



Stewardship Activities Report 2021-2022

March 2022



年金積立金管理運用独立行政法人
Government Pension Investment Fund

For increasing long-term investment returns, GPIF will fulfill its stewardship responsibilities by promoting various activities to encourage long-term perspectives and the sustainable growth of investee companies and the whole capital market.

Investment Principles

March 26th, 2015

Revised: October 2nd, 2017

Last revised: April 1st, 2020

- [1] Our overarching goal is to contribute to the stability of the national pension system by securing the investment returns that it requires with minimal risk and from a long-term perspective, to the sole benefit of pension recipients.
- [2] Our primary investment strategy is diversification by asset class, region, and timeframe. While market prices may fluctuate in the short term, GPIF will take full advantage of our long-term investment horizon to achieve investment returns in a more stable and efficient manner, while simultaneously ensuring sufficient liquidity to pay pension benefits.
- [3] We formulate our overall policy asset mix and manage risks at the portfolio, asset class, and investment manager level. We utilize both passive and active management in order to achieve benchmark returns (i.e., average market returns) and seek untapped profitable investment opportunities.
- [4] We believe that sustainable growth of investee companies and the capital market as a whole are vital in enhancing long-term investment returns. In order to secure such returns for pension beneficiaries, therefore, we promote the incorporation of non-financial environmental, social, and governance (ESG) factors into the investment process in addition to financial factors.
- [5] In order to enhance long-term investment returns and fulfill our stewardship responsibilities, we shall advance various initiatives (including the consideration of ESG factors) that promote long-termism and the sustainable growth of investee companies and the capital market as a whole.

A large decorative graphic on the left side of the slide. It is a large triangle pointing to the right, composed of several overlapping geometric shapes. The top-left portion is light blue with a repeating star-like pattern. The bottom-left portion is a solid medium blue. The right portion is dark blue with a repeating Greek key pattern. The bottom-right portion is a lighter blue with a repeating Greek key pattern.

1. Stewardship & ESG Activities of GPIF

1. Main Topics for 2021-2022

Additional adoption of engagement-enhanced passive managers (page 12 and pages 36 to 37)

For passive investment models focusing on stewardship activities, we newly adopted two engagement-enhanced passive investment funds, Sumitomo Mitsui Trust Asset Management and Resona Asset Management in the fall of 2021. Japan's Stewardship Code indicates that passive managers should implement engagement activities more actively from a medium- to long-term perspective as it is critical for them to encourage investee companies to improve their corporate value given their limited options for selling shares. Accordingly GPIF actively implements engagement activities.

Commencement of assessment of stewardship activities by asset managers for fixed income investment in FY2022 (page 19)

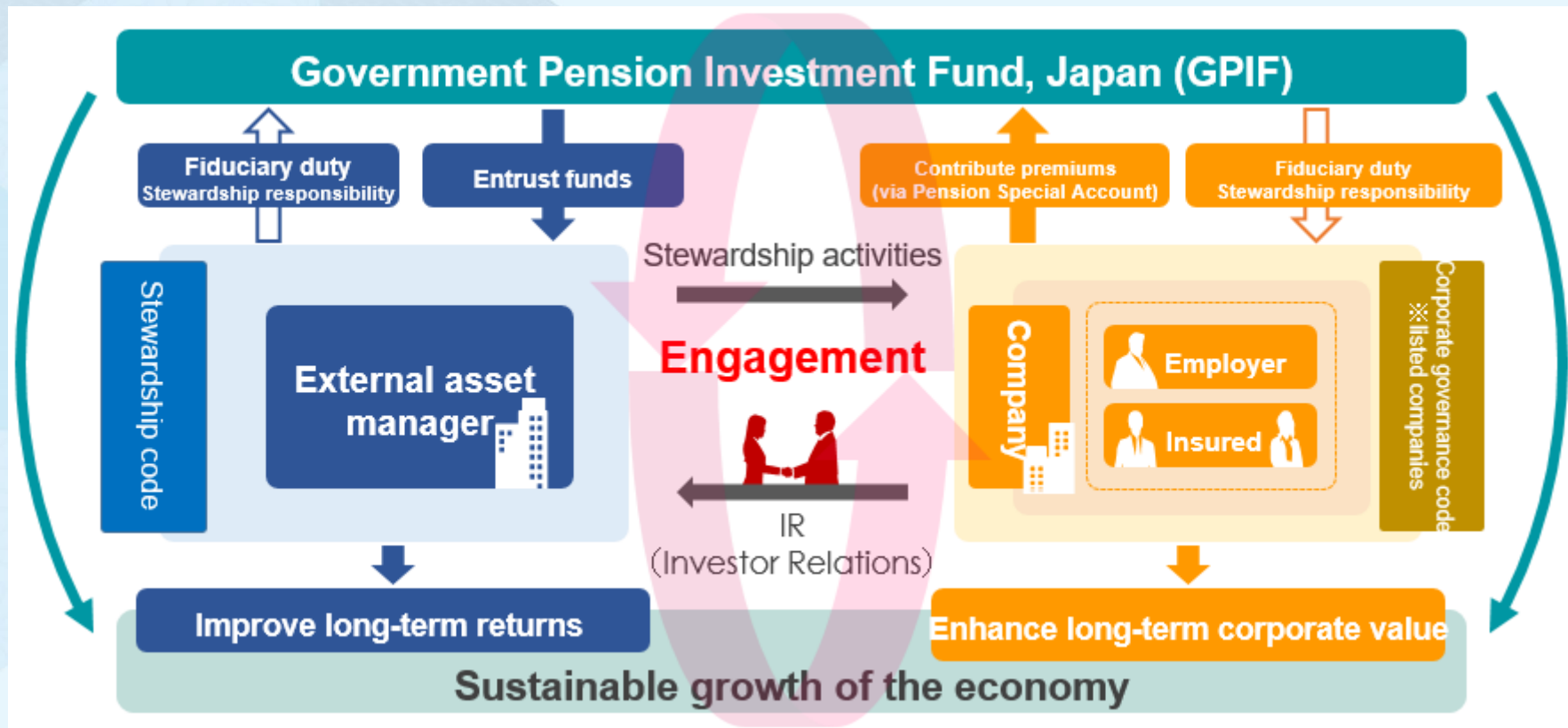
The second revision of Japan's Stewardship Code specified that the Code could be applied to investment in assets other than equity. Following this revision, GPIF had considered assessment of stewardship activities by external asset managers for fixed income investment. Subsequently GPIF determined that stewardship activities by external asset managers for fixed income investment would be assessed, in terms of their contribution to encouraging sustainable growth of investee companies and thus reducing credit risks, starting from the assessment in FY2022.

Expansion of "excellent disclosure" initiatives selected by asset managers (pages 23 to 25)

With the aim of improving corporate value, the Corporate Governance Code is considered as one wheel of a cart along with the Stewardship Code. This Code was revised in June 2021 to include the disclosure of non-financial information such as TCFD. GPIF believes that information disclosure is indispensable for dialogues between companies and investors. From this perspective, we publish the "Excellent Integrated Reports" selected by our asset managers every year. In FY2021, in addition to the corporate governance reports, we launched a similar initiative for TCFD disclosure.

2. Stewardship Activities for GPIF

GPIF is a **universal owner** with a very large fund size and a widely diversified portfolio, and a **cross-generational investor** designed as a part of a 100-year sustainable pension scheme. Given such features, prevention of activities that impede corporates' long-term growth as well as sustainability of the overall capital market is essential for us to secure our long-term investment returns. GPIF contributes towards the sustainable growth of the capital market through the following activities. As GPIF invests in equities and exercises voting rights through its external asset managers, **we promote constructive dialogues (engagement) between asset managers and investee companies, taking into consideration ESG factors that contributes to sustainable growth. Improvement of long-term corporate value will lead to growth of the overall economy, which will eventually enhance our investment returns. GPIF shall fulfill our stewardship responsibilities by promoting engagement and building a win-win environment in the investment chain.**



3. History of GPIF's Stewardship Activities

2014-16

May 2014
Accepted Japan's Stewardship Code.
Established "Policy to Fulfill Stewardship Responsibilities."

March 2015
Established "Investment Principles."
▶ "Stewardship activities in equity investment."

September 2015
Signed "Principles for Responsible Investment (PRI)."
▶ Enhanced initiatives for ESG.

July 2016
Established "Business and Asset Owners' Forum" and "Global Asset Owners' Forum."
▶ To exchange of opinions on stewardship, ESG, etc.

2017-19

June 2017
Established "Stewardship Principles" and "Proxy Voting Principles."
▶ Requested compliance from asset managers for equity investment.

August 2017
Endorsed the revised Japan's Stewardship Code.

October 2017
Partial revision to "Investment Principles."
▶ Stewardship activities including ESG-oriented initiatives were expanded to all assets.

November 2019
Partial revision to "Policy to Fulfill Stewardship Responsibilities."
▶ Focused on prevention of activities that impede long-term corporate growth to achieve sustainable growth of the overall markets.
▶ Contribute to sustainable growth of markets.

2020-22

February 2020
Partial revisions to "Stewardship Principles" and "Proxy Voting Principles."
▶ Requested compliance from managers of all domestic and foreign assets.

April 2020
Partial revisions to "Investment Principles"
▶ Following the revisions to the Basic Policy of Reserves, the revised Principle describes investments taking into consideration the sustainable growth of investee companies and the capital market as a whole as well as ESG.

June 2020
Endorsed the second revision to Japan's Stewardship Code.
Partial revision to "Policy to Fulfill Stewardship Responsibilities"
▶ Expanded the scope of subject assets to all domestic and foreign assets.
▶ Clarified consideration of ESG factors.

3. History of GPIF's Stewardship Activities

■ Status of participation in global initiatives



Joined in October 2018

A five-year initiative led by investors, established in September 2017. Via dialogues with companies that are significantly influential in formulating possible solutions to global environmental issues, it focuses on the improvement of climate change-related governance, initiatives for the reduction of greenhouse gas emissions, the enhancement of information disclosure, etc. **GPIF, as an asset owner, has also joined its Asia Advisory Group, which provides the steering committee with advice on the characteristics of the Asian region.**

Signatory of:



Signed in September 2015

Six principles advocated in 2006 by Mr. Annan, then Secretary General of the United Nations, which demand institutional investors to include ESG in the investment process.

Participated in Asset Owner Technical Advisory Committee, Global Policy Reference Group. Japan Network Advisory Committee. In the recent assessment, we were awarded A+ ratings for strategy and governance.



Joined the 30% Club in the U.K., and the Thirty Percent Coalition of the U.S. in November 2016. Joined the 30% Club in Japan in December 2019.

Established to seek diversity in boards of directors, with the aim of achieving 30% female directors.



Supported in December 2018

Established by the FSB (Financial Stability Board) at the request of the G20 Finance Ministers and Central Bank Governors Meeting. In June 2017, the TCFD published voluntary recommendations to encourage information disclosure on the financial impact of climate-related risks and opportunities to enable appropriate investment decisions by investors.



ICGN

International Corporate Governance Network

Joined in August 2019

An industry association established by institutional investors, focusing on improvement of corporate governance and encouragement of stewardship activities with the aim of promoting efficient markets and sustainable economy.



Joined August 2019

Established by a U.S. public pension fund with the aim of promoting shareholders' rights and corporate governance and collaborating in the U.S.

4. Stewardship Principles and Proxy Voting Principles

Stewardship Principles

Established on June 1, 2017
Revised on February 6, 2020

Government Pension Investment Fund (GPIF) requires its external asset managers (“asset managers”) to comply with the following principles. If an asset manager decides not to comply with any of the principles due to the characteristics of the assets in which it invests and/or its investment style, it is required to explain the rationale for its non-compliance to GPIF. In order to fulfill its own stewardship responsibilities, GPIF continuously monitors the stewardship activities of its asset managers, including their exercise of any voting rights, and proactively conducts dialogue (engagement) with them.

