The Role of Fundamental Labour Rights in Investment Stewardship

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About the Committee on Workers’ Capital (CWC) Asset Manager Report Series

The CWC Asset Manager Report Series examines the performance of ten of the world’s largest asset managers on workers’ rights and global trade union priorities. The asset managers profiled rely on a client base that includes pension funds across the globe. Many of the trustees who sit on these pension funds are CWC network participants.

The reports evaluate the strength of the asset managers’ stewardship frameworks, the impact of their stewardship practices on workers’ rights and their degree of alignment with the ILO Fundamental Principles and Rights at Work and rights-based frameworks such as the UN Guiding Principles for Business and Human Rights (UNGPs) and the OECD Guidelines for MNEs. This report on BlackRock is current up to 23 September 2020.

Please note that this brief is for informational purposes only, and is not intended to provide, and should not be relied on for investment, legal, tax or accounting advice. Trustees should consult their own advisors and investment professionals to evaluate the merits and risks of any investment.
I. CWC Baseline Expectations of Asset Managers

The CWC Asset Manager Report Series review the stewardship policies and practices in public equities (engagement and proxy voting), alternative investments and policy advocacy for ten of the world’s largest asset managers. It then assesses the consistency of those practices with the CWC Secretariat’s Baseline Expectations around fundamental labour rights. The following Baseline Expectations have guided the research and analysis that underpin this report:

- Adopt the promotion of fundamental labour rights and responsible business conduct as an engagement priority and a proxy voting guideline;
- Commit to engaging companies when trade unions provide evidence of adverse human rights impacts and reporting back publicly on the outcome of those engagements;
- Adopt a position of “non-opposition” when workers exercise their right to associate and to bargain collectively in public equities and private market investments;
- Commit to a dialogue with the CWC and its asset owner representatives once a year to discuss trade union priorities that are relevant to investment stewardship; and
- Recognize publicly that companies have an immediate responsibility to protect the health and safety of their workforce, supply chain workers, independent contractors.

II. Recommendations for BlackRock

BlackRock is the world’s largest asset manager with USD 7.3 trillion of assets under management. Given its size, the firm has considerable influence over financial markets through its investment stewardship activities. The following recommendations were formulated based on the analysis of BlackRock’s public disclosures, its PRI transparency report along with other documents relevant to fundamental labour rights provided by trade unions. The recommendations fall into four overarching categories: (1) stewardship framework; (2) stewardship practices for public equities; (3) stewardship practices in real assets and (4) policy advocacy.

Recommendations

(1) Stewardship framework:
- Incorporate a rights-based approach, drawing on the UNGPs and OECD Guidelines for MNEs, into BlackRock’s “Global Corporate Governance and Engagement Principles” to strike a better balance between (a) materiality and (b) responsibilities under international norms and standards to uphold fundamental labour rights;
- Codify a process to support remediation as an element of effective due diligence under the OECD Guidelines and create an investment portfolio focused grievance mechanism to enable workers who suffer adverse impacts to raise concerns with BlackRock when it may be causing, contributing or be directly linked to the adverse impact.

(2) Stewardship in public equities:
- Adopt the promotion of fundamental labour rights as an engagement priority distinct from human capital management;
- Commit to communicating and incorporating trade union provided information to inform “reactive” company engagements and improve BlackRock’s understanding of stakeholder interests;
- Hold management and boards to account through voting when ILO fundamental labour rights violations (including racial discrimination) go unaddressed by management within 12 months; and
• Amend voting guidelines to ensure consistency with responsibilities under the OECD Guidelines for MNEs so that investee companies are expected to demonstrate (a) how they uphold the Guidelines in jurisdictions where the Guidelines go beyond the domestic law where a company operates, or (b) how the principles of the Guidelines are upheld if they conflict with domestic laws.

(3) Stewardship in real assets
• Improve enforcement of its US Responsible Contractor Policy and commit to upholding fundamental labour rights through project specific labour agreements;
• Join the Cleaning Accountability Framework to mitigate the risks of violating the rights of cleaning workers in the Australian real estate portfolio;
• Agree to a dialogue with UNI and its partners to discuss how to uphold fundamental labour rights in the nursing home sector and immediate health and safety needs in relation to COVID-19; and
• Reference the UNGPs and OECD Guidelines for MNEs in BlackRock’s “Real Assets Sustainable Investing Policy”.

(4) Policy advocacy
• Commit to a dialogue with CWC participants – including trade unions, pension fund trustees and staff – once a year to discuss trade union priorities that are relevant to investment stewardship in line with a move away from shareholder primacy and towards a commitment to all stakeholders.

