

2025 Japan AGM Season Review

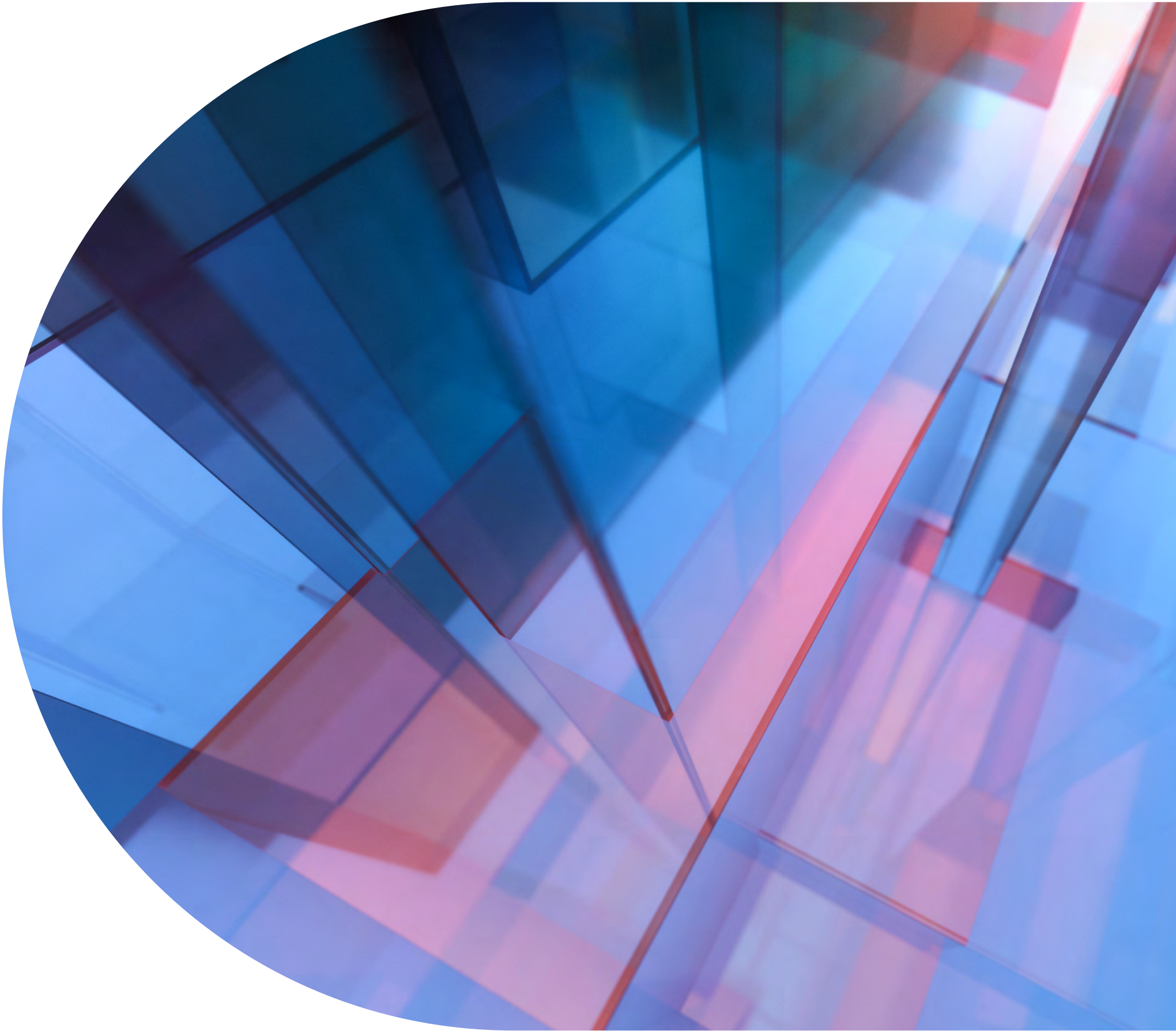
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Introduction



Introduction, by Cas Sydorowitz
Global CEO

We are proud to bring you this fourth edition of Georgeson's Japanese AGM Season Review, in which we analyse and interpret the trends we observed at Nikkei 225 company AGMs held during 2025.

This report is a joint publication with Japan Shareholder Services (JSS), whose contribution of data and market insights has been invaluable. It details the key AGM trends and governance changes observed across the Nikkei 225 during the 2025 AGM season.

Heightened activism trend continues

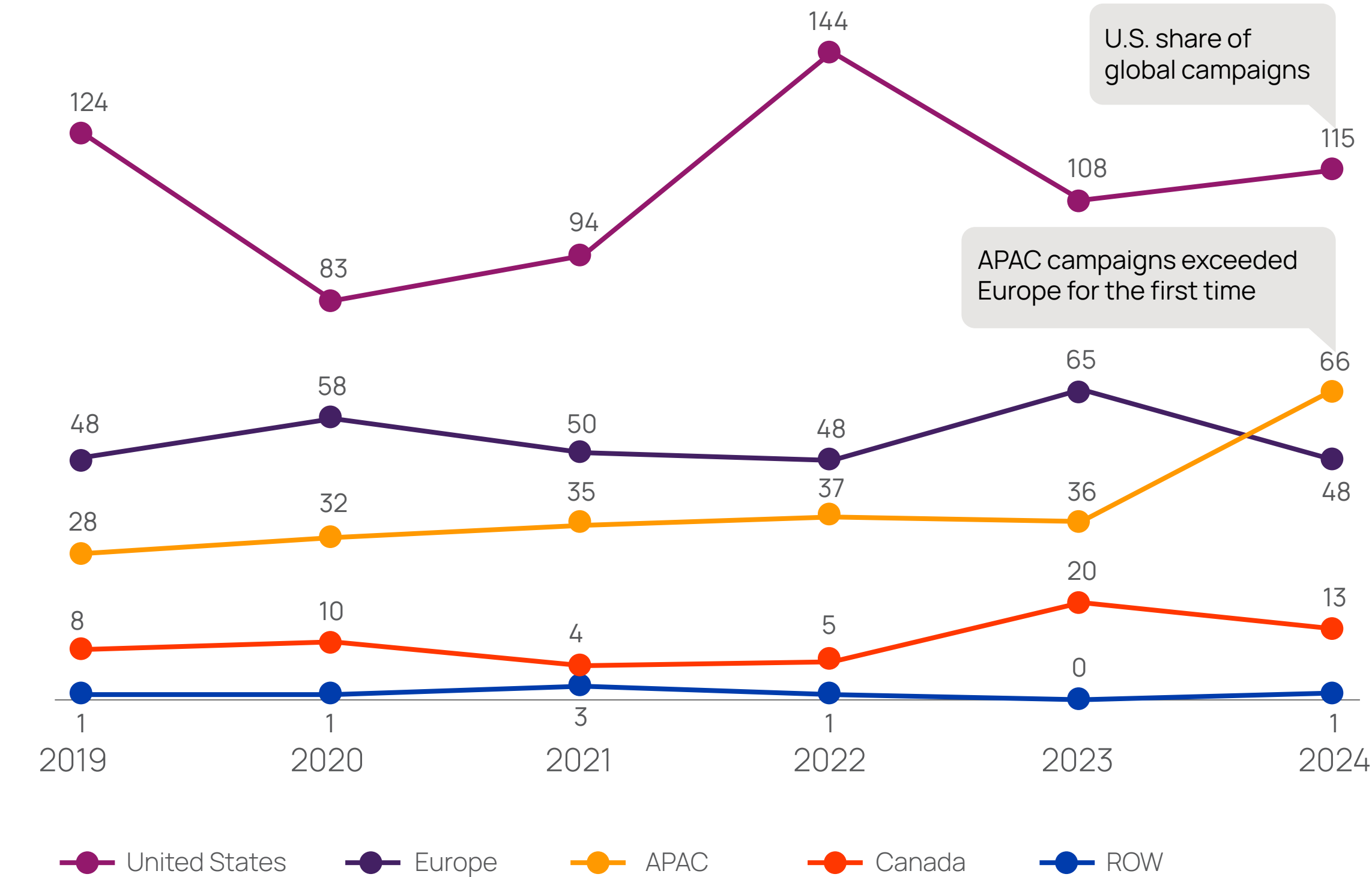
Japan's listed companies again faced increased numbers of activist campaigns in the 2025 AGM season, confirming Japan's status as one of the most heavily targeted equity markets in the world, second only to the US.

The charts to the right and overleaf show that, during calendar year 2024, Japan on its own, with 51 campaigns targeting companies across the TSE (see chart on the next page), comprised the vast majority of APAC regional activism campaigns (51 out of 66), and actually exceeded the whole of the European/ UK market, jumping to second place in the global activism rankings by number. This trend persisted into 2025, with 52 TSE issuers reported as having received activist shareholder proposals for the peak AGM period of June 2025 alone.¹

These broad market trends were strongly echoed in the Nikkei 225, the specific cohort of large capitalisation Japanese companies covered by this report. Among these large issuers, the number of companies targeted by activists leapt 66.7% to 25 in the 2025 AGM season, up from 15 in 2024, with the number of proposals also sharply increasing to 110, up 52.8% from 72 in 2024.

¹ Source: Reuters article 20 June 2025 citing MUFG data - Japan firms face record activist shareholder proposals, raising reform pressure | Reuters

Annual campaign activity by region, 2019-2024
Taken from Barclays 2024 Review of Shareholder Activism



In Section 3 of this report, we break down the details of these activism campaigns across the Nikkei 225, and provide three case studies that illustrate some of the more prominent themes and strategies employed by activists and the results they achieved.

With Japanese government moves to improve company disclosure and corporate governance practices showing no sign of slowing down, the pressure exerted by activists on Japanese companies is likely to continue in the future.

Looking ahead, Georgeson's new [Global Activism research series](#), first published in early 2025 for the 2024 calendar year, will continue to highlight these trends annually on a comparative basis relative to other major global regions.

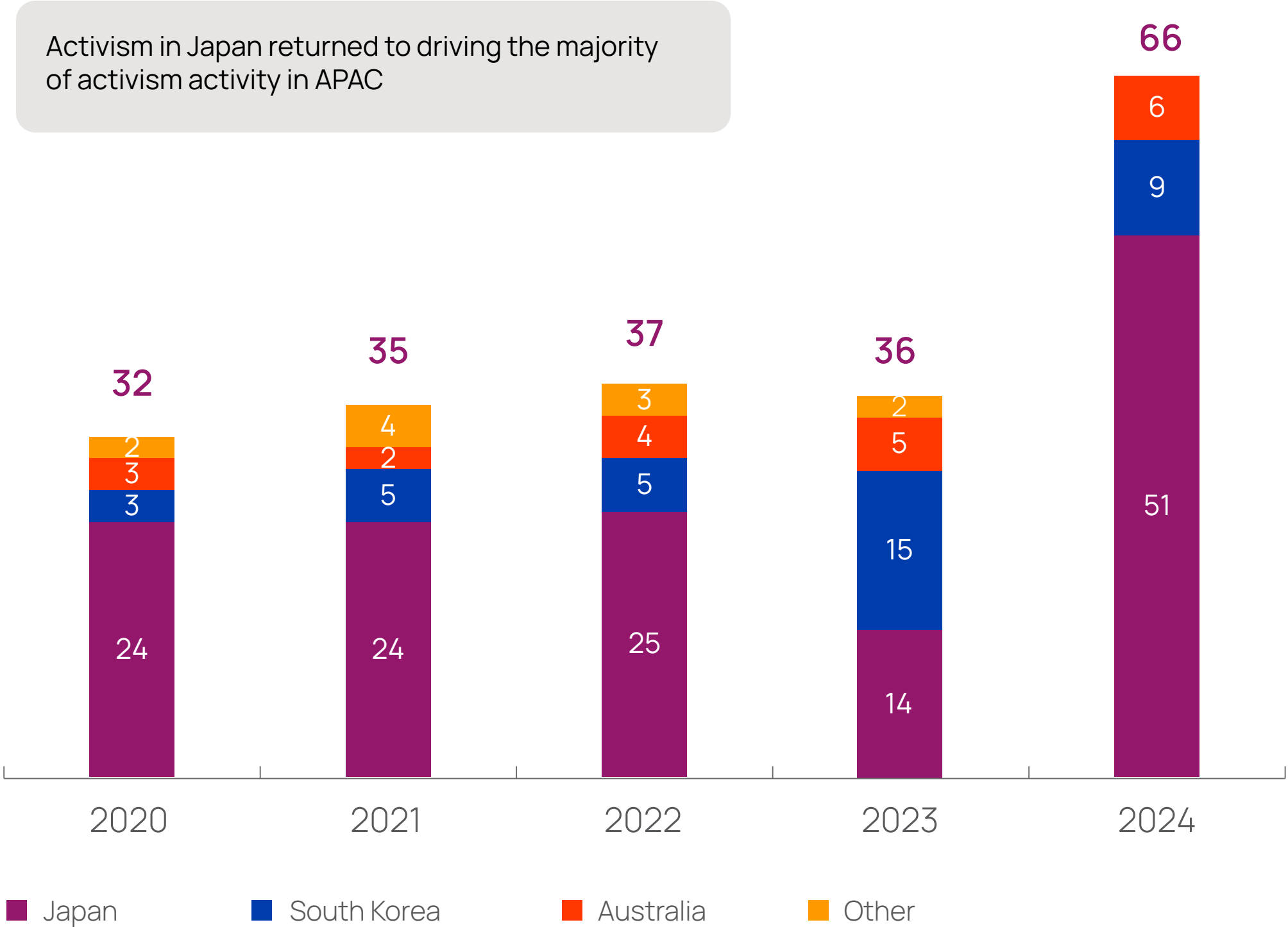
AGM concentration and contested resolutions

Concentration of Japanese AGMs in June continued in 2025, with 80.9% of AGMs taking place during June, down fractionally from the 81.8% in 2024.

Contested resolutions continue to be a significant issue for Japanese companies. The number of companies experiencing contested resolutions (those with 10% or more votes lodged against) has been above 50% of the Nikkei 225 for four years now, and continues to increase, reaching 53.8% in 2025. Of director elections, 10.7% were contested in 2025, down slightly from 2024, as were 12.4% of compensation resolutions, an increase over last year. We believe these figures reflect continued investor concern about cross-shareholdings and tightened voting policies by the proxy advisors on diversity, director independence and other governance issues. The highest votes against company-sponsored resolutions were 39.0% for director elections and 44.2% for remuneration, both up from 2024, suggesting that it may be only a matter of time before a vote against a company-sponsored resolution reaches 50% and one or more resolutions fail to pass.

APAC Campaign Distribution

Taken from Barclays 2024 Review of Shareholder Activism



Proxy advisor influence

Both global proxy advisors, ISS and Glass Lewis, continued to tighten their voting policies for Japanese companies in 2025, with ISS releasing new director independence requirements and Glass Lewis including stricter board gender diversity and strategic shareholding requirements in its guidelines.

ISS made an Against recommendation on Board-sponsored resolutions at 74 companies (32.9%) of the Nikkei 225), down from 78 and 34.7% respectively in 2024, and on 129 resolutions (4.6%), slightly down on 136 (4.9%) last year.. Glass Lewis made an Against recommendation at 85 companies (37.8%), down from 96 and 42.7% respectively in 2024, and at 105 Board-sponsored resolutions (3.8%), noticeably down from 136 (4.9%) last year.

Shareholder Proposals

None of the shareholder resolutions submitted in 2025 among Nikkei 225 companies was passed by a majority; however the one with the highest level of investor support received 40.0% of votes cast, up from 35.2% in 2024. Again, with the trend being up, it seems increasingly likely that in the near future one of these votes will achieve a 50% vote and pass. The significant votes in favour of some of these resolutions show clearly that activist investors are becoming more skilled at communicating resonant key messages and mobilising support from other investors.

Governance and regulatory changes

Following on from the significant reforms introduced in 2024, Japanese policymakers further advanced their corporate governance reform agenda during 2025 with a series of new measures including;

- 1. Further guidance from the TSE on Implementing Management that is Conscious of Cost of Capital and Stock Price, particularly regarding the protection of minority shareholder interests
- 2. A revised version of the Stewardship Code
- 3. Moves by regulators and lawmakers to enable the take up of online shareholder meetings
- 4. TSE measures to pressure companies to continue to improve their English language disclosures and the rates of simultaneous release in Japanese and English
- 5. The SSBJ (Sustainability Standards Board of Japan) finalising IFRS-conforming mandatory sustainability disclosure requirements
- 6. The status of a number of key initiatives introduced in recent years.

These measures are summarised in more detail in the Corporate Governance developments section of this report.



Cas Sydorowitz
Global CEO
Georgeson



Highlights



Proxy advisor ISS recommended against **129** board resolutions (4.6%), down **5.1%** from 136 (4.9%) in 2024. Glass Lewis's **105** recommendations against board resolutions (3.8%), by comparison, were down by **22.8%** from the 136 (4.9%) in 2024. The significant numbers of 'against' recommendations in 2025 reflect continuing tight application by both advisors of their AGM voting policies to Japanese companies.

120 companies (53.3%) had one or more resolutions contested (voted against by 10% or more) during the 2025 AGM season.	In total, 397 resolutions were contested out of 2,889 submitted (13.7%).	The 287 board-sponsored resolutions that were contested (10.3%) were fractionally fewer than the 305 (10.9%) in 2024.	244 director elections were contested (10.7%), a 0.8% percentage point decrease from 2024.
Across the Nikkei 225, all board-sponsored resolutions passed in 2025, with only 26 receiving less than 70% support (down from 38 in 2024) and 1 less than 60%. 121 companies (53.8%) had one or more resolutions contested (voted against by 10% or more) during the 2025 AGM season.	Of 110 shareholder proposal submissions, none passed, 1 received 40% support, 10 received from 20%-29.99%, 24 received 10%-19.99% and 75 received 0-9.99%.	Compensation again featured strongly as an issue, with the proportion of compensation resolutions that were contested increasing to 12.4% in 2025 from 10.9% in 2024.	The number of shareholder proposals receiving over 10% voting support was 35 (31.8%) , a significant increase over the 24 in 2024.
Proxy advisors continue to have a significant influence on voting totals, most clearly seen in the correlation of negative advisor recommendations and lower votes in support of key resolutions.	Of the 287 board-sponsored resolutions that were contested, 146 (50.9%) had received at least one negative proxy advisor recommendation, up from 49.2% in 2024. This is significantly higher than the 7.4% of negative proxy advisor recommendations seen across all Board-sponsored resolutions.	Of the 35 shareholder proposals achieving a vote of 10% or more, 20 (57.1%) received at least one positive proxy advisor recommendation.	ISS recommended against 223 resolutions of all kinds in 2025, an increase of 15.5% .
			Glass Lewis recommended against 204 resolutions of all kinds, an increase of 2.0% .



Voting in Japan

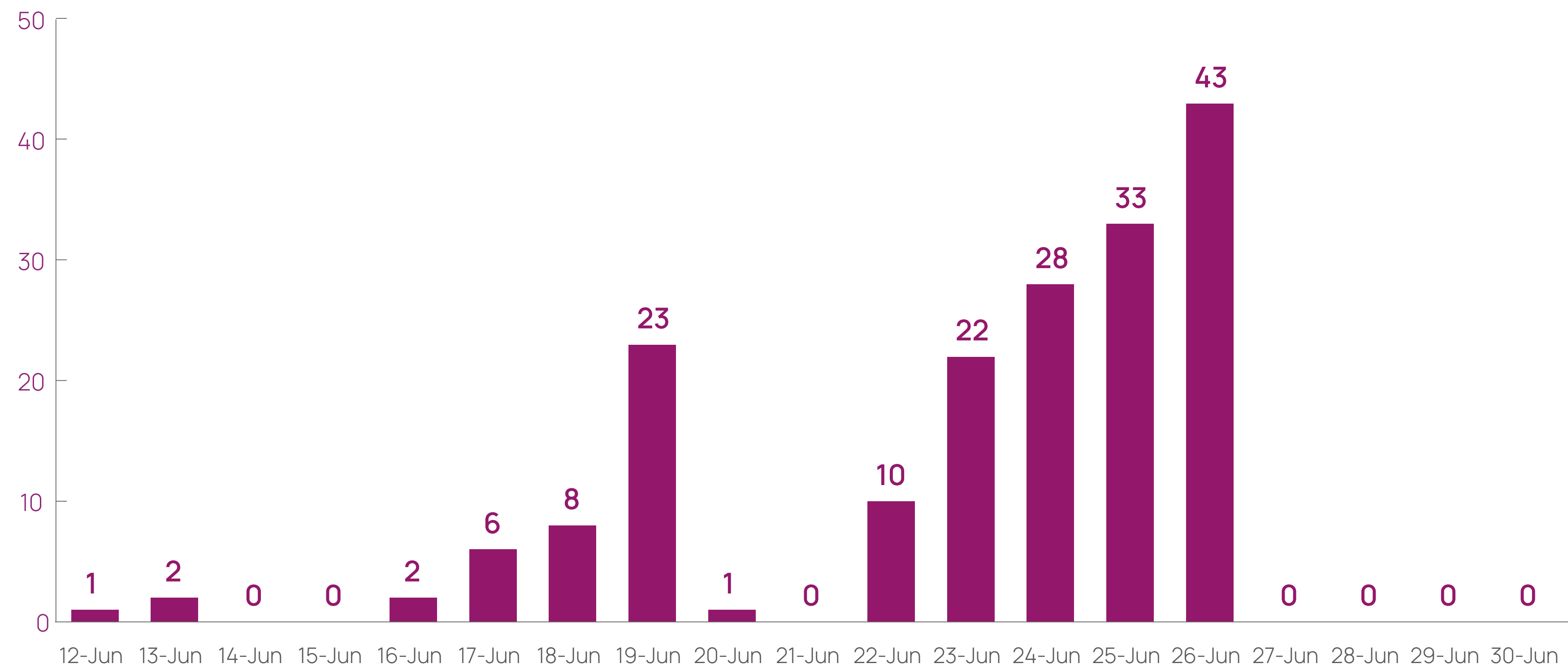
Overview

Our analysis covers the resolutions submitted for shareholder approval by Nikkei 225 companies at AGMs held between 1 July 2024 and 30 June 2025.

A key feature of the Japanese AGM season is that most companies hold their AGMs in a concentrated period at the end of June. In 2025, **182** Nikkei 225 companies (**80.9%**) held their AGMs in June, down from 184 (81.8%) in 2024. **138** companies (**61.3%**) held them in the last week of June (2024: 124 or 55.1%).

Note: We have excluded the **44** companies with AGMs on dates prior to June for simplicity and clarity.

