



## **Report of the 6th 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 the 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 lack 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: 2,186 companies listed on the First Section of the Tokyo Stock Exchange (as of December 30, 2020)
- Number of respondent companies: 681
- Response rate: 31.2%
- Survey period: From January 15, 2021 through March 13, 2021

### **3. Comments from Masataka Miyazono, President of GPIF**

This is the sixth 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 is extremely important for investors to efficiently understand, carry out dialogues 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 proactively working on information disclosure not only

through Integrated Reports, but also through new disclosure criteria such as the TCFD (Task Force on Climate-related Financial Disclosures). Moreover, there has been a growing 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 the 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

##### **<The time frame of the long-term vision of companies has been further extended>**

As for the time frame of the long-term vision of companies, the ratio of companies that selected “10 years and more” (the total number of the companies that responded “10 years to less than 15 years,” “15 years to less than 20 years” and “20 years and more”) has exceeded 50% for the first time.

##### **<Effective use of Integrated Reports by institutional investors has further progressed>**

With regard to institutional investors’ effective use of Integrated Reports, more than half of respondents answered “They appear to use the reports more effectively than before” in the previous survey. The ratio of the same response reached 60% in the survey this year.

##### **<Changes concerning the content of dialogues with institutional investors and companies’ ESG initiatives observed in the COVID-19 pandemic>**

Due to the COVID-19 pandemic, 78.1% of companies answered that changes were observed in the content and themes of dialogues with institutional investors. Specifically, there were many respondents who indicated increases in themes concerning S (Society) such as health, safety and workstyle reforms for employees, in addition to the impact of the COVID-19 pandemic on business performance and responses to future changes in the markets. Furthermore, more than 50% of companies answered that their ESG initiatives have changed. While many companies indicated changes in initiatives for employee safety and workstyle reform, some companies commenced initiatives for the development of new products responding to social needs after the COVID-19 pandemic.

##### **<Heightened awareness of a wide range of ESG themes reflecting climate change issues and the COVID-19 pandemic>**

“Corporate Governance” was indicated as the main theme in the companies’ ESG activities by 71.7% of respondents, presenting the most critical theme as in the previous survey. The theme indicating the largest increase in response rate from the previous survey was “Climate Change” (+9.7%), the same as in the previous survey, followed by “Health & Safety” (+8.0%), and “Environmental Opportunities” (+3.8%). This indicates that increased attention is being paid to a wide range of ESG themes such as environment (E) represented by climate change-related issues and society (S) which reflects the impact of the COVID-19 outbreak in addition to governance (G).

## (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 one year, nearly 50% of companies considered the changes to have been desirable.
- Approximately 70% of companies presented their long-term vision in dialogue with institutional investors. Companies that present their long-term vision continued to increase and more than 50% responded that their time frame was 10 years and more.
- With regard to institutional investors' use of Integrated Reports and Corporate Governance Reports, positive responses such as "They appear to use the reports more effectively than before" further increased compared with 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 60%.
- Reflecting the COVID-19 pandemic, 78.1% of companies responded that content and themes in the dialogues with institutional investors saw changes. Specifically, there were many respondents who indicated the increases in themes concerning S (Society) such as health & safety and workstyle reforms for employees in addition to the impacts of the COVID-19 pandemic on business performance as well as responses to future market changes.

## ■ Companies' IR and ESG Activities and Status of Disclosure

- Respondents that have endorsed the TCFD accounted for 31% (208 companies), of which 67% (139 companies) responded that they had already followed the TCFD recommendation in disclosing information. Furthermore, not less than 90% of them indicated that they disclosed information partially or fully in terms of the four items ((i) Governance; (ii) Strategy; (iii) Risk management; and (iv) Indicators and goals). In particular, companies that properly disclosed information on Governance accounted for 67.8%.
- Companies that saw changes in their own ESG initiatives accounted for 50% or more due to the impact of the COVID-19 pandemic. Many companies indicated changes in initiatives for employee safety and workstyle reform while some companies commenced initiatives for the development of new products responding to post-pandemic social needs.
- Many companies pointed out issues common to corporations and society as the major themes in their ESG activities, which include (i) Corporate Governance (71.7%), (ii) Climate Change (63.6%) and (iii) Diversity (43.2%). Themes that surpassed the ratio in the previous survey include Climate change (+9.7%), Health & safety (+8.0%), and Environmental Opportunities (+3.8%), demonstrating heightened awareness in a wide range of themes reflecting the impact of climate change-related issues and the COVID-19 pandemic.
- With regard to the content of dialogues with fixed income investors, more than 90% of companies responded that “Financial position and financial strategy” and “Business strategy” were the themes. Furthermore, approximately 50% of companies answered that their dialogues were mainly associated with “ESG initiatives.”

## ■ 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.
- Over 50% 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.
- As in the previous survey, a greater ratio was observed in large-cap companies that responded that “There were changes in the awareness, organizational systems and activities associated with ESG within the company.” It should be noted, however, that the number of subject companies for ESG evaluation has been increasing, and attention should be focused on changes in companies categorized as small cap.
- Companies that conduct dialogue with MSCI and FTSE accounted 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

- Regarding the overall stewardship activities of GPIF, more than three-quarters of companies responded “Highly appreciate” and “Appreciate.”
- Many companies expect GPIF in its stewardship activities to encourage constructive dialogue from a medium- to long-term viewpoint, promote ESG investments, provide opportunities for dialogue between relatively small-cap companies and external asset managers, and continue information disclosure and others.



# Report of the 6th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities

May 2021

# About the Survey: Purpose and the Status of Responses

## 1. Purpose

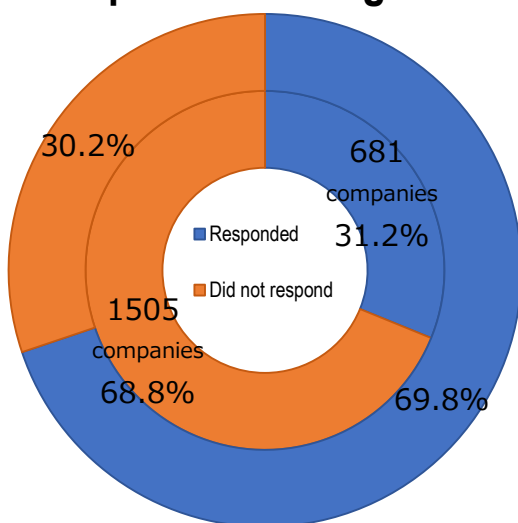
- To evaluate stewardship activities carried out by GPIF's external asset managers, and to ascertain the actual status of "purposeful and constructive dialogue" (engagement) and changes observed after the revisions to the Stewardship Code.

## 2. Subjects, etc.

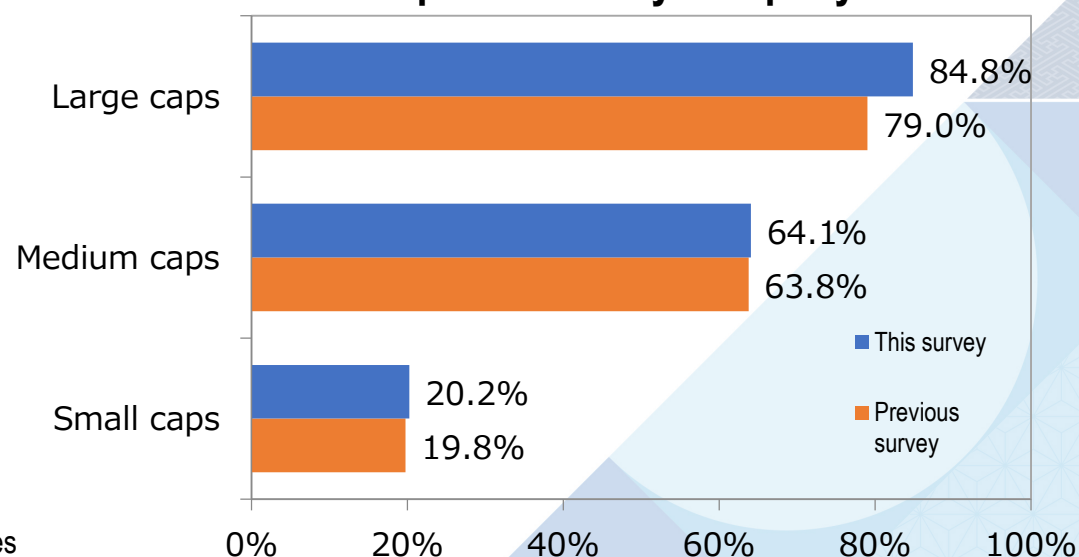
- 2,186 companies listed on the First Section of the Tokyo Stock Exchange (as of December 30, 2020)
- Number of respondent companies: 681 (662 in the previous year)

Response rate: 31.2%      Survey period: From January 15 through March 13, 2021

<Response coverage rate>



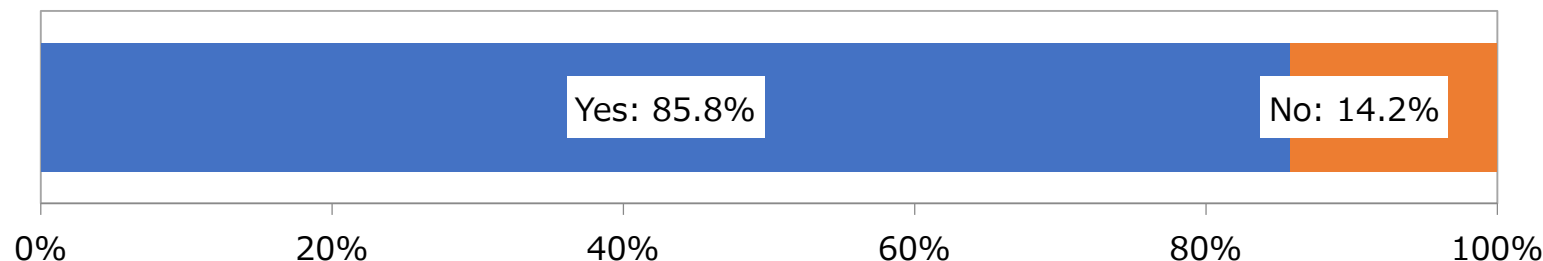
<Response rate by company size>



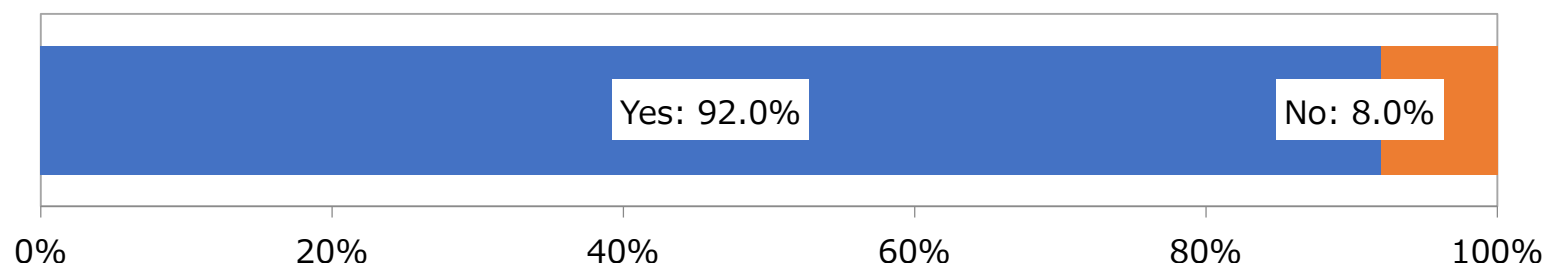
\* Inside: based on number of companies  
Outside: based on market cap

## <On Previous Survey (Conducted in January 2020)>

### Q1: Did you know about the previous survey?



### Q1-1: If you selected “(i) Yes” in Q1, 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	53.5%
(ii) Expectations for institutional investors in pursuing enhancement of corporate value and sustainable growth over the medium to long term	47.1%
(iii) Companies’ status of IR activities, ESG activities and disclosure (status of preparation of Integrated Reports, holding of information sessions, and actions taken to achieve the SDGs)	68.3%
(iv) Expectation for stewardship activities by GPIF as an asset owner	27.7%

\*The percentage indicates the ratio to total responses out of 681 companies.



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

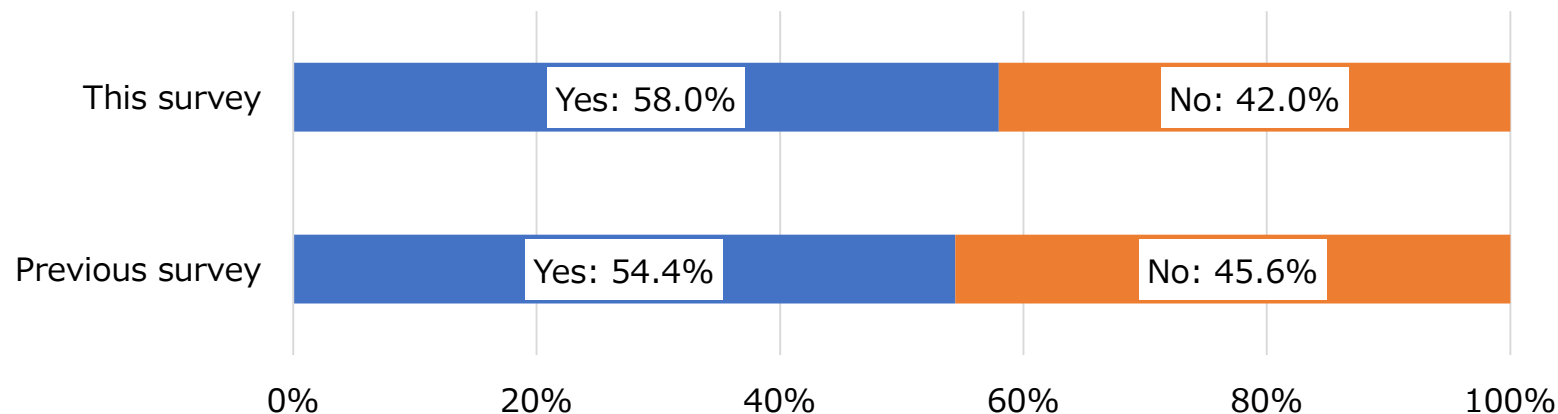
- ❑ With regard to changes in the attitudes of institutional investors at IR meetings, etc. in the past one year, approximately 50% of companies considered such changes to have been desirable (p. 5).
- ❑ Around 60% of companies stated that corporate philosophy was on the agenda in the dialogue with institutional investors. (p. 6)
- ❑ Approximately 70% of companies presented their long-term vision in the dialogue with institutional investors. Companies with a long-term vision continued to increase, and those that selected 10 years and more for their time frame exceeded 50%. The ratio of companies whose time frames are established based on a medium-term management plan decreased while more companies established their time frames based on long-term plans/visions (p. 7 & 8).
- ❑ With regard to institutional investors' use of Corporate Governance Reports and Integrated Reports, positive responses, such as "They appear to use the reports more effectively than before," increased compared with 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 60%. 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. 9)
- ❑ Under the influence of the COVID-19 pandemic, the ratio of companies who stated that there were changes in the content and themes of dialogue with institutional investors was 78.1%. Specifically, the themes of dialogue associated with S (Society), such as the impact of COVID-19 on operating results, actions to take against the future changes in the markets, employee health and safety and workstyle reforms, increased. (p. 10)
- ❑ In terms of dialogue with activists and engagement funds, the ratio of companies that stated they received requests was 48.3%, of which 94.4% actually engaged in dialogue. The most common theme of dialogue was "management and business strategies" followed by "similar contents as IR interviews." Among those companies that had dialogue, approximately 80% of them (excluding those did not respond) stated that there are funds worth having a dialogue with. The most common reason, cited by 56.2% 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. 11 & 12)

## <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?**

	Previous survey	This survey	
(i) Observed desirable changes in all or majority of institutional investors	6.7%	9.9%	} Approximately 50% of companies observed desirable changes
(ii) Observed desirable changes in some institutional investors	36.1%	37.3%	
(iii) Observed some changes but there are significant differences among institutional investors	15.2%	11.5%	
(iv) Observed no significant changes in institutional investors	41.3%	40.9%	
(v) Observed more undesirable changes in institutional investors	0.6%	0.4%	

