



Proxy voting guidelines for European, Middle Eastern and African securities

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These guidelines should be read in conjunction with BlackRock's Global Corporate Governance and Engagement Principles, which are available online at www.blackrock.com.

Introduction

These voting guidelines cover issues specific to certain markets within Europe, Middle East and Africa (EMEA) in which BlackRock is an investor. If you are interested in our approach to governance in a market that is not specifically addressed in this document, you can refer to BlackRock's Global Corporate Governance and Engagement Principles, which provide a broad overview of our philosophy regarding governance.

These guidelines are intended to provide our views across a range of key topics and to give an indication of how we are likely to vote. We assess contentious voting issues on a case-by-case basis, taking into account the circumstances of the company, and our voting decisions at any individual shareholder meeting may diverge from the general approach described in these guidelines.

As noted in our global principles, BlackRock expects companies to observe the relevant laws and regulations of their market as well as any local codes. These market-specific guidelines provide the base point for our EMEA voting guidelines, as we believe they reflect investor expectations on good practice within the context of each market. However, our voting guidelines might sometimes differ from these codes, especially when we expect a higher level of protection of minority shareholders. Further, we would expect companies to develop an approach to corporate governance which demonstrates accountability, transparency, fairness and responsibility. The following country-specific considerations are intended to summarise BlackRock's general philosophy and approach to issues that may commonly arise in these markets. This document is not intended to represent comprehensive voting guidelines on its own.

Comply or explain

In many markets, local corporate governance best practice guidance is underpinned by an approach that allows companies to deviate from recommended practices as long as they explain why they have done so. We believe strongly that this so-called 'comply or explain' approach provides the appropriate mechanism for ensuring effective and pragmatic governance of companies. BlackRock expects such explanations under a 'comply or explain' approach to be made in the context of why non-compliance better serves shareholders' long-term interests.

Engagement

BlackRock takes an integrated approach to corporate governance and engagement, to the extent possible, as we believe this results in both better-informed decisions and a more consistent dialogue with companies. Activities are co-ordinated by the London-based EMEA Investment Stewardship Team.

The Investment Stewardship Team holds meetings with non-executive directors to discuss aspects of corporate governance such as management succession planning, board structure and performance and executive remuneration. The team also discusses material environmental and social matters such as the transition to a low carbon economy, the impact of adverse or extreme weather events, employee relations, and workplace health and safety that could impact the company's performance and achievement of strategic objectives. When we engage, we aim to ask informed and focused questions that help us build an understanding of a company's approach and confirm that we should support management in our voting. We also engage proactively with companies that seem to be underperforming on financial, operational,

environmental, social or governance measures. Where there are issues, we will engage directly with companies to bring about change.

In addition, BlackRock's active portfolio management teams regularly meet with the management of EMEA-incorporated companies in which our clients' funds are invested to discuss strategy and performance, as well as, where necessary, the aspects of corporate governance for which management is responsible. The Investment Stewardship team works with the active portfolio managers when preparing engagements and both teams periodically engage with companies jointly.

As part of our engagement with companies, we will be looking for CEOs to lay out for shareholders each year a strategic framework for long-term value creation. Additionally, because boards play a critical role in strategic planning, we believe CEOs should explicitly affirm that their boards have reviewed those plans. When companies set out a clear and succinct framework, we may not need to engage with them on a frequent basis, allowing us to focus on those companies where there are performance issues.

BlackRock engages with companies from the perspective of a long-term shareholder. The majority of our equity investments are made through indexed strategies so our clients are going to be invested as long as the companies are in the index. As a fiduciary acting on behalf of these clients, BlackRock takes corporate governance particularly seriously and engages with our voice, and with our vote, on matters that can influence the long-term value of firms.

In line with the recommendations of the UK Stewardship Code and under the umbrella of the [Collective Engagement Framework](#) of the Investor Forum, we will also participate in collaborative engagements with other shareholders where concerns have been identified by a number of investors.

We prefer to engage with companies directly before voting against management. Where we believe that directors or management have not acted in the best interests of shareholders, or have not responded adequately to shareholder concerns regarding strategy and performance, or that our direct engagement over time has failed we may withhold or vote against directors.

General guidelines for EMEA

The general guidelines contain the principles supporting our voting decisions across all EMEA markets and must be read in conjunction with the different country-specific guidelines below.

Boards and directors

BlackRock will not support the election of directors whose names and biographical details have not been disclosed sufficiently in advance of the general meeting for us to take a considered decision. Indeed, disclosure of names and details are critical in assessing directors' skills and experience, including but not limited to relevant qualifications and professional experience.

Board of directors' skills and diversity

BlackRock believes that directors should be appointed through a formal, rigorous and transparent process that considers the current composition of the board, skills gaps and succession planning. The recruitment process should identify candidates based on merit and against objective criteria taking into consideration diversity on the board including, but not limited to, gender diversity. Where we have concerns that a director has been appointed through an inadequate process, we may vote against his or her election to the board.

Boards should have sufficient diversity in terms of gender as well as age, experience and nationality. We expect companies to regularly review the board composition to ensure that the right mix of skills, experience and diversity exists within the board in order to set and review the strategic framework of the company and to respond to a changing operating environment. In identifying potential candidates, boards should take into consideration the diversity of

experience and expertise of the current directors and how that might be augmented by incoming directors. BlackRock expects companies to disclose their diversity policy and its implementation. We may vote against the (re)election of the chairman of the board and/or the members of the nomination committee if the board consistently lacks the necessary breadth of experience and diversity of skills that will enable the board to discharge its duties to all shareholders. We may also vote against these board members in cases where we observe a continuing insufficient gender mix on the board.

Director independence

BlackRock expects that a board should include a sufficient number of independent directors. We believe that an independent board faces fewer conflicts and is best prepared to protect shareholder interests. Common impediments to independence include but are not limited to:

- ▶ Employment by the company or a subsidiary as a senior executive within the previous five years
- ▶ Status as a founder of the company
- ▶ Substantial business or personal relationships with the company or the company's senior executives
- ▶ Family relationships with senior executives or founders of the company
- ▶ Shareholding in the company over 10% of the issued capital
- ▶ Excessive tenure

We also take into account market standards to consider the independence of a board member.

