

Japan Investment Conference 2020 (Virtual)
Women in Investment Management

金融リ・デザイン
Redesigning Finance

Inclusion & Diversity at Shinsei Bank Group

December 17, 2020



Hideyuki Kudo
President and Chief Executive Officer, Shinsei Bank, Limited

Hello. I am Hideyuki Kudo. I would like to thank CFA institute for inviting me today.

I am very pleased to have this opportunity to participate in this session with Sarah-san and Kathy-san.

We had very persuasive presentation by Kathy-san mainly focusing on macro perspective, and I would like to share the firm level perspective on D&I focusing on promoting women activeness by introducing issues and initiatives at Shinsei Bank Group.

Today's Topics

- **Shinsei Bank Group Business Strategy and Empowerment of Women**
 - ✓ Unique business model to integrate bank and non-bank services to create best customer experience
 - ✓ Promoting value co-creation with partners
 - ✓ Incorporating “diverse angle” into our business is the key
 - ✓ Women’s active participation in decision-making is the core of our D&I initiatives
- **Initiatives**
 - ✓ Organization: Committee for Women’s Activity Promotion involving senior male executives into the initiative
 - ✓ Individual woman talents: Assign “sponsor” and “ownership” management members to support each woman’s talents
 - ✓ Evaluation: Diversity targets included in managers’ performance evaluation criteria
 - ✓ Male initiatives: Supporting male employees to enable more involvement in housework and childcare
- **Suggestions for CEOs**
 - ✓ Confirm the initiatives/measures are actually producing the results as intended
 - ✓ Set the target number, achieve the target, make the change expeditiously to be visible

There are three parts in my presentation.

First, I will quickly touch upon how women empowerment relates to the management strategy of the Shinsei Bank Group.

Second, I'd like to share with you some of the actual initiatives and measures that we have taken since I became a CEO in 2015.

Third, I will talk about what a CEO can do to make the women empowerment efforts more effective based on my own experience.

Today's Topics

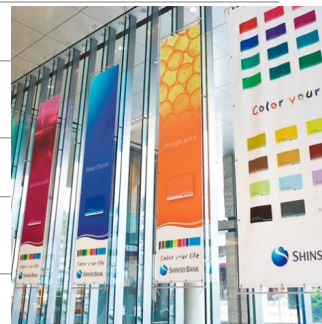
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In this part, I will talk about why D&I and women empowerment matters to Shinsei Bank Group.

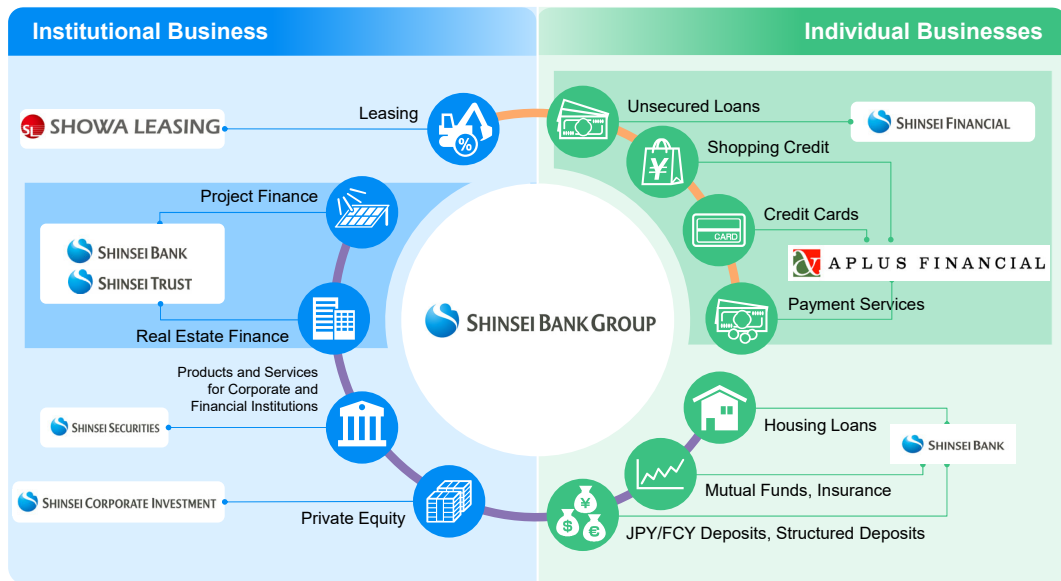
Company Profile

As of September 30, 2020

Name	Shinsei Bank, Limited
Address	Nihonbashi Muromachi Nomura Building, 4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo, Japan
Established	December 1952
Representative Director, President and CEO	Hideyuki Kudo
Capital Stock	512.2 billion yen
Number of Employees (Consolidated Basis)	5,657
Number of Employees (Nonconsolidated Basis)	2,270
Branches (Nonconsolidated)	24 head office and branches, 3 annexes