Number of Nikkei 225 companies holding their meetings during June 2025



Contested resolutions

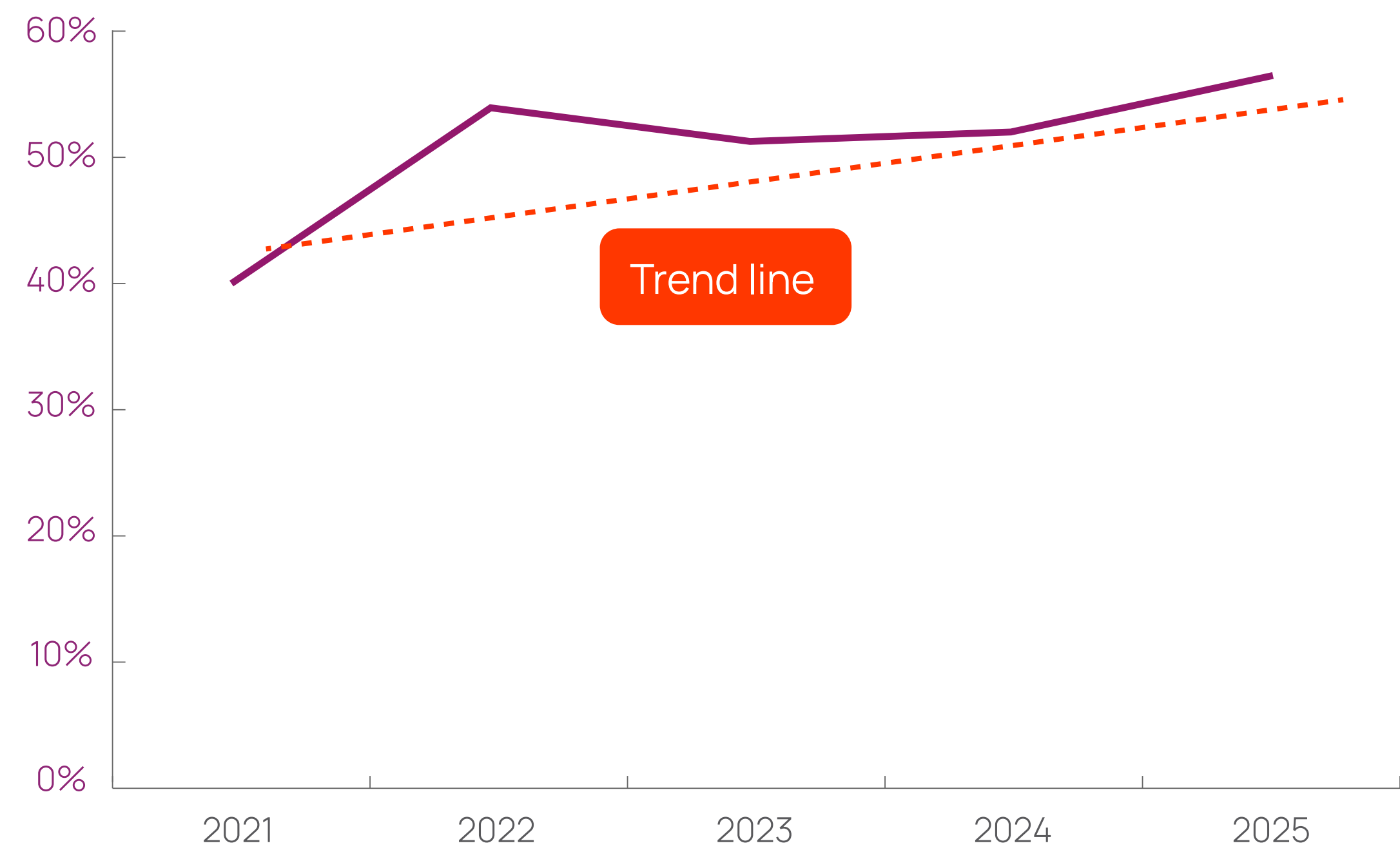
A contested vote is one which receives 10% or more votes in opposition from shareholders. The chart clearly shows that the proportion of companies experiencing contested resolutions at the annual meeting of shareholders has been trending upwards for several years and is now over 50% of Nikkei 225 companies.

Of the 225 companies in the Nikkei 225, **120 (53.3%)** experienced a contested vote on one or more resolutions. Of all **2,889** resolutions submitted for voting, 397 (**13.7%**) were contested.

- 287** Board-sponsored resolutions were contested (**10.3%**), slightly fewer than the 305 (12%) in 2024. There were **110** shareholder resolutions, of which:
- › zero passed,
 - › 1 received 40% support,
 - › 10 received 20%-29.99% support,
 - › 24 received 10%-19.99% support and
 - › 75 received less than 10% support.
 - › Of the 225 companies in the Nikkei 225, the most commonly seen resolutions were those regarding
 - › director elections (**225** companies),
 - › allocation of income (**148** companies),
 - › the election of statutory auditors (**80** companies),
 - › compensation (**73** companies, up from 64 in 2024), and
 - › article amendments (**48** companies, up from 39 in 2024).

The category with the most contested resolutions was the election of directors (**244** resolutions, down from 262 in 2024), with the second most contested category being the election of statutory auditors, which saw **21** contested resolutions.

Proportion of companies experiencing contested votes 2021-2025



Director elections

Out of **2,290** Director elections, **244** were contested (**10.7%**), a **0.8** percentage point reduction from 2024, when 11.5% were contested. In total, director elections account for **85.0%** of the **287** contested board resolutions seen in the Nikkei 225 in 2025, similar to the 85.9% in 2024 but down from the 91.9% in 2023. The figures in 2025 continue the slow downward trend observed in recent years in the proportion of director elections that are contested.

In Japan, cross-shareholdings were historically seen as a way companies could maintain close business relationships but in recent years there has been mounting pressure to stop using them as many investors believe they show poor corporate governance. The reduced number of contested director elections in 2025 may signify that more companies have heeded the message about cross-shareholdings compared to 2022, when contested director elections spiked.

The global proxy advisors have tightened their voting policies for Japan in recent years with regard to director accountability for issues such as diversity, director independence and strategic shareholdings. See page 12 for information on the latest policy changes from ISS and Glass Lewis.

The five Nikkei 225 companies with the lowest level of support on director elections in 2025 were:

- Sharp Corporation (Po-Hsuan WU – **61.0%** support)
- Ricoh Co., Ltd (Yoshinori Yamashita – **61.4%** support)
- KDDI Corp. (Goro Yamaguchi – **61.9%** support)
- Fast Retailing Co., Ltd. (Masaaki Shintaku – **62.1%** support, and Nobumichi Hattori – **62.2%** support)
- Sumitomo Heavy Industries, Ltd. (Shinji Shimomura – **62.3%** support).

We note that ISS recommended a vote for all of these directors except Yoshinori Yamashita and Shinji Shimomura. Glass Lewis recommended votes for all except Goro Yamaguchi. This suggests that a significant number of investors' voting policies are stricter than those of the proxy advisors.

Director remuneration

Japanese companies are required to put forward a binding resolution detailing the maximum allowed remuneration for directors at the company. Once approved by shareholders, the remuneration for individual directors, both executive and external, is determined by the board.

Of the **129** director compensation resolutions put forward by Nikkei 225 companies during the 2025 AGM season, **16** were contested (**12.4%**), a slight increase from 2024 (10.9%) and a significant increase over 2023 when just 1.4% of remuneration resolutions received 10% or more opposition.

Three of these resolutions (Softbank, Takeda and Rakuten) received against recommendations from ISS and **one** (Softbank) received an against recommendation from Glass Lewis.

The increasing focus on remuneration-related proposals echoes trends in other markets for which Georgeson publishes annual AGM reviews and reflects the increasingly global voting policy approach of key institutional investors and proxy advisors.

The five Nikkei 225 companies with the lowest levels of support on remuneration resolutions in 2025 (excluding one shareholder proposal) were:

- Softbank Group Corp. (**55.8%** support)
- Mitsui Mining and Smelting Co., Ltd. (became Mitsui Kinzoku Company, Ltd on October 1, 2025) (**66.3%** and **77.9%** support on two resolutions)
- Takeda Pharmaceutical Co., Ltd. (**67.4%** support)
- Rakuten Group, Inc. (**74.4%** support)
- Advantest Corp. (**77.9%** support).



Proxy advisors

Most institutional investors based outside Japan rely on proxy advisory firms for meeting agenda analysis and vote recommendations to inform their voting decisions. A negative recommendation from a proxy advisor can have an adverse impact on the voting outcome of a given resolution.

Proxy advisory firms establish governance policies covering listed companies based both on local regulations and their own experience of investor expectations across multiple jurisdictions and assess how well each resolution at a company shareholder meeting (AGM or EGM) satisfies their policy. Based on their assessment they make recommendations to their clients, mainly asset owners, hedge funds and asset managers, on how to vote their shares on each resolution, with a rationale as to why.

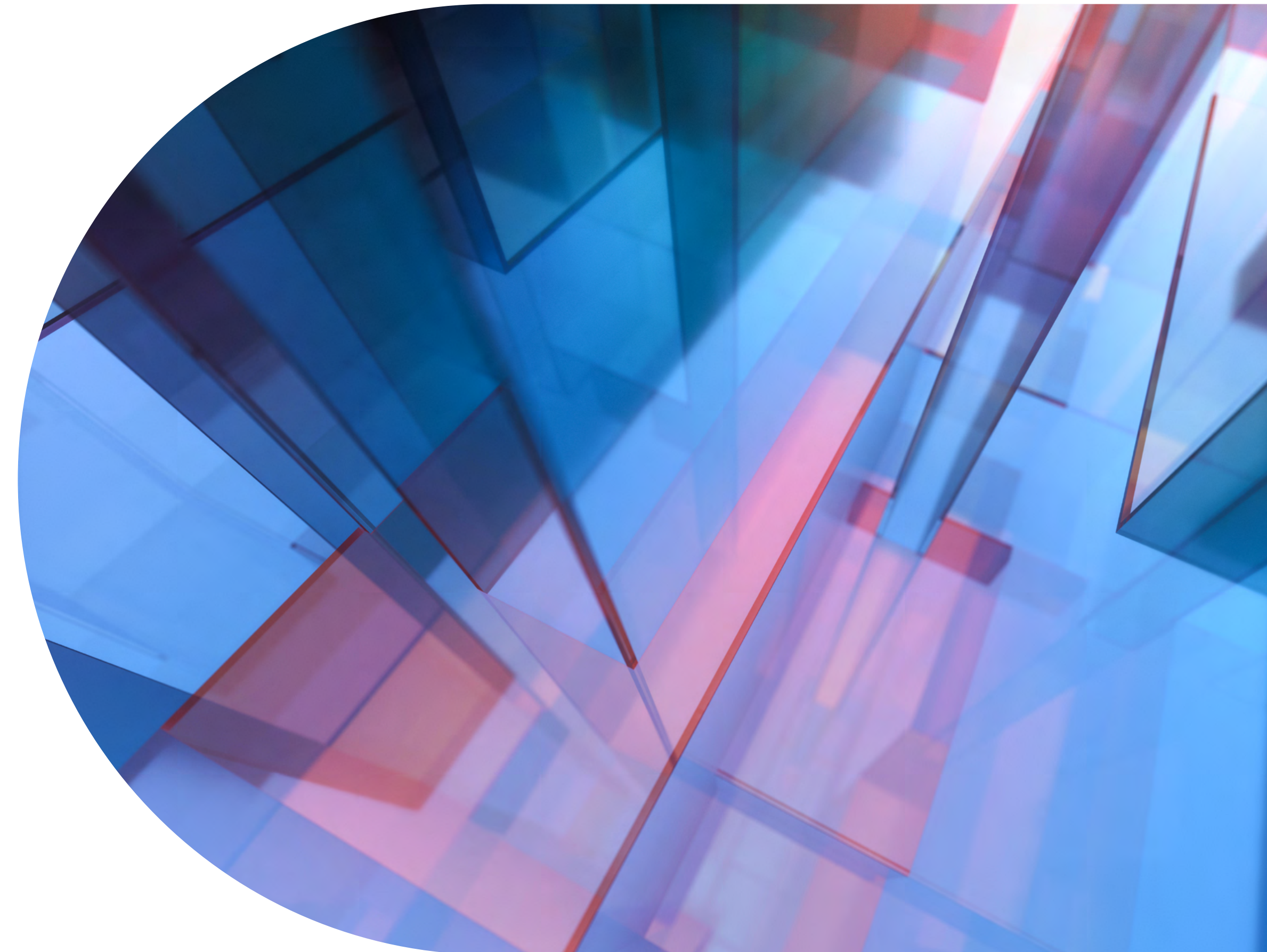
Conversely, Japanese institutional investors mostly develop their own proxy guidelines to help them vote at meetings. Under pressure to comply with the Stewardship Code and corporate laws, they vote in line with their guidelines, including on shareholder proposals. There are a few exceptions – for example where the investor has a conflict of interest – in which they will follow third party advisors like ISS or Glass Lewis.

ISS

Institutional Shareholder Services is a leading provider of corporate governance and responsible investment solutions, market intelligence, fund services, events and editorial content to help institutional investors and corporations globally build for long-term, sustainable growth, with high-quality data, analytics and insight.

Glass Lewis

Glass Lewis provides governance solutions to enable institutional investors and publicly listed companies to make informed decisions based on research and data. It covers 30,000+ meetings each year in 100 global markets, providing in-depth analysis of companies and relying solely on publicly available information to inform its policies, research, and voting recommendations.

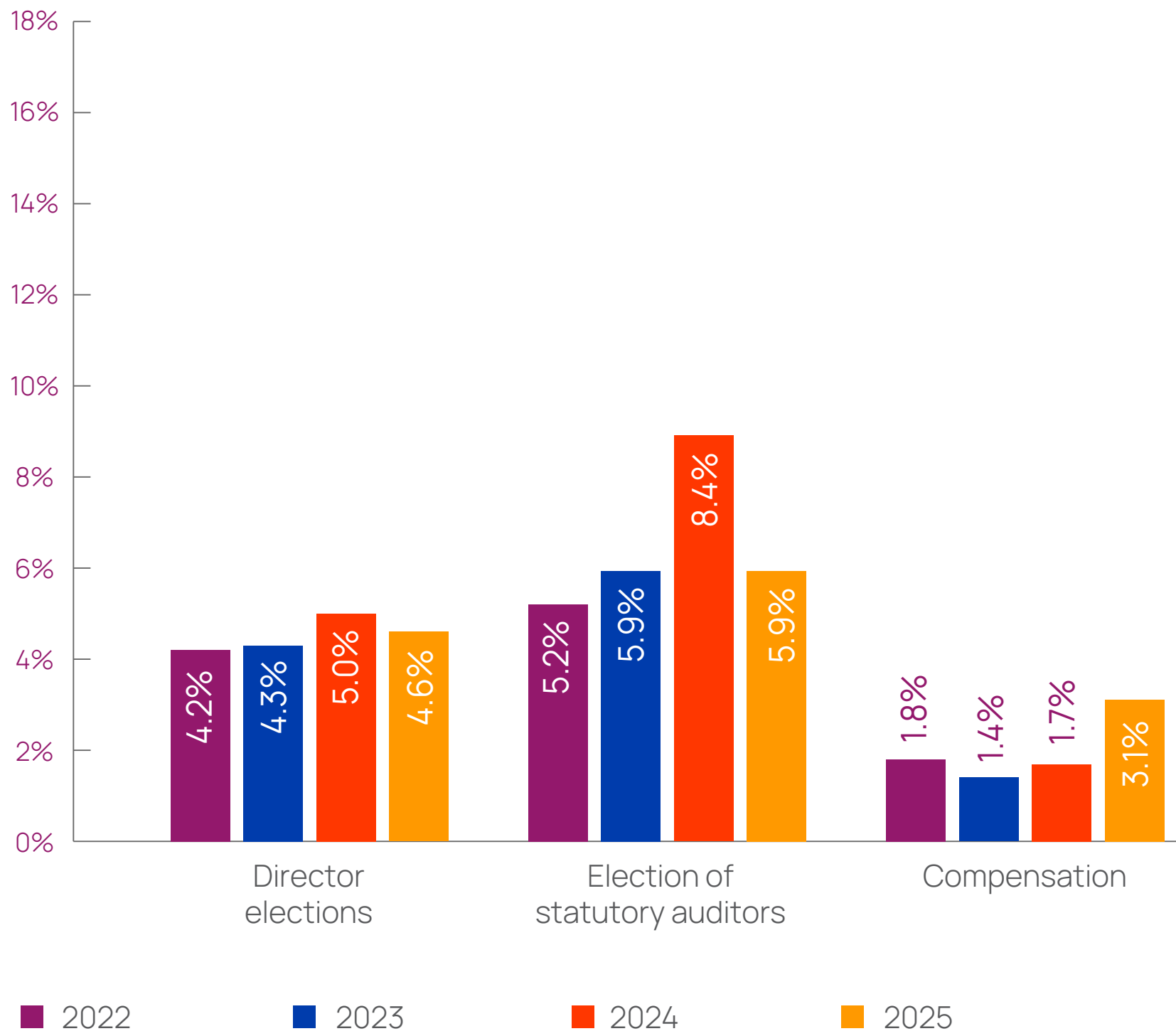


Comparing ISS and Glass Lewis recommendations

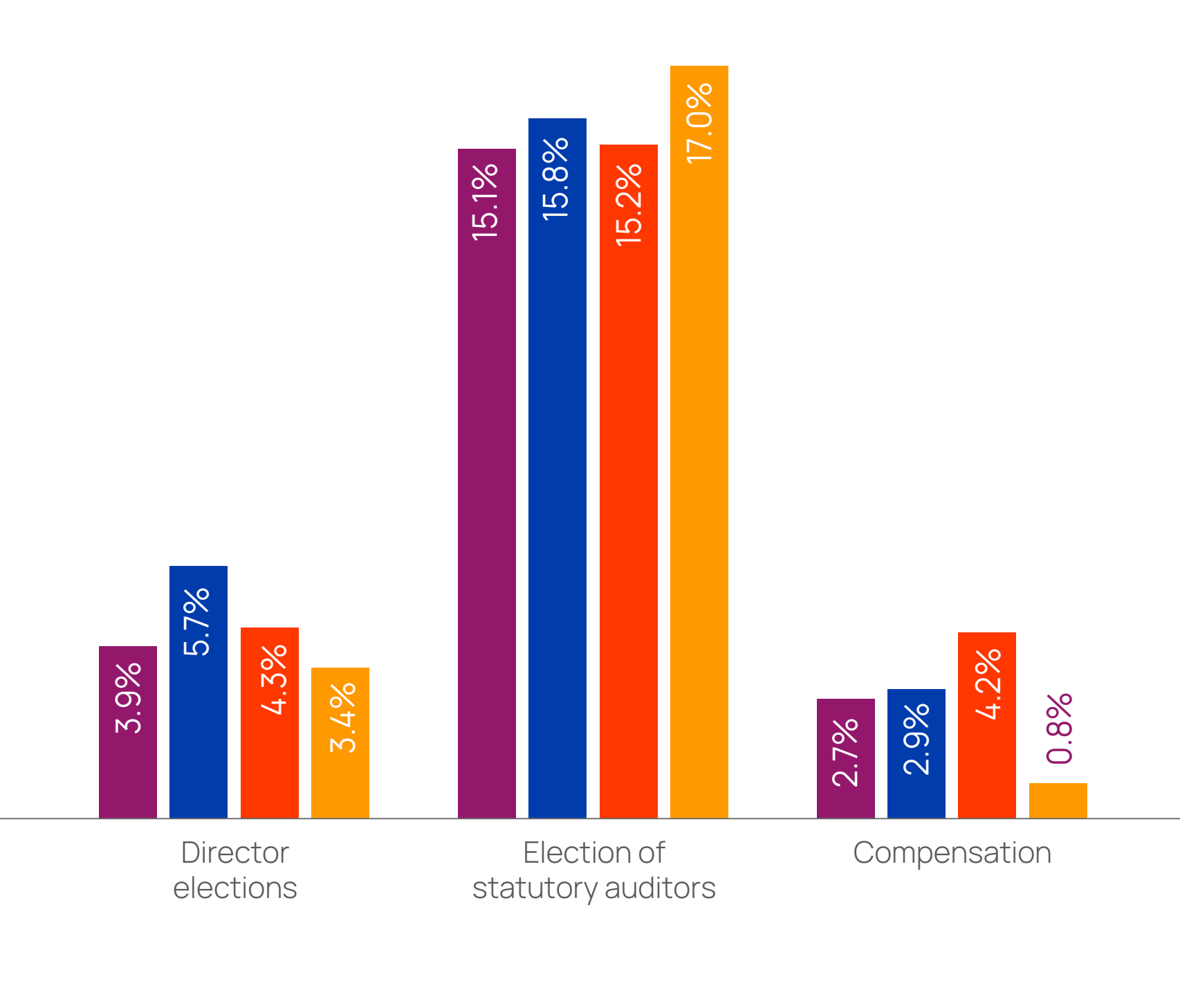
Of the three most common resolution types, ISS and Glass Lewis have recommended consistently similarly on two types but markedly differently on one, as seen in the chart on the next page showing the last four years:

- > **Director elections:** Both proxy advisors oppose roughly the same proportion of these resolutions year on year, with ISS opposing 4%-5% of resolutions versus 3%-5% for Glass Lewis.
- > **Election of statutory auditors:** Glass Lewis opposed 15%-16% of auditor elections, more than twice as many as ISS's 5%-6% (with an outlier of 8% in 2024).
- > **Compensation:** Both proxy advisors oppose around the same proportion of resolutions year on year, with ISS opposing 1%-3% versus 1%-5% for Glass Lewis.

ISS recommendations against board-sponsored resolutions



GL recommendations against board-sponsored resolutions



Japanese proxy advisors

In the past the Japanese market included a number of niche Japanese proxy advisors, but they now have little presence. By far the most-used proxy advisors in Japan – by both overseas and, on occasion, Japanese investors, as above – are ISS and Glass Lewis.

ISS

Between 1 July 2024 and 30 June 2025, ISS made at least one against recommendation on Board-sponsored resolutions at **74** companies (**32.9%** of the Nikkei 225), a small reduction from 78 (34.7%) in 2024. The number of individual resolutions on which these against recommendations were made across those 74 companies was **129** (excluding shareholder resolutions), slightly down on the total of **136** in 2024.

For shareholder resolutions, ISS recommended voting for **16** resolutions (**14.5%**) during 2025, from **15** (**20.8%**) last year.

ISS policy changes 2025: One major policy change was announced by ISS for Japan in 2025 – a new director independence criterion, under which any individual who has served on the board for 12 years or more will not be considered independent. This change will not be implemented until February 2026 to give companies wishing to conform to the requirement time to recruit suitable candidates.

Glass Lewis

Between 1 July 2024 and 30 June 2025, Glass Lewis made at least one against recommendation at **85** companies (**37.8%**) in the Nikkei 225, down from the **96** (42.7%) in 2024, and on **105** Board-sponsored resolutions (down from 136 last year).

With regard to shareholder resolutions, Glass Lewis recommended voting for **11** resolutions (**10.0%**) during 2025, from **8** (**11.1%**) last year.

Glass Lewis policy changes 2025: Glass Lewis revised its Japanese policy guidelines for the 2025 proxy season, to include stricter board gender diversity requirements and address strategic shareholding practices. Specifically:

- › Glass Lewis will no longer exempt companies outside the Prime Market from diversity requirements, and Prime Market companies must have at least 20% gender-diverse directors. From 2026, all companies outside the Prime market must have at least one gender diverse member on the board of directors regardless of board structure.

- › With regard to strategic shareholdings:
 - › Where companies use strategic shareholdings of 20% or more of their net assets, Glass Lewis will recommend a vote against directors EXCEPT where the company has disclosed a clear plan and timeframe for reducing its strategic shareholdings to 20% or less by the end of the 2030 fiscal year; and
 - › Where companies have holdings of between 10% and 20% of net assets, Glass Lewis may recommend shareholders vote against directors for this issue EXCEPT
 - › where the company has disclosed a clear plan and timescale for further reducing its strategic shareholdings, or
 - › When the company has posted an average return on equity (ROE) of 8% or more over the past five fiscal years, or 8% or more in the most recent fiscal year.
- › There were also updates to the policy on board refreshment and composition, and to the need for companies to maintain adequate artificial intelligence (AI)-related risk oversight.

Correction: In our 2024 Japan AGM Season Review, we incorrectly reported that ISS and Glass Lewis had significantly increased their recommendations against management proposals – by 66% and 17%, respectively, compared to 2023. These figures mistakenly included both company and shareholder resolutions, overstating the actual proportion. The correct figures are: ISS recommended against 18.1% more management proposals than 2023, while Glass Lewis recommended against 18.7% fewer. We apologise for any confusion this may have caused readers.



Shareholder proposals

Activism trends across the wider Japanese share market

Japanese companies receive and vote on the second-highest number of shareholder proposals globally, after the US, and have done so since at least 2020.

The number of Nikkei 225 companies that faced shareholder proposals at 2025 shareholders' meetings was **25** (up **66.7%** since 2024), with a total of **110** proposals (up **52.8%**), marking a record high.

Across the whole Japanese listed market, 113 companies (up 24.2% since 2024) faced 398 shareholder proposals (up 18.4% compared to 2024), according to a survey by Mitsubishi UFJ Trust and Banking.

While the number of proponents of shareholder resolutions decreased, the number of listed companies across the TSE receiving proposals increased to a record high, largely due to an increase in the number of companies targeted by **Dalton Group** (from 9 to **16** in 2025). New companies submitting proposals included **Ascender Capital** and **Farallon Capital Management**.

