

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 [Global Principles](#).

Introduction

BlackRock, Inc. and its subsidiaries (collectively, “BlackRock”) seek to make proxy voting decisions to achieve the outcome we believe is most aligned with our clients’ long-term economic interests. These voting guidelines cover issues specific to certain markets within Europe, Middle East and Africa (EMEA) in which BlackRock is an investor. 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 Principles, which provide a broad overview of our philosophy on investment stewardship and our approach to key corporate governance themes.

As noted in our Principles, BlackRock expects companies to observe the relevant laws and regulations of their market as well as any locally accepted corporate governance standards (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 we expect a higher level of protection of minority shareholders. Further, we would expect companies to develop an approach to corporate governance which demonstrates accountability, transparency, fairness and responsibility. BlackRock looks to companies to provide timely, accurate and comprehensive disclosure on all material governance and business matters, including environment, social and governance (“ESG”) related issues. This transparency allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed.

The region- and country-specific considerations are intended to summarise 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 contentious voting issues on a case-by-case basis, taking into account the circumstances of the company, and our voting decisions at any individual shareholder meeting may diverge from the general approach described in these guidelines. We may vote against a proposal whenever we deem it is in the best interest of our clients, including where the company’s practices are not in line with the best practices of its market.

Comply or explain

In many markets, local corporate governance best practice guidance is underpinned by an approach that allows companies to deviate from recommended practices as long as they explain why they have done so. We believe strongly that this so-called “comply or explain” approach provides the appropriate mechanism for ensuring effective and pragmatic governance of companies. BlackRock expects such explanations under a “comply or explain” approach to demonstrate why non-compliance is considered to better support sustainable long-term value creation.

Engagement

BlackRock takes an integrated approach to reviewing corporate governance practices and engagement and voting, to the extent possible, as we believe this results in both better-informed decisions and a more consistent dialogue with companies. In this respect, stewardship activities are co-ordinated in the region by the EMEA Investment Stewardship Team (“BIS”).

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. The

Investment Stewardship Team establishes dialogue principally with non-executive directors¹ to discuss practices and structures that we consider to be supportive of sustainable long-term value creation. These include board oversight of management, board structure and performance, strategy and capital allocation, executive remuneration. The team also discusses with companies material environmental and social matters 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 ESG 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 advance sound governance and sustainable business practices.

We may participate in collaborative engagements with other shareholders where they are focused on concerns that have been identified by a number of investors and which we agree could be productively addressed through collaborative dialogue.

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

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

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 sustainable long-term value. If we have concerns about a company's approach, we may choose to engage to explain our expectations. Where we consider that a company has failed to address one or more material issues within an appropriate timeframe, to signal our concerns we may hold directors accountable or take other voting action in the manner outlined below.

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

General guidelines for EMEA

The general guidelines contain the principles and expectations 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 board² 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 sustainable long-term value. This includes the effective management of strategic, operational and material ESG 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 ESG factors, is essential for shareholders to be able to appropriately 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, business practices that support sustainable, 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 believes maintaining an open dialogue with companies in which we invest to be essential. We prefer this dialogue to happen at board level as this body is responsible for corporate governance decisions and strategy, as elected representatives of shareholders.

Therefore, BlackRock expects non-executive board members to be available to meet with shareholders from time to time. 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.

² In these guidelines, references to boards should be construed as including supervisory boards.

Director accountability

BlackRock believes that 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, we believe 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. BlackRock will expect companies to 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. BlackRock believes 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 recognise that a variety of director tenures within the boardroom can be beneficial to ensure board quality and continuity of experience. Excessively long tenure can, however, be an impediment to an individual director's independence, so we will consider director tenure in the context of whether there is a sufficient balance of independence on the board (as discussed further below).

We expect companies to 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 the potential need to address gaps in skills or experience, the diversity of the board, and the balance of independent and non-independent directors.

When nominating new directors to the board, we ask that there is 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. 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

Furthermore, 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, and to avoid 'group think'. 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 applicable 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 women (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 demographic factors including gender, ethnicity, and age; as well as professional characteristics, such as industry experience, specialist areas of expertise, and geographic location) 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.

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.

Director independence

BlackRock expects that 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 (9 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

When analysing the balance of independence on the board, BlackRock only takes into account 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, BlackRock expects the board to have a policy to ensure the balance of independence on the board remains in line with our expectations 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, BlackRock expects a majority of independence on the board of investment trusts (and equivalent entities). When assessing collective investment schemes and

corresponding management companies, BlackRock expects a minimum of one independent board director.

