

Q3 2019

**Investment
Stewardship
Report:
Asia-Pacific
(APAC)**

September 30, 2019

BlackRock

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The BlackRock Investment Stewardship (BIS) team publishes quarterly reports to explain BlackRock’s approach to corporate governance engagement that supports long-term value creation for our clients. The examples reported give a sense of the wide range of issues our engagements and voting analyses cover. We aim to provide examples that highlight particular environmental, social and governance (“ESG”) considerations, emerging practices or issues and notable company-specific developments. We also provide examples of our engagement in the public domain, such as responses to formal policy consultations and presentations or informal discussions at conferences.

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Engagement and Voting Highlights

The third quarter proxy voting season is generally quieter in the region, apart from India, given the later financial year end for most Indian companies. We reviewed an interesting proposal for an option scheme at an Indian tech company that sets a new standard for transparency for the Asian emerging markets. Around the region, related party transactions remain a structural issue, surfacing in several controversial voting matters across the region.

The ongoing protests in Hong Kong have created several issues for listed companies. We met with a retail landlord to understand how companies seek to navigate an increasingly complicated set of dynamics. Meanwhile, in Australia we engaged with a company on diversity to discuss the responsibility on companies to develop the relevant talent pool. Our engagement highlights in this quarter include parent company and listed subsidiary arrangements in Japan and growing sustainability reporting demands in Thailand. Across APAC, these cases reflect our careful assessment of the long-term interests of corporates and their shareholders in the complex mosaic that makes up the corporate governance landscape of the region.

1

China: Structural and recurrent related party transactions

BlackRock engaged with two independent directors of a Hong Kong-listed Chinese auto manufacturer to better understand how the board reviews related party transactions (RPTs), as well as research and development (R&D) spending, and to discuss ways to improve transparency on these issues.

With the founder controlling more than 40% of the company through a private entity (the Parent) which also engages in auto manufacturing, the company has many RPTs with the Parent and other affiliates controlled by the Parent. These RPTs can be put in two broad buckets. The first is back-to-back purchase and sale transactions of raw materials and automobiles with the Parent. This is due to the listed company's incorporation in the Cayman Islands; deemed as a foreign company it is not entitled to own an automobile manufacturing and operations license in China. However, the back-to-back transactions with the

Parent, which owns the manufacturing and operations license, are conducted such that the Parent will not generate any profit. In emphasizing the structural nature of these RPTs, the independent directors pointed out that as the Chinese government continues to open the automobile sector to foreign investors, the company is actively exploring options to obtain the relevant manufacturing license. The company established a special task force to investigate viable options. If relevant government policies continue to promote foreign investment as expected, the board expects the company to obtain the license in about three years, which would eliminate the need for these structural RPTs.

The second type of RPTs mainly result from the strategy of the Parent and the company (together referred to as the Group) to let the Parent make the initial investments in a major project first, incubate the project to a more stable stage, and then sell it to the company. The independent directors are of the view that such an arrangement is in the interest of the company: the Parent, a domestic company and a locally important enterprise and brand name, enjoys favourable treatment from the local government and easier and cheaper access to financing from state-owned banks. As these early-stage, initial investments tend to take a long time to develop, the Parent takes on the early stage investment risk. The listed company is shielded from poor investments as only projects with proven profitability are injected into it. The transfers are conducted on fair terms reviewed and approved by the independent directors.

Regarding R&D undertaken by the listed company, we pressed the independent directors to consider providing more granular disclosure given the size of the outlays and the significant amount that is capitalized rather than expensed to the income statement. The independent directors pointed out that the company should not be compared to other domestic players when it comes to R&D spend as most other domestic players do not conduct organic research. They also emphasized that the board conducts an annual review, together with the audit firm, of the policy and practice of capitalizing R&D expenses. The decision is driven by how much of the R&D cost is considered recoverable, based on the projected commercial viability of the product under research and development. Each R&D model is reviewed separately. The directors did, however, acknowledge investors' need for

more visibility into the R&D activities and indicated that they would discuss our request for more detailed disclosure with the board. In a later email communication with BlackRock following the in-person meeting, the company confirmed that the board discussed the issue and agreed to provide more information, starting with a more detailed description of the most important R&D projects each year in their financial statements.

