



A Report to

BlackRock, Inc.

On its Progress Toward the Implementation
of its 2021 DEI Strategy

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This report reflects the views of the Covington & Burling LLP and Working IDEAL assessment team, rather than the views of BlackRock. The assessment team relied in part on data and representations provided by BlackRock's management, employees, and third parties, some of which the assessment team was not able to confirm independently. The assessment team did not investigate allegations of potential legal, regulatory, or policy violations. Nothing in this report is intended to be a referral, recommendation, or endorsement of BlackRock's investment advisory services or products. The material in this report is intended for informational purposes only and is not an offer or investment advice. Covington and Working IDEAL understand that BlackRock intends to make this report publicly available, and Covington and Working IDEAL have consented to such disclosure on the basis set forth above.

I. Introduction

BlackRock, Inc. (“BlackRock” or “the firm”) is one of the world’s leading asset managers. The firm aspires to “help more and more people experience financial well-being” by investing its clients’ funds to help them meet their investment objectives.¹ As discussed in greater detail below, BlackRock provides a range of investment management and technology services to public and private pension plans, insurers, institutions, endowments, universities, charities, family offices, wealth managers, and individual investors worldwide.

In March 2021, BlackRock announced its 2021 Diversity, Equity, and Inclusion Strategy (“2021 DEI Strategy” or “Strategy”), a multi-year plan composed of three “pillars,” each of which focuses on a different aspect of BlackRock’s business: (1) BlackRock’s talent and culture (“Pillar 1”); (2) BlackRock’s fiduciary and other activities (or, more broadly, its business operations) (“Pillar 2”);² and (3) BlackRock’s efforts to promote positive social impacts in underserved communities (“Pillar 3”). The Strategy also includes commitments intended to advance BlackRock’s progress toward the firm’s goals related to DEI and racial equity.

Shortly after this announcement, BlackRock reached an agreement with the Service Employees International Union (“SEIU”) to voluntarily undergo a racial equity assessment, becoming one of the first financial services firms to voluntarily undertake such a project. In March 2022, BlackRock engaged former Attorney General Eric H. Holder, Jr. and a team from Covington & Burling LLP (“Covington”) to review the steps BlackRock has taken to fulfill the objectives related to racial equity contained in the Strategy and to identify opportunities where the firm could take further action to accomplish those objectives. Covington engaged Working IDEAL, a leading DEI consulting firm, to assist in its review of BlackRock’s external DEI initiatives (Pillars 2 and 3). Over the following months, Covington and Working IDEAL formed an assessment team and worked closely with subject matter experts and leaders at BlackRock to understand the key components of the 2021 DEI Strategy and to identify potential opportunities for continued progress toward the Strategy’s goals.

This report contains Covington’s and Working IDEAL’s assessment of BlackRock’s progress in the United States toward the goals contained in its 2021 DEI Strategy. It begins with a description of the goals and methodology used to conduct the assessment, followed by background on the asset management industry and racial equity, to provide context for the challenges the 2021 DEI Strategy was intended to address. The report then provides an overview of BlackRock’s structure and the development of the 2021 DEI Strategy, followed by a description of the Strategy’s three pillars. The discussion of each pillar begins with a summary of the goals and the commitments related to it, followed by observations regarding BlackRock’s progress toward those goals and related recommendations.

The assessment team concluded that BlackRock’s 2021 DEI Strategy is ambitious, with a scope that extends beyond its internal workforce, and that while BlackRock has not yet accomplished all the goals set forth in the 2021 DEI Strategy, it has made progress toward many of them.

¹ *About Us*, BLACKROCK, <https://www.blackrock.com/us/individual/about-us/about-blackrock>.

² BlackRock’s 2021 DEI Annual Report refers to Pillar 2 as “Our Role as a Fiduciary”; however, the operations captured in this pillar extend beyond BlackRock’s activities as a fiduciary.

II. Methodology

BlackRock engaged the assessment team to determine what progress BlackRock has made to fulfill the objectives contained in the firm's 2021 DEI Strategy and to identify opportunities where the firm could take further action to fulfill those objectives.

The assessment was focused on BlackRock's efforts to support racial equity within the United States. For the purpose of this assessment, the assessment team relied on established understandings of racial equity, which can be defined as a state in which people of all racial backgrounds have access to the resources they need to have a fair chance at success.³ This racial equity framework acknowledges that many people of color in the United States face deeply entrenched barriers to success, including racism, bias, and systemic and institutional barriers.

Understanding the extent to which racial equity has been achieved at a company like BlackRock, given its size, scope of business, and role in the industry, is a complex question that is not possible to answer in a single report or in an assessment conducted in approximately a year's time. The assessment team has considered available data related to the 2021 DEI Strategy and its programs that provide insight into how they apply to, engage, or benefit non-white internal and external stakeholders. The assessment team was not asked to address disparate impact in legal terms, or to analyze economic impact in statistical terms. The recommendations set forth in this report identify opportunities for BlackRock to analyze and understand its own internal and external impacts, including through building its capacity for more robust and detailed data tracking and analysis.

Because the catalyst for this assessment was a shareholder proposal requesting an assessment of racial equity, the assessment team was not asked to evaluate BlackRock's progress on initiatives that focused on DEI in other areas, including gender, sexual orientation, veteran status, or disability. When reviewing BlackRock's racial equity strategy, the assessment team stayed within the bounds of BlackRock's existing initiatives. For example, Pillar 1 includes initiatives related to racial equity that have focused on increasing Black and Latinx⁴ representation at the firm, as well as initiatives that focus on a number of other underrepresented groups. The programs within Pillars 2 and 3 vary in their focus and definition of diversity. For example, some programs focus on Native American, Black and Latinx communities. Other Pillar 2 and 3 programs center on gender and socioeconomic status, in addition to racial diversity. The assessment team was not asked to examine the diversity focus of each program.

In conducting the assessment, the assessment team did not attempt to quantify the impacts of BlackRock's efforts on the overall state of racial equity in the United States. Rather, as described above, the assessment team considered the extent to which BlackRock has made

³ Robert Livingston, *How to Promote Racial Equity in the Workplace*, HARV. BUS. REV. (Sept. 2020), <https://hbr.org/2020/09/how-to-promote-racial-equity-in-the-workplace>; W.K. KELLOGG FOUNDATION, ONE JOURNEY: RACIAL EQUITY, DIVERSITY & INCLUSION AT THE W.K. KELLOGG FOUNDATION 15 (Aug. 1, 2020), <https://wkkf.issuelab.org/resource/one-journey-racial-equity-diversity-inclusion-at-the-w-k-kellogg-foundation.html>; *Glossary for Understanding the Dismantling Structural Racism/Promoting Racial Equity Analysis*, ASPEN INSTITUTE, <https://www.aspeninstitute.org/wp-content/uploads/files/content/docs/rcc/RCC-Structural-Racism-Glossary.pdf>.

⁴ This report uses the term Latinx to refer to individuals of Hispanic or Latin American origin or descent, for consistency with BlackRock's own practices.

progress against the goals and commitments it set for itself and laid out in its 2021 DEI Strategy, and additional steps BlackRock could take to accomplish those goals and commitments.

In the course of this review, the assessment team:

1. Conducted interviews of over 110 BlackRock employees across a wide variety of functions within the business, including individuals at different levels of seniority. For example, the assessment team spoke to subject matter experts across BlackRock's business units, as well as senior leaders across the firm; members of the Global Executive Committee (GEC), BlackRock's executive leadership committee; members of the firm's Global Diversity, Equity and Inclusion Steering Committee (GDSC), which oversees the implementation of BlackRock's 2021 DEI Strategy; and members of BlackRock's Board of Directors.
2. Held five roundtable discussions with members of BlackRock's Employee Networks and other employees of color, to obtain different perspectives regarding the 2021 DEI Strategy directly from members of the workforce. The assessment team spoke to members from six of BlackRock's eight identity-based Employee Networks: the Black Professionals & Allies Network ("BPN"), Women's Initiative & Allies Network ("WIN"), Ability & Allies Network ("ABN"), Asian & Middle Eastern Professionals & Allies Network ("AMP"), SOMOS Latinx & Allies Network ("SLN"), and the Out & Allies Network ("OUT").⁵
3. Spoke with over 20 external stakeholders, including clients and participants in BlackRock's Diverse Broker and Diverse Manager Programs and BlackRock's Diverse Supplier Initiative.
4. Organized listening sessions with more than 20 leaders and stakeholders in the civil rights community, including organizations that are specifically focused on the asset management sector, to solicit feedback on the assessment, gather input regarding potential enhancements to BlackRock's initiatives, and help inform recommendations.
5. Reviewed a wide variety of documents and data collected from BlackRock, including company policies;⁶ client-facing materials; internal and external reports and data; and requests for proposals ("RFPs").
6. Conducted research on best practices for promoting racial equity in the asset management industry, and drew from its own expertise based on Covington and Working IDEAL's prior work in this space.

⁵ The other two Employee Networks are the Families & Allies Network and the Veteran & Allies Network.

⁶ The assessment team also reviewed BlackRock's United States Equal Employment Opportunity Statement and its Americas Equal Employment Opportunity, Non-Harassment and Retaliation Prevention Policy. Each of these policies states that the firm does not discriminate against any employee or applicant because of race (or any other protected status), and prohibits workplace harassment and retaliation. BlackRock's anti-discrimination and anti-harassment policies are consistent with applicable federal law, and in some cases provide greater protections than required under federal law.

The scope of the assessment team's work did not include investigating BlackRock for potential legal or regulatory violations or human rights abuses, and did not include an audit of the firm's financial statements. The assessment team relied upon data and representations provided by BlackRock's management and employees, members of BlackRock's Board of Directors, and third parties. The assessment team was able to independently assess some of the information provided but was not able to independently assess all of the information provided. This report reflects information and data provided by BlackRock and the opinions of the assessment team based on a variety of sources but is not exhaustive of all possible sources of information that may be relevant to an assessment.

As the assessment team evaluated BlackRock's progress toward the 2021 DEI Strategy, it remained mindful of the legal and regulatory parameters in which the firm operates. As discussed in greater detail below, as an asset manager, BlackRock is charged with acting as a fiduciary to its clients and is therefore obligated to act in its clients' best interests and avoid conflicts of interest.⁷ BlackRock views its current and future efforts in this space as aligned with those obligations.

Although BlackRock's 2021 DEI Strategy is set to continue beyond the end of 2023, this report describes BlackRock's progress toward the implementation of its 2021 DEI Strategy through December 31, 2022, except where a different date is noted.

⁷ *Mission and Principles*, BLACKROCK, <https://www.blackrock.com/corporate/about-us/mission-and-principles>.

III. Background

A. The Asset Management Industry and Racial Equity

Following the murder of George Floyd, a number of the United States' most prominent corporations—including BlackRock and other leading asset managers—began to more closely examine their practices and impacts on racial equity in the United States. Leading financial services firms made public commitments to support DEI in their own workplaces and to consider opportunities to address racial equity in their business practices and external partnerships, and increased their support for shareholder proposals on DEI issues at other companies.⁸ By the end of 2021, however, it was clear that much remained to be done to achieve racial equity in the industry. In December 2021, the U.S. House Committee on Financial Services released a report detailing the DEI practices of 31 of the largest investment firms in the United States, which at the time collectively managed \$47 trillion in assets.⁹ The report found that people of color were underrepresented in executive-level management and on boards of directors at these investment firms; that few, if any, dollars were spent with women-owned or minority-owned vendors or brokerage firms; and that less than 4% of the asset managers with which the investment firms did business were minority-owned.¹⁰ A Knight Foundation study found that in 2021, only 1.4% of assets under management in the United States were held by asset management firms owned by women or people of color.¹¹

As part of this assessment, the assessment team met with minority-owned businesses who partner with BlackRock and with experts on efforts to promote diversity in asset management, and both groups identified some key barriers to strengthening racial equity in the industry. They cited limited access to capital to support firm formation and growth, and an enduring misperception that doing business with Black-, Latinx-, Asian American-, and Native American-owned firms required sacrificing financial performance. In the view of some of these firms and individuals, this bias is also a barrier to hiring people of color into asset management roles and supporting their development and career pathing into leadership.

BlackRock has clearly articulated its view that asset management firms have the opportunity to not only bolster the diversity of their own workforces and the asset management sector, but to engage with public companies regarding the diversity of their workforces and related disclosures; to expand investment opportunities, while maintaining a focus on maximizing investment returns; and to engage with the communities that BlackRock serves to

⁸ Attracta Mooney & Madison Darbyshire, *Race and Finance: Asset Managers Fail to Walk the Walk*, FINANCIAL TIMES (Dec. 28, 2021), <https://www.ft.com/content/59d8f7c4-cc9e-41a4-b739-c43c4195d592>.

⁹ STAFF OF H. COMM. FIN. SERV., DIVERSITY AND INCLUSION: HOLDING AMERICA'S LARGEST INVESTMENT FIRMS ACCOUNTABLE, 117TH Cong. 3 (Dec. 14, 2021), <https://www.congress.gov/117/meeting/house/114307/documents/HHRG-117-BA13-20211209-SD003-U2.pdf>.

¹⁰ *Id.*

¹¹ *Asset Management Industry Severely Lacking Diversity, New Knight Foundation Study Finds; Signals Untapped Opportunity For Investors*, KNIGHT FOUNDATION (Dec. 7, 2021), <https://knightfoundation.org/press/releases/asset-management-industry-severely-lacking-diversity-new-knight-foundation-study-finds-signals-untapped-opportunity-for-investors/>.

grow economic opportunity in communities of color. BlackRock's 2021 DEI Strategy is the firm's response to these opportunities.

B. About BlackRock

BlackRock is an American multinational investment management company. Founded in 1988, it is the world's largest asset manager, with over \$8.5 trillion in assets under management ("AUM"), and approximately 19,800 employees, including over 8,800 employees in the United States as of December 31, 2022.¹² The firm has 70 offices worldwide, including in North America, South America, Europe, the Middle East, Africa, and the Asia-Pacific region.¹³

Since its founding in 1988, BlackRock has undergone three significant transformations: its initial public offering on the New York Stock Exchange in 1999;¹⁴ its acquisition of Merrill Lynch Investment Management in 2006;¹⁵ and its acquisition of Barclays Global Investors ("BGI") in 2009.¹⁶ Following its acquisition of BGI, BlackRock began managing both index and alpha investment strategies, allowing investors to choose between fixing their returns to a market index and trying to "beat the market" using BlackRock's research and analytics capabilities.¹⁷ Today, BlackRock provides services to a range of institutional and retail clients. It manages hundreds of active and index funds, including mutual funds, exchange-traded funds, and closed-end funds.¹⁸ BlackRock also offers technology services, including its investment and risk management technology platform, Aladdin®, to its clients, which include wealth managers and institutional investors.¹⁹

BlackRock's Board of Directors is comprised of 16 individuals, three of whom self-identify as racially/ethnically diverse, with one director identifying as Black/African American, one as Hispanic/Latin American, and one as Middle Eastern/North African.²⁰ Five of the 16 directors are women, including a Black/African American woman.²¹

BlackRock's employees are distributed among seven levels of seniority: Support Roles, Analysts, Associates, Vice Presidents, Directors, Managing Directors, and Senior Managing Directors. The firm is organized into over 20 business units, divided into five main groups: investment departments, client departments, specialized departments, an operating platform,

¹² *About Us*, BLACKROCK, <https://www.blackrock.com/us/individual/about-us/about-blackrock>.

¹³ *Contacts and Locations*, BLACKROCK, <https://www.blackrock.com/corporate/about-us/contacts-locations>.

¹⁴ *BlackRock History*, BLACKROCK, <https://www.blackrock.com/corporate/about-us/blackrock-history>.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Investment Funds*, BLACKROCK, <https://www.blackrock.com/us/individual/products/investment-funds>.

¹⁹ *Aladdin*, BLACKROCK, <https://www.blackrock.com/aladdin>.

²⁰ *Board of Directors*, BLACKROCK, <https://ir.blackrock.com/governance/board-of-directors/default.aspx>.

²¹ *Id.*

and a corporate platform. These business units focus on creating long-term value by managing assets held by clients and creating new products that clients can invest in. More than half of the firm's \$8.6 trillion AUM are retirement-related assets, such as investments for pension funds.²² Many of these pension funds are subject to the Employee Retirement Income Security Act of 1974 ("ERISA") and ERISA's fiduciary duty standards, which currently require that investment decisions be made for the "exclusive purpose" of maximizing financial returns.

The GEC, a 23-member committee, oversees all operations at BlackRock.²³ Its members include BlackRock's CEO, Larry Fink, its President, Rob Kapito, and leaders spanning the firm's various functions.²⁴ The GEC sets the strategic vision of the firm and drives accountability for the firm's performance at all levels. It is responsible for five main areas: oversight of operations and business performance; strategy and planning; talent development; risk management; and external affairs. Of the 19 GEC members based in the United States, three self-identify as Asian American and two as Middle Eastern/North African. Six of the 23 global members are women.

C. 2021 DEI Strategy

BlackRock employed a Global Head of Inclusion & Diversity from 2016 to 2019. From January to September 2020, BlackRock had an Acting Head of DEI fill the position. In September 2020, BlackRock hired a new Global Head of DEI, and asked her to develop a multi-year DEI strategy in alignment with the firm's business strategy. She assembled a cross-functional team to understand BlackRock's business functions, assess the challenges faced by BlackRock, and develop a comprehensive DEI strategy spanning all areas of the firm's business. In March 2021, the firm rolled out its 2021 DEI Strategy and held a town hall to communicate it to all BlackRock employees globally. Before adopting the 2021 DEI Strategy, the firm had undertaken various DEI-related commitments, initiatives and programs, but did not have a formalized DEI strategy that included its external-facing work. As noted above, the 2021 DEI Strategy is composed of three "pillars," each of which focuses on a different aspect of BlackRock's operations.

Pillar 1 focuses on promoting DEI and racial equity internally and consists of initiatives related to BlackRock's talent and culture. This focus includes BlackRock's efforts to build, develop, and retain a diverse workforce and BlackRock's efforts to foster a connected culture and cultivate an inclusive and equitable work environment by improving the employee experience of underrepresented groups.²⁵ Its goals in the United States focus on increasing Black and Latinx employee representation overall and at the senior level, and creating a more inclusive environment for employees of color. To assess BlackRock's progress toward its Pillar 1 goals, the assessment team spoke with individuals from BlackRock's Talent Acquisition, Talent Management, People Analytics, DEI, and Compensation and Benefits teams; members of senior leadership involved in succession planning; middle managers; and current and former employees of color. The assessment team additionally conducted focus groups with Employee Network members and leaders from BPN, SLN, ABN, AMP, OUT, and WIN. The assessment

²² *BlackRock History*, BLACKROCK, <https://www.blackrock.com/corporate/about-us/blackrock-history>.

²³ *Global Executive Committee*, BLACKROCK, <https://www.blackrock.com/corporate/about-us/leadership>.

²⁴ *Id.*

²⁵ *2021 Global DEI Annual Report* at 14–43, BLACKROCK, <https://www.blackrock.com/corporate/about-us/diversity-equity-and-inclusion> [hereinafter "2021 DEI Annual Report"].

team reviewed data related to BlackRock's recruitment and development efforts, retention rates, and employee population; and documentation of BlackRock's initiatives and internal briefing documents related to the recruitment and retention of Black and Latinx talent.

Pillar 2 focuses on expanding investment choices and business partnership opportunities related to DEI and racial equity, where consistent with the firm's fiduciary duties. This includes the firm's work to serve its clients through discussions about the firm's DEI strategy and commitments; incorporating, where appropriate, material DEI factors in its investment and stewardship activities; developing DEI-related products; and partnerships with minority-owned, woman-owned, and veteran-owned businesses, among others.²⁶ To assess BlackRock's progress toward its Pillar 2 goals, the assessment team spoke with individuals in institutional client-facing roles, in supplier and vendor-facing roles, from BlackRock's trading desk, and across BlackRock's investment departments and research teams. The assessment team also spoke to representatives from businesses that work with BlackRock, including clients, broker-dealers, asset management firms, and vendors. The assessment team reviewed documents prepared for clients, program documents, and data on BlackRock's external partnerships and DEI-related investment work.

Pillar 3 focuses on efforts to promote DEI externally in the communities that BlackRock serves. It includes initiatives related to BlackRock's philanthropic work and public policy efforts, with a stated purpose of investing in the long-term success and sustainability of underserved communities. Its goals focus on promoting upward mobility and social justice in underserved communities, as well as advocating for corporate disclosures related to diversity in the asset management industry. To assess BlackRock's progress toward its Pillar 3 goals, the assessment team spoke to individuals within BlackRock's External Affairs business unit, including from its Social Impact team and the Global Public Policy Group. The assessment team also spoke to employees involved with BlackRock's various institutional grantmaking programs and members of BlackRock's GIVES Network, a global community of BlackRock employees focused on addressing the needs of the communities where BlackRock operates through employee-led grantmaking. The assessment team reviewed an assortment of documents, including internal briefing materials, data related to BlackRock's grantmaking efforts, employee-facing communications, and handbooks related to BlackRock's social impact and public policy materials.

Each pillar of BlackRock's 2021 DEI Strategy encompasses various goals, initiatives, and commitments, as discussed in detail below.

1. Accountability for DEI Goals

The 2021 DEI Strategy tasks BlackRock with "driv[ing] accountability and ownership of DEI deeper into the organization." Before the firm's increased focus on racial equity in 2020, it had spoken out on the importance of racial and gender diversity in the workplace.²⁷ Noting the importance of diversity in the workforce, a 2019 *Harvard Business Review* article stated that

²⁶ 2021 DEI Annual Report at 14–43.

