situation by launching proxy contests seeking board seats to facilitate their recommendations. Despite there being fewer proxy contests this season relative to last year, shareholder activism reached record levels in the first half of 2018 (on a year over year basis). There were more campaigns launched, many of which were settled, and record levels of capital were deployed. Activism is expected to grow in scope as more first-time activists launch new campaigns, as more capital continues to be deployed, and as activists identify global targets.

In the context of an activist campaign, Investment Stewardship engages companies with the goal of understanding a company's go-forward strategic direction, as well as its specific responses to the criticisms raised by activists. This entails gaining a better understanding of a company's financial performance and governance practices. As part of our due diligence and over the course of a campaign, we will engage multiple times with the company's board and management as well as the activist(s) and their director nominees. Although each situation is unique, our vote is determined by our assessment of which outcome best aligns with the economic interests of our clients, many of whom are long-term investors who will hold shares in a company well after most activist positions have been sold. Part of this assessment is the feasibility of the proposal for change, management and the board's performance track record and willingness to change, as well as our historical engagements with the company.

BLACKROCK U.S. PROXY CONTEST

VOTING STATISTICS FOR MEETINGS SEEKING DISSIDENT NOMINEES

	2016-2017 N-PX reporting year	2017-2018 N-PX reporting year
Number of contests seeking dissident nominees	27	19
% of proxy contests where we voted for a dissident candidate	19% (5 of 27 meetings)	21% (4 of 19 meetings)
% of dissident candidates supported	15% (13 of 89 seats)	16% (7 of 44 seats)

Source: ISS for July 1 - June 30, for the two reporting periods of 2016-2017 and 2017-2018

In the four US proxy contests opposing a merger during the 2017-2018 reporting period, BlackRock voted in favor of the merger in two contests, initially against, then subsequently in favor of another, and against the merger in the fourth instance.

Some corporate advisors have the erroneous perception that we maintain relationships with activists at the expense of boards and management teams. Yet most interactions we have with activist funds center on company-specific situations. Our goal is always to support the long-term best interests of the company. In fact, we may have a long-standing engagement history with a targeted company that can provide perspective into the company's management. Furthermore, when it comes to proxy contests, our starting position is to support management; we support incumbent boards when they acknowledge areas for improvement and demonstrate that they have and are committed to a credible plan to address them. When we engage with activists, it is only once all information related to their campaign is made public. And, even when we support activist nominees, we take a measured approach and seldom support enough activist members for them to take control of a board.

Navigating engagements in an unprecedented, multifaceted proxy contest

During the 2017-2018 reporting period, an unusual case involving activism, antitrust concerns, and regulatory intervention, demonstrated the depth and complexity of proxy contests. The situation involved a merger between two large semiconductor companies, in which a third semiconductor company made an unsolicited bid over \$100bn for one of the companies in what would have been the largest technology sector transaction ever.¹⁶

Our Investment Stewardship team and investment professionals engaged independently with the three companies and the activists on multiple occasions throughout the negotiation process to better understand the proposed transactions and to determine what vote would achieve a financially optimal outcome for our clients. Our Investment Stewardship team communicated with BlackRock active equity analysts and walked through valuation models and scenarios to drill down on value. Critical to our analysis was the historical performance of the target company, promises made by the incumbent management team that had failed to materialize, and the track record of the bidder in acquiring and integrating companies at scale.

Due to the complexity of the situation, we also communicated numerous times with the financial advisors, legal advisors and proxy solicitors on both sides. Our conversations primarily centered on the federal approvals required for the combined entity and human capital management during this transition period.

Ultimately, despite the time and resources committed, and in an unprecedented move, the US Government summarily rejected the deal, citing national security concerns, and the bidder was precluded from making another bid for the target company.

We engaged extensively with the companies and relevant advisors in order to foster constructive dialogue between the two sides. Most notably, in response to shareholder feedback, the target company appointed a new lead independent director to engage with the bidder in good faith.

Engagements with advisors

Our team conducted a series of engagements with corporate advisors across the financial, legal, and proxy solicitor spectrum to exchange views on engagement processes in relation to proxy contests. The aim was to clarify the way in which our Stewardship team engages with companies in the normal course of business and during contested situations. We wanted to introduce team members and explain the sectors each covers, who lead engagements as sector specialists, communicate our overall approach, and to highlight focus areas for the team.

We believe that this series of meetings should help reduce the friction that can be a characteristic of the engagement process during contested situations. It should also enhance visibility and access by encouraging these advisors to connect their corporate clients with Investment Stewardship, should the need arise.

Engagement and voting statistics

We annually disclose a statistical overview of our voting and engagement activity¹⁷. Below are some of the engagement and voting highlights from this past year:

	2016 Proxy Season	2017 Proxy Season	2018 Proxy Season
Company engagements	1,480	1,273	2,049
Meetings voted	16,941	17,309	17,151
Proposals voted	158,965	163,461	158,942
Countries voted in*	90	88	89

*The number of countries voted in can vary from year to year. In certain markets, some companies do not hold annual shareholder meetings.

Our 2018 Engagements

ENGAGEMENTS BY REGION



BREAKDOWN OF MEETINGS VOTED* BY REGION†

Country	Number of meetings voted	Number of proposals	% of meetings voted against one or more management recommendations	% of proposals voted against management recommendation
United States	3,904	31,265	29%	5%
Americas (ex-USA)	1,108	9,993	50%	10%
United Kingdom	861	11,718	30%	5%
Europe, the Middle East and Africa (ex-UK)	2,593	35,420	55%	12%
Japan	2,142	21,202	37%	5%
Asia-Pacific (ex-Japan)	6,543	49,344	35%	10%
Totals	17,151	158,942	38%	8%

*Source: ISS Proxy Exchange on July 15, 2018

†The 12-month period represents the SEC reporting period for U.S. mutual funds, including iShares.

Investor perspective and public policy

Global Policies and Governance Codes

BlackRock believes in promoting sound corporate governance practices, acknowledging the regional variations due to corporate law, market practice, and culture. As a fiduciary investor, it is important to be actively engaged in policy and market issues that affect the long-term value of our clients' assets. For this reason, we engage in public policy issues to offer an investor perspective and provide thought leadership and education about public policy issues that affect our clients' long-term investments and the functioning of global capital markets. In partnership with GPPG, Investment Stewardship reviews and provides commentary on the governance, reporting, and shareholder rights aspects of proposed amendments to regulation and governance practices.