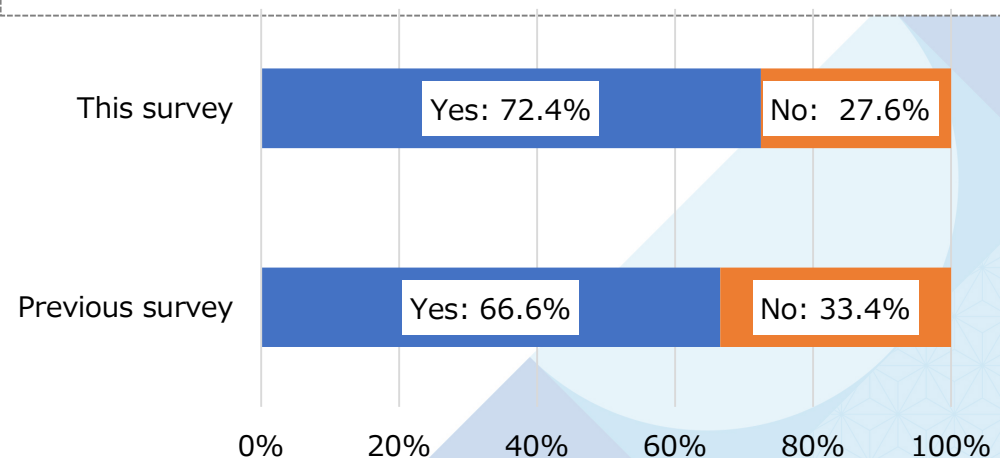
**Q2: Has your company's corporate philosophy (including the company creed, company motto, etc.; the same shall apply hereinafter) been on the agenda for the dialogue with institutional investors?**



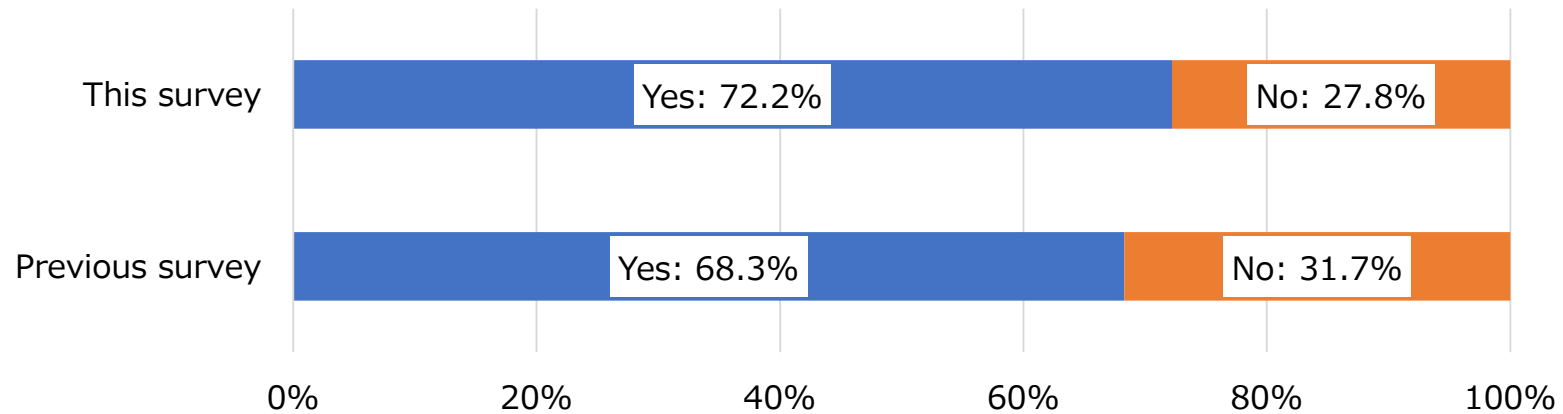
**2-1: If you selected “Yes” in Q2, what was the topic specifically? (Multiple responses allowed)**

Background and content of corporate philosophy	64.3%
Relationship between corporate philosophy and management strategy	75.0%
Penetration of corporate philosophy among employees	36.7%
Others	5.9%

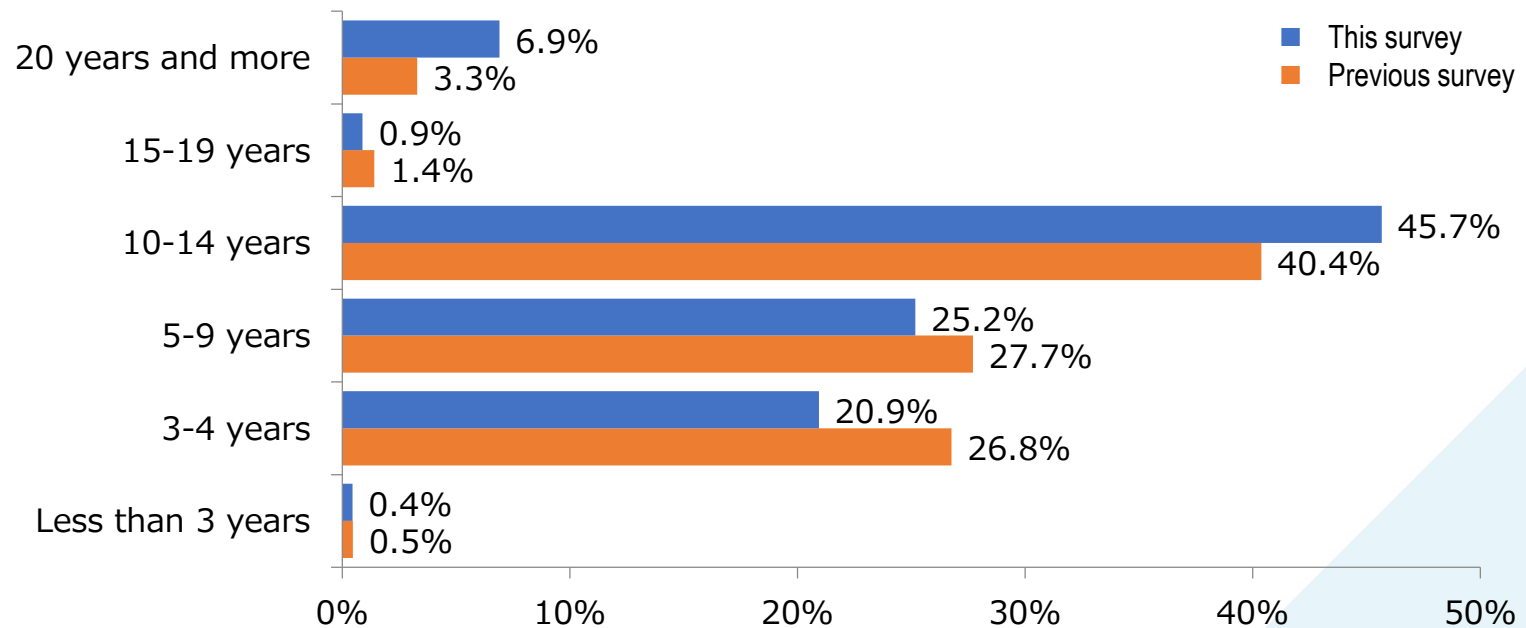
**2-2: Do you provide explanations on your company's corporate philosophy to institutional investors?**



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

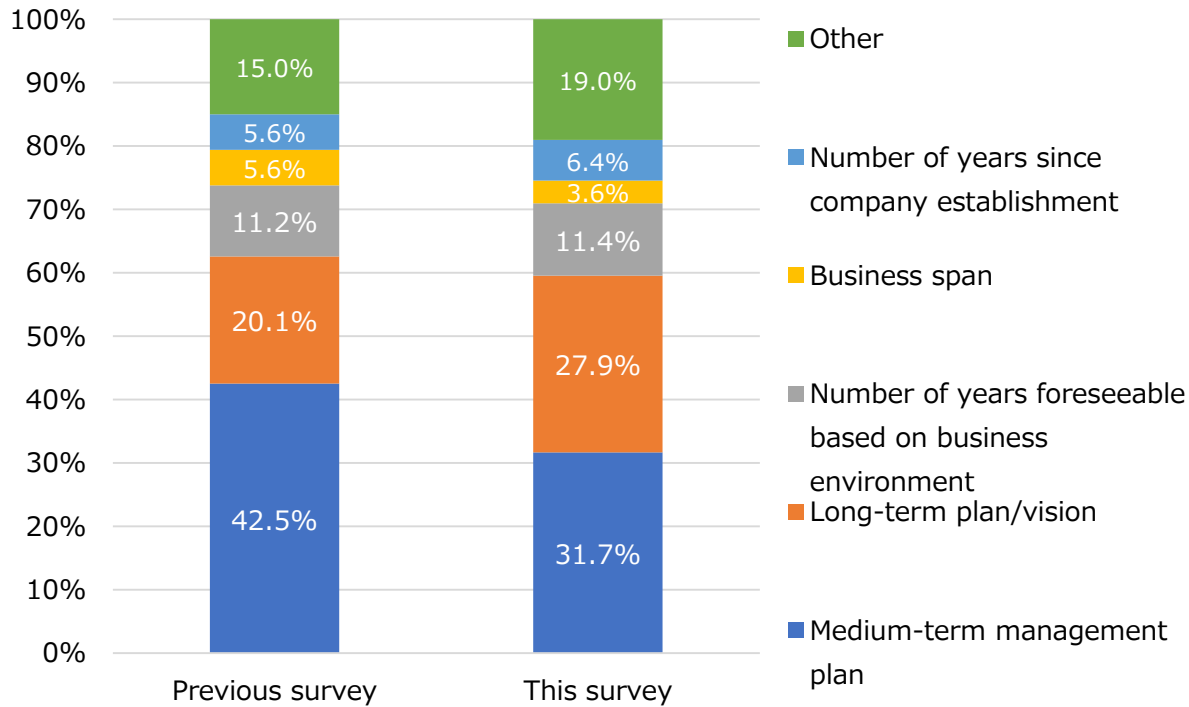


### 3-1: If it is disclosed, what is the time frame for your long-term vision?



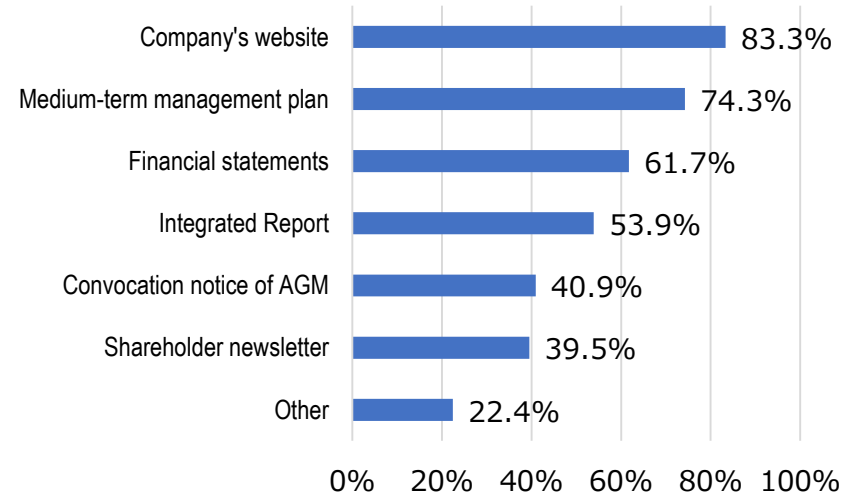
\*When the responses are indicated in a time range, the low end of the range is used for aggregation. Responses stating that no specific time frame is presented have been excluded from aggregation. There were 449 valid responses (430 valid responses in the previous survey).

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



\*Classified based on open-ended responses

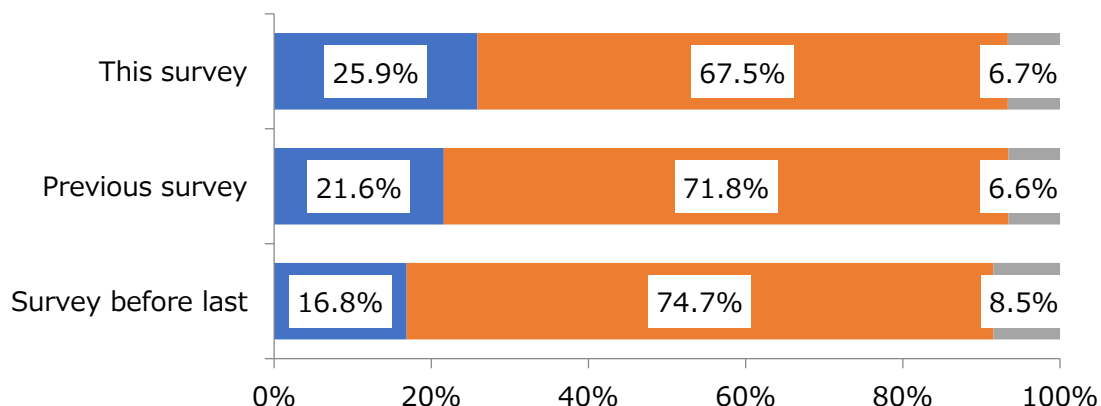
### 3-3: In what media is your long-term vision shown specifically?



\*Multiple responses are allowed.

## Q4: 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.

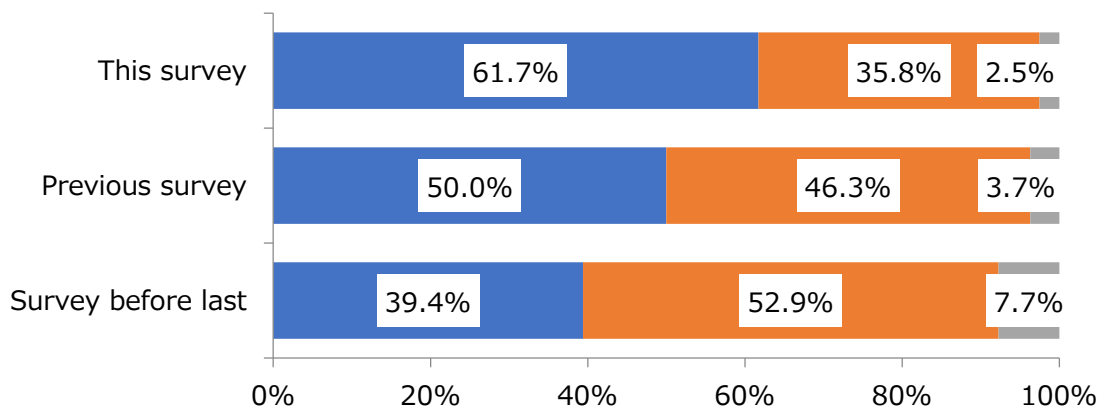


### <Excerpts of comments from companies that selected (i)>

- In addition to an increased number of IR meetings focused on ESG, questions concerning ESG have also increased at ordinary IR meetings. At such meetings, questions are raised based on not only Integrated Reports but Corporate Governance Reports.
- There are more investors who collect and analyze in advance the information concerning the policy for appointment/dismissal of the CEO, succession plan, directors' remuneration system, cost of capital, etc. This is a good opportunity for us to receive business feedback from the fruitful discussions including opinions and suggestions.
- In considering the exercise of voting rights, questions are raised based on understanding of basic information such as the capability and independence of directors and the effectiveness of the Board of Directors, and then the confirmation of further details are requested in the dialogue.
- The use of Corporate Governance Reports by institutional investors appears to have become more effective than before in such cases that we receive questions based on the descriptions concerning the reasons for appointment of outside directors.

