

BlackRock Investment Stewardship

Proxy voting guidelines for Latin American securities

January 2024

BlackRock[®]

Contents

Introduction	3
General vote considerations, applicable to all Latin American markets	4
Boards and directors	3
Auditors and audit-related issues	11
Capital structure proposals	11
Mergers, acquisitions, transactions, and other special situations	11
Executive compensation	12
Material sustainability-related risks and opportunities	14
General corporate governance matters	17
Shareholder protections	18
Country specific considerations	20
Argentina	20
Brazil	21
Chile	23
Colombia	25
Mexico	27
Peru	29

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

Introduction

BlackRock's clients depend on us to help them meet their long-term investment goals. Given that the business decisions that companies make have a direct impact on our clients' long-term investment outcomes and financial well-being, we consider it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. At BlackRock, this is the responsibility of the BlackRock Investment Stewardship (BIS) team, which serves as a link between BlackRock's clients and the companies we invest in on their behalf. In BIS' experience, sound governance is critical to the success of a company, the protection of investors' interests, and long-term financial value creation.

To that end, BIS takes a long-term approach to stewardship, focused on understanding the drivers of risk and financial value creation in companies' business models. We do this in three ways:

1. **Engaging with companies** to build our understanding of a company's approach to corporate governance and business risks and opportunities.
2. **Voting at shareholder meetings** on management and shareholder proposals on behalf of clients who have delegated voting authority to BlackRock. Voting is the formal mechanism through which we signal our support for, or concerns about, how companies are serving the long-term financial interests of BlackRock's clients.
3. **Contributing to emerging thinking on stewardship** to share our perspectives with clients, policymakers, and others in the corporate governance ecosystem, on topical and emerging stewardship issues that we believe may impact clients' financial interests as long-term investors.

The following issue-specific proxy voting guidelines (the "Guidelines") summarize "BIS'" philosophy and approach to engagement and voting, as well as our view of governance best practices and the roles and responsibilities of boards and directors for publicly listed Latin American companies.

These Guidelines are not intended to limit the analysis of individual issues at specific companies or provide a guide to how BIS will engage and/or vote in every instance. They are to be applied with discretion, taking into consideration the range of issues and facts specific to the company, as well as individual ballot items at shareholder meetings.

BIS expects all issuers to observe, at a minimum, all relevant laws, and regulations of their market of incorporation and/or listing, as well as local guidelines pertaining to corporate governance best practices. Absent adherence to market standards and sufficient disclosures, we may not support relevant ballot items at shareholder meetings to signal our concerns.

As investors from other markets have increasingly viewed publicly traded companies in Latin America as an opportunity for portfolio growth and diversification, BIS strongly encourages Latin American issuers to adopt best-in-class global disclosures and operational processes that facilitate analysis and market participation from international investors. Some of these best practices include: publishing shareholder meeting circulars with attached supporting materials, such as financial statements, director information, board composition disclosures, and other ballot-related background details approximately 30-45 days prior to the meeting date; aiming for enhanced board independence, sometimes greater than the

minimum legal market mandates; and providing dedicated seats on the board for directors nominated by minority investors, where appropriate. Best practices for engagements include ensuring that the investor relations team can converse in languages commonly used by the company's foreign investors and seeking regular, on-going dialogue with shareholders.

General vote considerations, applicable to all Latin American markets

Boards and directors

We believe that an effective and well-functioning board that has appropriate governance structures to facilitate oversight of a company's management and strategic initiatives is critical to the long-term financial success of a company and the protection of shareholders' economic interests. In our view, a strong board can be a competitive advantage to a company, providing valuable oversight of and perspectives to management on the most important decisions in support of long-term financial performance. As part of their responsibilities, board members have a fiduciary duty to shareholders to oversee the strategic direction, operations, and risk management of a company. For this reason, BIS sees engagement with and the election of directors as one of our most important responsibilities.

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 essential for shareholders to appropriately understand and assess how effectively management is identifying, managing, and mitigating such risks.

Where a company has not adequately disclosed and demonstrated that its board has fulfilled these corporate governance and risk oversight responsibilities, we will consider voting against the election of directors who, on our assessment, have particular responsibility for the issues, as indicated below.

General director elections considerations

When evaluating director elections, BIS will consider, among others and as further laid out in this document, local market practice(s), timely disclosures, engagement insights, director (and key committee) independence, and/or potential conflicts of interests. Although certain practices may be common or allowed in the local market, we continue to encourage boards to adopt practices that reflect global governance best practices and facilitate board effectiveness. Board election disclosures, including the names and biographies of directors, should be available before the shareholder meeting, approximately 30 to 45 days prior. When we identify concerns or when lack of adequate disclosures hinders our assessment, we will oppose the (re)election of the proposed candidates, slate, and/or support other nominations that may be better suited.

When considering the election of directors, we may also evaluate past performance, other public board commitments, attendance record of at least 75% of the meetings held, experience, and relevant skills. Where we believe there are independence concerns or conflicts of interest, and to the extent these may affect a director's decision-making or unduly influence the board's ability to provide independent oversight, we may oppose the (re)election of the specific director(s).

Best practice establishes that directors are proposed for election annually and individually rather than bundled under a single ballot item, preserving shareholders' right to vote individually for each candidate

and allowing investors to hold individual directors accountable where we identify material or governance failures. When individual elections are not available, we may not support the entire group of candidates.

Where a board has not adequately demonstrated, through actions and/ or company disclosures, how material issues are appropriately identified, managed, and overseen, we will consider voting against the (re)election of those directors responsible for the oversight of such issues, as indicated below.

Independence

We expect at a minimum, that issuers demonstrate that they meet independence regulations of their market of incorporation and/or listing. However, we strongly encourage that a majority of the directors on the board are independent. In addition, we encourage that members of key board committees (audit, compensation, and nominating/governance committees), are also majority independent, or at a minimum that these committees are chaired by an independent director. Our view of independence may vary from local listing standards.

Common impediments to independence may include:

- Employment as a senior executive by the company or a subsidiary within the past five years
- An equity ownership in the company in excess of 20%
- Having any other interest, business, or relationship (professional or personal) which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company and its shareholders

Where the board is not comprised of the minimum number of independent directors required by the company's local/listing market norms, to signal our concerns, we may vote against the chair of the nominating/governance committee, and/or any other member(s) of the board who may be responsible

Oversight role of the board

The board should exercise appropriate oversight of management and the business activities of the company. Where we determine that a board has failed to do so in a way that may impact a company's ability to deliver long-term financial value, we may vote against the responsible committees and/or individual directors.

