



**ICGN**

International Corporate Governance Network

29 November 2016

**To:** Tokyo Stock Exchange (TSE), Japan

[jojo-kikaku@jpx.co.jp](mailto:jojo-kikaku@jpx.co.jp)

**RE:** ICGN response to the consultation on proposed changes to disclosure of corporate information by the Financial Council Disclosure Working Group

Dear Madam or Sir,

The International Corporate Governance Network (ICGN) is an investor-led organisation of governance professionals with members including institutional investors responsible for assets under management in excess of US\$ 26 trillion.<sup>1</sup> Our mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.

ICGN is very supportive of the recent initiatives to develop corporate governance and stewardship codes in Japan, and has responded to a number of consultations relating to the development of these codes. We are also happy to provide this response to the TSE's recent request for comments concerning proposed changes to disclosure of corporate information by the Financial Council Disclosure Working Group in Japan. Our policy-related comments are grounded in ICGN's Global Governance Principles<sup>2</sup> and from our more recently developed Global Stewardship Principles.

ICGN supports the fundamental objectives of the Working Group's report —both to encourage constructive dialogue between companies and investors, and to allow for flexibility of company reporting, where appropriate. In this context a group of institutional investors in Japanese companies, led by Legal and General Investment Management, RPMI Railpen and Standard Life Investments in the UK, has brought to our attention concerns relating to the Working Group's conclusions in the report published in April 2016.

Specifically, the investor attention relates to Section II, subsection 2(2)1 ii (page 11 of the English text). Without going into all the detail, the concern expressed by the investor group is that the proposed flexibilities might trigger unintended consequences. This is particularly the case if there is no longer a requirement that companies publish the full year 'financial statement' supplementary document with

<sup>1</sup> For more information about ICGN, please visit <https://www.icgn.org>

<sup>2</sup> See ICGN Global Governance Principles: [http://icgn.flpbks.com/icgn\\_global\\_governance\\_principles/#p=1](http://icgn.flpbks.com/icgn_global_governance_principles/#p=1)

the fourth quarter earnings digest. This could compromise the ability of investors to assess the company ahead of the annual general meeting (AGM).

The investor group is writing you separately to express their concerns directly, and to propose possible ways to address this problem, including possible changes in AGM dates.

We would like to signal our shared concern with this investor position, as it relates directly to the protection of minority shareholder rights – a fundamental policy priority for ICGN. We would ask you to consider if the concern raised by investors is something that had been anticipated by the Working Group. If not, it may be the case that the additional flexibility being sought in this particular case may not be appropriate, or that the Working Group might want to consider some of the mitigating suggestions made by the investor group.

Thank you for the opportunity to provide comments on your consultation relating to promoting constructive dialogue between companies and institutional investors. Should you wish to discuss our comments further, please contact George Dallas, ICGN's Policy Director, by email at [george.dallas@icgn.org](mailto:george.dallas@icgn.org).

Yours faithfully,

Kerrie Waring

ICGN Executive Director