



ASIA-PACIFIC

Proxy Voting Guidelines

Benchmark Policy Changes for 2023 for Asia-Pacific Regional, China, Hong Kong, India, Japan, Singapore, South Korea, and Taiwan

Effective for Meetings on or after February 1, 2023

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Asia-Pacific Regional, China, Hong Kong, India, South Korea, and Taiwan

Board of Directors

Board Accountability – Climate Accountability

Current ISS Policy:	New ISS Policy:
<p>[None]</p>	<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain¹, 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>Footnotes:</p>	<p>¹ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>

Rationale for Change:

For 2023, the universe of high emitting companies will continue to be identified as those in the Climate Action 100+ Focus Group. ISS is extending globally the policy on climate board accountability first announced last year and introduced in selected markets for 2022, and is updating the factors considered under the policy as follows: In cases where a company in the universe is not considered to be adequately disclosing climate risk disclosure information, such as according to the Task Force on Climate-related Financial Disclosures (TCFD), and does not have either medium-term GHG emission reductions targets or Net Zero-by-2050 GHG reduction targets for at least a company's operations (Scope 1) and electricity use (Scope 2), ISS policy will generally be to recommend voting against what it considers to be the appropriate director(s) and/or other voting items available. Emission reduction targets should also cover the vast majority (95%) of the company's operational (Scope 1 & 2) emissions. For 2023, ISS will apply the same analysis framework for all Climate Action 100+ Focus Group companies globally but with differentiated implementation of any negative vote recommendations depending on relevant market and company factors (for example, voting item availability). Additional data and information will be included in the company information section of the ISS research reports for all Climate Action 100+ Focus Group companies in order to support this extended policy application.

The Australian Policy Guidelines will also be updated prior to Australian main 2023 proxy season (~September 2023) to include a Climate Accountability policy.

Shareholder Proposals – Social and Environmental Issues – Global Approach

Current ISS Policy:	New ISS Policy:
<p>ISS applies a common approach globally to evaluating social and environmental proposals which cover a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term.</p> <p>General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:</p> <ul style="list-style-type: none"> ▪ If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation; ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive; ▪ The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; ▪ If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and ▪ If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage. 	<p>ISS applies a common approach globally to evaluating social and environmental proposals which cover a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term.</p> <p>General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:</p> <ul style="list-style-type: none"> ▪ If the issues presented in the proposal are being appropriately or effectively dealt with through legislation or government regulation; ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive; ▪ The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's practices related to the issue(s) raised in the proposal; ▪ If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and ▪ If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

Rationale for Change:

The changes codify our current approach. The change to the first criterion takes into account whether or not regulation or legislation is likely to occur. The change to the "controversies" criterion makes clear that we are interested particularly in controversies related to the issue raised by the proposal.

Asia-Pacific Regional

Board of Directors

Board Composition – Overboarding (Philippines)

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

Rationale for Change:

The one-year transitional period has passed; the policy will now be in effect.

Board Composition – Gender Diversity (Malaysia)

Current ISS Policy:	New ISS Policy:
<p>[None]</p>	<p>Gender Diversity:</p> <p>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.</p>

Rationale for Change:

In January 2022, Bursa Malaysia Berhad (Bursa Malaysia) amended the Listing Requirements to further strengthen board independent, quality, and diversity. Included in the changes was to require listed issuers with a market cap of MYR 2 billion as at Dec. 31, 2021, to appoint at least one woman director to the board by Sept. 1, 2022. The remaining listed issuers must comply by June 1, 2023. The compliance to the listing requirements is mandatory. The introduction of a board gender diversity policy will align ISS policy with the regulatory requirement and may encourage boards to increase women's participation on corporate boards.

