

# Administration and Investment Policy for the Transitional Long-Term Benefits (TLTB) Fund

(Established on October 1, 2015)

(Revised on July 13, 2018)

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In accordance with Article 112-10, Paragraph (1), of the Local Public Service Mutual Aid Association Act (Act No. 152 of 1962; the “Act”) as applied mutatis mutandis under Article 75-3, Supplementary Provisions of the Act to Partially Amend the Employees’ Pension Insurance Act and Related Acts for Unifying Employees’ Pension Systems (Act No. 63 of 2012; the “Unification Act”), the Pension Fund Association for Local Government Officials (the “Association”) sets forth the administration and investment policy for the safe and efficient administration and investment of the transitional long-term benefits (TLTB) fund from a long-term perspective (meaning administration and investment of the TLTB adjustment funds and management of the status of the investment of the TLTB association reserve funds of the local public service mutual aid associations (“Mutual Aid Associations”; excluding constituent member associations stipulated in Article 27, Paragraph (2) of the Act; the same applies hereinafter) and the National Federation of Mutual Aid Associations for Municipal Personnel; the same applies hereinafter) (the “Administration and Investment Policy”), as follows.

## I Basic policy for the administration and investment of the TLTB fund

The basic policy as per Article 112-10, Paragraph (2), Item 1 of the Act as applied mutatis mutandis under Article 75-3, Supplementary Provisions of the Unification Act shall be set forth as follows.

### 1. Basic policy for the transitional long-term benefits (TLTB) fund

The Association shall safely and efficiently administer and invest the TLTB fund from a long-term perspective as follows.

#### (1) Basic policy

The Association shall manage the TLTB adjustment fund and the TLTB association reserve funds (collectively, “TLTB Funds”) with the objective of contributing to the stable operation of the TLTB plan based on the characteristics of a closed pension plan that will have no new contribution income, paying particular attention to downside risks, with constant awareness of the relationship between future liabilities and the reserve funds.

Accordingly, on the basis of appropriately diversifying investments in multiple assets that differ in terms of risk/return and other characteristics (“Diversified Investment”), the Association shall administer and invest the TLTB Funds by establishing an asset mix from a long-term perspective (the “Benchmark Portfolio”).

#### (2) Utilization of the Fund Management Committee of Local Public Service Personnel Mutual Aid Associations

The Association shall establish a Fund Management Committee of Local Public Service Personnel Mutual Aid Associations consisting of individuals with academic knowledge and practical experience in fields such as economics, finance, and fund management (“Fund Management Committee”).

The Association shall leverage the expert knowledge of the Fund Management Committee when examining technical matters concerning the administration and investment of the TLTB Funds including the further development and revision of the Administration and Investment Policy.

(3) Initiatives to strengthen investment capabilities

Based on the content of the “Asset Owner Principles” (formulated by the Cabinet Secretariat on August 28, 2024), the Association shall continuously strive to strengthen its investment capabilities and enhance its investment structure in order to respond to changes, etc. in the socio-economic environment and fulfill its required role regarding fiduciary responsibilities and market development, etc. Furthermore, the Association shall promote cooperation and coordination among Administration and Investment Institutions (meaning Mutual Aid Associations, the National Federation of Mutual Aid Associations for Municipal Personnel, and the Association; the same shall apply hereinafter) to improve investment knowledge and capabilities.

2. Basic policy for TLTB Association Reserve Funds

In order to appropriately administer and invest TLTB Funds, the Administration and Investment Institutions shall administer and invest respective TLTB association reserve funds or TLTB adjustment funds (collectively, the “TLTB Association Reserve Funds”), as follows.

(1) Basic policy

Administration and Investment Institutions shall manage TLTB Association Reserve Funds with the objective of contributing to the stable operation of the TLTB plan.

To this end, Administration and Investment Institutions shall set forth Benchmark Portfolios based on Diversified Investment and administer and invest the TLTB Association Reserve Funds.

