

# **Corporate Governance and Stewardship activities in Japan**

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**FALIA**

**(The Foundation for the Advancement of  
Life & Insurance Around the world)**

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# I. Sustainable Investment Asset overview

## 1. Sustainable Investment Asset by Region

**FIGURE 1** Snapshot of global sustainable investing assets, 2016-2018-2020 (USD billions)

REGION	2016	2018	2020
Europe*	12,040	14,075	12,017
United States	8,723	11,995	17,081
Canada	1,086	1,699	2,423
Australasia*	516	734	906
Japan	474	2,180	2,874
<b>Total (USD billions)</b>	<b>22,839</b>	<b>30,683</b>	<b>35,301</b>



Global sustainable  
investment at  
**\$35.3 trillion**

# 1. Sustainable Investment Asset by Region

FIGURE 2 Snapshot of global assets under management 2016-2018-2020 (USD billions)

REGIONS	2016	2018	2020
Total AUM of regions	81,948	91,828	98,416
Total sustainable investments only AUM	22,872	30,683	35,301
% Sustainable investments	27.9%	33.4%	35.9%
Increase of % sustainable investments (compared to prior period)		5.5%	2.5%



**35.9%** of total assets under management are sustainable investments

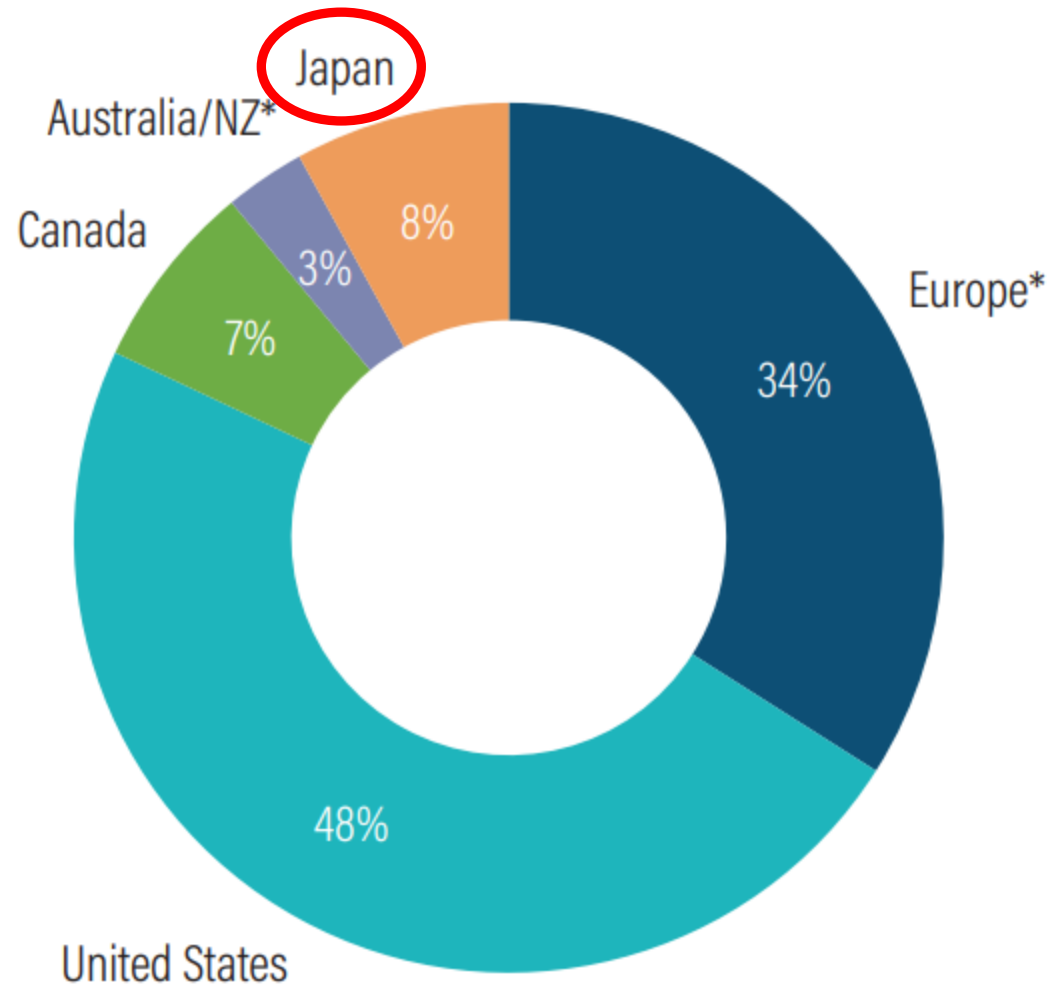
# 1. Sustainable Investment Asset by Region

FIGURE 3 Growth of sustainable investing assets by region in local currency 2014-2020

	2014	2016	2018	2020	GROWTH PER PERIOD			COMPOUND ANNUAL GROWTH RATE (CARG) 2014-2020
					GROWTH 2014-2016	GROWTH 2016-2018	GROWTH 2018-2020	
Europe* (EUR)	€9,885	€11,045	€12,306	€10,730	12%	11%	-13%	1%
United States (USD)	\$6,572	\$8,723	\$11,995	\$17,081	33%	38%	42%	17%
Canada (CAD)	\$1,011	\$1,505	\$2,132	\$3,166	49%	42%	48%	21%
Australasia* (AUD)	\$203	\$707	\$1,033	\$1,295	248%	46%	25%	36%
Japan (JPY)	¥840	¥57,056	¥231,952	¥310,039	6,692%	307%	34%	168%

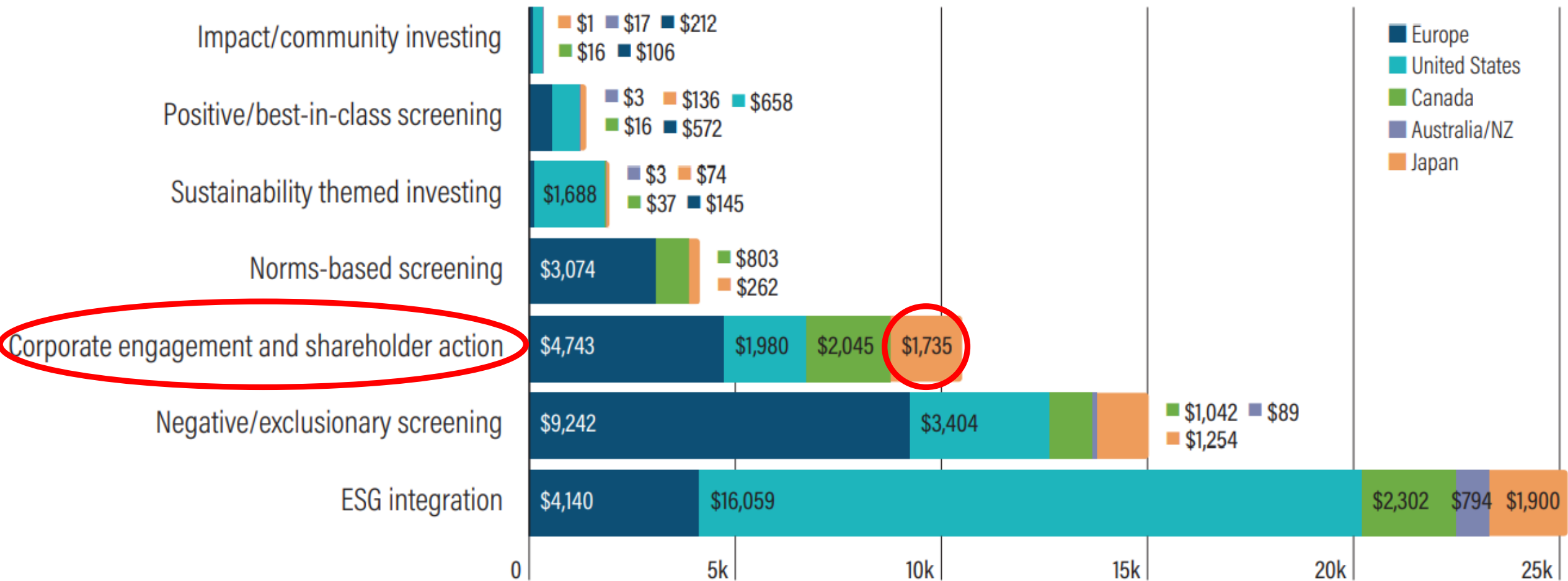
# 1. Sustainable Investment Asset by Region

**FIGURE 5** Proportion of global sustainable investing assets by region 2020



# 2. Sustainable Investment Asset by Strategy and Region

FIGURE 6 Sustainable investing assets by strategy & region 2020



(Source) GLOBAL SUSTAINABLE INVESTMENT REVIEW 2020



### 3. Sustainable Investment Strategies

ESG integration	The systematic and explicit inclusion by investment managers of environmental, social and governance factors into financial analysis.
<b>Corporate engagement &amp; shareholder action</b>	Employing shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.
Norms-based screening	Screening of investments against minimum standards of business or issuer practice based on international norms such as those issued by the UN, ILO, OECD and NGOs (e.g. Transparency International).
Negative/exclusionary screening	<p>The exclusion from a fund or portfolio of certain sectors, companies, countries or other issuers based on activities considered not investable.</p> <p>Exclusion criteria (based on norms and values) can refer, for example, to product categories (e.g., weapons, tobacco), company practices (e.g., animal testing, violation of human rights, corruption) or controversies.</p>
Best-in-class/positive screening	Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers, and that achieve a rating above a defined threshold.
Sustainability themed/thematic investing	Investing in themes or assets specifically contributing to sustainable solutions - environmental and social - (e.g., sustainable agriculture, green buildings, lower carbon tilted portfolio, gender equity, diversity).
Impact investing and community investing	<p><b>Impact investing</b> Investing to achieve positive, social and environmental impacts - requires measuring and reporting against these impacts, demonstrating the intentionality of investor and underlying asset/investee, and demonstrating the investor contribution.</p> <p><b>Community investing</b> Where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose. Some community investing is impact investing, but community investing is broader and considers other forms of investing and targeted lending activities.</p>

## 4. Sustainable Investment Asset in Japan

### Transition of Sustainable Investment Asset in Japan

(Unit) Billion Yen

	2019	2020	2021	YoY
Sustainable Investment Asset	336,039	310,039	514,052	+65.8%
% of Total Investment Asset	55.9	51.6	61.5	
Number of the institutional investors	43	47	52	

(Source) Sustainable Investment Survey Result in 2021 by The Japan Sustainable Investment Forum (JSIF) translated by FALIA

## 5. Sustainable Investment Asset by Strategy in Japan

	2020	2021	
Impact Investing	140,363	706,280	+403.2%
Positive/Best-in-class screening	14,643,189	24,867,183	+69.8%
Sustainability themed Investing	7,988,505	10,665,994	+33.5
Norms-based Investing	28,308,180	59,648,963	+110.7%
Corporate Engagement	187,170,342	261,495,512	+39.7%
Exercising Voting	167,597,095	239,487,347	+42.9%
Negative/exclusionary screening	135,263,369	261,039,802	+93.0%
ESG integration	204,958,018	422,115,459	+106.0%

(Source) Sustainable Investment Survey Result in 2021 from by The Japan Sustainable Investment Forum (JSIF) translated by FALIA

## **II. Corporate Governance in Japan**

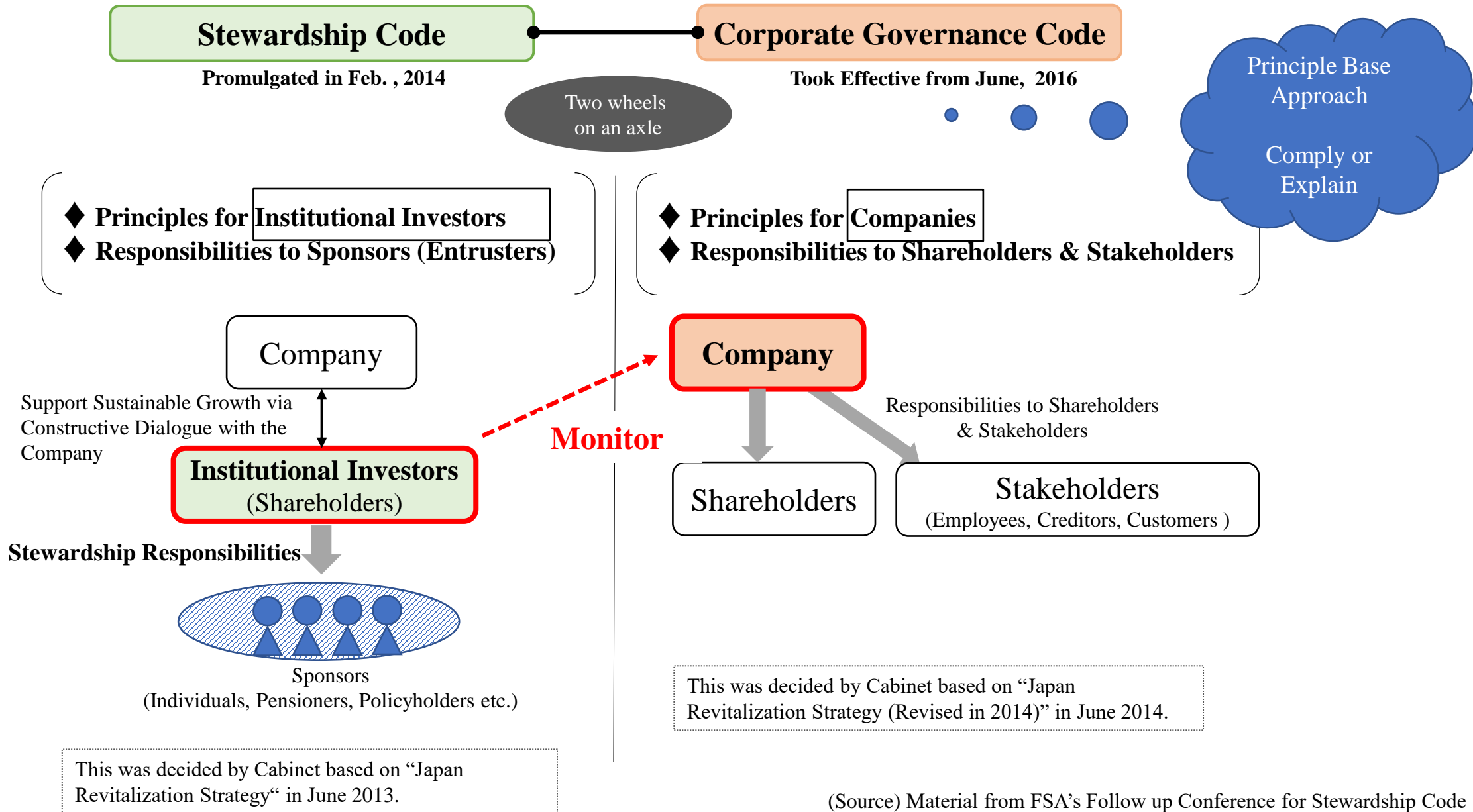
### **1. Major Regulations for the sustainable finance in Japan**

- Green Growth Strategy Through Achieving Carbon Neutrality in 2050 by The Ministry of Economy, Trade and Industry (METI)
- Basic Guidelines on Climate Transition Finance by FSA, METI and The Ministry of the Environment
- **Corporate Governance Code** and the Guidelines for Investors' and Companies' Dialogue by Tokyo Stock Exchange
- **Stewardship Code** by FSA

