BlackRock Investment Stewardship

Proxy voting guidelines for Benchmark Policies - Latin American securities

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BlackRock®

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

Introduction to BlackRock Investment Stewardship

BlackRock's clients depend on us to help them meet their varied investment goals. We consider it one of our responsibilities to be an informed, engaged shareholder on their behalf, given the business decisions that companies make have a direct impact on our clients' long-term investment outcomes and financial well-being. BlackRock Investment Stewardship (BIS) is a dedicated function within BlackRock, which is responsible for engaging with public companies on behalf of index strategies. Investment Stewardship is one of the ways we fulfill our fiduciary responsibilities as an asset manager to our clients. Our sole objective when conducting our stewardship program is to advance our clients' long-term financial interests.

BIS takes a long-term approach in our stewardship efforts, reflecting the investment horizons of the majority of our clients. BIS does this through:

1. Engaging with companies in a two-way dialogue to build our understanding of a company's practices and inform our voting decisions.
2. Voting at shareholder meetings on management and shareholder proposals on behalf of clients who have delegated voting authority to BlackRock.
3. Contributing to industry dialogue on stewardship to share our perspectives on matters that may impact our clients' investments.
4. Reporting on our activities to inform clients about our stewardship efforts on their behalf through a range of publications and direct reporting.

The following issue-specific proxy voting guidelines (the "Guidelines") summarize BIS' philosophy and approach to engagement and voting, as well as our view of governance best practices and the roles and responsibilities of boards and directors for publicly listed Latin American companies.

These Guidelines are not intended to limit the analysis of individual issues at specific companies or provide a guide to how BIS will engage and/or vote in every instance. They are to be applied with discretion, taking into consideration the range of issues and facts specific to the company, as well as individual ballot items at shareholder meetings.

As investors from other markets have increasingly viewed publicly traded companies in Latin America as an opportunity for portfolio growth and diversification, BIS strongly encourages Latin American issuers to adopt best-in-class global disclosures and operational processes that facilitate analysis and market participation from international investors. Some of these best practices include: publishing shareholder meeting circulars with attached supporting materials, such as financial statements, director information, board composition disclosures, and other ballot-related background details approximately 30-45 days prior to the meeting date; aiming for enhanced board independence, sometimes greater than the minimum legal market mandates; and providing dedicated seats on the board for directors nominated by

[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.

minority investors, where appropriate. Best practices for engagements include ensuring that the investor relations team can converse in languages commonly used by the company's foreign investors and seeking regular, on-going dialogue with shareholders.

General vote considerations, applicable to all Latin American markets

Boards and directors

Companies whose boards are comprised of appropriately qualified and engaged directors are best equipped to establish the corporate governance practices that support long-term financial value creation. A strong board can be a competitive advantage to a company, providing valuable oversight of and perspectives to management on the most important decisions in support of long-term financial performance. As part of their responsibilities, board members have a fiduciary duty to shareholders to oversee the strategic direction, operations, and risk management of a 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 the broader context within which it operates. 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 essential for shareholders to appropriately understand and assess how effectively management is identifying, managing, and mitigating such risks.

We seek to understand management's long-term strategy and the milestones against which investors should assess its implementation. If any strategic targets are significantly missed or materially restated, we find it helpful when company disclosures provide a detailed explanation of the changes and an indication of the board's role in reviewing the revised targets. We look to the board to articulate the effectiveness of these mechanisms in overseeing the management of business risks and opportunities and the fulfillment of the company's strategy.

Where a company has not adequately disclosed and demonstrated that its board has fulfilled these corporate governance and risk oversight responsibilities, we may consider voting against the election of certain directors who, on our assessment, have a particular responsibility for the issues. While our votes may signal concerns with a director's suitability for service on a particular board, those votes may also signal our concerns with the particular role an otherwise qualified and effective director serves on a particular board. Issues and criteria that are frequently assessed as part of our director voting evaluations are indicated below.

General director elections considerations

When evaluating director elections, BIS will consider, among others and as further laid out in this document, local market practice(s), timely disclosures, engagement insights, director (and key committee) independence, and/or potential conflicts of interests. Although certain practices may be common or allowed in the local market, we continue to encourage boards to adopt practices that reflect global governance best practices and facilitate board effectiveness. Board election disclosures, including the names and biographies of directors, should be available before the shareholder meeting,

approximately 30 to 45 days prior. When we identify concerns, or when lack of adequate disclosures hinders our assessment, we will oppose the (re)election of the proposed candidates, slate, and/or support other nominations that may be better suited.

When considering the election of directors, we may also evaluate past performance, other public board commitments, attendance record of at least 75% of the meetings held, experience, and relevant skills. Where we believe there are independence concerns or conflicts of interest, and to the extent these may affect a director's decision-making or unduly influence the board's ability to provide independent oversight, we may oppose the (re)election of the specific director(s).

Best practice establishes that directors are proposed for election annually and individually rather than bundled under a single ballot item, preserving shareholders' right to vote individually for each candidate and allowing investors to hold individual directors accountable where we identify material or governance failures. When individual elections are not available, we may not support the entire group of candidates.

Where a board has not adequately demonstrated, through actions and/ or company disclosures, how material issues are appropriately identified, managed, and overseen, we will consider voting against the (re)election of those directors responsible for the oversight of such issues, as indicated below.

Independence

We look for a majority of the directors on the board to be independent. In addition, we encourage that members of key board committees (audit, compensation, and nominating/governance committees), are also majority independent, or at a minimum, that these committees are chaired by an independent director. Our view of independence may vary from local listing standards. In Latin America, BIS believes that boards of publicly listed companies should include at least one-third independent members. When this level of board independence is not reflected, BIS may consider taking voting action against director(s) or withholding support on certain related ballot items.

Common impediments to independence may include:

- Employment as a senior executive by the company or a subsidiary within the past five years
- An equity ownership in the company in excess of 20%
- Having any other interest, business, or relationship (professional or personal) 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 its shareholders

Where the board is not comprised of the minimum number of independent directors required by the company's local/listing market norms, to signal our concerns, we may vote against the chair of the nominating/governance committee, and/or any other member(s) of the board who may be responsible

Oversight role of the board

The board should exercise appropriate oversight of management and the business activities of the company. Where we determine that a board has failed to do so in a way that may impact a company's ability to deliver long-term financial value, we may vote against the responsible committees and/or individual directors.

Common circumstances are illustrated below:

- Where the board has failed to facilitate quality, independent auditing, accounting practices, or provide timely disclosure of remediation of material weaknesses, we may vote against members of the audit committee
- Where the company has failed to provide shareholders with adequate disclosure to conclude that appropriate strategic consideration is given to material risk factors, we may vote against members of the responsible committee, or the most relevant director
- Where it appears that a director has acted (at the company or at other companies) in a manner that compromises their ability to represent the best long-term economic interests of shareholders, we may vote against that individual
- Where a director has a multi-year pattern of poor attendance at combined board and applicable committee meetings, or a director has poor attendance in a single year with no disclosed rationale, we may vote against that individual. Excluding exigent circumstances, BIS generally considers attendance at less than 75% of the combined board and applicable committee meetings to be poor attendance

Sufficient Capacity

Where a director serves on an excessive number of boards, which may limit their capacity to focus on each board's needs, we may vote against that individual. The following identifies the maximum number of boards on which a director may serve, before BIS considers them to be over-committed:

	Total # of Public Boards
Public Company Executives[2]	3
Non-Executive Directors	5

In addition, we recognize that board leadership roles may vary in responsibility and time requirements in different markets around the world. In particular, where a director maintains a Chair role of a publicly listed company in European markets, we may consider that responsibility as equal to two board commitments, consistent with our EMEA Proxy Voting Guidelines. We will take the total number of board commitments across our global policies into account for director elections.

