

2nd Activity Report: Executive Summary

■ Examination approach to establish a common language between business companies and institutional investors

In order to fill the "recognition gap between operating companies and institutional investors" that was clarified in the first phase of this study group, the goal of the second phase was to discuss and summarize the basic concepts and definition of terms used in ESG information disclosure (including non-financial factors and intangible assets) among operating companies and institutional investors, while understanding the concept of standards related to ESG information disclosure in Japan and overseas.

■ Results of examination

Total number of discussions by practitioners such as business companies and institutional investors totaled more than 70 hours, including eight general discussions and individual discussions by four groups. Through this discussion, it became clear that not only the recognition gap between business companies and institutional investors, but also the way of thinking differs between institutional investors due to differences in investment stances.

While focusing on improving LTV (Long-term Value), which is desirable for both business companies and institutional investors, we define terms such as "materiality" and "social value / environmental value / economic value" to conduct business, deepened understanding of each position between the company and institutional investors.

In addition, we have compiled a draft response policy for issues related to ESG information disclosure and engagement (such as not being able to show how non-financial factors lead to financial impact).

		Elements that make up corporate value						Total	
		Perpassu/ Values	Business Model	Sustainability/Growth	Strategy	Deliverables and important deliverables (KPIs)	Governance		
Response entity	Operating Companies	Number of units (Percentage)							
	Management level		18	18	10	10	6	17	79
	Strategy, Finance, Human resources Divisions, etc.		17	29	19	31	22	12	130
	Sustainability /IR Divisions		27	36	28	34	30	17	172
	Business Divisions		13	28	15	28	12	4	100

■ Future activity schedule

Based on the basic concepts organized in this phase and the draft response policy for improving practical issues, we plan to carry out three major activities in the future. The first is the systematization of theory in ESG information disclosure and engagement. Specifically, it is envisioned that the definitions of Purpose and Business model, the method of identifying materiality, etc. will be organized while utilizing the existing framework, and that disclosure indicators common to all industries will be extracted. The second is to apply the above-mentioned systematic theory to the practice of ESG information disclosure of business companies and demonstrate whether it contributes to the improvement of ESG information disclosure. Third, we will consider improving the efficiency of operations in ESG information disclosure. Through these activities, I would like to create practical



guidance backed by both theory and practice.

■ **Message**

In this phase, it was very successful in the sense that deeper discussions on effective and efficient ESG information disclosure were made compared to previous phase, and that issuers and institutional investors shared a common understanding of each other's perspectives, concerns, and challenges through group discussions.

Also, regarding the response to information disclosure to institutional investors, it was a great achievement for practitioners to cultivate ideal images of the actions - the importance of cooperation with not only the "sustainability / IR department" but also with each head office functions such as management, finance, human resources, corporate planning and with business divisions - had been raised.



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