RESPONSE TO CONSOB SURVEY ON ENGAGEMENT OF INSTITUTIONAL AND NON-INSTITUTIONAL INVESTORS ON ESG CRITERIA – 27.03.2020

SECTION 1: DETAILS ABOUT RESPONDENT

1. **Type of organization**

	Italian Asset Manager
	EU Asset Manager
X	Other

2. **Registered offices (country)**

Milan (Italy), and offices in 34 countries globally. For more information, see BlackRock in Italy.

With regard to Question 1, BlackRock is a global asset manager, whose purpose it is to help more and more people experience financial well-being.

With regard to Question 4, around two thirds of the capital we manage for clients globally relates to retirement solutions. In Italy, we manage investments for pension funds and social security agencies, helping employees and members build future retirement income and with it their long-term financial security.

3. **Assets under management (Euro/estimate)**

	<10 billion Euro
	>10 billion – <30 billion Euro
	>30 billion – <70 billion Euro
X	>70 billion Euro

4. **% AuM referable to pension funds (Open Pension funds or mandates on behalf of pension funds – estimate)**

0

SECTION 2: INVESTMENT STRATEGY PART 1

5. **Does your company consider any environmental, social and governance (ESG) factors in its investment strategy, engagement or stewardship activities?**

	yes, we consider them but we don't have any formalised policies about it
X	yes, we consider them and have specific policies about it
	no, we do not

SECTION 3: INVESTMENT STRATEGY PART 2

6. **% AuM invested taking into account ESG criteria on the basis of formalised sustainability policies (estimate)**

   0

7. **What drives your company to consider sustainability criteria in investment management**?

   Choose all applicable options

	Not at all	little	Sufficiently	Highly	Very highly
Reasons linked to returns: it makes it possible to maximize risk adjusted returns					X
Increasing demand from customers				X	
Requirements from regulators					X
Imitation of peer behaviour	X				
Ethical responsibility / desire to align investment strategies with societal values		X			
Desire to minimise the risk associated with the impact of bad news (headline risk)			X		
Harnessing the benefits from a new source of diversification				X	
Reputational aspects		X			
Desire to develop a long-term vision in the investment business				X	

8. **Remarks, if any, on the previous question**

   BlackRock manages a total AUM of $7.42 trillion on behalf of diverse clients globally, including pension plans, insurers, asset managers, foundations, retail and private banks, financial advisors, official institutions, to individuals invested in our funds.

   With regard to Question 6, BlackRock manages $107 billion in our dedicated sustainable investment platform (comprised of ESG Broad, ESG Thematic, Impact strategies and selected priority screened products) and an additional $547 billion of assets which utilize environmental, social or governance screens across BlackRock's broader platform.

   This year, we have committed to 100% ESG Integration across our investment and risk management processes before the end of the year. At BlackRock, this entails

- heightening our scrutiny on sectors with a high ESG risk, such as thermal coal producers, because of the investment risk they present to client portfolios
- putting ESG analysis at the heart of Aladdin and using proprietary tools to help analyse ESG risk
- placing oversight of ESG risk within our Risk and Quantitative Analysis group

- documenting how investment teams are incorporating ESG risks into their processes
- and developing further insights on financial materiality

Dedicated Sustainable Platform	**AUM Dec 2019 ($bn)**
BlackRock Focus Products	**30.3**
iShares Sustainable ETFs	**21.2**
Additional ESG/Thematic/Impact	**55.8**
Total Platform	**107.3**

All figures as at December 2019.

With regard to Question 7, as a fiduciary, BlackRock is deeply committed to helping our clients build resilient and well-constructed portfolios that are critical to achieving their long-term goals. Because sustainable investment options have the potential to offer clients better outcomes, we are making sustainability integral to the way BlackRock manages risk, constructs portfolios, designs products, and engages with companies. Our aspiration is to be the leader in sustainability. We recognize the importance of leading by example, both through the transparency we provide to our stakeholders and the way we operate our business, to promote a more sustainable world.

Our definition of sustainable investing is the combination of traditional investment techniques with Environmental, Social and Governance insights to maximise long term risk adjusted performance. We believe that E, S and G risks can impact on performance, so it is our responsibility to manage these risks and opportunities on behalf of our clients.

We will by nature develop products in line with what our clients are looking for, and in line with what regulators require.

