BlackRock Investment Stewardship

Proxy voting guidelines for Benchmark Policies – Southeast Asia, South Korea and Taiwan securities

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BlackRock®

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Market-level considerations

These proxy voting guidelines (the Guidelines) are part of the BlackRock Investment Stewardship (BIS) Benchmark Policies and should be read in conjunction with the BIS Global Principles.[1]

The Guidelines summarize BIS' philosophy and approach to engagement and voting, as well as our view of governance best practices and the roles and responsibilities of boards and directors for publicly listed Southeast Asian, South Korean, and Taiwanese companies.[2]

These Guidelines are not intended to limit the analysis of individual issues at specific companies or provide a guide to how BIS will engage and/or vote in every instance. They are applied with discretion, taking into consideration the range of issues and facts specific to a company, as well as individual ballot items at shareholder meetings. Generally, BIS supports the vote recommendations of boards and management at companies with sound corporate governance and that deliver strong financial returns over time.

Our Guidelines for Southeast Asia, South Korea, and Taiwan are based on the relevant laws, regulation, market specific guidelines, and market practice for each market. These all have in common the principles of accountability, transparency, fairness, and responsibility.

The universe we cover in Southeast Asia, South Korea, and Taiwan includes, but is not limited, to Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

These guidelines are used to assist BIS in assessing proposals presented at shareholder meetings. When assessing any proposal, BIS takes into account the unique circumstances of the relevant company and of the potential impact of such a proposal on the long-term financial performance of the company. We engage with management or members of the board, as appropriate, on contentious and high-profile issues, to help make a more informed voting decision. We also take into consideration market codes of governance and stewardship as applicable. At a minimum, BIS looks to companies to meet the regulatory requirements of company law, listing rules of local exchanges, and any regional corporate governance codes.

Comply or explain

In certain Asian markets, local corporate governance guidance allows companies to deviate from recommended practices, as long as they explain why they have done so. This so-called "comply or explain" approach provides a framework for companies to effectively and pragmatically illustrate to investors how they are governed by their board of directors and to explain material divergences from good market practice. We look for companies' explanations under a "comply or explain" approach to disclose why they believe that non-compliance can better support durable long-term financial value creation.

[1] The BIS Global Principles, regional voting guidelines, and Engagement Priorities (collectively, the BIS Benchmark Policies) set out the core elements of corporate governance that guide our investment stewardship program. The Benchmark Policies apply to clients' assets invested through index equity strategies, take a financial materiality-based approach, and are focused solely on advancing clients' long-term financial interests.
[2] On February 11, 2025, the U.S. Securities and Exchange Commission (SEC) staff issued updated guidance for shareholders to maintain their eligibility to report their beneficial ownership under Schedule 13G of the Exchange Act. We comply fully with these requirements and do not engage with portfolio companies for the purpose, or with the effect, of changing or influencing control of any company.

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Boards and directors

Oversight role of the board

Companies whose boards are comprised of appropriately qualified and engaged directors, with professional characteristics relevant to a company's business, enhance the board's ability to add long-term financial value and serve as the voice of shareholders in board discussions. In our view, a strong board gives a company a competitive advantage, providing valuable oversight and contributing to the most important management decisions that support long-term financial performance.

For this reason, our investment stewardship efforts focus on the effectiveness of the board of directors. We engage, as necessary, with members of the board's nominating and/or governance committee to assess whether governance practices and board composition are effective given a company's business model, sector, market, and the business environment in which a company is operating.

We consider it good practice when the board establishes and maintains a framework of robust and effective governance mechanisms that supports its oversight of the company's strategy and operations, consistent with the long-term financial interests of investors. This includes having clear descriptions of the role of the board and the committees of the board and how directors engage with and oversee management, as well as disclosure of material risks that may affect a company's long-term strategy and how management is effectively identifying, managing, and mitigating such risks.

Understanding management's long-term strategy and the milestones against which investors should assess its implementation is central to our approach. If any strategic targets are significantly missed or materially restated, we find it helpful when company disclosures provide a detailed explanation of the changes and an indication of the board's role in reviewing the revised targets. We look to the board to articulate the effectiveness of these mechanisms in overseeing the management of business risks and opportunities and the fulfillment of the company's strategy.

Where a company has not adequately disclosed or demonstrated that its board has fulfilled these corporate governance and risk oversight responsibilities, we may consider not supporting the election of certain directors who, in our assessment, have particular responsibility for the issues.

Issues and criteria that are frequently assessed as part of our director voting evaluations are indicated below.

Regular accountability through director elections

The election of directors to the board is a right of shareholders and an important signal of support for, or concern about, the performance of the board in overseeing and advising management.

To ensure accountability for their decisions on behalf of shareholders, directors should stand for election on a regular basis, ideally annually.[3] Annual director elections allow shareholders to reaffirm their support for, or concerns about, board members' decisions in a timely manner.

When board members are not elected annually, we consider it is good practice for boards to have a rotation policy to ensure that, through a board cycle, all directors have had their appointment re-confirmed, with a proportion of directors being put forward for election at each shareholder meeting.

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[3] In most markets, directors stand for re-election on an annual or triennial basis, as determined by corporate law, market regulation or voluntary best practice.

Cumulative voting

Majority vote standard is the norm for director elections in most jurisdictions in Asia, ensuring director accountability through the requirement to be elected by more than half of the votes cast. Nonetheless we are cognizant that in some jurisdictions in Asia, cumulative voting is instituted as a default practice, aimed at protecting the interest of minority investors given the prevalence of controlling shareholders. In such jurisdictions, we will generally support cumulative voting proposals as long as the spirit of the proposal is aligned with protecting the financial interests of minority shareholders.

Board quality and effectiveness

Regular director elections also give boards the opportunity to adjust their composition in an orderly way to reflect developments in the company's strategy and the market environment. In our view, it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking while supporting both continuity and appropriate succession planning. We consider the average overall tenure of the board, and seek a balance between the knowledge and experience of longer-serving directors and the fresh perspectives of directors who joined more recently. For this reason, we are generally not opposed to mechanisms that boards may put in place to encourage regular board refreshment (such as age or term limits).

We appreciate it when companies regularly review and assess how directors nominated for election contribute to the effectiveness of the board. In our view, the company's assessment should consider a number of factors, including each director's independence and time commitments, as well as the breadth and relevance of director experiences and skillsets, and how these collectively contribute to the board's effectiveness in advising and overseeing management in delivering long-term financial returns.

