BlackRock Investment Stewardship

Proxy voting guidelines for Benchmark Policies-Australian securities

Effective as of January 2025

BlackRock.

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

Introduction

BlackRock Investment Stewardship (BIS) is a dedicated function within BlackRock, which is responsible for stewardship activities in relation to clients' assets invested in index equity strategies. At BlackRock, investment stewardship serves as a link between our clients and the companies they invest in and is one of the ways we fulfill our fiduciary responsibilities as an asset manager to our clients. Our sole objective when conducting our stewardship program is to advance our clients' long-term financial interests.

BIS has developed guidelines for the key markets in which it invests. The regional guidelines incorporate the legal framework of each region as well as the specific regional market practices. There may be slight variances due to differing market practices across regions.

This Australian Policy is based on the Corporate Governance Principles and Recommendations issued by the Australian Securities Exchange Corporate Governance Council (updated in 2019) (ASXCGC). It is also guided by Governance Guidelines issued by the Australian Council of Superannuation Investors (ACSI), relevant Prudential Standards issued by the Australian Prudential Regulatory Authority (APRA), and relevant Guidance Notes issued by the Financial Services Council (FSC). These all have in common the principles of accountability, transparency, fairness and responsibility.

Our approach to voting and corporate engagement is also informed by other guidance on exercising ownership responsibilities such as the United Nations Principles of Responsible Investment and the G20/OECD Principals of Corporate Governance which inform the International Corporate Governance Network. We are actively involved in these organizations and believe our principles are consistent with their guidance.

"If not why not" approach

In our view, the "if not why not" approach of the ASX Corporate Governance Principles provides the appropriate mechanism for ensuring effective pragmatic governance of Australian listed companies. We look to every listed company to provide a meaningful statement as to their adherence to the ASX Corporate Governance Principles and explicit justification of any deviation from either set of principles, explaining how these serve the interests of the company's shareholders.

Engagement

As one of many minority shareholders in public companies, BIS does not direct a company's strategy or its implementation. Setting, executing, and overseeing strategy are the responsibilities of a company's management team and its board. BIS' role is to better understand how corporate leadership is managing material risks and capitalizing on opportunities to help protect and enhance the company's ability to deliver long-term financial returns in order to better inform our voting. BIS aims to take a globally consistent approach, while recognizing the unique markets and sectors in which companies operate.

[1] BIS' Benchmark Policies, and the vote decisions made consistent with these policies, take a financial materiality-based approach and are focused solely on advancing clients' financial interests. BIS' Benchmark Policies – comprised of the BIS Global Principles, regional voting guidelines, and engagement priorities – provide clients, companies, and others, guidance on our position on common corporate governance matters. We take a globally consistent approach, while recognizing the unique markets and sectors in which companies operate. Other materials on the BIS website might also provide useful context.

BIS defines an engagement as a meeting with a company's board and/or management that helps inform BIS' voting on behalf of clients. Specifically, engagements provide companies with the opportunity to share their perspectives on topics that, in BIS' experience, impact the long-term financial returns BlackRock's clients depend on to meet their financial goals. In these conversations, BIS listens to and learns directly from company non-executive directors and management teams and may ask questions relevant to their business.[2] BIS counts only direct interaction as an engagement. BIS does not count letters as an engagement.

As shareholders of public companies, BlackRock's clients have the right to vote on matters proposed by a company's management or its shareholders. Most of BlackRock's clients authorize our Firm to exercise this right on their behalf. For those clients, and as a fiduciary, BlackRock is legally required to make proxy voting determinations in a manner that is consistent with their investment objectives. BIS does this by casting votes in favor of proposals that, in the team's assessment, will advance our clients' long-term financial interests.

Proxy voting guidelines for Australian securities

These guidelines will be used to assist BIS in assessing proposals presented at shareholder meetings. When assessing any proposal put to shareholders, BIS takes into account the unique circumstances of the relevant company and of the potential impact of such a proposal on shareholder value creation.

These guidelines are divided into nine key themes as follows:

- Boards and directors
- Auditors and audit-related issues
- Capital management
- Capital structure, mergers, asset sales and other special transactions
- Remuneration and benefits
- Material sustainability-related risks and opportunities
- Shareholder proposals
- General corporate governance matters
- Voting Choice

Boards and directors

Companies whose boards are comprised of appropriately qualified, engaged directors with professional characteristics relevant to a company's business enhance the ability of the board to add value and be the voice of shareholders in board discussions. A strong board gives a company a competitive advantage, providing valuable oversight and contributing to the most important management decisions that support long-term financial performance. As part of their responsibilities, board members owe fiduciary duties to shareholders to oversee the strategic direction, operations, and risk management of the company. This is why our investment stewardship efforts focus on the performance of the board of directors, and why we

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

see engagement with, and the election of, directors as one of our most important responsibilities. We engage, as necessary, with members of the board's nominating and/or governance committee to better understand whether governance practices and board composition are appropriate given a company's business model and we take into consideration a number of factors, including the sector, market, and business environment within which a company is operating.

We view it as good practice when the board establishes and maintains a framework of robust and effective governance mechanisms to support its oversight of the company's strategy and operations consistent with the long-term economic interest of investors. There should be clear descriptions of the role of the board and the committees of the board and how directors engage with and oversee management. Disclosure of material risks that may affect a company's long-term strategy and financial value creation, including material sustainability-related factors when relevant, is helpful for investors to appropriately understand and assess how effectively management is identifying, managing, and mitigating such risks. We seek to understand management's long-term strategy and the milestones against which investors should assess its implementation. If any strategic targets are significantly missed or materially restated, we find it helpful when company disclosures provide a detailed explanation of the changes and an indication of the board's role in reviewing the revised targets. We look to the board to articulate the effectiveness of these mechanisms in overseeing the management of business risks and opportunities and the fulfilment of the company's purpose and strategy.

Where a company has not adequately disclosed that the board has fulfilled these corporate governance and risk oversight responsibilities, we may consider voting against the re-election of directors who, in our assessment, have particular responsibility for the issues. We assess director performance on a case-by-case basis and in light of each company's circumstances, taking into consideration our assessment of their governance, and business practices that support durable, long-term financial value creation and performance.

Board access

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

Therefore, we appreciate when non-executive board members are 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.

Director accountability

To ensure accountability for their actions on behalf of shareholders, directors should stand for election on a regular basis, ideally annually.[3] Annual director elections allow shareholders to reaffirm their support for board members and/or hold them accountable for their decisions in a timely manner.

When board members are not elected annually, in our experience, it is good practice for boards to have a rotation policy to ensure that, through a board cycle, all directors have had their appointment re-confirmed, with a proportion of directors being put forward for election at each annual general meeting.

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[3] In most markets directors stand for re-election on an annual or triennial basis, as determined by corporate law, market regulation or voluntary best practice.

Companies should provide a clear explanation for their approach if no rotation policy is adopted. In some jurisdictions, if the proposed term exceeds local market practice and/or extends above four years, we may consider opposing the re-election of the nomination committee members.

Effective board composition

Regular director elections give boards the opportunity to adjust their composition in an orderly way to reflect the developments of the company's strategy and the market environment. In our view, it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking while supporting both continuity and appropriate succession planning.

Majority of independent directors

The board of a listed company should have a majority of independent directors unless an acceptable explanation is provided. Where a board does not comprise a majority of independent directors, we appreciate when the company discloses the rationale for doing so.

In cases where the board does not comprise a majority of independent directors, BIS may consider voting against the re-election of a non-independent director, and/or the chair of the nomination committee, particularly if other significant corporate governance issues exist.

Independent chair

We look for the chair of the board to be independent. Where the chair is not considered to be independent, we appreciate when a cogent explanation is disclosed by the company. We believe that the responsibilities of the lead independent director should include but are not limited to:

- Presiding at all meetings of the board at which the chair is not present, including sessions of the independent directors
- Calling meetings of the independent directors
- Serve as principal liaison on board-wide issues between the independent directors and the chair
- Approving the quality, quantity, appropriateness and timeliness of information sent to the board as well as approving meeting agenda items
- Facilitating the board's approval of the number and frequency of board meetings, as well as meeting schedules to assure that there is sufficient time for discussion of all agenda items
- Retain outside advisors and consultants who report directly to the board of directors on board-wide issues
- Agreeing and documenting to and document the split roles between a non-independent chair, the CEO and the lead independent director and have this published on the company's website so that shareholders can understand the breakout of responsibilities

Where a company does not have an independent chair, a lead independent director has not been appointed and a cogent disclosure has not been provided, BIS may consider voting against the re-election of the chair particularly if other significant corporate governance issues exist.

