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Policy and Markets Bureau  
Financial Services Agency (FSA)  
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Japan

Date: 16.04.25

## Comments on draft revisions to Principles for Responsible Institutional Investors - Japan Stewardship Code ("the Code")

We refer to Financial Services Agency's consultation on proposed revisions to the Japan Stewardship Code. We appreciate the opportunity to provide feedback as FSA revises the Code with the objectives of promoting collective engagement, increasing the transparency of beneficial shareholders and streamlining the code to be more principles-based. These objectives help to deliver FSA's target outcome of deeper and more effective dialogue between investors and companies. This outcome is a fundamental component of the wider corporate governance reform in Japan, which we fully support.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with JPY273.1 trillion at 31 December 2024, of which JPY17.5 trillion was invested in the shares of 1,436 Japanese listed companies.


As a long-term investor, we consider our returns over time to be dependent on well-functioning, legitimate and efficient markets as well as sustainable economic, environmental and social development. As we own on average 1.5% of all listed companies, we can monitor and engage them to promote long-term value creation and minimise negative effects on the environment and society. Our stewardship activities contribute to the fund's objective of highest possible return with acceptable risk.

As a sovereign wealth fund, NBIM does not sign up to stewardship codes, however we appreciate the critical role of stewardship codes in setting expectations on responsible investment practices that institutional investors should adopt as they fulfil their stewardship responsibilities towards investee companies, clients and beneficiaries. In this spirit, we would like to share our views with FSA.

We thank you for considering our perspective and remain at your disposal for further discussions.

Please find in Annex A our responses to the consultation questions.

Yours sincerely

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## Appendix A. Issues for consultation

### Increasing transparency of beneficial shareholders [Principle 4]

Q1-1. What is your view on replacing part of Note 16 with new Guidance 4-2 stating "[i]n order to support constructive dialogue with investee companies, institutional investors should, in response to requests from investee companies, explain how many shares they own/hold in the company"? Please also provide reasons, if any.

We support the principle of increased transparency of beneficial shareholders, however we do not agree with such a requirement for the sole purpose of engagement. Investors' willingness or ability to respond to such requests should not become a barrier or create any time delay for investors to have access to companies for constructive dialogue. Companies should be open to engaging with investors even if they do not provide this information, or are not signatories to the Code, or have smaller shareholdings.

There may be practical limitations to providing such information due to the large number of portfolios held by asset managers with operations across multiple jurisdictions. In addition, adequate data security protocols are needed to maintain confidentiality on behalf of investors and prevent misuse of shareholder data including shareholder identity and quantity of holdings.

FSA may wish to consider requiring the transparency of beneficial owners at record dates for voting rights and dividends as an alternative route to deliver transparency to companies.

Q1-2. What is your view on adding "[institutional investors] should disclose in advance a policy on how they will respond to such requests from investee companies" to Guidance 4-2? Please also provide reasons, if any.

We do not agree that it is necessary for investors to have a public facing policy on their responses to ownership requests from companies for the purpose of engagement. In line with the above recommendation, FSA may consider replacing this with a policy to disclose the beneficial ownership at record date to the investee company.

### Collective/collaborative engagement [Principle 4]

Q2-1. What is your view on revising Guidance 4-5 to "[i]n addition to institutional investors engaging with investee companies independently, engaging with investee companies in collaboration with other institutional investors (collaborative engagement) is also an important option. When considering methods for dialogue, it should be kept in mind whether they will lead to constructive dialogue that contributes to the sustainable growth of investee companies"? Please also provide reasons, if any.

We welcome the recognition by FSA that collaborative or collective engagement can be beneficial for both investors and companies and can support deeper and more effective dialogue. We suggest that FSA explains why collective engagement is an important engagement option for investors to consider where appropriate. For example, FSA can highlight that collective engagement can be more effective in some instances, especially if companies are not responding to individual engagement, and can provide learning opportunities for investors, especially those with smaller or newer stewardship teams.



Q2-2. Are there any points that institutional investors should bear in mind when conducting collective/collaborative engagements? Please provide reasons, if any.

We welcome the recent proposed clarifications on the scope of joint holders and the scope of the act of material proposal in the Large Shareholding Reporting Rule. Institutional investors should ensure that they fully understand the final revisions which are intended to promote collective engagement by clarifying what constitutes acting in concert. In particular, institutional investors should note the whitelisting of themes of the sale of cross shareholdings and the increase in the number of independent directors which are core components of corporate governance reforms to drive long-term value creation.

#### Streamlining the Code [Overall]

Q3. What is your view on streamlining the Code, as shown in the draft, by removing, consolidating, and simplifying the parts that have permeated stewardship practices since the Code was developed and revised? Please also provide any reasons you may have for your view.

We support the streamlining of the Code which clarifies the guidance and helps increase investors' focus on stewardship matters that are not already standard market practice.

#### Other issues [Overall]

Q4. In addition to the issues described above, what is your view on the proposed revisions? Please also provide any reasons you may have for your view.

We recommend that the Code encourages investors to engage with independent directors and report on these meetings and the topics discussed at a high level. The increase in number of independent directors is a core component of the ongoing corporate governance reform in Japan. It is important for investors to engage with these directors to develop a deeper understanding of the effectiveness of the boards of investee companies.

The Code could include a point that institutional investors should consider engaging on corporate governance and corporate disclosure policies and standards as these impact all listed companies across the jurisdiction. This can be an effective way to address systemic or market level issues that support the fulfilment of stewardship responsibilities.

The Code could also include the recommendation, from the background note to the consultation, that the comply or explain approach is reaffirmed by clients and beneficiaries of signatories to the Code. This will drive accountability on the part of signatories given the Code is not a legally binding regulation.

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