
FY2021 Annual Stewardship Activity Report

March 2022

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Association's Stewardship Activities

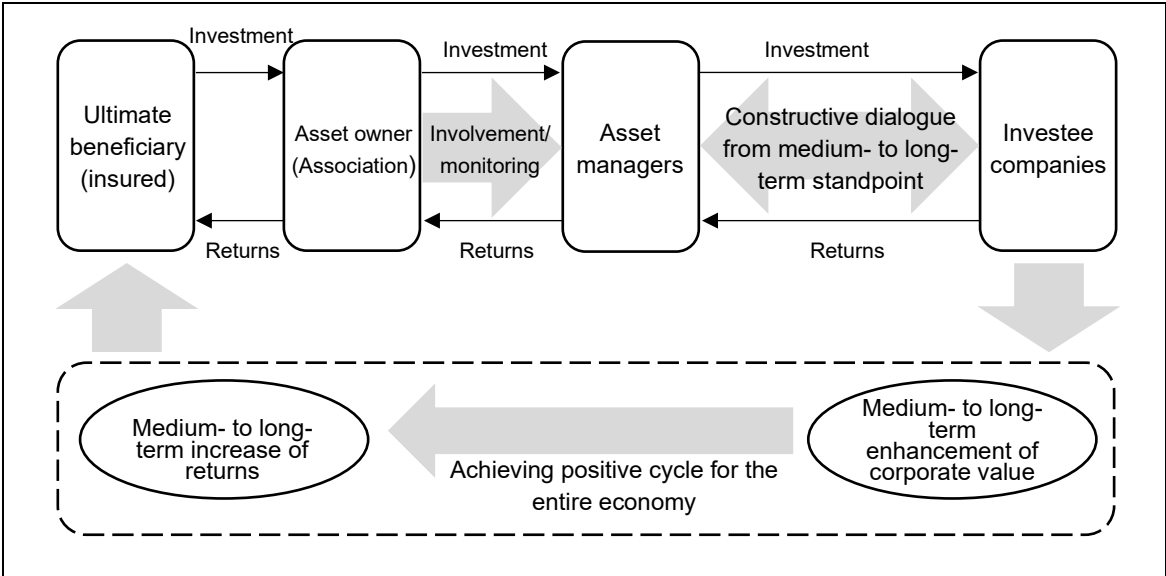
1 Overview of the Association's stewardship activity

"Stewardship activities" refers to the activities of institutional investors to increase medium- to long-term investment returns for their clients and beneficiaries by encouraging improvements in corporate value and sustainable growth of investee companies through means such as engagement (i.e. constructive "purposeful dialogue" based on a deep understanding concerning the investee companies, their business environment, and other factors as well as consideration for their sustainability according to the investment strategy). Stewardship activities include the exercise of shareholders' voting rights and engagement.

The Pension Fund Association for Local Government Officials ("Association") is required to fulfill its fiduciary responsibility of increasing the value of its assets for the insureds over the long term and social responsibility as a public pension fund. In this connection, the Association has been proactively committed to effective stewardship activities.

In addition, the Association entrusts investment management institutions ("asset managers") to make stock investments in companies. The Association believes that conducting the stewardship activities through these asset managers is effective for fulfilling the stewardship responsibility as they have more opportunities to access investee companies and have in-depth insight on corporate management.

[Stewardship Activities]



Prepared based on the documents distributed at the 1st meeting (January, 2017) of the Council of Experts on the Stewardship Code (Financial Services Agency)

Based on this idea, the Association established the "Corporate Governance Principles of Pension Fund Association for Local Government Officials" (hereinafter referred to as "Corporate Governance Principles") and the "Guidelines for Exercising Shareholders' Voting Rights (Domestic Equities)" (hereinafter referred to as "Guidelines on Domestic Equities") in 2004 and the "Guidelines for Exercising Shareholders' Voting Rights (Foreign Equities)" (hereinafter referred to as "Guidelines on Foreign Equities") in 2016. These guidelines and principles specify that the Association should conduct stewardship activity based on them when it has concluded contracts with asset managers. In addition, the basic policies including the "Basic Policy for Employees' Pension Insurance Benefit Adjustment Fund" (hereinafter collectively referred to as "Basic Policies") specify how the Association should fulfill its stewardship responsibilities.

Moreover, in May 2014, the Association signed up to Japan's Stewardship Code and clarified its approach to stewardship activities.

In FY2021, the Association announced its support for the Task Force on Climate-Related Financial Disclosures (TCFD)*, which was established by the Financial Stability Board (FSB). In addition, the Association revised the Corporate Governance Principles, the Guidelines on Domestic Equities and the Guidelines on Foreign Equities in February 2022 in light of the revisions of the Japan's Corporate Governance Code in June 2021 in order to better clarify the standard of desirable corporate governance practices.

* The TCFD was established by the FSB upon the request of the G20 Finance Ministers and Central Bank Governors.

In June 2017, the TCFD published voluntary recommendations intended to encourage information disclosure regarding the financial impacts of climate-related risks and opportunities in order to enable investors to make appropriate investment decisions.

By now, many organizations around the world, including pension funds and other asset owners, asset managers, financial institutions such as banks, non-financial companies, and governments, have announced their support for the TCFD's recommendations.

Association's Stewardship Activities

[Chronology of the Association's stewardship activity]

	Major efforts
2002	<ul style="list-style-type: none"> • Instructed trust banks to exercise voting rights based on specified comprehensive trust contracts.
2003	<ul style="list-style-type: none"> • Revised the Guidelines so as to require asset managers to exercise voting rights based on discretionary investment contracts.
2004	<ul style="list-style-type: none"> • Established the "Corporate Governance Principles of Pension Fund Association for Local Government Officials." • Established the "Guidelines for Exercising Shareholders' Voting Rights." Instructed asset managers to exercise voting rights in line with the Guidelines.
2014	<ul style="list-style-type: none"> • Signed up to Japan's Stewardship Code.
2015	<ul style="list-style-type: none"> • Established the policies including the "Administration and Investment Policy for the Managed Reserve Fund for Employees' Pension Insurance Schemes" and the Basic Policies in association with the unification of pension systems. Specified measures to fulfill the stewardship responsibilities.
2016	<ul style="list-style-type: none"> • Established the "Guidelines for Exercising Shareholders' Voting Rights (Foreign Equities)." Instructed asset managers to exercise voting rights in line with the Guidelines.
2017	<ul style="list-style-type: none"> • Signed up to Japan's Stewardship Code (Revised version).
2020	<ul style="list-style-type: none"> • Signed up to Japan's Stewardship Code (Second revised version).
2022	<ul style="list-style-type: none"> • Revised the "Corporate Governance Principles of Pension Fund Association for Local Government Officials," the "Guidelines for Exercising Shareholders' Voting Rights (Domestic Equities)" and the "Guidelines for Exercising Shareholders' Voting Rights (Foreign Equities)."

*See pages 46 through 49 for details.

2

Revisions of Corporate Governance Principles, Guidelines on Domestic Equities and Guidelines on Foreign Equities

The Association revised the Corporate Governance Principles, the Guidelines on Domestic Equities and the Guidelines on Foreign Equities in February 2022 in light of the revisions of the Japan's Corporate Governance Code in June 2021 in order to better clarify the standard of desirable corporate governance practices.

The summary of the revisions is as follows:

1. Corporate Governance Principles

The Association reset the principles according to the following six points, which the Association considers to be of particular importance.

- Separation of execution and oversight of business management

Clarified the role of a board of directors and made reference to the separation of functions for execution and oversight of business management.

Made reference to responses to sustainability issues (sustainability for the medium to long term including ESG factors) as matters that require supervision by a board of directors.

- Oversight by a board of directors primarily composed of independent outside directors

Provided that the majority of members of a board of directors should preferably be independent outside directors. Mentioned the separation of duties between a CEO and chairperson of a board of directors, as well as the development of a skills/competency matrix.

- Ensuring deliberation and review function with respect to nomination, remuneration and auditing

Provided that an investee should create three committees concerning nomination, remuneration and auditing, respectively, primarily composed of independent outside directors, and also defined the roles expected for these committees.

- Incentive for managers
- Evaluation of the effectiveness of a board of directors
- Information disclosure

Provided that an investee should also disclose non-financial information, such as initiatives concerning environment and social issues.