Key trends across all meetings:

- › There was a significant increase in shareholder proposals related to corporate governance, such as the dismissal and appointment of directors and the composition of the board of directors
- › The number of proposals related to environmental concerns was the same as last year
- › Proposals related to cross-shareholdings and to appropriation of the surplus (for payment of dividends, to cover losses and to transfer to reserves) decreased
- › Proposals related to capital efficiency, such as the acquisition of treasury stock, increased
- › Many shareholder proposals were submitted questioning the governance of parent companies and their subsidiaries and affiliated listed companies

Policymakers appear to be using activism as a lever to accelerate Corporate Governance and market reform

The relatively low threshold and binding nature of shareholder resolutions in Japan gives a wide opportunity for activism compared with some other jurisdictions. In addition, there are significant numbers of companies with wide variations between their net assets per share and share price, which creates significant opportunities for activist investors to demand improvements.

Regulators' governance reforms aimed at improving capital efficiency and business portfolio review are consistent with the stewardship policies of mainstream investors.

We provide some case studies of activist campaigns that we observed during the 2025 AGM season on the next few pages.

Activist campaigns during 2025

During the 2025 AGM season, **25** Nikkei 225 companies faced a total of **110** shareholder resolutions, significantly higher than in the last three years: 72 resolutions across the Nikkei in 2024, 81 in 2023 and 63 in 2022.

Of the **110** shareholder resolutions in 2025:

- > **54** resolutions at **22** companies were in relation to governance, director, compensation or capital issues
- > **25** resolutions at **ten** companies were regarding environmental issues including climate change, nuclear power and governance related to environmental issues.
- > **11** resolutions at **nine** companies were in relation to disclosure issues
- > **five** resolutions at **three** companies were in relation to voting and meeting issues
- > **10** resolutions at **seven** companies were in relation to business, staff, product, subsidiary (etc) issues
- > **five** resolutions were voted on at **two** companies regarding human capital and corporate social responsibility

Shareholder proposal voting outcomes

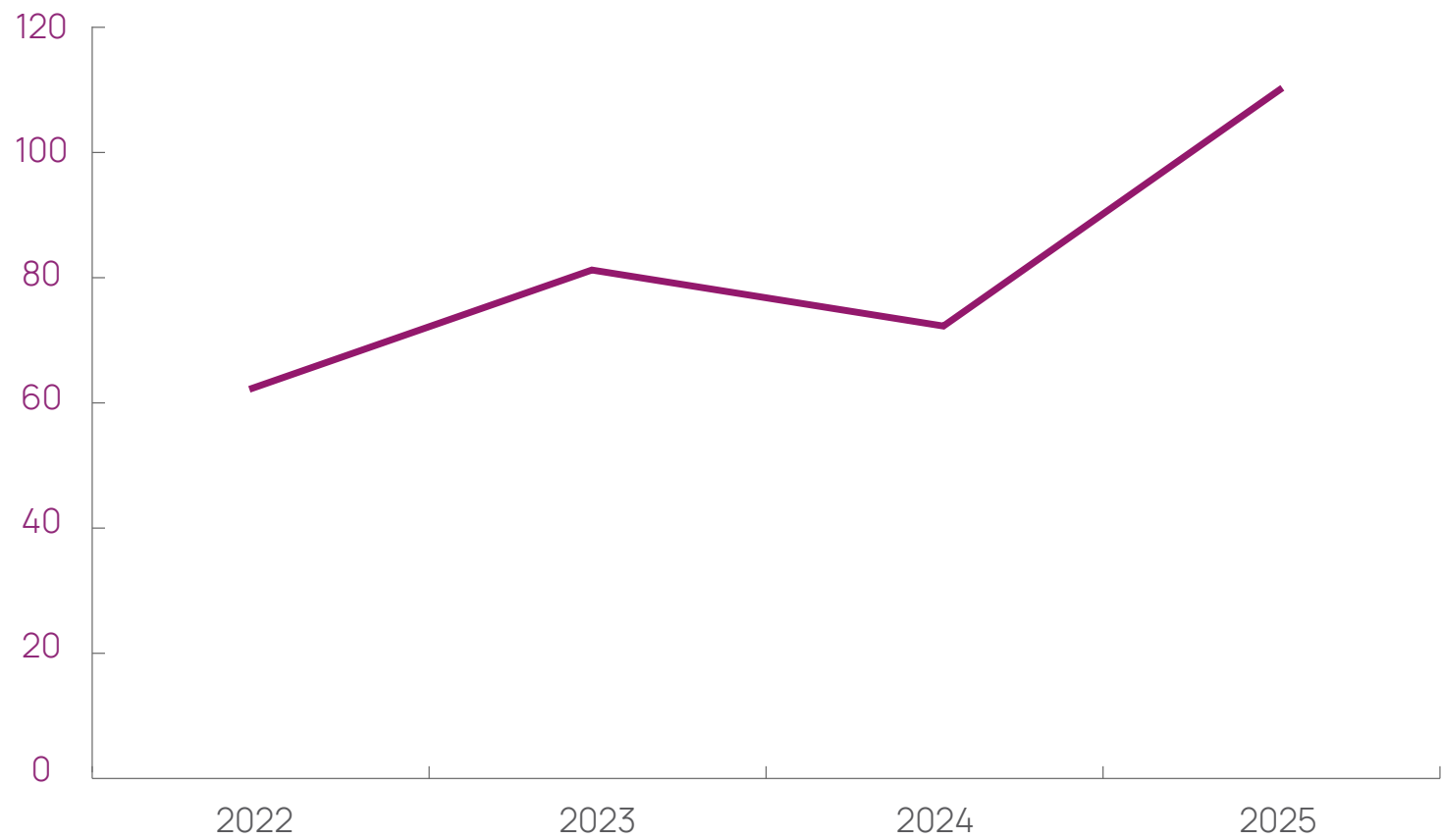
Votes for shareholder resolutions ranged from less than 1.0% to 40.0% of votes cast, with resolutions supported by positive proxy advisor recommendations generally gaining more support.

None of the **110** shareholder resolutions were passed. **35** resolutions (**31.8%**) at **15** companies received supportive votes of 10% or more of votes cast. This is a similar proportion to the 24 resolutions (33.3%) in 2024, but below the 41 in 2023.

The five shareholder proposals that gained the highest voting support in 2025 were as follows:

- > Mitsui Mining and Smelting Co., Ltd. (became Mitsui Kinzoku Company, Ltd on October 1, 2025) (Increase in Dividend/Redistribution of Profits – **40.0%** voted For)
- > Sompo Holdings, Inc. (Independent Board Chairman/Separation of Chair and CEO – **29.9%**)
- > Sapporo Holdings Ltd. (Election of Dissident Board Member – **29.5%**)
- > Sapporo Holdings Ltd. (Election of Dissident Board Member – **29.4%**)
- > Kao Corp. (Election of Dissident Directors/Opposition to Restricted Share Plan for Outside Directors – **29.2%**)

Shareholder resolutions across the Nikkei 225



Case studies

Some recent shareholder campaigns we have seen during 2025 focused on governance and financial issues include the following.

1. Case study: Taiyo Holdings Co. Ltd. (4626.T) vs Oasis Management Company Ltd (Oasis)

(Although this company is a Prime market participant, NOT in the Nikkei, its situation is so rare and unusual that we considered it important to include it as a case study.)

Taiyo Holdings' chief executive officer Eiji Sato was forced to step down at the AGM in June due to the market perceptions of poor performance of the company under his management. Sato was punished for diversifying into pharmaceuticals, which had poorer margins than its core business, primarily chemicals manufacturing for the electronics industry, dismissing privatisation proposals from private equity funds and because, in his 14th year at Taiyo, he was deemed to be overpaid.

This was at a time when the company was making steady free cash flow, had an average ROE well over 10% and had outperformed TOPIX. Nevertheless, the shareholders felt that corporate governance was lacking. Some commentary suggested that a majority of shareholders had said, via their votes, that they did not think the outside directors had been doing their job.

Major investors, including largest shareholder DIC Corp. (4631.T), the Kawahara founding family and Oasis Management, were among those who voted against Sato.

Another point was raised in media commentary: that the pool of available talent from which the next CEO can be drawn is only two current directors, both of whom served under former CEO Sato. This is because Japanese law requires CEOs to be nominated from elected directors, not from externally as in many western jurisdictions. The only way an outsider could be appointed would be for the company to hold an EGM to elect them as a director and then appoint them CEO. Clearly the significant delay this would entail is a long way from satisfactory for shareholders and the board.

2. Case study: Kao Corporation (4452.T) vs Oasis

Oasis, a significant holder of Kao Corp. shares, met with Kao directors in late 2024 to put forward a number of measures it believed would improve governance, management and company performance.

The claims Oasis made included:

- › Poor brand management, such that Kao's iconic brands like Curel, Molton Brown and others were not realising their significant growth potential due to inadequate marketing and distribution
- › Weaker international market presence than its competitors, suggesting that a more aggressive global expansion strategy was needed
- › Inadequate governance practices, including limited engagement with shareholders and the non-best practice composition of its Nomination Committee

Oasis put forward five director candidates it claimed had the retail and marketing experience to be able to improve Kao's brand management and marketing and set out a plan to address the key issues and under-valuation. It also claimed that Kao had not engaged constructively with Oasis.

Kao pushed back strongly, insisting that it had taken steps to enhance its strategy which were now bearing fruit and pointing to the recent increase in its share price. It rejected all five Oasis candidates, claiming that they lacked necessary credentials and brought nothing new that would add significantly to the effectiveness of the board.

Outcome: At the AGM on 21 March 2025, all five dissident director candidates were rejected by investors, with votes for Oasis's proposals ranging between 11.3% and 29.2%. While Kao successfully fended off Oasis's campaign this year, it remains to be seen whether Oasis will re-emerge with a new campaign strategy or mobilise support in the future.



3. T&D Holdings Inc. (T&D HD, 8795.T) and Farallon Capital Management LLC

Farallon, an American hedge fund, has been a shareholder of leading insurance company T&D Holdings since 2008 and currently owns approximately 4.6% of the voting rights. Over the past two years, Farallon has engaged with T&D HD to drive reforms it believes are needed to realise T&D HD's full potential for the benefit of all stakeholders. It urged the company to sell off cross-shareholdings and improve synergies between its subsidiaries, citing concerns over potential conflicts of interest and lack of transparency in T&D's business practices. Farallon proposed that T&D HD:

- › Significantly reduce its cross-shareholdings
- › Reduce excessive investment risks
- › Improve Taiyo Life's profitability
- › Enhance group governance and business portfolio management
- › Appoint two Farallon-proposed directors with extensive international insurance industry expertise to augment the current Board's skillset

Farallon also claimed that synergies between Taiyo Life Insurance and Daido Life Insurance have not been fully realized. T&D HD had faced setbacks in its efforts to reduce costs by standardising its administrative systems across its subsidiaries since the holding company was established in 2004.

T&D HD rejected all of Farallon's suggestions, stating that its own strategy and revised focus, plus its existing slate of board directors, were more appropriate for the job of improving its performance.

Outcome: In the end, the dispute became a fundamental disagreement about the best way forward for T&D HD's future growth and the creation of value, with the company's management and board resisting what they viewed as potentially disruptive changes from Farallon which did not fit with their vision for the future.

At the AGM, the two Farallon-proposed director candidates received only 12.4% and 17.7% votes in favour, and all of T&D HD's proposals passed with votes of between 86% and 92% in favour.

Climate activism

No Nikkei 225 companies put forward any Board proposals on climate change or other environmental issues during the 2025 AGM season, however shareholders voted on a number of activist shareholder environmental proposals. **Nine** companies faced **12** resolutions relating to environmental (and climate change specific) concerns, of which **five** resolutions at **three** companies received 10% or more shareholder support, in a range between 10.0% and 19.6% of votes cast.

- › **three** companies, all power providers, faced **12** resolutions related to nuclear power production
- › **three** issuers, all financial services companies, faced **three** resolutions related to their customers' climate transition plans
- › **five** companies faced **six** resolutions related to disclosure of assessment for not meeting Paris Agreement target or realisation of a zero carbon society
- › **two** companies faced **three** resolutions related to decarbonisation and renewable energy

Japan is now the second-biggest market in the world for investor activism. In 2025, companies put forward 110 shareholder resolutions, significantly up from the 72 in 2024. Of the 110 resolutions, 25 were environment-related, 5 were social-related and 80 were governance-related (including capital allocation and the election or removal of directors).



Corporate governance developments in 2025

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- 6. Key initiatives – current status

The governance changes outlined in this 2025 Review, as well as in those of previous years, should be seen as a reflection of the government's commitment to enhance the appeal of the Japanese stock market by permitting high-quality issuers to remain listed and encouraging low-quality issuers to exit, attracting investment to Japan and revitalizing the capital market and, thereby, the Japanese economy.

While there are other drivers, such as activist investors seeing opportunities and proxy advisors encouraging practices followed in other jurisdictions, the government's actions to lock in improvements to corporate value, disclosure, market reform and governance, including diversity, are evidence of its determination to improve Japan's desirability as an investment destination for global capital.



1. Council of Experts Concerning the Follow-up of Market Restructuring – update

We reported last year on the latest moves by the TSE to Implement **Management that is Conscious of Cost of Capital and Stock Price** and promote dialogue with investors, as recommended by the Council of Experts. During 2025 the TSE has initiated the following actions, with expected timing as indicated:

- › Reviewed progress to date with institutional investors (Spring-Summer 2025)
- › Is encouraging companies to resolve any issues as they move forward with initiatives
- › Will add elements of the review process and disclosure content to the good case studies and provide materials to encourage companies to utilise. Continuously update the existing good/gap case studies (summer to fall 2025)
- › Promote ongoing communication with institutional investors, for example, determine to what extent the contact wish list is utilised, set up opportunities for dialogue, deepen understanding, etc
- › Continue to conduct educational programs (such as seminars) for management

Parent-Subsidiary Listings

Encourage disclosure on group management and protection of minority shareholders

- › Follow-up on the status of disclosure, taking into account 'The Investor's Perspective on Such Matters as Parent-Subsidiary Listings' (Fall 2025)

Publication of key points and case studies on disclosure (Winter 2025)

- › The TSE will continue to consider the development of listing rules necessary to protect minority shareholders (such as ensuring the independence of outside directors of listed subsidiaries)
- › TSE announced in October 2024 that, for listed companies with parent-subsidiary relationships or equity method relationships, it is considering revising its 'Approach to Parent-Subsidiary Listings and Future Policy' to encourage voluntary efforts to review group management and minority shareholder protection and to enhance disclosure to shareholders and investors

- › In February 2025, in response to perceptions of a gap between the initiatives and disclosures of listed companies and the perspectives of investors, JSS, co-contributor to this report, compiled and published a report titled 'Investor Perspectives on Parent-Subsidiary Listings'
- › Further enhancement of the functions of the Special Committee and improvement of information disclosure are necessary to ensure minority shareholders are fully informed when making investment decisions. The TSE will present a draft revision of the Code of Corporate Conduct based on practical discussions with market participants (date currently unknown)

Issues amid the increasing number of MBOs and Subsidiary Conversions by controlling shareholders

Going private

- › From the perspective of protecting minority shareholders, encourage further demonstration of the functions of special committees and enhancement of necessary information disclosure
- › Revision of the Code of Corporate Conduct (implementation in summer 2025)



2. Stewardship Code

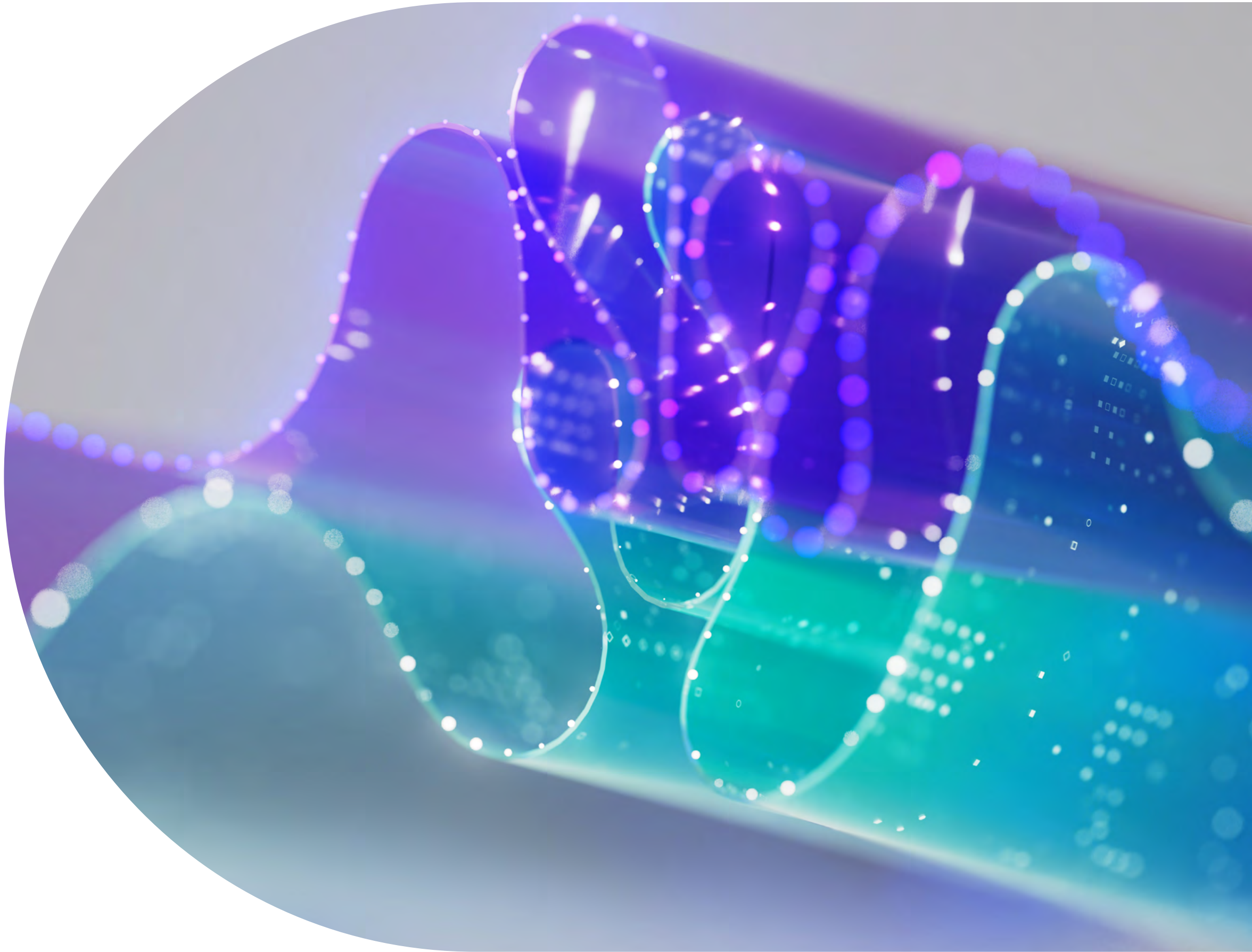
The FSA published a revised version of Japan's Stewardship Code in June 2025. The main purpose of the revision is to further promote collaborative engagement between issuers and investors and to clarify the status of shareholding to investee companies participating in such engagement. Key requirements include:

Investor disclosure of shareholdings

- › Institutional investor should, in response to requests from investee companies, advise how many shares they own/hold in the company
- › They should also disclose in advance a policy on how they will respond to such requests from investee companies

Collaborative engagement

- › It is important for institutional investors to engage with investee companies in collaboration with other institutional investors, as well as engaging independently with investee companies



3. Take up of online shareholder meetings

Currently only **1.2%** of companies holding June AGMs allow online Q&A sessions and voting on the day of the meeting, according to a survey by Mitsubishi UFJ Trust and Banking. There are currently major hurdles for companies wanting to hold virtual shareholders' meetings, both legal regulations and practical issues.

Three types of virtual meetings

Of the **2,279** TSE-listed companies that sent convocation notices for meetings in June 2025, **384 (16.8%)** held one of the three types of virtual meetings:

- 1. **(Hybrid) participation type.** Allows shareholders to observe the meeting via live internet streaming *but not to vote or ask questions*. A total of **355** companies held this type of virtual general meeting in 2025
- 2. **(Hybrid) attendance type.** Held at a venue but allows online Q&A and voting. Used by **13** companies
- 3. **Virtual-only.** Held online only, with no venue. Currently permitted only in exceptional cases under the industrial competitiveness enhancement law, based on a decision made during the COVID-19 pandemic. Used by **16** companies

Only types 2 and 3, amounting to just **1.2%** of the total, allow Q&A and voting on the day of the meeting.

While 16.8% of companies held virtual general meetings in 2025, only 1.2% of all meetings enabled shareholders to ask questions and exercise their voting rights online on the day of the meeting.

- › While online voting the day of the meeting is still in its infancy, its use for voting in advance is becoming widespread, with the TSE reporting in its 2025 Corporate Governance White Paper that 81.4% of listed companies allow electronic voting (up from 71.0% in the 2023 report)
- › In addition, 60.9% of all listed companies use electronic voting platforms for institutional investors, up from 54.5% in 2023. This proportion rises to 92.4% for Prime Market companies, up from 82.5% in 2023.
- › Japan is a long way behind some other regional markets, such as Australia, where 37% of AGMs are either **hybrid** i.e. venue + online (23%) or **virtual** i.e. online only (14%) and shareholders have a legal right to ask questions and vote online during the meeting. [See Computershare's Australian AGM Intelligence Report 2024 by way of comparison]

Concerns with online meetings

Concerns about online meetings have been voiced by both market participants and issuers:

- › Some companies appear keen to avoid meetings where shareholders can exercise their voting rights and ask questions but not have to attend the venue
- › For companies whose goal is to approve company proposals, limit discussion and conclude the meeting as quickly as possible, it is likely that the take up of online meetings will be slow, even if future revisions resolve outstanding legal and technical issues
- › Proxy advisory firms have expressed concerns that companies allowing online Q&A may select only questions that are convenient for them to answer. However, even at venue meetings, companies may impose constraints on questions by limiting question time or the number of questions. Some companies are likely to want to restrict questions regardless of whether the meeting is on-site or online
- › In some other jurisdictions, proxy advisors discourage companies from holding only online meetings on the grounds that shareholders should have the right to attend and vote in person if they wish

Regulatory changes regarding online meetings

- › The Government Regulatory Reform Promotion Council published an interim report in December 2024, which included measures to eliminate the need to amend articles of incorporation or obtain approval from the minister in charge for completely online meetings, and stated that communication failures not due to the company would not affect the validity of resolutions
- › The report is under discussion by a Ministry of Justice advisory panel. If it leads to legal reform, it is expected to promote the shift to online meetings. It is currently unclear whether any changes will mandate that companies offer online meetings
- › In February 2025, the Justice Minister announced that he would seek advice from the Legislative Council on revising the Companies Act to permit businesses to fully legalise online-only shareholders' meetings
- › The Legislative Council is also considering allowing companies to check information on beneficial shareholders who can effectively vote at shareholders' meetings even when they own shares indirectly and so are not on the list of shareholders. Allowing companies to inquire about institutional investors sitting behind nominees such as trust banks and custodians will help promote dialogue between companies and beneficial shareholders.

These are potentially far-reaching changes and will help companies better prepare for activist investors and unsolicited takeover bids.



4. English language disclosures – update

Since April 1, 2025, it has been a mandatory requirement that companies listed on the Prime Market must simultaneously disclose financial results and timely disclosure information in Japanese and English. Around 114 companies on the Prime Market have been given an extension till March 2026 to comply.

Current state of English disclosures

On 10 March 2025, JPX launched 'JPX English Disclosure GATE' to improve the accessibility of corporate information to overseas investors and further facilitate the disclosure of corporate information in English by listed companies. In July 2025, TSE provided a list called the 'Availability of English Disclosure Information by Listed Companies', which shows what corporate information 3,803 listed companies disclose in English, such as financial results, corporate actions and notices of general meetings of shareholders, as at 30 June 2025.