- In total, we currently manage more than 140 sustainable mutual funds and ETFs, 73 of which were launched in the past two years.
- BlackRock offers the world's largest line-up of ESG ETFs and ESG Index mutual funds both in terms of assets and number of solutions offered, with 88 sustainable ETF and Index mutual fund products globally. We intend to double our offerings of ESG ETFs over the next few years (to 150), including sustainable versions of flagship index products, so that clients have more choice for how to invest their money.
- BlackRock on behalf of its clients, manages over $15 billion in green bonds, which support numerous renewables and low carbon projects.

9. What strategies does the company use to integrate ESG information into the investment decision making and/or management of holdings?

Choose only one option per line

	Applied to all assets	Only to some products / mandates	Not used
Best in class investments: selection strategy for a given industry that prioritises companies with the highest ESG score		X	
Sustainability-themed investments: approach that selects the issuers to be included in the portfolio based on environmental, social and governance criteria, focusing on one or more themes		X	

Norm-based screening: the target companies are assess for compliance with international ESG standards		X	
ESG integration: explicit inclusion in the portfolio of investments in financial instruments that have been assess positively for ESG factors	X		
Engagement and voting: Constructive dialogue with issuers and / or exercise of voting rights on sustainability issues		X	
Exclusion: adoption of negative screening criteria		X	
Impact investing: investments in companies, organisations and funds to generate positive measurable social and environmental impact alongside financial return		X	

10. Remarks, if any, on the previous question

At BlackRock, we view ESG integration as the process by which we incorporate ESG insights into our investment decision making. This requires a variety of approaches to consider the material ESG risks across asset class and management style. Particularly for our index holdings on behalf of clients, in which we are essentially permanent shareholders, the key mechanism for integration is BlackRock's stewardship work, which is primarily engagement and voting activities. The Stewardship team is strategically positioned as an investment function. It bridges BlackRock's various portfolio management groups and helps to enhance value for our clients through our full range of mandates that includes alpha-seeking, factor, indexing, and sustainability strategies. We seek to vote on all proxies for which clients have delegated us vote authority.

- Investment stewardship is an essential component of our fiduciary responsibility. Our investment stewardship program, including the treatment of ESG factors, is framed within an investment context. We believe that a sound corporate governance framework promotes strong leadership by boards of directors and good management practices, contributing to the long-term success of companies and better risk-adjusted returns to our clients. We recognize that corporate governance practices and expectations differ around the world. Even so, there are high-level corporate governance principles that we believe apply universally: transparency and accountability to those who provide capital; oversight by a well-informed, experienced board; robust accounting and risk management systems; and sound policies on business management issues such as employee and supplier relations, environmental impacts and compliance with regulations.

- BlackRock takes a long-term perspective in its investment stewardship program informed by two key characteristics of our business: 1) the majority of our clients are saving for long-term goals, so we presume they are long-term shareholders, and 2) the majority of our equity holdings are in index-tracked portfolios so our clients are, by definition, long-term shareholders.

- Our stewardship program applies to companies in all sectors and regions and to holdings in index-tracked and active portfolios. The corporate governance program led by the Investment Stewardship team is integrated within all portfolios investing in public companies, whether clients invest in thematic sustainable investing funds or in our core index and active investment strategies. The Investment Stewardship team acts as a central clearinghouse of BlackRock's views across the various portfolios with holdings in individual companies and aims to present a clear and consistent message about our expectations in relation to corporate governance and business practices.

11. In the management of assets for a pension fund, do you adopt an approach to sustainability that is different from that used in the management of assets for other institutional investors? If yes, what are the key differences?

Only at the request of the client.

12. Are the investment strategies aligned with the UN Sustainable Development Goals (SDGs)?

X	Yes
	No, but there is a plan to become aligned
	No and for the time being no alignment is in the pipeline

13. Remarks, if any, on the previous question

There is growing demand – and increasing opportunity – for investment approaches that align with the United Nations Sustainable Development Goals (SDGs).

The UN SDGs provide a universal set of goals to measure progress across different areas, which can also be used to measure the impact associated with investments. These goals capture a number of impact areas in a way that is well-recognized and easy to understand. As we see increasing adoption of the SDGs as an impact measurement framework and growing interest from our clients for investment solutions targeting the SDGs, we seek to align our impact measurements with this framework.

We believe that there is much work to be done within the industry to understand and agree on what SDG alignment really is and whether it meets the needs or outcomes expected by our clients. We are able to demonstrate positive contribution to SDGs through our impact strategies and have aligned some of our Sustainable strategies to SDGs where there is a clear and obvious connection. BlackRock's Sustainable Research team are as a priority researching how best to align a company's product and services to an SDG.

