GLASS LEWIS

2019

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

SINGAPORE

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Guidelines Introduction

CORPORATE GOVERNANCE BACKGROUND

Singaporean corporate governance is centered primarily upon the following: (i) the Code of Corporate Governance (the "Code");[1] (ii) the Companies Act and the Companies (Amendment) Act 2014; (iii) the Securities and Future Act; (iv) the Listing Manual (the "Listing Manual") of the Singapore Stock Exchange ("SGX"); (v) the Code on Take-Overs and Mergers; and (vi) the Practice Guidance.

The Companies Act, the Companies (Amendment) Act 2014, and Listing Manual provide the primary legislative framework for Singaporean corporate governance. Best practices are centered on the recommendations contained in the Code that operates on a comply or explain basis, whereby the Listing Manual requires listed companies to describe their adherence to the Code in their company's annual report. The Practice Guidance sets out additional best practices on a voluntary basis. It accompanies and supports the practices for listed companies as set out in the Code and the Listing Manual.

SUMMARY OF CHANGES FOR THE 2019 SINGAPORE POLICY GUIDELINES

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant sections of this document:

BOARD GENDER DIVERSITY

We have updated our discussion of how Glass Lewis will consider gender diversity on boards of directors. From 2019, we will expect Singaporean companies to have at least one woman on their boards. Where boards do not have at least one woman director, we will recommend voting against the nomination committee chair for the lack of a gender-diverse board.

EQUITY-BASED COMPENSATION

We have updated our guidelines to reflect how we will review equity-based compensation for non-executive directors. This includes our general approach when non-executive director compensation comprises both cash and equity-based compensation.

DUAL-CLASS SHARE STRUCTURES

We have updated our discussion of how Glass Lewis considers dual-class share structures when analyzing a company's governance. Glass Lewis believes dual-class voting structures are typically not in the best interests of common shareholders and that allowing one vote per share generally operates as a safeguard for common shareholders by ensuring that those who hold a significant minority of shares are able to weigh in on issues set forth by the board.

With regards to the rules for dual-class shares in Singapore for companies that held an IPO within the past year, we have updated our general approach to our evaluation of their corporate governance practices. Where we find that there are structural issues relating to a company's corporate governance practices, we may recommend against certain directors.

1 The Monetary Authority of Singapore released the 2018 Code of Corporate Governance and the accompanying Practice Guidance on August 6, 2018. The 2018 Code of Corporate Governance is effective from January 1, 2019, while the Practice Guidance is voluntary.

EXCESSIVE NON-AUDIT FEES

We will hold the audit committee chair accountable when the company paid excessive fees to its independent auditor for non-audit services for one fiscal year and recommend voting against all serving members of an audit committee when the company paid excessive fees for two or more consecutive fiscal years.

ENVIRONMENTAL AND SOCIAL RISK OVERSIGHT

We have codified our approach to reviewing how boards are overseeing environmental and social issues. Where we identify material oversight issues, Glass Lewis will review a company's overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues. Glass Lewis will also note instances where such oversight has not been clearly defined by companies in their governance documents.

Where it is clear that companies have not properly managed or mitigated environmental or social risks to the detriment of shareholder value, or when such mismanagement has threatened shareholder value, Glass Lewis may consider recommending that shareholders vote against members of the board who are responsible for oversight of environmental and social risks. In the absence of explicit board oversight of environmental and social issues, Glass Lewis may recommend that shareholders vote against members of the audit committee. In making these determinations, Glass Lewis will carefully review the situation, its effect on shareholder value, as well as any corrective action or other response made by the company.

A Board of Directors that Serves the Interests of Shareholders

The board structure of Singaporean companies, whether listed or otherwise, is best categorized as one-tier. Boards typically comprise of executive, non-executive and independent directors. The Code, first issued in 2001, was amended in 2005 and again in 2012, before undergoing revisions in 2018, with the revised Code issued on August 6, 2018 by the Monetary Authority of Singapore. Under the revised Code, half of the board will have to be comprised of independent directors if: (i) the board chair and the CEO (or equivalent) is the same person; (ii) the board chair and the CEO are immediate family members;[2] (iii) the board chair is a part of the management team; or (iv) the board chair is not an independent director. Furthermore, the Code limits independent director tenure to nine years, although this provision will not come into effect until January 1, 2020. The Code operates under a "comply or explain" model.

In accordance with the Companies Act and the Companies (Amendment) Act 2014, every listed company must have an audit committee. Under the Code, the audit committee must be comprised of a minimum of three non-executive directors, a majority of whom must be independent including the board chair. The SGX Listing Rules require that companies establish committees to perform the functions of nomination and remuneration committees.[3] The Code recommends that the remuneration committee comprise solely of non-executive directors, a majority of whom are independent, and the nomination committee comprise a majority of independent non-executive directors.[4]

BOARD OF DIRECTORS

The purpose of Glass Lewis' proxy research and advice is to facilitate shareholder voting in favor of governance structures that will drive performance, create shareholder value and maintain a proper tone at the top. Glass Lewis looks for talented boards with a record of protecting shareholders and delivering value over the medium- and long-term. We believe that boards working to protect and enhance the best interests of shareholders are independent, have a record of positive performance, and have members with a breadth and depth of experience.

Under the Code, all directors of Singaporean companies are required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.

INDEPENDENCE OF DIRECTORS

The independence of directors, or lack thereof, is ultimately demonstrated through the decisions they make. In assessing the independence of directors, we will take into consideration, when appropriate, whether a director has a track record indicative of making objective decisions. Likewise, when a director sits on multiple boards and has a track record that indicates a lack of objective decision making, that will also be considered when assessing the independence of directors. Ultimately, the determination of a director's independence must take into consideration both his/her compliance with applicable independence listing requirements, as well as his/her past conduct.

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2 The term "immediate family" will have the same meaning defined in the Listing Manual of the SGX. Immediate family members will include the person's spouse, child, adopted child, step-child, brother, sister and parent.

3 Rule 210(5)(e) of the SGX Listing Rules (Mainboard) and Rule 406(3)(e) of the SGX Listing Rules (Catalist).

4 Provisions 4.1 and 6.2, Code of Corporate Governance. Monetary Authority of Singapore. August 6, 2018.

We look at each director nominee to examine the director's relationships with the company, the company's executives, and other directors. We do this to find personal, familial, or financial relationships (not including director compensation) that may impact the director's decisions. We believe that such relationships make it difficult for a director to put shareholders' interests above the director's or the related party's interests. We also believe that a director who owns more than 5% of a company's voting stock can exert disproportionate influence on the board and, in particular, the audit committee.

Thus, we put directors into three categories based on an examination of the type of relationship they have with the company:

Independent Director — An independent director has no material,[5] financial, familial[6] or other current relationships with the company,[7] its executives, or other board members, except for board service and standard fees paid for that service. An individual who has been employed by the company or has any other relationships with the company within the past five years[8] is not considered to be independent.

However, we will not consider a director to be independent if they have progressively been re-designated from an executive director to an independent director despite never leaving the board. We believe that where a director transitions from an executive director to an independent director, they must leave a board for a period of time before rejoining the board with a designation as non-executive or independent director.

Affiliated Director[9] — An affiliated director has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company. This includes directors whose employers have a material financial relationship with the company and any director who owns or controls 5% or more of the company's voting stock.[10] In addition, where we find independent non-executive directors receiving additional compensation in the form of salaries, allowances and/or emoluments that exceed 50% of a director's normal fee-based compensation, we will consider such independent directors as being affiliated.

