BlackRock Investment Stewardship

Proxy voting guidelines for Benchmark Policies – South Asian securities

Effective as of January 2025

BlackRock

Contents

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.

The universe we cover in South Asia includes but is not limited to Bangladesh, India, Pakistan and Sri Lanka. These guidelines focus primarily on Indian securities, with the framework for India's corporate governance practices being contained in The Companies Act, 2013[2] and the Companies (Amendment) Act 2017[3] (Companies Act), as well as the Securities and Exchange Board of India Listing Obligations and Disclosure Requirements Regulations 2015[4] and the subsequent SEBI LODR (Amendment) Regulations (LODR). The prevailing regulations for other South Asian markets apply.[5]

Our approach to voting and corporate engagement is also informed by guidance on exercising ownership responsibilities issued by organizations such as the United Nations (the Principles of Responsible Investment) and the International Corporate Governance Network. We are actively involved in these and a number of other regional and global organizations and believe our principles are consistent with their guidance.

Key themes

These guidelines will be used to assist BlackRock in assessing proposals presented at shareholder meetings. When assessing any proposal put to shareholders, BlackRock takes into account the unique circumstances of the relevant company and our assessment of the impact of such a proposal on the sustainable growth of the company. We may engage with management or members of the board, as appropriate, to help build our understanding of a company's management of material risks and opportunities and/or inform our vote decisions on behalf of clients. We do not direct companies on how they should manage their business, nor do we set targets or deadlines as that responsibility lies with management, with input from the board. We do not and have never used engagement as a tool to exert control or undue influence over the decisions that rightfully belong to management.

---

[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.
[2] The Companies Act, 2013 (India).
[3] The Companies (Amendment) Act, 2017.
[4] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
[5] For listed companies in Bangladesh, the primary corporate governance regulations are outlined in the Bangladesh Securities and Exchange Commission (BSEC) Corporate Governance Code 2018; for listed companies in Pakistan, the primary corporate governance regulations are outlined in the Securities and Exchange Commission of Pakistan (PSEC) Listed Companies (Code of Corporate Governance) Regulations, 2019; for listed companies in Sri Lanka, the primary corporate governance regulations are outlined in Section 9 of the Colombo Stock Exchange Listing Rules and the Institute of Chartered Accountants of Sri Lanka's Code of Best Practice on Corporate Governance 2023.

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, related-party and other special transactions
- Compensation and benefits
- Material sustainability-related risks and opportunities
- Shareholder proposals
- Other corporate governance matters
- Voting Choice

Boards and directors

We consider it 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 interests of investors. We look for 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 shareholders 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 fulfillment of the company's strategy.

Where a company has not adequately disclosed and demonstrated that its board has fulfilled these corporate governance and risk oversight responsibilities, we may consider voting against the re-election of directors who, on 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 its governance, business practices that support durable, long-term financial value creation, and performance. Set out below are factors we may take into consideration.

Regular accountability

To ensure accountability for their actions on behalf of shareholders, directors should stand for election on a regular basis, ideally annually. 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.

Effective board composition

Regular director elections also give boards the opportunity to adjust their composition in an orderly way to reflect developments in the company's strategy and the market environment. In our view, it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking while supporting both continuity and appropriate succession planning. We consider the average overall tenure of the board, and seek a balance between the knowledge and experience of longer-serving directors and the fresh perspectives of directors who joined more recently.

We look to companies to regularly review the effectiveness of their board (including its size), and assess directors nominated for election in the context of the composition of the board as a whole. In our view, the company's assessment should consider a number of factors, including each director's independence and time commitments, as well as the breadth and relevance of director experiences and skillsets, and how these collectively contribute to the board's effectiveness in advising and overseeing management in delivering long-term financial returns.

We believe that directors are in the best position to assess the composition and optimal size of the board but we would be concerned if a board seemed too small to have an appropriate balance of directors or too large to be effective.