Board committees

BlackRock expects the audit, remuneration and nomination committees of the board to be composed exclusively of non-executive directors and to be chaired by an independent director. These directors should be independent where called for by market practice. In any event, non-independent committee members should represent a minority of the committee's members. Additionally, the chairman of the board should serve on the audit committee only if he/she is independent.

When the committee composition is not in line with our guidelines due to the presence of shareholder representatives, we would still support the election of these representatives if the shareholder they represent holds less than 30 per cent of the capital or voting rights of the company.

Board chairmanship

Independent leadership is important in the boardroom. BlackRock believes that the operation of the board is generally enhanced when there is a clearly independent, senior non-executive director to lead it. In those cases where there is combination of the roles of CEO and chairman, the board would be expected to implement some mechanisms that may offset a potential concentration of power, including but not limited to, a majority of independent board directors, majority independent committees, the presence of a senior independent director and/or the reduction in the re-election period for directors.

If the board decides to appoint a non-independent chairman, specifically in the case of a former executive, we expect the company to provide strong supporting rationale.

Lead independent director

BlackRock generally considers the designation of a lead independent director as an acceptable alternative to an independent chair if the lead independent director has powers to: 1) provide formal input into board meeting agendas; 2) call meetings of the independent directors; and 3) preside at meetings of independent directors. We expect the lead independent director to be available to meet with shareholders. Where a company does not have a lead independent

director that meets these criteria or any other offset mechanisms, we generally support the separation of chairman and CEO.

Board and committees chairmanship

BlackRock may consider voting against the chairman of the board, or against members of a board committee, in a situation where we have identified a governance issue which has not been resolved. This includes situations where we observe a lack of board responsiveness to shareholders on board composition or executive remuneration concerns, evidence of board entrenchment, insufficient attention to board diversity, and/or failure to promote adequate board succession planning over time in line with the company's stated strategic direction.

Board engagement

As a long-term shareholder, BlackRock believes that maintaining an open dialogue with companies in which we invest to be essential. We prefer this dialogue to happen at board level as this body is responsible for corporate governance decisions and strategy, as elected representatives of shareholders. Therefore, BlackRock expects non-executive board members to be available to meet with shareholders from time to time. In a situation where the board would repeatedly refuse to meet shareholders, we would consider a vote against members of the board.

External board mandates

As the role of director is increasingly demanding, directors must be able to commit an appropriate amount of time to board and committee matters. Given the nature of the role, it is important that a director has flexibility for unforeseen events.

BlackRock is especially concerned that where a full-time executive has a non-executive director role or roles at unrelated companies, there may be a risk that the ability to contribute in either role could be compromised in the event of unforeseen circumstances.

Companies should disclose board and committees' attendance to enable shareholders to monitor directors' availability.

BlackRock expects companies to provide a clear explanation in situations where a board candidate is (1) a director serving on more than three other public company boards; or (2) a chief executive officer at a public company and is serving on more than two other public company boards. BlackRock may vote against the (re)election of a director where there is a risk the director may be over committed in respect of other responsibilities and/or commitments. In case of a chief executive officer, we would vote against his/her (re)election only at external boards.

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

Auditors and audit-related issues

In approving auditor and audit fees, BlackRock will take into consideration the level of detail in company disclosures. Where the company has not provided full disclosure on the name of the auditor, the audit fees as well as non-audit fees, BlackRock may abstain on the approval of the auditor and vote against the (re)appointment of the members of the audit committee. Audit fees should be reported separately from other fees and fees earned for tax work but BlackRock will take into account the various market practices. BlackRock may also take this action if audit fees are lower than non-audit fees and an adequate explanation is not provided.

Capital structure, mergers, asset sales and other special transactions

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

BlackRock does not support the use of anti-takeover defences.

BlackRock supports pre-emptive rights in line with local market guidelines and practices; these guidelines provide a key protection for shareholders against dilution of their interests. We recognise that management requires some flexibility to raise funds for general business purposes through the issuance of shares. We generally support proposals seeking a standing authority to make such issuances subject to local market guidelines and practices, the size of the capital pool being fixed, the life of the authority being specified and the other terms being reasonable with regard to the interests of existing shareholders. In general, BlackRock may vote against capital issuance proposals in excess of 50 per cent of the issued share capital with pre-emptive rights and 20 per cent of the issued capital without pre-emptive rights when the proceeds are not intended for a specific purpose. We apply lower limits in some markets in line with local market practices (e.g. in the United Kingdom or France). Requests for standing authority to issue shares in relation to an acquisition will be considered on their merits and in light of previous use of such authorities and the company's corporate governance profile. BlackRock expects all share issue authorities to be presented to shareholder vote at the general meeting.

Remuneration and benefits

BlackRock believes that disclosure and transparency of a company's remuneration arrangements remain key components in allowing shareholders to exercise oversight over directors' decisions on remuneration practices, in ensuring an alignment between pay and performance and demonstrating that a remuneration system has a strong link with strategy, execution of strategy and shareholder interests.

We will vote against the re-election of remuneration committee members and/or Say on Pay proposals in certain instances, including but not limited to when:

- We identify a misalignment over time between threshold, target pay and maximum remuneration outcomes and company performance as reflected in financial and operational performance and/or shareholder returns;
- We determine that a company has not persuasively demonstrated the connection between strategy, long-term shareholder value creation and incentive plan design;
- We determine that remuneration is excessive relative to peers without appropriate rationale or explanation, including the appropriateness of the company's selected peers;
- We observe an overreliance on discretion or extraordinary pay decisions to reward executives, without clearly demonstrating how these decisions are aligned with shareholders' interests;
- We determine that company disclosure is insufficient to undertake our pay analysis; and/or
- We observe a lack of board responsiveness to significant investor concern on executive remuneration issues.

