BlackRock Investment Stewardship

Proxy voting guidelines for Benchmark Policies – Southeast Asia, South Korea and Taiwan securities

Effective as of January 2025

BlackRock®

Contents

These guidelines are part of the BlackRock Investment Stewardship (BIS) Benchmark Policies[1] and should be read in conjunction with the BIS Global Principles.

Introduction

As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. BlackRock Investment Stewardship (BIS) is a dedicated function within BlackRock, which is responsible for engaging with public companies on behalf of index strategies. Investment Stewardship is one of the ways we fulfill our fiduciary responsibilities as an asset manager to our clients. Our sole objective when conducting our stewardship program is to advance our clients' long-term financial interests.

BlackRock has developed guidelines for the key markets in which it invests. The regional guidelines incorporate the legal framework of each region as well as the specific regional market practices. There may be slight variances due to differing market practices across regions.

Our policies for Southeast Asia, South Korea and Taiwan are based on the relevant laws, regulation, market specific guidelines, and market practice for each market. These all have in common the principles of accountability, transparency, fairness, and responsibility. We set out below both general and market-specific expectations derived from our global principles and local codes and regulation.

Our approach to voting and corporate engagement is also informed by guidance on exercising ownership responsibilities issued by organizations such as the United Nations (the Principles of Responsible Investment) and the International Corporate Governance Network. We are actively involved in these and a number of other regional and global organizations and believe our principles are consistent with their guidance.

"Comply or explain" approach

In certain Asian markets, local corporate governance guidelines are underpinned by an approach that allows companies not to adopt recommended practices as long as a cogent explanation has been provided for the non-compliance with the particular practice. BlackRock looks for companies that do not follow recommended practices in these markets to provide explicit justification of any deviation from market based practice, explaining how these serve the interests of the company's shareholders.

Key themes

The universe we cover in Southeast Asia,[2] South Korea and Taiwan includes but is not limited to Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam. BlackRock aims to vote at 100% of the annual and extraordinary shareholder meetings where we have the voting authority to do so and where there are no opportunity costs associated with exercising a vote (such as share blocking constraints) that are expected to outweigh the benefit BlackRock clients would derive by voting on the proposal.

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[1] BIS' Benchmark Policies, and the vote decisions made consistent with these policies, take a financial materiality-based approach and are focused solely on advancing clients' financial interests. BIS' Benchmark Policies – comprised of the BIS Global Principles, regional voting guidelines, and engagement priorities – provide clients, companies, and others, guidance on our position on common corporate governance matters. We take a globally consistent approach, while recognizing the unique markets and sectors in which companies operate. Other materials on the BIS website might also provide useful context.
[2] For South Asia markets, please refer to our separate voting guidelines that will be published and effective in early 2025.

These guidelines will be used to assist BlackRock in assessing proposals presented at shareholder meetings. When assessing any proposal put to shareholders, BlackRock takes into account the unique circumstances of the relevant company and of the potential impact of such a proposal on the sustainable growth of the company. We aim to engage with management or members of the board, as appropriate, on contentious and high profile issues before determining how to vote. We also take into consideration market codes of governance and stewardship as applicable. At a minimum, BlackRock looks to companies to meet the regulatory requirements of company law, listing rules of local exchanges, and any regional corporate governance codes.

These guidelines are divided into nine key themes as follows:

- Boards and directors
- Auditors, and audit-related issues
- Capital structure, mergers, asset sales, and other special transactions
- Compensation and benefits
- Material sustainability-related risks and opportunities
- Shareholder proposals
- Other corporate governance matters
- Voting Choice
- Market-level guidelines

Boards and directors

We consider it good practice when the board establishes and maintains a framework of robust and effective governance mechanisms to support its oversight of the company's strategy and operations consistent with the long-term economic interests of investors. There should be clear descriptions of the role of the board and the committees of the board and how directors engage with and oversee management. Disclosure of material risks that may affect a company's long-term strategy and financial value creation, including material sustainability-related factors when relevant, is helpful for shareholders to appropriately understand and assess how effectively management is identifying, managing, and mitigating such risks. We seek to understand management's long-term strategy and the milestones against which investors should assess its implementation. If any strategic targets are significantly missed or materially restated, we find it helpful when company disclosures provide a detailed explanation of the changes and an indication of the board's role in reviewing the revised targets. We look to the board to articulate the effectiveness of these mechanisms in overseeing the management of business risks and opportunities and the fulfillment of the company's strategy.

Where a company has not adequately disclosed and demonstrated that its board has fulfilled these corporate governance and risk oversight responsibilities, we may consider voting against the re-election of directors who, on our assessment, have particular responsibility for the issues. We assess director performance on a case-by-case basis and in light of each company's circumstances, taking into consideration our assessment of its governance, business practices that support durable, long-term financial value creation, and performance. Set out below are factors we may take into consideration.

Regular accountability through director elections

To ensure accountability for their actions on behalf of shareholders, directors should stand for election on a regular basis, ideally annually. Annual director elections allow shareholders to reaffirm their support for board members and/or hold them accountable for their decisions in a timely manner. When board members are not elected annually, in our experience, it is good practice for boards to have a rotation policy to ensure that, through a board cycle, all directors have had their appointment re-confirmed, with a proportion of directors being put forward for election at each annual general meeting.

Effective board composition

Regular director elections also give boards the opportunity to adjust their composition in an orderly way to reflect developments in the company's strategy and the market environment. In our view, it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking while supporting both continuity and appropriate succession planning. We consider the average overall tenure of the board, and seek a balance between the knowledge and experience of longer-serving directors and the fresh perspectives of directors who joined more recently.

We encourage companies to regularly review the effectiveness of their board (including its size), and assess directors nominated for election in the context of the composition of the board as a whole. In our view, the company's assessment should consider a number of factors, including each director's independence and time commitments, as well as the breadth and relevance of director experiences and skillsets, and how these collectively contribute to the board's effectiveness in advising and overseeing management in delivering long-term financial returns.

We believe that directors are in the best position to assess the composition and optimal size of the board, but we would be concerned if a board seemed too small to have an appropriate balance of directors or too large to be effective.

We look to the board to establish a robust process to evaluate the performance of the board as a whole and the contributions of each director. BlackRock believes that annual performance reviews of directors and the board contribute to a more efficiently functioning board.

Board independence

We encourage boards to have a sufficient number of independent directors, free from conflicts of interest or undue influence, to ensure objectivity in the decision-making of the board and its ability to oversee management. Common impediments to independence may include but are not limited to:

- Current or recent employment at the company or a subsidiary without sufficient cooling off period[3]
- Being appointed a director without sufficient cooling-off period from the last role at affiliated entities[4]
- Being, or representing, a shareholder with a substantial shareholding in the company
- Having any other interest, business, or other relationship which could, or could reasonably be perceived to, materially interfere with a director's ability to act in the best interests of the company and shareholders

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[3] BIS generally expects a cooling-off period of at least five years when evaluating a director's independence. Any cooling-off period shorter than five years should be accompanied by cogent explanations for BIS to consider on a case-by-case basis.
[4] Please see previous footnote.