In order to appropriately administer and invest TLTB Association Reserve Funds and to comply with the Administration and Investment Policy, Administration and Investment Institutions shall establish and publish a basic policy for administering and investing TLTB Association Reserve Funds (“Basic Policy”) which describes, among other matters, the asset mix for TLTB Association Reserve Funds, and Administration and Investment Institutions (excluding the Association) shall submit their Basic Policy to the Association. In addition, in the event the Administration and Investment Policy is revised or otherwise a review is considered necessary, Administration and Investment Institutions shall review and, if necessary, revise and publish their Basic Policy, and Administration and Investment Institutions (excluding the Association) shall submit it to the Association.

Administration and Investment Institutions shall create specific fund management plans for each fiscal year, and conduct investments based on such plans. In addition, Administration and Investment Institutions (excluding the Association) shall submit such plans to the Association.

The Association shall receive investment reports (meaning “investment reports” stipulated in Article 112-13, Paragraph (1) of the Act as applied mutatis mutandis under Article 75-3, Supplementary Provisions of the Unification Act) from other Administration and Investment Institutions, and the Association may also request other Administration and Investment Institutions to report on the administration and investment status of their TLTB association reserve funds.

In addition, in the event the Association finds that another Administration and Investment Institution’s status of administering and investing its TLTB association reserve fund does not comply with the Administration and Investment Policy, the Association shall request the Institution to take necessary measures so that the status complies with said Policy.

(2) Utilization of Administration and Investment Institution’s Expert Meetings

Administration and Investment Institutions shall establish an expert meeting consisting of individuals with academic knowledge and practical experience in fields such as economics, finance, and fund management (“Expert Meeting”).

Administration and Investment Institutions shall leverage the expert knowledge of the Expert Meeting when examining technical matters concerning the administration and investment of the TLTB Association Reserve Funds including the further development and revision of the Basic Policy.

(3) Initiatives based on “Asset Owner Principles”

Since each of Administration and Investment Institution acknowledges the “Asset Owner Principles,” they shall voluntarily consider initiatives based on these principles.

(4) Flexible investment

Based on changes in the economic and market environment, Administration and Investment Institutions may flexibly determine the asset mix within the deviation tolerance (“Flexible Investment”). In such case, the assumption shall be that an outlook on the market environment is provided with a high degree of accuracy and investment is made based on said outlook.

When conducting Flexible Investment, its investment policy shall be deliberated by the Expert Meeting and the status of implementation shall be reported in a timely manner to the Expert Meeting.

(5) Pooled investment

Administration and Investment Institutions (excluding the Association) may deposit TLTB association reserve funds with the Association for investment management.

If Administration and Investment Institutions (excluding the Association) deposit TLTB association reserve funds with the Association, the Association shall appropriately administer and invest them in accordance with the policy for the administration and investment of deposited money separately established by the Association.

II Matters to be observed in administering and investing TLTB Funds

Matters to be observed listed in Article 112-10, Paragraph (2), Item 2 of the Act as applied *mutatis mutandis* under Article 75-3, Supplementary Provisions of the Unification Act shall be set forth as follows.

1. Ensuring fiduciary responsibility

Administration and Investment Institutions shall ensure thorough observance of the duty of care and loyalty of a prudent expert.

2. Consideration of the impact on market and private sector activities

In managing respective TLTB Association Reserve Funds, Administration and Investment Institutions shall, in light of the market size, strive not to be excessively impacted by the market, and also pay attention not to distort, among other things, price formation in the market and private sector investment activities, especially by avoiding concentration in specific time periods when investing and exiting funds.

In addition, Administration and Investment Institutions shall pay attention to the following so as not to have a direct and excessive impact on the business management of private sector companies.

(i) Establish limits on the holdings of securities issued by a single company for each entrusted investment management institution (including in-house investment).

(ii) In consideration of the impact on corporate management, individual stocks shall not be selected for equity investments.

3. Activities to fulfill stewardship responsibility

In order to fulfill the fiduciary responsibilities to increase the long-term value of assets for members, Administration and Investment Institutions shall engage in stewardship activities (meaning activities by institutional investors aimed at enhancing the mid- and long-term investment returns for their clients and beneficiaries by enhancing and fostering investee company corporate value and sustainable growth through the exercise of shareholder voting rights and engagement (meaning constructive “purposeful dialogue” based on in-depth knowledge of the investee companies and their business environments, etc. and consideration of sustainability (meaning mid- and long-term sustainable

bility including ESG factors)) in line with investment strategies; the same shall apply hereinafter) or other means.

