



ISS BENCHMARK POLICY UPDATES

Executive Summary

Global Proxy Voting Guidelines Updates
and Process for 2020 ISS Benchmark Policy

Effective for Meetings on or after February 1, 2020
Published November 11, 2019

[ISSGOVERNANCE.COM](https://www.issgovernance.com)

© 2019 | Institutional Shareholder Services and/or its affiliates



TABLE OF CONTENTS

Summary of ISS' Policy Development Process	3
Key Strengths of the ISS Policy Development Process	3
2019-2020 Outreach	5
Policy Survey	5
Policy Roundtables/Feedback.....	5
Public Comment Period on Proposed Policy Changes	6
Upcoming Milestones.....	7
Summary of Policy Updates	8
Americas Updates	9
US - Problematic Governance Structure – Newly Public Companies.....	9
US - Independent Board Chair Shareholder Proposals	9
US - Share Repurchase Program Proposals.....	10
Americas Regional and Brazil Indemnification Proposals	10
European, Middle East and Africa Updates	11
Continental Europe - Director Terms.....	11
Continental Europe - Board Gender Diversity	12
Continental Europe - Remuneration Committee Responsiveness	13
Continental Europe - Use of Discretion by Remuneration Committees	13
UK & Ireland - Board Gender Diversity	14
UK & Ireland - Use of Discretion by Remuneration Committees.....	14
EMEA Regional (Middle East, Turkey & Africa excluding South Africa) - Board Independence	15
EMEA Regional (UAE, Saudi Arabia, Egypt, Jordan, Qatar) - Director Disclosure - Cumulative Voting	15
Asia-Pacific Updates	16
Japan - Board Independence - Controlled Companies	16
India - Board Gender Diversity.....	16
South Korea - Director Accountability - Governance Failures	16
Singapore - Share Repurchase Pricing Limit Proposals.....	17
Taiwan - Article Amendment Proposals - Cash Dividend Distribution Plans	17
Off-Cycle Market Updates	17
Other Policy Updates	18
Appendices	18
Appendix A – Summary of Comments.....	18
Appendix B – Full List of Other Policy Updates	20

Summary of ISS' Policy Development Process

Each year, ISS conducts a robust, inclusive, and transparent global policy review process to update the ISS Benchmark Proxy Voting Guidelines (benchmark guidelines or policies) for the upcoming year.

The policy update process begins with an internal review of emerging issues, relevant regulatory changes and notable trends seen across global, regional and individual markets. Based on information gathered throughout the year (particularly feedback from investors and companies during and after proxy seasons), ISS internal policy working groups examine various governance and other voting topics across global markets. As part of this process, the working groups also examine relevant academic research, other empirical studies, and commentary by market participants. To gain further insights from a broad range of market participants, ISS then conducts a global policy survey, convenes multiple roundtable discussions, and posts draft policy change proposals for an open review and comment period. After considering this broad input and completing the extensive review process, the final policy updates are reviewed by the ISS Global Policy Board and approved for the following year. For most markets, updated policies are announced in November of each year and apply to meetings held on and after February 1 of the following year. Different timetables apply to a small number of markets that have off-cycle main proxy seasons.

This annual review and update process also informs updates to ISS' various specialty (or thematic) policies. ISS solutions include specialty policies for socially responsible investors, faith-based investors, Taft-Hartley (labor) funds and their external asset managers, and public employee pension funds. The content of the research and the vote recommendations issued under these thematic policies may differ from those under the ISS benchmark voting policies.

ISS also helps clients to develop and implement their own voting policies based on their organizations' specific mandates and requirements. As part of the annual review process, ISS custom research teams work with many institutional investor clients that use ISS research to help implement their own customized approaches to proxy voting. ISS helps clients apply more than 400 specific custom policies that reflect clients' unique corporate governance philosophies and investment strategies.

Key Strengths of the ISS Policy Development Process

Industry-Leading Transparency: ISS promotes openness and transparency in the development of its proxy voting policies. A description of the policy development and application process, and copies of all ISS guidelines and a number of FAQ (Frequently Asked Questions) documents, are posted on the issgovernance.com website under the Policy Gateway section.

Robust Engagement with Market Constituents: Listening to diverse viewpoints is critical to effective policy review, development and application processes. ISS' analysts regularly interact with institutional investors, company directors and other issuer representatives, shareholder proposal proponents, and other parties to gain deeper insight into critical issues. This ongoing dialogue enriches ISS' policy development, analysis and informs the research and recommendations provided to clients. The policy review process also includes a global policy survey and a public comment period on proposed policy changes that are open to all interested market constituents.

Global Expertise: ISS' policy development process is rooted in global expertise. ISS' network of global offices provides access to regional and local market experts across the Americas, Europe/Middle East/Africa (EMEA), and Asia-Pacific regions.

2019-2020 Outreach

Policy Survey

ISS launched its global benchmark policy survey on July 22, 2019 and closed it on Aug. 13. Topics covered this year included global questions on board gender diversity, director time commitments (overboarding), and director accountability on climate change risk and market-specific questions on sun-setting of dual-class capital structures (US), independent board chair shareholder proposals (US), discharge of directors (Europe), board responsiveness to low support for remuneration proposals (Europe), and the display of GAAP metrics in one part of the ISS pay-for-performance quantitative model as a point of comparison to Economic Value Added or EVA (US and Canada). The survey was available publicly and attracted input from investors and companies, as well as from a range of other market constituents.

ISS received 396 total responses to the global policy survey. That tally included responses received through the online survey from 126 representatives of institutional investors and related organizations. Of the institutional investor respondents, 69 percent represented asset managers, 18 percent represented asset owners, and three percent represented both. Two institutional investor provided responses to ISS without taking the online survey bringing the total investor responses to 128. Responses were also received from 265 non-investors to the online survey. Responses from representatives of public corporations were by far the most prevalent. Three non-investors provided responses to ISS without taking the online survey bringing the total non-investor responses to 268.

As in past years, the majority (60 percent) of the respondents to the online survey— 234 in all – represented organizations based in the United States. Eighty-six respondents were based in Continental Europe or the UK, and 29 respondents were based in Canada. Responses also came in from at least 20 organizations based in Asia. Most investor respondents had a market focus that goes beyond their home country, with many being global.