III. BlackRock at a Glance

<table>
<thead>
<tr>
<th><strong>Assets Under Management</strong></th>
<th>USD 7,320 billion (at June 30, 2020)²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management of institutional accounts</td>
<td>USD 4,390 billion (at June 30, 2020)³</td>
</tr>
<tr>
<td>Ranking among global asset managers</td>
<td>First⁴</td>
</tr>
</tbody>
</table>
| Asset base composition | Multi-asset 8%  
Equity 48%  
Alternatives 3%  
Cash 8%  
Fixed income 33% |
| Company structure | Publicly-listed (NYSE) |
| Responsible investment (RI) staff/total employees | 73 responsible investment staff⁵ / 16,200⁶ |
| Headquarters | New York, USA |
BlackRock is the world’s largest asset manager.\textsuperscript{8} It was founded in 1988 and is one of the pioneers of index (or passive) investing, a strategy which consists of packaging a multitude of market indices into low-cost, investable products. The firm has since grown to provide a comprehensive suite of investment products, ranging from passive to active, across asset classes. Passive equity investing continues to account for the bulk of the firm’s assets under management – it accounted for 46% of the firm’s overall AUM (passive and active account for 48% of AUM) at the end of June 2020.\textsuperscript{9}

The rise of passive investing and BlackRock’s leading role in this movement has turned the firm into a dominant force in global financial markets. This can be observed through its sizeable ownership stakes across the world’s publicly listed firms (e.g., BlackRock is the largest holder of ownership stakes of 5 percent or above in US listed firms and the top investor in Germany’s DAX\textsuperscript{10}), its increasingly active role in shaping financial regulation and its substantial influence in global political economic issues (e.g., recent sovereign debt negotiations in Argentina). BlackRock also holds direct real estate and infrastructure assets through private investment vehicles.

BlackRock has expanded its responsible investment practices including investment stewardship in recent years. CEO Larry Fink oversees firm wide ESG integration in collaboration with the Investment Sub-Committee of BlackRock’s Global Executive Committee. At a working level, each investment division has a head of sustainable investing who oversees integration and develops the methodology for the asset class they oversee. In public equities, the asset class in which BlackRock has the largest exposure, it employs an investment stewardship team which oversees the development of the firm’s global engagement principles and regional proxy voting guidelines. All of these activities are overseen by BlackRock’s board of directors via the Nominating and Governance Committee.\textsuperscript{11}

IV. Labour Rights in BlackRock’s Stewardship Framework

In line with broader industry trends, BlackRock has built up its investment stewardship activities to enhance its responsible investment credentials. In 2020, Larry Fink announced that the world was in the midst of a fundamental reshaping of finance. The firm joined the Climate Action 100+ and Larry Fink stressed that “a company can’t achieve long-term profits without embracing purpose and considering the needs of a broad range of stakeholders”.\textsuperscript{12} BlackRock has since committed to making sustainability a part of its standard product offering.\textsuperscript{13}

Despite the clear progression in BlackRock’s commitment to ESG stewardship across its investments, structural impediments hinder the firm’s ability to incorporate fundamental labour rights (through a rights-based framework) as a central tenet of its stewardship priorities.

In public equity investing, which account for 48% of the firm’s AUM, the firm had five engagement priorities for 2020: (1) board quality, (2) environmental risks and

“BlackRock is the largest holder of ownership stakes of 5 percent or above in US listed firms and the top investor in Germany’s DAX.”
opportunities, (3) corporate strategy and capital allocation, (4) compensation that promotes long-termism, and (5) human capital management. The following principle shapes these priorities:

“Our fiduciary duty to clients is to protect and enhance their economic interest in the companies in which we invest on their behalf. It is within this context that we undertake our corporate governance activities. We believe that well-managed companies will deal effectively with the material environmental and social (“E&S”) factors relevant to their businesses.”

This statement highlights that the firm encourages investee companies to deal with social issues to the extent that they are financially material to their business. A central tenet of BlackRock’s engagement principles is the expectation that companies align their disclosures with the Sustainability Accounting Standards Board (SASB) framework. SASB defines financially material issues as “the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors”. This is a narrow focus that contrasts with rights-based frameworks such as the UNGPs, the OECD Guidelines for MNEs and the European Commission’s “double-materiality” approach. The double materiality approach encourages companies to disclose both financially material (to the company) and environmental and socially material issues (impact of the company on its stakeholders). The alignment of stewardship principles towards a rights-based framework enables investors to press companies to uphold fundamental workers’ rights; these topics are largely absent from crucial industry sectors under the SASB frameworks where labour practices are not considered financially material.

