BlackRock Investment Stewardship

Proxy voting guidelines for European, Middle Eastern, and African securities

Effective as of January 2024

BlackRock.

Contents

These guidelines should be read in conjunction with the BlackRock Investment Stewardship Global Principles.

Introduction

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

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

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

Comply or explain

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

Engagement

As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. At BlackRock, this is the responsibility of the BIS team and is coordinated in the region by the EMEA BIS team.

BIS primarily engages public companies on behalf of index strategies, and we make our company analysis and engagement meeting notes available to BlackRock's active portfolio managers. Engagement enables us to have ongoing dialogue with management teams and non-executive directors[1] on the board to discuss practices and structures that we consider to be supportive of durable long-term financial value creation. These include board oversight of management, board structure and performance, strategy and capital allocation, and executive remuneration. The team also discusses with companies material sustainability-related risks that could impact their long-term performance and achievement of strategic objectives. Further details on BIS engagement priorities can be found here.

When we engage, we aim to ask informed and focused questions that help us improve our understanding of a company's business and material governance and sustainability-related risks and opportunities, as well as understand the effectiveness of the company's management and oversight of the drivers of enterprise risk and value creation.

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. BIS works with the active portfolio managers when preparing engagements and both teams sometimes engage with companies jointly.

As part of our engagement with companies, we look to CEOs to reaffirm to shareholders annually a strategic framework for durable long-term financial value creation. Additionally, because boards play a critical role in strategic planning, 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.

Engagement informs our voting decisions. We vote in support of management and boards where and to the extent they demonstrate an approach consistent with creating durable long-term financial value. We may engage a company's board and management to explain if we have concerns about a company's approach and/or to better understand their approach. Following our engagement, we may signal through our voting that we have outstanding concerns, generally by voting against the re-election of directors we view as having responsibility for an issue. We apply our regional voting guidelines in the manner outlined below, to achieve the outcome we believe is most aligned with our clients' long-term economic interests.

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

General guidelines for EMEA

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

Boards and directors

An effective and well-functioning board is critical to the economic success of the company and the protection of shareholders' economic interests, including the establishment of appropriate governance structures that facilitate oversight of management and the company's strategic initiatives. As part of their responsibilities, board members owe fiduciary duties to shareholders to oversee the strategic direction, operations, and risk management of the company. For this reason, BIS sees engagement with and the election of directors as one of our most critical responsibilities.

Disclosure of material issues that affect the company's long-term strategy and value creation, including, when relevant, material sustainability-related factors, is essential for shareholders to appropriately understand and assess how effectively management is identifying, managing, and mitigating risks.

The board should establish and maintain a framework of robust and effective governance mechanisms to support its oversight of the company's strategy and operations consistent with the long-term economic interest of investors. There should be clear descriptions of the role of the board and the committees of the board and how directors engage with and oversee management. We look to the board to articulate the effectiveness of these mechanisms in overseeing the management of business risks and opportunities and the fulfilment of the company's purpose and strategy.

Where a company has not adequately disclosed and demonstrated that the board has fulfilled these corporate governance and risk oversight responsibilities, we will consider voting against the re-election of directors who, in our assessment, have particular responsibility for the issues. We assess director performance on a case-by-case basis and in light of each company's circumstances, taking into consideration our assessment of their governance, and business practices that support durable, long-term financial value creation and performance. In addition, in instances where there are no directors up for re-election, we will consider voting against other relevant proposals such as discharge of the board.

Board access

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

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

Director accountability

Directors should stand for election on a regular basis, ideally annually. In our experience, annual director elections allow shareholders to reaffirm their support for board members and/or hold them accountable for their decisions in a timely manner.

When board members are not elected annually, in our experience, it is good practice for boards to have a rotation policy to ensure that, through a board cycle, all directors have had their appointment re-confirmed, with a proportion of directors being put forward for election at each annual general meeting. Companies should provide a clear explanation for their approach if no rotation policy is adopted. In some jurisdictions, if the proposed term exceeds local market practice and/or extends above four years, we may consider opposing the re-election of the nomination committee members.