Policy Roundtables/Feedback

In the US, ISS held four roundtable discussions with various market constituents as follows:

- On Sept. 10, 2019, a telephonic roundtable with six institutional investors covered CEO pay quantum; non-employee director pay levels and structure; evergreens in equity plans, particularly relating to recent IPOs; and the future of performance equity.
- On Sept. 18, 2019, a telephonic roundtable with three institutional investors and two corporate directors covered director overboarding; the creation of specialized board committees/appointment of subject matter experts to a board; IPO governance structure; binding bylaw amendments; and mitigating factors in the absence of board gender diversity.
- In-person roundtables were held with 13 institutional investors in Boston on Oct. 4, 2019 and 15 institutional investors in New York City on Oct. 10, 2019. Each of these roundtables included discussions on board gender diversity; evergreen equity plans, director overboarding limits, and critical audit matter disclosures.

In Canada, ISS held a telephonic roundtable discussion on Sept. 25, 2019 with seven institutional investors, which covered shareholder proposals on the adoption of climate change targets; shareholder

proposals on the integration of environmental and social performance metrics in executive compensation; CEO overboarding thresholds; externally-managed issuers and director overboarding; and the use of evergreen equity plans by Canadian Securities Exchange-listed companies. Also, on Oct. 22, 2019, an in-person roundtable discussion with 23 institutional investors was held in Montreal. The in-person roundtable sought input on the same topics that were covered in the Sept. 25 telephonic roundtable.

In Europe, three separate in-person roundtable discussions were held with institutional investors.

- On Sept. 23, 2019, in Edinburgh and on Sept. 24, 2019 in London, ISS held policy roundtable discussions with 30 institutional investors (representing 14 organizations) and 28 institutional investors (representing 21 organizations), respectively, covering potential policy developments around gender diversity on boards; executive remuneration; the duration of board mandates; and the impact of evolving regulatory and best practice frameworks (e.g. SRD II and the Stewardship Code) on engagement and voting.
- On Sept. 27, 2019, ISS held a policy roundtable discussion with about a dozen institutional investors in Paris covering potential UK and Continental European policy developments around director accountability; board composition and leadership; and climate change risks and policy applications in the French market following recent legal changes.

In Japan, one-on-one meetings were held with 21 institutional investors over the July to September time period to discuss ROE policy; cross-shareholding; director independence criteria; and board diversity; among other topics applicable to Japan.

In other Asian markets, one-on-one meetings have been held with four institutional investors to review policies in Asia in general, and Singapore, Korea, and India specifically. Topics discussed included share repurchase pricing limits; director attendance and tenure; board accountability; board independence; equity compensation for the Chinese market; gender diversity; remuneration; royalty and licensing for related party transactions; updates on the government's initiatives to reduce AGM concentration in South Korea; and shareholder proposals.

In addition, ISS participated in numerous one-on-one and other discussions throughout the year with institutional investors and/or issuers and other stakeholders in the US, Canada, UK, Continental Europe, Japan, Asia and Australia.

Public Comment Period on Proposed Policy Changes

On Oct. 7, 2019, ISS opened its public comment period and invited institutional investors, corporate issuers, and other interested constituents to provide their views on the main proposed policy changes for 2020. The comment period, which ran through Oct. 18, 2019, sought feedback on 17 proposed updates to ISS' benchmark policy guidelines.

For policies covering European companies, feedback was sought on director terms in Continental Europe; the use of discretion by remuneration committees in UK, Ireland and Continental Europe; remuneration committee responsiveness; and board gender diversity.

For policies covering US companies, ISS sought feedback on policy changes applying to sunset provisions for dual-class stock structures, share repurchase programs, and shareholder proposals on independent board chairs.

For policies covering companies in Asia, feedback was sought on policy changes on controlled companies in Japan, board accountability in South Korea, cash dividends in Taiwan, off-market repurchase pricing limits in Singapore, and board gender diversity in India.

For coverage of companies in a number of emerging markets, ISS sought feedback on new policies and changes on cumulative voting and board independence in the Middle East, Africa (excluding South Africa), and Turkey, and director and officer indemnification and liability provisions in Brazil.

As of Oct. 21, 2019, ISS had received a total of 29 comments: Four from institutional investors and 25 from non-investors of which 24 were from corporate issuers. A summary of the comments is included in Appendix A. Comments from all respondents who did not request confidential treatment of their submissions were posted on ISS' website under the Policy Gateway.

Upcoming Milestones

November-December 2019:

- *Mid November:* Publication of all updated ISS benchmark policies (proxy voting guidelines) for 2020 on ISS website.
- *Early- to Mid-December 2019:* Publication of the updated Pay-for-Performance Mechanics whitepaper on ISS website, including detailing the introduction of Economic Value Added (EVA) into the Financial Performance Assessment secondary screen of ISS' pay-for-performance quantitative screen for US and Canada markets.
- *Early- to Mid-December 2019:* Publication of updated Frequently Asked Questions (FAQ) documents on ISS website.

January-February 2020:

- *January:* ISS will evaluate new US shareholder proposals anticipated for 2020 and update its US Proxy Voting Guidelines as needed.
- *February 1:* The updated 2020 ISS benchmark policies (proxy voting guidelines) will take effect for meetings occurring on or after this date.
- *First quarter:* Potential policy updates for off-cycle markets (Australia, New Zealand, Israel, South Africa).

Summary of Policy Updates

ISS' Benchmark Proxy Voting Guidelines consider market-specific regulations and best practices (such as those found in listing rules, local codes of best practice, etc.), investors' growing demand for transparency in corporate reporting, and direct input from institutional investor clients and other market constituents in addressing topics such as board structure, director accountability, corporate governance standards, executive compensation, shareholder rights, corporate transactions, and social/environmental issues. The updates contained in this document reflect changes to proxy voting policies within ISS' three global research regions – the Americas, EMEA (Europe/Middle East/Africa), and Asia-Pacific. The changes have been based on significant engagement and outreach with multiple constituents, along with a thorough analysis of regulatory changes, best practice codes, emerging governance and voting trends, and academic research.

The 2020 policy updates in this summary are grouped by region, and with separate documents addressing Americas, EMEA, and Asia-Pacific policy changes in further detail. These updates are also available through the ISS Policy Gateway. Previews of the more significant policy updates were provided to the market for comment prior to adoption:

- US – Problematic Governance Structure – Newly Public Companies
- US – Independent Board Chair – Shareholder Proposals
- US – Share Repurchase Program Proposals
- Americas Regional and Brazil – Indemnification Proposals
- Continental Europe – Director Terms
- Continental Europe – Board Gender Diversity
- Continental Europe – Remuneration Committee Responsiveness
- Continental Europe – Use of Discretion by Remuneration Committees
- UK & Ireland – Board Gender Diversity
- UK & Ireland – Use of Discretion by Remuneration Committees
- EMEA Regional – Middle East & Africa (excluding South Africa), Turkey - Board Independence
- EMEA Regional – UAE, Saudi Arabia, Egypt, Jordan, Qatar - Director Disclosure – Cumulative Voting
- Japan – Board Independence – Controlled Companies
- India – Board Gender Diversity
- South Korea – Director Accountability – Governance Failures
- Singapore – Share Repurchase Pricing Limit Proposals
- Taiwan – Article Amendment Proposals – Cash Dividend Distribution Plans

As detailed in the regional policy documents, ISS is also making a number of less significant policy changes where further market comment was deemed unnecessary, and generally consist of changes due to regulatory changes, changes in market practice, the expiration of transition periods, and clarifications of current policy. The full text of the updates, along with detailed results from the policy surveys and posted comments during the open comment period, are all also available on the ISS website in the Policy Gateway.

