



# GPIF and its ESG investing

Government Pension Investment Fund, JAPAN  
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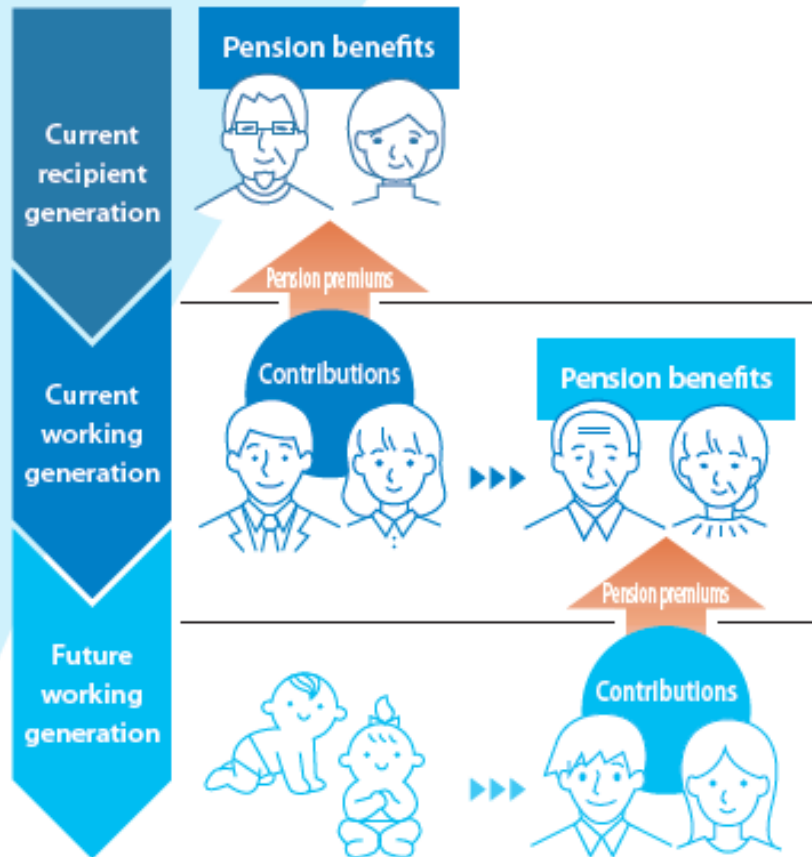
A large, abstract geometric pattern on the left side of the slide. It features various shades of blue (light, medium, and dark) and is composed of overlapping shapes and patterns, including a repeating star-like motif and a maze-like pattern. The overall shape is roughly triangular, pointing towards the right.

# About GPIF

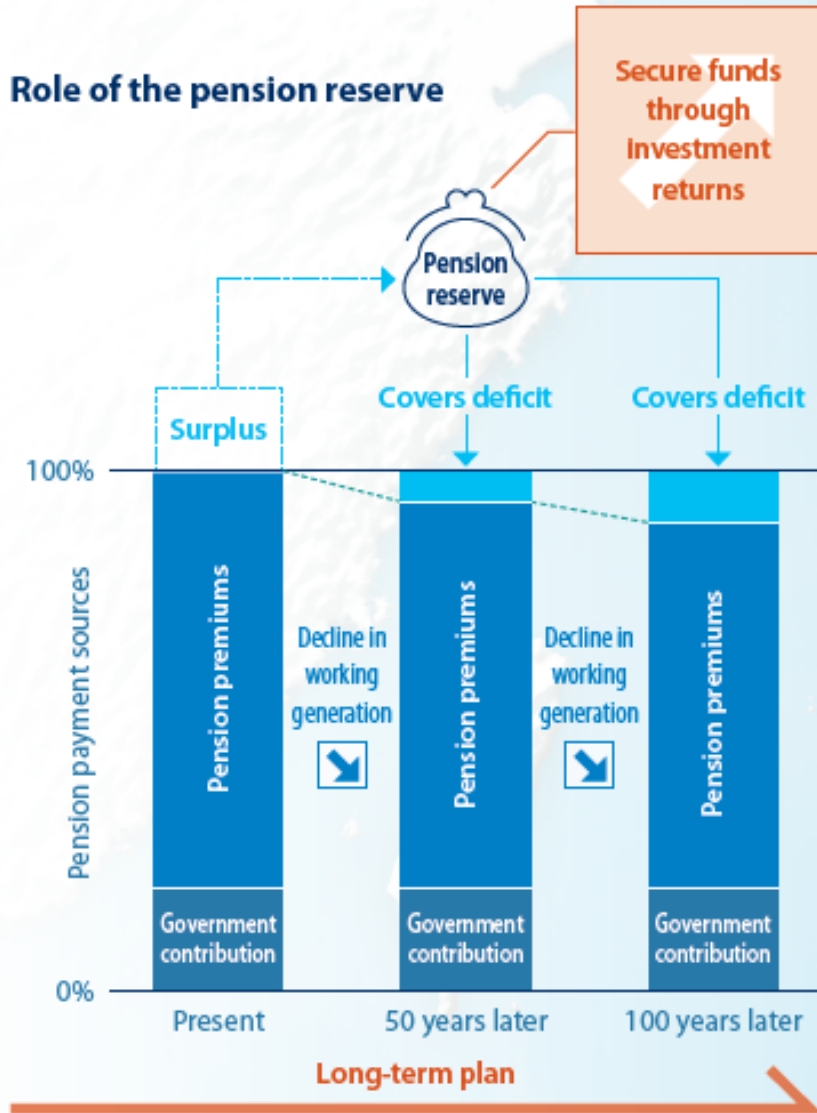
# Japanese Pension System

## Pay-as-you-go system

Japan adopts a system where working generations support the lives of the elderly generations.

