



# Report of the 8th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities

**May 2023**

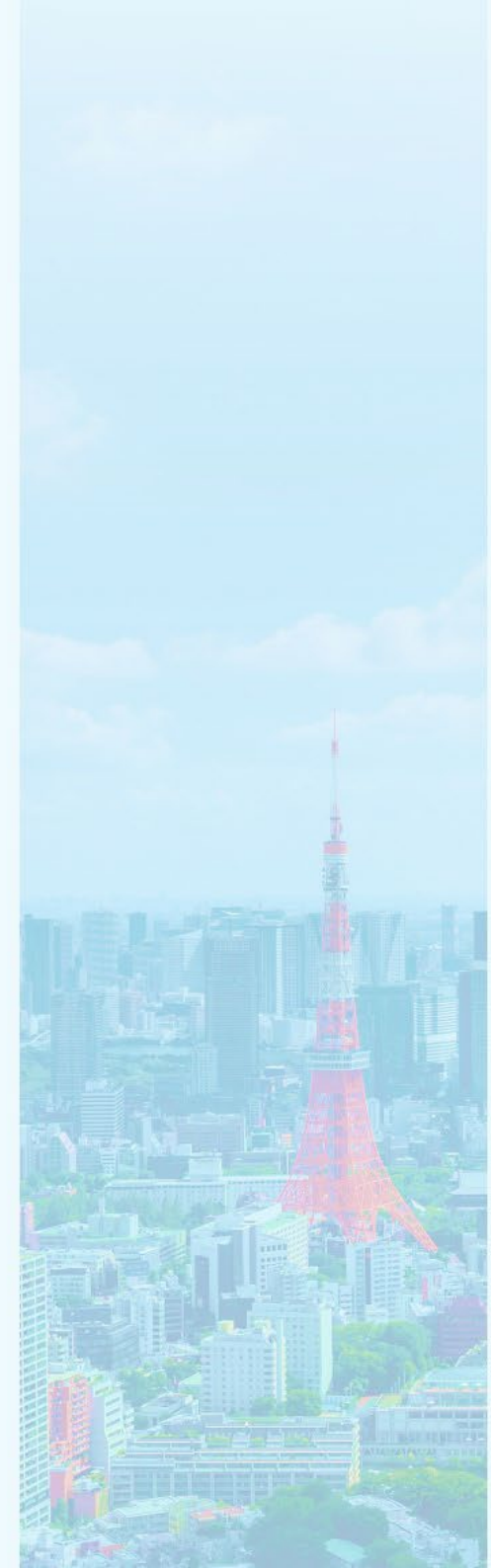
**Government Pension Investment Fund**





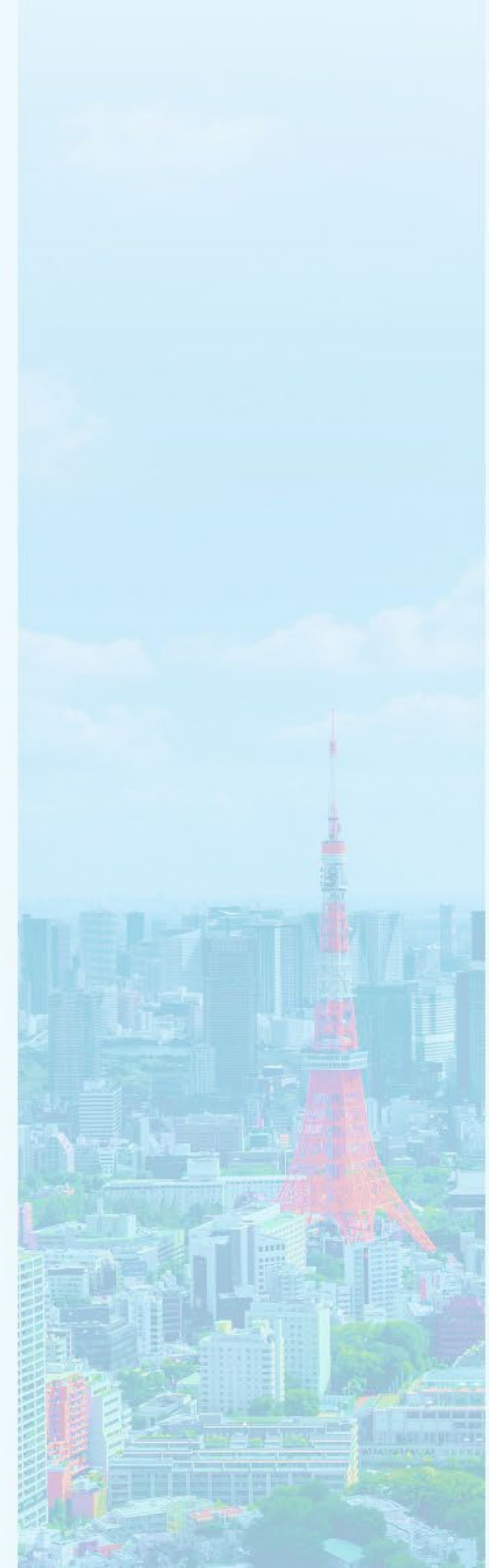
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# Summary of Survey Results



# Outline of the Survey: Purpose and the Status of Responses

## 1. Purpose

- To evaluate stewardship activities carried out by GPIF's external asset managers, and to ascertain the actual status of "purposeful and constructive dialogue" (engagement) and changes observed in the past one year.

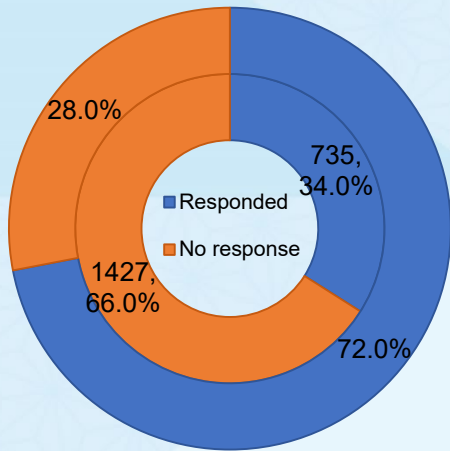
## 2. Subjects, etc.

- 2,162 TOPIX component companies (as of December 23, 2022)
- Number of respondent companies: 735 (709 in the previous year)

Response rate: 34.0% (32.5% in the previous year)

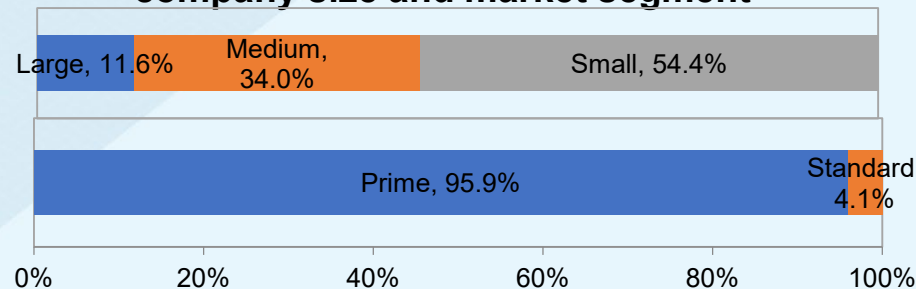
Survey period: From January 24 through March 24, 2023

<Response coverage>

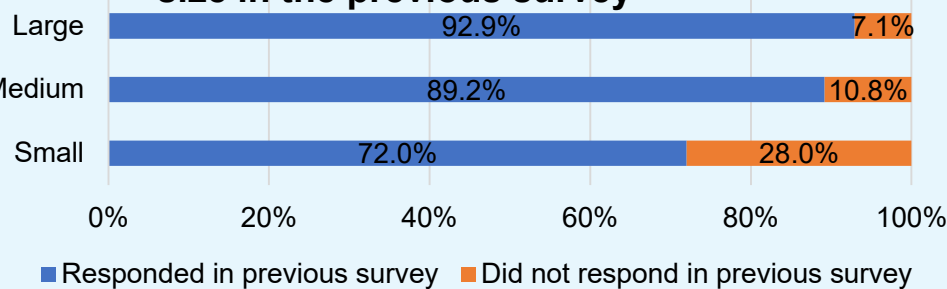


\*Inside: based on number of companies  
Outside: based on market cap

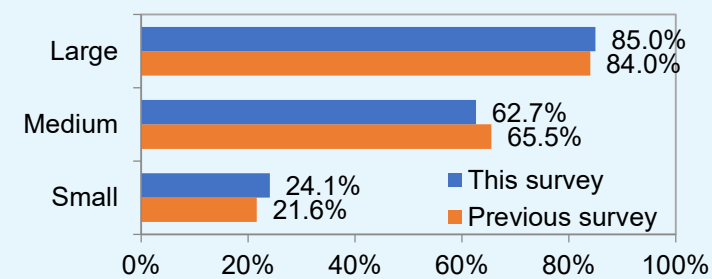
<Ratio to the number of respondent companies by company size and market segment>



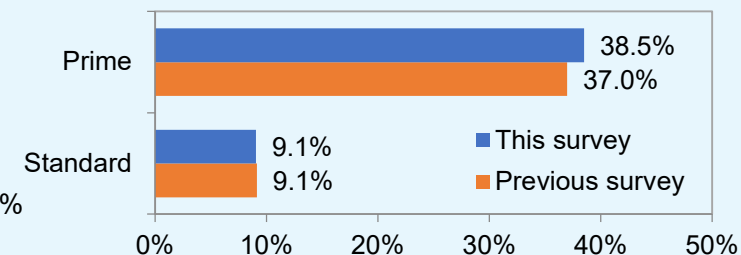
<Ratio of response and no response by company size in the previous survey>



<Response rate by company size>



<Response rate by market segment>



## Summary of Survey Results I: Current Situation and Changes Observed regarding Institutional Investors, including GPIF's External Asset Managers

- ❑ With regard to changes in the attitudes of institutional investors at IR meetings, etc. during the past one year, more than 40% of respondents stated that they had observed desirable changes. Compared with the last survey, the percentage of the response “Observed no significant changes in institutional investors” showed the largest increase. (P.11)
- ❑ Approximately 90% of companies stated that their long-term vision was on the agenda in dialogue with institutional investors. More than 80% responded that their time frame was 5 years and more. The largest percentage of companies indicated that “Long-term plan/vision” was used as criteria in setting the time frame. (P.12, 13)
- ❑ With regard to institutional investors’ utilization of Corporate Governance Reports and Integrated Reports, over 60% of companies selected “They appear to use the reports (more effectively than before)” for Integrated Reports, while nearly 30% for Corporate Governance Reports. (P.14)
- ❑ One third of respondent companies answered that they have received a request from institutional investors for conducting dialogue with non-executive directors and outside statutory auditors (hereinafter, NEDs). And two thirds of them actually conducted dialogue. As to reasons for not conducting dialogue, the largest number of answers was that they were considering the policy for, and response to NEDs conducting dialogue. (P.15)
- ❑ Approximately 10% of companies answered that they have received a request from institutional investors for conducting collaborative engagement. And two thirds of them actually conducted dialogue. The major themes of collaborative engagement included responses to climate change, deforestation, cross-shareholding, and governance on parent-subsidary listing. (P.16,17)
- ❑ With respect to questions concerning evaluation of GPIF’s asset managers entrusted with domestic equity investment, more than 50% of companies cited “asset managers with which they had useful discussions or which had made contributions or shown desirable changes.” On the other hand, “asset managers with which they had unuseful meetings or which showed unfavorable changes” were cited by a small number of respondents. (P.18)
- ❑ With respect to the content of dialogues with fixed income investors, over 90% of companies selected “Financial position and financial strategy” and “Business strategy” as themes. Furthermore, companies that selected “Initiatives for ESG” continued to rise from the previous survey, reaching 70%. (P.19, 20)

## Summary of Survey Results II: IR and ESG Activities of Companies

- ❑ Voluntary disclosure of non-financial information including ESG (in the Integrated Report, etc.) was conducted by 85.8% of the companies surveyed. The most cited standards and guidelines referred to were the Task Force on Climate-related Financial Disclosures (TCFD) recommendation. (P.23)
- ❑ The companies surveyed continued to provide explanations on non-financial information such as ESG mainly at the financial results presentations and IR meetings. However, the number of companies that held information sessions focusing on ESG issues is also increasing, exceeded 20%. On the other hand, institutional investors that show "highly interested" in their explanation on non-financial information has decreased. (P.25)
- ❑ 67.2% of respondents publish Integrated Reports or equivalent reports, showing a continued increase. Among the respondents that have not yet prepared such reports, approximately 60% stated that they are planning to publish or are considering to do so in the future. (P.27)
- ❑ The number of companies that have endorsed the TCFD recommendations significantly increased from 382 in the previous survey to 521. Of such companies, 462 companies have disclosed information in line with the TCFD recommendations, increased from 249. Of such companies, 72.1% stated that they have conducted dialogues with institutional investors concerning the disclosed information. The percentage of companies that disclosed information properly in terms of the four items ((i) Governance; (ii) Strategy; (iii) Risk management; and (iv) Indicators and goals) rose for each item. (P.28, 29)
- ❑ As for major themes in corporate ESG activities, many companies selected (i) Climate Change (82.3%), (ii) Corporate Governance (68.0%), and (iii) Diversity (57.0%). The theme showing the largest increase from the previous survey was "Climate Change" (+4.4%) followed by "Diversity" (+2.0%) and "Human Rights & Community" (+1.4%), although the rates of increase are less than last year. These items are exemplified as sustainability issues or indicated in Supplementary Principles, which were added as a result of the revision of Japan's Corporate Governance Code, and continued to show that the awareness of the companies is at a high level. (P.31)

## Summary of Survey Results III: GPIF's Initiatives (ESG Indices)

- ❑ In this survey, we added questions about “FTSE Blossom Japan Sector Relative,” which GPIF newly adopted in FY2021. The overall rating of this index is not generally different from that of FTSE Blossom Japan, which is similarly based on the ESG evaluation of FTSE Russell. However, the percentage of “Highly appreciate” for FTSE Blossom Japan is higher in large-cap companies. (P.33)
- ❑ With regard to the rating of indices other than FTSE Blossom, no significant differences was shown in overall evaluation for any index. Compared with the previous survey, the total value of the percentages of “Highly appreciate” and “Appreciate” by large-cap companies increased with regard to the MSCI Japan ESG Select Leaders Index and the S&P/JPX Carbon Efficient Index. (P.34, 35)
- ❑ Approximately 60% of companies have reviewed the methodologies that index providers have disclosed. More than 90% of large-cap companies have reviewed them. Furthermore, the ratio of companies that selected “Wish to be included” in the indices exceeded 80% overall and 70% of small-cap companies. (P.36)
- ❑ Companies that conducted dialogue with either MSCI, FTSE or S&P during the past one year account for approximately 30% of all respondents. We suppose that companies that conduct dialogue with S&P has been limited because the evaluation items for S&P's environmental indices are focused on carbon efficiency. As for opinions about index providers, some companies had observed improvement in disclosure and communication with companies, however, there were more demands for further clarification of rating criteria and improvement in communication. (P.37)

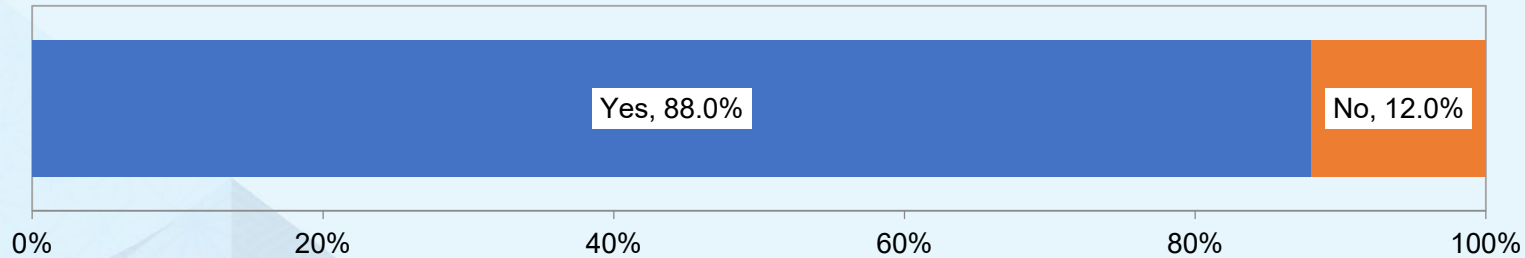
## Summary of Survey Results IV: GPIF's Initiatives (Overall Stewardship Activities)

- ❑ As for the rating of GPIF's overall stewardship initiatives, more than three-quarters of respondents selected "Highly appreciate" and "Appreciate." Many respondents appreciated GPIF's dialogue with our asset managers from a long-term perspective, initiatives to encourage the sustainable growth of the market as a whole, including ESG promotion, and dispatch of information concerning such initiatives. (P.39)
- ❑ Some of GPIF's initiatives gained high recognition, including "Survey of companies," "Investment based on ESG indices," and "Publication of Excellent Disclosure series." As for the evaluation of individual initiatives, many respondents selected "Highly appreciate" or "Appreciate." (P.40)
- ❑ When companies and institutional investors discuss GPIF during meetings, the most frequently mentioned topics are "ESG investment" and "Stewardship." (P.41)
- ❑ Among GPIF's public relations activities, companies have seen GPIF's official website the most, which was followed by GPIF's ESG Report. Compared with the previous survey, respondents who viewed YouTube increased significantly. (P.41)
- ❑ With regard to what is expected from the stewardship activities of asset owners, most respondents cited "Promotion of dialogues between asset managers and investee companies toward the enhancement of medium- to long-term corporate value." (P.42)

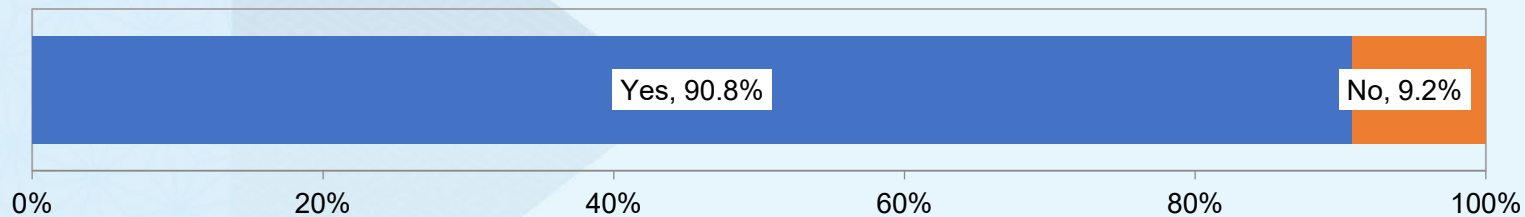


## <On Previous Survey (Conducted in January 2022)>

Q1: Are you familiar with the previous survey?