Assessment of independence

We look for 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.

An independent director is a non-executive director and generally should:

- Have no familial or material business or financial or perceived relationship with the company, their executives or other board members (except for board service and annual fees paid for that service) which may interfere with the non-executive director's ability to act in the best interests of the company
- Not have been an employee of the company within the last three years. Further, a non-executive director who has been an employee of the company as a senior executive is not considered to be independent unless there has been a break of at least three years between leaving employment becoming a non-executive director of the company
- Not have been within the last three years a principal or employee of a professional advisor to the company or a related company
- Not have participated in any equity-based remuneration that involves vesting based on performance of the company or continuing service as a non-executive director
- Not control more than 5% or more of the company's voting securities or be an executive or other representative of a company that owns or controls more than 5% or more of the company's voting securities. Where a non-executive director was a representative of such a former substantial security but remains on the board after the former substantial security holder disposes of the holding, and in the absence of any other relationship between the company and the non-executive director or the former substantial security holder, we will consider reclassifying the non-executive director as independent
- Be classified by the company as independent
- Not hold cross-directorships or significant links with other directors through the involvement in other companies or bodies
- Not have received fees or income for services to the company, except for board service and annual fees paid for that service, and which are significant in relation to the non-executive director fees received by the director
- Not be a partner/director or senior executive of a professional services firm such as an accounting firm, consulting firm, law firm or investment bank where the firm is paid for services and not the individual directly
- Not be a material supplier or customer of the company or another group member or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Have no material contractual relationship with the company or another group member other than as a director of the company
- Be free from any 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

Conflicts of interest

We look for all non-executive directors to be free from conflicts of interest. Independent directors, their immediate family or their affiliated companies, who or which, engage in material transactions which could be placed in a position where they have to make decisions that may place their interests against those of the shareholders they represent. BIS may vote against the re-election of a director where an identified conflict of interest may pose a significant and unnecessary risk to shareholders.

All potential conflicts of interest should be declared prior to appointment and at each board meeting in relation to any specific agenda item.

Length of service

Shareholders are best served when there is an orderly renewal of the board as this can result in directors with accumulated experience while at the same time introducing fresh thinking and experience to the board. An effective renewal process will ensure that non-executive directors do not serve for such length of time that their independence may be impaired.

BIS will review the status of independent directors where they have been on the board in excess of 12 years. We will consider voting against the re-election of a non-executive director who has served for a period in excess of 12 years, particularly if there are other concerns regarding the corporate governance of the company.

Board size

We look to companies to have an appropriate board size which reflects the size and complexity of the company. In our view, however, a minimum board size of five is necessary for an ASX 200 company to ensure a sound mix of skills and diversity amongst the independent directors.

BIS also believes that shareholders should have the ability to nominate directors to the board and, should they receive a majority of votes, be able to take their position on the board. BIS, therefore, does not support changes to constitutions which are likely to restrict the ability of shareholders to nominate for or to be elected to the board. Accordingly, BIS may consider voting against a change to a constitution that places a cap on the number of directors on the board.

Nomination procedure

We look to companies to have a formal and transparent procedure for the appointment and re-appointment of directors. Boards should adopt a procedure that can ensure a diverse range of candidates to be considered. Such procedure may involve the engagement of external professional search firms.

When nominating new directors to the board, we look to companies to provide sufficient information through disclosure on the individual candidates in order for shareholders to assess the suitability of an individual nominee and the overall board composition. These disclosures should give a clear sense of how the collective experience and expertise of the board aligns with the company's long-term strategy and business model. Highly qualified, engaged directors with professional characteristics relevant to a company's business enhance the ability of the board to add value and be the voice of shareholders in board discussions.

We look to companies to provide disclosures that can give an understanding of the collective experience and expertise of the board, as well as how the particular skill sets of individual directors align with the company's long-term strategy and business model. Highly qualified, engaged directors with professional characteristics relevant to a company's business and strategy enhance the ability of the board to add value and be the voice of shareholders in board discussions.

Ethical conduct and decision making

We look to companies to have a code of conduct for directors, executives and other employees with such policy disclosed on the company's website. The disclosure should explain how the policy is communicated to all levels of employees to ensure its effectiveness.

Board composition

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

It is in this context that we are interested in a variety of experiences, perspectives, and skillsets in the boardroom. We see it as a means of promoting diversity of thought to avoid "group think" in the board's exercise of its responsibilities to advise and oversee management.

In assessing board composition, we take a case-by-case approach based on a company's board size, business model, strategy, location and market capitalization. We look for companies to explain how their approach to board composition supports the company's governance practices.

In Australia, the ASX Corporate Governance Principles and Recommendations,[4] which provide guidance for companies listed on the ASX, specify that listed entities should have and disclose a diversity policy that encourages the consideration of all forms of diversity. It also specifies that companies in the S&P/ASX 300 Index should achieve no less than 30% of board gender diversity. We generally look to boards of companies in the S&P/ASX 300 index to aspire to be consistent with this guidance and market practice,[5] and consider all forms of diversity in its board composition.[6]

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

In order to help investors understand a company's approach to board composition, we appreciate when boards disclose, in a manner consistent with the requirements set out in ASX Corporate Governance Principles and Recommendations:

- The governance structure

[4] ASX Corporate Governance Principles and Recommendations, "Corporate Governance Principles and Recommendations", February 2019.
[5] Watermark Search International and Governance Institute of Australia, "2024 Board Diversity Index", 2024. Also, we note that in March 2023, the Australian parliament passed the Workplace Gender Equality Amendment (Closing the Gender Pay Gap) Bill 2023. This Bill made amendments to the Workplace Gender Equality Act 2012. The 2023 WGEA reform package also included changes to the associated Legislative Instruments (Workplace Gender Equality (Gender Equality Standards) Instrument 2023 and the Workplace Gender Equality (Matters in relation to Gender Equality Indicators) Instrument 2023). In March 2025, the Workplace Gender Equality Amendment (Setting Gender Equality Targets) Bill 2024 was passed.
[6] Including, but not limited to, individuals who identify as LGBTQ+; individuals who identify as underrepresented based on national, Indigenous, religious, or cultural identity; individuals with disabilities; and veterans.

- The percentage of women and underrepresented groups on the board and whether the board sets any measurable targets for increasing these numbers on the board
- The percentage of women and underrepresented groups in senior executive roles and whether the board sets any measurable targets for increasing diversity at senior management
- Why the board believes the diversity policy is beneficial to the company, that is, an articulation of a compelling business case for diversity in the entity as part of the business strategy, and whether there are internal procedures to review the effectiveness of the diversity policy
- Initiatives the company has in place (if any) to address diversity in senior executive positions and whether those initiatives are measured and evaluated
- Any work undertaken or policies on pay equity

To the extent that a company has not adequately accounted for diversity in their board composition, we may vote against the nomination committee members or, where doing so could further undermine the board's diversity, against other appropriate board members (including the chair of the board).

External board mandates

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

BIS may vote against the re-election of a director where there is a risk the director may be over committed in respect of membership of other listed boards.

Non-executive directors who are full-time executives of other major listed companies

BIS has concerns when a full-time CEO accepts a non-executive role at an unrelated company. Full-time CEOs are expected to work for their board and shareholders with full focus. As discussed above, non-executive directors need to have spare capacity when a major transaction occurs. BIS is concerned that, where a full-time CEO has a non-executive director role, there is a risk that their ability to fully serve in either role could be compromised. BIS may consider voting against a non-executive director who is also a full-time CEO of a major listed company.

External/nominated board candidates

In general BIS supports the recommendations of the board regarding the election of directors. BIS does not ordinarily support individuals who have nominated themselves for the board unless they have the support of the board. In particular, BIS would not support an external candidate who has a restricted agenda as directors should act on behalf of all shareholders and deal with all issues that may arise. However, where we believe the addition of an external candidate to the board will add to the skill set of the board and is in the best interests of shareholders, we may support them.

Share ownership by non-executive directors

BIS believes listed companies should have a clear and disclosed policy on non-executive directors' share ownership. We believe that non-executive directors should have some stake in order to align their interests with those of public shareholders. Such policies should require non-executive directors, within a reasonable amount of time after joining the board, to accumulate a meaningful investment.

Where a non-executive director continues serving on a board and fails to accumulate a meaningful investment and other significant corporate governance issues exist, BIS may vote against the individual.

Disclosure of equity subject to margin calls

We look to directors and senior executives to be able to manage their assets in the same way that other shareholders can. Margin calls can have a significant impact on a company's share price when the call is made on a significant shareholder.

