



RiskMetrics Group

ISS Governance Services

International Corporate Governance Policy

2008 Updates

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ISS International Corporate Governance Policy 2008 Updates

Effective for Meetings on or after Feb. 1, 2008
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These policy updates present changes and clarifications to ISS Governance Services' ("ISS") international benchmark guidelines for 2008. If new issues arise, such as shareholder proposals or regulatory developments, prior to the next formal update, ISS will adopt policies to cover such issues on an as-needed basis.

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BOARD

Corporate Governance Issue: ISS Classification of Directors (International Policy)

Current Policy Position: Currently, ISS Governance Services (“ISS”) does not consider years of service as a determining factor, unless it is a recommended best practice in a market, e.g. nine years (from the date of election) in the United Kingdom and Ireland, and 12 years in continental European markets.

New Policy Position: This policy will be clarified with the following language: “Years of service is generally not a determining factor unless it is a recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.” Specific examples for particular markets are displayed in a footnote to the table of classification criteria, for easier reference (see table below).

Rationale for Update: Since tenure is taken into consideration only if it is considered a best practice in a particular market or geographic region, or in extreme circumstances, moving specific examples to a footnote will help to clarify the basic ISS policy position.

ISS Classification of Directors - International Policy 2008

Executive Director

- Employee or executive of the company;
- Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.

Non-Independent Non-Executive Director (NED)

- Any director who is attested by the board to be a non-independent NED;
- Any director specifically designated as a representative of a significant shareholder of the company;
- Any director who is also an employee or executive of a significant shareholder of the company;
- Beneficial owner (direct or indirect) of at least 10% of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than 10% individually, but collectively own more than 10%), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);
- Government representative;
- Currently provides (or a relative^[1] provides) professional services^[2] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year;
- Represents customer, supplier, creditor, banker, or other entity with which company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[3]);
- Any director who has conflicting or cross-directorships with executive directors or the chairman of the company;
- Relative^[1] of a current employee of the company or its affiliates;
- Relative^[1] of a former executive of the company or its affiliates;
- A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/member of founding family but not currently an employee;
- Former executive (5 year cooling off period);
- Years of service is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.^[4]

Independent NED

- No material^[5] connection, either directly or indirectly, to the company other than a board seat.

Employee Representative

- Represents employees or employee shareholders of the company (classified as "employee representative" but considered a non-independent NED).

Footnotes:

^[1] "Relative" follows the U.S. SEC's definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

^[2] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

^[3] If the company makes or receives annual payments exceeding the greater of \$200,000 or five percent of the recipient's gross revenues (the recipient is the party receiving the financial proceeds from the transaction).

^[4] For example, in continental Europe, directors with a tenure exceeding 12 years will be considered non-independent. In the United Kingdom and Ireland, directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his long tenure.

^[5] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

Corporate Governance Issue: Director Attendance (Japan)

Current Policy Position: ISS does not currently use attendance at board or committee meetings as a factor in deciding whether to recommend votes for the reelection of incumbent directors or statutory auditors in Japan.

New Policy Position: ISS will recommend a vote against the reelection of directors who fail to attend at least 75 percent of board meetings, unless the company discloses a legitimate reason for the poor attendance. The same policy will be applied to statutory auditors, because they will not be able to properly fulfill their oversight function if they fail to attend meetings of the board of directors and board of statutory auditors. Attendance via webcast or teleconference will be deemed equivalent to attendance in person.

Note that the attendance rates of insiders are still not disclosed in Japan, and so this policy will be applied to the outsiders only. Nevertheless, as best practice, companies should proactively disclose the attendance rates of insiders as well.

Rationale for Update: Under the new Corporate Law which took effect in 2006, Japanese companies must now disclose the participation of outside directors and statutory auditors at meetings of the board of directors (and in the case of statutory auditors, meetings of the board of statutory auditors as well). Most companies interpret this as a call to disclose the number of meetings attended. Meanwhile, as the number of outsiders in Japan continues to increase, we are seeing some cases of low attendance rates, apparently caused by scheduling conflicts.