Effective board composition

Regular director elections also give boards the opportunity to adjust their composition in an orderly way to reflect developments in the company's strategy and the market environment. In our view, it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking, while supporting both continuity and appropriate succession planning. For this reason, we are generally not opposed to mechanisms that boards may put in place to encourage regular board refreshment (such as age or term limits).

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

Companies should keep under regular review the effectiveness of their board (including its size), and assess directors nominated for election in the context of the composition of the board as a whole. This assessment should consider a number of factors, including each director's independence and time commitments, as well as diversity and relevance of each director experiences and skillsets, and how these factors may contribute to the financial performance of the company. Increasingly, we see boards adding members whose experience deepens the board's understanding of the company's customers, employees and communities.

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

Board diversity

We look to boards to be comprised of a diverse selection of individuals who bring their personal and professional experiences to bear in order to provide a varied set views and opinions in the boardroom. This is based on our view that diversity of perspective and thought – in the board room, in the management team and throughout the company – leads to better long term economic outcomes for companies. Academic research points to correlations between specific dimensions of diversity and effects on decision-making processes and outcomes.[2] In our experience, greater diversity in the board room contributes to more robust discussions and more innovative and resilient decisions and helps avoid 'group think' in the board's exercise of its responsibilities to advise and oversee management. Over time, greater diversity in the board room can also promote greater diversity and resilience in the leadership team, and the workforce more broadly. That diversity can enable companies to develop businesses that better address the needs of the customers and communities they serve.

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

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

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

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[2] For a discussion on the different impacts of diversity see: McKinsey, "Diversity Wins: How Inclusion Matters", May 2022; Harvard Business Review, Diverse Teams Feel Less Comfortable – and That's Why They Perform Better, September 2016; "Do Diverse Directors Influence DEI Outcomes", September 2022, McKinsey, "Diversity Wins: How Inclusion Matters", May 2022; Harvard Business Review, Diverse Teams Feel Less Comfortable – and That's Why They Perform Better, September 2016; "Do Diverse Directors Influence DEI Outcomes", September 2022.

Furthermore, we acknowledge that European Union (EU) regulations[3] aimed at improving board gender balance have been approved. and we look forward to discussing the implications of these targets with those companies in scope.

Director independence

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

- Employment by the company or a subsidiary as a senior executive within the previous five years
- Being, or representing, a shareholder with a shareholding in the company over 10% of the issued capital
- Interlocking directorships
- Excessive tenure in line with individual market practices[4]
- Having any other interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company and shareholders.

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

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

If the level of board independence is insufficient, BIS may vote against the re-election of the members of the nomination committee. If none of the committee members are proposed to be re-elected, we would usually vote against the board chair or the longest serving non-independent candidate, in that order.

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

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[3] The Directive 2022/2381 of the European Parliament and of the Council on improving the gender balance among non-executive directors of companies listed on stock exchanges and related matters.
[4] Nine years in Italy and the United Kingdom; 12 years in other markets.

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

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

Board chair

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

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

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

Senior/lead independent director

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

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

Board committees

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

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

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

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

External board mandates

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

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

- serving as a non-executive director (but not the board chair) on more than four public company boards;
- serving as a non-executive board chair and as a non-executive director (but not the board chair) on more than two other public company boards;
- serving as a non-executive board chair on two public company boards and as a non-executive director on one or more other public company boards; or
- serving as a non-executive director (but not the board chair) on more than one public company board while also serving as an executive officer[5] at a public company. In case of an executive officer, we would vote against his/her (re)election only to boards where he/she serves as a non-executive director.

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

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

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

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

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

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

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

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

Auditor and audit-related issues

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

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

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

In cases involving unexplained changes in reporting methodology, significant financial restatements, or ad hoc notifications of material financial weakness, where we have concerns about audit controls or oversight, BIS may vote against the re-election or re-appointment of members of the audit committee and/or the re-appointment of the auditor. Similarly, where we identify that the audit committee has failed to disclose or remediate material weaknesses identified by internal or external auditors within a reasonable timeframe, we would hold members of the audit committee accountable.

