

# Questionnaire

November 2016

The main questions on global ESG investors (referred to as “investors” hereinafter) raised from the members of study group are below.

## **#1. Board Diversity**

- ✓ How are investors interacting with boards for diversity-related decision making?
- ✓ How do investors interpret the board diversity, the pipeline (female candidate pool for senior management positions) and actual appointment records?

## **#2. Enterprise Diversity**

- ✓ What attributes do investors take into account as diversity? (i.e. nationality, ethnicity, etc.)
- ✓ What is the priority of the enterprise diversity in comparison with the board diversity?

## **#3. Monitoring & Supervision through Boards**

- ✓ How do investors monitor or supervise diversity-related enterprise-wide actions within investee companies through boards?

## **#4. Investors' View**

- ✓ What information or which specific part of diversity-related actions do investors take into account when evaluating companies?
- ✓ Is there any remarkable change in investors' investment policies in the context of diversity?

## **#5. Disclosure & Dialogue**

- ✓ What is the least information investors like to see in companies' disclosure?  
(i.e. percentage of women on boards, info related to value creation story, etc.)
- ✓ What are best practices in disclosure?

## **#6. Evolution in Europe**

- ✓ What challenges have European capital market confronted in diversity-related arguments?
- ✓ How are investors interpreting the recent arguments on Brexit and EU (European Union)?

## **#7. Other**

- ✓ How are investors evaluating “30% Club” and involved with that club?

(End)

# Responses (Partial)

## **#4. Investors' View**

When evaluating companies, Investors review certain information and diversity-related actions that boards of directors have taken. Investors want boards that are made up of individuals who act on behalf of the interests of shareholders. This is true across all sectors and markets. Recently, there has been a strong effort from regulators and investors across the globe to increase the diversity on company boards. This effort, similarly, crosses all sectors and markets. In the past few years, many studies and research have looked into diversity on public company boards and supported the conclusion that more diverse boards can create long-term value for shareholders.

When considering the makeup of a board, investors will review the governance and structure of the board. For example, investors want to see a board made up of independent directors with a broad range of experience. Sector and industry experiences are very important, however, one should be careful not to make it too stringent a requirement lest you risk harming diversity initiatives. Investors are very wary of avoiding the type of "group think" that often results from board member "clusters," such as the ones that develop with board members having the same background, education and experience. The Nominating and Governance Committee plays an important role in this respect by sourcing the best nominees for the board. To do so, the Committee must often challenge itself to look beyond the traditional current or retired CEO profile or risk overlooking a very vibrant pool of strong candidates. Recruiting a very knowledgeable executive search firm to support the Committee in this regard, especially in identifying female and minority candidates from other countries, could be a useful step. It is important for investors to find out if a company is creating its own initiatives to grow talent from within the organization to help advance diversity.

In countries like Norway, Australia, South Africa, Canada, Italy, France, and the United Kingdom, to name a few, the push for diversity at public companies has already been advanced due to changing laws and regulations. Norway took the very strong first step by requiring 40% of company boards with at least nine directors to be composed of women by 2008. The changing regulatory and investor-driven landscape has served as a wake-up call to global public companies to step up their diversity initiatives.

We are also seeing an increase in the adoption of best practices and procedures that will further stimulate the drive for diversity. One example is requiring an annual election of directors rather than a classified board structure to give shareholders the opportunity to vote for directors each year. As shown by the significant body of research, companies have made progress toward diversity on their boards, but there is still much more progress to be made.

Investment policies are slowly being changed to support board diversity, particularly given the research that establishes a link between more diverse boards and long-term shareholder value. Boards that are made up of diverse individuals with unique backgrounds and experiences can evaluate and discuss board agenda items in such a way to bring different perspectives to the table. A board should not want to lag their peers from a diversity perspective and create risk for the company. Shareholders will flag a company for its lack of diversity and begin a dialogue on improvement. Shareholder proposals may be filed that could compromise the board's ability to select its own nominees for shareholder approval, particularly if a dissident shareholder appears. A proxy access proposal might be filed at a company that could potentially remove several directors, nominated by the company, who could be replaced by more diverse nominees. While shareholders may support these types of proposals, a board may be forced to lose some of its longer tenured board members. Rather, a board should take it upon itself to develop robust succession plans for board replacement, tenure and diversity, thereby showing shareholders that it respects the need for diversity and has a plan in place.

## **#5. Disclosure & Dialogue**

Investors would like boards to disclose several identifying pieces of information for board nominees, including age, sex, national origin, educational experience, ethnicity, other board seats, conflicts of interest and other unique pieces of information about the nominees. Statistics on the number of women and minorities on the board are helpful.

Investors would like to see how the company is approaching the recruitment and retention of board members. If an executive search firm is being utilized, investors would like to know if the "Rooney Rule" is being applied to ensure that there are women and minority candidates being sourced as nominees for board seats. Investors also would like to know that all candidates are well qualified for the board and are independent of the company and any affiliated companies.

The ICGN Statement on Diversity provides a best practice on disclosure, including information that can be readily accessed by shareholders on the company's website, annual proxy statement and in board communications with shareholders.

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(end)

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検討会メンバーより寄せられた、グローバルで活動するESG投資家（以下、投資家）に対する主な質問は以下のとおりです。

### **#1. 取締役会のダイバーシティ**

- ✓ 企業のダイバーシティに関連する意思決定について、投資家はどのように取締役会と連携しているか？
- ✓ 投資家は取締役会のダイバーシティ、人材のパイプライン（経営人材となりうる女性候補者のプール）、および女性の登用実績をどのように解釈しているか？

### **#2. 全社的なダイバーシティ**

- ✓ 投資家が“ダイバーシティ”として注目する属性は何か？（例 国籍、民族的な出自 等）
- ✓ 投資家として、“取締役会のダイバーシティ”に対する“全社的なダイバーシティ”の優先度はどのようになっているか？

### **#3. 取締役会を通じたモニタリングと監督**

- ✓ 投資家はどのようにして、取締役会を通じて、全社規模のダイバーシティに関連する取組をモニタリング・監督しているか？

### **#4. 投資家の着眼点**

- ✓ 企業の評価・分析において、投資家が考慮するダイバーシティに関する情報や取組内容は何か？
- ✓ ダイバーシティに関連して、投資家の投資ポリシーに注目すべき変化は見られるか？

### **#5. 開示と対話**

- ✓ 投資家が企業開示上で最低限望む情報は何か？  
（例 女性取締役比率、ダイバーシティをきっかけとする価値創造ストーリー 等）
- ✓ 開示のベストプラクティスはどのようなものがあるか？

### **#6. 欧州の経緯**

- ✓ 欧州の資本市場がこれまで直面してきたダイバーシティに関する困難は何か？
- ✓ 昨今の英国のBREXITやEU（欧州連合）の動向について、投資家はどのように解釈しているか？

### **#7. その他**

- ✓ 投資家は30%クラブ（取締役会の女性比率を30%に引き上げることを目標に活動する英国の非政府組織）をどのように評価し、関わりあっているか？

以上