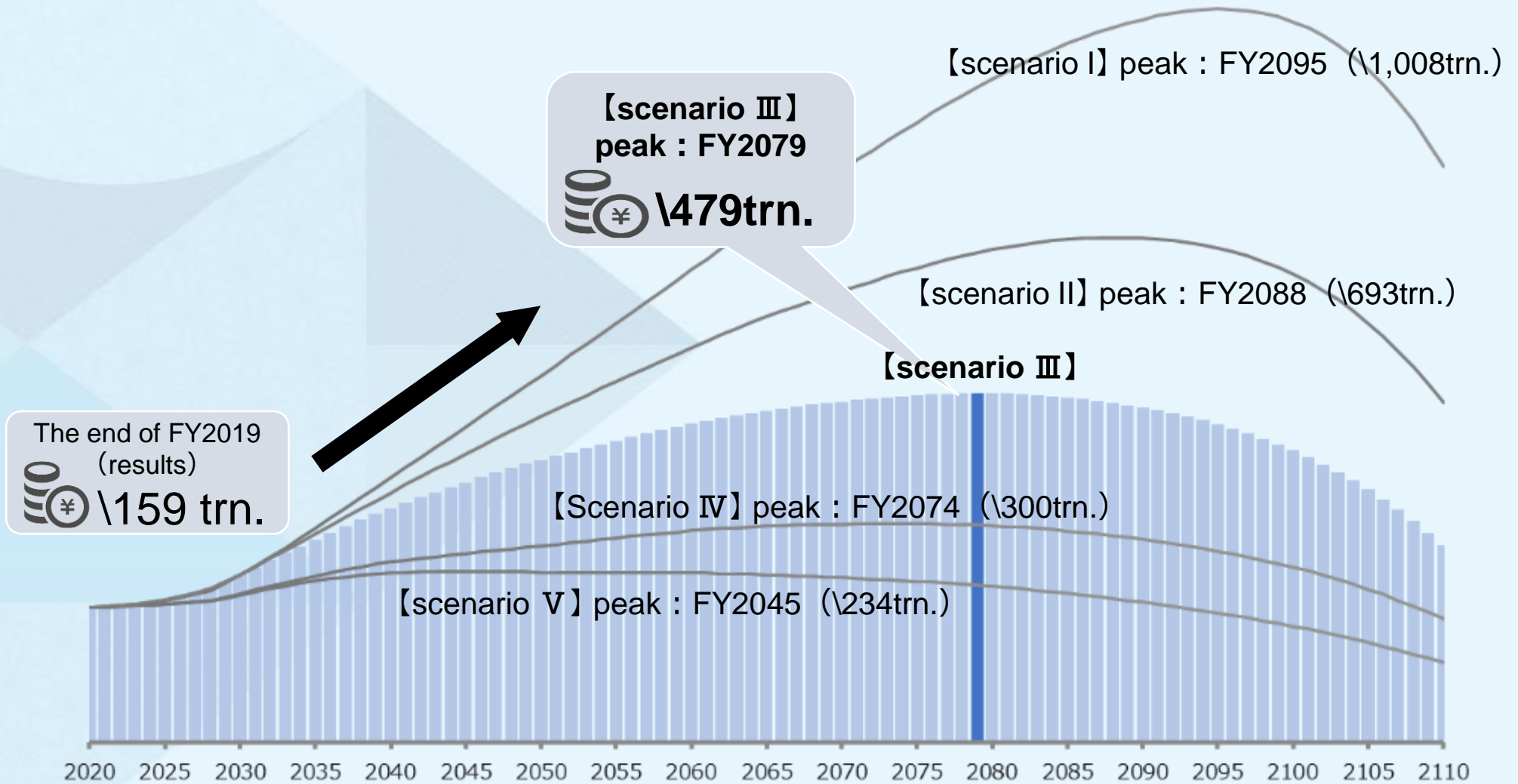


## Role of the pension reserve



(Note) The above diagram is for illustrative purposes; for details on the public pension system, refer to the Ministry of Health, Labour and Welfare website.