The list shows that the number of companies providing information in English varies enormously between different information types (these numbers taken directly from TSE's list):

- › **Earnings Reports:** 952 companies (25.0% of the 3,803) make these fully available the same day in English as in Japanese, with a further 837 (22.0%) making them partially available same day
- › **Corporate Information (Material Facts):** 1,251 companies (32.9%) make this available same day and 338 (8.8%) partially available
- › **IR Presentations:** 904 companies (23.8%) make them available same day and 87 (2.3%) partially available
- › **Shareholders' Meeting Notice/Reference Material:** 888 companies (23.3%) make them available same day and 494 (13.0%) partially available
- › **Meetings (Business Reports and Financial Documents):** 294 companies (7.7%) make them available same day and 106 (2.8%) make them partially available
- › **Corporate Governance Reports:** 380 companies (10.0%) make them available same day and 10 (0.3%) partially available
- › **Annual Securities Reports:** 53 companies (1.4%) make them available same day and 49 (1.3%) partially available

The proportion of companies making information fully or partly available in English on the same day as the Japanese document ranges from **47.0% for earnings reports to 2.7% for annual securities reports**. These proportions contrast with those in our Japan 2024 AGM Season Review, which stated that 'Currently (at Feb 2024) the proportion of Prime companies releasing full English language versions of documents ranges from **74% for IR presentations** down to only **8% for annual securities reports**.' The reason for the disparity is most likely that the JPX list of 3,803 companies includes a significant number of smaller companies outside the Prime market. These are likely to have lower quality disclosure practices than larger companies, which have significantly more overseas investors, greater resourcing and better developed communications.



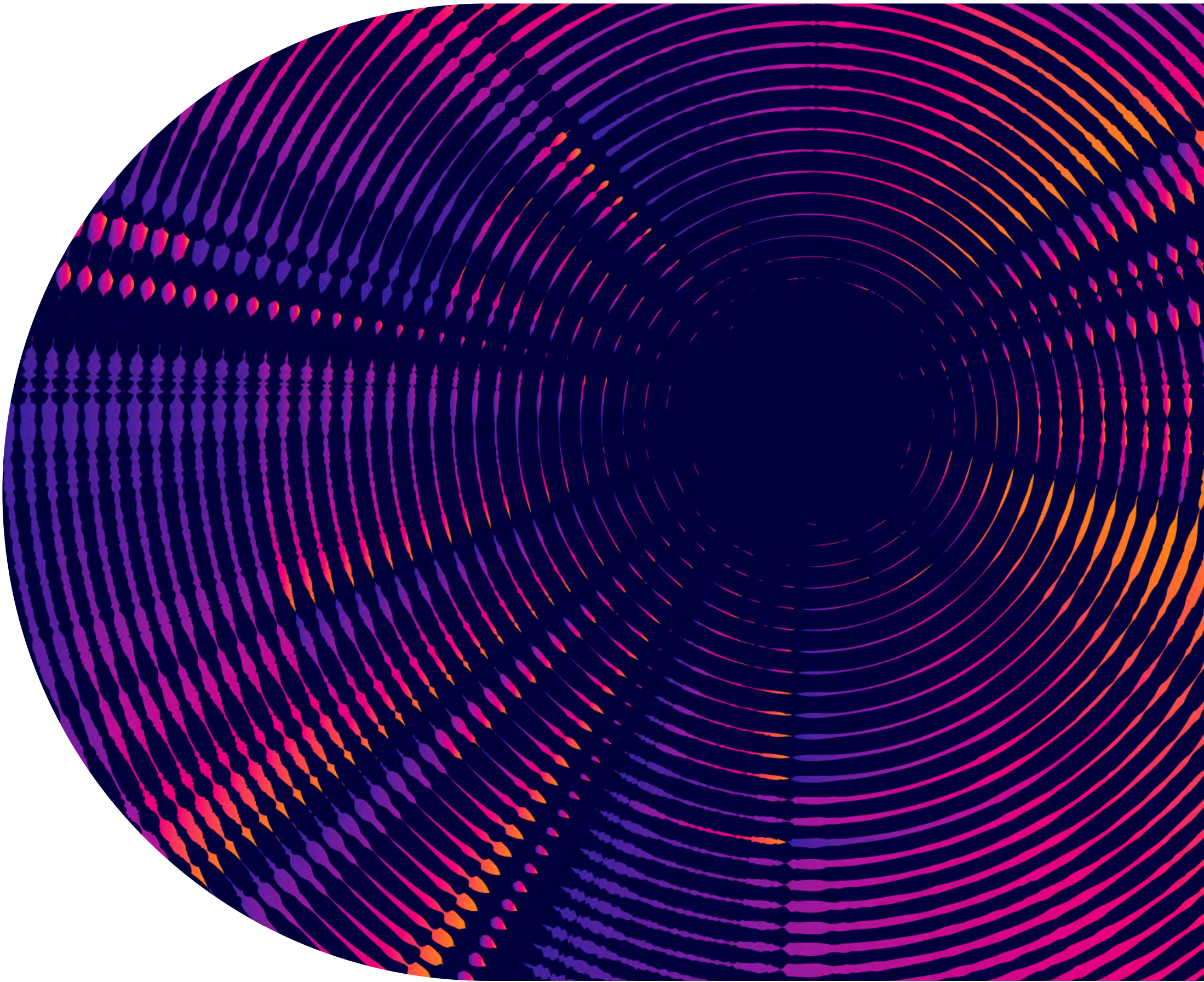
5. Mandatory sustainability disclosure

Following a March 2023 rule by Japan's Financial Services Agency (FSA), all listed companies are already required to disclose, in their annual securities report, sustainability-related information aligned with the four pillars (governance, strategy, risk management, metrics and targets) of the Task Force on Climate-related Disclosures (TCFD) recommendations.

In March 2025 the Sustainability Standards Board of Japan (SSBJ) finalised IFRS-conforming sustainability disclosure requirements. Now TSE listed companies must disclose against the new standards as follows:

- Any Japanese listed company may make voluntary disclosures in their annual securities report from FY ending after 5 March 2025
- Any Prime market company with more than 3 trillion yen of market capitalisation (which comprise around 55% of the TSE's entire market capitalisation) must disclose climate-related and sustainability-related information in its annual securities report from FY ending March 2027
- Any company with more than 1 trillion yen of market capitalisation (which comprise around 74% of the TSE's entire market capitalisation) must disclose climate-related and sustainability-related information in its annual securities report from FY ending March 2028
- Any company with more than 500 billion yen of market capitalization (which comprise around 82% of the TSE's entire market capitalisation) must disclose climate-related and sustainability-related information in its annual securities report from FY ending March 2029

The SSBJ will release guidance materials for disclosing entities during 2025/2026.



6. Key initiatives – current status (in brief)

After considerable effort and having implemented multiple initiatives and legal changes, Japanese regulators have made good progress in resolving some of the most intractable governance issues affecting listed companies and their investors. The current status of some key issues is as follows (source: JSS):

Board-related issues

- › **Outside directors.** The Companies Act (2021 revision) requires companies with audit and supervisory boards (known as Kansayaku companies) to appoint one or more outside directors, while the Corporate Governance Code requires Prime market listed companies to appoint at least 1/3 (majority if needed) independent outside directors
- › **Independence of directors.** The TSE requirement for 1/3 of the board to be independent directors was already the practice for 98.1% of Prime market listed companies at July 2024
- › **Independent Nominations Committee.** The proportion of companies with an appointing majority of independent directors on the Nomination Committee, which chooses directors, is increasing but still low at 20.3%
- › **Board diversity.** Japanese companies are still well behind global peers, with TOPIX100 listed company boards having an average of only 19.6% female directors

Shareholder engagement-related issues

- › **Dialogue.** More Japanese companies are willing to have a dialogue with foreign and domestic investors. Asset managers have made great progress in the years since adoption of the Stewardship Code of Japan and GPIF's initiative but still face resistance to regular dialogue from their investee companies
- › **Stewardship and collaborative engagement.** Regulations were amended in 2025 to clarify the scope of joint holders and of material proposal actions to foster collaborative engagement. The Stewardship code was also revised to promote collaborative engagement and improve visibility of substantial shareholdings. It is not certain that collaborative engagement will thrive in the future. More companies are becoming receptive to dialogue between their independent directors and institutional investors
- › **Financial literacy and awareness of stock valuation.** Institutional Investors' ROE voting guidelines and TSE's requests on cost-of-capital and P/B ratio have helped change corporate behaviour to enhance corporate value in the long term. While the need for this is evident, companies lack the investor relations skills necessary for this. There is much work still to be done to build IR/SR capacity
- › **Cross-shareholdings.** The Corporate Governance Code advocacy of measures to reduce 'SEISAKU-HOYU' shares is one way to address inadequate capital allocation and shareholder protection. The number of TOPIX100 companies reducing cross-shareholdings has increased steadily recently, but some have merely changed the purpose of their holdings from cross-shareholding to net investment. Regulations now require companies to disclose the reasons for any such changes to the purpose of these holdings
- › **Parent-subsidiary listing.** Japan has a large number of parent-subsidiary listings, and about 26% of companies listed on the TSE have a controlling or major shareholder such as a listed subsidiary. The CG Code requirement for majority independent directors on the boards of companies with a controlling shareholder seems to be addressing the conflicts of interest. However, TSE continues to consider changes to listing requirements to further enhance minority shareholder protections



Investor insights



Mr Tadashi Terashima

Managing Director/
Responsible Investment
Department

Daiwa Asset Management

Was there anything that surprised (or impressed) you at 2025 Annual Meetings of shareholders?

One noticeable aspect this year was the exceptionally high number of shareholder proposals. Regarding the quality of the proposals, while some were well-reasoned and convincing, many others appeared to be copy-and-paste proposals that completely disregarded the company's specific circumstances or had unclear objectives. The increase in the total number of shareholder proposals apparently resulted from a rise in both high-quality and low-quality submissions. Given the growing number of proposals that lack meaningful substance, we believe that Japan has reached a stage where discussion regarding the framework and governance of shareholder proposal rights is necessary.

Overall, we analysed that the approval rate for company proposals by institutional investors, including our firm, has slightly increased in comparison to last year. However, we understand this to be influenced not only by corporate efforts and improvements but also by the reduction in constituent of stocks following the TOPIX revision, which could have led investors to remove from their investment universe companies whose proposals they had previously opposed.

Our firm focuses on the integrated management of engagement activities and proxy voting. Even in cases where the company does not meet our proxy voting guidelines, we may take individual circumstances into account when making the final decision. Conversely, if a company does meet the guidelines but lacks sufficient framework to respond to constructive engagement, we may escalate to opposition voting. This approach is taken especially regarding director-election proposals, where we may choose to vote against a candidate if the company is in need of structural reform but demonstrates reluctance towards change or if there are outside directors whose independence is still questionable despite meeting the criteria in our guidelines.

'There is considerable room for improvement. Among Prime Market companies, formal disclosures have improved but many lack substantive content. We see companies present capital cost calculations with no meaningful discussion on capital cost reduction efforts, including risk controls. Standard Market companies have shown even less progress, suggesting they have not even begun to consider these issues.'

Over two years have passed since the TSE requested disclosure of 'Action to Implement Management that is Conscious of Cost of Capital and Stock Price.' In your discussions with many Japanese companies, what have been their reactions or confusion, and what is your evaluation of this?

Before the request, companies were generally reluctant to discuss share prices, and engagement efforts were often stalled with comments such as 'share price is determined by the market'. Recently, however, we have observed that the hesitation and discomfort surrounding this topic have diminished, and discussions around share price can now proceed more naturally.

On the other hand, there remains considerable room for improvement. Overall, even among companies listed on the Prime Market, although formal disclosures have progressed, many lack substantive content. For example, with respect to capital cost, we have seen some companies merely present calculation results without engaging in meaningful discussion on efforts to reduce capital cost, including risk control measures. Companies listed on the Standard Market generally have not shown much progress in terms of disclosure, indicating that they have not even begun to consider these issues. We view this as a significant concern.

In response, starting this fiscal year, our firm has introduced a new proxy guideline in which we will vote against reappointment of representative directors at companies with a PBR below 1.0 that have not made disclosures in line with the request by the TSE. Disclosures serve as the starting point for dialogue. We therefore believe initiating disclosure is crucial.

In our engagement with companies, we place emphasis on expanding the margin between the cost of shareholder capital and ROE, or the Equity Spread. Given that many of our funds have long investment horizons, we place greater value on initiatives that aim to expand the Equity Spread over the long term through investment, rather than on measures that temporarily boost ROE using excess cash. We strive to engage in discussions with companies on the importance of financial strategies that maintain an appropriate balance between equity and debt.

Please tell us (to the extent possible) the direction of your engagement policy and voting criteria regarding capital policy (ROE, PBR, stock price, cross-shareholdings, etc)

Regarding ROE, we discuss annually whether to adopt a relative or absolute evaluation. While the majority of investors adopt absolute evaluation, our firm adopts a relative evaluation within the relevant company's sector based on the understanding that risk profiles and the cost of shareholder capital can vary across sectors. At present, we intend to continue adopting the relative evaluation approach.

However, in certain sectors, for example those with a high concentration of venture companies, there have been cases where the ROE level of the bottom 33% is close to zero. In light of this, our current proxy voting guidelines exclude Growth Market companies from the calculation of relative comparison benchmarks, and we derive benchmark values for relative comparison using only companies listed on the Prime and Standard Markets instead.

Since valuation metrics such as PBR and share price are not determined solely by the quality of management, we are somewhat cautious about using these indicators as the sole basis for proxy voting decisions. Similarly, while incorporating Total Shareholder Return (TSR) into proxy voting guidelines may seem reasonable, it requires careful consideration as to whether the short-term fluctuations in TSR are truly attributable to management performance, as the outcome may vary significantly depending on the

starting point of evaluation. On the other hand, we believe that using valuation indicators such as share price as part of a broader screening approach can be an effective method, such as to identify companies with PBR below 1.0 that do not demonstrate awareness of capital cost or valuation in their management.

With regard to cross-shareholdings, our basic policy is for companies to aim for zero holdings. However, for holdings that companies deem to be meaningful, we request individual explanations as to why. While our firm currently adopts a threshold of 20% of net assets for the cross-shareholding ratio, even when this threshold is not cleared, we continue to positively assess efforts aimed to reduce the holdings further.

Particularly in the banking sector, due to the nature of the business, we accept the reclassification of cross-shareholdings into 'pure investments' when companies can clearly demonstrate that the holdings are indeed for investment purposes. For that treatment, it is also necessary that the shares can be sold at any time.

Please share your awareness of issues related to the diversity, independence, effectiveness, skill, etc. of the board composition, and the direction of your company's future efforts

Regarding the independence of outside director candidates, our firm uses compliance with TSE standards and a tenure of less than 12 years as key criteria, while also making case-by-case judgements at times through dialogue. Although we occasionally receive requests from companies asking us to approve candidates on the grounds of their competence, our primary concern is the risks associated with the homogenization of the board. As a result, we have faced instances where discussions do not align due to the differing perspectives of us and the company. In cases where independent outside directors constitute a majority of the board, we do not oppose the appointment of outside candidates who lack independence.

As for board diversity, we currently only have a gender-based criterion requiring at least one female director because of the challenges of adopting quantitative evaluation of the other diversity dimensions. While we are considering raising this gender-based threshold in the future, we will continue to tread cautiously, as simply meeting numerical targets would not necessarily contribute to corporate value. We also engage with companies on non-gender aspects of diversity, tailored to the specific circumstances of each company.

Although effectiveness and skills are difficult to incorporate into proxy voting guidelines, we recognize their importance and address them through in-depth engagement. For effectiveness, we ask that companies disclose the implementation of their PDCA cycle in integrated reports or other similar documents. For skill, while the disclosure of skill matrices is becoming more common, we are concerned that many resemble self-introductions, merely listing the skills of director candidates. A skill matrix should serve as a tool to identify the skills that are necessary for the company and to appoint suitable personnel to management accordingly. This is also an area we intend to focus on more actively in engagement efforts going forward.

With respect to E and S, what is your focus in engagement and voting?

While these may be considered in our proxy voting decisions in cases where incidents occur, at present, we find it difficult to incorporate the insufficiency of initiatives regarding environment (E) issues as a direct criterion in voting guidelines. That said, environmental issues remain a key theme in our engagement activities, where we approach them from both the perspectives of risk and opportunity.

Our firm develops in-house ESG scores, which are integrated into our investment decision-making process. Weighting of these scores is adjusted according to the relative importance of the environmental and social factors by sector. Companies with low ESG scores are also included in our universe of engagement.

Regarding shareholder proposals, we assess each case individually based on three criteria: contributing to corporation value, the company's past initiatives, and whether the proposal may impose undue constraints on business operations. In engagement, we treat environmental topics such as climate-related risks and opportunities, natural capital, TNFD, and the circular economy as material issues for discussion. Regarding the social side, we focus on human capital management including DE&I and human rights across the supply chain. Recognizing that human rights risks can never be fully eliminated, we engage with companies on their response frameworks and human rights due diligence efforts.

Activism is becoming increasingly prevalent in Japan. Is your view of activism changing? How do you make decisions on activist proposals?

Our evaluation criteria focus on whether a proposal contributes to enhancing corporate value from a medium- to long-term perspective rather than a short-term one, and we consider whether the proposal from the company or the shareholder is more effective in this context. For proposals involving amendments to the Articles of Incorporation, we will vote in opposition if they are likely to impose undue constraints on corporate activities, but if they are designed to encourage behavioural changes in the company, we will vote in favour. As such, we make decisions based on the substance of the proposal.

As a number of activists have shown improvements in the quality of their campaigns recently, we are increasingly finding ones where the direction of the activist aligns with ours. That said, we also continue to see cases involving extreme proposals or those that fail to take company-specific circumstances into account. Thus, when shareholder proposals are submitted or campaigns arise, we strive to meet with both the company and the activist and base our decisions on which side presents a better case for enhancing corporate value.





Mr Minoru Matsubara

Chief Sustainability Officer,
Managing Executive Officer -
Responsible Investment

Resona Asset Management

Was there anything that surprised (or impressed) you at the 2025 Annual Meeting of Shareholders?

Interest in shareholder rights has been increasing year by year, and this trend was evident again this year. Shareholder meetings are shifting from a forum for 'voice' to a forum for 'voting.' This year, with instances such as the rejection of director election proposals, we are increasingly recognizing that shareholder meetings are beginning to take on the characteristics of "elections".

While proxy voting ultimately comes down to a binary choice of voting either For or Against, a considerable amount of deliberation within our firm often precedes that determination. Even when a proposal does not meet our proxy voting criteria, we may choose to vote in favour if dialogue with the company leads to a satisfactory outcome. Conversely, if engagement fails to result in improvement, we may choose to vote against.

Amidst all this, we once again recognize the importance of constructive engagement with companies. Through our dialogues, we communicate that our voting criteria represent a minimum threshold and that we look for companies to go beyond these standards. Through engagement, we sometimes raise concerns that may affect our voting decisions, and while we explore ways to support the companies in addressing these issues, if no meaningful progress can be seen, we may still choose to oppose the proposal.

Listed companies are expected to listen to the opinions of market participants including institutional investors and respond as necessary. As safeguards of the integrity of the capital markets, we also strive to ensure that companies do not treat listing as an end in itself. To do this, we make efforts to convey the true purpose and significance of being publicly listed.

Moreover, on the side of institutional investors such as our own firm, engagement and proxy voting activities are receiving increasing attention as means to enhance the effectiveness of stewardship efforts and deepen our understanding of companies. We believe that the third revision of the Stewardship Code reflects this broader trend.

Two+ years have passed since the TSE has requested disclosure of 'Action to Implement Management that is Conscious of Cost of Capital and Stock Price'. In your discussions with Japanese companies, what have been their reactions, and what is your evaluation of this?

We appreciate the progress companies have made in enhancing their information disclosure in response to the requests from the Tokyo Stock Exchange, as this demonstrates that companies are sincerely receiving and responding to the messages from capital markets. We believe that many companies have come to reactnowledge the significance of being listed and the meaning of interacting with the capital markets as a listed company. These efforts in turn have contributed to further progressing the initiatives aimed at enhancing corporate value.

We remain committed to supporting companies in these endeavours to engage with the capital markets.



Please tell us (to the extent possible) the direction of your engagement policy and voting criteria regarding capital policy (ROE, PBR, stock price, cross-shareholdings, etc).

It is clear that interest in proxy voting is continuing to grow. We would like for the proxy voting criteria applied to Japanese companies to be understood as a milestone in these companies' journey towards aligning with global governance standards. We believe that by advancing toward global governance standards, Japanese companies will attract greater attention from international investors and capital markets will gradually converge towards share price levels that appropriately reflect corporate value.

The direction of global governance principles, based on the global governance standards, is also critical from the perspective of whether it will contribute to the middle to long-term enhancement of corporate value. Voting criteria, particularly those regarding capital policy, are one of the key pillars. Improvements in profitability and growth reflect expectations for companies to generate earnings through their core business. We believe that when companies make sincere efforts for the enhancement of corporate value in their dialogue and pursue improvements and reforms, it contributes to unlocking the potential of Japan as a whole.

On the other hand, the number of engagement activities has surged in recent years, and we are beginning to feel the limitations of responding on our own. This is an issue that should be addressed across the capital market as a whole, and the importance of collaborative engagement is growing significantly. As a matter of fact, we carry out our activities by leveraging collaborative engagement opportunities such as the Institutional Investors Collective Engagement Forum. Rather than relying on the responses of a single institutional investor, there is a growing need for coordinated efforts to address issues efficiently and effectively. This necessity is also reflected in the third revision of the Stewardship Code.

Please share your awareness of issues related to the diversity, independence, effectiveness, skill, etc. of the board composition, and the direction of your company's future efforts.

We recognize that corporate governance, with the board of directors at its core, varies significantly across companies. Thus, we aim to support each company in developing a governance structure that is most appropriate for its specific circumstances. As a principle, enhancing the functionality of governance requires the board to engage in thorough deliberation and exercise its monitoring role.

Companies cannot operate solely based on internal logic; they must advance their businesses through dialogue and building relationships with stakeholders as well. Therefore, we believe it is crucial to understand each company's views on board composition, compensation, and their intentions towards enhancing the effectiveness of governance. We would appreciate companies explaining the governance framework they envision, and the timeline and process in which they aim to realize it. Under stakeholder capitalism, the role of the board of directors is becoming increasingly multifaceted, and we understand this to indicate the further growth of importance of effectiveness, diversity and skill sets.

We have gradually raised the standards for board independence at our firm as well. While it is possible that we may eventually require majority independent directors in line with global standards, no specific timeline has yet been set. We believe it is important for companies to understand the rationale behind strengthening these standards and to engage in ongoing, mutual dialogue.

Regarding diversity, we have revised our board-level standard for female directors from 'at least one female director on the board' to 'at least 10% of directors.' As for the skills matrix, we request that companies explain the rationale behind the skills they select. These criteria represent the minimum requirements; we expect companies to demonstrate accountability by going further and articulating what it means for a board to function effectively.



With respect to E and S, what is your focus in engagement and voting?

At our firm, we identify risks both in Japan and globally, and establish our materiality accordingly. From the perspective of a so-called universal owner, we actively engage with companies in areas where the impact of these risks is significant. Our approach is not limited to the key sectors and companies identified through materiality, though; we also engage with industries and companies that may pose negative externalities to society as a whole.

For environment (E), we have published TCFD/TCND reports from 2023 to clearly communicate the information we expect from companies regarding climate change and biodiversity. For society (S), we place particular emphasis on the challenges posed by the declining birthrate and human rights risks. Regarding human rights, we do not seek proof that no risks exist. Rather, we request that companies explain how they operate a PDCA cycle on the premise that human rights risks are present.

We conduct engagement with a focus on how companies can address globally recognized issues in a way that contributes to sustainable business development.

Activism is becoming increasingly prevalent in Japan. Is your view of activism changing? How do you make decisions on activist proposals?

We begin our progress by understanding what the activist is seeking from companies. We will engage if requests for dialogue are made by the activist, but we make sure to carefully listen to the company's perspective regarding the activist as well. We strive to make fair judgements by considering the perspectives of both sides objectively.

Activists have diverse views; there are some that aim to enhance long-term corporate value, and others that hold a short-term perspective. We compare the context of the activist proposal with the responses made by the company and assess which approach is more reasonable and convincing from a long-term standpoint. In some cases, we conduct multiple rounds of dialogue on a single proposal right up until the proxy voting deadline. That said, we believe it is preferable to engage in ongoing discussions from normal times, as we believe this allows for more constructive dialogue.

Regardless of the activist that submitted the proposal, we assess all significant shareholder proposals fairly through dialogue.