²⁷ Trevor Hunnicutt & Stephanie Kelly, *BlackRock CEO Fink Says He Is Committed to Gender Diversity*, REUTERS (Sept. 20, 2017), <https://www.reuters.com/article/us-bloomberg-forum-blackrock/blackrock-ceo-fink-says-he-is-committed-to-gender-diversity-idUSKCN1BV206>.

BlackRock had “tak[en] the lead on an issue that every U.S. company will need to face very soon.”²⁸ The firm emphasized this commitment, arguing that “[a] company that does not seek to benefit from the full spectrum of human talent is weaker for it—less likely to hire the best talent, less likely to reflect the needs of its customers and the communities where it operates, and less likely to outperform.”²⁹

In a June 2020 letter to employees, the firm announced that its commitment to promoting DEI and racial equity would not stop at its internal talent and culture efforts. The firm stated:

The process of building a more just and equitable society will not be easy or quick. Driving real change requires long-term commitment and that all of us push beyond comfortable boundaries. We must begin the journey examining our own culture and talent practices, but we cannot be content to stop there. We must use our voice and work with others to advocate for change within our industry and across society more broadly.³⁰

The announcement also noted that BlackRock was “committed to doing its part . . . to help build [a] better, fairer society,” and that the firm needed to “hold [itself] accountable to ensure [it] continue[s] to make measurable progress” on its DEI and racial equity efforts.³¹ Accordingly, an overarching feature of BlackRock’s 2021 DEI Strategy is driving accountability for the goals in each pillar. The related initiatives focus on overseeing and measuring progress toward BlackRock’s goals.

a. Structural Accountability

BlackRock’s GDSC is responsible for overseeing the implementation of the 2021 DEI Strategy. As of December 31, 2022, the GDSC was comprised of 26 leaders, across regions and functions, whom BlackRock has determined have shown dedication and leadership around DEI initiatives. BlackRock has described the members of the GDSC as having a proven track record of influencing and progressing DEI within their respective businesses.

The GDSC is tasked with shaping and championing the firm’s DEI priorities and plans; ensuring that DEI activities are aligned with strategic business and talent priorities; holding BlackRock accountable to its 2021 DEI Strategy by providing insight and guidance on its implementation; acting as an advisor on key DEI initiatives within each business and globally across the firm; and reinforcing BlackRock’s mission, principles and purpose by modeling DEI

²⁸ Mark R. Kramer, *The Backlash to Larry Fink’s Letter Shows How Far Business Has to Go on Social Responsibility*, HARV. BUS. REV. (Jan. 31, 2019), <https://hbr.org/2019/01/the-backlash-to-larry-finks-letter-shows-how-far-business-has-to-go-on-social-responsibility>.

²⁹ *Larry Fink’s 2021 Letter to CEOs*, BLACKROCK, <https://www.blackrock.com/corporate/investor-relations/2021-larry-fink-ceo-letter>.

³⁰ Larry Fink and Rob Kapito, *Our Actions to Advance Racial Equity and Inclusion*, BLACKROCK (June 22, 2020), <https://careers.blackrock.com/2020/06/22/category1/our-actions-to-advance-racial-equity-and-inclusion/>.

³¹ *Id.*

best practices, rewarding desired behaviors, and engaging directly with employees. It receives frequent updates on progress against the firm's DEI goals; business-specific DEI goals; and analyses of DEI-related firm data, metrics, and employee sentiment and sponsorship. GDSC members are more familiar with BlackRock's Pillar 1 efforts, and its goals around representation of Black and Latinx employees, than with its efforts related to Pillars 2 and 3.

BlackRock's Global Head of DEI is a key figure overseeing the 2021 DEI Strategy, and a co-chair of the GDSC.³² The Global Head of DEI sits in BlackRock's Human Resources function and reports to BlackRock's Global Head of Human Resources. Her team works cross-functionally to oversee progress on all three pillars of the 2021 DEI Strategy, but has direct authority only with respect to the firm's Pillar 1 objectives, which relate to topics within the Human Resources team's scope of responsibility. As a result, BlackRock's DEI function currently does not have a direct role overseeing the firm's progress with respect to the initiatives or strategies related to Pillars 2 or 3.

BlackRock's business units have primary responsibility for meeting BlackRock's publicly stated goals to increase representation of Black and Latinx employees overall and at the senior levels. Five business groups with approximately 20 business units and 8,300 full-time employees develop annual business-specific representation goals and established action plans to meet those goals. Business units have meetings at the beginning, middle and end of the year with the Global Head of DEI and the Global Head of DEI for Talent and Culture to more thoroughly assess planning and progress toward representation goals and implementation of the 2021 DEI Strategy ("DEI Goal Reviews").

BlackRock holds quarterly business reviews ("QBRs") for business units to assess progress toward their goals, including representation goals, and synthesize key challenges and insights. Performance toward those representation goals affects the year-end bonus pool allocation for the business unit. The QBR scorecard itself does not contain a component focused on Pillars 2 and 3 of the 2021 DEI plan or business units' progress on qualitative criteria. It is largely focused on business units' progress on Pillar 1 goals, with the focus of its DEI-related questions being limited to the representation of underrepresented talent³³ within each business unit. However, some business units set qualitative goals around equity and inclusion and discuss progress against them in their QBR.

b. Individual Accountability

BlackRock has also encouraged individual accountability for furthering the 2021 DEI Strategy by embedding an individual DEI objective into employees' annual performance review cycle, asking each employee to report on what they will do to "drive the agenda" on DEI. In 2022, 98% of employees set an individual DEI objective. BlackRock evaluates progress against these objectives as part of mid-year and end-of-year performance reviews. This initiative is still in the early stages, and, as explained below, the frequency and substantive depth of manager feedback regarding the individual goals of direct reports appears to vary. These individual goals

³² 2021 DEI Annual Report at 12.

³³ BlackRock defines "underrepresented talent" as individuals underrepresented on the basis of race or ethnicity, sexual orientation, veteran status, disability, gender identity, or socioeconomic background. Unless otherwise stated, the discussion of Pillar 1 in this report focuses on Black and Latinx talent.

are currently the exclusive method by which the firm's employees are held individually accountable for progress against the components of the 2021 DEI Strategy.

2. Observations and Recommendations

Observations

- Consistent with its goal to drive accountability and ownership of DEI deeper into the organization, BlackRock's 2021 DEI Strategy seeks to integrate support for DEI across the business. BlackRock has taken several initial steps to hold itself accountable for its progress toward the goals contained in the 2021 DEI Strategy, particularly its Pillar 1 ("talent and culture") components.
- BlackRock's 2021 DEI Strategy is notable in part because it includes strategic objectives beyond traditional Human Resources issues like hiring, professional development, and promotion. The 2021 DEI Strategy contains racial equity objectives related to BlackRock's assessment of the goals and interests of its clients and the communities it serves, including through its philanthropic work.
- The breadth and ambition of BlackRock's 2021 DEI Strategy do not currently match the organizational authority or placement of the firm's DEI function. BlackRock's DEI function is part of the firm's Human Resources function and has direct influence only with respect to BlackRock's goals and initiatives related to its workforce.
- BlackRock has made meaningful progress against many of the objectives included in the 2021 DEI Strategy. Nonetheless, BlackRock acknowledges that there is additional work to do in order to achieve the goals the firm set for itself. The recommendations contained in this report are intended to help BlackRock accomplish these goals.

Recommendations

To enhance accountability and oversight for implementing the 2021 DEI Strategy, particularly components related to BlackRock's clients and the communities it serves, BlackRock could:

- Align the DEI function's authority and placement with the breadth and ambition of the firm's 2021 DEI Strategy. This could include relocating the DEI function within the organization, to ensure that the DEI function has the authority and enterprise-wide visibility to drive progress against all three components of the firm's 2021 DEI Strategy. This would also reinforce the message from senior leadership to members of the firm's workforce that BlackRock is dedicated to all aspects of the Strategy.

To underscore the firm's commitment to driving accountability and ownership for progress against the 2021 DEI Strategy, BlackRock could implement several additional steps to signal the importance of DEI firmwide, such as:

- Including work on DEI initiatives as a substantive component in performance reviews, with the potential to impact bonus awards, to signal the work's value.

- 
- Formally incorporating contributions to progress against Pillar 2 and Pillar 3 goals and initiatives into QBRs, to the extent consistent with any applicable fiduciary duties; and
 - Convening an advisory board of outside stakeholders, including minority brokers and managers, to provide ongoing engagement regarding BlackRock's DEI-related goals and initiatives and recommendations for accomplishing them, to the extent consistent with BlackRock's role as a fiduciary.

IV. Pillar 1: Talent and Culture

A. Pillar 1 Stated Goals

The first pillar of BlackRock's 2021 Strategy is focused on attracting, developing and retaining a diverse workforce and fostering a connected culture through cultivating "an inclusive and equitable work environment by improving the employee experience of underrepresented groups." For purposes of this assessment, the assessment team has organized BlackRock's initiatives to meet these goals into two categories: the recruitment of Black and Latinx talent and the retention of Black and Latinx talent.

1. Representation Goals

When setting its Pillar 1 strategy, BlackRock reviewed its historical hiring, promotion, and attrition trends, received input from the firm's business units, and assessed the 2020 talent market in light of the diversity of the firm's workforce in 2020. Based on this review, it publicly committed to increase overall Black and Latinx representation by 30% in the United States by 2024 and double the number of senior Black and Latinx leaders in the United States by 2024.³⁴

U.S. Black and Latinx Employee Populations (%)



³⁴ Unless stated otherwise, discussion of BlackRock employee demographic data is limited to U.S. employees and is based on information voluntarily provided by employees.

Total U.S. Black and Latinx Senior Leaders



Based on its representation figures from June 2020, BlackRock’s public goals require increasing overall U.S. Black representation from 5.4% to 7.0% and increasing the number of Black senior leaders from 65 to 130 by 2024.³⁵ By December 31, 2022, total Black representation reached 7.8%, and the number of Black senior leaders had increased by 34, to a total of 99 Black senior leaders.³⁶ BlackRock’s goals for overall U.S. Latinx representation require increasing representation from 5.9% to 7.7% and increasing the number of Latinx senior leaders from 75 to 150 senior leaders by 2024. By December 31, 2022, Latinx representation was 7.7% and the number of Latinx senior leaders had increased by 43, moving from 75 to 118. These changes in Black and Latinx representation are shown in the charts above.

BlackRock has deployed several initiatives to achieve its Black and Latinx representation goals. These initiatives relate to the recruitment and retention of Black and Latinx talent, including college- and professional-level recruiting initiatives; implementation of anti-bias measures in recruitment, hiring, and talent management processes; development of Black and Latinx talent for expanded roles and promotion opportunities; and the creation of an equitable and inclusive environment for Black and Latinx employees.

B. Recruitment of Black and Latinx Talent

Across BlackRock, multiple talent departments and committees advise on and aid in the recruitment of Black and Latinx talent. BlackRock’s Talent Acquisition team is primarily responsible for implementing recruiting initiatives for Black and Latinx college and professional new hires. As of October 31, 2022, there are 123 members of the Talent Acquisition organization globally, three of whom are dedicated full-time to DEI initiatives in the United States.

³⁵ The term “senior leaders” refers to employees at the Director and Managing Director levels.

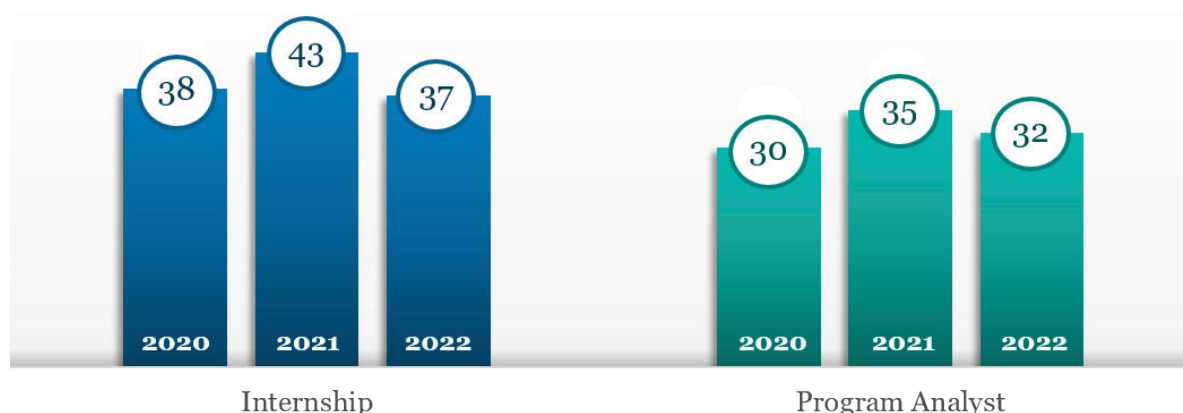
³⁶ Promotions made in 2022 took effect as of January 1, 2023. Employee representation data as of December 31, 2022 includes these promotions made in 2022, effective as of January 1, 2023.

BlackRock has increased its investment in Talent and Human Resources since announcing its 2021 DEI Strategy in order to promote DEI initiatives, including through the deployment of three DEI-focused Talent Acquisition team members. BlackRock’s Talent Acquisition team has focused its diverse recruiting efforts in three key areas: first, the recruitment of college-level Black and Latinx students into its “Campus Programs,” which consist of BlackRock’s sophomore and junior year summer internship classes and an entry-level, Full-Time Analyst Program; second, the recruitment of Black and Latinx professional-level new hires outside of the Campus Programs;³⁷ and third, the implementation of measures to reduce bias in the recruitment and hiring process.

1. Recruiting College-Level Black and Latinx Talent

BlackRock’s U.S. summer internship program for students between their junior and senior years of college is a significant driver of Black and Latinx full-time employee hiring, as former interns often return to BlackRock after they graduate from college. Interns spend nine weeks embedded in BlackRock’s business units and may receive an offer to return as a full-time employee in BlackRock’s entry-level Analyst class.³⁸ In 2022, 318 individuals interned with BlackRock, 37% of whom identified as Black, Latinx, and/or Native American. In 2022, 280 individuals accepted offers to join BlackRock’s Full-Time Analyst Program, 32% of whom identified as Black, Latinx, and/or Native American.

Percent of U.S. Internship and Analyst Classes Identifying as Racially Diverse



The racial diversity of BlackRock’s college-level recruiting for its 2020–2022 internship and Full-Time Analyst Program classes is represented in the chart above. For the purposes of the assessment of BlackRock’s recruiting initiatives as they relate to BlackRock’s public commitments, the term “racial diversity” focuses on those that identify as Black, Latinx, and/or Native American. BlackRock has employed various initiatives intended to identify and recruit

³⁷ This category refers to hires for open, professional-level positions for prospective employees who have completed their studies. Professional-level positions include the Analyst, Associate, Vice President, Director, and Managing Director positions.

³⁸ *Early Career Opportunities in the Americas*, BLACKROCK, <https://careers.blackrock.com/early-careers/americas/?2023-2024>.

Black and Latinx college-level talent, including utilization of digital platforms to encourage broader marketing of positions to Black and Latinx students; creation and support of BlackRock internship and scholarship programs focused on the recruitment of Black and Latinx students; and partnerships with external organizations.

In 2018, in recognition of the systemic challenges that Black and Latinx students face with respect to access to higher education opportunities and the cost of higher education, BlackRock pivoted away from a traditional on-campus or “core school” recruitment model and began employing what BlackRock has termed a “campus-inclusive” strategy intended to evaluate candidates based on their skill and potential, without regard to the school they attended. BlackRock’s talent teams view this as the preferred approach, as it allows BlackRock to more widely source talent and promote its internship and scholarship opportunities.

BlackRock’s campus-inclusive approach emphasizes virtual connectivity and utilizes virtual engagement channels such as university career services, student society partnerships, and marketing partners to engage college students through video content, social media, blogs, and email campaigns. BlackRock supplements this virtual emphasis with targeted in-person events and external partnerships with student marketing platforms and diversity organizations.

Through this strategy, Black and Latinx college talent may apply to BlackRock directly after learning about the opportunity through the BlackRock career site or a variety of third-party online platforms, including Jopwell, which is targeted toward Black, Latinx, and Native American students; Ripple Match; Handshake; and Way Up. BlackRock’s Talent Acquisition team reviews applications and creates “resume books” for each business unit, aiming to include a diverse pool of qualified applicants. This process is largely manual and relies on the individual efforts of BlackRock’s campus recruiters within Talent Acquisition.

BlackRock’s ability to measure the efficacy of the use of these third-party platforms in attracting diverse applicants is impacted by the limited tracking tools that can be integrated with BlackRock’s applicant tracking system. However, some applicants self-disclose the channel by which they submitted their application. A preliminary review of this data, conducted by BlackRock for this assessment, indicates that the third-party partnerships providing the highest number of racially diverse hires for BlackRock’s internship program are platforms that are open to students from all backgrounds.

BlackRock collects self-disclosed demographic data of applicants in compliance with Equal Employment Opportunity Commission requirements. Since 2020, the overall percentage of applications for internship positions received from students identifying as Black, Latinx, and/or Native American has decreased 10.2 percentage points from 27.1% in 2020 to 16.9% in 2022. However, the percentage of Black, Latinx, and/or Native American applications for BlackRock’s full-time analyst program increased 6.7 percentage points from 12.9% to 19.6% over the same period. Similarly, the applicant pool for professional-level talent positions increased 1.6 percentage points for Black applicants and 2.7 percentage points for Latinx applicants from 2018 to 2022.

BlackRock’s virtual recruiting methodology is capable of reaching all institutions, including those with high populations of Black and Latinx talent, such as Historically Black Colleges and Universities (“HBCUs”), Predominantly Black Institutions (“PBIs”), and Hispanic Serving Institutions (“HSIs”). Additionally, notwithstanding BlackRock’s campus-inclusive strategy, there are instances of direct recruitment from HBCUs. For example, employees in

regional offices have participated in targeted events for Black and Latinx students, including participation in events hosted by the Atlanta University Center Consortium, whose member institutions include Clark University, Morehouse College, and Spelman College³⁹ and planned, on-campus informational programming visits with Delaware State University.

BlackRock also funds HBCU scholarships through its BlackRock Liquid Federal Trust (“BLFT”) product offering. Through BLFT, BlackRock makes contributions to the Thurgood Marshall College Fund (“TMCF”)—the nation’s largest organization providing financial support to HBCUs. BlackRock’s contributions help fund scholarships and support the educational and professional success of students at HBCUs and PBIs. BlackRock contributes 5% of the net revenue of BLFT’s management fee to TMCF annually. Based on the revenue from its BLFT management fee for fiscal year 2022, BlackRock made a contribution of \$365,000 to TMCF.

To further the partnership with TMCF, BlackRock’s Cash Management Group funded and launched a pilot internship program with TMCF. The pilot program identifies candidates from 47 member schools, including HBCUs, for a sophomore summer internship program in BlackRock’s Cash Management Group. The Cash Management Group hosted its first two interns in 2022, who are returning for a junior-year internship in 2023. Following the successful first year of the program, the Cash Management Group is expanding the program to include a projected five sophomore interns in the summer of 2023.

In 2021, 19% of BlackRock’s newly hired Analysts and 24% of summer interns identified as Black, 8% of whom came from HBCUs.⁴⁰ By contrast, in 2021, 13% of bachelor’s degrees earned by Black U.S. college graduates were conferred by HBCUs;⁴¹ and in recent years, HBCUs produced 25% of Black U.S. college graduates with STEM degrees.⁴²

In addition to its efforts to recruit Black and Latinx college-level talent for its summer internship program, BlackRock also supports two scholarship programs aimed at underrepresented talent: the BlackRock Founders Scholarship (“BFS”) and the Hallac Scholarship Program.

³⁹ *Member Institutions*, ATLANTA UNIVERSITY CENTER CONSORTIUM, <https://aucenter.edu/member-institutions>.

⁴⁰ The assessment team did not receive data regarding the number of BlackRock summer interns and entry-level Analysts that came from HSIs or the number of applicants who attended an HSI.

⁴¹ National Center for Education Statistics, *Selected Statistics on Degree-Granting Historically Black Colleges and Universities, by Control and Level of Institution: Selected Years, 1990 Through 2021*, UNITED STATES DEP’T OF EDUCATION (Dec. 2022), https://nces.ed.gov/programs/digest/d22/tables/dt22_313.30.asp; National Center for Education Statistics, *Bachelor’s Degrees Conferred by Postsecondary Institutions, by Race/Ethnicity and Sex of Student: Selected Academic Years, 1976-77 Through 2020-21*, UNITED STATES DEP’T OF EDUCATION (Oct. 2022), https://nces.ed.gov/programs/digest/d22/tables/dt22_322.20.asp.

⁴² *The Impact of HBCUs on Diversity in STEM Fields*, UNCF, <https://uncf.org/the-latest/the-impact-of-hbcus-on-diversity-in-stem-fields>; *NSF establishes new center to study successful undergraduate STEM education practices at historically Black colleges and universities*; NSF, https://www.nsf.gov/news/special_reports/announcements/o81920.jsp

The BlackRock Founders Scholarship, developed in 2014, is a scholarship program for undergraduate students who identify as Black, Hispanic, Native American, LGBTQ+, and/or as having a disability, and who have demonstrated leadership in creating and sustaining diverse, inclusive communities.⁴³ BlackRock funds the scholarship through Talent Acquisition, as part of the Human Resources budget. The scholarship offers qualified applicants an accelerated Summer Analyst internship interview process and, if offered a position, an invitation to submit an essay on their demonstrated commitment to BlackRock Principles.⁴⁴ Following a review of essay submissions, 12 to 15 scholarships of \$17,500 are awarded. Recently, BlackRock increased the amount of this award to \$20,000. BFS provides a robust pipeline of diverse interns for BlackRock. For example, in the 2022 summer class, there were 106 interns hired through the BFS process, of which 64 self-identified as Black or Latinx. Seven Black or Latinx interns received the scholarship award.

