

Japan Exchange Group, Inc.  
2-1, Nihombashi Kabuto-cho Chuo-ku, Tokyo 103-8220

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## Input on the English Language Survey

The PRI welcomes the Tokyo Stock Exchange's (TSE) English Information Survey. We have shared the survey with our international investor signatories through our collaboration platform<sup>1</sup>.

As part of TSE's efforts in promoting dialogue between listed companies and overseas investors, we recommend for Japan Exchange Group (JPX) to publicly sign the United Nations Sustainable Stock Exchanges initiative and implement environmental, social and governance (ESG) guidance for listed companies, consistent with other peer exchanges.

## About the PRI

The United Nations-supported Principles for Responsible Investment (PRI) represents 1700 signatories globally, 59 of which are Japanese. Responsible investment is an approach to investment that explicitly acknowledges the financial relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole.

## Investor Interest in Governance

Investor engagement with Japanese companies has tended to be conducted by overseas investors. Since the Corporate Governance Code was released by the Financial Services Agency (FSA) in 2015, Japan has been identified as having the most rapidly improving corporate governance of any mature market.

The percentage of large Japanese corporates with independent director representation has expanded significantly since the code's launch, also reflecting pressure from external investors. The code now has solid compliance rates from reporting companies.

As part of PRI's fiduciary duty project<sup>2</sup>, we published a Japan roadmap, developed through extensive industry consultation<sup>3</sup>.

The roadmap identifies key themes on which investors engage with Japanese corporations, many of which have a strong ESG focus:

- capital efficiency;
- cross-shareholding;
- CEO compensation (long-term, performance-linked incentive structures), appointment and succession;
- board diversity and the independence of nominally "independent directors";

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<sup>1</sup> <https://www.unpri.org/group/english-language-information-survey-tokyo-stock-exchange-2815> (requires PRI collaboration platform log in)

<sup>2</sup> [www.fiduciaryduty21.org](http://www.fiduciaryduty21.org)

<sup>3</sup> [https://www.unpri.org/download\\_report/30840](https://www.unpri.org/download_report/30840) (Japanese version is available)

- informal retired senior executive positions.

We also set out recommendations for the Japanese capital market, including recommending that JPX should issue ESG guidance for listed companies.

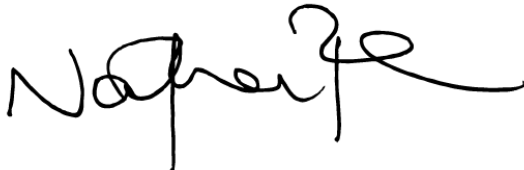
### **Sustainable Stock Exchange initiative's Model Guidance**

The United Nations Sustainable Stock Exchanges (SSE) initiative has published a resource for exchanges on reporting ESG information to investors.<sup>4</sup> Exchanges can use this tool as a starting point for creating their own reporting guidance. The SSE model guidance captures emerging international and local good practices, guidelines and frameworks.

This effort is supported by investors; over 100 investors representing over \$10 trillion in AUM wrote to exchanges, including JPX, encouraging them to issue a guidance document building on the SSE's model guidance. Since the launch of the model guidance, [29 exchanges have committed](#) to producing their own ESG reporting guidance in 2016-2017.

If you would like to receive more information about our work, we can discuss at your convenience.

Yours sincerely,



Nathan Fabian  
Director of Policy & Research  
**Principles for Responsible Investment**

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<sup>4</sup> <http://www.sseinitiative.org/wp-content/uploads/2017/06/SSE-Model-Guidance-on-Reporting-ESG.pdf>