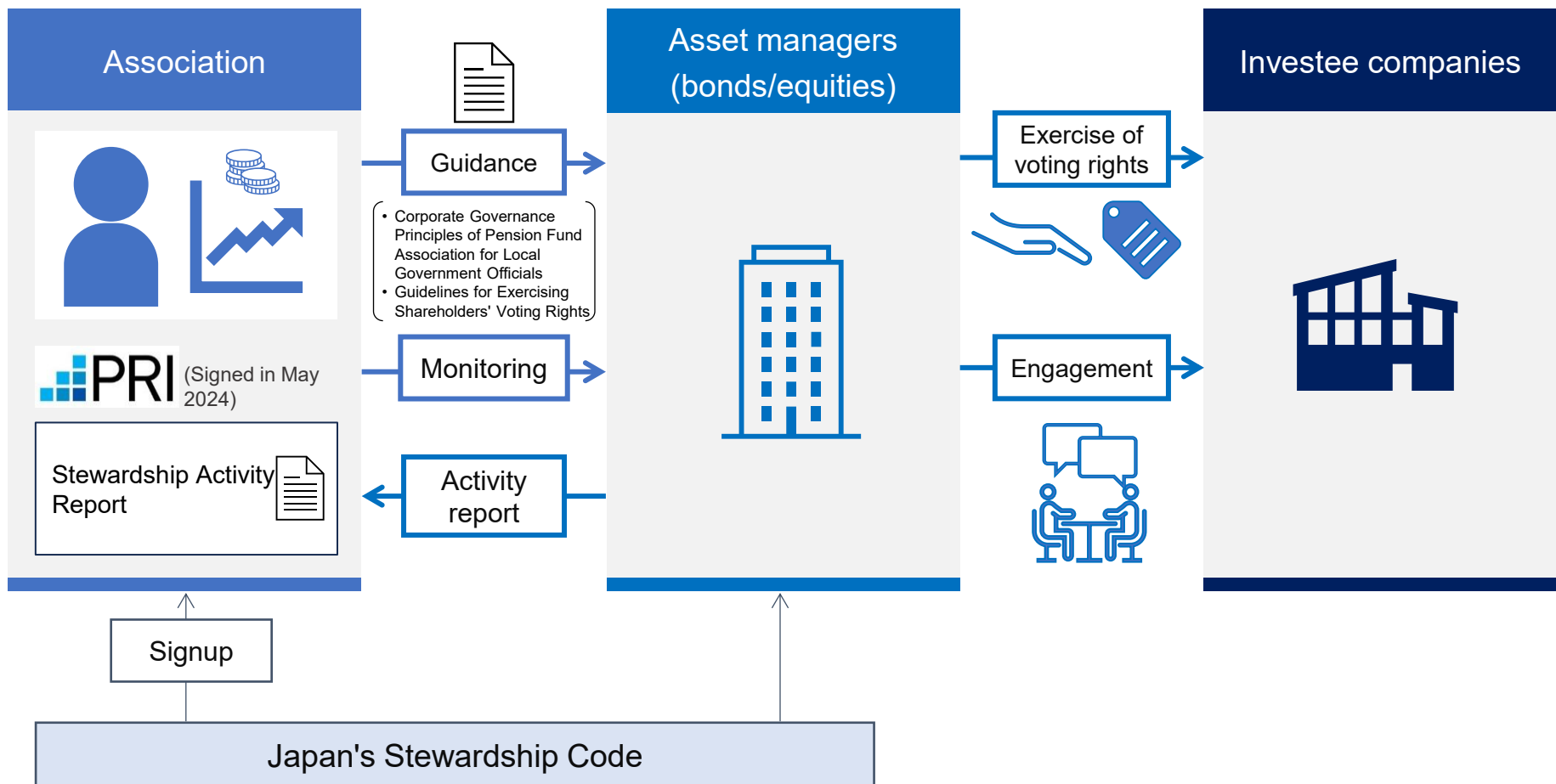


FY2024 Annual Stewardship Activity Report (Summary)

March 2025

Overview of 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 the exercise of shareholders' voting rights and engagement.
- The Association has been proactively committed to stewardship activities with a view to fulfilling its fiduciary responsibility of increasing the value of its assets for members, etc. over the long term, while recognizing its social responsibility as a public pension fund. It has been monitoring the stewardship activities of asset managers and published annual stewardship activity reports.



