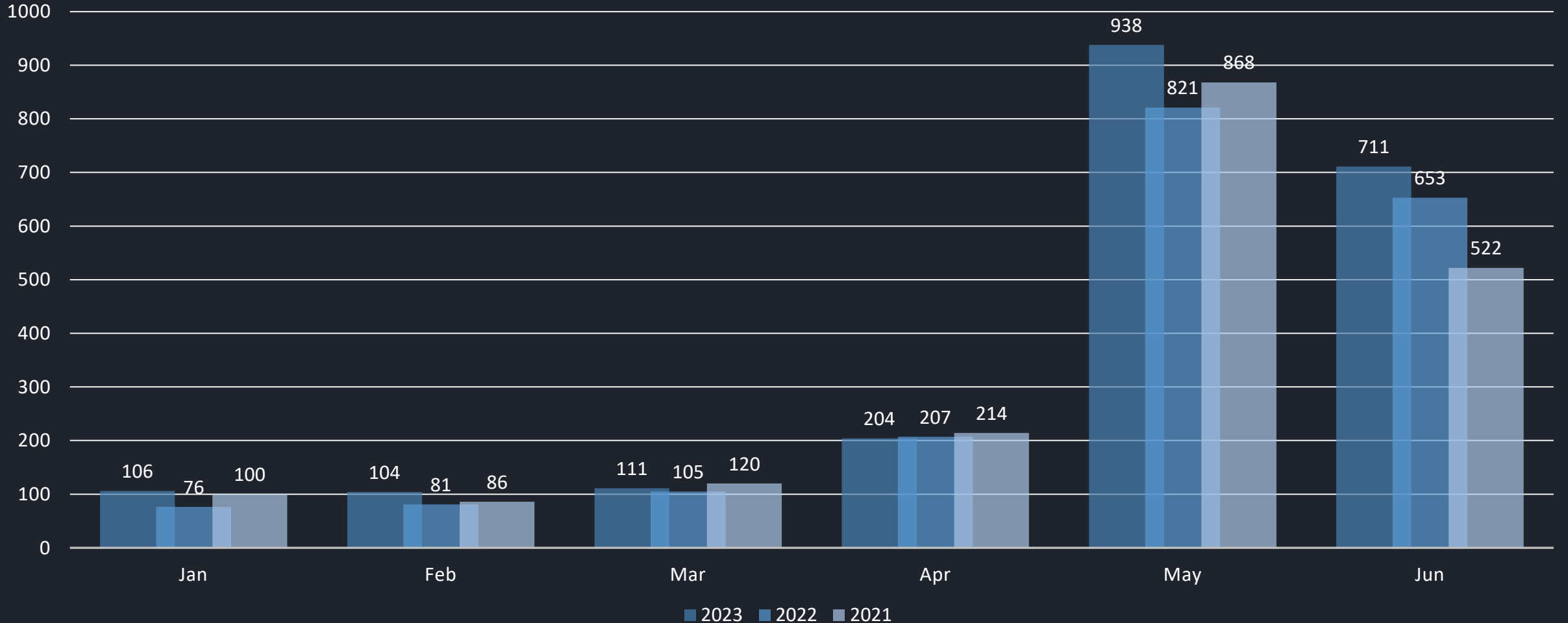


# ASIA



# Asia: Hong Kong AGM Proxy Season

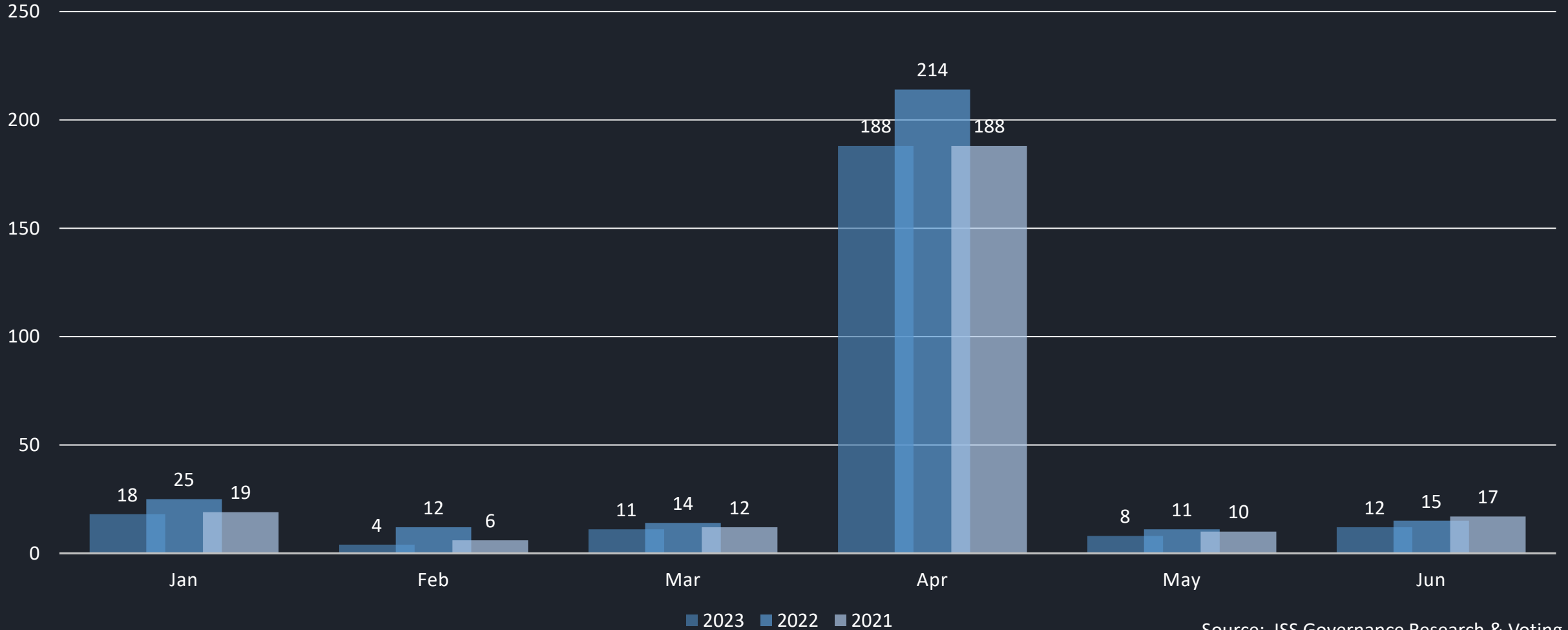
Meetings Covered by ISS Research from 2021 to 2023 (January to June)



Source: ISS Governance Research & Voting

# Asia: Singapore AGM Proxy Season

Meetings Covered by ISS Research from 2021 to 2023 (January to June)



Source: ISS Governance Research & Voting

# Asia: Regulatory Updates

## Hong Kong – Provisions on Long-serving Independent Directors

Hong Kong-listed companies are required to appoint a new independent director at their forthcoming AGMs, if current independent directors on the board have all served over nine years.

- If all independent directors have served over nine years:
  1. Additional disclosure will be required from the company; and
  2. The company will have to appoint/elect new independent non-executive directors to comply with applicable provisions of the Hong Kong Corporate Governance Code
- 7 percent of the companies covered by ISS Research in 2023 had all of their independent directors considered long-serving
- ISS Benchmark Policy was recently amended to align with the provisions of the Hong Kong Code regarding long-serving independent non-executive directors.

# Asia: Regulatory Updates

## Hong Kong – Board Diversity Improvements

- The Hong Kong Listing Rules provided companies with single gender boards a transition period of up to December 31, 2024, to appoint at least one director of from the underrepresented gender.
- Companies are also required to:
  - Conduct an annual review of their board diversity policies
  - Establish gender diversity targets (with timelines) at the board level
  - Disclose gender ratios within the workforce, together with any plans or measurable objectives for achieving workforce gender diversity
- 2024 will be the final year of the transition period to end single gender boards in Hong Kong.

# Asia: Regulatory Updates

## Singapore – Board Independence & Diversity Improvements

### Board Independence:

- The transitional period for the nine-year cap applied to independent directors will end on the date of issuers' AGMs for the financial year ending on or after December 31, 2023.
- Based on ISS' Singapore coverage universe, the number of long-serving independent directors on SGX-listed boards has been steadily decreasing from 266 in FY 2022 to 155 in FY 2023.

### Gender diversity:

- Over the course of the first half of 2023, ISS identified that out of 1,194 directors, 211 directors were female, constituting 18 percent of the total board composition population.