The integrity of financial statements depends on the auditor being free of any impediments to being an effective check on management. To that end, it is important that auditors are, and are seen to be, independent. Where an audit firm provides services to the company in addition to the audit, the fees earned should be disclosed and explained. In approving auditor and audit fees, BIS will also take into consideration the level of detail in company disclosures. Where the company has not provided full disclosure on the name of the auditor, the audit fees and the non-audit fees paid, BIS may abstain on the approval of the auditor and may vote against the re-election or appointment of members of the audit committee. Audit fees should be reported separately from other fees and fees earned for tax work but BIS will take into account different market practices. BIS may also take this action if audit fees are lower than non-audit fees and an adequate explanation is not provided. In addition, audit committees should have a procedure in place for assessing the independence of the auditor and the quality of the external audit process annually. This should include a periodic retendering of the audit contract, as determined by the board and the audit committee, consistent with local law and market practice.

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

BIS supports the "one share – one vote" principle and will encourage companies to adopt it.

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

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

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

Increase in authorized share capital/increase in preferred stock

BIS assesses these requests in light of a company's previous issuance of capital and its corporate governance profile. Generally, we will support proposals if the board has concluded that additional share capital is necessary to carry out the company's business. Companies seeking such authority from shareholders should set out clearly the anticipated use of the additional shares and how this is in the interests of existing shareholders.

Private placement

BIS will generally support private placements where the purpose of the proposed transaction is to raise funds or repay debt. Companies should 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.

Share repurchase

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

Remuneration and benefits

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

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

When assessing this link between pay and performance, BIS is looking for a cogent explanation for the policies used and, in respect of executive remuneration in particular, a clear understanding of how pay correlates with and supports the company's stated strategy.

We encourage companies to use these guidelines in developing their pay policies, as they will inform BIS's approach to engagement and voting around pay. Public disclosures should 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 with independent members of the remuneration committee of the board.

Approach to executive remuneration practices

- 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.

- To build confidence in these decisions, companies should be transparent about executive remuneration structures and the outcomes they are looking to achieve. They 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.
- BIS prefers all executive remuneration beyond salary and benefits to comprise variable pay based on relevant and challenging performance criteria that are clearly linked to the strategic objectives set by the management team. The larger portion of this variable pay should be based on sustained performance over a multi-year period.
- Within variable pay, BIS does not express a preference as to the balance of 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 behavior, 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.
- Disclosures should make clear the value of remuneration to be awarded at threshold, target and maximum performance. Remuneration values should be measured by face value at grant date. Expected performance should be sufficiently stretching at each point along the target spectrum. Details should be provided on the performance criteria, their relative weight, required levels for performance at thresholds (retrospectively, if necessary) and actual performance.
- Executive remuneration outcomes should ultimately be aligned with the experience of the company and its key stakeholders (as defined by the company).
- Remuneration plans should allow remuneration committees to have discretion to make adjustments to address unintended outcomes flowing from plan structures. Where discretion has been used by the remuneration committee, disclosure should be provided relating to how and why the discretion was used and further, how the adjusted outcome is considered to be aligned with the experience of the company and its key stakeholders.
- BIS 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, clear disclosure explaining how the decisions support durable long-term financial value creation should be provided.
- Remuneration committees should ensure that incentive plans do not incentivize excessive risk taking beyond the company's determined risk appetite and that rewards are reasonable in light of risk-adjusted returns to shareholders.
- Remuneration committees should 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 durable long-term financial value creation and not necessarily on achieving a certain level of support on remuneration proposals at any particular shareholder meeting.

- Boards should provide 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.

Evaluating and voting on remuneration proposals

- We analyze the remuneration practices and proposals 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 also assess how they align with our guidelines on specific aspects of pay (as described below), taking a consolidated view of the extent to which structures and practices meet or deviate from those guidelines.

- When evaluating executive remuneration arrangements, BIS 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. In relation to new proposals, we review key changes to pay components from previous years and consider the remuneration committee's rationale for those changes.

- Our assessment of the remuneration proposals considers the nature and relevance of the company's stated peers and the potential implications this may have for pay. Any point of comparison identified by a company should be substantiated by reference to objective criteria (e.g., the geographical footprint of the company's business).

- Based on the expected level of transparency, we review executive remuneration granted/awarded during the year in terms of total remuneration that may be, or has been, earned relative to performance at threshold, target and maximum levels of achievement. Presenting the information in this way provides an understanding of the remuneration committee's intended outcomes based on various performance scenarios and enables us to judge the appropriateness and rigor of performance measures and hurdles.

