

BlackRock Investment Stewardship

Proxy voting guidelines for Benchmark Policies
- European, Middle Eastern, and African
securities

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These guidelines are part of the BlackRock Investment Stewardship (BIS) Benchmark Policies¹ and should be read in conjunction with the BIS [Global Principles](#).

Introduction

BlackRock, Inc. and its subsidiaries (collectively, BlackRock) seek to make proxy voting decisions to achieve the outcome we believe is most aligned with our clients' long-term economic interests. These voting guidelines cover issues specific to certain markets within Europe, Middle East and Africa (EMEA) in which BlackRock is an investor. For more information about our approach to governance in a market that is not specifically addressed in this document, please refer to BIS's [Global Principles](#), which provide a broad overview of our philosophy on investment stewardship and our approach to key corporate governance themes.

As noted in our Global Principles, BIS looks to companies to observe the relevant laws and regulations of their market as well as any locally accepted corporate governance standards and industry best practices (as discussed further below). These market-specific standards provide an important reference point for our EMEA voting guidelines, as we believe they reflect investor expectations around good practice within the context of each market. However, our voting guidelines might sometimes differ from these standards, especially when a higher level of protection for minority shareholders is deemed appropriate. In general, we encourage companies to develop an approach to corporate governance which demonstrates accountability, transparency, fairness and responsibility. BIS looks to companies to provide timely, accurate and comprehensive disclosure on all material governance and business matters. This transparency allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or where the governance approach taken may be inconsistent with durable, long-term financial value creation for shareholders, we will engage with a company and/or vote in a manner that advances long-term shareholders' interests.

The region- and country-specific considerations are intended to summarize BIS's general philosophy and approach to issues that may commonly arise in these markets and give an indication of how we are likely to vote. However, we assess voting issues on a case-by-case basis, taking into account the circumstances of the company, and our voting decisions at any individual shareholder meeting may diverge from the general approach described in these guidelines. Where the company's practices are not in line with the best practices of the market, we may vote against a proposal whenever we deem it is in the best interest of our clients.

Comply or explain

In many EMEA markets, local corporate governance best practice guidance is underpinned by an approach that allows companies to deviate from recommended practices as long as they explain why they have done so. This so-called "comply or explain" approach provides a framework for companies to effectively and pragmatically illustrate to investors how they are governed by their board of directors and to explain material divergences from good market practice. Companies' explanations under a "comply or

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.

explain” approach should disclose why they believe that non-compliance can better support durable long-term financial value creation.

Engagement

The assets BlackRock manages belong to our clients, which include public and private pension plans, insurers, official institutions, endowments, universities, charities, family offices, wealth managers, and ultimately, the individual investors that they serve. Through stewardship, we assess how companies are creating long-term financial value to serve our clients, many of whom are saving for long-term goals, such as retirement. BlackRock has a dedicated function, the BIS team, which engages public companies on behalf of index strategies. Engagement enables us to have ongoing dialogue with management teams and non-executive directors² on the board to discuss practices and structures that we consider to be supportive of durable long-term financial value creation. These include board oversight of management, board structure and performance, strategy and capital allocation, and executive remuneration. The team also discusses with companies the material sustainability-related risks that could impact their long-term performance and achievement of strategic objectives. Further details on BIS engagement priorities can be found [here](#).

BIS takes a constructive, long-term approach to our engagement with companies, reflecting the investment horizons of the majority of our clients. An engagement is a meeting between BIS and a company’s board and management that helps improve our understanding of the company’s business model and material risks and opportunities, to inform our voting decisions on behalf of clients who authorize us to vote on their behalf. In these two-way conversations, we listen to and learn directly from company directors and executives and ask questions relevant to their business. Either a company or BIS can request an engagement. Many of the engagements are initiated by companies to discuss their long-term strategy, risk and opportunity set, and management’s plan to deliver financial returns through business cycles. The ongoing, multiyear nature of our engagements allows us to build strong relationships with company leadership and mutual understanding on key matters of corporate governance and the drivers of long-term financial performance.

As shareholders of public companies, our clients have the right to vote on matters proposed by a company’s management or its shareholders. Voting is an important mechanism for investors to express support for, or concern about, a company’s performance and most of our clients authorize BlackRock to exercise this right on their behalf. For those clients, and as a fiduciary, BlackRock is legally required to make proxy voting determinations in a manner that is consistent with their investment objectives. BIS does this by casting votes in favor of proposals that, in our assessment, will promote stronger governance and better operating practices and, in turn, potentially enhance long-term shareholder value. Our vote decisions are informed by our in-depth analysis of company disclosures, engagement with boards and management teams, third-party research, and comparisons against a company’s industry peers.

Generally, we support the vote recommendations of the board of directors and management. In case of concerns, we typically raise these through dialogue with board members and management teams first. When we determine it is in our clients’ financial interests to convey concern to companies through voting, we do so in two forms: we might not support the election of directors or other management proposals, or we might not support management’s voting recommendation on a shareholder proposal.

² In these guidelines, references to non-executive directors should be construed as including supervisory board members.

We apply our regional voting guidelines in the manner outlined below, to achieve the outcome we believe is most aligned with our clients' long-term economic interests.

General guidelines for EMEA

The general guidelines contain the principles and views supporting our voting decisions across all EMEA markets; they should, however, be read in conjunction with the different country-specific guidelines that follow.

Boards and directors

Companies whose boards are comprised of 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. 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. As part of their responsibilities, board members owe fiduciary duties to shareholders to oversee the strategic direction, operations, and risk management of the company. This is why our investment stewardship efforts have always started with the performance of the board of directors, and why we see engagement with, and the election of, directors as one of our most important responsibilities. We engage, as necessary, with members of the board's nominating and/or governance committee to assess whether governance practices and board composition are appropriate given a company's business model and we take into consideration a number of factors, including the sector, market, and business environment within which a company is operating.

We view it as 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 interest 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 investors 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 fulfilment of the company's strategy.

Where a company has not adequately disclosed and demonstrated that the board has fulfilled these corporate governance and risk oversight responsibilities, we may consider voting against the re-election of directors who, in 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 and business practices that support durable, long-term financial value creation and performance. In addition, in instances where there are no directors up for re-election, we will consider voting against other relevant proposals such as discharge of the board.

Board access

As a long-term shareholder, BIS considers it important to maintain an open dialogue with companies in which we invest on behalf of our clients. We prefer this dialogue to happen at the board level as this body is responsible for corporate governance decisions and strategy, as elected representatives of shareholders.

Therefore, we appreciate when non-executive board members are available to meet with shareholders from time to time. The most senior independent director or another appropriate director should be available to shareholders in those situations where an independent director is best placed to explain and justify a company's approach. In a situation where relevant non-executives repeatedly refuse to meet shareholders, we would consider a vote against member(s) of the board whom we hold accountable, starting with the most senior non-executive director.

Director accountability

To ensure accountability for their actions on behalf of shareholders, directors should stand for election on a regular basis, ideally annually.³ 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. Companies should provide a clear explanation for their approach if no rotation policy is adopted. In some jurisdictions, if the proposed term exceeds local market practice and/or extends above four years, we may consider opposing the re-election of the nomination committee members.

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. For this reason, we are generally not opposed to mechanisms that boards may put in place to encourage regular board refreshment (such as age or term limits).

We recognise that a variety of director tenures within the boardroom can be beneficial to ensure board quality and continuity of experience. Excessively long tenure can, however, be an impediment to an individual director's independence, so we will consider director tenure in the context of whether there is a sufficient balance of independence on the board (as discussed further below). In addition, in situations involving a company undergoing an extraordinary transaction (e.g., a merger, acquisition, or spin-off), we do not assume that individual directors' tenures reset in relation to the newly formed entity, thus causing those directors to be de facto considered independent. In such instances, we will continue to assess the tenure of directors on an individual basis whilst acknowledging the need for some level of board continuity in terms of business knowledge and skills. We find it helpful when the board undertakes a periodic self-assessment and refreshment process, as appropriate, to ensure that the board remains independent.

We look to companies to keep under regular 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. This assessment can consider a number of factors, including each director's independence and time commitments, as well as breadth and relevance of each director experiences and skillsets, and how these collectively contribute to the board's effectiveness in advising and overseeing management in delivering

³ In most markets directors stand for re-election on an annual or triennial basis, as determined by corporate law, market regulation or voluntary best practice.

long-term financial returns. Increasingly, we see boards adding members whose experience deepens the board's understanding of the company's customers, employees and communities.

