



Report of the 7th 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: 2,183 companies listed on the First Section of the Tokyo Stock Exchange (as of December 16, 2021)
- Number of respondent companies: 709
- Response rate: 32.5%
- Survey period: From January 14, 2022 through March 18, 2022

3. Comments from Masataka Miyazono, President of GPIF

This is the seventh time this survey has been conducted, and we are pleased to announce that we received the largest number of responses ever. We would like to take this opportunity to thank all the companies that took the time to participate in this survey and provided us with valuable comments and opinions.

The results of this survey show that there has been progress in dialogue on corporate philosophy and long-term vision and that the number of companies that have endorsed the TCFD and disclosed non-financial information including information in line with the TCFD has significantly increased in the past year. A long-term orientation and the sustainable growth of its investee companies and the market as a whole are essential for GPIF in increasing long-term investment returns. For this reason, GPIF encourages its asset managers to engage in dialogue from a long-term perspective for the enhancement of long-term corporate value. We are encouraged by the progress in information disclosure and its utilization that are indispensable in promoting mutual understanding and carrying out effective dialogue. We will take measures to advance constructive dialogue between companies and investors in the

future, including the announcement of “Excellent Disclosure” selected by GPIF’s asset managers.

GPIF will continue to engage in stewardship activities and ESG initiatives, taking into account the opinions expressed by the surveyed companies. Thank you again to all the companies that took part in the survey.

4. Summary of the Survey Results

<For the first time, more than 50% of companies responded that they had observed desirable changes in institutional investors>

With regard to changes in the attitudes of institutional investors at IR meetings, etc. during the past one year, while the ratio of companies that considered the changes to have been desirable has been gradually increasing in the past few years, more than 50% of respondents stated that they had observed desirable changes for the first time. In particular, the ratio of companies that selected “Observed desirable changes in all or majority of institutional investors” increased.

<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 “5 years and more” (the total number of the companies that responded “5 years to less than 10 years,” “10 years to less than 15 years,” “15 years to less than 20 years” and “20 years and more”) has exceeded 80% for the first time. In addition, the number of companies that indicated “Long-term plan/vision” as criteria used in setting the time frame exceeded the number of companies that indicated “Medium-term management plan” (classified by GPIF based on open-ended responses).

<The number of companies that make voluntary disclosure of non-financial information has increased significantly>

The number of companies that make voluntary disclosure of non-financial information including ESG has increased significantly, reaching 85%. The number of companies that prepare Integrated Reports and disclose information in line with the TCFD has also grown considerably. In particular, the number of companies that disclose information in line with the TCFD has increased by more than 100 from 139 in the previous survey to 249.

<Awareness of ESG themes has increased reflecting the revision to Japan’s Corporate Governance Code>

As for major themes in corporate ESG activities, 77.9% of respondents selected “Climate Change,” making it the most critical theme for the first time. The theme indicating the largest increase in response rate from the previous survey was “Climate Change” (+14.3%) followed by “Diversity” (+11.8%) and “Human Rights & Community” (+6.2%). This indicates that corporate awareness on specific themes has increased as a result of the revision to Japan’s Corporate Governance Code in June 2021.

(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, while the ratio of companies that considered the changes to have been desirable has been gradually increasing in the past few years, for the first time more than 50% of respondents stated that they had observed desirable changes.
- Approximately 90% of companies stated that their long-term vision was on the agenda in dialogue with institutional investors. Companies that present their long-term vision continued to increase and more than 80% responded that their time frame was 5 years and more. The number of companies that indicated “Long-term plan/vision” as criteria used in setting the time frame exceeded the number of companies that indicated “Medium-term management plan.”
- 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” continued to increase compared with the previous survey. The ratio of companies that selected “They appear to use the reports more effectively than before” for Integrated Reports exceeded 60%, while the ratio was nearly reached 30% for Corporate Governance Reports. There has been progress in dialogue which is relevant to the revised to Japan’s Corporate Governance Code.

■ Companies' IR and ESG Activities and Status of Disclosure

- Voluntary disclosure of non-financial information including ESG (such as Integrated Report) is conducted by 85% of the companies surveyed, significantly increasing from the previous survey.
- The ratio of companies that prepare Integrated Reports or equivalent reports exceeded 60%, showing a significant increase from the previous survey. 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.
- The number of companies that have endorsed the TCFD significantly increased from 208 in the previous survey to 382. Of such companies, the number of companies that have disclosed information in line with the TCFD has also increased from 139 to 249. Furthermore, not less than 90% of them indicated that they disclosed information partially or properly in terms of the four items ((i) Governance; (ii) Strategy; (iii) Risk management; and (iv) Indicators and goals) as in the previous survey.
- As for major themes in corporate ESG activities, many companies selected (i) Climate Change (77.9%), (ii) Corporate Governance (71.7%), and (iii) Diversity (55.0%), and “Climate Change” was selected as the most critical theme for the first time. The theme indicating the largest increase in response rate from the previous survey was “Climate Change” (+14.3%) followed by “Diversity” (+11.8%) and “Human Rights & Community” (+6.2%). These themes and items are exemplified as sustainability issues or indicated in Supplementary Principles, which were added as a result of the revision of Japan's Corporate Governance Code last year. The result shows corporate awareness has especially increased in these items.
- With regard to the content of dialogues with fixed income investors, the ratio of companies that selected “Financial position and financial strategy” and “Business strategy” as themes exceeded 90%, respectively. Furthermore, the ratio of companies that selected “ESG initiatives” significantly jumped, exceeding 60%.

■ 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 small-cap companies continued to state that they were not sure. Overall, no significant differences in evaluation for each index were observed.
- Over 60% of companies stated that they have reviewed the methodologies that index providers have disclosed. More than 90% of large-cap companies said that they have reviewed them. The ratio of medium-cap and small-cap companies indicating that they have reviewed them has also been increasing.
- 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.” The ratio has also been increasing in medium-cap companies.
- Companies that conducted dialogue with MSCI or FTSE in 2021 accounted for a quarter of all respondents.

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

- As for the rating of GPIF’s overall stewardship initiatives, more than three-quarters of respondents selected “Highly appreciate” and “Appreciate.” Many respondents appreciated GPIF’s dialogue with its asset managers from a long-term perspective, initiatives to encourage the sustainable growth of the market as a whole, including ESG promotion, and dispatch of information including such initiatives.
- Many companies expect GPIF in its stewardship activities to encourage constructive dialogue from a medium- to long-term viewpoint, promote ESG investments, and continue information disclosure and others.



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May 2022



About the Survey: Purpose and the Status of Responses

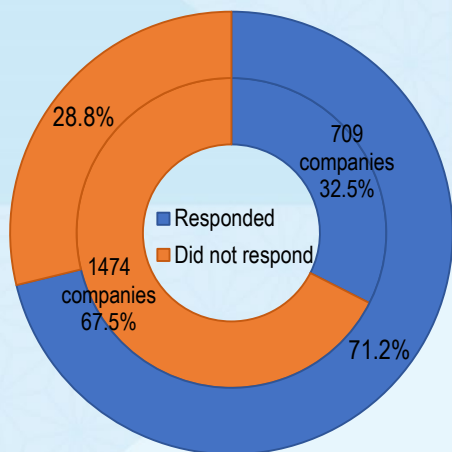
1. Purpose

- 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 in the past one year.

2. Subjects, etc.

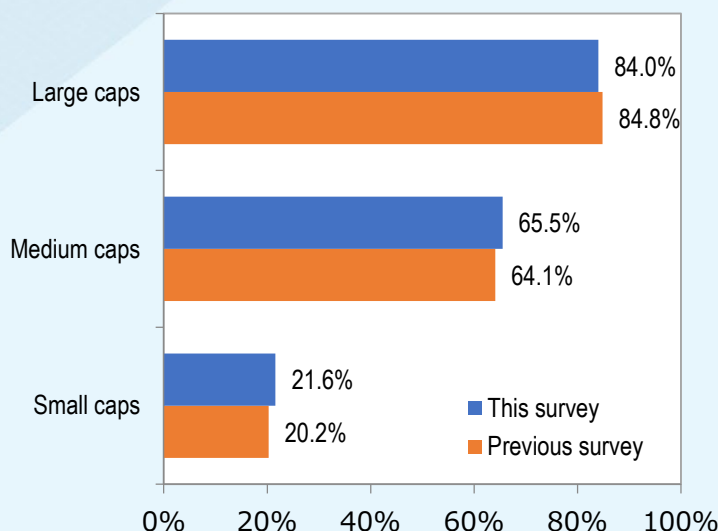
- 2,183 companies listed on the First Section of the Tokyo Stock Exchange (as of December 16, 2021)
- Number of respondent companies: 709 (681 in the previous year)
Response rate: 32.5% Survey period: From January 14 through March 18, 2022

<Response coverage rate>

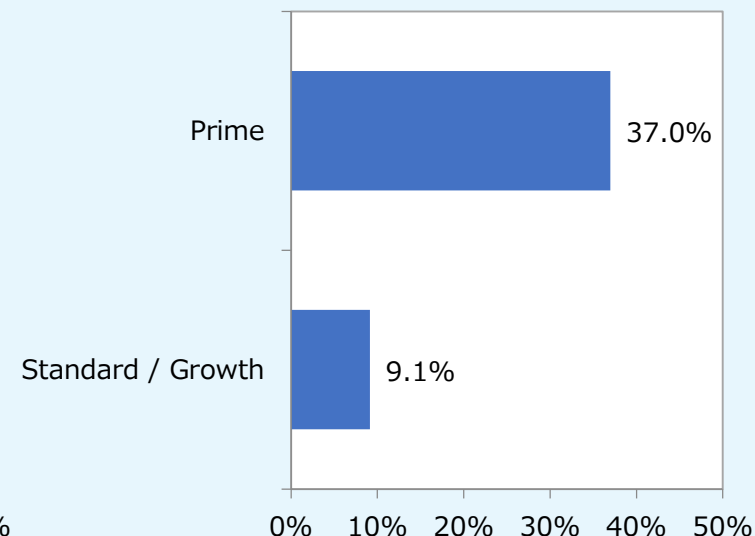


* Inside: based on number of companies
Outside: based on market cap

<Response rate by company size>

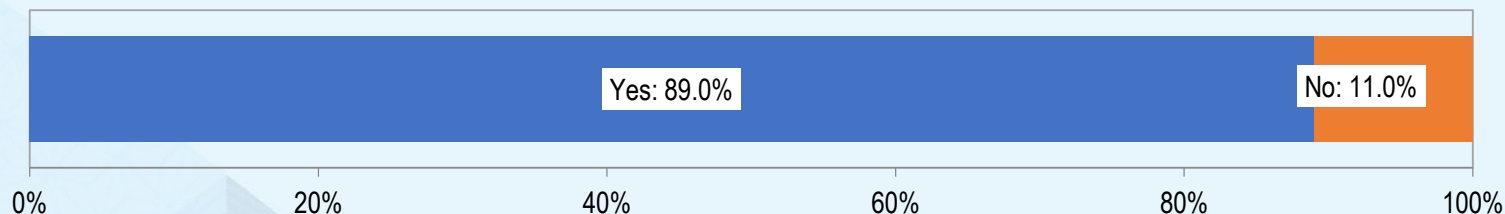


<Response rate by market segment>

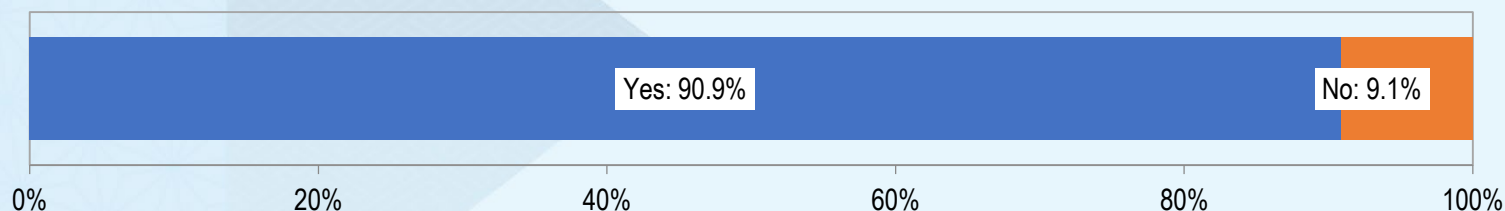


<On Previous Survey (Conducted in January 2021)>

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	58.1%
(ii) Expectations for institutional investors in pursuing enhancement of corporate value and sustainable growth over the medium to long term	52.4%
(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)	69.7%
(iv) Expectation for stewardship activities by GPIF as an asset owner	30.5%

*The percentage indicates the ratio to total responses out of 709 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. during the past one year, while the ratio of companies that considered the changes to have been desirable has been gradually increasing in the past few years. For the first time more than 50% of respondents stated that they had observed desirable changes. In particular, the ratio of respondents who selected “Observed desirable changes in all or majority of institutional investors” increased (p. 5).
- ❑ More than 60% of companies stated that corporate philosophy was on the agenda in the dialogue with institutional investors, and approximately 80% of companies stated that they explain their corporate philosophy to institutional investors. As for the specific themes of dialogue, the most common theme was “Relationship between corporate philosophy and management strategy.” In the comparison to the previous survey, the ratio of companies that selected “Penetration of corporate philosophy among employees” increased (p. 6).
- ❑ Approximately 90% of companies stated that their long-term vision was on the agenda in dialogue with institutional investors. Companies that present their long-term vision continued to increase and more than 80% responded that their time frame was 5 years and more. The number of companies that indicated “Long-term plan/vision” as criteria used in setting the time frame exceeded the number of companies that indicated “Medium-term management plan” (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” continued to increase compared with the previous survey. The ratio of companies that selected “They appear to use the reports more effectively than before” for Integrated Reports exceeded 60%, while the ratio was nearly reached 30% for Corporate Governance Reports. There has been progress in dialogue which is relevant to the revised Japan’s Corporate Governance Code (p. 9).

