

WATCHING FOR CHANGES IN JAPANESE GOVERNANCE

Japanese stewardship code put to the test in AGM season

In [Insights 96](#) we noted that Japan's corporate governance approach – a shareholder-centric model – may be changing company behavior in Japan. To date, Japan's tactics for encouraging good corporate governance have included rewarding companies generating the highest return on equity. Approximately 130 institutions have adopted a new governance code to increase engagement with companies in which they own shares.

However, nearly one-third of companies listed in

Japan have missed this 5 percent ROE target set by the code. Some fund managers say they will consider voting against [annual meeting proposals](#) for any company whose ROE is lower than 5 percent. CLSA strategist Nicholas Smith says that Japanese companies will need to justify actions to shareholders. Japan's biggest pool of untapped, wasted capital, he says, is not the company cash piles but the cross-shareholdings. So, are shareholders going to benefit? We're waiting and watching.

[READ MORE](#) (*subscription required*)

UK PENSIONS VOTE ON COMPLY-OR-EXPLAIN ESG POLICY

AMNT supports 'Red-Line' principles, guidelines for voting at corporate AGMs

This week Trustees at several UK pension funds with a combined USD 548bn voted to adopt a comply-or-explain policy for fund managers on ESG voting at AGMs, referred to the '[Red Line](#)' principles. The Association of Member Nominated Trustees (AMNT), a non-profit that works with UK pension plan boards, voted overwhelmingly to support the policy at its annual conference this week.

Janice Turner, Co-Chair of the AMNT, who is also a member of the Department for Work and Pensions Trustees Panel and the Actuarial Users' Committee of the Financial Reporting Council, spoke about the importance of good corporate governance at the conference: "The fact is that a growing number of trustees are no longer willing to just sit there watching the value of their investments slide, as big companies are caught fixing Libor rates, accidentally misreporting their revenues and a catalogue of other scandals, and unable to have any say over those companies' governance. This has to change"

THIS WEEK IN NUMBERS

800

is the latest reported death toll in Karachi, Pakistan as temperatures reach 113°F / 45°C during Ramadan.

95

percent reduction in water use has been achieved by adopting 'vertical' farming.

70

percent is the forecasted shareholding that the UK Government may sell in its wholly-owned Green Investment Bank.

35.8

million people worldwide are estimated to be victims of modern-day slavery according to the [Walk Free Foundation](#).

15

trillion Won is the stimulus package announced by the South Korean Finance Ministry to cushion the impact of Middle East Respiratory Syndrome (MERS).

8.6

million people in 32 London boroughs were part of a study into the link between noise pollution and early death.

6.6

trillion US Dollars is the price tag put on China's expenditure to meet greenhouse gas reductions.

JUDGE: DUTCH GOVERNMENT MUST DO MORE TO COMBAT CLIMATE CHANGE

In [Insights 90](#) we wrote that The U.K.'s next government is being ordered by the nation's Supreme Court to put [air pollution](#) at the top of its agenda after the courts sided with environmental groups. In a similar vein, a Dutch court ruled this week The Netherlands must do more to combat the threat of climate change.

The court ruled that Dutch Government's current plan to [reduce emissions](#) by 17 percent by 2020 was less than the 25-40 percent international norm for industrialized nations. The judge ruled that the country needs to reduce emissions by at least 25 percent of 1990 levels by 2020.

WORD OF THE WEEK

FLOATOVOLATICS

Two-thirds of the earth's surface is covered by water. Solar panels are becoming more efficient. Will "floatovoltaics" become the next big thing?

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CALM AT SEA – SIGNS OF COOPERATION?

What is the link between ecosystem services and the economy? A recent study by [environmental economists](#) calculated that expanding marine protected areas (MPAs) to cover 30 percent of the ocean could increase their economic benefits to a total of USD 490-920 bn to 2050.

Meanwhile, we've seen more cooperation on this issue. Although the U.S. and China disagree about maritime security in the South China Sea, the two countries are stepping up cooperation on preserving the ocean and combating illegal fishing in the North Pacific. [READ MORE](#)

WHAT WE'RE READING THIS WEEK



A New Climate for Peace: Taking Action on Climate and Fragility Risks. An independent report commissioned by the G7 members [\(link\)](#)

SWEDEN, NORWAY, CALIFORNIA EXPLORE NEW ESG CRITERIA

The [Swedish government](#) plans to restructure its pension system to require legally that funds invest sustainably. Until now, the five pension schemes have been investing sustainably on a voluntary basis. Now they will be required to do so legally. Meanwhile, [Norges Bank Investment Management](#) will be asked to adhere to particular

human rights expectations.

Lastly, this week a bill passed to require [California's state pension funds](#) Calpers and CalSTRS to sell their investments in companies that generate at least half their revenue from coal mining.

BELIEVE IT OR NOT

Scientists hope that studying surfers' fecal matter will provide insight into local water pollution.

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