- We conduct our analysis of whether pay is aligned with performance over various time horizons, with an emphasis on a sustained period of performance, 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 consider BIS's historical voting decisions (including whether a concern that led to a previous vote against management has been addressed, or whether we determined to support management at previous shareholder meetings in anticipation of future change), engagement activity, other corporate governance concerns at the company, and the views of our active portfolio managers. We also assess the board's responsiveness to shareholder voting results of relevant proposals at previous years' annual meetings, and other feedback received from shareholders.

- We will vote against relevant remuneration proposals and/or the election of remuneration committee members in instances where proposals do not address our concerns, which may include (but not necessarily limited to) when:

- We identify a misalignment between remuneration outcomes and company performance as reflected in financial and operational performance and/or the experience of key stakeholders (as defined by the company)
- We determine that a company has not persuasively demonstrated the connection between strategy, long-term financial value creation and incentive plan design
- We determine that remuneration is excessive relative to peers without appropriate rationale or explanation, including the appropriateness of the company's selected peers
- We observe an overreliance on discretion or extraordinary pay decisions to reward executives, without clearly demonstrating how these decisions are aligned with shareholders' interests
- We identify extraordinary pay items (including but not limited to actual or contractual severance payments, inducement grants, one-time bonus and/or retention awards, or relocation expenses) where the supporting rationale does not sufficiently explain the remuneration committee's reasons for proposing them and/or how such payments support long-term financial value creation
- There is no mention of the use of performance criteria for variable pay awards or it is explicitly stated there will not be any disclosure around the performance criteria, with the exception of restricted share schemes (see below)
- A long-term incentive plan allows for "retesting," i.e. multiple opportunities to achieve the performance criteria
- A board of directors decides to make retrospective/in-flight changes to performance criteria
- We identify structures and/or practices that materially deviate in other ways from our guidelines on specific aspects of pay without a strong supporting rationale
- We determine that company disclosure is insufficient to undertake our pay analysis
- We observe a lack of board responsiveness to significant investor concern on executive remuneration issues

Specific guidelines around remuneration structure

Fixed remuneration

- When setting fixed pay, boards should 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.
- Benchmarking should be used only to establish a frame of reference for what competitors are paying, rather than as the starting point for companies to negotiate increases on fixed pay.
- Companies should 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. the results should be disclosed by the company, especially the peer group selected.

- Increases in base salary should generally progress in line with the rest of the workforce or reflect an evolution in the scope of the role and its complexity. In case of a significant pay increase year-on-year that is out of line with the rest of the workforce, the company should provide a strong supporting rationale for the increase and its timing. Large increases should not be justified principally by benchmarking or changes in the company's performance. If justified by additional complexity, companies should 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.

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 pension contributions for executives should be in line with the rest of the workforce. Contracts for new executives should reflect this alignment, and in relation to legacy arrangements there should be disclosure of a clear plan towards achieving alignment within a reasonable timeframe. 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 be delivered in shares, or other similar at-risk vehicles, and aligned with the recruiting company's strategy and metrics. We encourage vesting periods to be aligned with the cycle of the awards forfeited. When buyout awards have been made these should be clearly detailed within the remuneration report published immediately after recruitment.

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

- Severance payments should only be paid in the case of a forced departure of a good leaver (as defined below), in which case they should be limited to two years of fixed remuneration (plus bonus, in markets where this is the expected practice). The non-renewal of a mandate should not be construed as a forced departure. Severance payments should not normally be made to executives whose contracts have been terminated as a result of poor performance, who have chosen to leave the company, or who have reached the expected age of retirement.
- On an executive's departure, unvested awards should normally 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 normally lapse in full as well.
- A good leaver is one that 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 behavior of that individual.
- We understand that companies might want to accelerate the vesting of equity-related awards if the company has been acquired. For the executives of the company, unvested awards should vest pro-rated for time and performance even in that situation. The board should provide meaningful

disclosure to explain the rationale and the methodology used to assess the performance of the executives.