- An immediate family member of any of the aforementioned
- Interlocking directorships

Independent board leadership

In our experience, boards are most effective at overseeing and advising management when there is a senior, independent board leader. This director may chair the board, or, where the chair is also the CEO (or is otherwise not independent), be designated as a lead independent director. The role of this director is to enhance the effectiveness of the independent members of the board through shaping the agenda, ensuring adequate information is provided to the board, and encouraging independent director participation in board deliberations. We look for the lead independent director or another appropriate director to be available to meet with shareholders in those situations where an independent director is best placed to explain and contextualize a company's approach.

Length of service

BlackRock believes that shareholders are best served when there is orderly renewal of the board. This should result in directors with accumulated experience while at the same time introduce fresh minds and experience to the board as well as provide adequate succession planning. An effective renewal process will ensure independent directors do not serve for such lengths of time that their independence may be impaired. BlackRock may consider voting against the re-election of directors who have been on the board for a significant period of time,[5] especially if there is no evidence of board renewal.

Board composition

Appropriately qualified, engaged directors with professional characteristics relevant to a company's business enhance the ability of the board to add value and be the voice of shareholders in board discussions. In our view, a strong board gives a company a competitive advantage, providing valuable oversight and contributing to the most important management decisions that support long-term financial performance.

It is in this context that we are interested in diversity in the board room. We see it as a means of promoting diversity of thought and avoiding "group think" in the board's exercise of its responsibilities to advise and oversee management.[6] Companies across the APAC region have responded to market level voluntary initiatives and mandatory quotas set by regulators and increased gender diversity in their boards such as Singapore,[7] Malaysia[8] and South Korea.[9]

Given developments in the region, we look to all listed companies in Malaysia, the Philippines, Singapore, Taiwan, Thailand as well as large companies in South Korea[10] to have at least one female board director. In the absence of such, we may vote against the re-election of director(s) deemed responsible for the lack of female representation on such boards.

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[5] Please refer to the market-level guidelines for our voting consideration on length of service of directors.
[6] Academic research has demonstrated correlations between specific dimensions of diversity and effects on decision-making processes and outcomes. For a discussion on the different impacts of diversity see: McKinsey, "Diversity matters even more: The case for holistic impact" December 2023; McKinsey, "Diversity Wins: How Inclusion Matters," May 2020; Harvard Business Review, "Diverse Teams Feel Less Comfortable – and That's Why They Perform Better," September 2016; "Do Diverse Directors Influence DEI Outcomes," September 2022.
[7] Singapore Council for Board Diversity; SGX Consultation Paper on Climate and Diversity.
[8] Malaysian Code on Corporate Governance.
[9] South Korea's Financial Investment Services and Capital Markets Act.
[10] Large companies in South Korea are defined as those with KRW 2 trillion (USD 2 billion) or more in assets.

Nomination procedure

The company should have a formal and transparent procedure for the appointment and re-appointment of directors. The board should adopt a procedure that can ensure a diverse range of candidates to be considered. Such procedure may involve the engagement of external professional search firms.

When nominating new directors to the board, we look to companies to provide sufficient information on the individual candidates so that shareholders can assess the suitability of each individual nominee and the overall board composition. These disclosures should give an understanding of how the collective experience and expertise of the board aligns with the company's long-term strategy and business model. Highly qualified, engaged directors with professional characteristics relevant to a company's business enhance the ability of the board to add value and be the voice of shareholders in board discussions. Where such information is not provided, we may consider voting against re-election of members on the nomination committee.

Cumulative voting

Majority vote standard is the norm for director elections in most jurisdictions in Asia, ensuring director accountability through the requirement to be elected by more than half of the votes cast. Nonetheless we are cognizant that in some jurisdictions in Asia, cumulative voting is instituted as a default practice, aimed at protecting the interest of minority investors in light of the prevalence of controlling shareholders. In such jurisdictions, we will generally support cumulative voting proposals as long as the spirit of the proposal is aligned with protecting the interest of minority shareholders.

Disclosure of director information

BlackRock appreciates when the following information is disclosed in the annual report and company website, and the meeting circular when a director is seeking election/re-election:

- Directors' full name and age
- Date appointed to the board (in the case of re-elections)
- Brief biography detailing the director's educational background, working experience, and any other board positions held
- Specific discussion of the skills and experience the director is expected to contribute to the board
- The company's assessment of the director's independence, including details of any current dealings with the company

Particularly when a director is seeking election/re-election, we find it helpful when the above information is provided as it allows us to better determine whether to support the appointment. Where this information is not forthcoming, BlackRock may consider voting against the election/re-election of that director.

Sufficient capacity

As the role and expectations of a director are increasingly demanding, directors must be able to commit an appropriate amount of time to board and committee matters. It is important that directors have the capacity to meet all of their responsibilities - including when there are unforeseen events – and therefore, they should not take on an excessive number of roles that would impair their ability to fulfill their duties.

BlackRock looks for companies to provide a clear explanation of the capacity to contribute in situations where a board candidate is a director serving on more than six public company boards. When looking at the number of board mandates, BlackRock will consider if the board memberships are of listed companies in the same group and/or for similar sectors.

BlackRock may vote against the election/re-election of a director where there is a risk the director may be over-committed in respect of other responsibilities and/or commitments (taking into account outside employments and/or board mandates on private companies/investment trusts/foundations). In the case of an executive director, we would vote against his/her election only at external boards.

BlackRock may vote against the election/re-election of an outside executive as the chairman of the board as we look for the chairman to have greater time availability than other non-executive board members. We appreciate when the company explains why it is necessary for an external executive to lead the board of directors.

Meeting attendance

We look to directors to ensure they attend all board and relevant committee meetings. BlackRock may consider voting against a director who demonstrates a poor pattern of meeting attendance, unless compelling reasons for the absenteeism have been disclosed. However, BlackRock may disregard attendance in the first year following appointment as the director may have had commitments made prior to joining the board.

Committees

Appropriately structured board committees provide an efficient mechanism which allows the board to focus on key issues such as audit, board renewal, remuneration, risk, and any other issues deemed important. Board committees can also provide an important role dealing with conflicts of interests.

We look for the audit committee to comprise of only non-executive directors and a majority of independent directors, an independent chair and with at least one member having appropriate accounting or related financial background. Where the audit committee does not comprise a majority of independent directors or the chair is not independent, BlackRock may consider voting against the re-election of non-independent members of the audit committee. Further, where there is evidence showing failure of the audit committee relating to the preparation of financial statements, fraud, and general accountability to shareholders, we will consider voting against the re-election of members of the audit committee.

We look to all committees to have written terms of reference which should, inter alia, clearly set out the committee's roles and responsibilities, composition, structure, membership requirements, and the procedures for inviting non-committee members to attend meetings. All committee terms of reference should be publicly available to investors. All committees should be given the power and resources to meet their obligations under the terms of reference. This will include the right of access to management and the ability to select service providers and advisors at a reasonable cost to the company.

The chairman of a committee should be independent and each committee should have a majority of independent directors. It is preferable for the chairman of the board not to chair board committees as this may lead to a concentration of power in a single director.

Auditors, and audit-related issues

BlackRock recognizes the critical importance of financial statements, which should provide a true and fair picture of a company's financial condition. Accordingly, the assumptions made by management and reviewed by the auditor in preparing the financial statements should be reasonable and justified.