Risk oversight

Companies should have an established process for identifying, monitoring, and managing business and material risks. Independent directors should have access to relevant management information and outside advice, as appropriate, to ensure they can properly oversee risk. We encourage companies to provide transparency around risk management, mitigation, and reporting to the board. We are particularly interested in understanding how risk oversight processes evolve in response to changes in corporate strategy and/or shifts in the business and related risk environment. Comprehensive disclosures provide investors with a sense of the company's long-term risk management practices and, more broadly, the

[2] A public company executive is defined as a Named Executive Officer or Executive Chair.

quality of the board's oversight. In the absence of robust disclosures, we may reasonably conclude that companies are not adequately managing risk.

Board Structure

Independent leadership

There are two commonly accepted structures for independent leadership to balance the CEO role in the boardroom: 1) an independent Chair; or 2) a Lead Independent Director when the roles of Chair and CEO are combined, or when the Chair is otherwise not independent. (See "Boards and directors – Independence" for common impediments to independence).

In the absence of a significant governance concern, we defer to boards to designate the most appropriate leadership structure to ensure adequate balance and independence.[3] However, BIS may vote against the most senior non-executive member of the board when appropriate independence is lacking in designated leadership roles.

In the event that the board chooses to have a combined Chair/CEO or a non-independent Chair, we support the designation of a Lead Independent Director, with the ability to: 1) provide formal input into board meeting agendas; 2) call meetings of the independent directors; and 3) preside at meetings of independent directors. These roles and responsibilities should be disclosed and easily accessible.

The following table illustrates examples[4] of responsibilities under each board leadership model:

	Combined Chair/CEO or CEO + Non-independent Chair		**Separate Independent Chair**
	Chair/CEO or Non-independent Chair	**Lead Independent Director**	**Independent Chair**
Board Meetings	Authority to call full meetings of the board of directors	Authority to call meetings of independent directors	Authority to call full meetings of the board of directors
		Attends full meetings of the board of directors	
		Briefs CEO on issues arising from executive sessions	
Agenda	Primary responsibility for shaping board agendas, consulting with the lead independent director	Collaborates with chair/CEO to set board agenda and board information	Primary responsibility for shaping board agendas, in conjunction with CEO

[3] To this end, we do not view shareholder proposals asking for the separation of Chair and CEO to be a proxy for other concerns we may have at the company for which a vote against directors would be more appropriate. Rather, support for such a proposal might arise in the case of overarching and sustained governance concerns such as lack of independence or failure to oversee a material risk over consecutive years.

[4] This table is for illustrative purposes only. The roles and responsibilities cited here are not all-encompassing and are noted for reference as to how these leadership positions may be defined.

	Combined Chair/CEO or CEO + Non-independent Chair		Separate Independent Chair
	Chair/CEO or Non-independent Chair	Lead Independent Director	Independent Chair
Board Communications	Communicates with all directors on key issues and concerns outside of full board meetings	Facilitates discussion among independent directors on key issues and concerns outside of full board meetings, including contributing to the oversight of CEO and management succession planning	Facilitates discussion among independent directors on key issues and concerns outside of full board meetings, including contributing to the oversight of CEO and management succession planning

CEO and management succession planning

Companies should have a robust CEO and senior management succession plan in place at the board level that is reviewed and updated on a regular basis. Succession planning should cover scenarios over both the long-term, consistent with the strategic direction of the company and identified leadership needs over time, as well as the short-term, in the event of an unanticipated executive departure. We encourage the company to explain their executive succession planning process, including where accountability lies within the boardroom for this task, without prematurely divulging sensitive information commonly associated with this exercise.

Where there is significant concern regarding the board's succession planning efforts, we may vote against members of the responsible committee, or the most relevant director.

During a CEO transition, companies may elect for the departing CEO to maintain a role in the boardroom. We ask for disclosures to understand the timeframe and responsibilities of this role. In such instances, we typically look for the board to have appropriate independent leadership structures in place. (See board responsibility chart above).

Director compensation and equity programs

Compensation for directors should generally be structured to attract and retain directors, while also aligning their interests with those of shareholders. In our view, director compensation packages that are based on the company's long-term financial value creation and include some form of long-term equity compensation are more likely to meet this goal.

Board composition and effectiveness

Director qualifications and skills

We encourage boards to periodically review director qualifications and skills to ensure relevant experience and diverse perspectives are represented in the boardroom. To this end, performance reviews and skills assessments should be conducted by the nominating/governance committee or the Lead Independent Director. This process may include internal board evaluations; however, boards may also find it useful to periodically conduct an assessment with a third party. We encourage boards to disclose their approach to evaluations, including objectives of the evaluation; if an external party conducts the evaluation; the frequency of the evaluations; and, whether that evaluation occurs on an individual director basis.

Board term limits and director tenure

Where boards find that age limits or term limits are a valuable mechanism for ensuring periodic board refreshment, we generally defer to the board's determination in setting such limits. BIS will also consider the average board tenure to evaluate processes for board renewal. We may oppose the election of certain directors who serve on boards that appear to have an insufficient mix of short-, medium-, and long-tenured directors.

In addition, where boards have adopted corporate governance guidelines regarding committee leadership and/or membership rotation, we appreciate clear disclosure of those policies.

Board composition

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

It is in this context that we are interested in 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.

Many companies report in their disclosures benefitting from their current levels of diversity. Over the past decade, we observe companies increasingly nominating directors from different backgrounds,[5] noting that this helps their boards more effectively understand the company's customers, employees, and communities. In addition, legislation and corporate governance codes in the region have accentuated the focus on board composition. Argentina, Brazil, Colombia, and Mexico all have some form of guidance on board diversity, with most focusing on gender diversity.

At present, 96% of public companies in Latin America have diverse representation in the boardroom.[6] To the extent a company board is an outlier and does not have a mix of professional and personal characteristics that is comparable to local requirements and/or market norms,[7] we may vote on case-by-case basis against relevant director(s).

We recognize that companies with smaller market capitalizations and in certain sectors may face more challenges in nominating directors from different backgrounds. Amongst such companies, we look for a relevant mix of professional and personal characteristics.

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[5] EgonZehnder. "2024-25 Global Board Diversity Tracker."
[6] Please see previous footnote.
[7] Personal characteristics may include, but are not limited to, gender; race/ethnicity; disability; veteran status; LGBTQ+; and national, Indigenous, religious, or cultural identity.

In order to help investors understand a company's approach to board composition, we ask boards to disclose, in a manner consistent with local laws:

- How candidates for board positions are identified, including whether professional firms or other resources outside of incumbent directors' networks are engaged to identify and/or assess candidates[8]
- How directors' professional characteristics, which may include domain expertise such as finance or technology, and sector- or market-specific experience, are complementary and link to the company's long-term strategy
- How diversity, including personal and professional characteristics, is considered in board composition, given the company's long-term strategy and business model

Board size

We typically defer to the board in setting the appropriate size and believe that directors are generally in the best position to assess the optimal board size to ensure effectiveness. However, we may vote against the relevant committees and/or individual directors if, in our view, the board is ineffective in its oversight, either because it is too small to allow for the necessary range of skills and experience or too large to function efficiently.