**INTERNATIONAL STANDARDS AND FRAMEWORKS:**
**WORKERS’ HUMAN RIGHTS AND LABOUR STANDARDS**

The ILO Declaration on Fundamental Principles and Rights at Work commits member states to respect and promote principles and rights in four categories: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation.

The UN Guiding Principles on Business and Human Rights (UNGPs) set a global standard of expected conduct for all business enterprises wherever they operate and provide the internationally accepted framework for enhancing standards and practice regarding business and human rights.

The OECD Guidelines for Multinational Enterprises (MNEs) are a comprehensive code of recommendations for responsible business conduct made by governments to multinational enterprises. Chapter V of the Guidelines echoes all four principles contained in the ILO Declaration on Fundamental Principles and Rights at Work. According to the OECD, minority shareholders are expected to carry out due diligence to (a) identify actual and potential adverse impacts, (b) prevent or mitigate adverse impacts, (c) track and communicate results and (d) support remediation where adverse impacts occur. Under the Guidelines, asset managers, asset owners and portfolio companies are expected to make positive social and environmental contributions to communities and to mitigate any adverse impacts.
The firm’s stewardship framework also lacks a clear articulation of access to remedy for workers whose fundamental rights are violated. Under the OECD Guidelines, one of the supporting elements to enable due diligence is the establishment of a process to support remediation. BlackRock may “cause” or “contribute to” fundamental labour rights violations in its real asset portfolio where it holds controlling stakes; it is also “directly linked” to labour rights violations through minority shareholdings in public equities. Where it causes or contributes to such violations, it would be expected to provide remedy; in cases where it is directly linked to such violations, it could participate in mediation around the adverse impact. Processes to enable remediation of impacts include the establishment of a grievance mechanism and cooperation with judicial or non-judicial state-based mechanisms, such as the OECD National Contact Points (NCP). To support remediation, BlackRock should cooperate in NCP proceedings (e.g., if it is cited as causing adverse impacts in private market investments) and encourage good faith participation in those proceedings (e.g., where it has minority shareholdings in public equity investments).

**CWC SECRETARIAT RECOMMENDATIONS:**

The alignment of stewardship principles towards a rights-based framework is more conducive to having investors press companies to uphold fundamental workers’ rights. This is currently missing from BlackRock’s approach to investment stewardship. In BlackRock’s preferred sustainability disclosure framework, SASB, labour practices are only identified as a “material issue” in 15.5 percent of the 77 industries comprised in the SASB Materiality Map. The financial materiality lens discounts the responsibilities of companies to uphold fundamental labour rights under international norms and frameworks in all sectors.

BlackRock should codify its process to support remediation as an element of effective due diligence under the OECD Guidelines. This should include the creation of an investment portfolio focused grievance mechanism to enable workers who suffer adverse impacts to raise concerns with BlackRock when it may be causing, contributing or be directly linked to the adverse impact.

BlackRock is reviewing its expectations of human capital management in the second half of 2020 in response to the global pandemic and recent events related to racial justice. This is an opportune time to engage the firm on this matter.

> “BlackRock should codify its process to support remediation as an element of effective due diligence under the OECD Guidelines. This should include the creation of an investment portfolio focused grievance mechanism...”
V. Labour Rights in Investment Stewardship Practices: Public Equities

a. Engagements on fundamental labour rights and CWC-supported initiatives: scope, substance and outcomes

BlackRock identifies company engagement targets based on proactive and reactive criteria. Engagements are prioritized based on level of concern and the likelihood of positive change. Then, the level at which the engagement is directed at (i.e., board, management, or working level) is determined based on “the materiality and immediacy of a given issue.” The criteria for proactive engagements include: (a) concerns with company performance and governance; (b) gaps in disclosures; and (c) thematic governance issues that are material to shareholders. Meanwhile reactive engagements can occur when an event impacts or may impact long-term value or when a company requests a meeting.

In the first half of 2020, BlackRock carried out 1,776 engagements with companies around the world. Social issues – including “social risks and opportunities” and “human capital management” - were discussed in 20% of engagements.

Are fundamental labour rights reflected in any engagement priorities?

Workers’ human rights and labour standards are folded into human capital management (HCM), which has been one of BlackRock’s five engagement priorities since 2017. The asset manager views HCM as a material concern that can impact a company’s performance and shareholder returns. HCM-related engagements may include discussions on policies to encourage employee engagement, programs to engage organized labor and their representatives, and the systems in place to oversee matters related to a company’s supply chain (including contingent workers, contractors, and subcontractors).