(1) Corporate Governance Structure of Asset Managers

- Asset managers should adopt Japan’s Stewardship Code.
- Asset managers should have a strong corporate governance structure. In particular, asset managers should develop a supervisory system through such measures as appointing outside directors with a high degree of independence in order to enhance their independence and transparency.
- Asset managers should commit sufficient internal resources to fulfill their stewardship responsibilities effectively.
- Asset managers should explain how their remuneration and incentive systems for their executives and employees are aligned with the interests of GPIF.

(2) Management of Conflicts of Interest by Asset Managers

- Asset managers should appropriately manage conflicts of interest (if the asset manager belongs to a corporate group, not only within asset manager but also within the group) in order to put the beneficiaries’ interests first. Asset managers should classify types of conflicts of interest into those related to financial/capital relationships and those related to business relationships. Asset managers should also develop and publicly disclose a policy for the management of conflicts of interest.
- Asset managers should manage conflicts of interest through measures such as establishing a third-party committee with a high degree of independence and disclosing information on such. When selecting committee members, asset managers should consider the candidates’ independence, experience and skill sets, among other factors.
- When exercising voting rights for companies with which they have a potential conflict of interest, such as their own company, their parent company or other group companies, asset managers should develop and disclose a process that removes arbitrariness and is in line with best practice in corporate governance and conflict of interest management, such as letting their third-party committee make voting decisions or examine the validity of their own decisions, or following the recommendations of a proxy voting advisor.

(3) Policy for Stewardship Activities, including Engagement

- Asset managers should develop and publicly disclose a stewardship policy, which should include their approach to engagement.
- Asset managers should ensure that their stewardship policy and activities contribute to long-term risk-adjusted returns rather than short-term outcomes. In addition, to support more effective stewardship activities, asset managers should consider formulating engagement objectives and plans.

- Asset managers should integrate stewardship and investment.
- Asset managers should proactively engage with index providers to promote the interests of beneficiaries. Such engagements should include participating in index providers’ consultations regarding the constituent stocks of indices, as these have a material impact on GPIF’s investment performance.
- Asset managers should engage with various stakeholders including regulators, stock exchanges, investee companies and index vendors, so as to improve the sustainability of the markets in which they and GPIF invest.
- Asset managers should take non-financial information into consideration when engaging with investee companies. Non-financial information should include (but not be limited to) the information contained within companies’ corporate governance reports and integrated reporting.
- If a company should decide not to comply with any of the principles established by relevant corporate governance codes of individual countries or equivalents but to explain their reasons for non-compliance, asset managers should engage with the company to understand their thought process and address the quality and detail of these explanations as necessary.
- GPIF expects asset managers of passive equity investment mandates to develop and effectively implement a corporate engagement strategy to promote the sustainable growth of the market.
- When using an engagement agency or third-party engagement service provider, asset managers should conduct proper due diligence prior to their selection and undertake continuous monitoring after selection.

(4) ESG Integration into the Investment Process

- GPIF believes that it is vital to integrate environmental, social and governance (ESG) factors into the investment process to increase corporate value and promote the sustainable growth of investee companies and the capital market as a whole, thereby contributing to long-term investment returns. Asset managers should consider the materiality of ESG issues in relevant sectors and the circumstances of individual investees and deal with those factors accordingly.
- Asset managers should determine which ESG issues they deem to be critical, specify goals that they would like to achieve as a long-term investor, and proactively engage with investee companies on these issues.
- Asset managers should become signatories of the Principles for Responsible Investment (PRI), and participate in other industry ESG initiatives.

(5) Exercise of Voting Rights

- Asset managers should exercise the voting rights relating to GPIF’s investments exclusively in the best interests of GPIF and its beneficiaries.
- In order to promote long-term corporate value at investee companies, asset managers should exercise voting rights in accordance with the GPIF Proxy Voting Principles as attached.
- When using a proxy voting advisor, asset managers should conduct proper due diligence prior to their selection. After selection, asset managers should continuously monitor service quality and engage with the proxy voting advisor as necessary (excluding cases where the objective is managing conflicts of interest in relation voting on their own shares (see section 2 above)).

4. Stewardship Principles and Proxy Voting Principles

Proxy Voting Principles

Established on June 1, 2017
Revised on February 6, 2020

○ In accordance with the GPIF's Stewardship Principles, GPIF's external asset managers ("asset managers") should exercise any and all voting rights in a manner consistent with their ongoing corporate engagements and other stewardship activities.

○ Asset managers should develop a proxy voting policy and guidelines that will contribute to the maximization of shareholders' long-term interests. Asset managers should publicly disclose their proxy voting policy and guidelines in order to make the basis for their voting decisions clear.

○ Asset managers should have sufficient communication with investee companies to inform their voting decisions and to ensure that all voting rights are exercised with thoughtful consideration.

○ Asset managers should give careful consideration to environmental, social and governance (ESG) issues when exercising voting rights, with the objective of enhancing investee companies' corporate value over the medium- to long-term.

○ Asset managers should apply careful due diligence when exercising voting rights on proposals that could undermine minority shareholders' interests as well as those that could protect minority shareholders' interests.

○ Asset managers should generally exercise voting rights in support of the Corporate Governance Codes established by the individual countries in which their investee companies are domiciled. When there is no such code or equivalent, asset managers should appropriately exercise voting rights in support of the internationally recognised standards that they require investee companies to follow.

○ If asset managers use a proxy voting advisory service to exercise voting rights, they should not mechanically follow the advisor's recommendations (excluding cases in which the objective is to manage their own conflicts of interest). In all cases, it will remain the sole responsibility of asset managers to exercise voting rights in the best interests of GPIF and its beneficiaries.

○ Asset managers should publicly disclose their entire voting record on an individual company and individual agenda item basis.

○ Asset managers should disclose the rationale for their voting decisions based on necessity and/or importance as appropriate.

○ Asset managers should explain the rationale for their voting decision in detail to investee companies upon request.

○ Asset managers should periodically review their voting records and conduct self-assessments.

○ Based on their self-assessments, asset managers should update their policies for the following year as necessary.

https://www.gpif.go.jp/en/investment/pdf/stewardship_principles_and_proxy_voting_principles.pdf

5. Initiatives for the Sustainable Growth of the Whole Capital Market

It is indispensable for GPIF as a cross-generational investor and a universal owner that the whole capital market grows in a sustainable manner. Prohibited from conducting in-house management of equity investment by the relevant law, GPIF invests and exercises voting rights through external asset managers. Therefore, GPIF promotes dialogues between its external asset managers and investee companies. GPIF believes that disclosure is important for both parties to conduct efficient dialogues. Particularly, disclosure of ESG information is likely to increase in importance as disclosure of non-financial information becomes more important going forward. GPIF has agreed to the purpose of JPX ESG Knowledge Hub, and participated as a supporter.

■ Participation in JPX ESG Knowledge Hub

- ESG Knowledge Hub was launched in November 2020 by JPX based on perspectives for encouraging ESG disclosures by listed companies. This platform aims at providing one-stop access to information that help to understanding ESG investments, and to making a community that connects listed companies, investors and related institutions in the future.
- The purposes of ESG Knowledge Hub is consistent with significance of GPIF's stewardship activities that is to encourage engagement between its external asset managers and investee companies taking into consideration ESG factors that contribute to sustainable growth. GPIF believes that the progress of ESG disclosure by listed Japanese companies will enhance the level of the Japanese stock market.
- GPIF agreed with the purpose of its establishment, and participated as a "supporter" from the beginning, with a qualification for participation as an investor and related organization. (As of now, there are approximately 50 supporters, consisting of domestic and overseas investors as well as related organizations including ministries and other government agencies.)
- GPIF, as an asset owner, will endeavor to promote constructive dialogues (engagement) taking into consideration ESG factors through its activities as a supporter.



(Overview of GPIF)

<https://www.jpx.co.jp/corporate/sustainability/esgknowledgehub/esg-investor/10.html>

(Practical Seminars for ESG Disclosure)

<https://www.jpx.co.jp/corporate/sustainability/esgknowledgehub/practical-disclosure-seminar/2020-104.html>

5. Initiatives for the Sustainable Growth of the Whole Capital Market

With 90% of our equity assets managed by passive managers, sustainable growth of the entire market is essential for GPIF. For that reason, we have been taking measures to enhance the stewardship activities by our passive managers. We started the adoption of passive investment models focusing on stewardship activities in 2018 and newly added two engagement-enhanced passive managers in the fiscal year.

■ Overview and points for selection of passive investment models focusing on stewardship activities

- With the aims of improving the overall market through stewardship activities and diversifying and enhancing how to approach stewardship activities, GPIF started to adopt passive investment models focusing on stewardship activities from 2018.
- In the selection of the model, we review their investment process and stewardship policies, as well as the entire business model including organizational systems and fee levels in order to implement such process and policies.
- In 2018, we adopted Asset Management One and FIL Investments (Japan) as stewardship-focused passive managers (see pages 34 and 35 for the overview).
- We received applications from several asset managers in the current fiscal year and newly adopted Sumitomo Mitsui Trust Asset Management and Resona Asset Management (see pages 36 and 37 for the overview).

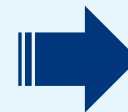
Key points for selection

<Setting of appropriate KPI>

- ✓ Medium- to long-term goals for engagement activities
- ✓ Annual plan for the achievement (Milestone)

<Engagement system and method>

- ✓ Organizations and persons in charge of stewardship activities
- ✓ Methods of engagement



Evaluation method after adoption

For evaluation going forward, the status of achievement of the KPI as indicated on the left and the milestone for the following fiscal year will be evaluated. GPIF will renew the contract based on this result.

6. Promotion of ESG Activities

Based on the concept that the sustainable growth of investee companies and the whole capital market will be required for the improvement of investment returns, GPIF promotes ESG activities. On the assumption that ESG activities will reduce risks, GPIF believes that the longer the investment horizon is, the greater the risk-adjusted return becomes improving.

■ Supporting status for the PRI and TCFD Recommendations

- In the Stewardship Principles, GPIF has stipulated “ESG integration into the investment process” and requires our external asset managers to sign the PRI. In the revision in February 2020, GPIF also requires our external asset managers to proactively participate in various ESG related initiatives.
- GPIF conducted a questionnaire survey and interviews with our external asset managers entrusted with equity and fixed-income investments, asking the status of their participation in initiatives such as PRI and TCFD recommendations. The status of support for the PRI and TCFD recommendations, as well as the status of their disclosure are outlined below. Participation in TCFD recommendations is an example of initiatives, to which an increasing number of Japanese companies have expressed their support.
- All external asset managers entrusted with equity, fixed-income, and alternative asset investments are signatories of the PRI.
- 90% of external asset managers have expressed their support for TCFD, including those who have supported TCFD in their corporate group as a whole. Many asset managers who have not expressed their support are currently under review.
- In the previous year, external asset managers which have already implemented disclosure in accordance with the TCFD recommendations accounted for 76% of TCFD supporter. However, some asset managers indicated last year that they were planning the disclosure soon, and they have indeed started disclosure. As a result, 84% of external asset managers have implemented disclosure during the current fiscal year. Since the majority of asset managers who have not implemented disclosure yet are also planning the disclosure in the future, the issue has shifted from whether they support TCFD to how they disclose during the past year. The disclosure status among asset managers continues to vary. Some issued independent publications such as a TCFD Report or Climate Report, and others posted their disclosure as a part of their sustainability report or similar publication. Also some asset managers posted announcement on their websites, or regarded the PRI reporting as their disclosure. This indicates that many asset managers are positive toward better disclosure in any way.
- In many cases TCFD disclosure is the engagement theme with investee companies. Therefore, knowledge and experience of disclosure by asset managers are likely to serve as reference and encouragement to corporate disclosure while sharing the present status.