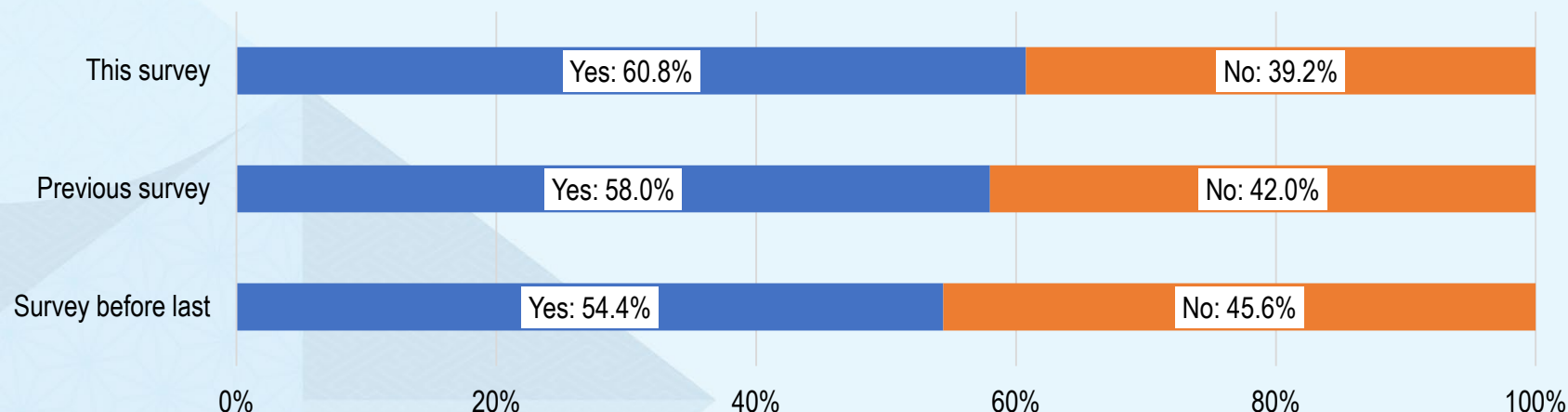
<Institutional Investors Including GPIF's External Asset Managers>

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?

	Survey before last	Previous survey	This survey
(i) Observed desirable changes in all or majority of institutional investors	6.7%	9.9%	13.6%
(ii) Observed desirable changes in some institutional investors	36.1%	37.3%	37.5%
(iii) Observed some changes but there are significant differences among institutional investors	15.2%	11.5%	10.9%
(iv) Observed no significant changes in institutional investors	41.3%	40.9%	37.3%
(v) Observed more undesirable changes in institutional investors	0.6%	0.4%	0.7%

More than 50% of companies observed desirable changes

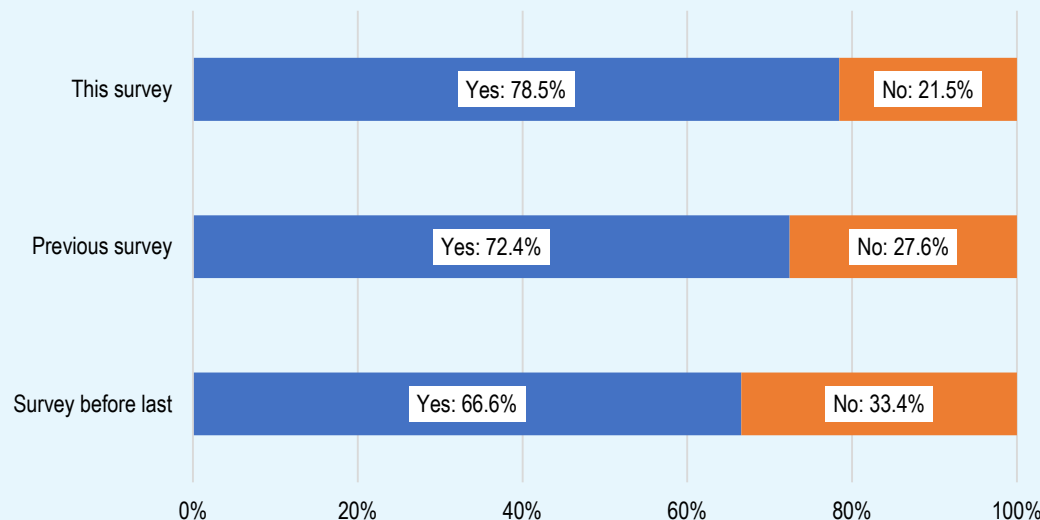
Q2: Has your company's corporate philosophy (including the company creed, company motto, etc.; the same shall apply hereinafter) been on the agenda for the dialogue with institutional investors?



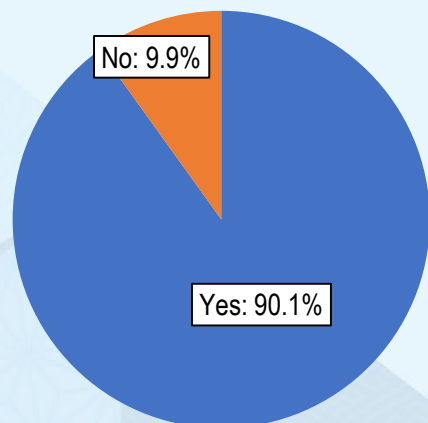
2-1: If you selected "Yes" in Q2, what was the topic specifically? (Multiple responses allowed)

	Previous survey	This survey
Background and content of corporate philosophy	64.3%	62.0%
Relationship between corporate philosophy and management strategy	75.0%	74.6%
Penetration of corporate philosophy among employees	36.7%	43.4%
Others	5.9%	4.4%

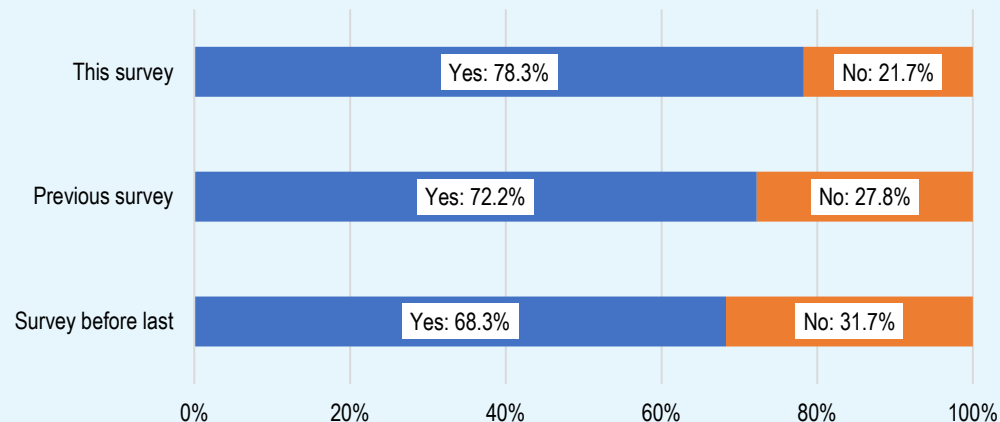
2-2: Do you provide explanations on your company's corporate philosophy to institutional investors?



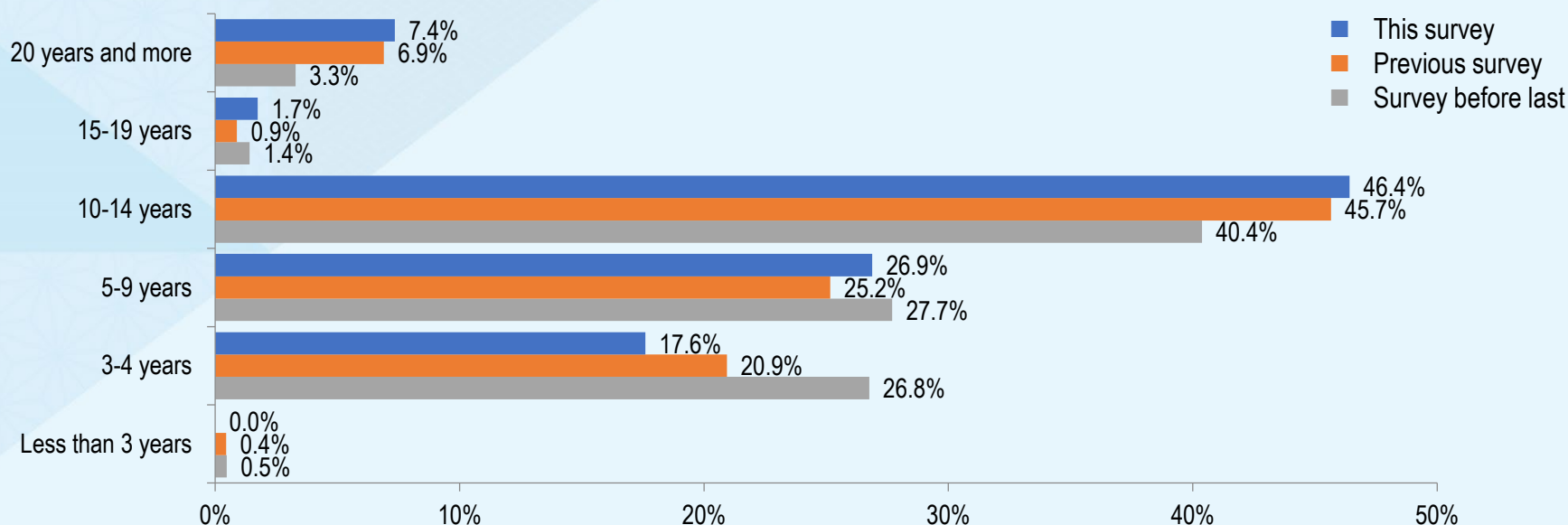
Q3: Has your company's long-term vision been on the agenda for the dialogue with institutional investors?



3-1: Is your specific long-term vision disclosed to institutional investors?

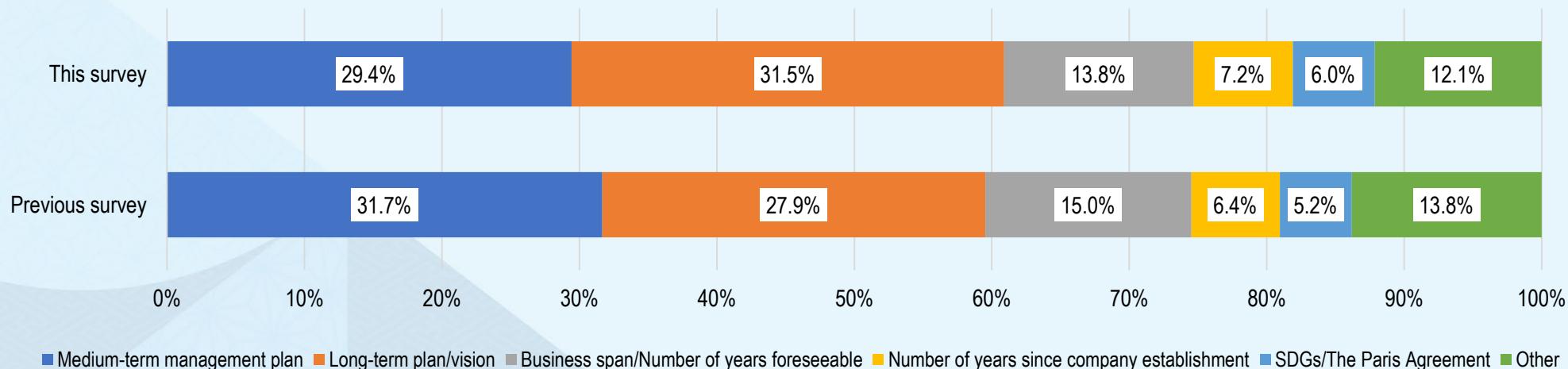


3-2: If it is disclosed, what is the time frame for your long-term vision?



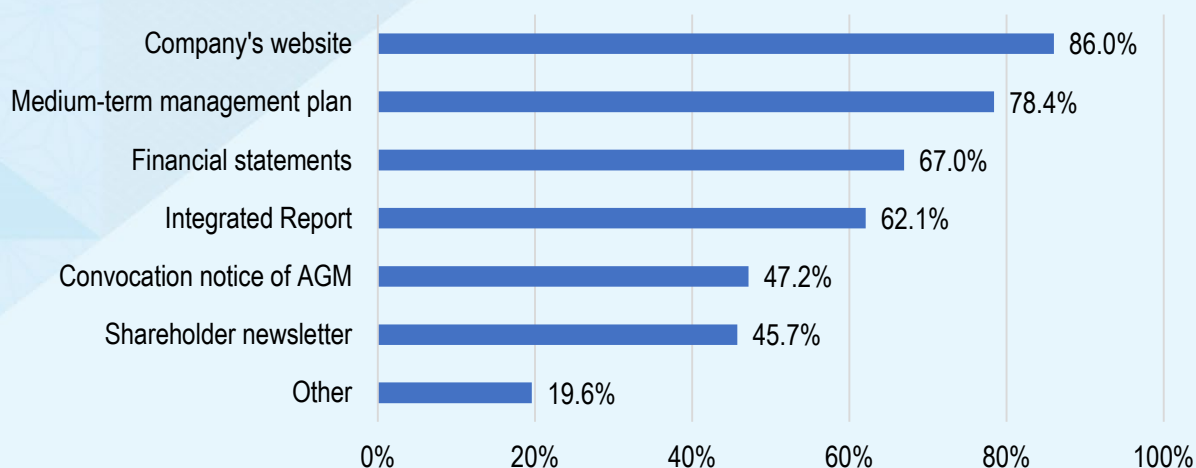
*When the responses are indicated in a time range, the low end of the range is used for aggregation. Responses stating that no specific time frame is presented have been excluded from aggregation. There were 517 valid responses (449 valid responses in the previous survey).

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



*Classified based on open-ended responses

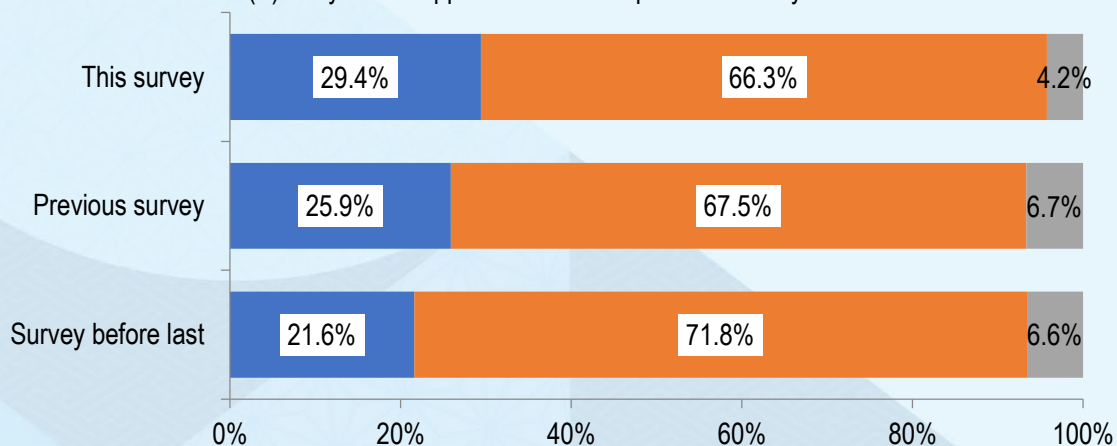
3-4: In what media is your long-term vision shown specifically?