China

Employee Stock Purchase Plans

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for employee stock purchase plans (ESPPs) unless any of the following applies:</p> <ul style="list-style-type: none"> ▪ The total stock allocated to the ESPP exceeds 10 percent of the company's total shares outstanding at any given time; ▪ The share purchase price is less than 90 percent of the market price⁴ when the share purchase is conducted solely through private placement; ▪ The company's significant shareholders (i.e. individuals with 5 percent or more of beneficial ownership of the company) are involved as plan participants; ▪ The ESPP is proposed in connection with an equity financing scheme which does not warrant shareholder support; or ▪ The ESPP contains any other terms that are deemed disadvantageous to shareholders. 	<p>General Recommendation: Generally vote for employee stock purchase plans (ESPPs) unless any of the following applies:</p> <ul style="list-style-type: none"> ▪ The total stock allocated to the ESPP exceeds 10 percent of the company's total shares outstanding at any given time; ▪ The share purchase price is less than 90 percent of the market price⁴ when the share purchase is conducted solely through private placement; ▪ The company's significant shareholders (i.e. individuals with 5 percent or more of beneficial ownership of the company) are involved as plan participants; ▪ The ESPP is proposed in connection with an equity financing scheme which does not warrant shareholder support; or ▪ The ESPP contains any other terms that are deemed disadvantageous to shareholders.
<p>Footnotes: ⁴ Calculated as the average trading price 20 trading days prior to the pricing reference date, pursuant to the CSRC's guidelines on private placements.</p>	<p>⁴ Market price is taken as the average trading price 20 trading days prior to the pricing reference date, pursuant to the CSRC's guidelines on private placements, or the unaffected price prior to the announcement of the private placement.</p>

Rationale for Change:

The footnote is being adjusted to specify the definition of market price. Added unaffected price to adopt to situations where share purchase price is disclosed, as well as an update to codify current practice.

Hong Kong and Singapore

Classification of Directors

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

Independent NED

- No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED).

- 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 provides sufficient and clear justification that the director is independent despite his long tenure.
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Independent NED

- No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED).

Footnotes:

[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.

[2] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

[3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

[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.

Footnotes:

[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.

[2] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

[3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

[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.

Rationale for Change:

Boards should be sufficiently independent to ensure that they are able and motivated to effectively supervise management's performance and remuneration, for the benefit of all shareholders. Any relationship that can potentially compromise director independence should be scrutinized. The update in the policy language is to provide clarification on how ISS policy determines the classification of directors who have provided (or a relative provided) professional services to the company or its affiliates by specifying that the provision of services during the most recently concluded financial year under review will be the basis of director classification.

Equity Compensation Plans

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for an equity-based compensation plan unless:</p> <ul style="list-style-type: none"> ▪ The maximum dilution level for the scheme, together with all outstanding schemes, exceeds 5 percent of issued capital for a mature company and 10 percent for a growth company. However, ISS will support plans at mature companies with dilution levels for all outstanding schemes of up to 10 percent if each individual plan includes other positive features such as challenging performance criteria and meaningful vesting periods as these features partially offset dilution concerns by reducing the likelihood that options will become exercisable unless there is a clear improvement in shareholder value. In addition, ISS will support a plan's dilution limit that exceeds these thresholds if the annual grant limit under all plans is 0.5 percent or less for a mature company (1 percent or less for a mature company with clearly disclosed performance criteria) and 1 percent or less for a growth company. ▪ The plan permits options to be issued with an exercise price at a discount to the current market price; or ▪ Directors eligible to receive options or awards under the scheme are involved in the administration of the scheme and the administrator has the discretion over their awards. 	<p>General Recommendation: Generally vote for an equity-based compensation plan unless:</p> <ul style="list-style-type: none"> ▪ The limit under the scheme and all outstanding schemes, whether the source of shares is newly issued or existing issued shares of the company, exceeds 5 percent of issued capital for a mature company and 10 percent for a growth company. However, ISS will support plans at mature companies with limits for all outstanding schemes of up to 10 percent if each individual plan includes other positive features such as challenging performance criteria and meaningful vesting periods as these features partially offset dilution concerns by reducing the likelihood that options will become exercisable unless there is a clear improvement in shareholder value. In addition, ISS will support a plan's limit that exceeds these thresholds if the annual grant limit under all plans is 0.5 percent or less for a mature company (1 percent or less for a mature company with clearly disclosed performance criteria) and 1 percent or less for a growth company. ▪ The plan permits options to be issued with an exercise price at a discount to the current market price; or ▪ Directors eligible to receive options or awards under the scheme are involved in the administration of the scheme and the administrator has the discretion over their awards.