## 2. History of introduction of Corporate Governance regulations

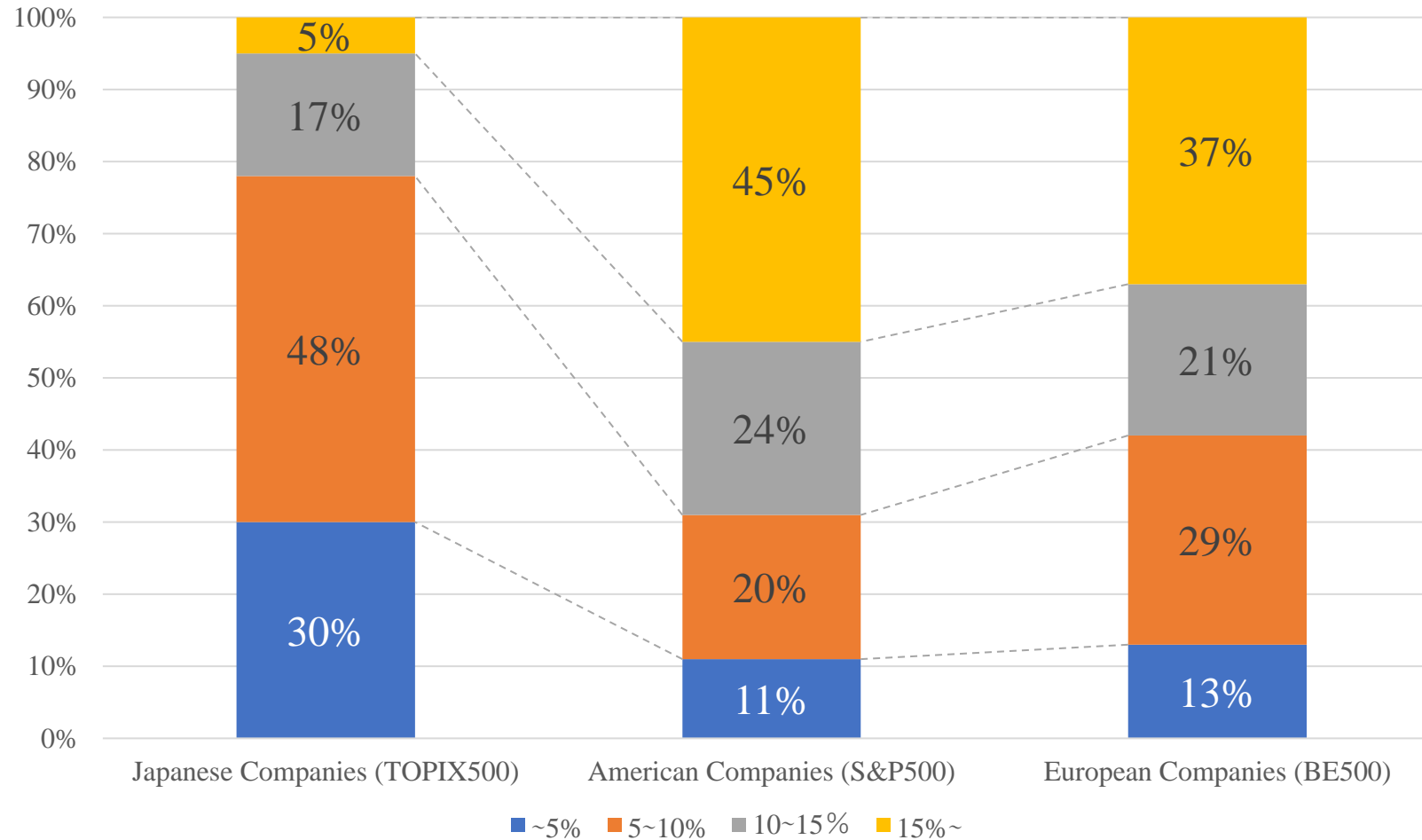
Time	Government Affiliations/Stock Exchange
2013	Japan Revitalization Strategy “JAPAN is BACK” is announced
2014	Stewardship Code is launched
2015	Corporate Governance Code is launched
2019	Practical Guidelines for Corporate Governance Systems are implemented Companies Act is revised (requirements for outside directors, restrictions to shareholder proposals)
2020	Practical Guidelines for Independent Directors are formulated
(2022)	Market segments of the Tokyo Stock Exchange are reclassified

# 3. Outline of Stewardship Code / Corporate Governance Code



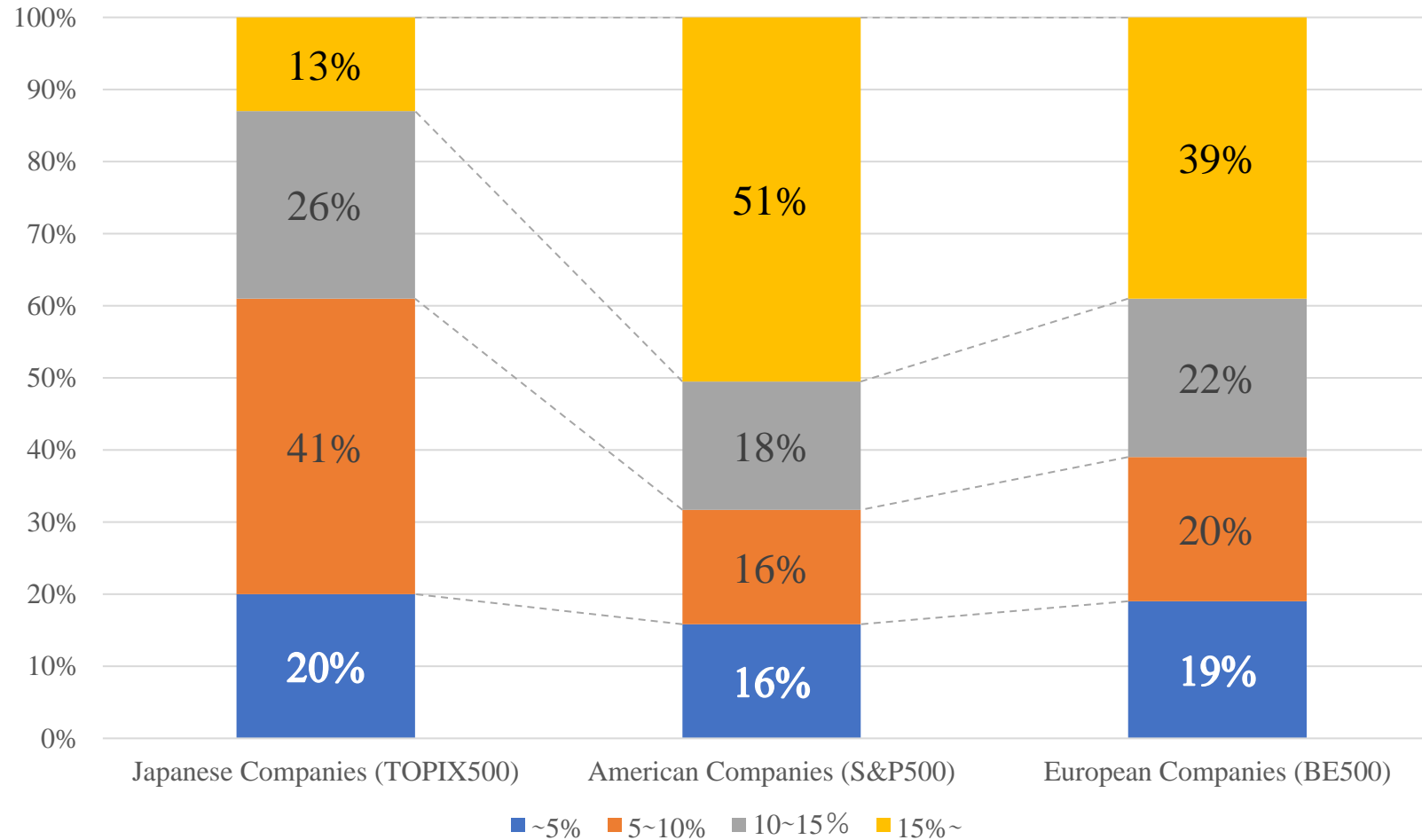
(Source) Material from FSA’s Follow up Conference for Stewardship Code and Corporate Governance Code confined by FALIA

# (Reference) ROE comparison among Japanese, American and European Companies (At the time in 2016)



(Source) Material from ITO report2.0 translated by FALIA

# (Reference) ROE comparison among Japanese, American and European Companies (At the time in 2019)

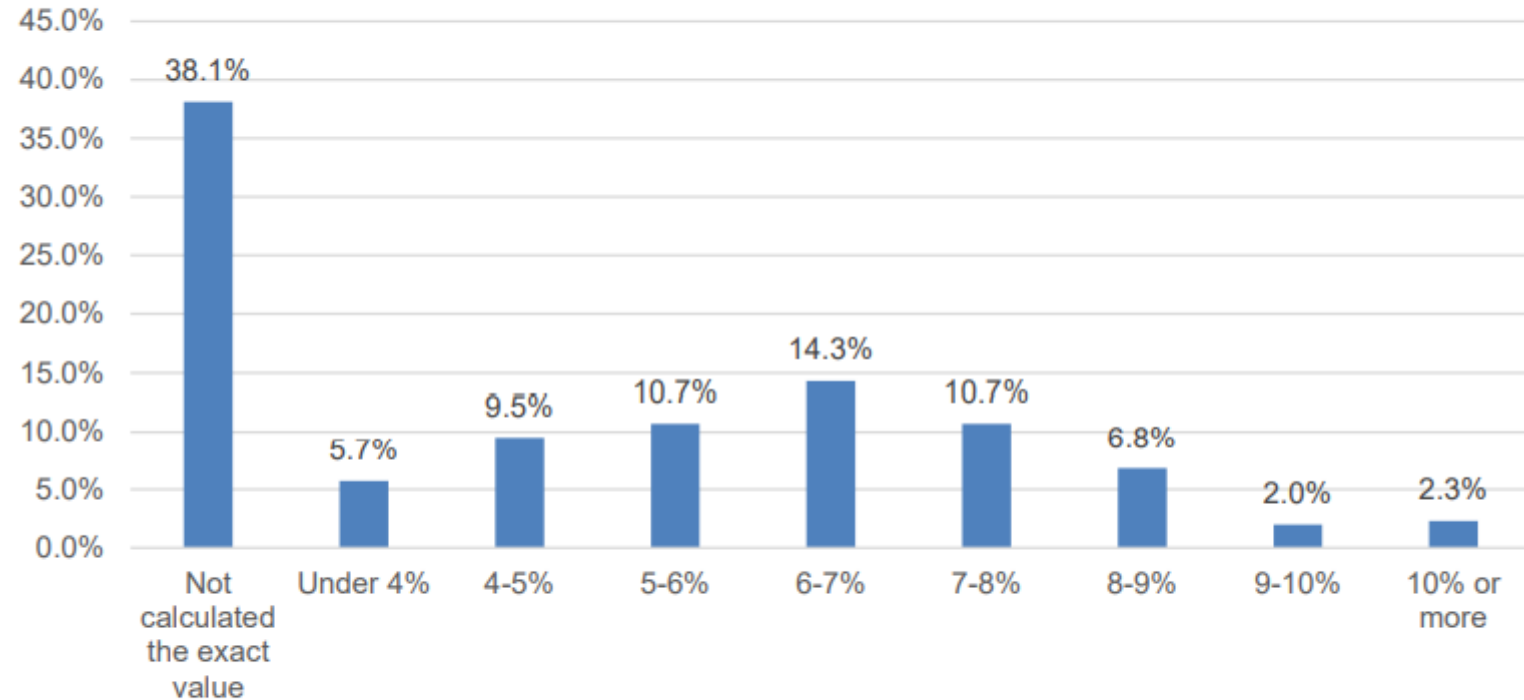


(Source) Material from METI's Conference on the Reasonable Process of General Shareholder's Meeting for a new era translated by FALIA



# (Reference) Cost of Capital literacy in Japan

**Chart 139 Japanese Companies' Understanding of the Cost of Capital**



(Source: The Life Insurance Association of Japan, "Questionnaire on Initiatives to Improve Corporate Value 2020")

## 4. Japan's Stewardship Code

- 1. Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.**
- 2. Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.**
- 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.**
- 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.**
- 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.**

## 4. Japan's Stewardship Code

- 6. Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.**
- 7. To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments 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.**
- 8. Service providers for institutional investors should endeavor 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.**

## 4. Japan's Stewardship Code

**What is “engagement”? → “Agreement to get married”**

Institutional investors have to get to know the companies better

- Good Corporate Governance to activate BODs
- Separation of execution and oversight
- Growth storyline
- Corporate Value creation

## **5. Japan's Corporate Governance Code (CGC) (General Principles)**

**1. Securing the Rights and Equal Treatment of Shareholders**

**2. Appropriate Cooperation with Stakeholders Other Than Shareholders**

**3. Ensuring Appropriate Information Disclosure and Transparency**

**4. Responsibilities of the Board**

**5. Dialogue with Shareholders**

**16 supplemental principles**

**Principle 1 -1  
Shareholders'  
Rights**

**Principle 1 -2  
Shareholder  
Meetings**

**Principle 1 -3  
Capital Policy**

**Principle 1 -4  
Cross-  
Shareholdings**

**Principle 1 -5  
Anti-Takeover  
Measures**

**Principle 1 -6  
Capital Policy  
harming  
Shareholders'  
Rights**

**Principle 1 -7  
Related Party  
Transactions**

**Principle 2-1  
Business  
Principles of  
Value Creation**

**Principle 2-2  
Code of Conduct**

**Principle 2-3  
Sustainability  
Issues**

**Principle 2-4  
Ensuring  
Diversity**

**Principle 2-5  
Whistleblowing**

**Principle 2-6  
Roles as  
Appropriate  
Asset Owners**

**4 supplemental principles**

**Principle 3-1  
Full Disclosure**

**Principle 3-2  
External  
Auditors**

**5 supplemental principles**

**Principle 5-1  
Constructive  
Dialogue**

**Principle 5-2  
Disclosure of  
Strategies and  
Business Plans**

**4 supplemental principles**

**Principle 4-1  
Bord's Roles and  
Responsibilities(1)**

**Principle 4-2  
Bord's Roles and  
Responsibilities(2)**

**Principle 4-3  
Bord's Roles and  
Responsibilities(3)**

**Principle 4-4  
*Kansayaku* and  
the *Kansayaku*  
Board**

**Principle 4-5  
Responsibilities  
of Directors and  
*Kansayaku***

**Principle 4 -6  
Execution and  
Oversight**

**Principle 4-7  
Independent  
Directors' Roles and  
Responsibilities**

**Principle 4-8  
Effective Use of  
Independent  
Directors**

**Principle 4-9  
Qualification for  
Independent  
Directors**

**Principle 4-10  
Use of Optional  
Approach**

**Principle 4-11  
Preconditions for  
Board and  
*Kansayaku* Board**

**Principle 4-12  
Active Board  
Deliberations**

**Principle 4-13  
Info. Gathering  
and Support**

**Principle 4-14  
Directors and  
*Kansayaku*  
Training**

**23 supplemental principles**

(Source) Website of  
Japan Exchange Group

## 5. Japan's Corporate Governance Code (CGC) In Comparison with UK or US

### Japan

- 31 Principles + 52 Supplemental Principles (16+4+5+23+4) = 83
- Adding 5 new Supplemental Principles in 2021

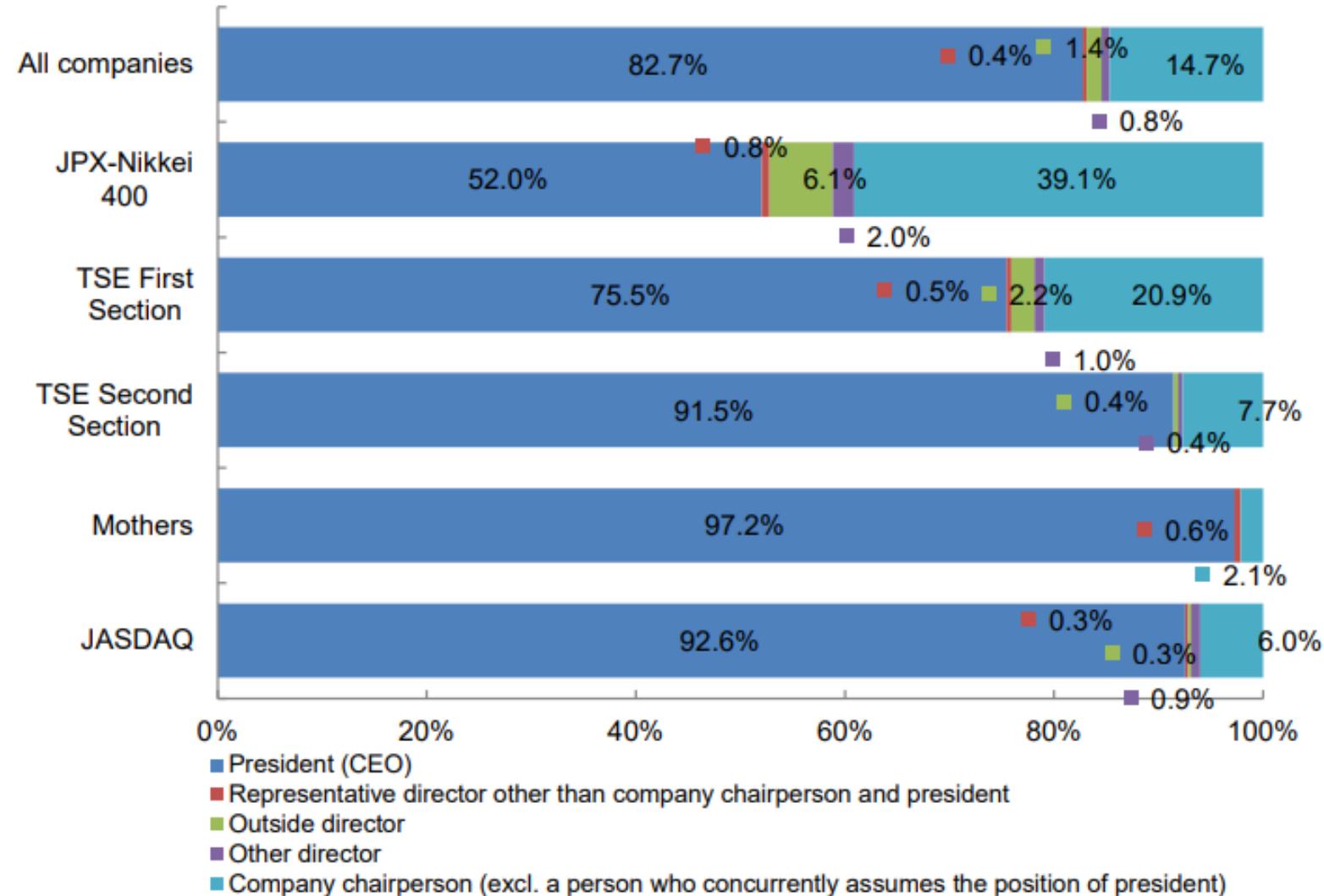
### UK

- 18 Principles (A-R) + 41 Provisions = 59
- Principle B: The board should establish company's purpose, values and strategy, and satisfy itself that these and its culture are aligned.
- Provision 9: A Chief Executive should not become chair of the same company

### US No CGC

# (Reference) Attributes of Board Chair of listed companies in Japan

Chart 69 Attributes of Board Chair (by Market Division)



(Source) Corporate Governance Whitepaper 2021 by Tokyo Stock Exchange, Inc.