Inside Director — An inside director simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

Voting Recommendations on the Basis of Independence

Glass Lewis believes that a board will most effectively perform the oversight necessary to protect the interests of shareholders if it is independent. Under the Listing Rules, independent directors must make up at least one-third of the board.[11] Further, under Principle 2.2 of the new Code, independent directors must make up at least half of the board depending on the position of the chair. However, Glass Lewis believes that at least 50% of the board should be independent. In the event that less than 50% of the board is comprised of independent

5 As described in the Practice Guidance a material relationship is one in which the value exceeds: (i) S$50,000 or no disclosure for personal direct transactions; (ii) S$200,000 for indirect transactions with an entity in which a director holds more than 5% interest; (iii) S$200,000 for indirect professional services transactions with a professional services firm in which a director works; or (iv) S$200,000 for indirect transactions with an entity in which a director service as an executive. Monetary Authority of Singapore. Practice Guidance 2: Board Composition and Guidance.

6 Familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is an affiliate if the director has a family member who is employed by the company.

7 A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

8 The Code of Corporate Governance uses a three year look back period for most relationships. In our view, a five year standard is appropriate for former employees because we believe that the unwinding of conflicting relationships between former management and board members is more likely to be complete and final after five years. However, Glass Lewis does not apply the five year look back period to directors who have previously served as executives of the company on an interim basis for less than one year.

9 In every instance in which a company classifies one of its directors as non-independent, that director will be classified as an affiliate by Glass Lewis.

10 Under the new Code, a director is not independent if they are a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, any for-profit business organization to which the company made, or from which the company received, significant payments in the current or immediate past financial year. As a guide, payments aggregated over any financial year in excess of S$200,000 should generally be deemed significant.

11 Under Rule 210(5)(c) of the SGX Listing Rules (Mainboard) / Rule 406(3)(c) of the SGX Listing Rules (Catalist), which comes into effect from January 1, 2022, independent directors must make up at least one-third of the board. Prior to 1 January 2022, the corresponding Guideline 2.1 in the 2012 Code of Corporate Governance will continue to apply.

directors, we typically recommend voting against some of the inside and/or affiliated directors in order to satisfy the independent number we believe is appropriate.

In determining our recommendation as to who we may recommend shareholders vote against for board independence, we will reserve discretion to not recommend against a company's CEO or managing director. In particular, given the importance of the executive's role, if the executive has no other issues that would warrant a negative recommendation, we will exempt such directors from receiving an against recommendation. However, should the executive have additional issues that would warrant an against recommendation, we will generally oppose the reelection of such executives on the basis of the board being insufficiently independent.

EXPERIENCE OF DIRECTORS

We find that a director's past conduct is often indicative of future conduct and performance. We often find directors with a history of overcompensating executives or with a history of serving on boards where significant and avoidable disasters have occurred, reappearing at companies that follow these same patterns.

Voting Recommendations on the Basis of Experience

We typically recommend that shareholders vote against directors who have served on boards or as executives of companies with a track record of poor performance, over-compensation, audit or accounting related issues and/or other indicators of mismanagement or actions against the interests of shareholders.

Additionally, we recommend the board include at least one non-executive director with core industry experience. Likewise, we look carefully at the backgrounds of those who serve on the key committees of the board to ensure that they have the required skills and diverse backgrounds to make informed and well-reasoned judgments about the subject matter for which the committee is responsible.

PERFORMANCE OF DIRECTORS

We look at the performance of these individuals in their capacity as board members and executives of the company, and in their roles at other companies where they may have served. We find that a director's past conduct is often indicative of future conduct and performance. We often find directors with a history of overpaying executives or of serving on boards where avoidable disasters have occurred, appearing at companies that follow these same patterns. Glass Lewis has a proprietary database that tracks the performance of directors across companies worldwide. In addition, irrespective of the overall presence of independent directors on the board, we believe that a board should be wholly free of people who have identifiable conflicts of interest. Accordingly, we recommend shareholders vote against the following types of affiliated or inside directors in nearly all circumstances:

Voting Recommendations on the Basis of Performance

- **Poor Attendance** — We disfavor directors who have a record of not fulfilling their responsibilities to attend meetings held by the board or its committees and typically recommend voting against any director who fails to attend a minimum of 75% of the board meetings or 75% of total applicable committee meetings and board meetings. While we generally recommend directors to attend board meetings in person, we understand it is not always feasible to do so. Therefore, when evaluating a director's attendance, we will consider a director's participation via electronic communication means, such as audio, video or web conferencing devices.

  Where companies fail to disclose the attendance records of the board and committees, we will recommend shareholders vote against the board chair. Further, when the attendance record is not disclosed, we will not exempt executives from serving on more than two public company boards.

- **Serious and Material Restatement** — We recommend voting against a director who is also the CEO of a company where a serious and material restatement has occurred after the CEO had previously certified the pre-restatement financial statements.

- **Company Performance** — All members of the board if a company's performance has been consistently lower than its peers and the board has not taken reasonable steps to address the poor performance.

DIRECTOR COMMITMENTS

We believe that directors should have the necessary time to fulfill their duties to shareholders. In our view, an overcommitted director can pose a material risk to a company's shareholders, particularly during periods of crisis. In addition, recent research indicates that the time commitment associated with being a director has been on a significant upward trend in the past decade. As a result, we generally recommend that shareholders vote against a director who serves as an executive officer of any public company while serving on more than two public company boards and any other director who serves on more than five public company boards. We will count directors who serve as board chairs in select other non-Asian markets, per our global policies, as two board seats given the time commitment of directorship in those markets.

Because we believe that executives will primarily devote their attention to executive duties, we generally will not recommend that shareholders vote against overcommitted directors at the companies where they serve as an executive.

When determining whether a director's service on an excessive number of boards may limit the ability of the director to devote sufficient time to board duties, we may consider relevant factors such as the size and location of the other companies where the director serves on the board, the director's board roles at the companies in question, whether the director serves on the board of any large privately-held companies, the director's tenure on the boards in question, and the director's attendance record at all companies.

We may also refrain from recommending against certain directors if the company provides sufficient rationale for their continued board service. The rationale should allow shareholders to evaluate the scope of the directors' other commitments as well as their contributions to the board, including specialized knowledge of the company's industry, strategy or key markets, the diversity of skills, perspective and background they provide, and other relevant factors. From 2019, we will no longer exempt directors from serving on an excessive number of boards, including group companies. In this case, while Singapore has not set limits on public company directors, its regional neighbors Malaysia, Thailand, Indonesia and the Philippines have all set limits on directorships, either by regulation or by code practice, which generally limit directorships at five boards. As the region has moved to limit excessive directorships, we believe Singaporean companies should observe what has become a regional best practice that sets limits on public company directorships.

CONFLICTS OF INTEREST

In addition to the key characteristics — performance, director commitments and experience — that we use to evaluate board members, as described above, we also consider conflict-of-interest issues in making our voting recommendations.

We believe that a board should be wholly free of people who have an identifiable and substantial conflict of interest, regardless of the overall presence of independent directors on the board. Accordingly, we recommend that shareholders vote against the following types of directors in nearly all circumstances:

Voting Recommendations on the Conflict of Interest

- **Professional Services and Business Transactions** — A director or a director who has an immediate family member, providing material professional services during the last fiscal year or on an ongoing basis. Material professional services may include legal, consulting or financial services to the company. Also a director who engages — or has a family member of whom engages — in business contracts

with the company such as purchase or sales agreement will have to make unnecessarily complicated decisions that may pit their interests against those of the shareholders they serve. With a limited exception, we will recommend voting against a director if his/her direct/indirect related party transactions exceed any of the following thresholds: (i) S$50,000 or no disclosure for personal direct transactions; (ii) S$200,000 for indirect transactions with an entity in which a director holds more than 5% interest; (iii) S$200,000 for indirect professional services transactions with a professional services firm in which a director works; or (iv) S$200,000 for indirect transactions with an entity where a director serves as an executive.[12] In light of the nature of intra group transactions of a controlled entity, in which the parent entity controls more than 50% of the shares, we will refrain from recommending shareholders vote against such transactions.