## Q5: 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 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.

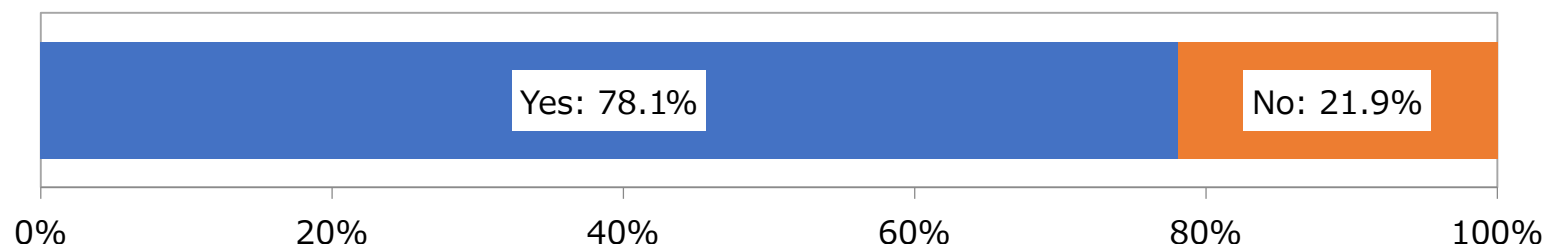


### <Excerpts of comments from companies that selected (i)>

- In interviews with institutional investors, we found that dialogues concerning more specific details of carbon neutral issues (initiatives for reduction of greenhouse gas emissions), governance (functions of directors and outside directors), management plans (growth strategies and specialty business strategies), etc. have increased.
- We have continued to hold ESG meetings with institutional investors by visiting them from our ESG Section, Legal Department and IR Department together. At the meetings, we found that the institutional investors had read our disclosure reports in detail such as Integrated Report and Corporate Governance Report, and that not only the dedicated departments of exercise of voting rights and ESG but also analysts and fund managers with whom our IR Department usually holds meetings have a deep understanding of our ESG information. As a result, at the meeting, we realized a constructive dialogue with them and at the same time, we received meaningful feedback concerning our Integrated Report.
- We published our first Integrated Report in FY 2020. Although the publication was delayed from the original schedule of June to August due to the COVID-19 pandemic, we received from institutional investors appreciation and comments, and requests for additional items to be stated in future issues.



## Q6: Did you observe any changes in the content and themes of dialogue with institutional investors due to the impact of the COVID-19 pandemic?

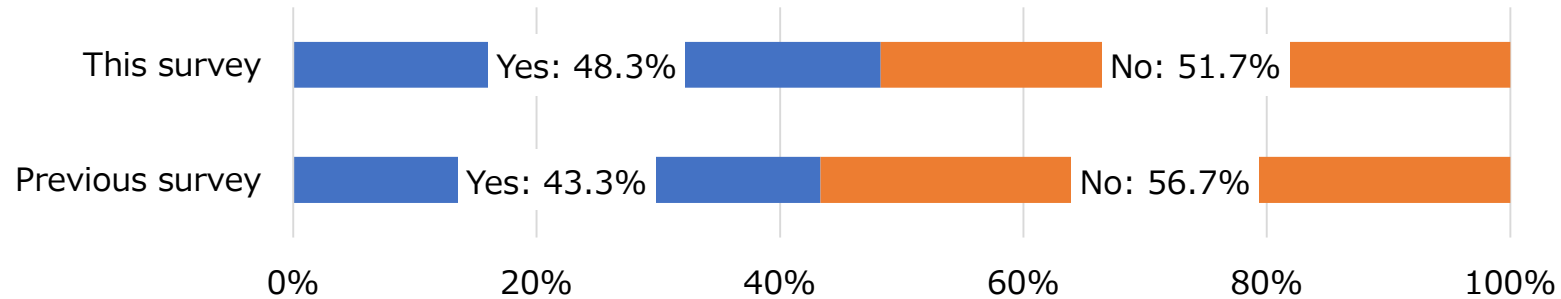


### 6-1: If you selected “Yes” in Q6, please describe the specific changes.

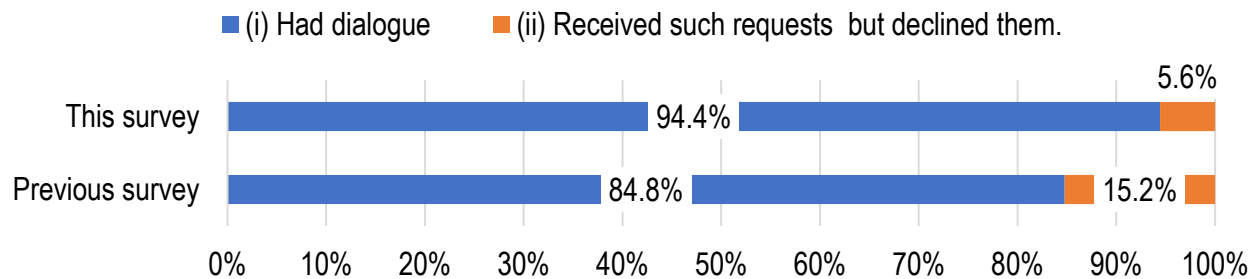
#### [Excerpts of comments]

- In addition to questions concerning our responses to COVID-19 including preventive measures against the infection for employees and the implementation status of teleworking, we received many questions in detail about the positive/negative impacts of COVID-19 on our business.
- Themes concerning corporate sustainability such as initiatives for ESG and measures for BCP have increased.
- From almost all investors, we received questions about the impact, responses and future prospects of COVID-19, the post-pandemic outlook for the changes in markets, and whether or not we changed our company strategies and policies triggered by COVID-19.
- Questions focused on the S-aspect of ESG have increased. Conventionally, we used to receive questions mainly on human rights issues in the supply chain. However, following the COVID-19 pandemic, more questions were raised concerning our initiatives for business continuity such as securing the safety of stakeholders including employees, the business environment, and changes in the consumption trends of customers.
- Since we were obliged to transform our existing business models due to the COVID-19 pandemic, we received questions more often about the progress of DX and the details of business restructuring.
- Questions about financial stability increased as short-term challenges included fund procurement, cash flow and interest-bearing liabilities. And new corporate strategies and the transformation of business models triggered by the major environmental changes of COVID-19 pandemic have become the major themes of dialogue.

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



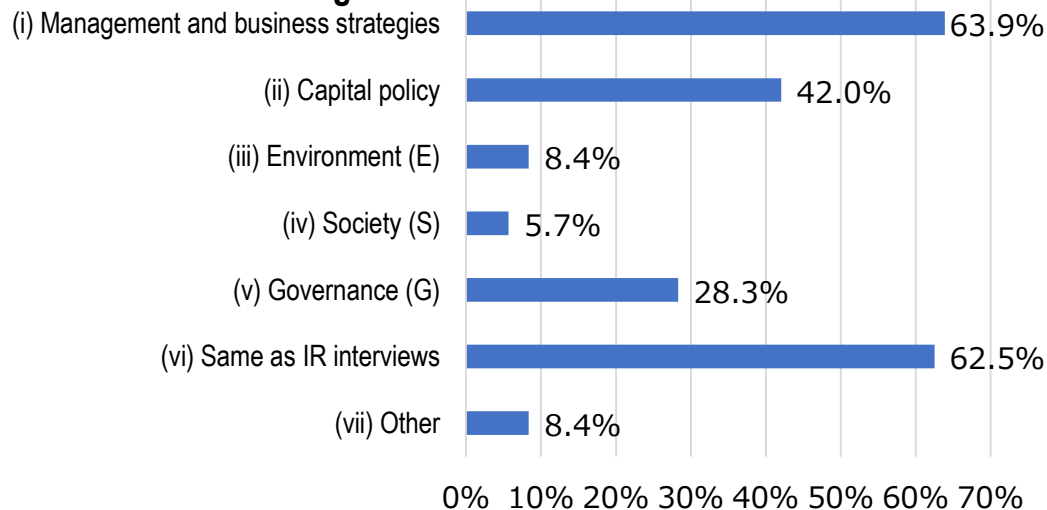
### 7-1: If you selected “Yes” in Q7, did you have dialogue?



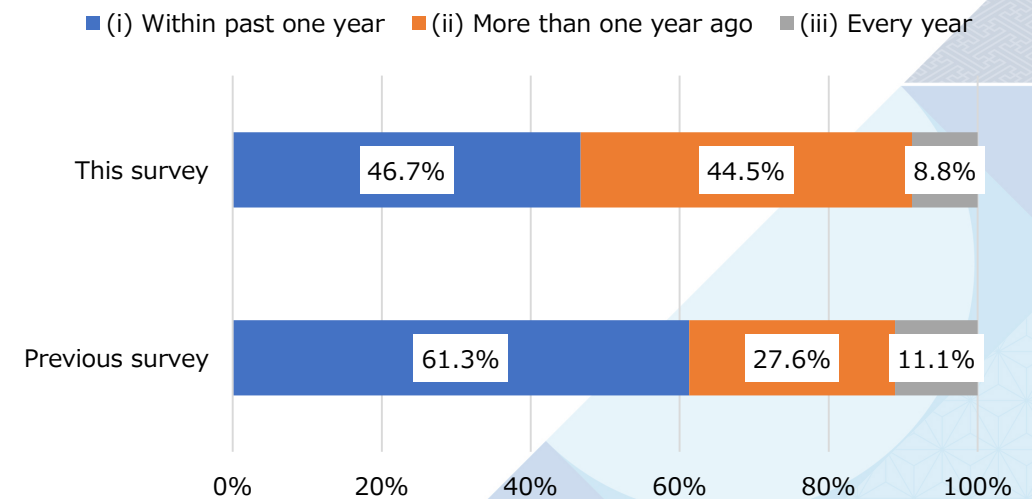
#### <Reasons for decline>

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

#### <Themes of dialogue>



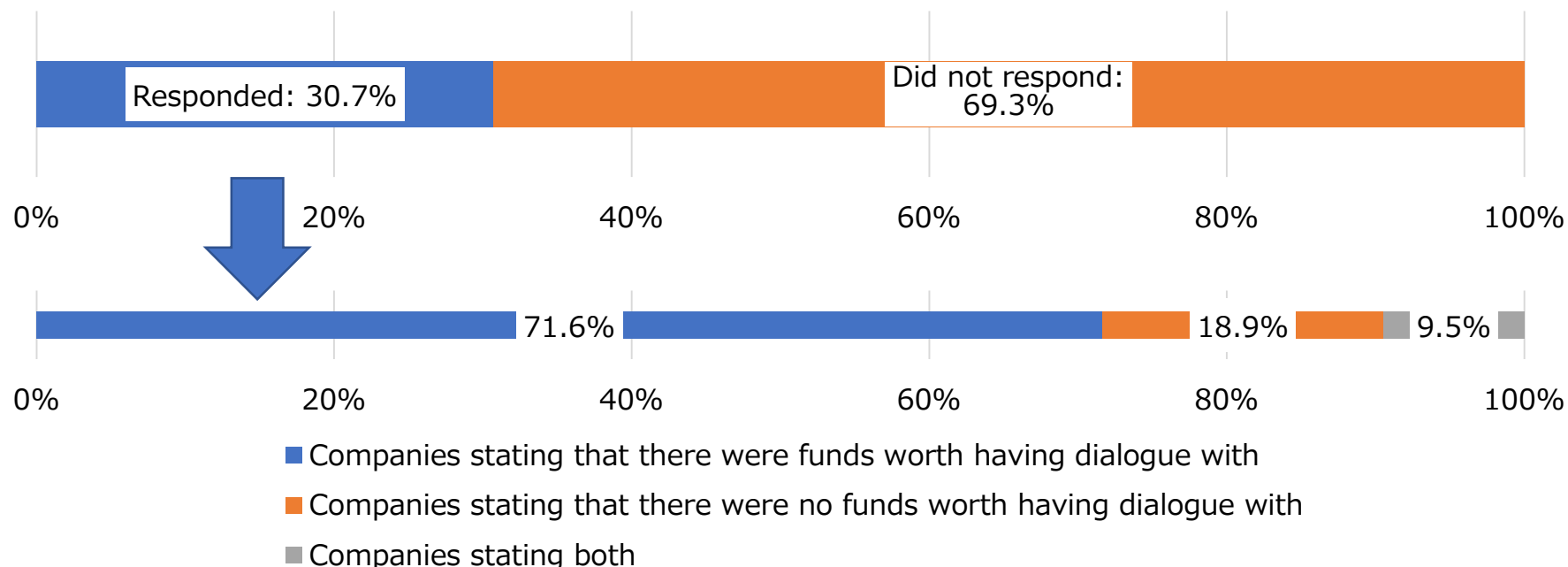
#### <Timing of dialogue>



\* Multiple responses allowed.



## 7-2: If you selected “Had dialogue” in 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.	56.2%
b. Their business and industry research and analysis are excellent.	50.7%
c. Their suggestions to the company contribute to increasing corporate value over the medium to long term.	49.3%
d. Other	12.3%

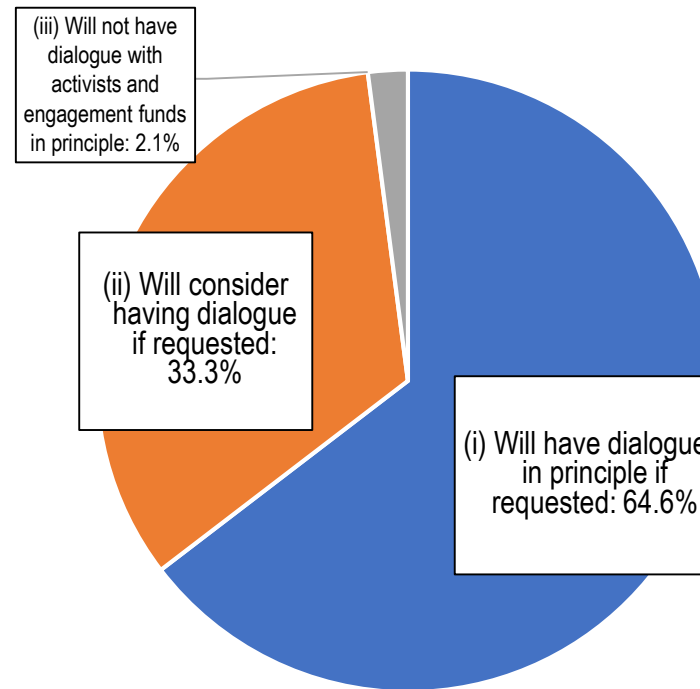
\*Multiple responses allowed.

### <Reasons why they were not worth having dialogue with>

a. Our load for responding to them is excessive	38.5%
b. Their approach is hostile, and it is difficult to build a constructive relationship.	30.8%
c. Their suggestions to the company are purely based on the pursuit of the fund's profit and short-term gains.	69.2%
d. Other	15.4%

\*Multiple responses allowed.

