

Policy on Stewardship Activities

March 29, 2023

Japan Post Insurance Co., Ltd. (“we”), as a universal owner that manages a wide range of assets over the long term by using the premiums received from our client, emphasizes sustainability (medium to long term sustainability including ESG factors) and conducts stewardship activities based on this policy, in order to enhance the corporate value of investees.

With respect to matters related to sustainability, we will take into consideration initiatives related to socially significant matters, such as the realization of a decarbonized society, protection of biodiversity, and respect for human rights and human capital.

In accordance with our ESG Investment Policy, we aim to realize a sustainable society, enhance long-term investment performance, and reduce risks. With the “enhancement of well-being,” “development of local communities and society,” and “contribution to environmental protection” as our priority initiative themes, we promote investment that gives a sense of “warmth” unique to Japan Post Insurance.

1. Basic Initiatives for Stewardship Activities

We conduct appropriate stewardship activities upon consideration of the characteristics of the respective assets, with a focus on the following initiatives.

(1) Insight into investees

- We endeavor to accurately understand investees’ management strategy, business and financial performance, capital policy, shareholder return policy and the status of sustainability initiatives through research activities and dialogues.

(2) “Engagement”

- We continuously carry out constructive “engagement” with investees that takes sustainability into consideration.
- We ask investees to enhance their disclosures of non-financial information including matters related to sustainability and encourage them to enhance their corporate value over the medium to long term.
- In cases such as when there are no prospects for improvement despite carrying out continuous constructive “engagement”, where necessary, we will escalate our response.
- In addition to carrying out constructive “engagement” independently by ourselves, we also actively employ joint initiatives (collaborative engagement) with other institutional investors.

- For companies in which we conduct overlapping investments, such as shares and corporate bonds, we coordinate our stewardship activities between them.

(3) Exercise of voting rights

- We appropriately exercise voting rights in accordance with the Policy on Exercise of Shareholder Voting Rights, which sets forth the basic approach for exercising voting rights.

2. Policy on Japan’s Stewardship Code

We have endorsed and accepted the objectives of the Principles for Responsible Institutional Investors: “Japan’s Stewardship Code” (the “Code”) and fulfill each principles of the Code with the following policy.

The main target of this policy is investment in domestic shares, but we will also conduct stewardship activities in line with the intent of the Code for investment in corporate bonds and overseas assets, etc., taking into consideration of the characteristics of those assets.

(Principle 1) Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.

- We make investments from a medium to long term perspective and conduct stewardship activities with the purpose of enhancing the corporate value of investees.
- To achieve this purpose, based on the preceding “Basic Initiatives for Stewardship Activities,” we fulfill our stewardship responsibilities through means such as insight into investees, constructive “engagement”, and appropriate exercise of voting rights.
- For externally managed assets, we expect the investment managers to incorporate the Code in principle and request any managers that do not do so to provide adequate explanations for the reasons. In addition, we fulfill our stewardship responsibilities by requesting reports on policies for each principle of the Code and their implementation status, monitoring that status, and considering it as a factor in the selection and assessment of the managers.
- We aim to achieve mutual understanding while promoting the stewardship activities of the investment managers by explicitly presenting the matters and principles that are requested to the investment managers for these activities.

(Principle 2) Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

- Conflicts of interest to be managed for stewardship activities are addressed in the following policy.

[Conflicts of interest management policy for stewardship activities]

- Conflicts of interest may occur under certain situations such as when voting rights are exercised for our insurance policy counterparties or companies to which insurance proposals are made.
- To avoid any such conflicts of interest in such situations, judgments regarding the exercise of voting rights will be independently determined by the investment divisions. We make the proper judgment so that the interests of our shareholders and policyholders are not unduly impaired regardless of any potential business relationship with the investees. (This excludes subsidiaries, affiliated companies and strategic alliances.)
- We reinforce our governance concerning any conflicts of interest by establishing the Responsible Investment Advisory Sectional Meeting for the verification of the voting process and voting results, comprised of external experts, compliance divisions and investment divisions.
- We periodically request the investment managers for externally managed assets to submit reports on their policies dealing with conflicts of interest in fulfilling their stewardship responsibilities, and if an event that appears to be a conflict of interest occurs, we request them to promptly report it.

(Principle 3) Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation toward the sustainable growth of the companies.

- We endeavor to accurately understand the progress of investees by research activities and dialogues from the perspective of enhancing the investees' corporate value over the medium to long term.
- In our research and analysis of the investees, we emphasize management strategy, business and financial performance, capital policy, shareholder return policy and the status of sustainability initiatives.
- For externally managed assets, we request the investment managers to submit reports on their initiatives for insight into investees.

(Principle 4) Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive “engagement” with investee companies.

- To enhance the investees’ corporate value over the medium to long term, we continuously carry out constructive “engagement” with them.
- In practice, we enhance the investees’ corporate value over the medium to long term by arriving at an understanding with them regarding management strategies, capital strategies, shareholder return measures, disclosure policy and sustainability initiatives, and when deemed effective to improve corporate value, encouraging them to take problem-solving initiatives.
- In addition to carrying out “engagement” independently by ourselves, we also actively employ joint initiatives (collaborative engagement) with other institutional investors.
- For externally managed assets we request the investment managers to submit reports on their policy for “engagement” with investees and the implementation status of the engagement. In particular, for passive investments that span wide ranging investees, we request reports that includes measures for engagement targets selection and effective engagement, with the objective of promoting engagement from a medium to long term perspective.

(Principle 5) Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

- We have established a Policy on Exercise of Shareholder Voting Rights as the basic approach for exercising voting rights and publicly disclosed its content on the company website. We also regularly revise the policy so that it contributes to the enhancement of investees’ corporate value.
- The outcomes of constructive “engagement” with companies are also leveraged in determining how to exercise individual agenda items.
- When voting advisory companies are used, we publicly disclose their names and the specific ways in which they are used, accompanying the publication of voting results.
- For externally managed assets, we entrust the exercise of individual voting rights to the investment managers, providing the investment managers with the guideline which is based on the Policy on the Exercise of Shareholder Voting Rights. The investment managers shall formulate a policy concerning the exercise of voting rights based on the objectives of the guideline and exercise voting rights in accordance with it.

[Publication of voting results]

- We publicly disclose a compilation table of voting results for each type of agenda item as well as at each individual investee company and agenda item. If there are any agenda items suspected to contain a conflict of interest in appearance, or one deemed to require an explanation in light of the policy on the exercise of voting rights, we publicly disclose the reasons thereof.
- In the exercise of voting rights at a target of “engagement”, in a case like we make an opposing vote, we will endeavor to provide feedback to the target company about our reasons for the opposing vote.

(Principle 6) Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

- We regularly publish information regarding the status of stewardship activities and voting results on our web site.

(Principle 7) To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

- To contribute to enhancing the corporate value of investees over the medium to long term, we establish the operational systems necessary to conduct appropriate stewardship activities and endeavor to foster highly specialized personnel.
- We conduct periodic reviews of our policy on stewardship activities in light of societal trends, etc. in order to always aim at high-quality stewardship activities.
- Moreover, we periodically complete a self-assessment regarding the implementation of our stewardship activities, and publicly disclose the results thereof.
- For externally managed assets, we seek to improve initiatives for stewardship activities of the investment managers and ours through interviews with the investment managers and assessments of them pertaining to initiatives for the Code, and through amassing positive examples of initiatives which are shared with the investment managers.

(Principle 8) Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.

- We are not a service provider for institutional investors.