



Direction and medium-term initiatives of GPIF's stewardship activities

The direction, priorities and initiatives of GPIF's stewardship activities for the 5th Medium-term Objectives period (April 2025 - March 2030) are as follows:

1. Basic concept and priority issues of GPIF's stewardship activities

(1) Basic concept of GPIF's stewardship activities

- The objective of GPIF's stewardship activities is to increase long-term investment returns solely for the benefit of its insureds. GPIF promotes stewardship activities with consideration to sustainability such as ESG from the perspective of increasing long-term investment returns.
- GPIF can benefit from enhanced investment returns, if the long-term corporate value increases through engagement by external asset managers, which may also contribute to the sustainable growth of the capital market and overall economy.
- GPIF aims to develop a virtuous cycle in the investment chain by engaging in ongoing dialogue with external stakeholders in addition to its dialogue with external asset managers.

(2) Priority issues for the 5th Medium-term Objectives period

GPIF will promote initiatives with a focus on the “enhancement of long-term corporate value” and “sustainable growth of the capital market and the overall economy.”

- 1) GPIF will focus on promotion of capital allocation and business strategies that will lead to the sustainable growth of corporate value, from the perspective of increasing long-term investment returns. In global capital markets, company management that is conscious of capital costs is required. In Japan, the dialogue between listed companies and investors regarding capital allocation (including shareholder returns) and information disclosure is progressing, according to the Tokyo Stock Exchange's request for “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”. Going forward, we believe that the focus will shift to discussions directly linked to the future cash flows of companies, such as business strategies, in addition to resolving market valuation discounts through enhanced information disclosure.

- 2) Opportunities and risks regarding sustainability such as climate change and geopolitical risks vary significantly depending on the theme, region, industry and time period. Going forward, from the perspective of financial materiality¹, GPIF will continue to consider it important that external asset managers encourage investee companies' pursuit of opportunities, risk reduction (including enhancing resilience), and information disclosure related to sustainability.
- 3) GPIF will focus on initiatives that promote effective corporate governance as a foundation for companies to enhance their corporate values over the medium-to-long term, while addressing risks and opportunities related to sustainability as well as changes in the business environment.

2. Key initiatives for the future

(1) Engagement with external asset managers

- GPIF will consider its framework of evaluating the quality of stewardship activities conducted by external asset managers in accordance with their investment strategies.
- GPIF will compile and publish best practice cases (successful examples) of effective stewardship activities conducted by external asset managers in accordance with their investment strategies.
- GPIF will improve efficiency of its evaluation process of stewardship activities by building a database of stewardship activities conducted by external asset managers.

(2) Developing a virtuous cycle of the investment chain

- GPIF will actively communicate investor perspectives, such as expectations of external asset managers toward investee companies.
- GPIF will analyze and communicate what stewardship activities that contribute to the enhancement of corporate value, and the sustainable growth of the capital market and the overall economy.
- GPIF will increase opportunities of exchanging opinions with market participants, such as investee companies and other asset owners, and enhance collaboration with them.

In accordance with the “Direction and medium-term initiatives of GPIF’s stewardship activities,” GPIF will continue to conduct stewardship activities, and improve and review its initiatives by implementing the PDCA cycle by itself, such as undertaking measurements of the effects of its activities, while strengthening its structure.

¹ Financial materiality is a measure of the significance of a specific risk and/or opportunity based on its potential impact on corporate value.