Where a director's investment, which is subject to margin calls, exceeds 2% of issued capital, we look for the number of shares subject to margin calls and the margin call prices to be disclosed.

Where a company fails to disclose a material holding of a director which has been subject to margin calls and margin calls are subsequently made, resulting in a negative impact on the share price, BIS will consider voting against the director concerned and/or the chair for failing to disclose such material information to shareholders.

Meeting attendance

We look to directors to ensure that they attend all board and committee meetings. BIS will consider voting against a director who fails to attend fewer than 75% of board and committee meetings for his/her past term as a director, unless compelling reasons for the absenteeism have been disclosed. However, BIS will disregard attendance in the first year following appointment as the director may have had commitments made prior to joining the board.

Committees

Appropriately structured board committees provide an efficient mechanism which allows the board to focus on key issues such as audit, board renewal, remuneration, risk and any other issues deemed important. Board committees can also provide an important role in dealing with conflicts of interest.

We look to all companies to establish an audit committee. For companies within the S&P/ASX 200, at a minimum, the establishment of separate committees should focus on the issues of nomination and remuneration. For companies outside the S&P/ASX 200, it is more common to have the roles of nomination and remuneration combined within the one committee.

We look to all committees to have written terms of reference which, among other things, clearly sets out the committee's roles and responsibilities, composition, structure, membership requirements and the procedures for inviting non-committee members to attend meetings. We consider it good practice when all committee terms of reference are available to investors on the company's website.

We look to all committees to be given the power and resources to meet their obligations under the terms of reference. This will include the right of access to management and the ability to select service providers and advisors at a reasonable cost to the company.

We look to the chair of a committee to be independent. It is preferable for the chair of the board not to chair board committees as this may lead to a concentration of power in a single director.

For S&P/ASX 200 companies, we look to each committee to have at least three members. For companies outside the S&P/ASX 200, depending on the size and complexity of the company, a committee of two may be appropriate.

Audit Committee

We look to the audit committee to be comprised solely of independent directors, with the appropriate mix of skills, including financial skills, and experience for its role.

The terms of reference for the audit committee should have appropriate powers to determine the scope of the audit process, review the effectiveness of the external auditor, assess, review and authorise non-audit work, have access to the internal audit process and to make recommendations regarding the appointment and removal of the external auditor.

Where a risk committee has been established in addition to an audit committee, we look for clear disclosure on the responsibilities of each committee and how they interact.

Where the audit committee is not comprised solely of independent directors, BIS may consider voting against the re-election of the chair of the audit committee or the non-independent member of the audit committee particularly if there are other corporate governance issues.

A demonstrably independent audit is essential for investor confidence. Where non-audit fees exceed the level of audit fees in any year, BIS will review the nature of the non-audit fees and any explanation provided by the company for the significant level of non-audit fees. Full details of all non-audit work should be disclosed. If there is a lack of explanation of the non-audit services or we believe there is a risk that the type of non-audit services provided may impair the independence of the audit, we will consider voting against the re-election of the chair of the audit committee if they are seeking re-election.

Other circumstances where BIS may consider voting against the re-election of the chair of the audit committee include but are not limited to:

- If within the last three years accounting fraud has occurred in the company
- If within the last three years the financial statements have been restated due to negligence or fraud
- If the company repeatedly fails to file their financial reports in a timely fashion

Nomination Committee

We look for the nomination committee to be comprised of a majority of independent directors and have an independent chair. The responsibilities of the nomination committee should include a review of and recommendations to the board on issues including but not limited to:

- Assessing the competencies of all directors to ensure the board has an appropriate range of skills and expertise

- Implementing a plan for identifying, assessing and enhancing director competencies
- Reviewing, at least annually, the succession plans of the board
- Ensuring the size and composition of the board is conducive to making appropriate decisions
- Reviewing the time required by each non-executive director to undertake their role and whether non-executive directors are meeting that requirement
- Ensuring a process for the evaluation of the performance of the board, its committees and directors and reporting the process to shareholders in the annual corporate governance statement
- The appointment and re-election of directors
- Maintaining a watching brief on the development of management and potential for senior executive succession planning from the level below senior executive

We consider it best practice when the board has a formal and transparent process for the selection, appointment and re-appointment of directors. Disclosure of the process helps promote BIS' understanding of that process. We appreciate when the process is disclosed in the annual corporate governance statement and includes an explanation of the mix of skills and diversity the board is looking for.

Circumstances where BIS may consider voting against the re-election of the chair and/or members of the nomination committee include but are not limited to:

- If the composition of the board continues to reflect poor succession planning, renewal or other composition deficiencies
- If the committee approved the nomination or re-election of an individual who has demonstrated a lack of integrity or inability to represent the interests of shareholders or who has an actual or perceived significant conflict of interest that poses a risk to shareholders
- If the committee fails to hold a meeting in the reporting year

Remuneration Committee

We look to the remuneration committee for an S&P/ASX 200 company to be comprised solely of non-executive directors. In BIS' view, S&P/ASX 200 companies should not have executives as members as there is the potential for, or perception of, a conflict of interest if executive directors are involved in board decisions on their remuneration packages.

For companies outside the S&P/ASX 200 index, while our preference is for the remuneration committee to comprise solely non-executive directors, we understand that due to the size of the company and the development phase they may be in, the presence of the CEO on the committee may be acceptable. In such cases, we look for the disclosure of the protocols to be in place to ensure the CEO is not involved in determining his/her remuneration arrangements.

The responsibilities of the remuneration committee should include a review of and recommendations to the board on issues including but not limited to:

- The company's remuneration, recruitment, retention and termination policies for senior executives

- Executive director and senior executive fixed and performance-based remuneration to ensure that executives are motivated to pursue the long-term growth and success of the company
- Superannuation arrangements
- The remuneration framework for non-executive directors
- Direct consultation with institutional shareholders, i.e. not through the use of consultants or management

Circumstances where BIS may consider voting against the re-election of the chair and/or members of the remuneration committee include but are not limited to:

- If the composition of the remuneration committee fails to meet these guidelines
- If BIS has continuing concerns regarding the structure of remuneration and has raised these concerns with the company and the company continues the egregious practices
- If the committee fails to hold a meeting in the reporting year

Risk management committee

BIS believes that a sound framework of risk oversight, management and control is fundamental to the long-term growth of shareholder value. The board is responsible for both establishing and overseeing the risk management framework of the company.

Risk oversight

We look to companies to have an established process for identifying, monitoring, and managing key risks. We look to independent directors to have ready access to relevant management information and outside advice, as appropriate, to ensure they can properly oversee risk management. We look to companies to provide transparency around risk measurement, mitigation, and reporting to the board. We are particularly interested in understanding how risk oversight processes evolve in response to changes in corporate strategy and / or shifts in the business and related risk environment. Comprehensive disclosure provides investors with a sense of the company's long-term operational risk management practices and, more broadly, the quality of the board's oversight. In the absence of robust disclosures, we may reasonably conclude that companies are not adequately managing risk.

Accounts, statutory reports, auditors and audit-related issues

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

Audit committees or equivalent play a vital role in a company's financial reporting system. We look to the members of the audit committee or equivalent as being responsible for overseeing the management of the audit function. We appreciate when audit committees or equivalent have clearly articulated charters that set out the committee's responsibilities and have a rotation plan in place that allows for periodic refreshment of the committee membership to introduce fresh perspectives to audit oversight. We recognize that audit committees will rely on management, internal audit and the independent auditor in fulfilling their responsibilities but look to committee members to demonstrate they have relevant expertise to monitor and oversee the audit process and related activities.

We take particular note of explained changes in reporting methodology, cases involving significant financial restatements or ad hoc notifications of material financial weakness. In this respect, we look to audit committees to provide timely disclosure on the remediation of key and critical audit matters identified either by the external auditor or internal audit function.

The integrity of financial statements depends on the auditor being free of any impediments to being an effective check on management. To that end, it is important that auditors are, and are seen to be, independent. Where an audit firm provides services to the company in addition to the audit, the fees earned should be disclosed and explained. We look to audit committees to have in place a procedure for assessing annually the independence of the auditor and the quality of the external audit process.

Comprehensive disclosure provides investors with a sense of the company's long-term operational risk management practices and, more broadly, the quality of the board's oversight. We look to the audit or risk committee to periodically review the company's risk assessment and risk management policies and the significant risks and exposures identified by management, the internal auditors or the independent auditors and management's steps to address them. In the absence of detailed disclosures, we may reasonably conclude that companies are not adequately managing risk.

Accounts

Australian listed companies are not required to put their annual accounts and reports to shareholders for a vote. However, some companies choose to submit their annual accounts and reports for a shareholder vote. In these cases, and where there is an unqualified auditors' report, BIS will support such proposals.