2. Guidelines on Domestic Equities

The major points of revisions are as follows:

- Increased the required number of independent outside directors at a board of directors for some companies (depending on such factors as the segment of the market on which the company is listed, at least one-third of all board members).
- In light of an increase of types of remuneration schemes, used more generalized terms for incentive-type remuneration scheme.
- Simplified the description by deleting duplicate wording.
- Consolidated the criteria for voting decisions with respect to proposals not provided in the Corporate Governance Principles (e.g., appropriation of surplus, corporate reorganization).

3. Guidelines on Foreign Equities

The major points of revisions are as follows:

- With respect to the required number of independent directors (presently at least two), stipulated that the majority of board members shall be independent directors in principle but case-by-case analysis is necessary depending on the circumstances of the market on which the company is listed.
- Aligned the wording with the same provisions in the Guidelines on Domestic Equities.

3 Monitoring of asset managers

For each fiscal year, the Association has been monitoring the stewardship activities of the asset managers of equities so as to ensure the compliance with the Association's abovementioned policies, while focusing on the "quality" of stewardship efforts. The Association receives reports concerning stewardship activity from and holds interviews with the asset manager.

In May 2021, the Association held briefing meetings on the direction of the Association's stewardship activity for asset managers entrusted with domestic and foreign stock investment (a total of 23 companies) in FY2021 and explained the matters which the Association considers important in relation to stewardship activities.

In July, the Association requested all asset managers entrusted with stock investment to submit reports on policies, structures, processes for and results of stewardship activities of FY2020. Based on the reports submitted, the Association held interviews from around October to November focused on the matters which the Association considers important in relation to stewardship activities.

From June to July, the Association provided feedback regarding the evaluation of stewardship activities in FY2020 individually to asset managers that requested it.

[Matters which the Association considers important in relation to stewardship activities]

[Exercise of voting rights]

- (i) Compliance with the Association's guidelines for exercising shareholders' voting rights
- (ii) Exercise of voting rights suited to the circumstances of companies
- (iii) Exercise of voting rights and engagement in an integrated manner

[Engagement]

- (i) Engagement aimed at enhancing the corporate value and sustainable growth of companies
- (ii) Quality of engagement
- (iii) Effectiveness of processes (e.g., PDCA cycle)

1 Activities of Asset Managers

(1) Compliance with the Association's Guidelines for Exercising Shareholders' Voting Rights (Domestic Equities)

It was learned that all asset managers entrusted with domestic stock investment by the Association exercise voting rights in accordance with account criteria (specific criteria for exercising voting rights related to accounts entrusted by the Association) reflecting the Guidelines on Domestic Equities.

It was learned that all asset managers conduct advance verification as to whether the Guidelines on Domestic Equities are followed. The Association observed some excellent practice cases in which asset managers enhanced the objectivity of verification by introducing external audits by third-party organizations.

The Association will continue to seek asset managers' exercise of voting rights in compliance with the Guidelines on Domestic Equities.

(2) Exercise of voting rights suited to the circumstances of companies

It was learned that all asset managers have developed processes for exercising voting rights in accordance with companies' respective circumstances. It was also learned that voting rights were exercised based on a sufficient understanding of the purpose of the Guidelines on Domestic Equities in light of the results of dialogue with companies (see (A) and (B) below).

In order to ensure appropriate judgment suited to the circumstances of companies, the Association has indicated the Guidelines on Domestic Equities and entrusts asset managers to make specific judgment on exercising voting rights.

The Association will continue requiring asset managers to exercise voting rights based on appropriate judgement suited to the circumstances of companies after sufficiently understanding the purpose of the Guidelines on Domestic Equities, instead of mechanically applying the Guidelines on Domestic Equities to the exercise of voting rights.

Cases	Provisions of Guidelines on Domestic Equities/Response of asset managers	
(A)	Provisions of Guidelines	We make positive decisions for a reduction in the number of directors, excluding outside directors. (omitted) we vote against an increase in the number of directors in principle, unless clear and rational explanations are provided for the increase.
	Response of asset managers	Asset Manager A voted for a proposal for the election of an additional internal director because of the judgment that a temporary increase in the number of internal directors would be reasonable to some degree given that the management system was currently in a transition phase.
(B)	Provisions of Guidelines	In addition, persons covered by bonus programs linked to stock prices, such as stock options, should be limited to those who are suitable for them. Specifically, we make negative decisions against granting such rights to outside directors (omitted) who are expected to serve an oversight function over the management team.
	Response of asset managers	Asset Manager B voted for a proposal related to the grant of stock options as remuneration for outside directors because of the judgment that granting stock options is appropriate as an incentive after learning through dialogue with the company that the person who will receive the remuneration is well-experienced as a manager and has frequently provided advice useful for the company's growth.

(3) Exercise of voting rights and engagement in an integrated manner

It was learned that all asset managers entrusted with domestic stock investment by the Association implement the exercise of voting rights and engagement in an integrated manner, for example, conducting engagement prior to the general meeting of shareholders and providing feedback after the exercise of voting rights (see (A), (B) and (C) below).

The Association observed some excellent practice cases in which asset managers encouraged companies not employing a sufficient number of outside directors to make improvement by informing the companies through dialogue that they were granting a grace period during which they voted for the proposals related to the election of directors as an exceptional measure.

The Association expects investee companies to be managed in a way that contributes to long-term shareholder value and believes that if shareholder value is not likely to increase, it is necessary to call for management needed for enhancing shareholder value. In doing so, the Association believes that instead of unilaterally exercising voting rights, asset managers should share the recognition of problems and other issues with the companies through various means, including explaining the views underlying their judgement on the exercise of voting rights.

The Association will continue requiring asset managers to conduct the exercise of voting rights and engagement in an integrated manner.

Cases	Response of asset managers
(A)	<p>In a dialogue held to closely examine the effectiveness of a proposal to introduce a restricted stock remuneration plan, Company A refused to disclose the details of the plan.</p> <p>As a result of analysis of the company's past payments of director remuneration, it was found that the linkage between the value of remuneration and business performance was weak, leading to an increase in the value of remuneration per director despite the deterioration of the performance. Therefore, Asset Manager A informed the company that the remuneration plan, with its lack of clarity, could not be judged to be viable as an incentive for increasing shareholder value and voted against the proposal. At the same time, the asset manager demanded information disclosure regarding the whole of the director remuneration plan.</p>
(B)	<p>Asset Manager B held discussions with Company B on the composition and role of the board of directors in relation to the revision of the Japan's Corporate Governance Code when it explained its vote against the company's proposal related to the election of an outside director.</p> <p>With respect to the composition of Company B's board of directors, which was comprised of two persons involved in the company's value chain and a business consultant, the asset manager pointed out the need to elect a person capable of making recommendations from the standpoint of a minority shareholder.</p>
(C)	<p>After holding discussions with Company C on such matters as the size of the board of directors and independence of its members, Asset Manager C informed the company that it was granting a grace period of two years during which it voted for the company's proposal related to the election of directors as an exceptional measure.</p> <p>At its general shareholders' meeting in 2020, Company C increased the number of outside directors for the second consecutive year. In addition, detailed hearings with the asset manager were held upon the company's request in order for the company to seek investors' opinions on the reform of the governance system.</p>

(4) Others

The Association observed an excellent practice case in which an asset manager prescribed the requirements for shifting to a monitoring board system (a monitoring board is a board of directors responsible for making decisions on important management matters and supervising business execution while entrusting the execution to managers) in the criteria for exercise of voting rights and encouraged companies to shift to a monitoring board system by relaxing some of the criteria for exercise of voting rights in favor of companies that meet the requirements.

The Association also observed another excellent practice case in which an asset manager used an original quantitative ESG scoring system for such purposes as exercise of voting rights and engagement.

There were also excellent practice cases in which asset managers revised the criteria for exercise of voting rights so as to require companies to enhance governance.

As the Association regards the exercise of voting rights as an important means to sufficiently reflect the opinions of the Association as a shareholder in investee companies' management, it believes that asset managers should continue efforts to enhance the effectiveness of this activity.

The Association will require asset managers to enhance the effectiveness of this activity by developing and using a PDCA cycle in consideration of the viewpoints of other divisions and third-party entities.

2 Results of the exercise of voting rights (domestic equities)

The Association exercises voting rights in relation to the funds invested in equities (Employees' Pension Insurance Benefit Adjustment Fund and Transitional Long-term Benefit Adjustment Fund).

Regarding the Employees' Pension Insurance Benefit Adjustment Fund, the Association exercised voting rights through 15 asset managers entrusted with domestic stock investment (a total of 35 products), with respect to a total of 14,259 companies which settled accounts between April 2020 and March 2021. The number of proposals for which voting rights were exercised was 47,567.