Monitoring of Asset Managers

- For each fiscal year, the Association has been monitoring the stewardship activities of the asset managers by receiving reports concerning stewardship activity and holding interviews so as to ensure compliance with the Association's policies.
- In its monitoring activity, while the Association does look at such formal aspects as asset managers' frameworks for conducting stewardship activities, it focuses on the "quality" of those activities. That is, the Association examines asset managers' approaches to stewardship activity and their specific activities from the standpoint of whether the activities are based on the deep understanding of investee companies and their business environments and the considerations for sustainability that are made in accordance with investment strategy.

Matters which the Association considers important in relation to stewardship activities

[Engagement]	[Exercise of voting rights]
(i) Engagement aimed at enhancing the corporate value and sustainable growth of companies	(i) Compliance with the Association's guidelines for exercising shareholders' voting rights
(ii) Quality of engagement	(ii) Exercise of voting rights suited to the circumstances of companies
(iii) Effectiveness of processes (e.g., PDCA cycle)	(iii) Exercise of voting rights and engagement in an integrated manner

Activities in FY2024

- April: Provided an explanation in the form of a document on the direction of the Association's stewardship activity for asset managers in FY2024 to ensure their understanding of the matters that the Association considers important in relation to stewardship activities.
- May: Provided feedback regarding its evaluation of stewardship activities in FY2023 individually to equity managers that requested it.
- July: Held briefing meetings for asset managers (14 companies for domestic equities, 14 companies for foreign equities, 11 companies for domestic bonds and 14 companies for foreign bonds) and required them to submit reports on their stewardship activities. Also presented examples of incorrect reporting made by asset managers in FY2023 to draw their attention.
- October to November: Held interviews with the equity managers.
- Considering the results of a review of the reports and interviews, the Association conducted the evaluation of stewardship activities of the asset managers.

Activities of Equity Managers: Engagement

- In order to fulfill its stewardship responsibility to increase long-term investment returns for beneficiaries, 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.
- To this end, the Association believes that it is important to conduct high-quality engagement, that is, engagement based on the deep understanding of investee companies and their business environments and the considerations for sustainability that are made in accordance with investment strategy, and to enhance the effectiveness of engagement by managing implementation under clearly defined objectives of engagement and developing processes for measuring the effects of achievement of the objectives.

Results of engagement activity (domestic equities)

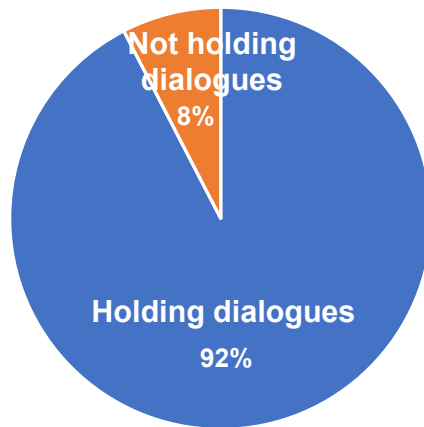
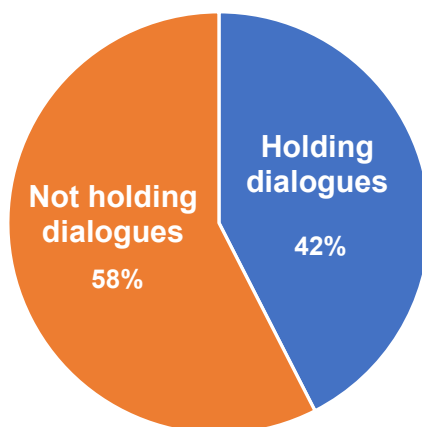
【 Status of Engagement by Equity Managers 】

※ Coverage: Companies whose shares were held by the Association as of the end of June 2024 (2,161 companies).