Directors are in the best position to assess the composition and optimal size of the board, but we have concerns if a board seems too small to have an appropriate balance of directors or too large to be effective.

We look to the board to establish a robust process to evaluate the performance of the board as a whole and the contributions of each director. In our view, annual performance reviews of directors and the board may contribute to a more efficiently functioning board.

Director independence

We look to boards to have a sufficient number of independent directors, free from conflicts of interest or undue influence to ensure objectivity in the decision-making of the board and its ability to oversee management. Common impediments to independence may include but are not limited to:

- Current or recent employment at the company or a subsidiary without sufficient cooling off period[4]
- Being appointed a director without sufficient cooling-off period from the last role at affiliated entities[5]
- Being, or representing, a shareholder with a substantial shareholding in the company

[4] BIS generally considers it good practice when there is a cooling-off period of at least five years when evaluating a director's independence. Any cooling-off period shorter than five years should be accompanied by cogent explanations for BIS to consider on a case-by-case basis.
[5] Please see previous footnote.

- Having any other interest, business, or other relationship which could, or could reasonably be perceived to, materially interfere with a director's ability to act in the best interests of the company and shareholders
- An immediate family member of any of the aforementioned
- Interlocking directorships

Independent leadership structures

In our experience, boards are most effective at overseeing and advising management when there is a senior, independent board leader. This director may chair the board, or, where the Chair is also the CEO (or is otherwise not independent), be designated as a Lead Independent Director. The role of this director is to enhance the effectiveness of the independent members of the board through shaping the agenda, ensuring adequate information is provided to the board, and encouraging independent director participation in board deliberations. We find it helpful when the Lead Independent Director or another appropriate director is available to meet with shareholders in those situations where an independent director is best placed to explain and contextualize a company's approach.

Length of service

Shareholders are best served when there is orderly renewal of the board. We consider it good practice when this results in directors who bring accumulated experience as well as fresh perspectives to the board. In addition, we look for this combination to support effective succession planning. An effective renewal process ensures independent directors do not serve for lengths of time where their independence may be impaired. BIS may consider voting against the election of directors who have been on the board for a significant time, especially if there is no board renewal.[6]

Board composition

In assessing board composition, we take into account a company's board size, business model, strategy, market capitalization, and ownership structure, as well as the market in which the company operates. We find it helpful when companies explain how their approach to board composition supports the company's governance practices.

When nominating directors to the board, we look to companies to provide sufficient information on the individual candidates so that shareholders can assess the capabilities and suitability of each individual nominee and their fit within overall board composition. These disclosures should explain how the collective experience and expertise of the board, as well as the particular skillsets of individual directors, aligns with the company's long-term strategy. Highly qualified and engaged directors, with professional characteristics relevant to a company's business and strategy, enhance the ability of the board to add value and be the voice of shareholders in board discussions. Where such information is not provided, we may consider voting against the director up for election and/or the re-election of members on the nomination committee.

It is in this context that we are interested in a variety of experiences, perspectives, and skillsets in the boardroom. We see it as a means of avoiding "group think" in the board's exercise of its responsibilities to advise and oversee management.

We consider it best practice when companies to have a formal and transparent procedure for the appointment and re-appointment of directors. We look to boards to adopt a nomination procedure that

[6] Please refer to the country-specific considerations for more detail on length of service of directors.

can ensure candidates with a variety of experiences, perspectives, and skillsets are considered. Such procedure may involve the engagement of external professional search firms.

Companies across the Asia Pacific have responded to both voluntary practices and mandatory quotas by increasing gender diversity on their boards, particularly in countries such as Singapore, Malaysia, and South Korea.[7]

In line with market practice, we look to all listed companies in Malaysia, the Philippines, Singapore, Taiwan and Thailand, as well as large companies in South Korea, to have at least one female board director.[8] In the absence of such, we may not support the election of directors we consider responsible for the lack of female representation at the board level.[9]

Sufficient capacity

As the role and expectations of a director are increasingly demanding, directors must be able to commit an appropriate amount of time to board and committee matters. It is important that directors have the capacity to meet all of their responsibilities — including when there are unforeseen events — and therefore, we consider it best practice when they don't take on an excessive number of roles that would impair their ability to fulfill their duties.

BIS looks for companies to provide a clear explanation of the capacity to contribute in situations where a board candidate is a director serving on more than six public company boards. When looking at the number of board mandates, BIS considers if the board memberships are of listed companies in the same group and/or for similar sectors.

BIS may not support the election of a director where there is a risk the director may be over-committed in respect to other responsibilities and/or commitments (taking into account outside employments and/or board mandates on private companies/investment trusts/foundations). In the case of an executive director, we may not support the individual's election only at external boards.

BIS may not support the election of an outside executive with commitments at other companies as the Chairman of the board as we look for the Chairman to have more time availability than other non-executive board members. We find it helpful when the company explains why it is necessary for an external executive to lead the board of directors.

Meeting attendance

We look to directors to ensure they attend all board and relevant committee meetings. BIS may vote against a director who demonstrates a poor pattern of meeting attendance, unless compelling reasons for the absenteeism have been disclosed. However, BIS will not consider attendance in the first year following appointment as the director may have had commitments made prior to joining the board.

Committees

Appropriately structured board committees provide an efficient mechanism which allows the board to focus on key issues such as audit, board renewal, remuneration, risk, and any other issues deemed

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[7] See the following: In Singapore, Council for Board Diversity, "Frequently Asked Questions"; Singapore Exchange, "Consultation Paper on Climate and Diversity," 2021. In Malaysia Securities Commission Malaysia, "Malaysian Code on Corporate Governance," April 28, 2021. In South Korea, Korea Legislation Research Institute, "Financial Investment Services and Capital Markets Act." Websites accessed in December 2025.
[8] Large companies in South Korea are defined as those with KRW 2 trillion (USD 2 billion) or more in assets.
[9] Please refer to the country-specific considerations for more detail on board composition.

important. Board committees can also provide an important mechanism for dealing with conflicts of interests.

BIS finds it helpful when all committees have written terms of reference that clearly set out roles and responsibilities, composition, structure, membership requirements, and the procedures for inviting non-committee members to attend meetings. Committee terms of reference should be publicly available to investors. We consider it good practice when all committees are equipped to meet their obligations under the terms of reference. This includes the right of access to management and the ability to select service providers and advisors at a reasonable cost to the company.

We look to the chairman of a committee to be independent and each committee to have a majority of independent directors. We consider it good practice when the Chairman of the board is not the chair of board committees as this may lead to a concentration of power in a single director.