Q1-1: If you selected “(i) Yes” in Q1, did you view the survey results available on GPIF’s website?



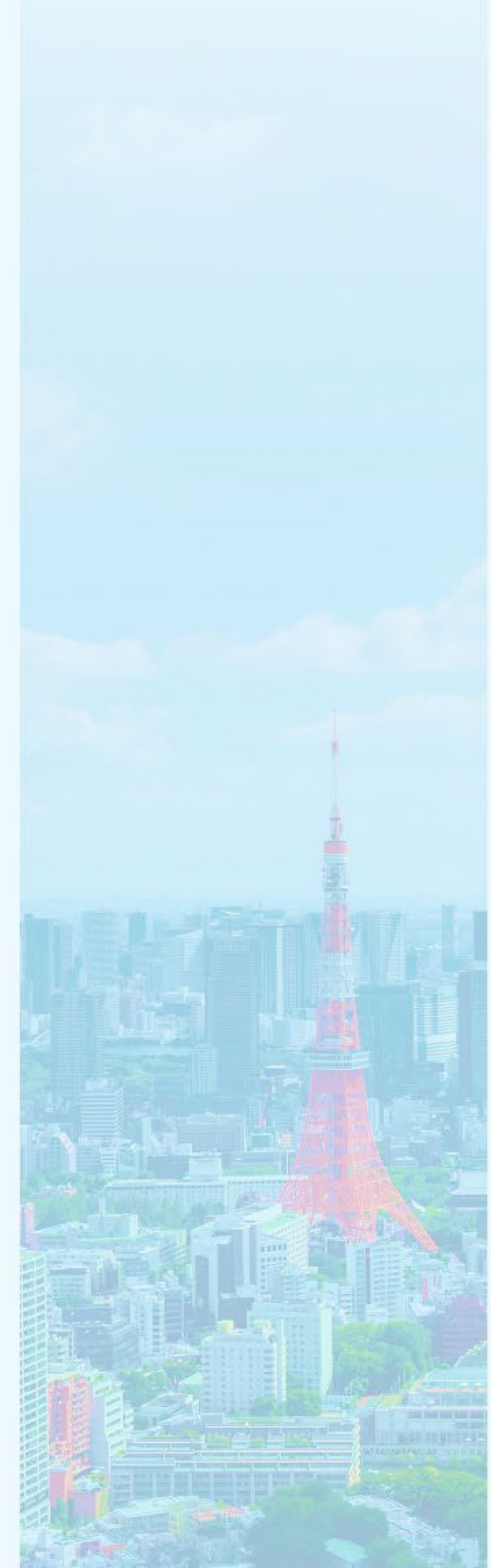
Q2: Select what you found useful among the results of the previous survey. (Multiple responses allowed)

(i) Current situation and changes in the attitude of institutional investors	59.3%
(ii) Expectations for institutional investors in pursuing enhancement of corporate value and sustainable growth over the medium to long term	55.2%
(iii) Companies’ status of IR activities, ESG activities and disclosure (status of preparation of Integrated Reports, holding of information sessions, and actions taken to achieve the SDGs)	68.0%
(iv) Expectation for stewardship activities by GPIF as an asset owner	29.8%

\*The percentage indicates the ratio to total responses out of 735 companies.

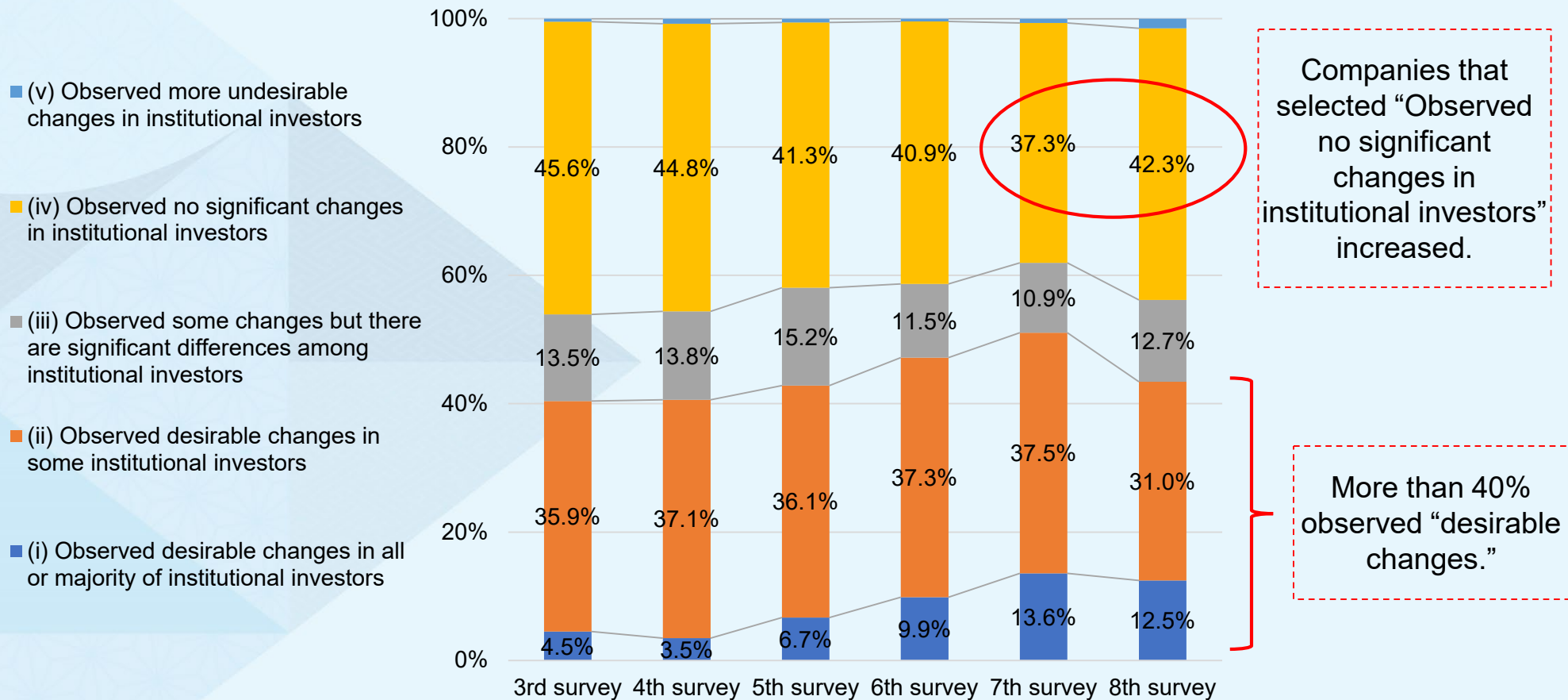


# **1. Current Situation and Changes Observed regarding Institutional Investors, including GPIF's External Asset Managers**



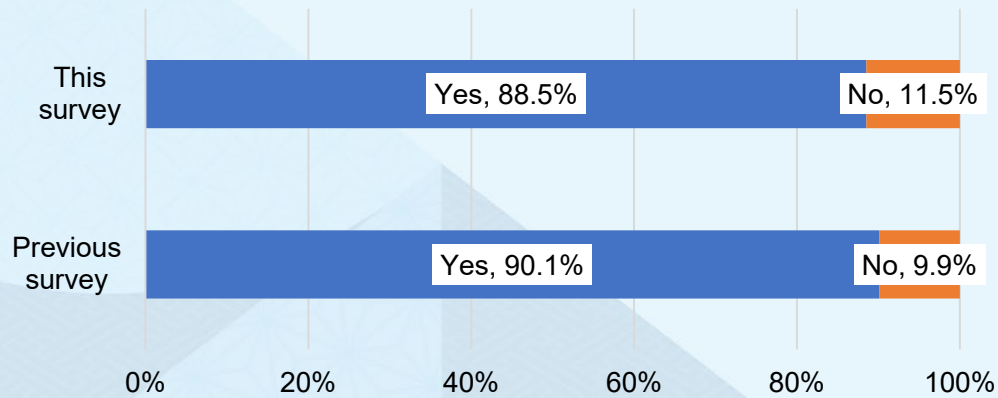
# <Institutional Investors Including GPIF's External Asset Managers>

Q1: With regard to institutional investors as a whole, have you observed any changes in their attitude at IR/SR meetings during the past one year?

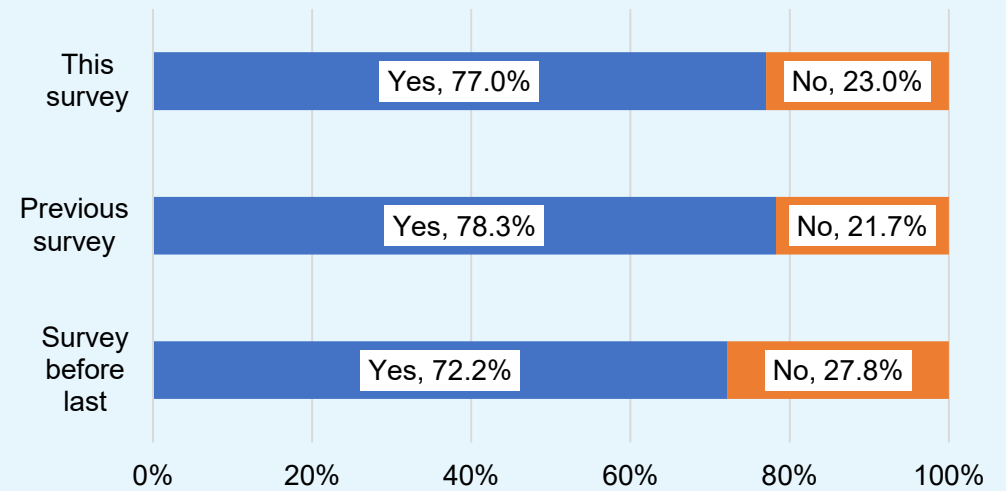


\* Transitions from the 3rd Survey in which the subject companies of the survey were changed from JPX400 component companies to those listed on the TSE First Section.

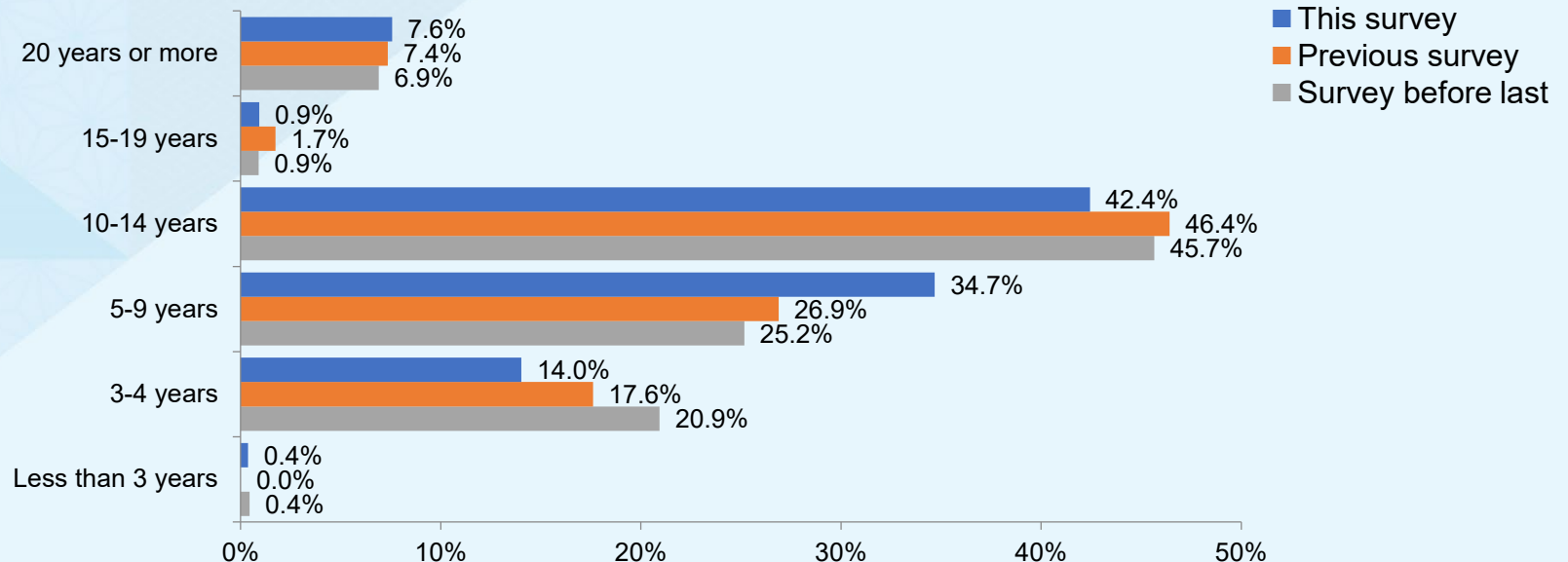
## Q2: Has your company's long-term vision been on the agenda or a theme for the dialogue with institutional investors?



## 2-1: Is your specific long-term vision disclosed to institutional investors?

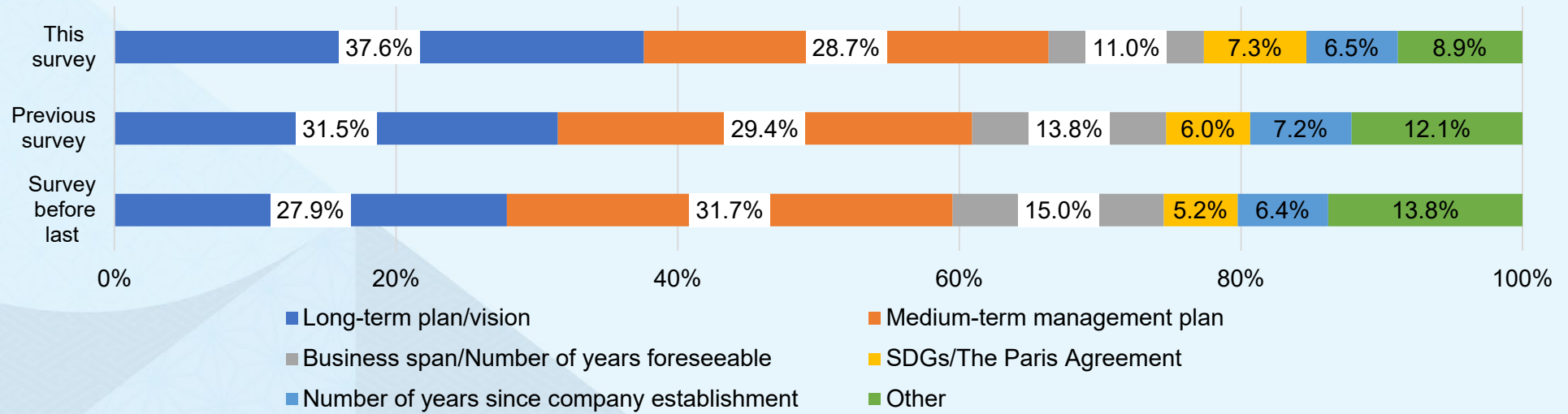


## 2-2: If it is disclosed, what is the time frame for your long-term vision?



\* When the responses are indicated in a time range, the low end of the range is used for aggregation. Responses stating that no specific time frame is presented have been excluded from aggregation. There were 542 valid responses. (517 in the previous survey).

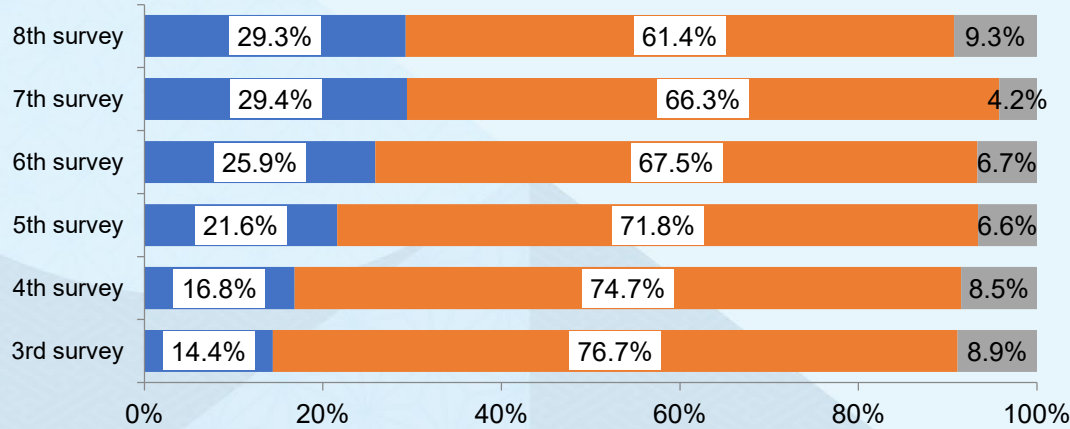
## 2-3: Based on what criteria did you set the number of years indicated in 2-2?



\* Classified based on open-ended responses.

## Q3: Choose the option that applies to your view in terms of institutional investors' use of Corporate Governance Reports (whether used more efficiently than before).

- (i) They appear to use the reports (more effectively than before).
- (ii) Cannot say (see no significant changes).
- (iii) They do not appear to use the Reports effectively.



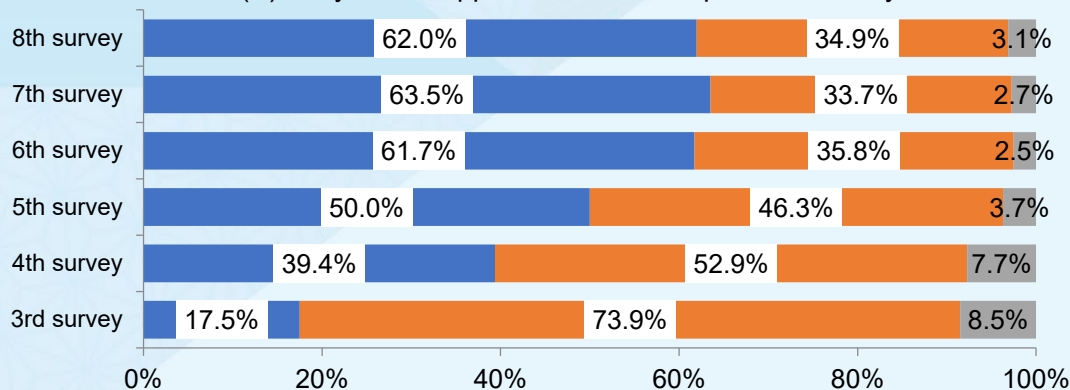
\* Transitions from the 3rd Survey in which the subject companies of the survey were changed from JPX400 component companies to those listed on the TSE First Section.

