

Panel II: Shareholder Engagement

How Fidelity talks to companies

28th May 2019 16:40-18:10

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Head of Engagement

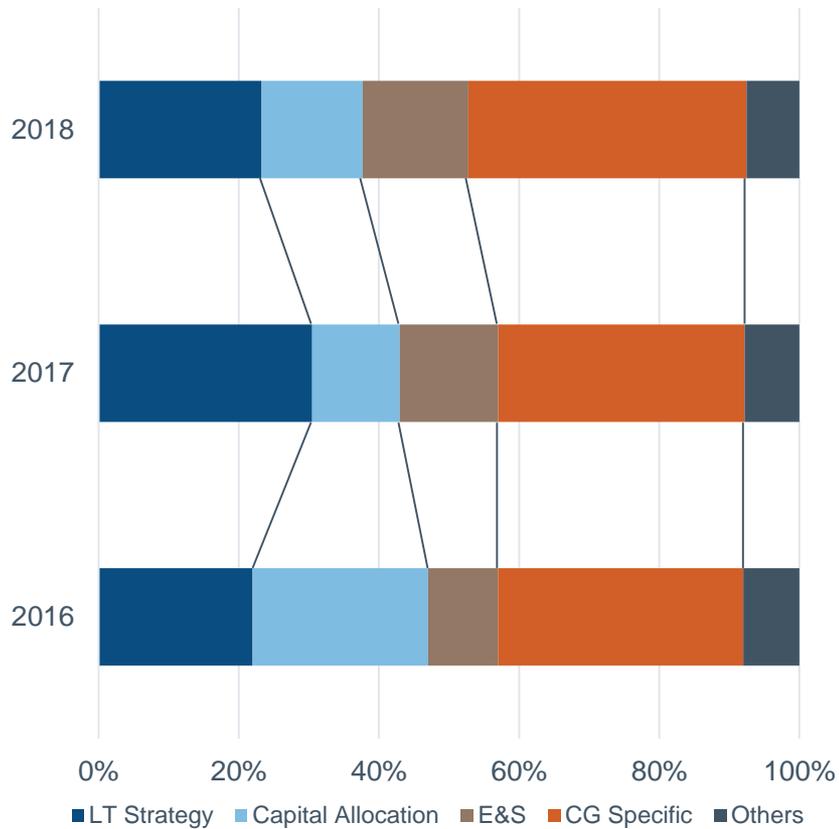
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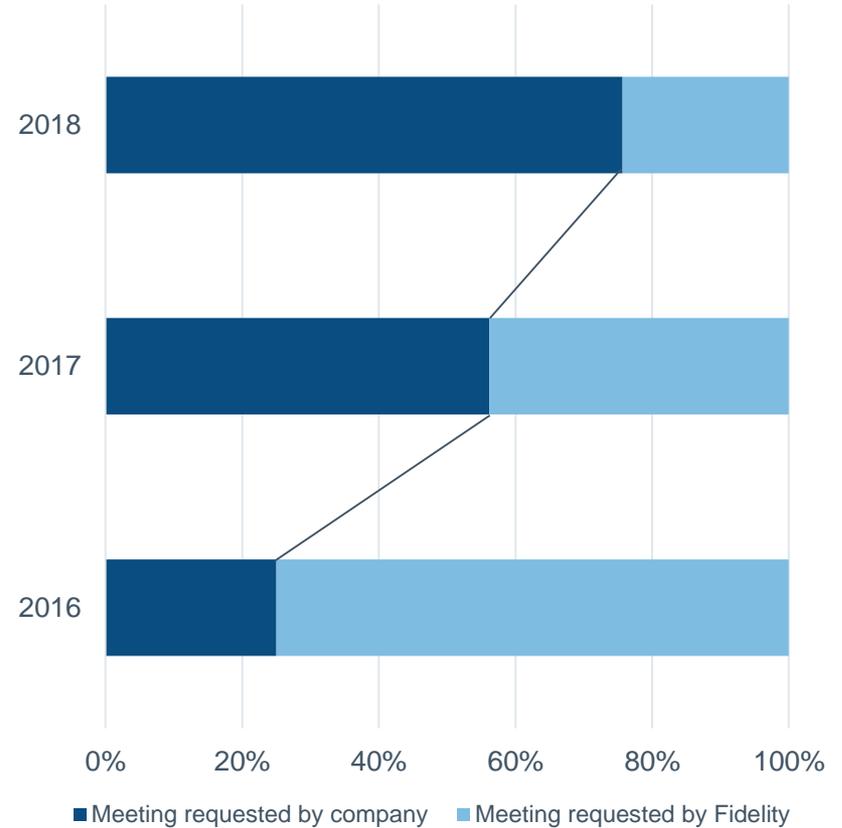
Center on Japanese Economy and Business

