

Japan Catalyst, Inc.

Monex Activist Fund - Approach to Proxy Voting

TOKYO, April 20, 2021 – Japan Catalyst, Inc. (hereinafter referred to as "JCI") which sub-advises to the Mother Fund of Monex Activist Fund, nicknamed "The Future of Japan" (hereinafter referred to as "MAF"), has decided to announce its approach to proxy voting in light of recent domestic and international developments in shareholder meetings.

MAF aims to encourage Japanese corporate reform through shareholder activism. "Shareholder activism" is the act of taking action based on one's rights, mainly by engaging with the company, exercising of proxy voting rights at shareholder meetings, and making shareholder proposals. Through these activities, we believe it is important to protect our interests as shareholders and at the same time encourage companies to be considerate and accountable to other stakeholders. We also recognize that shareholder activism is essential to the sophistication of capital markets and is part of the market discipline in corporate governance reform.

Proposed revisions of Japan's Corporate Governance Code*¹ has recently been announced, and it calls for greater emphasis on diversity at all levels including the board of directors, consideration of minority shareholders, effective use of independent outside directors, and sustainability (mid- to long-term sustainability of company, including ESG factors). JCI makes proxy voting decisions on a case-by-case basis based on the circumstances and engagement of each individual company; however based on the above, we would like to highlight some particular points on our approach to the following points.

■ **Board Composition (Diversity, securing independence, appointing the lead independent outside director)**
The Board of Directors is the place where the business execution is supervised, including the monitoring of important decisions and results related to each area of management in accordance with the long-term strategy and associated with the company's situation and external environment. In that case, we believe it is necessary to have a board that is equipped with global and capital market perspectives in addition to diversity with regards to background, gender, and a field of expertise in order to encourage multifaceted and constructive discussions in consideration of providing value to various stakeholders. We expect that disclosure from companies through the skills matrix and other means will be enhanced, and we are considering reflecting this in our proxy voting policy in the future.

We have high expectations for independent outside directors to demonstrate their abilities as representatives of minority shareholders. In the mid-term, we will consider requesting that the ratio of independent outside directors be a majority, yet at present, if all candidates are elected and 1/3 or more of the directors are not independent outside directors, we will, in principle, vote against for the proposal for the election of directors by the Chairman of the Nomination Committee or the top management (chairman and president).

We expect to appointment the lead independent outside director in order to respond to constructive engagement

with shareholders, coordinate with the executive side, and enhance cooperation with the Board of Corporate Auditors. In the future, if the lead independent outside director is not appointed, we will engage with top management or the chairman of the Nomination Committee, and if the reasons for not appointing the lead independent outside director are not clear, we will consider, in principle, to vote against for the proposal for election of directors in relation to top management (chairman and president) or the chairman of the Nomination Committee.

■ **Anti-Takeover Measures**

For listed companies, the best measure of anti-takeover measures is to continuously create corporate value and to have an effective communication (investor relations) regarding the corporate value. In principle, we will vote against proposals to implement or renew anti-takeover measures and will support proposals to abolish such measures. In principle, we will vote against all proposals for the election of existing directors in companies that currently have anti-takeover measures.

■ **Addressing Corporate Sustainability (mid- to long-term sustainability of company including ESG factors)**

Japanese companies have been responding to ESG (Environmental, Social and Governance) issues based on global trends. On the other hand, there are cases where companies are hindering the competitiveness of Japanese companies and the attractiveness of the domestic capital market through 1) a lack of linkage between materiality, which is important for corporate value creation in the mid- to long-term, and strategy and 2) suboptimal allocation of capital, and 3) inadequate responses to issues that are becoming increasingly important, such as topics included in the government's growth strategy based on the transformation of social and industrial structures. Therefore, in principle, we will vote against the proposal for the election of the Director in charge of Sustainability or the top management (chairman and president) in the following cases.*²

- (1) Materiality (sustainability issues that may have an impact on corporate value in the mid- to long-term)
 - Material issues that will be likely to have a mid- to long-term financial impact are not disclosed in the materiality review and materiality map
- (2) Climate Change Response
 - Companies with majorly insufficient in addressing climate change
 - TCFD*³ or equivalent governance, strategy, risks and opportunities, goal setting have not been reviewed and disclosed after January 2022
- (3) Human Rights
 - Human rights policy that is not disclosed
 - Failure to address human rights issues, including in the supply chain, despite the risk of significant damage to corporate value

Through our shareholder activism, JCI will continue to work as a team to encourage corporate reform and aim to provide the ultimate beneficiaries with the investment results.

*1 Proposed revisions of Japan's Corporate Governance Code : <https://www.fsa.go.jp/en/news/2021/20210406/02.pdf>

*2 Sustainability principles are expected to be applied to all companies over the next few years, however initially the policy will be applied to companies with relatively large market capitalization (market capitalization of 500 billion yen or more at the record date).

*3 Task Force on Climate-related Financial Disclosures

This material is an English translation of a Japanese announcement made on the date above. Although the Company intended to faithfully translate the Japanese document into English, the accuracy and correctness of this English translation is not guaranteed and thus you are encouraged to refer to the original Japanese document.