6. Promotion of ESG Activities

■ Critical ESG issues listed by asset managers

- In the Stewardship Principles, GPIF states “ESG integration into the investment process.” Accordingly, GPIF conducted a questionnaire survey and interviews concerning “Critical ESG issues” selected by each external asset manager entrusted with equity investment as last year.
- The interview results have been published as “Critical ESG Issues listed by GPIF’s asset managers” on https://www.gpif.go.jp/en/investment/20220415_esg_issues_en.pdf.
- Please refer to pages 38 and 39 for “Critical ESG Issues” listed by GPIF’s asset managers entrusted with equity investment.
- Based on the results, GPIF ascertained why they highlighted such issues and how they engage with investee companies regarding these topics.
- GPIF also ascertained the “Critical ESG Issues” considered by each asset manager entrusted with fixed income investment (see page 40). Questions on fixed income investment were asked on the assumption of corporate bonds. For government and public bonds, GPIF received open answers if asset managers established critical ESG issues.
- In order to promote constructive dialogue between investee companies and investors, GPIF also asked investee companies their principle ESG themes in the “7th Survey of Listed Companies Regarding Institutional Investors’ Stewardship Activities” conducted in January 2022.

■ ESG integration

- As mentioned above, GPIF is committed to “ESG integration into the investment process” in the Stewardship Principles. In the Stewardship Activities Report 2019, GPIF stated “ESG integration across different investment styles” under the section of “Expectations and Challenges for External Asset Managers”.
- As a signatory to PRI, GPIF defines ESG integration in accordance with PRI’s definition as follows.

“ESG should be expressly and systematically incorporated in investment analysis and investment decisions.”

<Assessment of ESG Integration>

- From the comprehensive assessment (equity and fixed-income investments) conducted in 2019, GPIF included the assessment of ESG Integration as part of “Investment process.” ESG Policy, ESG data gathering and importance analysis, assessment of impact on the corporates/sectors, application to investment decisions, etc. are assessed in the management process.
- ESG-related engagement and exercise of voting rights are assessed as part of the “Stewardship Activities” as have been conducted to date.

7. Reinforcement of Engagement with Relevant Organizations

■ Engagement with external asset managers

- Regarding communication with external asset managers, GPIF has shifted from a one-way annual monitoring model to an “engagement” model, focusing on two-way communication and exchanging views on stewardship responsibilities, as stated in the “Summary Report of GPIF’s Stewardship Activities in 2016.” Accordingly, GPIF has called meetings and conducted surveys on particular themes or as required, in the form of stewardship meetings, etc., in addition to holding an annual assessment meeting.
- As in the previous year, almost all of our meetings were conducted online in 2021 due to the ongoing impact of the COVID-19 pandemic around the world. Online tools made increase the number of meetings and seminars hosted by asset managers as well as opportunities for dialogues and information exchanges with overseas asset managers. Since the number of unexercised votes temporarily increased in 2021 due to the system changes in the EU, GPIF changed its communication with external asset managers and custodians for more quick information gathering and response.
- We continued our successive dialogues with the management teams of external asset managers. It was extremely useful for us, in promoting mutual understanding, to exchange opinions with the management teams of external asset managers and relevant sections on the themes ranging from how asset management companies should be besides asset management and stewardship activities, future perspectives, to new ideas. Therefore, we will continue this dialogue in the future.
- GPIF hold briefings for external asset managers in addition to individual meetings when we establish new policies and implement significant changes. We focus on two-way communication by exchanging opinions and providing feedback in order to fully explain the background and concepts of these policies and changes, through Q&A sessions and follow-up questionnaires. In 2021, GPIF implemented engagement individually concerning our way of thinking and requirements for external asset managers. Additionally, GPIF held briefings for external asset managers as follows.

<Briefing for external asset managers>

- Briefing for external asset managers (February 2022)
GPIF explained the manager entry system, the adoption of investment consultants, performance-linked compensation, and assessment of stewardship activities of external asset managers for fixed income investment, and exchanged opinions.

7. Reinforcement of Engagement with Relevant Organizations

■ Engagement with external asset managers (continued)

<Request for disclosure of the details of proxy voting records>

In the Proxy Voting Principles, GPIF asks our external asset managers to publicly disclose proxy voting records for each investee company. The following are asset managers for domestic equities who have already disclosed them publicly. It should be noted, however, that the frequency and details of the disclosure vary depending on each asset manager, and GPIF will continue to conduct engagement for the improvement of disclosure.

[Asset managers that have publicly disclosed the details of proxy voting records (GPIF's external asset managers for domestic equities)]

- ✓ Asset Management One
<http://www.am-one.co.jp/company/voting/>
- ✓ Invesco Asset Management (Japan)
<http://www.invesco.co.jp/footer/proxy.html>
- ✓ Capital International (Capital International, Inc.)
<https://www.capitalgroup.com/advisor/jp/ja/proxy-voting.html>
- ✓ Schroders Investment Management (Japan)
<http://www.schroders.com/ja-jp/jp/asset-management/about-schroders/proxy-voting/>
- ✓ Nikko Asset Management
<http://www.nikkoam.com/about/vote/results>
- ✓ Nomura Asset Management
http://www.nomura-am.co.jp/special/esg/responsibility_investment/vote.html
- ✓ Nomura Asset Management (Dimensional Fund Advisors LP)
<https://us.dimensional.com/about-us/investment-stewardship>
- ✓ FIL Investments (Japan)
<https://www.fidelity.co.jp/about-fidelity/policies/investment/voting>
- ✓ BlackRock Japan
<https://www.blackrock.com/jp/individual/ja/about-us/important-information/voting>
- ✓ Sumitomo Mitsui DS Asset Management
https://www.smd-am.co.jp/corporate/responsible_investment/voting/report/
- ✓ Sumitomo Mitsui Trust Asset Management
<http://www.smtam.jp/company/policy/voting/result/>
Mitsubishi UFJ Trust and Banking
https://www.tr.mufg.jp/houjin/jutaku/about_stewardship.html
- ✓ Lazard Japan Asset Management
https://www.lazardassetmanagement.com/jp/ja_jp/references/sustainable-investing
- ✓ Russell Investments Japan
(Russell Investments Implementation Services, LLC.)
<https://russellinvestments.com/jp/legal/proxy>
- ✓ Resona Asset Management
<https://www.resona-am.co.jp/investors/giketuken.html>

Note: Names in parentheses indicate subcontractors.
URLs are based on information as of March 1, 2022.

7. Reinforcement of Engagement with Relevant Organizations

■ Assessment of “Stewardship Activities” by asset managers for equity investment

- A comprehensive assessment of asset managers is conducted through qualitative assessment while taking into consideration quantitative achievements.
- Approximately 90% of GPIF’s equity is passively managed, and GPIF invests in a wide range of listed companies. For the improvement of returns for GPIF, the sustainability of the entire market is crucial. Therefore, we believe that it is critical for passive managers to implement engagement activities, which would encourage investee companies to increase their corporate value and the sustainable growth of the entire market from the long-term perspectives.
- In the May 2017 revision to Japan’s Stewardship Code, the importance of dialogue in passive investment is clarified, and the possibility of collaborative engagement is also referred to as a means of dialogue. Furthermore, in the second revision of the Stewardship Code published in March 2020, “consideration of sustainability consistent with investment management strategies (medium- to long-term sustainability including ESG factors)” was added to the definitions of the Stewardship Responsibilities. Thus, ESG to fulfill stewardship responsibilities has been growing increasingly important.
- The second revision clarifies the expectations for Stewardship activities with consideration of ESG factors, particularly its significance in passive investment. GPIF highly evaluates asset managers who fulfill stewardship responsibilities more effectively if the preconditions are similar.
- With respect to Stewardship activities, passive managers are assessed in terms of their contribution to the sustainable growth of the market, whereas active managers are assessed in terms of their contribution to increasing shareholder value of the investee companies in the long run.

Weight	Equity passive	Equity active
Investment policy, investment process, organization, human resources, etc.	70%	90%
Stewardship responsibilities	30%	10%
Viewpoints of assessment of stewardship activities	Contribution to the sustainable growth of the market	Contribution to increasing shareholder value of the investee companies in the long term
Base for the assessment	(Common to both passive and active) Stewardship Code, GPIF’s Stewardship Principles and Proxy Voting Principles	

7. Reinforcement of Engagement with Relevant Organizations

■ Assessment of “Stewardship Activities” by asset managers for equity investment (continued)

- Since the introduction of the Stewardship Code in 2014, the stewardship activities of asset managers have been formalistically well organized. Following the second revision of the Stewardship Code, GPIF changed the assessment system of initiatives for stewardship responsibilities to an assessment system for more substantial activities, and a new assessment system has been adopted since a comprehensive assessment system began in 2020.
- Our focus is on the following points; also we exchange opinions on how asset managers are working on stewardship activities. We also refer to information obtained from external providers.
 - ✓ Framework (organizations, management of conflicts of interest)
 - ✓ Endorsement status of Japan’s Stewardship Code and the Principles for Responsible Investment (PRI)
 - ✓ Stewardship activities (policy, initiatives, implementation of engagement)
 - ✓ ESG activities including responses to their critical ESG issues listed by GPIF’s asset managers
 - ✓ Exercise of voting rights (topics, cases where judgments are divided among external asset managers, process of judgments on exercising shareholder proposals, etc.)
 - ✓ Responses to GPIF’s Stewardship Principles and Proxy Voting Principles in disclosing the details of proxy voting records, etc.
- In cases we acknowledge concerns about governance of external asset managers, such as conflicts of interest, through reports and interviews, we communicate our concerns and engage in various opportunities, aiming to alleviate such concerns.

7. Reinforcement of Engagement with Relevant Organizations

■ Assessment of “Stewardship Activities” for Other Assets

<Fixed income investment>

- The scope of assets under the Stewardship Responsibilities was expanded to all assets in accordance with the revised UK Stewardship Code which took effect in January 2020 (“The UK Stewardship Code 2020”). Furthermore, it was explicitly stated in the second revision of Japan’s Stewardship Code revised in March 2020 (hereinafter, “Revised Code”) that other assets are also applicable, while the assets subject to assessment had been assumed to be Japanese listed equities. Accordingly, it seems that the stewardship activities of fixed-income investors will make further progress.
- In response to the second revision to Japan’s Stewardship Code, GPIF made changes to expand the scope of assets subject to the “Policy to Fulfill Stewardship Responsibilities” from equity to all assets including fixed income in June 2020, and has been considering methods for the assessment of external asset managers for fixed income investment. As part of such initiatives, GPIF conducted a questionnaire survey on stewardship activities by external asset managers for fixed income investment in 2020. In the survey, GPIF ascertained the current measures on overall stewardship activities by external asset managers, including the status of implementation of engagement activities, as well as their future plans and challenges.
- Based on the above, it was determined that stewardship activities by external asset managers for fixed income investment will be assessed starting from FY2022 in terms of their contribution to encouraging the sustainable growth of investee companies and thus reducing credit risks.
- At this stage, it is hard to say that evaluation methods for individual engagement have been established. Therefore, assessment of stewardship activities will be conducted in terms of “organization and human resources” only, by assessing the status of development of organizations and human resources for stewardship activities, including policies and systems such as stewardship policies and management of conflicts of interest.
- Our focus is on the following points; we also exchange opinions and make assessments on the status of the development of organizations and human resources to implement stewardship activities by external asset managers.
 - ✓ Framework (organizations, management of conflicts of interest)
 - ✓ Endorsement status of Japan’s Stewardship Code and the Principles for Responsible Investment (PRI)
 - ✓ Policy for Stewardship Activities
 - ✓ Response to the GPIF’s Stewardship Principles (applicable items), etc.

7. Reinforcement of Engagement with Relevant Organizations

■ Assessment of “Stewardship Activities” for Other Assets (continued)

<Alternative assets>

- Alternative assets (infrastructure, real estate, private equity) are an asset class in which asset managers may have an impact directly on ESG activities of investee companies. As a result, mainly global investors focusing on ESG has been increasing when selecting investment managers. GPIF has placed an emphasis on stewardship responsibilities and the initiatives for ESG as critical points of evaluation since we started call for application of investment managers in April 2017.
- After selecting investment managers, GPIF requests them to submit “ESG Report” on a regular basis, based on which GPIF assesses in the comprehensive assessment their initiatives for stewardship responsibilities including the factors mentioned below. As the fund of funds type investment has been currently adopted in alternative investment, we exchange opinions concerning how the gatekeepers and managers of fund of funds implement stewardship activities.
 - ✓ Framework (organizations, management of conflicts of interest, etc.)
 - ✓ Endorsement status of the Principles for Responsible Investment (PRI)
 - ✓ Stewardship activities including ESG (policy, initiatives, implementation of engagement, and response to ESG issues according to the characteristics of the assets)
- In March 2020, GPIF, as a real estate investor member, joined “GRESB*,” an initiative providing a benchmark for ESG (Environmental, Social, and Governance) in real estate and infrastructure investments. In assessing external asset managers, GPIF also ascertains the status of their use of GRESB.
- While all investment managers are signatories to the PRI at the level of gatekeepers or fund of funds managers, not all managers at the level of investee funds are necessarily so.
- When choosing investment destination, both gatekeepers and fund of funds managers confirm ESG activities of investee. After appointment, they conduct engagement with investee, including encouragement of the establishment of ESG policies.

