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Press Release

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Leading institutional investors call for improvements in Japanese corporate governance

Despite significant improvements among a number of leading Japanese companies, the system of governance in most listed companies in Japan is failing to meet the needs of shareholders, according to a White Paper on corporate governance practices in Japan published by the Asian Corporate Governance Association (ACGA).

The “Japan White Paper”, the first collaborative policy document of its kind, has been compiled with the support and input of a group of leading pension funds and asset managers, including F&C, with combined assets under management of around US\$5 trillion, accounting for a significant proportion of foreign shareholdings in Japan.

Japan’s current model of corporate governance emerged from a corporate model that has its roots in the 1950s and 1960s, a period of rapid reconstruction and growth. At the time the country had a much younger population, companies didn’t have the dominant position they have today and investment capital was scarce. This model was often driven intense, oligopolistic competition and pursuit of internal generation of capital. This system worked at the time but is less appropriate today, as companies are not starved of capital and a more open corporate capitalism model is needed.

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The White Paper found governance practices in Japan often don't meet the needs of stakeholders, or the nation at large, in three ways:

- By not providing for adequate supervision of corporate strategy;
- By protecting management from the discipline of the market, thus rendering the development of a healthy and efficient market in corporate control all but impossible;
- By failing to provide the returns that are vitally necessary to protect Japan's social safety net—its pension system.

Accordingly, the White Paper makes recommendations with regard to six key issues:

1. Recognition of shareholders as owners of listed companies
2. Efficient use of capital
3. Independent supervision of management
4. Pre-emption rights and third-party share placements
5. Poison pill takeover defences
6. Fairness and transparency in shareholder voting

“We believe these are the most pressing issues which relate to corporate governance in Japan today because they have an impact on the companies we invest in. It is still common for listed companies in Japan to be run as if management, and not shareholders, were the owners and changes are needed,” said Anna Krutikov, Associate Director, Governance & Sustainable Investment at F&C. “Using its influence as a leading shareholder, F&C has been encouraging more sustainable corporate behaviour among Japanese companies for years. We are very pleased to have contributed to this initiative led by the ACGA and backed by leading institutional investors across the world. “

Along with F&C, the “Japan White Paper” has been endorsed by Aberdeen Asset Management, Singapore; British Columbia Investment Management Corporation, Canada; the California Public Employees’ Retirement System (CalPERS), US; Hermes Fund Managers, UK; RAILPEN Investments, UK; and the Universities Superannuation Scheme, UK.

To receive a copy of the “Japan White Paper” or to arrange an interview with Anna Krutikov or other member of F&C’s Governance and Sustainable team, please contact Paula Garrido on paula.garrido@fandc.com or +44 (0)20 7011 4190

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Notes to Editors

F&C Investments

- F&C Asset Management (F&C) is a London Stock Exchange listed asset management group which traces its origins back to 1868 with the launch of the Foreign & Colonial Investment Trust, the first ever publicly listed investment fund. Foreign & Colonial Investment Trust remains a client of F&C.
- F&C is an active fund manager with a multi-specialist investment model where individual teams have strong accountability for their products and processes. The group is also an active shareholder with a leading franchise in governance and sustainable investment.
- F&C now manages £101.8 billion (€127.6 billion) of assets* for a diverse range of institutional, insurance and retail clients across all major asset classes – equities, bonds, cash and property – as well as alternative and specialist product classes such as Socially Responsible Investment funds, hedge funds, funds of hedge funds, private equity funds, Global Tactical Asset Allocation products, enhanced alpha funds and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.
- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has an office network spanning nine countries: France, Germany, Ireland, The Netherlands, Portugal, Sweden, Switzerland, UK and United States.

* As at 31 March 2008

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