Stewardship Activities Report 2019-2020

March 2020

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

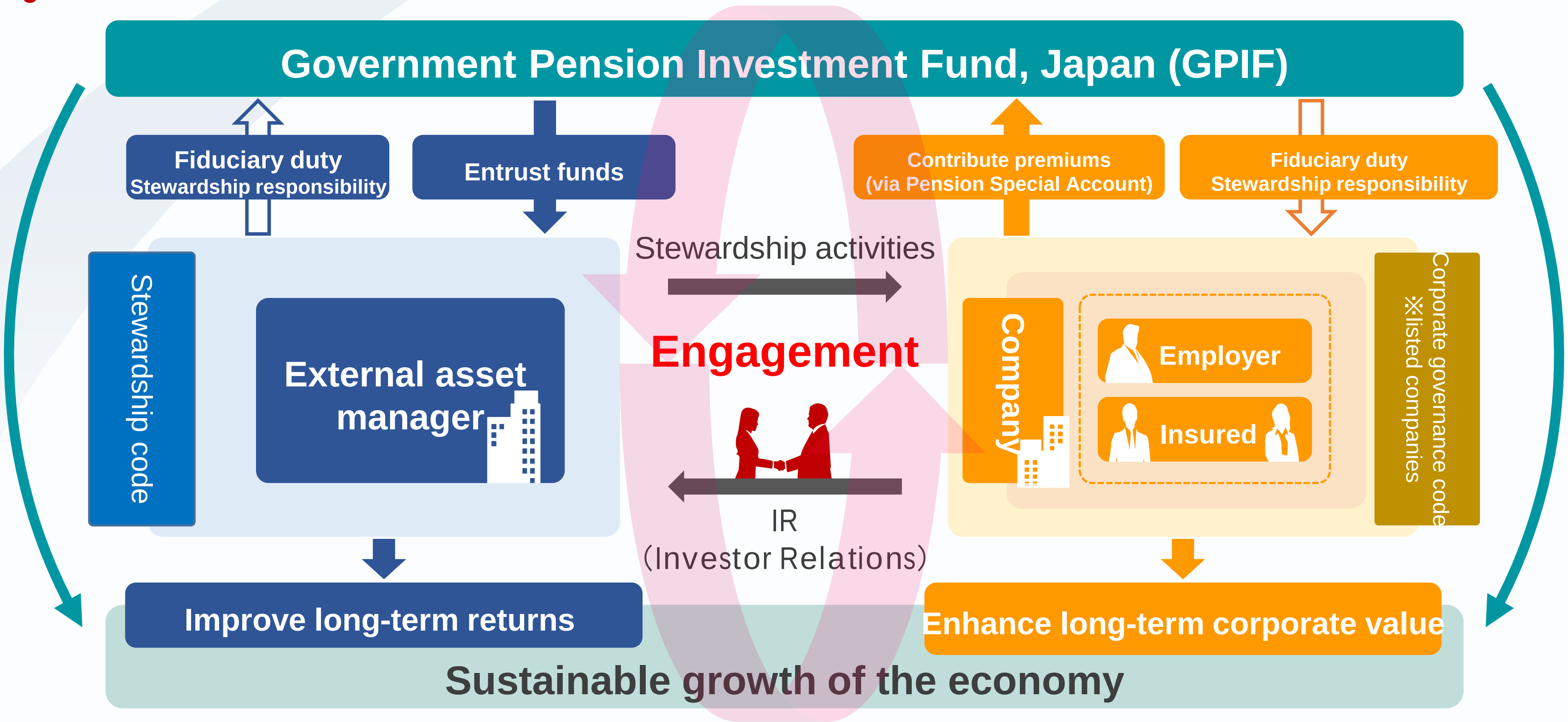
For increasing long-term investment returns, GPIF will fulfill its stewardship responsibilities by promoting various activities to encourage long-term perspectives and the sustainable growth of investee companies and the whole capital market.

1. Stewardship & ESG Activities of GPIF

1. 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.



2. History of GPIF's Stewardship Activities

2014

May 2014
Accepted Japan's Stewardship Code.

Established "Policy to Fulfill Stewardship Responsibilities."

2015-16

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 Owner's Forum" and "Global Asset Owners' Forum."
- Exchange of opinions on stewardship, ESG, etc.

2017-18

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

August 2017
Agreed to the revised Japan's Stewardship Code.

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

2019-20

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.

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

2. History of GPIF's Stewardship Activities

Status of participation in global initiatives

Signatory of:

PRI – Principles for Responsible Investment

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.
In January 2020, GPIF's Executive Managing Director and CIO, Hiro Mizuno was reappointed as Managing Director of the PRI Association, and joined the Asset Owner Advisory Committee, the SDGs Advisory Committee, Japan Networking Advisory Committee, etc.

Climate Action 100+

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.

30% Club – GROWTH THROUGH DIVERSITY / THIRTY PERCENT COALITION

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.

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.

TCFD – TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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.

Council of Institutional Investors® – The voice of corporate governance

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.

3. Revisions to Policy and Principles

As a universal owner and super long-term investor, GPIF has clarified its long-term perspectives in its policy and several principles by expressing once more that it will promote stewardship activities including ESG integration into all assets.

Partial revision to the Policy to Fulfill Stewardship Responsibilities

- In November 2019, GPIF made a partial revision to the Policy to Fulfill Stewardship Responsibilities.
- The Policy makes it clear that for the purpose of gaining investment returns over a long period, it is essential for GPIF as a universal owner and cross-generational investor to prevent activities that impede corporates' long-term growth so that the whole capital market will be sustainable. To this end, we contribute toward the sustainable growth of the capital market.

https://www.gpif.go.jp/en/investment/Policy_to_Fulfill_Stewardship_Responsibilities_201911.pdf

Partial revisions to the Stewardship Principles and Proxy Voting Principles

- In February 2020, the Stewardship Principles and the Proxy Voting Principles were partially revised (See pages 8 and 9 herein).
- The major revisions are listed below:
  - The scope of assets is expanded from equity to all assets. We require our external managers to comply with the Stewardship Principles. Should an asset manager decide not to comply with any of the principles in light of respective situations such as the characteristics and investment styles of their assets under management, it is required to explain their rationale for the non-compliance to GPIF.
  - Some statements were added to the Policy for Stewardship Activities and ESG Integration. The revisions require them to integrate stewardship activities and investment, to proactively engage with not only investee companies but also various stakeholders including index providers, and to participate in other industry ESG initiatives.
  - It also states that GPIF's external asset managers should exercise voting rights in a manner consistent with their corporate engagements throughout the year, and mentions agenda to protect minority shareholders' interests. Furthermore, based on a comment in our survey that there were some cases where an investee company did not receive answers from an asset manager when they asked for voting rationale, a statement is added that asset managers should explain the rationales for their voting decisions in detail to investee companies upon request.

3. Revisions to Policy and Principles
- Stewardship Principles -

Stewardship Principles

Established on June 1, 2017
Partially 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 should decide not to comply with any of the principles due to the characteristics of the asset 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 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 the 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 conflicts 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 practices 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 decision, or following the recommendations by 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 limited to) information contained with 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 seek 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 on the whole, thereby contributing to long-term investment returns.
- Asset managers should consider the materiality of ESG issues in relevant sectors and circumstances of individual investees and deal with those issues accordingly.
- Asset managers should determine which ESG issues they deem to critical, specify goals that they would like to achieve as a long-term investor, and proactively engage with investee companies on critical ESG issues.
- Asset managers should become a signatory of the Principles for Responsible Investment (PRI), and participate in other industry ESG initiatives.