The ISS 2020 Global Policy Updates will be effective for meetings that occur on or after Feb. 1, 2020.

The main updates are summarized below.

Americas Updates

US - Problematic Governance Structure – Newly Public Companies

The prevalence of multi-class capital structure companies with disparate voting rights has grown among newly-listed entities in the US over the past several years. According to ISS data, in 2018, 14 percent of newly-public companies included such discriminatory provisions in their capital structure. Moreover, in each of the past four years, at least 10 percent of newly-public companies had multi class capital structures with unequal voting rights in place when they went public. Overall, approximately seven percent of Russell 3000 companies currently have a multi-class capital structure in place.

In recent years, a significant proportion of the companies that went public with multi-class capital structures provided for the sunset of their unequal voting rights and the creation of a one-share, one-vote structure in their governing documents. Most of these sunset requirements are time-based with the lifespans varying from as short as three years to as long as 10 years.

According to figures compiled by the Council of Institutional Investors (CII), six of the 23 companies that went public in 2017 with unequal voting rights made such structures subject to time-based sunsets. In 2018, five of the 15 firms with unequal voting in place at the time of their initial public offerings included time-based sunsets in their charters. In the first half of 2019, four of the 15 IPO firms with unequal voting schemes included such time-based sunsets in their governing documents.

Investor sentiment varies regarding both the use of multi-class share structures in principle and the appropriate mechanism for unwinding them. Research indicates that benefits attributed to multi-class structures dissipate over time and may actually turn into discounts within six to nine years after the IPO.

In the 2019 Global Policy Survey for US companies, ISS asked investors whether a time-based sunset requirement of no more than seven years was seen as appropriate. For those investors who provided an response to the question, 55 percent agreed that a maximum seven-year sunset is appropriate.

ISS seeks to provide clarity on policy application at newly-public companies by creating two distinct policies that address (1) problematic governance provisions and (2) multi-class capital structures with unequal voting rights. Specifically, the changes create a policy to address problematic capital structures at newly-public companies and provide a framework for addressing acceptable sunset requirements. In assessing the reasonableness of a time-based sunset requirement, consideration will be given to the company's lifespan, its post-IPO ownership structure and the board's disclosed rationale for the specific duration selected. No sunset period of more than seven years from the date of the IPO will be considered to be reasonable.

In line with the current implementation of the policy, the update also clarifies and narrows the focus of the policy to certain highly problematic governance structures.

US - Independent Board Chair Shareholder Proposals

Calls for independent board chairs are one of the most prevalent types of shareholder proposals offered for consideration at US companies' annual general meetings. As a result, ISS has periodically included questions related to this topic in its annual policy surveys – including both the 2018 and 2019 versions –

to monitor evolving investor viewpoints with respect to boardroom leadership. According to ISS' 2019 Global Policy Survey results, for US companies investors strongly favored incorporating certain risk factors such as poor responsiveness and oversight failures into consideration of independent chair shareholder proposals.

The policy update largely codifies the existing ISS policy application with respect to independent chair proposals. While ISS will maintain a holistic approach to evaluating these proposals, the policy now explicitly identifies the factors that will generally result in recommending support for these proposals. In line with the feedback received from investors in the policy survey and roundtables, support for a well-crafted proposal will be likely at companies where boards rely on a weak lead independent director role or there is evidence that directors failed to oversee material risks facing the company or did not adequately respond to shareholders' concerns. The language in the existing policy that provided an overview of how ISS will analyze the scope and rationale of the proposal, the company's current board leadership structure, the company's governance structure and practices, company performance, and the overriding factors will be updated and subsequently relocated to the relevant ISS Policy FAQ document.

[US - Share Repurchase Program Proposals](#)

While most US companies can (and often do) implement share buyback programs through board resolutions without shareholder votes, there are exceptions to this general rule. Certain financial institutions, for example, are required by their regulators to receive shareholder approval for buyback programs. In addition, certain US-listed cross-market companies are required by the law of their country of incorporation to receive shareholder approval to grant the board the authority to repurchase shares.

While some buyback critics express concerns that boards may authorize repurchases in lieu of R&D spending, CapEx investments or boosts in workers' pay, shareholders generally support the use of buybacks as a way of returning cash without creating an immediate taxable event for shareholders who retain their shares, and as a form of market discipline to reduce the likelihood of unwise investments and empire-building acquisitions.

The policy update codifies the existing ISS approach, particularly with respect to the rare cases in which an "against" recommendation may be warranted. It is intended that this policy will apply to US Domestic Issuers (DEF 14 filers) listed solely in the US, regardless of their country of incorporation.

The updated policy provides safeguards against (1) the use of targeted share buybacks as greenmail or to reward company insiders by purchasing their shares at a price higher than they could receive in an open market sale, (2) the use of buybacks to boost EPS or other compensation metrics to increase payouts to executives or other insiders, and (3) repurchases that threaten a company's long-term viability (or a bank's capitalization level). In the absence of these abusive practices, support will generally be warranted for a grant of authority to the board to engage in a buyback.

[Americas Regional and Brazil Indemnification Proposals](#)

Over the last few years, an increasing number of companies in Brazil have sought shareholder approval to establish indemnity provisions. These indemnification proposals come in response to increases in the cost of civil liability insurance for directors and officers, which had been the most commonly used mechanism in Brazil for the protection of "administrators," in light of the market's ongoing and widespread corruption investigations. In response to evolving market practices, the Brazilian Securities

Regulator (CVM) has issued two guidance documents (in 2016 and 2018) on indemnification practices, in the absence of hard laws regulating such practice.

Egregious governance practices have been seen in the Brazilian market and some companies that have admitted to corrupt practices and entered into leniency agreements with Brazilian authorities have sought shareholder approval to indemnify former administrators who allegedly had knowledge of, or were involved in, some of the corrupt activities and have collaborated with investigators.

Indemnity proposals present potential conflicts-of-interest, as company's directors can also be the beneficiaries of such coverage.