Audit committee

We consider it good practice when the audit committee is comprised of only non-executive directors and a majority of independent directors, an independent chair and with at least one member that has the appropriate accounting or related financial background. Where the audit committee does not comprise of a majority of independent directors or the chair is not independent, BIS may not support the election of non-independent members of the audit committee. Further, where there is evidence showing failure of the audit committee relating to the preparation of financial statements, fraud, and general accountability to shareholders, we may not support the election of members of the audit committee.

Auditors, and audit-related issues

BIS recognizes the critical importance of financial statements to provide a complete and accurate portrayal of a company's financial condition. Accordingly, we look for the assumptions made by management and reviewed by the auditor in preparing the financial statements to be reasonable and justified.

We view the audit committee, or its equivalent, as responsible for overseeing the management of the independent auditor and the internal audit function at a company.

The integrity of financial statements depends on the auditor being free of any impediments that could compromise its ability to serve as an effective check on management. To that end, it is important that auditors are, and are seen to be, independent. Where an audit firm provides services to the company in addition to the audit, the fees earned should be disclosed and explained. We look for audit committees to have in place a procedure for assessing the independence of the auditor and the quality of the external audit process on an annual basis.

Comprehensive disclosure provides investors with an understanding of the company's long-term operational risk management practices and, more broadly, the quality of the board's oversight. We look to the audit or risk committee to periodically review the company's risk assessment and risk management policies, significant risks and exposures identified by management, the internal auditors or the independent auditors, and management's steps to address them. In the absence of detailed disclosures, we may conclude that companies are not adequately managing risk.

We consider it good practice when the appointment of the auditor and the auditor's compensation are reviewed and approved by shareholders on an annual basis. BIS looks for the audit firms to be well qualified to undertake the task on behalf of shareholders. When a listed company proposes to appoint a different audit firm, BIS looks for the company to provide a reasonable explanation for the change, assuring shareholders that there are no disputes with company management connected with the auditor ceasing to hold office. If significant concerns about issues such as the integrity of the financial statements or the auditors are identified, where no explanation is provided, BIS may consider voting against the appointment of a new audit firm or appointment of the interim auditor and against the election of members on the audit committee, especially if the change of auditor was not initially submitted to a shareholders' vote.

Capital structure, mergers, acquisitions, asset sales, and other special situations

The capital structure of a company is critical to shareholders as it impacts the value of their investment and the priority of their interest in the company relative to that of other equity or debt investors. Pre-emptive rights are a key protection for shareholders against the dilution of their interests.

Dual class shares

In principle, we have concerns with the creation of a share class with equivalent economic exposure and differentiated voting rights. As a result, BIS generally supports bylaw amendments that introduce the adoption of "one share, one vote" for registered shareholders.

However, we recognize that in certain markets, at least for a period of time, companies may have a valid reason for listing dual classes of shares with differentiated voting rights. In our view, such companies should review these share class structures on a regular basis or as company circumstances change. Additionally, they should seek shareholder approval of their capital structure on a periodic basis via a management proposal at the company's shareholder meeting. The proposal should give unaffiliated shareholders the opportunity to affirm the current structure or establish mechanisms to end or phase out controlling structures at the appropriate time, while minimizing costs to shareholders.

We look to independent directors to protect the interests of all shareholders and BIS may vote against the election of independent directors in companies with dual class share structures if valid concerns arise relating to the financial interests of unaffiliated shareholders being compromised.

Mergers, asset sales, and other special situations

In assessing mergers, asset sales, or other special situations, BIS' primary consideration is the long-term financial interests of our clients as shareholders, and so we will review any proposed transaction with that objective in mind. Typically, we review factors such as whether the proposed transaction has the unanimous support of the board and has been negotiated at arm's length, and whether the board or management has clearly explained its economic and strategic rationale. We may also seek reassurance from the board that the financial interests of executives and/or board members in a given transaction have not adversely affected their ability to place shareholders' interests before their own.

Related-party transactions

Related-party transactions (RPTs) are common in many Asian companies.

Broadly speaking, there are two types of RPTs: 1) one-off transactions, typically asset purchases or disposals; and 2) recurring RPTs that are within the ordinary course of business, usually in the form of an ongoing goods and services purchase and provision agreement.

Where shareholders are required to vote on such transactions, BIS looks to companies to follow the associated listing rules and principles of disclosure outlined in the relevant corporate governance code. We also consider it good practice that the independent directors ratify substantial transactions and related parties abstain from voting. Where the above information is not disclosed or action is not taken to protect the rights of independent shareholders, BIS may not support such proposals. For non-recurring transactions between related parties, we find it helpful when the independent directors provide the recommendation to support the transaction, with the terms ideally assessed through an independent appraisal process. In addition, we consider it good practice that it be approved by a separate vote of the non-conflicted shareholders.

Capital efficiency and shareholder return

Capital efficiency reflects how a company uses its financial resources to generate returns, and, in our experience, is an important metric that affects the company's ability to create long-term financial value for shareholders. BIS looks to how effectively companies manage their capital through sound governance, strategic planning, operational discipline, and risk management practice. We appreciate it when companies demonstrate a comprehensive, yet flexible, approach to how they will maintain financial resilience over time. We also look to companies to proactively disclose and communicate their financial value generation strategies and shareholder return policies.[10]

Executive remuneration and benefits

Executive remuneration is an important tool used by companies to support long-term financial value creation. A well-structured compensation policy rewards the successful delivery of strategic, operational, and/or financial goals; encourages an appropriate risk appetite; and aligns the interests of shareholders and executives through equity ownership.[11]

While the level of fixed remuneration is not considered to be particularly abnormal in the majority of Asian companies, the administration and disclosure of the structure of equity-based incentive schemes can be an issue. Generally, we consider it best practice when independent directors are not eligible for equity-based incentives and executives do not sit on the remuneration committee. In addition, we may not support such proposals in cases where a share-based incentive plan could potentially lead to over 10% cumulative dilution over ten years inclusive of existing plans, or if a plan is not transparent in demonstrating the distribution of share-based awards between senior executives and other staff.

BIS may not support management's proposals to approve remuneration, where they are on the agenda when we have concerns. We may also vote against members of the remuneration committee or equivalent board members for poor compensation practices, structures and/or disclosure.

