

Asset Value Investors Limited Japan Stewardship Code (December 2022)

The Japan Financial Services Authority (“FSA”), Japan’s independent regulator, published the “Principles for Responsible Institutional Investors” (the “Japan Stewardship Code” or the “Code”) in February 2014 and issued a revised Code in May 2017 and again in March 2020.

The Japan Stewardship Code seeks to promote sustainable growth of companies through investment and dialogue. The stewardship principles set out in the Japan Stewardship Code reflect the responsibility of institutional investors to engage constructively with invested companies with the aim of enhancing medium to long-term investment returns for their clients and beneficiaries by improving and fostering the investee companies’ corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment and consideration of sustainability (medium to long-term sustainability including ESG factors) consistent with their investment management strategies.

The Japan Stewardship Code reflects the roles of a company’s Board of Directors and of its institutional investors in ensuring high standards of corporate governance – stewardship activities of the institutional investor include proper monitoring of the investee companies and constructive engagement with them done to discharge the stewardship responsibilities to foster sustainable growth of the companies. The Japan Stewardship Code provides a framework for good practices in engaging with investee companies, and defines principles considered helpful to institutional investors in fulfilling their stewardship responsibilities with due regard to both their clients and to investee companies.

Asset Value Investors Limited (the “Firm”) is a London-based investment manager currently authorised and regulated by the UK Financial Conduct Authority (“FCA”). The Firm is also a registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”). The Firm currently manages approximately US\$1.5bn across several comingled investment funds and several managed accounts.

The Firm is predominantly an owner-managed business and employs a total of 18 staff and has 2 non-executive directors.

In accordance with the Japan Stewardship Code’s requirements, we hereby disclose how the Firm implements the principles contained therein.

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

Our primary stewardship objective is to maximise shareholder value by securing good corporate performance. We aim to protect this value by ensuring that our investee companies operate within principles of good corporate governance. Sustainability factors, including social and environmental consequences of corporate activity, are increasingly important to some of our clients and are in any event important in determining the creation and maximisation of shareholder value over the long term.

Our stewardship objectives are met by:

- ensuring that, for all investee companies, all proxies are received, considered and voted on;
- preparing detailed research notes on investee companies prior to investing, making appropriate due diligence enquiries of investee companies prior to investing, having an active dialogue with management of investee companies where we have a material and long-term interest and where we are able to influence management; and
- assessing the quality of investee company management, including their governance arrangements e.g. board and committee composition.

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.

As the Firm is predominantly owner-managed, the interests of senior management are firmly aligned with those of the Firm as a whole. This helps to ensure that senior management act in the best interest of the Firm's clients at all times to safeguard the longevity of the business.

We may have a conflict of interest that affects how we vote on behalf of a client. Irrespective of the specific issue, votes are only cast in the best interest of the client that 'owns' the vote. For this reason, we will not vote shares in one client's account in a manner designed to benefit or accommodate any other client or ourselves.

If a material conflict exists, we will determine whether voting in accordance with our standard policies is in the best interests of each client. We will also determine whether it is appropriate to disclose the conflict to the affected clients and give them the opportunity to vote their proxies themselves.

We maintain a Conflicts of Interest Policy which includes a Register of Conflicts. A copy of our policy is available on request

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.

We aim to have an active dialogue with the management of all investee companies where we have a material and long-term interest and where we are able to influence management. This dialogue ensures that we are as fully informed of any developments concerning the company as possible.

As part of this on-going dialogue, we:

- seek to satisfy ourselves that the investee company's board and committee structures are effective and that independent directors provide adequate oversight;
- maintain records of meetings held with companies and record proxy votes cast including the reasons for voting in contentious situations; and

- continually monitor the activities of investee companies and update research notes and due diligence records accordingly for discussion at regular investment team meetings

We endeavour to identify problems at an early stage to minimise any loss of shareholder value. If we have concerns we may raise them with the investee company's board unless we consider it to be in our clients' best interests to sell the position.

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.

We aim to have an active dialogue with management of all investee companies where we have a material and long term interest, including on issues relating to sustainability. This dialogue enables us to influence the decisions of management, either on a passive basis (engaging with management on the decisions they wish to pass at general meetings) or on an active basis (encouraging management to take action which we believe to be in the best interests of shareholders).

We are always prepared to discuss company affairs with management and, as a responsible shareholder, actively pursue any matters of concern. We seek urgent dialogue with a company's management in cases where concerns over strategy, performance or governance might threaten shareholder value.