'We begin...by understanding what the activist is seeking from companies. We will engage if requests for dialogue are made by the activist, but we make sure to carefully listen to the company's perspective regarding the activist as well. We strive to make fair judgements by considering the perspectives of both sides objectively.'



Ms Sarah Relich
Head of Investment
Stewardship, EMEA & APAC
Vanguard

Board diversity. The focus on board composition in Japanese companies has increased in recent years. How do you currently approach board diversity and board independence and where do you see this, going forward?

Board composition and effectiveness remain a key area of focus in our engagements and voting decisions. In Japan, we have been closely monitoring the trends on board independence and board diversity and continue to analyse each board’s composition on a case-by-case basis in the context of the Vanguard-advised funds’ proxy voting policies, which are broadly aligned with the principles articulated in the Japan Corporate Governance Code.

Accounting for variations in board structures and market classifications, Vanguard-advised funds may vote against the chair of the board or other relevant board members responsible for appointing directors, when a company does not meet the board independence thresholds set out in the Japan Corporate Governance Code.

When it comes to engagements, we frequently explore whether any relationships, transactions, or circumstances could compromise an outside director’s independence. The funds’ proxy voting policy for Japan outlines the criteria we use to assess director independence; it notes that we look for transparent disclosures regarding directors’ backgrounds, such as prior employment, business connections and cross-shareholdings, to enable informed voting decisions.

In our engagements with Japanese companies, we also provide feedback on ways that companies could enhance their board skills matrices to help investors better understand the board’s overall skills composition. Skills matrices provide us with valuable insight into the diversity of skills, experience, and attributes represented on the board, as well as how the individuals on the board, collectively, are best suited to oversee company strategy and material risks.

‘We...still observe some hesitation from certain companies over offering engagements with independent outside directors...Meaningful dialogue with independent outside directors enables investors to better assess board oversight and accountability, and we view it as an important component of effective investment stewardship.’



AGM surprises. What has surprised you most about the 2025 AGM Season in Japan?

Perhaps not a surprise, but we are encouraged to see a growing number of companies in Japan becoming more open to facilitating shareholder engagements with independent outside directors. We believe that engaging directly with these directors—who we view as shareholders’ representatives—is critical to deepening our understanding of the board’s oversight structures and decision-making processes.

Despite some positive momentum, however, we do still observe some hesitation from certain companies over offering engagements with independent outside directors. We believe such access is fundamental to reinforcing shareholder rights in the Japan market. Meaningful dialogue with independent outside directors enables investors to better assess board oversight and accountability, and we view it as an important component of effective investment stewardship.

Monitoring ROE. In March 2023, the Tokyo Stock Exchange published ‘Measures to Achieve Management Conscious of Cost of Capital and Stock Price’, which encourages the boards of Prime and Standard listed companies to formulate policies on improving ROE. How are you engaging on this with companies you are invested in?

As market conditions and policy landscapes evolve in Japan, we assess how boards are overseeing and disclosing material information regarding a company’s strategy. This includes cost of capital management as outlined under the Tokyo Stock Exchange’s Action to Implement Management that is Conscious of Cost of Capital and Stock Price initiative. Efficient capital allocation is a key driver of long-term shareholder value, and while Vanguard-advised funds do not mandate specific ROE targets or capital decisions, we look for boards to demonstrate effective oversight and provide clear, comparable disclosures on this front.

Vanguard Investment Stewardship seeks to safeguard and promote long-term investment returns on behalf of Vanguard-advised funds and their shareholders. Through engagement with portfolio companies, we seek to understand how boards identify, oversee, and disclose financially material risks, including those related to capital allocation and the cost of capital. Public disclosure of material risks, including risks related to capital allocation and the cost of capital, allows markets to effectively reflect those risks in each company’s valuation and share price. Over time, accurate valuations are critical to ensuring that Vanguard-advised funds are appropriately compensated for the investment risks they assume by investing in individual securities.

We also look for companies to align executive remuneration with their capital allocation strategies, ensuring that performance metrics and targets effectively incentivize management to make decisions that support long-term shareholder returns.



US 2025 AGM Season Review excerpt

Corporate Governance

Say on Pay



Average shareholder support for Say on Pay (SOP) at R3000 companies remained steady for the 2025 proxy season, with 91.3% of votes cast in favour (excluding abstentions), identical to 2024’s 91.3% support.

We also observed a marked increase in the number of management proposals seeking to move company incorporations from Delaware to alternative jurisdictions. Such proposals went through a quadruple increase, from three last year to 13 this year.

Director elections

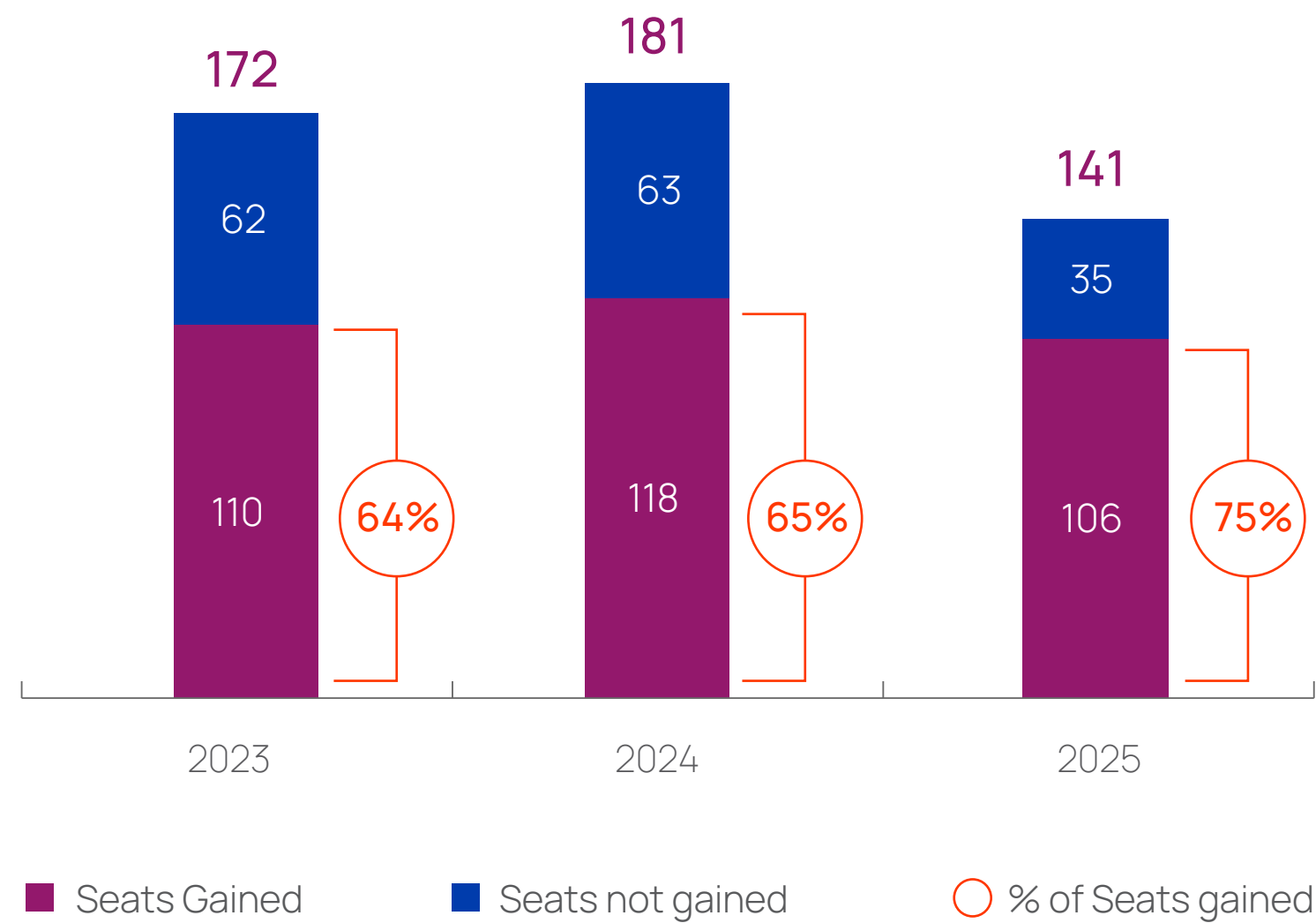
Director election shareholder support at US companies continues to be strong, averaging 95.3% for the 2025 proxy season, another high compared to the average support of 94.8% for the 2024 proxy season.

Contested situations

2025 marks the third year since the Universal Proxy Card (UPC) rule came into effect on September 1, 2022. The number of settlements declined noticeably in 2025, with only 62 recorded, versus 78 during the 2024 season. This marks the first time settlements have fallen below the 2023 level, the first full year under the new proxy rule.

Unlike the previous two years, activists proposed fewer director nominees this year and fewer settlements were recorded, but those that were proposed saw a higher percentage success rate: activists won 75% of seats (106 out of 141) in 2025 compared with 65% (118 out of 181) in 2024. This shift suggests a more strategic use of UPC by activists to gain board seats. They appear to be moving away from the ‘flood the zone’ tactic of nominating large slates and toward smaller, more targeted campaigns focused on high-quality candidates.

Seats proposed vs seats gained



Shareholder proposals

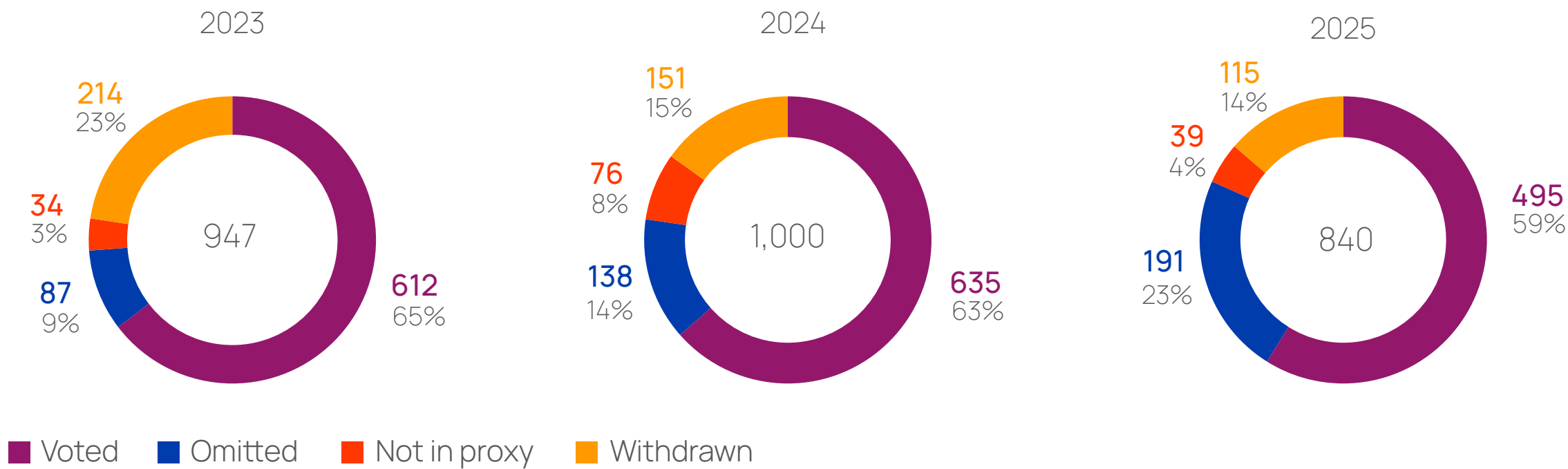
The number of shareholder proposals in 2025, 840, declined by nearly **16%** from the 1,000 proposals submitted in the 2024 season. A decline in environmental and social proposals, along with an increase in anti-ESG proposals, contributed most to the volume change.

This proxy season, 59% of shareholder proposals (495 out of 840) went to a vote, slightly less than last year. Of those that went to a vote in the 2025 proxy season, 46 of the 50 that passed were governance-related.

This year, we added a new section examining 'no action' relief submissions trends. One of the most notable trends for the 2025 proxy season was the increased volume of 'no action' relief granted by the SEC. 'No action' relief was granted for 23% of all identified proposals (193 out of 840) for the 2025 proxy season, compared to 14% (141 out of 1,000) last year.

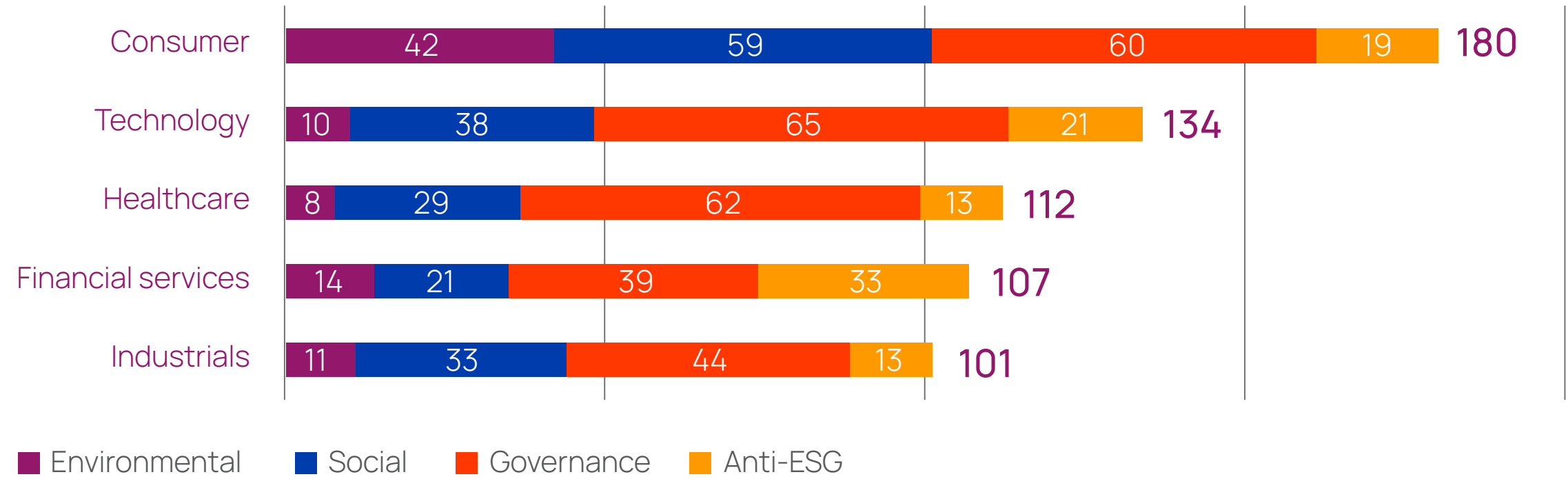
Average shareholder support in 2025 stayed fairly consistent with 2024. Support for governance proposals stayed the same while environmental and social declined slightly for the third consecutive year.

Shareholder activity proposals by year

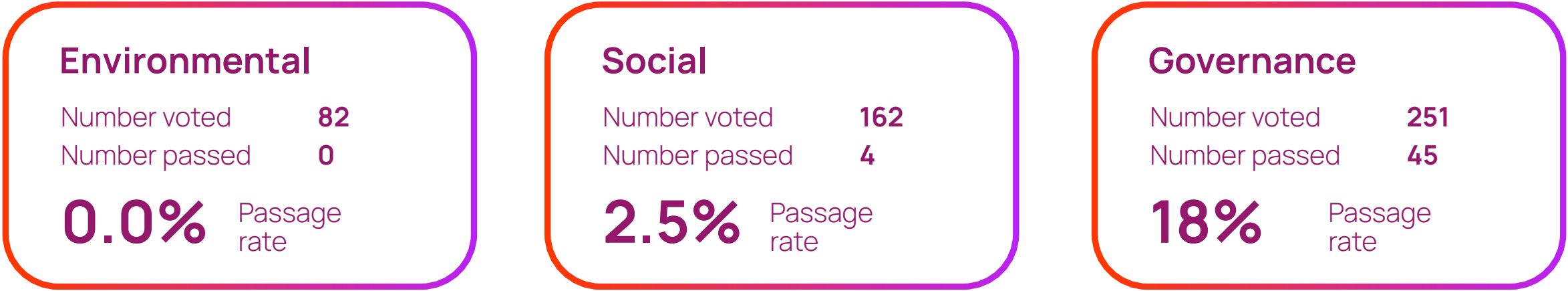


Support for anti-ESG proposals saw a slight increase but remained in the low single digits. None of the 82 environmental proposals passed, while four out of 162 social proposals and 45 out of 251 governance proposals passed. Passage rates for ESG proposals in the 2025 season remain consistent with the year before. Five sectors, consumer cyclical, technology, healthcare, financial services and industrials, accounted for 75% of all shareholder proposals (634 out of 840), which is consistent with the past three years. Environmental topics remain a consistent area of focus among shareholder-sponsored proposals in the 2025 proxy season, despite a year-over-year decrease in total submission volumes.

Top 5 sectors for shareholder proposals



Passage rate for ESG proposals, 2025



Environmental proposals

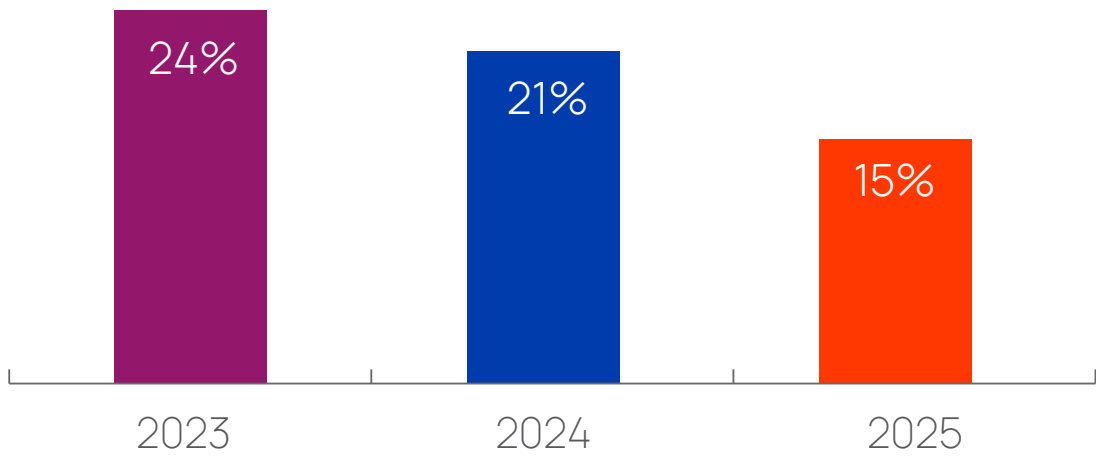
A total of 133 environmental proposals were submitted in 2025 (excluding 14 anti-ESG proposals), a 23% drop from the 173 in the 2024 proxy season, however the share of total proposals remains largely unchanged: 16% of all submissions this season compared to 17% during the 2024 season.

The steady level of submissions each year suggests that, despite broader shifts in ESG priorities, investors continue to view the environment as a key area of concern. As in past proxy seasons, the most frequently submitted environmental proposals in 2025 were focused on

- > greenhouse gas (GHG) reduction, including Scope 3
- > plastic/sustainable packaging
- > emissions financing

Average support for environmental proposals continues to decline annually, with 15% average shareholder support in 2025, versus 21% in 2024. 54% (72 of 133) of environmental proposal submissions went to a vote; none passed.

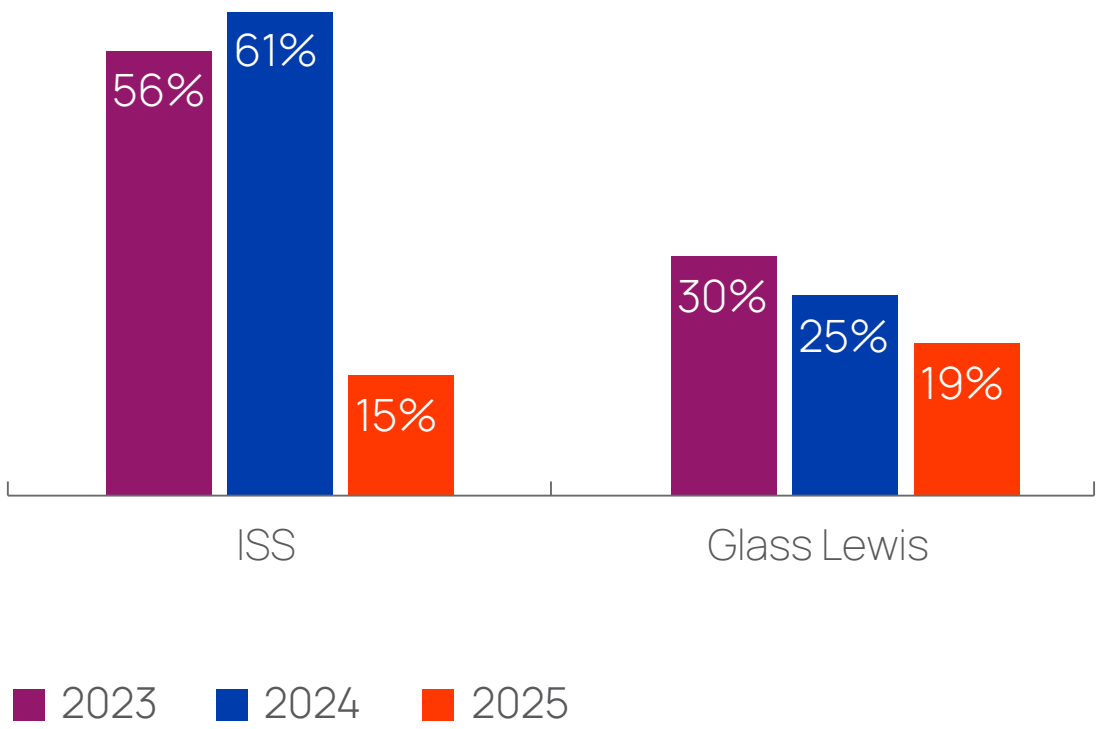
Average support for environmental proposals



Proxy advisors

Glass Lewis slightly increased its support for environmental proposals, while ISS decreased its support. Glass Lewis's stronger emphasis on ESG stewardship may be a result of the advisor's larger international client base, whereas ISS seems more focused on alignment with US-specific market standards.

ISS and Glass Lewis support for voted environmental proposals



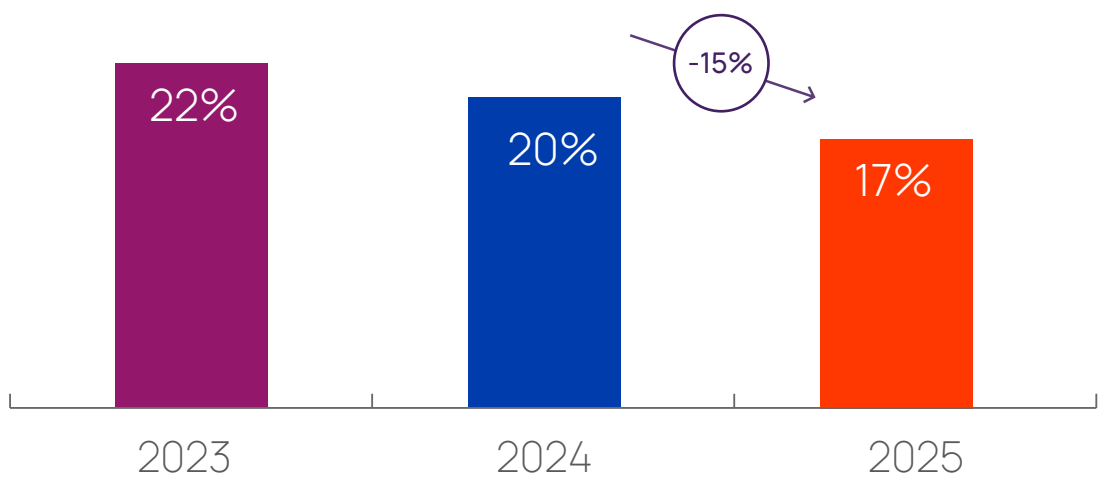
Social proposals

Submissions of social proposals were down by 33% from 2024 (223 in the 2025 proxy season compared to 335 during 2024). The 223 social proposals submitted were 27% of all submissions. 109 social proposals were voted on, and four passed (all political contributions proposals). The highest volume of social proposals submitted (63), combining political lobbying (37) and political contributions (26), were lower by 21% than in 2024 (80) and 23% lower than 2023 (82). There also continues to be a relatively high volume of human rights proposals submitted (26 in 2025, 20 in 2024 and 27 in 2023).