Shareholder voting rights shall be exercised so that corporations can manage their business operations in ways that maximize the interests of shareholders over the long term.

In the event Administration and Investment Institutions issue instructions for the exercise of voting rights, they shall give instructions so that entrusted investment management institutions will exercise them in accordance with said instructions. When Administration and Investment Institutions do not issue instructions for the exercise of voting rights, Administration and Investment Institutions shall have entrusted investment management institutions exercise voting rights in accordance with the guidelines on exercising shareholder voting rights established by respective Administration and Investment Institutions in line with the intent of the corporate governance principles established by Administration and Investment Institutions. In addition, Administration and Investment Institutions shall request entrusted investment management institutions to report on, among other things, the status of the exercise of voting rights.

In doing so, based on the Principles for “Responsible Institutional Investors” «Japan’s Stewardship Code» (February 26, 2014, by the Council of Experts Concerning Japan’s Stewardship Code) and Japan’s Corporate Governance Code (June 1, 2015, Tokyo Stock Exchange, Inc.), the Association shall review its Corporate Governance Principles and the Guidelines for Exercising Shareholders’ Voting Rights, as necessary, and take action in line with the basic principles for performing stewardship responsibilities.

Furthermore, each Administration and Investment Institution shall exchange opinions with other Administration and Investment Institutions as necessary in order to assist appropriate decision-making in association with stewardship activities. In such case, the Association shall conduct necessary coordination to promote the exchange of opinions.

#### 4. ESG-conscious investment

When investing TLTB Association Reserve Funds, Administration and Investment Institutions shall implement the necessary initiatives, based on a case-by-case analysis, with a view to promoting investment that takes into consideration ESG factors (Environmental, Social, and Governance), a non-financial factor in addition to financial factors based on the concept that the sustainable growth of investee companies and the entire market is necessary for the increase of returns on investment assets over the long term so as to secure long-term returns for the benefit of members.

#### 5. Impact-conscious investment

From the perspective of securing long-term returns for the benefit of members, Administration and Investment Institutions shall implement necessary initiatives, based on a case-by-case analysis, with a view to promoting investments considering the social and environmental effects (impacts) generated by the business activities of investee companies as a non-financial factor when evaluating the sustainable growth potential, etc. of investee companies.

#### 6. Coordination between the Association and the Federation of National Public Service Personnel Mutual Aid Associations

The Association shall strive to cooperate and work together with the Federation of National Public Service Personnel Mutual Aid Associations, by providing necessary information, etc.

#### 7. Cooperation and coordination between the Association and other Administration and Investment Institutions

The Association shall provide other Administration and Investment Institutions with technical and expert knowledge and materials on the administration and investment of reserve funds, gain an understanding of research and study activities and other efforts made by other Administration and Investment Institutions.

vestment Institutions, and exchange information and communicate/coordinate with other Administration and Investment Institutions by, for example, providing said information.

In addition, the Association and other Administration and Investment Institutions shall cooperate and work together by sharing the necessary information, etc. in relation to the management of TLTB Association Reserve Funds.

### III Matters concerning asset mix from a long-term perspective in administering and investing TLTB Funds

Matters concerning the asset mix from a long-term perspective listed in Article 112-10, Paragraph (2), Item 3 of the Act as applied mutatis mutandis under Article 75-3 , Supplementary Provisions of the Unification Act shall be set forth as follows.

## 1. Investment targets

Investment of the TLTB Fund, which has the characteristics of a closed pension plan, shall be managed appropriately by establishing the Benchmark Portfolio in order to generate real investment returns needed for the reserve fund (meaning investment returns minus nominal wage growth rate) of 1.9% with minimum risk, while paying careful attention to the relationship between future liabilities and the reserve fund.

In doing so, attention shall be paid not to distort, among other things, price formation in the market and private sector investment activities.

In addition, efforts shall be made to generate the composite benchmark returns for overall assets (meaning those calculated by taking a weighted average of the benchmark returns for each asset based on the asset mix in the Benchmark Portfolio; the same shall apply hereinafter) over the long term, and to generate the composite benchmark returns for overall assets and the benchmark returns for each asset class in each fiscal year.

