



September 12, 2017 (Tuesday)

# Tokyo from the Viewpoint of Global Investors

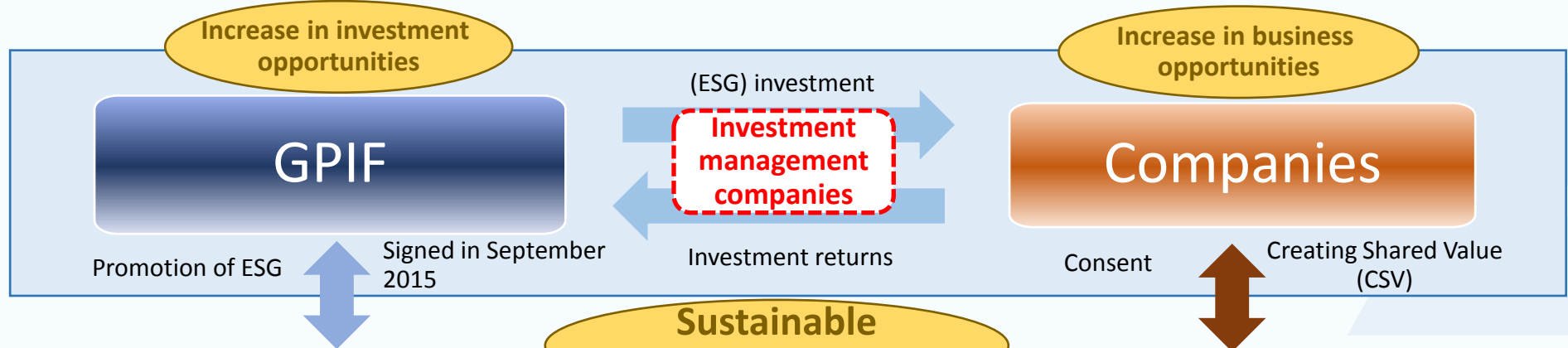
Hiro Mizuno,  
Executive Managing Director & Chief Investment Officer  
Government Pension Investment  
Fund, Japan





# Strengthened Collaboration with PRI and Domestic and International Organizations

Addressing social issues will lead to creation of business and investment opportunities



- Principle 1 We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest. (Principles 4 through 6 are omitted.)

### GPIF's efforts

Executive Managing Director Mizuno was appointed as member of the Asset Owner Advisory Committee (in January 2016).  
 Executive Managing Director Mizuno assumed the position of PRI board member (in January 2017)



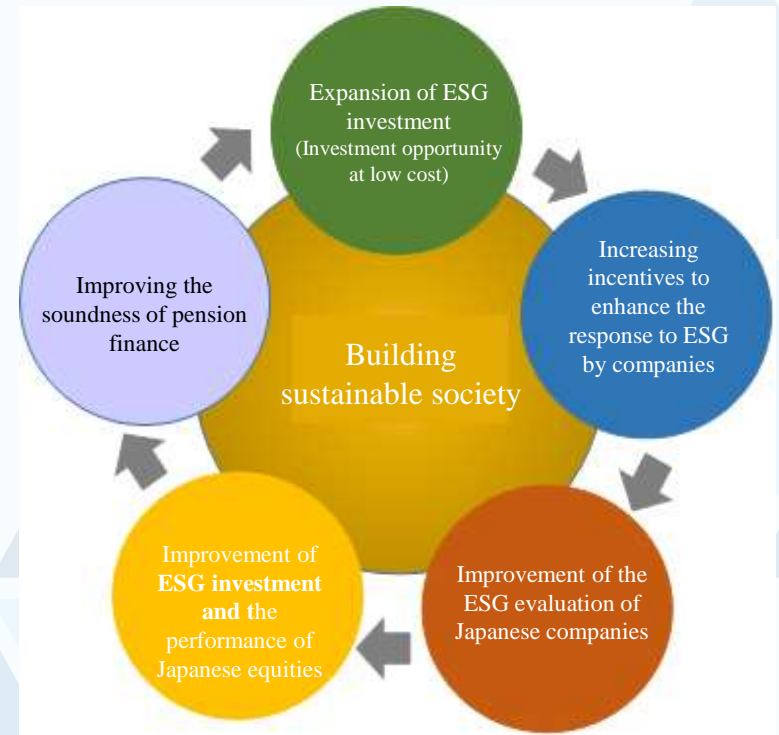
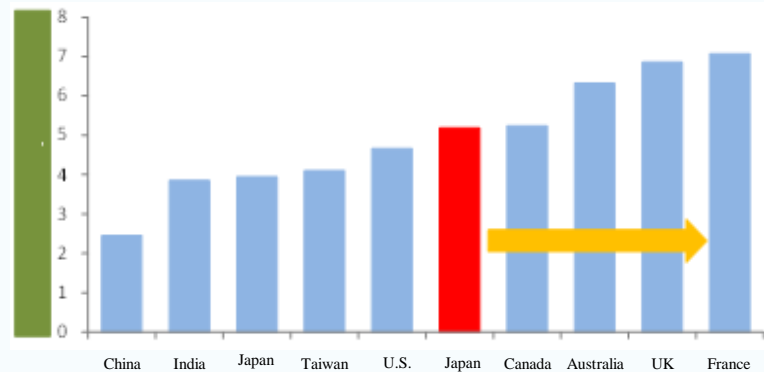
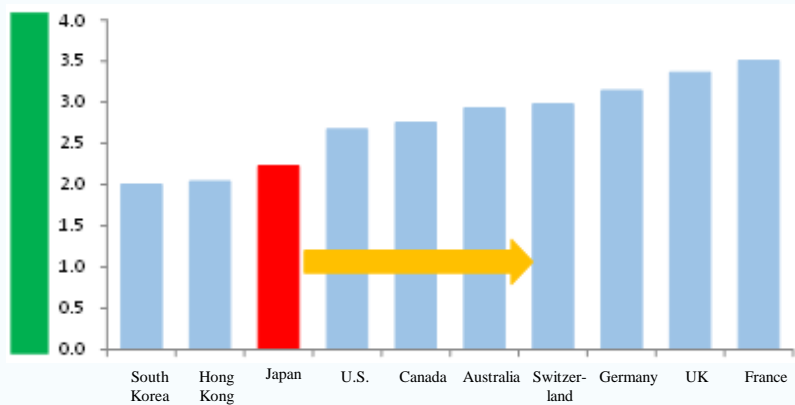
### GPIF's efforts