Rationale for Change:

Under some equity incentive plans, the grant of awards can be satisfied through purchase of existing issued shares of the company. While existing shares will be the source of shares under these plans and that no additional shares will be created (no voting power dilution), the shares to be purchased would still result in the transfer of company assets. Thus, shareholders will still experience dilution in terms of their economic interests in the company, as there will be less company assets to be shared amongst existing shareholders.

The update in the policy language is to provide clarification regarding the application of the dilution limit for equity incentive plans of the company. The update specifies that the limit will apply whether the source of shares under the plan is newly issued or existing issued shares of the company.

Hong Kong

Share Issuance Requests

General Issuance Mandate

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for the general share issuance mandate for companies that:</p> <ul style="list-style-type: none"> ▪ Limit the issuance request 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 which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital within the 12-month period. 	<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.

Rationale for Change:

Most Hong Kong companies ask shareholders to grant the board of directors a "general mandate to issue shares" without preemptive rights, at least once every year. Under the Hong Kong Listing Rules, companies are allowed to issue shares up to 20 percent of the number of issued shares as of the date of the resolution granting the general mandate and at a discount to market prices of up to 20 percent (or more under special circumstances). In addition, the regulation provides that the number of shares repurchased by the company since the granting of the general mandate (up to a maximum number of 10 percent of the number of issued shares as of the date of the approval of the repurchase mandate which is also normally proposed concurrent with the share issuance mandate), can also be added to the aforementioned 20 percent general share issuance mandate, provided that the existing shareholders have by a separate ordinary resolution authorized the directors to add such repurchased shares to the 20 percent general share issuance mandate. This "share reissuance mandate" would extend the number of shares that may be issued without preemptive rights to up to 30 percent.

While most companies propose a general mandate to issue shares: (i) with an issuance limit of up to 20 percent or up to 30 percent if a share reissuance mandate is also proposed; and (ii) at a discount limit that is normally not disclosed, some companies provide a lower sublimit and a discount limit in the case of issue of new shares solely for cash consideration. This update clarifies that the share issuance limit of 10 percent and the discount limit of 10 percent applies for issue of new shares for both cash and non-cash consideration.

India

Board of Directors

Election of Directors

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Generally vote for the election of directors unless:</p> <p>Independence:</p> <ul style="list-style-type: none"> ▪ The nominee is an executive director serving on the audit, remuneration, or nomination committee; ▪ Any non-independent director nominees where independent directors represent less than one-third of the board when the chairman is a non-executive director, or less than one-half of the board when the chairman is an executive director or a promoter director; or ▪ The nominee is an independent director¹ with a tenure of more than 10 years on the board. <p>Composition:</p> <ul style="list-style-type: none"> ▪ The nominee has attended less than 75 percent of board and key committee (audit, compensation, and nominating) meetings over the most recent fiscal year, without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following: <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; and ▪ Missing only one meeting (when the total of all meetings is three or fewer); ▪ The nominee sits on more than six ² public (listed) company boards. 	<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>Composition:</p> <ul style="list-style-type: none"> ▪ The nominee has attended less than 75 percent of board and key committee (audit, compensation, and nominating) meetings over the most recent fiscal year, without a satisfactory explanation. Acceptable reasons for director absences are generally limited to the following: <ul style="list-style-type: none"> ▪ Medical issues/illness; ▪ Family emergencies; ▪ The director has served on the board for less than a year; and ▪ Missing only one meeting (when the total of all meetings is three or fewer); ▪ The nominee sits on more than six ² public (listed) company boards; ▪ Sufficient information on the director’s qualifications or relevant experience is not publicly available; or ▪ The nominee is a politician or has linkages with a political party and does not appear to have relevant qualifications or experience. <p>Gender Diversity</p>