Common circumstances are illustrated below:

- Where the board has failed to facilitate quality, independent auditing, or accounting practices, we may vote against members of the audit committee
- Where the company has failed to provide shareholders with adequate disclosure to conclude that appropriate strategic consideration is given to material risk factors (including, where relevant, material sustainability factors), we may vote against members of the responsible committee, or the most relevant director
- Where it appears that a director has acted (at the company or at other companies) in a manner that compromises their ability to represent the best long-term economic interests of shareholders, we may vote against that individual
- Where a director has a multi-year pattern of poor attendance at combined board and applicable committee meetings, or a director has poor attendance in a single year with no disclosed rationale, we

may vote against that individual. Excluding exigent circumstances, BIS generally considers attendance at less than 75% of the combined board and applicable committee meetings to be poor attendance

Sufficient Capacity

Where a director serves on an excessive number of boards, which may limit their capacity to focus on each board's needs, we may vote against that individual. The following identifies the maximum number of boards on which a director may serve, before BIS considers them to be over-committed:

	Total # of Public Boards
Public Company Executives ¹	3
Non-Executive Directors	5

In addition, we recognize that board leadership roles may vary in responsibility and time requirements in different markets around the world. In particular, where a director maintains a Chair role of a publicly listed company in European markets, we may consider that responsibility as equal to two board commitments, consistent with our [EMEA Proxy Voting Guidelines](#). We will take the total number of board commitments across our global policies into account for director elections.

Risk oversight

Companies should have an established process for identifying, monitoring, and managing business and material risks. Independent directors should have access to relevant management information and outside advice, as appropriate, to ensure they can properly oversee risk. We encourage companies to provide transparency around risk management, 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 disclosures provide investors with a sense of the company's long-term 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.

Board Structure

Independent leadership

There are two commonly accepted structures for independent leadership to balance the CEO role in the boardroom: 1) an independent Chair; or 2) a Lead Independent Director when the roles of Chair and CEO are combined, or when the Chair is otherwise not independent.

In the absence of a significant governance concern, we defer to boards to designate the most appropriate leadership structure to ensure adequate balance and independence.² However, BIS may vote against the

¹ A public company executive is defined as a Named Executive Officer or Executive Chair.

² To this end, we do not view shareholder proposals asking for the separation of Chair and CEO to be a proxy for other concerns we may have at the company for which a vote against directors would be more appropriate. Rather, support for such a proposal might

most senior non-executive member of the board when appropriate independence is lacking in designated leadership roles.

In the event that the board chooses to have a combined Chair/CEO or a non-independent Chair, we support the designation of a Lead Independent Director, with the ability to: 1) provide formal input into board meeting agendas; 2) call meetings of the independent directors; and 3) preside at meetings of independent directors. These roles and responsibilities should be disclosed and easily accessible.

The following table illustrates examples³ of responsibilities under each board leadership model:

	Combined Chair/CEO or CEO + Non-independent Chair		Separate Independent Chair
	Chair/CEO or Non-independent Chair	Lead Independent Director	Independent Chair
Board Meetings	Authority to call full meetings of the board of directors	Authority to call meetings of independent directors	Authority to call full meetings of the board of directors
		Attends full meetings of the board of directors	
		Briefs CEO on issues arising from executive sessions	
Agenda	Primary responsibility for shaping board agendas, consulting with the lead independent director	Collaborates with chair/CEO to set board agenda and board information	Primary responsibility for shaping board agendas, in conjunction with CEO
Board Communications	Communicates with all directors on key issues and concerns outside of full board meetings	Facilitates discussion among independent directors on key issues and concerns outside of full board meetings, including contributing to the oversight of CEO and management succession planning	Facilitates discussion among independent directors on key issues and concerns outside of full board meetings, including contributing to the oversight of CEO and management succession planning

CEO and management succession planning

Companies should have a robust CEO and senior management succession plan in place at the board level that is reviewed and updated on a regular basis. Succession planning should cover scenarios over both the long-term, consistent with the strategic direction of the company and identified leadership needs over time, as well as the short-term, in the event of an unanticipated executive departure. We encourage the company to explain their executive succession planning process, including where accountability lies within the boardroom for this task, without prematurely divulging sensitive information commonly associated with this exercise.

arise in the case of overarching and sustained governance concerns such as lack of independence or failure to oversee a material risk over consecutive years.

³ This table is for illustrative purposes only. The roles and responsibilities cited here are not all-encompassing and are noted for reference as to how these leadership positions may be defined.

Where there is significant concern regarding the board's succession planning efforts, we may vote against members of the responsible committee, or the most relevant director.

During a CEO transition, companies may elect for the departing CEO to maintain a role in the boardroom. We ask for disclosures to understand the timeframe and responsibilities of this role. In such instances, we typically look for the board to have appropriate independent leadership structures in place. (See board responsibility chart above.)

Director compensation and equity programs

Compensation for directors should generally be structured to attract and retain directors, while also aligning their interests with those of shareholders. In our view, director compensation packages that are based on the company's long-term value creation and include some form of long-term equity compensation are more likely to meet this goal.

Board composition and effectiveness

Director qualifications and skills

We encourage boards to periodically review director qualifications and skills to ensure relevant experience and diverse perspectives are represented in the boardroom. To this end, performance reviews and skills assessments should be conducted by the nominating/governance committee or the Lead Independent Director. This process may include internal board evaluations; however, boards may also find it useful to periodically conduct an assessment with a third party. We encourage boards to disclose their approach to evaluations, including objectives of the evaluation; if an external party conducts the evaluation; the frequency of the evaluations; and, whether that evaluation occurs on an individual director basis.

Board term limits and director tenure

Where boards find that age limits or term limits are a valuable mechanism for ensuring periodic board refreshment, we generally defer to the board's determination in setting such limits. BIS will also consider the average board tenure to evaluate processes for board renewal. We may oppose boards that appear to have an insufficient mix of short-, medium-, and long-tenured directors.

In addition, where boards have adopted corporate governance guidelines regarding committee leadership and/or membership rotation, we appreciate clear disclosure of those policies.

Board diversity

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

It is in this context that we are interested in diversity in the boardroom. We see it as a means to promoting diversity of thought and avoiding 'group think' in the board's advising of and overseeing management. It allows boards to have deeper discussions and make more resilient decisions. We ask boards to disclose how diversity is considered in board composition, including professional characteristics, such as a director's relevant industry experience, specialist areas of expertise, and geographic location; as well as

demographic characteristics such as gender, race/ethnicity, and age.

We look to understand a board's diversity in the context of a company's domicile, market capitalization, business model, and strategy. Increasingly, we see leading boards nominating directors from diverse backgrounds which helps ensure boards can more effectively understand of the company's customers, employees, and communities. Self-identified board demographic diversity can usefully be disclosed in aggregate, consistent with local law. We encourage boards to aspire to meaningful diversity of membership, consistent with global best practices, while recognizing that building a strong, diverse board can take time. We take a case-by-case approach and consider the size of the board in our evaluation of overall composition and diversity. Business model, strategy, location, and company size may also impact our analysis of board diversity. We acknowledge that these factors may also play into the various elements of diversity that a board may attract. We look for disclosures from companies to help us understand their approach and do not prescribe any particular board composition.

In Latin America, we believe that boards should aspire to at least 30% diversity of membership,⁴ and we encourage large companies in each market to lead in achieving this standard. In light of market developments⁵, an informative indicator of diversity for such companies is having at least two women and a director who identifies as a member of an underrepresented group.⁶ We recognize that companies with smaller market capitalizations and in certain sectors may face more challenges. Among these smaller companies, we look for the presence of diversity and take into consideration the progress that companies are making.

