



## GPIF Selects Two ESG-Themed Foreign Equity Indexes

GPIF has selected two additional ESG-themed benchmarks based on information submitted through its Index Posting System, which the fund uses to collect information on a variety of new indexes. After closely evaluating the qualities of each general ESG- and diversity-themed foreign equity index and conducting thorough due diligence on respective providers, GPIF selected and began passive management based on the following two benchmarks:

Theme	Index Name
General ESG	MSCI ACWI ESG Universal Index <sup>1</sup>
Diversity	Morningstar Gender Diversity Index (“GenDi”) <sup>2</sup>

(Primary evaluation criteria)

- 1) ESG ratings play a central role in the constituent selection/weighting process.
- 2) The index encourages ESG disclosure (i.e. ratings are based on public information)
- 3) The ratings methodology is clearly disclosed and the index provider/ESG ratings agency actively engages in dialogue with issuers.
- 4) The scope of issuers rated is sufficiently broad.
- 5) The governance and conflict of interest management structures of the ESG ratings agency and index provider are adequate.

(Comment from MIYAZONO Masataka, President of GPIF)

By selecting a new general ESG index for foreign equities, GPIF has embarked on passive equity investment that incorporates all elements of ESG (environmental, social and governance) in both our domestic and foreign portfolios. Furthermore, a significant body of empirical research indicates that strong gender diversity has the potential to boost corporate performance. We consider these two indexes to be firmly in line with our objective of improving

<sup>1</sup> Official name: MSCI ACWI ex Japan ex China A ESG Universal with Special Taxes Index”.

<sup>2</sup> Official name: “Morningstar Developed Markets (ex-Japan) Gender Diversity Index”

long-term returns through enhanced sustainability of individual issuers and the market as a whole.

We have allocated and begun passively investing a combined total of ¥1.3 trillion (approximately USD \$12.5 billion) in assets against these two benchmarks, and will continue our proactive ESG investment in order to protect and grow the pension reserve for several generations of beneficiaries into the future.



# New ESG Index Selection

## Selection of General ESG and Gender Diversity-Themed Foreign Equity Indexes

December 18, 2020

Government Pension Investment Fund, Japan

# ESG Index Description and Evaluation Criteria

# ESG Index Selection Overview

- ❑ For each general ESG- and diversity-themed index submitted to the Index Posting System, GPIF examined aspects such as ESG rating processes and index construction methodologies, in addition to conducting thorough due diligence on respective index providers.
- ❑ Similar to previous ESG indexes, GPIF focused mainly on the following points during the selection process:
  - 1) Whether ESG ratings play a central role in the index constituent selection/weighting process.
  - 2) Whether the index encourages ESG disclosure (i.e. ratings are based on public information)
  - 3) Whether the ratings methodology is clearly disclosed and the index provider/ESG ratings agency actively engages in dialogue with issuers.
  - 4) Whether the scope of issuers rated is sufficiently broad.
  - 5) Whether the governance and conflict of interest management structures of the ESG ratings agency and index provider are adequate.
- ❑ Based on the above criteria, GPIF selected the MSCI ACWI ESG Universal Index\* calculated by MSCI as a new general ESG-themed benchmark for foreign equities. This index is designed to curb ESG risk inherent in the portfolio while limiting tracking error from the parent index.
- ❑ Similarly, GPIF selected the Morningstar Gender Diversity Index\*\* (“GenDi”) developed by Morningstar as a new diversity-themed index for foreign equities. This index weights constituents based on a multifaceted gender equality evaluation that focuses on aspects such as policies for the proactive appointment of women and establishing an environment that promotes the success of women.
- ❑ GPIF has begun passive management based on these two indexes, allocating ¥1 trillion to the MSCI ACWI ESG Universal Index and ¥300 billion to the Morningstar Gender Diversity Index. We expect our investment in these two indexes to improve long-term returns by promoting the sustainable growth of individual investee companies and the market as a whole.

\* Official name: “MSCI ACWI ex Japan ex China A ESG Universal with Special Taxes Index”.

\*\* Official name: “Morningstar Developed Markets (ex-Japan) Gender Diversity Index”

# Primary ESG Index Evaluation Criteria

## Initial Screening

### ESG Ratings

- ❑ Validity
- ❑ Transparency
- ❑ Understandability
- ❑ Data quality

### Organizational Structure

- ❑ Global infrastructure/index development capacity
- ❑ Infrastructure within Japan
- ❑ Dialogue with investors
- ❑ Dialogue with issuers/media

## Final Selection

### Index Evaluation



- ❑ Index methodology (validity, transparency, understandability)
- ❑ Risk/return, etc. (sector/factor bias, turnover)
- ❑ Investment capacity
- ❑ Index license fees

## Index Company Suitability Screening (Due Diligence)

- ❑ Organizational Structure (Corporate Group Level)
- ❑ Approach to ESG
- ❑ Communication With Market Participants
- ❑ Internal Controls/Conflict of Interest Management