We will typically vote against Say on Pay when:

- There is no mention of the use of performance criteria for the vesting of long-term awards or it is explicitly stated there will not be any disclosure around the performance criteria, with the exception of restricted schemes (see below);
- A long-term incentive plan allows for "retesting," i.e. multiple opportunities to achieve the performance criteria; and/or
- A board of directors decides to make retrospective/in-flight changes to performance criteria.

When evaluating executive remuneration arrangements, BlackRock will take into consideration the balance of fixed versus variable pay, the choice of performance measures and their targets, the length of vesting and/or holding periods, the overall complexity of the schemes, as well as the overall level of transparency. BlackRock expects executive remuneration arrangements to demonstrate a clear link with the execution of strategy. As such, BlackRock prefers all executive compensation beyond salary and benefits to comprise variable pay based on relevant and challenging performance criteria. BlackRock expects the larger portion of this variable pay to be based on sustained performance

over a multi-year period. Pension and benefits should not be included in the calculation of variable pay. BlackRock will take pension and benefits into consideration when considering the overall merit of a pay policy. BlackRock view pensions as being part of the benefits offered by a company and therefore we expect pension contributions for executives to be in line with the rest of the workforce. Contracts for new executives should reflect this alignment. Any downgrade of the workforce's pensions should also be applied to executives.

We also expect salary increases to be in line with the rest of work-force. Benchmarking should be used only to establish a frame of reference for what competitors are paying, rather than as the starting point for negotiations. In case of a significant pay increase year-on-year that is out of line with the rest of the workforce, BlackRock expects the company to provide strong supporting rationale. Large increases should not be justified principally by benchmarking but should progress in pace with the evolution of the scope of the role and its complexity. If justified by additional complexity, we expect companies to provide a detailed explanation of how the role has substantially changed. We do not see the size of the capital of the company as an appropriate proxy for the complexity of the role or as appropriate justification for an increase in salary.

BlackRock may not support plans where vesting of awards is not subject to the achievement of pre-determined performance targets or where the performance period is not sufficiently long-term oriented. BlackRock may not support incentive plans with insufficient disclosure on matters such as grant limits, performance criteria, vesting periods and overall dilution, as this will not allow BlackRock to fully assess these incentive plans. The total volume of the long-term incentive plans should not exceed 10 per cent of the capital, taking into account the proposed and outstanding authorities. Finally, BlackRock may vote against plans that allow for the immediate vesting of awards upon a change of control.

Board Remuneration policy

BlackRock expects companies to disclose a remuneration policy which includes all the components of the remuneration package of the executive and non-executive members of the board of directors. The policy should provide a description of the remuneration philosophy and a rationale for the choice of performance criteria used for the variable pay of executive directors. We expect companies to provide a rationale as well whenever the policy is modified.

A full description of our expectations regarding remuneration policies can be found in Appendix 2 of this document.

Remuneration requirements under CRD IV

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

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

Severance, non-compete agreement, retirement and change in control

Severance payments generally should not be made to executives whose contracts have been terminated as a result of poor performance, who have chosen to leave the company, or who are retiring.

Severance payments generally should be limited to two years of fixed remuneration (including bonus in markets where this is the expected practice). This limit includes payments from non-compete agreements.

Severance payments generally should only be paid in case of forced departure. The non-renewal of a mandate should not be construed as a forced departure.

In case of good leavers, unvested awards should vest pro-rated for time and performance and lapse in full in case of bad leavers. In case of a voluntary change of employment, the executive's unvested awards should lapse in full as well.

A good leaver is one which leaves the company due to: retirement, personal circumstances preventing the executive from fulfilling the role, change in control/strategy when the post becomes redundant or the incumbent executive's skills are not aligned. A bad leaver is one which leaves the company voluntarily or due to forced or agreed departure, in either case due to inadequate performance or behaviour of that individual.

BlackRock may vote against long-term incentive plans that allow the accelerated vesting of the awards granted upon a change in control of the company.

One-off awards

One-off awards to executives should only be proposed in very exceptional circumstances that would need to be thoroughly detailed by the company in the remuneration report.

Without adequate explanation, we will usually oppose one-off awards linked to transactions as these awards could create an incentive for executives to undertake unnecessary (and at times value-destroying) acquisitions. Moreover, any merger or acquisition entails significant risks that investors will have to face for a number of years after the transaction.

We will also usually vote against retention awards as, in our experience, they are not an effective tool to retain employees.

[BlackRock's comprehensive guidelines on executive remuneration in EMEA can be found in Appendix 1 p. 24](#)

Non-executive board members remuneration

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

Shareholder rights

BlackRock supports the 'one share – one vote – one dividend' principle, and will encourage companies to adopt it.

General corporate governance matters

Amendments to memorandum / articles of association / charter

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

Approve annual report / financial statements

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

Bundled proposals

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

Change of name of corporation

BlackRock will normally support management proposals on corporate names.

Coverage of multi-jurisdictional companies

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

Dividend proposals

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

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

Increase in authorised share capital / increase in preferred stock

BlackRock assesses these requests in light of a company's previous issuance of capital and its corporate governance profile. Generally, we will support proposals if the board has concluded that additional share capital is necessary to carry

out the company's business. We would expect companies seeking such authority from shareholders to set out clearly the anticipated use of the additional shares and how this is in the interests of existing shareholders.

Other business

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

Private placement

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

Reincorporation or change of domicile

Proposals to move domicile from one country to another are frequently undertaken to gain protection from takeover, to avoid certain regulatory requirements or to save costs. We will assess any changes to the company's charter associated with the reincorporation and will not normally support moves that will result in a significant overall reduction in shareholder protections. Where shareholder protections will not be diminished and cost savings are the sole motivation and will be considerable we will generally support such a proposal.

Related-party transactions

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

Share repurchase

BlackRock considers share repurchase programmes to be generally supportive of the share price and will usually approve them. We will normally oppose such proposals if the proportion of issued share capital covered by the authority is excessive or if the intended purpose is unclear. We will not support share repurchase programmes which allow for share repurchases to be carried out during a takeover period.