Outside directors and statutory auditors are elected by shareholders to oversee management and ensure that executives are acting in shareholders' interest. In Japan, many companies are only now appointing outside directors for the first time, mainly because shareholders are calling for such appointments -- and in some cases, because companies believe their poison pill plans are more likely to be approved if they appoint outsiders to the board. In such cases, shareholders need to be on guard to ensure that the outsiders are not mere figureheads, but are actually playing a meaningful role. Moreover, the limited number of outsiders at most companies means that the absence of one director (or statutory auditor) from a board meeting will have a greater impact than would be the case if a majority of the board were outsiders.

Corporate Governance Issue: Election of Directors (Hong Kong)

Current Policy Position: ISS' existing policy includes recommending against a Hong Kong director who is classified by the company as independent but who does not satisfy the ISS test of independence. ISS also currently recommends in favor of all executive directors and substantial shareholder representatives even where the board has a majority of executive directors, and only the minimum 3 independent directors required by the listing rules.

New Policy Position: ISS will recommend voting against one executive director and one substantial-shareholder nominee where independent directors (according to ISS guidelines) represent less than one-third of the board. In doing so, ISS will not recommend against the election of the CEO or a company founder who is integral to the company.

Other considerations that will be taken into account with regard to the election of directors include:

- ISS will recommend voting against any member of the audit committee who is a former partner of the company's auditor;

- In instances where directors have attended less than 75 percent of board meetings, ISS will now recommend voting against the director unless the company has provided a reasonable explanation for the absences.

Rationale for Update: This new policy serves to reinforce support for the Hong Kong Code's recommendation that a board include at least one-third independent directors. Hong Kong's Code of Corporate Governance Practices suggests, as a 'recommended best practice,' that independent directors should represent at least one-third of the board. Having one-third independent directors on the board facilitates independent and balanced decision making. The change in relation to poor meeting attendance is essentially applying ISS' standard international policy to Hong Kong, made possible by disclosure improvements in Hong Kong that have resulted in companies providing information on board meeting attendance.

The change in relation to members of the audit committee is designed to reinforce the belief of many investors that independence (from management and currently/formerly retained audit firms) is paramount in audit committees.

Corporate Governance Issue: Election of Directors (Singapore)

Current Policy Position: Currently, ISS recommends in favor of all executive directors and substantial shareholder representatives even where the board has a majority of executive directors.

New Policy Position: ISS will recommend voting against one executive director and one substantial-shareholder nominee where independent directors (according to ISS guidelines) represent less than one-third of the board. In so doing, ISS will not recommend against the election of the CEO or a company founder who is integral to the company.

Other considerations that will be taken into account with regard to the election of directors include:

- ISS will now recommend voting against any member of the audit committee who is a former partner of the company's auditor;
- In instances where insiders continue to hold positions in the three key committees (Audit, Remuneration, and Nominating), ISS will continue to recommend a vote against these directors (i.e. no change to existing policy). In doing so, ISS will not recommend against the election of the CEO or a company founder who is integral to the company; and
- In instances where directors have attended less than 75 percent of Board meetings, ISS will now recommend voting against the director unless the company has provided a reasonable explanation for the absences.

Rationale for Update: This policy development serves to reinforce support for the Singapore Code's "comply or explain" recommendation that a board include at least one-third independent directors. Guideline 2.1 of the Singapore Code of Corporate Governance (2005) states that "[t]here should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board." Having one-third independent directors on a board contributes to the exercise of objective judgment and opinion. Similarly, recommendations made in relation to board committees are designed to ensure objective judgment in critical areas of Board operations. The change in relation to poor meeting attendance is essentially applying ISS' standard international policy to Singapore.

Corporate Governance Issue: Improving Board Independence (France)

Current Policy Position: Currently, ISS recommends a vote against the election or reelection of any non-independent directors (excluding the CEO) if fewer than half of proposed board members are not independent (as defined by ISS' director classification guidelines). If a nominee cannot be categorized, ISS will assume that the nominee is non-independent and include him in the calculation. Likewise, ISS will recommend a vote AGAINST the election or reelection of any non-independent director (excluding the CEO) if the proposed board is not at least one-third independent at companies with a majority shareholder (or a majority group of shareholders linked by an agreement in the framework of a concert action).

