



Summary Report of the 5th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities

1. Purpose of the Survey

The Government Pension Investment Fund, Japan (GPIF) has conducted surveys targeting listed companies since 2016 in order to evaluate stewardship activities carried out by GPIF's external asset managers. The survey also seeks to ascertain the actual status of purposeful and constructive dialogue (engagement) between these companies and asset managers, as well as the changes that have been observed during the year since the previous survey.

We engage in dialogue with our external asset managers on an ongoing basis regarding their stewardship activities. However, taking this approach alone could result in one-way information gathering and lacking objectivity. Therefore, we have made it a purpose of this survey to gather information from the other side, with a focus on how portfolio companies view asset managers' engagement activities, thereby improving such activities.

2. Outline of the Survey

- Subjects: 2,160 companies listed on the First Section of the Tokyo Stock Exchange (as of December 30, 2019)
- Number of respondent companies: 662
- Response rate: 30.6%
- Survey period: From January 10, 2020 through March 13, 2020

3. Comments from Masataka Miyazono, President of GPIF

This is the fifth time this survey has been conducted, and we would like to take this opportunity to express our deepest gratitude for the largest number of responses ever received.

For a pension fund like GPIF, a long-term orientation and the sustainable growth of its investee companies and the market as a whole are essential in increasing long-term investment returns. GPIF considers that it is important to carry out engagement activities from a long-term perspective in order to increase corporate value over the long term, and thus encourages its asset managers to act in line with this policy. We also believe that proactive disclosure of ESG information by investee companies through their Integrated Reports and other materials is extremely important for investors to efficiently understand and make investment decisions based on non-financial

information, including the long-term management philosophy and corporate culture of investee companies.

The results of this survey show that companies are working on information disclosure not only through Integrated Reports, but also through new disclosure criteria such as the TCFD. Moreover, there has been a virtuous cycle, where the disclosure of non-financial information of investee companies including ESG information is further increased, and more and more investors have been utilizing such information. GPIF will continue to engage in stewardship activities and ESG initiatives, taking into account the opinions expressed by surveyed companies. We would like to take this opportunity to thank all the companies that participated in this survey and provided us with valuable opinions amid the difficult situation posed by the outbreak of COVID-19.

4. Summary of the Survey Results (Significant Changes During the Past One Year)

<The time frame of the long-term vision of companies has become longer>

As for the time frame of the long-term vision of companies, 40.4% of respondents (compared to 29.6% in the previous survey) selected “10-14 years,” making it the most common time frame, while those that selected “3-4 years,” which had been the most common time frame, decreased to 26.8% (compared to 38.9% in the previous survey). The ratio of companies that selected “20 years and more” also increased, indicating that more companies present their vision for a longer time frame.

<Use of Integrated Reports by institutional investors has progressed>

With regard to institutional investors’ preparation for IR meetings and use of Integrated Reports, positive responses, such as “They take more time than before to make preparations for IR meetings, thereby improving the quality of meetings” and “They appear to use the reports more effectively than before,” increased compared to the previous survey. Especially in terms of the use of Integrated Reports, the ratio of companies that selected “They appear to use the reports more effectively than before” reached 50% (39.4 % in the previous survey).

<The number of companies that will endorse the Task Force on Climate-related Financial Disclosures (TCFD) is expected to increase in the future>

22% of respondents (144 companies) have endorsed the TCFD, and approximately 60% of respondents (298 companies), that have not yet endorsed the TCFD, either have a plan to endorse it in the future or are considering to endorse it, indicating an increase in the number of companies that will endorse the TCFD in the future.

<Increased awareness of environmental and social issues in addition to governance issues>

As for major themes in the corporate ESG activities, 70.8% of companies selected “corporate governance,” making it the most common theme as in the previous survey. “Climate change” (+8.4%) is most increased theme from the previous survey as was the last survey, followed by “supply chain” (+3.3%) and “diversity” (+2.4%), indicating increased awareness of environmental (E) and social (S) issues in addition to governance (G) issues.

(Reference) Summary of the Survey Results (Overall)

■ Current Situation of and Changes in Stewardship Activities of Institutional Investors

- With regard to changes in the attitudes of institutional investors at IR meetings, etc. during the past year, 40% of companies considered such changes to be desirable.
- Approximately 70% of companies presented their long-term vision in dialogue with institutional investors. As for the time frame of the long-term vision, the ratio of companies that selected “10-14 years” significantly increased to 40.4% (compared to 29.6% in the previous survey), while those that selected “3-4 years” decreased to 26.8% (compared to 38.9% in the previous survey). The ratio of companies that selected “20 years and more” also increased slightly, indicating that more companies present their vision for a longer time frame.
- With regard to institutional investors’ preparation for IR meetings and use of Integrated Reports, positive responses, such as “They take more time than before to make preparations for IR meetings, thereby improving the quality of meetings” and “They appear to use the reports more effectively than before,” increased compared to the previous survey. Especially in terms of the use of Integrated Reports, the ratio of companies that selected “They appear to use the reports more effectively than before” reached 50% (39.4 % in the previous survey).

■ Companies’ IR and ESG Activities and Status of Disclosure

- The most common answer for the importance of IR meetings was "Current share holding status." On the other hand, as for the contents that companies wish to ask institutional investors at IR meetings, most respondents selected “Reasons for holding shares and future share holding policy.”
- 22% of respondents (144 companies) have endorsed the TCFD, and approximately 60% of respondents (298 companies), that have not endorsed the TCFD, either have a plan to endorse it in the future or are considering to endorse it, indicating an increase in the number of companies that will endorse the TCFD in the future.
- As for major themes in corporate ESG activities, most companies listed issues that are common challenges for both companies and society, such as (i) corporate governance (70.8%), (ii) climate change (53.9%), and (iii) diversity (44.0%). The ratio increased from the previous survey for climate change (+8.4%), supply chain (+3.3%) and diversity (+2.4%), indicating increased awareness of environmental (E) and social (S) issues in addition to governance (G) issues.
- Recognition of the SDGs was nearly 100%. The ratio of companies that have taken actions also exceeded 60%. The guidelines that companies including those considering taking actions refer to the most was “The Guide for SDG Business Management” by the Ministry of Economy, Trade and Industry (49.8%), followed by “SDG Compass” by GRI, the UN Global Compact (UNGC) and the World Business Council for Sustainable Development (WBCSD) (38.5%), “Sustainable Development Goals (SDGs) Implementation Guidelines” by the Ministry of the Environment (36.9%) and “Society 5.0 for SDGs” by Keidanren (32.9%).

■ Evaluation by Companies Concerning Four ESG Indices Selected by GPIF

- As in the previous survey, approximately 50% of companies positively evaluated each of the four ESG indices selected by GPIF, and the evaluation was particularly high among large-cap companies. Many of small-cap companies continued to state that they were not sure. No significant differences in responses were observed when comparing the evaluation of the MSCI and FTSE indices, from which small-cap companies are generally excluded due to their company size, and that of the S&P/JPX Carbon Efficient Index, which is free from such restrictions. The fact that the evaluation of ESG indices by small-cap companies has not been improving could indicate that the priority of ESG issues is not as high as that of many other management issues, compared to the case of large-cap companies.
- Over 60% of companies stated that they have reviewed the evaluation methods that index providers have disclosed. More than 90% of large-cap companies said that they have reviewed them.
- Companies that conduct dialogue with MSCI and FTSE account for a quarter of all respondents. We assume that fewer companies have conducted dialogue with S&P (Trucost) because the evaluation items for the company's environmental indices are focused on carbon efficiency, etc.

■ Opinions and Requests of Companies Regarding Stewardship Activities of GPIF as an Asset Owner

- Many companies expect GPIF to: (i) encourage its external asset managers to conduct investment and engagement from a long-term viewpoint; (ii) promote constructive and essential dialogue, (iii) provide support for the establishment of ESG, (iv) promote ESG investment and direct and indirect stewardship activities that will involve small-cap companies; and (v) encourage ESG evaluators to enhance their governance.

End



Report of the 5th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities

May 2020

年金積立金管理運用独立行政法人
Government Pension Investment Fund



Outline of the Survey: Purpose and Results

1. Purpose

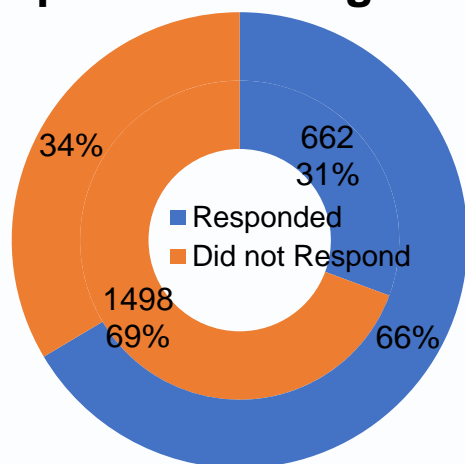
- To evaluate the stewardship activities of the institutions serving as GPIF's external asset managers and to ascertain the actual status of their purposeful and constructive dialogue (engagement) with investee companies as well as the changes that have been observed since the revision of Japan's Stewardship Code.

2. Subjects

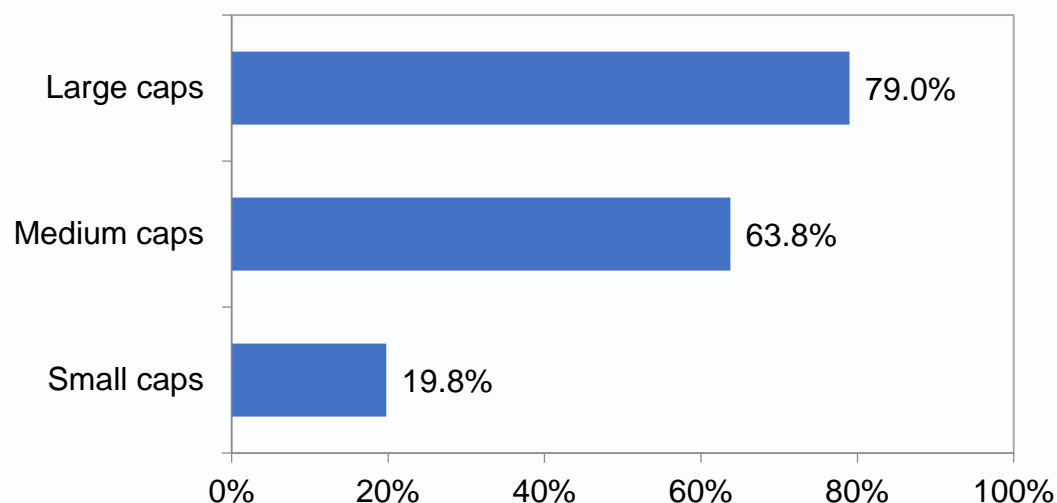
- Subjects: 2,160 companies listed on the First Section of the Tokyo Stock Exchange (TSE) (as of December 30, 2019)
- Number of respondent companies: 662 (previous survey: 604)

Response rate: 30.6% Survey period: From January 10 to March 13, 2020

<Response coverage rate>



<Response rate by company size>

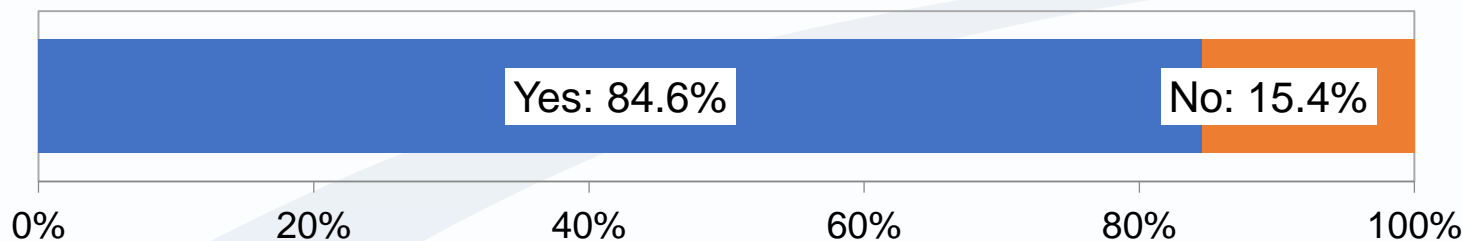


*Inside: based on number of companies

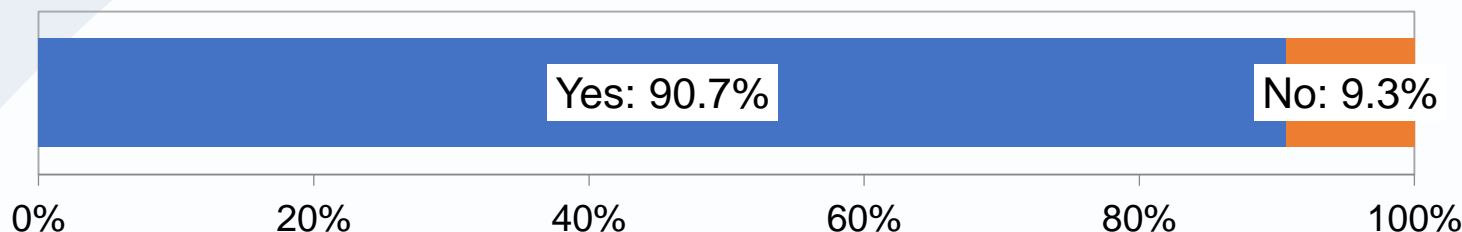
Outside: based on market cap

<On Previous Survey (Conducted in January 2019)>

Q1: Did you know about the previous survey?



Q1-1: If you selected “(i) Yes” in the previous question, did you look at the survey results which are 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	51.4%
(ii) Expectation for institutional investors in pursuing enhancement of corporate value and sustainable growth over the medium- to long-term	43.5%
(iii) Status of IR activities, ESG activities and disclosure (status of preparation of Integrated Reports, holding of information sessions, actions taken to achieve SDGs)	66.5%
(iv) Expectation for stewardship activities by GPIF as an asset owner	27.9%

*The percentage indicates the ratio to total responses out of 662 companies.

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

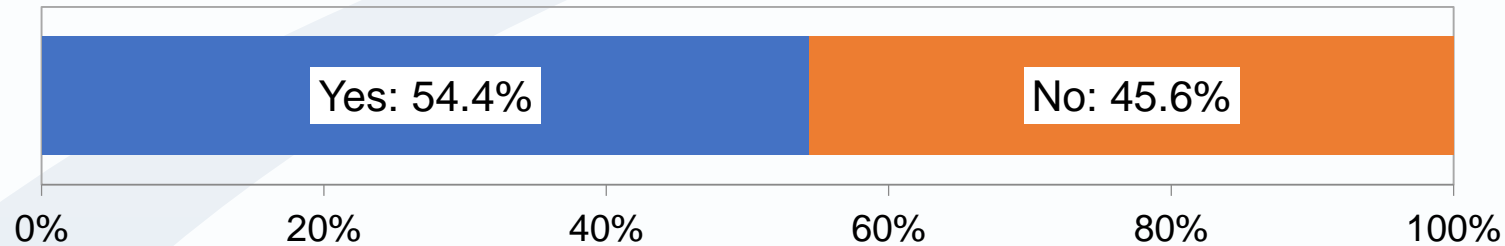
- ❑ With regard to changes in the attitude of institutional investors at IR meetings, etc. in the past year, 40% of companies considered such changes to be desirable (p.5).
- ❑ More than half of companies stated that corporate philosophy had been on agenda in the dialogue with institutional investors (p.6).
- ❑ Approximately 70% of companies presented their long-term vision in the dialogue with institutional investors. As for the period of the long-term vision, the ratio of companies that selected “10-14 years” significantly increased to 40.4% (compared to 29.6% in the previous survey), while those selected “3-4 years” decreased to 26.8% (compared to 38.9% in the previous survey). The ratio of companies that selected “20 years and more” also increased slightly, indicating that more companies present their vision for a longer period of time. The ratio of companies that use the period of their medium-term management plan as the assumed period decreased, whereas those that use the period of their long-term plan or vision increased (p.7, 8).
- ❑ With regard to institutional investors' preparation for IR meetings and use of Integrated Reports, positive responses, such as “They take more time than before to prepare for IR meetings, thereby improving the quality of meetings” and “They appear to use the reports more effectively than before,” increased compared to the previous survey. Especially in terms of the use of Integrated Reports, the ratio of companies that selected “They appear to use the reports more effectively than before” reached 50% (39.4 % in the previous survey). Meanwhile, as for the use of Corporate Governance Reports, the number of companies that selected “They appear to use the reports more effectively than before” continued to gradually increase (p.8, 9).
- ❑ In terms of dialogue with activists and engagement funds, the ratio of companies that stated they received requests was 43.3%, 85% of which actually engaged in dialogue. The most common theme of dialogue is similar contents as IR interviews, followed by management and business strategies. Among those companies that had dialogue, approximately 70% of them (excluding those did not respond) stated that there are funds worth having a dialogue with. The most common reason, cited by 50.7% of the respondents, was “It gives a boost to management improvement,” which was followed by “Their business and industry research and analysis are excellent” (p.10, 11).

<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?

