

BlackRock Investment Stewardship

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

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These guidelines should be read in conjunction with the BlackRock Investment Stewardship [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. If you are interested in our approach to governance in a market that is not specifically addressed in this document, you can refer to BlackRock Investment Stewardship'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, BlackRock 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. Further, we would encourage companies to develop an approach to corporate governance which demonstrates accountability, transparency, fairness and responsibility. BlackRock looks to companies to provide timely, accurate and comprehensive disclosure on all material governance and business matters, including sustainability-related risks and opportunities.¹ 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 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 BlackRock'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. 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 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 should provide the appropriate mechanism for ensuring effective and pragmatic governance of companies. Companies' explanations under a "comply or explain"

¹ By material sustainability-related risks and opportunities, we mean the drivers of risk and value creation in a company's business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty and relationships with regulators. It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses. Governance is the core means by which boards can oversee the creation of durable, long-term value. Appropriate risk oversight of business-relevant and material sustainability-related considerations is a component of a sound governance framework.

approach should demonstrate why non-compliance is considered to better support durable long-term value creation.

Engagement

BlackRock takes an integrated approach to reviewing corporate governance practices and engagement and voting, to the extent possible, as this could result in both better-informed decisions and a more consistent dialogue with companies. In this respect, stewardship activities are coordinated in the region by the EMEA BlackRock Investment Stewardship (BIS) team.

As long-term investors on behalf of clients, BlackRock seeks to have regular and continuing dialogue with the companies in which our clients invest. The majority of our equity investments are made through indexed strategies, so our clients are going to be invested as long as the companies are in the index. BIS establishes dialogue principally with non-executive directors² to discuss practices and structures that we consider to be supportive of durable long-term 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 BlackRock's Investment Stewardship's 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. We will also, where appropriate, engage proactively to promote sound governance and business practices to help maximize long-term shareholder value for our clients.

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 will be looking for CEOs to reaffirm to shareholders annually a strategic framework for durable long-term 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 shareholder value. We may engage a company's board and management to explain if we have concerns about a company's 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 client's long-term economic interests.

² 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

Our primary focus is on the performance of the board of directors. The performance of the board³ is critical to the economic success of the company and to the protection of shareholders' interests. As part of their responsibilities, board members owe legal duties to shareholders in overseeing the strategic direction and operation of the company. For this reason, BIS sees engaging with and the election of directors as one of our most important and impactful responsibilities in the proxy voting context.

We support boards whose approach is consistent with creating durable long-term value. This includes the effective management of strategic, operational and material sustainability-related matters and the consideration of key stakeholder interests. The board should establish and maintain a framework of robust and effective governance mechanisms to support its oversight of the company's strategic aims. 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. Disclosure of material issues that affect the company's long-term strategy and value creation, including material sustainability-related factors, is essential for shareholders to be able to understand and assess how risks are effectively identified, managed and mitigated.

Where a company has not adequately disclosed and demonstrated it has fulfilled these responsibilities, we will consider voting against the re-election of directors whom we consider to have particular responsibility for the issue. 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 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, BlackRock considers maintaining an open dialogue with companies in which we invest to be essential. 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.

³ In these guidelines, references to boards should be construed as including supervisory boards.

Director accountability

Directors should stand for re-election on a regular basis. In our experience, regular elections allow shareholders to reaffirm their support for board members or hold them accountable for their decisions in a timely manner. Given this, BlackRock's clear preference is for shorter election cycles, ideally annual.

When board members are not re-elected annually, it is good practice for boards to have a rotation policy to ensure that through a board cycle all members have had their appointment re-confirmed, with a proportion of directors being put forward for re-election at each annual general meeting. Companies should provide a clear explanation for their approach if no rotation policy is adopted.

Board composition

Regular director elections also give boards the opportunity to adjust their composition in an orderly way to reflect the evolution of the company's strategy and the market environment. It is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking and in a manner that supports 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. Excessive 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).

