



ASIA-PACIFIC

Proxy Voting Guidelines

Benchmark Policy Changes for 2025 for Asia-Pacific Regional, China, Hong Kong, India, Japan, and Taiwan

Effective for Meetings on or after February 1, 2025

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Asia-Pacific Regional

Operational Items

Appointment of Auditors and Auditor Fees (Indonesia)

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the accounts presented or the audit procedures used; ▪ The auditors are being changed without explanation; or ▪ Non-audit-related fees are substantial or are routinely in excess of standard annual audit-related fees. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, and spinoffs) and the company makes public disclosure of the amount and nature of those fees, which 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 fees.</p> <p>For concerns related to the audit procedures, independence of auditors, and/or name of auditors, ISS may recommend against the auditor (re)election. For concerns related to fees paid to the auditors, ISS may recommend against remuneration of auditors if this is a separate voting item; otherwise ISS may recommend against the auditor election.</p>	<p>General Recommendation: Generally vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the accounts presented or the audit procedures used; ▪ The auditors are being changed without explanation; or ▪ Non-audit-related fees are substantial or are routinely in excess of standard annual audit-related fees. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, and spinoffs) and the company makes public disclosure of the amount and nature of those fees, which 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 fees.</p> <p>For Indonesia, vote AGAINST auditor appointment due to poor disclosure of auditor remuneration for the latest fiscal year.</p> <p>For concerns related to the audit procedures, independence of auditors, and/or name of auditors, ISS may recommend against the auditor (re)election. For concerns related to fees paid to the auditors, ISS may recommend against remuneration of auditors if this is a separate voting item; otherwise ISS may recommend against the auditor election.</p>

Rationale for Change:

The disclosure practice of Indonesian companies regarding auditor remuneration has improved in recent years. In 2024, 81 percent of Indonesian companies covered by ISS disclosed detailed information related to auditor remuneration paid for the latest fiscal year, including a breakdown of the audit and non-audit fees. As more companies disclose information on the auditor remuneration, the introduction of a policy to hold companies accountable for poor disclosure of auditor's fees provides a more nuanced approach that accounts for the improved disclosure practices in the Indonesian market.

Board of Directors- Director Elections

Director Overboarding (Malaysia and Thailand)

Current ISS Policy	New ISS Policy:
<p>Director Elections</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>Director Elections</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>

if they sit on either the audit or compensation committee, if they are not required to be on those committees.

Composition

Attendance:

- 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 meetings¹ without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following:
 - 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).

Generally, vote against the director nominees if no disclosure of board attendance is provided in the latest fiscal year.

Overboarding:

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.

Gender Diversity:

For **Malaysia**, generally vote against all members of the nomination committee up for reelection if the board has no woman director. For companies with **market capitalization of below MYR 2 billion as at Dec. 31, 2021**, this policy will be effective for meetings on or after **June 1, 2023**.

if they sit on either the audit or compensation committee, if they are not required to be on those committees.

Composition

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- 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 meetings¹ without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following:
 - 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).

Generally, vote against the director nominees if no disclosure of board attendance is provided in the latest fiscal year.

Overboarding:

For **Malaysia, Thailand**, and the **Philippines**, vote against the election of a board-nominated candidate who sits on more than a total of five (5) publicly-listed boards².

Gender Diversity:

For **Malaysia**, generally vote against all members of the nomination committee up for reelection if the board has no woman director. For companies with **market**

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.

Accountability

Problematic Audit-Related Practices:

Generally vote against all members of the audit committee up for reelection if:

- The non-audit fees paid to the auditor are excessive²; or
- The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year.

Governance Failures:

Vote against the election of directors if:

- The name(s) of the nominee(s) is not disclosed in a timely manner prior to the meeting.
- Adequate disclosure has not been provided in a timely manner;
- There are clear concerns over questionable finances or restatements;
- There have been questionable transactions with conflicts of interest;
- There are any records of abuses against minority shareholder interests; or
- The board fails to meet minimum corporate governance standards.

Under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:

- Material failures of governance, stewardship, risk oversight (including, but not limited to, environmental, social, and climate change issues), 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.

capitalization of below MYR 2 billion as at Dec. 31, 2021, this policy will be effective for meetings on or after **June 1, 2023**.

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.

Accountability

Problematic Audit-Related Practices:

Generally vote against all members of the audit committee up for reelection if:

- The non-audit fees paid to the auditor are excessive³; or
- The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year.

Governance Failures:

Vote against the election of directors if:

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- Adequate disclosure has not been provided in a timely manner;
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- The board fails to meet minimum corporate governance standards.

Under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:

- Material failures of governance, stewardship, risk oversight (including, but not limited to, environmental, social, and climate change issues), or fiduciary responsibilities at the company;
- Failure to replace management as appropriate; or

	<ul style="list-style-type: none"> 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>Footnotes:</p> <p>¹ 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> <p>² 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.</p>	<p>Footnotes:</p> <p>¹ 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> <p>² A commitment to reduce the number of boards to five 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.</p> <p>³ 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.</p>

Rationale for Change:

The introduction of the director overboarding policy for Malaysia will align the ISS policy with the Bursa Malaysia Securities Berhad Main Market Listing Requirements, which restricts the number of directorships an individual can hold in listed companies to not more than five listed companies.

The introduction of the overboarding policy for Thailand will align the ISS policy with the Thailand's Good Corporate Governance Principles for Listed Companies 2017, which recommends that the number of directorships an individual can hold in listed companies be limited to not more than five boards of listed companies.