We found the engagement constructive and are encouraged by the company's commitment to better disclosure. We plan to speak with the company on a regular basis to monitor whether progress is made on obtaining the relevant manufacturing license and better disclosure on R&D spending.

2 | China: Equity call for a group finance company

We engaged with an expressway company that proposed a related party transaction (RPT) involving subscription of equity interest in a group finance company (GFC). GFCs are special entities set up to provide a range of financial services to companies within a given corporate group. It is a common feature among Chinese state-owned enterprises (SOEs). Their main purpose is to better use capital within the group by channelling funds among members through the GFC as companies are banned from directly borrowing from or lending to another corporate entity. With the proposed transaction, the expressway company would acquire 25% ownership of the GFC.

In our engagement, the company's director, representatives from the GFC, and representatives from the group parent company explained that the transaction constituted part of the company's strategy to diversify its business into the financial industry and achieve a better return on idle capital. Despite the company's explanation, questions remain about whether the operations of the GFC offer any meaningful synergy to the company's core business that justify the associated risks. In particular, GFCs have concentrated industry risk as they can only service affiliates of the group which are generally in the same industry as the company itself. Discussions with our active portfolio managers revealed similar reservations about the transaction. Given these concerns, we did not support the proposal.

3 | China: Board oversight of Chairman-CEO

A technology equipment manufacturing company in our portfolio faced regulatory scrutiny because of a controversial investment in an overseas R&D project. We engaged with the company to better understand the situation and to learn about its governance structures.

Eight years after the company first disclosed its plans to develop an R&D center in Europe, the project remained far from completion and now has an estimated cost 20 times the original estimate. The project was driven by the Chairman-CEO, who is also the controlling shareholder, despite reservations expressed by the company's lawyers. In our engagement, the company's representatives admitted to misjudgement and poor accounting practices, yet management refused to accept the need to enhance board oversight in relation to the Chairman-CEO's risky business ventures.

We sought to understand the company's approach to seeking independent non-executive directors (INEDs) to fill board seats. The company representatives repeatedly asserted that seeking INEDs, among other governance topics we raised, was "unimportant". This low regard for corporate governance practices is not uncommon at young enterprises in the technology sector. We will continue the conversation and, absent improvements to the company's corporate governance practices, we will consider voting against relevant directors as they come up for re-election.

4 | Hong Kong: Controlling family superseding the board

Following a restructuring a few years ago, a Hong Kong real estate company in our portfolio was spun-off from its parent group. The company is now focused on investment property, operating several major malls in the city. We requested an engagement with the company to discuss its positioning and strategy planning given its concentrated exposure to the retail market in Hong Kong. The retail market has been hit by social unrest in the city over the summer months. We wanted to better understand how the board evaluates the situation in Hong Kong, reviews its strategy accordingly, and oversees management during times of crisis.

The management representatives with whom we engaged clearly articulated how the company, a mall operator, was different from other companies following the restructuring. However, decisions are mostly made by executives; oversight by the board appears weak. For instance, the board appears to have had limited input on the company's policy and statements about the demonstrations. The company representative was not sure how many board meetings were called in the past few months since protest activity began to escalate in Hong Kong. He made a point to refer us to a letter written by the former Chairman who, although he stepped down from the board, still has influence over the company as he is a dominant elder of the controlling shareholder family. Without any formal discussion with the board, the ex-Chairman made public comments and sent communications to staff in his capacity as a person affiliated with the company. The controlling family's influence over decision-making at the company would appear to supersede the board.

Relative to local peers, this company is more transparent and accessible to investors. However, there is ample room for improvement even in these areas and on other governance matters. We will follow up with the company on questions about remuneration arrangements and board functioning. We are seeking to speak with a board director and have recommended the appointment of a lead independent director to be a point person on the board for investors.

5

India: Transparency and compensation

Structuring an incentive plan that keeps management focused on the long-term is a major challenge for companies given the cycle of reporting earnings and determining compensation on an annual basis. In Asia, companies generally provide minimal details on criteria for pay-outs to executives. A recent notable counter-example can be found in India, where one of the major global information / technology (IT) services companies was particularly transparent in setting out terms of its new stock ownership program in its AGM proposals.