## 6. Main points of revisions of CGC in June 2021 (1/2)

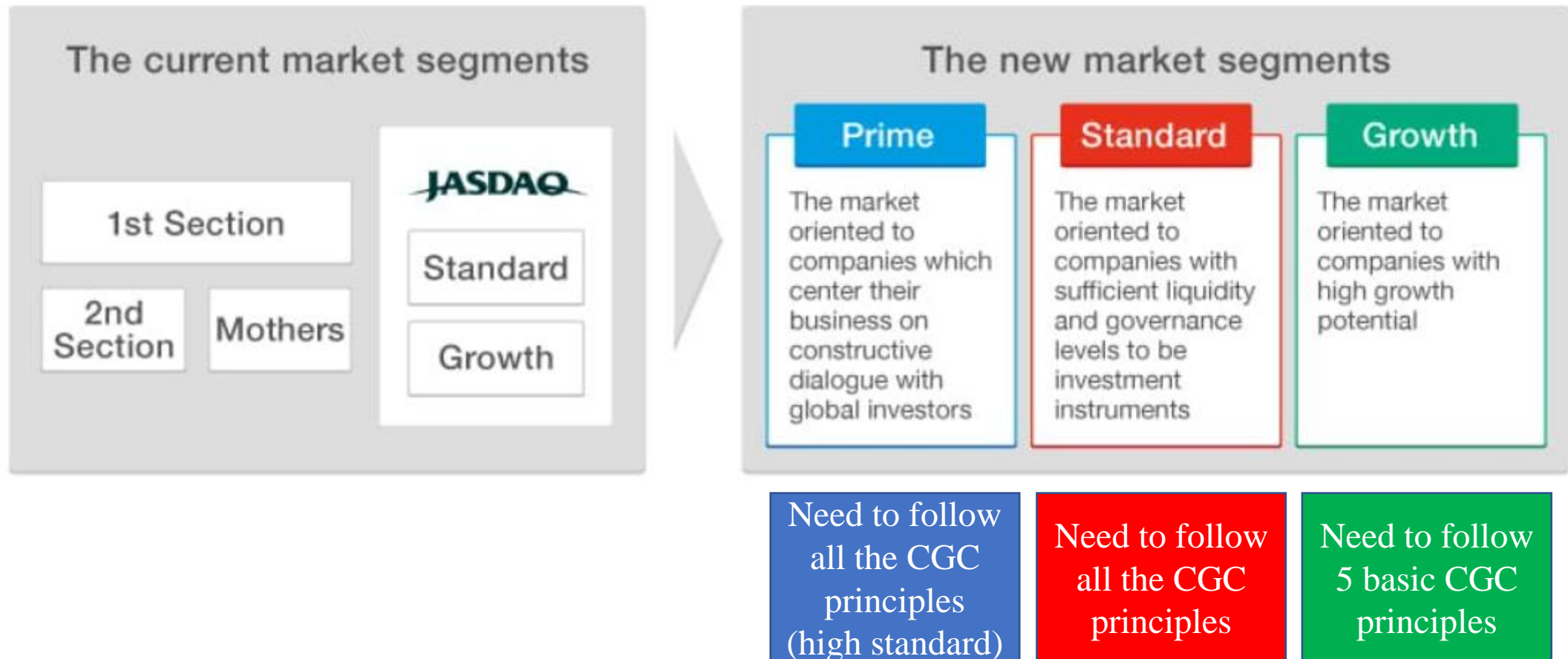
Points	Details
<b>1. Upgrading Function of the Board</b>	<ul style="list-style-type: none"> <li>■ <b>For Companies listed on the <u>Prime Market</u>,</b> <ul style="list-style-type: none"> <li>- <u>At least 1/3 of Independent Directors</u></li> <li>- Independent Committees under the Board Required to Disclose its Policy, Mandates &amp; Roles</li> </ul> </li> <li>■ Disclosure of <u>‘Skills Matrix’ of the Board</u> and Selection of Independent Directors with Management Experience</li> </ul>
<b>2. Securing Diversity</b>	<ul style="list-style-type: none"> <li>■ Presentation of Diversity Policies, Goals and Status regarding <u>Promotion of Women, Foreign Nationals and Midcareer Hires</u></li> </ul>
<b>3. Measures for Sustainability Issues</b>	<ul style="list-style-type: none"> <li>■ Dealing with Sustainability as More Important Management Issues to Increase Corporate Value</li> <li>■ Disclosure of Basic Policy of Sustainability <u>Initiatives</u></li> <li>■ <b>For Companies listed on the Prime Market,</b> Enhance Quality and Quantity of Disclosure of Data Based on the ‘TCFD Recommendations’ or an Equivalent Framework</li> </ul>

## 6. Main points of revisions of CGC in June 2021 (2/2)

Points	Details
<b>4. Others</b>	<ul style="list-style-type: none"> <li>■ At least 1/3 (Majority, if listed on the Prime Market) of Independent Directors who are independent of the Controlling Shareholder, Or a Special Committee of Independent Persons</li> <li>■ Establishing Effective Internal Control and Risk Management System by Internal Audit Dept.'s Direct Report to Board and <i>Kansayaku</i>.</li> <li>■ <b>For Companies listed on the Prime Market,</b> <ul style="list-style-type: none"> <li>- Making the Electronic Voting Platform Available at least to Institutional Investors</li> <li>- <u>Disclosure of Documents in English</u></li> </ul> </li> <li>■ Disclosure of Basic Policy of Business Portfolio and the Status of Review</li> <li>■ <u><i>Kansayaku</i> Included in the Dialogue with Shareholders</u></li> </ul>

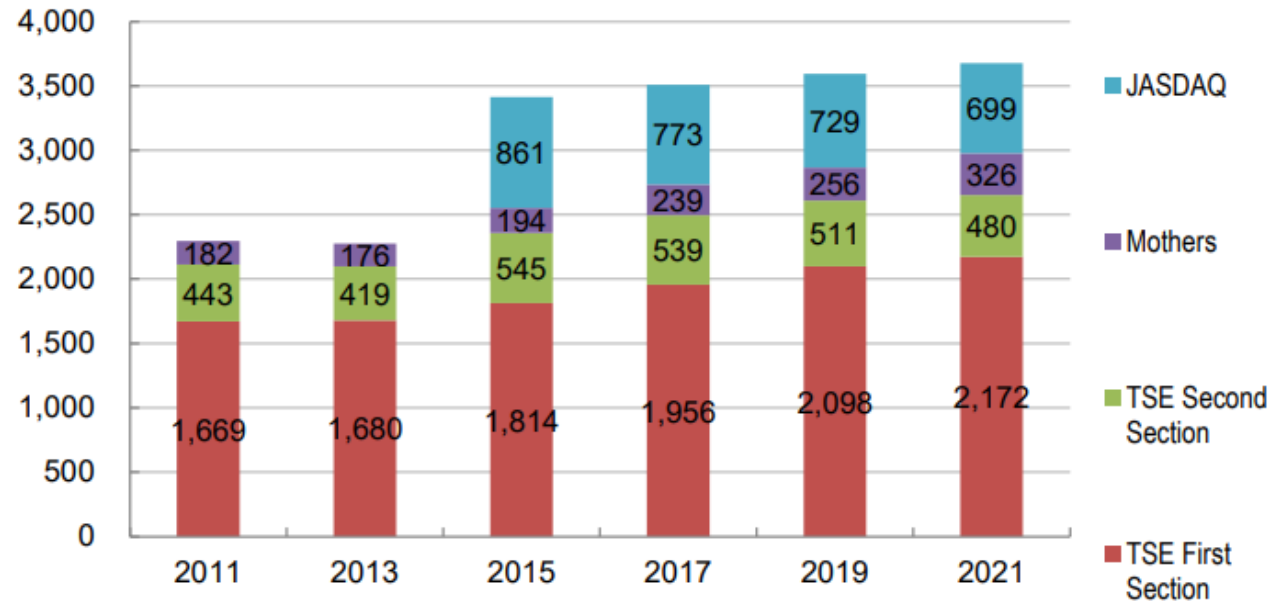
# (Reference) Overview of the market restructuring of Japan Exchange Group

On April 4, 2022, the stock market will be restructured into three new market segments.



# (Reference) Breakdown of the market class of the listed companies in Japan

Chart 1 Changes in the Number of Companies Subject to Analysis in the “White Paper on Corporate Governance”

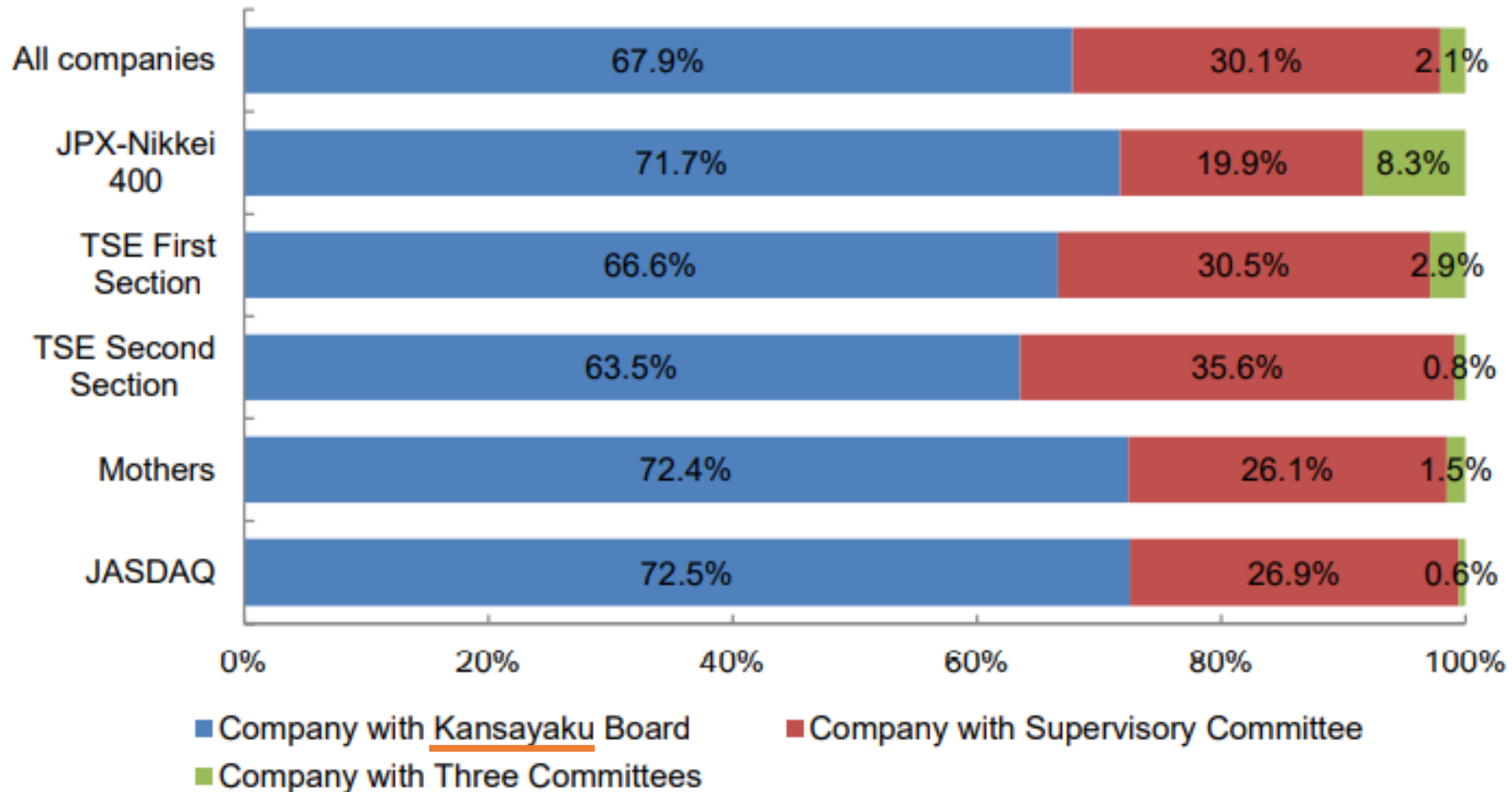


White Paper version (as of)	2011 2010/9/10	2013 2012/9/10	2015 2014/7/14	2017 2016/7/14	2019 2018/7/13	2021 2020/8/14
TSE First Section	1,669	1,680	1,814	1,956	2,098	2,172
TSE Second Section	443	419	545	539	511	480
Mothers	182	176	194	239	256	326
JASDAQ			861	773	729	699
TOTAL	2,294	2,275	3,414	3,507	3,594	3,677

(Source) Corporate Governance Whitepaper 2021 by Tokyo Stock Exchange, Inc.

# (Reference) 3 Governance Forms of Listed Companies in Japan

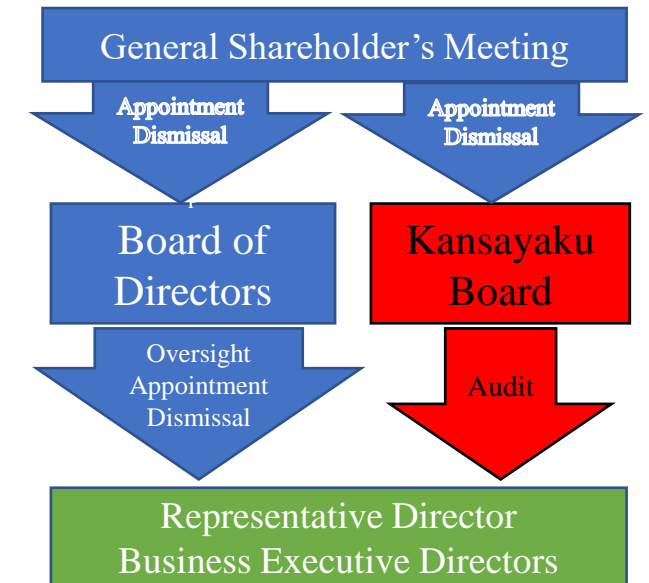
Chart 63 Organizational Form (by Market Division)



(Source) Corporate Governance Whitepaper 2021 by Tokyo Stock Exchange, Inc.