Companies should keep under regular review the effectiveness of their board (including its size), and assess directors nominated for election or re-election in the context of the composition of the board as a whole. This assessment should consider a number of factors, including, but not limited to, the potential need to address gaps in skills or experience, the diversity of the board, and the balance of independent and non-independent directors. Increasingly, we see leading boards adding members whose experience deepens the board's understanding of the company's customers, employees and communities.

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

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 create a constructive debate of competing views and opinions in the boardroom. We see this also as a means to avoid 'group think' in the board's exercise of its responsibilities to advise and oversee management. It allows boards to have deeper discussions and make more resilient decisions. 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 designed to support diversity (particularly gender and ethnic diversity) among board members. This position complements our general view that we are looking for all boards to be taking steps towards at least 30% of their members being comprised of the under-represented gender (which should be read in conjunction with applicable country-specific guidelines below). 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.

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. As a result, when analyzing the level of gender representation on the board, BlackRock only considers board members who are elected by shareholders (excluding government or employee representatives whose presence might be legally required).

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

Furthermore, we acknowledge that EU regulations⁴ aimed at improving board gender balance are under review and we look forward to discussing with companies how they will respond to future developments.

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 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 20% of the issued capital
- Interlocking directorships
- Excessive tenure (nine years in Italy and the United Kingdom; 12 years in other markets)
- 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 its shareholders.

⁴ For example, the Directive 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.

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, BlackRock 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, BlackRock would usually 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 our best practices during the mandate. We may vote against the proposed candidate otherwise.

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 independence on the board of investment trusts (and equivalent entities) should exist. 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

BlackRock 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.

BlackRock 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.

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, BlackRock may vote against the re-election of the non-independent non-executives sitting on the board.

BlackRock 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

As the role of director is increasingly demanding, directors must be able to commit an appropriate amount of time to board and committee matters. Given the nature of the role, it is important a director has flexibility for unforeseen events and therefore only takes on the maximum number of non-executive mandates that provides this flexibility.

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

Companies should disclose board and committees' attendance to enable shareholders to monitor directors' availability. However, in BlackRock's experience, the test of an over-committed director is not just their attendance record but also includes an assessment of a director's ability to provide appropriate time to meet all responsibilities when one of the companies starts facing exceptional circumstances.

BlackRock will ordinarily consider there to be a significant risk that 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 officer⁵ 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.

We recognize that the role of directors 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.

In assessing whether it can support a (re)election in these situations, BlackRock will consider any perceived progress in the candidate responding 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.

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

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

BlackRock will usually count as one board membership all memberships, including board chair roles, that an individual director has on boards of investment funds/trusts. 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.

BlackRock 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 of both roles, and may vote against the (re)election of an outside executive as a non-executive director if they are newly appointed to the role of lead independent director.

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

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.

Auditor and audit-related issues

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

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 BlackRock. We increasingly recognize that a broader range of risks and opportunities have the potential to materially impact financial performance. Over time, we anticipate investors and other users of company reporting will increasingly seek to understand and scrutinise the assumptions underlying financial statements, particularly those that pertain to the impact of the transition to a low carbon economy on a company's business model and asset mix. We recognize that this is an area of evolving practice and we look to international standards setters, the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB) to provide additional guidance to companies.

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, BlackRock 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, BlackRock 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 as well as non-audit fees, BlackRock 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 BlackRock will take into account the various market practices. BlackRock may also take this action if audit fees are lower than non-audit fees and an adequate explanation is not provided. 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

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

BlackRock 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, BlackRock’s primary consideration is the long-term economic interests of our clients as shareholders. Boards proposing a transaction need to 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 would prefer that 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 executives’ and/or board members’ financial interests in a given transaction have not adversely affected their ability to place shareholders’ interests before their own. BlackRock does not support the use of anti-takeover defences.

