



GOVERNANCE

ROLES OF PROXY ADVISORS

Helping Investors Make an Informed Vote

Now more than ever, Governance Matters

www.issgovernance.com



AGENDA

- › Independent Advisor to Institutional Investors
- › Proxy Advisors as Governance Expert
- › Proxy Advisors as Information Aggregator
- › Reducing Operational Impediments to Voting

Independent advisors serving institutional investors

Research & Recommendations

Review and analyze meeting agendas to support informed decision making

Make vote recommendations

Engage with issuers

Fulfill Compliance Requirements

Support compliance obligations in accordance with SEC regulations, N-PX, Dodd-Frank, UK Stewardship Code, UNPRI, among others

Implement Clients' Own Philosophy

Implement customized proxy voting policies that reflect the unique perspectives of the client

Vote Execution & Processing

Send and process vote instructions

Reconcile ballots and client holdings

Communicate with custodian banks



Provide independent and objective advice to institutional investors and facilitate their decision-making process while meeting their compliance responsibilities.

ISS adopts a policy-based approach and develops its policies in a transparent manner that includes ongoing market feedback, surveys, roundtables and an open industry comment period

Research Approach

- › **Market-specific Policies** developed to cater to each market's unique practice and standards while taking into account international best practices.
- › **Perspective of a Long-term Owner** through policy guidelines, seeking to maximize shareholder value through voting.
- › **Balanced Viewpoints** that seeks to strike the right balance between shareholder interests and economic practicality.
- › **In-depth Analysis** of meeting agendas applying market-specific policies.
- › **Engagement with Issuers** to gain deeper understanding of the facts and enriches our analysis on contentious and unique issues.

Policy Formulation Process



Many investors develop their own policies and vote following their own guidelines.

Analysis of Resolution Items

Investors come to proxy advisors for their expert advice on a broad range of governance issues in various markets to help them make an informed voting decision

Agenda	Hong Kong	India	Malaysia	Singapore	Korea	Thailand	Japan	US
Financial Statements	○	○	○	○	△	○	×	×
Dividend Distribution	○	○	○	○	△	○	△	×
Director/Supervisor Election	○	○	○	○	○	○	○	○
Appointment of Independent Auditor	○	○	○	○	×	○	△	○
Director Remuneration	○	△	○	○	○	○	△	×
Executive Remuneration	×	△	×	×	×	×	×	○
Equity-based Incentives	○	○	○	○	△	○	○	○
Share Issuance Authority	○	○	○	○	×	△	×	×
Share Repurchase Authority	○	△	○	○	×	×	△	×
Related-Party Transaction	○	○	○	○	×	○	×	×

Case Study: Zhuzhou CSR Times Electric Co., Ltd. (HK:03898)

General mandate to issue shares

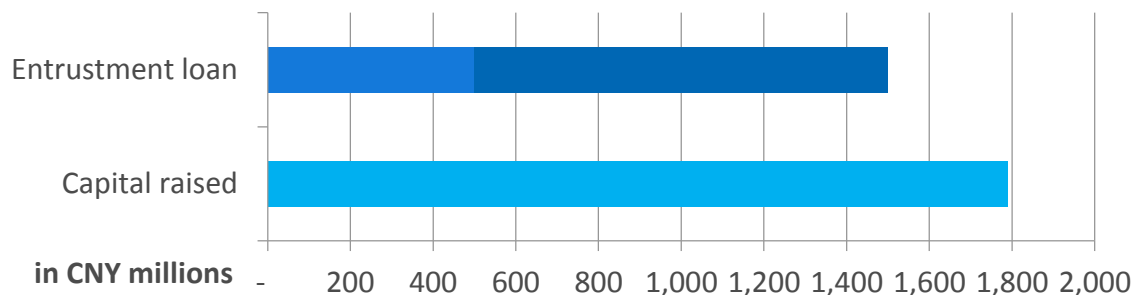
- At 2013 AGM, requested authority to issue up to 20% of domestic shares or H shares at maximum discount of 20%
- Passed with 76.8% support, but parent allowed to vote (holds 57.03% of outstanding shares)
- 75.6% of independent shareholders voted AGAINST

Dilutive private placements

- On Oct. 25, 2013, issued 91,221,000 H shares, 20% of outstanding H shares, via private placement to undisclosed buyers
- @ HK\$25 per share, 8.76% discount to unaffected price of HK\$27.40
- Raised HK\$2.28 billion (approx. CNY 1.8B) to procure raw materials and machinery equipment

Entrustment loans to parent

- | | |
|-----------------|---|
| CNY 500 million | <ul style="list-style-type: none"> • In Dec. 2013, announced that it would lend CNY 500M to the parent via entrustment loan • @ 10% below benchmark lending rate • Non-material, so no shareholder vote required • To better utilize surplus cash with acceptable levels of risk with satisfactory economic returns |
| CNY 1 billion | <ul style="list-style-type: none"> • At EGM in March 2014, proposed to lend additional CNY 1B • @ 10% below benchmark lending rate • IFA and INEDs believe in shareholders' best interest • Proposal was defeated with 72.6% AGAINST votes by independent shareholders |