Of the 47,567 proposals, 10,241 (including 1,107 shareholder proposals) were voted against, translating into a vote-against rate of 21.5%. The vote-against rate concerning company proposals was 19.7%.

The vote-against rate came to 35.9% concerning proposals related to the board of directors/directors, 14.3% concerning proposals related to the board of auditors/auditors and 19.7% concerning proposals related to director remuneration, etc.

The results of the exercise of voting rights in relation to the Transitional Long-term Benefit Adjustment Fund which is managed under the same strategy were the same.

Exercise of Voting Rights: (i) Domestic Equities

Voting activity (Employees' Pension Insurance Benefit Adjustment Fund)

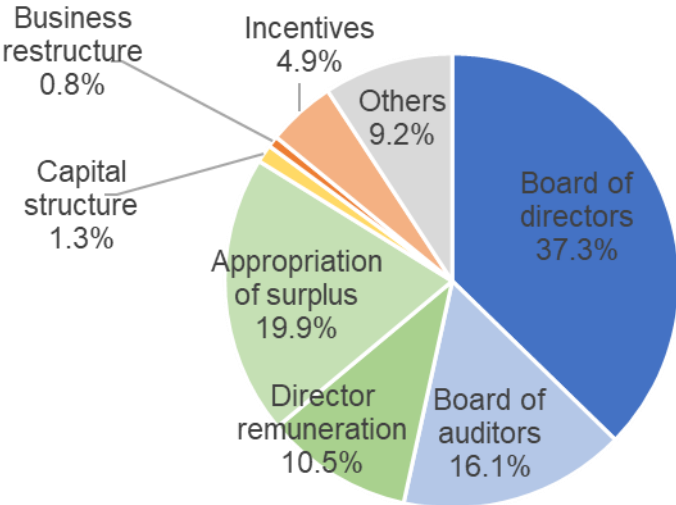
Companies with accounting settlement between April 2020 and March 2021

Number of proposals by type of proposer	Vote for		Vote against		Abstentions		Total
		Rate		Rate		Rate	
Company Proposal	37,240	80.3%	9,134	19.7%	0	0.0%	46,374
Shareholder Proposal	86	7.2%	1,107	92.8%	0	0.0%	1,193
Total	37,326	78.5%	10,241	21.5%	0	0.0%	47,567

Number of proposals by type of proposal	Vote for		Vote against		Abstentions		Total
		Rate		Rate		Rate	
Board of Directors/Directors	11,369	64.1%	6,370	35.9%	0	0.0%	17,739
Board of Auditors/Auditors	6,582	85.7%	1,096	14.3%	0	0.0%	7,678
Director Remuneration, etc.	4,011	80.3%	983	19.7%	0	0.0%	4,994
Appropriation of Surplus	9,283	98.0%	188	2.0%	0	0.0%	9,471
Capital Structure	285	46.8%	324	53.2%	0	0.0%	609
Takeover Defense Measures	11	3.7%	286	96.3%	0	0.0%	297
Capital Increase or Reduction	101	100%	0	0.0%	0	0.0%	101
Third Party Allotment of Shares	44	95.7%	2	4.3%	0	0.0%	46
Acquisition of Own Shares	1	3.3%	29	96.7%	0	0.0%	30
Business Restructure	374	100.0%	0	0.0%	0	0.0%	374
Incentives Improvement for Executives	1,969	85.0%	347	15.0%	0	0.0%	2,316
Other proposals	3,453	78.7%	933	21.3%	0	0.0%	4,386
Total	37,326	78.5%	10,241	21.5%	0	0.0%	47,567
Climate-related proposals	21	37.5%	35	62.5%	0	0.0%	56

Share by proposal subject (Employees' Pension Insurance Benefit Adjustment Fund)

Companies with accounting settlement between April 2020 and March 2021



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1 Activities of asset managers

(1) Compliance with the Association's Guidelines for Exercising Shareholders' Voting Rights (Foreign Equities)

It was learned that all asset managers entrusted with foreign stock investment by the Association exercise voting rights in accordance with account criteria reflecting the Guidelines on Foreign Equities.

It was learned that most of the asset managers conduct advance verification as to whether the Guidelines on Foreign Equities are followed. The Association observed some excellent practice cases in which asset managers enhanced the objectivity of verification by introducing external audits by third-party organizations.

The Association will continue to seek asset managers' exercise of voting rights in compliance with the Guidelines on Foreign Equities.

(2) Exercise of voting rights suited to the circumstances of companies

It was learned that all asset managers have developed processes for exercising voting rights in accordance with companies' respective circumstances. It was also learned that voting rights were exercised based on a sufficient understanding of the purpose of the Guidelines on Foreign Equities in light of the results of dialogue with companies (see (A) below).

In order to ensure appropriate judgment suited to the circumstances of companies, the Association has indicated the Guidelines on Foreign Equities and entrusts asset managers to make specific judgment on exercising voting rights.

The Association will continue requiring asset managers to exercise voting rights based on appropriate judgement suited to the circumstances of companies after sufficiently understanding the purpose of the Guidelines on Foreign Equities, instead of mechanically applying the Guidelines on Foreign Equities to the exercise of voting rights.

Cases	Provisions of Guidelines on Foreign Equities/Response of asset managers	
(A)	Provisions of Guidelines	With respect to directors' compensation, we make positive decisions for a compensation scheme linked to medium- to long-term corporate performance (omitted)
	Response of asset managers	Asset Manager A voted against Company A's proposal related to remuneration for directors and the CEO, the incentive portion of which was designed so as to encourage an expansion of business size through corporate acquisitions, because it judged, in light of the increasing maturity and stability of the company's businesses, that a more reasonable incentive remuneration plan was necessary.

(3) Exercise of voting rights and engagement in an integrated manner

It was learned that all asset managers entrusted with foreign stock investment by the Association implement the exercise of voting rights and engagement in an integrated manner (See (A) and (B) below).

The Association observed some excellent practice cases in which an asset manager sought dialogue opportunities by sending joint letters with foreign institutional investors to companies to whose proposals it had voted against, or in which asset managers granted a grace period to suspend the application of the criteria for exercise of voting rights related to diversity of the members of board of directors in light of the market and regional characteristics, and it applied the criteria after sufficient engagement.

The Association expects investee companies to be managed in a way that contributes to long-term shareholder value and believes that if shareholder value is not likely to increase, it is necessary to call for management needed for enhancing shareholder value. In doing so, the Association believes that instead of unilaterally exercising voting rights, asset managers should share the recognition of problems and other issues with the companies through various means, including explaining the views underlying their judgement on the exercise of voting rights.

The Association will continue requiring asset managers to conduct the exercise of voting rights and engagement in an integrated manner.

Cases	Response of asset managers
(A)	<p>Asset Manager A presented to Company A, which belongs to the banking sector, a joint shareholder proposal with multiple institutional investors calling for the development of a strategy for reducing the outstanding amount of credit provided for fossil fuels projects because it considered the company's response to climate change to be insufficient.</p> <p>Subsequently, it was learned that Company A was planning to phase out loans for coal-fired power generation and the development of coal resources used for power generation by 2040 and to propose it at a general shareholders' meeting, and therefore, Asset Manager A withdrew its proposal presented at the general shareholders' meeting.</p>
(B)	<p>After voting against Company B's proposal related to director remuneration in the previous fiscal year, Asset Manager B conducted engagement with the company. The asset manager informed the company of its understanding that the director remuneration should be competitive compared with remuneration plans of other global companies in the same industry and that, in light of the nature of the company's business, judgment on remuneration should be based on long-term business performance, rather than short-term performance.</p> <p>Regarding a proposal related to director remuneration that will be presented at the current fiscal year's general shareholders' meeting, Asset Manager B informed the company that it would vote for the proposal in principle while emphasizing matters of concern. As a result, the company decided to refrain from presenting the proposal related to director remuneration.</p>

(4) Others

The Association observed an excellent practice case in which an asset manager found, through quantitative analysis, that companies with greater diversity in the management team tended to possess a better financial profile and are more likely to deliver a higher return in the long term, and it revised the criteria for exercise of voting rights based on the finding.

The Association also observed that the majority of asset managers are conducting an excellent practice of revising the criteria for exercise of voting rights so as to require companies to enhance governance.

As the Association regards the exercise of voting rights as an important means to sufficiently reflect the opinions of the Association as a shareholder in investee companies' management, it believes that asset managers should continue efforts to enhance the effectiveness of this activity.