※ Including cases of dialogue concerning new products and products already cancelled (30 products)

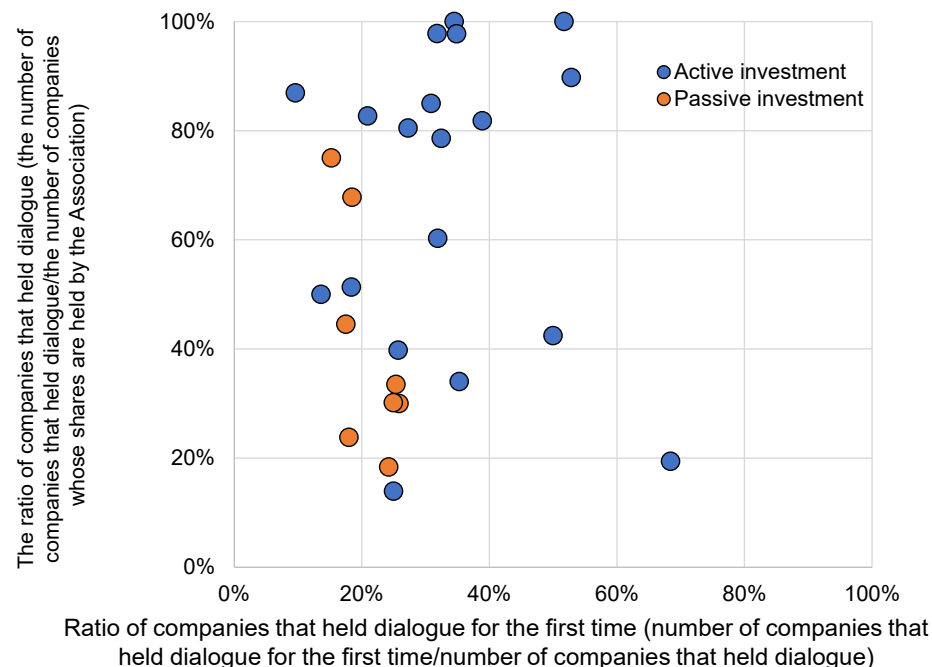
[Number of companies that held dialogues]

[Ratio of companies that held dialogues (on a market capitalization basis)]



【 The ratio of companies that held dialogue and the ratio of companies that held the dialogue for the first time by product 】

※ Coverage: products for which contracts had existed since before the end of June 2023 and remained in effect as of the end of June 2024 (27 products).



Activities of Equity Managers: Cases of Engagement

Cases of engagement

【Dialogue concerning corporate governance ("G" of ESG)】

Dialogue subject	The asset manager urged the safety committee under the board of directors of a company where a serious operational incident occurred to perform its role of ensuring transparency regarding short-, medium-, and long-term measures implemented to resolve the risks revealed by the incident.
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Result	The company appointed a new chairman of the safety committee, added to the committee two outside directors whose important responsibility is to strengthen supervision regarding sustainability, including safety, and increased the frequency of safety committee meetings.
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【Dialogue regarding human capital】

Dialogue subject	The asset manager held dialogue with a major retail company. Under its medium- to long-term business strategy, the company indicated changes in its business portfolio and business model, but on the other hand, it did not present a human resource strategy for adapting to those changes. Therefore, the asset manager pointed out the need to explain human resource strategy from a medium- to long-term perspective.
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Result	The company disclosed activities to enhance employee engagement and promote D&I* as human resource measures linked with its business strategy. The company also announced that it had shifted to a CHRO* system in order to embed its corporate philosophy and accelerate the formulation and implementation of a human rights strategy linked to the business strategy.
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Cases of engagement efforts

【Use of quantitative data for enhancing effectiveness】

Some asset managers use quantitative data when conducting engagement so as to give investee companies a sense of satisfaction and enhance the effectiveness of engagement.

Case	An asset manager strives to make engagement more effective by presenting the corporate value and SDGs score (which quantifies the degree of contribution made by companies to SDGs) calculated independently from a medium- to long-term perspective and by explaining how those figures may change because of the resolution of the challenges faced by the companies.
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【Revision of the engagement process based on the results of progress management】

Some asset managers conduct initiatives to ensure appropriate function of the PDCA cycle, such as revising the engagement process or policy in light of the results of progress management.