*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.

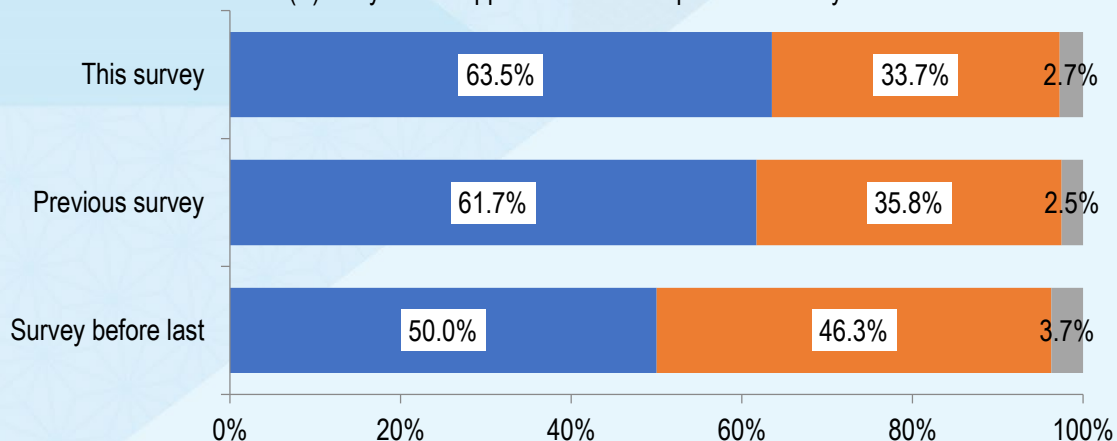


<Excerpts of comments from companies that selected (i)>

- Interest in the response to the revision to Japan's Corporate Governance Code seems high.
- 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.
- More investors collected and analyzed 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 obtain business feedback from the fruitful discussions, in which we exchanged opinions and received suggestions.
- The use of Corporate Governance Reports by institutional investors appeared to have become more effective than before, as illustrated by many of them requesting the inclusion of a skill matrix in Corporate Governance Reports, etc.

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)>

- An increasing number of investors asked questions based on the contents of our Integrated Reports. Many of them have also shared information on the trends of Integrated Reports issued by other companies and proposed some improvements for our Integrated Reports.
- The issuance of Integrated Reports has enabled for us to conduct dialogue on our strengths and value creation story, deeper and better than before with institutional investors. We have also gained meaningful feedback on management such as our capital policy and our business portfolio.
- Our dialogue on ESG and the enhancement of our long-term corporate value has been based on Integrated Reports.
- While persons in charge of responsible investment in each company had been thoroughly reading Integrated Reports even in the past, we felt through the interviews that more regular analysts in asset management departments who are not involved with responsible investment have been thoroughly reading our Integrated Reports.

Q6: 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)]

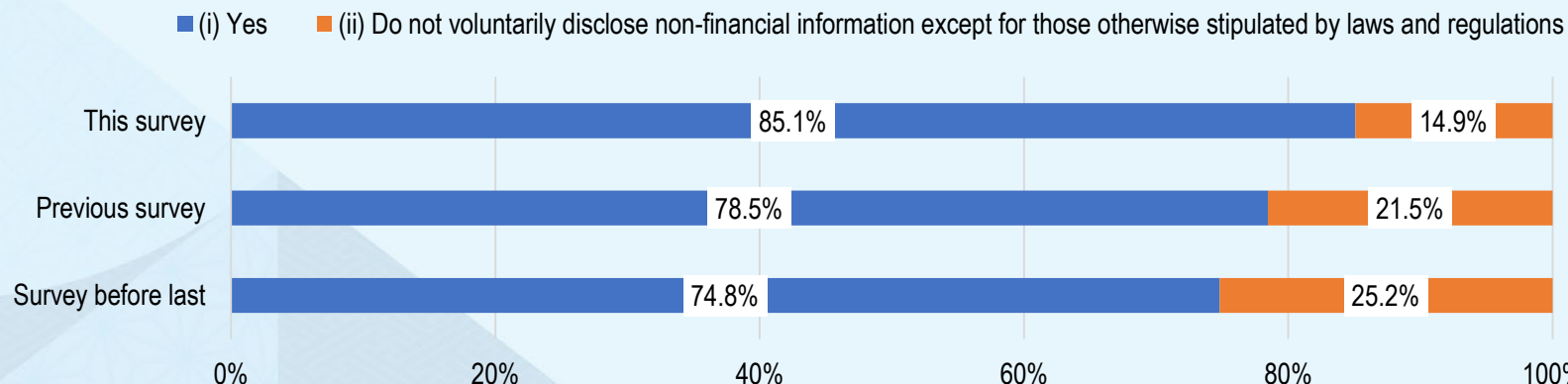
- We would like to continue to see engagement aimed at increasing medium- to long-term corporate value in addition to short-term earnings.
- As for the judgement of exercise of voting rights regarding proposals to the general shareholders' meeting, we would like institutional investors not only to make judgments based on their relevance to those formal standards, such as numerical standards, but also to ensure the validity of judgment through dialogue with companies from the viewpoint of increasing medium- to long-term corporate value.
- We would like to hear specific comments from institutional investors on the key points and evaluation from a medium- to long-term perspective, their expectations on our company, items that we should disclose more or reorganize in Integrated Reports and other materials. We would also like to know how they assess our sustainability initiatives and how they incorporate ESG into their investment and asset management processes.
- We would like institutional investors to thoroughly read disclosure materials such as Integrated Reports and Corporate Governance Reports to gain a good understanding of our company before engaging in dialogue. We would greatly appreciate it if they could prepare an analysis paper on our company for the meeting, which we believe would result in more meaningful engagement. Our top priority is continuing to implement the cycle of disclosure, dialogue, feedback and improvement of management. In dialogue with institutional investors, we expect them not only ask questions and confirm facts about our strategies and materiality, but also provide us candid opinions and suggestions that will increase our company's corporate value.
- We would like institutional investors to provide information based on the insights that they have gained through dialogue with a number of companies in Japan and abroad, including on international trends such as frameworks for disclosing non-financial information, the trends in ratification of various guidelines by Japanese and overseas companies, the status of establishment and advancement of ESG-related initiatives, and the sharing of advanced measures for medium- to long-term value creation.
- We would like to hear candid opinions about what our company is lacking compared with other companies.
- We would like investors that manage global funds to point out the shortcomings and weaknesses of our company compared with overseas companies.
- In recent years, companies have been required to disclose more and more information, and it is difficult to decide what information should be disclosed to what extent. We would like to know what disclosure items investors expect companies to provide.
- We hope that our dialogue will not end up with a one-sided explanation from our company, but will be a constructive one, with active suggestions from investors, including their expectations on our company in the future.

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

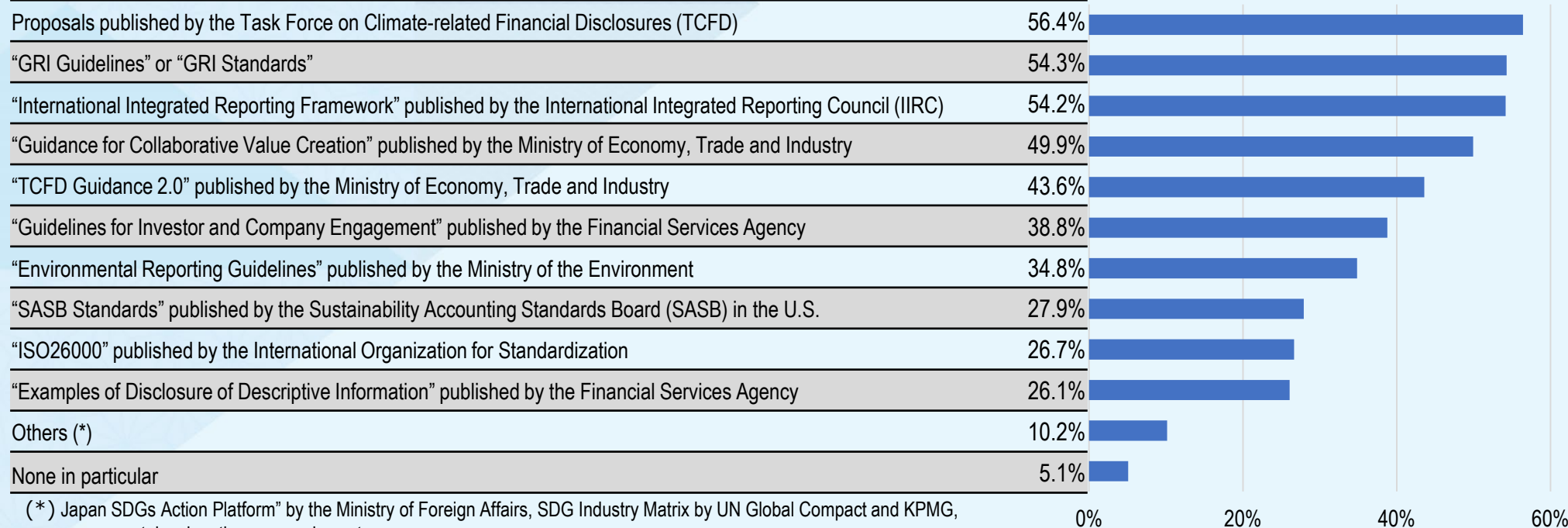
- ❑ Voluntary disclosure of non-financial information including ESG (such as Integrated Report) is conducted by 85.1 % of the companies surveyed, slightly increasing from the previous survey. (p. 12)
- ❑ Explanations on non-financial information, such as ESG, continue to be provided mainly at financial results briefings and IR meetings. The number of companies that hold information sessions focused on ESG issues has been increasing. The ratio of companies that do not provide explanations is now less than 10%. The number of interested institutional investors also increased from the previous survey. (p.13 & 14)
- ❑ The ratio of companies that prepare Integrated Reports or equivalent reports exceeded 60%, showing a significant increase from the previous survey. 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.15)
- ❑ The number of companies that have endorsed the TCFD significantly increased from 208 in the previous survey to 382. Of such companies, the number of companies that have disclosed information in line with the TCFD has also increased from 139 to 249. Furthermore, not less than 90% of them indicated that they disclosed information partially or properly in terms of the four items ((i) Governance; (ii) Strategy; (iii) Risk management; and (iv) Indicators and goals) as in the previous survey. However, as more companies newly disclosed information in line with TCFD, the ratio of respondents who selected “Properly disclosed” declined slightly (p. 16 & 17).
- ❑ As for major themes in corporate ESG activities, many companies selected (i) Climate Change (77.9%), (ii) Corporate Governance (71.7%), and (iii) Diversity (55.0%), and “Climate Change” was selected as the most critical theme for the first time. The theme indicating the largest increase in response rate from the previous survey was “Climate Change” (+14.3%) followed by “Diversity” (+11.8%) and “Human Rights & Community” (+6.2%). These themes and items are exemplified as sustainability issues or indicated in Supplementary Principles, which were added as a result of the revision of Japan’s Corporate Governance Code last year. The result shows corporate awareness has especially increased in these items (P. 19).
- ❑ With regard to the content of dialogues with fixed income investors, the ratio of companies that selected “Financial position and financial strategy” and “Business strategy” as themes exceeded 90%, respectively. Furthermore, the ratio of companies that selected “ESG initiatives” significantly jumped from the previous survey, exceeding 60% (p. 20).
- ❑ The ratio of companies that have taken actions on the SDGs was approximately 90%, showing a significant increase (p.21).

<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.)?



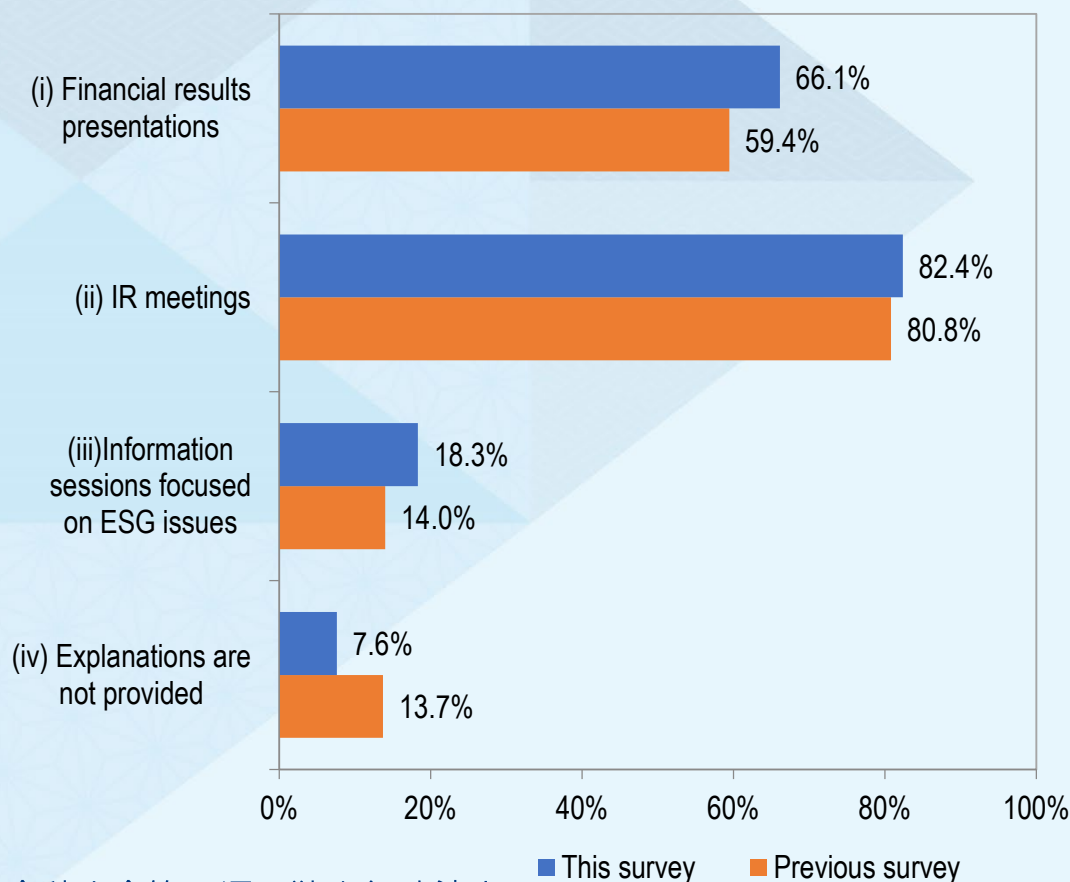
1-1: If you selected “Yes” in Q1, do you refer to any of the following standards and guidelines?