We look to the board to establish a robust process to evaluate the performance of the board as a whole and the contributions of each director. BlackRock believes that annual performance reviews of directors and the board contribute to a more efficiently functioning board.

Board independence

Clause 49 of LODR requires a board to comprise of no less than 50% non-executive directors. Where the chairman of the board is a non-executive director, at least one third of the board should comprise of independent directors (INEDs);[6] where the chairman is an executive, at least 50% of the board should comprise of independent directors. BlackRock looks for proxy statements to disclose information regarding the independence of directors.

There are companies controlled by the government of India known as Public Sector Undertakings (PSU) where the government holds more than 51% and have authority to nominate and remove independent directors. We view this as antithetical to the directors being truly independent with regard to proposals where the government may have a potential conflict of interest with the PSU. BlackRock may vote against these candidates at PSUs and other government-affiliated companies if we have concerns with the independence of the nomination process or the candidates.

In cases where the structure of the board, without explanation, does not comply with the LODR, BlackRock may consider voting against the re-election of the chair of the nomination committee, members of the nomination committee, and/or the chair of the board.

Assessment of independence

We look to boards to have 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

[6] Independence is defined under the Companies Act, 203 section (47).

ability to oversee management. Common impediments to independence may include but are not limited to:

- Current or recent employment at the company or a subsidiary without sufficient cooling-off period[7]
- Being appointed a director without sufficient cooling-off period from the last role at affiliated entities[8]
- Being, or representing, a shareholder with a substantial shareholding in the company
- Having any other interest, business, or other relationship which could, or could reasonably be perceived to, materially interfere with a director's ability to act in the best interests of the company and shareholders
- An immediate family member of any of the aforementioned
- Interlocking directorships

Independent board leadership

In our experience, boards are most effective at overseeing and advising management when there is a senior, independent board leader. This director may chair the board, or, where the chair is also the CEO (or is otherwise not independent), be designated as a lead independent director. The role of this director is to enhance the effectiveness of the independent members of the board through shaping the agenda, ensuring adequate information is provided to the board, and encouraging independent director participation in board deliberations. We look for the lead independent director or another appropriate director to be available to meet with shareholders in those situations where an independent director is best placed to explain and contextualize a company's approach.

Length of service

BlackRock believes that shareholders are best served when there is orderly renewal of the board. This should result in directors with accumulated experience while at the same time introduce fresh minds and experience to the board as well as provide adequate succession planning. An effective renewal process will ensure independent directors do not serve for such lengths of time that their independence may be impaired.

According to the 2013 Companies Act Section 149 (10) and (11), an independent director may serve up to two consecutive terms of five years each (10 years in total). BlackRock may consider voting against the re-election of a long-tenured independent director beyond their ten-year term.

Board composition

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. 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.

---

[7] BIS generally expects a cooling-off period of at least five years when evaluating a director's independence. Any cooling-off period shorter than five years should be accompanied by cogent explanations for BIS to consider on a case-by-case basis.
[8] Please see previous footnote.

It is in this context that we are interested in a variety of experiences, perspectives, and skillsets in the board room. 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.

The Companies Act stipulates that all listed companies have at least one female director.[9] As such, in line with this rule, we look to all companies to have at least one female board director. In the absence of such, we may vote against the re-election of director(s) deemed responsible for the lack of female representation on such boards.

Nomination procedure

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

When nominating new directors to the board, we look to companies to provide sufficient information on the individual candidates so that shareholders can assess the suitability of each individual nominee and the overall board composition. We appreciate when these disclosures give an understanding 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. Where such information is not provided, we may consider voting against the re-election of members on the nomination committee.

Disclosure of director information

BlackRock appreciates when the following information is disclosed in the annual report and company website, and the meeting circular when a director is seeking election/re-election:

- Directors’ full name and age
- Date appointed to the board (in the case of re-elections)
- Brief biography detailing the directors’ educational background, working experience, and any other board positions held
- Specific discussion on the skills and experience the director is expected to contribute to the board
- The company’s assessment of the director’s independence including details of any current dealings with the company

Particularly when a director is seeking election/re-election, it is imperative the above information is provided to allow us to determine whether to support the appointment. Where this information is not forthcoming, BlackRock may consider voting against the election/re-election of that director.

