



Resona Asset Management

Stewardship Report

2019/2020



Resona Asset Management

Message

The responsibility of the investment manager is no but is extended towards achieving sustainable society.



Resona Asset Management was established in August 2015 based on the concept of delivering to individual clients the high-quality asset management services for facilitating asset formation that the Resona Group has developed over long years of pension fund management experience. Since the establishment, we have been steadily expanding our business with the help of our clients' approval to this concept.

For some time now it has been said that society is transitioning from "saving" to "asset formation," but I feel very strongly that the use of asset management for asset formation is becoming increasingly important, for example as a means for tackling the so-called "¥20 million in funds required for old age" problem.

In addition, in view of Japan's status as a mature economy, the social responsibility of investment managers to support the links of the investment chain is also becoming ever more crucial. Accordingly we must not forget that as the societal influence of the asset management industry has increased, its burden of responsibility has become heavier.

Furthermore, at 2015 United Nations summit, the high-level plenary meeting of the General Assembly decided to adopt the post 2015 development agenda, Sustainable Development Goals (SDGs) as a framework to demonstrate the scale and ambition of this new universal Agenda. It is my belief that the responsibility of the investment manager is no longer limited to investment results, but is extended towards achieving sustainable society. This is because the investment managers are entrusted by various clients.

Foster a corporate culture

The officers and employees of Resona Asset Management conduct business genuinely for the sake of our clients based on high standards of professionalism.

Professional ethics for asset managers Professional ethics

- (i) For the sake of our clients
- (ii) Reject personal gain
- (iii) Pursue improvement of expertise and skills
- (iv) Responsible investment
- (v) Contribute to the development of financial and securities markets
- (vi) Contribute to society

Code of conduct Corporate mission

We support and promote the asset formation aims of our clients drawing on the asset management skills of the Resona Group developed over many years in the field of pension fund management as well as our extensive expertise pertaining to diversified portfolios of long-term investments in Japanese and foreign assets.

longer limited to investment results,

In January 2020 Resona has integrated its asset management function into Resona Asset Management Co., Ltd. to strengthen our asset management capabilities. Since 2008, Resona Bank's Asset Management Business became signatory to the Principles for Responsible Investment (PRI), it has promoted responsible investment activities. To intensify our core activities as an investment manager still further, we intend to further reinforce corporate governance by undergoing transition to a Company with an Audit and Supervisory Committee. At the same time, we have established the Responsible Investment Division to enhance our business execution capabilities.

As a responsible long-term investor, we, Resona Asset Management, will continue to embrace social responsibility. While we continue to conduct effective stewardship activities, we will contribute to achieving sustainable society, through both achieving long-term growth in corporate value of the investee companies and finding solutions to social challenges.

Akihiko Nishioka

Representative Director and President
Resona Asset Management Co., Ltd.

Compliance with laws and regulations Legal compliance

- Basic obligations of asset management
- Regulations on advertising, etc.
- Conduct prohibited of asset managers
- Management of personal information

Pledge (Commitment)

- Pledge to clients
- Pledge to investee companies
- Pledge to capital markets
- Pledge to shareholders
- Pledge to pursue professionalism
- Pledge to compliance with laws and regulations

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Please note that this Stewardship Report complies with the Japan's Stewardship Code (Revised Version as of May 2017).



Asset Management Company of the Resona Group

In January 2020, the asset management functions of Resona Bank were spun off and consolidated in Resona Asset Management, leading to the birth of a new Resona Asset Management.

- By consolidating management functions previously split between institutional and retail investors we seek to further improve our investment services

This consolidation of functions will not only facilitate the further strengthening of the asset management functions of the Resona Group, but will also enable us to provide to individual investors the high-quality investment services that we already provide to institutional investors, thus supporting individual investors in their asset formation activities. In the past we have actively engaged in dialogue with the companies in which we invest, such as by publishing the Stewardship Report, but through the consolidation of functions we will endeavor to further strengthen this approach and to deliver stewardship activities of even higher quality.



- Reinforcing governance as an investment manager

With demands for sustainable growth in corporate value becoming more urgent, and the need to fulfill the role of an investment manager becoming ever more pressing, Resona Asset Management is taking steps to strengthen supervision and checking functions, and to improve management of conflicts of interest, by transitioning to a Company with an Audit and Supervisory Committee structure under which two independent outside directors are appointed.

- Backing asset formation in Japan by providing products and services to regional financial institutions

We provide expertise developed by the Resona Group to regional financial institutions for the purpose of supporting asset formation. By providing Resona Asset Management's high-quality management services through regional financial institutions, we will assist a wide range of clients in their asset formation activities.

Strengths of the Resona Group

Professionals who handle various roles and operations offer premium quality products and provide a variety of asset management services tailored to our clients' investment objectives and requests.



Trends in AUM

During the 1950s and 60s

Moves taken to separate trust business from banking

Resona Bank maintained concurrent trust operations in order to provide quality service to its clients

Around 1990

Expansion of corporate pension market

Achieved growth in share of pension trust assets mainly encompassing pension funds for SMEs

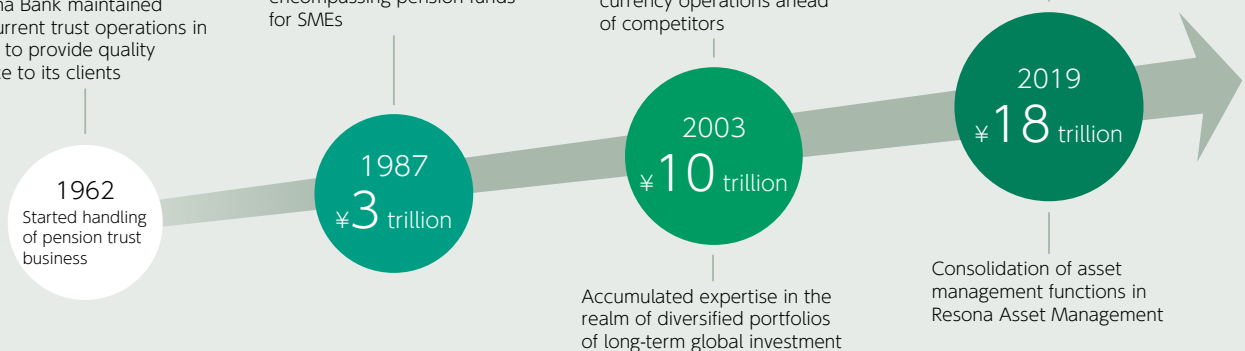
Around 2000

Deregulation pertaining to pension fund asset allocations and scope of portfolios

Strengthened foreign currency operations ahead of competitors

At present

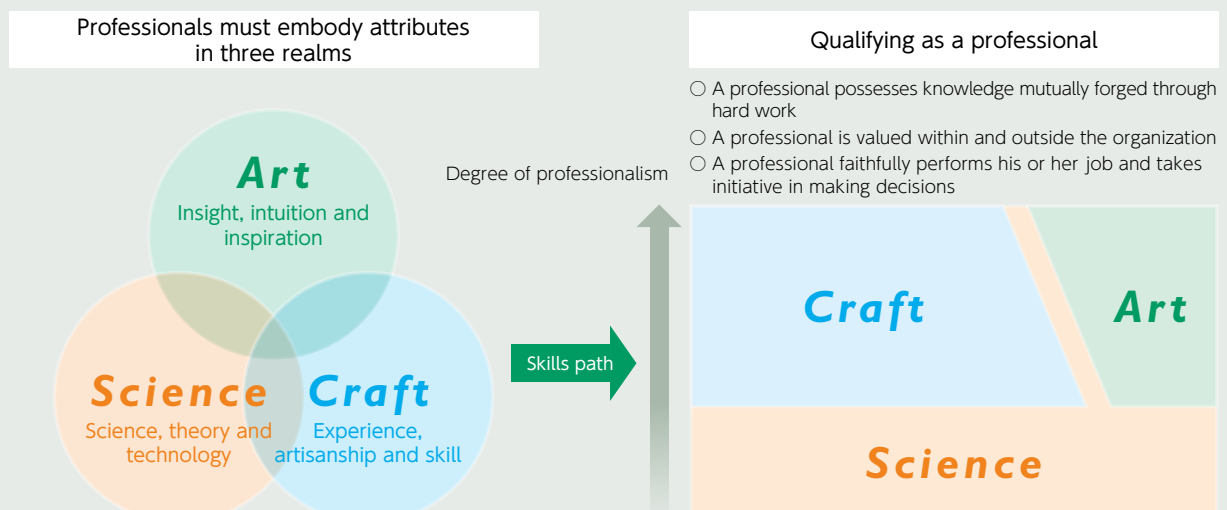
Mounting expectations are being placed on asset management services, particularly given developments involving the Principles for Customer-Oriented Business Conduct and long-term investment



Human resource development

Our workforce gives us a competitive edge in the asset management operations. In other words, we consider human resource development to be the most important of our initiatives given that the extent to which we are able to develop a team of professional asset managers is the key factor with respect to successfully providing asset management services.

Our professional asset managers must embody attributes encompassing the three realms of art, craft and science.



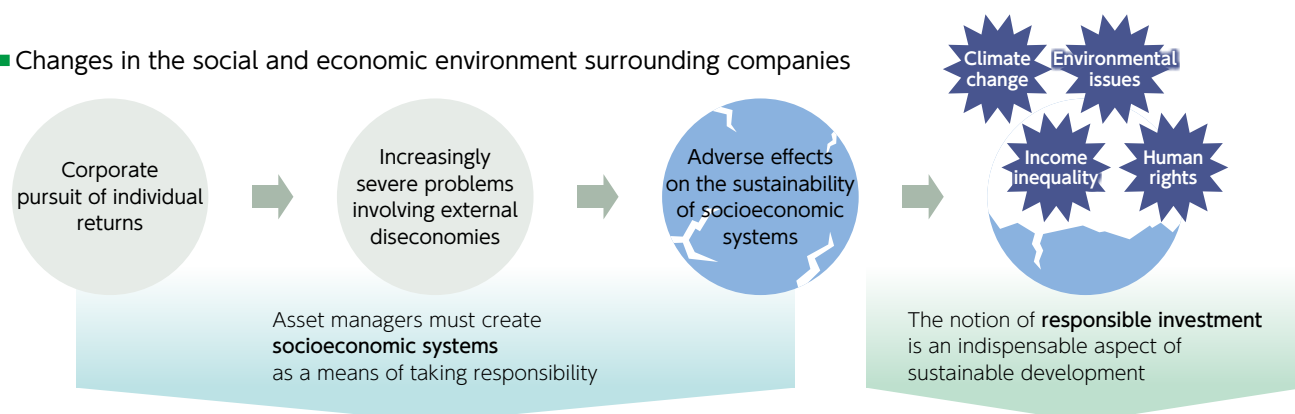
Resona's Responsible Investment



Changes in the social and economic environment, and roles of asset managers (Resona)

We have been promoting responsible investment activities upon having adopted the concept of universal ownership since 2013. With a focus on external diseconomies, we urge companies to find solutions to ESG issues while concurrently supporting them in their efforts to sustainably heighten corporate value.

Changes in the social and economic environment surrounding companies



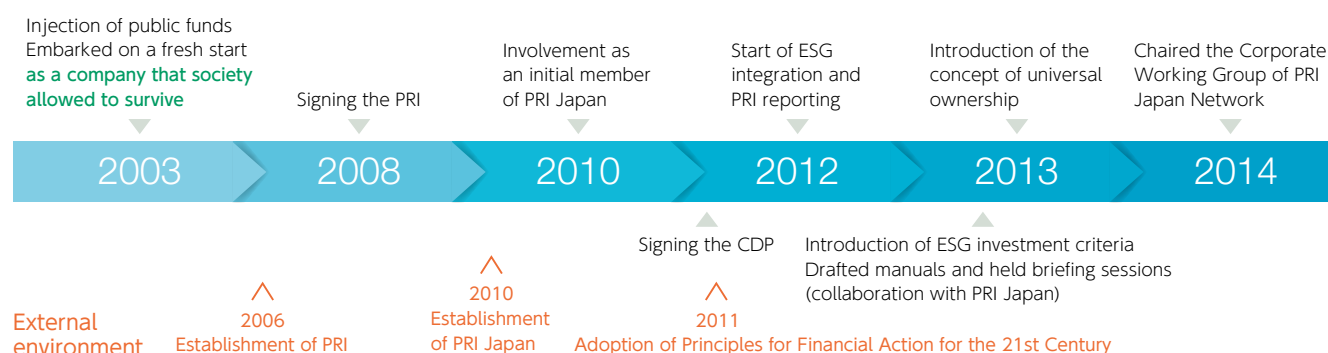
The role of Resona as an asset manager

(i) Practice an engagement strategy geared to finding solutions to ESG issues across society by identifying responsibilities for social sustainability.

(ii) Fulfill its role in acting as a responsible investor with respect to providing support of universal ownership as a long-term investor

Formulate basic policy on responsible investment

Resona's track record of responsible investment



Basic policy on responsible investment

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.

Resona's response concerning the responsible investment and stewardship code

Policy of Resona Asset Management (Purpose)

Enhancement of corporate value and medium- and long-term investment return of beneficiaries

Basic policy on asset management

Basic policy on responsible investment

Those involved maintain a shared understanding of the aims and spirit of general principles

■ Specific measures

1 To incorporate **ESG (Environmental, Social and Corporate Governance)** issues into investment process

2 Constructive **dialogue and engagement**

3 Resona's **proxy voting**

Incorporating the seven principles of Japan's Stewardship Code

Japan's Stewardship Code

Principle 1 Formulation of policies and public disclosure
Principle 2 Management on conflict of interests and public disclosure
Principle 3 Monitoring of investee companies

Principle 4 Constructive engagement (purposeful dialogue)
Principle 5 Disclosure of proxy voting activity
Principle 6 Periodic reporting to clients and beneficiaries
Principle 7 In-depth knowledge of the investee companies and heightened competency to fulfill stewardship activities

Joined PRI collaborative engagement

2015

△
2015

Chaired the Asset Management, Securities and Investment Banking Working Group of the Principles for Financial Action for the 21st Century

- Adoption of the 2030 Agenda for Sustainable Development
- Adoption of the Paris Agreement

Joined Institutional Investors Collaborative Engagement Forum (IICEF)

2017

Member of the Committee on Principles for Financial Action for the 21st Century

2018

Joined Climate Action 100+

As Deputy Chair of ESG Financial Strategy Task Force, drew up "Strategy needed in order to become ESG financial superpower" proposal

2019

△
2019

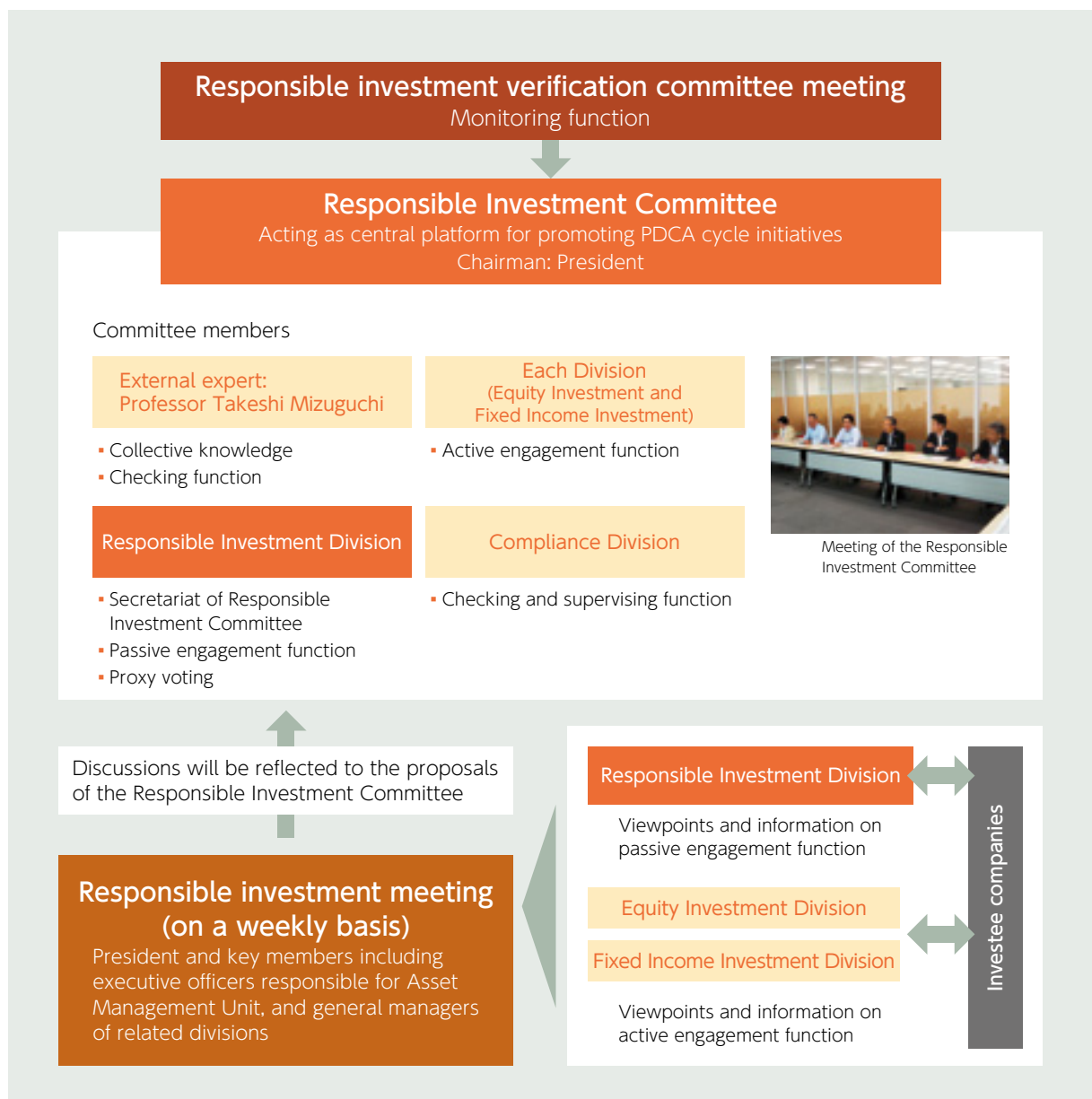
- Drew up long-term growth strategy for Paris Agreement
- G20/Osaka Blue Ocean Vision

What do stewardship activities mean to Resona?

We aim to achieve sustainable society through actively engaging in both enhancing medium- to long-term corporate value and finding solutions to social challenges.

Framework of responsible investment and stewardship activities

The Responsible Investment Committee spearheads efforts to engage in activities employing the collective knowledge of Asset Management Unit of Resona Asset Management, with the aims of appropriately fulfilling our stewardship responsibilities as a trustee, engaging in initiatives that help to bring about growth of investee companies, and helping to achieve a sustainable society.



Responsible Investment Committee

The Responsible Investment Committee conducts basic policy on responsible investment. As such, it plays an important role in acting as a control tower for verifying the reasonableness of initiatives with respect to the Principles for Responsible Institutional Investors and the Principles for Responsible Investment (PRI), and continually devising solutions and improvements.

The committee consists of President, executive officers responsible for Asset Management Unit, general managers of related divisions and from the perspective of internal controls, executive officers responsible for compliance. The committee takes action in a manner that entails enlisting the collective experience and knowledge of such individuals in order to carry out initiatives that contribute positively to the sustainable growth of investee companies. Moreover, in May 2017 Professor Takeshi Mizuguchi, Vice President at Takasaki City University of Economics was welcomed onto the committee as an external expert and leading authority on responsible investment. He has been furnishing opinions and advice from an outsider's perspective in relation to the activities of Resona Asset Management, based on his extensive knowledge.

The Responsible Investment Committee reports on three specific efforts included in basic policy on responsible investment, and also takes on various types of review and discussion particularly by deliberating on changes and proposals on proxy voting guidelines.

■ Specific initiatives with respect to basic policy on responsible investment

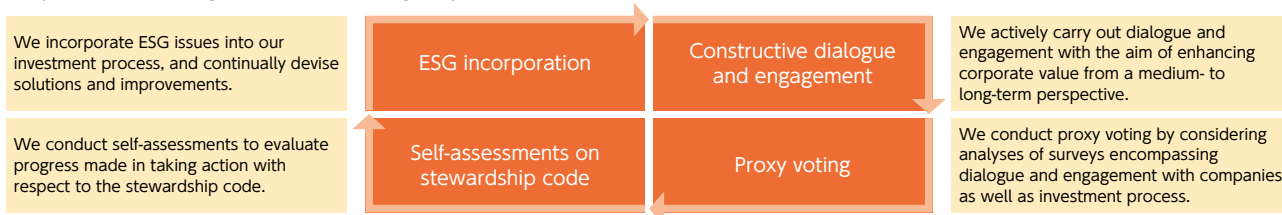
- To incorporate ESG issues into investment process
- Constructive dialogue and engagement
- Resona's proxy voting

■ Primary discussions and reporting of the Responsible Investment Committee

- Discusses changes on proxy voting guidelines
- Discusses self-assessment
- Deliberates on proposals for which a definitive decision is not possible
- Reports on stewardship activities
- Status of proxy voting for Japanese equity and global equity
- Discusses content of PRI assessment
- Discusses plans for dialogue and engagement, and reports on the results

We aspire to fulfill our stewardship responsibilities to a greater extent by improving our stewardship activities drawing on efforts of the Responsible Investment Committee in terms of discussions, opinions on improvements and self-assessment regarding the status of action being taken with respect to the stewardship code.

■ Cycle of activities geared to enhancing corporate value



Responsible investment meeting

- The responsible investment meetings are held on a weekly basis to regularly share information and exchange opinions on matters related to responsible investment, news flow as it pertains to ESG issues, and progress made in dialogue with companies by respective divisions.
- Through its meetings and other forums, the Responsible Investment Division shares information and exchanges opinions with each relevant division, and accordingly submits action policies and other documents to the Responsible Investment Committee.