BOARD COMPOSITION

2013

Country	Average Indep.	% 1/3 Indep.	% Maj Indep.	% INED Chair	Age	Tenure	Average Size	#WOB	WOB%	%of <75% attendance
Hong Kong	38.2%	91.7%	5.4%	1.7%	55.0	6.2	10.3	0.9	8.9%	5.9%
India	51.3%	94.4%	41.6%	8.0%	61.1	7.4	10.7	0.74	6.9%	15.4%
Malaysia	45.2%	85.5%	32.3%	35.5%	59.1	7.8	8.9	0.92	10.3%	4.2%
Singapore	53.4%	93.2%	52.1%	23.3%	60.8	7.9	8.9	0.67	7.5%	4.8%
Thailand	41.8%	94.6%	16.2%	36.5%	60.0	9.0	12.4	1.53	12.3%	7.0%
Japan	6.7%	4.2%	0.8%	N/A	58.5	6.4	8.1	0.1	1.6%	7.2%
Korea	51.5%	87.9%	64.5%	6.5%	58.5	3.7	8.2	0.14	1.7%	1.6%
USA	75.7%	99.3%	94.3%	36.6%	61.2	8.5	8.5	1.05	12.3%	1.0%

2014

Country	Average Indep.	% 1/3 Indep.	% Maj Indep.	% INED Chair	Age	Tenure	Average Size	#WOB	WOB%	%of <75% attendance
Hong Kong	38.5%	92.0%	5.4%	1.3%	55.2	6.8	10.36	0.98	9.5%	6.3%
India	53.3%	97.7%	45.3%	11.6%	60.3	7.8	10.55	1.00	9.5%	13.7%
Malaysia	48.4%	98.3%	36.7%	40.0%	59.0	7.0	8.63	0.97	11.2%	4.1%
Singapore	53.4%	97.0%	45.5%	30.3%	60.8	8.5	8.76	0.59	6.7%	2.9%
Thailand	41.6%	98.6%	11.0%	38.4%	60.0	9.2	12.47	1.53	12.3%	5.7%
Japan	8.3%	4.7%	0.9%	N/A	58.8	6.2	8.1	0.1	1.9%	7.6%
Korea	52.2%	87.0%	71.3%	4.3%	57.3	3.4	7.86	0.10	1.3%	0.9%
USA	76.1%	99.3%	94.2%	36.7%	61.3	8.4	8.57	1.10	12.8%	1.0%

- Based on sample of large and widely-held companies for non-Japanese equities. Approx. 800 Asian securities, 300 Australian companies, and 4000 US companies. For Japan, the sample is all listed companies.
- Based on ISS definition of independence. INED stands for independent non-executive director.
- In Korea and Japan, only outside directors' attendance is disclosed.
- 2014 data is for the first 8 months

COMMITTEE COMPOSITION

2013	Audit Committee			Remuneration Committee			Nomination Committee		
Country	with AC	Majority Indep.	INED Chair	with RC	Majority Indep.	INED Chair	with NC	Majority Indep.	INED Chair
Hong Kong	99.4%	96.0%	91.9%	98.9%	90.4%	91.3%	93.7%	89.0%	54.7%
India	100.0%	95.2%	92.0%	87.2%	85.3%	83.5%	44.0%	72.7%	61.8%
Malaysia	100.0%	93.5%	95.2%	95.2%	79.7%	78.0%	98.4%	86.9%	80.3%
Singapore	100.0%	91.8%	90.4%	100.0%	83.6%	80.8%	98.6%	86.1%	87.5%
Thailand	100.0%	100.0%	94.6%	86.5%	65.6%	73.4%	86.5%	67.2%	78.1%
Japan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Korea	87.9%	97.2%	37.6%	29.8%	83.8%	24.3%	76.6%	68.4%	15.8%
USA	99.8%	99.6%	95.1%	87.4%	97.1%	89.5%	95.2%	97.1%	86.1%

2014	Audit Committee			Remuneration Committee			Nomination Committee		
Country	with AC	Majority Indep.	INED Chair	with RC	Majority Indep.	INED Chair	with NC	Majority Indep.	INED Chair
Hong Kong	99.0%	95.8%	93.9%	99.4%	90.0%	91.6%	94.6%	85.8%	51.0%
India	100.0%	96.5%	95.3%	94.2%	86.4%	88.9%	77.9%	83.6%	82.1%
Malaysia	100.0%	98.3%	100.0%	100.0%	83.3%	80.0%	100.0%	90.0%	83.3%
Singapore	100.0%	90.9%	92.4%	100.0%	89.4%	78.8%	98.5%	87.7%	83.1%
Thailand	100.0%	100.0%	95.9%	89.0%	58.5%	76.9%	89.0%	56.9%	76.9%
Japan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Korea	84.3%	97.9%	38.1%	26.1%	76.7%	23.3%	69.6%	72.5%	11.3%
USA	99.9%	99.8%	96.5%	90.8%	97.1%	91.6%	96.0%	97.1%	87.7%

Proxy Advisors as Aggregator of Information

Collect and process a broad range of information and make what investors need to make a vote decision, when they need them

Collect Public Filings

Aggregate relevant documents from various sources

Primary Information Source

Proxy Filings

Annual Report

Regulatory Filings

News & Third-party Research

Secondary source of information
Collected only as reference

Compile Data

Extract relevant information and process them into format that can easily be analyzed

Governance Data

Compensation Data

Financial Data

Engagement

Engagement augment the research process

Analysis & Report

Analyze the data and summarize key issues and exceptional items

Advisory Report



ISS vote recommendation and analysis are based solely on publicly available information.

