

February 10, 2022

2021 Activity Report Summary (October 2020 - September 2021)

1. Management Philosophy

“We help institutional investors conduct sound and appropriate stewardship activities, especially in collective shareholder engagements in which multiple institutional investors work together in an aim to hold constructive dialogues with listed companies in Japan.”

2. Organization, Operation and Major Activities

The Institutional Investors Collective Engagement Forum (hereinafter referred to as “IICEF”) promotes/organizes the Institutional Investors Collective Engagement Program (hereinafter referred to as the “Program”). The Program aims to contribute to an increase in long-term corporate value and sustainable growth of companies, not to pursue short-term shareholder returns.

In this Program, IICEF serves as the coordinator/secretariat (hereinafter referred to as “Secretariat”). The participating institutional investors (hereinafter referred to as the “Participating Investors”) discuss key issues of target companies and set common engagement agendas which are expected to be conducive to constructive dialogues. For each agenda, the Secretariat sets up collective engagement meetings with target companies and facilitates the meetings (i.e. acts as moderator and summarizes the discussions), so that the dialogue between the companies and the Participating Investors is constructive.

The Program is based on an individual agreement between IICEF and each Participating Investor, and Participating Investors are not in a mutual contractual relationship. Accordingly, there is no “agreement of joint holding and the like.” In addition, a conduct guideline is covenanted based on which no “act of making important suggestion” is allowed in collective engagement meetings.

3. Progress and Achievements of Our Activities

(1) Incorporation and Operation of IICE

Since its establishment on October 2, 2017, based on the revision of Japan’s Stewardship Code (Guidance 4-4) *, IICEF initiated for the first time in Japan and has held collective engagement meetings between multiple investors and companies.

(2) Operation of the Program

(i) Participating Investors

As of September 30, 2021, the seven institutional investors are participating, 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)

(ii) Program Operation Meetings

We held 12 operation meetings in total as a place for discussion by the Participating Investors, where we discussed methods of operating the Program, examined themes, set agendas, selected target companies and discussed how we conduct collective engagement meetings. We also reported the status of announcement and liaison activities.

(iii) Setting Agendas and Sending Letters

We examined, from the perspective of superlong-term buy-and-hold investors, requests which do not seek superficial improvements of companies, but do test fundamental awareness and concerns of the management team, and which can be easily accepted by government offices and market participants, among themes such as governance, ESG and capital efficiency which are issues commonly faced by Japanese companies in general, and set them as agendas.

When examining agendas, we organized logical views based on lectures by professionals knowledgeable about the themes or academic researchers, provided information and data, exchanged opinions, etc.

And then, we sent letters explaining the underlying views of investors and stating concrete requests to each target company, specifying president, outside director or others as addressee. When sending letters to president, etc., we sent an e-mail attaching the letter in the PDF format or mailed the letter to a person in charge or other contact point of IR in advance to ensure that the information was shared within the target company.

As a result of these activities, we have made some achievements as below.

(Figure) Overview of each agenda

A) Materiality Identification and Disclosure Relating to Sustainability of Business Model

⇒ Disclosure of Non-financial Information (title of the agenda was altered)

Purpose	To promote awareness and enhance activities and disclosure of “ESG materiality” expected from investors
Manager	Resona Asset Management Co., Ltd.
Discussion and Background	<p>Approximately 30 to 40 percent of Japanese companies identified and disclosed materiality. For the majority of these companies, the content of such materiality still involved social materiality but around 30 percent of these companies have switched to materiality from the investors’ perspective. Therefore, we may assume that this agenda has been met with a certain level of success.</p> <p>Meanwhile, corporate disclosures of non-financial information have been gaining momentum in conjunction with the expansion of ESG investments. Nevertheless, such disclosures are not always appropriate from Investors’ standpoint and many of the companies are confused about what they should disclose.</p> <p>This is why IICEF has taken on the task of clarifying what kind of non-financial information disclosure is required and has been sorting out such information and approaches in order to request companies to disclose material non-financial information that will impact their future finances.</p>

B) Disclosure by the Companies Engaged in Misconduct and Dialogue with Them

Purpose	Explanation by the company about how it addressed the serious misconduct
Letter timing	November 16, 2020
Achievement	The company hosted a briefing for investors (including the Participating Investors).
Purpose	The proper understanding and an awareness of the issues surrounding the problem of uncounted shareholder votes
Target company	Sumitomo Mitsui Trust Bank, Limited
Briefing	March 31, 2021
Achievement	Seven Participating Investors and six domestic investors attended and discussed the proper understanding of vote-counting work and identified the issues thereof.

