



ASIA-PACIFIC

Proxy Voting Guidelines

Benchmark Policy Changes for 2024 for Hong Kong, Singapore, India, Japan, and Asia-Pacific Regional

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TABLE OF CONTENTS

Hong Kong	3
Board of Directors	3
Voting for Director Nominees in Uncontested Elections	3
Singapore	8
Board of Directors	8
Voting for Director Nominees in Uncontested Elections	8
India	13
Board of Directors	13
Election of Directors – Accountability	13
Executive Appointment.....	15
Japan	16
Election of Directors.....	16
ROE Policy Resumption	16
Takeover Defense Plans (Poison Pills)	18
Asia-Pacific Regional	20
Compensation	20
Equity Compensation Plans.....	20

Hong Kong

Board of Directors

Voting for Director Nominees in Uncontested Elections

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for the re/election of directors, unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee has been a partner of the company's auditor within the last three years, and serves on the audit committee; ▪ Any non-independent director nominees where the board is less than one-third independent under ISS' classification of 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 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</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 ▪ Appointed a new independent non-executive director on the board at the company's next annual general meeting. <p>When the board does not have a formal audit committee, remuneration committee, and/or nomination committee, vote against if:</p>

director should still be considered independent, or where such reasons raise concerns regarding the director's true level of independence.

Composition:

- 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:
 - 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.

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.

Accountability:

Problematic Audit-Related Practices

Generally vote against all members of the audit committee³ up for reelection if:

- 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.

- The nominee is an executive director and the board is not majority independent;¹
- The nominee is a non-independent chairman of the board.

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.

Composition:

- 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:
 - 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).
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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.

Accountability:

Problematic Audit-Related Practices

Generally vote against all members of the audit committee³ up for reelection if:

- The non-audit fees paid to the auditor are excessive; or

Climate Accountability

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.

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.
- 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.

Governance Failures

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

- The company did not disclose the audit fees and/or non-audit fees in the latest fiscal year.

Climate Accountability

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.

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 - Risk management analyses; and
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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.

Governance Failures

Under extraordinary circumstances, vote against or withhold from 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"> ▪ 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. 	<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 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 Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>

Rationale for Change:

The Hong Kong Corporate Governance Code was amended in December 2021 to update the provisions in the areas of company culture, board independence and refreshment, diversity, communications with shareholders, and ESG. As part of the amendment to the Code, with effect for the financial year commencing on or after Jan. 1, 2023, where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should:

- Disclose 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
- Appoint a new independent non-executive director on the board at the issuer's next annual general meeting.

The Hong Kong Benchmark Policy is being amended to align with the added provisions in the Hong Kong Corporate Governance Code applicable to companies that have all their independent non-executive directors serving for more than nine years. An against recommendation will be issued to nominee/s who are part of the nomination committee if the company is unable to align its practice with the recommended best practice set out in the updated Hong Kong Corporate Governance Code.

It is the duty of the nomination committee to monitor the balance and composition of the board to maximize its effectiveness. The nomination committee of a company is responsible for making recommendations to the board on the development of a process for evaluation of the performance of the board, its board committees and directors, as well as the appointment and re-appointment of directors, among other things. Important issues should be considered for the appointment and re-appointment of directors such as board composition to ensure that a strong independent element is present in the board.

The policy change reflects the relevant provisions coming into effect.

Singapore

Board of Directors

Voting for Director Nominees in Uncontested Elections

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for the re/election of directors, unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee has been a partner of the company's auditor within the last three years, and serves on the audit committee; ▪ Any non-independent director nominees where the board is less than one-third independent under ISS classification of directors¹; ▪ The nominee² is a member of the nomination committee and the board does not have a lead/senior independent director and/or the board is less than majority independent¹ under the following scenarios: <ul style="list-style-type: none"> ▪ The chairman and the CEO are the same person; ▪ The chairman and the CEO are immediate family members³; ▪ The chairman is part of the management team; or ▪ The chairman is not an independent director. ▪ The nominee is an executive director serving on the audit, remuneration, and/or nomination committee; ▪ The nominee is a non-independent director serving as the chairman of the audit committee, remuneration committee, and/or nomination committee. <p>When the board does not have a formal audit committee, remuneration committee, and/or nomination committee, vote against if:</p> <ul style="list-style-type: none"> ▪ The nominee is an executive director; ▪ The nominee is a non-independent chairman of the board. 	<p>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 directors¹; ▪ The nominee² is a member of the nomination committee and the board does not have a lead/senior independent director and/or the board is less than majority independent¹ under the following scenarios: <ul style="list-style-type: none"> ▪ The chairman and the CEO are the same person; ▪ The chairman and the CEO are immediate family members³; ▪ The chairman is part of the management team; or ▪ The chairman is not an independent director. ▪ The nominee is an executive director serving on the audit, remuneration, and/or nomination committee; ▪ The nominee is a non-independent director serving as the chairman of the audit committee, remuneration committee, and/or nomination committee. <p>When the board does not have a formal audit committee, remuneration committee, and/or nomination committee, vote against if:</p> <ul style="list-style-type: none"> ▪ The nominee is an executive director; ▪ The nominee is a non-independent chairman of the board.