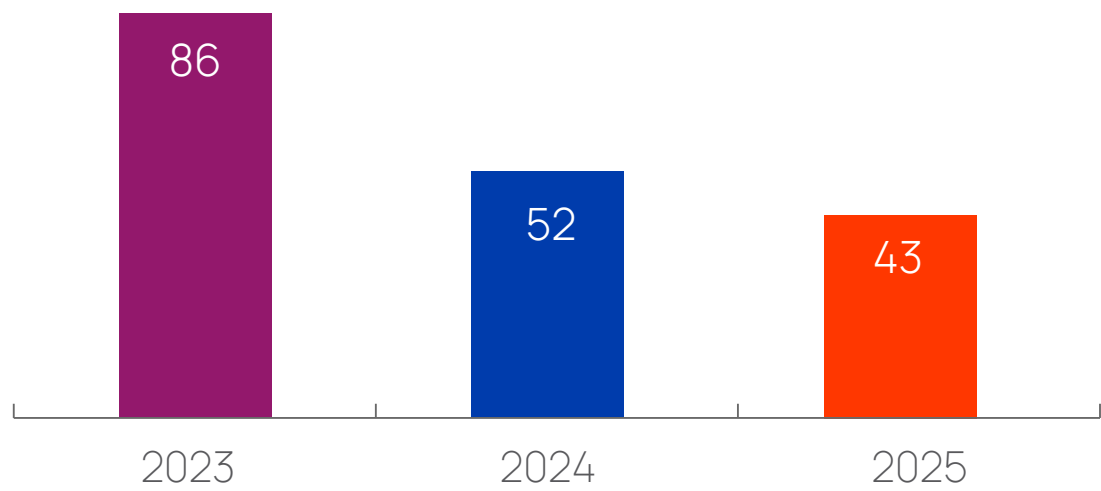
There was a continued shift away from the kinds of diversity-related proposals we saw peak in 2022 (Board Diversity, Civil Rights Audits, DEI, Inclusive Hiring, Racial Equity Audits, Racial Equality and Justice, and Workforce Demographics). The number of DEI-related proposals (13 submitted) dropped significantly, with less than half the volume of the last two years (31 submissions in 2024, 37 in 2023), a notable change from the two previous years, when DEI was the third most common proposal type.

Voting support for DEI-related proposals dropped, from an average of 24% support over 13 proposals in the 2024 season, to just 8% over five proposals in 2025.

Average support for social proposals



Number of diversity-related proposals



Governance proposals

The volume of governance-focused proposals remained strong in 2025, with 356 proposals filed, broadly similar to the 2024 proxy year with 377 filed proposals (both figures excluding anti-ESG proposals).

There was a notable increase in support for governance proposals related to two recurring best practice topics: board declassification and severance pay.

Increased voter support for some topics

With the overall passing rate of governance-focused proposals (i.e. proposals that received majority support) at 46 of 240 total proposals (19%) in 2025 (similar to the 50 of 240 (21%) passing in 2024), it is evident there remains a strong sentiment of support.

Governance proposals with majority support

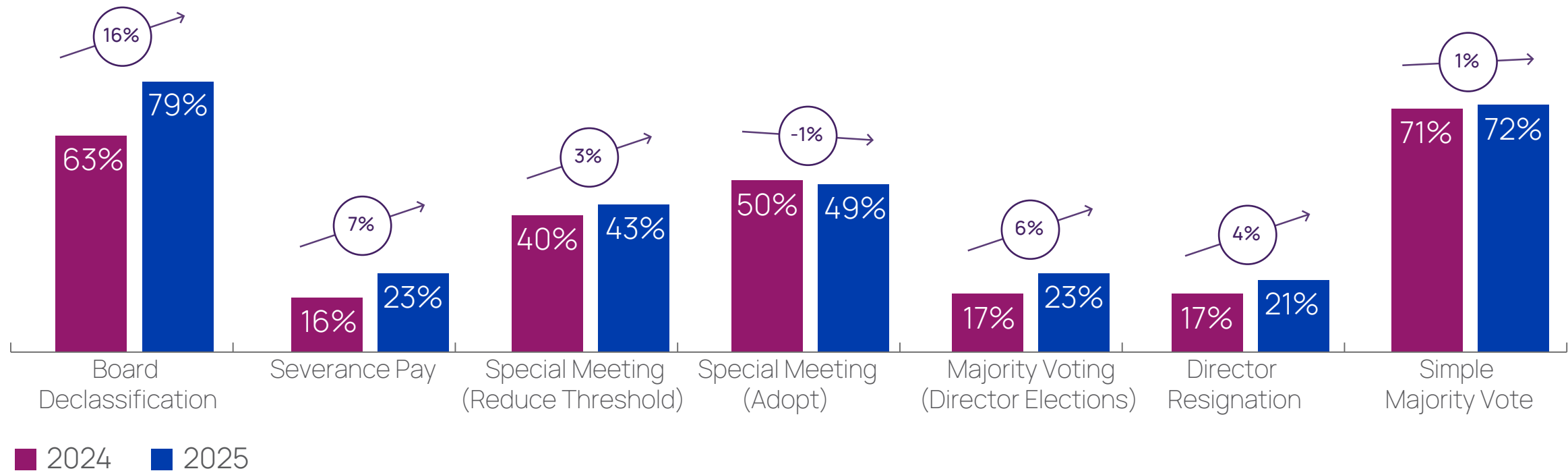
9.6%	2023
Passage rate	Number voted 251
	Number passed 24
20.8%	2024
Passage rate	Number voted 240
	Number passed 50
19.2%	2025
Passage rate	Number voted 240
	Number passed 46

Stewardship changes

During the last few years, prior shareholder proxy voting and investment stewardship policies increasingly emphasized board accountability. Recent updates from several leading institutional investors suggest a shift in direction. Investors including BlackRock, Vanguard and State Street Global Advisors have revised their 2025 policies, softening or removing previously strong language on ESG-related matters. These updates reflect a more generalized approach, particularly related to environmental and social topics such as board diversity and climate risk oversight.

Several factors may continue driving this shift, including changes in the political landscape, the impact of recent updates to SEC guidance for Schedule 13D-G (under which investors holding 5% or more of a company’s shares are perceived to influence management and must file a 13D filing), and potential influences related to court rulings or other legal/regulatory updates.

Increased support across a range of governance-focused proposals

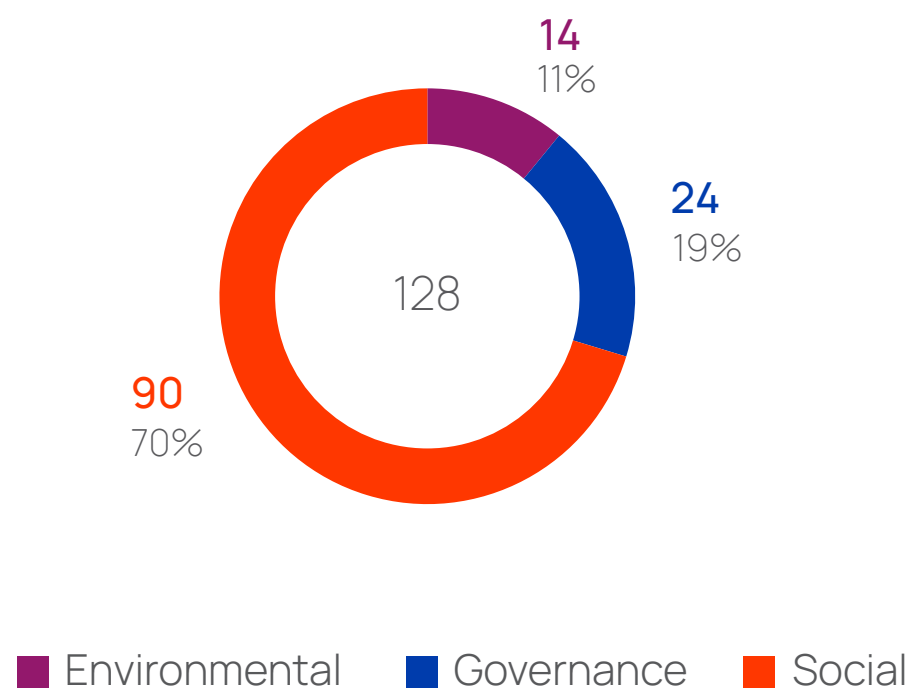


Anti-ESG

In the 2025 season, anti-ESG proposal submissions increased by 11% (128 proposals in 2025), compared to the full 2024 season (115 proposals) and by 36% compared to the 2023 season (94 proposals). Average shareholder support was 2.9% for all anti-ESG proposals.

- Social topics represented approximately 70% (90 of 128), and over 70% of the these were diversity-related, similar to 2024. Unlike the previous two proxy seasons, there was a shift away from specific language around civil rights audits this year from anti-ESG proponents
- Governance topics accounted for more than 18% (24 proposals) of anti-ESG proposals
- Environmental topics represented approximately 11% (14 proposals)

Anti-ESG proposal types, 2025



'No Action' relief

The 2025 proxy season was marked by an unprecedented wave of 'no action' relief requests, potentially driven by regulatory changes introduced on February 12 2025, through Staff Legal Bulletin No. 14M (SLB 14M). The bulletin rolled back several elements of SLB 14M and effectively returned the SEC's approach to how shareholder proposals were evaluated prior to 2021.

Under SLB 14M, issuers have a stronger basis for exclusion under Rule 14a-8(i) (7) ('ordinary business') and Rule 14a-8(i) (5) ('economic relevance') because they no longer need to include a board analysis when filing for relief. While adoption of SLB 14M came partway through the season, it influenced shareholder proposal outcomes for the full season.



European 2025 AGM Season Review excerpt

Pan-European trends in 2025

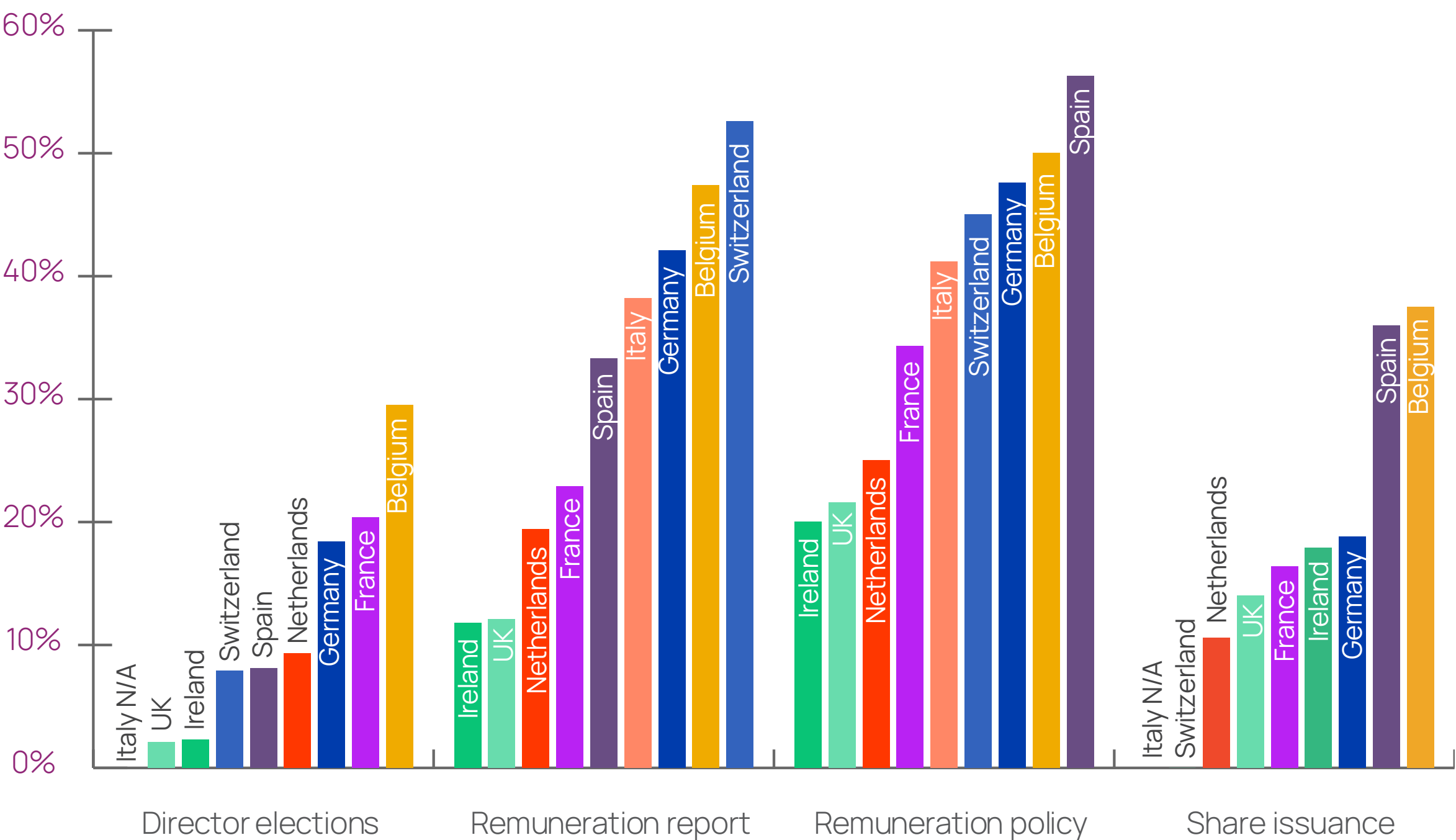
Contested resolutions overview

This section looks at the important trends in AGM voting results across the nine markets covered in this report.

- Resolutions relating to the remuneration of executive directors continue to be the most contested resolution type in Europe. The proportion of remuneration-related resolutions that were contested (i.e. received at least 10% opposition) across the nine regions increased slightly from 21.6% in 2024 to 23.6% in 2025
- Ireland marks its debut in our AGM Season Review as the market with the lowest proportion of contested remuneration reports (11.8%) and remuneration policies (20.0%)
- Outside of Ireland, the UK saw the lowest proportion of contested remuneration reports (12.1%) and remuneration policies (21.6%)

- Remuneration reports in Switzerland were the most contested as 52.6% of resolutions received over 10% opposition, and the market that saw the most contested remuneration policies was Spain (56.3%)
- Director elections in the UK were the least contested (2.1%) whereas the market that saw the most opposition to these resolutions was Belgium (29.5%)
- The chart shows the level of dissent, which is expressed as a percentage of resolutions contested (10%+ against votes), for four major categories of resolutions common across major European markets. These include director elections, remuneration report, remuneration policy and share issuances

Contested resolutions in 2025 per category (%)



Executive remuneration in 2025

Executive remuneration continues to be a significant focus for investors during 2025.

- › In the UK (FTSE 100), the proportion of remuneration reports receiving over 10% opposition increased from 7.0% to 12.1% and of contested remuneration policies increased from 12.1% to 21.6%
- › In Germany (DAX 40), the proportion of remuneration reports receiving over 10% opposition increased from 28.9% to 42.1% and of contested remuneration policies increased from 30.8% to 47.6%
- › In France (CAC 40), the proportion of remuneration reports receiving over 10% opposition decreased from 28.6% to 22.9% and of contested remuneration policies increased from 31.4% to 34.3%
- › In Switzerland (SMI), the proportion of remuneration reports receiving over 10% opposition decreased from 57.9% to 52.6% and of contested remuneration policies decreased from 50.0% to 45.0%
- › In the Netherlands (AEX and AMX), the proportion of remuneration reports receiving over 10% opposition decreased from 22.2% to 19.4% and of contested remuneration policies increased from 9.1% to 25.0%
- › In Italy (FTSE MIB), the proportion of remuneration reports receiving over 10% opposition remained unchanged at 38.2% and of contested remuneration policies decreased from 43.8% to 41.2%
- › In Spain (IBEX 35), the proportion of remuneration reports receiving over 10% opposition decreased from 43.8% to 33.3% and of contested remuneration policies increased from 41.2% to 56.3%
- › In Belgium (BEL 20), the proportion of remuneration reports receiving over 10% opposition increased from 36.8% to 47.4% and of contested remuneration policies increased from 33.3% to 50.0%
- › In Ireland (ISEQ 20), the proportion of remuneration reports receiving over 10% opposition increased from 5.6% to 11.8% and of contested remuneration policies decreased from 25.0% to 20.0%

Director elections in 2025

Director elections continue to be an area of focus for investors.

- › In the UK (FTSE 100), the proportion of director elections that received over 10% opposition in 2025 decreased from 2.6% to 2.1% (a 20.3% decrease)
- › In Germany (DAX 40), the proportion of director elections (i.e. the election of supervisory board members) that received over 10% opposition in 2025 decreased from 23.2% to 18.4% (a 20.5% decrease)
- › In France (CAC 40), the proportion of director elections that received over 10% opposition in 2025 increased from 14.2% to 20.4% (a 43.7% increase)
- › In Switzerland (SMI), the proportion of director elections that received over 10% opposition in 2025 decreased from 8.9% to 7.9% (an 11.8% decrease)
- › In the Netherlands (AEX and AMX), the proportion of director elections that received over 10% opposition in 2025 decreased from 13.6% to 9.3% (a 31.6% decrease)
- › In Italy (FTSE MIB), the proportion of director elections that received over 10% opposition in 2025 decreased from 33.3% to 0.0% (a 100.0% decrease)
- › In Spain (IBEX 35), the proportion of director elections that received over 10% opposition in 2025 increased from 5.1% to 8.1% (a 59.0% increase)
- › In Belgium (BEL 20), the proportion of director elections that received over 10% opposition in 2025 increased from 28.8% to 29.5% (a 2.5% increase)
- › In Ireland (ISEQ 20), the proportion of director elections that received over 10% opposition in 2025 decreased from 6.2% to 2.3% (a 63.0% decrease)



E&S resolutions

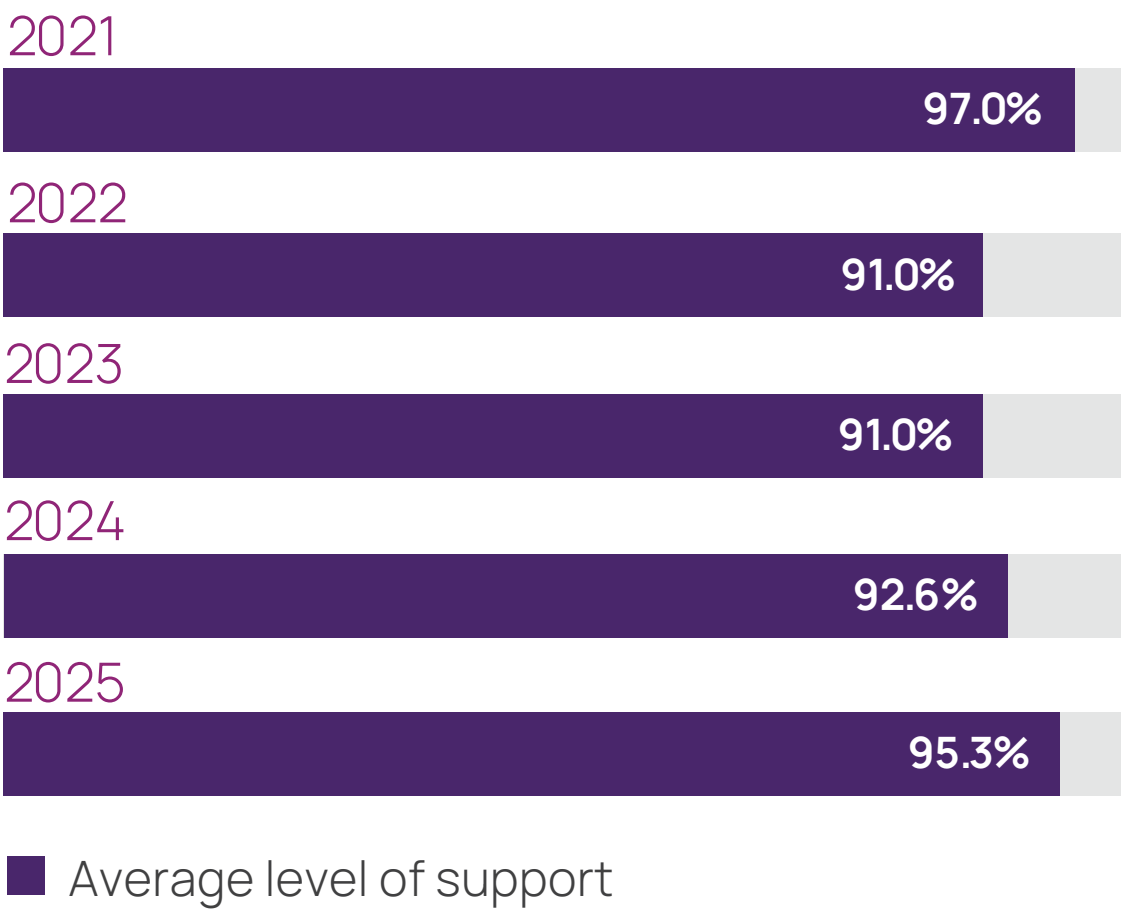
Say on Climate board proposals

The 2025 AGM season was the fifth year that companies voluntarily proposed 'Say on Climate' resolutions. During the year under review (1 July 2024 – 30 June 2025), 22 companies across Europe submitted board-sponsored advisory resolutions to approve their climate disclosures and action plans at their annual general meetings. The number of Say on Climate resolutions being submitted by European companies has remained stable, with 22 resolutions submitted during both the 2025 and 2024 AGM seasons. This is down from the peak of 36 resolutions submitted during the 2022 AGM season.

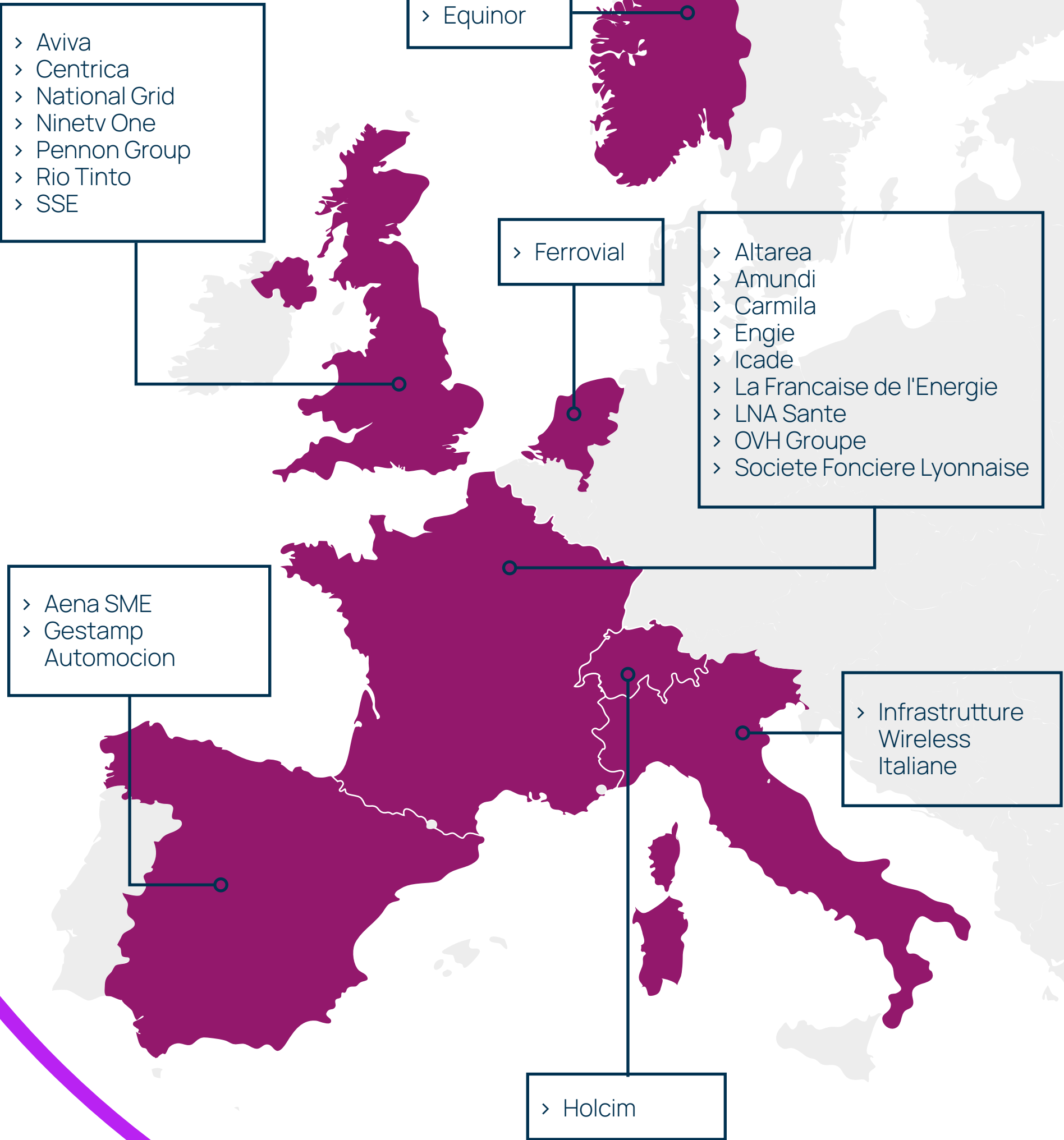
The majority of Say on Climate votes are still being proposed by UK and French companies. The 2025 AGM season saw a 50% increase in the number of Say on Climate votes announced by French companies (9) relative to the 2024 AGM season (6).