- Consideration should be given to building performance adjustment (often referred to as malus) and/or clawback provisions into incentive plans to allow for awards to be forfeited (in whole or in part) before vesting, or to allow for executives to be required to repay rewards, in circumstances where the awards/rewards would not be appropriate. Situations in which such provisions are commonly triggered include cases of gross misconduct and misstatement of financial results, but companies should consider in which, perhaps broader, circumstances the provisions would be applied. The company should explain how it has determined such circumstances, and to explain the steps it has taken to ensure the provisions are enforceable. Any subsequent changes to the stated operation of the provisions should also be clearly disclosed and explained.

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

- As noted above, companies should base the value of variable pay to be granted in a particular year on the achievement of disclosed threshold, target and maximum performance levels (with values measured by face value at grant date). The larger portion of variable pay should be based on sustained performance over a multi-year period.
- Usually the size of equity-related awards granted to executives should be set in the remuneration policy as a percentage of the base salary or in monetary terms.
- We support incentive plans that foster the durable achievement of results. Performance metrics should be closely aligned with the strategic objectives and should not be created for the sole purpose of compensating executives. The 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.
- Variable pay should be based on multiple metrics. Performance measures should be majority financial and at least 60% should be based on quantitative criteria. Short-term and long-term incentive plans should be based on different sets of performance measures. Full disclosure of the performance measures selected and the rationale for the selection of such performance measures should be provided.
- Where companies chose to include sustainability-related criteria in compensation structures, the metrics should be adequately disclosed, material to the company's strategy and as rigorous as other financial or operational targets.

- We are wary of companies using only “output” metrics such as earnings per share (EPS) or total shareholder return (TSR). Our preference is for the inclusion of “input” metrics as these are within management’s control. TSR, if used, should be assessed on a relative basis and, if not, the committee should provide a detailed rationale for their decision to assess performance on an absolute basis. We encourage companies to use metrics related to financial value creation (e.g. the economic profit or a comparison of return on invested capital (ROIC) and the cost of capital).

- Companies using EPS should exclude the potential short-term effects of share buybacks and acquisitions.

- Any use of adjusted metrics in the remuneration framework should be consistent with the adjustments used in the statutory reporting.

- 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, the performance duration should 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.

- BIS may not support long-term incentive plans:

  – Where vesting of awards is not subject to the achievement of pre-determined performance targets

  – Where the performance period is not sufficiently long-term oriented

  – With insufficient disclosure on matters such as grant limits, performance criteria, vesting periods, and overall dilution

  – Where the total volume of the long-term incentive plans exceeds 10% of the capital, taking into account the proposed and outstanding authorities

  – Where they allow for the immediate vesting of awards upon a change of control

- Currency exposure: we do not believe one group of stakeholders should be sheltered from the impact of currency fluctuations. Companies should mitigate currency risks as any other risk.

Restricted schemes

- Some companies might consider that a restricted scheme fits better with their remuneration philosophy. These companies should 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, the value of awards should be reduced by at least 50% 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, 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 capped and should be linked to additional performance criteria.

Shareholding requirement

- For all companies, we encourage boards to set a shareholding requirement for executives at least at the level of maximum annual variable pay (including the bonus and long-term incentives).
- Executives should be required to build up their shareholding in a reasonable amount of time after their appointment.
- It is a good practice for executives to retain part of their shareholding for a period of time (at least two years) after they leave the company.

Remuneration requirements under the Capital Requirements Directive V

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

Non-executive board members remuneration

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

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

Disclosure of remuneration policy

In line with our views around transparency, companies should 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. Companies should provide a further rationale whenever the policy is modified.

The policy should include a description of all the component parts of the remuneration package, including:

- An explanation of how each component operates, the maximum that may be paid in respect of that component and how that component supports the short and long-term strategic objectives of the company
- 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
  - The amount that may be paid in respect of:
    - The minimum level of performance that results in any payment under the policy
    - Any further levels of performance set in accordance with the policy
- In respect of any variable component 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 clawbacks, as discussed in detail above)
- 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 (setting 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)
- The terms and the conditions in respect of any payment for loss of office (clarifying in which situations these payments would be allowed)
- An indication of what (if any) impact a change of control would have on the remuneration of executives (e.g. the accelerated vesting of equity-related awards)
- The terms and conditions of the pension contributions paid by the company, if any
- 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

- 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
- 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
- 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

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. As with all risks and opportunities in a company's business model, appropriate oversight of material sustainability considerations is a core component of having an effective governance framework, which supports durable, long-term financial value creation.