- **Interlocking Directorship —** Chief executives who serve on each other's boards create an interlock that poses conflicts that should be avoided to ensure the promotion of shareholder interests above all else.[13]

BOARD SIZE

While we do not believe there is a universally applicable optimum board size, we do believe boards should have at least five directors to ensure sufficient diversity in decision-making and to enable the formation of key board committees with independent directors. Conversely, we believe that boards with more than 20 members will typically suffer under the weight of "too many cooks in the kitchen" and have difficulty reaching consensus and making timely decisions. Sometimes the presence of too many voices can make it difficult to draw on the wisdom and experience in the room by virtue of the need to limit the discussion so that each voice may be heard.

To that end, we prefer a minimum board size of five directors, while the only minimum board size requirement in Singapore is that each company have at least one director who is a Singapore resident or citizen.[14] Given the absence of a higher minimum of number of directors for Singaporean boards, we will refrain from recommending against the chair of the nomination committee when the board has fewer than five members, provided there is a cogent explanation for such a small board size. Conversely, we will recommend against the nomination committee chair, where the board has more than 20 directors.

SEPARATION OF THE ROLES OF BOARD CHAIR AND CEO

Glass Lewis believes that separating the roles of corporate officer and board chair creates a better governance structure than a combined executive/chair position. An executive manages the business according to a course the board charts. Executives should report to the board regarding their performance in achieving goals the board set. This is needlessly complicated when a CEO sits on or chairs the board, since a CEO presumably will have a significant influence over the board.

It can become difficult for a board to fulfill its role of overseer and policy setter when a CEO/chair controls the agenda and the boardroom discussion. Such control can allow a CEO to have an entrenched position, leading to longer-than-optimal terms, fewer checks on management, less scrutiny of business operations, and limitations on independent, shareholder-focused goal-setting by the board.

A CEO should set the strategic course for the company, with the board's approval, and the board should enable the CEO to carry out the CEO's vision for accomplishing the board's objectives. Failure to achieve the board's objectives should lead the board to replace that CEO with someone in whom the board has confidence.

Likewise, an independent board chair can better oversee executives and set a pro-shareholder agenda without the management conflicts that a CEO and other executive insiders often face. Such oversight and concern for shareholders allows for a more proactive and effective board of directors that is better able to look out for the interests of shareholders.

12 Monetary Authority of Singapore. Practice Guidance 2: Board Composition and Guidance.
13 There is no look-back period for this situation. This only applies to public companies and we only footnote it for the non-insider.
14 Section 145, Companies Act.

We do not recommend that shareholders vote against CEOs who serve on or chair the board. However, we typically encourage our clients to support separating the roles of board chair and CEO whenever that question is posed in a proxy (typically in the form of a shareholder proposal), as we believe that it is in the long-term best interests of the company and its shareholders.

In accordance with Principle 3.3 of the Code, we believe that the board should appoint a lead independent director or senior independent director if the board chair is: (i) the chair and the CEO is the same person; (ii) the chair and the CEO are immediate family members; (iii) the chair is a part of the management team; or (iv) the chair is not an independent director.

DISCLOSURE OF ANNUAL REPORT

We believe that public companies have a responsibility to disclose information to shareholders in a timely and transparent manner. We are concerned that a short timeframe to review proxy materials prevents shareholders from making informed decisions. Therefore, we strongly encourage companies to disclose annual reports well in advance of annual meetings to allow for meaningful review. To this end, when a company fails to release an annual report 14 days prior to a meeting,[15] we will typically recommend voting against the board chair for failing to disclose relevant information.

DECLASSIFIED BOARDS

Glass Lewis favors the repeal of staggered boards and the annual election of directors. We believe staggered boards are less accountable to shareholders than boards that are elected annually. Furthermore, we feel the annual election of directors encourages board members to focus on shareholder interests. Moreover, empirical studies have shown that: (i) companies with staggered boards reduce a firm's value; and (ii) in the context of hostile takeovers, staggered boards operate as a takeover defense, which entrenches management, discourages potential acquirers, and delivers a lower return to target shareholders.

Given the empirical evidence suggesting staggered boards reduce a company's value and the increasing shareholder opposition to such a structure, Glass Lewis supports the declassification of boards and the annual election of directors.

BOARD EVALUATION AND REFRESHMENT

Glass Lewis strongly supports routine director evaluation, including independent external reviews, and periodic board refreshment to foster the sharing of diverse perspectives in the boardroom and the generation of new ideas and business strategies. Further, we believe the board should evaluate the need for changes to board composition based on an analysis of skills and experience necessary for the company, as well as the results of the director evaluations, as opposed to relying solely on age or tenure limits. When necessary, shareholders can address concerns regarding proper board composition through director elections.

In our view, a director's experience can be a valuable asset to shareholders because of the complex, critical issues that boards face. This said, we recognize that in rare circumstances, a lack of refreshment can contribute to a lack of board responsiveness to poor company performance.

On occasion, age or term limits can be used as a means to remove a director for boards that are unwilling to police their membership and enforce turnover. Some shareholders support term limits as a way to force change in such circumstances.

While we understand that age limits can aid board succession planning, the long-term impact of age limits restricts experienced and potentially valuable board members from service through an arbitrary means. We believe that shareholders are better off monitoring the board's overall composition, including its diversity of skill sets, the alignment of the board's areas of expertise with a company's strategy, the board's approach to

15 We will apply local time.

corporate governance, and its stewardship of company performance, rather than imposing inflexible rules that don't necessarily correlate with returns or benefits for shareholders.

However, if a board adopts term/age limits, it should follow through and not waive such limits. If the board waives its term/age limits, Glass Lewis will consider recommending shareholders vote against the nominating and/or governance committees, unless the rule was waived with sufficient explanation, such as consummation of a corporate transaction like a merger.

INDEPENDENT DIRECTOR BOARD TENURE

Singapore's new Code introduced new provisions relating to the tenure of independent non-executive directors. Notably, the new Code imparted new practices that generally set an independent director's board tenure at nine years. Upon reaching nine years of service, those directors could be subject to shareholder votes to continue their appointment as an independent director. For now, the rules pertaining to independent director board tenure will become effective from January 1, 2022.[16] Until such time, we will note the directors who have served more than nine cumulative years of service as a director, even if that director was re-designated by a company to be classified as an independent director.

However, it is noted that for banks or financial holding companies, independent directors may not serve on a board for a continuous period of nine years or longer.[17] Where an independent director has served continuously on such boards for more than nine years, we will affiliate that director.

BOARD GENDER DIVERSITY

Glass Lewis recognizes the importance of ensuring that the board is comprised of directors who have a diversity of skills, thought and experience, as such diversity benefits companies by providing a broad range of perspectives and insights.[18]

The new Code[19] encourages companies to advance norms surrounding board diversity, which includes board member skills and gender diversity. Also, the new Code states that companies should disclose their board diversity policies and progress toward achieving those policies in the annual report. To that end, we believe that all companies should have at least one female director.

Glass Lewis will generally recommend voting against the nomination committee chair where boards do not have at least one female director. Depending on other factors, including the size of the company, the industry in which the company operates and the governance profile of the company, we may extend this recommendation to vote against other nominating committee members. Also, when making these voting recommendations, we will carefully review a company's disclosure of its diversity considerations and may refrain from recommending shareholders vote against directors of companies when boards have provided a sufficient rationale for not having any female board members. Such rationale may include, but is not limited to, a disclosed timetable for addressing the lack of diversity on the board, and any notable restrictions in place regarding the board's composition, such as director nomination agreements with significant investors.