(i) Observed desirable changes in all or majority of institutional investors	6.8%	40% of companies observed desirable changes
(ii) Observed desirable changes in some institutional investors	36.1%	
(iii) Observed some changes but there has been bipolarization among institutional investors	15.2%	
(iv) Observed no significant changes in institutional investors	41.3%	
(v) Observed more undesirable changes in institutional investors	0.6%	

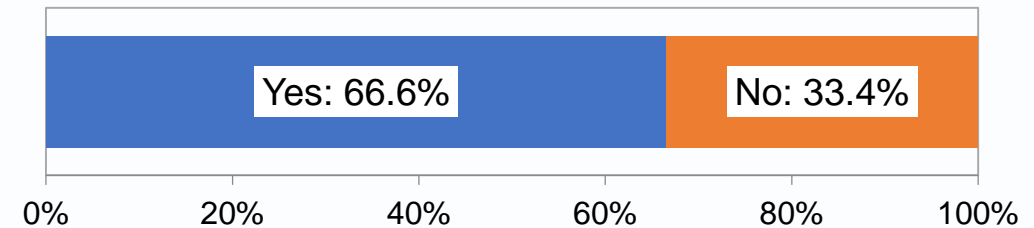
Q2: Has your company's corporate philosophy (including the company creed, company motto, etc.; the same shall apply hereinafter) been on the agenda for the dialogue with institutional investors?



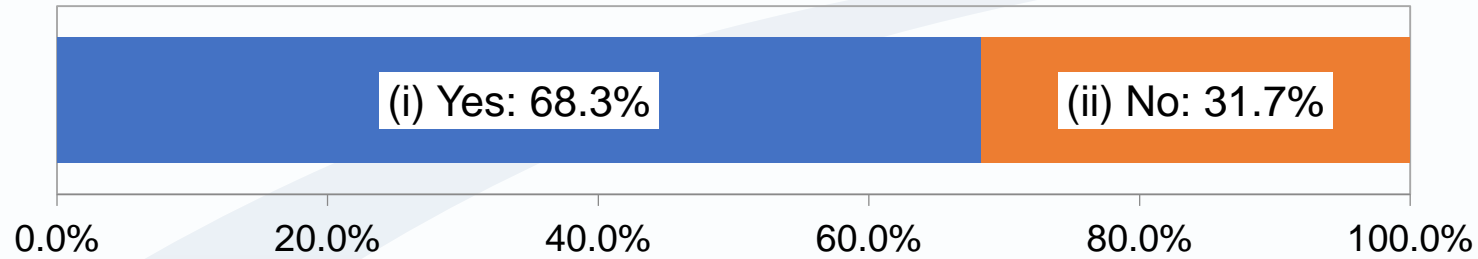
2-1: If you selected “Yes” for Q2, what was the topic specifically? (Multiple responses allowed)

Background and content of corporate philosophy	61.3%
Relationship between corporate philosophy and management strategy	69.4%
Penetration of corporate philosophy among employees	34.3%
Other	5.8%

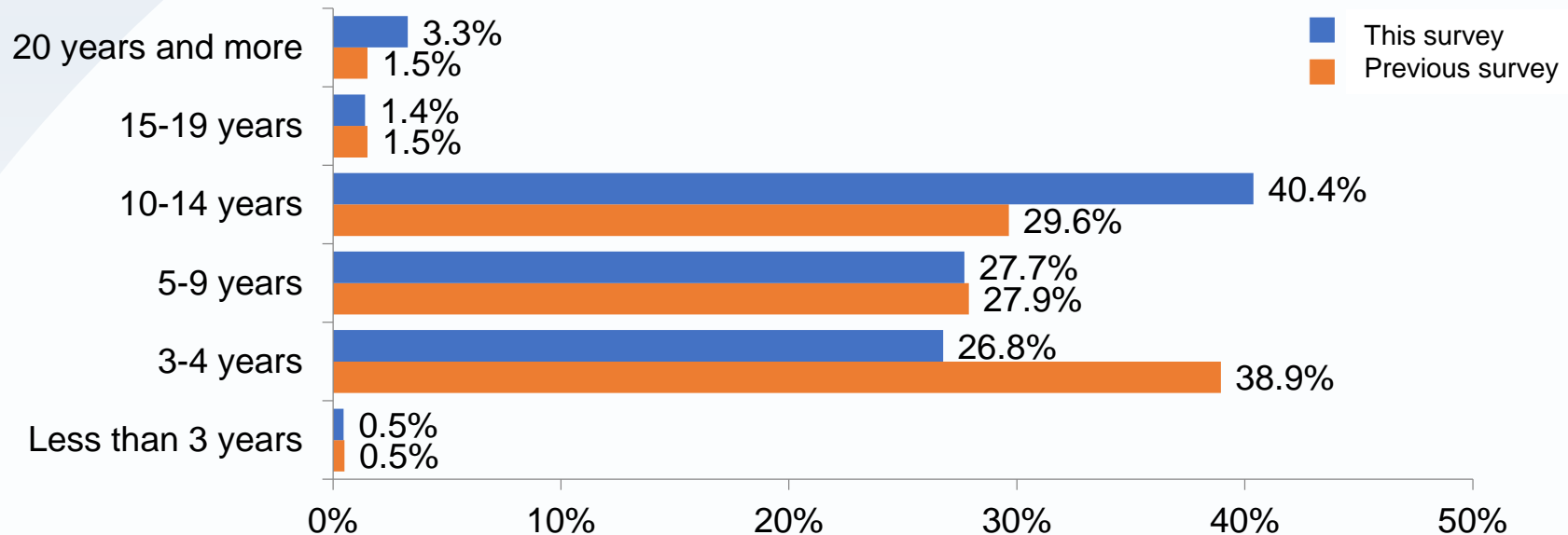
2-2: Do you provide explanations on your company's corporate philosophy to institutional investors?



Q3: Is your specific long-term vision disclosed to institutional investors?

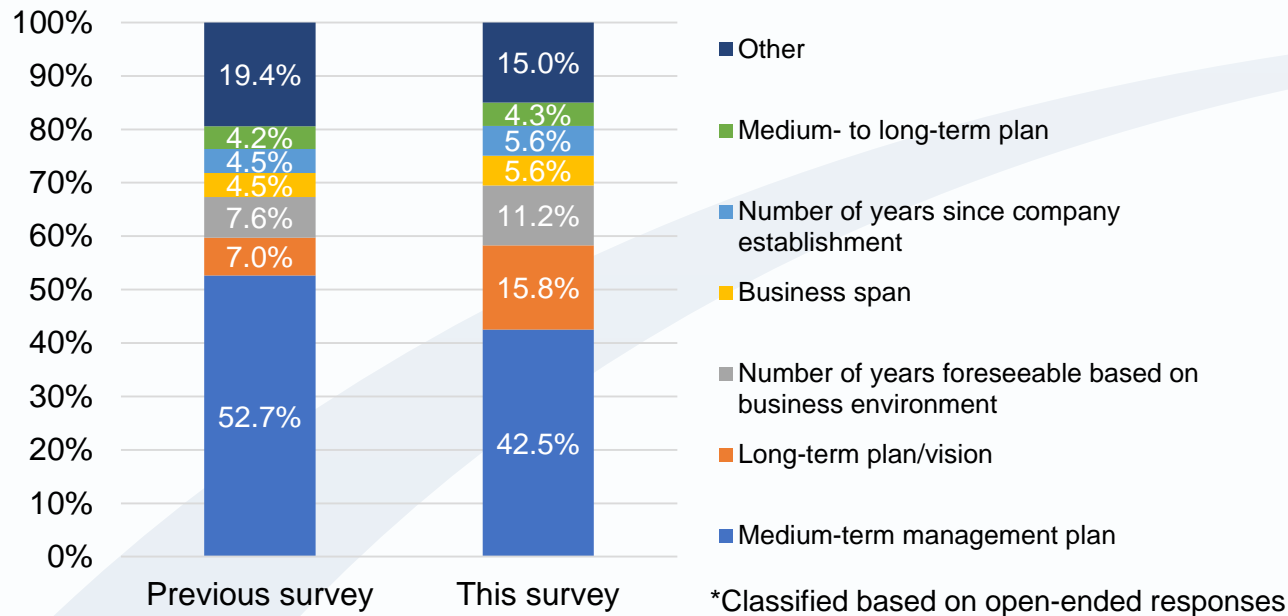


3-1: If it is disclosed, what is the time frame for your long-term vision?



*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 430 valid responses (388 valid responses in the previous survey).

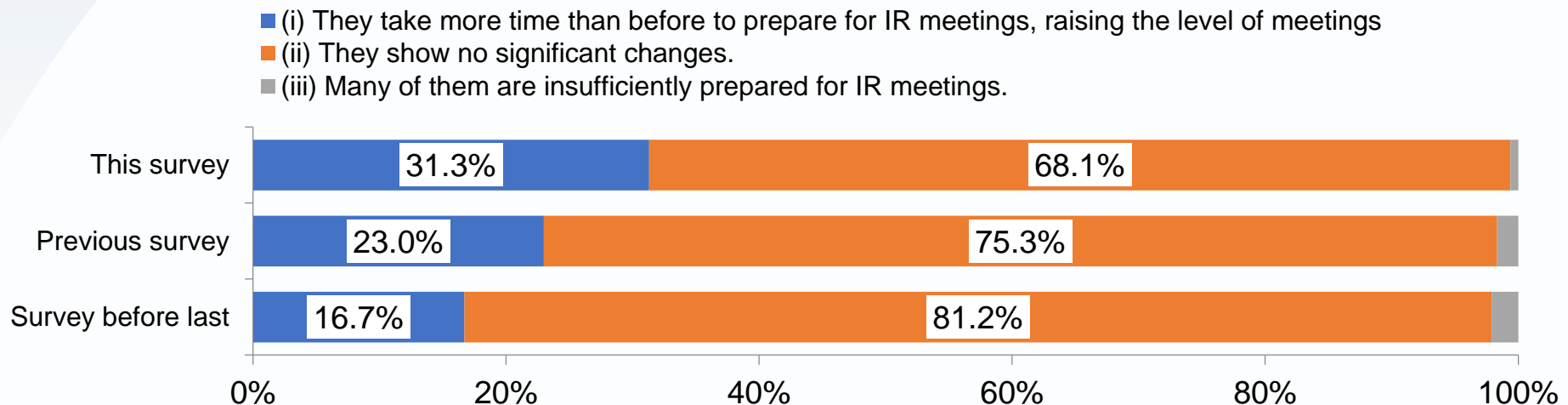
3-2: Based on what criteria did you set the number of years indicated in 3-1?



3-3: In what media is your long-term vision shown specifically?

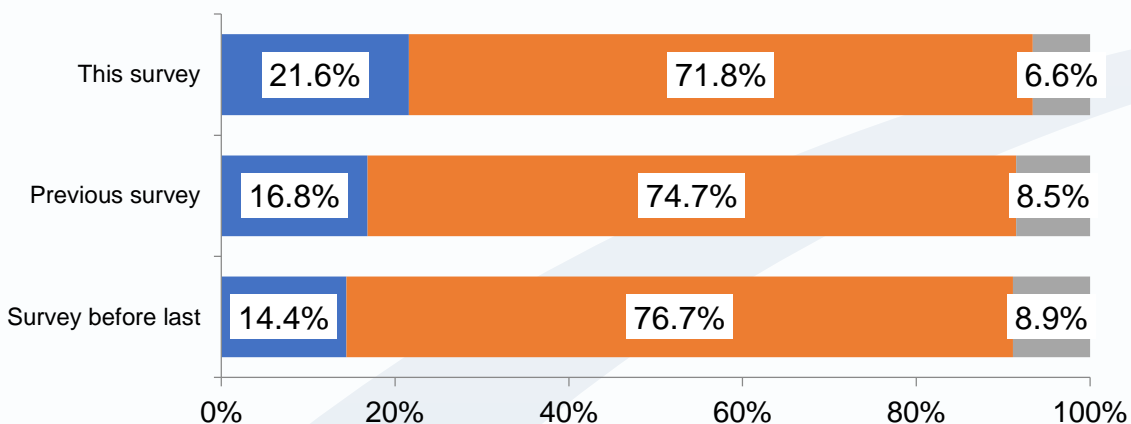
Medium-term management plan
Integrated Report
Financial statements
Convocation notice of general meeting of shareholders
Shareholder newsletter
Company's website

Q4: Institutional investors' preparation for IR meetings



Q5: Choose the option that applies to the changes you have observed in terms of institutional investors' use of Corporate Governance Reports.

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

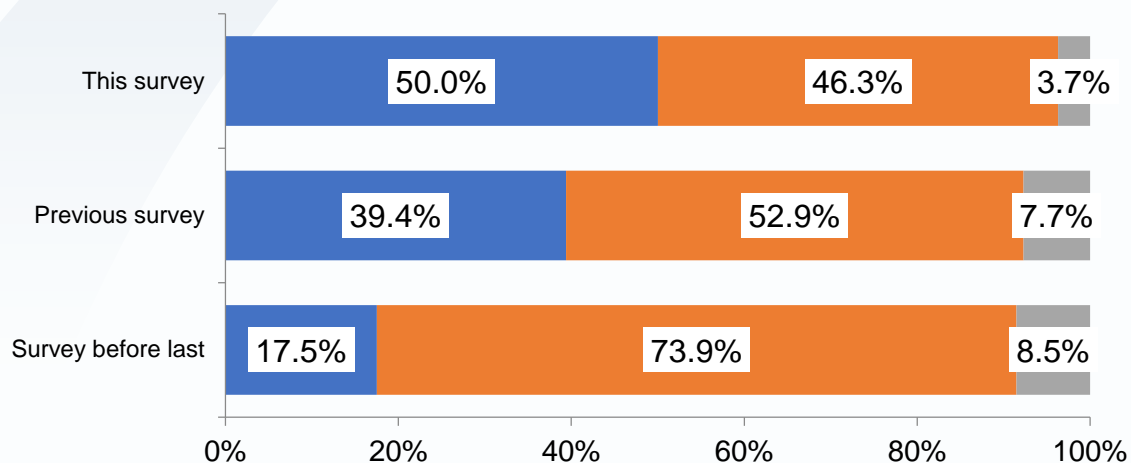


<Comments from companies that selected (i)>

- There has been an increase in the number of questions in line with corporate governance reports, including the executive compensation decision process and the role of the voluntary management committee.
- The revision of the governance code provided more opportunities for discussion, as more investors were gathering information in advance about policies on selection/dismissal of the CEO, succession plans, and capital costs.
- Institutional investors seem to have been reading the reports exhaustively as some of them commented on the steady progress of reduction of policy-based stockholdings, for example, during actual dialogue.
- In particular, analysts in charge of ESG and staff in charge of proxy voting seem to have been reviewing the report thoroughly.

Q6: Choose the option that applies to the changes you have observed in terms of institutional investors' use of Integrated Reports. (Question applied only to those companies that publish the reports)

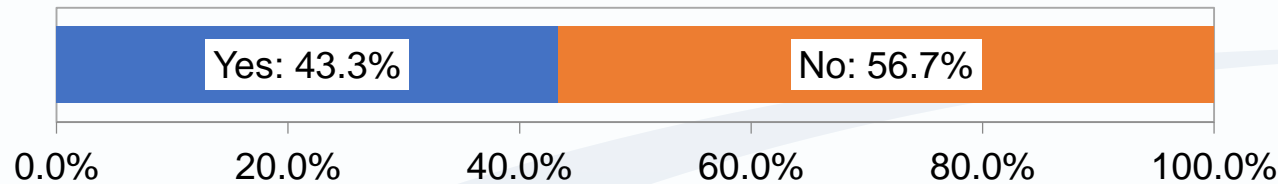
- (i) They appear to use the reports more effectively than before.
- (ii) They show no significant changes.
- (iii) They do not appear to use the reports effectively.



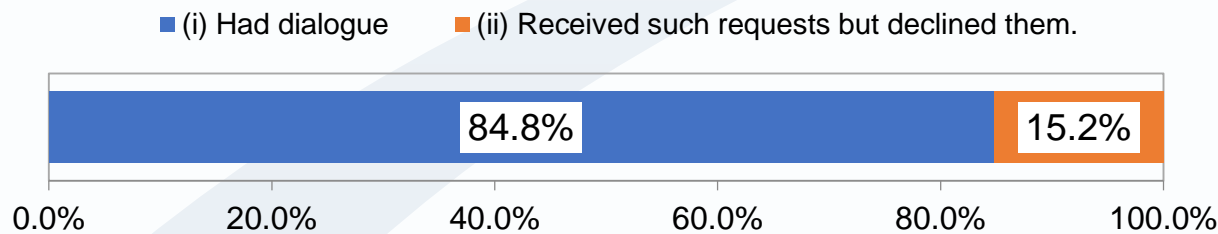
<Comments from companies that selected (i)>

- Up to 2018, I had an impression that institutional investors had not been reading the report until it was distributed and explained to them at the time of visiting them. In 2019, almost all institutional investors (about 15 of them) printed the report from the website and read it prior to the visit. Although the level of their understanding varied, feedback on the Integrated Report, information that institutional investors wanted to know, and the perspective of corporate evaluation were specifically presented.
- Our company has been visiting our top 10+ institutional investors on a regular basis for several years to give explanations. In addition to the ESG-related departments, there has been an increase in the presence of fund managers from the active investment management as well as in-house analysts.
- There has been an increase in the number of cases in which long-term investors ask focused questions after thoroughly reading our Integrated Report. In recent years, we can tell that sell-side analysts are also reading our Integrated Report based on their statements. It is easy to disclose information in line with our corporate awareness of issues through the Integrated Report, which is a voluntary disclosure material, and I feel that it has been increasingly used as a tool to stimulate dialogue.

