Q4 2019

Investment Stewardship Report: Asia-Pacific (APAC)

December 31, 2019

BlackRock®

Contents

The BlackRock Investment Stewardship (BIS) team publishes quarterly reports to demonstrate BlackRock's approach to corporate governance and fiduciary duty to supports long-term value creation for our clients. The examples reported offer 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.

If you would like additional information, please contact:
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Disclosure Update

With the increased interest in asset managers' stewardship activities, BlackRock is committed to continually improve the transparency of its stewardship practices. BIS publishes on its website Global Corporate Governance & Engagement Principles, regional proxy voting guidelines, engagement priorities, quarterly and annual reports, stewardship code adherence and compliance statements, proxy voting history, and numerous commentaries on a range of stewardship topics.

In January 2020, BlackRock Investment Stewardship initiated quarterly publication of its voting record on the BlackRock website. This voluntary disclosure augments our current approach of providing interested clients quarterly vote reports specific to their portfolios and filing our voting record annually with the U.S. Securities and Exchange Commission, at which time we also publish it on the BlackRock website. The new disclosure is searchable by individual company and will provide details of each shareholder meeting at which we cast votes globally. This voting record reflects votes at meetings held since July 1. It is updated quarterly until June 30 each year, when it is superseded by BlackRock's annual Form N-PX filing. Our vote disclosure will be refreshed within a couple weeks of the end of each quarter and will include the vote instruction by proposal and a high-level, standardized explanation of any votes cast against management. We believe that the additional proxy voting disclosure meets anticipated regulatory measures on enhanced transparency driven by the Shareholder Rights Directive in Europe and similar developments in other markets. We hope that more frequent disclosure of our voting will enhance client understanding of our investment stewardship efforts and underline the importance of informed voting to encourage governance and business practices that support long-term value creation.

In addition to these new global proxy voting disclosures, we recently published commentaries on our engagement approaches to:

- Climate risk
- Reporting aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB)
- Agribusiness companies on sustainable business practices

Our commentary on climate risk outlines three specific outcomes in our engagements with companies regarding climate risk and the transition to a lower carbon economy; better disclosures that will contribute to improved market-level data; substantive action by companies in addressing climate risk; and more informed voting decisions aligned with long-term value creation. Our commentary on TCFD and SASB aligned reporting details our views on comprehensive and consistent disclosures, that in our view, can best help investors better understand whether companies are properly managing and overseeing material risks and adequately planning for the long-term. Our commentary on sustainable business practices for agribusinesses describes our engagement approach on the issue of sustainable agriculture, including how we assess and engage agribusiness companies to encourage corporate governance and business practices consistent with sustainable operations that benefit shareholders and other stakeholders over time.

Collectively, these voting disclosures and commentaries further demonstrate our commitment to transparency and help inform clients and stakeholders about our stewardship activities, which we perform on behalf of our clients.

Engagement and Voting Highlights

The final quarter of the calendar year sees the tail-end of the proxy voting season for India and the peak of the season for Australia. Our vote bulletin for BHP, which is dual listed in the UK and Australia, was published on the BIS website. Below we highlight some of the other engagements over the quarter, ranging from an extensive discussion with a large mining company in India that faces various environmental challenges, a major property group in Australia that saw a shareholder proposal at its annual general meeting (AGM), as well as engagements with other companies in the region in sectors spanning steel, petrochemicals, transport and trading. While governance concerns remain at the forefront of many of the engagement discussions, a number of these engagements involved relevant environmental and human capital management (HCM) issues, highlighted in the case-study summaries below.

1 India: Mining giant with sustainability challenges

In a recent trip to India, our BIS representative met several companies, many of which require careful comparison of persuasive presentation materials against less clear-cut track records. Among the companies we engaged with was one of the largest mining and materials groups in the country. The company has various affiliates listed on the London and New York stock exchanges as well, thus it follows listing norms of several markets.

The company has recently faced some daunting issues. These include a mining accident in the last financial year that resulted in 14 employee fatalities, demonstrations at a smelter where there were allegations of environmental transgressions and police action, which led to the death of 13 of these demonstrators, and the closure of a smelter. In addition, local communities in Zambia are mounting a legal claim against the parent of the company in British courts for environmental breaches.