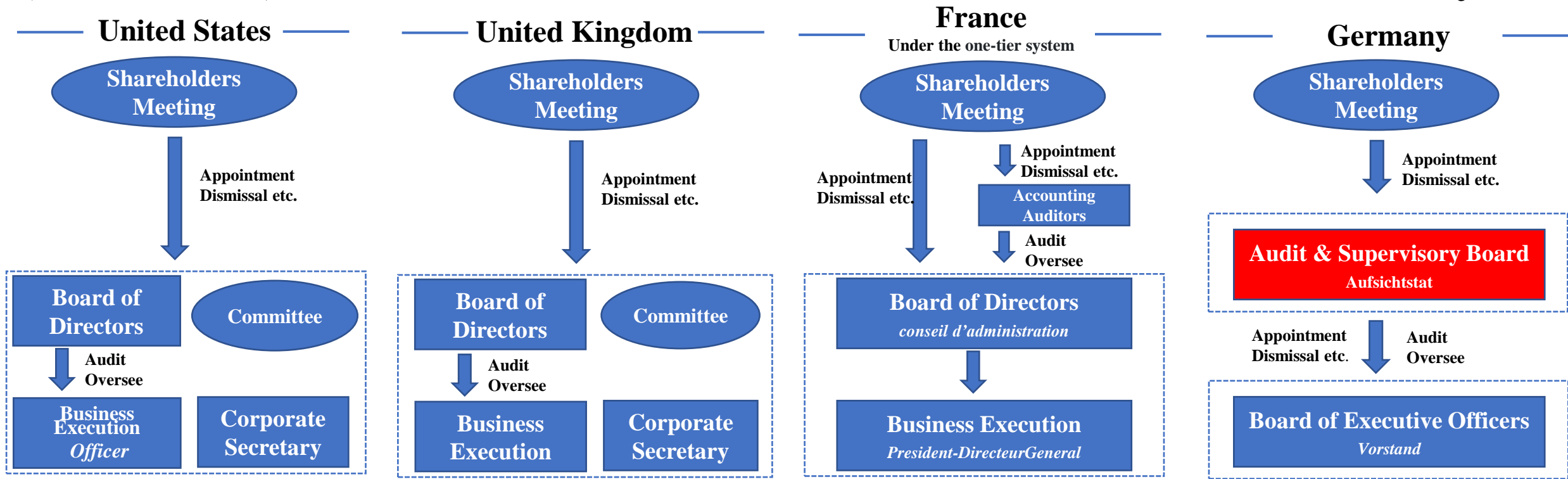
# (Reference) What is Kansayaku?

- **Kansayaku is translated as Audit and Supervisory Board Member by Japan Audit & Supervisory Board Members Association.**
- **Kansayaku was established in 1899**
- **Originally Kansayaku oversaw the Board of Directors and audited Accounting matters following the German Companies Act**
- **After 1950 Board of Directors was in charge of overseeing the executive directors following U.S. corporate governance rules**
- **After Commercial Code Amendment in 1974, both Board of Directors and Kansayaku Board were appointed at General Shareholders' Meeting and oversaw the executive directors**
- **Kansayaku has significant auditing authority to investigate legality of the executives based on his/her independent judgement, however Kansayaku Board has no authority to appoint/dismiss the directors.**



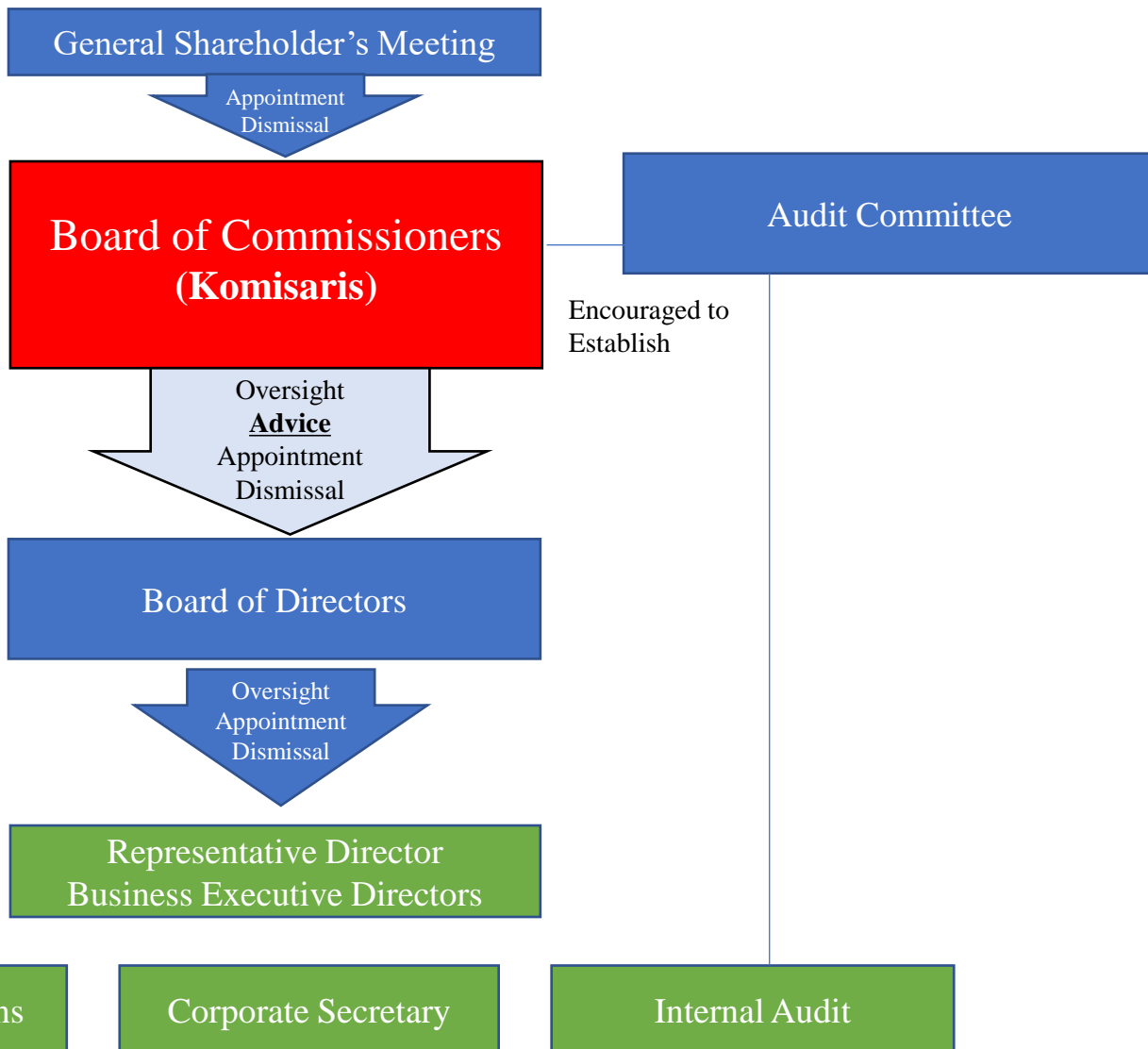
# (Reference) Governance Forms in the U.S., U.K., France and Germany

30



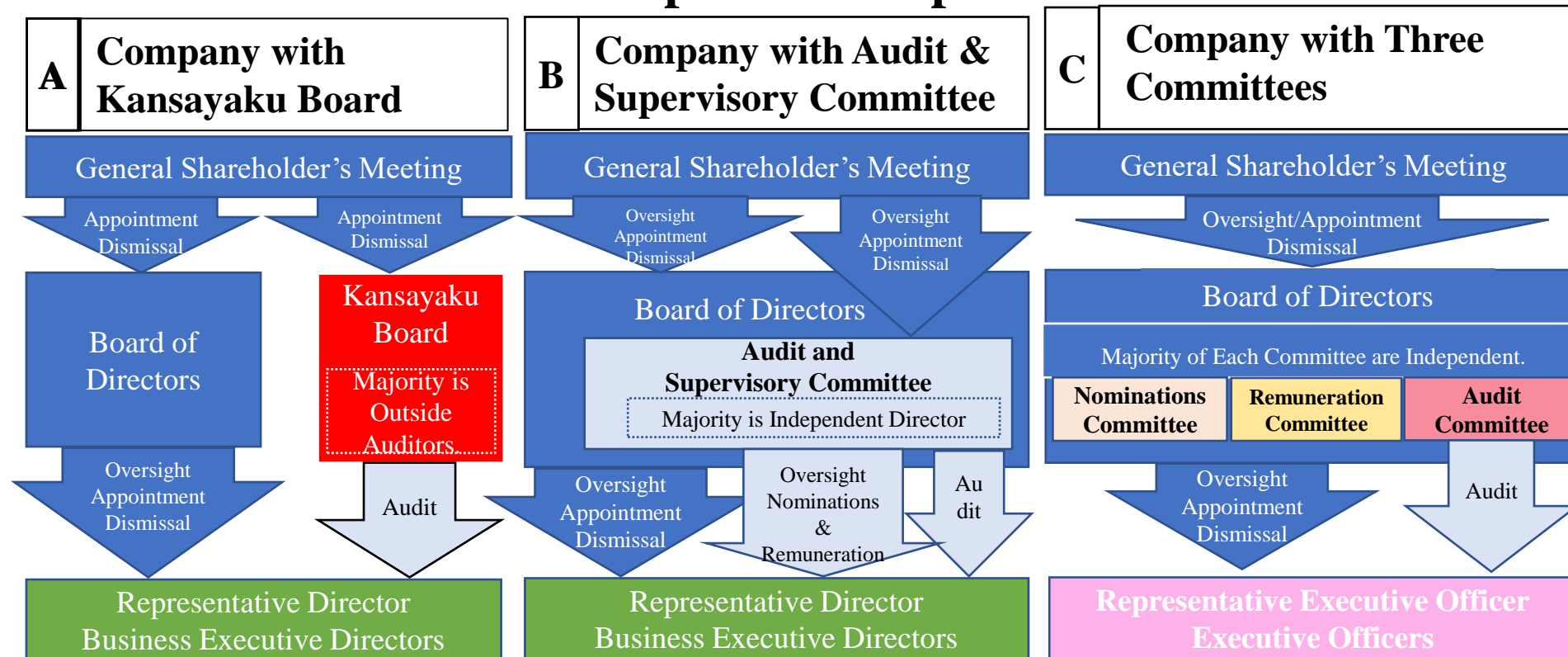
	United States	United Kingdom	France	Germany
<b>Structure of 'Board of Directors' in case of Listed Companies</b> ※ 'Audit & Supervisory Board' for Germany	Majority of the members must be independent directors.	Majority of the members must be independent directors.	2/3 or more must be from Outside. (1/2 or more are requested to be independent directors.)	Representatives from shareholders & employees at the ratio of 50/50. ※ Companies above a certain size only
<b>Establishment of Committees in case of Listed Companies</b>	Listing rules require to establish the Audit, Nominations and Remuneration Committee.	The CG Code recommends to establish the Audit, Nominations and Remuneration Committee.	Audit Committee is required. Nominations, Remuneration and Governance Committee are recommended.	Audit & Supervisory Board is authorized to establish the Audit and Nominations Committee. ※ CG Code requests to establish these committees

# (Reference) Governance Forms of Companies in Indonesia





## 7. 3 Governance Forms of Listed Companies in Japan



	A	B	C
<b>Directors' Authority for Business Execution</b>	Representative Directors & Business Executive Directors	Representative Directors & Business Executive Directors	Directors do not execute business, instead oversee the executive officers
<b>Audited by</b>	<ul style="list-style-type: none"> <li>• Kansayaku</li> <li>• Kansayaku Board (Independent Authority)</li> </ul>	<b>Audit &amp; Supervisory Committee</b>	<b>Audit Committee</b>
<b>Auditing Members</b>	<ul style="list-style-type: none"> <li>• Kansayaku (3 people~)</li> <li>• Majority is from Outside.</li> </ul>	<ul style="list-style-type: none"> <li>• Directors (3 people~)</li> <li>• Majority is from Outside.</li> </ul>	<ul style="list-style-type: none"> <li>• Directors (3 people~)</li> <li>• Majority is from Outside.</li> </ul>
<b>Term of Kansayaku/Audit member</b>	4 Years	2 Years	1 Year

(Source) Made by FALIA based on the Companies Act

# **(Reference) Company with Three Committees**

## **85 listed companies adopt 3 committees**

<b>TSE First Section</b>	<b>71</b>
<b>TSE Second Section</b>	<b>4</b>
<b>Mothers</b>	<b>5</b>
<b>JASDAQ</b>	<b>4</b>
<b>Centrex</b>	<b>1</b>

<b>Prime</b>	<b>68</b>
<b>Standard</b>	<b>11</b>
<b>Growth</b>	<b>5</b>
<b>Centrex</b>	<b>1</b>

**Listed Insurance Companies**  
**SOMPO Holdings**

## **8. What is the current significant issues of corporate governance in Japan?**

- **Few companies adopting three committees form**
- **Board of Director needs to strengthen its oversight ability**
- **Lack of human resources/diversity of independent directors**
- **Lack of succession plan of CEOs and training of directors/auditors**
- **Lack of ROE goal setting / disclosure of cost of capital**

### **Voices from companies**

- **Companies are coping with corporate governance as a legal governmental regulation to comply, not understanding the background reason**
- **As the speed of changing business environment is too quick, it is difficult to handle it with corporate governance**
- **CGC seems too detailed**
- **Auditing process should be strengthened**

# 9. Corporate Governance Ranking by ACGA (Asian Corporate Governance Association)

	1	2	3	4	5	6	7	8	9	10	11	12
2016												
2018												
2020												

Tie for the 2<sup>nd</sup> place

Tie for the 5<sup>th</sup> place

Tie for the 7<sup>th</sup> place

## Breakdown of the CG Watch 2020 ranking of Japan

	Government & Public Governance	Regulators	CG Rules	Listed Companies	Investors	Auditors & Audit Regulators	Civil Society & Media
Scores	60	62	58	44	60	77	62
Ranking (out of 12)	4	5	10	11	2	5	4

# (1)Evaluation of Corporate Governance disclosure in Japan

## Helicopter view: Rating Japan's CG disclosure and governance, 2020

Good	Average	Poor
<input type="checkbox"/> IR pages on websites provide all the basics	<input type="checkbox"/> Shareholder engagement activities are disclosed in CG reports, but the nature of discussion is not fully explained	<input type="checkbox"/> Lack of details on operating costs, trade payables and receivables, and loans
<input type="checkbox"/> MD&A discussions are thorough	<input type="checkbox"/> Annual board evaluation is conducted, but little explanation of evaluation process or results	<input type="checkbox"/> No director attendance statistics
<input type="checkbox"/> History and details of any share issuance	<input type="checkbox"/> Risk information is provided, but not always company-specific and lacks discussion of risk responses	<input type="checkbox"/> Board committee reports lack specific narrative
<input type="checkbox"/> Basic narrative on CG Code implementation	<input type="checkbox"/> Most companies have a public code of conduct, but one-third do not extend it to suppliers	<input type="checkbox"/> Audit committee (AC) expertise, effectiveness unclear.
<input type="checkbox"/> Stock options and restricted share awards are not granted to independent directors		<input type="checkbox"/> Internal audit: who does it report to?
<input type="checkbox"/> Audit fees and non-audit fees disclosed		<input type="checkbox"/> Director remuneration policies, fee disclosure remains limited
<input type="checkbox"/> Physical risks of climate change are addressed		<input type="checkbox"/> Board diversity policies unclear or non-existent
<input type="checkbox"/> ESG materiality issues are listed		<input type="checkbox"/> <u>Board chairmen not independent</u>
		<input type="checkbox"/> <u>ESG targets not clearly discussed</u>



## (2) Challenges of Listed Companies on Corporate Governance

### Medium to long-term challenges

- ☐ Disclosure of beneficial ownership in company shareholder lists
- ☐ Meaningful reporting on the activities of nomination and remuneration committees
- ☐ Remuneration disclosure for each director and top five most highly paid executives
- ☐ Articulation of a clear policy on board diversity, with a skills matrix forming the basis for board composition decisions
- ☐ Improve the independence of board chairmen
- ☐ Disclose who chairs or leads the Kansayaku board
- ☐ Improve accounting and financial competencies among audit committee and Kansayaku board members, and disclose this information
- ☐ Internal audit department to have a direct reporting line to the board
- ☐ Sustainability reporting:
  - Material issues to be explained in more detail, not just complying with GRI standards
  - Metrics to be used to monitor progress on material sustainability issues

