

Reference materials

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I.(1) Overview (1): Regular revision of Stewardship Code

Principles for Responsible Institutional Investors -- Japan's Stewardship Code

Council of Experts on Japan's Stewardship Code (February 26, 2014)

Preface

15. The Council expects that the Code will continue to be improved in response to the progress in the implementation of the Code (including progress in acceptance and disclosure of required information) and in light of global developments. The Council expects the Financial Services Agency to take appropriate steps so that the Code will be reviewed periodically, about once every three years. Reviewing the Code periodically is supposed to enable institutional investors and their clients and beneficiaries to be better versed in the stewardship responsibilities, and help the Code to become more widely accepted in Japan.

I.(1) Overview (2): Stewardship Code of ICGN and the Netherlands

- ❑ **ICGN** (International Corporate Governance Network): The Global Stewardship Principles were adopted at the annual meeting held in June 2016.
- ❑ **The Netherlands**: A revised Stewardship Code was released in June 2018 in light of the revised EU Shareholder Rights Directive.

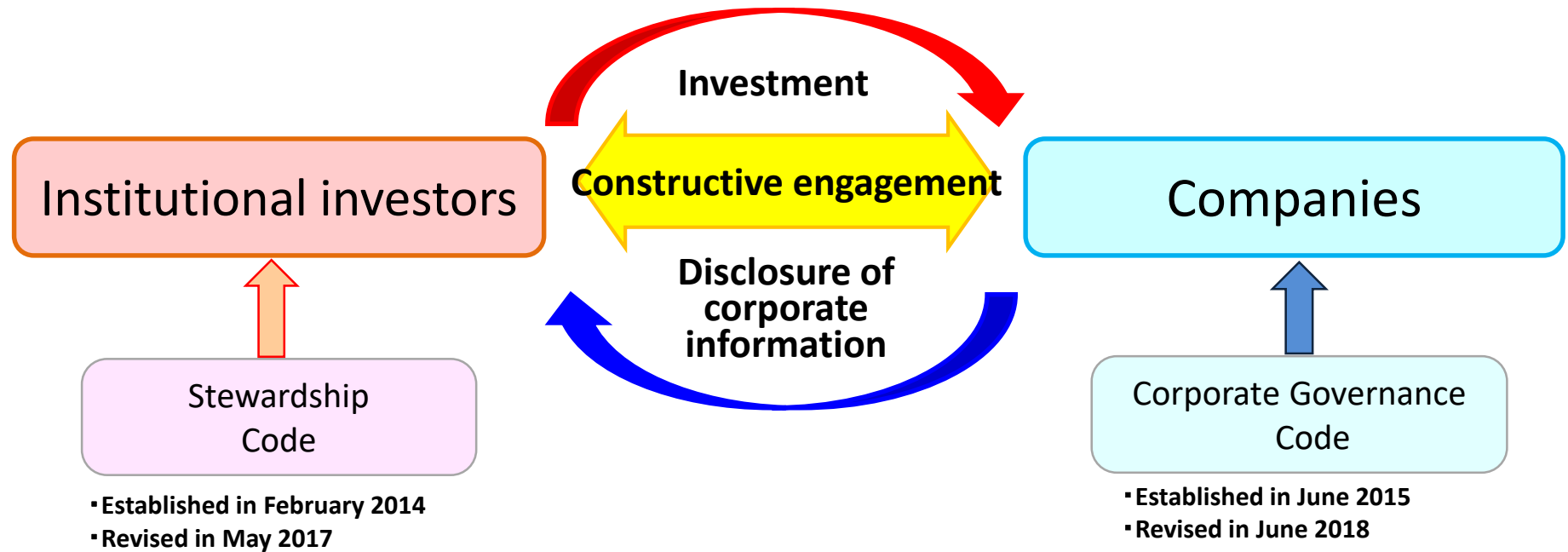
	Main points
ICGN	<ul style="list-style-type: none">○ The Principles set out ICGN's view of best practices in relation to investor stewardship obligations, policies, and processes and provide an overarching model of stewardship.○ It has a three-part structure that consists of <u>the roles of market participants</u> in addition to principles and guidance.○ <u>Governance management and disclosure by asset managers</u> including conflicts of interest are described in the principles.○ It mentions the necessity of a strategic approach in the selection of companies for engagement in passive investment and focusing on the quality of engagement and clear outcomes.
The Netherlands	<ul style="list-style-type: none">○ <u>Long-term corporate value creation</u> is mentioned as the objectives of stewardship policies for institutional investors.○ Provision of opportunities to inform beneficiaries and clients how shareholder rights were used.○ Requires institutional investors to <u>make disclosures on proxy advisers</u> and confirm the conformability to their own investment policy if using a proxy advisor.○ Recommends institutional investors to actively engage in constructive dialogue with stakeholders including listed companies along with other institutional investors.

I.(1) Overview (3): Comparison of stewardship codes in Asia

- ❑ In Asia, **Japan and Malaysia** were the first countries to establish a stewardship code.
- ❑ In many countries, it is clearly stated that **ESG factors** are included in elements to consider when making investment decisions and the contents of engagement.

	Japan	Malaysia	Taiwan	Hong Kong	Singapore	South Korea	Thailand
Date of establishment and revision	February 2014 Revised in May 2017	June 2014	February 2016	May 2016	November 2016	December 2016	February 2017
Establishment and disclosure of action policy	○	○	○	○	○	○	○
Management of conflicts of interest	○	○	○	○	○	○	○
Gaining understanding of investee companies	○	○ Results of engagement should be reported every year	○	○	○	○	○
Involvement in investee companies	○	○	○	○	○	○	○
Exercising voting rights (Disclosure of policies, etc.)	○	○	○	○	○	○ Results and reasons for exercising voting rights should be disclosed	○
Reports to the customers	○	○ (Partial)	○	○	○	○	-
Capabilities for engagement	○	-	-	-	-	○	-
Cooperative action	○ (Partial)	-	-	○	○	-	○
On ESG	○ Should gain an understanding of the business risks and profit opportunities (including those related to social and environmental issues), etc. of investee companies	○ Sustainability (including ESG) should be considered in the investment decision process	○ Include ESG factors in monitoring of investee companies	○ Engagement should be held on important ESG factors to encourage companies to adopt a policy on ESG	○ Engagement with investee companies includes themes related to the environment and society	-	○ The response of companies to ESG factors should be considered in decisions on investee companies

I.(1) Overview (4): Corporate governance reform and disclosure of ESG information



Guidance 3-3 (excerpt)

When investors monitor investee companies, a variety of factors, including non-financial ones, may be considered as relevant. Factors may include, for example, the investee companies' governance, strategy, performance, capital structure, business risks and opportunities (including risks and opportunities arising from social and environmental matters(*)), and how the companies address them. Relevance of a factor may depend on each investor's investment policy and may differ according to specific investee companies. Institutional investors need to use their own judgment in choosing which factors to focus on in light of their stewardship responsibilities. They should endeavor to identify at an early stage issues that may result in a material loss in the value of investee companies.

