

## Investment Stewardship

# Vote Bulletin: Banco de Chile SA

Company	<b>Banco de Chile SA (SSE: Chile)</b>
Market and Sector	Chile, Financials
Meeting Date	23 March 2023
Key Resolutions <sup>1</sup>	<p><b>Item 1:</b> Elect Raúl Anaya Elizalde as Director</p> <p><b>Item 2:</b> Elect Hernán Büchi Buc as Director</p> <p><b>Item 3:</b> Elect Jaime Estévez Valencia as Director</p> <p><b>Item 4:</b> Elect Julio Santiago Figueroa as Director</p> <p><b>Item 5:</b> Elect Pablo Granifo Lavín as Director</p> <p><b>Item 6:</b> Elect Andrónico Luksic Craig as Director</p> <p><b>Item 7:</b> Elect Jean Paul Luksic Fontbona as Director</p> <p><b>Item 8:</b> Elect Sinéad O'Connor as Director</p> <p><b>Item 9:</b> Elect Francisco Pérez Mackenna as Director</p>
Key Topics	Board quality and effectiveness
Board Recommendation	The board recommended shareholders vote FOR these proposals
BlackRock Vote	BlackRock voted FOR Items 1- 5, and 7 - 8 and AGAINST Items 6 and 9

### Overview

Banco de Chile SA (Banco de Chile) is a leading Chilean bank that serves 2.4 million customers.<sup>2</sup> The bank “provides all segments of the Chilean financial market with a wide range of specialized non-banking loan and financial products and services.”<sup>3</sup>

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

<sup>1</sup> Banco de Chile SA, “[Board Candidates List](#)”, March 14, 2023.

<sup>2</sup> Banco de Chile SA, “[2022 Annual Report](#)”. Page 17.

<sup>3</sup> Ibid, Page 36.

Our engagements with Banco de Chile's leadership and management over the past two years have covered a range of core corporate governance topics that we believe are important for long-term financial value creation, including the caliber and independence of their directors, executive compensation, and human capital management.

In the Latin American market, we encourage companies to publish comprehensive disclosures and adopt governance best practices to help facilitate analysis and market participation by international investors, especially as public companies in the region increasingly are viewed as portfolio growth opportunities. One area of improvement we have identified in the region is related to board election processes. In the Chilean market, like others in the region, companies propose directors for election by slate. Based on our experience engaging and voting in the region, we have observed that this practice may result in investors with board oversight concerns voting against the entire slate of proposed candidates instead of voting on relevant individual directors standing for election to signal specific concerns.

Ahead of their March 2023 annual general meeting (AGM), Banco de Chile unbundled their director elections. In addition to proposing each director for election individually, they disclosed information about each director's experience and background, helping investors assess the suitability of each nominee to serve on the board. Banco de Chile also included directors proposed by minority investors on the ballot. We are encouraged by these positive developments, which represent a significant step forward in the Chilean market, and which allowed us to cast individual voting decisions on director elections on behalf of clients at Banco de Chile's AGM.

## **Rationale for BlackRock's vote**

**Item 1: Elect Raúl Anaya Elizalde as Director (FOR)**

**Item 2: Elect Hernán Büchi Buc as Director (FOR)**

**Item 3: Elect Jaime Estévez Valencia as Director (FOR)**

**Item 4: Elect Julio Santiago Figueroa as Director (FOR)**

**Item 5: Elect Pablo Granifo Lavín as Director (FOR)**

**Item 6: Elect Andrónico Luksic Craig as Director (AGAINST)**

**Item 7: Elect Jean Paul Luksic Fontbona as Director (FOR)**

**Item 8: Elect Sinéad O'Connor as Director (FOR)**

**Item 9: Elect Francisco Pérez Mackenna as Director (AGAINST)**

**As we note in our [proxy voting guidelines for Latin American securities](#), BIS assesses voting issues – including the election of directors – on a case-by-case basis. Due to actions Banco de Chile took to unbundle their director elections and disclose relevant director experience, we are able to individually support the election of seven candidates proposed by management. In our analysis, which was based on the aforementioned disclosures that detailed the suitability of their experience, the election of these seven directors was in shareholders' best long-term economic interests. We voted not to support the election of two directors because we were concerned that their service on an excess number of outside public boards could limit their ability to fulfil their oversight duties at Banco de Chile. In prior years, because all directors were elected as a slate, we would have had to vote against all nine over these concerns.**

In our [Latin American voting guidelines](#) we explain that we consider directors serving on more than five boards to be overcommitted. Accordingly, we did not support the election of directors Andrónico Luksic Craig and Francisco Pérez Mackenna as they serve on seven and eight public company boards respectively. Our concern is that when directors serve on too many boards, they may not have capacity to fulfil their duties on each, particularly in times of crisis. We are nevertheless encouraged by the recent progress the company has made towards enhancing their disclosures and aligning their operational processes with what we have observed to be

global governance best practices. As also noted in the guidelines, 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.<sup>4</sup> As Latin America continues to be seen by international investors as a portfolio growth opportunity, it will remain important for issuers in the region to enhance their disclosures and practices to facilitate market participation, and allow international investors to make better informed voting decisions.

As mentioned above, BIS' engagement history with Banco de Chile has included discussions about the company's reporting efforts; we continued those conversations following the publication of their annual meeting materials. We have, in the course of our engagements with management, shared that we find it useful when companies provide director names, biographies, and other relevant information in advance of the AGM. Initially, the shareholder meeting circular that Banco de Chile published in advance of the AGM proposed a bundled director election. The circular also omitted relevant information that we find helpful to our analysis, such as the biographical information of individual directors standing for elections.

A subsequent disclosure included the names of directors proposed by management, though omitted information about a candidate proposed by minority shareholders. It also maintained a single proposal for a bundled election of directors.

Ultimately, Banco de Chile provided an updated proxy voting card with unbundled, itemized director elections, and separately provided investors with biographical information concerning the minority shareholder's nominee to the board. In cases where companies receive director nominations from minority investors, we look to company leadership to work closely with the nominating minority shareholders to ensure their nominations are made in time and they provide the relevant disclosures to enable investors to make informed voting decisions.

We are pleased to note Banco de Chile's receptivity to investor feedback, and that the company is one of the first Chilean issuers to take such actions. We welcome this progress, which allows investors to make more informed vote decisions on the relevant directors' capabilities to serve on the company's board, and to signal their support for or concerns about individual directors, rather than potentially having to apply the respective voting action against the entire slate of directors.

BIS will continue to monitor Banco de Chile's steps to enhancing their corporate governance structures, including board quality and director commitments, as well as the region's progress towards publishing more fulsome and timely disclosures.

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<sup>4</sup> BlackRock Investment Stewardship. "[Proxy voting guidelines for Latin American securities](#)". January 2023.

## 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.<sup>5</sup>

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.

**Want to know more?** [blackrock.com/stewardship](https://blackrock.com/stewardship)

[contactstewardship@blackrock.com](mailto:contactstewardship@blackrock.com)

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<sup>5</sup> 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.