Note: This is a reference translation. In the event of any conflict between the original Japanese version and the English version, the text of the original Japanese version shall prevail.

Government Pension Investment Fund Medium-Term Objectives

Directive of Ministry of Health, Labour and Welfare 0307 No. 28 dated March 7, 2025

Pursuant to the provisions of Article 29, Paragraph (1) of the Act on General Rules for Incorporated Administrative Agencies (Act No. 103 of 1999; the "Act on General Rules"), the objectives concerning the operations to be achieved by the Government Pension Investment Fund (GPIF) (the "Medium-Term Objectives") shall be set as follows.

March 7, 2025

Takamaro Fukuoka, Minister of Health, Labour and Welfare

Section 1 Position and role (mission) of GPIF in policy system

Japan's public pension schemes (employees' pension insurance scheme and national pension scheme) are fundamentally managed based on the concept of "intergenerational support," whereby pension premiums collected from working generations support elderly generations. With the declining birthrate and aging population rapidly progressing, a framework for pension finance was introduced in the pension system revision in 2004 to make the public pension system sustainable and secure for the future. Specifically, the fiscal framework was established to balance pension benefits and financial resources (utilization of premium income, government contribution, and pension reserve) during the financial equilibrium period of approximately 100 years, with fixed future pension premium levels.

Under such long-term fiscal framework in the pension system, GPIF is to hold a reserve fund equivalent to one year's worth of pension benefits at the end of the financial equilibrium period, and GPIF is to appropriate reserves and investment returns for the pension benefits for succeeding generations during the financial equilibrium period.

For this reason, the management and investment of pension reserve funds play an extremely important role in contributing to the stability of the management of public pension services in the future by obtaining long-term and stable fruits of overall economic growth through investment income.

The purposes of the Government Pension Investment Fund ("GPIF") are to manage and invest the pension reserve funds entrusted by the Minister of Health, Labour and Welfare under the provisions of the Employees' Pension Insurance Act (Act No. 115 of 1954) and the National Pension Act (Act No. 141 of 1959) and to contribute to the stability of the management of employees' pension insurance services and the national pension services by paying the returns to the national treasury.

In light of the importance of the role of pension reserve funds in the public pension scheme and pension finance, GPIF is further required to steadily fulfill its mission by appropriately managing and investing a large amount of pension reserve funds, which amounted to approximately 246 trillion yen as of the end of March 2024, while paying attention to their impact on the market and other private activities.

Therefore, as the market and investment environment become more complex and sophisticated, GPIF is required, as its role, to make further efforts to ensure appropriate investment and organizational management, while making use of GPIF's expertise, so as to secure investment returns necessary for pension finance with minimal risks.

The real return (net investment yield on the pension reserve fund less the nominal wage growth rate) was 4.55% for 18 years from FY2006, when GPIF was established, to FY2023, indicating that the investment results of the pension reserve fund exceeded the assumption of fiscal recalculation and financial verification and had a positive impact on pension finance.

(Attachment 1. Policy system chart and grouping of certain operations)

(Attachment 2. Relationship between mission, etc. and objectives of GPIF)

Section 2 Period for the Medium-Term Objectives

The period for the Medium-Term Objectives is 5 years from April 2025 to March 2030.

Section 3 Matters concerning improving the quality of the services and any other operations provided to citizens

Matters concerning improving the quality of the services and any other operations provided to citizens specified in Article 29, Paragraph (2), Item (ii) of the Act on General Rules shall be as follows.

1. Basic policy for management and investment of pension reserve funds

(1) Basic policy for management and investment of pension reserve funds

In investing pension reserve funds, GPIF shall continue to endeavor to ensure appropriate investment and organizational management under the following institutional framework.