In its current form, the policy does not explicitly support freedom of association, collective bargaining or the elimination of forced labour. For instance, there is a difference between encouraging employee engagement or engaging organized labour and stating support for the effective recognition of the right to collective bargaining in a workplace. Equally, discussing systems in place to oversee supply chain workers does not equate with a firm stance or proactive policy to prevent the use of forced labour in all contexts.

Moreover, while environmental risks are one of BlackRock’s stewardship priorities, it has not incorporated any expectations with regards to workers affected by the transition to a low-carbon economy. A range of resources, such as the Climate Change and Just Transition Guide for Investor Action, could be used by BlackRock to develop its position and guarantee that all companies undertake a transition plan that integrates employment (i.e., fundamental labour rights) and greenhouse gas emissions reductions.

Has the asset manager publicly reported on any engagements on fundamental labour rights?

In 2020, BlackRock began disclosing the names of companies with whom it engages, the frequency of engagement and the topics of engagements on a quarterly basis. The “social” engagements include the following two topics: “human capital management” and broad “social risks and opportunities”.

There is anecdotal evidence of engagements that touch on fundamental labour rights. For instance, in its documentation of engagements with agribusiness, it states “workers’ rights, health and safety as well as working conditions” are among its areas of focus.
Does the asset manager measure the impact of engagements on fundamental labour rights?

BlackRock uses two escalation tactics in its engagements when there is insufficient progress relative to objectives. First when companies do not comply with its disclosure expectations, they are put on a “watch list” and given 12 to 18 months to make changes. If changes are not forthcoming, it uses voting action against management.27

BlackRock says that it will be increasingly disposed to vote against management and the board, or in favour of shareholder resolutions where it has concerns around social issues. One example is a vote at Tyson Foods’ 2020 AGM, where it supported a shareholder proposal on supply chain due diligence because it was not satisfied with the company’s disclosures and practices around working conditions.28

This year, BlackRock voted against management recommendations at 53 companies and put 191 companies on watch based on insufficient progress to integrate climate risk.29 There is less clarity around the frequency of application these escalation tactics when it comes to fundamental labour rights.

Does the asset manager provide examples where it has engaged with companies to address fundamental labour rights impacts in countries where workers’ rights are most at risk?30

BlackRock has engaged with companies on “human capital management” and “social risks and opportunities” in countries where there are no guarantee of rights. It describes an engagement with a Chinese electronics device manufacturer (China has a rating of 5 on the ITUC index) after allegations of coerced labour were made in a third-party report. BlackRock asked the company to enhance transparency on its labour practices and argued that “adverse impacts resulting from poor business conduct can expose companies to legal, regulatory, operational and reputational risks”.31 However, the engagement outcomes reported by BlackRock were vague and generic; it disclosed that “the company was receptive to our recommendations to consider improving their labor oversight and reporting”.32 Despite being framed as a positive outcome, this does not equate to a resolution to the adverse labour rights impacts.

In another example, BlackRock engaged with Indonesian and Korean (rating of 5 on the ITUC index) palm oil producers. Following multi-year engagements with these companies, the asset manager’s objectives are to “encourage companies to better address the environmental and social risks associated with the palm oil industry”. The engagements include questions and objectives around the governance framework to handle grievances submitted by employees.33

Since engagements on fundamental labour rights in countries where workers rights are most at risk appear to be sporadic and infrequent, BlackRock’s engagements on this topic would benefit from a clear, public strategy to systematically tackle adverse labour rights impacts.

Did the asset manager engage with any of the following companies on fundamental labour rights issues raised by trade unions?