(5) Exercise of Voting Rights

- Asset managers should exercise voting rights exclusively in the best interests of GPIF and its beneficiaries.
- In order to increase 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 advisor, asset managers should conduct proper due diligence on the organizations and personnel, etc. prior to selection. After selection, asset managers should continuously monitor and evaluate service quality and engage with the proxy advisor, as necessary (excluding cases where the objective is managing conflicts of interest).

3. Revisions to Policy and Principles
- Proxy Voting Principles -

Proxy Voting Principles

Established on June 1, 2017
Partially 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 of 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 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.
- If asset managers use a proxy 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 records on an individual company and individual agenda item basis.
- Asset managers should publicly disclose the rationale for their voting decisions based on necessity and/or importance as appropriate.
- Asset managers should explain the rationale for their voting decisions in detail to the investee company 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.

* The revised parts in both the Stewardship Principles and the Proxy Voting Principles are highlighted in red.

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

4. Initiatives for the Sustainable Growth of the whole Capital Market

For a pension fund like GPIF, long-term perspectives and sustainability of investee companies and the overall market are critical in order to increase long-term investment returns. From such a standpoint, GPIF has promoted ESG activities. In the past several years, industry groups and asset managers have made statements concerning "the significance of ESG" as well as "sustainability."
As an asset owner, GPIF decided anew that it was necessary to clarify our stance concerning long-term perspectives and ESG, and jointly issued a statement with CalSTRS (US) and USS Investment (UK), which share the same perspectives as GPIF and members of the Global Asset Owners' Forum.

■ Announcement of Joint Statement by Asset Owners: "Our Partnership for Sustainable Capital Markets"

- This statement summarizes the concept of how an asset owner, like GPIF, shall fulfill its stewardship responsibilities. While many corporate groups and asset managers have announced various messages to date, asset owners had not. As a beneficiary of the market by participating in the investment chain, and also as a pension fund responsible for future generations, we addressed this message to the whole market from the perspective of how asset owners can contribute to sustainability.
- Specifically, the statement includes our commitment to companies that create long-term corporate value, and underlines great significance of long-termism and ESG. We issued this joint statement with CalSTRS (US) and USS Investment (UK) which share the same perspectives, as a message to the entire investment chain, including asset managers as our partners. To highlight the message to the whole market, the Chief Investment Officer of each organization signed the statement.
- After the release of the statement, we have called for asset owners mainly among the members of the Global Asset Owners' Forum to become supporters with the aim of enhancing the message to the global markets and its actors. At present, beside the initial three signatories, an additional seven organizations signed the statement as follows: Railpen, Nest Corporation and Environment Agency Pension Fund from the UK; BC Investment Management from Canada; FRR from France, ABP from the Netherlands; and H.E.S.T. from Australia.

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

4. Initiatives for the Sustainable Growth of the whole Capital Market

To achieve investment returns over a long period, it is essential for GPIF to prevent activities that impede corporates' long-term growth and the sustainable growth of capital market. With such a perspective, GPIF repeatedly conducted internal discussions on the issue of stock lending, and decided to suspend stock lending for equities.

Suspension of stock lending

- As a part of its stewardship responsibilities, GPIF requires its asset managers to enhance the long-term value of investee companies by conscientiously exercising voting rights for all the shares they hold, in addition to engaging in constructive dialogues with investee companies (engagement) - not only during the annual shareholder meeting season but throughout the year.
- Through internal discussions, we identified several issues, such as an inconsistency between long-term perspective of GPIF and the concept of stock lending, or the fact that GPIF's stock lending is conducted only for foreign equities and not domestic equities.
- Stock lending results in a temporary transfer of ownership rights to the borrower, which effectively creates a gap in the period in which the stock is held by GPIF. It caused concern over inconsistency with our stewardship responsibilities.
- Moreover, the current stock lending scheme lacks transparency in terms of who is the ultimate borrower and for what purpose they are borrowing the stock.
- In light of this situation, we have decided to suspend stock lending after multiple discussions at the Board of Governors.
- The stock lending scheme may be reconsidered in the future if improvements are made to enhance transparency and address the inconsistencies cited above.
- Before and after our announcement, the transparency of stock lending has been discussed overseas, and some of these discussion led to a press release published by a stock lending association.

5. Measures to Enhance Long-term Alignment with External Asset Managers

Due to increased awareness that the achievement of stable excess returns in active investment requires the enhancement of alignment with external asset managers and GPIF's long-term commitment, GPIF introduced new performance-based fee structures for active managers in 2018. Concurrently, GPIF also introduced multi-year contracts for the purpose of achieving excess return in the medium- to long-term goal. At present, multi-year contracts have been concluded with only a few active managers, although we plan to shift to multi-year contracts, in principle, going forward.

Performance-based fee structure and multi-year contracts in active investment

<Performance-based fee structure in active investment>

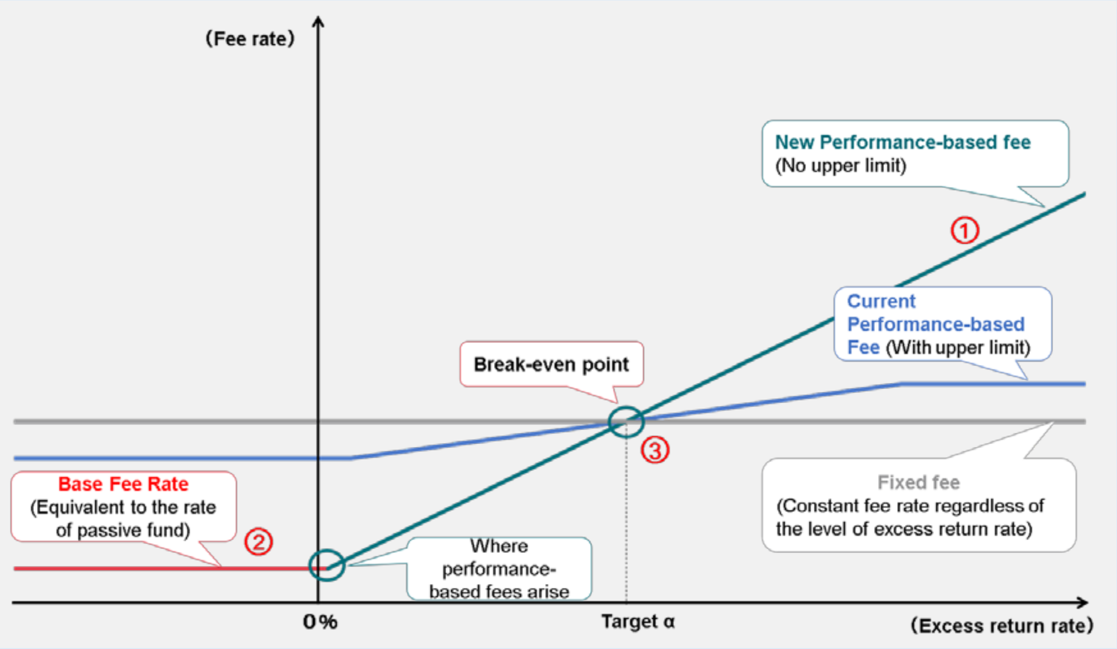
(1) With the aim of enhancing alignment of interests between GPIF and external asset managers, the base fee rate is reduced to the rate of passive fund, whereas the maximum fee rate is scrapped to further link the performance to fees.