(*) Refers to both governance and ESG factors.

General Principle 3: Approach (excerpt)

It has been noted that while the quantitative part of financial statements of Japanese companies conform to a standard format and therefore excel with respect to comparability, non-financial information, such as financial standing, business strategies, risks and ESG (environmental, social and governance) matters, is often boilerplate and lacking in detail, therefore less valuable. The board should actively commit to ensure that disclosed information, including non-financial information, is as valuable and useful as possible for those using the information.

I.(1) Overview (5): Investment initiatives in consideration of ESG factors overseas

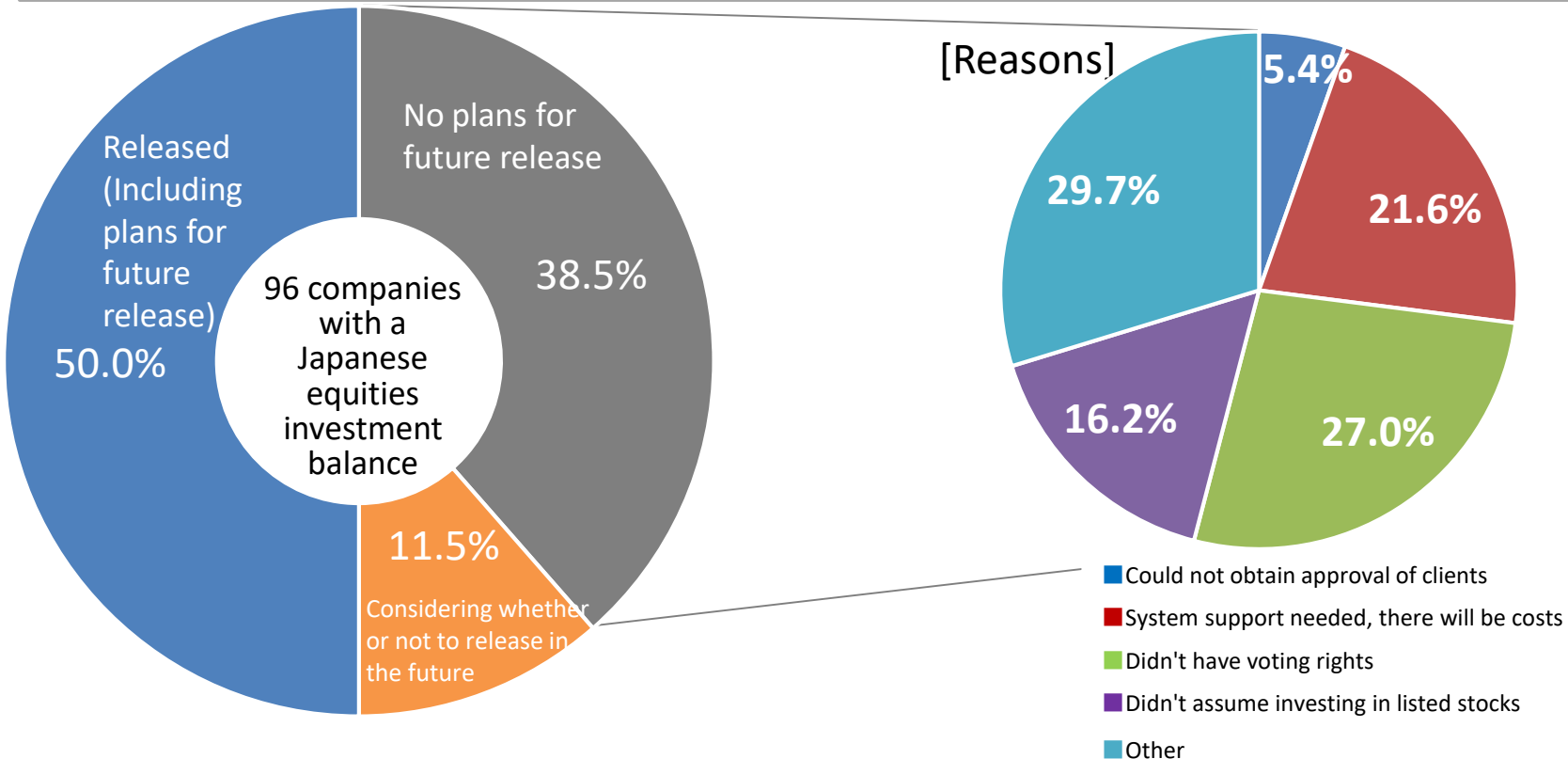
- ❑ The **Principles for Responsible Investment (PRI)** were released in 2006. Among these principles, six principles on incorporating ESG issues in the investment analysis and decision-making process were presented.
- ❑ The Government Pension Investment Fund (GPIF) in Japan also signed the PRI in 2015.
There are 69 signatory companies from Japan (as of February 22, 2019)
- ❑ In addition, the **Task Force on Climate-related Financial Disclosures (TCFD)** released a final report summarizing recommendations to encourage voluntary disclosures by companies in June 2017.
- ❑ Investment initiatives in consideration of ESG factors by authorities overseas are described below.



	Investment initiatives in consideration of ESG factors overseas
US	<ul style="list-style-type: none">○ The US Department of Labor released a notice in 2016 that indicated an interpretation to the effect that the trustee of a corporate pension plan could take into consideration elements of ESG in investment policies and when exercising voting rights in light of their fiduciary responsibility. In response to questions regarding this interpretation, in April 2018, the US Department of Labor indicated a stance that ESG factors should not be handled lightly because of their possible economic impact and that the focus should be on the economic benefits for the trustee.
UK	<ul style="list-style-type: none">○ The draft revision of the Stewardship Code states that institutional investors must indicate how they have taken important ESG factors into consideration.○ Regulations on corporate pension plan were revised in August 2018 (to be applied from October 1 of this year) to indicate that the trustee of a corporate pension plan needs to take into consideration ESG factors believed to be financially significant in the investment process.
Hong Kong	<ul style="list-style-type: none">○ The Stewardship Code states that investors should encourage companies invested in to establish policies regarding ESG issues and engage with companies invested in on significant ESG issues that could have an effect on a company's credit, reputation, or results.