The vesting of restricted stock units (RSU) offered through the company's options program will be based on very specific financial criteria: (i) relative total shareholder return (TSR) against a peer group of companies; (ii) relative TSR against named domestic and global indices; and (iii) company-specific growth and margin criteria. No RSUs would vest if its stock ranks below the 50th percentile on the

TSR criteria. The vesting amount would be on a linear scale if the relative TSR ranking is in the 50th to 75th percentile; above the 75th percentile the options would fully-vest.

The level of detail provided on the financial metrics to determine vesting of the RSUs is leaps and bounds above what is provided by most other companies in the market. But we still felt there were serious flaws in the company's compensation metrics. The first was that these criteria were for the vesting of the options, not for the amounts to be granted. The value of options to be granted to the CEO had already been set out in his contract. The second issue was an amendment to allow the vesting of options under the existing scheme for the CEO to be reduced from three years previously to one year for further options to be granted to him under this scheme. For the proposed options scheme, the vesting period is also reduced to one year for the CEO and Chief Operating Officer (COO), while other managers and staff receiving options would have them vest over one to three years.

We spoke with the Chief Financial Officer (CFO) to understand the rationale for the reduction in the vesting period for the senior executives. It emerged from our discussion that a major reason for the reduction was that the CEO had 3 ½ years of his contract left, and the COO had just two years before his expected retirement at the age of 60. We were informed that one of the major global proxy advisers had a lengthy conversation with the CFO and, thereafter, came out with a positive recommendation on all the proposals on the ballot at the annual meeting, including those relating to the new vesting terms.

While we commend the transparency provided in the announcement of the option scheme, we remain concerned about the short vesting period. BIS fundamentally believes that compensation should be structured to promote long-term performance. Allowing options to vest within a year skews the incentives of executives especially as they approach the end of their contracts. They would have an incentive to declare strong performance only around the end of their contract with little at stake for them in the performance of the company thereafter.

We voted in favour of the new options scheme given the new standard of transparency it provided. However, we voted against agenda items for the CEO and COO to have options that vest within one year. These were approved, however, by the large majority of shareholders who appear to put less weight on compensation structures to incentivize for long-term performance, and/or were following the voting recommendation of proxy advisors. The BIS team will continue to analyse compensation programs proposed, engage on these issues with

management and vote in the best interest of clients independent of the specific recommendations of proxy advisers.

6 | India: Promoter spat makes investors relevant

In August, we met with a promoter – a term used in India to refer to controlling shareholder(s) who usually are the founder(s) of the company – of a large budget airline operator. The company was proposing to enlarge the board and seeking shareholder support for the amendment in the Articles of Association to effect this. In the background, however, was a falling out between the two individuals who had founded the company, with one alleging improper related party transactions (RPT) by the listed company involving the private interests of the other promoter. Meanwhile, the shareholder agreement between the two, entered into prior to listing, is set to expire later in the year.

The allegation of improper RPTs involved certain properties the company leased from the private business of one of the promoters, according to information that had apparently been obtained by the other promoter from a whistleblower at the company. However, the promoter making the allegation did not provide any of the details to the company; instead, he had written a complaint to the Securities and Exchange Board of India (SEBI), and to several cabinet ministers. The company subsequently conducted an investigation, led by one of the big four audit firms, which found no major impropriety.

The very public spat between the promoters shone light on a board that has quite a peculiar structure. For the last year, the company had no management executives on the board. A dominant player in the Indian airline industry with a market capitalisation of almost \$10 billion, this company has a board of just six members, one of whom is the wife of one of the founders who himself sits on the board as well. Of the two independent directors, however, one is a former chairman of the securities regulator.

Prompted by SEBI's April 2019 requirement that Indian listed companies should have at least one female independent director, the company proposed to double the number of independents from two to four, raising the ratio of independent members from 33% to 40%. One of the new directors will be a woman; the company will soon re-appoint a member of the executive team to the board as well. We are encouraged that, with these changes, the board should be able to exercise stronger oversight over management and mediate relevant disputes between the

promoters. BIS thus voted in favour of the changes in the Article of Association to increase the board size, which was overwhelmingly approved by shareholders.