(2) A portion of the fees is carried over to level the fluctuation of the excess return ratio in order to ensure that the amount of fees is linked with medium- to long-term performance.

<Introduction of multi-year contracts>

– In order to introduce the performance-based fee structure, in principle, a multi year contract (commitment) with external asset managers is concluded to enable the achievement of medium- to long-term goals.

– GPIF expects that introducing a performance-based fee structure and multi-year contracts can ensure the achievement of stable excess returns from active investment.



5. Measures to Enhance Long-term Alignment with External Asset Managers

GPIF considers that a suitable compensation scheme is one of the most effective measures to secure alignment in seeking long term-oriented partnerships with asset managers.

Survey on compensation structure (incentive scheme) of GPIF asset managers

<Purpose of the survey>

Alignment of interests with external asset managers is critical for GPIF. This survey aimed at examining the alignment between asset managers and GPIF from the viewpoint of compensation—specifically focusing on the following two points.

(1) Whether the compensation scheme for executives and employees at external asset managers is designed to contribute to the improvement of long-term returns as expected by long-term asset owners such as GPIF; and
(2) Whether the incentive scheme is designed to not encourage short-termism.

<Subject of the survey>

External asset managers entrusted with domestic and foreign equity and fixed income investment

<Methodology>

– Commissioned Mercer Japan Ltd. Questionnaire was sent to GPIF's external asset managers to confirm their compensation scheme. As part of follow-up measures, interviews with individual asset managers were conducted. At the interview, the concept, policy and systems of compensation were directly asked to the executives of asset managers including the CEO, CIO, Director in charge of human resources, etc.

<Results> https://www.gpif.go.jp/en/investment/stewardship/survey.html

See pages 14 and 15 for the summary of the results. We provided feedback to all external asset managers which had requested feedback and conducted again an exchange of opinions with them.

<Effective use of the results>

– The compensation schemes of asset managers reflect their investment philosophy and basic beliefs such as corporate culture. We will continue to use the compensation schemes as the theme of engagement with asset managers considering that dialogues with the management level such as executives of asset managers, including those in charge of human resources and persons in charge of stewardship and asset management, will be highly effective in understanding the relevant companies. In particular, we consider that a suitable compensation scheme is one of the most effective measures to secure alignment in seeking long term-oriented partnerships with asset managers with which we propose to enter into multi-year contracts.

– Since the comprehensive assessment conducted in 2019, the questionnaire on compensation schemes for the survey has been used for evaluation and selection of external asset managers. Going forward, GPIF plans to outsource the survey once every few years to conduct full-scale surveys like this year aiming at understanding the whole picture and maintaining and improving knowledge about compensation schemes.

GPIF

Summary of the Survey Results of Compensation Schemes (Incentive Structure)

- A review was conducted on the compensation schemes (incentive structure) for executives and employees of the ultimate asset managers from the viewpoints of whether the schemes are designed to not encourage short-termism and whether they will contribute to the improvement of long-term investment returns.
- As a result, with respect to encouraging short-termism, we found very few cases in which quantitative indicators including ~~a~~ single-year performance are mechanically evaluated to excessively reflect on the bonus of individuals. This is partly due to the movements of establishing guidelines designed from the viewpoint of management soundness particularly in the EU and the UK.
- With respect to whether the compensation schemes contribute to the improvement of long-term investment returns, we found that leading companies, in particular, had established their own measures based on the history and characteristics of their organizations as follows.

  - Their concept of promoting long-term investment returns was clearly stated, and they have established compensation schemes and communication to fully implement such concept.
  - The ratio of variable compensation and its fluctuations are set appropriately.
  - An emphasis is placed on investment performance rather than AUM.
  - Investment performance is considered for the past one, three and five years (eight or 10 years in some asset managers).
  - Evaluations are conducted based on not only the capability of an individual but also the collaboration of entire teams as well as medium- to long-term development of capability and contributions.
  - As to the compensation scheme, contributions of an individual to be evaluated are rewarded by mechanically calculating KPIs and their weight to a certain degree, and appropriately eliminating environmental factors with discretion.
  - Deferral systems for payment and fixing of amounts (in some cases, there are requirements for being enrolled at the time of payment, or requirements for investment performance/business results).
  - They have requirements of investment in their own funds.

- With respect to ESG Head, on the back of insufficient information sources, the number of asset managers which have established compensation schemes in line with such positioning was limited.
- We classified the compensation schemes (incentive structure) of the executives and employees of the ultimate asset managers into three categories* by assessing them from the viewpoints of whether they discourage short-termism and whether they contribute to the long-term growth of investment returns. The brief characteristics are stated on the next page.

* On the back of the movement that guidelines will be established from the viewpoint of sound management mainly in the EU and the UK, we found few compensation schemes that encourage short-termism. Most of the asset managers which fell under the category of "Lagging" do not position the compensation schemes strategically.

	Lagging	Average	Leading
International	Specific way of thinking about compensation (N=1) Degree of disclosure: Low (N=5)	**Intermediate positioning (N=10)** Similarly to "Leading," ✓ Being used strategically, the compensation scheme has deferral of payment and fixing of amounts. Meanwhile, ✓ It does not fully reflect the investment performance.	**Compensation is used strategically (N=20)** ✓ The compensation scheme is designed to reward the contributions of teams and individuals as follows: the KPIs and their weight are mechanically calculated to a certain degree based mainly on the investment performance, and environmental factors are appropriately eliminated with discretions.
Domestic	**Compensation is not positioned as a strategy (N=7)** ✓ While the Group aims to gradually establish a system suitable to asset management, compensation has not been utilized as a strategic measure yet.	**Intermediate positioning (N=2)** ✓ The bonus for an individual is fixed based on the investment performance for the past five years or more, and the ratio of variable compensation to fixed compensation as well as the degree of such fluctuation is relatively high. ✓ The compensation scheme also includes "Deferral of payment" and investment in the funds of own company.	
	■ Compensation is not positioned strategically. ■ Great importance tends to be attached to net sales, growth rate of AUM and fees. ■ Bonus fund and individual bonus are decided in the same system and levels to those of parent companies such as banks, securities firms and insurance companies (evaluated by setting goals and the degree of achievement) ■ The ratio of bonus to base salary (in some companies, seniority is reflected rather than expertise) is low and the gap from the performance is also small. ■ The bonus fund and the evaluation for investment performance are not decided on a medium- to long-term basis (single-year basis). ■ Payment and fixing of amounts are not decided on a medium- to long-term basis, either.	Similar characteristics to the "Leading": ■ Compensation is used strategically. ■ The variable compensation ratio and the range of fluctuation are set appropriately. ■ The deferral system is applied to payment and fixing of amounts. Characteristics slightly different from the "Leading": ■ The investment performance is not reflected sufficiently. ■ The evaluation period for investment performance is not long enough (three years or shorter, etc.) ■ No system for investment in their own funds exists.	■ Compensation is used strategically. ■ The variable compensation ratio and the range of fluctuation are set appropriately. ■ Great importance is attached to investment performance. ■ Individual performance is evaluated by mechanically calculating to a certain degree, and appropriately eliminating environmental factors. ■ The evaluation period for investment performance is medium- to long-term (five years or longer). ■ The deferral system is applied to payment and fixing of amounts. ■ A system for investment in their own funds exists.

Prepared by GPIF based on the disclosure report "Surveys on the Compensation Schemes (Incentive Structure) for Executives and Employees of External Asset Managers"

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.