Case	An asset manager revised the engagement process in ways that encourage investee companies to give priority to addressing social challenges when setting challenges at the beginning of a business term in light of the fact that in the case of engagement regarding environmental challenges and governance challenges, progress is faster compared with the case of engagement regarding social challenges.
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- ※ D&I (Diversity and Inclusion): D stands for "diversity," which refers to values that respect differences between people in terms of various attributes such as gender, age, and nationality, and I stands for "inclusion," which refers to values that institutionally accept and harness diversity. In short, D&I refers to values that aim to realize a society in which individual persons exercise their individuality and make successful contributions.
- ※ CHRO (Chief Human Resource Officer): CHRO refers to the chief human resource officer granted with overall authority over personnel management affairs. In order to realize human capital management, which has recently attracted attention, a CHRO who can lead human resource strategy from a management perspective is necessary.
- ※ SDGs (Sustainable Development Goals): The 17 international goals set for achievement by 2030 in order to realize a sustainable, diverse, and inclusive society. It was adopted unanimously at the United Nations summit in September 2015.

Activities of Equity Managers: Exercise of voting rights

- In order to ensure the exercise of voting rights in line with the Association's policies, while the Association has provided Corporate Governance Principles and Guidelines for Exercising Shareholders' Voting Rights to asset managers, it believes that when exercising voting rights in specific cases, it is important to make appropriate judgment suited to the circumstances of individual companies, rather than applying uniform criteria. Therefore, the Association requires asset managers to exercise voting rights in accordance with the circumstances of companies that have been identified through dialogue with them.
- To that end, the Association believes that it is necessary for asset managers to strive to improve the effectiveness of stewardship activity by exercising voting rights and conducting engagement in an integrated manner, by such means as conducting engagement before and after the exercise of voting rights to share perspectives on the challenges with investee companies and conveying their approaches to the exercise of voting rights, instead of only exercising voting rights unilaterally.

Results of the exercise of voting rights (domestic equities)

[Voting activity (Employees' Pension Insurance Benefit Adjustment Fund)]

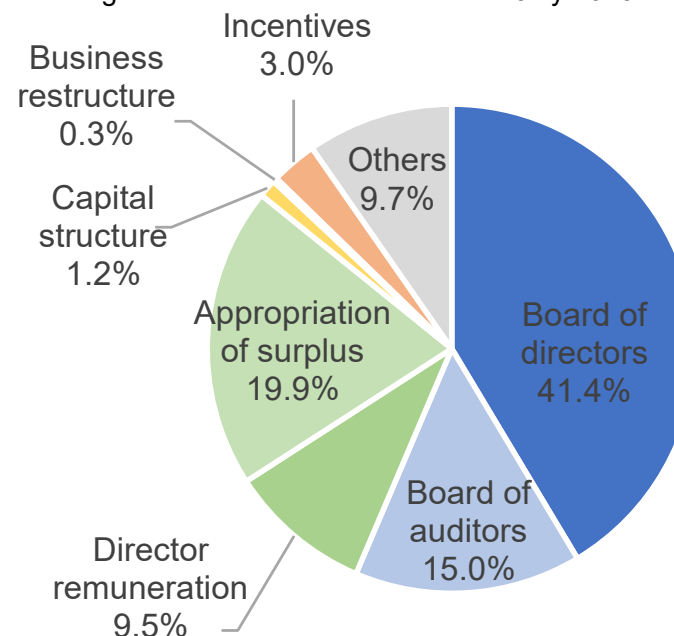
※ The figures are based on the proposals submitted to general meetings of shareholders held between July 2023 and June 2024.