New Policy Position: ISS will recommend a vote for the election or reelection of any non-independent non-executive director if at least one-third of proposed board members are independent (as defined by ISS' director categorization guidelines) and the elections will lead to an improvement in board composition (independence increased to more than 33 percent, but still less than 50 percent). If a nominee cannot be categorized, ISS will assume that the nominee is non-independent and include him in the calculation.

In other words, to recommend a vote FOR a non-independent non-executive director, two conditions will have to be fulfilled:

- Future composition of the board of at least 33 percent of independents; and
- Improvement in board composition (e.g. independence increase from 25 to 40 percent).

These two requirements need to be present at the same time.

Rationale for Update: This new policy is designed to encourage companies that show an improvement in their board independence. With the new policy, ISS will recommend a vote FOR in cases where the company improves its percentage of board independence. Thus the policy encourages the company further to improve its board composition.

During the 2007 proxy season, there were several cases where a company reached one third independence in its board, but did not show any improvement from the past or, even worse, the percentage of independence decreased. In these cases, ISS will maintain its current policy and oppose the election of all non-independent non-executive directors. The same policy will be applied if the level of independent directors does not reach 33 percent.

Corporate Governance Issue: Supervisory Boards Without Employee Representatives (Germany)

Current Policy Position: Currently, ISS recommends a vote AGAINST all non-independent nominees if the supervisory board, after the proposed elections, would be less than one third independent (based on ISS' director classification criteria). The one-third threshold applies to all German core companies, independent of the number of employee representatives sitting on their supervisory board.

New Policy Position: For all German core companies with employee representatives on their supervisory board, ISS will recommend a vote AGAINST the election of any non-independent director if less than one third of the supervisory board is independent (based on ISS' director classification criteria). For all other German core companies (i.e., those without employee representatives), ISS will recommend a vote AGAINST the election of any non-independent director if less than one half of the supervisory board is independent.

Rationale for Update: The new policy takes into account the different levels of compulsory employee representation on the board. The German laws on employee representation on the supervisory board distinguish between companies based on the number of their permanent employees. Only companies with more than 500 employees are required by law to have employee representatives on their supervisory board. The reduced threshold of one third will be applied only to companies that are required by law to have employee representatives on their supervisory board. For all other companies, ISS will require a minimum of 50 percent of the supervisory board to be independent, as required by ISS' international standard policy.

Corporate Governance Issue: Overboarding of Supervisory Board Members (Germany)

Current Policy Position: ISS does not currently apply an overboarding policy anywhere in continental Europe. However, ISS analyses have included warning language for German supervisory board members (directors) that hold more than five total supervisory board or board of directors mandates.

New Policy Position: ISS will recommend a vote AGAINST supervisory board nominees if they hold more than a total of five supervisory board or foreign board of directors seats and serve in an executive role (i.e., on a management board) at another company.

Rationale for Update: The recommended policy is intended to introduce the concept of overboarding in the German market. By international comparison, German supervisory board members have long been overboarded, sometimes serving on as many as 10 supervisory boards. In 2007, the German Corporate Governance Code (Kodex) Commission introduced a recommendation that individuals who are members of the management board (executives) at one company not serve on more than a total of five supervisory boards or foreign boards of directors. Once the concept of overboarding has gained more support in Germany and in Europe, ISS may in the future consider a policy that extends to all directors (i.e. both executives and professional directors), and to other markets.

Corporate Governance Issue: Voto di Lista Director Elections (Italy)

Current Policy Position: In Italy, the election of directors takes place through the *voto di lista* mechanism (similar to slate elections). Unfortunately, the various lists are rarely released more than 10 days in advance of the meeting. Under current policy, ISS recommends that shareholders vote for director elections before the lists of nominees are published. For EAFE companies only, ISS then contacts the company upon the expiration of the ten-day term for the submission of slates, in order to obtain further information regarding the nominees. Once the lists of nominees are published, ISS then issues an alert to clients. The alert modifies the agenda in order to reflect the number of lists submitted by shareholders and, if appropriate, changes the ISS vote recommendation to support one particular slate.

Because the slates are usually only published 10 days before the meetings, shareholders who have cast their FOR votes in advance are often unable to resubmit their changed vote for another slate. As a result, a FOR vote submitted before the lists are published is counted by default for the management slate. Since the management slate often contains more non-independent directors than alternate slates, which are typically submitted by institutional investors, a default vote for the management slate is not desirable.