Robust disclosure is essential for investors to effectively evaluate companies' strategy and business practices related to material sustainability-related risks and opportunities. Long-term investors like our clients can benefit when companies demonstrate that they have a resilient business model through disclosure that cover governance, strategy, risk management, and metrics and targets, including industry-specific metrics. The International Sustainability Standards Board (ISSB) standards, IFRS S1 and S2[6], provide companies with a useful guide to 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 recognise that some companies may report using different standards, which may be required by regulation, or one of a number of voluntary standards. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

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

Companies may also choose to adopt or refer to guidance on sustainable and responsible business conduct issued by supranational organisations such as the United Nations or the Organization for Economic Cooperation and Development. Further, industry initiatives on managing specific operational risks may provide useful guidance to companies on best practices and disclosures. We find it helpful to our understanding of investment risk when companies disclose any relevant global climate and other

[6] 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.

sustainability-related standards adopted, the industry initiatives in which they participate, any peer group benchmarking undertaken, and any assurance processes to help investors understand their approach to sustainable and responsible business practices. We will express any concerns through our voting where a company's actions or disclosures do not seem adequate in light of the materiality of the business risks.

Climate and nature-related risk

While companies in various sectors and geographies may be affected differently by climate-related risks and opportunities, the low-carbon transition is an investment factor that can be material for many companies and economies around the globe.

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, including a scenario in which global warming is limited to well below 2°C, considering global ambitions to achieve a limit of 1.5°C. As one of many shareholders, and typically a minority one, BlackRock does not tell companies what to do. It is the role of the board and management to set and implement a company's long-term strategy to deliver long-term financial returns.

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 preferences, which may be material for many companies.[7] Yet the path to a low-carbon economy is deeply 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 value to investors. In this context, we encourage companies to 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. Where available, we appreciate companies publishing their transition plan.[8]

Consistent with the ISSB standards, we are better able to assess preparedness for the low-carbon transition when companies disclose 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 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.

Furthermore, a noteworthy development in some EMEA markets is the submission of management proposals in which companies ask shareholders to approve their climate action plans or progress reports, sometimes known as "Say on Climate". BIS takes a case-by-case approach to voting on these proposals.

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[7] BlackRock Investment Institute, "Tracking the low-carbon transition", July 2023.
[8] We have observed that more companies are developing such plans, and public policy makers in a number of markets are signaling their intentions to require them. We view transition plans (TPs) as a method for a company to both internally assess and externally communicate long-term strategy, ambition, objectives, and actions to create financial value through the global transition towards a low-carbon economy. While many initiatives across jurisdictions outline a framework for TPs, there is no consensus on the key elements these plans should contain. We view useful disclosure as that which communicates a company's approach to managing financially material, business relevant risks and opportunities – including climate-related risks – to deliver long-term financial performance, thus enabling investors to make more informed decisions.

BIS is likely to support these proposals when a company can demonstrate that the oversight of, and processes to manage, material climate-related risks and opportunities are robust and aligned with the long-term financial interests of shareholders. Sometimes shareholders table such proposals, which we may support if there is not a similar management proposal and, in our assessment, additional information may be useful for investors to determine if management is adequately addressing material climate-related risks and opportunities in the company's business model.

In addition to climate-related risks and opportunities, the management of nature-related factors is increasingly a component of some companies' ability to generate durable, long-term financial returns for shareholders, particularly where a company's strategy is heavily reliant on the availability of natural capital, or whose supply chains are exposed to locations with nature-related risks. We look for such companies to disclose how they manage any reliance and impact on, as well as use of, natural capital, including appropriate risk oversight and relevant metrics and targets, to understand how these factors are integrated into strategy. We will evaluate these disclosures to inform our view of how a company is managing material nature-related risks and opportunities, as well as in our assessment of relevant shareholder proposals. Our publicly available commentary provides more information on our approach to natural capital.[9]