Under the ISS Classification of Directors, an independent non-executive director shall be considered non-independent if such director serves as a director for more than nine years, and the company fails to submit such director to the mandatory two-tier vote, or where such reasons raise concerns regarding the director's true level of independence.

Composition:

- The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following:
 - Medical issues/illness;
 - Family emergencies;
 - The director has served on the board for less than a year;
 - Conflict of interest in the resolution(s) to be discussed in the board or committee meeting; and
 - Missing only one meeting (when the total of all meetings is three or fewer).
- The nominee sits on more than six⁴ public company boards.

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.

Accountability:

Problematic Audit-Related Practices

Generally vote against all members² of the audit committee up for reelection if:

- 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.

Under the ISS Classification of Directors – Singapore, an independent non-executive director shall be considered non-independent if such director serves as a director for more than nine years.

Composition:

- The nominee has attended less than 75 percent of board and key committee meetings over the most recent fiscal year, without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following:
 - Medical issues/illness;
 - Family emergencies;
 - The director has served on the board for less than a year;
 - Conflict of interest in the resolution(s) to be discussed in the board or committee meeting; and
 - Missing only one meeting (when the total of all meetings is three or fewer).
- The nominee sits on more than six⁴ public company boards.

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.

Accountability:

Problematic Audit-Related Practices

Generally vote against all members² of the audit committee up for reelection if:

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

<p>collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);</p> <ul style="list-style-type: none"> ▪ Government representative; ▪ Currently provides or has provided (or a relative^[3] provides) during the most recently concluded financial year under review 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 excess of USD 10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[5]); ▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative^[3] of a current employee or executive of the company or its affiliates; ▪ Relative^[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Directors with a tenure exceeding nine years will be considered non-independent, unless the company submits such director to the mandatory two-tier vote. ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. <p>Independent NED</p> <ul style="list-style-type: none"> ▪ No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. <p>Employee Representative</p> <ul style="list-style-type: none"> ▪ Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED). 	<p>collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);</p> <ul style="list-style-type: none"> ▪ Government representative; ▪ Currently provides or has provided (or a relative^[3] provides) during the most recently concluded financial year under review 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 excess of USD 10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[5]); ▪ Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; ▪ Relative^[3] of a current employee or executive of the company or its affiliates; ▪ Relative^[3] of a former employee or executive of the company or its affiliates; ▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); ▪ Founder/co-founder/member of founding family but not currently an employee or executive; ▪ Former employee or executive (five-year cooling off period); ▪ Directors with a tenure exceeding nine years; ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. <p>Independent NED</p> <ul style="list-style-type: none"> ▪ No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. <p>Employee Representative</p> <ul style="list-style-type: none"> ▪ Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED).
<p>Footnotes:</p> <p>¹ 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</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</p>

<p>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 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.</p> <p>³ "Immediate family members" refer to the person's spouse, child, adopted child, step-child, sibling and parent.</p> <p>⁴ A commitment to reduce the number of boards to six or fewer by the next annual meeting will be considered. The commitment would need to be disclosed prior to the AGM in the relevant meeting materials, such as the meeting notice, circular, or annual report.</p> <p>⁵ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p>	<p>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 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.</p> <p>³ "Immediate family members" refer to the person's spouse, child, adopted child, step-child, sibling and parent.</p> <p>⁴ A commitment to reduce the number of boards to six or fewer by the next annual meeting will be considered. The commitment would need to be disclosed prior to the AGM in the relevant meeting materials, such as the meeting notice, circular, or annual report.</p> <p>⁵ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p>
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Rationale for Change:

The Singapore Code of Corporate Governance was amended in January 2023 with the intent to enhance board renewal and remuneration disclosures. The amendments to the Code include a hard nine-year limit on the tenure of independent non-executive directors and the removal of the two-tier voting mechanism for long-serving independent non-executive directors. The policy change to remove references to the two-tier voting mechanism aligns the Singapore Benchmark Policy with the provisions of the Code.

