



ASIA-PACIFIC

PROXY VOTING GUIDELINES UPDATES FOR 2022



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

Effective for Meetings on or after February 1, 2022

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All Markets

Social and Environmental Issues — Climate Change

Say on Climate (SoC) Management Proposals

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on management proposals that request shareholders to approve the company’s climate transition action plan¹, taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:</p> <ul style="list-style-type: none"> ▪ The extent to which the company’s climate related disclosures are in line with TCFD recommendations and meet other market standards; ▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3); ▪ The completeness and rigor of company’s short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions in line with Paris Agreement goals (Scopes 1, 2, and 3 if relevant); ▪ Whether the company has sought and received third-party approval that its targets are science-based; ▪ Whether the company has made a commitment to be “net zero” for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050; ▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years; ▪ Whether the company’s climate data has received third-party assurance; ▪ Disclosure of how the company’s lobbying activities and its capital expenditures align with company strategy; ▪ Whether there are specific industry decarbonization challenges; and ▪ The company’s related commitment, disclosure, and performance compared to its industry peers. 	<p>General Recommendation: Vote case-by-case on management proposals that request shareholders to approve the company’s climate transition action plan¹, taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:</p> <ul style="list-style-type: none"> ▪ The extent to which the company’s climate related disclosures are in line with TCFD recommendations and meet other market standards; ▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3); ▪ The completeness and rigor of company’s short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions (Scopes 1, 2, and 3 if relevant); ▪ Whether the company has sought and approved third-party approval that its targets are science-based; ▪ Whether the company has made a commitment to be “net zero” for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050; ▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years; ▪ Whether the company’s climate data has received third-party assurance; ▪ Disclosure of how the company’s lobbying activities and its capital expenditures align with company strategy; ▪ Whether there are specific industry decarbonization challenges; and ▪ The company’s related commitment, disclosure, and performance compared to its industry peers.

¹ Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.

Rationale for Change:

ISS is codifying the framework developed over the last year for analyzing management-offered climate transition plans, incorporating feedback received during this year’s policy development process including that from our Climate Survey. The policy lists the main criteria that will be considered when analyzing these plans (it is a non-exhaustive list).

In 2021, there were over two dozen management Say on Climate proposals on ballot across the globe. The proposals were seen in Canada, France, South Africa, Spain, Switzerland, the UK, the U.S., and Australia.

The proposals have varied as they sometimes request an approval of a company’s climate transition plan or sometimes its climate reporting. While all were advisory votes, some were one-off votes, and others were announced to be the first of a regularly-occurring vote.

Say on Climate (SoC) Shareholder Proposals

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following:</p> <ul style="list-style-type: none"> ▪ The completeness and rigor of the company’s climate-related disclosure; ▪ The company’s actual GHG emissions performance; ▪ Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and ▪ Whether the proposal’s request is unduly burdensome (scope or timeframe) or overly prescriptive. 	<p>General Recommendation: Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following:</p> <ul style="list-style-type: none"> ▪ The completeness and rigor of the company’s climate-related disclosure; ▪ The company’s actual GHG emissions performance; ▪ Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and ▪ Whether the proposal’s request is unduly burdensome (scope or timeframe) or overly prescriptive.

Rationale for Change:

“Say-on Climate” shareholder proposals, which emerged late in 2020 and increased in 2021, generally ask companies to publish a climate action plan and to put it to a regular shareholder vote. The update in the policy adding the new provisions establishes a case-by-case approach toward these proposals and provides a transparent framework of analysis that will allow for consistency of assessment across markets.