Q7: Have you ever received requests for dialogue from activists and engagement funds?



7-1: If you selected “Yes” for Q7, did you have dialogue?

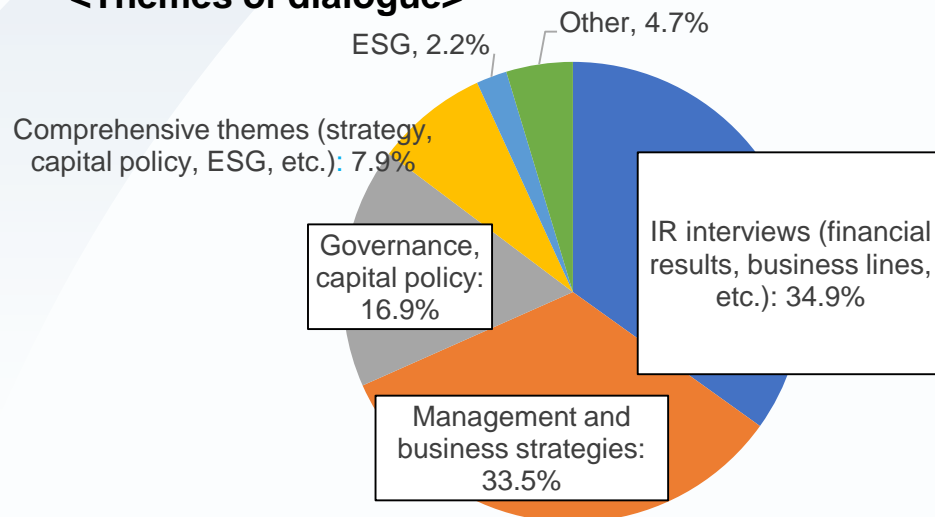


<Reasons for decline>

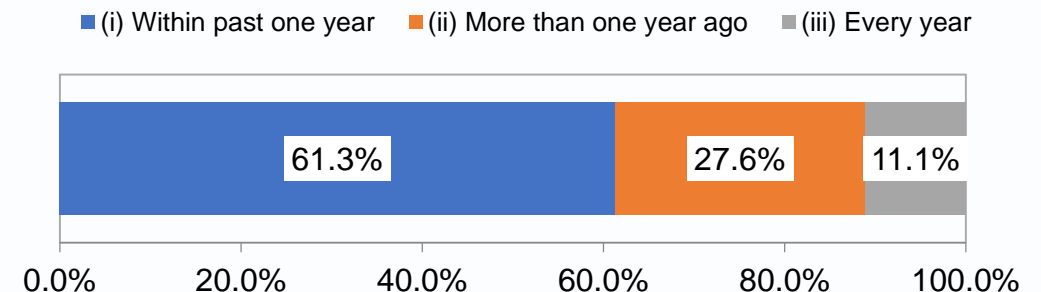
- Because the schedule didn't match.
- Because we were in a silent period.

7-2: If you selected “Had dialogue” in 7-1, please answer the following questions.

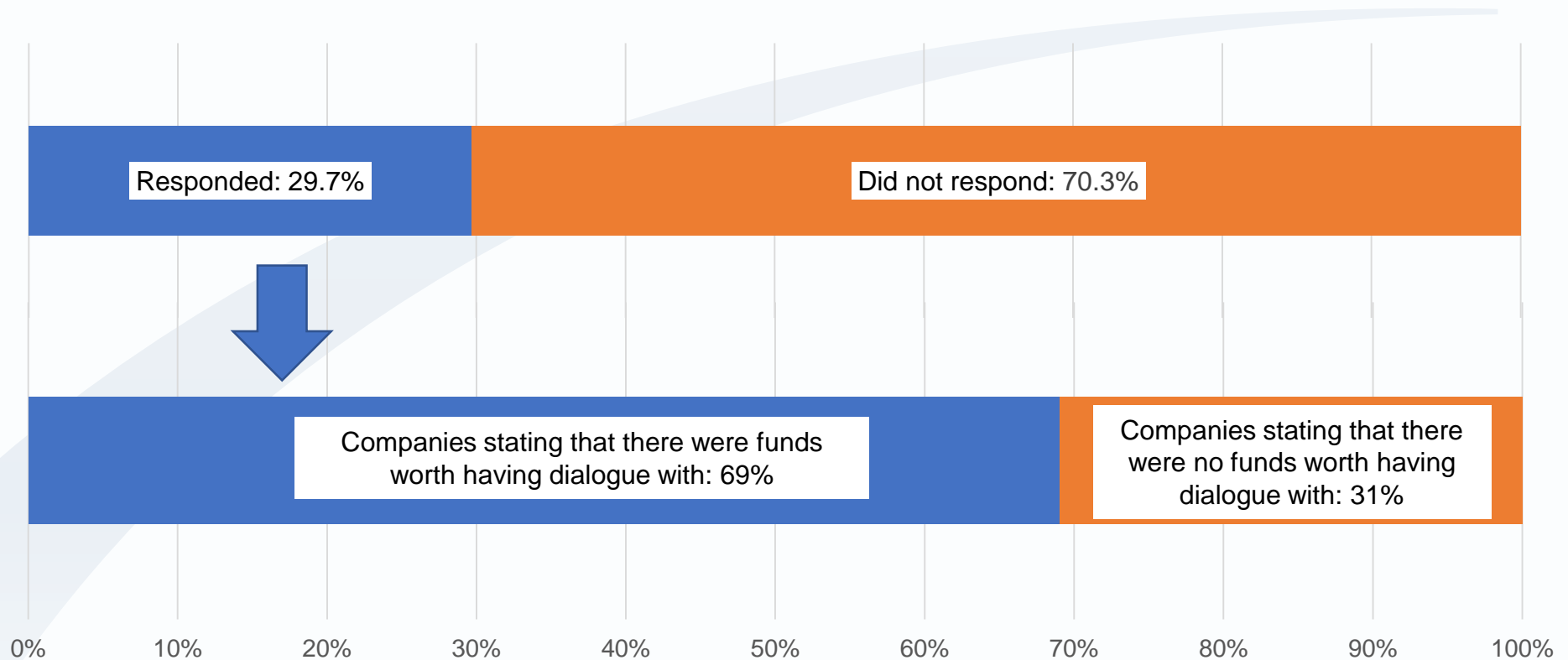
<Themes of dialogue>



<Timing of dialogue>



7-3: If you selected “Had dialogue” for 7-1, were there any funds worth having dialogue with or funds not worth having dialogue with?



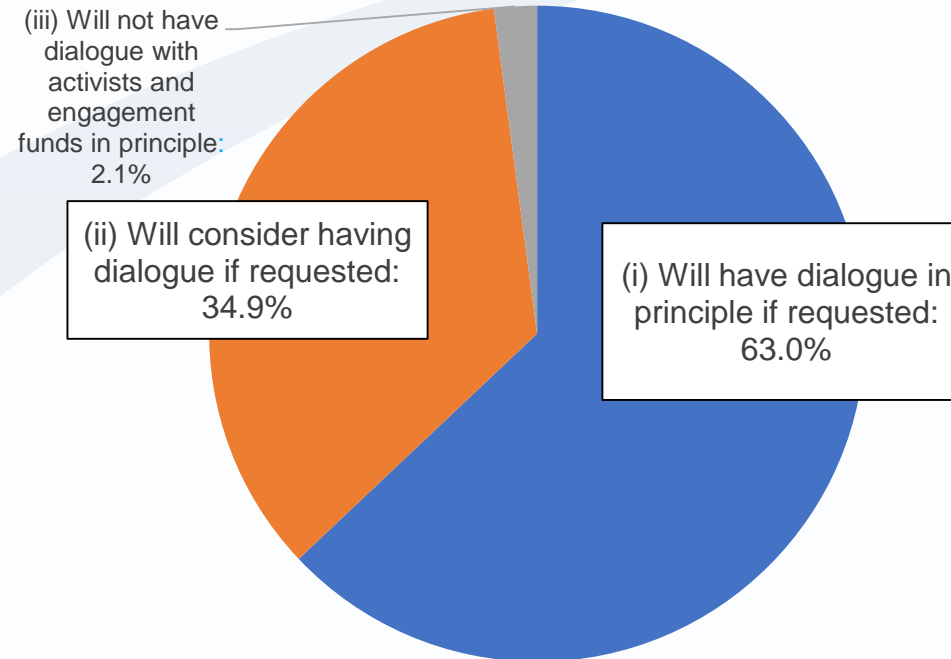
<Reasons why they were worth having dialogue with>

a. It gives a boost to management improvement.	49.3%
b. Their business and industry research and analysis are excellent.	43.7%
c. Their suggestions to the company contribute to increasing corporate value over the medium to long term.	42.3%
d. Other	12.7%

<Reasons why they were not worth having dialogue with>

a. Our load for responding to them is excessive.	28.1%
b. Their approach is hostile, and it is difficult to build a constructive relationship.	25.0%
c. Their suggestions to the company are purely based on the pursuit of the fund's profit and short-term gains.	56.3%
d. Other	9.4%

7-4: If you selected “No (Have not received such requests)” for Q7, will you have dialogue if requested?



Q8: 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?

[Comments (excerpts)]

- I would like them to deepen their understanding of not only short-term earnings but also long-term vision and medium- to long-term strategy including non-financial information in order to provide support from a medium- to long-term perspective. In terms of dialogue, we would like to have two-way dialogue, by receiving investors' views on the market as a whole and their expectations and opinions on our company's strategy and other issues. Also, information should be shared between stock managers and ESG staff.
- Investors who hold shares and have quarterly meetings with us tend to be focused on short-term discussions (on quarterly earnings results), but we would like to have discussions from a medium- and long-term perspective, even a little. In addition, we would like them to ask questions from a medium- to long-term perspective at management briefings and other occasions to get insights out of management. While those who ask questions at management briefings are mostly analysts, they tend to ask questions from the viewpoint of only six months to a year ahead. It may be difficult to ask questions linked with corporate value over the medium to long term unless they are institutional investors.
- We would like them to communicate the details of corporate surveys to stimulate active management reforms. If they invest in companies from a viewpoint of growing with the companies, we think that companies will be more willing to respond to their requests.
- To be honest, our understanding of ESG/SDGs has been insufficient. It would be great if they explain the points they want to know and why such points are important. We would also like investors to disclose information (specific investment stance, information on share holding, details of proxy voting, processes after the interviews, etc.) to the extent possible.
- We would like them to tell us which areas will likely grow by looking at our business portfolio from an external perspective as well as the reasons why they think so. As we tend to come up with our medium- to long-term strategy based on our internal insights from accumulated knowledge, it is helpful to receive suggestions on corporate value enhancement from the investors' viewpoint.
- We would like them to flexibly respond to numerical targets such as ROE through dialogue rather than making standardized decisions on proxy voting.
- For example, if we are asked to sell policy holding stocks, it is often difficult to make a move from the holding side in reality. We would like investors to take steps to encourage actions on the part of the issuers.
- We hope that regular and long-term dialogue are enabled through medium- to long-term holdings by applying ESG initiatives not only to passive investment but also to active investment.
- We think that it is desirable that there has been a framework for promoting beneficial dialogue. On the other hand, the workload has been increasing as there are similar disclosure materials required for different competent authorities and the required contents vary slightly depending on the materials. We would like to hear how each disclosure material has been utilized with specific examples.

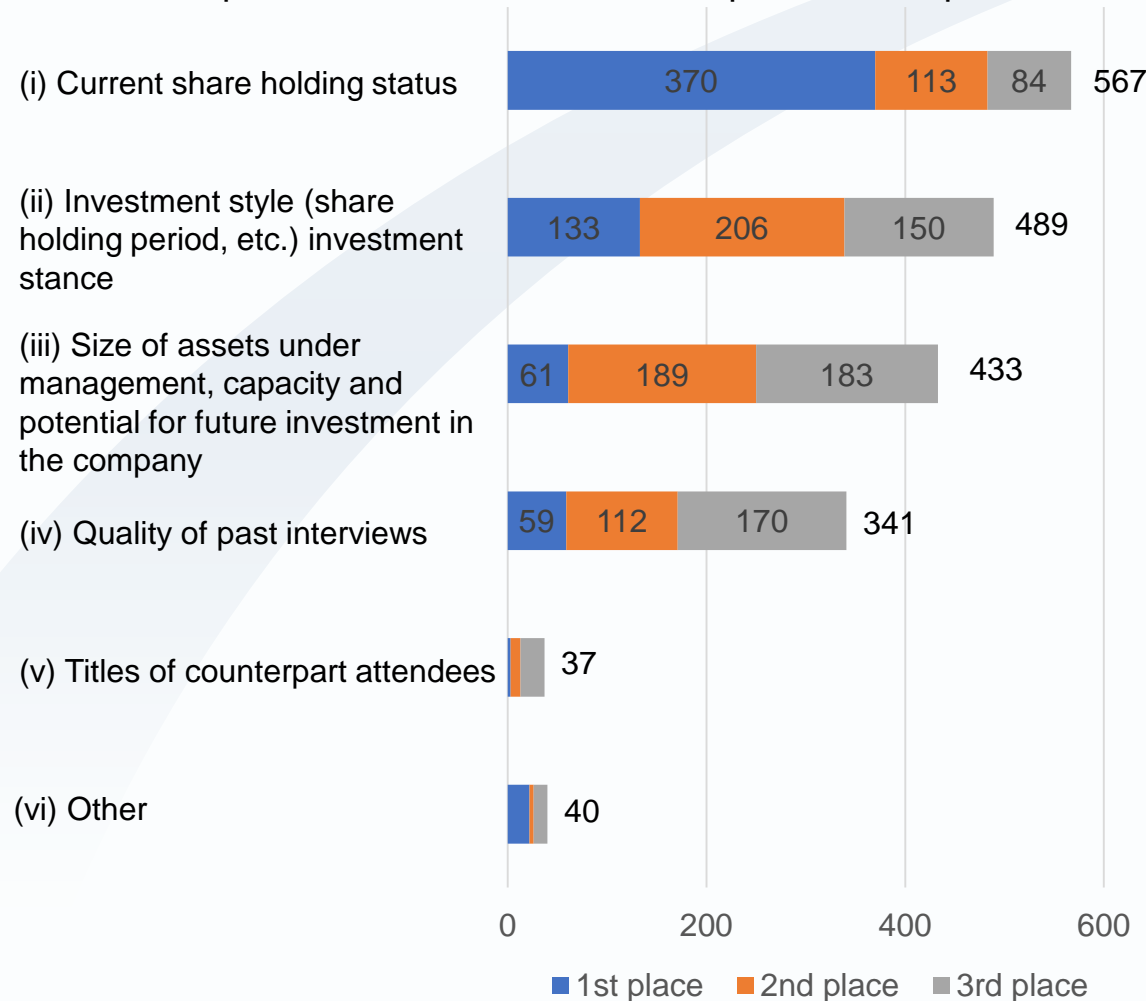
Summary of Survey Results II: IR and ESG Activities of Your Company

- ❑ The most common answer to how they prioritize the importance of IR meetings was "Current share holding status." On the other hand, as for the questions that companies wish to ask institutional investors at IR meetings, most respondents selected "Reasons for holding shares and future share holding policy" (p.15, 16). At the same time, more than 30% of companies hold IR meetings targeting fixed income investors as in the previous year, and approximately two-thirds of such meetings are organized by departments other than ordinary IR departments (such as accounting/financial departments, co-organized by accounting/administration departments and the IR department) (p.17).
- ❑ 74.8% of respondents voluntarily disclose non-financial information including ESG (by Integrated Reports, etc.), and the rate slightly increased from the previous survey. As in the previous year, standards and guidelines that companies mostly refer to for the disclosure include the "GRI Guidelines" or "GRI Standards" (41.8%), followed by IIRC's "International Integrated Reporting Framework" (39.3%) and "Guidance for Collaborative Value Creation" published by the Ministry of Economy, Trade and Industry (38.2%) (p.18).
- ❑ Explanations on non-financial information, such as ESG, continue to be provided mainly at financial results briefings and IR meetings. The number of companies that provide explanations at financial results briefings exceeded 50%. While only a few companies hold information sessions focused on ESG issues at this stage, a total of 125 companies are planning to hold or are considering holding such sessions in the future (p.19, 20).
- ❑ The ratio of companies that prepare Integrated Reports or equivalent reports exceeded 50%, showing an increasing trend. 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 (p.21).
- ❑ 22% of respondents (144 companies) have endorsed the TCFD, and approximately 60% of respondents (298 companies), that have not endorsed the TCFD, either have a plan to endorse it in the future or are considering to endorse it, indicating an increase in the number of companies that will endorse the TCFD in the future. In addition, 43% of respondents (61 companies) that have endorsed the TCFD stated that they disclose information in line with the TCFD (p.23).
- ❑ As for major themes in corporate ESG activities, most companies listed issues that are common challenges for both companies and society, such as (i) corporate governance (70.8%), (ii) climate change (53.9%), and (iii) diversity (44.0%). The ratio increased from the previous survey for climate change (+8.4%), supply chain (+3.3%) and diversity (+2.4%), indicating increased awareness of environmental and social issues in addition to governance issues among companies (p.25).
- ❑ Recognition of the SDGs was nearly 100%. The ratio of companies that have taken actions also exceeded 60%. The guidelines that companies including those considering taking actions refer to the most was "The Guide for SDG Business Management" by the Ministry of Economy, Trade and Industry (49.8%), followed by "SDG Compass" by GRI, the UN Global Compact (UNGC) and the World Business Council for Sustainable Development (WBCSD) (38.5%), "Sustainable Development Goals (SDGs) Implementation Guidelines" by the Ministry of the Environment (36.9%) and "Society 5.0 for SDGs" by Keidanren (32.9%) (p.26).