Beyond using the SDGs as the framework for our dedicated impact strategies, we're also doing more research to find ways to report on the SDGs objectives for ESG and thematic strategies. This is still a work-in-progress.

14. If your investment strategies are/are planned to become aligned with the UN SDGs, can you state which SDGs have been selected?

Although there are SDGs that are natural lend themselves more clearly to investment cases than others, from an investment strategy perspective, we are seeking alignment with all 17 of the SDGs.

From an investment stewardship perspective, while the SDGs do not determine the issues we prioritize for engagement, we believe that many of the topics that we discuss with companies overlap with aspects of the SDGs. We believe there may be value in companies reviewing the SDG framework and identifying whether, and if so how, their business practices, products, and services might contribute to specific goals. If companies determine their business practices, products, and services contribute to the achievement of the SDGs, we expect they provide a substantive explanation.

We acknowledge that the proliferation of reporting standards creates challenges for companies. To this end, we have asked companies to align their public disclosures with the Task Force on Climate Related Financial Disclosure (TCFD) and Sustainability Accounting Standards Board (SASB) frameworks over the coming year to allow investors to assess relevant environmental and social (E&S) considerations in the context of risk-adjusted returns and long-term value creation. We recognize that the SDGs provide a framework for demonstrating impact, while the SASB provides a framework for measuring outputs. There are resources and tools available to address these differences and we expect more will be developed over time.

Further detail about the BlackRock Investment Stewardship Engagement Priorities and their alignment with SDGs is available on our website.

15. When analysing the "Environmental" factor, what aspects are taken into account?

Choose all applicable options

	Not at all	Little	Sufficiently	Highly	Very highly
Pollution				X	
Climate change					X
Recycling and waste					X
Water consumption					X
Renewable energy					X
Circular economy					X

16. Remarks, if any, on the previous question

We capture climate change, waste management, water management as part of our Low Carbon transition rating. Pollution is partly captured within Waste management. Renewable Energy and Circular Economy are sustainable themes where we believe there is a rationale to invest and advance these themes through specific Thematic strategies.

17. When analysing climate change, what risks are mostly taken into consideration?

Choose only one option.

	Physical risks
X	Transition risks
	Risks of negative impacts on the climate

18. Remarks, if any, on the previous question

We have built a framework which assesses how well public issuers are managing the risks and opportunities associated with transition, versus their peers. Although we believe physical risks are equally as relevant we believe it is currently harder to quantify how these risks impact securities.

19. When analysing the "Social" factor, what aspects are taken into account?

Choose all applicable options

	Not at all	Little	Sufficiently	Highly	Very highly
Labour standards					X
Responsible management of the supply chain					X
Human rights					X
Development of human capital and education					X
Community involvement and relations					X
Workplace health and safety					X
Gender equality and diversity					X

20. Remarks, if any, on the previous question

We believe that all of these factors are relevant when considering how a company manages its "Social" risks

21. When analysing the "Governance" factor, what aspects are taken into account?

Choose all applicable options

	Not at all	Little	Sufficiently	Highly	Very highly
Board composition and functioning					X
Tax transparency					X
Anti-corruption					X
Risk management					X
Shareholders' rights					X
Board remuneration					X
Transparency					X

22. Remarks, if any, on the previous question

Some of these aspects are considered through our investment stewardship function.

23. Which of the ESG factors do you think is hardest to assess and integrate into investment strategies?

Choose only one option

	Environmental
X	Social
	Governance

24. Remarks, if any, on the previous question

The key is finding a link between financial materiality and an ESG factor. With E and G there is far more academic research that does this and more data available to validate. S is growing but remains the hardest to isolate in comparison as E and G disclosures have been far more quantitative and prevalent historically.