I.(2) Asset managers (1): Release of the results of the exercise of individual voting rights

- While progress has been made in the release of the results of the exercise of individual voting rights, there are still many institutions that have no plans to release such results in the future blaming costs and by reason that decisions on disclosures are made in response to requests from clients.



(Other major reasons)

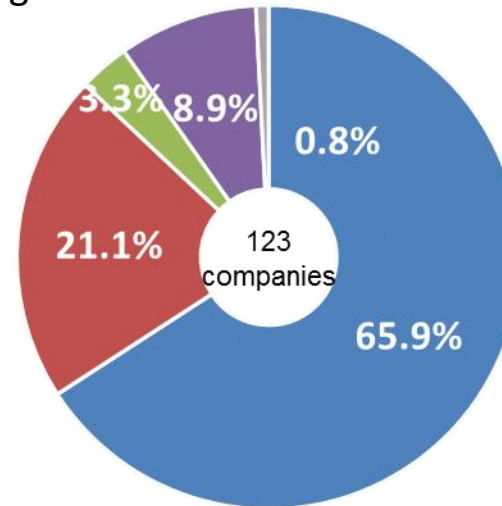
- Because there are few clients and it will be separately released on request
- Individual disclosures could have an impact on constructive engagement with companies and damage the best interests of clients
- Because only a small number of stock issues are being invested in

I.(2) Asset managers (2): Structure for management of conflicts of interest

- ❑ While nearly all institutional investors have established **policies on the management of conflicts of interest**, there are few institutions that have established **a third party committee or implemented confirmation by independent directors**.

[Status of formulation of policy regarding the management of conflicts of interests]

- Established as independent policy
- Established within policy on Stewardship Code
- Prescribed in policy concerning a customer-oriented operations principle
- Prescribed in other manner (internal regulations, etc.)
- Being developed



Specific initiatives related to the management of conflicts of interests

*Multiple answers allowed

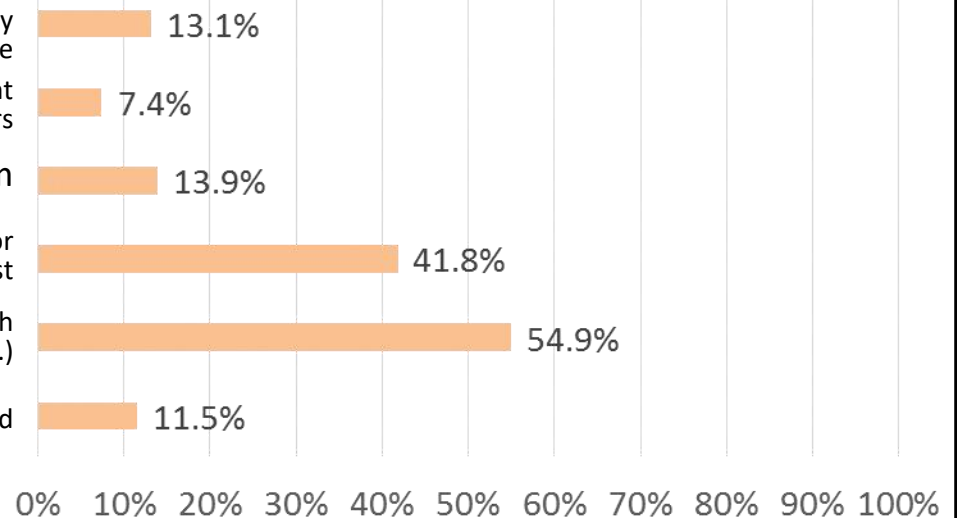
Establishment of a third-party committee
Confirmation by independent directors

Use of proxy advisory firm

Establishment of internal department responsible for managing conflicts of interest

Other (guidelines on exercising voting rights, compliance with internal regulations, etc.)

Not implemented



I.(2) Asset managers (3): Disclosure examples (policies on exercising voting rights)

- ❑ Differences can be seen in the level of disclosure for **policies on exercising voting rights** among institutional investors.

(Company A) Example of release of detailed policy on exercising voting rights

【行使判断基準】		
議案内容	原則基準	例外基準
取締役会の構成	① 取締役の総員数が 20 名を超える場合、取締役選任に反対	・業績推移、現在の事業規模・業況及び今後の事業計画・ビジョン等に基づき判断される場合は、賛成
	② 取締役員数の増加が著しい(10 名未満から+50%)以上増加する場合、取締役選任に反対	
取締役の選任	③ 親会社等 ^(*) を有する企業において、独立社外取締役が取締役総員数の 1/3 以上でない場合、選任に反対 (^(*) 「行使の原則」に記載のとおり) (^(*) 持株比率 50%超の株主を有する企業、またコーポレートガバナンス情報において親会社と報告している企業)	・重大な反社会的行為のあった企業やガバナンス態勢に問題がある企業など、将来の株価動向に多岐にわたる影響が想定される銘柄については、売却を行うとともに投資対象からはずすこととします。ただし、他の視点から当該銘柄の保有を継続する場合には、「議決権等行使指図の適正な行使に関する規定」に基づいて議決権行使委員会が議案毎に議決権行使内容を審議し、運用部門担当役員が決定します。
	④ 3期連続で営業赤字の場合、3年以上在任の取締役選任に反対	・当該企業に対しては、株主価値保全と当該企業のコーポレートガバナンスの改善の観点から、特筆的に議案を精査のうえ、議決権を行使します。尚、下記の問題行為が発生したのちに投資した企業でも同様とします。
	⑤ 3期連続で業績(ROE)基準を満たさない場合、3年以上在任の取締役選任に反対	(2) 取締役・監査役選任議案(取締役会等の構成、取締役・監査役の適格性) ○ 取締役会等の構成については、期待されるコーポレートガバナンス機能を有効に発揮し得る適切な構成となっているかを精査する。 ○ 取締役・監査役候補者については、期待される役割を全うしうる資質を有しているかを精査する。
	⑥ 3年度連続で株価基準を満たさない場合、3年以上在任の取締役選任に反対	(3) 社外取締役・社外監査役選任議案 ○ 社外取締役・社外監査役候補者については、期待される役割を果たし得る諸条件を満たしているかを精査する。
	⑦ 不祥事に関与または監督責任等があると判断される取締役の選任に反対	
	⑧ 監査役総員数が 8 名超の場合、取締役選任に反対	
	⑨ 監査役選任議案において、監査役総員数が 2 名以上減員または社外監査役が 2 名以上減員となる場合、取締役選任に反対	・基準未達の要因が、経営者要因でない場合(不測の天災の発生など)、または将来の企業価値向上に向けた構造改革費用等の計上によるものと判断される場合は、賛成 ・過去の業績推移や今後の事業計画等から、基準達成の蓋然性が高いと判断される場合は、賛成 ・エンゲージメント等を通じて、株主価値向上に向けた積極的な取り組みが確認できた場合は、賛成
	⑩ 取締役会決議で決定された剰余金処分が本ガイドライン 5(剰余金処分・株主還元)に定めた行使判断基準に抵触する場合、取締役選任に反対	・指名委員会等設置会社や監査等委員会設置会社への移行や、その他合理的な理由がある場合は、賛成