China

Updated Chinese Market Regulations

Current ISS Policy:	New ISS Policy:
<p>1. Financial Statements/Dividends</p> <p>Discussion</p> <p>Pursuant to Article 6.2 of Shenzhen Stock Exchange (SZSE) Listing Rules and Article 6.1 of Shanghai Stock Exchange (SSE) Listing Rules, listed companies are required to prepare and release annual reports within four months of the end of each financial year; interim reports within two months of the end of the first half of each financial year; and quarterly reports within one month of the end of the first three months and the end of the first nine months of each financial year, respectively.</p>	<p>1. Financial Statements/Dividends</p> <p>Discussion</p> <p>Pursuant to Listing Rules of both Shanghai and Shenzhen stock exchanges, listed companies are required to prepare and release annual reports within four months of the end of each financial year; interim reports within two months of the end of the first half of each financial year; and quarterly reports within one month of the end of the first three months and the end of the first nine months of each financial year, respectively.</p>
<p>2. Board of Directors</p> <p>Article 108 of the Company Act requires a company to have five to 19 directors on the board, whilst a 2001 China Securities Regulatory Commission (CSRC) guidance document requires that independent directors should represent at least one-third of the board, of which at least one independent director must be an accounting professional. Independent directors are subject to a maximum term of six years.</p> <p>Meeting attendance of independent directors is required to be disclosed. Independent directors who do not join in a board of directors meeting in person for three consecutive times are required to step down and be replaced.</p>	<p>2. Board of Directors</p> <p>The Company Act requires a company to have more than three directors on the board, whilst Measures for the Administration of Independent Directors of Listed Companies issued by China Securities Regulatory Commission (CSRC) requires that independent directors should represent at least one-third of the board, of which at least one independent director must be an accounting professional. Independent directors are subject to a maximum term of six years.</p> <p>Meeting attendance of independent directors is required to be disclosed. Independent directors who do not join in a board of directors meeting in person for two consecutive times are required to step down and be replaced.</p>
<p>3. Board of Supervisors</p> <p>The Company Act requires that companies establish a supervisory board, and that this board consists of at least three members, with no less than one-third representing mass employees. These employee representatives are elected by employees and are not subject to shareholder approval in general meetings. Directors and senior executives are prohibited from serving as supervisors.</p>	<p>3. Board of Supervisors</p> <p>The Company Act requires that, except for certain conditions, companies establish a supervisory board, and that this board consists of at least three members, with no less than one-third representing mass employees. These employee representatives are elected by employees and are not subject to shareholder approval in general meetings. The exceptions are prescribed as having an audit committee in the companies to fulfil the duties of the</p>

	<p>supervisory board, or having one supervisor in the small-scale companies or companies with few shareholders. Directors and senior executives are prohibited from serving as supervisors.</p>
<p>4. Remuneration</p> <p>Discussion</p> <p>According to Article 37 of the Company Act, director and supervisor remuneration requires shareholder approval. In most cases, however, it is disclosed as an aggregate amount. One exception is the finance industry, where state-owned entities are subject to higher disclosure requirements.</p>	<p>3. Board of Supervisors</p> <p>Discussion</p> <p>According to the Company Act, director and supervisor remuneration requires shareholder approval. In most cases, however, it is disclosed as an aggregate amount. One exception is the finance industry, where state-owned entities are subject to higher disclosure requirements.</p>
<p>6. Capital Raising</p> <p>Provision of Guarantees</p> <p>Discussion</p> <p>Chinese companies often provide loan guarantees for subsidiaries, affiliates, and sometimes even unrelated parties.</p> <p>According to Article 9.11 in the Listing Rules of both Shanghai and Shenzhen stock exchanges, shareholder approval shall be sought in the following situations:</p> <ul style="list-style-type: none"> ▪ the amount of the guarantee is more than 10 percent of the last audited net asset value; or ▪ the cumulative amount of the guarantee provision over the most recent 12-month period has already exceeded or will exceed 50 percent of the last audited net asset value with the addition of the new guarantee being proposed ▪ the guarantee-receiving party has a debt-to-asset ratio over 70 percent; ▪ the cumulative amount of the guarantee provision over the most recent 12-month period has already exceeded or will exceed 30 percent of the company's last audited total asset value with the addition of the new guarantee being proposed; or 	<p>6. Capital Raising</p> <p>Provision of Guarantees</p> <p>Discussion</p> <p>Chinese companies often provide loan guarantees for subsidiaries, affiliates, and sometimes even unrelated parties.</p> <p>According to the Listing Rules of both Shanghai and Shenzhen stock exchanges, shareholder approval shall be sought in the following situations:</p> <ul style="list-style-type: none"> ▪ the amount of the guarantee is more than 10 percent of the last audited net asset value; ▪ subsequent provisions once the cumulative amount of the guarantee provisions by the company and its controlled subsidiaries have already exceeded 50 percent of the last audited net asset value; ▪ the guarantee-receiving party has a debt-to-asset ratio over 70 percent; ▪ subsequent provisions once the cumulative amount of the guarantee provision by the company and its controlled subsidiaries has already exceeded 30 percent of the company's last audited total asset value; ▪ provisions resulting in the cumulative amount of the guarantee provision over the most recent 12-month period to exceed 30 percent of the last audited total asset value; or