In 2017, BlackRock launched a second scholarship program, the Hallac Scholars Program,⁴⁵ which provides a cost-of-attendance scholarship, mentorship relationship, and sophomore year internship to four students studying a STEM discipline at the Georgia Institute of Technology or the University of California, Berkeley. The scholarship program was created to honor the late Charles S. Hallac, former Co-President of BlackRock. Students are required to demonstrate academic excellence as well as a desire to challenge the status quo while pursuing a STEM degree. The Georgia Institute of Technology has stated that qualified students are from socioeconomically disadvantaged backgrounds, the determination of which is based on financial aid eligibility criteria, with preferences for candidates who, first, study in specific STEM fields (e.g., engineering) and second, identify as female and/or a member of an underrepresented minority population. The schools are responsible for selecting the finalists for scholarship interviews and the ultimate recipients of the scholarships. Hallac finalists who do not receive the scholarship may still receive internship offers. Since 2017, 26 Hallac scholars remain at BlackRock as full-time employees, approximately 77% of whom identify as Black or Latinx.

2. Recruiting New Hire Black and Latinx Talent

BlackRock has significantly increased the number of Black new hire employees in its professional-level positions (outside of the summer internship pipeline) since 2020. In 2020, 9.3% of new hire employees identified as Black. In 2021, this number increased nearly six percentage points to 15.1%.⁴⁶ In 2022, 11.9% of new hire employees identified as Black, a

⁴³ *BlackRock Founders Scholarship*, BLACKROCK (2018), https://blackrock.tal.net/vx/lang-en-GB/mobile-o/brand-3/candidate/download_file_opp/2436/13856/1/1/1a624052d54788dfc914bb0c6e275706aa7d076a.

⁴⁴ BlackRock has set forth five principles that encapsulate its core values, aspirations, and cultural language. These principles guide how BlackRock employees interact with each other, their clients, the communities in which they operate, and all of their other stakeholders. *Principles*, BLACKROCK, <https://www.blackrock.com/corporate/about-us/mission-and-principles>.

⁴⁵ Kristine Wong, *Introducing the Hallac Scholars*, BERKELEY ENG'G NEWS (Aug. 21, 2017), <https://engineering.berkeley.edu/news/2017/08/introducing-the-hallac-scholars/> (indicating that the 2017 recipients of the scholarship were members of the scholarship's inaugural class).

⁴⁶ In 2020, there were a total of 603 new hire U.S. employees, 56 of whom identified as Black or African American. In 2021, there were a total of 1507 new hire employees, of which 228 identified as Black or African American.

decrease from 2021 but still above 2020 levels.⁴⁷ By contrast, the percentage of newly hired employees who identify as Latinx dropped from 10.9% in 2020 to 9.0% in 2021,⁴⁸ but increased to 9.5% in 2022.

BlackRock has also focused on and been successful in recruiting senior-level Black and Latinx talent. From January 1, 2021 to December 31, 2022, BlackRock hired 56 new Black and Latinx senior-level employees. In 2021, Black and Latinx hires represented approximately 20% of senior-level new hires, exceeding the number of senior-level Black and Latinx hires from the prior four years combined.⁴⁹ As of December 31, 2022, 12.4% of senior-level employee hires identified as Black or Latinx. BlackRock's increased focus on building new pipelines for Black and Latinx senior-level talent will continue into 2023.

BlackRock has a dedicated internal team responsible for sourcing experienced talent. BlackRock also employs internal contract workers as sourcing partners to help identify talent for high volume roles. BlackRock does not have a team exclusively focused on the sourcing of underrepresented talent. The assessment team learned that turnover in sourcing contract workers can result in lost time and reduced efficiency in the identification of Black and Latinx talent.

The sourcing of Black and Latinx talent is aided by referrals from hiring managers, DEI Executive Committee leads, DEI committee members, and Black and Latinx talent within BlackRock. The assessment team identified two challenges related to the tracking of Black and Latinx talent. First, Talent Acquisition has not systematically followed up on candidate referrals of Black and Latinx talent. Second, when a position has not been formally opened, referrals are difficult to track in BlackRock's current internal referral system. In response, BlackRock is preparing to deploy a candidate relationship management system in 2023, which will aid in logging and tracking referrals.

3. Measures to Reduce Bias in the Recruitment and Hiring Process

In addition to focusing on the recruitment of Black and Latinx talent, BlackRock has also implemented firmwide measures to reduce potential bias in the recruitment and hiring processes, including a diverse slate requirement and a review of job postings for biased language.⁵⁰

In 2017, BlackRock implemented a requirement to interview a diverse slate of candidates for open positions. Initially, that requirement was focused on including either a woman *or* a Black or Latinx candidate. In June 2020, BlackRock expanded its diverse slate requirement, calling for all hiring managers to interview one woman *and* one Black or Latinx candidate for all

⁴⁷ In 2022, there were 1750 new hire U.S. employees, 209 of whom identified as Black or African American (11.9%, as compared to 9.6% in 2020 and 15.1% in 2021).

⁴⁸ In 2020, 66 out of 603 new hire United States employees identified as Latinx/Hispanic, whereas in 2021, 136 out of 1507 new hire employees identified as Latinx/Hispanic.

⁴⁹ Between 2017 and 2020, BlackRock hired 50 Black and Latinx senior-level employees in the United States.

⁵⁰ Additional measures include interview best practice recommendations and conducting trainings for intern managers to assist in the equitable evaluation of Black and Latinx candidates.

open positions. In order to extend an offer for an open position, an offer approval request must be submitted to, reviewed, and approved by the Chief Operating Officer (“COO”) for the business, and a member of the Compensation Team. In order to obtain this approval, BlackRock recruiters must attest that the diverse slate requirement has been met or provide sufficient information to demonstrate that a waiver of the requirement has been granted. A waiver to the diverse slate requirement must be reviewed by the business unit’s COO prior to approval, is granted only in limited circumstances, and the justification for the waiver must be submitted with the request for approval.

A review of positions filled from 2019 to 2022 showed that the diverse slate requirement was met in nearly 94 % of offers. For the other 6% of offers where a waiver of the requirement was granted, the most common justifications included a recommended internal promotion or transfer and the hiring of a contingent worker as a full-time employee. BlackRock collects data on the seniority level of the position for which a waiver is requested, but it is not consistently tracked and monitored to assess whether the waivers of the diverse slate requirement are concentrated at higher levels of the firm. BlackRock collects the necessary data for determining whether certain business units seek or are granted waivers at higher rates than other business units but does not track this data. BlackRock does not track the diversity classification of candidates who are interviewed as part of the diverse slate requirement in order to tell whether the requirement equally benefits candidates that identify as Black and/or Latinx. BlackRock does not require a diverse slate at every interview stage for those positions with multiple interview rounds such as senior positions.

In addition to the diverse slate requirement, BlackRock began reviewing select job postings for biased language in 2020. Prior to a job posting being provided to recruiters for public posting, a software application, Textio, evaluates the draft job posting in order to “score”⁵¹ the posting and flag language that could be perceived as gendered, offensive, harmful, rooted in racism, or likely to be strongly affiliated with one race or gender.⁵² BlackRock evaluated approximately 1,500 job descriptions in 2020, approximately 2,000 in 2021, and approximately 1,200 in 2022. The average score of job descriptions increased by eleven points during the same time period, moving from an average score of 67 to an average score of 78, indicating that the average post contained less potentially-biased language over time. The scores in 2022 continue this positive trajectory, with an average score of 81 as of October 31, 2022.

BlackRock has also provided related resources to hiring managers and business units, including best practice guides and trainings. For example, the Talent Acquisition team provides guidance on crafting job descriptions to promote competency-based hiring and training on competency-based interviewing techniques and establishing diverse interview panels. Additionally, the Talent Acquisition team provides training to business units on how to partner with racially diverse organizations, take advantage of scholarships programs in order to aid in recognizing the achievements of racially underrepresented applicants, conduct anti-bias

⁵¹ Postings are scored on a scale from 0–100, indicating how closely the language tracks guidance on quality, clarity, or use of problematic language. The higher the score, the more closely the language adheres to the software’s guidance.

⁵² Eleanor Chestnut, *Avoiding Harmful Language in Hiring Content*, TEXTIO (Sept. 8, 2020), <https://textio.com/blog/avoiding-harmful-language-in-hiring-content/34152146534>.

interviewing and implement assessment techniques to aid in equitable evaluations of racially underrepresented candidates.

4. Observations and Recommendations

Observations

- Consistent with its goal to attract a diverse pipeline, BlackRock has increased the representation of Black and Latinx talent in the firm since 2020—meeting or surpassing its goal of increasing overall Latinx and Black representation by 30% by 2024. Nonetheless, attrition from these employee populations risks undermining this progress.

College-Level Sourcing

- BlackRock has seen increased levels of diversity in its recent internship and Analyst classes. BlackRock's campus-inclusive approach to recruiting may leave strong pools of Black and Latinx talent untapped, as compared to strategies that specifically target students enrolled at HBCUs, PBIs, and/or HSIs. This may impact BlackRock's continued success in recruiting Black and Latinx talent.

Professional Level-Hiring

- BlackRock has made progress in sourcing Black and Latinx talent for professional-level hiring, though it faces several challenges, including frequent turnover among the team responsible for sourcing all external talent; inconsistencies with respect to tracking and follow up on Black and Latinx referrals solicited from BlackRock employees; and hiring managers who are not uniformly trained on best practices for recruiting diverse talent.

Anti-Bias Measures

- In 2022, BlackRock reached 94% compliance with its diverse slate requirement; however, BlackRock does not currently track some important data related to waivers from its diverse slate requirement. These include the seniority level of positions for which a waiver was obtained; the business unit in which the open position exists; the demographic category of the candidates who satisfy the requirement; and whether, if the position requires multiple rounds of interviews, a Black or Latinx candidate was considered in the final round of interviews. Although BlackRock grants only a small percentage of waivers, their impact is difficult to assess without this relevant data.
- BlackRock's voluntary anti-bias measures—such as using anti-bias language software in crafting job descriptions, hiring manager training, and using the firm's competency-based interview question bank—are not consistently utilized.

Talent Acquisition Scaling and Capacity

- Efforts by regional offices and business units to create pilot programs for the recruitment of Black and Latinx college talent, such as the Thurgood Marshall College Fund pilot program, have resulted in successful engagement. Talent Acquisition has not been able to assess and convert these pilot programs into firmwide initiatives to help ensure the continuity of successful recruitment of Black and Latinx candidates.
- BlackRock's limited number of employees dedicated full-time to DEI sourcing and recruitment may impose resource-based limitations on the scope of initiatives that can be effectively implemented, tracked, and managed.

Recommendations

To enhance its existing efforts in support of its hiring and representation goals, BlackRock could:

- Consider establishing a dedicated team within Talent Acquisition to focus on identifying and recruiting candidates from underrepresented backgrounds, which could also yield greater opportunities for hiring Black and Latinx talent through:
 - More focused identification of Black and Latinx candidates for open positions, including formalizing the tracking and follow-up process for internal recommendations of external Black and Latinx candidates for open positions; and
 - Expanded relationship-building with, and recruiting at, institutions with large populations of Black and Latinx students, including HBCUs, PBIs, and HSIs.
 - As this would require significant investments of budget and employee time, BlackRock might consider implementing a pilot program aimed at increasing its presence at HBCUs, PBIs, and/or HSIs near BlackRock locations.
- Consider expanding and requiring training on inclusive hiring practices for hiring and People Managers.

To ensure the continuity of successful recruiting strategies for Black and Latinx talent, BlackRock could:

- Consider creating a formal mechanism to move the funding and management of successful recruiting pilot programs to Talent Acquisition, which may also enable the scaling of these programs firmwide.

To enhance efforts to increase overall representation of Black and Latinx talent, BlackRock could take steps related to its anti-bias measures in the hiring process, including:

- Instituting tracking of additional metrics related to the diverse slate requirement, including seniority level, business unit in which the open position sits, demographics of

diverse slate candidates, and whether the open position has additional rounds of interviews during which a diverse candidate was not considered; and

- Requiring every candidate slate for an open position at certain senior levels to meet the diverse slate requirement and minimize any requests for a waiver.

In order to more effectively make progress on its representation goals, BlackRock could:

- Conduct an analysis of Talent Acquisition resources to determine if increased investment or allocation of resources is needed to fully implement, manage, and track initiatives that may result from this assessment's recommendations.

C. Retention of Black and Latinx Talent

In addition to setting representation objectives for Black and Latinx talent in its 2021 DEI Strategy, BlackRock also committed to developing Black and Latinx talent and fostering a connected culture through cultivating “an inclusive and equitable work environment” by “improving the employee experience of underrepresented groups.”⁵³ Ultimately, these commitments help retain Black and Latinx talent, which may also further progress toward BlackRock's goal of doubling the number of Black and Latinx senior leaders. BlackRock has implemented several initiatives to retain Black and Latinx talent, including instituting leadership development and sponsorship programs designed to foster career growth;⁵⁴ and cultivating an equitable and inclusive environment by mitigating bias in BlackRock's performance management and promotion processes, delivering training and enablement sessions to People Managers, supporting Employee Networks, and creating inclusivity programming.

Notwithstanding these initiatives, BlackRock continues to face attrition of Black and Latinx talent. In 2022, BlackRock began analyzing the factors that may be driving the attrition of Black and Latinx talent and developing interventions to reduce attrition rates. Although BlackRock's attrition analysis began after the creation and implementation of its leadership development, equitable environment, and inclusivity initiatives, it is helpful to discuss BlackRock's attrition analysis and retention initiatives in concert with one another in order to identify where BlackRock may choose to refine its strategy to aid the retention of Black and Latinx talent.

1. Analysis of U.S. Black and Latinx Talent Attrition

Like other companies in the financial services sector, in recent years, BlackRock experienced increased attrition of Black and Latinx professionals in what has been dubbed the “Great Resignation.” In the most recent year prior to the start of the Great Resignation, 2019, BlackRock's voluntary attrition rates for Black professionals increased by 1.9 percentage points from 2018. Voluntary attrition of Latinx professionals decreased by 1.4 percentage points from

⁵³ 2021 DEI Annual Report at 13.

⁵⁴ 2021 DEI Annual Report at 19.

2018 to 2019 but was higher than that of their White peers and of the overall employee population. Because the populations of Black and Latinx professionals at BlackRock are relatively small, attrition of Black and Latinx professionals can have a significant impact on the population of Black and Latinx employees and on BlackRock's progress toward its publicly stated representation goals.

Based on BlackRock's attrition data from January 2021 through December 31, 2022, voluntary attrition most seriously affects Black employees at the Managing Director level, followed by the Associate level. For Latinx professionals, voluntary attrition is highest at the Associate level, followed by the Vice President level.

In 2022, attrition rates of Black senior leaders nearly offset increases in Black senior leader hiring and led to senior Black representation staying nearly flat for the year. Attrition has also had a significant impact on overall Latinx representation which, combined with Latinx recruiting, has resulted in an overall increase in Latinx representation of just 0.5 percentage points during the same time period.⁵⁵

In July 2022, BlackRock responded to increases in Black and Latinx attrition by forming the Black and Latinx Talent Retention Taskforce (the "Retention Taskforce") to assess drivers of attrition and recommend measures to improve retention of Black and Latinx talent. In doing so, the Retention Taskforce evaluated employee exit interviews and sentiment analyses resulting from employee opinion surveys, and consulted Employee Network leaders.

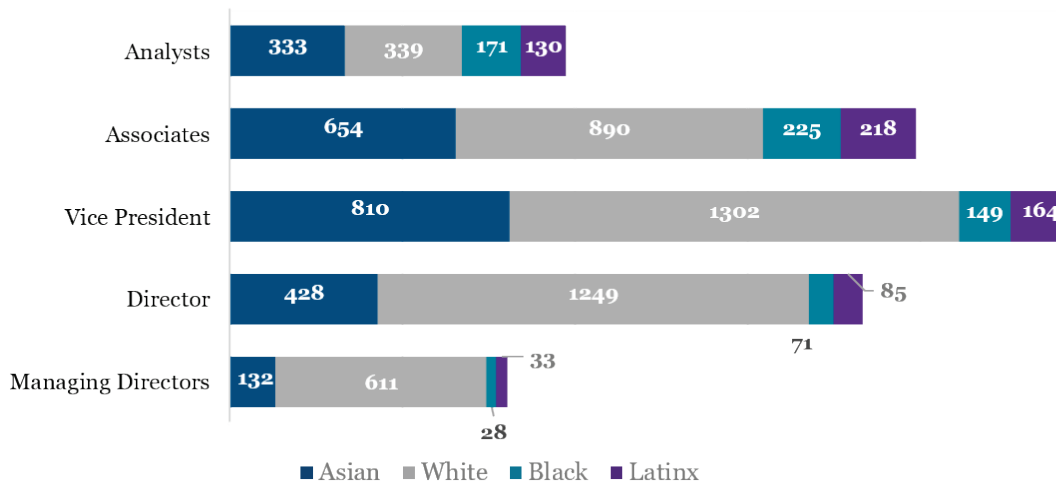
Three key drivers of attrition were identified from these sources: (1) a lack of clear career paths within BlackRock; (2) sentiment gaps in senses of trust and belonging; and (3) inconsistent day-to-day experiences for Black and Latinx employees resulting from inconsistent People Manager capabilities and a lack of accountability. The assessment team identified the same key drivers of attrition.

2. Black and Latinx Employees' Reports of a Lack of Clear Career Paths Within BlackRock

The Retention Taskforce determined that career advancement appears to be the primary reason senior Black and Latinx employees voluntarily leave the firm. This includes a lack of visibility or transparency of their promotion trajectory or their place in succession planning. Employees, including senior leaders and Employee Network leaders, reported that low representation of Black and Latinx leaders, and the resulting limited pool of Black and Latinx role models at the firm, contributes to a gap in career inspiration among junior-level Black and Latinx talent.

⁵⁵ While the assessment team reviewed the attrition data, to date BlackRock has not released its attrition data publicly; thus, the data are not included in this report.

U.S. Employees at Each Level of Professional Employment as of January 1, 2023



As reflected in the chart above, which shows the number of U.S. employees by race at each level of professional employment as of January 1, 2023,⁵⁶ the overwhelming majority of Black and Latinx employees sit at seniority levels below Managing Director and Director. Senior Black leaders (Managing Directors and Directors) in the United States make up 99 of the 682 professional-level Black employees. Latinx employees are similarly situated, with senior Latinx leaders comprising 118 of the 677 professional-level Latinx employees in the United States. This is a much lower share than for white employees; 1,860 of BlackRock’s 4,514 white professional-level employees in the United States are senior leaders.

Relatedly, as described above, there are currently no members of the GEC who identify as Black or Latinx. Of the Global Operating Committee members from the United States, 5% of members identify as Black and 2.5% identify as Latinx. The Managing Director Promotion Committee is the most racially diverse key senior committee, with 7.1% Black and 7.1% Latinx representation.

3. Initiatives to Increase Black and Latinx Employees’ Career Development

BlackRock has developed initiatives to address the reported lack of clarity around career paths for Black and Latinx talent, including leadership development programs, sponsorship programs, People Manager accreditation training, deliberate succession planning for key Managing Director roles, and an individualized career pathing pilot program.

In 2021, BlackRock developed and launched the Professional Preparation for Elevated Leadership (“PROPEL”) program, a 12-month program for Vice Presidents identified as “high-

⁵⁶ This chart includes data on the four racial categories with the highest employee populations at BlackRock. It does not include percentages for Two or More Races or Native American individuals, or those who did not self-identify.

performing,” regardless of racial demographic, designed to develop core leadership skills and behaviors to elevate participants’ impact as “authentic leaders.” In addition to the 12-month programming, the approximately 60 Black and Latinx VPs participating in the first cohort received an additional six months of programming focused on leadership experiences and challenges faced by Black and Latinx professionals. The first PROPEL cohort concluded in October 2022, and the second PROPEL cohort is scheduled to begin in 2024.

In 2021, BlackRock also launched the Black Leadership Forum (“BLF”) and the Latinx Leadership Forum (“LLF”) for approximately 50 Black and Latinx Directors and Managing Directors who fulfilled certain criteria, including the number of years in their role and position in succession planning. These leadership forums are 12-month programs designed to invest in the development and growth of Black and Latinx senior leaders, address the systemic barriers to opportunities for their advancement, actively engage participants’ managers and business leadership to drive development and opportunities, and increase the diversity of BlackRock’s leadership pipeline for the executive levels of the firm. The first BLF and LLF cohorts completed programming in spring 2022. The second cohorts for BLF and LLF have not been scheduled.⁵⁷

Participants surveyed in PROPEL, BLF, and LLF rated their experiences favorably. For example, 100% of BLF and LLF participants rated the program as “Good” or “Excellent.” However, some participants did not have a clear understanding about the connection between the leadership programs and their career trajectories. Additionally, some senior leaders were unclear as to whether BlackRock’s leadership programs were tied to key evaluation metrics in order to positively affect the career advancement of Black and Latinx employees. Due to the timing of BlackRock’s promotion cycle and the end dates of PROPEL, BLF, and LLF, BlackRock will not be able to assess the effect of leadership programming on participants’ career paths until the 2023 promotion cycle concludes.