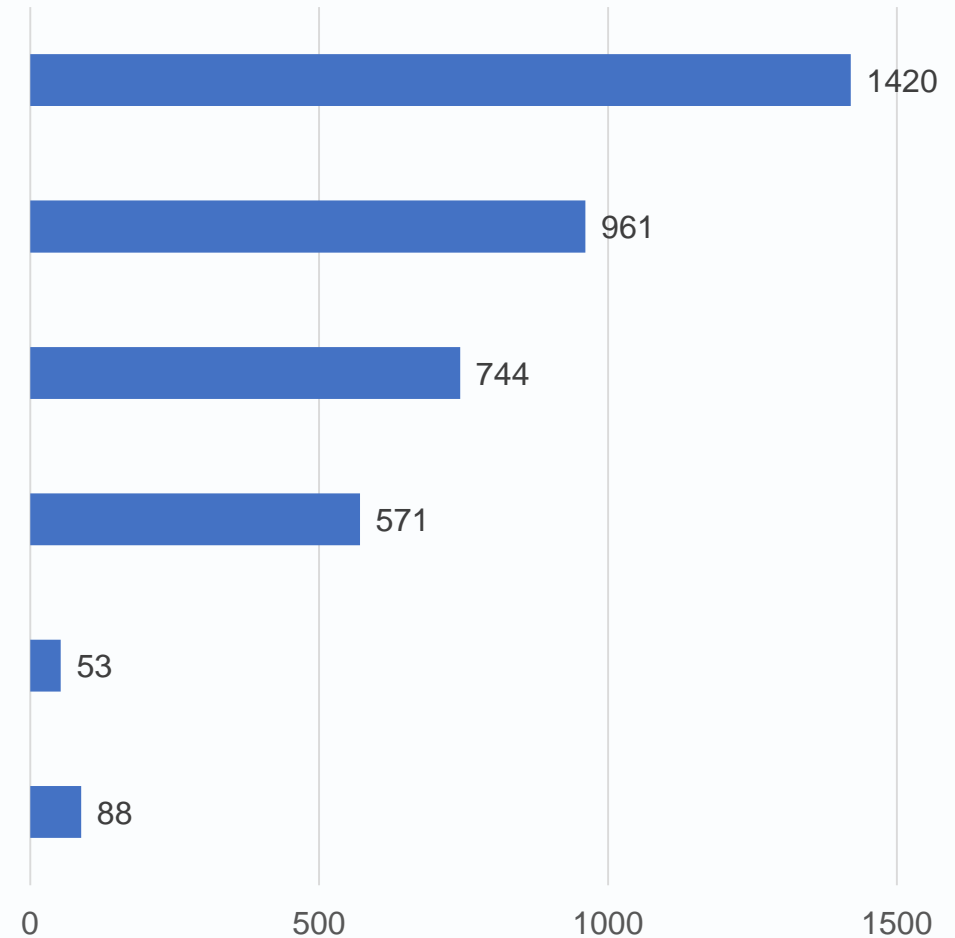
<On IR and ESG Activities of Your Company>

Q1: How do you prioritize the importance of IR meetings (criteria for selecting attendees, etc.)?
Please select the three most important items below and indicate the order of importance for each item (please note that the items cannot be ranked the same).

<Graph based on the number of respondent companies>



<Rank-weighted graph>

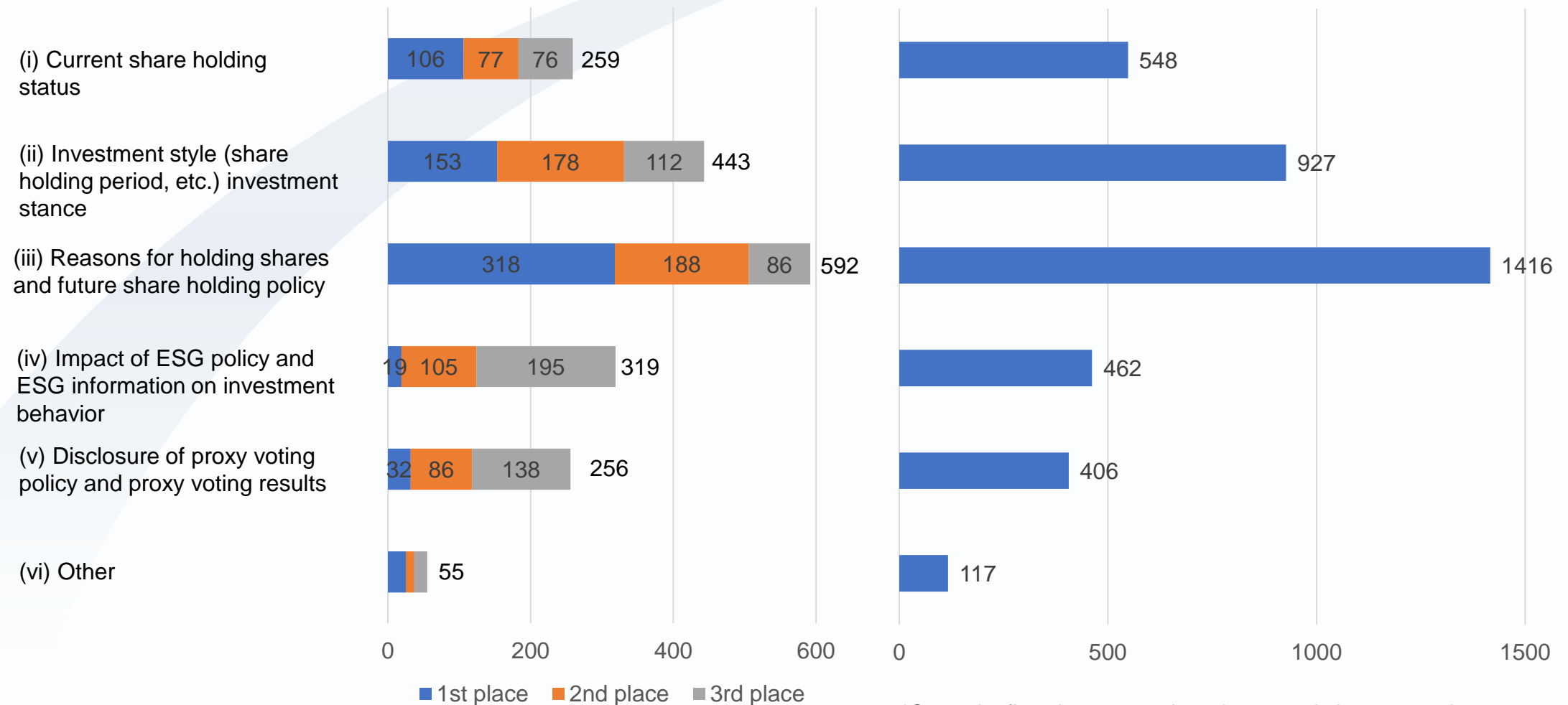


*Count the first place as 3 points, the second place as 2 points, the third place as 1 point.

Q2: What do you want to ask institutional investors at IR meetings? Please select the three most important items below and indicate the order of importance for each item (please note that the items cannot be ranked the same).

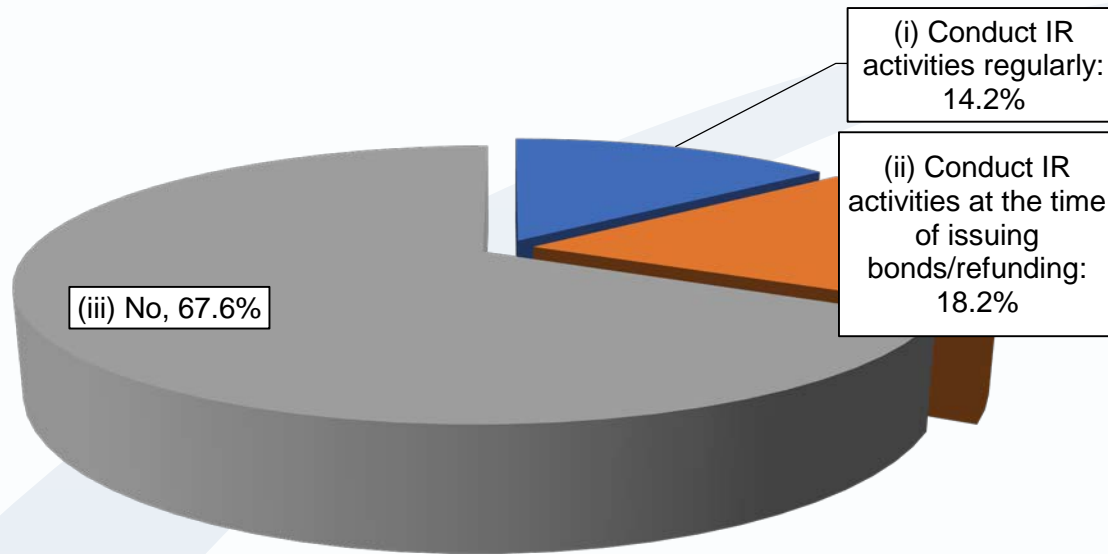
<Graph based on the number of respondent companies>

<Rank-weighted graph>



*Count the first place as 3 points, the second place as 2 points, the third place as 1 point.

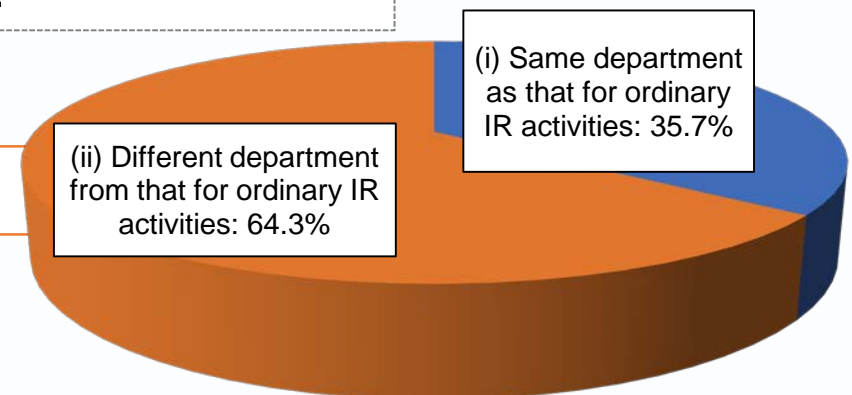
Q3: Do you conduct IR activities for fixed income investors?



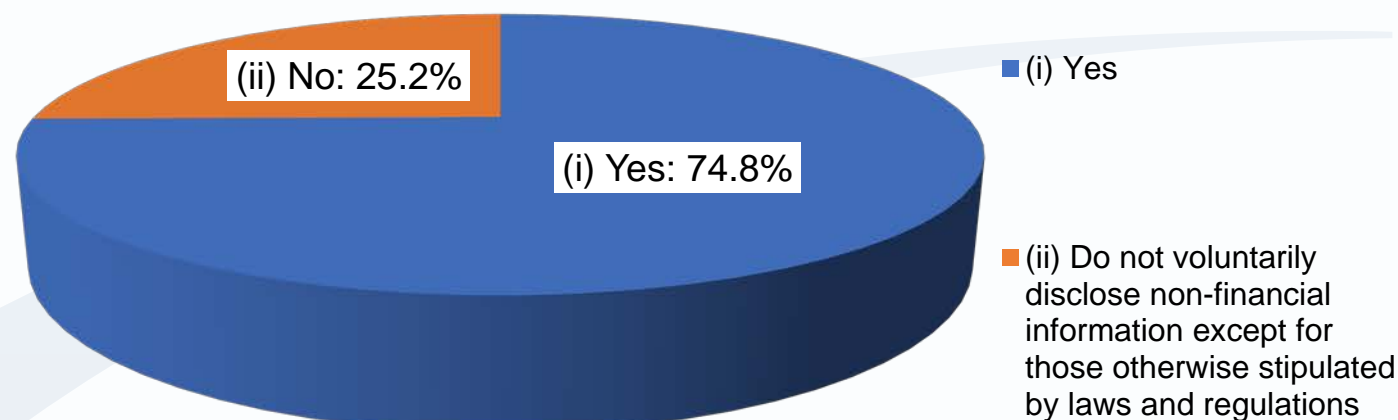
3-1: If you selected “Yes” for Q3, are IR activities conducted by the same department as ordinary IR activities?

Accounting/financial departments (the majority)

Co-organized by the IR department and accounting/financial department



Q4: Do you voluntarily disclose non-financial information including ESG (publication of CSR Reports, Sustainability Reports, Integrated Reports, etc.)?

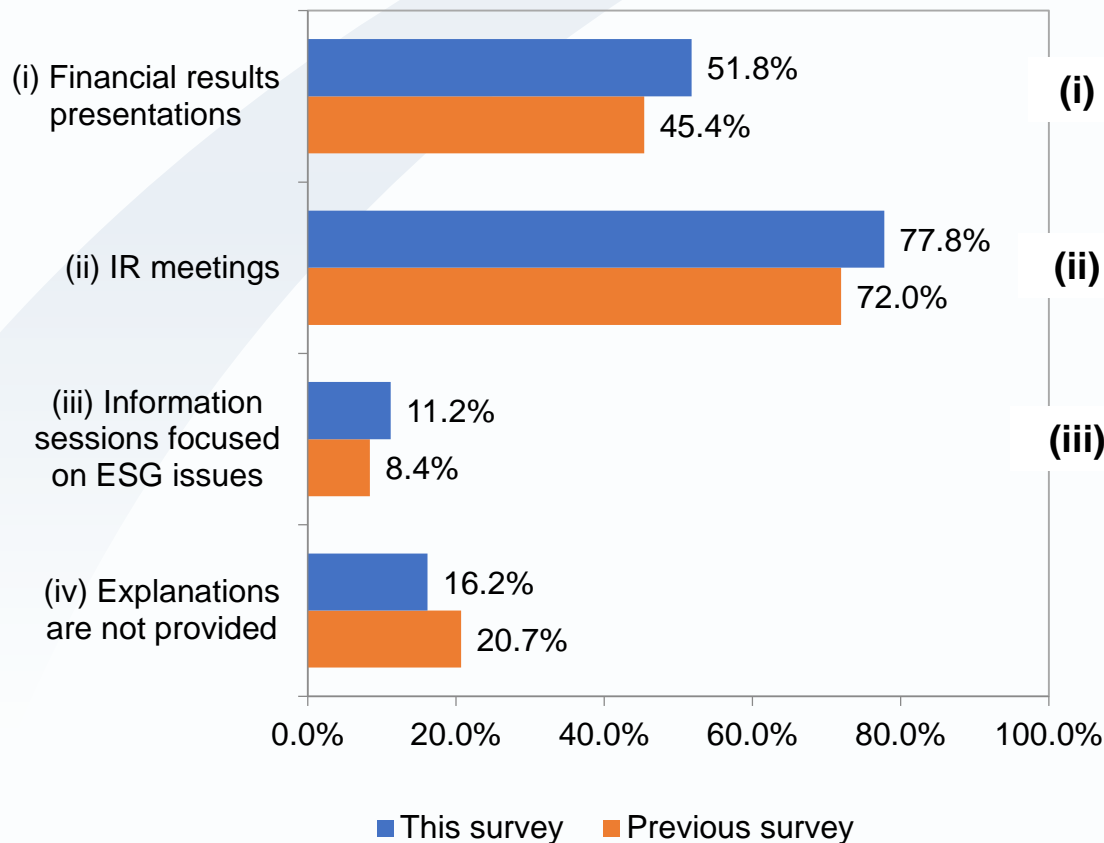


4-1: If you selected “Yes” for Q4, do you refer to any of the following standards and guidelines?