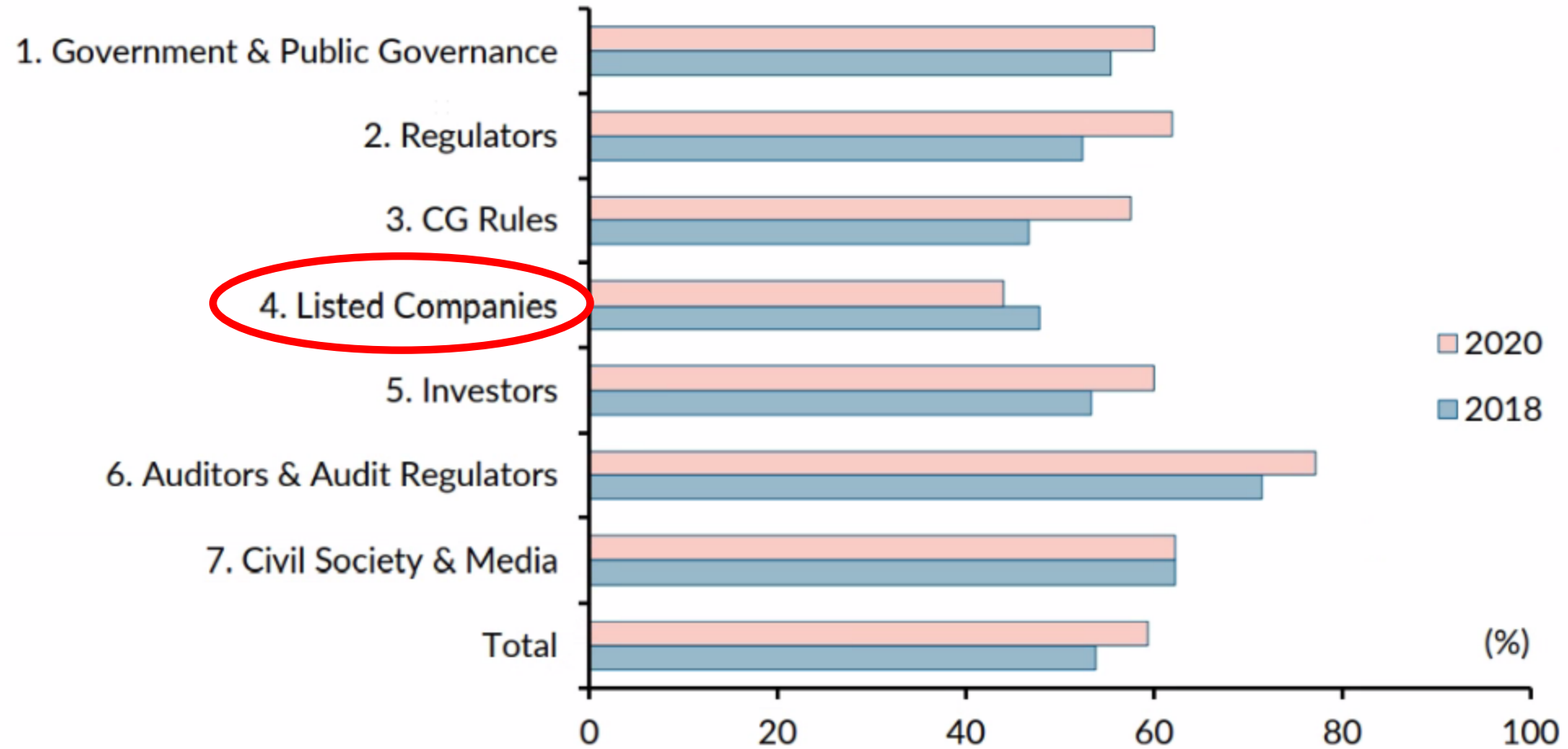
### (3) Highlights of the ranking for each country

#### **CG Watch 2020 market rankings and scores**

Market	Total (%)	Macro market highlights
1. Australia	74.7	Banking commission spurs enforcement, still no federal ICAC
=2. Hong Kong	63.5	New audit regulator, enforcement remains strong, ICAC disappoints
=2. Singapore	63.2	Enforcement firming, rules improve, company disclosure disappoints
4. Taiwan	62.2	Big CG reform push on multiple fronts, rules still complicated
=5. Malaysia	59.5	Political turmoil erodes government scores, other areas hold steady
=5. Japan	59.3	Ahead on climate change reporting, behind on company CG disclosure
7. India	58.2	New audit regulator, civil society surges, public governance disappoints
8. Thailand	56.6	Political turmoil erodes government scores, rules strong, investors improve
9. Korea	52.9	Public governance strengthens, CG disclosure improves, regulatory opacity
10. China	43.0	Forging its own governance path, still waiting for ESG reporting guidelines
11. Philippines	39.0	Stronger regulatory focus on CG, investors and civil society disappoint
12. Indonesia	33.6	CG reform continues to struggle, some stronger rules, new e-voting system

## (4) Japan's CG scores in 7 categories

Japan CG macro category scores (%), 2020 vs 2018





# (5) Highlights of Japan



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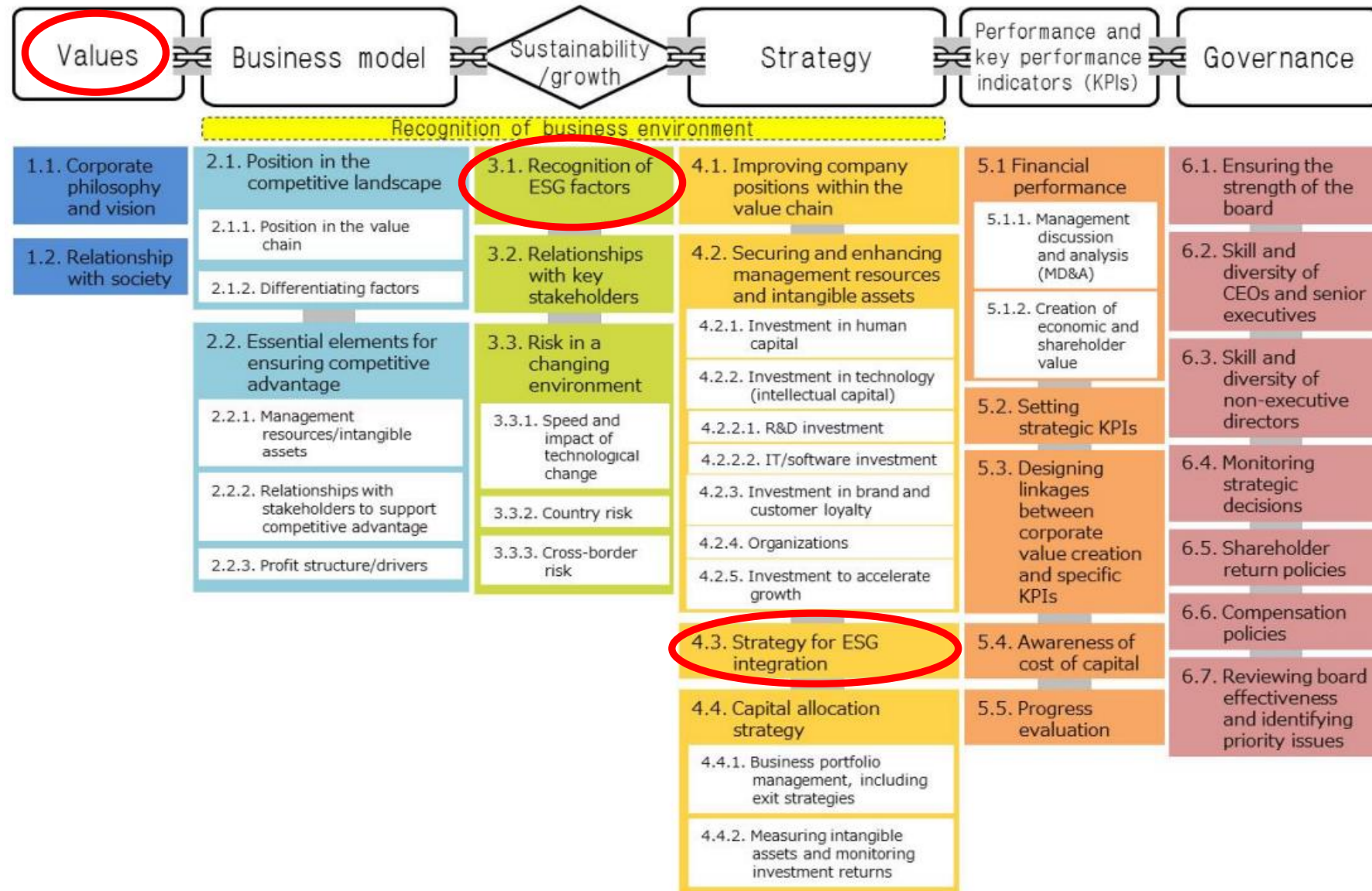
## Japan – Fragmented reformer

- ❑ Regulators signalled some firming of hard-law rules and regulations
- ❑ Soft-law codes on stewardship and CG underwent further change
- ❑ Fragmented nature of reform effort seen at all levels: Government, regulators, investors, civil society
- ❑ Higher scores for regulatory policy and enforcement work, yet still room for improvement
- ❑ Listed company CG disclosure considerably less informative than in most markets, while Covid did not spur the growth of electronic AGMs
- ❑ Investor stewardship developed rapidly, but collective engagement still scarce
- ❑ A higher number of shareholder proposals put forward over 2019 and 2020
- ❑ Consolidation among civil society groups could help to drive reform

# **III. Stewardship Activities of Japanese Life Insurance Companies**

- 1. ESG integrated in Corporate Vision**
- 2. Corporate Vision of Nippon Life**
- 3. Corporate Vision of Dai-ichi Life Group**
- 4. Corporate Vision of Meiji Yasuda Life**
- 5. Vision of Life Insurance Association of Japan (LIAJ)**
- 6. Basic Approach for Stewardship Activities of Dai-ichi Life**
- 7. Engagement activities contribute to corporate value creation**
- 8. Follow up of Engagement Activities**
- 9. Voting Policy of Dai-ichi Life (Main Points 1-2)**
- 10. Voting Results by Major Financial Institutions in Japan**
- 11. Engagement Outcomes**
- 12. Examples of Engagement Activities by Dai-ichi Life 1-4**