Asia Pacific Regional, China, Hong Kong, Korea, Singapore, and Taiwan

Operational Items

Approval of Financial Statements and Statutory Reports

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation:</p> <p>Generally vote for approval of financial statements, report of board of directors, supervisors, and independent directors and other statutory reports unless:</p> <ul style="list-style-type: none"> ▪ There there are concerns about the accounts presented or audit procedures used; or. ▪ The company is not responsive to shareholder questions about specific items that should be publicly disclosed. 	<p>General Recommendation:</p> <p>Generally vote for approval of financial statements, report of board of directors, supervisors, and independent directors and other statutory reports unless there are concerns about the accounts presented or audit procedures used.</p>

Rationale for Change:

This policy change removes legacy language to update and clarify the policy regarding the approval of financial statements and statutory reports. ISS does not opine on what "items should be publicly disclosed" regarding financial statements and statutory reports as these are mandated by laws and strict regulations in the respective countries. In addition, the policy update also removes the reference to a responsiveness analysis in the evaluation of financial statements, which is not applicable to this agenda item. As such, the existing bullet point may create confusion with clients and the appearance that ISS would be making recommendations regarding 'which' items should be disclosed as part of financial statements and statutory reports and evaluate company's responsiveness, which are both not applied by ISS on the financial statements analysis.

The existing policy application will remain unchanged and is focused on whether there are any concerns regarding the accounts presented and/or audit procedures, which is the main vote recommendation driver for the analysis of such proposals, as stated in the updated policy language.

Asia-Pacific Regional

Board of Directors — Director Elections

Board Composition - Overboarding (Philippines)

Current ISS Policy, incorporating changes:	New ISS Policy:
<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 and 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 meetings² 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>Overboarding:</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 and 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 meetings² 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>Overboarding:</p>

² 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.

<p>For meetings on or after Feb. 1, 2023, for the Philippines, vote against the election of a board-nominated candidate who sits on more than a total of five (5) publicly-listed boards.</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>For meetings on or after Feb. 1, 2023, for the Philippines, vote against the election of a board-nominated candidate who sits on more than a total of five (5) publicly-listed boards.</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:

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 non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies¹ and/or registered issuers² if the director also sits in at least three (3) publicly-listed companies. This means that a director can't be a director of more than 5 unrelated publicly listed companies.

¹**Public Company** - a company with assets of at least Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more shareholders holding at least one hundred (100) shares each of equity securities.

²**Registered Issuer** - a company that: (1) issues proprietary and/or non-proprietary shares/certificates; (2) issues equity securities to the public that are not listed in an Exchange; or (3) issues debt securities to the public that are required to be registered to the SEC, whether or not listed in an Exchange.

Being a director necessitates a commitment to the corporation. Hence, there is a need to set a limit on board directorships. This ensures that the members of the board are able to sufficiently prepare for meetings, effectively commit themselves to perform their roles and responsibilities, and regularly update their knowledge and enhance their skills. A maximum number of board directorships is recommended since sitting on the board of too many companies may interfere with the optimal performance of board members, in that they may not be able to contribute enough time to keep abreast of the corporation's operations and to attend and actively participate during meetings.

Beginning in 2023, the overboarding policy update will align ISS voting guidelines with the 2020 Revised Corporation Code of the Philippines. The one-year transition period will allow for orderly boardroom transitions if companies choose to address overboarding concerns.

Classification of Directors — Malaysia

Current ISS Policy, incorporating changes:	New ISS Policy:
<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 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); ▪ 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; 	<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 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); ▪ 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"> ▪ 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; ▪ For Malaysia, any director who has served more than nine years, unless the confirmation of independence is approved at a General Meeting; ▪ 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>	<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); ▪ 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; ▪ For Malaysia, any director who has served more than nine years, unless the confirmation of independence is approved at a General Meeting; ▪ 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>
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<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>	<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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Rationale for Change:

The Malaysian Code on Corporate Governance 2017 (2017 Code) recommends that the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine-year term, the independent director may continue to serve on the board subject to the director's re-designation as a non-independent director. However, if the board decides to retain such director as an independent director, the board must justify such retention and his or her further appointment must be approved by shareholders. Further, if the board continues to retain the independent director after the twelfth year, the 2017 Code recommends

that board should provide justification and seek annual shareholders' approval through a two-tier voting process. Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders meeting:

Tier 1	Only the Large Shareholder* of the company votes. If there is more than one Large Shareholder, a simple majority of votes will determine the outcome of the Tier 1 vote.
Tier 2	Shareholders other than Large Shareholders vote. A simple majority of votes will determine the outcome of the Tier 2 vote.