The shareholder agreement between the two promoters expires in November 2019. Presently the two individuals who are the promoters together own 75% of the company, held in almost equal proportion. Future challenges for control between the two promoters appear likely. Minority investors will have the deciding vote in any proxy battle between the two. Indeed, the fact that minority shareholder votes are becoming more relevant may well be the reason why one of the promoters went on a mini-tour for the first time in years to meet institutional investors. BIS will watch the developments and look to support the election of suitable independent directors. The board will play a crucial role not just in overseeing management but also in managing the turbulence among the promoters and in the airline industry generally.

7 | Japan: Governance systems of parent companies with subsidiary listings

Japan has a higher number of parent companies with subsidiaries that are also listed than other major markets. The governance system of listed subsidiaries attracted attention when a major shareholder of an office supplies provider announced its intention to vote out board members, including the CEO and all the independent external directors, at the annual general meeting (AGM) of the listed subsidiary. The dispute originated from the poor performance of a joint project but intensified into a near crisis over the business and shareholding relationship of the parent and the subsidiary. After the AGM, the subsidiary was left with a board that had no independent external directors to watch after the interests of minority shareholders; this is particularly concerning given the structural issue of potential conflicts of interest when a listed company has a separately listed parent as its controlling shareholder.

BIS engaged with the parent company to explain our concern that it might prioritize its own interests over those of minority shareholders of the listed subsidiary. Our engagement revealed a lack of effective group governance from the parent company; its control is constrained by the limits of the equal partnership arrangements with its listed subsidiary. The result is an inability to maximize group synergies in the face of challenging business conditions for their joint project.

The relationship between parent companies and listed subsidiaries is not identical across groups. The history, leadership style, and business arrangements will determine the nature of the relationship. Our meeting highlighted the importance of engagement to better understand the unique relationship between parent companies and listed subsidiaries, in particular how potential conflicts of interest may (or may not) be resolved. We also provided feedback to the subsidiary company on the transparency required in these arrangements and the role of the respective boards, especially independent external directors, to ensure that the interests of minority shareholders are protected.

8 | Australia: Diversity through an HCM lens

Human Capital Management (HCM), one of BIS' five engagement priorities, is both a board and a management issue. As a longstanding, active member of the 30% Club, BIS advocates for diversity and the inclusion of different perspectives as we believe that it is an important factor in board quality and effectiveness.

When we ask companies about board diversity or the lack thereof, companies frequently respond by explaining that there are simply not enough women with the right qualifications. We have heard from companies that the "board pool is shallow" or that there is a "lack of pipeline". This only affirms our view that companies need to be more pro-active to improve the pipeline of diverse director candidates.

Thus, we look at diversity not just at the board level but also seek to understand how companies develop their talent pipeline to promote greater diversity among senior executives. This topic has featured prominently in our engagements this quarter. We engaged with a financial services firm where there appeared to be a low level of diversity on the board and in the ranks of senior management. The directors shared their experience and challenges in trying to recruit diverse board members, citing a shallow board pool. We discussed the company's efforts to develop skills at the executive level and why there was a low percentage of women in key management positions. We brought up the notable turnover of high-profile hires that the company has experienced and asked about efforts to address the underlying issues. After a robust discussion, the company agreed that further steps could be taken to improve their overall HCM and diversity initiatives. We will continue to engage with the company on these topics and monitor progress at both the board and executive level.

9 | Thailand: Stepping up to meet higher ESG disclosure requirements

In November 2019, the Thai Securities and Exchange Commission (SEC) will issue new regulations on an "apply-or-explain" basis, requiring firms to report on their environmental, social, and governance (ESG) policies. This will include asking companies to define material ESG issues that affect their businesses and to disclose measures and targets on their environmental metrics (covering energy, water, effluents, waste and pollution, as well as greenhouse gas emissions), social metrics (relating to fair treatment for employees, responsibility to customers, and community development), as well as core governance performance. The SEC also expects firms to conduct value chain analyses with stakeholders. With the aim of providing more "investor-centric" disclosures, these changes build on existing 2014 regulations, which require companies to disclose policies and activities around corporate social responsibility.