# 1. ESG integrated in Corporate Vision

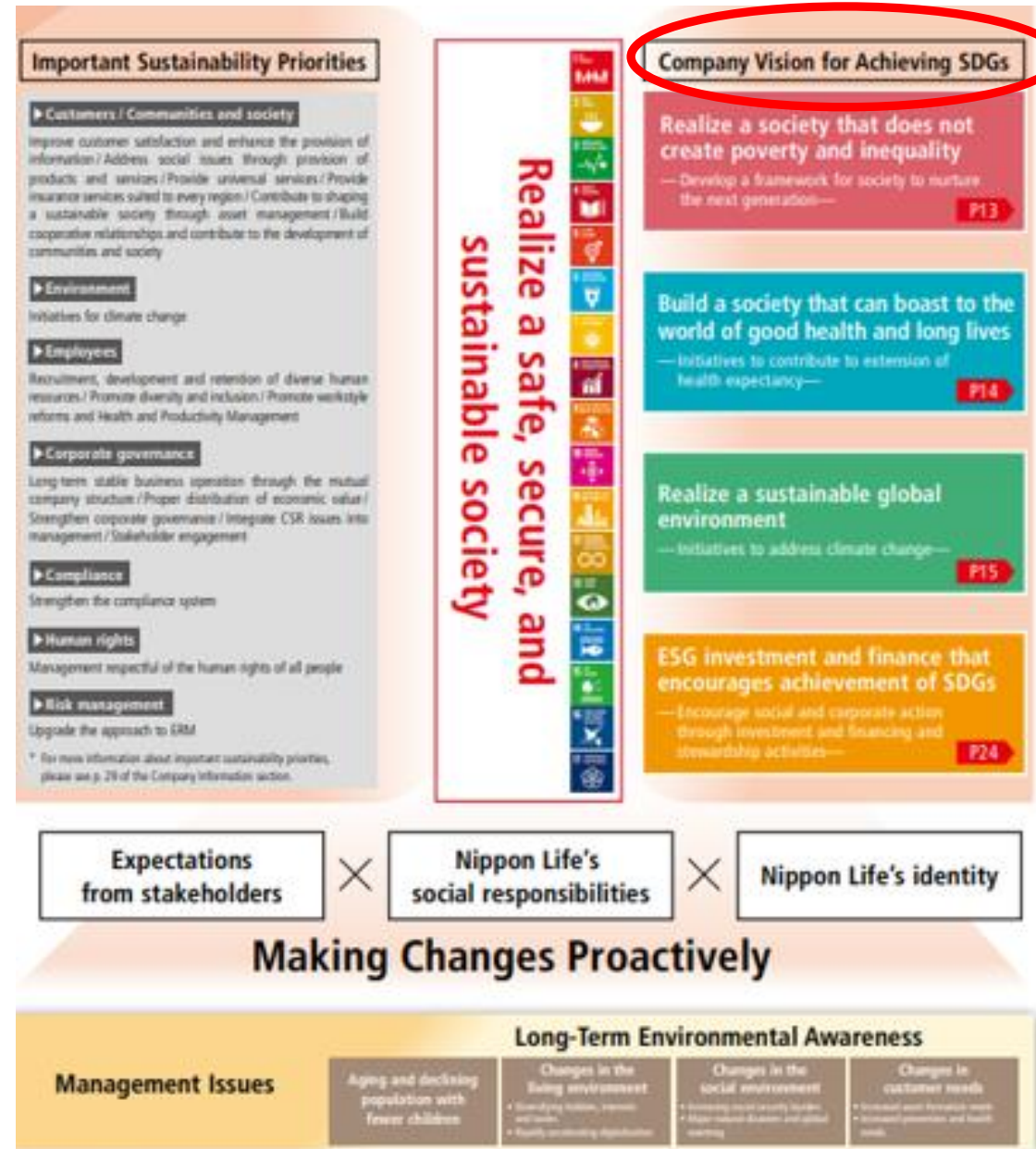




# 2. Corporate Vision of Nippon Life



## 2. Corporate Vision of Nippon Life

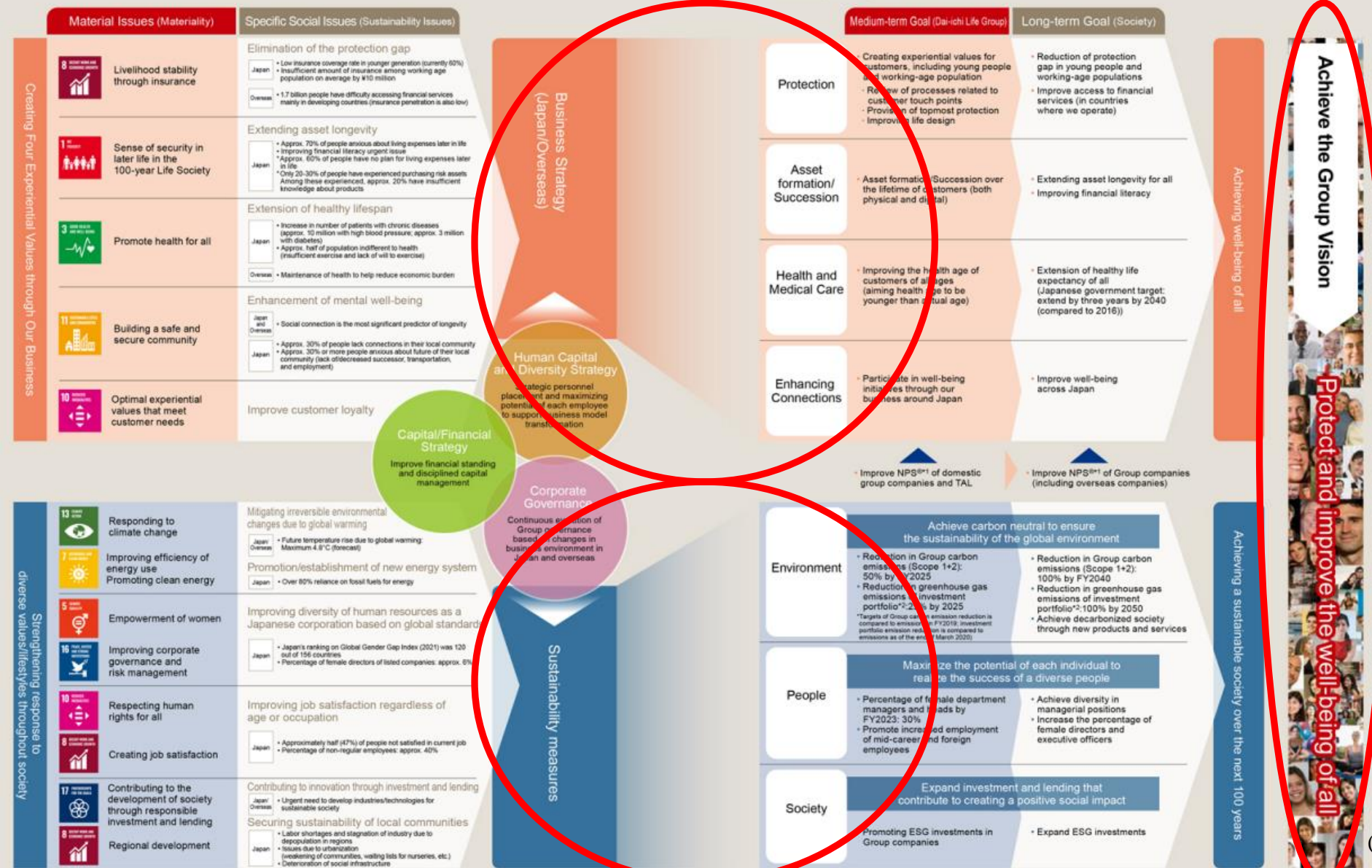


(Source) Website of Nippon Life



# 3. Corporate Vision of Dai-ichi Life Group

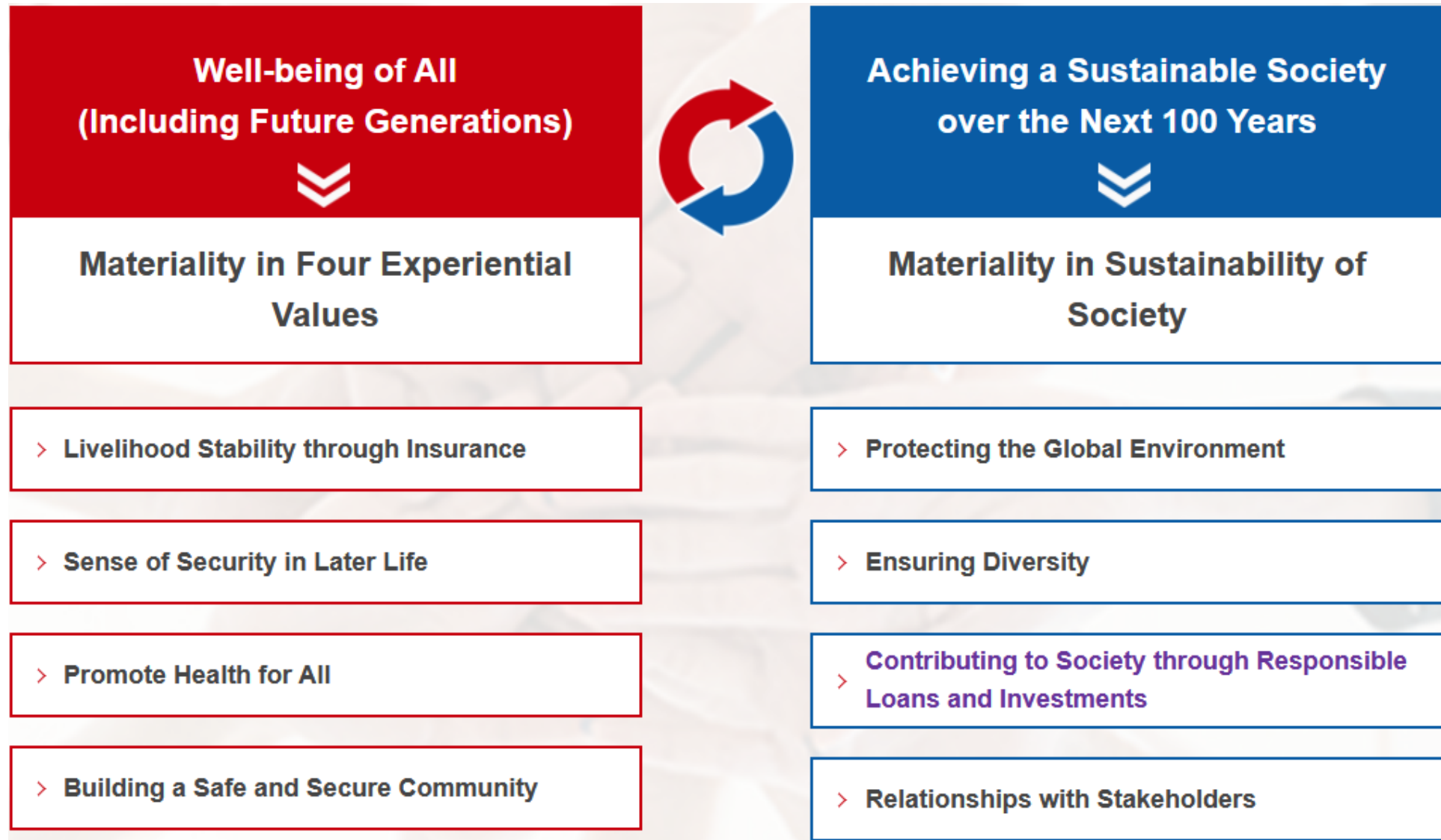
## Value Creation Process



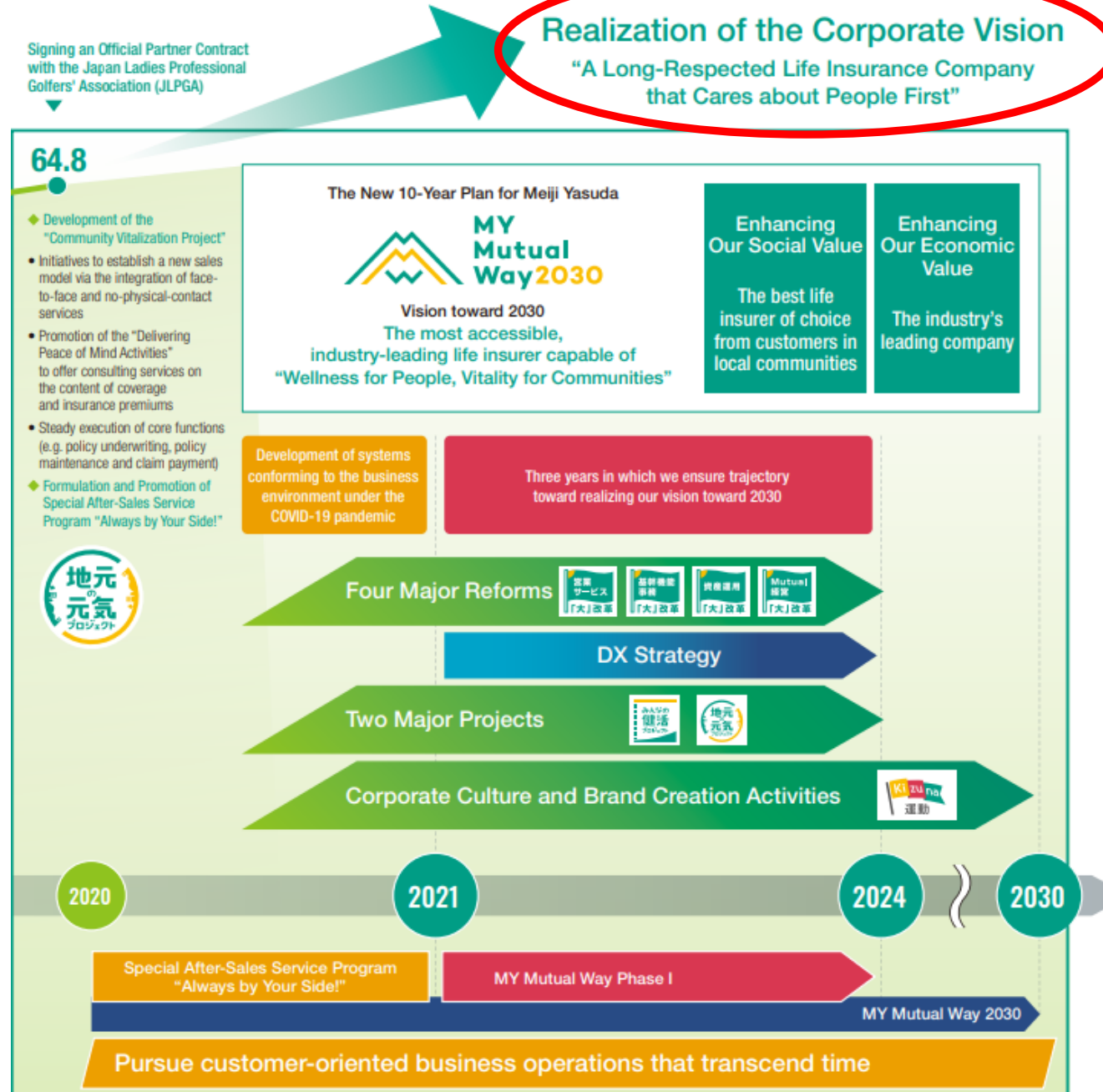
(Source) Dai-ichi Life's Website

### 3. Corporate Vision of Dai-ichi Life Group

## Dai-ichi Life Group's Material Issues



# 4. Corporate Vision of Meiji Yasuda Life





# 4. Corporate Vision of Meiji Yasuda Life

## Materiality of Meiji Yasuda Life

Place ongoing focus via the execution of Two Major Projects and other initiatives

Issues where  
we place  
utmost priority

3 Good Health and Well-Being

Prolong healthy life  
expectancy



11 Sustainable Cities and Communities

Vitalize  
regional communities

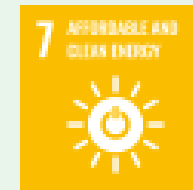


Increase priority and strengthen relevant initiatives

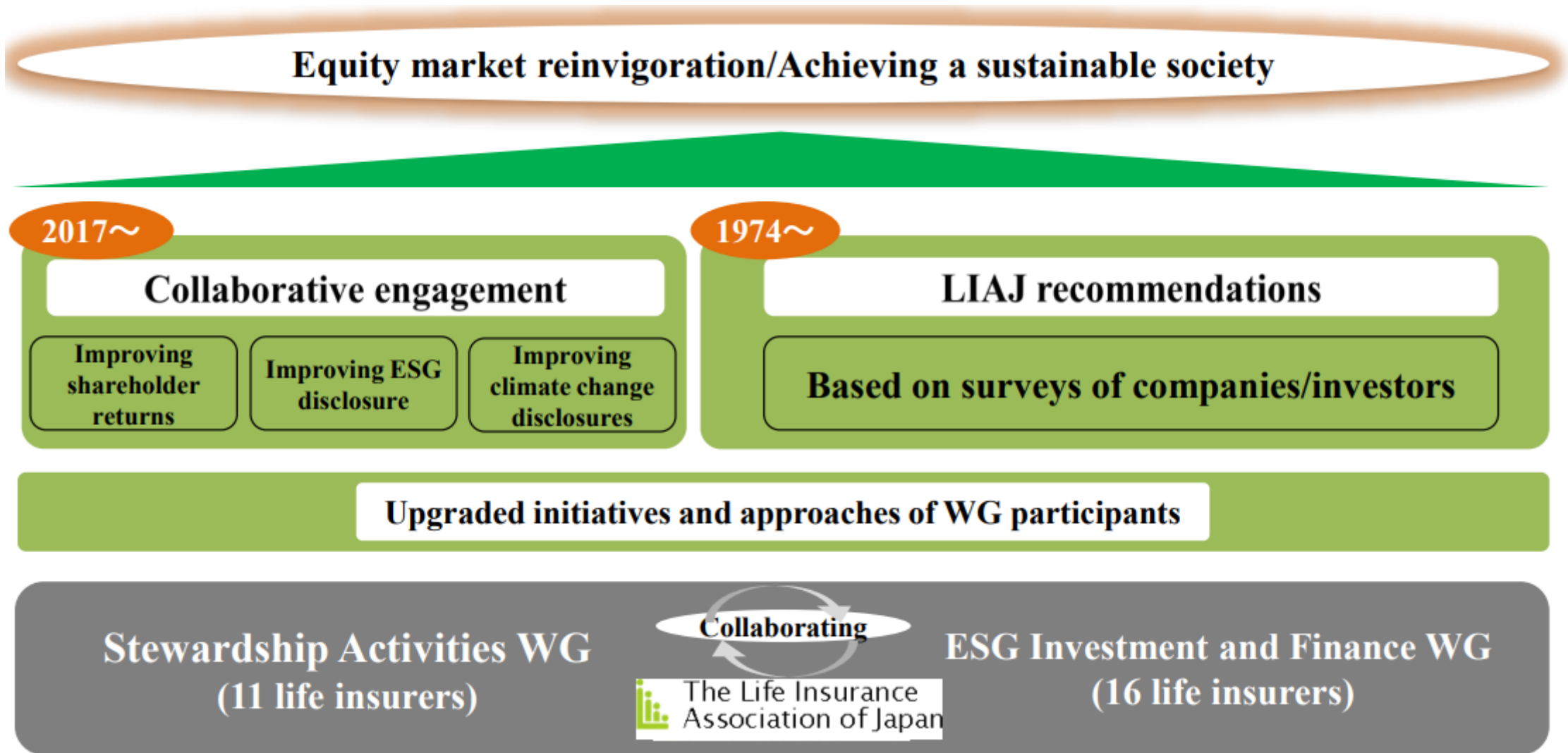
An issue  
requiring  
further initiative