Revisions to the Basic Policy of Reserves

- The Basic Policy of Reserves was revised on February 27, 2020 as follows, and it was announced that the Policy would be effective from April 1, 2020.
- Based on the concept that the sustainability of investee companies and the whole capital market will be critical for the expansion of long-term investment returns in the management of pension reserves, the reserve funds shall implement necessary initiatives by individually examining the promotion of investments that consider ESG (environmental, social and governance) as non-financial factors in addition to financial factors, from the viewpoint of securing long-term returns for the interest of beneficiaries.

Critical ESG issues listed by asset managers

- In the Stewardship Principles, GPIF states “ESG integration into the investment process.” Accordingly, GPIF continued from the previous year to conduct a questionnaire survey and interviews concerning “Critical ESG issues” selected by each external asset manager.
- Please refer to pages 35 and 36 for “Critical ESG Issues” chosen by asset managers entrusted with equity investment.
- Based on the results, GPIF ascertains why they highlighted such issues and how they engage with investee companies regarding these topics.
- In order to promote constructive dialogue between investee companies and investors, GPIF also asked investee companies their principle ESG themes in the “5th Questionnaire Survey on Stewardship Activities by Institutional Investors” conducted in January 2020.

6. Promotion of ESG Activities

ESG integration

– As mentioned on the previous page, GPIF is committed to "ESG integration into the investment process" in the Stewardship Principles. In the Stewardship Activities Report 2018, 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>

– Following the comprehensive assessment conducted in 2019, GPIF includes the assessment of ESG Integration as part of "Investment policy, investment process." The assets subject to the assessment are equities and bonds.

– ESG-related engagement and exercise of voting rights are assessed as part of the "Stewardship Activities" as have been conducted to date.

(Example) Assessment of equity management process in ESG integration

Weight	Equity active	Equity passive	
100% Qualitative assessment	10%	30%	Stewardship activities
	90%	70%	Investment policy, investment process, organization, human resources, etc.

Stewardship activities → Responses to ESG issues, engagement, and exercise of voting rights, etc. will be assessed.

Investment process → ESG integration will be assessed as part of investment process.

(Examples of key assessment points)
ESG policy, Gathering ESG-related information and analysis of materiality, changes in impact on companies/industry sectors, effective use for investment decisions, etc.

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. Particularly, as GPIF conducted a compensation survey for executives and employees of asset managers for equity and fixed income investments in 2019, the dialogues were focused on “Compensation” through the year from the interview to the feedback of the results of the survey.
- It was extremely useful for us to set specific themes for dialogues with the management levels and related sections of asset managers covering topics including their corporate philosophy and concept, beyond their investment and stewardship, which enabled us to further understand asset managers. Going forward, we will enhance our understanding of asset managers by exchanging opinions on specific themes.
- GPIF also holds 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 2019, GPIF conducted individual engagement concerning the inclusion of ESG integration in the assessment, and gave a briefing following significant changes including revisions to the Stewardship Principles.

<Briefing for external asset managers>

- Briefing for external asset managers (February 2020)

  Explained and exchanged opinions on the following topics: Process for selecting external asset managers; Subject asset managers of assessment meeting; Assessment of ESG integration; Meaning of multi-year contracts; Changes in the guidelines; Revisions to the Stewardship Principles and the Proxy Voting Principles; Schedules for assessment of stewardship activities of asset managers for fixed income investment; Feedback of the executives’ compensation survey for asset managers; and the effective use of AI, etc.

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 its 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)]

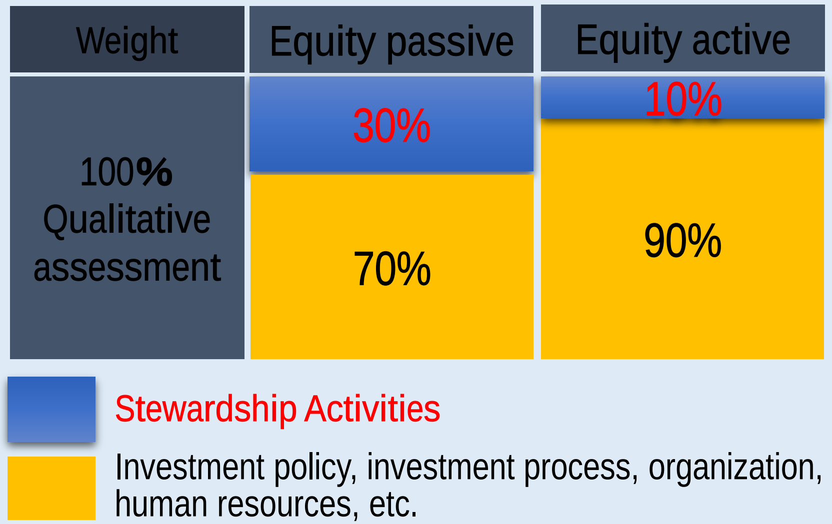
- ✓ Asset Management One
  http://www.am-one.co.jp/company/voting/
- ✓ Eastspring Investments
  (Eastspring Investments (Singapore) Limited)
  https://www.eastspring.co.jp/about-us/our-policy/voting-rights
- ✓ Invesco Asset Management (Japan)
  http://www.invesco.co.jp/footer/proxy.html
- ✓ Capital International (Capital International, Inc.)
  https://www.capitalgroup.com/advisor/jp/ja/proxy-voting.html
- ✓ Goldman Sachs Asset Management
  (Goldman Sachs Asset Management, L.P., etc.)
  https://www.gsam.com/content/gsam/jpn/ja/gsitm/about-gsam/stewardship-code.html
- ✓ JPMorgan Asset Management (Japan)
  https://www.jpmorganasset.co.jp/wps/portal/Policy/Guideline
- ✓ 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/corporate/service/responsibility_investment/vote.html
- ✓ Nomura Asset Management (Dimensional Fund Advisors LP)
  http://us.dimensional.com/about-us/corporate-governance
- ✓ FIL Investments (Japan)
  https://www.fidelity.co.jp/about-fidelity/policies/investment/voting
- ✓ Black Rock 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
- ✓ 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, 2020.

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 rage of listed companies. For the improvement of returns for GPIF, the sustainability of the entire market is crucial. Therefore, GPIF believes 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 Japan's Stewardship Code revised in May 2017, the importance of dialogue in passive investment is clarified. Furthermore, the possibility of collaborative engagement is also referred to as a means of dialogue. In addition, ESG has been newly mentioned to in the definition of stewardship responsibilities in the renewed proposal of revision currently presented in the public comments, which indicates the increasing significance of ESG. The revision clarifies expectations for Stewardship activities, particularly its significance in passive investment. GPIF highly evaluates asset managers who fulfill stewardship responsibilities better if the preconditions are similar.



- With respect to Stewardship activities, passive managers are assessed in terms of their contribution to the sustainability 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.
- Specifically, we focus on the following points, and exchanged opinions on how they are working on stewardship activities. We also refer to information obtained from external providers.
  - ✓ Frameworks (organizations, management of conflicts of interest)
  - ✓ Endorsement status of Japan's Stewardship Code and the Principles for Responsible Investment (PRI)
  - ✓ Stewardship activities (policy, current actions, implementation of engagement)
  - ✓ ESG activities including responses to their critical ESG issues selected by 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 the 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, GPIF communicates its concerns and engages 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>

- More and more Japanese and foreign asset managers for fixed income investment have expanded the scope of their ESG integration and stewardship activities including ESG engagement.
- Our joint-study, “Environmental, Social, and Governance Factors can be Material Risks for Fixed Income Investors,” with the World Bank, also points out the significance of engagement by fixed income investors. Considering that the revised UK Stewardship Code 2020 which took effect in January 2020 designates all assets as being subject to stewardship responsibilities, it is likely that the stewardship activities of fixed income investors will be further promoted going forward. We plan to conduct interviews about the progress of such activities in 2020, and include fixed income investment in our assessment in 2021 and thereafter.

