

# Status and Issues on Stewardship Code

2019.10.02

Financial Services Agency

# Agenda

---

## I . Situation relating to the Stewardship Code after the last revision ..... P.2

1. Current Status of the Stewardship Code ..... P.3

2. Summary of the last revision to the Stewardship Code and  
opinion statement from the Follow-up Council\* ..... P.7

\*The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code

## II . Issues by Subject ..... P.12

1. Asset Managers ..... P.13

2. Asset Owners, including Corporate Pension Funds ..... P.21

3. Service Provider (Proxy Advisors & Investment Consultants) ..... P.23

# I . Situation relating to the Stewardship Code after the last revision

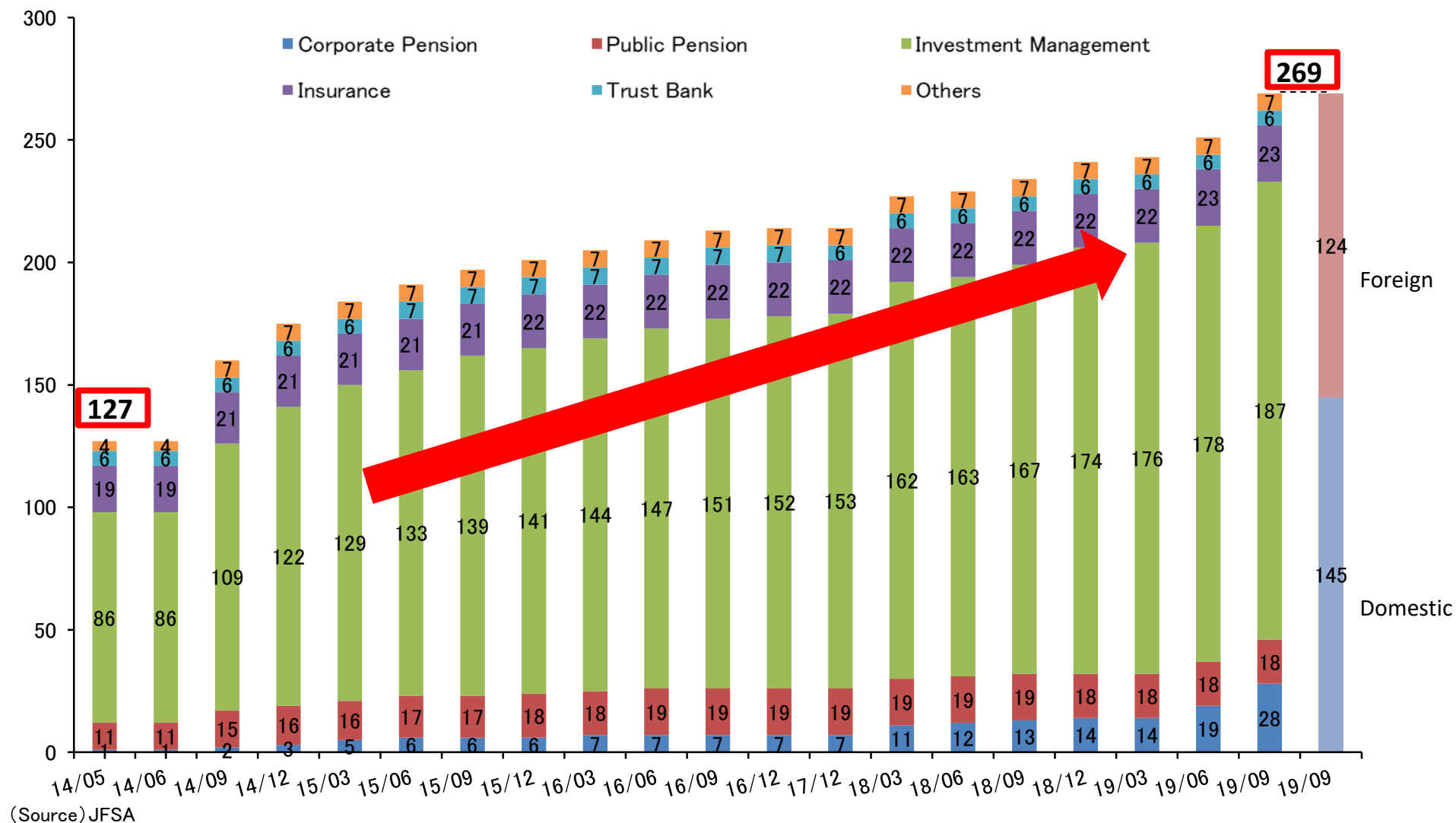
---

# 1. Current Status of the Stewardship Code

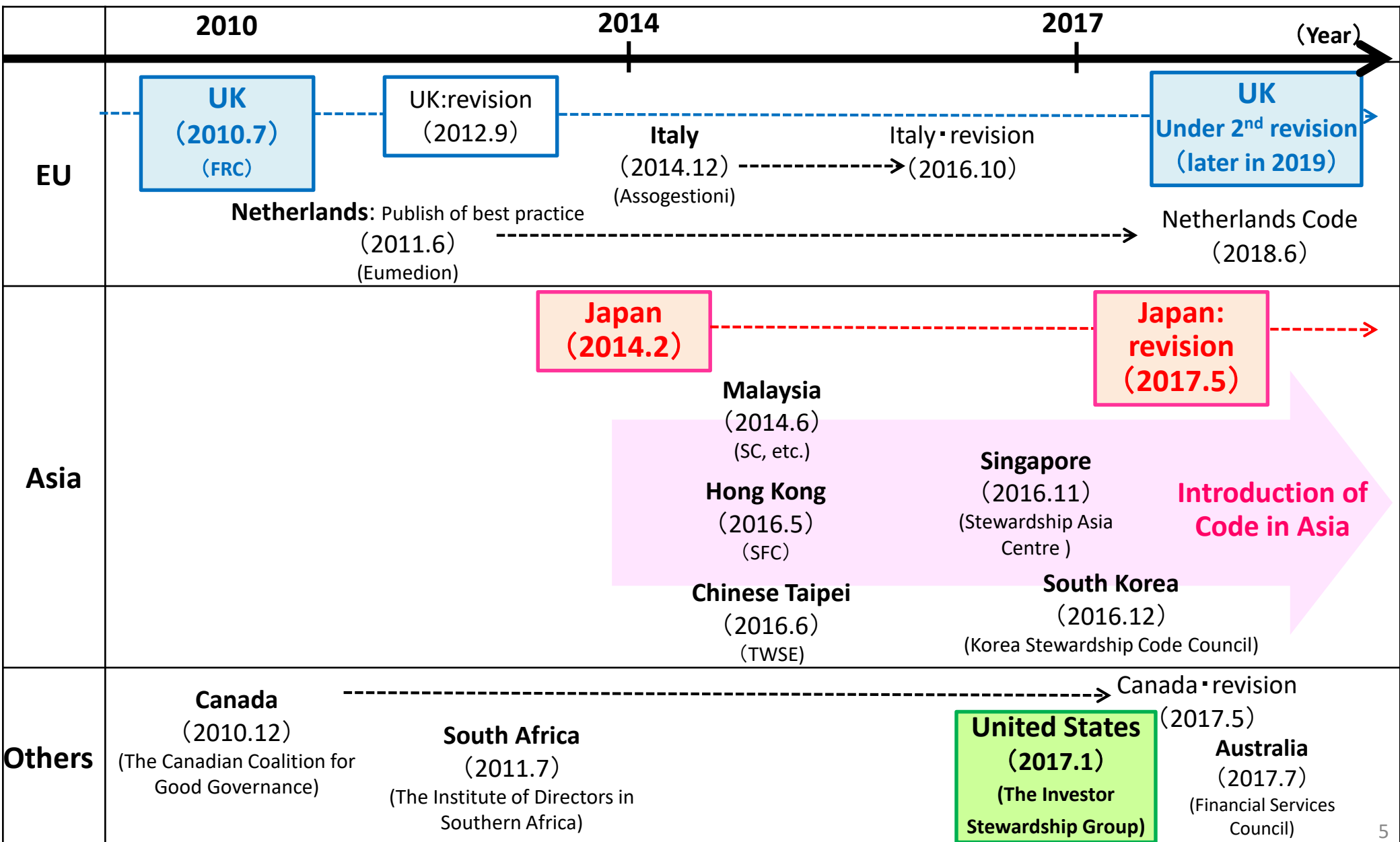
---

# Status of Institutions that have Accepted the Stewardship Code

- After the establishment of the Stewardship Code in Japan in February 2014, the number of institutions that have accepted it has increased constantly, and **269 institutions** have announced their acceptance as of September 30, 2019.



# Establishment of Stewardship Code in the World



# Stewardship Code in Major Countries (Constructive engagement)

## Code of UK

## Code of Japan

## Code by ISG (United States)

## Draft of revised code of the UK

(2010.7、revised in 2012.9)

(2014.2、revised in 2017.5)

(2017.1)

(later in 2019)

Principle 1

Principle 1

Principle A

Principle 1 (draft)

Principle 2

Principle 2

Principle B

Principle 2 (draft)

**Principle 4**  
Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

