



ASIA-PACIFIC

PROXY VOTING GUIDELINES UPDATES FOR 2021

Benchmark Policy Changes for Australia, Asia-Pacific Regional, China, Hong Kong, India, Japan, Singapore, South Korea, and Taiwan

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All Markets

Director Elections

Governance Failures: Material Environmental & Social Risk Oversight Failures

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight¹, or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company. 	<p>General Recommendation: Under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight¹, or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

Rationale for Change:

While the specific language regarding the “Governance Failures” policy varies from market to market, every ISS policy guideline document in this region is being updated to include explicit references to poor risk oversight of environmental and social issues as examples of material failure that may result in adverse vote recommendations.

¹ Including demonstrably poor risk oversight of environmental and social issues, including climate change.

Australia

General

Alteration of the Number of Directors/Board Size in Constitution

<p>General Recommendation: Generally Vote against case-by-case on proposals to limit alter the size of number of directors on the board.</p> <p>The Australian Corporations Act requires a minimum of three directors for public companies, and nominees are elected if they receive 50 percent shareholder support. There is no maximum board size limit set out in the Act, although company constitutions may set a maximum limit. Consider on a case-by-case basis the justification provided by a company to set a maximum limit on the number of directors.</p> <p>Vote against proposals to alter board size which have the effect of providing the company an ability to invoke "no vacancy" for new nominees seeking election to the board. Such a limitation is not considered to be in the best interests of shareholders, as it prevents a new shareholder nominee from being added to the board unless a board/management nominee is voted down.</p>	<p>General Recommendation: Generally vote against proposals to limit the number of directors on the board.</p> <p>The Australian Corporations Act requires a minimum of three directors for public companies, and nominees are elected if they receive 50 percent shareholder support. There is no maximum board size limit set out in the Act, although company constitutions may set a maximum limit.</p> <p>Vote against proposals to alter board size which have the effect of providing the company an ability to invoke "no vacancy" for new nominees seeking election to the board. Such a limitation is not considered to be in the best interests of shareholders, as it prevents a new shareholder nominee from being added to the board unless a board/management nominee is voted down.</p>
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Rationale for Change:

The update clarifies ISS' position that placing a cap on the number of directors on the board is not in line with best governance practice in the Australian market, given that it limits shareholders' rights to appoint directors and may allow the board to call 'no vacancy' in director elections if there is a limit in the constitution on the number of directors on a board and that number has been reached. Good governance guidelines in this market ordinarily allows shareholders to determine the composition of the board by voting on each director's election irrespective of the number of incumbent directors.

Reappointment of Auditor, and Authorization for the Directors to Set Auditor's Remuneration

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for the appointment of auditors and authorizing the board to fix their remuneration, unless:</p> <ul style="list-style-type: none"> There are serious concerns about the accounts presented or the audit procedures used; or NonFees for non-audit-related fees services ("other fees") are substantial excessive or are routinely in excess of standard annual audit fees. <p>Non-audit fees are excessive if non-audit ("other") fees exceeds the aggregate of audit fees, audit-related fees and tax compliance/preparation fees.</p> <p>Tax compliance and preparation includes the preparation of original and amended tax returns and refund claims and tax payment planning. All other services in the tax category, such as tax advice, planning or consulting, should be included to "other fees". If the breakdown of tax fees cannot be determined, all tax fees would be added to "other fees" for the purpose of considering the extent of excessive non-audit fees compared with audit fees.</p> <p>In circumstances where "other fees" include fees related to significant one-time capital structure events (such as initial public offerings or demergers) and the company makes public disclosure of the amount and nature of those fees that are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation charges for purposes of determining whether non-audit fees are excessive.</p> <p>This type of resolution is not required under Australian law, but it will be a ballot item for ASX-listed companies that are incorporated in the United Kingdom, Papua New Guinea, and other countries where annual reappointment of the auditor is a statutory requirement. Refer to Chapter 3. Board of Directors for considerations of voting sanctions in regard to members of an Audit Committee.</p>	<p>General Recommendation: Vote for the appointment of auditors and authorizing the board to fix their remuneration, unless:</p> <ul style="list-style-type: none"> There are serious concerns about the accounts presented or the audit procedures used; or Fees for non-audit services ("other fees") are excessive or are routinely in excess of annual audit fees. <p>Non-audit fees are excessive if non-audit ("other") fees exceeds the aggregate of audit fees, audit-related fees and tax compliance/preparation fees.</p> <p>Tax compliance and preparation includes the preparation of original and amended tax returns and refund claims and tax payment planning. All other services in the tax category, such as tax advice, planning or consulting, should be included to "other fees". If the breakdown of tax fees cannot be determined, all tax fees would be added to "other fees" for the purpose of considering the extent of excessive non-audit fees compared with audit fees.</p> <p>In circumstances where "other fees" include fees related to significant one-time capital structure events (such as initial public offerings or demergers) and the company makes public disclosure of the amount and nature of those fees that are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation charges for purposes of determining whether non-audit fees are excessive.</p> <p>This type of resolution is not required under Australian law, but it will be a ballot item for ASX-listed companies that are incorporated in the United Kingdom, Papua New Guinea, and other countries where annual reappointment of the auditor is a statutory requirement. Refer to Chapter 3. Board of Directors for considerations of voting sanctions in regard to members of an Audit Committee.</p>

Rationale for Change:

The change reflects wording already included in other markets regarding non-audit fees and provides guidance on one-time capital structure events and an explanation of classification of tax compliance/preparation and tax advise.

Capital Structure

Issue of Shares (Placement): Advance Approval

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on requests for the advance approval of issue of shares.</p> <p>The ASX Listing Rules contain a general cap on non-pro rata share issues of 15 percent of total equity in a rolling 12-month period. ASX Listing Rule 7.1 limits the number of shares that can be issued without prior shareholder approval in any 12-month period to 15 percent of the entity's existing ordinary capital. allows shareholders to vote to carve out from the "15-percent-in-12-months" cap a particular, proposed issue of shares. If shareholders vote to approve this type of resolution, then the share allotments in question will not be counted in calculating the 15-percent-in-12-months cap for the company.</p> <p>In acknowledging Listing Rule 7.1, ISS would generally support a request for the issuance of shares without pre-emptive rights for up to 15 percent of the issued share capital. However, vVote case-by-case on all requests taking into consideration:</p> <ul style="list-style-type: none"> ▪ Dilution to shareholders (10 percent is considered high and consideration of other factors listed below will be important in supporting such resolutions); ▪ Discount/premium in purchase the issue price to the investors; ▪ Use of proceeds; ▪ The Any fairness opinion presented in an independent expert's report; ▪ Any resultant Results in a change in control; ▪ Other Financing or strategic alternatives explored by the company (including any entitlement offers made to shareholders); 	<p>General Recommendation: Vote case-by-case on requests for the advance approval of issue of shares.</p> <p>The ASX Listing Rules contain a general cap on non-pro rata share issues of 15 percent of total equity in a rolling 12-month period. ASX Listing Rule 7.1 limits the number of shares that can be issued without prior shareholder approval in any 12-month period to 15 percent of the entity's existing ordinary capital. If shareholders vote to approve this type of resolution, then the share allotments in question will not be counted in calculating the 15-percent-in-12-months cap for the company.</p> <p>In acknowledging Listing Rule 7.1, ISS would generally support a request for the issuance of shares without pre-emptive rights for up to 15 percent of the issued share capital. However, vote case-by-case on all requests taking into consideration:</p> <ul style="list-style-type: none"> ▪ Dilution to shareholders (10 percent is considered high and consideration of other factors listed below will be important in supporting such resolutions); ▪ Discount/premium in the issue price to investors; ▪ Use of proceeds; ▪ The fairness opinion presented in an independent expert's report; ▪ Any resultant change in control; ▪ Other financing or strategic alternatives explored by the company (including any entitlement offers made to shareholders); ▪ Arms-length negotiations; and

<ul style="list-style-type: none"> ▪ Arms-length negotiations; and ▪ Conversion rates on convertible equity (if applicable). <p>In some cases, companies may need the ability to raise funds for routine business contingencies without the expense of carrying out a rights issue. Such contingencies could include the servicing of option plans, small acquisitions, or payment for services. When companies make issuance requests without preemptive rights, shareholders not participating in the placement will suffer dilution. While conventions regarding this type of authority vary widely among countries, ISS routinely supports issuance requests without preemptive rights for up to 20 percent of a company's outstanding capital;</p>	<ul style="list-style-type: none"> ▪ Conversion rates on convertible equity (if applicable).
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Rationale for Change:

This policy update removes the statement that "ISS routinely supports issuance requests without pre-emptive rights for up to 20 percent of a company's outstanding capital" and provides guidance on the terms of the issuance that are taken into account when determining the vote recommendation.

Issue of Shares (Placement): Retrospective Approval

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on retrospective approval of issue of shares.</p> <p>ASX Listing Rule 7.4 allows shareholders to vote to carve out from the 15-percent-in-12-months cap an issue of shares made some time in the previous 12 months. If shareholders vote to approve this type of resolution, then the share allotments in question will not be counted in calculating the 15-percent in-12-months cap for the company.</p> <p>Australian companies routinely seek approval of previous share distributions. As long as the prior issuances conform to dilution guidelines above, vote for such proposals.</p>	<p>General Recommendation: Vote case-by-case on retrospective approval of issue of shares.</p> <p>ASX Listing Rule 7.4 allows shareholders to vote to carve out from the 15-percent-in-12-months cap an issue of shares made some time in the previous 12 months. If shareholders vote to approve this type of resolution, then the share allotments in question will not be counted in calculating the 15-percent in-12-months cap for the company.</p>

<p>ISS would generally support a ratification under Listing Rule 7.4 up to 15 percent. However, vote case-by-case on all requests taking into consideration:</p> <ul style="list-style-type: none"> ▪ Dilution to shareholders (10 percent is considered high and consideration of other factors listed below will be important in supporting such resolutions); ▪ Discount/premium in the issue price to investors; ▪ Use of proceeds; ▪ The fairness opinion presented in an independent expert's report; ▪ Any resultant change in control; ▪ Other financing or strategic alternatives explored by the company (including any entitlement offers made to shareholders); ▪ Arms-length negotiations; and ▪ Conversion rates on convertible equity (if applicable). 	<p>ISS would generally support a ratification under Listing Rule 7.4 up to 15 percent. However, vote case-by-case on all requests taking into consideration:</p> <ul style="list-style-type: none"> ▪ Dilution to shareholders (10 percent is considered high and consideration of other factors listed below will be important in supporting such resolutions); ▪ Discount/premium in the issue price to investors; ▪ Use of proceeds; ▪ The fairness opinion presented in an independent expert's report; ▪ Any resultant change in control; ▪ Other financing or strategic alternatives explored by the company (including any entitlement offers made to shareholders); ▪ Arms-length negotiations; and ▪ Conversion rates on convertible equity (if applicable).
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Rationale for Change:

The update is to align the guidelines for vote recommendations on a retrospective approval under ASX Listing Rule 7.4 with guidelines for vote recommendations on an advance approval under ASX Listing Rule 7.1.

