

Material 5

Provisional
Translation

Reference Material for the Twenty First Council

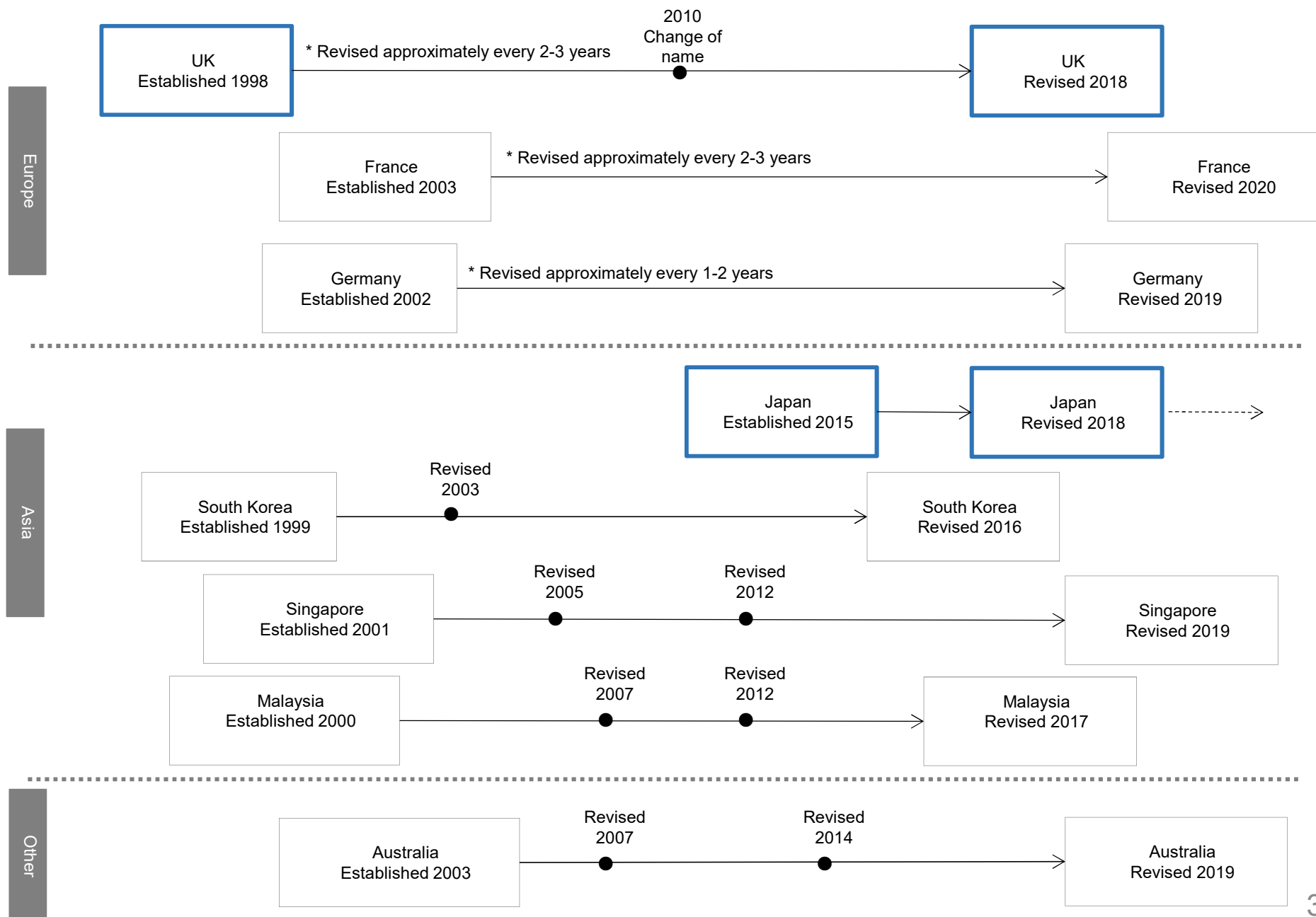
November 18, 2020
Financial Services Agency

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I. Trends in governance codes by country

Current status of formulation and revision of corporate governance codes in other countries



Corporate governance code by country

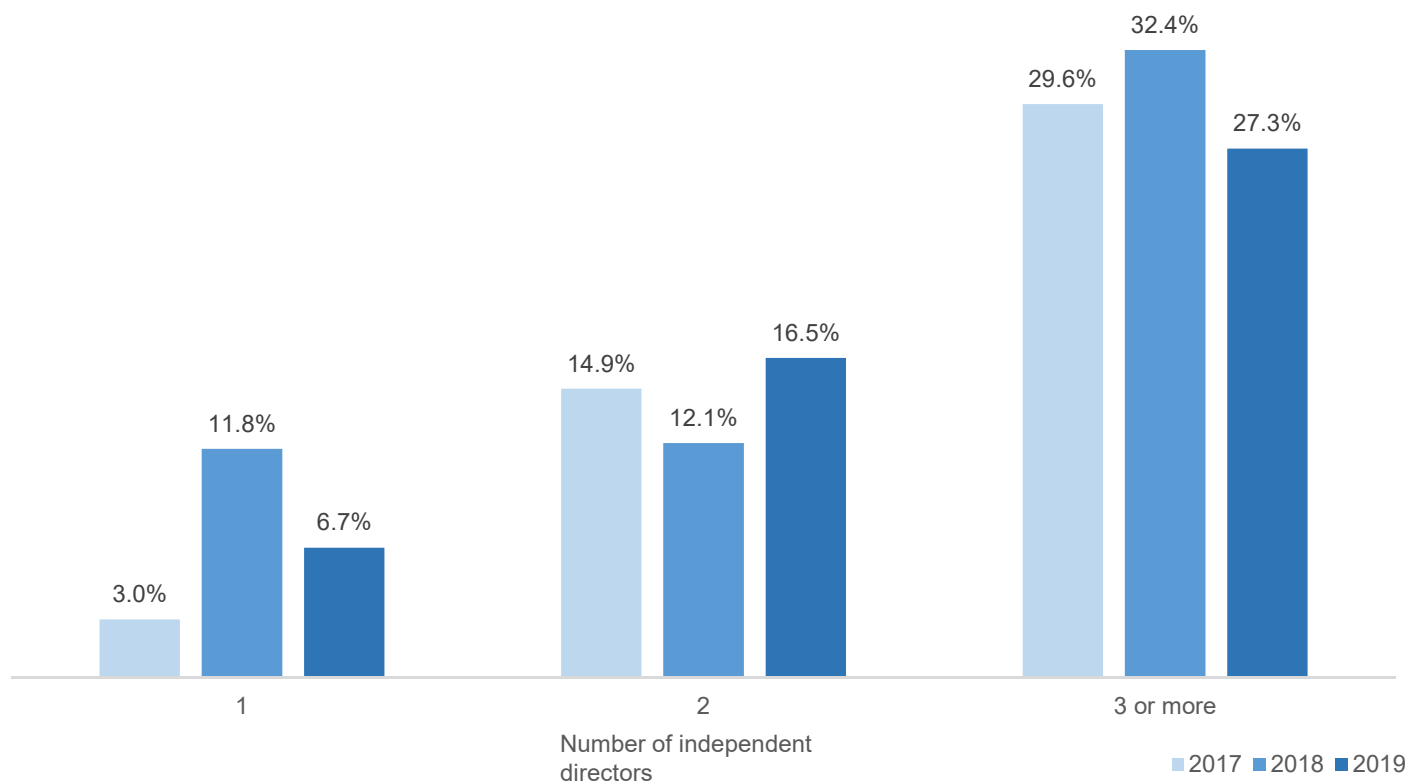
	OECD	UK	Germany	France	Japan
Main items	Preface	Introduction	Forward	Preamble	
	<p>I. Ensuring the basis for an effective corporate governance framework</p> <p>II. The rights and equitable treatment of shareholders and key ownership functions</p> <p>III. Institutional investors, stock markets and other intermediaries</p> <p>IV. The role of stakeholders in corporate governance</p> <p>V. Disclosure and transparency</p> <p>VI. The responsibilities of the board</p>	<p>Chapter 1: Board Leadership and Company Purpose</p> <p>Chapter 2: Division of Responsibilities</p> <p>Chapter 3: Composition, Succession and Evaluation</p> <p>Chapter 4: Audit, Risk and Internal Control</p> <p>Chapter 5: Remuneration</p>	<p>A. Management and supervision</p> <p>B. Appointments to the Management Board</p> <p>C. Composition of Supervisory Board</p> <p>D. Supervisory Board procedures</p> <p>E. Conflicts of interest</p> <p>F. Transparency and external reporting</p> <p>G. Remuneration of the Management Board and the Supervisory Board</p>	<ol style="list-style-type: none"> 1. The tasks of the Board of Directors 2. The Board of Directors: A collegial body 3. The diversity of forms of organisation of governance 4. The Board and communication with shareholders and markets 5. The Board of Directors and the shareholders' meeting 6. Membership of the Board of Directors: Guiding Principles 7. Guidelines on gender balance in management organizations 8. Representation of shareholders and employees 9. Independent directors 10. Evaluation of the Board of Directors 11. Meetings of the Board and of the committees 12. Directors' access to information 13. Directors' training 14. Duration of Directors' terms of office 15. Board committees: General principles 16. The Audit Committee 17. The Nominations Committee 18. The Compensation Committee 19. Number of directorships of company officers and directors 20. Ethical rules for directors 21. Directors' compensation 22. Termination of employment contract in the event of becoming a company officer 23. Requirement for company officers to hold shares 24. Conclusion of a non-competition agreement with a company officer 25. Compensation of company officers 26. Information on company officers' compensation and the policy for awarding stock options and performance shares 27. Implementation of the recommendations 28. Revision of the Code 	<p>Section 1: Securing the Rights and Equal Treatment of Shareholders</p> <p>Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders</p> <p>Section 3: Ensuring Appropriate Information Disclosure and Transparency</p> <p>Section 4: Responsibilities of the Board</p> <p>Section 5: Dialogue with Shareholders</p>

