Georgeson

BlackRock Updated 2025 U.S. Proxy Voting Guidelines and Global Principles

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BlackRock released its updated Investment Stewardship policies, effective January 2025, comprising of:

A. the introduction of its BlackRock Active Investment Stewardship Global Engagement and Voting Guidelines, covered by BAIS (BlackRock Active Investment Stewardship), and

B. its BlackRock U.S. Proxy Voting Guidelines and Global Principles, covered by BIS (BlackRock Investment Stewardship).

A. BlackRock Active Investment Stewardship (BIAS)

BAIS is a separate initiative from BlackRock Investment Stewardship (BIS), exclusively covering BlackRock's active and fixed income strategy investments, accounting for approximately 10% or $1.1 trillion of BlackRock's total estimated assets of over $11 trillion under management. BAIS will have smaller overall voting impact in comparison to BIS, which remains the primary function of BlackRock's overall operations on behalf of Investment Stewardship, accounting for approximately 90% or $9.9 trillion of BlackRock's total estimated assets under management (covering all index fund assets).

While BAIS is informed by its own distinct voting and engagement guidelines, in many instances its decisions regarding investment **stewardship would likely align with BIS policies.** However, there will be some differences based on case-by-case considerations, including insights and collaboration with active investment analysts and portfolio managers, with whom BAIS works closely in advisement for both its voting and engagement initiatives.

BAIS policy states its active equity strategies may implement voting guidelines differently due to the latitude portfolio managers must have to initiate independent voting decisions aligned with portfolio objectives and investment strategy.

B. BlackRock Investment Stewardship

BlackRock implemented **several updates** to its U.S. Proxy Voting Guidelines and Global Principles**,** including clarification of the function of BIS and its **approach to stewardship** principles for voting and engagement regarding the topics of **boards composition, equity compensation, climate risk and natural capital, corporate political activities, shareholder proposals, and simple majority voting.** A summary of these key BIS policy updates is detailed below.

Updated Global Principles by Adding Fourth Pillar

BlackRock provided additional insight regarding its approach to investment stewardship by updating its Global Principles and US Proxy Voting Guideline's introductory section to include its **additional fourth pillar of "Reporting"** to its previously stated three pillar approach for long-term investment stewardship. It stated its intention of "reporting on activities to inform clients about BlackRock stewardship efforts on its behalf through a range of publications and direct reporting." BlackRock's other three pillars for its approach to long-term investment stewardship include engagement with companies, voting at shareholder meetings, and contributing to industry dialogue on stewardship.

BlackRock added a new section to its Global Principles entitled **"Stewardship in practice,"** which emphasizes voting as an important mechanism for investors to express support for, or concern about, a company's performance.

BlackRock states its approach to voting is to promote stronger governance and better operating practices to enhance long-term shareholder value, and is informed by in-depth analysis of company disclosures, engagement with companies, third-party research, and comparison against company peers.

BlackRock takes a constructive, long-term approach to engagement with companies, reflecting the investment horizon of its clients with an objective to improve its understanding of a company's business model and material risks and opportunities, to inform its voting decisions.

BlackRock **emphasizes engagement as a two-way conversation** which can be initiated by either party, while acknowledging most engagements are initiated by companies to discuss long-term strategy, risk and opportunity set, and management's plan to deliver financial returns through business cycles.

BlackRock perceives the multiyear nature of engagements as an opportunity to build strong relationships with company leadership and a mutual understanding on key matters of corporate governance and the drivers of long-term financial performance.

In cases where concerns may be identified, BlackRock acknowledges within its approach to investment stewardship, its intention to typically raise an opportunity for **dialogue with board members and management prior to completion of its voting review process.**

Changed Board Diversity to Board Composition

BlackRock **revised** the previous title of the **"Board Diversity" section to "Board Composition,"** emphasizing a broader approach to **board composition based on both professional and personal characteristics**. BlackRock has also **removed previous references to specific numerical gender and racial/ethnic diversity thresholds**.

BlackRock removed previous language stating that BIS may vote against the members of the nominating/governance committee if a company in its disclosure has not adequately explained its approach to diversity in their board composition.

For S&P 500 companies only, BlackRock may vote against the nominating/governance committee members if the board composition based on professional and personal characteristics is an outlier compared to market norms.

BlackRock's 2024 Global Voting Spotlight indicated that its **support for director elections was approximately 93% for the Americas** region during the 2023-24 proxy year. Board composition, followed by board independence, were stated as the top reasons BlackRock did not support management on director elections. Of the 4,801 companies BlackRock voted within the Americas region, it did not support director elections for 597 (approximately 12%) of the companies, due to concerns related to board composition.

