October 12, 2022

Engagement Agenda

Investor Recognition of Sustainability Issues and Request for Clarifying Your Stories toward Corporate Value Enhancement

- Investor Expectations for the Disclosure of Non-Financial Information -

In view of the recent situation in which the disclosure of non-financial information on sustainability is increasingly important, the seven companies, namely The Dai-ichi Life Insurance Company, Limited, Meiji Yasuda Asset Management Company Ltd., Mitsubishi UFJ Trust and Banking Corporation, Pension Fund Association, Resona Asset Management Co., Ltd., Sumitomo Mitsui DS Asset Management Company, Limited and Sumitomo Mitsui Trust Asset Management Co., Ltd. (in alphabetical order; hereinafter referred to as the "Participating Investors"), with The Institutional Investors Collective Engagement Forum (hereinafter referred to as "IICEF") as secretariat, have clarified, in this letter, the Participating Investors' views on sustainability and our specific requests to companies on this matter.

Hoping to communicate the Participating Investors' views to as many listed companies as possible, IICEF will start sending a letter containing relevant matters to companies listed on Japan's Prime Market. We hope that the letter will be shared among senior management and outside directors and then referred to for their management processes. This letter has also been sent, with no exception, to the companies that have already sufficiently understood and reflected in their practice the views of the Participating Investors explained in this latter. We hope that this letter will remind these companies of the Participating Investors' views once again for further improvement of their efforts.

Contents

1. Global situation surrounding sustainability issues and views of the Participating Investors

Maturation of discussion on the disclosure of non-financial information

While sustainability issues affect corporate management, the importance of non-financial information including intangible capital and assets, such as human capital and intellectual property, is increasing globally. Many Japanese companies have responded to this by publicizing integrated reports in an effort to disclose sustainability related information. There has been a progress toward the resolution of the problem of the coexistence of multiple frameworks for the disclosure of non-financial information, which has vexed companies around the world. For example, a comprehensive framework is being developed by the International Sustainability Standards Board (ISSB) established by the IFRS Foundation. In Japan, the Sustainability Standards Board of Japan (SSBJ) was established within the Financial Accounting Standards Foundation (FASF) in July 2022, and the development of Japanese standards of sustainability disclosure is expected to be developed based on the framework of the ISSB. Furthermore, new rules for disclosure of non-financial information are being established or proposed one after another by administrative bodies and exchanges, including the revision of the Corporate Governance Code in 2021 requiring companies listed on the Prime Market to enhance disclosure based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD) or an equivalent framework, the recommendation in the report of the Working Group on Corporate Disclosure of the Financial System Council issued in June 2022 for establishing a new section for sustainability information in the annual securities report, and the movement toward the adoption of the Corporate Sustainability Reporting Directive (CSRD) in Europe. As above stated, points are gradually becoming clearer as to what should be disclosed.

Voices of companies on the disclosure of non-financial information

On the other hand, amid the global trend for the disclosure of non-financial information, some companies have expressed dissatisfaction of the "sense of being forced" associated with increasing workload. Moreover, as well as greenwashing and SDG-washing by companies, similar washing problems on the investor side involving ESG investment trusts have been reported. We have heard companies say that they are not sure whether non-financial information is really necessary for investors, that investors may be using non-financial information only in a mechanical way, and whether investors are willing to accept the cost of sustainability initiatives as such initiatives would always incur cost.

Various investment processes that utilize non-financial information and the stance of the Participating Investors

How do investors actually make use of sustainability information disclosed by companies?

There are various ideas for sustainability investment that require non-financial information. Not all investment processes are based on mere mechanical checks of disclosed information or on ESG scores or indexes reported by ESG rating agencies. There are quite a few strategies that intend to understand the priorities and approaches of each company about sustainability issues that have an impact on their management and then figure out medium- to long-term corporate value by having an insight into their future. The Participating Investors are super long-term investors who would like to see companies achieve medium- to long-term corporate value enhancement through their efforts on sustainability issues.