In light of the regulatory push towards enhanced disclosures, BIS was contacted by two Thai banks who sought to engage around their sustainability reporting and related materiality matrices. One of the banks proactively approached shareholders with a questionnaire aimed at understanding what issues shareholders consider material to assist the bank in formulating sustainable operating strategies and its Global Reporting Initiative-compliant sustainability report. The other bank hired an external sustainability consultant to facilitate similar discussions.

In both engagements, we stressed the importance of a strong governance framework around how companies manage their ESG risks and opportunities, with proper oversight by the management and board. We underscored that investors are not only interested in the strategic assessment of what risks are most material to the company, but also how these risks are managed and mitigated, and metrics that can be used to measure the company's progress.

The SEC is currently conducting focus-group discussions with relevant stakeholders, with public hearings planned prior to the issuance of the new regulations in November 2019. The SEC and the Stock Exchange of Thailand (SET) will also conduct a series of training activities for listed firms to ensure their compliance with the new regulations in 2020.

These developments are very encouraging, and we anticipate more discussions with listed Thai companies

going forward. This is crucial not only to investors seeking quality company disclosures, but also benefits companies as they begin to identify material ESG risks and opportunities in a systematic manner. We look forward to the launch of the SET's new Sustainability Reporting

Guidelines and to engagements with the regulator and companies to monitor effective implementation.

Responsible Leadership

BlackRock Investment Stewardship website updates

In the past quarter, we published on our website two responses to consultations by regulators. In July 2019, we submitted [our response to the questionnaire which was part of the review of ESG reporting in Hong Kong and the related listing rules of the Hong Kong Exchange](#). The following month, we submitted [our response to the Securities and Exchange Board of India \(SEBI\) on the Working Group proposals relating to Proxy Advisers](#). We await the response of the regulators in these markets to the consultations and feedback received.

Speaking Events:

Members of the APAC BIS team spoke at or participated in several events over the past quarter, with the goal of furthering discussion on matters deemed important to investors and/ or promoting an increased understanding of BlackRock's approach to investment stewardship. We prioritize events that enable us to connect with key constituents and thought leaders, including corporate directors, senior members of management teams, policy makers and other shareholders, including clients.

CFO Forum – Japan

BIS was invited to present on the topic of engagement from the perspective of a long-term shareholder and discussed various topics, including our views on Japan's corporate governance reforms and corporate reporting of ESG factors and how it is being integrated into investment processes. The CFO Forum was convened by a major financial group and was attended by over 20 CFOs of listed companies from various industries.

Presentation at the Japan Investor Relations Association – Japan

BIS was invited to speak at an Investor Relations Association event about our views on corporate governance and our expectations as a long-term shareholder. We discussed our perspectives on Japan's corporate governance reform and the growing emphasis on ESG issues. There were over 50 attendees, primarily investor relations professionals from publicly-listed companies.

Presentation at the Tokyo Association of Shareholder Affairs – Japan

BIS presented on our approach to engagement on ESG topics and our views on relevant corporate disclosures. The event was attended by over 100 professionals from public companies across various industries.

Stock Exchange ESG Seminar – Shenzhen

BIS was invited to speak at a seminar organized by the Shenzhen Stock Exchange on effective communication of ESG factors by listed companies to investors. The event was attended by representatives of approximately 70 companies that are targeted for MSCI index inclusion.

Stock Exchange Stewardship and Investors Relations Forum – Taiwan

BIS was invited to speak on stewardship and relevant corporate governance considerations from the perspective of institutional investors. The forum was co-hosted by the Taiwan Stock Exchange and the Taiwan-based Securities Investment Trust & Consulting Association of the Republic of China (ROC). Approximately 150 participants attended the event, which aimed to enhance institutional investors' corporate governance practices as well as corporates' ability to engage effectively with institutional investors.

ACGA Korea Working Group Tour – Seoul

As a member of the Korea Working Group of the Asian Corporate Governance Association (ACGA), we joined other institutional investors on the association's annual trip to Korea. The visit included meetings with several key Korean regulators including the Ministry of Justice, the Financial Services Commission, the Fair Trade Commission, and the Korea Exchange.