When nominating directors to the board, we look to companies to provide sufficient information on the individual candidates so that shareholders can assess the capabilities and suitability of each individual nominee and the relevance of overall board composition. These disclosures should give an understanding of how the collective experience and expertise of the board, as well as the particular skill sets of individual directors, aligns with the company's long-term strategy and business model. Highly qualified, engaged directors with professional characteristics relevant to a company's business and strategy enhance the ability of the board to add value and be the voice of shareholders in board discussions. BIS will not support the election of directors whose names and biographical details have not been disclosed sufficiently in advance of the general meeting for us to take a considered decision.

Board composition

It is in this context that we are interested in a variety of experiences, perspectives, and skillsets in the boardroom. We see it as a means of promoting diversity of thought to avoid "group think" in the board's exercise of its responsibilities to advise and oversee management.

In assessing board composition, we take a case-by-case approach based on a company's board size, business model, strategy, location and market capitalization. We look for companies to explain how their approach to board composition supports the company's governance practices.

To ensure there is appropriate diversity of perspectives, we look to boards to be representative of the company's key stakeholders, with an approach to diversity that is aligned with any market-level standards or initiatives. This position complements our general view that we are looking for boards to be taking steps towards at least 30% of their members being of the under-represented gender, or aligning with higher mandatory gender quotas, where prescribed by the respective local legislation. The applicable country-specific guidelines outlined below provide additional context. To allow proper assessment of the board's approach to diversity, we ask companies, consistent with local law, to provide sufficient information on each director/candidate and in aggregate so that shareholders can understand how diversity (covering professional characteristics, such as a director's industry experience, specialist areas of expertise, and geographic location; as well as demographic characteristics such as gender, ethnicity, and age) has been accounted for within the proposed board composition. We appreciate when these disclosures cover how diversity has been accounted for in the appointment of members to key leadership roles, such as board chair, senior/lead independent director and committee chairs.

When analysing the level of gender representation on the board, generally BIS only considers board members who are elected by shareholders (excluding legally required government or employee representatives). We recognise that the board does not have control over the appointment of employee and/or government representatives, whose presence might be legally required in certain EMEA markets. Only where local legislation prescribes the inclusion of employee and/or government representatives in the calculation of board gender diversity, would we reflect this in our assessment. In addition, we would also take into consideration the size of the board to assess that there are an appropriate number of directors of the under-represented gender, in line with local market practice.

To the extent that our analysis indicates a company has not adequately accounted for diversity in its board composition, we may vote against the nomination committee members.

Furthermore, we acknowledge that European Union (EU) regulations⁴ aimed at improving board gender balance have been approved, and we look forward to discussing the implications of these targets with those companies in scope.

Director independence

We look to a board to include a sufficient number of independent directors, free from conflicts of interest or undue influence from connected parties, to ensure objectivity in the decision-making of the board and its ability to oversee management. In considering the balance of independent and non-independent directors, and in our assessment of individual directors' independence, we will be mindful of relevant market standards (as discussed in more detail in our country-specific guidelines below). However, our focus will always be on objectivity of thought and effectiveness of oversight. Common impediments to an individual's independence include but are not limited to:

- Employment by the company or a subsidiary as a senior executive within the previous five years
- Being, or representing, a shareholder with a shareholding and/or voting authority in the company over 10% of the issued capital
- Interlocking directorships
- Excessive tenure in line with individual market practices⁵
- Having any other interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company and shareholders.

We consider it good practice for the majority of a board to be represented by independent non-executive directors, as well as for key committees to be majority independent (with each chaired by an independent director). For controlled companies, independent directors should represent no less than one-third of board members.

In our engagement with companies, we recognise that the board does not have control over the appointment of employee and/or government representatives, as legally required in certain EMEA regions. Nevertheless, when analysing the balance of independence on the board, BIS only considers board members who are elected by shareholders (excluding government or employee representatives whose presence might be legally required).

If the level of board independence is insufficient, BIS may vote against the re-election of the members of the nomination committee. If none of the committee members are proposed to be re-elected, we may not support the board chair, the longest serving non-independent candidate or the discharge of the board, in that order.

When a board member is proposed for re-election for a multi-year mandate and will become non-independent during his/her mandate because of his/her tenure, we look for the board to have a policy to ensure the balance of independence on the board remains in line with market norms during the mandate. We may vote against the proposed candidate otherwise.

⁴ The Directive 2022/2381 of the European Parliament and of the Council on improving the gender balance among non-executive directors of companies listed on stock exchanges and related matters.

⁵ Nine years in Italy and the United Kingdom; 12 years in other markets.

Treatment of independence in relation to boards of investment trusts, collective investment schemes and management companies

In line with general market practice, a majority of directors on the board of investment trusts (and equivalent entities) should be independent. When assessing collective investment schemes and corresponding management companies, a minimum of one independent board director should be ensured.

Board chair

Independent leadership is important in the boardroom. Boards are most effective at overseeing and advising management when there is a senior, independent board leader.

In those cases where there is combination of the roles of CEO and board chair, or when the board chair is otherwise not independent, we look to the board to implement mechanisms that offset a potential concentration of power, including, but not limited to, a majority of independent board directors, majority independent committees (chaired by independent directors), the appointment of a senior or lead independent director and/or the reduction in the re-election period for directors.

If the board decides to appoint a non-independent board chair, particularly in the case of a former executive, we look to the company to provide strong supporting rationale.

Senior/lead independent director

BIS generally considers the designation of a senior or lead independent director as an acceptable alternative to an independent chair if the lead independent director has powers to: 1) provide formal input into board meeting agendas; 2) call meetings of the independent directors; and 3) preside at meetings of independent directors. Where a company does not have a designated senior or lead independent director who meets these criteria or any other offset mechanisms, we generally support the separation of the board chair and CEO roles.

BIS will usually vote against the (re)election of a senior/lead independent director whom we do not consider independent.

Board committees

We look to the key committees of the board (notably the audit, remuneration and nomination committees) to be composed exclusively of non-executive directors and be chaired by an independent director. We look to committee members to be independent where called for by market practice. In any event, non-independent committee members should represent no more than half of the committee's members. When assessing committee independence, we acknowledge the specific nature of a company's governance structure which might foresee the board chair also chairing the nomination committee.

It is good practice for the audit committee to be composed entirely of independent board members, including in markets where this is not a formal requirement. Additionally, the board chair should serve on the audit committee only if he/she is independent.

Where committee independence is insufficient, we may vote against the board chair or against non-independent members of the committee. If the board does not have an audit or a remuneration committee, we may consider that the entire board fulfils the role of the committee. In such case, and if the independence level is insufficient on the board, BIS may vote against the re-election of the board chair or the non-independent non-executives sitting on the board.

BIS may also consider voting against members of a board committee, or against the board chair, in a situation where we have identified a failure to address one or more relevant material issues within an appropriate time frame for which we hold those members responsible. As noted elsewhere in this document, this could include a lack of board responsiveness to board composition or executive remuneration concerns, a failure to oversee, disclose or remediate material financial weakness and/or inadequate disclosures in relation to material sustainability-related risks and the business plans supporting them. We may also consider voting against relevant board committee members or the board chair where we see evidence of board entrenchment and/or failure to promote adequate board succession planning over time in line with the company's stated strategic direction.

External board mandates

The role of a director is becoming increasingly demanding and therefore requires appropriate time to commit and engage effectively on board and committee matters. Given the nature of the role, it is important that a director has sufficient flexibility to respond to unforeseen events and therefore only takes on a maximum number of non-executive mandates that provides this flexibility. To give shareholders a sense of directors' ability to be engaged and the board to function effectively, we appreciate when companies disclose board and committee members' attendance, as well as the time commitment required from directors. Shareholders would benefit from additional transparency over how nomination committees assess their directors' time commitments and with what frequency these reviews take place. However, in BIS's experience, the assessment of whether a director is over-committed is not just based on their attendance record but also their ability to provide appropriate time to meet all responsibilities when one of the companies on whose board they serve faces exceptional circumstances.

BIS will ordinarily consider there to be a significant risk when a board candidate has insufficient capacity, and therefore consider voting against his/her (re)election, where the candidate would (if elected) be:

- serving as a non-executive director (but not the board chair) on more than four public company boards
- serving as a non-executive board chair and as a non-executive director (but not the board chair) on more than two other public company boards
- serving as a non-executive board chair on two public company boards and as a non-executive director on one or more other public company boards, or
- serving as a non-executive director (but not the board chair) on more than one public company board while also serving as an executive officer⁶ at a public company. In case of an executive officer, we would vote against his/her (re)election only to boards where he/she serves as a non-executive director

In assessing whether to support a (re)election in these circumstances, through our engagement with the board we will consider any perceived progress in the candidate's response to concerns about capacity; the circumstances in which the candidate will remain in all of his/her different roles; and the time frame over which changes will be made.