Board of Directors

ISS Classification of Directors-Australia

Current ISS Classification, incorporating changes:	New ISS Classification:
<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company. <p>Non-Independent Non-Executive Director (NED)</p> <p>A non-executive director who is:</p> <ul style="list-style-type: none"> ▪ Classified as non-independent in the company's annual report; 	<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company. <p>Non-Independent Non-Executive Director (NED)</p> <p>A non-executive director who is:</p> <ul style="list-style-type: none"> ▪ Classified as non-independent in the company's annual report;

<ul style="list-style-type: none"> ▪ A former executive of the company or of another group member if there was less than a three year period between the cessation of employment and board service; ▪ A major shareholder, partner, or employee of a material¹ adviser/supplier/customer⁴; ▪ A substantial shareholder² of the company; ▪ A founder of the company, even if no longer a substantial shareholder²; ▪ A relative (or a person with close family ties) of a substantial shareholder² or of a current or former executive; ▪ A designated representative of a substantial shareholder, or a director of a substantial shareholder which is not a public portfolio investor; ▪ A director who has served for 12 or more years on the board; ▪ A director with any material³ relationship to the company, other than a board seat; and ▪ A director holds cross-directorships or has significant links with other directors through involvement in other companies or boards. <p>Independent Non-Executive Director</p> <p>A non-executive director who is not classified as non-independent according to the factors above. To clarify, this may include:</p> <ul style="list-style-type: none"> ▪ A nominee proposed for election to a board by a shareholder but otherwise not affiliated to that shareholder. <p>Footnotes:</p> <p>¹ The materiality threshold for transactions is A\$50,000 per annum. These thresholds are assessed by looking at transactions during the three most recent financial years.</p> <p>² A substantial shareholder is a shareholder controlling 5 percent or more of the voting rights in the company. At the point a person is no longer a substantial shareholder representative, they will be reclassified as independent. If (or representative of a substantial shareholder), they may be reclassified as independent by the company. However, for the purposes of ISS' director independence classification, this threshold looks back to the three most recent financial years.</p>	<ul style="list-style-type: none"> ▪ A former executive of the company or of another group member if there was less than a three year period between the cessation of employment and board service; ▪ A major shareholder, partner, or employee of a material¹ adviser/supplier/customer; ▪ A substantial shareholder² of the company; ▪ A founder of the company, even if no longer a substantial shareholder; ▪ A relative (or a person with close family ties) of a substantial shareholder or of a current or former executive; ▪ A designated representative of a substantial shareholder, or a director of a substantial shareholder which is not a public portfolio investor; ▪ A director who has served for 12 or more years on the board; ▪ A director with any material³ relationship to the company, other than a board seat; and ▪ A director holds cross-directorships or has significant links with other directors through involvement in other companies or boards. <p>Independent Non-Executive Director</p> <p>A non-executive director who is not classified as non-independent according to the factors above. To clarify, this may include:</p> <ul style="list-style-type: none"> ▪ A nominee proposed for election to a board by a shareholder but otherwise not affiliated to that shareholder. <p>Footnotes:</p> <p>¹ The materiality threshold for transactions is A\$50,000 per annum. These thresholds are assessed by looking at transactions during the three most recent financial years.</p> <p>² A substantial shareholder is a shareholder controlling 5 percent or more of the voting rights in the company. At the point a person is no longer a substantial shareholder (or representative of a substantial shareholder), they may be reclassified as independent by the company. However, for the purposes of ISS' director independence classification, this threshold looks back to the three most recent financial years.</p>
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<p>³ For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders. . This looks back at the three most recent financial years.</p>	<p>³ For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders. This looks back at the three most recent financial years.</p>
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Rationale for Change:

This policy is updated to include a separate bullet point for 'substantial shareholder' and to clarify the wording in the footnote. The update also adds another criteria for non-independence to cover affiliation through cross-directorships or significant links with other directors which may potentially impact a director's independence.

Voting on Director Nominees in Uncontested Elections- Attendance, Combined Chair/CEO, Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally, vote for director nominees in uncontested elections. However, generally vote against nominees in the following circumstances:</p> <p>Attendance:</p> <ul style="list-style-type: none"> Attended less than 75 percent of board and committee meetings over the most recent two three fiscal years, without a satisfactory explanation. <p>Generally, vote against the chairman or deputy chairman if no disclosure of board and/or committee attendance is provided. Subject to section 300(10) of the Corporations Act an Australian listed company must include in its annual report information about each director's attendance at board and committee meetings.</p> <p>Overboarding (unless exceptional circumstances exist):</p> <ul style="list-style-type: none"> Sits on more than a total of five listed boards (a chair as equivalent to two board positions); or An executive director holding more than one non-executive director role with unrelated listed companies. 	<p>General Recommendation: Generally, vote for director nominees in uncontested elections. However, vote against nominees in the following circumstances:</p> <p>Attendance:</p> <ul style="list-style-type: none"> Attended less than 75 percent of board and committee meetings over the fiscal year without a satisfactory explanation. <p>Generally, vote against the chairman or deputy chairman if no disclosure of board and/or committee attendance is provided. Subject to section 300(10) of the Corporations Act an Australian listed company must include in its annual report information about each director's attendance at board and committee meetings.</p> <p>Overboarding (unless exceptional circumstances exist):</p> <ul style="list-style-type: none"> Sits on more than a total of five listed boards (a chair as equivalent to two board positions); or An executive director holding more than one non-executive director role with unrelated listed companies.

<p>When applying this policy, ISS will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist. Exceptional circumstances include entities outside the S&P/ASX 300 index and are:</p> <ul style="list-style-type: none"> ▪ Research, development, exploration and/or non-operating companies; or ▪ Externally managed funds. <p>For the avoidance of doubt, exceptions do not apply to entities included in the S&P/ASX 300 index.</p> <p>Independence Considerations:</p> <ul style="list-style-type: none"> ▪ Is an executive and board chair, and no "lead director" has been appointed from among the independent directors or other control mechanisms are in place. Exception may be made for company founders who are integral to the company or if other exceptional circumstances apply; ▪ Where an executive is a member of the audit or remuneration committee, vote against the executive and the chairman of the board and/or the chairman of the relevant committee; ▪ An executive other than the CEO who serves on the audit committee; ▪ A former partner or employee of the company's auditor who serves on the audit committee; and ▪ An executive other than the CEO serving on the remuneration committee, and the remuneration committee is not majority independent. ▪ A director who is a former partner of the company's audit firm and receives post-employment benefits. <p>Board Independence:</p> <p>If the board is not majority² independent under ISS' classification, generally vote against nominees who are:</p> <ul style="list-style-type: none"> ▪ Executive directors (except for the CEO and founders integral to the company); or 	<p>When applying this policy, ISS will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist. Exceptional circumstances include entities outside the S&P/ASX 300 index and are:</p> <ul style="list-style-type: none"> ▪ Research, development, exploration and/or non-operating companies; or ▪ Externally managed funds. <p>For the avoidance of doubt, exceptions do not apply to entities included in the S&P/ASX 300 index.</p> <p>Independence Considerations:</p> <ul style="list-style-type: none"> ▪ Is an executive and board chair, and no "lead director" has been appointed from among the independent directors or other control mechanisms are in place. Exception may be made for company founders who are integral to the company or if other exceptional circumstances apply; ▪ Where an executive is a member of the audit or remuneration committee, vote against the executive and the chairman of the board and/or the chairman of the relevant committee; ▪ A former partner or employee of the company's auditor who serves on the audit committee; and ▪ A director who is a former partner of the company's audit firm and receives post-employment benefits. <p>Board Independence:</p> <p>If the board is not majority² independent under ISS' classification, generally vote against nominees who are:</p> <ul style="list-style-type: none"> ▪ Executive directors (except for the CEO and founders integral to the company); or
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² "Majority independent" is defined as over 50 percent independent.

- ~~A non-independent NED who is a designated representative of substantial shareholder, Vote against only one representative of the substantial shareholder (typically, the director with the worst attendance record);~~
- A non-independent NED whose presence causes the board not to be majority independent without sufficient justification, ~~except if the non-independent director represents a substantial shareholder owning at least 15 percent of the company's shares and whose percentage board representation is proportionate to its ownership interest in the company.~~

Combined Chair/CEO:

The ASX Corporate Governance Council ("CGC") calls for the separation of the roles of stewardship and management. Recommendation 2.5 of the ASX CGC states that "the chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity".

Generally vote against a director who combines the CEO and chairman roles, unless the company provides strong justification as to why this non-standard governance arrangement is appropriate for the specific situation of the company. Exceptional circumstances may include a limited timeframe for the combined role upon departure of the CEO, or a non-operating, research, development or exploration company.

In some circumstances an executive chair may be considered to effectively combine the chair and CEO roles, notwithstanding the presence of another director on the board with the title of CEO. In assessing this situation, ISS will have regard for the disclosure surrounding the split of responsibilities and their comparative pay levels.

Diversity

Generally, vote against the chair of the nomination committee or chairman of the board (or other relevant directors on a case-by-case basis) if there are no women on the board. Mitigating factors include:

- A non-independent NED whose presence causes the board not to be majority independent without sufficient justification, except if the non-independent director represents a substantial shareholder owning at least 15 percent of the company's shares and whose percentage board representation is proportionate to its ownership interest in the company.

Combined Chair/CEO:

The ASX Corporate Governance Council ("CGC") calls for the separation of the roles of stewardship and management. Recommendation 2.5 of the ASX CGC states that "the chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity".