Sustainability initiatives are essential for corporate survival

Until early 2000s, companies had been required to fulfill their social responsibility (CSR) concerning environmental and social issues. The concept of ESG started to spread around 2004. We have an impression that many top executives, based on the concept of CSR in the past, recognize ESG as efforts to reduce environmental and social burden as part of their corporate social responsibility, which are separated from their business activities. For this reason, there are many companies that treat social values created from initiatives on environmental and social issues separately from economic values created from business activities.

However, as times change, environmental and social issues have started to make a direct impact on "sources of value creation (strengths)" and "business models" of companies, and <u>we can no longer say that such issues are those that should be handled separately from their business activities or those that have no impact on their future financial performance.</u> Companies must tackle environmental, social and governance issues in order to survive. The term ESG, which is different from the term CSR, is said to have arisen from this difference in understanding. As consumption behavior, perception of labor and business environment around the world continue to change drastically, transition to a circular economy, sustainability transformation (SX) and responses to business and human rights, among other things, have now become themes of national economy and also important issues that companies can no longer ignore to continue their business activities. <u>Addressing sustainability not only is part of companies' efforts to fulfill their social responsibility, but also has become essential for their survival.</u> Japanese companies have fallen behind their peers in the world particularly in the areas of countermeasures to climate change and gender diversity. If this situation continues, the lost 30 years will be extended to 40 or 50 years, and the position of the Japanese economy in the global landscape will decline further.

Investors eye whether a business can achieve sustainable growth

Regarding the disclosure of non-financial information, it is more important for investors to know "how a company is addressing environmental and social issues that have a significant impact on corporate management" than "whether a company is reducing its significant impact on the environment and the society." In other words, investors focus more on "whether a business can achieve sustainable growth," i.e., whether a company's initiatives to address sustainability issues will ultimately lead to the maintenance and improvement of its corporate value (= "business value" such as discounted present value of future cash flows + "value of non-business assets").

Two perspectives of non-financial information: double materiality and single materiality

These two perspectives are also intermixed in the many disclosure frameworks proposed in a disorderly manner. The framework of the Global Reporting Initiative (GRI) requires the disclosure of "whether a company is reducing its significant impact on the environment and the society" (the former) from the multi-stakeholders' viewpoint. On the other hand, the frameworks of the former International Integrated Reporting Council (IIRC), the former Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD) require the disclosure of "how a company is addressing environmental and social issues that have a significant impact on corporate management" (the latter). In response to the confusion caused by such different perspectives, the EU Guidelines on Non-Financial Reporting (2019) clarified that important sustainability matters that companies should report can be divided into two types of materialities, i.e., "financial materiality," (single materiality) which affects corporate value from the investor perspective, and "environmental and social materiality," (included in double materiality) whichaffects economy, environment and people from the multi-stakeholder perspective, in addition to "the financial reporting based on accounting practices."

Figure: The double materiality perspective of the Non-Financial Reporting Directive in the context of reporting climate-related information
(Source: the European Commission "Guidelines on reporting climate-related information" June 2019)