II. Promoting Board effectiveness

(1) Ensuring knowledge, skills and experience necessary for the Board to effectively perform its duties ①

- In those companies with three or more independent directors, a significant percentage of respondents answered that the contribution of independent directors to the company is "Very high".

Percentage of respondents who answered that the contribution of independent directors was "Very high".



(Note1) Survey of listed companies on the TSE First Section. Total number of company responses: 2017, 389; 2018, 360; 2019, 291.

(Note 2) "In your opinion, what is the level of contribution made by the outside directors of your company to the achievement of the Corporate Governance Code's objectives of "Seeking Sustainable Corporate Growth" and "Increased Corporate Value over the Mid- to Long-Term?"

Select one of the following: Very high, High, Average, Low, Very low or "Do not know".

Source: FSA, based on Board Advisors Japan, Inc.'s Corporate Governance Surveys for 2017, 2018 and 2019.

(1) Ensuring knowledge, skills and experience necessary for the Board to effectively perform its duties ②

- In countries with a requirement that at least 50% of the Board must comprise outside directors, there is a positive impact on ROA, Tobin's q and risk-taking for companies of a certain size upwards (2012-2019).

Dependent variable	ROA		Tobin's q	
	(1)	(2)	(3)	(4)
Japan dummy	-0.010*	-0.041***	-0.192**	-0.004**
ADRI	0.003	0.004	0.001	0.000
Rule that less than 50% of board must be outside directors	0.003	0.012*	-0.016	0.003
Rule that at least 50% of board must be outside directors	0.025***	0.022	0.240**	0.006***
Employment flexibility	0.008**	0.020***	0.136***	0.000
Intercept	YES	YES	YES	YES
Control variable	YES	YES	YES	YES
Year dummy	YES	YES	YES	YES
Industry dummy	YES	YES	YES	YES
Sample size	15504	15504	15504	1938
R ²	0.3471	0.1004	0.4055	0.2794

Note: ROA: Calculated by dividing EBITDA (income before tax, interest and depreciation) by total assets to adjust for different accounting standards and tax rates. Tobin's q: Calculated by dividing 'total market of capitalization plus debt' by the total book value of assets.

Source: *International Comparison of Corporate Governance in Japanese companies*, Takuji Saito, Securities Analysts Journal 2020 No.11

(1) Ensuring knowledge, skills and experience necessary for the Board to effectively perform its duties ③

□ The key attributes of independent directors in the UK and the USA are as follows.

<UK>

Attributes of non-executive directors		
Include a person(s) from another company	100%	
Breakdown	① Include a person(s) with experience as President, CEO or representative of another company	100%
	② Include a person(s) with experience as a company officer at another company, in addition to the above (1)	93%
	③ Other person(s) from another company (i.e. without experience as President/CEO/representative or company officer)	73%

<USA>

Attributes of independent directors		
Include a person(s) from another company	100%	
Breakdown	① Include a person(s) with experience as President, CEO or representative of another company	100%
	② Include a person(s) with experience as a company officer at another company, in addition to the above (1)	70%
	③ Other person(s) from another company (i.e. without experience as President/CEO/representative or company officer)	30%

Source: FSA, compiled from annual reports of the top 30 FTSE100 companies by market capitalization as of November 2020, and AGM proxy statements of the top 30 S&P500 companies.

(2) CEO appointment/dismissal, succession plan, nomination committee, etc. ① (Succession planning in UK)

- ❑ The UK Corporate Governance Code and Guidance on Board Effectiveness stipulates succession plans for the Board and senior management in detail.

Corporate Governance Code

- Appointments to the board should be subject to a formal, rigorous and transparent procedure, **and an effective succession plan should be maintained for board and senior management** (see Note). Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- The board should establish a nomination committee to lead the process for appointments, **ensure plans are in place for an orderly succession to both the board and senior management positions**, and oversee the development of a diverse pipeline for succession. [the rest omitted]
- The annual report should describe the work of the nomination committee, including the process used in relation to appointments, **the approach to succession planning** and how both support developing a diverse pipeline.

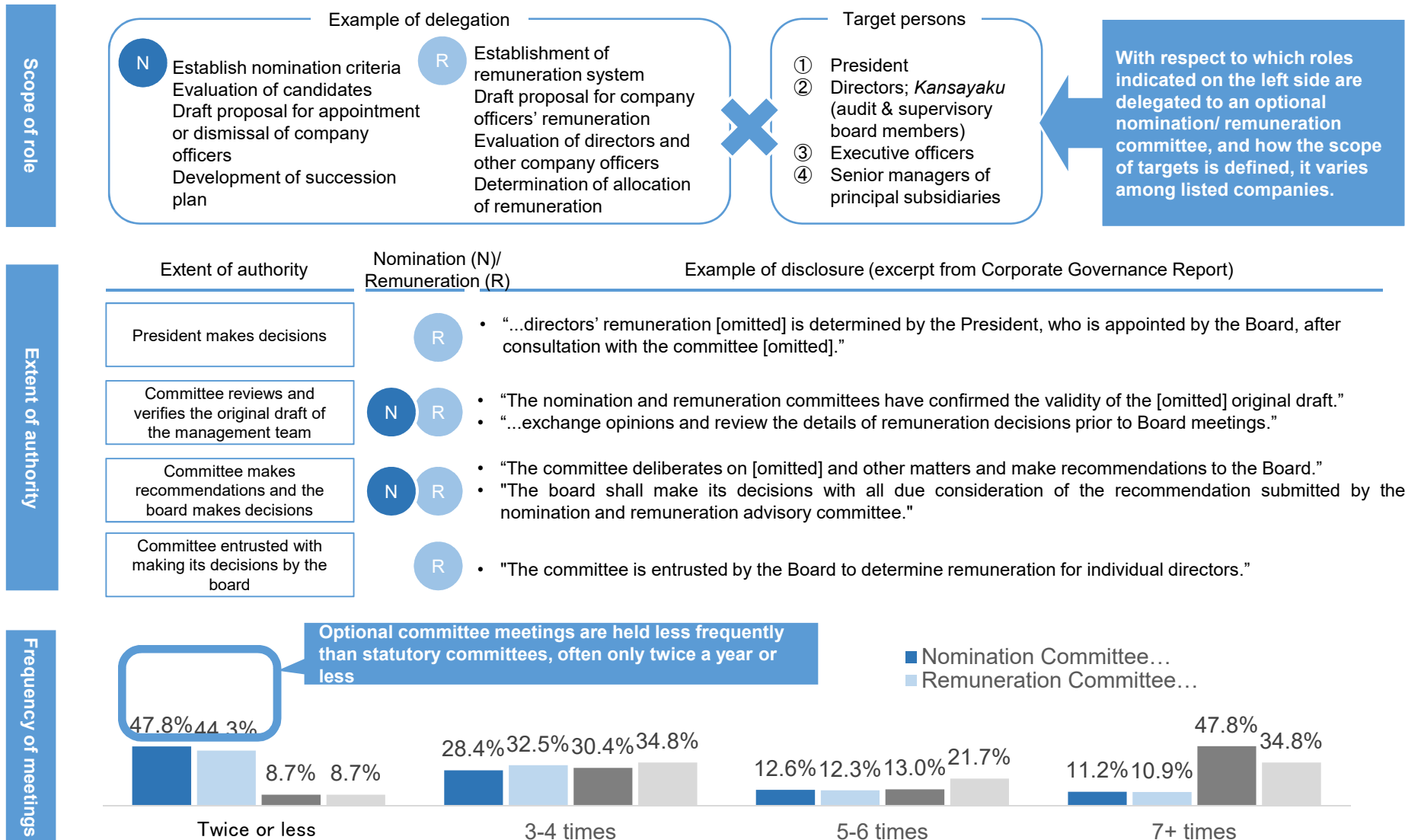
Guidance on Board Effectiveness

- Succession plans **should consider the following different time horizons:**
 - Contingency planning – for sudden and unforeseen departures;
 - Medium-term planning – the orderly replacement of current board members and senior executives (e.g. retirement)
 - Long-term planning - the relationship between the delivery of the company strategy and objectives to the skills needed on the board now and in future.
- Putting the succession plan in writing can help ensure it is followed through. Succession plans can also help to increase diversity in the boardroom and build diversity in the executive pipeline.