**Principle 4**  
Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

**Principle E**  
Institutional investors should address and attempt to resolve differences with companies in a constructive and pragmatic manner.  
E.2: Institutional investors should engage with companies in a manner that is intended to build a foundation of trust and common understanding.

**Principle 4 (draft)**  
**H.** Signatories must undertake constructive engagement to maintain or enhance the value of assets.

## 2. Summary of the last revision to the Stewardship Code and opinion statement from the Follow-up Council

---



Japan's Stewardship Code is principles for Responsible Institutional Investors to promote the sustainable growth of the investee company, and enhance the medium-and long-term investment return of clients and beneficiaries, through investment and constructive dialogue

## Structure

- It **depends on institutional investors' decisions** whether or not to accept the code.  
But the FSA will encourage them to accept the code, by **disclosing the list of those who have accepted it**.
- **Principles-Based Approach**
- **Comply or Explain**

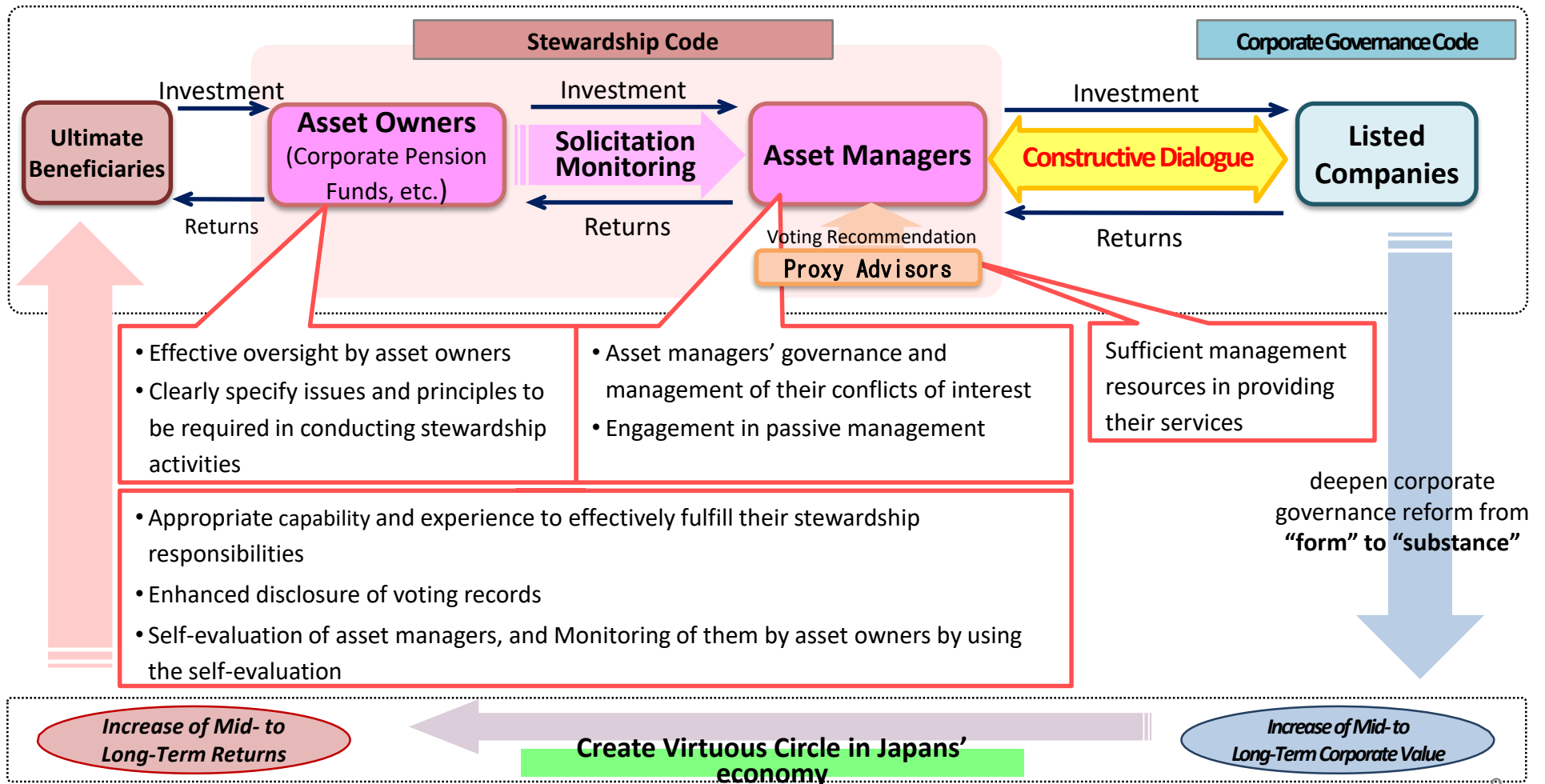
## Summary

Institutional investors should...

1. Disclose a clear **stewardship policy**,
2. Properly manage **conflicts of interest**,
3. **Monitor** investee companies,
4. Arrive at an understanding in common with investee companies and solve problems through **engagement**,
5. Have a clear **voting policy** and disclose voting activity,
6. **Report** to clients/beneficiaries, and
7. Have the **skills & resources necessary for engagement**.

