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Corporate Accounting and Disclosure Division,
Planning and Coordination Bureau,
Financial Services Agency
3-2-1 Kasumigaseki Chiyodaku
Chiyoda-ku Tokyo, Japan 100-8967

RE: Revisions to the Principles for Responsible Institutional Investors <<Japan's Stewardship Code>>

Dear Council of Experts on the Stewardship Code:

Thank you for the opportunity to comment on the revisions to the Principles for Responsible Institutional Investors <<Japan's Stewardship Code>> (the "Code"). As a proxy advisor, not all of the proposed revisions to the Code or the questions posed by the Council of Experts on the Stewardship Code (the "Council") are directly relevant to Glass Lewis. However, we support the ongoing enhancement of the Code and the Council's overall emphasis on transparent disclosure and cooperative engagement. In particular, Glass Lewis welcomes the new guidance provided for proxy advisors in Principle 8, and we appreciate the opportunity to respond to Question 5-1.

Founded in 2003, Glass Lewis is a leading, independent governance services firm that provides proxy research and vote management services to more than 1,300 clients throughout the world. While, for the most part, institutional investor clients use Glass Lewis research to help them make proxy voting decisions, they also use Glass Lewis research when engaging with companies before and after shareholder meetings. Through Glass Lewis' web-based vote management system, Viewpoint, Glass Lewis also provides investor clients with the means to receive, reconcile and vote ballots according to custom voting guidelines and record-keep, audit, report and disclose their proxy votes.

From its offices in North America, Europe, Australia and Japan, Glass Lewis provides research and voting services to institutional investors globally that collectively manage more than US\$35 trillion. Glass Lewis is a portfolio company of the Ontario Teachers' Pension Plan Board ("OTPP") and Alberta Investment Management Corp. ("AIMCo"). Glass Lewis operates as an independent company separate from OTPP and AIMCo. Neither OTPP nor AIMCO is involved in the day-to-day management of Glass Lewis' business. Moreover, Glass Lewis excludes OTPP and AIMCo from any involvement in the formulation and implementation of its proxy voting policies and guidelines, and in the determination of voting recommendations for specific shareholder meetings.



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Below please find Glass Lewis' comments on your specific questions:

Question 5-1.

“What do you think about the creation of the new Principle 8, concerning “service providers for institutional investors”, which requests that service providers for institutional investors develop structures for conflicts of interest management etc. (Guidance 8-1), and that proxy advisors develop human and operational resources as well as disclose their voting recommendation process (including the resources) (Guidance 8-2) and exchange views actively with companies upon necessity (Guidance 8-3)? And why do you think so?”

As a proxy advisor, Glass Lewis supports the creation of Principle 8. We recognize that the entire market benefits when service providers avoid conflicts and promote transparency, accuracy and active engagement, and we welcome the Council's attention to this area. Glass Lewis has spent a lot of time and effort throughout the years to develop policies and procedures, as well as to dedicate resources on initiatives to deal with these very topics. We appreciate the opportunity to share our approach and our experiences, which we believe may provide relevant context to this discussion. We will also highlight areas where we have some concerns regarding the specific guidance that has been proposed. Our thoughts are set out below.

Guidance 8-1

“The service providers for institutional investors including proxy advisors and investment consultants for pensions should identify specific circumstances that may give rise to conflicts of interest, put in place a clear policy how to manage them effectively, develop structures for conflicts of interest management, and disclose such measures.”

Glass Lewis supports Guidance 8-1 and recognizes the need for service providers, such as proxy advisors, to develop and disclose structures for managing conflicts of interest. In fact, Glass Lewis has always differentiated itself by its commitment to conflict avoidance, transparency and best practice. Glass Lewis was founded on the principle of avoiding conflicts to the maximum extent possible.

Where potential conflicts of interest cannot be avoided, Glass Lewis provides specific and prominent disclosure describing the nature of such conflict on the cover of the relevant Glass Lewis research report. This allows clients to review potential conflicts at the same time as they review Glass Lewis' research, analysis and voting recommendations. In addition, Glass Lewis is able to provide summaries of reported conflicts to clients who wish to monitor more closely potential conflicts specific to their holdings or certain types of activities.

More generally, Glass Lewis maintains strict policies, which are reviewed and revised annually, governing personal, business and organizational relationships that may present a conflict in independently evaluating companies. Our [Conflict of Interest Statement](#), together with the [Policies and Procedures for Managing and Disclosing Conflicts of Interest](#), as well as the [Glass Lewis Statement of Compliance to the Best Practice Principles for Providers of](#)



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[Shareholder Voting Research & Analysis](#), describe in detail how Glass Lewis avoids, manages and discloses potential conflicts of interest, such as those arising from the ownership of Glass Lewis, from having investment manager affiliates of public companies and shareholder proponents as clients, as well as other individual and firm conflicts.

Guidance 8-2

“The proxy advisors should develop appropriate and sufficient human and operational resources, including setting up a business establishment in Japan in order to provide asset managers with proxy recommendations based on accurate information on individual companies, and specifically disclose the voting recommendation process including the above mentioned to assure transparency.”