The following companies are subject to shareholder engagement requests issued by the CWC Secretariat and/or participating unions around a range of worker rights.
<table>
<thead>
<tr>
<th>Company (country HQ)</th>
<th>Ownership stake</th>
<th>Impacts to workers’ rights raised by CWC participants</th>
<th>BlackRock ESG Engagement reported in 2020</th>
<th>BlackRock HCM Engagement reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon.com Inc. (USA)</td>
<td>5.40%³⁶</td>
<td>Health and safety issues and refusal to bargain collectively in US, UK and European warehouses, dismissals of union organizers³⁷</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>BHP (Australia/UK)</td>
<td>10.08% (for BHP Group PLC)³⁸</td>
<td>ITF effort to help seafarers being trapped on vessels and pressured into signing on for extended period at sea instead of being able to return home</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>XPO Logistics Inc. (USA)</td>
<td>10.10%³⁹</td>
<td>Employee misclassification, undermining of freedom of association</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Teleperformance (France)</td>
<td>3.51%³⁵</td>
<td>OECD NCP complaint filed by UNI regarding unsafe practices linked to Covid-19 in call centers in high risk countries (incl. Colombia, the Philippines)</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Lafarge/Holcim (Switzerland)</td>
<td>3.10%³¹</td>
<td>OECD NCP complaint filed by BWI on replacement of employees for subcontractors in the Philippines³²</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Orpea Groupe (France)</td>
<td>1.03%³³</td>
<td>UNI-led effort to have private nursing home company improve working conditions and health and safety of workers during Covid-19 pandemic</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Larsen and Toubro (India), Arabtec (UAE), Emaar Properties (UAE)</td>
<td>L&amp;T (unknown), Arabtec (unknown), Emaar (unknown)</td>
<td>Construction and real estate firms who rely on a workforce at high risk of bonded labour practices in the Arab Gulf</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

**CWC SECRETARIAT RECOMMENDATIONS:**

BlackRock has begun using rights-based language when describing engagement in case studies (e.g., adverse impacts at a Chinese electronics manufacturer) and sectoral engagements (e.g., agribusiness, palm oil). This is an encouraging development that needs to be expanded. The CWC Secretariat encourages BlackRock to strengthen these efforts by formally adopting the promotion of fundamental labour rights as an engagement priority. The adoption of this priority should include a mapping of key labour rights violations in countries where workers’ rights are most at risk. This includes the incorporation of workers’ rights issues within its climate risk engagements.⁴⁴

BlackRock believes that companies can achieve long-term profits by embracing purpose and considering the needs of a broad range of stakeholders. The firm has engaged with some companies (e.g., Amazon.com, XPO Logistics) where CWC participating trade unions have raised concerns about worker rights violations. When BlackRock engages with a company where labour rights violations are documented, it should commit to communicating and incorporating trade union provided information to inform its dialogue with management. This will ensure that it understands the needs of workers, as part of the “broad range of stakeholders” that will enable it to press management more effectively.
b. Proxy voting on fundamental labour rights and CWC-supported initiatives: scope, substance and outcomes

BlackRock’s investment stewardship team is responsible for issuing recommendations on votes at corporate AGMs around the world based on its regional voting guidelines. The investment stewardship team leverages external research, notably from ISS and Glass Lewis, as an input into the recommendations it develops internally. Ultimately, BlackRock’s portfolio managers have full discretion to vote based on their own analysis which may be different from that of the investment stewardship team. Nonetheless, BlackRock says that “ballots are frequently cast in a uniform manner.”

In the first half of 2020, BlackRock voted at 11,809 corporate AGMs around the globe. The asset manager voted against the election of directors 7.8% of the time and voted against management recommendations 8.8% of the time.

Does the asset manager’s approach and guidelines for proxy voting guidelines reference international frameworks and standards on fundamental labour rights?

No. BlackRock publishes its proxy voting guidelines for each of the following regions/countries: the United States, Canada, Europe, Middle East, and Africa, Australia, Asia, China, Hong Kong, Japan, and Latin America. The guidelines do not explicitly cite international frameworks or standards as a factor to determine voting on shareholder proposals. Instead, the asset manager’s proxy voting guidelines state that when making voting decisions on environmental or social issues, BlackRock “do[es] not see it as [their] role to make social, ethical, or political judgments on behalf of clients, but rather, to protect the long-term economic interests as shareholders”.

There is a gap between BlackRock’s proxy voting guidelines and its responsibilities under the OECD Guidelines for MNEs. BlackRock says that it “expects investee companies to comply, at a minimum, with the laws and regulations of the jurisdictions in which they operate” and that companies “should explain how they manage situations where such laws or regulations are contradictory or ambiguous”. In its application, BlackRock’s current policy does not clarify the “starting point” for a law to be contradictory or ambiguous – i.e., is it contradictory relative to the home country of the company, the OECD Guidelines or contradictory within the country where the company operates?

Under the OECD Guidelines, as a minority shareholder, BlackRock should ask companies to demonstrate (a) how they uphold the Guidelines in jurisdictions where they go beyond domestic law (where firms operate), or (b) how the principles of the Guidelines are upheld if they conflict with domestic laws.

“BlackRock voted against every CWC-supported voting recommendation in the first half of 2020.”
Did the asset manager vote *FOR* the following shareholder resolutions that were filed by CWC participants?