BlackRock supports pre-emptive rights in line with local market guidelines and practices; these guidelines provide a key protection for shareholders against dilution of their interests. We 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. In general, BlackRock may vote against capital issuance proposals in excess of 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. We apply lower limits in some markets in line with local market practices (e.g in France, Germany, the Netherlands, the Nordics, Switzerland and the United Kingdom). Requests for standing authority to issue shares in relation to an acquisition will be considered on their merits and in light of previous use of such authorities and the company’s corporate governance profile. All share issuance authorities should be presented to a shareholder vote at the general meeting.

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 value.

BlackRock 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 most aligned with generating durable long-term shareholder value.

When assessing this link between pay and performance, BlackRock 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 BlackRock’s approach to engagement and voting around pay. Issuers’ 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.
- BlackRock 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, BlackRock 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 and (retrospectively, if necessary) the performance required to achieve those levels of achievement. Remuneration values should be measured by face value at grant date. Expected performance should be sufficiently stretching at each point along the target spectrum, with disclosures detailing the criteria, their relative importance, required levels for performance, 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.
- BlackRock does not discourage remuneration structures that differ from market practice. However, where remuneration practices differ substantially from market practice, e.g. in the event of unconventional incentive plan design or extraordinary decisions made in the context of

transformational corporate events or turnaround situations, clear disclosure explaining how the decisions support durable long-term 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 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, BlackRock will take into consideration the balance of fixed versus variable pay, the choice of performance measures and their targets, the length of vesting and/or holding periods, the overall complexity of the schemes, as well as the overall level of transparency. 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 BlackRock's historical voting decisions (including whether a concern that led to a previous vote against management has been addressed, or whether we determined to support management at previous shareholder meetings with the expectation of future change), engagement

activity, other corporate governance concerns at the company, and the views of our portfolio managers. We 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 be 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 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 value creation
 - There is no mention of the use of performance criteria for the vesting of long-term awards or it is explicitly stated there will not be any disclosure around the performance criteria, with the exception of restricted schemes (see below)
 - A long-term incentive plan allows for "retesting," i.e. multiple opportunities to achieve the performance criteria
 - A board of directors decides to make retrospective/in-flight changes to performance criteria
 - We identify that structures and/or practices materially deviate in other ways from our guidelines on specific aspects of pay
 - 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 negotiations.
- 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 only be made in shares or similar at-risk vehicles and should be aligned with the recruiting company's strategy and metrics; vesting can be aligned with the executive's prior employment cycle. When buyout payments have been made these should be highlighted as such within the remuneration report, if applicable.

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 are retiring.
- 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 in case 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 elect to use sustainability-related criteria in plans, the metrics should be aligned with a company's strategy and business model, and targets should be 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 "input" metrics as these are within management's control. TSR, if used, should be assessed on a relative basis or companies should provide a cogent explanation for why this is not adequate. We also encourage companies to use metrics related to the creation of value of the company (e.g. the economic profit or a comparison of return on invested capital (ROIC) and the cost of capital).
- 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.
- BlackRock 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, as this will not allow BlackRock to fully assess these incentive plans
 - 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 executive shareholding requirement 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 BlackRock's view, boards of directors and remuneration committees should have flexibility in determining pay structure and levels. We are therefore supportive in principle, of increasing the 1-to-1 cap of variable to fixed pay to 2-to-1 for companies subject to 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

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

BlackRock 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 effectively evaluate and manage material sustainability-related risks⁶ and opportunities relevant to their business. Appropriate oversight of sustainability considerations is a core component of having an effective governance framework, which supports durable, long-term value creation.

Robust disclosure is essential for investors to effectively evaluate companies' strategies and business practices related to material sustainability-related risks and opportunities. Given the increased understanding of material sustainability-related risks and opportunities and the need for better information to assess them, BlackRock advocates for continued improvement in companies' reporting, where necessary, and will express any concerns through our voting where a company's actions or disclosures are inadequate.