Board chair

Independent leadership is important in the boardroom. BlackRock believes that the 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, the board would be expected to implement some mechanisms that offset a potential concentration of power, including but not limited to a majority of independent board directors, majority independent committees (chaired by independent directors), the appointment of a senior or lead independent director and / or the reduction in the re-election period for directors.

If the board decides to appoint a non-independent board chair, particularly in the case of a former executive, we expect the company to 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

BlackRock expects the key committees of the board (notably the audit, remuneration and nomination committees) to be composed exclusively of non-executive directors and to 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.

BlackRock believes 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 climate risk 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 officer³ at a public company. In case of an executive officer, we would vote against his / her (re)election only to boards where he / she serves as a non-executive director.

In assessing whether 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.

³ 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, etc.) or members of the management board of listed companies with a two-tier system.

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

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 in which the applicable investment fund or investment trust invests.

BlackRock may vote against the election of an outside executive as the board chair as we expect the chair to have more time availability than other non-executive board members. We expect the company to explain why it is necessary for this external executive to lead the board of directors. Likewise, we believe it is a 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.

Auditors and audit-related issues

BlackRock recognises the critical importance of financial statements, which should provide a true and fair picture of a company's financial condition, and the vital role audit (or their equivalent) committees play in a company's financial reporting system. In cases involving 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.

Recognising also the materiality of sector-specific sustainability risks to long-term investment returns, the assumptions underlying a company's financial reports are of paramount importance. In particular, financial reporting should reflect assumptions made about the impact of climate risk and the transition to a low carbon economy on the company's business model and asset mix. If they do not, BlackRock may vote against the re-election or re-appointment of members of the audit committee and / or the re-appointment of the auditor.

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.

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

BlackRock supports the "one share – one vote – one dividend" 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.

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

BlackRock supports pre-emptive rights in line with local market guidelines and practices; these guidelines provide a key protection for shareholders against dilution of their interests. We recognise that management requires some flexibility to raise funds for general business purposes through the issuance of shares. We generally support proposals seeking a standing authority to make such issuances subject to local market guidelines and practices, the size of the capital pool being fixed, the life of the authority being specified and the other terms being reasonable with regard to the interests of existing shareholders. In general, BlackRock may vote against capital issuance proposals in excess of 50% 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. BlackRock expects all share issue authorities to be presented to shareholders to vote at the general meeting.

Remuneration and benefits

Highly talented and experienced directors, executives and other staff who are fundamental to long-term sustainable growth are sought by many companies and should be appropriately incentivised. 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. We therefore believe that 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 sustainable long-term 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. We expect issuers' public disclosures to be the primary mechanism for companies to explain their executive remuneration practices. Where concerns are identified or where we seek to better understand a company's approach to executive remuneration, we may engage with companies, preferably with independent members of the remuneration committee of the board.

Beliefs and expectations related to executive remuneration practices

- We believe that remuneration committees are in the best position to make remuneration decisions and should maintain significant flexibility in administering remuneration programs, given their knowledge of the strategic plans for the company, the industry in which the company operates the appropriate performance measures for the company, and other issues internal and / or unique to the company.

- 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. BlackRock expects the larger portion of this variable pay to 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 incentivising behaviour, in fostering the right culture and performance and in aligning shareholders' and executives' interests. Remuneration committees should clearly disclose the rationale behind their selection of pay vehicles and how these fit with intended incentives. We also observe that different types of awards exhibit varying risk profiles, and the risks associated with pay plan design should be in line with the company's stated strategy and risk appetite.
- 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).
- BlackRock believes that 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, we expect disclosure 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, we expect clear disclosure explaining how the decisions support sustainable long-term value creation.
- We expect remuneration committees to ensure that incentive plans do not incentivise excessive risk taking beyond the company's determined risk appetite and that rewards are reasonable in light of risk-adjusted returns to shareholders.
- We expect remuneration committees to consider and respond to the shareholder voting results of relevant proposals at previous years' annual meetings, and other feedback received from shareholders, as they evaluate remuneration plans. At the same time, remuneration committees should ultimately be focused on incentivising sustainable long-term value creation and not

necessarily on achieving a certain level of support on remuneration proposals at any particular shareholder meeting.