Audit committees or equivalent should have clearly articulated charters that set out the committee's responsibilities and have a rotation plan in place that allows for a periodic refreshment of the committee memberships to introduce fresh perspectives to audit oversight. We recognize that audit committees will rely on management, internal audit and the independent auditor in fulfilling their responsibilities but look to committee members to demonstrate they have relevant expertise to monitor and oversee the audit process and related activities.

We take particular note of unexplained changes in reporting methodology, cases involving significant financial restatements or ad hoc notifications of material financial weakness. In this respect, audit committees should provide timely disclosure on the remediation of Key and Critical Audit Matters identified either by the external auditor or internal audit function.

The integrity of financial statements depends on the auditor being free of any impediments to being an effective check on management. To that end, it is important that auditors are, and are seen to be, independent. Where an audit firm provides services to the company in addition to the audit, the fees earned should be disclosed and explained. Audit committees should have in place a procedure for assessing annually the independence of the auditor and the quality of the external audit process.

Comprehensive disclosure provides investors with a sense of the company's long-term operational risk management practices and, more broadly, the quality of the board's oversight. The audit or risk committee should periodically review the company's risk assessment and risk management policies, significant risks and exposures identified by management, the internal auditors or the independent auditors, and management's steps to address them. In the absence of detailed disclosures, we may reasonably conclude that companies are not adequately managing risk.

Capital structure, mergers, asset sales, and other special transactions

The capital structure of a company is critical to shareholders as it impacts the value of their investment and the priority of their interest in the company relative to that of other equity or debt investors. Pre-emptive rights are a key protection for shareholders against the dilution of their interests.

Dual class shares

Effective voting rights are basic rights of share ownership and a core principle of effective governance. Shareholders, as the residual claimants, have the strongest interest in protecting company value, and voting rights should match economic exposure, i.e. one share, one vote.

In principle, we disagree with the creation of a share class with equivalent economic exposure and preferential, differentiated voting rights. In our view, this structure violates the fundamental corporate governance principle of proportionality, and results in a concentration of power in the hands of a few shareholders, thus disenfranchising other shareholders and amplifying any potential conflicts of interest. However, we recognize that in certain markets, at least for a period of time, companies may have a valid argument for listing dual classes of shares with differentiated voting rights. In our view, such companies should review these share class structures on a regular basis or as company circumstances change. Additionally, they should seek shareholder approval of their capital structure on a periodic basis via a management proposal at the company's shareholder meeting. The proposal should give unaffiliated shareholders the opportunity to affirm the current structure or establish mechanisms to end or phase out controlling structures at the appropriate time, while minimizing costs to shareholders.

As always, independent directors are expected to protect the interests of all shareholders and BlackRock may vote against re-election of independent directors in companies with dual class share structures if valid concerns arise relating to the economic interests of unaffiliated shareholders being compromised.

Mergers, asset sales, and other special transactions

In assessing mergers, asset sales, or other special transactions, BlackRock's primary consideration is the long-term economic interests of our clients as shareholders. Boards proposing a transaction should clearly explain the economic and strategic rationale behind it. We will review a proposed transaction to determine the degree to which it can enhance long-term shareholder value. We find long-term investors like our clients typically benefit when proposed transactions have the unanimous support of the board and have been negotiated at arm's length. We may seek reassurance from the board that the financial interests of executives and/or board members in a given transaction have not adversely affected their ability to place shareholders' interests before their own.

Related-party transactions

Due to the evolution of the various regional economies and role of the state, many Asian companies conduct transactions with connected/related parties. These can be categorized as non-recurring transactions and recurring/continuing services agreements. Where shareholders are required to vote on such transactions, BlackRock looks to companies to follow the associated listing rules and principles of disclosure outlined in the relevant corporate governance code. BlackRock also believes that the independent directors should ratify substantial transactions and related parties should abstain from voting. Where the above information is not disclosed or action is not taken to protect the rights of independent shareholders, BlackRock may consider voting against such proposals. For non-recurring transactions between related parties, the recommendation to support should come from the independent directors, and ideally, the terms should have been assessed through an independent appraisal process. In addition, it is good practice that it be approved by a separate vote of the non-conflicted shareholders.

Executive compensation and benefits

One of the most important roles for a company's board of directors is to put in place a compensation structure that incentivizes and rewards executives appropriately. In our view, there should be a clear link between variable pay and a company's operational and financial performance. Performance metrics should be stretching and aligned with a company's strategy and business model. BIS does not have a position on whether companies should use sustainability-related criteria in compensation structures, but, where they are included, we look to companies to be as rigorous as they would be in setting other financial or operational targets. Long-term incentive plans should encompass timeframes that 1) are distinct from annual executive compensation structures and metrics, and 2) encourage the delivery of strong financial results over a period of years.

When designing, reviewing, and approving executive compensation policies, board compensation committees – or board members responsible for setting executive compensation – should carefully consider the specific circumstances, such as the company's risk profile, the environment in which it operates, and the individuals the board is trying to attract, retain and incentivize. Compensation committees should guard against contractual arrangements that would entitle executives to material compensation for early termination of their employment. Finally, pension contributions and other deferred compensation arrangements should be reasonable, in light of market practices or the company's business and executive compensation strategies.

We are not supportive of one-off or special bonuses unrelated to company or individual performance. Where discretion has been used by the compensation committee or its equivalent, we appreciate disclosure relating to how and why the discretion was used, and how the adjusted outcome is aligned with the interests of shareholders. We acknowledge that the use of peer group evaluation by compensation committees can help ensure competitive pay; however, we are concerned when the rationale for increases in total compensation at a company is solely based on peer benchmarking rather than also considering rigorous measures of outperformance. We encourage companies to clearly explain how compensation outcomes have rewarded performance.

We encourage boards to consider building clawback provisions into incentive plans such that companies could clawback compensation or require executives to forgo awards when compensation was based on faulty financial statements or deceptive business practices. We also favor recoupment from or the foregoing of the grant of any awards by any senior executive whose behavior caused material financial harm to shareholders, material reputational risk to the company, or resulted in a criminal investigation, even if such actions did not ultimately result in a material restatement of past results.

Whilst the level of fixed compensation is not considered to be particularly controversial in the majority of Asian companies, administration and disclosure of the structure of equity-based incentive schemes can be an issue. Generally, we believe independent directors should not be eligible for equity-based incentives and executives should not sit on the compensation committee. In addition, if a share-based incentive plan could potentially lead to over 10% cumulative dilution over ten years inclusive of existing plans, or if a plan is not transparent in demonstrating the distribution of share-based awards between senior executives and other staff, we may consider voting against such proposals.

BIS may convey concerns through not supporting management's proposals to approve compensation, where they are on the agenda. We may also vote against members of the compensation committee or equivalent board members for poor compensation practices or structures.

Material sustainability-related risks and opportunities

It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses.[11] As with all risks and opportunities in a company's business model, appropriate oversight of material sustainability considerations is a core component of having an effective governance framework, which supports durable, long-term financial value creation.

