

# PRI RESPONSE

---

## PUBLIC COMMENTS ON FINANCIAL SERVICES AGENCY (FSA) JAPAN STEWARDSHIP CODE

April 2025

This document is provided for information only. It should not be construed as advice, nor relied upon. PRI Association is not responsible for any decision or action taken based on this document or for any loss or damage arising from such decision or action. All information is provided “as-is” with no guarantee of completeness, accuracy or timeliness and without warranty of any kind, expressed or implied. PRI Association is not responsible for and does not endorse third-party content, websites or resources included or referenced herein. The inclusion of examples or case studies does not constitute an endorsement by PRI Association or PRI signatories. Except where stated otherwise, the opinions, recommendations and findings expressed are those of PRI Association alone and do not necessarily represent the views of the contributors or PRI signatories (individually or as a whole). It should not be inferred that any third party referenced endorses or agrees with the contents hereof. PRI Association is committed to compliance with all applicable laws and does not seek, require or endorse individual or collective decision-making or action that is not in compliance with those laws.

To inform this paper, the following group has been consulted: Japan Regional Policy Reference Group.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

Copyright © PRI Association 2025. All rights reserved. This content may not be reproduced, or used for any other purpose, without the prior written consent of PRI Association.

# ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Financial Services Agency's call for feedback on the proposed revision to the Stewardship Code.

# ABOUT THIS CONSULTATION

On 21<sup>st</sup> March 2025, the Financial Services Agency (FSA) opened the public comment period for its proposed revisions to Japan's Stewardship Code.

These revisions aim to enhance transparency among beneficial shareholders and promote collective / collaborative engagements. They include requiring investors to disclose their shareholdings and engage in constructive dialogues with investee companies to promote sustainable growth, partially building on the law revision to clarify the scope of joint holders of the large reporting rules. Additionally, the FSA seeks to streamline the code by simplifying and consolidating its provisions, taking a principles-based approach to ensure effective implementation.

Following public commenting, these documents will be finalized by the FSA.

## For more information, contact:

Kazuma Osaki  
Head, APAC Policy

[kazuma.osaki@unpri.org](mailto:kazuma.osaki@unpri.org)

Aina Urano Menneken  
Policy Specialist, Climate (Japan)

[aina.menneken@unpri.org](mailto:aina.menneken@unpri.org)

# ISSUES FOR CONSULTATION

## INCREASING TRANSPARENCY OF BENEFICIAL SHAREHOLDERS [PRINCIPLE 4]

**Q1-1. What is your view on replacing part of Note 16 with new Guidance 4-2 stating "[i]n order to support constructive dialogue with investee companies, institutional investors should, in response to requests from investee companies, explain how many shares they own/hold in the company"? Please also provide reasons, if any.**

- The PRI agrees that transparency on beneficial shareholders is likely to contribute toward better relationships between investors and corporates, and ultimately more effective engagements. Considering this revision as a first step, we encourage the FSA to continue discussions with investors and corporates to identify opportunities for broader mechanisms (such as databases) to enhance transparency more systematically.

**Q1-2. What is your view on adding "[institutional investors] should disclose in advance a policy on how they will respond to such requests from investee companies" to Guidance 4-2? Please also provide reasons, if any.**

- No response.

## COLLECTIVE/COLLABORATIVE ENGAGEMENT [PRINCIPLE 4]

**Q2-1. What is your view on revising Guidance 4-5 to "[i]n addition to institutional investors engaging with investee companies independently, engaging with investee companies in collaboration with other institutional investors (collaborative engagement) is also an important option. When considering methods for dialogue, it should be kept in mind whether they will lead to constructive dialogue that contributes to the sustainable growth of investee companies"? Please also provide reasons, if any.**

- The PRI supports the FSA's continued emphasis on the importance of collaborative engagement, including [measures](#) taken to address concerns regarding the Large Shareholding Reporting Rule. We further encourage the FSA to consider incorporating a footnote to clarify why institutional investors should consider this approach. For example, the PRI recognize that investor collaboration is widely seen as a key stewardship strategy, both for dealing with companies that have not responded to individual engagement and for encouraging action on system-level issues<sup>1</sup>. In the context of sustainability-related system-level issues, as part of the A Legal Framework for Impact project, the PRI has identified that collaborative engagement is likely both to reduce the costs and enhance the prospects of a successful sustainability outcome<sup>2</sup>. Such an explanation could complement the Asset Owner Principles by clarifying that in the context of fiduciary duty, collaborative engagement can be an important option to consider in order to address system-level risks that affect the portfolio as a whole.

---

<sup>1</sup> PRI and World Bank Group (2023) [How Policy Makers Can Implement Reforms For a Sustainable Financial System Part II: Implementation Guide for Sustainable Investment Regulation Tools – Stewardship](#)

<sup>2</sup> PRI (2024) [A Legal Framework for Impact Summary Report](#)

**Q2-2. Are there any points that institutional investors should bear in mind when conducting collective/collaborative engagements? Please provide reasons, if any.**

- Stewardship is an [essential strategy](#) for investors to influence real economy actors and assets to achieve financial objectives and sustainability outcomes. Collaborative engagements are an especially relevant form of stewardship when addressing system-level risks.<sup>3</sup>
- It is a fundamental aspect of an investor's fiduciary duty to preserve and create long-term value on behalf of beneficiaries. Addressing system-level risks is compatible with fiduciary duty, especially for universal owners and long-term investors because system-level risks can affect the financial performance of the market as a whole.
- The PRI supports enhanced accountability and transparency for stewardship activities and alignment of incentives and responsibilities across the investment chain to strengthen the enabling environment for effective stewardship. It is important to be careful with communication to ensure transparency and alignment of interests when conducting collaborative engagements.

## **STREAMLINING THE CODE [OVERALL]**

**Q3. What is your view on streamlining the Code, as shown in the draft, by removing, consolidating, and simplifying the parts that have permeated stewardship practices since the Code was developed and revised? Please also provide any reasons you may have for your view.**

- The PRI supports the streamlining of the code, provided this will lead to greater clarity and effectiveness.
- The PRI supported the [streamlining of the UK Stewardship Code in the 2025 revision](#) in order to avoid placing onerous reporting burdens on investors who have signed up to the Stewardship Code. Although the context is different, our views on distinguishing between baseline expectations and advanced expectations to encourage progression appropriate to a signatory's size and capacity could be relevant in Japan's case as well.

## **OTHER ISSUES [OVERALL]**

**Q4. In addition to the issues described above, what is your view on the proposed revisions? Please also provide any reasons you may have for your view.**

- Page 4, paragraph 12: We recognize that the FSA proposes to remove provisions relating to a periodic review of the Code, which reflects the status quo where a revision was foregone over the past two years. The proposed text however is not coherent, as deleting reference to a "review" from the second sentence makes the "review" referred to in the third sentence ambiguous. Perhaps it would be clearer if the third sentence started with "such improvements to the Code are supposed to...", as this would refer to the improvements indicated in the immediately preceding sentence.
- The FSA could consider including reference to the [ICGN Global Stewardship Principles](#), for example, to provide greater global alignment on the definition of stewardship.

---

<sup>3</sup> PRI and World Bank Group (2023) [How Policy Makers Can Implement Reforms For a Sustainable Financial System Part II: Implementation Guide for Sustainable Investment Regulation Tools – Stewardship](#)

*The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Financial Services Agency to support progress on stewardship-related policy.*

*Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).*

*More information on [www.unpri.org](http://www.unpri.org)*