25. Which of the following elements do you think might help to integrate ESG factors into investment strategies?

Choose all applicable options

	Not at all	Little	Sufficiently	Highly	Very highly
Evidence of better performances by funds implementing ESG criteria					X
More transparency in ESG reporting by issuers					X

Creation of sustainability labels for asset management products		X			
More demand from customers			X		
Academic studies showing that ESG factors' adoption improves performance					X
Economic incentives, e.g. tax breaks		X			
More standardization among ESG data providers		X			
Clarifications about the scope of asset managers' fiduciary duties		X			

26. Remarks, if any, on the previous question

Our belief is that ESG factors can materially impact performance. Incorporating these considerations into the investment research, portfolio construction, and stewardship process can enhance long-term risk adjusted returns for our clients. Greater evidence of which factors are material will therefore be most useful in integration across investment processes

As a fiduciary to our clients, BlackRock's Investment Stewardship team works with colleagues investing in public companies to analyse the material ESG factors relevant to their investment decision-making. Where applicable, we consider any factor that in our judgment may affect the economic performance of companies over time, which includes the financial impact of non-financial factors. These factors may include, board leadership, management quality in areas such as health and safety, employee relations, product liability and development, mitigation of risk (e.g., physical risks, reputational risk, regulatory risk and legal risks), and general responsiveness to societal expectations. These risks may come from a variety of sources such as climate change, social trends, consumer behaviour, or regulatory developments.

BlackRock's Investment Stewardship team is considered an investment function. As such, we work closely with BlackRock's active portfolio management and fixed income teams. Core tenets of good governance — board oversight, minority shareholder rights, and management quality — are desirable qualities for all investors and can be a differentiating factor in equity and fixed income investors' decisions. The team confers regularly with BlackRock equity and credit analysts and portfolio managers to exchange insights on material ESG topics.

27. If your company engages ESG topics, what are the main instruments used?

Exercise of voting rights	X
Attending shareholders' meetings	
Proposal of shareholders' resolutions at AGMs	
Dialogue with the issuer through meetings, letters, calls etc	X
Presentation of proposals	
Involvement with trade or industry associations	X
Other	X

28. Remarks, if any, on the previous question

The BlackRock Investment Stewardship team engages companies to provide feedback on their practices and inform our voting. The team advocates for sound corporate governance and sustainable business practices that result in long-term value creation for our clients. We focus on a range of issues that fall within each of the ESG categories where we assess there is potential for material long-term financial impact on a company's performance. We engage with companies held in index and active portfolios alike to encourage them to adopt the robust business practices consistent with sustainable long-term performance.

Engagement is core to our stewardship program, as it helps build mutual understanding on any issues where we are concerned that a company's practices fall short of operational excellence. It also helps us assess a company's approach to governance, including the management of relevant environmental and social factors. We conduct approximately 2,500 engagements a year on a range of ESG issues likely to impact out client's long-term economic interests. We meet with executives and board directors, communicate with the company's advisors, and engage with other shareholders where appropriate.

BlackRock's approach to corporate governance and stewardship is explained in our Global Corporate Governance and Engagement Principles, available online. These high-level principles are the framework for our more detailed, market-specific voting guidelines, all of which are published on the BlackRock website.

Voting is the most broad-based form of engagement we have with companies, providing a channel for feedback to the board and management about investor perceptions of their performance and governance practices. BlackRock votes annually at more than 16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. Our analysis is informed by our internally-developed proxy voting guidelines, our pre-vote engagements, research, and the situational factors at a particular company.

We generally prefer to engage with the company in the first instance where we have concerns and give management time to address the issue. We will vote in favour of proposals where we support the approach taken by a company's management or where we have engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where we believe the board or management may not have adequately acted to and advance the interests of long-term investors. We do not propose shareholder resolutions (sometimes called "shareholder proposals") either directly or on behalf of clients.

Our vote bulletins aim to explain our approach and decision on certain high high-profile votes at company shareholder meetings publicly on the day of the meeting, or shortly thereafter, so interested clients and others can be aware of BlackRock's vote when it is of most relevance to them. We also file our voting record with the U.S. Securities and Exchange Commission each August; these disclosures are available on our website.

Industry affiliations and public speaking events also provide important forums in which to advocate for our views on a variety of corporate governance topics, as well as listen to those of our peers. These events and others provide us the opportunity to share our perspective with a wide audience of clients, public company representatives, market participants, other professionals dedicated to advancing governance and stewardship practices. Further details can be found in our 2019 Annual Stewardship Report.

29. What topics does your engagement mainly focus on: Environment, Social or Governance?

Each year, the Investment Stewardship team determines and publishes its engagement priorities. These are based on our observations of market developments and emerging governance practices over the year as well as insights gained through engagement with companies, clients and industry groups. The priorities evolve year over year as necessary.