* Outline of GRESB

GRESB is an initiative established in 2009 mainly by European pension funds and provides ESG benchmarks for real estate and infrastructure investments. GRESB assesses the initiatives and achievements of ESG investments by real estate companies and real estate funds on an annual basis. In the annual assessment for 2021, more than 1,500 real estate companies and funds participated, and the amount of the subject real assets including infrastructure reached approximately 6.4 trillion dollars. More than 140 institutional investors use the assessment results to select investee companies, to conduct monitoring and engagement as investor members.



GRESB® and the related logo are trademarks owned by GRESB BV and are used with permission.

7. Reinforcement of Engagement with Relevant Organizations

Over 80% of GPIF's assets are passively managed. Although indices function as critical factors directly linked to performance, GPIF and other participants of the investment chain failed to allocate sufficient resources to select indices. Recognized such problem, GPIF not only implements engagement with index providers concerning their index governance systems but also promotes initiatives such as direct agreements to fund indices.

■ Engagement with index providers

- In passive investment, the important factor of success is benchmark selection, rather than the degree of investment skill. However, asset owners including GPIF have not exerted much efforts for selecting benchmarks considering the importance of benchmarks. With that in mind, GPIF partially introduced the "Index Posting System" in FY2019 with the aim of effectively gathering information on various indices in order to enhance our overall fund management.
- GPIF has implemented due diligence and engagement, as we have gradually acknowledged the significance of assessment of index providers' organization structure as well as governance system when selecting benchmarks such as ESG index. Specifically, GPIF strictly examines the relationships between stakeholders (shareholders and major customers) and rating agencies/index providers, their decision-making processes (whether they have independent committees, what they discussed), and whether they engage in any businesses that are likely to fall under conflicts of interest, such as consulting services for companies. GPIF believes index providers should be responsible for establishing solid governance systems and implementing decision-making from the investor-oriented point of view, according to their increasing presence year after year. Meanwhile, the "Technical Committee for ESG Rating and Data Providers, etc." has been established under the FSA's Expert Panel on Sustainable Finance, and discussions have been promoted with regard to expected codes of conduct for ESG rating and data providers, which are becoming increasingly important as ESG investment has been growing.
- Furthermore, GPIF, as an asset owner, has proactively participated and provided opinions in the consultation meetings held by index providers and ESG rating agencies when they consider changes in the index methodologies and ESG assessment methodologies. GPIF encourages external asset managers to give similar attention.
- GPIF has been considering reviewing our contract style with index providers while enhancing our commitment to indices. We believe that the alignment with not only index providers but also passive managers would be reinforced if the index license fee is directly borne by GPIF.

8. Initiatives for Promoting Dialogues between Asset Managers and Investee Companies

■ Survey of companies listed on the 1st Section of the Tokyo Stock Exchange

- GPIF conducted our first survey of JPX-Nikkei Index 400 companies in January 2016 with the aim of assessing the stewardship activities of external asset managers and understanding the actual situations of “constructive dialogue” (engagement). Since the third survey in 2018, we expanded the subjects to companies listed on the TSE’s first section, in order to gain direct feedback from a wide range of companies. In January 2022, we conducted the seventh survey.
- In the sixth survey in January 2021, 681 companies responded (accounting for 31.2%). The survey questions were as follows: (1) Evaluation concerning stewardship activities of GPIF’s asset managers; (2) Actual status concerning “constructive dialogue” (engagement); (3) Changes in the past one year; (4) IR and ESG activities of investee companies; and (5) GPIF’s initiatives.
The results of the survey are available here: https://www.gpif.go.jp/en/investment/summary_report_of_the_6th_survey.pdf

■ Business and Asset Owners’ Forum

- The Forum was established based on a proposal to establish a “platform for continuous and constructive dialogue between GPIF, an asset owner, and companies,” which we received from several companies including OMRON Corporation, Eisai Co., Ltd., and Nissan Motor Co., Ltd. The first forum was held in September 2016.
- Participated by 10 companies including three lead organizer companies and five asset owners.
[Participating companies]
<Lead organizers> Eisai Co., Ltd., OMRON Corporation, Nissan Motor Corporation
<Other companies> Asahi Group Holdings, Ltd., JFE Holdings, Inc., Shiseido Co., Ltd., TOTO Ltd., Nippon Telegraph and Telephone Corporation, Hitachi, Ltd., Mitsubishi Chemical Holdings Corporation
[Asset Owners]
Federation of National Public Service Personnel Mutual Aid Associations, Pension Fund Association for Local Government Officials, National Federation of Mutual Aid Association for Municipal Personnel, Promotion and Mutual Aid Corporation for Private Schools of Japan, Government Pension Investment Fund (GPIF).
- We decided not to hold the meeting in 2020 and 2021 due to the COVID-19 pandemic.
- An outline of the discussion is provided as feedback to GPIF’s external asset managers and overseas asset owners.

8. Initiatives for Promoting Dialogues between Asset Managers and Investee Companies

Disclosure is an extremely important for investors in conducting dialogues with investee companies. Each year, GPIF asks external asset managers to nominate companies that have created excellent integrated reports and the most-improved integrated reports and announces the results. In 2021, in addition to integrated reports, GPIF announced the companies with excellent TCFD disclosure for the first time. In light of the revision of the Corporate Governance Code, GPIF also announced the companies that have created excellent corporate governance reports.

■ “Excellent Corporate Governance Report” selected by GPIF’s asset managers entrusted with domestic equity investment

- The Corporate Governance Code was revised on June 1, 2021. Corporate governance reports that reflected this revision of the Code were submitted toward the end of December 2021.
- As in the case of integrated reports, the disclosure of corporate governance reports is extremely important. Therefore, with the aim of encouraging investors to utilize the reports, GPIF asked asset managers entrusted with domestic equity investment to nominate up to five companies that have created excellent corporate governance reports with superior content based on the revision of the Code by specifying such content. GPIF compiled the results and announced them in March 2022.
- In addition, GPIF asked asset managers to provide “messages to companies about what they expect from the companies and what they want to discuss through engagement” in relation with the description of corporate governance reports.
- GPIF’s asset managers entrusted with domestic equity investment named a total of 44 companies for their “excellent corporate governance reports.” The following companies were highly evaluated by four or more respondents as publishers of “excellent corporate governance reports.”

○ “Excellent Corporate Governance Reports”

- ✧ **MARUI GROUP CO., LTD.** **Six asset managers**
- ✧ **Sekisui House, Ltd.** **Four asset managers**
- ✧ **Tokio Marine Holdings, Inc.** **Four asset managers**

* Please visit following website for the details including principal comments of the asset managers (Note: Japanese version only)

https://www.gpif.go.jp/esg-stw/20220315_corporate_governance_report.pdf

8. Initiatives for Promoting Dialogues between Asset Managers and Investee Companies

■ “Excellent Integrated Reports” and “Most-improved Integrated Reports” selected by GPIF’s asset managers entrusted with domestic equity investment

- GPIF considers integrated reports to be important tools of constructive dialogue for improving corporate value, and believes they are instrumental for interactive engagement between external asset managers and investee companies.
- Therefore, since 2016 GPIF has requested external asset managers for domestic equities to nominate companies that have created excellent integrated reports, with the aim of encouraging companies to start creating or enhancing integrated reports, as well as encouraging investors to utilize them. For the sixth year, GPIF requested asset managers to nominate up to 10 “excellent integrated reports” and 10 “most-improved integrated reports” in December 2021. GPIF compiled the results and announced them in February 2022.
- GPIF also asked asset managers to point out “the items that they consider particularly important or for which they expect further details in the integrated report” for the first time.
- We received positive feedback from companies, such as “the management began to pay more attention to the integrated reports,” “Found more active collaboration among relevant staff and departments,” “Raised awareness of the integrated reports within the company,” “Observed PR effects through the company website and social media,” “Helps us to prepare our next integrated reports,” to name a few.
- Backed by the heightened awareness from the business side, we will continue this initiative as a tool to make dialogues between investee companies and asset managers more useful.

○ Excellent Integrated Reports

GPIF’s asset managers for domestic equities named a total of 77 companies for their “excellent integrated reports.” The following companies were highly evaluated by four or more respondents as publishers of “excellent integrated reports.”

- | | | |
|---|--|--|
| ◇ Hitachi, Ltd.
Five asset managers | ◇ Mitsubishi UFJ Financial Group, Inc.
Five asset managers | ◇ OMRON Corporation
Four asset managers |
| ◇ RICOH COMPANY, LTD.
Five asset managers | ◇ Tokio Marine Holdings, Inc.
Five asset managers | ◇ ITOCHU Corporation
Four asset managers |

○ Most-improved Integrated Reports

GPIF’s asset managers entrusted with domestic equity investment named a total of 100 companies for the “most-improved integrated reports.” There were no reports that were highly evaluated by four or more respondents as publishers of the “most-improved integrated reports.”

* Please visit following website for the details including principal comments of the asset managers
https://www.gpif.go.jp/en/investment/excellent-most-improved-Integrated-reports_2021_01.pdf

8. Initiatives for Promoting Dialogues between Asset Managers and Investee Companies

■ “Excellent TCFD Disclosure” selected by GPIF’s asset managers entrusted with equity investment

- The Corporate Governance Code revised in June 2021 stipulates that “companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.”
- Examples of companies that have provided TCFD disclosure ahead of others are useful for other companies that will implement TCFD disclosure in the future. As TCFD is a common global disclosure framework, it is considered meaningful to refer to the examples of overseas companies. Therefore, GPIF asked asset managers of domestic and foreign equity investment for the first time to nominate companies that have provided “excellent TCFD disclosure.”
- GPIF asked asset managers entrusted with equity investment to nominate up to five companies that provided “excellent TCFD disclosure,” and also to each nominate up to three companies that provided “excellent disclosure of (1) governance, (2) strategy, (3) risk management, and (4) metrics and targets,” respectively. GPIF compiled the results and announced them in March 2022.
- TCFD has been a topic in discussions for international disclosure standards and its significance is expected to further increase going forward. Since TCFD disclosure will likely become indispensable for global companies in the future, GPIF will continue to announce the results of selection of “excellent TCFD disclosure.”

○ Excellent TCFD Disclosure (Japanese companies)

GPIF’s asset managers entrusted with domestic equity investment named a total of 27 companies for their “excellent TCFD disclosure.” The following companies were highly evaluated by four or more respondents as publishers of “excellent TCFD disclosure.”

- | | |
|--|--|
| ◇ Kirin Holdings Company, Limited Eight asset managers | ◇ Mitsubishi UFJ Financial Group, Inc. Five asset managers |
| ◇ RICOH COMPANY, LTD. Five asset managers | ◇ Hitachi, Ltd. Four asset managers |

Please visit the website at right for details, including the principal comments of the asset managers https://www.gpif.go.jp/en/investment/20220408_excellent_TCFD_disclosure_en.pdf

○ Excellent TCFD Disclosure (overseas companies)

GPIF’s asset managers entrusted with foreign equity investment named a total of 34 companies for their “excellent TCFD disclosure.” The following companies were highly evaluated by multiple respondents as publishers of “excellent TCFD disclosure.”