Note: The definition of 'senior management' for this purpose should be the executive committee or the first layer of management below board level, including the company secretary.

(2) CEO appointment/dismissal, succession plan, nomination committee, etc. ② (Authority and role of optional nomination committee/remuneration committee)

- The actual operations of an optional nomination committee and remuneration committee, including the scope of roles, degree of authority and frequency of meetings, vary depending on the listed company.



Source: FSA, based on Deloitte Tohmatsu Consulting LLC's *Executive Compensation Survey 2020*

(2) CEO appointment/dismissal, succession plan, nomination committee, etc. ③ (Authority and role of optional nomination committee/remuneration committee)

- The extent to which disclosure documents describe the actual operation of the optional nomination committee or remuneration committee, including degree of authority, scope of roles and the frequency of meetings, vary depending on the listed company.

Details on operation

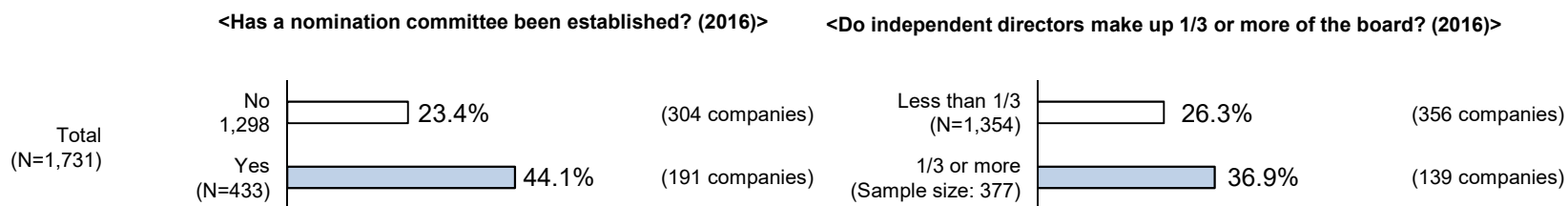
Example of disclosure (excerpt from Corporate Governance Report)

	<p>The Personnel and Remuneration Advisory Committee is established to enhance the objectivity, fairness and credibility in personnel matters and remuneration for directors and officers. This committee consists of five or more directors, the majority of whom are independent directors. The committee deliberates fairly and objectively on personnel matters and remuneration of directors and officers and reports to the Board.</p>
Number of meetings	<p>The Nomination and Remuneration Committee, consisting of all outside directors and the Chairman of the Board, was established to enhance transparency based on thorough discussion and agreement on matters related to the nomination and remuneration of management executives and directors. As of the most recent report, the committee comprises four members: ● Outside Director ● Outside Director ● Outside Director and ● Chairman of the Board. The Committee convened three times in FY March 2020 and deliberated on proposals for the nomination of senior management and directors and directors' remuneration and reported the results to the Board. (The names of the individuals are indicated by ●)</p>
Names of committee members	<p>The Company established Nomination Committee and Remuneration Committee as advisory bodies for the Board. The Nomination Committee deliberates on the requirements for appointments, dismissal procedure and the election and dismissal of the president, directors, corporate auditors and executive officers of the Company and its major business subsidiaries, and reports this to the Board. As for the dismissal procedure, if the president, directors, corporate auditors and executive officers of the company and its major operating subsidiaries do not fulfill the requirements for appointment to that position, the Committee will consider dismissal of the person concerned. In addition, the Committee discusses succession planning for the president and supervises its implementation to ensure that the potential successors are trained in accordance with the plan.</p> <p>The Remuneration Committee deliberates on the remuneration system and remuneration standards for the directors and executive officers of the company and its major subsidiaries, and reports on its evaluation of the performance of directors and executive officers to the Board. After receiving reports on the details and results of deliberations by the two committees, the Board deliberates on personnel matters and remuneration concerning directors and officers based on the details of these deliberations.</p> <p>The Nomination Committee and the Remuneration Committee shall consist of approximately five members each. In principle, the majority of committee members shall be outside directors, and the chair of the committees shall be appointed from outside members. As of the date of submission of this report, all five outside directors (*) of the company are members of the Committees, and the chair of the Committees is also an outside director. As of the date of submission of this report, all five outside directors (*) of the company are members of both Committees, and the chair is also an outside director. In addition, the Remuneration Committee deliberated on the above-mentioned company's ● executive remuneration system and remuneration levels, as well evaluating the Company's performance and the performance of the directors and executive officers, and submitted their report to the Board.</p> <p>In FY2019, the Nomination Committee met once and the Remuneration Committee met three times. The attendance of each member was as follows: (Names of committee members and the number of attendances are omitted.)</p>
Specific details of delegated responsibilities	
Target persons	
Number of meetings	
Names of committee members	
Attendance	

(2) CEO appointment/dismissal, succession plan, nomination committee, etc. ④ (Relationship between the nomination committee and business restructuring) (Excerpt)

- Companies with a nomination committee or where independent directors make up 1/3 or more of the board are more likely to restructure their business (carve-out) than other companies.

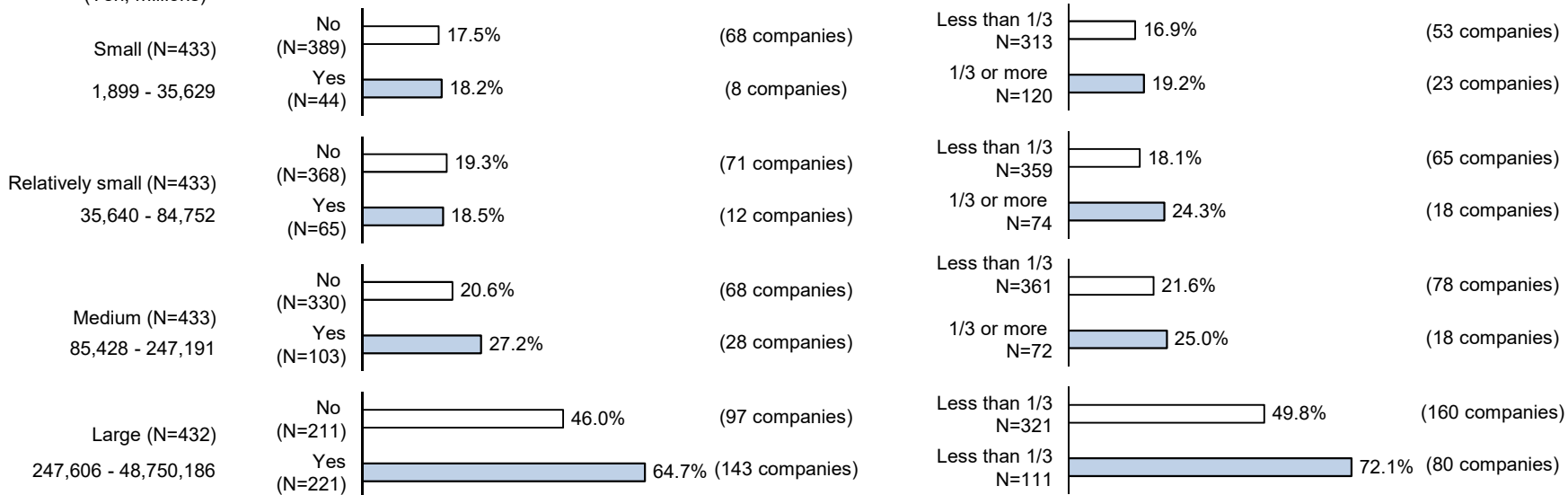
Proportion of companies that have undertaken restructuring of their business (carve-out) in the past 5 years



Comparison by size

Total company assets

(Yen, millions)