Shinsei's Hybrid and Seamless Products and Services Portfolio



In September 2020, UDC Finance Limited became a subsidiary of Shinsei Bank.

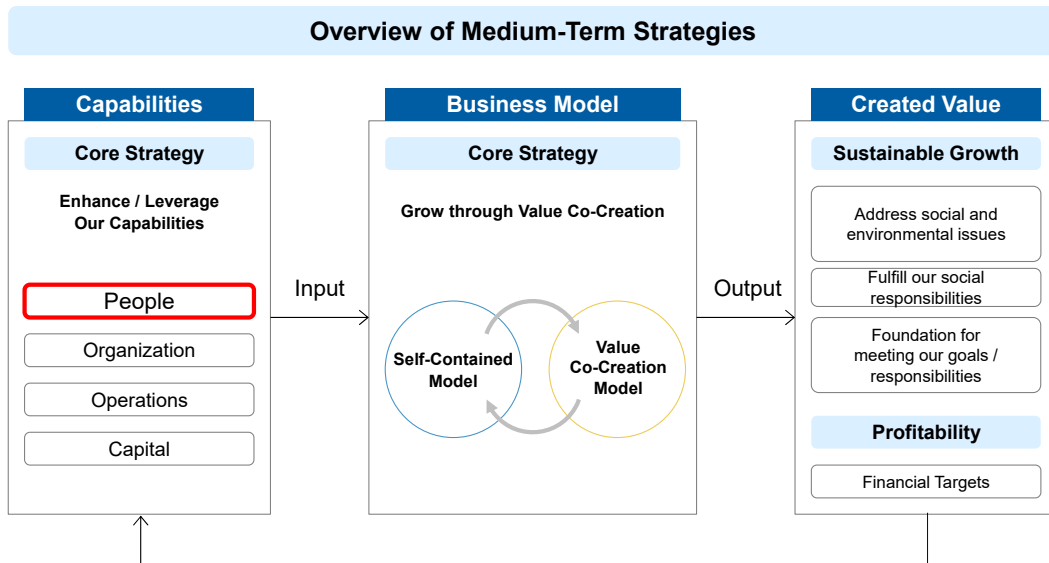


4

We provide individual and institutional financial services through the bank and wholly owned non-bank entities.

What's unique about Shinsei Bank Group is that all the group companies are tightly integrated so that we can offer customer-centric seamless experience, not divided by legal entity siloes. But our issue had been that all the group companies are acquired from other financial groups such as Showa Leasing from Resona Group, Shinsei Financial from GE, and APLUS FINANCIAL from MUFG. So in order to integrate the group and fully achieve the synergies, we need to respect people's diverse background, and nurture inclusive culture. Of course, promoting women's activeness is a critical element of D&I.

Overview of Medium-term Strategies “Redesigning Finance”



In addition, in the current medium-term management strategy named "Redesigning Finance", we're trying to leverage capabilities outside the group and actively pursuing co-creation of values with external financial or nonfinancial partners. This is also where we need the D&I culture.

Why Diversity Matters to Shinsei

It is essential for the Shinsei Bank Group to have diverse and innovative perspectives in order to be a financial group that finds unserved/underserved customer needs and to provide solutions.



So diversity matters at Shinsei. It's a critical element of our corporate strategy.

We respect new angles and perspectives that emerge from differences by bringing diverse people together, such as employees of group companies with different industry experience as well as people at partners outside the Group.

Within that context, in particular, we consider the promotion of women's active participation to be the first and foremost mission critical for promoting diversity.

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Now, let me move on to introducing several actual initiatives at Shinsei Bank Group.