■ Topics covered in responsible investment meetings (Excerpt from September 2019 to November 2019)

- EU Sustainable Finance
- FSA's Council of Experts on the Stewardship Code
- G20 Resource Efficiency Dialog 2019 and Follow up of the G20 Implementation Framework for Action on Marine Plastic Litter
- Climate Action 100+ 2019 progress Report
- SEC guidance regarding the normalization of the process by which institutional investors exercise proxy voting rights

Responsible investment verification committee meeting

Established in November 2017, the responsible investment verification committee meeting was set up to enhance the governance framework as it relates to matters such as management on conflict of interests in the realm of managing trust assets. To such ends, the meeting acts as a forum for gaining an external third-party perspective in verifying that stewardship activities encompassing the proxy voting are conducted appropriately.

Operations

Schedule: Held at least three times a year

Secretariat: FD Management Group, Fund Administration Division

Members

Chiharu Baba	Outside Director of Resona Holdings, Inc. (Chairman: Former Deputy President of Mizuho Trust & Banking Co., Ltd.)
Ryo Tsuchida	Outside Director of Resona Asset Management Co., Ltd. (Professor, School of Law, Senshu University)
Shoichi Tsumuraya	External expert (Associate Professor, Graduate School of Business Administration, Hitotsubashi University)

Major items reviewed

- Appropriateness of the guidelines on proxy voting (for Japanese and global equity)
- Appropriateness of the proxy voting activities (for Japanese and global equity)
- Appropriateness of other stewardship activities
(Matters deemed necessary such as review from the perspective of management on conflict of interests regarding stewardship activities)

Reviewed content

- The fourth committee meeting (held in February 2019) Changes to proxy voting guidelines for Japanese and global equity
 - The fifth committee meeting (held in August 2019) Proxy voting results for shareholders meetings during July 2018 to June 2019
- The suitability of the topics subject to review was verified at the responsible investment verification committee meeting sessions listed above.

Striking a balance between verifying the results of proxy voting activities and searching for the forward-looking approach on proxy voting activities



Chiharu Baba

Member of responsible investment verification committee meeting
Outside Director of Resona Holdings, Inc.

The responsible investment verification committee has been held five times over the period of more than two years since its establishment in November 2017. The committee's role to fulfill fiduciary duties for Resona Group is extraordinarily important. Because as one of the leading asset management institutions, the Group has approximately ¥18 trillion assets under management. I feel the magnitude of this task at every meeting.

We are privileged to have two specialists as members of the verification committee; namely, Professor Tsuchida of Senshu University, who is an authority on the companies act and has expertise in corporate governance among other things, and Associate Professor Tsumuraya of Hitotsubashi University, who is highly knowledgeable of financial accounting and has expertise in IR, disclosure and so on. This provides us with a well-balanced composition for the committee, enabling us to leverage their expertise as we perform verification.

The purpose of the verification committee meeting is to provide third-party oversight of conflicts of interest. The committee strictly reviews whether proxy voting guidelines have been appropriately established and whether proxy voting activities have been exercised in accordance

with the guidelines. However, members additionally often make suggestions on matters such as how to convey Resona Group's responsible investment philosophy and activities more adequately to companies we have invested in and asset owners, or which issues should be addressed under the daily changing circumstances around proxy voting. The participants from Resona Group also seek members' opinions on issues such as shareholder rights and election of directors, which leads to lively exchange of views during the time set aside for free discussion.

For matters on which the committee forms an opinion, those requiring action are dealt with expeditiously, while those requiring further investigation become the subject of reports on progress at subsequent meetings, and the subject of further discussions and exchanges of opinion.

These approaches of facilitating forward-looking discussions in pursuit of the "Good Governance" advocated by Resona, which we practice rather than simply performing verifying activities, are one of the unique features of our verification committee meeting. It is the most important role of the committee chair to strike a balance between the two.

Management on conflict of interests

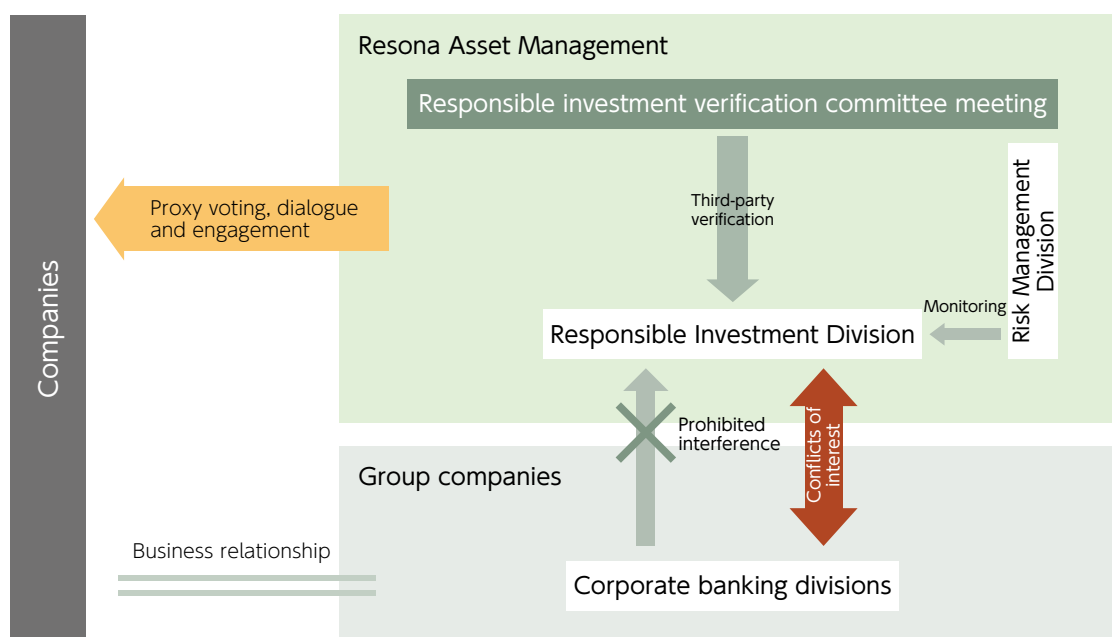
In carrying out responsible investment, Resona Asset Management should be mindful of certain types of transactions that are prone to conflict of interest. Such transactions conceivably include situations that involve proxy voting with respect to shares owned through trust assets and other investments, and situations that involve dialogue and engagement with investee companies.

When carrying out proxy voting on investee companies, with which the corporate banking divisions of the group companies maintain business relationships, decisions and actions taken to discharge fiduciary duties could be substantially affected under a scenario where the corporate banking divisions of group companies interfere with Resona Asset Management's decision to vote for or against a proposal, or in terms of voting results.

We appropriately endeavor to avoid such situations by taking the actions as follows:

- Interference by the corporate banking divisions of group companies is prohibited and personnel reassignments are subject to restrictions
- Proxy voting activity is monitored by the Risk Management Division
- Compliance Division and Risk Management Division act as member of the Responsible Investment Committee
- Appropriateness of proxy voting activity is verified by the responsible investment verification committee meeting, which is composed of external experts
- Risk Management Division checks that all proxy voting for the parent company and other such entities and for other cases are carried out appropriately
 - (i) Those carrying out proxy voting for the parent company and other such entities (Resona Holdings and the Kansai Mirai Financial Group) do so upon seeking advice from an external, third-party proxy advisor pursuant to proxy voting guidelines of Resona Asset Management
 - (ii) All proxy voting cases other than (i)

■ Management framework

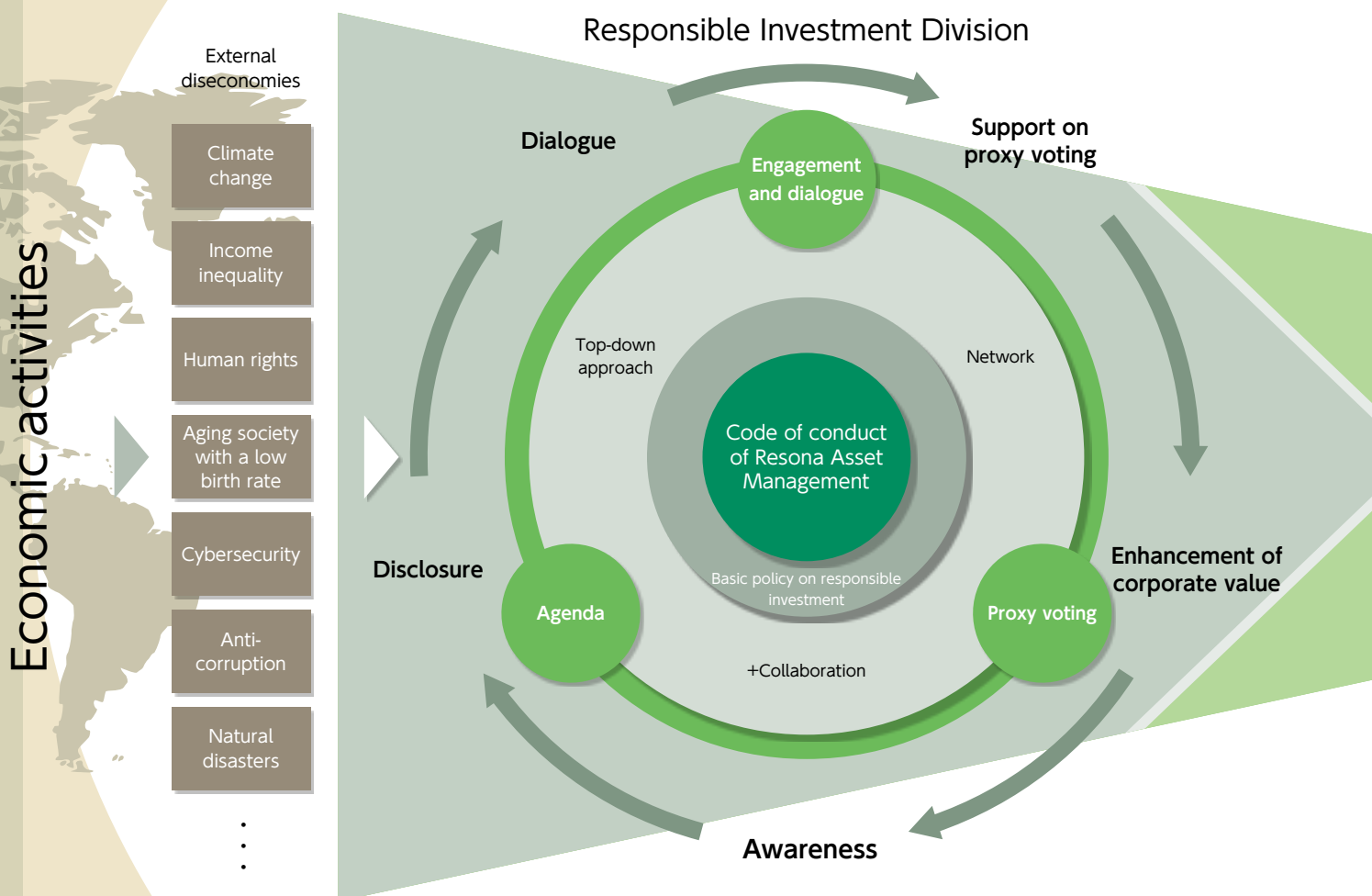


Chapter 2

Responsible Investment and Stewardship Activities for Passive Investment



Future Taker



Efforts for enhancing corporate value and medium- and long-term investment return of beneficiaries

Future Taker : Practice an engagement strategy geared to finding solutions to ESG issues across society by identifying responsibilities for social sustainability.

Future Maker : Fulfill its role in acting as a responsible investor with respect to providing support of universal ownership as a long-term investor.

Future Maker



Global Compact
Network Japan

Signatory of:



Principles for
Responsible
Investment



Enhancement of
medium- and
long-term return

Universal
ownership

Framework

Creation of a
new paradigm

Collaboration

INTEGRATED REPORTING <IR>



FARM ANIMAL
INVESTMENT
RISK & RETURN

New form of
capital markets

Unexplored
economic system

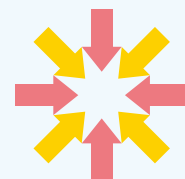
SDGs, Sustainability



Circular Economy



Corporate Culture, Purpose





Resona Asset Management's goals

New forms of capital markets and

Resona Asset Management's contribution to the creation of **new forms of capital market** is based on the following approach.

Basic approach

As participants of the capital markets, we, investors will contribute to the development of sound markets. In addition, we will discharge our broad fiduciary responsibilities, by actively supporting the financial and capital markets in a desirable future economic systems.

We look to the unexplored **"future desirable economic systems"** for guidance in the following three pillars.

SDGs, Sustainability



The ideal social and economic systems in 2030, assuming all SDGs have been achieved

In order to achieve a sustainable society for now and future generations that is characterized by genuine abundance, as expressed in people supporting each other, we must overcome the problem of external diseconomies, and build dynamic and economic systems in which due consideration is always given to natural capital, societies and associated capital.

Supply chain ➡ P.14.20

Climate change ➡ P.22

Labor practices in the agricultural sector

Circular Economy



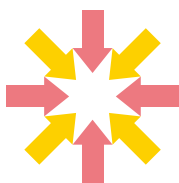
Transition from the linear production, consumption, disposal model to a "Circular model"

In order to shift from a linear flow of procurement, production, consumption and disposal, towards a circular system of recycling, reuse, remanufacturing and sharing, it is crucial not only to take initiatives as a corporate group, but also to work with all our business partners throughout the total supply chain.

Marine plastic issue ➡ P.19

Deforestation

Corporate Culture, Purpose



Understand the corporate culture and philosophy of the investee company Re-recognize the goals and roles of the company, and board's functional role

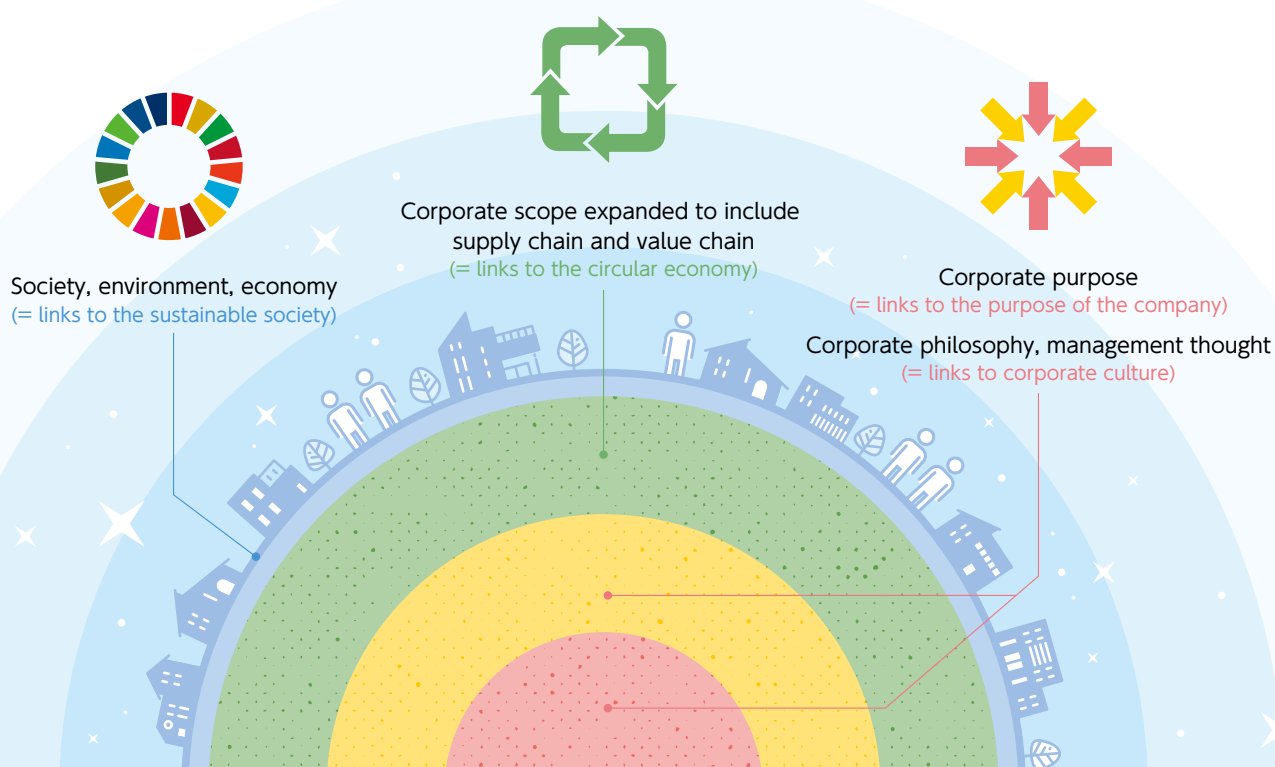
By broadening the scope of corporate responsibility to include the total supply chain, we can reinvent "corporate issues" as "ESG issues." By maintaining our focus on the corporate philosophy, we redefine the original goals and roles of the investee company, and reconfirm that sustainability at the corporate level is equivalent to sustainability at the society level.

Board diversity ➡ P.21

Anti-corruption ➡ P.24

unexplored economic systems

We believe that as corporations include externalities such as sustainable societies and circular economies, the externalities will become connected to those corporations' goals, philosophies and management thought, leading to the realization of an ideal, universal economic system.



What is a company?

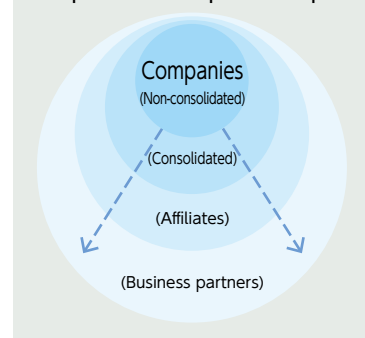
What exactly is a company? We believe it is extremely important to understand how the company was established, and where it is heading through the past, present, and future.

The past is important because the business and management as of today derives from the corporate philosophy and the ideas of the founder. So that our efforts, which have weaved to the present, can go forth and weave our future, we must understand them as an ongoing process, rather than as snapshots in time. We would like to discover the grounds of the company's sustainability within this continuity. The most important factors are the message conveyed by top management, and the company's unshakable vision of how it wants to develop.

In addition, the scope of corporate activity is in the process of broadening from the parent entity to the consolidated, and then to the group, to affiliates, business partners and towards total supply chain. As we see it, this expansion in the scope of the corporation is connected to the corporate issues that must be resolved to address ESG issues, and beyond that we believe that it may even link to the authentic nature of the company's activities through a fusion with corporate philosophy.

As the companies are being redefined, we do not simply wish to engage and assess the companies, but to become a partner who can work together to consider how to best enhance their sustainability.

Expansion of corporate scope



Sustainable palm oil procurement



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In August 2017, we initiated engagements pertaining to environmental and social issues on procurement of sustainable palm oil.

Palm oil is the most commonly used vegetable oil in the world, particularly as a raw material in numerous food products, detergents and other household items, and cosmetics. However, palm oil underlies many problems in the major producer countries of Malaysia and Indonesia, particularly in terms of deforestation accompanying development of palm plantations, child and forced labor, and conflicts with indigenous peoples of the nations.

Japan also has many companies that handle palm oil-based products and accordingly are involved in the palm oil supply chain.

Meanwhile, in comparison with companies in Europe and the United States, we believe there is still substantial room for improvement among companies in Japan on palm oil related issue.

The Responsible Investment Division provides support to investee companies involved in the palm oil supply chain, with respect to helping them understand and draw up policies pertaining to procurement of "sustainable palm oil."

Products using palm oil (palm kernel oil)



Instant noodles



Chocolate snacks



Margarine



Ice creams



Frozen foods



Powdered milk



Detergents and cosmetics

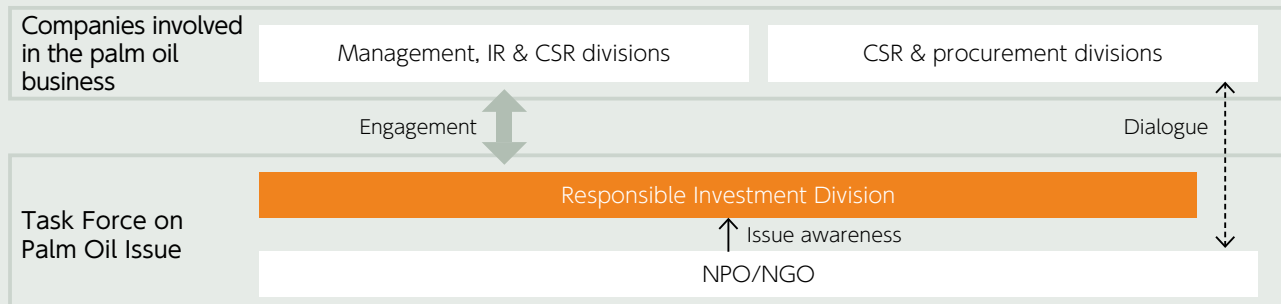
August
2016

Launch of the Task Force on Palm Oil Issue

In August 2016, the Responsible Investment Division organized sessions to exchange information in its Task Force on Palm Oil Issue with the aim of spreading awareness of "sustainable palm oil" across Japan. This was done in cooperation with Professor Takeshi Mizuguchi at Takasaki City University of Economics, and representatives of NGOs such as CSR Review Forum-Japan. The 15th meeting of the task force was held in July 2019.



