



Stewardship Report

RESONA BANK 2018/2019



Resona Bank

Message

At Resona Bank, through responsible investment activities, we aim to improve corporate value of investee companies and achieve stable investment performance.

We continually engage in stewardship activities which involve exercising high standards of professionalism and ethics in acting as a trusted fiduciary on behalf of our clients. Resona Bank became a signatory to Principles for Responsible Investment (PRI) in March 2008 and stated its acceptance of the Japan's Stewardship Code in April 2014. Going forward, we put our efforts to improve and strengthen such initiatives, keeping up with stewardship code revisions and other such developments.

Asset management business involves wielding strengths to achieve sustainable growth on corporate value by stewardship activities. And we, institutional investor, are responsible for implementing such stewardship activities.

Meanwhile, we facilitate sustainable growth of investee companies by continually undertaking constructive dialogue with them while hastening a shared awareness of challenges in a manner that involves sincere interaction. In addition to that, we conduct proxy voting in a highly transparent manner by disclosing our proxy voting guidelines and voting activities. We will contribute to enhancing the medium- and long-term corporate value of investee companies by conducting stewardship activities. As such, our mission involves an approach whereby "we support and promote the asset formation aims of our clients drawing on the asset management skills of our Asset Management Business developed over many years in the field of pension management and our extensive expertise handling diversified portfolios of long-term investments in global assets."

We stipulate Professional Ethics for Asset Managers, in conjunction with this mission. We have composed those ethics based on notions set forth in the wording of the Hippocratic Oath which stipulates ethical standards that were practiced by medical professionals in ancient Greece. Given that asset managers, like doctors and lawyers, must maintain high ethical standards of professionalism, we accordingly put stewardship activities into practice in a manner whereby each and every one of us mutually draws on our asset management mission and professional ethics.

Finally, this Stewardship Report profiles stewardship activities we have been engaging in as responsible investors.

Foster a corporate culture (Code of conduct)

The officers and employees of Resona's Asset Management Business concertedly embrace the mission of the business and accordingly 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 our Asset Management Business developed over many years in the field of pension management as well as our extensive expertise pertaining to diversified portfolios of long-term investments in Japanese and global assets.



Akihiro
Nishiyama

Executive Officer,
Asset Management Division,
Resona Bank, Limited

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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

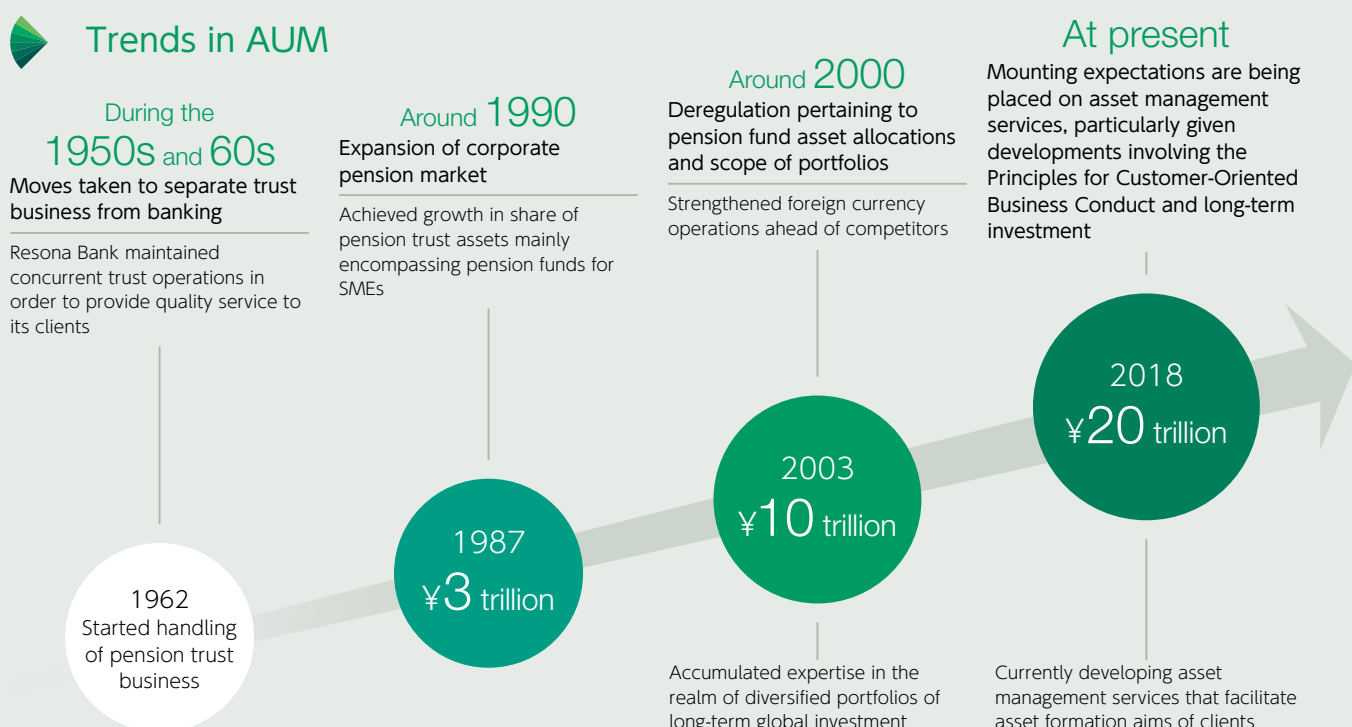
Pledge (Commitment)