- | | | |
|---|---|---|
| ◇ BHP GROUP LTD
Two asset managers | ◇ ENI SPA
Two asset managers | ◇ TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD
Two asset managers |
| ◇ CEMEX SAB-CPO
Two asset managers | ◇ EQUINOR ASA
Two asset managers | |

Please visit following website for the details, including the principal comments of the asset managers

https://www.gpif.go.jp/en/investment/20220323_excellent_TCFD_disclosure_en.pdf

9. Enhancing Collaboration with Stakeholders and Relevant Organizations

■ Enhancing collaboration with stakeholders and relevant organizations

<Collaboration with stakeholders>

September 2021: Attended “Meeting with President of GPIF,” hosted by Keidanren

<Collaboration with Global Asset Owners>

[Global Asset Owners’ Forum]   

- Established as a forum for continuous exchange of opinions to further fulfill our stewardship responsibilities with the aim of utilizing mutual knowledge with foreign public pension funds, etc. The first conference was held in Tokyo in November 2016. GPIF, CalPERS and CalSTRS served as co-organizers.
- Members except for co-organizers include the following (as of March 2022):
[USA] Florida State Board of Administration, The Regents of University of California, The World Bank; [Canada] bcIMC, OTPP;
[Europe] NBIM, APG, PGGM, AP2, ERAFP, USS; [Singapore] GIC; [Australia] HESTA
- We decided not to hold the conference in 2020 and 2021 due to the COVID-19 pandemic.

<Participation in meetings organized by ministries>

[Ministry of Foreign Affairs] The Round Table for Promoting Implementation of the Sustainable Development Goals (SDGs) – Mr. Miyazono, President, participated as a member.

<Presentations at various seminars and international conferences (since last reported)>

- February 2021: “Stewardship Study Group” hosted by the Japan Investment Advisers Association
- March 2021: “ESG Subcommittee” hosted by Global Compact Network Japan
- June 2021: PRI “The COP26: Investor Action on Climate Series”
- September 2021: Symposium for the Project to Think About the Future of Asset Management Companies
- October 2021: “TCFD Summit 2021” hosted by the Ministry of Economy, Trade and Industry
- October 2021: Tokyo Sustainable Finance Forum
- November 2021: Lecture hosted by the Securities Analysts Association of Japan

(Reference) PRI and SDGs

Addressing social issues will lead to the creation of business opportunities and investment opportunities.



Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest. (Principles 4 through 6 are omitted.)

GPIF's initiative:
Participate in various PRI committees such as the Asset Owner Technical Advisory Committee.



GPIF's initiative:
Mr. Miyazono, President, participated in the Round Table for Promoting Implementation of the SDGs hosted by the Japanese government.

(Source: Created by GPIF based on information from the United Nations, etc.)

A large decorative graphic on the left side of the slide, composed of overlapping geometric shapes in various shades of blue. The shapes include triangles and polygons, some filled with a repeating geometric pattern of small stars or hexagons, and others with a solid color or a different repeating pattern like a Greek key.

2. Stewardship Activities by GPIF's External Asset Managers, and Issues to be Addressed

1. GPIF's View on Current Status of External Asset Managers

<Stewardship Activities on Equity Investment>

- ❑ The overall quality has been improved as observed in both activities and speed of actions of each asset manager. In addition to their company-wide commitments, in the case where an asset manager belongs to a financial group, the group as a whole has further committed itself to stewardship and ESG, which implies that such commitment has become a focal point of business.
- ❑ During the past few years in particular, an increasing number of asset managers have set new purposes, thus promoting their ongoing corporate initiatives by incorporating them into stewardship and other activities.
- ❑ More external asset managers, both in passive and active investment, have developed new policies for engagement and ESG, for which asset managers now implement organizational initiatives. Reviews of the policies are also implemented periodically. During the past year, their initiatives have gone more in depth by taking actions corresponding to changes in the business environment, including the consideration of changes in the market environment such as the enactment of the revised Corporate Governance Code and the review of market segments, as well as change in significance of ESG issues amid the COVID-19 pandemic.
- ❑ In stewardship reports, some asset managers established and disclosed their stewardship activity plans from medium- to long-term perspectives, including specific priority and other activities planned for several years ahead, while others presented best practices for governance. Meanwhile, other external asset managers send letters to investee companies as a tool to communicate their views and a chance to start dialogues with the management. It is critical to continue monitoring how they implement these plans in the engagement platforms.
- ❑ Along with these initiatives which are put into practice, the level of awareness of GPIF's Stewardship Principles and Proxy Voting Principles seems to have increased among external asset managers for equity investment.
- ❑ In the past a few years, some passive and also active managers have established and enhanced a designated department in charge of stewardship activities. Full-fledged efforts toward stewardship activities and more organized efforts throughout the year can be observed. In addition, more asset managers are working to strengthen their systems by appointing co-heads in charge of stewardship activities, responsible investment, ESG, and sustainability.
- ❑ As mentioned above, while active managers also implement engagement activities, their definitions of engagement and their actions vary depending on their organizational structures and investment styles. Some managers have a designated department in charge of their stewardship activities including engagement, while others do not. As for the former case in particular, cooperation between investments and stewardship activities are properly established. For the latter case, we think that asset managers should more focus on commitment of the fund manager, and who takes leadership initiatives and how they are taken, in order to design more organized activities.

1. GPIF's View on Current Status of External Asset Managers

<Stewardship Activities on Equity Investment (continued)>

- ❑ While stewardship activities and engagement are promoted mainly by relatively experienced members given the characteristics of the operations, more asset managers are working to establish sustainable teams by involving younger members and members with diverse backgrounds.
- ❑ All asset managers for domestic and foreign equities answered that they have taken measures for ESG issues. With respect to managers for domestic equities, some have taken further measures for “E (environment)” and “S (social)” issues, compared to the past. Some active managers for domestic equities have also taken further measures for “E (environment)” and “S (social)” issues, in addition to proactive engagement concerning “G (governance)” issues. Some other asset managers implement dialogues concerning ESG in their engagement with small-and medium-sized companies.
- ❑ There are cases where asset managers have solely or jointly established research centers on sustainable investment, etc.
- ❑ We believe that integrated reports and corporate governance reports are primary tools for interactive communication in implementing engagement upon measures for ESG issues as well as engagement. While we are fully aware that asset managers have been moving forward on their use of those tools, we expect analysts and fund managers, in addition to specialists in stewardship and ESG, to use these reports further. As it is expected that TCFD and other new disclosures, as well as integrated reports, will expand globally in the future, how to utilize such disclosures will become increasingly important in investment and engagement.
- ❑ Some managers including Japanese asset managers are promoting reform measures of not only investee companies but also the entire investment chain, by submitting public comments to overseas regulatory authorities, proactively engaging with stock exchanges and index providers.
- ❑ Japanese asset managers participate in joint initiatives such as CA100+ more proactively than foreign asset managers. As a whole, more and more asset managers joined global initiatives, using them as platforms to gain expertise and conduct joint engagements.
- ❑ It is observed that more asset managers, both in passive and active investment, have participated in joint initiatives even though they had previously focused on engagement solely by themselves. However, the status of use of engagement varies among asset managers. GPIF will continue to ascertain how they actually use the collaborative engagement going forward.
- ❑ Some asset managers not only participated in joint initiatives but also worked together from the establishment phase. The Net Zero Asset Managers initiative, launched in December 2020, comprises GPIF's five asset managers (one Japanese and four overseas asset managers) as founding members. As one of the most expanded joint initiatives during the past year, 236 external asset managers participated in it as of the end of December 2021. As the majority of our external managers participate in this initiative, they explained their future strategic plans and asked about the GPIF's approach.

1. GPIF's View on Current Status of External Asset Managers

<Exercise of Voting Rights>

- ❑ Depending on the case, we positively assess asset managers when they exercised their voting rights in a way that is not necessarily pursuant to voting policies but in line with their activities or actual situations as a result of engagement. As we consider voting along with engagement, we expect them to take measures that will contribute to enhancing long-term corporate value. There have also been some asset managers who send out strong messages in voting policies and utilize them for engagement.
- ❑ In the announcement of the results of exercising individual voting rights by asset managers for domestic equities, there were obvious differences in timing, frequency and items of disclosure, which we found inappropriate for dialogues with companies towards next year's general meeting of shareholders. Many asset managers, however, made quarterly disclosures so that the announced results would be of use in the dialogue after the general meeting of shareholders. While the disclosure of voting guidelines and voting results by Japanese asset managers tends to be more enhanced, some active foreign asset managers have started to provide direct feedback on voting results from the person in charge to their investee companies and communicated in writing the results and reasons for opposing an investee company's proposal. Meanwhile, some asset managers for foreign equity investment expressed their approval or disapproval of the voting decision in advance as part of their engagement escalation strategy.
- ❑ In the case where external asset managers for domestic equities oppose an investee company's proposal, all of them disclose the reasons for such decision. While responses to shareholder proposals vary, the reasons for exercising voting rights for approval and/or opposition are disclosed. Some asset managers implement their own ideas by flagging investee companies such as business partners in the Group in which conflicts of interest are likely to take place, and provide more detailed explanations than usual. Other asset managers disclose the reference on their stewardship and exercise of voting rights. Some foreign asset managers of equity investments voluntarily disclose the result of exercise of voting rights.
- ❑ When asking their investees to increase independent external directors as well as diversity, some asset managers for domestic equities allowed an almost one-year grace period from the announcement of change in voting policy before taking effect, in order to inform them of the change and implement engagement. Each asset manager elaborated their own methods of engagement and exercising voting rights.
- ❑ Both asset managers for domestic and foreign equities use proxy advisory firms. The majority of them use these firms in order to collect information, outsource administrative services concerning exercising of voting rights, and manage conflicts of interest in exercising voting rights for their own company, parent company and the Group companies. Only a small number of cases used the recommendations of advisory firms for the exercise of voting rights of the investees other than those requiring management of conflicts of interest. Even when using proxy advisory firms, GPIF asks external asset managers subject to engagement activities to develop a system to make final decisions by themselves, taking into account the status of engagement and the contents of proposals. GPIF uses the results of recommendations provided by ISS and Glass Lewis for analysis after the General Meeting of Shareholders.
- ❑ Regarding voting instruction errors, administrative errors made by custodians, and unexercised votes, we have asked asset managers and custodians to take appropriate measures, considering the importance of exercising voting rights. In 2021, GPIF developed a monitoring system for rejected and unexercised votes. We also requested asset managers to provide explanations and conduct engagement.

2. External Asset Managers' Governance Structures and Management of Conflicts of Interest with their Parent Companies, etc.

[Issues carried over from the previous year]

- ✓ While third-party committees are established in all Japanese asset managers for equity investment, there are some cases in which the status of holding committee meetings are hardly visible from outside, and where the targets subject to the management of conflicts of interest are extremely limited. The involvement in voting also varies largely depending on external asset managers. Given changes in some organizations, it may be necessary to verify the facts and conduct a review in order to make it more effective in the future.
 - ✓ Since there has been progress in the management of conflicts of interest and the development of voting guidelines, we believe that it is important to make revisions according to the actual situation and utilize them appropriately for practical purposes.
 - ✓ Responses to management proposals or shareholder proposals to their own company or the group companies including their parent company.
- In recent years, at Japanese asset managers for equity investment, organizational segregation aimed at preventing conflicts of interest between the investment division and other divisions has been promoted, including by way of company split and integration of the investment division. In a case where the split division was organized as a separate company, various initiatives are quickly put into practice under the leadership of the top of the organization. Some asset managers appointed a leader of the organization and officers from outside of the company. All Japanese asset managers for equity investment have already organized proper governance structures, including the election of outside directors and the establishment of a third-party committee comprised mainly of outside directors. The focus has now shifted to their effectiveness and improvement, if necessary.
 - The compensation schemes for executives and employees of external asset managers ultimately reflect their position within the Group, the relationship with a parent company, and their corporate culture, which suggests the importance of the compensation scheme and the incentive system.
 - While we found some asset managers having challenges in identifying investees to be managed in terms of conflicts of interest, in responding to misconduct when it occurred in the parent company and the group companies, and in responses including exercise of voting rights, a certain level of improvement has been observed in the responses to exercise of voting rights to parent company and the group companies.
 - Meanwhile, it was revealed that some foreign asset managers have no organizational segregation or no visible scheme to prevent conflicts of interest, which indicates that some foreign asset managers has no solid basis as expected, even though they are generally well regarded. Some asset managers, however, sought to strengthen management on the assumption that conflicts of interest would occur in a wide range of entities, including all discretionary investment customers and their parent companies. We also hope that transparency will improve.
 - It is confirmed that management of conflicts of interest in voting and voting guidelines are formalistically well organized.
 - However, given an increase in the number of shareholder proposals to both Japanese and foreign asset managers, their parent company and the group companies, we found there are some cases in which the current rules for decision processes of shareholder proposals are unable to function to the fullest. While some asset managers have already changed their decision processes, GPIF will continue to demand other asset managers make improvements as one of their future challenges.