### <Excerpts of comments from companies selected (i)>

- Every year, we regularly hold ESG meetings with institutional investors at which they seem to have read our Corporate Governance Report in detail in preparation for constructive dialogue.
- The dialogues and questions concerning our Corporate Governance Report increased at IR meetings.
- We have received more questions concerning the governance system. Foreign institutional investors have long been very interested in the high percentage of outside directors at our company. There is almost no difference when we explain on the governance section for institutional investors at domestic and overseas IR meetings.
- We have received more and more suggestions concerning the selection of outside directors and the members of the Nomination and Compensation Committee and the Compensation Advisory Committee in addition to questions relating to the progress of female participation.

## Q4: Choose the option that applies to your view in terms of institutional investors' use of Integrated Reports (whether used more efficiently than before). (Question applies only to those companies that publish the report.)

- (i) They appear to use the reports (more effectively than before).
- (ii) Cannot say (see no significant changes).
- (iii) They do not appear to use the Reports effectively.

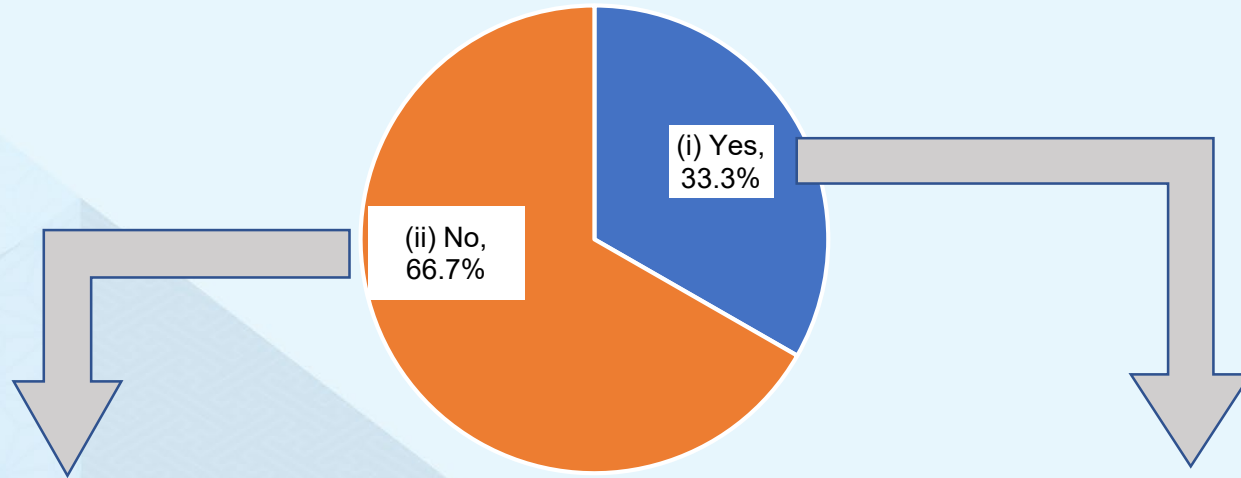


\* Transitions from the 3rd Survey in which the subject companies of the survey were changed from JPX400 component companies to those listed on the TSE First Section.

### <Excerpts of comments from companies selected (i)>

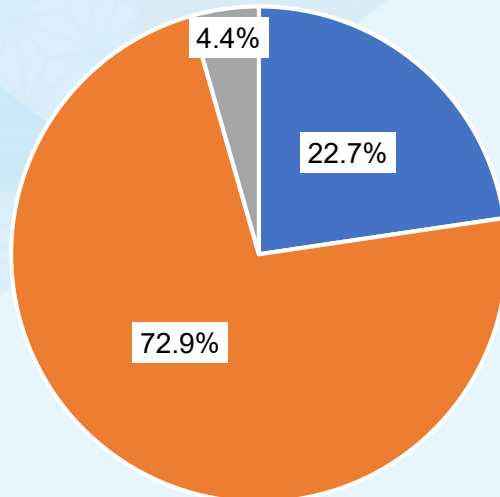
- We published our first Integrated Report in the autumn of 2022 and received feedback from several institutional investors. What they accurately pointed out as insufficient (materiality, CFO message, connection between intellectual property strategy/human resources strategy and corporate value, etc.) made us become aware that they put importance on these items for assessing corporate value.
- We found that some institutional investors made investment decisions based on not only our ratings by ESG rating agencies but also their individual interviews with us, descriptions in our Integrated Report and our website. Furthermore, there are also many cases where investors who we meet for the first time have investigated our company in advance by using our Integrated Report. Considering that, we suppose they make more effective use of our Integrated Report.
- We received questions and recommendations from financial analysts and fund managers relating to not only the most recent financial results but also the descriptions in the Integrated Report.
- We realized that asset managers have used our Integrated Report more effectively, because our company was selected as one of the issuers of "Most-improved Integrated Reports" in the survey of "Excellent and Most-improved Integrated Reports" selected by GPIF's external asset managers entrusted with domestic equity investment.

Q5. Have you ever received a request from institutional investors to conduct dialogue with non-executive directors and outside statutory auditors (hereinafter, NEDs)?



5-2: If you selected (ii) in Q5, would you conduct dialogues between institutional investors and NEDs if so requested?

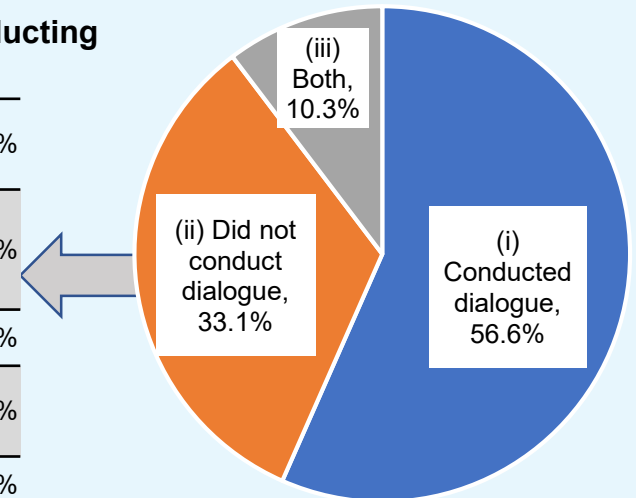
- (i) In principle, we will conduct dialogue if requested.
- (ii) We will consider conducting dialogue if requested.
- (iii) In principle, NEDs do not conduct dialogue.



5-1: If you selected (i) in Q5, did you conduct dialogue?

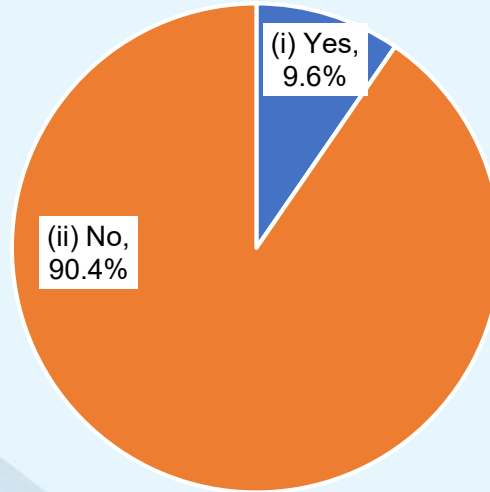
**<Reasons for not conducting dialogue>**

Policies and responses are under consideration.	41%
Dialogues are conducted by persons other than NEDs.	20%
Due to our schedule	19%
Held an explanatory meeting which NEDs attended.	3%
Other	17%



\*Classified based on open-ended responses.

# Q6. Have you ever received a request for conducting collaborative engagement?

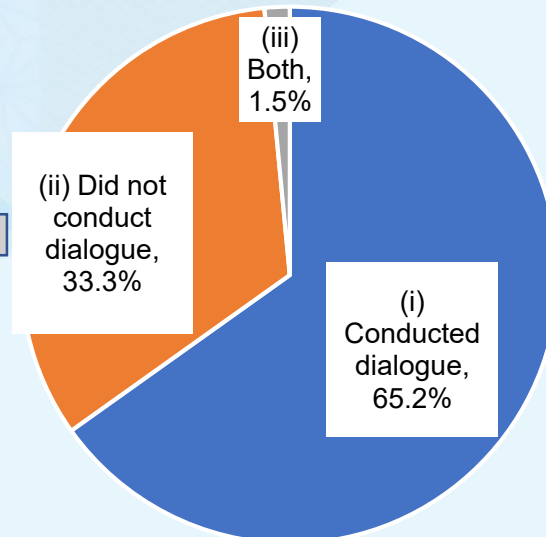


6-1: If you selected (i) in Q6, did you conduct dialogues?

6-2: If you selected (i) or (iii) in 6-1, please describe the outline of the dialogue.

### <Major reasons for not conducting dialogue>

- Exchanged letters without holding a meeting
- Preparing for conducting dialogue



### <Major themes on collaborative engagement>

- ESG as a whole
- Response to climate change (decarbonization strategy, etc.)
- Deforestation
- Cross-shareholding
- Governance on parent-subsidiary listing

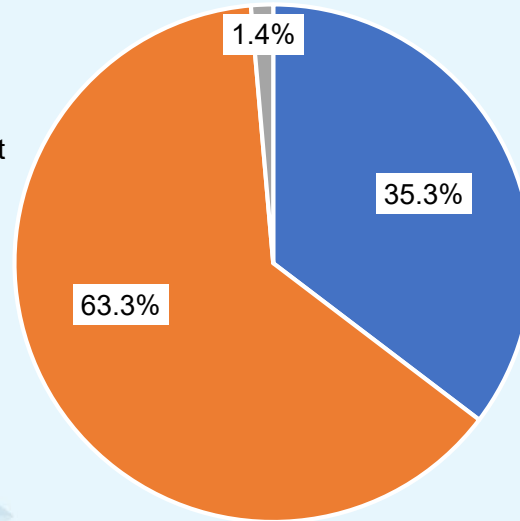
### <Major initiatives for having conducted collaborative engagement>

- ACGA (Asian Corporate Governance Association)
- AIGCC (Asia Investor Group on Climate Change)
- Climate Action 100+
- Institutional Investors Collective Engagement Forum
- PRI Collaboration Platform



## 6-3: If you selected (ii) in Q6, would you conduct collaborative engagement if requested?

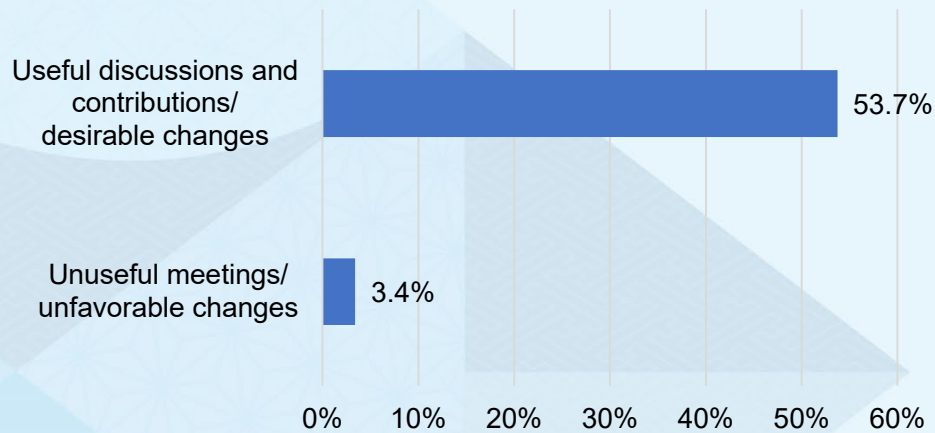
- (i) In principle, we will conduct dialogue if requested.
- (ii) We will consider conducting dialogue if requested.
- (iii) In principle, it is our policy not to accept collaborative engagement.





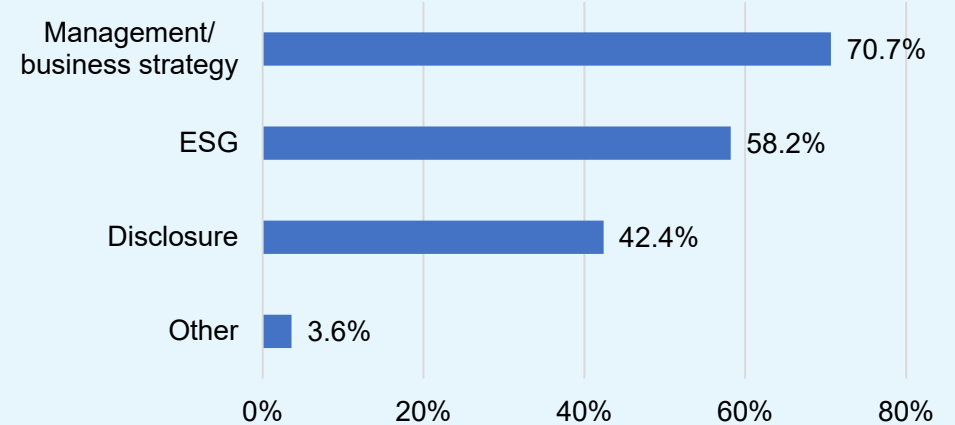
Q7. Among GPIF’s external asset managers entrusted with domestic equity, please cite “those with which you had useful discussions or those which made contributions or showed desirable changes” from the viewpoint of improvement of your company’s medium- to long-term corporate value during the past one year, and provide the reasons for citing such managers. Furthermore, please cite asset managers, if any, “with which the meeting was unuseful or which showed unfavorable changes,” and provide the reasons for citing such managers. (up to three managers for each question)

<Percentage of respondent companies>



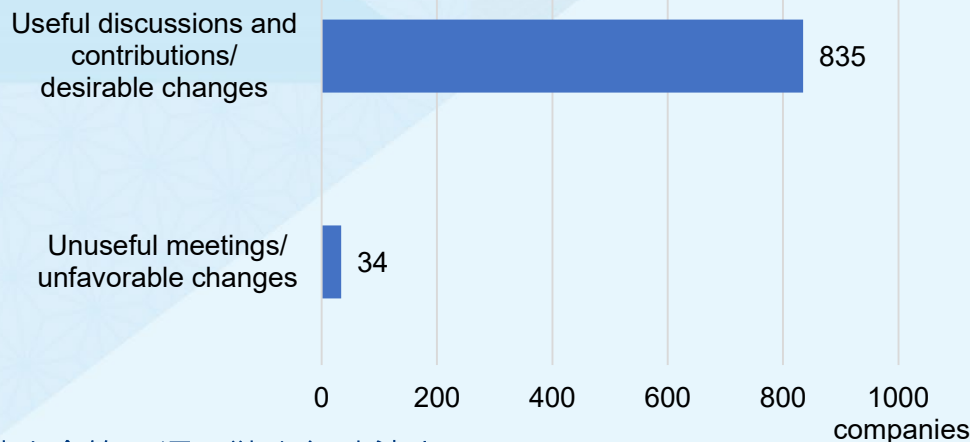
\* The percentage indicates the ratio to total responses out of 735 companies. While 395 companies observed useful discussions and contributions/desirable changes in asset managers, 25 companies saw unuseful meetings/unfavorable changes in asset managers.