The Association will require asset managers to enhance the effectiveness of this activity by developing and using a PDCA cycle in consideration of the viewpoints of other divisions and third-party entities.

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2 Results of the exercise of voting rights (foreign equities)

The Association exercises voting rights in relation to the funds invested in equities (Employees' Pension Insurance Benefit Adjustment Fund and Transitional Long-term Benefit Adjustment Fund).

Regarding the Employees' Pension Insurance Benefit Adjustment Fund, the Association exercised voting rights through 16 asset managers entrusted with foreign stock investment (a total of 24 products), with respect to a total of 10,091 companies which settled accounts between April 2020 and March 2021. The number of proposals for which voting rights were exercised was 98,578.

Of the 98,578 proposals, 12,629 (including 1,405 shareholder proposals) were voted against, translating into a vote-against rate of 12.8%. The vote-against rate concerning company proposals was 12.0%.

The vote-against rate came to 14.3% concerning proposals related to the election of directors, etc. and 15.1% concerning proposals related to director remuneration, etc.

The results of the exercise of voting rights in relation to the Transitional Long-term Benefit Adjustment Fund which is managed under the same strategy were the same.

Voting activity (Employees' Pension Insurance Benefit Adjustment Fund)

Companies with accounting settlement between April 2020 and March 2021

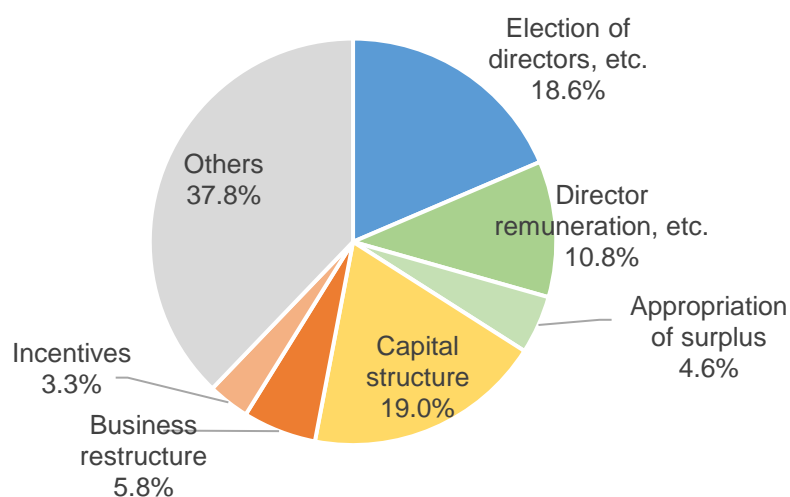
Number of proposals by type of proposer	Vote for		Vote against		Abstentions		Total
		Rate		Rate		Rate	
c.f. Company proposal	82,470	87.9%	11,224	12.0%	81	0.1%	93,775
c.f. Shareholder proposal	3,379	70.4%	1,405	29.3%	19	0.4%	4,803
Total	85,849	87.1%	12,629	12.8%	100	0.1%	98,578

Number of proposals by type of proposal	Vote for		Vote against		Abstentions		Total
		Rate		Rate		Rate	
Proposal for election of directors, etc.	15,657	85.5%	2,618	14.3%	31	0.2%	18,306
Director remuneration, etc.	9,023	84.6%	1,614	15.1%	31	0.3%	10,668
Appropriation of surplus	4,542	99.4%	22	0.5%	4	0.1%	4,568
Capital structure	16,483	88.1%	2,225	11.9%	2	0.0%	18,710
Takeover defense measures	482	94.9%	26	5.1%	0	0.0%	508
Capital increase or reduction	6,331	82.8%	1,317	17.2%	1	0.0%	7,649
Third party allotment of shares	2,577	94.3%	157	5.7%	0	0.0%	2,734
Acquisition of own shares	2,862	96.3%	109	3.7%	0	0.0%	2,971
Business restructure	4,982	86.5%	775	13.5%	3	0.1%	5,760
Incentives improvement for executives	2,005	61.2%	1,264	38.6%	5	0.2%	3,274
Other proposals	33,157	88.9%	4,111	11.0%	24	0.1%	37,292
Total	85,849	87.1%	12,629	12.8%	100	0.1%	98,578
Climate-related proposals	172	64.7%	92	34.6%	2	0.8%	266

*From the viewpoints of constraints related to the exercise of voting rights and additional cost burden, the exercise of voting rights is limited to 18 countries and regions (the United States, Canada, the United Kingdom, Ireland, Australia, New Zealand, Singapore, Hong Kong, Chile, the Czech Republic, Indonesia, Mexico, the Philippines, South Africa, Taiwan, Thailand, Pakistan and China A Stock).

Share by proposal subject (Employees' Pension Insurance Benefit Adjustment Fund)

Companies with accounting settlement between April 2020 and March 2021



1 Activities of asset managers

(1) Engagement aimed at enhancing corporate value and sustainable growth

The Association confirmed that all asset managers are conducting engagement activities aimed at enhancing corporate value and sustainable growth and that they are conducting engagement concerning sustainability issues in a way connected to these purposes.

In the Signup to Japan's Stewardship Code, the Association stipulates as follows: "The Association will continue requiring the asset managers to share the awareness of problems with the investees and make efforts for the solution through effective engagement aimed at the medium- to long-term enhancement of corporate values and sustainable growth of investee companies."

The Association will continue requiring asset managers to conduct engagement activities aimed at enhancing corporate value and sustainable growth.

(2) Quality of engagement

The Association believes that the most important factor that influences the effectiveness of engagement is specific activities that lead to an increase in corporate value (for specific cases, see (A) to (E) below).

The Association will continue requiring asset managers to conduct engagement activities leading to the improvement of corporate value.

Cases	Details of engagement	
(A)	Dialogue subject	[Dialogue concerning corporate governance ("G" of ESG)] Asset Manager A conveyed to Company A, which had not established nomination and remuneration committees, its concern that the board of directors may be failing to sufficiently supervise the management team and repeatedly called for the establishment of those committees.
	Result	At a subsequent general shareholders' meeting, Company A established nomination, remuneration and audit committees to become a company with a nominating committee, etc. within the meaning of the Companies Act.
(B)	Dialogue subject	[Dialogue concerning management strategy] Asset Manager B explained the need for Company B to improve the profitability of existing businesses (e.g., hotel and railway operations) and reorganize the business portfolio out of consideration for the possibility that large-scale shocks like the COVID-19 crisis may occur.
	Result	Under a mid-term business plan, Company B set forth its policy for improving profitability through its asset-light management strategy (i.e., streamlining of asset holdings) and restructuring.
(C)	Dialogue subject	[Dialogue concerning capital policy] Asset Manager C pointed out that Company C's plan for reducing cross-shareholdings is merely an internal target and that the company had not published a finance plan for the period after sale of shareholdings and proposed that the company should implement share repurchases, like other companies in the same industry are doing.
	Result	Under a mid-term business plan, Company C presented a numerical target for reduction of cross-shareholdings and announced a plan to flexibly implement share repurchases.
(D)	Dialogue subject	[Dialogue concerning environmental ("E" of ESG) issues] Asset Manager D recommended that Company D develop a materiality map that sets the company apart from competitors in the same industry with respect to ESG/SDGs-related activities and activities to improve its reputation in capital markets.
	Result	After engagement, Company D expressed support for the TCFD, developed a materiality map, and disclosed CO2 emissions amounts in the past three years.
(E)	Dialogue subject	[Dialogue concerning social ("S" of ESG) issues] Asset Manager E explained the need for Company E to disclose narratives linked with an increase in corporate value and KPIs because there is a lack of awareness in the stock market about the company's activities to obtain and develop human resources.
	Result	In an IR document released later, Company E disclosed the abovementioned narratives and KPIs.

(3) Effectiveness of processes (e.g., PDCA cycle)

It was learned that all asset managers are conducting progress management and effect measurement of engagement in a systematic way. For most of them, as a result of the measurement, engagement had effects such as the achievement of and progress towards the goals of engagement.

The Association observed cases of excellent practices conducted by asset managers to improve the effectiveness of engagement. In some cases, asset managers conducted quantitative measurement as to how much engagement contributed to an increase in corporate value. In other cases, asset managers measured the engagement effect or promoted the diversification of viewpoints through cooperation with domestic and foreign universities and various NGOs (see (A) to (E) below).

In yet other cases, asset managers developed processes whereby a conference body evaluates the effectiveness of engagement each year in light of the implementation status and results of engagement as a way to improve the effectiveness.

