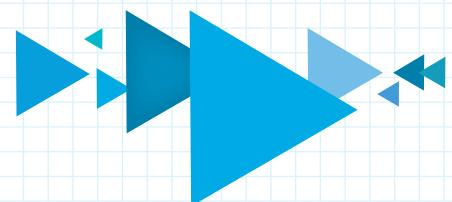




# Women's advancement and information disclosure: **what institutional investors look for**



30.3%\* of institutional investors have ESG investment portfolios of more than JPY 1 trillion



Almost 70%\* of institutional investors answered they use information on women's advancement because they think that **"such information has a long-term impact on business performance"**



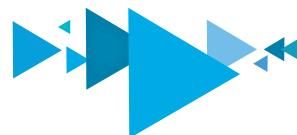
\*Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

Research project on ESG investors' usage of information on women's advancement



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# 1. Introduction

Looking at current capital markets, one global trend is on the increase in so-called ESG investment, in which non-financial environmental, social, and governance (ESG) information is incorporated into investment decisions for the purpose of improving long-term return on investment. This trend is also visible in Japan, and while the scale of such investment remains small in comparison to that in other countries, the turn toward ESG investment has been accelerating in recent years. When Japan's Stewardship Code was revised in 2017, ESG elements were added as one item to take into consideration in order to gain an accurate understanding of the state of companies targeted for investment. In addition, the 2018 revisions to the Corporate Governance Code added gender and nationality to the types of diversity that Boards of Directors should seek to secure. The opportunities for hearing about the key term "ESG" are certainly on the increase.

On the other hand, while various types of initiatives are being taken, Japan still ranks near low in indicators such as the Gender Gap Index (GGI), meaning that there is ample room for further promoting women's advancement. This is equally true for companies, and we believe that many readers of this report are in fact likely to be involved with examining how to promote women's active participation and advancement in the workplace.

Under these circumstances, the Promotion Division of the Cabinet Office's Gender Equality Bureau undertook a "Research project on ESG investors' usage of information on women's advancement." The purpose of this research project is to accelerate the pace at which initiatives for women's advancement are being conducted, thus stimulating the labor and capital markets. This is to be achieved by summarizing institutional investors' thoughts on ESG investment, particularly investment that takes into account social matters related to employees and governance matters concerning such as Boards of Directors, and sharing these thoughts with companies. This project benefited from the advice and instructions of the following expert committee members:

The research project consisted of a questionnaire and interviews with many institutional investors. In order to relay the thoughts of institutional investors to our readers in as practical and realistic a manner as possible, this report focuses particularly on the significance of promoting women's advancement and on the disclosure of information on women's advancement. It is provided in a format that allows for the inclusion of the widest possible range of opinions acquired during the project from institutional investors active in the Japanese capital market.

In addition to the opinions of institutional investors, we have also included examples of actual initiatives from companies targeted for investment. We hope this information will prove useful in the day-to-day conduct of business.

## Members of the planning committee for the "Research project on ESG investors' usage of information on women's advancement"

### [Head of Committee]

Tetsuo Kitagawa      Professor,  
Graduate School of International Management, Aoyama Gakuin University

### [Members]

George Iguchi      Chief Corporate Governance Officer and Senior General Manager of Equity Investment Department,  
Nissay Asset Management Corp.

Shizuko Ohmi      Head of ESG Department, Investment Management Division,  
Amundi Japan Ltd.

Ryusuke Ohori      Executive Director,  
Institutional Investors Collective Engagement Forum

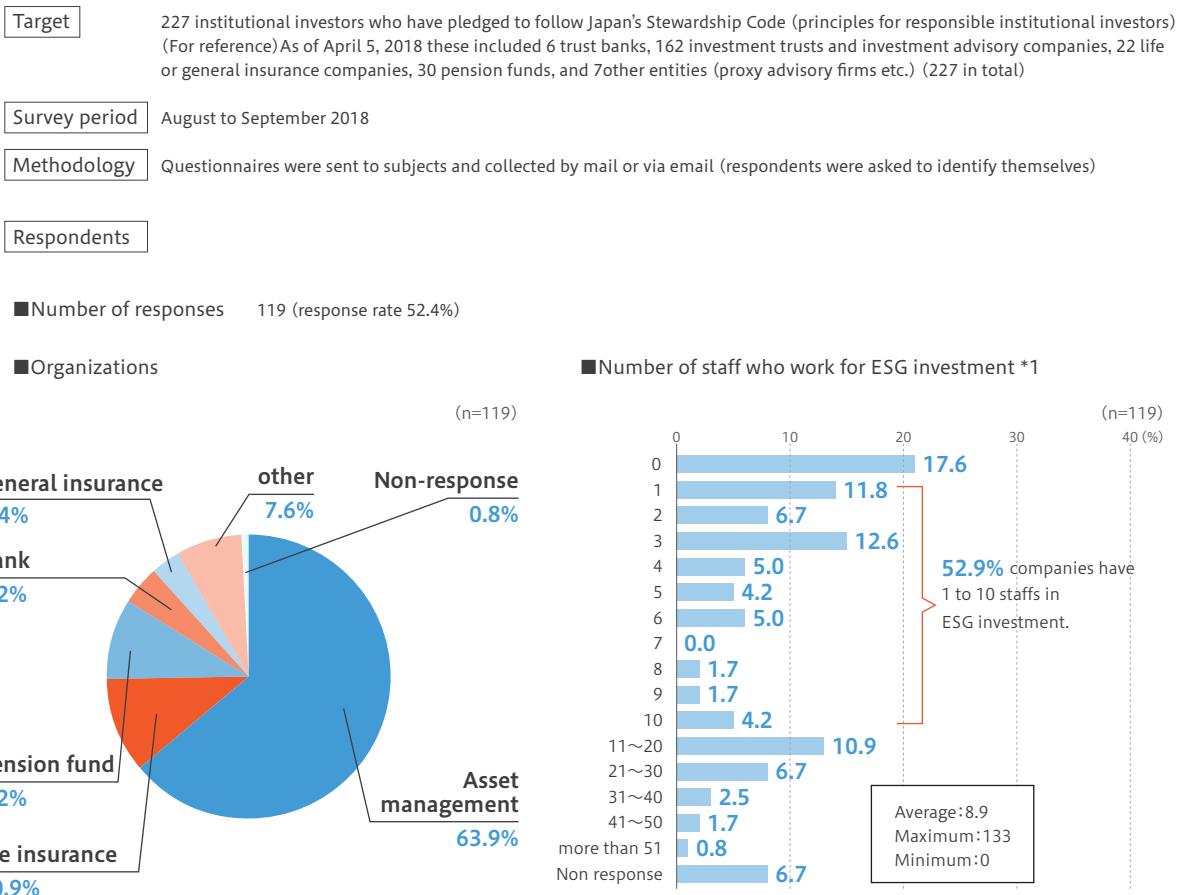
### [Observers]