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From
August
2017
onwards

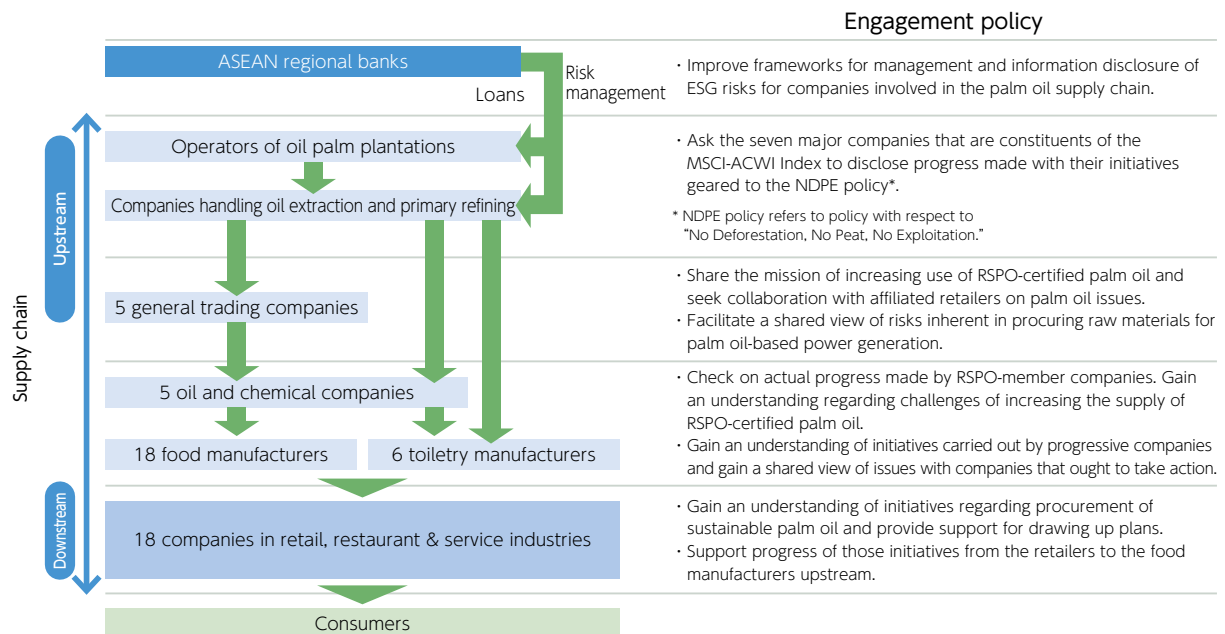
Meetings with investee companies involved in the palm oil supply chain

Our efforts to encourage use of sustainable palm oil entail visiting investee companies that are involved in the palm oil supply chain, thereby leveraging knowledge gained in the Task Force on Palm Oil Issue.

Specifically, we created a list of investee companies that were associated with the palm oil supply chain. Between August 2017 and June 2019, we visited and held meetings with a total of 52 organizations, consisting of 18 companies in the retail, restaurant and service industries, 6 toiletry manufacturers, 18 food manufacturers, 5 oil and chemical companies, and 5 general trading companies. Initiatives taken during the meetings have included providing explanations on environmental and human rights risks inherent in the palm oil supply chain, confirming progress made with initiatives involving sustainable palm oil, and profiling examples of companies that are carrying out progressive initiatives. Moreover, we have urged people to join the Roundtable on Sustainable Palm Oil (RSPO), recommended that companies use sustainable palm oil, and encouraged the companies to disclose their targets to address palm oil issue and their track records.

Supply chain and engagement policy

- Numerous companies operate across the entire palm oil supply chain from upstream to downstream.
- We have established engagement policies pertinent to the respective layers of the supply chain.



Deployment of good practices laterally across respective layers of the supply chain

We encourage upstream entities who act as downstream entity suppliers to disclose information regarding palm oil, enlisting support from downstream entities.



■ Engagement process

CSR-based approaches to procurement are becoming more commonplace as a means of addressing risks with respect to challenges such as environmental, labor and human rights issues throughout total supply chain. First, we have started conducting engagement that involves having companies confirm amounts of palm oil and raw materials derived from palm oil used in products they handle, upon having gained their understanding that palm oil gives rise to supply chain risks with respect to deforestation, child labor and forced labor. Subsequently, we recommend that they use RSPO-certified palm oils, have them disclose their policies on sustainable procurement and encourage them to ensure traceability. Ultimately, we aim to get companies to disclose their NDPE policy objectives.

The following diagram shows the process of engagement with the 52 companies targeted, and progress made.



* This includes not only palm oil but also CSR-based procurement policies, etc.

* Survey by Resona Asset Management. Confirmed for companies engaged with up to June 2019 either at the time of visit, or by checking websites, integrated reports, or CSR reports, etc. ■ indicates results for FY2018, ■ indicates results for FY2019.

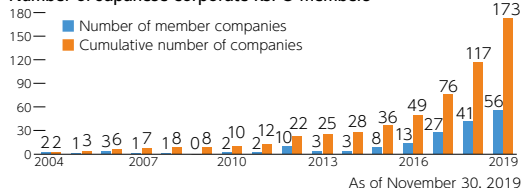
■ Engagement cases

In 2019, Company D and Company E newly joined the RSPO. Going forward we will continue to request the use of sustainable palm oil by many of the companies associated with palm oil.



During the 12-month period between July 2018 and June 2019, six of the 52 companies with which we engaged joined the RSPO.

Number of Japanese corporate RSPO members



[What is the RSPO?]

Seven affiliated organizations including the World Wildlife Fund (WWF) spearheaded efforts to establish the Roundtable on Sustainable Palm Oil (RSPO) in 2004 in response to a mounting chorus worldwide of voices calling for use of sustainable palm oil out of consideration for environmental impact. It aims to promote production and use of sustainable palm oil by drawing up certification standards trusted worldwide and enlisting stakeholder participation. The RSPO is a nonprofit organization whose operations are underpinned by the support of affiliated stakeholders from seven sectors of the palm oil industry: oil palm producers, palm oil processors or traders, consumer goods manufacturers, retailers, banks and investors, environmental NGOs, and social or developmental NGOs.



From
January
2018
onwards

Meetings with overseas oil palm plantations operators

In a follow-up to January 2018, in March 2019 our analysts paid visits to engage with seven major palm plantation operators based in Malaysia and Singapore. In addition to checking initiatives related to achieving compliance with NDPE rules, we shared information aimed at resolving issues such as traceability down to the level of small independent plantation operators.



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From
October
2018
onwards

Began engaging with ASEAN regional banks

In October 2018 the engagement working group (WG) initiated contact or sent letters to nine ASEAN regional banks that extend funding for palm oil operators in relation to ESG issues at the companies to which they provide finance. With four of these banks the WG conducted engagement activities aimed at improving frameworks for management and information disclosure of ESG risks in relation to companies in the palm oil supply chain.

Initiatives with ASEAN regional banks to improve management and information disclosure for ESG risks Participated in PRI Investor Working Group on Sustainable Palm Oil (October 2018)

[Companies targeted for engagement]

13 companies involved in palm plantations, manufacturing and trading, and nine ASEAN regional banks

[Participating institutions]

56 companies with combined assets under management of approximately \$7.9 trillion (as of June 2019)

[Objectives of this collaboration]

- (i) To educate investors of the material ESG issues that affect companies across the palm oil value chain.
- (ii) To engage with companies across the palm oil value chain.
- (iii) To promote the development of a sustainable palm oil industry.
- (iv) To improve frameworks for management and information disclosure of ESG risks at companies associated with palm oil.



From
November
2018
onwards

Attendance to the annual RSPO meeting

Following our attendance at the RSPO's Annual Roundtable Conference held at Kota Kinabalu in Malaysia in November 2018, we participated in the Annual Roundtable Conference held at Bangkok in Thailand in November 2019, and exchanged information with those involved in the palm oil industry.



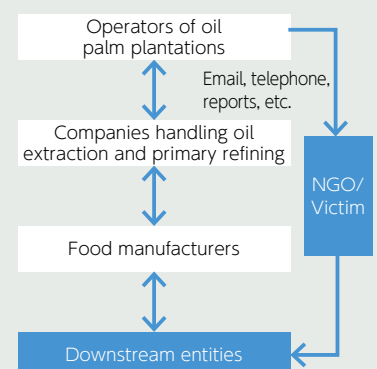
Annual meeting of the RSPO

From
November
2018
onwards

Participation in the drawing up of engagement and remedy guidelines for the supply chain

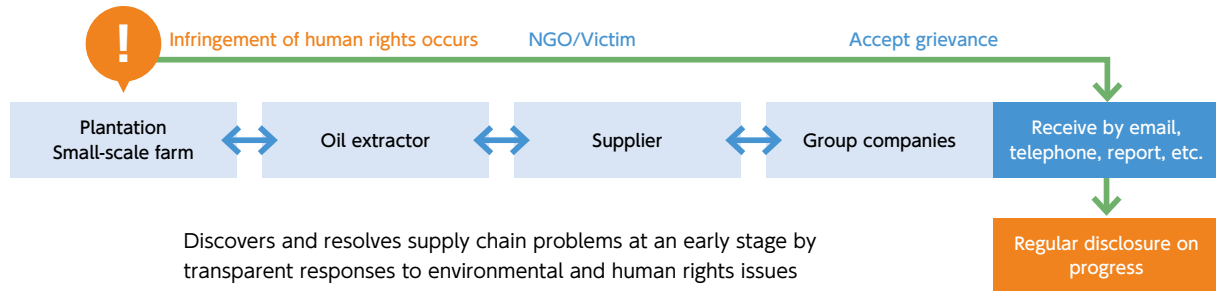
In September 2019, we collaborated with external organizations such as Global Compact Network Japan (GCNJ), and Business and Human Rights Lawyers Network Japan (BHR Lawyers) in relation to grievance mechanisms in cases where companies have difficulty complying by themselves. The result was the institution of "Engagement and Remedy Guidelines for Promotion of Responsible Business Conduct and Supply Chains*," whereby information is collected on the state of the workforce at targeted companies with the aim of achieving rapid improvements. These guidelines began to be applied in December 2019. Support is provided to companies via the engagement and remedy guidelines through such means as setting up dedicated points of contact to receive complaints from workers at plantations and oil extractors.

* Certified as a Tokyo 2020 Support Programme (Sustainability) by the Tokyo Organising Committee of the Olympic and Paralympic Games



Grievance mechanism

What is the grievance mechanism (mechanism for processing complaints related to human rights infringements)?

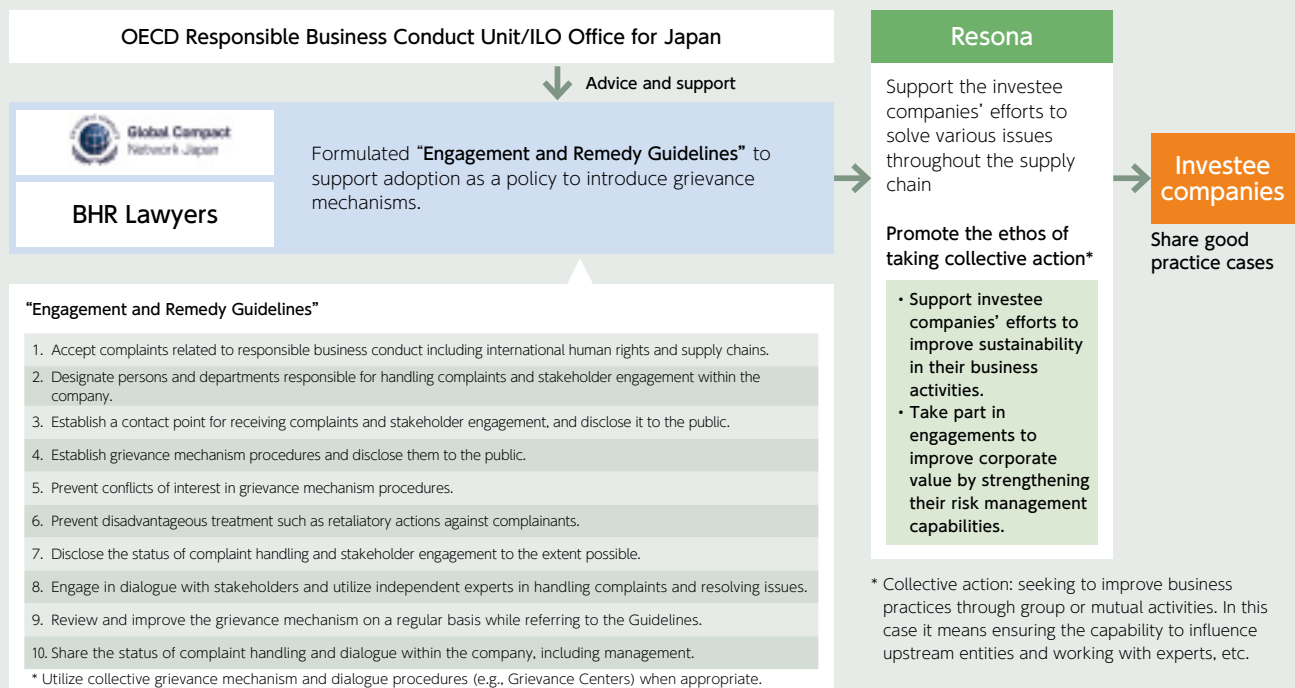


Why are guidelines and collective action necessary for the mechanism?



While we were conducting engagements on supply chain risk, we became aware that there were limits to the grievance mechanisms at the respective individual-company level.

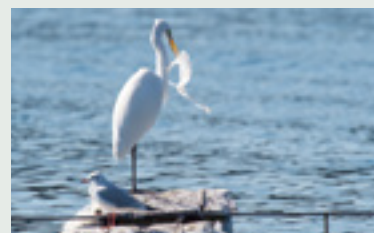
In response to this, we have enacted the "Engagement and Remedy Guidelines for Promotion of Responsible Business Conduct and Supply Chains" ("Engagement and Remedy Guidelines"). We owe this accomplishment to the advice and support from the OECD Responsible Business Conduct Unit and the ILO Office for Japan, and the cooperation from external organizations such as GCNJ and BHR Lawyers.



Marine plastic issue

■ Engagement on marine plastic issue

We engaged with 20 companies on marine plastic issue. The majority of those companies were retailers that are heavy users of polyethylene bags, and beverage manufacturers that produce and sell drinks packaged in PET bottles. We conducted interviews to confirm the status of each company's efforts to reduce the use of plastic, and we actively encouraged information disclosure.



■ Engagement cases (July 2018 to June 2019)

Ten retailers and restaurant companies

Confirmed the status on company's efforts to reduce customer use of plastic bags, to implement the use of biomass materials as an alternative, and to reduce usage of plastic straws and food containers.

Eight food manufacturers

Confirmed the future policy on the use of PET materials in product containers.

Two toiletry manufacturers

Confirmed the status on reducing the use of plastic containers.

Input from experts

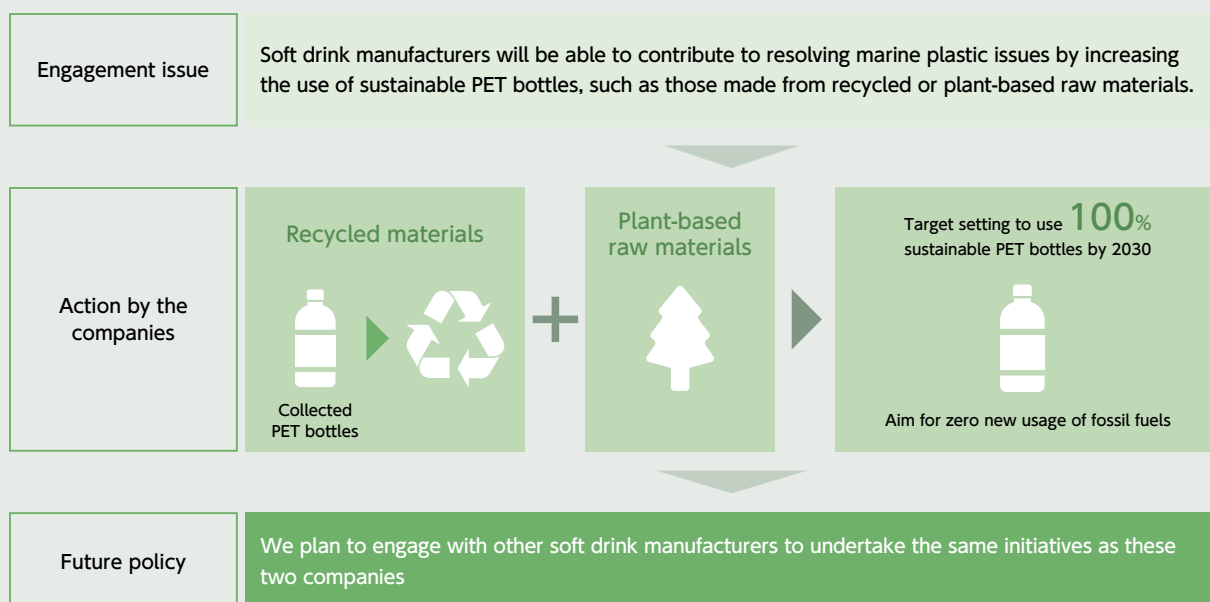
March 2019

Invited experts specializing in environmental problems and held a study meeting on marine plastic issues. Gathered information on global plastic waste issues and the progress of countermeasures.

July 2019

Invited experts specializing in marine plastic issues and held a study meeting. We shared opinions on the microplastics issue, the impact on the ecosystem and the human body, and measures which should be taken to reduce pollution.

■ Engagement cases with two major soft drink manufacturers (July 2019 -)

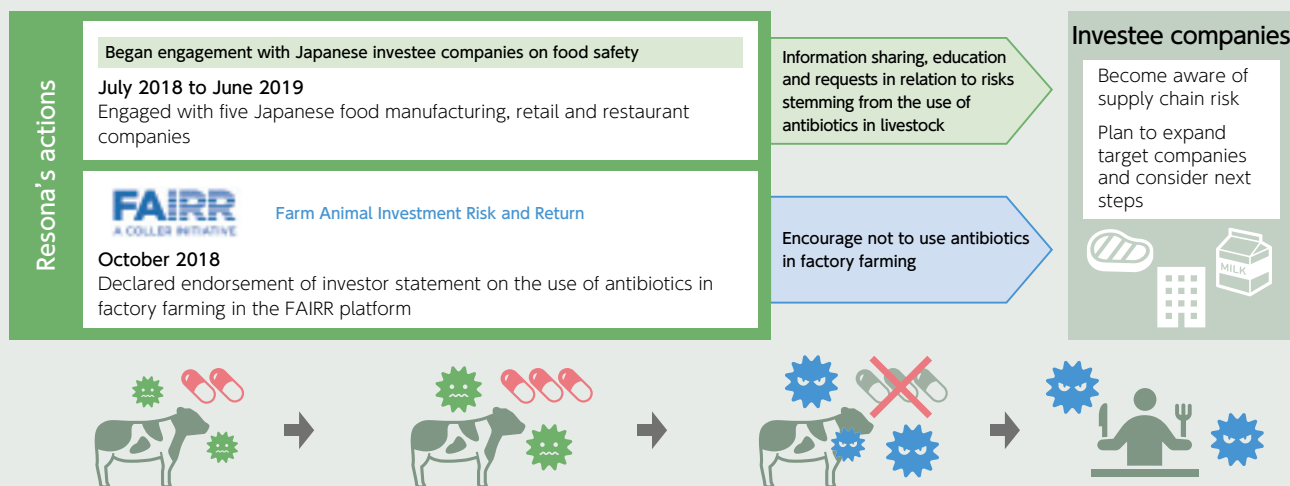


■ Started dialogue with policymakers (August 2019 -)

■ Discussions at Japan/EU Joint Workshop on Circular Economy and Finance (October 2019)

Sustainable food supply chain

Having noted the rising awareness on a global basis of risks arising from the use of antibiotics in livestock, leading to drug residues and the emergence of bacterial strains that are highly resistant to antibiotics, we have begun to take action.

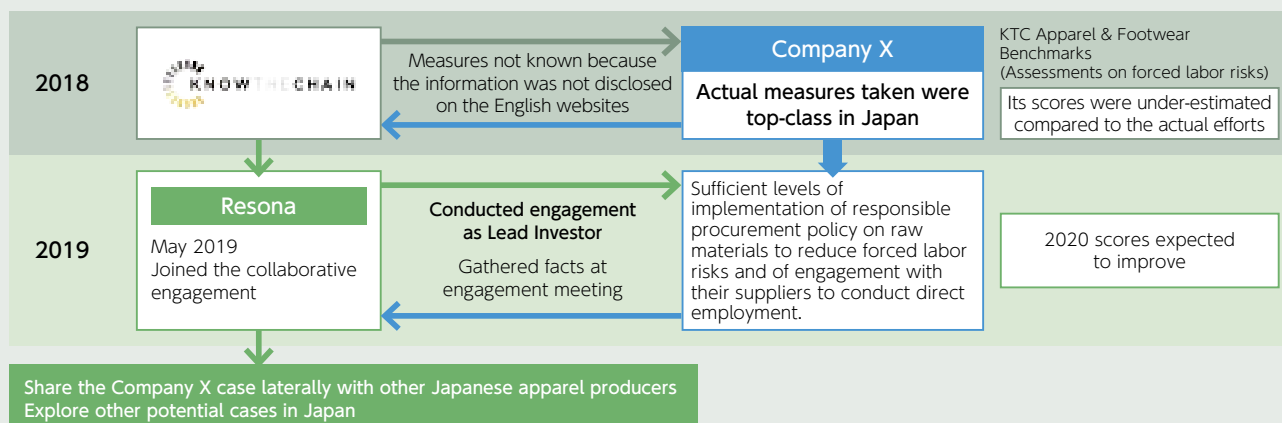


Repeated doses of antibiotics in livestock will run the risk of creating pathogens that are highly resistant to medicine.

Collaborative engagement on forced labor

We have been the Lead Investor on "Apparel & Footwear Engagement using the KnowTheChain*¹ Benchmarks (KTC BM)."

This is a collaborative engagement involving a tie-up between KTC, PRI, and ICCR*², and is aimed at labor practices and human rights at the apparel and footwear manufacturers that are assessed by KTC BM.



*¹ A collaborative partnership between the four organizations: Business & Human Rights Resource Centre, Humanity United, Sustainalytics, and Verité. Each organization has expertise in addressing forced labor risks within the companies' global supply chains.

*² The Interfaith Center on Corporate Responsibility has 300 management institutions as members, which have total assets under management of approximately ¥40 trillion. The ICCR is an organization consisting of institutional investors who manage pensions associated with various faiths, and has a track record of engagement in addressing the forced labor risks.

Board diversity

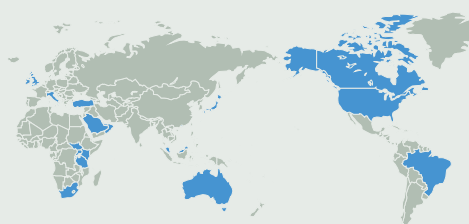


We believe that companies should aim to ensure sufficient diversity in board members to achieve a sound overall balance of knowledge, experience and capabilities across corporate boards so that they will more effectively discharge their roles and responsibilities.

