

Action Policy on Principles for Responsible Institutional Investors <Japan's Stewardship Code>

Revised January 2020

Revised June 2020

Resona Asset Management Co., Ltd.

Participation in Principles for Responsible Institutional Investors <Japan's Stewardship Code>

We endorse the Principles of Responsible Institutional Investors known as "Japan's Stewardship Code" revised in May 2017, and have declared our acceptance of these principles in June 2017.

In order to improve investment services, we have consolidated the asset management functions of Resona Group and updated its action policy in January 2020. Moreover, in accordance with the recent revisions to Japan's Stewardship Code in March 2020, we have updated its action policy. While the revised action policy was developed with the asset management of Japan's listed stocks in mind, we will abide by the Code in the investment of other assets.

Basic Policy on Responsible Investment

As a responsible institutional investor, we have defined the Basic Policy on Responsible Investment and clarified our stance to pursue the client's best interest from a medium- to long-term perspective in our management of trust assets, etc.

We believe specific actions to fulfill responsible investment are the same as actions aimed at fulfilling stewardship responsibilities.

Basic Policy on Responsible Investment

1. Basic Policy

Our management of trust assets and other investments entails promoting increased value and sustainable growth of corporations from a medium- to long-term perspective, which involves sufficiently assessing and analyzing financial information of investee companies, as well as non-financial information encompassing means of addressing their environmental, social and corporate governance (ESG) challenges. We endeavor to increase the value of trust assets and other investments through such efforts.

2. Objective

This policy aims to enhancement of corporate value and medium- and long-term investment return of beneficiaries.

3. Specific Initiatives

We will implement the following actions that embody this policy.

- Incorporate ESG into the investment decision making process
- Make dialogue with investee companies constructive and beneficial
- Exercise appropriate voting rights

Action Policy on Principles for Responsible Institutional Investors <Japan's Stewardship Code>

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

We aim to be actively involved in both enhancing the medium- to long-term corporate value of investee companies and addressing social issues in realizing a sustainable society. Considerations for sustainability applicable to investment strategies outlined in this Code are considered essential to promote the enhanced corporate value and sustainable growth of investee companies.

In our management of trust assets we strive to promote the sustainable growth of companies thereby increasing the value of trust assets based on sufficient understanding and analysis of not only the financial information of investee companies, but also non-financial information as well, including response to Environmental, Social and Corporate Governance (ESG) issues and implementing constructive dialogue, engagement, and exercising appropriate voting rights from a medium- to long-term perspective.

We believe that it is important for considerations of sustainability issues to be consistent with our investment strategy, and for them to lead to enhanced corporate value and sustainable growth of the investee companies. We will disclose our views on sustainability in accordance with our investment strategy in our stewardship reports and other means.

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.

Our provision of products and services to clients is conducted with trust from clients as the top priority. We fully understand and adhere to laws and regulations relevant to our business operations, and appropriately manage potential conflicts of interest between Resona Group and clients, as well as among clients in order to prevent unreasonable damage of profits to clients or loss of client trust in transactions carried out by Resona Group.

We have established the Conflicts of Interest Management Policy, with its summary published on our company website, whose aim is to establish a management stance that ensures appropriate management of conflicts of interest.

Summary of Conflicts of Interest Management Policy

(<https://www.resona-am.co.jp/investors/souhan.html>)

In investment trust management and discretionary investment businesses, we identify and categorize transactions at risk of conflicts of interest when we buy or sell Resona Group shares, and exercises voting rights on shares held, including trust assets, etc., which will be managed as follows.

In particular, as an asset manager, we identify the following cases as possible categories of conflicts of interest that may have material impacts on the selection of investee companies, dialogue and exercising of voting rights. We also establish a management method for appropriate handling of these cases.

(1) Exercising of voting rights of shares held, including trust assets, etc.

[Probable scenario]

When Resona Group's corporate sales division interferes with the asset management division regarding the approval or disapproval, or results of exercising voting rights on the shares of a company with which it has a business relationship.