Corporate Accounting and Disclosure Division, Policy and Markets Bureau, Financial Services Agency  
Economic and Social Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry (METI)  
Japan Business Federation ("Keidanren," general incorporated association)  
Japan Exchange Group, Inc.

## Outline of the research project

### ① Questionnaire-based survey targeting institutional investors

“Questionnaire for research project on ESG investors’ usage of information on women’s advancement”  
→the results of the survey are available on the Cabinet Office Gender Equality Bureau website  
([http://www.gender.go.jp/english\\_contents/30esg\\_research.html](http://www.gender.go.jp/english_contents/30esg_research.html)).



### ② Interview-based survey targeting institutional investors

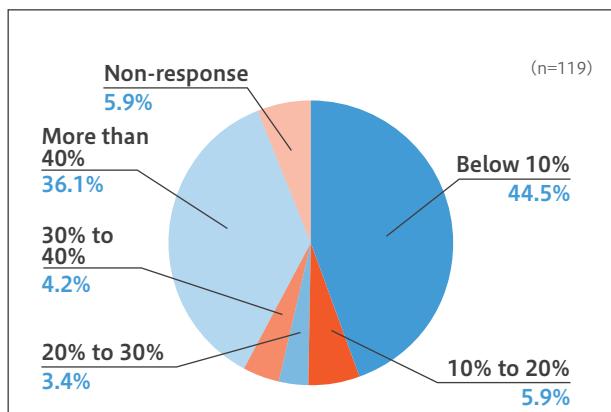
<b>Subjects</b>	13 organizations recommended by the planning committee as institutional investors engaged in advanced initiatives concerning ESG investment (10 asset management companies, 1 asset owner, 1 proxy advisory firm, and 1 index vendor)
<b>Survey period</b>	August to September 2018
<b>Methodology</b>	Interviews were conducted either face to face or via a telephone conference system.
Organizations interviewed (in alphabetical order)	
Amundi Japan Ltd. Daiwa SB Investments Ltd. Goldman Sachs Asset Management Japan Limited JPMorgan Asset Management (Japan) Limited MSCI Inc. Resona Bank Limited Sumitomo Mitsui Trust Bank Limited	BlackRock Japan Co. Ltd. Glass, Lewis & Co. Government Pension Investment Fund Mitsubishi UFJ Trust and Banking Corporation Nissay Asset Management Corp. Schroder Investment Management (Japan) Limited

## 2. The current state of ESG investment

According to the 2016 edition of the Global Sustainable Investment Review (GSIA), the value of ESG investments in Japan is USD 474 billion (in 2016). While this figure is still small in comparison to those in Europe and the United States (USD 12.04 trillion and 8.72 trillion respectively), which are far ahead on ESG issues, it is indicative of a dramatic expansion in comparison to 2014, when the value of ESG investments in Japan was USD 7 billion.

The results of the questionnaire-based survey, conducted as a part of this project, also indicate that for 36.1% of respondents, ESG investments make up 40% or more of their entire portfolios. In addition, 30.3% of institutional investors responded that they have ESG investment portfolios of more than JPY 1 trillion. This shows that ESG investment is having a significant impact in Japan.

### ■The percentage of ESG investment in AUM



Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

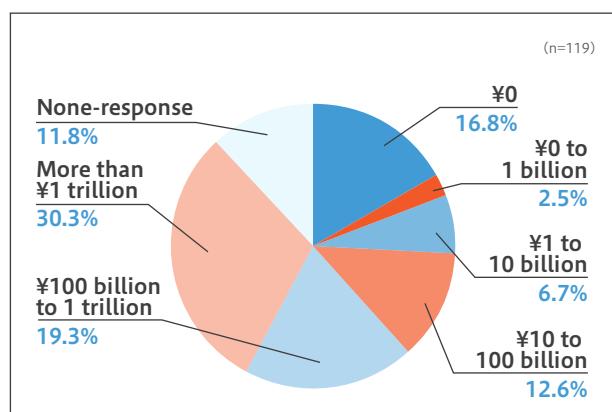
The 2017 announcement by the Government Pension Investment Fund ("GPIF"), which is one of the world's largest asset owners, that it would enter the field of ESG investments was a symbolic event that many of our readers surely remember. The GPIF in particular uses the MSCI Japan Empowering Women Index (WIN), which is an index themed on women's advancement.

This can be considered an example of an indication that women's advancement at companies is a factor that carries weight in investment terms. Several financial institutions have also formed funds specialized in women's advancement. One example is the Tsubaki Fund for "helping women succeed" (by Daiwa Asset Management Co. Ltd.), which invests in companies that 1) promote women's advancement, 2) further women's participation in society, 3) offer products and/or services for women or popular with women, or 4) benefit from growth in the income of women.