We regularly publish our positions on policy proposals and governance codes consultations so our clients and others know our views. Below, we offer our assessment on three major policy issues that have impacted the corporate governance sphere.

Common Ownership

Some commentators have alleged that common ownership by asset managers could have anti-competitive effects. These theories are predicated on a misunderstanding about the asset management business model and stewardship activities conducted on behalf of clients by asset managers. We have sought to provide more education about these topics to inform the debate in three *ViewPoints*: [Index Investing and Common Ownership Theories](#), [Index Investing Supports Vibrant Capital Markets](#) and [The Investment Stewardship Ecosystem](#).

Within this broad and on-going debate, we respond to two contradictory claims in relation to corporate governance matters. The first claim is that index investors are absentee landlords of portfolio companies, while another contradictory criticism suggests that index investors are too influential in their engagements and too willing to hold boards and management to account. There is also academic literature suggesting that, because index investors have holdings in all companies in a sector, a 'common ownership' force exists that discourages companies from competing. While these theories are provocative, the underlying data does not support them.¹⁸

In addition, the premises underlying the findings do not reflect their experiences of engagement with management. Stewardship conversations are focused on governance, long-term strategic direction and the quality of corporate disclosures, not product pricing and market share. And companies listen to investor feedback but the board and management are responsible for determining the direction the company should take to serve the interests of all the company's shareholders. Furthermore, we would argue that well-run companies also consider other stakeholders – customers, employees, vendors, and the broader community.

EU Shareholder Rights Directive II

The EU adopted a revised Shareholder Rights Directive (“SRD II”) in December 2016 with the dual objectives of 1) reinforcing the alignment of the long-term interests of institutional investors, asset managers and listed companies and 2) fostering shareholder engagement in the EU. It is scheduled to take effect in June 2019.

SRD II impacts our clients as institutional investors (i.e. European pension funds and insurance companies), and us as their asset manager. For this reason, BlackRock engaged with the European Commission (EC), representatives of Member States, and Members of the European Parliament to share our views. In conjunction with the GPPG, Investment Stewardship met with permanent representatives to the EU of key Member States to exchange views on the EC’s proposed revisions.

The proposal requires asset managers and institutional investors to disclose a detailed shareholder engagement policy, including voting records. Among other things, shareholders will vote on binding executive pay policy proposals every four years and, annually, on advisory remuneration reports. The objective is to better link company performance and executive pay.¹⁹ We believe disclosure should provide meaningful information that enables our clients to understand how asset managers and asset owners apply their corporate governance principles.

Ahead of the implementation date, an expert group was set up by the EC to provide advice to the EC on technical aspects of corporate governance of listed companies, including the use of modern information and communication technologies in corporate governance. The expert group, of which BlackRock is a member, assesses issues including shareholder communication, shareholder identification, and participation and voting. After deliberations by the expert group, the EC published a consultation in April-May on the draft implementing regulation on the shareholder identification. The final version will be published by September 2018.

Dual Class Companies

Recently, several index providers have grappled with the inclusion of companies with [unequal voting rights](#) structures in their indexes. Mainly occurring in the technology space, this business model limits the rights of shareholders through share classes with unequal voting rights. The structure gives shares owned by company insiders greater voting power than those owned by the public. This preserves a level of control for management, thereby mitigating some of the challenges from management’s perspective of becoming a public company. In response to the rise of IPOs with unequal voting rights, index providers, such as The Financial Times Stock Exchange (FTSE), Standard & Poor’s (S&P) and MSCI, have considered whether to exclude these companies from their market indices on a retrospective or prospective basis. As part of the investment stewardship process, BlackRock and others submitted letters to MSCI expressing concerns or support for the proposed approach. BlackRock’s [Open Letter Regarding Consultation on the Treatment of Unequal Voting Structures in the MSCI Equity Indexes](#) is available on our website. MSCI recently announced their decision on inclusion rules has been delayed until October 2018.

We have engaged on this critical issue in other regions around the world. We responded to consultations by the Hong Kong Exchange (HKEX)²⁰ and Singapore Stock Exchange (SGX)²¹ regarding the introduction of weighted voting rights (WVRs), noting that we do not believe there is enough evidence to support the notion that a WVR structure will attract startup companies, technology and biotech stocks. We are also concerned that class actions are not allowed in Singapore or Hong Kong as a means of protecting investors should management act against investors’ interests. SGX has amended its Mainboard rules effective June 26, 2018 to allow listing of companies with WVR’s although certain safeguards against entrenchment and expropriation risks have been put in place. Separately, on July 25, 2018 HKEX decided not to launch a consultation on a proposal to allow corporate entities as beneficiaries, possibly due to divergent views on the risks of WVR structures.

And in Europe, the debate around DCS continues in the wake of France's [Florange Act](#), which passed on March 29, 2014. The act mandated differentiated voting rights for companies in France: that is, French companies are now required to provide two votes to any share held for more than two years. In France, an advisory committee of the stock exchange has recently suggested allowing companies with multiple classes of shares and differentiated voting rights to list. Our EMEA team continues to monitor this developing situation.

As an advocate for sound corporate governance practices at the companies in which we invest on behalf of our clients, we understand the concerns expressed around the issue of unequal voting rights and we appreciated the opportunity to contribute to index providers consultations on this topic. However, we believe policymakers, not index providers, should set corporate governance standards.

Industry Affiliations and Public Speaking Events

Industry affiliations and public speaking events provide important forums in which to advocate for our views on a variety of corporate governance topics, as well as listen to those of our peers. We presented at approximately 190 conferences and panel discussions over the past year to share our views on a wide range of topics including shareholder activism, stewardship in emerging markets, and engagement on environmental and social factors, executive compensation, and investor expectations of boards of directors. Some of these events were small, private roundtables where we can have detailed discussion with board directors about themes relating to governance and board performance. Others are large, annual conferences of practitioners such as investor relations professionals or institutional investors.

By way of example, we participate in monthly calls with the Brazilian Associação de Investidores no Mercado de Capitais (AMEC) to discuss Brazilian regulatory issues and other pertinent issues impacting the region. AMEC is a leading investor group in Brazil, and our participation enables BlackRock to stay current on governance and shareholder rights issues in their market.

