ICGN
International Corporate Governance Network
Inspiring good governance & stewardship

The Headquarters to realize new Capitalism (in charge of Finance)
Cabinet Secretariat
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25 July 2024

Dear The Headquarters to realize new Capitalism

Subject: Comments to Asset Owner Principles (Draft)

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on the Asset Owner Principles. We provide comments on the English translation provided on the website.

Led by investors responsible for assets under management of $77 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN CEO Jen Sisson is a Member of the Japan Financial Services Agency's Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code. *ICGN's Global Governance Principles* and *Global Stewardship Principles*, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.[1]

We welcome the Asset Owner Principles, we believe that they can be a helpful addition to the stewardship ecosystem in Japan. We believe that a strong and thriving asset manager and asset owner ecosystem is very helpful for good stewardship.

We are pleased to see the introduction of a definition of fiduciary duty. We think that keeping a clear focus on driving long term sustainable returns for clients and beneficiaries is helpful. **We also welcome the Comply or explain approach.** We believe this is good practice to allow for flexibility to suit the specific needs of particular asset owners, whilst providing a framework of good practices.

We have the following suggestions:

- **We believe that the implementation process needs to allow for and encourage asset owners to build up the required skills and resources to meet the principles.** They should be practical and workable given the resources available to many smaller asset owners.
- **We believe that it would be helpful to include more references to the governance structures of asset owners.** In particular, we would like to see a focus on governance structures that support the training and development needs of staff members to allow for the effective application of the principles, including oversight of manager stewardship activities.

[1] ICGN Global Governance Principles (2021), ICGN Global Stewardship Principles (2020)

- **We believe it would be helpful to include an assessment of asset manager stewardship activities in the selection process for asset managers.** This could be added to Principle 3.
- **We believe that a broad definition of "asset owners" would be helpful.** We would suggest that the sentence in paragraph 3 be reworded to state "Asset Owners are a broad range of organisations, including but not limited to public pension schemes, mutual aid associations, corporate pension schemes, insurance companies, the funds of JST, educational corporations and others.
- **We believe that more systematic references to the "long-term" would be helpful throughout the principles.** We believe this would better align the Principles with the Japanese Stewardship and Corporate Governance Codes and be helpful in reminding Asset Owners of the importance of taking a long-term mindset when conducting their activities.
- **We suggest re-ordering principles 4 and 5** – to ensure that reporting covers stewardship activities and oversight.
- **We believe that Principle 4 could be more clearly worded in English, to emphasise the purpose of asset owners activities to drive value for their clients and beneficiaries**. – We suggest "Asset Owners should report clearly and transparently on how they apply the principles, in order to fulfil their duties to their beneficiaries and other stakeholders".
- **In Principle 5 we suggest amending 5.2, to clarify that asset owners may wish to make sustainability commitments that that there are a number of ways to do so. For example, we suggest that the last sentence could be re-worded to state** "Asset Owners may wish to make a sustainability or responsible investment commitment or formulate and publish a sustainability or responsible investment policy. This could be done in reference to international guidelines including the ICGN Global Stewardship Principles, or local guidelines such as the Japanese Stewardship Code. Asset Owners can demonstrate their progress through clear reporting and by considering signing up to organisations such as the UN PRI."

Thank you again for the opportunity to share our perspective. If you would like to follow up with questions or comments, please contact our Global Policy Director, Séverine Neervoort (severine.neervoort@icgn.org) or Policy Executive, Wendela Rang (Wendela.rang@icgn.org).

Yours faithfully,

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