3. Engagement by Passive Managers and Proper Exercise of Voting Rights

[Issues carried over from the previous year]

- ✓ Establishment of passive investment models focused on stewardship activities, and verification of the effectiveness of the appointed funds.
- ✓ New proposals for business models of passive investment focused on stewardship activities.
- ✓ Exercise of voting rights and its disclosure in accordance with the purpose of the GPIF's Proxy Voting Principles.
- ✓ Implementation of engagement in an effective manner of the passive investment in foreign equities.

- For passive investment models focusing on stewardship activities, we adopted two additional funds in FY2021 (See pages 36 and 37 for details) after adopting two funds in FY2018 (See pages 34 and 35 for details). Both funds were adopted as engagement-enhanced passive funds.
- All passive managers for equities have established a designated department in charge of engagement with investee companies from the perspective of enhancing long-term corporate value, and are developing and reinforcing necessary systems. We found a growing number of cases in which departments in charge of stewardship activities and ESG collaborate with sector analysts and fund managers in engagement.
- Some passive managers for domestic equities have been conducting dialogues in accordance with the engagement enhancement plan and policies. Many of them addressed a wide range of themes in engagement by utilizing external and/or proprietary data on ESG and creating ESG ratings by their own criteria.
- Meanwhile, when asset managers use proxy advisory firm for the purpose of managing conflicts of interests, we seek improvements in their usage in order to achieve their intended goals.
- In the passive investment of foreign equities, some asset managers conduct engagement efficiently and effectively by using frameworks of collaborative engagement such as PRI and Climate Action 100+ in addition to their internal resources. Other managers also proactively participate in collaborative engagement by serving in the role of lead manager, etc.

3. Engagement by Passive Managers and Proper Exercise of Voting Rights

- Characteristics of the four engagement-enhanced passive funds adopted as passive investment models focusing on stewardship activities

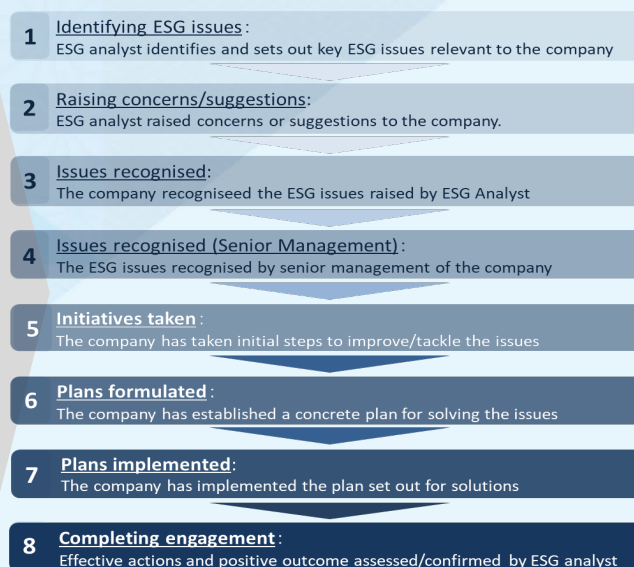
<Asset Management One>

- Establish 20 ESG issues, and clarify the direction of engagement by showing the Challenges (locating problems), Goals (building models to be realized) and Action (company's activities). Implement engagement based on each issue at target companies.
- Establish 8-level milestones, and periodically report GPIF the progress of engagement from the establishment of issues to their solutions.
- While some new issues have been established, 80% of them reached the engagement milestones of specific action stages, such as initiatives taken, plans formulated, and plans implemented, as of the end of December 2021, indicating steady progress.
- Most of the engagement agenda for which issue was solved in 2019 were governance-related issues, and just more than half of the solved issues in 2020 were ESG issues such as CSR/ESG management and CSR procurement, whereas most of the solved issues in 2021 were climate change-related issues and some related to digital transformation were also solved, which had been set as an additional issue in 2020. This result indicates steady progress.

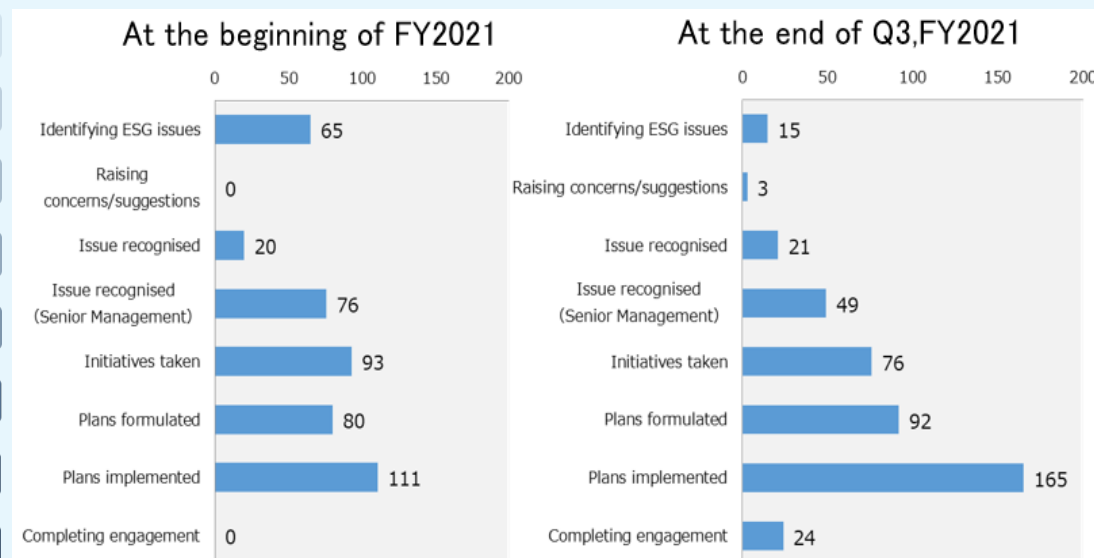
20 ESG Issues

E	E1: Climate Change
	E2: Deforestation
	E3: Water Resource Management
	E4: Biodiversity
	E5: Waste & Pollution
	E6: Resource & Energy Management
S	S0: Diversity
	S1: Human Rights
	S2: Labor Practices/Health & Safety
	S3: Product Liability & Safety
G	G0: Board Governance & Accountability
	G1: Capital Efficiency
	G2: Takeover Defense Measures
ESG	G3: Risk Management
	ESG1: CSR/ ESG Management
	ESG2: Corporate Misconduct
	ESG3: Regional Revitalization
	ESG4: CSR Supply Chain Management
ESG5: Digital Transformation (DX)	

On Engagement Milestones (8 steps)



Engagement Progress



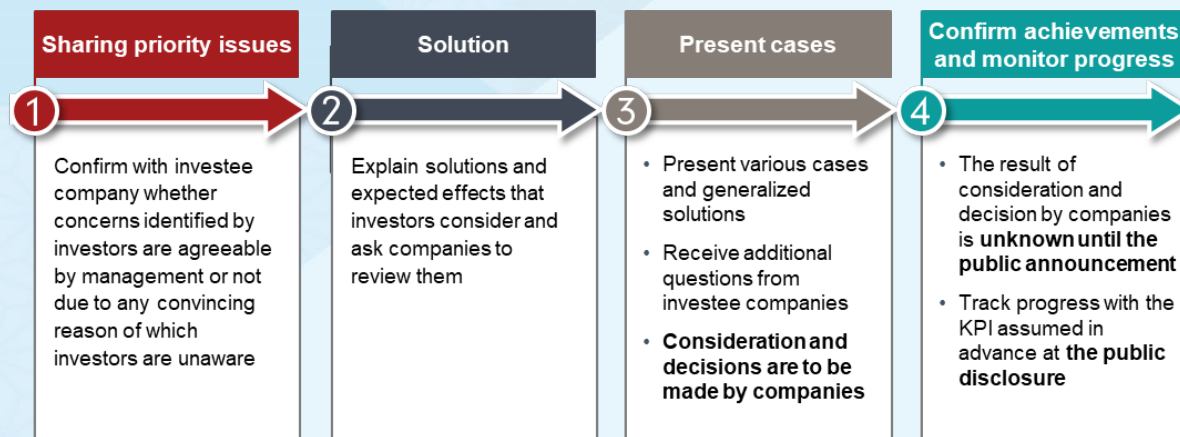
3. Engagement by Passive Managers and Proper Exercise of Voting Rights

- Characteristics of the four engagement-enhanced passive funds adopted as passive investment models focusing on stewardship activities

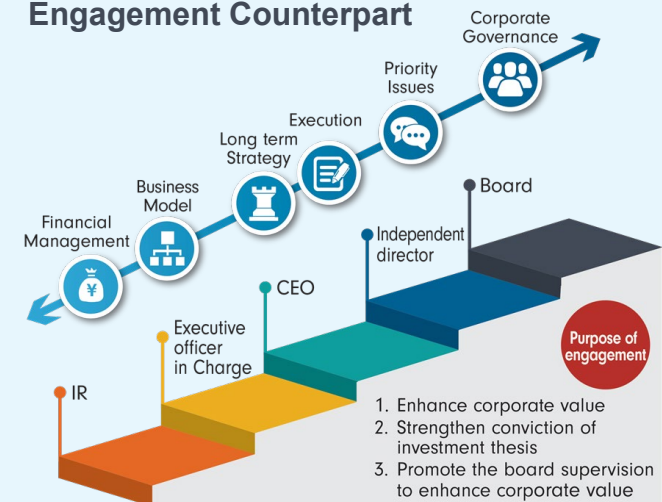
<FIL Investments (Japan)>

- With the expertise of analysts of active investment, efficiently increase β by encouraging large-cap companies to reform their mindset. In order to improve corporate value, identify the agenda of engagement and engage with companies, by which profitability and growth capability will be improved caused by strong competitiveness.
- Specifically, narrow the subject companies for engagement by such conditions as (1) market capitalization of one trillion yen or more; and (2) corporate value is expected to improve by 50% or more, to implement engagement with large caps which are likely to have significant impacts on market capitalization.
- The status of progress is managed using three indicators of input, output and outcome, and is periodically reported to GPIF.
- Progress was observed in almost all subject companies. As a result of dialogues with a wide range of internal and external parties including top management, officers and outside directors, we observed some kind of “Output” (an action taken by the company) in 80% of the companies. Virtuous cycles that take advantage of the characteristics of passive management have been observed, whereby engagement continues mutually in an ongoing pursuit for best practice even after the initial issue has been resolved.
- In 2021, FIL Investments (Japan) also verified the effects of engagement through an external organization from an academic standpoint.