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[10] Regulators across major Asian markets have been rolling out programs/initiatives aiming at enhancing shareholder returns. In Japan: Tokyo Stock Exchange, "Action to Implement Management that is conscious of Cost of Capital and Stock Price," March 31, 2023. In Korea: Financial Services Commission, "Korea Corporate Value-up Program," February 26, 2024. In China: China Securities Regulatory Commission, "Market Capitalization Management Guidance," 2024; Shanghai Stock Exchange, "Quality and Return Enhancement of Listed Companies," 2024. In Taiwan: Taiwan Stock Exchange, "Taiwan's Market Value Strengthening Strategy," August 27, 2024. In Singapore: Monetary Authority of Singapore, Singapore Exchange, "Measures to strengthen Singapore's equities market," February 2025. In Thailand, the Securities and Exchange Commission and Stock Exchange of Thailand (SET) jointly announced initiatives to boost long-term corporate value. SET, "Thai capital market sector launches growth initiatives to boost confidence and sustainability," June 26, 2025. Websites accessed in December 2025.
[11] The terms "compensation," "remuneration," and "pay" are used interchangeably to describe the same concept in different markets.

Material sustainability-related risks and opportunities

Appropriate oversight of material risks and opportunities, including material sustainability-related risks and opportunities, is an important component of having an effective governance framework that supports durable, long-term financial value creation.[12]

We look to companies to provide robust disclosure that allows investors to effectively evaluate companies' strategy and business practices related to material sustainability-related risks and opportunities. We find it helpful when companies' disclosures demonstrate that they have a resilient business model that integrates material sustainability-related risks and opportunities into their strategy, risk management, and metrics and targets, including industry-specific metrics.

Standardized disclosure of sustainability-related data supports investors in making informed decisions. The International Sustainability Standards Board (ISSB) standards, IFRS S1 and S2, represent one such approach to standardization that we find useful in our analysis.[13] However, we do not mandate any specific disclosure framework companies should use, and recognize that companies may report using different standards, some of which may be required by regulation. In such cases, we ask that companies highlight the metrics that are industry- or company-specific.

We also recognize that companies may be phasing in reporting over several years. We do not prescribe timelines regarding when companies should make sustainability-related disclosures but appreciate it when companies produce them sufficiently in advance of their shareholder meeting, to the best of their abilities, to provide investors with time to assess the data and make informed voting decisions.

Industry initiatives on managing specific operational risks may also provide useful guidance to companies on best practices and disclosures. While not a voting item, we find it helpful to our understanding of investment risk when companies disclose any relevant global sustainability-related standards adopted, the industry initiatives in which they participate, any peer group benchmarking undertaken, and any assurance processes to help investors understand their approach to sustainable and responsible business practices.

[12] By material sustainability-related risks and opportunities, we mean the drivers of risk and financial value creation in a company's business model that have an environmental or social dependency or impact. Examples of environmental issues include, but are not limited to, water use, land use, waste management, and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty, and relationships with regulators.
[13] The ISSB is an independent standard-setting body within the International Financial Reporting Standards (IFRS) Foundation. The standards build on the Task Force on Climate-related Financial Disclosures (TCFD) framework and the standards and metrics developed by the Sustainability Accounting Standards Board (SASB), which have both converged under the ISSB. Please refer to the IFRS website to learn more about the framework and standards S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and S2 "Climate-related Disclosures." Websites accessed in December 2025.

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Climate and nature-related risk

Many companies are assessing how to navigate the low-carbon transition while delivering long-term financial value to investors. For companies facing material climate-related risks, we find it helpful when they publicly disclose, consistent with their business model and sector, how they intend to deliver long-term financial performance through the low-carbon transition, including where available, their transition plan.[14, 15] From company disclosures and engagement, we seek to understand the strategies companies have in place to manage material risks to, and opportunities for, their long-term business model associated with a range of climate-related scenarios.

Recognizing the value of these disclosures, certain markets such as the European Union mandate large companies to disclose such climate-related financial information, while in other jurisdictions these disclosures are viewed as best practice in the market.

The ISSB standards provide one such framework that can assist investors in assessing company-specific climate-related risks and opportunities, and informing investment decisions. Such disclosures also provide investors with insights into how companies are managing the risks associated with the transition to a low-carbon economy by managing their own carbon emissions or emissions intensities to the extent financially practicable.

The ISSB standards, for example, contemplates disclosures on how companies are setting short-, medium- and long-term targets, ideally science-based where these are available for their sector, for scope 1 and 2 greenhouse gas emissions (GHG) reductions and to demonstrate how their targets are consistent with the long-term financial interests of their investors.

While we recognize that regulators in some markets are moving to mandate certain disclosures, at this stage, we view scope 3 emissions differently from scopes 1 and 2, given methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct control by companies. We welcome disclosures and commitments that companies choose to make regarding material scope 3 emissions and recognize that these are provided on a good-faith basis as methodology develops.

In addition to climate-related risks and opportunities, for companies whose strategies, operations, or supply chains are materially reliant on natural capital, nature-related risks and opportunities may affect their ability to generate long-term financial returns.[16] For these companies, we rely on disclosures to understand how their strategies consider nature-related impacts and dependencies and to assess how the board oversees these risks.[17]

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[14] We have observed that more companies are developing such plans, and public policymakers in certain markets are signaling their intentions to require them or already have requirements in place, such as Australia, Brazil, and the European Union (please see the International Transition Plan Network for information). We view transition plans as a method for a company to both internally assess and externally communicate its long-term strategy, ambition, objectives, and actions to create financial value through the global transition towards a low-carbon economy. Across the landscape there remains divergence on the objectives of such plans and the details they should contain. While transition plans can be helpful disclosure, BIS does not make the preparation and production of transition plans a voting issue. BIS may engage companies that have chosen to publish a transition plan to understand their planned actions and resource implications. Website accessed in December 2025,

[15] For more information, please see our commentary "Climate-related risks and a low-carbon transition," December 2025.

[16] For more information, please see our commentary "Our approach to engagement on natural capital," December 2025.

[17] Given the growing awareness of the materiality of these issues for certain businesses, enhanced reporting on a company's natural capital dependencies and impacts would aid investors' understanding. The recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) may prove useful to some companies. We recognize that some companies may report using different standards, which may be required by regulation, or one of a number of other private sector standards. TNFD-aligned reporting is not a voting issue. Website accessed in December 2025.

We look to boards to oversee management's approach to addressing material climate and nature-related risk in a company's business model and may convey concerns about board oversight in our voting on director elections or supporting a business relevant shareholder proposal when, in our assessment, the board is not acting in shareholders' long-term financial interests.