[Management Method]

- Ensure independence in the voting process by establishing a criteria for exercising voting rights and discussion in the Responsible Investment Committee
- Prohibition of Resona Group's corporate sales division to interfere with the exercising of voting rights carried out by the asset management division
- Restriction on personnel transfer from Resona Group's corporate sales division to the asset management division
- Disclosure of voting criteria, process, and results

(2) Selection and dialogue of investee companies in management of trust assets, etc.

[Probable scenario]

When Resona Group's corporate sales division interferes with an investment decision involving the issuance of securities or dialogue with a company that has a business relationship with the asset management division.

[Management Method]

- Ensure investment decision-making stance following the investment decision process for each investment style by limited asset management personnel
- Prohibition of Resona Group's corporate sales division to interfere with the selection of investees or dialogue carried out by the asset management division
- Restriction on personnel transfer from Resona Group's corporate sales division to the asset management division

(3) Investment in and exercising of voting rights of securities issued by Resona Group

[Probable scenario]

When investing in or exercising voting rights on shares of securities issued by Resona Group obtained using trust assets, etc.

[Management Method]

- Elimination of arbitrariness in investment decisions by establishing clear investment criteria
- Elimination of arbitrariness by using an advisory company for the exercising of voting rights
- Disclosure of voting results

*Asset management divisions:

Stock Management Department, Bond Management Department, Index Management Department, Responsible Investment Department, Investment Strategies Department

We have developed the following governance structure to ensure the benefits of clients and prevent conflicts of interest.

- To ensure neutrality when voting, a management department independent of the internal asset investment divisions will monitor the appropriateness of the system, process and content of the exercising of voting rights both qualitatively and quantitatively, and report the results to the Responsible Investment Verification Council.
- To facilitate the use of the knowledge of third parties in responsible investment, we invite outside experts to participate in the Responsible Investment Committee in an effort to ensure its effectiveness.
- We are building a system that promotes further improvement in a top-down manner by sharing facts and issues with management, including reporting to the Board of Directors and Executive Committee on the status of responsible investment activities, including exercising of voting rights.
- In order to enhance the neutrality and independence in this governance structure, we have established the Responsible Investment Verification Council which conducts validation on the appropriateness of responsible investment activities, including voting, from an external, third party perspective.

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

Asset management personnel (analysts, fund managers) and responsible investment division personnel strive to identify issues through surveys and reviews on items related to opportunities and risks, including corporate strategy, performance, capital policy, as well as Environmental, Social and Corporate Governance (ESG) in their process of investment decision making, dialogue, engagement and exercising of voting rights. We conduct effective analysis based on our own investment philosophy in accordance with the investment strategy aimed at increasing the certainty of investment decision as well as enhancing the corporate values of individual companies through engagement in our active investment.

For passive investment, we strive to assess the status of initiatives aimed at improving corporate governance (G) as well as environmental and social issues (E&S) at all investee companies whose shares we hold from the perspective of enhancing the market value of the total corporate value and promoting a sustainable society, which forms the basis of corporate activities.

Our company is verifying whether we are accurately and effectively grasping the situations of investee

companies through regular conferences and meetings, including the Responsible Investment Committee, etc.

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.

Asset management personnel (analysts, fund managers) and responsible investment division personnel are to monitor both the financial and non-financial status of investee companies as well as to actively participate in dialogue and engagement with investee companies aimed at increasing corporate value and sustainable growth of investee companies from a medium- to long-term perspective with consideration for sustainability.

When making active investment, we conduct dialogue and engagement relevant to the actual situation of the investee company in order to exclusively promote the increase in value of the investee company, based on our own investment philosophy in accordance with the investment strategy.