INITIAL PUBLIC OFFERING

Where a company recently completed its initial public offering ("IPO") and became listed on the stock exchange, we will exempt the company from our guidelines for a period of the first financial year or 12 months from the IPO date, whichever is longer.

However, we will review our exemption on a case-by-case basis if: (i) a company and/or its board members are the subject of serious regulatory investigations or actions; and/or (ii) there are significant concerns about overall corporate governance practices.

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16 Provision 2.1 of the Code; Rule 210(5)(d)(iii) of the SGX Listing Rules (Mainboard) and Rule 406(3)(d)(iii) of the SGX Listing Rules (Catalist).

17 Part I, Section 2. Banking Act (Chapter 19), Banking (Corporate Governance) Regulations, 2005.

18 See our In Depth Report on Gender Diversity, available at www.glasslewis.com/special-reports/.

19 Provision 2.4 of the new Code.

BOARD COMMITTEES

COMMITTEE INDEPENDENCE

In accordance with the Companies Act,[20] every listed company should have an audit committee. Principle 10 of the Code provides that the audit committee must comprise a minimum of three non-executive directors and a majority of independent directors, lead by an independent director. However, given the critical role that this committee plays, we believe that all members should be independent from the management and be free of any conflict. Additionally, at least two members of the audit committee should have accounting or related financial management expertise.[21] Moreover, we will recommend voting against any member of the audit committee who owns or represents an entity that owns 20% or more of the company's stock.

The Code recommends that companies establish nomination and remuneration committees. We believe that both the remuneration and nomination committees should be composed entirely of non-executive directors, the majority of whom, including the committee chairs, should be independent. Additionally, both committees should be comprised of at least three members in accordance with the Code. In case a board has not established a nomination committee and/or a remuneration committee, we recommend to vote against the board chair.

We typically recommend that shareholders vote against any affiliated director seeking appointment to an audit, remuneration or nomination committee when the committee does not comprise the necessary majority of independent directors.

In addition, we apply heightened scrutiny to avowedly "independent" board chairs and lead directors. We believe that they should be unquestionably independent or the company should not tout them as such.

AUDIT COMMITTEE PERFORMANCE

Audit committees play an integral role in overseeing the financial reporting process because "[v]ibrant and stable capital markets depend on, among other things, reliable, transparent, and objective financial information to support an efficient and effective capital market process. The vital oversight role audit committees play in the process of producing financial information has never been more important."[22]

When assessing an audit committee's performance, we are aware that an audit committee does not prepare financial statements, is not responsible for making the key judgments and assumptions that affect the financial statements, and does not audit the numbers or the disclosures provided to investors. Rather, an audit committee member monitors and oversees the process and procedures that management and auditors perform. The 1999 Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees stated it best:

A proper and well-functioning system exists, therefore, when the three main groups responsible for financial reporting — the full board including the audit committee, financial management including the internal auditors, and the outside auditors — form a 'three legged stool' that supports responsible financial disclosure and active participatory oversight. However, in the view of the Committee, the audit committee must be 'first among equals' in this process, since the audit committee is an extension of the full board and hence the ultimate monitor of the process.

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. In its audit and accounting recommendations, the Conference Board Commission on Public Trust and Private Enterprise said "members of the audit committee must be independent and have both knowledge and experience in auditing financial matters."[23]

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20 Singapore Companies Act (Cap 50). This is a mandatory law.

21 Principle 10.2 of the Code. However, such qualification should be left to the board's interpretation in its business judgment.

22 "Audit Committee Effectiveness – What Works Best." PricewaterhouseCoopers. The Institute of Internal Auditors Re -search Foundation. 2005.

23 Commission on Public Trust and Private Enterprise. The Conference Board. 2003.

We are skeptical of audit committees that include members that lack expertise as a Certified Public Accountant (CPA), Chief Financial Officer (CFO) or corporate controller or similar experience. While we will not necessarily recommend voting against members of an audit committee when such expertise is lacking, we are more likely to recommend voting against committee members when a problem such as a restatement occurs and such expertise is lacking.

Glass Lewis generally assesses audit committees against the decisions they make with respect to their oversight and monitoring role. The quality and integrity of the financial statements and earnings reports, the completeness of disclosures necessary for investors to make informed decisions, and the effectiveness of the internal controls should provide reasonable assurance that the financial statements are materially free from errors. The independence of the external auditors and the results of their work all provide useful information by which to assess the audit committee.

When assessing the decisions and actions of the audit committee, we typically defer to its judgment and will recommend in favor of its members. However, we will recommend voting against the following members under the following circumstances:[24]

- The audit committee chair if the committee is chaired by a non-independent director.
- Any member of the audit committee who is not considered independent based on our research.
- Any member of the audit committee who owns or represents an entity that owns 20% or more of the company's stock.
- The audit committee chair, when fees for non-audit services are greater than audit and audit-related fees paid to the auditor for one financial year.
- All serving members of an audit committee, when fees for non-audit services are greater than audit and audit-related fees paid to the auditor for two or more consecutive financial years.
- All members of an audit committee where non-audit fees include fees for tax services for senior executives of the company or involve services related to tax avoidance or tax shelter schemes.
- All members of an audit committee that re-appointed an auditor that we no longer consider to be independent for reasons unrelated to fee proportions.
- All members of an audit committee at a time when accounting fraud occurred in the company.
- All members of an audit committee at a time when financial statements had to be restated due to negligence or fraud.
- All members of an audit committee if the company repeatedly fails to file its financial reports in a timely fashion.
- All members of an audit committee at a time when the company fails to report or to have its auditors report material weaknesses in internal controls.
- The audit committee chair if the committee does not have at least two members with "appropriate accounting or related financial management expertise."[25]

24 Where the recommendation is to vote against the committee chair and the chair is not up for election because the board is staggered, we will simply express our concern with regard to the committee chair and vote against this individual as appropriate at their next election. In all cases, if the chair of the committee is not specified, but our policy calls for voting against the committee chair, we will recommend voting against the director who has been on the committee the longest as the de facto chair.

25 The Code grants the board broad interpretation of what constitutes as "accounting expertise." Therefore, we generally support the board's judgment in selecting audit committee members with relevant experience absent significant cause for concern.

- The audit committee chair if the audit committee did not meet at least four times during the year.

- The audit committee chair if the company failed to disclose the fees or breakdown of fees paid to the auditor.

- The audit committee chair if the committee failed to hold a meeting at which no executive was present.

- The audit committee chair if the committee has fewer than three members.

- The board chair if the company has not established an audit committee.

REMUNERATION COMMITTEE PERFORMANCE

Remuneration committees have the final say in determining the compensation of executives and directors. This includes deciding the basis on which compensation is determined, as well as the amounts and types of compensation to be paid. This process begins with the hiring and initial establishment of employment agreements, including the terms for such items as pay, pensions and severance arrangements. It is important in establishing compensation arrangements that compensation be consistent with and based on the long-term economic performance of the business' long-term shareholder returns.

Remuneration committees are also responsible for the oversight of the transparency of compensation. It is important to investors that they have clear and complete disclosure of all the significant terms of compensation arrangements in order to make informed decisions with respect to the oversight and decisions of the remuneration committee.

Finally, remuneration committees are responsible for oversight of internal controls over the executive compensation process. This includes controls over gathering information used to determine compensation, establish equity award plans, and grant equity awards. Lax controls can and have contributed to conflicting information being obtained, for example through the use of nonobjective consultants. Lax controls can also contribute to improper awards of compensation such as through granting of backdated or spring-loaded options, or granting of bonuses when triggers for bonus payments have not been met.

We evaluate remuneration committee members on the basis of their performance while serving on the remuneration committee in question, not for actions taken solely by prior committee members who are not currently serving on the committee.

When assessing the performance of remuneration committees, we will recommend voting against the following members under the following circumstances:[26]

- The remuneration committee chair if the committee is chaired by a non-independent director.