The policy update provides greater clarity on the analytical framework for indemnity proposals. The previous Brazil Proxy Voting Guidelines and Americas Regional Guidelines provided for a broad case-by-case approach to vote recommendation on such proposals. The policy update codifies the existing framework and clarifies the recommended disclosure of key terms to allow shareholders to make well-informed voting decisions. While the policy update maintains the case-by-case framework, it provides additional information on the factors that will be considered in the analysis of such proposals, such as safeguards to prevent potential conflicts of interest and the disclosure of a publicly-available board-approved indemnification policy.

European, Middle East and Africa Updates

Continental Europe - Director Terms

In European markets, as in others, electing directors is one of shareholders' most important voting decisions. Directors function as shareholders' representatives throughout the year and provide a crucial mechanism for oversight of management and corporate strategy. Institutional investors generally favor board members being accountable to shareholders on a regular basis.

Many investors favor annual elections of all directors as the best mechanism to hold them accountable and to encourage board members to be more responsive to shareholders' interests. In ISS' 2019 Global Policy Survey, for European companies a majority (52 percent) of investor respondents favored annual board elections as "best practice" when asked to identify the maximum acceptable length of time that members of a European board should be able to serve without a shareholder vote on a director's election or re-election.

While annual director elections are generally considered best practice across Europe, multi-year terms remain fairly common. While directors are generally elected for terms ranging from one to four years, some outlier markets still allow for five-year terms. Germany and Austria are the only major European markets where board terms of five years, which are in line with the legal limits in both markets, are widespread. Recent efforts to curtail this outlier practice have failed. In Germany, the Corporate Governance Code Commission proposed a standard board term of three years in the draft version of the German Code revised at the end of 2018. Although many investors welcomed this new recommendation in the public consultation process, it was omitted in the final version of the new 2019 German Code due to concerns from corporations and the five-year maximum term remains.

Under ISS' current European policy, for Belgium, France, Greece, Netherlands, Spain, and Switzerland, ISS will recommend a vote against the election (or re-election) of any director when his/her term is not

disclosed or when it exceeds four years and adequate explanation for non-compliance has not been provided. The four-year maximum applied in five of these markets corresponds to local corporate governance codes that recommend such limits. (While Switzerland is also covered under the policy, the Swiss legal limit has now been set to one year.) Since Germany and Austria are not covered by the current policy, ISS currently recommends in favor of five-year board terms in these two markets.

The policy update expands the expectation of a four-year maximum board term to all European companies (all markets) following a one-year transition period. Thus, the policy update would reduce the acceptable maximum limit on board terms for Germany and Austria from five to four years beginning in 2021. Further, the policy update indicates that beyond 2021, as directors should be accountable to shareholders on a more regular basis, ISS may consider moving to a policy for shorter maximum board terms in the future.

Continental Europe - Board Gender Diversity

Initially spurred by different forms of requirements from a number of European market regulators or legislators, significant levels of gender diversity at the board level has become the norm at many companies associated with having better governance practices in Europe. Norms differ by country, but overall, there has been an increase in gender diversity on European boards. Despite the fact that the European Commission's proposal to introduce a minimum 40 percent female quota did not pass in 2012, many individual countries have implemented various levels of guidance (as best practice recommendations or hard law requirements) to ensure boards would become more diverse in terms of gender. In Austria, Belgium, France, Germany, Italy, Netherlands, Norway, Portugal, and the UK such guidance already exists.

Although Denmark, Finland, Sweden, and Switzerland have no specific guidelines on gender diverse board composition, local codes of best practice recommend that boards should be sufficiently diverse and consists of both male and female directors. When looking at the current average gender diversity on European boards, it is clear that significant levels of gender diversity are the norm. Female representation on boards now averages approximately 30 percent across Europe. Moreover, the number of companies with a board with no female representation is now a small minority at six percent.

Results of ISS' 2019 Global Policy Survey showed that majorities of both investors and non-investors agreed with the view that board gender diversity is an essential attribute of effective board governance regardless of the company or its market.

ISS is introducing a new policy for Continental Europe to generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) when there are no female directors on the board of a widely-held company. Mitigating factors may be:

- The presence of a female director on the board at the preceding annual meeting and a firm commitment, publicly available, to appoint at least one woman to the board within a year; or
- Other relevant factors as applicable.

This policy change largely aligns with the ISS US and UK/Ireland approaches, ensuring further global consistency. Please also see the [related new policy](#) for the UK and Ireland below.

Continental Europe - Remuneration Committee Responsiveness

The EU 2017/828 directive on shareholder rights requires companies in all European markets to submit their executive remuneration policies and their remuneration report to periodic shareholder votes. It also mandates a basic level of board responsiveness by requiring companies to disclose how the vote on the remuneration report was taken into account. Considering that say-on-pay votes will now be consistently submitted throughout the European Union markets, and that the revised directive extended board responsiveness to any vote, it is now deemed market practice for directors to consider shareholders' views on remuneration proposals.

In response to a question regarding board responsiveness to remuneration proposals in Europe in ISS' 2019 Policy Survey, a majority of both investor and non-investor respondents indicated that boards should take steps to be responsive to shareholders' concerns as expressed by low support to the remuneration proposal (even if the proposal passes), and report feedback to shareholders.

The policy update addresses instances where a significant percentage of shareholders systematically express dissent on pay issues with no meaningful reaction from the company or no visible change in the company's practices. Thus, the policy update includes a provision to the existing guidelines that should a company be deemed to have failed to respond to significant shareholder dissent on remuneration-related proposals, in addition to the recommendation under a given remuneration proposal (if any), an adverse vote recommendation could be applied to the reelection of the chair of the remuneration committee or, where relevant, any other members of the remuneration committee, or the reelection of the board chair on a case-by case basis.

The policy update aligns the Continental European policy with the ISS UK/Ireland policy. The application of the updated policy remains on a case-by-case basis.

Continental Europe - Use of Discretion by Remuneration Committees

The current Continental European policy does not cover the use of discretion by remuneration committees/boards when determining remuneration outcomes. While not widespread in Continental Europe, the formalization of the use of discretion is beginning to appear in more company remuneration policies giving investors the necessary framework to assess the role and actions of the remuneration committee/board.

As EU member states are implementing the second Shareholder Rights Directive that prescribes a vote on remuneration policies and reports across Europe, the updated policy introduces the existing UK/Ireland policy framework regarding remuneration discretion into the Continental European policy, including a new section on disclosure of significant environmental, social, and governance (ESG) risks factored into remuneration decisions. In recent years, there have been a number of cases where remuneration committees did not disclose how they had taken ESG risks or controversies into account. Like financial performance, it is expected that these matters will be reflected in the remuneration outcome, and if not, that boards provide adequate explanations for their omission.