Singapore Exchange Regulation opted for the removal of the two-tier voting system as the mechanism was deemed ineffective towards the achievement of the board renewal and diversity outcomes the regulators originally hoped for. Singapore companies have extensively used the two-tier voting system to retain long-serving independent non-executive directors, instead of bringing new independent non-executive directors. Setting a hard cap on the tenure of independent non-executive directors is expected to facilitate board renewal, enable companies to benefit from new perspectives, and further promote board independence and diversity.

Companies were provided with a one-year transition period to adapt and adjust to these regulatory changes. The one-year transition period will end at the company's AGM to be held for the financial year ending on Dec. 31, 2023.

India

Board of Directors

Election of Directors – Accountability

Current ISS Policy:	New ISS Policy:
<p>Board Permanency:</p> <p>Generally vote against directors who are not liable to retire by rotation and whose continuation on the board will not be subject to shareholder review and approval going forward.</p>	<p>Board Permanency:</p> <p>Generally vote against directors who are not liable to retire by rotation and whose continuation on the board will not be subject to shareholder review, unless:</p> <ul style="list-style-type: none"> ▪ The nominee's continuation is exempted from shareholders' review as per SEBI LODR⁴.
	<p>Footnotes:</p> <p>⁴As per Regulation 17 (1D) of the SEBI LODR, from April 1, 2024, the continuation of directors serving on the board of directors of a listed entity shall be subject to the approval by the shareholders in a general meeting at least once in every five years from the date of their appointment or reappointment.</p> <p>The approval of shareholders shall not be required in the following cases:</p> <ul style="list-style-type: none"> ▪ In case of the Whole-Time Director, Managing Director, Manager, Independent Director or a Director retiring as per Section 152(6) of the Companies Act, 2013, if the approval of the shareholders for the reappointment or continuation of the aforesaid directors or Manager is otherwise provided for by the provisions of these regulations or the Companies Act, 2013 and has been complied. ▪ Director is appointed pursuant to the order of a Court or a Tribunal. ▪ Nominee director of the Government on the board of a listed entity, other than a public sector company. ▪ Nominee director of a financial sector regulator on the board of a listed entity. ▪ Director nominated by a financial institution registered with or regulated by the Reserve Bank of India under a lending arrangement in its normal course of business. ▪ Director nominated by a Debenture Trustee registered with the Board under a subscription agreement for the debentures issued by the listed entity.

Rationale for Change:

On June 14, 2023, SEBI introduced certain amendments to its Listing Obligations and Disclosure Requirements to address concerns around board permanency and periodic shareholders' review of appointments. The amendment also provided exemptions to certain category of director appointment from requiring regular shareholders' approval. With effect from April 1, 2024, shareholders' approval will be required for a directors' continuation on the board at least once every five years from the date of their appointment or reappointment. For directors serving as of March 31, 2024, without shareholders' approval for the last five years or more, such approval must be obtained in the first general meeting after March 31, 2024.

This requirement is however not applicable to:

- Whole-Time Director, Managing Director, Manager, Independent Director or a Director retiring as per Section 152(6) of the Companies Act, 2013, if the approval of the shareholders for the reappointment or continuation of the aforesaid directors or Manager is otherwise provided for by the provisions of these regulations or the Companies Act, 2013 and has been complied.
- Director appointed pursuant to the order of a Court or a Tribunal.
- Nominee director of the Government on the board of a listed entity, other than a public sector company.
- Nominee director of a financial sector regulator on the board of a listed entity.
- Director nominated by a financial institution registered with or regulated by the Reserve Bank of India under a lending arrangement in its normal course of business.
- Director nominated by a Debenture Trustee registered with the Board under a subscription agreement for the debentures issued by the listed entity

This amendment serves to introduce a check-in mechanism and prevents non-executive directors from holding a board seat on a permanent basis by virtue of contractual arrangements.