Sufficient capacity

As the role and expectations of a director are increasingly demanding, we look to directors to commit an appropriate amount of time to board and committee matters. It is important that directors have the

[9] The Companies Act, 2013 (India).

capacity to meet all of their responsibilities - including when there are unforeseen events – and therefore, taking on an excessive number of roles could impair their ability to fulfill their duties.

BlackRock looks to companies to provide a clear explanation of the capacity to contribute in situations where a board candidate is a director serving on more than six public company boards. When looking at the number of board mandates, BlackRock will consider if the board memberships are of listed companies in the same group and/or for similar sectors.

BlackRock may vote against the election/re-election of a director where there is a risk the director may be over-committed in respect of other responsibilities and/or commitments (taking into account outside employments and/or board mandates on private companies/investment trusts/foundations). In the case of an executive director, we would vote against his/her election/re-election only at external boards.

BlackRock may vote against the election/re-election of an outside executive as the chairman of the board as we look for the chairman to have more time availability than other non-executive board members. We appreciate when the company to explain why it is necessary for an external executive to lead the board of directors.

Meeting attendance

We look to directors to ensure they attend all board and relevant committee meetings. BlackRock may consider voting against a director who demonstrates a poor pattern of meeting attendance, unless compelling reasons for the absenteeism have been disclosed. However, BlackRock may 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, compensation, risk and any other issues deemed important. Board committees can also provide an important role dealing with conflicts of interests.

BlackRock looks to all companies to establish an audit committee, a remuneration committee, and a nomination committee. We look to all committees to have written terms of reference which should, inter alia, clearly set out the committee's roles and responsibilities, composition, structure, membership requirements and the procedures for inviting non-committee members to attend meetings. All committee terms of reference should be available to investors.

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

Audit committee

We look to the audit committee to comprise only non-executive directors and at least two-thirds independent directors, an independent chair and at least one director having appropriate accounting or related financial background.

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

BlackRock generally does not support the election of an executive director on to the audit committee. Where the audit committee does not comprise two-thirds independent directors or the chair is not independent, BlackRock may consider voting against the election of the non-independent members of the audit committee particularly if there are other corporate governance issues. Further, where there is evidence showing failure of the audit committee relating to the preparation of financial statements, fraud and general accountability to shareholders, we will consider voting against the re-election of members of the audit committee.

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

Nomination and remuneration committee

SEBI LODR[10] requires Indian companies to establish a nomination and remuneration committee, which should comprise only non-executive directors, at least two-thirds independent directors, and have an independent chair. The regulation allows for the chair of the board, whether executive or non-executive, to be a member of the nomination and remuneration committee, but that person cannot chair the committee.

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

- The company's compensation, recruitment, retention and termination policies for senior executives
- Executive director and senior executives' fixed and performance-based compensation to ensure that executives are motivated to pursue the long-term growth and success of the company
- The compensation framework for non-executive directors
- 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 corporation governance report in the annual report
- The appointment and re-election of directors

[10] Regulation 19, Chapter III, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (India).

- Maintaining a watching brief on the development of management and potential for senior executive succession planning from the level below senior executives

BlackRock may consider voting against the re-election of the chair/members of the nomination and remuneration committee when we have concerns about the exercising of its responsibilities or composition.

In addition, BlackRock may also consider voting against the director(s) deemed responsible in the following circumstances, including but not limited to:

- If the composition of the board continues to reflect poor succession planning, renewal or other composition deficiency
- 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 material conflict of interest that poses a risk to shareholders
- If the committee fails to hold a meeting in the reporting year
- If the committee is not chaired by an independent director

Auditors and audit-related issues

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

We look to audit committees or equivalent to have clearly articulated charters that set out the committee's responsibilities and have a rotation plan in place that allows for a periodic refreshment of the committee memberships 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 unexplained changes in reporting methodology, cases involving significant financial restatements or ad hoc notifications of material financial weakness. In this respect, audit committees should 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 consider it good practice when the audit or risk committee periodically reviews 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.