⁶ In these guidelines, the executive officer consists of the executive chair, the chief executive officer (CEO), the deputy chief executive officer, the chief financial officer, the chief operating officer and other similar level executives who are members of the management leadership team or executive committee (e.g. Chief Information Officer, Chief Technology Officer, Chief Risk Officer, Chief People Officer, etc.) or members of the management board of listed companies with a two-tier system.

We recognise that the role of a director may vary in responsibilities and time requirements in different markets around the world. In particular, where a director maintains a board mandate at a company listed outside EMEA, we will consider the expected time commitment informed by our knowledge of local market practices.

Whilst we recognise different disclosure practices exist on directors' board mandates, a good practice would be for companies to detail all significant external commitments held by each of their board members, including those in private companies, foundations, and other organizations. Multiple positions of this nature may be a concern for investors that could be taken into consideration when assessing directors' major time commitments.

When looking at the number of board mandates, BIS will usually count all memberships on boards of listed companies in the same group of companies as one board membership.

BIS will usually count all memberships, that an individual director has on boards of investment funds/trusts, including board chair roles, as one board membership. This includes roles at special purpose acquisition companies but excludes any appointments to the board of a public company which the applicable investment fund or investment trust invests in.

BIS may vote against the election of an outside executive as the board chair as we look for the chair to have more time availability than other non-executive board members. We look for the company to explain why it is necessary for this external executive to lead the board of directors. Likewise, it is good practice for the lead independent director not to be an outside executive given the time commitment required of both roles, and we may vote against the election of an outside executive as a non-executive director if they are newly appointed to the role of lead independent director.

BIS may vote against the election of any director for whom the disclosure of other already held board and committee positions is deemed to be inadequate, or where a director has a pattern of poor attendance at the board and/or applicable key committee meetings.

Auditor and audit-related issues

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

The accuracy of financial statements, inclusive of financial and non-financial information, as required or permitted under market-specific accounting rules, is of paramount importance to BIS. We increasingly recognise that a broader range of risks and opportunities have the potential to materially impact financial performance.

In this context, audit committees play a vital role in a company's financial reporting system by providing independent oversight of the accounts, material financial and, where appropriate to the jurisdiction, non-financial information, internal control frameworks and Enterprise Risk Management systems. In our view, effective audit committee oversight strengthens the quality and reliability of a company's financial statements and provides an important level of reassurance to shareholders.

In cases involving unexplained changes in reporting methodology, significant financial restatements, or ad hoc notifications of material financial weakness, where we have concerns about audit controls or

oversight, BIS may vote against the re-election or re-appointment of members of the audit committee and/or the re-appointment of the auditor. Similarly, where we identify that the audit committee has failed to disclose or remediate material weaknesses identified by internal or external auditors within a reasonable timeframe, we would hold members of the audit committee accountable.

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, we look for the fees earned to be disclosed and explained. In approving auditor and audit fees, BIS will also take into consideration the level of detail in company disclosures. Where the company has not provided full disclosure on the name of the auditor, the audit fees and the non-audit fees paid, BIS may abstain on the approval of the auditor and may vote against the re-election or appointment of members of the audit committee. We appreciate when audit fees are reported separately from other fees and fees earned for tax work, but BIS will take into account different market practices. BIS may also take this action if audit fees are lower than non-audit fees and an adequate explanation is not provided. In addition, we look for audit committees to have a procedure in place for assessing the independence of the auditor and the quality of the external audit process annually. This should include a periodic retendering of the audit contract, as determined by the board and the audit committee, consistent with local law and market practice.

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

Shareholder Rights

We believe that there are certain fundamental rights attached to shareholding. These rights include voting on the election of the board of directors and other standard governance matters; voting on key board decisions that may affect the creation of long-term financial value for shareholders; and having access to information on material governance, strategic, and business matters to make informed decisions.

It is our view that shareholder voting rights should be proportionate to economic ownership – we find that the principle of “one share, one vote” helps to achieve this balance.

We recognise that in certain markets, for a limited period of time, companies may have a valid economic argument for creating separate share classes with equivalent economic exposure and preferential, differentiated voting rights. We disagree, in principle, with such structures, as in our view they violate the fundamental corporate governance principle of proportionality and result in a concentration of power in the hands of a few shareholders, thus disenfranchising other shareholders and amplifying any potential conflicts of interest. As such, BIS, as a fiduciary to our clients, is not supportive of differentiated voting rights for shares with the same economic exposure to the company.

Similarly, BIS will not support proposals to restrict foreign ownership unless such a restriction is a legal requirement.

Increase in authorized share capital/increase in preferred stock

BIS assesses these requests in light of a company’s previous issuance of capital and its corporate governance profile. Generally, we will support proposals if the board has concluded that additional share capital is necessary to carry out the company’s business. We look for companies seeking such authority

from shareholders to set out clearly the anticipated use of the additional shares and how this is in the interests of existing shareholders.

Merger, Asset Sales and Special Transactions

In assessing mergers, asset sales, or other special transactions, BIS'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. BIS does not generally support the use of anti-takeover defences, and will support proposals aimed at reducing such defences, including but not limited to, restricting the transferability of registered shares, or shares with differential or restricted voting rights. BIS opposes authorities for the board to issue warrants convertible into shares to existing shareholders during a hostile takeover, as well as any capital issuance proposals that could serve as a defence mechanism during such periods.

BIS supports pre-emptive rights in line with local market guidelines and practices; these guidelines provide a key protection for shareholders against dilution of their interests. We recognise that management requires some flexibility to raise funds for general business purposes through the issuance of shares. We generally support proposals seeking a standing authority to make such issuances subject to local market guidelines and practices, the size of the capital pool being fixed, the life of the authority being specified and the other terms being reasonable with regard to the interests of existing shareholders. While we believe companies should primarily look at market level guidance on share capital requests, BIS may be supportive of capital issuance proposals of up to 50% of the issued share capital with pre-emptive rights and 20% of the issued capital without pre-emptive rights when the proceeds are not intended for a specific purpose. When reviewing general share issuance requests, we will reflect on factors including rationale behind the proposal and previous use of capital authorities. Country specific considerations are set out below. Requests for a standing authority to issue shares in relation to an acquisition will be considered on their merits and in light of the company's previous use of such authorities and corporate governance profile. We look for all share issuance authorities to be presented to a shareholder vote at the general meeting.

Private placement

BIS will generally support private placements where the purpose of the proposed transaction is to raise funds or repay debt. We look to companies to seek annual shareholder approval for any standing authorities to make private placements. In our view, such authorities should specify the maximum proportion of issued capital that could be placed privately and the maximum discount that could be applied, where relevant.

Share repurchase

BIS considers share repurchase programmes to be generally supportive of the share price and will usually approve them. We review the terms of the plan and may vote against whenever we deem these terms not to be in the best interest of shareholders. We will normally oppose such proposals if the proportion of issued share capital covered by the authority is excessive or if the intended purpose is unclear. We may not support share repurchase programmes if they allow for repurchases to be carried out during a

takeover period, if they lack a clear statement that they would not be used as a takeover defense, or if previous repurchase authorities have been abused.

Remuneration and benefits

Highly talented and experienced directors, executives and other staff who are fundamental to long-term durable value creation, are sought by many companies and, in our view, should be appropriately incentivized. The key purpose of remuneration is to reward, attract and retain such individuals, with that reward being contingent at least in part on controllable outcomes that enhance shareholder value.

BIS considers that pay be closely linked to performance. Therefore, we look to each company to structure their remuneration policies and practices in a manner that considers the specific circumstances of the company, incentivizes delivery of the stated strategy and is aligned with generating durable long-term shareholder value.

We encourage companies to use these guidelines in developing their pay policies, as they will inform BIS's approach to engagement and voting around pay. Public disclosures are the primary mechanism for companies to explain their executive remuneration practices. Where concerns are identified or where we seek to better understand a company's approach to executive remuneration, we may engage with companies, preferably with independent members of the remuneration committee of the board.