Engagement agenda

Engagement Agenda



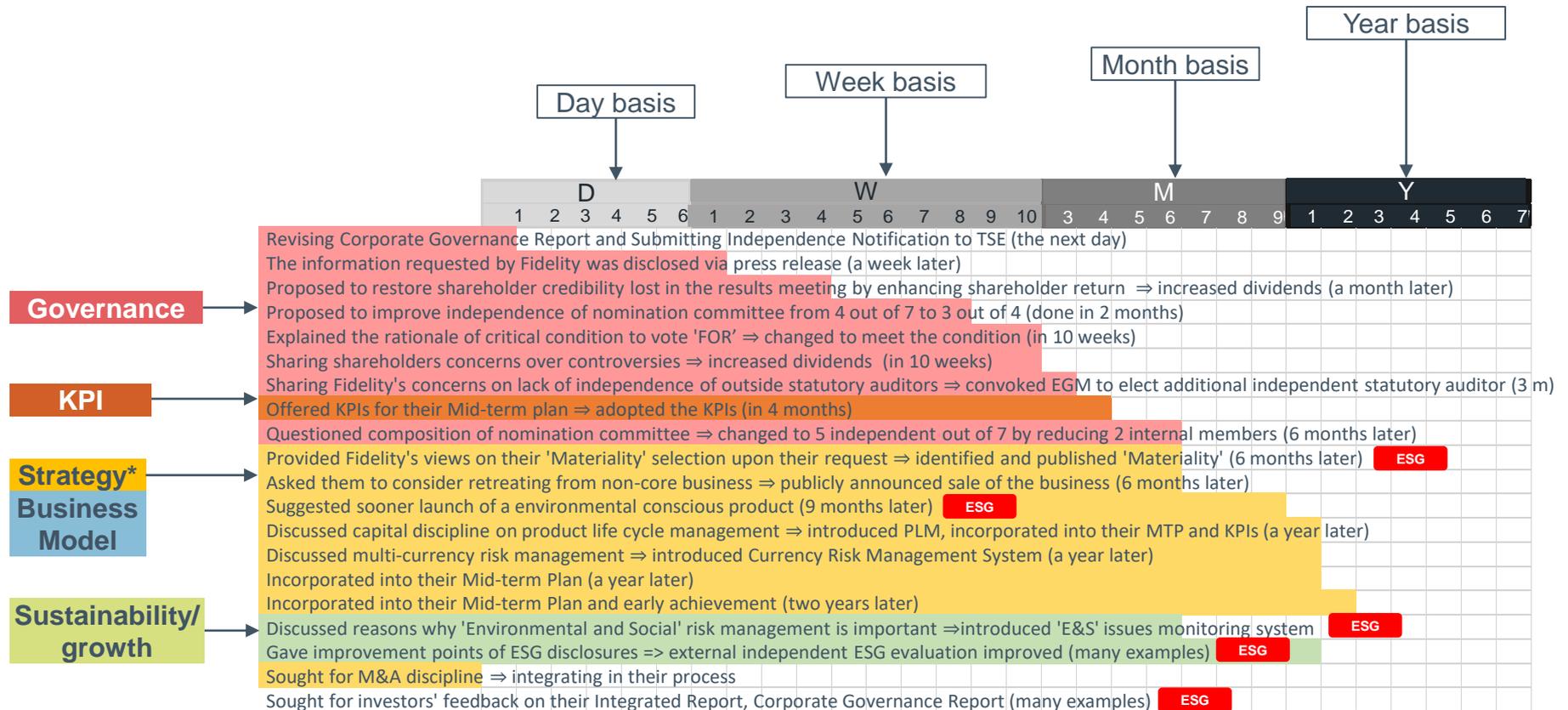
Who does request the meeting



Source: Fidelity International

Engagement time horizon

From our INPUT to their OUTPUT (based on actual examples)



(*) : Engagement success is not measured by meeting mid-term plan goals. Engagement success is measured by implementation based on our 'inputs'.

Source: Fidelity International

From Value Gap to Fair Value

Through promoting 'integrated thinking'

Estimating target company's 'potential' fair value or deviation from its 'reasonable' fair value.

Engagement objective is to improve its value creation power or to close the gap between the market value and its reasonable fair value.

1. Unappreciated Value

When value recognized in the market is far below its reasonable fair value (intrinsic value) for prolonged period, there must be problems of their communication with the market and we provide them with our interpretation for the reasons.

2. Unacceptable Value

When its return of capital is far below its cost of capital for prolonged period, we provide them with our views for the key reasons.

