

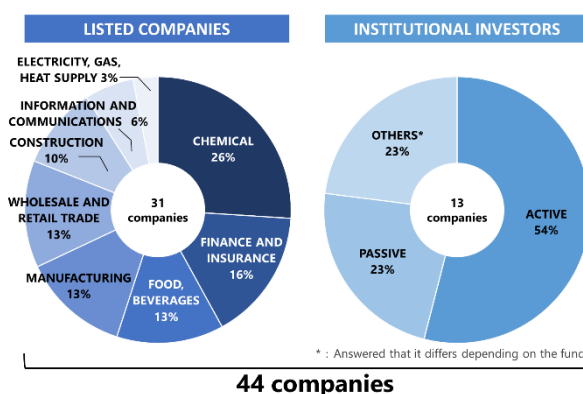
1st Activity Report Meeting – Executive Summary

■ Background of the activities

Although many companies listed on Japanese stock exchanges have been making efforts to improve the level of disclosure of ESG-related information, their achievements have not been properly recognized by institutional investors. The major goal of our study is to identify why such a discrepancy has occurred and how to overcome this problem. We are striving to find practical answers to these questions while working with stakeholders such as listed companies, institutional investors, rating agencies, third-party guarantee agencies, and government agencies involved in investment chains.

■ Problem solution approach

Our study group exchanged opinions with major initiatives about the disclosure of ESG information to identify the current situation around the world. Our study group also conducted interviews with a total of 44 listed companies and institutional investors inside and outside Japan to identify problems at a working level. Note that the purpose of our study group is not limited to ESG but also covers non-financial areas.



■ Results of the current status analysis

A global trend survey has confirmed that different groups have been actively making efforts since 2020; for example, IIRC and SASB announced their plan to merge into one organization.

In addition, working-level interviews revealed that there are six major challenges as follows: (1) Differences between listed companies and institutional investors in terms of their points of view, (2) Connections and correlations among components of the value creation process, (3) Widening differences in the level of ESG efforts and information disclosure among business organizations, (4) Establishment of a system to collect ESG information effectively, (5) Commitment of top executives of listed companies, and (6) DX (digital transformation) efforts.

■ Policy for future activities

With an aim to bridge the gap between listed companies and institutional investors in terms of their recognition, we will seek ideal ways to disclose ESG information effectively and efficiently, based on the assumption that long-term value (LTV) is their common interest. Specifically, we will have discussions with businesspersons in listed companies, management institutions, and other organizations to collect and organize basic terms and concepts for theory construction. Next, we will collect case examples from individual companies to develop practical guidelines. We will closely watch what will happen and hope to deliver information about these achievements and implement



other measures at appropriate times.

■ **Message from the PMO (Deloitte Touche Tohmatsu LLC) for this phase**

We are very honored to have assumed the role of PMO for this phase, which marks the first step for this study group. We would like to express our gratitude to Chairperson Kitagawa who kindly provided guidance, the leaders of the study group, all the other accounting firms that provided support for the research, and all the member companies and interviewed companies.

In this phase, we had the great opportunity to conduct interviews with as many as 44 leading companies and institutional investors, which gave us a clear picture of the current situation regarding ESG disclosure among Japanese companies and insights for future activities of this study group. We were also very impressed with the quality and quantity of business practices that many excellent practitioners are accumulating. We believe that the strength of Japanese companies lies in an extensive collection of business practices, and if the study group can function as a platform to consolidate them effectively, we will be able to achieve great results and send a strong message to other organizations.

We are looking forward to working with our group members in subsequent phases.



Keiko Tatsuwaki
Partner
Deloitte Touche
Tohmatsu LLC



Yohei Masuda
Partner
Deloitte Touche
Tohmatsu LLC



Yuichi Kubota
Senior Manager
Deloitte Touche
Tohmatsu LLC



Takeshi Okumura
Senior Manager
Deloitte Touche
Tohmatsu LLC