

**Opening Remarks by the Minister of State for
Financial Services
G20/OECD CORPORATE GOVERNANCE FORUM
Bali, 14 July 2022**

Minister Sri Mulyani, Secretary-General Cormann, distinguished participants, Thank you for the opportunity to give opening remarks today at the Corporate Governance Forum co-hosted by the G20 Presidency and the OECD. I also appreciate the warm hospitality extended by the people of Indonesia.

The economic and social environment surrounding companies is undergoing rapid changes, such as the increased interest in climate change and sustainability, the impact of the COVID-19 pandemic, and the historic transformation of society due to digitalization. In this context, under G20 Leaders' instruction, the OECD Corporate Governance Committee is currently reviewing the G20/OECD Principles of Corporate Governance, which form the single international standard endorsed by G20

Leaders. The objective of the review is to dramatically improve this international standard for policy makers, regulators, investors, and companies to adapt to such transformational changes and effectively respond to the associated new challenges and risks.

The Committee is chaired by Mr. Masato Kanda, Japan's Vice Minister of Finance for International Affairs. As a member of both the G20 and OECD, Japan intends to make active contribution to the review.

As we look back on the history of corporate governance reform in Japan, the reform started at about the same time as the previous revision process of the OECD Principles. Namely, Japan's Stewardship Code and Corporate Governance Code were developed in 2014 and 2015, respectively. They both aimed for sustainable growth of companies and enhancement of corporate value over the long term. Various corporate sector reforms have been advanced, starting with these Codes.

Most recently, Japan's Corporate Governance Code was revised in June last year. The revision was aimed at deepening corporate governance through dialogue between companies and investors. The three pillars of the revision were: first, strengthening the functioning of the board of directors; second, ensuring diversity in the core of companies' human resources; and third, enhancing sustainability disclosure.

Furthermore, I believe that the viewpoints of the ongoing review of the G20/OECD Principles have something in common with the "new form of capitalism," an economic policy advocated by Japan's current Kishida Cabinet.

The "new form of capitalism" is to upgrade a capitalist economy and make it stronger and more sustainable. We recognize that this is broadly in line with the motivations of the current review of the Principles of Corporate Governance, which aims to enhance long-term corporate value by strengthening the sustainability and resilience of corporate activities.

For example, one of the major pillars of the “new form of capitalism” is “investment in human resources.” Last month, the Government released “Grand Design and Action Plan for New Form of Capitalism.” It calls for the disclosure of non-financial information, such as policies for human resource development and working environment, as well as indicators and targets to express these policies. The aim of the enhanced disclosure is to promote a change in the mindset of companies toward seeing their efforts on human capital as “investments” rather than “expenses”. This resonates with one of the objectives of the review of the G20/OECD Principles—that is, taking into account the interests of a wide range of stakeholders, for example by improving employee skills and the working environment, the disclosure will contribute to the company’s better performance and success in the long run.

Thus, the Government of Japan will promote economic policies that are also in line with the G20/OECD Principles.

Next, I would like to mention the importance of Asia for the effectiveness of the G20/OECD Principles.

Reflecting strong economic performance in recent years, Asian capital markets have increased their presence around the world. According to an OECD analysis, more than half of all publicly traded companies in the world are listed on Asian stock exchanges as of the beginning of 2021. The market capitalization of these companies represents 32 percent of the market capitalization of all publicly traded companies worldwide.

As we revise the G20/OECD Principles, it is essential to sincerely listen to the opinions of companies, market participants, and authorities in Asian economies, which are the engine of global economic growth.

Japan financially supports the outreach activities of the OECD, particularly in Asia. With significant input from stakeholders in Asia and other regions, we expect that the revised G20/OECD Principles will contribute to further development of global capital

markets and the establishment of high-quality corporate governance frameworks.

Finally, I hope that this forum will provide useful ideas and deep insight for the ongoing review of the G20/OECD Principles of Corporate Governance and contribute to the development of a corporate governance framework that promotes sustainable and resilient corporate activities in countries around the world. Thank you for your attention.