<table>
<thead>
<tr>
<th>Company (country HQ)</th>
<th>Ownership Stake</th>
<th>CWC-supported recommendation</th>
<th>Proposal subject</th>
<th>Item #</th>
<th>Meeting date</th>
<th>BlackRock vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brookfield Asset Management (Canada)</td>
<td>N.A.</td>
<td>Available</td>
<td>Assign an Oversight Responsibility for Human Capital Management to a Board Committee</td>
<td>4</td>
<td>6/12/2020</td>
<td>Against</td>
</tr>
<tr>
<td>Delta Airlines (USA)</td>
<td>5.30%</td>
<td>Available</td>
<td>Report on Sexual Harassment Policy</td>
<td>7</td>
<td>6/18/2020</td>
<td>Against</td>
</tr>
<tr>
<td>GEO Group (USA)</td>
<td>12.10%</td>
<td>Available</td>
<td>Disclosure of lobbying activities and expenditures</td>
<td>4</td>
<td>19/5/2020</td>
<td>Against</td>
</tr>
<tr>
<td>XPO Logistics Inc. (USA)</td>
<td>10.10%</td>
<td>Available</td>
<td>Require Independent Board Chair</td>
<td>6</td>
<td>5/14/2020</td>
<td>Against</td>
</tr>
<tr>
<td>Delta Airlines (USA)</td>
<td>5.39%</td>
<td>Available</td>
<td>Report on Sexual Harassment Policy</td>
<td>7</td>
<td>6/18/2020</td>
<td>Against</td>
</tr>
</tbody>
</table>

Did the asset manager vote according to CWC participant recommendations (*AGAINST*) on the following management proposals?

<table>
<thead>
<tr>
<th>Company (country HQ)</th>
<th>Ownership Stake</th>
<th>CWC-supported recommendation</th>
<th>Proposal subject</th>
<th>Item #</th>
<th>Meeting date</th>
<th>BlackRock vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teleperformance (France)</td>
<td>3.51%</td>
<td>Available</td>
<td>Approve Allocation of Income and Dividends of EUR 2.40 per Share</td>
<td>3</td>
<td>6/26/2020</td>
<td>For</td>
</tr>
<tr>
<td>Teleperformance (France)</td>
<td>3.51%</td>
<td>Available</td>
<td>Approve Compensation of Daniel Julien, Chairman and CEO</td>
<td>6</td>
<td>6/26/2020</td>
<td>For</td>
</tr>
<tr>
<td>Amazon.com (USA)</td>
<td>5.40%</td>
<td>Available</td>
<td>Election of Judith McGrath, chair of the leadership development and compensation committee</td>
<td>1.e.</td>
<td>27/5/2020</td>
<td>For</td>
</tr>
<tr>
<td>Grupo ACS (Spain)</td>
<td>4.71%</td>
<td>Available</td>
<td>Approve Non-Financial Information Statement</td>
<td>2</td>
<td>5/7/2020</td>
<td>For</td>
</tr>
</tbody>
</table>
CWC SECRETARIAT RECOMMENDATIONS:
BlackRock voted against every CWC-supported voting recommendation. It either voted against shareholder proposals supported by CWC participants or voted for management resolutions where CWC participants recommended opposing management.

BlackRock says that it will be increasingly disposed to use its voting rights to signal concerns to companies. It should hold management and boards to account through voting action when ILO fundamental labour rights violations (including racial discrimination) go unaddressed by management within 12 months – not only where it identifies a human capital management issue that is financially material to the company.

It should amend its voting guidelines to uphold its responsibilities under the OECD Guidelines for MNEs by expecting investee companies to demonstrate (a) how they uphold the Guidelines in jurisdictions where the Guidelines go beyond the domestic law where a company operates, or (b) how the principles of the Guidelines are upheld if they conflict with domestic laws.

VI. Labour Rights in Investment Stewardship Practices: Real Assets
BlackRock is an important player in real asset markets, including real estate and infrastructure investing. At the end of 2019, it had USD 25.8bn AUM of committed capital in real estate and USD 27.6bn of committed capital in infrastructure. According to IPE, it ranked as the 7th largest infrastructure investor and 48th largest real estate manager in 2019.

The firms’ infrastructure investments span across the asset spectrum and geographies. Indeed, it invests in transport (e.g., toll roads), social (hospitals, schools), water (water treatment), energy (pipelines) and power (wind and solar energy generation, transmission, and distribution) infrastructure assets. Those investments span across the world’s regions – bar Africa. Key countries where BlackRock is invested include, but are not limited to, Canada, the USA, Mexico, the UK, France, Sweden, Japan and Australia.