Detailed disclosures of standards for exercising voting rights for each agenda, whether the decision has been made in accordance with principle or exceptionally

(Company B) Example of release of policy overview on exercising voting rights

議決権行使の基本方針

1. 当社は、お客様の利益の最大化を唯一の目的として、議決権行使の指図を行います。

特に、重大な反社会的行為のあった企業やガバナンス態勢に問題がある企業など、将来の株価動向に多岐にわたる影響が想定される銘柄については、売却を行うとともに投資対象からはずすこととします。ただし、他の視点から当該銘柄の保有を継続する場合には、「議決権等行使指図の適正な行使に関する規定」に基づいて議決権行使委員会が議案毎に議決権行使内容を審議し、運用部門担当役員が決定します。

当該企業に対しては、株主価値保全と当該企業のコーポレートガバナンスの改善の観点から、特筆的に議案を精査のうえ、議決権を行使します。尚、下記の問題行為が発生したのちに投資した企業でも同様とします。

(2) 取締役・監査役選任議案(取締役会等の構成、取締役・監査役の適格性)

○ 取締役会等の構成については、期待されるコーポレートガバナンス機能を有効に発揮し得る適切な構成となっているかを精査する。

○ 取締役・監査役候補者については、期待される役割を全うしうる資質を有しているかを精査する。

(3) 社外取締役・社外監査役選任議案

○ 社外取締役・社外監査役候補者については、期待される役割を果たし得る諸条件を満たしているかを精査する。

(Company C) Example of policy on exercising voting rights not being released

原則5「機関投資家は、議決権の行使と行使結果の公表について明確な方針を持つとともに、議決権行使の方針については、単に形式的な判断基準にとどまるのではなく、投資先企業の持続的成長に資するものとなるよう工夫すべきである。」

当社は、議決権の行使が、投資先企業の持続的成長に資するものとなるようにするため、『議決権行使ガイドライン』を定めて、株主価値の増大又はその価値の毀損防止の観点から適切に議決権を行使するものとします。

原則6「機関投資家は、議決権の行使も含め、スチュワードシップ責任をどのように果たしているかについて、原則として、顧客・受益者に対して定期的に報告を行うべきである。」

当社は、スチュワードシップ責任をどう果たしているかを明らかにするため、議決権の行使結果を公表します。

※議決権行使状況

I.(2) Asset managers (4): Disclosure examples (management of conflicts of interests)

- There are specific disclosures on a structure for management of conflicts of interest through a third-party committee that includes independent people from outside the company.
- There are specific disclosures on the agendas that have been discussed at the third-party committee.

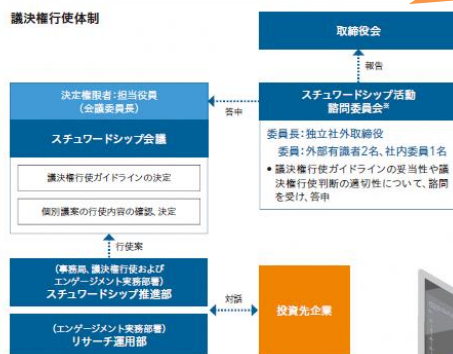
Sumitomo Mitsui Trust Asset Management
Stewardship Report 2018/2019

議決権行使プロセスにおける利益相反管理体制

独立性の確保された社外有識者を主体に構成する「ステュワードシップ活動諮問委員会」を設置し、議決権行使ガイドラインの改定や個別議案の行使判断に際してのガイドライン適用において、利益相反の観点で問題がない

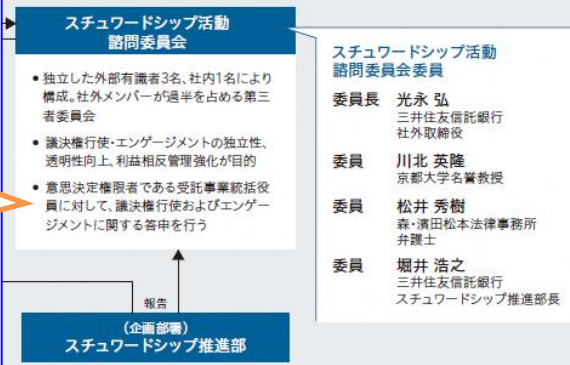
かの確認(答申)を受けるプロセスとしています。「ステュワードシップ活動諮問委員会」の議事録について要旨を当社ウェブサイトにて公表します(2018年は三井住友信託銀行ウェブサイトで公表)

Clear indication of structure for management of conflicts of interest related to exercising voting rights



Sumitomo Mitsui
Trust Bank
Stewardship Report 2017

Indication of structure and roles of third-party committee members



Nissay Asset Management, "Review and Self-Evaluation of Stewardship Activities"
(August 2018)



第5回 責任投資監督委員会(2017年11月13日開催)

- 個別の投資先企業及び議案ごとの議決権の行使結果
- 議決権行使判断基準外の判断をした銘柄の報告
- 「利益相反が生じる可能性が高い企業」との対話の状況の報告

第6回 責任投資監督委員会(2018年2月9日開催)

- 「国内株式議決権行使判断基準」の改訂
- 個別の投資先企業及び議案ごとの議決権の行使結果
- 議決権行使判断基準外の判断をした銘柄の報告

2018年度

第1回 責任投資監督委員会(2018年5月29日開催)