Evaluating and voting on remuneration proposals

- Remuneration committees are in the best position to make remuneration decisions and, we look to them to maintain significant flexibility in administering remuneration arrangements, given their knowledge of the strategic plans for the company, the industry in which the company operates, the appropriate performance measures for the company, and other idiosyncrasies unique to the company.
- When assessing the link between pay and performance, BIS is looking for a transparent and cogent explanation for the structure of the remuneration framework and a clear understanding of how pay correlates with and supports the company's stated strategy and incorporates long-term shareholder value drivers.
- In our view executive remuneration outcomes should ultimately be aligned with the experience of the company and its key stakeholders (as defined by the company).
- Our assessment of remuneration proposals considers the nature and relevance of the company's stated peers and the potential implications this may have for pay. We appreciate when benchmarking tools are used in a transparent manner, i.e. the results should be disclosed by the company, especially the peer group selected.
- We look to companies to select peers that are broadly comparable to the company in question, based on objective criteria that are directly relevant to setting competitive remuneration. We evaluate peer group selection based on factors including, but not limited to, business size, relevance, complexity, risk profile, and/or geography. Benchmarking can be used to establish a frame of reference for what competitors are paying. However, benchmarking is not a starting point for companies to negotiate increases in pay.
- BIS prefers all executive remuneration beyond salary and benefits to comprise variable pay based on relevant and challenging performance criteria that are clearly linked to the strategic objectives set by

the management team. As well as the overall level of transparency, we will consider the balance of fixed versus variable pay, the choice of performance measures and their targets, the length of vesting and/or holding periods, and the overall complexity of the incentive schemes.

- BIS acknowledges that different remuneration vehicles may have an appropriate role in driving value creation. Therefore, we do not discourage remuneration structures that differ from market practice and do not have a preference as to the incentive structure used within variable pay. We find it helpful when remuneration committees clearly disclose the rationale behind their selection of pay vehicles and how these fit with intended incentives.
- We look to Remuneration committees to ensure that incentive plans do not encourage excessive risk taking beyond the company's determined risk appetite and that rewards are reasonable in light of risk-adjusted returns to shareholders.
- We consider it good practice when disclosures enable shareholders to understand the value of remuneration that may be awarded at threshold, target and maximum performance.
- We look to remuneration plans to contain sufficient discretion to enable adjustments to address unintended outcomes flowing from plan structures. Where discretion has been used by the remuneration committee, we find it helpful when disclosure is provided relating to how and why the discretion was used and further, how the adjusted outcome is considered to be aligned with the experience of the company and its key stakeholders.
- We consider BIS's historical voting decisions (including whether a concern that led to a previous vote against management has been addressed, or whether we determined to support management at previous shareholder meetings in anticipation of future change), engagement activity, other corporate governance concerns at the company. We also assess the board's responsiveness to significant negative voting results of relevant proposals at previous years' annual meetings, and other feedback received from shareholders.
- We may consider not supporting relevant remuneration proposals and/or the election of remuneration committee members in instances where proposals do not address our concerns, which may include (but not necessarily limited to) when:
 - We identify a misalignment between remuneration outcomes and company performance as reflected in financial and operational performance and/or the experience of key stakeholders (as defined by the company)
 - We determine that a company has not persuasively demonstrated the connection between strategy, long-term financial value creation and incentive plan design
 - We determine that remuneration is excessive relative to peers without appropriate rationale or explanation, including the appropriateness of the company's selected peers
 - We observe an overreliance on discretion or extraordinary pay decisions to reward executives, without clearly demonstrating how these decisions are aligned with shareholders' interests
 - We identify extraordinary pay items (including but not limited to actual or contractual severance payments, inducement grants, one-time bonus and/or retention awards, or relocation expenses) where the supporting rationale does not sufficiently explain the remuneration committee's reasons for proposing them and/or how such payments support long-term financial value creation

- There is no disclosure on criteria for performance-based variable pay schemes A long-term incentive plan allows for “retesting,” i.e. multiple opportunities to achieve the performance criteria
- A board of directors makes in-flight changes to performance criteria which have not been sufficiently explained and/or may lead to a misalignment between stakeholder experience and outcomes upon delivery
- We determine that company disclosure is insufficient to undertake our pay analysis
- We observe a lack of board responsiveness to significant investor concern on executive remuneration issues

Specific guidance on remuneration structures

Fixed remuneration

- When setting fixed pay, we look to boards to start by determining the appropriate cost for the specific position. We look for this amount to be based on a robust assessment of what needs to be paid to get the job done and be aligned with the pay policy of the company for the rest of the workforce.
- In our view, increases in base salary should progress in line with the rest of the workforce. Remuneration committees will need to provide strong supporting rationale in instances of significant year-on-year salary increases. In making the case for such increases, remuneration committees will generally need to look at more than benchmarking or changes in the company’s performance alone.
- Where a significant uplift in base salary is necessitated because of a change in scope and complexity of a role, remuneration committees will need to provide a detailed explanation of how that role has substantively changed. The size of the capital of the company is not an appropriate proxy for the complexity of the role nor is it an appropriate justification for an increase in salary.
- We appreciate when companies provide detailed disclosure on any benefits received by executive directors. We generally expect benefits to align with market practice and not to be considered excessive.
- In our view, participation in company sponsored pension plans and pension contributions for executives should be on the same basis as those offered to the rest of the workforce. If an individual executive participates in differing or legacy arrangements, we encourage remuneration committees to provide disclosure of a clear plan towards achieving alignment within a reasonable timeframe.

Recruitment packages

- Where remuneration arrangements for an incoming executive director materially differ from those of their predecessor, we look to remuneration committees to provide a detailed explanation substantiating the changes.
- Buyout awards, if necessary, are best delivered in shares, or similar at-risk vehicles, and aligned with the recruiting company’s strategy and metrics. We encourage vesting periods to be aligned with the cycle of the awards forfeited. We consider it good practice to include details of recruitment packages, including the terms of any buyout awards, within the remuneration report published immediately after recruitment.

Severance, retirement, change in control, and adjustments for performance

- In our view, severance payments should only be paid in the case of a forced departure of a good leaver (as defined below), in which case they should be limited to two years of fixed remuneration (plus bonus, in markets where this is the expected practice). The non-renewal of a mandate should not be construed as a forced departure. Severance payments should not normally be made to executives whose contracts have been terminated as a result of poor performance, who have chosen to leave the company, or who have reached the expected age of retirement.
- On an executive's departure, unvested awards should normally be pro-rated for both time and performance or lapse in full in case of bad leavers. In case of a voluntary change of employment, the executive's unvested awards should normally lapse in full as well.
- A good leaver is one who leaves the company due to: retirement, personal circumstances preventing the executive from fulfilling the role, change in control/strategy when the post becomes redundant or the incumbent executive's skills are not aligned. A bad leaver is one who leaves the company due to forced or agreed departure due to inadequate performance or the behavior of that individual.
- We understand that remuneration committees may want to accelerate the vesting of equity-related awards if the company has been acquired. In such situations, we look for unvested awards to be pro-rated for both time and performance. In addition, we look to the board to provide meaningful disclosure to explain the rationale and the methodology used to assess the performance of the executives.
- We look to Remuneration committees to build performance adjustments (often referred to as malus) and/or clawback provisions into incentive plans to allow for awards to be forfeited (in whole or in part) before vesting, or to allow for executives to be required to repay rewards, in circumstances where the awards/rewards would not be appropriate. Situations in which such provisions are commonly triggered include cases of gross misconduct or misstatement of financial results, but companies may also want to consider in which, perhaps broader, circumstances the provisions would be applied. We look to the company to explain how it has determined such circumstances and what steps it has taken to ensure the provisions are enforceable.

Variable pay

- We look to companies to provide clear disclosure on the maximum value that can be granted in a year under each incentive scheme, measured by face value at grant date and expressed as a percentage of base salary or in monetary terms. Pension contributions and benefits should not be used in the calculation of variable pay awards.
- In our view, the majority of variable pay should be based on achieving sustained performance over a multi-year period, generally three to five years. However, we consider company-specific factors, including the timeframe the company uses for performance evaluation, the nature of the industry, and the typical business cycle, in order to identify an appropriate timeframe for evaluation.
- We look for expected performance to be sufficiently stretching at each point along the target spectrum. We appreciate when details are provided on the performance criteria, their relative weight, required levels for performance at thresholds and actual performance. For markets where it is the expected practice, the performance metrics and targets should be disclosed prospectively.