BlackRock encourages companies to use the framework developed by the Task Force on Climate-related Financial Disclosures (TCFD) to disclose their approach to ensuring they have a sustainable business model, and to supplement that disclosure with industry-specific metrics such as those identified by the Sustainability Accounting Standards Board (SASB), now part of the International Sustainability Standards Board (ISSB) under the International Financial Reporting Standards (IFRS) Foundation.⁷ While the TCFD framework was developed to support climate-related risk disclosure, the four pillars of the TCFD – governance, strategy, risk management, and metrics and targets – are a useful way for companies to disclose how they identify, assess, manage, and oversee a variety of sustainability-related risks and opportunities. SASB's industry-specific guidance (as identified in its materiality map) is beneficial in helping companies identify key performance indicators (KPIs) across various dimensions of sustainability that are considered to be financially material and decision-useful within their industry. In particular, we encourage companies to consider reporting on nature-related factors, given the growing materiality⁸ of these issues for many businesses. We recognize that some companies may report using different

⁶ By material sustainability-related risks and opportunities, we mean the drivers of risk and value creation in a company's business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty and relationships with regulators. It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses. Governance is the core means by which boards can oversee the creation of durable, long-term value. Appropriate risk oversight of business-relevant and material sustainability-related considerations is a component of a sound governance framework.

⁷ The International Financial Reporting Standards (IFRS) Foundation announced in November 2021 the formation of an International Sustainability Standards Board (ISSB) to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

⁸ While guidance is still under development for a unified disclosure framework related to natural capital, the emerging recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), may prove useful to some companies.

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.

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. To give investors time to assess the data, we encourage companies to produce climate and other sustainability-related disclosure sufficiently in advance of their annual meeting.

Companies may also 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. Companies should disclose any relevant global climate and other sustainability-related standards adopted, the industry initiatives in which they participate, any peer group benchmarking undertaken, and any assurance processes to help investors understand their approach to sustainable and responsible business practices.

Climate risk

It is our view that climate change has become a key factor in many companies' long-term prospects. As such, as long-term investors we are interested in understanding how companies may be impacted by material climate-related risks and opportunities, just as we seek to understand other business-relevant risks and opportunities – and how these factors are considered within their strategy in a manner consistent with the company's business model and sector. Specifically, we look for companies to disclose strategies they have in place that mitigate and are resilient to any material risks to 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.⁹ It is, of course, up to each company to define their own strategy: that is not the role of BlackRock or other investors.

BIS recognizes that climate change can be challenging for many companies, as they seek to drive long-term value by mitigating risks and capturing opportunities. A growing number of companies, financial institutions, as well as governments, have committed to advancing decarbonization in line with the Paris Agreement. There is growing consensus that companies can benefit from the more favorable macro-economic environment under an orderly, timely and equitable global energy transition.¹⁰ Yet the path ahead is deeply uncertain and uneven, with different parts of the economy moving at different speeds.¹¹ Many companies are asking what their role should be in contributing to an orderly and equitable transition – in ensuring a reliable energy supply and energy security, and in protecting the most vulnerable from energy price shocks and economic dislocation. In this context, we encourage companies to include in their disclosure a business plan for how they intend to deliver long-term financial

⁹ The global aspiration to achieve a net-zero global economy by 2050 is reflective of aggregated efforts; governments representing over 90% of GDP have committed to move to net-zero over the coming decades. In determining how to vote on behalf of clients who have authorized us to do so, we look to companies only to address issues within their control and do not anticipate that they will address matters that are the domain of public policy.

¹⁰ For example, BlackRock's [Capital Markets Assumptions](#) anticipate 25 points of cumulative economic gains over a 20-year period in an orderly transition as compared to the alternative. This better macro environment will support better economic growth, financial stability, job growth, productivity, as well as ecosystem stability and health outcomes.

¹¹ BlackRock Investment Institute. "[Managing the net-zero transition.](#)" February 2022.

performance through a transition to global net zero carbon emissions, consistent with their business model and sector.