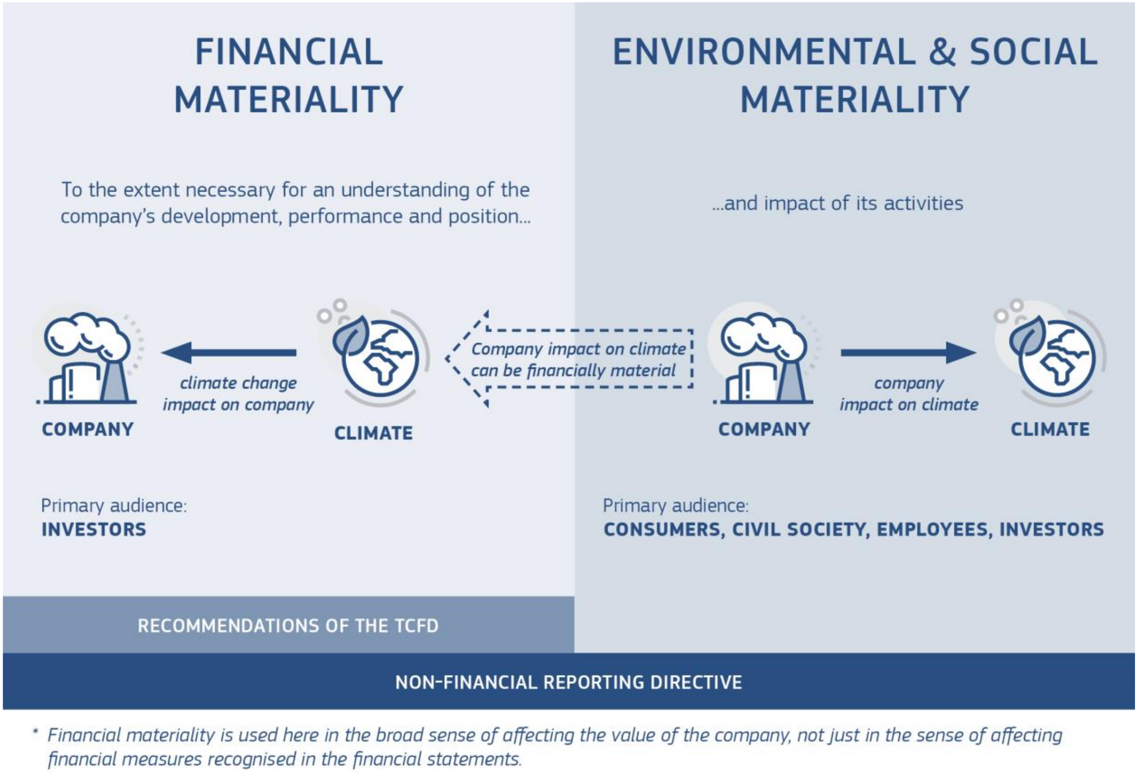


Table: Materiality perspectives and their relationship with the frameworks of different initiatives

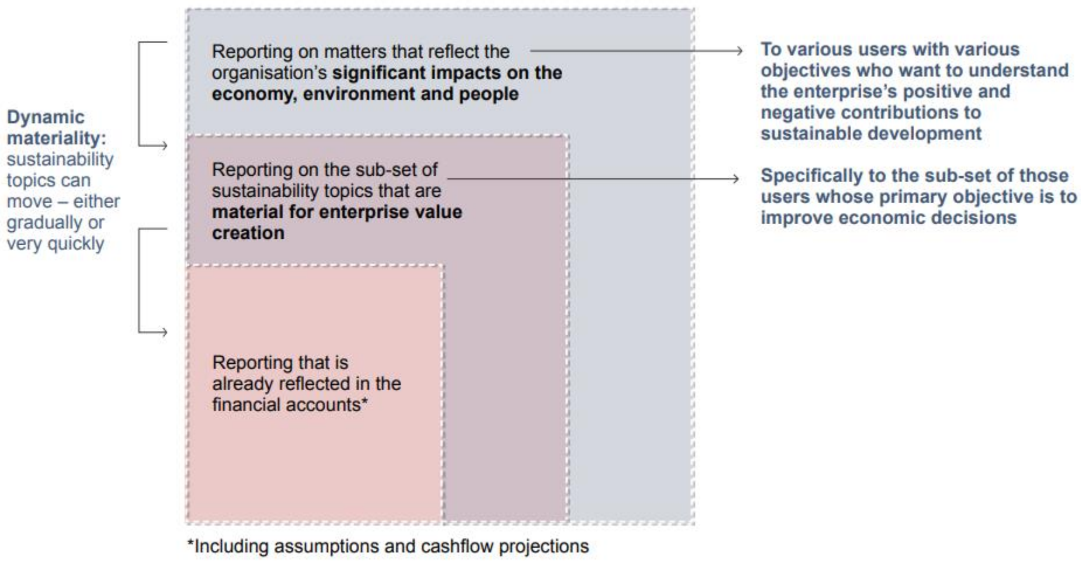
Relevant stakeholder perspective	GRI	IIRC, SASB, TCFD
Multi-stakeholder perspective Whether a company is reducing its significant impact on environment and society	○	
Investor perspective Whether a company's initiatives to address sustainability issues will lead to maintaining and improving its corporate value (= business value + value of non-business assets)		○