# Major Changes after the Last Stewardship Code Revision (Revised on May 29, 2017)

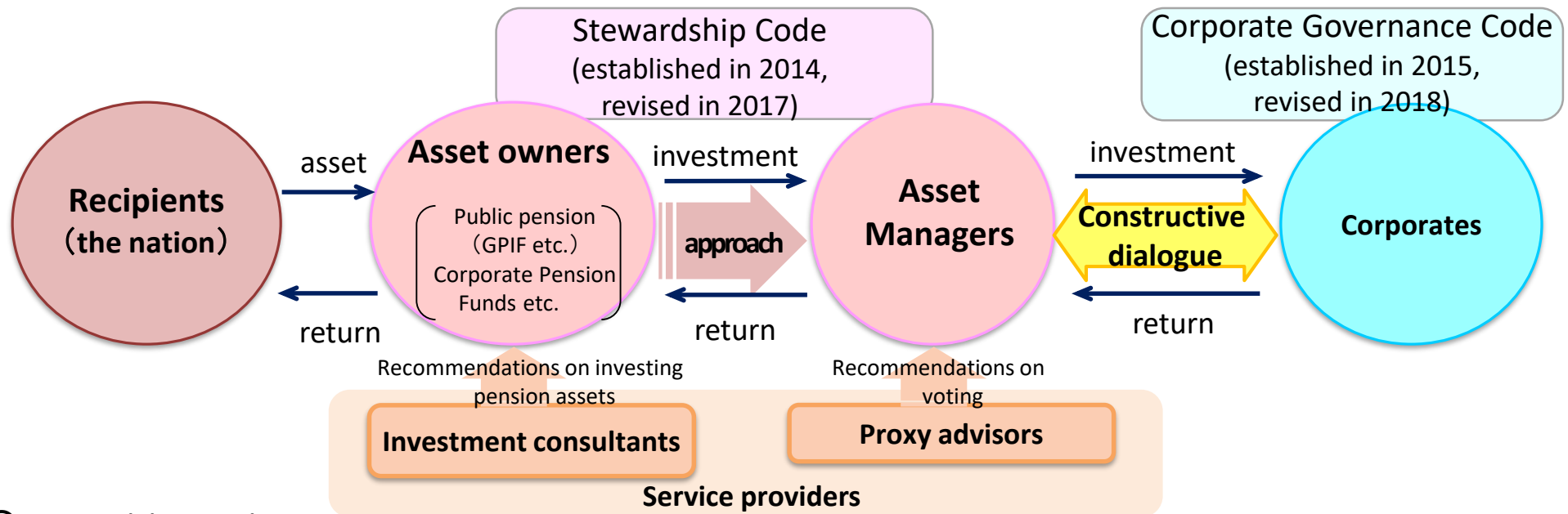
- ❑ In order to further deepen corporate governance reform from “form” to “substance,” it is important for institutional investors to have **constructive dialogues** effectively with investee companies.
- ❑ From the last revision, Code promotes **asset managers to strengthen their governance structure and conflict of interest management**, and **clarifies the role of asset owners, including corporate pension funds**.



# Recommended Directions for Further Promotion of Corporate Governance Reform

-The Council of Experts Concerning the Follow-up of Japan's Stewardship Code  
and Japan's Corporate Governance Code Opinion Statement No.4-

- In order to further promote corporate governance reform, the Council has summarized the opinion statement including
  - **Recommended directions for corporate governance reform** based on current issues
  - **Ongoing issues** regarding corporate governance reform (published on April 24th, 2019)

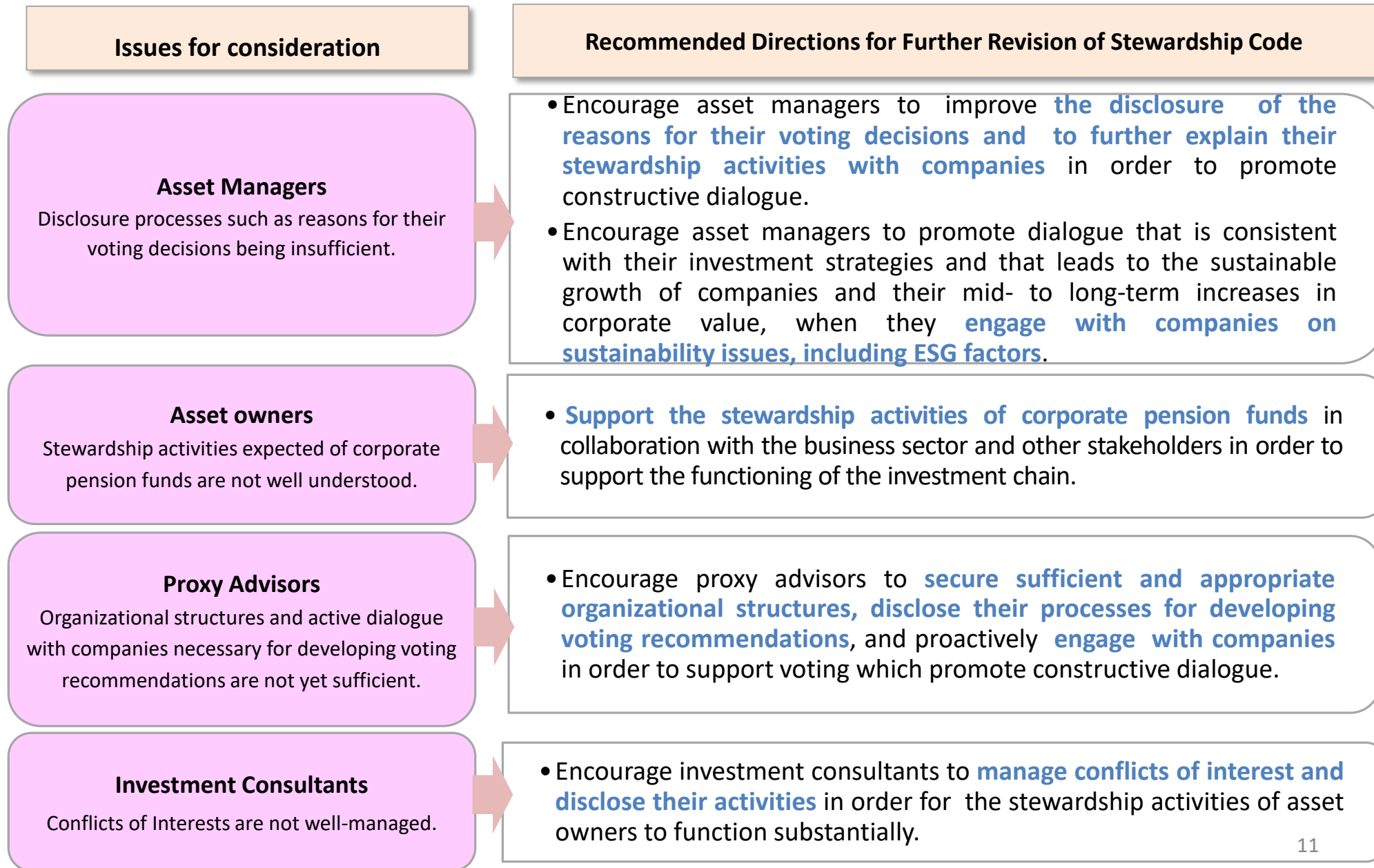


## ○Stewardship Code

- Issues No.1 Asset managers:** Disclosure processes such as reasons for their voting decisions being insufficient.
- Issues No.2 Asset owners:** The responsibilities of stewardship activities expected of corporate pension funds are not well understood.
- Issues No.3 Proxy advisors:** Organizational structures and active dialogue with companies necessary for developing voting recommendations are not yet sufficient.

