

JAPAN: CORPORATE GOVERNANCE CODE

ABOUT THE PRI:

The United Nations-supported Principles for Responsible Investment (PRI) is a global network of over 1350¹ asset owners, investment managers and financial service providers from 54 countries, with total assets under management of \$45 trillion.

ABOUT THE CORPORATE GOVERNANCE CODE:

In December 2013, Japan's Stewardship Code, developed by a Council of Experts, was published for consultation². Stewardship and corporate governance are important for the government's growth strategy encouraging investors to play an active role in the governance of the companies in which they are invested.

Since the final version of the Stewardship Code was issued in February 2014, over 100 institutional investors have signed up. The Corporate Governance Code is the natural next step, ensuring investors have access to the information needed to be an active owner, and companies have a common framework to enhance their governance practices.

THE PRI SUPPORTS THE CORPORATE GOVERNANCE CODE, WHICH ALIGNS WITH PRINCIPLES 2 AND 3.

Principle 2 states: "We will be active owners and incorporate ESG issues into our ownership policies and practices", possible actions include:

- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).
- Exercise voting rights or monitor compliance with voting policy (if outsourced).

Principle 3 states: "We will seek appropriate disclosure on ESG issues by the entities in which we invest", a possible action is:

- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact).

¹ As of January 2015

² The Stewardship Code features in PRI report: [The Case for Investor Engagement in Public Policy](#).

PRI REPORTING AND ASSESSMENT RESULTS:

PRI signatories that manage assets are required to report publicly and annually on their responsible investment activities. In 2014, 830 signatories responded. In 2015 it is predicted to be over 950 signatories. A transparency report is published for each signatory³, with unrestricted access which anyone – including non-signatories and policy makers – can access. The PRI publishes an annual Report on Progress⁴, which summarises the results of the signatory-reported data.

The PRI has analysed data from its reporting framework to demonstrate reported investor practice that is relevant to the Corporate Governance Code.

PRI signatories are active owners and care about dialogue with companies:

- Of the 578 signatories holding listed equity (directly and indirectly), 523 (90%) engage or vote on ESG issues, either directly or engage through external providers. For the PRI's Japanese investors, 100% reported that they engage or vote, either directly or via service providers.

PRI signatories say good corporate governance is fundamental to protecting shareholder value:

- Corporate governance was the most common reason cited for engaging with companies. Of the 298 investors that shared data on the focus of their engagements, 285 (96%) reported that corporate governance was an issue.

Good disclosure and transparency is also a priority:

- Looking specifically at environmental, social and governance data, 359 (62%) signatories holding listed equity assets engaged to improve disclosure on these issues. The figure for Japanese signatories was 58%.

FURTHER INFORMATION:

The PRI supports the objectives of the proposed Corporate Governance Code. The PRI believes that along with active stewardship, this will contribute to higher standards of corporate governance, and ultimately, sustainable long-term growth.

For further information, contact:

- Head of Japan Network: Michiyo Morisawa – michiyo.morisawa@unpri.org
- Head of Policy: Will Martindale – will.martindale@unpri.org
- Senior Manager, Reporting and Assessment: Alyssa Heath – alyssa.heath@unpri.org

³ See www.unpri.org/signatories

⁴ See www.unpri.org/publications