Recognizing the difference between these two materiality perspectives, IICEF has, ahead of the announcement of the EU Guidelines mentioned above, held collective engagement meetings with multiple companies on this as an engagement agenda since 2018. (* "Materiality Identification and Disclosure in Relation to Sustainability of Business Model" Status of Responses by Japanese Companies as of 2018 and Request for Their Future Identification and Disclosure)
https://www.iicef.jp/pdf/jp/pdf_jp_20191016.pdf?20191016

Some environmental and social materiality may change to financial materiality

However, “financial materiality” and “environmental and social materiality” are not completely different. Generally speaking, “financial materiality” should be included in “environmental and social materiality.” According to the report issued by five private standard-setting bodies (CDP, CDSB (the Climate Disclosure Standards Board), GRI (the Global Reporting Initiative), IIRC (the International Integrated Reporting Council), and SASB (the Sustainability Accounting Standards Board) before the launch of the ISSB, “sustainability matters may over time affect corporate value and eventually be included in financial statements,” and there is a process called “dynamic materiality” in which “environmental and social materiality” changes to “financial materiality” due to changes in the business environment. (*”Reporting on enterprise value Illustrated with a prototype climate-related financial disclosure standard” December 2020)

Figure: Dynamics from environmental and social materiality to financial materiality (Source: IMP, WEF and Deloitte)



Problem is that financial materiality has not been clarified

In the first place, values to multi-stakeholders, i.e., social values, such as customer satisfaction, employee loyalty and job satisfaction, trust of and coexistence and co-prosperity with customers and other business partners, and coexistence with the earth and social communities, are the basis from which future cash flows of a company will be generated and the source of its economic value. Unless multi-stakeholders are satisfied, shareholders and investors cannot possibly be satisfied. As economic values and social values are expected to coincide over the medium to long term, they should not be treated separately per se. The problem faced by investors is that it is not clear which areas of "environmental and social materiality" tackled by many companies fall under "financial materiality" and how much financial impact is expected from them. There are only a handful of companies that have been able to recognize them accurately, share them internally as issues, and disclose and explain them externally.

Clarification of financial materiality and development of strategies, etc. based on financial materiality

Given the situation explained above, investors would like companies to clarify their "financial materiality," from among the areas of "environmental and social materiality" tackled by them, as material issues in terms of risks and opportunities for them in order to realize their purposes and visions in view of changes in their business environment brought about by environmental and social issues. At the same time, investors are also paying attention to the formulation and promotion of a medium- to long-term management strategy based on "financial materiality," the procurement of management resources necessary for the promotion of the strategy (in particular, the enhancement of intellectual property and human capital to support innovation), and whether sustainability governance is in place to be able to manage proactive challenges to the management strategy and appropriate risk-taking.

2. Request on information disclosure

Disclosure of materiality and clarification of corporate value enhancement stories

As explained above, the Participating Investors intend to highly evaluate companies that actively work on transformation under appropriate governance by regarding individual sustainability issues surrounding their business operations as growth opportunities and, in particular, enhancing important intellectual property and human capital. Therefore, the Participating Investors request that companies:

(1) first clarify each of their "environmental and social materiality" and "financial materiality" as well as working on information disclosure in accordance with the global rules for the disclosure of non-financial information that are currently being developed, and

(2) then clarify and indicate internally and externally their stories toward medium- to long-term enhancement of corporate value from the investor perspective of "whether their business can achieve sustainable growth."