## ○Ongoing issues for corporate governance code: Ensuring confidence in **Audits**, and **Group Governance**

# Recommended Directions for Further Promotion of Corporate Governance Reform



## II . Issues by Subject

---

# 1. Asset Managers

---

# 1-(1): Measures to realize Constructive Dialogue

## Opinion Statement No.4 from Follow-up Council

- In order to fulfill their accountability to asset owners as well as deepen mutual understanding with companies via constructive dialogue, it is important to encourage asset managers to improve the disclosure of
  - 1) the reasons for their voting decisions,
  - 2) their stewardship activities with companies and their results, and
  - 3) self-evaluation of their stewardship activities.

### Major opinions on this issue

#### <Opinions in the Follow-up Council>

- Asset managers should not only disclose their voting results, but also **improve their disclosure on stewardship activities with companies** previous to asset managers' voting decisions.
- Since **the disclosure required by the Code is insufficient, it is hard to address constructive dialogue.**

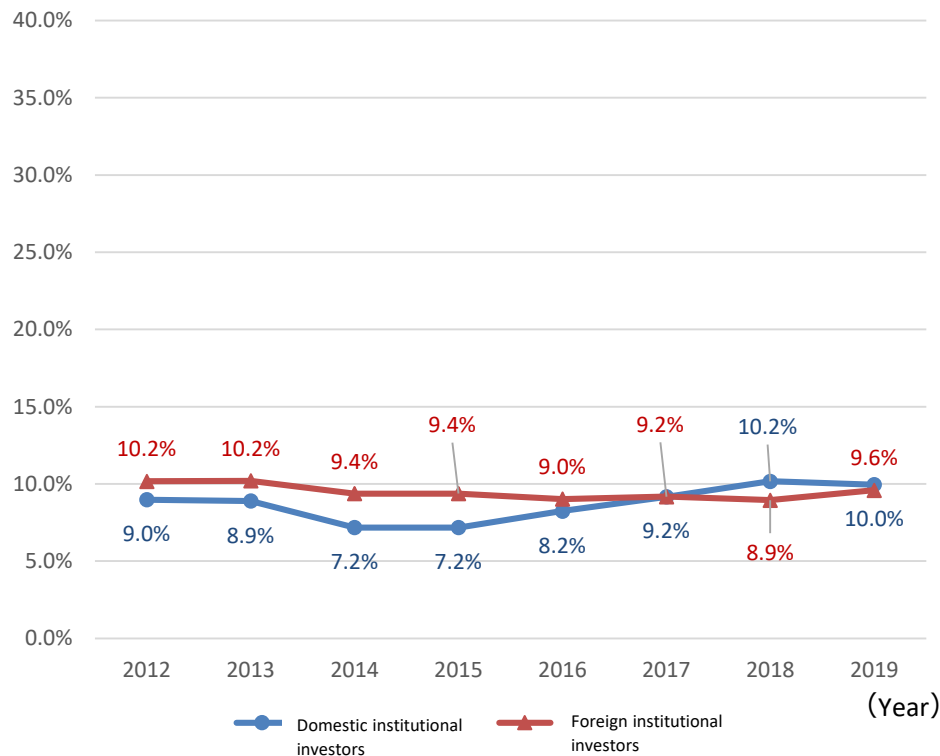
#### <Opinions from others>

- There are concerns that **investee companies may become reluctant to have a dialogue after the disclosure of the reasons for voting decisions.**
- If asset managers **cast a vote for their investee companies which have conflicts of interests,** they should **disclose the reasons why they do so.**

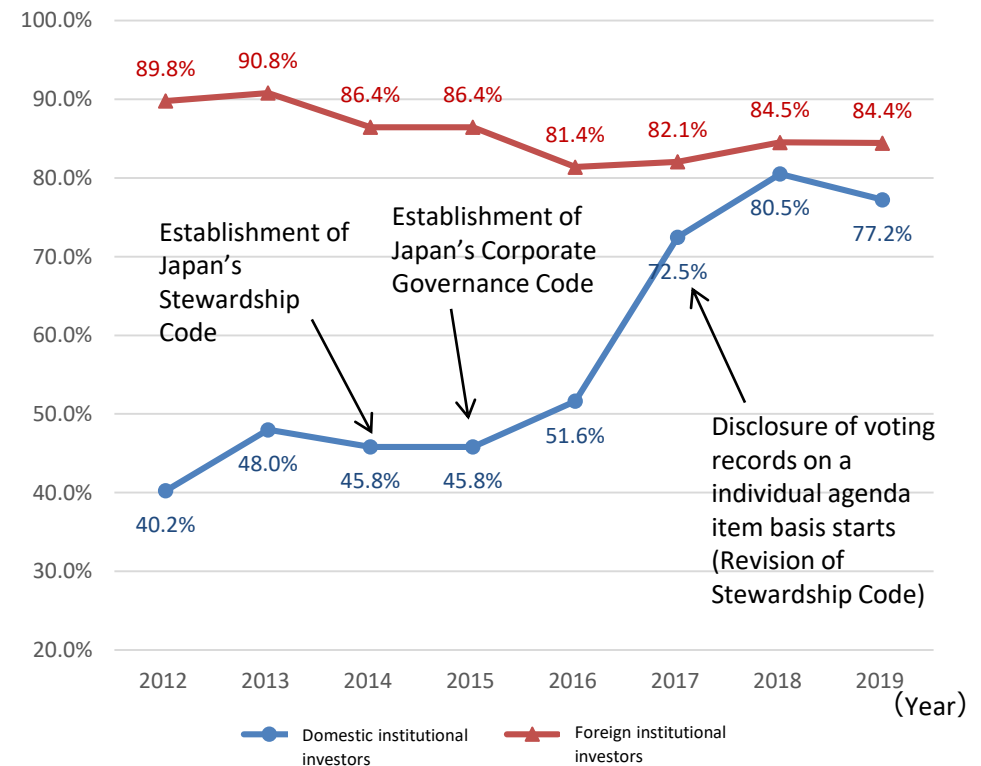
# 1-(1): Progression of Governance Reform and Changes in Investor Behaviors

- ❑ **After Governance Reform**, domestic asset managers started to **cast more votes against introduction of anti-takeover measures**.
- ❑ On the other hand, during the same period, **the opposition rate of the foreign asset managers for introduction of anti-takeover measures is slightly on decrease**.