# Asia: ESG Updates

## Singapore – Climate Disclosure Improvements

- Starting from January 2022, all issuers were required to engage in climate reporting only on a 'comply or explain' basis.
- Commencing January 2023, climate reporting became mandatory for issuers within the financial industry, agriculture, food and forest products industry, and energy industry.
- From January 2024, additional sectors such as materials, buildings, and transportation were also mandated to submit ESG reports.
- All other issuers are also expected to adhere to climate reporting on a 'comply or explain' basis.

# Asia: ESG Updates

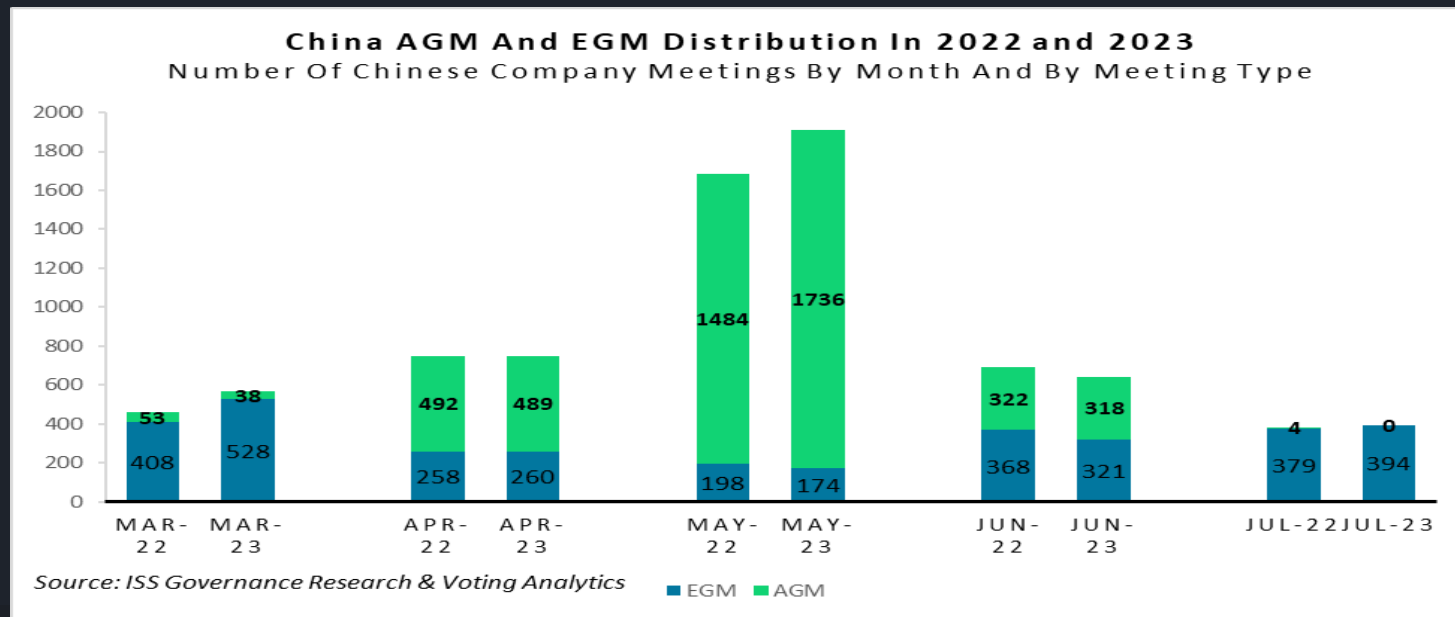
## Hong Kong – Climate Disclosure Improvements

- The SEHK issued a consultation paper in April 2023, soliciting feedback on measures to enhance climate-related disclosures within its ESG reporting framework.
- Such measures were initially proposed to be implemented in January 2024, but were postponed to January 2025 to allow issuers more time to familiarize themselves with the new climate-related disclosure requirements.
- The adoption guide to be released by the ISSB, which is expected to be available in early 2024, will be considered by the SEHK prior to implementation.



# Asia: AGM Logistics in China

- China's main proxy season spans from March to June each year.
- In proxy season 2023, ISS covered a total of 4,258 meetings including 2,581 annual general meetings (AGMs) and 1,677 extraordinary general meetings (EGMs)
- In 2024, we expect an increase in meeting volume.
- In terms of proposal types, we expect to see several proposals on enhanced payment of dividends; an increased number of by-elections of independent directors due to over-commitments; and increased requests of change of auditors due to long tenures.