New Policy Position: The new policy will apply only to companies that are part of the MSCI-EAFE index. Under the new policy, before the lists of director nominees are disclosed, ISS will recommend a vote AGAINST the

director elections at such companies. Once the various lists of nominees are disclosed, ISS will issue an alert to its clients and, if appropriate, change its vote recommendation to support one particular slate.

Rationale for Update: ISS is introducing this policy based on feedback from clients, who would like to avoid unintentionally supporting an undesirable management slate. During 2007 proxy season, there were several instances of contested director elections where shareholders unintentionally voted for the management slate, because they were forced to submit their votes before detailed information on opposition slates was published, and subsequently were not able to change (recast) their votes.

In May 2007, the Consob (the Italian securities regulator) issued a new regulation for listed companies requiring that the lists with the names of the nominees be deposited at the company's headquarters at least 15 days prior to the meeting date (first call), as is also recommended by the Italian Corporate Governance Code. By recommending a vote against director elections until the lists of nominees are publicly available, the new policy will encourage companies to disclose all lists far in advance of the meeting. If companies do not publish the lists early enough for shareholders to make an informed voting decision, without being able to recast their votes, the recommendation against the management slate will ensure that votes do not get counted for the management slate unintentionally.

Corporate Governance Issue: Board Independence (Spain)

Current Policy Position: Currently, ISS does not apply any independence requirement when making vote recommendations for Spanish meetings. Spain is one of very few European markets where ISS has not yet adopted a 50 percent board independence minimum.

New Policy Position: ISS will recommend voting against non-independent directors (excluding the CEO) for all core companies where the board is not at least one-third independent.

Rationale for Update: Until now, Spain's highly concentrated capital structures and its practice of appointing shareholder representatives has resulted in very few majority independent boards. In the long term, ISS would like to apply the 50 percent European standard for Spain as well. However, a large majority of EAFE companies still do not have 50 percent board independence. Based on the new Unified Code of corporate governance entering into effect for 2008, ISS will begin to require board independence of at least one third. This policy is intended to alert Spanish companies to the importance of independent directors on their boards. As board independence continues to improve in Spain, ISS in the future may increase the independence requirement to 50 percent.

Corporate Governance Issue: Bundled Director Elections (Spain)

Current Policy Position: Under current policy, ISS does not oppose bundled director elections, as bundled elections were the market norm until last year. However, ISS analyses have included language highlighting ISS' disapproval of this practice.

New Policy Position: Vote AGAINST the routine election and reelection of directors if they are bundled under a single voting item.

Rationale for Update: Since the Unified Code now recommends that companies present director elections as individual voting items, we expect many fewer instances of bundled director elections in Spain going forward.

Based on this development, the new policy will further encourage companies to conduct director elections on an individual basis, as recommended by the Unified Code.

COMPENSATION

Corporate Governance Issue: Options for Non-Executive Directors (Belgium, Netherlands)

Current Policy Position: Under the current policy, ISS generally approves the grant of stock options to non-executive directors in Belgium and the Netherlands, on the rare occasions they are proposed. However, ISS classifies any directors who receive stock options as non-independent.

New Policy Position: ISS will recommend a vote against proposals that provide for the granting of stock options, or similarly structured equity-based compensation, to non-executive directors.

Rationale for Update: This new policy is intended to reflect local best practice requirements, as well as the position of our institutional clients in the Netherlands and Belgium. In the Netherlands and Belgium, local best practice codes recommend strictly against the grant of stock options or similarly structured equity-based compensation to non-executive directors. In addition, among the companies in the major stock indices in both the Netherlands and in Belgium, the granting of stock options to non-executive directors is highly exceptional. Finally, this practice is opposed by the vast majority of institutional investors in these two markets.