Board responsiveness and shareholder rights

Shareholder rights

Where we determine that a board has not acted in the best interests of the company's shareholders, or takes action to unreasonably limit shareholder rights, we may vote against the relevant committees and/or individual directors. Common circumstances are illustrated below:

- The independent Chair or Lead Independent Director and members of the nominating/governance committee, where a board implements or renews a rights plan (poison pill) without shareholder approval
- The independent Chair or Lead Independent Director and members of the nominating/governance committee, where a board amends the charter/articles/bylaws and where the effect may be to entrench directors or to unreasonably reduce shareholder rights
- Members of the compensation committee where the company has repriced options without shareholder approval

If a board maintains a classified structure, it is possible that the director(s) or committee members with whom we have a particular concern may not be subject to election in the year that the concern arises. In such situation, we may register our concern by voting against the most relevant director(s) up for election. In some cases, we may also defter our voting action until the year in which the specific director is available for re-election.

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[8] For example, in Brazil, the Instituto Brasilero de Governança Corporativa (IBGC) Corporate Governance Code establishes that "[t]he board of directors is a collective body, and its performance depends on the capacities, respect, and understanding of the characteristics of each of its members, within an environment that enables the debate. This diversity is crucial, because it allows the organization to make the decision-making process better through the existence of a plurality of arguments." Several other markets have similar provisions in their corporate governance codes.

Responsiveness to shareholders

We look to a board to be engaged with and responsive to the company's shareholders, including acknowledging voting outcomes for director elections, compensation, shareholder proposals, and other ballot items. Where we determine that a board has not substantially addressed shareholder concerns that we deem material to the business, we may vote against the responsible committees and/or individual directors. Common circumstances are illustrated below:

- The Independent Chair or Lead Independent Director, members of the nominating/governance committee, and/or the longest tenured director(s), where we observe a lack of board responsiveness to shareholders, evidence of board entrenchment, and/or failure to plan for adequate board member succession
- The chair of the nominating/governance committee, or where the chair is not standing for election, the nominating/governance committee member with the longest tenure, where board member(s) at the most recent election of directors have received against votes from more than 25% of shares voted, and the board has not taken appropriate action to respond to shareholder concerns. This may not apply in cases where BIS did not support the initial vote against such board member(s)
- The Independent Chair or Lead Independent Director and/or members of the nominating/governance committee, where a board fails to consider shareholder proposals that (1) receive substantial support, and (2) in our view, have a material impact on the business, shareholder rights, or the potential for long-term financial value creation

Auditors and audit-related issues

BIS recognizes the critical importance of financial statements to provide a complete and accurate portrayal of a company's financial condition. Consistent with our approach to voting on directors, we seek to hold the audit committee of the board responsible for overseeing the management of the independent auditor and the internal audit function at a company.

We may vote against the audit committee members where the board has failed to facilitate quality, independent auditing. We look to public disclosures for insight into the scope of the audit committee responsibilities, including an overview of audit committee processes, issues on the audit committee agenda, and key decisions taken by the audit committee. We take particular note of cases involving significant financial restatements or material weakness disclosures, and we look for timely disclosure and remediation of accounting irregularities.

The integrity of financial statements depends on the auditor effectively fulfilling its role. To that end, we favor an independent auditor. In addition, to the extent that an auditor fails to reasonably identify and address issues that eventually lead to a significant financial restatement, or the audit firm has violated standards of practice, we may also vote against ratification.

From time to time, shareholder proposals may be presented to promote auditor independence or the rotation of audit firms. We may support these proposals when they are consistent with our views as described above.

We may abstain from voting for the approval of financial reports to preserve shareholders' right to take potential future legal action should irregularities be discovered at a later date. Finally, we may oppose the approval of financial statements when the external auditor provides a qualified opinion and/or we have concerns with the accuracy of the data presented.

Capital structure proposals

Equal voting rights

In our view, shareholders should be entitled to voting rights in proportion to their economic interests. In addition, companies that have implemented dual or multiple class share structures should review these structures on a regular basis, or as company circumstances change. Companies with multiple share classes should receive shareholder approval of their capital structure on a periodic basis via a management proposal on the company's proxy. The proposal should give unaffiliated shareholders the opportunity to affirm the current structure or establish mechanisms to end or phase out controlling structures at the appropriate time, while minimizing costs to shareholders. Where companies are unwilling to voluntarily implement "one share, one vote" within a specified timeframe, or are unresponsive to shareholder feedback for change over time, we will generally support shareholder proposals to recapitalize stock into a single voting class.

Mergers, acquisitions, transactions, and other special situations

Mergers, acquisitions, and transactions

In assessing mergers, acquisitions, or other transactions – including business combinations involving Special Purpose Acquisition Companies ("SPACs") – BIS' primary consideration is the long-term economic interests of our clients as shareholders. Boards should clearly explain the economic and strategic rationale for any proposed transactions or material changes to the business. We will review a proposed transaction to determine the degree to which it has the potential to enhance long-term shareholder value. While mergers, acquisitions, asset sales, business combinations, and other special transaction proposals vary widely in scope and substance, we closely examine certain salient features in our analyses, such as:

- The degree to which the proposed transaction represents a premium to the company's trading price. We consider the share price over multiple time periods prior to the date of the merger announcement. We may consider comparable transaction analyses provided by the parties' financial advisors and our own valuation assessments. For companies facing insolvency or bankruptcy, a premium may not apply
- There should be clear strategic, operational, and/or financial rationale for the combination
- Unanimous board approval and arm's-length negotiations are preferred. We will consider whether the transaction involves a dissenting board or does not appear to be the result of an arm's-length bidding process. We may also consider whether executive and/or board members' financial interests appear likely to affect their ability to place shareholders' interests before their own, as well as measures taken to address conflicts of interest
- We prefer transaction proposals that include the fairness opinion of a reputable financial advisor assessing the value of the transaction to shareholders in comparison to recent similar transactions

Contested director elections and special situations

Contested elections and other special situations[9] are assessed on a case-by-case basis. We evaluate a number of factors, which may include: the qualifications and past performance of the dissident and management candidates; the validity of the concerns identified by the dissident; the viability of both the dissident's and management's plans; the ownership stake and holding period of the dissident; the likelihood that the dissident's strategy will produce the desired change; and whether the dissident represents the best option for enhancing long-term shareholder value.

We will evaluate the actions that the company has taken to limit shareholders' ability to exercise the right to nominate dissident director candidates, including those actions taken absent the immediate threat of a contested situation. BIS may take voting action against directors (up to and including the full board) where those actions are viewed as egregiously infringing on shareholder rights.

We will consider a variety of possible voting outcomes in contested situations, including the ability to support a mix of management and dissident nominees.

Executive compensation

We look to a company's board of directors to put in place a compensation structure that balances incentivizing, rewarding, and retaining executives appropriately across a wide range of business outcomes. This structure should be aligned with shareholder interests, particularly the generation of durable, long-term financial value.