- Any remuneration committee member who is considered an executive or employee of the company based on our research. Or any remuneration committee member who is not considered independent, when the committee is not majority independent.

- All members of the remuneration committee (from the relevant time period) if excessive employment agreements and/or severance agreements were entered into.

- All members of the remuneration committee if performance goals were changed (i.e., lowered) when employees failed or were unlikely to meet original goals or performance-based compensation was paid despite goals not being attained. All members of the remuneration committee if excessive employee perquisites and benefits were allowed.

26 If the information regarding committee chair is not disclosed, we recommend voting against a committee member with longest tenure on the board.

- The remuneration committee chair if the committee has fewer than three members.

- The remuneration committee chair if non-executive directors of the company received excessive compensation other than directors' fees and stock options.[27]

- The remuneration committee chair if the remuneration committee did not meet during the year, but should have (e.g., executive compensation was restructured).

- The board chair if the company has not established a remuneration committee.

NOMINATION COMMITTEE PERFORMANCE

The nomination committee, as an agency for shareholders, is responsible and accountable for the selection of objective and competent board members.

Regarding the nomination committee, we will recommend voting against the following members under the following circumstances:[28]

- The nomination committee chair if the committee is chaired by a non-independent director.

- Any nomination committee member who is considered an executive or employee of the company based on our research. Or any nomination committee member who is not considered independent, when the committee is not majority independent.

- Any committee member who is considered an executive or employee of the company based on our research, when the committee is combined with a remuneration committee.

- All members of the nomination committee when the committee nominated or re-nominated an individual who had a significant conflict of interest or whose past actions demonstrated a lack of integrity or inability to represent shareholder interests.

- The nomination committee chair if the nomination committee did not hold any meeting during the year.

- The nomination committee chair if the committee re-nominates a director who did not attend any board meetings.

- The nomination committee chair if the committee re-nominated a director who attended less than 75% of the meetings held by the board and/or the committees for two or more consecutive years.

- The nomination committee chair if less than 50% of the board is independent.

- The nomination committee chair where the board does not have at least one female director.

- The nomination committee chair if there are more than 20 members on the board.

- The nomination committee chair if the board chair is a part of the management team and the board does not appoint an independent vice chair or a leading independent director.

- The nomination committee chair if a managing director does not face re-election three years after his/her appointment or reappointment to the board or if any director is appointed to the board and has a term of service that is not subject to retirement by rotation.

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27 As a general rule, non-executive directors should not be compensated with salaries, bonuses, pension fund contributions and other emoluments, and such compensation should not be excessive compared to the director fees awarded to that director. One exemption to this rule is where such compensation is due to or likely to be due to that director's service as an executive of the company's subsidiary and/or affiliate.

28 If the information regarding committee chair is not disclosed, we recommend voting against a committee member with longest tenure on the board.

- The nomination committee chair if the committee has fewer than three members.

- The board chair if the company has not established a nomination committee.

GOVERNANCE COMMITTEE PERFORMANCE

In performing this role, the board is responsible for the governance by the board of the company and its executives. It is also responsible for providing leadership on governance policies adopted by the company.

We will recommend voting against all members of the governance committee during whose tenure the board failed to implement a shareholder proposal with a direct and substantial impact on shareholders and their rights and where the proposal received a sufficient number of votes.[29]

In the absence of a nomination committee, we will analyze the governance committee in the same manner as we would the nomination committee.

RISK MANAGEMENT COMMITTEE PERFORMANCE

Markets within the Southeast Asia region are recommending that companies establish risk management committees. Although it is not formally recommended or required for Singapore, we view this committee, if separate from the audit committee, as being responsible for ensuring robust internal control systems to oversee and manage a company's risk profile. Where companies establish a risk management committee, we will count the attendance of directors serving on this committee, along with attendance for board and other committee meetings.

Where a company establishes a risk management committee, we will recommend against members of this committee in instances or events where there has been a failure of risk management.

ENVIRONMENTAL AND SOCIAL RISK OVERSIGHT

Glass Lewis understands the importance of ensuring the sustainability of companies' operations and believes that an inattention to material environmental and social issues can present direct legal, financial, regulatory and reputational risks for companies that could serve to harm shareholder interests. Therefore, we believe that these issues should be carefully monitored and managed by companies and that companies should have an appropriate oversight structure in place to ensure that they are mitigating attendant risks and capitalizing on related opportunities to the best extent possible.

Glass Lewis believes that companies should ensure appropriate, board-level oversight of material risks to their operations, including those that are environmental and social in nature. Accordingly, in instances where we identify material oversight issues, Glass Lewis will review a company's overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues.

Where it is clear that companies have not properly managed or mitigated environmental or social risks to the detriment of shareholder value or when such mismanagement has threatened shareholder value, Glass Lewis may consider recommending that shareholders vote against members of the board who are responsible with oversight of environmental and social risks. In the absence of explicit board oversight of environmental and social issues, Glass Lewis may recommend that shareholders vote against members of the audit committee, risk committee or other applicable committees. In making these determinations, Glass Lewis will carefully review the situation at hand, its effect on shareholder value, as well as any corrective action or other response made by the company.

29 If the board does not have a governance committee (or a committee that serves such a purpose), we recommend voting against the board chair on this basis.

Transparency and Integrity in Financial Reporting

ACCOUNTS AND REPORTS

In Singapore, companies may submit annual financial statements,[30] a directors' report and an auditor's report to be approved by shareholders for them to be legally valid. We will recommend voting for these proposals except in the case where there are concerns about the integrity of the statements/reports.

Should an auditor be unable to ensure a clean bill of health, depending on the circumstance, we may recommend that shareholders abstain from voting or vote against the auditor in addition to recommending voting against members of the audit committee.

However, in the event that the audited financial statements have not been made available, we do not believe shareholders have sufficient information to make an informed judgment regarding this matter. In those cases, we will recommend that shareholders abstain from voting on this agenda item.

ALLOCATION OF PROFITS/DIVIDENDS

Glass Lewis generally supports a company's policy when it comes to the payment of dividends including decisions not to pay them. In most cases, we believe the board is in the best position to determine whether a company has sufficient resources to distribute a dividend or if shareholders would be better served by forgoing a dividend to conserve resources for future opportunities or needs. As such, we will only recommend that shareholders refrain from supporting dividend proposals in exceptional cases.

APPOINTMENT OF AUDITOR AND AUTHORITY TO SET FEES

The auditor's role as gatekeeper is crucial in ensuring the integrity and transparency of the financial information necessary for protecting shareholder value. Shareholders rely on the auditor to ask tough questions and to do a thorough analysis of a company's books to ensure that the information provided to shareholders is complete, accurate, fair, and that it is a reasonable representation of a company's financial position. The only way shareholders can make rational investment decisions is if the market is equipped with accurate information about a company's fiscal health.

Shareholders should demand an objective, competent and diligent auditor who performs at or above professional standards at every company in which the investors hold an interest. Like directors, auditors should be free from conflicts of interest and should avoid situations requiring a choice between the auditor's interests and the public's interests. Almost without exception, shareholders should be able to annually review an auditor's performance and to annually ratify a board's auditor selection.

We generally support management's choice of auditor except when we believe the auditor's independence or audit integrity has been compromised. When there have been material restatements of annual financial statements or material weaknesses in internal controls, we usually recommend voting against the auditor. In the event that the audited financial statements have not yet been disclosed, we base our voting recommendations on the company's financial statements for the previous year. We do not hold a company's auditor responsible for, what we believe, may be the company's failure to comply with reporting obligations.

30 Including income statements, balance statements and any relevant notes.

Reasons why we may recommend voting against ratification of an auditor include:

- Where the company failed to disclose the auditor fees paid for the previous fiscal year or a breakdown thereof.

