Stewardship Principles

Established on June 1, 2017
Revised on February 6, 2020
Revised on March 31, 2025

Government Pension Investment Fund

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) Sustainability Consideration including ESG Integration into the Investment Process

○ GPIF believes that it is vital to integrate ESG (environmental, social, governance) and other sustainability 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 and other sustainability issues in relevant sectors and the circumstances of individual investees and deal with those factors accordingly.

○ Asset managers should determine which ESG and other sustainability issues they deem to be material, 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 and other sustainability 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)).

Proxy Voting Principles

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Government Pension Investment Fund

〇 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.

〇 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.

〇 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.

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

〇 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.

〇 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 recognized standards that they require investee companies to follow.

〇 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.

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

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

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

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

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