**Voting results on all the topics (Company proposal)**  
(Transition of opposition rate)



**Voting results on introduction of anti-takeover measures (Company proposal)**  
(Transition of opposition rate)



(Source) Made by JFSA, using data from ICJ.

(※) • The data covers voting which used ICJ in AGM in June of each year.

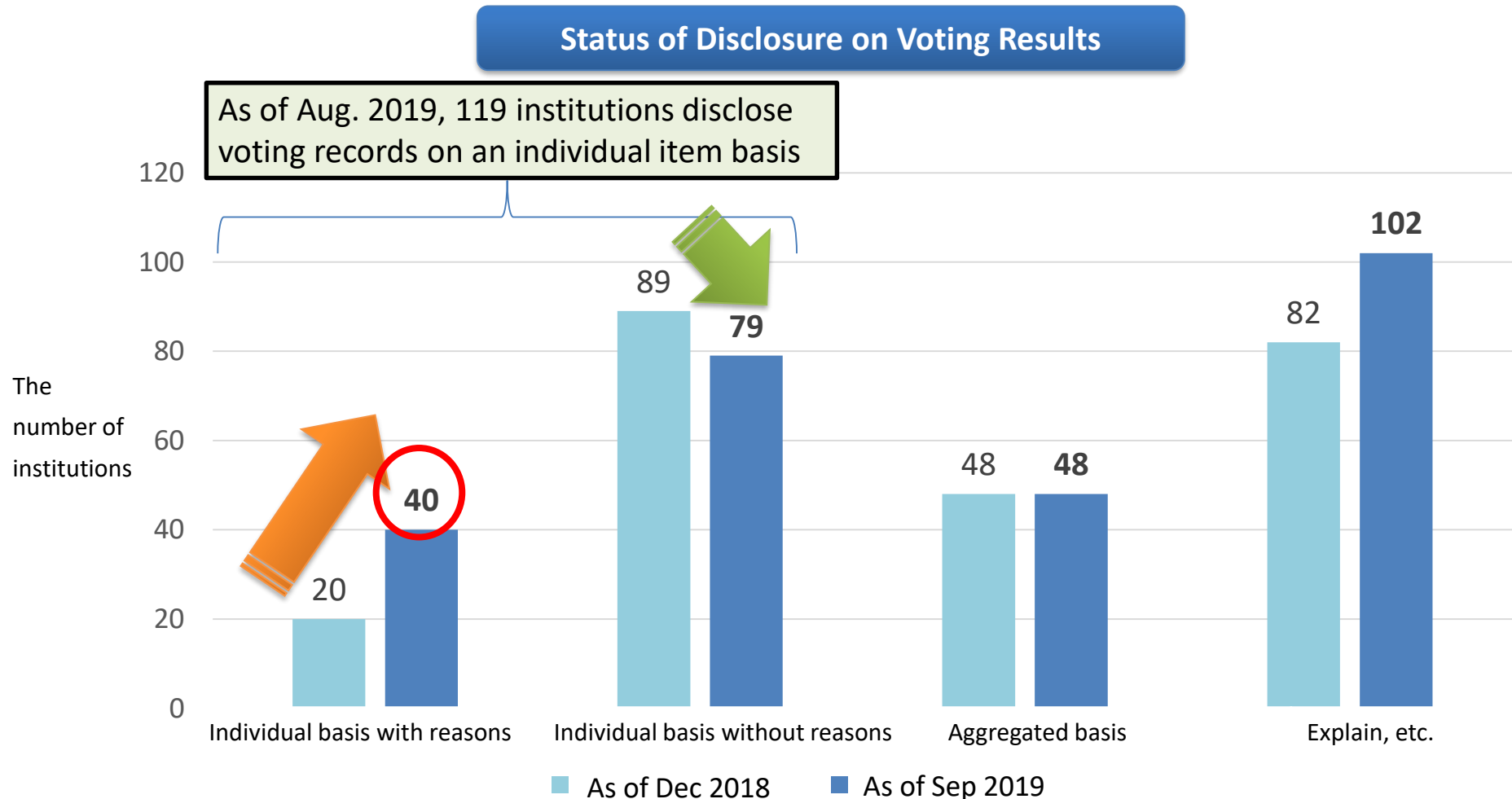
• The number of listed companies which use ICJ is 1018 as of 9/26/2019.

• Calculation of the opposition rate: Calculate (Against+Abstention) / (For+Against+Abstention) by resolution type, and averaged them.



# 1-(1): Status of Disclosure of Voting Records on an individual item basis (1)

- Over 100 institutional investors, including major domestic asset managers **disclose voting results on an individual item basis**. Comparing to Dec. 2018, the number of institutions which disclose **the opposition reasons** of voting decisions as well **doubled**.