President Takahashi attended the meeting of the government-organized round table for promoting implementation of SDGs. (September 2016)

# Expected effect by expanding ESG investment

■ International comparison of ESG evaluation (based on the number of stocks)

■ Virtuous cycle brought by the expansion of ESG investment



(Note 1) Analysis based on the ranking of ESG evaluation (average) of the top 10 countries (regions) in terms of the constituents of each index

(Note 2) Constituents and ESG evaluation are as of June 2017 (Source) Prepared by GPIF from MSCI and FTSE

# The existence of Japanese signatories stands out in Asia

■ No. of PRI Signatories (as of August 2017)

	Asia Total	Japan	% Japanese signatories
Asset Owners	18	14	78%
Asset Managers	71	33	46%
Other	26	12	46%
<b>Total</b>	<b>115</b>	<b>59</b>	<b>51%</b>

Source : PRI

**51%** of PRI signatories in the entire Asia are **Japanese**.

# Breakdown of GPIF's Mandated Asset Managers

(as of Apr. 1, 2017)

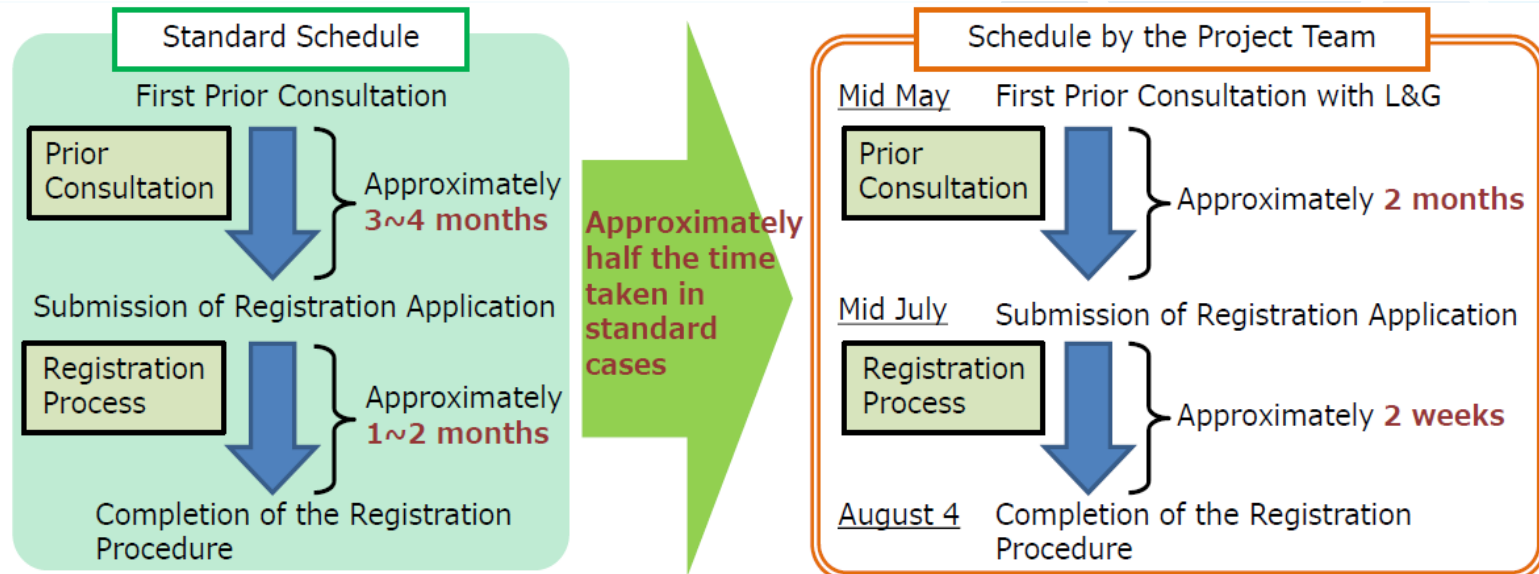
	Number of Asset Managers	Number of Funds
Japanese firms (No. outsourced)	11	46 (12)
Foreign firms (No. outsourced)	24	39 (5)
Total (No. outsourced)	35	85 (17)