<ul style="list-style-type: none"> the cumulative amount of the guarantee provision over the most recent 12-month period has already exceeded or will exceed 50 percent of the last audited net asset value with the addition of the new guarantee being proposed and the absolute amount of the proposed guarantee exceeds CNY 50 million. 	<ul style="list-style-type: none"> guarantees provided to shareholders, the ultimate controller, and their affiliates.
<p>8. Related-Party Transactions</p> <p>Discussion</p> <p>According to Article 5.1 of Guidelines for Introducing Independent Directors to the Board of Listed Companies by CSRC, 2001, independent directors must ratify any related-party transaction amounting to more than 5 percent of net assets or CNY 3 million, whilst at board meetings held to discuss such transactions interested directors must abstain from voting (Article 124 of the Company Act).</p> <p>Related-party transactions are regulated by Chapter 9 and 10 in the Listing Rules of Shanghai and Shenzhen stock exchanges, with definitions of related parties and associated transactions given in articles 10.1.1, 10.1.3, and 10.1.5. These rules require that related parties abstain from voting on defined related-party transactions at shareholder meetings.</p> <p>Articles 74 to 77 of the Code of Corporate Governance also include principles regarding the disclosure, pricing, and other issues involved in a typical related-party transaction.</p>	<p>8. Related-Party Transactions</p> <p>Discussion</p> <p>According to the Listing Rules of both Shanghai and Shenzhen stock exchanges, the majority of independent directors must approve any related-party transaction that needs to be disclosed. Further, transaction with affiliated natural persons amounting to CNY 0.3 million, or transaction with affiliated legal entities amounting to more than 0.5 percent of the absolute net assets value and CNY 3 million should be disclosed, whilst at board meetings held to discuss such transactions interested directors must abstain from voting (pursuant to the Company Act).</p> <p>Related-party transactions are regulated by the Listing Rules of Shanghai and Shenzhen stock exchanges, with definitions of related parties and associated transactions- stipulated as well. These rules require that related parties abstain from voting on defined related-party transactions at shareholder meetings.</p> <p>The Code of Corporate Governance also include principles regarding the disclosure, pricing, and other issues involved in a typical related-party transaction.</p>
<p>Loan Financing Requests</p> <p>Discussion</p> <p>Chinese companies often seek loan financing from banks, financial institutions, or controlling shareholders. Occasionally, companies also undertake to provide funding for its subsidiaries, affiliates, or related parties. Generally, the funds obtained from the loan application are used by companies, its subsidiaries,</p>	<p>Loan Financing Requests</p> <p>Discussion</p> <p>Chinese companies often seek loan financing from banks, financial institutions, or controlling shareholders. Occasionally, companies also undertake to provide funding for its subsidiaries, affiliates, or related parties. Generally, the funds obtained from the loan application are used by companies, its subsidiaries,</p>

<p>affiliates, and related parties to supplement working capital, fund ongoing projects, and take advantage of investment plans.</p> <p>Article 10.2.3 of the Listing Rules of both Shanghai and Shenzhen stock exchanges prohibits the making of loans to directors, supervisors, or senior management either directly or through its subsidiaries.</p>	<p>affiliates, and related parties to supplement working capital, fund ongoing projects, and take advantage of investment plans.</p> <p>The Listing Rules of both Shenzhen stock exchange and Shanghai stock exchange prohibit the provision of financial assistance to related parties (except for proportionate financial assistance provisions to affiliated associate companies).</p>
<p>10. Proposals to Invest in Financial Products Using Idle Funds</p> <p>Discussion</p> <p>According to Article 9.3.2 of the listing rules, the company's external investments, including investment in financial products, with a cumulative amount more than 50 percent of its last audited net asset value and exceeding CNY 50 million in the previous 12 months requires shareholder approval. In addition, CSRC issued a new regulation in late 2012 to allow listed companies to invest part of their idle raised funds in financial products with approval of shareholders.</p>	<p>10. Proposals to Invest in Financial Products Using Idle Funds</p> <p>Discussion</p> <p>According to the listing rules, the company's external investments, including investment in financial products, with a cumulative amount more than 50 percent of its last audited net asset value and exceeding CNY 50 million in the previous 12 months requires shareholder approval. In addition, CSRC issued a new Regulatory Requirements for the Management and Use of Raised Funds by Listed Companies in late 2022 to allow listed companies to invest part of their idle raised funds in financial products with approval of the board of directors.</p>

Rationale for Change:

The updates are to reflect the latest rules, regulations and laws in China, which are technical in nature and do not impact ISS policy application and voting recommendations. Further, the articles numbers are removed, and the relevant references are rephrased to avoid requiring such minor changes or updates in the future.

Capital Raising

Share Issuance Requests

Current ISS Policy:	New ISS Policy:
<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 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; 	<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 Registration of Securities Issuance 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 50 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 Measures for the Administration of the Registration of Securities Issuance 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;

<ul style="list-style-type: none"> ▪ In cases when all the placees 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 resolution 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 placees 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>	<ul style="list-style-type: none"> ▪ 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 placees 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 resolution 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 placees 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 normally seek shareholder approval for share issuances through a specific plan. Additionally, companies may seek shareholder approval at the AGM for an annual authorization to the board to decide on a simplified private placement of shares, under which the issue size shall not exceed CNY 300 million and 20 percent of the latest net asset value. Such authorization will be valid until the next AGM.</p>
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Rationale for Change:

In February 2023, new regulations, Measures for the Administration of the Registration of Securities Issuance by Listed Companies, were promulgated, and existing regulations, Measures for the Administration of the Issuance of Securities by Listed Companies and Detailed Rules for Private Placement by Listed Companies, were repealed at the same time. These policy updates are to reflect the relevant changes in regulations in China.