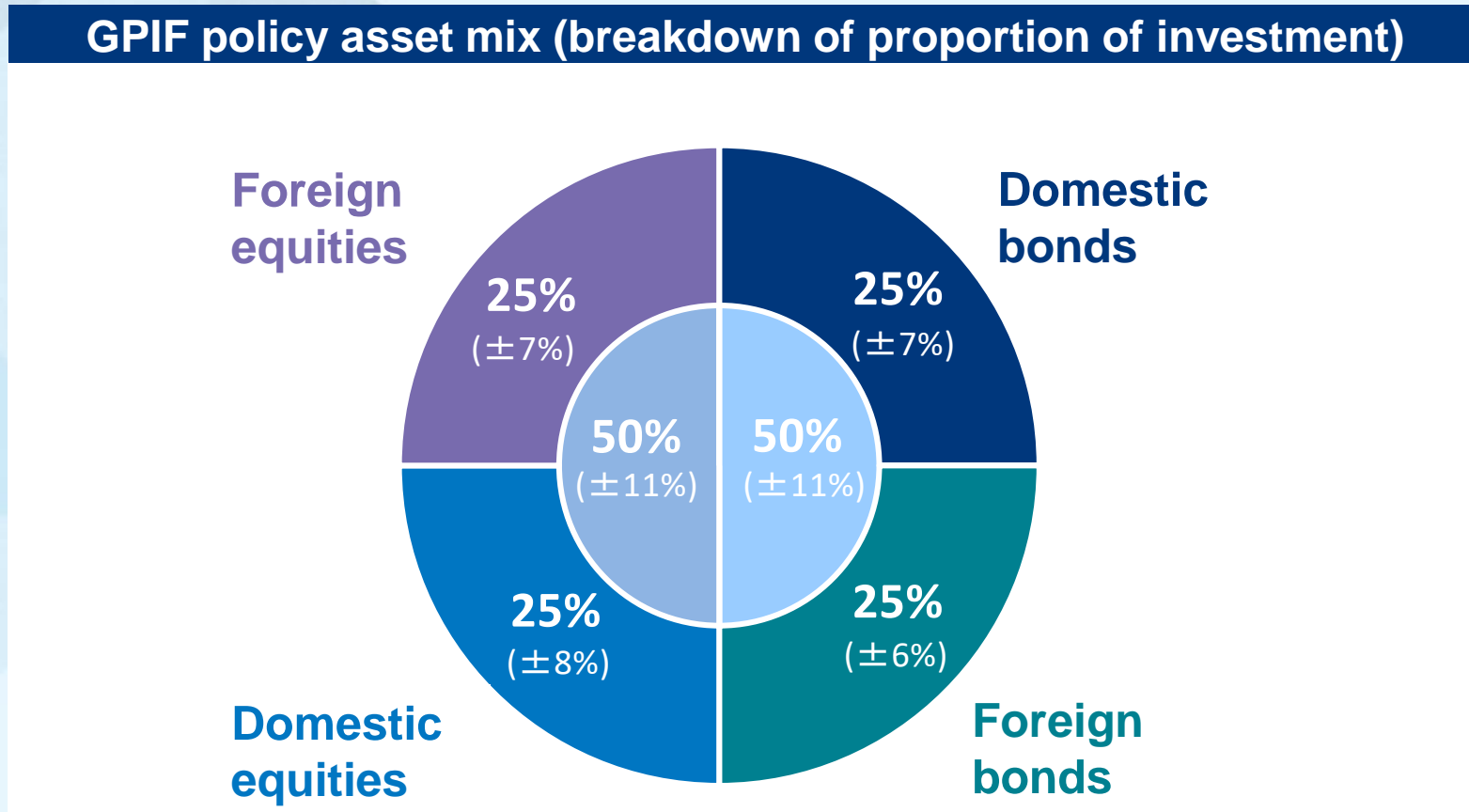
# Financial Verification (Outlook of 100 years)



(Source: GPIF, based on the 2019 Financial Verification by Ministry of Health, Labour and Welfare)

# GPIF Asset Allocation Policy

✓ GPIF establishes the policy asset mix formed by the target allocation to each asset class, and manages portfolio within deviation limits. GPIF has implemented this new policy asset mix from April 2020.







# Employees' Pension Insurance Act and our Investment Principles

**[Article 79–2 of the Employees' Pension Insurance Act (the same philosophy is stipulated in Article 75 of the National Pension Act)]**

“... the pension reserve, a part of the premiums collected from the pension beneficiaries, is a valuable source of funding for future pension benefits and... **the purpose of the fund is to contribute to the future stability of management of the Employees' Pension Insurance through stable and efficient management from a long-term perspective solely for the pension beneficiaries of the Employees' Pension Insurance.**”