- 「『日本版ステュワードシップ・コードの受け入れ』について」の改訂
- 個別の投資先企業及び議案ごとの議決権の行使結果
- 議決権行使判断基準外の判断をした銘柄の報告
- 「利益相反が生じる可能性が高い企業」との対話の状況の報告

第2回 責任投資監督委員会(2018年6月11日開催)

- 「利益相反が生じる可能性が高い企業」のうち、行使基準と異なる判断を行う銘柄について事前協議

第3回 責任投資監督委員会(2018年8月1日開催)

- ステュワードシップ活動の振り返りと自己評価
- 個別の投資先企業及び議案ごとの議決権の行使結果
- 議決権行使判断基準外の判断をした銘柄の報告

Disclosure of main agendas for each meeting of the third-party committee

I.(2) Asset managers (5): Disclosure examples (engagement 1)

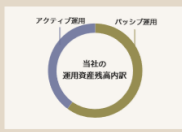
- There are specific disclosures on **companies subject to stewardship activities and the process for deciding on the content of engagement.**

Asset Management One Stewardship Report 2018

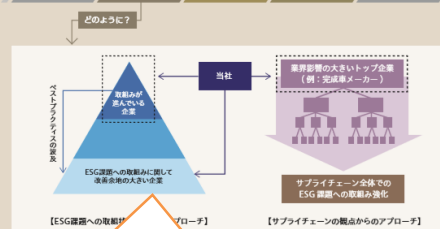
株式市場の底上げに資する パッシブ運用におけるエンゲージメント

パッシブファンドは原則として銘柄を定めないで投資先企業株式の保有を継続します。パッシブ運用において、投資先企業の企業価値向上と、それによる運用リターン拡大のためには、エンゲージメントや議決権行使による企業への働きかけが有効な手段となります。

投資先企業の持続的成長と企業価値向上を促すエンゲージメントは、株式市場全体の底上げに繋げるとともに、お客さまの持続的な投資リターンの拡大に貢献し、運用機関としての社会的な役割を果たすものと考えております。



【運用資産候補】
【運用資産候補外】



Describes the narrowing down of companies for engagement and aim of engagement in passive investment.

Provides information that will contribute to understanding the efficiency of engagement including the selection of engagement themes and the number of engagements by investment approach

エンゲージメント活動実績

(2017/4~2018/3)

アセットマネジメントOneとしてのエンゲージメント活動を確立し、パッシブ運用、アクティブ運用の両面から、質量とも充実したエンゲージメント活動を実施いたしました。

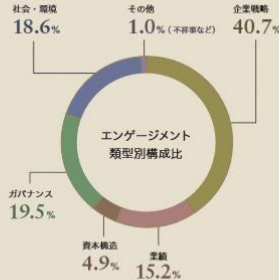
エンゲージメント社数

852 社

【注】投資先企業との継続的な対話を持った対話を当社基準で報告

株式市場全体の底上げを目的とするパッシブ運用、リターンの拡大を目的とするアクティブ運用それぞれの観点に依り、投資先企業の課題を6つに類型化（企業戦略、業績、資本構造、ガバナンス、社会・環境、その他）、当該企業の状況把握を実施しております。

ESGに関するエンゲージメントが約4割を占めています。



パッシブ運用、アクティブ運用それぞれの観点から選定したエンゲージメント重点企業については、対話内容や各企業の課題への取組状況を、四半期毎に責任投資委員会に報告することにより、取組の実効性を確認しております。

エンゲージメント重点企業数

パッシブ	160 社	(TOPXウエイト31.1%)
アクティブ	84 社	(同 11.1%)
合計（重複除く）	224 社	(同 37.6%)

Dai-ichi Mutual Life Insurance Company Stewardship Activities Report (Results of Activities in FY2017 and Activity Plan for FY2018)

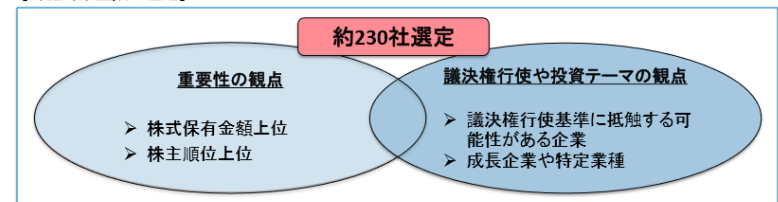
VI. 2018 年度の対話活動計画

1. 対話対象企業の選定

2017 年の対話対象企業の選定においては、当社及び投資先企業にとっての重要性（投資金額・株主順位）や投資テーマ・議決権行使等の観点から案案するとともに、投資先企業からの対話申込みにも積極的に対応することで、2015 年度以降の 3 年累積では保有時価の 90% の投資先企業と 1 回以上の建設的な「目的を持った対話」を実施しました。

2018 年度については、引き続き同様の視点で対話対象候補先を選定し、約 230 社の企業に対話を依頼する予定です。また、ガバナンス、環境・社会課題や経営戦略などに関して、より深度ある対話を行うため、経営戦略や財務戦略を担う役員・経営幹部の方と引き続き対話を実施したいと考えています。また、必要に応じて、社外取締役との対話についても要請していきます。

【対話対象企業の選定】



< 主な対話テーマ（2018 年度） >

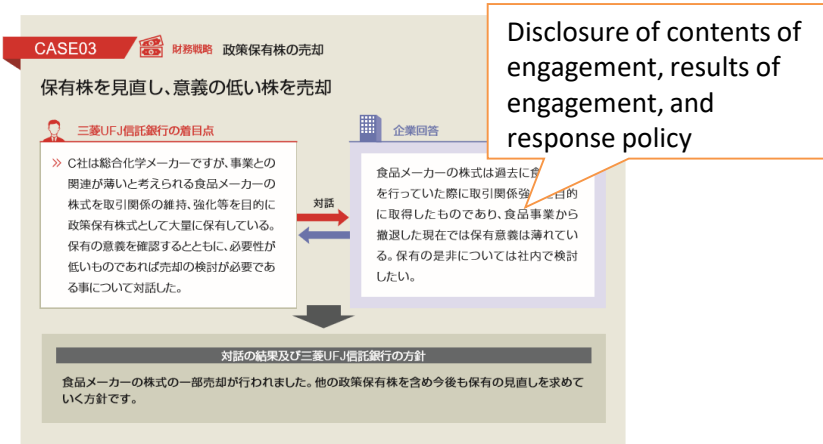
- ◆ ガバナンス及び環境・社会課題
 - コーポレートガバナンスの実効性向上
 - 経営を取り巻く環境や社会課題に関する現状認識
 - ビジネスモデルの持続可能性における重要課題の特定とそのリスク・成長機会
- ◆ 持続的成長に向けた経営戦略
 - 持続的成長に向けた具体的な経営戦略（長期ビジョン・中期経営計画等）
 - 資本コストを踏まえた収益力や資本効率などの KPI
 - 成長に向けた戦略的な投資の状況
- ◆ 財務戦略