Corporate Governance Issue: Share Matching Plans (Sweden, Norway)

Current Policy Position: Under current policy, ISS considers the following factors when evaluating share matching plans:

1. For every share matching plan, ISS requires a holding period.
2. For plans without performance criteria, the shares must be purchased at market price.
3. For all plans, a 1:2 arrangement (get one free share for each two shares purchased at market value, roughly equaling a discount of 33 percent) is acceptable; a 1:1 ratio (roughly equaling a discount of 50 percent) would be the upper limit (further justification is needed to go beyond 1:2 up to 1:1). (Note: The actual size of the discount will ultimately depend on the value of the share at the time of allocation).
4. In addition, for plans directed at executives, we require that sufficiently challenging performance criteria be attached to the plan. Higher discounts demand proportionally higher performance criteria.
5. The dilution of the plan when combined with the dilution from any other proposed or outstanding employee stock purchase/stock matching plans, must comply with ISS' guidelines.

New Policy Position: The new policy introduces an amended paragraph 3: "For broad-based share matching plans directed at all employees, ISS accepts an arrangement up to a 1:1 ratio, i.e. no more than one free share is awarded for every share purchased at market value."

Additionally, in accordance with the existing policy (see above), ISS will continue to require a reasonable holding period (typically 2-3 years), that the initial investment be made at market price, and that the dilution

of the plan when combined with the dilution from any other proposed or outstanding employee stock purchase/stock matching plans, must comply with ISS' guidelines.

Rationale for Update: This updated policy is intended to reflect and codify ISS recommendations made during the 2007 proxy season. In practice, ISS supported all plans with 1:1 matching this past year, as there were always further reasons to justify a ratio going beyond 1:2, up to 1:1.

Corporate Governance Issue: Stock Option Plans (Singapore)

Current Policy Position: ISS has historically recommended voting against a proposed option plan if the maximum dilution level for the plan exceeds ISS' guidelines of 5 percent of issued capital for a mature company and 10 percent for a growth company. ISS has also recommended voting against stock option plans that allow for the granting of options with an exercise price at a discount to the current market price.

New Policy Position: ISS will now recommend supporting plans at mature companies with dilution levels up to 10 percent if the plan includes positive features such as challenging performance criteria and meaningful vesting periods. These features partially offset dilution concerns by reducing the likelihood that options will become exercisable unless there is a clear improvement in shareholder value.

Other considerations that will be taken into account with regard to the approval of stock option plans include:

- Where shares repurchased specifically for option plan grants are not counted toward the plan's limit on newly issued shares, but would operate as an additional pool of shares, ISS will look for additional limitations (including an aggregate numerical limit, a percentage limit, or limitations on individual awards).

Rationale for Update: This policy update is consistent with ISS' Standard International Policy, and recognizes the benefit of such plans at mature companies, provided that performance criteria are sufficiently robust.

GENERAL

Corporate Governance Issue: Share Issuances with "Priority Rights" (France)

Current Policy Position: The current ISS policy recommends that shareholders vote for issuances of capital without preemptive rights, provided that the issuance authority does not exceed 20 percent of the share capital. However, if the resolution gives the board of directors the option to grant priority rights, we apply the same threshold as for issuances with preemptive rights, namely 100 percent. In other words, ISS has until now applied the higher 100 percent threshold when there was a provision to grant priority rights, regardless of whether the granting of priority rights was optional or mandatory.

New Policy Position: Under the new policy, ISS will recommend a vote in favor of a capital increase without preemptive rights for an amount representing 100 percent of the share capital only if the proposed resolution includes a binding provision requiring that the board of directors grant priority rights to shareholders for the full amount of the issuance. Otherwise, ISS will apply the usual 20-percent threshold for issuances without preemptive rights.

Rationale for Update: The new policy is intended to avoid applying a more lenient threshold for issuances without preemptive rights, where the board is not necessarily bound to grant priority rights to shareholders.

Like in many other markets, there are two ways to increase share capital in France, either with preemptive rights or without preemptive rights. However, unlike in other markets, if a capital increase is without preemptive rights, the board may still grant so-called “priority rights” to shareholders. If the board grants priority rights, shareholders are able to participate in the share capital increase for a period of at least of 3 days, before the shares are offered to the public. There is one notable difference between a capital increase with preemptive rights and a capital increase without preemptive rights but with priority rights: while preemptive rights are negotiable in the market, priority rights are non-transferable.