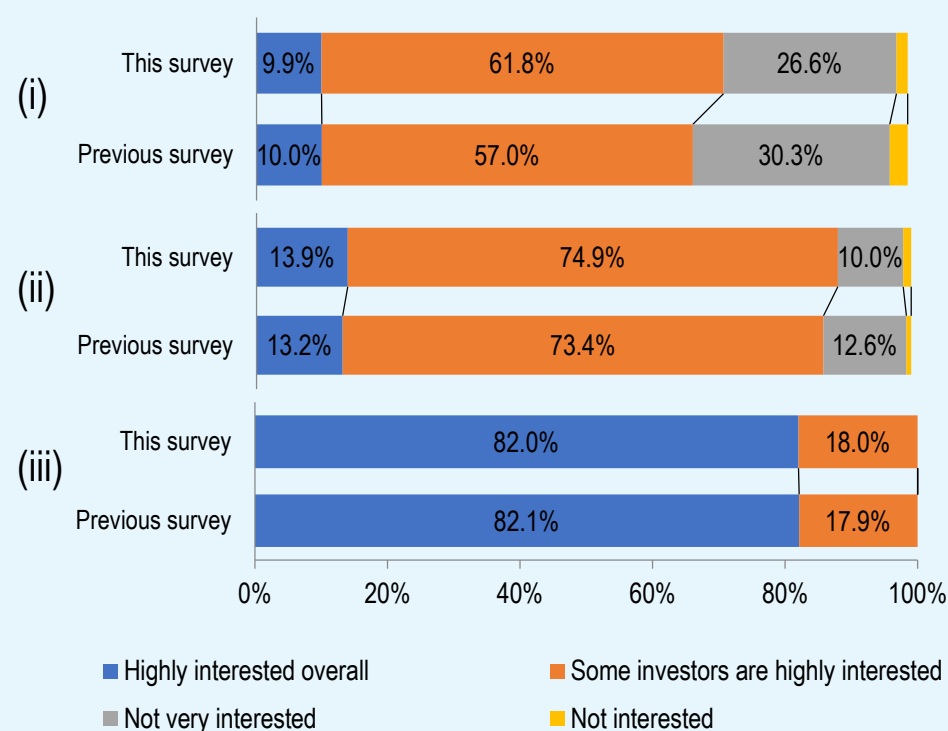
*Multiple responses; ratio of total number of companies

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?

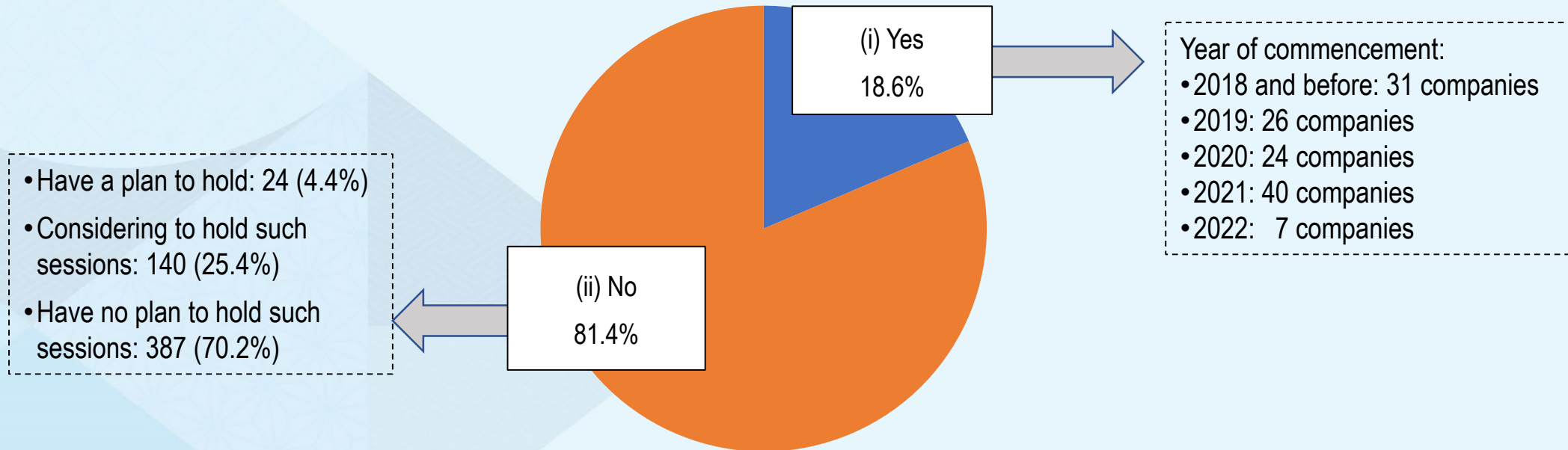
<Sessions where explanations on non-financial information are provided>



<Reactions of institutional investors>

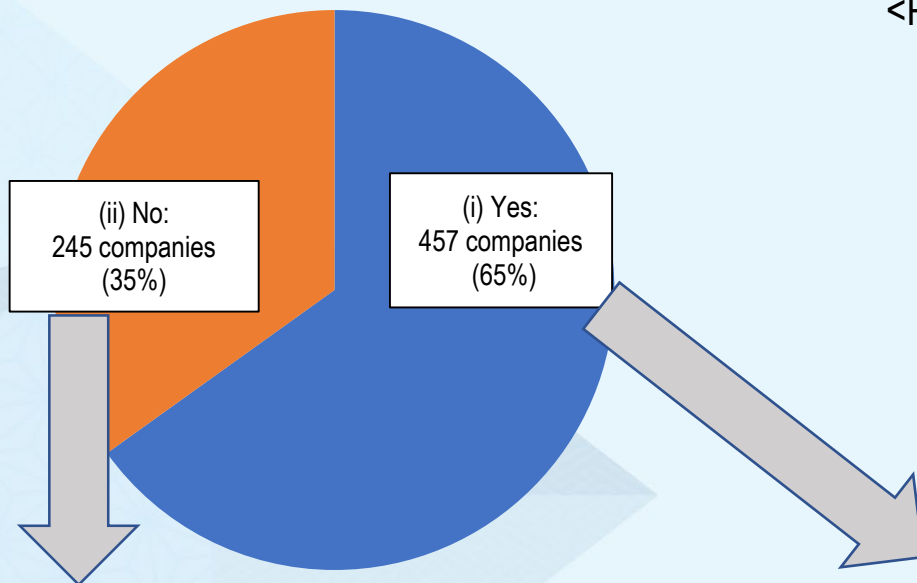


Q3: Do you currently hold information sessions focused on ESG issues for institutional investors?

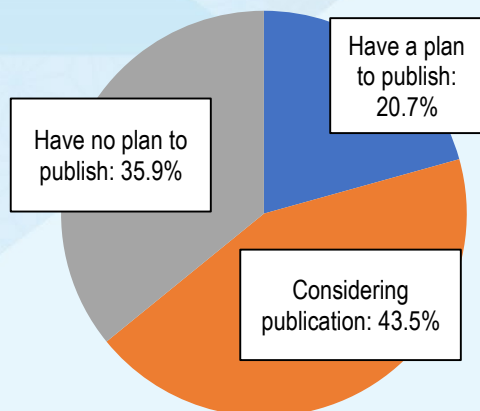


Q4: Do you publish Integrated Reports or equivalent reports for institutional investors?

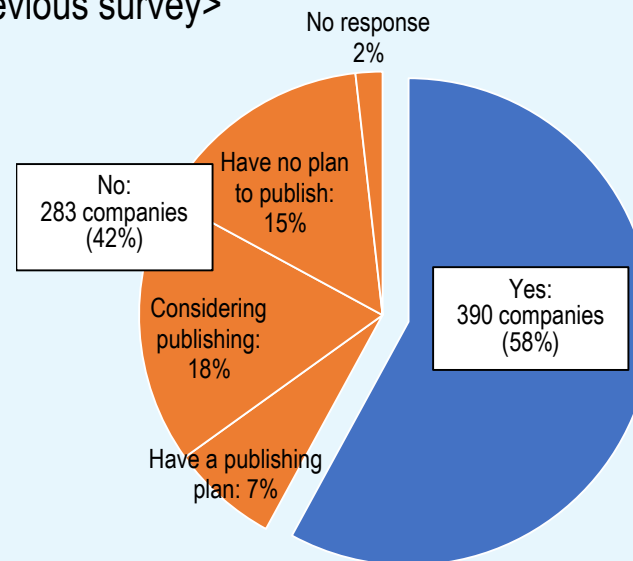
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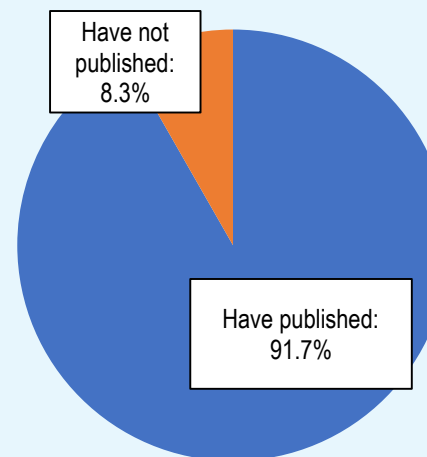
4-1: If you selected (ii) in Q4, what is your future plan?



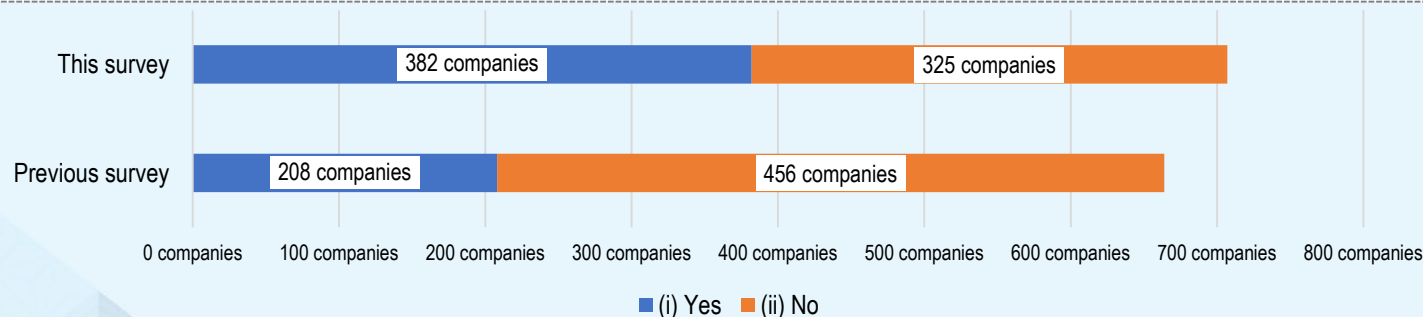
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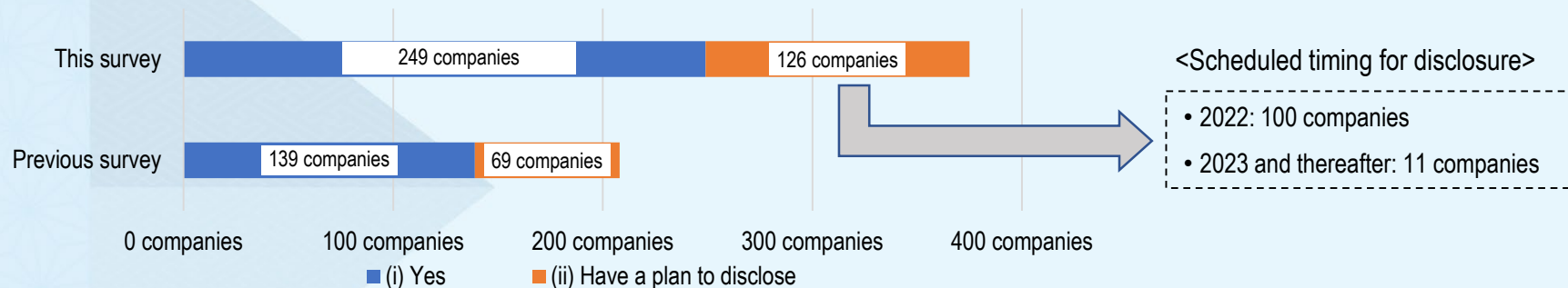
4-2: If you selected (i) in Q4, have you published an English version?



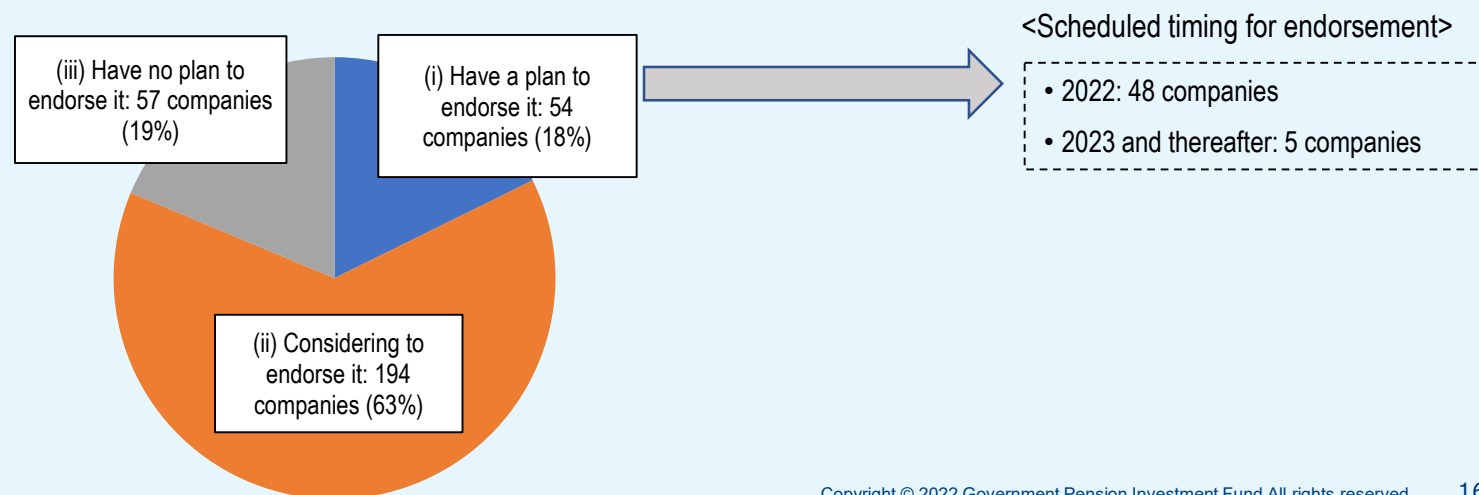
Q5: Have you endorsed the Task Force on Climate-related Financial Disclosures (TCFD)?



