



## Summary of the 6<sup>th</sup> Global Asset Owners' Forum

Global Asset Owners' Forum member had a meeting with Keidanren and its corporate members on October 3, 2023, in Tokyo.

We had the discussion on corporate governance, sustainability issues such as climate issues and proxy voting.

The asset owners which represented at the Forum included:

GPIF\* – Japan

CalPERS\* – USA

CalSTRS\* – USA

APG – The Netherlands

NBIM – Norway

HESTA – Australia

Temasek – Singapore

\*Three asset owners are organizers of the Forum.

Separately from the meeting with Keidanren, the asset owners also exchanged views on disclosures and others as follows.

1) What kind of disclosure do asset owners expect Japanese companies?

<main views>

- Timely disclosures and timely English translations
- Concise disclosure in one report (less than 50 pages) containing key message from the management to stakeholders and linking details into each subject, disclosure, policy, etc\*\*. In terms of items, we would like to see as follows:

Governance framework

Board structure and its independence

Executive compensation and pay for performance alignment

KPIs link to compensation structure

Corporate strategy and how capex/opex relates to achieving its strategy

The incorporation of material risks such as climate and what the company is doing (targets and actions) to move towards net zero

\*\*Detailed disclosures such as transition planning not necessarily need to be included in an overarching report and could potentially sit in a separate publication (but needs to be connected to overarching report pages).

<other views>

- Sustainability KPIs, tax governance and addressing controversies.
- In disclosures, summary tables/diagrams will help by disclosing key structure, action plans and (expected) impacts.
- Due to the concentrated annual meeting schedule in Japan, we aren't able to review all of the materials that companies provide shareholders and as such must rely on proxy advisory services to get information in English that factors into our decisions making.
- The annual securities report "Yuho" should also be published ahead of AGMs (at least 30 days), and translated into English.

2) What do asset owners evaluate the ISSB standards and how do we expect Japanese companies to utilize non-financial disclosure standards such as ISSB?

<main views>

- We thoroughly support the ISSB standards and are encouraging all portfolio companies to align their disclosures with ISSB standards.
- We believe we need one global standard and the ISSB aligns with how we believe corporate disclosures should be presented. We hope that the jurisdictional implementation of ISSB standards – including by SSBJ in Japan – will stay as faithful as possible to the global baseline. Any jurisdiction-specific concerns should be addressed via temporary reliefs rather than permanent deviations.
- Regarding sustainability, we expect disclosures on material sustainability issues and on climate change.
- We have endorsed TCFD in the past, and with TCFD being absorbed by ISSB, it would be appropriate to refer to ISSB (IFRS S2: Climate Related Disclosure) which will still incorporate TCFD's four main pillars.
- More quantification approach is necessary even for sustainability including financial sensitivity from material sustainability matters.

3) Other issues (expectation to Japanese issuers or issue to address)

- We support TSE's action on cost of capital, given the majority of Japanese listed companies' PBR ratios are below 1.
- As a shareholder, we expect to better capital use for the ROE improvement and business growth related capex.
- We recognize the benefits of TSE's release of Action on Cost of Capital-Conscious Management and Other Requests and how the transparency and actions taken related to this may help drive efficiencies and provide better financial returns to the company and shareowners.

The participants unanimously agreed to release a summary of discussions on the Chatham House Rules basis.

End