**7-3: If you selected “No (Have not received such requests)” in 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)]

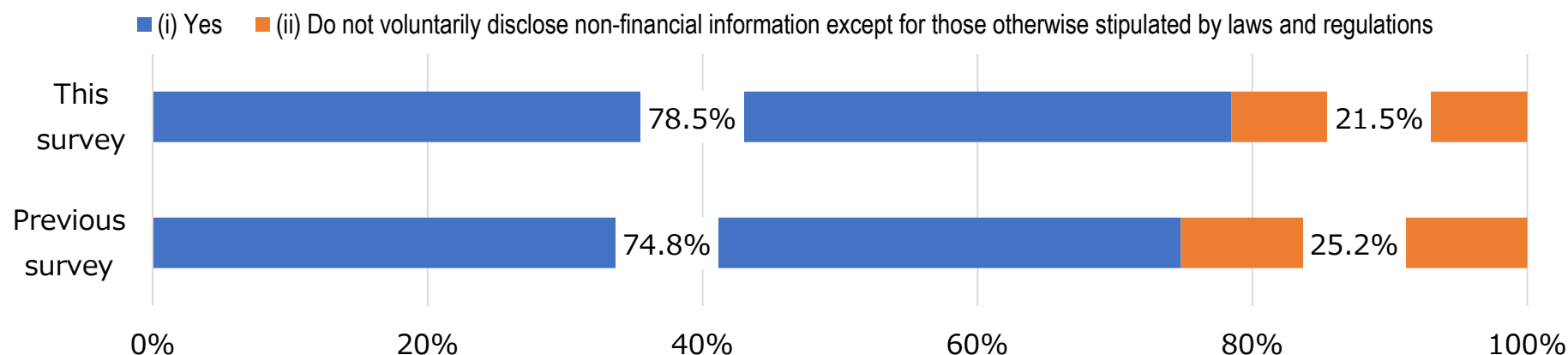
- Toward medium- to long-term improvement of corporate value, we expect to receive their frank comments on our initiatives, and the content of disclosure to be improved from the viewpoint of the capital market and international standards.
- We would be happy if they provide us with constructive comments and advice concerning management and information disclosure based on their understanding of the characteristics of each company's business model and business environment, in addition to their strengths and weakness.
- We found that interviews have increased in which we received questions from the long-term viewpoint rather than those concerning the short-term increase/decrease in quarterly profits. On the other hand, explanations such as (i) investors' investment policy; (ii) key points for investees; and (iii) important themes for the interview were insufficient, and we observed some cases in which the company engaged in Q&A sessions and the thoughts of investors remained unclear to the company. We would like institutional investors to have interviews which will help lead to the medium- to long-term improvement of corporate value by explaining to the interviewee company the key points of their requests for improvement, concerns, etc. with relevant reasons.
- We expect institutional investors to provide us with feedback concerning ESG, specifically the key points to pay attention to, and how they include such points in their investment decisions.
- We expect deep insights from each institutional investors making the most of their strengths. Candid and honest feedback and advice would be highly appreciated. We want deep analyses of challenges specific to each company, rather than uniform questions. We also want to have dialogue with medium- to long-term purposes rather than concentrating on short-term issues. We prefer not to have the same questions in each quarter.
- At the meetings in which our top management is present, we expect there will be some points we can utilize for the improvement of corporate value if institutional investors as professional asset managers provide us with suggestions.
- We tend to fall into conventional ways of thinking and actions by repeating past successful cases and avoiding failure cases while working in a company. The opinions and suggestions provided by investors who have observed many industries and accumulated knowledge will serve as triggers to transform such kind of companies with outdated customs. In particular, in the midst of an unclear business environment caused by the COVID-19 pandemic, we expect institutional investors to provide us with suggestions concerning the ideal state of business strategies and portfolio from the medium- to long-term perspectives to help companies move forward.
- With regard to ESG evaluation, we want each initiative be evaluated, and the raw data of evaluations made by overseas ESG rating agencies should not be used for us.
- There are many cases in which asset managers and engagement managers such as SR are not the same persons. We found few opportunities to have dialogue comprehensively on diverse points of issue.
- As to the exercise of voting rights, we understand that institutional investors work on a massive volume of proposals with limited resources. But we would like them to understand the environment surrounding the issuer, our thoughts, initiatives and other matters through the opportunities of dialogue, rather than only judging the present short-term status uniformly and formally, and to make substantial judgments that truly contribute to medium- to long-term improvement of corporate value of the issuer.

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

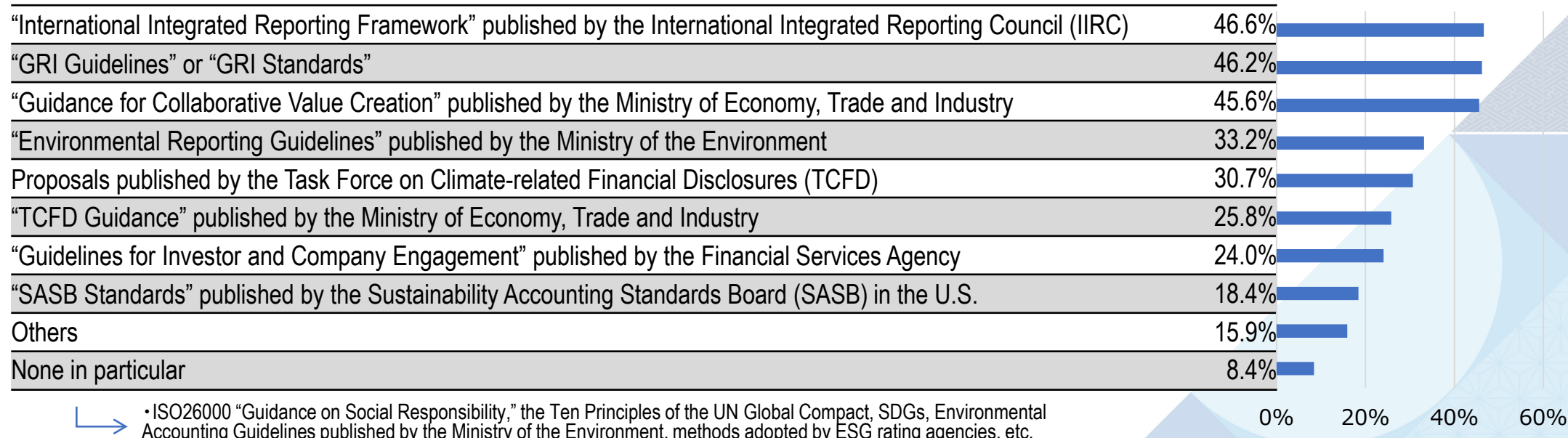
- ❑ Voluntary disclosure of non-financial information including ESG (such as Integrated Report) is conducted by 78.5% of the companies surveyed, slightly increasing from the previous survey. (p. 16)
- ❑ Explanations on non-financial information, such as ESG, continue to be provided mainly at financial results briefings and IR meetings. The number of companies that provide explanations at IR meetings also exceeded 80%. The responses from institutional investors also improved compared with those at the previous survey. While currently only a few companies hold information sessions focused on ESG issues, a total of 166 companies are planning to hold or are considering holding such sessions in the future. (p.17 & 18)
- ❑ 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.19)
- ❑ The companies that have endorsed the TCFD accounted for 31% (208 companies), out of which the respondents stating that they disclose information in line with the TCFD accounted for 67% (139 companies). And out of them, more than 90% answered that they disclose information partially or properly based on all of the four items ((i) Governance; (ii) Strategies; (iii) Risk Management; and (iv) Indicators and Goals). In particular, as to disclosure associated with governance, 67.8% of the respondents stated that they disclose information properly. (p. 20)
- ❑ Affected by the COVID-19 pandemic, more than 50% of the companies stated that their initiatives for ESG activities had changed. There were many answers that their initiatives for employee safety and workstyle reform had changed. Some companies initiated development of new products that will meet social needs after COVID-19. (p. 22)
- ❑ As for major themes in corporate ESG activities, many companies listed issues that are common challenges for both companies and society, such as (i) corporate governance (71.7%), (ii) climate change (63.6%), and (iii) diversity (43.2%). The ratio increased from the previous survey for climate change (+9.7%), health & safety (+8.0%) and environmental opportunities (+3.8%), indicating increased awareness of the themes which may have been associated with climate change and the COVID-19 pandemic. (p. 24)
- ❑ Regarding the content of engagement with fixed income investors, more than 90% of companies selected “Financial position and strategies” and “Business strategies.” Furthermore, approximately 50% of the companies answered that they had dialogues “concerning initiatives for ESG.” (p. 25)
- ❑ Recognition of the SDGs was 100%. The ratio of companies that have taken actions also exceeded 70%. (p. 26)

## <On IR and ESG Activities of Your Company>

**Q1: Do you voluntarily disclose non-financial information including ESG (publication of CSR Reports, Sustainability Reports, Integrated Reports, etc.)?**



**1-1: If you selected “Yes” in Q1, do you refer to any of the following standards and guidelines?**

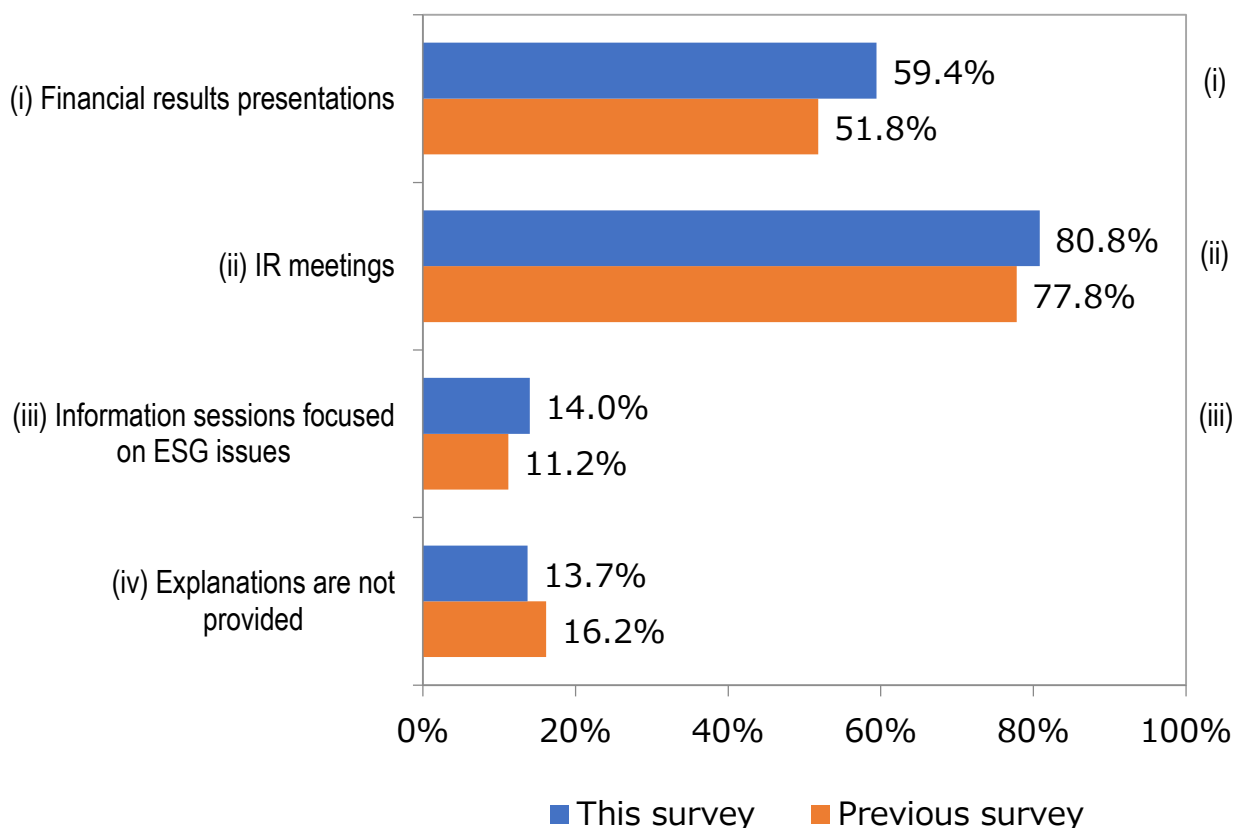


\*Multiple responses; ratio of total number of companies

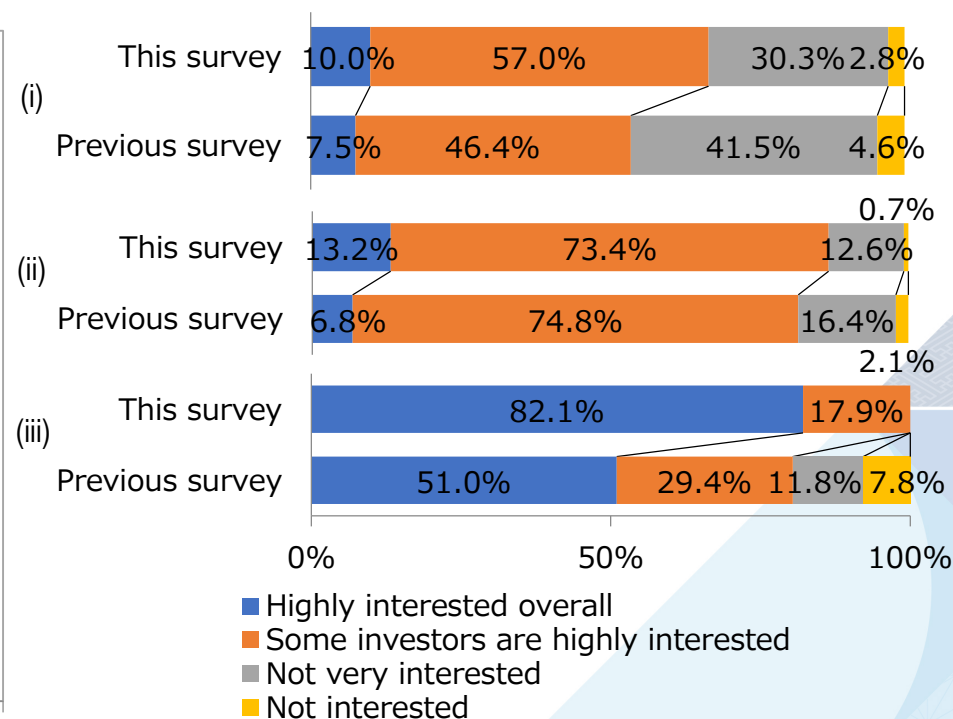
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**Q2: When do you provide explanations on non-financial information such as ESG to institutional investors? (Multiple responses allowed) If such explanations are provided, how do you rate the reactions of institutional investors?**

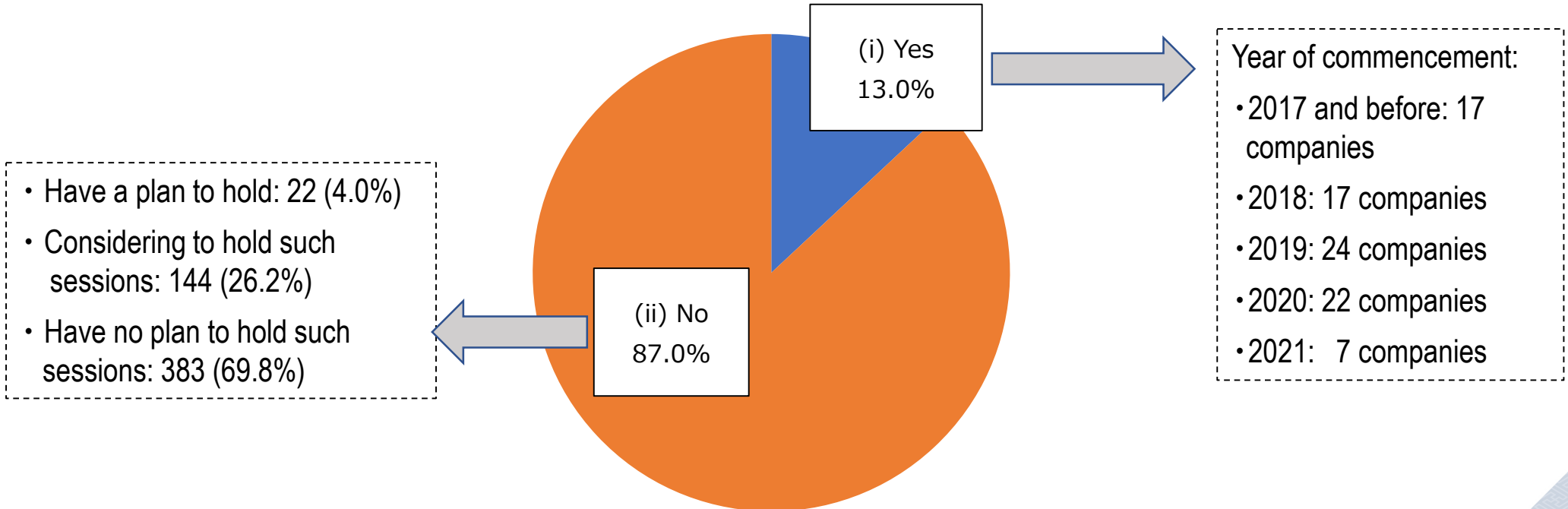
**<Sessions where explanations on non-financial information are provided>**



**<Reactions of institutional investors>**



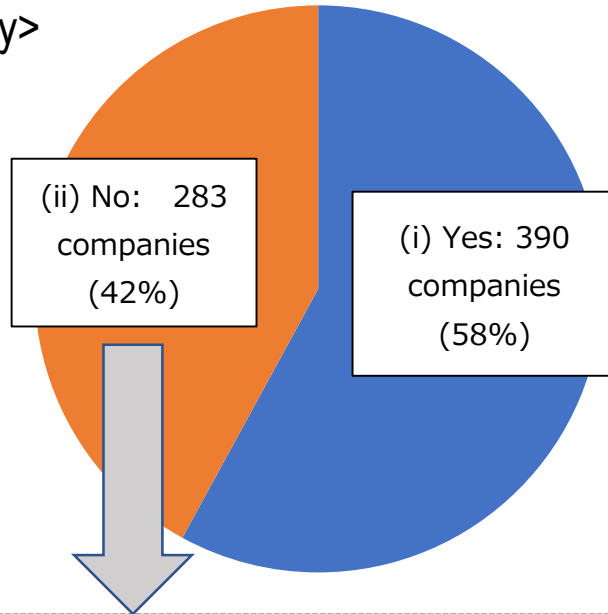
### Q3: Do you currently hold information sessions focused on ESG issues for institutional investors?