Change of audit firm

Australian law does not require the annual election of auditors. If a listed company wishes to change their audit firm, the incumbent firm must seek consent from the regulator, the Australian Securities and Investments Commission (ASIC), and is required to state the following:

- There are no disputes with company management connected with the auditor ceasing to hold office
- There are no circumstances connected with the auditor ceasing to hold office which should be brought to ASIC's attention

When the board of an Australian listed company appoints a new audit firm, shareholders have the opportunity to endorse, or otherwise, the new appointment at the annual general meeting, following the change.

Newly appointed audit firms should be well qualified to undertake the task on behalf of shareholders and also be free from conflicts of interest.

Capital structure, mergers, asset sales and other special transactions

Approvals and ratification of placements

ASX Listing Rule 7 limits listed companies from issuing more than 15% of equity on a non-pro rata basis in a 12-month period without shareholder approval. Companies can seek shareholder approval to exceed the 15% limit. BIS will consider each request to issue more than 15% of equity in a 12-month period on a case-by-case basis.

When requesting shareholder approval to issue more than 15% of equity on a non-pro rata basis companies should disclose:

- To whom it is proposed to issue the equity
- Details of any discounts to be offered and the rationale behind any proposed discount
- The basis of determining the issue price
- How the funds raised will be used
- Alternatives considered by the company
- Impact, if any on change of control
- Conversion rates on equity (if applicable)

Where the above information is not forthcoming and/or the approval may result in unnecessary dilution for a majority of shareholders, BIS will consider voting against the approval request.

Companies can also request the ratification of previous share placements in order for that placement not to count towards their annual 15% allocation. If on behalf of any funds BlackRock has participated in a placement that is subject to ratification by shareholders, then pursuant to Listing Rule 7, it is unable to vote on the proposal on behalf of those funds. BIS will register an abstention on behalf of any funds who participated in the particular placement.

Where BlackRock has not participated on behalf of any funds in a placement which shareholders are being asked to ratify for the purposes of Listing Rule 7, we look to companies to disclose the following information:

- To whom the equity was issued
- Details of any discounts to be offered and the rationale behind any proposed discount
- The basis of determining the issue price
- How the funds raised will be used
- Alternatives considered by the company
- Impact, if any on change of control
- Conversion rates on equity (if applicable)

Where the above information is not fulsome, BIS will consider voting against the ratification request.

Listing Rule 7A

For eligible companies seeking shareholder approval for the issuance of additional capital pursuant to Listing Rule 7A, we look to companies to disclose the following information, in addition to the requirements of Listing Rule 7A:

- The nature of proposed recipients i.e., sophisticated investors, cornerstone investor, strategic alliance
- Details of any discounts to be offered and the rationale behind any proposed discount
- The basis of determining the issue price
- Alternative capital raising methods considered by the company
- Conversion rates on equity (if applicable)

Mergers, asset sales, and other special transactions–

In reviewing merger and asset sale proposals, BIS' primary focus is the long-term economic interests of our clients as shareholders. While these proposals vary widely in scope and substance, we closely examine certain salient features in our analysis. We look for clear strategic, operational, and/or financial rationale for the combination. For mergers and asset sales, we assess the degree to which the proposed transaction represents a premium to the company's trading price.

In order to filter out the effects of pre-merger news leaks on the parties' share prices, we consider a share price from multiple time periods prior to the date of the merger announcement. In most cases, we look to business combinations to provide a premium. We may consider comparable transaction analyses provided by the parties' financial advisors and our own valuation assessments.

For companies facing insolvency or bankruptcy, a premium may not apply. Where the transaction involves related parties, we look to the board to establish a committee comprised of independent directors to review the transaction and report to shareholders. We look for a favourable business reason for the combination.

We look for unanimous board approval and arm's-length negotiations. We will consider whether the transaction involves a dissenting board or does not appear to be the result of an arm's-length bidding process. We may also consider whether executive and/or board members' financial interests in a given transaction appear likely to affect their ability to place shareholders' interests before their own.

Remuneration and benefits

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

BIS looks to a company's board of directors to put in place a remuneration structure that incentivizes and rewards executives appropriately and is linked with performance that aligns with shareholder interests, particularly the generation of long-term shareholder value. We look to the remuneration committee to consider the specific circumstances of the company and the key individuals the board is trying to incentivize. We look to companies to ensure that their remuneration plans incorporate appropriate and rigorous performance metrics consistent with corporate strategy and market practice. We use third party research, in addition to our own analysis, to evaluate existing and proposed remuneration structures. We may vote against members of the remuneration committee or equivalent board members for poor remuneration practices or structures.

When assessing remuneration policies and practices of ASX listed companies, BIS looks for a cogent explanation for the policies used. In respect to executive remuneration in particular, we look for a clear link to the board's stated strategy.

BIS looks for a clear link between variable pay and company performance that drives financial value creation. We are not supportive of one-off or special bonuses unrelated to company or individual performance. Where discretion has been used by the remuneration committee, we appreciate when disclosure relating to how and why the discretion was used, and further, how the adjusted outcome is aligned with the financial interests of shareholders. We acknowledge that the use of peer group evaluation by remuneration committees can help ensure competitive pay; however, we are concerned when the rationale for increases in total compensation at a company is solely based on peer benchmarking rather than a rigorous measure of outperformance.

We support incentive plans that foster the durable achievement of results consistent with the company's long-term strategic initiatives. We look for the vesting timeframes associated with incentive plans to facilitate a focus on long-term financial value creation. We believe consideration should be given to building claw back/malus provisions into incentive plans such that executives would be required to forgo rewards when they are not justified by actual performance and/or when remuneration was based on faulty financial reporting or deceptive business practices. We also look for recoupment from any senior executive whose behavior caused material financial harm to shareholders, material reputational risk to the company, or resulted in a criminal investigation, even if such actions did not ultimately result in a material restatement of past results.

We look to remuneration committees to guard against contractual arrangements that would entitle executives to material remuneration for early termination of their contract. Finally, we look to pension contributions and other deferred remuneration arrangements to be reasonable in light of market practice.

Non-executive director remuneration

The role of the non-executive director is to monitor the strategy, performance and remuneration of the executives and to protect the financial interests of shareholders in the long-term. We look to non-executive directors to receive sufficient remuneration to attract and retain suitably qualified non-executive directors and encourage them to undertake their role diligently.

The executive arm and any major shareholder should not have any undue influence over the remuneration of non-executive directors.

Structure of non-executive director remuneration

We look for non-executive director remuneration to be structured in such a way that it aligns the interests of the directors with those of the shareholders they represent. The structure of non-executive director remuneration should not provide any disincentive to resign from the board should an issue of conflict or any other issue that would impair a director's independence arise.

In our view, non-executive directors should receive a fixed annual fee, including additional fixed fees for board committee membership for their services. BIS supports non-executive directors entering into "salary sacrifice" arrangements whereby a portion of their fees is received by way of fully paid shares purchased on market. As noted above, we look to non-executive directors to have a meaningful shareholding in the company. Such arrangements assist in aligning the financial interests of non-executive directors with those of shareholders.

Cap on fees paid to non-executive directors

The Corporations Act requires shareholders to approve a cap on total cash fees paid to non-executive directors. When directors want to increase the fee cap, shareholder approval must be sought.

BIS considers requests for an increase in the fee cap on a case-by-case basis. In our view, the explanatory notes to the meeting should clearly explain why the increase is being sought, the proposed level of non-executive director fees, including additional amounts for service on committees and any proposed changes to the size of the board to be disclosed. Where a company's disclosures do not provide this information, BIS will consider voting against the requested increase in fee cap.

Option grants and performance-based remuneration to non-executive directors

BIS does not generally support the granting of options to non-executive directors as such securities do not have the same risk profile as the ordinary shares held by ordinary shareholders and therefore may not align the financial interests of directors with those of the shareholders they represent.

We look to non-executive directors to not receive performance-based remuneration as to do so would more closely align their interests with those of management, whose performance and remuneration they are intended to monitor on behalf of shareholders.

Where options or performance-based remuneration has been granted to non-executive directors, BIS will consider voting against any such proposals and the re-election of the chair of the remuneration committee who must take responsibility for such poor remuneration structures.

For smaller companies in a development/exploration phase such as biotech or mining companies, which typically have high cash burn rates and little or no income from operations, BIS may support the grant of options or share rights to non-executive directors where the options are issued in lieu of cash fees (as a cash saving measure), there are no performance conditions and full vesting occurs within 12 months of grant date.

