

**30% Club Japan
Investor Group
progress report
Vol. 2.**

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Disclaimer: The English version is a translation of the original in Japanese and is for information purposes only. In case of a discrepancy, the Japanese original will prevail.

Thought leadership seminar



- On 8th December 2022, the Thought Leadership working subgroup belonging to the Investor Group hosted a seminar – “Corporate Governance and the Importance of a Diverse Board”. This event, led by FIL Investments (Japan), was organised jointly by the Investor Group and the TOPIX Presidents’ Committee with the aim of creating an opportunity for senior female leaders and candidates to learn about the expectations of board members from an investor’s perspective, and to network. On the day, 36 participants learned about the importance of corporate governance, ESG management, board diversity and sustainability from an investor's perspective.
- The programme began with a keynote speech by Ms. Atsuko Itoh, Executive Director of East Japan Railway Company, on her own journey to becoming a board director and the importance of diversity in the boardroom, titled “The Spark by Minorities and the Path to Majority”. Some of the key highlights are presented below:
 - Even when assigned roles traditionally considered to be ‘male’, she approached it in her own way, and took on every opportunity with a 'never say no' mentality.
 - Increasing female directors can remove pre-established norms and encourage proactive discussion. Appointment of an internal female director acts to promote the management’s firm commitment on diversity and sends a strong signal to the female employees.
 - The world is becoming more divided and complex, and innovation is driving growth disparities between countries. Change does not occur within homogeneity. Diversity in the decision-making process is necessary to enrich Japan.

[Click here for a report on the day's activities.](#)



Thought leadership seminar

- A panel discussion by the Investor Group on “**The Role of the Board on the Importance of Diversity from a Governance Perspective**” followed.
 - Participants: *The position titles are as of the date in which the seminar was held
 - Futoshi Saito, Principal, Responsible Investment Section, Sumitomo Mitsui DS Asset Management (Moderator)
 - Tomohiro Ikawa, Head of Engagement and Portfolio Manager, FIL Investments (Japan)
 - Shizuko Ohmi, Head of Investment Stewardship, JP Morgan Asset Management
 - Chris Vilburn, Head of APAC Stewardship, Goldman Sachs Asset Management
- A study session by Ms. Tracy Gopal, President of the Japan Board Diversity Network, titled “**Preparing to be a board member – the knowledge required for female leaders now**” was held, before concluding with a networking session among the participants.
- The Investor Group aims to engage in constructive dialogue with the board and senior management of their investee companies to discuss about the importance of gender diversity at the top executive level and to create positive impact. The Investor Group will continue to contribute to the improvement of gender diversity in Japanese companies through active stewardship, such as exchanging views with female board members, sharing best practices and reporting on our progress.



Best practices of engagements on gender diversity

Machinery Industry Company A Company A is a machinery manufacturer that is included in the TOPIXMid400.

- **Issues identified:** Company A is a machinery manufacturer included in the TOPIXMid400, and as of February 2023, one female outside director has been appointed out of ten board members, while all three statutory auditors are male. Company A states in its integrated report that “the current most important priority is to create a workplace where women can develop their abilities and play an active role”. In its corporate governance report, Company A states that it will take various measures to enable the female employees to maximise their potential, as well as support female researchers and engineers of science and engineering areas in cooperation with academic institutions. And also, they would make every efforts to get out of “male-dominated machinery industry”.
- Traditionally, Company A’s top management has had a strong interest in sustainability issues. Since its acquisition of a European peer company, the management of Company A accelerated its sustainability-related efforts; and now they have shown an ambitious target of gender diversity. The engagement was conducted since its board diversity is still insufficient. Also, as to workforce diversity, the progressive work style that should promote gender diversity has not been sufficiently clarified, and the gender pay gap, which was supposed to show ‘no gender disparity in the same job category or job class’, had not been disclosed yet.

Best practices of engagements on gender diversity

- **Engagement details and comments from company** We have been engaging with Company A on ESG issues since 2017. We agreed with Company A that gender diversity is a part of its management issue from the both social and economic viewpoint. In 2022, we had four engagement opportunities with the President and Senior Executive Officer. We discussed about the potential increase of female executive directors, who are promoted within the company. Company A understands they need to improve long working hours, which seems to be an obstacle to diversity. We agreed that traditional manufacturing industry needs to get out of male dominated society and help more women can work comfortably. The disclosure of gender pay gap was also discussed.
- Company A told us that the background why the nomination of female director candidate was postponed in AGM of 2022. was postponed and also, they stated that they have seen a pipeline for female executive directors' candidate within the company. As to long working hours, they introduced the digitalization of workflow to deal with customer problems, including machine breakdown and repair, to improve efficiency. Also, now Company A has been managing working hour and interval system strictly, to check long working hours. Management also talked about its innovation, which enables women to play more diversified roles in factory workplaces. They will be able to develop new machineries which can be easily controlled by anyone including women factory workers. The company is also preparing to disclose data gender pay gap data.
- **Engagement results and future prospects** In February 2023, Company A announced that two women would be nominated as director candidates at AGM is March 2023. One is an independent outside director and the other is an executive director. Due to this nomination, the ratio of female board members, including statutory auditors, went up to 20%. At the same time, data on the gender pay gap by job class was disclosed, which showed that there was almost no gap after taking into account of the age structure. Those actions were generally in line with our expectation at engagement with the management.
- Through continuous dialogue, we would like to focus on the potential business opportunities via gender balance enhancement. We expect the ratio of female board members will be improved up to 30%. Also, Company A is expected to show efforts to solve widespread social issues such as Women in STEM.

