

# **Alma Capital Investment Management's statement with regard to Japan's Stewardship Code**

## **Introduction**

« Japan's Stewardship Code », first proposed in 2012 and then published in 2014 by the Financial Services Agency (FSA) of the Japanese Government, created guidelines that would encourage investors to promote the sustainable growth of Japanese listed companies through responsible investment and dialogue. The latest rendition of the code was published by the FSA on 24th March, 2020.

According to the code, « Stewardship Responsibilities » are mostly aimed at institutional investors to enhance the long term return on investment for their clients and beneficiaries by improving and fostering the investee companies' sustainable growth through constructive engagement via in-depth knowledge of the companies and their business environment. It directly instructs investors to consider ESG factors as an integral part of their investment strategy.

The code defines seven such regulatory principles that help investors to fulfill their stewardship responsibilities and establish fiduciary duties on behalf of their clients, beneficiaries and the investee companies.

However, the code employs a « Soft-Law Approach » whereby it should not be treated as a legally binding covenant which allows institutional investors to interfere with the finer points of managerial matters in investee companies.

**Principle 1:** Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.

### **Alma Approach:**

- Alma Capital strives to disclose its adherence to Japan's Stewardship Code, ESG Integration and UNPRI on its website, thereby demonstrating alignment to the aforementioned principle.
- As part of the Stewardship responsibilities, Alma Capital seeks to invest in companies with a sustainable growth horizon based on rigorous bottom up research and a consistent investment process.

**Principle 2:** Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

### **Alma Approach:**

- Alma Capital Investment Management is an independent asset management company, the majority of which is owned by its management team. Alma Capital's focus has always been « Client-Centric » and therefore we maintain a strict policy describing our approach to conflict of interest. The Policy guidelines are disclosed on our website.

**Principle 3:** Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

### **Alma Approach :**

- Alma Capital performs due-diligence on investee companies as part of the fundamental research & monitoring of the portfolio, taking into consideration a wide variety of factors that affect potential corporate value.

- Alma Capital initiates & maintains ongoing dialogue with investee companies in order to stay abreast with developments on various fronts including growth and investment plans as well as capital and ESG policies.
- We believe that good practices including strong corporate governance are instrumental in a company's long term growth & stock performance which in turn is beneficial for our clients.

**Principle 4:** Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies

**Alma Approach:**

- Alma Capital initiates direct engagements with their investee companies by maintaining an ongoing dialogue with management in order to not only assist them in their long-term growth vision but also to help safeguard our shareholders' economic interest.
- We believe that such regular constructive engagement with investee companies carried out as part of the ongoing research process is an important input that helps shape the attitude of the management towards the various challenges that they face.

**Principle 5:** Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

**Alma Approach:**

- While Proxy Voting guidelines are in place to ensure that the stewardship guidelines are upheld the managers of the portfolio consider each vote on its own merits and will always vote to ensure the long term benefit of the investee companies and in turn, our clients.

**Principle 6:** Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

**Alma Approach:**

- Alma Capital aims to maintain records of all proxy voting activities and outcomes so that voting related activities and updates to proxy voting guidelines can be disclosed & communicated to our clients and beneficiaries upon request.

**Principle 7:** To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.

**Alma Approach:**

- The Alma Capital investment process is based on detailed bottom up fundamental research and necessitates a deep understanding of the investee companies' business structure, operating environment and management policy. This is also the knowledge required to be able to constructively engage with the companies and make proper judgments in fulfilling our stewardship activities.