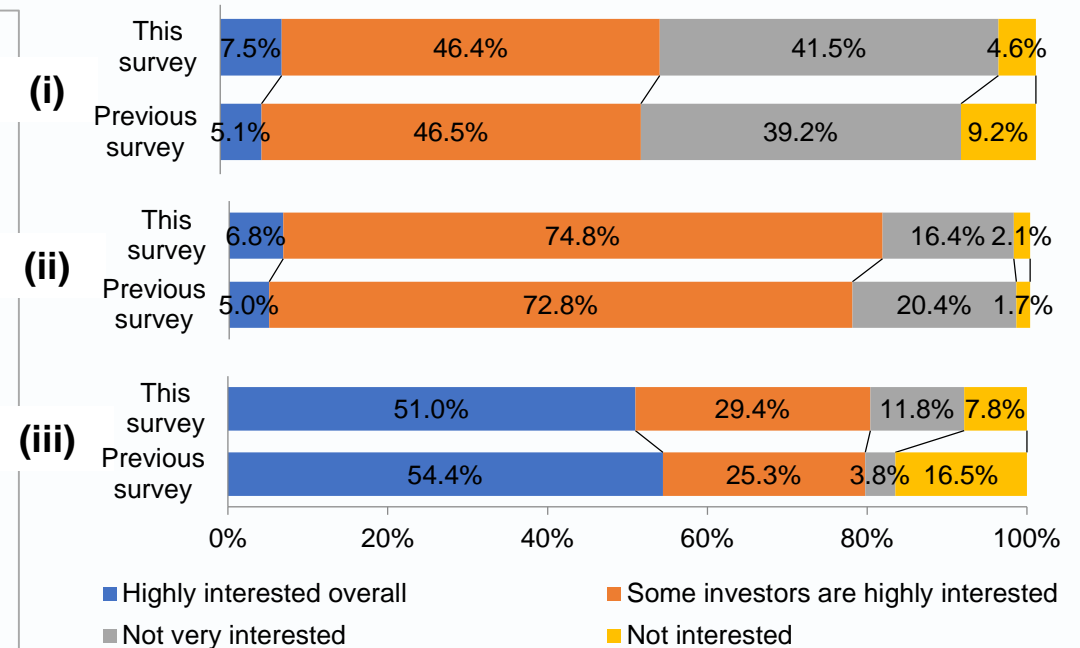


Q5: When do you provide explanations on non-financial information such as ESG to institutional investors? (Multiple responses allowed) If such explanations are provided, how do you rate the reactions of institutional investors?

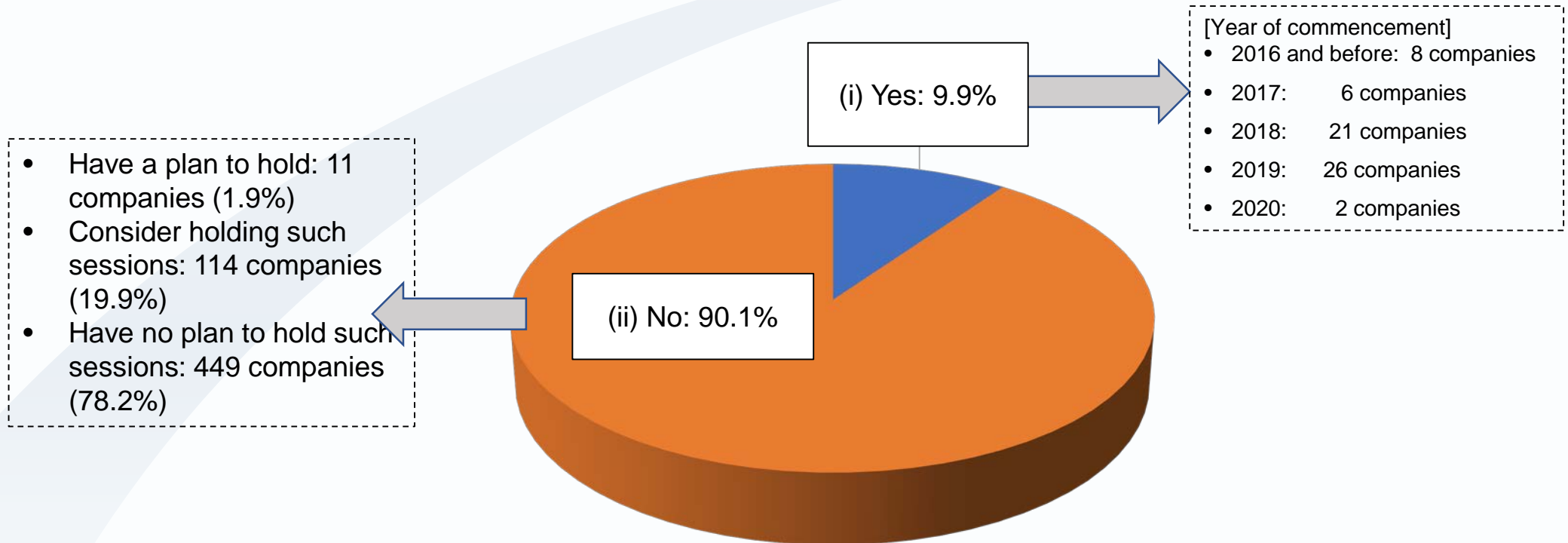
<Sessions where explanations on non-financial information are provided>



<Reactions of institutional investors>



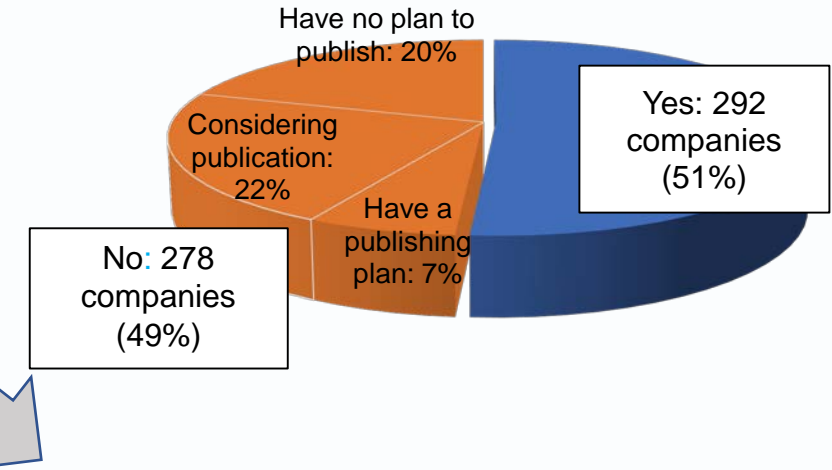
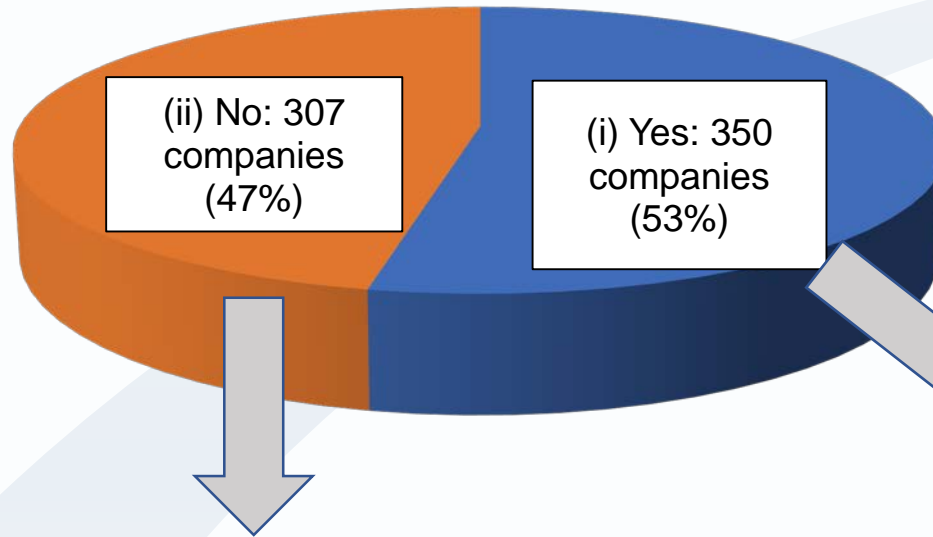
Q6: Do you currently hold information sessions focused on ESG issues for institutional investors?



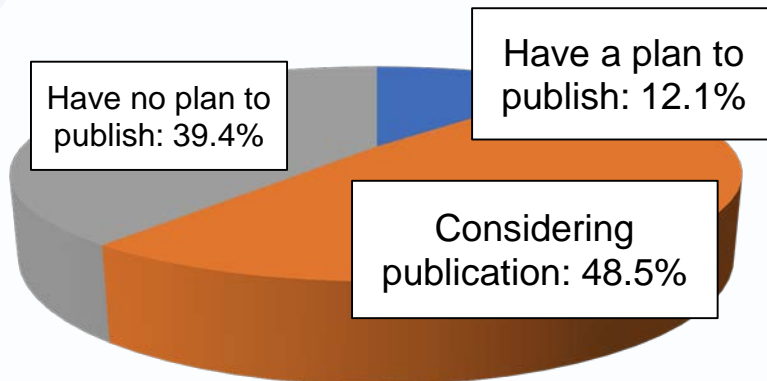
Q7: Do you publish Integrated Reports or equivalent reports for institutional investors?

<This survey>

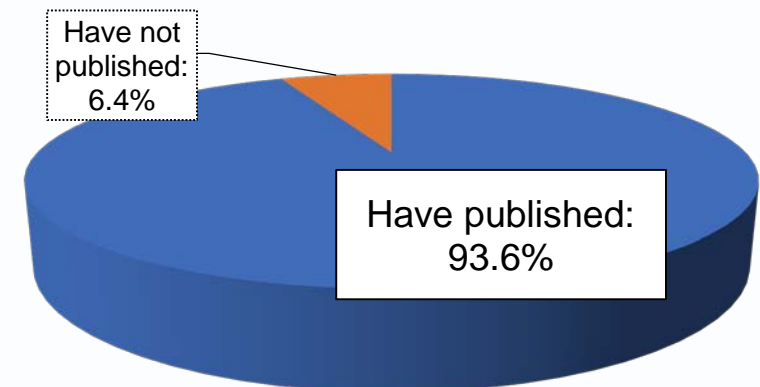
<Previous survey>



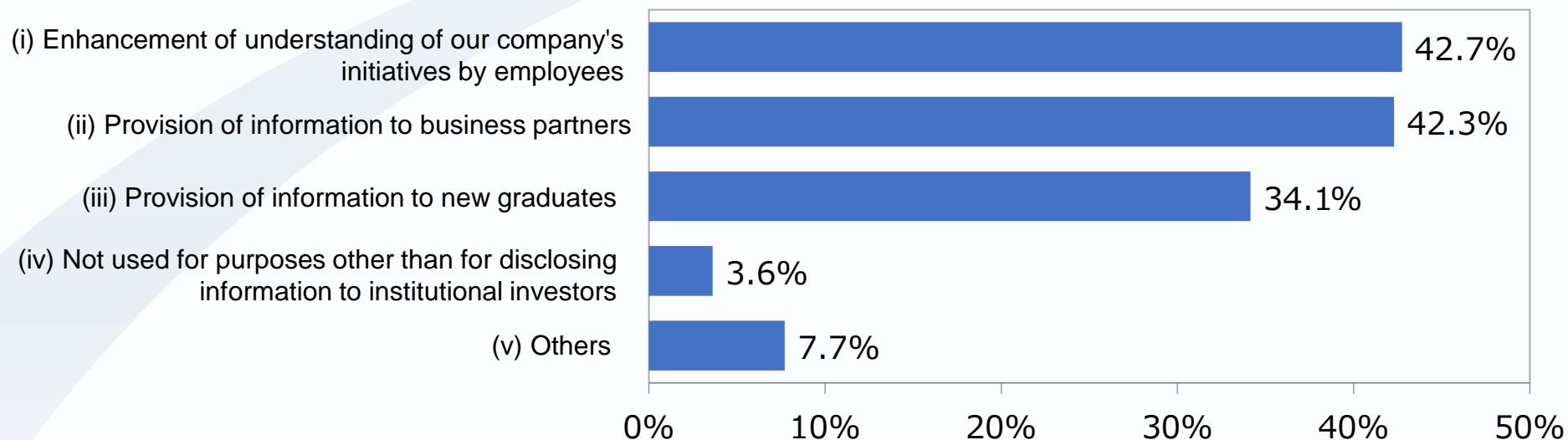
7-1: If you selected (ii) for Q7, what is your future plan?



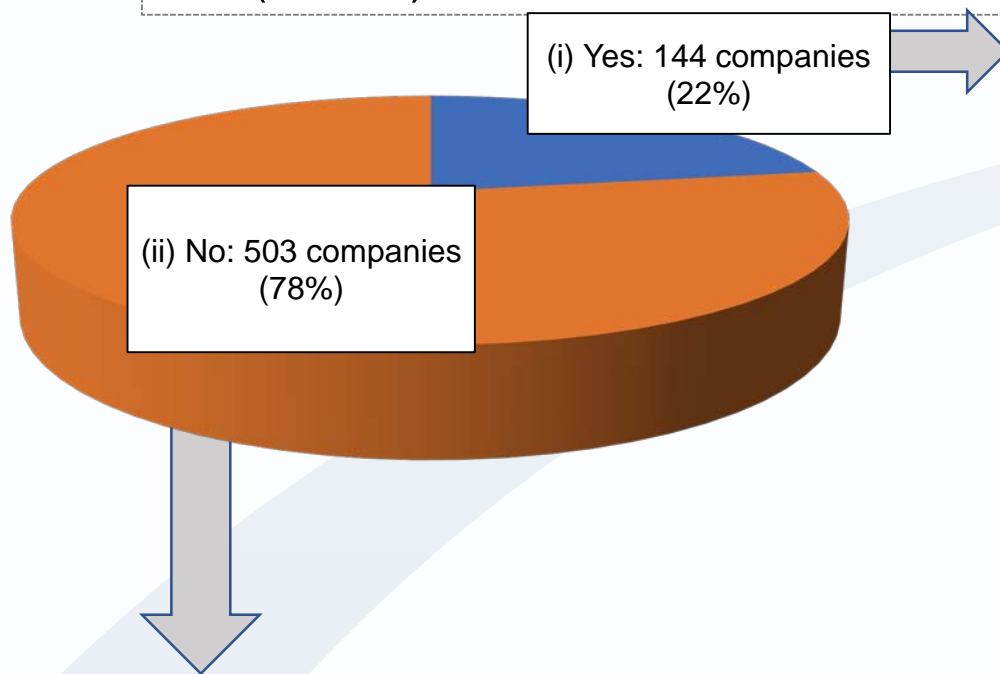
7-2: If you selected (i) for Q7, have you published an English version?



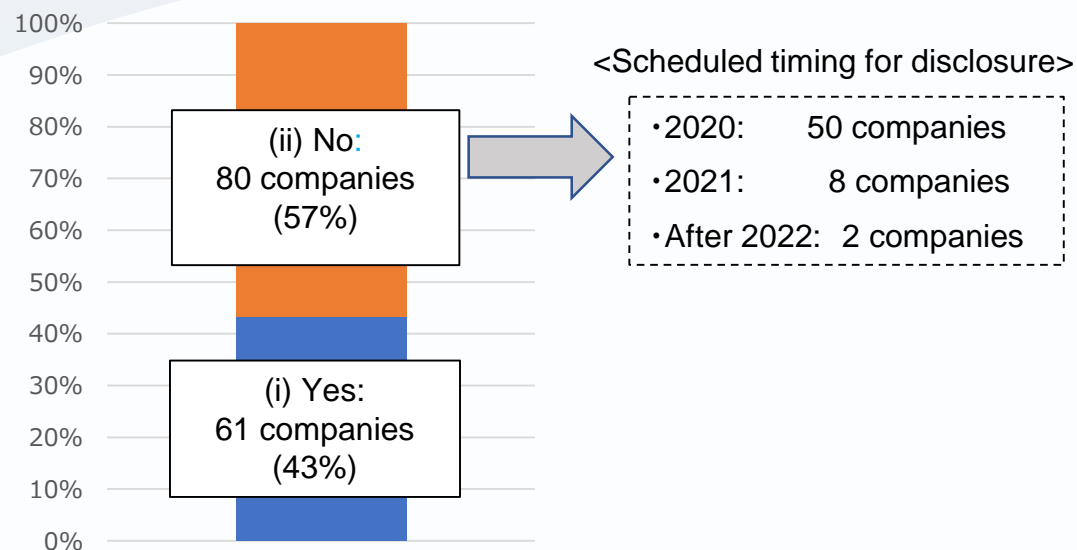
Q8: For what purposes do you use Integrated Reports other than for disclosing information to institutional investors? (Multiple responses allowed)



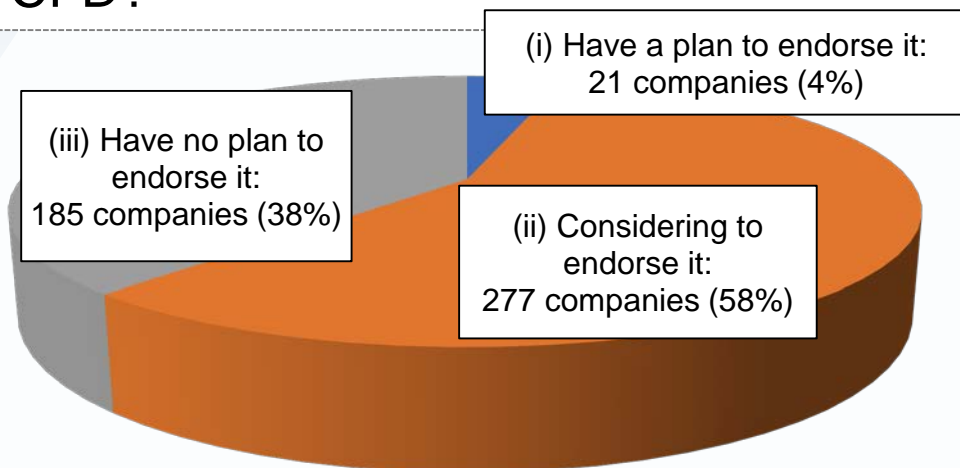
Q9: Have you endorsed the Task Force on Climate-related Financial Disclosures (TCFD)?