CASE STUDY: SK TELECOM

주주총회소집 결의

1. 구분	정기주주총회	
2. 일시	2014-03-21	10 : 00
3. 장소	서울시 관악구 보라매로5길 1 (봉천동) SK텔레콤 보라매사옥 4층 대강당	
4. 의안 주요내용	<p>□제 30기 정기주주총회 회의 목적사항</p> <p>가. 보고사항</p> <p>- 감사보고, 영업보고, 최대주주등과의 거래 보고</p> <p>나.부의 안건</p> <p>제1호 의안 : 제30기 재무제표 승인의 건</p> <p>제2호 의안 : 정관 일부 변경의 건</p> <p>제3호 의안 : 이사 선임의 건</p> <p>제3-1호 : 사내이사 선임의 건 (후보: 하성민)</p> <p>제3-2호 : 사외이사 선임의 건 (후보: 정재영)</p> <p>제3-3호 : 사외이사 선임의 건 (후보: 이재훈)</p> <p>제3-4호 : 사외이사 선임의 건 (후보: 안재현)</p> <p>제4호 의안 : 감사위원회 위원 선임의 건(후보:안재현)</p> <p>제5호 의안 : 이사 보수한도 승인의 건</p>	
5. 이사회결의일(결정일)	2014-02-20	
- 사외이사 참석여부	참석(명)	5
	불참(명)	0
- 감사(사외이사가 아닌 감사위원) 참석여부	참석	
6. 기타 투자판단과 관련한 중요사항	-	
	※ 관련공시	-

[이사선임 세부내역]

성명	생년월일	임기	신규선임여부	주요경력	현직	최종학력	국적
하성민	1957-03-24	3	재선임	-SK SUPEX 추 구합의회 전략 위원회 위원장 (현) -SK하이닉스 이사회 의장 (현)	SK텔레콤 대표이사	성균관대 학교 경영 학 학사	대한민 국

[사외이사선임 세부내역]

성명	생년월일	임기	신규선임여부	주요경력	현직	최종학력	국적
정재영	1944-10-15	3	재선임	-아태경제학회 회장(현) -성균관대학교 인문사회과학캠퍼스 부총장 -포스코 사외이사 -성균관대학교 경영학부 교수	성균관대 학교 명예교수	일본 와세 다대학원 상학 박사	대한민 국
이재훈	1955-09-26	3	신규선임	-두산인프라코어 사외이사 (현) -미래에셋자산 운용 사외이사 (현, 단 2014년 3월 21일 이전 퇴임 예정) -지식경제부 제 2차관 -산업자원부 제 2차관 -산업자원부 차 관보	에너지자 원개발미 래전략포 럼 대표	성균관대 학교 행정 학 박사	대한민 국
안재현	1961-02-02	3	신규선임	-KAIST 정보미 디어 경영대학 원장 -한국 미디어경 영학회 회장 -미국 AT&T 벨 연구소 선임연 구원	KAIST 경 영대학 교수, 대 외부학장	미국 스탠포 드대학 경영과학 박사	대한민 국

CASE STUDY: SK TELECOM

□ 정관의 변경

제2호 의안) 정관 일부 변경의 건

가. 집중투표 배제를 위한 정관의 변경 또는 그 배제된 정관의 변경
해당 사항 없음

나. 그 외의 정관변경에 관한 건

변경전 내용	변경후 내용	변경의 목적
제4조(광고방법) 회사의 광고는 서울특별시에서 발행되는 한국경제신문에 게재한다.	제4조(광고방법) 회사의 광고는 회사의 인터넷 홈페이지(http://www.sktelecom.com)에 게재한다. 다만, 전산장애 또는 그 밖의 부득이한 사유로 회사의 인터넷 홈페이지에 광고를 할 수 없을 때에는 서울특별시에서 발행되는 한국경제신문에 게재한다. (2014.3.21. 본 조 개정)	법령 현행화/일반화

□ 이사의 선임

제 3호 의안) 이사 선임의 건

제 3-1호) 사내이사 선임의 건

가. 후보자의 성명 · 생년월일 · 추천인 · 최대주주와의 관계 · 사외이사후보자 여부

후보자성명	생년월일	사외이사 후보자여부	최대주주와의 관계	추천인
하 성 민	1957.03.24	사외이사 아닌 이사	임원	이사회
총 (1) 명				

나. 후보자의 주원직업 · 약력 · 당해법인과의 최근3년간 거래내역

후보자성명	주원직업	약력	당해법인과의 최근3년간 거래내역
하 성 민	SK텔레콤 대표이사	<input type="checkbox"/> 학력 - 성균관대학교 경영학 학사 <input type="checkbox"/> 주요경력 - SK SUPEX 추구협의회 전략위원회 위원장(현) - SK하이닉스 이사회 의장(현)	없음