[1] Any investment of the pension reserves is carried out, with particular attention to the fact that the pension reserves are a part of the insurance premiums collected from insureds and that they are a valuable source of future pension benefits payments. And investment is done with the purpose of contributing to the sound management of pension services for years to come by safely and efficiently investing those reserves from a long-term perspective and for the sole benefit of the insureds. (Article 79-2 of the Employees' Pension Insurance Act and Article 75 of the National Pension Act)
Accordingly, it is not possible to invest pension reserve funds in order to realize other policy objectives or measures, deviating from the purpose, "for the sole benefit of the insureds" (to take into consideration matters that should not be taken into consideration).

[2] Investment entrusted to an external asset manager shall be made through the conclusion of a discretionary investment agreement under which all investment decisions are entrusted to the outside asset manager. (Article 21 of the Act on the Government Pension Investment Fund (Act No. 105 of 2004; the "Act"), etc.)
Accordingly, in order to prevent GPIF from having a direct impact on the financial markets or corporate management, the system ensures that GPIF is not possible to select individual stocks or give instructions to make specific companies as investment objectives in equity investment.

[3] GPIF’s Medium-Term Plans must be based on safety and certainty, while considering the impact of the investment of pension reserve on the markets and other private sector activities, avoid concentration on any particular style of investment, and satisfy the objectives under Article 79-2 of the Employees’ Pension Insurance Act, etc. (Article 20, Paragraph (2) of the Act)

The following basic approaches shall be taken into consideration in investing pension reserve funds.

[1] As GPIF is a long-term asset owner , it shall not be too concerned with temporary fluctuations in markets including the stock market and foreign exchange markets. By holding assets for a long period of time, together with the promotion of investments in various types of assets and regions, it shall obtain the long-term and stable gains from the fruits of growth of the entire economy, including interest and dividend income.

[2] In view of the peculiarity of GPIF having a public nature, GPIF shall give full consideration to ensure that its investment behavior as a public asset owner does not distort market price formation, private investment behavior, etc.

[3] GPIF shall pay careful attention to the fact that it is one of the world’s largest institutional investors and its investment behavior has a significant impact on the market.

GPIF shall manage and invest pension reserves in accordance with and on the basis of the provisions of the basic policy meant to ensure that the reserves are managed and invested safely and efficiently from a long-term perspective (Notification of the Ministry of Internal Affairs and Communications, Ministry of Finance, Ministry of Education, Culture, Sports, Science and Technology, and Ministry of Health, Labour and Welfare No. 1 of 2014).

(2) Matters to be observed for management and investment of pension reserve funds

[1] Thorough performance of fiduciary duty

GPIF shall thoroughly comply with the duty of care and duty of loyalty of prudent experts.

[2] Consideration of the impact on markets and private activities

When managing the pension reserve, GPIF shall pay close attention not to distort market price formation or private investment behavior, particularly by avoiding the extreme concentration of investing and withdrawing at one time, and also ensures to prevent it from being subject to any excessive market impact in light of the market size.

GPIF shall take appropriate measures regarding the exercise of shareholders’ voting rights, etc., while giving due consideration to the impact on corporate management, etc. and shall not select individual stocks in equity investment.

(3) Cooperation with other management and investment entities

GPIF shall endeavor to provide cooperation in mutual coordination such as by providing other management and investment entities (meaning the Federation of National Public Service Personnel Mutual Aid Associations, the Pension Fund Association for Local Government Officials, and the Promotion and Mutual Aid Corporation for Private Schools of Japan; the same shall apply hereinafter) with necessary information.

2. Managing a sound organization worthy of trust from the Japanese public to steadily

fulfill GPIF's mission

In light of the intent behind the governance reform that became effective in October 2017, the Board of Governors, which is in charge of decision-making and supervision, the Audit Committee, which is in charge of audits, etc., and the President and other executives, which are in charge of execution, shall ensure sound organizational management to earn public trust and steadily fulfill GPIF's mission by ensuring the functioning of an autonomous PDCA cycle while appropriately dividing roles and engaging in cooperation.

