

Institutional Investor

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2020 ALL-JAPAN EXECUTIVE TEAM

II SPEAKER SERIES:

THE RISE OF STEWARDSHIP & ESG INVESTING

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 Institutional Investor Research

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THE RISE OF STEWARDSHIP & ESG INVESTING: Effective Engagement with Investors on ESG Topics

On August 20 2020, Institutional Investor Research held a quarterly Speaker Series with Tracy Gopal of Third Arrow Strategies. This Speaker Series was launched in Japan in 2020 with the aim at being in front of the corporate clients and their respective C-level and IR departments in between Award Dinners, Polling and the results. We originally had reached out to a local broker to partner with us and they put the question out to their banking clients who confirmed our thoughts; More in-depth information about ESG, Activism and with the uncrossing of shareholding in Japan, CFOs want to know what investors are most interested in as they do not want to be caught out in once was a very amiable shareholders setting.

Historically, there was limited engagement between companies and investors in Japan. Now, with 284 signatories to Japan's Stewardship Code, engagement is increasing. Historically, Japanese investors voted with management and voting was considered a compliance function. Now, investors are voting against management and for shareholder proposals. Engagement focused on business strategy and ROE, now however, engagement includes ESG issues. Historically, ESG was not a key factor in the investment process. Now, ESG investing is growing exponentially.

Tracy Gopal of Third Arrow Strategies, discussed the evolution driving these changes and what it means for companies and IR teams. She discussed global voting trends and investor ESG concerns including board independence, board diversity, cross-shareholdings, and climate change. She highlighted how companies can better prepare for engagement through understanding individual investor policies and strategies as well as competitor behavior. She further described the proliferation of ESG data, ESG scores, ESG funds and ESG indexes.

The highlights from our webinar polling were:

1. Companies varied in their top 3 ESG focus areas, choices ranged from climate to human rights. This can be expected as the materiality of ESG factors may differ by industry.

2. Companies are familiar with their ESG ranking from data providers such as ISS and MSCI, but most were not aware of their competitor's rankings. Superior ESG rankings can be a competitive advantage.

3. Most, but not all, companies have a proactive engagement strategy. However, most Japanese companies indicated concerns with engaging with foreign investors. We imagine concerns may be related to language/communication challenges and/or cultural differences.

Tracy Gopal, Founder of Third Arrow Strategies

Tracy Gopal facilitates engagement between Japanese companies and foreign investors, serving both Japanese companies as well as investors in Japan. If you would like to discuss engagement strategy or need assistance with engagement preparation or engagement facilitation, please reach out to Tracy at tracy@thirdarrowstrategies.com with any questions. Tracy is fluent in both Japanese and English.

Michael Clemons, Sales Director, Institutional Investor Research (Tokyo, Japan)

Michael has over over 27 years of finance and investment banking experience in Asia, having worked in Hong Kong, Singapore, Australia, and Japan. Having held various Chief Operating Officer roles over the years in both the financial sector as well as philanthropy institutions, Michael has broad experience in Equities, Human Resources, Strategy, Governance, Audit as well as Information Technology. For more information on II's Speaker Series and/or the full data set on II Research's Japan Executive Team, contact michael.clemons@institutionalinvestor.com