Following its assessment of Black and Latinx attrition, BlackRock’s Retention Taskforce developed two new initiatives to increase career development opportunities for Black and Latinx talent at the Vice President, Director, and Managing Director levels, which are sponsored and supported by members of the GEC. These initiatives were introduced in 2022 and are expected to continue into 2023.

4. Black and Latinx Employees’ Reported Sentiment in Areas of Belonging and Trust

BlackRock tracks employee agreement toward key sentiment statements as part of its quarterly employee opinion surveys. BlackRock’s Retention Taskforce assessed this data to identify gaps in sentiment between demographic groups and found that sentiment gaps between employees from underrepresented backgrounds and their white peers had narrowed since 2020 around sentiments such as “My opinions are equally welcomed on my team” and “My manager

⁵⁷ BlackRock’s leadership programs are complemented by sponsorship programs established in 2020 to match Black and Latinx Managing Directors and Directors with members of the GEC and senior leaders across the firm. There was some overlap between participants in these sponsorship programs and BLF and LLF participants, but the sponsorship programs comprised a distinct effort that included approximately 50 Managing Directors and Directors. To address the development of junior-level talent, BlackRock also developed a sponsorship toolkit for business leaders to sponsor VPs and Associates within their businesses.

values my background and experience.” Gaps remained for senior level Black and Latinx talent around certain statements, including “Someone like me can advance and succeed at BlackRock”; “I feel like I belong at BlackRock”; and “I trust that my manager is held accountable to support inclusivity.”⁵⁸

5. Initiatives to Narrow the Experience Gaps of Black and Latinx Employees

BlackRock has developed several initiatives to narrow the experience gaps of Black and Latinx employees to support their retention, which include efforts to cultivate high-potential candidates and develop programs to nurture an inclusive workplace culture.

BlackRock also has focused on fostering an equitable promotion process by applying globally consistent promotion criteria, embedding guidance on how to mitigate biases and providing best practices for equitable calibration discussions. For the Managing Director promotion process, BlackRock has established a Managing Director Promotion Committee. This committee reviews all Managing Director promotion nominations and makes the final decision on promotions. BlackRock has instituted a series of measures to mitigate potential bias in this promotion process, including providing anti-bias training for interview partners who assist the committee in conducting interviews of candidates, and instituting “calibration sessions” in connection with the evaluation of candidates.

Calibration sessions are intended to “drive meritocracy through fair and consistent application of promotion data,” and “ensure better decision making through awareness of unconscious bias.” During the sessions, a diverse set of evaluators engage in open discussion of candidates in comparison to each other in order to set a fair and consistent standard for the evaluation of all candidates against BlackRock’s global promotion criteria and promote collective ownership of promotion decisions. Feedback from calibration sessions may be provided to unsuccessful candidates in order to provide suggestions for development. BlackRock has sought to limit the risk that calibration sessions could exacerbate underlying biases by engaging consultants to conduct a Managing Director “cultural competency” workshop for members of the Managing Director Promotion Committee.

BlackRock’s efforts to foster an equitable promotion process have primarily focused on promotions to Managing Director, for which the process is more robust than processes for promotions to Director or below. However, BlackRock has also created resources for Director-level and below promotions, including a performance checklist to be used by People Managers for all employee reviews. BlackRock has also developed a Promotion Calibration toolkit to provide guidance, materials, and resources for candidate evaluations on a business unit level.

BlackRock’s business units also create their own diversity goals and action plans, which include actions related to the recruitment, retention, development, and promotion of underrepresented talent. For example, business units have set goals for coaching and sponsorship opportunities for underrepresented team members and have created custom development plans.

⁵⁸ These observations come from employee sentiment data collected by BlackRock and reviewed by the assessment team.

BlackRock's approach to the development and implementation of inclusivity efforts is anchored in the principle of "One BlackRock," which incorporates diversity, equity, inclusion, belonging, and emotional ownership into BlackRock's identity. In 2020, BlackRock developed and launched a series of inclusivity measures to promote a sense of belonging at BlackRock including a voluntary unconscious bias training; small group Inclusion Dialogue sessions; a "Learning Out Loud" speaker series on DEI topics; and support for Employee Network Groups.

BlackRock hosted over 1,000 Inclusion Dialogue sessions globally in 2021, conducting conversations in each session with 12 to 15 employees and an external facilitator on topics related to DEI. Globally, 91% of Directors and Managing Directors, 83% of People Managers, and 73% of employees at the VP level and below participated in at least one Inclusion Dialogue. In the United States, participation was slightly higher with 81% of employees participating, including 91% for Managing Directors & Directors, 86% of People Managers and 77% of employees at the VP level and below. BlackRock's inclusion initiatives have been well-received by BlackRock employees, particularly the Inclusion Dialogue sessions; 88% of participants "agreed or strongly agreed that BlackRock is taking the actions it needs in order to support inclusion."

BlackRock has also supported Employee Networks, which provide opportunities for employees "with a diverse range of backgrounds, experiences, and perspectives to connect with one another and help shape [BlackRock's] culture." Over half of BlackRock's employees are members of an Employee or Social Impact Network, although not all Employee Networks are based on categories of racial diversity—for example, some Employee Networks are based on gender identity, sexual orientation, or disability. BPN, a community of approximately 2,400 Black members and allies, was created in 2018; and SLN, a community of approximately 1,000 Latinx members and allies, was created in 2019. Prior to the formation of BPN and SLN, BlackRock had a single Employee Network for racially underrepresented employees. Employee Networks largely focus on establishing communities within BlackRock but have recently expanded their role by developing their own leadership and career development programs, leading advocacy initiatives, and serving as advisors and facilitators for certain initiatives relating to inclusivity, retention, recruiting, and charitable giving. Despite the firm's ongoing support of Employee Network activities, the assessment team learned that manager recognition for efforts to support DEI work, including through participation in the Employee Networks, is inconsistent—some managers are supportive and recognize the work in connection with performance evaluations; others appear to see it as a distraction from core job duties.

In addition to firmwide inclusivity efforts, most BlackRock business units have formed their own internal committees to drive DEI initiatives. For example, some business units have developed steering committees that advance and oversee specific inclusivity initiatives such as community conversations, inclusion weeks, or equity workshops.

6. Initiatives to Improve People Manager Capabilities

Globally, BlackRock employs approximately 5,700 "People Managers," or employees who manage at least one other BlackRock employee. BlackRock People Managers have the broadest and most direct effects on the day-to-day experience of Black and Latinx talent. Inconsistent management experiences for Black and Latinx employees may contribute to attrition, which BlackRock recognizes is an ongoing challenge. A number of employees believe that BlackRock's senior-most leaders' commitment to DEI is genuine, but also believe that this commitment may not be reflected at deeper levels of the firm. This may lead to varying levels of recognition for

DEI work performed on behalf of BlackRock or in furtherance of the implementation of its 2021 DEI Strategy.

Since the implementation of the 2021 DEI Strategy, BlackRock has launched several initiatives to improve the capabilities of its People Managers in managing diverse teams and promoting inclusive team cultures. These initiatives include programming and manager resources to aid in the preparation and delivery of equitable performance reviews.

In March 2020, BlackRock launched voluntary, monthly People Manager Enablement Sessions, which are discussions with senior leaders focusing on managerial topics such as the provision of feedback and performance reviews. Two of these sessions were focused on inclusion and cultural competency: one in July 2020, and another in September 2021. Approximately 25–35% of global People Managers attended these voluntary sessions. BlackRock also provides materials to People Managers that cover topics including the use of global performance review criteria, creating effective written assessments, offering ongoing feedback, setting yearly objectives, managing inclusively, and promotion nomination guidance.

In 2022, BlackRock developed the People Manager Accreditation program, which is composed of required manager development programs for all BlackRock People Managers, three of which have launched. The current lineup of programs covers topics such as building trust and psychological safety with direct reports, effective and equitable management, and crafting actionable feedback. These courses aim to provide managers with tools to manage diverse teams and create an inclusive environment in which different types of performers can succeed. As of September 30, 2022, approximately 75% of BlackRock People Managers have completed these mandatory training programs.

Despite BlackRock's efforts to ensure fair and equitable performance reviews, some employees and senior leaders perceive that Black and Latinx employees are given limited stretch opportunities, or opportunities that expand the scope of employees' roles—a key metric for promotion. There is also a perception that People Managers lack training on how to provide effective feedback, resulting in less frequent and specific feedback to diverse teams.

BlackRock's culture is viewed by some as fostering a hesitancy to mandate actions for People Managers, which reduces People Manager accountability for DEI initiatives. For example, although many Executive Committee business unit leaders attend the DEI Goal Review sessions held at the beginning, middle, and end of each year, where business unit leaders, business unit Chief Operating Officers, and/or DEI Executive Committee leads meet with their HR business partners and recruiters to align on recruiting, retention and development efforts for the year, the assessment team learned that some business unit/functional unit leaders do not, creating a missed opportunity to drive accountability for implementing the Strategy to lower-level People Managers within the business unit.

7. Observations and Recommendations

Observations

- BlackRock has taken several steps to develop and retain Black and Latinx talent. It has instituted leadership development and sponsorship programs, such as the Professional Preparation for Elevated Leadership, the Black Leadership Forum, and the Latinx Leadership Forum, all of which received favorable feedback from participants. BlackRock has also developed two new initiatives to increase career development opportunities for Black and Latinx talent at the Vice President, Director, and Managing Director levels, which are sponsored and supported by members of the GEC.
- Modest promotion rates for Black and Latinx talent and increasing rates of attrition remain as potential obstacles. Promotion rates for senior-level Black candidates have decreased from 2020 to 2021 and 2022. However, promotion rates for Latinx candidates increased from 2021 to 2022. Meanwhile, voluntary attrition rates for Black talent increased in 2021 but decreased in 2022. Voluntary attrition rates for Latinx talent increased in both 2021 and 2022. Both Black and Latinx voluntary attrition rates in 2021 and 2022 were higher than the overall U.S. attrition rate.
- As many of BlackRock's leadership development initiatives and programming to foster an equitable and inclusive environment have only been in place for one to two years—or have just recently been developed—there has been insufficient time to fully determine their effects on retention efforts and BlackRock's progress toward its publicly stated Black and Latinx representation commitments.
- As BlackRock reduced its external hiring in the fourth quarter of 2022, retention of Black and Latinx talent has become even more vital to maintaining progress on BlackRock's publicly stated goals for senior leader Black and Latinx representation.

Reported Lack of Clear Career Paths within BlackRock

- Limited racial diversity at the highest levels of the firm has the potential to discourage some Black and Latinx employees from believing that they can thrive at BlackRock and advance to the highest levels of the firm. BlackRock's senior-most leaders are viewed by many employees as genuinely committed to BlackRock's diversity goals; however, representation of Black and Latinx employees at senior levels and on senior committees may raise questions about that commitment.
- BlackRock instituted senior leadership development efforts to drive progress toward its stated goal of doubling the number of Black and Latinx senior leaders. Perceptions of the potential of these programs to impact Black and Latinx career development vary. There are some concerns that neither PROPEL, BLF, or LLF provide career mapping for participants or address key criteria that most significantly affect promotion potential, such as an employee's scope of work, executive communication skills, or exposure to "stretch" roles.

- BlackRock's efforts to deliver an equitable promotion process have focused on creating and applying globally consistent promotion criteria, conducting business level calibration processes, and embedding guidance on how to mitigate biases; however, use of these processes and resources is voluntary. BlackRock has instituted additional levels of calibration and review at the Managing Director level that have not yet been applied to all promotion levels.

Perceptions Regarding Inconsistent People Manager Capabilities in Managing Racially Diverse Teams and Promoting an Inclusive Team Culture

- Some employees perceive that mid-level People Managers lack accountability for and have not consistently embraced BlackRock's 2021 DEI Strategy. There is also a perception at all levels of the firm that the commitment to improving racial diversity, equity, and inclusion expressed by BlackRock's senior-most leaders is not consistently shared by BlackRock's mid-level People Managers in such a way as to reliably improve the day-to-day experience of Black and Latinx talent.
- There is a perception among some employees that there is a tendency to view DEI work as an activity that should be conducted from "5 to 9," leading to a view that DEI is an "extracurricular" activity rather than a fundamental component of business responsibilities.
- BlackRock's efforts to equip and encourage People Managers to create an equitable environment for Black and Latinx employees have not been accompanied by clear incentives or substantive rewards for the equitable management of Black and Latinx talent.

Recommendations

Consistent with its goal of increasing representation of Black and Latinx senior leaders, BlackRock could consider:

- Committing to increasing the diversity of the GEC and other significant senior committees.
- Working with business units to increase transparency regarding succession planning and career development opportunities within and across business units (e.g., internal promotion of lateral opportunities, stretch roles, or participation on mid-level committees) for Black and Latinx talent, to address perceptions that there are not clear career pathways within BlackRock for Black and Latinx talent.
- Instituting a mechanism to assess the efficacy of the efforts by the Retention Taskforce to address the overall retention and career trajectories of Black and Latinx talent.
- Furthering development of its measures to foster an equitable promotion process for Black and Latinx talent. For example, BlackRock might consider:

- Tracking justifications provided in calibration sessions for unsuccessful Black and Latinx Managing Director candidates in order to identify any broad themes or trends to address; and
- Evaluating performance ratings data and their component parts to identify any disparities across racial lines and analyze any disparities for contributing factors.

To further its objective of cultivating an inclusive and equitable work environment, particularly for underrepresented groups, BlackRock could consider implementing measures to:

- Encourage greater People Manager buy-in of diversity goals, enhance effective and consistent management of Black and Latinx talent, and improve accountability particularly in the VP and Director levels, such as by encouraging broader adoption of skills-based reviews and developing performance review form templates that incorporate recommended skills.
- Increase People Manager accountability for implementing BlackRock's 2021 DEI Strategy by encouraging or requiring business units to build in accountability measures related to inclusion efforts for all managerial levels as part of the goal-setting for QBRs.

V. Pillar 2: Fiduciary and Other Activities

A. Pillar 2 Stated Goals

The 2021 DEI Strategy extends beyond BlackRock's internal workplace practices. While BlackRock's DEI Strategy does not dictate how BlackRock manages assets on behalf of its clients, the Strategy recognizes that there may be opportunities for DEI-related efforts across many facets of BlackRock's work as an asset manager, including its work to expand choice for clients and help deliver on clients' chosen investment objectives. Pillar 2's goals are to:

- "Strengthen . . . client relationship[s] through leveraging DEI as a differentiating engagement topic."
- Continue identifying and incorporating any financially material DEI information into the firm's investment and stewardship processes with the objective of enhancing the risk-adjusted returns of client portfolios.
- Develop products, for clients that choose to invest in them, that focus on "racial equity, social justice and gender equality," or that aim to "[a]ccelerate economic outcomes by investing in minority-owned companies and undercapitalized communities."
- Develop and grow BlackRock's relationships with diverse external businesses.

B. Communications with Clients on DEI

The first goal under Pillar 2 revolves around BlackRock's interactions with clients on DEI issues. BlackRock engages with clients on two primary aspects of its DEI work: its internal DEI initiatives, and its consideration of DEI when analyzing potential investments.

1. Communications with Clients Around BlackRock's Internal DEI Initiatives

BlackRock manages the assets of individual investors and large institutional investors, such as public pension funds and corporate retirement programs, and university and foundation endowments. Fostering and maintaining client relationships and considering clients' choices are critical factors in the firm's approach to its external DEI strategy and goals. BlackRock's asset management activities involve working with clients to help them meet their specific investment objectives.

BlackRock's commitment to its own DEI initiatives is an increasingly important differentiator for clients of the firm. In recent years, some of BlackRock's clients have shown increased interest in the diversity of the firm's workforce, its efforts to strengthen its relationships with diverse external businesses, and, in certain cases, the diversity of the specific teams managing their investments. Most recently, that interest has included a stronger focus on racial equity. In addition to specific requests from current clients, BlackRock has begun to encounter more in-depth questions and data requests related to DEI in the RFPs it responds to, signaling the priority some clients are placing on DEI as a factor in selecting an asset manager. Because of their increased interest in DEI, clients have asked BlackRock to share its internal and external commitments related to DEI.

Explanations suggested for the increased client interest in BlackRock's DEI commitments are that some clients:

- Want to work with organizations that share their values, and seek to use their influence as a client to affect positive change relating to DEI within BlackRock;
- Face stakeholder pressure to hire asset managers who have a well-articulated DEI strategy and a team that reflects a commitment to diversity; and
- Look to BlackRock for best practices, and may want to apply BlackRock's DEI framework to their own organization or use it as a resource.

While DEI is not a priority for all clients, many of BlackRock's clients are interested in BlackRock's corporate DEI commitments and efforts to retain underrepresented talent. Some clients are also interested in how DEI factors into BlackRock's investment and stewardship processes and how it guides the firm's philanthropic work.

Certain clients, including some public pension funds, are interested in having DEI goals or commitments reflected in the firms BlackRock employs to handle their assets. These public pension clients are often focused on their own DEI goals, given the diverse composition of their beneficiaries or, in some instances, due to state legal requirements or mandates related to DEI. For example, due to state-law DEI requirements, a major institutional client requested that BlackRock consider diverse managers within its selection process, which prompted BlackRock to create the Diverse Manager Program, based in part on the existing model of the Diverse Broker Program, both of which are described in detail below.

To respond to this increased volume of client inquiries related to DEI, in 2021, BlackRock created the role of Director of U.S. & Canada DEI Client Engagement ("Director of Client Engagement"). Her job is to provide DEI insights to clients when clients have expressed interest in meaningfully making DEI a part of the conversation. She does not have an assigned team to support her efforts and works to engage client Relationship Managers ("RMs")⁵⁹ to help carry out this work. She reported close to 120 engagements with clients related to DEI in 2022, and has created materials on DEI designed for both internal and external audiences. She has begun to track BlackRock's interactions with clients on DEI, including self-reporting by RMs when they discuss DEI with clients, but these efforts are fairly recent and not universally implemented across the firm.

For example, in spring 2022, the Director of Client Engagement launched a "DEI 101" curriculum to provide BlackRock employees with additional resources to learn about the firm's DEI efforts. She has also created client-facing materials for use by RMs to share insights about BlackRock's 2021 DEI Strategy and related commitments with clients. Similarly, she has begun to train RMs on how to effectively communicate BlackRock's 2021 DEI Strategy to clients.

BlackRock raises client awareness of its corporate DEI efforts in several additional ways in the United States. First, it incorporates discussion of these topics into regular client meetings with interested clients, which may include quarterly, biannual, or annual business review

⁵⁹ Relationship Managers are individuals within Institutional Client Business who interact directly with clients and respond to their needs.

meetings. Second, it draws attention to BlackRock's DEI efforts in "finals presentations," in which BlackRock is making presentations to prospective clients to be selected for new or additional business opportunities. Third, BlackRock presents on its DEI efforts in response to client expressions of interest in DEI. Finally, BlackRock's responses to RFPs often contain information about its own DEI efforts. Historically, DEI questions and data requests within RFPs have been focused on gender; however, recently, RFPs have had a stronger focus on racial equity, including some detailed requests for employee and supplier data.

BlackRock also shares resources and provides technical assistance on DEI strategies when clients seek this information to strengthen their own DEI commitments and practices. Other leaders at BlackRock, including the Global Head of DEI, play a key role in helping to build and share this knowledge with clients. For example, the Global Head of DEI serves as a resource for clients on best practices regarding internal and external DEI initiatives. The assessment team also spoke with a BlackRock client who sought technical assistance for its own DEI program and that valued the resources and support BlackRock provided.

2. Communications with Clients Around DEI-Related Investing

In addition to BlackRock's interactions with clients on its own DEI initiatives, BlackRock also engages with clients who are interested in allocating their investments in ways that align with their own values, and/or who are potentially interested in sustainable investing.⁶⁰ This assessment focused on investment options involving consideration of DEI and/or racial equity factors.

Throughout the assessment process, BlackRock personnel consistently stressed the importance of client choice and advancement of client goals. Different clients have varied investment goals, requiring BlackRock to undertake distinct analyses of how best to serve clients' interests consistent with its fiduciary duties. Most often, clients direct BlackRock to deliver the best returns to meet a specific objective. Generally, clients that are interested in sustainable investing have focused on environmental- or climate-related issues as compared to social issues.

Based on feedback received through client interviews and discussions with individuals at BlackRock, clients that seek to invest in DEI-related products might do so for several reasons, including performance; specific values alignment; and interest in investing in companies that drive a particular societal outcome or "impact." However, client interest in DEI-related products does not necessarily translate into actual investments. The assessment team received feedback that the gap between clients' interest in these products and clients' actual investments in these products is due to "demand" and "supply" limitations.

On the demand side, DEI-related investments may be lower-priority investments for some clients. Even when clients are interested in DEI, there may be less demand for these products because clients may not know how their interest in DEI principles translates to particular investment goals. According to BlackRock personnel, clients in the corporate, foundation and endowment spaces are more familiar with or more comfortable incorporating DEI or racial equity considerations into their investment strategies. In contrast, pension funds

⁶⁰ BlackRock defines "sustainable investing" as strategies with environmental, social and/or governance objectives, themes, and related considerations as a principal means for selecting investments.

in the United States operate under legal limitations imposed by federal, state, or local law.⁶¹ Recent regulations⁶² issued under ERISA address which factors can be integrated into fiduciary decision making regarding plan investments and exercises of shareholder rights in ERISA-covered plans. Consistent with Supreme Court precedent,⁶³ the regulations mandate that such fiduciary decisions be made in the first instance for the exclusive purpose of maximizing risk-adjusted financial returns to provide the benefits due under the plan and to defray the reasonable costs of administering the plan.⁶⁴ Accordingly, some pension fund clients have chosen to focus more on engaging with BlackRock on its corporate DEI performance and commitments versus investing in DEI-related products, based on regulatory limitations that may be applicable.