3. Basic investment methods and investment targets

(1) Investment based on asset mix from a long-term perspective

The pension reserve funds are invested with the aim of achieving a long-term real return (net investment yield on the pension reserve fund less the nominal wage growth rate) of 1.9% with minimal risks, in light of the current financial situation and prospects as set forth in Article 2-4, Paragraph (1) of the Employees' Pension Insurance Act and Article 4-3, Paragraph (1) of the National Pension Act and the level of return on investment that can be reasonably expected of GPIF in the future through investing pension reserve funds. In order to achieve this return on investment, an asset mix that takes a long-term perspective for the management and investment of pension reserve funds (the "Policy Asset Mix") shall be established and investments shall be managed based thereon.

In doing so, GPIF shall give consideration not to distort market price formation, private investment behavior, etc.

[High Importance]

The above-mentioned matters are deemed highly important because they play a major role in stabilizing the management of pension services.

(2) Ensuring the achievements of the benchmark returns

From the perspective of securing market average returns, GPIF shall ensure the achievement of the composite benchmark return (meaning the weighted average of the benchmark returns for the individual asset classes, calculated according to the Policy Asset Mix allocation; the same shall apply hereinafter) for the entire portfolio during the Medium-Term Plan period. In doing so, in view of the importance of evaluating individual asset factors in addition to asset allocation factors in evaluating investment results, GPIF shall endeavor to ensure the achievement of the composite benchmark return for the entire portfolio and the benchmark returns for the individual asset classes for each fiscal year.

For benchmarks, appropriate market indicators shall be used, taking into account the fact that they reflect the market, that they consist of investable securities, that details of such indicators are disclosed, etc.

When verifying the investment results, from the perspectives of refining factor analysis, improving transparency, etc., GPIF shall endeavor to analyze factors in line with investment behavior as much as possible.

[Concept of Objective Setting]

GPIF shall evaluate the investment results of GPIF by comparing the benchmark returns with the actual investment returns of GPIF. In evaluating the investment results, it should shall be noted that there are some factors, such as the fact that asset allocation cannot always be adjusted flexibly in view of the size of the assets to be invested.

[High Importance]

The above-mentioned matters are deemed highly important because they play a major role in ensuring efficient investment.

(3) Formulation and review of Reference Asset Mix

GPIF shall, jointly with other management and investment entities, establish the reference asset mix for reserves (the "Reference Asset Mix") that should be taken into consideration in establishing the Policy Asset Mix.

When deemed necessary (e.g., if the current status and outlook for pension finance are prepared or the investment environment that was assumed at the time of formulating the Reference Asset Mix differs from reality), GPIF shall examine and correct as necessary the Reference Asset Mix jointly with other management and investment entities.

(4) Formulation and review of Policy Asset Mix

The Board of Governors shall establish the portfolio allocation of the Policy Asset Mix by taking into consideration the Reference Asset Mix and in line with the investment objectives. The Policy Asset Mix shall be formulated from a long-term perspective and it shall incorporate generally recognized asset management and investment expertise as well as domestic and overseas economic trends, in light of forward-looking risk analysis.

In doing so, the downside risks of underperforming the nominal wage growth rate cannot exceed that of the portfolio comprised solely of domestic bonds, and appropriate consideration shall be given to the fact that the downside risks for equities may be larger than expected. In addition, the probability that reserves may fall shorter than originally planned shall be properly accounted for and a thorough analysis of multiple risk scenarios shall be conducted.

GPIF shall conduct appropriate risk management, etc. in light of market trends, verify each fiscal year matters such as whether the investment environment presumed at the time of formulation of the Policy Asset Mix differs from reality, and, if it is deemed necessary, GPIF shall consider reviewing the Policy Asset Mix even during the Medium-Term Plan period. If it is deemed necessary in view of the impact on the market, etc., a transitional asset mix (meaning the transitional composition of assets until the realization of the Policy Asset Mix) shall be formulated in order to smoothly make the transition to the revised Policy Asset Mix.

(5) Securing the liquidity for pension payout

GPIF shall secure the liquidity (such as cash) necessary for pension payouts, etc. by taking into consideration the outlook for the pension finance and the status of revenue and expenditure.