- We look for performance metrics to be closely aligned with the strategic objectives and not be created for the sole purpose of compensating executives. We look for the emphasis to be on those factors within management’s control to create economic value over the long-term.
- Our preference is for variable pay to be based on multiple metrics. Performance measures should be majority financial and at least 60% based on quantitative criteria. We believe that it is beneficial to include different sets of performance metrics under the short-term and long-term incentive plans.
- We favor the inclusion of “input” metrics as these are within management’s control. As such, we encourage companies to use metrics related to financial value creation (e.g. economic profit and/or return on invested capital).
- We are wary of companies using only “output” metrics such as earnings per share (EPS) or total shareholder return (TSR). TSR, if used, should be assessed on a relative basis and, if not, the committee should provide a detailed rationale for their decision to assess performance on an absolute basis. Similarly, EPS, where used, should be calculated to exclude the potential short-term effects of share buybacks and acquisitions.
- We look for any use of adjusted metrics in the remuneration framework to be consistent with the adjustments used in the statutory reporting.
- Where companies chose to include sustainability-related criteria in compensation structures, we look for the metrics to be adequately disclosed, material to the company’s strategy and as rigorous as other financial or operational targets.
- We do not believe that one group of stakeholders should be sheltered from the impact of currency fluctuations. We look to companies to mitigate currency risks as any other risk.
- BIS may consider not supporting long-term incentive plans:
 - Where vesting of awards is not subject to the achievement of pre-determined performance targets
 - Where the performance period is not sufficiently long-term oriented
 - With insufficient disclosure on matters such as grant limits, performance criteria, vesting periods, and overall dilution
 - Where the total volume of the long-term incentive plans exceeds 10% of the capital, taking into account the proposed and outstanding authorities
 - Where they allow for the immediate vesting of awards upon a change of control

Restricted schemes

- Some companies might consider that a restricted scheme fits better with their remuneration philosophy. We look to these companies to provide detailed rationale to justify this decision. Moreover, in our view the introduction of a restricted scheme should not result in a more complex pay package.
- Given the certainty of these schemes, we look for the value of awards to be considerably reduced, generally by at least 50%, in comparison to the variable pay previously available.

- We look for the vesting/holding period(s) to have a longer timeframe, preferably a minimum of five years.
- To avoid pay for failure, an underpin should be applied to these schemes, i.e. the awards should not vest if a minimum level of performance has not been achieved.

Matching plans

- We look to boards to refrain from using matching plans if they are already using other types of long-term incentive plans.
- In our view, matching should be capped and should be linked to additional performance criteria.

One-off awards

- In our view, any one-off award to an executive requires truly exceptional circumstances that would need to be detailed by the company in the remuneration report. Awards delivered solely for the purpose of retention are not, in our experience, an effective tool for retaining employees.
- Without adequate explanation, we may consider not supporting one-off awards linked to transactions as these could create an incentive for executives to undertake unnecessary (and at times value-destroying) acquisitions.

Shareholding requirement

- We look to executives to build up a meaningful shareholding in the company within a reasonable amount of time after their appointment. To facilitate this, we look to remuneration committees to set an appropriate shareholding requirement for executives based on a multiple of base salary.
- We consider it to be good practice for executives to retain part of their shareholding for a period of time (preferably at least two years) after they leave the company.

Remuneration requirements under the Capital Requirements Directive V

In BIS' view, boards of directors and remuneration committees should have flexibility in determining pay structure and levels. We are therefore supportive in principle, of increasing the 1-to-1 cap of variable to fixed pay to 2-to-1 for companies subject to the Capital Requirements Directive (CRD) V. However, we look to boards to exercise this flexibility responsibly. We will continue to review and monitor remuneration structures on a case-by-case basis.

In addition to the above and in the context of CRD V, we will assess any material differences between proposed versus existing fixed pay levels for impacted staff, as approved by shareholders in previous years. In the event a company chooses to introduce an additional layer of fixed pay, where regulation permits, we have a preference for the allowance to be paid in shares. Further, the allowance should release no faster than pro-rata over five years. Any additional layer of fixed pay should be excluded from the calculation of pension entitlements, benefits and severance and fit within previously communicated and approved dilution limits. In addition, any increase in fixed pay or an additional layer of fixed pay, should result in a reduction of total overall pay given the decreased level of "at risk" pay.

Non-executive board members remuneration

BIS does not support variable pay elements (e.g. stock options or performance shares) for non-executive directors or supervisory board members and prefers these board members to receive fixed fees only. These fees can be paid in cash and/or shares when it is the accepted practice in the market.

BIS may not support proposals to approve remuneration to directors where non-executive board members are receiving pension contributions unless the company discloses a compelling rationale for providing such benefits (e.g. that they are required by law).

BIS supports requirements for non-executive board members to have a minimum level of shareholding of the company.

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.⁷ 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, that 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' 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 S2⁸ 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 recognise that companies may phase in reporting aligned with the ISSB standards over several years. We also recognise that some companies may report using different standards, which may be required by regulation,⁹ 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 recognise 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, analyse 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 organisations such as the United Nations or the Organization for

⁷ 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.

⁸ 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.

⁹ European Union rules include the [Corporate Sustainability Reporting Directive](#) and the [Corporate Sustainability Due Diligence Directive](#), which require listed companies to publish regular reports on the sustainability-related risks they face, and on how their activities impact people and the environment.

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. We will express any concerns through our voting when a company does not appear to be adequately managing material business risks.

Climate and nature-related risk

In our view, the transition to a low-carbon economy is one of several mega forces reshaping markets.¹⁰ 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.¹¹ Yet the path to a low-carbon economy is uncertain and uneven, with different parts of the economy moving at different speeds. BIS recognises 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, how they intend to deliver long-term financial performance through the transition to a low-carbon economy, including where available, their transition plan.¹²

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.¹³ 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. Recognising 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

¹⁰ BlackRock Investment Institute, “Mega forces: An investment opportunity”, 2023.

¹¹ BlackRock Investment Institute, “Tracking the low-carbon transition”, July 2023.

¹² 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.

¹³ 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.

achieve a limit of 1.5°C, the temperature goal recently reaffirmed by G20 members as part of the 2024 Leaders' Declaration.¹⁴

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 recognise 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 recognise 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.

Furthermore, a noteworthy development in some EMEA markets is the submission of management proposals in which companies ask shareholders to approve their climate action plans or progress reports, sometimes known as "Say on Climate." BIS takes a case-by-case approach to voting on these proposals. BIS is likely to support these proposals when a company can demonstrate that the oversight of, and processes to manage, material climate-related risks and opportunities are robust and aligned with the long-term financial interests of shareholders. Sometimes shareholders table such proposals, which we may support if there is not a similar management proposal and, in our assessment, additional information may be useful for investors to determine if management is adequately addressing material climate-related risks and opportunities in the company's business model.

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.¹⁵

¹⁴ 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.

¹⁵ 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 recognise 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.

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

In order to advance long-term shareholders' interests, companies should take into account 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 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 stakeholder 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 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 impacts. In our view, maintaining trust within these relationships can contribute to a company's long-term success.

As an important component of strategy, boards should oversee human capital management. Appropriate disclosures should be provided to inform investors' understanding of how companies are seeking to establish robust human capital management practices, including their actions and targets around diversity, equity and inclusion. In this context, we seek to understand a company's approach and commitment to fostering a diverse workforce and inclusive workplace culture, which contributes to business continuity, innovation, and long-term financial value creation. Where, in our assessment, a company is not sufficiently considering its key stakeholder interests to the extent that poses material financial risk to the company and its shareholders, and/or when the company's reporting and disclosure on these matters is lagging market norms, we may conclude that boards are not providing adequate oversight on and may hold the relevant director accountable.

Other corporate governance matters

Amendments to memorandum/articles of association/charter

These proposals vary from routine changes to reflect corporate law or other regulatory revisions through to significant changes that substantially change the governance of the company. BIS will review such proposals in accordance with our Principles and our assessment of the impact of the changes on the rights of shareholders.

Virtual meetings

Shareholders should have the opportunity to participate in the annual and special meetings of the companies in which they are invested. When evaluating virtual AGMs, we take into consideration several factors which include but are not limited to the rationale for introducing virtual AGMs and how the company enables meaningful shareholder participation and interaction with the board and management. The guidance provided on the topic by the local regulation will also be considered.

Approve annual report/financial statements

Where the annual report and/or financial statements are not published sufficiently in advance of the voting deadline to allow a considered vote, we may abstain on proposals on the approval or adoption of the reports. Similarly, we may withhold support if qualifications have been raised by the auditor, or if doing so would protect shareholders' rights to take legal action should irregularities be discovered at a future date. We may also vote against proposals on the annual report/financial statements if we have material concerns about the quality of reporting and disclosure.