In France, we were invited to join an expert group organized by the Institut du Capitalisme Responsable (ICR), a research center, organized around a number of think-tanks, focusing on responsible and "integrated thinking" for corporates, investors and more generally the financial community. The ICR aims to promote best practices and ensure a better dialogue between issuers and stakeholders.

And in Japan, BlackRock worked with the Ministry of Economy, Trade and Industry (METI) to create and promote a reporting framework which Japanese companies can use in their disclosures and engagements with long-term shareholders. The guidance itself was published in May 2017 and our team assisted METI in putting the guidance into practice by speaking with a number of companies to use the guideline to describe their business, governance, and sustainability efforts.

These events and others provide us the opportunity to share our perspective with a wide audience of clients, public company representatives, market participants, other professionals dedicated to advancing governance and stewardship practices.

Endnotes

1. In June 2017, MSCI announced that beginning in June 2018 it would include China A shares in the MSCI Emerging Markets Index and the MSCI ACWI Index.
2. 2017 Spencer Stuart U.S. Board Index.
3. Source: BlackRock.
4. <https://www.forbes.com/sites/karstenstrauss/2018/01/25/more-evidence-that-company-diversity-leads-to-better-profits/>
5. This letter was covered in the financial press, including by Bloomberg and The Wall Street Journal.
6. This number combines responses received as well as engagements.
7. https://www.fpl-global.com/wp-content/uploads/2018/06/2018-REIT-Board-Composition_Diversity-Trends-FINAL.pdf
8. In 2013, 820 shareholder proposals were submitted. There was a spike in 2015 to 943 proposals as a result of a campaign to encourage companies to allow shareholders to nominate directors on the company's ballot, so called proxy access. Since then, the numbers of proposals have fallen to 916 in 2016 and 861 in 2017. Support for proposals over that period has fallen from 34.4% in 2013 to 25% in 2017. See Trevor S. Norwitz, Sabastian V. Niles, Avi A. Sutton and Anna S. Greig, Wachtell, Lipton, Rosen & Katz, LexisNexis Practice Advisor Journal, Market Trends: Shareholder Proposals (Feb. 28, 2018), available at <https://www.lexisnexis.com/lexis-practice-advisor/the-journal/b/lpa/archive/2018/02/28/market-trends-shareholder-proposals.aspx>
9. SEC 10-K filings of the top 20 American energy companies by market capitalization.
10. 51% of climate-related proposals were withdrawn in the first half of 2018 following engagements, suggesting that constructive dialogue can be an effective means to build mutual understanding of business risks, according to ISS Analytics.
11. ISS Analytics, includes resolution categories specific to climate change and greenhouse gas emissions reports.
12. **Proposal 1:** "Shareholders request that by 2019, [the company] publish, with board oversight, an assessment of the long-term portfolio impacts of scenarios consistent with the internationally recognized goal of limiting the global increase in temperature to two degrees Celsius. The assessment should outline the impacts of multiple, fluctuating demand and price scenarios on the company's existing reserves and resource portfolio and explain how capital planning and business strategies incorporate analyses of the financial risks of a low-carbon transition. The report should be done at reasonable cost and omit proprietary information."
Proposal 2: "Shareholders request that [the company] issue a report (by October 2018, at reasonable cost, omitting proprietary information) reviewing the Company's policies, actions and plans to measure, monitor, mitigate, disclose, and set quantitative reduction targets for methane emissions resulting from all operations, including storage and transportation, under the Company's financial or operational control."
13. See case study 1 in our [2017 EMEA Q4 Quarterly Report](#).
14. Includes approval and amendment of option plans, share plans, omnibus plans, as well as related plans for directors.
15. Japan's 2017 population statistics come from Japan's Statistics Bureau, Ministry of Internal Affairs and Communication available at <http://www.stat.go.jp/english/data/jinsui/2017np/index.html>; 2030 Japanese population forecast come from National Institute of Population and Social Security Research available at http://www.ipss.go.jp/pp-zenkoku/e/zenkoku_e2017/pp29_summary.pdf.
16. <https://www.nytimes.com/2018/03/05/business/dealbook/broadcom-qualcomm-cfius.html>
17. Investment Stewardship Report: 2018 Voting and Engagement Report reflecting July 1, 2017 to June 30, 2018 is available on our website at <https://www.blackrock.com/corporate/literature/publication/blk-voting-and-engagment-statistics-annual-report-2018.pdf>
18. To date numerous papers have refuted the original data including [Common Ownership Does Not Have Anti-Competitive Effects in the Airline Industry](#) (2018); [The Case for Doing Nothing About Institutional Investors' Common Ownership of Small Stakes in Competing Firms](#) (2018); [Common Sense About Common Ownership](#) (2018); [The Competitive Effects of Common Ownership: Economic Foundations and Empirical Evidence](#) (2017) and others.
19. A potential unintended consequence, in our view, is that shareholders will engage disproportionately on pay. This necessarily reduces the time available to focus on strategic matters more critical to the long-term success of a company, such as board composition, business strategy and effectiveness of execution.
20. <https://www.blackrock.com/corporate/literature/publication/hkex-cg-code-113017.pdf>.
21. <https://www.blackrock.com/corporate/literature/publication/singapore-exchange-limited-possible-listing-framework-dual-class-share-structures-041317.pdf>

Appendix: Engagements

BlackRock Investment Stewardship had substantive dialogue with the companies listed on the following pages. This does not include companies where we engaged solely via letter. Our team engages companies for various reasons including 1) to ensure that we can make well-informed voting decisions, 2) to explain our voting and governance guidelines and 3) to convey our thinking on long-term value creation and sound governance practices.