Provides information on the approach for selection of companies for engagement and the main engagement themes

I.(2) Asset managers (6): Disclosure examples (engagement 2)

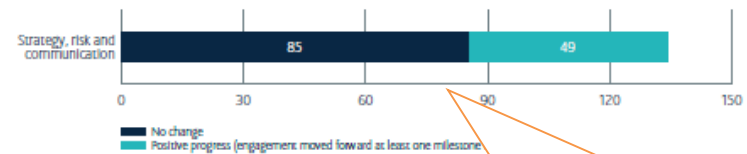
- There are specific disclosures on the **content of engagement** with individual companies and the **results** of such engagement, the **response to and progress** of such engagement, and **self-evaluation**.

Mitsubishi UFJ Trust and Banking Stewardship Report 2018



Hermes EOS Annual Report 2017

Progress against strategy, risk and communication objectives



Indication of the number of cases of progress and of no change in response to self-set objectives

Case study: Volkswagen



A Q&A with Dr Hans-Christoph Hirt and Dr Michael Viehs from Hermes EOS about German car manufacturer Volkswagen

Q: Why are you engaging with the company?

A: Volkswagen has a highly concentrated ownership structure of its ordinary voting shares. Representatives of its major shareholders, the Porsche and Piech families, the Qatar Investment Authority and the State of Lower Saxony, dominate its supervisory board.

A period of growth under the reign of two former CEOs ensured that Volkswagen has become one of the largest car manufacturers in the world. However, we have always had concerns about the company's governance and culture, which we believe contributed to the emissions scandal of 2015 and caused its share price to drop by more than 40%. Although the stock price had recovered its losses as of the end of 2017, significant governance concerns remain.

Q: What did your engagement entail?

A: For more than a decade, we questioned the governance structures of Volkswagen in our engagements and sought to change the composition of the company's supervisory board by appointing more independent directors with the relevant expertise. We recommended voting against the discharge – a vote of no confidence – of some members of the supervisory board most years 2007 and 2017 and against the executive remuneration in 2010 because, in our view, it did not incentivise executives to adopt a sustainable, long-term strategic approach.

After the emissions scandal broke, we escalated our engagement with Volkswagen and attended the AGMs in 2016 and 2017 to share our concerns about its governance, culture and remuneration in public. We also filed a shareholder proposal at the 2016 AGM calling for the appointment of a special committee to investigate the underlying reasons for the emissions scandal.

Q: What has been the outcome of your engagement with regard to the role of the supervisory board?

A: We were pleased to recognise that, since September 2015, the supervisory board has opened up to an enhanced dialogue with investors on governance and executive remuneration. In our view, the access to the chair indicates that the supervisory board is taking investor concerns more seriously than in the past, also in relation to its own composition. The good access we have to the company's board was reflected in the opportunity we had to present to members of the presiding committee of the supervisory board. Encouragingly, the supervisory board representatives from the State of Lower Saxony have also reached out to us to continue the discussion about governance.

Although we recommended voting against the company's remuneration system in 2017 – due to a lack of published performance targets – our engagement efforts contributed to a general improvement of the system. These are some steps in the right direction.

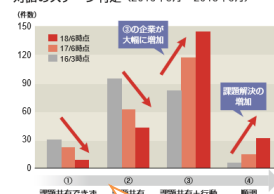
Description of cases of actual engagement, in a form of Q&A, with regards to reasons for selection of engagement themes, subsequent progress, and future response policy

対話の実施状況

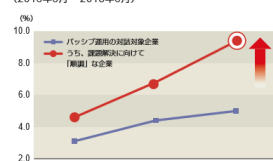
対話を実施している企業については、各企業の課題認識/着眼点に沿って、対話後の企業の変化の状況を段階的に把握しています。状況把握は、「私たちが考える企業の課題認識」⇒「企業との課題共有」⇒「解決に向けた行動」⇒「課題解決」の各段階でステージ判定を行っています。

対話対象企業のステージの進捗は右記のとおりです。2018年6月期においては、「①課題共有できず」及び「②課題共有」のみに留まる企業が減少した一方で、「④課題共有+行動」及び「⑤期滿」な企業が増加し、課題解決に向けた進捗を確認できました。

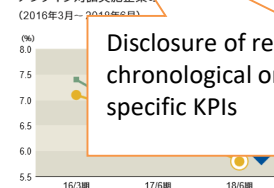
対話のステージ判定 (2016年3月～2018年6月)



パッシブ対話実施企業のROE (2016年3月～2018年6月)



アクティブ対話実施企業のROE (2016年3月～2018年6月)



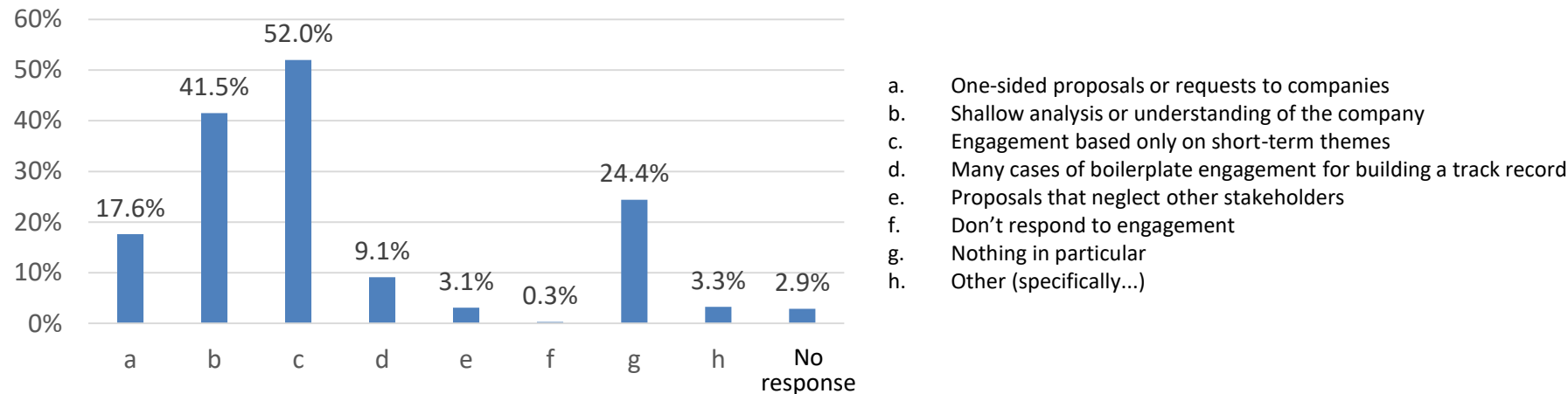
Disclosure of results of engagement in chronological order in accordance with specific KPIs

