

30 Club Japan
Investor Group
Progress Report
vol.3

January 2024

Contents



1. 30% Club Japan IG met with female directors from JICPA
2. Best practices of engagements on gender diversity
3. How the engagement is designed – lessons from 30% Club IG collaboration in France

Best practices of engagements on gender diversity

Issues identified: In the past, through proxy voting and engagement opportunities, the investor has discussed about the company's corporate governance issues, including the composition of the board and the separation of management and monitoring. In particular, the lack of female directors and the insufficient refreshment of long-term tenure outside directors are serious issues. Having strengthened our engagement with the company after the 2022 Annual General Meeting.

The dialogue with the company: The company explained that they put more emphasis on effectiveness than formality of corporate governance. Since the company recognized the



Best practices of engagements on gender diversity



Company B in auto parts industry – A global auto parts company included in the TOPIX 100.

Issues identified: : **The human capital management and diversity promotion policies are less visible to investors. We have discussed the following points below with the Chairperson of the Board of Directors, senior management and others.**

1. Policy on Board composition from a diversity perspective, reasons for not joining the 30% Club and approach to setting the proportion of female directors.
2. Policy on appointment of internal candidates, measures to strengthen the pipeline and succession plans. The number of female directors increased by one in 2023 and the ratio of female directors improved to 25% by outside appointments.
3. Measures to improve female leadership as diversity is important even though the proportion of female managers in Japan is still low, and the Company aims to improve female leadership in the future.

The dialogue with the company: The increase from two to three female directors in 2023 is a significant achievement. They want to promote internally in the future. They will increase diversity not only in terms of gender but also age, experience and nationality based on skill sets.

Securing and utilizing diverse human capital is essential to accelerate portfolio management, and the next medium-term management plan also focuses on human creativity and is moving forward.

The Company understands and agrees with the idea of a 30% Club. They are focusing not only on achieving the ratio of female directors, but also on increasing female managers over the medium to long term. In order to increase female managers, they are working to promote the focused training and appointment of candidates and is targeting a 30% recruitment rate of female new graduates.

While the ratio of female managers is high at overseas sites, the company recognizes that there is still a gap in Japan as a challenge. Priority is being given to increasing the ratio of female recruits. They are continuing to develop systems and structures and are considering expanding them as appropriate in the future.

Outcomes include **(1) sharing the focus of global investors through collaborative engagement, (2) confirming the commitment of the Company and Board of Directors and (3) improvement in the ratio of female directors to 25%.**

Future Steps: Discussion will continue on the (1) timeline for further increasing the female director ratio, (2) progress in the Management Development Program, (3) the consideration of human capital-related items in executive remuneration.

Best practices of engagements on gender diversity



Issues identified: Although the company claims to be a top global beverage manufacturer, its awareness and commitment to promoting women was low, and the ratio of female managers was the lowest among food and beverage manufacturers in Japan.

The dialogue with the company: The investor presented the current status of women's advancement, such as comparing the ratio of female executives in the industry to the company's CEO, vice president and relevant director, and discussed the importance of advancing women to achieve management's vision and increase corporate value.

Afterwards, the company reported on the progress of initiatives such as appointing women as overseas product development managers, and made the following positive comment: 'As conventional measures such as awareness raising and training are not enough to promote the advancement of women, we are increasing the number of positions where women can play an active role, particularly in the planning and research departments, so that more female managers can be developed.'

Outcomes and future steps: As a result of the ongoing dialogue, the company's initiatives and disclosure on diversity are rapidly improving, such as setting and announcing targets not only for the ratio of managers, but also for the gender pay gap.

Although the company is moving away from the lowest level, the investor will continue to monitor and engage in dialogue on measures that will enhance corporate value, such as promoting more female employees in the areas of product planning and overseas strategy.



Best practices of engagements on gender diversity

Company F in wholesale industry - in the TOPIX Mid 400

Issues identified The investor shared the concern on the challenging governance structure situation, such as unclear decision-making process of the remuneration; for example, the compensation amount of the elderly chairman and vice chairman exceeds that of the president. In addition, many of the independent directors were from business partners and also no female directors were appointed, which seems to indicate the unclear governance structure and the closed nature of the board.

The dialogue with the company: The investor asked that the governance system should be reviewed first, since the lack of appointment of female directors appears to reflect an attitude of not accepting objections. At the same time, we informed that now our proxy voting guideline requires more than a female director of the board. The company responded, "We are currently discussing this at the Nomination and Compensation Committee".

Also, the investor discussed about the seniority-based personnel system. In case the company needs to expand their future

[Redacted]

[Redacted]



Overseas activity

How the engagement is designed

Active engagement involves direct dialogue with companies that have significant room for improvement. Soft engagement involves communicating the investor group's expectations for diversity reporting to a broader range of companies via email or by providing guidance.

A compliance clause is included in the investor group's charter to ensure the engagement is not an act in concert. Or they will remind companies at the engagement that it is not a concerted action.

Active engagement

Objective

Demand for improvement in female representation and diversity reporting etc.

Target companies

Companies with big room for improvement
(e.g., the following are areas identified by the French group)

Financials & Real Estate: High female employment but few women in management

STEM: Traditionally male-dominated area

Consumer: High female employment but few women in management

Engagement format

Direct dialog between company and investor group (preferred face-to-face)

Soft engagement

Objective

Outline investor group expectations for corporate diversity reporting

Target companies

Wider range of companies (e.g. major index constituents)

Engagement format

Prepare and/or email guidance that outlines investor group expectations

(e.g., the following are KPIs emailed by the French group)

Governance, Talent Attraction, Job Quality, Promotion, Retention, WLB, Equal Pay, Sexual Harassment, SC, Certification/Audit, Women Empowerment Principles