We look to companies to disclose short-, medium- and long-term targets, ideally science-based targets, 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 economic interests of their shareholders. Many companies have an opportunity to use and contribute to the development of low carbon energy sources and technologies that will be essential to decarbonizing the global economy over time. We also recognize that continued investment in traditional energy sources, including oil and gas, is required to maintain an orderly and equitable transition and that divestiture of carbon-intensive assets is unlikely to contribute to global emissions reductions. We encourage companies to disclose how their capital allocation to various energy sources is consistent with their strategy.

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. While we welcome any disclosures and commitments companies choose to make regarding Scope 3 emissions, we recognize these are provided on a good-faith basis as methodology develops.

We will hold members of the relevant committee, or the most senior non-executive director, accountable for inadequate disclosures and the business plans underlying them. We may also support shareholder proposals that ask companies to disclose climate plans, where appropriate. Our publicly available [commentary](#) provides more information on our approach to climate risk.

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. Most commonly, key stakeholders include employees, business partners (such as suppliers and distributors), clients and consumers, regulators, and communities in which they operate.

Considering the interests of key stakeholders recognizes the collective nature of long-term value creation, and the extent to which each company's prospects for growth are tied to its ability to foster strong sustainable relationships with and support from those stakeholders. Companies should articulate how they address adverse impacts that could arise from their business practices and affect critical business 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 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. 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.

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 value creation. 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. Where we determine that a company is not

appropriately considering its key stakeholder interests in a way that poses material financial risk to the company and its shareholders, and/or when the company's reporting on these matters is inadequate, we will increasingly conclude that companies are not adequately managing such issues and may hold management and/or 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. BlackRock 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

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

Change of name of corporation

BlackRock will normally support management proposals on corporate names.

Coverage of multi-jurisdictional companies

Where a company is listed on multiple exchanges or incorporated in a country different from its primary listing, we will apply the most relevant market guideline(s) to our analysis of the company's governance structure and specific proposals on the shareholder meeting agenda. In doing so, we typically consider the governance standards of the company's primary listing, the market standards by which the company governs itself, and the market context of each specific proposal on the agenda. If the relevant standards are silent on the issue under consideration, we will use our professional judgment 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

BlackRock will generally approve dividends taking into consideration market standards and practices. We assess more closely companies that propose a lower allocation to determine if the low dividends are

necessitated by company-specific conditions or local market factors. We may oppose dividends that appear excessive given the company's financial position.

BlackRock will generally support proposals that offer shareholders a choice of a stock or cash dividend. 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.

Increase in authorized share capital/increase in preferred stock

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

Other business

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

Private placement

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

Reincorporation or change of domicile

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

Related-party transactions

In principle, companies should refrain from engaging in transactions with related parties such as their shareholders, directors, and management. If related-party transactions are entered into they should be conducted on an arm's length basis, approved by independent parties, such as non-interested directors and/or shareholders, and further governed by relevant corporate law or stock exchange listing requirements. 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.

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

Share repurchase

BlackRock considers share repurchase programmes to be generally supportive of the share price and will usually approve them. We review all 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.

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 value creation. We consider the business and economic relevance of the issue raised, as well as its materiality and the urgency with which we believe it should be addressed. We take into consideration the legal effect of the proposal as shareholder proposals may be advisory or legally binding depending on the jurisdiction. We would not support proposals that we believe would result in over-reaching into the basic business decisions of the company.

Where a proposal is focused on a material governance or sustainability-related risk that we agree needs to be addressed and the intended outcome is consistent with long-term value creation for shareholders, 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. 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. While we may not agree with all aspects of a shareholder proponent's views or all facets of the proponent's supporting statement, we may still support proposals that address material governance or sustainability-related risks where we believe it would be helpful for shareholders to have more detailed information on how those risks are identified, monitored, and managed to support a company's ability to deliver long-term financial returns. We may also support a proposal if management is on track, but we believe that voting in favor might accelerate progress.