제 3-2호) 사외이사 선임의 건

가. 후보자의 성명 · 생년월일 · 추천인 · 최대주주와의 관계 · 사외이사후보자 여부

후보자성명	생년월일	사외이사 후보자여부	최대주주와의 관계	추천인
정재영	1944.10.15	사외이사	없음	사외이사후보 추천위원회
총 (1) 명				

나. 후보자의 주원직업 · 약력 · 당해법인과의 최근3년간 거래내역

후보자성명	주원직업	약력	당해법인과의 최근3년간 거래내역
정재영	성균관대학교 명예교수	<input type="checkbox"/> 학력 - 일본 와세다대학원 삼학 박사 - 일본 와세다대학원 무역경영 석사 - 성균관대학교 경영학 학사 <input type="checkbox"/> 주요경력 - 아태경제학회 회장(현) - 성균관대학교 인문사회과학캠퍼스 부총장 - 포스코 사외이사 - 성균관대학교 경영학부 교수	없음

제 3-3호) 사외이사 선임의 건

가. 후보자의 성명 · 생년월일 · 추천인 · 최대주주와의 관계 · 사외이사후보자 여부

후보자성명	생년월일	사외이사 후보자여부	최대주주와의 관계	추천인
이재훈	1955.9.26	사외이사	없음	사외이사후보 추천위원회
총 (1) 명				

□ 이사의 보수한도 승인

제5호 의안) 이사 보수한도 승인의 건

가. 이사의 수 · 보수총액 내지 최고 한도액

구 분	전 기	당 기
이사의 수(사외이사수)	8 명 (5 명)	8 명 (5 명)
보수총액 내지 최고한도액	120억원	120억원

CASE STUDY: SUPALAI PUBLIC COMPANY LTD. (THAILAND)



SUPALAI PUBLIC COMPANY LIMITED

SPL.033/2014

27 February 2014

Subject Invitation to attend the 2014 Annual General Meeting of Shareholders
To Shareholders of Supalai Public Company Limited
Enclosures 1. Copy Minutes of the 2013 Annual General Meeting of Shareholders
2. The Annual Report for the year 2013
3. Biographies of directors to be elected
4. The Article of Association regarding the shareholder's meeting
5. Certification and document to be presented prior to meeting, Proxy and vote
6. The detail of independent directors to be the proxy
7. 3 alternate Proxy forms set up by Department of Business Development
8. Location map of the Company address

Whereas the Board of Directors of Supalai Public Company Limited passed a resolution to summon the 2014 Annual General Meeting of Shareholders on Tuesday, 22 April 2014 at 2:30 p.m. at Supalai Grand Tower, at Auditorium Room, 33rd Floor, 1011, Rama III Road, Chong Nonsee Subdistrict, Yannawa District, Bangkok, 10120 Tel.0-2725-8888 to consider the matters as below:-

Agenda 1 To certify the Minutes of the 2013 Annual General Meeting of Shareholders on April 22, 2013.

Rationale & Background: The Company convened the Annual General Meeting of the year 2013 on April 22, 2013 to consider issues as required by laws. The minutes of such meeting sent to the Stock Exchange of Thailand within the period of time set by law and also available on the Company's web site (www.supalai.com) as per details in [Enclosure # 1](#).

Opinion of the Board : Proposed to certify by the meeting as the minutes was correctly recorded and has been publicized together with this invitation letter at the company website (www.supalai.com) since 27 February 2014 details as attached in [Enclosure #1](#).

Agenda 7 To consider the appointment of Auditor and Auditing Fee for the Year 2014.

Rationale & Background: In section 120 of the Public Limited Company Act indicated that "In every Annual General Meeting, the shareholders have to appoint and determinate the remuneration for auditor (s) and auditor (s) of preceding year can be re-elected." With regard to principles of Good Corporate Governance, the Company formulated policy on auditor rotation which has been stipulated for every 5 years so as to enhance stability of the internal control as well as independence of the auditor in auditing the Company's financial statements. Currently, the Company's Auditor is Mr. Supachai Phanyawattano a certified Public Accountant of Thailand no. 3930 from Ernst and Young Office Limited. He has worked excellently as the Company's Auditor for 5 years (Year 2009- 2013). For Year 2014 the Audit Committee considered to elect Ernst and Young Office Limited to be the auditing firm and recommends the Meeting to approve the appointment of the auditors and auditor fees as follows:

1. Miss Waraporn Punnaopakorn CPA License No.4579

(Has not signed the company's financial reports)

Experience and Competence :

- She obtained a bachelor's degree in Accounting and a Master of Business Administration from Thammasat University. She is a Certified Public Accountant (Thailand) and a member of Thai's Federation of Accounting Professions.
- She is based in Thailand with over 20 years' experience of auditing with Ernst & Young Thailand. Her role has been responsible for supervising of our Thailand based audit team as well as Corporate Finance teams on various due diligence assignment of commercial banks.
- She has a vast experience in supervising audits in a number of different industries such as retail and consumer products, oil & gas and real estate business, but with particular emphasis on the listed and non-listed companies in the financial service sector, including commercial bank, finance & securities companies. In addition to the mentioned audit work, she also extensively involved in a number of non-audit work especially in due diligence exercises for various banks and financial institutions in Thailand.
- Amidst the IFRS conversion during these recent years of Thai listed companies, she has led and advised on numerous IFRS conversion and IFRS reporting engagements. At the same time, she has been serving as a member of our Thailand office's Accounting Standard Group (ASG) who has been to train both external clients and also our professional staffs, support and advise our Thai financial services and manufacturing clients on IFRS conversion and technical matters.