NM0425U-4452616-10/20

Under the Companies Act, with shareholder approval, a company must appoint an individual or firm as an auditor who shall hold office for a five-year term at its annual general meeting.[11] There is also a mandatory rotation of auditors – no company can appoint or re-appoint an individual as an auditor for more than one term of five consecutive years, and an audit firm for more than two terms of five consecutive years.

BlackRock looks to the audit firms to be well qualified to undertake the task on behalf of shareholders. When a listed company proposes to appoint a different audit firm, BlackRock looks to the company to provide a reasonable explanation for changing its audit firm, assuring shareholders that there are no disputes with company management connected with the auditor ceasing to hold office. If significant concerns about issues such as the integrity of the financial statements or the auditors are identified, where no explanation is provided, BlackRock may consider voting against the appointment of a new audit firm or (re-)appointment of the interim auditor and against the re-election of members on the audit committee, especially if the change of auditor has not been brought up for shareholders' vote in the first place.

Capital structure, mergers, asset sales, related-party and other special transactions

The capital structure of a company is critical to shareholders as it impacts the value of their investment and the priority of their interest in the company relative to that of other equity or debt investors. Pre-emptive rights are a key protection for shareholders against the dilution of their interests.

Dual class shares

Effective voting rights are basic rights of share ownership and a core principle of effective governance. Shareholders, as the residual claimants, have the strongest interest in protecting company value, and voting rights should match economic exposure, i.e. one share, one vote.

In principle, we disagree with the creation of a share class with equivalent economic exposure and preferential, differentiated voting rights. In our view, this structure violates the fundamental corporate governance principle of proportionality, and results in a concentration of power in the hands of a few shareholders, thus disenfranchising other shareholders and amplifying any potential conflicts of interest.

However, we recognize that in certain markets, at least for a period of time, companies may have a valid argument for listing dual classes of shares with differentiated voting rights. In our view, such companies should review these share class structures on a regular basis or as company circumstances change. Additionally, we look to them to seek shareholder approval of their capital structure on a periodic basis via a management proposal at the company's shareholder meeting. We consider it good practice when the proposal gives unaffiliated shareholders the opportunity to affirm the current structure or establish mechanisms to end or phase out controlling structures at the appropriate time, while minimizing costs to shareholders.

As always, independent directors are expected to protect the interests of all shareholders and BlackRock may vote against the re-election of independent directors in companies with dual class share structures if valid concerns arise relating to the economic interests of unaffiliated shareholders being compromised.

---

[11] Pursuant to the Companies (Amendment) Act 2017, companies are no longer required to seek annual ratification of the auditor appointment from the next annual general meeting until the expiry of the appointed auditor's term.

NM0425U-4452616-11/20

Mergers, asset sales and other special transactions

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

Related-party transactions

The provisions of the LODR, as amended by the SEBI LODR (Sixth Amendment) Regulations, 2021, effective April 1, 2022, mandates prior approval of shareholders by means of an ordinary resolution for all material related party transactions (RPTs) and subsequent material modifications as defined by the audit committee, even if such transactions are in the ordinary course of business of the concerned company and at an arm's length basis.[12]

When assessing RPTs, BlackRock looks for the company to provide adequate disclosure as prescribed by SEBI,[13] which includes but not limited to:

- The details and justification for an RPT
- A statement that the valuation or external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders
- The percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis
- Any other relevant information

Further, where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, we look for companies to provide additional disclosures on:

- The details of the source of funds in connection with the proposed transaction
- Where financial indebtedness is incurred: the nature of indebtedness, cost of funds and tenure
- Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security
- The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT

---

[12] Effective from April 1, 2022, a transaction with a related party shall be considered material if the transaction(s) to be entered into, either individually or taken together with previous transactions during a financial year, whether directly and/or through its subsidiary(ies), exceed(s) INR 10 billion, or 10 percent of the annual consolidated turnover as per the last audited financial statements of the listed entity, whichever is lower.