In order to help investors understand overall diversity, we look to boards to disclose:

- The process by which candidates for board positions are identified, including whether professional firms or other resources outside of incumbent directors' networks are engaged to identify and/or assess candidates, and whether a diverse slate of nominees is considered for all available board nominations
- How directors' professional characteristics, which may include domain expertise such as finance or technology, and sector- or market-specific experience, are complementary and link to the company's long-term strategy
- How diversity, including professional characteristics and demographic factors, is considered in board composition, given the company's long-term strategy and business model

To the extent that, based on our assessment of corporate disclosures, a company has not adequately explained their approach to diversity in their board composition, we may vote against members of the nominating/governance committee (or other relevant directors). Our publicly available [commentary](#) provides more information on our approach to board diversity.

⁴ For a discussion on the different impacts of diversity see: McKinsey, "Diversity Wins: How Inclusion Matters", May 2022; Harvard Business Review, "Diverse Teams Feel Less Comfortable – and That's Why They Perform Better", September 2016; "Do Diverse Directors Influence DEI Outcomes", September 2022

⁵ Spierings, Merel "Corporate Director Diversity Can Contribute to Board Effectiveness" Harvard Law School Forum on Corporate Governance (Nov. 2023) <https://corpgov.law.harvard.edu/2023/11/24/us-public-company-board-diversity-in-2023>

⁶ Including, but not limited to, individuals who identify as Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, or Native Hawaiian or Pacific Islander; individuals who identify as LGBTQ+; individuals who identify as underrepresented based on national, Indigenous, religious, or cultural identity; individuals with disabilities; and veterans.

Board size

We typically defer to the board in setting the appropriate size and believe that directors are generally in the best position to assess the optimal board size to ensure effectiveness. However, we may vote against the relevant committees and/or individual directors if, in our view, the board is ineffective in its oversight, either because it is too small to allow for the necessary range of skills and experience or too large to function efficiently.

Board responsiveness and shareholder rights

Shareholder rights

Where we determine that a board has not acted in the best interests of the company's shareholders, or takes action to unreasonably limit shareholder rights, we may vote against the relevant committees and/or individual directors. Common circumstances are illustrated below:

- The independent Chair or Lead Independent Director and members of the nominating/governance committee, where a board implements or renews a poison pill without shareholder approval
- The independent Chair or Lead Independent Director and members of the nominating/governance committee, where a board amends the charter/articles/bylaws and where the effect may be to entrench directors or to unreasonably reduce shareholder rights
- Members of the compensation committee where the company has repriced options without shareholder approval

If a board maintains a classified structure, it is possible that the director(s) or committee members with whom we have a particular concern may not be subject to election in the year that the concern arises. In such situations, we may register our concern by voting against the most relevant director(s) up for election. In some cases, we may also defer our voting action until the year in which the specific director is available for re-election.

Responsiveness to shareholders

A board should be engaged with and responsive to the company's shareholders, including acknowledging voting outcomes for director elections, compensation, shareholder proposals, and other ballot items. Where we determine that a board has not substantially addressed shareholder concerns that we deem material to the business, we may vote against the responsible committees and/or individual directors. Common circumstances are illustrated below:

- The Independent Chair or Lead Independent Director, members of the nominating/governance committee, and/or the longest tenured director(s), where we observe a lack of board responsiveness to shareholders, evidence of board entrenchment, and/or failure to plan for adequate board member succession
- The chair of the nominating/governance committee, or where the chair is not standing for election, the nominating/governance committee member with the longest tenure, where board member(s) at the most recent election of directors have received against votes from more than 25% of shares voted, and the board has not taken appropriate action to respond to shareholder concerns. This may not apply in cases where BIS did not support the initial vote against such board member(s)

- The Independent Chair or Lead Independent Director and/or members of the nominating/governance committee, where a board fails to consider shareholder proposals that (1) receive substantial support, and (2) in our view, have a material impact on the business, shareholder rights, or the potential for long-term value creation

Auditors and audit-related issues

BIS recognizes the critical importance of financial statements to provide a complete and accurate portrayal of a company's financial condition. Consistent with our approach to voting on directors, we seek to hold the audit committee of the board responsible for overseeing the management of the independent auditor and the internal audit function at a company.

We may vote against the audit committee members where the board has failed to facilitate quality, independent auditing. We look to public disclosures for insight into the scope of the audit committee responsibilities, including an overview of audit committee processes, issues on the audit committee agenda, and key decisions taken by the audit committee. We take particular note of cases involving significant financial restatements or material weakness disclosures, and we look for timely disclosure and remediation of accounting irregularities.

The integrity of financial statements depends on the auditor effectively fulfilling its role. To that end, we favor an independent auditor. In addition, to the extent that an auditor fails to reasonably identify and address issues that eventually lead to a significant financial restatement, or the audit firm has violated standards of practice, we may also vote against ratification.

We may abstain from voting for the approval of financial reports to preserve shareholders' right to take potential future legal action should irregularities be discovered at a later date. Finally, we may oppose the approval of financial statements when the external auditor provides a qualified opinion and/or we have concerns with the accuracy of the data presented.

Capital structure proposals

Equal voting rights

In our view, shareholders should be entitled to voting rights in proportion to their economic interests. In addition, companies that have implemented dual or multiple class share structures should review these structures on a regular basis, or as company circumstances change. Companies with multiple share classes should receive shareholder approval of their capital structure on a periodic basis via a management proposal on the company's proxy. The proposal should give 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. Where companies are unwilling to voluntarily implement "one share, one vote" within a specified timeframe, or are unresponsive to shareholder feedback for change over time, we will generally support shareholder proposals to recapitalize stock into a single voting class.

Mergers, acquisitions, transactions, and other special situations

Mergers, acquisitions, and transactions

In assessing mergers, acquisitions, or other transactions – including business combinations involving Special Purpose Acquisition Companies (“SPACs”) – BIS’ primary consideration is the long-term economic interests of our clients as shareholders. Boards should clearly explain the economic and strategic rationale for any proposed transactions or material changes to the business. We will review a proposed transaction to determine the degree to which it has the potential to enhance long-term shareholder value. While mergers, acquisitions, asset sales, business combinations, and other special transaction proposals vary widely in scope and substance, we closely examine certain salient features in our analyses, such as:

- The degree to which the proposed transaction represents a premium to the company’s trading price. We consider the share price over multiple time periods prior to the date of the merger announcement. 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
- There should be clear strategic, operational, and/or financial rationale for the combination
- Unanimous board approval and arm’s-length negotiations are preferred. 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 appear likely to affect their ability to place shareholders’ interests before their own, as well as measures taken to address conflicts of interest
- We prefer transaction proposals that include the fairness opinion of a reputable financial advisor assessing the value of the transaction to shareholders in comparison to recent similar transactions

Contested director elections and special situations

Contested elections and other special situations⁷ are assessed on a case-by-case basis. We evaluate a number of factors, which may include: the qualifications and past performance of the dissident and management candidates; the validity of the concerns identified by the dissident; the viability of both the dissident’s and management’s plans; the ownership stake and holding period of the dissident; the likelihood that the dissident’s strategy will produce the desired change; and whether the dissident represents the best option for enhancing long-term shareholder value.

