



SMAM

“Japan’s Stewardship Code”

Japan’s Stewardship Code (“the Code”) defines key principles for “Responsible Institutional Investors”. Institutional investors are required to increase the value of investee companies and to support their sustainable growth through engagement (dialogues with the companies) in order to deliver high medium-to-long-term returns to their clients for whom they manage assets. The code was modeled after the UK Stewardship Code which was first adopted in 2010.

Point 1

One of the key policies of the “third arrow” in the Abenomics 160 institutional investors committed to the Code as of August end 2014

- The Code was enacted on February 2014 after the Cabinet approval as one of policies of the “third arrow (Japan Revitalisation Strategy)” of the Abenomics followed by expert councils held six times. The Code was regarded as a key policy to increase corporate value and support sustainable growth of the company as a responsible shareholder within the context of restoring “capability of generating profits” set in the Japanese government’s growth strategy through corporate reform. So far, 160 institutional investors (asset managers, pension funds etc. including SMAM) are committed to the Code as of the end of August this year.

Point 2

Aim to increase the investment return of beneficiaries

Further improvement in management quality required for institutional investors

- Institutional investors are expected to increase the corporate value of investee companies and the investment return for mid-to-long term through dialogue for engagement by identifying problems of the investee companies to support their sustainable growth, not merely exercising voting rights as a shareholder.
- The responsible institutional investors, therefore, are required to brush up their investment skills further. In order to properly perform engagement activities, i.e., “communication with constructive purpose” with investee companies, enhancing engagement capability and proper control of the activities is increasingly becoming important.

Future Outlook

Seek for achieving sustainable growth of investee companies by the collaboration between the companies and their shareholders

■ Move to issue guidelines on the corporate governance

In addition to the Stewardship Code, the Japanese government is planning to adopt a Corporate Governance Code prior to the shareholder’s meeting season next year. The new code is intended to contribute to change the mindset of the management and to urge more performance-oriented decision-making to win the global competition.

■ Government aims to achieve the sustainable growth of companies through internal reform

The Japanese government is promoting the growth of companies through their own internal reform by implementing the codes on both shareholders and companies. Although these policies would not take effect at once, they are expected to promote mid-to-long term sustainable growth of Japanese companies.



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