Notes: Hermes EOS is a stewardship specialist organization that provides engagement services for investment contractors

I.(2) Asset managers (8): Opinions of companies toward engagement

- ❑ In regards to engagement with investors, companies have expressed concerns toward **shallow analysis or understanding of the company and short-termism.**

[Companies that feel concerns about engagement with investors]



[Opinions from companies]

- ✓ Compared to sell-side analysts, **their understanding of the business including the business environment is shallow**, and this can make discussions difficult.
- ✓ There are many cases of engagement with an outlook of two to three years while claims are being made about medium to long-term engagement, and it feels like there is still a tendency toward **short-termism**. (There was also the view that there has been a gradual increase in investors asking about long-term business strategy covering periods of about ten years.)
- ✓ **Explicit representation** is appreciated if investors disclose their standards for exercising voting rights or if **advisory firms are used**, so that opposing votes could lead to management improvement.
- ✓ **For collective engagement**, we hope that the contents of such engagement are refined by multiple investors.

Source: FY2017 Life Insurance Association of Japan, "Efforts to Improve Stock Value" *Survey conducted between October 4, 2017 to November 6, 2017 Response received from 581 listed companies and 116 institutional investors.

1.(3) Corporate pension funds and other asset owners (1): Systems for providing information to corporate pension fund participants (US)

US

In the US, corporate pension funds are required to submit an annual report (Form 5500) to the Department of Labor based on the Employee Retirement Income Security Act of 1974 (ERISA).

Name of law

Employee Retirement Income Security Act of 1974 (ERISA).

Contents of disclosures

It is necessary for corporate pension funds to submit an annual report that contains the following items to the Department of Labor. The annual report is released on Department of Labor's website.

- Details of the corporate pension plan
 - Basic information on each pension plan (including the name of the plan, number of participants, breakdown of participants, and financing method)
- Financial information of the corporate pension plan
 - Financial statement for the corporate pension plan (an audit report must be attached)
 - Book value and market value of assets and liabilities by item
- Transactions with related parties
- Names, etc. of service providers and funds invested in

Example of disclosures in the annual report (Form 5500)

○ The annual report (Form 5500) is released on Department of Labor's website.

Details of the corporate pension plan

- Number of participants and breakdown
- Financing methods

OMB No. 1210-0110
12-10-0089

2018

This Form is to be filed with the Department of Labor, Office of Employee Benefits, Washington, DC 20330.

Part II Basic Plan Information—enter all requested information

1a Name of plan

1b Three-digit plan number (PIN)

1c Effective date of plan

2a Plan sponsor's name (employer, if for a single-employer plan)
Mailing address (include room, apt., suite no. and street, or P.O. Box)
City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)

2b Employer Identification Number (EIN)

2c Plan sponsor's telephone number

2d Investment contracts, forms

Name of funds invested in

SCHEDULE D
(Form 5500)
This schedule is required to be filed with the Department of Labor, Office of Employee Benefits, Washington, DC 20330.

2018

Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed as many entries as needed to report all interests in DFEs)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PIN

d Entity code

e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

Financial information of the corporate pension plan

SCHEDULE E
(Form 5500)
This schedule is required to be filed with the Department of Labor, Office of Employee Benefits, Washington, DC 20330.

2018

Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed as many entries as needed to report all interests in DFEs)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PIN

d Entity code

e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

1.(3) Corporate pension funds and other asset owners (2): Systems for providing information to corporate pension fund participants (Europe)

EU

In the EU, a directive that includes a new obligation for corporate pension fund to issue a Pension Benefit Statement (PBS) for individuals including corporate pension fund participants and beneficiaries was revised in December 2016 (domestic legislation developed by EU member states by January 13 of this year).

Name of law	Institution for Occupational Retirement Provision Directive (IORP II)
Contents of disclosures	<p>Member states shall require corporate pension funds to draw up a PBS for each participant and release them free of charge through a website or on paper at least once a year. The PBS shall include at least the following items as key information.</p> <ul style="list-style-type: none"> • Personal information (including the statutory retirement age), name and contact address of the corporate pension fund • Information on full or partial guarantees under the corporate pension scheme • Information on pension benefit projections based on the retirement age, etc. • Information on the accrued entitlements or accumulated capital taking into consideration the specific nature of the pension scheme • Information on the contributions paid for over the last 12 months or more • Information on the funding level of the corporate pension scheme as a whole

Examples of disclosures in response to guidance on PBS disclosures

- The European Insurance and Occupational Pensions Authority (EIOPA) released guidance in December 2018 that summarizes disclosure principles including how to present projections, disclosures of costs (*), and the layout of the PBS while covering specific examples of past notices to participants in member states.

*Under IORP II, only defined contribution (DC) pension plans are required to disclose costs in the PBS.

(Pension A)

- Personal information
- Contributions in the current year
- Projected pension benefit amount



(Pension B)

- Total contributions in the previous year
- Contributions in the current year
- Investment return
- Costs paid (account management commissions, investment commissions)



I.(5) Investment consultants: Description of investment consultants in codes overseas

□ There are **mentions of investment consultants** in codes overseas.

Code	Area mentioned	Details
ICGN (Global Stewardship Principles)	Part 3 (Stewardship ecosystem)	Investment consultants and advisors Investment consultants and advisors can assist asset owner and asset managers with developing and implementing their responsibilities as part of their advisory services. Consultants, advisors and other service providers should endeavor to understand their role in the investment chain and to provide services in the interests of their immediate clients and ultimate beneficiaries.
UK (Stewardship Code revision proposal)	Introduction 2 (Who the code is for) and Introduction 3 (major changes in the code in 2019)	The Code is written for asset owners, asset managers and entities providing services to the institutional investment community, including: investment consultants, proxy advisers and other service providers that want to demonstrate their commitment to stewardship. The Provisions are tailored to different roles within the investment community.