BlackRock's Investment Stewardship priorities are:

- Governance - board composition, effectiveness, diversity, and accountability remain top priorities
- Environmental Risks and Opportunities - disclosure provides enhanced understanding of board and management oversight of policies, risk factors and opportunities that drive sustainable long-term financial performance

- Corporate strategy & Capital Allocation - a clear articulation of corporate strategy and capital allocation provide a clear sense of the direction a company intends to take
- Compensation that promotes long-termism - executive pay policies and outcomes should link closely to long-term strategy, goals, and performance
- Human capital management - in a talent constrained environment, companies should focus on sound business practices that create an engaged and stable workforce

Our engagement commentaries are intended to help clients and companies understand our thinking on key engagement issues. They are the benchmark against which we look at a company's approach and shape our engagement conversation on how the issue might affect the sustainable long-term financial performance of a company.

Published engagement commentaries:

- Engagement on strategy, purpose and culture
- How we engage on climate risk
- How we engage on TCFD and SASB aligned reporting
- Our approach to engagement with agribusiness companies on sustainable business practices
- How we engage on board diversity
- How we engage on human capital
- Our approach to executive compensation
- Our perspective on corporate political activities
- How we manage conflicts of interest
- Our approach to engagement with the palm oil industry

30. Do your company's investment strategies require that a minimum percentage of the managed portfolio is invested taking into account ESG criteria? If yes, what percentage?

No.

SECTION 4: ORGANIZATIONAL FEATURES

31. When assessing the issuers' ESG performance, your company:

Choose all applicable options

	Not at all	Little	Sufficiently	Highly	Very highly
Relies on proprietary methodologies				X	
Relies on the available sustainability scores				X	
Relies on the information published by issuers (NFR, sustainability				X	

reports, financial reports etc)					
Collects information available in the media				X	
Uses investment ratings provided by third parties				X	

32. Remarks, if any, on the previous question

All sources of information and data are important when considering how a company manages their material E, S and G risks.

33. When assessing whether to engage with issuers in the portfolio, the company:

Choose only one option

	Uses external advisers
	Uses proxy advisers on voting rights
	Uses internal teams
X	Other

34. Remarks, if any, on the previous question

BlackRock's Investment Stewardship team identifies companies for engagement through internal processes that are based on 1) our prior history of engagement with the company, 2) our engagement priorities, 3) our vote history with the company, and 4) our assessment of a company's financial and governance performance relative to its peers. We also consider events that have impacted or may impact long-term shareholder value and the management of sector-specific concerns, which are also material to long-term shareholder value. We prioritize engagements based on our level of concern and the likelihood that engagement can lead to positive change. In many instances, we engage because companies have not provided sufficient information in their disclosures to fully inform our assessment of the quality of governance, including the exposure to and management of environmental and social factors.

The team leverages a number of data and research platforms to evaluate a company. In our analysis, we also consider our engagement and voting history with the company, the views of our portfolio managers, and public information. Often risks are self-identified by a company's 10-K or other sustainability driven reports. We also leverage industry guidelines such as those proposed by the Sustainability Accounting Standards Board (SASB) to aid in defining standards for key performance indicators. We use ESG data aggregators, such as MSCI or Sustainalytics, to provide additional insight into what may be considered as material environmental and social factors.

Voting decisions are also made by members of the Investment Stewardship team in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines. While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesize corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritize those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

More information about how BlackRock's Investment Stewardship team engages with companies is available on our dedicated Stewardship website.

35. Which of the following statements best describes the position of ESG expertise in your company?

Choose only one option

	each investment team has a specific ESG analyst
	the ESG team is independent of the team that makes investment choices
X	ESG expertise are found across all staff, as they are embedded in the company culture
	external advisers work in-house

36. Remarks, if any, on the previous question

As detailed in our 2020 Letter to CEOs and Letter to Clients, Sustainability is the new standard at BlackRock. Sustainability is embedded into many teams, including: BlackRock Sustainable Investing, individual investment teams, Risk & Quantitative Analysis (RQA), BlackRock Investment Institute, BlackRock Investment Stewardship, and Corporate Sustainability.

37. What is the percentage of ESG analysts out of the total number of analysts employed by the company?

Every single investment team is responsible for integrating ESG risks in their investment decision making process.

We have over 130 specialist professionals across our Global Investment Stewardship team, BlackRock Sustainable Investing team and across our broader sustainable investment and corporate sustainability platform. This is in addition to portfolio managers and risk managers who are part of the sustainable investment programme at BlackRock.