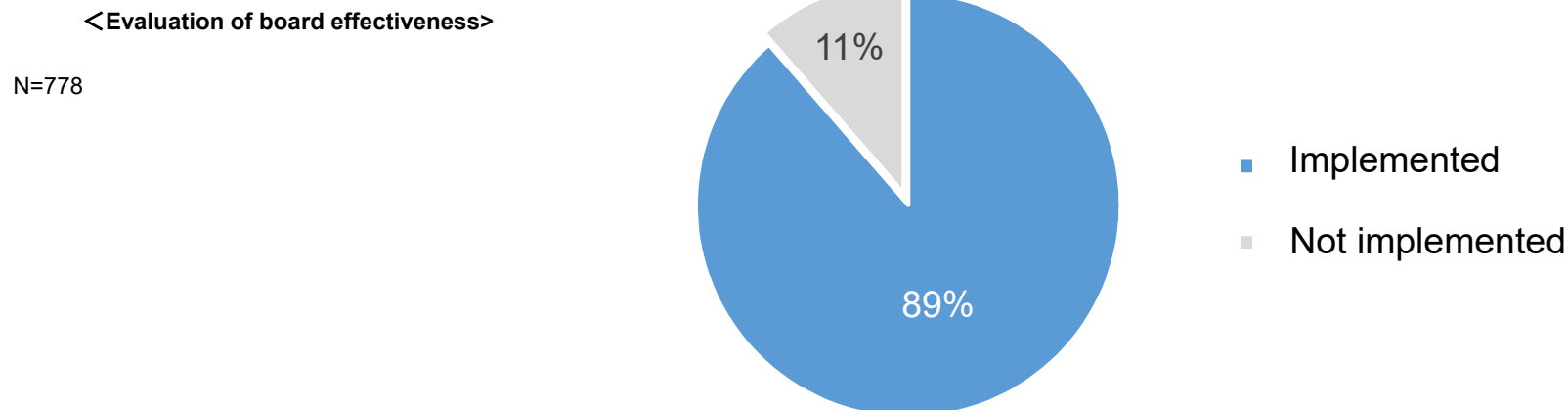


Note: 1,731 companies that reported FY2016 financial results are classified into 4 groups by total assets.

Source: FSA, based on corporate governance report data (submitted as of August 12, 2016), SPEEDA and Bloomberg.

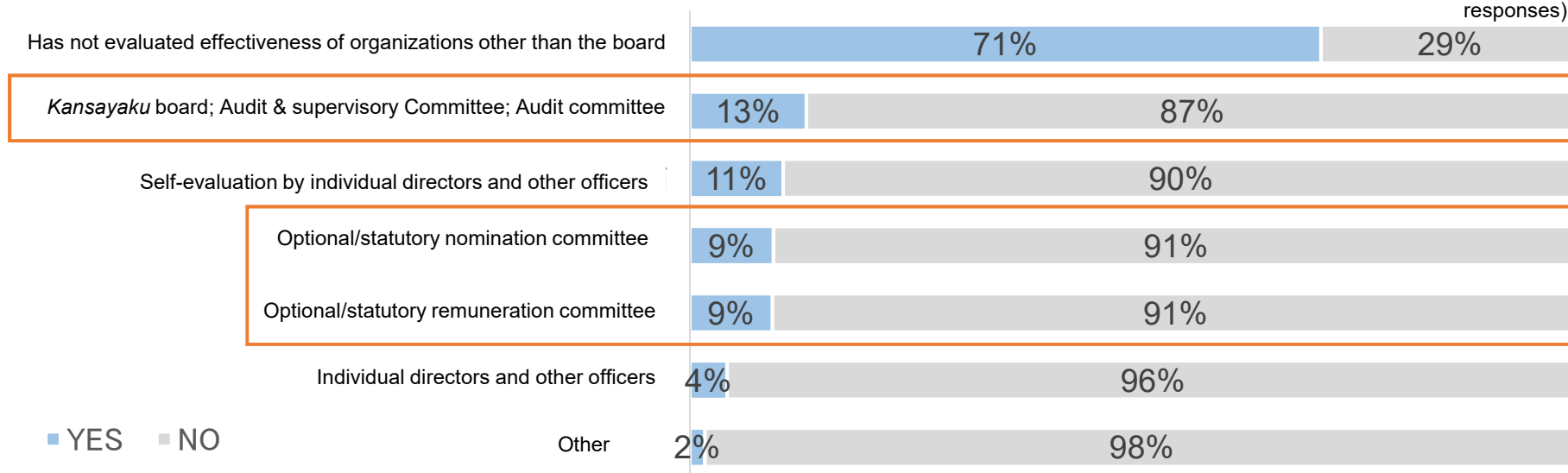
(2) CEO appointment/dismissal, succession plan, nomination committee, etc. ⑤ (Evaluation of board effectiveness)

- Approximately 90% of companies conduct an evaluation of the effectiveness of their board.
- On the other hand, only about 10% of companies conduct an evaluation of the effectiveness of the nomination committee, remuneration committee and audit committee.



<Evaluation of effectiveness of organizations other than the board >

(Multiple responses)

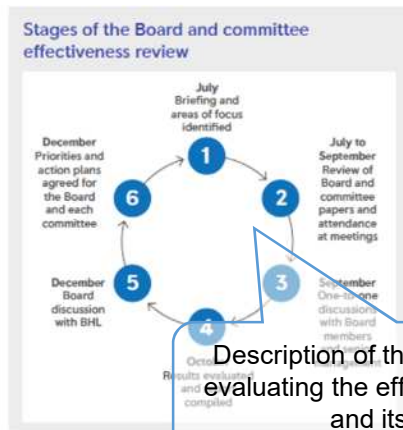


(2) CEO appointment/dismissal, succession plan, nomination committee, etc. ⑥ (Evaluation of board effectiveness)

- ❑ In addition to assessing board effectiveness, the Corporate Governance Codes of the UK and Singapore also focus on the effectiveness of committees and the contribution of each director.
- ❑ Some companies disclose in detail the progress of their evaluations of board effectiveness.

UK	<ul style="list-style-type: none"> • Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. • <u>There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors.</u> [the rest omitted]
Singapore	<ul style="list-style-type: none"> • The Board undertakes a formal annual assessment of its <u>effectiveness as a whole, and that of each of its board committees and individual directors.</u> • The nominating committee recommends for the board's approval the objective performance criteria and process for the evaluation of the effectiveness of the board as a whole, and of each board committee separately, as well as the contribution by the chairman and each individual director to the board.

Annual Report of Company A (overseas)



Description of the one-year process for evaluating the effectiveness of the board and its committees

Area of focus	Focus for 2019	Progress in 2019	Focus for 2020
Board composition and dynamics	Continued focus on the Board succession programme and skills matrix together with a review of the composition of the Board's committees to maximise co-ordination across their respective duties and to prepare for future Board changes.	The 2019 evaluation concluded that one of the Chairman's strengths is his approach to Board composition and succession planning and that Rolls-Royce has the ability to attract very strong candidates as Non-Executive Directors.	The Board could be clearer in the communication of their priorities and expectations with the Executive Team.
The Board's role	With engagement from different parts of the business, a restructuring update to be provided at each Board meeting with a watchful eye on the cultural impact as the transformation programme continues to be implemented.	The evaluation showed that the agendas have been well structured throughout 2019 and the focus has shifted to the necessary issues.	Continued close scrutiny of the plans and risks relating to the transformation programme. There is scope for the Board to add more value as the focus is increased on strategic issues and opportunities.

Description of the areas focused on this year, progress made and the areas to be focused on for next year concerning evaluation of the board.