Under the current policy, ISS will evaluate management proposals seeking ratification of a company's executive compensation-related items on a case-by-case basis, and where relevant, will take into account the European Pay for Performance Model outcomes within a qualitative review of a company's remuneration practices. ISS will generally recommend voting against a company's compensation-related

proposal if it fails to comply with one or a combination of several of the global principles and their corresponding rules. The updated policy includes a new corresponding rule under the principle of maintaining an independent and effective compensation committee whereby compensation committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect business performance. In cases where a remuneration committee uses its discretion to determine payments, it should provide a clear explanation of its reasons, which are expected to be clearly justified by the financial results and the underlying performance of the company.

Under the updated policy, the remuneration committee should disclose how it has accounted for relevant environmental, social, and governance (ESG) matters when determining remuneration outcomes. Such factors may include (but are not limited to): workplace fatalities and injuries, significant environmental incidents, large or serial fines or sanctions from regulatory bodies and/or significant adverse legal judgments or settlements.

Please also see the [related policy change](#) for the UK and Ireland below.

UK & Ireland - Board Gender Diversity

Significant levels of gender diversity at the board level have become the norm at companies traditionally associated with having better governance practices in Europe and the UK. The advantages of a diverse board are well established and the promotion of diversity on UK boards is a part of mainstream conversation. The Davies Review for Women on Boards, launched in 2011, recommended that FTSE 100 boards should aim for a minimum of 25 percent female representation by 2015. In 2016, the Hampton-Alexander Review built on the success of the voluntary business-led approach of the Davies Review, and recommended that FTSE 350 Companies should comprise 33 percent women by 2020. For FTSE 100 Index constituents, the scope was also extended to include Executive Committees and the Direct Reports to the Executive Committee. In 2017, the Review extended the 33 percent target for Executive Committee and the Direct Reports to the Executive Committee to the FTSE 250. The 2018 UK Corporate Governance Code notes that both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

ISS is introducing a new policy to generally recommend a vote against the chair of the nomination committee (or other directors on a case-by-case basis) when there are no female directors on the board of a widely-held company. Mitigating factors may be:

- The presence of a female director on the board at the preceding annual meeting and a firm commitment, publicly available, to appoint at least one woman to the board within a year; or
- Other relevant factors as applicable.

The policy largely aligns with the ISS US and Continental European approaches, ensuring further global consistency.

UK & Ireland - Use of Discretion by Remuneration Committees

The U.K. Investment Association's Principles of Remuneration state that "Remuneration committees may consider including non-financial performance criteria in variable remuneration, for example relating to environmental, social and governance (ESG) objectives, or to particular operational or strategic

objectives. ESG measures should be material to the business and quantifiable. In each case, the link to strategy and method of performance measurement should be clearly explained." Additionally, the Pension and Lifetime Savings Association (PLSA) Corporate Governance Policy and Voting Guidelines 2019 recommend considering "Where remuneration committees have failed to exercise discretion and pay awards fail to reflect wider circumstances such as serious corporate conduct issues which have arisen."

The policy update expands ISS' view on environmental, social and governance (ESG) risks within the remuneration framework. In recent years, there have been a number of cases where remuneration committees did not disclose how they have taken ESG risks or controversies into account. Like financial performance, it is expected that these matters will be reflected in the remuneration outcome, and if not, that boards provide adequate explanations for their omission.

ISS' case-by-case policy when recommending a vote on the remuneration report, takes into account the European Pay for Performance model outcomes where relevant with the qualitative review of a company's remuneration practices paying particular attention as to whether, among other things, the remuneration committee exercised discretion appropriately. The remuneration report which ISS considers includes discretion as a component of the report. With respect to the discretion component of the report, the updated policy includes as good market practice that the remuneration committee should disclose how it has accounted for relevant environmental, social, and governance (ESG) matters when determining remuneration outcomes. Such factors may include (but are not limited to): workplace fatalities and injuries, significant environmental incidents, large or serial fines or sanctions from regulatory bodies and/or significant adverse legal judgments or settlements.

EMEA Regional (Middle East, Turkey & Africa excluding South Africa) - Board Independence

The majority of Corporate Governance Codes in the region require that at least one-third of board members be independent. In addition, investors' interest in board independence has rapidly grown in recent years in Middle East and Africa markets.

ISS is establishing a new policy to generally recommend against the election or reelection of non-independent directors (excluding the CEO) if overall board independence is less than one-third, excluding, where relevant, employee shareholder representatives. Considering the evolution of market practices, the policy reflects what is already recommended under the countries' laws and corporate governance codes. This policy also allows greater alignment and harmonization of the policy application between the Middle East and Africa and European markets related to board independence and director elections.

Currently, the one-third board independence recommendation applies only to widely-held Turkish companies. Non-widely-held companies will also be included in the scope of this policy.

EMEA Regional (UAE, Saudi Arabia, Egypt, Jordan, Qatar) - Director Disclosure - Cumulative Voting

In UAE, Saudi Arabia, Qatar, Jordan, and Egypt, it is common practice to have more nominees presented on the ballot than there are available seats on the board. Between 20 to 30 nominees, for example, may be presented to fill the seats on an 11-member board. Cumulative voting is a system that strengthens

the ability of minority shareholders to elect board members because it allows voters to put more than one vote on a preferred candidate.

However, current disclosure practices in the region result in information gaps regarding incumbent and non-incumbent candidates and triggers scenarios in which some of the candidates may not be selected only because of shortcomings in the companies' disclosure forms. The assessment of independence and professional background can therefore be challenging or impossible given the often absence of reliable sources for the analysis of such information.

The policy update establishes a framework to recommend an abstain vote in such elections in the absence of sufficient information to allow analysis of all proposed board candidates on equal terms.

Asia-Pacific Updates

Japan - Board Independence - Controlled Companies

ISS is establishing a new policy regarding the independence level for companies with a controlling shareholder that requires at least one-third of the board members to be *independent* outside directors. In 2019, ISS implemented a new policy requesting companies with a board with an audit committee structure or with a US-type three-committee structure to have a board where at least one-third of the board members are outside directors. However, for companies with a controlling shareholder, one-third outsider representation may not be sufficient to protect the interests of minority shareholders. Under the new policy, ISS will recommend against top executive(s) at a company that has a controlling shareholder unless the new board includes at least two independent directors and at least one-third of the board members are independent directors based on ISS independence criteria for Japan.

India - Board Gender Diversity

ISS is establishing a new policy to generally recommend against the chair of the nomination committee (or other senior members of the nomination committee on a case-by-case basis) if the board does not comply with board gender diversity regulations.