Passive investment is conducted with actions implemented over a medium- to long-term with the expectation of the overall market growth included, as it in essence, is premised on holding a wide range of stocks of investee companies on a continuous basis, with limited options for selling. Specifically, we conduct dialogue and engagement with companies to discuss their corporate strategy, performance, capital policy, and Environmental, Social, and Corporate Governance (ESG) related issues to share a sense of awareness of social responsibilities and their execution status.

We strive to share and utilize information related to dialogue, engagement, and exercising of voting rights through regular conferences and meetings, including the Responsible Investment Committee, etc.

If it is determined that more efforts in addition to our independent dialogue and engagement will aid in ensuring the effectiveness of promoting these actions, then we will also consider involving other institutional investors in dialogue and engagement based on methods and content.

Such dialogue and engagement are conducted for the abovementioned purposes, and not for making one-sided demands of investee companies without due consideration for their conditions or ask for modifications to management policies. Moreover, we do not request for disclosure of undisclosed material information.

In the event that undisclosed material information is obtained from an investee company during the course of dialogue, we will undertake information and action management that strictly follows the Insider Trading Prevention Manual and internal regulations of the company.

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.

In principle, as an asset manager, we are taking all actions on any actionable voting rights on shares held,

including trust assets, etc.

As a trustee, we strive to make appropriate voting decision based on the details of dialogue and engagement with investee companies in fulfilling corporate social responsibilities, such as strengthening of corporate governance, adherence to laws, regulations and corporate ethics, coexistence with society, and initiatives on environmental issues.

We have established and published the Criteria for Exercising Specific Voting Rights, as a standard for making judgment in voting. We will consider reviews of detailed criteria for the exercising of voting rights to be conducted periodically at least annually.

Basic Policy on Exercising of Voting Rights

(<https://www.resona-am.co.jp/investors/giketuken.html>)

In order to increase the transparency in our exercising of voting rights, we publish the voting results for each individual investee company and per proposal.

We disclose on the reasons for proposals that appear to have conflicts of interest, proposals whose judgment requires explanation in reference to basic policy on exercising of voting rights, and proposals deemed important in contribution to constructive dialogue with investee companies, regardless of approval or disapproval.

Voting rights on shares of our parent company, etc. are exercised following the advice of a third party advisory company based on our Criteria for Exercising Specific Voting Rights, in an effort to manage conflicts of interest. Moreover, the name of the advisory company will be disclosed.

When lending out shares held as trust assets, etc., we set a certain limit in order to ensure the rights to 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 prepare periodic reports on actions for responsible investment with an emphasis on “incorporate ESG into the investment decision making process,” “participate in constructive dialogue and engagement with issuers of securities, etc.” and “exercise appropriate voting rights as a trustee.”

Moreover, in terms of the method and contents of disclosure, we will strive to enhance understanding and convenience for clients, including institutional investors as asset holders (asset owners), as well as aim for continued adjustment and improvement with due effective dialogue and engagement with investee companies.

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.

We have established the Responsible Investment Committee as a platform for the asset management divisions to share their opinions and for reports, negotiations, and discussions on responsible investment. The Committee validates whether our company's policy and actions on responsible investment are adequate with reference to the Principles of Responsible Institutional Investors and Responsible Investment Principles, and aims to continuously adjust and improve onto them. In addition, we seek improvement of our actions through sharing opinions with external stakeholders and participation in initiatives.

We believe it is important to conduct appropriate self-evaluation on our policy and actions for responsible investment for such continuous adjustment and improvement. As such, we are creating an effective evaluation structure with self-evaluation conducted by members of the Responsible Investment Committee as the basis, while identifying precise issues in combined efforts with external evaluation. The evaluation results are regularly disclosed on the stewardship report in conjunction with action status on responsible investment.

Our management team is promoting the establishment of an organization and human resources cultivation aimed at effectively enhancing actions on responsible investment based on feedback from the Responsible Investment Committee and Responsible Investment Verification Council, as well as self-evaluation and external evaluation results.

As the Company is not a service provider for institutional investors, Principle 8 does not apply to us.