



ICGN Virtual Forum: Global Governance Innovations - Overview of Changes to Japan’s Corporate Governance Code & ICGN Global Principles.

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Hello everyone. This is Hibino. Thank you for giving me to speak at this valuable opportunity today.

Keidanren and ICGN have promoted various collaborations so far. At the 2019 ICGN Annual Meeting, I had the opportunity to speak with CEO Kerrie Waring. Prior to that, ICGN and Keidanren have signed a memorandum of understanding confirming coordination and collaboration to strengthen corporate governance and promote constructive dialogue between companies and investors. Thank you again for the leadership of everyone at ICGN.

The purpose of corporate governance reform is to achieve sustainable growth of the company and increase its value over the medium to long term. In recent years, at the same time, companies have been required to play a role in establishing sustainable capitalism. Under these circumstances, I would like to talk about how Keidanren and Japanese companies are working.

Starting with the 2019 US Business Roundtable Declaration, the idea of stakeholder capitalism that emphasizes all stakeholders is spreading rapidly around the world. Keidanren established its “Charter of Corporate



Behavior“ in 1991, 30 years ago, and expressed the idea that companies should be beneficial to society as a whole. Incorporating the idea of contributing to a sustainable society since 2004, the 2017 revision positions companies as leading the realization of a sustainable society.

Since 2015, we have launched “Society 5.0 for SDGs”, a concept that balances economic advancement with the resolution of social problems by making maximum use of innovative technologies. Last year, we issued the “. The NEW Growth Strategy” to realize this concept, and recommended actions toward value co-creation starting from five stakeholders: consumers, workers, local communities, the international community, and the natural environment. Keidanren sees building a sustainable society through the realization of Society 5.0 as a major growth opportunity. According to a trial calculation of joint research conducted with the University of Tokyo and GPIF, the realization of Society 5.0 has the effect of boosting Japan's GDP by 250 trillion yen as of 2030. Japanese companies are also working to create innovations for building a sustainable society, such as next-generation healthcare and smart mobility, that is, sustainable innovations.

“Investment” support by investors is indispensable for promoting “innovation” to achieve sustainable “goals”. Keidanren, the University of Tokyo, and GPIF are jointly advocating the creation of a flow toward the realization of Society 5.0 and the achievement of SDGs by evolving ESG investment.

Daiwa Securities Group is working to promote investment through the formation of Daiwa Society 5.0-related stock funds. We would like to ask



all the investors who participated today to support sustainable innovation by expanding ESG investment to achieve the SDGs.

In order for companies to further promote sustainable capitalist efforts, it is important to apply the perspectives of diverse people to governance. Keidanren launched an initiative called “#HereWeGo203030” in March. The aim is to form momentum toward the realization of the goal of increasing the ratio of female executives to 30% or more by 2030, as set forth in “.The NEW Growth Strategy” introduced earlier. We will support corporate diversity and inclusion efforts in collaboration with initiatives such as 30% Club Japan that originated in UK.

Daiwa Securities Group fully supports these activities. At the General Shareholders Meeting of Daiwa Securities Group Inc.in June this year, one new female director was appointed, and there were four female directors, two inside the company and two outside the company, and the ratio of female directors became 28.6%, approaching 30%.

The realization of carbon neutrality by 2050 will be an important factor for building a sustainable society. Regarding climate change, Keidanren will revise “Keidanren's Commitment to a Low Carbon Society” that it has been working on for many years to the “Keidanren Carbon Neutrality Action Plan” and strengthen its efforts. We are also promoting an initiative called



“Challenge Zero” that promotes the development of net zero emission technology and transition technology, and as of June this year, the number of cases has reached 390.

Daiwa Securities Group is working to contribute to the realization of carbon neutrality through the financial and capital markets, such as underwriting green bonds. In July, Daiwa Asset Management Co. Ltd. established the “Carbon Neutral Equity Fund (Carbon Zero),” an investment trust that invests in companies with excellent technologies that contribute to the realization of a carbon-free society. In addition, we will make efforts to donate part of the trust fees of this fund to tree planting activities through NPOs.

This time, the Corporate Governance Code has been revised again, and it is necessary to take this opportunity to promote governance reform with “substance” through constructive dialogue between investors and companies. No one disagrees with the importance of corporate governance, but the source of corporate growth is not the form of governance, but the spirit and entrepreneurship of management. It is important to build a system that properly supports such a growth engine and leads to sustainable growth of the company.

Japanese companies are also proactively pursuing the optimal form for each company regarding the ideal form of the board of directors, such as



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improving the number and quality of independent directors. From the perspective of supporting these efforts, Keidanren presents the following three points when implementing the revised code.

The first is a thorough application of the “principles-based approach” and “comply-or-explain approach”.

The basis of the code is that each company applies it in a way that contributes most to its own value enhancement, and in order for this mechanism to work, constructive dialogue between companies and investors is required. I believe companies should take the initiative in dialogue by enhancing disclosure and ingenuity, and investors should make investment decisions based on medium- to long-term perspectives rather than uniform and formalistic decisions.

Secondly, it is necessary to examine what kind of results the revised Code has brought to the improvement of corporate value, conversely what kind of results have not been obtained, and the reasons for this.

Thirdly, it is necessary that the authorities follow up various issues and questions in the implementation and operation phase of the revised code carefully.

We expect that companies, investors, and authorities will work from this perspective to promote governance reforms and contribute to the medium- to long-term value enhancement of Japanese companies.





Keidanren will continue to collaborate in value creation through dialogue with stakeholders toward the realization of Society 5.0 for SDGs and the construction of sustainable capitalism.

Thank you for your attention.

End