Shareholder proposals

Whilst we recognise the importance of the right of shareholders to submit proposals to the general meeting, we will not support those that are frivolous or that cover an issue that we believe the board or management is taking, or has taken, adequate steps to address. We will support shareholder proposals that we believe enhance shareholders' rights or are in the economic interests of shareholders.

Social and environmental issues

BlackRock generally considers social and environmental issues to be more suited to engagement than voting as they are nuanced and more situation-specific than governance matters¹.

Annual report

BlackRock expects annual reports to include discussion on material risks, and how these are managed. Where a company's reporting on material social and environmental (S&E) issues is deemed insufficient given the risks or nature of the business we may vote against the adoption or approval of the annual report.

Accountability of directors

BlackRock believes that the election of directors is the most effective mechanism for shareholders to express concerns about a company's handling of S&E issues. We may vote against the re-election of directors deemed responsible for realised harm to shareholders' interests in relation to a specific S&E issue. Similarly, where we are concerned that insufficient steps have been taken by the accountable director to avoid a significant threat we will withhold support.

Shareholder proposals

BlackRock will evaluate each shareholder proposal on its merits. Sometimes we may reflect our concerns by supporting a shareholder proposal, where there seems to be either a significant potential threat or realized harm to shareholders' interests caused by poor management of S&E matters. In deciding our course of action, we will assess whether the company has already taken sufficient steps to address the concern and whether there is a clear and material economic disadvantage to the company if the issue is not addressed.

¹ To get more information on how BlackRock engages with companies on climate risk: <https://www.blackrock.com/corporate/en-gb/literature/market-commentary/how-blackrock-investment-stewardship-engages-on-climate-risk-march2017.pdf>

Country-specific considerations

Austria

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

A dual-board system is prescribed in Austrian law. It also provides for employee representation on the supervisory board, i.e. co-determination rights. Accordingly, employees may appoint to the supervisory board one member from their own ranks (i.e. not external trade union representatives) for every two appointed by the general meeting of shareholders. Broadly speaking, this balance applies also to the committees of the supervisory board. Employee representatives may have their appointment terminated at any time but only by the works council. Given this structure, BlackRock would expect the majority of the supervisory board members elected by the general meeting to be independent of major shareholders, the company and its management board. Further, we would expect all non-employee members of the committees of the supervisory board to be fully independent.

Belgium

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

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

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

Capital structure, mergers, asset sales and other special transactions

BlackRock opposes anti-takeover defences such as authorities for the board, when subject to a hostile takeover, to issue warrants convertible into shares to existing shareholders. BlackRock may vote against share repurchase requests that allow share repurchases during a takeover period.

France

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

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

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

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

Directors' appointment terms should be no longer than four years with a clear explanation given for director tenures over twelve years (as per EU directive).

Censors: BlackRock recognizes that there are circumstances under which companies might want to appoint censors and that censors are appointed for transitional/interim periods. However, we may vote against censor appointment if the appointment is not twined with sufficient levels of disclosure that would allow BlackRock to assess the reasons for the appointment, terms of the appointment and any links that the censor might have with the company.

Capital structure, mergers, asset sales and other special transactions

French companies have historically sought routine authority to issue significant proportions of share capital. BlackRock understands that this afforded management flexibility in raising capital; however, such authorities have not always been used in the interests of shareholders. BlackRock may vote against capital issuance proposals in excess of 50 per cent of the issued share capital with pre-emptive rights, 20 per cent without pre-emptive rights but with a binding priority subscription period and 10 per cent of the issued capital without pre-emptive rights when the proceeds are not intended for a specific purpose.

BlackRock may vote against share repurchase requests that allow share repurchases during a takeover period.

BlackRock opposes anti-takeover defences such as authorities for the board, when subject to a hostile takeover, to issue warrants convertible into shares to existing shareholders. BlackRock may vote against any capital issuance proposal that could be used during a takeover period as a defence mechanism.

General corporate governance matters

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

Related party transactions

BlackRock expects related-party transactions to be fully disclosed and explained. Disclosure should include, but not be limited to, parties' involved, financial conditions, details of the transaction, and justification from the board on the interest

of the transaction. We prefer all new significant transactions to be the subject of separate resolutions. BlackRock expects companies to review any transaction rejected by shareholders.

Remuneration and benefits

BlackRock expects that additional pension entitlements be subject to a minimum employment period of two years and to be based on the fixed compensation element only.

Germany

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

A dual-board system is prescribed under the German Stock Corporation Law (Aktiengesetz), although a unitary model is provided as an option for those companies incorporated under European Company (Societas Europaea, or “SE”) law. The supervisory board should be comprised of only non-executive directors, and the management board should be comprised of only executive directors. Depending on the number of employees of a company, German law also provides for employee representation on the board, i.e., co-determination rights. Employee representatives generally make up one-third to one-half of the board members. Given this, BlackRock expects at least one-third of the supervisory board members to be fully independent. In addition, no more than two supervisory board members should be former members of the management board. In BlackRock’s view, a management board member should not move on to become supervisory board chairman without an appropriate cooling off period, as defined by the code or regulation, and we will seek a compelling and detailed rationale when this is proposed.

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

Capital structure, mergers, asset sales and other special transactions

In Germany capital-related authorities often have a five-year term. BlackRock may vote against resolutions seeking authority to issue capital if the aggregate amount allowed is above 20 per cent for issuances without pre-emptive rights and is not justified by the board. BlackRock will consider approval of “conditional” capital based on the applicable law according to which company’s conditional capital must not exceed 50 per cent of share capital and is valid for maximum of five years. For issuance of conditional capital, BlackRock will apply max 20 per cent rule for issuance without pre-emption rights.

Additionally, BlackRock may oppose new issuance requests in the event that existing requests have not yet expired. Requests for specific capital pools for equity-based remuneration will only be supported if we supported the related incentive plan.