Initiatives

- 1** Organization: Committee for Women's Activity Promotion involving senior male executives into the initiative
- 2** Individual woman talents: Assign "sponsor" and "ownership" management members to support each talent
- 3** Evaluation: Diversity targets included in managers' performance evaluation criteria
- 4** Male initiatives: Supporting male employees to enable more involvement in housework and childcare

I will introduce initiatives from four different angles today which address typical and common issues in Japanese corporations.

First angle is setting up organization to promote activeness of women, the second angle is how we support individual talents, the third is changing performance evaluation criteria, and the last is male employees related initiatives.

1 Organization

Group Committee for Women's Activity Promotion

- Established Committee for Promoting the Role of Women in the Workplace to lead the initiative of women's active participation in the workplace

Key members selected
from business sector
leaders

Composition of the Committee

Chairperson : Head of Group Institutional Business Unit

Vice Chair : Head of Group Individual Business Unit

Committee Executive Officers from the bank and group

Members : companies

Organizational Chart



Priority Items

- i. Selection and development of female talent pool at every level
- ii. Educational activities within the Group to promote women empowerment
- iii. Formulation of measures to promote active participation of women in the workplace
- iv. Submission of recommendations to the Group Human Resources Division

First, the establishment of the Group Committee for promoting Women's Activeness.

The committee is chaired by male leaders of business units. The committee plans and implement the measures to promote women's active participation. Also the committee decides women's talent pool, plans events and lectures. The other day, by the way, Kathy-san kindly participated in one of our events.

The important point is not that the members of the committee come up with individual event ideas, but creating sense of responsibility or sense of ownership among male leaders of the group is critical, and that can be achieved by becoming the core members of the committee.

2 Individual Women Talents

Female Talents Development Program

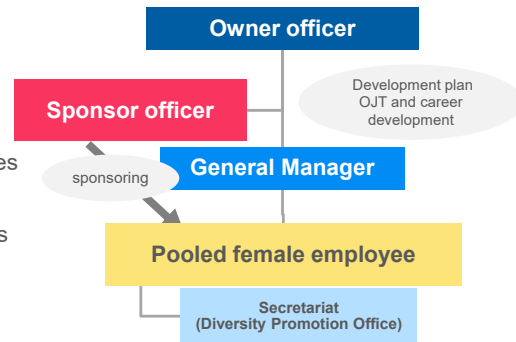
- Identify female candidates to form a “talent pool” and provide systematic support in order to increase the number of female employees to be promoted to decision-making positions

Process of selection

The talent pool is to be approved at the Group Human Resources Committee after being reviewed by the Group HR Division and the Group Women’s Activity Promotion Committee

Development program

- Create individual development plan
- Provide opportunities to participate in training courses
- Support internal and external networking
- Assign sponsor officer to support the above activities



→ 35.6%(21 out of 59) women in the 1st talent pool were promoted in 2020

Next, as an approach to individual women talents, we have introduced the "Women's Talents Development Program."

The program aims to increase opportunities for female employees, to be promoted to decision-making positions.

In this program, not only managers in the women’s reporting line but also officers who belong to different reporting line are assigned to support the development of women as their sponsors.

Regarding “Owner Officers”, they are responsible for promoting women’s activeness within his/her capacity anyway, but here again, officially assigning the role would enhance sense of ownership regarding the responsibility.

Regarding “Sponsor Officer”, one senior executive is assigned as a “sponsor” to all the women in the talent pool. We still hear some words of embarrassment from both sides frankly, but I believe it would be good for each woman in the talent pool to have an influential person as a sponsor to back her up since in many cases it’s not easy for a woman to find a sponsor or a mentor by themselves.

3 Evaluation

Diversity Promotion Targets

- Since FY2020, diversity promotion targets are included in performance evaluations for managers(line managers and above)



Managers disclose their diversity promotion targets in the Shinsei's intranet

Each general manager committing and sharing his/her target encourages diversity culture at the workplace

Next, performance evaluation.

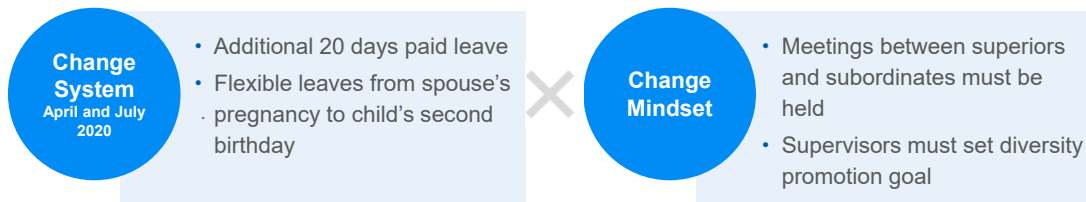
Managers who have woman team members must set diversity promotion targets as one of their performance measures.