# Asia: E&S Trends and Reporting Developments in China

The market's first information disclosure rules were introduced on Feb. 8, 2024

- On Feb. 8, 2024, all three stock exchanges (Shanghai, Shenzhen, Beijing) disclosed Guidelines on Sustainable Development Reports (the "Guidelines") and are seeking public opinions.
- More than 450 A-share listed companies are required to disclose their 2025 Sustainable Development Report (the "Report") no later than April 30, 2026, in line with the framework proposed in the Guidelines.
- The Guidelines:
  - Require covered companies to calculate and disclose their Scope 1 and Scope 2 carbon emissions in combination with energy use. Disclosure of Scope 3 emissions remain optional.
  - Require covered companies to disclose steps taken in support of the country's national development strategies, such as rural revitalization, social contribution, innovation, science and technology ethics, supply chain security, etc.



# Asia: Regulatory Updates in China

## ➤ Independent directors

- In August 2023, the China Securities Regulatory Commission (“CSRC”) promulgated the Measures for the Management of Independent Directors of Listed Companies (the "Measures"). The measures require covered companies to:
  - Detail roles and responsibilities of independent directors
  - Reduce over-boarding ceiling from 5 listed companies to 3 domestically listed companies
  - Require independent directors who fail to attend a board meeting two consecutive times to step down and be replaced
  - Require majority independent audit, remuneration and nomination committees, and the convener to also be independent
  - Require cumulative voting system to be adopted when electing two or more independent directors
  - The Measures align with the current 6-year board tenure for independent directors
- Since the fourth quarter of 2023, we have observed an increased number of by-elections of independent directors due to their commitment issues. We expect this trend to be continued in the 2024 proxy season.



# Asia: Regulatory Updates in China (Cont'd)

## ➤ Auditor tenure

- In May 2023, The CSRC adopted Measures for Administration of Selection and Engagement of Accounting Firms by State-Owned Enterprises and Listed Companies
- The measures:
  - Require audit firm tenure for a state-owned enterprise (“SOE”) to be capped at 8 years
  - Require audit firm’s signing partner’s tenure at a SOE or a listed company to NOT exceed 5 years and to have a 5-year cooling off period after reaching the tenure limit
- In 2024, we expect an increased number of proposals to request for change of auditors due current long tenures



# Asia: Regulatory Updates in China (Cont'd)

## ➤ Dividend policy

- On Oct. 20, 2023, CSRC amended relevant provisions under the Guidance on the Supervision of Listed Companies No. 3 - Cash Dividends of Listed Companies, aiming to encourage dividend payments by listed companies
- The amendments:
  - Encourage listed companies to formulate a clear dividend policy in their articles of associations and to clarify the goal of cash dividends; and,
  - Allows listed companies to hold AGMs to review and approve the annual profit distribution plan (i.e. conditions, proportion ceiling, amount ceiling of interim cash dividend, etc.)
- Will this update stimulate enhanced dividend payments by companies in 2024?



# Asia: Other Trends in China (Cont'd)

## ➤ Companies without dividend payouts

- The 2023 proxy season saw an increased in the number of listed companies in China that did not pay dividends, continuing a steady trend spanning the last five years
- The trend is driven by companies choosing to retain their earnings instead of distributing dividends.
- The lack of dividend payment does not appear to be due to financial losses