A "story toward corporate value enhancement" means disclosure and explanation of initiatives toward corporate value enhancement summarized as one story incorporating, for example, the following items in a consistent manner:

- Medium- to long-term management vision, mission, or purpose that a company wants to achieve;
- Important sustainability issues that give rise to risks and opportunities (materiality, in particular, financial materiality);
- Medium- to long-term strategy for corporate value enhancement based on materiality, in particular, financial materiality to achieve the corporate vision, mission, or purpose;
- Management resources, especially intangible assets such as human capital and intellectual property, necessary for the execution of the medium- to long-term strategy;
- (Estimated) impact of financial materiality on future financial performance and associated targets and KPIs; and
- Governance for aggressive promotion of the matters listed above under appropriate risk-taking

Disclosure and explanation of many companies include the components listed above, but they are not closely interrelated, and sometimes there is a contradiction or omission among them. The Participating Investors request that companies summarize their initiatives as an effective story and describe it in their integrated reports and other disclosure documents in an easy-to-understand manner.

Top executives' commitment

At the same time, investors pay attention to top executives' enthusiasm and commitment in order to evaluate the feasibility of their stories. As it is difficult to evaluate top executives' enthusiasm and commitment based only on disclosure documents, investors will examine them during dialogue with companies. For example, investors intend to evaluate them by asking the following questions:

Q1 [WHAT: Identification of materiality] What do top executives, in particular, the President believe is the most important issue among material issues that have an impact on business continuity or future financial performance (financial materiality)? Do they think that the recognition within the company and employees' awareness of the most important issue are sufficiently high?

Q2 [HOW: Responses to materiality] What have been discussed at Board of Directors meetings with regard to the recognition and initiatives concerning financial materiality? In particular, what were the opinions of outside directors on this matter?

Q3 [YES/NO: Realization of medium- to long-term strategy] How do top executives, in particular, the President evaluate the likelihood of realizing their medium- to long-term strategy formulated based on financial materiality? Do they think that sufficient management resources necessary for the execution of the strategy (in particular, intellectual property and human capital) have been secured?

Q4 [HOW: Disclosure of non-financial information] How does senior management evaluate the publicly available explanation and disclosure of their non-financial information? Does the company sometimes feel that their efforts are not effectively communicated to investors? What do they think of dialogue with investors on non-financial information and materiality?

We would like companies to understand the investors' recognition of issues concerning sustainability and our request for the disclosure of non-financial information, and then enhance information in their disclosure documents, such as integrated reports and annual securities reports, and make explanation fruitful at a dialogue with investors going forward. If the President or the officer in charge is prepared to explain in person the story for corporate value enhancement, the Secretariat of IICEF will act as a liaison to arrange a collective engagement meeting with the Participating Investors. We would like to support the business operations of companies as super long-term investors through discussions to deepen mutual understanding between companies and investors.

End

[About IICEF and the Participating Investors]
IICEF is a general incorporated association established to help institutional investors conduct constructive collective dialogues (collective engagement) and serves as secretariat for such dialogues conducted by institutional investors that invest in a wide range of Japanese equities. All the participating investors, including passive investors, own broad-based equities from the long-term viewpoint. They are basically buy-and-hold, super long term investors while there may be day-to-day fluctuations due to changes in investable positions. The participating investors, with IICEF as secretariat for collective dialogues, pick up agendas that are generally applicable to Japanese companies, send letters which describe their common views including investor's mindset, its background and requests to companies, and set up meetings with corporate management. These dialogues do not intend to pursue short-term shareholder returns but to enhance long-term corporate value creation and its sustainable growth.