The firm’s real estate footprint is also diversified. It invests in office towers, commercial real estate spaces, apartments, hotels, student accommodations, primary healthcare assets and logistics parks. BlackRock’s real estate assets are also present in major markets including the US, the UK, continental Europe, China, India, Southeast Asia, Australia, and Japan.

This analysis focuses on BlackRock’s commitments and practices around workers’ rights in its private real asset funds. In these funds, BlackRock raises capital from institutional investors, including pension funds, and acts as the General Partner over the lifetime of the fund. Recent examples of fundraising include the Global Energy & Power Infrastructure Fund III (USD 5.1bn close in April 2020) and the Asia Property Fund V (first close of USD 500m in December 2019; target of USD 1bn).

Does the asset manager have a policy that describes how it upholds fundamental labour rights in real assets?
BlackRock’s “Real Assets Sustainable Investing Policy” underpins the integration of ESG issues into its real estate and infrastructure investments. Material ESG issues are integrated during the selection process and are evaluated on an ongoing basis. Labour management and health and safety are examples of social factors that feature in investment due diligence. BlackRock reports that potential ESG issues have prevented some investments from being completed; however, human or labour rights violations are not mentioned as factors that have prevented a real asset acquisition.

The asset manager has market specific policies that touch on the integration of workers’ rights. For instance, its US real assets platform (real estate and infrastructure) has adopted a Responsible Contractor Policy which applies to assets and
companies in which funds managed by BlackRock have a controlling interest. The policy supports a position of neutrality in the event of a campaign to organize workers. However, BlackRock scored very poorly on the 2020 NABTU RCP Scorecard on real estate and infrastructure as a result of a low scores on the scope of RCP application, weak enforcement provisions and a lack of project-specific labour agreements.

BlackRock has made reference anecdotally to labour rights issues in some of its real estate assets. For example, it states that it “worked with local unions to ensure fair agreements were adopted for all employees” during the construction of the Michoacan Toll Road in Mexico.

WHAT IS A RESPONSIBLE CONTRACTOR POLICY?

Responsible Contractor Policies (RCPs) set minimum employment standards that real estate or infrastructure asset managers abide by during the building, operating and maintenance phases of the assets they own or manage. RCPs are crafted to align with the fiduciary duties of investors.

RCPs tend to include minimum employment standards to ensure that workers’ human rights and labour standards are upheld in the activities of contractors. Key RCP features include a commitment to neutrality (or “non-opposition”) if there is a legitimate attempt by a trade union to organize workers performing services for a contractor along with a credible verification mechanism.

Have cases of workers’ rights violations involving the asset manager been raised by trade unions?

There are three hotspots in the BlackRock real asset portfolio where workers’ rights are at risk.

Firstly, in Australia, BlackRock has not joined the Cleaning Accountability Framework (CAF), a framework that brings together real estate owners and managers, cleaning companies, unions, and industry associations to drive better working practices for cleaners across the industry. The CAF certifies a range of commercial real estate buildings in Australia and includes other large real estate owners/managers such as AMP Capital and Australian Super.

Secondly, UNI, the service workers’ global union has raised concerns over working conditions including health and safety practices and the freedom of association for workers in the private nursing home industry. BlackRock has at least 85 primary healthcare assets across the UK and it recently set up a private fund called “Global Healthcare Private Equity”, presumably to acquire healthcare related assets.
Finally, BlackRock is a preferred equity investor in Ohio’s Guernsey Power Station. US building trade unions, will be closely monitoring how BlackRock upholds its Responsible Contractor policy over the construction phase of this project.

**CWC SECRETARIAT RECOMMENDATIONS:**

While BlackRock has a responsible contractor policy for its US real assets, it should improve its enforcement and commit to upholding fundamental labour rights through project specific labour agreements.

Moreover, it has yet to join frameworks and/or initiatives that strengthen workers’ rights in other key markets where it has a real asset footprint. This is the case in Australia, where it holds office and retail real estate assets in Sydney and Melbourne. Given that BlackRock “target[s] industry best practices” and that it has adopted an RCP in the US, joining the CAF would be a logical next step.

BlackRock’s real assets policies does not expand on how “labour management” is defined in its real estate ESG due diligence. The policy would benefit from a direct reference to international human rights frameworks such as the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for MNEs as those frameworks clearly articulate the responsibility of multinationals to uphold fundamental labour rights.

Finally, BlackRock should agree to a dialogue with UNI and its partners to discuss how to uphold fundamental labour rights in the nursing home sector and immediate health and safety needs in relation to Covid-19.