- ❑ Internal/External Data Quality Control
- ❑ Organizational Structure/Personnel (Index Division)
- ❑ Index Governance (committees, consultation, etc.)
- ❑ Approach to Index Fees

# New ESG Index Overview

	<b>MSCI ACWI ESG Universal Index*</b> 	<b>Morningstar Gender Diversity Index (“GenDi”) **</b> 
<b>Index Concept/ Characteristics</b>	<ul style="list-style-type: none"> <li>• One of MSCI’s flagship ESG indexes, the MSCI ACWI ESG Universal Index adjusts the weight of constituents based on each issuer’s current ESG rating and rating trend to elevate the ESG metrics of the index overall.</li> <li>• The MSCI ACWI ESG Universal Index was developed for large institutional investors seeking to enhance ESG integration while achieving the same level of investment opportunity and risk exposure as the parent index.</li> </ul>	<ul style="list-style-type: none"> <li>• The Morningstar Gender Diversity Index (“GenDi”) determines investment weights primarily based on the Equileap Gender Scorecard, which rates issuers’ efforts in gender equality.</li> <li>• The Gender Scorecard rates companies across four broad categories: 1) Gender Balance in Leadership &amp; Workforce, 2) Equal Compensation &amp; Work-Life Balance, 3) Politics Promoting Gender Equality and 4) Commitment, Transparency &amp; Accountability</li> </ul>
<b>Index Construction</b>	Tilted (weight-adjusted)	Tilted (weight-adjusted)
<b>Constituent Universe (Parent Index)</b>	MSCI ACWI*** (2,197 issuers)	Morningstar Developed Markets (ex JP) Large-Mid (1,873 issuers)
<b>Number of Constituents</b>	2,100	1,765
<b>GPIF Initial Investment</b>	Approx. ¥1 trillion	Approx. ¥300 billion

\* Official name: “MSCI ACWI ex Japan ex China A ESG Universal with Special Taxes Index”.

\*\* Official name: “Morningstar Developed Markets (ex-Japan) Gender Diversity Index”

\*\*\* Official name “MSCI ACWI ex Japan ex China A with Special Taxes Index”

# MSCI ACWI ESG Universal Index\* Performance

## Cumulative return

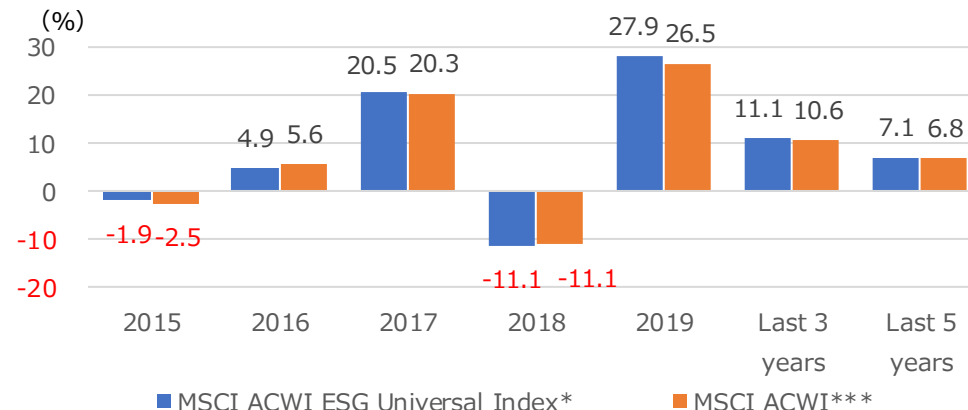
(2014/12/31=100)



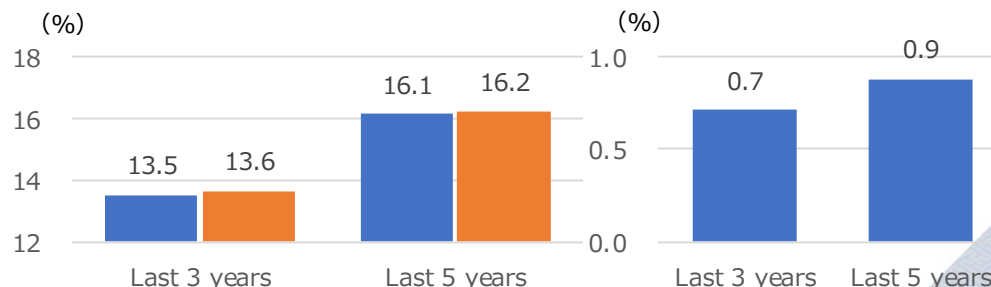
Last 3 years ESG Universal Index\* MSCI ACWI \*\*\*

a Total return	11.07%	10.59%
b Total risk	13.52%	13.65%
c return/risk (a/b)	0.82	0.78
d Excess return	0.48%	-
e Tracking error	0.71%	-
f Information ratio (d/e)	0.67	-