Greece

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

BlackRock expects the majority of the board members and at least one-third of the non-executive directors to be fully independent.

Ireland

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Given the similarities between the markets in Ireland and the United Kingdom and that most Irish companies have adopted the U.K. Corporate Governance Code, the voting policy applied in Ireland is the same as that applied in the United Kingdom (please see below).

Israel

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

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

Italy

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

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

Where more than one slate is proposed, BlackRock will support the slate which we deem will result in a board with directors most suited to representing the long-term interests of the minority shareholders. For companies with dispersed ownership, BlackRock would expect a majority of directors to be fully independent. In controlled companies, BlackRock expects the number of independent directors to be no less than one-third of board members. We further expect the whole of the board of statutory auditors to be fully independent.

Capital structure, mergers, asset sales and other special transactions

BlackRock will generally not support share repurchase programmes where greater than 20 per cent of issued share capital can be repurchased.

Remuneration and benefits

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

BlackRock may not support proposals to approve remuneration to directors where limited or no disclosure has been made, and may also consider withholding support from the slate election if bundled.

BlackRock may not support proposals to approve remuneration to auditors where limited or no disclosure has been made, and may also consider withholding support from the slate election if bundled.

Luxembourg

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

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

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

Capital structure, mergers, asset sales and other special transactions

The structure of share repurchase programmes is defined within corporate law in Luxembourg. BlackRock may oppose proposals on share repurchases if there is no clear statement that they would not be used as a takeover defence or if previous authorities seem to have been abused.

Portugal

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

Companies may adopt either a unitary or dual-board structure. BlackRock expects the majority of directors on a unitary board and all supervisory board directors to be non-executive and at least one-third of them to be independent.

Russia

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

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

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

Related party transactions

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

Audit Commission

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

South Africa

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

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

BlackRock expects the audit committee to be composed exclusively of independent directors.

Capital structure, mergers, asset sales and other special transactions

BlackRock may not support proposals to place authorised but unissued shares under the control of directors where this amount exceeds 20 per cent of the issued share capital and sound rationale for the request is not provided.

Spain

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

Although most companies adopt a unitary board structure it is possible to have a two-tiered board. BlackRock expects at least half of the board to be composed of independent directors.

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

Switzerland

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

BlackRock expects at least half of the board, which is unitary in the Swiss system, to be independent directors. Furthermore, BlackRock expects only non-executives to serve on the company's committees, and will consider voting against the re-election and/or appointment of executives if they serve on any of the committees.

Capital structure, mergers, asset sales and other special transactions

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

BlackRock will support proposals to reduce anti-takeover defences such as restricting the transferability of registered shares, differential or restricted voting rights and/or restrictions.

The Netherlands

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

Dutch law provides for either a unitary or dual-board system. While BlackRock has no preference between the two structures, we expect any change in structure to be properly explained and put to shareholder vote. Where companies adopt a unitary board, BlackRock expects the majority of the board to be fully independent non-executive directors, and for the roles of chairman and chief executive to be separated. In cases where there is a combination in these roles, BlackRock expects the board to implement mechanisms that may offset a potential concentration of power. For two-tiered boards, the supervisory board should comprise only non-executive directors, and the management board should comprise only executive directors. BlackRock expects the majority of the supervisory board members to be fully independent.

Capital structure, mergers, asset sales and other special transactions

BlackRock may vote against resolutions seeking authority to issue capital if the aggregate amount allowed is above 10 per cent for issuances without pre-emptive rights and is not justified by the board.

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

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

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

Finland is the only Nordic market where two-tier boards are common, with an increasing trend over recent years towards the unitary model. In Sweden the unitary board is composed almost entirely of non-executive directors. The chief executive officer may serve on the board, but cannot be the chairman. BlackRock expects a majority of the outside directors on both unitary and dual-board models to be independent, excluding any employee appointed directors.

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

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

In Sweden, and increasingly in Finland, nominating committees are made up of representatives of three to five of the largest shareholders and the chairman of the board. BlackRock will generally support of the adoption of this approach, provided that the nominating committee's guidelines make clear that it must act in the interests of all shareholders. BlackRock may vote against the principles of establishment of a nominating committee, and may vote against the proposal to appoint and/or elect a nominating committee, if a member of the executive management is a member of the committee, the chairman of the board is also the chairman of the nominating committee, and/or if more than one member is dependent on a major shareholder.

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

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

General corporate governance matters

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

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

Remuneration and benefits

Say on pay resolutions differ across the Nordics. Denmark and Sweden require an annual legally binding vote on the remuneration policy. Sweden requires shareholder approval of share-based compensation schemes. Norway requires an annual advisory say-on-pay vote on the remuneration policy, unless the company articles state that it is binding. Finland has no say-on-pay voting requirements.

The share-based schemes offered in Sweden typically refer to option and warrant programmes. When assessing these programmes, we consider the following factors:

- Potential dilution, including the outstanding plans – normally below 5 per cent for mature companies, or up to 10 per cent in the case of growth companies or mature companies with well-structured proposals.
- Vesting periods – no shorter than three years.
- Exercise price – at market price or above.

United Kingdom

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on p. 2.

Boards and directors

BlackRock believes that the appointment of key individuals, notably the chairman, is crucial for an effective board and for board communications. BlackRock expects the roles of chairman and chief executive to be separated. In cases where there is a combination in the role of chairman and chief executive, BlackRock would expect the board to implement mechanisms that may offset a potential concentration of power. BlackRock expects at least half the board to be non-executive directors who are, and are seen to be, fully independent. BlackRock expects the audit committee to be fully independent and the chair and the majority of the members of the other board committees to be independent non-executive directors. BlackRock will review the status of independent directors where they have been on the board for in excess of nine years. We are supportive of annual elections for all directors. We may vote against individual board members where we have concerns about their independence in the context of the board overall or about their performance in terms of protecting and advancing the interests of shareholders or in terms of board meeting attendance.