Companies' impact on their workforce, supply chains, and communities

Companies determine their key stakeholders based on what is material to their business and long-term financial performance. For many companies, key stakeholders include employees, business supply chains, clients and consumers, regulators, and the communities in which they operate.

In our experience, companies that invest in the relationships that are critical to their strategic objectives are more likely to deliver durable, long-term financial performance. By contrast, we have found that poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks. This is particularly relevant to a company's workforce, which is central to long-term financial value creation.[18]

As a long-term shareholder on behalf of our clients, we find it helpful when companies disclose how they have identified their key stakeholders and considered their interests in business decision-making. In addition to understanding broader stakeholder relationships, BIS finds it helpful when companies discuss how they consider the needs of their workforce today, and the skills required for their future business strategy. We are also interested in understanding how the board monitors and engages on these matters, given it is well positioned to ensure that the approach taken by management is informed by and aligns with the company's strategy. BIS does not direct a company's policies or practices, which are the responsibility of management and the board.

In addition, we find it helpful when companies disclose their approach to addressing material adverse impacts that could arise from their business practices and affect critical relationships with their stakeholders. We encourage companies to implement, to the extent appropriate, monitoring processes (often referred to as due diligence) to identify and mitigate potential adverse impacts and grievance mechanisms to remediate any actual adverse material impacts.

We look to boards to oversee management's approach to addressing material risks related to key stakeholders and may convey concerns about board oversight in our voting on director elections or supporting a business relevant shareholder proposal when, in our assessment, the board is not acting in shareholders' long-term financial interests.

Other corporate governance matters

Amendments to articles of association and bylaws

These proposals vary from routine changes such as reflection of regulatory change, to significant changes that substantially alter the governance of the company. BIS reviews such proposals on a case-by-case basis, in accordance with our Global Principles and our assessment of the impact of the changes on the rights of shareholders.

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[18] For more information, please see our commentary "Our approach to engagement on human capital management," December 2025.

Anti-takeover devices

Transactions or practices that are intended to impede a potential takeover can be limiting to shareholders. BIS will generally not support proposals that introduce or renew anti-takeover devices.

Bundled proposals

In our view, shareholders should have the opportunity to review substantial issues individually without having to accept bundled proposals. Where several measures are grouped together, BIS may vote against the overall proposal if it includes those that contradict or impede the rights and financial interests of shareholders.

Shareholder proposals

In most markets, shareholders can submit proposals to be voted on at a company's shareholder meeting, as long as certain requirements are met. Shareholder proposals span a wide range of topics, including governance reforms, capital management, and changes in the management or disclosure of sustainability-related risks. These proposals have a varying degree of relevance for companies across sectors, locations, and business models.

BIS takes a case-by-case approach to voting on shareholder proposals and maintains a singular focus on the proposal's implications for long-term financial value creation for shareholders. Our analysis considers whether a shareholder proposal addresses a material risk that may impact a company's long-term financial performance. BIS may support shareholder proposals that request disclosures that help us, as long-term investors on behalf of our clients, better understand the material risks and opportunities companies face and how they are managing them, especially where this information is additive given the company's existing disclosures. We look for consistency between the specific request formally made in the proposal, the supporting documentation, and the proponents' other communications on the issues. We also assess the company's practices and disclosures and the costs and benefits to the company of meeting the request made in the proposal. We take into consideration a company's governance practices and disclosures against those of their peers.

BIS does not support shareholder proposals that we view as inconsistent with long-term financial value or that seek to micromanage companies. We take into consideration the legal effect of the proposal, as shareholder proposals may be advisory or legally binding depending on the jurisdiction, while others may make requests that would be deemed illegal in a given jurisdiction.

In our experience, it is helpful when companies disclose the names of the proponent or organization that has submitted or advised on the proposal. We recognize that some shareholder proposals bundle topics and/or specific requests. Further, the proponent's supporting statement may refer to topics that are not directly related to the request made in the proposal. In voting on behalf of clients, we must vote yes or no on the proposal as phrased by the proponent. Therefore, when we vote in support of a proposal, we are not necessarily endorsing every element of the proposal or the reasoning, objectives, or supporting statement of the proponent. We may support a proposal for different reasons than those put forth by the proponent, when we believe that overall it may advance our clients' long-term financial interests.

BlackRock is subject to certain rules, regulations, agency guidance, and contractual agreements that place restrictions and limitations on how BlackRock can interact with the companies in which we invest on behalf of our clients. BlackRock does not nominate directors for board elections or submit shareholder proposals to companies. Non-compliance with these requirements could adversely affect BlackRock's ability to serve its clients' interests.

Country-specific considerations

Indonesia

Regulatory environment

The framework for Indonesia's corporate governance is contained in the Indonesian Company Law (Company Law), Capital Markets Law, Bapepam Rule Book issued by the Capital Market Supervisory Agency (Bapepam), the Listing Rules of the Indonesian Stock Exchange (ISX Listing Rules), and the Indonesian Code for Good Corporate Governance (Code). While the ISX Listing Rules related to corporate governance are mandatory, compliance to the Code is voluntary. BIS looks to Indonesian companies to comply with the Code, or alternatively, provide a cogent explanation for non-compliance.

Boards and directors

Indonesian companies generally have a two-tiered board system comprising a board of directors and a board of commissioners. A commissioner cannot serve concurrently as a director, manager, or employee of the company.

The role of the board of commissioners is to supervise the board of directors, ensure the company fulfils all their legal obligations, and protect the interests of shareholders. The ISX Listing Rules require 30% of the board commissioners to be independent. They also require at least one unaffiliated director on the board of directors.

Where the structure of the company's board of directors and/or board of commissioners does not meet the requirements of the ISX Listing Rules, BIS may not support the election of director(s) and/or commissioner(s) deemed responsible.

Disclosure remains a concern in Indonesia with names and biographies of director nominees often not disclosed in advance of the meeting. BIS looks to companies to disclose full details of directors and commissioners and identify directors and commissioners who are independent. Where companies have not disclosed information on directors and commissioners, BIS may not support their election.

It is also common for director elections to be voted on as a bundled proposal. Where the directors and commissioners are elected by slate, BIS may consider not supporting the entire slate if less than 30% of commissioners are independent.

Director compensation

Indonesian companies routinely seek shareholder approval to determine the fees of directors and commissioners. When assessing such proposals, BIS looks for the full disclosure of salaries and any limit which may apply. Where this information has not been provided, BIS may not support such proposals.