Numbers in parentheses indicate the number of funds utilizing an outsourcing scheme since their managers are unregistered as investment management businesses in Japan.

# Press Release (Aug. 4, 2017) from FSA Website

## The First Registration Case Using the *Financial Market Entry Consultation Desk*

- A UK asset management company, Legal & General Group, has consulted the FSA's "Financial Market Entry Consultation Desk" on the possible launch of its Japanese corporation, **Legal & General Investment Japan** ("L&G"). The desk was launched on April 1, 2017, to give advice on Japan's financial regulations to foreign financial business operators planning to establish a business base in Japan.
- Considering L&G's prospective entrustment of asset management from pension funds, and ensuing likelihood of establishing its business base in Japan, **the FSA, the Kanto Local Finance Bureau (including its Tokyo Local Finance Office) and the Tokyo Metropolitan Government have set up a joint project team** to support L&G's registration procedures for **Investment Management Business, Type II Financial Instruments Business, and Investment Advisory and Agency Business**.
- With the project team's continuous provision of advice, and L&G's endeavor for quality responses, L&G's registration procedures were completed as of August 4, 2017, in **approximately half the time taken in standard cases**.







# Examples of Foreign Asset Managers Registered or Providing Information to GPIF's Manager Entry System

Source : GPIF		Possibility of Entry into Japan	Current Situation
Providing information	Firm A	Yes	Opened Tokyo representative office in Spring 2017. Considering obtaining a license.
	Firm B	Yes	To hire Tokyo Office Representative within 2017. Targeting to open Tokyo Office in 2018.
	Firm C	Maybe	To open Asian base in Hong Kong soon. To consider entry to Tokyo if business can be expanded to various financial activities and not limited to asset management.
	Firm D	Maybe	Referred to the possibility of a Japanese office as base of its Asian strategy.
Registered via Gatekeeper(s)	Firm E	Maybe	If mandated work by GPIF, implied the possibility to open an office in Japan.
	Firm F	No	Has a very close alliance with a Japanese trust bank and independent entry may be difficult.
	Firm G	No	Based on past experience of closing their Tokyo representative office, re-entry may be difficult.