Bundled proposals

BIS believes that shareholders should have the opportunity to review substantial governance changes individually without having to accept bundled proposals. Where several measures are grouped into one proposal, BIS may reject certain positive changes when linked with proposals that generally contradict or impede the rights and economic interests of shareholders.

Change of name of corporation

BIS will normally support management proposals on corporate names.

Coverage of multi-jurisdictional companies

Where a company is listed on multiple exchanges or incorporated in a country different from its primary listing, we will apply the most relevant market guideline(s) to our analysis of the company's governance structure and specific proposals on the shareholder meeting agenda. In doing so, we typically consider the governance standards of the company's primary listing, the market standards by which the company governs itself, and the market context of each specific proposal on the agenda. If the relevant standards are silent on the issue under consideration, we will use our professional judgment to achieve the outcome we believe is most aligned with our clients' long-term economic interests. Companies should disclose in their annual report the rationale for their selection of primary listing, country of incorporation, and choice of governance structures, in particular where there are contradictions between relevant market governance practices.

Dividend proposals

BIS will generally approve dividends taking into consideration market standards and practices. We assess more closely companies that propose a lower allocation to determine if the low dividends are necessitated by company-specific conditions or local market factors. We may oppose dividends that appear excessive given the company's financial position.

BIS will generally support proposals that offer shareholders a choice of a stock or cash dividend. Companies should explain their dividend policy and provide a rationale for and terms of any distribution of scrip dividends. We believe companies should repurchase shares to avoid excessive dilution in case of scrip distribution.

Other business

BIS opposes giving companies authority to vote on behalf of our clients on matters where we are not given the opportunity to review and understand those measures and carry out an appropriate level of shareholder oversight.

Reincorporation or change of domicile

Proposals to move domicile from one country to another are frequently undertaken to gain protection from takeover, to avoid certain regulatory requirements, to save costs or to benefit from certain incentives

(e.g. the Inflation Reduction Act). We ask companies to provide supporting rationale for the proposed reincorporation and/or change of domicile and assess any changes to the company's charter associated with the reincorporation. We may not support moves that would result in a significant overall reduction in shareholder protections. Where shareholder protections will not be diminished, and cost savings are the sole motivation and will be considerable we will generally support such a proposal.

Related-party transactions

In principle, we look to companies to refrain from engaging in transactions with related parties such as their shareholders, directors, and management. In our view, if related-party transactions are entered into they should be conducted on an arm's length basis, approved by independent parties, such as non-interested directors and/or shareholders, and further governed by relevant corporate law or stock exchange listing requirements. Related-party transactions should be fully disclosed and explained. Disclosure should include, but not be limited to, parties involved, financial conditions, details of the transaction, and justification from the board on the interest of the transaction. We may support reasonable annual mandates for recurring related-party transactions subject to their not adversely impacting minority shareholders.

BIS will generally vote against substantial business transactions with non-executive directors as conflicts of interests should be avoided.

Corporate form

In our view it is the responsibility of the board to determine the corporate form that is most appropriate given the company's purpose and business model. Shareholders should have the right to vote on proposals to change a company's corporate form, including a change to a public benefit corporation. We appreciate when supporting documentation clearly explains how the interests of shareholders and different stakeholders would be augmented, as well as the accountability and voting mechanisms that would be available to shareholders. As a fiduciary on behalf of our clients, we generally support management proposals if our analysis indicates that shareholders' interests are adequately protected. Relevant shareholder proposals are evaluated on a case-by-case basis.

Shareholder proposals

When assessing shareholder proposals, 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 its 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.

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 recognise that some shareholder proposals bundle topics and/or specific requests. Further, the proponent's supporting statements 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 normally explain to the company our rationale for supporting such proposals.

Alternatively, or in addition, we may vote against the re-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.

Country-specific considerations

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on page 6.

Austria

Boards and directors

A dual-board system is prescribed by Austrian law. It also provides for employee representation on the supervisory board, i.e. co-determination rights. Accordingly, employees may appoint to the supervisory board one member from their own ranks (i.e. not external trade union representatives) for every two appointed by the general meeting of shareholders. Broadly speaking, this balance applies also to the committees of the supervisory board. Employee representatives may have their appointment terminated at any time but only by the works council. Given this structure, we look for the majority of the supervisory board members elected by the general meeting to be independent of major shareholders, the company, and its management board. In controlled companies, we look for the number of independent directors to be no less than one-third of board members.

Belgium

Boards and directors

We look for a majority of the board members on Belgian company boards, which follow the unitary model, to be non-executive directors. For companies with dispersed ownership that adopt a unitary board, we look for a majority of directors to be fully independent. In controlled companies, we look for the number of independent directors to be no less than one third of board members.

BIS is not in favor of cross-shareholdings or the associated reciprocal board directors (*administrateurs réciproques*). We may vote against the election of directors who have such connections with the company except where there is a business joint venture.

France

Boards and directors

French law provides for either a unitary or dual-board structure. While BIS has no preference between the two structures, we look for any change in structure to be properly explained.

For companies with dispersed ownership that adopt a unitary board, we look for a majority of directors to be fully independent. In controlled companies, we look for the number of independent directors to be no less than one-third of board members. In determining the total number of independent members serving on a French board, BIS will not take into account the representatives of employees when their appointment is required by law.

BIS is not in favor of cross-shareholdings or the associated reciprocal board directors (*administrateurs réciproques*). We may vote against the election of directors who have such connections with the company except where there is a business joint venture.

We look for directors' appointment terms to be no longer than four years with a clear explanation given for director tenures over 12 years (as per EU directive).

BIS recognises that there are circumstances under which companies might want to appoint censors and that censors are appointed for transitional/interim periods. However, we may vote against censor

appointment if the appointment is not twinned with sufficient levels of disclosure that would allow BIS to assess the reasons for the appointment, terms of the appointment, and any links that the censor might have with the company.

General corporate governance matters

BIS supports the “one share – one vote” principle, and will encourage companies to adopt it. Hence, BIS will support by-law amendments that introduce adoption of one share – one vote for registered shareholders. BIS will vote against “loyalty” dividends for registered shareholders holding shares for a longer period of time (typically more than two years). BIS will also vote in favor of abolishing voting caps.

Related-party transactions

We look for related-party transactions to be fully disclosed and explained. We appreciate when disclosure includes, but not be limited to, parties involved, financial conditions, details of the transaction, and justification from the board on the interest of the transaction. We prefer all new significant transactions to be the subject of separate resolutions. We look to companies to review any transaction rejected by shareholders.

Remuneration and benefits

We look for additional pension entitlements to be subject to a minimum employment period of two years and to be based on the fixed pay element only.

Employee Share Purchase Plan

BIS believes employee share purchase plans can provide performance incentives and help align employees’ interests with those of shareholders. Nevertheless, when issuance authorizations linked to these plans exceed 10% of the company’s share capital, we will assess their appropriateness and typically support them, unless we have concerns about anti-takeover or risk of dilution to existing shareholders.

Germany

Boards and directors

A dual-board system is prescribed under the German Stock Corporation Law (Aktiendgesetz), although a unitary model is provided as an option for those companies incorporated under European Company (Societas Europaea, or SE) law. Aside from the employee elected representatives, we look for the supervisory board to be comprised of only non-executive directors, and the management board to be comprised of only executive directors.

Depending on the number of employees of a company, German law also provides for employee representation on the board, i.e. co-determination rights. Employee representatives generally make up one-third to one-half of the board members. Given this, we look for companies with dispersed ownership at least one-half of the shareholder-elected representatives to be fully independent. In controlled companies, we look for the number of independent supervisory board members to be no less than one-third of the shareholder representatives. In addition, we look for no more than two supervisory board members to be former members of the management board. Further, when assessing the independence of supervisory board members, in BIS’s view, a management board member should not move on to become supervisory board chair without an appropriate cooling off period. Whilst we acknowledge the expectations defined by the German Corporate Governance code, we will seek a compelling and detailed

rationale when this is proposed. To this end, we could consider recent employment by the company or subsidiary as a senior executive as a potential impediment to independence.

BIS prefers individual director elections for the supervisory board. In the case of bundled elections, or elections by slate, BIS may vote against the entire slate if the names and relevant biographical details of directors are not disclosed, or if there are concerns regarding any board member's capabilities and/or performance. We may also vote against in case of concerns regarding the board composition and independence.