BlackRock expects the senior independent director to be fully independent and may vote against his or her re-election if this is not the case unless the company provides a detailed explanation of why it would not be in shareholders' interests to do so.

Auditor and audit-related issues

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

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

Capital structure, mergers, asset sales and other special transactions

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

Waiver on tender-bid requirement

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

Appendix 1: Our Approach to Executive Remuneration in EMEA

We describe herein our beliefs and expectations related to executive remuneration² practices, our Say on Pay³ analysis framework, and our typical approach to engagement and voting on Say on Pay. We provide our views on this issue in somewhat more detail than other issues covered in our various regional proxy voting guidelines because of the particular focus on executive remuneration matters following the adoption of Say on Pay regulations in a number of markets. We outline our general approach for the EMEA region, although we acknowledge that Say on Pay and relevant disclosures are not equally applicable to every jurisdiction.

The key purpose of remuneration is to reward, attract and retain competent directors, executives and other staff who are fundamental to the long-term sustainable growth of the company, with reward for executives contingent at least in part on controllable outcomes that add value. BlackRock believes that each company should structure their remuneration policies and practices in a manner that suits the needs of that particular company given the broader context and environment it operates in.

Highly talented and experienced executives are sought by many companies and deserve appropriate incentives, including substantial compensation. BlackRock considers pay from the perspective of performance. Executive pay should be closely linked to performance, by which we mean strong and sustainable returns over the long-term, as opposed to short-term hikes in share prices.

When assessing remuneration policies and practices of listed companies BlackRock is looking for a cogent explanation for the policies used and, in respect of executive remuneration in particular, a clear link to the company's stated strategy.

We encourage companies to use these guidelines in developing their pay policies, as they will inform BlackRock's approach to engagement around pay. Clear consideration of these guidelines will help produce optimally productive engagements.

We expect issuers' public disclosures to be the primary mechanism for companies to explain their executive remuneration practices. Where concerns are identified or where we seek to better understand a company's approach to executive remuneration, we may engage with companies, preferably independent members of the remuneration committee of the board.

Beliefs and Expectations Related to Executive Remuneration Practices

- We believe that remuneration committees are in the best position to make remuneration decisions and should maintain significant flexibility in administering remuneration programs, given their knowledge of the strategic plans for the company, the industry in which the company operates the appropriate performance measures for the company, and other issues internal and/or unique to the company.
- Companies should explicitly disclose how incentive plans reflect strategy and incorporate long-term shareholder value drivers; this discussion should include the commensurate metrics and timeframes by which shareholders should assess performance.
- BlackRock believes that remuneration plans should allow remuneration committees to have discretion to make adjustments as a result of unintended outcomes from plans. Where discretion has been used by the remuneration committee we expect disclosure relating to how and why the discretion was used and further, how the adjusted outcome is aligned with the interests of shareholders

² The term 'remuneration' is used as an equivalent to the words 'compensation' or 'pay'.

³ The terminology can vary depending on markets but 'Say on Pay' is the generic expression referring to the ability of shareholders to vote on the remuneration of executives. The vote can be advisory or binding, as well as prospective or retrospective.

- BlackRock does not discourage remuneration structures that differ from market practice. However, where remuneration practices differ substantially from market practice, e.g. in the event of unconventional incentive plan design or extraordinary decisions made in the context of transformational corporate events or turnaround situations, we expect clear disclosure explaining how the decisions are in shareholders' best long-term economic interests.
- We expect remuneration committees to ensure that incentive plans do not incentivise excessive risk taking beyond the company's determined risk appetite and that rewards are reasonable in light of risk-adjusted returns to shareholders.
- We expect remuneration committees to consider and respond to the shareholder voting results of relevant proposals at previous years' annual meetings, and other feedback received from shareholders, as they evaluate remuneration plans. At the same time, remuneration committees should ultimately be focused on incentivizing long-term shareholder value creation and not necessarily on achieving a certain level of support on Say on Pay at any particular shareholder meeting.

Remuneration Consultants

- We believe boards should provide more transparency in their reporting on their use of remuneration consultants. Disclosures should cover the name of the consultant, the nature of all services provided, and the chain of accountability, e.g. to the board or to management.
- Discourse on what the board saw as the merits of the particular advisor relative to in-house or in-board expertise would also be useful. Greater transparency will help demonstrate whether directors have the required competency and whether there are any conflicts of interest, e.g. providing advice to the board but being paid by management.

Say on Pay Analysis Framework

- We analyse the remuneration practices in the context of the company's stated strategy and identified value drivers and seek to understand the link between strategy, value drivers and incentive plan design.
- We review executive remuneration granted during the year in terms of total remuneration that may be earned at threshold, target and maximum performance. Such an approach provides an understanding of the remuneration committee's intended outcomes based on various performance scenarios and to judge the appropriateness and rigor of performance measures and hurdles.
- We make an assessment of the relevance of the company's stated peers and the potential impact the company's peer selection may have on pay decisions.
- We conduct our analysis over various time horizons, with an emphasis on a sustained period, generally 3-5 years; however we consider company-specific factors, including the timeframe the company uses for performance evaluation, the nature of the industry, and the typical business cycle, in order to identify an appropriate timeframe for evaluation.
- We review key changes to pay components from previous years and consider the remuneration committee's rationale for those changes.
- Where we see extraordinary pay items (including but not limited to actual or contractual severance payments, inducement grants, one-time bonus and/or retention awards) we expect to see a clear explanation to understand the remuneration committee's rationale and how such payments are aligned with long term shareholder interests.

- We may engage with companies, preferably independent members of the remuneration committee or of the board, where concerns are identified or where we seek to better understand a company's approach to executive remuneration.
- We consider BlackRock's historical voting decisions (including whether a concern that led to a previous vote against management has been addressed, or whether we determined to support management at previous shareholder meetings with the expectation of future change), engagement activity, other corporate governance concerns at the company, and the views of our portfolio managers.
- We assess the board's responsiveness to shareholder voting results of relevant proposals at previous years' annual meetings, and other feedback received from shareholders.

