

# 2017 Proxy Season Preview

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## Asia

# TODAY'S SPEAKERS

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Naoko Ueno – Director, Asian Research

Moeko Porter – Manager, Asia Research

Du Tram – Manager, Asia Research

Jeff Jackson – Manager, Asia Research

## Questions and Comments

- Glass Lewis Clients: email [info@glasslewis.com](mailto:info@glasslewis.com)
- Issuers and others: <http://www.glasslewis.com/issuer-overview/>

# GLASS LEWIS ASIA TEAM UPDATE

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## Coverage

- Over 5,000 publicly-trade companies are covered in 15 markets

## Increase in Engagement Meetings and Calls

- 1000+ meetings globally
- 3000 individual inquires

## Engagement meetings add helpful context

- Glass Lewis recommendations relay on public disclosed information

## Expansion of Asia team in Sydney office

# 2017 ASIA POLICY UPDATES

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## Equity Compensation

- Our approach to evaluating equity-based compensation is more defined compared to previous years and will expect plans to have:
  - A minimum of two-year vesting periods;
  - Exercise prices that are not discretionary; and
  - Not have change of control provisions that allow for accelerated vesting without the transaction being completed and an accompanying event such as termination of employment

## Public Company Directorships

- Except Indonesia and South Asia, we revised the number of boards a director may sit on
  - Executive directors: from 4 boards to 2 boards
  - Non-executive directors: from 6 boards to 5 boards
- Glass Lewis will incorporate limited exemptions for excessive executive directorships, provided the directorships are part of a group of companies and that directors attend their meetings

# AGENDA

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## Japan Updates

### East Asia Ex Japan Updates

- China
- Hong Kong
- Taiwan

### Southeast and South Asia Updates

- Singapore
- Malaysia
- Thailand
- Indonesia
- Philippines
- India
- Pakistan

# JAPAN UPDATES

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MOEKO PORTER

# MARKET UPDATES

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- Follow-up to Japanese Stewardship Code and Governance Code
- Changes to Japanese regulations allowing for the issuance of Restricted Stocks
- Continuing Trends
  - Multiple appointment of "independent" directors
  - Early disclosure of notice of meetings.

# MAJOR POLICY CHANGES

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- Board independence threshold for Two-Tier Board Structure
- Committee composition under One-Tier Board with Three Committees structure
- Regarding vesting period and participants of equity compensation plan



# EAST ASIA EX JAPAN UPDATES

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## DU TRAM

# CHINA AND HONG KONG

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- Shenzhen-Hong Kong stock connect kicked off last December.
- Dual-class share debate in Hong Kong.
- Ambitious China:
  - London-Shanghai stock connect (phrase 2 in discussion)
  - Restructuring SOE (more M&A to mix ownership)
  - China is drafting a market-friendlier Securities Law (tentatively effective early 2017).
- Future Outlook:
  - Both markets need to rebuild investors' confidence as interactions between two markets increase i.e. better disclosure.

# TAIWAN

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- 2016 Corporate Governance Evaluation which will take effect January 1, 2017 to December 31, 2018
- “Stewardship Principles for Institutional Investors” which follows "comply-or-explain".
- Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies:
  - Introduces director nomination system and encourages electronic voting system
  - English disclosures
  - Independent directors' commitments
- 2017 Proxy Season Expectation:
  - A smoother proxy season as we could expect more detailed and timely disclosure

# SOUTHEAST AND SOUTH ASIA UPDATES

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JEFF JACKSON

# SOUTHEAST ASIA

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- Policy Updates:
  - Singapore: establishment of multiple share classes must not impinge upon existing shareholders
  - Indonesia: we will expect greater disclosure for auditors and nominees standing for election, or we will hold the applicable committee chairs accountable for the absence of disclosure

# SOUTH ASIA (INDIA)

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- Market Updates
  - This year companies will release financial statements using the new Indian Accounting Standards compared to Indian GAAP
  - Equity compensation policies have been revised to reflect similar changes in SE Asian markets
  - 2017 may begin to see a gradual turnover of independent directors, following completion of initial 3-year terms under the Companies Act, 2013

# SOUTH ASIA (PAKISTAN)

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- Policy & Market Updates

- New policies added for Pakistani companies seeking to adopt stock option plans,
- We revised other policies to better reflect the listing regulations of the Pakistan Stock Exchange and the Companies Ordinance, 2016
- We expect more amendments to articles proposals in respect of the Companies Ordinance, 2016, and proposals to enable electronic voting

# QUESTIONS & COMMENTS

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