Given that skills required for directors vary from company to company, we urge companies to determine their own approach to diversity and the size of boards, and encourage them to disclose details such as a skills matrix of current directors. We also confirm to identify company attitudes on gender diversity and international aspects, and check on the progress made against these initiatives.

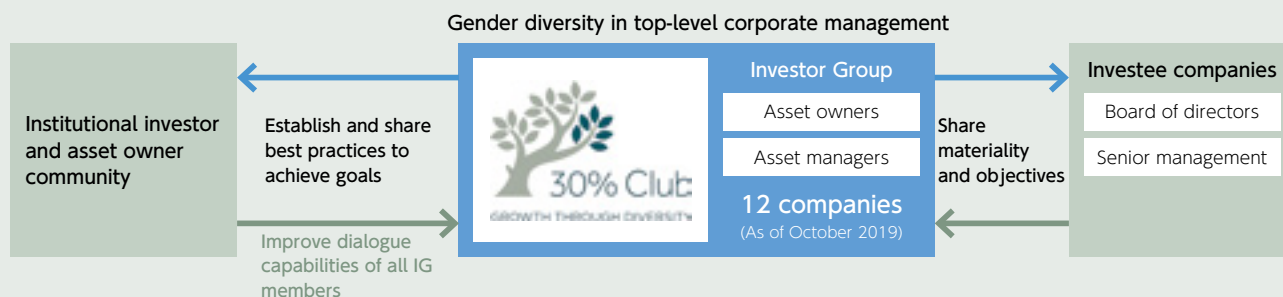
■ Launch of “30% Club Japan” in May 2019

The 30% Club is a global campaign established in the United Kingdom in 2010, with the aim of increasing female representation on company boards. The 30% Club has made a significant contribution to increasing female representation on company boards in many countries/regions, including Japan.



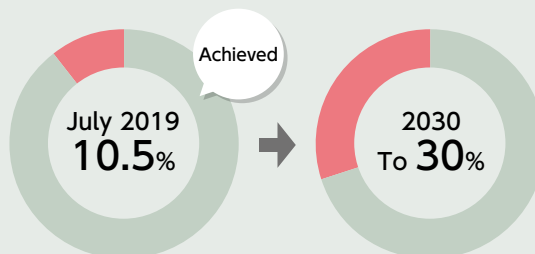
* Countries and regions in blue denote areas in which the 30% Club is active

■ Resona became a member of the Investor Group (IG) in June 2019



Targets

The 30% Club Japan aims to achieve **10% representation of women on the boards of TOPIX100 companies by 2020, and 30% representation by 2030**



Major activities during 2019

Best Practice Sharing

The 30% Club Japan IG held sessions for sharing best practices for engagement activities, information disclosure by companies, and the director selection process, by inviting presenters with expertise in engagement and governance.

Best Practice Sub-Group

The 30% Club Japan IG established a sub-group to take the lead in compiling engagement case studies and the contents of progress reports. For the sake of greater transparency, the IG reported and shared with investors the state of gender diversity at board meetings, and shared the progress towards achieving the goals.

Adaptation to climate change/TCFD framework

Point

1

Why do we focus on climate change?

Global environmental crisis

Natural factors

Atmospheric factors, oceanic changes, volcanic eruptions, changes in solar activity, etc.

Human factors

Increase in greenhouse gases (GHG) emissions as a result of fossil fuels burning from human activities and changes in land use

Increasing interest in sustainability

Capital markets

Concern over global warming: large-scale consumption of fossil fuels is causing an increase in atmospheric CO₂ levels, which poses a risk to the stability of the financial system and threatens financial institutions

Global trends in response to climate change

1988

IPCC* provides policymakers with regular scientific assessments on climate change

1992

Earth Summit adopted United Nations Framework Convention on Climate Change

From 1995 onwards

COP** held annually among the Framework Convention on Climate Change signatory nations

1997

Kyoto Protocol adopted at COP3

2015

Paris Agreement adopted at COP21

*IPCC: Intergovernmental Panel on Climate Change

**COP: Conference of the Parties

Two implementations based on the TCFD recommendations

Measures on global warming can broadly be divided into “mitigation” and “adaptation.”

Mitigation

Measures to mitigate climate change

- Shift from fossil fuels to renewable energy
- Promoting energy conservation toward a low-carbon society

Adaptation

Preparing for environmental change in the form of climate change

- Enhancing infrastructure, changes in agricultural growing regions and crop types
- Preparing infectious disease vaccines, etc.

Point

2

TCFD framework

The Task Force on Climate-related Financial Disclosures (TCFD) is a private-sector-led task force established in 2015 by the Financial Stability Board (FSB). In June 2017, the TCFD established standards for the disclosure of climate-related information and released a final report. The TCFD recommendations call for the disclosure of the effects of climate change on finances.

Worldwide, 909 companies and financial institutions have declared endorsement of the TCFD standards, including 207 companies and institutions in Japan (as of November 29, 2019).

TCFD recommendations

Governance	Strategy	Risk management	Metrics and targets
Disclose the organization's governance oversight on climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the business, strategy, and financial planning, where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Point
3

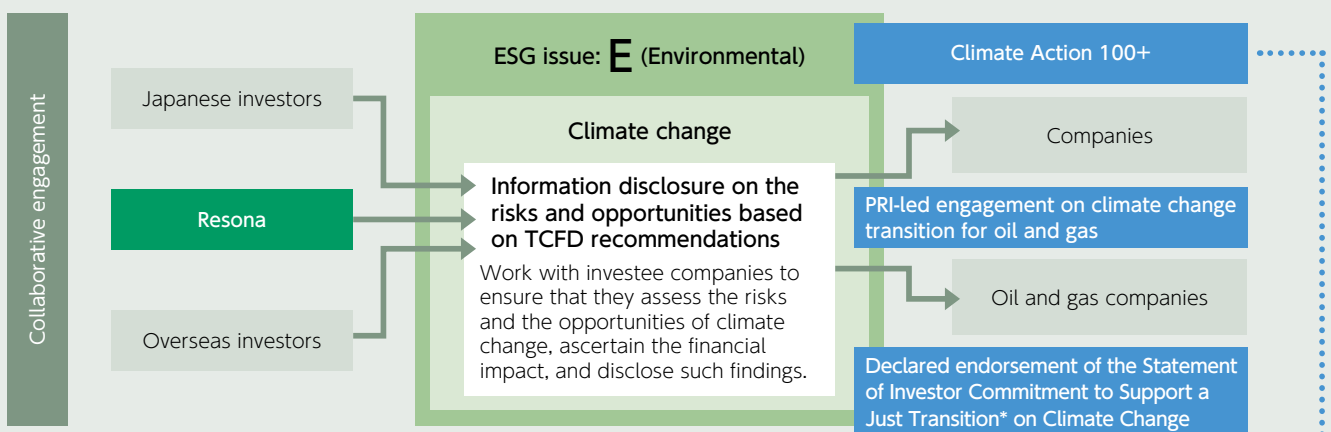
Engagement in climate change issues (Climate Action 100+)

Climate Action 100+ is a five-year action plan set up by PRI and a global coalition of institutional investors to support corporate climate change initiatives on a global scale. The targets are industries producing high volumes of GHG emissions and companies with large market caps (more than 100 major overseas companies and ten Japanese companies). Resona has engaged with the target companies in Japan.



Collaborative engagement session with overseas investors

Goals of Climate Action 100+	Governance	Improving governance in climate change policies of the investee companies
	Action	Reducing CO ₂ emissions throughout the entire value chain
	Disclosure	Enhancing climate-related financial disclosures



Climate Action 100+ engagements/example questions

1 CO₂ emissions reduction

- Are you committed to the 2°C target for which an international agreement was reached in the Paris Agreement?
- How have you demonstrated your commitment?

2 Governance

- Have you built a governance structure for the management team related to 1?
- Who has authority and responsibility for governance related to 1, and how is PDCA implemented?

3 Disclosure

- Have you signed the TCFD? When do you plan to make disclosure in line with the TCFD recommendations?

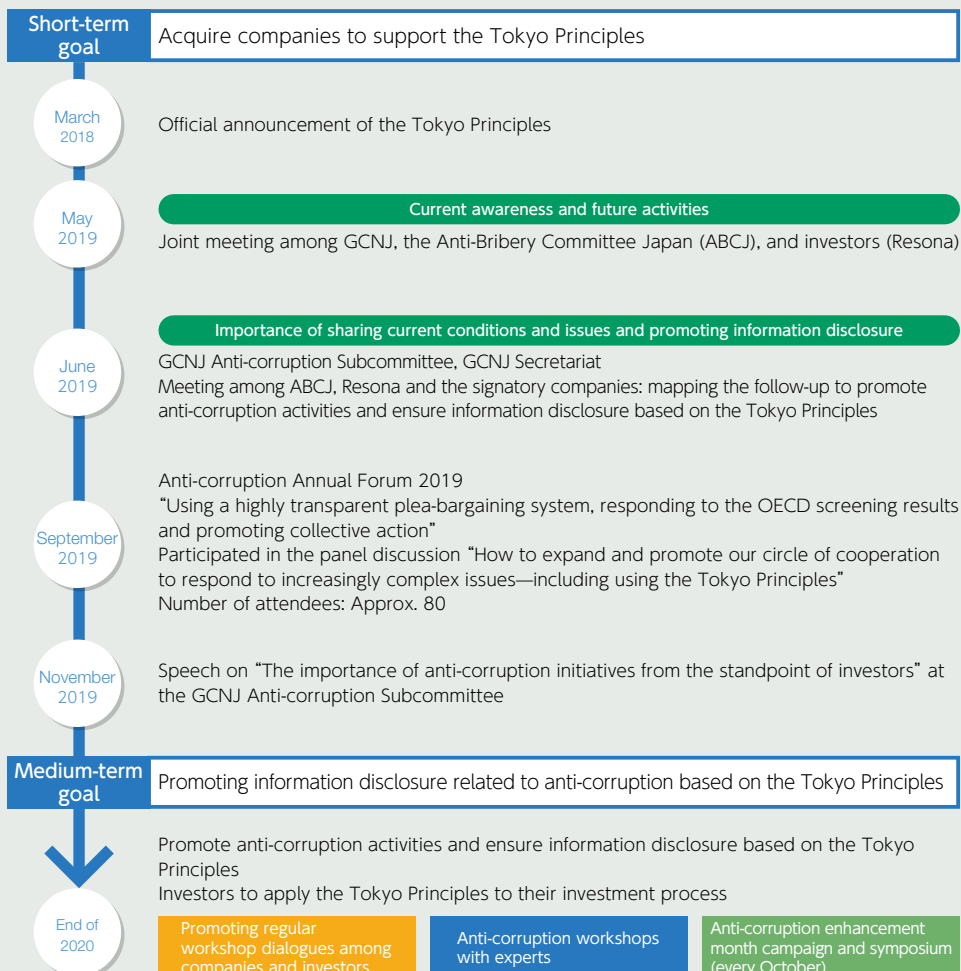


* Just Transition: The preamble of the Paris Agreement contains the goal of achieving a Just Transition as one means of helping ensure effectiveness of the Paris Agreement. The joint statement endorsing a Just Transition is intended to facilitate more extensive understanding as to the importance of factoring in employment concerns and accordingly implementing comprehensive measures to address social challenges involving the prospect of unemployment and diminishing working conditions as a result of shifting to a carbon-free society.

Disclosure on anti-corruption practices (Anti-bribery)

■ Anti-corruption initiatives

We have been involved in the Tokyo Principles on collective action since FY2018. As an investor, Resona supports the Global Compact Network Japan (GCNJ) that carries out activities geared to making collective action for anti-corruption to Japanese companies as part of the Siemens Integrity Initiative worldwide project on collective action to combat corruption. Through our activities, we are encouraging the formulation and disclosure of policies by companies.



Companies agreeing to the Tokyo Principles

Shin-Etsu

OLYMPUS

astellas

住友理工

Global Compact Network Japan

腐敗防止
コレクティブアクション

Enhancement of corporate governance

■ Vision of good governance practices sought by Resona Asset Management

As a long-term investor, Resona seeks an approach to corporate governance whereby a company functions as one whose management heightens its credibility among its respective stakeholders through its commitment to maximizing its corporate value, or total value for all of its stakeholders, while striking a balance among its respective stakeholders.

To such ends, we believe it is crucial that companies improve their supervisory functions, ensure transparency within the managerial structure, and establish corporate ethics.



General notion of corporate value

Companies that generate earnings in excess of their costs of capital over the medium to long term, are regarded as a value creating enterprise. These companies focus on indicators of shareholder value and economic value such as market capitalization and discounted cash flow (DCF).

Extensive coverage

It is comprised of **value for each stakeholder group** including shareholders, customers, employees, business partners, and the community. In this view, **corporate value can be defined as the sum of these respective values.**

(Reference) Excerpt from "Ito Review"

■ Examples of questions to investee companies on governance

We believe the notion of ensuring that management aims to continuously generate value hinges on striking an appropriate balance between autonomy and heteronomy. In terms of adopting corporate governance mechanisms as a means of effectively achieving such balance, we believe companies should organize such mechanisms along the lines of management and execution involving a management board, supervision and execution involving a monitoring board, and advice and execution involving an advisory board. Please express your thoughts, with the questions listed below in mind.

- In relation to the nature of the company's business, what is your approach for maintaining separation between management and execution, supervision and execution, and advice and execution?
- What roles do you require outside directors to assume in terms of management, supervision and advice, based on your approach regarding roles of the board of directors? Also, what roles should you not expect of the outside directors? Are there any other points that should be considered?
- What kinds of education and training schemes do you provide to directors and corporate auditors who are in charge of your corporate governance mechanisms in order to develop their awareness and knowledge?
- What are your thoughts on assessments and director compensation (i.e., thoughts on percentage of performance-linked compensation and thoughts on whether or not to offer equity grants)? Do you think it is appropriate to provide outside directors with performance-linked compensation or equity grants?
- What kinds of mechanisms and procedures have you put in place in order to eliminate conflicts of interest (self-enrichment) that could emerge in making decisions on director compensation?

Passive investment stewardship activities

- We will practice an engagement strategy geared to finding solutions to ESG issues across society by identifying responsibilities for social sustainability.
- We will fulfill our role in acting as a responsible investor with respect to providing support of universal ownership as a long-term investor.

In order to make our vision as described above a reality, the Responsible Investment Division maintains dialogue and engagement with investee companies, and conducts proxy voting based on our basic policy on responsible investment.

In terms of the types of stewardship activities, we engage in as a long-term investor and our passive engagement approach that leverages the strengths of Resona, our longstanding experience and discussions with stakeholders have given rise to our current stewardship activities for passive investment. This section introduces our overall stewardship activities, and approaches and details of activities undertaken.

Basic approach to stewardship activities on passive investment

Awareness on issues

- Determine how Resona should meet asset manager expectations pertaining to stewardship activities.
- Determine how to maintain engagement geared to a super-long-term perspective in carrying out passive investment, leveraging Resona's strengths.

Resona's aims: Stewardship activities on passive investment

Objectives

Boosting overall equity market value — efficiency & continuity

Path

Determine global issues and local issues as a universal owner
Engagements
Resona's proxy voting

Passive investment dialogue and engagement

We will strive to help boost the overall equity market, which will involve undertaking engagement on the basis of appropriately determined issues as we assess corporate sustainability from the perspective of ESG and take a process-centered approach to hastening improvement.

Perspective on passive investment

- We undertake engagement geared to finding solutions to ESG issues of society overall (mitigating risks and rectifying discounts) under the assumption of maintaining holdings over the long term.
- We undertake engagement with respect to global issues.
- We select topics and engagement targets that will maximize effects of engagement amid a scenario where the number of investee companies varies widely.

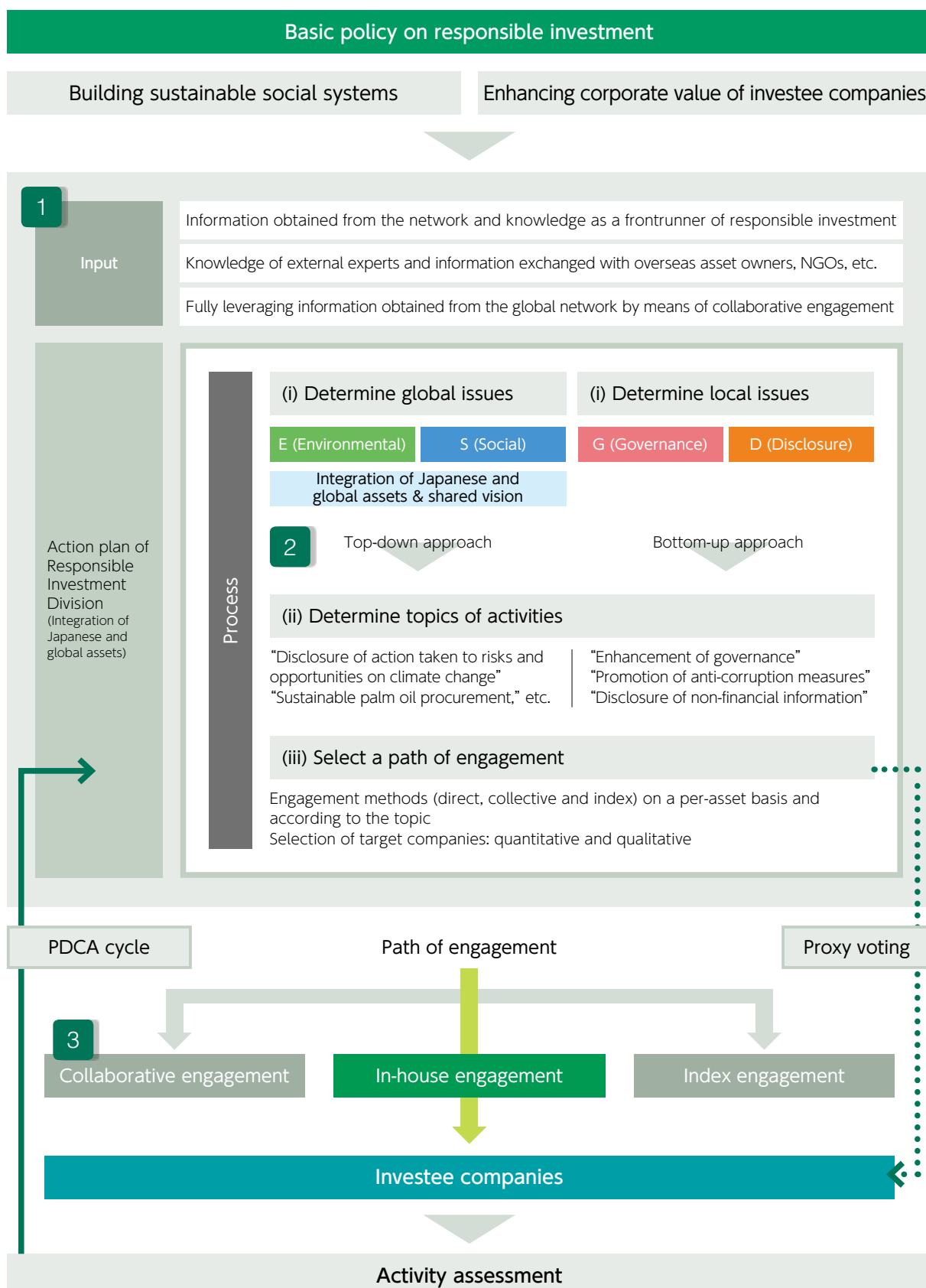
① Long-term investor perspective (importance)

- Addressing global and local issues
- GHG emissions, supply chain management, board composition, etc.

② Possibility of change in companies perspective (effectiveness)

- Awareness → disclosure → dialogue → monitoring
- Collaboration with other investors (Collaborative engagement)

Overview of passive engagement



Three distinctive aspects of passive engagement

The Responsible Investment Division carries out passive engagement that balances low cost and effectiveness, underpinned by the three distinctive aspects of network, top-down approach, and +Collaboration.



1 Network (Effectiveness and efficiency in information collection)



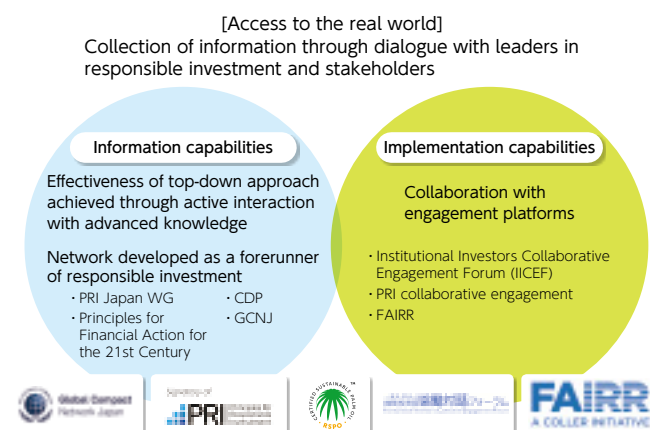
Stakeholder dialogue

We select ESG-related topics using a top-down approach that involves taking the World Economic Forum's Global Risks Report and the Sustainable Development Goals (SDGs) into consideration, upon having prepared a list of ESG issues drawing on the opinions of NGOs, experts, government officials, long-term overseas investors, labor unions and various organizations.



Main information collection activities in 2019

- We participated in the ICGN Amsterdam Conference (February) and Tokyo Conference (July), and collected information on global trends in governance.
- We participated in the PRI in Person 2019: Paris (September).
- We attended the RSPO meeting held in Bangkok (November).