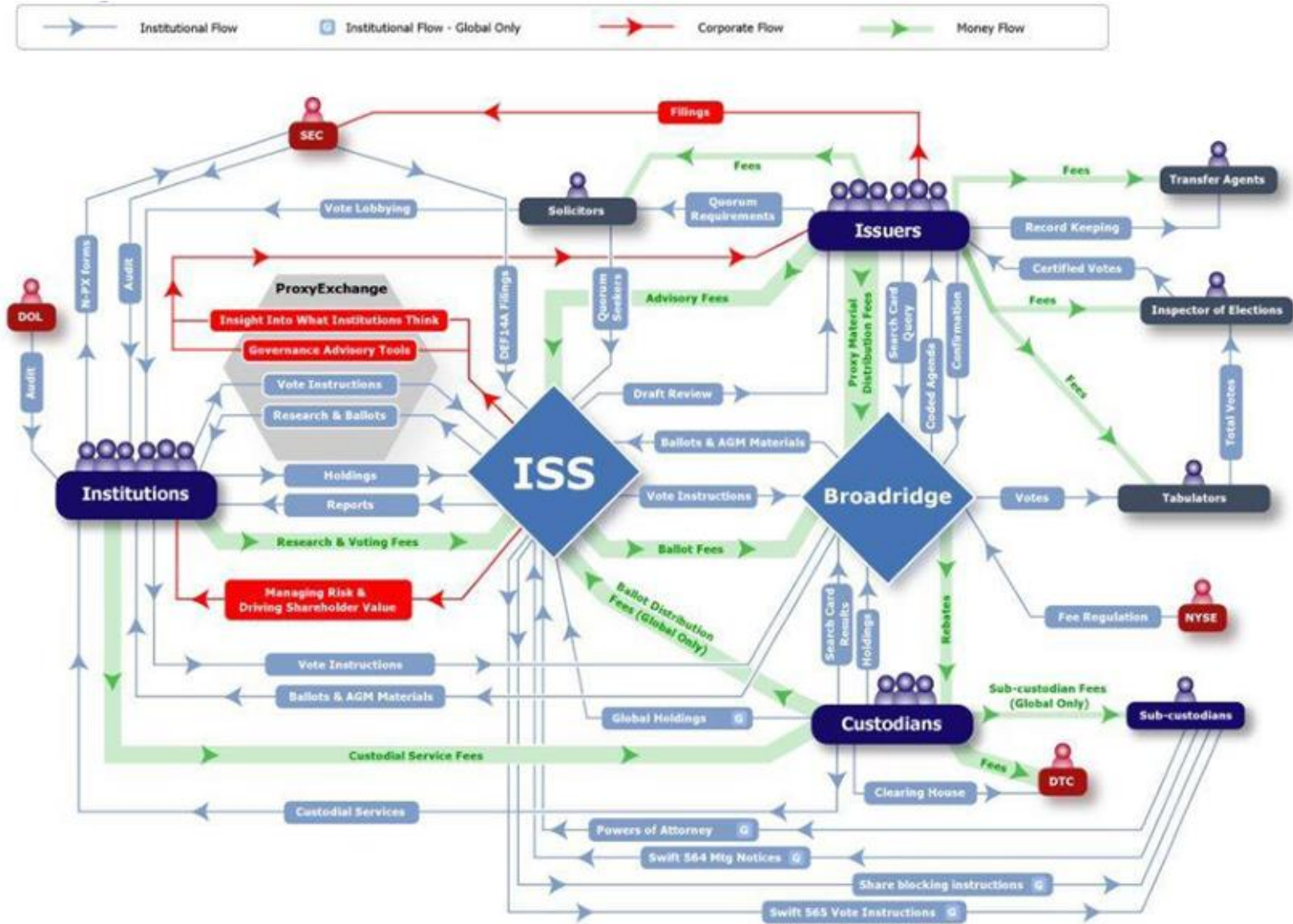
Quality of analysis and recommendation are dependent upon the quality of disclosure.