AMERICAS ENGAGEMENTS

1800PetMeds	Anadarko Petroleum	Brighthouse Financial	Colony NorthStar
3M Company	Analog Devices	BrightSphere Investment Group	Columbia Property Trust
8x8	Annaly Capital Management	Bristol-Myers Squibb Company	Comcast
Abbott Laboratories	Apache	Broadcom	Commercial Metals Company
AbbVie	Apartment Investment and Management	Brookfield Asset Management	CommScope Holding Company
Acacia Research	Apple Hospitality REIT	C&J Energy Services	Commvault Systems
ACADIA Pharmaceuticals	Applied Genetic Technologies	CA Technologies	ConocoPhillips
Acadia Realty Trust	Aqua America	CAF Brazil	Consolidated-Tomoka Land
Accenture	Arch Capital Group	Canadian Pacific Railway Limited	CoreCivic
ACNB	Arconic	CanniMed Therapeutics	Cornerstone OnDemand
Activision Blizzard	Ardelyx	Capital Bank Financial	Corning Incorporated
Adobe	Argan	Capstead Mortgage	County Bancorp
Advanced Emissions Solutions	Arlington Asset Investment	Cardinal Health	Cree
Advanced Energy Industries	Arrowhead Pharmaceuticals	Carpenter Technology	Crescent Point Energy
AECOM	Arthur J. Gallagher & Company	Cars.com	Crown Holdings
Aerojet Rocketdyne Holdings	Assurant	Catalent	CSX
Aetna	Assured Guaranty	CatchMark Timber Trust	Cullen/Frost Bankers
Aflac	AT&T	Caterpillar	Cummins
AGCO	Athenahealth	CBOE Global Markets	Curis
Agilent Technologies	Atlantic Power	Cedar Realty Trust	Customers Bancorp
AGNC Investment	Atlas Air Worldwide Holdings	Celgene	Cutera
Agnico Eagle Mines Limited	AtriCure	Central Valley Community Bancorp	CVS Health
Air Lease	AutoDesk	CF Industries Holdings	CyrusOne
Air Products and Chemicals	Automatic Data Processing	ChannelAdvisor	Dalradian Resources
AK Steel Holding	AvalonBay Communities	Charles Schwab	Dana Incorporated
Akamai Technologies	Avery Dennison	Charter Communications	DCT Industrial Trust
Alaska Communications Systems Group	Aviragen Therapeutics (Vaxart)	Cheniere Energy	Deckers Outdoor
Albemarle	Avis Budget Group	Chesapeake Energy	Deere & Company
Alexander & Baldwin	Avnet	Chevron	Dell Technologies
Alexion Pharmaceuticals	Axis Capital Holdings	Chicago Bridge & Iron Company	Denbury Resources
Alleghany	Axon Enterprise	Chimera Investment	Depomed
Allison Transmission Holdings	Badger Meter	Chimerix	Destination Maternity
Alphabet	Bank of America	Chipotle Mexican Grill	Diamond Hill Investment Group
Amazon	Bankwell Financial Group	Chubb Limited	DiamondRock Hospitality
Ambac Financial Group	Barnes & Noble	Cigna	Diebold Nixdorf
AMC Networks	Barnes Group	Cincinnati Bell	Digital Realty Trust
AMERCO	Barrick Gold	Cincinnati Financial	Dillard's
Ameren	BB&T	Cisco Systems	Dine Brands Global
American Axle & Manufacturing Holdings	Bed Bath & Beyond	Citi Trends	Discover Financial Services
American Campus Communities	Berkshire Hills Bancorp	Citigroup	Dominion Energy Inc
American Express Company	Big 5 Sporting Goods	Citizens Financial Group	Domino's Pizza
American Financial Group	Biogen	Civista Bancshares	Domtar
American Homes 4 Rent	BioMarin Pharmaceutical	Clarus	Dover
American International Group	Bio-Techne	Clearwater Paper	DSP Group
American Outdoor Brands	Black Hills	Cleveland-Cliffs	DTE Energy
American Water Works Company	Blackbaud	Clovis Oncology	Duke Energy
Ameriprise Financial	BOK Financial	CME Group	DXC Technology
AmerisourceBergen	Bombardier	CMS Energy	Eagle Bancorp
Amgen	BorgWarner	CNB Financial	East West Bancorp
AmTrust Financial Services	BRF	CNO Financial Group	Eastman Chemical
	Briggs & Stratton	Coeur Mining	EBAY
		Cognex	Ecolab