Appropriate market indicators shall be used for benchmarks, considering, among other factors, whether their structure reflects the market, whether they consist of investable securities, and whether details of the indicators are disclosed.

In evaluating performance, an appropriate method shall be used based on the benchmark returns. In doing so, efforts shall be made to break down factors in line with investment behavior as much as possible, such as impact of asset allocation, benchmark selection, and fund selection, from the perspective of refining factor analysis and improving transparency, etc.

## 2. Basic approach to the Benchmark Portfolio

The Benchmark Portfolio, which shall have an asset mix and deviation tolerance in line with investment targets, shall be established from a long-term perspective in consideration of generally accepted expert knowledge on asset administration and investment as well as economic trends in and outside Japan, based on forward-looking risk analyses.

In doing so, the downside risks from the nominal wage growth rate shall not exceed that of a portfolio consisting entirely of domestic bonds, and the portfolio shall have the smallest average shortfall rate when returns fall below the nominal wage growth rate. The likelihood of falling short of the planned reserve amount shall also be confirmed.

The Association shall report on the establishment of the Benchmark Portfolio to the Governing Council (meaning the Governing Council stipulated in Article 38-4, Paragraph (1) of the Act; the same shall apply hereinafter) upon deliberation by the Fund Management Committee.

## 3. Asset class and asset mix of the Benchmark Portfolio

Asset classes that make up the Benchmark Portfolio shall be domestic bonds, domestic stocks, foreign bonds and foreign stocks, and the asset mix and deviation tolerance are set forth as below.

Exceeding the deviation tolerance shall be allowed during the period up to the transition to the following Benchmark Portfolio.

Assets	Domestic bonds	Domestic stocks	Foreign bonds	Foreign stocks
Asset mix	25%	25%	25%	25%
Deviation tolerance	±9%	±9%	±7%	±9%

(Note) Short-term assets, real estate and loan receivables are classified into domestic bonds.

#### 4. Benchmarks

Benchmarks for the respective asset classes are as follows.

- (1) Domestic bonds  
NOMURA Bond Performance Index (Overall)
- (2) Domestic stocks  
TOPIX (dividend-inclusive)
- (3) Foreign bonds  
FTSE World Government Bond Index (ex-Japan, ex-China, no hedge, in yen)
- (4) Foreign stocks  
MSCI ACWI (excluding Japan, yen, dividend-inclusive, before tax)

#### 5. Review of the Benchmark Portfolio

The Association shall appropriately manage risks based on market trends, regularly verify the Benchmark Portfolio and, if it is considered necessary in cases where the investment environment assumed at the time of establishing the Benchmark Portfolio deviates from reality, examine the Benchmark Portfolio and revise it as necessary. Any change to the Benchmark Portfolio shall be reported to the Governing Council upon deliberation by the Fund Management Committee. If the Association finds it necessary in consideration of market impact and other factors, it shall establish a transition portfolio (meaning a transitional asset mix up until the realization of the Benchmark Portfolio; the same shall apply hereinafter) in order to smoothly transition to the revised Benchmark Portfolio.

#### 6. Risk management

Based on reports from other Administration and Investment Institutions, the Association shall administer and invest the TLTB Funds and conduct risk management on the investment status of the overall assets, Administration and Investment Institutions, and each asset class in accordance with the methods below. In conducting risk management, the Association shall report its risk management implementation policy to the Governing Council upon deliberation by the Fund Management Committee and timely report the risk management status to the Governing Council and the Fund Management Committee.

##### A Overall assets

In order to appropriately manage the portfolio, the Association shall check deviations of the asset mix of the TLTB Funds from the Benchmark Portfolio at least once a month.

In addition, it shall enhance necessary functions to understand and analyze market trends in order to conduct appropriate and smooth rebalancing.

Furthermore, it shall confirm risks associated with overall assets, analyze and assess the degree of risk exposure, and conduct, among other things, analysis of factors for deviations from the composite benchmark return of each fiscal year.

##### B Administration and Investment Institutions

The Association shall confirm deviations of asset mixes of other Administration and Investment Institutions from their respective Benchmark Portfolios and the Benchmark Portfolio of the TLTB Funds at least once a month.

In addition, the Association shall confirm other Administration and Investment Institutions' risks, analyze and assess the degree of risk exposure, and conduct, among other things, analysis of factors for deviations from the composite benchmark return of each fiscal year.