<Alternative assets>

- Alternative assets (infrastructure, real estate, private equity) are an asset class in which asset managers may have an impact directly on the ESG activities of investee companies. As a result, investors focusing on ESG when selecting investment managers are increasing mainly outside Japan. GPIF has placed an emphasis on stewardship responsibilities and the initiatives for ESG as critical points of evaluation since it started called 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, GPIF exchanges of opinions concerning how the gatekeepers and managers of fund of funds implement stewardship activities. Going forward, we will refer to information on ESG assessment from external resources (such as GRESB) .
  - ✓ Frameworks (organizations, management of conflicts of interest, etc.)
  - ✓ Endorsement status of the Principles for Responsible Investment (PRI)
  - ✓ Stewardship activities including ESG (policy, current actions, implementation of engagement, and response to ESG issues according to the characteristics of the assets)
- 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.
- Both gatekeepers and fund of funds managers confirm their ESG activities when they select investee companies. After selecting, they conduct engagement with investee companies, including encouragement of the establishment of ESG policies.

7. Reinforcement of Engagement with Relevant Organizations

Approximately 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 have failed to allocate sufficient resources to select indices. Based on the awareness of such problem, GPIF promotes initiatives for the improvement of governance systems of the index providers through engagement and direct contract of indices.

■ Engagement with index providers

- In passive investment, the important factor of success is the selection of benchmarks, rather than the degree of investment skill. However, asset owners including GPIF have not exerted more efforts for selecting benchmarks than understanding the importance of benchmarks. In the investment chain, it is asset owners who have the most significant impacts on the investment performance and evaluations by selecting benchmarks and improving quality. On the back of the awareness of the above-mentioned problem, GPIF partially introduced the "Index Posting System" in fiscal 2019 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, since we acknowledged the significance of assessment of index providers' organization structure as well as governance system, while working in 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.
- 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 similarly participate and express opinions.
- GPIF has been considering reviewing its style of contract 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 2020, we conducted the fifth survey.
- In the fourth survey in January 2019, 604 companies responded (accounting for 28.4%). 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/investment/stewardship_questionnaire_04.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).

- At the sixth forum in April 2019, we discussed the initiatives for TCFD and the revised Corporate Governance Code (mainly medium- to long-term incentives, compensation design that considers ESG measurements, and corporate pension plans), in the light of recent dialogues with investors.
- An outline of the discussions is available here: https://www.gpif.go.jp/en/investment/business-asset-owner-forum.html. We provide feedback to our external asset managers and overseas asset owners.

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

■ "Excellent Integrated Reports" and "Most-improved Integrated Reports" selected by GPIF's external 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 and encouraging investors to utilize them. For the fourth year, GPIF requested asset managers to nominate up to 10 "excellent integrated reports" and 10 "most-improved integrated reports" in December 2019. GPIF compiled the results and announced them in February 2020.
- We received positive feedback from companies, such as "the management began to pay more attention to the integrated reports," "more active collaboration among relevant staff and departments has been found," "Raised awareness of the integrated reports within the company," "We observed PR effects through company website and social media," "It helps us to prepare our integrated reports," to name a few.

○ Excellent corporate governance reports

GPIF's external asset managers for domestic equities named a total of 71 companies for their "excellent integrated reports." The following companies were nominated by four or more respondents as publishers of "excellent integrated reports."

✧ Hitachi, Ltd.	Nominated by seven asset managers
✧ Kirin Holdings Company, Limited	Six asset managers
✧ ITOCHU Corporation	Six asset managers
✧ Mitsui Chemicals, Inc.	Five asset managers
✧ MARUI GROUP CO., LTD.	Five asset managers
✧ SUMITOMO CHEMICAL COMPANY, LIMITED	Four asset managers
✧ Kao Corporation	Four asset managers
✧ Mitsui & Co., Ltd.	Four asset managers
✧ MS&AD Insurance Group Holdings, Inc.	Four asset managers

○ Most-improved integrated reports

GPIF's external asset managers for domestic equities named a total of 91 companies for their "most-improved integrated reports." The following two companies were nominated by four or more respondents as publishers of the "most-improved integrated reports."

✧ MinebeaMitsumi Inc.	Nominated by six asset managers
✧ Fuji Oil Holdings Inc.	Five asset managers

*Please visit following website for the details including principal comments of the asset managers.
https://www.gpif.go.jp/en/investment/20200319_excellent_and_most-improved_integrated_reports_2019.pdf

9. Enhancing Collaboration with Stakeholders and Relevant Organizations

Enhancing collaboration with stakeholders and relevant organizations

<Collaboration with stakeholders>

June 2019: Presentation and discussion on the “Report of the Survey Regarding Institutional Investors’ Stewardship” (The Japan Business Federation (Keidanren))

March 2020: Publication of “Joint Research Report towards the “Society 5.0 for SDGs” by the Japan Business Federation (Keidanren), the University of Tokyo, and GPIF

<Participation in meetings organized by ministries>

<Ministry of Foreign Affairs>

The Round Table for Promoting Implementation of the Sustainable Development Goals (SDGs) – Council member: President, Norihiro Takahashi

<Cabinet Secretariat, Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, and Ministry of the Environment>

Meeting on a Long-Term Strategy under the Paris Agreement as a Growth Strategy－Council member: Executive Managing Director and CIO, Hiro Mizuno (up to April 2019)

<Ministry of the Environment>

ESG Finance High Level Panel (1st Meeting) – Presentation by GPIF’s Executive Managing Director and CIO, Hiro Mizuno

<Ministry of Economy, Trade and Industry>

TCFD Summit (1st Meeting) – Executive Managing Director and CIO, Hiro Mizuno, gave a speech and participated in a panel session

<Financial Services Agency>

The Council of Experts on the Stewardship Code (The 2nd Council, FY2019) – Executive Managing Director and CIO, Hiro Mizuno, gave a speech as a guest speaker

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

April 2019: IMF World Bank Spring Meeting

May 2019: Milken Institute Global Conference 2019

June 2019: G20/OECD Corporate Governance Seminar

July 2019: SDG Corporate Strategy Forum

September 2019: PRI in Person 2019

January 2020: World Economic Forum Annual Meeting

(Reference) PRI and SDGs

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

Increase in investment opportunities

Increase in business opportunities

ESG Investments

GPIF

Investment management companies

Companies

Promotion of ESG

Signed in September 2015

Investment returns

Consent

Creating Shared Value (CSV)

Sustainable Society

PRI Principles for Responsible Investment

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:
Executive Managing Director and CIO, Hiro Mizuno was appointed as a member of the Asset Owner Advisory Committee (January 2016).
Hiro Mizuno reassumed the position of PRI board member (January 2020).