In addition, we have asked general managers to announce their goals for promoting diversity, and to disclose their commitments on the company intranet site. All the employees can find out what their bosses are saying about their diversity goals.

4 Male Initiatives

Support Childcare for Male Employee

- Introduced special paid leave to allow employees to take flexible leave from the time of their spouse's pregnancy until the child reaches two years of age
- Employees and their supervisors must have meeting to plan the childcare leaves
- Eliminate "role by gender" mindset by offering support to male employees to balance work and childcare



Since the introduction of new childcare leave program in April 2020, the number of people applied to the program quadrupled (57 in 1st half of 2020)

Finally, regarding male employees.

We are also focusing on supporting male employees in balancing out work and childcare, aiming to eliminate gender role mindset, like “childcare is mainly for women”.

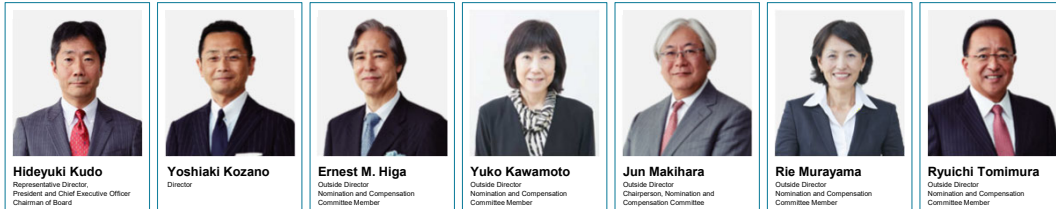
I won't get into detail of this program but the point is that male employees have flexibility to choose when and how to take the childcare leave based on individual circumstances.

This is just an example of our efforts to achieve our final goal which is to eliminate all the gender-based role mindset, at work or at home.

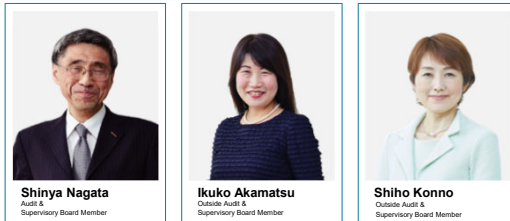
Diversified Governance Organization

- Board members from diverse backgrounds
- 40% female (50% among non-executive members)

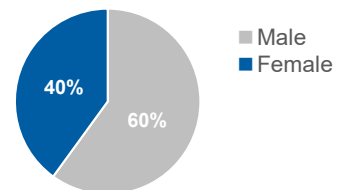
Board of Directors



Audit & Supervisory Board Members



Ratio of Women in the Board Members

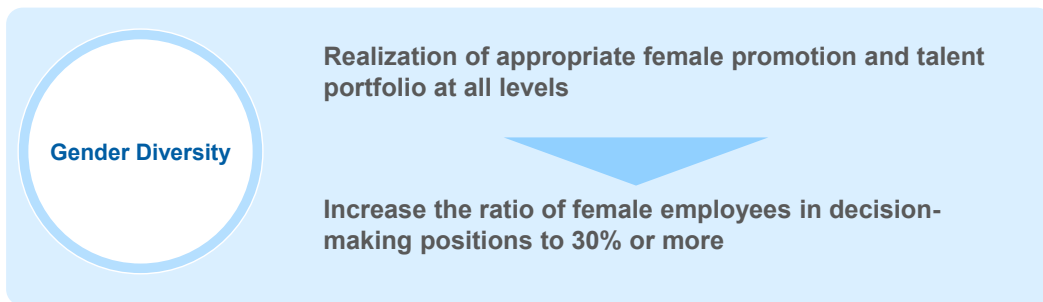


I would like to quickly touch upon where we are now, through the initiatives I just explained.