Executive Appointment

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote for executive appointment and remuneration proposals, unless there is evidence of problems in the past or significant concerns with the individual's qualifications, proposed remuneration, or performance or the position.</p> <p>Discussion</p> <p>In India, companies are required to seek shareholder approval to appoint a director or an individual related to a director to an executive position. This is a standalone proposal separate from director election. Generally, these proposals would seek to approve an executive contract including the remuneration for a period of three to five years. When an executive also sits on the company's board, the executive appointment and remuneration will be judged for their own merit and the policy on director election will not be applied.</p>	<p>General Recommendation: Vote for executive appointment and remuneration proposals, unless there is evidence of problems in the past or significant concerns with the individual's qualifications, proposed remuneration, or performance or the position.^[1]</p> <p>Discussion</p> <p>In India, companies are required to seek shareholder approval to appoint a director or an individual related to a director to an executive position. This is a standalone proposal separate from director election. Generally, these proposals would seek to approve an executive contract including the remuneration for a period of three to five years. When an executive also sits on the company's board, the executive appointment and remuneration will be judged for their own merit and the policy on director election will not be applied.</p>
<p>Footnotes:</p>	<p>Footnotes:</p> <p>^[1] Concerns with position include a director serving in executive role in more than one company. In such instances, ISS evaluates the size, diversity of operations, relationship between the companies (subsidiary/associate) in which director holds executive positions.</p>

Rationale for Change:

Presently, the policy provides for a general guideline for voting on appointment of executive director. The policy currently lists out individual's qualifications, proposed remuneration, or performance or the position as areas of concerns basis on which the recommendation on executive appointment is analysed.

While the current policy does facilitate a review and evaluation of an executive appointment if there are significant concerns on an executive's position, the policy update provides additional clarity by a foot note on the assessment of 'position', that it will also cover instances where the executive director holds an executive role in more than one company.

It is not common in this market for an individual to serve as an Executive Director in two or more companies. Executive directors are responsible for day-to-day operations of a company and holding multiple executive positions may make it challenging for a director to devote adequate time to the affairs of each company.

This is particularly concerning for larger entities, having diverse businesses, largely independent operations and without a holding-subsidiary relationship between the entities.

Japan

Election of Directors

ROE Policy Resumption

Current ISS Policy:	New ISS Policy:
<p>General Recommendation:</p> <p><i>Currently, the application of the ROE policy has been suspended since 2020, as set forth in “Japan Proxy Season 2020 – Impacts of the Covid-19 Pandemic, Additional ISS Policy Guidance.”</i></p>	<p>General Recommendation:</p> <p>ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure. Among various guidelines is ROE policy, which is applied to Japanese companies regardless of board structure. Under the ROE policy: vote for the election of directors, except:</p> <ul style="list-style-type: none"> Top executive(s)¹ at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)², unless an improvement³ is observed;
<p>Footnotes:</p>	<p>Footnotes:</p> <p>¹ In most cases, the top executive will be the “shacho” (president). However, there are companies where the decision-making authority also rests with the “kaicho” (chairman of the company) or “daihyo torishimariyaku” (representative director).</p> <p>² Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years.</p> <p>³ Improvement is defined as ROE of five percent or greater for the most recent fiscal year.</p>

Rationale for Change:

This policy change reinstates the application of the “return on equity” (or ROE) policy for Japanese companies under ISS Japan benchmark policy. Until 2020, ISS Japan benchmark policy generally recommended votes against the re-election of the top executives at companies that underperformed in terms of capital efficiency (i.e., when the company had posted average return on equity (ROE) of less than 5 percent over the previous five fiscal years), unless an improvement (defined as ROE of 5 percent or greater for the most recent fiscal year) was observed. However, the impact of the COVID-19 pandemic on companies’ operating performance reduced the appropriateness of using ROE to measure capital efficiency, and the application of the ROE policy has been suspended since June 2020. The suspension was stipulated in “Japan Proxy Season 2020 – Impacts of the Covid-19 Pandemic, Additional ISS Policy Guidance.”

However, now that the pandemic has receded, the temporary suspension is no longer relevant. Overall, Japanese companies’ operating performance has generally improved, and the median ROE of Japanese companies with fiscal years ending March 2023 improved to 6.8 percent. In response to the ISS 2023 Policy Survey, out of 184 investor respondents to the question “Do you think it is appropriate for ISS to resume the application of the ROE policy for Japanese companies?” 77 percent of respondents answered “yes.” Out of 86 corporate respondents to the question, 60 percent answered “yes.”

