Note: This is a reference translation. In the event of any conflict between the original Japanese version and the English version, the text of the original Japanese version shall prevail.

Established on March 31, 2025

# Sustainability Investment Policy

Government Pension Investment Fund

This policy outlines the approach to, purpose of, and principal initiatives for sustainability-conscious investment (hereinafter, "Sustainability Investment") performed by the Government Pension Investment Fund (hereinafter, "GPIF") It should be noted that GPIF defines Sustainability Investment as investments including those in consideration of ESG and impact.

1. Approach to Sustainability Investment

An investor like GPIF, who invests a large amount of money allocated across a wide range of overall global capital markets is called a "universal owner." The pension reserves managed by GPIF are, moreover, used with the aim of reducing the burden of insurance premium for future generations. Therefore, in order for GPIF, characterized as both a "universal owner" and a "cross-generational investor," to earn stable income over a long period of time, the longtime growth of the corporate value of individual companies, which leads to the sustainable and stable growth of capital markets and the overall economy, is crucial. In addition, capital markets are not free from sustainability-related risks, such as environmental and social issues in the long run. Therefore, reducing the negative impacts of sustainability-related issues on capital markets is essential for a universal owner like GPIF to pursue long-term investment returns.

Furthermore, companies and projects that have a positive impact on environmental and social issues through their business activities may be able to use the resolution of these issues as a source of sustainable growth. They may also contribute to the improvement of the long-term performance of the GPIF's entire portfolio in terms of reducing sustainability-related risks in overall capital markets.

2. Purpose of Sustainability Investment

Based on the approach in the preceding paragraph, with a view to securing long-term returns for the benefit of insured, GPIF promotes Sustainability Investments including those which take into account non-financial factors such as ESG (environmental, social, and governance) and social or environmental effects (impact), in addition to financial factors.

With regard to Sustainability Investment, GPIF aims to contribute to improving the long-term performance of its entire portfolio by achieving both "reduction of sustainability-related risks and improvement of sustainability of markets" and "the securing of market average return."

GPIF manages assets in accordance with the purposes of the Employees' Pension Insurance Act and of the National Pension Act, which state that "(the management of pension reserves) is to be undertaken with the purpose of contributing to the sound management of employees' pension insurance services for years to come, and is to be undertaken safely, efficiently, from a long-term perspective, and for the sole benefit of insureds covered under employees' pension insurance." GPIF regards the reduction of sustainability-related risks and the creation of impact related to sustainability as an essential factor in achieving long-term performance of the entire portfolio. It should be noted, however, that GPIF does not make investments solely for the purpose of creating impact, which would deviate from the purpose of providing for the "sole benefit of insureds."

The objective of GPIF is to secure the investment returns required for pension reserves in the long term at minimal risk. To achieve this, GPIF has established a long- term asset allocation target (hereinafter, the policy asset mix) for the management and investment of pension reserves, and conduct management based on this ratio. Therefore, with regards to investments considering ESG and impact, GPIF aims to secure market average returns across the entire portfolio while managing risk based on the policy asset mix.

3. Principal Initiatives

GPIF promotes Sustainability Investment for all assets, given that sustainability-related issues do not impact only specific companies or asset classes. For such purpose, even more effective approaches are sought by selecting or combining various approaches as listed below according to asset characteristics.

A) ESG integration
B) Engagement / Exercise of voting rights
C) ESG index-based investment / ESG active fund investment
D) Investment considering impact
E) Sustainability-related risk analysis (climate change, etc.)
F) Collaboration with related organizations, etc.

* Items A to F above represent only principal examples of the methods to be considered; future initiatives will therefore not be limited to them alone.

4. Evaluation / Verification of the Effects of Sustainability Investment

Just as Sustainability Investment is implemented from a farsighted perspective, so is evaluation conducted with a view to the long-term. The effects of "reduction of sustainability-related risks and improvement of sustainability of markets," which are expected outcomes of Sustainability Investment, need to be examined from multifaceted verifications including the measurement of various KPIs concerning sustainability, implementation of questionnaires and interviews targeting companies, and causal analysis on the improvement of corporate value and investment returns through Sustainability Investment. While some of these verifications may be difficult to conduct over the short term, this does not mean that a PDCA cycle is not practiced for each strategy over the long-term. Verifications should be implemented whenever needed, and we will undertake bold reviews if the effects of investment (reduction of sustainability-related risks, improvement of sustainability of markets, and securing of market average return) anticipated at the start of the investment period are considered to be highly unlikely to be achieved as expected going forward.

5. Implementation System

For Sustainability Investment, there are a wide range of matters to be considered in making investments. Furthermore, the sustainability issues surrounding companies, required information disclosure and regulations, etc. also change year by year. In order to appropriately capture such changes and reflect them in investment behavior, it is important to secure sufficient workforce structure and to have diverse human resources strive for daily improvement of knowledge and expertise.

Additionally, since the information considered in Sustainability Investment is highly diverse and often unstructured, allocation of sufficient resources for data maintenance is needed to enhance the quality of Sustainability Investment.

For this reason, GPIF will contribute to the stability of the pension finances through Sustainability Investment by focusing on strengthening human resources and data management system.

6. Governance and Information Disclosure

With regard to sustainability investments, we will report to the Board of Governors on the results and evaluation of our initiatives in the previous fiscal year, as well as our policies for initiatives in the current fiscal year, and promote them under appropriate governance

The reduction of sustainability-related risks and improvement of sustainability of markets in terms of the overall portfolio, which GPIF expects as a “universal owner,” can only be realized when investee companies, in particular, and other stakeholders of capital markets understand the significance of sustainability and reflect it in their daily business activities. Basically, GPIF’s Sustainability Investment is implemented through its external asset managers, and our opportunities for direct communication with investee companies are limited. We therefore believe that information disclosure on sustainability is an important means of engagement for GPIF. Based on this view, we will proactively disclose information targeting investee companies and other stakeholders of capital markets, not to mention insureds.