We look to the compensation committee to carefully consider the specific circumstances of the company and the key individuals the board is focused on incentivizing. We look to companies to ensure that their compensation plans incorporate appropriate and rigorous performance metrics, consistent with corporate strategy and market practice. Performance-based compensation should include metrics that are relevant to the business and stated strategy and/or risk mitigation efforts. Goals, and the processes used to set these goals, should be clearly articulated and appropriately rigorous. We hold members of the compensation committee, or equivalent board members, accountable for poor compensation practices and/or structures.

In our view, there should be a clear link between variable pay and company performance that drives sustained financial value creation for our clients as shareholders. Where compensation structures provide for a front-loaded[10] award, we look for appropriate structures (including vesting and/or holding periods) that motivate sustained performance for shareholders over a number of years. We generally do not favor programs focused on awards that require performance levels to be met and maintained for a relatively short time period for payouts to be earned, unless there are extended vesting and/or holding requirements.

We look for compensation structures to generally drive outcomes that align the pay of the executives with performance of the company and the value received by shareholders. When evaluating performance, we examine both executive teams' efforts, as well as outcomes realized by shareholders. Payouts to executives should reflect both the executive's contributions to the company's ongoing success, as well as

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[9] Special situations are broadly defined as events that are non-routine and differ from the normal course of business for a company's shareholder meeting, involving a solicitation other than by management with respect to the exercise of voting rights in a manner inconsistent with management's recommendation. These may include instances where shareholders nominate director candidates, oppose the view of management and/or the board on mergers, acquisitions, or other transactions, etc.
[10] Front-loaded awards are generally those that accelerate the grant of multiple years' worth of compensation in a single year.

exogenous factors that impacted shareholder value. Where discretion has been used by the compensation committee, we look for disclosures relating to how and why the discretion was used and how the adjusted outcome is aligned with the interests of shareholders. While we believe special awards[11] should be used sparingly, we acknowledge that there may be instances when such awards are appropriate. When evaluating these awards, we consider a variety of factors, including the magnitude and structure of the award, the scope of award recipients, the alignment of the grant with shareholder value, and the company's historical use of such awards, in addition to other company-specific circumstances.

We acknowledge that the use of peer group evaluation by compensation committees can help calibrate competitive pay; however, we are concerned when the rationale for increases in total compensation is solely based on peer benchmarking, rather than also considering rigorous measure(s) of outperformance. We encourage companies to clearly explain how compensation outcomes have rewarded performance.

We support incentive plans that foster the sustainable achievement of results – both financial and non-financial – consistent with the company's strategic initiatives. Compensation committees should guard against contractual arrangements that would entitle executives to material compensation for early termination of their contract. Finally, pension contributions and other deferred compensation arrangements should be reasonable in light of market practices. Our publicly available commentary provides more information on our approach to executive compensation.

Where executive compensation appears excessive relative to the performance of the company and/or compensation paid by peers, or where an equity compensation plan is not aligned with shareholders' interests, we may vote against members of the compensation committee.

Clawback proposals

We generally favor prompt recoupment from any senior executive whose compensation was based on faulty financial reporting or deceptive business practices. When applicable, we appreciate when companies disclose recovery policies in compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act. We also favor recoupment from or the foregoing of the grant of any awards by any senior executive whose behavior caused material financial harm to shareholders, material reputational risk to the company, or resulted in a criminal investigation, even if such actions did not ultimately result in a material restatement of past results. Generally, we expect boards to exercise limited discretion in forgoing, releasing or settling amounts subject to recovery for executive officers and no indemnification or insurance coverage for losses incurred by executive officers. We typically support shareholder proposals on these matters unless the company already has a robust clawback policy that sufficiently addresses our concerns.

Employee stock purchase plans

Employee stock purchase plans ("ESPP") are an important part of a company's overall human capital management strategy and can provide performance incentives to help align employees' interests with those of shareholders. We will typically support qualified ESPP proposals.

[11] "Special awards" refers to awards granted outside the company's typical compensation program.

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.[12] 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.

Where a company has failed to appropriately provide the necessary disclosures and evidence of effective business practices to support our understanding, BIS may express concerns through our engagement and voting. We encourage companies to produce sustainability-related disclosures sufficiently in advance of their annual meeting so that the disclosures can be considered in relevant vote decisions.

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 governance, strategy, risk management, and metrics and targets, including industry-specific metrics. The International Sustainability Standards Board (ISSB) standards, IFRS S1 and S2,[13] may prove helpful to companies in preparing this disclosure. The standards build on the Task Force on Climate-related Financial Disclosures (TCFD) framework and the standards and metrics developed by the Sustainability Accounting Standards Board (SASB), which have converged under the ISSB. We recognize that companies may phase in reporting aligned with the ISSB standards over several years. We also recognize that some companies may report using different standards, which may be required by regulation, or one of a number of voluntary standards. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

While not a voting item, we find it helpful to our understanding of investment risk when companies disclose any material supranational standards adopted, the industry initiatives in which they participate, any peer group benchmarking undertaken, and any assurance processes.

Climate risk

In our view, the transition to a low-carbon economy is one of several mega forces reshaping markets.[14] 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.[15] Yet the path to a low-carbon economy is uncertain and uneven, with different parts of the economy moving at different speeds. BIS recognizes that it can be challenging for companies to predict the impact of climate-related risk and opportunity on their businesses and operating environments. Many companies are assessing how to navigate the low-carbon transition while delivering long-term financial value to investors. At companies where these climate-related risks are

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[12] 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.

[13] 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.

[14] BlackRock Investment Institute, "Mega forces: An investment opportunity", 2023.

[15] BlackRock Investment Institute, "Tracking the low-carbon transition", July 2023.

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.[16]

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.[17] Such disclosures also provide investors with insights into how companies are managing the risks associated with climate change by managing their own carbon emissions or emissions intensities to the extent financially practicable. Recognizing the value of these disclosures, in some jurisdictions, like the U.K, large companies must disclose such climate-related financial information on a mandatory basis, while in other jurisdictions these disclosures are viewed as best practice in the market.

Consistent with the ISSB standards and the TCFD framework, we seek to understand, from company disclosures and engagement, the strategies companies have in place to manage material risks to, and opportunities for, their long-term business model associated with a range of climate-related scenarios. This includes a scenario in which global warming is limited to well below 2°C, considering ambitions to achieve a limit of 1.5°C, the temperature goal recently reaffirmed by G20 members as part of the 2024 Leaders' Declaration.[18]

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

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

We look to boards to oversee management's approach to addressing material climate risk in a company's business model and may convey concerns about board oversight in our voting on director elections or

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[16] 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.
[17] 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.
[18] 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.

supporting a business relevant shareholder proposal when, in our assessment, the board is not acting in shareholders' long-term financial interests.

Natural capital

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.[19]

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

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

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

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

Human capital management

A company's approach to human capital management ("HCM") is a critical factor in fostering an inclusive, diverse, and engaged workforce, which contributes to business continuity, innovation, and long-term value creation. Consequently, we ask companies to demonstrate a robust approach to HCM and provide

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

shareholders with clear and consistent disclosures to help investors understand how a company's their approach aligns with its their stated strategy and business model.

Some components of HCM are consistent across most companies, such as the approach to diversity, equity, and inclusion ("DEI"). We ask companies to disclose their approach to DEI as well as workforce demographics.