Against this backdrop, the company appears to be undergoing a change. A new CEO was appointed in March 2019, after a reportedly rigorous hiring process. The requirements for the successful candidate explicitly included strong sustainability credentials earned from running large international businesses. The newly appointed CEO, who came from another international mining company, has made strong internal and external statements that fatalities are no longer tolerated within the group. Bonuses will now be severely docked for any fatality, and a “decelerator” eliminates the total bonuses of both the team leader and his/her team if there is more than one fatality in the team.

The company has put in place a code of conduct and enforced this over the last year. Well-publicized enforcement action against half a dozen senior executives who were dismissed underscored the message of zero tolerance of transgressions within the organisation.

While the company will defend itself in the legal case brought by the Zambian villagers, it indicated that local community members represent an important voice that should be heard as part of securing the company’s license to operate. Meanwhile, in India, the company has had court judgements in its favour regarding the smelter that was closed; it expects the various appeals by their legal opponents to be completed favourably and the smelter to be opened in the not-too-distant future.

The company has also published its Sustainability Report, prepared by a global sustainability team that we are informed now has 400 professionals, headed by an Australian, and assisted by 500 non-professional staff. A few years back, it had set a target to reduce its greenhouse gas (GHG) emissions per unit of output by 16% in the current financial year from their 2012 baseline. Current indications suggest it will be slightly short of the target; according to management, this was an aspirational target, not just one that was easy to meet. The company is now preparing its next medium-term targets to reach between 2025 and 2030.

The company has also made efforts to improve its board diversity, having joined the 30% Club in the United Kingdom (UK). Presently 20% of its board members are women, and the company aims to reach 30% in the medium-term (a date not exactly specified). Senior management explained that this is a target for the board as well as executives at the executive committee level.

The company is demonstrating a significant commitment to improving its sustainability policies and practices. With a new CEO driving the change, this effort may prove more than just cosmetic. BIS will engage with the company at least annually to monitor the new sustainability targets that the company will be issuing, monitor any potential breaches in environmental and social policies, and monitor progress on board diversity. The ongoing improvement in its sustainability efforts with feedback from investors should contribute not just to improved business practices and potentially to a positive impact on long-term value for all shareholders.

2 Australia: Shareholder proposal on a board director

We engaged with a real estate investment trust (REIT) company that faced an activist situation around its board of directors. A large minority shareholder resigned from the board after approximately 18 months, based on concerns of related party overlap and potential conflicts of interest. Following the resignation and further acrimony between the company and the shareholder, the latter sought another board seat via a shareholder proposal at the company's annual general meeting (AGM). In order to be successful, an affirmative vote of more than 50% of the votes cast by, or on behalf of, the company shareholders entitled to vote on the resolution was required. The board recommended that shareholders vote against this resolution.

Consistent with our approach in these situations, we engaged in separate meetings with the company, and its largest minority shareholder who was proposing the dissident director candidate, to better understand the perspectives of both sides.

The minority shareholder that had initiated the contest argued that the company's operational performance had declined, questioned its capital allocation strategy, and expressed concerns over high executive pay. In view of these factors, the shareholder believed that the appointment of its proposed candidate would contribute to improved governance, investment discipline, and more effective cost management.

The board defended the company's performance, arguing that the issue was more symptomatic of conflicting interests and desire to pursue some form of control without offering investors a suitable premium, i.e. this was in effect a "takeover by stealth" maneuver. It held that the nominee was both conflicted and over-boarded, and that the nominee's skills were already represented among the existing group of directors who had driven strong performance and returns over the last several years.

Leading into and following our engagements, we sought input from the BlackRock active portfolio management team that had also identified potential conflicts associated with the former director and the proposed nominee, recognizing that both parties were in competition and pursuing the same strategy.

Although we hold the proposed nominee in high regard, we remained concerned about the aforementioned potential conflicts that existed from serving on the boards of competing businesses. The shareholder nominee indicated in our engagement that he would review his other board commitments if appointed and ultimately offered to resign from one of the potentially conflicting board positions.

Multiple engagements informed our decision ultimately to oppose the dissident's nominee owing to the concerns over potential conflicts. We will continue to engage with both parties and to monitor the situation.

3 Japan: Physical climate risk for railway operator

The materiality of climate risk on company business was particularly apparent when Typhoon Hagibis, one of the strongest typhoons in the country's history, hit Japan and left a trail of destruction across the centre and northern part of the nation. The typhoon brought an unprecedented amount of rainfall, which caused massive flooding across low-lying land areas including inland areas where the train yard for a major railway company was located. BIS engaged with the major railway operator to better understand the economic impact of this natural disaster and to confirm the preparedness of the company to deal with natural disasters going forward.