On the supply side, these products in general—and those focused on DEI and racial equity in particular—are in a much earlier phase of development than climate- or environment-related products. There are fewer DEI-related products available that may meet clients' investment objectives. The supply constraint for DEI-related products has been attributed to limitations in available data and still-emerging understandings of the metrics that positively correlate with social impact and investment fundamentals. The development and application of standardized key performance metrics and “proof points” are less developed, particularly in terms of how DEI data and practices translate to return on assets. These constraints factor into DEI-related product development and investment generally and reflect constraints both at BlackRock and within the broader industry.

According to BlackRock investment and client business teams, although client interest in DEI is increasing, demand for and supply of DEI products is much lower than for other aspects of sustainable investing, and thus feature less frequently in the conversations that BlackRock has with its clients on these topics. In contrast to the attention given to environment-related investments, BlackRock indicated that their clients historically have faced less external pressure to align their investment principles with considerations of DEI in general, or racial equity in particular.

⁶¹ Some state and local jurisdictions impose additional requirements on public sector pension clients that require them, among other things, to incorporate ESG factors into their investment strategies, or to not place plan assets with investment managers viewed as unfriendly to local industries.

⁶² Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights, 87 Fed. Reg. 73822 (Dec. 1, 2022), *amending* Financial Factors in Selecting Plan Investments, 85 Fed. Reg. 72846 (Nov. 13, 2020).

⁶³ *Fifth Third Bancorp v. Dudenhoeffer*, 573 U.S. 409 (2014).

⁶⁴ Investment Duties, 29 C.F.R. § 2550.404a-1 (2016); Max M. Schanzenbach & Robert H. Sitkoff, *ESG Investing After the DOL Rule on “Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights”*, HARV. L. SCH. F. ON CORP. GOV. (Feb. 2, 2023), <https://corpgov.law.harvard.edu/2023/02/02/esg-investing-after-the-dol-rule-on-prudence-and-loyalty-in-selecting-plan-investments-and-exercising-shareholder-rights/>.

3. Observations and Recommendations

Observations

- BlackRock has taken initial steps toward achieving its goal of leveraging DEI as a differentiating topic with interested clients. It has made sharing its 2021 DEI Strategy a formal aspect of its interactions with interested clients, strengthening the firm's commitment to DEI by building the knowledge and capacity of BlackRock's client-facing teams and its clients around DEI.
- The DEI Client Engagement function has only one employee working full-time on coordinating and organizing BlackRock's interactions around DEI with clients. A more robust DEI Client Engagement function would present additional opportunities to retain and procure client business and could also demonstrate the firm's commitment to DEI and help DEI efforts become more connected to core business imperatives, in a sustainable and scalable way.
- BlackRock's progress in engaging clients around DEI initiatives faces obstacles due to varied client interest, insufficient information regarding DEI-related metrics, and certain legal, regulatory, or political constraints on some clients' investment activities.
- Historically, BlackRock has engaged some clients on DEI-related issues broadly, rather than on racial equity specifically. There may be an opportunity to share more about BlackRock's progress and commitment in this area.

Recommendations

Consistent with its commitment to respond to client interest in DEI and provided such actions are consistent with its role as a fiduciary, BlackRock could:

- Consider further developing the capacity of its DEI client engagement program by adding additional personnel to the DEI Client Engagement team; formalizing training of RMs; and improving tracking of DEI interactions outcomes, such as client goals and other quality measures.
- Use improvements in DEI engagement data to create tools to address variation in client knowledge and interest in DEI; better tailor the information it shares on DEI; and encourage RMs to be proactive with clients who may have an interest in more information on DEI.
- Develop tools and resources to communicate with clients interested in racial equity, including case studies and relevant research, consistent with applicable legal restrictions.

C. Investment Stewardship

BlackRock's Investment Stewardship team ("BIS") engages with public companies to support them in their efforts to deliver long-term financial returns on behalf of BlackRock's clients, the asset owners. BIS's engagements are focused on corporate governance and a range

of other material business issues that are intrinsic to a company's ability to create long-term value, including material workforce-related risks and opportunities. BIS has identified how companies support a diverse and engaged workforce, in the context of a company's key markets and the customers and communities they serve, as one area for engagement with companies.

1. Engagement on Board Diversity

BIS guidelines note that diversity in the boardroom is a means to promoting diversity of thought and avoiding "group think" in the board's exercise of its responsibilities to advise and oversee management.⁶⁵ In looking to understand a board's diversity, BIS considers the professional characteristics of each of its directors, including industry experience, specialist areas of expertise and geographic location; as well as the demographic characteristics of each of its directors such as gender, race/ethnicity, and age (disclosed in the aggregate, consistent with governing law).

In the 2015–2016 proxy voting season, board gender diversity became an explicit part of BIS's engagement principles and an area of interest for other institutional investors. In 2018, BIS added gender diversity factors to its U.S. Proxy Voting Guidelines.⁶⁶ The guidelines stated that BlackRock would consider a vote against directors at companies where there were fewer than two women on the board. During this time, numerous other investors also were focused on these issues and changes in government policies encouraged board diversity. Since 2018, the share of Russell 1000 firms with no female directors dropped by 50% per year, until there were no such firms left in 2021.

More recently, BIS published its first set of Voting Guidelines in the United States and the United Kingdom that make specific reference to racial diversity on boards. The 2022 guidelines, which applied to the 2021–22 proxy season, state, "We believe boards should aspire to 30% diversity of membership and encourage companies to have at least two directors on their board who identify as female and at least one who identifies as a member of an underrepresented group."⁶⁷ BlackRock is phasing in the implementation of this new voting policy, and in the 2021–22 proxy season, this policy applied to S&P 500 companies in the United States.

BIS has recognized that building diverse boards can take time and has considered that smaller companies or companies in certain sectors may face more challenges in increasing board diversity. However, BIS has also indicated that if a company has not adequately accounted for

⁶⁵ *BlackRock Investment Stewardship: Global Principles, Effective as of January 2023*, BLACKROCK, <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>.

⁶⁶ The United States Proxy Voting Guidelines are intended to summarize BIS's regional philosophy and approach to engagement and voting, as well as BlackRock's expectations of directors for United States companies.

⁶⁷ Underrepresented is defined in a footnote of the Voting Guidelines as: "Including, but not limited to, individuals who identify as Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, or Native Hawaiian or Pacific Islander; individuals who identify as LGBTQ+; individuals who identify as underrepresented based on national, Indigenous, religious, or cultural identity; individuals with disabilities; and veterans."

diversity in its board composition within a reasonable timeframe, it may vote against members of the board or governance committees for an apparent lack of commitment to board effectiveness if it believes doing so is consistent with clients' economic interests.

BlackRock's decision to focus on board racial diversity was driven, in part, by regulatory and legislative developments at the federal and state level. This included the Securities and Exchange Commission's ("SEC") August 2021 approval of Nasdaq's Board Diversity Listing Rules, which require diversity disclosures by covered companies.⁶⁸

BIS reports on Director votes based on diversity and does not distinguish between votes based on gender diversity, racial and ethnic diversity, or other diversity concerns. Between July 1, 2021 and June 30, 2022, BIS reported that:

- BIS did not support 1035 directors at 589 companies in the United States based on diversity; and
- BIS did not support at least one director based on board diversity reports at 14% of companies in the United States.⁶⁹

While BIS does not disaggregate its voting data, it is clear from the assessment team's review that any "no" votes for directors on the basis of diversity through at least June 30, 2022, were based on insufficient gender diversity. Publicly available data indicates that all of the S&P 500 companies had at least one person of color on their boards in 2022.⁷⁰

2. Engagement on Data and Disclosure

In the United States, BIS engages with companies on their material DEI data, strategies, and outcomes, encouraging enhanced disclosure where consistent with BlackRock's clients' long-term financial interests. BlackRock's Proxy Voting Guidelines state, "Where we believe a company's disclosures or practices fall short relative to the market or peers, or we are unable to ascertain the board and management's effectiveness in overseeing related risks and opportunities, we may vote against members of the appropriate committee or support relevant

⁶⁸ *Self-Regulatory Organizations: The Nasdaq Stock Market LLC; Order Approving Proposed Rule Changes, as Modified by Amendments No. 1, to Adopt Listing Rules Related to Board Diversity and to Offer Certain Listed Companies Access to a Complimentary Board Recruiting Service*, SEC, Release No. 34-92590 (Aug. 6, 2021), <https://www.sec.gov/rules/sro/nasdaq/2021/34-92590.pdf> (adopting Nasdaq listing rules that require companies, other than exempt companies, to publicly disclose annually board diversity statistics in a standardized format and to have or explain why they do not have at least two diverse directors, one of whom self-identifies as female and one of whom self-identifies as an underrepresented minority within the timeframes outlined in the rule).

⁶⁹ *BIS 2022 Voting Spotlight*, BLACKROCK (July 2022), <https://www.blackrock.com/corporate/literature/publication/2022-investment-stewardship-voting-spotlight.pdf>.

⁷⁰ *Racial and Ethnic Diversity on U.S. Corporate Boards – Progress Since 2020*, ISS INSIGHTS (July 6, 2022), <https://insights.issgovernance.com/posts/racial-and-ethnic-diversity-on-us-corporate-boards/>.

shareholder proposals.”⁷¹ When engaging with a company on DEI issues, BIS looks to understand the company’s DEI outlook, strategies, results, and ideas regarding possible areas for improvement.

BIS encourages companies to publish and publicly disclose their race and gender representation data, as captured in standard federal EEO-1 forms. Disclosure of this data facilitates BIS’s discussions with companies and helps BIS engage with each company based on unique and relevant facts and circumstances. Additionally, the EEO-1 format provides a standardized baseline against which to measure a company’s progress on DEI metrics over time and relative to peers. Companies often elect to supplement this data to provide a more complete picture of their workforce and DEI practices.

BIS tracks its engagements, but does not specifically track engagements related to DEI. BIS reported that between January 1, 2022 and December 31, 2022:

- It had 3,045 engagements with 2,174 companies addressing board governance, performance, composition, and succession planning; and
- It had 509 engagements with 402 U.S.-based companies in the category of “company impacts on people.”

3. Review of DEI-Related Shareholder Proposals

A third BIS activity relating to DEI is its evaluation of and voting on shareholder proposals. BIS seeks to make voting decisions on proposals as a fiduciary acting in clients’ long-term financial interests, and has developed a process to evaluate proposals.⁷² BIS uses a formal policy framework that applies factors on a case-by-case basis to determine if a DEI-related proposal is in the best long-term economic interest of that company’s shareholders. Based on this evaluation, BIS will either vote for or against the proposal.

BlackRock has introduced Voting Choice, an initiative launched in 2022 that provides institutional investors in eligible funds and accounts more input into the proxy voting process by allowing them to select a proxy voting policy to apply to shareholder votes reflecting an investor’s proportionate interest in certain pooled funds holding those shares. The program allows eligible institutional investors to give input across a range of issues, including on proposals related to environmental and social issues. Voting Choice is currently open to investors representing \$1.8 trillion of the \$3.8 trillion invested in BlackRock equity index funds.⁷³ The majority of BlackRock’s clients continue to rely on BIS to engage and vote on their

⁷¹ *BIS Proxy Voting Guidelines for United States Securities*, BLACKROCK (Jan. 2023), <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf>.

⁷² *Id.*; *BlackRock Investment Stewardship: Global Principles, Effective as of January 2023*, BLACKROCK (Jan. 2023), <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>.

⁷³ Andrew R. Sorkin et al., *BlackRock Sees a ‘Revolution’ Coming in Corporate Governance*, N.Y. TIMES (Nov. 3, 2022), <https://www.nytimes.com/2022/11/03/business/dealbook/blackrock-investors-esg-corporate-governance.html>.

behalf, in accordance with the BIS framework. BlackRock estimated that by the end of September 2022, clients accounting for \$452 billion in assets had opted to use Voting Choice to express their voting preferences.⁷⁴

BIS evaluates shareholder proposals based on a framework and set of global principles.⁷⁵ The initial analysis, conducted by the BIS analyst assigned to a particular company, starts with an evaluation of the shareholder proposal to determine if the proposal is accurate, not overly prescriptive, and relevant. Next, BIS compares the proposal to the actions the corporation is currently undertaking, planning to undertake, or has previously undertaken to discern what, if any, additional benefit could be derived from implementation of the proposal. Ultimately, BIS is guided in its voting decisions by whether the proposal is on an issue that is material to advancing long-term value, presents the issue in language that is fair and balanced, and has the potential to provide additional benefits to shareholders beyond actions the company is already taking.

Under this framework, BIS will not support a shareholder proposal that micromanages the subject company's management team; commands a course of action that is duplicative or redundant in light of the corporation's existing actions and/or disclosures; or is not, on BIS's assessment, aligned with long-term shareholders' financial interests, because voting in favor of such proposals would not align with BlackRock's view of its duties as a fiduciary.

BIS takes a case-by-case approach to shareholder proposals related to social issues, as evidenced by its voting publications. BIS collects and publishes data on its votes, and in certain instances, publishes vote bulletins to explain them. In 2022, BIS published three vote bulletins specifically addressing proposals for racial equity or civil rights assessments at McDonald's, Alphabet, and Chevron.⁷⁶

⁷⁴ *Id.*

⁷⁵ *BlackRock Investment Stewardship: Global Principles, Effective as of January 2023*, BLACKROCK (Jan. 2023), <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>.

⁷⁶ *BlackRock Vote Bulletins for Chevron Corp.*, BLACKROCK (May 2022), <https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-chevron-may-2022.pdf>; *BlackRock Vote Bulletins for Alphabet, Inc.*, BLACKROCK (June 2022), <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-alphabet-jun-2022.pdf>; *BlackRock Vote Bulletins for McDonald's Corp.*, BLACKROCK (May 2022), <https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-mcdonalds-may-2022.pdf>.

The assessment team reviewed votes on shareholder proposals based on existing categories used by Institutional Shareholder Services (ISS) to track publicly filed shareholder proposals. As noted in the table below, during the 2021 and 2022 proxy years,⁷⁷ most of BlackRock's "for" votes on proposals that involve social issues, as defined by BIS,⁷⁸ related to DEI and/or racial equity. After reviewing all categories, the assessment team grouped ISS categories of board diversity, gender pay gap, racial equity audits, labor issues (discrimination and miscellaneous), EEO reports, and workplace sexual harassment as "DEI/Racial Equity-Related Proposals." BlackRock voted in favor of 22 out of 37 proposals that the assessment team categorized as related to racial equity assessments and/or civil rights audits over this two year period. This included six of the seven proposals from 2020–21 involving companies in the financial industry. Over this two-year period, BlackRock also voted in favor of almost all proposals related to EEO reporting.

	Number of Overall Votes Cast by BlackRock	BIS "For" Votes
2021 Proxy Year (July 1, 2020–June 30, 2021)		
All Proposals Involving Social Issues	75	27
<i>DEI/Racial Equity-Related Proposals</i> ⁷⁹	34	23
Proposals to Conduct Racial Equity Assessments	11 ⁸⁰	8
Proposals to Report on EEO ⁸¹	11	10
2022 Proxy Year (July 1, 2021–June 30, 2022)		
All Proposals Involving Social Issues	178	35
<i>DEI/Racial Equity-Related Proposals</i>	64	27
Proposals to Conduct Racial Equity Assessments ⁸²	26	14
Proposals to Report on EEO	8	6

⁷⁷ BlackRock uses the term "proxy year" to refer to the period during which shareholder proposals are submitted for consideration and voted upon at companies' annual meetings. The 2021 proxy year refers to the period between July 1, 2020 and June 30, 2021. The 2022 proxy year refers to the period between July 1, 2021 and June 30, 2022.

⁷⁸ BIS defines "social issue" proposals as those involving ISS categories related to: board diversity; animal testing and welfare; charitable contributions; gender pay gap; income inequality; labor issues; weapons; and workplace sexual harassment.

4. Observations and Recommendations

Observations

- BIS is taking steps to understand workforce and leadership diversity in the companies in which BlackRock invests, when it believes that to be in line with its fiduciary duties to act in the best interests of its clients. In developing its voting and engagement policies, BIS considers that firm-level DEI practices may be material to long-term shareholder value, and it has acted, through engagement and voting, consistent with that view.
- BIS is a well-established program with a publicly-available written policy framework to guide decisions, internally delineated roles and responsibilities, transparency, and formal structures for data tracking and reporting that improves its ability to support sound corporate governance on its clients' behalf and to support the long-term economic interests of its clients.
- BIS has found that companies that consider material sustainability-related risks and opportunities in their business models are better-positioned to deliver long-term value⁸³ and has recognized the financial impact DEI issues may have on a company, and has a strong multi-year historical record on engagement around board gender diversity that predates the 2021 DEI Strategy. It also has recently revised its policies to specifically account for racial equity and diversity where it can be material. It has chosen to engage on this topic due to its belief in positive correlations between board diversity and more resilient decision-making and long-term shareholder value.
- Further refinement of BIS's internal policies and structures as they relate to DEI would allow BIS to deepen its understanding of the relationship between racial equity and long-

⁷⁹ As noted above, this category includes votes in ISS categories related to board diversity, gender pay gap, racial equity audits, labor issues (discrimination and miscellaneous), EEO reports, and workplace sexual harassment.

⁸⁰ Prior to March 2022, ISS did not utilize a separate category for racial equity audits. The votes categorized by the assessment team as related to racial equity audits (including proposals with titles that included a reference to a civil rights audit, or referenced a report on racial equity, racial justice or racism in corporate culture) were votes in the 2021 proxy year related to proposals to Abbott Laboratories (for), Amazon (for); the Bank of America Corporation (for), Citigroup Inc. (for), Goldman Sachs Group (for), Intel Corporation (against), Johnson & Johnson (for), JP Morgan Chase & Co. (for), PayPal Holdings (against), State Street Corporation (for), and Wells Fargo & Company (against).

⁸¹ This category is defined by ISS as proposals for companies to voluntarily disclose EEO-1 data, or workforce demographic data which the United States Equal Opportunity Employment Commission (EEOC) collects from private sector companies in the United States.

⁸² The total for 2022 includes the 24 proposals formally categorized by ISS as "Racial Equity and/or Civil Rights Audit," and the two proposals in the 2022 proxy year prior to March 2022 with titles that included a civil rights audit, or referenced a report on racial equity, racial justice, or racism in corporate culture, which were FedEx Corporation (against) and Oracle Corporation (for).

⁸³ *BlackRock Investment Stewardship*, BLACKROCK, <https://www.blackrock.com/corporate/about-us/investment-stewardship>.

term shareholder value. Some limitations in BIS's reporting and data collection hinder BlackRock's ability to fully capture DEI engagements, related voting decisions, and the steps companies take, in response to shareholder engagement or voting, to address material risks arising from their approach to the racial equity impacts inherent in their business models. BIS does not have a formal process to break out voting specifically related to board racial diversity, or diversity on any other basis, from voting related to board diversity in the aggregate.

- While BIS's publications make clear that it takes a case-by-case approach to shareholder proposals and makes voting decisions based on clients' long-term economic interests, the rationales for different outcomes on similar proposals could be made more transparent to external stakeholders. This could reduce the risk of perceived variation in the firm's voting decisions across proposals that may appear similar to external stakeholders.

Recommendations

To further the work BlackRock's Investment Stewardship team does around material workforce and leadership diversity issues in support of its clients' long-term financial interests, BlackRock could:

- Further elevate racial equity as an engagement topic with public companies, where appropriate, and strengthen consistency and transparency around this engagement by continuing to:
 - Refine its voting and engagement data to provide greater insight and transparency on how BlackRock votes on DEI/racial equity issues, including by disaggregating board diversity voting data on the basis of race; and
 - Advocate for disclosures in addition to EEO-1 data, including disclosure of additional standardized DEI metrics, where material and in its clients' economic interests, such as leadership diversity at all levels of an organization and pay equity measures.
- Formalize the methodology for analyzing social impact proposals to tailor the application of BIS principles to the subject matter. In addition, identify opportunities to provide more explanations of vote rationales—through voting bulletins and/or a public guidance document—specifically related to voting on racial equity assessments. Given the significant stakeholder interest in this area, this also could provide greater transparency regarding BlackRock's voting decisions.

D. DEI-Related Products and Investing

As noted above, BlackRock's 2021 DEI Strategy contains two goals regarding DEI-related products:⁸⁴ to develop products, for clients who choose them, focused on racial equity, social justice, and gender equality; and to accelerate positive economic outcomes by investing in minority-owned companies and undercapitalized communities. In doing so, BlackRock is responding to interest by some clients whose investment objectives include achieving impact outcomes in addition to financial return.

Currently, there are limited options for DEI-related products across the industry. Data challenges related to material DEI metrics as well as client hesitancy have been cited as explanations for these limited product offerings. In this context, there are fewer opportunities to leverage DEI metrics in investment strategies, and most of the existing opportunities are focused on gender diversity. Since 2020, BlackRock has focused on identifying ways to leverage social impact criteria, including racial equity measures. BlackRock has made clear its commitment to offering clients choice in achieving their investment objectives, including the ability to invest assets in a manner that seeks to promote DEI, if they choose to, in the context of these challenges and opportunities.

Within this space, BlackRock offers interested clients two high-level approaches, providing a range of choices for these clients to advance their investment objectives:

- Products focused on investing in companies or assets with positive DEI characteristics; and
- Products focused on investing or directing capital to companies or assets in order to advance a societal outcome, such as investing in undercapitalized demographics (some of which are “impact” solutions).