The concept of priority rights applies only in the context of a capital increase without preemptive rights, where the shares are destined for the general public. However, these resolutions often delegate the decision to grant priority rights to the board. As such, there is no assurance that the board will grant priority rights. During the 2007 proxy season, a number of companies introduced binding language that requires the board to grant priority rights. Given this development, applying a higher threshold for issuances that do not make priority rights mandatory is no longer appropriate.

Corporate Governance Issue: Share Issuances (Korea)

Current Policy Position: In accordance with the Korean Commercial Act, the articles of incorporation of most companies allow them to issue new shares, convertible bonds, or warrants to a third party in the case of a joint venture, a strategic alliance, a technology transfer, and other similar situations, without any specified upper limit. Under existing practice, ISS has approved all amendments related to such issuances in the articles of incorporation for Korean companies.

New Policy Position: Vote AGAINST any amendment pertaining to the issuance of new shares, convertible bonds, and/or warrants, which are issued without specified limits. ISS will recommend in favor of such article amendments only if they provide for a cap of 20 percent of total outstanding shares, as required by ISS’ current policy for general share issuances without preemptive rights.

Rationale for Update: The new policy is intended to prevent excessive dilution to existing shareholders, where a company’s articles provide for an unlimited issuance authority in case of a joint venture, strategic alliance, or similar situation.

Under the Korean Commercial Act, companies may make an allotment of new shares to persons other than the shareholders under the provisions of the articles of incorporation, provided that it is limited to cases necessary for the achievement of the company's operational objectives, such as the introduction of new technology, improvement of financial structures, etc. Because poison pills are prohibited in Korea, with the goal to fend off hostile takeover bids in the future, more Korean companies have increasingly adopted broad business proposals for such issuances without any issuance limits. In reality, such practices could do more harm to shareholders than a poison pill because companies can issue either new shares, convertible bonds, or warrants to a third party - excluding existing shareholders.

Corporate Governance Issue: Share Issuances (Hong Kong)

Current Policy Position: Under current practice, and with the exception of a minority of companies, Hong Kong companies routinely seek shareholder approval to authorize their boards to:

- Issue shares up to 20 percent of existing capital without preemptive rights (General Issuance Mandate);

- Repurchase shares of up to 10 percent of issued capital (Repurchase Mandate); and
- Reissue repurchased shares by extending the General Issuance Mandate to include the number of shares repurchased (Share Reissuance Mandate).

Currently, ISS recommends voting against most requests for the General Issuance Mandate in Hong Kong where there are no limits on discounts; furthermore, and pursuant to this, ISS also suggests voting against the Share Reissuance Mandate unless the General Issuance Mandate is supported.

New Policy Position: ISS will recommend a vote supporting the General Issuance Mandate for companies that:

- Limit the aggregate issuance request - that is, for the General Issuance Mandate and the Share Reissuance Mandate combined - to 10 percent or less of the existing issued share capital (rather than the maximum 20 percent for general issuances and 10 percent for reissuances that the Listing Rules permit companies to request);
- Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules); *and*
- Have no history of renewing the General Issuance Mandate several times within a period of one year.

The Share Reissuance Mandate gives the board power to issue shares on the same terms and conditions (for example, in relation to discount to market price) as exist under the General Issuance Mandate.

ISS will recommend a vote supporting the Share Reissuance Mandate only if:

- The aggregate issuance request - that is, for the General Issuance Mandate and the Share Reissuance Mandate combined - is limited to 10 percent or less of the existing issued share capital (rather than the maximum 20 percent + 10 percent that the Listing Rules permit companies to request);
- The General Issuance Mandate request limits the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules); and
- The company has no history of renewing the General Issuance Mandate several times within a period of one year.

Rationale for Update: The new policy position follows extensive discussions with clients and other institutional investors with shareholdings in Hong Kong listed companies. This policy modification serves to clarify ISS' stance on overly generous general issuance mandate requests, but also serves to highlight the view of ISS that the General Issuance Mandate and the Share Reissuance Mandate are essentially linked. There is no practical difference between issuing new equity on a non-*pro rata* basis, and reissuing on the same basis shares previously bought back. Therefore, the acceptable dilution limit should be the General Issuance Mandate and the Share Reissuance Mandate combined. Following discussions with institutional investors, 10 percent appears to be a reasonable level of dilution and a reasonable discount to market price.