# Asia: Other Trends in China

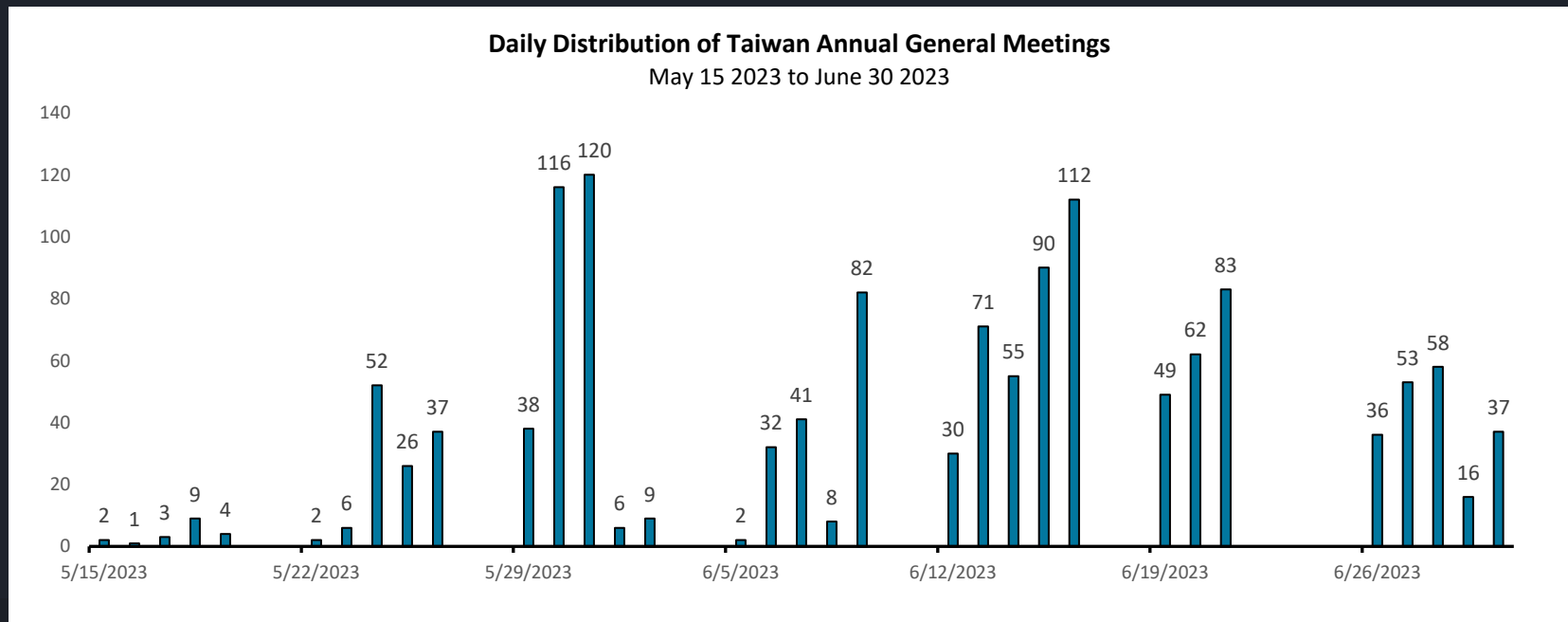
## ➤ Participation in the establishment of PE funds

- As of the end of June 2023, there were 22,114 existing private equity fund managers registered with the Asset Management Association of China, managing CNY 220.77 trillion of funds
- Most companies in China invest in PE funds by becoming a limited partner of the fund
- A developing trend is for companies to set up PE funds to leverage the expertise of external investors' and to facilitate the company's development by investing in areas that show synergy with their core business.
- Companies in traditional industries establish PE funds to invest in new energy and advanced technology to transform or diversify their current business



# Asia: AGM Logistics in Taiwan

- Taiwan's proxy season spans from mid-May to the end of June. During the 2023 proxy season, ISS covered 1,363 annual general meetings (AGMs), a 3.7 percent coverage expansion compared to 1,314 meetings in 2022. The distribution of meetings in 2024 shows a similar pattern as last year, which marked June as the peak month with 932 AGMs held in 2023.
- In 2024, investors should keep an eye on board governance overhaul of Taiwan-listed companies, including improvements in female representation in the boardroom, a decrease in the number of long-tenured independent directors seeking re-elections, and an enhancement of board independence levels.





# Asia: E&S Trends and Reporting Development in Taiwan

## ➤ Adoption of IFRS Sustainability Disclosure Standards (“ISDS”)

- In June 2023, the Financial Supervisory Commission (FSC) initiated a roadmap to facilitate Taiwan-listed companies’ adoption of the ISDS following its release by the International Sustainability Standards Board (“ISSB”)
- The Standards:
  - Require large-cap listed companies (>TWD 10 billion in capital) to start compiling FY2026 information and reporting in accordance with the ISDS in FY2027
  - Require medium-cap listed companies (TWD 5 billion to TWD 10 billion in capital) and small-cap listed companies (< TWD 5 billion in capital) to start compiling FY2027 information and reporting in FY2028
  - Provide exemptions on the disclosure of Scope 3 GHG emissions and comparative information for the first year of reporting
  - Aim to have all listed companies abide by the ISDS by 2029