II.(1) Corporate governance reform and revisions to disclosure systems: Disclosing corporate governance information to promote constructive dialogue

Executive remuneration

[Opinions from overseas institutional investors]

- Executive remuneration in Japan is lower compared to Europe and the US, and there are concerns on whether it serves as a sufficient incentive.
Detailed information on matters such as the **relationship between business results and remuneration and how remuneration is calculated** is desired.
- It would be preferable for there to be disclosures on **the total annual remuneration for each director** (including cash and stock-based remuneration) and **an overview of the stock-based remuneration system**.

Contents of disclosures by The Procter and Gamble Company

Example of disclosure by a Japanese company (FYE March 2017)

PG Compensation Discussion & Analysis

Elements of Our Compensation Programs

Annual Cash Compensation

The Company's annual cash compensation consists of salary and STAR. We collect and analyze data from the Peer Group on the total annual cash compensation opportunity (salary plus annual bonus target) for positions comparable to those at the Company. We consider the target median annual cash compensation opportunity for each position within our Peer Group, adjusted for any size or revenue outliers. Our Group reviews, to set a salary range mid-point and a target for STAR, as a percentage of salary ("STAR target").

Salary

Mr. Taylor's annualized salary remained unchanged at \$1,600,000 during FY 2016-17. The salary for Mr. Mueller remained unchanged at \$950,000. The C&D Committee approved a 3.7% increase to bring Mr. Bishop's salary to \$900,000 based on the competitive market and to recognize his contributions managing a significant portion of the total Company business. The Committee also approved a 3.7% increase to bring Mr. Bishop's salary to \$840,000 and a 3.8% increase to bring Mr. Ferguson-McHugh's salary to \$800,000. These adjustments were made in recognition of their individual performance and market adjustments.

STAR Annual Bonus

The STAR program links a substantial portion of each NEO's annual cash compensation to the Company's performance for the fiscal year. The program focuses on the achievement of business unit results, but also includes a component that measures the performance of the overall Company. STAR awards are generally paid in cash, but executives can also elect to receive all or part of their awards in stock options or deferred compensation.

STAR awards are calculated using the following formula:

The basis for each element of STAR is:

- **STAR Target:** The C&D Committee sets STAR targets as a percentage of salary for NEOs, using annual bonus benchmarks for similar positions in our Peer Group.
- **Business Unit Performance Factor:** The CEO, CFO, and CHRO ("STAR Committee") recommend Business Unit Performance Factors for each business unit, based on a retrospective assessment of the performance of each of the 18 business units against seven metrics: operating TSR, organic sales growth, operating profit growth, adjusted free cash flow productivity, market share, productivity, and financial controls. The assessment is compared to each business unit's role in the portfolio, reflecting the different industries in which the Company's businesses compete and their growth potential. The STAR Committee then determines the Business Unit Performance Factor based on the STAR Committee's recommendations. None of the officers on the STAR Committee participates in discussions or recommends their own STAR award to the C&D Committee. The Business Unit Performance Factor can range between 50% and 150%. The Business Unit Performance Factor for global business services and corporate functions is the weighted average of all the global business units' ("GBU") and selling and market operations ("S&MO") Business Unit Performance Factors.

Name and Principal Position	Year	Salary (\$)	Bonus ¹ (\$)	Stock Awards ² (\$)	Option Awards ³ (\$)	Non-Equity Incentive Plan Compensation ⁴ (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁵ (\$)	All Other Compensation ⁶ (\$)	Total (\$)
David Taylor President and Chief Executive Officer	2016-17	1,600,000	4,080,384	9,226,929	3,000,001	0	0	188,863	18,096,177
	2015-16	1,350,000	2,482,771	8,507,680	1,743,864	0	0	277,005	14,404,653
	2014-15	940,000	790,272	2,664,167	1,630,508	0	0	71,795	6,101,742
	2013-14	850,000	0	0	0	0	0	0	0
Jon R. Mueller Chief Financial Officer	2016-17	950,000	637,320	417,209	563,000	0	0	75,184	8,028,801
	2015-16	950,000	0	3,526,353	1,278,748	0	0	73,899	6,845,652
	2014-15	850,000	0	0	212,468	1,222,877	0	87,850	7,044,355
	2013-14	850,000	0	0	0	0	0	0	0
Steven D. Bishop Group President - Global Health Care	2016-17	822,500	0	0	1,417,503	0	0	74,933	5,151,195
	2015-16	796,667	0	0	465,966	0	0	71,003	4,549,967
Giovanni Ciserani Group President - Global Fabric & Home Care and Global Baby & Feminine Care	2016	0	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0	0
Mary Lynn Ferguson-McHugh Group President - Global Family Care and P&G Ventures	2016	0	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0	0

Table of remuneration for the past three years for the CEO, CFO, and top three executive officers in terms of remuneration

Name	Annual Retainer (\$)	Committee Chair & Lead Director Fees (\$)	Total Fees Earned or Paid in Cash ¹ (\$)	Stock Awards ² (\$)	All Other Compensation ³ (\$)	Total (\$)
Francis S. Blake	110,000	—	110,000	175,000	0	285,000
Angela F. Braly	110,000	15,000	125,000	175,000	0	300,000
Amy Chang	9,066	—	9,066	0	0	9,066
Kenneth L. Chenault	110,000	—	110,000	175,000	0	285,000
Scott D. Cook	110,000	15,000	125,000	175,000	0	300,000
Susan Desmond-Hellmann	30,800	—	30,800	0	0	30,800
Terry J. Lundgren	110,000	—	110,000	175,000	0	285,000
W. James McNerney, Jr.	160,000	—	160,000	175,000	0	335,000
Margaret C. Whitman	—	—	—	—	—	—
Patricia A. Woertz	—	—	—	—	—	—
Ernesto Zedillo	—	—	—	—	—	—

Table of remuneration for the past year for all directors

Details of the remuneration program and the calculation method for each element

(5) Executive remuneration

B. Details of policy for determining remuneration amounts for directors and calculation method and method of policy determination

For the amount of remuneration for directors and *kansayaku*, the maximum total remuneration amount for all directors and *kansayaku* is determined through a resolution at the shareholders' meeting, while the remuneration amount for each director is determined by the representative director, authorized by the board of directors, in consideration of the level of contribution to business results and the performance of duties, and the remuneration amount for each *kansayaku* is determined through discussions by *kansayaku*.