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Attachment (Reference Information)

Secretariat, Institutional Investors Collective Engagement Forum

What the Participating Investors of IICEF are doing about environmental and social issues

In connection with the production of this letter, the secretariat of The Institutional Investors Collective Engagement Forum (hereinafter referred to as "IICEF") interviewed the seven participating investors of IICEF, namely The Dai-ichi Life Insurance Company, Limited, Meiji Yasuda Asset Management Company Ltd., Mitsubishi UFJ Trust and Banking Corporation, Pension Fund Association, Resona Asset Management Co., Ltd., Sumitomo Mitsui DS Asset Management Company, Limited and Sumitomo Mitsui Trust Asset Management Co., Ltd. (in alphabetical order; hereinafter referred to as the "Participating Investors") on their initiatives for environmental and social issues and wrapped up qualitative information as below.

We believe that helping companies understand the background of the behavior of institutional investors and what institutional investors want will lead to mutual understanding between companies and institutional investors. Therefore, in view of the recent situation, we advise companies of what the Participating Investors are thinking and doing about non-financial information centered on environmental and social issues.

Needless to say, not all investors behave in the same manner, and there are differences among them. However, we believe that clarifying key points in their actions will still be useful in many ways for companies in their future activities and disclosure. This is because all the Participating Investors are investing from a long-term perspective and share the same goal, that is, expectations of Japanese companies, industries and economy becoming more resilient.

1 Agendas and themes of particular importance

All the Participating Investors have identified "climate change/greenhouse gas," "environmental preservation" (or forest preservation, water resources, biodiversity, natural capital and circular economy), and "human capital" (or human resources strategy, diversity and inclusion) as themes of particular importance. In addition, most Participating Investors have also identified "human rights and supply chain" as an item of particular importance.

More than one Participating Investors have identified "health and safety" (or occupational safety and health), "local communities and regional revitalization," "anti-corruption" and "QOL" as items of particular importance. Other items identified as particularly important include "product quality and safety," "stakeholders," "declining birthrate and aging population," "digital transformation," "misconduct," "food safety and supply chain," "environmental business opportunities" and "risk management." In addition, "information disclosure" has been identified as an item of importance, as the importance of disclosure is emphasized by the Participating Investors.

2 Method of collecting corporate information

The Participating Investors try to utilize many information sources as necessary other than information collected from their own coverage. Needless to say, all the Participating Investors use company disclosures. Some Participating Investors always review integrated reports in advance and have dialogue with them after clarifying meeting agendas.

Most Participating Investors use information from data vendors (research companies). Some use information obtained from platforms provided by various bodies overseas, including PRI, CDP, Climate Action 100+, Net-Zero Asset Owner Alliance, etc.

It should be noted, however, that while the Participating Investors use such information from external sources as a basis of evaluation, they do not link it directly to corporate valuation or other evaluation.

3 Use of information (assessment and rating)

With one Participating Investor as exception, most of them prepare some form of internal rating (scoring). Among the Participating Investors who prepare rating, evaluation and rating methods differ significantly from each other.

Various techniques are used, such as rating by industry, taking the characteristics of each company into account, focusing on a specific agenda and so forth, and an evaluation process also varies with the Participating Investor. However, generally speaking, no Participating Investor reflects external information as it is in their own rating, and they emphasize evaluation based on internal research conducted by their analysts.

4 Method and management of dialogue

Based on such research and evaluation, the Participating Investors conduct dialogue and engagement sessions with companies. While analysts in charge are mainly responsible for them, a department of responsible investment may take a pivotal role or multiple departments may jointly host a meeting depending on the theme.

The Participating Investors select high-priority companies for engagement based on, for example, specific themes, size of allocation in a fund, and delay in addressing issues. In doing so, they review materials published by companies including integrated reports.

At some Participating Investors, a department or committee of responsible investment coordinates dialogue agenda and provides analysts with training in an effort to make consistent and improve the quality level of dialogue. The situation is managed through, for example, a three-month PDCA cycle, stage management, and ongoing dialogue with companies with problems aiming to resolve them. The Participating Investors are striving to solve the issues in this manner.

5 Topics of dialogue

While companies are solely responsible for implementing measures to resolve issues, the Participating Investors share the issues with companies and monitor them. In doing so, they conduct dialogue toward the resolution of the issues in consideration of discussions on environmental and social issues both in Japan and overseas as well as developments in other companies. Development of KPIs, corporate behavior and its results may be a topic of discussion.