Four Steps of Engagement



Engagement Counterpart



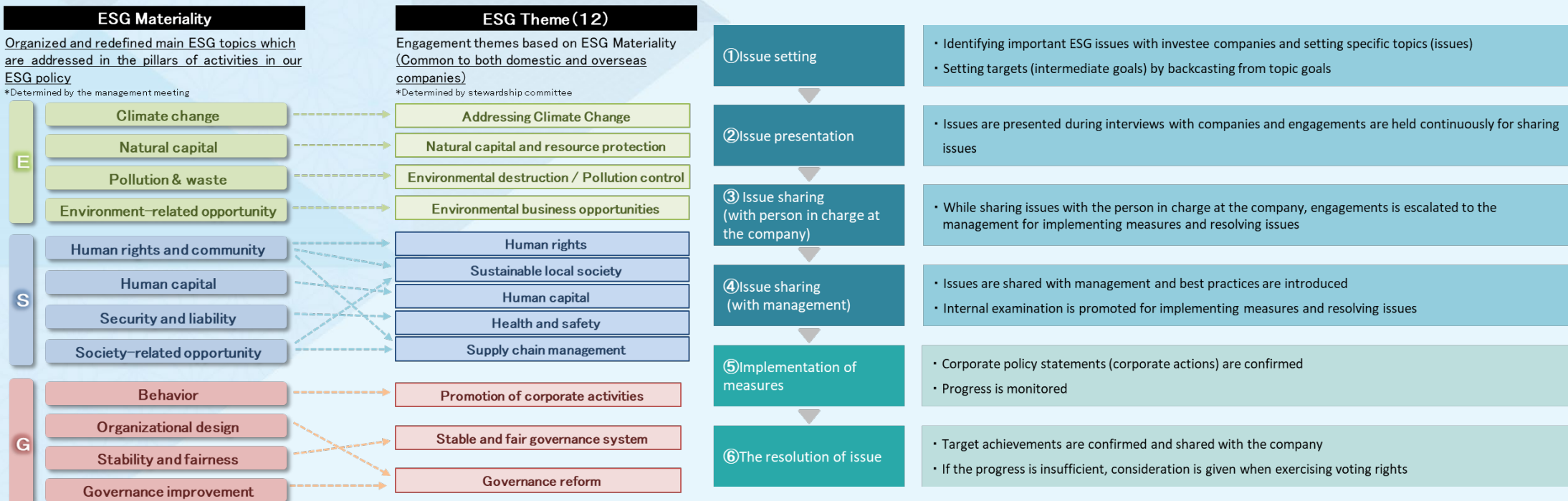
3. Engagement by Passive Managers and Proper Exercise of Voting Rights

➤ Characteristics of the four engagement-enhanced passive funds adopted as passive investment models focusing on stewardship activities

The following fund was adopted in the fall of 2021.

<Sumitomo Mitsui Trust Asset Management>

- Engagement is promoted through the commitment and active participation of the top management. Issues are set for “ESG 12 Theme” and 27 priority activity items selected based on ESG Materiality. Targets (medium-term goals) for each investee company are set by backcasting from the goals (long-term goals) for specific ESG Theme, and engagement is implemented with the aim of achieving the targets.
- In addition to engagement with investee companies, activities through various initiatives are carried out and engagement is implemented targeting a wide range of stakeholders including market participants in order to increase the probability of achieving such targets.
- By setting milestones in six stages, the status of progress in engagement activities from issue setting to the resolution of issues is reported to GPIF periodically.



3. Engagement by Passive Managers and Proper Exercise of Voting Rights

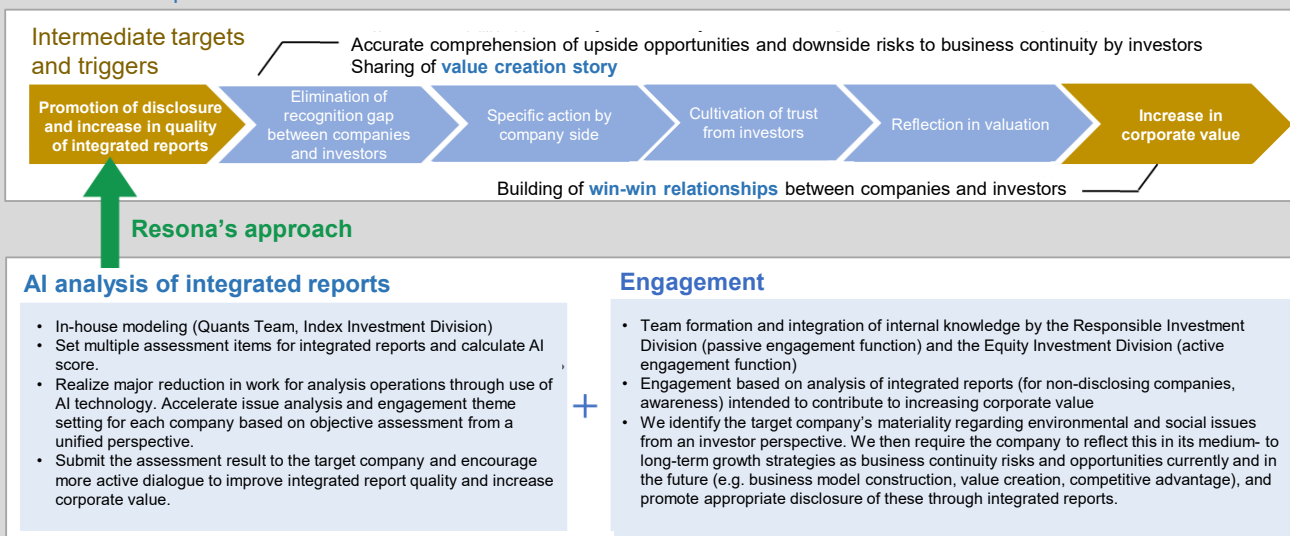
- Characteristics of the four engagement-enhanced passive funds adopted as passive investment models focusing on stewardship activities

The following fund was adopted in the fall of 2021.

<Resona Asset Management>

- Engagement starts with an analysis of the current status of the integrated report. In the analysis of integrated reports using in-house AI technology, the focus points of integrated reports are set as evaluation items and scored in order to identify issues.
- Engagement managers provide feedback on AI evaluation scores and dialogue on the value creation story of the target company, and promote the improvement of corporate value triggered by the improvement of non-financial information disclosure (integrated report).
- Milestones aiming to improve corporate value are set for each target company, and both the progress of engagement activities from issue setting to issue solving and changes on the above-mentioned AI assessment score over time are regularly reported to GPIF.

Path toward corporate value increase



Quantitative assessment score of integrated reports (AI)

Item	Company A	Company B	Company C	Company D	Company E
Total score	71.67	70.64	68.57	68.43	68.38
Values	76.23	56.59	66.22	65.26	66.13
Purpose	80.76	52.56	64.71	63.49	63.51
Vision	70.28	67.58	67.06	64.06	71.15
Mission	65.09	53.91	64.05	64.41	63.24
Value	81.32	47.68	63.38	64.21	60.07
Governance	64.32	71.54	63.73	65.28	68.80
Governance framework	61.55	64.16	62.99	58.00	58.76
Skills matrix	60.63	65.30	68.70	59.52	72.38
Continuity of directors	64.13	60.84	60.45	63.72	72.31
Director compensation	65.01	64.58	58.20	66.94	73.14
Diversity	56.06	70.69	65.14	66.15	61.21
Sustainability committee	67.19	80.43	57.14	63.01	63.11
Business models	66.59	63.35	60.61	59.18	56.54
Analysis of business environment	62.78	60.76	56.62	56.86	56.04
Identification and evaluation of key risks and opportunities	55.92	61.59	60.80	59.92	56.65
Identification of social issues and management issues	65.97	62.29	55.67	56.75	56.70
Determining materiality	72.70	61.48	58.74	55.24	60.52
Corporate strategy and capital allocation	61.76	60.88	65.49	65.24	51.81
Building medium- to long-term plans	65.49	64.64	62.30	58.93	50.78
KPIs	70.15	76.71	73.15	73.39	72.32
Financial performance	68.76	76.35	71.73	72.07	71.75
Non-financial KPIs and acceptability	65.78	65.37	66.02	65.24	71.80
Cost of capital, ROE and ROIC	69.18	79.56	73.92	74.98	66.38

Source: "Path toward corporate value increase" and "Quantitative assessment score of integrated reports (AI)" are from Resona Asset Management Stewardship Report 2021/2022, etc.

4. Critical ESG Issues

[Issues carried over from the previous year]

- ✓ Critical ESG issues are recognized by asset managers, and the status of implementation of engagement should be surveyed.
- ✓ Disclosure by investors on critical ESG issues.

- In the Stewardship Principles, GPIF stipulates that asset managers should consider ESG factors and that they should proactively engage with investee companies on critical ESG issues. Accordingly, the following issues were identified as material ESG issues among asset managers for equities. (The table below represents the issues pointed out by all asset managers (the underlined issues represent those pointed out for the third year straight) whereas the table in the following page shows the issues pointed out by more than 50% of asset managers.)
- With regard to passive managers that hold investees' stocks as long as they are included in indices, we have found that all asset managers for domestic and foreign equities recognized that "climate change" was a material ESG issue, and that they considered long-term issues such as E (environmental) and S (social) including diversity and supply chain as extremely critical ESG issues. Some passive managers utilized external insights (NGOs, etc.) while others adopted a top-down approach and conducted reconstruction of materiality to establish ESG issues.
- Among active managers whose primary holding periods are approximately several months to a few years, the material ESG issues for domestic equity managers were different from those for foreign equity managers. While all foreign equity managers considered "climate change" as critical, all domestic equity managers considered "board structure & self-evaluation," "minority shareholder rights" and "disclosure" as critical, which indicates that domestic equity managers continued to recognize G (governance) as the more critical ESG issue.
- In this survey, the percentage of both domestic and foreign passive equity managers who considered "biodiversity" as a material ESG issue increased.

<Critical ESG issues in passive/active investments as listed by all asset managers>

		Passive	Active
Domestic equities	2021	<u>Climate Change, Misconduct, Disclosure, Supply Chain, Diversity, Corporate Governance</u>	<u>Board Structure & Self-evaluation, Minority Shareholder Rights, Disclosure</u>
	2020	<u>Climate Change, Misconduct, Disclosure, Supply Chain, Diversity</u>	<u>Board Structure & Self-evaluation, Minority Shareholder Rights</u>
	2019	<u>Climate Change, Misconduct, Disclosure</u>	<u>Board Structure & Self-evaluation, Minority Shareholder Rights</u>
Foreign equities	2021	<u>Climate Change, Diversity, Disclosure, Supply Chain</u>	<u>Climate Change</u>
	2020	<u>Climate Change, Diversity, Disclosure, Supply Chain</u>	<u>Climate Change</u>
	2019	<u>Climate Change, Diversity, Others (social), Disclosure</u>	<u>Climate Change</u>

4. Critical ESG Issues

“Critical ESG Issues” as pointed out by more than 50% of passive/active asset managers(*) are listed below. If an asset manager for Japanese equities is entrusted to both active and passive mandates, it is counted as the one with larger amount of mandate entrusted by GPIF.

(*) The percentage shown below represents the ratio of the number of managers which selected the relevant issue to the number of active/passive asset managers

<Passive managers of domestic equities>

Climate Change	100%
Corporate Governance	100%
Disclosure	100%
Supply Chain	100%
Diversity	100%
Misconduct	100%
Board Structure & Self-evaluation	83%
Minority Shareholder Rights	83%
Capital Efficiency	83%
Human Rights & Community	83%
Biodiversity	83%
Waste Management	67%
Environmental Opportunities	67%
Other (Social)	67%
Health and Safety	67%
Water Stress & Water Security	67%
Product Liability	67%
Deforestation	67%
Anti-corruption	67%

<Active managers of domestic equities>





Board Structure & Self-evaluation	100%
Minority Shareholder Rights	100%
Disclosure	100%
Supply Chain	88%
Climate Change	88%
Capital Efficiency	88%
Diversity	75%
Misconduct	75%
Human Rights & Community	75%
Waste Management	75%
Corporate Governance	63%
Environmental Opportunities	63%
Other (Governance)	63%
Pollution & Resources	63%
Labor Standards	63%

<Passive managers of foreign equities>

Climate Change	100%
Supply Chain	100%
Disclosure	100%
Diversity	100%
Corporate Governance	75%
Other (Social)	75%
Health and Safety	75%
Board Structure & Self-evaluation	75%
Water Stress & Water Security	75%
Other (Governance)	75%
Other (Environment)	75%
Deforestation	75%
Risk Management	75%
Biodiversity	75%

<Active managers of foreign equities>

Climate Change	100%
Supply Chain	86%
Disclosure	86%
Corporate Governance	86%
Other (Social)	86%
Health and Safety	86%
Board Structure & Self-evaluation	86%
Human Rights & Community	86%
Social Opportunities	71%
Diversity	57%
Water Stress & Water Security	57%
Environmental Opportunities	57%
Capital Efficiency	57%
Minority Shareholder Rights	57%
Labor Standards	57%

	... E (Environmental)
	... S (Social)
	... G (Governance)
	... A multiple themes of ESG

Issues pointed out by all managers are shown in red.