- We believe 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 analyse 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. We expect any point of comparison identified by a company to be substantiated by reference to objective criteria (for example, 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 rigour 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 meet our expectations, 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, we expect boards to start by determining the right cost for the specific position. This amount should be based on a calculated assessment of what needs to be paid to get the job done and should be aligned with the pay policy of the company for the rest of the workforce.
- Benchmarking should be used only to establish a frame of reference for what competitors are paying, rather than as the starting point for negotiations.
- We expect companies to select peers that are broadly comparable to the company in question, based on objective criteria that are directly relevant to setting competitive remuneration; we evaluate peer group selection based on factors including, but not limited to, business size, relevance, complexity, risk profile, and / or geography.
- Benchmarking tools should be used in a transparent manner, i.e. we expect the results to be disclosed by the company, especially the peer group selected.
- We expect increases in base salary generally to progress in line with the rest of the workforce, or to 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, BlackRock expects the company to 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, we expect companies to provide a detailed explanation of how the role has

substantially changed. We do not see the size of the capital of the company as an appropriate proxy for the complexity of the role or as appropriate justification for an increase in salary.

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 expect pension contributions for executives to be in line with the rest of the workforce. Contracts for new executives should reflect this alignment, and in relation to legacy arrangements we expect to see 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.

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, 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 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 vest pro-rated for time and performance and lapse in full in case of bad leavers. In case of a voluntary change of employment, the executive's unvested awards should lapse in full as well.
- A good leaver is one which leaves the company due to: retirement, personal circumstances preventing the executive from fulfilling the role, change in control / strategy when the post becomes redundant or the incumbent executive's skills are not aligned. A bad leaver is one which leaves the company due to forced or agreed departure due to inadequate performance or behaviour of that individual.
- 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, we believe 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.
- We believe 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. We expect the company to 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, we expect companies to 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). We expect the larger portion of variable pay to be based on sustained performance over a multi-year period.
- We usually expect the size of equity-related awards granted to executives to be set in the remuneration policy as a percentage of the base salary or in monetary terms.
- We support incentive plans that foster the sustainable 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. We believe that 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. We expect full disclosure of the performance measures selected and the rationale for the selection of such performance measures.
- Where companies elect to use ESG-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, we expect the performance duration to be in line with the business cycle of the company. When the vesting period is two years or less, due to a short business cycle, an explanation should be provided and there should be a sufficient subsequent holding period beyond the vesting of awards to ensure the long-term focus by management.
- 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. We expect companies to mitigate currency risks as any other risk.

Restricted schemes

- Some companies might consider that a restricted scheme fits better with their remuneration philosophy. We expect these companies to provide detailed rationale to justify this decision. Moreover, the introduction of a restricted scheme should not result in a more complex pay package.
- Given the certainty of these schemes, we expect the value of awards to be reduced by at least 50% in comparison to the variable pay previously available. Any subsequent increase should be avoided or justified by specific circumstances.
- The vesting / holding period(s) should have a longer timeframe, preferably a minimum of five years.
- To avoid pay for failure, we believe an underpin should be applied to these schemes, i.e. the awards should not vest if a minimum level of performance has not been achieved.
- For the companies granting restricted shares, we encourage the board to increase the shareholding requirement to at least four times' fixed pay, that should be maintained for at least two years post departure to ensure longer term alignment with shareholders.

Matching plans

- Boards should refrain from using matching plans if they are already using other types of long-term incentive plans.
- Matching should be 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.
- We believe 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 CRD 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 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, we expect that the allowance will release no faster than pro-rata over five years. Any additional layer of fixed pay should be excluded from the calculation of pension entitlements, benefits and severance and fit within previously communicated and approved dilution limits. In addition, we expect that any increase in fixed pay or an additional layer of fixed pay, would result in a reduction of total overall pay given the decreased level of "at risk" pay.

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

Environmental and social issues

We believe that well-managed companies will deal effectively with material ESG factors relevant to their businesses. As discussed in our Principles, governance is the core structure by which boards can oversee the creation of sustainable long-term value. Appropriate risk oversight of environmental and social ("E&S") considerations stems from this construct.

Robust disclosure is essential for investors to effectively evaluate companies' strategy and business practices related to material E&S risks and opportunities. Given the increased understanding of material sustainability risks and opportunities, and the need for better information to assess them, BlackRock will advocate 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). 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. We recognise that some companies may report using different standards, which may be required by regulation, or one of a number of private standards. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

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 specific initiatives on managing specific operational risks may be useful. Companies should disclose any global 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

BlackRock believes that climate change has become a defining factor in companies' long-term prospects. We ask every company to help its investors understand how it may be impacted by climate-related risk and opportunities, and how these factors are considered within strategy in a manner consistent with the company's business model and sector. Specifically, we ask companies to articulate how their business model is aligned to a scenario in which global warming is limited to well below 2°C, moving towards global net zero Greenhouse Gas (GHG) emissions by 2050.