Network developed as a forerunner of responsible investment

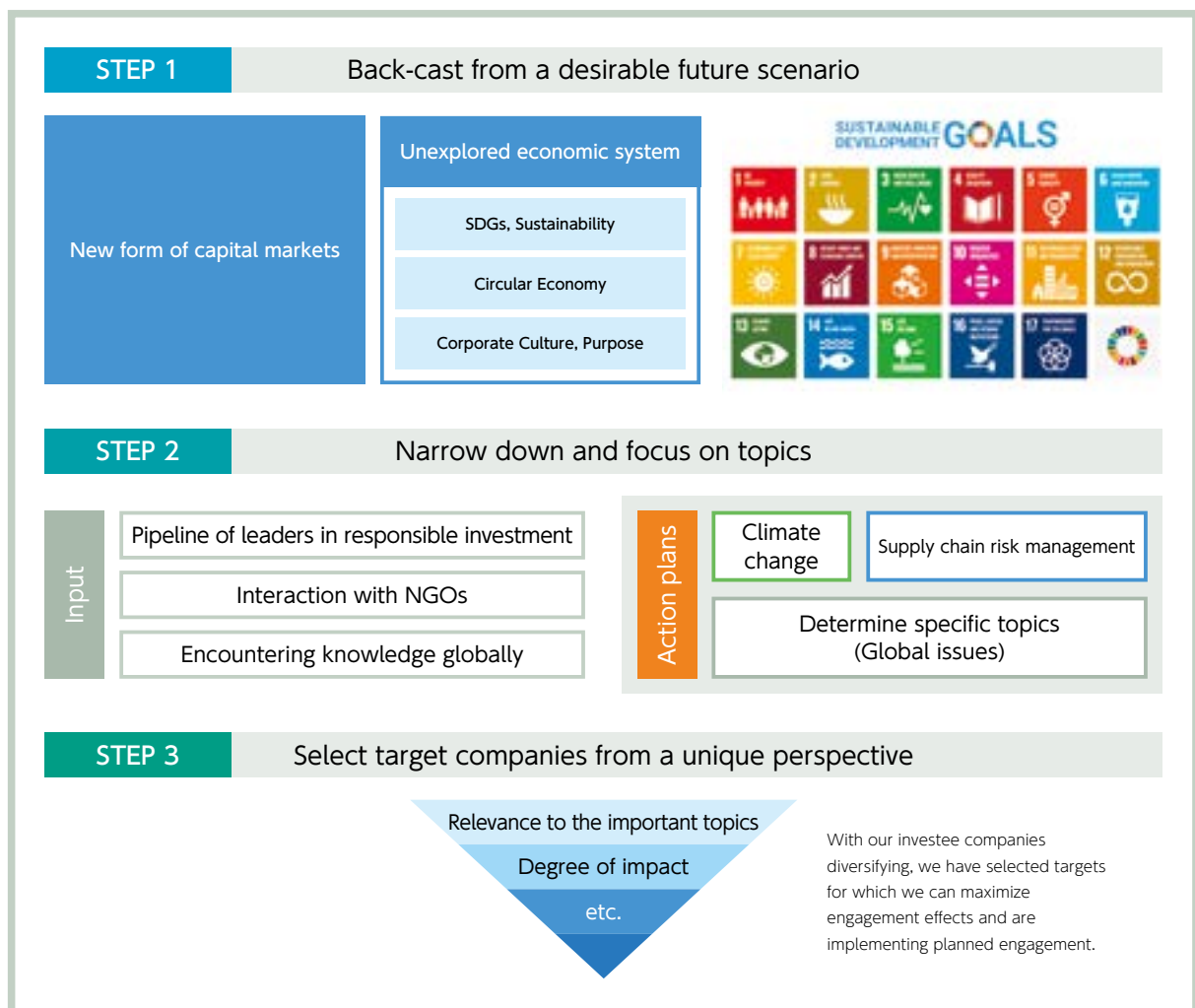
- We have proactively participated in the PRI Japan Working Group as a signatory organization since the establishment of the PRI Japan Network in 2008, working as an advisory committee member.
- We serve as the joint chair and steering committee member of the Asset Management/Securities/Investment Banking Working Group in the Ministry of Environment's Principles for Financial Action for the 21st Century.
- We serve as a member of METI's "Study Group for Discussing Approaches to Making More Substantial the Dialogues for Creation of Sustainable Corporate Value."
- We are also collecting information from CDP and GCNJ.

2

Selection of topics and target companies using a top-down approach

There is a growing need to incorporate universal principles such as environment, society, labor and anti-corruption into the long-term strategies of companies, in order to enhance corporate sustainability. As such, we take a top-down approach to addressing ESG issues, drawing on an external perspective through passive engagement.

More specifically, we provide support for ensuring corporate sustainability through a process that entails narrowing down topics using a top-down approach which involves back-casting from a desirable future scenario as envisioned by the World Economic Forum's Global Risks Report and the SDGs.





We are formulating our engagement policy based on the above.

In 2019, we have newly added “diversity” to our existing “Global Issues” that include climate change collaboration such as Climate Action 100+, supply chain risk management centered on palm oil, corporate governance, corruption issues, and non-financial information disclosure. At Climate Action 100+, which we have been part of since 2018, we began engagement in Japan with the cooperation of overseas pension funds.

The next page 30 contains a list of respective approaches we have used for individual issues pertaining to ESG+D.

Issues determined

Global issues (Top-down approach)	E (Environmental)	<p>Climate change: Information disclosure on risks and opportunities in line with the TCFD For high-risk industries such as automotive, steel, chemicals, and electric power, we are requesting information disclosure in line with the TCFD Guidelines and climate change information disclosure guidance (investor expectations)</p> <p>Participation in Climate Action 100+ Engaged in five-year activity to support corporate initiatives for addressing climate change by PRI and a global coalition of investors*. *Consists of IIGCC (Europe), INCR (North America), IGCC (Australia & NZ) and AIGCC (Asia). This has involved compelling 100 major companies worldwide (including 10 Japanese companies) to make commitments with respect to risks relating to climate change (The Paris Agreement), and to establish frameworks and disclose information.</p> <p>PRI-led engagement on climate change transition for oil and gas Participation in the sector-specific collaborative engagements of Climate Action 100+ (mainly for the energy sector)</p> <p>Marine plastic issue Engaged with food & beverage manufacturers and retailers, which have a large impact on the marine plastic issue</p>	   
		<p>Sustainable palm oil procurement Procurement and policies concerning certified palm oils • Collaborative engagement on palm-oil-related companies to encourage ESG risk disclosure and management improvements. • The IWG also engaged with the ASEAN regional banks, which are the significant lender to the palm-oil-related companies.</p> <p>Deforestation risks and human rights issues (Investor Initiative on Sustainable Forests, IISF) • PRI – Ceres led Investor Working Group (IWG) to eliminate deforestation and address other ESG issues related to soft commodity (beef, soy, and timber) production such as poor working conditions and land rights. • Declared endorsement of “Investor Statement on Deforestation and Forest Fires in the Amazon,” which requested companies to urgently redouble their efforts and demonstrate clear commitment to eliminate deforestation within their operations and supply chains.</p>	
	S (Social)	<p>Declared endorsement of “Investor Expectations on Labour Practices in Agricultural Supply Chains” to PRI Initiatives to protect human rights of employees, suppliers, and business partners (child labor, overwork, discrimination, etc.) and risk management on labor practices in agricultural supply chains (assessment on labor practices, supplier communication, risk management, monitoring)</p> <p>Apparel & Footwear Engagement using the KnowTheChain Benchmarks Investor Working Group encouraged the 43 target companies that have been assessed by KnowTheChain, to sign the “AAFA/FLA Apparel & Footwear Industry Commitment to Responsible Recruitment” to improve efforts to address forced labor risks in the supply chain. Declared endorsement of the “KnowTheChain Investor Statement”</p>	 
		<p>Declared endorsement of FAIRR’s “Global Investor Statement on Antibiotic Stewardship” Investor statement to support the establishment of a comprehensive antibiotics policy that includes clear timelines for phasing out routine, non-therapeutic use of antibiotics across all livestock, seafood and poultry supply chains.</p>	
Local issues (Bottom-up approach)	G (Governance)	<p>Enhancement of corporate governance Continue engagements aimed at: effective monitoring of corporate management by the board, ensuring high independence of board composition, ensuring equal rights among all shareholders, including minority shareholders, and disclosure transparency</p> <p>Promotion of anti-corruption measures Promoting actions centered on key industries (construction, trading company and finance) and global corporations, particularly involving use of the Anti-Bribery Assessment Tool released by GCNJ.</p> <p>30% Club Japan Investor Group (Board diversity) Group which consists of asset owners and asset managers. Aiming to hold constructive dialogues with investee companies’ boards to collaborate with them on effective pathways to increase gender diversity and equality at all levels of the organization.</p>	 
	D (Disclosure)	<p>Enhancement of disclosure of non-financial information [Undisclosed entity] Promoting awareness as to the importance of non-financial information, approaches with respect to ESG, and the importance of dialogue.</p>	
		<p>Integrated reporting Urging companies to provide clear and concise information disclosure and supporting them in such efforts Declared endorsement of statement of collaboration of the International Integrated Reporting Council (IIRC)</p> <p>Enhancement of disclosure of non-financial information [Leading company] Aiming to enhance the long-term corporate value of Japanese companies by encouraging an awareness of the “materiality” demanded by investors among companies, adding efficacy to initiatives, and encouraging enhanced transparency and dialogue by also promoting disclosure</p>	

FAIRR: Farm Animal Investment Risk and Return, a livestock industry initiative for institutional investors launched in 2015 by Collier Capital founder Jeremy Collier.
AAFA: American Apparel & Footwear Association

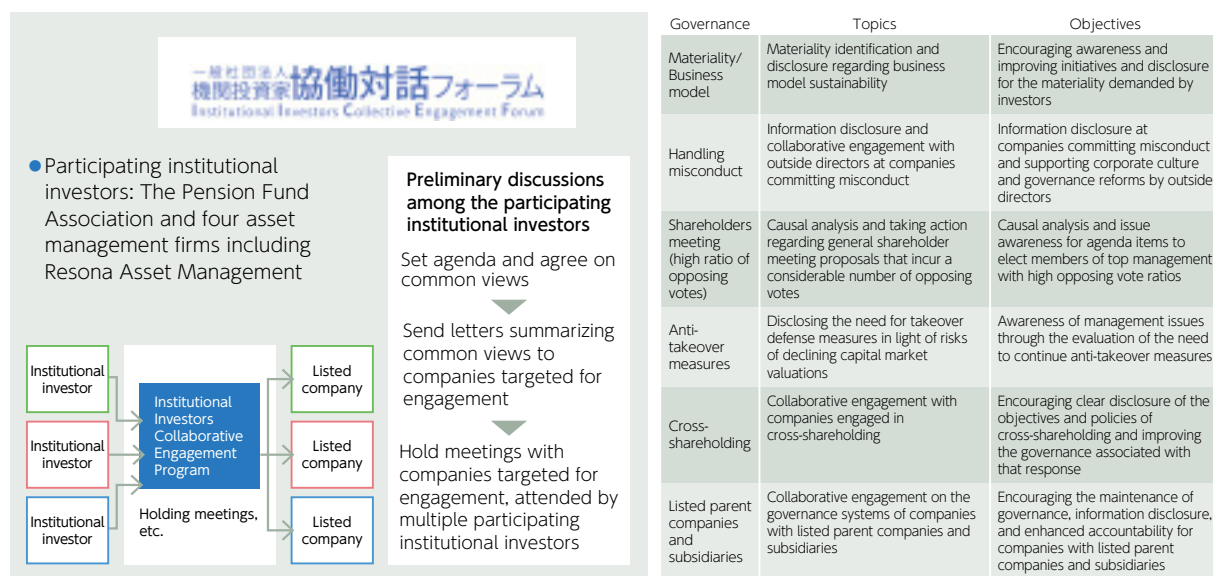
The Responsible Investment Division mainly takes a direct engagement approach and draws on multiple paths of engagement (collaborative engagement and index engagement), thereby making stewardship activities more effective and efficient.

Collaborative engagement — For companies in Japan

Since October 2017 we have been taking part in the Institutional Investors Collaborative Engagement Program organized by the Institutional Investors Collaborative Engagement Forum (IICEF). IICEF is a general incorporated association (*ippan shadan hojin*) in Japan established to provide support that facilitates constructive and purposeful dialogue with companies that institutional investors engage with collectively (collaborative engagements) by helping to ensure that such investors carry out their stewardship activities appropriately.

Collaborative engagement activities carried out by the Institutional Investors Collaborative Engagement Program do not aim to pursue short-term shareholder profits, but rather aim for long-term corporate value expansion with sustainable growth. We have set this year's engagement agenda as, "Information Disclosure and Collaborative Engagement with Outside Directors at Companies Committing Misconduct," "Causal Analysis and Taking Action Regarding General Shareholder Meeting Proposals That Incur a Considerable Number of Opposing Votes," "Disclosing the Need for Takeover Defense Measures in Light of Risks of Declining Capital Market Valuations," and "Collaborative Engagement on Cross-shareholding Policy," and are issuing letters to the target companies and holding meetings for direct dialogue.

■ Institutional Investors Collaborative Engagement Forum ■ Collaborative engagement



Collaborative engagement — For companies in Japan and overseas

Year attended	ESG issues	Name of engagement / Activity platform
2016	Human rights, labor practices, supply chain	UNGP Reporting Framework Investor Initiative / PRI (declared endorsement of the statement)
2017	Human rights, labor practices, supply chain	Labor Practices/Agricultural Supply Chain / PRI (declared endorsement of the statement)
2017	Environment, deforestation	IISF / PRI-Ceres
2017	Climate change	Climate change transition for oil and gas / PRI
2018	Climate change	Climate Action 100+
2018	Environment, deforestation, human rights	Sustainable Palm & Soy / PRI
2019	Human rights, labor practices, supply chain	Apparel & Footwear Engagement using the KnowTheChain BM
2019	Governance	30% Club / Investor Group (IG)

Index engagement

Through our investment we compel companies to more fully disclose ESG-related information by undertaking passive investment that uses MSCI's governance-quality and ESG indexes as benchmarks.

Constructive dialogue and engagement with investee companies (Passive investment)

We clearly distinguish between the roles of dialogue and engagement. Accordingly, we define dialogue as “promoting mutual understanding through communication with the companies” and define engagement as “achieving results by deciding on issues to be addressed and discussing such issues with the aim of finding solutions.”

The Responsible Investment Division monitors both financial and non-financial aspects of investee companies, and actively undertakes dialogue and engagement by encouraging investee companies to take a medium- to long-term perspective to increase their corporate value and to achieve sustainable growth.

Equity/Passive investment

We conduct dialogue and engagement over a long-term trajectory with our sights set on helping to elevate markets overall. In so doing, we engage in limited selling under the assumption that we will extensively maintain our shareholdings of investee company stock on an ongoing basis.

We initiated approximately 4,000 instances of contact with investee companies for the year spanning July 2018 to June 2019. Of that number, such contact included instances of dialogue and engagement whereby the Responsible Investment Division visited investee companies or otherwise had investee companies visit Resona Asset Management. The number of instances of such contact (number of companies) is as stated in the table below.

[Total number of dialogues and engagements conducted]

Number of dialogues
(number of companies) Number of engagements
(number of companies)

253

Passive investment for equity
[Responsible Investment Division]

55 (49)

198 (160)

Responsible investment

Supporting universal ownership

Finding solutions to ESG issues across society

Framework/Cooperation

Passive investment dialogue and engagement

Passive investment for equity – Dialogue

Passive investment for equity involves investing in a wide range of companies and maintaining such holdings on an ongoing basis. The Responsible Investment Division carries out dialogue on topics mainly related to agenda items and corporate governance with the aim of making it possible to more appropriately conduct proxy voting.

It is also revising the proxy voting guidelines related to the independence requirements for outside directors and increasing dialogue related to the independence of outside directors. Thus far, we have first encouraged companies to increase their outside directors, but we have also now made changes in the proxy voting guidelines that require greater independence for outside directors. We are confirming through dialogue what kind of opinions independent outside directors are providing at meetings of boards of directors and how those opinions are used in management strategy.

We are also increasing dialogue on information disclosure. Many companies are now creating integrated reports, and exchanges of opinions on the contents of those integrated reports are required. As an extreme long-term investor, we are providing opinions on what kind of contents make for a good integrated report. We are requesting the disclosure of how medium- to long-term changes in the environment and society will affect long-term business strategy and working to enhance corporate value through dialogue.

Topics of dialogue

Topics related to prevention of anti-social behavior

State of investigations into misconduct and initiatives to prevent recurrence

Topics related to capital policy

Cost of capital and ROE targets; reducing cross-shareholding; capital allocation

Topics related to management strategies

Medium-term management plan; M&A; business structural reform

Topics related to information disclosure

Preparation and enhancement of integrated report; enhancement of disclosure of environment-related information

Topics related to environmental issues

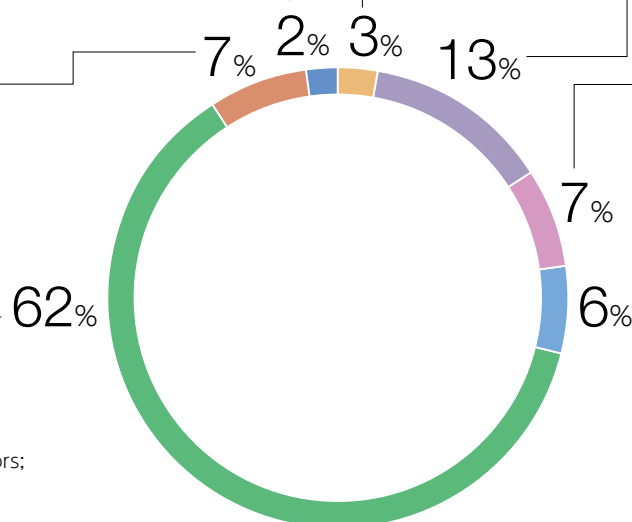
Reducing GHG emissions; environmental vision; TCFD response; restructuring sustainability organizations

Topics related to corporate governance

Composition of boards of directors; board diversity; increasing and improving independent outside directors; medium- to long-term performance-linked compensation for directors

Topics related to social issues

Human rights issues (child labor, forced labor); conflict resource issues in the supply chain



Passive investment for equity – Engagement

■ Engagements focused on corporate governance

The Responsible Investment Division is holding shareholder relations (SR) meetings with corporate directors in charge of general affairs and other responsible parties. There were also revisions to Japan's Corporate Governance Code in FY2018, and we increased our engagements on diversity requiring female and foreign directors in boards of directors, as well as our engagements on reducing cross-shareholding. Furthermore, at meetings on anti-takeover measures, we stated that not continuing anti-takeover measures is desirable in enhancing corporate value. Additionally, we also carried out engagements to shorten the terms of directors and to encourage increasing the number of independent outside directors.

■ Engagements focused on environmental issues and social issues

As shown in the feature on page 14, starting in August 2017, we began engagements focused on procuring "sustainable palm oil" related to environmental issues and social issues. In the current fiscal year, we continued to visit palm oil companies and to promote the procurement of "sustainable palm oil."

Topics of engagement

Topics related to prevention of anti-social behavior

State of investigations into misconduct and initiatives to prevent recurrence

Topics related to capital policy

Approaches to capital policy (uses of excess cash holdings); approaches to cash flows, investment for future growth and shareholder returns; policies on selling cross-held shares or reducing cross-shareholding

Topics related to information disclosure

Preparation and enhancement of integrated report; enhancement of disclosure of environment-related information

Topics related to management strategies

Medium-term management plan; M&A; business structural reform

Topics related to anti-takeover measures

Reasons for ongoing anti-takeover measures; content of discussions among boards of directors and approaches involving outside directors; results of initiatives to enhance corporate value continued from previously and initiatives going forward; improvements to anti-takeover measure schemes

Topics related to environmental issues

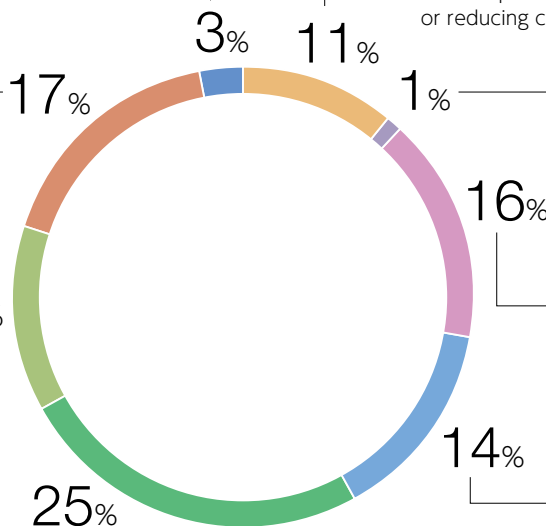
Deforestation; reduction of GHG emissions

Topics related to social issues

Human rights issues in supply chain management (child labor and forced labor); the Work Style Reform

Topics related to corporate governance

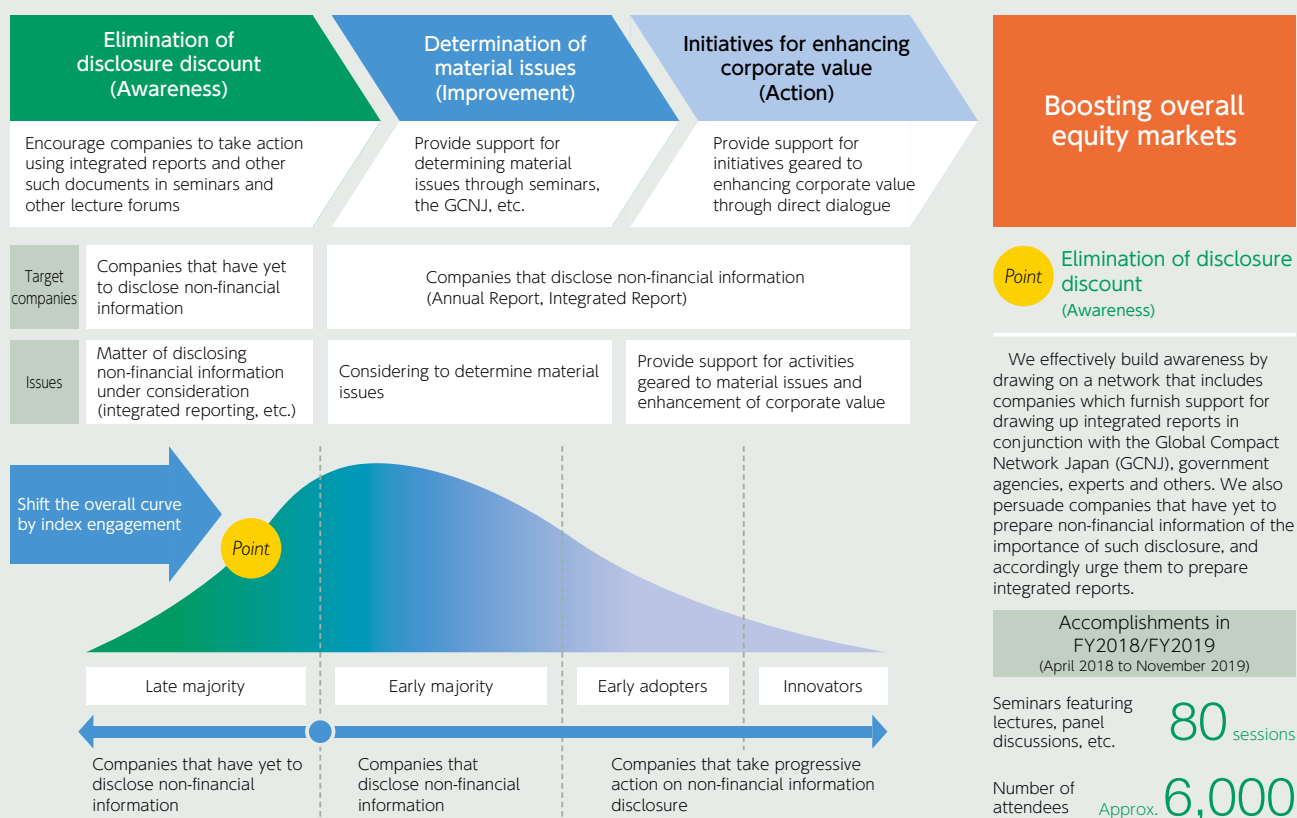
Effectiveness assessments of boards of directors; enhancement involving independent outside directors; streamlining of boards of directors; board diversity; shortening directors' terms of office; performance-linked compensation for directors



Enhancement of disclosure of non-financial information

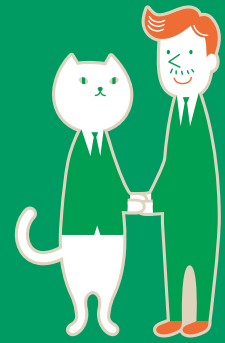
■ Support for enhancing disclosure of non-financial information for passive engagement

We organize seminars and other such forums geared to companies listed on the First Section of the Tokyo Stock Exchange. In such forums we urge companies that have yet to disclose non-financial information to do so, and to prepare integrated reports and other such documents. We provide support to companies that disclose non-financial information by assisting them to determine material issues (materiality) and disclose information that integrates business risk and materiality. Meanwhile, we provide support to companies that take progressive action on non-financial information by assisting them with initiatives geared to enhancing their corporate value.