Malaysia

Regulatory environment

The framework for Malaysia's corporate governance is contained in the Companies Act 2016, the Capital Market Services Act, the Bursa Malaysia Securities Berhad Listing Requirements (Listing Requirements), and the 2021 Malaysian Code on Corporate Governance (Code). The Code follows an "apply or explain an alternative" approach, dubbed by the Securities Commission (SC) Malaysia as "Comprehend, Apply, and Report (CARE)."

Boards and directors

Listed Malaysian companies have a single tiered board structure. The Code requires all listed companies to have at least half of the board comprised of independent directors, while large companies must have a majority independent board.[19]

Where this requirement of the Code is not met, and a cogent explanation has not been provided, BIS may not support the election of director(s) deemed responsible.

Tenure of independent directors

The Code requires that boards introduce a policy which limits the cumulative term of independent directors to nine years, beyond which the director may serve as a non-independent (non-executive) director. Should the board intend to retain the independent director beyond nine years, it must provide justification and seek shareholders' approval annually under a two-tier voting process. In addition, the Listing Requirements caps the tenure of an independent director to no more than a cumulative tenure of 12 years in a listed issuer and its group of companies. Independent directors with tenures in excess of 12 years must resign or be counted as non-independent directors.

BIS will consider a long-tenured independent director to be non-independent beyond their nine-year term unless a cogent explanation is provided by the board, justifying the retention of the director. Where the level of independence on the board or at committee level is insufficient — factoring in length of service that could affect independence — we may vote against directors for failing to ensure adequate board and/or committee independence.

Board composition

Under the Listing Rules, boards of listed issuers should have at least one female director. In line with market practice, we look to all listed companies in Malaysia to have at least one female board director. In the absence of such, we may not support the election of director(s) deemed responsible for the lack of female representation on such boards.

Capital structure

The board is in the best position to determine the appropriate approach to capital management. When requesting shareholder approval of capital management related proposals, we take into account the level of disclosure and the potential financial impact to existing shareholders.

Related-party transactions (RPTs)

Under the Listing Requirements, companies may seek a general mandate from shareholders to enter into RPTs that could be necessary for the company's day-to-day operations. While BIS assesses related-party transactions on a case-by-case basis, we consider it best practice for such transactions to be carried out on normal commercial terms and conditions. In respect of proposals relating to RPTs, we look for, at a minimum, disclosure of the following:

- Full discourse of the nature of the transaction, including details of the related parties involved
- The pricing terms
- Any annual limits for an on-going mandate

[19] Large companies are defined by the SC as: 1) companies on the FTSE Bursa Malaysia Top 100 index; or 2) companies with market capitalization of RM 2 billion and above.

The Philippines

Regulatory environment

The framework for the Philippines' corporate governance is contained in the Corporation Code of the Philippines (Corporation Code), the Securities Regulation Code (SRC), the Philippines Stock Exchange Listing Rules and the 2019 Philippine Code of Corporate Governance for Public Companies and Registered Issuers (Code), a combination of mandatory and voluntary code issued by the Securities and Exchange Commission (SEC), the Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange (CG Guidelines), and the Philippines Guidelines on Nomination and Election of Independent Directors (Guidelines). The Code follows a "comply or explain" approach, and the rules of the Code are required to be embodied in a manual that can be used as a reference by members of the board and management. Companies are required to submit their manual to the SEC; the manual should be made available for inspection by any shareholders.

Boards and directors

Listed Philippine companies have a single-tiered board structure. The Code requires public company boards to have the greater of at least three independent directors or at least one-third independent directors on the board.[20]

Where this requirement of the Code is not met, and a cogent explanation has not been provided, BIS may not support the election of director(s) deemed responsible.

Tenure of independent directors

The Code stipulates that the board's independent directors should serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the company wants to retain an independent director who has served for nine years, the board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

BIS will consider a long-tenured independent director to be non-independent beyond their nine-year term unless a cogent explanation is provided by the board, justifying the retention of the director. Where the level of independence on the board or at committee level is insufficient — factoring in length of service that could affect independence — we may vote against directors for failing to ensure adequate board and/or committee independence.

Board composition

The Code states that boards should have a policy on board diversity, and recommends that companies increase the number of female directors, including female independent directors.

In line with market practice, we look to all listed companies in the Philippines to have at least one female board director. In the absence of such, we may not support the election of director(s) deemed responsible for the lack of female representation on such boards.

[20] Independence is defined under the Philippine Code of Corporate Governance, Article 1 (e).

Ratification of previous corporate acts

This is a routine request by Philippine companies. Shareholders are asked to ratify the acts and resolutions referred to in the proposal that have been done in the ordinary course of the business of the company. In general, BIS supports such proposals, unless there is a specific reason to vote against.

Singapore

Regulatory environment

The framework for Singapore's corporate governance is contained in the Code of Corporate Governance (Code), the Companies Act (Act), the Securities and Futures Act, the Listing Manual of the Singapore Stock Exchange (SGX), and the Code on Takeovers and Mergers. The Monetary Authority of Singapore (MAS) and the SGX jointly oversee the Code, which follows a "comply or explain" approach.

In Singapore, disclosure of relevant information is robust relative to other markets in the region and there are few impediments to proxy voting.

Boards and directors

Listed Singaporean companies have a single-tiered board structure. Under the SGX Listing Manual, at least one-third of directors should be independent.[21] The provisions of the Code require non-executive directors to make up a majority of the board. Where the Chairman is not independent, independent directors should make up at least half of the board and appoint an independent director to be the lead independent director. Where this requirement of the Code is not met, and a cogent explanation has not been provided, BIS may not support the election of director(s) deemed responsible.

Tenure of independent directors

The SGX Mainboard Listing Rules prescribe a nine-year tenure limit for independent directors. Under Listing Rule 210(5)(d)(iv), a director who has served on the board of an issuer for an aggregate period of more than nine years (whether before or after listing) will not be considered independent.

Board composition

Rule 710A(1) of the SGX Listing Manual requires issuers to maintain a board diversity policy, which must address gender, skills and experience, and any other relevant aspects of diversity.

In line with market practice, we look to all listed companies in Singapore to have at least one female board director. In the absence of such, we may not support the election of director(s) deemed responsible for the lack of female representation on such boards.

Capital structure

In our view, the board is in the best position to determine the appropriate approach to capital management. When requesting shareholder approval of capital management related proposals, we take into account, the level of disclosure and the financial impact to existing shareholders.

[21] Independence is defined under the Singapore Code of Corporate Governance, Principle 2.1.