## CY returns and cumulative returns



## Total risk



Last 5 years ESG Universal Index\* MSCI ACWI \*\*\*

a Total return	7.12%	6.84%
b Total risk	16.12%	16.21%
c return/risk (a/b)	0.44	0.42
d Excess return	0.28%	-
e Tracking error	0.88%	-
f Information ratio (d/e)	0.32	-

\* Official name: "MSCI ACWI ex Japan ex China A ESG Universal with Special Taxes Index"

\*\*\* Official name "MSCI ACWI ex Japan ex China A with Special Taxes Index"

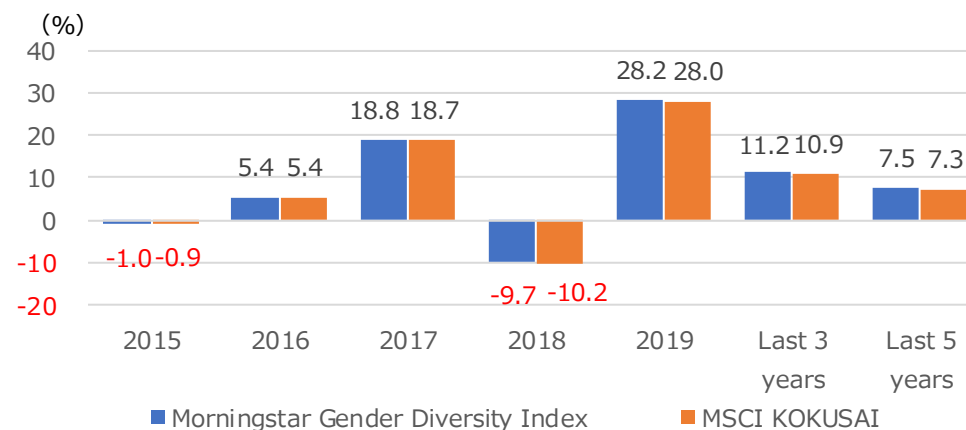
# Morningstar Gender Diversity Index\*\* Performance

Cumulative return

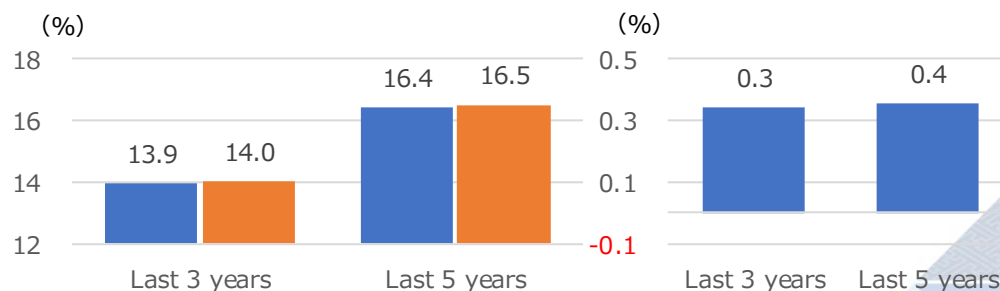


Last 3 years	Diversity Index**	MSCI Kokusai
a Total return	11.19%	10.92%
b Total risk	13.94%	14.01%
c return/risk (a/b)	0.80	0.78
d Excess return	0.27%	-
e Tracking error	0.34%	-
f Information ratio (d/e)	0.80	-

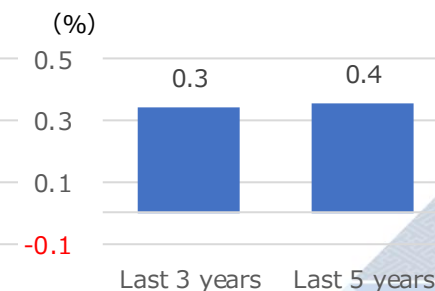
CY returns and cumulative returns



Total risk



Tracking error



Last 5 years	Diversity Index**	MSCI Kokusai
a Total return	7.49%	7.35%
b Total risk	16.41%	16.49%
c return/risk (a/b)	0.46	0.45
d Excess return	0.14%	-
e Tracking error	0.35%	-
f Information ratio (d/e)	0.40	-

\* All values are calculated based on gross returns.

\*\* Official name: "Morningstar Developed Markets (ex-Japan) Gender Diversity Index"