As engagement is a "purposeful dialogue," the Association believes that it is necessary to enhance the effectiveness of engagement by establishing and utilizing a PDCA cycle including the examination of whether or not the objective has been achieved through engagement.

The Association will require asset managers to enhance the effectiveness of engagement processes in a systematic way, by such way as setting key performance indicators (KPI) and improving processes according to the status of achievement of KPIs.

Cases	Activities of asset managers
(A)	Asset Manager A measured how the values of two indicators—internally calculated corporate value and the stock market's evaluation of companies (relative stock prices)—changed as a result of engagement.
(B)	Asset Manager B decomposed cumulative excess returns from investee companies since the start of investment into the security selection effect and the engagement effect based on certain preconditions and conducted quantitative verification of those effects.
(C)	Asset Manager C shared with investee companies key performance indicators (KPI) that lead to the solution of problems, and assessed the outcome of engagement based on such factors as corporate actions in response to problems and the degree of achievement of KPIs. It also checked for the improvement of factors driving corporate value and the valuation on equity markets.
(D)	Asset Manager D compared the stock price performances of a group of companies whose behavior changed in some way or other as a result of dialogue and a group of companies whose behavior did not change.
(E)	Regarding companies with which it conducted engagement, Asset Manager E measured the values of Tobin's q (an indicator of corporate value) with respect to those that took corporate actions and checked whether the values for the companies were higher than the market average.

(4) Others

The Association observed cases of excellent practices conducted by asset managers to improve the effectiveness of engagement. In some cases, asset managers held dialogue based on qualitative and quantitative evidence as part of engagement, while in other case, an asset manager provided an incentive for increasing corporate value through engagement by incorporating product performance into the process of evaluating personnel responsible for engagement. In yet other case, an asset manager verified the effectiveness of ESG-related dialogue by analyzing the relationship between the ESG score and corporate value. There was also a case in which an asset manager applied foreign asset owners' advanced practices to its own engagement activity (see (A) to (D) below).

The Association will continue requiring asset managers to exercise efforts to improve the effectiveness of engagement activities according to their respective approaches.

Cases	Activities of asset managers
(A)	Asset Manager A recognized the need to obtain companies' sympathy with the substance of dialogue when conducting engagement in order to increase corporate value and held dialogue while referring to specific cases based on data.
(B)	Asset Manager B incorporated the performance of investment products relative to the benchmarks into the process of evaluating personnel responsible for engagement based on the idea that increasing companies' corporate value through engagement contributes to stock price performance in the medium to long term.
(C)	In order to analyze the relationship between the ESG evaluation and an increase in corporate value, Asset Manager C paid attention to the number of ESG events and confirmed that when the ESG evaluation is high, the percentage of positive ESG events is also high. It was also confirmed that when the ESG evaluation is high, stock price falls following negative ESG events are curbed.
(D)	Asset Manager D studies cutting-edge methodologies for dialogue by making collaborative engagement with a foreign asset owner on such subjects as human rights, supply chain and environmental issues, and leverages the results for its own stewardship activity.

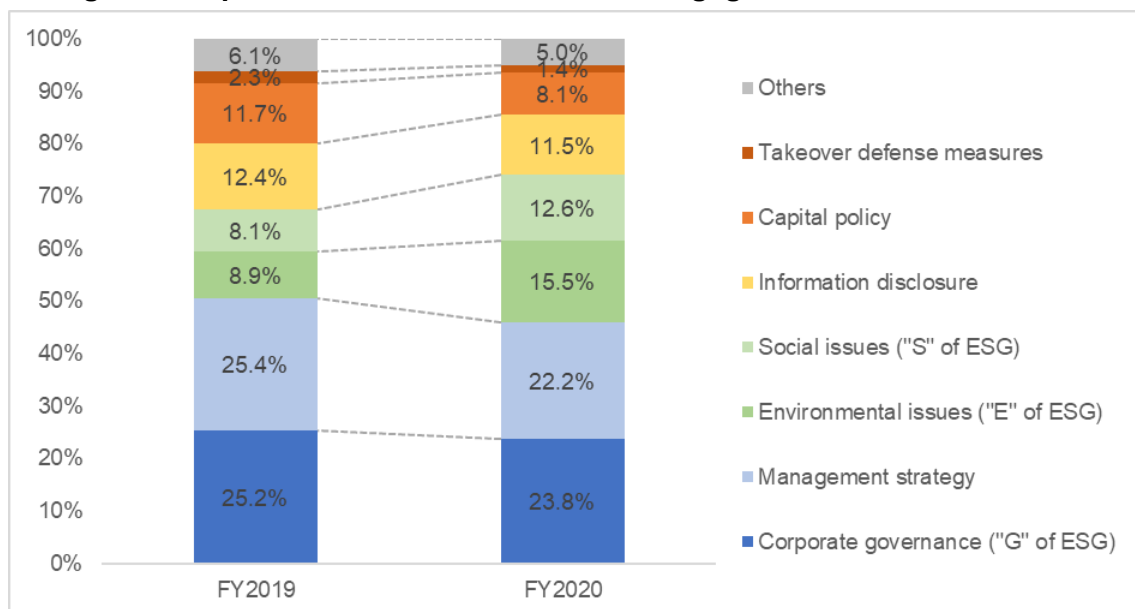
2 Number of engagement cases

The Association implements engagement activities in relation to the funds invested in equities (Employees' Pension Insurance Benefit Adjustment Fund and Transitional Long-term Benefit Adjustment Fund).

Regarding the Employees' Pension Insurance Benefit Adjustment Fund, in FY2020, the Association implemented engagement with a total of 4,311 companies through 15 asset managers (a total of 35 products) to which domestic stock investment was entrusted. The number of cases of engagement was 17,828. Meanwhile, the number of cases of climate change-related dialogue was 2,017.

Against the backdrop of growing ESG awareness among companies and enhancement of ESG-related dialogue held by asset managers, the percentages of dialogue cases related to environmental issues (representing "E" of ESG) and social issues (representing "S" of ESG) rose from the previous year. The results of the number of engagement activities in relation to the Transitional Long-term Benefit Adjustment Fund which is managed under the same strategy were the same.

Change of composition of number of cases of engagement



*The standard for counting the number of cases of engagement varies depending on asset managers.

1 Activities of asset managers

(1) Engagement aimed at enhancing corporate value and sustainable growth

It was learned that all asset managers are conducting engagement activities aimed at enhancing corporate value and sustainable growth and that they are conducting engagement concerning sustainability issues in a way connected to these purposes.

The Association's policy is to continue requiring the asset managers to share the awareness of problems with the investees and make efforts for the solution through effective engagement aimed at the medium- to long-term enhancement of corporate values and sustainable growth of investee companies.

The Association will continue to seek further understanding of asset managers on its views concerning the purpose of engagement, and engagement initiatives.

(2) Quality of engagement

The Association believes that the most important factor that influences the effectiveness of engagement is specific activities that lead to an increase in corporate value (for specific cases, see (A) to (C) below).

The Association will continue requiring asset managers to conduct engagement activities leading to the improvement of corporate value.

Cases	Details of engagement	
(A)	Dialogue subject	[Dialogue concerning corporate governance ("G" of ESG)] Asset Manager A held dialogue individually with Company A's CEO and two independent directors, expressed concerns over the board of directors' independence, and introduced a well-experienced candidate for an independent director.
	Result	Company A did not elect the introduced candidate but dismissed a director whom Asset Manager A did not regard as being independent and replaced him with another person who was regarded as being independent.
(B)	Dialogue subject	[Dialogue concerning social ("S" of ESG) issues] Asset Manager B held dialogue in order to check what role Company B's board of directors and committees played in overseeing the response to risks related to human rights. As a result, while it was found that the company's committees held discussions on and had oversight over those risks, their involvement in overseeing the response to the risks was not prescribed in writing. Therefore, Asset Manager B proposed prescribing the committees' involvement in writing.
	Result	Company B prescribed in writing the board of directors' involvement in overseeing organization-wide response to risks related to human rights.
(C)	Dialogue subject	[Dialogue concerning environmental ("E" of ESG) issues] Asset Manager C informed Company C, which is among the largest automakers in the world and which still continues to be affected by the lingering effects of a past case of misconduct related to exhaust gas emissions, that the company is expected to perform its role as a guiding light in the auto industry's response to climate change.
	Result	Company C set the goal of achieving net zero emissions by 2050 on a company-wide basis and started developing production plans and providing employee training based on the goal. The company is scheduled to discontinue production of vehicles driven by internal combustion engines by 2040 and is conducting stress tests related to risks that could affect its factories and dealers.