Share issuances

Under the SGX Listing Manual, shareholder approval is required for the board to issue shares and convertible securities. For Mainboard-listed companies, the SGX Listing Manual provides limits with respect to issuances as follows:

- The aggregate number of shares to be issued other than by way of renounceable rights issues does not exceed 50% of the issued shares in the capital of the company
- Of the 50% limit, the number of shares to be issued, other than on a pro rata basis to shareholders, does not exceed 20% of the issued shares in the capital of the company

For proposals relating to issuances without pre-emptive rights, BIS looks for a minimum disclosure of the following:

- Recipients of the proposed equity issue
- Details of any discounts to be offered and the rationale behind any proposed discount
- The basis of determining the issue price
- How the funds raised will be used
- Impact, if any on change of control
- Conversion rates on equity (if applicable)

Unless a cogent explanation is provided, BIS may not support proposals where the aggregate number of shares and/or convertible securities issued by way of a renounceable rights issue to shareholders exceeds 50% of the company's outstanding shares.

BIS will also consider voting against proposals relating to issuances involving pre-emptive rights where the above disclosures have not been made and/or the aggregate number of shares and/or convertible securities issued without pre-emptive rights exceeds 10% of the company's outstanding shares. Further, BIS may not support such proposals where, without explanation, the issuance is at a discount exceeding 10%.

Compensation and benefits

Best practice encourages companies to implement incentive schemes with robust performance criteria and vesting periods, minimal dilution, and effective and independent administration.

The SGX Listing Manual requires shareholder approval of share option schemes and share schemes. When assessing stock option and share plans BIS looks for, at a minimum, disclosure of the following:

- Proposed participants in the scheme
- The maximum number of shares or options that can be issued under the scheme. A cogent explanation where the maximum number of shares or options exceeds 5% of issued capital for a mature company and 10% for an early phase/development company
- Any material conditions relating to the vesting of the options or shares
- Any discounts to the issue price and rationale for such discounts
- The scheme should not allow for re-pricing of options

Where, without explanation, the above disclosures have not been made or BIS considers other features of the scheme are not in the financial interests of shareholders, we may not support such schemes.

Where a company has an option or share scheme, shareholder approval is required for participation of controlling shareholders and their associates. Further, any grant of options to a director or employee of the issuer's parent company and their subsidiaries that, together with options already granted to the person under the scheme, represents 5% or more of the total number of options available to such directors and employees, must be approved by independent shareholders. A separate resolution must be passed for each such person and to approve the aggregate number of options to be made available for grant to all directors and employees of the parent company and their subsidiaries.

When assessing equity grants to directors or employees, BIS looks for the full disclosure of the key features of the scheme under which the options or shares are to be issued. Where this information has not been disclosed, BIS may consider not supporting such proposals.

Related-party transactions (RPTs)

The SGX Listing Manual requires shareholder approval of RPTs.[22] Singaporean companies can seek shareholder approval for a single RPT or a general mandate for recurrent transactions of a revenue or trading nature or those necessary for the company's day-to-day operations such as the purchase of supplies and materials, but not in respect of the purchase or sale of assets, undertakings, or businesses. Where a general mandate is requested, such transactions must be carried out on normal commercial terms and conditions, and be reviewed by the audit committee.

While BIS will assess RPTs on a case-by-case basis, we consider it best practice for such transactions to be carried out on normal commercial terms and conditions. In respect of RPTs we look for, at a minimum, disclosure of the following:

- Full discourse of the nature of the transaction, including details of the related parties involved
- The pricing terms
- Any annual limits for an on-going mandate

[22] Mainboard Rule 904 (4) defines an "interested person" as (i) a director, CEO, or controlling shareholder of the issuer (ii) an associate of any such director, chief executive or controlling shareholder.

South Korea

Regulatory environment

The framework for South Korea's corporate governance is centered upon the Commercial Act, the Financial Investment Services and Capital Markets Act, and the Stock Market Listing Regulations (Listing Regulations). The Korea Institute of Corporate Governance and Sustainability (KCGS) has also released the Code of Best Practices for Corporate Governance (Code), which it recommends companies voluntarily adhere to. [23, 24]

The Commercial Act imposes two sets of corporate governance standards on listed companies — one for those with assets larger than KRW 2 trillion (large companies) and those with assets between KRW 2 trillion and KRW 100 billion (small companies).

Boards and directors

Pursuant to the Commercial Act, listed companies are required to have a single-tiered board structure. While large companies are required to have an audit committee and outside director nomination committee, small companies are exempt from this requirement, and instead allowed to have a statutory auditor.

The Commercial Act requires outside directors to make up a majority of the board at large companies, and at least one-fourth for small companies.[25]

The Code and Article 13 of the Act on Corporate Governance of Financial Companies recommend that, for large Companies and financial companies, the Chairman not be a representative of management.[26] Where this recommendation has not been met, the Code and the regulation states that it is desirable to elect a lead outside director to act as a representative for the other outside directors.

Where the structure of a board, including key committees, does not meet the requirements stipulated in the Commercial Act or the Code and a cogent explanation has not been provided, BIS may consider voting against the election of director(s) deemed responsible.

Board composition

Article 165-20 of the Financial Investment Services and Capital Markets Act stipulates that large companies should not have a single-gender board. As such, we look to all large companies to have at least one female board director. In the absence of such, we may not support the election of director(s) deemed responsible for the lack of female representation on such boards.

Statutory auditor and audit committee

The position of statutory auditor is quite specific to South Korea. Small companies are required under the Commercial Act to appoint one or more statutory auditors. The function of the statutory auditor is similar to that of the audit committee. Key features of the role are to supervise and ensure the directors discharge

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[23] Two sets of amendments to the Commercial Act were promulgated on July 22, 2025, and September 9, 2025. The amendments introduced include, among other changes, mandatory cumulative voting for the election of directors, increase in the number of separately elected audit committee members to two, general application of 3% rule to all audit committee members, change to the terminology "outside director' to 'independent director." Except as otherwise provided, the amendments shall become effective one year from the respective dates of promulgation. Notably, the provision expanding the scope of directors' fiduciary duties to shareholders took effect immediately upon promulgation, while the provision permitting electronic annual general meetings shall become effective on January 1, 2027. As of the editing of this Guideline, a bill for the third amendment pertaining to mandatory treasury share cancellation was proposed.
[24] KCGS, "Code of Best Practices for Corporate Governance," 2025, accessed in December 2025.
[25] The definition of Outside Director as per the Korean Code of Best Practices for Corporate Governance, Section 4.
[26] Korea Legislation Research Institute, "Act on Corporate Governance of Financial Companies," 2024, accessed in December 2025.

their duties as well as oversee the financial reporting of the company. Instead of a statutory auditor, a small company may choose to voluntarily establish an audit committee. Under the Commercial Act, an audit committee must be comprised of at least three directors, of which at least two must be outside directors. The audit committee must have at least one director with relevant financial background. The Code further recommends the audit committee to be comprised of only independent directors.