- When audit and audit-related fees total 50% or less of the total fees billed by the auditor.

- Recent material restatements of annual financial statements, including those resulting in the reporting of material weaknesses in internal controls and including late filings by the company where the auditor bears some responsibility for the restatement or late filing.[31]

- When the company has aggressive accounting policies evidenced by restatements or other financial reporting problems.

- When the company has poor disclosure or lacks transparency in its financial statements.

- Where the auditor limited its liability through its contract with the company.

- When other relationships or concerns with the auditor suggest a conflict between the auditor's interests and shareholder interests.

- In cases where the company does not disclose sufficient information regarding the appointment or ratification of the auditor.

31 An auditor does not audit interim financial statements. Thus, we generally do not believe that an auditor should be opposed due to a restatement of interim financial statements unless the nature of the misstatement is clear from a reading of the incorrect financial statements.

The Link Between Compensation and Performance

DIRECTOR FEES

Glass Lewis believes that non-executive directors should receive compensation for the time and effort they spend serving on the board and its committees. Director fees should be reasonable in order to retain and attract qualified individuals. At the same time, excessive fees represent a financial cost to the company and threaten to compromise the objectivity and independence of non-employee directors. Therefore, a balance is required.

In Singapore, shareholders may decide only the aggregate amount of fees to be paid to directors as compensation for their services as a member of the board. Shareholders do not have the right to vote on executive compensation or a company's compensation policy.

Glass Lewis generally supports this type of proposal except in cases where we find the proposed fees are excessive relative to those paid by peer companies with similar market capitalizations.

DIRECTOR FEES PAID IN EQUITY

We recognize that Singaporean companies are beginning to compensate their non-executive directors by way of a mixture of cash and equity. In general, we do not find this practice contentious. However, for equity-based compensation, we will expect that equity grants not include performance conditions, vesting requirements, or discounts on exercise price, in the event of stock options or other similar types of awards. We view the exclusion of vesting periods and performance considerations to non-executive directors as positive attributes, as the lack of a vesting period and performance conditions will help to preserve the independence of the non-executive directors. At the same time, equity-based compensation may work to align non-executive director compensation to company performance and non-executive remuneration with shareholder interests.

RETIREMENT BENEFITS FOR DIRECTORS

We will typically recommend voting against proposals to grant retirement benefits to non-executive directors. Such extended payments can impair the objectivity and independence of these board members. Directors should receive adequate compensation for their board service through initial and annual fees.

EQUITY-BASED COMPENSATION PLANS

We believe that equity compensation awards are useful, when not abused, for retaining employees and providing them with an incentive to act in a way that will improve company performance.

Equity-based compensation programs have important differences from cash compensation plans and bonus programs. Accordingly, our analysis takes into account factors such as plan administration, the method and terms of exercise, and express or implied rights to re-price.

Our analysis is both quantitative and qualitative. In particular, we examine the potential dilution to shareholders, the company's grant history and compliance with best practice recommendations.

We evaluate option plans based on the following overarching principles:

- Companies should seek more shares only when they need them.
- Plans should be small enough that companies need approval every three to four years (or less) from shareholders.
- Plans should not permit re-pricing of stock options.
- Plans should not contain excessively liberal administrative or payment terms.

In addition, as a general rule, we do not support granting performance-linked compensation to those who carry out supervisory duties because we believe that a non-executive director should hold the same type of securities as ordinary shareholders. Thus, we recommend shareholders vote against when non-executive directors are eligible to participate in performance-linked plan.

When evaluating equity-based compensation proposals, we will look for companies to provide complete disclosure surrounding the proposed equity grants. In the absence of complete disclosure, we may recommend shareholders oppose either the adoption of an equity-based compensation plan or the granting of equity awards. However, in recognition of equity compensation practices for Singaporean companies, we will generally evaluate the general authority to grant awards under equity compensation plans in the following manner:

- For proposals seeking to grant awards within the general limits of an existing plan or plans and the proposed grant size is not disclosed, we will look at the previous year's grants to infer a potential grant size in the current financial year. We will generally recommend shareholders oppose proposals to grant additional equity awards if grants exceeded 2% of a company's issued share capital as at the holding of the general meeting.
- Where companies had existing plans, and are looking to adopt a new plan, we will examine whether companies in the preceding two years had plans which granted more than 2% of a company's issued share capital on an annual basis. Where such grant histories are found, we will oppose the adoption of a new equity compensation plan, unless the proposed new plan commits to granting less than 2% of issued share capital on an annual basis.
- Where companies previously did not have equity-compensation plans but are adopting a plan for the first time, we will generally look at the qualitative elements of the proposed plan to guide our recommendation.

We will oppose the granting of equity-based compensation awards where:

- The exercise price or discount rate of stock options is determined at the discretion of the plan administrator.
- The exercise price discount for stock options exceeds 20% of the market price.
- The maximum period is less than two years unless vesting occurs immediately after a minimum two-year performance period. However, we will make an exception for awards to non-executive directors where there is no vesting period.
- The equity-based compensation plans include the acceleration of vesting of awards upon an offer being made on a company's shares without the transaction needing to be completed, along with a further event such as termination of employment of the grantee. However, we may take into consideration the acceleration of vesting of awards, provided the vesting is in conjunction with the achievement of performance targets as at the time of the transaction leading to a change in control.

We will oppose proposals to grant individual equity awards where:

- The number of share options or shares to be granted has not been disclosed by the Company.
- We oppose the plan or plans the awards are being granted under.
- If an individual's grant or the combined grant size for several individuals exceed 2% of a company's issued share capital.

PERFORMANCE-BASED OPTIONS

Shareholders commonly ask boards to adopt policies requiring that a significant portion of future stock option grants to senior executives be based on performance metrics such as performance-based options that have an exercise price linked to an industry peer group's stock-performance index.

Glass Lewis believes in performance-based equity compensation plans for senior executives. We feel that executives should be compensated with equity when their performance and the company's performance warrant such rewards. While we do not believe that equity-based pay plans for all employees should be based on overall company performance, we do support such limitations for equity grants to senior executives. However, some level equity-based compensation for senior executives without performance criteria is acceptable, such as in the case of moderate incentive grants made in an initial offer of employment or in emerging industries.

Boards often maintain that basing option grants on performance would hinder their ability to attract talent. We believe that boards can develop a consistent, reliable approach to attract executives who are able to guide the company toward its targets. If the board believes in performance-based pay for executives, then these proposals requiring the same should not hamper the board's ability to create equity-based compensation plans.

We generally recommend that shareholders vote in favor of performance-based option requirements for senior executives.

OPTION EXCHANGES

Glass Lewis views option re-pricing plans and option exchange programs with great skepticism. Shareholders have substantial, real downside risk in owning stock, and we believe that the employees, officers and directors who receive options should be similarly situated to align interests optimally. We are concerned that option grantees who believe they will be "rescued" from underwater options will be more inclined to take on unjustifiable risks. Moreover, a predictable pattern of re-pricing or exchanges substantially alters the value of the stock option, as options that will practically never expire deeply out of the money are worth far more than options that carry such a risk. In short, repricings and option ex-change programs change the bargain between shareholders and employees after the bargain has been struck. Re-pricing is tantamount to a re-trade.

There is one circumstance in which a repricing or option exchange program is acceptable: if the value of a stock has declined dramatically because of macroeconomic or industry trends (rather than specific company issues) and a re-pricing is necessary to motivate and retain employees. In this circumstance, we think it fair to conclude that option grantees may be suffering from a risk that was not foreseeable when the original equity-based compensation "bargain" was struck. In such a circumstance, we will support a re-pricing only if the following conditions are true:

- Officers and board members do not participate in the program.
- The stock decline mirrors the market or industry price decline in terms of timing and approximates the decline in magnitude.
- The exchange is value-neutral or value-creative to shareholders with very conservative assumptions and a recognition of the adverse selection problems inherent in voluntary programs.