We ask companies to disclose a business plan for how they intend to deliver long-term financial performance through the transition to global net zero, consistent with their business model and sector. We encourage companies to demonstrate that their plans are resilient under likely decarbonisation pathways, and the global aspiration to limit warming to 1.5°C.⁴ We also encourage companies to disclose how considerations related to having a reliable energy supply and just transition affect their plans.

⁴ The global aspiration is reflective of aggregated efforts; companies in developed and emerging markets are not equally equipped to transition their business and reduce emissions at the same rate—those in developed markets with the largest market capitalization are better positioned to adapt their business models at an accelerated pace. Government policy and regional targets may be reflective of these realities.

We look to companies to set short-, medium- and long-term targets, science-based where available for their sector, for GHG reductions and to demonstrate how their targets are consistent with the long-term economic interests of their shareholders. Companies have an opportunity to use and contribute to the development of the alternative energy sources and low-carbon transition technologies that will be essential to reaching net zero. We also recognise that some continued investment is required to maintain a reliable, affordable supply of fossil fuels during the transition. We ask companies to disclose how their capital allocation across alternatives, transition technologies, and fossil fuel production is consistent with their strategy and their emissions reduction targets.

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 aligned with our expectations (see further below).

Key stakeholder interests

We believe that to advance long-term shareholders' interests, companies should take into account the interests of their key stakeholders. It is for each company to determine its key stakeholders, based on what is material to its business, but they are likely to include employees, business partners (such as suppliers and distributors), clients and consumers, government and regulators, and the communities in which they operate, as well as investors.

Considering the interests of key stakeholders recognises 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 expect 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. The maintenance of trust within these relationships is often equated with a company's long-term success.

To ensure transparency and accountability, companies should disclose how they have identified their key stakeholders and considered their interests in business decision-making, demonstrating the applicable governance, strategy, risk management, and metrics and targets. This approach should be overseen by 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, we expect boards to 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. When a company's reporting is inadequate, we will increasingly conclude that companies are not adequately managing such issues and may hold management and / or directors accountable.

General corporate governance matters

Amendments to memorandum / articles of association / charter

These proposals vary from routine changes to reflect corporate law or other regulatory revisions through to significant changes that substantially change the governance of the company. BlackRock will review such proposals in accordance with our 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. We expect that companies will disclose in their annual report the rationale for their selection of primary listing, country of incorporation, and choice of governance structures, in particular where there are contradictions between relevant market governance practices.

Dividend proposals

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

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

Increase in authorised share capital / increase in preferred stock

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

Other business

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

Private placement

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

Reincorporation or change of domicile

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

Related-party transactions

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

We believe 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 issuer.

Where a proposal is focused on a material business risk that we agree needs to be addressed and the intended outcome is consistent with long-term value creation, we will look to the board and management to demonstrate that the company has met the intent of the request made in the shareholder proposal. Where our analysis and / or engagement indicate an opportunity for improvement in the company's approach to the issue, we may support shareholder proposals that are reasonable and not unduly 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. We may also support a proposal if management is on track, but we believe that voting in favour 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, BlackRock would expect the majority of the supervisory board members elected by the general meeting to be independent of major shareholders, the company, and its management board. In controlled companies, BlackRock expects the number of independent directors to be no less than one-third of board members. Further, we would expect all non-employee members of the committees of the supervisory board to be fully independent.

Belgium

Boards and directors

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

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

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

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

France

Boards and directors

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

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

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

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

BlackRock recognises that there are circumstances under which companies might want to appoint censors and that censors are appointed for transitional / interim periods. However, we may vote against censor appointment if the appointment is not 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 – one dividend" principle, and will encourage companies to adopt it. Hence, BlackRock will support by-law amendments that introduce adoption of one share – one vote for registered shareholders. BlackRock will vote against "loyalty" dividends for registered shareholders holding shares for a longer period of time (typically more than two years). BlackRock will also vote in favour of abolishing voting caps.