Robust disclosure allows for investors to effectively evaluate companies' strategy and business practices related to material sustainability-related risks and opportunities. We find it helpful when companies'

[11] By material sustainability-related risks and opportunities, we mean the drivers of risk and financial value creation in a company's business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management, and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty, and relationships with regulators.

disclosures demonstrate that they have a resilient business model that integrates material sustainability-related risks and opportunities into their strategy, risk management, and metrics and targets, including industry-specific metrics. The International Sustainability Standards Board (ISSB) standards, IFRS S1 and S2,[12] may prove helpful to companies in preparing this disclosure. The standards build on the Task Force on Climate-related Financial Disclosures (TCFD) framework and the standards and metrics developed by the Sustainability Accounting Standards Board (SASB), which have converged under the ISSB. We recognize that companies may phase in reporting aligned with the ISSB standards over several years. We also recognize that some companies may report using different standards, which may be required by regulation, or one of a number of voluntary standards. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

We note that climate and other sustainability-related disclosures often require companies to collect and aggregate data from various internal and external sources. We recognize that the practical realities of data collection and reporting may not line up with financial reporting cycles and companies may require additional time after their fiscal year-end to accurately collect, analyze, and report this data to investors. That said, while we do not prescribe timelines regarding when companies make these disclosures, we encourage them to produce climate and other sustainability-related disclosures sufficiently in advance of their annual meeting, to the best of their abilities to provide investors with time to assess the data and make informed decisions.

Companies may also choose to adopt or refer to guidance on sustainable and responsible business conduct issued by supranational organizations such as the United Nations or the Organization for Economic Cooperation and Development. Further, industry initiatives on managing specific operational risks may provide useful guidance to companies on best practices and disclosures. While not a voting item, we find it helpful to our understanding of investment risk when companies disclose any relevant global climate and other sustainability-related standards adopted, the industry initiatives in which they participate, any peer group benchmarking undertaken, and any assurance processes to help investors understand their approach to sustainable and responsible business practices.

Climate and nature-related risk

In our view, the transition to a low-carbon economy is one of several mega forces reshaping markets.[13] Our research shows that the low-carbon transition is a structural shift in the global economy that will be shaped by changes in government policies, technology, and consumer and investor preferences, which may be material for many companies.[14] Yet the path to a low-carbon economy is uncertain and uneven, with different parts of the economy moving at different speeds. BIS recognizes that it can be challenging for companies to predict the impact of climate-related risk and opportunity on their businesses and operating environments. Many companies are assessing how to navigate the low-carbon transition while delivering long-term financial value to investors. At companies where these climate-related risks are material, we find it helpful when they publicly disclose, consistent with their business model and sector,

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[12] The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The objective of IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
[13] BlackRock Investment Institute, “Mega forces: An investment opportunity”, 2023.
[14] BlackRock Investment Institute, “Tracking the low-carbon transition”, July 2023.

how they intend to deliver long-term financial performance through the transition to a low-carbon economy, including where available, their transition plan.[15]

In our experience, disclosure consistent with the ISSB standards or the TCFD framework can help investors assess company-specific climate-related risks and opportunities, and inform investment decisions.[16] Such disclosures also provide investors with insights into how companies are managing the risks associated with climate change by managing their own carbon emissions or emissions intensities to the extent financially practicable. Recognizing the value of these disclosures, in some jurisdictions, like the U.K, large companies must disclose such climate-related financial information on a mandatory basis, while in other jurisdictions these disclosures are viewed as best practice in the market.

Consistent with the ISSB standards and the TCFD framework, we seek to understand, from company disclosures and engagement, the strategies companies have in place to manage material risks to, and opportunities for, their long-term business model associated with a range of climate-related scenarios. This includes a scenario in which global warming is limited to well below 2°C, considering ambitions to achieve a limit of 1.5°C, the temperature goal recently reaffirmed by G20 members as part of the 2024 Leaders' Declaration.[17]

These frameworks also contemplate disclosures on how companies are setting short-, medium- and long-term targets, ideally science-based where these are available for their sector, for scope 1 and 2 greenhouse gas emissions (GHG) reductions and to demonstrate how their targets are consistent with the long-term financial interests of their investors.

While we recognize that regulators in some markets are moving to mandate certain disclosures, at this stage, we view scope 3 emissions differently from scopes 1 and 2, given methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct control by companies. We welcome disclosures and commitments companies choose to make regarding material scope 3 emissions and recognize these are provided on a good-faith basis as methodology develops. Our publicly available commentary provides more information on our approach to climate-related risks and opportunities.

We look to boards to oversee management's approach to addressing material climate risk in a company's business model and may convey concerns about board oversight in our voting on director elections or supporting a business relevant shareholder proposal when, in our assessment, the board is not acting in shareholders' long-term financial interests.

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[15] We have observed that more companies are developing such plans, and public policymakers in a number of markets are signaling their intentions to require them or already have requirements in place, such as Australia, Brazil, and the European Union. We view transition plans as a method for a company to both internally assess and externally communicate its long-term strategy, ambition, objectives, and actions to create financial value through the global transition towards a low-carbon economy. Transition plans are building momentum internationally, with increased focus from policy makers and supervisors, including in the EU, UK, G7, G20, and from the financial industry. While many initiatives across jurisdictions outline a framework for transition plans, there is no consensus on the key elements these plans should contain. We view useful disclosure as one that communicates a company's approach to managing financially material business relevant risks and opportunities – including climate-related risks – to deliver long-term financial performance, which allows investors to make more informed decisions. While transition plans can be helpful disclosure, BIS does not make the preparation and production of transition plans a voting issue. BIS may engage companies that have chosen to publish a transition plan to understand their planned actions and resource implications.

[16] BlackRock, "Global perspectives on investing in the low-carbon transition", June 2023. We recognize that companies may phase in reporting aligned with the ISSB standards over several years, depending on local requirements. We also recognize and respect that some companies may report using different local standards, which may be required by regulation, or one of a number of voluntary standards. In such cases, we ask that companies disclose their rationale for reporting in line with the specific disclosure framework chosen and highlight the metrics that are industry- or company-specific.

[17] In November 2024, G20 members reaffirmed the Paris Agreement temperature goal as part of the Leaders' Declaration. G20 members include the world's major economies (19 countries and two regional bodies, the European Union and African Union), representing 85% of global Gross Domestic Product, over 75% of international trade, and about two-thirds of the world population.

In addition to climate-related risks and opportunities, the management of nature-related factors is increasingly a component of some companies' ability to generate durable, long-term financial returns for shareholders, particularly where a company's strategy is heavily reliant on the availability of natural capital, or whose supply chains are exposed to locations with nature-related risks. We look for such companies to disclose how they manage any reliance and impact on, as well as use of, natural capital, including appropriate risk oversight and relevant metrics and targets, to understand how these factors are integrated into strategy. We will evaluate these disclosures to inform our view of how a company is managing material nature-related risks and opportunities. We rely on company disclosures when determining how to vote on shareholder proposals addressing natural capital issues. Our publicly available commentary provides more information on our approach to natural capital.[18]

Companies' impact on their workforce, supply chains, and communities

In order to advance long-term shareholders' interests, companies should consider the interests of the various parties on whom they depend for their success over time. It is for each company to determine their key stakeholders based on what is material to their business and long-term financial performance. For many companies, key stakeholders include employees, business partners (such as suppliers and distributors), clients and consumers, regulators, and the communities in which they operate.