# (Reference) Overview of Companies Providing New Indexes

MSCI	Morningstar
<ul style="list-style-type: none"> <li>● MSCI is a NYSE-listed U.S. financial solution provider, and a PRI signatory company.</li> <li>● With 36 offices in 25 countries and 3,396 employees worldwide, MSCI Global Stock Index benchmarked AUM is USD 11 trillion (approx. JPY1,100 trillion)</li> <li>● MSCI index is the most used among all listed ETFs worldwide, and the largest share in the field of ESG indices</li> <li>● MSCI ESG research provides Research, ESG Ratings, and Analyses on the environmental, social, and governance of more than 6,000 companies worldwide, which are used by institutional investors and management firms to integrate ESG elements into the investment process</li> <li>● MSCI ESG Research has more than 200 dedicated ESG analysts and is the world's largest ESG research firm used by institutional investors and more than 1,400 companies worldwide</li> </ul>	<ul style="list-style-type: none"> <li>● Morningstar, Inc. is a leading provider of independent investment research listed on the NASDAQ Stock Exchange (MORN), A PRI Signatory.</li> <li>● The Company offers an extensive line of products and services for both individual investors and institutional investors through offices in 27 countries over the world.</li> <li>● Morningstar Indexes translates Morningstar's intellectual capital based on its equity research covering 1,000+ stocks and other various research into investable index solutions across all major asset classes with over \$307 billion in AUM benchmarked. (as of November 2020)</li> <li>● In 2020, Morningstar finalized the acquisition of Sustainalytics, a globally recognized leader in environmental, social and governance (ESG) ratings and research, which offers data on 40,000 companies worldwide and ratings on 20,000 companies and on 172 countries (as of June 2020)</li> <li>● All global solutions and products of Morningstar Inc. including index solutions are provided in Japan through Ibbotson Associates Japan Inc., a wholly owned affiliate of Morningstar Inc.</li> </ul>

# Future Index Information Collection and ESG Investment

## (Passive Management Benchmarks)

GPIF will continue to actively collect information on ESG and other indexes through the Index Posting System. In the immediate future, we are particularly interested in submissions with the following themes:

- ① Market cap-weighted indexes designed to reduce the market impact of index rebalances (indexes with extremely small tracking error against the TOPIX index for domestic equities and the MSCI ACWI ex Japan index for foreign equities).
- ② Tilted general ESG indexes comprising a large number of constituents for domestic equities.

Please note that GPIF may select indexes not submitted to the Index Posting System and/or indexes with themes other than those noted above.

## (ESG Integration in Active Management)

GPIF asks all of our current active fund managers to integrate ESG into their investment processes according to their individual management styles, and we continue to accept submissions to our Manager Entry System for ESG active managers who aim to secure long-term excess returns by incorporating ESG elements into their issuer selection and investment judgment methods.

# **(Reference 1) MSCI ACWI ESG Universal Index Overview**

# MSCI ACWI ESG Universal\*\* Index

## MSCI ACWI ESG Universal

Universe/Number of Constituents*	2,100 issuers selected from all MSCI ACWI*** constituents (2,197 issuers), excluding companies without ESG ratings and companies with severe ESG controversies, etc.
Region	Developed countries, emerging markets
Issuer Size	Large-mid cap
Index Style	Tilted
Weight Calculation Method	<ul style="list-style-type: none"> <li>Constituents weighted by combined ESG scores, comprised of an ESG Rating Score and an ESG Trend Score.</li> <li>ESG Rating Score : AAA · AA = 2; A · BBB · BB = 1; B · CCC = 0.5</li> <li>ESG Trend Score: Upgrade = 1.25; Neutral = 1 ; Downgrade = 0.75</li> <li>Combined ESG Score: ESG Rating Score X ESG Trend Score (upper limit of 2 and lower limit of 0.5)</li> <li>Constituent weight = Market cap weight X combined ESG score</li> </ul>
Caps/Restrictions	Industry: None Country: None Individual issuer cap: 5%
Rebalance	Quarterly

			ESG Trend Score		
			Upgrade	Unchanged	Downgrade
			1.25	1	0.75
ESG Rating Score	AAA	2	2	2	1.5
	AA		⇒2.0		
	A				
	BBB	1	1.25	1	0.75
	BB				
	B	0.5	0.625	0.5	0.375
	C				⇒0.5

\*As of November 30, 2020

\*\* Official name: “MSCI ACWI ex Japan ex China A ESG Universal with Special Taxes Index”

\*\*\* Official name “MSCI ACWI ex Japan ex China A with Special Taxes Index”

# MSCI ESG Ratings Overview

- MSCI ESG ratings are based on an analysis and evaluation of public issuer information.
- Key issues for E (environmental), S (social), and G (governance) are identified for each industry and analyzed for each issuer.
- Companies are given a final ESG score that places them on a spectrum from “leaders” (AAA/AA) to “laggards” (B/CCC).



Analysis begins with a deep governance assessment



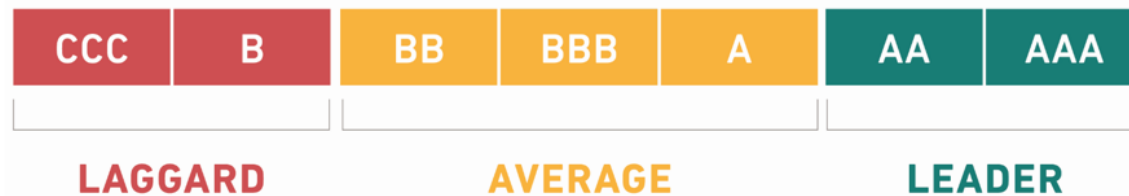
Focus on most relevant ESG factors by industry



Focus on risk exposure not just disclosure



Identify leaders and laggards within each industry



Sources: MSCI ESG Research

# Key Issues Identified By Industry

- MSCI calculates an “environmental pillar score,” “social pillar score” and “governance pillar score” based on an evaluation of key issues identified by industry.
- Each issue noted in the governance pillar are considered key issues for all industries.