Number of proposals by type of proposer	Vote for		Vote against		Abstentions		Total
		Rate		Rate		Rate	
Company proposal	35,542	78.9%	9,489	21.1%	0	0.0%	45,031
Shareholder proposal	247	10.4%	2,126	89.6%	0	0.0%	2,373
Total	35,789	75.5%	11,615	24.5%	0	0.0%	47,404

Number of proposals by type of proposal	Vote for		Vote against		Abstentions		Total
		Rate		Rate		Rate	
Proposal for election of directors	12,455	63.5%	7,173	36.5%	0	0.0%	19,628
Proposal for election or auditors	6,123	86.1%	986	13.9%	0	0.0%	7,109
Director remuneration, etc.	3,739	83.2%	754	16.8%	0	0.0%	4,493
Appropriation of surplus	8,877	94.0%	569	6.0%	0	0.0%	9,446
Capital structure	190	33.6%	375	66.4%	0	0.0%	565
Business restructure	132	100.0%	0	0.0%	0	0.0%	132
Incentives improvement for executives	1,245	86.3%	198	13.7%	0	0.0%	1,443
Other proposals	3,028	66.0%	1,560	34.0%	0	0.0%	4,588
Total	35,789	75.5%	11,615	24.5%	0	0.0%	47,404

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

※ The figures are based on the proposals submitted to general meetings of shareholders held between July 2023 and June 2024.



Activities of Equity Managers: Initiatives focusing on noteworthy themes in recent years

○ In monitoring activity of FY 2024, the Association confirmed the asset managers' approaches and efforts concerning the following noteworthy themes: (i) effectiveness of board of directors, (ii) capital policy, (iii) human capital, (iv) climate change, and (v) natural capital.

(1) Effectiveness of the board of directors (domestic equities)

The Association believes that, for the interests of its members, it is important to invest in companies whose value is expected to increase in the long term and to call for business management that contributes to an increase in long-term shareholder value. The Association also believes that it is necessary for the board of directors to function appropriately as a mechanism to impose discipline so as to promote such management.

(i) Composition of the board of directors

Many asset managers believe that it is desirable for outside directors to form the majority in the board of directors in order for the board to perform its role as a monitoring board responsible for supervising the management team from the standpoint as an independent entity. On the other hand, in light of the fact that at many Japanese companies, the board of directors acts as a management board and that there is a shortage of personnel suited to serve in the outside director position, many asset managers expressed the opinion that the criteria for exercising voting rights should not require companies to be quick to have the majority of the board of directors made up of outside directors.

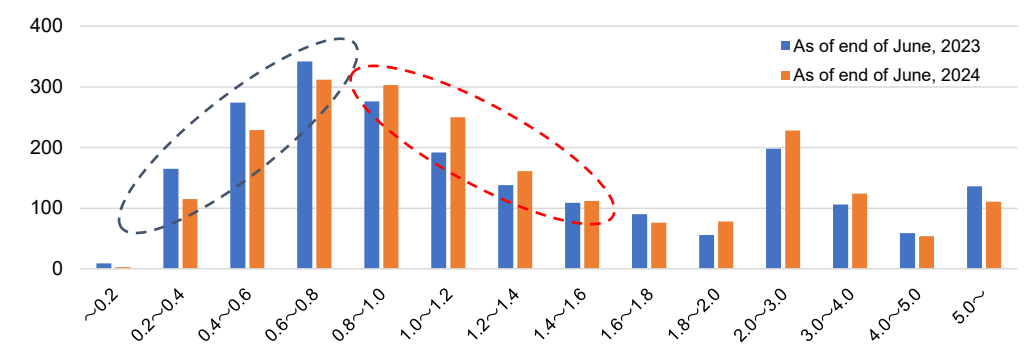
(ii) Evaluation of outside directors

Many asset managers recognize that they are moving on to a stage where they should closely examine the effectiveness of the board of directors not only in terms of form, exemplified by the ratio of outside directors in the board of directors, but also in substance, as exemplified by the evaluation of specific comments by and behavior of individual outside directors. Asset managers closely examine the effectiveness of outside directors, in terms of both form and substance, through various means.