As a long-term shareholder on behalf of our clients, we find it helpful when companies disclose how they have identified their key stakeholders and considered their interests in business decision-making. In addition to understanding broader stakeholder relationships, BIS finds it helpful when companies discuss how they consider the needs of their workforce today, and the skills required for their future business strategy. We are also interested to understand how the board monitors and engages on these matters, given it is well positioned to ensure that the approach taken by management is informed by and aligns with the company's strategy and purpose.

Companies should articulate how they address material adverse impacts that could arise from their business practices and affect critical relationships with their stakeholders. We encourage companies to implement, to the extent appropriate, monitoring processes (often referred to as due diligence) to identify and mitigate potential adverse impacts and grievance mechanisms to remediate any actual adverse material impacts. In our view, maintaining trust within these relationships can contribute to a company's long-term success.

Shareholder proposals

In most markets in which BlackRock invests on behalf of clients, shareholders have the right to submit proposals to be voted on at a company's annual or extraordinary meeting, as long as eligibility and procedural requirements are met. The matters that we see put forward by shareholders address a wide range of topics, including governance reforms, capital management, and improvements in the management or disclosure of sustainability-related risks.

BlackRock is subject to legal and regulatory requirements in the U.S. that place restrictions and limitations on how BlackRock can interact with the companies in which we invest on behalf of our clients,

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[18] Given the growing awareness of the materiality of these issues for certain businesses, enhanced reporting on a company's natural capital dependencies and impacts would aid investors' understanding. In our view, the final recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) may prove useful to some companies. We recognize that some companies may report using different standards, which may be required by regulation, or one of a number of other private sector standards. TNFD-aligned reporting is not a voting issue.

including our ability to submit shareholder proposals. We can vote, on behalf of clients who authorize us to do so, on proposals put forth by others.

When assessing shareholder proposals under our guidelines, we evaluate each proposal on its economic merit, considering the company's individual circumstances and maintaining a singular focus on the proposal's implications for long-term financial value creation. BIS' evaluation considers whether a shareholder proposal addresses a material risk that, if left unmanaged, may impact a company's long-term performance. We look for consistency between the specific request formally made in the proposal, the supporting documentation, and the proponents' other communications on the issues. We also assess the company's practices and disclosures and the costs and benefits to the company of meeting the request made in the proposal. We take into consideration a company's governance practices and disclosures against those of their peers.

In our experience, it is helpful when companies disclose the names of the proponent or organization that has submitted or advised on the proposal.

We would not support proposals that we believe would result in over-reaching into the basic business decisions of the company, are unduly prescriptive or constraining on management. We take into consideration the legal effect of the proposal, as shareholder proposals may be advisory or legally binding depending on the jurisdiction, while others may make requests that would be deemed illegal in a given jurisdiction.

BIS is likely to support shareholder proposals that request disclosures that help us, as long-term investors on behalf of our clients, better understand the material risks and opportunities companies face and how they are managing them, especially where this information is additive given the company's existing disclosures. We may also support shareholder proposals that are focused on a material business risk that we agree needs to be addressed and the intended outcome is consistent with long-term financial value creation.

We recognize that some shareholder proposals bundle topics and/or specific requests. Further, the proponent's supporting statement may refer to topics that are not directly related to the request made in the proposal. In voting on behalf of clients, we do not submit or edit proposals or the supporting statements – we must vote yes or no on the proposal as phrased by the proponent. Therefore, when we vote in support of a proposal, we are not necessarily endorsing every element of the proposal or the reasoning, objectives, or supporting statement of the proponent. We may support a proposal for different reasons from those put forth by the proponent, when we believe that, overall, it can advance our clients' long-term financial interests. We typically explain to the company our rationale for supporting such proposals.

Alternatively, or in addition, we may vote against the election of one or more directors if, in our assessment, the board has not responded sufficiently or with an appropriate sense of urgency. We may also support a proposal if management is on track, but we believe that voting in favor might accelerate efforts to address a material risk.

Other corporate governance matters

In our view, shareholders have a right to material and timely information on the financial performance and viability of the companies in which they invest. In addition, companies should publish information on the governance structures in place and the rights of shareholders to influence these. The reporting and disclosure provided by companies helps shareholders assess the effectiveness of the board's oversight of management and whether investors' economic interests have been protected. As a general principle, we believe shareholders should have the right to vote on key corporate governance matters, including changes to governance mechanisms, to submit proposals to the shareholders' meeting, and to call special meetings of shareholders.

Amendments to articles of association

These proposals vary from routine changes such as reflection of regulatory change, to significant changes that substantially alter the governance of the company. We will review these proposals on a case-by-case basis and support those proposals that we believe are in the best interests of shareholders.

Anti-takeover devices

BlackRock believes that transactions or practices that are intended to impede a potential takeover can be limiting to shareholders. BlackRock will generally not support proposals that introduce or renew anti-takeover devices.

Bundled proposals

We believe that shareholders should have the opportunity to review substantial issues individually without having to accept bundled proposals. Where several measures are grouped together, BlackRock may reject the overall proposal if it includes those that contradict or impede the rights and economic interests of shareholders.

Voting Choice

BlackRock offers Voting Choice, a program that provides eligible clients with more opportunities to participate in the proxy voting process where legally and operationally viable.

Voting Choice is currently available for eligible clients invested in certain institutional pooled funds in the U.S., UK, Ireland, and Canada that utilize certain equity index investment strategies, as well as eligible clients in certain institutional pooled funds in the U.S., UK, and Canada that use systematic active equity (SAE) strategies. In addition, institutional clients in separately managed accounts (SMAs) continue to be eligible for BlackRock Voting Choice regardless of their investment strategies.[19] BlackRock also launched a U.S. Program to offer proxy voting to eligible shareholder accounts in a U.S. Fund. [20]

As a result, the shares attributed to BlackRock in company share registers may be voted differently depending on whether our clients have authorized BIS to vote on their behalf, have authorized BIS to vote in accordance with a third-party policy, or have elected to vote shares in accordance with their own policy. Our clients have greater control over proxy voting because of Voting Choice. BlackRock does not disclose client information, including a client's selection of proxy policy, without client consent.

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[19] With Voting Choice, SMAs have the ability to select from a set of voting policies from third-party proxy advisers the policy that best aligns with their views and preferences. BlackRock can then use its proxy voting infrastructure to cast votes based on the client's selected voting policy.
[20] Read more about BlackRock Voting Choice on our website.

Market-level guidelines

These market-level guidelines must be read in conjunction with the general guidelines starting on page 3.

Indonesia

Regulatory environment

The framework for Indonesia's corporate governance is contained in the Indonesian Company Law (Company Law), Capital Markets Law, Bapepam Rule Book issued by the Capital Market Supervisory Agency (Bapepam), the Listing Rules of the Indonesian Stock Exchange (Listing Rules), and the Indonesian Code for Good Corporate Governance (Code). Whilst the ISX Listing Rules related to corporate governance are mandatory, compliance to the Code is voluntary. BlackRock looks to Indonesian companies to comply with the Code, or alternatively provide a cogent explanation for non-compliance.