“Value Creation Diagnosis Report”

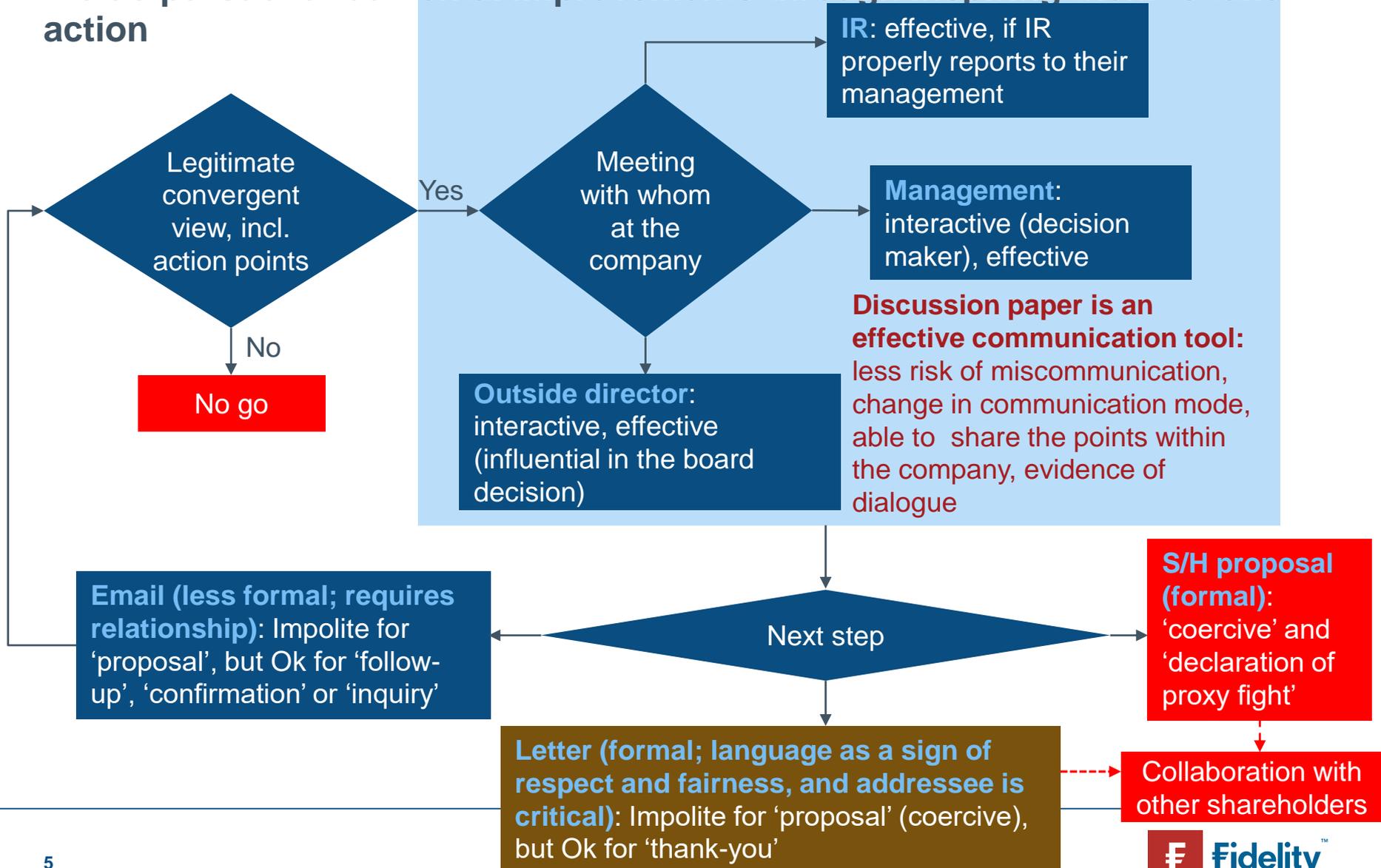
Preparing a ‘discussion paper’ to show evidences, clarify the points and let them review it...



Source: Fidelity International

Effective engagement process and methods

We do pursue fundamental improvements through inspiring them to take action



Fidelity International's Proxy voting policy for Japan

We take our engagement progress into account in proxy voting decisions

Category	FIL Voting Policy
Independence of the Board	<ul style="list-style-type: none"> • AGAINST re-election of top executives: if failed to appoint at least two independent directors • Independence criteria: TSE classification, significant shareholders, major lenders, cross-shareholders
Election / Removal of Outside Directors / Statutory Auditors	<ul style="list-style-type: none"> • AGAINST: if independence criteria is breached; attendance rate is less than 75% or not disclosed
Remuneration of Directors / Statutory Auditors	<ul style="list-style-type: none"> • AGAINST Equity comp: if dilution from all plans exceeds 10%; vesting period of less than 3 year
Allocation of Income	<ul style="list-style-type: none"> • No quantitative criteria for DOE or Payout Ratio
Takeover Defence Plan (Poison Pill)	<ul style="list-style-type: none"> • AGAINST anti-takeover proposals
Amendment of Articles of Incorporation	<ul style="list-style-type: none"> • AGAINST proposals that seek to delegate powers away from shareholders to company management • Generally AGAINST shareholder proposals that overly limit management flexibility
Others	<ul style="list-style-type: none"> • AGAINST proposals that would Not be to promote shareholder value / could lack alignment with the interests of general minority shareholders

Source: Fidelity International

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