Amendments to Articles of Association/Company Bylaws

Communist Party Committee

Current ISS Policy:	New ISS Policy:
<p>Resolution Type: Special for article amendments</p> <p>General Recommendation: Generally, vote against proposals for article and/or bylaw amendments regarding Party Committees where the proposed amendments lack transparency or are not considered to adequately provide accountability and transparency to shareholders.</p> <p>Discussion</p> <p>Driven by the corporate reforms initiated by the China Communist Party, the regulatory enforcements to legitimize the existence of a Communist Party Committee or to establish one in state-owned enterprises (SOEs) have prompted listed SOEs to amend their articles, while non-SOEs have begun to follow suit. Such committees' members are not necessarily directors elected by shareholders, nor are they carrying out their duties as transparently as any board members or held accountable to shareholders. However, whilst no regulations explicitly grant the Party Committee the authority to override a company's board of directors, many proposals have included provisions that will modify the board representation and allow the Party Committee to assert disproportionate influence over the board. These issues raise governance concerns. Given that most companies neither delineate the responsibilities of the Party Committee from those of the board of directors or its key committees, nor clearly specify the actual interaction between the two when making material decisions, a more stringent approach is requested by institutional investors and market participants, including issuers, in general.</p>	<p>Resolution Type: Special for article amendments</p> <p>General Recommendation: Generally, vote against proposals for article and/or bylaw amendments regarding Party Committees¹ where the proposed amendments lack transparency or are not considered to adequately provide accountability and transparency to shareholders.</p> <p>Discussion</p> <p>Driven by the corporate reforms initiated by the China Communist Party, the regulatory enforcements to legitimize the existence of a Communist Party Committee or to establish one in state-owned enterprises (SOEs) have prompted listed SOEs to amend their articles, while non-SOEs have begun to follow suit. Such committees 'members are not necessarily directors elected by shareholders, nor are they carrying out their duties as transparently as any board members or held accountable to shareholders. However, whilst no regulations explicitly grant the Party Committee the authority to override a company's board of directors, many proposals have included provisions that will modify the board representation and allow the Party Committee to assert disproportionate influence over the board. These issues raise governance concerns. Given that most companies neither delineate the responsibilities of the Party Committee from those of the board of directors or its key committees, nor clearly specify the actual interaction between the two when making material decisions, a more stringent approach is requested by institutional investors and market participants, including issuers, in general.</p>

	<p>Footnotes:</p> <p>¹ In addition to Party Committee, Party Organization is a term that often appears in companies' disclosures. Based on our research, there is no material difference between the two terms with respect to their intended functions. Party Organization is essentially an overarching term, which includes Party Committee.</p>
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Rationale for Change:

When amending Articles and/or bylaws in relation to the Chinese Communist Party, companies may use different terms in their disclosures. The Party Committee is required to be established in State-Owned Enterprises (SOE) and is given the authority to review board decisions. For non-SOEs, Party Organization is the term that is more frequently used, rather than Party Committee. The policy is updated to provide additional information and include a reference to Party Organization, which is an overarching term including Party Committee. As there is no material difference between the two terms with respect to their intended functions, there are no changes to policy application.

Other Articles of Association/Bylaw Amendments

Current ISS Policy:	New ISS Policy:
<p>Resolution Type: Special for article amendments; Ordinary for bylaw amendments</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> <p>Discussion Proposals to amend company's Articles of Association and other bylaws are commonly seen at shareholder meetings. Companies usually disclose what being amended, or the amended bylaws, or both in their meeting circulars.</p> <p>Amendments are nearly always bundled together as a single voting resolution, and ISS' general approach is to review these amendments on a case-by-case basis and to oppose article amendments as a whole when they include changes ISS opposes.</p>	<p>Resolution Type: Special for article amendments; Ordinary for bylaw amendments</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> <p>Discussion Proposals to amend company's Articles of Association and other bylaws are commonly seen at shareholder meetings. Companies usually disclose what is being amended, or the amended bylaws, or both in their meeting circulars. Company bylaw amendments and AOI amendments are usually separated into different voting resolutions. ISS' general approach is to review these agendas independently on a case-by-case basis and to oppose articles/bylaw amendments when they include changes considered potentially negative or when the company has failed to provide sufficient disclosure.</p> <p>In rare cases, a company may still choose to bundle articles/bylaw amendments into one resolution. In these cases, ISS reviews the amendments individually and opposes article/bylaw amendments as a whole when they include changes considered to be potentially negative to the company's corporate governance.</p>

Rationale for Change:

The proposed amendments are made to reflect current disclosure practices of listed companies as the majority of Articles of Association and bylaw amendments are now separated into independent resolutions for each proposed amendment, as opposed to a bundled resolution.

Hong Kong

Board of Directors

Voting for Director Nominees in Uncontested Elections

Current ISS Policy:	New ISS Policy:
<p>Voting for Director Nominees in Uncontested Elections</p> <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;¹ ▪ 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 all the independent non-executive directors of the company have served more than nine years on the board, vote AGAINST nominee/s who are part of the nomination committee if the company has not:</p> <ul style="list-style-type: none"> ▪ Disclosed the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and 	<p>Voting for Director Nominees in Uncontested Elections</p> <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;¹ ▪ 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 all the independent non-executive directors of the company have served more than nine years on the board, vote AGAINST nominee/s who are part of the nomination committee if the company has not:</p> <ul style="list-style-type: none"> ▪ Disclosed the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and

<ul style="list-style-type: none"> ▪ Appointed a new independent non-executive director on the board at the company's annual general meeting¹. <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 independent;¹ ▪ 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. 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; ▪ 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 six² 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>	<ul style="list-style-type: none"> ▪ Appointed a new independent non-executive director on the board at the company's annual general meeting¹. <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 independent;¹ ▪ 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. 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; ▪ 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 six² public company boards. ▪ The nominee is a member of the nomination committee³ and both genders are not represented on the board⁴.
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<p>Accountability:</p> <p>Problematic Audit-Related Practices</p> <p>Generally vote against all members of the audit committee³ up for reelection if:</p> <ul style="list-style-type: none"> ▪ The non-audit fees paid to the auditor are excessive; or ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year. <p>Climate Accountability</p> <p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain⁴, generally vote against the responsible incumbent director(s), or any other appropriate item(s) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company’s operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.</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>Accountability:</p> <p>Problematic Audit-Related Practices</p> <p>Generally vote against all members of the audit committee³ up for reelection if:</p> <ul style="list-style-type: none"> ▪ The non-audit fees paid to the auditor are excessive; or ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year. <p>Climate Accountability</p> <p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain⁵, generally vote against the responsible incumbent director(s), or any other appropriate item(s) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets.
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<p>Governance Failures</p> <p>Under extraordinary circumstances, vote against or withhold from 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 (including, but not limited to, environmental, social, and climate change issues), 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>At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.</p> <p>Governance Failures</p> <p>Under extraordinary circumstances, vote against or withhold from 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 (including, but not limited to, environmental, social, and climate change issues), 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>Footnotes:</p> <p>¹ 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> <p>² 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.</p> <p>³ 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 basis.</p> <p>⁴ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>	<p>Footnotes:</p> <p>¹ 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> <p>² 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.</p> <p>³ 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 basis.</p> <p>⁴ Not applicable if the single-gender board is due to recent resignation of a director of a different gender and the company discloses its commitment to address the lack of gender diversity within three months from the date of resignation.</p>