Section 149 of the Companies Act and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) require companies to appoint at least one woman to the board. Enhancements in the corporate governance standards in India over the years include amendments to the SEBI LODR Regulations to add a requirement to have at least one female independent director in the top 500 listed entities by market capitalization by April 1, 2019 and in the top 1,000 listed entities by April 1, 2020.

South Korea - Director Accountability - Governance Failures

In Korea, there have been numerous cases where senior executives – often the executive chairman, CEO or managing director – have been indicted or convicted of felony-level offenses directly related to their corporate role (such as bribery or embezzlement) but either continue to serve on the board, or return to the board after being pardoned by the government or serving their prison sentence. The Korean Commercial Code does not stipulate any restrictions on board service by convicted directors. In addition, some commentators allege that there has been quiet collusion between chaebols and the government that have allowed wide leeway for executive chairmen/CEOs to commit felony level offenses.

ISS will now track these directors (both the offending individuals and the board members who failed to remove them from the board) to other companies where they serve on boards and will consider recommendations against these nominees as warranted. ISS currently recommends votes against the election or re-election of an accused or convicted felon and against the other directors for failing to remove the director in question from the board. The policy will now apply to the boards of all Korean companies on which the individual serves, reflecting investors' feedback and the changing corporate governance environment in general. The policy update is also intended to keep track of such directors (both the wrongdoers themselves and directors who failed to remove them) at other companies where they serve on boards.

Singapore - Share Repurchase Pricing Limit Proposals

Singapore regulations stipulate that off-market repurchases must be conducted under an equal access scheme, i.e., that all shareholders will be treated equally. Setting the off-market repurchase price limit at a 20 percent premium to the 5-day average trading price of the shares appears to be a common practice observed in Singapore-listed companies.

The policy update sets a price limit for off-market repurchases of shares of up to a 20 percent premium to the five-day average trading price of the shares. This update is to give companies flexibility in setting the repurchase price for off-market repurchases, after accounting for the shareholder protection mechanism offered by the existing laws and regulations in Singapore.

Taiwan - Article Amendment Proposals - Cash Dividend Distribution Plans

ISS is establishing a policy to generally recommend against proposals for article amendments to grant the board full discretion to decide on the company's cash dividend distribution plan without shareholder approval.

On July 6, 2018, Taiwan's Legislative Yuan approved the revised Company Act, which included amendments relating to the approval procedures for listed companies' cash dividend distribution plans. The revision of the Company Act, effective on Nov. 1, 2018, granted boards of directors greater authority and flexibility to decide on the company's cash dividend distribution plan. Article 240 states that listed companies are allowed to stipulate in their Articles a provision to authorize the board to decide on the company's cash dividend distribution plan upon approval by a majority vote at a meeting of the board attended by two-thirds of all directors. If a company adopts the new provision under Article 240 of the Company Act, shareholders' right to approve the company's cash dividend payment is deemed to have been taken away.

According to ISS' 2019 Global Policy Survey, a majority of investor respondents indicated that ISS should recommend against a proposal to amend a Taiwanese company's articles of incorporation that would give the board full authority to decide on the company's cash dividend distribution plan.

Off-Cycle Market Updates

Markets where the main proxy seasons occur in the autumn or winter seasons of the Northern Hemisphere have a different cycle for policy updates. These markets include Australia, New Zealand,

South Africa, and Israel. It is anticipated that any changes to policies in such markets will be released in the first quarter of 2020.

Other Policy Updates

ISS made a number of policy updates that were not previewed via the public comment period. These updates were made to codify current ISS practice, add criteria to consider when evaluating an item, harmonize policy with other markets, bring policies into effect that were announced last year but delayed for a transition period, and/or add or subtract markets based on local market changes. Appendix B provides a full list of these policy updates.

Appendices

Appendix A – Summary of Comments

Regarding US independent chair shareholder proposals, representatives of a number of US corporations argued that boards of directors should have wide latitude to choose their leadership structures. Some companies also asked for more information on policy application questions such as what ISS would view as a failure to address material risks and whether ISS would negatively sanction a company for using the SEC's "no action" process. One respondent urged ISS to explicitly express a preference for implementation at the next CEO transition in order to avoid disruption. Investors supported the policy update but said that they would prefer a stronger mandate in favor of an independent chair in all but the most exceptional circumstances.

On the US Share Repurchase Program proposals, one investor suggested other factors to consider, such as whether it would result in an increase in financial leverage or whether the duration of the buyback authority would extend beyond the year. One corporate respondent, on the other hand, felt that company-specific factors noted in the proposed policy were "highly situation specific" and could have unintended consequences.

On the subject of Director Terms for Continental Europe, investors supported annual elections as best practice and agreed that a five-year term is too long. Companies, particularly those from markets likely to be highly affected such as Germany, responded that long board terms were needed for stability. Some corporate respondents expressed an interest in a carve out for Germany and other countries where longer board terms are permitted by law. Some commenters suggested that investors could use the "Discharge of Directors" voting item to express discontent with directors in place of the ability to express a more frequent opinion on the election of directors.

Regarding board gender diversity, both investors and corporate issuers tended to be supportive of gender diverse boards regardless of the market. Some investor respondents suggested that ISS should consider requiring greater board gender diversity in the future, such as at least two women directors.

On the topic of Disclosure of Use of Discretion by Remuneration Committees, some corporate issuers expressed concerns that the scope of factors justifying the use of discretion may not always include ESG matters and asked ISS to clarify that the lack of ESG factors in the performance criteria for ongoing plans would not have a negative impact on the company. One investor pointed out that the suggested policy "refers to negative outcomes, but does not appear to envisage any scenarios in which discretion might

be exercised to increase outcomes in recognition of positive ESG achievements – including, for example, where these positive ESG developments have been achieved at a cost which may have had a negative impact on the short-term financial performance of the business."

Regarding the new policy on Board Independence for Controlled Companies in Japan, investors tended to be supportive of the changes. One corporate issuer stated that it was unreasonable for ISS to recommend against top executives at companies with a US-style three committee structure because the nomination committee is legally obligated to be comprised of a majority of outside directors under the Companies Act. Corporate issuers also cautioned ISS about imposing independence criteria on small boards.

Regarding the proposed South Korean policy to track directors who have failed to remove a director accused or found guilty of a crime, one investor expressed the hope that a similar policy would be applied in all countries. On the other hand, a corporate issuer responded that directors who were merely accused of a crime should not be viewed as guilty.