AMERICAS ENGAGEMENTS

Electronic Arts	GenMark Diagnostics	Investment Technology Group	Macquarie Infrastructure
Elevate Credit	Gentex	Investors Bancorp	MAG Silver
Eli Lilly and Company	Gentherm Incorporated	Ionis Pharmaceuticals	Maiden Holdings
Ellie Mae	Getty Realty	IQVIA Holdings	ManpowerGroup
EMCOR Group	Gibraltar Industries	iRobot	Manulife Financial
Emerson Electric	G-III Apparel Group	Ironwood Pharmaceuticals	Marathon Petroleum
Enanta Pharmaceuticals	Gilead Sciences	ITT	Marsh & McLennan
Energen	Glatfelter	J. Alexander's Holdings	Martin Marietta Materials
Enova International	GLAUKOS	J.B. Hunt Transport Services	Masimo
Enstar Group Limited	Global Net Lease	James River Group Holdings	Mattel
Energy	Global Payments	Janus Henderson Group	Mathews International
Enterprise Bancorp	Gluskin Sheff + Associates	JetBlue Airways	MBIA
EQT	GoDaddy	Johnson & Johnson	MBT Financial
Equifax	Goldcorp	Jones Lang LaSalle Incorporated	McKesson
Equinix	Green Dot	JPMorgan Chase	Medical Properties Trust
Equity Bancshares	Greenhill & Company	Juniper Networks	Medtronic
Equity Commonwealth	Grubhub	Kaiser Aluminum	Mercury General
Essex Property Trust	Grupo Financiero Banorte	Kaman	MetLife
Etsy	Guess	Kansas City Southern	MGE Energy
Evercore	Guidewire Software	Kennedy-Wilson Holdings	MGIC Investment
Everest Re Group	Haemonetics	KeyCorp	Microsemi
Exelixis	Halliburton Company	Keysight Technologies	Microsoft
Exelon	HCI Group	Kforce	MidSouth Bancorp
Expeditors International	Health Insurance Innovations	Kilroy Realty	Minerals Technologies
Express Scripts Holding	Healthcare Trust of America	Kinder Morgan	Mirati
Exxon Mobil	Heartland Financial	Kindred Healthcare	Mobile Mini
F.N.B. Corporation	Hecla Mining Company	Kinross Gold	Molina Healthcare
Facebook	HEICO	Kirby	Mondelez International
Fair Isaac	Helmerich & Payne	Kite Realty Group Trust	Monsanto Company
FARO Technologies	Heritage Financial	Knight-Swift Transportation	Monster Beverage
FedEx	Heritage Insurance Holdings	Knowles	Morgan Stanley
Fidelity Southern	Heska	Kosmos Energy	Motorola Solutions
Fifth Third Bancorp	Hess	L3 Technologies	MSCI
Financial Engines	Hewlett Packard	LabCorp	Murphy
Financial Institutions	Hillenbrand	Labrador Iron Ore Royalty	Mylan
FireEye	Hilltop Holdings	Ladder Capital	Nabors Industries
First Citizens BancShares	HMS Holdings	Ladenburg Thalmann Financial	National Bank Holdings
First Connecticut Bancorp	Honeywell International	Lam Research	National Fuel Gas Company
First Data	Houlihan Lokey	LaSalle Hotel Properties	National General Holdings
First Hawaiian	Huntington Bancshares	Lattice Semiconductor	National Instruments
First Quantum Minerals	Huntington Ingalls Industries	Legg Mason	National Western Life Group
First Republic Bank	Huron Consulting Group	LendingClub	Natus Medical Incorporated
FirstEnergy	Hyperdynamics	LendingTree	Navient
Five9	Interval Leisure Group	Leucadia National	Navistar International
FleetCor Technologies	Illinois Tool Works	Liberty Broadband	NBT Bancorp
Flowserve	Immunomedics	Liberty TripAdvisor Holdings	Neo Lithium
Fluidigm	Imperva	Litellfuse	Netflix
Flushing Financial	Incyte	Live Nation Entertainment	NetSol Technologies
FMC Corporation	Independent Bank Group	LivePerson	Nevro
Foot Locker	InnerWorkings	LKQ Corporation	New Mountain Finance
Forest City Realty Trust	Insteel Industries	Lockheed Martin	New York Community Bancorp
Fortive	Intel	Lowe's Companies	Newell Brands
Four Corners Property Trust	Interactive Brokers Group	Loxo Oncology	Newfield Exploration Company
Franklin Resources	Intercontinental Exchange	LPL Financial Holdings	Newmont Mining
Freeport-McMoRan	Interface	LSC Communications	Nicolet Bankshares
Frontier Communications	International Business Machines	Iululemon athletica	Nielsen Holdings
FTD Companies	Intuit	M&T Bank	Noble Energy
FTI Consulting	Invacare	M.D.C. Holdings	Nordson
General Dynamics	Invesco	Mack-Cali Realty	Norfolk Southern
Genesee & Wyoming			

AMERICAS ENGAGEMENTS

Northern Dynasty Minerals	Radian Group	Synchrony Financial	Union Pacific
Northern Trust	Ralph Lauren	T. Rowe Price Group	Unisys
Northrop Grumman	Rambus	Tanger Factory Outlet Centers	United Insurance Holdings
NovaGold Resources	Range Resources	Taubman Centers	United Natural Foods
Novocure Limited	Raytheon Company	TCF Financial	United Parcel Service
NRG Energy	Realogy Holdings	Teladoc	United Rentals
Nu Skin Enterprises	Realty Income	Telephone and Data Systems	United States Steel
Nuance Communications	Regeneron Pharmaceuticals	Tempur Sealy International	United Technologies
NVIDIA	Regions Bank	Tenet Healthcare	Uniti Group
NVR	Regis	Teradata	Unitil
Occidental Petroleum	Reinsurance Group of America	Territorial Bancorp	Unity Bancorp
Ocwen Financial	RenaissanceRe Holdings	TESARO	Universal Electronics
Old Dominion Freight Line	Republic Services	Tesco	Universal Health Realty Income
Old Point Financial	ResMed	Tesla	Universal Health Services
Old Republic International	Rexnord	Tetra Tech	Universal Insurance Holdings
Olin	RLI	TETRA Technologies	Unum Group
Opus Bank	RLJ Lodging Trust	TFS Financial	US Foods Holding
Oracle	Rockwell Automation	The Advisory Board Company	USG
Orbital ATK	RPC	The AES	Valley National Bancorp
Oritani Financial	Ryder System	The Allstate	Veeva Systems
Owens Corning	Ryman Hospitality Properties	The Bank of New York Mellon	VeriFone Systems
P. H. Glatfelter Company	S&P Global	The Brink's Company	Verisk Analytics
PacWest Bancorp	Sabra Healthcare REIT	The Coca-Cola Company	Veritex Holdings
Palo Alto Networks	Sabre	The E. W. Scripps Company	Veritv
Paragon Commercial	salesforce.com	The General Electric Company	Verizon Communications
Parker Drilling Company	SandRidge Energy	The GEO Group	ViaSat
Peapack-Gladstone Financial	Sanmina	The Hartford Financial Services	Virtu Financial
Penn National Gaming	Santander Consumer	The Home Depot	Virtus Investment Partners
Pentair	Sarepta Therapeutics	The Kraft Heinz Company	VirtUSA
People's Utah Bancorp	Schweitzer-Mauduit International	The Kroger Company	Vista Outdoor
PepsiCo	Science Applications International	The Middleby	Vornado Realty Trust
Petrobras	Scientific Games	The Mosaic Company	Voya Financial
Pfizer	Scorpio Bulkers	The Progressive	W&T Offshore
PHH Corporation	SeaWorld Entertainment	The Southern Company	W. R. Berkley
Physicians Realty Trust	Select Income REIT	The TJX Companies	W.W. Grainger
Pilgrim's Pride	Service International	The Toronto-Dominion Bank	Walker & Dunlop
Pinnacle West Capital	ServiceNow	The Travelers Companies	Wal-Mart Stores
Piper Jaffray Companies	Shutterstock	The Ultimate Software Group	Waterstone Financial
PJT Partners	Sina Corp	The Walt Disney Company	WEC Energy Group
PNM Resources	Six Flags Entertainment	The Western Union Company	Weingarten Realty Investors
POOLCORP	Skechers USA	Third Point Reinsurance	Wells Fargo & Company
PPG Industries	SL Green Realty	TIER REIT	Western Digital
Praxair	Snapchat	Tiptree	WestRock Company
Preferred Bank	Sohu.com	Toll Brothers	White Mountains Insurance
Premier Financial Bancorp	Southern First Bancshares	Torchmark	Whitestone REIT
Primerica	Southern National Bancorp of Virginia	Total System Services	Willis Towers Watson
Principal Financial Group	Splunk	TowneBank	Windstream Holdings
ProAssurance	Sportsman's Warehouse Holdings	TransCanada	WisdomTree Investments
Procter & Gamble	SPX	TransDigm Group Incorporated	Worthington Industries
Progress Software	STAG Industrial	Tribune Media Company	Wynn Resorts, Limited
Prologis	Standex International	TrueCar	Xcel Energy
Prudential Financial	Starwood Property Trust	TrustCo Bank Corp	Xerox
PulteGroup	State Street	Tutor Perini	XL Group
QTS Realty Trust	Stewart Information Services	Twitter	Xperi
Quaker Chemicals	Stonegate Bank	U.S. Bancorp	XPO Logistics
Qualcomm	STORE Capital	U.S. Physical Therapy	Yamana Gold
Qualys	Sunshine Bancorp	UDR	ZAGG
R.R. Donnelley & Sons	SunTrust Banks	UMH Properties	Zayo Group Holdings
R1 RCM	Symantec	Umpqua Holdings	Zebra Technologies