## **[GPIF's Investment Principles]**

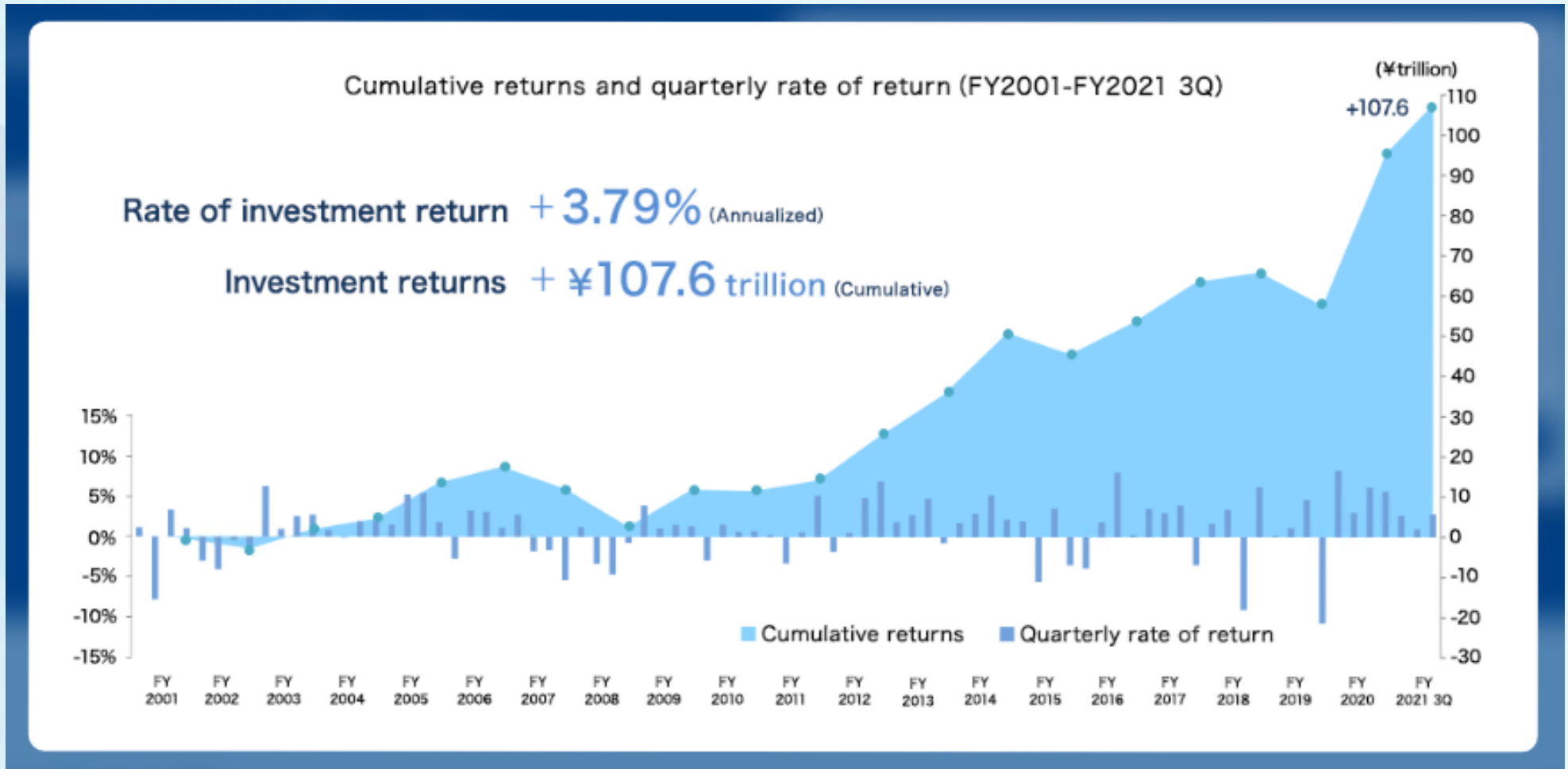
1. Our overarching goal is to contribute to the stability of the national pension system by securing the investment returns that it requires with minimal risk and from a long-term perspective, to the sole benefit of pension recipients.
2. Our primary investment strategy is diversification by asset class, region, and timeframe. While market prices may fluctuate in the short term, GPIF will take full advantage of our long-term investment horizon to achieve investment returns in a more stable and efficient manner, while simultaneously ensuring sufficient liquidity to pay pension benefits.
3. We formulate our overall policy asset mix and manage risks at the portfolio, asset class, and investment manager level. We utilize both passive and active management in order to achieve benchmark returns (i.e., average market returns) and seek untapped profitable investment opportunities.
4. We believe that sustainable growth of investee companies and the capital market as a whole are vital in enhancing long-term investment returns. **In order to secure such returns for pension beneficiaries, therefore, we promote the incorporation of non-financial environmental, social, and governance (ESG) factors into the investment process in addition to financial factors.**
5. In order to enhance long-term investment returns and fulfill our stewardship responsibilities, we shall advance various initiatives (including the consideration of ESG factors) that promote long-termism and the sustainable growth of investee companies and the capital market as a whole.



# GPIF's Investment Results for 3Q FY2021

Total assets: \$1.7 trn.

Cumulative Returns: \$0.9 trn.



A large decorative graphic on the left side of the page. It is a large triangle pointing to the right, composed of several overlapping geometric shapes. The top-left portion is a light blue triangle with a repeating pattern of small, interconnected geometric shapes. Below this is a darker blue triangle with a repeating geometric pattern. To the right of these is a solid dark blue triangle. The bottom-left portion is a solid medium blue triangle. The bottom-right portion is a light blue triangle with a repeating geometric pattern, similar to the top-left one. The overall effect is a complex, layered geometric design.