# Asia: E&S Trends and Reporting Development in Taiwan (Cont'd)

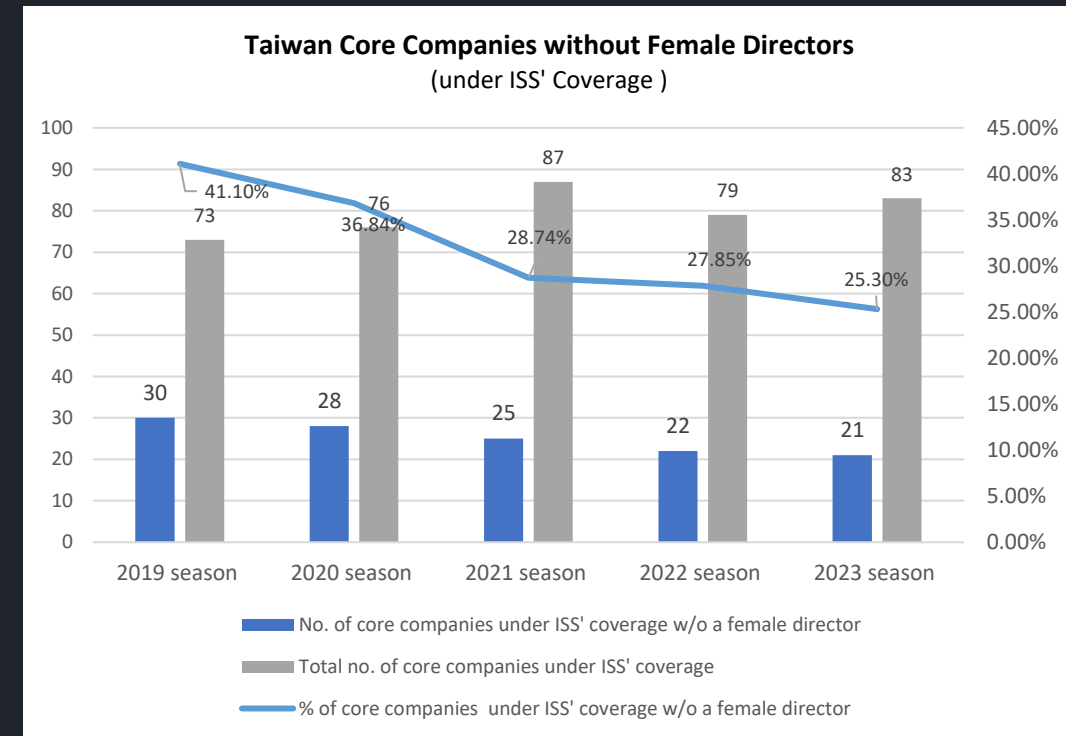
- Climate Change Response Act and carbon fees
  - Amendments to the current Greenhouse Gas Reduction and Management Act were passed by the Taiwan Legislative Yuan in February 2023. The act was renamed: Climate Change Response Act (the “New Act”)
  - The New Act imposes a carbon fee on the "big emitters" in the market to curb carbon emissions starting in 2025
  - An estimate of 512 companies in the electricity, iron and steel, oil refining, cement, semiconductors, thin-film transistor LCD industries and all companies with direct fossil fuel emissions with more than 25,000 metric tons of carbon dioxide per year will be charged carbon fees in 2025, based on verification of their total emissions in 2024