C) Analysis of Reasons for/Responses to the Proposals to Which Many “Against” Votes Were Cast at General Shareholders Meetings

Purpose	To analyze factors of company proposals electing directors for top management to which many “against” votes were cast at general meetings of shareholders and recognize governance issues
Manager	Mitsubishi UFJ Trust and Banking Corporation
Letter timing	December 11, 2020
Target company	Among companies at which company proposals for electing top management received 20% or more “against” votes at the general meetings of shareholders in May and June, a certain number of companies were selected according to given criteria. Five companies, excluding companies that had already received letters by the end of last year, were targeted.
Achievement	Two companies provided analysis results and countermeasures. One company sent a written reply. Improvement trends were seen, including fully addressing this issue and visiting investors to provide IR/SR explanations, among other efforts.

D) Disclosure on Necessities of Takeover Defense Measures with Sufficient Attention Given to Possible Negative Reputation in Capital Markets

Purpose	To recognize management issues through examination of the necessity to introduce and/or continue takeover defense measures
Manager	Sumitomo Mitsui DS Asset Management Company, Limited
Letter timing	March 30, 2021
Target company	13 companies with a market capitalization of ¥100 billion or above whose takeover defense measures were to expire in 2021
Achievement	4 out of 13 companies replied that they would conduct an examination. 6 companies decided not to continue with their takeover defense measures. (Among the companies that submitted proposals to continue with the takeover defense measures, there were no companies that were able to provide a reason satisfactory to the investors.)

E) Issues Related to Governance of Parent and Subsidiary Listed Companies

Purpose	To promote measures and designs for governance to reflect intention of minority shareholders
Manager	Sumitomo Mitsui Trust Asset Management Co., Ltd.
Letter timing	October 14, 2020
Target company	Parent companies and subsidiaries of typical corporate groups under parent-subsidiary listing
Achievement	Collective engagement dialogues were held with both parent companies and subsidiaries. We were able to raise the points of concern expressed by the investors and communicate wherein the problem lies. The meetings afforded the opportunity to deepen our understanding by hearing detailed accounts of the stance, background, and the actual situation of the companies, the deliberations by the board of directors, and the initiatives which had not been explained previously, and to encourage companies to reconsider.

F) Policy for Cross-Shareholding

Purpose	To reform the mindset of companies against Cross-Shareholding and the Stable-Shareholder policy
Manager	Pension Fund Association
Letter timing	September 10, 2020 (last fiscal year)
Target company	Typical companies that claim compliance with the CG Code but do not disclose a clear policy or analysis results, and continue to hold a large volume of cross-shareholdings or cause the counterparty cross-shareholdings.
Achievement	We held collective engagement dialogues, received replies, and held individual dialogues. We communicated the issues perceived by the investors and a reduction in cross-shareholdings and improved disclosures were seen at certain companies.

G) Demonstrating Governance in Post-COVID-19 Era and Measures for General Shareholders Meetings that Put Safety First

Purpose	To indicate methods of administrative work in response to COVID-19 and proactively demonstrate governance in post-COVID Era
Letters sent	Nil

(iv) Meetings and Receipt of Responses

We made coordination with IR contact points at the target companies to which we sent letters through such means as e-mail and telephone and held pre-meetings with IICEF-Secretariat (IICEF Directors in charge). Then, we held meetings mainly online under the facilitation by the Secretariat, attended by the Participating Investors to engage in direct dialogue with directors in charge, outside directors and department heads in charge at those companies. We provided feedbacks mutually after the meetings, which resulted in improvements of the situations.

For some agendas where we did not ask for meetings but instead asked for responses, the Secretariat received explanations through interviews or explanatory documents through e-mail or mail and reported and shared the responses to the Participating Investors. We sent back investors' feedbacks to the companies.

As a new undertaking, we requested senior management and outside directors of companies that engaged in misconducts to hold briefings for investors, which was met with the voluntary holding of company briefings for a wide range of investors. In addition to the

Secretariat and the seven Participating Investors of IICEF, many investors participated in the online meetings. Furthermore, IICEF supported convening the briefing for investors hosted by Sumitomo Mitsui Trust Bank, Limited, and in addition to the seven Participating Investors of IICEF, six domestic investors attended.

(v) Activities for Announcement, Seminars, etc.

The overview of the letters was publicly disclosed on IICEF's website in order to broadly disseminate the issues addressed in the agendas to Japanese companies as a whole, as they are generally relevant to them. We also provided notices via e-mail to government offices, market participants, related organizations, stock transfer agents, IR supporting companies, annual report production companies, etc.

Alongside with the above, we gave lectures at various seminars and workshops to introduce IICEF and explain the overview of the agendas.

(Figure) Status of implementation of specific activities for announcement, seminar, etc.

