Summary of the first meeting of "Global Asset Owners' Forum"

GPIF convened the first Global Asset Owners' Forum on 14 November 2016 at the GPIF headquarters in Tokyo, Japan. The asset owners represented at the Forum included:

Government Pension Investment Fund (GPIF)* – Japan
California Public Employees' Retirement System (CalPERS)* – USA
California State Teachers' Retirement System (CalSTRS) *– USA
Ontario Teachers' Pension Plan (OTPP) – Canada
British Columbia Investment Management Corporation (bcIMC) – Canada
Norges Bank Investment Management (NBIM) – Norway
APG Asset Management – The Netherlands
PGGM – The Netherlands
Andra AP-fonden (AP2) – Sweden
Établissement de Retraite Additionnelle de la Fonction Publique (ERAFP) – France
RPMI Railpen – UK
USS Investment Management Limited – UK
Commonwealth Superannuation Corporation – Australia
* Three asset owners are organizers of the Forum.

The goal of the Forum is to foster the exchange of ideas and opinions among global public pension funds on Environmental, Social and Governance (ESG) issues as well as share best practices in aligning asset owners' interests with those of asset managers. The following points summarize the topics discussed at the Forum:

As a host of the forum, first, GPIF explained its past one year's actions on stewardship activities. Attendees were interested in GPIF's unique initiatives below:

- Stewardship activities of GPIF's external asset managers
- Listed companies' survey about Institutional Investors' stewardship activities
- Business and Asset Owner's Forum
- Calling for applications for ESG Indices for Japanese equities
- Joined the UK 30% Club and the US Thirty Percent Coalition
- Engagement with its external asset manager
- Excellent "Integrated Reports" and "Corporate Governance Reports" of Japanese companies nominated by GPIF's external asset managers

The attendees also focused on FSA's council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code. The attendees endorsed a draft of the Opinion Statement No. 3, "Effective Stewardship Activities of Institutional investors" -To Enhance Constructive Dialogue towards Sustainable Corporate Growth-.

1. Aligning the interests of asset owners and asset managers is of paramount importance in carrying out effective ESG integration in the investment decision making process.
   For an enhanced alignment of interest between asset owners and asset managers, managers' fee structure should optimally be linked to long-term financial

performance metrics. In other words, managers' fee structures generally would be desired to avoid short-termism, such as paying excessive focus to quarterly results.
In as much as we advocate for optimal corporate governance practices in the companies we invest in, we also desire to see prudent governance practices by asset managers, such as investment theses that are not driven by short-termism and executive compensations that are explicitly linked to achieving long-term investment goals of asset owners. We generally regard asset managers' executive compensation linked to short-term metrics as inadequately aligned to the interest of asset owners, which have a long-term value-creation as their primary goal.

2. Recent global trends of ESG related issues and engagements seem to focus more on climate risk, human rights and health & safety along the supply chain. We especially pick up climate change as most significant topic in the global market. It would benefit asset owners to continue to share experiences and known best practices on how to deal with latest trends in global ESG issues.
   We also value diversity, including gender diversity, as a way of enhancing diversity of ideas in the corporate boards of companies and asset managers.

3. We see engaging investee companies on ESG issues as a way of promoting good ESG practices in the long term. It would also serve as an opportunity for asset owners and asset managers to learn of any challenges companies are facing in fully embracing ESG best practices.

4. As global asset owners, we realize the great role passive managers can play in integrating ESG issues in their portfolio companies. As such, we encourage passive managers to adopt specific policies on ESG issues and outline specific performance metrics to measure the degree of implementation of those policies.

5. We consider proxy voting as a critical part of fulfilling one's fiduciary duty. Thus, we encourage asset managers to exercise their authority to vote proxies with the goal of achieving long-term ESG goals in portfolio companies.

6. We realize there are multiple ESG indices that evaluate a company's relative ESG standing. We encourage companies to use ESG scoring systems to learn what specific disclosures investors are seeking and to evaluate their existing disclosures. We recognize that companies often do not fully disclose all their ESG related efforts.
   Although it's too early to reach any definitive conclusion, we believe passive investments based on ESG themed indices can serve as good reference points in evaluating the viability of using ESG indices in constructing one's portfolio.

7. Given the scope and global nature of recent high-profile litigations and class action lawsuits associated with our investments, we see a networking opportunity for our legal professionals in order to leverage and share each other's legal expertise and research. Such a global network of legal professionals can also be instrumental in reducing litigation cost.

The attendees at the forum unanimously agreed to release a summary of discussions on the Chatham House Rule basis.