Engagement and Voting on Say on Pay

- In many instances, we believe that direct discussion with companies, in particular with the members of the remuneration committee, can be an effective mechanism for building mutual understanding on executive remuneration issues and for communicating any concerns we may have on executive remuneration.
- In the event that we determine engagement has not or is not expected to lead to resolution of our concerns, we will consider voting against members of the remuneration committee, consistent with our preferred approach to hold members of the relevant key committee of the board accountable for governance concerns.
- We will vote against the election of remuneration committee members and/or Say on Pay proposals in certain instances, including but not limited to when:
 - We identify a misalignment over time between threshold, target pay and maximum remuneration outcomes and company performance as reflected in financial and operational performance and/or shareholder returns;
 - We determine that a company has not persuasively demonstrated the connection between strategy, long-term shareholder value creation and incentive plan design;
 - We determine that remuneration is excessive relative to peers without appropriate rationale or explanation, including the appropriateness of the company's selected peers;
 - We observe an overreliance on discretion or extraordinary pay decisions to reward executives, without clearly demonstrating how these decisions are aligned with shareholders' interests;
 - We determine that company disclosure is insufficient to undertake our pay analysis; and/or
 - We observe a lack of board responsiveness to significant investor concern on executive remuneration issues.
- We will typically vote against Say on Pay when:
 - There is no mention of the use of performance criteria for the vesting of long-term awards or it is explicitly stated there will not be any disclosure around the performance criteria, with the exception of restricted schemes (see below);
 - A long-term incentive plan allows for "retesting," i.e. multiple opportunities to achieve the performance criteria; and/or
 - A board of directors decides to make retrospective/in-flight changes to performance criteria.

Executive Remuneration Guidelines

The following guidelines detail what we believe are the best practices regarding executive pay. These guidelines should serve as a possible framework for remuneration committees to consider but not as a set of binding voting rules. Our approach will remain a pragmatic one based on a case-by-case analysis. When we have concerns our first step will usually be to engage with members of the remuneration committee to share our views.

Fixed remuneration

- When setting fixed pay, we expect boards to start by determining the right cost for the specific position. This amount should be based on a calculated assessment of what needs to be paid to get the job done and should be aligned with the pay policy of the company for the rest of the workforce. The board should also consider the pay ratio between the CEO and the rest of the executive team, looking at both the fixed and the total remuneration.
- Benchmarking should be used only to establish a frame of reference for what competitors are paying, rather than as the starting point for negotiations.
- We expect companies to select peers that are broadly comparable to the company in question, based on objective criteria that are directly relevant to setting competitive remuneration; we evaluate peer group selection based on factors including, but not limited to, business size, relevance, complexity, risk profile, and/or geography.
- Benchmarking tools should be used in a transparent manner, i.e. we expect the results to be disclosed by the company, especially the peer group selected.
- In case of a significant pay increase year-on-year that is out of line with the rest of the workforce, BlackRock expects the company to provide a strong supporting rationale. Large increases should not be justified principally by benchmarking but should progress in pace with the evolution of the scope of the role and its complexity. If justified by additional complexity, we expect companies to provide a detailed explanation of how the role has substantially changed. We do not see the size of the capital of the company as an appropriate proxy for the complexity of the role or as appropriate justification for an increase in salary;
- We expect boards to consider the timing of any pay increase relative to the current performance of the company. Especially in the case of a merger or acquisition, boards should wait a number of years before increasing remuneration to ensure that the executives are delivering sustained performance.

Pensions and Benefits

- Pensions and benefits should not be used in the calculation of variable pay.
- We view pensions as being part of the benefits offered by a company and therefore we expect pension contributions for executives to be in line with the rest of the workforce. Contracts for new executives should reflect this alignment. Any downgrade of the workforce's pensions should also be applied to the executives.

Recruitment packages

- Any proposed package should be primarily determined in relationship to the nature and the specifics of the role for a company of this size and complexity. Any large disparity with the remuneration of the former executive should be explained in detail by the company.

- Buyout awards, if necessary, should only be made in shares or similar at-risk vehicles and should be aligned with the recruiting company's strategy and metrics; vesting can be aligned with the executive's prior employment cycle.

Severance, Retirement and Change in Control

- Severance payments should not be made to executives whose contracts have been terminated as a result of poor performance, who have chosen to leave the company, or who are retiring.
- Severance payments should be limited to two years of fixed remuneration (including bonus in markets where this is the expected practice).
- Severance payments should only be paid in case of forced departure of a good leaver. The non-renewal of a mandate should not be construed as a forced departure.
- In case of good leavers, unvested awards should vest pro-rated for time and performance and lapse in full in case of bad leavers. In case of a voluntary change of employment, the executive's unvested awards should lapse in full as well.
- A good leaver is one which leaves the company due to: retirement, personal circumstances preventing the executive from fulfilling the role, change in control/strategy when the post becomes redundant or the incumbent executive's skills are not aligned. A bad leaver is one which leaves the company due to forced or agreed departure due to inadequate performance or behaviour of that individual.

One-off Awards

- Any one-off award to an executive should be based on very exceptional circumstances that would need to be detailed by the company in the remuneration report.
- Without adequate explanation, we will usually oppose one-off awards linked to transactions as these awards could create an incentive for executives to undertake unnecessary (and at times value-destroying) acquisitions. Moreover, any merger or acquisition entails significant risks that investors will have to face for a number of years after the transaction.
- We will also usually vote against retention awards as, in our experience, they are not an effective tool to retain employees.

Variable Pay

- Given the uniqueness of each listed company, and the numerous industries in which companies operate, we do not believe there is a "one size fits all" approach to the structure of executive remuneration. Boards of directors should structure executive remuneration plans that best suit their company taking into account such factors as the company's pay policy, strategy and business cycle. We do not set forth a preference between cash, restricted stock, performance based equity awards, and stock options, amongst other remuneration vehicles. We acknowledge that each may have an appropriate role in recruiting and retaining executives, in incentivizing behaviour, in fostering the right culture and performance and in aligning shareholders' and executives' interests. Remuneration committees should clearly disclose the rationale behind their selection of pay vehicles and how these fit with intended incentives. We also observe that different types of awards exhibit varying risk profiles, and the risks associated with pay plan design should be in line with the company's stated strategy and risk appetite.