Infrastrutture Wireless Italiane become the first Italian-headquartered company to submit a Say on Climate vote since 2022.

Average support levels of Say on Climate votes, 2021-2025.



Countries that hosted Say on Climate votes in 2025

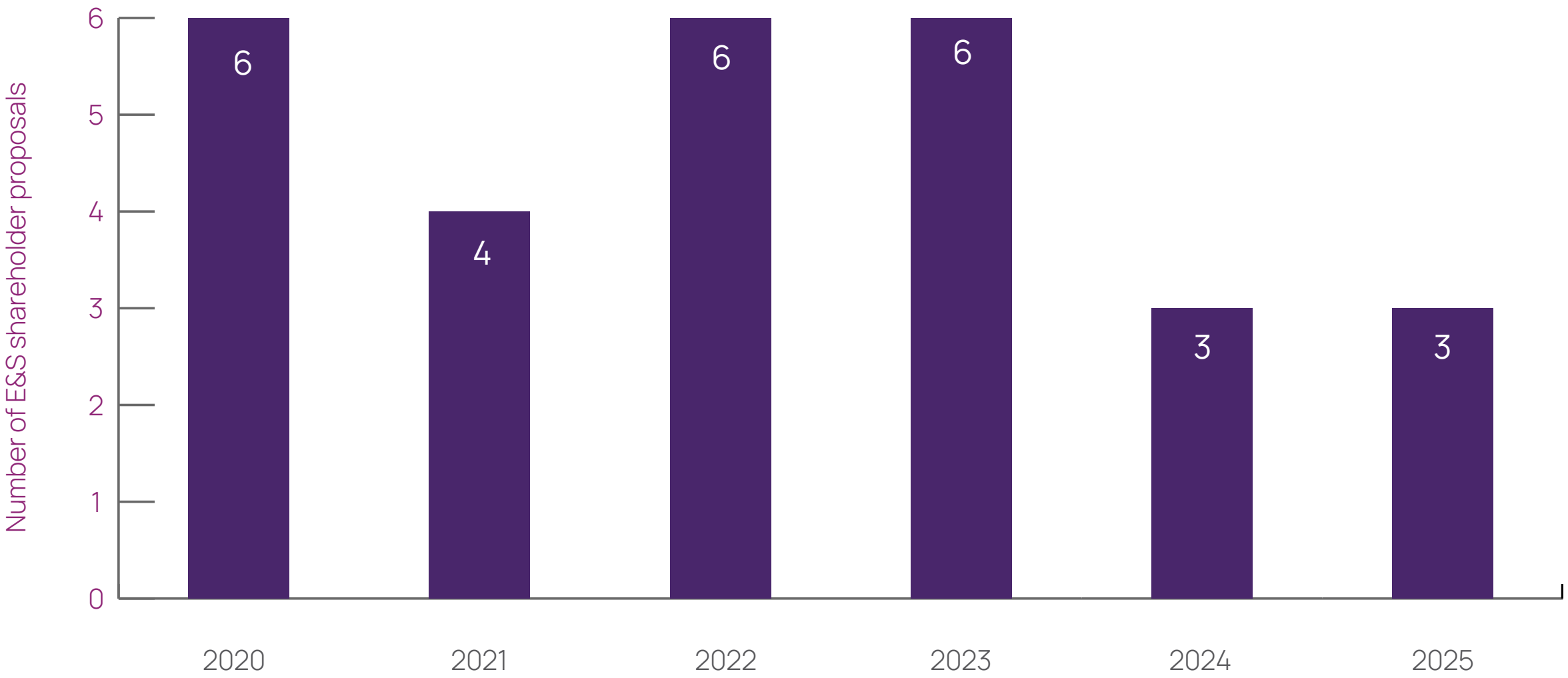


E&S shareholder proposals

The nine markets analysed tend to see relatively few environmental and social-related shareholder proposals submitted by institutional investors and key activist groups on an annual basis. This year, across the nine markets covered within this season review, there were only three environmental and social-related shareholder proposals:

- › The Australian Centre for Corporate Responsibility (ACCR) put forward a climate-related shareholder proposal
- › ShareAction put forward three proposals focused on the Living Wage
- › HSBC received a proposal which has been raised on an annual basis regarding the 1975 Midland Bank Scheme

Number of E&S-related shareholder proposals put forward at companies across the nine markets, 2021-2025



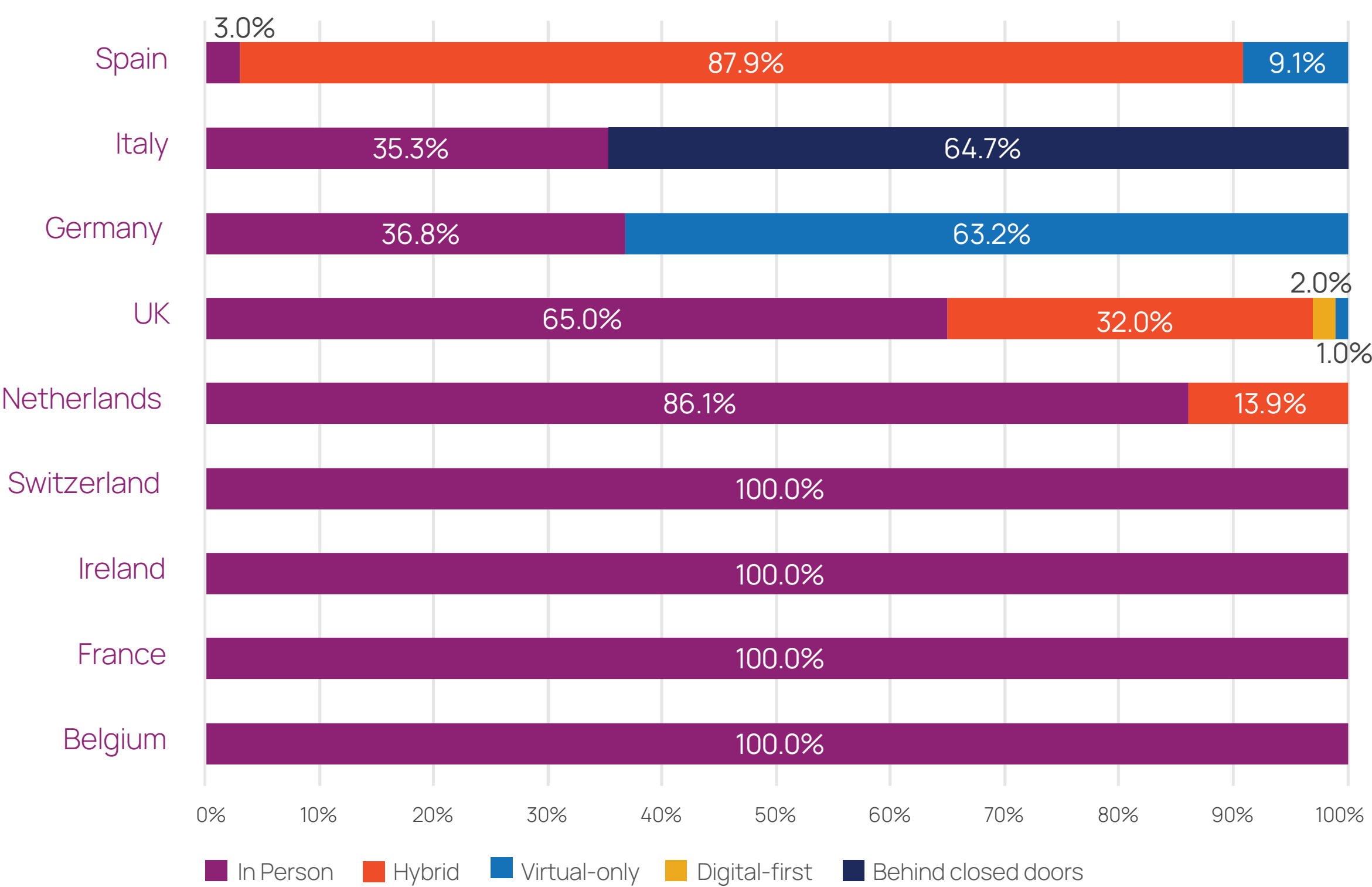
Overview of AGM formats

Since the COVID-19 pandemic, we have seen a number of developments and diverging practices regarding AGM meeting formats and the possibility of holding virtual-only AGMs across European markets.

Throughout the last year, legislative changes have been debated and implemented, and issuers have considered how to adapt to market-based legal frameworks and to investor expectations, focusing on how best to engage with their shareholders.

- Across Europe, the current available formats can be broadly categorised as:
- › **In-person (with or without broadcast):** Only physical participation possible; the meeting may or may not be broadcast, but virtual viewers cannot interact with the meeting
 - › **Hybrid:** Both physical and virtual participation are possible and guaranteed. Both physical and virtual participants can ask questions and vote during the meeting
 - › **Digital-first:** Nominally hybrid meetings where physical participation is strongly discouraged or curtailed (or may not be in the location of the speakers). Specific to the UK for now
 - › **Virtual-only:** Only virtual participation is possible and guaranteed. Virtual participants can ask questions and vote during the meeting
 - › **Behind closed doors:** Only voting by proxy is possible. Physical and/or virtual participation are not guaranteed. Specific to Italy for now

Breakdown of AGM formats in each market, 2025 AGM season.



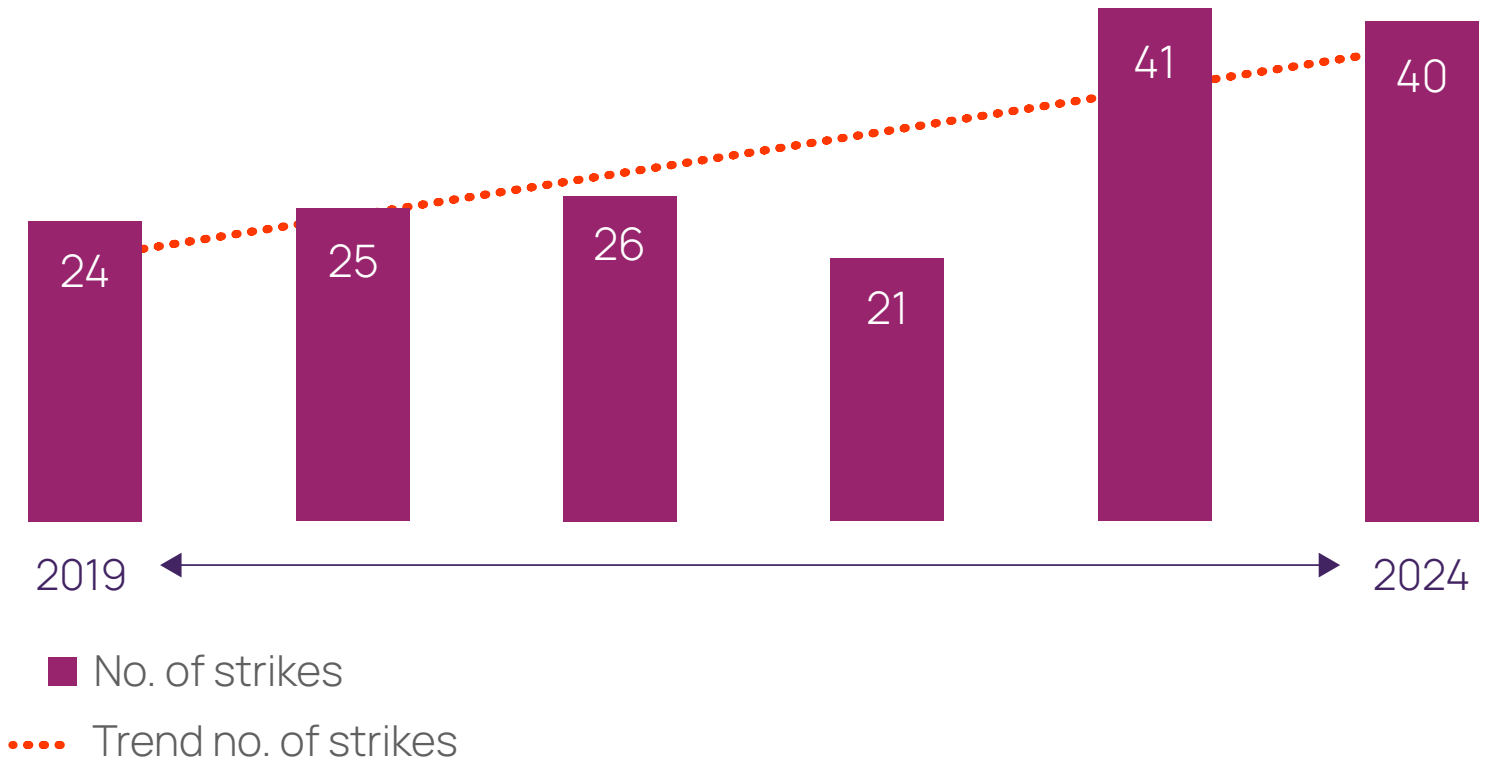
Australian 2024 AGM Season Review excerpt

Remuneration

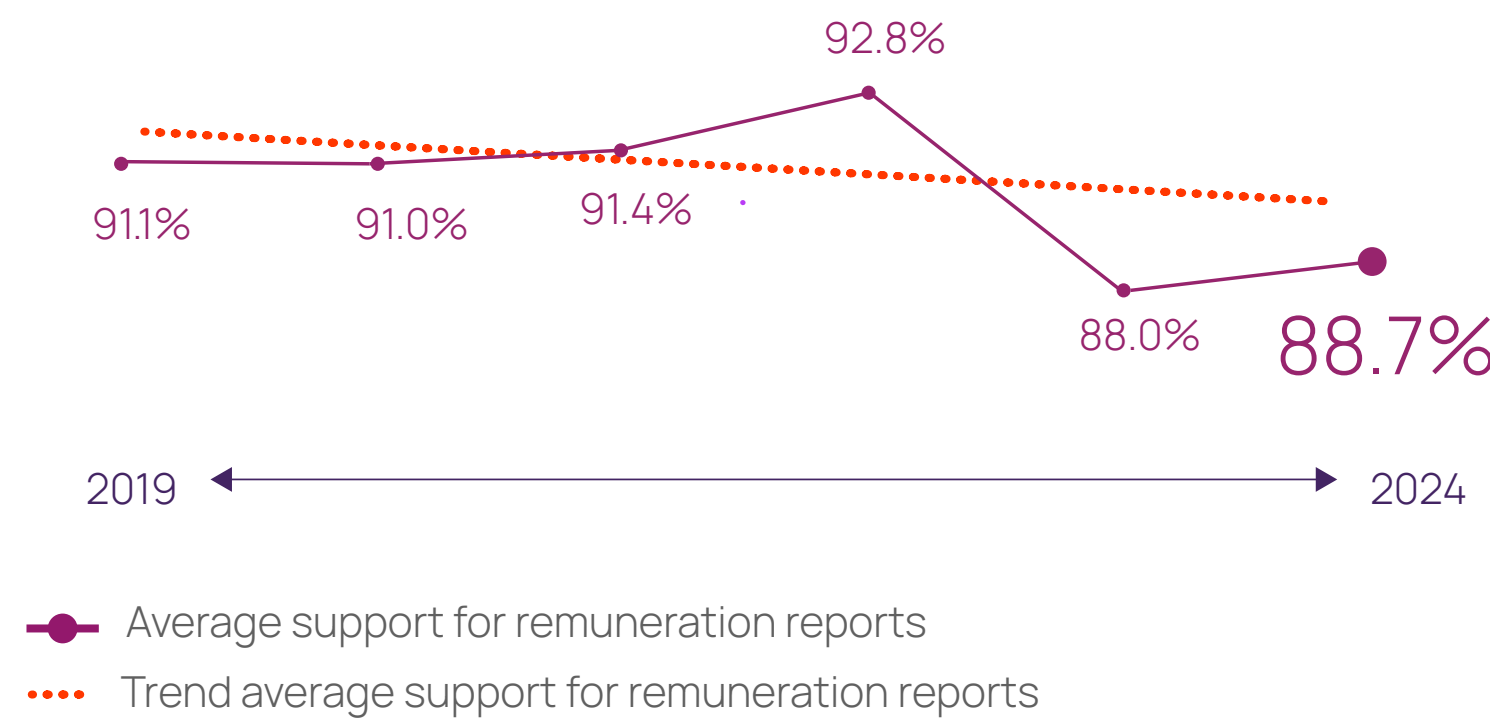
The number of strikes in 2024 remained high, reaching 40² in total, including a significant number of second strikes (12), with a marginally recovering trend of average support for remuneration reports.

While remuneration report votes are only advisory (non-binding) in their legal effect, 2024 highlighted the role of the remuneration vote as a lightning rod issue for both institutional and retail investors. In the words of a leading industry columnist, the remuneration report vote has moved beyond its original intended focus on remuneration structure and shareholder alignment to become in effect an annual referendum on sentiment around a company as a whole.

Number of remuneration strikes in the S&P/ASX300 (2019-2024)



Average support for remuneration reports in the S&P/ASX300 (2019-2024)



The number of strikes in 2024 remained high, reaching 40 in total, including a significant number of second strikes (12)... While remuneration report votes are only advisory (non binding) in their legal effect, 2024 highlighted the role of the remuneration vote as a lightning rod issue for both institutional and retail investors.

² Australia has a unique 'Say on Pay' structure whereby a vote against a company's remuneration report of 25% or more counts as a strike. If a company incurs strikes at two successive AGMs, it is then required to put forward a board spill resolution, which if approved by a 50% majority can lead to incumbent directors being subject to a further vote at a special meeting within 90 days to retain their positions. Included in the 40 strikes figure are two companies domiciled overseas and theoretically not subject to the formal legal impacts of the two-strikes rule. We included them as they are listed in Australia and experienced shareholder votes of more than 25% against their remuneration report or equivalent at an AGM held during 2024.

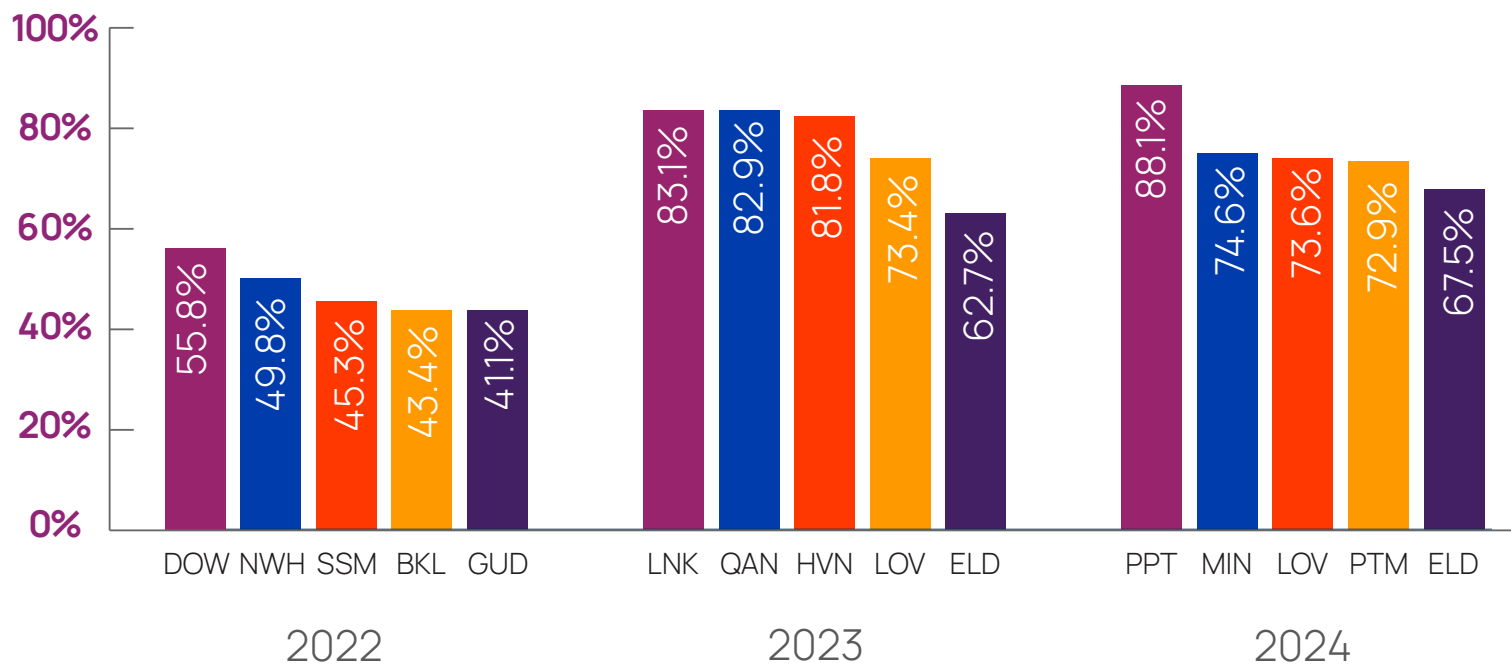


There were 40 strikes recorded in the S&P/ASX300 throughout 2024, just shy of 2023's record 41. A further 15 companies were in the near-miss zone, receiving votes between 20% and 24.99% 'against' their remuneration reports. This represented meaningful shareholder dissent and a strong message to boards to respond constructively to avoid incurring a strike in the future. Of 15 near misses in 2023, five companies went on to receive a first strike in 2024. Across the S&P/ASX300 we observed a decline in companies receiving over 95% support for their remuneration reports. This was accompanied by a slight increase in overall average support since 2023, but it remains lower than the 2019-22 period. Finally, proxy advisor voting recommendations appear to have influenced these results. ISS recommended against 77.5% of the remuneration reports of those issuers who received a strike in 2024. Glass Lewis recommended against 52.5% of those in 2024, a 6% decrease from the previous year.