9-1: If you selected (i) for Q9, do you disclose information in line with the TCFD?



9-2: If you selected (ii) for Q9, what is your future plan regarding the endorsement of the TCFD?

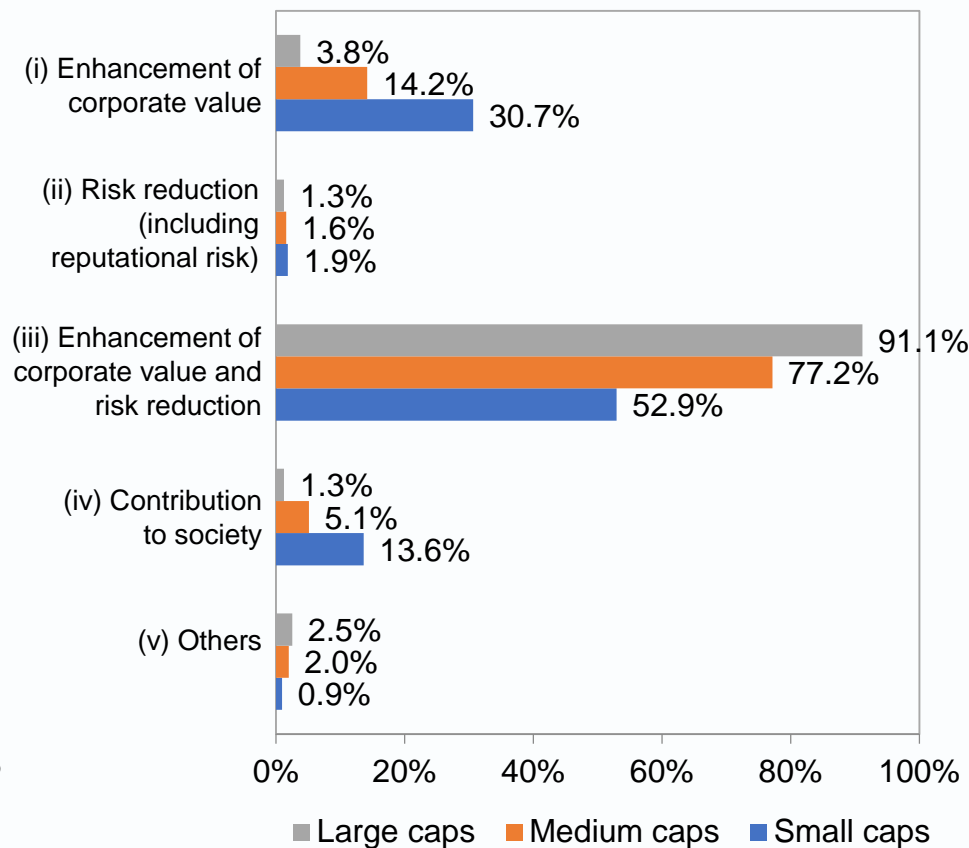
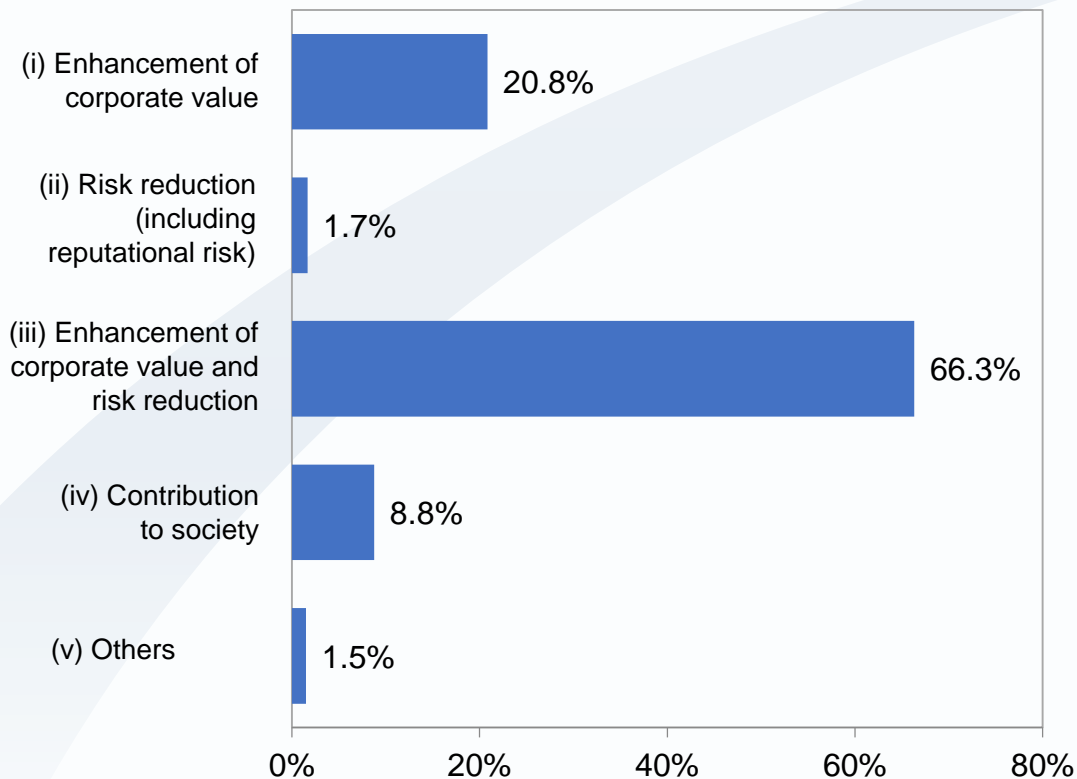


<Scheduled timing for endorsement>

- 2020: 15 companies
- 2021: 3 companies

Q10: What are the objectives of the ESG activities of your company?

<Results by company size>



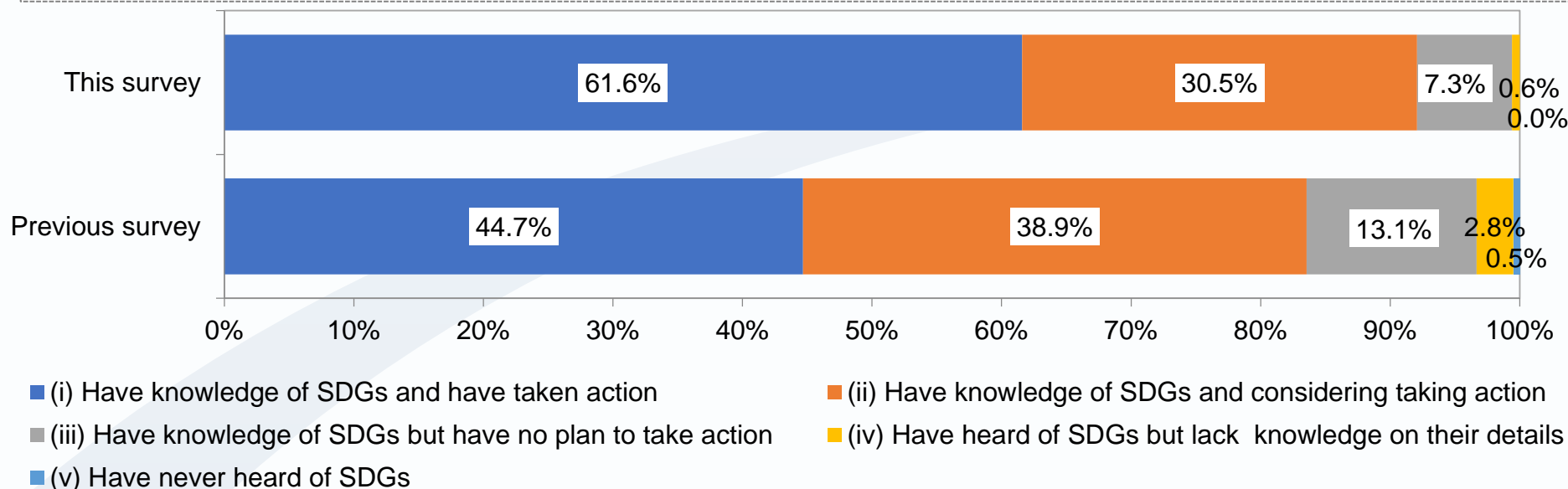
Q11: What are the major themes of the ESG activities of your company? (Multiple responses allowed, up to five)

This survey (Rank)	Previous survey (Rank)	Theme	This survey (%)	Previous survey (%)	Change
1	1	Corporate Governance	70.8%	71.2%	-0.4
2	2	Climate Change	53.9%	45.5%	+8.4
3	3	Diversity	44.0%	41.6%	+2.4
4	4	Human Rights & Community	34.7%	34.4%	+0.3
5	5	Health & Safety	32.6%	33.3%	-0.7
6	6	Product Liability	30.8%	32.0%	-1.2
7	7	Risk Management	29.8%	27.5%	+2.3
8	8	Disclosure	23.3%	21.2%	+2.1
9	9	Supply Chain	20.2%	16.9%	+3.3
10	10	Board Structure, Self-evaluation	16.2%	15.4%	+0.8

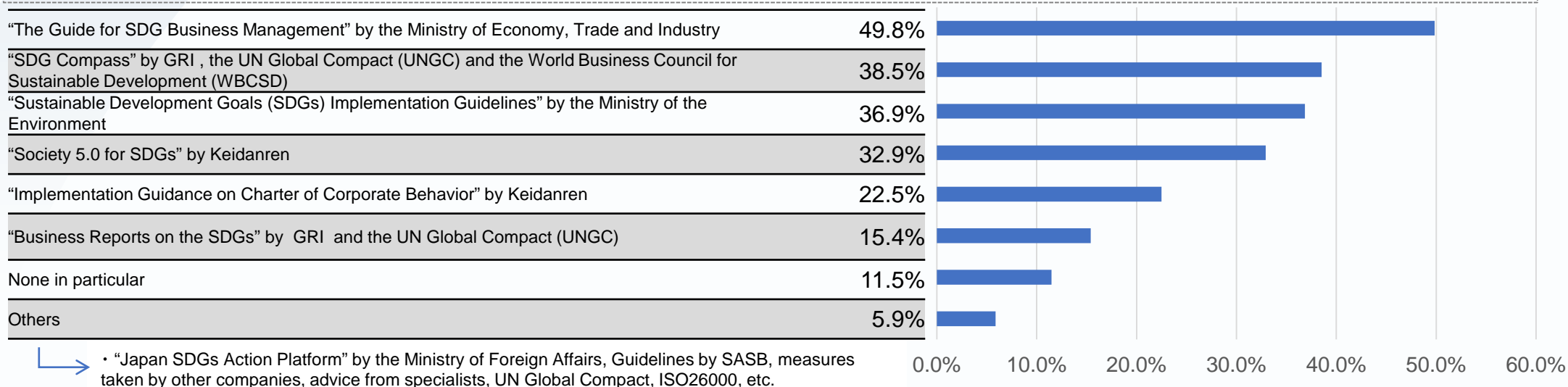
This survey (Rank)	Previous survey (Rank)	Theme	This survey (%)	Previous survey (%)	Change
11	11	Pollution & Resources	13.3%	14.1%	-0.8
12	13	Waste Management	11.6%	11.1%	+0.5
13	14	Labor Standards	11.2%	10.6%	+0.6
14	12	Environmental Opportunities	9.2%	11.4%	-2.2
14	15	Others	9.2%	9.4%	-0.2
16	16	Capital Efficiency	8.2%	9.1%	-0.9
16	17	Water Stress & Water Security	8.2%	8.6%	-0.4
18	18	Social Opportunities	7.3%	5.6%	+1.7
19	19	Biodiversity	4.7%	5.1%	-0.4
20	20	Deforestation	4.1%	4.8%	-0.7
21	21	Misconduct	3.3%	3.1%	+0.2
22	22	Anti-Corruption	2.9%	2.5%	+0.4
23	23	Minority Shareholder Rights	1.4%	1.0%	+0.4
24	24	Conflict Minerals	1.4%	0.7%	+0.7
25	24	Tax Transparency	0.2%	0.7%	-0.5

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

Q12: What is your knowledge of the Sustainable Development Goals (SDGs) and status of action taken to achieve the SDGs?



12-1: If you selected (i) or (ii) for Q12, do you refer to any of the following guidelines? (Multiple responses allowed)

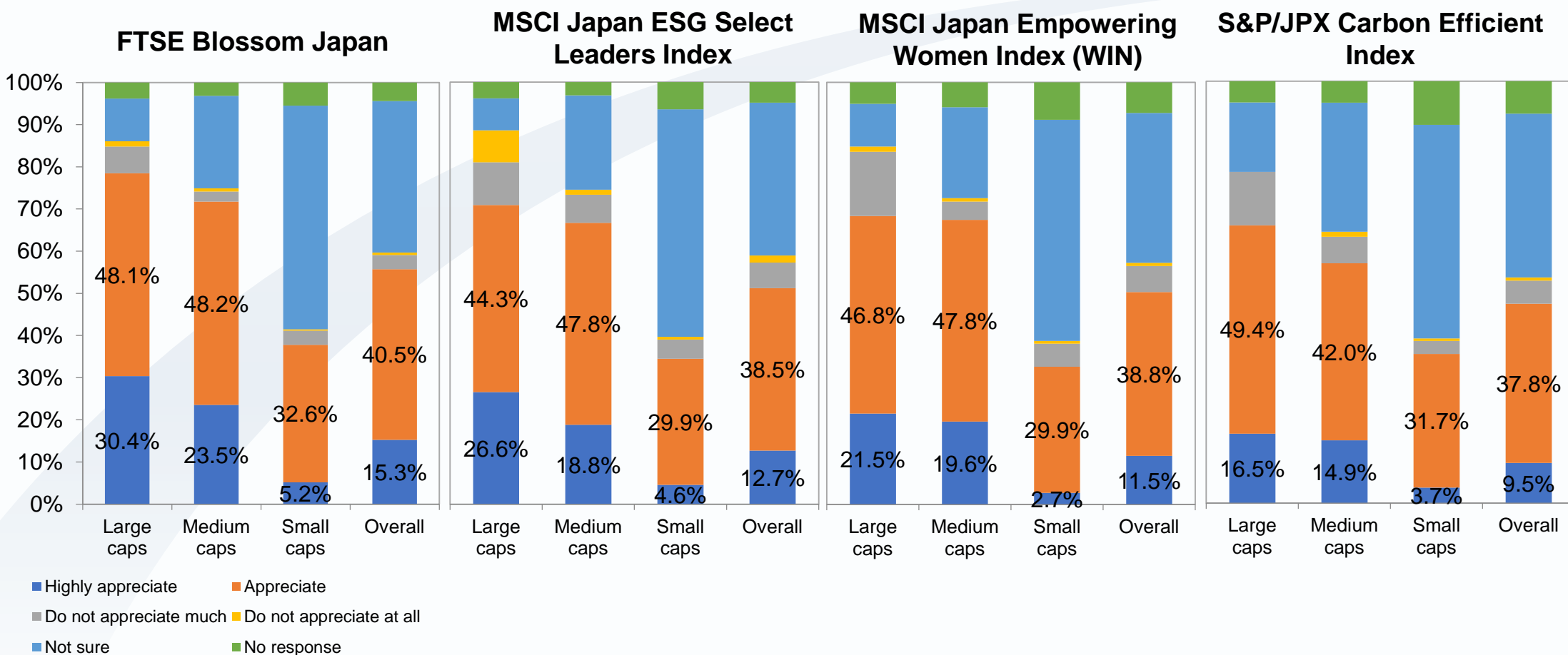


Summary of Survey Results III: GPIF's Initiatives (ESG Indices)

- ❑ As in the previous survey, approximately 50% of companies positively evaluated each of the four ESG indices selected by GPIF, and the evaluation was particularly high among large-cap companies. Many of small-cap companies continued to state that they were not sure. Overall, no significant differences in evaluation for each index are observed (p.28).
- ❑ Over 60% of companies stated that they have reviewed the evaluation methods that index providers have disclosed. More than 90% of large-cap companies said that they have reviewed them. Meanwhile, the ratio of companies that selected “Wish to be included” in the indices exceeded 80% overall (p.29).
- ❑ As in the previous survey, the ratio of companies that stated that there have been changes in awareness of ESG, organizational structure, and activities within the company was higher among the companies classified as large-caps (p.30).
- ❑ As in the previous survey, a quarter of respondents conduct dialogue with MSCI and FTSE. We believe that the number of companies that conduct dialogue with S&P (Trucost) has been limited because the evaluation items for the company's environmental indices are focused on carbon efficiency, etc. (p.32).