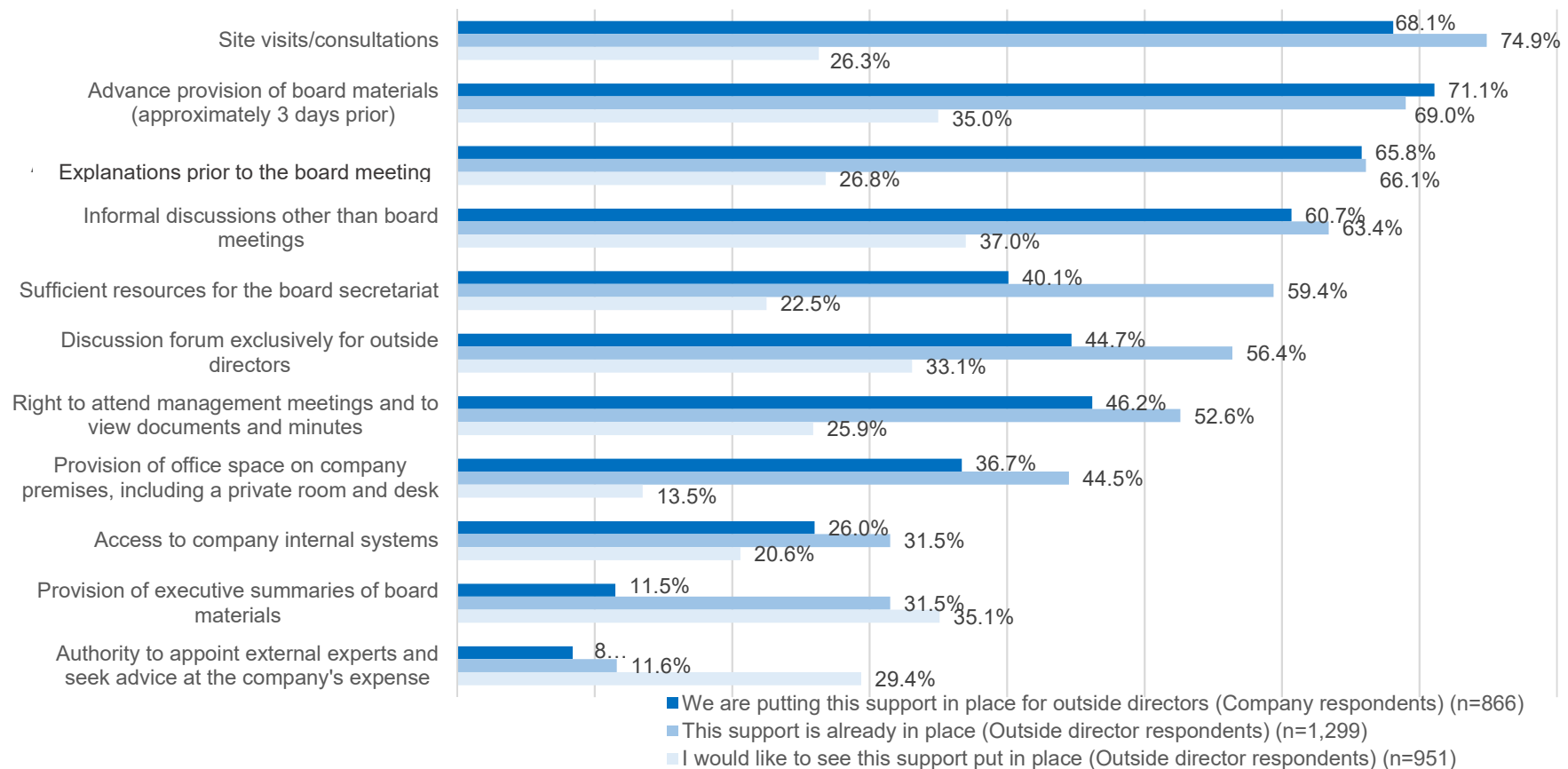
Evaluation of Chairman, Chief Executive and Non-Executive Directors	Annual review of the effectiveness of the Chairman and the Chief Executive, led by the Senior Independent Director and the Chairman respectively. Annual review of whether the Non-Executive Directors remained independent, in accordance with the Code.	Feedback from the evaluations was shared directly with the Chairman and Chief Executive and the Chief Executive's objectives for 2019 were agreed. The review concluded that all Non-Executive Directors remained independent.
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Description of the results of the evaluations conducted by the nominating governance committee with respect to the effectiveness of the board chair and the CEO, as well as independence of the outside directors.

(2) CEO appointment/dismissal, succession plan, nomination committee, etc. ⑦ (Provision of support for outside directors)

- About 70% of companies carry out “site visits/ consultations,” “advance provision of board materials” and “explanations prior to the board meeting” in order to provide support to outside directors.
- Outside directors are also keen to establish and encourage the development of “informal discussions other than board meetings” and “discussion forums exclusively for outside directors.”

Support system for outside directors



Note: To companies: “What support systems and environment are in place for outside directors?” (Multiple responses allowed)

To outside directors: “What support systems and environment for outside directors are already in place at your company?”

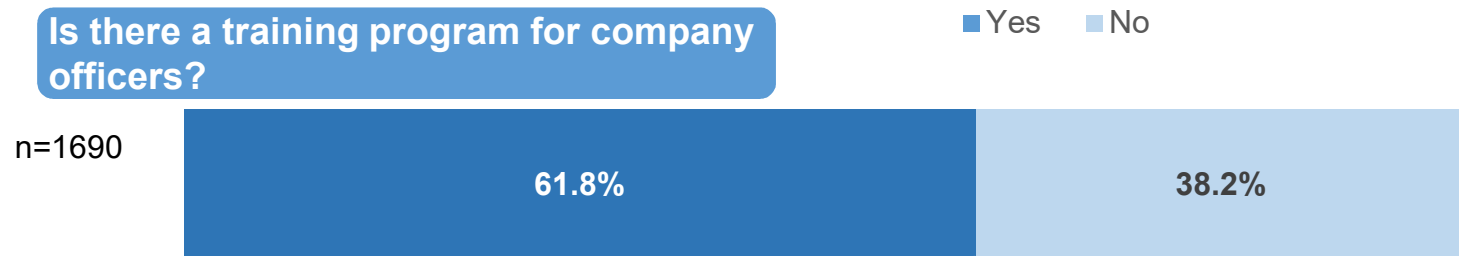
“What support systems and environment would you like to see put in place in future?” (Multiple responses allowed).

Source: Compiled by the FSA from Ministry of Economy, Trade and Industry, *Practical Guidelines for Outside Directors*, Reference Material 2 *Outside Directors' Questionnaire Results*

(2) CEO appointment/dismissal, succession plan, nomination committee, etc. ⑧ (Training for directors)

- Approximately 60% of the companies have training programs for company officers, but only about 30% of these companies have regular training in place.

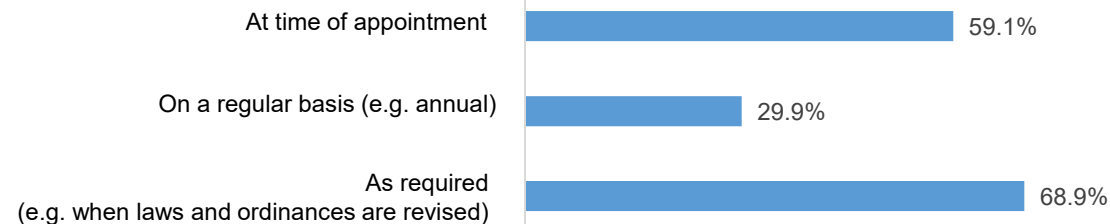
Is there a training program for company officers?



Sample size: 1045 companies that responded that they had training programs for company officers

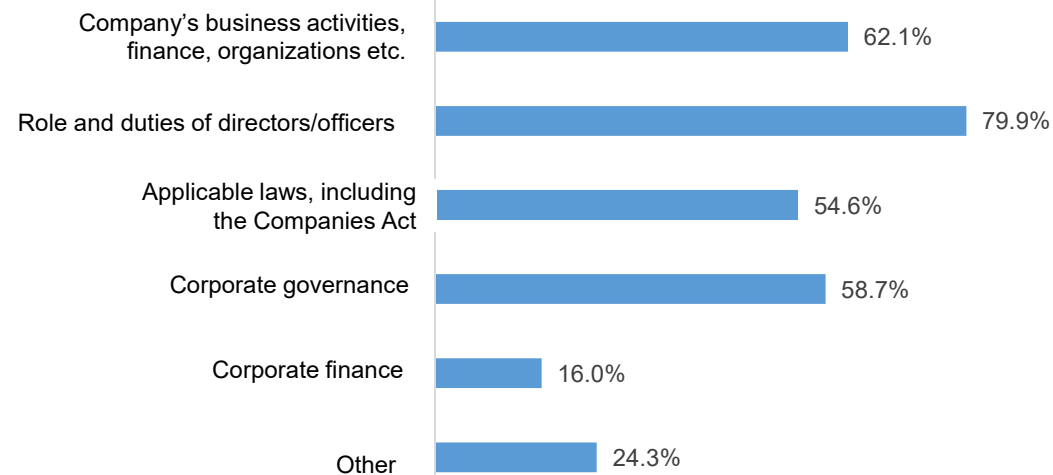
Training period

Note: Multiple responses allowed



Training details

Note: Multiple responses allowed



Note: "Company officers" includes directors and *kansayaku* (Audit & Supervisory Board members), both inside and outside.