The regulators provided the ACGA delegates updates on key regulatory developments such as the successfully enacted Internal Audit Act and the mandatory Corporate Governance (CG) Report. They also sought our feedback and investors' views on topics ranging from logistical difficulties associated with Korean AGMs, stewardship activities with Korean companies, and regulatory hurdles that impede advancement of corporate governance in Korea.

Market Development and Trends

India: Differential Voting Rights

Following the issue of a consultation paper in March, and a consultation that was conducted to April 2019, the Securities and Exchange Board of India (SEBI) in July announced it has approved a framework for companies to issue shares with differential voting rights (DVR). SEBI proposes to permit technology companies – defined as those that substantively use technology, information technology, intellectual property, data analytics, biotechnology or nano-technology – to be listed with superior rights (SR), subject to certain conditions. The main conditions are:

- The SR shares are to be issued only to promoters / founders who hold an executive position in the company; transfer of shares among promoters shall not be permitted
- SR shares will be converted into ordinary shares in the event of the demise or resignation of the SR shareholder, or an M&A that results in control no longer being with the SR shareholder
- Differential voting rights are to be between ratios of 2:1 to a maximum of 10:1 relative to the ordinary shares
- The DVR shares will be subject to a lock-in until conversion into ordinary shares
- The total voting rights of SR shareholders including their ordinary shares shall not exceed 74% post-listing
- Conversion of the DVRs into ordinary equity shares is expected to be within five years, with the option for one extension; the SR shareholder will not be permitted to vote if there is a proposal to extend the DVR entitlement beyond five years
- For voting on certain types of issues (e.g. appointment or removal of independent directors, voluntary winding-up of the company, related party transactions involving the DVR shareholder, etc.), the voting rights of the DVR shares would be treated as equal to ordinary shares
- Companies with SR shares shall be subject to enhanced corporate governance, two-thirds of the board and mandated committees should comprise independent directors, while the audit committee shall comprise only of independent directors.

Certain existing SEBI regulations will need to be amended, as will rules under the purview of the Ministry of Corporate Affairs and Ministry of Finance, as outlined in a SEBI memorandum issued in September 2019. It appears that the regulations could come into force by end of the year.

India: Consultation on Code of Conduct for Proxy Advisers

In July 2019, the SEBI published a Working Group paper with recommendations for a Code of Conduct for Proxy Advisers. The main recommendations are that proxy advisory firms disclose potential conflicts of interest and how these are managed, including in relation to ancillary businesses (e.g. consultancy services). Other recommendations include: to have proxy adviser firms make their voting guidelines and policies publicly available; to have a board that is independent of their shareholders where ownership of proxy advisers might create potential conflict of interest; and, to provide their financial accounts for the previous year and to disclose annually any change in their shareholders and/or board of directors as well as litigation that the adviser may be involved in.

The Working Group paper recommended foreign proxy advisers follow, on a comply-or-explain basis, a code of conduct that is principles-based on broad principles of fairness, disclosure and management of conflicts of interest. SEBI recommends that institutional investors, including foreign investors, undertake due diligence on the capability and capacity of proxy advisers that they enter into contractual agreement with.

BlackRock submitted a response to the consultation. We are broadly supportive of the recommendations and suggest the final draft of the proposed Code of Conduct be made available for comment from both domestic and international proxy advisers. Due diligence by investors on proxy advisers in our view is certainly to be expected; however, regular or periodic disclosure of such to SEBI may not be necessary if it does not contain substantive information.

Japan: Policy Developments

To improve corporate governance in Japan, enhancing the governance system of listed subsidiaries is an area of focus for the government. The Ministry of Economy, Trade and Industry (METI) issued a corporate governance guideline for

company groups in June 2019 which pointed out key challenges, including the role, criteria, and selection process of independent directors.

Responding to the concern over conflict of interest in transactions where a parent is privatising a listed subsidiary to make it wholly owned, METI also issued revised Fair M&A Guidelines. The key change in the revised guidelines is a stronger role for independent directors in overseeing such transactions.

The Japan BIS team participated in discussions of both policy developments.