7 Affordable and Clean Energy, 13 Climate Action

Protect the environment and combat climate change

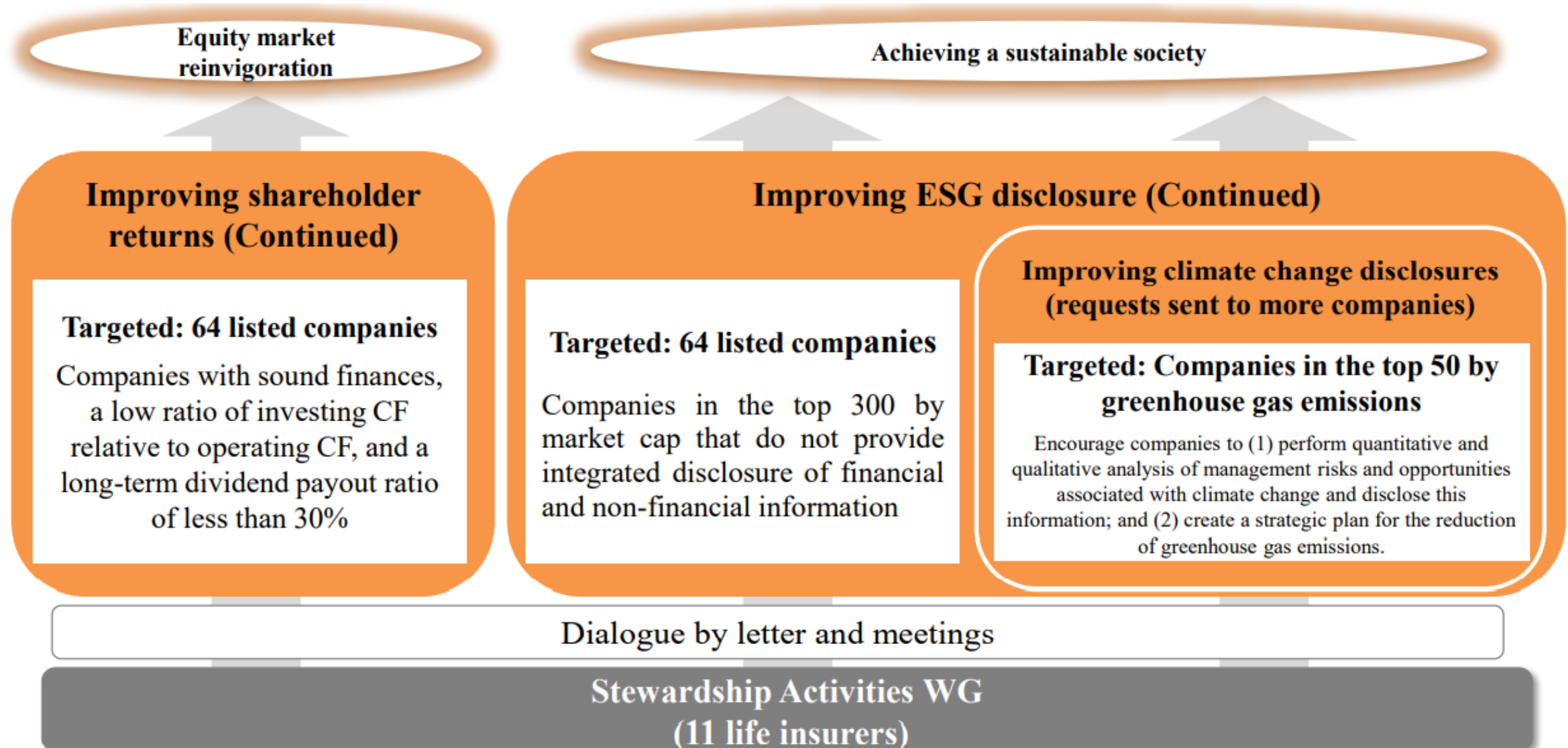


# 5. Vision of Life Insurance Association of Japan (LIAJ)

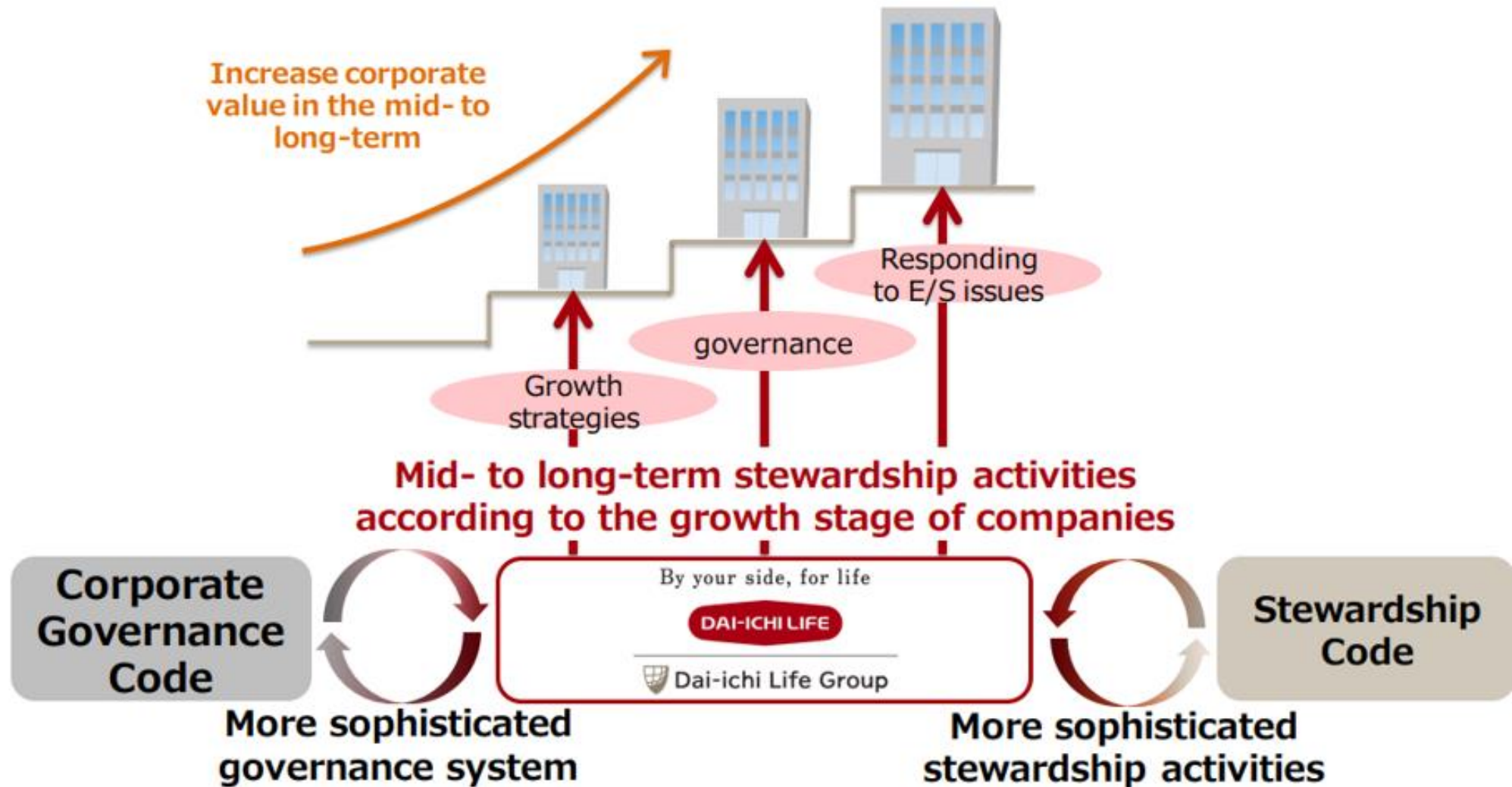


# 5. Vision of Life Insurance Association of Japan (LIAJ)

## Collaborative Engagement initiated by LIAJ



## 6. Basic Approach for Stewardship Activities of Dai-ichi Life

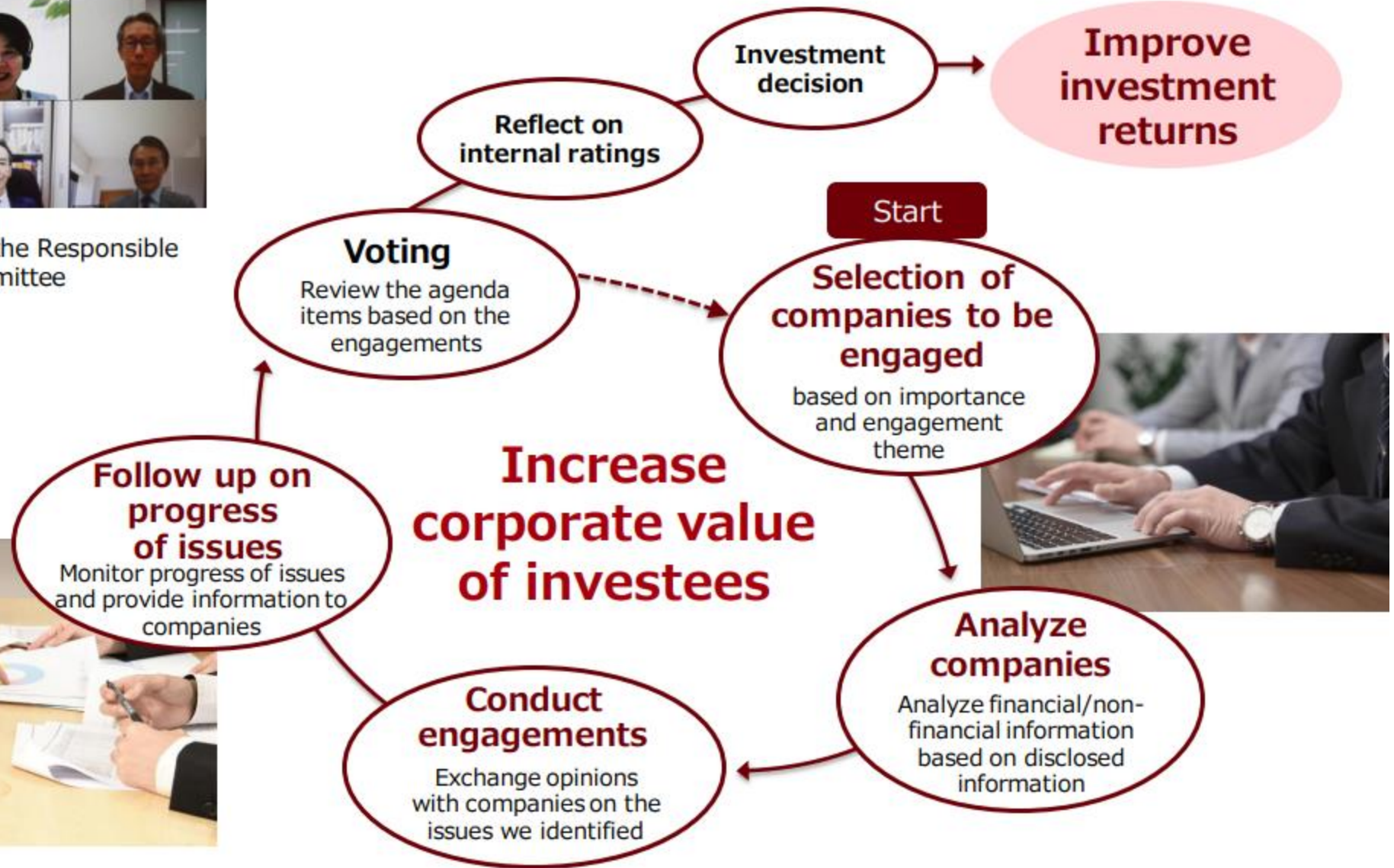




# 7. Engagement activities contribute to corporate value creation



\*Deliberations by the Responsible Investment Committee



# 8. Follow up of Engagement Activities

## Tracking 4-step milestones

- 1 **Raise issue:** Dai-ichi Life raises a matter it considers to be an issue with a investee company
- 2 **Recognize issue:** The investee company recognizes that it must address this issue
- 3 **Address issue:** The investee company begins addressing the issue
- 4 **Solve issue:** Dai-ichi Life confirms that the issue has been solved

**Help solve  
issues  
through  
providing  
information**



## Examples of issues of each theme

### Governance

- Application of independent outside directors
- Composition of board of directors and its effectiveness
- Nomination/remuneration

### Management/financial strategies

- Identifying materiality and reflecting it in management strategy
- Formulating and disclosing mid-term management plan and KPI considering validity
- Business portfolio
- Formulating and disclosing capital policies (investment, shareholder return and retained earnings )
- Improving total return ratio
- Cross-Shareholdings
- Capital efficiency

### Environmental /social issues

- Addressing climate change
- Human rights and diversity
- Approach to natural capital and biodiversity

- **Health & Productivity Management**

# 9. Voting Policy of Dai-ichi Life (Main Points 1)

Agenda item	Candidate	Current		Planned Revision		
		Market	After April 2021	Market	After April 2022	After April 2023
Appointing directors, auditors, etc. (*)	Representative director	All markets	<u>When ongoing dialogues do not show improvements</u> in ESG issues that use problems and priority themes of portfolio companies	All markets	No change	
	Representative director	First Section of TSE	One independent outside director	TSE Prime	1 person	Under 1/3, or 1 person
		Other than First Section of TSE	Absence of independent outside director	TSE Standard	1 person	
				TSE Growth	Absent	
	Director	All markets	Deficit for three consecutive fiscal years/under 5% ROE for five straight fiscal years (expand applicable people to reappointed directors) <b>In the process of special measures in view of the COVID-19 pandemic</b>	All markets	No change	
	Representative director of listed subsidiary that has a controlling interest	All markets	–	All markets	Independent outside director: under 1/3, or 1 person	
	Independent outside officer (director/auditor, etc.)	Only First Section of TSE	<ul style="list-style-type: none"> <li>Originally from major shareholders with <b>15% or more</b> holding ratio</li> <li>Long tenure (<u>total of 12 years or more</u>)</li> </ul>	TSE Prime	No change	<ul style="list-style-type: none"> <li>Originally from major shareholders with <b>10% or more</b> holding ratio</li> <li>Long tenure (<b>total of 12 years or more</b>)</li> </ul>
				Other than TSE Prime	–	<ul style="list-style-type: none"> <li>Originally from major shareholders with <b>10% or more</b> holding ratio</li> </ul>
	Outside officer (director, auditor, etc.)	Only First Section of TSE	<u>Under 75% attendance rate</u> at board of directors and board of auditors meetings	All markets	No change	

(\*) Includes directors serving as Audit & Supervisory Committee members

(Source) Responsible Investment Report 2021 of Dai-ichi Life



## 9. Voting Policy of Dai-ichi Life (Main Points 2)

Agenda item	Current		Planned Revision		
	Market	After April 2021	Market	After April 2022	After April 2023
Officer compensation, retirement allowance, stock-based compensation, and issuing and granting stock options	All markets	<u>Granting stock-based compensation and stock options to auditors, etc.</u>	All markets	No change	
		Granting of stock-based compensation and stock options that may cause <b>over 10% dilution</b>			
		Increase in officer compensation and payment of officer bonuses <b>in poorly performing companies</b>			
	Only First Section of TSE	<u>Provision of retirement allowances to auditors, etc.</u>	Only TSE Prime		
Appropriation of surplus (representative director is reappointed as director if there is no applicable agenda item)	All markets	<b>Under 20% total return ratio</b> for three cumulative fiscal years and most recent fiscal year	All markets	No change	
Introduction and update of takeover defense measures	All markets	(One of the following applies) <b>Under 5% ROE for three consecutive fiscal years; less than two independent outside directors;</b> economic compensation provided	All markets	(One of the following applies) Under 5% ROE for three consecutive fiscal years; independent outside director: <b>under 1/3, or 1 person</b>	



# 10. Voting Results by Major Financial Institutions in Japan

	Daiichi Life				Nippon Life		Meiji-Yasuda Life			
Agenda items(Ratio: Against the proposal)	Last July to June				Last July to June		Last July to June			
	2021	2020	2021	2020	2021	2020	2021	2020		
Dismissing Selecting Directors	1.5	1.4	9.7 *	8.2*	3*	2.7*	0.7	0.4		
Dismissing Selecting Auditors	3.1	4.2	4.5*	7.4*	0.5*	0.7*	1.8	0.9		
Dismissing Selecting Accounting Auditors	0	0	0	0	0	0	0	0		
Officer's Compentation	4.4	3.7	4.4	3.7	0.2	0.9	1.8	0.7		
Retirment Allowance for retired officers	15.7	12.3	15.7	12.3	4.5	4.7	5	8		
Appropriation of Surplus	1.5	1.3	1.5	1.3	0.9	1.1	0.1	0.2		
Restructuring of Organizations	0	0	0	0	0	0	0	0		
Takeover defense measures	30.8	19.7	30.8	19.7	2.3	2.6	8	6.5		
Other Capital Policies	0	0	0	0	4.5	12.5	4	0		
Article of Incorporation	0.6	0	0.6	0	2.8	1	0	0		
Others	0	0	0	0	0	0	—	0		
Total	2	2.1	5.5*	5.7*	1.8*	1.7*	0.8	0.6		
Agenda items proposed by shareholders (Ratio: In favor of the proposal)	4.1	6.4	3.1*	4.7*	0*	0.1*	5.3	0		
			* Based on the number of companies						Unit %	
	Aseet Manegement ONE		Nissay Asset Management		Nomura Aseet Management		Sumitomo Mitsui Trust Bank		Mitsubisi UFJ Trust and Banking	
Agenda items(Ratio: Against the proposal)	April to June		April to June		April to June		Last July to June		Last July to June	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Dismissing Selecting Directors	15.1	16	11.4	9.2	5.1	5.3	20.8	22.6	26.8	33.1
Dismissing Selecting Auditors	12.6	16.7	13.1	10.7	16.6	12.2	12.5	12.8	13.9	16.6
Dismissing Selecting Accounting Auditors	0	0	2.7	0	0	0	0	0	0	0
Officer's Compentation	7.2	6.5	11	10.1	26.1	20.8	16.9	14.3	10.8	10.7
Retirment Allowance for retired officers	100	100	33.8	44.2	82.9	84.7	100	100	88.2	89.9
Appropriation of Surplus	0.2	0.3	12.1	2.5	4.9	0.2	1.3	1	1.5	1.7
Restructuring of Organizations	0	0	0	0	4.5	11.1	0	0	0	0
Takeover defense measures	97.8	97.3	100	100	98.5	100	95.2	93.8	91.1	92.4
Other Capital Policies	6.5	8.8	6.7	12	3.6	10.3	1.1	0	0	0
Article of Incorporation	0.8	1.9	11.8	8	3.7	1.9	5.6	3.8	0.8	2
Others	100	50	100	0	—	50	44.4	37.5	50	50
Total	13.7	15.3	11.9	9.5	8	7.1	18.8	20.1	23.2	28.3
Agenda items proposed by shareholders (Ratio: In favor of the proposal)	9.6	7.4	16.9	12.5	14.4	13.6	4.7	19	3.6	9.2

\* As each company has its own voting policy and the term to count voting results is different, this chart does not indicate to compare the strictness of voting by companies.