Source: FSA, based on National Kabukon Association, *National Kabukon Survey Report, 2019* (October 2019)

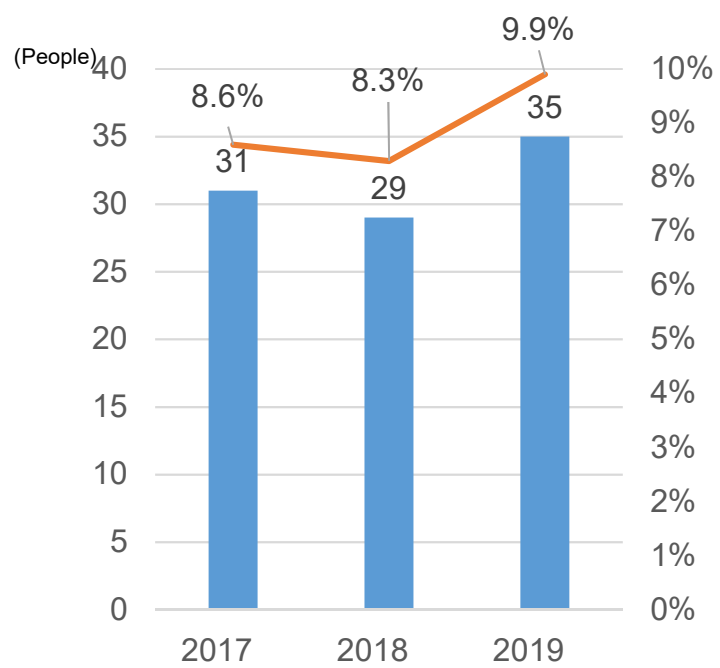
(2) CEO appointment/dismissal, succession plan, nomination committee, etc. ⑨ (Comparison with other countries)

	UK	Germany	France
Board evaluation	<ul style="list-style-type: none"> Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. 	<ul style="list-style-type: none"> The Supervisory Board shall assess, at regular intervals, how effectively the Supervisory Board as a whole and its committees fulfil their duties. * The companies are required to disclose whether and how the assessment was conducted 	<ul style="list-style-type: none"> The Board of Directors should evaluate its ability to meet the expectations of the shareholders that have mandated it to direct the corporation, by periodically reviewing its membership, organisation and operation.
Training	-	<ul style="list-style-type: none"> The members of the Supervisory Board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties. * Disclosure of such measures is also required. 	<ul style="list-style-type: none"> Each director should accordingly be provided with supplementary training relating to the corporation's specific features, its businesses, its business sector and its social and environmental responsibility aspects.
Board of Directors Secretariat	UK		
	<ul style="list-style-type: none"> The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. All directors should have access to the advice of the company secretary, who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole board. 		

(3) Diversity of Directors and Core Human Resources ① (Internationality of Directors)

□ The ratio of foreign directors among the top 30 largest market cap companies is 9.9%.

**Trend in ratio of foreign directors
(Top 30 by market cap)**



■ Number of foreign directors ■ Ratio of foreign directors

Source: IR Japan

Ratio of foreign directors by country (2019)

France	UK	Germany	USA
35.0	33.5	25.3	8.2%
Nikkei 225		TOPIX100	
3.3%		5.0%	

**Percentage of companies with foreign directors
(2019)**

Nikkei 225	TOPIX 100
20.9%	31.0%

Source: 2019 Japan Spencer Stuart Board Index

(3) Diversity of Directors and Core Human Resources

② (Gender and internationality of directors)

- For female outside directors and officers, there are fewer management executives than the overall average; for foreign outside directors and officers, there are more management executives than the overall average.

Attributes of female outside directors and foreign directors (Nikkei 500 companies)

Background	Outside directors/officers		Female outside directors/officers		Foreign outside directors/officers	
	Cumulative total	(%)	Cumulative total	(%)	Cumulative total	(%)
From another company	1,205	54.6%	197	41.5%	36	64.3%
Academic	217	9.8%	83	17.5%	9	16.1%
Lawyer	367	16.6%	102	21.5%	5	8.9%
Certified accountant	223	10.1%	49	10.3%	1	1.8%
Tax accountant	27	1.2%	0	0.0%	0	0.0%
Other	169	7.7%	44	9.3%	5	8.9%
Total	2,208	100.0%	475	100.0%	56	100.0%

Note 1: This survey covers 384 out of Nikkei 500 companies (as of June 10, 2020, excluding one company that was delisted at the end of August) that held their AGM in June 2020, and 2208 outside directors/officers in total (including 1496 outside directors and 712 outside *kansayaku* (Audit & Supervisory Board members)).

Note 2: The data on background of outside directors and officers is as of July 31, 2020.

Note 3: Directors/Officers whose names are written in katakana are deemed to be foreign for the purposes of this survey.

Source: Mitsubishi UFG Trust and Banking, Consulting Department, *Status of Appointment of Outside Officers after June 2020 AGM and future expectations* Shoji Homu No. 2243 (10/5/2020)

(3) Diversity of Directors and Core Human Resources ③ (Age of Directors)

- Most of the directors of companies listed on the First Section of the Tokyo Stock Exchange are in their 60's.

Composition of Directors by Age (TSE First Section)

Age	Number
Less than 30	3
30-39	274
40-49	2,264
50-59	7,063
60-69	12,464
70-79	3,911
80-89	343
90-99	17

Source: Compiled by FSA and TSE from QUICK data

(3) Diversity of Directors and Core Human Resources ④ (Status of introduction of quotas in major countries)

Examples of countries that have set specific numerical targets/quotas for appointing female directors

Country	UK	France	Germany	Norway	Australia
Legal basis, etc.	Recommendations in the report (Note) * No legal regulations	Corporate law	Gender equality laws for leadership positions in private companies and the public sector	Company Act	Economic organizations encourage members to achieve their targets * No legal regulations
Numerical target	(The above "Recommendation" has a target of 25% female representation on board)	40% of the board	30% of the supervisory board (applicable to certain large companies)	40% of the board	(The above "Call to action" has a target of 50% of the total number of company officers)

Note: The Davies Committee was established by the UK government to study gender equality on the boards of listed companies. It has published a report, *Women on Boards* (Davies Review). It promotes voluntary efforts by companies to increase the representation of women on boards through recommendations and reviews.

(4) Development of diversity, human resources and working environment inside companies ① (Act on Promotion of Women's Participation and Advancement in the Workplace)

□ The Act on Promotion of Women's Participation and Advancement in the Workplace requires disclosure of information on the status of women's participation in professional activities in the workplace and the formulation of action plans.

- As a general rule, business owners with over 300 full-time employees should select one or more items from each of the following categories (1) and (2), and submit notification of an action plan that sets out numerical targets as appropriate for each (Jurisdiction of prefectural labor bureau).

① Provision of professional opportunities for female employees	② Improvement of the working environment to contribute to work-life balance
<ul style="list-style-type: none"> • <u>Female ratio amongst total recruited employees (by category)</u> • Competition ratio in recruitment by gender (by category) • Female ratio among all employees (by category) (incl. temp staff) • Status of job placement by gender (by category) • Status of education and training for career development by gender (by category) • Awareness of job placement, training, evaluation, promotion, division of roles by gender and other work climate amongst managers and male/female employees (by category) (Dispatch workers: Awareness of work climate, including division of roles by gender) • <u>Female ratio in managerial positions</u> • Female ratio among employees in each class of positions and percentage of women on the board • Percentage of employees promoted one rank up by gender • Differences in personnel evaluation results for men and women (by category) • Status of the use of consultation services for workplace issues, such as sexual harassment (by category) • Number of changes in job category or type of employment by gender (by category) (Dispatch workers: hiring record) • Number of employees reemployed after leaving company, number of mid-career hires, by gender (by category) • Number of managerial appointments amongst employees who have changed job category or type of employment, or have been rehired or hired mid-career, by gender • Status of career improvement training for non-full-time employees (by category) • Wage and salary differentials between men and women (by category) 	<ul style="list-style-type: none"> • <u>Difference in average number of years of continuous employment between men and women (by category)</u> • Average employment tenure or ratio of employment for tenure of around 10 years by gender (by category) • Ratio of employees taking child-care leave and average child-care leave period by gender (by category) • Use of measures (excluding childcare leave) to support the work-life balance by gender (by category) • Use of measures that help support flexible work practices such as flextime system, working from home and teleworking by gender • <u>Status of working hours (working hours subject to health management) per employee per month, including average number of overtime hours per month</u> • Status of working hours (working hours subject to health management) per employee per month, including average number of overtime hours per month by employment management category (by category) (incl. temp staff) • Ratio of taking paid leave (by category)

Note 1: Underlined text denotes basic information which must be provided. (Non-underlined text denotes optional information.)

Note 2: "By category": Information must be provided for each category of employment management classification.

Note 3: "Incl. temp staff": If an employer utilizes temporary dispatch workers, these must be included in information provided.

(4) Development of diversity, human resources and working environment inside companies ② (Act on Promotion of Women’s Participation and Advancement in the Workplace) (Cont.)

- As of June 1, 2020, business owners with over 300 full-time employees should select one or more items from each of the following categories (1) and (2), and disclose information on two or more items in total regarding the disclosure of information on the status of women’s participation in professional activities in the workplace.