##### C Asset class

The Association shall manage market risk, liquidity risk, credit risk, and country risk, etc. for each asset class.

#### IV Standards to be observed by Administration and Investment Institutions in establishing the asset mix for their respective TLTB Association Reserve Funds from a long-term perspective

The standards to be observed listed in Article 112-10, Paragraph (2), Item 4 of the Act as applied *mutatis mutandis* under Article 75-3, Supplementary Provisions of the Unification Act shall be set forth as follows.

##### 1. Investment targets

In order to generate the targeted investment returns for the TLTB Funds, each Administration and Investment Institution shall establish the Benchmark Portfolio and appropriately manage the investment of TLTB Association Reserve Funds, taking into consideration the characteristics of a closed pension plan.

In doing so, attention shall be paid not to distort, among other things, price formation in the market and private sector investment activities.

In addition, efforts shall be made to generate the composite benchmark returns for overall assets over the long term, and to ensure the composite benchmark returns for overall assets and the benchmark returns for each asset class in each fiscal year by, among other means, appropriately selecting, managing, and evaluating entrusted investment management institutions.

Appropriate market indicators shall be used for benchmarks, taking into consideration whether their structure reflects the market, whether they consist of investable securities, whether details of the indicators are disclosed, and whether they are consistent with benchmarks of the TLTB Funds.

In evaluating performance, an appropriate method shall be used based on the benchmark returns. In doing so, efforts shall be made to break down factors in line with investment behavior as much as possible, such as impact of asset allocation, benchmark selection, and fund selection, from the perspective of refining factor analysis and improving transparency, etc.

##### 2. Basic approach to the Benchmark Portfolio

The Benchmark Portfolio shall be established from a long-term perspective in consideration of generally accepted expert knowledge on asset administration and investment as well as economic trends in and outside Japan, based on forward-looking risk analyses, in compliance with the Administration and Investment Policy, having an asset mix and deviation tolerance in line with investment targets.

In doing so, the downside risks from the nominal wage growth rate shall not exceed that of a portfolio consisting entirely of domestic bonds, and the portfolio shall have the smallest average shortfall rate when returns fall below the nominal wage growth rate. The likelihood of falling short of the planned reserve amount shall also be confirmed.

Administration and Investment Institutions shall report on the establishment of the Benchmark Portfolio to the Governing Council, etc. (meaning the Governing Council, the Governing Council and the Council of Mutual Aid Associations established within Administration and Investment Institutions under Article 6 of the Act, and the General Meeting stipulated in Article 30, Paragraph (1) of the Act; the same shall apply hereinafter) upon deliberation by the Expert Meeting.

##### 3. Asset class and asset mix of the Benchmark Portfolio

Administration and Investment Institutions shall establish the asset mix and deviation tolerance of the Benchmark Portfolio in the Basic Policy within the asset mix and deviation tolerance of the Benchmark Portfolio of the TLTB Funds stipulated in III-3, respectively.

Exceeding the deviation tolerance is allowed during the period up to the transition to the established Benchmark Portfolio.

##### 4. Review of the Benchmark Portfolio

Administration and Investment Institutions shall appropriately manage risks based on market tre



nds, regularly verify the Benchmark Portfolio and, if it is considered necessary in cases where the investment environment assumed at the time of establishing the Benchmark Portfolio deviates from reality, examine the Benchmark Portfolio and revise it as necessary. Any change to the Benchmark Portfolio shall be reported to the Governing Council upon deliberation by the Expert Meeting. If it is found necessary in consideration of market impact and other factors, a transition portfolio may be established in order to smoothly transition to the revised Benchmark Portfolio.

#### 5. Securing liquidity for pension benefits, etc.

Based on the outlook of pension finances and the profit and loss status, Administration and Investment Institutions shall secure liquidity (cash, etc.) necessary for pension benefits and conduct cash management efficiently.

In doing so, necessary functions, such as to understand and analyze market trends, shall be enhanced so that funds will be secured without shortfalls by, for example, smoothly selling assets, taking into consideration price formation in the market.