Other relevant HCM factors may be more nuanced to a company's strategy and business model. Those more nuanced factors may include the company's approach to workplace safety, compensation, benefits, talent development, and performance management. We ask companies to disclose and provide context on the most relevant HCM factors for their business, as well.

Our publicly available commentary provides more information on our approach to HCM.

General corporate governance matters

IPO governance

Boards should disclose how the corporate governance structures adopted upon a company's initial public offering ("IPO") are in shareholders' best long-term interests. We also ask boards to conduct a regular review of corporate governance and control structures, such that boards might evolve foundational corporate governance structures as company circumstances change, without undue costs and disruption to shareholders. To protect the interest of minority shareholders like BlackRock's clients, BIS holds the view that shareholder voting rights should be proportionate to economic ownership—the principle of "one share, one vote" helps to achieve this balance. We also recognize the potential benefits of dual class shares to newly public companies as they establish themselves; however, these structures should have a specific and limited duration. We will generally engage newly listed companies on topics such as classified boards and supermajority vote provisions to amend bylaws, as we think that such arrangements may not be in the best interests of shareholders over the long-term.

We may apply a one-year grace period for the application of certain director-related guidelines (including, but not limited to, responsibilities on other public company boards and board composition concerns), during which we ask boards to take steps to bring corporate governance standards in line with market norms.

Multi-jurisdictional companies

Where a company is listed on multiple exchanges or incorporated in a country different from their primary listing, we will seek to 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 themselves, 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 as to what voting outcome would best protect the long-term economic interests of investors. Companies should disclose the rationale for their selection of primary listing, country of incorporation, and choice of governance structures, particularly where there is conflict between relevant market governance practices.

Bundled proposals

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/or economic interests of shareholders.

Other business

We oppose voting on matters where we are not given the opportunity to review and understand those measures under consideration and carry out an appropriate level of shareholder oversight, often bundled as “other business” ballot items.

Shareholder protections

Amendment to charter/articles/bylaws

As a general principle, shareholders should have the right to evaluate and vote on key corporate governance matters, including changes to governance mechanisms and amendments to the charter/articles/bylaws. We may vote against certain directors where changes to governing documents are not put to a shareholder vote within a reasonable period of time, particularly if those changes have the potential to impact shareholder rights (see “Director elections”). In cases where a board’s unilateral adoption of changes to the charter/articles/bylaws promotes cost and operational efficiency benefits for the company and its shareholders, we may support such action if it does not have a negative effect on shareholder rights or the company’s corporate governance structure.

Amendments should be presented on the ballot to allow shareholders to vote independently on each topic. We will typically support positive or neutral amendments; however, when we find positive or neutral amendments bundled with negative amendments, we will vote against the bundled proposal. Similarly, in the absence of details that enable us to evaluate and make an informed decision, BIS will oppose the proposal.

When voting on a management or shareholder proposal to make changes to the charter/articles/bylaws, we will consider in part the company’s and/or proponent’s publicly stated rationale for the changes; the company’s governance profile and history; relevant jurisdictional laws; and situational or contextual circumstances which may have motivated the proposed changes, among other factors. We will typically support amendments to the charter/articles/bylaws where the benefits to shareholders outweigh the costs of failing to make such changes.

Virtual meetings

Shareholders should have the opportunity to participate in the annual and special meetings for the companies in which they are invested, as these meetings are an opportunity for shareholders to provide feedback and hear from the board and management. While these meetings have traditionally been conducted in-person, virtual meetings are an increasingly viable way for companies to utilize technology to facilitate shareholder accessibility, inclusiveness, and cost efficiencies. Shareholders should have a meaningful opportunity to participate in the meeting and interact with the board and management in these virtual settings; companies should facilitate open dialogue and allow shareholders to voice concerns and provide feedback without undue censorship. Relevant shareholder proposals are assessed on a case-by-case basis.

Country specific considerations

Argentina

Local regulation in Argentina applicable to listed companies provide certain principles of corporate governance as well as rules, recommendations, and best practices. The National Securities Commission (*Comisión Nacional de Valores* or "CNV") has published a Corporate Governance Code (*Código de Gobierno Societario* or the "Code") that aims to increase transparency and encompass some regulations related to the independence of board of directors and disclosure of corporate management practices. In addition, the Code establishes general guidelines regarding gender diversity in the board of directors, equity and inclusion policies, and establishes that the board of directors should establish the company's general strategy, considering environmental, social and governance factors and risks.

While the Code is not mandatory for most companies, all public Argentine companies must disclose, on a comply-or-explain basis, whether they follow the principles and practices recommended by the Code.

Banks and financial entities supervised by the Argentine Central Bank, as well as the government-owned companies, must comply with the applicable corporate governance regulations.

Boards and directors

As provided by Argentine laws, public companies must have a board of directors comprised of at least three members. The board size, quorum requirements (to the extent that it is more than a simple majority), and vote standard are set forth in the company's bylaws.

Public companies in Argentina are required to have an audit committee comprised of three or more members of the board of directors, the majority of whom must be independent, pursuant to the criteria established by the National Securities Commission (*Comisión Nacional de Valores* or "CNV"). Independence is established in relation to the company and the controlling shareholders; independent directors cannot be executives of the company. To note, BIS may hold independence standards that exceed the minimum requirements set by local laws, as outlined in the 'Independence' section of the General Vote Considerations in this document, which applies to all Latin American markets.

Public companies may also have a supervisory committee comprised of three members who must be lawyers or accountants. Its responsibilities include supervision of the administration of the company, attendance at all board and shareholder meetings, and, in general, company oversight from a legal perspective. According to the regulatory framework, all members of the supervisory committee must be independent.

Companies that have an audit committee may decide not to have a separate supervisory committee; in these cases, supervisory responsibilities are overseen by the audit committee.

Shareholders are entitled to nominate directors at the ordinary shareholder meetings, provided that the candidates meet the independence requirements of the CNV. Information and documents for consideration at the shareholder meeting must be presented at least 15 business days prior to the meeting.

Auditors and audit-related issues

Public companies in Argentina are obligated to appoint an external auditor or audit firm, who must be registered in the CNV's Registry of External Auditors. These appointments have to follow the guidelines

provided by the CNV. BIS will review and determine if there are concerns about the accounts, procedures, the auditor's independence that may render their opinion inaccurate and if we find problematic issues, we will vote against the ratification of auditor.

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

Capital ownership and control of Argentine corporations is usually highly concentrated. Listed companies may have different classes of shares (common or preferred) with different economic rights attached to each class. Listed companies cannot issue shares with rights to cast multiple votes. Corporate capital increase (and, therefore, the issuance of new shares) must be approved at the shareholder meeting.

Argentine companies within the public offering regime must file with the CNV annual and quarterly financial statements prepared in accordance with the IFRS, except for those categorized as small and medium-sized companies according to the criteria provided by the CNV. The annual financial statements, including the annual report issued by the board of directors (which must in turn include a specific report regarding the level of compliance with the Code) and the external audit report, must be submitted to shareholders for approval. In the annual report, the board of directors must disclose information on the company's environmental or sustainability policy, including, if applicable, its main indicators in this respect, or explain the reasons for which the company considers that such policies are not relevant for its business.