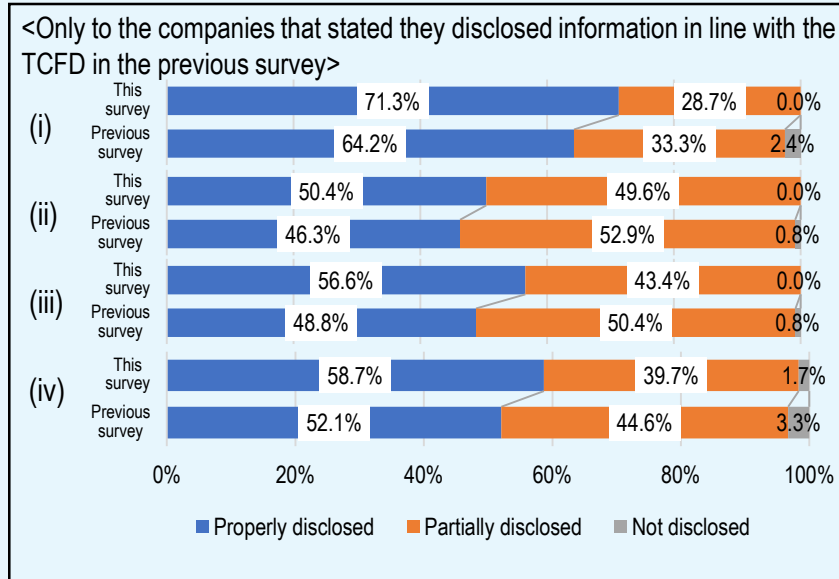
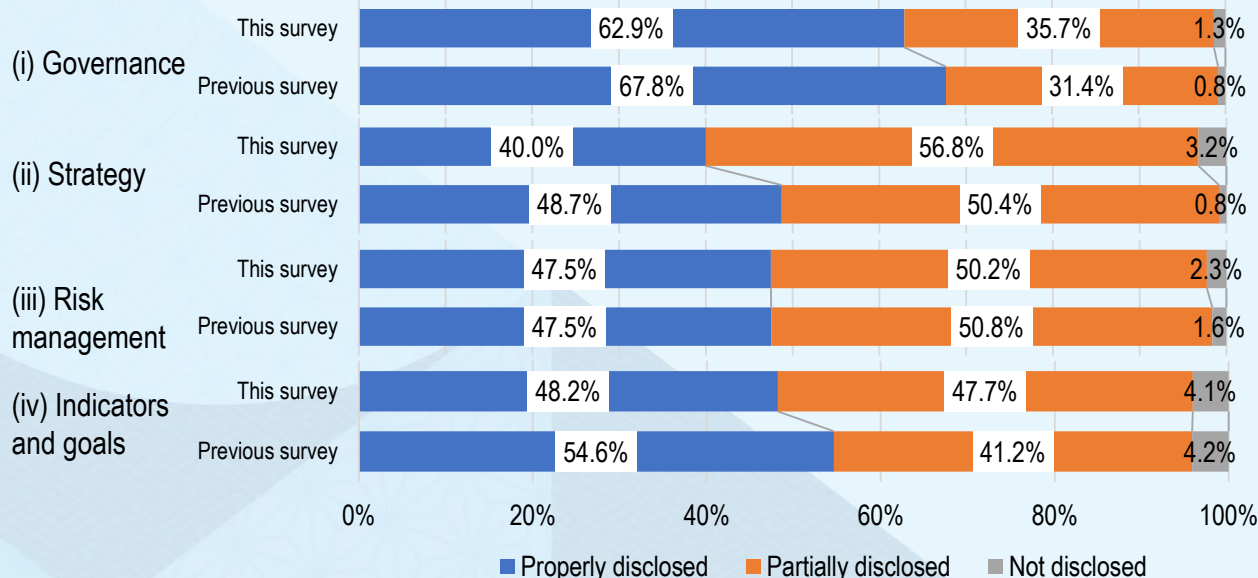
5-1: If you selected (i) in Q5, do you disclose information in line with the TCFD?



5-2: If you selected (ii) in Q5, what is your future plan regarding the endorsement of the TCFD?



5-3: If you selected (i) in 5-1, what is the disclosure status regarding the items below?



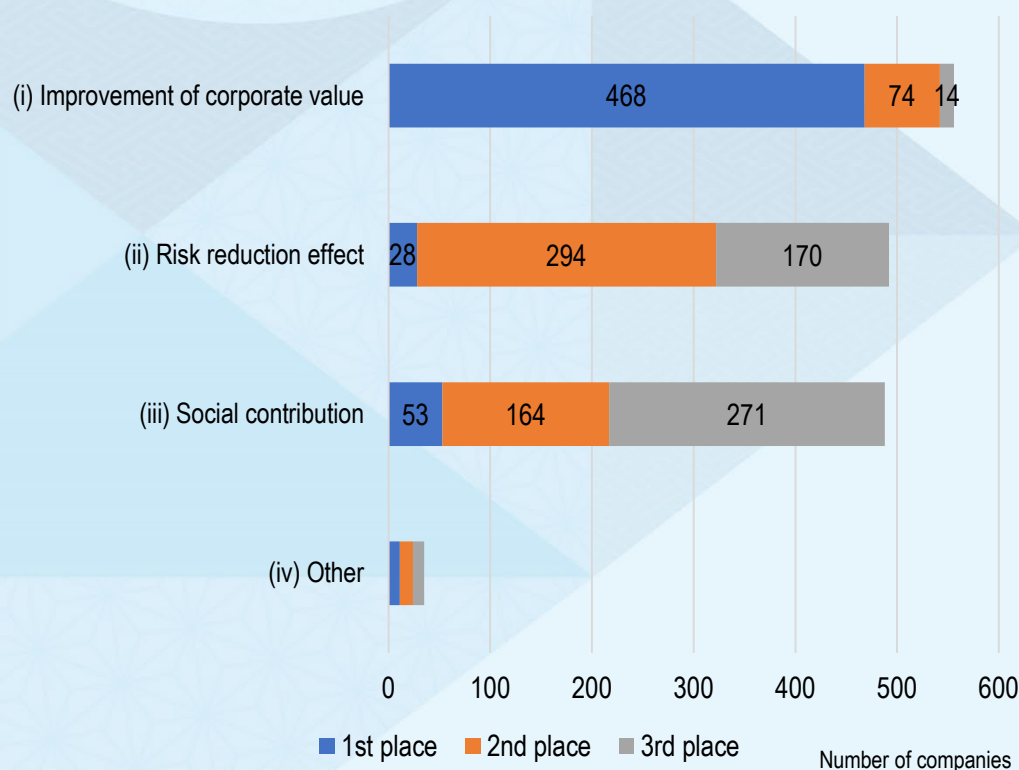
5-4: If you selected (i) in 5-1, describe issues, if any, in disclosing information in line with the TCFD, such as practical issues including your company's structure, information acquisition and analysis methods, as well as disclosure criteria, and external assessment, regardless of internal and external factors.

[Excerpts of comments]

- It is difficult to extract appropriate grounds for future forecasts in scenario analysis.
- It is very difficult to quantify the financial impact of climate change. An appropriate method of calculating financial impact has not been established.
- The global movement toward rulemaking on disclosure of climate change risks and opportunities is fluid, and many organizations and countries are considering their own rules, with different levels of content, and it takes time to check trends. We are not sure which rules should be used to consider disclosure.
- Understanding of management. Establishment of internal systems and internal understanding. Lack of specialized personnel.
- Because our company operates globally and procures, produces, and sells its products in various regions, obtaining data for the entire supply chain and adjusting the scope of disclosure presents a heavy workload.

Q6: 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	60	190	218	11	23	40	1	5	8
Ratio (*)	81%	88%	81%	15%	11%	16%	2%	3%	4%
(ii) Risk reduction effect	4	12	12	49	128	117	18	58	94
Ratio	5%	6%	4%	68%	60%	45%	30%	31%	43%
(iii) Social contribution	4	13	36	7	59	98	39	117	115
Ratio	5%	6%	13%	10%	27%	38%	65%	63%	52%
(iv) Other	6	2	3	5	5	3	2	6	3
Ratio	8%	1%	1%	7%	2%	1%	3%	3%	1%
Total	74	217	269	72	215	258	60	186	220

* 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: 60 companies / 74 companies)

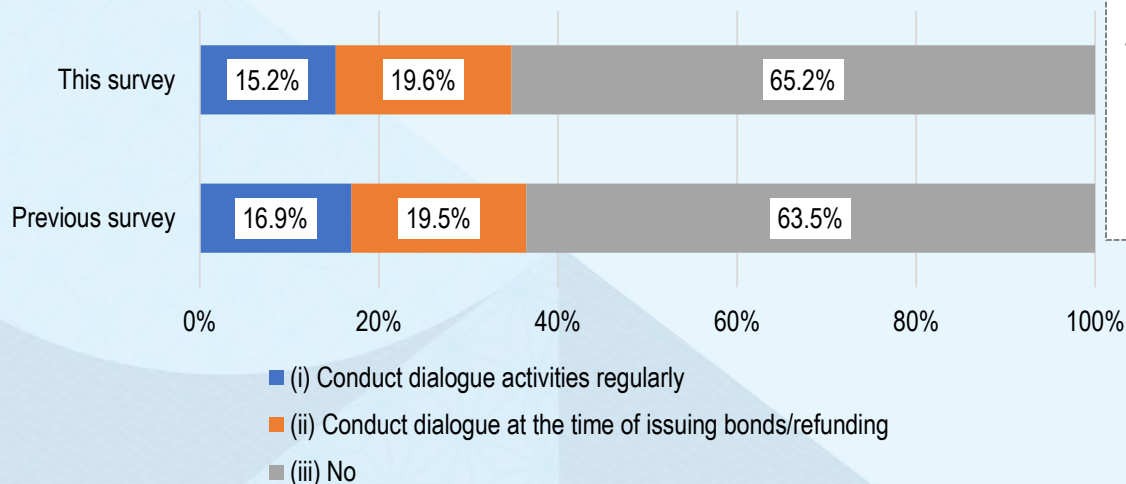
Q7: What are the major themes of the ESG activities of your company? (Multiple responses allowed, up to five)

Rank	Rank (previous survey)	Theme	This survey	Previous survey	Change
1	2	Climate Change	77.9%	63.6%	+14.3
2	1	Corporate Governance	71.7%	71.7%	±0
3	3	Diversity	55.0%	43.2%	+11.8
4	5	Human Rights & Community	43.2%	37.0%	+6.2
5	4	Health & Safety	38.8%	40.6%	-1.8
6	7	Risk Management	27.9%	28.6%	-0.7
7	6	Product Liability	27.5%	30.7%	-3.2
8	8	Supply Chain	24.3%	23.5%	+0.8
9	9	Disclosure	21.2%	20.4%	+0.8
10	10	Board Structure, Self-evaluation	14.1%	17.1%	-3.0

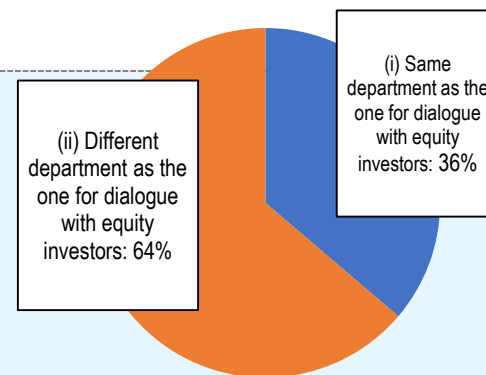
Rank	Rank (Previous survey)	Theme	This survey	Previous survey	Change
11	13	Waste Management	11.0%	11.5%	-0.5
12	12	Pollution & Resources	10.6%	12.4%	-1.8
13	11	Environmental Opportunities	9.4%	13.0%	-3.6
14	15	Others	8.6%	9.4%	-0.8
15	17	Social Opportunities	7.1%	6.0%	+1.1
16	16	Capital Efficiency	6.8%	7.5%	-0.7
17	14	Labor Standards	6.3%	10.0%	-3.7
18	18	Water Stress & Water Security	4.7%	5.9%	-1.2
19	19	Biodiversity	4.4%	4.7%	-0.3
20	20	Misconduct	1.8%	3.1%	-1.3
20	21	Deforestation	1.8%	2.9%	-1.1
22	23	Anti-corruption	1.6%	1.6%	±0
23	22	Minority Shareholder Rights (Cross-shareholding, etc.)	1.4%	2.2%	-0.8
24	24	Conflict Minerals	0.8%	0.7%	+0.1
25	25	Tax Transparency	0.0%	0.1%	-0.1

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

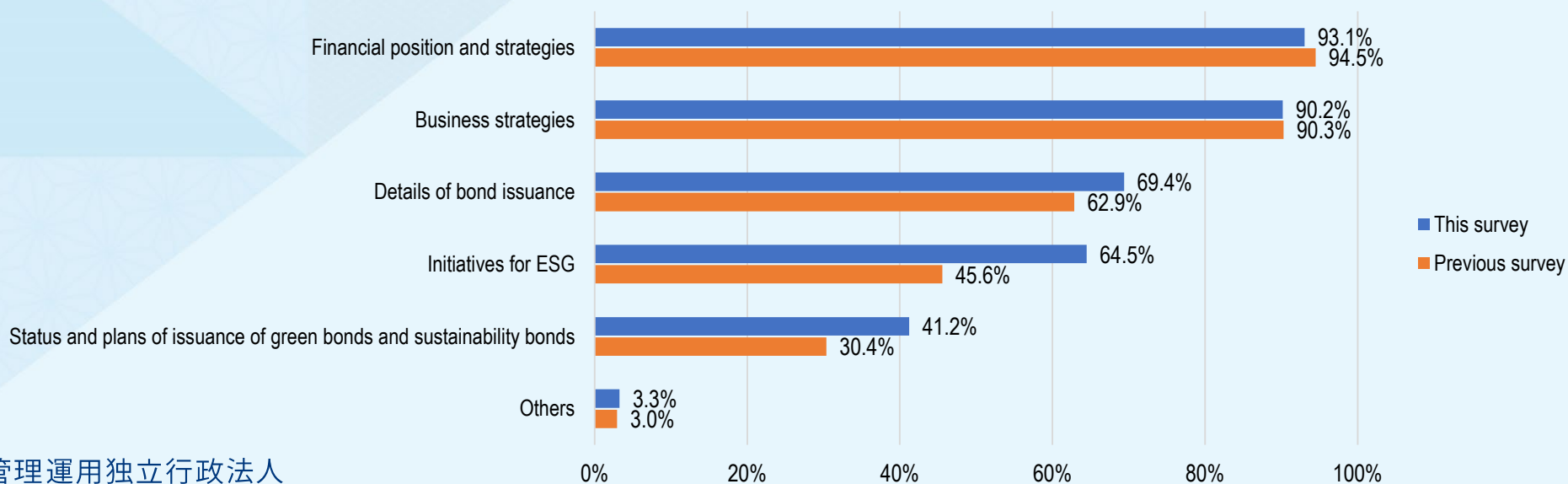
Q8: Do you conduct dialogue with fixed income investors?