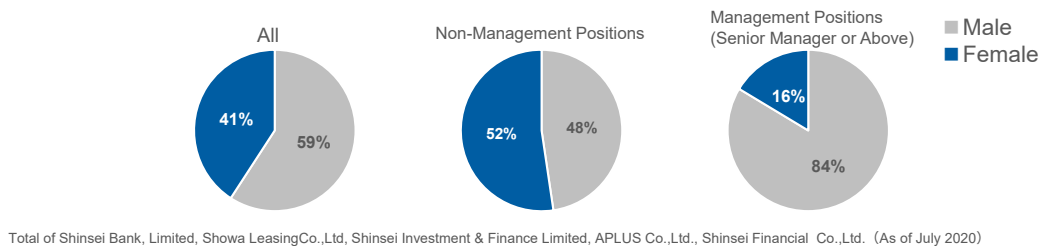
First, the board of directors. Excluding two from executive management members, myself and Mr. Kozano, 50% of our board members are woman.

In the last couple of years, when the board is replacing directors and corporate auditors, the board has increased the ratio by inviting female.

Goal for Women Empowerment



Ratio of Women employees in the Shinsei Bank Group



Total of Shinsei Bank, Limited, Showa Leasing Co., Ltd, Shinsei Investment & Finance Limited, APLUS Co., Ltd., Shinsei Financial Co., Ltd. (As of July 2020)



14

I recognize that next issue regarding women empowerment is executive management members and employees, and we are working to address the issue.

Currently, the ratio of women is 17% at the executive officer level, 20% at the manager level at the Bank, while at the group companies it's 16%.

Shinsei Bank is a member of 30% club in Japan, an initiative started in the UK to increase the percentage of women in leadership role to 30%. We aim to hit the target in the next couple of years.

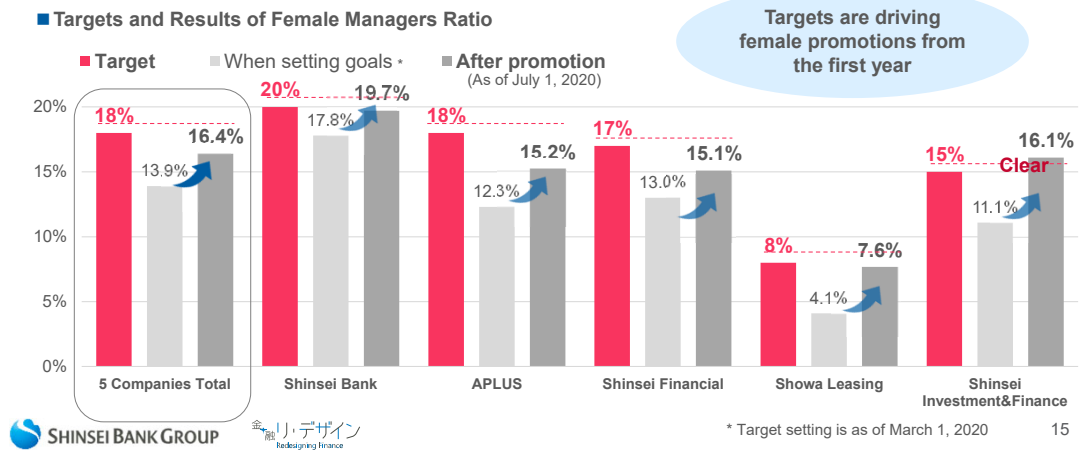
Targets of Female Managers Ratio

Shinsei Bank Group's Action Plan Based on the Law for Promotion of Women's Activities

Period: April 1, 2020 to March 31, 2023

Target 1: Increase the ratio of female managers in total of the 5 group companies to 18% or more (also set targets for each individual company)

Target 2: 100% of all men and women take childcare leave



As you agree, it is extremely important to set concrete numerical targets for the goal.

From fiscal year 2020, we have expanded numerical targets for the ratio of female managers to all the group companies, not just at the bank, and the situation is improving at all the companies as you see in the bar chart.