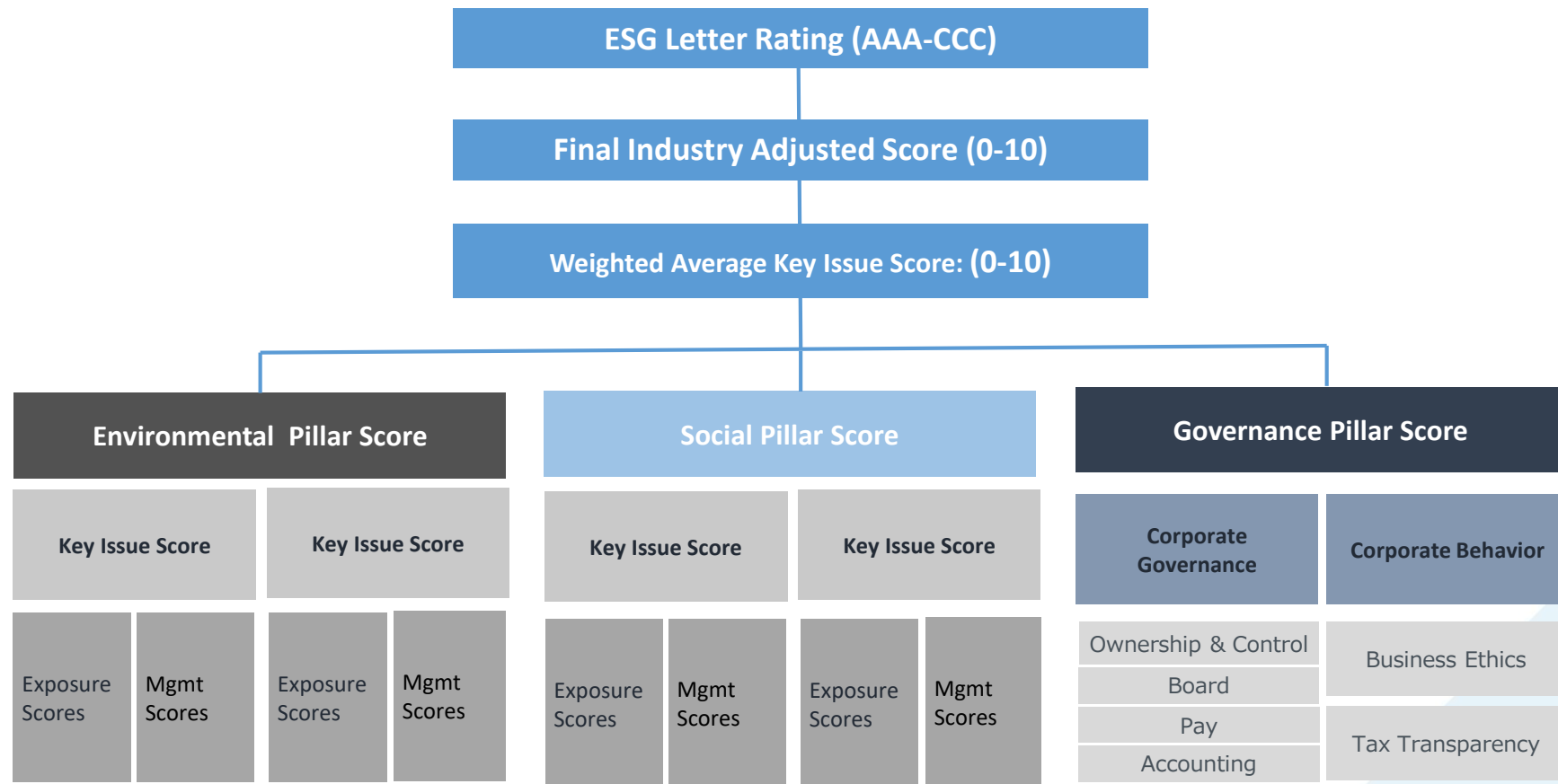
MSCI ESG Score									
ENVIRONMENT PILLAR				SOCIAL PILLAR				GOVERNANCE PILLAR	
Climate Change	Natural Capital	Pollution & Waste	Env. Opportunities	Human Capital	Product Liability	Stakeholder Opposition	Social Opportunities	Corporate Governance	Corporate Behavior
Carbon Emissions	Water Stress	Toxic Emissions & Waste	Clean Tech	Labor Management	Product Safety & Quality	Controversial Sourcing	Access to Communication	Board	Business Ethics
Product Carbon Footprint	Biodiversity & Land Use	Packaging Material & Waste	Green Building	Health & Safety	Financial System Instability	Community Relations	Access to Finance	Pay	Tax Transparency
Financing Environmental Impact	Raw Material Sourcing	Electronic Waste	Renewable Energy	Human Capital Development	Consumer Financial Protection		Access to Health Care	Ownership	
Climate Change Vulnerability				Supply Chain Labor Standards	Privacy & Data Security		Opportunities in Nutrition & Health	Accounting	
					Responsible Investment				
					Insuring Health & Demographic Risk				