Generally vote against a director who combines the CEO and chairman roles, unless the company provides strong justification as to why this non-standard governance arrangement is appropriate for the specific situation of the company. Exceptional circumstances may include a limited timeframe for the combined role upon departure of the CEO, or a non-operating, research, development or exploration company.

In some circumstances an executive chair may be considered to effectively combine the chair and CEO roles, notwithstanding the presence of another director on the board with the title of CEO. In assessing this situation, ISS will have regard for the disclosure surrounding the split of responsibilities and their comparative pay levels.

Diversity

Generally, vote against the chair of the nomination committee or chairman of the board (or other relevant directors on a case-by-case basis) if there are no women on the board. Mitigating factors include:

<ul style="list-style-type: none"> ▪ A commitment to appoint at least one female director as disclosed in the company's meeting documents or in an announcement to the ASX; ▪ The presence of a female director on the board during the preceding year; or ▪ Other relevant factors. <p>Problematic Remuneration Practices:</p> <p>Generally, vote against members of the remuneration committee if the remuneration resolution at the previous general meeting (usually the previous year) received support of less than 75 percent of votes cast, taking into account:</p> <ul style="list-style-type: none"> ▪ The company's response in addressing specific concerns, engagement with institutional investors, and other compensation practices; ▪ The company's ownership structure; ▪ Whether the issues are considered to be recurring or isolated; and ▪ Whether the director has served on a remuneration committee of a non-associated company which has also had demonstrated problematic remuneration practices; and ▪ Whether the level of support was less than 50 percent. <p>Problematic Risk and Audit-Related Practices</p> <p>Generally, vote against members of the risk committee who were in place if:</p> <ul style="list-style-type: none"> ▪ A material failure in audit and risk oversight by directors is identified through regulatory investigation, enforcement or other manner; or ▪ There are significant adverse legal judgments or settlements against the company, directors or management. <p>Generally, vote against members of the audit committee as constituted in the most recently completed fiscal year if:</p> <ul style="list-style-type: none"> ▪ The entity receives an adverse opinion of the entity's financial statements from the auditor; or 	<ul style="list-style-type: none"> ▪ A commitment to appoint at least one female director as disclosed in the company's meeting documents or in an announcement to the ASX; ▪ The presence of a female director on the board during the preceding year; or ▪ Other relevant factors. <p>Problematic Remuneration Practices:</p> <p>Generally, vote against members of the remuneration committee if the remuneration resolution at the previous general meeting received support of less than 75 percent of votes cast, taking into account:</p> <ul style="list-style-type: none"> ▪ The company's response in addressing specific concerns, engagement with institutional investors, and other compensation practices; ▪ The company's ownership structure; ▪ Whether the issues are considered to be recurring or isolated; ▪ Whether the director has served on a remuneration committee of a non-associated company which has also had demonstrated problematic remuneration practices; and ▪ Whether the level of support was less than 50 percent. <p>Problematic Risk and Audit-Related Practices</p> <p>Generally, vote against members of the risk committee who were in place if:</p> <ul style="list-style-type: none"> ▪ A material failure in audit and risk oversight by directors is identified through regulatory investigation, enforcement or other manner; or ▪ There are significant adverse legal judgments or settlements against the company, directors or management. <p>Generally, vote against members of the audit committee as constituted in the most recently completed fiscal year if:</p> <ul style="list-style-type: none"> ▪ The entity receives an adverse opinion of the entity's financial statements from the auditor; or
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<ul style="list-style-type: none"> Non-audit fees (Other Fees) paid to the external audit firm exceed audit and audit-related fees and tax compliance/preparation fees. <p>Tax compliance and preparation include the preparation of original and amended tax returns and refund claims and tax payment planning. All other services in the tax category, such as tax advice, planning or consulting, would be added to "other" fees. If the breakdown of tax fees cannot be determined, all tax fees would be added to "other" fees.</p> <p>In circumstances where "other" fees include fees related to significant one-time capital structure events (such as initial public offerings) and the company makes public disclosure of the amount and nature of those fees that are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation for purposes of determining whether non-audit fees are excessive.</p> <p>Shareholder Nominees Generally, vote against shareholder-nominated candidates who lack board endorsement and do not present conclusive rationale to justify their nomination, including unmatched skills and experience, or other reason. Vote for such candidates if they demonstrate a clear ability to contribute positively to board deliberations.</p> <p>Governance Failures: Generally vote against the chairman of the board if there is evidence of long-running, systemic issues regarding governance failures, or board and committee composition which are not adequately addressed, given the chairman retains responsibility for the board's corporate governance arrangements.</p> <p>Generally vote vote against directors individually, committee members, or the entire board, due to:</p>	<ul style="list-style-type: none"> Non-audit fees (Other Fees) paid to the external audit firm exceed audit and audit-related fees and tax compliance/preparation fees. <p>Tax compliance and preparation include the preparation of original and amended tax returns and refund claims and tax payment planning. All other services in the tax category, such as tax advice, planning or consulting, would be added to "other" fees. If the breakdown of tax fees cannot be determined, all tax fees would be added to "other" fees.</p> <p>In circumstances where "other" fees include fees related to significant one-time capital structure events (such as initial public offerings) and the company makes public disclosure of the amount and nature of those fees that are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation for purposes of determining whether non-audit fees are excessive.</p> <p>Shareholder Nominees Generally, vote against shareholder-nominated candidates who lack board endorsement and do not present conclusive rationale to justify their nomination, including unmatched skills and experience, or other reason. Vote for such candidates if they demonstrate a clear ability to contribute positively to board deliberations.</p> <p>Governance Failures: Generally vote against the chairman of the board if there is evidence of long-running, systemic issues regarding governance failures, or board and committee composition which are not adequately addressed, given the chairman retains responsibility for the board's corporate governance arrangements.</p> <p>Generally vote against directors individually, committee members, or the entire board, due to:</p>
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<ul style="list-style-type: none"> ▪ Failure to act, take reasonable steps, or exercise a director's duty to make proper enquiries of events, actions or circumstances of the company and those involved in management or higher, in the best interests of all shareholders; ▪ Material failures of governance, stewardship, risk oversight³, or fiduciary responsibilities at the company (objectively coming to light in legal proceedings, regulatory investigation or enforcement, or other manner which takes place in relation to the company, directors or management); ▪ Failure to replace management as appropriate; ▪ Significant involvement with a failed company, or egregious actions or circumstances related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company; or ▪ Service on other boards where any of the above matters and facts have subsequently emerged. <p>Upholding governance is the responsibility of each director and together as a board of directors. Shareholders expect "collective accountability" of directors and boards of companies which have experienced governance failures, irrespective of whether directors consider themselves as not being directly responsible for actions of the company or those involved in it.</p> <p>When applying this policy, ISS will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist. A stricter view may apply for directors who serve on the boards of complex companies, those in highly regulated sectors, or directors who chair a number of key committees.</p>	<ul style="list-style-type: none"> ▪ Failure to act, take reasonable steps, or exercise a director's duty to make proper enquiries of events, actions or circumstances of the company and those involved in management or higher, in the best interests of all shareholders; ▪ Material failures of governance, stewardship, risk oversight³, or fiduciary responsibilities at the company (objectively coming to light in legal proceedings, regulatory investigation or enforcement, or other manner which takes place in relation to the company, directors or management); ▪ Failure to replace management as appropriate; ▪ Significant involvement with a failed company, or egregious actions or circumstances related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company; or ▪ Service on other boards where any of the above matters and facts have subsequently emerged. <p>Upholding governance is the responsibility of each director and together as a board of directors. Shareholders expect "collective accountability" of directors and boards of companies which have experienced governance failures, irrespective of whether directors consider themselves as not being directly responsible for actions of the company or those involved in it.</p> <p>When applying this policy, ISS will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist. A stricter view may apply for directors who serve on the boards of complex companies, those in highly regulated sectors, or directors who chair a number of key committees.</p>
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³ Examples of failure of risk oversight include but are not limited to: bribery; criminal conduct; large or serial fines, ~~or~~ sanctions or enforceable undertakings from regulatory bodies; significant adverse legal judgments or settlements against the company, directors, or management; hedging of company stock; or significant pledging of company stock.

Rationale for Change:

The policy is updated for the following director concerns:

- Attendance will be looked at on a yearly basis and not averaged over a two-year period. Given the requirements of the Corporations Act, if director attendance is not disclosed, the board chairman and deputy chairman are expected to be accountable.
- In terms of overboarding, the update will provide guidance on what constitutes 'exceptional circumstances' in line with UK policy and to recognise the existence of non-operating mining and R&D companies.
- Executives, including the CEO, should not be members of audit or remuneration committees as their presence would undermine the purpose of the committees in providing independent oversight and preventing conflicts of interests. Accordingly, the update removes the CEO carve out in the policy for executives who are members of the audit or remuneration committees. The update also includes an adverse vote recommendation where a director is a former partner of the company's audit firm and receives post-employment benefits, representing a conflict of interest.
- The updated wording will clarify ISS' approach when recommending on the election of shareholder representatives on boards that are not majority independent. The wording acknowledges the accepted market practice that a 15-percent shareholder is generally considered to be entitled to appoint a representative on the board. It also considers that a substantial shareholder's influence on the board should be proportional to its share ownership.
- A provision on combined chairman and CEO roles is added to reflect ASX Corporate Governance Council guidelines which specifically call for the separation of stewardship and management and that the roles of chair and CEO must not be held by the same individual. In ASX300 companies, there would presently be fewer than 3 percent of combined chair/CEO roles.
- The Australian policy on gender diversity is being updated to align it with the ISS policies for other relevant market, such as the U.K. and the U.S. For the first time, vote recommendations will be made for boards lacking gender diversity.
- A provision on accountability of non-executive directors who have served on another board's remuneration committee which has demonstrated poor remuneration practices has been added. Given Australian director elections are staggered over 3 years, the policy for against vote recommendations needs to incorporate some flexibility to capture as relevant the chair of the board, or chair of the remuneration committee, or other relevant directors.
- A provision on the accountability of the board chairman in the event of long-running and systemic governance issues is added, particularly following the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.
- To incorporate a section to clarify tax compliance, tax advice and one-off special situation advisory services and the implications for voting against a chair of the audit committee in the event of persisting excessive non-audit fees. This update is to tighten up ISS definitions to increase clarity and reduce ambiguity when voting against director elections.