■ Resona's main external activities from November 2018 through November 2019

METI	Working Group Member of the "TCFD Research Group" on green finance and corporate information disclosure	MOE	"Financial ESG Literacy Study Group" Member
METI	Case Study Evaluation Working Group Member of the "TCFD Research Group" on green finance and corporate information disclosure	MOE	"Environmentally Sustainable Corporate Awards Study Group" Member
METI	Investigative Research Group Member on industry security using ESG investment	MOE	"Environmental Information Preparation Standards Study Group" Member
MOE	Vice Chair of the Finance Taskforce Committee to become a major ESG financing country toward the G20	MOE	"Environmental Index Valuation Method Research and Investigating Body Screening Committee" Member
MOE	"Environmentally Sustainable Corporate Valuation Study Group" Member	METI	"Study Group on Realizing Dialogue to Create Sustainable Corporate Value" Member



ESG Integration and Engagement on Equity/Active Investment

In active investment for equity, through ESG integration and dialogue and engagement with investee companies, we are fulfilling our duty as a responsible investor and aiming to improve long-term management performance.

The Equity Investment Division is responsible for four active strategies based on its independent investment philosophy to manage the assets entrusted to us by our clients. To provide excellent performance over the long term, the management team responsible for each strategy continuously works to enhance management.

Amid widely shared concern over the long-term sustainability of the social economy, controlling management risks based on an awareness of ESG issues related to the companies' own business activities or creating businesses that fulfill social needs is extremely important in creating long-term corporate value. Based on this awareness, in each of our strategies, we will enhance stock selection through ESG integration and conduct proactive dialogue and engagement to enhance the corporate value of our investee companies.

Our active strategies for equity investment are characterized by our commitment to our investment philosophy in the individual strategies. While sharing our basic policy in responsible investment, regarding specific investment methods, we respect the independence of each management team to ensure compatibility with their investment philosophy. Here, we will introduce the investment philosophy of each management team to realize excellent long-term performance improvements as well as our approach to dialogue and engagement with investee companies.

■ ESG initiatives based on the independent investment philosophy in each active investment

Strategy	Materiality in investment philosophy	Main paths to performance	Topics of dialogue and engagement
Research active team	Profit growth sustainability	Integration	<ul style="list-style-type: none"> • Corporate involvement in social needs and problem • Dialogue with the capital market
Global equity team	Continuous improvement in competitiveness	Integration	<ul style="list-style-type: none"> • Strategies that are suitable for corporate identities • Strategy execution frameworks and corporate culture • Initiatives toward continuous improvement
Value team	Corporate structure reforms	Engagement	<ul style="list-style-type: none"> • Motivation among the management team of enhancing corporate value • Corporate governance • Recognition of issues and effectiveness of countermeasures
Small-cap team	Sustainable growth that captures structural changes in society	Integration	<ul style="list-style-type: none"> • Changes in social structure • Corporate philosophy shared among the management team

Constructive Dialogue and Engagement with Investee Companies (Equity/Active investment)

We clearly distinguish between the roles of dialogue and engagement. Accordingly, we define dialogue as “promoting mutual understanding through communication with the companies” and define engagement as “achieving results by deciding on issues to be addressed and discussing such issues with the aim of finding solutions.”

Active fund managers and research analysts monitor both financial and non-financial aspects of investee companies, and actively undertake dialogue and engagement with the aim of urging such investee companies to take a medium- to long-term perspective with respect to increasing their corporate value and achieving sustainable growth.

Equity/Active investment

We conduct engagement with investee companies tailored to their circumstances to enhance their corporate values, and dialogue with them in order to gain greater confidence in our investment process, in addition to performing analysis of such entities in accordance with our own investment philosophy.

We initiated approximately 4,000 instances of contact with investee companies for the year spanning July 2018 to the end of June 2019. Of that number, such contact included instances of dialogue and engagement whereby fund managers and research analysts visited investee companies or otherwise had investee companies visit Resona Asset Management. The number of instances of such contact and number of companies are as stated in the table below.

[Total number of dialogues and engagements conducted]

1,612

	Number of dialogues (number of companies)	Number of engagements (number of companies)
--	--	--

Equity/Active investment [Fund managers and research analysts]	1,532 (684)	80 (27)
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Engagement session with company representatives

Equity/Active investment

Strategy	Investment philosophy	Focus fields
Research active team	Profit growth sustainability	The ability to create social benefits (the ability to increase "corporate profits" amid involvement with "social profits")

Message from the fund manager

We believe that stock prices converge with corporate value over the medium to long term and that focusing on sustainable growth in corporate value allows excess returns to be captured. To expand corporate value, in addition to financial growth and soundness in the form of sales and profits, we also believe the company's non-financial competence is important in its sustainable growth. We define this competence as "the ability to create social benefits" and focus on the analysis of non-financial information. "The ability to create social benefits" involves responding sincerely to social demands and issues through originality and ingenuity and the ability of companies solving these issues to respond and find social needs.

The stronger social demands and issues become, the more proactively companies that can solve those issues will be supported by consumers, business partners, employees, and society. Those companies will see profit growth from sustainable increases in sales and higher valuations from shareholders, which are invaluable in enhancing corporate value. We believe that the value of companies with a strong "ability to create social benefits" will increase over the long term. We emphasize "analysis of market expectations" and analyze the background behind high or low stock price valuations from the market and changes in the valuations. Another important factor during this analysis is the "ability to create social benefits."

Recently, among companies calling for ESG management, there are more cases of companies formulating management strategies around a thinking close to our "ability to create social benefits," and both dialogue and corporate analysis are going more smoothly. Furthermore, even though companies are equipping themselves with the "ability to create social benefits," there are cases where we believe this is not being sufficiently communicated to stakeholders, starting with shareholders. In these cases, we are providing our opinions on the dialogue between the company and the stock market and the various disclosure materials and proactively holding dialogue to contribute to corporate value creation.

Dialogue example: Supporting improved market valuations for ESG management and the creation of integrated reports

Companies with which dialogue is being held: Midsized electronics manufacturer Company A

Conditions

In the electronics industry to which Company A belongs, technological innovation and stronger competition are forcing many companies to transform their business structures. In the past, Company A was forced to downsize its business, but it rebuilt a growth strategy by continuously polishing its core businesses of power semiconductors and power electronics systems. We also believe that future sustainable growth is possible.

Dialogue and engagement

Through dialogue with Company A, we confirmed that it is aiming to help customers and society achieve further energy savings and that it has continued to pursue sincerely technological development and improving the performance of its devices and services. However, we also confirmed the disadvantage of Company A not fully communicating these initiatives to the stock market as sustainable ESG management. We believe that Company A's style is a perfect example of proper ESG management and proposed revising its integrated report along those lines.

Company A's initiatives and our expectations

Company A's new integrated report clearly shows the role it should play in improving the environment and is full of its sense of mission and passion. In this way, we reconfirm the roles and management styles of investee companies, and by solidifying these, we expect enhanced value at those investee companies. We believe that holding steady dialogues with companies like these is one of the ways to help build a sustainable society. We strongly believe that the viewpoint that integrates asset management, corporate management, and society leads to the long-term, stable performance of research active team funds.

Strategy	Investment philosophy	Focus fields
Global equity team	Continuous improvement in competitiveness	Strategies that are suitable for corporate identities Strategy execution frameworks and corporate culture

Message from the fund manager

More than 30 years ago, I became interested in pursuing profits and joined the world of stock investment. There, I was initially taught that "the sense of purpose for the capital market and those working there is to contribute to the development of society through the optimal allocation of capital." I remember being naively surprised, thinking that "this is not only a place to make money, but also to contribute to the development of society." Since then, in my work in the capital market, I have thought of how to be mindful of investment in terms of both achieving corporate earnings and investment performance and resolving social issues.

In recent years, more and more people think that responsible investment in the form of stewardship codes, ESG investment, and sustainability investment is getting important. I have always thought that we can both achieve the intrinsic goal of corporate earnings and investment performance and resolve social issues. While some see following both objectives of achieving corporate earnings and investment performance, and resolving social issues as a paradox, we will continue to aim to realize both.

At our global equity team, our investment concept is to invest in "companies that continue to win the competition." "Winning the competition" does not just mean earning more than the competitors every year. Instead, companies are called on to create a situation that benefits everyone without sacrificing any stakeholders. This is because businesses that are built on someone's sacrifice will not be able to continue over the long term.

We were able to independently develop our ISDK model with the cooperation of outside experts, a valuation process for "companies that continuously win the competition" that uses various non-financial information. Through dialogues with companies, we are increasing investment confidence based on the ISDK model, and, in certain cases, holding dialogues on how to utilize the strengths of companies or on corporate strategies that align with the desired direction of management.

ISDK model: Method of measuring the ability to execute strategy

Dialogue example: Discussing operational streamlining and the introduction of scientific marketing management methods

Companies with which dialogue is being held: Major precision electronics manufacturer Company B

Conditions

Company B is a precision electronics manufacturer that is strong in precision fabricating technology, miniaturization technology, and energy-saving technology. Company B's printer business is characterized by products with low cost and ease of maintenance, and we believe it balances earnings and resolving social issues. While Company B has produced results thus far through selection and concentration, recently, its results have not met expectations.

Dialogue and engagement

Company B concentrated its business fields into competitive fields, but we communicated that there is still much room for streamlining in those fields. Furthermore, we also shared that while its products are good, it continues to be unable to sell them. We shared the significance of introducing scientific marketing management methods in which it clarifies the appeal of its products that should be communicated to its target corporate clients, properly makes proposals, and shares responses and results, leading to further improvements.

Company B's initiatives and our expectations

We have confirmed that Company B has decided to introduce SAP and has begun initiatives to streamline its operations. Furthermore, the company is also improving management capability by promoting clear benefits of its products and services to its users. Through increased competitiveness through these initiatives, we believe it will realize a balance between increasing corporate value and resolving social issues.

Equity/Active investment

Strategy	Investment philosophy	Focus fields
Value team	Eliminating reasons for undervaluation	Motivation of enhancing corporate value among the management team

Message from the fund manager

Among Japanese companies, we believe there are many companies with the hidden potential to greatly change both their earnings power and market valuations through improving management quality and corporate governance. In addition to discovering these types of companies that we believe can increase their corporate value, we are holding long-term dialogues as a stakeholder and contributing to increasing the corporate value of investee companies, aiming to maximize our fund returns.

As part of our efforts since the fund was established in 1999, we have focused on companies that have seen declines in corporate value due to weak financial results. We are holding dialogues with those companies to identify factors that hinder increases in corporate value and evaluating means of eliminating those factors. From the standpoint of ESG, governance is one of the critical factors that is directly connected to corporate value increase, so we place focus on it. Specifically, we are focused on the changes of company presidents, the improvements in governance structures, the composition of boards of directors, the use of outside directors, subsidiary management, reviewing business portfolios, cash flow management, balance sheet streamlining, cross-shareholding policy, and anti-takeover measures, and are holding discussions to enhance corporate value. The accumulation of successful and unsuccessful case studies in the reform of investee companies over the long term is a valuable asset for the team.

In approaching dialogue, we have created a discussion paper to visualize the essential issues faced by companies and the solutions, using financial data, competitor analysis, and competitor case studies, and continuously hold discussions with management team members. We believe in the ideal of improving corporate results in a way that energizes all stakeholders, including the employees and business partners of investee companies, and we are working to thoroughly communicate this approach.

Dialogue example: Improving profitability, revising business portfolios, enhancing governance

Companies with which dialogue is being held: Major comprehensive electronics manufacturer Company C

Conditions

Company C's issue was low profitability deriving from the commodified hardware business and high sales and general administrative expenses. However, using the opportunity presented by a rotation in top management, changes in strategy and enhanced governance, we began investment after deeming that the possibility of improved profitability had increased.

Dialogue and engagement

Since starting investment, we have held constructive exchanges of opinions with the top management and IR representatives on 1) investor views on the company, 2) low profitability, 3) the need to reform business portfolios, 4) room for improving cost efficiencies for the large amount of company-wide expenses, and 5) the need for improvements in corporate governance in the form of using outside directors and reducing the number of subsidiaries and executive officers. We have confirmed that the management team has a high level of awareness of the issues at hand and held dialogue on future policy and specific actions.

Company C's initiatives and our expectations

Regarding management strategy, Company C has accelerated sales of commodified, non-core businesses and begun to improve cost efficiencies for the large amount of company-wide expenses. Regarding governance, it has reduced the number of executive officers by half and the number of subsidiaries by around 20%. We have confirmed that progress has been made on the points we expected to be improved and also on the elements we have shared through dialogue with Company C. As a result of these efforts, profit margins which had been stagnant at around 2% at the time investment began are improving, and we see this as a successful case study that has begun to produce results.

Strategy	Investment philosophy	Focus fields
Small-cap team	Sustainable growth backed by structural changes in society	Demand creation and expansion with the structural changes in society Management team/corporate philosophies

Message from the fund manager

The investment philosophy of our team is to invest in companies that capture "demand growth in line with the structural changes in society." This year marks 22 years since our company was founded in 1997. During that time, through our unchanging investment philosophy, we have continued to see changes in society, identified and invested in the necessary companies, and engaged with them as necessary as we evolved over time together. Through this process, I have truly realized that there have been large qualitative changes in society over the past 20 years. Rather than economic growth and political conditions, I feel that these changes involve a deeper, spiritual level of human desire that is more emotional and sympathetic.

These types of qualitative changes are not limited to consumer behavior. There is more empathy and dialogue in areas involving diverse parties such as individuals and society, society and operating companies, operating companies and investors, and investors and asset owners. I believe that these connections are beginning to grow stronger and become more interlinked. As fund managers at an investment manager, we are aware of our role in being part of the start of large social changes. Using the knowhow, insight, emotion and passion we have accumulated as mobilizers, we will interact with companies and devote ourselves to realizing a better society.

Dialogue example: Evaluating the validity of growth investment and short-term results, discussing business strategies in line with the vision behind the company's foundation

Companies with which dialogue is being held: Online life insurance startup Company D

Conditions

Company D is Japan's first online life insurance company. Company D was established to thoroughly identify and improve the inefficiency and unreasonableness of the Japanese life insurance industry and to provide high-quality insurance products at low cost. While Company D started off steadily winning new contracts, after more literate customers joined, a chasm developed preventing them from transitioning from a startup market to a mainstream market which they have not been able to overcome.

Dialogue and engagement

We met with the current president when he was appointed and held a discussion on current issues and solutions. Until that point, concern over periodic income losses led to mediocre new contract acquisition costs, and they have fallen behind insurance companies owned by major groups with superior funding abilities. Given these conditions, we held dialogues with Company D on the importance of persisting with the vision behind the company's foundation by making large-scale investments even while expanding losses and by continuously introducing highly innovative products that achieve diversification.

Company D's initiatives and our expectations

Thereafter, Company D made a large investment in television commercials with popular entertainers and expanded its sales channels, resulting in a v-shaped recovery in new contract volumes. The stock market responded favorably to the increase in new contract volumes, and the company's stock price again reflected its value as a growth company. We will continue to hold dialogue with Company D from the standpoint of the optimal initiatives to realize its corporate philosophy.



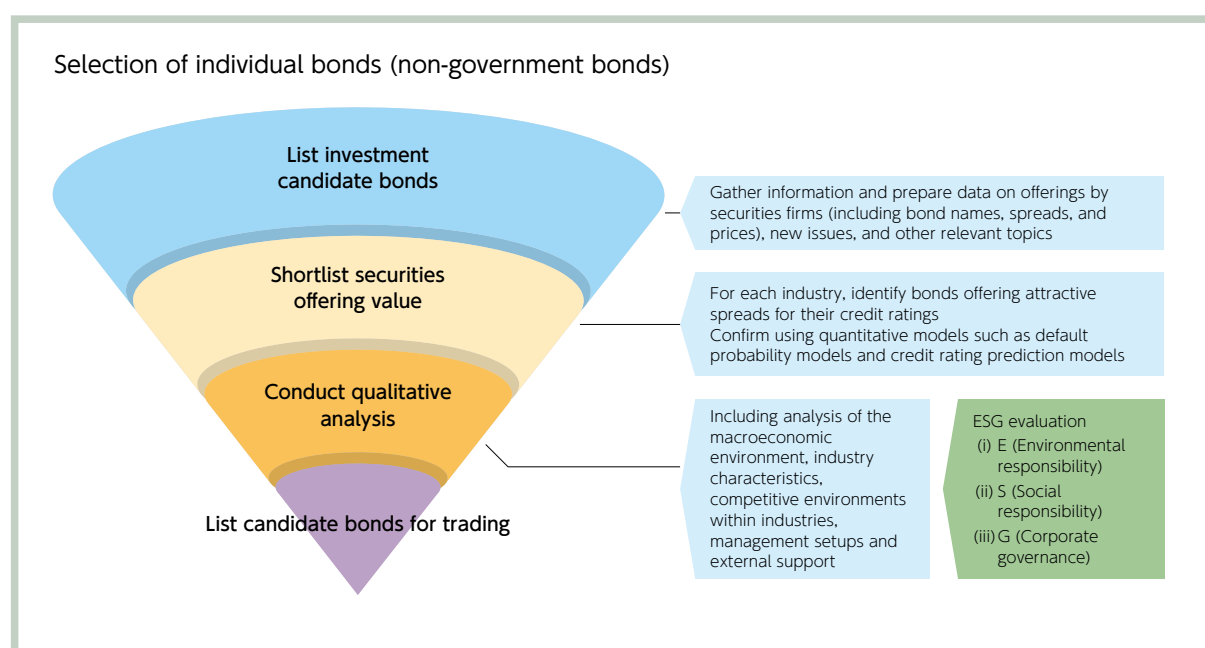
ESG Integration and Engagement on Fixed Income/Active Investment

In active investment for Japanese fixed income, we take ESG issues into account when managing client assets to secure satisfactory investment income stably over the medium to long term in accordance with our basic policy on responsible investment.

As SDG-aware business administration increasingly becomes the norm, we believe that the influence of environmental (E), social (S), and corporate governance (G) factors with regard to creditworthiness will grow more than ever. If bond issuers take appropriate action on ESG issues, we believe they can keep unpredictable volatility under control and maintain sustainable growth.

Fixed income investments with long maturities offer limited predictability, but if issuers are sufficiently well-prepared for risks that could materialize in future, they can avoid damage to their corporate value, thereby helping to increase the value of client assets. We therefore believe it is important to integrate ESG issues into analysis of creditworthiness.

When determining the creditworthiness of bonds and issuers during selection of investees and monitoring of securities held, we supplement quantitative analysis such as financial analysis and assessment of liquidity with qualitative analysis that takes ESG factors into consideration. Credit analysts conduct assessments and form judgments through dialogue with issuers, among other means, and they are now taking a more multitiered approach by also utilizing internal resources such as fund managers, the Responsible Investment Division, and the Equity Investment Division.



In addition to integrating ESG issues into investment process, Resona Asset Management is also putting effort into ESG engagement with issuers. During individual meetings with issuers, we have expanded discussions to cover ESG issues in the medium to long term, in addition to topics related to business results and financial strategies. By doing so we hope to avoid unanticipated credit risk that could materialize during our investment period until redemption by recognizing potential risks involving such issuers and gaining a shared awareness of challenges.

Our ESG engagement involves jointly adopting with issuers the two topics of climate change and supply chains, which are global issues espoused by the Responsible Investment Division, while deciding on several subtopics from the perspective of fixed income investment. As we pursue engagement, we are focusing on the issuers of those bonds we hold that have particularly long maturities.

The fact is that bond investors have limited means to directly exert influence over issuer companies' management in the way that voting rights allow. To make our engagement more effective, therefore, we are liaising with the Responsible Investment Division and the Equity Investment Division, among others, to be able to pass the opinions of bond investors on to senior management at issuers.