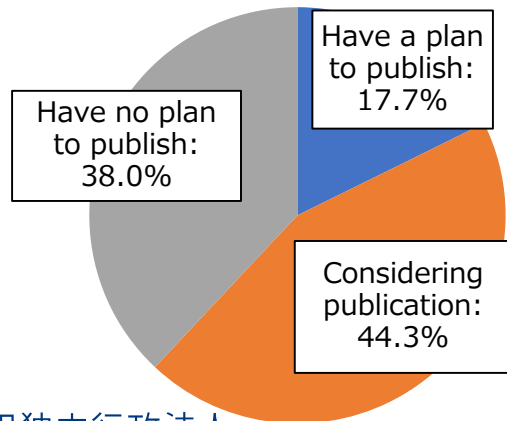


## Q4: Do you publish Integrated Reports or equivalent reports for institutional investors?

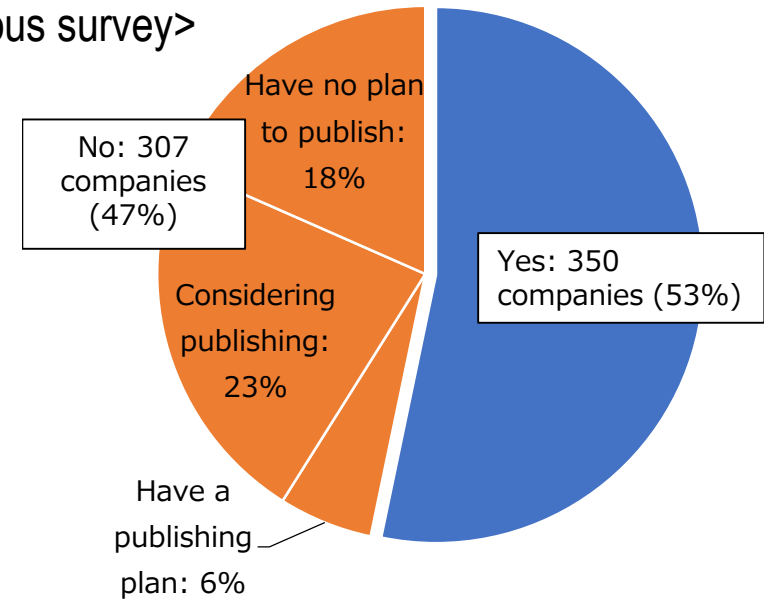
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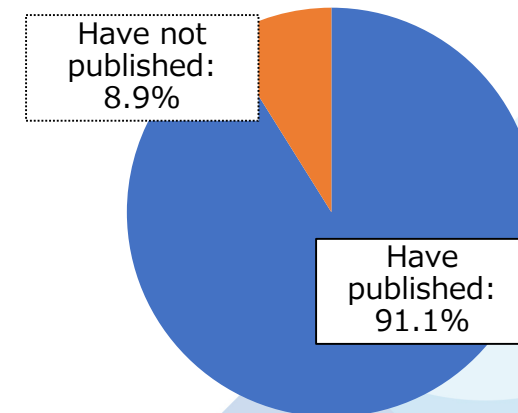
4-1: If you selected (ii) in Q4, what is your future plan?



<Previous survey>

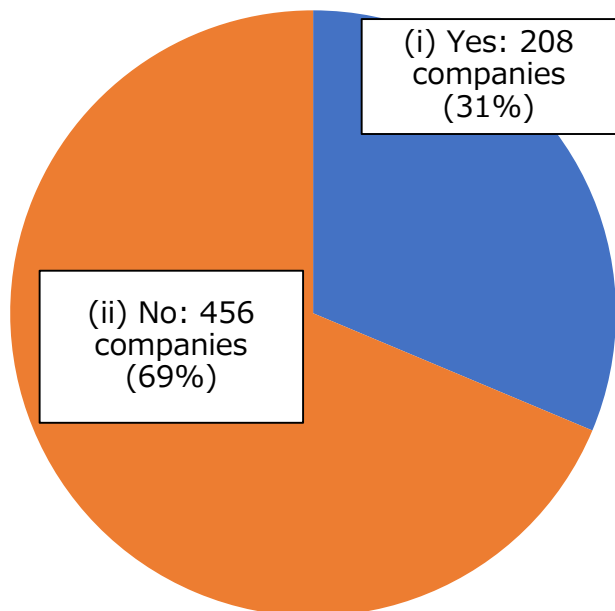


4-2: If you selected (i) in Q4, have you published an English version?

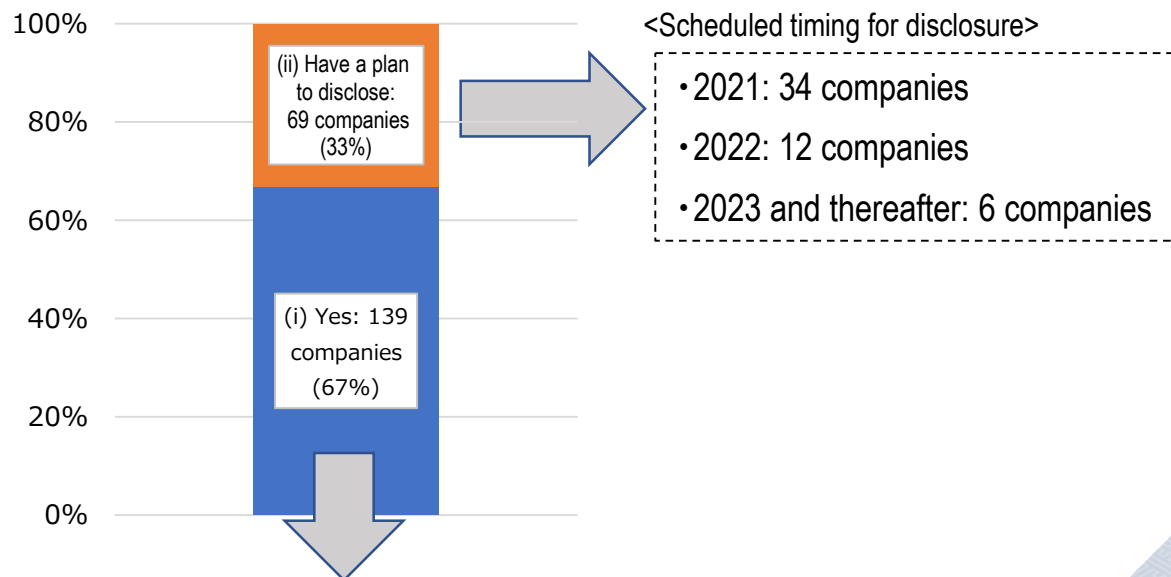




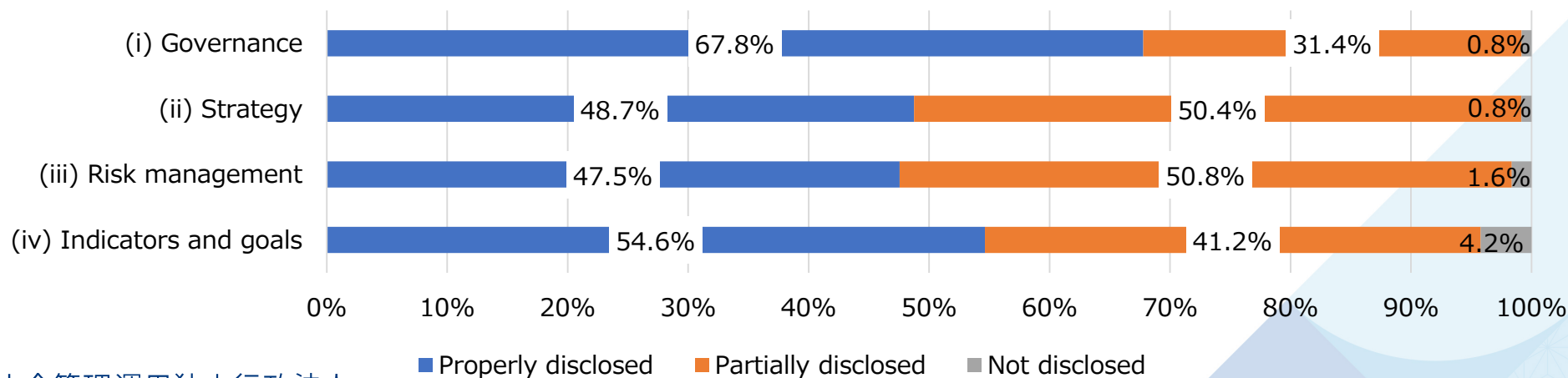
## Q5: Have you endorsed the Task Force on Climate-related Financial Disclosures (TCFD)?



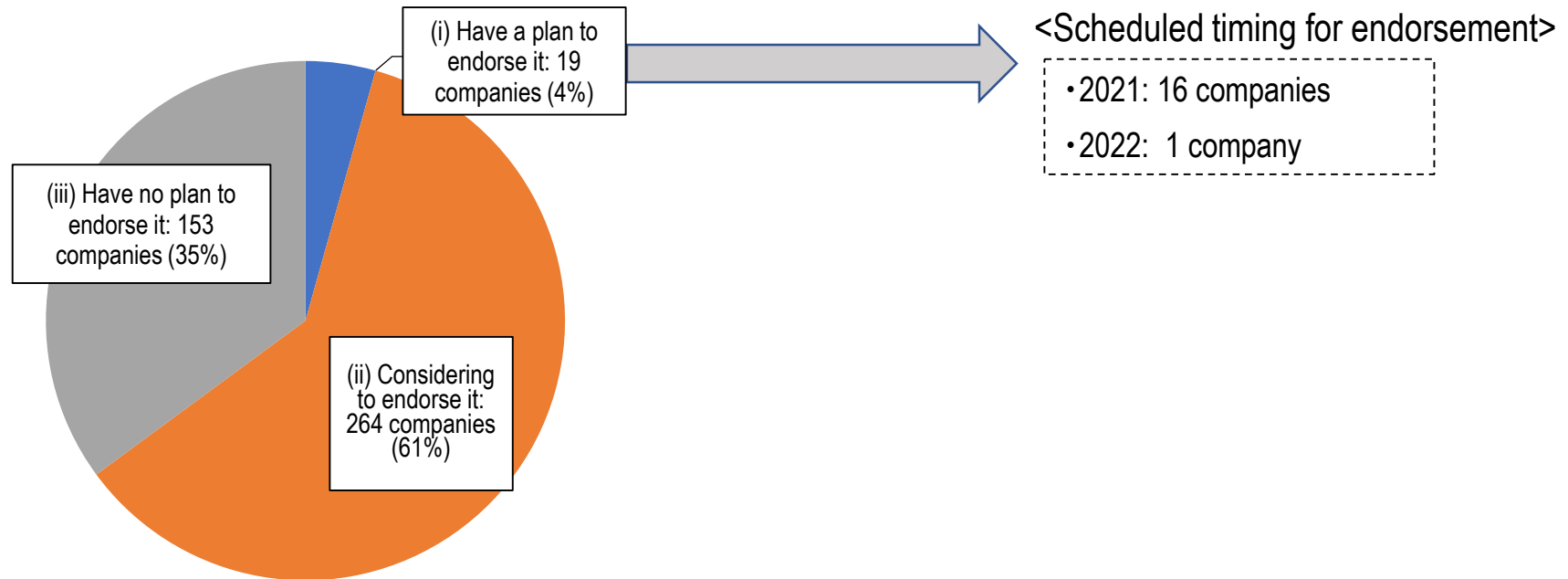
### 5-1: If you selected (i) in Q5, do you disclose information in line with the TCFD?



### 5-2: If you selected (i) in 5-1, what is the disclosure status regarding the items below?



### 5-3: If you selected (ii) in Q5, what is your future plan regarding the endorsement of the TCFD?



## Q6: Have there been any changes in your initiatives for ESG under the impact of the COVID-19 pandemic?



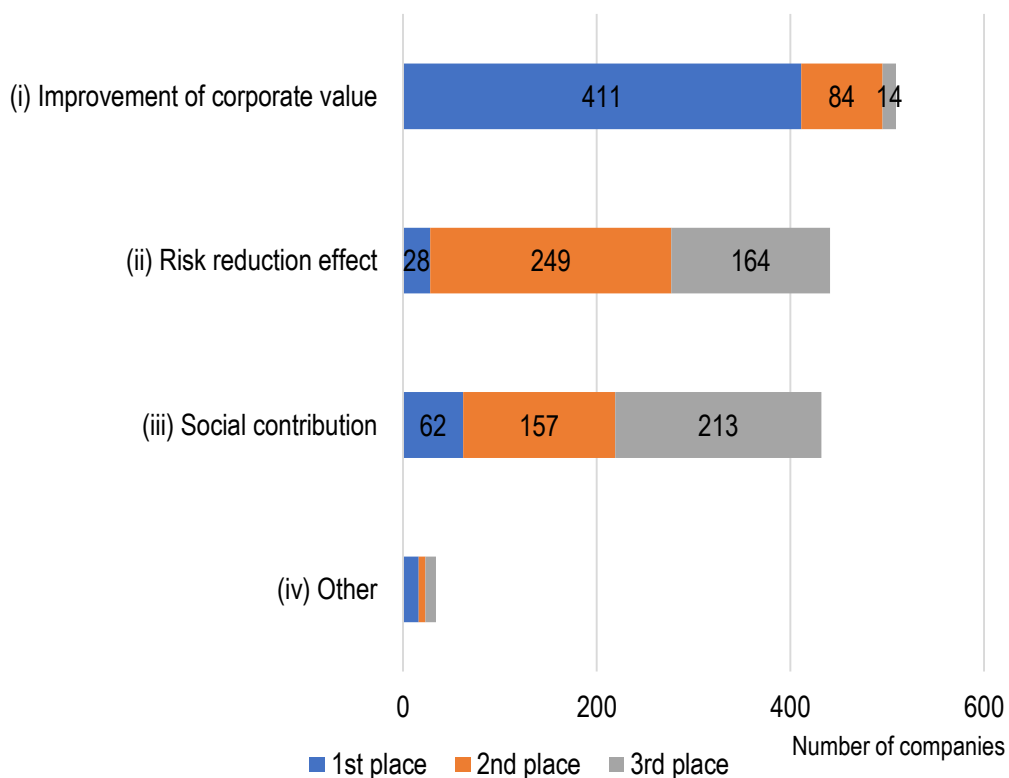
### 6-1: If you selected “Yes” in Q6, please describe specific changes.

#### [Excerpts of comments]

- In society, particularly in work-life management, we observed changes starting from teleworking to hot desking, removal of fixed-line telephone and digitalization of operations.
- Triggered by the COVID-19 pandemic, environmental and social risks have drawn more attention, and a sharp increase in attention was observed on corporate initiatives for ESG issues. We have also established a new project to formulate ESG management policy based on global standards.
- Concerning employees' workstyle reforms represented by the promotion of teleworking which was accelerated on the back of the COVID-19 pandemic and the setting of long-term goals and KPIs in other non-financial information, particularly high attention was paid within the company to the responses to climate change issues.
- We have established an ESG task force to develop new products (products that will contribute to sustainability) which will meet post-pandemic social needs.
- The COVID-19 pandemic has clarified the challenges we face in our business models.
- The publication of an Integrated Report. Considering that the heightened trend of re-evaluating companies which contribute to local communities not only from the viewpoint of short-term profits but also from the medium- to long-term perspectives is a business opportunity for our corporate activity, we decided that we should not only continue our efforts but also disclose them in the form of publication of the Report.
- Changes in the form of holding presentation meetings of financial results (from the venue to online delivery); Decrease in direct interviews with institutional investors (held by using ZOOM and teleconference systems); Refraining from holding IR events and environmental events, etc.
- In terms of impacts on our initiatives, it has become difficult to conduct our supplier surveys, etc. including physical movement.
- Due to the rapidly deteriorating business performance, we failed to allocate resources to SDGs activity with the top priorities placed on the continuation of corporate activities and employment. On the other hand, we have recognized the importance of S again, starting new initiatives, too.