<Contents of “useful discussions and contributions”>

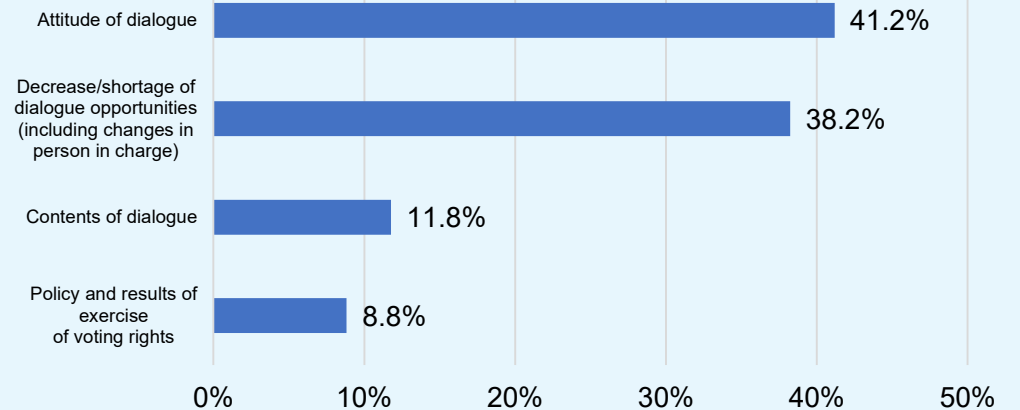


\* Multiple responses allowed. The denominator is the number of asset managers mentioned in the responses. (total number of asset managers mentioned)

<Number of asset managers mentioned in responses (Total number of asset managers)>

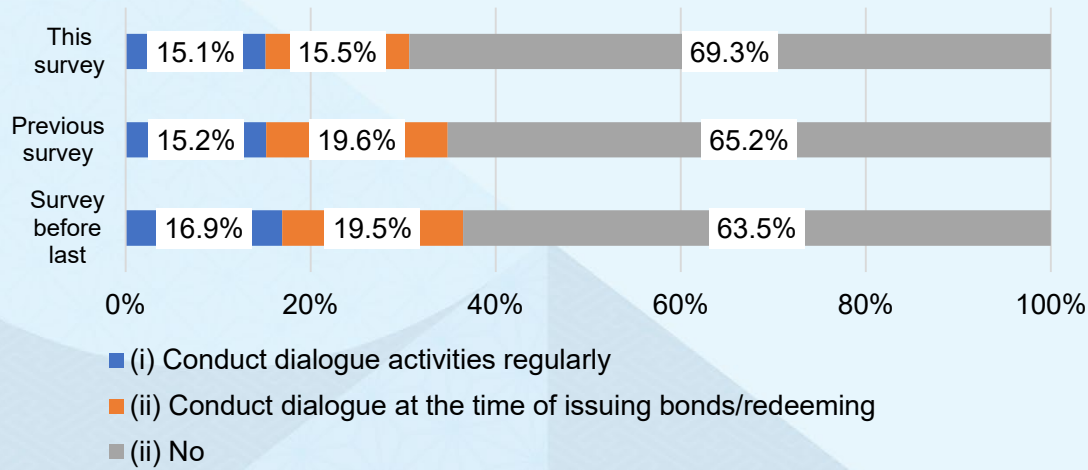


<Contents of “unuseful meetings/unfavorable changes”>

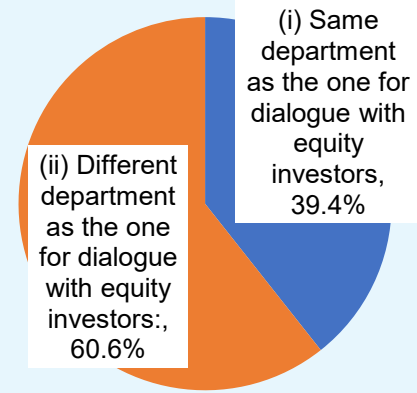


\* Classified based on open-ended responses. The denominator is the number of asset managers mentioned in the responses. (Total number of asset managers)>

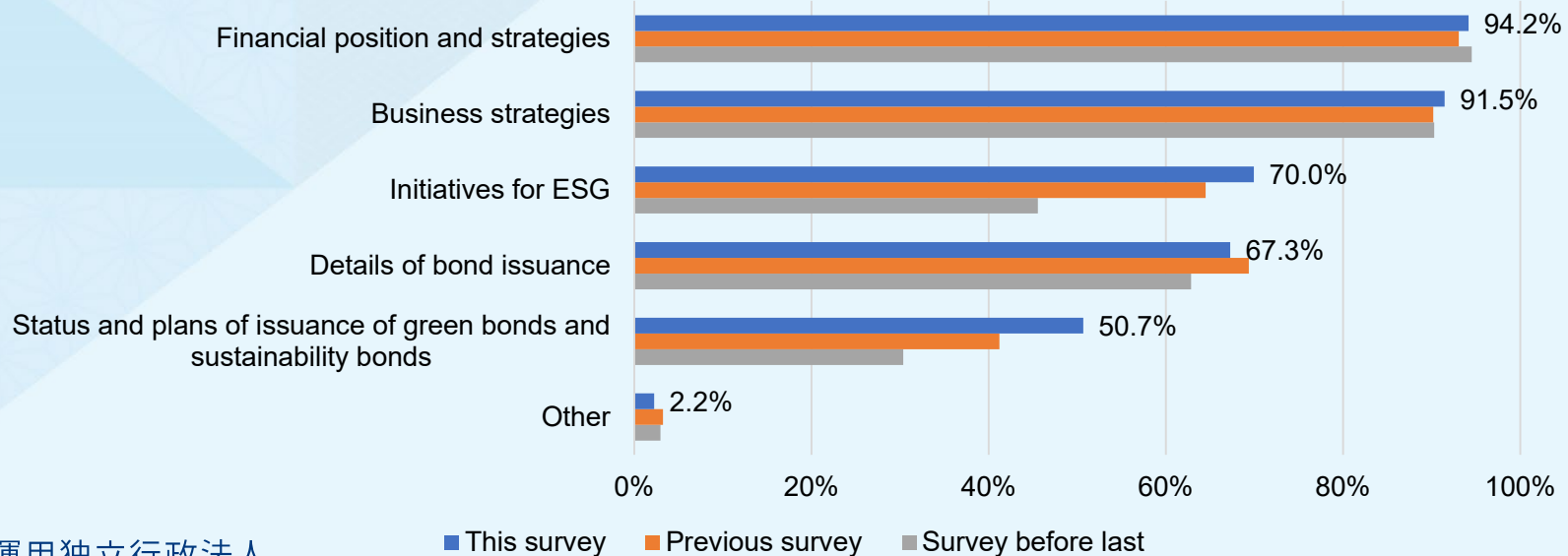
# Q8: Do you conduct dialogue with fixed income investors?



8-1: If you selected (i) or (ii) in Q8, is the dialogue with fixed income investors conducted by the same department in your company as the dialogue with equity investors?



# 8-2: If you selected (i) or (ii) in Q8, what are the topics of dialogue with fixed income investors? (Multiple responses allowed)



### 8-3: If you selected (i) or (ii) in Q8, please describe the topics of dialogue with fixed income investors if you found them useful. (Up to three cases)

[Excerpts of comments]

- We could ask about specific investment methodologies used by fixed income investors or the current market environment.
- Learned from them about objective evaluations of the bonds issued by us in the overall bond market.
- When a credit event occurred or the market environment became uncertain, we directly explained the actual status of our company, which could make better understanding and sense of security of investors for our credit.
- Could get their constructive opinions and learn perspectives of investors, of which we make good use in considering our financial strategies.
- Their questions about our fund procurement policy and a sense of appropriate levels of interest rates, which are different approaches from those in charge of equity investment, are useful for us to reinforce our attention to the balance sheet.
- Through dialogues, we could learn the viewpoints of investors concerning the present status of our business, which made us reconfirm the strength of our business from the environmental and business aspects.
- Provided us with extremely useful suggestions concerning a wide variety of ESG-related information disclosure.
- With respect to our TCFD-related disclosure on the issuance of ESG bonds, they provided us with suggestions and advice on the evaluation and its reasons from asset managers from a global point of view.
- We could learn the ways of thinking on investment and required yield from the investor side in terms of green bonds, transition bonds, sustainability bonds, etc.
- With their strong interest in the issuance of ESG bonds, we could communicate with them concerning the thinking behind our ESG initiatives and environmental goals stated in the Medium-term Strategy, and we could reconfirm the heightened need for ESG investment by fixed income investors.
- The dialogue was not simply a Q&A meeting. They provided us with feedback for our environmental goals and the Integrated Report, which resulted in interactive communication. It also worked as a good opportunity to review our initiatives based on the provided feedback.
- We received a request to hold a meeting, as part of their stewardship activities concerning our initiatives for sustainability, particularly for human capital, which turned out to be a useful opportunity for exchanging information with a person in charge of the Human Resources Department of the other party.

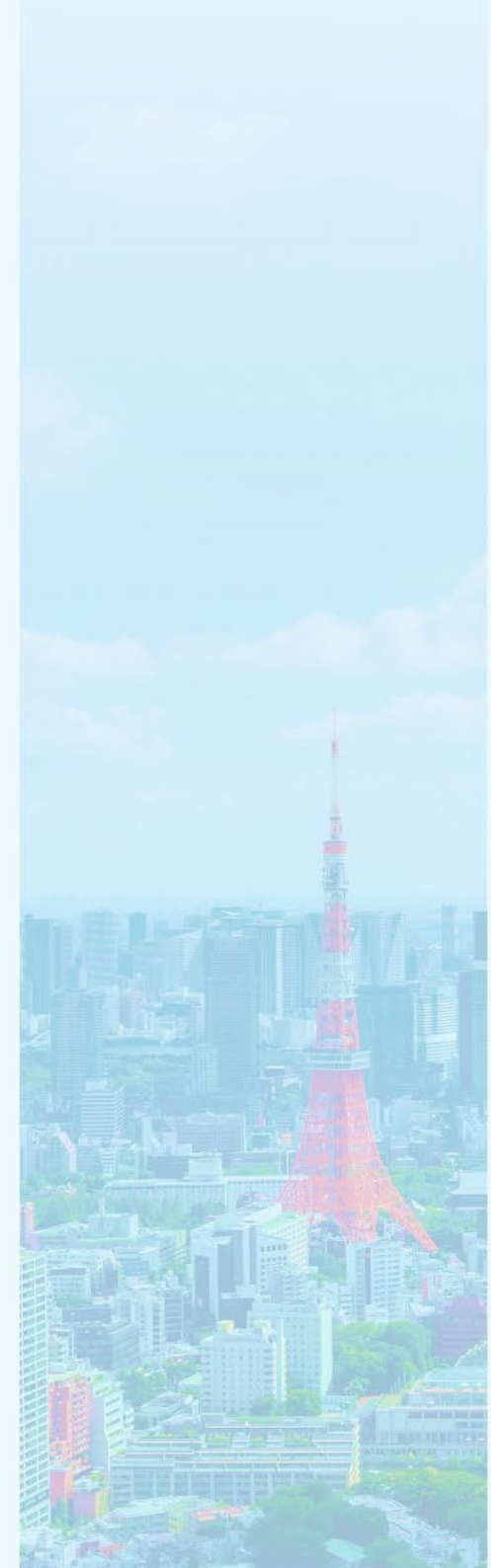
## Q9. What do you expect from institutional investors as a whole in pursuing enhancement of your corporate value and sustainable growth over the medium to long term?

### [Excerpts of comments]

- Would like to continue to have engagement aimed at increasing medium- to long-term corporate value. We expect constructive dialogues in which our insufficient aspects are pointed out in comparison with other companies, and positive suggestions to further enrich disclosure items, etc. will be provided.
- More and more investors have conducted dialogues with us and such opportunities are increasing, seeking to enhance our corporate value from the medium- to long-term perspectives. We expect that this trend will continue. In particular, specific feedback and requests concerning our business activities and disclosure would be very informative for us.
- In exercising voting rights, we expect them to flexibly make decisions to vote based on the knowledge acquired through dialogues, rather than mechanically following their internal exercising standards.
- Rather than dialogues totally focusing on the reconfirmation of our initiatives and our way of thinking, we expect discussions in which suggestions are provided for promoting effective reforms and improvements (on the human capital and intellectual capital areas, in particular) toward enhancement of sustainable corporate value. Furthermore, we would like institutional investors to positively disclose how they evaluate and include our non-financial information in their investment decisions. By making it clear how our non-financial information is used by institutional investors, we believe corporate information disclosure will be also promoted.
- Concerning the news coverage (for example, the issue of PBR below 1), we wanted to ask their view and opinions on companies from the standpoint of an investor; however we sometimes found investors who had no viewpoints about that topic. Discussions with persons with their own viewpoints help us deepen our understanding what we value and what we see in the news, which are meaningful to consider the responses and measures taken by other companies.
- Requests for conducting dialogues with our management have been increasing, including requests from a person in charge who has never conducted dialogue before. In such a case, we would like that person to participate in the dialogue after gathering our basic information in advance from our IR staff, or at least fully preparing by reading through our Integrated Report and financial documents.
- We would like institutional investors to continue conveying their suggestions for reforms and improvements required to issuers repeatedly through meetings such as engagement. The voices from outside of the company tend to be heard with stronger interest and response than those from inside. We would like to take them as a driving force to further shift the company toward a good direction.
- Possibly due to the size of our company, we feel that many of our meetings with institutional investors are focused on short-term visions such as quarterly financial results. We expect that the themes that help activate constructive discussions will increase, such as points for improvement in our business strategies from the viewpoint of capital markets as well as opinions concerning the business environment, by focusing on substantial corporate value and long-term strategies.
- Since our foundation, we have implemented initiatives for appointing outside directors and securing the diversification of the board structure. Although we are still a company of small market cap to date, we are working to strengthen business growth concurrently with enhancing non-financial aspects. We would like them to pay attention to those efforts as well, not only to the fluctuations of short-term business results.

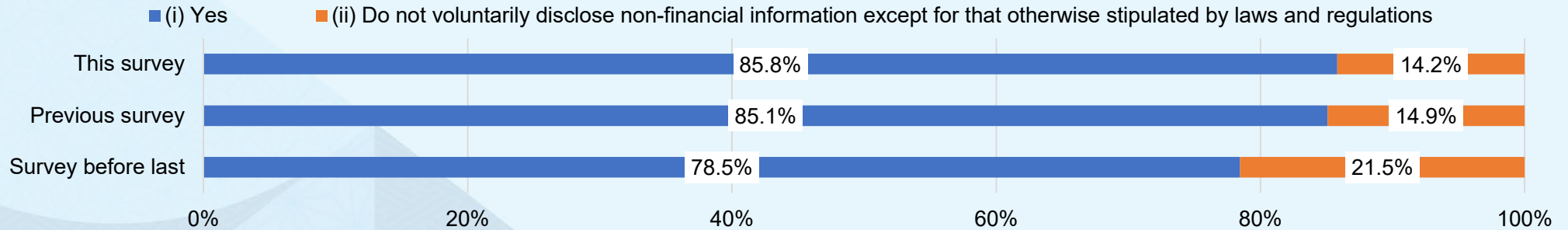


## 2. IR and ESG Activities of Companies

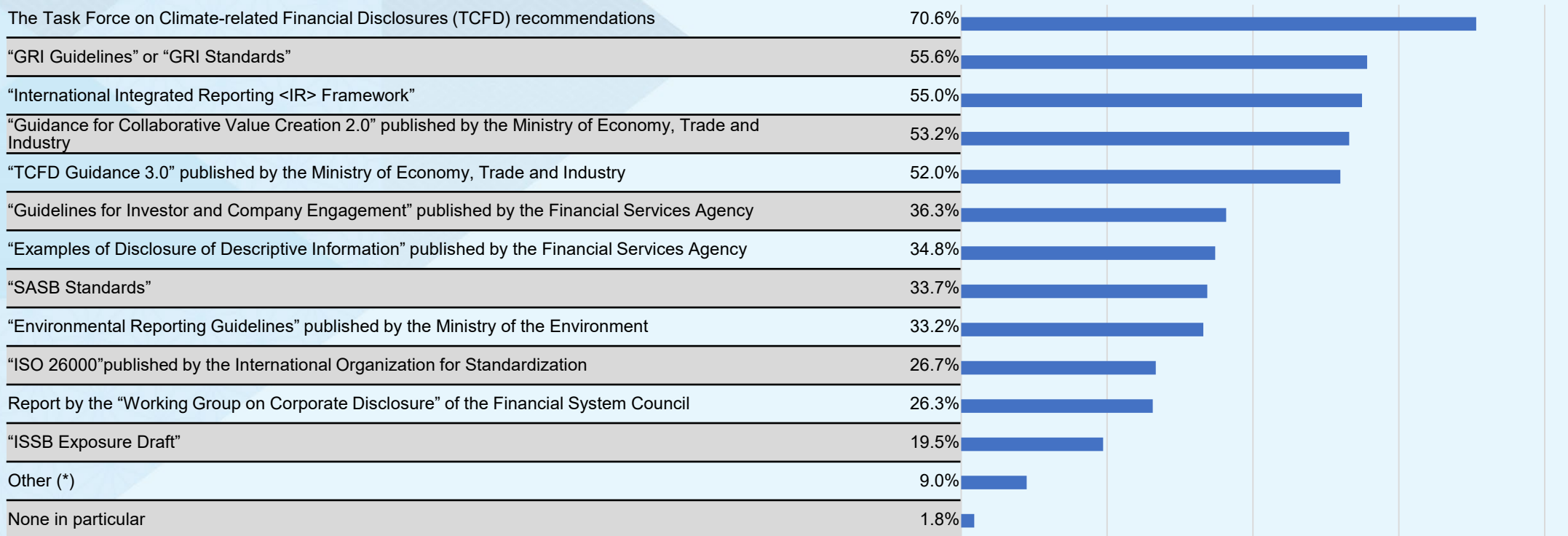


# <IR and ESG Activities of Companies>

Q1: Do you voluntarily disclose non-financial information including ESG (publication of CSR Reports, Sustainability Reports, Integrated Reports, etc.)?



1-1: If you selected “Yes” in Q1, do you refer to any of the following standards and guidelines?



1-2. At present, discussions on the formulation of the disclosure standards of non-financial information have been globally advanced by International Sustainability Standards Board (ISSB), the European Corporate Sustainability Reporting Directive (CSRD), the U.S. Securities and Exchange Commission (SEC) in addition to the Sustainability Standards Board of Japan (SSBJ). Please describe your interest, challenges, or difficulties, if any.

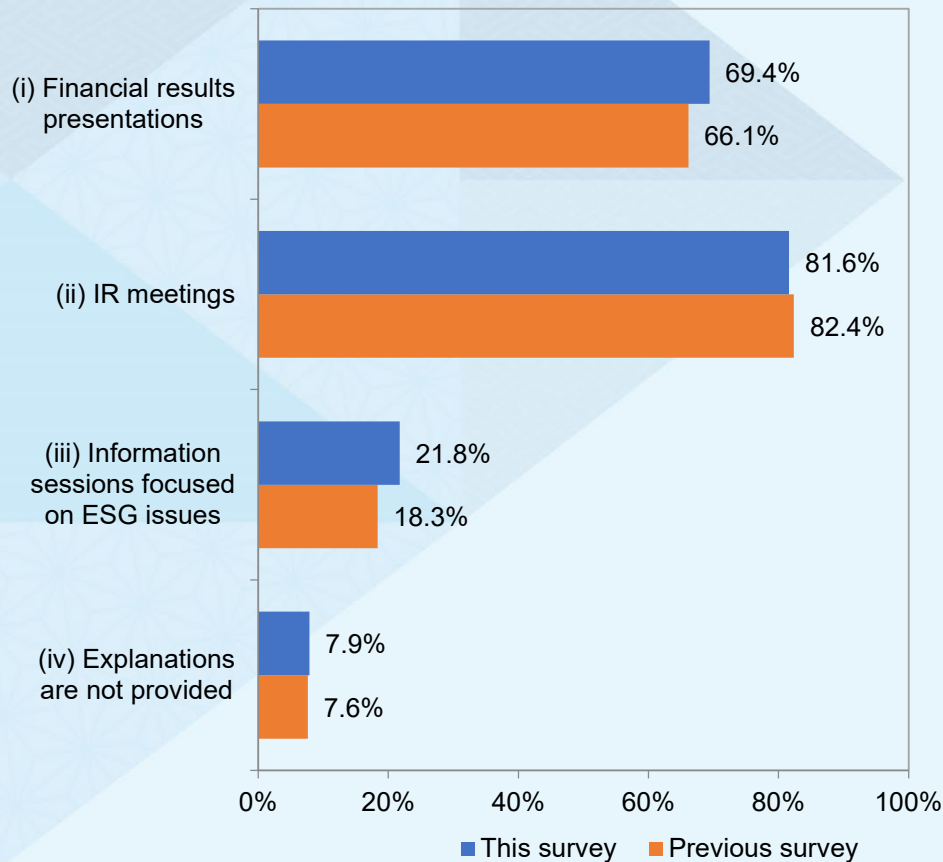
[Excerpts of comments]

- We now observe there is a movement that the disclosure standards will be unified into ISSB. Meanwhile, CSRD and other organizations show a different direction. In any case, we, as a company required to follow every standards, will face a big burden.
- Regarding the responses to CSRD, we are wondering how we should cooperate and allot the work between the Headquarters in Japan and the Regional Headquarters in Europe.
- As a parent company, we are interested in establishing disclosure systems by comprehensively gathering information from consolidated overseas subsidiaries and organizing such information.
- Considering that some measurement methods have not been established yet, including Scope 3 of GHG emissions, we expect that the disclosure standards should be decided in line with the progress of such measurement methods.
- Still unclear about how the international standards will be applied to the Japanese standards.
- Not sure enough about how the disclosure in line with the Japanese standards will be evaluated by overseas institutional investors if customized Japanese standards are established going forward that is for domestic companies referring to international standards.
- Securing credibility and transparency of disclosure (whether verifications will be performed by a third party)
- While we are working to conduct disclosure in line with relevant guidelines, the uniqueness of companies is also required. We feel that the balance among these is difficult.
- Interested in the responses by, and the internal systems of European and U.S. companies (little information on such issues), because we will face the need to respond to the standards assuming not only the Japanese market but also the major foreign markets while expanding our business on a global basis,
- Considering that disclosure items, such as responses to CO<sub>2</sub> and human capital, are increasing, we expect that efficient disclosure rules will be established to reduce overlapping disclosure items.
- Suppose that the establishment of the standards will gradually clarify the sustainability information that can be useful to investment decisions, by which we expect it will make easier for a company to disclose information. We are also interested in how investors will evaluate the standards and how they will use such standards.
- Struggle in prioritization of the items to address and deciding target levels, as working on our initiatives as a company.
- Facing difficulties in disseminating the importance of disclosure of various kinds of non-financial information within our company (from the management to staff). Even in the Group companies, we need their understanding in order to gather information.
- The disclosure level required of companies listed on the TSE Standard Market.
- Have a challenge to catch up the information due to a lack of expertise and resources. It would be very helpful if some initiatives and good practices of other companies are presented in addition to explanations of the outlook.