	⁵ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.
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Rationale for Change:

The Hong Kong Exchanges and Clearing Limited (HKEX) amended the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (HK Listing Rules) in January 2022 to prohibit single-gender boards. Under the current requirements of the HK Listing Rules, the nomination committee (or the board) must have a board diversity policy and disclose such policy or a summary of it in the Corporate Governance Report. HKEX does not consider diversity to be achieved by a single gender board, and single gender board issuers are required to appoint at least one director of a different gender no later than Dec. 31, 2024. The Hong Kong Benchmark Policy is amended to align with the provisions in the Hong Kong Listing Rules applicable to companies that have single gender boards. An ISS against recommendation may be made on nominee/s who are part of the nomination committee if the company has not aligned its practice with the relevant rules and CG Code.

Share Issuance Requests

Current ISS Policy:	New ISS Policy:
<p>General Issuance Mandate</p> <p>General Recommendation: Generally vote for the general share issuance mandate for companies that:</p> <ul style="list-style-type: none"> ▪ Limit the request to 10 percent or less of the relevant class of issued share capital for issuance for cash and non-cash consideration; ▪ Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules) for issuance for cash and non-cash consideration; and ▪ Have no history of renewing the general issuance mandate several times within a period of one year which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital for issuance for cash and non-cash consideration within the 12-month period. 	<p>General Issuance Mandate</p> <p>General Recommendation: Generally vote for the general share issuance mandate, being the issuance of additional shares and/or the resale or transfer of treasury shares (if permitted), for companies that:</p> <ul style="list-style-type: none"> ▪ Limit the request to 10 percent or less of the relevant class of issued share capital for issuance for cash and non-cash consideration; ▪ Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules) for issuance for cash and non-cash consideration; and ▪ Have no history of renewing the general issuance mandate several times within a period of one year which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital for issuance for cash and non-cash consideration within the 12-month period.
<p>Share Reissuance Mandate</p> <p>General Recommendation: Generally vote for the share reissuance mandate for companies that:</p> <ul style="list-style-type: none"> ▪ Limit the aggregate issuance request - that is, for the general issuance mandate and the share reissuance mandate combined - to 10 percent or less of the relevant class of issued share capital; ▪ Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules); and ▪ Have no history of renewing the general issuance mandate several times within a period of one year. 	<p>Share Reissuance Mandate</p> <p>General Recommendation: Generally vote for the share reissuance mandate, being the authority for the board to reissue or transfer treasury shares (if permitted), for companies that:</p> <ul style="list-style-type: none"> ▪ Limit the aggregate issuance request - that is, for the general issuance mandate and the share reissuance mandate combined - to 10 percent or less of the relevant class of issued share capital; ▪ Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules); and ▪ Have no history of renewing the general issuance mandate several times within a period of one year.

Rationale for Change:

The Hong Kong Listing Rules were amended to remove the requirement to cancel repurchased shares in order for issuers to hold repurchased shares in treasury and to allow the resale of treasury shares if allowed by the laws of their places of incorporation and their respective constitutional documents, among others. The new treasury share regime took effect on June 11, 2024, and a new guidance letter was published by the Stock Exchange of Hong Kong Limited (SEHK) on the arrangements for issuers to hold or deposit treasury shares in the Central Clearing and Settlement System (CCASS) for sale on the SEHK. The Hong Kong Benchmark Policy is updated to clarify that the limit under the relevant mandates include issuance using the treasury shares and to include the updated rules in the discussion. This update has no impact on vote recommendation and analysis matters.

India

Board of Directors

Election of Directors – Independence

Current ISS Policy:	New ISS Policy:
<p>Election of Directors:</p> <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 director¹ with a tenure of more than 10 years on the board. 	<p>Election of Directors:</p> <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 proposed to be (re) appointed as an independent director by the board and has a tenure of more than 10 years on the board. ▪ The nominee is proposed to be (re) appointed as an independent director by the board and has served or is serving on the board of a holding or subsidiary company, or an entity merged with the company, for an aggregate tenure of more than 10 years, without a cooling-off period of three years. ▪ During the proposed term of appointment or re-appointment of the nominee as an independent director, nominee's association with the company, including tenure served at a holding or subsidiary company or an entity merged with the company, will exceed 10 years.
<p>Footnotes:</p> <p>¹Classified as independent by the company</p>	<p>Footnotes:</p>

Classification of Directors**Non-Independent Non-Executive Director (NED)**

- 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]);
- 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;

Classification of Directors**Non-Independent Non-Executive Director (NED)**

- 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]);
- 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;

<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ 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 ten years on the board; ▪ Any director whose tenure, including tenure served at holding or subsidiary company or an entity merged with the company, is more than ten years, without a cooling-off period of at least three years; or ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.
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Rationale for Change:

The update codifies the approach that is already being applied, to enhance transparency and provide clarity. The policy currently provides that a negative vote recommendation will be applicable when a nominee has served for a tenure of more than 10 years on the board of the company. Concerns may arise regarding the ability of Independent Directors to exercise objective judgment and provide unbiased opinions when they have a long tenure on the board of the company. In addition to tenure on the Board of the company, any tenure served by the nominee on the board of the company's holding company, subsidiary companies, or entities that have merged with the company will also be considered for arriving at the vote recommendation. A prolonged tenure and association may compromise an individual's ability to impartially evaluate such matters as management performance and executive compensation due to their familiarity with the management, leading to potential conflicts of interest. Consequently, independent directors who have prolonged association, exceeding ten years with the company or its holding or subsidiary companies will be classified by ISS as non-independent.