Remuneration

Remuneration Report

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Short Term Incentive (STI)</p> <p>The STI earned for the year under review should be explained in a fashion which allows shareholders to clearly link performance with pay. Any increases in the maximum from one year to the next should be explicitly justified. The lowering of targets should generally be accompanied by a reduction in the bonus potential.</p> <p>There is an expectation among investors that STI bonus targets will be disclosed retrospectively. Targets for both financial and non-financial metrics should be disclosed in an appropriate level of detail, preferably with a full target range (e.g. threshold, target and maximum) set out.</p> <p>If a remuneration committee believes that STI bonus target disclosure – even on a retrospective basis – is difficult for reasons of commercial sensitivity, it should clearly explain the rationale for its decision, when such considerations will fall away and provide a commitment to disclosure at that time. ISS may recommend a vote against a remuneration report where bonus targets are not disclosed retrospectively, and there is no commitment to disclosure in the future. It is now standard market practice for retrospective disclosure to be provided no more than one year after the end of the relevant performance year.</p> <p>Where consideration of commercial sensitivities may prevent a fuller disclosure of specific short-term targets at the start of the performance period, shareholders expect to be informed of the main performance parameters, both corporate and personal.</p> <p>Deferral of a portion of STI awards is now common and expected in the market by shareholders. Typically, STI deferral is in the form of restricted equity for periods of one to five years. The terms of any STI deferral should be fully disclosed and the rationale for any deferral should align with the medium-term</p>	<p>Short Term Incentive (STI)</p> <p>The STI earned for the year under review should be explained in a fashion which allows shareholders to clearly link performance with pay. Any increases in the maximum from one year to the next should be explicitly justified. The lowering of targets should generally be accompanied by a reduction in the bonus potential.</p> <p>There is an expectation among investors that STI bonus targets will be disclosed retrospectively. Targets for both financial and non-financial metrics should be disclosed in an appropriate level of detail, preferably with a full target range (e.g. threshold, target and maximum) set out.</p> <p>If a remuneration committee believes that STI bonus target disclosure – even on a retrospective basis – is difficult for reasons of commercial sensitivity, it should clearly explain the rationale for its decision, when such considerations will fall away and provide a commitment to disclosure at that time. ISS may recommend a vote against a remuneration report where bonus targets are not disclosed retrospectively, and there is no commitment to disclosure in the future. It is now standard market practice for retrospective disclosure to be provided no more than one year after the end of the relevant performance year.</p> <p>Where consideration of commercial sensitivities may prevent a fuller disclosure of specific short-term targets at the start of the performance period, shareholders expect to be informed of the main performance parameters, both corporate and personal.</p> <p>Deferral of a portion of STI awards is now common and expected in the market by shareholders. Typically, STI deferral is in the form of restricted equity for periods of one to five years. The terms of any STI deferral should be fully disclosed and the rationale for any deferral should align with the medium-term</p>

<p>objectives of the company. Often companies seek shareholder approval for such equity grants. Various aspects of long-term equity grants should be considered such as malus/clawback provisions, treatment on termination and change of control and minimum shareholding requirements.</p> <p>The payment of a 'one-off' special bonus, outside the variable remuneration arrangements already in place, is likely to attract a negative vote recommendation given that transaction-related bonuses are not typically supported.</p>	<p>objectives of the company. Often companies seek shareholder approval for such equity grants. Various aspects of long-term equity grants should be considered such as malus/clawback provisions, treatment on termination and change of control and minimum shareholding requirements.</p> <p>The payment of a 'one-off' special bonus, outside the variable remuneration arrangements already in place, is likely to attract a negative vote recommendation given that transaction-related bonuses are not typically supported.</p>
<p>Dilution limits</p> <p>The operation of share incentive schemes should not lead to dilution in excess of the limits acceptable to shareholders.</p> <p>The rules of a scheme must provide that commitments to issue new shares, when aggregated with awards under all of the company's other schemes, must not exceed five 10 percent of the issued ordinary share capital, adjusted for share issuance and cancellation.</p>	<p>Dilution limits</p> <p>The operation of share incentive schemes should not lead to dilution in excess of the limits acceptable to shareholders.</p> <p>The rules of a scheme must provide that commitments to issue new shares, when aggregated with awards under all of the company's other schemes, must not exceed 10 percent of the issued ordinary share capital, adjusted for share issuance and cancellation.</p>

Rationale for Change:

These changes to the remuneration policies update wording, provide additional context and guidance, and ensure alignment with other sections of the policy (i.e. 10% dilution is already in place in another section).

Remuneration of Executive Directors: Share Incentive Schemes

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on share-based incentives for executive directors.</p> <p>Share-based incentives in Australia usually provide for “performance rights,” “performance shares,” “conditional rights,” or similar derivative instruments, all of which are economically zero exercise price options (ZEPOs).</p> <p>Following the change in Australian taxation law regarding options effective 1 July 2015, the use of traditional share options may also be seen in executive incentive plans is expected to increase in popularity.</p> <p>There are also a smaller number of share incentive schemes which are structured as loan-funded share plans, pursuant to Australian Securities & Investments Commission guidelines. These are effectively option-like structures and are considered on a case-by-case basis.</p>	<p>General Recommendation: Vote case-by-case on share-based incentives for executive directors.</p> <p>Share-based incentives in Australia usually provide for “performance rights,” “performance shares,” “conditional rights,” or similar derivative instruments, all of which are economically zero exercise price options (ZEPOs).</p> <p>Following the change in Australian taxation law regarding options effective 1 July 2015, the use of traditional share options may also be seen in executive incentive plans.</p> <p>There are also a smaller number of share incentive schemes which are structured as loan-funded share plans, pursuant to Australian Securities & Investments Commission guidelines. These are effectively option-like structures and are considered on a case-by-case basis.</p>

Remuneration of Non-Executive Directors: Increase in Aggregate Fee Cap

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case for an increase in the maximum aggregate level of fees payable to the company's non-executive directors. It is a requirement of the ASX Listing Rules for companies to obtain shareholder approval for any increase in the fee cap.</p> <p>ISS will take into account:</p> <ul style="list-style-type: none"> ▪ The size of the proposed increase; ▪ The level of fees compared to those at peer companies; ▪ The explanation the board has given for the proposed increase; ▪ Whether the company has discontinued retirement benefits; ▪ Whether there is sufficient capacity within the previously approved aggregate fee cap to accommodate any proposed increases in director's fees; ▪ The company's absolute and relative performance over (at least) the past three years based on measures such as (but not limited to) share price, earnings per share and return on capital employed; ▪ The company's policy and practices on non-executive director remuneration, including equity ownership; ▪ The number of directors presently on the board and any planned increases to the size of the board; ▪ The level of board turnover. <p>Vote against the increase if the company has an active retirement benefits plan for non-executive directors. Vote against where a company is seeking an increase after a period of poor absolute and relative performance, where the same board (or largely the same board) has overseen this period of poor performance and where the fee cap increase is not sought for the purposes of board renewal.</p>	<p>General Recommendation: Vote case-by-case for an increase in the maximum aggregate level of fees payable to the company's non-executive directors. It is a requirement of the ASX Listing Rules for companies to obtain shareholder approval for any increase in the fee cap.</p> <p>ISS will take into account:</p> <ul style="list-style-type: none"> ▪ The size of the proposed increase; ▪ The level of fees compared to those at peer companies; ▪ The explanation the board has given for the proposed increase; ▪ Whether the company has discontinued retirement benefits; ▪ Whether there is sufficient capacity within the previously approved aggregate fee cap to accommodate any proposed increases in director's fees; ▪ The company's absolute and relative performance over (at least) the past three years based on measures such as (but not limited to) share price, earnings per share and return on capital employed; ▪ The company's policy and practices on non-executive director remuneration, including equity ownership; ▪ The number of directors presently on the board and any planned increases to the size of the board; ▪ The level of board turnover. <p>Vote against the increase if the company has an active retirement benefits plan for non-executive directors. Vote against where a company is seeking an increase after a period of poor absolute and relative performance, where the same board (or largely the same board) has overseen this period of poor performance and where the fee cap increase is not sought for the purposes of board renewal.</p>

Environmental and Social Issues

Voting on Shareholder Proposals on Environmental, Social, and Governance (ESG) Matters

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally, vote on all environmental and, social and governance proposals on a case-by-case basis, taking into consideration examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value, and in addition the. The following factors will be considered:</p> <ul style="list-style-type: none"> ▪ If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation; ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (in terms of scope, timeframe, or cost) or overly prescriptive; ▪ The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; ▪ If the proposal requests increased disclosure or greater transparency, whether or not reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and ▪ If the proposal requests increased disclosure or greater transparency, whether or not implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage. <p>If the items listed above are considered reasonable and would ordinarily warrant shareholder support of the ESG resolution, whereas the Board seeks to deny the vote of shareholders at a meeting, this could be regarded as a negative factor when considering a vote on the re-election of the Chairman, or any other relevant directors. When evaluating a non-binding ESG shareholder proposal, ISS will consider the nature and extent of engagement with the shareholder</p>	<p>General Recommendation: Generally, vote on all environmental and social proposals on a case-by-case basis, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:</p> <ul style="list-style-type: none"> ▪ If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation; ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (in terms of scope, timeframe, or cost) or overly prescriptive; ▪ The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; ▪ If the proposal requests increased disclosure or greater transparency, whether or not reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and ▪ If the proposal requests increased disclosure or greater transparency, whether or not implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage. <p>If the items listed above are considered reasonable and would ordinarily warrant shareholder support of the ESG resolution, whereas the Board seeks to deny the vote of shareholders at a meeting, this could be regarded as a negative factor when considering a vote on the re-election of the Chairman, or any other relevant directors. When evaluating a non-binding ESG shareholder proposal, ISS will consider the nature and extent of engagement with the shareholder proponent and any undertakings given by the board in addressing the matters raised in the shareholder proposal.</p>

<p>proponent and any undertakings given by the board in addressing the matters raised in the shareholder proposal.</p> <p>There is legal precedent which permits the chairman of a general meeting to deny a non-binding or advisory vote on an environmental or social shareholder proposal. Instead, shareholders expect companies to disclose the proxy votes cast ahead of a meeting for each environmental or social proposal in the vote results announced to the ASX.</p>	<p>There is legal precedent which permits the chairman of a general meeting to deny a non-binding or advisory vote on an environmental or social shareholder proposal. Instead, shareholders expect companies to disclose the proxy votes cast ahead of a meeting for each environmental or social proposal in the vote results announced to the ASX.</p>
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Rationale for Change:

The additional bullet point brings policy in line with global approach. The last paragraph also provides additional guidance on policy.