[Total number of dialogues and engagements conducted]
From July 2018 to June 2019

Number of dialogues
(number of companies) Number of engagements
(number of companies)

98

Fixed income/Active investment
[Fund managers and research analysts]

79 (43)

19 (13)



Fixed income/Active investment – Examples of dialogue and engagement

[Decarbonization and stranded assets] Company A (electric power company)

We discussed coal-fired power generation with Company A. We engaged with the company regarding the need to drastically overhaul its energy mix given its exposure to stranded asset risk involving its coal-fired power generation facilities.

Company A

Although the company understood the international trend toward decarbonization, it had no particular issue with the fact that Japan's national policy treats coal-fired power generation as an essential source of power, rather than regarding coal negatively.

The company responded that it did have a sense of urgency, and would start taking action by, for instance, using the same materials as other electric power companies.

Resona

We discussed coal-fired power generation with the company.

We explained that coal-fired power generation could become a risk that cannot be ignored when making long-term bond investments. We also raised the concern that universal services may become unsustainable over the long term.

With regard to the company's engagement with bond investors, we requested the company to ensure that bond investors' opinions reach senior management. In the company, meetings with equity investors and meetings with debt investors were handled by separate divisions. Important issues that arise during investor meetings are escalated to senior management, however, the company had no unified policy on investor meetings. We, as a debt investor, requested the company to treat our investor meetings with the same importance as investor meetings for equity investors. At the same time, we asked the company to work on investor-friendly disclosure.

[Aging society with a low birth rate] Company B (electric power company)

Given an increasingly aging society and declining birth rate, along with age-related deterioration of Japan's infrastructure, Company B faces the risk of difficulty in maintaining its electrical power infrastructure in future. We therefore conducted engagement with Company B relating to management strategies from a long-term perspective.

Company B

The company proposed that we meet with its management executives to exchange opinions on this topic.

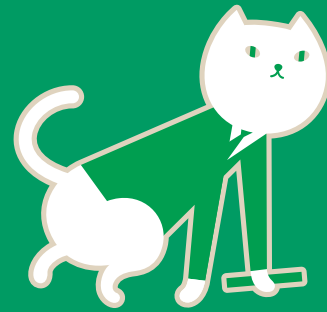
Resona

We pointed out that Japan's aging society and low birth rate give rise to concerns regarding a potential shortage of maintenance personnel for both power generation and the transmission network, presenting a sustainability risk.

We requested explanation of Company B's management strategies from a long-term perspective, asking whether it would be possible for Company B, which commands substantial human resources and know-how, to become the focal point for consolidating the infrastructure maintenance equipment of other electric power companies who lack sufficient business resources.

Chapter 5

Engagement Plan for FY2019



Dialogue and engagement plans (from July 2019 to June 2020)

Going forward, we will persist in our efforts to conduct engagement for our equity/passive and active investment, and fixed income/active investment, and concurrently will aim to raise the bar. We will also carry out collaborative engagement. Our plans in the three realms of investment are described as below.

Equity/Passive investment

We plan to redouble our engagement efforts in certain areas in light of the enhanced content to be included in securities reports. For instance, we intend to step up our engagements involving governance, including anti-takeover measures and outside director independence; engagements regarding diversity-conscious board composition; and engagements relating to capital productivity, particularly in terms of accounting for the cost of capital when constructing business models, or justifying policy-oriented stockholdings. On environmental and social issues, we will continue conducting engagements in keeping with individual topics of activities.

Equity/Active investment

We will decide on topics pertaining to non-financial factors that effectively help increase corporate value, drawing on sources of added value developed over many years. As we incorporate these topics into certain investment processes, we will also aim to keep enhancing and maintaining our engagement with investee companies focused on their management teams, simultaneously improving the quality.

Fixed income/Active investment

We plan to continue liaising with the Responsible Investment Division and the Equity Investment Division as we enhance our engagement with respect to ESG issues from a medium- to long-term perspective in order to keep building awareness of potential risks involving bond issuing companies.

As for collaborative engagements to Japan and overseas companies, we plan to participate in collaborative engagements by using platforms of PRI and the Institutional Investors (IICEF) Collaborative Engagement Program.



Responsible Investment Division meeting



Engagement agenda for FY2019

Board diversity <30% Club Japan (gender)>

We believe that companies should aim to ensure sufficient board diversity in order to strike a sound overall balance of knowledge, experience and capabilities across corporate boards so that they will more effectively discharge their roles and responsibilities.

In FY2019 we are focusing on gender as one element contributing to diversity, participating in the 30% Club Japan Investor Group (IG) comprising investors and asset owners. As a member of the Best Practice Sharing taskforce within the IG, Resona is investigating specific future engagement agendas and tool kits, and helping to draw up a plan for collecting good examples of best practice.



Forced labor <KnowTheChain (KTC) Apparel & Footwear>

Forced labor including child labor is now being highlighted as a global issue, particularly with regard to emerging nations, making it an unavoidable topic from a social perspective when considering corporate sustainability.

We have started to engage with one Japanese company, which is included in the 43 companies assessed by the KTC benchmarks, with the aim of encouraging improvement of their measures to address risks related to forced labor.



Sustainable food supply chain <FAIRR, Ceres>

- **Factory farming and antibiotic resistance**

In FY2018 we have declared endorsement of the FAIRR Global Investor Statement on Antibiotics Stewardship, which called for support in drawing up comprehensive policies on nontherapeutic use of antibiotics in the livestock, seafood and poultry supply chains.

- **Global investor engagement on meat sourcing**

In FY2019 we are considering participation in collaborative engagements targeting fast food and restaurant brands with the aim of reducing supply chain risk relating to meat and dairy products.

- **Sustainable protein supply chains**

We are also considering participation in collaborative engagements targeting 25 global food manufacturers to encourage diversification of protein sources.

- **Expansion of the scope of commodities addressed**

We intend to expand the scope of soft commodities addressed via our engagement efforts from palm oil to cacao and soybeans.

- **Sustainable sea food (issues relating to fish farming)**

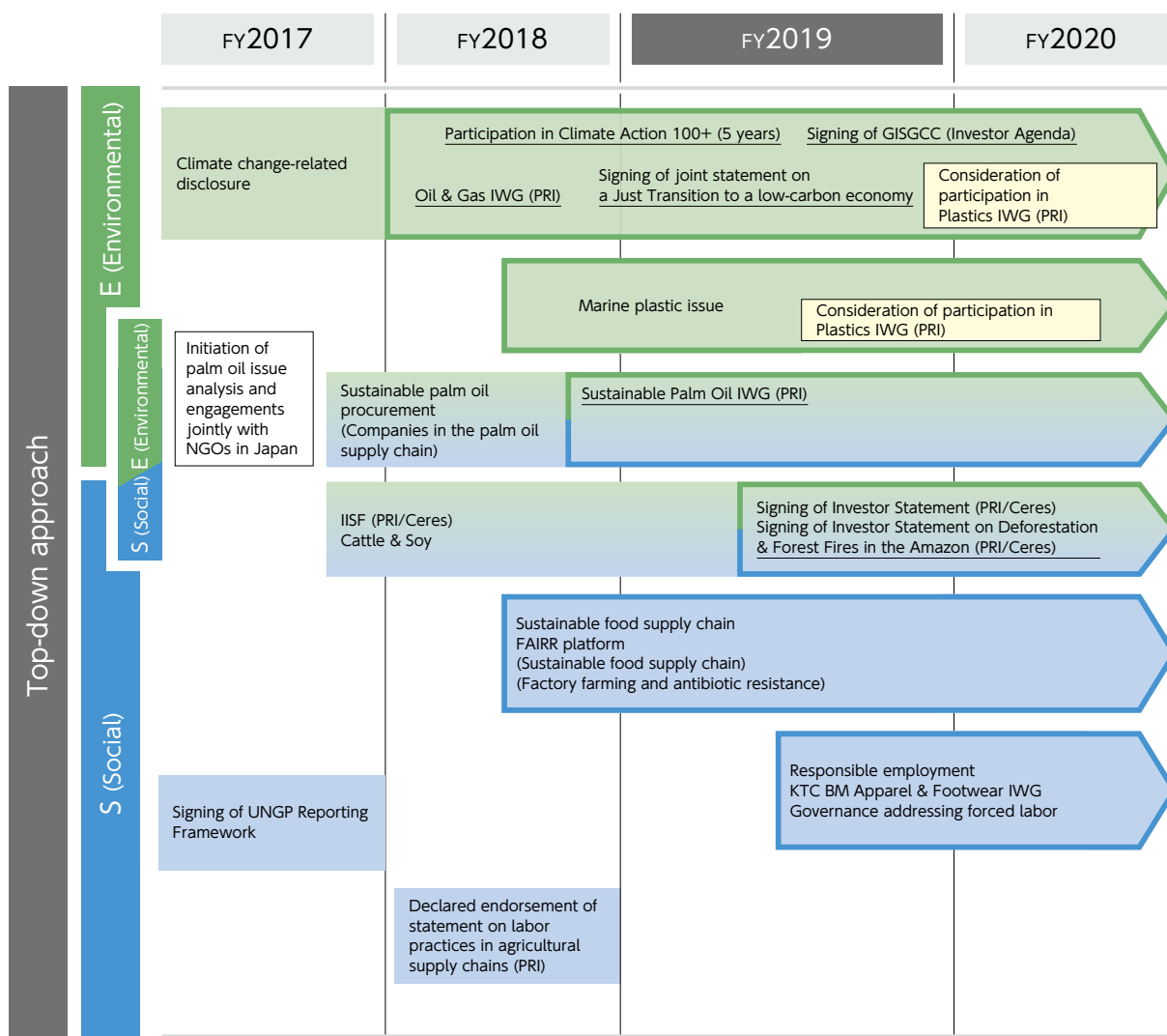
We are considering participation in collaborative engagement focused on the large number of wild fish used up as feed for farmed fish during farmed fish production, and on issues relating to excessive administration of antibiotics.



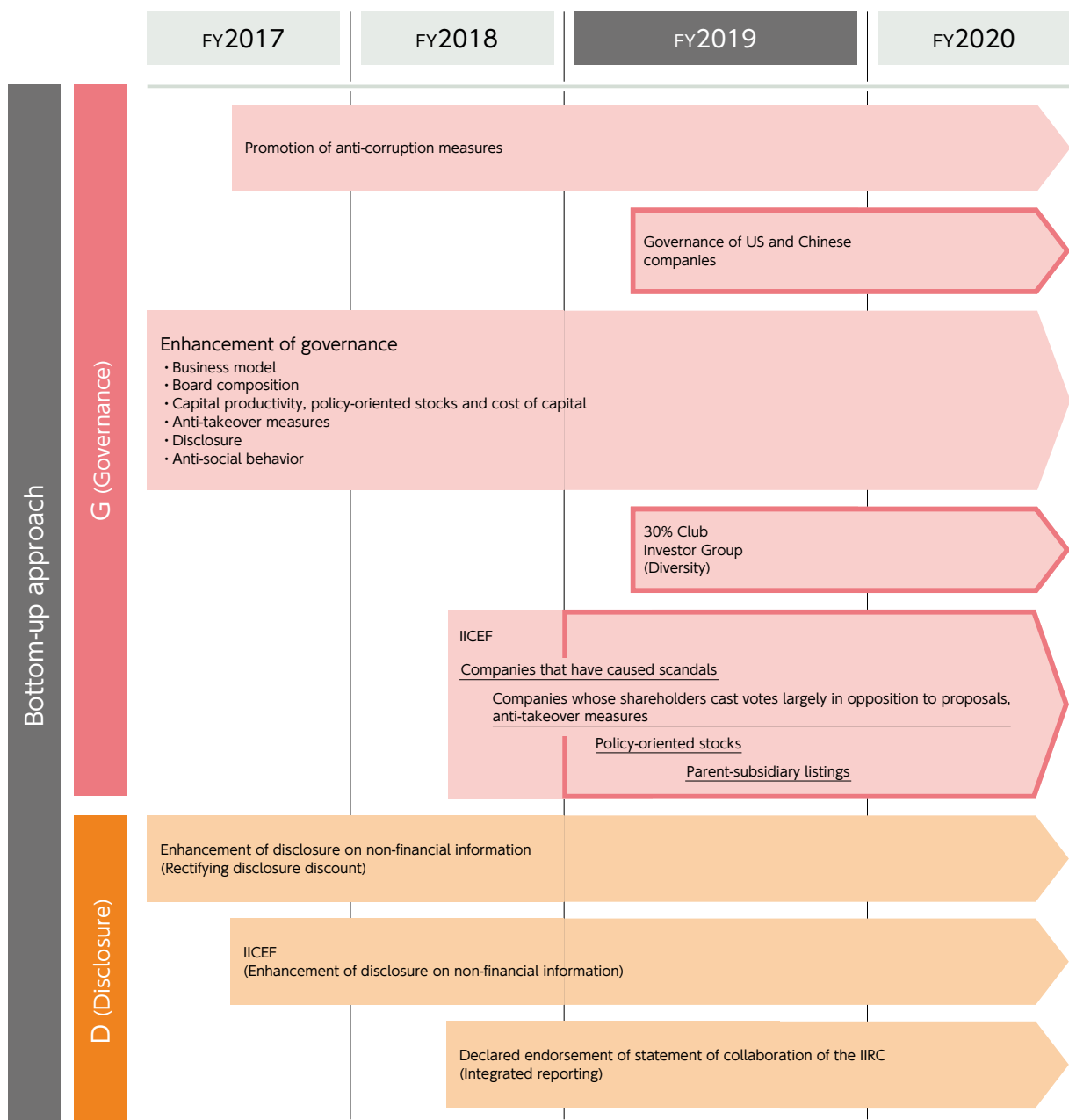
Determining issues and action plans

In FY2019 we will take action that connects internalities and externalities geared to both global and local agendas, with an ongoing focus on external diseconomies.

Whereas we ensure that each of our activities embrace individual topics pertaining to ESGD issues, we also accordingly link each of our agenda objectives with one or more of the other agenda objectives. In addressing the ESGD issues, we will take a comprehensive approach that involves interconnecting elements of the following tables, with the vertical axes representing timelines that provide a framework for initiatives listed along the horizontal axes.



- GISGCC: Global Investor Statement to Governments on Climate Change. A joint statement announced before the G20 Osaka Summit in June 2019 that called on government leaders worldwide to set voluntary emission reduction targets (NDCs) to keep climate change to 1.5°C. Participating organizations comprised 477 institutional investors, with combined total of US\$34 trillion in assets under management.
- Investor Agenda: An initiative by institutional investors launched in September 2018 to promote carbon reduction. It comprises the United Nations Environment Programme Finance Initiative (UNEP FI), the Principles for Responsible Investment (PRI), the CDP, and the Global Investor Coalition on Climate Change (GIC, made up of four organizations: IIGCC, AIGCC, IGCC, and Ceres).
- Just Transition: The preamble of the Paris Agreement contains the goal of achieving a Just Transition as one means of helping ensure effectiveness of the Paris Agreement. The joint statement endorsing a Just Transition is intended to facilitate more extensive understanding as to the importance of factoring in employment concerns and accordingly implementing comprehensive measures to address social challenges involving the prospect of unemployment and diminishing working conditions as a result of shifting to a carbon-free society.
- PRI: PRI collaborative engagement
- IISF: Investor Initiative on Sustainable Forests. The IWG on deforestation formed by combining the former Cattle-Linked Deforestation IWG with the Soy IWG.
- FAIRR: Farm Animal Investment Risk and Return



IICEF: Institutional Investors Collaborative Engagement Forum

IIRC: International Integrated Reporting Council

Resona's Proxy Voting



As an institutional investor, Resona Asset Management assumes key responsibility for facilitating corporate governance improvements of its investee companies. Accordingly, the corporate activities of our investee companies have a significant impact on the environment and society and in turn, we recognize that those changes also affect our investment results.

We have drawn up Global Governance Principles encompassing Japanese and global equity based on that awareness, and have established proxy voting guidelines for respective Japanese and global equity.

Resona Global Governance Principles

■ Board responsibilities

- The board should act in the interests of company's shareholders by promoting sustainable growth of the company from a long-term perspective. This involves assuming accountability to shareholders and other stakeholders, and giving consideration to a wide range of stakeholders integrating ESG factors.
- The board should supervise execution of duties by management.
- The board should effectively assess and supervise business results and compensation with respect to management.

■ Board composition

- The board should preferably have no less than a majority of independent non-executive directors.
- The board should preferably have a sufficiently diverse mix of directors to ensure effective supervision of business activities of management.

■ Ensuring reliability of information and information disclosure

- The board ensures reliability of financial and non-financial information disclosed by the company, and accordingly assumes supervisory responsibility for providing such information to the respective stakeholders.
- The board should disclose highly reliable information in a timely manner so that shareholders are able to fully exercise their voting rights upon having sufficiently understood content of proposals, and also so that shareholders are able to effectively conduct engagement regarding matters affecting their interests.

■ Shareholder rights

- Rights of all shareholders should be equal and a shareholder's voting rights should be directly linked to the shareholder's economic stake.
- The board should ensure that shareholders have voting rights on key decisions and transactions of the company.

Whereas these governance principles constitute recommendations, as such companies are to draw up voting guidelines for Japanese and global equity that are aligned with their business realities, in light of varying laws, regulations, business practices and corporate governance codes of the respective countries.



Establishment and review of proxy voting guidelines

The company makes decisions with respect to initiatives such as the establishment and review of proxy voting guidelines upon discussion in the Responsible Investment Committee. Proxy voting guidelines are updated by considering factors such as legal revisions, required standards under Japan's Corporate Governance Code, and prevailing circumstances affecting governance of a given enterprise.

We periodically consider the prospect revising the proxy voting guidelines no less than once per year.

Please refer to Resona Asset Management's website for information on our proxy voting guidelines for both Japanese and global equity. In addition, details on proxy voting results (Japanese equity, individual investee companies, specific proposals), along with voting results for individual investee companies and individual proposals, are posted on our website every quarter for the shareholders meetings held from April 2017 onward.

Approach to proxy voting (In Japanese only) ► <https://www.resona-am.co.jp/investors/giketuken.html>

■ Revised proxy voting guidelines (applicable since the shareholders meeting held in March 2019)

Japanese equity

Board composition

Changed wording to: "We will vote against if the board of directors does not have two independent outside directors appointed..."

Voting on director nominees

Changed wording to: "Excluding a case where ROE of the company is equal or higher than 5% for three consecutive fiscal years, we will vote against if company falls under any one of the following situations for three consecutive fiscal years, or in a case of negative shareholders' equity at that point of time: Having recorded ordinary losses; having recorded net losses; or having recorded no dividend distribution..." With regard to independence criteria for outside directors and corporate auditors, changed wording to: "We will deem the independence as questionable unless reasonable and compelling explanation is provided if: ...the company does not file a notification of the outside director as independent officer to financial instruments exchanges."

Director compensation (retirement bonuses)

Changed wording to: "We will vote against if: The payment of retirement bonuses to outside directors or director members to the supervisory committee and *kansayaku*, even in the case of the censored payments to the applicable directors."

Director compensation (equity grants, etc.)

We basically vote in favor of fixed equity grants to outside directors and the Audit and Supervisory Committee members unless it is excessive. As a general rule, the percentage of fixed equity grants should not exceed 30% of fixed cash compensation, or fixed equity grant should be ¥5 million or less.

Anti-takeover measures

Changed wording to: "Our minimum requirement level to the board composition is to have two or more independent outside directors whose number must account for at least one-third of the total board composition. We will vote against if the above level is not achieved." Changed wording to: "The sufficient condition of the board composition to the anti-takeover scheme requirement is: That the board should be comprised of a majority of independent outside directors (the scheme requirement is fulfilled if such board exists)."

■ Future policy

Board composition

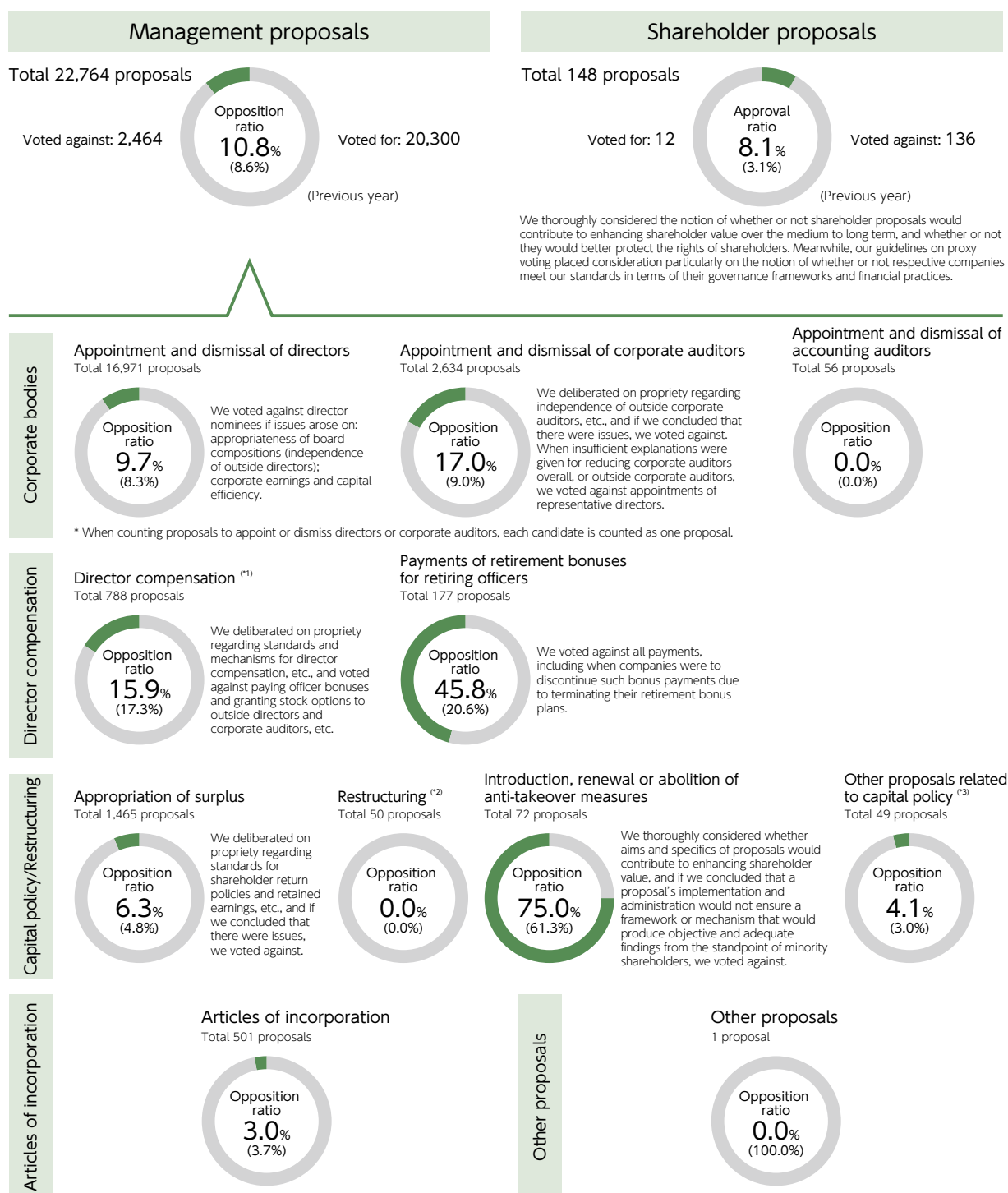
We believe it is preferable for outside directors to account for at least one-third of the total board composition. Hence we will consider when to incorporate this standard into the proxy voting guidelines. In addition, we urge companies to stipulate their own attitudes on board diversity and the total size of the board composition, and furthermore encourage them to disclose details on skills matrix requirement of directors. We will also confirm the board composition with respect to diversity of gender and nationality.