- Boards should provide a picture of what the pay package could look like depending on different performance scenarios and on different time horizons for investors to be able to assess adequately the pay-related proposals.
- We expect companies to disclose the value of the remuneration to be granted in a particular year based on threshold, target and maximum performance (values should be measured by face value at grant date).
- We support incentive plans that foster the sustainable achievement of results. Although we believe that companies should identify those performance measures most directly tied to shareholder value creation, we also believe that emphasis should be on those factors within management's control to create economic value over the long-term, which should ultimately lead to sustained shareholder returns over the long-term.
- We are wary of companies using only "output" metrics such as earnings per share ("EPS") or total shareholder return ("TSR"). Our preference is for "input" metrics as these are within management's control. TSR, if used, should be assessed on a relative basis or companies should provide a cogent explanation for why this is not adequate. Companies using EPS should exclude the potential short term effects of share buybacks and acquisitions. We also encourage companies to use metrics related to the creation of value of the company (e.g. the economic profit or a comparison of return on invested capital ("ROIC") and the cost of capital).
- Short-term and long-term incentive plans should be based on different sets of performance measures.
- The performance measures should be majority financial and at least 60 per cent of them should be based on quantitative criteria. Variable pay should be based on multiple criteria. We expect full disclosure of the performance measures selected and the rationale for the selection of such performance measures. If the board decides to use ESG-type criteria, these criteria should be linked to material issues and they must be quantifiable, transparent and auditable. Where financial measures constitute less than 60 per cent of performance measures a cogent explanation should be provided.
- Retrospective disclosure should be provided on the performance achieved, broken down by measure, for quantitative and qualitative metrics alike. For markets where it is the expected practice, the performance metrics and targets should be disclosed prospectively.
- Regarding long-term incentive plans, we expect the performance duration to be in line with the business cycle of the company. When the vesting period is two years or less, due to a short business cycle, an explanation should be provided and there should be a sufficient subsequent holding period beyond the vesting of awards to ensure the long-term focus by management.
- Currency exposure: we do not believe one group of stakeholders should be sheltered from the impact of currency fluctuations. We expect companies to mitigate currency risks as any other risk.
 - Restricted Schemes
- Some companies might consider that a restricted scheme fits better with their remuneration philosophy. We expect these companies to provide detailed rationale to justify this decision. Moreover, the introduction of a restricted scheme should not result in a more complex pay package.
- Given the certainty of these schemes, we expect the value of awards to be reduced by at least 50 per cent in comparison to the variable pay previously available. Any subsequent increase should be avoided or justified by specific circumstances.
- The vesting/holding period(s) should have a longer timeframe, preferably a minimum of five years.

- To avoid pay for failure, we believe an underpin should be applied to these schemes, i.e. the awards should not vest if a minimum level of performance has not been achieved.
- For the companies granting restricted shares, we encourage the board to increase the shareholding requirement to at least four times' fixed pay, that should be maintained for at least two years post departure to ensure longer term alignment with shareholders.
 - Matching plans
- Boards should refrain from using matching plans if they are already using other types of long-term incentive plans.
- Matching should be limited to a one for one ratio and should be linked to additional performance criteria.

Shareholding Requirement

- For all companies, we encourage boards to set executive shareholding requirement at least at the level of maximum annual variable pay (including the bonus and long-term incentives).

Appendix 2: Disclosure of Listed Companies' Remuneration Policy

BlackRock expects companies to disclose a remuneration policy with a description of:

All the component parts of the remuneration package, including:

- how that component supports the short and long-term strategic objectives of the company;
- an explanation of how that component operates;
- the maximum that may be paid in respect of the specific component;
- where applicable, a description of the framework used to assess performance including:
 - an explanation of why any performance measures were chosen and how any performance targets are set;
 - a description of any performance measures which apply including the level of performance required
 - where more than one performance measure applies, an indication of the weighting of the performance measure or group of performance measures;
 - details of any performance period; and
 - the amount that may be paid in respect of:
 - the minimum level of performance that results in any payment under the policy, and
 - any further levels of performance set in accordance with the policy;
- in respect of any component (other than salary, fees, benefits or pension) which is not subject to performance measures, an explanation of why there are no such measures;
- an explanation as to whether there are any provisions for the recovery of sums paid or the withholding of the payment of any sum (such as malus and claw backs);
- if any component did not form part of the remuneration package in the last approved directors' remuneration policy, why that component is now contained in the remuneration package;
- in respect of any component which did form a part of such a package, what changes have been made to it and why; and
- an explanation of the differences (if any) in the company's policy on the remuneration of corporate officers from the policy on the remuneration of managers generally.

Approach to recruitment remuneration

The remuneration policy should contain a statement of the principles which would be applied by the company when agreeing the components of a remuneration package for the appointment of executives.

The statement must set out the various components which would be considered for inclusion in that package and the approach to be adopted by the company in respect of each component.

Approach to severance payments

The remuneration policy should describe the terms and the conditions in respect of any payment for loss of office. The policy should clarify in which situations these payments would be allowed.

Change of control

The remuneration policy should indicate if a change of control would have an impact on the remuneration of executives, e.g. the accelerated vesting of equity-related awards.

Pensions

The remuneration policy should set the terms and conditions of the pension contributions paid by the company, if any.

Statement of consideration of stakeholders

The remuneration policy should contain a statement of how the pay and employment conditions of employees (other than executives) of the company were taken into account when setting the policy for directors' remuneration.

The remuneration policy must contain a statement of whether, and if so how, any views in respect of directors' remuneration expressed to the company by shareholders have been taken into account in the formulation of the directors' remuneration policy.