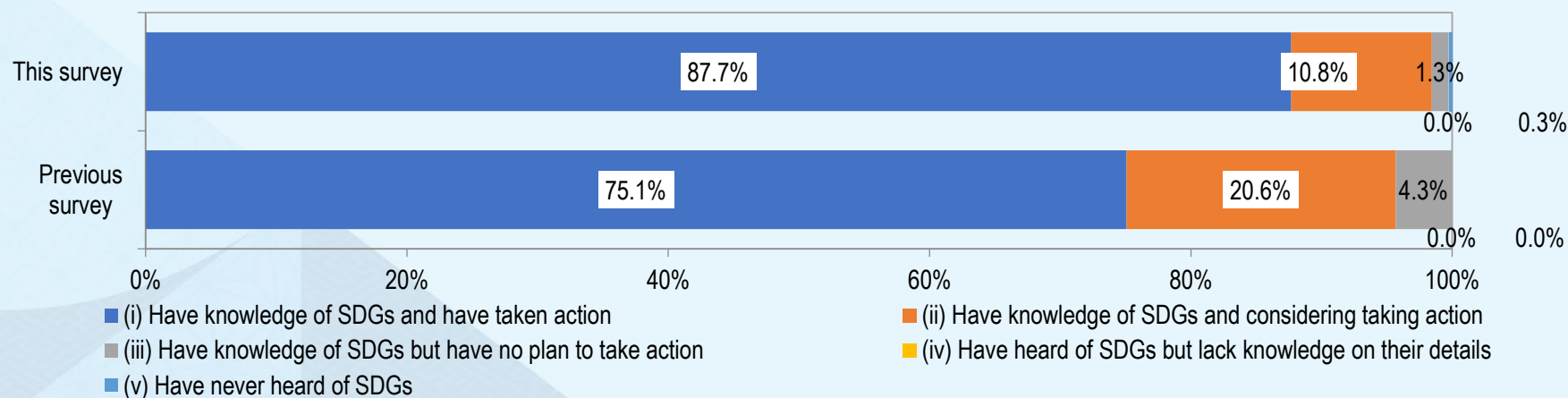
8-1: If you selected (i) or (ii) in Q8, is the dialogue with fixed income investors conducted by the same department in your company as the dialogue with equity investors?



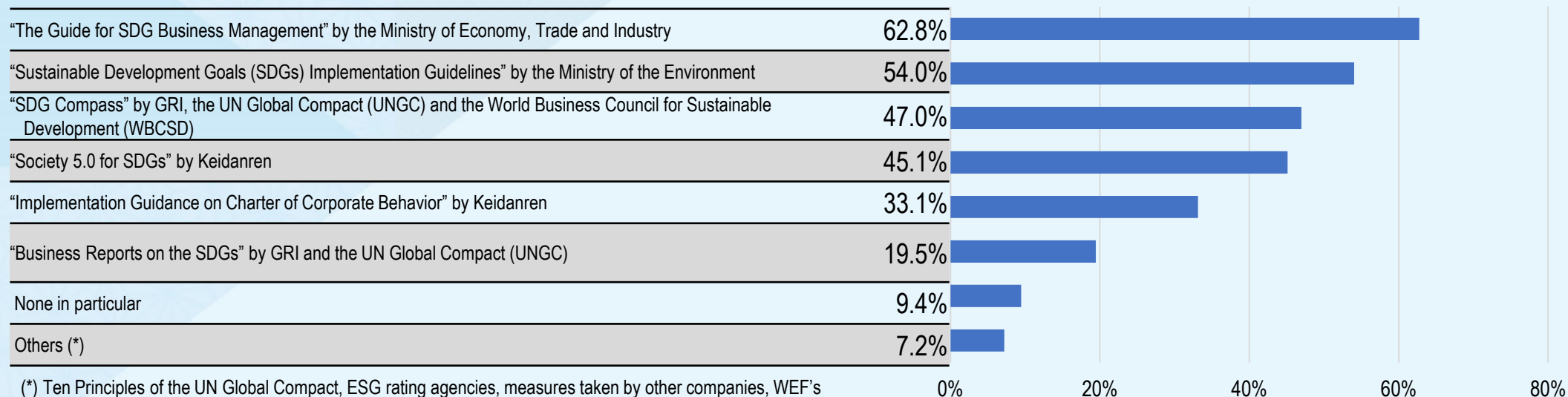
8-2: If you selected (i) or (ii) in Q8, what are the contents of dialogue with fixed income investors? (Multiple responses allowed)



Q9: What is your knowledge of the Sustainable Development Goals (SDGs) and status of action taken to achieve the SDGs?



9-1: If you selected (i) or (ii) in Q9, do you refer to any of the following guidelines? (Multiple responses allowed)



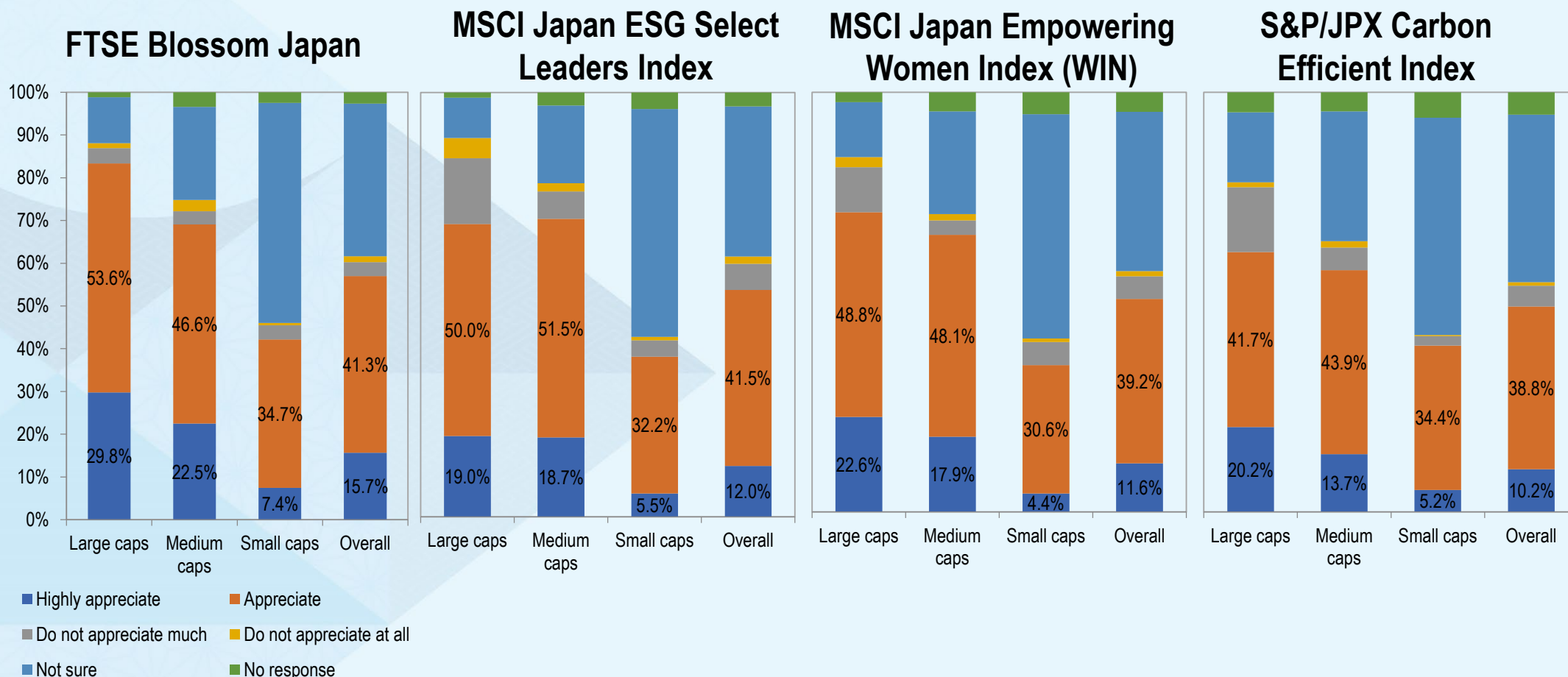
(*) Ten Principles of the UN Global Compact, ESG rating agencies, measures taken by other companies, WEF's Stakeholder Capitalism Metrics, advice from specialists, etc.

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. 23)
- ❑ Over 60% of companies stated that they have reviewed the methodologies that index providers have disclosed. More than 90% of large-cap companies said that they have reviewed them. The ratio of medium-cap and small-cap companies indicating that they have reviewed them has also been increasing. Meanwhile, the ratio of companies that selected “Wish to be included” in the indices exceeded 80% overall. (p.24)
- ❑ 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.” The ratio has also been increasing in medium-cap companies (p. 25).
- ❑ Companies that conducted dialogue with MSCI or FTSE in 2021 accounted for a quarter of all respondents. We believe that the number of companies that conduct dialogue with S&P (Trucost) has been limited because the evaluation items for S&P(Trucost)’s environmental indices are focused on carbon efficiency, etc. (p.27)