The foundation for these developments was laid by the 2015 enactment of the Act on Promotion of Women's Participation and Advancement in the Workplace (Women's Advancement Act), which obligated business operators to formulate and publish action plans that include numerical targets for promoting women's advancement, and to publish information that is useful for women when they choose where to work. This, in turn, increased the amount of available information on women's advancement.

In addition, developments such as proxy advisory firms recommending that their clients vote against management's proposal for director selection if the selection does not include at least one female director leave the impression that the importance of promoting women's advancement is being recognized in capital markets.

### ■AUM of ESG investment



Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

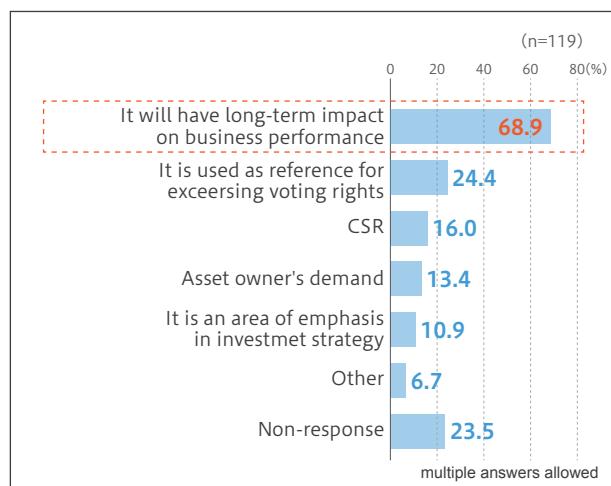
Note: Out of 20 companies which answered "zero," 9 answered that they have more than 1 members specializes in ESG investment. This could be considered that respondents might sought ESG investment in narrow definition.

### 3. The significance of increased diversity (women's advancement)

This chapter summarizes the questionnaire and interview results that relate to what institutional investors think about the significance of promoting diversity and women's advancement.

Based on the questionnaire-based survey, this project found that almost 70% of institutional investors use information on women's advancement for investment decisions and in operations because they believe that "such information has a long-term impact on business performance." This highlights how many institutional investors hold the opinion that promoting women's advancement is linked to the long-term growth of companies.

#### ■ Reasons for using information on women's advancement



Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

As information on women's advancement is a type of non-financial information, it may initially appear far removed from financial indicators such as sales and expenses. However, many institutional investors consider such information to have a long-term impact on future performance, and treat it as useful reference material when forecasting future performance and making investment decisions.

#### ■ Thoughts on the benefits of non-financial information

Non-financial fields	Initiatives	Expected effects	Results in the financial field
Environment	<ul style="list-style-type: none"> <li>Improvement of energy efficiency</li> <li>Recyclable products</li> <li>Waste reduction</li> <li>Compliance with environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>Compliance</li> <li>Trust</li> <li>Reputation</li> <li>Sustainability</li> </ul>	<p>Sales-related items</p> <ul style="list-style-type: none"> <li>Improved ability to make price decisions</li> <li>Increase in sales volume</li> </ul>
Human resources	<ul style="list-style-type: none"> <li>Revision of work instructions</li> <li>Career design</li> <li>Health and safety in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>Commitment</li> <li>Improved employee satisfaction</li> <li>Improved motivation</li> </ul>	<p>Expenses-related items</p> <ul style="list-style-type: none"> <li>Labor costs</li> <li>Cost to sales</li> <li>SGAs</li> <li>Capital costs</li> <li>Risk management</li> </ul>
Customer relations	<ul style="list-style-type: none"> <li>Transparency and reliability</li> <li>Open dialogue</li> <li>Mutual understanding</li> <li>Quality and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Trust</li> <li>Reputation</li> <li>Improved customer satisfaction</li> <li>Customer loyalty</li> </ul>	
Society	<ul style="list-style-type: none"> <li>Stakeholder dialogue</li> <li>Dialogue with local communities</li> <li>Sustainable supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>Operating licenses from authorities</li> <li>Cooperation with local communities</li> <li>Cooperation with business counterparts</li> </ul>	
Innovation	<ul style="list-style-type: none"> <li>Patent value</li> <li>Talent recruitment and retention</li> <li>Education and training</li> <li>R&amp;D expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Development of new products and processes</li> </ul>	
Corporate governance	<ul style="list-style-type: none"> <li>Shareholder return</li> <li>Board structure</li> <li>Reporting and transparency</li> <li>Anti-corruption policy and measures</li> </ul>	<ul style="list-style-type: none"> <li>Transparency</li> <li>Trust by the capital market</li> </ul>	

From materials provided by Goldman Sachs Asset Management Japan Limited

Here we look at four key points that emerged in interviews with institutional investors and show how promoting women's advancement leads to growth at companies.

## 1 Innovation

### ■ Key comments from institutional investors:



Investor A

With more and more business models facing a dead end in the future if nothing is done, it is necessary to start using different ideas to do different things. From that perspective, change will not come unless companies increase the number of women and other types of individuals who have not previously been represented on boards and within companies.



Investor B

There are cases in which women have taken on positions that only men have handled in the past, and lines have been revised as a result so that quality can be maintained regardless of who comes in and conducts the work. Women's participation is an opportunity for companies to take things to an even higher level.



Investor C

Companies can bring in ways of thinking that differ from those that already exist, and new points of view that prevent groupthink. For organizations that haven't had any women in the past, having women come in has positive consequences, such as new viewpoints and new business emerging and the corporate culture being reformed.