(2) Capital policy (domestic equities)

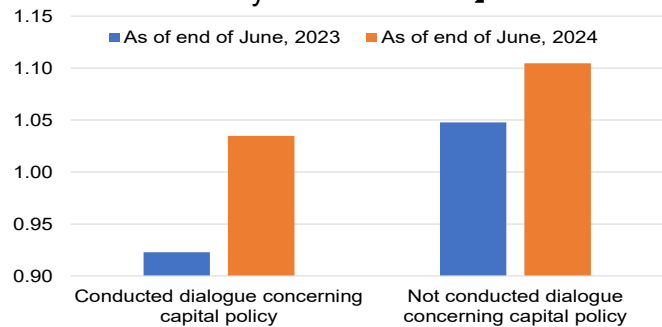
Looking at changes in the PBR of companies whose shares are held by the Association in the most recent one-year period, against the backdrop of the Tokyo Stock Exchange's call for reform, there is an overall tendency in the improvement of their PBR. In addition, asset managers tended to give priority to engagement concerning capital policies with companies with a low PBR and companies with a low PBR tended to show a significant improvement in their PBR after engagement.

【Change in the PBR of companies whose shares are held by the Association】



※Coverage: Companies whose shares were held by the Association as of the end of June 2024

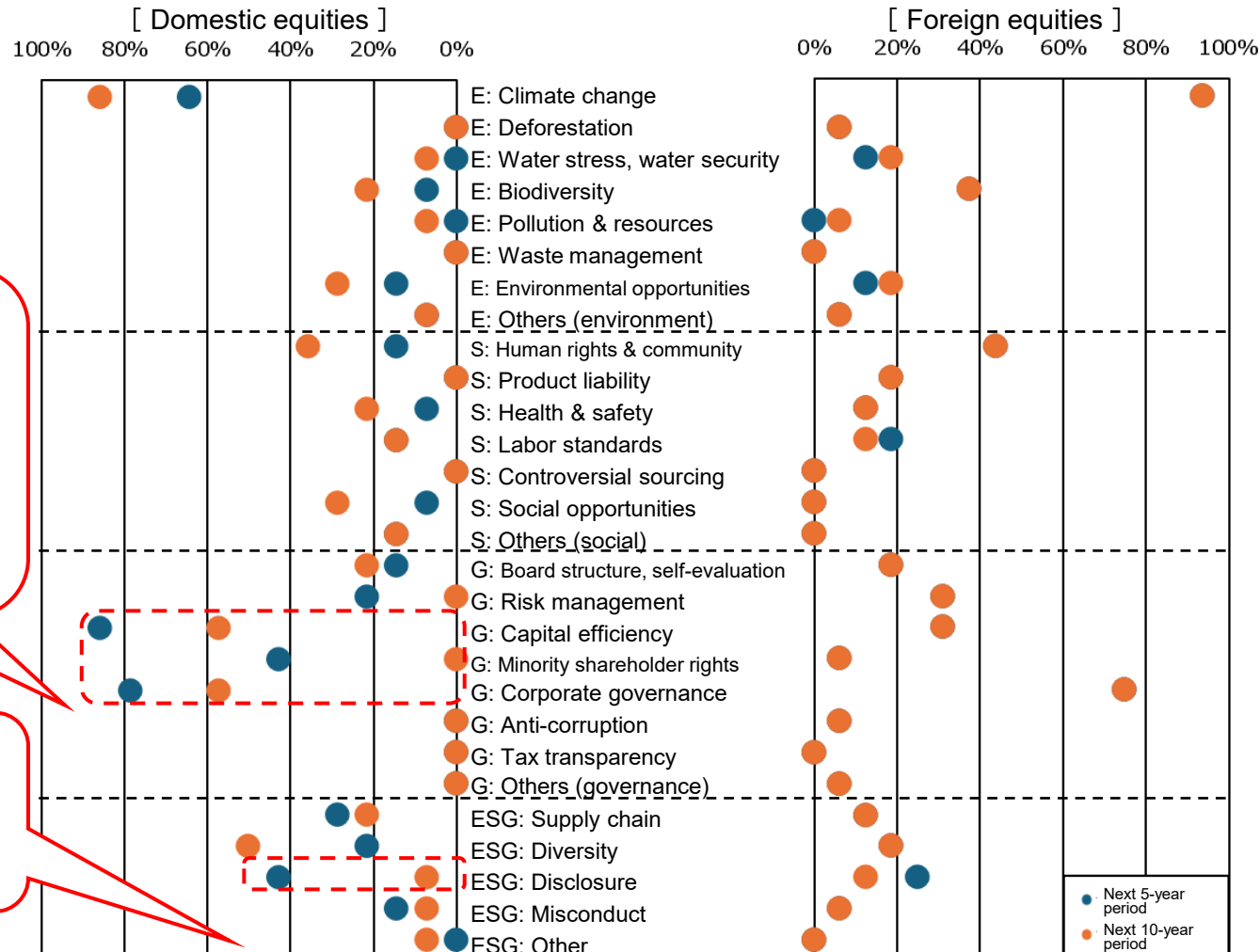
【Change in the median value of the PBR of companies whose shares were held by the Association】