# ESG investing

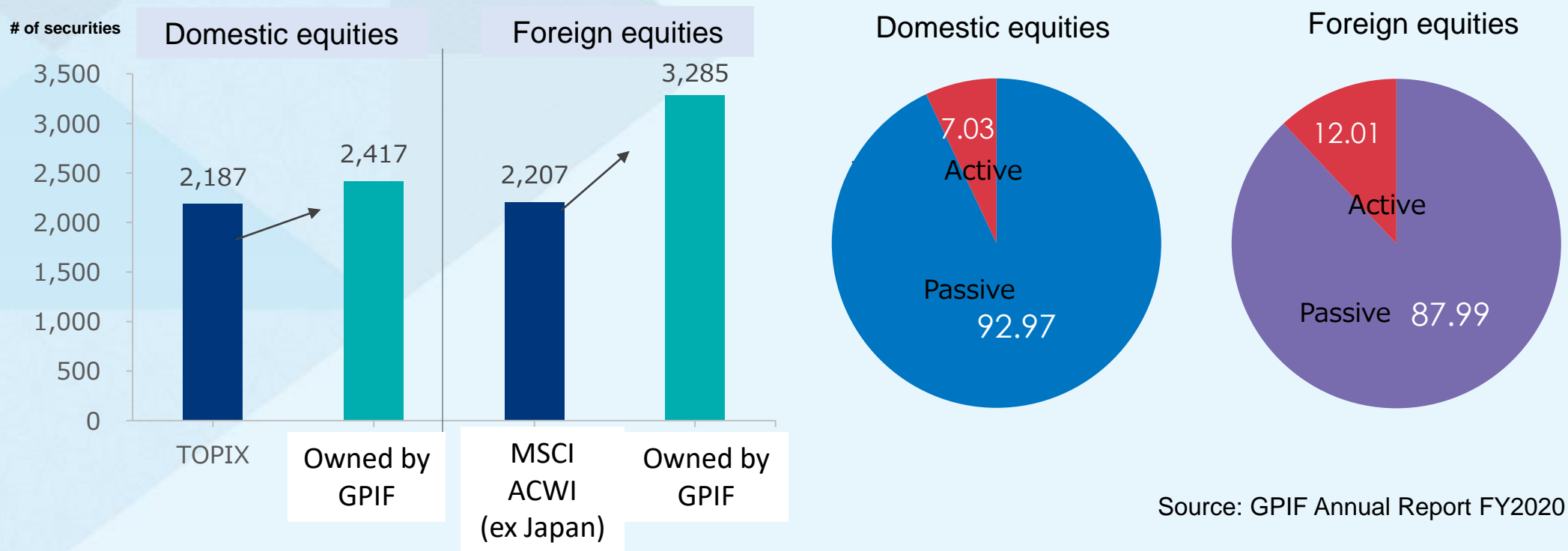




# GPIF as Universal Owner and Cross-generational Investor

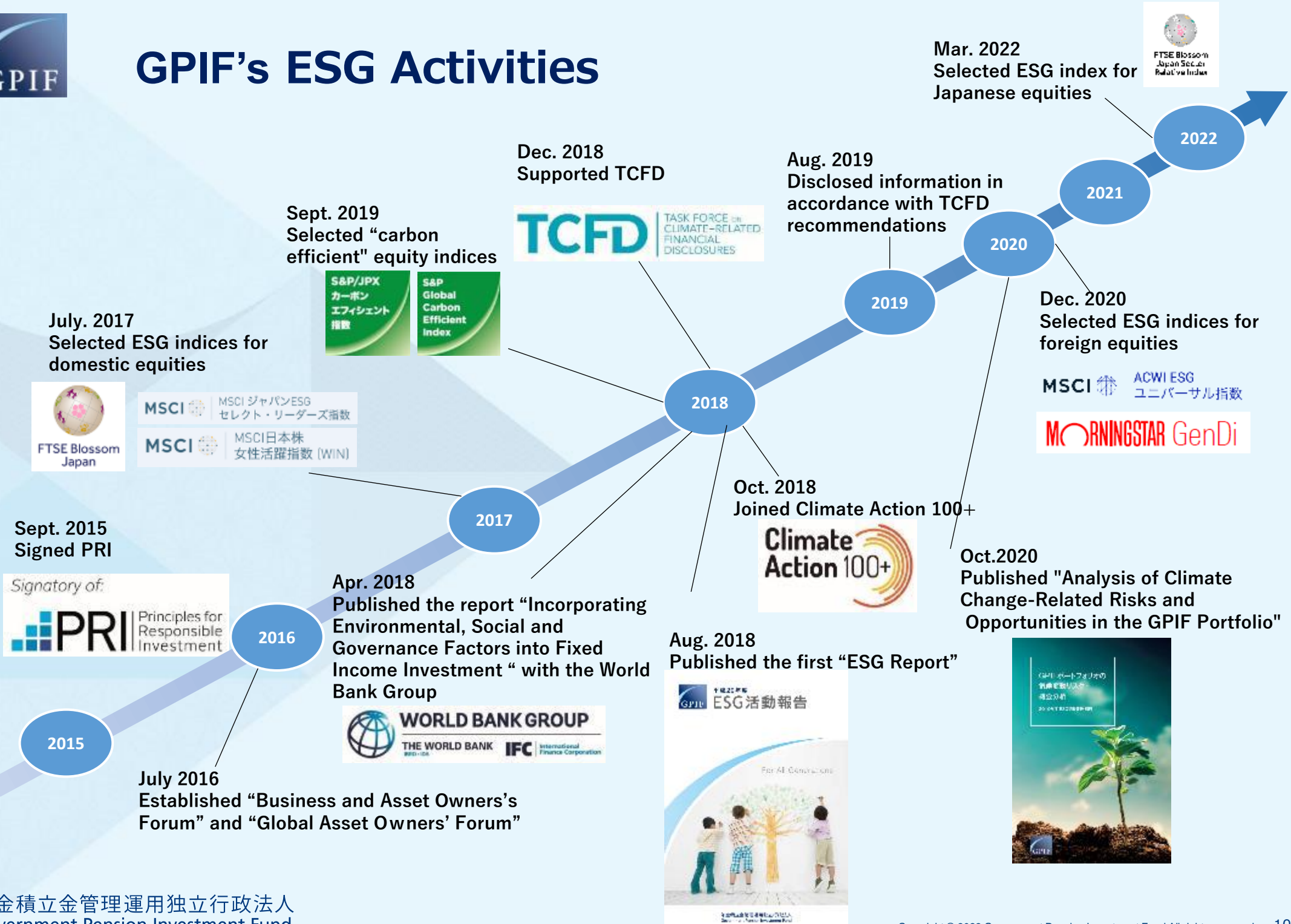
- **Universal Owner** (Very large fund size and widely diversified portfolio)
- **Cross-generational investor** (investment horizon as long as 100 years)