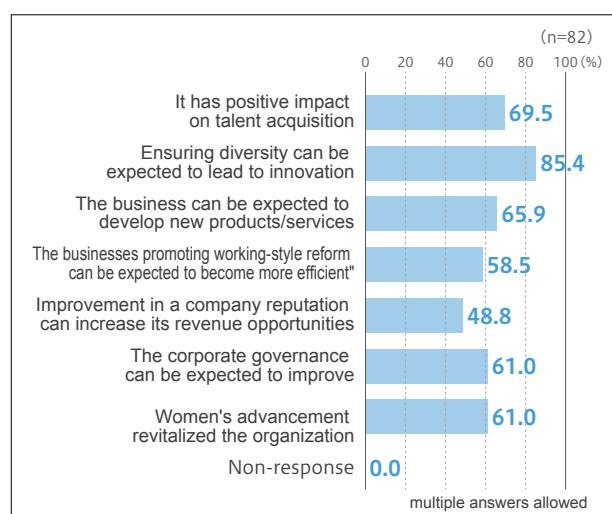
Investor D

Flexible and diverse decisions can be made.

The results of this project's questionnaire-based survey showed that almost 90% of institutional investors think that information on women's advancement has an impact on business performance because they find that "ensuring diversity can be expected to lead to innovation." More than 60% also agreed with the statement "The business can be expected to develop new products/services."

Institutional investors are of the opinion that incorporating a diverse range of viewpoints, including by promoting women's advancement, leads to innovation at companies. For example, let us say there is a factory where only male employees have been performing tasks that require physical strength. When female employees are assigned to these tasks, the company changes the process so that the work can be done without any direct heavy lifting, e.g. by installing conveyor equipment. This can result in an environment that is easier to work in for all employees, including those not sure about their physical strength (process innovation). Alternatively, having women participate in product development can bring about ideas involving the use of e.g. colors, materials, and shapes that have not been used before (product innovation). This is why institutional investors think that promoting women's advancement gives birth to new things in day-to-day business activities, which in turn makes companies stronger.

### ■ Reasons for thinking women's advancement has an impact on business performance



Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

Note: The subjects of this question were the 82 questionnaire respondents who answered the question on why they use information on women's advancement with "such information has a long-term impact on business performance."

## 2 Productivity increase by working-style reform

### ■ Key comments from institutional investors:



Investor E

We talk about women's advancement, but it is important that companies become easier to work at for both men and women. That increases the number of people with differing backgrounds within the company, and provides an impetus for new initiatives and innovation.



Investor F

Women's advancement and working-style reforms are extremely closely connected. The issue of population decline also plays into this. There is a need to increase linkages between these issues and solve them in a comprehensive manner.



Investor D

Promoting diversity allows employees to work and live in diverse ways.

At companies where extremely long working hours are common and employees do not get sufficient rest, it is clear that exhaustion in the workplace leads to delays and mistakes, lowering productivity. Both men and women find it difficult to work at such companies, and increasing costs for the company, such as overtime pay, bring about a vicious circle.

Institutional investors consider the "virtuous circle" of working-style reforms leading to improved productivity an essential element of corporate growth. That is why they give high marks to companies capable of achieving working styles that make the most of limited human resources. This can be done by establishing systems that allow for flexible working, including flextime systems, working from home, and various opportunities for leave,

or by changing the way employees think and having this reflected in actions, such as by ending extremely long working hours and encouraging employees to take time off. Pushing ahead with working-style reform improves productivity, lowers redundant labor costs such as overtime pay, reduces the time required for work by making operations more efficient, and helps cut down on waste caused by product defects and unnecessary disposal. This can also help companies provide more products and services faster and at higher quality. Employee motivation also improves, leading to even better products and services.

Institutional investors see the simultaneous promotion of diversity and reform of working styles as allowing for improving productivity on both the input and output sides, thereby leading to corporate growth.



### 3 Talent acquisition (recruitment, retention measures)

#### ■ Key comments from institutional investors:



Investor D

Promoting diversity in a workplace creates the impression that said workplace can actually achieve diversity. That heightens things like employees' motivation and loyalty to the company, improving its ability to attract diverse—and particularly talented—individuals. It can also reduce the risk and costs of experienced and skilled employees leaving the company.



Investor G

With Japan's population aging, women are extremely significant as employees. Companies taking that into account are of course able to attract talented individuals.



Investor H

Many job-seekers these days pay attention to the rate of paid vacation used and the rate of men taking paternity leave. With labor shortages expected in the future, taking these things into account and developing environments that the young and talented find comfortable to work in is likely to lead to new talent coming in, as well as to higher retention rates.



Investor I

With the labor force shrinking, investors keep a close eye on companies' utilization of women. There are companies that have improved their services, and even their corporate value, by actively utilizing women and helping them work in a relaxed manner, such as by establishing daycare centers within the company.

Population decline is a major issue for Japan. According to a study by the National Institute of Population and Social Security Research, the working-age population is projected to decrease from 77.28 million in 2015 to 45.29 million by 2065.\* Securing employees can be considered one of the most significant problems that companies face.

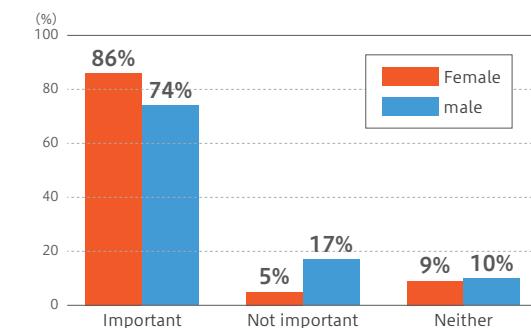
Under such circumstances, the millennial generation (the generation born between 1981 and 1996) is attracting significant attention as the future core of the labor force. Earlier surveys have shown that when choosing where to work, millennials emphasize company policies that relate to diversity, equality, and acceptance of diverse talent. In fact, some research indicates that "employees who feel that they are working in an organization with a diverse employee structure" tend to remain within the same company longer than employees who do not feel the same way.

Precisely because the working-age population is declining, institutional investors understand that from here on, women will join men as an ever more important component of the labor force. Such investors thus have high hopes for the future growth of companies that promote themselves as providing opportunities and being comfortable to work at, as well as striving to acquire talented individuals regardless of gender. For companies, promoting and achieving diversity, starting with the promotion of women's advancement, not only helps them acquire new talent eager to join such an attractive workplace, but is also beneficial for retaining existing talent, which leads to further business growth.

