

**Additional information expected to be disclosed
along with the revision of Japan’s Stewardship Code**

Along with this revision of Japan’s Stewardship Code, institutional investors are expected to disclose additional information (please see 1.- 4. below for details).

1. Specific information that is required to be disclosed by the principles, including guidance, of the revised Code

Institutional investors are expected to publicly disclose specific information (please see below) that is required to be disclosed by the principles, including guidance, of the revised Code, based on a “comply or explain” approach.

The underlined information has been added in the revision of the Code, and institutional investors who are currently signatories of the previous version of the Code are required to update the information (or explain the reason why they will not disclose specific information) on these.

Institutional investors who intend to newly sign up for the revised Code are required to disclose the information (or explain the reason why they will not disclose specific information) in accordance with the revised Code.

Applicable to all institutional investors

- (i) Disclosure of policy on how institutional investors fulfill their stewardship responsibilities (Principle 1)
- (ii) Disclosure of policy on how institutional investors manage conflicts of interest in fulfilling their stewardship responsibilities (Principle 2)
 - In particular, asset managers should identify specific circumstances that may give rise to conflicts of interest which may significantly influence the exercise of voting rights and/or dialogue with companies, and set out and disclose specific policies on measures for effectively eliminating the influence of such conflicts including avoiding such conflicts, thus securing the interests of clients and beneficiaries.
- (iii) Disclosure of policy on voting (Principle 5)
 - When institutional investors have a practice of lending stocks across the determination date of the voting right, their voting policy should include a policy on lending stocks as well.

(iv) Disclosure of voting activity (Principle 5)

- Institutional investors should disclose voting records for each investee company on an individual agenda item basis. (If there is a reason to believe it inappropriate to disclose such company-specific voting records on an individual agenda item basis due to the specific circumstances of an investor, the investor should proactively explain the reason. Institutional investors should at a minimum aggregate the voting records into each major kind of proposal, and publicly disclose them.)
- *1 It may be possible that if an asset owner requires their asset managers to disclose voting records for each investee company on an individual agenda item basis, the asset owner may disclose such a way of disclosure of voting records and the address of the website (the URL) disclosing the voting records.
- *2 At the time of their voting records disclosures, it is also considered beneficial in enhancing visibility for institutional investors to explicitly explain the reasons why they voted for or against an agenda item (Guidance 5-3).
- When institutional investors use the service of proxy advisors, they should publicly disclose that fact and how they utilize the service in making voting judgments as well.

Applicable to proxy advisors

- (v) Disclosure of proxy advisors' approach to providing services, including the operational structure, the management of conflicts of interest and procedures of developing voting recommendations (Principle 5)

Applicable to asset managers

- (vi) Disclosure of self-evaluations with respect to the status of their implementation of each principle, including guidance (Principle 7)
- * Asset managers should regularly conduct self-evaluations and disclose the results (Guidance 7-4).

2. Explanation of the reason for why institutional investors do not comply with some of the principles, including guidance, of the Code

The revised Code adopts the “comply or explain” approach, and if institutional investors choose not to comply with any of the principles, including guidance, they should explain the reason for it.

In the previous version of the Code, the scope of “comply or explain” already included the guidance of the Code not limited to the principles. In this revision of the Code, the scope is clarified. Therefore, if institutional investors choose not to comply with any of

the guidance as well as principles, they should also explain the reason for it (Preamble 12. and 13. of the revised Code).

Guidance may not necessarily specify that certain actions should (or should not) be taken, and it is not necessarily required to explain the reason not to implement such guidance.

3. Explanation of specific implementation activities in the case of complying with the principles, including guidance, of the Code (“comply and explain”)

In this revision of the Code, the following statement about the case of complying with the principles, including guidance, is added to Preamble 12.:

“it is considered beneficial for institutional investors to proactively explain their specific implementation activities”.

Institutional investors are expected to respond in accordance with the aim of this Preamble.

4. Other considerations about disclosure

Institutional investors are expected to annually review and update each disclosed item. Also, as a result of the revision, they are supposed to publicly disclose such updates if they take place (Preamble 13. of the revised Code). Therefore, institutional investors are expected to respond in accordance with this, regardless of whether it is an update responding to this revision or annual updates thereafter. It is also considered desirable that institutional investors who disclose explanation of specific implementation activities in the case of complying with the principles, including guidance, of the Code, review and update such explanation annually.