*Large Shareholder refers to:

- A person who is entitled to exercise, or control the exercise of, not less than 33 percent of the voting shares in the company;
- A person who is the largest shareholder of voting shares in the company;
- A person who has the power to appoint or cause to be appointed a majority of the directors of the company; or
- A person who has the power to make or cause to be made, decisions in respect of the business or administration of the company, and to give effect to such decisions or cause them to be given effect to.

On April 28, 2021, the Securities Commission Malaysia (SC) revised the Malaysian Code on Corporate Governance (2021 Code), which includes the update on the two-tier voting process. Under the 2021 Code, if the board decides to retain an independent director beyond nine years, the board must justify such retention and seek annual shareholders' approval through a two-tier voting process. The updated two-tier voting process will be applicable for resolutions tabled at general meetings held after Jan. 1, 2022. The 2021 Code adopts an "apply or explain an alternative" approach. In view of this, seeking annual shareholder approval for long-tenured independent directors and the adoption of the two-tier voting process are not mandatory. This led to companies applying various approaches to the issue.

On July 21, 2021, Bursa Malaysia Securities Bhd. (Bursa Malaysia) issued a public consultation to amend the Listing Requirements by updating the definition of an independent director by specifying that an independent director must not have served as an independent director of an applicant/listed issuer or its related corporations for a cumulative period of more than 12 years from the date of his/her first appointment as an independent director. The public consultation concluded on Sept. 1, 2021. Bursa Malaysia has not yet published its findings and conclusions on the public consultation.

The regulations and recommended best practices with respect to the long-tenured independent directors are continuously developing. In addition, there are varying levels of application by issuers of the recommended best practice for long-tenured independent directors as the 2021 Code does not impose mandatory compliance. While most companies already seek annual shareholder approval to confirm the independence of long-tenured independent directors, some companies. The policy update encourages companies to seek annual shareholder approval for independent directors who have served at least nine years on the board. If shareholder approval is not sought for the confirmation of the independence of a long-tenured independent director, such director will be classified as a non-independent director under ISS classification of directors.

China

Remuneration

Equity-based Compensation — Employee Stock Purchase Plans

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation:</p> <p>Generally vote for employee stock purchase plans (ESPPs) unless any of the following applies:</p> <ul style="list-style-type: none"> ▪ The total stock allocated to the ESPP exceeds 10 percent of the company’s total shares outstanding at any given time; ▪ The share purchase price is less than 90 percent of the market price* when the share purchase is conducted solely through private placement; ▪ The company’s significant shareholders (i.e. including with 5 percent of more of beneficial ownership of the company) are involved as plan participants; ▪ The ESPP is proposed in connection with an equity financing scheme which does not warrant shareholder support; or ▪ The ESPP contains any other terms that are deemed disadvantageous to shareholders. <p>*Calculated as the average trading price 20 trading days prior to the announcement pricing reference date pursuant to the CSRC’s guidelines on private placements.</p>	<p>General Recommendation:</p> <p>Generally vote for employee stock purchase plans (ESPPs) unless any of the following applies:</p> <ul style="list-style-type: none"> ▪ The total stock allocated to the ESPP exceeds 10 percent of the company’s total shares outstanding at any given time; ▪ The share purchase price is less than 90 percent of the market price* when the share purchase is conducted solely through private placement; ▪ The company’s significant shareholders (i.e. including with 5 percent of more of beneficial ownership of the company) are involved as plan participants; ▪ The ESPP is proposed in connection with an equity financing scheme which does not warrant shareholder support; or ▪ The ESPP contains any other terms that are deemed disadvantageous to shareholders. <p>* Calculated as the average trading price 20 trading days prior to the pricing reference date pursuant to the CSRC’s guidelines on private placements.</p>

Rationale for Change:

The purpose of the policy update is to align the relevant regulation/background section in ISS policy with the latest regulations.