Anti-takeover measures

We are considering setting our proxy voting guidelines at a more stringent level for anti-takeover measures. In cases where companies maintain anti-takeover measures, we believe that the boards of directors should deliver such measures with greater independence. We believe such measures should be explained rationally and clearly.

Proxy voting results for Japanese equity (from July 2018 to June 2019)

The following provides details on Resona's proxy voting results for Japanese equities during the period from July 2018 to June 2019. We often decide how to vote on proposals based on details released in convocation notices and other such disclosures. However, there are also cases where we weigh the pros and cons of proposals after having gained an extensive mutual understanding of the matter at hand through dialogue and engagement with the respective company.



*1. Proposals on compensation policy, stock options plans, adoption and amendments to performance-linked compensation, and bonus plans.

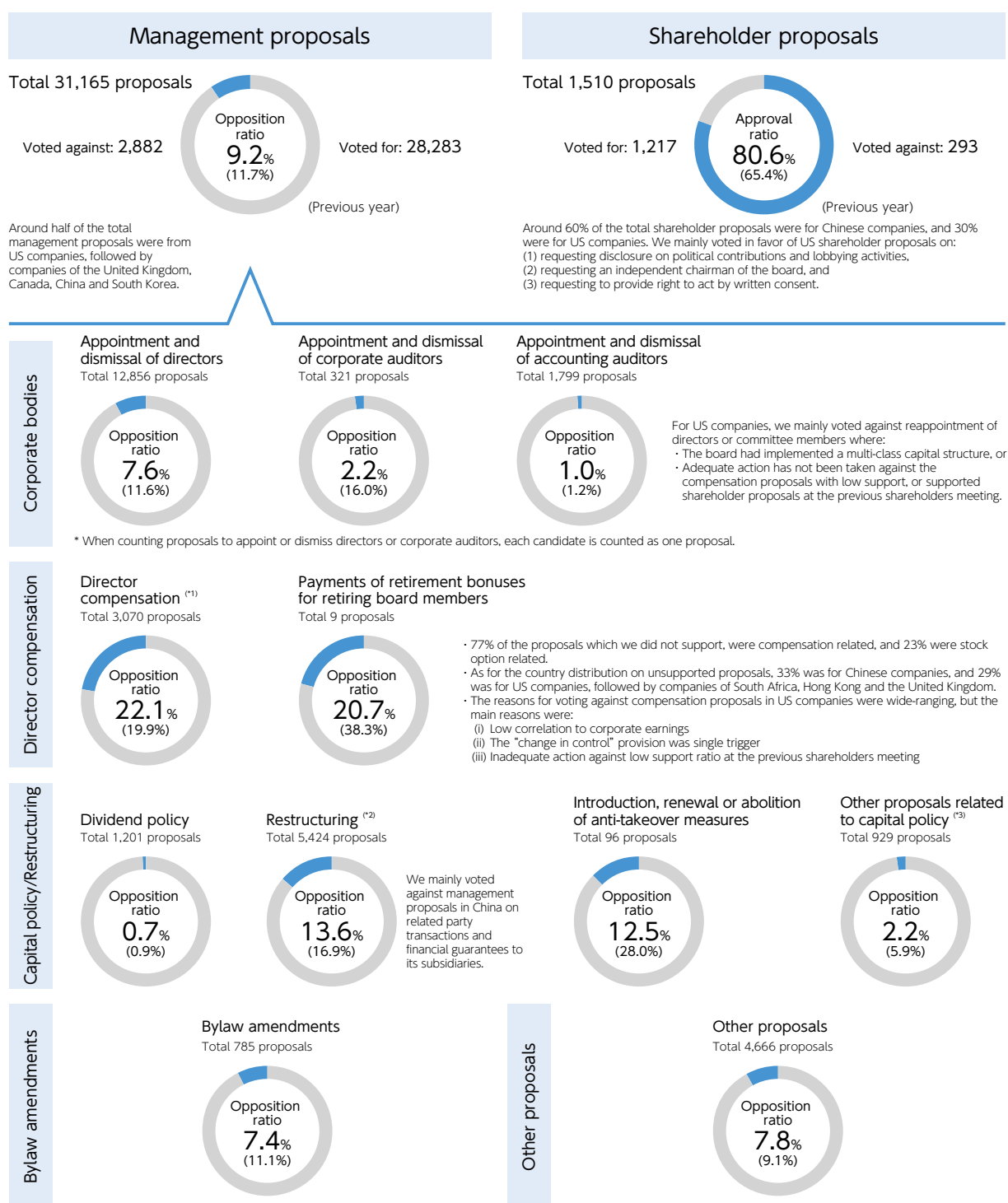
*2. Proposals on mergers, transfer of business, equity swaps, equity transfers and company splits.

*3. Proposals on share buybacks, reduction on statutory reserves, third-party allotment, capital reduction, reverse stock splits and issuance of classified stock.



Proxy voting results for global equity ex. Japan (from July 2018 to June 2019)

The following provides details on Resona's proxy voting results for global equities during the period from July 2018 to June 2019.



*1. Proposals on compensation policy, stock options plans, adoption and amendments to performance-linked compensation, and bonus plans.

*2. Proposals on mergers, transfer of business, equity swaps, equity transfers and company splits.

*3. Proposals on share buybacks, reduction on statutory reserves, third-party allotment, capital reduction, reverse stock splits and issuance of classified stock.

Examples of qualitative judgments on proposals

Resona Asset Management conducts proxy voting in accordance with its Global Governance Principles and proxy voting guidelines; here we present two proxy voting cases where qualitative judgments were to be made.

Voting guidelines	Governance frameworks	Enhancement of shareholder value	Protection of shareholder rights	Financial conditions
	<p>[Shareholder proposals]</p> <p>We thoroughly consider whether shareholder proposals would contribute to enhancing shareholder value. In the voting process, we refer to our proxy voting guidelines to consider whether the respective companies meet our standards in terms of their governance frameworks and financial conditions. As shareholder proposals include diverse matters such as environmental and social issues, we thoroughly consider whether the proposal would contribute to enhancing shareholder value over the medium to long term, and whether it would better protect the shareholder rights.</p> <p>[Compensation (Equity grants)]</p> <p>We approve proposals that are considered to be effective as incentive programs. However, we vote against proposals if:</p> <ul style="list-style-type: none"> • The dilution exceeds 5% of the total issuance, or • The vesting period is less than two years (unless stock options are exercisable only after retirement). <p>We basically vote in favor of fixed equity grants to outside directors and supervisory committee members unless it is excessive. As a general rule, the percentage of fixed equity grants should not exceed 30% of fixed cash compensation, or fixed equity grant should be ¥5 million or less.</p>			

► Case 1: Company X

Case overview	<p>In 2018, Individual A was replaced by Individual B as CEO.</p>					<p>UK and US institutional investors alleged that the change of CEO was inexplicable, and called for extraordinary shareholders meeting to dismiss Individual B, the chairman and CEO and Individual C, the president and COO.</p>		<p>Individual B resigned as a director on May 20, 2019. The call for extraordinary shareholders meeting was withdrawn, as Individual C also expressed the intention to retire from office effective on June 2019 shareholders meeting.</p>		<p>Company X's ten executive officers sent a letter to the chair of the nominating committee, criticizing the management setup led by Individual B.</p>		<p>The management proposed neither a new CEO succession plan nor a business plan.</p>	
Proposals	Management proposal			Management proposal / Shareholder proposal				Shareholder proposal					
	<p>Election of eight director candidates</p> <p>Seven outside director candidates One inside director candidate</p>			<p>Election of two director candidates</p> <p>The management agreed to nominate two outside director candidates, who were nominated by shareholders.</p> <p>* However, these two candidates intended to step back if the management proposal was approved.</p>				<p>Election of six director candidates</p> <p>Two outside director candidates (in effect, four outside director candidates, including the proposal shown to the left) Four inside director candidates</p>					
Logic and voting decision	The board composition of the management proposal was basically not problematic. But the overall proposal was unclear, because no future business policy was indicated.			We voted in favor of shareholder proposal.				The shareholder proposal indicated a clear future business policy, whereby Individual A would return as the new CEO and undertake business restructuring; we therefore judged that the shareholder proposal would enhance shareholder value compared to the management proposal.					
	Voted against management proposal			Voted in favor of management proposal and shareholder proposal				Voted in favor of shareholder proposal					

► Case 2: Company Y

Case overview	<p>In December 2018, Company Y, the acquirer, held an extraordinary shareholders meeting on the acquisition of Company Z, and the management team commented that the acquisition would enhance its corporate value.</p>	<ul style="list-style-type: none"> • After the 2019 general shareholders meeting, the non-Supervisory Committee consists of 12 directors, 4 inside and 8 outside. • Supervisory Committee consists of 4 members, 1 inside and 3 outside. • The total board consists of 16 directors, with 11 outside directors. 	<ul style="list-style-type: none"> • 7 out of 12 non-Supervisory Committee members are non-Japanese. • 1 out of 4 Supervisory Committee members is non-Japanese. • Consequently, 8 out of the total 12 directors, which is more than a half of are non-Japanese. 	<p>Company Y explained their compensation proposal. Resona and Company Y discussed the pros and cons of both the management and the shareholder proposals.</p>
Proposals	<p>Management proposal Proposal on equity grants for non-supervisory committee members</p> <p>Performance-linked equity grants of a maximum of ¥4.5 billion over three years for inside directors, and Non-performance linked equity grants of a maximum of ¥0.3 billion over three years for outside directors. The content of the plan was not problematic in terms of dilution or vesting period. But there was a possibility that the equity grants for outside directors would be in conflict with voting guidelines.</p>		<p>Management proposal Proposal on equity grants for supervisory committee members</p> <p>Non-performance linked equity grants of a maximum of ¥0.2 billion over three years. The content of the plan was not problematic in terms of dilution or vesting period. But there was a possibility that the equity grants for supervisory committee members would be in conflict with voting guideline.</p>	
	<p>Shareholder proposal Proposal on compensation disclosure of individual director</p> <p>Amended on bylaws as: Regardless of the size of the compensation, the amounts and details of individual director compensation should be disclosed, and the methodology for determining compensation should be specifically indicated.</p>		<p>Shareholder proposal Proposal on adoption of a clawback provision</p> <p>Amended bylaws as: In case of misconduct, such as impairment loss from past excessive investment, or downward revisions of past company profits, the compensation should be recalculated using the correct indicators and the difference must be returned to the company, or deducted from payment (or payment withheld).</p>	
	<p>Proposal on equity grants for non-supervisory committee members</p> <p>Voted in favor of management proposal</p> <p>Logic: The overall board composition was within the acceptable condition.</p> <ul style="list-style-type: none"> ■ The absolute level of equity grants may exceed guidelines. However, we judged that the amounts were not excessive after taking global compensation standards and the fact that non-Japanese board members account for a considerable proportion of board composition into consideration. ■ With the acquisition of Company Z, Company Y became the global elite group of the leading pharmaceutical companies. We judged that the management proposal on the new compensation plan would contribute to enhancing the company's future corporate value, as the company should hire outstanding directors/staff members to maintain its competitiveness over the medium to long term. We therefore voted in favor of both proposals. 		<p>Proposal on equity grants for supervisory committee members</p> <p>Voted in favor of management proposal</p>	
	<p>Proposal on compensation disclosure of individual director</p> <p>Voted in favor of shareholder proposal</p> <p>Decision: We decided to vote in favor of the proposals, as further disclosures and clawback provision will act as effective method to monitor director compensation in line with global standards.</p> <ul style="list-style-type: none"> ■ The aim of the management proposal was to create the most advanced and sophisticated compensation structure as a global R&D-oriented bio-pharmaceutical company. It was therefore essential to ensure that compensation disclosure and clawback provision would enhance shareholder to monitor whether the compensation structure is in line with global standards. ■ We judged that disclosure of individual director compensation would also be effective for monitoring whether the new compensation structure is functioning properly, and that it would enhance the company's future corporate value. ■ The adoption of clawback provisions is common among US companies, as well as among some Japanese companies, where the benefits achieved by the acquisitions take long period to determine. We considered that, the adoption of clawback provisions coupled with the adoption of the management's new compensation proposal would enhance the company's future corporate value. 		<p>Proposal on adoption of a clawback provision</p> <p>Voted in favor of shareholder proposal</p>	

Chapter 7

Assessment of Responsible Investment and Stewardship Activities



Annual assessment of Principles for Responsible Investment (PRI)

We enlist our annual PRI Reporting and Assessment process with respect to key performance indicators in terms of our PDCA (plan, do, check, act) cycle for responsible investment and stewardship activities. External assessment is carried out with the aim of bringing about qualitative improvement with respect to our responsible investment and stewardship activities through efforts that involve determining issues that must be addressed in order to maintain or improve assessments.

Signatory of:



Summary of PRI assessment scores



	2017	2018	2019
Approach to responsible investment (Overall assessment) Strategy & Governance	A+	A+	A+
Listed equity - ESG Incorporation	A+	A+	A+
Listed equity - Active ownership	A	A	A
Engagement	A+	A+	A+
Proxy voting	B	A	A
Fixed income			
Supranational bonds, sovereign bonds, government agency bonds, etc.	B	B	A
Bank debentures	B	B	A
Corporate bonds	B	B	A

In the assessment of Resona Asset Management's initiatives geared to responsible investment in 2019 (the organization's overall approach to responsible investment), we maintained our score of A+, the highest rank, which we have achieved since 2015. With regard to fixed income-related initiatives geared to responsible investment, disclosure of the thinking behind our ESG integration and engagement resulted in the assessment moving up from B to A.

Under PRI annual assessment, the PRI Secretariat assesses PRI signatory institutional investors particularly on their efforts to carry out responsible investment, thereby granting them scores on the basis of six performance bands (A+, A, B, C, D, E), with A+ being the highest possible score on a global basis.



Self-assessment of stewardship activities

As an institutional investor serving as an asset manager, Resona Asset Management has established its basic policy on responsible investment with the aim of explicitly stating its approach to helping enhance investment return of its clients from a medium- to long-term perspective. Accordingly, we carry out three specific initiatives (i.e., ESG incorporation, constructive dialogue and engagement, proxy voting). We also perform self-assessments on a regular basis in order to further heighten the level of such initiatives. These self-assessments correspond to the assessments described in Guidance item 7-4 of Japan's Stewardship Code.

Measures for self-assessment

Resona Asset Management's Policies regarding Japan's Stewardship Code stipulates that, "Resona Asset Management believes that appropriately performing self-assessment with respect to its policies and initiatives pertaining to its responsible investment is important. Under that premise, we will develop an effective assessment framework that involves taking on tasks such as precisely determining issues in conjunction with external assessment, while operating on the basis of self-assessment performed by members of the Responsible Investment Committee." Our Responsible Investment Committee plays an important role in fulfilling Resona Asset Management's responsible investment and stewardship activities.

We administered a tiered-assessment and open-ended surveys where members of the committee furnished their thoughts with respect to: whether they feel that we are taking sufficient efforts with respect to initiatives required under respective principles and guidelines of the stewardship code; whether they feel that we maintain an organizational framework sufficient to carry out our stewardship activities; whether we are properly implementing the cyclical PDCA (plan, do, check, act) approach with respect to stewardship activity results, assessments and improvements; and, whether we are adequately operating the Responsible Investment Committee in terms of its function as a responsible investment control tower. The self-assessment period extended from July 2018 to June 2019.

In September 2019, the Responsible Investment Committee held discussions on recognized issues and means of addressing those issues, upon having received reports on progress made with initiatives to address issues of the previous fiscal year and survey findings.

Results of self-assessment

(i) Initiatives involving stewardship code

- We maintain high marks from external assessment for appropriately carrying out our stewardship activities on the basis of clear guidelines.
- We have been conducting dialogue and engagement to promote increased value and sustainable growth for corporations from a medium- to long-term perspective. Among the issues we identified last year were information-sharing and collaboration on stewardship activities among divisions. Measures to make progress in these areas have included assigning an ESG analyst to the Equity Investment Office (now the Equity Investment Division) to boost our stewardship activities, using responsible investment meetings to share information efficiently, and bolstering cooperation on engagement activities among divisions.
- We drew up Global Governance Principles encompassing Japanese and global equity and reviewed our proxy voting guidelines.
- We have been continuing engagements jointly with other institutional investors, which have involved taking part in the Institutional Investors Collaborative Engagement Forum (IICEF) and carrying out collaborative engagements with respect to PRI and taking part in Climate Action 100+.
- With regard to transmission of information of our stewardship activities—another issue identified last year—we have actively communicated the details of our activities through means such publishing the Stewardship Report 2018/2019 and sending lecturers to speaking events and seminars.

(ii) Operations of the Responsible Investment Committee

- The Responsible Investment Committee reviews the proxy voting guidelines, deliberates on proposals that are difficult to judge, and discusses matters such as engagement policy and assessment of engagement activities. Having strived to facilitate more effective advice and supervision by the committee and to enable the committee to be operated efficiently, our assessment findings indicate that operations of the Responsible Investment Committee were handled appropriately.

(iii) Issues

- With the aim of more effectively carrying out Resona Asset Management's stewardship activities, we will consider and implement action plans geared to gaining a shared awareness of the issues listed as follows, and finding solutions.
- Aiming for thorough ESG integration, we will strive to pursue further information-sharing and cooperation among divisions.
- To enable the Responsible Investment Committee to continue undertaking constructive discussions and effective supervision, we will strive to facilitate productive sharing of knowledge and information and to operate the committee efficiently.

For policies regarding Japan's Stewardship Codes, please refer to the following. (In Japanese only)
<https://www.resona-am.co.jp/investors/ssc.html>

Commitment as a Future Maker

My understanding is that, with this report, Resona Asset Management has defined itself as a universal owner and made a commitment to act as a future maker. Then, what does the term “Future Maker” mean?

Climate change and other ESG factors are already presenting very real risks and opportunities, so it is natural that institutional investors incorporate such factors into their investment process. This is the approach of the “future taker” whose primary objective is to deftly navigate what challenges the future might hold. A Future Maker goes further, striving to change the actual course of potential future developments. It means that an institutional investor makes a commitment to use its own power to ensure a better future.

That is a rational course of action for a universal owner, which commands vast funds and invests broadly across an entire economy through passive investment. That is because, for universal owners, controlling negative externalities produced by markets, thereby protecting the foundation for future economic activities, serves to protect their own long-term investment performance. And, in the long run, that can also be expected to produce profits for the beneficiaries, who are the ultimate source of the funds.

In the past, asset managers have competed over the direct results of their investments. Resona Asset Management has now stated definitively that, alongside pursuing direct investment results, it will also act as a Future Maker. By improving as a Future Maker, it will win the public’s support and become the asset manager of choice. Resona Asset Management could be said to have demonstrated a new asset management business model, so to speak. That idea is also expressed in the Mr. Nishioka’s “president’s message” at the beginning of this report, which states that the responsibility of the investment manager now encompasses working to achieve a sustainable society.

This report also set out the specific vision of the future we should all be aiming for. Nobody could object to a future vision that entails achieving the SDGs, switching to a circular economy model and redefining the original purpose of companies. Resona Asset Management is also to be commended for clearly specifying specific agendas including the palm oil issue, grievance mechanisms, the marine plastic issue and sustainable food supply chains, and actually moving ahead with related initiatives. Of particular note in 2019 was the severe damage caused by forest fires in the Amazon and Indonesia associated primarily with actions taken to expand farmland. For that reason, I would like to see efforts to ensure sustainable food supply chains redoubled.

Having declared its endorsement of the TCFD and signed up to Climate Action 100+, Resona Asset Management is undertaking collaborative engagement with overseas investors targeting Japanese companies. The key task now, I think, is to analyze and disclose potential scenarios for Resona Asset Management itself. I have been informed that this is currently being addressed, but urgent confirmation of a number of matters is required. These include assessing the carbon footprint of its own portfolio, and determining the extent of investees’ climate-related assets and the types of risks these present under different scenarios. Given that the Resona Group’s companies include a commercial bank, moreover, I look forward to seeing the Group as a whole expand its involvement in ESG financing.



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Bronze Prize at ESG Finance Awards Japan 2019

Resona Asset Management received the Bronze Prize of the Ministry of the Environment's inaugural ESG Finance Awards Japan in the investor category.

The awards were in recognition of Resona's contributions to the ESG engagement activities.



Website

Information on Resona Asset Management and this report are available on our website.



About Resona Asset Management
<https://www.resona-am.co.jp/>



Resona Asset Management's responsible investment and stewardship activities
<https://www.resona-am.co.jp/investors/ssc.html>



Resona Asset Management