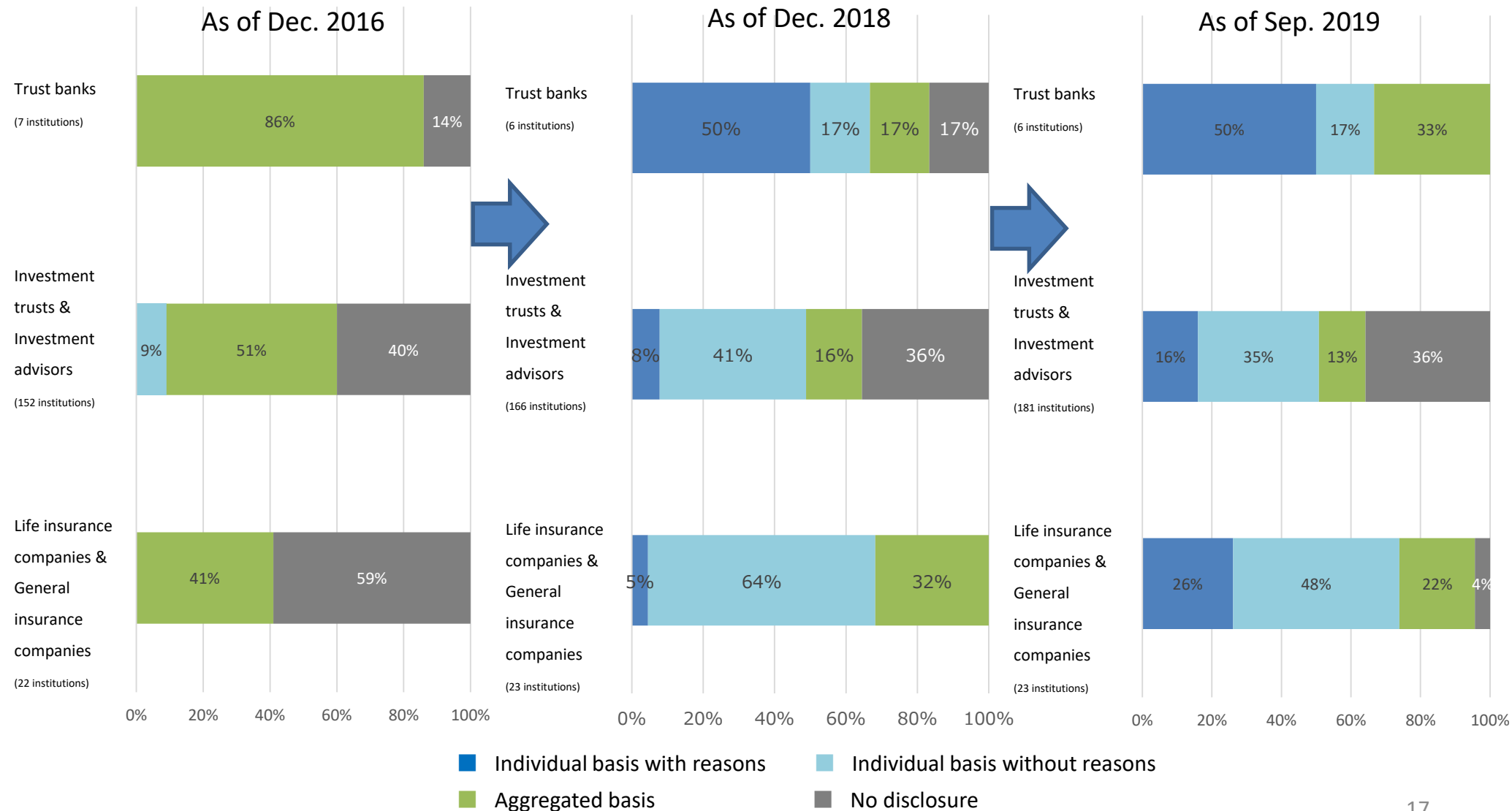


(Source) Made by JFSA, based on the information found on 239 signatories' website as of 12/14/2018, and the information found on 269 signatories' website as of 9/30/2019.

(※) Disclosure of voting records on an individual basis includes disclosure of part of their voting records such as disclosing only the voting records for listed companies.

# 1-(1): Status of Disclosure of Voting Records on an individual item basis (2)

## Current Status and Transition of Status of Disclosure of Voting Results by Industry



(Source) Made by JFSA, based on the information found on the signatories' website as of Dec 2016, Dec 2018 and Sep 2019.

# 1-(1): Status of Disclosure of the Reasons of Voting Decisions on an individual item basis

- ❑ As for disclosure of reasons of voting decision, many asset managers **only disclose the reasons of “against” votes**.
- ❑ On the other hand, some disclose **the reasons for “against” votes to company proposals and “for” votes to shareholder proposals**, or disclose **all the reasons for “for” and “against” votes**.
- ※ Japan’s Stewardship Code Guidance 5-3 says “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.”

## Examples of Disclosure of the Reasons of Voting Decisions

Asset manager X

| 企業名 | 提案者 | 議案番号 | 候補者番号 | 議案分類     | 賛否・理由                               |
|-----|-----|------|-------|----------|-------------------------------------|
| a 社 | 会社  | 2    | 8     | 取締役の選解任  | 反対 独立性に関する当社基準を満たさないため              |
|     | 会社  | 2    | 9     | 取締役の選解任  | 反対 独立性に関する当社基準を満たさないため              |
| b 社 | 会社  | 1    |       | 剰余金の処分   | 賛成                                  |
|     | 会社  | 2    |       | 定款に関する議案 | 賛成                                  |
|     | 会社  | 3    | 1     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 2     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 3     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 4     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 5     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 6     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 7     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 8     | 取締役の選解任  | 賛成                                  |
| c 社 | 会社  | 3    | 9     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 10    | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 11    | 取締役の選解任  | 反対 独立性に関する当社基準を満たさないため              |
|     | 会社  | 4    | 1     | 監査役の選解任  | 賛成                                  |
|     | 会社  | 1    |       | 剰余金の処分   | 賛成                                  |
|     | 会社  | 2    | 1     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 2     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 3     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 4     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 5     | 取締役の選解任  | 賛成                                  |
| d 社 | 会社  | 2    | 6     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 7     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 1    |       | 剰余金の処分   | 賛成                                  |
|     | 会社  | 2    | 1     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 2     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 3     | 取締役の選解任  | 反対 株主価値を大きく毀損する行為について責任を有すると判断されるため |
|     | 会社  | 2    | 4     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 5     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 6     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 7     | 取締役の選解任  | 賛成                                  |
| d 社 | 会社  | 2    | 8     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 2    | 9     | 取締役の選解任  | 賛成                                  |
|     | 会社  | 3    | 1     | 監査役の選解任  | 賛成                                  |
|     | 会社  | 4    |       | 役員報酬     | 反対 株主価値を大きく毀損する行為が認められたため           |

Explanations in detail

Asset manager Y

| E社   |       |                     |    |    |                                      |
|------|-------|---------------------|----|----|--------------------------------------|
| 議案番号 | 候補者番号 | 議案区分                | 提案 | 判断 | 判断理由                                 |
| 1    | 1     | 取締役の選任等に関する議案       | 会社 | 反対 | 取締役会の構成に関する基準に該当                     |
| 1    | 2     | 取締役の選任等に関する議案       | 会社 | 反対 | 取締役会の構成に関する基準に該当                     |
| 1    | 3     | 取締役の選任等に関する議案       | 会社 | 賛成 | 「国内株式議決権行使の方針と判断基準」2. 取締役の選任、(4)aに該当 |
| 1    | 4     | 取締役の選任等に関する議案       | 会社 | 反対 | 取締役会の増員・規模に関する基準に該当                  |
| 2    | 1     | 監査役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 2    | 2     | 監査役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 2    | 3     | 監査役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 3    |       | 役職員のインセンティブ向上に関する議案 | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 4    |       | 役職員のインセンティブ向上に関する議案 | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 5    |       | 減資に関する議案            | 会社 | 賛成 | 判断基準に基づき賛成                           |
| F社   |       |                     |    |    |                                      |
| 議案番号 | 候補者番号 | 議案区分                | 提案 | 判断 | 判断理由                                 |
| 1    | 1     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 1    | 2     | 取締役の選任等に関する議案       | 会社 | 賛成 | 剰余金処分に関する基準に該当                       |
| 1    | 3     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 1    | 4     | 取締役の選任等に関する議案       | 会社 | 反対 | 剰余金処分に関する基準に該当                       |
| 1    | 5     | 取締役の選任等に関する議案       | 会社 | 反対 | 剰余金処分に関する基準に該当                       |
| 1    | 6     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 1    | 7     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 1    | 8     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 1    | 9     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 1    | 10    | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 2    | 1     | 監査役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| G社   |       |                     |    |    |                                      |
| 議案番号 | 候補者番号 | 議案区分                | 提案 | 判断 | 判断理由                                 |
| 1    |       | 利益処分に関する議案          | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 2    |       | 定款変更に関する議案          | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 3    | 1     | 取締役の選任等に関する議案       | 会社 | 反対 | 取締役会の構成に関する基準に該当                     |
| 3    | 2     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 3    | 3     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 3    | 4     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 3    | 5     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 3    | 6     | 取締役の選任等に関する議案       | 会社 | 賛成 | 判断基準に基づき賛成                           |
| 3    | 7     | 取締役の選任等に関する議案       | 会社 | 反対 | 独立性に関する基準に該当                         |
|      |       |                     | 会社 | 反対 | 独立性に関する基準に該当                         |

Also disclose the reasons of “for” votes. Clearly shows the link with the item on the Proxy Voting Guideline on their website.