Asia-Pacific Regional

Board of Directors

Director Elections – Independence, Attendance

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote for management nominees in the election of directors, except for the following:</p> <p>Independence</p> <p>Overall Board Independence: Per the independence standards in ISS' Classification of Directors, vote against non-independent director nominees:</p> <ul style="list-style-type: none"> ▪ For Malaysia, and Thailand, and the Philippines, if the board is less than one-third independent; ▪ For Sri Lanka and Pakistan, if independent directors represent less than the higher of two independent directors or one-third of the board; or ▪ For the Philippines, if independent directors represent less than the higher of three independent directors or one-third of the board; or ▪ For Bangladesh, if the board is less than one-fifth independent. <p>Committee Independence:</p> <ul style="list-style-type: none"> ▪ For Malaysia, Thailand, Bangladesh, Pakistan, and Sri Lanka, vote against an executive director serving on the audit, remuneration, or nomination committees. <p>In making the above recommendations, ISS generally will not recommend against the election of a CEO/president, executive chairman, or founder who is integral to the company.</p> <p>Employee Representatives: Vote for employee and/or labor representatives if they sit on either the audit or compensation committee and are required by law</p>	<p>General Recommendation: Generally vote for management nominees in the election of directors, except for the following:</p> <p>Independence</p> <p>Overall Board Independence: Per the independence standards in ISS' Classification of Directors, vote against non-independent director nominees:</p> <ul style="list-style-type: none"> ▪ For Malaysia, Thailand, and the Philippines, if the board is less than one-third independent; ▪ For Sri Lanka and Pakistan, if independent directors represent less than the higher of two independent directors or one-third of the board; or ▪ For Bangladesh, if the board is less than one-fifth independent. <p>Committee Independence:</p> <ul style="list-style-type: none"> ▪ For Malaysia, Thailand, Bangladesh, Pakistan, and Sri Lanka, vote against an executive director serving on the audit, remuneration, or nomination committees. <p>In making the above recommendations, ISS generally will not recommend against the election of a CEO/president, executive chairman, or founder who is integral to the company.</p> <p>Employee Representatives: Vote for employee and/or labor representatives if they sit on either the audit or compensation committee and are required by law to be on those committees. Vote against employee and/or labor representatives</p>

<p>to be on those committees. Vote against employee and/or labor representatives if they sit on either the audit or compensation committee, if they are not required to be on those committees.</p> <p>Attendance:</p> <ul style="list-style-type: none"> ▪ Vote against individual directors if repeated absences at board meetings have not been explained (in countries where this information is disclosed); ▪ For Malaysia, Thailand, and the Philippines, vote against the election of a board-nominated candidate who has attended less than 75 percent of board <u>and</u> key committee meetings over the most recent fiscal year without a satisfactory explanation. For Bangladesh, Pakistan, and Sri Lanka, vote against if he/she attended less than 75 percent of board meetings⁴ without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following: <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). <p>Generally, vote against the director nominees if no disclosure of board attendance is provided in the latest fiscal year.</p> <p>In making these recommendations, ISS generally will not recommend against the election of a CEO/president, executive chairman, or founder who is integral to the company.</p>	<p>if they sit on either the audit or compensation committee, if they are not required to be on those committees.</p> <p>Attendance:</p> <ul style="list-style-type: none"> ▪ Vote against individual directors if repeated absences at board meetings have not been explained (in countries where this information is disclosed); ▪ For Malaysia, Thailand, and the Philippines, vote against the election of a board-nominated candidate who has attended less than 75 percent of board <u>and</u> key committee meetings over the most recent fiscal year without a satisfactory explanation. For Bangladesh, Pakistan, and Sri Lanka, vote against if he/she attended less than 75 percent of board meetings⁴ without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following: <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). <p>Generally, vote against the director nominees if no disclosure of board attendance is provided in the latest fiscal year.</p> <p>In making these recommendations, ISS generally will not recommend against the election of a CEO/president, executive chairman, or founder who is integral to the company.</p>
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Rationale for Change:

Independence: Pursuant to its regulatory power under the Revised Corporation Code of the Philippines, the Securities and Exchange Commission resolved to adopt the Code of Corporate Governance for Public Companies and Registered Issuers (**2020 Code**) with effect from Jan. 12, 2020. The 2020 Code recommends that "**At least two**

⁴ Attendance disclosure for some markets is for board meetings only, others will provide disclosure for both board and committee meetings. See pages 10-12 of the [2017 ISS Asia-Pacific Policy Updates](#) for a comparison chart of attendance disclosure.

independent directors or one-third of the board, whichever is higher, should be independent (Recommendation 5.2)". Given the typical board size, the one-third threshold is almost always the higher threshold.

Attendance: Director nominees who are part of the board should be held accountable for a company's problematic disclosure practices.

Issuers should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence, and ownership interests and director attendance at board meetings. Failure to disclose board attendance records and failure to attend relevant directors' meetings may indicate a director's inability to appropriately carry out their fiduciary duties.

Classification of Directors - Asia Pacific Regional Policy

Current ISS Classification, incorporating changes:	New ISS Classification:
<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company or a wholly-owned subsidiary of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant^[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant^[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material^[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than 10 percent 	<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company or a wholly-owned subsidiary of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant^[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant^[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material^[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than 10 percent

<p>individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);</p> <ul style="list-style-type: none"> Government representative; Currently provides or has provided (or a relative^[3] provides) professional services^[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[5]); Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; Relative^[3] of a current employee or executive of the company or its affiliates; Relative^[3] of a former employee or executive of the company or its affiliates; A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); Founder/co-founder/member of founding family but not currently an employee or executive; Former employee or executive (five-year cooling off period); For the Philippines, any director who has served more than nine years, unless the company provides sufficient and clear justification that the director is independent; Years of service is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.^[6] Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. <p>Independent NED</p> <ul style="list-style-type: none"> No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. 	<p>individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);</p> <ul style="list-style-type: none"> Government representative; Currently provides or has provided (or a relative^[3] provides) professional services^[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[5]); Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; Relative^[3] of a current employee or executive of the company or its affiliates; Relative^[3] of a former employee or executive of the company or its affiliates; A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); Founder/co-founder/member of founding family but not currently an employee or executive; Former employee or executive (five-year cooling off period); For the Philippines, any director who has served more than nine years, unless the company provides sufficient and clear justification that the director is independent; Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. <p>Independent NED</p> <ul style="list-style-type: none"> No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. <p>Employee Representative</p>
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<p>Employee Representative</p> <ul style="list-style-type: none"> Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED). <p>Footnotes:</p> <p>[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.</p> <p>[2] For purposes of ISS' director independence classification, “material” will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.</p> <p>[3] “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.</p> <p>[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.</p> <p>[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p>	<ul style="list-style-type: none"> Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED). <p>Footnotes:</p> <p>[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.</p> <p>[2] For purposes of ISS' director independence classification, “material” will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.</p> <p>[3] “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.</p> <p>[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.</p> <p>[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p>
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~~{6} For example, in Hong Kong, Singapore and Taiwan, directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his long tenure.~~

Rationale for Change:

Pursuant to its regulatory power under the Revised Corporation Code of the Philippines, the Securities and Exchange Commission resolved to adopt the Code of Corporate Governance for Public Companies and Registered Issuers (**2020 Code**) with effect from Jan. 12, 2020. The 2020 Code recommends that:

- The board's **independent directors should serve for a maximum cumulative term of nine (9) years**. After which, the independent director should be perpetually barred from reelection as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine (9) years, the board should provide meritorious justification/s and seek shareholders'/members' approval during the annual shareholders'/members' meeting. (Recommendation 5.4).

Accordingly, ISS is updating its policy for the Philippines so that, under ISS Classification of Directors, a director shall be considered non-independent if such director serves as an independent non-executive director for more than 9 years, unless the company provides, annually through reelection, the reasons why such director is still independent.

Asia-Pacific Regional, China, Taiwan

Financial Statements/ Dividends - Dividend Distribution

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote for approval of the allocation of income, unless:</p> <ul style="list-style-type: none"> ▪ The dividend payout ratio has been consistently below 30 percent low without adequate explanation; or ▪ The payout is excessive given the company's financial position. 	<p>General Recommendation: Generally vote for approval of the allocation of income, unless:</p> <ul style="list-style-type: none"> ▪ The dividend payout ratio has been consistently low without adequate explanation; or ▪ The payout is excessive given the company's financial position.

Rationale for Change:

The current ISS approach is to recommend voting for dividend payouts unless the dividend payout ratio has been consistently low without adequate explanation or the payout is excessive given the company's financial position. "30 percent" is actually not a threshold. Removing the wording of "below 30 percent" from the policy language will help to reduce confusion. This change aligns the policy with current practice.

In China, the Shanghai Stock Exchange requires the listed companies to disclose rationales and usage of retained earnings if the companies' proposed dividend payouts are lower than 30 percent; the Shenzhen Stock Exchange requires this disclosure if the companies' rolling three-year cash dividends in aggregate are lower than 30 percent of their rolling average distributable earnings over the same three-year period. Therefore, most of the Chinese companies have provided adequate explanations if their dividend payout ratios fall below the requirements stipulated by the stock exchanges.

Further, it should be noted that voting against the proposals with low dividend payout will not necessarily result in higher dividend payout, rather, it would result in no dividend distribution.