Boards and directors

Indonesian companies generally have a two-tiered board system comprising a board of directors and a board of commissioners. A commissioner cannot serve concurrently as a director, manager, or employee of the company.

The role of the board of commissioners is to supervise the board of directors, ensure the company fulfils all their legal obligations, and protects the interests of shareholders. The ISX Listing Rules requires 30% of the board commissioners to be independent. It also requires at least one unaffiliated director on the board of directors.

Where the structure of the company's board of directors and or board of commissioners does not meet the requirements of the Listing Rules, BlackRock may consider voting against the re-election of director(s) and/or commissioner(s) deemed responsible.

Disclosure remains a concern in Indonesia with names and biographies of director nominees often not disclosed in advance of the meeting. BlackRock looks to companies to disclose full details of directors and commissioners and identify directors and commissioners who are independent. Where companies have not disclosed information on directors and commissioners, BlackRock may consider voting against their election/re-election.

It is also common for director elections to be voted on as a bundled proposal. Where the directors and commissioners are elected by slate, BlackRock may consider voting against the entire slate if less than 30% of commissioners are independent.

Director compensation

Indonesian companies routinely seek shareholder approval to fix the fees of directors and commissioners. When assessing such proposals, BlackRock looks for the full disclosure of salaries and any limit which may apply. Where this information has not been provided, BlackRock may consider voting against such proposals.

Malaysia

Regulatory environment

The framework for Malaysia's corporate governance is contained in the Companies Act 2016, the Capital Market Services Act, the Bursa Malaysia Securities Berhad Listing Requirements (Listing Requirements), and the 2021 Malaysian Code on Corporate Governance (Code). The Code follows an apply-or-explain-an-alternative approach, dubbed by the Securities Commission (SC) Malaysia as "Comprehend, Apply, and Report (CARE)."

Boards and directors

Listed Malaysian companies have a single tiered board structure. The Code requires all listed companies to have at least half of the board comprised of independent directors, while large companies[21] must have a majority independent board.

Where this requirement of the Code is not met, and a cogent explanation has not been provided, BlackRock may consider voting against the election/re-election of director(s) deemed responsible.

Tenure of independent directors

The Code requires that boards introduce a policy which limits the cumulative term of independent directors to nine years, beyond which the director may serve as a non-independent (non-executive) director. Should the board intend to retain the independent director beyond nine years, it must provide justification and seek an annual shareholders' approval under a two-tier voting process. In addition, effective 1 June 2023, the Listing Requirements caps the tenure of an independent director to not more than a cumulative tenure of 12 years in a listed issuer and its group of companies. Independent directors with tenures in excess of 12 years must resign or be re-designated as non-independent directors.

BlackRock will reclassify a long-tenured independent director to non-independent beyond their nine-year term unless a cogent explanation is provided by the board, justifying the retention of the director. Where the level of independence on the board is insufficient, taking such reclassifications into consideration, we may consider voting against the election/re-election of the reclassified director(s), as well as the director(s) deemed responsible for failing to ensure sufficient board independence.

Board composition

Under the Listing Rules, boards of listed issuers should have at least one female director. As such, we expect all listed companies in Malaysia to have at least one female board director. In the absence of such, we may vote against the re-election of director(s) deemed responsible for the lack of female representation on such boards.

Capital structure

BlackRock believes the board is in the best position to determine the appropriate approach to capital management. When requesting shareholder approval of capital management related proposals, we take into account, inter alia, the level of disclosure and the potential financial impact to existing shareholders.

Related-party transactions

Under the Listing Requirements, companies may seek a general mandate from shareholders to enter into related-party transactions that could be necessary for the company's day-to-day operations. While

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[21] Large companies are defined by the SC as (i) companies on the FTSE Bursa Malaysia Top 100 index; or (ii) companies with market capitalization of RM 2 billion and above.

BlackRock will assess related-party transactions on a case-by-case basis, we expect such transactions to be carried out on normal commercial terms and conditions. In respect of proposals relating to related-party transactions we expect, as a minimum, disclosure of the following:

- Full discourse of the nature of the transaction, including details of the related parties involved
- The pricing terms
- Any annual limits for an on-going mandate

The Philippines

Regulatory environment

The framework for the Philippines' corporate governance is contained in the Corporation Code of the Philippines (Corporation Code), the Securities Regulation Code (SRC), the Philippines Stock Exchange Listing Rules and the 2019 Philippine Code of Corporate Governance for Public Companies and Registered Issuers (Code), a combination of mandatory and voluntary code issued by the Securities and Exchange Commission (SEC), the Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange (CG Guidelines), and the Philippines Guidelines on Nomination and Election of Independent Directors (Guidelines). The Code follows a comply-or-explain approach, and the rules of the Code are required to be embodied in a manual that can be used as a reference by members of the board and management. Companies are required to submit their manual to the SEC; the manual shall be made available for inspection by any shareholders.

Boards and directors

Listed Philippine companies have a single-tiered board structure. The Code requires public company boards to have the greater of at least three independent directors or at least one-third independent directors[22] on the board.

Where this requirement of the Code is not met, and a cogent explanation has not been provided, BlackRock may consider voting against the re-election of director(s) deemed responsible.

Tenure of Independent Directors

The Code stipulates that the board's independent directors should serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

BlackRock will reclassify a long-tenured independent director to non-independent beyond their nine-year term unless a cogent explanation is provided by the board, justifying the retention of the director. Where the level of independence on the board is insufficient, taking such reclassifications into consideration, we may consider voting against the election/re-election of the reclassified director(s), as well as the director(s) deemed responsible for failing to ensure sufficient board independence.

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[22] Independence is defined under the Philippine Code of Corporate Governance, Article 1 (e).

Board composition

The Code states that boards should have a policy on board diversity. For gender diversity in particular, the Code recommends to increase the number of female directors, including female independent directors.

Given general market readiness, we look to all listed companies in the Philippines to have at least one female board director. In the absence of such, we may vote against the re-election of director(s) deemed responsible for the lack of female representation on such boards.

Ratification of previous corporate acts

This is a routine request by Philippine companies. Shareholders are asked to ratify the acts and resolutions referred to in the proposal that have been done in the ordinary course of the business of the company. In general, BlackRock is supportive of such proposals, unless there is a specific reason to vote against.

Singapore

Regulatory environment

The framework for Singapore's corporate governance is contained in the Code of Corporate Governance (Code), the Companies Act (Act), the Listing Manual of the Singapore Stock Exchange (SGX), and the Code on Takeovers and Mergers. The MAS and the SGX jointly oversee the Code of Corporate Governance, which follows a comply-or-explain approach.

In Singapore, disclosure of relevant information is robust relative to other markets in the region and there are few impediments to proxy voting.

Boards and directors

Listed Singaporean companies have a single-tiered board structure. Under the Listing Manual, at least one-third of directors should be independent.[23] The provisions of the Code amended in 2018 requires non-executive directors to make up a majority of the board. Where the chairman is not independent, independent directors are to make up at least half of the board and appoint an independent director to be the lead independent director. Where this requirement of the Code is not met, and a cogent explanation has not been provided, BlackRock may consider voting against the re-election of director(s) deemed responsible.