We will evaluate the actions that the company has taken to limit shareholders’ ability to exercise the right to nominate dissident director candidates, including those actions taken absent the immediate threat of a contested situation. BIS may take voting action against directors (up to and including the full board) where those actions are viewed as egregiously infringing on shareholder rights.

We will consider a variety of possible voting outcomes in contested situations, including the ability to support a mix of management and dissident nominees.

Executive compensation

⁷ Special situations are broadly defined as events that are non-routine and differ from the normal course of business for a company’s shareholder meeting, involving a solicitation other than by management with respect to the exercise of voting rights in a manner inconsistent with management’s recommendation. These may include instances where shareholders nominate director candidates, oppose the view of management and/or the board on mergers, acquisitions, or other transactions, etc.

A company's board of directors should put in place a compensation structure that balances incentivizing, rewarding, and retaining executives appropriately across a wide range of business outcomes. This structure should be aligned with shareholder interests, particularly the generation of sustainable, long-term value.

The compensation committee should carefully consider the specific circumstances of the company and the key individuals the board is focused on incentivizing. We encourage companies to ensure that their compensation plans incorporate appropriate and rigorous performance metrics, consistent with corporate strategy and market practice. Performance-based compensation should include metrics that are relevant to the business and stated strategy and/or risk mitigation efforts. Goals, and the processes used to set these goals, should be clearly articulated and appropriately rigorous. We use third party research, in addition to our own analysis, to evaluate existing and proposed compensation structures. We hold members of the compensation committee, or equivalent board members, accountable for poor compensation practices and/or structures.

There should be a clear link between variable pay and company performance that drives sustained value creation for our clients as shareholders. Where compensation structures provide for a front-loaded⁸ award, we look for appropriate structures (including vesting and/or holding periods) that motivate sustained performance for shareholders over a number of years. We generally do not favor programs focused on awards that require performance levels to be met and maintained for a relatively short time period for payouts to be earned, unless there are extended vesting and/or holding requirements.

Compensation structures should generally drive outcomes that align the pay of the executives with performance of the company and the value received by shareholders. When evaluating performance, we examine both executive teams' efforts, as well as outcomes realized by shareholders. Payouts to executives should reflect both the executive's contributions to the company's ongoing success, as well as exogenous factors that impacted shareholder value. Where discretion has been used by the compensation committee, we look for disclosures relating to how and why the discretion was used and how the adjusted outcome is aligned with the interests of shareholders. While we believe special awards⁹ should be used sparingly, we acknowledge that there may be instances when such awards are appropriate. When evaluating these awards, we consider a variety of factors, including the magnitude and structure of the award, the scope of award recipients, the alignment of the grant with shareholder value, and the company's historical use of such awards, in addition to other company-specific circumstances.

We acknowledge that the use of peer group evaluation by compensation committees can help calibrate competitive pay; however, we are concerned when the rationale for increases in total compensation is solely based on peer benchmarking.

We support incentive plans that foster the sustainable achievement of results – both financial and non-financial – consistent with the company's strategic initiatives. Compensation committees should guard against contractual arrangements that would entitle executives to material compensation for early termination of their contract. Finally, pension contributions and other deferred compensation arrangements should be reasonable in light of market practices. Our publicly available [commentary](#) provides more information on our approach to executive compensation.

⁸ Front-loaded awards are generally those that accelerate the grant of multiple years' worth of compensation in a single year.

⁹ "Special awards" refers to awards granted outside the company's typical compensation program.

Where executive compensation appears excessive relative to the performance of the company and/or compensation paid by peers, or where an equity compensation plan is not aligned with shareholders' interests, we may vote against members of the compensation committee.

Clawback proposals

We generally favor prompt recoupment from any senior executive whose compensation was based on faulty financial reporting or deceptive business practices. When applicable, we appreciate when companies disclose recovery policies in compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act. 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. This includes, but is not limited to, settlement agreements arising from such behavior and paid for directly by the company. We typically support shareholder proposals on these matters unless the company already has a robust clawback policy that sufficiently addresses our concerns.

Employee stock purchase plans

Employee stock purchase plans ("ESPP") are an important part of a company's overall human capital management strategy and can provide performance incentives to help align employees' interests with those of shareholders. We will typically support qualified ESPP proposals.

Material sustainability-related risks and opportunities

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

When assessing how to vote – including on the election of directors and relevant shareholder proposals – robust disclosures are essential for investors to understand, where appropriate, how companies are integrating material sustainability risks and opportunities across their business and strategic, long-term planning. Where a company has failed to appropriately provide the necessary disclosures and evidence of effective business practices to support our assessment, BIS may express concerns through our engagement and voting. As part of this consideration, we encourage companies to produce sustainability-related disclosures sufficiently in advance of their annual meeting so that the disclosures can be considered in relevant vote decisions.

Robust disclosure is essential for investors to effectively evaluate companies' strategy and business practices related to material sustainability-related risks and opportunities. Long-term investors like our clients can benefit when companies demonstrate that they have a resilient business model through disclosures that cover governance, strategy, risk management, and metrics and targets, including industry-specific metrics. The International Sustainability Standards Board (ISSB) standards, IFRS S1 and

S2,¹⁰ provide companies with a useful guide to preparing this disclosure. The standards build on the Task Force on Climate-related Financial Disclosures (TCFD) framework and the standards and metrics developed by the Sustainability Accounting Standards Board (SASB), which have converged under the ISSB. We recognize that companies may phase in reporting aligned with the ISSB standards over several years. We also 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.

Companies may also disclose any material supranational 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 conduct.

Climate risk

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

We seek to understand, from company disclosures and engagement, the strategies companies have in place to manage material risks to, and opportunities for, their long-term business model associated with a range of climate-related scenarios, including a scenario in which global warming is limited to well below 2°C, considering global ambitions to achieve a limit of 1.5°C. As one of many shareholders, and typically a minority one, BlackRock does not tell companies what to do. It is the role of the board and management to set and implement a company's long-term strategy to deliver long-term financial returns.

Our research shows that the low-carbon transition is a structural shift in the global economy that will be shaped by changes in government policies, technology, and consumer preferences, which may be material for many companies.¹¹ Yet the path to a low-carbon economy is deeply uncertain and uneven, with different parts of the economy moving at different speeds. BIS recognizes that it can be challenging for companies to predict the impact of climate-related risk and opportunity on their businesses and operating environments. Many companies are assessing how to navigate the low-carbon transition while delivering long-term value to investors. In this context, we encourage companies to publicly disclose, consistent with their business model and sector, how they intend to deliver long-term financial performance through the transition to a low-carbon economy. Where available, we appreciate companies publishing their transition plan.¹²

¹⁰ 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.

¹¹ BlackRock Investment Institute, "Tracking the low-carbon transition", July 2023.

