

February 10, 2022

## Engagement Agenda

### “Many ‘Against’ Votes”

#### Responses by Companies to Which Many “Against” Votes Were Cast at Their General Meeting of Shareholders in 2020, And Sending Letters to Companies on Which Many “Against” Votes Were Cast at Their General Meeting of Shareholders in 2021

The Institutional Investors Collective Engagement Forum (hereinafter referred to as “IICEF”) serving as a coordinator/secretariat for a collective engagement program, together with the seven companies, namely The Dai-ichi Life Insurance Company, Limited, Meiji Yasuda Asset Management Company Ltd., Mitsubishi UFJ Trust and Banking Corporation, Pension Fund Association, Resona Asset Management Co., Ltd., Sumitomo Mitsui DS Asset Management Company, Limited and Sumitomo Mitsui Trust Asset Management Co., Ltd. (in alphabetical order; hereinafter referred to as the “Participating Investors”), has sent request letters to certain companies. In the letters, we requested explanations on the outcomes of the analysis of the reasons for the considerable number of votes cast against the top management’s proposals for director election at their general meeting of shareholders, even though those proposals were still approved. In the same manner, we requested considerations of the need for shareholder dialogue and other measures.

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#### 1. Overview of this agenda

In recent years, with more proactive and stricter stances on exercise of voting rights by investors and shareholders including institutional investors in and outside of Japan, there are increasing number of cases where quite a few votes are cast against company’s management proposal at general meetings of shareholders.

Supplementary Principle 1.1.1 of Japan’s Corporate Governance Code stipulates “When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.”

Contents of proposals against which a considerable number of “against” votes are cast at a general meeting of shareholders are diverse. However, this time, we focused on the cases where a considerable number of votes have been cast against top management’s proposals for director election. In these cases, apparently some shareholders are supposed to have found concerns over the overall management quality, business performances, etc., of the company and therefore we decided to request explanations on their analysis of the reasons behind the “against” votes as well as their considerations of the need for shareholder dialogue and other measures.

[Matters we requested explanations]

- (i) How has the board conducted discussion and analysis of the reasons behind a considerable number of shareholders voting “against” proposals from the company for director election? What measures have been taken to understand the reasons for the shareholders’ “against” votes? How has the board considered the need for shareholder dialogue and other measures?
- (ii) What views have outside directors in particular expressed on the general meeting’s vote results, and discussion and analysis of the results at board meetings?
- (iii) Based on these considerations, what does the company think about its key challenges in its management policy and strategies, corporate governance, efficient use of capital, and so forth? How is the company going to deal with the challenges?

## 2. Status of holding collective engagement dialogues

The contents of this agenda were summarized as the common views of the Participating Investors in 2020, and we sent letters to 5 companies selected based on certain criteria among the companies at which a considerable number of votes were cast against management’s proposals for election of top management at their general meetings of shareholders held between March and June 2020. In so doing, we excluded the companies to which we sent the letters in the past and took into consideration the various managerial impacts by COVID-19. We received explanations from 2 companies through interviews and from 1 company in writing-

As a result, it was found that each of those companies has analyzed the results of the general meeting of shareholders and the reasons for the many “against” votes and reported the findings to the board members. Some companies discussed how they should improve the situation and how they should better communicate with investors at the interviews with IICEF secretariat. On the other hand, there were companies who did not reply, which implies their recognition of investors’ voice is insufficient.

We provided each company with comments by the Participating Investors on the company's explanations as feedback.

The companies to which we sent letters showed decline in the rate of votes against the company proposal for election of top management at their general meetings in 2021. On the other hand, the companies who did not explain to us faced an increase in the rate of "against" votes; and we intend to continue paying attention to the measures of, and holding dialogue with, these companies.

### 3. Starting to send letters for 2021

We started in January 2022 to send letters to those companies requesting explanations on the result of the considerations concerning the analysis of the reasons for the considerable number of votes cast against the company proposals for director election at their general meetings of shareholders held between March and June 2021, even though the proposals were still approved, and the need for shareholder dialogue and other measures. We sent the letter to the same companies when they were still voted against at above a certain rate.

[Reference: Related stipulations in the U.K. Corporate Governance Code]

There are stipulations in Chapter 1, Provision 4 of the U.K. Corporate Governance Code (revised in July 2018; enacted in January 2019) as follows:

*"When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed."*

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Contact information:

Institutional Investors Collective Engagement Forum

Directors in charge: Yuki Kimura, Chairman; Naomi Yamazaki, Administration Manager; Ryusuke Ohori, Executive Director; and Hiromitsu Kamata, Executive Director

Address: Tokyo Entre Salon, Shinmaki-chou Building Annex 1, 3-2-14, Nihonbashi, Chuo-ku, Tokyo  
103-0027 JAPAN

E-mail: [info@iiccf.jp](mailto:info@iiccf.jp)