Retirement benefits

We look to non-executive directors to not receive any form of service contingent retirement benefit apart from statutory superannuation remuneration. Such remuneration rewards a non-executive director solely for long service and may inhibit a non-executive director from resigning from the board if an issue of conflict or any other issue that would impair a director's independence arises.

Hedging of securities

Given the nature of the role of the non-executive director and his/her access to information, we look for non-executive directors to not enter into hedging arrangements relating to their direct and indirect shareholdings.

As discussed above, in certain circumstances BIS believes directors should disclose shares subject to margin calls.

Executive remuneration

Given the uniqueness of each Australian listed company, and the numerous industries represented on the ASX, we do not believe there is a "one size fits all" approach to the structure of executive remuneration. However, there are aspects of executive remuneration that can be considered to be part of an evolving framework. Where there is a significant departure from this framework, we look for a cogent explanation which will be taken into account by BIS when assessing executive remuneration issues.

Executive remuneration contracts

Disclosure to the ASX

Upon appointment of an executive director or where there have been material changes to the terms of an executive director's contract of employment, BIS looks for disclosure of the key features of contracts to the ASX. We look for such disclosure to include, but is not limited to the following features of the contract of employment:

- Period of the contract
- Quantum of fixed remuneration
- Structure of any performance-based remuneration
- Notice period and termination provisions
- Sign-on remuneration
- Retention provisions
- Post-employment restrictions on trade and consideration paid
- Post-employment consulting or advisory relationships
- Post-employment vesting of payments granted during employment
- Contractual provisions for conflicts of interest, including acceptance of payments from shareholders, employees, suppliers, customers and others with a pecuniary interest in company activities
- Change on control provision and the impact on variable remuneration
- Any other material issues which will assist shareholders to fully understand the terms

Length of contracts

While it is reasonable for a contract to have an initial maximum term of up to three years, in our view contracts should be renewed on a one year rolling contract basis. We look for such arrangements to minimize post-employment payments by the company to executives.

Where longer term contracts are entered into, or contracts are renewed for periods in excess of one year, we look for the reason for such approvals to be explained and justified by the remuneration committee.

Change of control provisions

We look for any change of control provisions that affect the remuneration arrangements of any key management personnel (KMP) to be disclosed in the remuneration report.

BIS believes that the remuneration committee should have discretion in relation to change of control provisions as the circumstances that may result in a change of control are varied and cannot be determined at the time contracts are entered into.

Elements of executive remuneration

Executive remuneration will generally, but not necessarily comprise some or all of the following elements:

- Fixed remuneration (not subject to performance conditions)
  - Base remuneration
  - Superannuation contributions
  - Non-monetary benefits
  - Non-performance contingent equity
  - Leave entitlements
  - Sign-on payments
  - Retention provisions
  - Termination provisions
- Performance based remuneration (subject to performance conditions)
  - Short term incentive (STI)
  - Long-term incentive (LTI)

Fixed remuneration

Fixed remuneration should reflect the responsibilities of the executive role taking into account, inter alia, business and geographical complexity. When assessing the appropriateness of the level of fixed remuneration, BIS will use the median of the company's market capitalization peer group as a reference. Where a CEO's fixed remuneration is significantly above the median of the company's market capitalization peer group, we look to companies to provide a cogent explanation in the remuneration report. We appreciate when peer companies used for comparison and remuneration setting are disclosed, in addition to the remuneration positioning relative to the peer group. We look for changes for both the peer group and fixed remuneration from prior years to be disclosed with a rationale provided.

We look for 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.

In case of a significant increase in fixed remuneration year-on-year that appears to be out of line with the rest of the workforce, we look to the company to provide a strong supporting rationale. In our view, large increases should not be justified principally by benchmarking but should progress in pace with the evolution of the scope of the role and its complexity. If justified by additional complexity, we look to companies to provide a detailed explanation of how the role has substantially changed. We do not see an increase in market capitalization of the company as an adequate proxy for the complexity of the role or an appropriate justification for an increase in salary.

We look to boards to consider the timing of any pay increase relative to the current performance of the company. Especially in the case of a merger or acquisition, boards should wait a number of years before increasing remuneration to ensure that the executives are delivering sustained performance.

Performance-based remuneration

Performance-based remuneration is an increasingly significant part of executive remuneration. Performance can be measured over periods as short as one year (short term incentives) or longer (long-term incentives). We look to the remuneration committee to clearly disclose in the remuneration report how it has determined the balance between short and long-term performance-based pay.

Performance metrics comprise both financial and non-financial measures. We appreciate when the remuneration report clearly discloses the rationale for each performance metric used, the rationale behind the balance between financial and non-financial metrics and how such metrics incentivize management to drive long-term sustainable performance of the company.

Short-term incentives

In our view, short-term incentives (STIs) should be linked to performance. We look for disclosure in the remuneration report to provide shareholders with an understanding of the maximum amount of STI award an executive can earn in a given year. For example, this may be expressed as a percentage of fixed remuneration.

We look to the remuneration report to clearly state the performance measures and the hurdles that are required to be met for an STI to vest. BIS does, however, accept that in the case of STIs, performance measures may involve commercially sensitive information. In such cases, BIS will recognise non-disclosure of future performance targets. Nonetheless, we look to companies to provide retrospective disclosure of the nature of the performance measure, the performance hurdle met and the percentage of the award that vested on an annual basis.

We appreciate when the remuneration report also explains why each STI performance measure was selected and the relationship of each performance measure to the company's stated short-term strategy.

We also appreciate when the remuneration report clearly discloses the performance measures that were met, the performance hurdle that was achieved and the amount of remuneration rewarded in respect of each performance measure for each KMP.

BIS also looks to companies to defer a significant portion of an annual performance-based award into equity which may vest over a period of around three years from grant date. Deferring a significant portion of an STI can encourage management to think beyond the initial 12-month performance period.

We appreciate when disclosure indicates if any discretion has been applied, any change in policy from prior years and any exceptions to policy in the reporting period and reasons for such departure.

BIS has concerns when executives appear to have been rewarded via an STI when short-term performance has been poor. In such situations, we look to companies to provide a cogent explanation regarding why management appears to have been rewarded for poor performance. BIS may consider voting against a remuneration report where there is a significant mismatch between performance and executive remuneration rewards.

Long-term Incentives: Link between long-term remuneration structure and company strategy

We look to companies to provide a clear link between the structure of a company's long-term incentive plans and the company's strategy. In our view, the link between executive remuneration structure and strategy should relate to the performance period and performance measures used. We look for explanations to address risk management.

Annual grants of awards

We appreciate when long-term incentive awards are made in annual grants rather than in an ad hoc manner. Annual grants allow the remuneration committee to use its discretion to amend the terms of grants as circumstances change. Exceptions may be made in start-up or transformational situations where specific and highly value adding milestones can be identified.

Board and remuneration committee discretion

When the terms for an LTI covering a period of between three and five years are set, it is not possible to be able to predict all circumstances which may impact the final outcome of the plan. Therefore, BIS believes the board should have discretion over the final outcome of any plan. Where discretion has been used by the board or remuneration committee that has impacted the outcome of a plan, we look to companies to disclose why and how the discretion was used.

Performance period

We look for the performance period chosen to be linked to the type of business and overall long-term strategy. For example, we would look to a company involved in the construction/operation of major infrastructure assets to have a performance period of not less than three years and preferably up to five years. For companies operating in the retail sector, where fast turnover of stock is essential, BIS recognises a performance period of less than three years. Where a performance period for a long-term incentive is less than three years, we would look to a company to provide a clear explanation for the short performance period and explain how this is linked to overall long-term strategy.

For the CEO and direct reports, in our view, there should be sufficient subsequent holding period beyond the vesting of awards to ensure the long-term focus by management. Such a holding period applies post departure of such executives.

Shareholding requirements

BIS believes that executives should build over time a meaningful holding in the company's shares by retaining vested equities. We look to executives of an ASX200 company to normally hold one times their salary in vested shares and the CEO to hold two times their salary.

Performance measures

There are many types of performance measures that can be used in an LTI plan. It is our view that there should be a relationship between the performance measures chosen, the type of industry in which the company operates, the key value drivers of the business and overall long-term strategy. We appreciate when the remuneration report or explanatory notes contain clear rationale regarding why the particular performance measures were chosen and how they relate to long-term strategy and key value drivers of the business.

Performance hurdle and calibration

In our view, the minimum performance hurdle that is required to be achieved before performance-based awards vest should involve above median performance. Maximum awards should only vest when there has been exceptional performance. Where accounting measures such as earnings per share or return on equity have been used, we appreciate when the remuneration report provides a clear explanation of the hurdle range that has been selected and why the range represents exceptional performance.