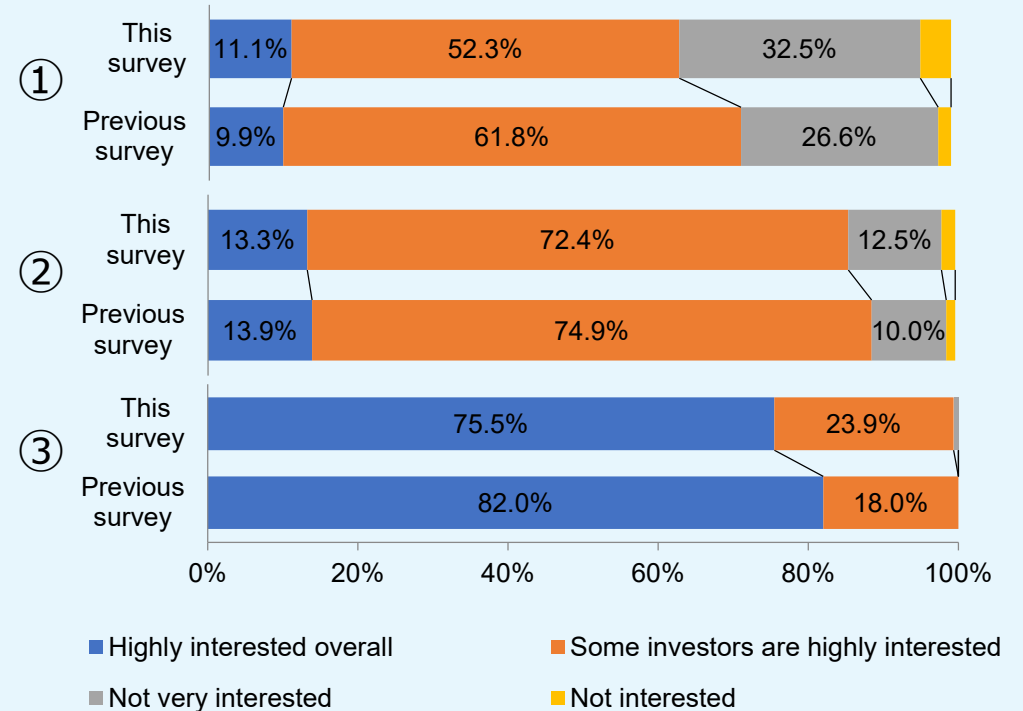


Q2: When do you provide explanations on non-financial information such as ESG to institutional investors? (Multiple responses allowed) If such explanations are provided, how do you rate the reactions of institutional investors?

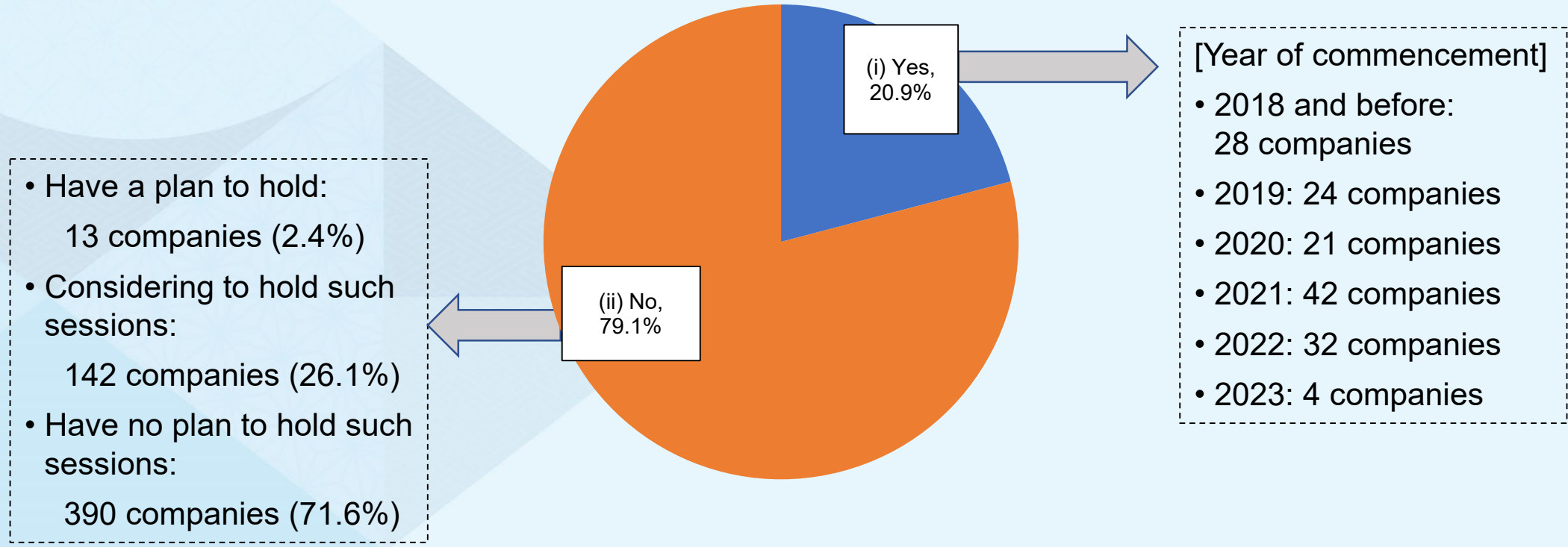
### <Sessions where explanations on non-financial information are provided>



### <Reactions of institutional investors>



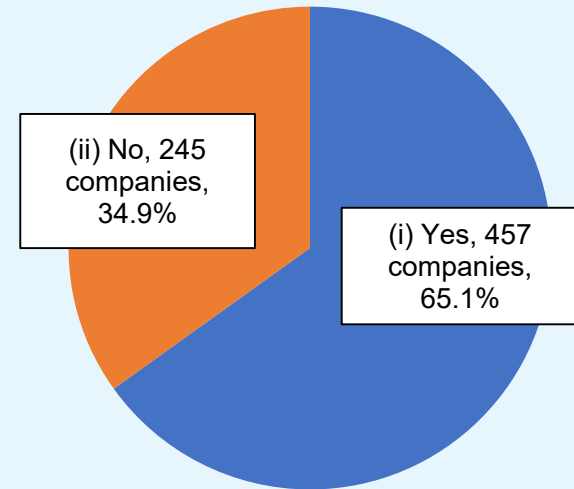
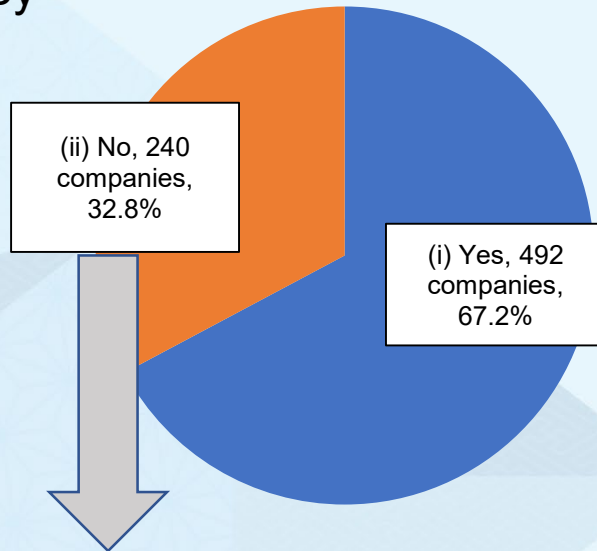
Q3: Do you currently hold information sessions focused on ESG issues for institutional investors?



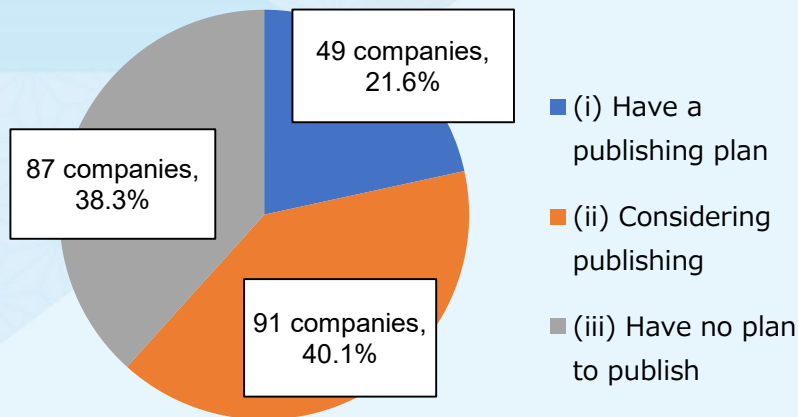
# Q4: Do you publish Integrated Reports or equivalent reports for institutional investors?

<This survey>

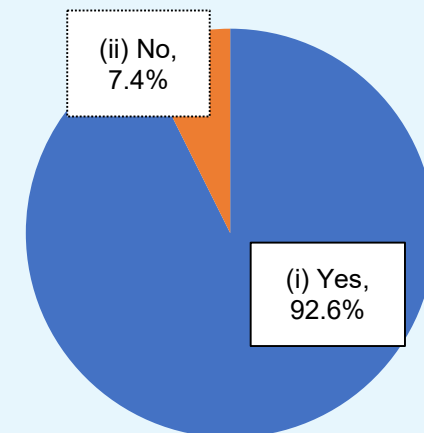
<Previous survey>



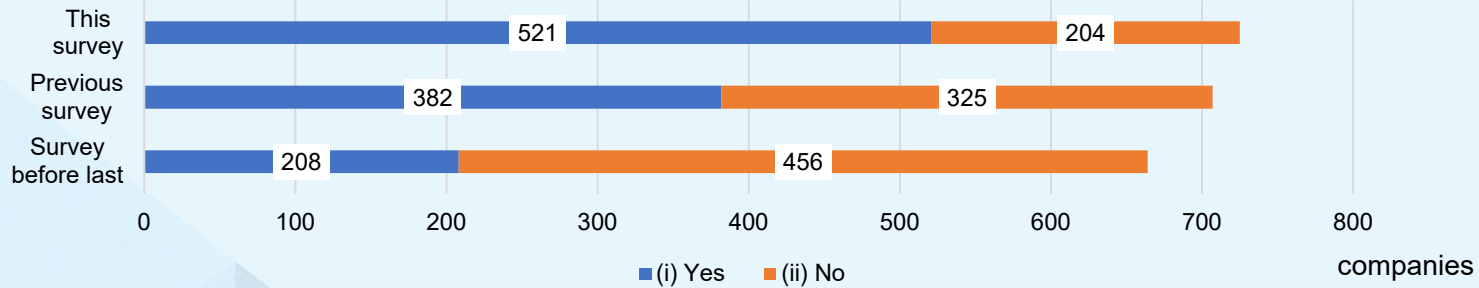
4-1: If you selected (ii) in Q4, what is your future plan?



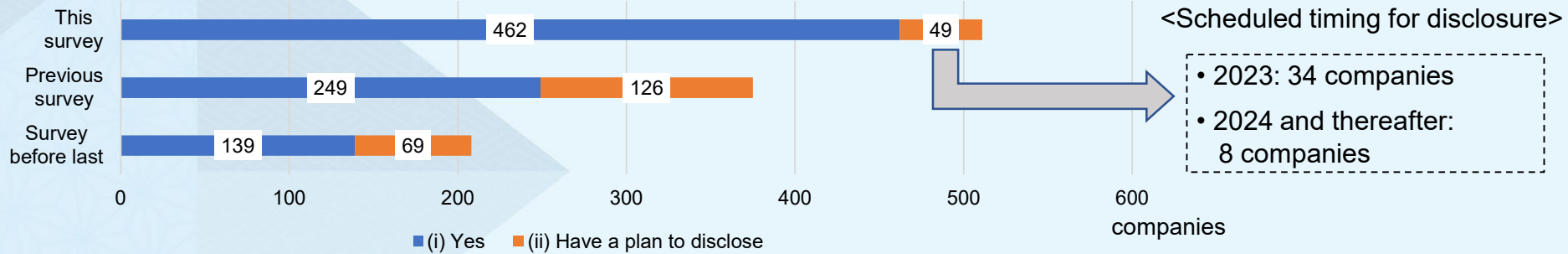
4-2: If you selected (i) in Q4, have you published an English version?



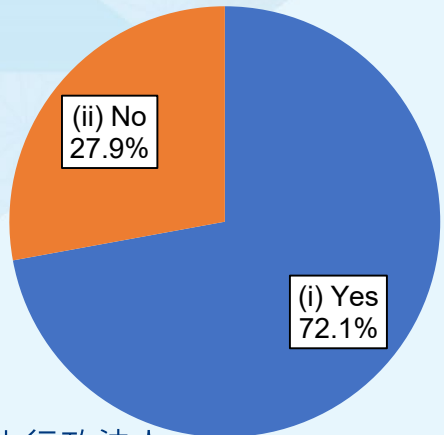
# Q5: Have you endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations?



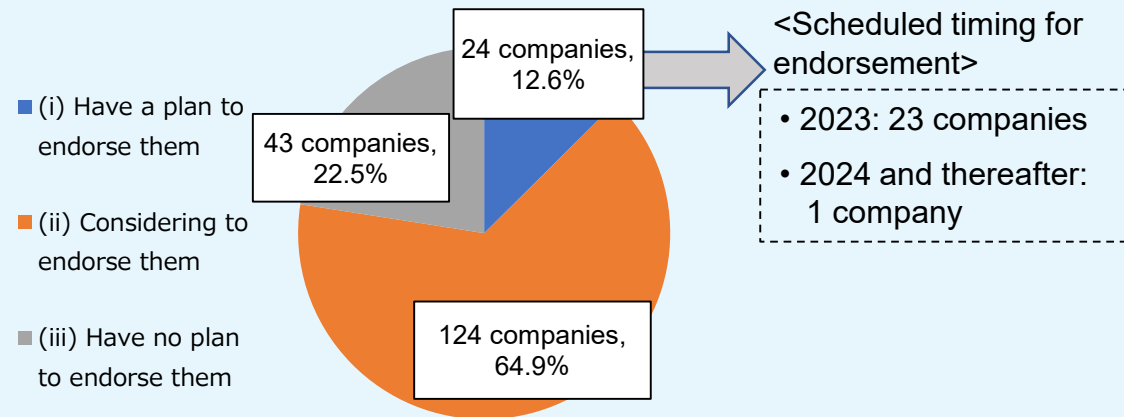
## 5-1: If you selected (i) in Q5, do you disclose information in line with the TCFD recommendations?



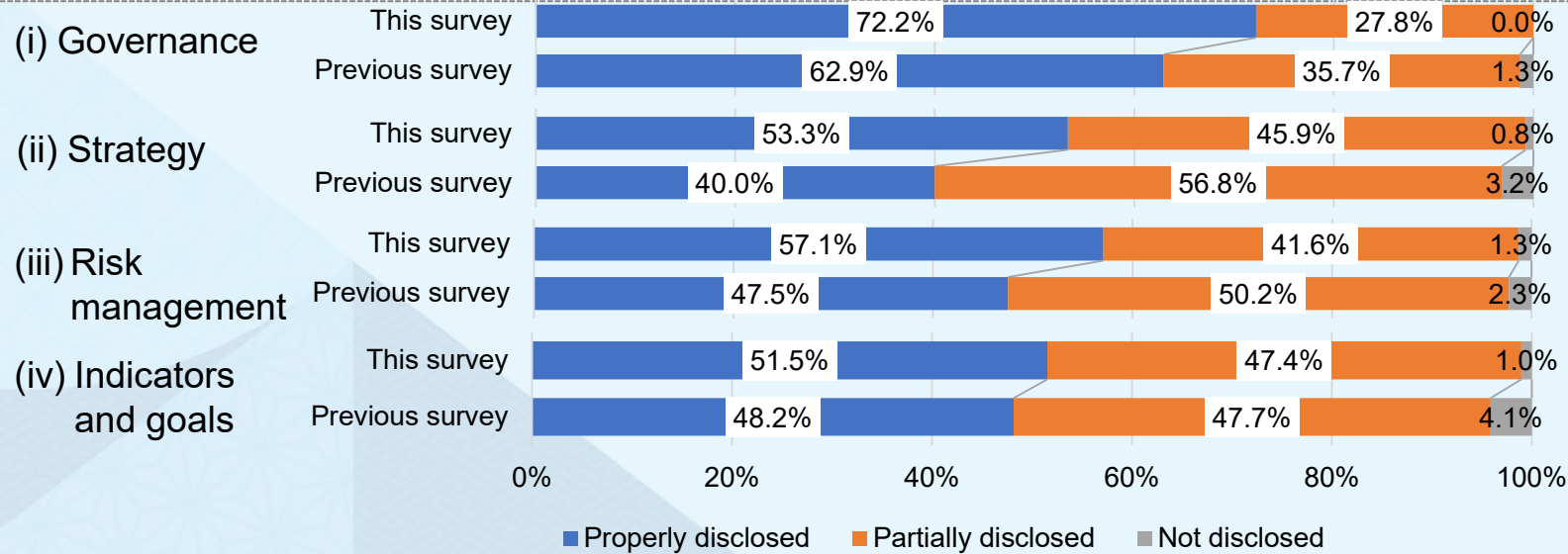
## 5-2: If you selected (i) in 5-1, have you conducted dialogues with institutional investors concerning the disclosed information?