38. Have you rolled out or are you rolling out ESG training programmes for employees? If yes, how frequently?

Choose only one option

	No
	Yes, monthly
	Yes, every six months
X	Other

39. Remarks, if any, on the previous question

BlackRock Sustainable Investing has conducted regular training programmes across investment and relationship management teams over the past 18 months.

40. As part of improving ESG integration into the company's business, is any future investment planned?

Choose only one option

	Yes, in human capital
	Yes, in technological research and development
	No
X	Other

41. Remarks, if any, on the previous question

Because sustainable investment options have the potential to offer clients better outcomes, we are making sustainability integral to the way BlackRock manages risk, constructs portfolios, designs products, and engages with companies. We are investing in human capital, technology and research.

This year, we have committed to 100% ESG Integration across our investment and risk management processes before the end of the year.

BlackRock's in-house investment stewardship team is the largest in the asset management industry with unique expertise to engage with companies on governance and business practices and long-term financial sustainability. Our team has grown steadily: from 16 in 2009, 36 in 2018 to over 45 today, with plans to recruit additional resources in 2020.

Details of how we are accelerating efforts to deepen the integration of sustainability into technology, risk management, and product choice across BlackRock can be found in our Letter to Our Clients.

SECTION 5: CRITICAL ISSUES

42. What are the main problems when factoring ESG considerations into the investment process?

	Negligible	Less important	Moderate	Severe	Very sever
Lack of data on ESG performance published by issuers				X	
Lack of verified / certified ESG data				X	
Lack of standards for ESG reporting by issuers			X		
Lack of standards to measure the ESG performance of institutional investors		X			
Concern over negative impact on returns		X			
Cost of data		X			
Excessive costs to research and analyse ESG information		X			
Duties of the asset manager towards clients (considering sustainable investment criteria is not		X			

part of the asset manager fiduciary duties)					
Personal beliefs of the company's top management		X			

43. Remarks, if any, on the previous question

44. What is your view of the European regulations on disclosure, benchmarks and taxonomy that have recently been adopted or are in the process of being adopted?

Choose only one option

	Positive overall
	Negative overall
X	Indifferent

45. Remarks, if any, on the previous question

The suite of sustainability-related regulatory reforms adopted (and in the process of adoption) by the EU are undoubtedly the most comprehensive regulatory efforts in this space anywhere in the world. Generally speaking, requiring investment intermediaries and institutional investors to integrate ESG into investment and risk management, promoting a product distribution system that is more sensitive to end-client sustainability preferences, and building a product disclosure and marketing framework that brings more clarity to the sustainable investment landscape and minimises 'greenwashing' are all aims that we strongly support and are very much in line with BlackRock's global business focus on sustainability as a natural extension of providing best in class investment management to our clients.

However, there are important technical and timeframe-related challenges that, despite strong support for the overall aim of the measures, should not be understated.

We have yet to see 'implementable' levels of detail coming from any of the new regulations – this is critical to ensure the market can comply with new rules: an effort that will require not just having adapted business practices (in many areas, something we have already done irrespective of related rules), but are able to (e.g.) build verifiable compliance processes around required practices and produce disclosures of the content and metrics required to fulfil the new requirements in the regulatory framework.

The detailed implementing rules ('Level 2') around the Disclosures and Taxonomy Regulation will be needed before firms can fully build implementation processes, and many in the market (incl. BlackRock) have some concerns that the implementation timeframe (beginning from March 2021) is unrealistic given the incredibly narrow window between the publication of detailed rules and the implementation deadline – especially given the fact that compliance will mean updating product prospectuses and marketing documentation which will involve supervisory approvals.

In addition, the new rules raise a host of questions that supervisors will need to provide more clarity on, for example;

- How should the market delineate between the 'new' types of products that are created by the regulation (e.g. what is the difference between a product with 'ESG characteristics' versus a 'sustainable investment objective')?
- What does the ESG integration requirement look like in practice across a wide range of different investment strategies?
- How are firms expected to evidence integration efforts to clients and to supervisors?

- What will the stewardship and proxy voting expectations of investment managers translate in practice?

In conclusion, while we are generally positive overall about the aims of the regulatory framework, we do have concerns that the regulations themselves underestimate the complexity of implementation; leaving important questions unanswered (and in some instances even unasked) while hemming to an implementation timeline that may be unrealistic.

46. Do you think your asset management company is ready for the changes introduced by EU regulations on sustainable finance?