“Companies and shareholders communicating”
versus
REALITY



Reducing Operational Impediments to Voting

COMPLEXITY OF VOTING VALUE CHAIN



Limited Time Available for Analysis and Voting

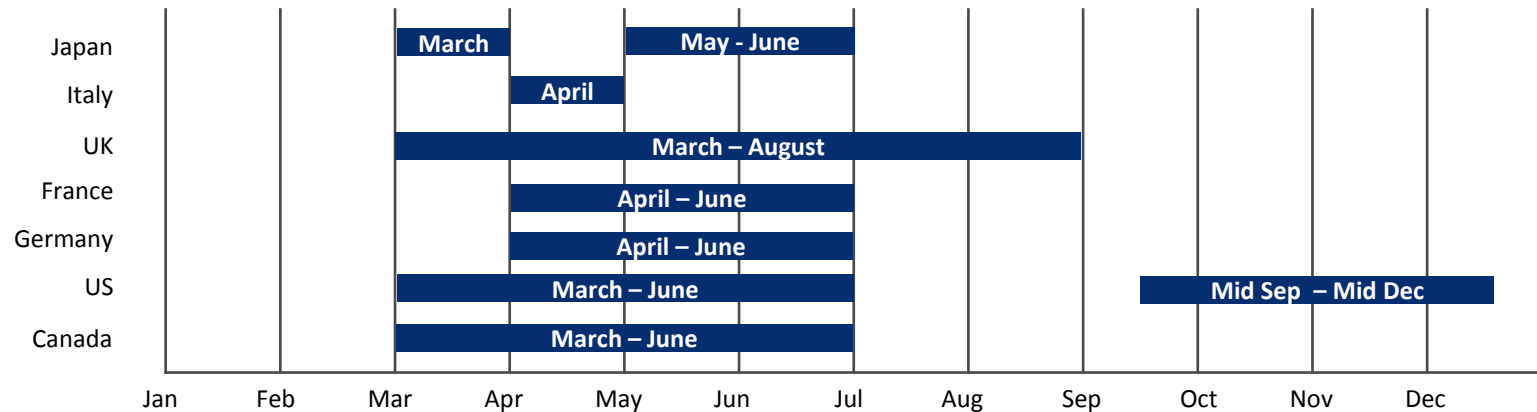
Country	Meeting Notice ¹	General Voting Deadlines ²	Problem Areas
China	20/15 days	3-10 bus. days	Meeting notices disclosed 20 days prior to an AGM and 15 days prior to an EGM. Additional disclosure may be made as late as 7 days prior to the meeting. Large numbers of EGMs throughout the year. No English disclosure.
Hong Kong	21/14 days	3-7 bus. days	Dual-listed companies occasionally have aggressive vote cutoff of over 12 business days. These cutoffs are set based on the registration deadline. Large numbers of EGMs throughout the year.
India	20/15 days	4-12 bus. days	Some ballots have extremely aggressive cutoff of more than 12 business days.
Japan	14 days	2-8 bus. days	Season concentrated over 1 week in June, when 3/4 of year's AGMs take place. Limited disclosure in English.
Malaysia	21/14 days	4-6 bus. days	
Singapore	15/10 days	3-6 bus. days	Disclosure of Annual Reports often past the 14-day due date.
Korea	14 days	6-10 bus. days	Often meeting agendas are published as far in advance as one month before the AGM, but meeting circulars containing relevant information is disclosed at or after the market hours 14 days before the meeting (which is typically Friday). In most cases, clients need to vote by Monday the following week. Annual Reports are not available prior to the AGM. Limited disclosure in English.
Taiwan	30/15 days	3-10 bus. days	Supplemental materials are disclosed 21 days before an AGM; meeting notices and circulars are disclosed 15 days prior to an EGM. Annual Reports typically not available at the time of analysis. Candidate lists are released by the company ranging from 2 to 20 days before the meeting date. For a valid vote, shareholder ID of a director candidate is required. Limited disclosure in English.
Thailand	30 days	2-5 bus. days	Annual Report typically not available at time of analysis

1. Meeting Notices refers to the time period that notices must be released to shareholders by law. However, in many markets, this does not include other materials required to make an informed vote. For markets with 2 periods, the first refers to meetings with ordinary business only; the second to meetings containing special business or EGMs.

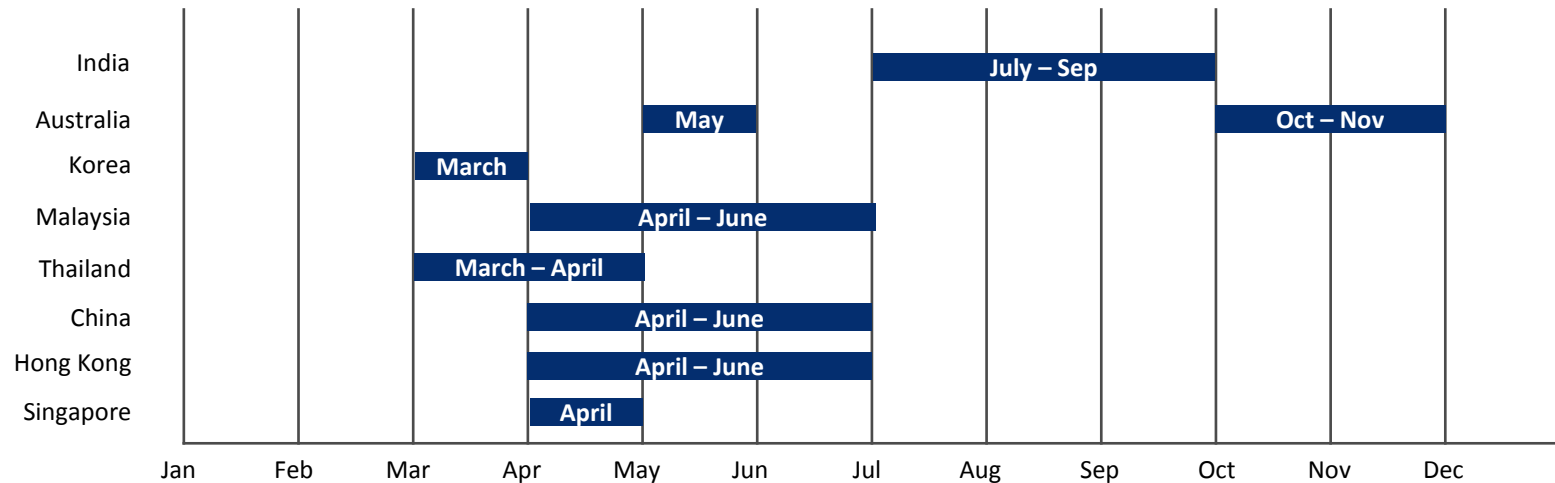
2. Voting Deadlines indicate approximate range of voting cut-offs imposed by custodians and/or sub-custodians, which are often padded with extra days.

