

Imperial Hotel Tower 6F
1-1-1 Uchisaiwaicho
Chiyoda-ku, Tokyo 100-0011 Japan
paul.hunter@ibajapan.org
(03) 6205-7531

29 April, 2018

Japan Exchange Group

Secretariat of the Follow-up Council
Corporate Accounting and Disclosure Division, Planning and Coordination Bureau,
Financial Services Agency

Dear Secretariats,

**Revision of Japan's Corporate Governance Code
Establishment of Guidelines for Investor and Company Engagement**

The International Bankers Association of Japan (IBA Japan) is supportive of the various interconnected measures that have been introduced in recent years to help develop a more dynamic and transparent business environment that will be attractive to investors, including attracting capital inflow, and bring about sustainable economic growth in Japan.

It has been three years since the Corporate Governance Code was introduced in 2015 and, together with a number of other measures, it has helped contribute to a more attractive investment environment. The other complementary and interconnected measures are: the Stewardship Code; the establishment of the JPX400; changes to the mandate of the Government Pension Investment Fund (GPIF); and associated changes to other pension funds. We are pleased that since April 2018 a Fair Disclosure regime has been added to this framework which will bring greater transparency to the market and should help foster greater confidence amongst investors including those based overseas.

IBA Japan welcomes the 2018 revisions to the Corporate Governance Code and also the Guidelines for Investor and Company Engagement. Directors have an important role to play in shaping the strategic direction of a company and amongst board members there should be an appropriate range of skills and different perspectives and specialisms. The appointment of an effective CEO is a major strategic decision for any board and we welcome the Code measures surrounding appointment and dismissal procedures. External board members play an important challenge function to company boards and we are also supportive that there should be a suitable proportion of independent directors to carry out this function.

We welcome the suggestion that there should be a greater diversity of backgrounds amongst directors. Boards of Japanese companies have been slow to harness the talents and experiences of well-qualified women and experiences from other markets have indicated a more diverse gender balance will result

in positive benefits. Japanese corporates are increasingly competing in a global markets and this requires an understanding of different operating environments and more international experience. We would encourage Japanese corporations to consider incorporating a greater diversity of national backgrounds within their board membership to help prepare companies for the challenges of competing in overseas markets.

IBA Japan is also supportive of greater rigor being applied as part of strategic decision making and that the cost of capital should be factored into corporate decisions, including business portfolio and fixed assets investments.

The Corporate and Stewardship Codes measures provide an important framework to help revitalize Japanese markets but it is only if market participants abide by the spirit and intention of these measures, rather than treating them as a 'tick box' requirement, that success will follow. IBA Japan welcomes the ongoing commitment to review these measures to ensure their relevancy.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Paul Hunter". The signature is fluid and cursive, with a prominent initial "P" and a long, sweeping tail.

Paul Hunter
Secretary General