If an Administration and Investment Institution has difficulty earning investment returns set as investment targets and maintaining investment within the asset mix and deviation tolerance of the Benchmark Portfolio due to reasons such as providing benefits, Administration and Investment Institutions may be subject to different treatment regardless of 1 and 3 above upon individual consultation with the Association. In such case, the reasons shall be clarified in the Basic Policy of the Institution.

#### 6. Risk management

Administration and Investment Institutions shall appropriately manage various types of risks associated with the administration and investment of TLTB Association Reserve Funds by conducting Diversified Investment as the basis of risk management.

In addition, Administration and Investment Institutions shall administer and invest the TLTB Association Reserve Funds by entrusting them to investment management institutions and asset management institutions, investing in group pure endowment policies of life insurance companies, and conducting in-house investment. Based on, among other things, reports from such entrusted investment management institutions, asset management institutions and life insurance companies, Administration and Investment Institutions shall conduct risk management using the methods below for overall assets, each asset class, each entrusted investment management institution, asset management institution and life insurance company, and in-house investment. Administration and Investment Institutions shall report their risk management policy to the Governing Council upon deliberation by the Expert Meeting and timely report risk management status to the Governing Council and the Expert Meeting.

##### A Overall assets

With the aim of appropriately managing the portfolio, the Administration and Investment Institutions shall identify deviations of the asset mix of TLTB Association Reserve Funds from their respective Benchmark Portfolios at least once a month and take the necessary measures. In addition, Administration and Investment Institutions shall identify deviations of the asset mix of TLTB Association Reserve Funds from the Benchmark Portfolio of TLTB Funds at least once a month.

In addition, it shall enhance necessary functions to understand and analyze market trends in order to conduct appropriate and smooth rebalancing.

Furthermore, it shall confirm risks associated with overall assets, analyze and assess the degree of risk exposure, and conduct, among other things, analysis of factors for deviations from the composite benchmark return of each fiscal year.

##### B Asset class

Administration and Investment Institutions shall manage market risk, liquidity risk, credit risk,

and country risk, etc. for each asset class.

C Entrusted investment management institutions

Administration and Investment Institutions shall present investment guidelines and benchmarks to each entrusted investment management institution, understand investment performance and degree of risk exposure of the institution as well as changes to the investment structure, etc., and manage them appropriately.

In addition, Administration and Investment Institutions shall appropriately manage manager structures, through the diversification of the investments styles, etc. of entrusted investment management institutions.

D Asset management institutions

Administration and Investment Institutions shall present asset management guidelines to each asset management institution, understand the asset management status of the institution and changes to its asset management structure, etc., and manage the credit risk, etc. of each institution appropriately.

In addition, Administration and Investment Institutions shall continue to monitor the stable operational status of asset management institutions.

E Life insurance companies

Administration and Investment Institutions shall understand the business management status and asset management status of each insurer and manage it appropriately.

F In-house investment

Administration and Investment Institutions shall establish their respective investment guidelines and manage investment appropriately by checking the investment performance and level of risk exposure.

7. Investment methods

In principle, Administration and Investment Institutions shall employ passive and active investment management, except in cases such as cash-out responses. Based on this, active investment management shall be conducted with the aim of generating excess returns. However, active investment shall be conducted upon deliberation by the Expert Meeting on fund selection standards on the assumption that risk selection is reasonable with sufficient grounds to back the expectations for excess returns, also taking into consideration past investment performance. In addition, its transparency shall be ensured under appropriate monitoring by the Expert Meeting by, for example, timely reporting on matters requested by the Expert Meeting.

With respect to benchmarks, not only traditional capitalization weighted indexes, but also the use of new benchmarks from the perspective of improving investment returns shall be examined as necessary.

Further, Administration and Investment Institutions shall strive to enhance the selection and management of entrusted investment management institutions by reviewing investment methods for generating returns and improving investment efficiency, and conducting accurate performance management. Administration and Investment Institutions shall also evaluate investment performance on a regular basis and review entrusted investment management institutions in a timely manner, including fund allocation.

In addition to leveraging the competent knowhow of entrusted investment management institutions, use of in-house investment to the extent permissible under the law shall be examined in consideration of investment cost reductions and the accumulation of investment knowledge and experience, etc.