Reasons for voting decisions

# 1-(1) Disclosure of Stewardship Activities by Asset Managers

- Approximately 50% of the asset managers disclose **Stewardship activity reports**.
- In Stewardship activity reports, some disclose **the contents of dialogues and the results of them, feedback on their dialogue from investee companies or the third parties, or the future plan based on their self-assessment**.

## Example of disclosing the contents and the results of dialogue

個社でのエンゲージメントが企業のアクションにつながった事例

### CASE1

ガバナンス  
取締役会の独立性、ダイバーシティ

#### 対話の概要

輸送用機器メーカーA社の社外取締役は1名のみであるため、2017年6月総会において取締役選任議案に反対とした。取締役会の経営監督機能を高めるために独立した社外取締役を2名以上置くことが望ましく、また、ダイバーシティの観点からも改善の余地があるとの意見を述べて、2015年12月から検討予定のままとされている独立社外取締役の増員について、検討状況を確認した。

#### 企業の反応

社外取締役の増員について機関投資家の意向は認識しているものの、形式的な増員を行う考えはない。一方で、現時点では適任者が選定できておらず増員には至っていない。しかしながら、2017年6月総会の取締役選任議案で会長・社長に対する賛成率が70%台に落ち込んだことは重く受け止めており、取締役選任期間である2年を待つことなく、独立取締役を増員するように社内で検討していきたい。

#### 企業のアクション

2018年4月、社外取締役を2名増員（内1名は女性）、社内取締役を2名減員を発表。取締役会の構成は社内6名・社外3名となりガバナンス体制の改善がみられた。

### CASE2

資本生産性  
キャピタル・アロケーション

#### 対話の概要

化学メーカーB社の2016年度は過去最高益を更新し、財務指標も大きく改善。非市況性事業の強化が奏功し、収益およびキャッシュフローも安定度が増した。一方、株主還元の方針が分かりにくく、配当性向も約20%と低水準に留まっている。来年度からの次期中計では、株主還元も含めたキャピタル・アロケーションについて分かりやすく説明することが必要ではないかと意見を述べて会社側見解を確認した。

#### 企業の反応

過去は市況性事業への依存度が高く、年度ごとにキャッシュフローの変動が大きかった。このため構造改革や成長投資を通じて企業価値向上を優先し、株主還元が抑制気味であったことは否めない。一方、近年は非市況性事業強化や構造改革の効果が顕在化してきたと認識している。また、株主還元の方針が分かりにくいとの指摘は、海外投資家からも受けている。次期中計はそうした投資家の声に応えられるよう改善させたい。

#### 企業のアクション

2017年11月、発行済株式1.2%相当の自社株取得を発表。また、第3四半期決算の際に、業績上方修正とあわせて増配を発表するなど、株主還元について進展がみられた。

## Example of disclosing feedback on stewardship activities from investee companies or third parties

### 7. 対話先アンケート結果

企業価値向上のための対話においては、対話のレベルアップにつなげる観点から、対話先企業に対してアンケートを実施し、151社のうち90社から回答をいただきました。アンケートの結果は以下のとおりです。

#### a. 対話内容について

総合評価は5段階評価で4.7点となりましたが、当社意見の有益性は相対的に評価が低く、更に提案力の強化に取り組む必要があると認識しています。

| アンケート項目                 | 平均評価 |
|-------------------------|------|
| 総合評価                    | 4.7  |
| 貴社に対する理解や研究・分析が十分されていたか | 4.6  |
| 相互理解の促進につながったか          | 4.6  |
| 当社からの意見等の内容が有益だったか      | 4.5  |

※各項目ともに5段階評価

### c. 「スチュワードシップ活動に関する第三者委員会」での審議結果

平成29年度は「スチュワードシップ活動に関する第三者委員会」を8月、3  
第三者委員会においては個別の議決権行使判断について、コンプライアンス  
審議いただき、すべて妥当との結論になりました。あわせて、議決権行使ガイドラ  
しております。

また、議決権行使に係る事項のほか、対話を含めた当社のスチュワードシップ  
取り組み内容等を審議し、下表のとおり対話活動のレベルアップに資する有益な意見

| 主な第三者委員からの意見   | 当社の対応  |
|--|--|
| スチュワードシップ活動を通じて機関投資家として果たしている責任を対外的に伝えることも重要である。                     | 対外発信については、本資料による情報開示に加えて、個別のメディア取材や有識者への情報提供などを進めています。   |
| 議決権行使には、相当の資源を投入して取り組んでいるので、今後はさらに議決権行使・対話と投資判断との関係を強化するといのではないかな。   | 議決権行使結果や対話内容を企業評価に反映していく取り組みを継続・強化しています。<br>また、議決権行使で連続反対している企業には強く改善を求めています。  |
| ROEは資本に対する収益率であり、企業価値そのものの向上には、EVA（経済的付加価値）等の収益額も合わせて見る必要があるのではないかな。 | 借入金比率を高めることのみによるROEの改善は求めておらず、利益の絶対額拡大に向けた成長戦略も重要なテーマとしています。<br>今後、より企業価値向上につながる具体的手法等を「株式価値向上のための対話」において、取り上げていきます。 |

## 1-(2): Sustainability

### Opinion Statement No.4 from the Follow-up Council

- When asset managers engage with companies on sustainability issues, including ESG factors, asset managers are expected to promote dialogue that is consistent with their investment strategies and that leads to the sustainable growth of companies and their mid- to long-term increases in corporate value.

#### Major opinions on this issue

##### <Opinions in Follow-up Council>

- In corporate valuation, ESG factors such as environment, society, governance are becoming more and more important.
- It is important to integrate ESG factors into stewardship activities.
- Discussion and approach to ESG can easily lose its seriousness.
- It is important to have a constructive dialogue with investee companies and to seek out their original strategies about ESG.
- Both investors and investees should be careful not to focus only on E&S, neglecting G.

##### <Opinions from others>

- Even during dialogue, asset managers have much more interests in short-term performance data.
- Japanese investee companies are not focusing enough on ESG.

## 2. Asset Owners, including Corporate Pension Funds

---

## 2: Asset Owners

### Opinion Statement No.4 from Follow-up Council

- It is important to promote measures to support the stewardship activities of corporate pension funds in collaboration with the business sector and other stakeholders.

#### Major opinions on this issue

##### <Opinions in Follow-up Council>

- In order to support the functioning of the investment chain in which asset owners are located closest to final beneficiaries, the role of asset owners is critically important to encourage and monitor the asset managers who are the direct dialogue counterparts to companies.
- The number of corporate pension funds that have signed the Stewardship Code remains limited.
- The benefits and responsibilities of stewardship activities expected of corporate pension funds are not well understood.

##### <Opinions from others>

###### (Asset owners)

- Since it is pointed out that the commission fees are low, we provided a new commission fee structure which incorporates engagement with investee companies.
- We misunderstood that if we sign the Stewardship Code, we have to have a direct dialogue with investee companies and have to vote.