We believe that both companies and investors need to think seriously about how discussions on environmental and social issues will be linked to corporate value. Many investors pay attention to climate change with regard the setting of KPIs. There are also some Participating Investors who include waste plastics, food waste, use of recycled materials, ratio of environmentally friendly products, human rights issues including supply chain, etc., as topics of engagement.

6 Companies’ responses to dialogue

From the viewpoint of the Participating Investors, companies’ responses are varied, and there are companies saying that their responses depend on national policies and that senior executives are not really convinced. There are also companies for which we cannot be sure whether these matters are discussed thoroughly internally. However, companies’ responses to environmental and social issues appear to be changing gradually in recent years. For example, companies that do not include ESG in their reports are disappearing, and an increasing number of companies are treating ESG as a main corporate issue rather than something handled only by the CSR department. The Participating Investors intend to support companies to face the resolution of issues.

7 Materiality and KPIs

The Participating Investors believe that companies should identify materiality and priority themes to enhance their corporate value and determine KPIs linked to them. However, some companies have inconsistent materiality and KPIs. Others have benchmarks but do not specify which are KPIs. It also appears that there are companies where management and the sustainability department do not work together in selecting KPIs. There are also cases in which financial targets of medium-term management plan, which are not in line with materiality, are selected as KPIs.

While many large companies have aptly identified materiality in a manner aligned with their strategies, we would like them to deepen their analysis and make it more concrete. We also hope that, in accordance with such materiality, KPIs are set up, business activities are performed and monitored, and third-party evaluation is disclosed appropriately.

8 Collective engagement

Generally speaking, as compared with competitive strategies of companies, environmental and social issues are more suitable topics for collective engagement because it is easier for investors to reach common views. For this reason, collective engagement with Japanese companies as well as with foreign companies is increasing, and the number of investors to participate in such initiatives is expected to increase going forward.

Movement for collective engagement by other bodies such as PRI and Climate Action 100+ as well as IICEF is expanding. The Participating Investors join such bodies in order not only to understand developments overseas and increase knowledge through discussion, but also to collect engagement knowhow and skills.

9 Integration into analysis and investment

The Participating Investors incorporate various information and researches mentioned above into their engagement with companies and their investment decisions. The Participating Investors who have rating systems do not normally trade shares mechanically based on them, but such ratings are developed so that fund managers and analysts in charge can utilize them given those meanings. Some Participating Investors perform share price valuation by integrating various information including dialogue with companies into financial results and cost of capital. The Participating Investors make investment decisions by combining financial information with non-financial information rather than based only on financial information.

While it should be noted that ratings are not necessarily used as screen-out criteria, investors may refrain from investing in companies with an extremely low rating. Some Participating Investors have started fund management using models that, for example, overweight stocks with good ratings and underweight those with poor ratings. An increasing number of investors are introducing investment conducive to the resolution of ESG issues with investment returns in mind. ESG-related research is better utilized as above.

10 Proxy voting

Exercising voting rights is important for companies' value creation and sustainability, and in recent years an increasing number of votes are determined based on environmental and social issues.

The Participating Investors are considering in the future voting against any proposals by companies that have failed to respond properly, i.e., no progress has been made or a necessary strategy has not been implemented despite ongoing dialogue. It is an unfortunate reality that there are companies that make no improvement despite ongoing dialogue and finally start reacting only after their proposals become subject to the voting criteria of investors. The Participating Investors may vote for shareholder proposals in the case of a company that makes no effort and appears to have no intention to address environmental and social issues.

11 Changes in customers' perception

In recent years, the number of cases has rapidly increased for the Participating Investors to receive questions from pension funds and other asset owners who are their clients regarding their initiatives on environmental and social issues as investors. While the quality of questions asked by large asset owners is rising, other pension funds and individual investors are also increasingly interested in such matters. The Participating Investors feel the need to increase knowledge as entrusted investors and will continue to take steps to address those changes.