Resources and Local Presence

Glass Lewis supports Guidance 8-2 and recognizes the need for proxy advisors to dedicate sufficient human and operational resources to the important support role they play in helping institutional investors meet their fiduciary responsibility to vote thousands of securities in an informed manner, usually in a very compressed timeframe.

In fact, Glass Lewis employs a global team of over 380 professionals with relevant and diverse experience and education. All Glass Lewis analysts have at least a bachelor’s degree in a relevant field while many Glass Lewis executives, senior managers and senior analysts have advanced degrees and/or professional experience in relevant disciplines such as law, business, public policy, finance and accounting. The research group includes professionals who collectively speak over 25 languages. Glass Lewis’ global perspective is further informed by the unique talents and experience of Glass Lewis’ Research Advisory Council. Further, Glass Lewis’ research and analysis leverages state-of-the-art technology to promote the efficiency, thoroughness and auditability of its analysis, review and feedback processes.

As it relates to the requirement for proxy advisors to have a local presence within Japan, Glass Lewis has some reservations. While, just this month, Glass Lewis announced the opening of a new, full-service office in Tokyo, Japan, which is expected to house research, client service and custom policy team members, we recognize that setting up an establishment is not always feasible and presents its set of challenges. Moreover, for example, if other countries within a proxy advisor’s coverage universe were to mandate the same request, it would be challenging for proxy advisors to justify opening and maintain so many offices all over the world.

In our view, the ability of a proxy advisor to provide accurate proxy research should not be conditioned on whether or not the proxy advisor has a business establishment in Japan. By way of example, during 2019, Glass Lewis’ Japanese team, comprising approximately 30 individuals working out of three offices (San Francisco, Sydney and a “pop-up” location in Tokyo), produced 2,626 research reports on a nearly 24-hour cycle during its proxy season. Moreover, Glass Lewis recognizes the importance of building relationships with the companies that we cover, as well as with other stakeholders in the investment and proxy



voting chain. As such, while our permanent operations have historically been based outside of Japan, over the years Glass Lewis has nonetheless developed an extensive outreach and engagement program within Japan. Our analysts and staff participated in in-person meetings and teleconferences with 84 Japanese companies in 2019, discussing their financial performance, corporate governance practices and/or specific topics such as an impending M&A transaction. And for the past three years Glass Lewis has conducted an annual issuer survey to gain a better understanding of how Japanese companies view the current corporate governance climate, and to further our understanding around topics such as gender diversity, director remuneration and cross-shareholding. The 2019 survey received responses from 471 companies listed on the Tokyo Stock Exchange.

Ultimately, after evaluating our resourcing demands, the evolving trends of the market, our coverage universe and the engagement demands of our prospects and clients, it was our decision to open an office in Tokyo. However, we strongly believe that the decision on whether or not to open and maintain an office in a particular jurisdiction should be up to the proxy advisor.

Disclosure of Methodologies and Processes

Glass Lewis also supports the disclosure of the processes proxy advisors use in relation to the collection of accurate information and the formulation of their vote recommendations.

Glass Lewis is a firm believer of being transparent when it comes to the disclosure of its methodologies and steps it takes when analyzing each proposal for which it issues vote recommendations. Glass Lewis' [Proxy Paper Guidelines](#) are publicly available on our website, and investment advisers are encouraged to participate in our annual guideline review and development process. Glass Lewis' research reports also contain additional discussion of Glass Lewis' policies and any unique circumstances at the issuer that lead to each recommendation.

As it relates to Japan, we also publicly disclose our full Japan guidelines, in both [English](#) and [Japanese](#), on our public website. The disclosure describes Glass Lewis' case-by-case approach to analyzing issues submitted for shareholder vote at company shareholder meetings and notes our belief that each company should be evaluated based on its own unique facts and circumstances, including performance, size, maturity, governance structure, responsiveness to shareholders, domicile and stock exchange listing.

For example, Glass Lewis tailors its approach to each country's relevant regulations, practices and corporate governance codes and consults with Glass Lewis' Research Advisory Council, an independent external group of prominent industry experts, to ensure Glass Lewis' proxy voting policies are comprehensive, well-reasoned and reflective of current global governance and regulatory practices and developments. In addition, Glass Lewis engages and maintains an ongoing dialogue with a wide range of market participants – investors and companies alike – actively participates in panels, working groups and industry

conferences, and revises and enhances its methodologies, at least annually, in response to regulatory developments, market practices and issuer trends.

[Glass Lewis' Statement of Compliance to the Best Practice Principles for Providers of Shareholder Voting Research & Analysis](#) contains substantially more information about our research approach and methods, including statistics on voting recommendations in conflicted situations or when a client is a shareholder proponent. This document also outlines how Glass Lewis develops its proxy voting policies. Additional information, including an overview of Glass Lewis' engagement and compensation policies, is available on the [Issuer Portal](#) of our website.

Guidance 8-3

“The proxy advisors, in providing proxy recommendations, should not only rely on the disclosed information of companies, but exchange views actively with companies upon necessity. When a subject company for the recommendation requests, it is considered to contribute to secure accuracy of the information based on the recommendation and transparency that the proxy advisors provide the company with an opportunity to confirm whether such information is accurate, etc., and provide the submitted opinion of the company to its clients together with the recommendation.”