In anticipation of major adverse weather events, major railways, airlines, and other public transportation operators now suspend services in advance to ensure safety of passengers. However, not all weather conditions are foreseeable; in this instance the heavy rainfall caused by Typhoon Hagibis exceeded weather forecasts. Timely restoration of services also requires significant resources, equipment and personnel and keeping these resources available on stand-by also involves significant cost. Thus, BIS believes that boards should consider planning and strategy on natural hazards in their strategic planning.

Our engagement focused on potential changes in the company's risk management plan, including efficient use of natural catastrophe insurance. The company explained it had positioned earthquakes as the highest risk natural disaster, and is now considering establishing a committee to strengthen its preparations for storm hazards, which is emerging as a potential recurrent risk. We believe the company has taken the right steps in minimising climate risks, as the plan focuses on ensuring that the company's facilities are further resilient to changing storm patterns and also timely restoration of its services are possible post disaster.

BIS will continue to monitor the development of the company's risk management practices and also for other related companies that will likely be impacted increasingly by hitherto abnormal weather patterns.

4 Japan: Feedback on long-term strategy and human capital management

Many Japanese finance houses are shifting their business models from trading to investment, reallocating assets in response to the changing business environment. Not least of the changes are disruptive technologies and the global trend of transitioning to a low carbon economy given exposure to thermal coal and coal-fired power generation. Over the past few years, BIS has engaged with one of the finance houses, offering feedback on the company's mid-term strategy and long-term vision, including the integration of environmental, social and governance (ESG) issues into its strategy. BIS has expressed the view that corporate reporting should help investors and others understand a company's approach to these material factors and how risks are integrated and opportunities realized. These perspectives were shared during recent engagements with the company.

From our engagement we learned that the company has implemented several substantive governance measures to improve its ESG practices. To meet the challenge of developing growth in new areas, we engaged with the company to encourage HCM strategies and strengthen corporate governance practices. In their most recent integrated report, the company explicitly disclosed the challenges of and commitment to its HCM strategy, with some examples of the issues and ongoing initiatives at business unit levels. The company has also established an internal committee to address various sustainability issues with a clear focus on materiality. We feel that the fact that this committee is led by the CEO reflects the company's commitment.

In our view, the remaining challenge for this company is to further develop future growth drivers. Until a few years ago, the company focused on restructuring low performing businesses, and thus low risk/return profile investments. While BIS believes robust risk management practices are one of the company's core strengths, we encourage the company and its board to continue to review its human capital management practices and resources to ensure it invests in new businesses with stronger growth expectations. We will continue to monitor the implementation of the company's long-term strategy, in particular the role of the board in integrating ESG factors into overall group strategy.

5 Korea: Independent directors on the road to meet investors

In November, two independent directors, including the board chairman, of the largest steel manufacturer in Korea visited Singapore on a roadshow and met with BIS. The directors were on their first overseas roadshow to meet with investors to gather feedback on what investors expect from the board and management, and to share these perspectives with the board.

The most significant governance risk that BIS identified with the company was the management's track record on capital allocation. Over the last decade, the company demonstrated a pattern of expansion into non-core businesses under one CEO, who was followed by a successor that then wound down the unsuccessful ventures. This cycle has undermined the value of the company's competitive core steel business.

Given this concern, the meeting focused on how the board views and maintains oversight of the company's longer-term strategy and capital allocation decisions. The chairman concluded that the company needed to improve its financial discipline. He noted that the current board and management are actively streamlining the non-steel businesses. He shared that this process would be completed by year-end at the parent company level. Next year's focus will be on identifying the businesses at the subsidiary level that would justify nurturing for growth, such as its lithium business, and those that require further streamlining. The ultimate goal is to significantly increase the profit contribution of its non-steel businesses, which is currently minimal despite making up 50% of group revenue.

The directors seemed highly engaged in their roles, sharing with BIS that the company's independent directors meet separately before the monthly full-board meetings to discuss the agenda. Apart from the board meetings, independent directors have a full day strategy session with the key business heads twice a year, in addition to the annual year-end strategy review meeting.

Notwithstanding the time committed by existing directors, BIS shared its view that the composition of the board could be strengthened by adding more directors with experience managing businesses: currently only two of the seven independent directors have management backgrounds.