High volume of shareholder meetings during the AGM seasons could pose a great operational challenge for institutional investors

G7 Countries

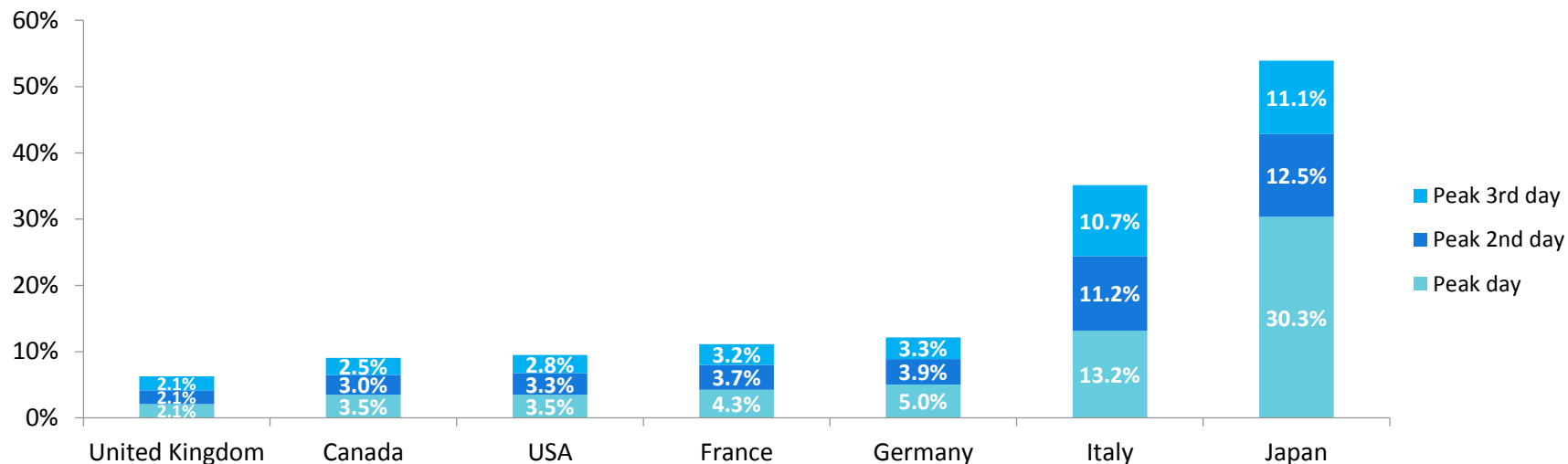


AxJ Countries

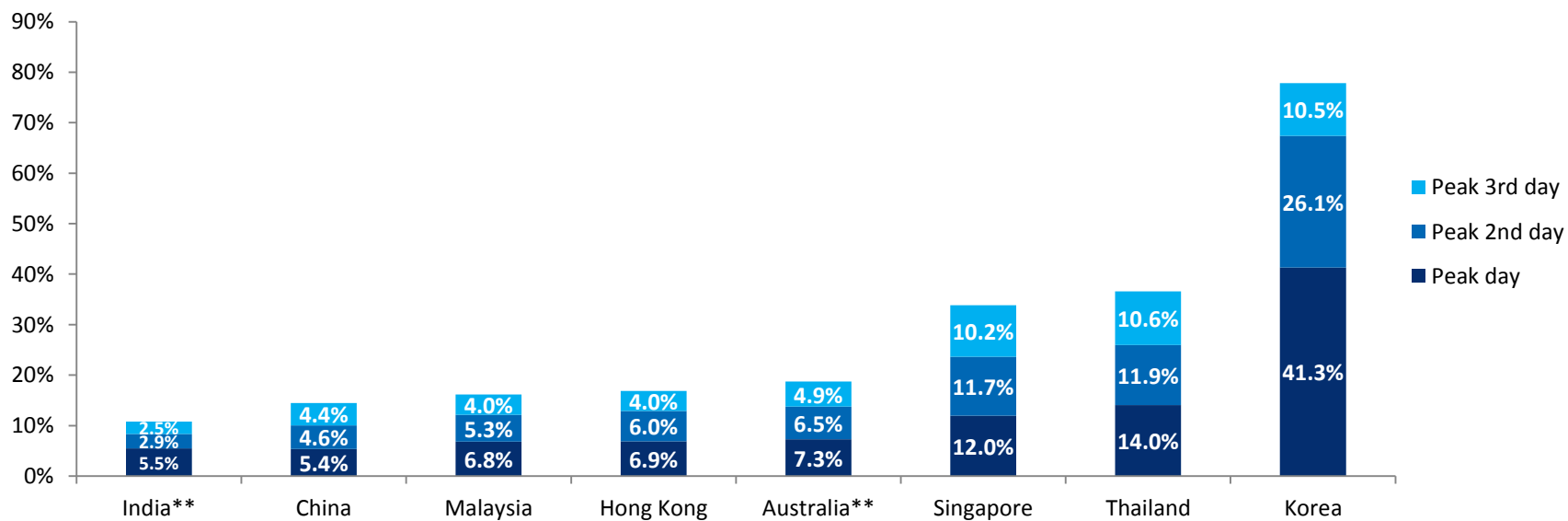


AGM Concentration (Peak Days)

G7 (2013)



AxJ (LTM2014)