China

Capital Raising – Share Issuance Requests

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on share issuance request, with reference to the identity of the placees, the use of proceeds, and the company's past share issuance requests.</p> <p>Discussion</p> <p>Share issuance requests allow companies to issue shares to raise funds for general financing purposes. In the Measures for the Administration of the Issuance of Securities by Listed Companies 2006 and the Detailed Rules for Private Placement by Listed Companies, the China Securities Regulatory Commission (CSRC) stipulates the following regarding public rights offerings:</p> <ul style="list-style-type: none"> ▪ The number of new shares issued via a public rights offering shall not exceed 30 percent of the number of shares already issued; ▪ A successful rights offering shall have subscription rate of no less than 70 percent. The controlling shareholder is required to make a public commitment to indicate the number of rights to which it will subscribe. <p>In the Chinese market, the rights issued are non-renounceable rights, which are not transferable and cannot be traded in the open market. The trading of rights issued in the A-share market was terminated by the CSRC in June 1996. Investors therefore could not sell their entitlements for a cash value to, in turn, compensate for the losses in their percentage of ownership should they decide not to exercise the rights entitlements.</p> <p>Further, given the high level of retail investors' participation in the market, a portion of the rights issued are often left unexercised due to the lack of awareness of these investors, resulting in increased control by the controlling shareholder at a steep discount via the public rights offering.</p>	<p>General Recommendation: Vote case-by-case on share issuance request, with reference to the identity of the placees, the use of proceeds, and the company's past share issuance requests.</p> <p>Discussion</p> <p>Share issuance requests allow companies to issue shares to raise funds for general financing purposes. In the Measures for the Administration of the Issuance of Securities by Listed Companies, the China Securities Regulatory Commission (CSRC) stipulates the following regarding public rights offerings:</p> <ul style="list-style-type: none"> ▪ The number of new shares issued via a public rights offering shall not exceed 30 percent of the number of shares already issued; ▪ A successful rights offering shall have subscription rate of no less than 70 percent. The controlling shareholder is required to make a public commitment to indicate the number of rights to which it will subscribe. <p>In the Chinese market, the rights issued are non-renounceable rights, which are not transferable and cannot be traded in the open market. The trading of rights issued in the A-share market was terminated by the CSRC in June 1996. Investors therefore could not sell their entitlements for a cash value to, in turn, compensate for the losses in their percentage of ownership should they decide not to exercise the rights entitlements.</p> <p>Further, given the high level of retail investors' participation in the market, a portion of the rights issued are often left unexercised due to the lack of awareness of these investors, resulting in increased control by the controlling shareholder at a steep discount via the public rights offering.</p>

<p>The Detailed Rules for Private Placement by Listed Companies and the relevant Q&A from the CSRC stipulates the following regarding share private placements:</p> <ul style="list-style-type: none"> Share issuances via a private placement shall be issued to not more than 35 10 specific parties; The share issue price for a private placement shall not be lower than 80 percent of the average trading price of the company's A shares 20 trading days prior to the first day of the issuance period pricing reference date; In cases when all the places have been determined in advance and belong to any of the following categories: (i) the ultimate controller, controlling shareholder and/or related parties controlled by them; (ii) investors who will obtain control over the company after the private placement; and (iii) strategic investors, the pricing reference date can be either the corresponding board meeting announcement date, the shareholder meeting announcement date, or the first day of the share issuance period; The share lock-up period shall be 12 months for minority investors and 36 months for the controlling shareholder and actual controlling person of the company; In the aforementioned cases, the share lock-up period should be 18 months. In other cases, the issue price and places will be determined via bidding process and the share lock-up period will be six months; In general, a cooling-off period of at least 18 months from the last share issuance should be in place. For companies that have used up their previous raised funds or have invested their raised funds as planned may not be subject to the above restriction, however, a cooling-off period of at least six months shall still be in place; The resulting dilution from a private share placement should be capped at 30 percent of the company's total shares outstanding prior to the share issuance. <p>Chinese companies do not ask for general mandates to issue shares to third parties, rather they seek shareholder approval for a specific issuance.</p>	<p>The Detailed Rules for Private Placement by Listed Companies and the relevant Q&A from the CSRC stipulate the following regarding share private placements:</p> <ul style="list-style-type: none"> Share issuances via a private placement shall be issued to not more than 35 specific parties; The share issue price for a private placement shall not be lower than 80 percent of the average trading price of the company's A shares 20 trading days prior to the pricing reference date; In cases when all the places have been determined in advance and belong to any of the following categories: (i) the ultimate controller, controlling shareholder and/or related parties controlled by them; (ii) investors who will obtain control over the company after the private placement; and (iii) strategic investors, the pricing reference date can be either the corresponding board meeting announcement date, the shareholder meeting announcement date, or the first day of the share issuance period; In the aforementioned cases, the share lock-up period should be 18 months. In other cases, the issue price and places will be determined via bidding process and the share lock-up period will be six months; In general, a cooling-off period of at least 18 months from the last share issuance should be in place. For companies that have used up their previous raised funds or have invested their raised funds as planned may not be subject to the above restriction, however, a cooling-off period of at least six months shall still be in place; The resulting dilution from a private share placement should be capped at 30 percent of the company's total shares prior to the share issuance. <p>Chinese companies do not ask for general mandates to issue shares to third parties, rather they seek shareholder approval for a specific issuance.</p>
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Rationale for Change:

The China Securities Regulatory Commission (CSRC) released the revised Measures for the Administration of the Issuance of Securities by Listed Companies and Detailed Rules for Private Placement by Listed Companies on Feb. 14, 2020. These regulation updates aim to deepen supply-side structural reform in the financial sector and strengthen the sector's ability to fuel the real economy.

The policy updates serve to align the relevant regulation/background section in ISS policy with the latest regulations.

Hong Kong

Board of Directors

Voting for Director Nominees in Uncontested Elections

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote for the re/election of directors, unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee has been a partner of the company's auditor within the last three years, and serves on the audit committee; ▪ Any non-independent director nominees where the board is less than one-third independent under ISS' classification of directors5;⁵ ▪ The nominee is an executive director serving on the audit committee; ▪ The nominee is an executive director serving on the remuneration committee or nomination committee, and the committee is not majority independent; ▪ The nominee is a non-independent director serving as the chairman of the audit committee, remuneration committee, and/or nomination committee (except for a non-independent director serving as chairman of the nomination committee who also serves as the chairman of the board). <p>When the board does not have a formal audit committee, remuneration committee, and/or nomination committee, vote against if:</p> <ul style="list-style-type: none"> ▪ The nominee is an executive director and the board is not majority independent⁵; ▪ The nominee is a non-independent chairman of the board. 	<p>General Recommendation: Generally vote for the re/election of directors, unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee has been a partner of the company's auditor within the last three years, and serves on the audit committee; ▪ Any non-independent director nominees where the board is less than one-third independent under ISS' classification of directors;⁵ ▪ The nominee is an executive director serving on the audit committee; ▪ The nominee is an executive director serving on the remuneration committee or nomination committee, and the committee is not majority independent; ▪ The nominee is a non-independent director serving as the chairman of the audit committee, remuneration committee, and/or nomination committee (except for a non-independent director serving as chairman of the nomination committee who also serves as the chairman of the board). <p>When the board does not have a formal audit committee, remuneration committee, and/or nomination committee, vote against if:</p> <ul style="list-style-type: none"> ▪ The nominee is an executive director and the board is not majority independent⁵; ▪ The nominee is a non-independent chairman of the board.

⁵ Not applicable if the lack of board independence is due to the immediate retirement, abrupt resignation, or death of an independent non-executive director, provided that the company mentioned or announced a definite timeline of up to three months for the appointment of a new independent non-executive director to have adequate level of board independence.

<p>Under the ISS Classification of Directors, an independent non-executive director shall be considered non-independent if such director serves as a director for more than nine years, and the company fails to disclose the reasons why such director should still be considered independent, or where such reasons raise concerns regarding the director's true level of independence.</p> <p>Composition:</p> <ul style="list-style-type: none"> ▪ The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. The calculation of director attendance will not include meetings attended by alternate directors. Acceptable reasons for director absences are generally limited to the following: <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; and ▪ Conflict of interest with the resolution(s) to be discussed in the board or committee meeting; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). ▪ The nominee sits on more than six⁶ public company boards. <p>In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.</p>	<p>Under the ISS Classification of Directors, an independent non-executive director shall be considered non-independent if such director serves as a director for more than nine years, and the company fails to disclose the reasons why such director should still be considered independent, or where such reasons raise concerns regarding the director's true level of independence.</p> <p>Composition:</p> <ul style="list-style-type: none"> ▪ The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. The calculation of director attendance will not include meetings attended by alternate directors. Acceptable reasons for director absences are generally limited to the following: <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; and ▪ Conflict of interest with the resolution(s) to be discussed in the board or committee meeting; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). ▪ The nominee sits on more than six⁶ public company boards. <p>In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.</p>
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Rationale for Change:

Independence: The policy change will take into account the effect of any immediate retirement, abrupt resignation, or death of an independent non-executive director in the company's board independence. Immediate retirement, abrupt resignation, or death of an independent non-executive director could result in the company's

⁶ A commitment to reduce the number of boards to six or fewer by the next annual meeting will be considered. The commitment would need to be disclosed prior to the AGM in the relevant meeting materials, such as the meeting notice, circular, or annual report.

level of board independence falling below one-third or majority. As identifying suitable independent director would normally take time, companies may not be able to immediately appoint a new independent director to fill the vacancy on the board, and may not continuously comply with the required board independence.

Pursuant to Hong Kong Listing Rules, if at any time the number of independent non-executive directors falls below one-third of the board, the company is required to appoint sufficient number of independent non-executive directors to comply with the required level of board independence within three months after failing to meet such requirement. Hence, companies are expected to be able to comply with the required board independence within three months after failing to meet such requirement.

The policy change will result in the creation of a carve-out policy when the board will be less than one-third independent or majority independent (as applicable) due to the immediate retirement, abrupt resignation, or death of an independent non-executive director. The carve-out policy will exempt companies from the Hong Kong benchmark policy on board independence provided that the company mentioned or announced a definite timeline of up to three months for the appointment of a new independent non-executive director to comply with the required level of board independence.

Attendance: There are cases where a director is required to abstain from participating in a board meeting due to his/her conflict of interest in the transaction to be considered and approved at the board meeting, which is considered an acceptable reason to be absent in such board meeting or committee meeting.

Currently, it is not common for a Hong Kong listed company to provide detailed explanation for the absences of its director(s) in board and committee meetings. In rare cases however, the company would state that the director(s) had not attended the board meeting on purpose due to conflict of interest in the transaction(s) to be discussed and voted upon at the board meeting.