In cases where a board is not responsive, we will consider further active involvement, including, where appropriate:

- meeting directors, including non-executives;
- making joint representations with other institutions to effect board change;
- using our voting power to oppose the board; and
- selling the shares

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.

We may consider that collaboration with other investors is the most effective manner in which to actively engage with management of an investee company (for example, if we have concerns over management's current strategy or their ability to improve performance or address governance issues, especially if management is resistant to change). We will join shareholder groups where we consider it appropriate to do so having due regard to applicable regulations and codes, for example the Market Abuse Directive and the Takeover Code. The Firm's Chief Investment Officer, Mr Joseph Bauernfreund, is the best point of contact for any related enquiries.

We have established Corporate Governance Guidelines setting out our general approach to certain issues and these are applied consistently for all clients where proxy voting authority has been granted to us. Our approach is deliberately flexible in order to permit divergence from these guidelines where we believe it is in our clients' best interests to do so.

As part of our active dialogue with management, it is our general policy to inform investee companies where we have a material percentage interest in advance of all instances when we intend to vote against or abstain on any resolution proposed by the directors at a general meeting. We do not automatically support the boards of our investee companies.

On client request, we provide the following information to our clients of the proxy votes cast:

- (1) the name of the issuer;
- (2) the proposal voted upon, and
- (3) how we voted the client's proxy.

Following concerns raised by some of our clients, we have determined not to generally disclose proxy voting information to the public on the grounds of data protection and privacy however we might seek to disclose where we deem it appropriate to do so with the prior consent of our clients.

We do utilise proxy voting solutions as provided by Institutional Shareholder Services Inc. ("ISS"). As part of this service, ISS provide details of all upcoming votes affecting our investee companies, including a recommendation of how to vote. We do consider this recommendation however we vote all proxies based on our own opinion of what is in the best interests of our clients.

We do not engage in stock lending activities.

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

As part of our regular performance review meetings with our clients, which are held annually at least, we advise them on how we have discharged our stewardship responsibilities during the period under review. The format of the reporting and the information provided is dependent on each client's requirements, however it is usual to include details of:

- any conflicts that may have arisen together with any mitigation;
- instances in which we have collaborated with other investors to engage with management of investee companies; and
- proxy voting records.

We have engaged with Robert Quinn Consulting Limited ("RQC"), an independent external compliance consultancy, to conduct detailed quarterly monitoring visits that cover all aspects of our regulatory environment, including our stewardship and proxy voting activities. The monitoring framework is tailored to our business and is primarily designed to ensure that we continue to comply with the rules and regulations of the FCA and SEC. RQC produce a comprehensive quarterly report which highlights the areas covered and any issues or concerns identified. This report is presented to senior management at our regular quarterly board meetings, or sooner should a material issue or concern be identified.

Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to engage appropriately with the companies and to make proper judgements in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

The Firm considers investee companies' business strategy, environment and process in assessing sustainable long-term growth, taking into account capital structure, financial stability, sustainability, and the application of appropriately high standards of corporate governance.

The execution of this process is the responsibility of the Firm's investment team. The Firm's Chief Investment Officer, traders and analysts are experienced investing in Japan. The Firm's investment team members engage regularly with Japanese corporate management, as prescribed in Principle 3 above. The research process is supervised by the Chief Investment Officer.

Members of the investment team specializing in Japan are located in Tokyo as well as in the Firm's operational headquarters in London. Business trips to visit investee companies in Japan (and elsewhere) are regularly undertaken by the London-based investment team (COVID-19 restrictions permitting).

Principle 8: Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.

The Firm maintains a Conflicts of Interest Register (the "Register") which identifies specific circumstances which may give rise to conflicts of interest and how such conflicts are managed. Measures are developed to ensure that both the Firm's stewardship responsibilities and shareholder value are not unduly impacted.

As noted in Principle 5 the Firm utilizes a proxy voting solution provided by Institutional Shareholder Services Inc. ("ISS"). As part of this service, ISS provide details of all upcoming votes affecting our investee companies, including a recommendation of how to vote. ISS cover all major global markets including Japan. We consider the recommendation of ISS however we vote all proxies based on our own opinion of what is in the best interests of our clients.

The Firm will perform a review on a periodic basis (no less than annually) of its implementation of its Stewardship responsibilities. The results of this review will be incorporated in a revised Japan Stewardship Code statement which will be published on the Firm's website: www.assetvalueinvestors.com

Name and contact details of person in charge of compliance with the Firm's Japan Stewardship Code obligations:

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