- Management and the board make a cogent case for needing to incentivize and retain existing employees, such as the company's position in a competitive employment market.

EXECUTIVE COMPENSATION

Glass Lewis believes strongly that executive compensation should be linked directly with the performance of the business the executive is charged with managing. Glass Lewis favors performance-based compensation as an effective means of motivating executives to act in the best interests of shareholders. As a general rule, Glass Lewis believes that shareholders should not be involved in setting executive compensation. Such matters should be left to the board's remuneration committee. We believe that companies whose pay-for-performance is in line with their peers should be granted the flexibility to compensate their executives in a manner that drives growth and profit. Therefore, we view the election of directors, and specifically those who sit on the remuneration committee, as the appropriate mechanism for shareholders to express their disapproval or support of board policy on this issue.

Glass Lewis believes that disclosure of information regarding compensation is critical to allowing shareholders to evaluate the extent to which a company's pay is keeping pace with its performance.

Under the Code,[32] the board should report to shareholders each year on the compensation of directors, the CEO and at least the top five key executives (who are not also directors or the CEO) of the company. This annual compensation report should include full disclosure of the compensation of each individual director and the CEO on a named basis. In addition, the new Practice Guidance state that companies should provide the breakdown of these individuals' compensation earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards and other long-term incentives in percentage of dollar terms.[33] Compensation of at least the top five key executives should be disclosed in bands of $250,000 and within each band, there will be a breakdown of base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives in percentage of dollar terms. Further, the aggregate amount of compensation paid to the top five executives should be disclosed. Companies are however encouraged, as best practice, to fully disclose the compensation of their top five executives.

32 Provision 8.1 of the new Code.

33 Monetary Authority of Singapore. Practice Guidance 8: Disclosure on Remuneration.

Governance Structure and the Shareholder Franchise

DUAL-CLASS SHARE STRUCTURE

As provided under the Companies (Amendment) Act 2014, companies may seek to adopt multiple classes of shares with differential voting rights.[34] The SGX issued new rules relating to dual-class shares or "multi-vote shares", which went into effect on June 26, 2018.[35] However, Glass Lewis believes dual-class voting structures are typically not in the best interests of common shareholders. Allowing one vote per share generally operates as a safeguard for common shareholders by ensuring that those who hold a significant minority of shares are able to weigh in on issues set forth by the board.

Furthermore, we believe that the economic stake of each shareholder should match their voting power and that no small group of shareholders, family or otherwise, should have voting rights different from those of other shareholders. On matters of governance and shareholder rights, we believe shareholders should have the power to speak and the opportunity to effect change. That power should not be concentrated in the hands of a few for reasons other than economic stake.

We generally consider a dual-class share structure to reflect negatively on a company's overall corporate governance. Because we believe that companies should have share capital structures that protect the interests of non-controlling shareholders as well as any controlling entity, we typically recommend that shareholders vote in favor of recapitalization proposals to eliminate dual-class share structures. Similarly, we will generally recommend against proposals to adopt a new class of common stock.

With regards to our evaluation of corporate governance following an IPO or spin-off within the past year, where there are significant corporate governance concerns, we may recommend shareholders vote against certain members of the board, including the board chair if shareholder rights are being severely restricted.

When analyzing voting results from meetings of shareholders at companies controlled through dual-class structures, we will carefully examine the level of approval or disapproval attributed to unaffiliated shareholders when determining whether board responsiveness is warranted. Where vote results indicate that a majority of unaffiliated shareholders supported a shareholder proposal or opposed a management proposal, we believe the board should demonstrate an appropriate level of responsiveness.

AMENDMENTS TO THE CONSTITUTION

In order to comply with the Companies (Amendment) Act, 2014, companies in Singapore are replacing their articles and memorandum of association with a constitution. In instances where a company seeks to adopt or amend its constitution, we will evaluate proposed amendments to a company's constitution on a case-by-case basis. We are opposed to the practice of bundling several amendments under a single proposal because it prevents shareholders from judging each amendment on its own merits and is a practice which we believe negatively limits shareholder rights. In such cases, we will analyze each proposed change individually. We will recommend voting for the proposal only when, on balance, we believe that all of the amendments are in the best interests of shareholders.

34 Section 64A, Companies (Amendment) Act 2014.

35 Several new Listing Rules became effective from June 26, 2018 relating to Dual Class Shares. They include Listing Rules 210, 225, 229A, 730B, 803A. The rules cover general provisions, limitations on the transfer of multi-vote shares and voting rights and other general disclosure practices and rules.

DIVIDEND REINVESTMENT (OR SCRIP DIVIDEND) PLAN

We support plans that provide shareholders with the choice of receiving dividends in shares instead of cash. Scrip dividends allow the company to retain cash that it would otherwise distribute as a normal dividend. For shareholders, a dividend reinvestment plan offers a less expensive way to acquire additional shares without paying brokers' commissions or taxes.

ISSUANCE OF SHARES

In general, issuing an excessive amount of additional shares and/or convertible securities can dilute existing holders. Further, the authority to issue additional shares, including for use to inhibit a takeover, can often serve as a deterrent to interested suitors. Accordingly, where we find that the company has not detailed a plan for use of the proposed shares, or where the number of shares far exceeds those needed to accomplish a detailed plan, we typically recommend against the authorization of additional shares.

While we think that having adequate shares to allow management to make quick decisions and effectively operate the business is critical, we prefer that, for significant transactions, management come to shareholders to justify the use of additional shares rather than providing a blank check in the form of a large pool of unallocated shares available for any purpose.

Under the SGX Listing Manual, the board may, if so authorized by shareholders, issue shares and convertible securities at their discretion, provided that:

- The aggregate number of shares to be issued by way of renounceable rights issues on a pro rata basis to shareholders does not exceed 100% of the issued shares in the capital of the company.

- The aggregate number of shares to be issued other than by way of renounceable rights issues does not exceed 50% of the issued shares in the capital of the company.

- Of the 50% limit, the number of shares to be issued other than on a pro rata basis to shareholders does not exceed 20% of the issued shares in the capital of the company.

- The number of shares to be issued by way of renounceable rights issues and other issuances does not, in aggregate, exceed 100% of the issued shares in the capital of the company.

In our view, any authorization to issue shares and/or convertible securities with preemptive rights should not exceed 50% of the company's outstanding shares and any authorization to issue shares and/or convertible securities without preemptive rights should not exceed 20% of the company's outstanding shares. While we prefer a lower limit for issuances without preemptive rights, we understand that the 20% limit is the standard practice in Singapore and only a significant minority of companies have voluntarily adopted a lower limit.

RENOUNCEABLE RIGHTS ISSUE

The SGX, in consultation with the Monetary Authority of Singapore, introduced several measures to facilitate fundraising by way of equity offerings. The measures, which came into effect February 20, 2009, enable issuers to increase the maximum share issuance limit under a general mandate up to 100% of outstanding shares in the case of renounceable rights issuances and allow non-substantial shareholders to sub-underwrite rights issues, among other permissions. Under renounceable rights issuances, new shares are offered to current shareholders in proportion to their current holdings. Renounceable rights issuances generally give shareholders the right to renounce their entitlement or transfer and trade their entitlement.

We are concerned that the new share issuance limit for renounceable rights issues may grant directors a dangerously high level of discretion over a company's share capital, possibly to the detriment of current shareholders. Moreover, we note that the amendments to the Singapore Companies Act have abolished the concept of authorized share capital and as such, a company can issue any such number of shares without shareholder

approval, so long as the issuances are within the limits of the general mandate to issue shares. We are concerned that the 100% limit for renounceable rights issuances and the absence of authorized shares leave very little shareholder control over capital management at Singaporean companies.