## 5-3: If you selected (ii) in Q5, what is your future plan regarding endorsement of the TCFD recommendations?



## 5-4: If you selected “(i) Yes” in 5-1, what is the disclosure status regarding the items below?



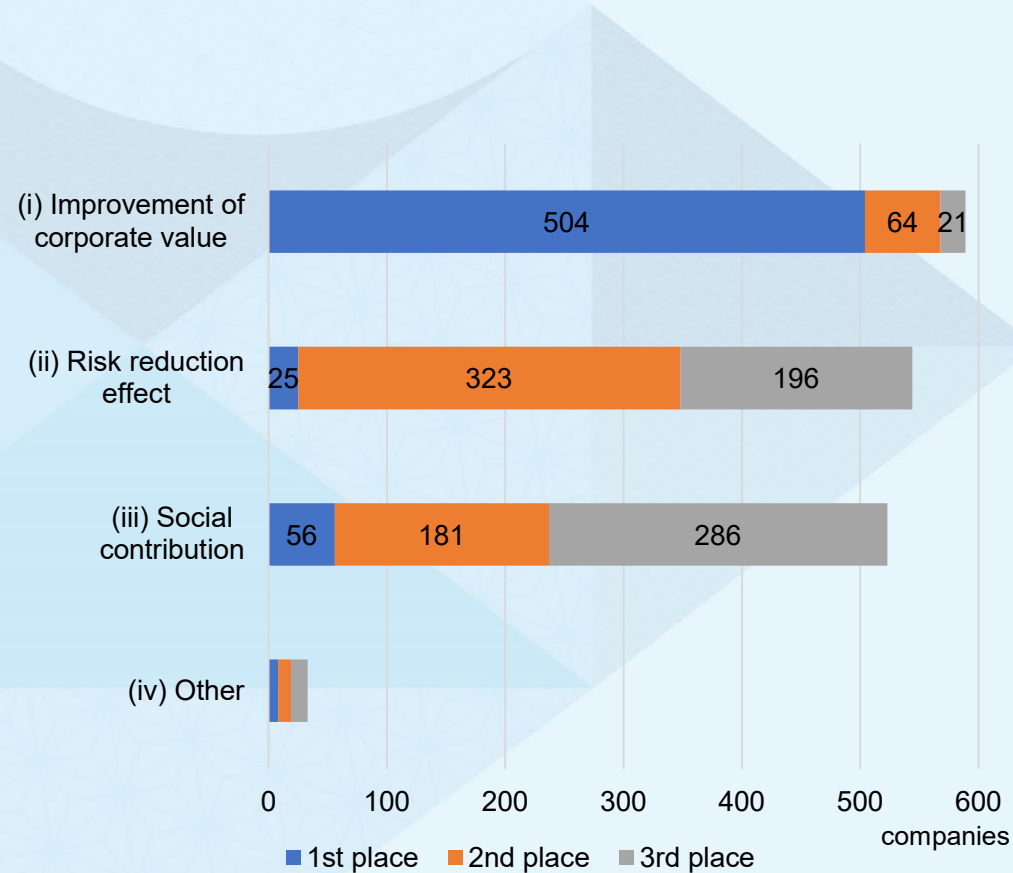
5-5: If you selected “(i) Yes” in 5-1, describe issues, if any, in disclosing information in line with the TCFD recommendations, such as practical issues including your company’s structure, information acquisition and analysis methods, as well as disclosure criteria and external assessment, regardless of internal and external factors.

### [Excerpts of comments]

- In the scenario analysis, the degrees of opportunities and risks significantly vary depending on how the situations are assumed and fixed by companies.
- The most serious challenge is that there is no unified method concerning quantitative evaluation of financial impact.
- The evaluation of the gaps between the disclosure levels required by stakeholders including investors and the content disclosed by our company is unclear.
- We are now considering the disclosure method of quantitative evaluation of risks and opportunities concurrently with how far we should disclose information without misleading readers.
- Responses to Scope 3. It is a challenge to ascertain the volume of CO2 emissions of not only our company but also other companies included in the supply chain.
- We haven’t established a system under which a dedicated organization is responsible for management across the Group.

Q6: What are the objectives of the ESG activities of your company? Please select “up to 3 items” below, and rank them with numbers 1, 2 and 3. (The same ranks are not allowed)

<Number of respondents>



<Status of responses by company size>

	1st place			2nd place			3rd place		
	Large	Medium	Small	Large	Medium	Small	Large	Medium	Small
(i) Improvement of corporate value	66	175	263	7	23	34	2	4	15
Ratio (*)	88%	85%	84%	9%	12%	11%	3%	2%	6%
(ii) Risk reduction effect	2	12	11	58	119	146	14	65	117
Ratio	3%	6%	4%	77%	60%	48%	21%	35%	44%
(iii) Social contribution	2	17	37	7	51	123	47	110	129
Ratio	3%	8%	12%	9%	26%	40%	70%	60%	48%
(iv) Other	5	2	1	3	5	3	4	5	5
Ratio	7%	1%	0%	4%	3%	1%	6%	3%	2%
Total	75	206	312	75	198	306	67	184	266

\* Ratio of the items in the ranking (e.g. Ratio of “(i) Improvement of corporate value” in the 1st place of the purposes for ESG activities of large-size companies: 66 companies / 75 companies)

## Q7: What are the major themes of the ESG activities of your company? (Multiple responses allowed, up to five)

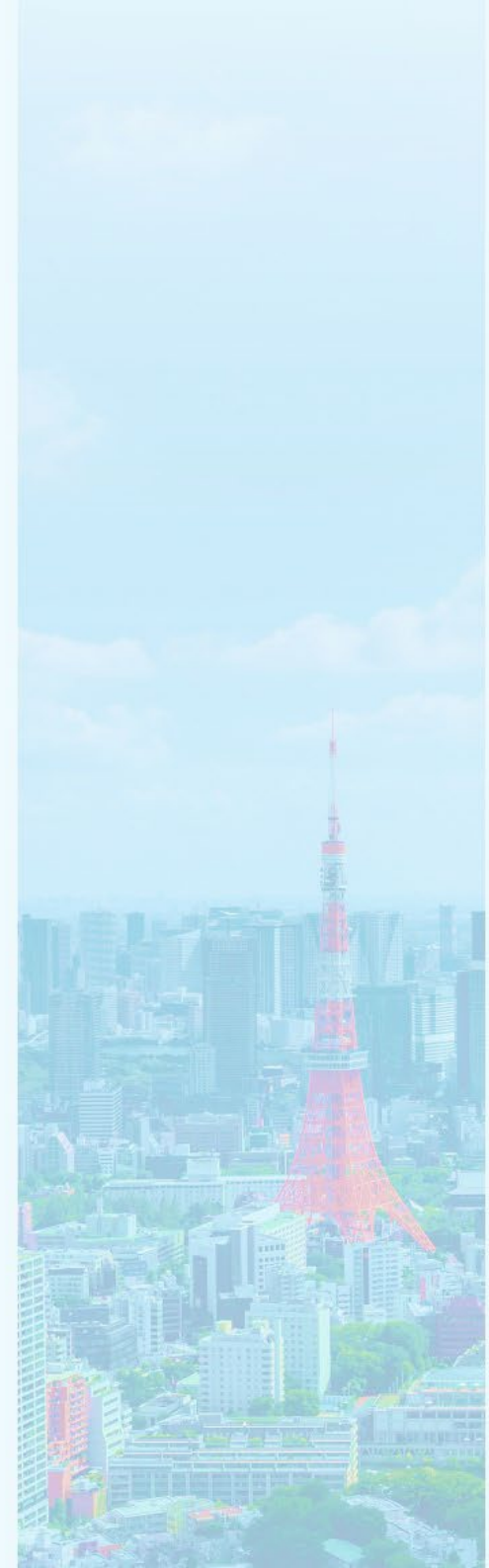
Rank	Rank (previous survey)	Theme	This survey	Previous survey	Change
1	1	Climate Change	82.3%	77.9%	<b>+4.4</b>
2	2	Corporate Governance	68.0%	71.7%	-3.7
3	3	Diversity	57.0%	55.0%	<b>+2.0</b>
4	4	Human Rights & Community	44.6%	43.2%	<b>+1.4</b>
5	5	Health & Safety	39.7%	38.8%	<b>+0.9</b>
6	6	Risk Management	27.3%	27.9%	-0.6
7	7	Product Liability	26.9%	27.5%	-0.6
8	8	Supply Chain	24.4%	24.3%	<b>+0.1</b>
9	9	Disclosure	21.8%	21.2%	<b>+0.6</b>
10	10	Board Structure, Self-evaluation	11.7%	14.1%	-2.4

Rank	Rank (previous survey)	Theme	This survey	Previous survey	Change
11	13	Environmental Opportunities	9.9%	9.4%	<b>+0.5</b>
12	14	Other	9.8%	8.6%	<b>+1.2</b>
13	11	Waste Management	8.0%	11.0%	-3.0
14	12	Pollution & Resources	7.3%	10.6%	-3.3
14	16	Capital Efficiency	7.3%	6.8%	<b>+0.5</b>
16	17	Labor Standards	6.7%	6.3%	<b>+0.4</b>
17	15	Social Opportunities	6.4%	7.1%	-0.7
18	19	Biodiversity	5.4%	4.4%	<b>+1.0</b>
19	18	Water Stress & Water Security	3.8%	4.7%	-0.9
20	20	Deforestation	2.4%	1.8%	<b>+0.6</b>
21	20	Misconduct	1.4%	1.8%	-0.4
22	23	Minority Shareholder Rights (Cross-shareholding, etc.)	1.1%	1.4%	-0.3
23	22	Anti-corruption	0.8%	1.6%	-0.8
24	24	Conflict Minerals (Responsible Mineral Procurement)	0.4%	0.8%	-0.4
25	25	Tax Transparency	0.1%	0.0%	<b>+0.1</b>

\*Companies selected up to five themes out of 25 themes listed above.



### **3. GPIF's Initiatives (ESG Indexes)**

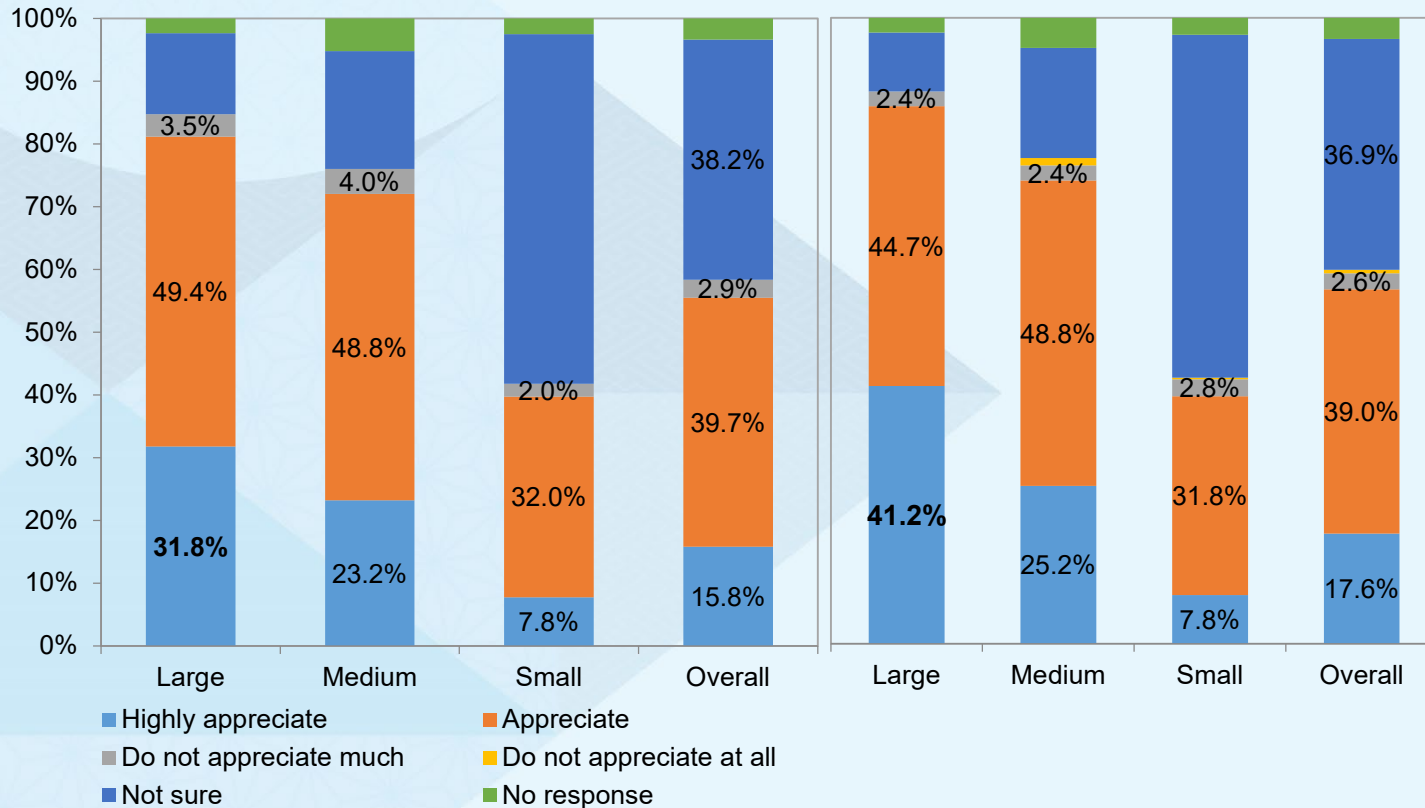




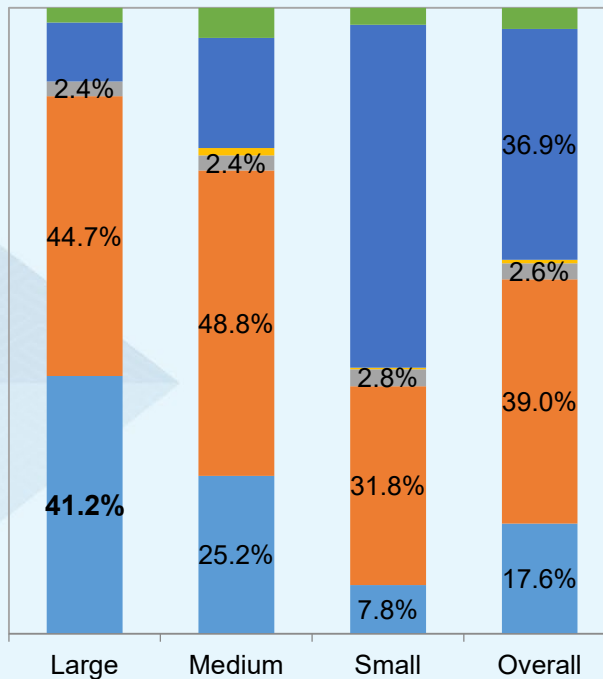
# <GPIF's Initiatives (ESG Indexes)>

Q1. Describe your rating of each of the following five ESG indexes and reasons why.