【GPIF shareholding (at the end of March 2021)】



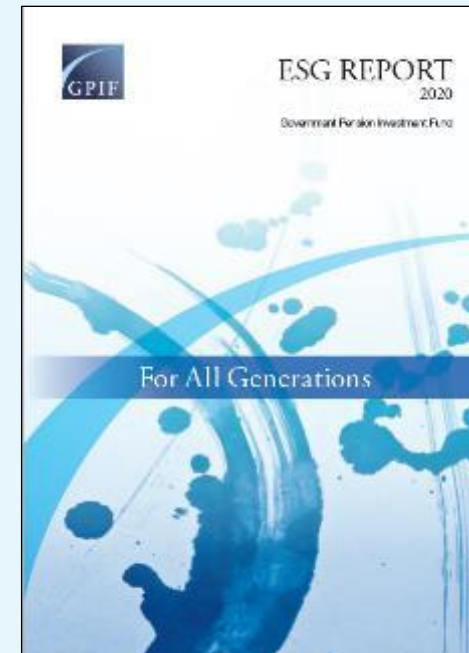
Source: GPIF Annual Report FY2020

# GPIF's ESG Activities



# 「ESG Report 2020」

- In order to appropriately implement the PDCA cycle of our ESG investments, we publish “ESG Report” annually since 2018.
- We mainly analyze whether ESG investments have contributed to improving ESG evaluations of companies and strengthening ESG responses by companies.
- Since 2019, we enhance our disclosure of information in line with TCFD in our “ESG report”.



[https://www.gpif.go.jp/en/investment/GPIF\\_ESGREPORT\\_FY2020.pdf](https://www.gpif.go.jp/en/investment/GPIF_ESGREPORT_FY2020.pdf)

# Overview of our latest TCFD disclosure

Figure 1. Analysis of Major Climate Change-Related Risks and Opportunities Conducted for This Report

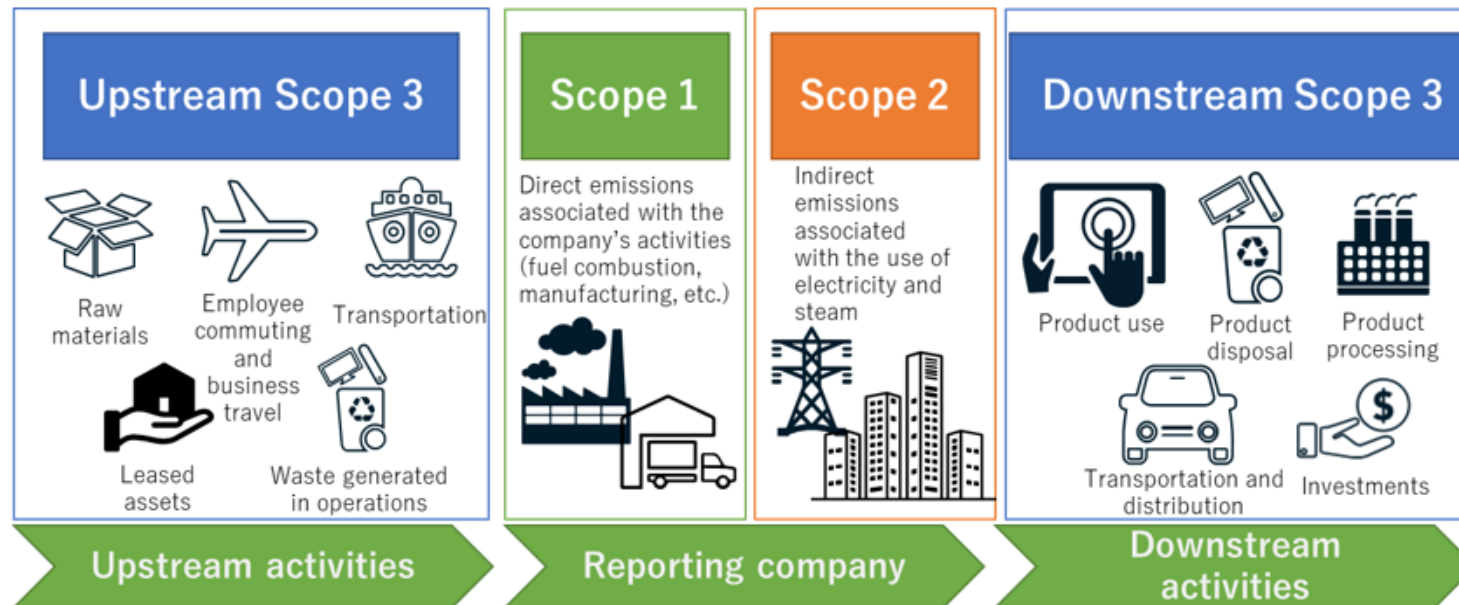
Contents of Analysis	Asset Class	Analysis Performed by
Carbon footprint analysis	Equities · Corporate Bonds	Trucost
Carbon intensity analysis	Equities · Corporate Bonds · Government Bonds	Trucost
Climate Value-at-Risk (CVaR)-based analysis*	Equities · Corporate Bonds · Government Bonds · Real Estate	MSCI
Warming potential analysis	Equities · Corporate Bonds · Real Estate	MSCI
Analysis of inter-industry transfer of transition risks and opportunities	Industries	Astamuse
Total patent asset analysis of decarbonization technologies by country/region	Industries · Countries	Astamuse
SDGs positive impact / additionality analysis**	Equities	Trucost

(Note 1) \* In the CVaR analysis of government bonds, impact on GDP, not the price of government bonds, was analyzed.

(Note 2) \*\* In the SDGs-related analysis, all opportunities arising from the resolution of the social issues identified in the SDGs were analyzed, not only climate change-related opportunities.

Source: Prepared by GPIF based on various materials




Figure 2. Greenhouse Gas Emissions by Scope



(Note) The above figure indicates the major sectors included in each scope. (Source) Prepared by GPIF based on the GHG Protocol, etc.