12 Changes in investment managers' internal perception

Environmental and social issues have come to affect investment decisions significantly. For example, investments that do not pay attention to CO2 emissions are now unthinkable. In this situation, not only the equity investment department, but also the fixed income investment department and other various departments place emphasis on environmental and social issues.

As ESG measures are taken increasingly through collaboration with other departments rather than by equity investment department alone, there are some investors who have established a relevant cross-functional organization. Cross-sectional initiatives involving real estate and lending departments are also underway. An increasing number of dialogues with company executives are attended not only by the staff of the equity investment department, but also by the staff of other departments such as credit analysts.

In some cases ratings that an analyst assigns for equity investment are given versatility so that they can also be used for fixed income investment etc. and in other cases the fixed income investment department performs its own evaluation. There are also cases in which investment in real estate is made with an eye on such themes as regional revitalization. In the area of equity investment, investors sometimes make an impact investment in unlisted shares at an early stage.

13 Target companies for engagement

In selecting target companies for engagement, investors adopt various approaches, such as a theme based screening, a combination of quantitative and qualitative assessment, and collaboration with the fixed income investment department.

Some Participating Investors select such companies for engagement as with high CO2 emissions and with limited commitment of top executives where the President does not attend a sustainability presentation. While they target large companies in view of their impact on the society in some cases, some of them have many more companies in sight in order to raise the standard across the board.

14 Intellectual property and human capital

Given the increases in discussions on intellectual property and human capital in recent years, the Participating Investors are paying attention to companies' efforts in this area from the perspectives of management strategy, competitive strategy, sustainability and governance.

Regarding human capital, we are interested in employee satisfaction survey, succession plan, employee turnover, etc., but many companies disclose only limited information in this area. A progress in this kind of disclosure going forward is expected to lead to closer communication between companies and investors. We also examine closely how it is linked to higher value added and actual results, such as productivity improvement and increases in income and employment. Investors who use models and/or prepare ratings often include other elements of human capital in evaluation items.

As disclosure is enhanced going forward, we expect that intellectual property will be a topic of dialogue. Although the depth of analysis by investors in this area is still limited, with the exception of some industries such as pharmaceuticals, due in part to the lack of established methods for valuing intellectual property, some Participating Investors cast close eyes on whether intellectual property protection strategy, systems, etc., are developed from the long-term perspective.

15 Information disclosure by companies

Information disclosure is highly important as it is a base for understanding and evaluating the actual situation of companies and for dialogue with them. There is an emerging trend in which disclosure frameworks such as TCFD are proposed and companies are required to abide by them. We request that companies provide detailed disclosure about important items specific to each company, in addition to basic information disclosure as above mentioned.

There is a view that each company can disclose with different emphasis in accordance with its materiality. Some investors also point out that each company's vision and measures to resolve issues that underlie its disclosure are important for their investment decisions. However, there are many companies that have not disclosed Scope 3 CO2 emissions, and disclosure on human rights due diligence, employee satisfaction survey, etc., is still limited. Easy-to-understand disclosure is also required for peer comparison, and comparison with past results is also important to understand the current situation.

Unfortunately, there are differences in the level of disclosure by company and there are discrepancies between disclosed information and company's behavior. We suggest that companies make efforts to ensure the objectivity of the information by, for example, obtaining an approval from third parties. On the other hand, as Japanese companies are inclined to be perfect, some are unwilling to disclose information because they are not 100% prepared. However, the mere disclosure of what are available so far is already useful for investors, and they could improve corporate valuation based on that. It appears that some companies gather relevant information internally and disclose it to their clients, but are reluctant to do so to investors.

The Participating Investors do not look at information disclosure alone but try to determine how it is linked to corporate value and financial impact and how it affects business opportunities as well as risk management. We strongly request that companies create an environment for open dialogue through proactive disclosure.

End

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