**Q7: What are the objectives of the ESG activities of your company? Please select “up to 3 items” below, and rank them with numbers 1, 2 and 3. (The same ranks are not allowed)**

<Number of respondents>



<Status of responses by company size>

	1st place			2nd place			3rd place		
	Large	Medium	Small	Large	Medium	Small	Large	Medium	Small
(i) Improvement of corporate value	51	170	190	9	23	52	3	4	7
Ratio (*)	80%	84%	76%	15%	12%	21%	6%	2%	4%
(ii) Risk reduction effect	5	9	14	40	112	97	17	60	87
Ratio	8%	4%	6%	65%	58%	40%	32%	37%	47%
(iii) Social contribution	2	17	43	11	57	89	31	93	89
Ratio	3%	8%	17%	18%	30%	37%	58%	57%	48%
(iv) Other	6	6	4	2	1	4	2	5	4
Ratio	9%	3%	2%	3%	1%	2%	4%	3%	2%
Total	64	202	251	62	193	242	53	162	187

\* Ratio of the items in the ranking (e.g. Ratio of “(i) Improvement of corporate value” in the 1st place of the purposes for ESG activities of large-size companies: 51 companies / 64 companies)

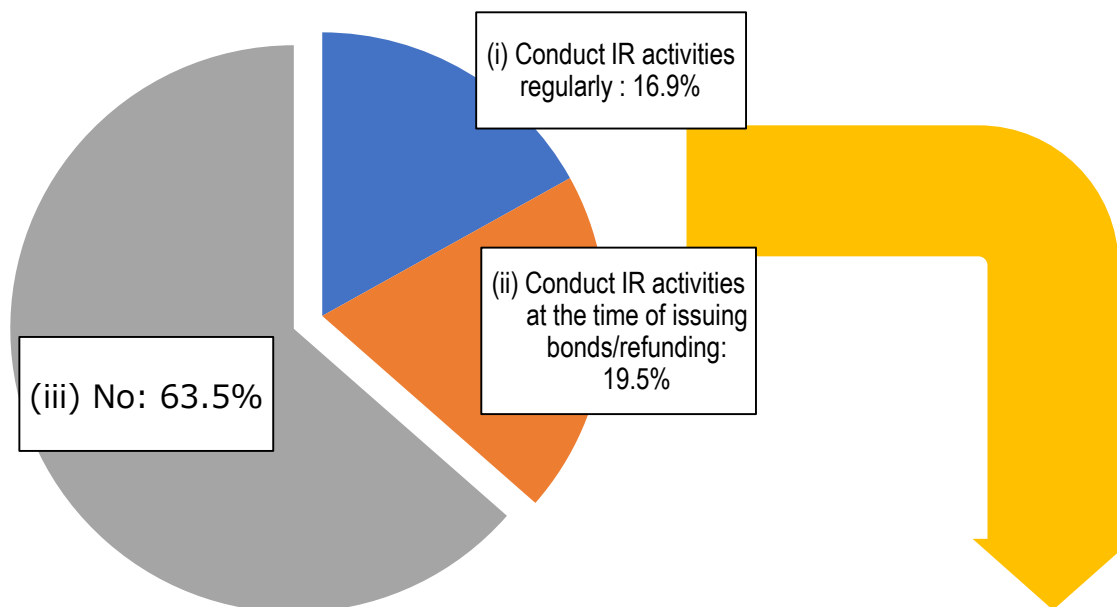
## Q8: What are the major themes of the ESG activities of your company? (Multiple responses allowed, up to five)

Rank	Rank (previous survey)	Theme	This survey	Previous survey	Change
1	1	Corporate Governance	71.7%	70.8%	+0.9
2	2	Climate Change	63.6%	53.9%	+9.7
3	3	Diversity	43.2%	44.0%	-0.8
4	5	Health & Safety	40.6%	32.6%	+8.0
5	4	Human Rights & Community	37.0%	34.7%	+2.3
6	6	Product Liability	30.7%	30.8%	-0.1
7	7	Risk Management	28.6%	29.8%	-1.2
8	9	Supply Chain	23.5%	20.2%	+3.3
9	8	Disclosure	20.4%	23.3%	-2.9
10	10	Board Structure, Self-evaluation	17.1%	16.2%	+0.9

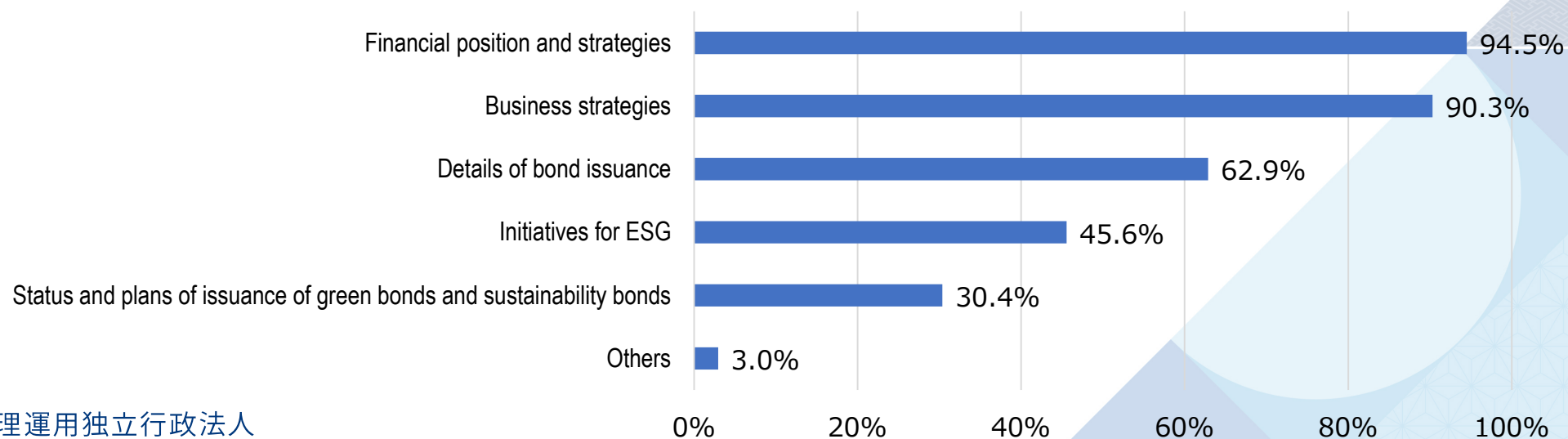
Rank	Rank (Previous survey)	Theme	This survey	Previous survey	Change
11	14	Environmental Opportunities	13.0%	9.2%	+3.8
12	11	Pollution & Resources	12.4%	13.3%	-0.9
13	12	Waste Management	11.5%	11.6%	-0.1
14	13	Labor Standards	10.0%	11.2%	-1.2
15	14	Others	9.4%	9.2%	+0.2
16	16	Capital Efficiency	7.5%	8.2%	-0.7
17	18	Social Opportunities	6.0%	7.3%	-1.3
18	16	Water Stress & Water Security	5.9%	8.2%	-2.3
19	19	Biodiversity	4.7%	4.7%	±0
20	21	Misconduct	3.1%	3.3%	-0.2
21	20	Deforestation	2.9%	4.1%	-1.2
22	23	Minority Shareholder Rights (Cross-shareholding, etc.)	2.2%	1.4%	+0.8
23	22	Anti-corruption	1.6%	2.9%	-1.3
24	23	Conflict Minerals	0.7%	1.4%	-0.7
25	25	Tax Transparency	0.1%	0.2%	-0.1

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

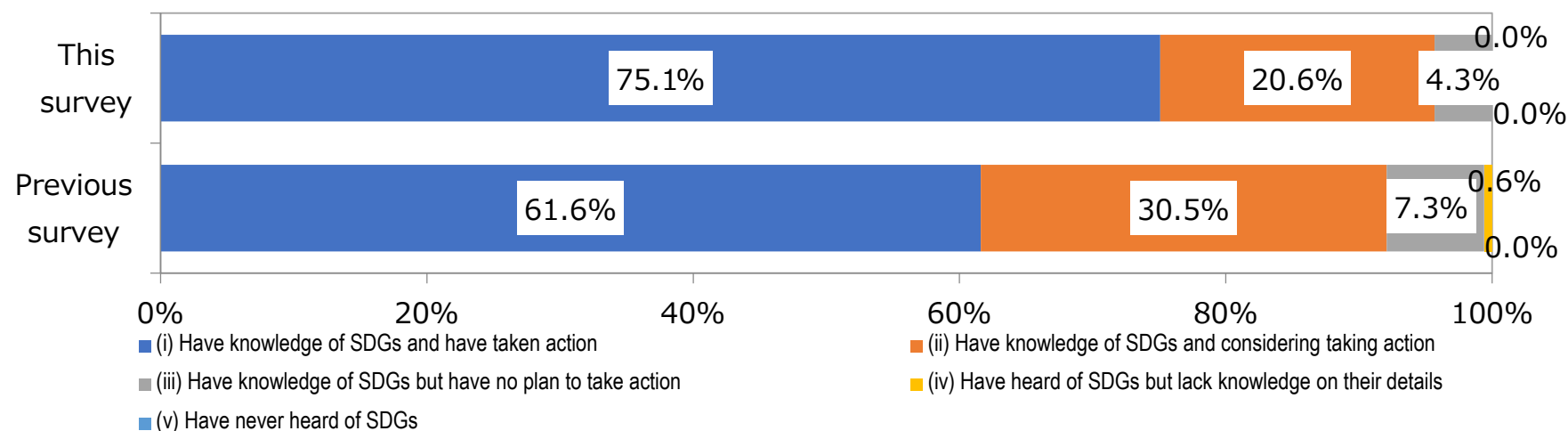
## Q9: Do you conduct IR activities for fixed income investors?



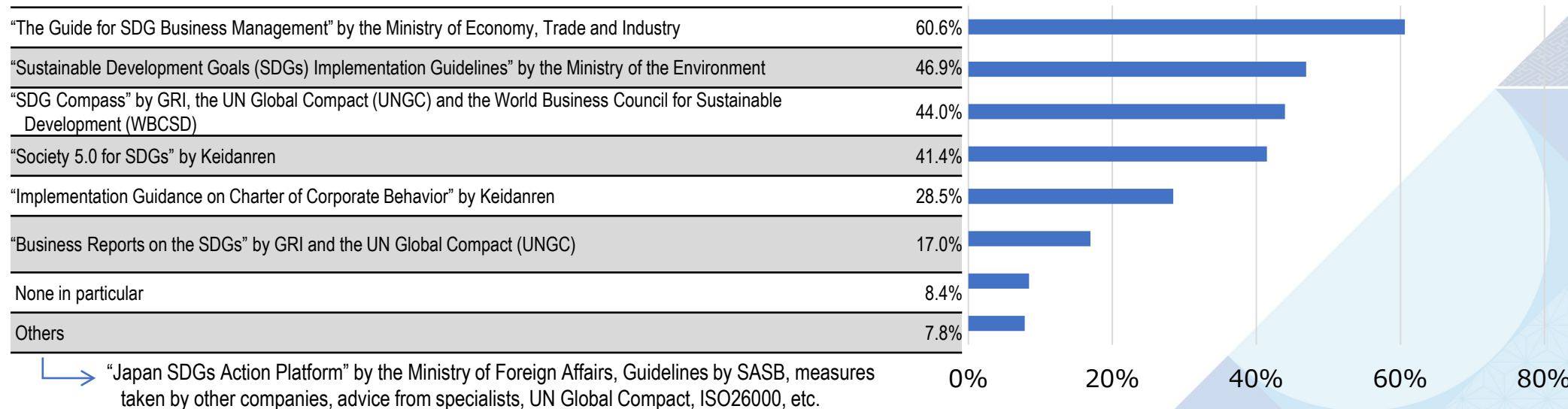
### 9-1: If you selected (i) or (ii) in Q9, which are the contents of engagement in IR activities for fixed income investors? (Multiple responses allowed)



## Q10: What is your knowledge of the Sustainable Development Goals (SDGs) and status of action taken to achieve the SDGs?



### 10-1: If you selected (i) or (ii) in Q10, do you refer to any of the following guidelines? (Multiple responses allowed)



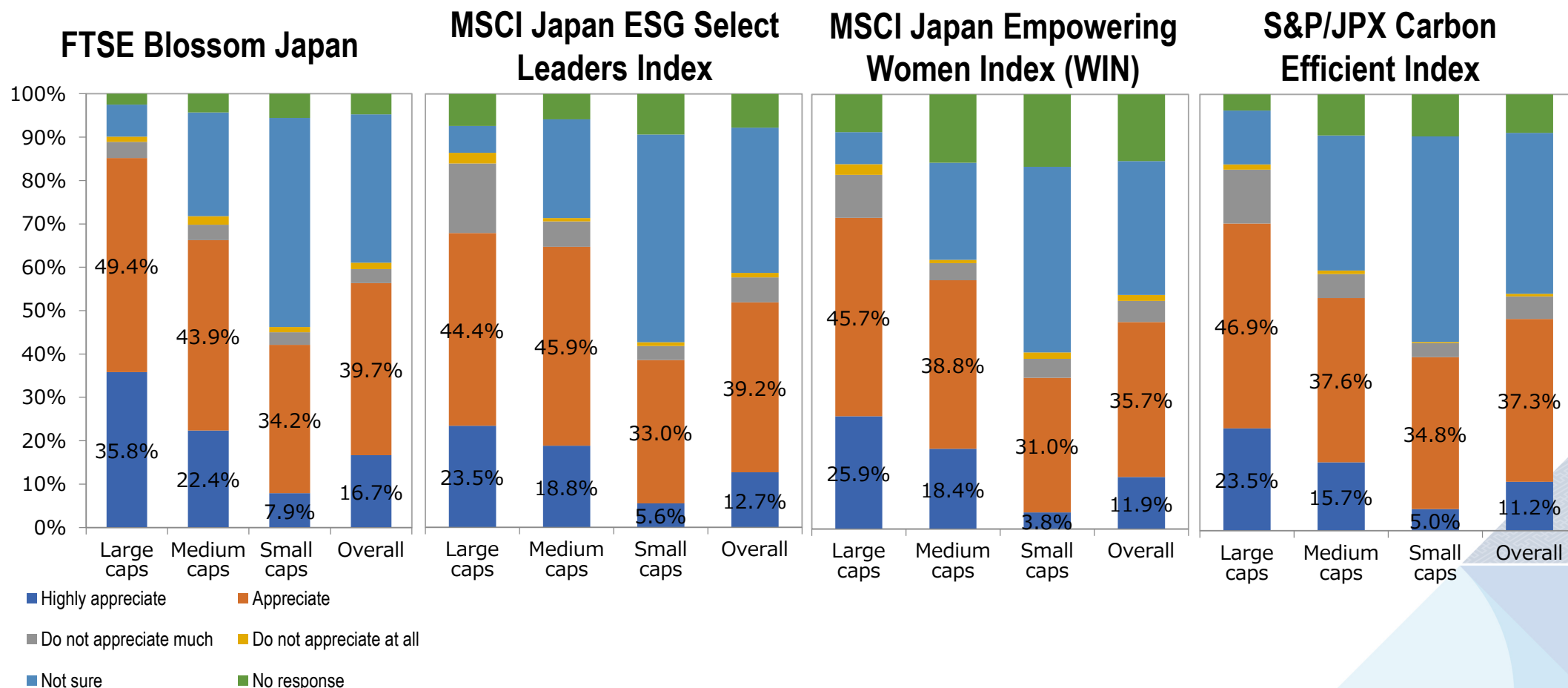


## Summary of Survey Results III: GPIF's Initiatives (ESG Indices)

- ❑ 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 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 50% 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)