For these reasons, we will consider supporting this type of proposal only if the company has either implemented sufficient mechanisms to safeguard the interests of shareholders, such as the annual re-election of all directors, or has provided a compelling rationale in support of this broad authority to issue shares.

ISSUANCE OF SHARES AT DISCOUNT

Pursuant to the Listing Manual, a company may, if so authorized by shareholders, issue up to 20% of its outstanding ordinary shares during a one-year period without pre-emptive rights at a discount of up to 10% of the market price of its shares. Any issuance of securities that exceeds these limits requires prior shareholder approval for each issuance.

As a part of the new measures to facilitate equity fundraising, the SGX now allows issuers to increase the discount limit for an issuance of shares without pre-emptive rights to 20%, subject to shareholder approval of a proposal authorizing the board to increase the discount.

We believe that as a general rule, shareholders should be empowered to review any private placement that would result in an issuance of up to 20% of a company's outstanding ordinary shares at a discount of more than 15%. We are concerned that this authority will grant directors a dangerously high level of discretion over a company's capital, possibly to the detriment of current shareholders.

For these reasons, we will consider supporting this type of proposal only if the company has either implemented sufficient mechanisms to safeguard the interests of shareholders, such as the annual re-election of all directors, or has provided a compelling rationale in support of this broad authority to issue shares.

REPURCHASE OF SHARES

A company may want to repurchase its own shares for a variety of reasons. A repurchase plan is often used to increase the company's stock price, to distribute excess cash to shareholders or to provide shares for equity-based compensation plans for employees.[36] In addition, a company might repurchase shares in order to offset dilution of earnings caused by the exercise of stock options.

Pursuant to the Companies Act, companies listed on the SGX are allowed to make both on-market and off-market purchases of their outstanding shares. The total number of ordinary shares and stocks that may be purchased or acquired by a company during the relevant period must not exceed 10% of the issued ordinary share capital of the company under the Listing Manual.[37] Pursuant to the Listing Manual, a company may make an on-market repurchase of its shares at a price which is not more than 5% above the average closing market price of the shares over the five preceding business days prior to the day of repurchase.

We will recommend voting in favor of a proposal to repurchase shares when the plan includes the following three provisions: (i) the maximum number of shares which may be purchased does not exceed 10% of the outstanding shares; (ii) the maximum price which may be paid for each share does not exceed 130% of the market price; and (iii) there is an expiration date of one year.

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36 Under the Companies Act, a company may retain repurchased shares as treasury shares, subject to a maximum of 10% of issued share capital. However treasury shares will not carry voting rights and dividends may not be paid on such shares.

37 However, we note that under the Companies (Amendment) Act, 2014, companies may purchase up to 20% of their share capital, although some companies' governing documents may not contain this provision.

SUPERMAJORITY VOTE REQUIREMENTS

Glass Lewis believes that supermajority vote requirements act as impediments to shareholder action on ballot items that are critical to their interests. One key example is in the takeover context, where a supermajority vote requirement can strongly limit the voice of shareholders in deciding whether to sell the business. We will generally recommend shareholders reject the adoption or extension of supermajority voting provisions and support proposals to eliminate such provisions.

RELATED PARTY TRANSACTIONS

Chapter 9 of the SGX Listing Manual, which is intended to protect the interests of shareholders as a whole, requires certain transactions that fall within the category of "interested person transactions" entered into by connected persons of a listed company to be disclosed to or approved by shareholders. A connected person is a person who is a director, CEO or substantial shareholder of the company or any of its subsidiaries or affiliates or anyone connected to such persons.

Pursuant to the Listing Manual, Singaporean companies may seek a general mandate from their shareholders to enter into interested person transactions of revenue or trading nature or those necessary for the company's day-to-day operations. Accordingly, shareholders are often requested to approve a mandate to authorize the company to enter into, directly or indirectly, interested person transactions of these natures. All such transactions must be carried out on normal commercial terms and be reviewed by the audit committee.

We will evaluate proposed general mandates on a case-by-case basis. Provided there are no transactions that demonstrate egregious or illegal conduct that might threaten shareholder value, we will follow management's decision to enter a general mandate. In evaluating proposed general mandates, we will follow these general principles:

- Transactions must be part of the Company's ordinary course of business.

- Clear disclosure regarding the proposed transactions, including relationships between the parties, descriptions of the transactions, review procedures and length of time must be provided, along with disclosure that interested parties must refrain or abstain on voting for such transactions. Where the transaction terms are partially disclosed, or no details of the transactions have been disclosed, we will recommend shareholders oppose the proposed general mandate.

- For transactions involving a major shareholder, entities affiliated with a major shareholder, or entities with overlapping directors, the transaction(s) must be related to or necessary for the ordinary day-to-day operations of the company.

- Where the transaction is between a parent company and/or fellow subsidiary or controlled subsidiary, we will generally support the transaction unless the transaction is not part of the day-to-day operations of a company.

We will reserve the option to oppose certain related party transactions. In such instances, we will recommend against a specific transaction and/or a specific director for transactions if his/her direct/indirect related party transactions exceed any of the following thresholds: (i) S$50,000 or no disclosure for personal direct transactions; (ii) S$200,000 for indirect transactions with an entity in which a director holds more than 5% interest; (iii) S$200,000 for indirect professional services transactions with a professional services firm in which a director works; or (iv) S$200,000 for indirect transactions with an entity with an entity in which a director serves as an executive.

For any other related party transactions outside of a general mandate, we will generally follow our aforementioned general principles in evaluating the merits of any proposed transaction. Further, where necessary, we will expect companies to disclose the opinion of an independent financial adviser, provided such transactions require such disclosure.

TRANSACTION OF OTHER BUSINESS

We typically recommend that shareholders not give their proxy to management to vote on any other business items that may properly come before the annual meeting. In our opinion, granting unfettered discretion is unwise.

Shareholder Initiatives

Although uncommon in Singapore, should a shareholder proposal arise, we will evaluate it on a case-by-case basis. We generally favour proposals that are likely to increase shareholder value and/or promote and protect shareholder rights. We typically prefer to leave decisions regarding day-to-day management of the business and policy decisions such as those related to political, social or environmental issues to management and the board except when there is a clear and direct link between the proposal and an economic or financial risk for the company. We feel strongly that shareholders should not attempt to micromanage the business or its executives through the initiative process. Rather, shareholders should use their influence to push for governance structures that protect shareholders, including through director elections, and promote the composition of a board they can trust to make informed and careful decisions that are in the best interests of the business and its owners. We believe that shareholders should hold directors accountable for management and policy decisions through the election of directors.

ENVIRONMENTAL, SOCIAL & GOVERNANCE INITIATIVES

For a detailed review of our policies concerning compensation, environmental, social and governance shareholder initiatives, please refer to our comprehensive *Proxy Paper Guidelines for Shareholder Initiatives*, available at www.glasslewis.com.

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North America

UNITED STATES

Headquarters
255 California Street
Suite 1100
San Francisco, CA 94111
+1 415 678 4110
+1 888 800 7001

44 Wall Street
Suite 2001
New York, NY 10005
+1 212 797 3777

Europe

IRELAND
15 Henry Street
Limerick
+353 61 292 800

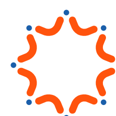
UNITED KINGDOM
80 Coleman Street
Suite 4.02
London, EC2R 5BJ
+44 207 653 8800

GERMANY
IVOX Glass Lewis
Kaiserallee 23a
76133 Karlsruhe
+49 721 3549622

Asia Pacific

AUSTRALIA
CGI Glass Lewis
Suite 5.03, Level 5
255 George St
Sydney NSW 2000
+61 2 9299 9266

@MeetyIConnect



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