Takeover Defense Plans (Poison Pills)

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally, vote against the approval of takeover defense plans (poison pills), unless:</p> <p>(Necessary conditions)</p> <ul style="list-style-type: none"> ▪ Independent directors who meet ISS guidelines on attendance comprise at least 1/3 of the board after the shareholder meeting; ▪ The number of independent directors who meet ISS guidelines on attendance is at least two after the shareholder meeting; ▪ The directors are subject to annual elections; ▪ The bid evaluation committee is composed entirely of independent directors, or independent statutory auditors, who meet ISS guidelines on attendance; ▪ The trigger threshold is set at no less than 20 percent of shares outstanding; ▪ The duration of the poison pill does not exceed three years; ▪ There are no other protective or entrenchment tools that can serve as takeover defenses, including blocking stakes held by management-friendly shareholders, or setting the maximum board size to the actual board size to eliminate vacant seats, or tightening of procedures for removing a director from office; ▪ The company posts its proxy circular on the stock exchange website at least four weeks prior to the meeting, to give shareholders sufficient time to study the details of the proposal and question management about them; and ▪ The pill's total duration* does not exceed three years. <p>(Second stage of analysis, to be applied only when all necessary conditions are met)</p> <ul style="list-style-type: none"> ▪ The company has disclosed in its proxy circular specific, credible steps it is taking to address the vulnerability to a takeover by enhancing shareholder value, and explained how the temporary protection afforded by the pill will help accomplish this goal. <p>*The pill's total duration is defined as the sum of the number of years the company has had a pill in place and the number of years the proposed pill will be effective.</p>	<p>General Recommendation: Generally, vote against the approval of takeover defense plans (poison pills), unless:</p> <p>(Necessary conditions)</p> <ul style="list-style-type: none"> ▪ Independent directors who meet ISS guidelines on attendance comprise a majority of the board after the shareholder meeting; ▪ The number of independent directors who meet ISS guidelines on attendance is at least two after the shareholder meeting; ▪ The directors are subject to annual elections; ▪ The bid evaluation committee is composed entirely of independent directors, or independent statutory auditors, who meet ISS guidelines on attendance; ▪ The trigger threshold is set at no less than 20 percent of shares outstanding; ▪ The duration of the poison pill does not exceed three years; ▪ There are no other protective or entrenchment tools that can serve as takeover defenses, including blocking stakes held by management-friendly shareholders, or setting the maximum board size to the actual board size to eliminate vacant seats, or tightening of procedures for removing a director from office; ▪ The company posts its proxy circular on the stock exchange website at least four weeks prior to the meeting, to give shareholders sufficient time to study the details of the proposal and question management about them; and ▪ The pill's total duration* does not exceed three years. <p>(Second stage of analysis, to be applied only when all necessary conditions are met)</p> <ul style="list-style-type: none"> ▪ The company has disclosed in its proxy circular specific, credible steps it is taking to address the vulnerability to a takeover by enhancing shareholder value, and explained how the temporary protection afforded by the pill will help accomplish this goal. <p>*The pill's total duration is defined as the sum of the number of years the company has had a pill in place and the number of years the proposed pill will be effective.</p>

Rationale for Change:

In Japan, there has been a reduction in the number of companies with poison pills. Nonetheless, in recent years, with an increase in shareholder activism in Japan, some companies have implemented newly introduced poison pills, often designed to work against specific shareholders. Meanwhile, overall board independence of Japanese companies has improved. Based on ISS data as of June 2023, 84.3 percent of Japanese boards were comprised of at least one-third outside directors, meeting the board independence criteria in the current ISS Japan benchmark policy regarding poison pills. However, only 8.8 percent of companies covered by ISS from January to June 2023 had a majority-independent board, based on ISS criteria. The poison pill policy update reflects the improving board independence in the market and signals that board independence is critical if a company seeks to deploy a poison pill. It is intended to prevent a non-independent board from arbitrarily using a poison pill mechanism for management entrenchment, particularly when pills are designed for specific shareholders.

Asia-Pacific Regional

Compensation

Equity Compensation Plans

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote compensation plans on a case-by-case basis.</p>	<p>General Recommendation: Vote compensation plans on a case-by-case basis.</p> <p>For Indonesia, Malaysia, Pakistan, Sri Lanka, Thailand, and Vietnam generally vote for option plans and restricted share plans.</p> <p>Vote against an option plan⁴ 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.
Footnotes:	Footnotes: ⁴ For Thailand, proposals to issue warrants to directors, executives and/or employees of the listed issuer and its subsidiaries will be treated as stock option grants.

Rationale for Change:

The equity compensation plan policy change provides clarity on ISS' approach of stock option plans and restricted share plans for companies in Indonesia, Malaysia, Pakistan, Sri Lanka, Thailand, and Vietnam. The footnotes specifically improve clarity for Thailand on the issuance of warrants to directors, executives and/or employees in that market which are considered as stock option grants.

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