When cliff vesting (which involves a significant portion of awards vesting at a single measurement point) is used, we look for a cogent explanation for this type of structure to be provided. In BIS' view awards should vest on a sliding scale to ensure management is not focused on a single performance hurdle.

Multiple performance measures

BIS believes that the use of multiple performance measures in a long-term incentive plan will avoid focusing management on a single performance measure.

Remuneration vehicle

The remuneration vehicle is the form in which remuneration is delivered to the executive. For example, it may be in cash or salary sacrifice, a type of option or other equity-based vehicle.

Risk differentials of remuneration vehicles

Remuneration vehicles have differing risk profiles for the plan participant. For example, remuneration to be received in cash has little risk when compared with options granted with an exercise price equal to the market price of the security at grant date.

The use of remuneration vehicles such as options provides leveraged returns and accordingly, may increase management's appetite for risk beyond that expected by shareholders. We look to remuneration committees to ensure that the use of a particular remuneration vehicle will not result in excessive risk taking by management and should be aligned with the risk profile of the particular company and expectations of shareholders.

Options

Where options are used as the remuneration vehicle, we look to companies to provide comprehensive disclosure regarding the rationale for setting the exercise price. We appreciate when any proposal relating to option grants provides full details of the valuation of the grant at the date of grant.

Index linked options

Index linked options link the exercise price to the movement of a particular index and avoid executives achieving windfall gains due to market movements and also can maintain an incentive when the overall market has a significant negative correction. In our view, index linked options are appropriate only where the company has a fitting peer group of companies in order to establish an appropriate index.

Zero exercise price options (Zepo's)

Changes in Australian taxation legislation have made the use of Zepo's more attractive for executive remuneration plans. Zepo's have lower risk than traditional market priced options.

Disclosure

We look to the remuneration report to provide a sound explanation for the remuneration vehicle selected and how it is consistent with corporate strategy.

Number of securities to be granted as part of performance-based remuneration

We look to companies to use a consistent approach when determining the number of securities to be granted as part of an LTI. BIS is supportive of companies using a fair value that excludes any discount for vesting probability. This approach provides shareholders with a guide as to the maximum value of the grant based on the share price at grant date.

When performance-based securities have been granted under a long-term incentive plan (LTIP) during the reporting year, we appreciate when the remuneration report discloses the maximum number of securities granted to each KMP's (based on achieving maximum performance) as well as the number of securities to be granted when threshold performance is achieved.

BIS also looks for performance-based equity grants to KMP's to be valued and granted immediately after the annual general meeting (AGM) as information regarding the prior year's results and also released as part of the AGM to be embedded in the share price immediately after the AGM.

BIS does not support the use of valuing securities based on accounting standard Australian Accounting Standards Board (AASB) 2. This is due to the fact the accounting standard does not value securities subject to different performance measures on a consistent basis.

Where the methodology for valuing securities for the purpose of determining the quantum of securities to be issued has been changed, we look for a cogent explanation to be provided in either the explanatory notes accompanying the proposal or the remuneration report.

BIS will consider voting against proposals to grant securities to an executive and/or the remuneration report where, without explanation, the methodology for valuing the securities has not been disclosed or has changed, and/or the valuation process results in an inappropriate number of securities to be issued.

Types of performance measures

BIS believes the remuneration committee is in the best position to determine the appropriate performance measures to be used in a LTIP. As discussed above, we appreciate when the remuneration report clearly states why particular performance measures have been used, the link between those measures and the company's long-term strategy, as well as the performance conditions that are structured to prevent undue risk taking by executives.

The performance measures discussed below do not represent a finite list. BIS will consider other performance measures not discussed below on a case-by-case basis. In each case, BIS appreciates an explanation of why the measure was used, its link to long-term strategy and the potential impact of the measure on the behaviour of management. BIS will support any long-term performance measure where it is clear it will influence the behaviour of executives to act in the long-term financial interests of shareholders.

Share price targets/absolute total shareholder return (TSR)

BIS does not generally support performance measures that are based on share price targets or absolute TSR as such measures are more influenced by market forces than the contribution of the executives.

These measures may also result in executives being rewarded inappropriately as a result of a general rise in the market. The opposite can also occur when there is a significant negative correction in the market and executives who may have made a considerable contribution to the long-term sustainable growth of the company miss out on awards. This situation can lead to issues relating to retention and executive morale.

Relative TSR

In BIS' view, relative TSR is only useful at measuring the performance of management when an appropriate peer group can be found. Given the size and depth of the Australian market it is often difficult to find an appropriate peer group with which to measure relative performance.

The use of relative TSR against a general index (e.g. S&P/ASX 200) in BIS' view is not a particularly good measure as a company's TSR is measured against others which have differing business cycles, risk profiles and many other variables that influence performance. Management has very little influence over relative TSR.

Other relative measures may be appropriate if they reflect natural growth in the markets in which the company operates.

Accounting measures

Accounting measures are generally transparent and easily understood by shareholders, particularly when statutory earnings per share (EPS) have been used.

Some companies use “underlying” or “adjusted” accounting measures such as earnings per share. These measures are appropriate where there is an element of revenue or expense which may be outside the influence of management. In cases where an adjusted accounting measure has been used, we appreciated with disclosures of the rationale behind the use of an adjusted measure as well as disclosure of the reconciliation between statutory accounting measures and the adjusted measure are included. We look to companies using EPS to also exclude the potential short-term effects of share buybacks and acquisitions.

When assessing how challenging an accounting-based performance hurdle is, BIS will take into account analyst consensus forecasts at the time the hurdle was set.

Return on equity/capital employed

Capital efficiency measures are appropriate where significant investment is required, and the business is capital intensive. If capital return performance measures are used, we look for clear disclosure of the capital controls in place to avoid excessive leverage and hence risk.

Economic profit

Economic profit measures the value created in excess of the company's overall cost of capital. This measure is valid for capital intensive industries as it ensures that the cost of that capital is covered before executive awards are achieved. If used, we look for assurance that there are adequate board controls to review judgments exercised for assessing the cost of capital.

Milestone or operational measure

Milestone or operational performance hurdles can encourage alignment of management's actions with the company's long-term strategy. Where milestone performance measures are used, we look for the full disclosure of the performance measure and the performance hurdle. In BIS' view, it is not an appropriate rationale to claim that some milestone performance hurdles may contain commercially sensitive information. In such cases, we look for retrospective disclosure of performance against those measures, the hurdles and the percentage of awards vesting.

BIS will assess the appropriateness or otherwise of milestone performance measures on a case-by-case basis. BIS will take into account the type of management behaviour that such measures may encourage. For example, if the milestone is to produce a certain quantity of ore in a particular period, BIS would have concerns that this could encourage production to meet the milestone measure but ignores costs of production. Such behaviour is not, in BIS' view, in the long-term financial interests of shareholders.

Earnings before interest, tax, depreciation and amortization (EBITDA)

BIS does not generally support the use of EBITDA as a long-term performance measure unless a cogent explanation can be provided. EBITDA can be increased in the medium-term through acquisitions that ignore debt and quality of acquisitions. An EBITDA measure can encourage management to take undue risk in growing EBITDA through purchasing assets that may not provide long-term financial value to shareholders and can increase risk through excessive debt. The result in the medium term is increased EBITDA. However, the longer-term outcome may be undue increased risk to shareholders due to non-performing assets and increased debt.

Incorporation of risk factors in remuneration structures

As discussed above, pursuant to ASX Corporate Governance Council's Principle 7, listed companies should identify, assess, monitor and manage material business risk. The outcome of sound risk management is, in our view, the durability of earnings in the long-term.

We look to companies to explain the impact of the incentive framework on risk. If controls are not in place to encourage durable performance, then BIS looks for an explanation to be provided.

Where management has failed to manage identified risks, BIS looks for such failures reflected in the amount of performance-based remuneration that vests in the performance period where the risk management failure occurred. Where there has been a failure to manage risk, which has resulted in the loss of shareholder value and this has not reduced performance-based pay, BIS looks for a cogent explanation to be provided. If the specific remuneration structure does not incorporate risk, then we look for the remuneration committee to have discretion to reduce the level of performance-based pay when there has been a failure by management to manage key risks.

The type of risks that should be taken into account in remuneration structures could include, but are not limited to, safety and implementation and maintenance of information technology systems.

Where an earnings-based performance measure has been used, BIS looks to companies to disclose how identified risks are managed and not subject to cost cutting in order to increase the performance measure and accordingly performance-based pay and leave the company exposed to unmanaged risks.

