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By post and email to (corporategovernance1@fsa.go.jp)

## Japan's Corporate Governance Code

Thank you for the opportunity to submit comments on the draft English language version of Japan's Corporate Governance Code (the **Code**) dated 12 December 2014.

We are Norges Bank Investment Management, the investment management division of Norges Bank, the central bank of Norway. We are responsible for investing the Norwegian Government Pension Fund Global (the **fund**). The fund is a long-term, globally diversified shareholder with minority equity positions in publicly listed companies. The fund also invests in fixed income instruments and real estate. The fund has assets of approximately JPY 101 trillion, of which approximately JPY 7 trillion is invested in Japanese securities.

We support strong corporate governance practices at national and market level, as well as adherence to recognised international standards of corporate governance. We consider the OECD Principles of Corporate Governance to be an important point of reference for all the markets in which we invest.

We commend the Council of Experts Concerning the Corporate Governance Code for drafting a comprehensive code that establishes fundamental principles of good corporate governance and believe that the Code will facilitate the enhancement of Japanese listed companies' approach to corporate governance.

We expect that the Code will be periodically reviewed, in order to reflect future statutory and regulatory changes, and that it will be refined and adapted over time as stakeholders give feedback of their practical experience.

This letter summarises our principal views on the Code and is supplemented by the more detailed comments set out in the attached appendix.

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### **Comply-or explain**

The Code's comply-or-explain model gives companies the option to comply with Code requirements or explain publicly why they take a different approach in respect of their corporate governance practices. It is our view that all companies should be capable of clearly explaining their corporate governance model and we see no need for exemptions or special rules based on company characteristic like size, maturity, ownership concentration etc. It is possible that such exemptions may result in lower levels of adherence to Code principles.

The success of the Code will be, in part, determined by how transparent companies are in disclosing their corporate governance practices and how investors interpret the disclosed information. An explanation should, for example, set the background, provide a clear rationale for the action taken by the company, describe any mitigating actions undertaken, explain if a deviation from a particular provision is temporary, and – if it is temporary - indicate when the company expects to conform to the provision. Consequently, robust monitoring, enforcement and sanction mechanisms will be important to the success of the regime.

### **The role and responsibilities of the Board**

The Code's recognition of boards' responsibilities to shareholders is fundamental, as is the emphasis it places on boards being the key instrument for good corporate governance and accountability.

The Code should explicitly recognise the independent oversight and monitoring function reserved to directors and everything that it encompasses. The Code encourages *kansayaku* and the *kansayaku* board not to define their role too narrowly. However, a major concern for companies with that structure is the lack of a sufficient independent oversight function that is based in statute. We recommend provisions of the Code addressing separation of management functions from oversight functions be expanded.

### **Shareholder rights**

As a minority shareholder in Japanese companies the protection of shareholders' rights is important to us. We believe the Code should make specific reference to fundamental shareholder rights, such as the right to vote on matters like the election of board members, amendments being made to governing documents, material transactions and acquisitions, and on capital authorisations. Those rights are already recognised in law and regulation, but the Code should also recognise companies' responsibilities to fully protect such rights and their obligation not to impede or hinder shareholders' exercise of those rights.

Entering into related party transactions is a comparatively common occurrence for Japanese companies. It is important that such transactions are subject to appropriate legislation and regulation. All material related party transactions should be disclosed to the market. The Code should offer a precise definition of related parties covering a wide range of ownership and business interests. Material transactions should be approved by shareholders or be verified by an independent third-party before consummation.

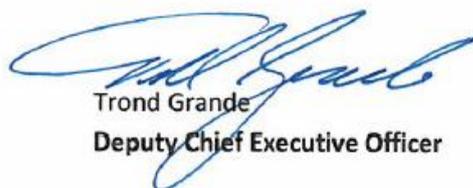
### **Disclosure and transparency**

We support the Code's encouraging companies to provide information beyond that required by law, with regard to both financial and non-financial information. A strong disclosure regime that promotes real transparency is key to shareholders' ability to understand corporate strategy and to exercise ownership rights on an informed basis.

Companies should disclose their shareholder structure, detailing, when relevant, other companies' holdings in the company, the overall group structure, and major shareholders or shareholders with special voting rights. The disclosure should explain the type of relationship with the various shareholders.

Once again, thank you for providing us with the opportunity to contribute our views.

Yours faithfully,



**Trond Grande**  
**Deputy Chief Executive Officer**



**William Ambrose**  
**Global Head of Ownership Strategies**

**Appendix** – Detailed comments on the Exposure Draft of Japan's Corporate Governance Code (December 2014)