On the topic of share repurchase pricing limits in Singapore, one investor commented that it supported the proposed changes but added that if the local regulation to treat all shareholders equally were to change, it would want the cap cut to a much lower level than 20 percent. On the other hand, a corporate issuer responded that directors who were merely accused of a crime should not be viewed as guilty.

ISS received minimal comments on the other topics.

Regarding Problematic Capital Structures at newly public companies as it pertains to the US market, investor respondents commented that a seven-year sunset period seemed too long.

Regarding Indemnification proposals in Brazil, one corporate respondent stated that companies need the ability to indemnify managers in order to attract skilled people. Investor respondents were supportive of the proposed policy.

On the topic of Remuneration Committee Responsiveness in Continental Europe, some corporate issuers expressed a desire to see a more precise threshold for determining "significant shareholder dissent." One investor expressed the view that the "case by case" approach was too conservative, and the default position should be for shareholders to vote against relevant board members in cases where the company was deemed to be unresponsive to shareholder views.

On the topic of Cumulative Voting in some Middle Eastern markets, one investor expressed a desire to vote against all candidates where there is an absence of sufficient information about their credentials.

Appendix B – Full List of Other Policy Updates

The following tables lays out revisions to ISS policy guidelines for 2020 not previewed under the Comment Period.

Market	Topic	Policy Change
Americas		
US	Treatment of New Nominees, Independence Definition	Clarifies that only new nominees who have been on the board for less than one year may be exempt from responsibility for problematic governance issues.
US	Board Composition - Attendance	The term "new nominee" is being removed from the attendance policy, because the issue for recently-added directors under this policy is whether they served the entire fiscal year for the year under review, not whether they have been previously elected by shareholders.
US	Board Gender Diversity	<p>Policy change was approved in 2018 to recommend against the chair of the nominating committee at companies where there are no women on the board. The policy language will be changed to reflect the fact that the one-year transition period has now passed.</p> <p>In addition, ISS is clarifying that such a commitment from a board with no women on it previously will only be a mitigating factor for 2020, not beyond. Having gender diversity in the immediately preceding year will also not alone be considered a mitigating factor beginning in 2020.</p>
US	Restrictions on Shareholders' Rights	ISS has seen an increase in the number of companies submitting proposals to shareholders seeking ratification or approval of requirements in excess of SEC Rule 14a-8 regarding submission of binding bylaw amendments. ISS will generally recommend that shareholders vote against or withhold from members of the governance committee until shareholders are provided with an unfettered ability to amend the bylaws or a proposal providing for such unfettered right is submitted for shareholder approval.
US	Compensation – Equity-based and Other Incentive Plans	ISS will include having an evergreen feature as an overriding factor in the Equity Plan Scorecard analysis.
US	Labor-force Pay Gap Reporting	The update adds "race or ethnicity" to policy on shareholder proposals asking for greater disclosure or a company's pay data by employee category. Policy remains to make recommendations on a case-by-case basis.
Canada (TSX and Venture)	Ratification of Auditors and Excessive Non-audit Fees	Adds language to make wording in policy more flexible regarding acceptable exceptions to the standard "non-audit fee" category.

Canada (TSX and Venture)	Considerations for Majority-owned Companies	Policy language updated to clarify that the "Policy Considerations for Majority Owned Companies" is not intended to support management directors.
Canada (TSX)	Director Attendance	Exempts nominees who served for only part of the fiscal year or newly publicly listed companies or companies that have recently graduated to the TSX from "Director attendance" policy because the TSX disclosure requirement may not be applicable.
Canada (TSX)	Former CEO/CFO on Audit Committee	This change clarifies the application of the policy for former CEO/CFOs on the Audit/Compensation Committee regarding affiliate and recently acquired companies.
Canada (TSX)	Overboarded Directors	This change is to clarify that ISS will generally not count a board for overboarding policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting.
Canada (Venture)	CSE Evergreen Plans	This update establishes a policy to generally recommend voting against an equity compensation proposal if it includes a rolling plan that does not require periodic shareholder approval of at least every three years (i.e. evergreen plan). It further establishes a recommendation to vote "withhold" for the continuing compensation committee members if the company maintains an evergreen plan and has not sought shareholder approval in the past two years and does not seek shareholder approval of the plan at the meeting. The recommendation against committee members is subject to a one-year transition period and will apply to meetings on or after Feb. 1, 2021.
Brazil	Board Elections	This amendment updates the language in board or fiscal council elections and provides greater transparency on the use of potentially different vote recommendations based on the different election scenarios that can arise in Brazilian general meetings and the requirements imposed by voting execution third-parties for the proper processing of voting instructions.
Brazil	Compensation	The update excludes references to the legal injunction known as Brazilian Institute of Finance Executives (IBEF), which was suspended by the Brazilian courts.
Brazil	Compensation	Codifies policy application to look for safeguards to mitigate concerns about conflicts of interest when administrators are also beneficiaries of equity compensation plans.
Brazil and Americas Regional	Dismiss Directors	There have been some recent cases in Brazil (mostly at, but not limited to, state-controlled companies) in which controlling shareholders have proposed to dismiss directors before the end of their term without a rationale. This policy update codifies ISS' current practice on the analysis of such proposals, which is to pay particular

		attention to the company's rationale and to the impact of the proposed change in board composition and overall independence level.
Americas Regional	Unbundled Elections	Codifies and provides greater transparency on policy application regarding unbundled board elections, which remain the exception in these markets. In unbundled elections that would result in a board independence level below the minimum recommended by ISS policy guidelines, the research team recommends in favor of independent nominees and against all non-independent candidates. The only exception is the chair of the board, who would receive a favorable vote recommendation regardless of his/her independence classification (in the absence of other governance concerns).
EMEA		
UK & Ireland	Chair tenure	The updated policy clarifies ISS' view on the tenure of the board chair, an issue discussed in the 2018 UK Code of Corporate Governance. ISS will not consider tenure in isolation but rather as one of several key indicators relevant to the re-election of board chairs.
UK & Ireland	Board Composition at Smaller Companies	This amendment eliminates the exception for "smaller" Main Market companies from the expectation that at least 50 percent of their boards, excluding the chair, should be comprised of independent directors. It also eliminates the exception for smaller companies that allowed board chairs to sit on the audit committee. These changes are aligned with the latest recommendations of the UK Code.
UK & Ireland	Remuneration Policy: Pension Contribution and Service Contracts	<p>The Pension Contribution policy change provides additional detail on ISS' position on this issue, taking into account the guidance within the 2018 UK Code. New appointments to the executive board should receive a pension arrangement that is in line with the wider workforce. For existing directors, remuneration committees should seek to align pension arrangements with the workforce over time.</p> <p>The amended Service Contracts policy indicates that any outstanding long-term incentive awards should be pro-rated for time when a director transitions from an executive to a non-executive role.</p>
UK & Ireland	Remuneration Report: Bonus Target Disclosures and Service Contracts	This policy amendment establishes the expectation that bonus targets should be disclosed immediately following the reporting year. A company wishing to disclose one or more years in arrears would be viewed skeptically, and a compelling explanation would be expected for this significant departure from market practice.