India

Board of Directors

Election of Directors- Independence

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote for the election of directors unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee is an executive director serving on the audit, remuneration, or nomination committee; ▪ Any non-independent director nominees where independent directors represent less than one-third of the board when the chairman is a non-executive director, or less than one-half of the board when the chairman is an executive director or a promoter director; or ▪ The nominee is an independent director⁷ with a tenure of more than 10 years on the board. 	<p>General Recommendation: Generally vote for the election of directors unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee is an executive director serving on the audit, remuneration, or nomination committee; ▪ Any non-independent director nominees where independent directors represent less than one-third of the board when the chairman is a non-executive director, or less than one-half of the board when the chairman is an executive director or a promoter director; or ▪ The nominee is an independent director⁷ with a tenure of more than 10 years on the board.

Rationale for Change:

Per the Companies Act 2013 (Act), independent directors in India can be appointed or reappointed for terms of up to five years, and no independent director can have more than two such consecutive terms. In effect, this provision restricts independent directors' tenure to a maximum of 10 years.

There must be a cooling-off period of at least three years before such independent directors can again be considered eligible for appointment.

But while this is a mandatory clause, the Act only counts tenure from 1 April 2014. As a result, there are many "independent" directors who, despite having a prolonged tenure, continue to be a part of the board.

⁷ Classified as independent by the company.

There have been some suggestions that such boards, while compliant with the law, are not in alignment with its intent or spirit. The regulatory direction of travel is to ensure board objectivity through periodic refreshment. While the 10-year window from 1 April 2014 allows companies till FY2024 to make this transition, some investors believe that, in view of good governance, companies should have stepped up by now and rotated their tenured directors. Under the new policy, ISS is looking for company compliance with the new law starting in FY2021, rather than FY2024.

Classification of Directors

Current ISS Classification, incorporating changes:	New ISS Classification:
<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company or a wholly-owned subsidiary of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant^[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant^[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material^[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least two percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than two percent individually, but collectively own more than two percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative^[3] provides) professional services^[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[5]); 	<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company or a wholly-owned subsidiary of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant^[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant^[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material^[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least two percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than two percent individually, but collectively own more than two percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative^[3] provides) professional services^[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year;

<ul style="list-style-type: none"> ▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative^[3] of a current employee or executive of the company or its affiliates; ▪ Relative^[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Years of service is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered. ▪ Any director with a tenure of more than 10 years on the board. ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. <p>Independent NED</p> <ul style="list-style-type: none"> ▪ No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. <p>Employee Representative</p> <ul style="list-style-type: none"> ▪ Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED). <p>Footnotes:</p> <p>[1] At least two percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.</p> <p>[2] For purposes of ISS' director independence classification, “material” will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.</p> <p>[3] “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person</p>	<ul style="list-style-type: none"> ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[5]); ▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative^[3] of a current employee or executive of the company or its affiliates; ▪ Relative^[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Any director with a tenure of more than 10 years on the board. ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. <p>Independent NED</p> <ul style="list-style-type: none"> ▪ No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. <p>Employee Representative</p> <ul style="list-style-type: none"> ▪ Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED). <p>Footnotes:</p> <p>[1] At least two percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.</p> <p>[2] For purposes of ISS' director independence classification, “material” will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.</p> <p>[3] “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person</p>
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<p>(other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.</p> <p>[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.</p> <p>[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p>	<p>(other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.</p> <p>[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.</p> <p>[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p>
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Rationale for Change:

See rationale above for Voting on Directors- Independence.

Audit

Appointment of Auditors

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote for the (re)appointment of auditors and authorizing the board to fix their remuneration, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the accounts presented or the audit procedures used; ▪ The auditor is being changed without explanation; or ▪ Non-audit related fees are in excess of standard annual audit fees; or or ▪ The profile of the new audit firm being appointed is not disclosed or not available in the public domain. 	<p>General Recommendation: Generally vote for the (re)appointment of auditors and authorizing the board to fix their remuneration, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the accounts presented or the audit procedures used; ▪ The auditor is being changed without explanation; ▪ Non-audit related fees are in excess of standard annual audit fees; or ▪ The profile of the new audit firm being appointed is not disclosed or not available in the public domain.

Rationale for Change:

Some companies may appoint audit firms with no available track record. This makes it difficult for shareholders to assess if the audit firm is independent or if it has the resources and the required expertise in that sector to conduct an effective audit process.

Japan

Voting on Director Nominees in Uncontested Elections – Cross-shareholdings and Board Composition

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure⁸.</p> <p>1. At companies with a statutory auditor structure: vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Top executive(s)⁹ at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)¹⁰, unless an improvement¹¹ is observed; ▪ For meetings on or after Feb. 1, 2022, top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings¹²; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and, for meetings on or after Feb. 1, 2022, at least one-third of the board members will not be outside directors; 	<p>General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure⁸.</p> <p>1. At companies with a statutory auditor structure: vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Top executive(s)⁹ at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)¹⁰, unless an improvement¹¹ is observed; ▪ For meetings on or after Feb. 1, 2022, top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings¹²; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and, for meetings on or after Feb. 1, 2022, at least one-third of the board members will not be outside directors;

⁸ The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed.

⁹ In most cases, the top executive will be the “shacho” (president). However, there are companies where the decision-making authority also rests with the “kaicho” (chairman of the company) or “daihyo torishimariyaku” (representative director).

¹⁰ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years.

¹¹ Improvement is defined as ROE of five percent or greater for the most recent fiscal year.

¹² Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring.

<ul style="list-style-type: none"> ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review¹³; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority¹⁴ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders. <p>2. At companies with a U.S.-type three committee structure: (In addition to the guidelines for companies with a statutory auditor structure) vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Where an outside director nominee is regarded as non-independent based on ISS independence criteria for Japan, and the board, after the shareholder meeting, will not be majority independent; ▪ Top executive(s) if at least one-third of the board members, after the shareholder meeting, will not be outside directors; or ▪ Where the company has a controlling shareholder, a director nominee sits on the nomination committee and is an insider, or non-independent outsider, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan. 	<ul style="list-style-type: none"> ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review¹³; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority¹⁴ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders. <p>2. At companies with a U.S.-type three committee structure: (In addition to the guidelines for companies with a statutory auditor structure) vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Where an outside director nominee is regarded as non-independent based on ISS independence criteria for Japan, and the board, after the shareholder meeting, will not be majority independent; ▪ Top executive(s) if at least one-third of the board members, after the shareholder meeting, will not be outside directors; or ▪ Where the company has a controlling shareholder, a director nominee sits on the nomination committee and is an insider, or non-independent outsider, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan.
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¹³ The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings.

¹⁴ Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.

<p>3. At companies with a board with audit committee structure: (In addition to the guidelines for companies with a statutory auditor structure) vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Where an outside director nominee who is also nominated as an audit committee member¹⁵ is regarded as non-independent based on ISS independence criteria for Japan; or ▪ Top executive(s) if at least one-third of the board members, after the shareholder meeting, will not be outside directors. <p>Regardless of governance structure, under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company. 	<p>3. At companies with a board with audit committee structure: (In addition to the guidelines for companies with a statutory auditor structure) vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Where an outside director nominee who is also nominated as an audit committee member¹⁵ is regarded as non-independent based on ISS independence criteria for Japan; or ▪ Top executive(s) if at least one-third of the board members, after the shareholder meeting, will not be outside directors. <p>Regardless of governance structure, under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.
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Rationale for Change:

Cross Holdings: Capital misallocation and reduced market discipline resulting from cross-shareholdings have long been viewed as amongst the most serious corporate governance problems in Japan. It is fairly common for Japanese companies to own long-held shares of other companies for reasons other than pure investment purposes, for instance, in order to strengthen relationships with customers, suppliers, or borrowers. Here, "cross-shareholdings" refer not only to mutual cross-shareholdings but also to unilateral holdings where these are designated by the company as shareholdings for non-investment purposes (the typical description for such shareholdings). Such cross-shareholdings may place the company's desire to strengthen its business relationships in conflict with its responsibility to create long-term value for shareholders, as funds used to buy such shares are not available for acquisitions, CapEx, dividends or share buybacks. Moreover, such practices reduce market discipline as management-friendly shareholders will almost always support board-backed resolutions and oppose shareholder proposals.

¹⁵ Outside director nominees who are not nominated as audit committee members are not subject to this policy.

For meetings on or after Feb. 1, 2022, ISS is adopting a new policy to recommend against the election of the top executive(s) if the balance sheet amount of cross-shareholdings exceeds 20 percent of net assets. This new policy is in line with ISS' 2020 global benchmark policy survey results and feedback from investors. The one-year transition period gives time to companies who wish to address shareholder concerns about cross-shareholding practices.

Board composition: The proportion of outside directors on Japanese boards has increased in recent years, particularly in response to the introduction of the Corporate Governance Code in 2015 and its revision in 2018, which require the appointment of a minimum of two independent directors, and encourage companies to have a one-third independent board. In consideration of the improving trend, in 2019, ISS implemented a new policy requesting companies with a board-with-audit-committee structure or with a U.S.-type three-committee structure to have a board where at least one third of the board members are outside directors. However, for companies employing the Japanese traditional two-tiered board structure with a board of directors and a board of statutory auditors (or *kansayaku-kai*), ISS has required only two outside directors. That was based on a recognition that unlike companies with an audit committee structure or with a U.S.-type three-committee structure, companies with a statutory auditor system assume the board's function as operational rather than supervisory. In fact, until 2019, only 40 percent of Japanese companies with a statutory auditor system (in the ISS research universe) had boards with more than one-third outsider representation. However, as of June 2020, 53.7 percent of such companies now have boards with one-third outsiders or more, and this development may imply a changing notion of Japanese companies that having one-third outsiders on the board would make sense, even if they consider their boards to mainly have an operational function.

In line with ISS' 2020 global benchmark policy survey results and one-on-one discussions with institutional investors, ISS updated the policy for companies with a statutory auditor structure by increasing to at least a one-third outsider board representation requirement from the current requirement of at least two outside directors with a one-year transition period. Therefore, ISS will recommend against the election of the top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors; and, for meetings on or after Feb. 1, 2022, at least one-third of the board members will not be outside directors. The one-year transition period gives time to Japanese companies who wish to recruit more qualified candidates.