Compensation and benefits

The compensation of directors and statutory supervisors may be defined in the bylaws. If this information is not provided in the bylaws, then it will be determined at the shareholder meeting. BIS will generally support these ballot items if they are aligned with the local regulations; we will also review any additional available disclosure to inform our decision. The Code provides a recommendation to set out clear policies of compensation for the members of the board of directors and top executives, in conjunction with company profit. The CNV regulations provide that information on global compensation paid to directors, statutory supervisors, and top executives must be disclosed in the relevant offering memorandum when securities are issued.

General corporate governance matters

Amendment of articles, capital increases, mergers, and spin-offs, as well as other relevant transactions require approval at an extraordinary shareholder meeting. BIS will vote on a case-by-case basis, taking into consideration available disclosure and rationale provided, prior to the related meetings.

Virtual Meetings

The CNV has recently established that Argentine public companies may hold virtual shareholders' meetings, as long as such possibility is established in the company's by-laws. Virtual meetings may be held from the corporate headquarters or anywhere within the jurisdiction of the corporate domicile. In addition, Shareholders meetings held in this manner must allow the participation of the shareholders, or their representatives, and other participants, by means that allow them to communicate among themselves through the simultaneous transmission of sound, images and words, guaranteeing, in all cases, the equal treatment of the participants and the participation in person by the shareholders who request to do so.

Brazil

The São Paulo stock exchange (B3 S.A. - *Brasil, Bolsa, Balcão* or “B3”) currently offers four standard types of listing segments (in addition to two access segments called Bovespa Mais and Bovespa Mais Level 2): traditional segment, Level 1, Level 2, and Novo Mercado. These three segments (other than the traditional segment) subject companies to incremental corporate governance practices in comparison to those set forth by law, with the Novo Mercado requiring the most stringent standards. Additionally, all Brazilian companies follow, on a comply-or-explain basis, the Brazilian Code of Corporate Governance administered by the Brazilian Institute of Corporate Governance (*Instituto Brasileiro de Governança Corporativa* or “IBGC”*)*, as required by the Brazilian Securities Commission (*Comissão de Valores Mobiliários* or “CVM”).

Boards and directors

The Brazilian Corporations Law mandates boards at a minimum have three directors, while the CVM recommends having five to nine directors, including a minimum of two directors that have expertise in finance and accounting. Additionally, under CVM’s regulations, the CEO cannot also act as the chairperson of the board. The IBGC code recommends that boards have at least a majority of independent directors. The Brazilian Corporations Law allows minority and preferred shareholders representing at least 15% of common shares, 10% of preferred shares or 10% of the corporate capital (considering common and preferred shares) at the meeting to appoint one member to the board of directors. BIS encourages companies to have their board of directors appoint the CEO following a robust process and include succession policies; for state-owned enterprises, a transparent appointment process should be stipulated in the company’s bylaws. Appointments for the role of chairman should also be enacted by the board (or the nominating committee where available) and comply with the corresponding independence classification for the market.

In addition to the board of directors, companies typically have an executive officer board and if listed in the Novo Mercado, are required to have an audit committee responsible for overseeing audit-related board functions. Local law also allows for the establishment of a supervisory council (or Fiscal Council), with the main responsibility of overseeing the acts and decisions of management and the board. Given this structure, neither executives nor directors can serve on this council. BIS will analyze the available public information to inform our vote decision, in the best interest of our clients. BIS will support director elections, when aligned with the company’s corporate strategy, increased diversity, and higher levels of independence in Brazilian boards (including supporting minority shareholder-proposed candidates, provided that disclosures are made available in a timely manner and in advance of the meetings (approximately 30-45 days), to allow international investors to review and inform their decision).

Independence of directors will be assessed on a case-by-case basis. We will consider in our review, in addition to market classification, track record, conflicts of interests, attendance, and potential overboarding, as previously established at the general voting consideration section of this document. To note, BIS may hold independence standards that exceed the minimum requirements set by local laws, as outlined in the 'Independence' section of the General Vote Considerations in this document, which applies to all Latin American markets.

BIS will generally support directors’ (and management) discharge, provided that sufficient information has been disclosed and there are no unresolved allegations regarding misconduct, lack of oversight, pending legal proceedings started for breach of fiduciary trust, or other egregious issues.

We assess the director's indemnification proposals on a case-by-case basis. We review disclosures linked to the indemnification policy/agreement and related safeguards to prevent potential conflicts of interests, financial impacts, and full terms and conditions of the policy/agreement (particularly when these prevent shareholders from receiving public information when plea agreements are executed). We will not support proposals that are not substantiated by robust disclosures.

Auditors and audit-related issues

Public companies in Brazil have an external auditor that is selected by the board of directors without shareholder ratification. BIS will evaluate publicly available information to assess the auditor's independence, accuracy of accounts presented, audit procedures, and opinion presented on the financial statements. In addition, we will generally vote against proposals to indemnify external auditors.

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

In a merger, the acquiring company must name companies to evaluate the net worth of the target company; however, the approval of the statutory report does not preclude shareholders' right to dissent. Except for specific situations (capital increase due to a merger or public offerings directed at retail investors), shareholders generally benefit from pre-emptive rights on new share or convertible securities issuances, regardless of share class. BIS will generally not support proposals that (re)introduce the creation of a new class of shares with superior voting rights.

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis. BIS' decision will be guided by the information provided by the company, the company's current share structure, and BIS' assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding the proposed capital structure changes, we may vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Compensation and benefits

While local law and best practice standards call for the disclosure of management's (executives') compensation, such compensation is often disclosed in aggregate for directors and executives rather than individual allocations. Nevertheless, companies must disclose information on maximum, median, and minimum amounts of compensation. BIS may vote against compensation proposals when the company fails to present detailed information justifying pay structure and any/or pay structure changes, especially with respect to the link aligning the compensation program with the company's long-term financial performance and/or operational performance, or if there are governance concerns regarding the company's compensation practices.

When reviewing equity compensation plans, we will look into potential dilution, history of reasonable equity use over the last three years, general plan features (including management of the plan, vesting periods, repricing of options, excessively discounted exercise prices, and the disclosure of performance criteria) and we will vote on a case-by-case basis.

Right to call special meetings

As per local law, shareholders with at least 5% of the company's share capital are allowed to call a special meeting.

Sustainability-related Reporting

The CVM has been active in providing guidance to improve the corporate governance regime in Brazil. According to prevailing regulations and best practices, listed companies are required to disclose material information related to governance, including sustainability-related reporting. The reference form from Brazilian companies, effectively requires disclosure in relation to environmental, social and corporate governance matters in a specific section. According to the regulation, companies are expected to provide information on the existence of audit committees, corporate governance practices, and management diversity. Disclosures related to whistle-blower channels, social responsibility programs, and other sustainability issues are recommended as part of best practices, particularly for companies adhering to the Brazilian Code of Corporate Governance and other voluntary frameworks. In addition, as from 2025, B3 requires listed issuers to disclose environmental, social and corporate governance matters, on a comply or explain basis, by the fifth month after the end of the companies' fiscal year.

At a minimum, companies should report in compliance with these regulations. where we find concerns or lack of disclosure, we may take voting action on a case-by-case basis.