Treatment of dividends

Where an equity-based remuneration vehicle has been used, it is important for dividends to be taken into account in the remuneration structure. This is because management, in our view, should not be influenced by the structure of their remuneration in respect of their capital management decisions. For example, if executives received options which have an exercise price equal to the market price at grant date, one way of increasing the value of the options is to not provide dividends during the performance period or undertake share buy-backs as an alternative to paying dividends.

Where an equity-based remuneration vehicle has been used, we look for dividends paid during the performance period to be held in trust until the equity vests and paid to executives on a pro rata basis in accordance with the equity that vests. The value of dividends should be disclosed as a component of remuneration.

To not take dividends into account in equity-based incentive schemes may lead to sub-optimal capital management decisions.

Sign-on awards

In cases where a newly appointed executive has forgone remuneration from a past employer in order to take on a new role, a company may reimburse the new executive by way of sign-on remuneration. Where such remuneration has been made, we look for full disclosure of the amount paid. BIS also looks for such remuneration to 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.

One-off awards

In our view, any one-off award should be based on very exceptional circumstances that we would look for detailed disclosure to explain. Without an adequate explanation, BIS may 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. BIS will also usually vote against retention awards as, in our experience, they are not an effective tool to retain employees.

Retention payments

Where an executive's contract has provision for a retention payment, we look for the remuneration report to provide full disclosure of such commitments. BIS looks for retention payments with an element of equity.

Termination payments

We look to companies to have executive contracts that are not structured in such a manner as to allow for large payouts as a consequence of poor and inadequate performance.

Currently, executive contracts can contain termination provisions that allow for a termination benefit of up to the value of 12 months base remuneration without seeking shareholder approval. BIS will assess on a case-by-case basis proposals which seek shareholder approval for a termination benefit that exceeds the value of one year's base remuneration.

A number of companies have sought shareholder approval for the early vesting of equity under an executive remuneration plan to be excluded from the calculation of any termination benefit. BIS looks for any unvested equity vest in the usual time frame for good leavers (see further below).

Post-employment and good leavers

BIS looks for incentive plans that ensure executives remain accountable for their legacy in the event they leave. Providing an executive is a good leaver, in our view, long-term plans, in particular, should remain "live" and are tested as usual at the end of the stated performance period. Such arrangements can ensure the selection and development of effective successors.

From BIS' perspective, a good leaver is one who 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.

Retesting

In BIS' view, a well-structured LTIP that has well-chosen performance measures, appropriate performance hurdles and involves annual grants of equity should not require retesting provisions.

However, BIS will assess retesting provisions on a case-by-case basis. Generally, BIS does not support a regime of continual retesting as this may distract management from a longer-term focus.

Hedging of securities

Given the nature of the role of KMP's and their access to information, in BIS' view it is inappropriate for executives to enter into hedging arrangements relating to their direct and indirect shareholdings as well as any unvested performance-based equity remuneration.

As mentioned above, in certain circumstances BIS believes KMP's should disclose shares subject to margin calls.

Dilution

To ensure that equity-based remuneration plans operate in a way that benefits both employees and shareholders, we look to companies to set a limit on the amount of dilution that can occur across all plans that a company may have. In the case of companies which have a mature business, we look to companies to set a total limit on dilution across all plans, including issued securities subject to plan rules, not exceeding 5% of total issued capital. We look to companies wanting a limit in excess of 5% to seek shareholder approval.

For companies in an exploration/evaluation/development phase which have a high cash burn rate, providing remuneration to employees, executives and non-executive directors in the form of equity is a means of preserving cash, a limit of up to 10% of issued capital is acceptable.

Disclosure of equity based LTI's

To allow BIS to compare remuneration practices of the companies in which we invest, we appreciated disclosure, in respect of each KMP, of the fair value at grant date of all equity-based remuneration grants, excluding any discounts for the probability of vesting.

Requests for approval of equity grants

ASX Listing Rule 10.14 requires shareholder approval of equity grants that are dilutive to shareholders. We look for the explanatory notes accompanying such proposals to provide full details of the director's remuneration package including fixed remuneration, short-and long-term incentives as well as termination provisions. Without this information, BIS may be unable to support the proposal. We appreciate when the explanatory notes also disclose the impact on the structure of the executive's remuneration if the proposal is not passed at the shareholder meeting, i.e. would an equivalent amount be delivered in an alternate pay vehicle such as cash.

Approach to assessing remuneration policies of smaller companies

Listed on the ASX are companies that are in an exploration/evaluation/development phase. Often the only revenue is interest, and such companies may have a high cash burn rate. These companies likely do not have remuneration structures that incorporate accounting performance measures and relative return measures. BIS will assess the remuneration policies of these companies on a case-by-case basis with the focus taking into account the particular phase that the company is in, the quantum of remuneration paid to executives and non-executive directors and the potential for unreasonable dilution of shareholders' equity. As these companies move into a production phase BIS looks to companies' remuneration practices to evolve to reflect the change in operational status of the company.

Voting on remuneration reports

BIS assesses remuneration reports on a case-by-case basis when determining whether or not to provide support. BIS will take into account all issues described above and how the structure will encourage management to behave in a manner which is in the long-term financial interests of shareholders. BIS will not support remuneration reports where the outcome of the remuneration structures could result in rewards for poor performance and/or there is no link between remuneration structures and the company's stated strategy.

Material sustainability-related risks and opportunities

It is our view that well-managed companies will effectively evaluate and manage material sustainability-related risks and opportunities relevant to their businesses.[7] As with all risks and opportunities in a company's business model, appropriate oversight of material sustainability considerations is a core component of having an effective governance framework, that supports durable, long-term financial value creation.

Robust disclosure allows for investors to effectively evaluate companies' strategy and business practices related to material sustainability-related risks and opportunities. We find it helpful when companies' disclosures demonstrate that they have a resilient business model that integrates material sustainability-related risks and opportunities into their strategy, risk management, and metrics and targets, including industry-specific metrics. The International Sustainability Standards Board (ISSB) standards, IFRS S1 and

[7] By material sustainability-related risks and opportunities, we mean the drivers of risk and financial value creation in a company's business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management, and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty, and relationships with regulators.

S2[8] may prove helpful to companies in preparing this disclosure. The standards build on the Task Force on Climate-related Financial Disclosures (TCFD) framework and the standards and metrics developed by the Sustainability Accounting Standards Board (SASB), which have converged under the ISSB. We recognise that companies may phase in reporting aligned with the ISSB standards over several years. We also recognise that some companies may report using different standards, which may be required by regulation,[9] or one of a number of voluntary standards. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

We note that climate and other sustainability-related disclosures often require companies to collect and aggregate data from various internal and external sources. We recognize that the practical realities of data-collection and reporting may not line up with financial reporting cycles and companies may require additional time after their fiscal year-end to accurately collect, analyse and report this data to investors. That said, while we do not prescribe timelines regarding when companies make these disclosures, we look to them to produce climate and other sustainability-related disclosures sufficiently in advance of their annual meeting, to the best of their abilities to provide investors with time to assess the data and make informed decisions.

Companies may also choose to adopt or refer to guidance on sustainable and responsible business conduct issued by supranational organisations such as the United Nations or the Organization for Economic Cooperation and Development. Further, industry initiatives on managing specific operational risks may provide useful guidance to companies on best practices and disclosures. While not a voting item, we find it helpful to our understanding of investment risk when companies disclose any relevant global climate and other sustainability-related standards adopted, the industry initiatives in which they participate, any peer group benchmarking undertaken, and any assurance processes to help investors understand their approach to sustainable and responsible business practices. We will express any concerns through our voting when a company does not appear to be adequately managing material business risks.

Climate and nature-related risk

In our view, the transition to a low-carbon economy is one of several mega forces reshaping markets.[10] Our research shows that the low-carbon transition is a structural shift in the global economy that will be shaped by changes in government policies, technology, and consumer and investor preferences, which may be material for many companies.[11] Yet the path to a low-carbon economy is uncertain and uneven, with different parts of the economy moving at different speeds. BIS recognises that it can be challenging for companies to predict the impact of climate-related risk and opportunity on their businesses and operating environments. Many companies are assessing how to navigate the low-carbon transition while delivering long-term financial value to investors. At companies where these climate-related risks are material, we find it helpful when they publicly disclose, consistent with their business model and sector,

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[8] The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The objective of IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

[9] Under Australia's Corporation Act 2001, reporting entities are required to prepare a sustainability report as of 1 January 2025. Please see: Australian Securities & Investments Commission, "Sustainability reporting" and "RG 280 Sustainability reporting", March 2025.