Related-party transactions

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

Remuneration and benefits

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

Employee Share Purchase Plan

BlackRock believes these plans can provide performance incentives and help align employees' interests with those of shareholders. We will typically support this type of plan. However, we usually vote against capital increases reserved for employees in companies if the discount is excessive or where employee

shareholding exceeds 10% of the share capital as these plans create a risk of dilution to existing shareholders and the employee shareholding could be used by management as an anti-takeover mechanism.

Germany

Boards and directors

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

Depending on the number of employees of a company, German law also provides for employee representation on the board, i.e., co-determination rights. Employee representatives generally make up one-third to one-half of the board members. Given this, for companies with dispersed ownership BlackRock expects at least one-half of the shareholder-elected representatives to be fully independent. In controlled companies, BlackRock expects the number of independent supervisory board members to 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. In BlackRock’s view, a management board member should not move on to become supervisory board chair without an appropriate cooling off period, as defined by the code or regulation, and we will seek a compelling and detailed rationale when this is proposed.

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

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

In Germany capital-related authorities often have a five-year term. BlackRock may vote against resolutions seeking authority to issue capital if the aggregate amount allowed is above 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

BlackRock expects the majority of the board members and at least one-third of the non-executive directors to be fully independent. In controlled companies, BlackRock expects the number of independent directors to be no less than one third of board members. BlackRock 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, BlackRock expects the board to 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

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

In addition, while BlackRock is looking for companies in this region to make progress towards having greater female representation 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 female directors.

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, BlackRock would expect a majority of directors to be fully independent. In controlled companies, BlackRock expects the number of independent directors to be no less than one-third of board members. We further expect the whole of the board of statutory auditors to be fully independent.

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, BlackRock expects the board to 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. BlackRock normally expects at least half of the board to be fully independent, except where there is a major shareholder with board representation in which case at least one-third should be independent.

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

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

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

Portugal

Boards and directors

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

Russia

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. BlackRock

expects related-party transactions to be fully disclosed and explained in order to support these. Disclosures should include, but not be limited to, parties involved, pricing and independent valuation.

Audit commission

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

South Africa

Boards and directors

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

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

BlackRock expects all board directors to 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 female representation 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 female directors.

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

BlackRock may not support proposals to place authorised but unissued shares under the control of directors where this amount exceeds 20% 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. BlackRock expects at least half of the board to be composed of independent directors. In controlled companies, BlackRock expects the number of independent directors to 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

BlackRock expects at least half of the board, which is unitary in the Swiss system, to be independent directors. In controlled companies, BlackRock expects the number of independent directors to be no less than one third of board members. Furthermore, BlackRock expects only non-executives to serve on the

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

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

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

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

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 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

BlackRock expects at least one-third of the board to 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 female representation 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 female director.

Charitable donations

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

Critical reports

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

Debt and sukuk issuances

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

Related-party transactions

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

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, we expect any change in structure to be properly explained and put to shareholder vote. Where companies adopt a unitary board, BlackRock expects the majority of the board to be fully independent non-executive directors, and for the roles of board chair and CEO to be separated. In cases where there is a combination in these roles, BlackRock expects the board to implement mechanisms that may offset a potential concentration of power. For two-tiered boards, the supervisory board should comprise only non-executive directors, and the management board should comprise only executive directors. BlackRock expects the majority of the supervisory board members to be fully independent. In controlled companies, BlackRock expects the number of independent board members to 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. BlackRock expects a majority of the non-executive directors on both unitary and dual-board models to be independent, excluding any employee appointed directors. In controlled companies, BlackRock expects the number of independent directors to be no less than one third of board members (again, excluding any employee appointed directors).

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

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, simply 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.

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

BlackRock expects at least one-third of the board to 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 female representation 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 female director.

Charitable donations

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

United Kingdom

Boards and directors

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

To ensure there is appropriate diversity at board level and beyond, we look to companies to 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.⁵

BlackRock expects at least half the board to 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, BlackRock expects the board to have at least two independent directors.

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

Auditor and audit-related issues

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

We expect companies to put their external audit contract out to tender periodically, as determined by the board and the audit committee. We may support shareholder proposals seeking the rotation of audit firms or an audit being put out to tender. We are more likely to be supportive 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

⁵ 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 5% of the issued capital without pre-emptive rights when the proceeds are not intended for a specific purpose. This 5% limit is raised to 10% for AIM-listed companies, investment trusts where the shares will be issued at or above NAV, and for all companies where the second 5% is for acquisition or capital investment.

Waiver on tender-bid requirement

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

Want to know more?

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