Amendments to Articles of Association/Company Bylaws

Other Article of Association/Bylaw Amendments

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on Articles of Association/bylaw amendments. Vote case-by-case on Articles of Association/bylaw amendments.</p> <p>Generally vote for bylaw amendments if:</p> <ul style="list-style-type: none"> ▪ They are driven by regulatory changes and are technical in nature; or ▪ They are meant to update company-specific information in the bylaws such as registered capital, address, and business scope, etc. <p>Generally vote against the amendments if:</p> <ul style="list-style-type: none"> ▪ There is no disclosure on the proposed amendments or full text of the amended bylaw The company has failed to provide either a comparison table or a summary of the proposed amendments; or ▪ The amendments include the increase in the decision authority which is considered excessive and the company fails to provide a compelling justification. <p>Vote case-by-case on the adoption of new constitutional document with no previous reference.</p>	<p>General Recommendation: Vote case-by-case on Articles of Association/bylaw amendments.</p> <p>Generally vote for bylaw amendments if:</p> <ul style="list-style-type: none"> ▪ They are driven by regulatory changes and are technical in nature; or ▪ They are meant to update company-specific information in the bylaws such as registered capital, address, and business scope, etc. <p>Generally vote against the amendments if:</p> <ul style="list-style-type: none"> ▪ The company has failed to provide either a comparison table or a summary of the proposed amendments; or ▪ The amendments include the increase in the decision authority which is considered excessive and the company fails to provide a compelling justification. <p>Vote case-by-case on the adoption of new constitutional document with no previous reference.</p>

Rationale for Change:

Most listed companies in China do disclose the full text of the amended articles of association and company bylaws. In addition, for articles of association amendments, most of the companies do disclose a before and after comparison table. On the other hand, for company bylaws amendments, many companies do not provide such a comparison table. In some cases, the original version of company bylaws is not disclosed.

One of the most important responsibilities issuers have is to provide clear and comprehensive disclosure. The meeting circular should be a self-contained, comprehensive, document which includes all of the pertinent information that shareholders would need in order to make informed decisions. Articles of associations or company bylaws, akin to legal documents, are often lengthy and complex. As such, when seeking shareholder approval, it is imperative for issuers to provide either a comparison table or a summary of the proposed amendments.

Our current approach for both articles of association and company bylaws amendments already requires issuers to provide such a comparison table or a summary of proposed changes. The policy update is meant to align the policy language with our existing practice and reduce discrepancies in the interpretation of the policy. In addition, by explicitly stating this disclosure requirement, we hope to improve the quality of the disclosure practice in this market.

Hong Kong and Singapore

Operational Items

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 justification; or ▪ The payout is excessive given the company's financial position.

Rationale for Change:

Removing the 30 percent criteria aligns the policy with the current practice.

Hong Kong

Share Issuance Requests

A-share Private Placement 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</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</p>

<p>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 1035 specific parties; ▪ The share issue price for a private placement shall not be lower than 980 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 lock-up period of the shares shall be 12 months for unaffiliated 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 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 230 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>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 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. The regulatory update aims to deepen supply-side structural reform in the financial sector and strengthen the sector's ability to fuel the real economy.

The assessment of A Share private placement proposals will remain on case-by-case basis. The revisions to the policy language are only intended to reflect the abovementioned regulatory update.

Amendments to Articles of Association/Company By-laws

Articles and By-law Amendments

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on proposed amendments to the Articles and By-Laws based on the details of the proposed amendments provided by the company.</p> <p>In the absence of adequate information that would specify the details of proposed amendments, generally vote against:</p> <ul style="list-style-type: none"> ▪ The proposed amendments; ▪ The adoption of new Articles of Association; or ▪ The replacement of the current constitutional document. <p>Generally vote against the proposed amendments, the adoption of new Articles of Association, or the replacement of the current constitutional document, if the company has failed to provide either a comparison table or a summary of the proposed amendments.</p> <p>Vote case-by-case on the adoption of new constitutional document with no previous reference.</p>	<p>General Recommendation: Vote case-by-case on proposed amendments to the Articles and By-Laws based on the details of the proposed amendments provided by the company.</p> <p>Generally vote against the proposed amendments, the adoption of new Articles of Association, or the replacement of the current constitutional document, if the company has failed to provide either a comparison table or a summary of the proposed amendments.</p> <p>Vote case-by-case on the adoption of new constitutional document with no previous reference.</p>