**Universal key issues applicable to all industries**

Source: MSCI ESG Research

# MSCI ESG Ratings Framework

- Environmental pillar scores, social pillar scores, and governance pillar scores are calculated based on each issuer's ESG risk exposure score and management score.
- Overall ESG scores ranging from AAA to CCC are designated by calculating the weighted average score across all pillars and applying an industry adjustment.



Source: MSCI ESG Research

# Parent Index ESG Indicator Comparison

	MSCI ACWI*	MSCI ACWI ESG Universal**
<b>ESG Score</b>		
ESG Score	6.0	6.7
ESG Leaders (AAA-AA) (%)	27.0	42.2
ESG Laggards (B-CCC) (%)	7.4	3.3
Environmental (E) Pillar Score	5.8	6.1
Social (S) Pillar Score	4.8	5.1
Governance (G) Pillar Score	4.6	4.8
<b>Governance-Related</b>		
Independence of Board of Directors (weighted average, %)	78.3	79.7
Ratio of Female Directors (weighted average, %)	29.4	30.6
<b>Environment-Related</b>		
Greenhouse Gas Emissions (tCO2e per \$1mil. Invested)	104	88
Weighted Average Carbon Intensity (tCO2e per \$1mil. In Revenue)	161	153
Companies With Fossil Fuel Holding (%)	4.8	3.8
Thermal Coal Producing Mining Companies (%)	0.8	0.3
Unconventional Oil and Gas Producers (%)	2.2	1.7
<b>Green Technology Exposure</b>		
Revenue from Green Technology (Weighted Average, %)	4.6	5.3
Green Profit/Brown Profit Exposure	2.7	3.1
Low Carbon Economy Transition Management Score (Proportion in Top 25%, %)	69.5	74.3

\*As of November 30, 2020

\*\* Official name: "MSCI ACWI ex Japan ex China A ESG Universal with Special Taxes Index"

\*\*\* Official name "MSCI ACWI ex Japan ex China A with Special Taxes Index"

# **(Reference 2) Morningstar Gender Diversity Index Overview**

# Morningstar Gender Diversity Index\*\* (“GenDi”)

Morningstar Gender Diversity Index**	
Universe/Number of Constituents*	1,765 issuers selected from all Morningstar Developed Markets ex-Japan Large-Mid Cap Index constituents (1,873 issuers), excluding companies with gender discrimination and/or sexual harassment controversies
Region	Developed countries
Issuer Size	Large-mid cap
Index Style	Tilted
Weight Calculation Method	<ul style="list-style-type: none"> <li>• All eligible constituents are sorted in the descending order of their Equileap Gender Equality (GE) score. Securities within each region are then divided into 5 groups with an equal number of issuers.</li> <li>• Assign tilt factors of 1.5x, 1.25x, 1.0x, 0.75x, 0.5x respectively to each security grouping with the best to the worst Equileap GE scores.</li> <li>• Tilted Weight = Final Tilt Factor x Free-Float Market Cap Weight</li> <li>• The Tilted Weights for the securities are normalized, so that the sum of the weights at each reconstitution is 100%</li> <li>• Securities on the Alarm Bell controversy list will be removed during the quarterly reviews and will continue to be excluded for the next 12 months. These securities will be reintroduced at the next reconstitution given that they are no longer part of the current Alarm Bell controversy list at a weight of (Final Tilt Factor x Free-Float Market Cap Weight x 0.5).</li> </ul>
Caps/Restrictions	Industry: None Country: Region weight is set to region weight of parent index Individual issuer cap: 5%
Rebalance	Security capping/Alarm Bell rebalance: Quarterly Tilt factor rebalance based on Gender Scorecard: Yearly (December)

\*As of November 30, 2020

\*\* Official name: “Morningstar Developed Markets (ex-Japan) Gender Diversity Index”

\*\*\*Equileap assigns an Alarm Bell to a company when a company has had: 1) A legal judgement or an official ruling regarding gender discrimination or sexual harassment against the company or an employee, or 2) Two or more legal cases, or one class action, that have been settled against a company or an employee regarding gender discrimination or sexual harassment, or 3) Two or more legal judgements or official rulings regarding gender discriminatory practices in a company’s marketing and advertising.

# (Reference) Equileap Gender Diversity Scorecard

Headquartered in Amsterdam, Equileap is a leading provider of data and insights on gender equality in the corporate sector. Equileap researches and ranks over 3,500 public companies around the world using a unique and comprehensive Gender Equality Scorecard with 19 criteria, including the gender balance of the workforce, senior management and board of directors, as well as the pay gap, parental leave, and sexual harassment.