Tenure of Independent Directors

On 11 January 2023, SGX amended the Listing Rules (Mainboard) to prescribe a nine-year tenure limit for independent directors. Under Listing Rule 210(5)(d)(iv), as of the date of an issuer's annual general meeting for the financial year ending on or after 31 December 2023, a director who has served on the board of an issuer for an aggregate period of more than nine years (whether before or after listing) will no longer be eligible to be designated as an independent director of the issuer.

Board composition

Rule 710A(1) of the SGX Listing Rules requires issuers to maintain a board diversity policy, and that the policy must address gender, skills and experience, and any other relevant aspects of diversity.

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[23] Independence is defined under the Singapore Code of Corporate Governance, Principle 2.1.

Given general market readiness, we look to all listed companies in Singapore to have at least one female board director. In the absence of such, we may vote against the re-election of director(s) deemed responsible for the lack of female representation on such boards.

Capital structure

BlackRock believes the board is in the best position to determine the appropriate approach to capital management. When requesting shareholder approval of capital management related proposals, we take into account, inter alia, the level of disclosure and the financial impact to existing shareholders.

Share issuances

Under the SGX Listing Manual, shareholder approval is required for the board to issue shares and convertible securities. The SGX Listing Manual provides limits with respect to issuances as follows:

- The aggregate number of shares to be issued other than by way of renounceable rights issues does not exceed 50% of the issued shares in the capital of the company
- Of the 50% limit, the number of shares to be issued, other than on a pro rata basis to shareholders, does not exceed 20% of the issued shares in the capital of the company

For proposals relating to issuances without pre-emptive rights, BlackRock looks for a minimum disclosure of the following:

- Recipients of the proposed equity issue
- Details of any discounts to be offered and the rationale behind any proposed discount
- The basis of determining the issue price
- How the funds raised will be used
- Impact, if any on change of control
- Conversion rates on equity (if applicable)

Unless a cogent explanation is provided, BlackRock may consider voting against proposals where the aggregate number of shares and/or convertible securities issued by way of a renounceable rights issue to shareholders exceeds 50% of the company’s outstanding shares.

BlackRock will also consider voting against proposals relating to issuances involving pre-emptive rights where the above disclosures have not been made and/or the aggregate number of shares and/or convertible securities issued without pre-emptive rights exceeds 10% of the company’s outstanding shares. Further, BlackRock may consider voting against such proposals where, without explanation, the issuance is at a discount exceeding 10%.

Compensation and benefits

Best practice encourages companies to implement incentive schemes with robust performance criteria and vesting periods, minimal dilution, and effective and independent administration.

The Listing Manual requires shareholder approval of share option schemes and share schemes. When assessing stock option and share plans BlackRock looks to see, at a minimum, disclosure of the following:

- Proposed participants in the scheme

- The maximum number of shares or options that can be issued under the scheme. A cogent explanation where the maximum number of shares or options exceeds 5% of issued capital for a mature company and 10% for an early phase/development company
- Any material conditions relating to the vesting of the options or shares
- Any discounts to the issue price and rationale for such discounts
- The scheme should not allow for re-pricing of options

Where, without explanation, the above disclosures have not been made or BlackRock considers other features of the scheme are not in the best interests of shareholders, we may consider voting against such schemes.

Where a company has an option or share scheme, shareholder approval is required for participation of controlling shareholders and their associates. Further, any grant of options to a director or employee of the issuer's parent company and their subsidiaries that, together with options already granted to the person under the scheme, represents 5% or more of the total number of options available to such directors and employees, must be approved by independent shareholders. A separate resolution must be passed for each such person and to approve the aggregate number of options to be made available for grant to all directors and employees of the parent company and their subsidiaries.

When assessing equity grants to directors or employees, BlackRock looks for the full disclosure of the key features of the scheme under which the options or shares are to be issued. Where this information has not been disclosed, BlackRock may consider voting against such proposals.

Related-party transactions

The Listing Manual requires shareholder approval of related-party[24] transactions. Singaporean companies can seek shareholder approval for a single related-party transaction or a general mandate for recurrent transactions of a revenue or trading nature or those necessary for the company's day-to-day operations such as the purchase of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. Where a general mandate is requested, such transactions must be carried out on normal commercial terms and conditions, and be reviewed by the audit committee.

While BlackRock will assess related-party transactions on a case-by-case basis, we expect such transactions to be carried out on normal commercial terms and conditions. In respect of related party transactions we expect, at a minimum, disclosure of the following:

- Full discourse of the nature of the transaction, including details of the related parties involved
- The pricing terms
- Any annual limits for an on-going mandate

[24] Mainboard Rule 904 (4) defines an "interested person" as (i) a director, CEO, or controlling shareholder of the issuer (ii) an associate of any such director, chief executive or controlling shareholder.

South Korea

Regulatory environment

The framework for South Korea's corporate governance is centered upon the Commercial Act, the Financial Investment Services and Capital Markets Act, and the Stock Market Listing Regulations (Listing Regulations). Korea Institute of Corporate Governance and Sustainability (KCGS) has also released the Code of Best Practices for Corporate Governance (Code)[25], which recommends companies to voluntarily adhere to.

The Commercial Act imposes two sets of corporate governance standards on listed companies – one for those with assets larger than KRW 2 trillion (Large Companies) and those with assets between KRW 2 trillion and KRW 100 billion (Small Companies).

Boards and directors

Pursuant to the Commercial Act, listed companies are required to have a single-tiered board structure. While Large Companies are required to have an audit committee and outside director nomination committee, Small Companies are exempt from this requirement, and instead allowed to have a statutory auditor.

The Commercial Act requires outside directors[26] to make up a majority of the board at Large Companies, and at least one-fourth for Small Companies.

The Code and Article 13 of the Act on Corporate Governance of Financial Companies[27] recommend for Large Companies and financial companies, the chairman not be a representative of management. Where this recommendation has not been met the Code and the regulation states that it is desirable to elect a lead outside director to act as a representative for the other outside directors.

Where the structure of a board including key committees does not meet the requirements stipulated in the Commercial Act or the Code and a cogent explanation has not been provided, BlackRock may consider voting against the re-election of director(s) deemed responsible.

Boad composition

Article 165-20 of the Financial Investment Services and Capital Markets Act stipulates that Large Companies should not have a single-gender board. As such, we look to all Large Companies to have at least one female board director. In the absence of such, we may vote against the re-election of director(s) deemed responsible for the lack of female representation on such boards.

Statutory auditor and audit committee

The position of statutory auditor is quite specific to South Korea. Small Companies are required under the Commercial Act to appoint one or more statutory auditors. The function of the statutory auditor is similar to that of the audit committee. Key features of the role are to supervise and ensure the directors discharge their duties as well as oversee the financial reporting of the company. Instead of a statutory auditor, a Small Company may choose to voluntarily establish an audit committee. Under the Commercial Act, an audit committee must be comprised of at least three directors, of which at least two must be outside directors. The audit committee must have at least one director with relevant financial background. The Code further recommends the audit committee to be comprised of only independent directors.

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[25] Code of Best Practices for Corporate Governance (2021).
[26] The definition of Outside Director as per the Korean Code of Best Practices for Corporate Governance, Section 4.
[27] Act on Corporate Governance of Financial Companies (2017).