Chile

Local regulations, including best practice codes inform the corporate governance of listed companies in Chile, in conjunction with rules issued by the Financial Market Commission (*Comisión para el Mercado Financiero* or "CMF"). Additionally, stock exchanges—the Santiago Stock Exchange and the Chilean Electronic Stock Exchange—have implemented a series of rules for issuers and other market participants.

Boards and directors

Corporate boards of listed companies in Chile are required to have at least five members; however, listed companies that are also required to appoint an independent director and establish a board committee (in certain cases) must have at least seven members. Director terms cannot exceed three years, although board members can be re-elected for subsequent terms. The entire board must be renewed after the expiration of its term as a slate. If during a term a vacancy of a directorship occurs, the board may fill a specific vacancy by appointing an interim director until the next regular shareholder meeting takes place. Then, the entire board must be renewed. To note, BIS may hold independence standards that exceed the minimum requirements set by local laws, as outlined in the 'Independence' section of the General Vote Considerations in this document, which applies to all Latin American markets.

Auditors and audit-related issues

External auditors are required to be independent. According to Chilean law, an external audit company lacks independence if it directly or indirectly: 1) maintains a significant contractual or credit relationship with the audited company (or any of the companies of its business group); 2) owns securities issued by the audited company (or any of the companies of its business group); or 3) simultaneously provides certain services that are banned (e.g., internal audit services, record-keeping, or representation services). Moreover, individuals participating in external audits are presumed to lack independence when they: 1) qualify as a person related to the audited company; 2) are, or have been within the past 12 months, an employee of the audited company (or any of the companies of its business group); 3) own securities

issued by the audited company or its business group; or 4) audit the company for more than five years, among other cases.

BIS generally supports ratification of auditor proposals, unless there is evidence of auditor misconduct, or we have concerns about auditor independence.

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

Mergers, reorganizations, capital reductions, dissolutions, transfers of substantial assets, and granting of collateral or personal guarantees to secure third-party obligations (exceeding certain amounts) are some of the matters that require supermajority vote approval, to protect minority shareholder interests.

Listed companies may enter into related-party transactions provided that: 1) they are intended to contribute to the corporate interest; 2) the transaction is at arms' length as to the market price, terms, and conditions; and 3) the transaction complies with the related-party transaction procedure detailed in the Chilean Corporations Act, which includes pre-approval by the majority of uninterested directors, and in certain cases, by the shareholder meeting, requiring a supermajority vote approval

Companies must present board-approved financial results and auditor reports to shareholders for approval at the annual meeting. These reports typically include the balance sheet and the income statements of the company.

Share buybacks

By local law, share repurchases must be approved by shareholders by a super-majority vote and meet specific criteria; shares must be repurchased in proportion to their share class; and companies may not possess more than 5% of their own subscribed and paid-in share capital.

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis (by law, issuance of shares (for equity plans) have to be paid within three years). BIS' decision will be guided by the information provided by the company, the company's current share voting structure, and BIS' assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding amount and purpose of share buybacks and/or the proposed capital structure changes, we may consider a vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Debt issuances risk rating

BIS will generally support these proposals, as long as they meet legal requirements and are accompanied by sufficient disclosure. If we find concerns that affect shareholders' long-term value with respect to the particular issuance, we may not support the proposal.

Compensation and benefits

Listed companies must disclose director compensation in the annual report with separate figures for travel, bonuses, and other expenses. As a result, shareholders have information with which to evaluate director compensation proposals.

Shareholders are not asked to approve the compensation of executives; however, the aggregate compensation figure for the principal officers of listed companies must be disclosed in the annual report.

General corporate governance matters

Amendment of bylaws requires the approval of the majority of voting stock at a shareholder meeting, except for certain matters that require supermajority vote approval. BIS will generally vote against a proposal to amend bylaws unless sufficient information has been provided for investors to reasonably understand the implications of the proposal.

Right to call special meetings

As per Chilean law, shareholders with at least 10% of the company's share capital are allowed to call a special meeting.

Sustainability-related Reporting

The CMF has been active in providing rules to improve the corporate governance regime in Chile. According to current regulations, listed companies are compelled to provide information in their annual reports about the existence of internal audit committees, corporate social responsibility programs, whistle-blower reporting channels, and management diversity (in relation to gender, nationality, age, and length of tenure for board members, management, and other executives), as well as other sustainability related reporting requirements. At a minimum, companies should report in compliance with these regulations; where we find concerns or lack of disclosure, we may take voting action on a case-by-case basis.

Colombia

Corporate governance in Colombia is regulated by the Colombian Stock Exchange (*Bolsa de Valores de Colombia* or "BVC") and the Financial and Securities Superintendence (*Superintendencia Financiera de Colombia*). Additionally, local law provides the legislative framework for regulation and basic principles of corporate governance for companies registered in the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores or* "RNVE").

Furthermore, the Colombian Corporate Governance Best Practices Code (*Código País* or the "Code") outlines corporate governance practices that comprise measures recommended for Colombian issuers, although they are not compulsory under law. The Code has been implemented through a comply-or-explain regulatory approach and companies report their compliance on an annual basis.

Boards and directors

Boards of directors of companies registered in the RNVE in Colombia must comprise a minimum of five directors and a maximum of 10; 25% of directors must be independent. To note, BIS may hold independence standards that exceed the minimum requirements set by local laws, as outlined in the 'Independence' section of the General Vote Considerations in this document, which applies to all Latin American markets.

For companies registered in the RNVE that have majority of State participation, 30% of directors must be women (this requirement shall be complied with by 2026). The separation of chairman and legal representative positions is mandated by law. In addition, the law establishes criteria to classify independent directors, including not having: 1) employment by the issuer, any of its affiliates, or controlling entities; 2) status as a controlling shareholder of the issuer; 3) status as a shareholder or employee of a company that renders consulting services to the issuer, when the income received for such services represents more than 20% of the income of the company; 4) involvement with a non-profit

organization to which the issuer makes substantial charitable payments; 5) status as manager of a company in which a legal representative of the issuer acts as a member of the board of directors; and 6) receiving from the issuer remuneration that is different from the fees paid for being a member of the board of directors or a committee. To note, BIS may have a stricter definition of independence and "affiliations" than the one stated above, as outlined in the "Independence" section of the General vote considerations, applicable to all Latin American markets of this document. An audit committee is the only board committee required by local law and must be comprised of at least three directors, including all the independent directors on the board. Additionally, the chair of such committee should be independent. The Code standards suggest the establishment of a nominating and compensation committee and a risk committee, as well as a corporate governance committee. According to the Code, each of these committees must have internal regulations.

The Code includes certain recommendations for the process for electing directors. These include the classification of the nominated directors as independent representatives, executives, or shareholders of the issuer. Recommended disclosure also includes details of the candidates' qualifications and experience.

Auditors and audit-related issues

Public companies in Colombia must have an external auditor (*revisor fiscal)* that is elected by shareholders. The Code recommends the disclosure of the compensation paid to the external auditor and the establishment of a policy for the appointment of the external auditor. In the absence of contentious allegations surrounding the financial accounts of the company, BIS generally votes for the appointment of the board-selected auditors.

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

Common shares carry one vote per share. Share classes with multiple voting rights are not allowed, although preferred shares carrying no votes are permitted in the capital structure. Shareholders have preemptive rights on new share issuances, regardless of share class. Shareholder approval is required for share issuances without preemption. Companies typically seek approval for the creation of a pool of capital for general issuances.