	Not at all
X	Partly
	Mostly

47. Remarks, if any, on the previous question

As above, while the principle of the new rules aligns well with how we have evolved our business in recent years, without more detail on the requirements, it is impossible to say that the manner in which the new rules are expected to be applied, evidenced, and supervised will be wholly, or even mostly, consistent with how we are undertaking the related business practices today. The degree to which we, or any other market participant, is likely to be ready for the changes will depend on the extent to which the final rules require departing from market-practice-led concepts like 'ESG integration' and 'stewardship' and the extent to which the product-level disclosure requirements are based on metrics for which there is readily-available data.

48. Do you think that Italian issuers in the portfolio are ready for the changes introduced by EU regulations on sustainable finance?

	Not at all
X	Partly
	Mostly

49. Remarks, if any, on the previous question

On behalf of our clients, BlackRock invests in a broad range of Italian companies. As at February 2020, we have put over EUR 48bn from investors in Italy and globally to work in the Italian economy. In our view, the readiness of Italian issuers to respond to the changes introduced by new regulations on sustainable finance varies from one issuer to another.

50. Do you think there is a different level of preparedness about the new EU regulations on sustainable finance between European and Italian issuers?

	Yes
X	No
	Don't know

51. Remarks, if any, on the previous question

In line with question 48 – we believe the readiness varies from one issuer to another across the whole of Europe. We do not see a difference in readiness per geography, but we could see some differences across sectors.

SECTION 6: NON-FINANCIAL REPORTING (NFR)

52. Do you think the current European non-financial reporting requirements ("NFRD") are adequate to the purpose?

	Yes
	No
X	Other

53. Remarks, if any, on the previous question

European large listed companies are probably more advanced than issuers based in other regions given NFRD and progress made nationally (e.g. Scandinavia, France) but there is room for improvement. We hope the ongoing European Commission NFRD consultation and subsequent legislative proposal revising NFRD 1.0 will achieve this.

54. Focusing on European companies invested in, is the information in the Non- Financial Reporting (NFR) taken into account seriously when making investment decisions?

X	Yes
	No
	Other

55. Remarks, if any, on the previous question

Financially material ESG information provided in issuers' reports can facilitate informed investment decision-making. 'Non-financial' information with limited relevance to the issuer's business and to investment decisions is less likely to be considered by asset managers.

We broadly agree with IOSCO's statement on ESG disclosures which stated issuers should provide "full, accurate, and timely disclosure of financial results, risks, and other information which is material to investors' decisions" (IOSCO Statement on disclosure of ESG matters by issuers, January 2019).

56. Do you think the non-financial reports published by issuers that are currently available on the market:

Choose all applicable options

	Yes	No	Partly
Are reliable?			X
Have sufficient coverage (geographically, sectors)?			X
Can be used by asset managers?			X

57. Remarks, if any, on the previous question

Different levels of granularity have been observed in Non-Financial Reports (NFRs) of European listed companies. Some larger issuers are more advanced in their ESG reporting and have clearly defined materiality matrixes in their NFRs to display how the Company identifies, oversees and monitors key economic, environmental and social issues. Such reports sometimes provide additional level of details on the Company's governance around climate-related risks and opportunities, the potential risks and opportunities on the organisation's business strategy and financial planning and the metrics used to assess an manage climate related risks. In certain cases, some EMEA issuers provide an indication on whether the Company support and report in line with international reporting standards. However, this is not always the case. In fact, in many NFRs it is not always clear how the issues that the Company is exposed to have an impact on the Company's long-term operational and financial performance.

58. Which parts of the NFR are the most comprehensive?

Choose only one option

	Environment
	Social
	Governance

59. Remarks, if any, on the previous question

Considering the wide spectrum of EMEA issuers across different industries, it is difficult to conclude whether Environment, Social or Governance are more comprehensive in their respective Non-Financial Reports. Notwithstanding, "Governance" compared to the other two categories, has been one of the areas where overall issuers across this market have been reporting since a number of years. Therefore, it has been observed that NFRs tended to include sufficient level of information on the Company's corporate governance framework, including but not limited to, the composition of the Board of Directors, the composition of the Board Committees and the criteria used by companies when selecting new Executive Directors.

60. Which parts of the NFR are the most unsatisfactory/are the poorest?

	Environment
	Social
	Governance

61. Remarks, if any, on the previous question

Similarly, it is difficult to conclude whether Environment, Social or Governance are most unsatisfactory in NFRs of issuers across EMEA. However, it has been observed that numerous NFRs do not provide enough level of details on how the issues that each Company is exposed to have an impact on the Company's long-term operational and financial performance. Therefore, it is not always clear how the company is effectively and practically overseeing such issues and how these are eventually mitigated.