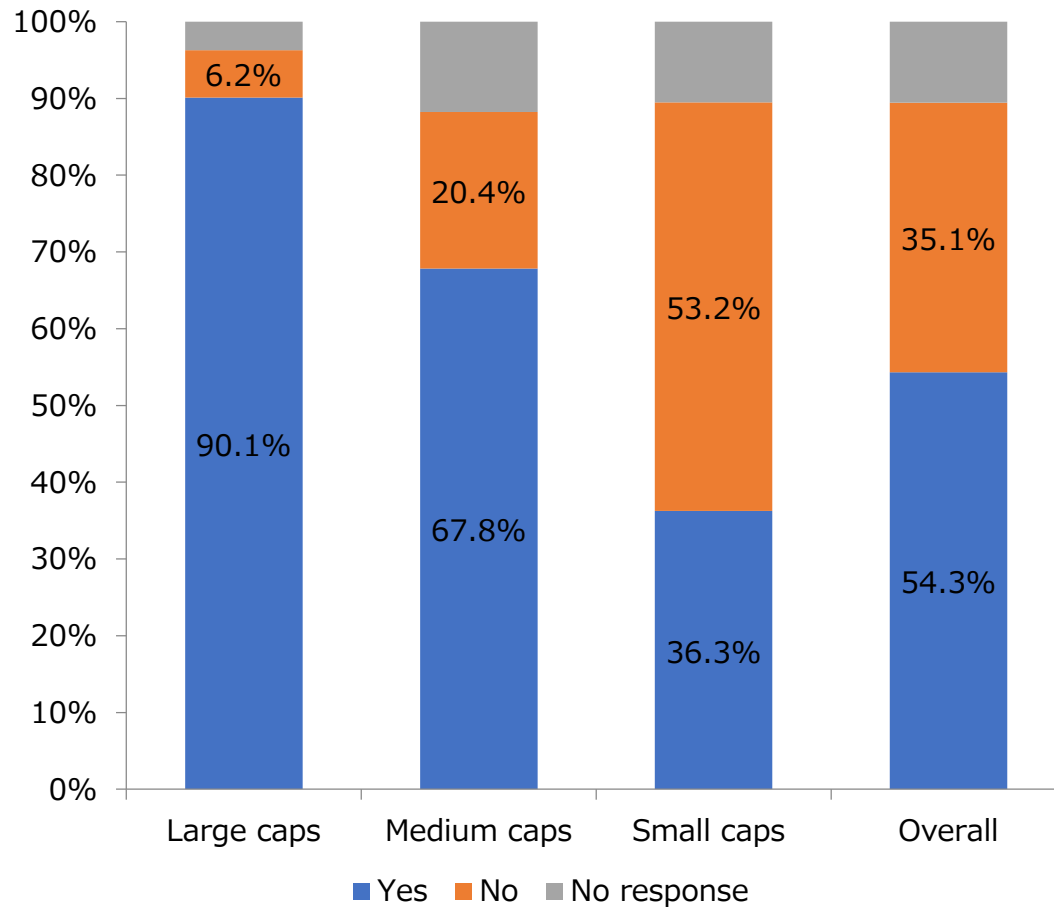


Q1. Describe your rating of each of the following four ESG indices and reasons why.

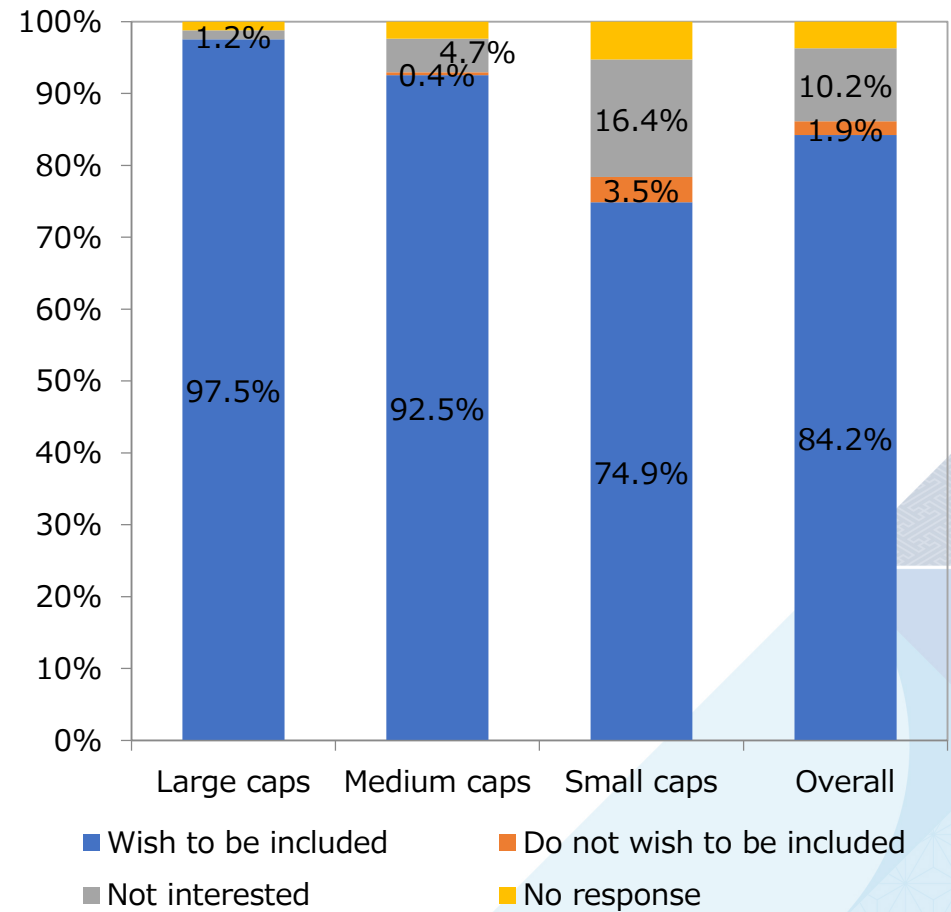


- As in the previous survey, approximately 50% of companies positively evaluated each of the four ESG indices selected by GPIF, and the evaluation was particularly high among large-cap companies. Many small-cap companies continued to state that they were not sure. No significant differences in responses 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.

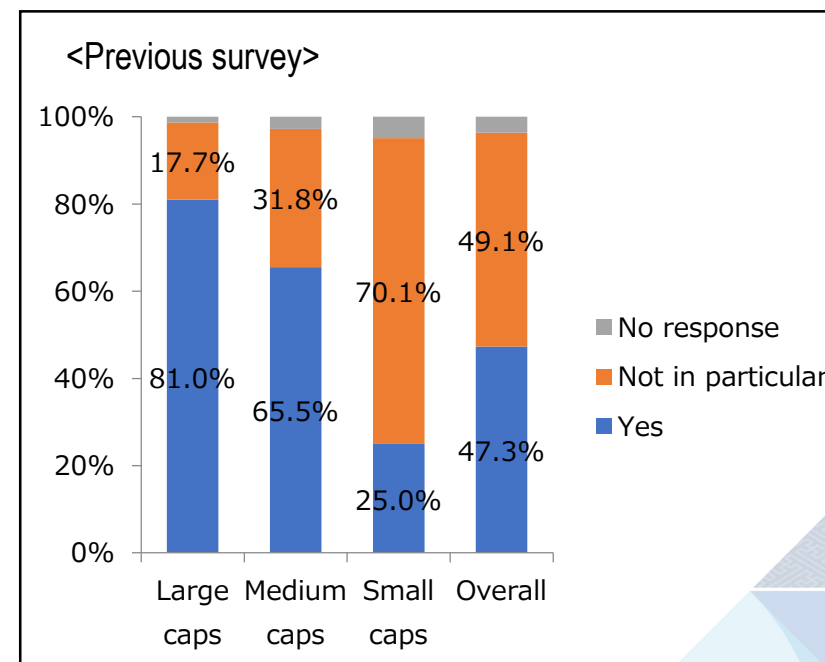
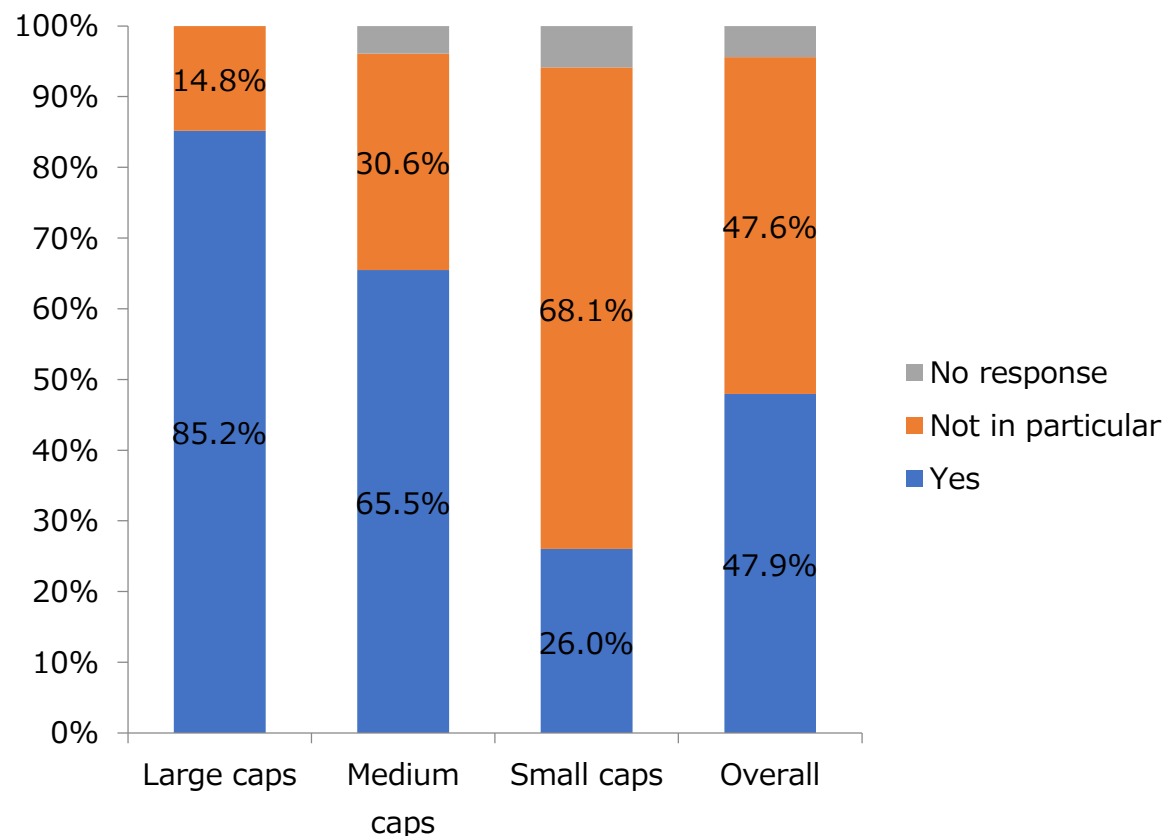
## Q2: Have you reviewed the evaluation methods for the ESG indices selected by GPIF that index providers have disclosed?



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



## Q4: Have you observed 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.
- Since the number of companies subject to ESG evaluation is currently increasing, we should keep an eye on changes in small cap companies in the future.

\*See respondents' comments on the following page.

## Excerpts of comments regarding changes in awareness of ESG, organizational structure, and activities within the company as a result of the launch of the ESG indices

### [Changes in awareness of ESG]

- Reflecting the increased interest by investors, the internal awareness of being viewed from outside and presenting the company to outside has grown.
- It served as an opportunity for the management group to renew their understanding of ESG investments, confirming the importance of disclosure of non-financial information.
- In order for us to be included, we reviewed the figures necessary for evaluation and considered measures to improve them with several departments of the Company. This contributed to the improvement of our awareness of ESG.

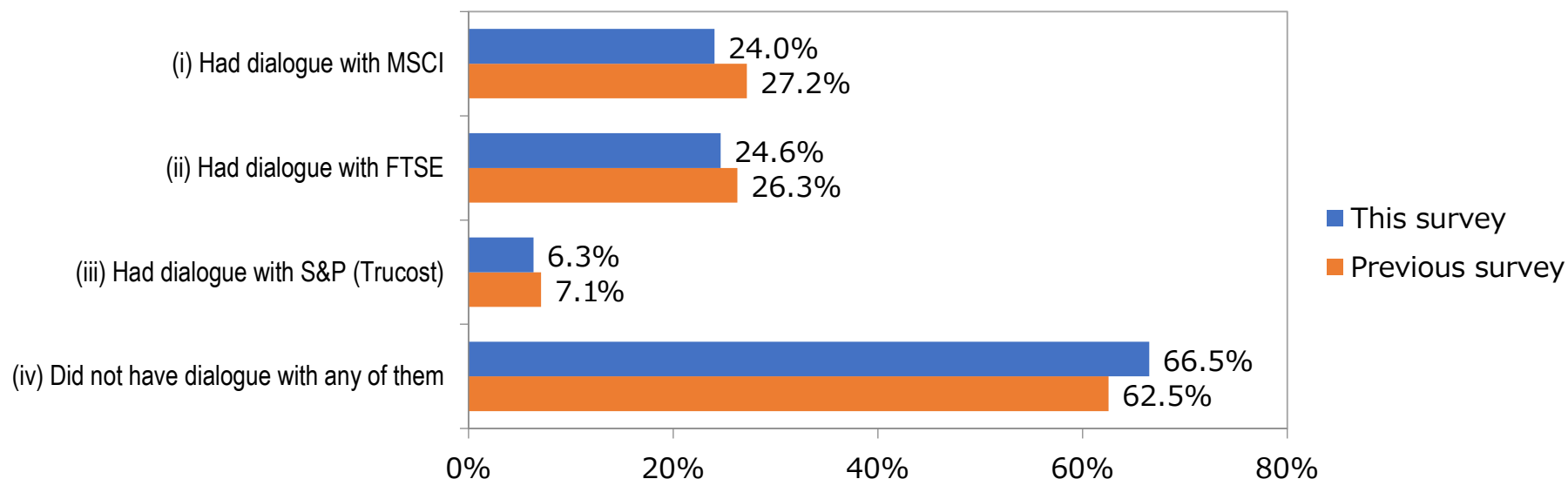
### [Changes in organizational structure]

- The idea that management and sustainability should be consolidated completely has been widespread in the entire company ranging from top management to the field level. At the Board of Directors' meetings and the Management Strategy meetings, ESG has become more common as an agenda item. The governance system has been improved following the establishment of the Global Sustainability Committee chaired by the CEO.
- The ESG activities to be conducted in cooperation with the related divisions have been accelerated. The reasons include (i) the ESG indices selected by GPIF consist of comprehensive type and theme type, covering a wide range of corporate activities; and (ii) the results of evaluation and the return (amount of investment) from inclusion in the indices can be easily understood, which also makes it easy for us to explain the responses and effects within the Company.
- The top management presented a policy to "proactively disclose ESG-related information in order to gain fair evaluations."
- The management shows increased interest in ESG. Particularly, the outside directors are very interested, and discussions are based on the ESG evaluations.
- Since the internal viewpoints changed from CSR to ESG, the materiality was re-identified and a person in charge of ESG was appointed to each related department.

### [Changes in activities, etc.]

- Governance was reviewed, a long-term vision for climate change was formulated (started to prepare), and STB certification was obtained.
- We started to regularly check our ESG ratings by MSCI and FTSE. We have also reviewed and improved our business activities and disclosure by analyzing and referring to the methodology of each evaluation.
- We endeavor to enhance disclosure of ESG-related non-financial information such as TCFD endorsement.
- The common understanding, "It is necessary to promote ESG in order to enhance corporate value," has been widespread within the Company, contributing to the promotion of ESG initiatives and the improvement of disclosure.
- We have commenced materiality analysis, the formulation of various policies and the preparation of an Integrated Report.