Colombian companies must present annual accounts and statutory reports to shareholders for approval at the annual meeting. These reports typically include a chairman's letter, balance sheet, income statement, and explanatory notes in accordance with applicable IFRS guidance.

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis. BIS' voting decision will be guided by the information provided by the company, the company's current share structure, and BIS' assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding the proposed capital structure changes, we may consider a vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Right to call special meetings

Per local law, shareholders with the percentage of the company's share capital established in the bylaws are allowed to call a special meeting. If the bylaws do not establish a specific percentage for these

purposes, local law provides that shareholders with at least 20% of the company's share capital may call a special meeting.

Compensation and benefits

Best practice calls for the disclosure of the compensation policies for CEOs, directors, auditors, and consultants. Moreover, the Code recommends that shareholders approve the general policy of compensation of board members (not executives), and that the board establishes a compensation committee. The general policy of compensation of executives must be approved by the board of directors.

General corporate governance matters

The amendment of articles requires the approval of the majority of votes cast at a shareholder meeting, unless the articles of incorporation stipulate a different vote requirement. BIS will generally vote against a proposal to amend articles or bylaws unless sufficient disclosure allows investors to reasonably understand the implications of the proposal.

Mexico

Mexico's corporate governance guidelines are largely regulated by local law which also applies to companies listed on the Mexican Stock Exchanges. Additionally, most public companies in Mexico also voluntarily adhere to at least some provisions of the 2018 Mexican Corporate Governance Code (*Código de Principios y Mejores Prácticas Corporativas* or the "Code"), developed by the Enterprise and Coordination Council (*Consejo Coordinador Empresarial* or "CCE"). While compliance with the Code is not mandatory, listed companies must disclose their compliance with the Code once a year.

Boards and directors

Most Mexican companies are governed by a single-tier board of directors. In accordance with applicable law, the board must not have more than 21 members; the Code provides for a minimum of three. At least 25% of the board must be independent, and any shareholder who owns 10% of voting shares is entitled to appoint at least one board member. BIS may hold independence standards that exceed the minimum requirements set by local laws, as outlined in the 'Independence' section of the General Vote Considerations in this document, which applies to all Latin American markets.

Directors have a duty of loyalty and a duty of care to the company's shareholders. Liability actions derived from the breach of such duties may be initiated by the shareholders of the company.

Mexican listed companies are required by law to establish an audit and corporate governance committee comprised of independent directors. Furthermore, in accordance with applicable law, board committees should consist of no fewer than three directors; the Code provides for a maximum of seven directors. The chairman of these committees must be appointed by the shareholders; the remaining committee members are appointed by the board of directors.

Share buybacks

Local law states that repurchase of shares must be approved by shareholders and should meet specific criteria. In most cases, however, terms are not disclosed. As a result, BIS will vote on these ballot items on a case-by-case basis, depending on the level of information disclosed publicly, as well as the company's track record.

Auditors and audit-related issues

Companies often have an internal auditor to manage day-to-day operations. They must also have an external auditor nominated and approved by the board. There are restrictions on the types of non-audit services and the amount of revenue thus generated that an auditor can provide to the company and still be considered independent.

If submitted for shareholder approval, in the absence of contentious allegations surrounding the financial accounts of the company, BIS generally votes for the appointment of the board-selected auditors.

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

Mexican companies are allowed to create multiple classes of stock with special rights. Capital structures include multiple voting share classes with special voting rights for each. Non-voting or limited voting shares may be issued, and companies are required to disclose through the stock exchanges the characteristics of their capital structure and the rights or restrictions applicable to each class or series of shares. Among others, the following transactions require shareholder approval: mergers and acquisitions; spin-offs; reorganizations; private placements; liquidations; and related party transactions that represent more than 20% of the company's consolidated assets based on the figures corresponding to the preceding quarter (transactions under such threshold require approval by the board). Due to the closely held nature of most companies, these transactions are generally not hostile.

The board must present financial results and director and auditor reports to shareholders for approval at the annual meeting. These reports typically include a letter from the board, a report from the CEO, balance sheet, and income statements.

Shareholders may delegate to the board of directors the authority to approve capital increases and the terms of subscription, including the authority to exclude the right of first refusal to existing shareholders for each subscription.

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis. BIS' voting decision will be guided by the information provided by the company, the company's current share structure, and BIS' assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding the proposed capital structure changes, we may consider a vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Right to call special meetings

As per local law, shareholders with at least 10% of the company's share capital are allowed to call a special meeting.

Compensation and benefits

In Mexico, director and executive compensation disclosures are limited. Consistent with this document, BIS encourages for enhanced disclosures that enable institutional investors to make informed voting decisions.

General corporate governance matters

BIS will generally vote against a proposal to amend articles or bylaws unless sufficient disclosure allows for investors to reasonably understand the implications of the proposal.

Shareholder proposals are rare in Mexico.

Peru

Peruvian corporate governance is primarily centered on Peruvian Company Law, Peruvian Securities Law, and the Code for Good Corporate Governance for Peruvian Corporations *(Código de Buen Gobierno Corporativo para las Sociedades Peruanas* the "Code"). Companies are encouraged to disclose information regarding shareholder structure, director independence, board committees, and compensation. The Code operates on a comply-or-explain basis.

At annual shareholder meetings, Peruvian companies generally seek: 1) the election of directors; 2) approval of the compensation of the directors; 3) approval of income allocation and dividends; 4) the election of the external auditor and approval of their compensation; and 5) approval of financial statements and discharge of directors.

Boards and directors

Peruvian issuers should publish information regarding the names and biographies of director nominees simultaneous with the public announcement of the shareholder meeting, approximately 30 to 45 days prior to the meeting.

BIS will evaluate available information, as well as encourage companies to disclose additional details, consistent with this document; when we find concerns, may abstain from supporting director elections or oppose them, given the market voting standards.

Independence standards by law, in controlled companies, require that at least 30% of the board of directors is independent. Non-controlled companies have lower standards of independence, however, BIS may hold independence standards that exceed the minimum requirements set by local laws, as outlined in the 'Independence' section of the General Vote Considerations in this document, which applies to all Latin American markets.

BIS generally votes to support proposals regarding director compensation unless the proposed compensation is inconsistent with director compensation at similar companies or is not in the best interests of shareholders. Information regarding director compensation is usually presented to shareholders after the annual meeting has taken place reporting on an aggregated basis, rather than providing details of payments to each director.

BIS generally votes in support of the discharge of the board and management, provided sufficient information has been disclosed to shareholders and there are no unresolved allegations regarding misconduct by the board or management.

Auditors and audit-related issues

In the absence of contentious allegations surrounding the financial accounts of the company, BIS generally votes for the appointment of the board-selected auditors and approves their compensation. Consistent with regulatory requirements, audit partners should be independent.

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

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis. BIS' decision will be guided by the information provided by the company, the company's current share structure, and BIS' assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding the proposed capital structure changes, we may consider a vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Right to call special meetings

Under local law, shareholders with at least 5% of the company's share capital are allowed to call a special meeting.

Compensation and benefits

Although the Code encourages disclosure of information regarding the compensation of senior management, in practice, such information is generally not provided to shareholders. Shareholders are not asked to approve compensation of executives.

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