

Guidelines for Exercising Shareholders' Voting Rights (Foreign Equities)

(Established on April 1, 2016)

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I General Provisions

1. Objective

The guidelines for exercising voting rights for foreign equities (the "Guidelines") are set forth in accordance with the Investment Guidelines on Adjustment Funds, which are presented to institutions to which the Pension Fund Association for Local Government Officials (the "Association") entrusts the management and administration of its assets ("Entrusted Institutions") so that the Association's opinions as a shareholder will be fully reflected in line with the intent of the corporate governance principles separately established by the Association.

2. Operation

Given that stocks currently held by the Association are all managed by Entrusted Institutions, which are considered to have more opportunities to contact individual companies and thus are more capable of making suitable decisions than the Association based on the standing of the companies, each Entrusted Institution shall, in principle, make specific decisions on exercising voting rights in accordance with the intent of these Guidelines. Entrusted Institutions shall exercise voting rights with respect to investee companies suited to the circumstances of the companies after understanding the purpose of the Guidelines and considering the details of engagement, instead of exercising voting rights in a one-size-fits-all manner.

However, if an Entrusted Institution has a concern about possible conflicts of interest in exercising voting rights, the Entrusted Institution shall establish a policy to avoid such conflicts of interest. In addition, in cases in which the Association entrusts stock lending transactions to an Entrusted Institution, the Entrusted Institution shall manage the number of shares that can be lent so that the voting rights will be secured to a certain extent.

If the Association determines that voting in a unified manner is required, it will provide Entrusted Institutions with specific instructions on exercising voting rights to individual companies.

The Association shall request Entrusted Institutions to report on their corporate governance-related actions, such as the status of exercising voting rights, which the Association will leverage when providing instructions in the subsequent fiscal years and consider when evaluating the Entrusted Institutions.

The Association believes that it is necessary to enhance the transparency of business execution by companies. Therefore, the Association requests that each company actively disclose information and engage in dialogues with shareholders and investors and expects Entrusted Institutions to take advantage of such opportunities to make decisions appropriate for each company.

The Association expects investee companies to be managed in a way that contributes to long-term shareholder value and Entrusted Institutions should call for management needed for enhancing shareholder value. In doing so, instead of unilaterally exercising voting rights, Entrusted Institutions should share the recognition of problems and other issues with the companies through various means, including explaining the views underlying their judgement on the exercise of voting rights before or after the exercise of voting rights and conduct the exercise of voting rights and engagement in an integrated manner (engagement with companies before general meetings of shareholders and companies' feedback concerning the results of the exercise of voting rights).

As the exercise of voting rights is an important means to sufficiently reflect the opinions of the Association as a shareholder in investee companies' management, Entrusted Institutions shall continue efforts to enhance the effectiveness of this activity. To this end, Entrusted Institutions should enhance the effectiveness of this activity in relation to the exercise of voting rights by developing and using a PDCA cycle in consideration of the viewpoints of other divisions and third-party entities.

While the Association respects the corporate governance systems of investee countries and markets, these Guidelines set forth approaches to the exercising of voting rights with respect to general matters asked for by the Association as an investor.

The non-exercise of voting rights shall not be taken as a general rule; however, this shall not necessarily preclude any Entrusted Institution from deciding non-exercise if the Entrusted Institution determines that exercising of voting rights will bring restrictions on its investments or is difficult in practice.

II Voting Standards

1. Structure of the board of directors and election of directors

We make negative decisions about electing directors who are not independent directors in cases where independent directors do not constitute the majority of members of the board of directors, except for the following cases:

- a sufficient explanation is provided to the effect that it is not appropriate to make independent directors constitute the majority of the board of directors; and
- it is considered not reasonable to make independent directors constitute the majority of the board of directors, taking into consideration the circumstances of the market on which the company is listed.

We make positive decisions for the division of duties between the CEO and the chairperson of the board of directors.

As a general rule, we vote for the election of directors, excluding where, after requiring sufficient disclosure of information, including that stipulated under laws and regulations, in order to determine that candidates are appropriate and proper, the candidate is considered not suitable.

We request sufficient explanations on the involvement of the board of directors in response to irregularities and determine the election of directors individually.

As a general rule, we vote for the election of independent directors unless the candidate is determined to be unsuitable after evaluating whether the candidate is capable of making determination from a standpoint independent

from the company.

2. Directors' remuneration

With respect to remuneration for executive directors, including share-based remuneration, if the remuneration scheme can be regarded to effectively incentivize directors to maximize corporate profits and increase shareholder value over the long term, we vote for the proposal in principle unless it would encourage eligible directors to take excessive business risks or would have an unreasonable adverse impact on the interests of existing shareholders.

Remuneration levels are judged based on, among other factors, whether they are adequately balanced with corporate profits and reasonable when compared with competitors.

3. Others

Any matters not provided above, including capital policy, change of articles of incorporation, measures against hostile takeover, and shareholder proposals, shall be judged on an individual basis from the standpoint of the improvement of shareholder value in the long-term or prevention of deterioration in shareholder value.

[DISCLAIMER]

When there are any discrepancies between the original Japanese version and the English translation version, the original Japanese version shall prevail.