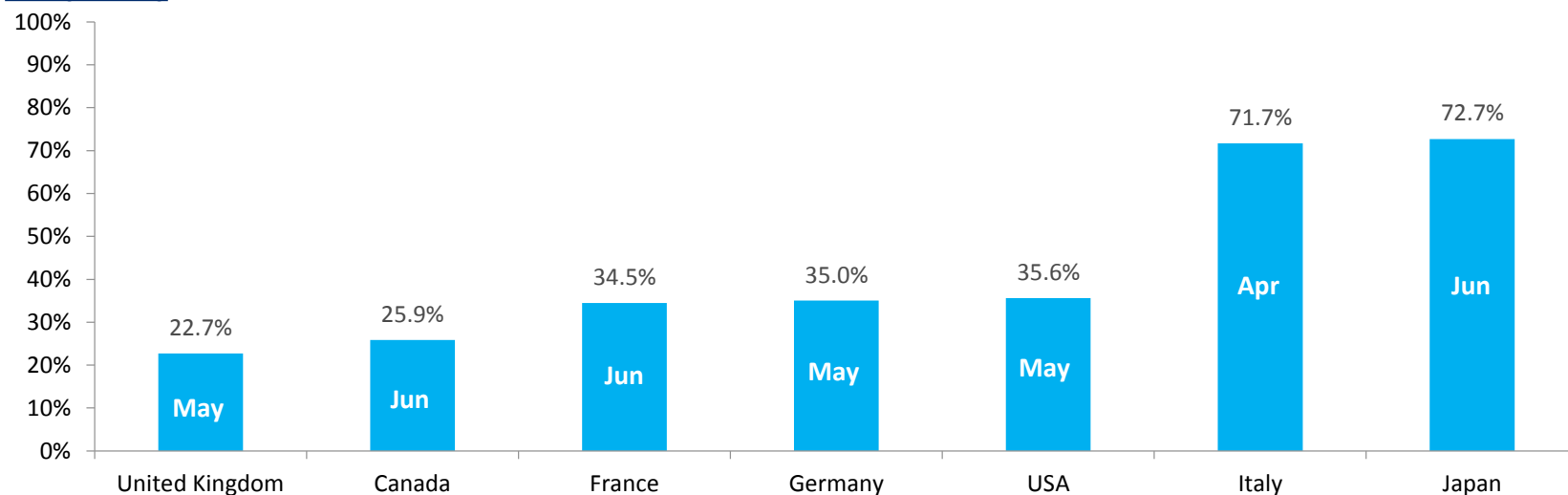


**Data for India & Australia are based on 2013 figures

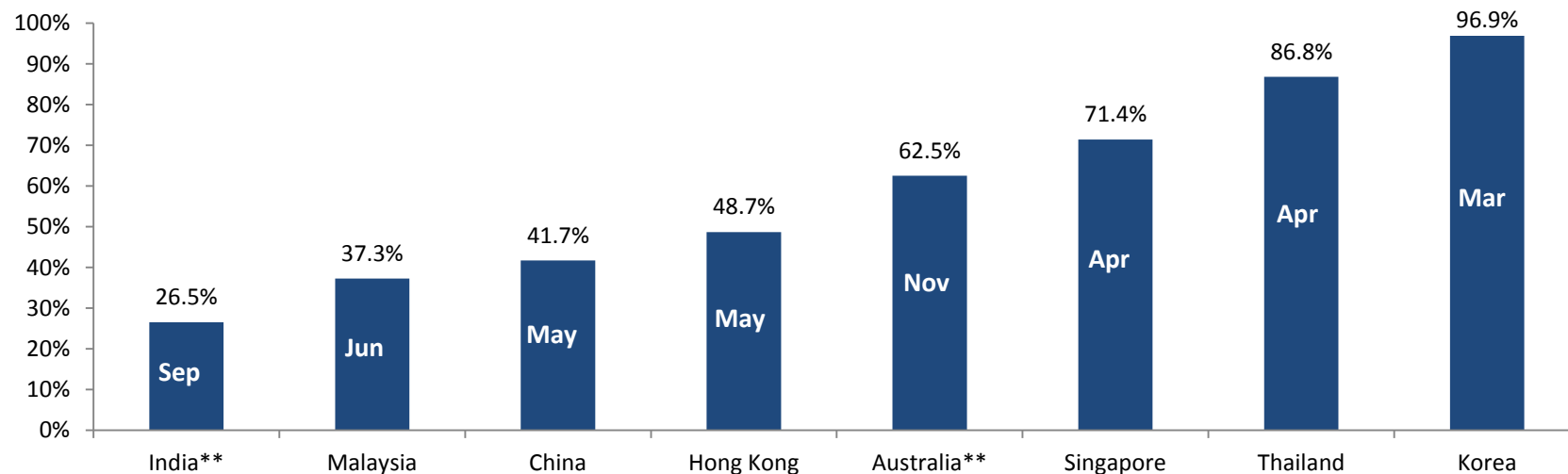
AGM Concentration (Peak Month)

Figures below represent the percentage of AGMs held in each country's respective peak months

G7 (2013)



AxJ (LTM2014)



**Data for India & Australia are based on 2013 figures



GOVERNANCE MOVES FROM A BACK OFFICE FUNCTION TO A FRONT OFFICE AND YEAR-ROUND FOCUS