Greece

Boards and directors

We look for the majority of the board members and at least one-third of the non-executive directors to be fully independent. In controlled companies, we look for the number of independent directors to be no less than one third of board members. In our view, Boards should have the flexibility to appoint directors whose skills and experience would promote more robust boardroom discussion. This includes directors who hold positions at competing companies. In such situations, we appreciate when the board provides rationale for this appointment as well as an explanation of any processes to manage conflicts of interest.

Ireland

Historically, publicly listed companies in Ireland have generally adopted the UK Corporate Governance code, supplemented by the Irish Corporate Governance Annex. In 2024, we acknowledge the introduction of the Irish Corporate Governance Code.¹⁶ While the latter is largely based on the UK Code expectations, it has been tailored to the local market and allows for alignment with the EU regulatory infrastructure. We will be engaging with companies in the region to understand how they plan to adhere to the new code going forward.¹⁷

Israel

Boards and directors

We look for a majority of the board members on Israeli company boards to be non-executive directors. For companies with dispersed ownership, we look for a majority of directors to be fully independent. In controlled companies, we look for the number of independent directors to be no less than one third of board members.

In addition, while BIS is looking for companies in this region to make progress towards having greater gender diversity at board level in line with our general guidelines, we are likely to take voting action if the board has failed to appoint at least two directors from the underrepresented gender.

Italy

Boards and directors

Companies establish a board of directors and a board of statutory auditors. The board of directors may delegate some of its powers to a managing director or to an executive committee. Both boards are elected through the voto di lista system, under which shareholders with a minimum stake can propose a slate of

¹⁶ EuroNext Dublin, [Irish Corporate Governance Code 2024](#).

¹⁷ According to the Irish Corporate Governance Code 2024, companies with a primary listing on Euronext Dublin are subject to the Irish Code. However, if a company is dual-listed in both Ireland and the UK, it can follow either the Irish Code or the UK Code.

directors for nomination. Directors are appointed based on a pre-determined allocation of seats for each slate presented, dependent on the level of support received by each slate at the shareholder vote.

Where more than one slate is proposed, BIS will support the slate which we deem will result in a board with directors most suited to representing the long-term interests of the minority shareholders. For companies with dispersed ownership, we look for a majority of directors to be fully independent. In controlled companies, we look for the number of independent directors to be no less than one-third of board members. Further, in our view the whole board of statutory auditors should be fully independent.

BIS acknowledges that companies in Italy also have the ability to present a list by the outgoing board, as long as this option has been foreseen within the article of association prior approval at the general meeting. At the same time, we note that in March 2024, the Law Capitali¹⁸ introduced a set of mandatory procedures for companies presenting their own board list to follow, including but not limited to: for the outgoing board slate to have 33% more candidates than the number of members to be appointed to the board and for the quorum required for the incumbent board to approve the outgoing board slate to be increased by two-thirds.

We view the presentation of a slate by the outgoing board as an alignment with international best practices, giving directors a greater role in board composition and long-term succession planning. In addition, BIS believes that boards should have the flexibility to appoint directors whose skills and experience would promote more robust boardroom discussion. This includes directors who hold positions at competing companies. In such situations, we appreciate when the board provides rationale for this appointment as well as an explanation of any processes to manage conflicts of interest. However, we look for proposals aimed at introducing additional changes to the article of associations to not create further complications in the director election process and to benefit shareholders' rights. As a result, BIS may vote against such proposals as they may not protect our clients' fundamental rights as minority shareholders and could be counter to their financial interests.

Remuneration and benefits

BIS will normally vote against a remuneration policy that allows for severance payments to executive directors that exceed two years' total pay, although we will give regard to relevant National Collective Agreements for the sector.

Amendments to memorandum/articles of association/charter

BIS acknowledges that since March 2024, Italian-listed companies can amend their articles of association to progressively increase enhanced voting rights. In our view, these structures undermine the fundamental corporate governance principle of proportionality and result in a concentration of power among a few shareholders. As a result, BIS may vote against such proposals as they may not protect our clients' rights as minority shareholders.

In addition, companies can amend their articles of association to hold general meetings with the exclusive participation of a company-appointed representative. Such structures limit shareholders' ability to participate, vote, follow the proceedings live and impose limits on when questions can be submitted. It remains our view that shareholders should have the opportunity to participate in the meetings of the companies in which they are invested, giving them an opportunity to provide feedback to, and hear

¹⁸ Gazzetta Ufficiale, "[LEGGE 5 marzo 2024, n. 21](#)".

directly from, the board and management. As a result, BIS may vote against such proposals as they may not protect our clients' rights as minority shareholders.

Luxembourg

Boards and directors

Companies may adopt either a unitary or dual-board structure, although most companies have the former. Normally, in our view at least half of the board should be fully independent, except where there is a major shareholder with board representation in which case at least one-third should be independent.

If a company has not published its financial statements in advance of the general meeting, BIS may abstain on the proposal to discharge the board.

Portugal

Boards and directors

Companies may adopt either a unitary or dual-board structure. We look for the majority of directors on a unitary board and all supervisory board directors to be non-executive and at least half of them to be independent.

Russia

Boards and directors

Companies adopt a unitary board structure, with directors being voted through a cumulative voting system. Given the election system, BIS will usually support directors who are considered to be fully independent.

If a director resigns from the board or the company seeks to terminate the director before the end of his/her term, we look for the entire board to be terminated and a new board must be elected. BIS supports the early termination of powers of the board of directors if there is valid rationale and a proper justification. However, BIS will vote against the proposal seeking to modify the composition of the board if no justification has been provided, no names have been released, and/or if the changes result in a controlling shareholder increasing its influence on the board.

Related-party transactions

Russian law requires shareholder approval of related-party transactions if they are valued at 2% or more of the book value of a company's assets or if members of the board are considered interested. Related-party transactions require approval by more than 50% of disinterested shareholders voting at the meeting, whilst shareholders that are considered to be interested are not eligible to vote. Related-party transactions should be fully disclosed and explained in order to support these. We look for disclosure to include, but not be limited to, parties involved, pricing and independent valuation.

Audit commission

The audit commission members should be free from any conflict of interests and we may vote against a nominee if there are concerns regarding the work of the commission and/or its composition.

South Africa

Boards and directors

For companies with dispersed ownership, we look for a majority of directors, including the chair, to be fully independent. In controlled companies, we look for the number of independent directors to be no less than one-third of board members. In assessing board balance, BIS will take into account the influence of South Africa's Black Economic Empowerment (BEE), or Broad-Based Black Economic Empowerment (BBBEE), Act.

The audit committee should be composed exclusively of independent directors.

We look for all board directors to be subject to retirement by rotation. BIS may vote against new or amended Memoranda of Incorporation where board-level executive directors are excluded from this requirement.

Lastly, while BIS is looking for companies in this region to make progress towards having greater gender diversity at board level in line with our general guidelines, we are likely to take voting action if the board has failed to appoint at least two directors from the underrepresented gender.

Spain

Boards and directors

Although most companies adopt a unitary board structure it is possible to have a two-tiered board. We look to at least half of the board being composed of independent directors. In controlled companies, we look to the number of independent directors being no less than one third of board members.

BIS believes that directors should be elected on an individual basis. Where the proposal bundles the election of all the nominees, BIS may vote against the entire slate.

Switzerland

Boards and directors

We look for at least half of the board, which is unitary in the Swiss system, to be independent directors. In controlled companies, we look for the number of independent directors to be no less than one third of board members. Furthermore, only non-executives should serve on the company's committees, and BIS will consider voting against the re-election and/or appointment of executives if they serve on any of the committees.

Approval of non-financial reporting

We acknowledge the issuance of Swiss regulations¹⁹ requiring listed companies to hold a non-binding advisory vote on non-financial matters as of 2024, reporting on the 2023 financial year. BIS will review each report on a case-by-case basis to assess that sufficient disclosure is provided to effectively evaluate a company's strategy and business practices related to material sustainability-related risks and opportunities.

The Netherlands

Boards and directors

Dutch law provides for either a unitary or dual-board system. While BIS has no preference between the two structures, we look for any change in structure to be properly explained and put to shareholder vote.

¹⁹ Swiss Code of Obligations Art. 964a et. Seq, is aimed at listed companies with at least 250 employees and total assets exceeding CHF 20 million or revenues exceeding CHF 40 million for two consecutive years. The report on non-financial matters must provide information regarding how its business activities impact environmental, social, employee, human rights, and anti-corruption issues.