\*Population Projection for Japan 2017

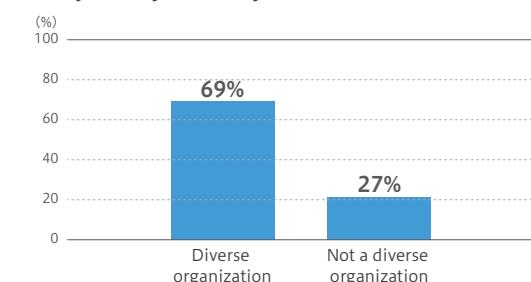
#### ■ Results of earlier surveys targeting millennials

How important is an employer's policy on diversity, equality and workforce inclusion when you decide whether or not you should work for them?



From PwC: "The female millennial: A new era of talent"

Percentage of respondents who planned to stay on beyond five years



From Deloitte Tohmatsu: "2018 Deloitte Millennial Survey"

## 4 Diversity reduces risk

### ■ Key comments from institutional investors:



Investor J

A certain company's advertisement included expressions that were undesirable for women. The mistake could easily have been spotted before the advertisement was released, if only a woman had been asked to review it in advance. It is important to have diversity become established in decision-making.



Investor K

Progress in non-financial initiatives, including women's advancement, improves employee commitment, satisfaction, and motivation. This can also have effects such as growth in sales, lower labor costs, stronger risk management, and reduced litigation and recall costs.



Investor H

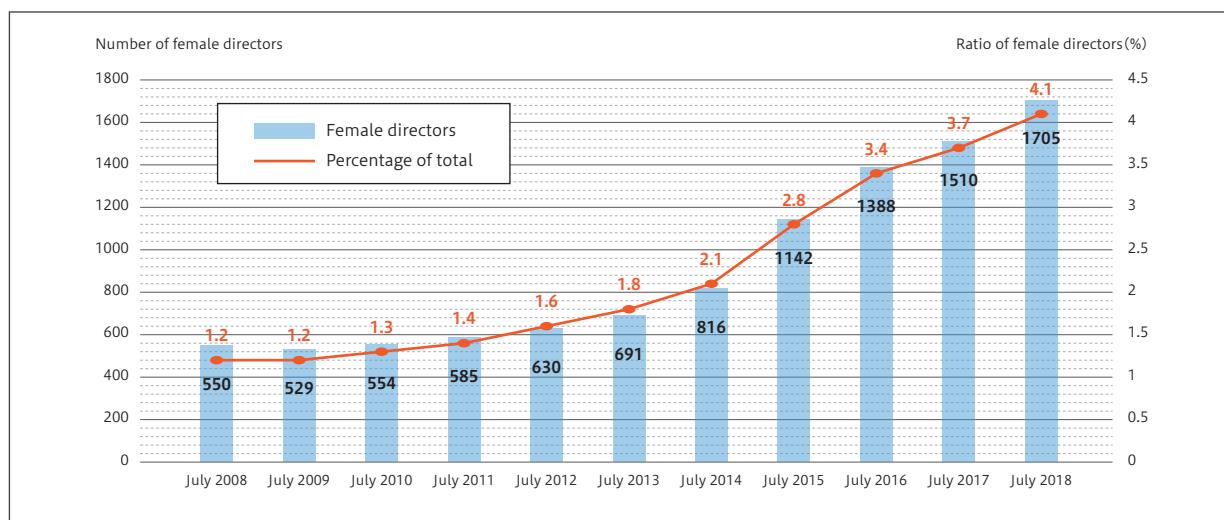
Diverse boards can conduct risk management from diverse perspectives.

The Japan's Corporate Governance Code was revised in June 2018. One of the noteworthy revisions at this time was the addition of gender and nationality to the types of diversity that Boards of Directors should seek to secure. It can be said that diversity is considered one of the key points that companies should focus on in order to turn corporate governance reform, which specifies the self-sustaining measures required of listed companies in order to enhance their corporate value in a sustained manner, into something actually effective.

However, the ratio of women on most Japanese companies' Boards of Directors is extremely low. These boards are dominated by men, and it is hard to say that diversity has been achieved.

Institutional investors hold the view that homogenous talent pools invite groupthink in organizations, damaging their ability to evaluate matters and make decisions from diverse points of view, potentially causing significant crises. On the other hand, investors see that a company becoming more diverse allows it to conduct discussions and evaluation from diverse perspectives, thus preventing groupthink and leading to risk avoidance and reduction. This effect is not limited to directors, but is equally applicable to employees. Conducting check-ups from differing points of view allows for risk reduction in day-to-day operations, which is considered beneficial for corporate growth.

### ■ Change in the number of female directors at listed companies



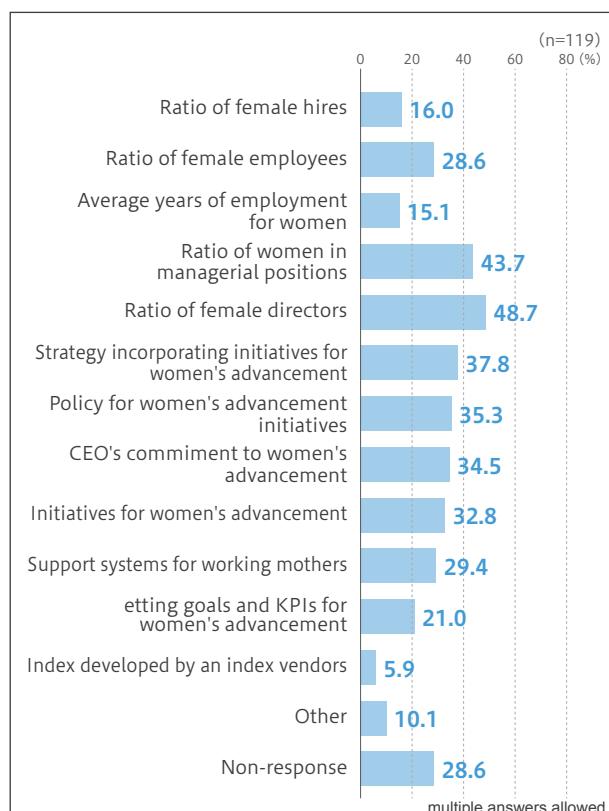
Source: Toyo Keizai Inc.: "Yakuin Shikiho (Executives Quarterly)" (partially modified by CAO)

## 4. What institutional investors require of companies in relation to the disclosure of information on women's advancement

This chapter summarizes the questionnaire and interview results that relate to what institutional investors require of companies in relation to the disclosure of information on women's advancement.