Rationale for Change:

It is a common practice for Hong Kong listed companies to provide a summary of the proposed amendments to their Articles of Association or By-laws, or to include a before and after comparison table of the proposed amendments in the meeting circular. This makes it easier for shareholders to identify which provisions are being changed and facilitates a more informed voting decision. However, there are instances wherein companies fail to provide such comparison table or a comprehensive summary of the amendments which makes it difficult for the shareholders to identify the provisions being amended and to assess the overall impact of the proposal.

From ISS' perspective, one of the most important responsibilities issuers have is to provide clear and comprehensive disclosure. After all, it is one of the few channels issuers have to communicate with all shareholders, on equal footing. The meeting circular should be a self-contained, comprehensive, document which includes all of the pertinent information that shareholders would need (and more) in order to make informed decisions. As such, we believe all constituents, proxy advisors included, must encourage issuers to rise above and beyond the minimum disclosure required by law and provide clear and comprehensive disclosure so that all shareholders are able to make informed decisions.

Articles of Associations or company By-Laws, akin to legal documents, are often lengthy and complex. As such, from ISS' perspective, when seeking shareholder approval, it is imperative for issuers to provide either a comparison table or a summary of the proposed amendments. The proposed policy language amendment is meant to align the policy language with our practice and reduce discrepancies in terms of interpretation of this policy. In addition, by specifying this disclosure requirement in the voting guideline, we expect to facilitate the improvement of the market practice on meeting circular disclosure.

India

Board of Directors

Election of Directors

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. ▪ The nominee is an independent director³ with a tenure of more than 10 years on the board. <p>Composition:</p> <ul style="list-style-type: none"> ▪ The nominee has attended less than 75 percent of board and key committee (audit, compensation and nominating) 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 ▪ Missing only one meeting (when the total of all meetings is three or fewer); 	<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. ▪ The nominee is an independent director³ with a tenure of more than 10 years on the board. <p>Composition:</p> <ul style="list-style-type: none"> ▪ The nominee has attended less than 75 percent of board and key committee (audit, compensation and nominating) 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 ▪ Missing only one meeting (when the total of all meetings is three or fewer);

³ Classified as independent by the company.

<ul style="list-style-type: none"> ▪ The nominee sits on more than six⁴ public company boards. <p>Gender Diversity</p> <p>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 reelection if the board does not comply with board gender diversity regulations.</p> <p>In making any of the above recommendations (gender diversity and board composition) 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>Separation of Roles of Chair and CEO</p> <p>For the NIFTY 500 and BSE 500 companies, vote against the board chair and the chair of the nomination committee (or a senior member of the nomination committee on a case-by-case basis) up for reelection, if there is no separation of roles between the CEO and chairperson, as required under the applicable regulations.</p> <p>Accountability:</p> <p>Problematic Audit-Related Practices:</p> <p>Generally vote against all members of the audit committee up for reelection if:</p> <ul style="list-style-type: none"> ▪ The non-audit fees paid to the auditor are excessive⁵; or 	<ul style="list-style-type: none"> ▪ The nominee sits on more than six⁴ public company boards. <p>Gender Diversity</p> <p>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 reelection if the board does not comply with board gender diversity regulations.</p> <p>In making any of the above recommendations (gender diversity and board composition) 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>Separation of Roles of Chair and CEO</p> <p>For the NIFTY 500 and BSE 500 companies, vote against the board chair and the chair of the nomination committee (or a senior member of the nomination committee on a case-by-case basis) up for reelection, if there is no separation of roles between the CEO and chairperson, as required under the applicable regulations.</p> <p>Accountability:</p> <p>Problematic Audit-Related Practices:</p> <p>Generally vote against all members of the audit committee up for reelection if:</p> <ul style="list-style-type: none"> ▪ The non-audit fees paid to the auditor are excessive⁵; or
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⁴ 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.