Source: Prepared by Nomura Fiduciary Research & Consulting Co., Ltd. on commission from the Association. 6

Activities of Equity Managers: ESG Factors and Themes Important for Investment Performance

○ The Association conducted a questionnaire survey with asset managers about ESG factors and themes that they considered to be important for investment performance for the next five-year and 10-year periods.



Due to the following background, more asset managers cited these topics as priority themes in terms of a shorter timeframe:

- Market reform initiated by the Tokyo Stock Exchange
- Corporate governance reform initiated by the government

More asset managers cited information disclosure related to ESG as a priority theme in terms of a shorter timeframe.

- ※ Coverage: Companies whose shares were held by the Association as of the end of June 2024
- ※ The five themes most frequently cited as important for each of the next five-year period and the next 10-year period
- ※ The horizontal axis represents the percentages of asset managers that cited the specific factors and themes as "important for performance" among domestic equity managers and among foreign equity managers.
- ※ If the response rate for the next five-year period (●) and the next 10-year period (●) is the same, the rate for the next 10-year period (●) prevails.

Activities of Bond Managers

- The Association signed up to the revised Japan's Stewardship Code in September of 2020, and expressed an intention to "consider the principles that can be applied to assets other than listed domestic equities" and to "implement necessary initiatives to the extent possible." In FY2023, it started monitoring and evaluating stewardship activity as well by bond managers.
- In FY2024, as it did in FY2023, the Association conducted monitoring and evaluation from the viewpoint of whether asset managers had developed policies, systems and processes for conducting stewardship activity related to bonds.

Engagement

The Association confirmed that all asset managers have developed engagement policies and processes related to bonds.

Cases of engagement

【Dialogue concerning finance risk】

Regarding the ESG bonds held, the asset manager monitors the disclosure of fund usage of funds with respect to bonds for which a certain period of time has passed since the issuance and holds dialogue with issuer companies with respect to worrisome bonds in order to reduce refinance risk for the ESG bonds.

【Dialogue concerning corporate bond issuance】

The asset manager voted for proposals to increase the number of internal directors as it judged the proposals to be reasonable after checking the reasons for electing the proposed additional candidates (the reasons included that the candidates are female, are responsible for international affairs, are adept in advanced technology, or are considered to be a possible future leader and that the election of the candidates would be necessary for capital and business alliances or for the rejuvenation of the board of directors) and the composition of the board of directors.

Acquisition of skills and resources necessary for appropriately conducting stewardship activity

The Association confirmed that all asset managers have developed systems to conduct stewardship activity through a bond division or a dedicated department/division for stewardship activity.

Examples of initiatives

【Collaboration with equity investment division】

At most asset managers, the bond investment division actively engages in collaboration with the equity investment division in the form of information sharing via a dedicated department/division and simultaneous attendance in engagement sessions based on the idea that the risk of conflicts of interest is low in resolving medium- and long-term challenges.

