Application of XBRL to proxy voting
-- what are the chances?! --

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Contents for Today’s Session

• Shareholder voting by Institutional Investors
• Current issues of Proxy Voting in Japanese companies
• Screening approach
• Feasibility of screening with XBRL for Proxy Voting
• Feasibility of two monitoring using XBRL
• What We Can Expect?
• What’s the Next Step?

About Nomura Research Institute;
A research institute which is a member of a group companies in financial sectors. Nomura security broker was a parent company before we went to public Tokyo Stock Exchange. Our department is providing information and system solution for mainly asset management, trust, advisory, etc.
Shareholder voting by Institutional Investors

(1) Regulatory Changes;
New disclosure rule for their voting decisions

(2) Responsibility as institutional investors in monitoring Corporate Governance

(3) Action to require companies to enhance their own value for long-term investment.

Will introduce the Japanese Case....
Definition and categorized of “Institutional Investors”

- **Individual**
  - Short Term
  - Passive
  - Holding a large number of shares for long-term investment purpose. Doesn’t have much information of each company. Requires them to enhance performance and keep good governance.

- **Hedge Fund**
  - Short Term
  - Active

- **Activist**
  - Long Term
  - Passive

- **Bank**
  - Long Term
  - Engagement long-term concentrated investments

- **Group companies**

**Today’s theme**
- **Pension Passive**

**XBRL**
- eXtensible Business Reporting Language
Current issues of Proxy Voting in Japanese companies

1. Japanese company’s agenda of AGM usually has many shareholder resolutions

2. Limited time; because many Japanese companies have their AGM on certain dates.

- Infrastructure is required to allow such Institutional Investors to reduce “Cost”
  - Takes time to read through all agenda
  - Need a lot of human resources to exercise voting rights

- Listed Companies
  - Long-term passive investors are preferred.
  - Company wants them to understand agenda well and act to vote only for their performance
Screening approach

Ideas in Quants Analysts

Can we use XBRL to Screening as financial data?

Quant Analysts

Screening shares for “buy”

- XBRL Company Performance data
- no XBRL non-financial data

Idea for efficient voting

Can we eliminate the company which we vote “YES”? So that we can spend time to think carefully others.

As “Share-holders”

Screening for Say “Yes”

- Past information
- New agenda?

- Can We use XBRL for screening past information and new agenda?

Inputting data needs Cost and Man power
Feasibility of screening with XBRL for Proxy Voting

How we can describe agenda and voting policy of asset management companies, as XBRL?

<table>
<thead>
<tr>
<th>Area</th>
<th>latest XBRL achievement</th>
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| Tokyo Stock Exchange  | Corporate governance report  
                           | Name of directors, Contents Anti-takeover measure etc... |
| Japanese FSA          | Tagging for all part of security reports  
                           | (Planning for next generation EDINET in 2013) |
| IFRS                  | Discussion about tagging for “Management Commentary” |
| IIRC                  | Integrated reports |

Can we use new applied or planned architecture for agenda?
Feasibility of screening with XBRL for Proxy Voting

Past Financial Reports

• Revenue
• Capital Investment
• R&D
• Deposit

• Dividends

• Directors
• Outside Director

• Corporate governance

Agenda of AGM

• Closing Account
• Planned investment
• Revenue

• Proposed appropriation of retained earnings

• Election of Directors.

• Measures to prevent acquisition

Evaluate
Each fact
Consistency
Using
Same tags
Feasibility of screening with XBRL for Proxy Voting

- Evaluating each fact in resolutions of agenda.
Feasibility of two monitoring using XBRL

Government disclosure system -- EDINET --

Asset Management

Proxy voting with its own voting policy

Listed company

Agenda of AGM

2012 FY 1Q, 2Q, 3Q, 4Q
2011 FY....

Trial check the voting result before AGM

Monitor adequacy the voting results

Sponsors

Home Page
What We Can Expect?

- Global Institutional Investors would be able to Exercise voting rights
- Institutional Investors can judge the agenda using multiple year qualitative information.

Unified XBRL Information
- Companies in Japan, US, EU, Asia...

Global Institutional Investors Can Access to the Qualitative Info

Investors can refer past information and agenda together

Agenda of AGS
- 2012 FY 1Q, 2Q, 3Q, 4Q
- 2011FY.....
What’s the Next Step?

● Issues to be resolved

✓ We should discuss about "facts" which set on instance of XBRL.

✓ Making rule of cords for name of executive, types of dividends, type of measures to prevent acquisition, to be known global investors.

✓ Since these information is word, for non-English speaking countries, flags are better to understanding.

✓ We should collect more opinions from both companies and investors, globally.