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

[11] BlackRock Investment Institute, "Evolving energy transition, evolving opportunities", February 2025.

how they intend to deliver long-term financial performance through the transition to a low-carbon economy, including where available, their transition plan.[12]

In our experience, disclosure consistent with the ISSB standards or the TCFD framework can help investors assess company-specific climate-related risks and opportunities, and inform investment decisions.[13] Such disclosures also provide investors with insights into how companies are managing the risks associated with climate change by managing their own carbon emissions or emissions intensities to the extent financially practicable. Recognising the value of these disclosures, in some jurisdictions, like the U.K, large companies must disclose such climate-related financial information on a mandatory basis, while in other jurisdictions these disclosures are viewed as best practice in the market.

Consistent with the ISSB standards and the TCFD framework, we seek to understand, from company disclosures and engagement, the strategies companies have in place to manage material risks to, and opportunities for, their long-term business model associated with a range of climate-related scenarios. This includes a scenario in which global warming is limited to well below 2°C, considering ambitions to achieve a limit of 1.5°C, the temperature goal recently reaffirmed by G20 members as part of the 2024 Leaders' Declaration.[14]

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

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

We look to boards to oversee management's approach to addressing material climate risk in a company's business model and may convey concerns about board oversight in our voting on director elections or supporting a business relevant shareholder proposal when, in our assessment, the board is not acting in shareholders' long-term financial interests.

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[12] We have observed that more companies are developing such plans, and public policymakers in a number of markets are signaling their intentions to require them or already have requirements in place, such as Australia, Brazil, and the European Union. We view transition plans as a method for a company to both internally assess and externally communicate its long-term strategy, ambition, objectives, and actions to create financial value through the global transition towards a low-carbon economy. Transition plans are building momentum internationally, with increased focus from policy makers and supervisors, including in the EU, UK, G7, G20, and from the financial industry. While many initiatives across jurisdictions outline a framework for transition plans, there is no consensus on the key elements these plans should contain. We view useful disclosure as one that communicates a company's approach to managing financially material business relevant risks and opportunities – including climate-related risks – to deliver long-term financial performance, which allows investors to make more informed decisions. While transition plans can be helpful disclosure, BIS does not make the preparation and production of transition plans a voting issue. BIS may engage companies that have chosen to publish a transition plan to understand their planned actions and resource implications.
[13] BlackRock, "Global perspectives on investing in the low-carbon transition", June 2023. We recognize that companies may phase in reporting aligned with the ISSB standards over several years, depending on local requirements. We also recognize and respect that some companies may report using different local standards, which may be required by regulation, or one of a number of voluntary standards. In such cases, we ask that companies disclose their rationale for reporting in line with the specific disclosure framework chosen and highlight the metrics that are industry- or company-specific.
[14] In November 2024, G20 members reaffirmed the Paris Agreement temperature goal as part of the Leaders' Declaration. G20 members include the world's major economies (19 countries and two regional bodies, the European Union and African Union), representing 85% of global Gross Domestic Product, over 75% of international trade, and about two-thirds of the world population.

Furthermore, a noteworthy development in some markets is the submission of management proposals in which companies ask shareholders to approve their climate action plans or progress reports, sometimes known as "Say on Climate". BIS takes a case-by-case approach to voting on these proposals. BIS is likely to support these proposals when a company can demonstrate that the oversight of, and processes to manage, material climate-related risks and opportunities are robust and aligned with the long-term financial interests of shareholders. Sometimes shareholders table such proposals, which we may support if there is not a similar management proposal and, in our assessment, additional information may be useful for investors to determine if management is adequately addressing material climate-related risks and opportunities in the company's business model.

In addition to climate-related risks and opportunities, the management of nature-related factors is increasingly a component of some companies' ability to generate durable, long-term financial returns for shareholders, particularly where a company's strategy is heavily reliant on the availability of natural capital, or whose supply chains are exposed to locations with nature-related risks. We look for such companies to disclose how they manage any reliance and impact on, as well as use of, natural capital, including appropriate risk oversight and relevant metrics and targets, to understand how these factors are integrated into strategy. We will evaluate these disclosures to inform our view of how a company is managing material nature-related risks and opportunities. We rely on company disclosures when determining how to vote on shareholder proposals addressing natural capital issues. Our publicly available commentary provides more information on our approach to natural capital.[15]

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

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

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

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

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

Human capital management

A company's approach to human capital management ("HCM") is a critical factor in fostering an inclusive, diverse, and engaged workforce, which contributes to business continuity, innovation, and long-term financial value creation. Consequently, askew look to companies to demonstrate a robust approach to HCM and provide shareholders with clear and consistent disclosures to help investors understand how a company's approach aligns with its stated strategy and business model.

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

Shareholder proposals

In most markets in which BlackRock invests on behalf of clients, shareholders have the right to submit proposals to be voted on by shareholders at a company's annual or extraordinary meeting, as long as eligibility and procedural requirements are met. The matters that we see put forward by shareholders address a wide range of topics, including governance reforms, capital management, and improvements in the management or disclosure of environmental and social risks.

BlackRock is subject to legal and regulatory requirements in the U.S. that place restrictions and limitations on how BlackRock can interact with the companies in which we invest on behalf of our clients, including our ability to submit shareholder proposals. We can vote, on behalf of clients who authorize us to do so, on proposals put forth by others.

When assessing shareholder proposals, we evaluate each proposal on its economic merit, considering the company's individual circumstances and maintaining a singular focus on the proposal's implications for long-term financial value creation. BIS' evaluation considers whether a shareholder proposal addresses a material risk that, if left unmanaged, may impact a company's long-term performance. We look for consistency between the specific request formally made in the proposal, the supporting documentation, and the proponents' other communications on the issues. We also assess the company's practices and disclosures and the costs and benefits to the company of meeting the request made in the proposal. We take into consideration a company's governance practices and disclosures against those of its peers._

In our experience, it is helpful when companies disclose the names of the proponent or organization that has submitted or advised on the proposal.

We would not support proposals that we believe would result in over-reaching into the basic business decisions of the company, are unduly prescriptive or constraining on management. We take into consideration the legal effect of the proposal, as shareholder proposals may be advisory or legally binding depending on the jurisdiction.

BIS is likely to support shareholder proposals that request disclosures that help us, as long-term investors on behalf of our clients, better understand the material risks and opportunities companies face and how they are managing them, especially where this information is additive given the company's existing disclosures. We may also support shareholder proposals that are focused on a material business risk that we agree needs to be addressed and the intended outcome is consistent with long-term financial value creation.

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

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 favor might accelerate efforts to address a material risk.

General corporate governance matters

Amendments to constitutions

These proposals vary from routine changes to reflect updates to the Corporations' Act, Listing Rules and other regulatory revisions to significant changes that substantially change the governance of the company. BIS will review such proposals on a case-by-case basis and support those that we believe are in the financial interests of shareholders. We will not support proposals that will result in reducing the rights of shareholders.

Bundled proposals

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

Reincorporation

Proposals to reincorporate from one state or country to another are most frequently motivated by considerations of anti-takeover protections or cost savings. Where cost savings are the sole issue, we will typically support reincorporation. In all instances, we will evaluate the changes to shareholder protection under the new charter/articles/by-laws to assess whether the move increases or decreases shareholder protections. Where we find that shareholder protections are diminished, we will support reincorporation if we determine that the overall benefits outweigh the diminished rights.

Voting Choice

BlackRock offers Voting Choice, a program that provides eligible clients with more opportunities to participate in the proxy voting process where legally and operationally viable.

Voting Choice is currently available for eligible clients invested in certain institutional pooled funds in the U.S., UK, Ireland, and Canada that utilize certain equity index investment strategies, as well as eligible clients in certain institutional pooled funds in the U.S., UK, and Canada that use systematic active equity (SAE) strategies. In addition, institutional clients in separately managed accounts (SMAs) continue to be eligible for BlackRock Voting Choice regardless of their investment strategies.[16] BlackRock also launched a U.S. Program to offer proxy voting to eligible shareholder accounts in a U.S. Fund. [17]

As a result, the shares attributed to BlackRock in company share registers may be voted differently depending on whether our clients have authorized BIS to vote on their behalf, have authorized BIS to vote in accordance with a third-party policy, or have elected to vote shares in accordance with their own policy. Our clients have greater control over proxy voting because of Voting Choice. BlackRock does not disclose client information, including a client's selection of proxy policy, without client consent.

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[16] With Voting Choice, SMAs have the ability to select from a set of voting policies from third-party proxy advisers the policy that best aligns with their views and preferences. BlackRock can then use its proxy voting infrastructure to cast votes based on the client's selected voting policy.
[17] Read more about BlackRock Voting Choice on our website.

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