The directors also spoke to the importance of improving board diversity, including gender diversity. They noted that the nominating committee is keeping diversity in mind as they prepare for their March 2020 AGM. To aid the process of identifying the strengths and weaknesses of the current board composition, BIS recommended conducting an independent board evaluation with a credible third party, a practice the board has not initiated in the past. The directors were receptive to the suggestion.

It has been a multi-year effort by BIS to engage with the independent directors of the company in meaningful discussions. We are encouraged that the directors have committed to continue meeting with shareholders face-to-face as the engagement with BIS has reportedly been a positive learning experience for them as well. BIS will monitor the company's progress in advance of its upcoming AGM with an eye towards its board composition. We intend to continue to engage with the board to deepen our understanding of the company's progress on their stated objective of more efficient growth.

6 China: Management of environmental issues

ESG reporting has become mandatory for companies listed in Hong Kong. However, disclosures often fail to provide much insight into actual company activities. As such, BIS raised this issue when engaging with a CFO of a Chinese petrochemical company and sought to gain more clarity on the company's ESG risk management approach.

In the Chinese petrochemical industry, capital expenditure for project investments is heavily regulated by the municipal government, which has tightened its environmental policy in cities, and which has not issued a single new business license in the past six years. As such, the board recognizes environmental issues have a material financial impact on company's growth, hence are an integral part of the strategy and sustainability planning. The company's recent efforts have been focused on reduction of volatile organic compounds (VOCs) emissions. According to the CFO, the annual emission target has been set progressively lower each year to benchmark against global peers that have much more stringent standards.

We were impressed by how employees across the entire company are mobilized as part of the firm-wide risk management system. When setting 2019 VOCs emission targets, an employee representative successfully pressed management to set a more ambitious reduction target. In addition, the company has deployed new technology which allows front-line workers to easily report abnormal leakages at any of the factory's one million checkpoints. The company offers small incentives as tokens of appreciation to encourage employee participation in this leakage monitoring system.

While cost-cutting in relation to waste appears to be the main driver behind the company's environmental efforts, we felt that the company's remuneration framework failed to provide information on any relevant sustainability metrics or other key performance indicators. Being a state-owned enterprise (SOE), the company incorporates a remuneration system mandated top-down from its controlling shareholder, and thus seems restricted from having its own compensation targets. The CFO explained that the board is currently focused on appraisal frameworks for middle management as the company is state owned and remuneration systems are therefore set top-down by its controlling shareholder

Overall, we believe that the company is managing its environmental risks effectively. However, there is room for improvement on disclosures. The lack of reporting on reduction targets and emission data make it difficult for investors to effectively assess the company's ESG practices. To that end, we recommended that the company consider leveraging the Task Force on Climate-related Financial Disclosures (TCFD) framework. Specifically, the framework seeks disclosure on a company's governance, strategy, risk management, and metrics and targets, which we believe can be extended beyond climate risk reporting to other material ESG factors. Management was receptive to this suggestion and indicated that it would explore the feasibility of adopting the framework.

7 Taiwan: Board diversity and academic representation

BlackRock considers board diversity in evaluating a board's composition and effectiveness. As noted in our board diversity commentary, we recognize that diversity has multiple dimensions, including personal factors such as gender and age, as well as professional characteristics, such as a director's industry, area of expertise, and geographic location.

We emphasized the importance of professional diversity when we engaged with a semiconductor company and with a steel producer, both in Taiwan. While in two different industries, the independent directors at both companies are academics. Recruiting independent directors from academia is common in Taiwan as scholars are generally highly regarded. There are several benefits of having directors that hold professorships at universities, such as better access to university talent pools and staying abreast of the latest technological developments.

Nevertheless, we recommended that both companies expand the diversity of independent directors by introducing individuals with industry experience. In our view, business professionals have practical experience and knowledge that can contribute to more effective oversight of a company's operations. More importantly, the experience and skillset of board members should be complementary to and aligned with the company's long-term strategy. Thus, we encouraged the steel company to expand the director nomination pool to include participants that have experience in the Southeast Asia market, one of the key growth markets identified by the company. We will continue to monitor and engage with other companies in the market to encourage diversification in the experience and background of directors.