# Asia: Governance Trends in Taiwan

## ➤ Gender diversity

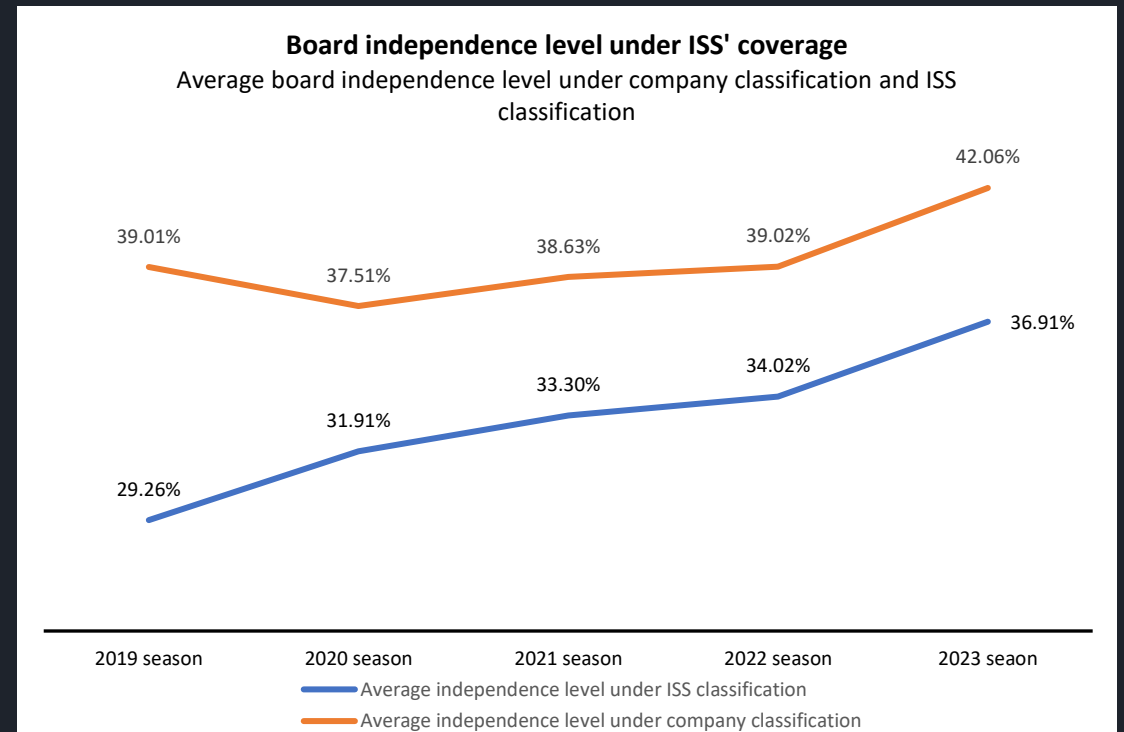
- Governance code: Corporate Governance 3.0 - Sustainable Development Roadmap for 2021-2023 by FSC
  - All listed companies are required to appoint at least ONE female director by 2024
  - All companies applying for IPOs are required to appoint at least ONE female director
  - Starting from 2025, listed companies will be required to have at least 1/3 female on their boards, with a disclosure of reasons required for companies that do not meet the requirement
- 2024 Trend: An increased female representation in the boardroom
  - There as been an increase in the number of companies with one or more female directors since 2019
  - The percentage of core companies without female directors went down from 41.1 percent in 2019 to 25.3 percent in 2023
  - This trend is expected to continue in the 2024 AGM season
  - The requirement to comply remains voluntary



# Asia: Governance Trends in Taiwan (Cont'd)

## ➤ Board independence levels

- **Listing rules:** TWSE's Operation Directions for Compliance with the Establishment of Board of Directors
  - Listed companies are required to have a minimum of three independent directors
- **Governance code:** Corporate Governance 3.0 - Sustainable Development Roadmap for The Action2021-2023 by FSC
  - Listed companies with combined CEO/Chair roles or with CEO and Chair that are relatives are required to have at least 4 independent directors by Dec. 31, 2023
- **Action Plan for Sustainable Development of Listed Overseas Companies (2023):**
  - All listed company boards shall be no less than one-third independent by 2027
- **2024 Trend: An increased board independence level**
  - There has been a relatively large increase in the independence levels of the Taiwanese companies in the 2023 season as depicted in the chart
  - Further increase in board independence levels is expected in the 2024



# Thank You

For more information, visit [issgovernance.com](https://issgovernance.com)

## Disclaimer

This document and all of the information contained in it is the property of ISS or its subsidiaries. The Information may not be reproduced or disseminated in whole or in part without the prior written permission of ISS. This document has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS and/or its subsidiaries have exercised due care in compiling this report, they make no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assume no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research, analyses and conclusions provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

This document and all of the information contained in it is the property of Institutional Shareholder Services Inc. and/or its subsidiaries ("ISS STOXX"). The Information may not be reproduced or disseminated in whole or in part without prior written permission of ISS. ISS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION.



[ISSGOVERNANCE.COM](https://issgovernance.com)