(3) Effectiveness of processes (e.g., PDCA cycle)

It was learned that most of the asset managers are conducting progress management and effect measurement of engagement in a systematic way (See (A) below).

Some asset managers conducted excellent initiatives leveraging tracking tools for engagement activity for the progress management and dialog effect measurement (See (B) and (C) below).

As engagement is a "purposeful dialogue," the Association believes that it is necessary to enhance the effectiveness of engagement by establishing and utilizing a PDCA cycle including the examination of whether or not the objective has been achieved through engagement.

The Association will require asset managers to enhance the effectiveness of engagement processes in a systematic way, by such way as setting key performance indicators (KPI) and improving processes according to the status of achievement of KPIs.

Cases	Activities of asset managers
(A)	For measuring the effect of engagement concerning climate change-related issues and information disclosure, Asset Manager A assigns quantitative scores based on insight from various initiatives and partner asset managers, and measures the effect based on comprehensive quantitative assessment aggregating scores for each item.
(B)	Asset Manager B developed a tracking platform integrating data sets regarding the progress in engagement, ESG evaluation, the history of exercise of voting rights, and third-party research activities, and its equity and bond investment teams are conducting engagement and accumulating data while sharing information with each other. The asset manager also strove to improve the measurement of the engagement effect by continuously accumulating data.
(C)	Asset Manager C made it possible to maintain centralized management of meetings' minutes and reference materials, dialogue topics, matters subject to future follow-up review, and the progress in engagement by introducing tracking tools for engagement activity. The asset manager also developed a system whereby data can be selected when necessary in order to measure the engagement effect on an issue-by-issue basis.

(4) Others

The Association observed cases of excellent practice conducted by asset managers to improve the effectiveness of engagement. In one case, an asset manager cooperated with a university in gaining in-depth scientific knowledge regarding climate change and used the knowledge for engagement. In another case, an asset manager conducted engagement based on more concrete evidence by minutely categorizing climate change risks for companies (see (A) and (B) below).

The Association will continue requiring asset managers to exercise efforts to improve the effectiveness of engagement activities according to their respective approaches.

Cases	Activities of asset managers
(A)	Through partnerships with universities, Asset Manager A obtained opportunities to gain knowledge in specialized fields which it is difficult for analysts to cover in their routine activities—such as climate change mechanisms, climate change risks, and sector-by-sector impacts—directly from scientists and used the knowledge for conducting engagement and making investment decisions.
(B)	Asset Manager B started efforts to recognize climate change risks from the viewpoints of both policymaking and disaster response. Regarding disaster risks, the asset manager used recognized risks for conducting more effective engagement. For example, it identified regions that are highly susceptible to floods and conducted engagement with companies operating in those regions in order to check their risk response.

2 Number of engagement cases

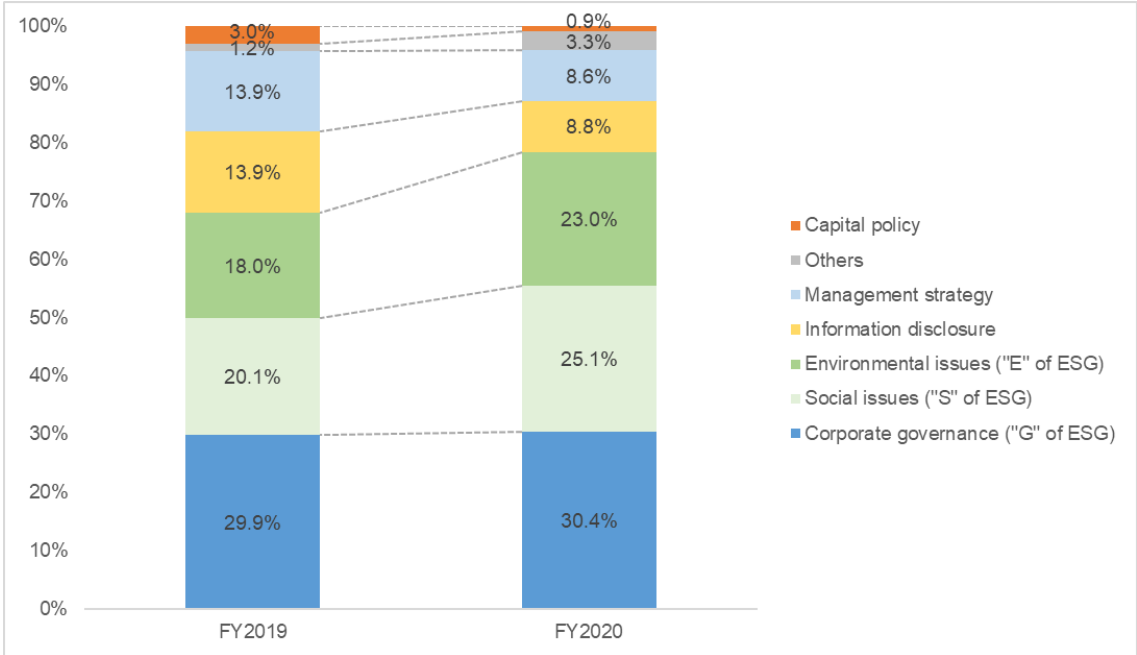
The Association implements engagement activities in relation to the funds invested in equities (Employees' Pension Insurance Benefit Adjustment Fund and Transitional Long-term Benefit Adjustment Fund).

Regarding the Employees' Pension Insurance Benefit Adjustment Fund, in FY2020, the Association implemented engagement with a total of 1,762 companies through 16 asset managers (a total of 24 products) to which foreign stock investment was entrusted. The number of cases of dialogue was 4,614. Meanwhile, the number of cases of climate change-related dialogue was 644.

Against the backdrop of growing ESG awareness among companies and launching of engagement campaigns concerning environmental and social issues by some asset managers, the percentages of dialogue cases related to environmental issues (representing "E" of ESG) and social issues (representing "S" of ESG) rose from the previous year.

The results of the number of engagement activities in relation to the Transitional Long-term Benefit Adjustment Fund which is managed under the same strategy were the same.

Change of composition of number of cases of engagement



*The standard for counting the number of cases of engagement varies depending on asset managers.

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Asset Managers' Recognition of Challenges

The Association learned that asset managers were recognizing the following challenges in the process of the fulfillment of the stewardship responsibilities.

The Association will continue requiring asset managers to conduct effective stewardship activity by continuing to address the following challenges.

[Recognition of challenges by asset managers (domestic equities)]

Category	Challenges
Exercise of voting rights/engagement	Strengthen systems (e.g., improvement of specialized skills, and invitation of outside experts)
	Effective and efficient management of process for stewardship activity
	Enhancement of information disclosure
Exercise of voting rights	Effectiveness of advice provided by proxy advisors
Engagement	Improvement and strengthening of dialogue about sustainability challenges
	Exercise of further influence over companies that have yet to resolve the challenges
	Progress and improvement of a method for measuring/examining the effectiveness of engagement
	Development of friendly relationships with companies under the COVID-19 crisis

[Recognition of challenges by asset managers (foreign equities)]

Category	Challenges
Exercise of voting rights/engagement	Strengthen systems (e.g., human resource development and improvement of specialized skills)
	Effective and efficient management of process for stewardship activity
	Enhancement of information disclosure
	Deliberation on participating in initiatives, etc.
	Provision of information to the market
Exercise of voting rights	Further integrated management of the exercise of voting rights and engagement
	Deliberation on revising the criteria for exercise of voting rights to call for better governance
Engagement	Exercise of further influence over companies toward information disclosure
	Progress and improvement of a method for measuring/verifying the effectiveness of engagement
	Strengthening of cooperation with entities to which engagement is entrusted
	Expansion of the scope of companies targeted by an engagement campaign, etc.

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1 ESG Investment

(1) Basic approach to ESG investment

As the Association invests pension funds over the long term, it is rational to aim to maximize the long-term return by paying attention not only to short-term business performance when making investment but also to factors related to sustainability, including ESG.

With respect to ESG investment, the Association revised its Basic Policies in line with the Basic Policy for Funds (public notice issued by four ministries) revised in 2020. The Association's basic policy provides: the necessary initiatives shall be implemented, based on a case-by-case analysis, with a view to promoting investment considering non-financial elements including ESG (Environmental, Social, and Governance) in addition to financial elements based on the approach that the sustainable growth of investee companies and the entire market is necessary for the increase of return on investment portfolio over long time so as to secure long-term return for the benefit of insured persons.