GPIF's initiative:
President, Norihiro Takahashi attended the meeting of the government-organized round table for promoting implementation of the SDGs. (September 2016)

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

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

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 the activities and speed of actions of each asset manager compared with several years earlier. 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.
- More and more external asset managers, both passive and active investment, have developed new policies on engagement and ESG, for which asset managers now implement organizational initiatives.
- In stewardship reports, some asset managers established and disclosed plans for stewardship activities from medium- to long-term perspectives, including specific priority actions and other activities planned for several years ahead. Meanwhile, other external asset managers sent a letter to investees as a tool to communicate their views. It is critical to make sure how they will implement these plans in the engagement platforms.
- Despite these initiatives which are put into practice, there are still some asset managers which do not fully understand the GPIF's Stewardship Principles and the Proxy Voting Principles.
- In the past a few years, some passive and 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.
- As mentioned above, while active managers also implement engagement activities, their definitions of engagement and their action vary depending on organizational structures and investment styles. Some managers have a designated department in charge of the stewardship activities including engagement, while others do not. Particularly, for the former case, it is necessary to confirm how stewardship activities and investment are linked to each other. For the latter case, the focus should be the commitment of fund manager, who takes leadership initiatives and how they are taken in order to make it more organized activities.
- 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.
- We believe that integrated reports and corporate governance reports are primary tools for interactive communication in implementing engagement and measures for ESG issues. While we are fully aware that asset managers have been moving forward on their use of those tools, we expect that analysts and fund managers, in addition to specialists in stewardship and ESG, will also further deploy these reports.

GPIF's View on Current Status of External Asset Managers

<Stewardship Activities on Equity Investment (continued)>

- Some managers are promoting reform measures of not only investee companies but also the whole investment chain, by ways of submission of public comments on the stewardship code and proactive engagement with stock exchanges and index providers.
- Japanese asset managers have participated in the joint initiatives such as CA100+ more proactively than foreign asset managers. As a whole, more and more asset managers have joined global initiatives, using them as platforms to gain expertise and conduct joint engagements.

<Exercise of Voting Rights>

- Depending on the cases, we positively assess asset managers when they exercised their voting rights in a way that it is not necessarily pursuant to voting policies but in line with their activities or actual situations as a result in engagement. As we consider voting along with engagement, we expect them to take measures that would contribute to enhancing long-term corporate value.
- 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. We also found some asset managers' disclosure 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. Some stated the reasons for objection, attached flags to investees that may cause conflicts of interest (for example they are business partners within the Group), or provided more details than usual. Some asset managers for foreign equities disclosed the results of individual voting on a voluntary basis.
- When required their investees an increase in independent external directors, some asset managers for domestic equities allowed almost one-year grace period from the announcement of change in voting policy before taking effect, in order to let them know the change and implement engagement. Similarly, when some asset managers for foreign equities began including Diversity in their voting policy, each of them elaborated their own methods of engagement and exercising voting rights, for example by setting a grace period until the implementation.
- 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 deployed the recommendations of advisory firms for the exercise of voting rights of the investees other than those required management of conflict of interest. GPIF uses the results of recommendations provided by ISS and Glass Lewis for analysis after the General Meeting of Shareholders.
- Regarding voting instruction errors and administrative errors made by custodians, we have requested asset managers and custodians to take appropriate measures, considering the importance of exercising voting rights. We requested asset managers to conduct explanations and engagement.

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.
- ✓ As for the compensation scheme for executives and employees of external asset managers, it is important to check whether such scheme prevents the short-termism and aims to establish an alignment with asset owners in the long run.

- At Japanese asset managers for equities, the 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 addition, all Japanese asset managers for equities 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.
- We found some Japanese asset managers having challenges in identifying investees to be managed in terms of conflicts of interest, and in responding to misconducts when they occurred in parent company and the group companies, and also in responding to exercise of voting rights. We will continue to implement engagement on them going forward.
- Meanwhile, it was revealed that some foreign asset managers have no organizational segregation or no visible scheme to prevent conflicts of interest, indicating that the predominance of external foreign asset managers has no solid basis as expected.
- 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, it was confirmed that the current rules for decision processes of shareholder proposals is unable to function to the fullest. We will request improvement on this issue as a future challenge.
- 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 corporate culture, which suggests the importance of the compensation scheme and the incentive system. The most recent survey on the compensation schemes for executives and employees of external asset managers revealed no cases of encouraging the short-termism. However, "whether or not the compensation is utilized as a strategy" ultimately makes the most significant difference among asset managers in terms of whether such scheme contributes to the improvement of long-term. We found very few asset managers which have established compensation schemes for the Heads of ESG and stewardship in line with their position within the organization.

Engagement by Passive Managers and Proper Exercise of Voting Rights

[Issues carried over from the previous year]

- ✓ Establishment of new business models proposed by passive managers in accordance with the needs of asset owners who are focused on stewardship activities, and the verification of its effectiveness of the appointed fund.
- ✓ New proposals including ESG integration in the passive investment.
- ✓ 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.

- As for passive investment models focusing on stewardship activities, we have received no proposals after the two funds we adopted in the previous fiscal year (see pages 32 to 34 for details). We look forward to positive proposals.
- 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. In some cases, 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. They addressed on a wide range of themes in engagement by utilizing external and/or proprietary data on ESG and creating ESG rating by their own criteria.
- While small number of passive managers for domestic equities have already begun investment in accordance with proposals for ESG integration, they are still very few at this point.
- Even in the case of using a proxy advisory firm for an engagement purpose, we require such asset managers to establish a system to make a final decision by itself considering the status of engagement and the content of the agenda.
- Meanwhile, when asset managers use proxy advisory firm for the purpose of managing conflicts of interests, we seek improvements in their usage if they need reconsideration of their utilization to achieve the intended goals.
- In the passive investment of foreign equities, some asset managers conduct engagement efficiently and effectively by using frameworks of joint engagement such as PRI and Climate Action 100+ in addition to their internal resources. Some managers also proactively participate in the joint engagement by serving the role of lead manager, etc.

Engagement by Passive Managers and Proper Exercise of Voting Rights

➢ Overview and Points for Selection of Passive Investment Models Focused on Stewardship Activities

<Purpose of Selection>

(1)Reinforcing management of diversified benchmark indices

(2)Improving the overall market through stewardship activities. Diversifying and enhancing how to approach stewardship activities.

<Evaluation Method>

Reviewing 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.

<Results of selection>

We received applications from new and existing asset managers. As a result of our examination, we selected two asset managers: Asset Management One and FIL Investments (Japan) in 2018.

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 selection

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

Engagement by Passive Managers and Proper Exercise of Voting Rights

➢ Characteristics of the two funds adopted as stewardship-focused passive investment models

<Asset Management One>

- Establish 19 ESG themes, 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 theme at target companies.
- Establish 8-level milestones, and periodically report GPIF the progress of engagement from the establishment of themes to their solutions.
- Steadily advancing the steps of specific actions from establishing and sharing themes to starting themes, formulating plans and implementing measures.
- Most of the engagement agenda of which the challenges were solved in the past one year were governance-related issues.