**VII. Advocacy: BlackRock’s Global Policy Positions Compared with Trade Union Priorities**

BlackRock regularly responds to financial regulation policy consultations around the globe. It states that it “represents the interests of its clients by acting in every case as their agent. It is from this perspective that [it] engage[s] on all matters of public policy”.

Recent responses by BlackRock to corporate governance policy consultations in the UK and Germany demonstrate its continued support for shareholder primacy. This runs counter to trade union priorities and is inconsistent with the spirit of the US Business Roundtable Statement on the Purpose of a Corporation in 2019, which was signed by Larry Fink. This statement is a commitment to “move away from shareholder primacy [and] includes commitment to all stakeholders.”

In its 2018 response to the Financial Reporting Council’s consultation on revisions to the UK Corporate Code of Governance, BlackRock’s critical view on the addition of
employee representatives on boards was in direct opposition with the position of the Trades Union Congress. BlackRock said the following:

“…It is important that we highlight our concerns with employee representation in the UK model. BlackRock believes that all directors appointed to the board should act in the long-term interests of all shareholders and represent their views and concerns, rather than only those of a particular subset of stakeholders… We equally have concerns with a formal workforce advisory council or a non-executive director designated to gather views from the workforce. These models fall outside management’s stakeholder engagement process, and we believe management bears the primary responsibility for management of stakeholder considerations.”66

Similarly, in a 2018 consultation led by the German Governmental Commission on an amended German Corporate Governance Code, BlackRock supported a shortening of the appointment period for shareholder representatives to the supervisory board from 5 to 3 years. German trade union confederation DGB opposed this proposed approach because it would strengthen short-termism and it would impair effective co-determination since it would also apply to worker representatives. Importantly, most German stakeholder including the Federation of German Industry also declared discontent with the proposed shorter terms.67

CWC SECRETARIAT RECOMMENDATIONS:
While BlackRock publicly supports the shift away from shareholder primacy, the position it adopted in recent policy consultations ran counter to the recommendations of trade unions. This is concerning because BlackRock derives its influence in policy consultations from its leverage in global financial markets. However, its leverage in global financial markets is derived from the capital that it aggregates from asset owners, including pension funds and other workers’ capital vehicles.

BlackRock should commit to a dialogue with CWC participants – including trade unions, pension fund trustees and staff - once a year to discuss trade union priorities that are relevant to investment stewardship. This would help improve BlackRock’s understanding of stakeholders beyond its shareholders and mitigate the possibility of adopting positions that undermine fundamental workers’ rights and trade union priorities.

About the Committee on Workers’ Capital (CWC)
The Global Unions Committee on Workers’ Capital (CWC) is an international labour union network for dialogue and action on the responsible investment of workers’ retirement savings. A joint initiative of the International Trade Union Confederation (ITUC), the Global Union Federations (GUFs), and the Trade Union Advisory Committee to the OECD (TUAC), the CWC has brought trade union representatives and worker-nominated trustees from across the world together since 1999. The pension fund board members who participate in the CWC network oversee the retirement savings of millions of workers. In 2019, global pension assets reached USD 44.1 trillion.68

For more information on the CWC: info@workerscapital.org
ENDNOTES

2 Ibid
3 Ibid
9 Based on the addition of iShares ETF equity investing and institutional index equity investing at 31 December 2019: BlackRock (2020). “2019 Form 10-k”, p.6, accessed on 21 September 2020
10 IHS Markit and DIRK (2019). “Who owns the German DAX?”, accessed on 21 September 2020
24 Ibid
28 Ibid, p.22, accessed on 21 September 2020
29 Ibid, p.4, accessed on 21 September 2020
30 As defined by a rating of 5 in the ITUC Global Rights Index
32 Ibid, p.23, accessed on 21 September 2020
33 BlackRock (2019) “BlackRock Investment Stewardship’s approach to engagement with the palm oil industry”, accessed on 21 September 2020
34 In Q1 and Q2 of 2020.

35 Includes “human capital management” and “social risks and opportunities” in Q1 and Q2 of 2020.


44 In line with the Investor Commitment to Support a Just Transition on Climate Change which has been signed by 161 investors representing US $10.2 trillion in assets (as at April 2020).


49 Ibid.


63 Shareholder primacy stipulates that corporate managers should focus on maximising shareholder value above any other consideration so long as they operate within the law. For more information see New Economics Foundation (2017). “Shareholder Capitalism: A system in crisis”, n.p., accessed on 21 September 2020.