(v)-1 Distribution of e-mail

E) Issues Related to Governance of Parent and Subsidiary Listed Companies

Website update (Japanese section)	October 8, 2020
E-mail notice sent	13 destinations

(v)-2 Lecture at Seminar/Workshop

Seminar/Workshop	3 times
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(3) Visits/Online Explanations

We visited and also gave online explanations to IR supporting companies to report on IICEF's activities, explain the agenda, and to exchange opinions, and requested indirect assistance, including indirect explanations and advices on handling IR to companies.

(Figure) Status of visits/online explanations

Visits/online explanations	7 times
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(4) Liaison/Lobbying Activities

We interviewed government offices, foreign public institutions, related organizations in and out of Japan, etc. to introduce IICEF, report our activities and exchange opinions concerning collective engagement meetings.

We provided information to the members of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code (FSA) and communicated the investors' opinions on the revision of the Corporate Governance Code.

We also submitted a comment to the Call for Public Comments on the revision of the Corporate Governance Code.

(Figure) Status of liaison activities

Visits to provide explanations and to exchange opinions	7 times in total
Public comment	Comments submitted to the revision of the Corporate Governance Code
Interview from media	Nil

4. Issues to Be Addressed

Four years have passed since our launch as Japan's first organization to support collective engagement meetings by institutional investors. During the period, we set up seven agendas, sent letters to/and conducted collective engagement meetings with more than 200 companies and worked on activities to broadly make announcements. We also conducted lobbying activities to government agencies and related organizations. As an entity aiming at an increase in long-term value of Japanese companies as a whole, not pursuing short-term shareholder returns, we have looked for and gradually advanced methods of collective engagement meetings unique to Japan.

As a result, we made achievements as described in "3. Progress and Achievements of Our Activities." We have continued to work on our agendas since our inception, and we see achievements in some agendas. Many Japanese companies have come to understand IICEF's approaches as well as views and requests of the Participating Investors. We are confident that

corporate mindset has started changing.

However, naturally there is a limit to the number of companies with which collective engagement meetings can be held, and at the same time, management resources are limited. Amid such circumstances, the issues lie in how we can increase the influence over Japanese companies as a whole. Above all, issues still remain in clarifying the advantages unique to collective engagement meetings which cannot be offered in non-collective dialogues and establishing methods of collective engagement meetings in line with the circumstances of Japanese companies and the stock market.

In addressing this issue of establishing methods of collective engagement meetings, we have mainly promoted the sending of letters and holding collective engagement meetings, as well as announcements and lecturing activities at seminars. Indeed this current method leads to communicating the stance of the investors to the companies and deepening their understanding, and is effective to such agendas as non-financial disclosure (ESG materiality) as those investors' views are digestible for companies and they are informative for voluntary reforms. However, with regard to the agenda that calls for a revision of deep-rooted practices within the management of Japanese companies for a long time, such as parent-subsidiary listings and cross shareholdings, many companies have yet to result in concrete reforms based on the full understanding by senior management of the issues perceived by the investors. As above, we realize we will need to better design our dialogues going forward.

Furthermore, this method of "collective engagement dialogues" (collective engagement), which is commonplace in Europe and the US, has yet to be fully recognized by the Japanese companies, and we believe that this lack of awareness is an obstacle to the promotion of collective engagement dialogues. Therefore, raising social recognition of collective engagement dialogues is another issue that requires our continuing efforts.

In addition, the COVID-19 pandemic continues to impact our collective engagement meetings in the current term as well as last one. The Forum continues to operate under a remote working style, including the holding of meetings within the Forum and the collective engagement dialogues with companies all online. Going forward we will need to devise appropriate methods in light of the advances in information technology and the changing responses of the companies.

Furthermore, by continuing to pursue these seven agendas and increasing the number of

companies targeted for dialogues, the workload of the Secretariat is building up. Thus, the issue of establishing a management base capable of sustained growth as a general incorporated association also remains.

To address these issues, from the fifth year onward, in addition to making changes to our collective engagement dialogue methods, we will call for participation of new investors.

Specifically, we will reinforce our capabilities to communicate our message to a greater number of companies by sending out letters that do not require meetings to a wider range of target companies and enhancing our announcements by obtaining cooperation of outside organizations. We will also continue to consider such efforts as holding workshops to acquire the insight of outside experts, in order to improve our agenda and to enhance and deepen our common views.

Furthermore, we will step up our lobbying activities to communicate the problems presently surrounding the constructive dialogues with companies to the relevant authorities, even more so than during our fourth year, and make efforts to strengthen our activities to communicate the investors' voices. At the same time, we will consider holding dialogues with various stakeholders.

Through these activities, we intend to increase the number of participating investors and build up our management resources pertaining to that, thereby enhance effectiveness of collective engagement, clarify the unique benefits of collective engagement meetings, while at the same time establish a sustainable management foundation.

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*In Japan's Stewardship Code, Guidance 4-4 stipulates "Institutional investors should have a clear policy in advance on how they design dialogue with investee companies in various possible situations."