Election of Directors – Accountability

Current ISS Policy:	New ISS Policy:
<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 excessive. ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year. 	<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 excessive; ▪ The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year; or ▪ The company auditors have provided an adverse/qualified opinion on the company’s latest financial statements.

Rationale for Change:

The policy update adds an additional factor for consideration in assessing problematic audit-related practices. Members of a company’s audit committee have responsibility for overseeing the integrity of the company’s financial reporting process, including accounting practices and internal controls. When the company’s auditor provides an adverse or qualified opinion on the company’s financial statements, it signals deficiencies in accounting practices or weaknesses in internal controls. An adverse or qualified opinion indicates a failure of the audit committee in ensuring accurate and transparent financial reporting, and that robust internal controls are maintained. A negative vote recommendation for all members of an audit committee in such a situation holds them accountable, emphasizing the importance of accountability in financial reporting systems.

Remuneration

Equity Compensation Plans

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for option plans and restricted share plans.</p> <p>Vote against an option plan if:</p> <ul style="list-style-type: none"> ▪ The maximum dilution level for the plan exceeds: <ul style="list-style-type: none"> ▪ 5 percent of issued share capital for a mature company (this may be increased to 10 percent if the plan includes other positive features such as a challenging performance criteria and meaningful vesting periods as these partially offset dilution concerns by reducing the likelihood that options will become exercisable or performance shares are issued unless there is a clear improvement in shareholder value); ▪ 10 percent for a growth company; or ▪ The plan permits options to be issued with an exercise price at a discount to the current market price. <p>Vote against a restricted share plan if:</p> <ul style="list-style-type: none"> ▪ The maximum dilution level for the plan exceeds 5 percent of issued share capital for a mature company or 10 percent for a growth company; or ▪ The plan does not include a challenging performance criteria and meaningful vesting periods to partially offset dilution concerns by reducing the likelihood that performance shares are issued unless there is a clear improvement in shareholder value. 	<p>General Recommendation: Generally vote for option plans and restricted share plans.</p> <p>Vote against an option plan if:</p> <ul style="list-style-type: none"> ▪ The maximum dilution level under the proposed plan(s) and previously approved option plans exceeds: ▪ 5 percent of issued share capital for a mature company (this may be increased to 10 percent if the plan includes other positive features such as a challenging performance criteria and meaningful vesting periods as these partially offset dilution concerns by reducing the likelihood that options will become exercisable or performance shares are issued unless there is a clear improvement in shareholder value); ▪ 10 percent for a growth company; or ▪ The plan permits options to be issued with an exercise price at a discount to the current market price. <p>Vote against a restricted share plan if:</p> <ul style="list-style-type: none"> ▪ The maximum dilution level under the proposed plan(s) and previously approved option plans exceeds: <ul style="list-style-type: none"> ▪ 5 percent of issued capital for a mature company (this may be increased to 10 percent if the plan includes other positive features such as a challenging performance criteria and meaningful vesting periods as these partially offset dilution concerns by reducing the likelihood that options will become exercisable or performance shares are issued unless there is a clear improvement in shareholder value); or ▪ 10 percent for a growth company

	<ul style="list-style-type: none"> ▪ The plan does not include a challenging performance criteria and meaningful vesting periods to partially offset dilution concerns by reducing the likelihood that performance shares are issued unless there is a clear improvement in shareholder value. <p>Vote against the extension of an option plan or restricted share plan if:</p> <p>The plan provides the authority for the granting of stock options and restricted stock units to employees of holding/associate/group companies, unless a compelling rationale for the grant to these specific employees is provided.</p>
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Rationale for Change:

The update codifies the approach that is already being applied, to enhance transparency and provide clarity.

The current policy provides that a negative recommendation may be applied if dilution on account of the proposed Equity Compensation plan, exceeds the limits set out in the policy. However, companies in this market often have multiple equity compensation schemes in place, at any given time. Some of these schemes may have been previously approved by shareholders and have unallocated/ unvested/ unexercised shares on account of which there is a potential for dilution. Since, these plans are active and options can be granted under each of these parallel plans, the dilution potential is not limited to the new scheme proposed, and the collective potential impact of dilution must be evaluated from an overall level. Failing to consider the impact of existing schemes could lead to underestimation of the overall dilution risk for existing shareholders. Hence, the update codifies and provides transparency that dilution for the purpose of policy application considers the new proposed plan and any existing plans of the company.

The Securities and Exchange Board of India (Share Based Employee Benefit) Regulation, 2021, requires companies to seek approval of shareholders by way of a separate resolution, for extension of Employee Stock Option Purchase (ESOP) scheme or Stock Appreciation Rights Scheme or other employee benefit scheme to employees of subsidiary, holding and associate companies. In the recent past, there has been an increase in the number of such resolutions, and the update codifies the policy application already applied to such proposals, for clarity and transparency. Granting of options/ RSU/ SAR's to the employees of the company as well employee of the subsidiaries is an accepted market practice. However, some companies are also proposing to extend these benefits to employees of group, holding and associate companies. Since, these entities do not directly contribute to the performance of the company, there should be a compelling rationale for such benefit schemes to be extended to these employees. Nomination and remuneration committees of the company, which is generally the administrator of the scheme, may lack adequate oversight over the employees of these group, holding or associate entities. The objective of a stock compensation plan is to incentivize performance and align the interest of the employees with the shareholders. Given that performance of a group, holding or associate company level does not directly translate into the financial performance of the company, there can be a lack of alignment of interest. In such cases, the company should provide a compelling rationale for the inclusion or provide adequate disclosure on specific objective performance metrics for the group/associate/ holding company, which would mitigate concerns on alignment of interest with shareholders of the company.