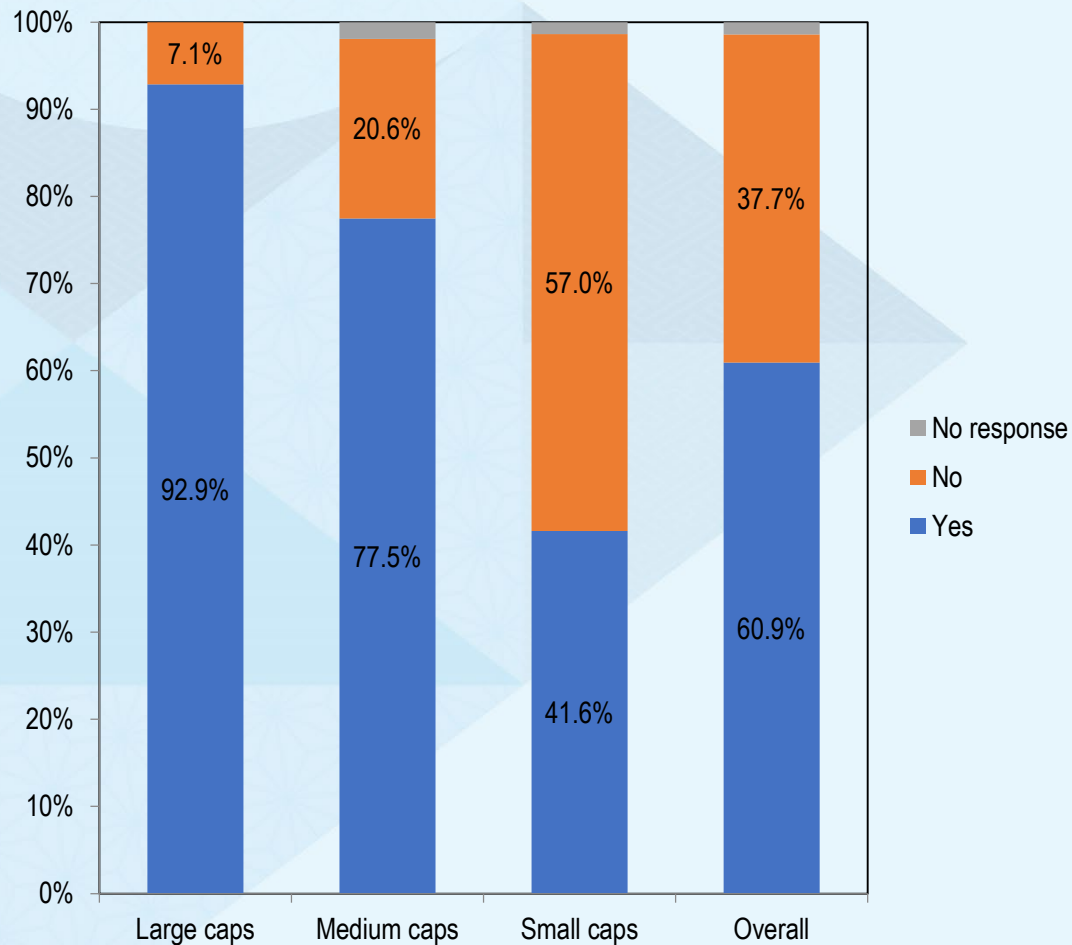
<GPIF's Initiatives (ESG Indices)>

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

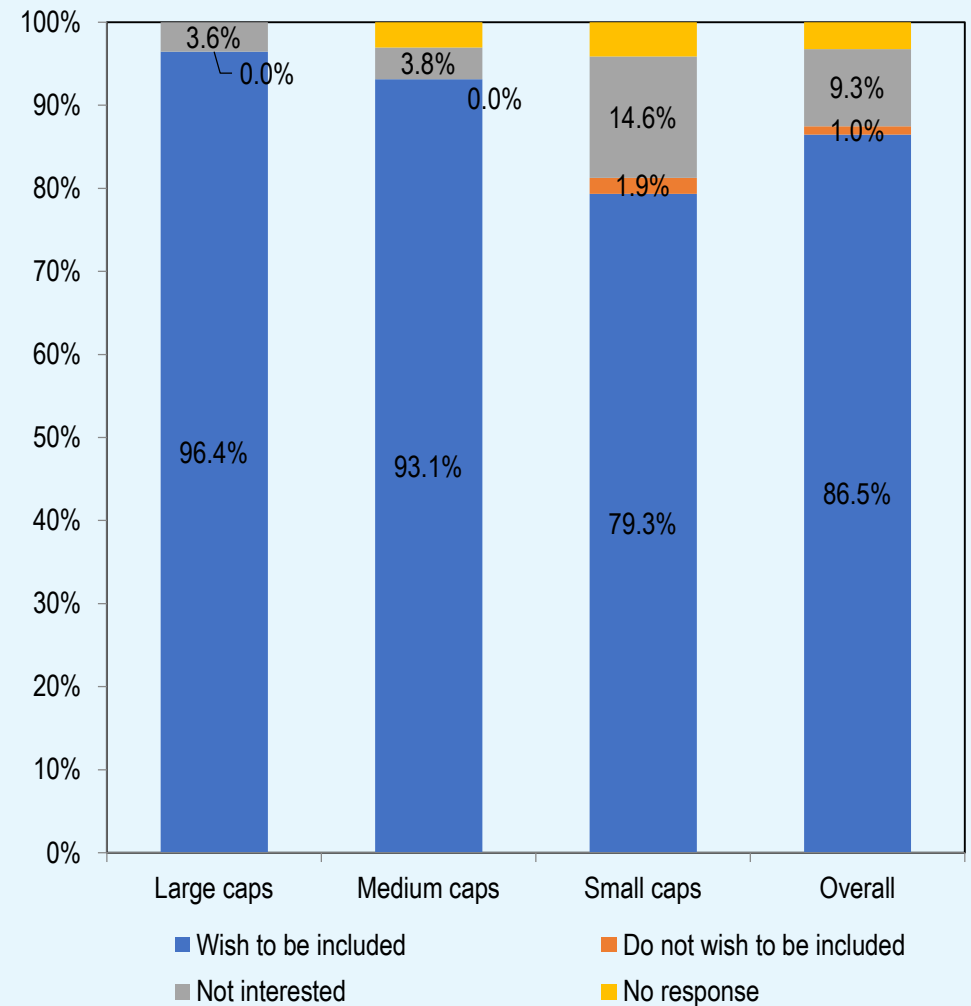


- As in the previous survey, approximately 50% of companies positively evaluated each of the four ESG indices selected by GPIF, and the evaluation was particularly high among large-cap companies. Many small-cap companies continued to state that they were not sure. No significant differences in responses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

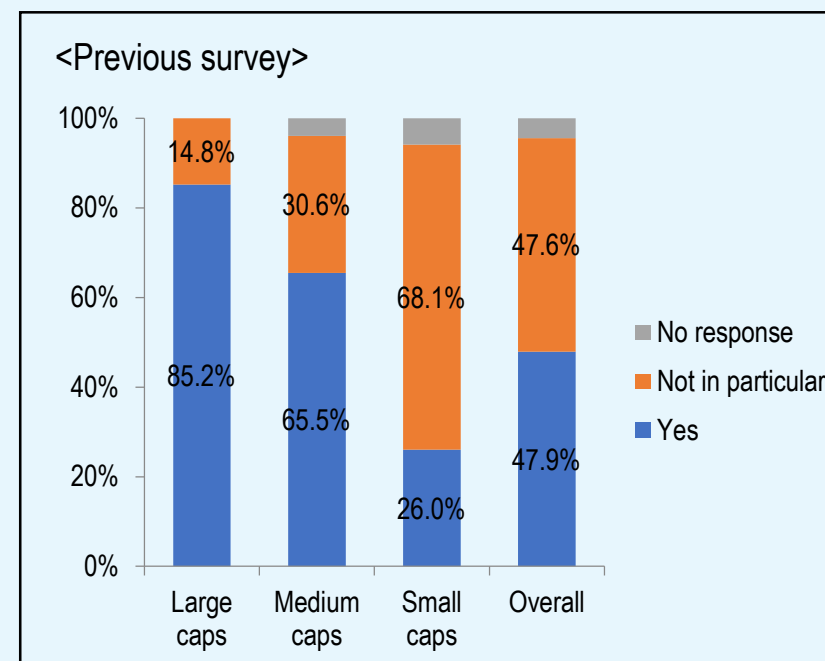
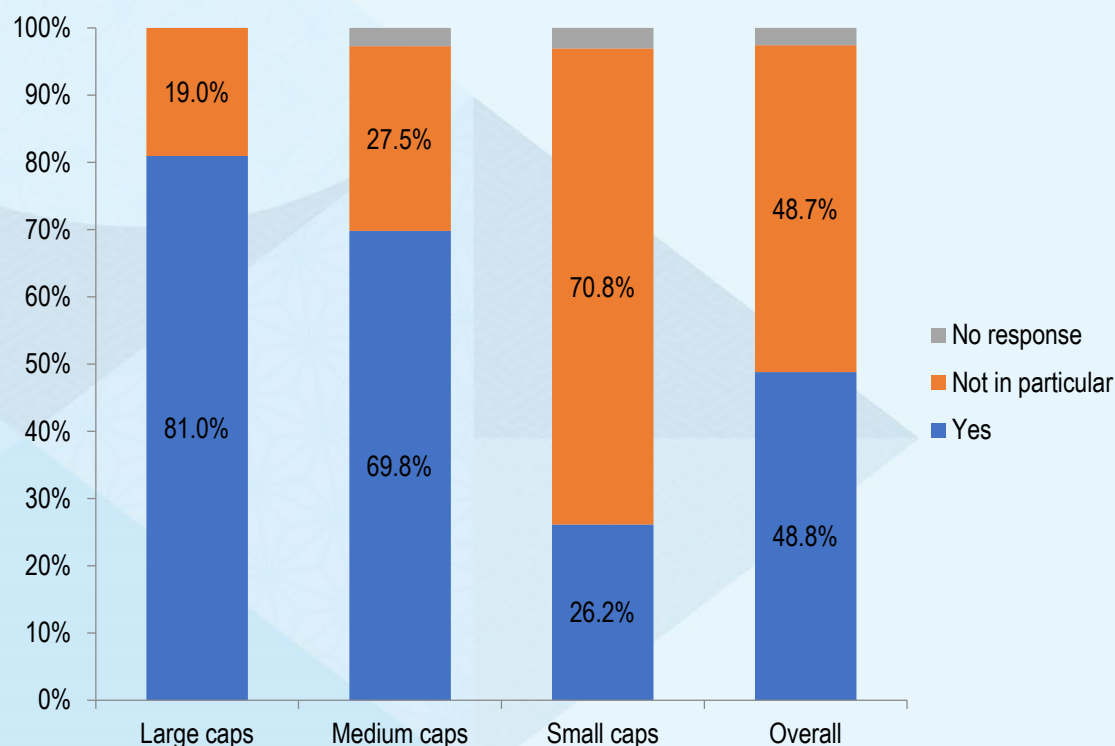
Q2: Have you reviewed the methodologies for the ESG indices selected by GPIF that index providers have disclosed?



Q3: What are your views on inclusion of your company 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. The ratio of medium-cap companies that had observed some changes increased significantly from the previous survey.
- Since the number of companies subject to ESG evaluation and inclusion into indices is currently increasing, we should keep an eye on changes in small-cap companies in the future.

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]

- As our top management has a strong sense of awareness of ESG and the perspective of ESG has been incorporated into our medium-term plan, motivation for ESG initiatives has increased across our company, particularly among those departments in charge.
- Internal recognition that our ESG initiatives can become criteria for inclusion in the ESG Indices adopted by GPIF has deepened the understanding and awareness that our response to ESG will directly result in an increase in corporate value, which has also led to the promotion of our initiatives.

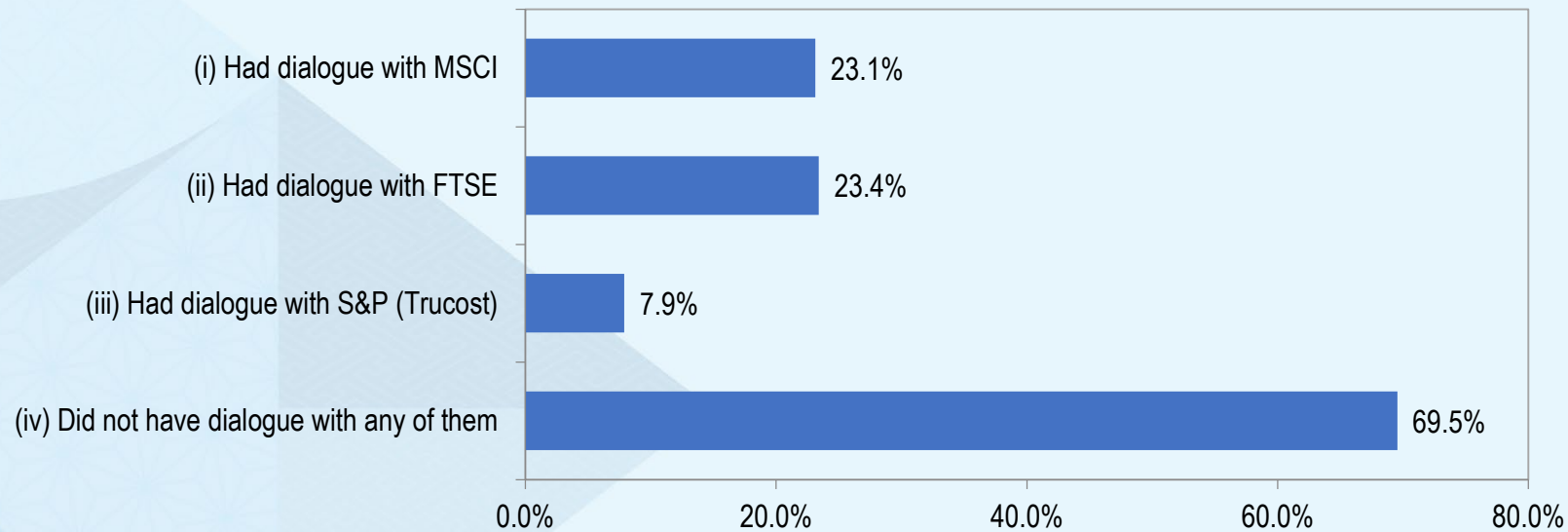
[Changes in organizational structure]

- Establishment of a department specialized in ESG promotion.
- The Sustainability Committee has been established and its discussion has been increasingly intensified.
- It has become easier to build a cooperative relationship within our company with the aim of being included in the ESG indices, and we have enabled easy-to-understand goal setting and consensus building.
- It was recognized as a management challenge, which has developed to the identification of materiality and management integration.
- Incorporation into executive compensation.
- Relevant departments cooperated in order to enhance dialogue with MSCI and FTSE.

[Changes in activities including information disclosure, etc.]

- Our top management presented a policy of actively disclosing information on ESG for a correct evaluation.
- We decided to properly disclose information, instead of just promoting activities internally.
- Aiming to be included in the indices has become one of our indicators in IR activities.
- When GPIF started ESG investing based on the indices, the focus of our discussion was whether we would be included in the ESG indices. However, the launch of the indices became a major impetus for Japanese companies to focus on ESG, significantly changing the concept of ESG in society.
- Not only our internal awareness but also the awareness of ESG of Japanese investors on the whole seems to have changed. While many investors used to think that minimum efforts for ESG were sufficient, more and more investors are focused on ESG activities now.

Q5: Did you have dialogue with MSCI, FTSE and S&P (Trucost) with regard to the ESG indices adopted by GPIF in 2021? (Multiple responses allowed)



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

<Comments>

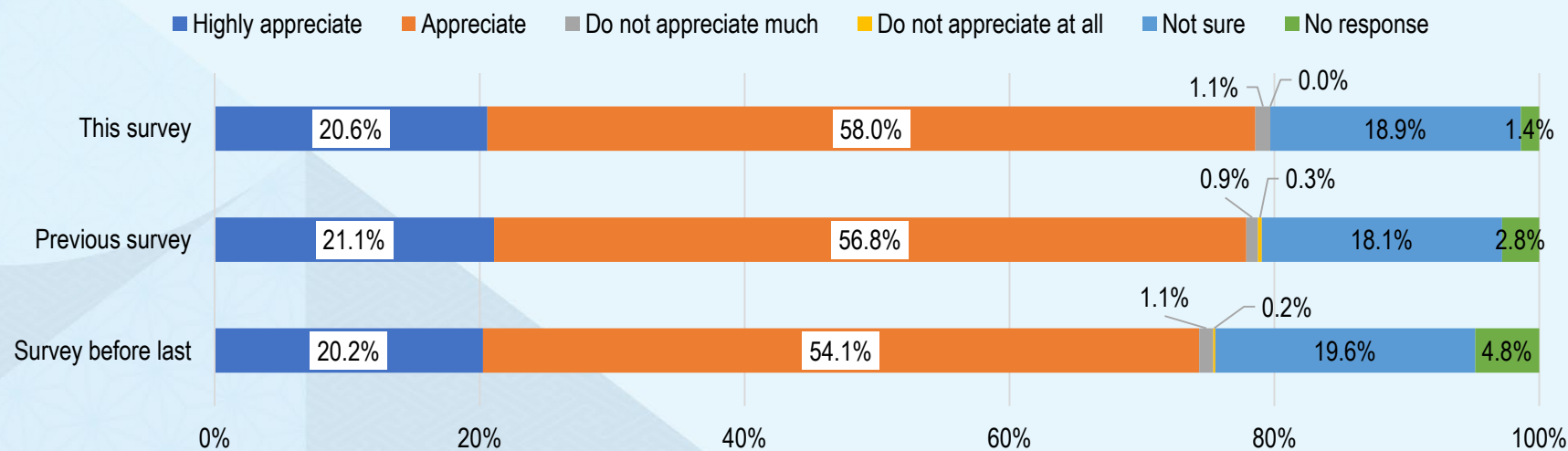
- With regard to the ESG indices, we would like GPIF to further clarify the evaluation criteria.
- Would like GPIF to expand the universe (relaxation of market cap criteria).
- Would like index providers to improve follow-up measures for companies that do not have know-how, provide follow-up in Japanese, and offer easier access to information.
- Expect GPIF to select other indices which are not currently selected such as social and governance related indices.
- Would like GPIF to clarify the evaluation period.
- Would like GPIF to disclose the details of annual review by ESG rating agencies.