First, the results of this project's questionnaire-based survey make clear that in addition to qualitative explanations, institutional investors refer to various types of quantitative data, including the ratio of female directors and the ratio of women in managerial positions.

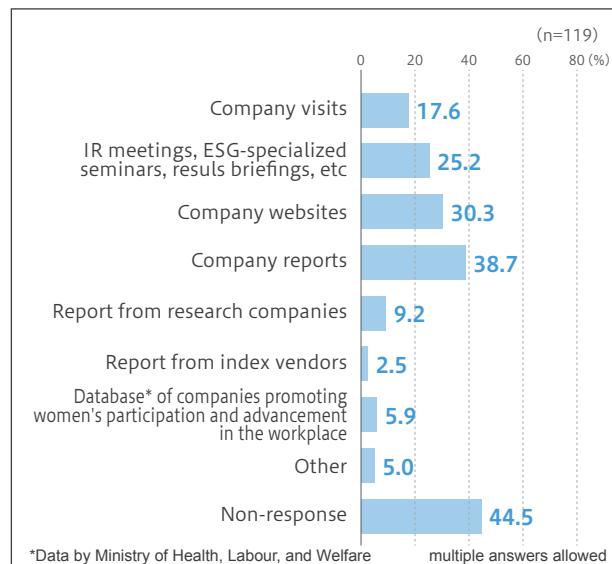
### ■ Type of information on women's advancement that investors use



Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

In addition, such information is relatively often sourced from company reports and websites, but is also acquired through a wide range of other means, such as by attending company seminars and visiting companies. Various types of company reports are used, including securities reports, annual reports (integrated reports), sustainability reports, and CSR reports, but the highest percentage of respondents referred to annual reports, which are the reports most usually read by investors in

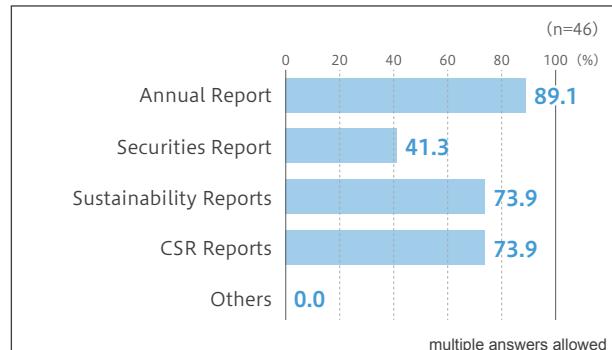
### ■ How/where to find information on women's advancement



\*Data by Ministry of Health, Labour, and Welfare  
multiple answers allowed

Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

### ■ Type of company report investors use



Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

Note: The subjects of this question were the 46 questionnaire respondents who answered the question on where they obtain information on women's advancement with "company reports (annual reports, securities reports, etc.)".

order to understand a company's process of value creation.

Furthermore, the interviews with institutional investors conducted as part of this project revealed that in case sufficient information on women's advancement is not disclosed, institutional investors actively seek to collect such information through means such as referring to information provided to new graduates for recruitment purposes and information meant for employees.

What practical matters do institutional investors place importance on in relation to the disclosure of information on women's advancement? The interviews with institutional investors revealed five key points.

# 1

## The importance of disclosing what is thought to be "obvious"



Investor E

Some companies fail to disclose information because they consider it 'obvious.' Some companies also find it hard to promote themselves.



Investor K

It is definitely better to disclose information than not. If companies at least make an attempt at disclosure, it'll be valued because they made an effort to become aware of the current situation.



