

Interview with an Outside Director



The Board Room is a Stadium for Intellectual Combat
At board meetings, we arrive at a higher level of solutions by pitting disparate opinions against each other.

Director
Kazuhito Osugi

Please see the list of executives (page 53) for Kazuhito Osugi's career history.

Q1. What do you think is your role as an Outside Director?

I am very conscious of two things in my role.

I believe that managing a business is a form of intellectual combat. Board of Directors meetings are, to coin a phrase, a stadium for this intellectual combat. There, we pit our disparate ways of thinking against each other. Metaphorically speaking, we issue intellectual challenges to the Internal Directors, who are headed by the President. German philosopher Georg Wilhelm Friedrich Hegel used the term *Aufheben* to describe the dialectic concept of integrating opposing views into a higher conclusion. Though "issuing a challenge" may be a mischaracterization, Outside Directors can deepen the discussion and reach a higher level of solution by daring to ask questions and raise issues that may be perceived negatively. That is the first thing I am conscious of.

The second thing is determining whether the top executives' are exercising their power in a sound manner. President Fukai humbly listens to the opinions of Outside Directors like myself. I also appreciate his vigorous to communicate more closely with employees, such as his establishment of forum for discussing the establishment of the Purpose with younger and mid-level employees. That said, when you are in a position of power like he is, you cannot let your guard down. Management is like politics in that you move many people with words. A major theme in political science is preventing the abuse of power. The same is true of management. I am always keeping a close eye on whether executives use of power is sound.

Q2. What are your thoughts concerning the effectiveness of the Board of Directors?

The establishment of a governance structure is a never-ending effort, so I believe that we have no choice but to steadily proceed with reforms one step at a time. In that sense, I assess that steady progress is being made with the Bank's governance structure. Last fiscal year, we revised the criteria for the Board of Directors' agenda to allow more time for discussion of major management directions and policies. The results of this were the

Purpose established last November and the Mid-Term Business Plan that started this April. I believe both were made possible by the fact that the Board of Directors was able to engage in in-depth, free, and vigorous discussions from the conceptual stage.

Starting this year, Outside Director are provided reports based on the findings of an Outside consulting firm regarding the skills and assessments of each new

candidate for Directors and Executive Officers. I think this is a major feature of the Bank's governance structure. The weakness of Outside Directors is that we do not know the employees. On the other hand, the selection of Director candidates and the appointment of Executive Officers is one of the most important responsibilities of Outside Directors, so this is the most useful information we could receive.

The three Outside Directors are a former chairman

of Subaru, the president of an IT company, and myself. As this includes one woman, the diversity of our attributes is secure. However, diversity of outside members' attributes is not the only thing that matters. Diversification is meaningless if the way we think about things in discussions, our thinking styles, our values, and our experiences are not diverse. From this perspective, as well, the Bank's Outside Directors have been diversified both nominally and substantially.

Q3. What are your thoughts concerning the Bank's sustainability initiatives?

In response to the high expectations for banks to contribute to the realization of a sustainable society, the Bank issued the Gunma Bank Group SDGs Declaration, expressed our support for the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations, and established our philosophy as a bank. We are also engaged in sustainability through finance, such as the issuance of Sustainability Bonds and Sustainability Linked Loans. The Bank's commitment to sustainability is extraordinary, as evidenced by things such as its use of an "SDGs management indicators" as a KPI for performance-linked share remuneration as an incentive to encourage Internal Directors to take action.

This April, a Sustainability Committee chaired by the President was established. I believe it is very significant to have top management lead such progressive initiatives towards to a new era. For my part, I am interested in seeing how this committee will function practically in the future. I believe the key to our sustainability initiatives lies in the degree to which each and every executive and employee of the Group is aware of the importance of sustainability, and the extent they are able to translate this awareness into action. The Board of Directors is keeping a close eye on these initiatives and will give them a push on the back if necessary.

Q4. Last November, the Bank established "We use our strengths in connections to spin the threads of the future for local communities" as its Purpose. What are your thoughts concerning the Purpose?

I believe that the Bank has created a wonderful Purpose for itself that will go down in its history. There are three key points to this, as I see it. The first point is the content of the message. I think "Connections" expresses the function of finance in the most abstract and easy-to-understand terms possible. "Connections" also means that we will enhance the economic value of the Bank as it enhances the social value of the community. This is truly the righteous path for a regional bank. The second point is its memorability. Purpose is a concept that can only be realized when it is incorporated into an individual's behavior. As such, being easy to remember is important. The Bank's Purpose uses seven-and-five-syllable meter (in Japanese), which I feel gives it a rhythm that makes the phrase memorable. The third point is the process of the Purpose's enactment and realization. When establishing the Purpose, the Group solicited opinions on the Purpose from all of its executives and employees. After establishing the Purpose, it incorporated the Purpose into the setting of goals for each of them. I think it is rare to find a corporation that goes this far.

It is also important that the community understand the Purpose. If the Bank can thoroughly explain the

Purpose to local customers, it will gradually take root throughout the community, and the Bank's reputation in the community will likely increase.