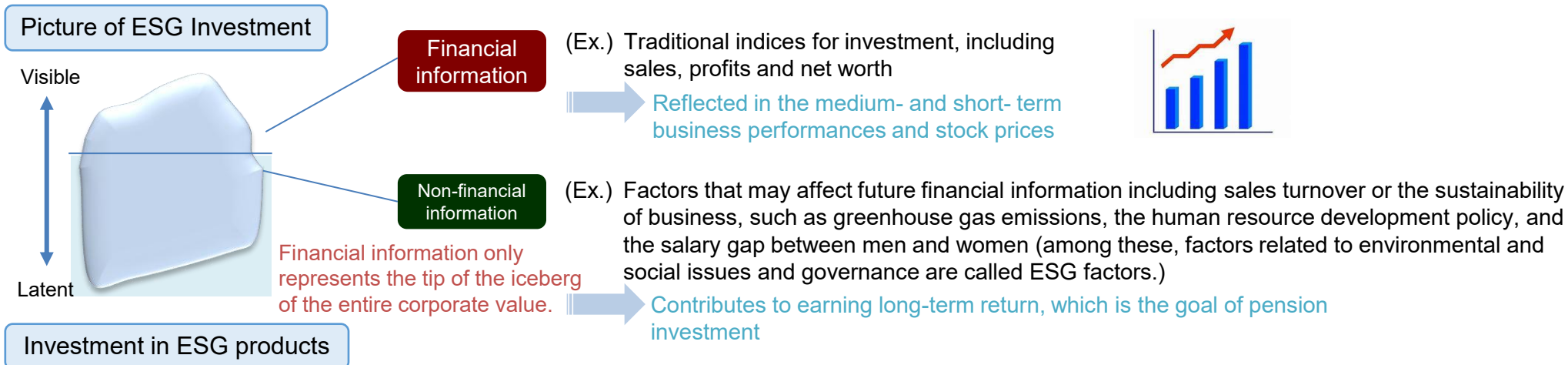
However, some asset managers have taken actions such as making investment decisions independently, refraining from requiring short-term corporate actions, and formulating evaluation sheets and judgment criteria in advance, in light of the possibility of conflicts of interest regarding capital policy and the relationship with megabanks.

【Measurement of the effects】

some asset managers assign original ESG scores to issuer organizations and examine the relationship between bond performance and ESG score.

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. In this connection, the Association has been promoting efforts including the adoption of ESG products.



Domestic equities

Started investing in ESG products in FY2009.

As of the end of FY2023, the Association has adopted four products for active investment and two products for passive investment.

Total value as of the end of FY2023: about 1,333 billion yen (approximately 15.0% of the outstanding balance of domestic stocks in the Association's portfolio)

Foreign equities

Started investing in ESG products in July 2022, adopting two products for active investment.

As of the end of FY2023, the Association has adopted two products for active investment.

Total value as of the end of FY2023: about 153.1 billion yen (approximately 1.7% of the outstanding balance of foreign stocks in the Association's portfolio)

※ In addition, 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 equity managers to take sustainability (medium- to long-term sustainability including ESG factors) into consideration when conducting engagement activity or exercising voting rights as part of stewardship activity and checks the status of those activities.

Domestic bonds

Started investing in ESG bonds issued by local governments and institutions funded by a fiscal investment and loan program as part of in-house investment in FY2019.

Total value as of the end of FY2023 (*book value): 19.9 billion yen (4.8 billion yen for local government bonds and 15.1 billion yen for bonds issued by institutions funded by a fiscal investment and loan program)

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.

The Association will also accumulate knowledge concerning stewardship activity through such means as monitoring of and dialogue with asset managers in order to improve assessment and monitoring methods.

The Association will also use frameworks such as Keidanren-GPIF Asset Owners Roundtable to promote mutual understanding with asset managers and investee companies.

(3) Promotion of dialogue and investment taking into consideration non-financial factors

From the viewpoint of securing long-term profit for the sake of interests of members, etc., the Association will also continue to conduct necessary activities after considering promoting investment taking into consideration non-financial factors, including ESG factors as well as social and environmental impacts, in addition to financial factors. In addition, the Association will continue to check whether the activities of equity managers take sustainability into consideration when monitoring their stewardship activities.

(4) 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.

(5) 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.

In addition, the Association will strive to identify the most recent trends related to ESG investment and develop relationships with domestic and foreign asset owners and asset managers while using the network of the PRI, which newly became a signatory organization in FY2024.