[13] Securities and Exchange Board of India, Disclosure obligations of listed entities in relation to Related Party Transactions, SEBI/HO/CFD/CMD1/CIR/P/2021/662 (Issued on November 22, 2021).

Where the above information is not disclosed or action is not taken to protect the rights of independent shareholders, BlackRock may consider voting against such proposals.

Executive compensation and benefits

One of the most important roles for a company's board of directors is to put in place a compensation structure that incentivizes and rewards executives appropriately. We look for a clear link between variable pay and a company's operational and financial performance. Performance metrics should be stretching and aligned with a company's strategy and business model. BIS does not have a position on the use of sustainability-related criteria in compensation structures, but, where they are included, we look to companies to be as rigorous as they would be in setting other financial or operational targets. Long-term incentive plans should encompass timeframes that 1) are distinct from annual executive compensation structures and metrics, and 2) encourage the delivery of strong financial results over a period of years.

When designing, reviewing, and approving executive compensation policies, we look to board remuneration committees – or board members responsible for setting executive compensation – to carefully consider the specific circumstances, such as the company's risk profile, the environment in which it operates, and the individuals the board is trying to attract and incentivize. We look to remuneration committees to guard against contractual arrangements that would entitle executives to material compensation for early termination of their employment. Finally, we look to pension contributions and other deferred compensation arrangements to be reasonable, in light of market practices.

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 or its equivalent, we appreciate disclosure relating to how and why the discretion was used, and how the adjusted outcome is aligned with the 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 also considering rigorous measures of outperformance. We look to companies to clearly explain how compensation outcomes have rewarded performance.

We look to boards to consider building clawback provisions into incentive plans such that companies could clawback compensation or require executives to forgo awards when compensation was based on faulty financial statements or deceptive business practices. We also favor recoupment from or the foregoing of the grant of any awards by 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 use third party research, in addition to our own analysis, to evaluate existing and proposed compensation structures. We may vote against members of the remuneration committee or equivalent board members for poor compensation practices or structures.

Appointment of executive directors and approval of remuneration package

A routine proposal for Indian shareholder meetings is the appointment of executive directors for a period of up to five years and approval of their remuneration packages in a bundled proposal. Unless BlackRock has concerns regarding the past performance of the executive directors and/or the remuneration packages appear, without explanation, to be excessive, such proposals are generally supported.

Non-executive director compensation

Under the Companies Act, non-executive directors are eligible to be paid sitting fees and profit-related commission. Shareholder approval is not required for the payment of sitting fees for non-executive directors, which is capped at one lakh rupees per board or committee meeting.[14] The commission, usually expressed as a lumpsum amount up to 1 percent of the net profits of the company (if there is a managing or whole-time director or manager) and 3 percent otherwise, requires shareholder approval via an ordinary resolution. Such authority is usually valid for a period of up to five years. BlackRock will normally support such proposals unless compensation or disclosure-related issues have arisen in the past.

Equity-based incentive plan

Under regulations,[15] shareholders of the company must approve equity-based incentive schemes for employees through a special resolution in the general meeting. Promotor directors and any director who, either by themselves or their relatives, or through any corporate entity that either directly or indirectly, holds more than 10 percent of a company's outstanding equity shares, are not eligible to participate. Independent directors are also not eligible to receive stock options.

To ensure that equity-based compensation plans operate in a way that benefits both employees and shareholders, BlackRock looks to see a limit on the amount of dilution that can occur across all plans. BlackRock may consider voting against a plan if it may lead to over 10 percent cumulative dilution over ten years inclusive of existing plans, or if a plan is not transparent in demonstrating the distribution of share awards and options between senior executives and other staff.

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

Robust disclosure 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 S2,[17] 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

---

[14] 1 lakh is approx. USD 1,150, as of 21st January 2025.

