

# INSIGHTIA

## MONTHLY

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# ADVANCING GENDER DIVERSITY IN JAPAN



JAPANESE ISSUERS FACE MOUNTING DEMANDS BY SHAREHOLDERS TO STRENGTHEN BOARD GENDER DIVERSITY, WRITES TRACY GOPAL, CEO AND FOUNDER, THIRD ARROW STRATEGIES.

Proxy advisors and foreign investors are no longer giving Japanese boards a free pass for a lack of board diversity. Year-on-year, more foreign investors are opting to vote against both chairs and CEOs at the annual meetings of Japanese-listed companies, voicing concern about the prominence of all-male or male-dominated boards and pushing companies to take prompt action.

Dissenting votes should come as no surprise to boards, given that investors proactively revealed their stringent new board diversity expectations at the start of the year in their updated voting guidelines.

In 2022, both proxy advisers and a significant number of foreign investors updated or launched new minimum diversity threshold policies for Japanese companies.

One notable example is proxy adviser Glass Lewis, which in February expanded its recommendation that shareholders vote against the chair or most senior person (the nominating committee chair under a three-committee system) at listed companies on Japanese stock exchanges with fewer than one gender-diverse director on the board. This year, UBS also updated its policy to vote against directors at Japanese-listed companies with at least 10 board members or a market capitalization of more than \$10 billion with less than 30% female board representation.

## THE LEADERS AND THE LAGGARDS

Some companies are taking long-awaited action. During the 2022 proxy season, several large “holdout” companies appointed their first woman to the board, including Koito Manufacturing, Stanley Electric, Ito En, and Capcom.

Currently, at least 12 Japanese companies feature four female directors on the board, including Sony, Lixil, Sega Sammy, NIDEC, and Ajinomoto. Appointing four women to a board in Japan sends a clear message to investors that the board is listening to global shareholders and focusing on diversity as a key part of its strategy. A handful of companies are also leading with the practice of appointing a female outside director as chair. Examples include Mitsui Financial Group (which recently appointed Izumi Kobayashi), Lixil (Kimie Iwata), and NetOne Systems (Maya Ito).

On the other end of the spectrum, larger companies still lacking female board director representation post-proxy season include Toray, Canon, Obic, Makita, and Hirose Electric. Among the companies that still lack female board representation, more than 20 investors launched votes against management proposals at shareholder meetings this season, specifically citing concern regarding a lack of board diversity. Among this list of dissenting investors includes AllianceBernstein, Amundi Asset Management, Florida State Board of Administration, Invesco Asset Management, Legal & General Investment Management, Pensionskassernes Administration, Schroders, and T. Rowe Price Associates.

Foreign investor pressure is still the driving source of change in Japan. Governmental organizations and stock exchanges are aware of global trends and taking action to address these issues, but, despite this, regulations have yet to be established which mandate the appointment of at least one female director per board. The Japanese Ministry for Economy, Trade, and Industry’s (METI) July corporate governance guidelines went beyond the Corporate Governance Code’s recommendation to consider diversity, including gender and international experience, and stated that companies that do not have a single woman on their board should actively consider appointing female directors.

Japanese boards must step up their efforts to fill thousands of seats with female candidates, should they want to meet global investor expectations. Proper oversight of the director nominations processes will become increasingly critical for competitive positioning.

*Tracy Gopal is an impact entrepreneur focused on increasing the value of Japanese-listed companies through training Japan’s current and future female directors to be progressive voices of modern governance. She is the CEO and founder of Third Arrow Strategies and the Japan Board Diversity Network (JBDN), a global network of directors and senior leaders with a passion for enhancing corporate governance in Japan. She supports Japanese companies and subsidiaries in identifying diverse skills-based directors and works towards the alignment of objectives of shareholders and companies through promoting effective engagement. [iQ](#)*