BlackRock looks for all statutory auditors to be independent and at least one should have an auditing or relevant financial background. Where this is not the case, or we have concerns regarding past actions of statutory auditors, BlackRock may consider voting against their re-election.

For audit committees, it should comprise at least three directors, independent directors making up no less than two-third of the committee seats, an independent chair and with at least one member having appropriate accounting or related financial background. Where the audit committee does not meet the independence requirements, BlackRock may consider voting against the re-election of director(s) deemed responsible.

Compensation and benefits

Korean law requires shareholders to approve a cap on total cash fees paid to directors. When directors seek to increase the fee cap, shareholder approval must be sought. BlackRock considers requests for an increase in the fee cap on a case-by-case basis. We expect the explanatory notes to the meeting to clearly explain why the increase is being sought.

Outside directors should not receive performance-based remuneration as to do so would more closely align their interests with those of management, whose performance and remuneration they are intended to monitor on behalf of shareholders.

Outside directors should not receive any form of service-contingent retirement benefit. Such remuneration merely rewards an outside director for long service and may inhibit an outside director from resigning from the board if an issue of conflict or any other issue that would impair a director's independence arises. BlackRock may consider voting against proposals to grant performance-based remuneration or retirement benefits to outside directors.

Taiwan

Regulatory environment and policy direction

The framework for Taiwan's corporate governance is centered upon The Company Act (the Act), the Securities and Exchange Act (the SEA), Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, and the Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEx (Listing Rules).

The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies (the Principles) published in 2002 first set out market aspirations on key governance issues such as protection of shareholder rights, corporate boards and their fiduciary duties, and transparency. Since 2013, the Financial Supervisory Commission (FSC) has stepped up its efforts on corporate governance reform by establishing the Center for Corporate Governance under the Taiwan Stock Exchange and publishing three Corporate Governance Roadmaps with specific governance improvement objectives in 2013, 2018 and 2020. The 2020 Roadmap[28] lays out key objectives over 2021 to 2023, including action plans to strengthen board functions, enhance transparency, and encourage participation of external shareholders in corporate governance. In 2023, FSC introduced the Sustainable Development Action Plan for TWSE and TPEx Listed Companies.[29] further strengthening regulatory requirements on companies' sustainability disclosure, governance practices and communication with stakeholders.

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28 Corporate Governance 3.0 – Sustainability Development Roadmap (2021-2023).
[29] Sustainable Development Action Plans for TWSE and TPEx Listed Companies (2023).

Boards and directors

Corporate governance in Taiwan started with a two-tiered board structure comprising a board of directors and a board of supervisors. The role of the supervisory board was designed to provide oversight of management and financial reporting. Regulations have since changed, calling for a single-tiered board structure. By the end of 2022, all listed companies have completed such transition by establishing an audit committee to replace the board of supervisors.

As the audit committee must consist of no less than three members with all members being independent directors and at least one with auditing or financial background, this also means all listed companies must have three independent directors from 2022 onwards.

Furthermore, FSC requires that by 2027, all listed companies, at the end of the incumbent directors' terms, should have independent directors making up no less than one-third of board seats; independent directors of all listed companies should also be limited to three terms of office. To strengthen female representation on boards, FSC requires all listed companies to appoint at least one female director at the board re-election starting in 2024. By 2025, companies with either gender accounting for less than one-third of the board, should disclose the reason and plans for improvement in their annual report.

In conjunction with the regulatory development, BlackRock encourages the board of Taiwan listed companies to comprise of no less than one-third of independent directors, and at least one female director. The chairman of a committee should be independent and each committee should have a majority of independent directors. In addition, we believe independent directors who have been on the board for 12 years or longer should generally be reclassified as non-independent directors.

Where the structure of a board including key committees does not meet the requirements set above, and a cogent explanation has not been provided, BlackRock may consider voting against the re-election of director(s) deemed responsible.

Non-compete restriction

Article 209 of the Act states that "a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval." This means that shareholder approval is required to release directors from this restriction. Approval of such proposals allows company directors to serve on the boards of other companies and conduct activities which may be considered to compete with the business affairs of the company.

When assessing such proposals, BlackRock looks for, as a minimum, disclosure of the following:

- Name of the other companies that the director intends to serve as a director
- Full details of the businesses in which these other companies operate

Where we believe that there is no potential conflict of interest if the director serves on the other identified boards, BlackRock will generally support such proposals. Where, however, the above information has not been disclosed or we are concerned that there is potential conflict, BlackRock may consider voting against such proposals.

Legal entity directors

The Act allows legal entities (including government agency and juristic person) to be elected as a director through a natural person as its proxy. The legal entity director may switch the designated natural person proxy without shareholder approval, effectively removing the right of shareholders to elect directors.

BlackRock opposes the practice of legal entity directors and urges companies to refrain from utilizing such a structure. When there is no representative on legal entity directors at the time of director's election, BlackRock may consider voting against the re-election of director(s) deemed responsible.

Thailand

Regulatory environment

The framework for Thailand's corporate governance is centered upon the Public Limited Companies Act (PLCA), the Securities and Exchange Commission (SEC), the Stock Exchange of Thailand (SET), the SEC's Corporate Governance Code 2017 (Code), and SET's Principles of Good Corporate Governance (Principles). The Code takes an "apply or explain" approach, whereas the Principles follow a "comply or explain" approach.

Boards and directors

Thai companies have a single-tiered board structure. The SEC regulation requires that there be a minimum of three independent directors or at least one-third of the board (whichever is higher) be independent. The Principles take the independence of the chairman into consideration, requiring at least one-third of the board to be made up of independent directors in the case that the chairman is independent, but at least one-half of the board to be made up of independent directors in the case that (i) the chairman and the CEO are the same person; (ii) the chairman and the CEO are immediate family members; (iii) the chairman is part of the management team; or (iv) the chairman is not an independent director.

Where this requirement of the Principles is not met, and a cogent explanation has not been provided, BlackRock may consider voting against the re-election of director(s) deemed responsible.

Independent Directors

We believe independent directors who have been on the board for 12 years or longer should generally be reclassified as non-independent directors.

For the boards of government-affiliated or state-owned companies specifically, independent directors who are currently employed by the government in any executive or advisory capacity will be reclassified as non-independent.

Where the level of independence on the board is insufficient, taking such reclassifications into consideration, we may consider voting against the election/re-election of the reclassified director(s), as well as the director(s) deemed responsible for failing to ensure sufficient board independence.

Board composition

The Code stipulates that the board's composition should have an appropriate gender and age balance and diversity, and that the board should disclose its diversity policies and details relating to directors in the company's annual report and website.

Given general market readiness, we look to all listed companies in Thailand to have at least one female board director. In the absence of such, we may vote against the re-election of director(s) deemed responsible for the lack of female representation on such boards.

Director compensation

Thai companies often pay bonuses to all directors, including independent directors, that are linked to short-term performance. When disclosed, these bonuses and the pool that they are paid out of are often defined as a percent of net profit or annual dividends. Independent directors should not receive such performance-based remuneration as to do so would more closely align their interests with those of management, whose performance and remuneration they are intended to monitor on behalf of shareholders.

Want to know more?

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