62. What regulatory action do you think would improve the quality of the information to be provided in periodic and non-periodic non-financial reporting?

To provide markets with better sustainability related information and enable greater ESG integration, we would recommend policymakers to bring clarity and simplicity to ESG corporate reporting. Currently, there are a number of overlapping standards and frameworks guiding companies to disclose slightly different information, including the SASB (Sustainability Accounting Standards Board), TCFD (Task Force on Climate Related Financial Disclosures), CDSB (Climate Disclosure Standards Board), GRI (Global Reporting Initiative), IIRC (International Integrated Reporting Council), and more. Each has particular strengths and discussion increasingly focuses on how this multiplicity of frameworks could be converged. While no framework is perfect, we believe SASB provides a clear set of standards, that are sector-specific and therefore more material, for reporting sustainability information across a wide range of issues, from labour practices to data privacy to business ethics. For evaluating and reporting climate-related risks, as well as the related governance issues that are essential to managing them, the TCFD provides a valuable framework. Larry Fink's 2020 letter to CEOs asked the companies that we invest in on behalf of our clients to publish disclosures in line with SASB guidelines (or a similar set of data that is more industry-relevant) and disclose climate-related risks in line with TCFD's recommendations.

63. Would you find the introduction at regulatory level of a standardised set of indicators useful?

Choose only one option

	Yes
	No
X	Indifferent

64. Remarks, if any, on the previous question

We think it is important disclosures retain some flexibility to adopt the metrics most material to a given company or sector, and therefore avoid a non-material, "one size fits all" disclosure that is likely to be less helpful to investee companies and investors. We believe that it is important to arrive at the "right" framework for reporting before mandating the use of a particular set of standards. We are concerned that a standardised set of indicators may lead to a "one size fits all" approach and as a result detract companies and investors from focussing on the ESG risks and opportunities relevant to their business and investments, respectively. Where regulation can play an important role is in addressing the ESG corporate reporting framework proliferation and aligning corporate ESG disclosure reporting frameworks.

65. Do you think there is a jurisdiction that could be considered as an example of "best practice" with regards to its rules on non-financial reporting?

66. Do you think that it would be useful also for issuers not included within the scope of Directive 2014/95/EU (NFRD) to provide regular non-financial information?

Choose only one option

	No
	Yes, it would be useful to review the size thresholds in the Directive
	Yes, but without imposing any additional regulatory requirements
X	Other

67. Remarks, if any, on the previous question

We have not yet concluded on this.

68. Do you think the ESG scores currently used on the market

Choose all applicable options

	Yes	No	Partly
Are reliable?	X		
Have sufficient coverage (geographically, sectors)?	X		
Can be used by asset managers?	X		

69. Remarks, if any, on the previous question

70. As the final part of this questionnaire, you can provide a brief summary of your company's general approach to sustainability

Sustainability as BlackRock's New Standard for Investing

Since BlackRock's founding in 1988, we have worked to anticipate our clients' needs to help them manage risk and achieve their investment goals. As those needs have evolved, so too has our approach, but it has always been grounded in our fiduciary commitment to our clients. Over the past few years, more and more of our clients have focused on the impact of sustainability on their portfolios. This shift has been driven by an increased understanding of how sustainability-related factors can affect economic growth, asset values, and financial markets as a whole.

The most significant of these factors today relates to climate change, not only in terms of the physical risk associated with rising global temperatures, but also transition risk – namely, how the global transition to a low-carbon economy could affect a company's long-term profitability.

As Larry Fink writes in his 2020 letter to CEOs, investment risks presented by climate change are set to accelerate a significant reallocation of capital, which will in turn have a profound impact on the pricing of risk and assets around the world.

As a fiduciary, BlackRock is committed to helping our clients navigate this transition and build more resilient portfolios, including striving for more stable and higher long-term returns. Because sustainable investment options have the potential to offer clients better outcomes, we are making sustainability integral to the way BlackRock manages risk, constructs portfolios, designs products, and engages with companies. We believe that sustainability should be our new standard for investing.

Over the past several years, we have been deepening the integration of sustainability into technology, risk management, and product choice across BlackRock. Details of we are accelerating these efforts can be found in our Letter to Our Clients.