EUROPE, THE MIDDLE EAST AND AFRICA ENGAGEMENTS

4imprint Group	CMC Markets	Gold Fields	Merlin Properties
ABB	Cobham	GVC Holdings	Migros Ticaret
ABN AMRO Group	Compagnie de Saint Gobain	Hammerson	Mobimo Holding
AccorHotels	Compagnie Financiere Richemont	Hansteen Holdings	Munich Re
Adidas	Compass Group	HeidelbergCement	Murray & Roberts Holdings
Aegon	Continental	Heineken	National Express Group
Air Liquide	Credit Agricole	Hill & Smith Holdings	National Grid
Allianz	Credit Suisse Group	HomeServe	Nestle
Alstom	Crest Nicholson Holdings	HSBC Holdings	NEX Group
Amerisur Resources	CRH	Hunting	Nexus Infrastructure
Anglo American	Croda International	Iberdrola	NMC Health
AngloGold Ashanti	Curtis Banks Group	Icade	Nokia Oyj
ArcelorMittal	CVS Group	Imperial Brands	Nokian Tyres
Arkema	Daimler	Indivior	Norsk Hydro
Assicurazioni Generali SpA	Danone	Informa	Nos SGPS
Atlantia SpA	DCC	ING Groep	Novartis
Atos	Dechra Pharmaceuticals	Inmarsat	Novo Nordisk
Aurubis	Deutsche Bank	Immobiliaria Colonial	Novozymes
Auto Trader Group	Deutsche B�erse	Innogy	Oesterreichische Post
AVEVA Group	Deutsche Lufthansa	InterContinental Hotels Group	OMV Company
Aviva	Deutsche Post	International Consolidated Airlines	Old Mutual
AXA	Deutsche Telekom	Intertek Group	Orange
Babcock International Group	Direct Line Insurance Group	Intesa Sanpaolo	Orsted
BAE Systems	Dixons Carphone	Intu Properties	Osram Licht
Balfour Beatty	Drax Group	Irish Continental Group	Paddy Power Betfair
Banco Bilbao Vizcaya Argentaria	Dufry	ITV	Papeles y Cartones de Europa
Banco Santander	Dunelm Group	Janus Henderson Group	Paron Banking Group
Bank of Ireland Group	E.ON	John Wood Group	Partners Group Holding
Bankia	easyJet	Johnson Matthey	Pearson
Bankinter	Edenred	Johnson Service Group	Pentair
Barclays	EDP Energias de Portugal	Julius Baer Group	Pernod Ricard
BASF	Eiffe	Jupiter Fund Management	Persimmon
Bayer	Electricite de France	Just Eat	Petra Diamonds
BBA Aviation	Elementis	Kaz Minerals	Petrofac
Berkeley Group Holdings	Enel	KBC Groep	Petropavlovsk
BHP Billiton	Engie	KCOM Group	Peugeot
Big Yellow Group	Eni SpA	Kerry Group	Phoenix Group Holdings
BNP Paribas	EnQuest	Keywords Studios	Phoenix Spree Deutschland
Bodycote	Essentra	Kier Group	Plant Impact
Bovis Homes Group	esure Group	Klepierre	Premier Foods
BP	Eutelsat Communications SA	Konecranes Abp	Premier Oil
British American Tobacco	Everyman Media Group	Koninklijke Ahold Delhaize	ProSiebertSat. 1 Media
BT Group	Eaton Vance Municipal Income	Koninklijke Philips	Prudential
Bunzl	Experian	Kromek Group	Prysmian Group
Burberry Group	Faberge	Lafargeholcim	PSP Swiss Property
Buwog	FairFX Group	Lagardere	Publicis Groupe
Cairn Energy	Faroe Petroleum	Lanxess	Quartix Holdings
Cairn Homes	Faurecia	Legal & General Group	Randgold Resources
Caixabank	Fenner	Leonardo SpA	Ranger Direct Lending
Capgemini	Fevertree Drinks	The Linde Group	Reach
Capital & Counties Properties	FinecoBank Banca Fineco	Liontrust Asset Management	Reckitt Benckir Group
Carclo	Forterra	Lloyds Banking Group	Red Electrica Corporacion
Card Factory	Freenet AG	London Stock Exchange Group	Renault
Carnival	Frenius & Company	Londonmetric Property	Rentokil Initial
Carrefour	Fresnillo	Lonmin	Repsol
Castellum AB	Galliford Try	Lonza Group	Restaurant Group
Cellnex Telecom	GEA Group	L'Oreal	Restore
Centamin	Georg Fischer	Lundin Petroleum	Rexel
Centrica	Getlink	Maisons du Monde	Rightmove
Chocoladefabriken Lindt & Spruengli	Givaudan	Man Group	Rio Tinto
Chubb	GKN	Marks and Spencer Group	Rolls-Royce Holdings
Clarkson	Glanbia	Marlowe	Rotork
Clipper Logistics	GlaxoSmithKline	Melrose Industries	Royal Dutch Shell
Close Brothers Group	Glencore	Merck	RPC Group