At the same time, GPIF shall enhance the necessary functions to sell assets in a smooth manner while giving consideration to market price formation and other factors and assure liquidity without shortages. Short-term borrowings shall also be made available.

4. Diversified and sophisticated investment management

In principle, both passive investment and active investment shall be used in making investment. GPIF shall aim to capture excess returns by engaging in active investment. However, GPIF shall make active investment on the premise that sufficient grounds which support the expectation of capturing excess returns are obtained by taking past investment results into consideration.

Benchmarks shall be examined in terms of improving investment income, and with respect to the assessment of non-traditional assets (alternative assets) that is difficult to conduct based on benchmarks, the method of assessment shall be specified based on generally accepted expertise in asset management and investment.

In introducing new investment methods and investment objectives, etc., the Board of Governors shall broadly examine the fund investment based on generally accepted expert knowledge in terms of the investment of pension funds on the premise that such introduction will benefit the insureds, and shall appropriately manage risks under the appropriate supervision by the Board of Governors.

In regard to alternative investments, with a view to producing excess returns while improving investment efficiency, and in light of the differences in investment methods from traditional assets and inherent risks. etc. such as marketability, profitability, individuality, transaction costs, and information disclosure status, GPIF shall steadily advance efforts while continuously developing its system, including enhancing its middle and back office functions and conducting verifications from the perspectives of risk management and securing returns.

5. Selection, assessment, and management of external asset managers, etc.

GPIF shall proceed with measures to select and strengthen management of external asset managers, etc. In addition, GPIF shall periodically assess external asset managers, etc. and take appropriate measures such as reviewing the allocation of funds. In selecting the external asset managers, etc., candidates shall be assessed in a comprehensive manner based not only on their past investment results, etc. but also on their approach to selecting investment objectives, their risk management methods, and others.

[High Importance]

The above-mentioned matters are deemed highly important because they play a major role in ensuring efficient investment.

6. Risk management

Regarding the pension reserve, GPIF shall invest and manage the pension reserve funds through diversified investment, and manage risks of the entire portfolio, each asset class, each external asset manager, and each custody service provider.

GPIF shall endeavor to enhance necessary functions to implement appropriate and smooth rebalancing and conduct risk management based on the composite benchmark return.

In addition, GPIF shall sophisticate portfolio risk management such as by conducting long-term risk analysis as well as forward-looking risk analysis and also further strengthen the risk management system, including enhancing middle and back office functions. In doing so, GPIF shall examine the risk management system used outside of intraday trading hours in Japan.

The Board of Governors shall appropriately monitor the status of management of various investment risks.

In managing various risks, efforts shall be made to appropriately consider the impact of a wide range of risks, such as geopolitical and climate change risks, on financial markets, etc., including the trading environment.

[High Importance]

The above-mentioned matters are deemed highly important because they play a major role in stabilizing the management of pension services.

7. Activities to fulfill stewardship responsibilities and investment considering non-financial factors such as ESG

(1) Activities to fulfill stewardship responsibilities

GPIF shall further pursue activities to fulfill stewardship responsibilities for the purpose of investing pension reserve funds, from the perspective of securing long-term returns for the benefit of the insureds, while paying attention to the impact on the market, etc.

GPIF shall make responses in accordance with the basic policy for fulfilling stewardship responsibilities (referring to the responsibilities of institutional investors to seek to increase mid- to long-term investment returns for customers and beneficiaries by promoting the improvement of corporate value and sustainable growth of the companies through constructive engagement based on a deep understanding of portfolio companies and their business environment, etc. as well as consideration for sustainability (medium- to long-term sustainability including ESG factors) according to the investment strategy) based on the principles of “Responsible Institutional Investors” - Japan’s Stewardship Code (summary of expert debate sessions on Japan’s Stewardship Code dated February 26, 2014).