⁵ The non-audit fees have constituted more than 50 percent of the total auditor compensation during the fiscal year. ISS will make an exception if the excessive non-audit fees are in relation to special projects or due to unusual circumstances, and are not recurring in nature and are unlikely to create conflicts of interest.

<ul style="list-style-type: none"> ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year. <p>Generally vote against directors who are not liable to retire by rotation and whose continuation on the board will not be subject to shareholder review and approval going forward.</p> <p>Under extraordinary circumstances, vote against directors or supervisors, 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 or supervisor'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. 	<ul style="list-style-type: none"> ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year. <p>Generally vote against directors who are not liable to retire by rotation and whose continuation on the board will not be subject to shareholder review and approval going forward.</p> <p>Under extraordinary circumstances, vote against directors or supervisors, 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 or supervisor'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:

Regulation 17B of SEBI LODR Regulations requires the board chair of the top 500 listed entities (by market cap) to be a non-executive director who is not related to the Managing Director or the Chief Executive Officer. This regulation will come into effect from April 1, 2022. Listed entities which do not have any identifiable promoters will not be required to comply with this regulation.

The addition of this provision in the policy will align ISS guidelines with the regulatory requirements and penalize the chair/nomination committee members for non-compliance.

Japan

Election of Directors

Voting on Director Nominees in Uncontested Elections — Gender Diversity

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 structure⁶.</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)⁷ 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)⁸, unless an improvement⁹ 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-shareholdings¹⁰; ▪ 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 structure⁶.</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)⁷ 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)⁸, unless an improvement⁹ is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings¹⁰; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors;

⁶ 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.

⁷ 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).

⁸ 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.

⁹ Improvement is defined as ROE of five percent or greater for the most recent fiscal year.

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.

<ul style="list-style-type: none"> ▪ For meetings on or after Feb. 1, 2023, top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ 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 review¹¹; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority¹² 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><i>[Note: Additional guidelines are applied for companies with a U.S.-type three committee structure and companies with a board with audit committee structure, respectively. However, as the policy change on gender diversity applies to all companies regardless of governance structure, the additional guidelines are not shown here.]</i></p>	<ul style="list-style-type: none"> ▪ For meetings on or after Feb. 1, 2023, top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ 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 review¹¹; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority¹² 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><i>[Note: Additional guidelines are applied for companies with a U.S.-type three committee structure and companies with a board with audit committee structure, respectively. However, as the policy change on gender diversity applies to all companies regardless of governance structure, the additional guidelines are not shown here.]</i></p>
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Rationale for Change:

As gender diversity is becoming an important matter in Japan, more Japanese companies are adding female directors to the board. The number of boards with at least one female director rose to 53.1 percent as of June 2021, up from 26 percent in 2016. On the part of shareholders, board gender diversity is increasingly recognized as a key element. Seven out of the 10 largest global asset management firms (in terms of AUM) have already introduced guidelines factoring in female director representation in their voting policies for Japanese companies. In policy development discussions with investors, ISS generally received positive feedback for introducing a new ISS Japan policy factoring in female director representation. To allow companies sufficient time to recruit qualified candidates, a one-year transition period will apply.

¹¹ 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.

¹² Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.