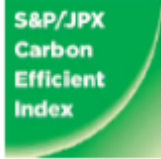



# List of ESG indices adopted by GPIF (1)



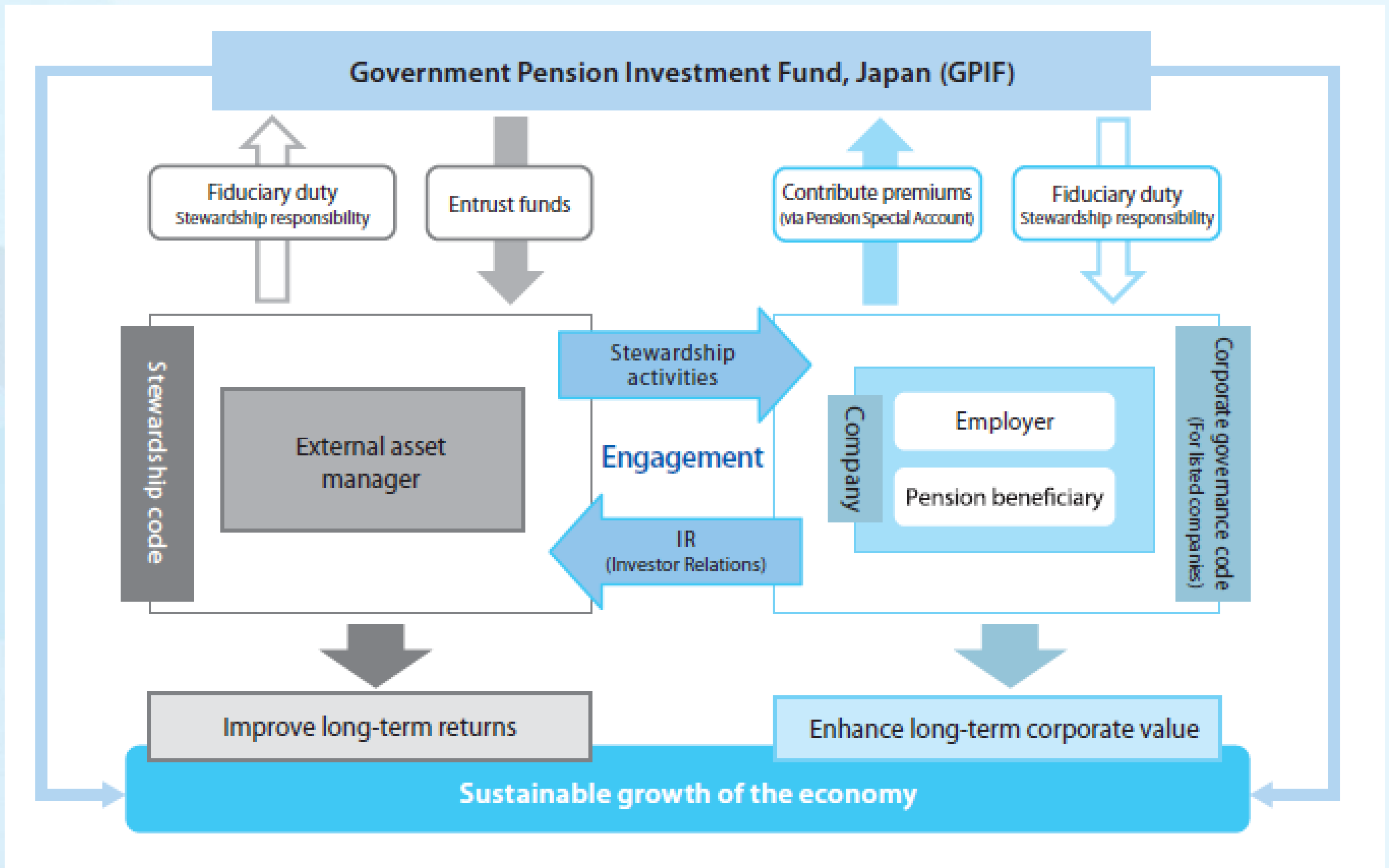
	 <b>FTSE Blossom Japan Index</b>	 <b>FTSE Blossom Japan Sector Relative Index</b>	 <b>MSCI Japan ESG Select Leaders Index</b>	 <b>MSCI ACWI ESG Universal Index</b>
<b>Classification</b>	General ESG	General ESG	General ESG	General ESG
<b>Investment Target</b>	Japanese equities	Japanese equities	Japanese equities	Foreign Equities
<b>Index Concepts/ Characteristics</b>	<ul style="list-style-type: none"> <li>The index is FTSE Russell's ESG-Index series, which has one of the longest track records globally. The index is evaluated using FTSE4Good Japan Index's ESG rating scheme.</li> <li>The index is a general ESG index that selects stocks with high absolute ESG ratings and adjusts industry weights to neutral.</li> </ul>	<ul style="list-style-type: none"> <li>Assessments are performed based on FTSE Russell's ESG rating which FTSE Blossom Japan Index also uses. For the companies with high carbon intensity (greenhouse gas emissions/sales), management attitude toward climate-change risks/opportunities is also assessed.</li> <li>The index selects stocks with relatively high ESG ratings within each industry and adjusts industry weights to neutral.</li> </ul>	<ul style="list-style-type: none"> <li>The MSCI Japan ESG Select Leaders Index is a broad ESG index that integrates various ESG risks into today's portfolio. The index is based on MSCI ESG Research used globally by more than 1,000 clients.</li> <li>The index is comprised of stocks with relatively high ESG scores in each industry.</li> </ul>	<ul style="list-style-type: none"> <li>One of MSCI's flagship ESG indexes, this index adjusts the weight of constituents based on each issuer's current ESG rating and rating trend to elevate the ESG metrics of the index overall.</li> <li>The index was developed for large investors seeking to enhance ESG integration while achieving the same level of investment opportunity and risk exposure as the parent index.</li> </ul>
<b>Index Construction</b>	Selection (best-in-class)	Selection (best-in-class)	Selection (best-in-class)	Tilted
<b>Constituent Universe (Parent index)</b>	FTSE JAPAN ALL CAP INDEX [1,391 stocks]	FTSE JAPAN ALL CAP INDEX [1,391 stocks]	MSCI JAPAN IMI TOP 700 [699 stocks]	MSCI ACWI ex Japan ex China A ESG Universal with Special Taxes Index [2,209 stocks]
<b>Number of Index Constituents</b>	230	494	222	2,150