Singapore

Board of Directors

Voting for Director Nominees in Uncontested Elections

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote for the re/election of directors, unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee has been a partner of the company's auditor within the last three years, and serves on the audit committee; ▪ Any non-independent director nominees where the board is less than one-third independent under ISS classification of directors¹⁶; ▪ The nominee¹⁷ is a member of the nomination committee and the board does not have a lead/senior independent director and/or the board is less than majority independent¹⁶ under the following scenarios: <ul style="list-style-type: none"> ▪ The chairman and the CEO are the same person; ▪ The chairman and the CEO are immediate family members¹⁸; ▪ The chairman is part of the management team; or ▪ The chairman is not an independent director. ▪ The nominee is an executive director serving on the audit, remuneration, and/or nomination committee; ▪ The nominee is a non-independent director serving as the chairman of the audit committee, remuneration committee, and/or nomination committee. 	<p>General Recommendation: Generally vote for the re/election of directors, unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee has been a partner of the company's auditor within the last three years, and serves on the audit committee; ▪ Any non-independent director nominees where the board is less than one-third independent under ISS classification of directors¹⁶; ▪ The nominee¹⁷ is a member of the nomination committee and the board does not have a lead/senior independent director and/or the board is less than majority independent¹⁶ under the following scenarios: <ul style="list-style-type: none"> ▪ The chairman and the CEO are the same person; ▪ The chairman and the CEO are immediate family members¹⁸; ▪ The chairman is part of the management team; or ▪ The chairman is not an independent director. ▪ The nominee is an executive director serving on the audit, remuneration, and/or nomination committee; ▪ The nominee is a non-independent director serving as the chairman of the audit committee, remuneration committee, and/or nomination committee.

¹⁶ Not applicable if the lack of board independence is due to the immediate retirement, abrupt resignation, or death of an independent non-executive director, provided that the company mentioned or announced a definite timeline of up to three months for the appointment of a new independent non-executive director to have adequate level of board independence

¹⁷ Except for directors newly-appointed to the committee or who served on the committee for a partial year, who are considered on a case-by-case.

¹⁸ "Immediate family members" refer to the person's spouse, child, adopted child, step-child, sibling and parent.

<p>When the board does not have a formal audit committee, remuneration committee, and/or nomination committee, vote against if:</p> <ul style="list-style-type: none"> ▪ The nominee is an executive director; ▪ The nominee is a non-independent chairman of the board. <p>Under the ISS Classification of Directors, an independent non-executive director shall be considered non-independent if such director serves as a director for more than nine years, and the company fails to disclose the reasons why such director should still be considered independent, or where such reasons raise concerns regarding the director's true level of independence.</p> <p>Composition:</p> <ul style="list-style-type: none"> ▪ The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following: <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; and ▪ Conflict of interest in the resolution(s) to be discussed in the board or committee meeting; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). ▪ The nominee sits on more than six¹⁹ public company boards. <p>In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.</p>	<p>When the board does not have a formal audit committee, remuneration committee, and/or nomination committee, vote against if:</p> <ul style="list-style-type: none"> ▪ The nominee is an executive director; ▪ The nominee is a non-independent chairman of the board. <p>Under the ISS Classification of Directors, an independent non-executive director shall be considered non-independent if such director serves as a director for more than nine years, and the company fails to disclose the reasons why such director should still be considered independent, or where such reasons raise concerns regarding the director's true level of independence.</p> <p>Composition:</p> <ul style="list-style-type: none"> ▪ The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following: <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; ▪ Conflict of interest in the resolution(s) to be discussed in the board or committee meeting; and ▪ Missing only one meeting (when the total of all meetings is three or fewer). ▪ The nominee sits on more than six¹⁹ public company boards. <p>In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.</p>
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¹⁹ A commitment to reduce the number of boards to six or fewer by the next annual meeting will be considered. The commitment would need to be disclosed prior to the AGM in the relevant meeting materials, such as the meeting notice, circular, or annual report.

Rationale for Change:

Independence: The policy change will take into account the effect of any immediate retirement, abrupt resignation, or death of an independent non-executive director in the company's board independence. Immediate retirement, abrupt resignation, or death of an independent non-executive director could result in the company's level of board independence falling below one-third or majority. As identifying suitable independent director would normally take time, companies may not be able to immediately appoint a new independent director to fill the vacancy on the board and may not continuously comply with the required board independence.

In accordance with the Singapore Corporate Governance Code, independent non-executive directors must comprise at least one-third of the board or majority of the board when the chairman is not an independent non-executive director. Currently, the Singapore Listing Rules do not require companies to mention or announce a definite timeline for the appointment of a new independent non-executive director if at any time the number of independent non-executive directors falls below one-third or majority of the board. Nonetheless, starting January 2022, if the retirement or resignation of a director results to the number of independent non-executive directors to fall below one-third of the board, companies will be required to fill the vacancy within two months, but, in any case, not later than three months. Hence, companies are expected to be able to comply with the required one-third board independence within three months after failing to meet such requirement.

The policy change will result in the creation of a carve-out policy when the board will be less than one-third independent or majority independent (as applicable) due to the immediate retirement, abrupt resignation, or death of an independent non-executive director. The carve-out policy will exempt companies from the Singapore benchmark policy on board independence provided that the company mentioned or announced a definite timeline of up to three months for the appointment of a new independent non-executive director to comply with the required level of board independence.

Attendance: There are cases where a director is required to abstain from participating in a board meeting due to conflict of interest in the transaction to be considered and approved at the board meeting. Singapore benchmark policy is being adjusted to include "conflict of interest in the resolution(s) to be discussed in the board or committee meeting" as an acceptable reason to be absent in such board meeting or committee meeting. Currently, it is not common for a Singapore listed company to provide detailed explanation for the absences of its director(s) in board and committee meetings.

South Korea

Election of Directors

Composition – Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Board Diversity: Generally vote against the chair of the nomination committee (or other senior members of the nomination committee on a case-by-case basis) up for election if the company is non-compliant with the board gender diversity regulation.</p> <p>In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.</p>	<p>Board Diversity: Generally vote against the chair of the nomination committee (or other senior members of the nomination committee on a case-by-case basis) up for election if the company is non-compliant with the board gender diversity regulation.</p> <p>In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.</p>

Rationale for Change:

New regulation requiring large companies to have at least one female director on the board of directors

The Ministry of Justice announced an amendment to the Financial Investment Services and Capital Markets Act, which requires all companies with asset sizes greater than KRW 2 trillion (“Large Companies”) to have at least one female director on the board (Article 165-20). The implementation will be effective as of August 5, 2020. During the 2020 proxy season, 248 companies reported at least one woman serving on the board compared to 238, as reported in 2019 proxy season. As the implementation takes place, board gender diversity is expected to improve starting from the 2021 proxy season. Given the regulation is imposed on KOSPI listed large companies, this policy will cover those qualified Large Companies.

Voting on Director Nominees in Contested Elections

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: ISS will make its recommendation on a case-by-case basis, determining which directors are best suited to add value for shareholders.</p> <p>The analysis will generally be based on, but not limited to, the following major decision factors:</p> <ul style="list-style-type: none"> ▪ Long-term financial performance of the company relative to its industry; ▪ Management’s track record; ▪ Background to the contested election; ▪ Nominee qualifications and any compensatory arrangements; ▪ Strategic plan of dissident slate and quality of the critique against management; ▪ Likelihood that the proposed goals and objectives can be achieved (both slates); and ▪ Stock ownership positions. <p>When analyzing a contested election of directors, ISS will generally focus on two central questions: (1) Have the dissidents proved that board change is warranted? And (2) if so, are the dissident board nominees likely to effect positive change (i.e., maximize long-term shareholder value).</p>	<p>General Recommendation: ISS will make its recommendation on a case-by-case basis, determining which directors are best suited to add value for shareholders.</p> <p>The analysis will generally be based on, but not limited to, the following major decision factors:</p> <ul style="list-style-type: none"> ▪ Long-term financial performance of the company relative to its industry; ▪ Management’s track record; ▪ Background to the contested election; ▪ Nominee qualifications and any compensatory arrangements; ▪ Strategic plan of dissident slate and quality of the critique against management; ▪ Likelihood that the proposed goals and objectives can be achieved (both slates); and ▪ Stock ownership positions. <p>When analyzing a contested election of directors, ISS will generally focus on two central questions: (1) Have the dissidents proved that board change is warranted? And (2) if so, are the dissident board nominees likely to effect positive change (i.e., maximize long-term shareholder value).</p>

Rationale for Change:

The Korea Proxy Voting Guidelines do not currently have a section on proxy contests in the Election of Directors section; however, proxy contests do occur quite often. Therefore, this policy is being added, and the corresponding section regarding proxy contests in Shareholder Proposals is being deleted.

Shareholder Proposals

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote for shareholder proposals that would improve the company's corporate governance or business profile at a reasonable cost.</p> <p>Generally vote against proposals that potentially limit the company's business activities or capabilities or result in significant costs being incurred with little or no benefit.</p> <p>Generally vote against shareholder-nominated candidates who lack board endorsement, unless they demonstrate a clear ability to contribute positively to board deliberations.</p>	<p>General Recommendation: Generally vote for shareholder proposals that would improve the company's corporate governance or business profile at a reasonable cost.</p> <p>Generally vote against proposals that potentially limit the company's business activities or capabilities or result in significant costs being incurred with little or no benefit.</p>

Rationale for Change:

Please see rationale above.

Taiwan

Equity-based Compensation

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on employee restricted stocks and/or employee stock warrant plans. Vote against the employee restricted stocks plan and/or employee stock warrants plan if one or two any of the following features are is not met:</p> <ul style="list-style-type: none"> ▪ Existing substantial shareholders are restricted in participation; ▪ Presence of challenging performance hurdles if awards are issued or exercised for free or at a deep discount; or ▪ Reasonable vesting period (at least two years) is set. 	<p>General Recommendation: Vote case-by-case on employee restricted stocks and/or employee stock warrant plans. Vote against the employee restricted stocks plan and/or employee stock warrants plan if any of the following features is not met:</p> <ul style="list-style-type: none"> ▪ Existing substantial shareholders are restricted in participation; ▪ Presence of challenging performance hurdles if awards are issued or exercised for free or at a deep discount; or ▪ Reasonable vesting period (at least two years) is set.

Rationale for Change:

The current policy is to only vote for equity-based compensation proposals when all three of the abovementioned criteria are met. The wording changes are meant to reduce redundancy and ambiguity.

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