19 ESG Issues

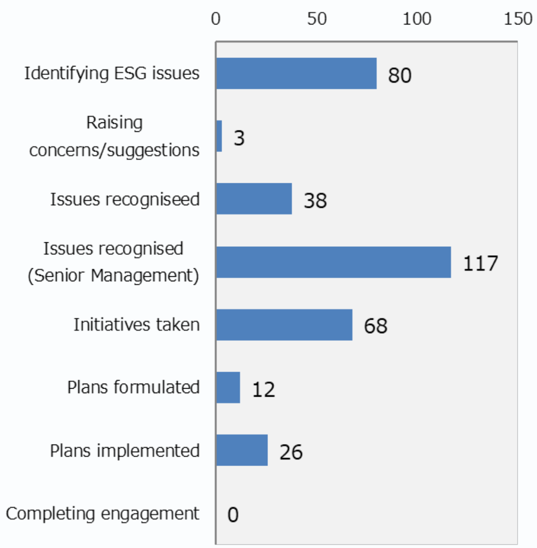
E	E1 : Climate Change
	E2 : Deforestation
	E3: Water Resource Management
	E4: Biodiversity
	E5: Waste & Pollution
	E6: Resource & Energy Management
S	S0 : Diversity
	S1 : Human Rights
	S2 : Labor Practices/Health & Safety
	S3 : Product Liability & Safety
	S4 : Local Community
G	G0 : Board Governance & Accountability
	G1 : Capital Efficiency
	G2 : Takeover Defense Measures
	G3 : Risk Management
ESG	ESG1 : CSR/ ESG Management
	ESG2 : Corporate Misconduct
	ESG3 : Regional Revitalization
	ESG4 : CSR Supply Chain Management

On Engagement Milestones (8 steps)

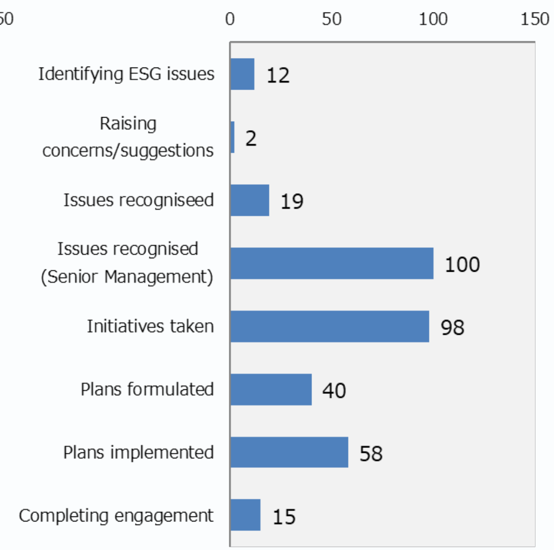
1. Identifying ESG issues: ESG analyst identifies and sets out key ESG issues relevant to the company
2. Raising concerns/suggestions: ESG analyst raised concerns or suggestions to the company.
3. Issues recognised: The company recogniseed the ESG issues raised by ESG Analyst
4. Issues recognised (Senior Management): The ESG issues recognised by senior management of the company
5. Initiatives taken: The company has taken initial steps to improve/tackle the issues
6. Plans formulated: The company has established a concrete plan for solving the issues
7. Plans implemented: The company has implemented the plan set out for solutions
8. Completing engagement: Effective actions and positive outcome assessed/confirmed by ESG analyst

Engagement Progress

At the beginning of FY2019



At the end of Q3, FY2019



Source: "19 ESG Themes," "Eight-level Milestone," and "Progress of Engagement" are excerpts from the Engagement Report of Asset Management One.

Engagement by Passive Managers and Proper Exercise of Voting Rights

➢ Characteristics of the two funds adopted as passive investment models focusing on stewardship activities

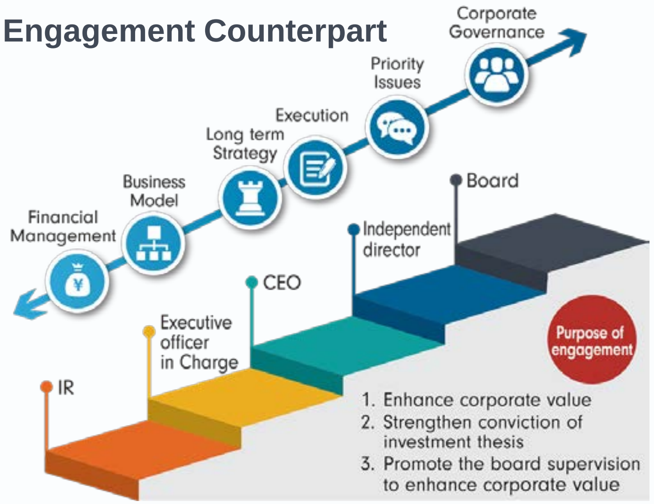
<FIL Investments (Japan)>

- 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 70% of the subject companies, which established new challenges, etc. At present, the progress is advancing from "Input" to "Output."
- Most of the engagement agenda of which the challenges were solved in the past one year were governance-related issues.

Four Steps of Engagement

1 Sharing priority issues	2 Solution	3 Present cases	4 Confirm achievements and monitor progress
Confirm with investee company whether concerns identified by investors are agreeable by management or not due to any convincing reason of which investors are unaware	Explain solutions and expected effects that investors consider and ask companies to review them	• Present various cases and generalized solutions • Receive additional questions from investee companies • **Consideration and decisions are to be made by companies**	• The result of consideration and decision by companies is **unknown until the public announcement** • Track progress with the KPI assumed in advance at **the public disclosure**

Engagement Counterpart



Source: "Four Steps of Engagement" and "The other party of dialogue" are from Fidelity's Report on Investment Trusts.

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 second 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 considered the long-term issues such as E (environmental) and S (social) including diversity as extremely critical 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. All of those for foreign equities considered climate change as material, and each of the issues of E, S and G followed. Meanwhile, it was revealed that managers for domestic equities recognized that G (governance) was more material among the ESG issues, as "Board Structure and Self-evaluation" and "Minority Shareholder Rights" followed by "Capital Efficiency" were pointed out by all of those asset managers. It should be noted, however, in addition to "Supply Chain" that was ranked high in the previous year, "Environment Opportunities" is also ranked high this year, which shows that environment is deemed as opportunities rather than risks in the domestic equity investment.
- Given that many asset managers focused on Climate Change, we checked the status of action for the TCFD. It was found that almost three quarters of asset managers on equity investment expressed their support to the TCFD recommendations. (Support from their parent company or Group companies were included.)

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

		Passive	Active
Domestic equities	2019	<u>Climate Change, Misconduct</u>, Disclosure	<u>Board Structure & Self-evaluation</u>、Minority Shareholder Rights
	2018	<u>Climate Change, Misconduct</u>, Supply Chain	<u>Board Structure & Self-evaluation</u>
Foreign equities	2019	<u>Climate Change, Diversity, Others (social)</u>, Disclosure	<u>Climate Change</u>
	2018	<u>Climate Change, Diversity, Others (social)</u>, Water Stress & Water Security	<u>Climate Change</u>

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%**
Disclosure	**100%**
Misconduct	**100%**
Board Structure & Self-evaluation	86%
Minority Shareholder Rights	86%
Capital Efficiency	86%
Supply Chain	86%
Corporate Governance	86%
Diversity	86%
Human Rights & Community	86%
Environment Opportunities	71%
Others (social)	71%
Anti-corruption	71%
Waste Management	57%
Others (ESG)	57%
Other (Governance)	57%
Health and safety	57%
Water Stress & Water Security	57%
Biodiversity	57%
Deforestation	57%

<Active managers of domestic equities>

Board Structure & Self-evaluation	**100%**
Minority Shareholder Rights	**100%**
Capital Efficiency	89%
Disclosure	78%
Misconduct	78%
Supply Chain	78%
Environment Opportunities	78%
Labor Standards	67%
Climate Change	56%
Corporate Governance	56%
Diversity	56%
Human Rights & Community	56%
Waste Management	56%
Pollution & Resources	56%
Social Opportunities	56%
Product Liability	56%

<Passive managers of foreign equities>

Climate Change	**100%**
Diversity	**100%**
Others (social)	**100%**
Disclosure	**100%**
Corporate Governance	75%
Supply Chain	75%
Board Structure & Self-evaluation	75%
Water Stress & Water Security	75%
Others (Governance)	75%

<Active managers of foreign equities>

Climate Change	**100%**
Diversity	88%
Others (social)	75%
Disclosure	75%
Corporate Governance	75%
Supply Chain	75%
Board Structure & Self-evaluation	75%
Human Rights & Community	75%
Labor Standards	75%
Environment Opportunities	63%
Health & safety	63%

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

The items in red represent the issues pointed out by all active/passive asset managers.