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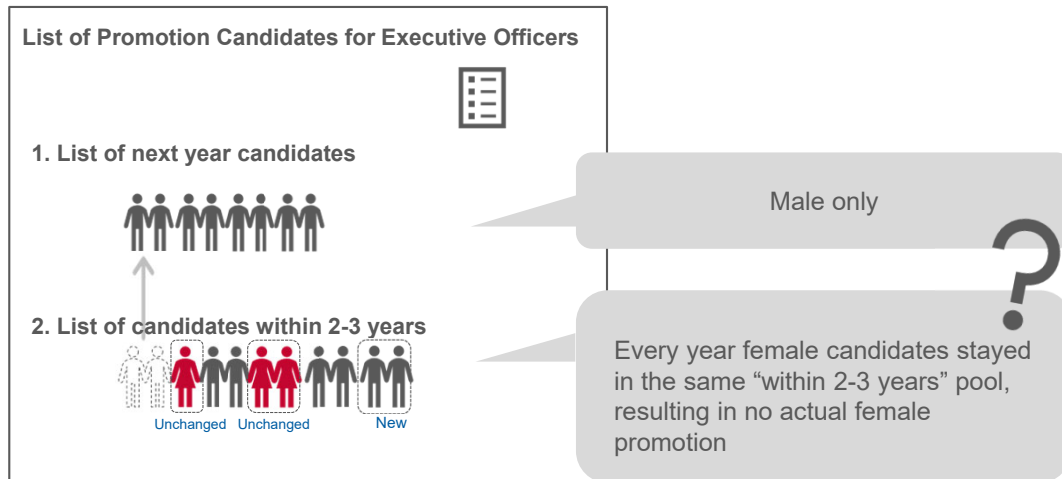
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Let me now go to the last part of my presentation.

I will share with you an episode when I realized there’s something wrong about what we’re doing.

One day I found out...

An event that led to introducing various initiatives: when I was checking “list of promotion candidates” for executive officers

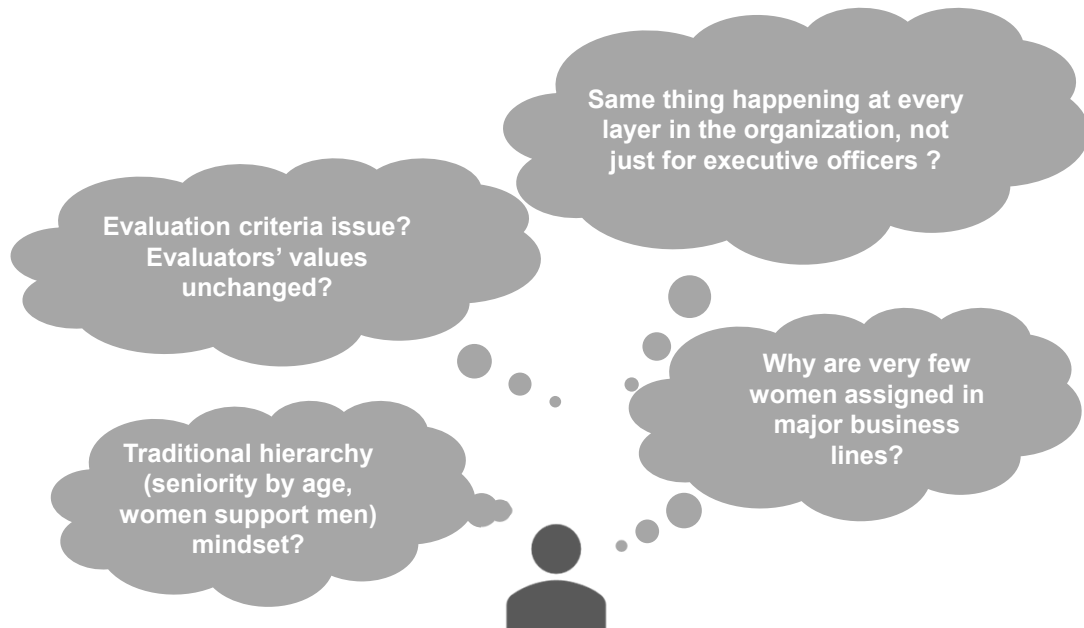


Every year, we prepare a list of candidates for the promotion to executive officer, recommended by each division and checked by HR. As the CEO, I have been communicating messages internally to promote the active participation of women and of course, senior executives of each division are well aware of that. There are two categories in the list.

One is the list of candidates for promotion in the following year. We are suggested to promote some from this category. Second one is the list of candidates who might be promoted within 2-3 years, but not the next year.

Several years ago, when I saw the list; first one was male only, second one had several female names. As a matter of fact, we didn't have female executive officers except one, when I took over the CEO role in 2015. I then realized that women candidates had always been on the second category of the list, but never moved up to the first category to be included in the candidates for the promotion next year.