BlackRock has reported that its investment approach is rooted in its fiduciary duties to its clients and is informed by three principles: understanding the client's investment objectives; seeking the best risk-adjusted returns within the scope of its client-driven mandate; and underpinning its work with research, data, and analytics. BlackRock applies that same approach to sustainable investing. The investment options available to clients vary based on the types of assets a client might choose to invest in—publicly traded companies, real assets, credit, bonds, or alternative investments—along with whether a strategy is actively managed or uses an index approach. Index funds, where BlackRock invests the majority of its clients' money, seek to track the returns of a specific market index (for example, the S&P 500), composed of a wide range of individual companies. As explained below, the difficulties in finding and applying data related to material DEI metrics apply to greater and lesser degrees across these different types of assets.

1. Industry-Wide Challenges to DEI Investing

BlackRock, like other large asset managers, leverages large data sets from third-party raters such as Morningstar and MSCI to help assess environmental, social, and governance (“ESG”) factors in making investment decisions in actively managed products. There are significant challenges in obtaining and applying existing data on DEI and racial equity factors.

⁸⁴ BlackRock previously used the term “S products” to refer to the products described in this section.

For example, third-party raters look at risk factors that do not typically include measures related to DEI; research is still emerging on how to quantify the effect of DEI factors on long-term financial performance; and existing funds and products based on DEI measures are quite limited. To the extent there is data being utilized by BlackRock and others related to DEI, it is most often focused on diversity, such as board diversity metrics. BlackRock provides public disclosure on the characteristics of index portfolios. Because DEI data is less developed than other sustainability data, measuring the DEI-related characteristics of index funds is more difficult.

Impact investing provides clients with opportunities to choose products with a commitment to generate positive, measurable, and additional sustainability outcomes. Impact investing can present research challenges, but also opportunities for innovation. DEI-related metrics are typically based on firm-level measures like board and workforce diversity data, or risks related to bias or human rights, harassment, and labor practices, whereas metrics for impact are often also based on economic, geographic, and social data at a local level (like student achievement gaps or unemployment rates). In some cases, existing large-scale public data sets can be used as tools to help predict and evaluate social impact, but there still may be gaps, particularly with respect to measures of racial disparity.⁸⁵

2. Products and Research Focused on DEI

BlackRock's first goal within this focus area—developing products, for clients who choose them, focused on racial equity, social justice, and gender equality—aligns most closely with the set of DEI-related products that invest in companies that exhibit positive DEI characteristics. BlackRock does not offer any such products in the United States.⁸⁶ BlackRock is currently developing two DEI-related equities products, including one that is targeted at the United States.⁸⁷

As part of developing new products and strategies to help meet its clients' objectives, BlackRock conducts research related to DEI and racial equity measures. Below are some examples of DEI-focused research at BlackRock:

⁸⁵ For example, when the Municipal Bonds team was evaluating racial equity metrics, some of the measures were not consistently available across locations. The BlackRock Impact Mortgage Fund product discussed in Section V.D.4.b cannot directly measure racial equity due to data privacy limitations for mortgages guaranteed by government entities.

⁸⁶ BlackRock has several iShares products (collections of exchange-traded funds) available outside the United States that invest in companies with strong records on gender equity and human rights.

⁸⁷ The other DEI-related product in development is an EMEA-focused fund.

Team	DEI Research Focus
Sustainable Investing Research	The Sustainable Investing Research team focuses on the link between sustainability and financial materiality. Its research and testing on social and DEI key performance indicators (“KPIs”) produce insights that are considered in investment processes and decisions, and form the basis of some of the products that BlackRock develops. ⁸⁸
Multi-Asset Strategies and Solutions (“MASS”)	In the summer of 2020, a team within MASS initiated efforts to compile data of KPIs for racial equity along two dimensions, economic equality, and justice. This research culminated in an academic paper, ⁸⁹ and certain of the KPIs were used by a team in Municipal Bonds to help build out a social impact framework discussed below.
Systematic Active Equities (“SAE”)	For over ten years, SAE has conducted targeted research to identify factors that can be specifically tied to increased financial returns, and, based on client choice, applying that research to client portfolios. Examples of S-related research the SAE team is working on include measures of the positive impacts of racial and gender diversity on boards, and the effects of veteran hiring on firm financial performance.

Other teams at BlackRock also incorporate DEI and sustainability research into products that have a specific investment objective to advance their clients’ goals related to impact investing, as discussed in the following section. While research at BlackRock is often highly structured, involving formal peer reviews and set protocols, exact procedures vary across teams. Research topics also may develop organically based on the interests of particular individuals and clients.

The MASS and SAE research was showcased, along with similar efforts, at BlackRock’s inaugural DEI Research Symposium in December 2021, which brought together key figures within the firm that are engaged in DEI-related research. The symposium included presentations on topics such as stewardship insights related to DEI and the relationship between DEI and financial performance.

3. Additional Resources for ESG Research and Integration

BlackRock teams can access material ESG data through Aladdin® Research, a sub-component of Aladdin®, BlackRock’s proprietary analytics and data software. Aladdin® Research contains data from five unique sustainability and third-party data providers, in addition to portfolio managers and investment research teams. BlackRock has been building

⁸⁸ BlackRock announced in October 2022 that in 2023, the Sustainable Investing team would be rebranded as the Sustainable Transitions Solutions unit. The Sustainable Investing Research team will join BlackRock Investment Institute (BII) and be re-branded as the Sustainable Investment Research and Analytics team.

⁸⁹ Andre Bertolotti et al., *On the Basis of Race—A Framework for Measuring Racial Equity and Implications for Investment Analysis*, SEMANTIC SCHOLAR (Dec. 14, 2021), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3977086.

out this resource with data related to climate, but in light of limited data coverage and inconsistency across sectors, the efforts to analyze and integrate social impact measures are at a more preliminary stage.

BlackRock also considers financially material ESG data in its investment processes through its ESG integration efforts. BlackRock defines ESG integration as the practice of incorporating financially material ESG data or information into its firmwide processes with the objective of enhancing risk-adjusted returns of its clients' portfolios. BlackRock's consideration of financially material data or information applies regardless of whether a fund or strategy has a sustainability or ESG-specific objective and "as with other investment risks and opportunities, the financial materiality of ESG considerations may vary by issuer, sector, product, mandate, and time horizon."⁹⁰ BlackRock "has a framework for ESG integration that permits a diversity of approaches across different investment teams, strategies, and particularly client mandates."⁹¹ Active portfolio managers also are accountable for managing exposure to material ESG risks; and investment teams are expected to provide evidence of how they consider financially material ESG data or information in their investment processes. BlackRock's current ESG integration efforts tilt more heavily toward consideration of "E," due to more limited "S" data sources, but there are ongoing plans to consider more potentially material "S" factors as the availability and reliability of data sources and insights increase.

4. Products Focused on DEI Outcomes and Other Impacts

BlackRock's second goal within this focus area—to offer clients the ability to choose investment strategies that accelerate economic outcomes by investing in minority-owned companies and undercapitalized communities—aligns most closely with the set of products, for clients who choose them, that are focused on advancing social outcomes. Those funds are categorized as impact funds, which meet BlackRock criteria for impact investing. BlackRock reports that it defines impact investing as investing, for clients who make this choice, with a commitment to generating positive, measurable, and additional sustainability outcomes. BlackRock's structure for impact investing includes a defined company framework and concepts based on work by leading industry stakeholders, including the Global Impact Investing Network ("GIIN") and the Impact Management Project ("IMP"). BlackRock is a signatory to the International Finance Corporation ("IFC")/GIIN Principles of Impact Management, as reflected in its own documented Operating Principles of Impact Management. Key factors for impact investing at BlackRock under this framework include whether the beneficiary is an underserved population; the impact of the investment; whether the investment addresses a specific need that is unlikely to be met by other actors; how much of an impact the investment has in terms of scale and depth; and the risk presented by the investment.⁹² All impact investments must also satisfy traditional criteria of return on assets. An internal working group provides support for research and opportunities for collaboration.

⁹⁰ *ESG Integration*, BLACKROCK, <https://www.blackrock.com/institutions/en-us/solutions/sustainable-investing/esg-integration>.

⁹¹ *Id.*

⁹² *Operating for Impact Principles Management*, BLACKROCK (Jan. 2023), <https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/2022-operating-principles-impact-management-disclosures.pdf>.

The BlackRock Impact Opportunities (“BIO”) Fund is BlackRock’s flagship example of product development within this space, but BlackRock has other initiatives that reflect this goal and that place a priority on using investment opportunities to address racial inequity.

a. The BIO Fund

The BIO Fund, launched in 2021 by BlackRock Alternatives, is a privately-offered fund with an investment objective of accelerating positive economic outcomes and creating collective wealth for BlackRock clients and undercapitalized racial and ethnic groups, with a particular focus on Black, Latinx, and Native American communities in the United States. The BIO Fund makes investments in alternative asset classes, such as private equity, private credit, real estate, and other niche private markets. The six themes that guide its investments are housing, financial inclusion, education, healthcare, digital connectivity, and inclusive transition. The BIO Fund also considers investments outside of these themes. The BIO Fund seeks investment opportunities that have historically been overlooked or undercapitalized. To be considered as an investment target, a company must be led, largely managed by, or largely owned by individuals from communities of color (principally Black, Latinx, or Native American) or serve communities of color.⁹³ By having the ability to invest flexibly across the private markets, the BIO Fund seeks to capitalize on such overlooked opportunities. The BIO Fund also has a diverse leadership team, with varied finance and investment backgrounds and a range of additional relevant personal and professional experiences. The team is led by individuals with ties to the communities in which the BIO Fund seeks investment opportunities.

The BIO Fund is a first of its kind racial equity fund for BlackRock, and operates with a dual mandate that all investments meet both documented financial and impact performance metrics. The BIO Fund also follows the firm’s Impact Management Principles’ five dimensions for impact investing. The BIO Fund outlines the potential positive improvements for communities of color for each investment during the due diligence period, such as increased employment, access to credit, improved health, and economic growth, and then commits to report back on progress to investors through an annual impact report.

BlackRock offers the BIO Fund to institutions and high-net worth individuals. In May 2022, BlackRock reported that the BIO Fund had closed and notified commitments of more than \$880 million of its \$1 billion target fundraise. Thus far, the BIO Fund has completed seven publicly reported investments:

- *Tricolor, September 2021*: A financial technology company with a majority-diverse employee base that leverages proprietary AI-powered technology to sell and provide financing for high quality, affordable used vehicles to underserved Hispanic customers.
- *Arboretum, February 2022*: Partnership with BRP Companies, a Black-owned and operated real estate firm with a majority-diverse employee base, to invest in Arboretum, a to-be-built, 292-unit, garden-style rental community located in Farmingville, New York, a multi-family rental constrained market on Long Island.

⁹³ *BlackRock Operating Principles for Impact Management*, BLACKROCK (Mar. 2021), <https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/operating-principles-impact-management-disclosures.pdf>.

- *Retro Fitness, May 2022*: Partnership with Eastwood Capital Partners, a Black-owned sponsor, and Retro Fitness to invest in the development of up to 70 fitness franchises in the Dallas, Houston, and Southeast Florida areas. The investment seeks to increase ownership of people of color in fitness centers while also making affordable exercise, health, and fitness more accessible to communities of color to help address disparities in social determinants of health.
- *The Harvest at Marmalade, May 2022*: Partnership with Cadre, a leading diverse-founded and led real estate investment platform, and Ethos Real Estate, a minority-led real estate operator, to acquire The Harvest at Marmalade, a 252--unit multifamily asset Cadre acquired in downtown Salt Lake City, Utah.
- *Synergy, July 2022*: Partnership with Avance, a Latino-owned and led private equity firm that invests in founder-owned, middle-market businesses in the services sector, to invest in Synergy Infrastructure, a leading Latino-owned and led service and equipment provider headquartered in Tampa, Florida.
- *Acelero, October 2022*: BlackRock and the Builders Fund co-led a strategic investment in Acelero, an early education provider, to help it expand its mission to dismantle inequities in early childhood education.⁹⁴
- *MACRO, December 2022*: At the end of 2022, BIO closed its first media investment and its largest transaction to date. MACRO is an award winning, multi-platform media company that represents the perspectives of people of color primarily through the development, production, and financing of premium film & television content.

Investments in the BIO Fund have demonstrated the demand for impact-focused products centered on racial equity among certain clients, including foundations, family offices, insurers, and corporate balance sheets.⁹⁵ Many of the BIO Fund's investors are new to BlackRock. The formation of the BIO Fund also demonstrated how BlackRock was able to mobilize resources around a new product that was responsive to certain of its clients' investment objectives.

Some clients have not been interested in the BIO Fund because it does not fit their investment profile; many of these clients are reluctant to invest in a first-time fund, and some may prefer an investment strategy that does not focus on social impact or DEI. Further, BlackRock has noted that while funds that invest exclusively in private market opportunities, such as the BIO Fund, dominate impact investing strategies, the "structure of private investing

⁹⁴ *Acelero, Inc. to Expand Its Impact in Early Childhood Education with Investment Led By The BlackRock Impact Opportunities Fund and The Builders Fund*, BUSINESS WIRE (Oct. 4, 2022), <https://www.businesswire.com/news/home/20221004005397/en/Acelero-Inc.-to-Expand-its-Impact-in-Early-Childhood-Education-with-Investment-led-by-the-BlackRock-Impact-Opportunities-Fund-and-The-Builders-Fund>.

⁹⁵ *BlackRock Impact Opportunities Fund*, BLACKROCK, <https://www.blackrock.com/us/individual/investment-ideas/alternative-investments/blackrock-impact-opportunities-fund>.

has prohibitive characteristics, including limited scalability and limited access to such investments for most investors” when compared to public market investing.⁹⁶

b. Other Impact Products Related to Racial Equity

In addition to the BIO Fund, BlackRock has other impact investing strategies and products whose investment strategy has the potential to create a positive racial equity impact, for clients who choose to invest in them. The below table provides a summary of these products and strategies:

Product Name	Description
BlackRock Impact Municipal Fund	This is a recently launched fixed income fund that invests in municipal bonds, the proceeds of which are focused on education, healthcare, housing, transportation, and utilities. The fund employs a framework that applies a set of metrics to score municipal bond investments across six dimensions (community, employment, housing, justice, mental and physical health, and racial equity), and prioritizes those investments that present high social opportunities—including the opportunity to reduce inequality or address areas of greater need, along with satisfying fundamentals. The framework also uses some of the county-level racial equity KPIs developed by MASS. This is a newly launched fund that expects to report to investors on impact and financial performance going forward.
BlackRock Impact Mortgage Fund	This is a fixed income fund that invests in government-issued mortgage-backed securities that help to facilitate equal access to credit, target historically underserved populations, or support the growth of affordable and sustainable housing units. While the team cannot directly measure the racial equity impacts of investments because of strong privacy restrictions that limit demographic data on borrowers, it has considered data on generational wealth and historical practices of racial exclusion in housing when developing criteria for its investments, and expects to report periodically on the number of low-income borrowers, amount of down payment assistance, and other metrics that may serve as indirect proxies for measures of racial equity impacts.
BlackRock Liquid Federal Trust Fund	This is a cash, government money-market fund that seeks to leverage diverse broker-dealers, and which currently contributes 5% annually from its management fee to the Thurgood Marshall College Fund to support students at HBCUs. It is not categorized as an impact fund.

⁹⁶ Quyen Tran & Eric Rice, *Invest with Impact: The Case for Impact Investing in Public Equities*, BLACKROCK (Jan. 10, 2022), <https://www.blackrock.com/us/individual/insights/public-equities-impact-investing>.

5. Observations and Recommendations

Observations

- BlackRock has made progress in developing products for clients that choose to have an investment strategy that considers social impact. BlackRock has developed products that accelerate economic outcomes for undercapitalized communities by investing in minority-owned companies and projects, or companies and projects that serve undercapitalized communities. These products may provide BlackRock with opportunities for innovation and differentiation.
- BlackRock's most notable innovation in this area has been the BIO Fund, which features the most advanced work at BlackRock related to evaluating racial equity impacts identified during this assessment. The BIO Fund requires both financial and impact underwriting, meaning that clients' investments are supported by an evaluation of financial performance metrics and social impacts. Because the BIO Fund is a new product, and it is just beginning to make investments, it is too soon to determine its full impact. This is also the case for BlackRock's other nascent impact products.
- The framework of documenting impact, when clients choose products with specific goals, is reflected in other areas of impact investing which show a range of approaches to racial equity impact. The BIO Fund has an explicit and measurable racial equity impact framework and focus. The BlackRock Impact Municipal Fund incorporates consideration of racial equity metrics along with other social impact measures. The BlackRock Impact Mortgage Fund targets support to borrowers in areas like foreclosure forbearance or high need rural areas, which are relevant to historical racial wealth inequality, but it does not have a directly measurable racial equity impact. The BlackRock Liquid Federal Trust Fund, while not an impact fund, provides funding and business opportunities related to racial equity, which can be directly quantified. BlackRock does not currently have a methodology for quantifying potential secondary and multiplier effects, such as job creation and economic growth, for these investments.
- There will be opportunities to build on the lessons learned from the BIO Fund in a way that helps to expand BlackRock's impact offerings. BlackRock's existing engagement with companies through its investments in the private markets, including through the BIO Fund, provides opportunities to collect more DEI-related data, which could help address some of the limitations on data available at the firm level.
- BlackRock's current efforts around the development of social impact products are largely individualized. DEI-related efforts are organically driven and dependent on the efforts of certain change agents within the firm.
- While the conversation around which material social impact metrics to consider is still evolving as data becomes more available, BlackRock can further develop social impact metrics that are related to traditional return on asset analyses.
- Due to challenges around social impact and DEI data (availability of data, research around materiality, and difficulties in measuring specific DEI outcomes) and varied

client interest, it is difficult to develop social impact products in the area of public funds—which constitute a majority of BlackRock’s AUM.

- BlackRock’s ability to develop new social impact products is impacted by data limitations and by siloed research efforts and limited information sharing on this topic across the firm.

Recommendations

Consistent with its objective to develop opportunities for clients to choose investment products with specific social impact goals, BlackRock could consider:

- Increasing its focus on developing DEI-related impact investing choices for clients using lessons learned from the BIO Fund and other impact investments, to provide clients more choices to advance social impact goals in investing. These investment choices could include those with broader external impact, such as investing in companies led by diverse managers, or increasing investment in housing and schools.
- Formalizing its goals and structures around social impact products and expanding its research focus on DEI and racial equity. Where appropriate, BlackRock could use information derived from its engagement with companies through private equity investments to expand the availability of DEI data for investment strategies and facilitate data sharing and firmwide collaboration.

In addition, BlackRock could consider making a firm commitment to develop more consistent and reliable data on DEI and other racial equity metrics. This could include considering how BlackRock could be a leader in applying its experience with “E”/climate work to the intersection of “E” and “S.”

E. External Business Relationships

As part of Pillar 2, BlackRock has also focused on “integrat[ing] a DEI perspective into [its] . . . product, supplier [, and] vendor management” efforts. To achieve this objective, BlackRock has committed to “increasing [its] partnerships with minority-owned business enterprises that support [its] client investment activities, including minority brokers for trading, external managers in [its] solutions and . . . funds businesses, and third-party vendors across the rest of the firm.” This entails both building relationships and increasing spend with minority business enterprises. This work has largely been carried out through BlackRock’s Diverse Broker Program (“DBP”), Diverse Manager Program (“DMP”), and Supplier Diversity Initiative (“SDI”). These efforts focus on expanding the firm’s relationships with businesses owned by people of color, women, and service veterans, and are not solely focused on racial equity.

1. Diverse Broker Program

Minority- and women-owned asset management and brokerage firms have historically faced long-standing barriers to access in the asset management industry.⁹⁷ Recognizing these barriers, some institutional investors have undertaken efforts to increase opportunities for minority-, women-, and veteran-owned firms. For example, one state pension fund client sets minimum expectations for use of “minority-owned brokers/dealers” by its asset managers.⁹⁸ Other state pension funds strive for greater transparency in utilization of diverse brokers by mandating that their investment managers annually report their use of diverse brokers.⁹⁹ BlackRock has participated in some of these efforts, and maintains its own efforts to increase, when possible, the use of diverse brokerage firms.

At BlackRock, the Global Trading Group (“GTG”) has maintained the DBP for over ten years. The DBP aims to increase “connectivity and engagement with minority-, women-, disabled- and veteran-owned firms . . . while helping them break barriers to entry and grow their businesses.”¹⁰⁰ BlackRock seeks to help these firms “become stronger liquidity providers for BlackRock and the broader marketplace.”

All diverse brokers included in the DBP must be classified as “diverse” and undergo an independent due diligence and counterparty credit review process by BlackRock’s Counterparty RQA team. The DBP classifies firms as “diverse” if greater than “50% of the ownership interest of the firm is held by minority persons, women, and/or qualified service-disabled veterans.” To obtain the “diverse” classification, most brokers must apply for diversity certifications at the city, state, or federal level, which they then provide to BlackRock on an annual basis. BlackRock selects diverse brokers for inclusion in the DBP on the basis of the firm’s range of brokerage services; its capital strength and stability; and, its execution, clearing and settlement

⁹⁷ In a 2021 Knight Foundation study, minority-owned firms represented just 1.4% of United States based assets under management. *Knight Diversity of Asset Managers Research Series*, KNIGHT FOUNDATION, <https://knightfoundation.org/topics/diverse-asset-managers>. A Morgan Stanley study found that a majority (56%) of asset owners believe that they must choose between diversity and financial gain in their investment decisions. *Pension Funds Lead the Way in Prioritizing Diversity in Investing*, MORGAN STANLEY (Oct. 20, 2021), <https://www.morganstanley.com/articles/pension-fund-investment-prioritize-diversity>.