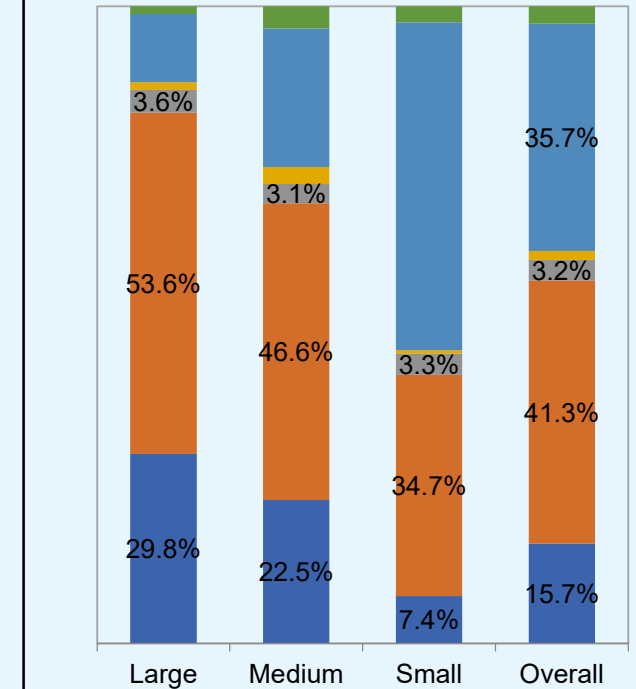
## <Newly adopted> FTSE Blossom Japan Sector Relative



## FTSE Blossom Japan



## <Previous survey> FTSE Blossom Japan



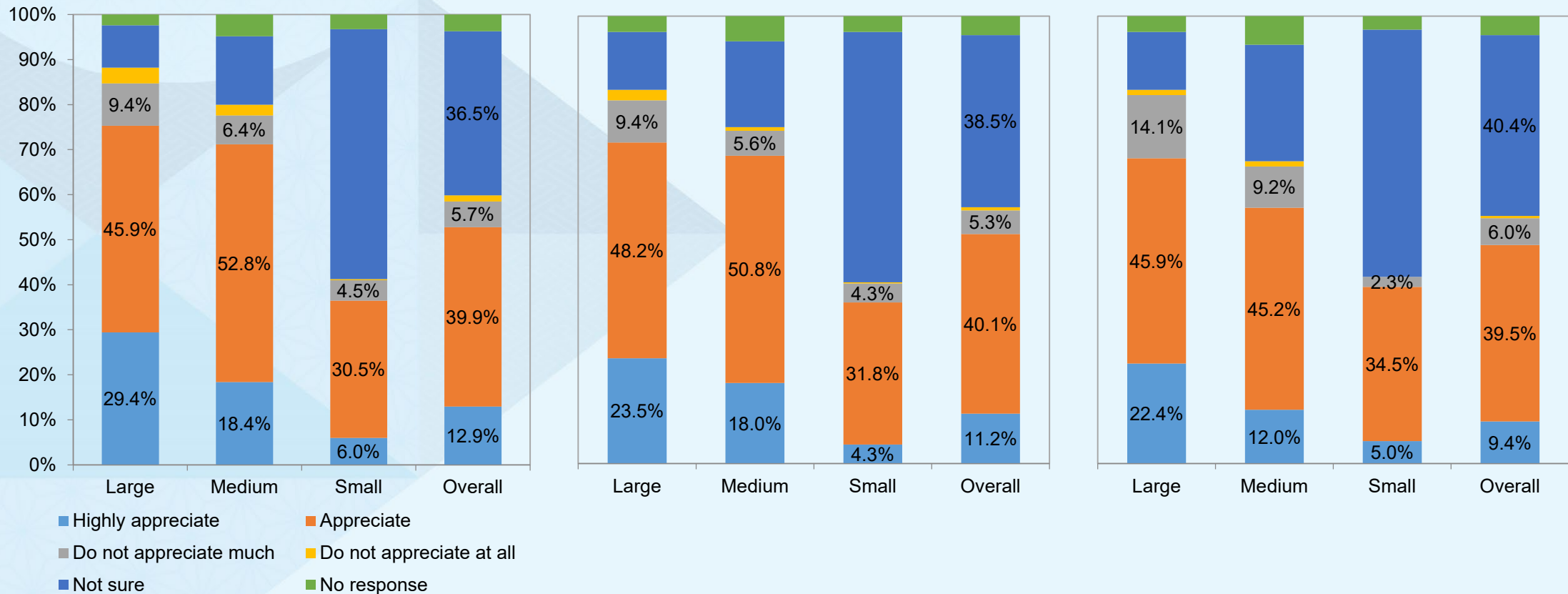
- In this survey, "FTSE Blossom Japan Sector Relative" (hereinafter, "the Index"), an index newly adopted in FY2021 has been added to the questions.
- The Index reflects the attitudes of management against climate change risks and opportunities of some high carbon intensity companies in the evaluations based on the ESG ratings by FTSE Russell, which is the same as FTSE Blossom Japan. Furthermore, companies of relatively high ESG rating within the industry are included and finally, the weight of industry is neutralized at the sector level. While the numbers of candidate companies for inclusion in those two indexes are almost the same, the actual number of companies included are 493 for Blossom Japan Sector Relative, and 229 for FTSE Blossom Japan. (As of March 31, 2022)
- The overall evaluation of those indexes are generally the same, but the higher percentage of large cap companies answered "Highly appreciate" for FTSE Blossom Japan.

Q1. Describe your rating of each of the following five ESG indexes and reasons why.

**MSCI Japan ESG Select Leaders Index**

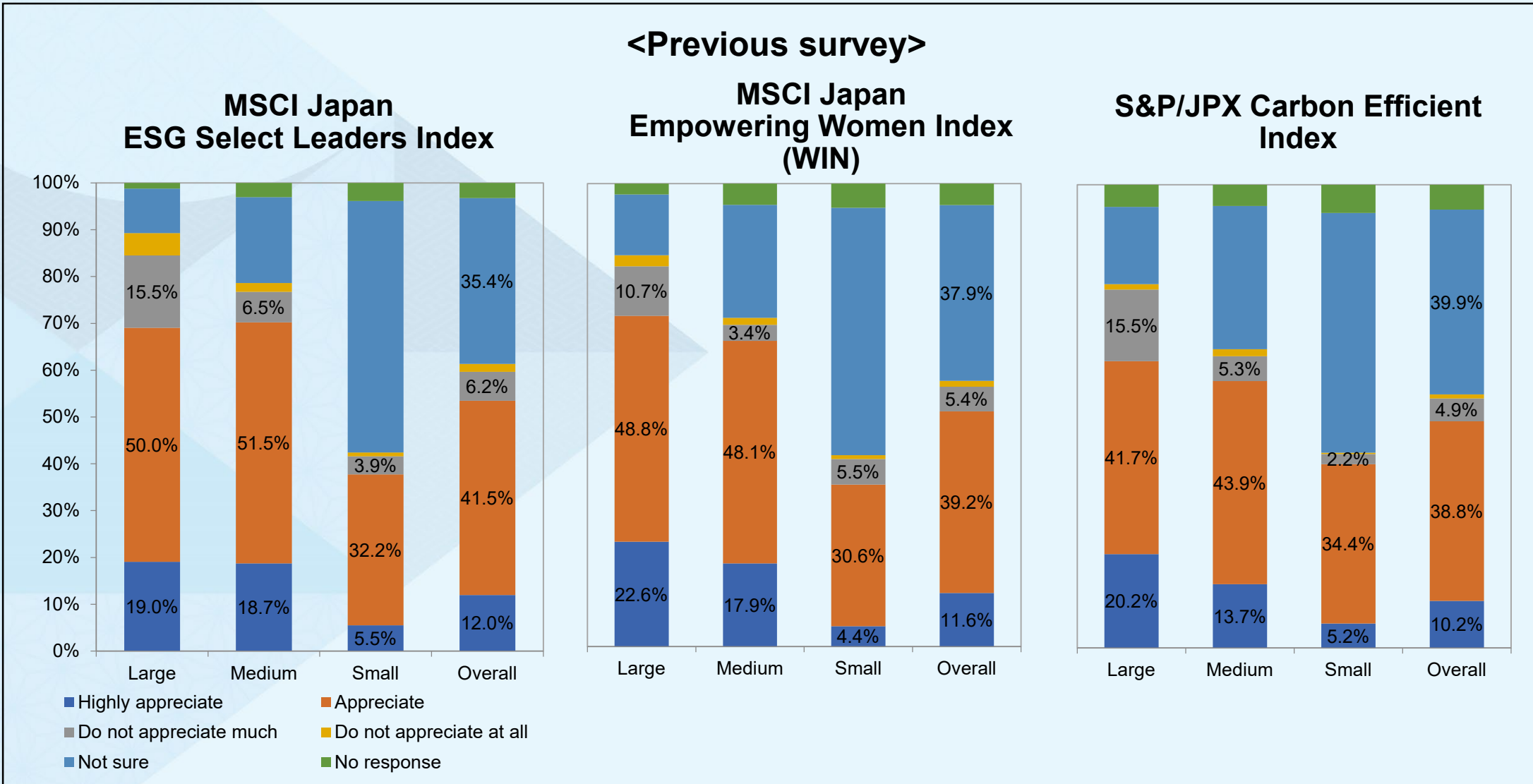
**MSCI Japan Empowering Women Index (WIN)**

**S&P/JPX Carbon Efficient Index**

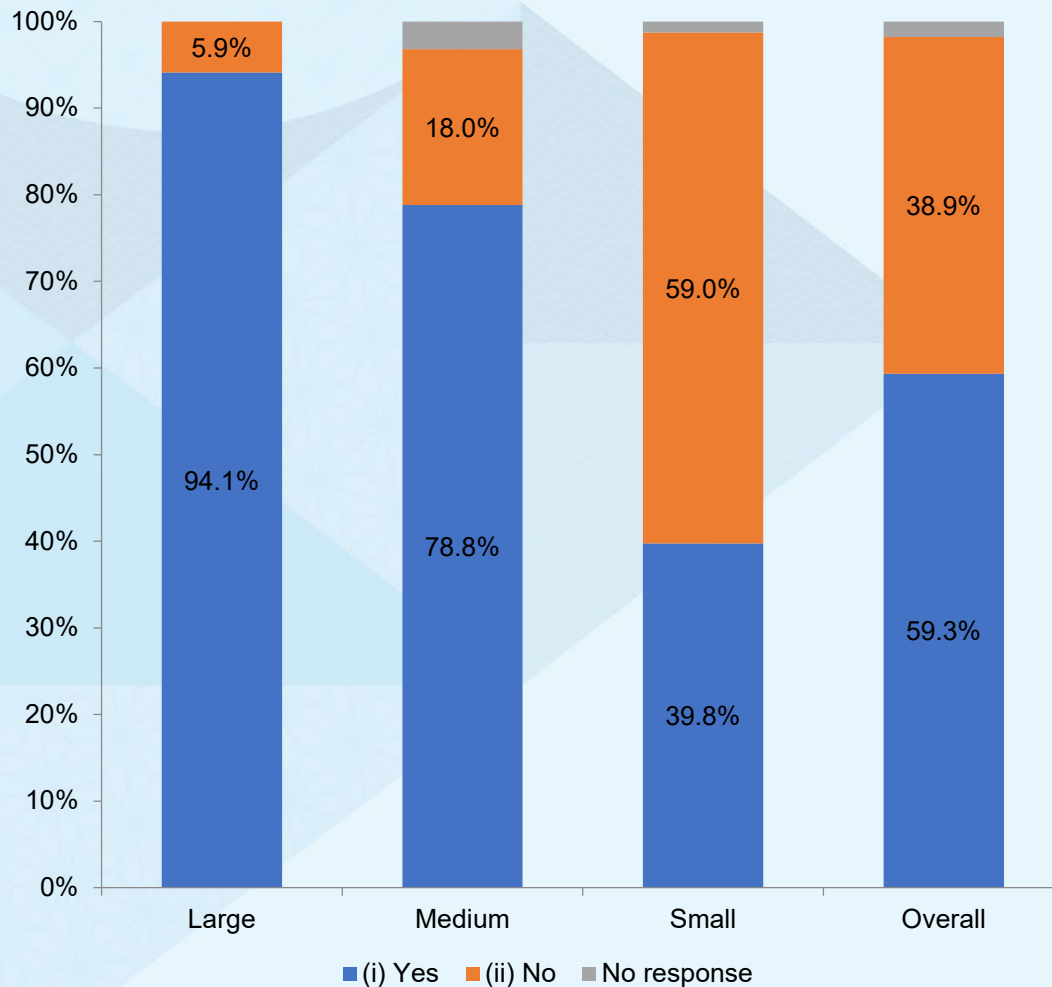


The evaluations on the indexes other than FTSE Blossom are as described above. Overall, no significant difference in evaluation was observed among those ESG indices. Compared with the previous survey (see the next page), the total value of the percentages of “Highly appreciate” and “Appreciate” by large-cap companies increased concerning the MSCI Japan ESG Select Leaders Index and S&P/JPX Carbon Efficient Index. As to the main themes in the ESG activities on page 25, the largest number of companies cited “climate change.” Thus, this may be why the S&P/JPX Carbon Efficient Index has drawn more attention.

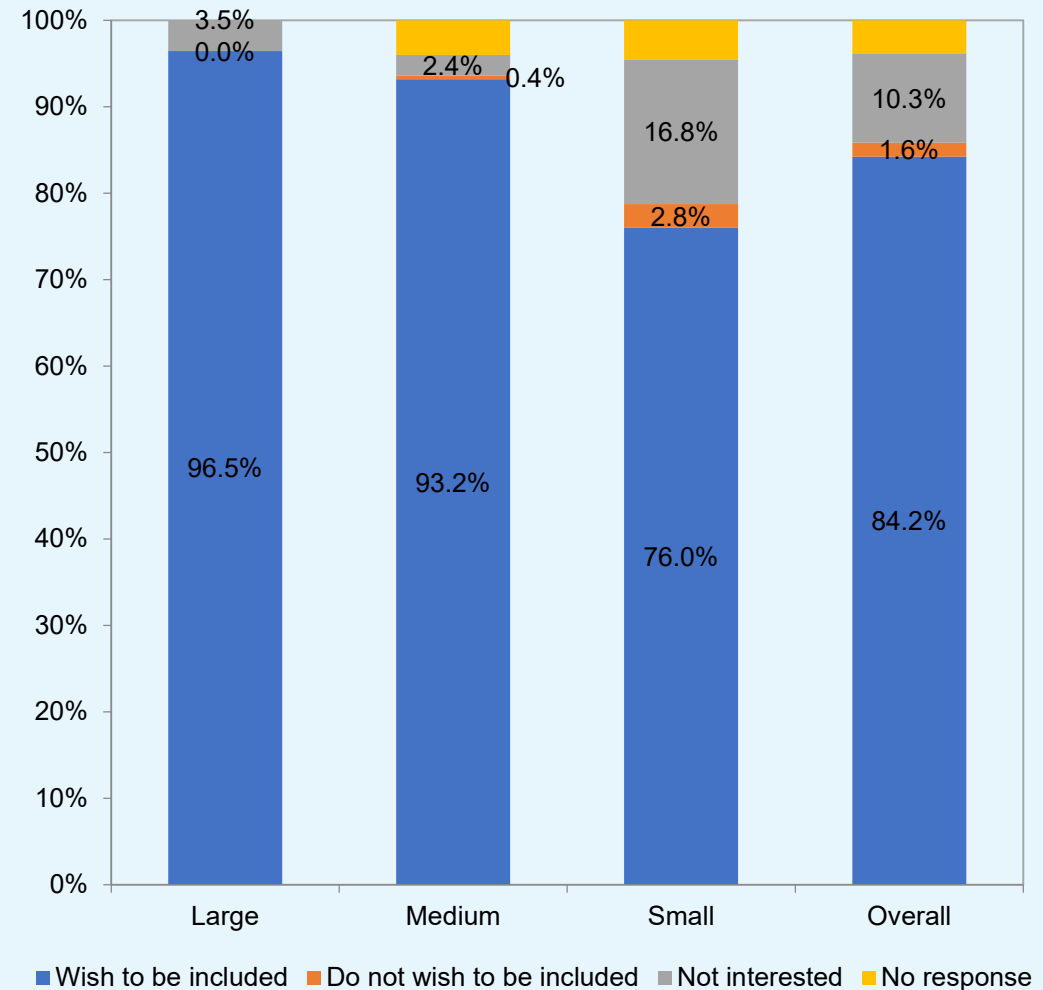
Q1. Describe your rating of each of the following five ESG indexes and reasons why.



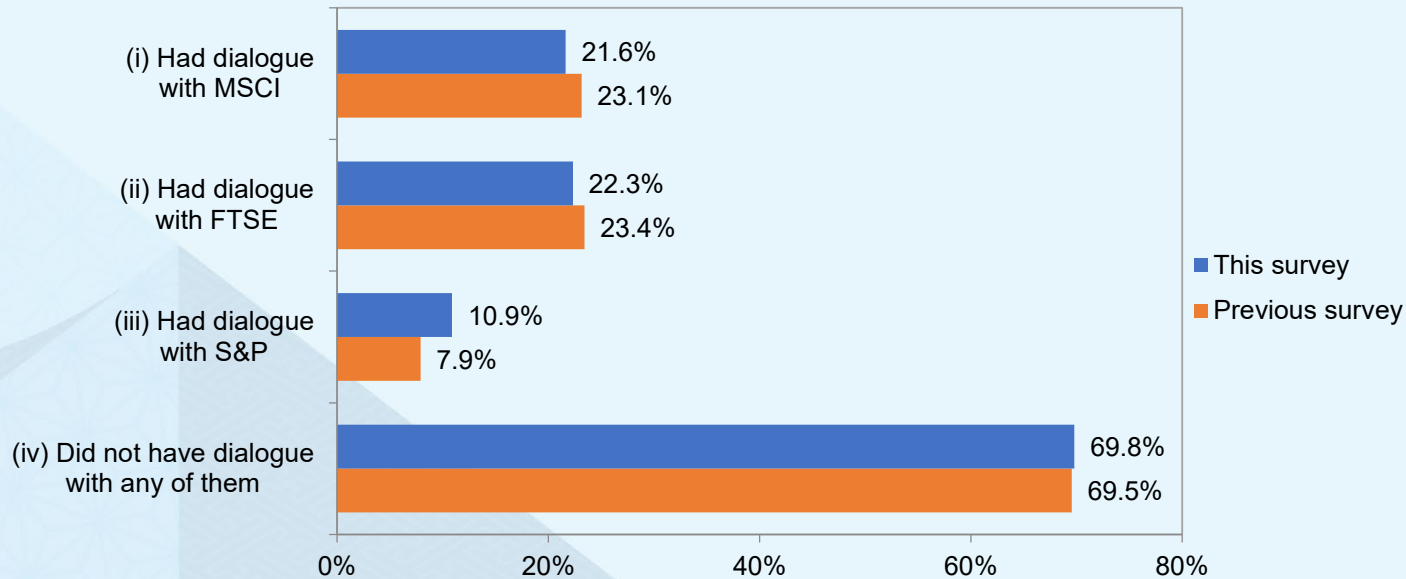
Q2: Have you reviewed the methodologies for the ESG indexes selected by GPIF that index providers have disclosed?



Q3: What are your views on inclusion of your company in these ESG indexes?