Based on its changes for 2025, BlackRock is likely to look at Board Composition more broadly with an expectation for boards to incorporate an appropriate mix of professional and personal characteristics to demonstrate there is an effective representation of directors with different subject matter expertise, background, and experiences.

Greater Clarity on Equity Compensation Approach

BlackRock's 2024 Global Voting Spotlight shows that it supported approximately 85% of equity compensation plan proposals during the 2023-24 proxy year. BlackRock stated its support was driven by fewer plans containing potentially concerning features, including evergreen share reserve refreshment features, provisions that permit award repricing or cash buyouts without shareholder ratification, and share reserve requests that could lead to excessive dilution. In select cases where equity compensation plans posed a significant concern, BlackRock also withheld support from directors.

For 2025, BlackRock states that in cases of significant increase compared to prior share reserve requests, it expects boards to **clearly explain any material factors that may potentially contribute to changes from the company's past equity usage.**

BlackRock **may continue to vote against members of the compensation committee to signal concerns** about the structure or design of the equity compensation plan or a company's equity grant practices and imprudent use of equity.

Further, BlackRock **may vote against members of the compensation committee where a board implements or approves a repricing or option exchange without shareholder approval**. In such cases, where a repricing or option exchange includes named executive officers, BlackRock may also vote against the company's annual advisory vote on executive compensation.

BlackRock's 2025 changes suggest that it may hold compensation committee members to greater accountability in cases of concerns related to a company's imprudent use of equity.

Material Sustainability-Related Risks and Opportunities, including Climate, Natural Capital, and Shareholder Proposals

In its policy updates, BlackRock emphasizes materiality of risks in its expectations for sustainability and climate-related public disclosure (includes transition planning). By material, BlackRock means the **drivers of risk in a company's business model that have an environmental or social dependency or impact**. BlackRock considers transition to low carbon economy as one of the several mega forces reshaping the markets. While it finds a company's disclosure of its transition plan helpful, BlackRock has indicated that it **does not make the preparation and production of transition plans a voting issue**.

Concerns about board oversight of management's approach to address material climate risk in a company's business model may cause BlackRock to vote against director elections or to support a business relevant shareholder proposal.

BlackRock's 2024 Global Voting Spotlight acknowledged an increase during the 2023-24 proxy year in shareholder proposals focused on corporate political activities filed at U.S.-based companies. Some of the proposals focused on enhanced reporting on political contributions and lobbying activities while others went further and asked companies to examine the risks of association with specific organizations. BlackRock believes such activities may create reputational risks when companies' stated policy positions and their corporate political activities seem misaligned. BlackRock advocates for companies to help investors understand how their governance and oversight processes mitigate any material risks arising from corporate political activities.

For 2025, BlackRock may support a shareholder proposal requesting additional disclosure where increased transparency would help investors understand how a company's political activities support its strategic policy priorities or where there are **material inconsistencies between those policy priorities and the company's activities.**

In addition to reviewing information disclosed by the company, BlackRock will consider third-party research for industry peer comparison. BlackRock will consider supporting shareholder proposals requesting disclosures that aid investors to better understand a company's management of material risks and opportunities, particularly where information is additive given a company's existing disclosures.

BlackRock may vote against applicable directors or consider supporting relevant shareholder proposals if there is a lack of effective oversight to address material climate risk in a company's business model. Companies should consider providing climate-related disclosures consistent with relevant frameworks such as TCFD or ISSB standards. Further, companies should provide robust disclosure related to natural capital, transparency of a company's political activities aligned with its strategic priorities, and management of material risks and opportunities.

Clarified View on Majority Vote Standards

BlackRock's 2024 Global Voting Spotlight acknowledged a substantial number (52 of 55 / approximately 95%) of shareholder proposals receiving majority support during the 2023-24 proxy year being related to governance. The governance proposals that garnered most support sought to enhance minority shareholder rights, for example, by introducing simple majority voting.

For 2025, BlackRock clarified its position to allow companies to utilize discretion regarding the calculation of a majority standard (typically either Majority of Votes Cast or Majority of Votes Outstanding) when adopting a simple majority voting requirement to pass proposals.

Links to BlackRock's policies are available here:

BlackRock Investment Stewardship: Global Principles for Benchmark Policies

Proxy voting guidelines for Benchmark Policies - U.S. securities

BlackRock Active Investment Stewardship Global Engagement and Voting Guidelines

If you have questions or comments, please email info@georgeson.com or call 212 440 9800.