Based on the Asset Owner Principles (formulated by the Cabinet Secretariat on August 28, 2024), and in line with the Policy on the Asset Owner Principles, GPIF shall pursue initiatives to further develop its stewardship activities, such as holding ongoing dialogue with various entities comprising the investment chain.

(2) Investment considering ESG

In investing pension reserves, GPIF shall promote investments that consider ESG (environmental, social, and governance) as non-financial factors based on the idea that sustainable growth of investments and the overall market is necessary for the long-term expansion of investment returns on the assets under management.

In doing so, GPIF shall establish a basic policy on investments that take sustainability (medium- to long-term sustainability, including ESG factors) (the “Sustainability Investment Policy”) into account, while paying due regard to the “basic policy for management and investment of pension reserve funds set forth in Section 3, Paragraph 1 (1)”, which provides, among other things, that the purpose of the investments is to secure long-term returns for the benefit of the insureds. In addition, from the perspective of appropriately following the PDCA cycle, GPIF shall continually verify its investments that take ESG into account and proceed with initiatives after examining the verification results.

(3) Investment considering impact

From the perspective of securing long-term returns for the benefit of the insureds, and while paying due regard to the similarities to and differences from investments that take ESG into account, GPIF shall consider making investments that take into account the social or environmental effect(impact) of the business operations of portfolio companies as one of the non-financial factors in evaluating the sustainable growth potential of portfolio companies, and shall take necessary measures.

In doing so, GPIF shall proceed with initiatives in accordance with the Sustainability Investment Policy, while paying due regard to the "basic policy for management and investment of pension reserve funds set forth in Section 3, Paragraph 1 (1)", which provides, among other things, that the purpose of the investments is to secure long-term returns for the benefit of the insureds. In addition, GPIF shall continuously verify whether initiatives are taken in accordance with the basic principles required for the investment by GPIF.

8. Securing, development, retention, etc. of human resources to support GPIF's operations

GPIF shall proceed with the following initiatives from the viewpoint of securing, developing, and retaining necessary human resources, including highly skilled human resources with expertise to respond to the diversification and sophistication of investment, sophistication of risk management, digitalization of business operations, etc., and secure long-term stable operations while paying special attention to GPIF's aim of establishing an efficient operation system.

GPIF shall review the remuneration system and levels in a timely and appropriate manner, and develop an environment that promotes the employment of human resources, including the development of career paths. GPIF shall effectively disseminate the experience and abilities acquired through the operations of GPIF and the social significance of such operations.

GPIF aims to improve the operational capabilities of GPIF executives and employees, as well as employee engagement, by providing training, etc.

GPIF shall advance the development of working environments in which diverse human resources can play an active role. In particular, GPIF shall further strengthen its efforts to promote the active participation of women.

From the perspective of effectively and efficiently advancing efforts for securing, developing, and retaining necessary human resources, GPIF shall formulate a policy for securing and developing human resources and also enhance functions as an organization to strategically promote the securing, development, and retention of human resources.

The appropriateness of the level of remuneration for GPIF staff shall be clearly explained to the public by making the remuneration system performance-based and comparing the remuneration level with that for human resources with similar skills in the private sector, etc.

9. Promotion of digitalization of business operations, etc.

(1) Promotion of digitalization of business operations

From the viewpoints of diversifying and sophisticating investment by utilizing data science, etc., sophisticating portfolio risk management, and enhancing operational efficiency, GPIF shall promote the securing and development of specialized human resources in the IT field, and further pursue the digitalization of business operations by developing information systems, etc. that form the basis of investment, among other efforts. From the perspective of effectively and efficiently advancing these efforts, GPIF shall enhance functions as an organization to strategically promote the digitalization of business operations.

In addition, GPIF shall appropriately develop and manage information systems in accordance with the "Basic Policy for Development and Management of Information Systems" (Decision of the Minister for Digital Transformation dated December 24, 2021) established by the Digital Agency.