① Provision of professional opportunities for female employees	② Improvement of the working environment to contribute to work-life balance
<ul style="list-style-type: none"> Female ratio amongst total recruited employees (by category) Competition ratio in recruitment by gender (by category) Female ratio among all employees (by category) (incl. temp staff) Female ratio in senior staff positions Female ratio in managerial positions Female ratio in company officer positions Number of changes in job category or type of employment by gender Number of employees reemployed after leaving company, number of mid-career hires, by gender 	<ul style="list-style-type: none"> Difference in average number of years of continuous employment between men and women Average employment tenure or ratio of employment for tenure of around 10 years by gender Ratio of employees taking child-care leave by gender (by category) Average overtime hours per employee per month Average overtime hours per employee per month by employment management category (by category) (incl. temp staff) Ratio of taking paid leave Ratio of taking paid leave by employment management category (by category)

(Note) From April 1, 2022, **businesses with over 100 full-time employees are included in the obligation to** formulate and submit a General Business Owner Action Plan and to disclose information on women’s participation in the workplace.

(These measures currently apply to businesses of up to 300 employees)

**(4) Development of diversity, human resources and working environment inside companies③
(Act on Promotion of Women’s Participation and Advancement in the Workplace)**

- According to the MHLW database of companies promoting women’s active participation and advancement, 78% of TOPIX 100 companies have set a target ratio of female managers in their workforce and 91% have announced the results so far.

Disclosure of ratio of female managers

Disclosure of numerical targets (numerical values)	Disclosure of current status (numerical values)
78%	91%

Disclosure of ratio of employees taking childcare leave

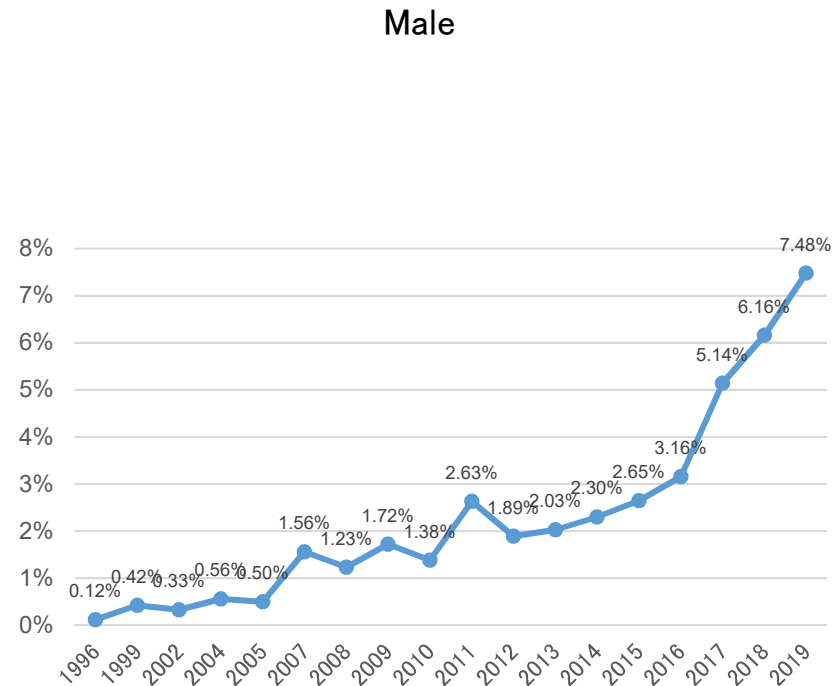
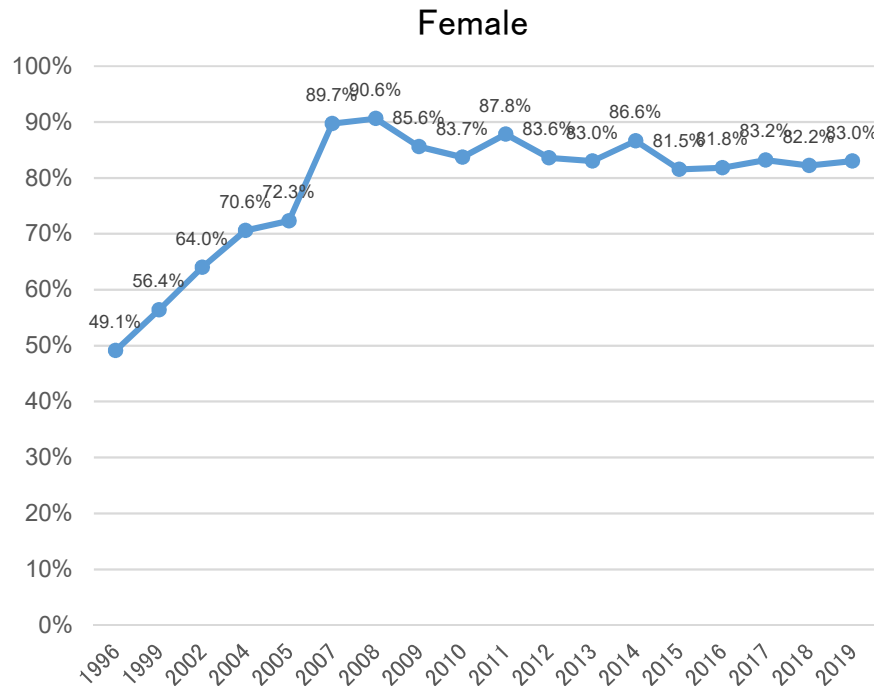
Disclosure of numerical targets (numerical values)		Disclosure of current status (numerical values)	
Male	Female	Male	Female
23%	4%	74%	74%

Source: FSA, based on data published in the MHLW database of companies promoting women’s active participation and advancement as of October 22, 2020.

(4) Development of diversity, human resources and working environment inside companies ④

□ In recent years, the ratio of taking childcare leave has been in the 80% range for women and has been rising for men, albeit from a low base (FY2019: 7.48%).

Trends in taking childcare leave



Note 1: Ratio of taking childcare leave = Of those employees who gave birth, those who had taken or started childcare leave by the time of the survey (including those who had requested leave) / employees who had given birth (or whose spouses had given birth) in the year to September 30 in the year prior to the survey

Note 2: Until 2010, one year prior to survey.

Note 3: The percentages in [] in 2011 are results for Japan as a whole, excluding Iwate, Miyagi and Fukushima prefectures.

Source: Ministry of Health, Labour and Welfare, *Basic Survey of Gender Equality in Employment Management 2019* (published on July 31, 2020)

(4) Development of diversity, human resources and working environment ⑤ (Diversity system in the UK)

		Hard law disclosure regulations			The UK Corporate Governance Code/Guidance on Board Effectiveness				
		General diversity			General diversity				
		Gender	Inter- natio- nality	Mid- career hires			Gender	Internationality	Mid-career hires
Board members	<ul style="list-style-type: none"> Diversity policy regarding age, gender, or educational and professional background (or reasons why this is not applicable), objectives of the policy, how the policy has been implemented and the results in the reporting period [FCA Disclosure Guidance and Transparency Rules (DTR), addressed to large issuers, disclosed in the Directors' Report.] 	Gender balance [Companies Act, addressed to issuers, disclosed in the Strategic Report]	-	(As on left)	<ul style="list-style-type: none"> Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. (Principle J) Annual evaluation of the board should consider its composition, diversity and how effectively the members of the board have worked together to achieve objectives. (Principle L) The annual report should describe the work of the nomination committee, including the policy on diversity and inclusion, its objectives and <u>linkage to company strategy</u>, how it has been implemented and progress on achieving the objectives. (Provision 23) <u>Diversity in the boardroom can have a positive effect on the quality of decision-making by reducing the risk of group think. With input from shareholders, boards need to decide which aspects of diversity are important in the context of the business and its needs.</u> (Guideline 88) <u>Examples of the type of actions the nomination committee could consider encouraging include: a commitment to increasing the diversity of the board by setting stretching targets; dedicated initiatives with clear objectives and targets, for example, in areas of the business that lack diversity; a commitment to more diverse shortlists and interview panels</u> (Guideline 90) <u>Publicly advertising board appointments and working with recruitment consultants who have made a commitment to promote diversity are examples of ways in which the nomination committee can access a more diverse pool of candidates from which to appoint.</u> (Guideline 94). <u>Succession plans can also help to increase diversity in the boardroom and build diversity in the executive pipeline.</u> (Guideline 101). 	<ul style="list-style-type: none"> (As on left) <u>Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</u> (Principle J) An example of the <u>type of actions the nomination committee could consider encouraging is positive action to encourage more movement of women into non-traditional roles.</u>(Guideline 90) 	<ul style="list-style-type: none"> (As on left) <u>Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</u> (Principle J) 	<ul style="list-style-type: none"> (As on left) <u>Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</u> (Principle J) 	

* Underlined text denotes this is legally binding.