BIS looks for all statutory auditors to be independent and at least one should have an auditing or relevant financial background. Where this is not the case, or we have concerns regarding past actions of statutory auditors, BIS may not support their election.

Audit committees should be comprised of at least three directors, with independent directors making up no less than two-third of the committee seats, an independent chair, and with at least one member having appropriate accounting or related financial background. Where the audit committee does not meet the independence requirements, BIS may consider not supporting the election of director(s) deemed responsible.

Compensation and benefits

Korean law requires shareholders to approve a cap on total cash fees paid to directors. When directors seek to increase the fee cap, they must obtain shareholder approval. BIS considers requests for an increase in the fee cap on a case-by-case basis. We look to the meeting's explanatory notes to clearly explain why the increase is being sought.

In our view, outside directors should not receive performance-based remuneration as to do so would more closely align their interests with those of management, whose performance and remuneration they are intended to monitor on behalf of shareholders.

We look to outside directors to not receive any form of service-contingent retirement benefit. Such remuneration merely rewards an outside director for long service and may inhibit an outside director from resigning from the board if an issue of conflict or any other issue that would impair a director's independence arises. BIS may vote against proposals to grant performance-based remuneration or retirement benefits to outside directors.

Taiwan

Regulatory environment and policy direction

The framework for Taiwan's corporate governance is centered upon The Company Act (the Act), the Securities and Exchange Act (the SEA), Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, and the Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEx (Listing Rules).

Boards and directors

Corporate governance in Taiwan initially featured a two-tiered board system with directors and supervisors overseeing management and financial reporting. Regulations later mandated a single-tiered structure, and by the end of 2022, all listed companies had replaced supervisory boards with audit committees. As the audit committee must consist of no less than three members with all members being independent directors and at least one with auditing or financial background, this also means all listed companies must have three independent directors from 2022 onwards.

Furthermore, the FSC requires that by 2027, all listed companies, at the end of the incumbent directors' terms, should have independent directors making up no less than one-third of board seats. Independent directors of all listed companies should also be limited to three terms of office. To strengthen female representation on boards, FSC requires all listed companies to appoint at least one female director at the board re-election starting in 2024. Beginning in 2025, the FSC requires companies with less than one-third representation of either gender on the board to explain the reason and outline improvement plans in their annual report.

In line with the FSC's requirements, BIS looks for the board of Taiwan-listed companies to comprise of no less than one-third of independent directors, and at least one female director. We consider it best practice when the chairman of a committee is independent and each committee has a majority of independent directors. In addition, we generally consider independent directors who have been on the board for 12 years or longer as non-independent directors.

Where the structure of a board, including key committees, does not meet the requirements set above, and a cogent explanation has not been provided, BIS may not support the election of director(s) deemed responsible.

Non-compete restriction

Article 209 of the Act states that "a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval." This means that shareholder approval is required to release directors from this restriction. Approval of such proposals allows company directors to serve on the boards of other companies and conduct activities which may be considered to compete with the business affairs of the company.

When assessing such proposals, BIS looks for, as a minimum, disclosure of the following:

- Name of the other companies that the director intends to serve as a director
- Full details of the businesses in which these other companies operate

Where, in our assessment, there is no potential conflict of interest if the director serves on the other identified boards, BIS will generally support such proposals. Where, however, the above information has not been disclosed or we are concerned that there is potential conflict, BIS may consider not supporting such proposals.

Legal entity directors

The Act allows legal entities (including government agency and juristic person) to be elected as a director through a natural person as its proxy. The legal entity director may switch the designated natural person proxy without shareholder approval, effectively removing the right of shareholders to elect directors. BIS opposes the practice of legal entity directors and considers it best practice when companies refrain from utilizing such a structure. When there is no representative on legal entity directors at the time of director's election, BIS may vote against the election of director(s) deemed responsible.

Thailand

Regulatory environment

The framework for Thailand's corporate governance is centered upon the Public Limited Companies Act (PLCA), the Securities and Exchange Act, the Securities and Exchange Commission (SEC), the Stock Exchange of Thailand (SET), the SEC's Corporate Governance Code 2017 (Code), and SET's Principles of

Good Corporate Governance (Principles). The Code takes an “apply or explain” approach, whereas the Principles follow a “comply or explain” approach.

Boards and directors

Thai companies have a single-tiered board structure. The SEC regulation requires that there be a minimum of three independent directors or at least one-third of the board (whichever is higher) be independent. The Principles take the independence of the Chairman into consideration, requiring at least one-third of the board to be made up of independent directors in the case that the Chairman is independent, but at least one-half of the board to be made up of independent directors in the case that: 1) the Chairman and the CEO are the same person; 2) the Chairman and the CEO are immediate family members; 3) the Chairman is part of the management team; or 4) the Chairman is not an independent director.

Where this requirement is not met, and a cogent explanation has not been provided, BIS may vote against the election of director(s) deemed responsible.

Independent directors

In our view, independent directors who have been on the board for 12 years or longer should generally be considered non-independent directors.

For the boards of government-affiliated or state-owned companies specifically, independent directors who are currently employed by the government in any executive or advisory capacity will be considered non-independent.

Where the level of independence on the board or at committee level is insufficient — factoring in length of service that could affect independence — we may vote against directors for failing to ensure adequate board and/or committee independence.

Board composition

The Code stipulates that the board’s composition should have an appropriate gender, age, and diversity balance, and that the board should disclose its diversity policies and details relating to directors in the company’s annual report and website.

In line with market practice, we look to all listed companies in Thailand to have at least one female board director. In the absence of such, we may not support the election of director(s) deemed responsible for the lack of female representation on such boards.

Director compensation

Thai companies often pay bonuses to all directors, including independent directors, that are linked to short-term performance. When disclosed, these bonuses and the pool that they are paid out of are often defined as a percent of net profit or annual dividends. In our view, independent directors should not receive such performance-based remuneration as to do so would more closely align their interests with those of management, whose performance and remuneration they are intended to monitor on behalf of shareholders.

Want to know more?

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