## EQUILEAP CRITERIA and DEFINITION

A GENDER BALANCE IN LEADERSHIP & WORKFORCE (40%)	1 Board of Directors	> Gender balance of the company's board of directors and non-executive board (or supervisory board)
	2 Executives	> Gender balance of the company's executives and executive board
	3 Senior Management	> Gender balance of the company's senior management
	4 Workforce	> Gender balance of the company's workforce
	5 Promotion & Career Development Opportunities	> Gender balance of the company's senior management compared to the gender balance of the company's workforce, signalling career progression opportunities
B EQUAL COMPENSATION & WORK LIFE BALANCE (30%)	6 Living Wage	> Commitment to pay a living wage to all employees, even in those countries that do not legally require a minimum wage
	7 Gender Pay Gap	> Transparency on the gender pay gap at company level and on multiple pay bands, commitment to close the pay gap
	8 Parental Leave	> Paid leave programs (at least 2/3 paid) for child care to both primary or secondary carers globally or at least in the country of incorporation
	9 Flexible Work Options	> Option to employees to control and / or vary the start and end times of the work day, and / or vary the location from which employees work
C POLICIES PROMOTING GENDER EQUALITY (20%)	10 Training and Career Development	> Commitment to ensure equal access to training and career development irrespective of gender
	11 Recruitment Strategy	> Commitment to ensure non-discrimination against any type of demographic group and equal opportunities to ensure gender parity
	12 Freedom from Violence, Abuse and Sexual Harassment	> Prohibits all forms of violence in the workplace, including verbal, physical and sexual harassment
	13 Safety at Work	> Commitment to the safety of employees in the workplace, in travel to and from the workplace and on company related business, as well as safety of vendors in the workplace
	14 Human Rights	> Commitment to ensure the protection of human rights, including employees' rights to participate in legal, civic and political affairs
	15 Social Supply Chain	> Commitment to reduce social risks in its supply chain such as forbid business related activities that condone, support, or otherwise participate in trafficking, force and child labor or sexual exploitation
	16 Supplier Diversity	> Commitment to ensure diversity in the supply chain, including support for women owned businesses in the supply chain
	17 Employee Protection	> Systems and policies for the reporting of internal ethical compliance complaints without retaliation or retribution, such as access to confidential third-party ethics hotlines or systems for confidential written complaints
D COMMITMENT, TRANSPARENCY & ACCOUNTABILITY (10%)	18 Commitment to Women's Empowerment	> Signatory to the UN Women's Empowerment Principles
	19 Audit	> Undertaken and awarded an independent gender audit certificate by an Equileap recognized body

# Gender Diversity Index Selection Background

- A significant body of empirical research suggests that companies with a high degree of gender diversity (i.e. companies that actively appoint female staff) have access to a deeper pool of human resources, which may potentially result in superior performance.
- Furthermore, from a macroeconomic perspective, leading research indicates that an improvement in gender diversity (i.e. an increase in the female labor force participation rate) can promote economic growth in a given country.
- By overweighting companies with superior gender diversity – that is, companies that have a demonstrated track record of actively appointing and encouraging the success of female staff – we aim to improve long-term returns by promoting the sustainable growth of investee companies and the market as a whole

## **Circumstance 1: Gender diversity can improve sustainable growth at investee companies**

Companies with strong gender diversity have the potential to outperform those without.

## **Circumstance 2: Gender diversity can be a driver for enhancing market sustainability**

Improving gender diversity (e.g. encouraging female employment) can potentially boost economic growth

**⇒ Aim to improve long-term returns through enhanced sustainable growth of investee companies and the market as a whole**

# Circumstance 1: Gender diversity can improve sustainable growth at investee companies

**The following factors may result in companies with strong gender diversity potentially outperforming those without**

1) Access to human capital

Companies with high gender diversity have access to a deeper pool of human capital, which is a particularly important issue for companies in developed markets with aging populations.

2) Avoidance of groupthink

Highly homogeneous organizations that lack diversity are at risk of being less able to make appropriate decisions due to the occurrence of groupthink.

3) Flexibility to adjust to changing customer needs

Studies indicate that women account for around 72% of all household expenditures. As customer tastes and preferences evolve, service providers also need to be internally diverse in gender.

4) Innovation

Organizations with greater diversity are more likely to be exposed to new ideas and therefore have the potential for greater innovation. Highly homogeneous organizations may have a harder time coming up with creative ideas.

## **Stock prices of companies with women on the board outperform**

Credit Suisse Research Institute (2016) The CS Gender 3000: The Reward for Change

- The stock prices of companies that have women on the board outperform those that don't by 3.5%

## **Companies with women on the board have more effective organizations and higher revenue**

McKinsey & Company (2017) Women Matter: Time to accelerate

- According to a 2007 study of 100 companies with around 60,000 employees, companies that had at least three women on the board performed better across a number of organizational metrics than those with none.
- A study of 300 companies around the world showed that those with the most women on the board had around 47% higher ROE and 55% higher EBIT margins than those with none.