Best practices of engagements on gender diversity

Chemical industry Company B Company B is a company in the chemical industry included in TOPIX Large70.

- Issue identified (i) Board diversity** Considering the low female ratio as an issue, due to the nature of the industry, an agenda letter was sent to Company B's Chair and Director from several global investors in May 2022. We discussed a strategy to improve gender diversity at board-level, **possibility of participation in the 30% Club Japan, the establishment and disclosure of measurable targets including the percentage of females in managerial positions, board diversity policies, and a succession plan.**
- Engagement details and comments from company** We confirmed Company B's policy and progress through formal written correspondence, rather than face-to-face dialogue. Company B's policy on the nomination of directors is to select director candidates, regardless of race, ethnic group, nationality, gender, or age, who can contribute to maximizing the common interests of the Company and its shareholders, while giving due consideration to diversity. They do not set a target percentage of female directors on the board and are not considering joining the 30% Club Japan. **One female internal director was nominated at AGM 2022 and the ratio of female board members improved to 20%.** We would like to continue the dialogue and monitor the progress, including the succession plans.
- Issue identified (ii) Empowerment of female employees** We discussed management's policy on its enhancement of diversity in human capital, given the potential difficulties in hiring employees, as the working-age population declines due to a low birth rate and aging population. Specifically, the necessity for childcare and nursing care, distortion of the gender balance caused by long working hours, reform of workplace culture, and mid-career hiring at various levels.
- Engagement details and comments from company** Company B places great importance on ensuring that women are not disadvantaged in terms of promotion, treatment, and opportunities, and that equal opportunities are provided. The company emphasizes uninterrupted career development and respects changes in life stages due to childbirth, infertility, childcare, and nursing care. **Company B has created an environment that allows for flexible work and smooth return to work.** Thanks to their measures, the return-to-work rate after paternity leave has exceeded 90%. Company B believes that its efforts to date have further increased the diversity of its core human resources. We will continue dialogues to confirm their human capital investment and measures to respond to social changes in the evolving labor market.

Best practices of engagements on gender diversity

Retail industry Company C Company C is a nationwide drugstore operator included in TOPIX Mid 400.

- **Issue identified** Company C has two female outside directors out of 11 and one female independent statutory auditor out of four.

Although Company C has been promoting its diversity effort to some extent, we found that there has been a room for further improvement on information disclosure, which makes difficult for investors to fully understand its effort and progress on women empowerment.

- **Engagement details and comments from company** Via an engagement we confirmed that Company C is fully aware of the importance of incorporating women's perspectives in management throughout the company, including at the management level, given that its customer base is mainly women.

On the other hand, a spokes person from Company C commented that, at its holding company, the ratio of women in managerial positions is only 23.9%, despite the fact that 44.6% of its full-time employees are women, which needs to be improved.

We told Company C that it is important to prepare various initiatives and human resource system, including hiring and training, as well as the disclosure of the details of those initiatives and appropriate diversity-related KPIs both internally and externally.

An engagement on information disclosure is expected to encourage the promotion of diversity, including the ratio of female managers, and through an engagement, the capital market participants will be able to properly monitor the progress as a stakeholder of the investee company. We like to continue dialogue and monitor the progress of disclosure.

Best practices of engagements on gender diversity

Service industry Company D Company D is a company in the service industry that is included in the TOPIXCore30.

- **Issue identified** Company D's strength is its ability to create new business based on its sales and development capabilities, and the source of this strength comes from its human capital development structure and employees' engagement.

The company was aware that new business opportunities often emerge from diversity and that strengthening diversity initiatives was important to attract and retain talented female employees.

In addition to the appointment of excellent personnel, the management also recognised the need to promote diversity in order to avoid organisational homogeneity and to maintain strong monitoring capability based on various perspectives.

- **Engagement details and comments from company** Company D agreed with the importance of initiatives such as strengthening human capital. They also commented that they need to create a fair and equitable system, since superficial KPI setting on female managers should have a negative impact on employee engagement. We also broadly agreed that a reasonable amount of time is needed to increase the ratio of female managers, due to the shortage of female engineers in the labour market.