## Q4: Did you have dialogue with MSCI, FTSE and S&P with regard to the ESG indices adopted by GPIF in the past one year? (Multiple responses allowed)



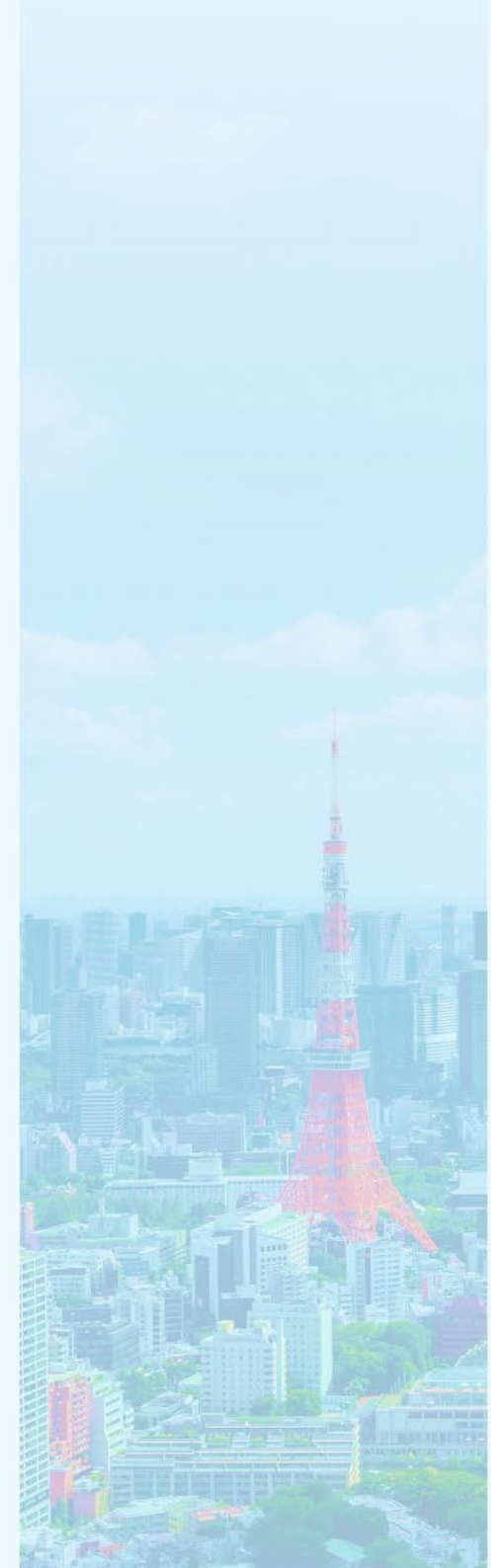
## Q5: Please share your opinions concerning the ESG indexes selected by GPIF.

### [Overview of opinions]

- Expect further clarification of the evaluation criteria for indexes and scores, evaluation process and evaluation results. (Disclosure that contributes to the improvement of corporate initiatives)
- Expect the expansion of the number of companies subject to evaluation and stocks included in the index. (Relaxation of market cap criteria)
- Further enhancement of communication by index providers and issuers. Further enhancement of follow-up measures for companies without know-how. Follow-up in Japanese language and facilitation of access to information.
- Expect further expansion to the indices other than the currently adopted ones.
- Responses to the “Code of Conduct for ESG Evaluation and Data Providers”
- Disclosure of the annual review of ESG rating agencies by GPIF

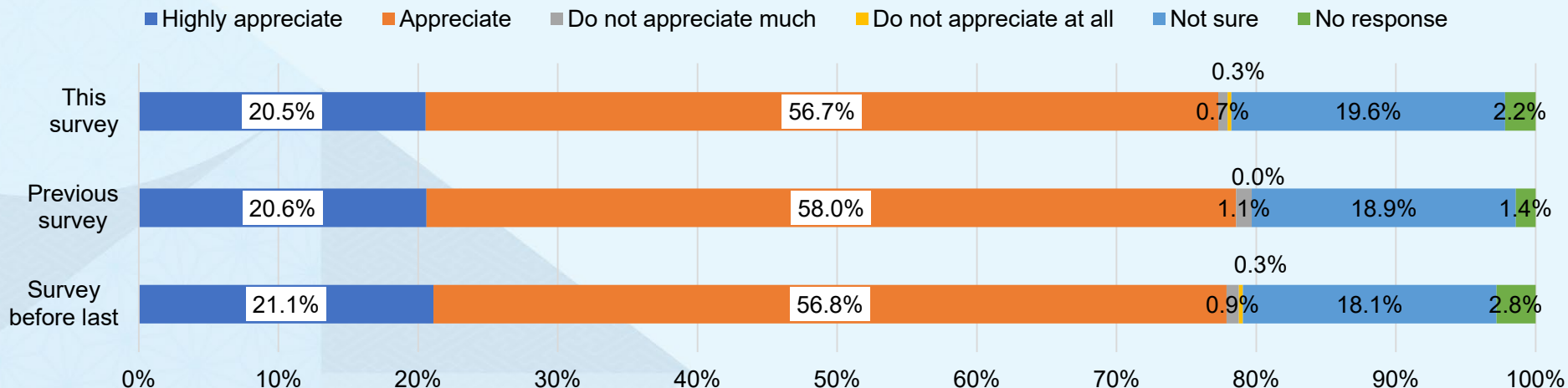


## **4. GPIF's Initiatives (Overall Stewardship Activities)**



# <GPIF's Initiatives (Overall Stewardship Activities)>

Q1: How do you rate GPIF's overall stewardship activities, and why?



[Excerpts of comments by assessment]

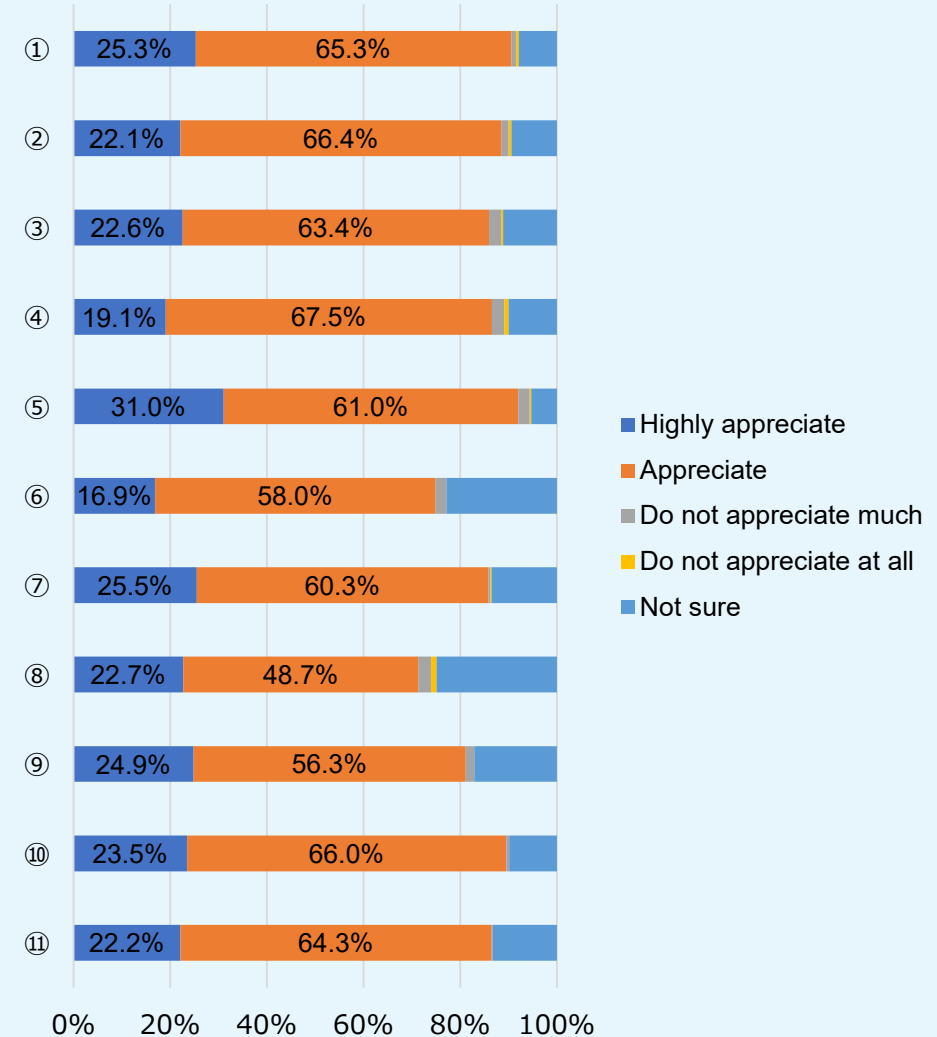
- Only an asset owner can monitor institutional investors, and we believe that GPIF has played a major role as the largest asset owner. (Answered “Highly appreciate.”)
- GPIF has placed an emphasis on dialogues between companies and investors by regularly evaluating the content of disclosure of both companies and investors as shown by “Excellent Integrated Reports,” obtaining opinions from companies through this survey and other means, and disclosing information using YouTube. (Answered “Highly appreciate.”)
- Due to the influence of GPIF, we have received more and more questions including ESG issues from asset managers from the medium- to long-term perspective. (Answered “Appreciate.”)
- GPIF has endeavored to enhance engagement between asset managers and companies by demonstrating the examples of excellent disclosure under the situation in which GPIF itself is not in a position to directly exercise its voting rights. (Answered “Appreciate.”)
- We feel that there is a gap of interest (expectation) levels in ESG (except for governance) and the SDGs between institutional investors and GPIF. (Answered “Do not appreciate much.”)
- GPIF should invest assets by themselves. (Answered “Do not appreciate at all.”)
- We have no chance to talk directly. (Answered, “Not sure”)

Q2. Are you familiar with the following recent initiatives of GPIF? (Multiple responses allowed) Choose all the initiatives you know, and describe your rating and the reason.

<Recognition of initiatives>

(i) Putting more weight on stewardship activities in the evaluation of external asset managers (engagement aimed at enhancing medium- to long-term corporate value, etc.)	71.2%
(ii) “Stewardship Principles” and “Proxy Voting Principles”	75.6%
(iii) Investment based on ESG indexes	78.6%
(iv) Survey of companies (this survey)	86.8%
(v) Publication of Excellent Disclosure series (Integrated Reports, Corporate Governance Reports and TCFD disclosures)	78.5%
(vi) Communication with overseas asset owners through the Global Asset Owners’ Forum, etc.	31.2%
(vii) Becoming a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and activities through PRI	65.3%
(viii) Joining the U.K. 30% Club, the U.S. Thirty Percent Coalition and the 30% Club Japan (Investor Group)	38.2%
(ix) Participation in the Climate Action 100+	47.5%
(x) Disclosure of ESG Report	66.0%
(xi) Disclosure of climate change risks and opportunity analysis of the GPIF portfolio (an extra issue of ESG Report)	52.7%

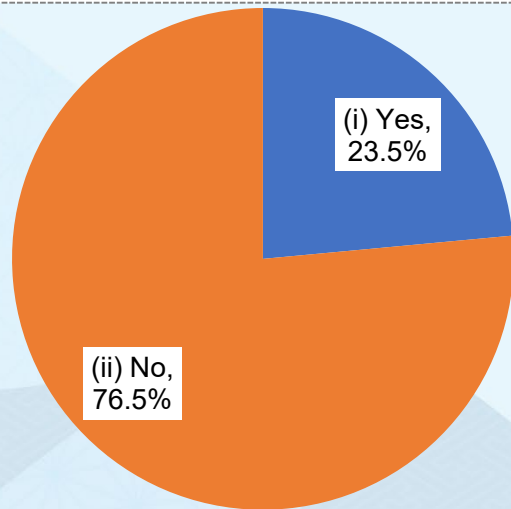
<Rating of initiatives>



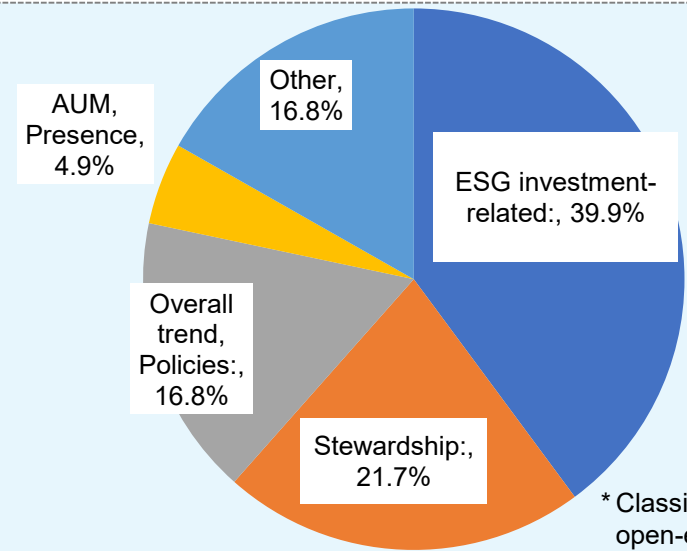
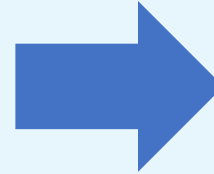
(Note) The table on the left indicates the ratio of companies that recognize each initiative. The yellow cells indicate initiatives whose recognition exceeds 50%. The right chart indicates the results, excluding companies that did not respond.



### Q3: Have you discussed any GPIF topics during your meetings with institutional investors?

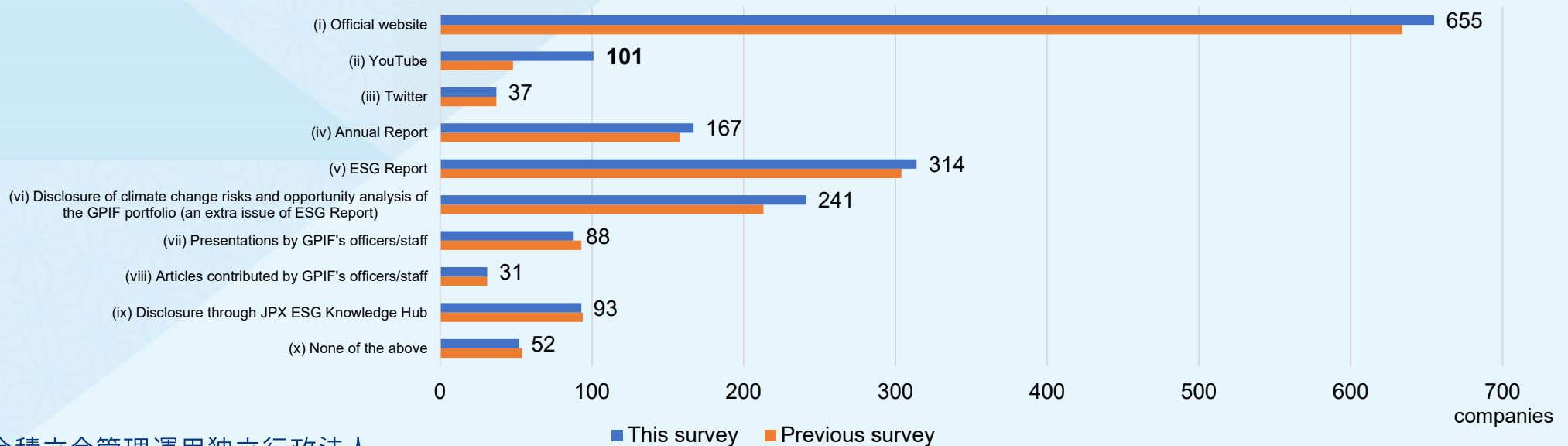


Additional question:  
**What topics were discussed?**

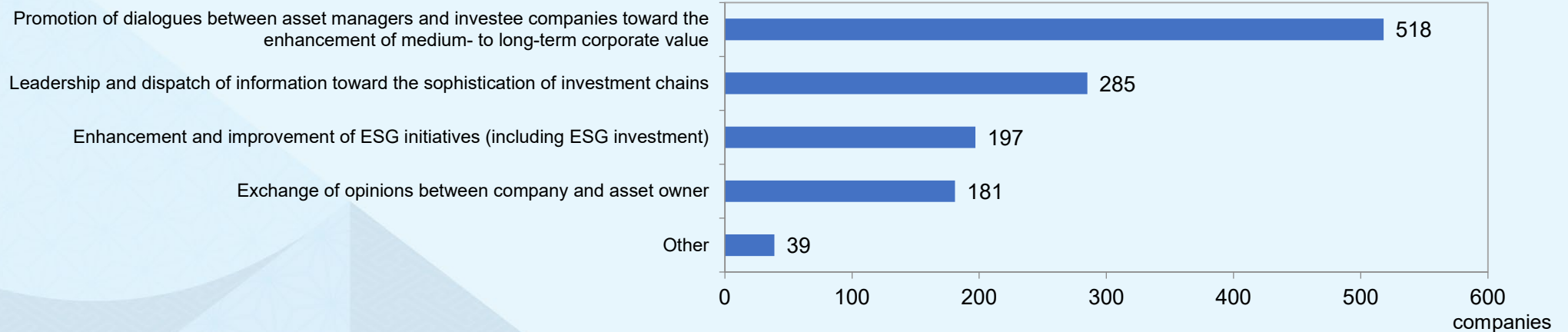


\* Classified based on open-ended responses.

### Q4: Regarding GPIF's public relations activities, have you seen the following public relations activities? (Multiple responses allowed)



## Q5: What do you expect from asset owner's stewardship? (Multiple responses allowed)



## Q6. Please share your opinions or requests, if any, concerning GPIF.

### [Excerpts of comments]

- Would like GPIF to continue to encourage asset managers to promote dialogues from the medium- to long-term perspectives and prevent them to fall into short-termism.
- It is a golden opportunity for a company to obtain tips and raise awareness for the improvement of business through proactive discussions in engagement between companies and investors. This kind of movement should be accelerated on the investor side while the attitude and background for accepting it should be also cultivated by the company side. We would like GPIF to urge companies to promote such movement.
- Would like GPIF to expand the opportunities for companies with a relatively small market cap to have dialogues with asset managers.
- Expect that GPIF will further urge exercising voting rights based on dialogues rather than formal exercise of voting rights based only on the policies of institutional investors.
- We understand that each rating agency has not yet completed establishing the methodology of ESG indexes. We, therefore, expect that GPIF, as an asset owner, will positively conduct dialogues to see whether the rating agencies perform appropriate evaluation, and also hope GPIF will announce the results.
- It would be helpful to us if GPIF, as an asset owner, would increase the contact points with companies to share the approach to ESG, etc. The information provided by GPIF on its official website is very useful. We would be very grateful if GPIF continues to publish it going forward, and accept inquiries about the content, discussions and consultations with us.
- Would like GPIF to hold a briefing of "ESG Report" and other publications.
- The "Excellent Disclosure" series is very useful for us to set goals and indicators for our IR activities. We expect that GPIF will continue to publish the series.
- While the disclosure of non-financial information will be made mandatory soon in the Securities Report, we are concerned about the unclear rating standards relevant to that obligation. We expect that GPIF, as an asset owner, will promote efforts leading to discussions concerning evaluation methods and dialogues from medium- to long-term perspectives.



GPIF Homepage

<https://www.gpif.go.jp/>

GPIF YouTube channel

<https://www.youtube.com/channel/UCWpjyPh1kw0VyflPpcVMIXw>

GPIF twitter

<https://twitter.com/gpiftweets>

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