Korea: Proposed revision to “5% disclosure rule”

In September, the Financial Services Commission (FSC) issued a press release to announce its plan to amend the shareholding reporting requirements under the so called “5% rule”. The current rule requires shareholders to disclose the purpose of investment when the holding exceeds 5% of issued shares. The choice is to identify the purpose of the holding under one of two categories: “simple investments” or “to exercise influence over management”. The initial report of reaching 5% and subsequent changes thereafter must be filed within one month for the former category and for the latter the reports must be filed within five days.

BlackRock was among several investors that met with and shared concerns with the FSC on the ambiguity of the existing rule, as the scope of activities that could fall under “influencing management” may overlap with activities institutional investors generally carry out under Stewardship Code principles, including Korea’s own Code launched in 2017.

Under the proposed amendment, the following activities will be excluded from activities that constitute “exercising influence over management”:

- Exercise of shareholder rights against unlawful acts by a company or its executives under the Commercial Act (e.g. the right to obtain an injunction against unlawful acts or the right to demand dismissal of an executive officer)
- Shareholder activities by public pension funds to change the articles of incorporation in accordance with pre-released principles to improve corporate governance
- Shareholder activities that relate to a company’s dividend policy
- Expression of shareholder’s opinion or intention.

The FSC, however, proposes to create a new category of holdings called “general investments” for shareholders who do not intend to exercise influence over management, but “actively engage in shareholder activities” that include lodging shareholder proposals. For general investments, the reporting deadline is proposed to be within ten days.

The draft amendment is yet to be released and the definition of activities under “general investments” remains unclear. BlackRock will work to ensure we continue to fulfil our fiduciary duties through a full scope of stewardship activities while maintaining strict compliance with the new disclosure rules.

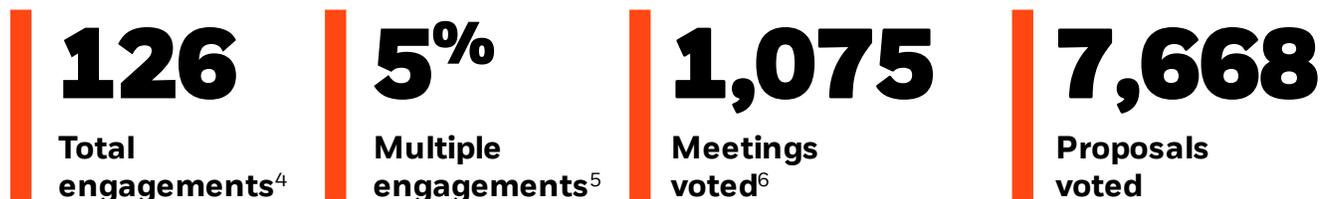
Thailand: Government Pension Fund steps up engagement and stewardship

In August, Thailand’s Government Pension Fund (GPF) established the ESG Collaborative Engagement and Negative List Guidelines, a collective engagement initiative with 32 institutional investors in Thailand. The members collectively manage THB 11 trillion (USD 350 billion) in assets, primarily funded by the GPF, the Social Security Office, insurance companies, and securities companies.

The initiative aims to strengthen collective engagement with Thai listed companies on ESG matters to promote practices that align with long-term sustainable performance and escalate the engagement further in case of corporate misconduct. Under the Negative List Guideline, if a company commits a breach of existing listing rules, the 32 institutional investors will collectively engage to work with the company in resolving the issue. If the company fails to address the problem, these 32 investors will suspend any further investment into the company until the issue is resolved.

Engagement and Voting Statistics

Asia-Pacific Q3 2019 Engagement and Voting Statistics



4 The Asia-Pacific engagement statistics are sourced from BlackRock on October 5, 2019 and are a reflection of 3rd Quarter 2019.

5 Multiple engagements represents the number of multiple meetings during the quarter with the same company.

6 The Asia-Pacific voting statistics are sourced from ISS Proxy Exchange on October 5, 2019 and are a reflection of 3rd Quarter 2019.