¹² We have observed that more companies are developing such plans, and public policy makers in a number of markets are signaling their intentions to require them. We view transition plans (TPs) as a method for a company to both internally assess and externally communicate long-term strategy, ambition, objectives, and actions to create financial value through the global transition towards a low-carbon economy. While many initiatives across jurisdictions outline a framework for TPs, there is no consensus on the key elements these plans should contain. We view useful disclosure as that which communicates a company's approach to managing financially material, business relevant risks and opportunities – including climate-related risks – to deliver long-term financial performance, thus enabling investors to make more informed decisions.

Consistent with the ISSB standards, we are better able to assess preparedness for the low-carbon transition when companies disclose short-, medium- and long-term targets, ideally science-based where these are available for their sector, for scope 1 and 2 greenhouse gas emissions (GHG) reductions and to demonstrate how their targets are consistent with the long-term financial interests of their investors.

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

Natural capital

In addition to climate-related risks and opportunities, the management of nature-related factors is increasingly a core component of some companies' ability to generate durable, long-term financial returns for shareholders, particularly where a company's strategy is heavily reliant on the availability of natural capital, or whose supply chains are exposed to locations with nature-related risks. We look for such companies to disclose how they manage any reliance and impact on, as well as use of, natural capital, including appropriate risk oversight and relevant metrics and targets, to understand how these factors are integrated into strategy. We will evaluate these disclosures to inform our view of how a company is managing material nature-related risks and opportunities, as well as in our assessment of relevant shareholder proposals. Our publicly available [commentary](#) provides more information on our approach to natural capital.¹³

Key stakeholder interests

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 consider the needs of their workforce today, and the skills required for their future business strategy. We are also interested to understand the role of the board, which is well positioned to ensure that the approach taken is informed by and aligns with the company's strategy and purpose.

Companies should articulate how they address material adverse impacts that could arise from their business practices and affect critical relationships with their stakeholders. We encourage companies to

¹³ Given the growing awareness of the materiality of these issues for certain businesses, enhanced reporting on a company's natural capital dependencies and impacts would aid investors' understanding. In our view, the final recommendations of the [Taskforce on Nature-related Financial Disclosures](#) may prove useful to some companies. We recognize that some companies may report using different standards, which may be required by regulation, or one of a number of other private sector standards.

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.

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 value creation. Consequently, we ask companies to demonstrate a robust approach to HCM and provide shareholders with clear and consistent disclosures to help investors understand how a company's their approach aligns with its their stated strategy and business model.

Some components of HCM are consistent across most companies, such as the approach to diversity, equity, and inclusion ("DEI"). We ask companies to disclose their approach to DEI as well as workforce demographics.

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, as well.

General corporate governance matters

IPO governance

Boards should disclose how the corporate governance structures adopted upon a company's initial public offering ("IPO") are in shareholders' best long-term interests. We also ask boards to conduct a regular review of corporate governance and control structures, such that boards might evolve foundational corporate governance structures as company circumstances change, without undue costs and disruption to shareholders. In our [letter on unequal voting structures](#), we articulate our view that "one vote for one share" is the preferred structure for publicly-traded companies. We also recognize the potential benefits of dual class shares to newly public companies as they establish themselves; however, these structures should have a specific and limited duration. We will generally engage newly listed companies on topics such as classified boards and supermajority vote provisions to amend bylaws, as we think that such arrangements may not be in the best interests of shareholders over the long-term.

We may apply a one-year grace period for the application of certain director-related guidelines (including, but not limited to, responsibilities on other public company boards and board composition concerns), during which we ask boards to take steps to bring corporate governance standards in line with market norms.

Multi-jurisdictional companies

Where a company is listed on multiple exchanges or incorporated in a country different from their primary listing, we will seek to apply the most relevant market guideline(s) to our analysis of the company's governance structure and specific proposals on the shareholder meeting agenda. In doing so, we typically consider the governance standards of the company's primary listing, the market standards by which the company governs themselves, and the market context of each specific proposal on the agenda. If the relevant standards are silent on the issue under consideration, we will use our professional judgment as to what voting outcome would best protect the long-term economic interests of investors. Companies

should disclose the rationale for their selection of primary listing, country of incorporation, and choice of governance structures, particularly where there is conflict between relevant market governance practices.

Bundled proposals

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/or economic interests of shareholders.

Other business

We oppose voting on matters where we are not given the opportunity to review and understand those measures under consideration and carry out an appropriate level of shareholder oversight, often bundled as “other business” ballot items.

Shareholder protections

Amendment to charter/articles/bylaws

Shareholders should have the right to evaluate and vote on key corporate governance matters, including changes to governance mechanisms and amendments to the charter/articles/bylaws. We may vote against certain directors where changes to governing documents are not put to a shareholder vote within a reasonable period of time, particularly if those changes have the potential to impact shareholder rights (see “Director elections”). In cases where a board’s unilateral adoption of changes to the charter/articles/bylaws promotes cost and operational efficiency benefits for the company and its shareholders, we may support such action if it does not have a negative effect on shareholder rights or the company’s corporate governance structure.

Amendments should be presented on the ballot to allow shareholders to vote independently on each topic. We will typically support positive or neutral amendments; however, when we find positive or neutral amendments bundled with negative amendments, we will vote against the bundled proposal. Similarly, in the absence of details that enable us to evaluate and make an informed decision, BIS will oppose the proposal.

When voting on a management or shareholder proposal to make changes to the charter/articles/bylaws, we will consider in part the company’s and/or proponent’s publicly stated rationale for the changes; the company’s governance profile and history; relevant jurisdictional laws; and situational or contextual circumstances which may have motivated the proposed changes, among other factors. We will typically support amendments to the charter/articles/bylaws where the benefits to shareholders outweigh the costs of failing to make such changes.

Virtual meetings

Shareholders should have the opportunity to participate in the annual and special meetings for the companies in which they are invested, as these meetings are an opportunity for shareholders to provide feedback and hear from the board and management. While these meetings have traditionally been conducted in-person, virtual meetings are an increasingly viable way for companies to utilize technology to facilitate shareholder accessibility, inclusiveness, and cost efficiencies. Shareholders should have a meaningful opportunity to participate in the meeting and interact with the board and management in these virtual settings; companies should facilitate open dialogue and allow shareholders to voice

concerns and provide feedback without undue censorship. Relevant shareholder proposals are assessed on a case-by-case basis.

Country specific considerations

Argentina

Local regulation in Argentina applicable to listed companies provide certain principles of corporate governance as well as rules, recommendations, and best practices. The Argentine Stock Exchange (MERVAL) has published a Corporate Governance Code (*Código de Gobierno Societario* or the “Code”) that aims to increase transparency and encompass some regulations related to the independence of board of directors and disclosure of corporate management practices. While the Code is not mandatory for most companies, all public Argentine companies must disclose, on a comply-or-explain basis, whether they follow the principles and practices recommended by the Code. Banks and financial entities supervised by the Argentine Central Bank, as well as the government-owned companies, must comply with the applicable corporate governance regulations.

Boards and directors

As provided by Argentine laws, public companies must have a board of directors comprised of at least three members. The board size, quorum requirements (to the extent that it is more than a simple majority), and vote standard are set forth in the company’s bylaws.