⁹⁸ In 2018, an Illinois State Board of Investment (ISBI) RFP asked firms to describe their experience trading with MWDBE brokerage firms and to identify the percentage of domestic and international equity and fixed income (by commission amount paid/by par value) traded with MWDBE brokerage firms. In 2022, ISBI’s questionnaire also sought the percentage of proposed product’s trades completed with MWDBE brokerage firms (by commission amount paid). Under its policy, ISBI strongly encourages its investment advisors to directly utilize minority-owned broker/dealers. In addition, ISBI monitors its investment advisors’ compliance, and has mechanisms to impose remedies on advisors that do not comply with its MWDBE broker policies.

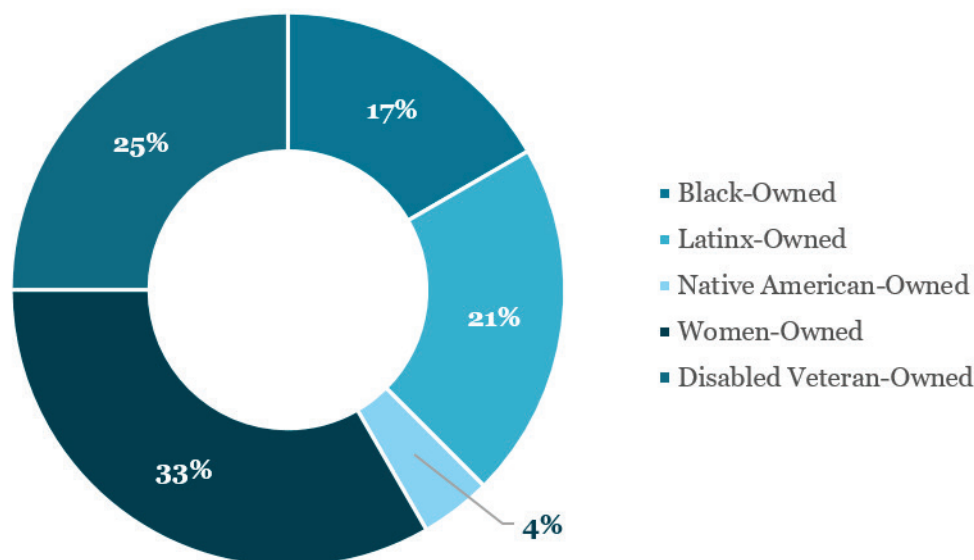
⁹⁹ *A Report to the Ohio Retirement Study Council*, OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (Sept. 2013), <https://www.orsc.org/Assets/Reports/700.pdf>.

¹⁰⁰ 2021 DEI Annual Report at 54.

capabilities, subject to the RQA review process. There is no annual minimum utilization goal or requirement for a brokerage firm to remain on the list.¹⁰¹

As of December 2022, the DBP included 23 firms, each of which had undergone a review process and had been approved for cash market trading with BlackRock. Of these firms, according to BlackRock's data, 14 identified as woman- or disabled veteran-owned, but did not indicate ownership by people of color. Ten firms were owned by people of color; one of these firms was also woman-owned.¹⁰²

Demographics of DBP Firms



BlackRock encourages traders to execute trades with DBP participants by focusing on increasing engagement and activity with diverse brokers, when consistent with BlackRock's fiduciary duties and best execution requirements. For equities trading specifically, the diverse broker utilization goal is 5%. One way BlackRock encourages the use of DBP firms is by sharing information about the trading capacity and expertise of these firms with BlackRock's trading desks.

BlackRock also works to develop opportunities for DBP firms that fit each firm's size and capabilities, including by providing customized roadmaps and opportunities to engage with BlackRock portfolio managers and traders; providing guidance on the use of trading platforms and the development of diverse brokers' e-trading capabilities; helping establish key commercial and risk parameters for trading activities across asset classes; engaging with diverse brokers to

¹⁰¹ A firm can still remain on the list of DBP brokers even in the absence of trading activity, as activity with diverse brokers can ebb and flow based on individual firm capabilities and market conditions. BlackRock provided several other reasons for a lack of trading activity with a given DBP firm: for example, engagement does not always translate to trading activity, and further, once a firm is officially approved, onboarding, setting up connectivity between firms, and developing desk-level relationships can all take time.

¹⁰² One firm has been counted twice as it identifies as both woman-owned and African American-owned.

explore ways to trade new products and asset classes; and engaging with diverse brokers on primary market opportunities in both public and private markets.

Representatives of the DBP firms appreciated that BlackRock provided substantive, direct, and open access to senior leadership. They noted that their relationships with BlackRock have had positive impacts on their businesses. One broker noted that while “the impetus is on [the diverse broker] to develop the relationship” and “add value,” “if you can do that, you get a lot of transactions with them.”

BlackRock has tracked its trading volume with DBP firms since at least 2014. In 2021, BlackRock traded \$349 billion¹⁰³ in total notional trading volume with DBP firms. In 2022, its total notional trading volume with DBP firms grew to \$407 billion.¹⁰⁴ From 2014–21, the total compounded annual growth rate for DBP trades by notional volume was 40% in equities and 35% in fixed income.

2. Diverse Manager Program

BlackRock’s DMP is an effort to advance the firm’s partnerships with diverse asset managers. The program originated as a list of third-party minority-, woman-, and veteran-owned managers to which BlackRock had already previously allocated assets.¹⁰⁵ The program was formally launched in 2021, and its scope, resources, and capacity are all in the early stages of development. BlackRock reports that the DMP’s purpose is to engage POC-, woman-, and veteran-owned asset management firms to deliver competitive returns and advance economic outcomes.

At the firm level, in defining what constitutes a “diverse manager,” BlackRock has adopted the Minority, Women, and Disadvantaged Business Enterprise (“MWDBE”) guidelines, which encompass entities that are at least 50% owned by one or more minority group members and entities whose’ portfolio management teams are made up of at least 50% woman or minority individuals. BlackRock also considers and tracks allocations to “partially-owned” firms, or companies that designate themselves as minority-, women-, disadvantaged-, or veteran-owned businesses with more than 25% and less than 50% of the ownership or control held by one or more minority, women, or veteran individuals. Ownership is the primary criterion for participation in the program, but BlackRock also considers and tracks additional metrics for determining participation in the program, including leadership, risk-taking positions, and overall firm policies. However, the four BlackRock departments—MASS, BlackRock Infrastructure Solutions, BlackRock Alternative Advisors, and Private Equity

¹⁰³ BlackRock reports that of the \$349 billion in trades in 2021 with DBP firms, \$150 billion were cash and Treasury Bills, \$32 billion were fixed income, and \$168 billion were equities.

¹⁰⁴ BlackRock reports that the number of DBP participating firms varies across asset classes and in its view, this variance, in part, contributes to the overall DBP utilization rate.

¹⁰⁵ At the DMP’s inception, BlackRock defined “diverse managers” as women-, minority-, and veteran-owned firms, and then determined the percentage of assets allocated to diverse managers across asset classes. During this initial process of determining the amount of AUM allocated to diverse managers, BlackRock recognized that there were different thresholds for diverse ownership across its various investment teams. BlackRock’s current data regarding AUM allocated to diverse managers across asset classes encompasses these various “thresholds” for diverse ownership, reflecting significant incongruence.

Partners—that allocate assets to third-party managers each define “diverse manager” differently.¹⁰⁶

DMP data is decentralized and stored in different databases depending on the allocation team. There are no staff members dedicated solely to leading the DMP, but a recently formed DMP Steering Committee provides an opportunity for BlackRock third-party allocators across departments to learn from each other and develop internal best practices, including with respect to data tracking. The DMP Steering Committee has also identified the need to develop long-term quantifiable goals and objectives for the amount of capital allocated to diverse managers.

BlackRock provided the assessment team with a list of twenty-eight firms in the DMP created in August 2021, identifying nineteen firms as minority-owned firms and ten firms as women-owned (including one firm that is both woman-owned and minority-owned). BlackRock reported that the August 2021 list does not reflect the complete list of firms which meet DMP criteria and are currently doing business with BlackRock. However, due to limitations in how BlackRock tracks this program across different entities within the company, the assessment team was unable to retrieve more detailed information on the full list of current DMP majority diverse-owned third-party managers. BlackRock reports that as of December 2022, the full list contains at least 30 such firms.

BlackRock reports that as of December 31, 2022 it has allocated approximately 5%, or \$7.2 billion, of the \$144.5 billion it allocates to third-party asset managers across investment teams to minority- and/or woman-owned asset management firms and co-investments with majority diverse-owned partners.

The assessment team understands that no funds have been allocated to new DMP firms specifically within MASS since the program’s inception in the second half of 2020, and there is no formal mechanism for notifying a firm that it is on the DMP list. One diverse manager expressed frustration that BlackRock appears to rely on “legacy relationships” rather than pushing to allocate discretionary capital with diverse managers.

BlackRock has not convened a meeting with all the firms on its DMP list, but the DMP Steering Committee has sent BlackRock representatives to industry events focused on connecting diverse asset managers with allocators and investors. In 2021 and 2022, BlackRock hosted the NAIC’s annual institutional investor roadshows.¹⁰⁷

3. Supplier Diversity Initiative

In the fall of 2020, BlackRock launched its Supplier Diversity Initiative. The launch followed growing interest from clients, regulators, and employees regarding a formal supplier

¹⁰⁶ For example, BlackRock’s “liquid, long-only” managers are designated diverse if they are at least 50% owned by a woman or minority and/or if the strategy’s portfolio management team is made up of at least 50% women or minority individuals. By contrast, in Private Equity Partners, diverse manager is defined as a firm including either (i) at least one senior officer or owner who is a woman and/or member of an ethnic or racial minority; or (ii) a focus on investing in companies that have at least one senior officer or owner who is a woman and/or a member of an ethnic or racial minority.

¹⁰⁷ *Institutional Investor Roadshow – BlackRock July 2022*, NAIC (July 2022), <https://naicpe.com/institutional-investor-roadshow-blackrock-july-2022/>.

diversity strategy. The SDI is focused on the inclusion of businesses that are owned by minorities, women, military veterans, people with disabilities and members of the LGBTQ+ community ¹⁰⁸ in BlackRock's total direct cash payments for goods and services. BlackRock's goal for supplier diversity is to "double diverse spend and double the number of utilized diverse vendors by 2024 with an emphasis on maintaining cost discipline and vendor risk standards." BlackRock has stated that as of Q3 2022, BlackRock has achieved its goal of doubling spend in the United States with diverse suppliers. ¹⁰⁹ BlackRock is targeting a spend of approximately \$40 million allocated to minority-, women-, and LGBTQ+-owned firms for the development of its new headquarters located at 50 Hudson Yards. ¹¹⁰

BlackRock has two key documents that lay out relevant policies with regard to the SDI: the Supplier Code of Conduct and Ethics, which highlights the expectations for all BlackRock suppliers and vendors; and the Purchase Order Terms and Conditions, which describes the agreement between BlackRock and its suppliers and vendors for goods or services purchased by BlackRock. Both of these documents are posted on the BlackRock website. The SDI does not have formal policies and procedures apart from these two documents.

The SDI is led by the Global Head of Supplier Diversity, a role newly created in September of 2021 by the Global Head of DEI as part of the 2021 DEI Strategy. Currently, no additional staff have been allocated to the program, but there are plans to add headcount through an internal transfer in early 2023. The SDI is largely driven by the efforts of the Head of Supplier Diversity and the Sourcing and Vendor Management team ("SVM"), which is comprised of dedicated Vendor Relationship Owners ("VRO"). The Head of Supplier Diversity regularly attends weekly meetings of the Sourcing and Vendor Management leadership team to bring a supplier diversity perspective and look for opportunities to grow diverse supplier spend.

¹⁰⁸ The SDI categorizes "diverse" suppliers into one of the following categories:

- Small Disadvantaged Business (SDB): A small business that is at least 51% owned, operated, and controlled by one or more individuals who are both socially and economically disadvantaged.
- Minority Owned Business Enterprise (MBE): A business that is at least 51% owned, operated, and controlled by one or more minorities (including African Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, or Subcontinent Asian Americans, among others.)
- Woman Owned Business Enterprise (WBE): A business that is at least 51% owned by, and whose management and daily business operations are controlled by one or more women.
- Veteran Owned Business Enterprise (VET): A business that is at least 51% owned by one or more veterans, who control and operate the business.
- Service Disabled Veteran Business Enterprise (SDVET): A business that is at least 51% owned and operated by a service disabled veteran and conducts daily business management and control.
- Disabled Owned Business: A business that is at least 51% owned by one or more disabled persons who control and operate the business.
- LGBT Business Enterprise (LGBTBE): A business majority-owned by an LGBT individual. The company must be at least 51% owned, operated, managed, and controlled by an LGBT person who is either a United States citizen or lawful permanent resident.

¹⁰⁹ While the team reviewed internal reports and summaries regarding supplier spend, to date, BlackRock has not released its supplier spending numbers publicly, and so they are not included in this report.

¹¹⁰ 2021 DEI Annual Report at 56.

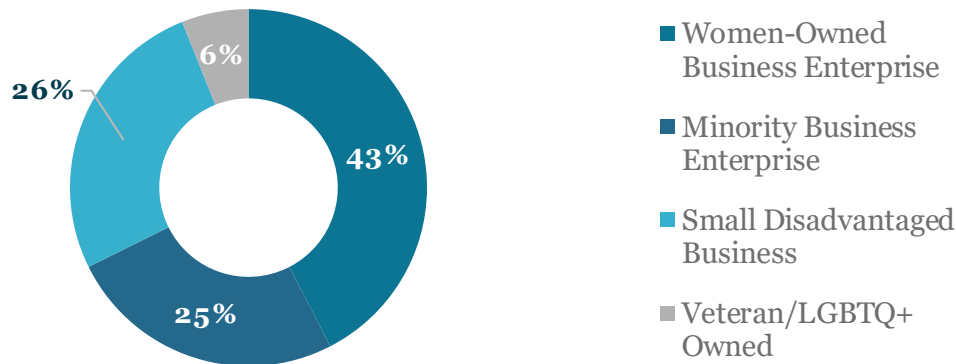
The SDI also relies on the investment of BlackRock employees who do not have formal roles or responsibilities in supplier and vendor diversity. Suppliers interviewed reported sufficient communication with BlackRock to carry out their services, despite BlackRock not having a dedicated supplier diversity team.

To advance the SDI's goals, the Head of Supplier Diversity meets with business unit leaders and business unit COOs to discuss their anticipated spending, and to make recommendations on how they might consider diverse vendors and suppliers. There also is an emerging effort to ask business units engaging in purchasing decisions to include at least one diverse supplier on the slate of choices for any significant procurement.

BlackRock classifies its vendor and supplier spending into two categories: "addressable," or spend BlackRock believes can be allocated to diverse firms; and "non-addressable," or spend where BlackRock believes it is less likely to be able to find diverse firms. The "addressable" category includes technology, marketing, human resources, and enterprise services; while the "non-addressable" category includes market data, professional services, travel, and fund administration. "Addressable" categories of spend make up approximately 33% of payments from BlackRock to vendors located in the United States.

BlackRock approaches the sourcing of diverse vendors in multiple ways, including through third-party research tools; the acquisition of new companies (and thus relationships with diverse suppliers); RFPs; outreach from diverse suppliers; and conferences, associations and peer recommendations. Each diverse supplier goes through the same selection and risk evaluation processes as any other, non-diverse supplier.

Makeup of 2022 Diverse Suppliers



BlackRock has further to go on its goal to double the number of diverse suppliers and vendors it utilizes. In 2022, BlackRock used a total of 108 diverse suppliers. According to BlackRock, 40 were women-owned, 25 were minority-owned, 25 were small disadvantaged businesses, 12 were both women- and minority-owned, and six were veteran- or LGBTQ+-owned businesses.

At present, the majority of BlackRock's spend with diverse suppliers is with white-owned firms, included in the definition of "diverse supplier" because they are either women-, veteran- or LGBTQ+-owned.

Currently, the SDI does not have a formal program for encouraging or tracking Tier 2 spending with diverse subcontractors, outside of a handful of vendors contributing to infrastructure spend.¹¹¹ However, BlackRock has Service-Level Agreements ("SLAs") in place with a small number of vendors (contractors and engineers) holding them accountable for hitting a target percentage of diverse spend. Currently, the SLAs include incentives for diverse spending—suppliers and vendors receive benefits if they surpass their target percentage—rather than penalties for not meeting this target. There is also an emerging effort to focus on the diversity of subcontractors that a supplier considers when BlackRock might be in a position to influence outcomes.

4. Observations and Recommendations

Observations

- BlackRock has made progress toward its goal of developing relationships with diverse external brokers, managers, and suppliers. The extent to which BlackRock has formalized the programs and initiatives that support these relationships varies. BlackRock's Diverse Broker Program is the most advanced. It has moved beyond its nascent stages and has set its own internal goals, has champions within the firm, and has some formal processes set in place. Generally, BlackRock is meeting the DBP's stated goals of increasing trading activity and connections with diverse broker dealers. The DMP and SDI are more recently developed and have relatively fewer formal goals, policies, and procedures.
- While the DBP has more structure than the DMP and SDI, all three of BlackRock's external business relationship programs and initiatives have limited formal policies and written documentation. Greater intentionality, structure, engagement, and accountability around these programs could lead to institutionalization of the programs, bolster BlackRock's efforts to increase its partnerships with minority business enterprises, and support client requests.
 - Particularly with respect to the DMP and SDI, there is limited documentation establishing the criteria for program participation, growth or expansion, and retention. For all three programs, there may be a range of factors affecting participation and activity levels.

¹¹¹ Tier 2 spending refers to spending that BlackRock's suppliers spend with their own diverse vendors to complete work for BlackRock.

- The SDI, a recent effort by BlackRock, relies on individual champions within the firm rather than formal policies and procedures for its implementation.
- Throughout the assessment, certain firms identified by BlackRock as being part of the DMP and DBP shared a range of knowledge about the program including their understanding of what it means to be a “participant” in the DBP and DMP, the processes and procedures by which firms are invited, onboarded and engaged as participants, and the benefits participants may derive from the programs. Some firms seemed to be unaware that they were part of a formal program at BlackRock.
- At this stage, the DBP and DMP operate as lists of brokerage and management firms owned by people of color, women, and/or veterans with which BlackRock does business. BlackRock has been more intentional about engaging with and developing the broker list than the manager list, which may be attributable to relative differences in program maturity.
- BlackRock does not currently have a streamlined method for tracking and reporting data relating to the DMP. Each of BlackRock’s allocation teams tracks its diverse manager data in different databases.
- Across all three programs, BlackRock does not analyze disaggregated data to allow it to develop a more accurate analysis of the firm’s engagement with diverse businesses, and account for intersectionality.
- BlackRock’s DMP participants identified breadth of access to other institutions as a key advantage of the program. This access allows BlackRock to facilitate introductions between asset owners and minority - and/or women-owned asset management firms.

Recommendations

In order to progress its goal of developing and growing its relationships with diverse external businesses, BlackRock could:

- Develop clear policies and procedures for its external business relationship programs and initiatives, evaluate resources and capacity, and take steps to formalize the structure for each program. This could include setting forth clear criteria for program participation, as well as key qualitative factors that ensure active engagement with DBP and DMP managers.
- Bolster the structure of the SDI by establishing supplier diversity goals while creating clear policies, processes, criteria, and mechanisms for reporting and evaluating resources and capacity.
- Bolster the DBP and the DMP by developing and establishing measures of diverse firms’ success, accounting for the ways brokers and managers engage with and support their communities.

- Incorporate appropriate measures into QBRs for the relevant teams, when consistent with BlackRock's fiduciary duties and best execution requirements for diverse brokers, including quality and process and community engagement measures.
- Create a consortium in partnership with asset management industry leaders to address structural impediments to capital allocation and access and explore new investment strategies and products.
- Improve its collection and utilization of data across its external business relationship programs, including by disaggregating its data on diverse brokers, managers, and suppliers to account for intersectionality, leveraging its existing data analysis tools, and providing further data. This data could be used to support the expanded use of diverse brokers and managers, where appropriate, and consistent with BlackRock's fiduciary duties.
- Increase transparency of its work with external business partners, by disaggregating the data it already reports on its DBP and DMP, and by publicly sharing supplier spend and other key metrics of its progress on its SDI.

In order to further its objective of deepening its relationships with diverse firms (including brokers, managers, and suppliers), BlackRock could:

- Engage in community and ecosystem building by convening annual meetings with all firms to increase connectivity among firms and with BlackRock; raising awareness with client chief investment officers and investment consultants of the benefits of using diverse managers; and facilitating introductions with asset owners and other key institutions (such as client, consultant, and industry associations), to improve access to capital for diverse firms.

VI. Pillar 3: Social Impact and Public Policy

A. Pillar 3 Stated Goals

Pillar 3 of BlackRock's 2021 DEI Strategy focuses on BlackRock's social impact and public policy work. BlackRock's social impact work is led by the Social Impact team and is funded from two charitable asset pools: the Donor Advised Fund ("DAF") and the BlackRock Foundation ("Foundation"). Each is overseen by a board of directors comprised of senior BlackRock leaders. BlackRock's U.S. public policy work is separate from its social impact work. It includes BlackRock's public policy efforts as a global employer and public company, and the work of the Global Public Policy Group ("GPPG"), which is focused on giving voice to investors in discussions of financial policy and advocating for the long-term interests of BlackRock's clients. Both the Social Impact team and the GPPG are located within BlackRock's External Affairs business unit.