EUROPE, THE MIDDLE EAST AND AFRICA ENGAGEMENTS

RWE Company	Sky	Swiss Re	Uniper
RWS Holdings	Smith & Nephew	Swisscom	Valeo
Safestore Holdings	Smiths Group	System1 Group	Valmet Oyj
Safran	Smurfit Kappa Group	Tate & Lyle	Vectura Group
Saga	Snam	Technopolis Oyj	Vedanta Resources
Saipem	Société Générale	Tecnicas Reunidas	Veolia Environment
Sanofi		Telecom Italia	Victrex
SAP	Sodexo		Vinci
Sappi	Solvay	Telefonaktiebolet LM Ericsson	Vivendi
Sasol	Sonova Holding	Telefonica	Vodafone Group
Schaeffler	Sophos Group	Telenet Group Holding	Volkswagen
Schneider Electric	SPIE	Teleperformance	Volvo
Scor	SSP Group	Temenos	Warpaint London
Scout24	St. Modwen Properties	Tenaris	WFD Unibail Rodamco
Senior	Standard Life Aberdeen	Thompson Clive Investments	Weir Group
Serco Group	Stobart Group	Thysnkrupp	Wendel
Severn Trent	Stratex International	Total	William Hill
Shire	Straumann Holding	Tracsis	Worldpay Group
Sibanye Gold	Suez Environment	Treatt	WPP
Siemens	Sulzer	Tullow Oil	Zalando
Siemens Gamesa Renewable Energy	Sunri Communications Group	Ubisoft Entertainment	ZPG
SIG	Swedbank	UBS Group	Zurich Insurance Group
Sika	Swiss Life Holding	UniCredit	
Sirius Minerals	Swiss Prime Site	Unilever	

ASIA-PACIFIC ENGAGEMENTS

77 Bank	Beijing Capital International Airport	ComfortDelGro	FANUC
Accretive	Bendigo Bank Limited	Commonwealth Bank of Australia	Fortescue Metals Group
Advantest	BHP Billiton Limited	Compal Electronics	Fortis Healthcare
AGC Asahi Glass	Blue Sky Alternative Investments	Computershare Limited	Fortune REIT
AGL Energy Limited	Bluescope Limited	CP All Group	Fraser Centrepoint
Agricultural Bank of China	BOC Aviation	Credit Saison	Fuji Film Holdings
Aichi Bank	Boral Limited	Cromwell Property Group	Fuji Oil
Ajinomoto	BWX Limited	CSSC Offshore & Marine Engineering	Fujikura
Akebono Brake	Canon	CTBC Financial Holdings	Fujitsu
Alpine Electronics	Capcom	Dai Nippon Printing	Fukuoka Financial Group
Alps Electric	CGN Power	Daicel	Futaba Corporation
Altium Limited	Challenger Financial Service	Dai-ichi Life Holdings	Fuyo Group
Altura Mining Limited	China Cinda Asset Management	Daiichi Sankyo	Genworth Mortgage Insurance
Amada Holdings	China Communications Construction	Daikin Industries	Australia
Ambuja Cement	China Communications Services	Daito Trust Construction	GF Securities
Amore Pacific	China Everbright International	Daiwa House Industry	Gloria Materials Technology
AMP Limited	China Evergrande	Daiwa Securities	GMO Internet
ANA Holdings	China Machinery Engineering Corp	Daiwabo Holdings	Goodman Group
Ando Hazama Construction	China Mengniu Dairy	Delta Electronics	GPT Group
ANZ Banking Group	China Moly	DeNA Company	Grape King Bio
Ardent Leisure Group	China National Building Materials	Denka	Haitong International Securities
Aristocrat Leisure Limited	China Oilfield Services Limited	Dentsu	Hamamatsu Photonics K.K.
Asahi Group Holdings	China Pacific Insurance	Domino's Pizza	Hana Financial Group
AsahiKASEI	China Petroleum & Chemical (SinoPec)	Don Quijote Holdings	Hang Lung Group & Hang Lung Properties
ASE Industrial Holding	China Power International	Donaco International Limited	Harbin Electric
ASICS	China Railway Construction Group	Dowa Holdings	Haseko
Aurizon Holdings Limited	China Shenhua Energy Company	Dr. Reddy's Laboratories	Heiwa Real Estate
Ausnet Services Limited	China Southern Airlines	Dydo Group	Hisamitsu
Avanco Resources Limited	China Telecom	Ebara Corporation	Hitachi
Avex Group	China Vanke	Eisai	Hitachi Kokusai
Axis Bank	Chongqing Rural Commercial Bank	Enplas Corporation	Hodogaya Chemical
Azbil Corporation	Chubu Electric Power	Epistar	Hokkaido Electric Power
Bank of East Asia	Clean Teq	ESR-REIT	Hokuriku Electric Power
Bank of Queensland Limited	CLP Holdings	Fairfax Media Limited	Honda Motor
Beach Energy	Coca-Cola Amatil	Faith	Hopewell Holdings
Bega Cheese Limited		FamilyMart UNY Holdings	