Investor L

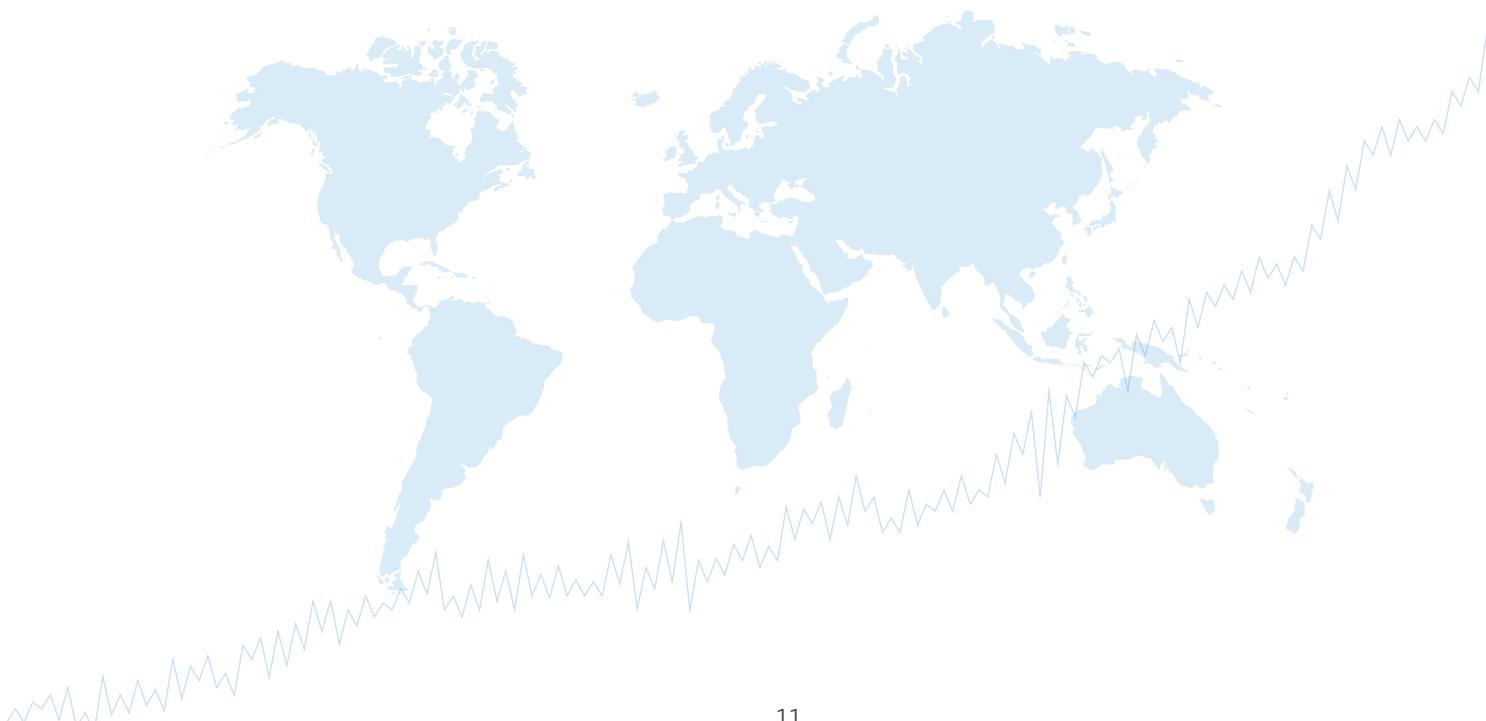
Many companies still do not release sufficient information for the parts related to their people. In such a situation, I cannot trust data acquired by asking verbally during a discussion.



Investor D

Companies will receive a positive evaluation if their report or other document states a policy, what goals have been set until when, how far along they are currently, and who is responsible. Without that information, companies could even be lying. Companies able to express all that in public information are the committed ones.

Even if a company is conducting women's advancement initiatives, these cannot be evaluated unless they are disclosed. Companies may think that what they are doing is obvious and unnecessary to disclose, but for institutional investors, this is the same as not doing anything. This reveals a significant gap in awareness between companies and institutional investors. Be it quantitative data such as ratios of women or qualitative information such as details of initiatives and plans, the important thing is to begin with a willingness to disclose.



## 2

# Presenting the relevance for business strategy in stead of only listing numbers



Investor M

Starting with appearances can be significant, but it is important to show what impact women's advancement has on corporate value, and how companies think that eventually ties in with their resilience.



Investor B

Many companies disclose only their targets, but fail to reveal what their current situation is and how they intend to reach the targets. Companies can make calls to action all they want, but it won't matter unless there are systems in place.



Investor J

In addition to results, I would like companies to reveal their process, such as this is what we are thinking now, this is what is important for us, and this is what we are doing.



Investor C

It's about whether companies have a plan. Companies can write that they don't have any women right now but intend to work hard on increasing their numbers in the future, but we cannot evaluate companies unless they tell us what they are going to do in practice.

Only pursuing numbers, such as ratios of women, is meaningless. It is important to tell a story, including why the company is aiming for a specific number, and what process it plans to follow in order to tie its efforts to business growth.

## 3

# Upper management's projection of its stance, which ties into actual measures



Investor A

It is important for upper management to talk about the need for women's advancement in light of the company's future, and how the company intends to respond to that need. Unless that happens, attitudes won't get built into the heart of management.



Investor I

Surely executives have their own thoughts on what their companies need from women. It would be good for companies to reveal those thoughts.



Investor L

Things don't move along without signs from the top. There also needs to be a system for regular check-ups with KPIs etc. to ensure that measures do not become hollowed out.



Investor J

I think the responsibility displayed in behavior and messages from upper management is significant. No matter how hard employees work, things often don't change unless those at the top take the initiative.

Initiatives for women's advancement become effective when upper management commits to them. Having commitment at the top can also be interpreted as the issue having been positioned as part of management strategy. It is important to relay this sort of message to institutional investors and other external parties.

**4****Data that allows for comparison over time****■ Key comments from institutional investors:**

Investor D

It allows us to look at things like improvement measures—whether things have really changed over a period of two, three, or five years.



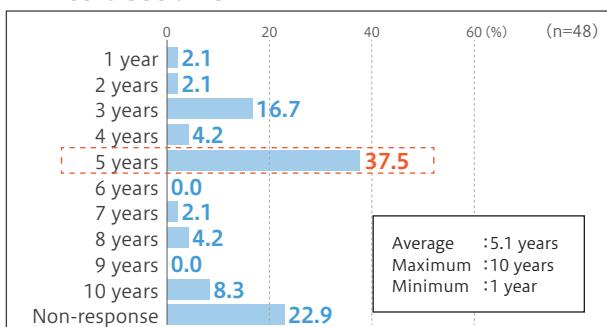
Investor F

As investors, we want to see change over time. Instead of looking at numbers for a specific situation, it is more important to look at how those numbers have changed for the company in question.

The questionnaire results indicate that **more than 70%** of institutional investors refer to changes over time. This is because having numbers for several years, instead of only one, allows investors to look at differences in order to estimate progress and results for companies' initiatives. For number of years that investors take into account, survey concluded that "5 years" as most gained votes.

Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

Note: The subjects of this question were the 48 questionnaire respondents who answered the question on whether investors take past data into account with "Yes."

**■ Number of years that investors take into account****5****KPIs having been set****■ Key comments from institutional investors:**

Investor L

The good thing about KPIs is that they show whether the things being said and the things being done match.