* "As on left" denotes gender, internationality and mid-career employment are included under "general diversity"

(4) Development of diversity, human resources and working environment ⑥ (Diversity system in the UK)

	Hard law disclosure regulations (legally binding)				The UK Corporate Governance Code/Guidance on Board Effectiveness				
	General diversity				General diversity				
		Gender	Internationality	Mid-career hires		Gender	Internationality	Mid-career hires	
Managerial positions	-	<p>[Senior Manager]</p> <ul style="list-style-type: none"> Gender balance [Companies Act, addressed to issuers, disclosed in the Strategic Report] 	-	-	<p>[Senior management one level below the board (1st tier below board)]</p> <ul style="list-style-type: none"> Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. (Principle J) <p>[Senior management one level below the board and their direct subordinates (2nd tier below)]</p> <ul style="list-style-type: none"> Developing a more diverse executive pipeline is vital to increasing levels of diversity amongst those in senior positions. This might cover a range of different aspects of diversity, including age, disability, ethnicity, education and social background, as well as gender. (Guideline 89) Improving diversity at each level of the company is important if more diversity at senior levels is to become a reality. (Guideline 89) Succession plans can also help to increase diversity in the boardroom and build diversity in the executive pipeline. (Guideline 101). 	<p>[Senior management one level below the board (1st tier below board)]</p> <ul style="list-style-type: none"> (As on left) Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. (Principle J) <p>[Senior management one level below the board and their direct subordinates (2nd tier below board)]</p> <ul style="list-style-type: none"> The annual report should describe the work of the nomination committee, including the gender balance of those in the senior management and their direct reports (2nd tier below board). (Provision 23) (As on left) Developing a more diverse executive pipeline is vital to increasing levels of diversity amongst those in senior positions. This might cover a range of different aspects of diversity, including age, disability, ethnicity, education and social background, as well as gender. (Guideline 89) 	<p>[Senior management one level below the board and their direct subordinates (2nd tier below board)]</p> <ul style="list-style-type: none"> (As on left) Developing a more diverse executive pipeline is vital to increasing levels of diversity amongst those in senior positions. This might cover a range of different aspects of diversity, including age, disability, ethnicity, education and social background, as well as gender. (Guideline 89) 	-	
General employees	-	<ul style="list-style-type: none"> Gender balance [Companies Act, addressed to issuers, disclosed in the Strategic Report] Gender diversity of employees [Guidance on the strategic report in accordance with the Companies Act; disclosed in the strategic report for traded, banking or insurance companies with more than 500 employees.] 	-	-	<ul style="list-style-type: none"> Improving diversity at each level of the company is important if more diversity at senior levels is to become a reality. Greater transparency about the make-up of the workforce could support this. This might cover a range of different aspects of diversity, including age, disability, ethnicity, education and social background, as well as gender. (Guideline 89) 	-	-	-	<p>* Underlined text denotes this is legally binding. * "As on left" denotes gender, internationality and mid-career employment are included under "general diversity"</p>

(4) Development of diversity, human resources and working environment ⑦ (Diversity system in Germany)

	Hard law disclosure regulations (legally binding)				German Corporate Governance Code			
	General diversity				General diversity			
		Gender	Internat ionality	Mid- career hires		Gender	Internati onality	Mid- career hires
Management Board and Supervisory Board members	<ul style="list-style-type: none"> Diversity policy regarding age, gender, or educational and professional background concerning the composition of corporate representatives and the supervisory board (or reasons why this is not applicable), objectives of the policy, how the policy has been implemented and the results in the reporting period. [Commercial Code, addressed to large listed companies, disclosed in the management report (Corporate Governance Report)] 	<ul style="list-style-type: none"> Concerning members of the Supervisory Board, whether or not the requirement to achieve a 30% male:female ratio as stipulated by the Companies Act has been achieved, and if not, the reason for this. [Commercial Code, addressed to listed companies with more than 2000 employees, disclosed in the management report (Corporate Governance Report)](Note 1) Concerning members of the Supervisory Board and the Management Board, whether or not the target quotas set by the company have been achieved and if not, the reason for this. [Commercial code, company law (for limited companies), addressed to listed companies with more than 500 employees, disclosed in the management report (Corporate Governance Report)] (As on left) 	-	(As on left)	<ul style="list-style-type: none"> When appointing Management Board members, the Supervisory Board shall take diversity into account. (Recommendation B.1) The Supervisory Board shall determine specific objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board while taking the principle of diversity into account. (Recommendation C.1) 	<ul style="list-style-type: none"> The Supervisory Board defines the target percentage representation of female Management Board members. (Principle 9) The composition of the Supervisory Board has to ensure that its members collectively possess the knowledge, skills and professional expertise required to properly perform their duties; furthermore, the legal gender quota must be considered (Principle 11) 	-	-
Managerial positions	-	<p>[Managerial positions one or two tiers below Management Board]</p> <ul style="list-style-type: none"> Whether or not the target values for share of female managers set by the company have been achieved, and if not, the reason for this. [Commercial code, company law (for limited companies): Addressed to listed companies with more than 500 employees, disclosed in the management report (Corporate Governance Report)] 	-	-	<p>[Executive Level]</p> <ul style="list-style-type: none"> When making appointments to executive positions, the Management Board shall consider diversity. (Recommendation A.1) 	<p>[Senior management two tiers below the Board (2nd tier below board)]</p> <ul style="list-style-type: none"> The Management Board stipulates target quotas for the share of women in the two management tiers below the board. (Principle 3) 	-	-
General employees	-	<ul style="list-style-type: none"> Measures taken to ensure gender equality [Commercial Code, addressed to large listed companies, financial institutions, insurance companies, disclosed in non-financial reports] 	-	-	-	-	-	-

Note: In a listed company with more than 2000 employees, the ratio of either male or female Supervisory Board members must not be less than 30% of the total number of employees.

* Underlined text denotes this is legally binding.

* "As on left" denotes gender, internationality and mid-career hires are included under "general diversity".

(4) Development of diversity, human resources and working environment ⑧ (Diversity system in France)

	Hard law disclosure regulations (legally binding)				Corporate Governance Code of Listed Corporations			
	General diversity				General diversity			
		Gender	Internationality	Mid-career hires		Gender	Internationality	Mid-career hires
Directors	<ul style="list-style-type: none"> Diversity policy including gender, age, qualifications and professional history for board appointments (Conseil d'administration); policy objectives; means of implementation; results [Commercial Code, addressed to specific listed companies, disclosed in Corporate Governance Report] 	(As on left) (Note 1)	-	(As on left)	<ul style="list-style-type: none"> Each Board should consider what the desirable balance of its membership and that of the Board committees should be, particularly in terms of diversity (gender representation, nationalities, age, qualifications, professional experience, etc.). It should make public in the report on corporate governance a description of the diversity policy applied to members of the Board of Directors as well as a description of the objectives of this policy, its implementation measures and the results achieved in the past financial year. (6.2) 	(As on left)	(As on left)	(As on left)
Managerial positions	-	-	-	-	<p>[Governing Bodies]</p> <ul style="list-style-type: none"> The Board of Directors decides on the gender diversity targets of the governing bodies based on management proposals. The senior management discloses to the Board the measures taken to implement these objectives (including the action plan and the timeframe for the implementation of these measures). The senior management shall report on the results achieved to the Board on an annual basis. (7.1) The Corporate Governance Report should outline the gender diversity policy that applies to the governing bodies, the purpose of the policy, the means of its implementation and the results achieved in the past fiscal year (If the appropriate targets are not met, the reason for this failure and the corrective action taken should also be included.)(7.2) 	-	-	-
General employees	<p>[Employees]</p> <ul style="list-style-type: none"> Composition of employees by gender, age and region (Note 2) Anti-Discrimination Policy (Note 2) [Commercial Code, addressed to specified listed companies, disclosed in non-financial reports] 	<p>[Employees]</p> <ul style="list-style-type: none"> (As on left) (Measures on gender equality) (Same as left) (Composition of employees by region) Indicators of wage disparities between men and women and corrective measures [Commercial Code/ Labor Law, addressed to companies with 50 or more employees, disclosed on the company website] 	<p>[Employees]</p> <ul style="list-style-type: none"> (As on left) (Composition of employees by region) 	-	-	-	-	-

Note 1: In listed companies, the ratio of either male or female directors (administrateurs) must not be less than 40% of all directors. Any appointments of directors in contravention to this shall be invalid (Commercial Code).

Note 2: Only where this relates to a major risk or policy of a business activity.

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* "As on left" denotes gender, internationality and mid-career employment are included under "general diversity".