## 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 your opinions concerning the ESG indices selected by GPIF.

### <Comments>

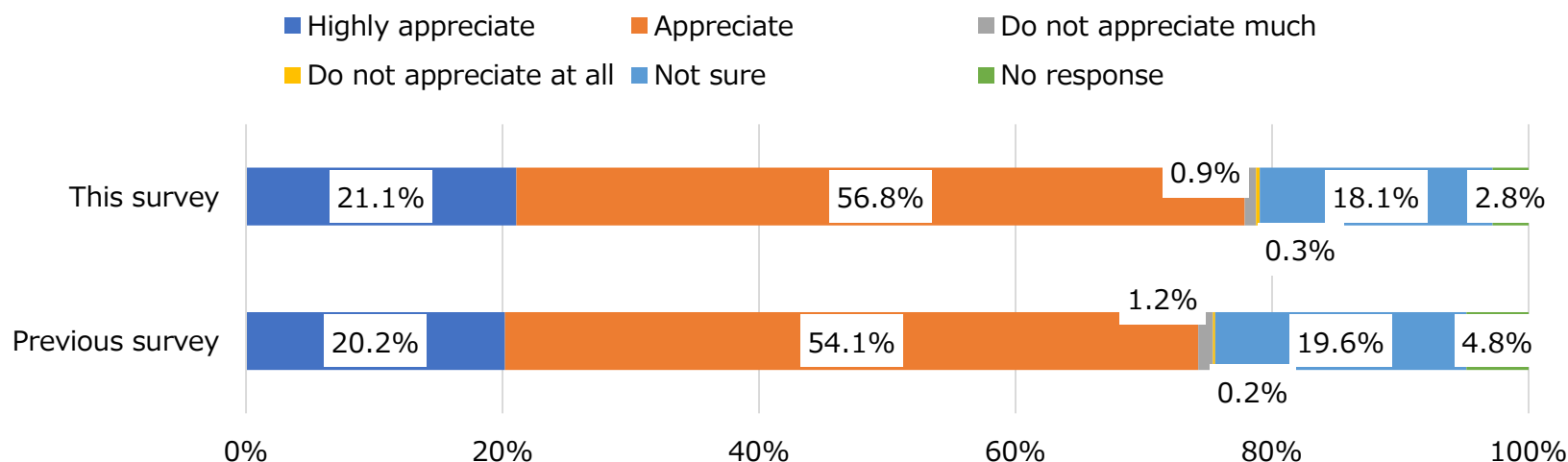
- With regard to the ESG indices, we would like GPIF to expand and further clarify the universe (relaxation of market cap criteria).
- We expect that those indices will be expanded to other indices such as governance-related and fixed income which are not currently selected.
- We would like GPIF to disclose the details of annual review by ESG rating agencies.
- Improvement of follow-up measures for companies that do not have know-how, continuous holding of presentation meetings including via the Internet, and provision of follow-up in Japanese.

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

- ❑ As for the rating of GPIF's overall stewardship initiatives, more than 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 were also comments such as "Even in a situation in which short-term operating results fluctuate significantly like now, we are encouraged by GPIF to have dialogues with investors from the long-term perspective. On the 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." As for the evaluation of individual initiatives, companies tended to select "Not sure" for initiatives with lower recognition whereas many respondents selected "Highly appreciate" and "Appreciate" as a whole excluding those who selected "Not sure." (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 ESG Report. (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, and continuation of disclosure, among others. (p. 37)



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



### [Comments (excerpts)]

- As seen in this survey, we understand that positive activities lead to improvement of quality of the communication between issuers and institutional investors, and that the number of institutional investors who consider investments even in medium and small cap companies from the medium- to long-term perspective has increased significantly. I could actually feel the major changes in the real IR activities from 10 years ago. (Answered, "Highly appreciate")
- From the long-term viewpoint of enhancing corporate value, we have clearly presented our policy to place an emphasis on engagement activities not depending on short-term views. Furthermore, we encourage the implementation of the policy through the evaluation of external asset managers, holding of seminars and disclosure of our research activities. (Answered, "Highly appreciate")
- Even in the situation in which short-term business performance fluctuates significantly, we feel that we are encouraged to hold dialogue with investors from the long-term viewpoint. (Answered, "Highly appreciate")
- GPIF appears to positively work for the improvement of stewardship activities by conducting surveys covering a wide range. (Answered, "Appreciate")
- GPIF's activity policy and the details of the initiatives are available on its website, and they are expected to have an impact on, and be widely utilized by asset managers. The companies are also interested in the movements of GPIF and asset managers, which is taken into account in corporate activities. (Answered, "Appreciate")
- We would like you to show good examples (solutions) of disclosure to small and medium caps who cannot afford to prepare an Integrated Report. (Answered, "Do not appreciate much")
- Apart from the disclosure of GPIF, we would like you to understand that there are many companies who find it difficult to allocate personnel to the preparation of materials and disclosure concerning ESG, although ESG is now considered as a matter of course. (Answered, "Do not appreciate at all")

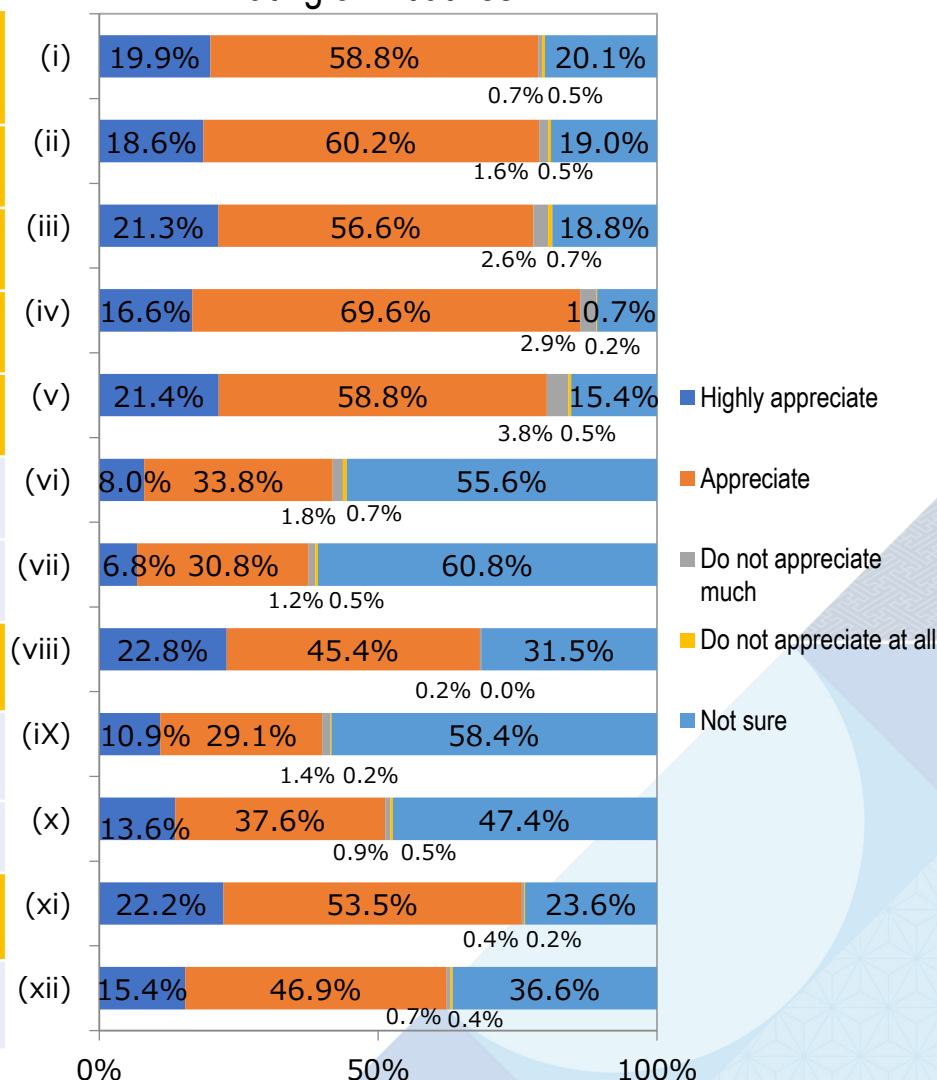
## Q2: Are you familiar with the following recent initiatives of GPIF? (Multiple responses allowed)

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

### <Recognition of initiatives>

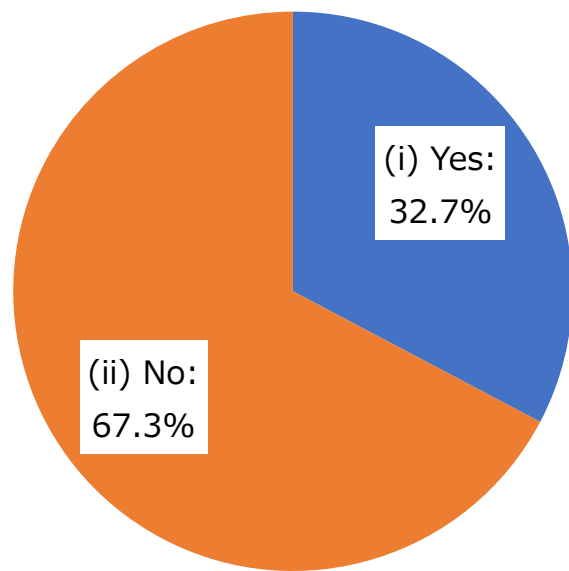
(i) Putting more weight on stewardship activities in the evaluation of external asset managers (engagement aimed at enhancing medium-to long-term corporate value, etc.)	49.1%
(ii) "Stewardship Principles" and "Proxy Voting Principles"	47.1%
(iii) Investment based on ESG indices	50.4%
(iv) Survey of companies (this survey)	54.4%
(v) Publication of Excellent & Most-improved Integrated Reports	46.3%
(vi) Holding the Business and Asset Owners' Forum	22.3%
(vii) Holding the Global Asset Owners' Forum	18.4%
(viii) Becoming a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and activities through PRI	38.3%
(ix) Joining the U.K. 30% Club, the U.S. Thirty Percent Coalition and the 30% Club Japan (Investor Group)	21.4%
(x) Participation in the Climate Action100+	24.9%
(xi) Disclosure of ESG Report	37.6%
(xii) Disclosure of climate change risks and opportunity analysis of the GPIF portfolio (an extra issue of ESG Report)	27.3%

### <Rating of initiatives>

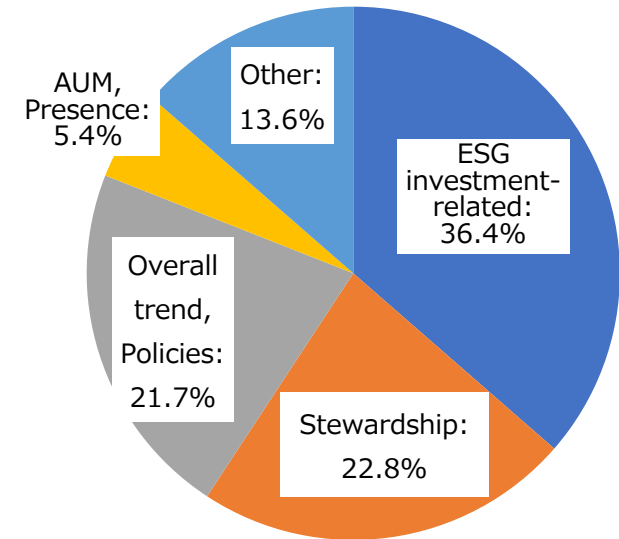
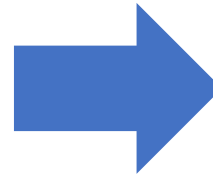




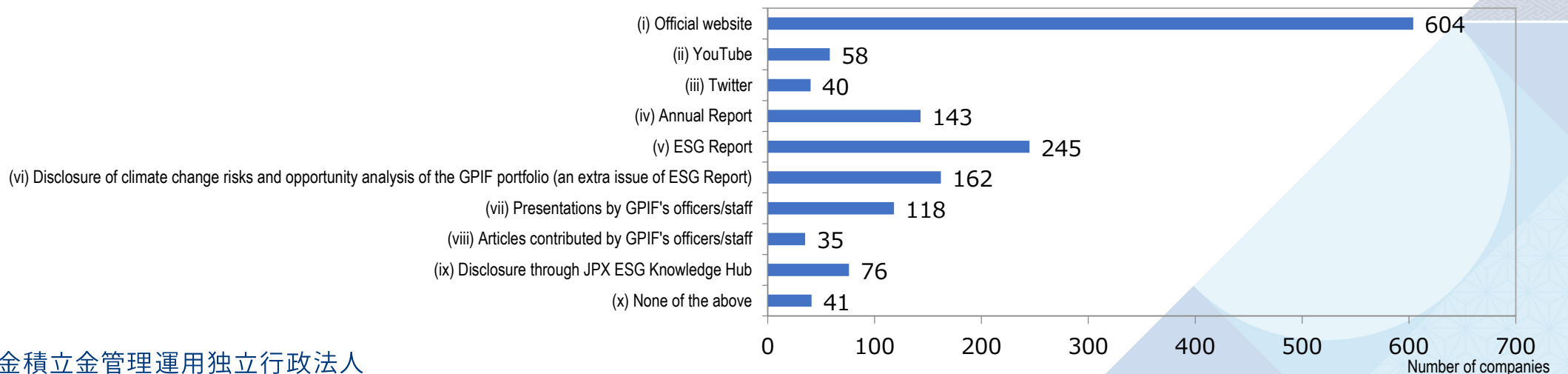
### Q3: Have you discussed any GPIF topics during your meetings with institutional investors?



Additional question:  
What 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?

[Comments (excerpts)]

- Take a leading role for virtuous cycles in the overall investment chain.
- Continue to encourage asset managers to have dialogues with companies from the viewpoint of medium- to long-term improvement of corporate value.
- Interest in non-financial information and ESG of institutional investors as external asset managers has grown year after year, which is attributable to the monitoring of, and engagement with institutional investors by GPIF. We would like you to continue this activity into the future.
- We hope that GPIF, as an asset owner of the global top class, will enhance its capability to globally disseminate information. In order to attract global investment funds to Japanese companies, it is not sufficient to simply encourage a company to change, but it is necessary to transmit transformation. We would like to request your strong support for such purposes.
- GPIF's website and other information such as JPX ESG Knowledge are very useful and informative. We expect that you will continue to provide useful information to companies.
- In order to maintain a high level of awareness of ESG triggered partly by the COVID-19 pandemic, we expect dialogue on a regular basis with the aim of sharing information with asset managers and cultivating analysts.
- For the purpose of promoting constructive dialogue, we expect that excessive inflow of funds into passive management will be limited in the markets and the medium- to long-term investments will increase. Given that the methodology of the ESG indices applied by each evaluation agency has yet to be fully developed, we would like GPIF, as the asset owner, to proactively hold dialogues with each evaluation agency to check whether appropriate evaluation is conducted, and disclose the results.
- It would be of great help if GPIF will plan and implement measures that contribute to activating the engagement of institutional investors with medium- and small-cap companies. I would appreciate it if GPIF conducts activities to raise the level of all Japanese companies although those small and medium caps account for just a small portion on a market capitalization basis.
- We expect that GPIF will increase contact points with companies to promote disclosure about the initiatives and way of thinking as the asset owner.
- Further raise the governance for the selection agencies of ESG indices selected.
- We would like GPIF to conduct activities for raising the standard of discipline for ESG evaluation agencies, and provide guidance to asset managers not to use the evaluation results made by ESG evaluation agencies uncritically.
- As an asset owner, GPIF considers that the most important challenge is pursuit of investment returns in the long-term management. Therefore, GPIF should avoid a situation in which the return of ESG-based management falls lower than that of non-ESG investments such as market average after deducting management fees, etc.
- The ESG indices are currently specific to the Japanese market. But I think the initiatives of Japanese companies will become closer to the global level if the global ESG indices (including Japanese stocks) are adopted.
- While passive investors and persons in charge of exercise of voting rights are positive toward ESG engagement, active investors and sell-side analysts whom the persons in charge of IR communicate with on a daily basis do not appear to have interest in it. As a result, their views on each company in the sector are almost the same, and do not work effectively in selecting investees applying ESG information. I feel that the companies' engagement activities are not reflected in stock prices. I would like GPIF to include active investors and sell-side analysts in the subject agencies.



GPIF Homepage

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

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GPIF YouTube channel

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

GPIF twitter

<https://twitter.com/gpiftweets>