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. Further, all non-employee members of the committees of the supervisory board should be fully independent.

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.

BlackRock 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

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

France

Boards and directors

French law provides for either a unitary or dual-board structure. While BlackRock 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, BlackRock will not take into account the representatives of employees when their appointment is required by law.

BlackRock 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).

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

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

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

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

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

General corporate governance matters

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

BlackRock believes employee share purchase plans can provide performance incentives and help align employees' interests with those of shareholders. Nevertheless, when issuance authorizations linked to

these plans exceed 10% of the company's share capital, we will assess their appropriateness and typically support them, unless we have concerns about anti-takeover or risk of dilution to existing shareholders.

Germany

Boards and directors

A dual-board system is prescribed under the German Stock Corporation Law (Aktiendgesetz), although a unitary model is provided as an option for those companies incorporated under European Company (Societas Europaea, or SE) law. Aside from the employee elected representatives, 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 BlackRock'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.

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

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

In Germany capital-related authorities often have a five-year term. BlackRock may vote against resolutions seeking authority to issue capital if the aggregate amount allowed is above 10% for issuances without pre-emptive rights and is not justified by the board. BlackRock will consider approval of "conditional" capital based on the applicable law according to which company's conditional capital must not exceed 50% of share capital and is valid for maximum of five years. For issuance of conditional capital, BlackRock will apply max 10% rule for issuance without pre-emption rights.

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

Greece

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

BlackRock may not support proposals to approve remuneration to directors where limited or no disclosure has been made, and may also consider withholding support from 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 BlackRock 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, BlackRock will support the slate which we deem will result in a board with directors most suited to representing the long-term interests of the minority shareholders. For companies with dispersed ownership, 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.

BlackRock 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

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

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

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, BlackRock may abstain on the proposal to discharge the board.

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

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

Portugal

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, BlackRock will usually support directors who are considered to be fully independent.

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

Related-party transactions

Russian law requires shareholder approval of related-party transactions if they are valued at 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 chairman, 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, BlackRock will take into account the influence of South Africa's Black Economic Empowerment (BEE), or more recently Broad-Based Black Economic Empowerment (BBBEE), Act.

The audit committee should be composed exclusively of independent directors.

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

Lastly, while BlackRock 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.

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

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

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.

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

Switzerland

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 will consider voting against the re-election and/or appointment of executives if they serve on any of the committees.

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

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

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

BlackRock may vote against resolutions seeking authority to issue capital if the aggregate amount allowed is above 50% for issuances with pre-emptive rights or 10% for issuances without pre-emptive rights and is not justified by the board.

Remuneration and benefits

BlackRock 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 BlackRock 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 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

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

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

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

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.

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

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

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

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

General corporate governance matters

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

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

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

BlackRock may vote against resolutions seeking authority to issue capital if the aggregate amount allowed is above 50% for issuances with pre-emptive rights or 10% for issuances without pre-emptive rights and is not justified by the board.

Middle East

Auditors and fees

BlackRock 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, BlackRock 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 BlackRock 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

BlackRock 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. BlackRock 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. BlackRock will vote against such elections or fee approvals where insufficient information has been provided.

Turkey

Auditors and fees

BlackRock 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, BlackRock 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 BlackRock 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 meeting the targets set by (and/or be on a clear pathway to meeting the future targets of) 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. BlackRock will review the status of independent directors where they have been on the board for in excess of nine years. We are supportive of annual elections for all directors. We may vote against individual board members where we have concerns about their independence in the context of the board overall or about their performance in terms of advancing the interests of shareholders or in terms of board meeting attendance.

Auditors and audit-related issues

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

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

BlackRock may vote against capital issuance proposals in excess of one-third of the nominal value of the company's current issued share capital with pre-emptive rights, with an additional one-third (two-thirds

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.

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

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

Want to know more?

blackrock.com/stewardship | contactstewardship@blackrock.com

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