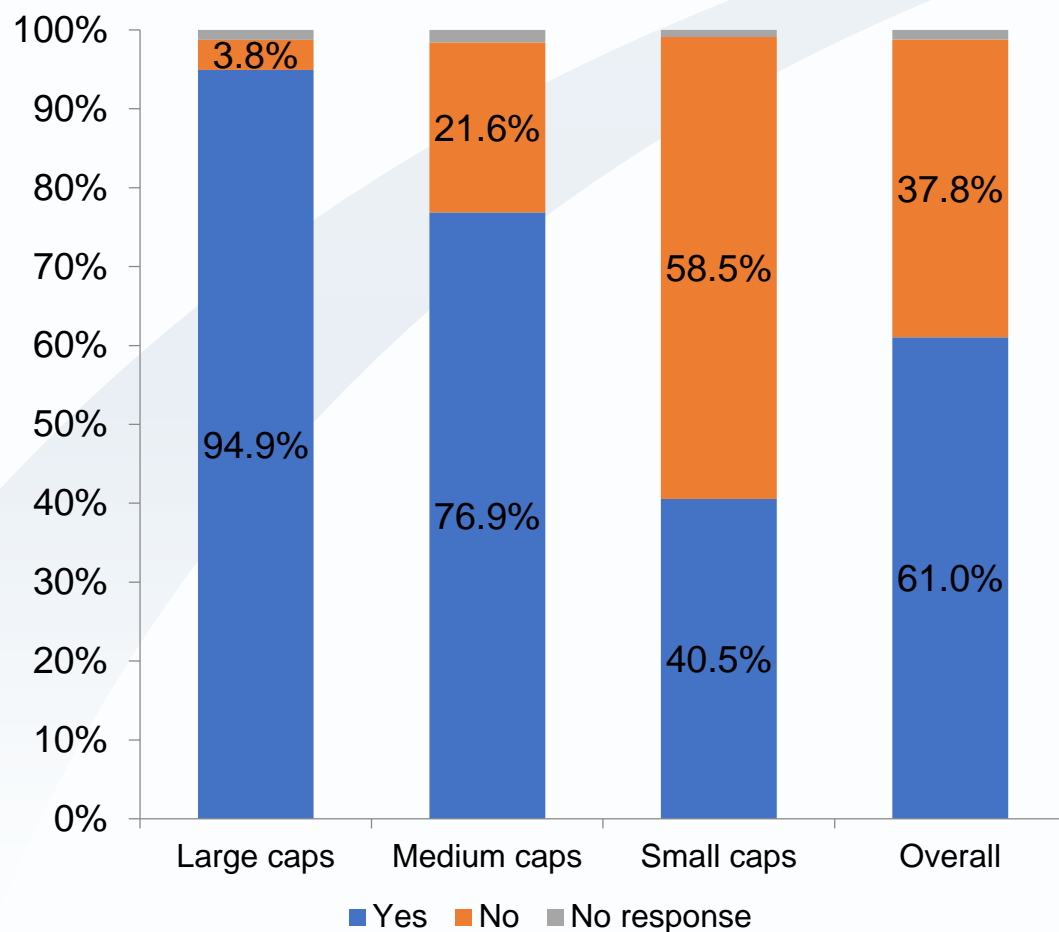
<GPIF's Initiatives (ESG Indices)>

Q1: Describe your rating of each of the following four ESG indices and reasons why.

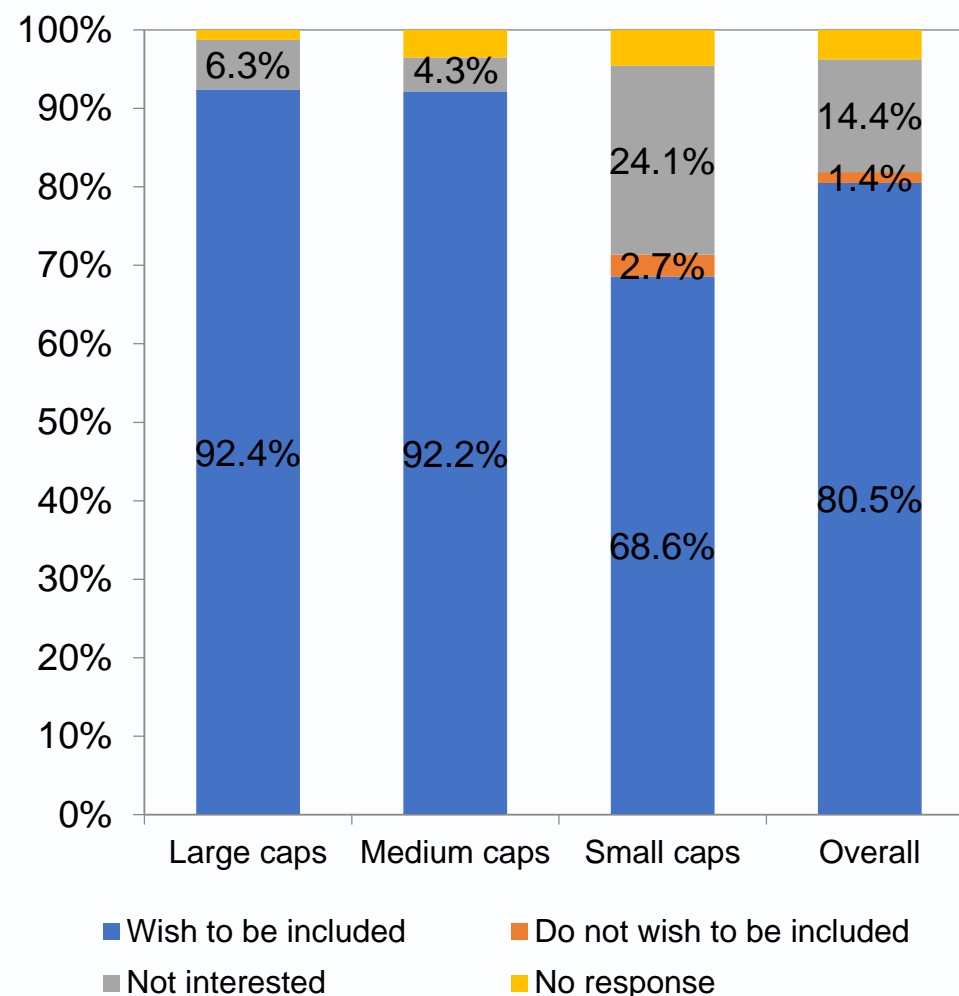


- As in the previous survey, approximately 50% of companies positively evaluated each of the four ESG indices selected by GPIF, and the evaluation was particularly high among large-cap companies. Many of small-cap companies continued to state that they were not sure. No significant differences in responses are observed when comparing the evaluation of MSCI and FTSE indices, in which small-cap companies are not usually included due to their company size, and that of S&P/JPX Carbon Efficient Index, which is free from such restrictions. The fact that the evaluation of ESG indices by small-cap companies has not been improving could indicate that the priority of ESG issues is not as high as that of many other management issues, compared to the case of large-cap companies.
- Overall, no significant differences in evaluation for each index are observed.

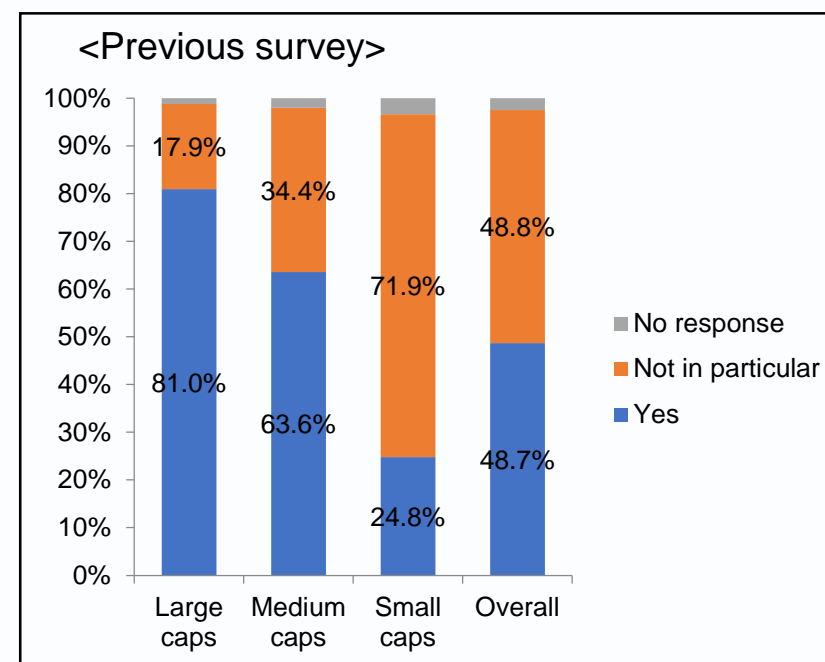
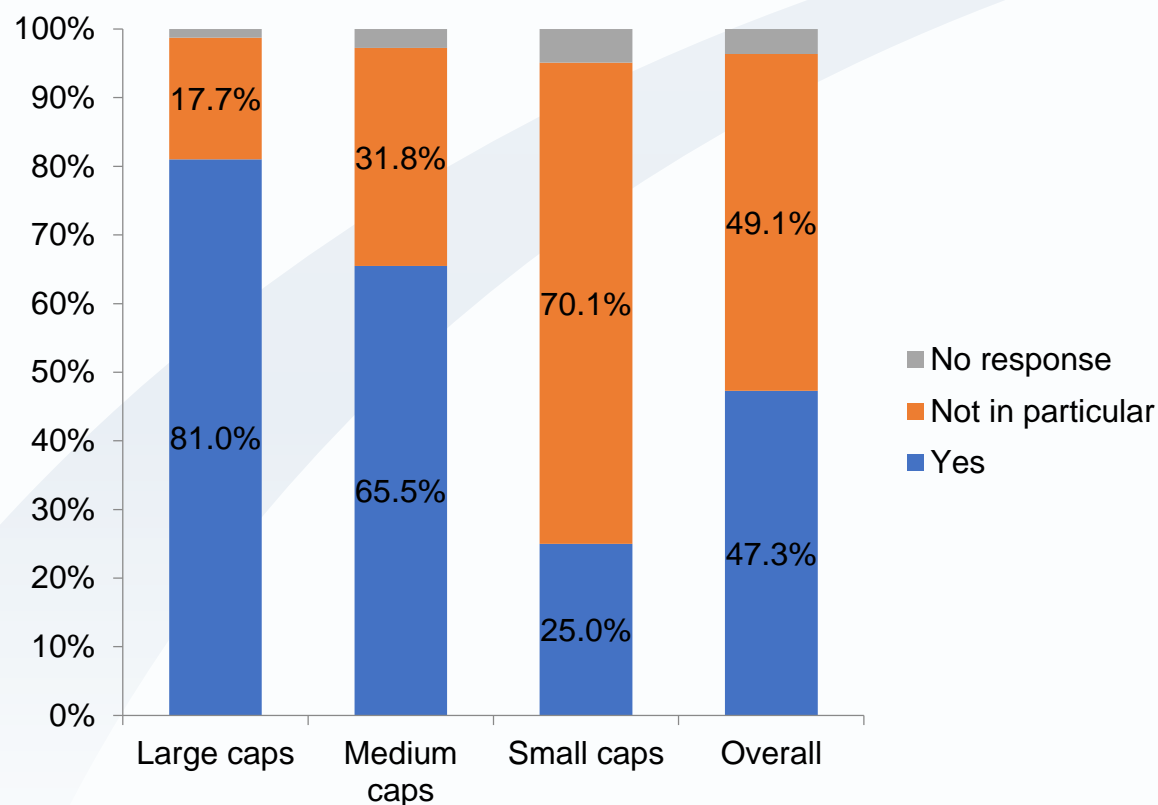
Q2: Have you reviewed evaluation methods for the ESG indices selected by GPIF that index providers have disclosed?



Q3: What are your views on inclusion in these ESG indices?



Q4: Have there been any changes in awareness of ESG, discussion, organizational structure, and activities within your company since the launch of the ESG indices?



- No significant changes are observed as a result of the launch of the ESG indices among the small-cap companies, which are currently not usually included in MSCI and FTSE indices with their strict inclusion criteria due to their company size. However, many large-cap companies did observe some changes within their companies.

*See respondents' comments on the following page.

Comments regarding changes in awareness of ESG, discussion, organizational structure, and activities within the company as a result of the launch of the ESG indices

[Changes in awareness of ESG]

- There has been increasing awareness within the company that it is important to establish a designated department to promote ESG/SDGs and enhance information disclosure.
- External viewpoint on areas other than direct business growth have been clarified. That we are evaluated from such a perspective changed our awareness of ESG.
- Our top management has been taking initiative and I feel that there have been changes in awareness across the company.
- As our awareness on ESG has increased, we have strengthened ESG measures and improved our attitude toward disclosure.
- There has been increased understanding that it is indispensable to promote ESG initiatives in order to improve corporate value.

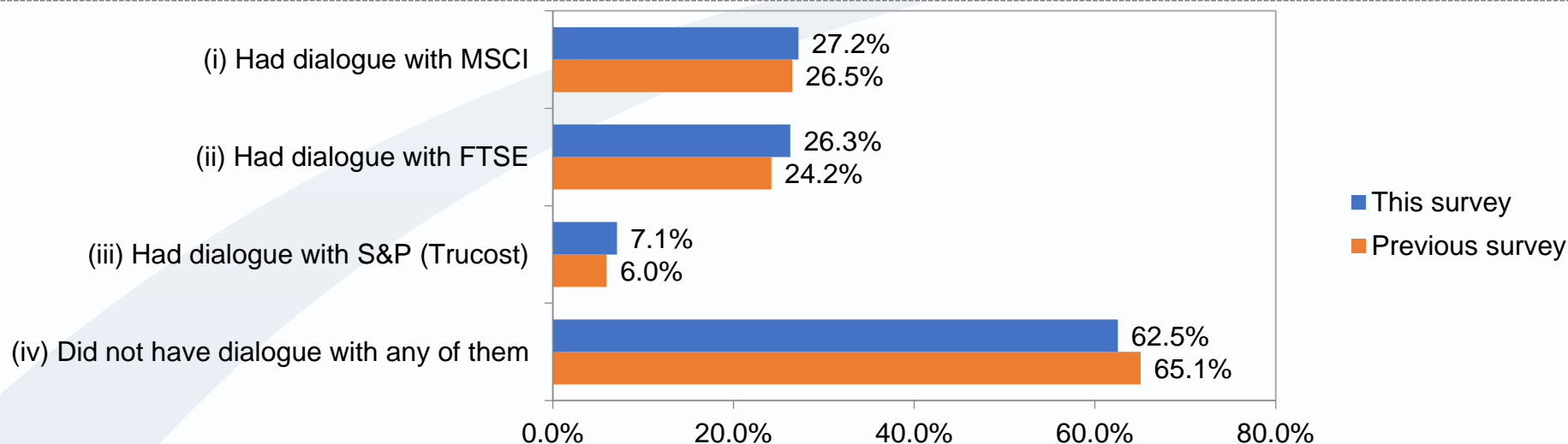
[Changes in organizational structure]

- We have taken company-wide efforts by calling for the promotion of ESG management in our medium-term management plan. In FY2019, we issued green bonds and announced our endorsement of the TCFD.
- We established the ESG department in July 2018, formulated and announced a new ESG strategy in April 2019, and conducted information sessions on the first phase of our specific measures with briefing by our president, representative director and executive officer in September 2019.
- Our management became more interested in ESG, a project team was established, and ESG has been on the agenda frequently in management committee meetings.
- By setting our inclusion in the indices (scores) as a KPI, we launched a company-wide promotion system.

[Changes in activities, etc.]

- In addition to clearly indicating the status of our company and the trend of our competitors, we have discussions based on objective perspectives of the third parties without subjectivity. ESG indices have been utilized in engagement with not only our management but also divisions leading the initiatives as well as for enhancing promotions and raising awareness.
- We started to regularly check our ESG ratings by MSCI and FTSE.
- We engaged in activities and initiatives that have been disclosed on the website as part of our CSR and ESG activities.
- Our participation in ESG seminars, etc. has increased.
- “ESG initiatives” have been included in key items for our medium-term management plan.
- ESG evaluation has been included in various presentation materials for financial results presentations and information sessions for individual investors.
- Since GPIF, which is one of the largest institutional investors in the world, has adopted ESG indices, it has become easier for us to persuade other departments of the benefits of ESG and explain the effects of ESG initiatives.

Q5: Did you have dialogue with or make inquiries to MSCI, FTSE and S&P (Trucost) following the selection of the ESG indices?



Q6: Please share with us your opinions concerning the ESG indices selected by GPIF.