- **Engagement details and comments from company (continued)** In response to the above, Company D made efforts to increase the ratio of female employees and female managers by actively recruiting and promoting women in positions excluding IT engineering, and the ratio has been on a gradual upward trend. In addition, the ratio of women in managerial positions has been raised significantly as a result of efforts to raise awareness of diversity of the candidate pool, both internally and externally. Specifically, the proportion of women in senior management positions rose dramatically from 10% to 21%.

- **Engagement results and future prospects** As a commitment to its employees, Company D has set a target to raise the ratio of women in each level, including senior management, management and employees, to 50% by FY2030. Also its three-years mid-term target as a milestone towards FY2030, has been included in the calculation of long-term incentive for executives in charge, which should accelerate such diversity efforts. We like to continue dialogue with Company D and to monitor the status of its initiatives.

30% IG France Annual Report

Excerpts from executive summary 1/2

In its second year of the campaign, the 30% Club France Investor Group conducted a wide variety of activities to engage with corporates, stakeholders, and experts, enabling us to develop **key observations** regarding gender diversity in France.

- Key observations from **active engagement** campaign (>18 in-person engagement meetings and conversations via email)
 - ✓ Compared to last year, companies are both **more open** to engaging with us and **more prepared**.
 - ✓ We have begun to see **positive momentum** emerge in the form of action plans and targeted goals, but these targets as well as their scopes and time horizons **lack homogeneity**, making it difficult to work towards the goal of 30% female representation at the highest levels of management.
 - ✓ The COVID-19 crisis had a disproportionately **negative impact** on women in attracting, retaining, and promoting talent while the enforcement of the **Rixain Law** acted as an accelerator of awareness for the importance of gender diversity.
 - ✓ Sectors with high female employment rates (Financial Services and Insurance, Consumers) still have obvious **glass ceilings**.
 - ✓ We discussed at length the notion of the gender pay gap and observed **some confusion** concerning the equal pay gap and gender pay gap.
 - ✓ For more details, see the [full report](#)

30% IG France Annual Report

Excerpts from executive summary 2/2

- Key observations from **soft engagement** campaign (>emailed KPIs as reporting expectations to the SBF120 companies)
 - ✓ All KPIs (see the [full report](#) for details) were possible as each of them was at least once reported.
 - ✓ There is a lack of **consistency** in how companies report on quantitative diversity data.
 - ✓ There is a lack of **granularity** and **transparency** on key diversity data points.
 - ✓ **Global standards on gender diversity** are needed so that employees in different countries enjoy equal benefits and opportunities, and companies disclose this information to ensure transparency.
- Observed **three key takeaways** when reviewing the data for gender diversity of SBF120's executive bodies provided by MEDEF.
 - ✓ The majority of the SBF120 have **targets** on gender diversity with five new companies committing to support female leaders in 2021.
 - ✓ Significant ambiguity on the **scope** of targets persists.
 - ✓ High degree of variability on **timelines** to reach targets but growing ambition to go from female representation to **gender parity**.

Nadeshiko brand new process introduced

Ms. Miho KAWAMURA, Director, Economic and Social Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry (METI), explained the renewed process for the Nadeshiko Index, which are now in their 11th year and are selected from the perspective of 'empowering women' and 'enhancing corporate value in the medium to long term'. **Nadeshiko Issues select listed companies that excel in women's activities (METI/Ministry of Economy, Trade and Industry).**

Message from Ms. Kawamura, Director, Economic and Social Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry.

In recent years, there has been a growing focus on 'human capital management', which considers employees as 'capital' and maximises their value to enhance corporate value in the medium to long term. In addition, there is a growing debate internally and externally on how non-financial information, including human capital, should be disclosed. There is a growing need to establish a relationship between management strategy, investment in human capital and people strategy, and to disclose those information.

In light of these current trends, this year's Nadeshiko Index uses not only quantitative data such as the percentage of female directors and managers, but also qualitative information such as how the company positions the women empowerment in its management strategy, what kind of results have been achieved, how it analyses its women empowerment strategy to achieve its, and how it discloses those results. Candidate companies were asked to prepare those detailed qualitative information. Furthermore, the quantitative indicators of the applicant companies and the best practices of such action of the Nadeshiko Index companies are shown on the website of METI, with the aim of actively communicating to the capital market and labour market as a company committed to promoting women empowerment, which should raise awareness of this Nadeshiko Index effort going forward.

We expect that through the Nadeshiko Index, companies will review their women empowerment strategy and accelerate their efforts to align this effort with sustainable growth and value enhancement. Therefore, we would like investors to actively utilise those information published by METI, which should be useful for investment decisions and engagements. Investors' proactive attention to Nadeshiko Index should support companies to disclose more gender diversity related information and encourage them to apply for Nadeshiko Index.

We would like to exchange opinions and collaborate in this are together.



30% Club

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