Pillar 3's social impact and public policy goals, as they relate to DEI, focus on "investing in the long-term success and sustainability of underserved communities." As part of the 2021 DEI Strategy, BlackRock committed to "focus[ing] on financial security for vulnerable communities" to "support upward mobility and social justice in underrepresented communities"; "continuing to promote transparency regarding diversity disclosures;" and "driving and contributing to public policy and legislative outcomes." The 2021 DEI Strategy does not identify specific underserved, vulnerable, or underrepresented communities, or specific policy outcomes, that the firm will support.

B. Social Impact

Pillar 3 of the 2021 DEI Strategy includes four initiatives related to the firm's social impact work:

- BlackRock's commitment to supporting emergency savings and increasing income for low to moderate earners (the "Financial Security Initiatives");¹¹²
- BlackRock's \$10 million racial equity fund, established to contribute to national and grassroots organizations, "focused on securing equal justice for Black and Latinx communities," and "help[ing] [to] elevate Black and Latinx social entrepreneurs to advance economic mobility in communities where [it] operate[s]";
- BlackRock's commitment to "increase the transparency and reporting of [its] grant funding along with the criteria used to evaluate [its] potential partners"; and
- BlackRock's efforts to "equip employees to be agents of social change in their communities."

BlackRock has flexibility to direct how the social impact funds are invested, granted and distributed because the funds are BlackRock's own assets, and not subject to the fiduciary duties that apply to BlackRock's management of client assets. The Foundation Board determines how

¹¹² BlackRock has also engaged in giving related to event-driven responses, such as responses to COVID-19 and natural disasters. That work has not historically accounted for racial equity.

social impact fund are to be deployed, with the benefit of input from employees and other stakeholders.

1. Financial Security Initiatives

The BlackRock Foundation's mission is focused on helping people build financial security and participate in an inclusive transition to a low-carbon future.¹¹³ BlackRock's Financial Security Initiatives consist of two components: the Jobs Portfolio and the Emergency Savings Initiative ("ESI"). The Jobs Portfolio was established in 2017, and consists of grants to upskilling and reskilling programs that train and credential low- and middle-income individuals, and help to place them with or qualify them for higher-paying jobs. The objective is to help individuals obtain financial security by increasing their income and making it easier for them to save money. With BlackRock's financial support, at least eight Jobs Portfolio organizations operating in the United States in 2021 have trained and supported thousands of people. Some Jobs Portfolio programs have reported that graduates more than doubled their income after completing the training.¹¹⁴ In addition, BlackRock employees volunteered to provide resume and career consulting advice to participants in Jobs Portfolio programs.

The Emergency Savings Initiative was launched in 2019 as the primary focus of the Foundation's savings work. It has been described as the flagship initiative for BlackRock's philanthropic efforts to date around financial security. The ESI is a \$50 million business and research partnership aimed at developing tools to secure short-term financial stability for individuals with low- to middle- incomes. BlackRock engaged several non-profit partners to work with over 30 corporate partners, including Target, UPS, and MasterCard, to develop strategies most likely to help low-to-moderate income individuals increase their emergency savings. BlackRock reports that as of December 2022, the ESI grants have facilitated access to savings for more than ten million people in the United States, resulting in over \$2 billion in new short-term savings. As of year-end 2022, BlackRock had disbursed \$27.6 million through the ESI.

The Jobs Portfolio and the ESI were developed to serve low- and moderate-income communities and were not specifically developed to serve Black or Latinx communities. The Jobs Portfolio had an initial focus on high-need populations, refugees, and immigrants. While not a requirement for funding, most Jobs Portfolio grantees serve majority Black and Latinx populations. All but one of the grantees that received funding in 2021 from the Jobs Portfolio have executive leadership that is at least 50% people of color.¹¹⁵ BlackRock does not consistently

¹¹³ This pillar of BlackRock's Social Impact work relates to an inclusive transition to a low-carbon future and is focused on the development of green technology.

¹¹⁴ GENERATION, *ANNUAL REPORT 2021: MOVING FORWARD* (2021), <https://www.generation.org/wp-content/uploads/2022/06/Generation-Annual-Report-2021.pdf>.

¹¹⁵ The term "proximate leader" refers to individuals who have "a meaningful relationship with groups whose identity, experience, or community are systemically stereotyped, feared, dismissed, or marginalized." Proximate leaders have been found to possess "experience, relationships, data, and knowledge that are essential for developing solutions with measurable and sustainable impact." Angela Jackson et al., *Effective Change Requires Proximate Leaders*, STAN. SOC. INNOVATION REV (Oct. 2, 2020), https://ssir.org/articles/entry/effective_change_requires_proximate_leaders.

collect demographic data regarding the ESI's beneficiaries—the low- to moderate-income earners who are able to access savings as a result of ESI programs.

There is a perception within BlackRock that employees have little awareness of these programs, resulting in limited engagement with them. Additionally, neither program appears to fully leverage BlackRock's substantial institutional knowledge and expertise regarding wealth building. BlackRock plans to conduct focus groups to engage employees about next steps in developing its future financial security work. Additionally, while BlackRock has started to consider the racial diversity of the leadership and communities served by grantees, BlackRock has not made racial diversity a requirement nor made clear the extent to which it should be considered.

2. \$10 Million Racial Equity Fund

The second DEI-related social impact program is BlackRock's \$10 million philanthropic commitment to racial equity, which the assessment team refers to as BlackRock's racial equity fund ("REF").¹¹⁶ In 2020, BlackRock committed to deploying \$10 million in philanthropic funding to support Black and Latinx communities: \$2 million to "national organizations focused on securing equal justice for Black and Latinx communities"; \$3 million "to local grassroots organizations in major [U.S.] cities where we operate . . . selected in partnership with employee-led task forces in those cities"; and \$5 million "to help elevate Black and Latinx social entrepreneurs to advance economic mobility in communities where [BlackRock] operates." BlackRock later set a June 2022 internal deadline for committing the funds for deployment.

As of October 2022, BlackRock had allocated \$9.25 million of the \$10 million, with \$6.5 million of that \$9.25 million allocated to organizations based in the United States, as follows:

- 1) \$2 million to the Harlem Children's Zone's COVID-19 Response and Recovery Fund. The Response and Recovery Fund is focused on five critical areas, including health and education, in seven cities across the United States.
- 2) \$1 million and \$500,000 to social entrepreneurs through the Echoing Green Global Racial Equity Fund and the Robin Hood Power Fund, respectively, and \$1 million to partner with the Black Economic Alliance Foundation, "to fund the design and build of a new predictive data tool that will assist private, public, and social sector leaders identify and invest in the most impactful solutions needed to close the racial wealth gap."
- 3) \$2 million disbursed by Racial Equity Taskforces ("RETs") created in six BlackRock offices in the United States (New York City, San Francisco, Los Angeles, Washington, D.C., Atlanta, Princeton). An additional \$500,000 was disbursed by an RET based in the United Kingdom. The RETs, which were disbanded after allocation of the funds, were primarily comprised of members of the BPN and SLN Employee Networks. Overall, the RETs distributed \$2.5 million funds to 39 non-profit organizations

¹¹⁶ BlackRock has referred to this initiative in various ways. In the 2020 letter to BlackRock employees, it is called BlackRock's "\$10 Million Action Plan." In presentations to firm clients, it is called "BlackRock's \$10M Philanthropic Racial Equity Response." In a memorandum proposing the three grantees to the BlackRock Foundation Board, it is referred to as the "\$10M racial equity pledge." It has also been referred to in budgets as simply "Racial Equity" or "Racial Equity Grants."

whose missions ranged from education access to criminal justice reform, 77% of which were Black- or Latinx-led. The largest pool of funding went to organizations related to economic mobility, education, and youth empowerment. BlackRock instructed the RETs to select organizations that would further BlackRock's mission of "promoting racial equity in their communities" and have the "ability to build longer-term relationships with local BlackRock offices." BlackRock also noted that the RETs could, but were not required to, take account of the diversity of a grantee's leadership when making funding decisions.

As of year-end 2022, the remaining \$750,000 has been earmarked, but not yet allocated, to an organization with a focus on supporting upward mobility within Latinx communities in the United States.

The guidelines for the selection of grantees evolved over time; initially BlackRock disbursed funds to organizations focused on advancing racial equity with whom it had an established relationship. And, as noted above, the RETs were given some guidelines for the selection of grantees. Then in 2022, BlackRock established an eight-member committee consisting of employees from BlackRock's DEI team and the BPN and SLN Employee Network Groups to disburse the remaining \$3.75 million, consistent with three criteria: the organization should be national or regional in scope, rather than local; it should focus on promoting upward mobility within Black or Latinx communities; and it should be capable of deploying \$500,000 in funding, preferably for program capacity building. BlackRock did not, however, set requirements regarding the racial diversity of the leadership of potential grantees. Two of the three grantees identified by the committee have leadership who self-identify as Black or Latinx; a majority of the third's leadership self-identifies as white.

BlackRock's actual disbursement of the REF did not align precisely with its initial intention. For example, BlackRock allocated \$500,000 less than the \$3 million committed through the RETs. Of the \$2.5 million it did allocate through RETs, it only allocated \$2 million to local grassroots organizations in major U.S. cities where BlackRock operates. \$500,000 was disbursed to organizations outside of the United States, because those involved in the allocation process made a determination to extend the REF's reach beyond the United States. BlackRock has thus far only allocated approximately \$3.5 million, rather than \$5 million, to social entrepreneurs (the recipient of an additional grant to support Latinx communities has yet to be determined).

3. Grant Transparency

As part of the 2021 DEI Strategy, BlackRock has committed to "increas[ing] the transparency and reporting of [its] grant funding along with the criteria used to evaluate [its] potential partners." BlackRock has published the names of both the grantees and the business partners who contributed to its Financial Security Initiatives. BlackRock has also published its total grant spending through its Financial Services initiatives; however, it has not specified its spending by grantee. BlackRock has also not published the criteria used to evaluate its potential grantees or partners.

4. Engagement with Employees

As part of its social impact work, BlackRock committed to “equip[ing] employees to be agents of social change in their communities” through employee-led grantmaking, which made up about half of BlackRock’s 2021 philanthropic spending. BlackRock has deployed three programs as part of its effort to advance employees’ community impact: Gives Grants, BlackRock Match, and Network Grants.

The Gives Grants program allows BlackRock employees to nominate local charities to receive grants ranging from \$5,000 to \$25,000.¹¹⁷ BlackRock has established Gives Grant Committees in many of its U.S. offices, and the employees who are part of each Committee select the non-profits that receive grants. The Gives Grants program instructs committee members to use a 100-point scale to evaluate applicants. Twenty points are awarded based on governance and leadership, one factor of which is whether an organization has “diverse leadership and board membership that is representative of the community [it] serve[s].” Despite BlackRock’s instruction to do so, the assessment team learned that Committees do not always use the scale.

In 2022, U.S.-based Gives Grants Committees awarded approximately \$2.02 million (out of \$4.22 million globally) to 155 charities (out of 319 globally). BlackRock recently began asking applicant organizations about the diversity of their leadership teams. About 35% of U.S.-based grantees described their leadership as racially diverse.

BlackRock Match is a program through which the firm matches employee charitable donations on a one-to-one basis up to \$10,000 each year, and matches time spent volunteering at \$25 per hour. BlackRock has also activated two-to-one matching campaigns for donations to select organizations in communities affected by natural disasters or other crises.

The Network Grants program is a \$1 million per year program that allows Employee Networks to make grants of \$50,000 to \$200,000 to non-profits with missions that are meaningful to members of the network. BlackRock disbursed over \$770,000 in 2021, the Network Grants’ first year of operation. As one example, through a partnership between the Black Professionals Network and the Women’s Initiative Network, Black Girls Smile received a \$200,000 grant to provide mental health services to Black women.

BlackRock evaluates the success of these programs by employee participation rates. Although a significant number of employees participate in these programs, the firm is not able to report on employee participation by race or ethnicity or any other demographic category.

¹¹⁷ *Social Impact*, BLACKROCK, <https://www.blackrock.com/corporate/about-us/social-impact>.

5. Observations and Recommendations

Observations

- Although BlackRock has acknowledged that it can do more, it has made some progress toward its goal of supporting “upward mobility and social justice in underrepresented communities” by deploying its Financial Security Initiatives; allocating nearly all of the Racial Equity Fund; and beginning to consider important aspects of its potential grant recipients, including the racial diversity of grant recipients’ leadership teams and the communities they serve.

Racial Equity Focus

- BlackRock considers racial and gender demographics in its grantmaking, but its work is primarily focused on serving low- to moderate-income communities. It does not currently incorporate a focus on promoting racial equity. With the conclusion of the Racial Equity Fund, there are currently no philanthropic programs at BlackRock that explicitly focus on achieving racial equity or justice;
- Benefitting racially diverse communities was not part of the mission statements or a requirement for selecting grant recipients for the Financial Security Initiatives; and
- While BlackRock has started to collect data on the leadership and communities served by grantees, it does not have a policy that explicitly requires that this information be considered in grantmaking.

Racial Equity Fund

- BlackRock faced challenges distributing the racial equity fund due to the firm’s relatively limited relationships with organizations focused on serving the needs of vulnerable Black and Latinx communities. As noted above, it was only able to disburse \$3.75 million to organizations it had pre-existing relationships with.
- There is a lack of clarity on the DEI-related requirements for grantees, making it difficult to assess BlackRock’s success in advancing the underlying goal of promoting racial equity through these grants.
- BlackRock did not require the leadership teams of potential grant recipients to be racially diverse but did take racial diversity into consideration when making allocation decisions.

Firmwide Commitment to Social Impact

- BlackRock has not fully utilized its own expertise and business efforts in developing and executing its Financial Security Initiatives. BlackRock's funding of the Emergency Savings Initiative and Jobs Portfolio does not fully leverage the firm's core business competencies or considerable subject matter expertise, including with respect to promoting long-term financial health and retirement savings. Employees recognize that BlackRock can and should do more than spend money as part of its social impact work.
 - The attenuated connection to the core work of the firm risks inhibiting employee awareness of and participation in the firm's social impact work, as evidenced by employees reportedly not being aware of major BlackRock social impact initiatives.
 - BlackRock has not yet clearly defined the guiding strategy for its Financial Security Initiatives or its social impact work more broadly. Without a clear understanding of how the firm defines "underserved communities" or "financial security," BlackRock is unable to formulate a precise social impact strategy, or evaluate its progress against it.

Recommendations

To further its objective of supporting upward mobility and social justice in underrepresented communities, BlackRock could adopt a Social Impact strategy that incorporates an express focus on promoting racial equity. In developing that strategy, BlackRock could:

- Establish and publish guidelines and a selection process for all grantmaking and grant programs that includes consideration of the racial equity implications of making particular grants, and explicit guidance about how to do this;
- Make the racial diversity of potential grantees' board and leadership teams, as well as the communities served by potential grantees, criteria to be considered in grantmaking decisions; and
- Devote resources to expanding and strengthening relationships with organizations focused on improving racial equity.

Consistent with its objective to equip employees to be agents of social change, BlackRock could bolster the firm's employee engagement in Social Impact efforts by:

- Creating ongoing opportunities to capture employee input and sentiment about BlackRock's social impact work;
- Generating and sharing grantee lists with employees, and as appropriate, externally, consistent with BlackRock's goal to increase grant transparency;

- Ensuring diverse representation on task forces and committees that make decisions about employee-led grant making and take steps to facilitate and encourage employee participation; and
- Ensuring that the Social Impact team has the resources and organizational infrastructure to support these efforts.

C. Public Policy

The 2021 DEI Strategy lists two public policy objectives: “Continue to advance the industry with transparency of [its] diversity disclosures”; and “drive and contribute to public policy and legislative outcomes.” BlackRock’s DEI website further describes its public policy objective as a commitment to “Using [its] voice to support policy changes that promote more inclusive and fair economies.”¹¹⁸ A 2020 letter to BlackRock employees describes the firm’s public policy objective as “[u]sing [BlackRock’s] voice to advocate for public policy changes that promote social justice” and “[c]ontinuing to drive and contribute to public policy and legislative outcomes.”

BlackRock’s role as a fiduciary informs the public positions—including on policy—that the firm takes. BlackRock regularly engages with federal agencies and elected officials on regulations and legislation impacting management of retirement assets, and other core aspects of BlackRock’s business, including educating legislators and regulators about asset managers, and how they differ from other financial institutions. BlackRock’s public policy efforts generally have centered on the long-term interests of investors, and as a result have been focused on advocating for policies that “increase financial market transparency, protect investors and facilitate responsible growth of capital markets for all investors.”¹¹⁹

BlackRock has not consistently applied a focus on DEI or racial equity to its public policy work. However, as a large employer, BlackRock has sometimes taken positions regarding high-profile public policy issues that implicate DEI or racial equity, including legislation or litigation regarding voting rights, hate crimes, and legal protections for LGBTQIA+ persons in the communities in which the firm has a substantial presence.

1. Diversity Disclosures

In testimony before the U.S. House of Representatives’ Committee on Financial Services, BlackRock’s Global Head of DEI noted that BlackRock advocates for disclosures in part because it believes “that transparency drives progress.”¹²⁰

¹¹⁸ *Diversity, Equity, and Inclusion*, BLACKROCK, <https://www.blackrock.com/corporate/about-us/diversity-equity-and-inclusion#public-policy-and-social-impact>.

¹¹⁹ *Public Policy*, BLACKROCK, <https://www.blackrock.com/corporate/insights/public-policy>.

¹²⁰ WRITTEN TESTIMONY OF MICHELLE GADSDEN-WILLIAMS TO H. COMM. FIN. SERV.S’ SUBCOMM. ON DIVERSITY AND INCLUSION 7 (Dec. 9, 2021), <https://docs.house.gov/meetings/BA/BA13/20211209/114307/HHRG-117-BA13-Wstate-Gadsden-WilliamsM-20211209.pdf>.

Through its Sustainable Accounting Standards Board (“SASB”) disclosures, its EEO-1 reporting, and its board diversity disclosures, BlackRock has provided workforce demographics since 2019, and has provided data on the racial and ethnic diversity of its board since at least 2020.¹²¹ Additionally, as discussed above, BlackRock has undertaken efforts to increase transparency at other companies.

BlackRock published its first annual DEI report in 2021, making public its DEI-related strategies and goals, as well as progress toward those goals. Finally, BlackRock has undertaken this assessment, which will bring increased transparency to its firmwide DEI operations.¹²²

2. Efforts to Drive and Contribute to Public Policy Outcomes

The second objective of BlackRock’s public policy work is to “drive and contribute to public policy and legislative outcomes.” The 2021 DEI Strategy does not specify what policy or legislative outcomes the firm will support, and does not clearly set out a public policy strategy or goals related to DEI or racial equity. Decisions about BlackRock positions on significant public policy issues are usually made by the firm’s senior leadership, based on their evaluation of the issue’s relationship to BlackRock’s mission and employees; no formal process is in place, however, for making those decisions.

Similarly, the 2021 DEI Strategy does not specify when BlackRock will take public positions with respect to high-profile social justice issues. BlackRock’s public support for policies that “promote more inclusive and fair economies” also does not appear to be consistently integrated into the firm’s public policy work more broadly.

BlackRock has taken public positions on how DEI relates to its business operations. BlackRock teams, including its retirement savings team, have focused on bolstering access to retirement plans and savings in communities who have not typically had such access. BlackRock has not consistently incorporated a focus on DEI or racial equity into its public policy, legislative, or regulatory work.

BlackRock has taken public positions on several high-profile events in the past several years. For example, in 2021, BlackRock signed onto a letter opposing any discriminatory legislation that would make it more difficult to vote. In 2020, BlackRock also endorsed hate crime legislation in Georgia, where BlackRock employs over 600 people, in the wake of Ahmaud Arbery’s murder.¹²³

¹²¹ *BlackRock Sustainability Accounting Standards Board Disclosure*, BLACKROCK (Dec. 31, 2018), <https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/blackrock2018sasbdisclosure.pdf>.

¹²² BlackRock is continuing to launch or implement other changes directed at issues of racial equity. For example, BlackRock has recently committed to disclosing adjusted pay equity and unadjusted pay equity data for its U.S. workforce, broken out by race, beginning in 2024.

¹²³ Hannah Miao, *Hundreds of Corporations, Business Leaders, Celebs Sign Statement Against Voting Restriction*, CNBC (Apr. 14, 2021), <https://www.cnbc.com/2021/04/14/corporations-business-leaders-celebrities-sign-statement-against-voting-restrictions.html>.

3. Observations and Recommendations

Observations

- Consistent with its goal of encouraging public companies toward greater transparency through its own diversity disclosures, BlackRock has published DEI-related disclosures through its SASB, EEO-1, Board Diversity data disclosure, and DEI Annual Report.
- The 2021 DEI Strategy does not set out a clear framework to guide BlackRock's efforts to "drive and contribute to public policy and legislative outcomes." As a result, DEI and racial equity do not appear to factor consistently into the firm's policy efforts regarding issues related to its core business, like retirement savings or tax policy, other than supporting greater disclosure regarding diversity metrics. The absence of a clear framework and process for taking account of DEI and racial equity in the firm's consideration of policy issues limits the firm's ability to advance the public policy objectives in its 2021 DEI Strategy and creates the risk that some stakeholders will misunderstand BlackRock's positions.

Recommendations

To accelerate progress toward its stated objective to "drive and contribute to public policy and legislative outcomes," BlackRock could:

- Evaluate options for a firmwide public policy strategy that integrates a racial equity lens throughout BlackRock's public policy work, including with respect to the firm's core business areas, such as retirement savings; and
- Actively engage on policy and innovations that promote economic inclusion, address racial gaps in wealth and access to savings, and invest and promote wealth creation in communities of color both directly and indirectly.