Key stakeholder interests

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

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

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

As an important component of strategy, boards should oversee human capital management. Appropriate disclosures should be provided to inform investors' understanding of how companies are seeking to establish robust human capital management practices, including their actions and targets around diversity, equity and inclusion. In this context, we seek to understand a company's approach and commitment to fostering a diverse workforce and inclusive workplace culture, which contributes to business continuity, innovation, and long-term financial value creation. Where, in our assessment, a

[9] 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 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.

company is not sufficiently considering its key stakeholder interests to the extent that poses material financial risk to the company and its shareholders, and/or when the company's reporting and disclosure on these matters is lagging market norms, we may conclude that boards are not providing adequate oversight on and may hold the relevant director accountable.

Other corporate governance matters

Amendments to memorandum/articles of association/charter

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

Approve annual report/financial statements

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

Bundled proposals

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

Change of name of corporation

BIS will normally support management proposals on corporate names.

Coverage of multi-jurisdictional companies

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

Dividend proposals

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

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

Other business

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

Reincorporation or change of domicile

Proposals to move domicile from one country to another are frequently undertaken to gain protection from takeover, to avoid certain regulatory requirements, to save costs or to benefit from certain incentives (e.g. the Inflation Reduction Act). We ask companies to provide supporting rationale for the proposed reincorporation and/or change of domicile and assess any changes to the company's charter associated with the reincorporation. We may not support moves that would result in a significant overall reduction in shareholder protections. Where shareholder protections will not be diminished, and cost savings are the sole motivation and will be considerable we will generally support such a proposal.

Related-party transactions

In principle, 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. Related-party transactions should be fully disclosed and explained. Disclosure should include, but not be limited to, parties involved, financial conditions, details of the transaction, and justification from the board on the interest of the transaction. We may support reasonable annual mandates for recurring related-party transactions subject to their not adversely impacting minority shareholders.

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

Corporate form

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

Shareholder proposals

When assessing shareholder proposals, we evaluate each proposal on its merit, with a singular focus on its implications for long-term financial value creation by that company. In addition, we ask for companies to disclose the names of the proponent or organization that has submitted the proposal. We believe it is helpful for companies to disclose the names of the proponent or organization that has submitted or advised on the proposal. We consider the business and economic relevance of the issue raised, as well as its materiality and the urgency with which our experience indicates it should be addressed. We would not support proposals that we believe would result in over-reaching into the basic business decisions of the company We take into consideration the legal effect of the proposal, as shareholder proposals may be advisory or legally binding depending on the jurisdiction.

Where a proposal is focused on a material business risk that we agree needs to be addressed and the intended outcome is consistent with long-term financial value creation, we will look to the board and management to demonstrate that the company has met the intent of the request made in the shareholder proposal. Where our analysis and/or engagement indicate an opportunity for improvement in the company's approach to the issue, we may support shareholder proposals that are reasonable and not unduly prescriptive or constraining on management.

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

Alternatively, or in addition, we may vote against the re-election of one or more directors if, in our assessment, the board has not responded sufficiently or with an appropriate sense of urgency.

Country-specific considerations

These country-specific guidelines must be read in conjunction with the general guidelines for EMEA starting on page 3.

Austria

Boards and directors

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

Belgium

Boards and directors

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

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

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

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

France

Boards and directors

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

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

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

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

BIS 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 BIS 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

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

BIS 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. BIS may vote against any capital issuance proposal that could be used during a takeover period as a defence mechanism.

General corporate governance matters

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

Related-party transactions

Related-party transactions should be fully disclosed and explained. Disclosure should include, but not be limited to, parties involved, financial conditions, details of the transaction, and justification from the board on the interest of the transaction. We prefer all new significant transactions to be the subject of separate resolutions. Companies should review any transaction rejected by shareholders.

Remuneration and benefits

Additional pension entitlements should be subject to a minimum employment period of two years and to be based on the fixed pay element only.

