



“Critical ESG issues” listed by GPIF’s asset managers

In its 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, GPIF asks our external asset managers material ESG issues that they consider every year. As a result, the following issues were identified as material ESG issues among asset managers. The table below represents the issues pointed out by all asset managers, whereas the table on the page 3 shows the percentage of managers who selected each ESG issue as material for each asset. We received responses from 13 asset managers for domestic equity, 28 foreign equity managers, 14 domestic bond managers and 9 foreign bond managers.

< Critical ESG issues listed by all managers in each asset class >

Domestic Equity	Climate Change	Biodiversity	Human Rights & Community	Board Structure, Self-evaluation	Minority Shareholder Rights	Capital Efficiency	Corporate Governance	Disclosure	Diversity	Supply Chain	Misconduct
Y 2023	○●	○	○	●	●	●		○●	○	○	○
Y 2022	○●		○	●	●	●	○	○●	○	○	○
Y 2021	○			●	●		○	○●	○	○	○
Y 2020	○			●	●			○	○	○	○
Y 2019	○			●	●			○			○

Foreign Equity	Climate Change	Biodiversity	Deforestation	Human Rights & Community	Health & Safety	Others (Social)	Others (Governance)	Disclosure	Diversity	Supply Chain
Y 2023	○							○	○	
Y 2022	○	○	○	○	○		○	○	○	
Y 2021	○●							○	○	○
Y 2020	○●							○	○	○
Y 2019	○●					○		○	○	

Domestic Bonds	Disclosure
Y 2023	
Y 2022	◇
Y 2021	◇
Y 2020	◇

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

(*)○: Issues pointed out by all passive equity managers

●: Issues pointed out by all active equity managers

◇: Issues pointed out by all domestic bond managers

Equity: Listed for a maximum of 5 years. The survey started in 2018.

(The survey results of past years are available on the GPIF website:

<https://www.gpif.go.jp/en/investment/stewardship-activities.html>).

Bond: No issues were identified by all foreign bond managers since the survey started in 2020.

< Domestic equities >

GPIF asked external asset managers entrusted with equity investment about critical ESG issues since 2018. This is the sixth survey to equity managers.

All passive and active managers consider "Disclosure" and "Climate Change" to be a common and critical issue. Meanwhile, except for "Disclosure" and "Climate Change," passive and active managers differ in terms of the issues they consider critical. Passive managers recognize a wide range of long-term issues, including E (environmental) and S (social) issues such as "Diversity," "Supply Chain," and "Human Rights & Community" as more critical, which is the same as before. "Biodiversity" was newly listed as a critical ESG issue by all passive managers in this year's survey. The final TNFD (Taskforce on Nature-related Financial Disclosures) Recommendations on nature-related issues were published in September 2023, and the disclosure of nature-related is expected to expand in the future. In addition, Nature Action100, a collaborative initiative related to nature and biodiversity, was launched, and PRI announced the establishment of the new initiative of collaborative engagement, " Spring" at PRI in Person held in Tokyo in October 2023, which suggests institutional investors' interests in this issue are also increasing.

The critical ESG issues selected by all active managers remained unchanged from last year, with recognizing G (governance) issues such as "Board structure & Self-evaluation," "Minority Shareholder Rights," and "Capital Efficiency" as more critical.

< Foreign equities >

Although the critical ESG issues selected by all foreign equity passive managers have fluctuated from year to year, "Climate Change," "Diversity," and "Disclosure" have been identified as critical ESG issues for the fifth consecutive year. All of these are regarded as material by domestic equity passive managers as well, indicating that they are common issues for both domestic and foreign equities.

< Domestic and Foreign bonds >

GPIF has also asked external asset managers entrusted with bond investment about critical ESG issues considered from the perspective of corporate bond investors since 2020. This is the fourth survey to bond managers.

In this survey, there is no issue that all managers recognized as critical; however, "Disclosure" and "Climate Change" are most frequently identified as critical issues by domestic bond managers, and "Climate Change" by foreign bond managers, indicating that regardless of the asset class, "Climate Change" is considered as a critical issue by most managers.

The following table shows the percentage* of managers selected each of the "Critical ESG issues" by asset class.

Critical ESG issues	Domestic Equity Passive	Domestic Equity Active	Foreign Equity Passive	Foreign Equity Active	Domestic Bomds	Foreign Bonds
Climate Change	100%	100%	100%	92%	93%	78%
Deforestation	83%	29%	75%	33%	36%	33%
Water Stress, Water Security	83%	43%	75%	42%	43%	44%
Biodiversity	100%	71%	50%	54%	71%	33%
Pollution & Resources	50%	43%	50%	29%	29%	56%
Waste Management	67%	71%	50%	25%	36%	56%
Environmental Opportunities	67%	71%	50%	4%	50%	22%
Others (Environment)	33%	29%	25%	17%	14%	33%
Human Rights & Community	100%	71%	75%	54%	86%	67%
Product Liability	67%	43%	25%	38%	43%	33%
Health & Safety	67%	57%	75%	33%	43%	44%
Labor Standards	67%	71%	50%	50%	57%	33%
Controversial Sourcing	33%	14%	25%	8%	7%	11%
Social Opportunities	50%	43%	50%	13%	21%	33%
Others (Social)	67%	43%	75%	46%	50%	33%
Board Structure, Self-evaluation	83%	100%	75%	54%	71%	33%
Risk Management	50%	57%	50%	21%	36%	33%
Capital Efficiency	83%	100%	50%	17%	29%	22%
Minority Shareholder Rights	83%	100%	50%	21%	29%	22%
Corporate Governance	83%	86%	75%	54%	79%	56%
Anti-Corruption	67%	29%	25%	13%	21%	44%
Tax Transparency	33%	29%	50%	13%	14%	22%
Others (Governance)	50%	71%	75%	13%	21%	44%
Supply Chain	100%	71%	75%	33%	64%	56%
Diversity	100%	86%	100%	46%	79%	44%
Disclosure	100%	100%	100%	58%	93%	44%
Misconduct	100%	86%	50%	8%	57%	11%
Others	50%	14%	25%	33%	36%	44%

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

(*) Percentage indicates the ratio of the number of managers which selected the relevant issue to the number of active/passive asset managers. If an asset manager for equities is entrusted to both active and passive mandates, it is counted as the one with larger amount of mandate entrusted by GPIF.