<p>Gender Diversity</p> <p>Generally vote against the chair of the nomination committee (or other senior members of the nomination committee on a case-by-case basis) up for reelection if the board does not comply with board gender diversity regulations.</p> <p>In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.</p> <p>Separation of Roles of Chair and CEO</p> <p>For the NIFTY 500 and BSE 500 companies, vote against the board chair and the chair of the nomination committee (or a senior member of the nomination committee on a case-by-case basis) up for reelection, if there is no separation of roles between the CEO and chairperson, as required under the applicable regulations.</p> <p>.....</p>	<p>Generally vote against the chair of the nomination committee (or other senior members of the nomination committee on a case-by-case basis) up for reelection if the board does not comply with board gender diversity regulations.</p> <p>In making any of the above recommendations 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>.....</p>
<p>Footnotes:</p> <p>¹ Classified as independent by the company.</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>¹ Classified as independent by the company.</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>

Rationale for Change:

We observe that at times the proposals to appoint directors do not provide sufficient information on the director’s qualifications or the relevant experience. In those situations, it is difficult to ascertain the suitability and relevance of the director to be appointed as a director on board. This is of particular importance for the director appointments in Central Public Sector Enterprises (CPSEs) as the board appointments/other actions related to board like performance appraisal of directors are not undertaken by the board of the company but are carried out directly by the Government of India, the majority shareholder for CPSEs. The board appointments in these companies are generally not based on the skill and expertise gaps/requirements of the current board but are rather made to meet the regulatory compliances. The aforesaid

nominees may not have held any leadership /board position in the past or have any experience in industry in which the operates, the meeting notice will provide scant details about their work-experience and qualifications, which makes it difficult to justify their presence on the board.

Given that the nominations for appointments of directors in CPSEs are made by the central government, some of the directors nominated by them are politicians or affiliates of the ruling party. Political influence in the boardroom is seen as a governance concern, as it can skew the overall decision making, intimidate/influence certain board members and jeopardize independent and objective thinking of the board.

Therefore, it is of utmost importance to examine the profiles of directors being appointed in order to understand if their appointment would benefit the company/board as a whole or if they are being appointed just to tick the regulatory mandate in terms of board independence.

Removal of the Separation of the Roles of Chair and CEO:

The erstwhile Regulation 17(1B) of SEBI LODR Regulations required that w.e.f. April 01, 2022, the board chair of the top 500 listed entities (by market cap) to –

- a. be a non-executive director, and;
- b. not be related to the Managing Director or the Chief Executive Officer as per the definition of the term “relative” defined under the Companies Act, 2013.

Now, this requirement has been omitted by the SEBI. It is voluntary on part of companies to separate the posts of Chairperson and the Managing Director or the Chief Executive Office. Our voting recommendations will continue to focus on overall board independence in keeping with market expectations.

Amend Articles of Association

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on amendments to the articles of association (AoA).</p> <p>Requests to amend a company's articles of association are usually motivated by changes in the company's legal and regulatory environment, although evolution of general business practice can also prompt amendments.</p> <p>When reviewing proposals to revise the existing articles or to adopt a new set of articles, ISS analyses the changes proposed according to what is in the best interest of shareholders.</p> <p>Generally vote against if the draft of the new AoA is not disclosed or if the proposed changes are not adequately highlighted in the shareholder notice.</p> <p>Generally vote for proposals where the changes are driven by regulatory or compliance considerations.</p>	<p>General Recommendation: Vote case-by-case on amendments to the articles of association (AoA).</p> <p>Requests to amend a company's articles of association are usually motivated by changes in the company's legal and regulatory environment, although evolution of general business practice can also prompt amendments.</p> <p>When reviewing proposals to revise the existing articles or to adopt a new set of articles, ISS analyses the changes proposed according to what is in the best interest of shareholders.</p> <p>Generally vote for proposals where the changes are driven by regulatory or compliance considerations.</p> <p>Generally vote against if:</p> <ul style="list-style-type: none"> ▪ The draft of the new AoA is not disclosed or if the proposed changes are not adequately highlighted in the shareholder notice; or ▪ The proposal provides for special rights to any shareholder including the right to nominate directors to the board, where such an arrangement allows for a disproportionate degree of influence over the company or the board and (or) is not in line with the shareholding.

Rationale for Change:

Presently, the policy provides for a general recommendation for voting on amendments to articles of association (AoA) on a case-to-case basis and to analyze the changes proposed according to what is in best interest of the shareholders. SEBI requires companies to ratify those articles that provide any special rights to any shareholder or shareholder group post an IPO. Also, any modifications in the AoA post IPO requires shareholders' approval. Since many such resolutions seeking approval of shareholders for special board related rights have been proposed in past few years, this policy change is to elaborate further on the ISS guidelines surrounding this issue.