Hypothesis, suspicions, questions



So I started to think why?

Maybe that it is a result of evaluators' values to put higher ratings to male employees regardless of what the evaluation criteria says.

For example, typical comments women tend to receive are like "lack of managerial experience", "too emotional to be a manager", "it would be difficult for her to take care of her young child if she is promoted" and we often hear from male evaluators "we want to promote women, but unfortunately there is no qualified candidate this year", something like that.

What a CEO has to do in order to change the situation

- Set the goal and send messages



- Identify organization-specific issues that block activeness of women
- Introduce measures that are fit for the organization
(which eventually changes culture, mindset, values of both genders)



- Set numerical targets, AND achieve the target
- Provide organizational support to promoted women for “onboarding”



Priority issues

- Make things happen with visible speed
- Change “gender role” mindset

This experience made me convinced that just sending high level messages, setting up a framework, are not enough.

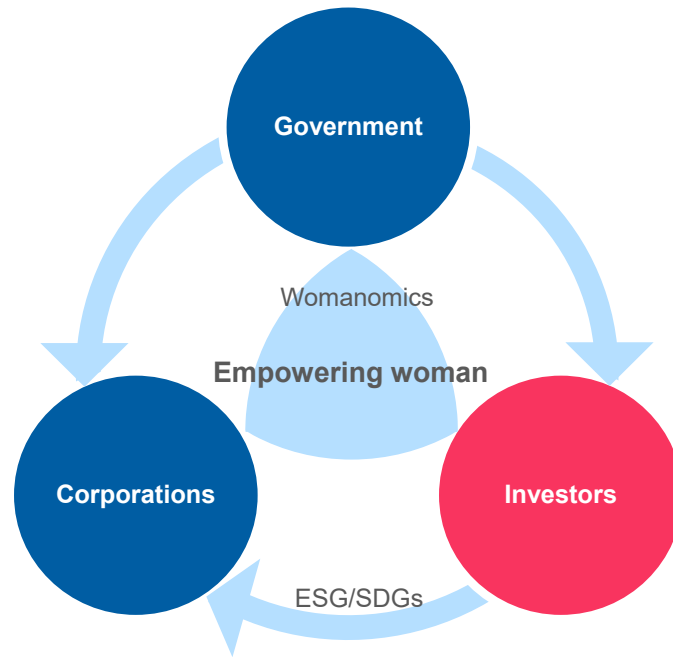
It is essential to identify factors that are actually blocking women empowerment at the organization, and to introduce measures that are fit for the organization. That will eventually change the culture and mindsets of people especially senior male leaders at the organization.

It is also critical to have actual results visible to everybody so that all the people can understand the organization is changing at speed.

Thank you very much.

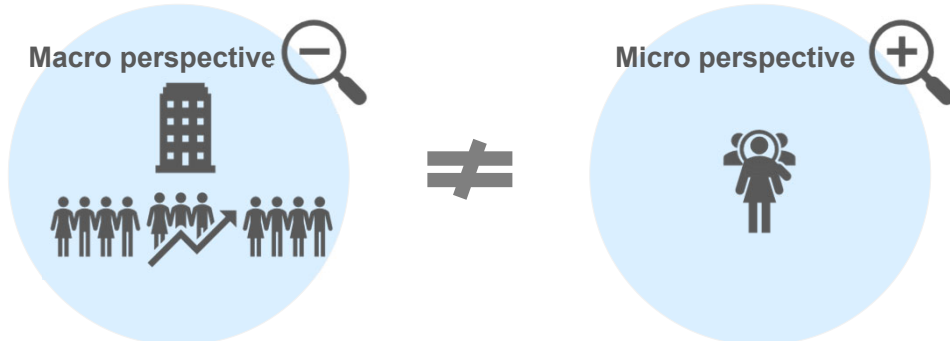
Appendix

Critical Triangle



Impact of Promotion of Women's Activeness

The macro effect of promoting women's activeness in general and the individual cases are different



Positive impact on corporate value is apparent

- Business strategy requires diverse angles
- Evaluation from Institutional Investors

Critical element built-in to business strategy

It's her life...

- Don't say "expect woman-perspective"

**Respect strengths, perspectives, values,
lifestyle as a person**

“Redesigning Workstyle” under New Normal

Redesigning every dimensions of “work” towards diversity under new-normal