Japan

ISS Independence criteria for Japan

Current ISS Policy:	New ISS Policy:
<p>ISS Independence criteria for Japan</p> <p>Those outside director candidates falling into any of the following categories should be regarded as non-independent:</p> <ul style="list-style-type: none"> ▪ Individuals who work or worked at major shareholders of the company in question; ▪ Individuals who work or worked at main lenders/banks to the company in question; ▪ Individuals who work or worked at the lead underwriter(s) of the company in question; ▪ Individuals who work or worked at business partners of the company in question and the transaction value is material from the recipient’s perspective or is not disclosed; ▪ Individuals who worked at the company's audit firm; ▪ Individuals who offer or offered professional services such as legal advice, financial advice, tax advice or consulting services to the company in question; ▪ Individuals who have a relative(s) working at the company in question; ▪ Individuals who worked at the company in question; or ▪ Individuals who work or worked at companies whose shares are held by the company in question as "cross-shareholdings¹¹." 	<p>ISS Independence criteria for Japan</p> <p>Those outside director candidates falling into any of the following categories should be regarded as non-independent:</p> <ul style="list-style-type: none"> ▪ Individuals who work or worked at major shareholders of the company in question; ▪ Individuals who work or worked at main lenders/banks to the company in question; ▪ Individuals who work or worked at the lead underwriter(s) of the company in question; ▪ Individuals who work or worked at business partners of the company in question and the transaction value is material from the recipient’s perspective or is not disclosed; ▪ Individuals who worked at the company's audit firm; ▪ Individuals who offer or offered professional services such as legal advice, financial advice, tax advice or consulting services to the company in question; ▪ Individuals who have a relative(s) working at the company in question; ▪ Individuals who worked at the company in question; ▪ Individuals who work or worked at companies whose shares are held by the company in question as "cross-shareholdings^{11"}; or ▪ Individuals who have served on the board for 12 years or more^{12, 13}.

Footnotes:

¹¹ Traditionally, Japanese companies have often held shares of other companies for reasons other than pure investment purposes, for instance, in order to strengthen a business relationship. Cross-shareholdings here refer not only to mutual shareholdings but also unilateral holdings.

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¹² For individuals who had served as statutory auditors until immediately before director appointment, their tenure as statutory auditors will be added in applying this criterion.

¹³ One-year grace period will be applied, and this criterion will be effective as of Feb. 1st, 2026.

Rationale for Change:**Background**

After the launch of Japan's Corporate Governance Code in 2015, Japanese companies have increased board independence. However, a slowdown in the pace of increase is observed during the past two years because most companies are now in compliance with the Code. The Code recommends companies listed on the Tokyo Stock Exchange Prime Market to have at least a one-third independent board, and those on TSE Standard Market to appoint a minimum of two independent directors. Based on the ISS coverage during the first half of 2024 of 2,698 meetings, the percentage of companies where at least one third of board members are outsiders reached 86.5 percent as of June 2024.

Policy updates and intention

However, as outsider representation has increased, concerns have been raised over the lack of independence of long-serving board members. Even if judged independent on joining the board, as outsiders have been involved in the decision-making process, their independence would be diminished gradually over the years. The policy update, effective from February 2026 after a one-year grace period, is intended to address the independence concern arising from long-serving board members. This one-year transition period is intended to give companies sufficient time and awareness for the recruitment of qualified candidates, where they wish to.

In addition, the policy update reflects many shareholders' messages that long-serving board members should move on and use their expertise and experience at the boards of other companies. The lack of a deep pool of qualified independent outside board members in Japan is often pointed out by companies, so if some long-serving board members were added to the pool, that would enable companies to secure qualified individuals as new board members.

Rationale for threshold

The Code has no reference concerning a specific number of years beyond which outsiders' independence would be considered compromised. Nonetheless, among Japanese and non-Japanese institutional shareholders with whom ISS consulted, 10 years or 12 years is the most frequently used tenure limit for Japan, and also counting any tenure as statutory auditors before director appointment in calculating director tenure. Considering those observations, we determined that a tenure of 12 years (including statutory auditor tenure before director appointment, if any) broadly reflects the market consensus.

Taiwan

Amendments to Company Articles/Bylaws

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on amendments to company bylaws.</p> <p>Proposals to amend company bylaws are commonly seen at shareholder meetings. Companies usually disclose the details of the proposed amendments in their meeting circulars. Amendments are nearly always bundled together as a single voting resolution, and ISS' general approach is to review these amendments on a case-by-case basis and to oppose article amendments as a whole when they include changes ISS opposes.</p>	<p>General Recommendation: Vote case-by-case on amendments to company bylaws.</p> <p>Proposals to amend company bylaws are commonly seen at shareholder meetings. Companies usually disclose the details of the proposed amendments in their meeting circulars. Company bylaw amendments and AOI amendments are usually separated into different voting resolutions. ISS' general approach is to review these agendas on a case-by-case basis and to oppose articles/bylaw amendments when they include changes considered potentially negative or when the company has failed to provide sufficient disclosure.</p> <p>In rare cases, a company may still choose to bundle articles/bylaw amendments into one resolution. In these cases, ISS reviews the amendments individually and opposes article/bylaw amendments as a whole when they include changes considered to be potentially negative to the company's corporate governance.</p>

Rationale for Change:

The updates are made to reflect disclosure practices of many listed companies as the majority of AOI and bylaw amendments are now separated into independent resolutions for each proposed amendment, as opposed to a bundled resolution.