Many companies have been seeking approval or ratification of articles that provide for special rights to a certain shareholder or a set of shareholders such as right to nominate a set number of directors to the board, right to appoint a specific person as a chairperson, in addition to right to appoint directors shareholder may have a right to appoint board observer(s), right for a minimum representation in board or committee and right for a minimum number of nominee directors to attend meeting for the quorum amongst others.

Although granting of board nomination rights to promoters and institutional investors is a standard practice in this market, such rights sometimes allow for a disproportionate degree of influence over the company and or its board of a shareholder or a set of shareholders. When such rights are not in line with shareholding it is deemed a market lagging practice and the possible negative voting recommendation against such proposals is intended to protect the interests of the minority shareholders.

Japan

Election of Directors — Voting on Director Nominees in Uncontested Elections

Gender Diversity

Current ISS Policy:	New ISS Policy:
<p>General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure¹.</p> <p>1. At companies with a statutory auditor structure: vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Top executive(s)² 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)³, unless an improvement⁴ is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings⁵; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ For meetings on or after Feb. 1, 2023, top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review⁶; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority⁷ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a 	<p>General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure¹.</p> <p>1. At companies with a statutory auditor structure: vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Top executive(s)² 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)³, unless an improvement⁴ is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings⁵; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review⁶; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority⁷ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a

<p>management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders.</p>	<p>management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders.</p>
<p>Footnotes:</p> <p>¹ The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed.</p> <p>² 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>³ 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>⁴ Improvement is defined as ROE of five percent or greater for the most recent fiscal year.</p> <p>⁵ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring.</p> <p>⁶ The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings.</p> <p>⁷ Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.</p>	<p>Footnotes:</p> <p>¹ The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed.</p> <p>² 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>³ 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>⁴ Improvement is defined as ROE of five percent or greater for the most recent fiscal year.</p> <p>⁵ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring.</p> <p>⁶ The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings.</p> <p>⁷ Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.</p>

Rationale for Change:

The one-year transitional period has passed; the policy will now be in effect.

Governance Failures – Climate Accountability

Current ISS Policy:	New ISS Policy:
<p>Regardless of governance structure, under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight (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>Regardless of governance structure, under extraordinary circumstances, vote against individual directors, members of a committee, or the entire board, due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight (including, but not limited to, environmental, social, and climate change issues), or fiduciary responsibilities at the company; ▪ Failure to replace management as appropriate; ▪ 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; or ▪ Failure to take the minimum steps⁹ needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy, for companies that are significant greenhouse gas (GHG) emitters¹⁰.
<p>Footnotes:</p>	<p>⁹ The following two criteria will be both 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>¹⁰ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>

Rationale for Change:

Please see the rationale under [Climate Accountability](#) for the other impacted Asia- Pacific markets.

Taiwan

Related-Party Transactions

Current ISS Policy:	New ISS Policy:
[None]	<p>ISS will assess related-party transactions on a case-by-case basis. All analyses are conducted from the point of view of long-term shareholder value for the company's existing shareholders.</p> <p>Commonly seen related-party transactions include (but are not limited to):</p> <ul style="list-style-type: none"> ▪ Transactions involving the sale or purchase of property and/or assets; ▪ Transactions involving the lease of property and/or assets; ▪ Transactions involving the provision or receipt of services or leases; and ▪ Transactions involving the acquisition or transfer of intangible items (e.g., research and development, trademarks, license agreements).

Rationale for Change:

An amendment made in January 2022 to the regulations governing assets acquisition and disposal requires shareholder approval for acquisition or transfer of real estates and the relevant usage rights between related parties if the transaction amount exceeds 10 percent of the company's total asset value. Currently, ISS does not have a policy for related-party transactions (RPTs) in Taiwan. Since we can expect a substantial number of companies to submit such proposals at 2023 AGM next year, updating our policy is necessary. The revised policy adopts a case-by-case approach when recommending a vote on RPTs, similar to the approaches used for peer markets such as China and Hong Kong.

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