Article Amendments

Allow Company to Conduct Virtual Only Shareholder Meetings

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote against proposals allowing companies to conduct virtual only shareholder meetings. However, if the company specifies in the articles that it intends to hold virtual only meetings only in unusual situations such as the spread of an infectious disease or the occurrence of a natural disaster, vote for the article amendments.</p>	<p>General Recommendation: Generally vote against proposals allowing companies to conduct virtual only shareholder meetings. However, if the company specifies in the articles that it intends to hold virtual only meetings only in unusual situations such as the spread of an infectious disease or the occurrence of a natural disaster, vote for the article amendments.</p>

Rationale for Change:

In Japan, some companies have amended their articles of incorporation allowing them to hold virtual only shareholder meetings. However, global investors often raise concerns about moves to completely eliminate physical shareholder attendance at meetings, when companies are already allowed to hold virtual meetings in addition to physical meetings (i.e., a hybrid meeting format). Concerns are that virtual only meetings may impact shareholders' ability to hold directors accountable, and may hinder meaningful exchanges between directors, management, and shareholders. For instance, shareholders may find it difficult to submit questions, or get companies to answer them. Worse, questions or moves by shareholders, whom management do not welcome, could be conveniently handled in a way advantageous to management. Once approved, the company can hold virtual only meetings permanently, without further need to consult shareholders.

Meanwhile, it is recognized that there is a case for greater flexibility in shareholder meeting formats given the COVID-19 pandemic. Therefore, ISS supports article amendments allowing companies to hold virtual only meetings only in unusual situations such as the spread of an infectious disease or the occurrence of a natural disaster.

Singapore

Voting for Director Nominees in Uncontested Elections

Director Independence — Two-Tiered Voting

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 directors¹³; ▪ The nominee¹⁴ 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 independent 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 members¹⁵; ▪ 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 directors¹³; ▪ The nominee¹⁴ 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 independent 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 members¹⁵; ▪ 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.

¹³Not 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.

¹⁴Except 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.

¹⁵"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, the company fails to submit such director to the mandatory two-tier vote, or where such reasons raise concerns regarding the director's true level of independence.</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 submit such director to the mandatory two-tier vote, or where such reasons raise concerns regarding the director's true level of independence.</p>
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Rationale for Change:

In 2018, SGX amended the Singapore Listing Rules with the aim of encouraging board renewal and to strengthen board independence among SGX-listed issuers. One of the major changes was the introduction of the mandatory two-tier voting system wherein a director who has served on the board for a cumulative period of 9 years will no longer be eligible to be designated as an independent director unless his/her continued appointment as an independent director has been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders excluding directors, chief executive officer, and their associates. The new rule will come into effect on Jan. 1, 2022, after the three-year transition period. The approvals obtained under the two-tier vote will remain valid until the conclusion of the third AGM from such approval.

The abovementioned amendment to the Singapore Listing Rules aims to address the ambiguity of the "particularly rigorous review" contained in the old 2012 Corporate Governance Code when assessing the continued independence of directors who have served on the board beyond nine years. As highlighted by the Corporate Governance Council (Council) in the 2018 consultation paper, the key risk of long tenure is compromised independence from management caused by familiarity or developing relationships over time. Based on SGX's statistics, more than 80 percent of companies that faced corporate governance issues or material breaches of the SGX Listing Rules, had controlling shareholders who were also the CEO and/or directors. To better target this risk, the Council proposed the two-tier vote requirement wherein independent directors serving beyond nine years shall be approved by the majority of (A) all shareholders; and (B) all shareholders excluding shareholders who serve as directors or CEO of the company, and their associates.

Under this policy change, a long-tenured non-executive director will be considered non-independent if he/she is not submitted to the mandatory two-tier vote. The new policy is in line with the new Listing Rule requirement which will become effective next year and is in line with regulators' efforts to enhance board independence among SGX-listed issuers.

Classification of Directors

Current ISS Policy, incorporating changes:	New ISS Policy:
<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 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); ▪ 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; 	<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 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); ▪ 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"> ▪ 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); ▪ Directors with a tenure exceeding nine years will be considered non-independent, unless the company submits such director to the mandatory two-tier vote provides sufficient and clear justification that the director is independent despite his long tenure. ▪ 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). 	<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); ▪ Directors with a tenure exceeding nine years will be considered non-independent, unless the company submits such director to the mandatory two-tier vote. ▪ 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).
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Rationale for Change:

See the rationale under [Director Independence](#).

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