Election of Directors and Supervisors

Voting for Director and Supervisor Nominees in Uncontested Elections

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote against all directors and supervisors where the company employs the non-nomination system for election.</p> <p>When the company employs the nomination system, generally vote for all non-independent director candidates,</p> <p>unless:</p> <ul style="list-style-type: none"> ▪ The board is less than one-third independent under ISS' classification of directors; or ▪ The names and background of representatives of statutory directors are not disclosed. <p>Generally vote for the independent director nominees, unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee is deemed non-independent under ISS' classification; ▪ The nominee has been a partner of the company's auditor within the last three years¹ and serves on the audit committee. <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 (or that of the representatives appointed by a legal entity which serves as a corporate 	<p>General Recommendation: Generally vote for all non-independent director candidates,</p> <p>unless:</p> <ul style="list-style-type: none"> ▪ The board is less than one-third independent under ISS' classification of directors; or ▪ The names and background of representatives of statutory directors are not disclosed. <p>Generally vote for the independent director nominees, unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee is deemed non-independent under ISS' classification; ▪ The nominee has been a partner of the company's auditor within the last three years¹ and serves on the audit committee. <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 (or that of the representatives appointed by a legal entity which serves as a corporate director in the company) will not include meetings attended by alternate directors (or the proxy of those representatives). Acceptable reasons for director absences are generally limited to the following:

director in the company) will not include meetings attended by alternate directors (or the proxy of those representatives). Acceptable reasons for director absences are generally limited to the following:

- Medical issues/illness;
- Family emergencies;
- The director (or the representative) 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);
- The nominee sits on more than six² public company boards³.

Accountability:

- The nominee is a legal entity or a representative of a legal entity⁴.

Climate Accountability:

For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain⁵, generally vote against the responsible incumbent director(s), or any other appropriate item(s) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.

Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:

- Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
 - Board governance measures;

- Medical issues/illness;
- Family emergencies;
- The director (or the representative) has served on the board for less than a year; and
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Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:

- Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
 - Board governance measures;
 - Corporate strategy;
 - Risk management analyses; and
 - Metrics and targets.

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- Appropriate GHG emissions reduction targets.

At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.

Under extraordinary circumstances, vote against directors or supervisors, members of a committee, or the entire board, due to:

- Material failures of governance, stewardship, risk oversight (including, but not limited to, environmental, social, and climate change issues), 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.

When the company employs the nomination system, generally vote for all supervisor candidates, unless the names and background of representatives of statutory supervisors are not disclosed.

Discussion

The election of directors and supervisors in Taiwan is unique. One notable characteristic is that legal entities such as governmental organizations and corporations, not just natural persons, can serve as non-independent directors

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Generally vote for all supervisor candidates unless the names and background of representatives of statutory supervisors are not disclosed.

Discussion

In Taiwan, directors and supervisors are elected by the standard nomination system. Under the nomination system, the board of directors reviews the qualifications of each candidate nominated by either the board itself or any shareholder holding 1 percent or more of the company's outstanding shares, and then provides the final roster of candidates together with their profiles to shareholders prior to the meeting.

However, the election of directors and supervisors in Taiwan is unique in that legal entities such as governmental organizations and corporations, not just natural persons, can serve as non-independent directors and supervisors. Legal

and supervisors. Legal entities can either appoint individuals as candidates or run for election themselves and then appoint representatives to perform the fiduciary duties. As a result, it is not uncommon in Taiwan to see only the name of the legal entity being nominated for a board seat and not the identity of the actual individual who will serve on the board to represent that entity's interest.

Another notable characteristic in Taiwan is that, only the independent directors are elected by the standard nomination system. The election of non-independent directors and supervisors, on the other hand, may use a traditional election system which is commonly referred to as the "non-nomination system". Under this non-nomination system, any shareholder can nominate any person of legal age to the board. Companies are not obliged to provide a roster of candidates and their profiles before the meeting, and many firms disclose candidate names and profiles at the meeting or only a few days beforehand. Further, whether the candidates are supported by management or not is often not disclosed. Election by the non-nomination system poses a great challenge to investors, particularly overseas investors voting by proxy who must cast their votes well in advance of the meeting. The non-nomination system disenfranchises minority shareholders and greatly limits their ability to cast an informed vote.

Since In contrast, under the nomination system, the board of directors reviews the qualifications of each candidate nominated by either the board itself or any shareholder holding one percent or more of the company's outstanding shares, and then provides the final roster of candidates together with their profiles to shareholders prior to the meeting. Taking into consideration that the nomination system for non-independent director election is yet to be made mandatory by law, most of the assessment criteria, such as attendance and public boards held, among others, which are applicable to peer markets in the Asia-Pacific Region, will only be applied to independent director candidates who must be elected via the nomination system. In order to better evaluate non-independent director nominees' suitability in the long run, such assessment criteria could be phasing in and adopted in the review of non-independent director nominees in the near future.

entities can either appoint individuals as candidates or run for election themselves and then appoint representatives to perform the fiduciary duties. As a result, it is not uncommon in Taiwan to see only the name of the legal entity being nominated for a board seat and not the identity of the actual individual who will serve on the board to represent that entity's interest.

Voting requirement: Cumulative voting is mandatory for all elections. There is no majority vote requirement.

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<p>Release of Restrictions on Competitive Activities of Directors:</p> <p>General Recommendation: Vote against release of restrictions on competitive activities of directors if:</p> <ul style="list-style-type: none"> ▪ There is lack of disclosure on the key information including identities of the directors in question, current positions in the company, and outside boards they are serving on⁶; or ▪ The non-nomination system is employed by the company for the director election; 	<p>Release of Restrictions on Competitive Activities of Directors:</p> <p>General Recommendation: Vote against release of restrictions on competitive activities of directors if:</p> <ul style="list-style-type: none"> ▪ There is lack of disclosure on the key information including identities of the directors in question, current positions in the company, and outside boards they are serving on⁶.

Rationale for Change:

The current policy regarding the election of directors and supervisors using the non-nomination system is no longer applicable to the Taiwanese market due to regulatory changes. In April 2019, the regulators promulgated a requirement for all companies listed on Taipei Exchange/Taiwan Stock Exchange to adopt the nomination system for director elections and supervisor elections. The scope was further expanded in December 2023, as the regulator required that companies listed on the Emerging Stock Market adopt the nomination system effective Jan. 1, 2025. Therefore, Taiwanese companies under ISS coverage are expected to fully implement the nomination system and references to the non-nomination system are eliminated accordingly to avoid ambiguity.

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