###### (Asset managers, etc.)

- We doubt that asset owners really want to receive stewardship reports because they have little interest in stewardship.
- For both asset owners and asset managers, it is inconvenient not to have a standardized format of stewardship activity reports.

### 3. Service Providers (Proxy Advisors & Investment Consultants)

---



### 3-(1): Proxy Advisors

#### Opinion Statement No.4 from Follow-up Council

- It is important that proxy advisors provide recommendations based on correct information with respect to individual companies to asset managers in order to support voting which serves the sustainable growth of companies.
- Proxy advisors are expected to secure sufficient and appropriate human resources and organizational structures, disclose their processes (including the resources and organization) for developing voting recommendations, and directly and proactively engage with companies as necessary.
- When developing voting recommendations, proxy advisors are expected to directly and proactively engage with companies as necessary, not only to check the public information of those companies.
- It is important that asset managers also provide explanations and information on their usage of proxy advisors, such as the names of proxy advisors, their processes to confirm the advice of proxy advisors, and how specifically they use the proxy advisors' advice.

#### Major opinions on this issue

##### <Opinions in Follow-up Council>

- The procedures for developing voting recommendations are not yet sufficiently transparent, and proxy advisors may not have sufficient human and operational resources necessary for making substantive evaluations of companies' specific circumstances, including AGM director election proposals.
- It is pointed out that proxy advisors are making recommendations by kind of a one-size-fits-all approach, and they don't incorporate individual circumstances of investee companies.
- Foreign institutional investors who invest passively have the tendency to rely on proxy advisors' voting recommendations. Since most of them don't accept Japan's Stewardship Code yet, proxy advisors take an important role in achieving voting behaviors with "substance".

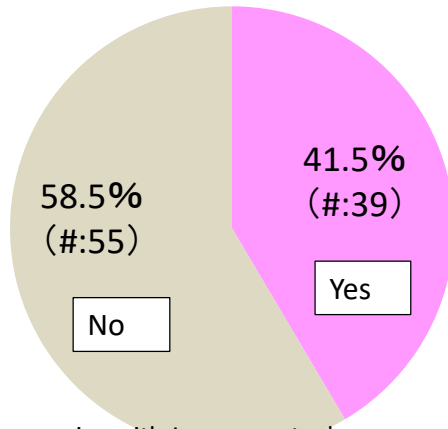
##### <Opinions from others>

- Sometimes, proxy advisors made judgements for recommendation, based on incorrect information.
- It is better if investee companies can get opportunities to check the content of recommendation reports in advance and to post their opinions on the recommendations.

### 3-(1): Use of Proxy Advisors

- Approximately **40%** of institutional investors use **proxy advisors**.
- Some institutional investors **disclose** the use of proxy advisors **in detail**.

【Use of Proxy Advisors by institutional investors】



※counted 94 companies with Japanese stocks, among 153 companies who answered the question.

|  | # of answers: 39<br>(can answer more than twice) |
|--|--|
| Follows proxy advisors' recommendation every time                            | 2.6%<br>(1)                                      |
| Basically follows proxy advisors' recommendation                             | 30.8%<br>(12)                                    |
| Follows proxy advisors' recommendation in case of voting to parent companies | 20.5%<br>(8)                                     |
| Refers to proxy advisors' recommendation                                     | 43.6%<br>(17)                                    |
| Others (ex. Using recommendation based on their own guideline)               | 33.3%<br>(13)                                    |

#### 【Examples of disclosure on the use of proxy advisors】

##### <Example of detailed disclosure on the use of proxy advisor>

For company proposals that are subject to separate consideration under the Company's approval judgment standards, conflicts of interest are eliminated and the neutrality of decision regarding the exercise of voting rights is ensured by exercising voting rights in accordance with the advice of an external specialist organization. However, if it is deemed that it would not be appropriate to follow such advice due to factors such as issues with the reliability of the contents of the advice, the CIO will decide on the pros and cons independently after deliberations by the Stewardship Committee. In such a case, efforts will be made to eliminate conflicts of interest and ensure neutrality through a report to the Audit Committee before exercise the voting rights on the background behind the advice being deemed not appropriate, the details of the separate deliberations by the Stewardship Committee, and the decision on the pros and cons by the CIO.

##### <Example showing the name of proxy advisor used>

In terms of the use of a proxy advisor, the Company acquires a report based on the guidelines of Institutional Shareholder Services Inc. (ISS). This report is used as a reference point by the Company when exercising voting rights in order to gain an understanding on the consensus toward the exercising of voting rights, and final judgments are made by the Company's investment department.

### 3-(2): Managing Conflicts of Interests in Investment Consultants (1)

#### Opinion Statement No.4 from Follow-up Council

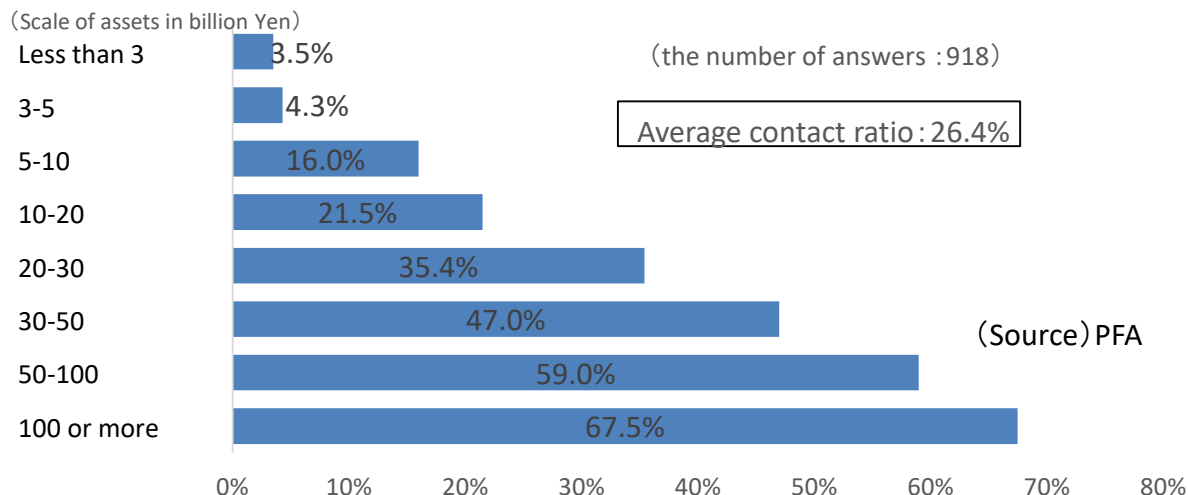
- It is important to encourage investment consultants to manage conflicts of interest and disclose their activities due to their roles as important actors in support of the stewardship activities of corporate pension funds and to enhance the overall functioning of the investment chain.

#### Major opinions on this issue

##### <Opinions in the Follow-up Council>

- Investment consultants in the process of providing consulting services sometime solicit sales of their own investment products.
- There is concern that they do not appropriately evaluate the stewardship activities of asset managers.

#### <The status of Contract with Investment Consultants in Corporate Pension Funds> (By the scale of assets)



#### <Structure of Conflicts of Interests possible in Investment Consultants>