(2) Information security measures

GPIF shall strictly take information security measures based on the Information Security Management Rules, evaluate the effectiveness of information security measures taken by GPIF, and confirm that the measures are functioning sufficiently on a daily basis.

In addition, GPIF shall by itself evaluate the effectiveness of the information management system of not only the executives and employees of GPIF but also the related institutions such as external asset managers outside GPIF.

10. Information dissemination, public relations, and ensuring transparency

In accordance with the interests of the public, etc., GPIF shall strategically consider the ideal approach of information dissemination and public relations activities, continue to further enhance information dissemination and public relations activities not only for experts but also for the public and the media. GPIF shall also endeavor to evaluate them and understand and analyze the effectiveness thereof.

With regard to the policy for the management and investment of the pension fund and the status of investment, etc. (the role of pension reserve funds, the effect of long-term diversified investments, the status of investment according to the characteristics of GPIF that is a long-term asset owner, etc.), in order to deepen the understanding of public about the management and investment of the pension reserve fund, GPIF shall clearly explain to the public, in cooperation with the Ministry of Health, Labour and Welfare, such as by devising public documents including Annual Report for the fiscal year to make them easier to understand.

GPIF shall disseminate information about stewardship activities and investments considering ESG and impact in an easy-to-understand manner, in light of the fact that these initiatives are designed to ensure long-term returns.

GPIF shall disseminate information on alternative investments, such as investment methods and investment objectives, in an easy-to-understand manner.

In order to secure the transparency of the management and investment of pension reserve funds by GPIF, GPIF shall publicly announce the results of investment of pension reserve funds, investment methods, management and custodian fees, process and result of selection of external asset managers, etc., names of all securities it holds (for bonds, the names of the issuers) and the total market value of the issues. Furthermore, GPIF shall publicly disclose the minutes and an outline of the proceedings promptly after the lapse of the period specified in the Ordinance of the Ministry of Health, Labour and Welfare (Ministerial Ordinance on Business Operation, Finance, Accounting and Human Resources Management of the Government Pension Investment Fund (Ordinance of the Ministry of Health, Labour and Welfare No. 60 of 2006)) in order to ensure the transparency of the deliberation by the Board of Governors.

[High Importance]

The above-mentioned matters are deemed highly important because they play a major role in ensuring public confidence in the management and investment of pension reserve funds.

Section 4 Matters concerning streamlining operations

1. Establishment of efficient operation system

GPIF shall review the organization and staffing of each division, including the administrative division, in line with actual circumstances. In doing so, if GPIF expands its organizational structure, including increasing its personnel, it shall proceed after thoroughly examining the necessity for such expansion, with the involvement of the Board of Governors. In addition, GPIF shall establish an efficient operation system by appropriately conducting performance evaluations, etc. that reflect an awareness of cost savings, capabilities, and performance, while paying due regard to the perspective of appropriately securing a business operation system for the stable management and investment of pension reserve funds for the benefit of the insureds.

2. Cost savings associated with streamlining operations

The average cost savings during the Medium-Term Plan period shall be at least 1.33% per annum compared with the previous fiscal year, based on the fiscal 2024 level. The cost-saving target includes general administrative expenses (excluding expenses related to computer systems and personnel expenses) and operational expenses (excluding expenses related to computer systems, management and custodian fees, index fees, personnel expenses, and expenses related to short-term borrowings). Costs added or expanded to secure highly skilled human resources with expertise and for other purposes pursuant to the “Basic Policy on the Reform, etc. of Incorporated Administrative Agencies” (Cabinet Decision dated December 24, 2013; the “Basic Policy”), etc. are excluded from the cost-saving target. The additions and expansions shall be subject to over 1.33% cost-saving target from the following fiscal year.

GPIF shall strengthen efforts in the PDCA cycle to ensure the proper implementation of budgets and appropriate reviews, as necessary, of overall expenses, including those added or expanded.

GPIF shall appropriately handle the personnel expenses in accordance with the policies of the government of Japan. In this regard, GPIF shall secure the necessary personnel structure so that GPIF can appropriately respond to the securing of highly skilled human resources with expertise and implementation of other measures under the Basic Policy.