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

GPIF

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**
- ✓ **Arrange suitable compensation scheme for executives and employees**
  - Whether the scheme has long-term alignment of interest with asset owners
- ✓ **Collaborate between investment and stewardship activities**
- ✓ **Propose and establish models for passive investment focusing on stewardship activities**
- ✓ **Practice ESG integration across different investment styles**
- ✓ **Reflect ESG issues on the voting principles**
- ✓ **Initiate stewardship activities in fixed income investments**
- ✓ **Act in line with the messages to investees**
- ✓ **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
  - Confirming asset managers' governance structure, compensation schemes for executives and employees, and alignment of interest with asset owners
  - Conducting dialogues with each position from top management to persons in charge, according to themes
  - Recognizing challenges relating to engagement subject companies. Sharing their evaluation among the investment team and stewardship team
- ✓ **Increase the adoption of passive investment models focusing on stewardship activities**
- ✓ **Take further consideration on the evaluation method of ESG integration**
  - Seeking investment methods including ESG integration in the passive investment
- ✓ **Examine evaluation criteria and methods of stewardship responsibilities in fixed income investment**
  - Examining the status of engagement of external asset managers in fixed income investment
- ✓ **Share the awareness of problems among asset owners and increase supporters through "Joint Statement by Asset Owners."**
- ✓ **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 2019 to June 2019)

Status of Exercise of Shareholder Voting Rights in FY2019 (April to June 2019)

1. Domestic Equities

(1) Exercise of voting rights by external asset managers

All external asset managers (31 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		152,443	46,728	23,141	15,365	335	4,779	1,517	1,182	806	12,471	27	324	4,932	667	0	173	202,797
Management proposals	Total	151,968	46,563	23,132	15,365	335	4,766	1,517	1,182	806	12,422	0	324	3,721	667	0	163	201,003
		(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%)	(0.0%)	(100.0%)	(100.0%)
	Approved	136,045	40,524	19,553	11,891	335	4,448	1,256	266	640	11,998	0	318	3,633	102	0	159	178,753
		(89.5%)	(87.0%)	(84.5%)	(77.4%)	(100.0%)	(93.3%)	(82.8%)	(22.5%)	(79.4%)	(96.6%)	(0.0%)	(98.1%)	(97.6%)	(15.3%)	(0.0%)	(97.5%)	(88.9%)
	Opposed	15,923	6,039	3,579	3,474	0	318	261	916	166	424	0	6	88	565	0	4	22,250
		(10.5%)	(13.0%)	(15.5%)	(22.6%)	(0.0%)	(6.7%)	(17.2%)	(77.5%)	(20.6%)	(3.4%)	(0.0%)	(1.9%)	(2.4%)	(84.7%)	(0.0%)	(2.5%)	(11.1%)
Shareholder proposals	Total	475	165	9	0	0	13	0	0	0	49	27	0	1,211	0	0	10	1,794
		(100.0%)	(100.0%)	(100.0%)	(0.0%)	(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	91	32	0	0	0	0	0	0	0	10	2	0	102	0	0	10	215
		(19.2%)	(19.4%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(20.4%)	(7.4%)	(0.0%)	(8.4%)	(0.0%)	(0.0%)	(100.0%)	(12.0%)
	Opposed	384	133	9	0	0	13	0	0	0	39	25	0	1,109	0	0	0	1,579
		(80.8%)	(80.6%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(79.6%)	(92.6%)	(0.0%)	(91.6%)	(0.0%)	(0.0%)	(0.0%)	(88.0%)

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. The four cases of abstention are included in “Opposed.”
* Resolutions of J-REIT general meetings of investors are included above.

Status of Exercise of Shareholder Voting Rights in FY2019 (April to June 2019)

2. Foreign Equities

(1) Exercise of voting rights by external asset managers

All external asset managers (17 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

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	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		67,226	3,610	8,304	12,389	135	219	2,804	5,848	3,082	6,508	4,665	176	8,111	22,726	145,803
Management proposals	Total	66,274	3,299	8,251	11,996	135	218	2,754	5,835	3,082	6,502	4,314	164	8,111	20,118	141,053
		(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	58,083	2,858	7,930	10,250	116	179	2,079	5,794	2,919	4,774	3,877	112	8,012	16,560	123,543
		(87.6%)	(86.6%)	(96.1%)	(85.4%)	(85.9%)	(82.1%)	(75.5%)	(99.3%)	(94.7%)	(73.4%)	(89.9%)	(68.3%)	(98.8%)	(82.3%)	(87.6%)
	Opposed	8,191	441	321	1,746	19	39	675	41	163	1,728	437	52	99	3,558	17,510
		(12.4%)	(13.4%)	(3.9%)	(14.6%)	(14.1%)	(17.9%)	(24.5%)	(0.7%)	(5.3%)	(26.6%)	(10.1%)	(31.7%)	(1.2%)	(17.7%)	(12.4%)
Shareholder proposals	Total	952	311	53	393	0	1	50	13	0	6	351	12	0	2,608	4,750
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	669	275	48	153	0	0	40	7	0	6	159	12	0	1,135	2,504
		(70.3%)	(88.4%)	(90.6%)	(38.9%)	(0.0%)	(0.0%)	(80.0%)	(53.8%)	(0.0%)	(100.0%)	(45.3%)	(100.0%)	(0.0%)	(43.5%)	(52.7%)
	Opposed	283	36	5	240	0	1	10	6	0	0	192	0	0	1,473	2,246
		(29.7%)	(11.6%)	(9.4%)	(61.1%)	(0.0%)	(100.0%)	(20.0%)	(46.2%)	(0.0%)	(0.0%)	(54.7%)	(0.0%)	(0.0%)	(56.5%)	(47.3%)

Notes:

* Figures in parentheses represent percentages for each proposal. The total percentage may not add up to 100 due to rounding.
* “Opposed” figures include 1,087 abstentions.

Status of Exercise of Shareholder Voting Rights in FY2019 (April 2019 to June 2019)

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

		FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Domestic equity	Opposition to the management proposals or abstention from voting	132	1,872	2,594	5,377	12,917	16,840	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
		0.5%	2.2%	2.8%	3.6%	8.1%	12.1%	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%
	Approval of shareholder proposals	15	38	48	89	57	41	76	37	42	47	34	58	34	56	55	65	167	129	215
		2.2%	3.7%	5.8%	8.0%	6.9%	6.3%	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%
Foreign equity	Opposition to the management proposals or abstention from voting	412	2,336	1,513	2,453	3,571	4,299	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
		5.8%	9.9%	4.6%	5.0%	5.7%	5.4%	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%
	Approval of shareholder proposals	123	381	999	907	1,074	1,724	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
		25.8%	15.2%	28.0%	14.4%	24.7%	31.7%	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%

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