8 Singapore: Companies increasingly proactive on engagements

In recent months, we have noticed that more Singaporean companies are reaching out proactively to engage with stakeholders on sustainability-related issues. BIS was contacted by several companies, including a bank and a real estate operating company to engage on their sustainability reporting and materiality assessment process. In these engagements, BIS noted that our aim is to understand how material risks and opportunities are incorporated in the company's long-term strategy, as such relevant sustainability reporting differs for each company depending on their industry. We have had meaningful discussions around the disclosure of relevant ESG metrics and the process behind setting robust, challenging targets that help investors measure the company's progress.

One company – a large land transport operator – held its first sustainability workshop for its group and subsidiaries' board of directors, and invited BIS to share an investor's perspective on sustainable investing and investment stewardship. Although characterized by a relatively conservative board with several long-serving independent directors and a visibly dominant chairman, the company made meaningful progress in 2019. One of the company's new independent directors is a well-known sustainability expert in Singapore. Three female directors also joined the company and its subsidiary boards this year, signalling progress in diversity efforts.

The sustainability workshop also included a session on sustainability-related issues faced by the industry, which was conducted by an external consultant. Although the board's overall grasp of sustainability-related risks and opportunities seemed nascent, the audience was engaged on topics like ridesharing, electrification strategies, and their associated risks and opportunities. In the discussion, BIS highlighted the importance of human capital management and talent retention, especially for companies in industries facing disruption from new technology.

We are encouraged by the increasing proactiveness of Singaporean companies and their willingness to engage with investors and other stakeholders. BIS anticipates a deeper level of engagement with Singaporean companies on sustainability and ESG-related issues in the year ahead.

Responsible Leadership

BlackRock Investment Stewardship website updates

In the past quarter, we published the BIS team response to the Australian Prudential Regulation Authority's (APRA) consultation on remuneration, summarised in the following section. Separately, we published a Vote Bulletin on our proxy voting for BHP's recent AGM. The meeting gained significant media attention as a result of a shareholder proposal that is discussed in the bulletin.

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.

UN Global Compact Network Korea's "Global CSR Conference" – South Korea

BIS was invited to speak at a special session on 'Responsible Investment for Corporate Sustainability' at the UN Global Compact Network Korea's "Global CSR Conference". Approximately 400 representatives across sectors and businesses convened in Seoul, joining global corporate sustainability experts to cover pertinent issues like the Sustainable Development Goals (SDGs), human rights, social values, and sustainable finance.

MAS Financial Centre Advisory Panel (FCAP) Green Finance Working Group – Singapore

BIS was invited to be a member of the Monetary Authority of Singapore (MAS) Financial Centre Advisory Panel's Green Finance Working Group. Comprised of senior leaders of Singapore's financial industry, BIS will contribute specifically for a multi-year workstream aimed at improving measures and disclosures.

OECD Asian Roundtable Corporate Governance – Mumbai

BIS participated as a delegate at the November 2019 OECD Corporate Governance roundtable in India, which was co-organised by the Securities and Exchange Board of India (SEBI) and attended by regulators from the region. It included sessions that focused on the integration of stock markets, board duties and responsibilities, evolving ownership patterns, and differential voting rights (i.e. dual class shares).

Investor Relations Association and ONC Lawyers Conference on Shareholder Engagement and Activism – Hong Kong

BIS spoke at an event organised by the Hong Kong Investor Relations Association together with ONC, a Hong Kong-based corporate legal firm. It focused on purpose, ESG, and value creation and included approximately 200 participants comprised mainly of investor relations professionals.

Market Development and Trends

Global: Updates on the 30% Club

BlackRock has long championed inclusion and diversity. Larry Fink, BlackRock's CEO, is a founding member of the US 30% Club - a group committed to increasing gender representation on boards and in senior management. Michelle Edkins, Global Head of Investment Stewardship for BlackRock, serves on the US Steering Committee. BlackRock actively participates in 30% Club chapters in the UK, Australia, and China, including at the steering committee level in Australia and China. The 30% Club runs a number of specific and targeted initiatives that seek to increase the number of women at all levels of organizations. Its purpose is to:

- coordinate the investment community's approach to diversity, in particular to explain the investment case for more diverse boards and senior management teams;
- exercise ownership rights, including voting and engagement, to effect change on company boards and within senior management teams;
- encourage all investors to engage on the issue of diversity with chairs of boards and senior management teams.