# Asset Servicing: Areas of Operations

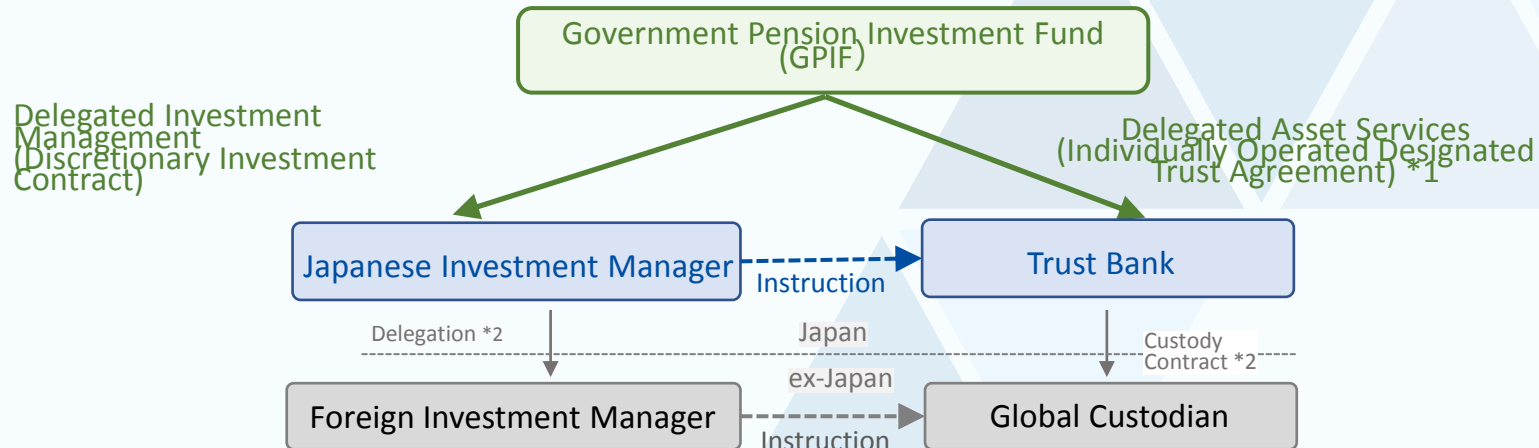
## 【Investment Management】

- Policy Asset Mix
- Investment Strategy Selection
- Investment Manager Selection and Assessment
- Asset Selection
- Individual Security Selection and Order Management
- Investment Research
- Investment Risk Measurement and Analysis
- Proxy Voting and Management
- Stewardship Code Monitoring
- Securities Lending & Reserve Funds
- Transition Management

## 【Asset Servicing】

- Asset Servicers Selection and Assessment
- Custodian Selection and Assessment
- Safe Custody and Securities Settlement
- Detection and Preservation of Assets
- Cash Settlement including FX/Cash Management
- Performance Measurement
- Investment Information Management
- Market Information Management
- Public Communication- Investment Results and Related Inquiries
- Compliance Monitoring
- Information Systems (Planning, Build-Out, and Management)

### Current Framework of Asset Servicing



✓ In Japan a unique Trust structure is taken in managing Japanese Pensions' accounts. GPIF is investing through a Trust vehicle, according to the Trust agreement between GPIF and the Trust Bank.

✓ The Trust agreement entrusts judicial authority to the Trust Bank. The Bank will be the legal owner and is given the power to make certain decisions, perform various legal or non-legal matters on behalf of the pension, including filing of regulatory documents such as tax certificates. When the investment manager requires an ISDA agreement, the Trust Bank would act as the counterparty for the ISDA agreement to be signed with the brokers.

\*1 Delegated to multiples per asset class (domestic/foreign, Equity/Bond)

\*2 Delegated to foreign assets servicers

(Source : GPIF)

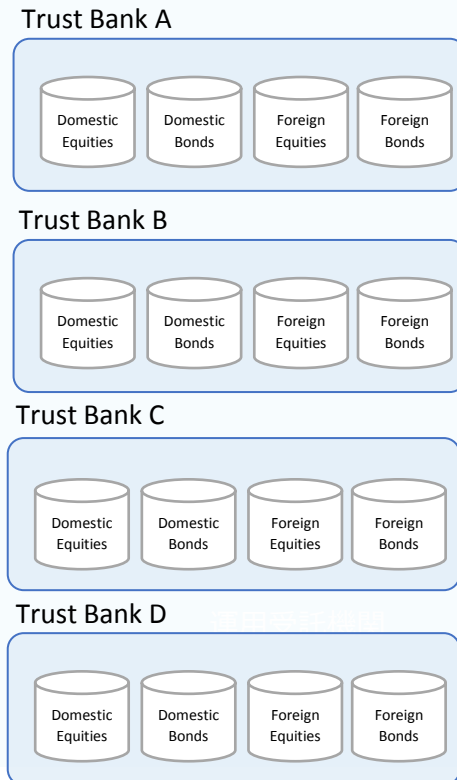


# Transition of Delegation Structure in Asset Servicing

GPIF has reformed its asset servicing delegation structure to consolidate and reallocate its assets and assign a single trust bank for each asset class. (the year of 2008)

(Before) Multiple trust banks responsible for each asset class

- Issues :
- ✓ Operational burden on data cleansing per asset class
  - ✓ Complexity in asset delivery and transition



(After) Single trust bank assigned per asset class

- Outcome :
- ✓ No need of name-based aggregation
  - ✓ A drop of frequency in asset delivery and transition across trust banks
  - ✓ Reduction of data preparation in trust banks

Change of Delegation Structure In 2008