The Association had taken necessary measures for ESG investment based on case-by-case analysis, even before the present Basic Policies were revised to incorporate provisions concerning investment considering non-financial factors.

(2) Initiatives concerning ESG Investment

- Consideration of the ESG factors for products managed by entrusted institutions

The Association evaluates the status of consideration of the ESG factors in the processes of annual comprehensive evaluation of products managed by entrusted institutions and selection of new products. It also requests asset managers entrusted with equity investment to take sustainability (medium- to long-term sustainability, including regarding the ESG factors) into consideration when exercising voting rights or conducting engagement activity as part of stewardship activity and checks the status of those activities.

- Investment in ESG products as part of equity investment

The Association has started investing in ESG products in 2010 with respect to active investment in domestic equities. Subsequently, the Association gradually increased the number of adopted products and the amount of investment.

In light of such factors as growing interest in ESG investment globally and the revision of provisions concerning ESG investment in the Basic Policies, the Association adopted three ESG products for active investment and two ESG products for passive investment in December 2020.

The Association has adopted seven ESG products as of the end of December 2021 (five products for active investment and two products for passive investment), with a total value (market value) of 946 billion yen (approximately 13.5% of the outstanding balance of domestic stocks in the Association's portfolio).

By adopting ESG products for active investment, the Association seeks to earn an excess return while fully taking into consideration ESG factors in the investment process. In addition, through ESG products for passive investment, it expects to promote sustainable growth of investees and the entire market while curbing the risk of deviation from a policy benchmark to a certain extent.

As of the end of December 2021, the Association is in the process of making a selection for ESG products for active investment in foreign equities.

- Investment in ESG bonds as part of bond investment

The Association started investing in products considering ESG factors as part of in-house investment in domestic bonds in FY2019. For the time being, the Association intends to make investment mainly in ESG bonds issued by local governments and institutions funded by a fiscal investment and loan program. As of the end of December 2021, the total value (book value) is 14.1 billion yen (0.8 billion yen for local government bonds and 13.3 billion yen for bonds issued by institutions funded by a fiscal investment and loan program).

Initiatives related to Stewardship Activity

2 Publication of activities through reports of investment results

Since FY2015, the Association has been obligated to publish an annual report of investment results ("Review of Operations") describing activities concerning the exercise of voting rights relating to stocks based on the Local Public Officers, etc. Mutual Aid Association Act.

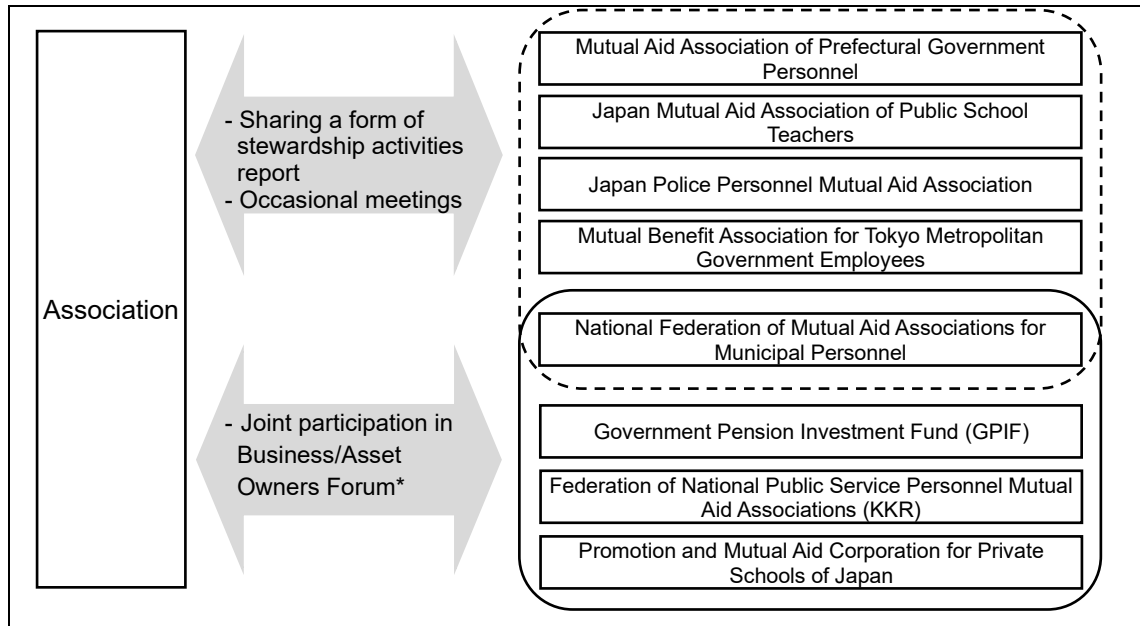
The Association's stewardship activity in FY2021 and the matters observed through monitoring will be described in the Review of Operations for FY2021 (scheduled to be published in FY2022).

3 Collaboration with other public pension funds, etc.

In order to enhance the effectiveness and efficiency of stewardship activity, the Association holds meetings on stewardship activity on an as-needed basis with the Local Public Service Mutual Aid Associations (the Mutual Aid Association of Prefectural Government Personnel, the Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, the Mutual Benefit Association for Tokyo Metropolitan Government Employees, and the National Federation of Mutual Aid Associations for Municipal Personnel) and use common forms of reports concerning stewardship activity to be submitted by asset managers.

In addition, the Association is engaged in collaboration with other public pension funds, by such means as participating in a Business/Asset Owners Forum (this forum is held in order to let participating companies exchange opinions about constructive dialogue with asset managers and to allow GPIF and other asset owners to use the results as a reference for stewardship activity).

[Collaboration with other public pension funds, etc.]



* Due to the impact of COVID-19, this forum for fiscal year 2020 and 2021 were canceled.

Future Initiatives

The Association will continue to actively conduct stewardship activity in order to simultaneously fulfill the fiduciary and social responsibilities.

(1) Implementation of effective monitoring of asset managers

The Association will continue to make sure that asset managers' stewardship activity is consistent with the Association's policy and will conduct monitoring with emphasis placed on the "quality" of initiatives.

(2) Dialogue with asset managers and accumulation of knowledge within the Association

From the viewpoint of continuously enhancing the effectiveness of stewardship activity, the Association will conduct dialogue with asset managers about matters of priority and accumulate knowledge concerning stewardship activity.

(3) Consideration of expansion of the scope of assets covered by stewardship activities

From the standpoint of fulfilling its stewardship responsibility, the Association has been considering expanding the scope of assets covered by stewardship activities by such way as grasping the status of asset managers conducting stewardship activities relating to assets other than equities and will implement necessary measures to the extent possible.

(4) Promotion of investment taking into consideration non-financial factors

From the viewpoint of securing long-term profit for the sake of insured persons' interests, the Association will also continue to conduct necessary activities after considering promoting investment taking into consideration non-financial factors, including ESG factors, in addition to financial factors. In addition, the Association will continue to check whether the activities of asset managers entrusted with equity investment take sustainability into consideration when monitoring their stewardship activities.

(5) Revision of the Corporate Governance Principles, etc.

The Association will revise the Corporate Governance Principles, the Guidelines for Exercising Shareholders' Voting Rights (Domestic Equities/Foreign Equities) and the Signup to Japan's Stewardship Code as necessary while taking into consideration revisions of laws, regulations and codes and changes in the social situation.

(6) Collaboration with other public pension funds, etc.

As part of its efforts to enhance the effectiveness and efficiency of stewardship activity, the Association will also exchange opinions with its member associations and other public pension funds, among other activities.