[15] Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

[16] 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.

[17] 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.

recognize that companies may phase in reporting aligned with the ISSB standards over several years. We also recognize that some companies may report using different standards, which may be required by regulation, or one of a number of voluntary standards. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

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

Climate and nature-related risk

In our view, the transition to a low-carbon economy is one of several mega forces reshaping markets.[18] Our research shows that the low-carbon transition is a structural shift in the global economy that will be shaped by changes in government policies, technology, and consumer preferences, which may be material for many companies.[19] Yet the path to a low-carbon economy is deeply uncertain and uneven, with different parts of the economy moving at different speeds. BIS recognizes that it can be challenging for companies to predict the impact of climate-related risk and opportunity on their businesses and operating environments. Many companies are assessing how to navigate the low-carbon transition while delivering long-term 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, how they intend to deliver long-term financial performance through the transition to a low-carbon economy, including where available, their transition plan.[20]

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

[18] BlackRock Investment Institute, "Mega forces: An investment opportunity", 2023..
[19] BlackRock Investment Institute, "Evolving energy transition, evolving opportunities", February 2025.
[20] 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 TPs, 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.

decisions.[21] 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. Recognizing 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.[22]

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

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.

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.[23]

---

[21] 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.
[22] In November 2024, G20 members affirmed 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.
[23] 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

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

In order to advance long-term shareholders' interests, we look to companies to 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 these 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.

Shareholder proposals

In most markets in which BlackRock invests on behalf of clients, shareholders have the right to submit proposals to be voted on 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 sustainability-related 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 under our guidelines, 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 their peers.

Nature-related Financial Disclosures may prove useful to some companies. We recognize that some companies may report using different standards, which may be required by regulation, or one of a number of other private sector standards. TNFD-aligned reporting is not a voting issue.

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, while others may make requests that would be deemed illegal in a given 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 recognize that some shareholder proposals bundle topics and/or specific requests. Further, the proponent's supporting statement 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.

Other corporate governance matters

In our view, shareholders have a right to material and timely information on the financial performance and viability of the companies in which they invest. In addition, we look to companies to publish information on the governance structures in place and the rights of shareholders to influence these. The reporting and disclosure provided by companies helps shareholders assess the effectiveness of the board's oversight of management and whether investors' economic interests have been protected. As a general principle, we believe shareholders should have the right to vote on key corporate governance matters, including changes to governance mechanisms, to submit proposals to the shareholders' meeting and to call special meetings of shareholders.

Amendments to articles of association and bylaws

These proposals vary from routine changes such as reflection of regulatory change, to significant changes that substantially alter the governance of the company. We will review these proposals on a case-by-case basis and support those proposals that we believe are in the best interests of shareholders. We look for all listed companies to disclose a comparison table to detail proposed amendments and relevant rationales for its articles of association and bylaws. If disclosure is inadequate or significant concerns are identified, BlackRock may consider voting against these proposals.

Anti-takeover devices

BlackRock believes that transactions or practices that are intended to impede a potential takeover can be limiting to shareholders. BlackRock will generally not support proposals that introduce or renew anti-takeover devices.

Bundled proposals

We believe that shareholders should have the opportunity to review substantial issues individually without having to accept bundled proposals. Where several measures are grouped together, BlackRock may not support the overall proposal if it includes those that contradict or impede the rights and economic interests of shareholders.

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.[24] BlackRock also launched a U.S. Program to offer proxy voting to eligible shareholder accounts in a U.S. Fund. [25]

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.

[24] 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.
[25] Read more about BlackRock Voting Choice on our website.

Want to know more?

blackrock.com/stewardship | contactstewardship@blackrock.com

The document is provided for information purposes only and is subject to change. Reliance upon this information is at the sole discretion of the reader.

Prepared by BlackRock, Inc.

©2025 BlackRock, Inc. All rights reserved. BLACKROCK is a trademark of BlackRock, Inc., or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

BlackRock®