## **Companies with higher diversity are more innovative**

Boston Consulting Group

- An analysis of the relationship between diversity and corporate performance at 1,700 companies across 8 different countries showed that greater diversity lead to more innovation, resulting in 19% higher revenue and 9% greater EBIT margins on average.
- The same study found a statistically significant relationship between diversity and innovation, with a 2.5% improvement in executive gender diversity leading to a 1% increase in revenue attributable to innovation.

# Circumstance 2: Gender diversity as a driver for enhancing market sustainability

**Improving gender diversity (e.g. encouraging female employment) can potentially boost economic growth**

McKinsey & Company (2017) Women Matter: Time to accelerate

- While women comprise 50% of the overall population, they make up only 39% of the workforce and account for only 37% of global GDP.
- Filling in the gender gap could potentially push up global GDP by 11% (approx. \$12 trillion) by 2025.

STATE STREET GLOBAL ADVISORS (2019) Gender Equality: Better for Growth, Debt, Income Equality and Sustainability

- Based on an analysis of 103 countries, those with high levels of gender inequality have lower per-capita GDP.

Global GDP opportunity in the best-in-region scenario, 2025  
Incremental 2025 GDP to 2025 business-as-usual scenario; 2014 \$ Trillions

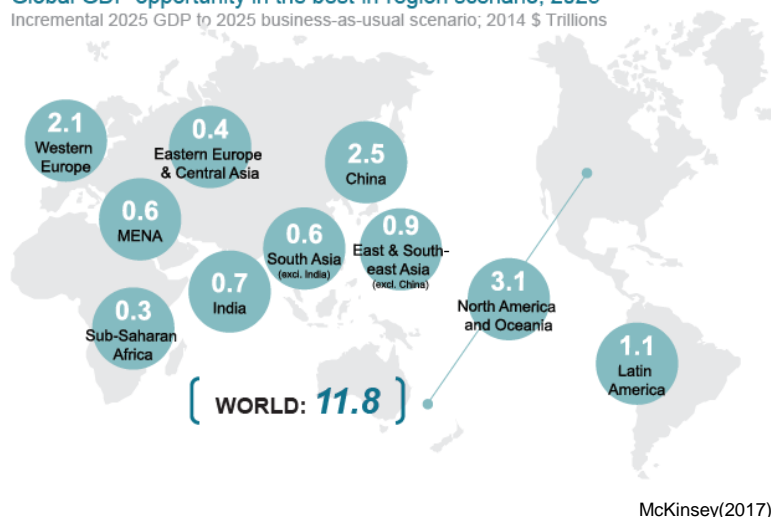
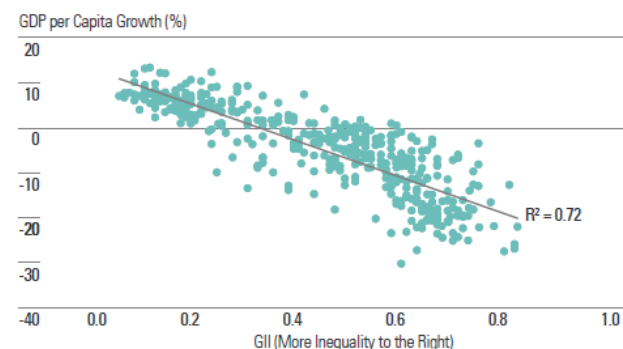


Figure 9: GDP per Capita Growth versus Gender Inequality Index (GII)



Source: World Bank, IMF, Penn World Tables, SSGA Demographics. We regressed GI data on 5-year averages of GDP per capita growth for 103 countries after controlling for the initial level of log GDP per capita as is standard practice.

STATE STREET GLOBAL ADVISORS(2019)

# (Reference) MSCI WIN Index Selected for Domestic Equities Since 2017



MSCI Japan Empowering Women Index (WIN)



MSCI Japan Empowering Women Index (WIN)	
Universe	MSCI Japan Investable Market Index (IMI) Top 700 Index (694 constituents)
Region	Japan
Issuer Size	Large-cap
Controversy Screening	Companies with serious labor rights or human rights controversies, or any companies involved in very severe controversies are excluded
Index Style	Positive screening
Number of Constituents	297
Weight Calculation Method	<ul style="list-style-type: none"> <li>•A multi-faceted Gender Diversity Score is calculated for each company based on female employment data disclosed in compliance with the Act on Promotion of Women's Participation and Advancement in the Workplace. Companies with Gender Diversity Scores in the top half of each parent index GICS sector group (excluding J-REITs) are selected as index constituents.</li> <li>•Constituent weighting: Market Capitalization x Composite Score</li> <li>Composite score: Industry-Adjusted Gender Diversity Score x Industry-Adjusted MSCI Quality Score</li> </ul>
Rebalance	Rebalance: Semi-annual Index review: Quarterly

\*As of Nov. 30, 2020