Investor K

We pay attention to whether KPIs are set in disclosed materials. As investors, we are particularly interested in whether the 'when' parts are explained.



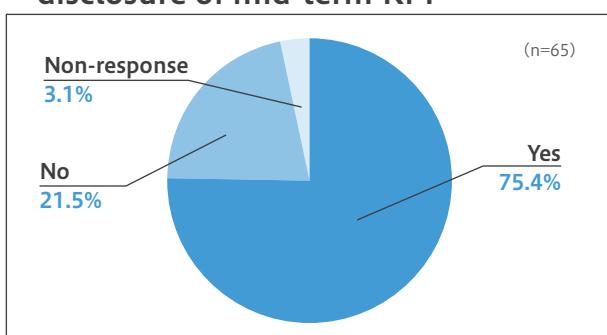
Investor I

The 'why' is important—why companies emphasize the contribution of women and want them to play active roles. Next, what KPIs are they looking at in relation to this? As investors, we are not convinced unless there is a connection between the 'why' and the KPIs.

The questionnaire results show that more than 70% of investors consider the disclosure of mid-term KPIs important. Setting KPIs is also important for confirming the results of initiatives. If a company's KPIs are clear-cut, institutional investors can understand the results of the company's initiatives in a manner satisfactory for the investors themselves.

Source: Cabinet Office: "Questionnaire for research project on ESG investors' usage of information on women's advancement"

Note: The subjects of this question were the 65 questionnaire respondents who answered the question on the type of information on women's advancement that investors use with "ratio of female hires," "ratio of female employees," "average years of employment for women, or both men and women," "ratio of women in managerial positions," or "ratio of female directors."

**■ Whether investors consider the future disclosure of mid-term KPI**

# What should I do in this situation?

— Let's fill in the perception gap between companies and institutional investors —

**Even if the company are conducting initiatives, institutional investors cannot evaluate without disclosure. Institutional investors decide that the company is not engaged in promotion women's advancement without disclosure even if the company does not disclose it as "obvious". This is the perception gap between companies and institutional investors. Aiming to close that gap, we have compiled a list of possible disclosure-related questions by companies, along with answers to those questions from institutional investors. These are presented in a Q&A format below.**



## Is there a basic approach to disclosing information on women's advancement?



Institutional investors decide that the company is not engaged in promoting women's advancement without disclosure even if the company does not disclose it as "obvious". The attitude to disclose is important. Disclosing information is about more than just numbers disclosure: the important thing is to present an understanding of the issues that the company faces in trying to improve its long-term value, which is what institutional investors are looking for. Institutional investors pay attention to what sort of understanding a company has of its own issues, and what it is doing about them. Simply whether a company has such an understanding is one of the things that investors value.



## Our ratios of female directors and women in managerial positions are low. Does that information need to be disclosed?



First of all, disclosure itself is important, because it indicates that you are aware of the issue. In addition, even if current numbers are low, whether your company appears to express a desire to promote women's advancement, and whether you disclose strategies and plans with both targets and measures for reaching those targets, are matters that will be subject to evaluation.



## What indicators of women's advancement should be disclosed?



For example, the MSCI Japan Empowering Women Index (WIN) uses the following indicators for evaluation:

- Percentage of women among new hires
- Ratio of female employees
- Difference in average years of service
- Ratio of women in managerial positions
- Ratio of women on the Board of Directors

Institutional investors also pay attention to the following kinds of information:

- Pay gap between men and women
- Ratio of female executive directors
- Information concerning next-generation female talent potentially considered for director positions in the future

You can also refer to the items in the MHLW's "Database of Companies Promoting Women's Participation and Advancement in the Workplace," the "Actions that Companies Should Take Concerning Information Disclosure" in "the Diversity 2.0 Action Guidelines" (METI), and the evaluation items of ratings agencies used by institutional investors.

In addition to providing these kinds of numbers, it is also considered important to present KPIs and other targets, why those KPIs were set, and what initiatives are being taken to achieve KPI targets.

If you are unsure about what to disclose, it may be a good idea to utilize information prepared for new graduates looking to apply for a job, or information intended for employees. Such materials may include information on career role models and practical examples of working styles, and may even be considered more useful than regular disclosure materials by some institutional investors.



### We recognize the need for disclosure, but do not have sufficient resources (people, capital, time) for it.



The disclosed documents can be simple, and do not have to be particularly refined. For example, it is possible to merely disclose how upper management sees women's advancement and what targets have been set, or simply provide data for the current situation along with targets and plans for the future. What matters is the content, not how good the documents look.



### What should be done when the IR department wants to disclose information, but HR is against it?



During the interviews with companies, many representatives of the companies now engaging in advanced information disclosure described how they initially faced difficulties in relation to disclosure. In one company, discussions went on for almost a decade before more detailed information disclosure was achieved. The lesson here is certainly that it is important to conduct discussions between departments to get everyone to agree. During such discussions, it ought to be a good idea to talk about what benefits the company can gain through disclosure. For example, one method might be to relay that the information is of interest to external parties such as institutional investors and job seekers, and that the information can have an impact on investment and recruitment.



### Are investors really interested in information on women's advancement?



The questionnaire results in this project show that about 70% of institutional investors use information on women's advancement when making investment decisions. Many institutional investors certainly think that women's advancement is linked to the long-term growth of companies.



### There are few women in our business to begin with, and all of our ratios concerning women are of course also low. Would disclosing our ratios of women not have a negative impact?



Institutional investors do not look at numbers in isolation. There are fewer women in some businesses to begin with, and institutional investors take such businesses' characteristics (low ratios in Japan in comparison to the industry average and global levels) into account when using information on women's advancement. In addition to information such as various ratios of women, which explains the current situation, institutional investors look at whether a company is trying to raise its ratios of women (awareness), to what extent (targets), and how it aims to achieve its targets (strategies and plans).