Glass Lewis supports Guidance 8-3 and recognizes the need for proxy advisors to not only engage with their investor clients but to also provide companies with the opportunity to be heard at different stages of the proxy research process.

Glass Lewis believes companies are entitled to a fair, objective and independent assessment. Therefore, Glass Lewis engages with companies and other non-client third parties in a number of ways. For example, in recent years, Glass Lewis has implemented processes and procedures that enable public companies to understand Glass Lewis' policies and methodologies and provide input to Glass Lewis, including:

- Glass Lewis offers the [Issuer Data Report](#) (IDR) program to allow companies to obtain a free, data-only version of the report for their review and comment prior to Glass Lewis completing and publishing the final version of its analysis to investor clients. More than 1,000 companies currently participate in the IDR process every year;¹

¹ Glass Lewis first offered to Japan-listed companies in 2018. Through the IDR program, an issuer can receive the draft, facts-only version of the Glass Lewis report regarding their annual company meeting, which contains the underlying data points for key proposals. The issuer has a 48-hour window to review and comment on the data points, helping to ensure the report is correct and up to date. In order to participate, issuers must disclose relevant meeting materials at least 28 days before the meeting; this deadline is in place to ensure that Glass Lewis has sufficient time to review any suggested corrections and submit research to our clients in advance of their internal deadlines.



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- Glass Lewis has an open-door policy for engaging with companies – for free – outside of the solicitation period. In 2019, Glass Lewis conducted direct engagements with over 80 Japanese companies; and
- Glass Lewis recently launched the [Report Feedback Statement](#) (RFS) service, in the U.S., Australia and Europe, to allow public companies and shareholder proposal proponents – the subjects of Glass Lewis’ research – to submit feedback about the analysis of their proposals, and have comments delivered directly to Glass Lewis’ investor clients.²

Based on the foregoing, it is evident that Glass Lewis recognizes the value of engagement between proxy advisors and companies, as well as the importance of ensuring that proxy votes are based on accurate information. However, Glass Lewis strongly believes its research and recommendations should be based exclusively on publicly available information. This position allows for objective analysis, and encourages companies to provide their investors with clear and comprehensive disclosure. Moreover, in our view, allowing companies to review the finished work product of a proxy advisor (i.e. analyses and vote recommendations) before it is distributed to its investor clients would not only be extremely challenging during the peak proxy season but would also place serious constraints on the proxy advisor’s time to research and write its reports and on the already compressed timeframe their clients have to digest these materials.

Glass Lewis believes that by providing the facts underlying the report, through a program like Glass Lewis’ IDR program, the proxy advisor can obtain the benefit of company review without compromising the independence of its advice or inviting time-consuming and unproductive debates about the proxy advisor’s methodology or what result that methodology should lead to in the context of a particular recommendation.

As for the idea that a proxy advisor should allow companies to include their opinion on its research prior to it being published to its clients, we feel strongly that this would be an unwarranted intrusion into the relationship between the proxy advisor and its clients. Glass Lewis believes that allowing companies to provide their feedback after the research has been made available to the proxy advisor’s clients, through a service similar to Glass Lewis’ RFS service, would provide a more timely opportunity for companies to get the attention of the individuals actually making the voting decisions, without compromising the independence of the research that is being produced.

Finally, in order to ensure the data Glass Lewis uses in the formulation of its proxy research reports is complete and factually correct, Glass Lewis has an [Issuer Portal](#) on its public website designed specifically for the issuer community. Through this portal, public companies, their directors and advisors can, among other things: (i) submit company filings or supplementary publicly-available information; and (ii) report a purported factual error or

² Glass Lewis has not yet launched the RFS service in Japan given the highly compressed timeframes that take place during the Japanese proxy season. Glass Lewis will continue to assess how it can extend this service to companies in Japan and other markets with similar time constraints.



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omission in a research report, the receipt of which is acknowledged immediately by Glass Lewis, then reviewed, tracked and dealt with internally prior to responding to the company in a timely manner.

When Glass Lewis is notified of a purported factual error or omission after a report has been published, we immediately review the report and, if there is a reasonable likelihood the report will require revision, we remove the report from its published status so that no additional clients can access it. If a report is updated to reflect any new publicly-available disclosures by the issuer or the correction of a factual error, Glass Lewis notifies all clients that accessed the report or have corresponding ballots, regardless of whether the update affected any recommendations. There is no deadline for notification of a purported factual error or omission. Additionally, the exact nature of the report's updates and revisions are clearly described in the republished report. If an issuer notifies Glass Lewis of a relevant purported factual error or omission in a report, Glass Lewis' research team will respond and address the issuer's comments and/or questions. Glass Lewis is committed to ensuring its research reports contain accurate information.

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Thank you in advance for your consideration and please do not hesitate to contact us if you would like to discuss any aspect of our submission in more detail.

Respectfully submitted,

Sincerely,
Nichol Garzon-Mitchell
Senior Vice President, General Counsel