ASIA-PACIFIC ENGAGEMENTS

Horiba	Kuroda Electric	Nisshin Seifun	Showa Shell Sekiyu
Hotel Shilla	KYB Corporation	Nitori	Silver Mines Limited
Hyundai Development	Kyushu Electric Power	Nitto Denko	Simms Metals Management
Hyundai Mobis	Kyushu Railway Company	Nomura Real Estate Holdings	Singtel Telecommunications
Hyundai Motor	LandMark Optoelectronics Corporation	Northern Star Resources	Sino-Ocean Group Holding
Ibiden	Lend Lease Corporation Limited	Novaland Group	Sinopec Oilfield Services
ICICI Bank	Lenovo	NSK	Sinotrans Limited
Idemitsu Kosan	LG Display	NTT Data	SK Holdings
IDFC Bank	LG Electronics	NYK Line	SK Innovation
IHI Corporation	Link REIT	Obayashi	Sky City
Iluka Resources Limited	Lion	Oil Search Limited	Soft-World
IMF Bentham Limited	Lite-On Tech	Oki Electronics	Sojitz
Infosys Limited	Lixil Group	Olympus	Sompo Holdings
Inghams Group Limited	Macquarie Group Limited	Omron	Sony
INPEX	Macronix International	Onward Holdings	Sony Financial Holdings
Intellex	Mahindra and Mahindra	Oracle Japan	Spark Infrastructure
Isetan Mitsukosh	Makita Corporation	Orica Limited	Sparx Asset Management
Itochu	Marubun Corporation	Origin Energy	Square Enix Holdings
Iyo Bank	Maruha Nichiro	Osaka Gas	Stanley Electronics
J. Front Retailing Holdings	Maxell Holdings	Panasonic	Subaru Corporation
JAFCO	Mazda Motor	Parade Technologies	Sumitomo Corporation
Japan Airline	MediaTek	PC Depot Corp	Sumitomo Electronics
Japan Post Holdings	Metals X Limited	People's Insurance of China	Sumitomo Heavy Industries
Japan Senior Living REIT	Metro Mining Limited	PetroChina	Sumitomo Metal Mining
Japan Steel Works	Metro Pacific Investments	Pigeon Corporation	Sumitomo Mitsui Financial Group
Japan Tobacco	Mineral Resources Limited	Pilbara Minerals Limited	Sumitomo Mitsui Trust
Japara Healthcare Limited	Miraca	Pioneer	Sumitomo Rubber
JFE Holdings	Mitsubishi Chemical	POSCO	Suncorp Limited
JP Holdings	Mitsubishi Corporation	Premier Investments Limited	Super Retail Group
J-Power	Mitsubishi Heavy Industries	Proto Corporation	SuRala Net
JR Central	Mitsubishi Materials	PT Telekomunikasi Indonesia	Suzuki Motor
JR East Railways	Mitsubishi UFJ Financial Group	Qantas Airways	T&D Holdings
JSR Corporation	Mitsui & Company	QBE Limited	Tadano
JUKI Corporation	Mitsui Chemicals	Rakuten	Taisei Corporation
JVC Kenwood	Mitsui Engineering & Shipbuilding	Ramsay Healthcare	Taishin Financial Holdings
Kajima	Mitsui Fudosan	Remixpoint	Taiwan Business Bank
Kaneka	Mitsui Mining & Smelting	RICOH	Taiyo Holdings
Kangde Xin Composite Material	Mitsui O.S.K. Lines	Ryosan	Taiyo Yuden
Kansai Electric Power	Mitsui Sumitomo Construction	Samsung	Takashimaya
Kansai Paint	Mizuho Financial Group	Samsung Electronics	Tata Motors
Kao Corporation	Morinaga Milk Industry	Samsung Heavy Industries	Tatts Group Limited
Kasikornbank	Nagoya Railroad	Samsung Life	TCL Electronics
Katakura Industries	National Australia Bank	Samsung Securities	TDK
Kawasaki Heavy Industries	NC Soft	Sanden Holdings	Teijin Limited
Kawasaki Kisen Kaisha	NEC Corporation	Sandfire Resources	Teikoku Sen-I Company
KB Financial Group	Neturen	Sanken Electric	Tencent
KDDI Corporation	New World Development	Sankyo	THK Company
Keihan Holdings	NGK Spark Plugs	Sanrio	Tobu Railway
Keikyu	NH Foods	Sanshin Electronics	Toda Corporation
Kenedix Office Investment	Nichirei	Santen Pharmaceuticals	Tohoku Electric Power
KEPCO	Nidec	Santos Limited	Tokyo Broadcasting System
Kerry Properties	Nikkon Holdings	Sanyo Shokai	Tokyo Electric Power Company
Kewpie Corporation	Nikon	Sapporo Holdings	Tokyo Gas
Keyence	Nintendo	Sato Holdings	Tokyo Marui
Kirin Holdings	Nippon Chemi-Con	Seiko Epson	Toppan Printing
Kobelco	Nippon Electric Glass	Sekisui Chemical	Toray Industries
Kohnan Shoji	Nippon Paint Holdings	Sekisui House	TOSHIBA
Komatsu	Nippon Shokubai	Semiconductor Manufacturing	Toshiba Machine
Konica Minolta	Nippon Signal	Senshu Ikeda Holdings	TOTO
Korea Tobacco & Ginseng Corporation	Nippon Steel & Sumitomo Metal	Shikoku Electric	Toyoko Tanso
Kubota Corporation	Nishimatsu Construction	Shimazu Corporation	Toyobo Corp
Kumho Petrochemical	Nishi-Nippon City Bank	Shinsei Bank	Toyota Motor
Kurita Water Corporation	Nissan Motor	Shiseido	TPG Telecom Limited
	Nisshin Food Holdings	Shizuoka Bank	Trade Me Group

ASIA-PACIFIC ENGAGEMENTS

Trans Cosmos
Treasury Wine Estates
Trend Micro
Tsubaki Nakashima
Ube Industries
UKC Holdings
Unipres Corporation
Uni-President

United Arrows
United Microelectronics
Unitika
Unizo Holdings
West Japan Railway
Westpac Banking
WH Group
WIN Semiconductors

Wistron
Woodside Petroleum
Woolworths Limited
Worely Parsons Limited
Xinjiang Goldwind
Yamaha Motor
Yamato Holdings
Yanzhou Coal Mining

Yes Bank
Yokogawa Electric
Yokohama Rubber
Yungtay Engineering
Zhuzhou CRRC
Zijin Mining
ZTE Corporation

Want to know more?



blackrock.com/stewardship



contactstewardship@blackrock.com

This document is provided for information purposes only and must not be relied upon as a forecast, research, or investment advice. BlackRock is not making any recommendation or soliciting any action based upon the information contained herein and nothing in this document should be construed as constituting an offer to sell, or a solicitation of any offer to buy, securities in any jurisdiction to any person. This information provided herein does not constitute financial, tax, legal or accounting advice, you should consult your own advisers on such matters.

The information and opinions contained in this document are as of August 2018 unless it is stated otherwise and may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. Although such information is believed to be reliable for the purposes used herein, BlackRock does not assume any responsibility for the accuracy or completeness of such information. Reliance upon information in this material is at the sole discretion of the reader. Certain information contained herein represents or is based upon forward-looking statements or information. BlackRock and its affiliates believe that such statements and information are based upon reasonable estimates and assumptions. However, forward-looking statements are inherently uncertain, and factors may cause events or results to differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information.

Prepared by BlackRock, Inc.

©2018 BlackRock, Inc. All rights reserved.

BLACKROCK®