Public companies in Argentina are required to have an audit committee comprised of three or more members of the board of directors, the majority of whom must be independent, pursuant to the criteria established by the National Securities Commission (*Comisión Nacional de Valores* or “CNV”). Independence is established in relation to the company and the controlling shareholders; independent directors cannot be executives of the company. BIS expects companies to comply with these regulations and will vote against management/shareholder proposals that are not aligned with them.

Public companies may also have a supervisory committee comprised of three members who must be lawyers or accountants. Its responsibilities include supervision of the administration of the company, attendance at all board and shareholder meetings, and, in general, company oversight from a legal perspective. According to the regulatory framework, all members of the supervisory committee must be independent.

Companies that have an audit committee may decide not to have a separate supervisory committee; in these cases, supervisory responsibilities are overseen by the audit committee.

Shareholders are entitled to nominate directors at the ordinary shareholder meetings, provided that the candidates meet the independence requirements of the CNV. Information and documents for consideration at the shareholder meeting must be presented at least 15 business days prior to the meeting.

Auditors and audit-related issues

Public companies in Argentina are obligated to appoint an external auditor or audit firm. These appointments have to follow the guidelines provided by the CNV. BIS will review and determine if there are concerns about the accounts, procedures, the auditor’s independence that may render their opinion inaccurate and if we find problematic issues, we will vote against the ratification of auditor.

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

Capital ownership and control of Argentine corporations is usually highly concentrated. Listed companies may have different classes of shares (common or preferred) with different economic rights attached to each class. Listed companies cannot issue shares with rights to cast multiple votes. Corporate capital increase (and, therefore, the issuance of new shares) must be approved at the shareholder meeting.

Argentine companies within the public offering regime must file with the CNV annual and quarterly financial statements prepared in accordance with the IFRS, except for those categorized as small and medium-sized companies according to the criteria provided by the CNV. The annual financial statements, including the annual report issued by the board of directors (which must in turn include a specific report regarding the level of compliance with the Code) and the external audit report, must be submitted to shareholders for approval. The Capital Markets Law provides that any investor seeking to acquire the control of a listed company must launch a public tender offer, at an equitable price, for a pre-fixed term, and subject to certain procedures stipulated by the CNV regulations.

Compensation and benefits

The compensation of directors and statutory supervisors may be defined in the bylaws. If this information is not provided in the bylaws, then it will be determined at the shareholder meeting. BIS will generally support these ballot items if they are aligned with the local regulations; we will also review any additional available disclosure to inform our decision. The Code provides a recommendation to set out clear policies of compensation for the members of the board of directors and top executives, in conjunction with company profit. The CNV regulations provide that information on global compensation paid to directors, statutory supervisors, and top executives must be disclosed in the relevant offering memorandum when securities are issued.

General corporate governance matters

Amendment of articles, capital increases, mergers, and spin-offs, as well as other relevant transactions require approval at an extraordinary shareholder meeting. BIS will vote on a case-by-case basis, taking into consideration available disclosure and rationale provided, prior to the related meetings.

Brazil

The Sao Paulo stock exchange (*Brasil, Bolsa, Balcão* Stock Exchange or “B3”) currently offers four types of listing standards: traditional segment, Level 1, Level 2, and Novo Mercado. These three segments subject companies to incremental corporate governance practices in comparison to those set forth by law, with the Novo Mercado requiring the most stringent standards. Additionally, all Brazilian companies follow, on a comply-or-explain basis, the Code of Good Corporate Governance administered by the Securities and Exchange Commission of Brazil (*Comissão de Valores Mobiliários* or “CVM”). In conjunction with this governance code, the Brazilian Institute of Good Corporate Governance (IBGC) has published a best practices code for voluntary adoption that aims to strengthen governance standards in the market.

Boards and directors

The Brazilian Corporations Law mandates a minimum of three directors, while the CVM recommends five to nine directors with a minimum of two directors having expertise in finance and accounting. If the company is listed on the Novo Mercado, the greater of two members or 20% of the board must be independent. Additionally, under Novo Mercado rules, the CEO cannot also act as the chairperson of the board. The IBGC code recommends that boards have at least a majority of independent directors. The

Brazilian Corporations Law allows minority and preferred shareholders present at the meeting to appoint one member each to the board of directors. BIS encourages companies to have their board of directors appoint the CEO; for state-owned enterprises, a transparent appointment process should be stipulated in the company's bylaws. Appointments for the role of chairman should also be enacted by the board (or the "appointment and eligibility committee" where available) and comply with the corresponding independence classification for the market.

In addition to the board of directors, companies typically have an executive officer board and are legally required to have an audit committee responsible for overseeing audit-related board functions. Local law also allows for the establishment of a supervisory council (or Fiscal Council), with the main responsibility of overseeing the acts and decisions of management and the board. Given this structure, neither executives nor directors can serve on this council. BIS will analyze the available public information to inform our vote decision, in the best interest of our clients.

BIS will support director elections, when aligned with the company's corporate strategy, increased diversity, and higher levels of independence in Brazilian boards (including supporting minority shareholder-proposed candidates, provided that disclosures are made available in a timely manner and in advance of the meetings (approximately 30-45 days), to allow international investors to review and inform their decision).

Independence of directors will be assessed on a case-by-case basis. We will consider in our review, in addition to market classification, track record, conflicts of interests, attendance, and potential overboarding, as previously established at the general voting consideration section of this document

BIS will generally support directors' (and management) discharge, provided that sufficient information has been disclosed and there are no unresolved allegations regarding misconduct, lack of oversight, pending legal proceedings started for breach of fiduciary trust, or other egregious issues.

We assess director indemnification proposals on a case-by-case basis. We review disclosures linked to the indemnification policy/agreement and related safeguards to prevent potential conflicts of interests, financial impacts, and full terms and conditions of the policy/agreement (particularly when these prevent shareholders from receiving public information when plea agreements are executed). We will not support proposals that are not substantiated by robust disclosures.

Auditors and audit-related issues

Public companies in Brazil have an external auditor that is selected by the board of directors without shareholder ratification. BIS will evaluate publicly available information to assess the auditor's independence, accuracy of accounts presented, audit procedures, and opinion presented on the financial statements. In addition, we will generally vote against proposals to indemnify external auditors.

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

In a merger, the acquiring company must name risk assessment companies to evaluate the net worth of the target company; however, the approval of the statutory report does not preclude shareholders' right to dissent. Shareholders generally benefit from pre-emptive rights on new share issuances, regardless of share class. BIS will generally not support proposals that (re)introduce the creation of a new class of shares with superior voting rights.

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis. BIS' decision will be guided by the information

provided by the company, the company's current share structure, and BIS' assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding the proposed capital structure changes, we may vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Compensation and benefits

While local law and best practice standards call for the disclosure of management's (executives') compensation, such compensation is often disclosed in aggregate for directors and executives rather than individual allocations. Nevertheless, companies must disclose information on maximum, median, and minimum amounts of compensation. BIS may vote against compensation proposals when the company fails to present detailed information justifying pay structure and any/or pay structure changes, especially with respect to the link aligning the compensation program with the company's long-term financial performance and/or operational performance.