We believe that the work of our global team, along with that of other institutional investors, is bringing attention to the issue of board diversity and has, at least indirectly, helped improve the ratio of women serving on boards. In Australia, BlackRock has been a member of the 30% club since its 2015 inception. We were pleased with the announcement that as of November 30th, 2019, the ASX 200 had officially hit the target of 30% female directors. While this is a remarkable achievement we will continue to forge ahead and advocate for greater diversity across the Australian listed universe.

Australia: Consultation on remuneration considerations for the financial sector

In October, the Australian Prudential Regulation Authority (APRA) closed a consultation on a draft prudential standard aimed at clarifying and strengthening remuneration requirements in APRA-regulated entities. In it, APRA proposed creating a new prudential standard (CPS 511) to better align remuneration frameworks with the long-term interests of entities and their stakeholders, including customers and shareholders.

Among the key reforms, APRA proposed:

- To elevate the importance of managing non-financial risks, financial performance measures must not comprise more than 50% of performance criteria for variable remuneration outcomes;
- Minimum deferral periods for variable remuneration of up to seven years would be introduced for senior executives in larger, more complex entities. Boards would also have scope to recover remuneration for up to four years after it has vested; and
- Boards must approve and actively oversee remuneration policies for all employees, and regularly confirm they are being applied in practice to ensure individual and collective accountability.

In principle, BlackRock agreed with the intent of the APRA proposal as we support a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs. However, we had concerns about the prescriptive demarcation of financial and non-financial risks, which we outlined in greater detail in our response.

China: Expansion of H-share full circulation programme

To prevent potential insider selling and to maintain the state's majority ownership in companies traded internationally including in Hong Kong, Chinese regulators to date have allowed only H-shares to be freely circulated, i.e. to be tradeable freely on the Hong Kong market. Shares held by domestic shareholders ("domestic shares") cannot be circulated or disposed through the Hong Kong stock market. In April 2018, the China Securities Regulatory Commission (CSRC) established a pilot programme allowing major shareholders to convert their non-tradeable domestic shares into H shares that can be transferred and circulated. Three companies participated in the pilot: Legend Holdings, Shandong Weigao Group, and AviChina Industry and Technology.

In November 2019, CSRC announced that the H-share full circulation scheme will be implemented. This is widely considered a positive move by governance observers as it aligns the interests of top shareholder with small investors. However, the Hong Kong traded H-shares will likely remain a minority of the total share capital and the controlling stakes of H-share listed Chinese SOEs are unlikely to be subject to change.

China: Removal of limits on foreign ownership in financial industry

With the aim of further opening the financial sector and expanding foreign investments in domestic futures trading brokerages, CSRC relaxed the ownership limit of foreign investors in futures trading companies to a majority stake of 51% in August 2018, and planned for full removal of ownership limits within three years (by 2021). In October 2019, CSRC announced it would bring forward the timeline of full removal of foreign ownership limit in foreign-invested futures companies to 2020.

Japan: Stewardship initiative on reporting

Seven institutional investors, including BlackRock Japan, along with several other stakeholders across the investment management industry, launched the Japan Stewardship Initiative (JSI) on November 27, 2019. JSI's main objective is to serve as a forum for solutions to practical issues across the stewardship ecosystem and to share best practices. JSI will begin by focusing on the implementation and enhancement of the "Smart Format" standard reporting framework used by asset owners and asset managers. JSI is supported by the Japan Stock Exchange Group and Investor Communications Japan (ICJ).

South Korea: Legislation proposed to improve AGM practices

In April this year, the Financial Services Commission (FSC) announced a proposed change to the Commercial Act specifically designed to improve the AGM practices in Korea. The proposed legislation included measures such as:

- Increased disclosure on director candidates, including details of his/her professional career and the board's rationale for selecting the candidate;
- Strengthening pay disclosure to detail the actual remuneration paid to each director (currently only disclosed as an aggregate sum);
- Lengthening the AGM notice period from the current two weeks to four weeks; and
- Setting a daily limit on how many companies may hold AGMs on a specific date during the peak AGM month of March.

The proposed legislation addresses several of the pain-points shareholders have faced at Korean AGMs and is widely considered a marked improvement over current practices. However, it has been challenged by the corporates this year citing increased logistical burden – and all eyes are on the National Assembly as market participants await the outcome of their decision to adopt some of these proposed measures within the fiscal year. Any changes would take effect during the 2020 AGM season.

Singapore: Accelerating green finance

In November, the Monetary Authority of Singapore (MAS) announced a US$2 billion 'Green Investments Program' aimed at accelerating the green finance ecosystem in Singapore, promoting environmentally sustainable projects and mitigating climate change risks in Singapore and the broader region.