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 GPIF's dialogue with its asset managers from a long-term perspective, initiatives to encourage the sustainable growth of the market as a whole, including ESG promotion, and dispatch of information including such initiatives (p. 29).
- ❑ Some of GPIF's initiatives gained high recognition, including "Survey of companies," "Investment based on ESG indices," and "Publication of Excellent & Most-improved Integrated Reports." As for the evaluation of individual initiatives, many respondents selected "Highly appreciate" or "Appreciate" as a whole (p. 30).
- ❑ When companies and institutional investors discuss GPIF during meetings, the most frequently mentioned topics are "ESG investment" and "Stewardship." (p. 31)
- ❑ Among GPIF's public relations activities, companies have seen GPIF's official website the most, which was followed by GPIF's ESG Report (p. 31).
- ❑ Many companies expect GPIF in its stewardship activities to encourage constructive dialogue from a medium- to long-term viewpoint, promote ESG investments, and continue information disclosure and others, as the previous survey (p. 32).

<GPIF's Initiatives (Overall Stewardship Activities)>

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



[Comments (excerpts)]

- GPIF's stewardship activities have resulted in engagement of both companies and investors as well as encouraging a long-term orientation and the sustainable growth of its investee companies and the market as a whole. (Answered, "Highly appreciate")
- We feel that GPIF's stewardship activities are significantly promoting to improve the quality of engagement between asset managers and investee companies. Every year GPIF requests their asset managers to evaluate Integrated Reports, an important tool for engagement, which seems to have been encouraging the asset managers to thoroughly read Integrated Reports in a proactive manner. (Answered, "Highly appreciate")
- There have been signs of a shift from one-sided requests from investors to companies to mutual evaluation. (Answered, "Highly appreciate")
- We appreciate GPIF's balanced efforts to grasp the actual situation by conducting surveys, etc. targeting not only institutional investors but also issuers. (Answered, "Appreciate")
- We appreciate the fact that GPIF is focused on the promotion of stewardship activities by their asset managers such as the review of qualitative assessment of its passive asset managers entrusted with domestic equity investment. (Answered, "Appreciate")
- It is hard to evaluate the impact as the monetary amounts are unclear. (Answered, "Do not appreciate much")
- It is difficult to make a judgement as we don't have opportunities to engage in direct dialogue with GPIF. While it cannot be helped to a certain extent, we do not really recognize GPIF's roles in our dialogue with GPIF's asset managers. (Answered, "Not sure")

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

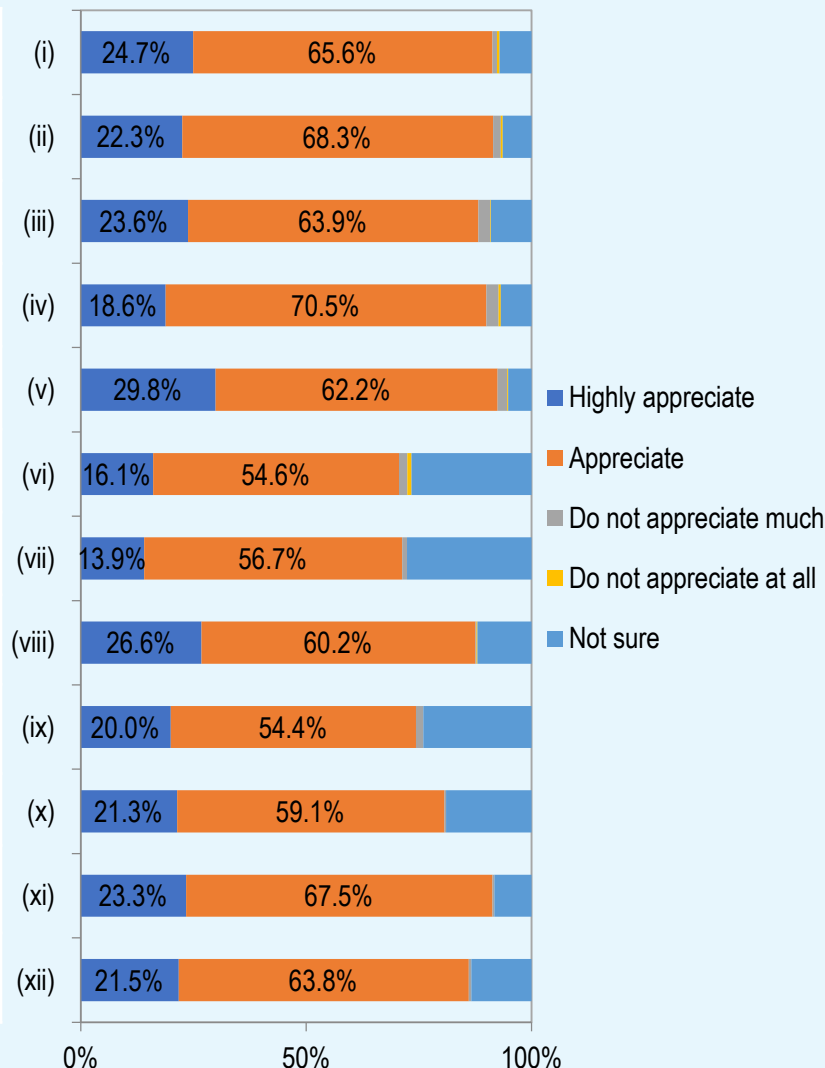
Choose all the initiatives you know, and describe your rating and the reason.

<Recognition of initiatives>

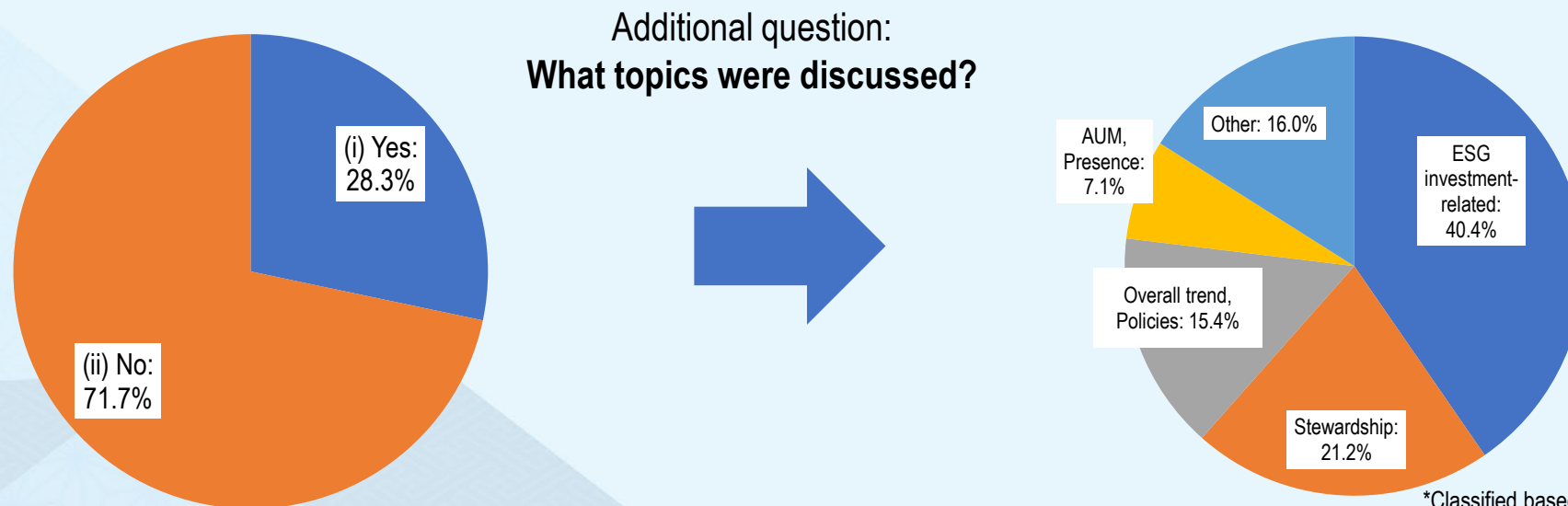
(i) Putting more weight on stewardship activities in the evaluation of external asset managers (engagement aimed at enhancing medium-to long-term corporate value, etc.)	73.1%
(ii) "Stewardship Principles" and "Proxy Voting Principles"	74.0%
(iii) Investment based on ESG indices	76.9%
(iv) Survey of companies (this survey)	86.0%
(v) Publication of Excellent & Most-improved Integrated Reports	74.8%
(vi) Holding the Business and Asset Owners' Forum	30.9%
(vii) Holding the Global Asset Owners' Forum	27.5%
(viii) Becoming a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and activities through PRI	65.0%
(ix) Joining the U.K. 30% Club, the U.S. Thirty Percent Coalition and the 30% Club Japan (Investor Group)	35.4%
(x) Participation in the Climate Action100+	42.7%
(xi) Disclosure of ESG Report	67.8%
(xii) Disclosure of climate change risks and opportunity analysis of the GPIF portfolio (an extra issue of ESG Report)	52.0%

(Note) The table on the left indicates the ratio of companies that recognize each initiative.
The yellow cells indicate initiatives whose recognition exceeds 50%.
The right chart indicates the results, excluding companies that did not respond.

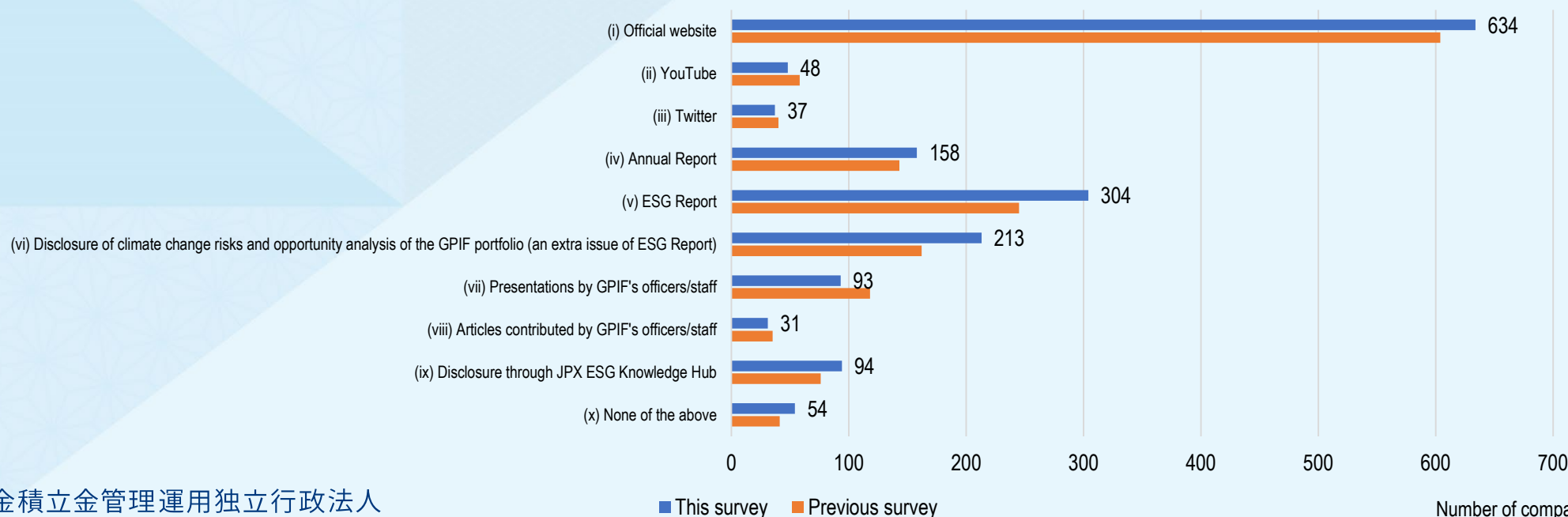
<Rating of initiatives>



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



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)]

- Rather than focusing on formal and obligatory discussions, we continue to look forward to your propositions as asset owners to encourage constructive dialogue between investors and issuers with a view to enhancing corporate value and building a sustainable society.
- With regard to investment and dialogue from a medium- to long-term perspective, the understanding and initiatives on non-financial information and ESG on the part of institutional investors have advanced through GPIF's approach to asset managers and GPIF's activities, and we feel that this trend has become even more pronounced since the COVID-19 pandemic. In addition to being a topic of conversation at IR meetings, ESG-focused meetings are also on the rise, and we see this as a very meaningful opportunity to have discussions from a medium- to long-term perspective. We look forward to further encouragement by GPIF for constructive dialogue aimed at increasing corporate value over the medium to long term.
- While we feel that institutional investors' interest in non-financial information is growing year by year, we also have to respond without knowing what to do, because we are not sure to which extent such information would result in corporate evaluations and there is little feedback from institutional investors. We would like GPIF to help us to deepen dialogue with investors, utilizing non-financial information.
- We hope that GPIF will promote initiatives to encourage dialogue based on an understanding of the characteristics of each company, rather than based on one-size-fits-all evaluation standards.
- We would like GPIF to continue to contribute not only to the enhancement of the value of individual companies but also to the sustainable growth of the capital market on the whole by promoting ESG investment. We also expect GPIF to continue to promote the attractiveness of the Japanese market as the world's largest asset owner.
- As the information posted on GPIF's website is very helpful to companies, we would like GPIF to continue to publish your activities and the survey results.
- We hope that GPIF, as an asset owner of the global top class, will enhance its capability to globally dispatch 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 promote company's transformation. We would like to request your strong support.
- We would like GPIF to further promote direct communications not only with asset managers but also with issuers.
- We expect that GPIF will exercise its supervisory functions to ensure fair and appropriate evaluation is carried out by ESG rating agencies.
- We would like GPIF to come up with measures to ensure that ESG will be established steadily among medium-cap and small-cap companies and that they will start taking actions accordingly.
- We consider that as an asset owner, it would be the most important for GPIF is to pursuit of investment returns in the long-term management. Therefore, GPIF should avoid a situation in which the return of ESG investment falls lower than that of non-ESG investment such as market average after deducting management fees.
- Active investors and sell-side analysts still tend to ask only superficial (formal) questions. we hope that GPIF will encourage not only passive managers but also a broader range of groups to engage in deeper dialogue.



GPIF Homepage

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

GPIF YouTube channel

<https://www.youtube.com/channel/UCWpjyPh1kw0VyflPpcVMIXw>

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