When reviewing equity compensation plans, we will look into potential dilution, history of reasonable equity use over the last three years, general plan features (including management of the plan, vesting periods, repricing of options, excessively discounted exercise prices, and the disclosure of performance criteria) and we will vote on a case-by-case basis.

Right to call special meetings

As per local law, shareholders with at least 5% of the company's share capital are allowed to call a special meeting.

Chile

Local regulations, including best practice codes inform the corporate governance of listed companies in Chile, in conjunction with rules issued by the Financial Market Commission (*Comisión para el Mercado Financiero* or "CMF"). Additionally, stock exchanges—the Santiago Stock Exchange and the Chilean Electronic Stock Exchange—have implemented a series of rules for issuers and other market participants.

Boards and directors

Corporate boards in Chile are required to have at least five members; however, listed companies that are also required to appoint an independent director and establish a board committee (in certain cases) must have at least seven members. Director terms cannot exceed three years, although board members can be re-elected for subsequent terms. The entire board must be renewed after the expiration of its term as a slate. If during a term a vacancy of a directorship occurs, the board may fill a specific vacancy by appointing an interim director until the next regular shareholder meeting takes place. Then, the entire board must be renewed.

Auditors and audit-related issues

External auditors are required to be independent. According to Chilean law, an external audit company lacks independence if it directly or indirectly: 1) maintains a significant contractual or credit relationship with the audited company (or any of the companies of its business group); 2) owns securities issued by the audited company (or any of the companies of its business group); or 3) simultaneously provides

certain services that are banned (e.g., internal audit services, record-keeping, or representation services). Moreover, individuals participating in external audits are presumed to lack independence when they: 1) qualify as a person related to the audited company; 2) are, or have been within the past 12 months, an employee of the audited company (or any of the companies of its business group); 3) own securities issued by the audited company or its business group; or 4) audit the company for more than five years, among other cases.

BIS generally supports ratification of auditor proposals, unless there is evidence of auditor misconduct, or we have concerns about auditor independence.

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

Mergers, reorganizations, capital reductions, dissolutions, transfers of substantial assets, and granting of collateral or personal guarantees to secure third-party obligations (exceeding certain amounts) are some of the matters that require supermajority vote approval, to protect minority shareholder interests.

Listed companies may enter into related-party transactions provided that: 1) they are intended to contribute to the corporate interest; 2) the transaction is at arms' length as to the market price, terms, and conditions; and 3) the transaction complies with the related-party transaction procedure detailed in the Chilean Corporations Act, which includes pre-approval by the majority of uninterested directors, and in certain cases, by the shareholder meeting.

Companies must present board-approved financial results and auditor reports to shareholders for approval at the annual meeting. These reports typically include the balance sheet and the income statements of the company.

Share buybacks

By local law, share repurchases must be approved by shareholders by a super-majority vote and meet specific criteria; shares must be repurchased in proportion to their share class; and companies may not possess more than 5% of their own subscribed and paid-in share capital.

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis (by law, issuance of shares (for equity plans) have to be paid within three years). BIS' decision will be guided by the information provided by the company, the company's current share voting structure, and BIS' assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding amount and purpose of share buybacks and/or the proposed capital structure changes, we may consider a vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Debt issuances risk rating

BIS will generally support these proposals, as long as they meet legal requirements and are accompanied by sufficient disclosure. If we find concerns that affect shareholders' long-term value with respect to the particular issuance, we may not support the proposal.

Compensation and benefits

Listed companies must disclose director compensation in the annual report with separate figures for travel, bonuses, and other expenses. As a result, shareholders have information with which to evaluate director compensation proposals.

Shareholders are not asked to approve the compensation of executives; however, the aggregate compensation figure for the principal officers of listed companies must be disclosed in the annual report.

General corporate governance matters

Amendment of bylaws requires the approval of the majority of voting stock at a shareholder meeting, except for certain matters that require supermajority vote approval. BIS will generally vote against a proposal to amend bylaws unless sufficient information has been provided for investors to reasonably understand the implications of the proposal.

Right to call special meetings

As per Chilean law, shareholders with at least 10% of the company's share capital are allowed to call a special meeting.

ESG Reporting

The CMF has been active in providing rules to improve the corporate governance regime in Chile. According to current regulations, listed companies are compelled to provide information in their annual reports about the existence of internal audit committees, corporate social responsibility programs, whistle-blower reporting channels, and management diversity (in relation to gender, nationality, age, and length of tenure for board members, management, and other executives), as well as other sustainability related reporting requirements. We expect companies at a minimum, to report in compliance with these regulations; where we find concerns or lack of disclosure, we may vote against the board directors and/or committee chair, responsible for these circumstances.

Colombia

Corporate governance in Colombia is regulated by the Colombian Stock Exchange (*Bolsa de Valores de Colombia* or "BVC") and the Financial and Securities Superintendence (*Superintendencia Financiera*). Additionally, local law provides the legislative framework for regulation and basic principles of corporate governance for companies registered in the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores* or "RNVE").

Furthermore, the Colombian Corporate Governance Best Practices Code (*Código País* or the "Code") outlines corporate governance practices that comprise measures recommended for Colombian issuers, although they are not compulsory under law. The Code has been implemented through a comply-or-explain regulatory approach and companies report their compliance on an annual basis.

Boards and directors

Boards of directors of companies registered in the RNVE in Colombia must comprise a minimum of five directors and a maximum of 10; 25% of directors must be independent. The separation of chairman and legal representative positions is mandated by law. In addition, the law establishes criteria to classify independent directors, including not having: 1) employment by the issuer, any of its affiliates, or controlling entities; 2) status as a controlling shareholder of the issuer; 3) status as a shareholder or employee of a company that renders consulting services to the issuer, when the income received for such

services represents more than 20% of the income of the company; 4) involvement with a non-profit organization to which the issuer makes substantial charitable payments; 5) status as manager of a company in which a legal representative of the issuer acts as a member of the board of directors; and 6) receiving from the issuer remuneration that is different from the fees paid for being a member of the board of directors or a committee.

An audit committee is the only board committee required by local law and must be comprised of at least three directors, including all the independent directors on the board. Additionally, the chair of such committee should be independent. The Code standards suggests the establishment of a nominating and compensation committee and a risk committee, as well as a corporate governance committee. According to the Code, each of these committees must have internal regulations.

The Code includes certain recommendations for the election process for electing directors. These include the classification of the nominated directors as independent representatives, executives, or shareholders of the issuer. Recommended disclosure also includes details of the candidates' qualifications and experience.

Auditors and audit-related issues

Public companies in Colombia must have an external auditor (*revisor fiscal*) that is elected by shareholders. The Code recommends the disclosure of the compensation paid to the external auditor and the establishment of a policy for the appointment of the external auditor. In the absence of contentious allegations surrounding the financial accounts of the company, BIS generally votes for the appointment of the board-selected auditors.

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

Common shares carry one vote per share. Share classes with multiple voting rights are not allowed, although preferred shares carrying no votes are permitted in the capital structure. Shareholders have preemptive rights on new share issuances, regardless of share class. Shareholder approval is required for share issuances without preemption. Companies typically seek approval for the creation of a pool of capital for general issuances.