[Comments]

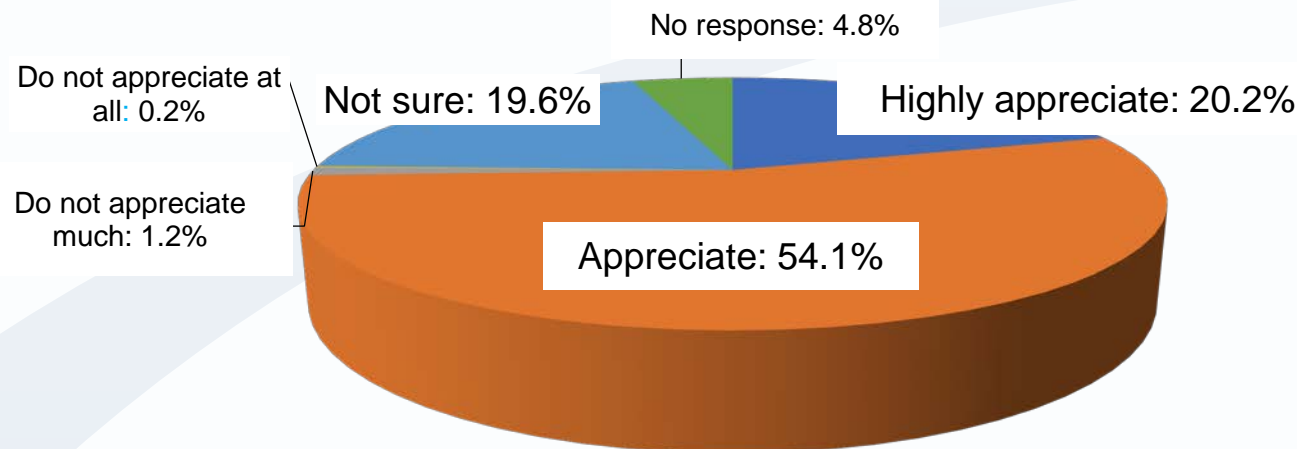
- With regard to the ESG indices, we would like GPIF to expand and clarify the universe (relaxation of market cap criteria), expand them into small caps and medium caps and set hurdles by company size.
- We would like GPIF to continue to disclose the structure and evaluation methods (to ensure transparency), provide easy-to-understand explanations for companies, and hold information sessions.
- We would like GPIF to expand thematic indices such as the selection of indices focused on governance that Japanese companies need to improve relatively speaking.
- We would like GPIF to disclose the details of annual review by ESG rating agencies.
- It would be great if follow-up is available in Japanese.
- I don't agree with the tendency of institutional investors to evaluate a company's non-financial information based on whether it is included in an index rather than collecting information on their own. This is similar to the fact that information from credit rating agencies had been used for the credit ratings of securitized products in the past.

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

- ❑ As for the rating of GPIF's overall stewardship initiatives, approximately three-quarters of respondents selected "Highly appreciate" and "Appreciate." Many respondents appreciated asset managers' dialogue from a long-term perspective (promotion of constructive dialogue with companies, etc.), dissemination of information related to initiatives, and ESG promotion. There are comments such as "There have been changes in awareness of company management" and "As GPIF has been taking a lead with initiatives, it has become easier to obtain agreement both internally and externally." On other hand, approximately 20% of respondents selected "Not sure" regarding GPIF's stewardship activities (p.34).
- ❑ Some of GPIF's initiatives gained high recognition, including "Survey of companies," "Putting more weight on stewardship activities in the evaluation of external asset managers," "Stewardship Principles" and "Proxy Voting Principles," while there are less recognized initiatives, such as "Holding Global Asset Owners' Forum" and "Suspension of stock lending." As for the evaluation of individual initiatives, companies tended to select "Not sure" for initiatives with lower recognition (p.35).
- ❑ When companies and institutional investors discuss GPIF during meetings, the most frequently mentioned topics are "ESG investment" and "Stewardship" (p.36).
- ❑ With regard to GPIF's public relations activities, there has been no change in the situation where an overwhelming number of companies have seen GPIF's official website. Many respondents have also seen GPIF's Annual Report and presentations by GPIF's officers and staff (p.36).
- ❑ As for expectations derived from GPIF's stewardship activities, many respondents commented on the promotion of constructive dialogue from a medium- to long-term standpoint, promotion of ESG investment, and provision of opportunities for companies with a relatively small market cap to have dialogue with external asset managers, among others (p.37).

<GPIF's Initiatives (Overall Stewardship Activities)>

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



[Comments (excerpts)]

- More asset managers are holding dialogue with companies from a long-term perspective as a result of GPIF's focus on stewardship activities in the evaluation of its asset managers, which has been helping to develop the trend of getting rid of short-termism. (From a respondent that selected "Highly appreciate")
- As a result of GPIF's proactive offering of information as an asset owner, we feel changes in the engagement not only with GPIF's external asset managers but also a broad range of asset managers. In addition, we believe that information dissemination through the Global Asset Owner Forum and other forums will promote understanding of Japan by investors around the world, and will also enable us to spread GPIF's views as the world's largest asset owner in the process of formulating evaluation criteria for ESG and other issues. (From a respondent that selected "Highly appreciate")
- There have been changes in awareness of company management in addition to the impact on asset managers. (From a respondent that selected "Highly appreciate")
- Because GPIF has been announcing its policy on activities and specific details on its website, etc. (From a respondent that selected "Appreciate")
- We think that GPIF contributes to promoting constructive dialogue between its external asset managers and investee companies. (From a respondent that selected "Appreciate")
- In promoting ESG initiatives within the company, disclosure of investment in ESG indices and actual investment amount has been convincing for explanations. (From a respondent that selected "Appreciate")
- We feel that there are many investors who automatically exercise their proxy voting without considering the nature and circumstances of the industry and businesses of each company, while emphasizing the importance of dialogue. (From a respondent that selected "Do not appreciate much")
- (With regard to the announcement of Excellent Integrated Reports), while it is beneficial to focus on accountability (i.e. reporting) in promoting ESG among companies, a specific reporting format should not be enforced. Moreover, it is difficult to include the information on the latest ESG initiatives in annual Integrated Reports, inhibiting timely information updates. (From a respondent that selected "Do not appreciate at all")

Q2: Are you familiar with GPIF's following recent initiatives? (Multiple responses allowed)

Choose all the initiatives you know, and describe your rating and the reason.

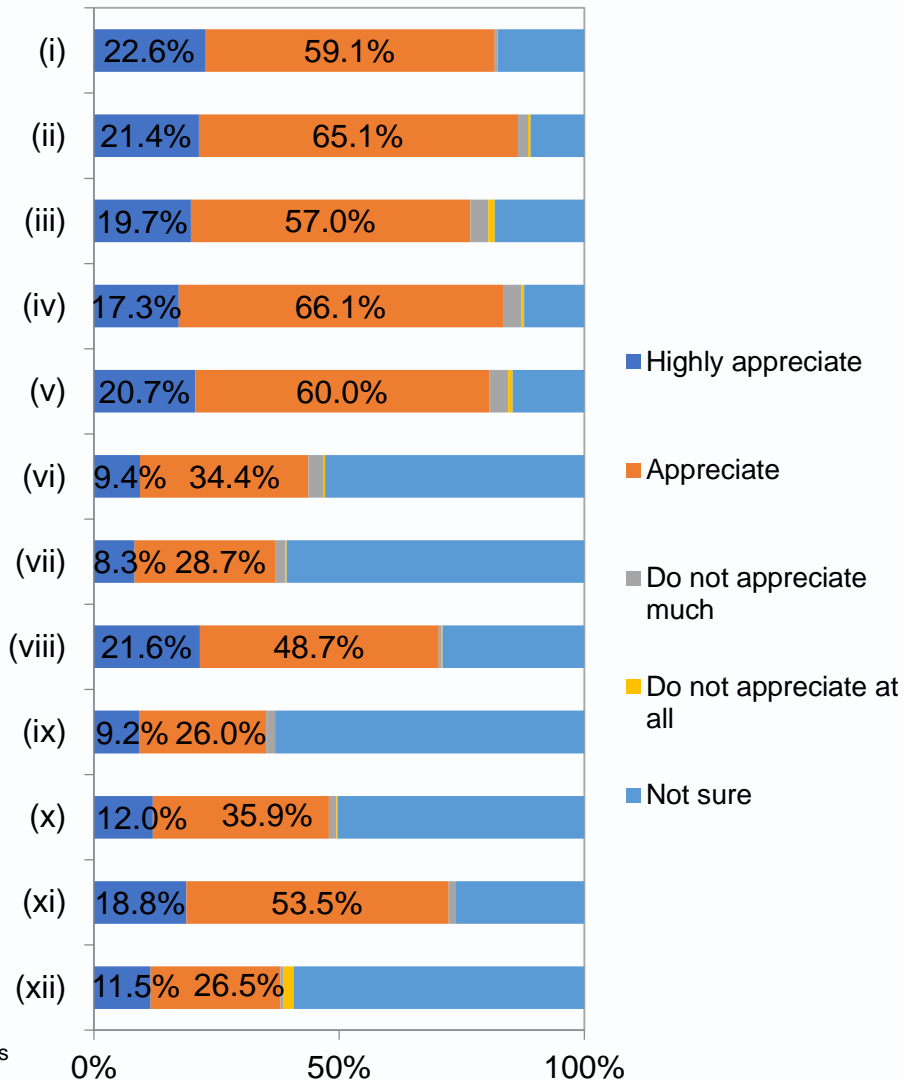
<Recognition of initiatives>

(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.)	49.4%
(ii) "Stewardship Principles" and "Proxy Voting Principles"	48.9%
(iii) Investment based on ESG indices	48.2%
(iv) Survey of companies (this survey)	54.7%
(v) Publication of Excellent & Most-improved Integrated Reports	45.2%
(vi) Holding the Business and Asset Owners' Forum	22.5%
(vii) Holding the Global Asset Owners' Forum	17.2%
(viii) Becoming a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and activities through PRI	36.6%
(ix) Joining the U.K. 30% Club, the U.S. Thirty Percent Coalition and the 30% Club Japan (Investor Group)	18.1%
(x) Participation in the Climate Action100+	21.6%
(xi) Disclosure of ESG Report (information disclosure in line with the Task Force on Climate-related Financial Disclosures (TCFD))	33.1%
(xii) Suspension of stock lending	15.4%

(Note) The table on the left indicates the ratio of companies that recognize each initiative out of 662 companies.

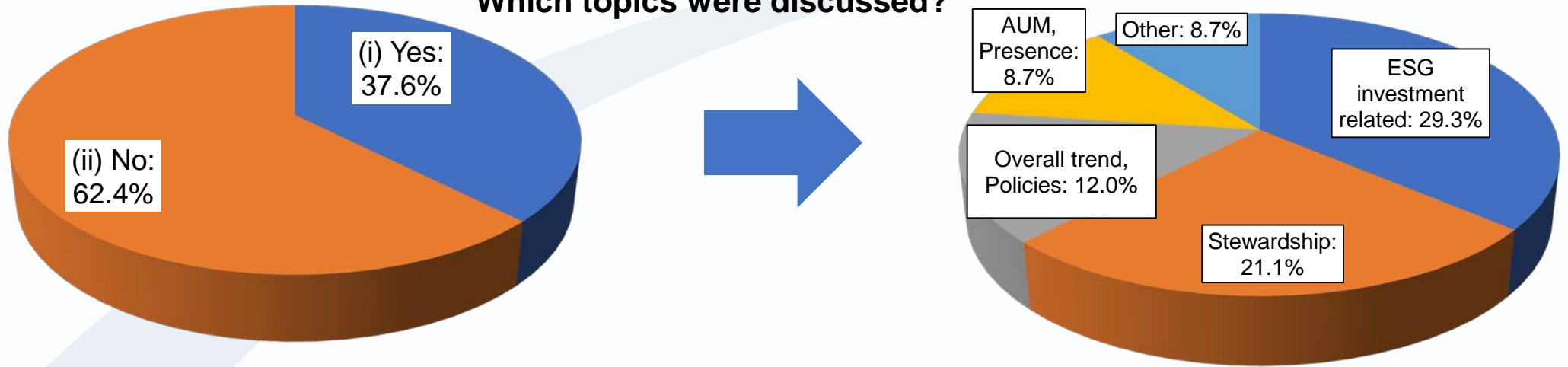
The yellow cells indicate initiatives whose recognition exceeds 30%. The right chart indicates the results, excluding companies that did not respond.

<Rating of initiatives>

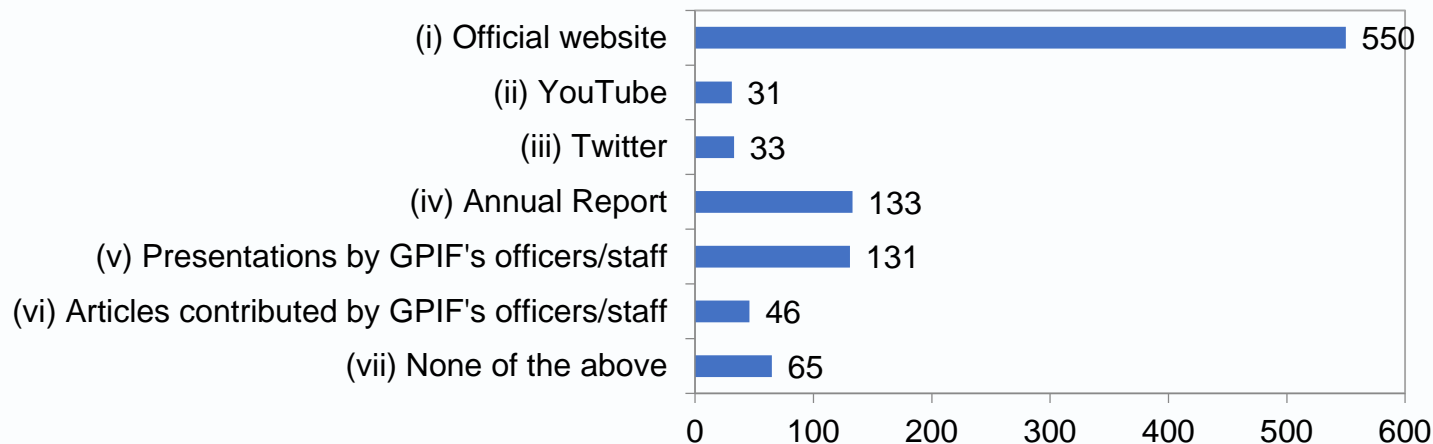


Q3: Have you discussed any GPIF topics during your meetings with institutional investors?

Additional question:
“Which topics were discussed?”



Q4: Have you seen GPIF’s following public relations activities? (Multiple responses allowed)



Q5: What do you expect from GPIF's stewardship activities as an asset owner?

- Even if companies strive to increase corporate value and push forward with the disclosure of non-financial information with the current investment style focused on passive management of equities, we think that the selection of investee companies will not be changed much, and as a result, returns by asset manager and stock prices (PER) of companies will remain virtually flat. By allocating funds to active management to a certain extent and having each asset manager adopt a unique policy, stock prices reflecting corporate value and information disclosure and difference of returns based on the capability of external asset managers could be clarified. We think this would be beneficial for the market as well.
- We expect that GPIF will conduct regular dialogue with its external asset managers with the aim of sharing information and developing analysts in order to ensure that ESG is not simply a passing trend.
- It will be really helpful for our future activities if GPIF endeavors to increase contacts with companies and provides us with your views as an asset owner.
- Since information on GPIF's website is really useful for companies, we would like GPIF to continue to announce the status of your activities and the result of surveys in the future.
- In order to increase the awareness of the importance of medium- to long-term viewpoint among company managers, we would like GPIF to facilitate dialogue between asset managers and company executives.
- We get an impression that issues are uniformly simplified in the recent discussions on governance systems and capital efficiency. We continue to hope that GPIF will develop an environment to further promote fundamental dialogue on the management of individual companies that strive to enhance corporate value while fulfilling their social responsibilities.
- We want GPIF to actively disclose the effects of ESG investment.
- We would like GPIF to engage in investment activities from a medium-term standpoint over 3-5 years at least.
- As a universal owner, we want GPIF to continue to provide support to equity and bond investors as well as companies. We would also like GPIF to continue to share best practices in the future.
- I think that not only some leading companies but also Japanese companies on the whole should take actions to increase corporate value. I would like GPIF to consider initiatives to promote ESG investment targeting small and medium caps as well.
- We would like GPIF to further enhance the governance of the agencies that select constituents of the ESG indices adopted by GPIF. The disclosure by GPIF is useful in figuring out the trend, and we would like GPIF to further increase the disclosure of information and achievements in line with various initiatives such as the Global Asset Owner Forum.
- I hope that GPIF will manage stewardship activities and ESG initiatives by institutional investors so that their engagement in such activities and initiatives will not become an end objective.
- We want GPIF to continue information exchange with leading overseas asset owners in order to improve the level of Japanese asset managers both directly and indirectly. Even if the current management changes, we do not want the evolution of GPIF and Japanese corporate governance reforms to be stopped.
- While I feel that institutional investors have been increasingly interested in non-financial information each year, it is unclear how much it has been reflected in their evaluation of companies. In addition, since there is no feedback on the evaluation by institutional investors, I feel that we have remained unsure about what to do. It would be great if GPIF could provide support to further facilitate our dialogue with investors including that on non-financial information.
- Investment and dialogue from a medium- to long-term perspective are on the agenda of IR meetings more frequently, and we feel that the level of understanding of non-financial information and ESG among institutional investors and their initiatives have increased through GPIF's engagement of its external asset managers and various activities. I would like GPIF to continue to strengthen engagement in constructive dialogue toward increasing corporate value from a medium- to long-term standpoint.
- In order for Japanese companies and market to gain global attention amid the trend of passive investment, I recognize that the importance of GPIF's activities to promote stewardship and ESG will further increase in the future. We look forward to substantial engagement enhancements that go beyond compliance with formal stewardship codes.
- Since GPIF's investment evaluation is based on a long-term standpoint, it is better to inform the public of the meaning of GPIF's existence in an easy-to-understand manner, including the fact that GPIF has an ability to take risks that cannot be taken by ordinary investors.



GPIF Homepage

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



GPIF YouTube channel

<https://www.youtube.com/channel/UCWpjyPh1kw0VyfIPpcVMIXw>



GPIF twitter

<https://twitter.com/gpiftweets>