		The Service Contracts policy change formalizes ISS' view that formal notice should be served no later than the day on which a departing executive's leaving date is announced, thus mitigating the cost of severance.
Continental Europe	Non-financial information statement	Creates a policy to generally recommend voting for the approval of mandatory non-financial information statement/report, unless the independent assurance services provider has raised material concerns about the information presented.
Continental Europe	Director Attendance	Establishes that ISS will recommend against directors who have repeated absences at board and key committee meetings (where information is disclosed).
Continental Europe (Widely Held Companies)	Board Leadership and Luxembourg Inclusion	<p>Adds language to highlight the importance of board leadership given the dominant role of the independent board chair in many European markets (the addition of this expectations will not cause negative vote recommendations at this time).</p> <p>Also clarifies that ISS will now apply "widely-held" voting policies to all Luxembourg companies.</p>
Continental Europe	Termination Payments	This policy amendment incorporates the definition of "termination benefits" provided by the recommendation on the regime for the remuneration of directors of listed companies issued by the European Commission on April 30, 2009.
Continental Europe	Employee Share Purchase Plans	This amendment introduces a policy on authorization of share issuances for the European market. It clarifies that ISS will generally vote for employee stock purchase plans if the number of shares allocated to the plan is 10 percent or less of the company's issued share capital.
Russia/Kazakhstan (widely-held companies)	Auditor Fees	This policy update clarifies that ISS will generally recommend against auditor and/or proposals to fix auditor fees if fees paid for non-audit services exceed those paid for audit services. Also establishes an expectation of disclosure, stating that ISS will start in 2021 to recommend against auditor and/or proposals to fix auditor fees in cases of where the company does not disclose the respective fees.
EMEA Regional	Director Attendance	Establishes that ISS will recommend against directors who have repeated absences at board and committee meetings (below the threshold of 75 percent), provided that such absences have not been adequately explained.
EMEA Regional	Audit Committee Independence	This policy update brings ISS Middle East & Africa policies in line with market requirements regarding audit committee independence.

Asia		
Bangladesh & Pakistan	Board Independence	<p>Add requirement for boards in Bangladesh to be at least one-fifth (20 percent) independent to align ISS policy with local market requirements.</p> <p>Add Pakistan to list of countries that require independent directors to comprise two independent directors or one-third of the board (whichever is higher) to align ISS policy with local market requirements.</p>
China	Board of Directors	The requirement of disclosure of independent directors' meeting attendance no longer exists in the new CG Code. The phrase "by the Code of Corporate Governance 2002" is deleted to better align with the existing regulations.
China	Related-party transactions	In the new CG Code, clauses regarding related-party transactions have been renumbered to Articles 74 to 77. The sequence numbers mentioned above should be updated to align with the CG Code update.
India	Overboarding	Clarifies that ISS is using listed companies for the analysis in this section (In India, it is important to distinguish between public companies and listed companies).
India	Board Accountability	Articulates the policy on voting against directors who are not liable to retire by rotation to align with practice and provide more clarity to market participants.
India	Director Classification	Companies Act 2013 states that an independent director cannot hold, along with his relatives, more than two percent of total voting power of the company. Changing the threshold from 10 percent to two percent will help align the policy to regulatory standards.
India	Director Commissions and Executive Compensation	Recent amendment to the listing regulations in India now mandate companies to seek shareholder consent if the remuneration for one non-executive director exceeds 50 percent of the aggregate remuneration paid to all non-executive directors. ISS' analysis will now be based on the role and contribution of the concerned director, the company performance, the quantum of proposed remuneration, peer benchmarking, and the overall pay structure.
India	Amend Articles of Association	Articulating the principles being used to analyse proposals for changes to the Articles of Association in the India policy to provide transparency to market participants.
India	Auditor Appointment	Adding the word "certification" in the list of types of charges that must be disclosed about auditors in the profit and loss account. Auditors in India are required to certify compliance with corporate governance norms. Further, their certification is also required when capital is raised and in reference of planned versus actual utilization of funds raised. Such certification charges, if separately disclosed, should be added to audit fees.

India	Related Party Transactions	Under the amended listing regulations in India, royalty payments exceeding five percent of annual consolidated turnover will be subject to shareholder review. ISS will recommend on a case-by-case basis on royalty payouts based on the information provided by the company in its explanatory statements accompanying such proposals.
India	Financial Statements	Adding policy to generally recommend voting for approval of financial statements and statutory reports" to codify current practice and provide greater guidance to external market participants.
India	Dividend Distribution	Simplifies the policy regarding the approval of dividends and removes the 30 percent criteria to help streamline the policy and align it with practice.
Japan	Director Independence: Cross-Shareholdings	Policy change was approved in 2018. The policy language will be changed to reflect the fact that the one-year transition period has now passed.
Singapore	Director election	Change voting standard from "not at least one half" to "less than majority" independent to align ISS voting guidelines with the 2018 Singapore Corporate Governance Code.

**We empower investors and companies to build
for long-term and sustainable growth by providing
high-quality data, analytics, and insight.**

GET STARTED WITH ISS SOLUTIONS

Email sales@issgovernance.com or visit issgovernance.com for more information.

Founded in 1985, the Institutional Shareholder Services group of companies ("ISS") is the world's leading provider of corporate governance and responsible investment solutions alongside fund intelligence and services, events, and editorial content for institutional investors, globally. ISS' solutions include objective governance research and recommendations; responsible investment data, analytics, and research; end-to-end proxy voting and distribution solutions; turnkey securities class-action claims management (provided by Securities Class Action Services, LLC); reliable global governance data and modeling tools; asset management intelligence, portfolio execution and monitoring, fund services, and media. Clients rely on ISS' expertise to help them make informed investment decisions.

This document and all of the information contained in it, including without limitation all text, data, graphs, and charts (collectively, the "Information") is the property of Institutional Shareholder Services Inc. (ISS), its subsidiaries, or, in some cases third party suppliers.

The Information has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product or other investment vehicle or any trading strategy, and ISS does not endorse, approve, or otherwise express any opinion regarding any issuer, securities, financial products or instruments or trading strategies.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

ISS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by law, in no event shall ISS have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits), or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

© 2019 | Institutional Shareholder Services and/or its affiliates