The program is two-pronged, consisting of both capital allocation and public policy measures. Funds will be channelled towards "green focused" public market investment strategies, as well as asset managers keen on strengthening their green investment capabilities and product offerings. This includes the US$100 million that has been earmarked for the Bank of International Settlements' Green Bond Investment Pool.

To encourage more firms to access green loans, MAS will also roll out grant schemes aimed at defraying costs associated with the development of necessary sustainability frameworks and engagement of external reviewers. Furthermore, in an attempt to build a cohesive, resilient financial system, MAS is looking to issue environmental risk management guidelines – standards on how to measure, limit and disclose businesses' exposure to environmental risk – applicable across the banking, insurance and asset management sectors. These disclosures will encourage the right-pricing of loans and investments. A consultation paper is due Q1 2020.

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Engagement and Voting Statistics

Asia-Pacific Q4 2019 Engagement and Voting Statistics

215 Total engagements[4]

10% Multiple engagements[5]

1,284 Meetings voted[6]

6,872 Proposals voted

4 The Asia-Pacific engagement statistics are sourced from BlackRock on January 5, 2020 and are a reflection of 4th Quarter 2019.

5 Multiple engagements represent 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 January 5, 2020 and are a reflection of 4th Quarter 2019.

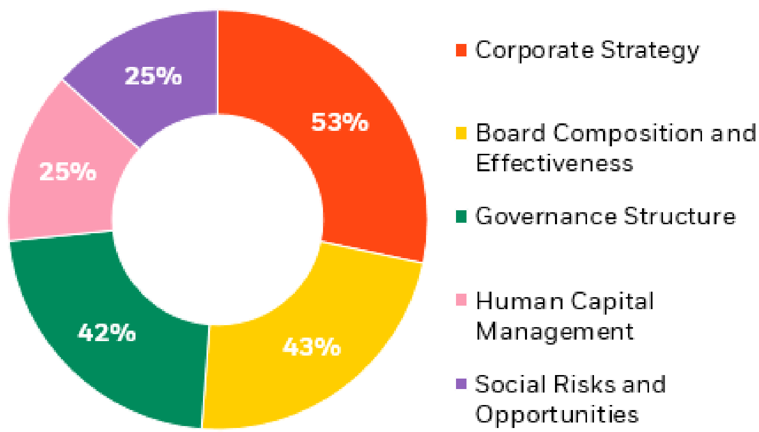
Engagement Topics

208 Governance

70 Environmental

54 Social

Top Engagement Themes*



* Most engagement conversations cover multiple topics

Region	Period covered	Engagements	Multiple engagements*	Meetings voted	Proposals voted
Asia Pacific	January 1, 2019 to December 31, 2019	783	19%	7,660	65,533
Global	January 1, 2019 to December 31, 2019	2,604	20%	15,939	153,706

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

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Engagement and Voting Statistics

APAC Q4 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	91	804	34%	6%
Asia-Pacific ex Japan	1,193	6,068	21%	8%
Asia-Pacific Total	1,284	6,872	22%	8%

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	2	39	41	190
	% of proposals voted against management	100%	3%	7%	8%
Capitalization	total number of proposals voted	2	1,006	1,008	1,749
	% of proposals voted against management	0%	6%	6%	6%
Election of directors and related proposals	total number of proposals voted	657	1,855	2,512	6,256
	% of proposals voted against management	5%	3%	4%	8%
Non-salary compensation	total number of proposals voted	40	818	858	1,718
	% of proposals voted against management	20%	13%	13%	14%
Mergers, acquisitions and reorganizations	total number of proposals voted	43	1,119	1,162	1,406
	% of proposals voted against management	7%	17%	16%	14%
Routine business	total number of proposals voted	56	625	681	2,485
	% of proposals voted against management	0%	6%	5%	6%
Shareholder Proposals					
Compensation	total number of proposals voted	1	21	22	29
	% of proposals voted against management	0%	10%	9%	7%
Corporate Governance	total number of proposals voted	1	85	86	90
	% of proposals voted against management	0%	26%	26%	24%
Election of directors and related proposals	total number of proposals voted	1	335	336	417
	% of proposals voted against management	0%	1%	1%	2%
Miscellaneous business	total number of proposals voted	1	129	130	8
	% of proposals voted against management	0%	6%	6%	0%

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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