V Other necessary matters concerning appropriate administration and investment of the TLTB fund

The matters listed in Article 112-10, Paragraph (2), Item 5 of the Act as applied mutatis mutandis under Article 75-3, Supplementary Provisions of the Unification Act shall be set forth as follows

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## 1. Enhancing transparency

### (1) Association

Regarding the administration and investment of the TLTB Funds, the Association shall promptly publish on its website, etc. on an annual basis the status of investment returns and risks for overall investment assets and each asset class for each fiscal year, the status of entrusted investment management institutions at Administration and Investment Institutions, administration and investment entrusted fees, the status of stewardship activities, and other administration and investment performance, etc. (“Status of Administration and Investment Performance, etc.” in (2)).

In addition, the quarterly status of investment returns for overall investment assets and each asset class shall be promptly published on a quarterly basis on the website, etc.

The Association shall devise ways to make disclosure documents easier to understand and examine ideal ways of information disclosure and publicity activities for the public, responding to the diversification, sophistication, and internationalization of investment, and enhance them accordingly.

Such publication shall be reported in a timely manner to the Governing Council and the Fund Management Committee.

When making such publication, attention shall be paid to market impacts.

### (2) Administration and Investment Institutions

With respect to the administration and investment of TLTB Association Reserve Funds, Administration and Investment Institutions shall promptly publish on their websites on an annual basis the Status of Administration and Investment Performance, etc. for each fiscal year.

In addition, the quarterly status of investment returns for overall investment assets and each asset class shall be promptly published on a quarterly basis on the website, etc.

Administration and Investment Institutions shall devise ways to make disclosure documents easier to understand and examine ideal ways of information disclosure and publicity activities for the public, responding to the diversification, sophistication, and internationalization of investment, and enhance them accordingly.

Such publication shall be reported in a timely manner to the Governing Council and the Expert Meeting.

Transparency in selecting entrusted investment management institutions shall be ensured under appropriate monitoring by the Expert Meeting by, for example, making the selection criteria subject to deliberation by the Expert Meeting and timely reporting on the implementation status and other matters requested by the Expert Meeting, and promptly publishing selections.

When making such publication, etc., attention shall be paid to market impacts.

## 2. Retaining and leveraging highly skilled and specialized personnel

Administration and Investment Institutions shall, if necessary, examine in detail operations that require advanced and specialized skills as well as the expertise required for such operations and strive to retain highly skilled and specialized personnel who possess such expertise.

In addition, training shall be conducted by leveraging highly skilled and specialized personnel with the aim of enhancing the performance of its staff.

The enhancement and development of specialized personnel shall be actively promoted, by reporting on the status of such activities to the Fund Management Committee or the Expert Meeting as necessary and their opinions taken into consideration.

## 3. Strengthening risk management

### (1) Association

The Association shall establish a risk management system for the overall portfolio.

In addition, the Association shall strive to enhance risk management by, for example, strengthening forward-looking risk analysis functions, establishing risk management analysis tools, and enhancing information collection and investigation functions.

(2) Administration and Investment Institutions

Administration and Investment Institutions shall establish necessary risk management systems.

In addition, Administration and Investment Institutions shall enhance risk management as necessary by, for example, strengthening forward-looking risk analysis functions, establishing risk management analysis tools, and enhancing information collection and investigation functions.

4. Enhancing research and study activities

If Administration and Investment Institutions conduct research and study activities, in addition to commissioning the work to think-tanks and other similar institutions, engaging staff including highly skilled and specialized personnel of the Administration and Investment Institutions in the work shall be considered in order to accumulate know-how on the administration and investment of reserve funds in the Administration and Investment Institutions. If highly skilled and specialized personnel are employed, establishing the necessary framework to expand internal research and study activities by leveraging said personnel shall be considered to accumulate know-how obtained from the research and to ensure the safe and efficient administration and investment of reserve funds in the future.

In the event research is outsourced, thorough measures shall be taken to prevent information leaks.

Supplementary Provisions

This Administration and Investment Policy comes into force from October 1, 2015.

Supplementary Provisions

This Administration and Investment Policy comes into force from July 13, 2018.

Supplementary Provisions

This Administration and Investment Policy comes into force from April 1, 2020.

Supplementary Provisions

This Administration and Investment Policy comes into force from April 1, 2022.

Supplementary Provisions

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