Employee Share Purchase Plan

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

Germany

Boards and directors

A dual-board system is prescribed under the German Stock Corporation Law (Aktiengesetz), although a unitary model is provided as an option for those companies incorporated under European Company (Societas Europaea, or SE) law. Aside from the employee elected representatives, 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, for companies with dispersed ownership at least one-half of the shareholder-elected representatives should be fully independent. In controlled companies, the number of independent supervisory board members should be no less than one-third of the shareholder representatives. In addition, no more than two supervisory board members should be former members of the management board. Further, when assessing the independence of Supervisory Board members, in BIS's view, a management board member should not move on to become supervisory board chair without an appropriate cooling off period. Whilst we acknowledge the expectations defined by the German Corporate Governance code, we will seek a compelling and detailed rationale when this is proposed. To this end, we could consider recent employment by the company or subsidiary as a senior executive as a potential impediment to independence.

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

Greece

Boards and directors

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

Remuneration and benefits

BIS may not support proposals to approve remuneration to directors where limited or no disclosure has been made, and may also consider withholding support from director elections if bundled.

Ireland

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

Boards and directors

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

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

Italy

Boards and directors

Companies establish a board of directors and a board of statutory auditors. The board of directors may delegate some of its powers to a managing director or to an executive committee. Both boards are elected through the voto di lista system, under which shareholders with a minimum stake can propose a slate of directors for nomination. Directors are appointed based on a pre-determined allocation of seats for each slate presented, dependent on the level of support received by each slate at the shareholder vote.

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

BIS believes that boards should have the flexibility to appoint directors whose skills and experience would promote more robust boardroom discussion. This includes directors who hold positions at competing companies. In such situations, the board should provide rationale for this appointment as well as an explanation of any processes to manage conflicts of interest.

Remuneration and benefits

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

BIS 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.

Luxembourg

Boards and directors

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

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

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

The structure of share repurchase programmes is defined within corporate law in Luxembourg. BIS 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

Boards and directors

Companies may adopt either a unitary or dual-board structure. The majority of directors on a unitary board and all supervisory board directors should be non-executive and at least half of them should be independent.

Russia

Boards and directors

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

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

Related-party transactions

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

Audit commission

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

South Africa

Boards and directors

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

The audit committee should be composed exclusively of independent directors.

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

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

Spain

Boards and directors

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

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

Switzerland

Boards and directors

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

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

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

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

Furthermore, we acknowledge the issuance of Swiss regulations[10] requiring listed companies to hold a non-binding advisory vote on non-financial matters as of 2024, reporting on the 2023 financial year. BIS will review each report on a case-by-case basis to assess that sufficient disclosure is provided to effectively evaluate a company's strategy and business practices related to material sustainability-related risks and opportunities.

Remuneration and benefits

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

The Netherlands

Boards and directors

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

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

the management board should comprise only executive directors. The majority of the supervisory board members should be fully independent. In controlled companies, the number of independent board members should be no less than one third of board members.

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

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

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

Boards and directors

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

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

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

In Sweden, and increasingly in Finland, nominating committees are made up of representatives of three to five of the largest shareholders and the board chair. BIS will generally 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. BIS 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 board chair is also the chair of the nominating committee, and/or if more than one member is dependent on a major shareholder. It is BIS policy not to nominate a representative to the nomination committee where BlackRock is one of the largest investors by virtue of investing on behalf of its clients.

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

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

General corporate governance matters

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

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

Middle East

Auditors and fees

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

Boards and directors

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

Charitable donations

Companies should disclose information about the amount of charitable donations that were paid by the company and about the maximum permitted limit for donations.

Critical reports

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

Debt and sukuk issuances

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

Related-party transactions

BIS analyzes related-party transactions in line with its general guidelines outlined in this document. In the Middle East, a particular area of our focus is disclosure. 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. BIS will generally vote against if sufficient disclosure on the transaction is not provided.

Shariah board elections

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

Turkey

Auditors and fees

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

Boards and directors

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

Charitable donations

Companies should disclose information about the amount of charitable donations that were paid by the company and about the maximum permitted limit for donations.

United Kingdom

Boards and directors

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

To ensure there is appropriate diversity at board level and beyond, we look to companies to be making progress towards the targets set out by the Financial Conduct Authority (FCA)[11] and meeting the targets set by the Hampton-Alexander Review and the Parker Review.[12]

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

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

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

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

Auditors and audit-related issues

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

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

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

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

Waiver on tender-bid requirement

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

Want to know more?

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