Colombian companies must present annual accounts and statutory reports to shareholders for approval at the annual meeting. These reports typically include a chairman's letter, balance sheet, income statement, and explanatory notes in accordance with applicable IFRS guidance.

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis. BIS' voting decision will be guided by the information provided by the company, the company's current share structure, and BIS' assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding the proposed capital structure changes, we may consider a vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Right to call special meetings

Per local law, shareholders with the percentage of the company's share capital established in the bylaws are allowed to call a special meeting. If the bylaws do not establish a specific percentage for these

purposes, local law provides that shareholders with at least 20% of the company's share capital may call a special meeting.

Compensation and benefits

Best practice calls for the disclosure of the compensation policies for CEOs, directors, auditors, and consultants. Moreover, the Code recommends that shareholders approve the general policy of compensation of board members (not executives), and that the board establishes a compensation committee. The general policy of compensation of executives must be approved by the board of directors.

General corporate governance matters

The amendment of articles requires the approval of the majority of votes cast at a shareholder meeting, unless the articles of incorporation stipulate a different vote requirement. BIS will generally vote against a proposal to amend articles or bylaws unless sufficient disclosure allows investors to reasonably understand the implications of the proposal.

Mexico

Mexico's corporate governance guidelines are largely regulated by local law which also applies to companies listed on the Mexican Stock Exchanges. Additionally, most public companies in Mexico also voluntarily adhere to at least some provisions of the 2018 Mexican Corporate Governance Code (*Código de Principios y Mejores Prácticas Corporativas* or the "Code"), developed by the Enterprise and Coordination Council (*Consejo Coordinador Empresarial* or "CCE"). While compliance with the Code is not mandatory, listed companies must disclose their compliance with the Code once a year.

Boards and directors

Most Mexican companies are governed by a single-tier board of directors. In accordance with applicable law, the board must not have more than 21 members; the Code provides for a minimum of three. At least 25% of the board must be independent, and any shareholder who owns 10% of voting shares is entitled to appoint at least one board member.

Directors have a duty of loyalty and a duty of care to the company's shareholders. Liability actions derived from the breach of such duties may be initiated by the shareholders of the company.

Mexican companies are required by law to establish an audit and corporate governance committee comprised of independent directors. Furthermore, in accordance with applicable law, board committees should consist of no fewer than three directors; the Code provides for a maximum of seven directors. The chairman of these committees must be appointed by the shareholders; the remaining committee members are appointed by the board of directors.

Share buybacks

Local law states that repurchase of shares must be approved by shareholders and should meet specific criteria. In most cases, however, terms are not disclosed. As a result, BIS will vote on these ballot items on a case-by-case basis, depending on the level of information disclosed publicly, as well as the company's track record.

Auditors and audit-related issues

Companies often have an internal auditor to manage day-to-day operations. They must also have an external auditor nominated and approved by the board. There are restrictions on the types of non-audit services and the amount of revenue thus generated that an auditor can provide to the company and still be considered independent.

If submitted for shareholder approval, in the absence of contentious allegations surrounding the financial accounts of the company, BIS generally votes for the appointment of the board-selected auditors.

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

Mexican companies are allowed to create multiple classes of stock with special rights. Capital structures include multiple voting share classes with special voting rights for each. Non-voting or limited voting shares may be issued, representing up to 25% of the company's paid capital stock. Among others, the following transactions require shareholder approval: mergers and acquisitions; spin-offs; reorganizations; private placements; liquidations; and related party transactions that represent more than 25% of the company's consolidated assets based on the figures corresponding to the preceding quarter (transactions under such threshold require approval by the board). Due to the closely held nature of most companies, these transactions are generally not hostile.

The board must present financial results and director and auditor reports to shareholders for approval at the annual meeting. These reports typically include a letter from the board, a report from the CEO, balance sheet, and income statements.

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis. BIS' voting decision will be guided by the information provided by the company, the company's current share structure, and BIS' assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding the proposed capital structure changes, we may consider a vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Right to call special meetings

As per local law, shareholders with at least 10% of the company's share capital are allowed to call a special meeting.

Compensation and benefits

In Mexico, director and executive compensation disclosures are limited. Consistent with this document, BIS encourages for enhanced disclosures that enable institutional investors to make informed voting decisions.

General corporate governance matters

BIS will generally vote against a proposal to amend articles or bylaws unless sufficient disclosure allows for investors to reasonably understand the implications of the proposal.

Shareholder proposals are rare in Mexico.

Peru

Peruvian corporate governance is primarily centered on Peruvian Company Law, Peruvian Securities Law, and the Code for Good Corporate Governance for Peruvian Corporations (*Código de Buen Gobierno Corporativo para las Sociedades Peruanas* the “Code”). Companies are encouraged to disclose information regarding shareholder structure, director independence, board committees, and compensation. The Code operates on a comply-or-explain basis.

At annual shareholder meetings, Peruvian companies generally seek: 1) the election of directors; 2) approval of the compensation of the directors; 3) approval of income allocation and dividends; 4) the election of the external auditor and approval of their compensation; and 5) approval of financial statements and discharge of directors.

Boards and directors

Peruvian issuers should publish information regarding the names and biographies of director nominees simultaneous with the public announcement of the shareholder meeting, approximately 30 to 45 days prior to the meeting.

BIS will evaluate available information, as well as encourage companies to disclose additional details, consistent with this document; when we find concerns, may abstain from supporting director elections or oppose them, given the market voting standards.

Independence standards by law, in controlled companies, require that at least 30% of the board of directors is independent, or 40% in non-controlled companies.

BIS generally votes to support proposals regarding director compensation unless the proposed compensation is inconsistent with director compensation at similar companies or is not in the best interests of shareholders. Information regarding director compensation is usually presented to shareholders after the annual meeting has taken place reporting on an aggregated basis, rather than providing details of payments to each director.

BIS generally votes in support of the discharge of the board and management, provided sufficient information has been disclosed to shareholders and there are no unresolved allegations regarding misconduct by the board or management.

Auditors and audit-related issues

In the absence of contentious allegations surrounding the financial accounts of the company, BIS generally votes for the appointment of the board-selected auditors and approves their compensation. Consistent with regulatory requirements, audit partners should be independent.

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

Proposals to issue additional shares, establish new share classes, or engage in a debt financing arrangement will be assessed on a case-by-case basis. BIS’ decision will be guided by the information provided by the company, the company’s current share structure, and BIS’ assessment of whether the changes to the capital structure appear to be in the best long-term interests of shareholders. In the absence of sufficient disclosure regarding the proposed capital structure changes, we may consider a vote against the management proposal.

Similarly, mergers, asset sales, and other special transactions are assessed based on the specific circumstances of the company and the details of the proposed transaction.

Right to call special meetings

Under local law, shareholders with at least 5% of the company's share capital are allowed to call a special meeting.

Compensation and benefits

Although the Code encourages disclosure of information regarding the compensation of senior management, in practice, such information is generally not provided to shareholders. Shareholders are not asked to approve compensation of executives.

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