Percentage indicates the ratio of managers that selected the issue.




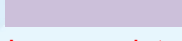
4. Critical ESG Issues

- GPIF also asked asset managers entrusted with fixed-income investment about critical ESG issues considered from the viewpoint of corporate bond investors. The results are listed below.

The issues pointed out as “critical ESG issues” by more than 50% of asset managers* of each asset under management are listed below.

(*) The percentage shown below represents the ratio of the number of managers which selected the relevant issue to the number of active/passive asset managers.

<Domestic bonds>		<Foreign bonds>	
Disclosure	100%	Climate Change	95%
Climate Change	93%	Corporate Governance	70%
Corporate Governance	79%	Health and Safety	70%
Board Structure & Self-evaluation	64%	Supply Chain	65%
Supply Chain	57%	Pollution & Resources	65%
Diversity	57%	Human Rights & Community	65%
Environment Opportunities	57%	Labor Standards	65%
Misconduct	57%	Anti-corruption	60%

	... E (Environmental)
	... S (Social)
	... G (Governance)
	... A multiple themes of ESG

Issues pointed out by all managers are shown in red.

Percentage indicates the ratio of managers that selected the issue.

Note: See the following website for “Critical ESG Issues”

https://www.gpif.go.jp/en/investment/20220415_esg_issues_en.pdf

A large decorative graphic on the left side of the slide, composed of overlapping geometric shapes in various shades of blue. The shapes include triangles and polygons, some filled with a repeating geometric pattern of small stars or hexagons, while others are solid colors.

3. Expectations & Challenges for External Asset Managers and GPIF's Action Plans Going Forward

Expectations and Challenges for External Asset Managers

- ✓ **Integrate GPIF's Stewardship Principles and Proxy Voting Principles in their operations at all levels throughout their organizations**
- ✓ **Enhance the governance. Formulate and review effective measures to prevent conflicts of interest**
- ✓ **Collaborate between investment and stewardship activities**
- ✓ **Propose and establish models for passive investment focusing on stewardship activities**
- ✓ **Practice ESG integration across different investment styles**
- ✓ **Implement engagement activities based on new ESG issues that take into account environmental changes and contribute to enhancing corporate value**
- ✓ **Promote engagement strategy in accordance with the stages of investee companies**
- ✓ **Integrate ESG issues and engagement on proxy voting principles**
- ✓ **Stewardship activities in fixed income investments**
- ✓ **Implement stewardship activities in line with messages to investee companies (consistency of speech and action)**
- ✓ **Improve the quality of disclosure**
 - Disclosure of voting principles and the results of exercise of voting rights
 - Disclosure in line with TCFD Recommendation
 - Disclosure of critical ESG issues (materiality)

GPIF's Action Plans Going Forward

- ✓ **"Enhance engagement" with external asset managers focusing on two-way communication**
 - Assessing the compliance status of GPIF's Stewardship Principles and Proxy Voting Principles
 - Checking the governance systems of external asset managers
 - Conducting dialogues with each internal position from the top management to persons in charge, according to themes
 - Conducting dialogues with third-party and other committees as required
 - Checking new ESG issues that contribute to enhancing corporate value
 - Recognizing challenges relating to engagement subject companies. Sharing their evaluation among the investment team and stewardship team
- ✓ **Establish passive investment models focusing on stewardship activities**
- ✓ **Take further consideration on the evaluation method of ESG integration**
- ✓ **Examine evaluation methods of stewardship responsibilities in fixed income investment**
- ✓ **Conduct joint researches with external organizations on the measurement of achievement and effects of engagement including ESG**



Status of Exercise of Shareholders' Voting Rights

(from April 2021 to June 2021)

Status of Exercise of Shareholder Voting Rights in FY2021 (April to June 2021)

1. Domestic Equities

(1) Exercise of voting rights by external asset managers

All external asset managers (29 funds) exercised their voting rights.

(2) Exercise of voting rights by type of proposal

(Total number of proposals)

Proposals	Proposals pertaining to company organization					Proposals pertaining to Director remuneration, etc.				Proposals pertaining to capital policy (excluding items pertaining to changes to the articles of incorporation)			Proposals pertaining to changes to the articles of incorporation	Poison Pill (Rights Plan)		Other proposals	Total	
	Appointment of Directors	Of which, appointment of Outside Directors	Appointment of Statutory Auditors	Of which, appointment of Outside Statutory Auditors	Appointment of Accounting Auditors	Director remuneration	Director bonuses	Director retirement bonuses	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, transfer of business, company split, etc.		Warning type	Trust type			
Total number of voting rights exercised	129,855	47,561	12,268	8,157	446	5,214	894	642	1,126	10,171	54	488	4,213	385	1	109	165,866	
Management proposals	Total	129,390	47,415	12,252	8,149	446	5,177	894	642	1,126	10,072	0	488	3,157	385	1	105	164,135
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
	Approved	115,615	41,956	10,839	6,776	446	4,806	760	91	951	9,959	0	483	3,062	17	0	84	147,113
		(89.4%)	(88.5%)	(88.5%)	(83.2%)	(100.0%)	(92.8%)	(85.0%)	(14.2%)	(84.5%)	(98.9%)	(0.0%)	(99.0%)	(97.0%)	(4.4%)	(0.0%)	(80.0%)	(89.6%)
Opposed	13,775	5,459	1,413	1,373	0	371	134	551	175	113	0	5	95	368	1	21	17,022	
	(10.6%)	(11.5%)	(11.5%)	(16.8%)	(0.0%)	(7.2%)	(15.0%)	(85.8%)	(15.5%)	(1.1%)	(0.0%)	(1.0%)	(3.0%)	(95.6%)	(100.0%)	(20.0%)	(10.4%)	
Shareholder proposals	Total	465	146	16	8	0	37	0	0	0	99	54	0	1,056	0	0	4	1,731
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	25	19	8	5	0	5	0	0	0	17	12	0	85	0	0	2	154
		(5.4%)	(13.0%)	(50.0%)	(62.5%)	(0.0%)	(13.5%)	(0.0%)	(0.0%)	(0.0%)	(17.2%)	(22.2%)	(0.0%)	(8.0%)	(0.0%)	(0.0%)	(50.0%)	(8.9%)
Opposed	440	127	8	3	0	32	0	0	0	82	42	0	971	0	0	2	1,577	
	(94.6%)	(87.0%)	(50.0%)	(37.5%)	(0.0%)	(86.5%)	(0.0%)	(0.0%)	(0.0%)	(82.8%)	(77.8%)	(0.0%)	(92.0%)	(0.0%)	(0.0%)	(50.0%)	(91.1%)	

- Notes:
- * Figures in parentheses represent percentages for each proposal. The total percentage may not add up to 100 due to rounding.
 - * There were no cases of non-exercise. "Opposed" figures include five abstentions.
 - * Resolutions of J-REIT general meetings of investors are included above.

Status of Exercise of Shareholder Voting Rights in FY2021 (April to June 2021)

2. Foreign Equities

(1) Exercise of voting rights by external asset managers

All external asset managers (22 funds) exercised their voting rights.

(In some cases, voting rights were not exercised in the subject countries for institutional reasons, etc.)

(2) Exercise of voting rights by type of proposal

(Total number of proposals)

Proposals	Proposals pertaining to company organization			Proposals pertaining to Director remuneration, etc. Proposals pert				Proposals pertaining to capital policy (excluding items pertaining to changes to the articles of incorporation)			Proposals pertaining to changes to the articles of incorporation	Warning-type poison pill	Other proposals		Total	
	Appointment of Directors	Appointment of Statutory Auditors	Appointment of Accounting Auditors	Director remuneration	Director bonuses	Director retirement bonuses	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, transfer of business, company split, etc.			Approval of financial statements and statutory reports	Other proposals		
Total number of voting rights exercised	82,081	3,126	9,322	18,242	94	36	4,054	6,690	4,088	6,418	5,156	133	9,098	34,883	183,421	
Management proposals	Total	80,971	2,813	9,271	18,061	92	35	4,049	6,676	4,088	6,395	4,829	130	9,098	31,769	178,277
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
	Approved	66,131	2,302	8,182	14,382	84	13	2,728	6,658	3,914	4,947	4,515	85	8,854	27,097	149,892
		(81.7%)	(81.8%)	(88.3%)	(79.6%)	(91.3%)	(37.1%)	(67.4%)	(99.7%)	(95.7%)	(77.4%)	(93.5%)	(65.4%)	(97.3%)	(85.3%)	(84.1%)
Opposed	14,840	511	1,089	3,679	8	22	1,321	18	174	1,448	314	45	244	4,672	28,385	
	(18.3%)	(18.2%)	(11.7%)	(20.4%)	(8.7%)	(62.9%)	(32.6%)	(0.3%)	(4.3%)	(22.6%)	(6.5%)	(34.6%)	(2.7%)	(14.7%)	(15.9%)	
Shareholder proposals	Total	1,110	313	51	181	2	1	5	14	0	23	327	3	0	3,114	5,144
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	696	264	47	55	1	0	1	14	0	16	136	3	0	1,539	2,772
		(62.7%)	(84.3%)	(92.2%)	(30.4%)	(50.0%)	(0.0%)	(20.0%)	(100.0%)	(0.0%)	(69.6%)	(41.6%)	(100.0%)	(0.0%)	(49.4%)	(53.9%)
Opposed	414	49	4	126	1	1	4	0	0	7	191	0	0	1,575	2,372	
	(37.3%)	(15.7%)	(7.8%)	(69.6%)	(50.0%)	(100.0%)	(80.0%)	(0.0%)	(0.0%)	(30.4%)	(58.4%)	(0.0%)	(0.0%)	(50.6%)	(46.1%)	

Notes:
 * Figures in parentheses represent percentages for each proposal. The total percentage may not add up to 100 due to rounding
 * "Opposed" figures include 2,116 abstentions.

Status of Exercise of Shareholder Voting Rights in FY2021 (April to June 2021)

Comparison of the number of exercises of voting rights by fiscal year (Period from April to June)

* Comparison of the number of opposition to management proposals, etc., and the number of approvals of shareholder proposals by fiscal year

		FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Domestic equity	Opposition to the management proposals or abstention from voting	16,907	14,009	15,472	17,674	22,074	18,044	16,191	12,911	14,266	13,408	12,491	15,061	22,250	22,821	17,022
		10.3%	10.2%	8.7%	11.6%	13.3%	11.6%	11.5%	9.5%	8.4%	7.9%	8.5%	10.3%	11.1%	12.3%	10.4%
	Approval of shareholder proposals	76	37	42	47	34	58	34	56	55	65	167	129	215	319	154
		7.0%	3.5%	3.1%	2.6%	1.9%	2.7%	2.3%	2.9%	2.8%	4.7%	7.8%	8.8%	12.0%	12.2%	8.9%
Foreign equity	Opposition to the management proposals or abstention from voting	5,770	6,427	8,849	7,293	6,087	5,422	7,161	7,269	10,778	11,162	13,076	17,061	17,510	17,734	28,385
		6.2%	6.5%	8.1%	6.9%	5.3%	4.9%	6.0%	6.7%	7.5%	7.7%	8.7%	10.3%	12.4%	13.1%	15.9%
	Approval of shareholder proposals	1,669	1,745	2,821	2,085	1,486	1,655	1,503	1,483	2,650	2,630	3,295	2,849	2,504	2,008	2,772
		29.5%	29.7%	44.2%	38.9%	32.9%	35.2%	32.0%	40.3%	47.4%	43.0%	50.5%	53.3%	52.7%	43.8%	53.9%



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