# List of ESG indices adopted by GPIF ( 2 )

	 <b>S&amp;P/JPX Carbon Efficient Index</b>	 <b>S&amp;P Global LargeMidCap Carbon Efficient Index</b>	 <b>MSCI Japan Empowering Women Index (“WIN”)</b>	 <b>Morningstar® Developed Markets Ex-Japan Gender Diversity Index<sup>SM</sup> (GenDi)</b>
<b>Classification</b>	E (climate change)	E (climate change)	S ( women's empowerment )	S ( women's empowerment )
<b>Investment Target</b>	Japanese equities	Foreign Equities	Japanese equities	Foreign Equities
<b>Index Concepts/ Characteristics</b>	<ul style="list-style-type: none"> <li>Constructed by S&amp;P Dow Jones Indices based on carbon data provided by Trucost, a pioneer in environmental assessment.</li> <li>This index is designed to overweight companies that have lower carbon footprints (annual greenhouse gas emissions divided by annual revenues) and that actively disclose their carbon emission information.</li> </ul>	<ul style="list-style-type: none"> <li>Constructed by S&amp;P Dow Jones Indices based on carbon data provided by Trucost, a pioneer in environmental assessment.</li> <li>This index is designed to overweight companies that have lower carbon footprints (annual greenhouse gas emissions divided by annual revenues) and that actively disclose their carbon emission information.</li> </ul>	<ul style="list-style-type: none"> <li>MSCI calculates the gender-diversity scores based on information disclosed under “the Act on Promotion of Women’s Participation and Advancement in the Workplace” and selects companies with higher gender diversity scores from each sector.</li> <li>The first index designed to cover a broad range of factors related to gender diversity.</li> </ul>	<ul style="list-style-type: none"> <li>Determines investment weighting based on assessment of companies’ commitment to gender equality, using the Equileap Gender Equality Scorecard.</li> <li>Ratings are conducted in four categories: (1) Gender balance in leadership and workforce; (2) equal compensation and work-life balance; (3) policies promoting gender equality; and (4) commitment, transparency, and accountability.</li> </ul>
<b>Index Construction</b>	Tilted	Tilted	Selection (best-in-class)	Tilted
<b>Constituent Universe (Parent index)</b>	TOPIX [2,178 stocks]	S&P Global Large Mid Index (ex JP)[3095 stocks]	MSCI JAPAN IMI TOP 700 [699 stocks]	Morningstar Developed Markets (ex JP) Large-Mid[2,175 stocks]
<b>Number of Index Constituents</b>	1,825	2,163	352	2,158

# Stewardship Activities via Asset Managers



# Material ESG Issues Recognized by GPIF's External Asset Managers

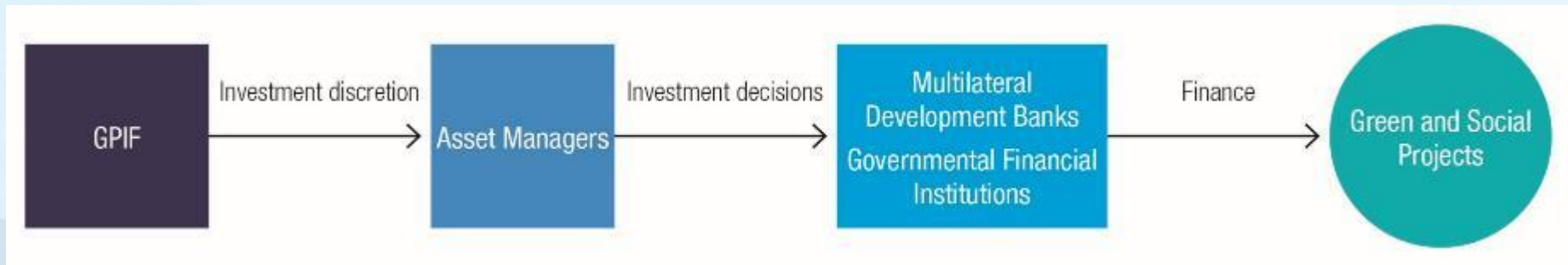
(to GPIF's external asset managers)  
**Q. What is your material ESG issues?**

Material ESG Issues that every asset managers pointed out

	Passive	Active
Domestic equities	<b>Climate change, Misconduct, Disclosure, Supply Chain, Diversity, Corporate Governance</b>	<b>Board Structure/Self-evaluation, Minority Shareholder Rights, Disclosure</b>
Foreign equities	<b>Climate Change, Diversity, Disclosure, Supply Chain</b>	<b>Climate Change</b>

# Investing in green bonds

## Investment Framework in Green, Social and Sustainability Bonds



## Multilateral Development Banks and Governmental Financial Institutions in Partnership with GPIF