1 Policy concerning stewardship activity

The Association's policies and guidelines applicable to stewardship activity can be accessed from the following URLs:

- Basic Policy for Employees' Pension Insurance Benefit Adjustment Fund
(Last revised on December 24, 2021)
https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/20211227_unnyouhoushin/kihon_kounen.pdf
https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/english/9_Basic_Policy_Employees_Pension_Insurance.pdf
- Basic Policy for the Annuity Retirement Benefits (ARB) Adjustment Fund
(Last revised on March 31, 2020)
https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/housin/housin_kihon2.pdf
https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/english/5_kihonhoushin_tainen.pdf
- Basic Policy for the Transitional Long-Term Benefits (TLTB) Adjustment Fund
(Last revised on December 24, 2021)
https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/20211227_unnyouhoushin/kihon_keika.pdf
[https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/english/10_Basic_Policy_Transitional_Long-Term_Benefits\(TLTB\).pdf](https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/english/10_Basic_Policy_Transitional_Long-Term_Benefits(TLTB).pdf)
- Corporate Governance Principles (Last revised on February 15, 2022)
https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/stewardship/CorporateGovernancePrinciple.pdf
https://cms.chikyoren.broad.ne.jp/english/Corporate_Governance_Principles_of_Pension_Fund_Association_for_Local_Government_Officials.pdf
- Guidelines for Exercising Shareholders' Voting Rights (Domestic Equities)
(Last revised on February 15, 2022)
[https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/stewardship/ProxyVotingGuideline\(Domestic\).pdf](https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/stewardship/ProxyVotingGuideline(Domestic).pdf)
https://cms.chikyoren.broad.ne.jp/english/Guidelines_for_Exercising_Shareholders_Voting_Rights_Domestic_Equities.pdf
- Guidelines for Exercising Shareholders' Voting Rights (Foreign Equities)
(Last revised on February 15, 2022)
[https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/stewardship/ProxyVotingGuideline\(Foreign\).pdf](https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/stewardship/ProxyVotingGuideline(Foreign).pdf)
https://cms.chikyoren.broad.ne.jp/english/Guidelines_for_Exercising_Shareholders_Voting_Rights_Foreign_Equities.pdf
- Signup to Japan's Stewardship Code (Last revised on September 25, 2020)
https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/stewardship/signup_stewardshipcode_2020.pdf
[https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/stewardship/stewardship_code_2020\(eng\).pdf](https://www.chikyoren.or.jp/Portals/0/2_sikinunyo/stewardship/stewardship_code_2020(eng).pdf)

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Chronology of the Association's stewardship activity

Time		Initiatives
2002	May	Instructed trust banks to exercise voting rights based on specified comprehensive trust contracts.
2003	June	Made revisions so as to require asset managers to exercise voting rights based on discretionary investment contracts.
2004	April	Established the "Corporate Governance Principles of Pension Fund Association for Local Government Officials." Established the "Guidelines for Exercising Shareholders' Voting Rights." Instructed asset managers to exercise voting rights in line with the Guidelines.
2005	June	Announced the "Pension Fund Association for Local Government Officials' Approach to Proposals on Takeover Defense Measures."
2006	March	Revised the "Guidelines for Exercising Shareholders' Voting Rights." <ul style="list-style-type: none"> • Requested the establishment of the outside director post • Specified the definition of antisocial acts • Established the takeover defensive measure item
2007	March	Revised the "Guidelines for Exercising Shareholders' Voting Rights." <ul style="list-style-type: none"> • Tolerated non-exercise of voting rights related to companies' own shares and shares of parent companies with the risk of conflict of interest.
2008	March	Revised the "Guidelines for Exercising Shareholders' Voting Rights." <ul style="list-style-type: none"> • Added appropriation of surplus to the scope of factors that should be considered in relation to proposals for the election of directors.
2009	March	Revised the "Guidelines for Exercising Shareholders' Voting Rights." <ul style="list-style-type: none"> • Incorporated the viewpoint of undervalued dividends into appropriation of surplus. • Requested that shareholders' proposals be as closely examined as companies' proposals are. • Clarified the criteria for antisocial acts. Revised the "Pension Fund Association for Local Government Officials' Approach to Proposals on Takeover Defense Measures." <ul style="list-style-type: none"> • Added non-support for indefinite extension of the period of consideration by takeover targets.
2010	February	Started entrusted investment in ESG products concerning domestic stocks.
	March	Revised the "Pension Fund Association for Local Government Officials' Approach to Proposals on Takeover Defense Measures." <ul style="list-style-type: none"> • Made an explicit reference to the independence of third-party committees.

Reference Materials

Time		Initiatives
2011	March	Revised the "Corporate Governance Principles of Pension Fund Association for Local Government Officials." <ul style="list-style-type: none"> Unified wordings and clarified the contents.
		Revised the "Guidelines for Exercising Shareholders' Voting Rights." <ul style="list-style-type: none"> Shifted to case-by-case judgment concerning proposals for the election of special directors. Adopted case-by-case judgment concerning stock options whose exercise price is lower than the market price.
		Revised the "Pension Fund Association for Local Government Officials' Approach to Proposals on Takeover Defense Measures." <ul style="list-style-type: none"> Decided that when the requirements for the initiation of takeover defense measures are clear and leave no room for discretion, the measures may be voted for even if importance is not attached to the judgment of independent outside persons.
2013	March	Revised the "Guidelines for Exercising Shareholders' Voting Rights." <ul style="list-style-type: none"> Requested that consideration be given to the attendance rate, etc. in the re-election of outside directors and outside auditors.
2014	May	Signed up to Japan's Stewardship Code.
		Revised the "Guidelines for Exercising Shareholders' Voting Rights." <ul style="list-style-type: none"> Added descriptions corresponding to the footnotes to Principle 2 (prevention of conflicts of interest) and Principle 5 (voting rights related to stock lending) of Japan's Stewardship Code.
		Newly added one product to ESG product concerning domestic equities.
2015	March	Revised the "Corporate Governance Principles of Pension Fund Association for Local Government Officials." <ul style="list-style-type: none"> Added descriptions concerning the use of independent outside directors and directors who are not executive directors. Added descriptions concerning requests for corporate management teams to disclose information, including non-financial information. Added descriptions concerning requests for corporate management teams to conduct active dialogue with investors.
		Revised the "Guidelines for Exercising Shareholders' Voting Rights." <ul style="list-style-type: none"> Requested that consideration be given to the situation of concurrent assumption of executive posts at other companies at the time of re-election of outside directors and outside auditors. Decided that negative judgment be made concerning takeover defense measures in principle.
	Started the publication of Annual Stewardship Activity Report.	
	October	Established the "Administration and Investment Policy" and the "Basic Policy" in association with the unification of pension systems. <ul style="list-style-type: none"> Specified measures to fulfill the stewardship responsibilities.
	December	Newly added two products to ESG product concerning domestic equities.

Time		Initiatives
2016	March	Revised the "Guidelines for Exercising Shareholders' Voting Rights." <ul style="list-style-type: none"> • Changed the name to the "Guidelines for Exercising Shareholders' Voting Rights (Domestic Equities)" and unified wordings in association with the establishment of the "Guidelines for Exercising Shareholders' Voting Rights (Foreign Equities)."
	April	Established the "Guidelines for Exercising Shareholders' Voting Rights (Foreign Equities)." Instructed asset managers to exercise voting rights in line with the Guidelines.
2017	November	Signed up to Japan's Stewardship Code (Revised Version)
2019	March	Revised the "Corporate Governance Principles of Pension Fund Association for Local Government Officials." <ul style="list-style-type: none"> • Added some items to the scope of the roles and functions of the board of directors. • Added a provision concerning the required number of independent outside directors. • Created a new section called "Establishment of advisory committees." • Cited gender and international experience as specific examples of diversity. • Cited specific examples of the appropriate qualifications of auditors. Revised the "Guidelines for Exercising Shareholders' Voting Rights (Domestic Equities and Foreign Equities)." <ul style="list-style-type: none"> • Prescribed the requirement for an exercise of voting rights in accordance with the circumstances of companies. • Prescribed the requirement for an integrated implementation of the exercise of voting rights and engagement. • Prescribed the requirement for a PDCA cycle of the exercise of voting rights.
	September	Started investing in ESG bonds as part of in-house investment in domestic bonds.
2020	March	Revised the administration and investment policies, including the "Administration and Investment Policy for the Managed Reserve Fund for Employees' Pension Insurance Schemes" as well as the Basic Policies. <ul style="list-style-type: none"> • Added a provision concerning the promotion of investment considering non-financial factors including ESG in addition to financial factors based on a case-by-case analysis and the implementation of necessary initiatives.
	September	Signed up to Japan's Stewardship Code (Second revised version).
	December	Newly added five products to ESG product concerning domestic equities.
2021	June	Announced support for the Task Force on Climate-Related Financial Disclosures.

Reference Materials

Time		Initiatives
2022	February	<p>Revised the "Corporate Governance Principles of Pension Fund Association for Local Government Officials" and the "Guidelines for Exercising Shareholders' Voting Rights (Domestic Equities/Foreign Equities)."</p> <p>Abolished the "Pension Fund Association for Local Government Officials' Approach to Proposals on Takeover Defense Measures."</p>