In addition, GPIF shall make efforts to ensure the appropriateness of the salary levels after verifying the salaries of executives and employees, including allowances, taking into account the salaries of national public servants, the salaries of private companies such as financial institutions, the business performance of GPIF, the job characteristics of staff, etc, while considering the perspective to secure the necessary personnel. GPIF shall also publish the results of the verification and the status of the efforts.

3. Appropriate contracts

In order to realize appropriate, prompt, and effective procurement through fair and transparent procurement procedures, GPIF shall steadily take measures under the “Procurement Rationalization Plan” formulated by GPIF in accordance with the “Promotion of Procurement Rationalization Measures by Incorporated Administrative Agencies” (Decision of the Minister of Internal Affairs and Communications dated May 25, 2015).

Section 5 Matters concerning improving the financial conditions

GPIF shall prepare a budget for the Medium-Term Plan in consideration of the matters specified in Section 4 and conduct operations under the budget.

Section 6 Other important matters concerning operations

1. Research and studies

(1) Enhancement of research and studies

Under the Act, research and studies pertaining to the management and investment of pension reserve funds are regarded as incidental duties. GPIF shall perform the research and studies based on the purpose of investment of pension reserve funds, "for the sole benefit of the insureds."

GPIF shall strive to develop systems that enable the expansion of research within GPIF by utilizing highly skilled human resources with expertise, accumulate know-how obtained through research, and safely and efficiently manage and invest pension reserve funds in the future.

GPIF shall enhance its efforts for the PDCA cycle related to setting of research themes, evaluation of research results, utilization of research results in operations, etc. fully taking into account the legal status and purpose of research and studies, including verification of cost-effectiveness.

(2) Information management for research and studies

When conducting research and studies that lead to specific investment methods jointly with or through entrustment to another researcher, GPIF shall thoroughly take measures against information leakage in addition to the measures currently taken to impose confidentiality obligations in an agreement, such as by establishing a mechanism for GPIF itself to verify the status of observance of confidentiality obligations by the co-researcher or contract research institution.

2. Strengthening the system to further strengthen internal control

GPIF shall continue to strive to further strengthen the system of internal control, etc. based on the "Basic Policies of Internal Control" established by the Board of Governors, etc. In addition, GPIF shall ensure the operation of the matters specified in the Operation Statement in accordance with the "Notice on Development of Systems to Ensure Proper Operations of Incorporated Administrative Agencies" (Notice of the Director-General of the Administrative Management Bureau, Ministry of Internal Affairs and Communications dated November 28, 2014). Regarding investment and management of the pension reserves, GPIF strives to improve its expertise, clarify the system of accountability, and ensure that all persons involved in the investment of pension reserve funds comply with laws and regulations, and adhere to the duty of care and duty of loyalty of a prudent expert.

Further, from the perspective of securing further public trust, GPIF shall make further efforts to secure the transparency and fairness of operations while improving operational capabilities and endeavor to further enhance and strengthen the internal control system and compliance to identify internal control issues and appropriately ensure compliance with laws, regulations, etc.

GPIF shall also take appropriate measures for the re-employment of executives and employees so that the operations of GPIF are not suspected of having an inappropriate relationship with external asset managers, etc.

3. Strengthening governance by strengthening the functions of the Audit Committee

The Audit Committee shall audit the operations of GPIF and monitor the status of implementation of the management and investment operations as stipulated by the Board of Governors. In addition, the Audit Committee members are obliged to report to the President, the Board of Governors, and the Minister of Health, Labour and Welfare if they recognize any wrongful acts by executives. In view of the importance of the duties of the Audit Committee, etc. as described above, GPIF shall develop systems necessary for the execution of the duties of the Audit Committee in accordance with the Act and other relevant laws and regulations, and improve the effectiveness of the Audit Committee such as by enhancing its functions, etc. in accordance with the Basic Policy.