NORGES BANK
INVESTMENT MANAGEMENT

Japan Exchange Group
TSE Listing Department
E-Mail: jojo-kikaku@jpx.co.jp

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Revision of Japan's Corporate Governance Code and establishment of guidelines for investor and company engagement

We refer to the consultation by the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code ("the Council"), dated 26 March 2018, and welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Government Pension Fund Global. NBIM is a globally diversified investor with JPY 7.38 trillion (USD 65.5 billion) invested in equities listed on the Tokyo Stock Exchange at the end of 2017. We have a substantial presence in all major equity markets globally, including in Asia, and we are a member of the Asian Corporate Governance Association (ACGA). We regard the protection of minority shareholders through good corporate governance as necessary to safeguard and promote the fund's long-term financial interests.

In our letter to the Financial Services Agency of 30 January 2015 and the subsequent exchanges, we have emphasised the importance of an effective and sufficiently independent oversight function in Japanese companies, as well as transparency on corporate governance matters. This continues to be our focus even though corporate governance has progressed substantially in the Japanese market over the last few years.

We welcome the Council's objective to further progress the state of corporate governance in companies listed in Japan. The Council focuses on management responsiveness to changes in the business environment, capital allocation efficiency, the responsibilities of the board in overseeing management, disclosure and rationale for cross-shareholdings, and the role of asset owners in stewardship of investee companies. We believe these are relevant priorities when revisiting the corporate governance code, following the steps already taken in 2014-2015.

In particular, we welcome the move towards a higher ratio of independent board members. We support the strengthened recommendation for at least a third of the board members to be independent. We also support the suggestion that independent board members should play key roles on remuneration and nomination committees as well as the audit committee, where relevant. We see these moves as steps towards the higher levels of board member independence observed in most developed markets. We also support the specific reference to gender and international experience as aspects of recommended board diversity.

We believe the draft guidelines will be useful for investors and companies alike, helping to frame expectations on both sides.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours faithfully

Carine Smith Ihenacho
Chief Corporate Governance Officer

Ola Peter Gjessing
Senior Analyst