Where companies adopt a unitary board, we look for the majority of the board to be fully independent non-executive directors, and for the roles of board chair and CEO to be separated. In cases where there is a combination in these roles, we look to the board to implement mechanisms that may offset a potential concentration of power. For two-tiered boards, we look for the supervisory board to be comprised of only non-executive directors, and the management board to be comprised of only executive directors. In our view, the majority of the supervisory board members should be fully independent. In controlled companies, the number of independent board members should be no less than one third of board members.

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

BIS will generally support proposals to abolish depository receipts and replace them with ordinary shares. BIS does not support the use of preference shares to deter a hostile takeover bid.

The Nordic region (Denmark, Finland, Norway, and Sweden)

Boards and directors

Finland is the only Nordic market where two-tier boards are common, with an increasing trend over recent years towards the unitary model. In Sweden the unitary board is composed almost entirely of non-executive directors. The CEO may serve on the board but cannot be the board chair. We look to a majority of the non-executive directors on both unitary and dual-board models to be independent, excluding any employee appointed directors. In controlled companies, we look for the number of independent directors to be no less than one third of board members (again, excluding any employee appointed directors).

In Denmark, Norway and Sweden, companies have mandatory employee representation. Employees in large firms have the right (but not the obligation) to elect around one-third of the supervisory board members. In determining board independence, we exclude employee representatives from our assessment.

BIS believes that directors should be elected on a simple majority and will support proposals abolishing plurality voting.

In Sweden, and increasingly in Finland, nominating committees are made up of representatives of three to five of the largest shareholders and the board chair. BIS will generally be supportive of the adoption of this approach, provided that the nominating committee's guidelines make clear that it must act in the interests of all shareholders. It is BIS policy not to nominate a representative to the nomination committee where BlackRock is one of the largest investors by virtue of investing on behalf of its clients. BIS may not support the principles of establishment of a nominating committee and/or the proposal to appoint and/or elect a nominating committee, if a member of the executive management is a member of the committee, the board chair is also the chair of the committee, and/or if more than one board member who is dependent on a major shareholder is on the committee.²⁰

BIS believes that directors should be elected annually on an individual basis. In Sweden and Finland, the election of board members is usually done through a bundled proposal. In the case of bundled elections, BIS will consider voting against the entire slate of directors if the names and details of any director have not been disclosed, if the board and/or its committees are not majority independent, and/or if there are concerns with a board member's capabilities or performance.

²⁰ The Swedish Corporate Governance Code, Section 2, Nomination Committee

BIS will generally support the discharge of the board of directors. BIS will support proposals to abolish the annual vote on the discharge of the board of directors if directors stand for annual re-election individually.

General corporate governance matters

BIS will support proposals to abolish voting caps or multiple voting rights and will oppose measures to introduce these types of restrictions on shareholder rights.

Danish companies generally do not allow votes against director and auditor elections when voting by proxy because the election has a plurality voting standard (i.e. settled through relative, simply majority). Therefore, we may abstain where we have concerns regarding the director or auditor election.

Middle East

Auditors and fees

BIS analyses proposals related to auditors, including external shariah auditors, and their fees in line with its general guidelines outlined in this document. Where the company has not provided full disclosure on the name of the auditor, the audit fees as well as non-audit fees, BIS may abstain on the approval of the auditor.

Boards and directors

In our view, a least one-third of the board should be composed of independent directors. We appreciate when the names and biographical details of the board candidates are disclosed sufficiently in advance of the general meeting for us to take a considered decision. In addition, while BIS is looking for companies in this region to make progress towards greater gender diversity at board level in line with our general guidelines, we are likely to take voting action if the board has failed to appoint at least one director from the underrepresented gender.

Charitable donations

We look to companies to disclose information about the amount of charitable donations that were paid by the company and about the maximum permitted limit for donations.

Critical reports

Where the corporate governance, auditor, board or Shariah committee reports are not published sufficiently in advance of the voting deadline to allow a considered vote, we may abstain on proposals on the approval or adoption of the reports.

Debt and sukuk issuances

We look to companies to provide sufficient disclosure around any debt or sukuk issuance, including clear limits around the proposed amounts and the strategic rationale underpinning the request when tabled at the General Meeting.

Related-party transactions

BIS analyses related-party transactions in line with its general guidelines outlined in this document. In the Middle East, a particular area of our focus is disclosure. We look for disclosure to include, but not be limited to, parties involved, financial conditions, details of the transaction, and justification from the

board on the interest of the transaction. BIS will generally vote against if sufficient disclosure on the transaction is not provided.

Shariah board elections

Where relevant, we look to companies to provide full disclosure of the names, biographical details and any remuneration relating to the shariah supervisory board or committee candidates sufficiently in advance of the general meeting for us to take a considered decision. BIS will vote against such elections or fee approvals where insufficient information has been provided.

Turkey

Auditors and fees

BIS analyses proposals related to auditors and their fees in line with its general guidelines outlined in this document. Where the company has not provided full disclosure on the name of the auditor, the audit fees as well as non-audit fees, BIS may not support the approval of the auditor.

Boards and directors

In our view, a least one-third of the board should be composed of independent directors. We appreciate when the names and biographical details of the board candidates are disclosed sufficiently in advance of the general meeting for us to take a considered decision. In addition, while BIS is looking for companies in this region to make progress towards greater gender diversity at board level in line with our general guidelines, we are likely to take voting action if the board has failed to appoint at least one director from the underrepresented gender.

Charitable donations

We look to companies to disclose information about the amount of charitable donations that were paid by the company and about the maximum permitted limit for donations.

United Kingdom

Boards and directors

The appointment of key individuals, notably the board chair, is crucial for an effective board and for board communications. We look for the roles of board chair and CEO to be separated. In cases where there is a combination in the roles of board chair and CEO, we look to the board to implement mechanisms that may offset a potential concentration of power (e.g. the appointment of a Senior Independent Director).

To ensure there is appropriate diversity at board level and beyond, we look to companies to meet the targets set out by the Financial Conduct Authority (FCA)²¹ and those set by the Hampton-Alexander Review and the Parker Review.²²

²¹ The [FCA Listing Rules](#) operate on a comply or explain basis, asking for boards to have at least 40% female representation; for at least one of the senior board positions (Chair, CEO, CFO or Senior Independent Director) to be held by a woman; and for at least one member of the board to be from an ethnic minority background excluding white ethnic groups.

²² The recommendations of the [Hampton-Alexander Review](#) were for female representation of at least 33% on corporate board and Executive Committees (inclusive of direct reports) to be achieved at FTSE 350 companies by the end of 2020. Further, the [Parker Review](#) sets the target of at least one board-level director from a minority ethnic group to be appointed at FTSE 100 companies by the end of 2021 and at FTSE 250 companies by the end of 2024.

In our view, at least half the board should be non-executive directors who are, and are seen to be, fully independent. We include the board chair in this assessment of overall independence. For AIM-listed companies, we look to the board to have at least two independent directors.²³

In our view, the audit committee should be fully independent and the chair and the majority of the members of the other board committees be independent non-executive directors. BIS will review the status of independent directors where they have been on the board for in excess of nine years. We are supportive of annual elections for all directors. We may vote against individual board members where we have concerns about their independence in the context of the board overall or about their performance in terms of advancing the interests of shareholders or in terms of board meeting attendance.

Auditors and audit-related issues

We may vote against the re-election of board directors, specifically the members of the audit committee or equivalent, where the board has failed to facilitate high quality, independent auditing.

We look to companies to put their external audit contract out to tender periodically, as determined by the board and the audit committee. We may support shareholder proposals seeking the rotation of audit firms or an audit being put out to tender. We are more likely to be supportive of the shareholder proposal if we have previously had concerns about the quality of the audit that have not been addressed or if the company is not observing market norms in this regard.

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

BIS may vote against capital issuance proposals in excess of one-third of the nominal value of the company's current issued share capital with pre-emptive rights, with an additional one-third (two-thirds in total) applied to fully pre-emptive rights issues only, or in excess of 10% of the issued capital without pre-emptive rights when the proceeds are not intended for a specific purpose. This 10% limit is raised to 20% for AIM-listed companies, investment trusts where the shares will be issued at or above NAV, and for all companies where the second 10% is for acquisition or capital investment. Any issuances above these limits, would be reviewed on a case-by-case basis.

Waiver on tender-bid requirement

BIS will usually support a waiver on tender-bid requirement when it is required in connection with a share buyback and that the affected shareholder already owns between 30% and 50% of the issued shares of the company. We will not grant waivers in other circumstances.

²³ The 2023 QCA Corporate Governance Code requires that, in addition to the existing requirement of having at least two independent non-executive directors, at least half of the board must consist of independent non-executive directors.

Want to know more?

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