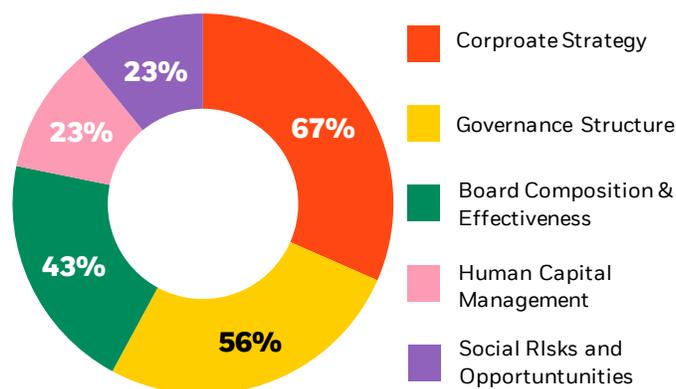
Engagement Topics

122 Governance

24 Environmental

29 Social

Top Engagement Themes*



* Most engagement conversations cover multiple topics

Region	Period covered	Engagements	Multiple engagements*	Meetings voted	Proposals voted
Asia Pacific	October 1, 2018 to September 30, 2019	699	9%	7,673	66,018
Global	October 1, 2018 to September 30, 2019	2,241	9%	15,946	154,624

*Multiple engagements represents multiple meetings with the same company over this period

www.blackrock.com/corporate/about-us/investment-stewardship

Engagement and Voting Statistics

EMEA Q3 2019 Voting Statistics

Country	Number of meetings voted	Number of proposals	% of meetings voted against one or more management recommendations	% of proposals voted against management recommendation
Japan	111	919	40%	7%
Asia-Pacific ex Japan	964	6,749	33%	9%
Asia-Pacific Total	1,075	7,668	34%	9%

Votes against Management by Proposal Type for the Quarter

Region		Japan	Asia-Pacific ex Japan	Asia-Pacific Totals	Global
Management Proposals					
Anti-takeover and related proposals	total number of proposals voted	4	4	8	204
	% of proposals voted against management	100%	0%	50%	5%
Capitalization	total number of proposals voted	16	1,248	1,264	2,238
	% of proposals voted against management	0%	10%	10%	7%
Election of directors and related proposals	total number of proposals voted	744	2,621	3,365	7,553
	% of proposals voted against management	7%	10%	10%	9%
Non-salary compensation	total number of proposals voted	21	485	506	1,346
	% of proposals voted against management	33%	22%	22%	17%
Mergers, acquisitions and reorganizations	total number of proposals voted	36	515	551	770
	% of proposals voted against management	17%	15%	15%	12%
Routine business	total number of proposals voted	70	1,359	1,429	3,432
	% of proposals voted against management	0%	4%	4%	4%
Shareholder Proposals					
Compensation	total number of proposals voted	0	3	3	7
	% of proposals voted against management	0%	100%	100%	43%
Corporate Governance	total number of proposals voted	0	29	29	32
	% of proposals voted against management	0%	0%	0%	6%
Election of directors and related proposals	total number of proposals voted	24	178	202	287
	% of proposals voted against management	0%	1%	1%	1%
Miscellaneous business	total number of proposals voted	4	79	83	101
	% of proposals voted against management	0%	1%	1%	2%

Engagement and Voting Statistics

Proposal Terminology Explained

Management Proposals

Anti-takeover and Related Proposals – proposals concerning shareholder rights, the adoption of “poison pills”, and thresholds for approval, among others.

Capitalization – generally involves authorizations for stock issuances, private placements, stock splits, and conversions of securities.

Election of Directors and Related Proposals – a broad category which includes the election of directors, supervisory board matters, declassification of boards, implementation of majority voting, among others.

Non-salary Compensation – covers shareholder approvals of compensation related matters like advisory or binding votes on remuneration, omnibus stock plans, vote frequency, and special compensation situations.

Mergers, Acquisitions, and Reorganizations – involves significant transactions requiring shareholder approval like spin-offs and asset sales, as well as changes to company jurisdiction or structure.

Routine Business – covers formal approvals of reports, name changes, and technical bylaws, among many others.

Shareholder Proposals

Compensation – compensation, perquisites, and other executive compensation policies.

Corporate Governance – key corporate governance matters affecting shareholders rights including governance mechanisms and related article/bylaw amendments.

Election of Directors and Related Proposals – elections to the board of directors, and other governance provisions related to the board.

Miscellaneous Business – resolutions regarding social and environmental matters that may have an impact on company operations, including shareholder proposals relating to procedural matters.

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