(Source) Website of each  
company confined by  
FALIA

# 10. Voting Results by Major Financial Institutions in Japan (Vote summary for the Shareholder Proposal to Mizuho Financial Group)

Item		Proxy Advisor	Recommendation
Approval rate	34.00%	ISS	Approved
Result of resolution	Rejected	Glass Lewis & Co., LLC	Approved

Japanese Institutional Investors			
Investor	For/ Against	Investor	For/ Against
Nomura Asset Management Co., Ltd.	For	FIL Investments (Japan) Limited	For
Asset Management One Co., Ltd.	For	Tokio Marine Asset Management Co., Ltd.	For
Sumitomo Mitsui Trust Asset Management Co., Ltd.	Against	Nissay Asset Management Corporation	For
Mitsubishi UFJ Trust and Banking Corporation	Against	Sompo Asset Management Co., Ltd.	Against
Nikko Asset Management Co., Ltd.	Against	Pension Fund Association	Against
Daiwa Asset Management Co., Ltd.	Against	JPMorgan Asset Management (Japan) Limited	Against
BlackRock Japan Co., Ltd.	Against	Meiji Yasuda Asset Management Company Ltd.	Against
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	Against	Asahi Life Asset Management Co., Ltd.	Against
Resona Asset Management Co., Ltd.	Against	Ichiyoshi Asset Management Co., Ltd.	Against
Sumitomo Mitsui DS Asset Management Company, Limited	Against	Shinkin Asset Management Co., Ltd.	Against

Shareholder Composition (as of March 31, 2020)	Composition Ratio (%)
Financial institutions	30.02%
Foreign corporations, etc. (excluding individuals)	21.32%

Foreign Institutional Investors			
Investor	For/ Against	Investor	For/ Against
The Vanguard Group	Against	TIAA Investments	For
State Street Global Advisors	For	Schroder Investment Management	For
Legal & General Investment Management	For	CPP Investment Board	For
Norges Bank Investment Management	Against	APG Asset Management	For
Goldman Sachs Asset Management	For	UBS Asset Management (UK)	For
Northern Trust Global Investments	For	Charles Schwab Investment Management	For
Dimensional Fund Advisors	For/ Against	AQR Capital Management	For
T. Rowe Price International	For	Franklin Templeton Investments	For
Geode Capital Management	For	Aberdeen Standard Investments (Standard Life)	For
AllianceBernstein	For	LSV Asset Management	For

(Source) White Paper on Sustainable Investment in Japan, Japan Sustainable Investment Forum 2020

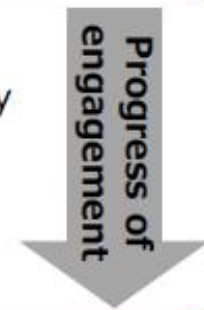
# 11. Engagement Outcomes

< Status of the issues raised in each fiscal year as of the end of June 2021 >

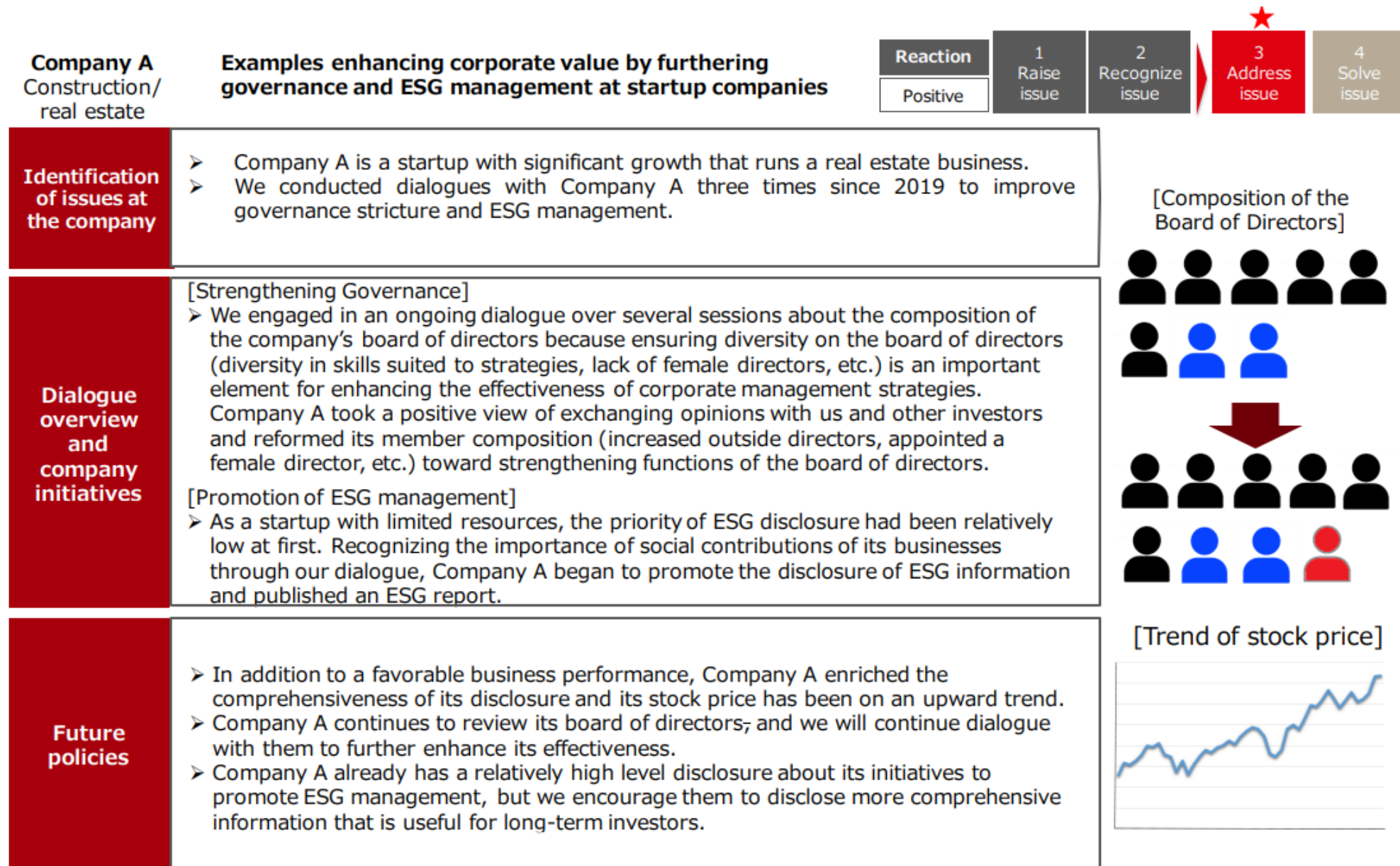


## Tracking engagement milestones

- ① Raise issue: Dai-ichi Life raises a matter it considers to be an issue with a company
- ② Recognize issue: The company recognizes that it must address this issue
- ③ Address issue: The company begins addressing the issue
- ④ Solve issue: Dai-ichi Life confirms that the issue has been solved

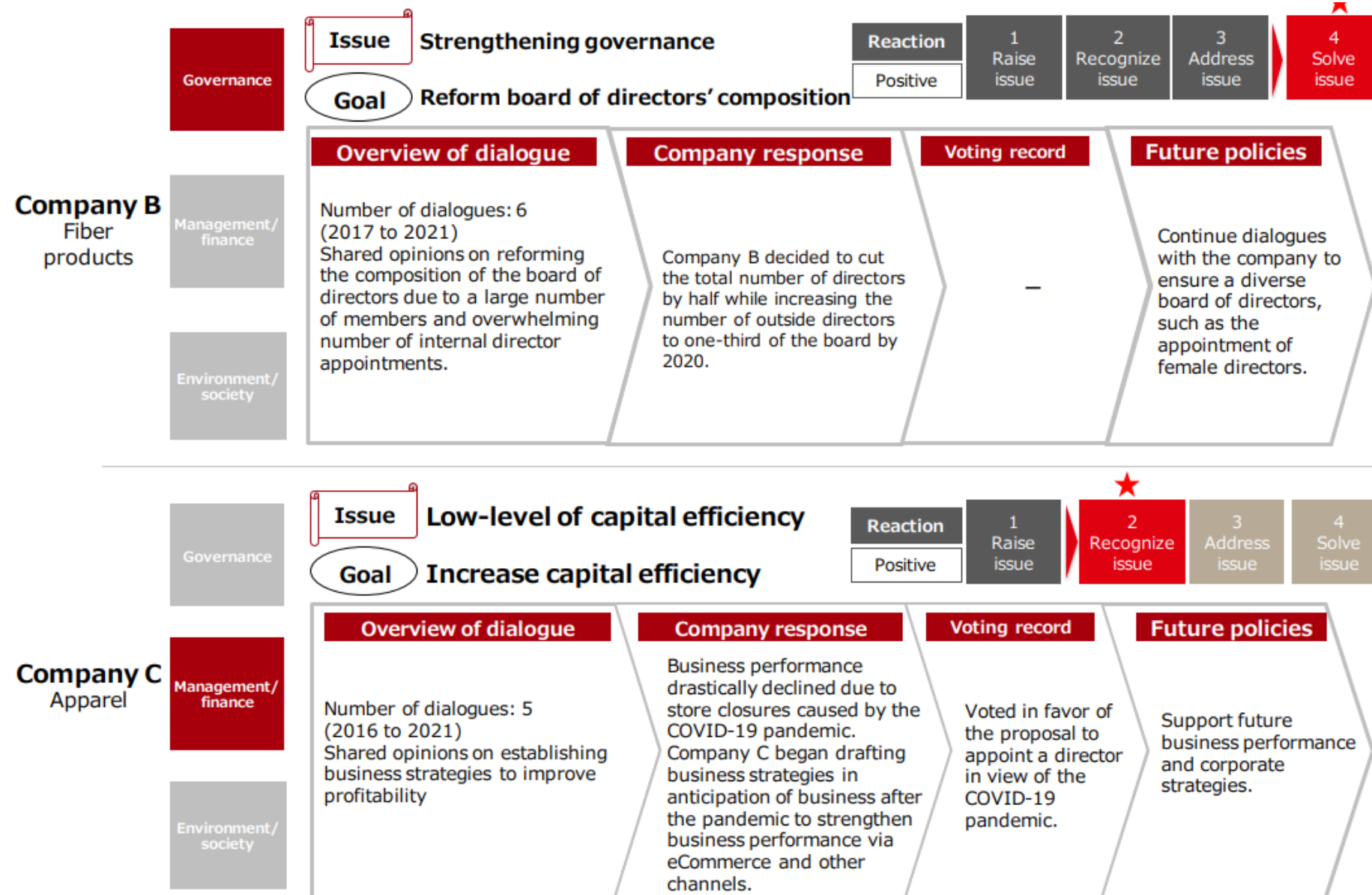


# 12. Examples of Engagement Activities by Dai-ichi Life 1

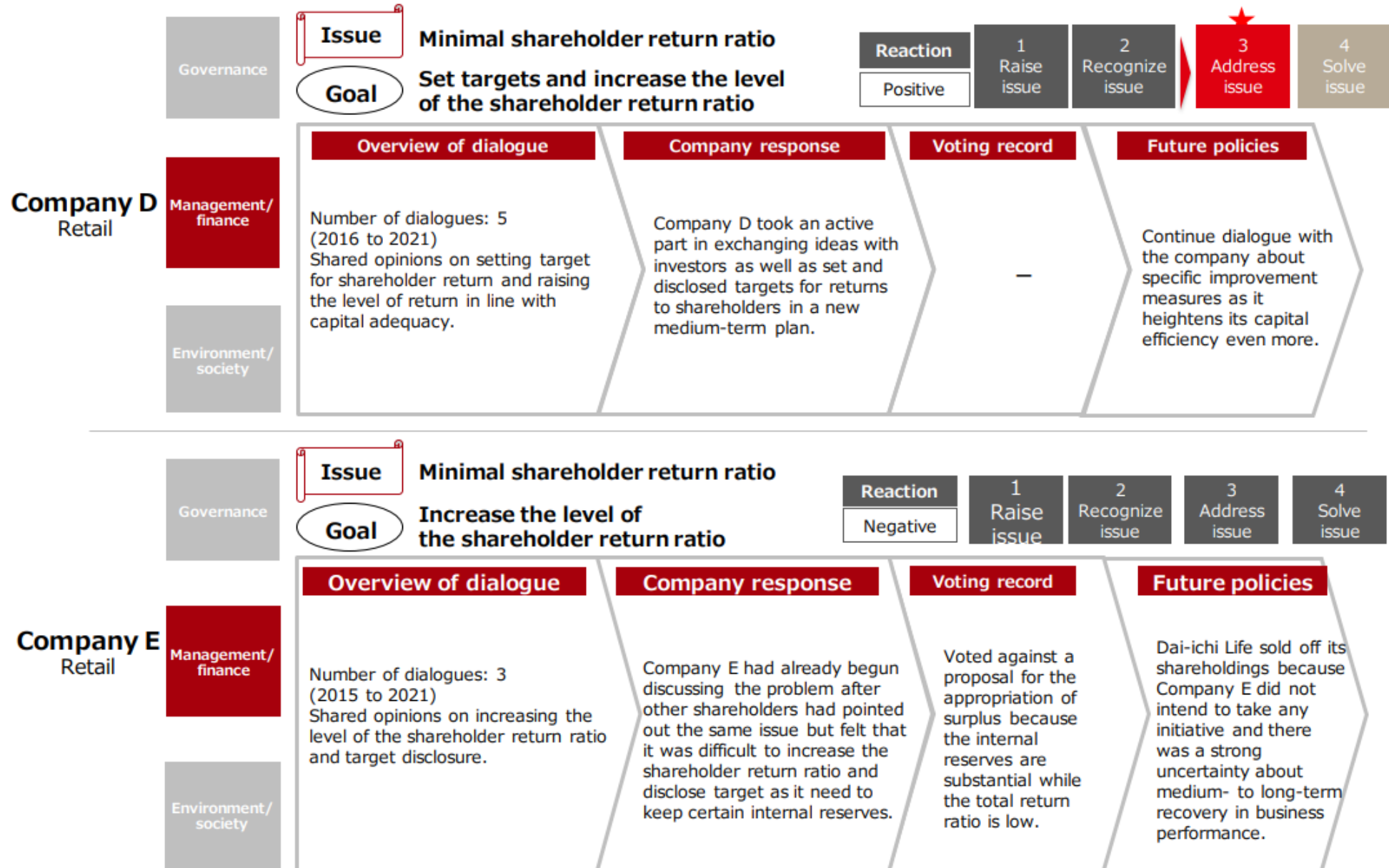




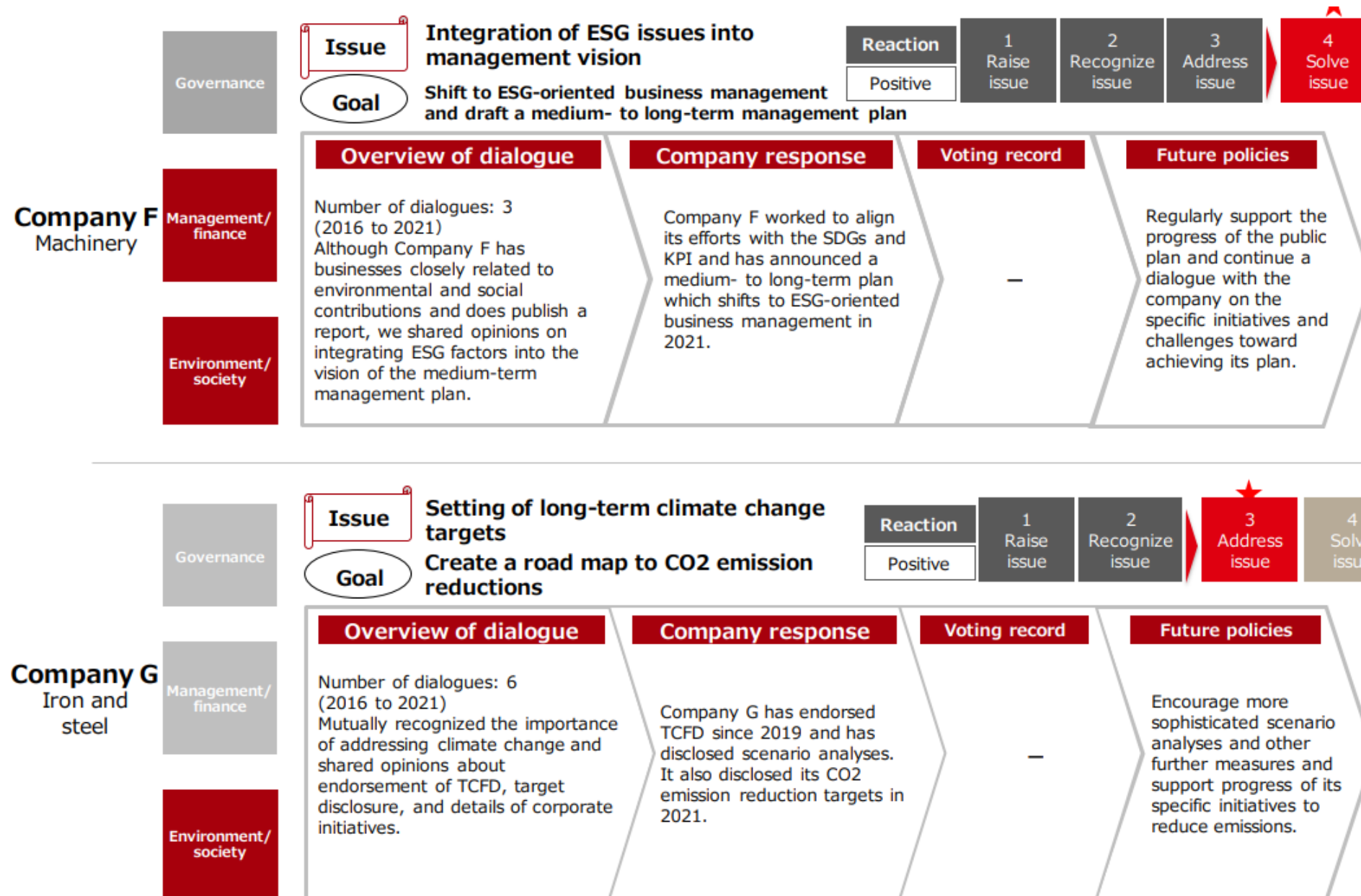
# 12. Examples of Engagement Activities by Dai-ichi Life 2



# 12. Examples of Engagement Activities by Dai-ichi Life 3



# 12. Examples of Engagement Activities by Dai-ichi Life 4



(Source) Responsible Investment Report 2021 of Dai-ichi Life

END of lecture material

I appreciate your patience.