

Investment Stewardship

Vote Bulletin: BE Semiconductor Industries N.V.

Company	BE Semiconductor Industries N.V. (Euronext Amsterdam: BESI; OTC: BESIY)
Market and Sector	The Netherlands; Semiconductor Equipment
Meeting Date	26 April 2023
Key Resolutions ¹	<p>Item 5b: Vote on the discharge of the Supervisory Board members for the fulfilment of their responsibilities</p> <p>Item 6: Advisory vote on the Remuneration Report 2022</p> <p>Item 7: Vote on the Remuneration Policy 2024</p>
Key Topics	Executive remuneration ²
Board Recommendation	The board recommended shareholders vote FOR items 5b, 6, and 7
BlackRock Vote ³	BlackRock voted FOR items 5b and 7 and AGAINST item 6

Overview

BE Semiconductor Industries N.V. (Besi) is a Dutch company that engages in the “development, manufacturing, marketing, sales, and service of semiconductor assembly equipment for the global semiconductor and electronics industries.”⁴ The company has presence in Asia, Europe, and North America and employs over 1,800 people globally.⁵

BlackRock Investment Stewardship (BIS) engages with companies to better understand how company leadership identifies and manages the material risks and opportunities in their business model that, in our assessment, can impact their ability to deliver durable financial performance for long-term investors like BlackRock’s clients. BIS also engages to provide a long-term investor perspective on corporate governance practices.

BIS has had multiyear engagements with Besi’s management team and members of the board on a range of corporate governance topics that, in our assessment, are important for long-term financial value creation, most recently on executive remuneration. In particular, BIS has sought to gain insights into the remuneration

¹ Besi. “[Agenda for the Annual General Meeting of Shareholders of BE Semiconductor Industries N.V.](#)”

² The term “remuneration” is used as an equivalent to the words “compensation” or “pay.”

³ BIS conducts proxy voting for those clients who authorize BIS to vote on their behalf. As part of BlackRock’s Voting Choice program, eligible clients can have a say in the proxy voting process by selecting their own proxy voting policy or one of 14 available third-party policies. 47% (\$2.1 trillion of \$4.5 trillion) of our index equity assets are eligible to participate in Voting Choice, and clients representing 25% of the \$2.1 trillion in eligible assets are enrolled in Voting Choice. Currency shown in USD. Source: BlackRock. Data as of March 31, 2023.

⁴ BESI. “[Annual Report 2022.](#)” Page 4.

⁵ As of December 31, 2022. See: BESI. “[Annual Report 2022.](#)” Page 5.

committee's use of discretion in instances where, in our assessment, the company's disclosures have not provided investors with sufficient information to understand why the remuneration committee used discretion in determining compensation outcomes.⁶

Rationale for BlackRock's vote

Item 5b: Vote on the discharge of the Supervisory Board members for the fulfilment of their responsibilities (FOR)

Item 6: Advisory vote on the Remuneration Report 2022 (AGAINST)

Item 7: Vote on the Remuneration Policy 2024 (FOR)

BIS did not support the 2022 remuneration report over our concerns about several structural issues, mainly related to the board's use of discretionary awards and metrics that, in our view, were not sufficiently stretching. However, we recognize the company's enhanced disclosures and responsiveness to shareholder feedback, including BlackRock's, in the past year and voted in support of the 2024 remuneration policy. BIS also supported the discharge of the Supervisory Board to acknowledge this progress and to encourage the company to continue to enhance their remuneration practices to strengthen the alignment between executive pay and company performance.

At Besi's 2020, 2021, and 2022 annual general meetings (AGMs), BIS did not support the company's remuneration policy or remuneration report given the use each year of discretion by Besi's remuneration committee, without a compelling rationale, leading to, in our assessment, excessive payouts to executives. We recognize that remuneration committees may, from time to time, determine it is necessary to use discretion to override the structure of an incentive plan or to make exceptional awards. In such situations, we find it helpful when company disclosures address whether and why the remuneration committee used discretion, as well as factors taken into consideration in determining the appropriate compensation outcome.

Over this three-year period, we have also signaled our concerns by not supporting the election of remuneration committee members at Besi. As explained in the [BIS proxy voting guidelines for EMEA securities](#), we may not support relevant remuneration proposals and/or the election of remuneration committee members when, in our assessment, there is an overreliance on discretion or out-of-the-ordinary pay decisions to reward executives, without clearly demonstrating how these decisions are aligned with shareholders' interests.

BIS [looks](#) to a company's board of directors to put in place a remuneration policy⁷ that incentivizes and rewards executives against appropriate and stretching goals tied to relevant strategic metrics, especially those measuring operational and financial performance. BIS also looks for compensation plans to appropriately balance retention-oriented awards with performance-oriented awards based on the context of the company and the circumstances of individual executives.

At Besi's 2023 AGM, BIS did not support the 2022 remuneration report given we continue to observe areas for improvement.⁸ For example, the metrics introduced were not challenging – the long-term incentive plan still vests for underperformance against peers on a total shareholder return basis. We also noted that the company used the same metrics in both the short- and long-term incentive plans, resulting in the rewarding of executives for the same performance twice.

⁶ A compensation outcome generally relates to the payout of a performance-conditioned pay component, and reflects both the construction of the pay program as well as the performance of the company and executives against defined performance objectives.

⁷ "Remuneration" or "compensation policy" refers to the complete set of pay-related tools; "plan" refers to the specific short-term and long-term incentives schemes; and "practice(s)" refers to the processes behind determining how to deploy the compensation policy.

⁸ The majority of shareholders did not support the remuneration report, which received ~26% shareholder support at the 2023 AGM; ~23% support in 2022; and ~54% in 2021. Source: 2023 results were sourced from "[BE Semiconductor Industries N.V.'s AGM April 26, 2023 – Voting Results](#)." 2021 and 2022 AGM results were sourced from Institutional Shareholder Services (ISS).

However, contrary to the past years, at the 2023 AGM BIS voted in favor of the forward-looking remuneration policy. BIS appreciates Besi's responsiveness to the "shareholder dissent expressed at the two most recent Besi AGM's and input received from outreach to shareholders and proxy advisors."⁹ Among the improvements, we note that Besi eliminated the ability of the remuneration committee to use discretion, introduced more stretching performance conditions, and limited the award potential to a percentage base salary¹⁰ to reduce the likelihood of excessive payouts. Furthermore, the company introduced share ownership guidelines for executives to reinforce their alignment with shareholders' interests and established a more robust peer company selection process. Overall, we are highly encouraged by the company's responsiveness to shareholder feedback and supported the 2024 remuneration policy proposal.

Lastly, BIS supported the discharge of the Supervisory Board to acknowledge this progress and to encourage the company to continue enhancing their remuneration disclosures in response to shareholder feedback. BIS will continue engaging with the company to share our perspective on areas where, in our view, Besi could further improve their remuneration practices and disclosures to better align with long-term shareholders' interests.

⁹ Besi. "[Remuneration report](#)," Page 110.

¹⁰ Executive compensation typically consists of several components, including, but not limited to, annual base salary, short- and long-term incentive plans, and benefits plans. Read our commentary "[Our approach to engagement on incentives aligned with financial value creation](#)" to learn more.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability-related risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.¹¹

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with durable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

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¹¹ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.