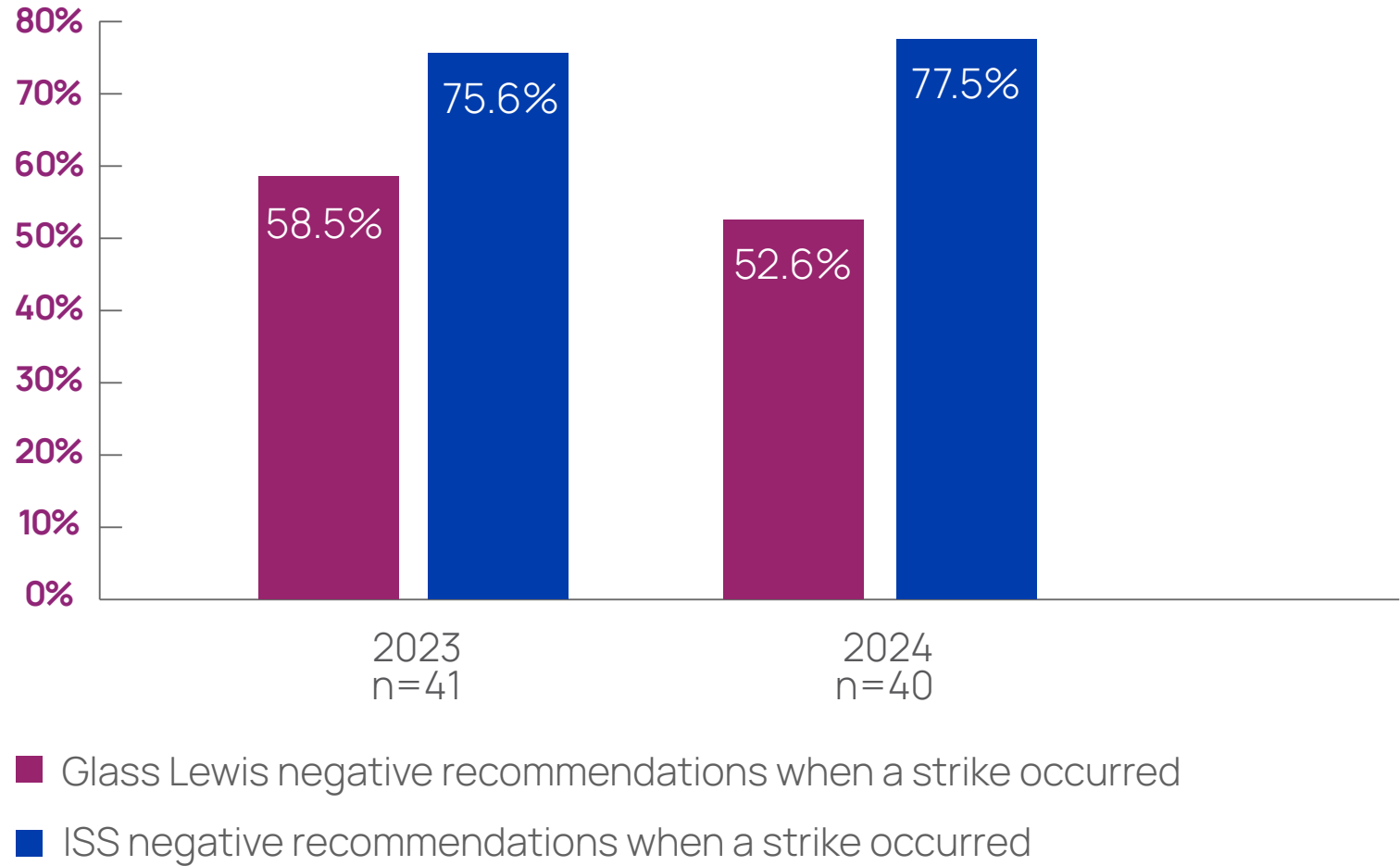
The strong investor pushback expressed in these remuneration strikes and near misses can, in many cases, be seen as a proxy for broader disquiet with the governance, culture, conduct or financial performance of the company, not necessarily as a reflection of the company's remuneration practices.

Overwhelming dissent was seen at two founder-led companies on, at one, related to the conduct of its founding Chief Executive and, at the second, governance concerns around excessive executive incentive awards. At two financial services companies, the remuneration vote reflected profound changes in the funds management industry leading to ongoing financial underperformance, as well as corporate activity around their near-term ownership status.

Top five highest votes 'against' S&P/ASX300 remuneration reports (2022-2024)



Glass Lewis and ISS influence the results of S&P/ASX300 companies receiving a strike (2023-2024)



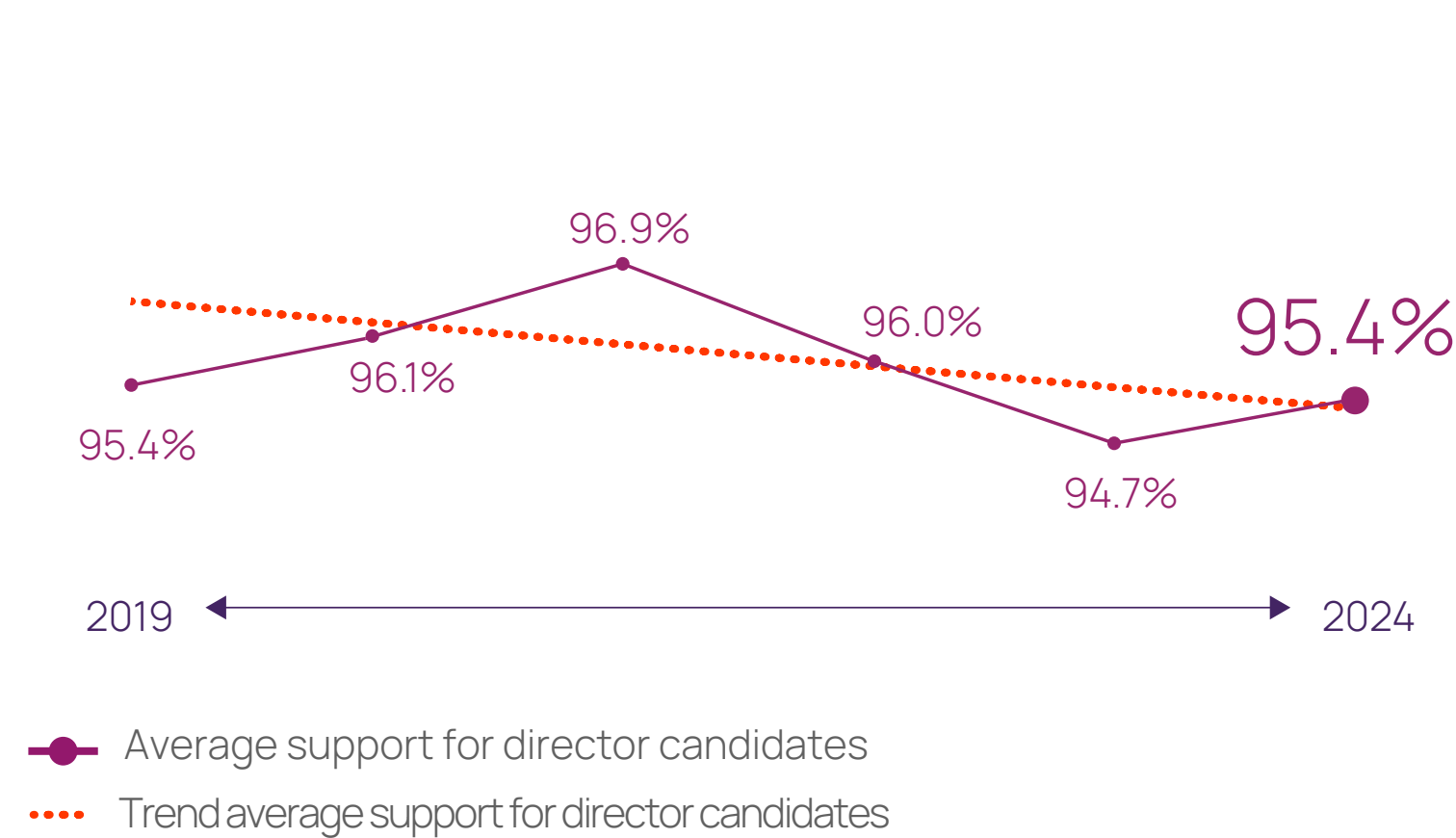
Targeted votes against directors

Average support for director nominees remained stable in 2024, while the number of resolutions where directors received significant votes (i.e. 10% or more) against was lower than in 2023.

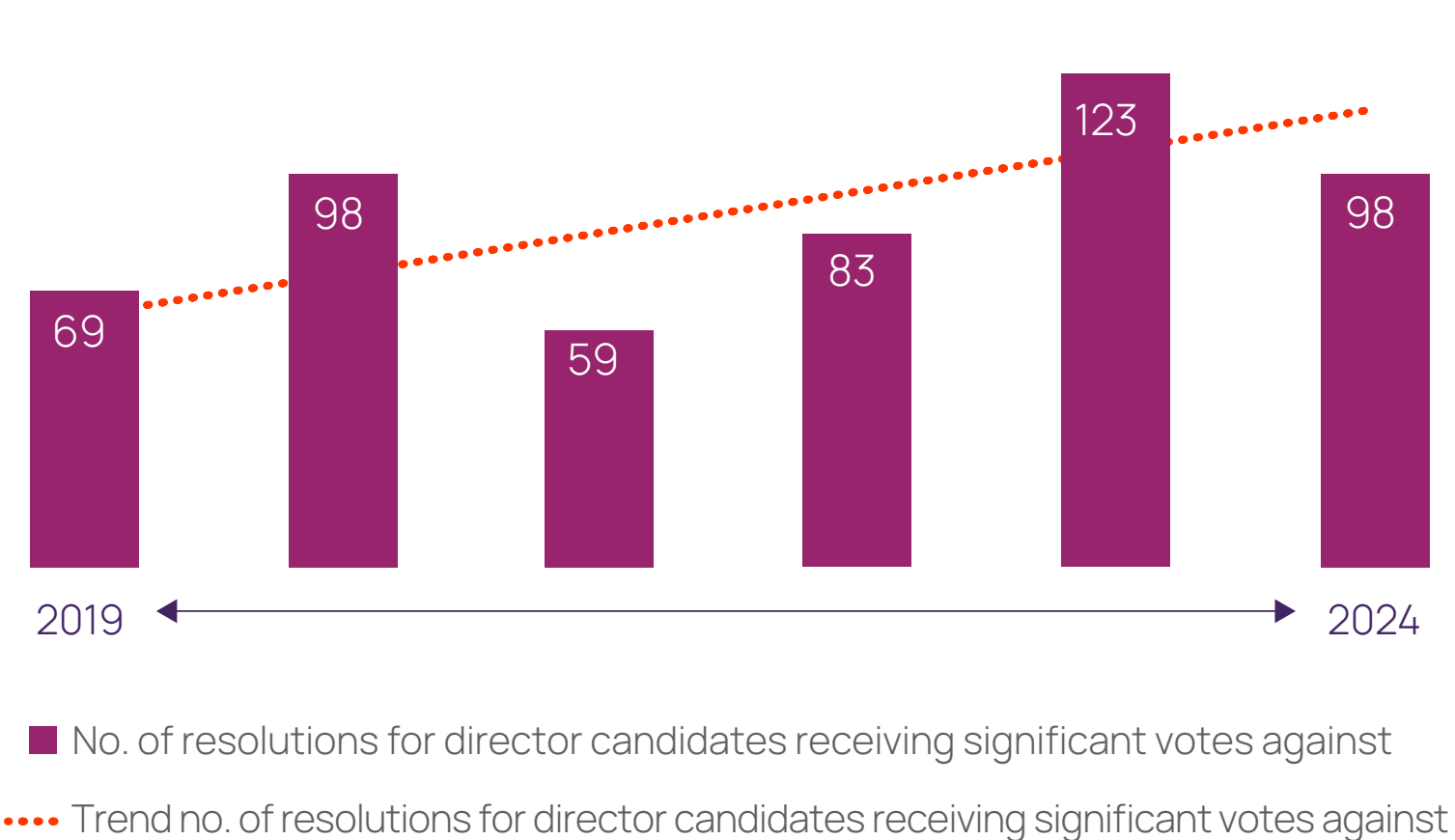
After votes against remuneration reports, the next most prominent vehicle for investors to send messages to companies is by voting against the election of board-nominated director candidates. Historically, board-nominated director candidates (whether new or incumbent) have always received very high levels of shareholder support, typically 95% or more. It is naturally of concern to boards when individuals receive levels of support meaningfully below this, even if meeting the 50% threshold to be elected. Candidates receiving lower support than peers on the same ballot can signal important considerations for boards around composition, succession planning and investor engagement priorities.

In 2024, across the S&P/ASX300, 98 (12.9%) board-endorsed candidates at 70 companies received more than 10% of shareholder votes cast against their election; for 30 candidates at 26 companies the vote against was higher than 20%. The highest single vote against was 49.07%, extremely close to the candidate's election being defeated, a rare occurrence in the Australian market.

Average support for S&P/ASX300 board nominated director candidates (2019-2024)



Number of resolutions for S&P/ASX300 board nominated director candidates receiving significant votes against (2019-2024)



Historically, board nominated director candidates (whether new or incumbent) have always received very high levels of shareholder support, typically 95% or more. It is naturally of concern to boards when individuals receive levels of support meaningfully below this...



Key reasons for votes against directors

High votes against board-nominated candidates can occur for a number of reasons, particularly when the candidacy isn't aligned with proxy advisor and institutional investor policies around board composition and corporate governance best practice. The major reasons seen in 2024 were:

- › Lack of independence, whether the candidate is an executive director on a non-majority independent board, a major supplier or a long-tenured director no longer seen as independent
- › Accountability, where a candidate seeking re-election is held to account for leading a governance function in which the board is felt to be falling short. Examples in 2024 included votes against
 - › A Remuneration Committee Chair proposing a number of contentious remuneration proposals,
 - › The Chair of the Governance Committee of a board with an unequal dual-class share structure, and
 - › Several chairs or members of nomination committees of companies with poor gender diversity

- › External board concerns, when a director is held to account for their role on a different company's board, with two examples in 2024:
 - › an independent director received a significant against vote based on their directorship of a company subject of some adverse ASIC regulatory findings
 - › an independent director received a 17.5% against their re-election based on their directorship at a company for which an independent review of governance failings had recently been published
- › ESG oversight and contested director elections, when ESG-focused investors and NGOs target chairs of companies they feel are failing to exhibit expected standards of environmental stewardship
- › Over-boarding, when a candidate is seen as over-committed. Two prominent examples in 2024:
 - › A candidate for chair at a wine company, who already chaired two other major ASX50 companies
 - › A miner, where a recently appointed independent director experienced a vote against, partly due to concerns over his full-time executive role and co-chairmanship of another ASX listed company



Board gender diversity

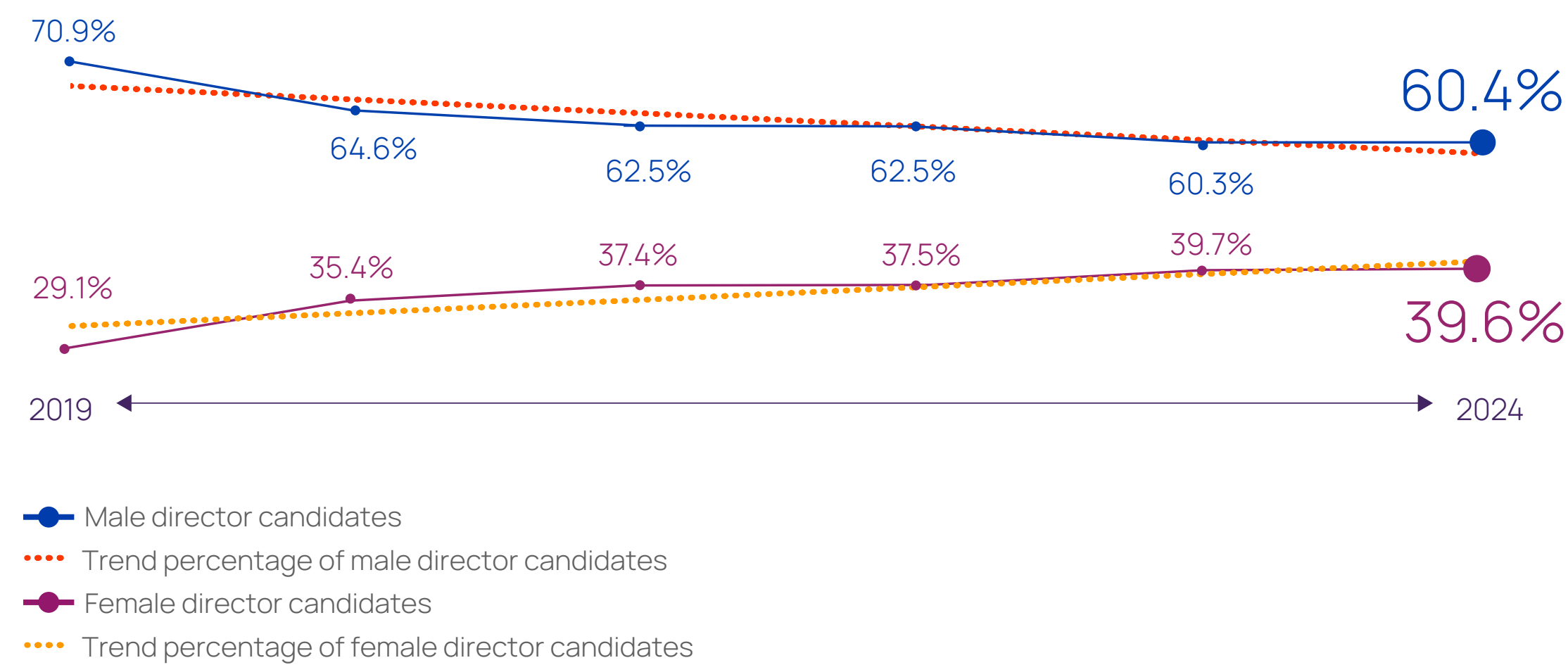
Female participation is increasing through the election/ re-election of more female directors than in previous years (2019-2022), though the S&P/ASX300 has not yet achieved 40% female board members.

The Fourth Edition of the ASX Corporate Governance Principles and Recommendations, published in 2019, advised that boards of ASX-listed entities should aim for 30% of directors to be of each gender. This has played a significant role in Australia being among few countries in the world to exceed this target. The Consultation Draft for the Fifth Edition, released in February 2024, raised this target to at least 40% women, at least 40% men and up to 20% any gender – known as the 40/40/20 ratio. Due to a lack of consensus on the proposed changes, however, the Fourth Edition guidance on board diversity therefore stands.

Since the percentages of both female and male director nominees have remained unchanged for two years, closing the gender gap is likely to pose a significant challenge.

As the board gender gap has improved, institutional voting has been slowly shifting to other types of diversity such as age, cultural background and ethnicity, as well as diversity across executive teams.

Percentage of male and female board-nominated director candidates in the S&P/ASX300 (2019-2024)



Shareholder resolutions and Say on Climate

Shareholder resolutions are used by ESG-focused NGOs, such as Market Forces and The Australasian Centre for Corporate Responsibility (ACCR), to seek improved climate disclosures and more ambitious emission targets from major banks and resources companies, sometimes with support from co-sponsoring investors. This approach has created significant stakeholder management challenges for issuers and institutional investors. As illustrated in the chart, the prevalence of climate-related shareholder resolutions declined significantly in 2024, with just four companies receiving climate-related proposals and two receiving nature-related proposals, down from a peak of 21 companies in 2021.

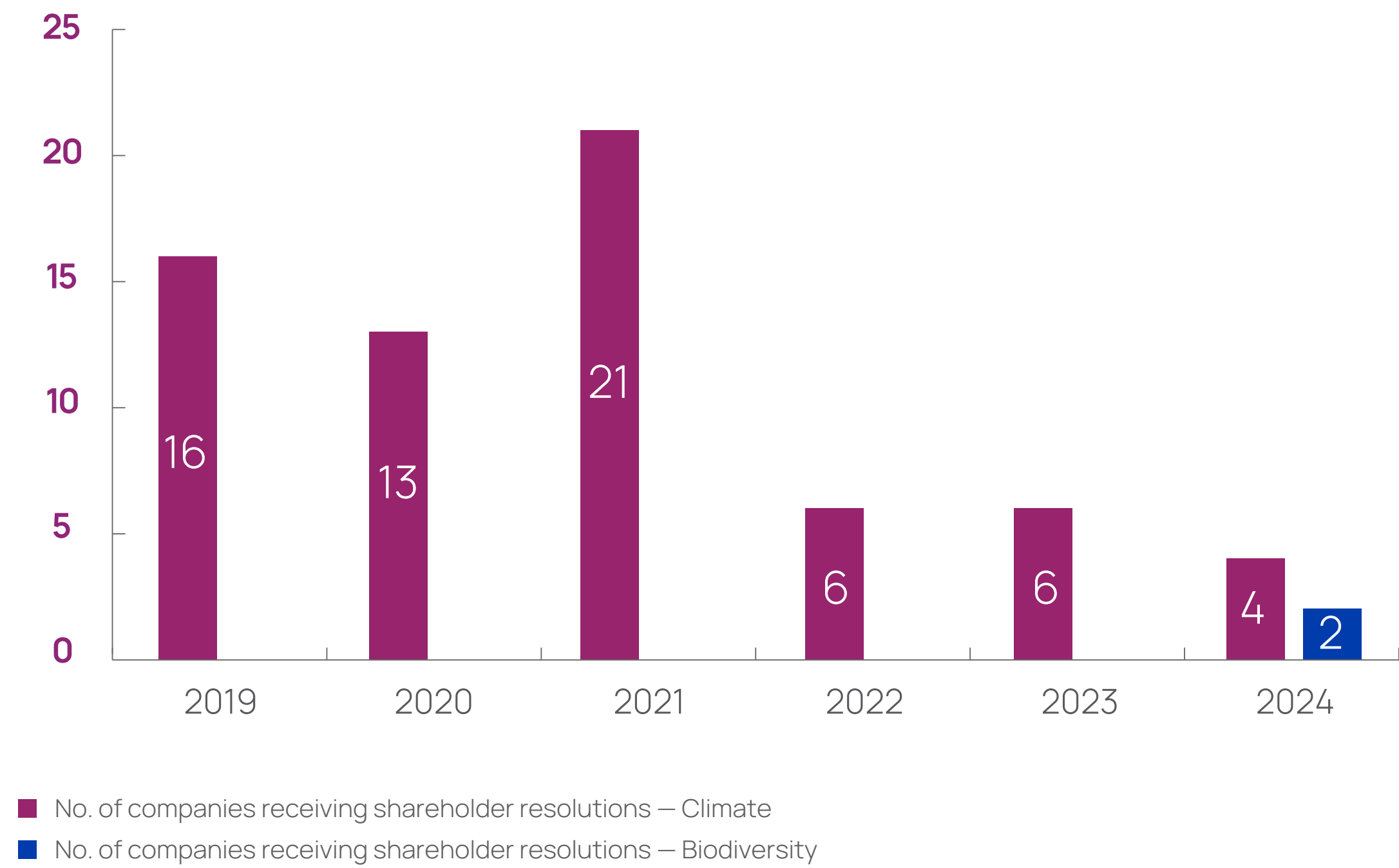
Some reasons for the low incidence of shareholder proposals in Australia include:

- Key challenges in reaching 100 shareholders or 5% of eligible votes and drafting the resolution
- Strict legal constraints, so shareholders must first seek a constitutional amendment (requiring a 75% majority), before the advisory resolution can be considered
- That many investors are disinclined to support constitutional amendments – even if supportive. Of six constitutional amendment resolutions sought in 2024, all were rejected by well over 90%

- A general shift in expressing dissent to more impactful measures such as votes against remuneration reports or re-election of individual directors
- The introduction of mandatory disclosure from 2025 on climate issues
- A changing emphasis of some prominent ESG activists to other jurisdictions, such as Japan

Say on Climate resolutions are management-initiated voting proposals, introduced in 2021, in large part to avoid shareholder-requisitioned proposals seeking very specific or prescriptive outcomes. Companies can explain the progress they are making towards decarbonisation using their own metrics and targets and alignment to global reporting standards. The most common outcome in Australia has been strong majority support, reflecting agreement by shareholders that meaningful improvements have been made in the companies' decarbonisation goals, disclosure practices and progress to date.

Number of S&P/ASX300 companies receiving climate biodiversity-related shareholder proposals (2019-2024)



About us

About Georgeson

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Japan Shareholder Services Ltd. (JSS) was established in autumn 2005 as a joint venture between Mitsubishi UFJ Trust and Banking Corporation, the largest stock transfer agent in Japan, and Computershare Limited (Australia), the world's largest transfer agent with operations expanding around the globe. JSS supports hundreds of Japanese companies' Shareholder/Investor Relations activities with its expertise and knowledge in Capital Markets and Corporate Governance. Our aim is to help building "Win-Win Relationship" between institutional investors and Japanese companies over the long-term. For more information, visit www.jss-ltd.jp

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