- (i) Pledge to clients
- (ii) Pledge to investee companies
- (iii) Pledge to capital markets
- (iv) Pledge to shareholders
- (v) Pledge to pursue professionalism
- (vi) Pledge to compliance with laws and regulations



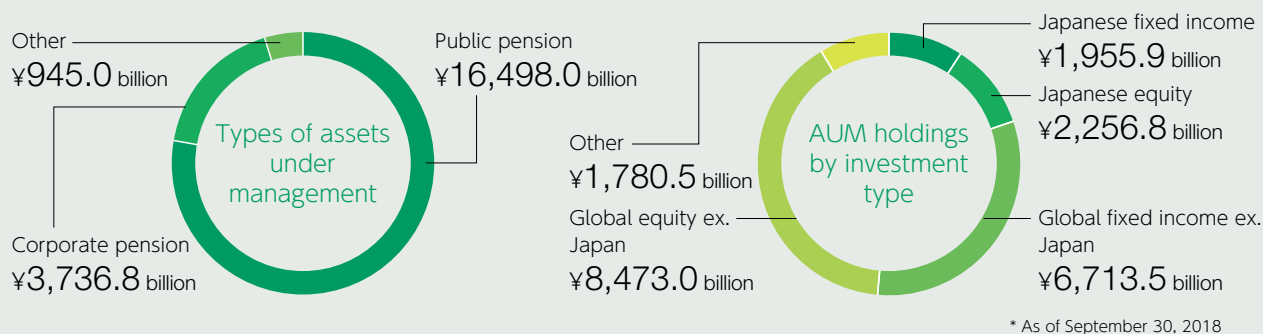
The Asset Management Unit of Resona Bank maintains a professional asset managers team, and consists of the Asset Management Business Planning Division and the Asset Management Division.

The Asset Management Unit manages trust assets mainly encompassing corporate pension plans such as defined-benefit plans and employee pension plans, and also public funds for government-affiliated organizations, mutual aid associations and other such entities. The unit manages client assets tailored to their investment objectives and requirements, drawing on the unit's staff of professionals encompassing portfolio managers who comprehensively manage client assets, fund managers who manage assets particularly with respect to global equity and fixed income, and analysts who conduct economic, market and securities analysis.



Strengths of the Asset Management Unit

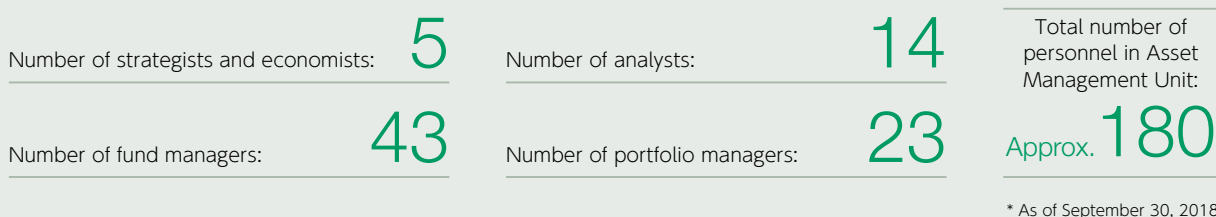
Professionals who handle various roles and operations offer premium quality products and provide a variety of asset management services tailored to our clients' investment objectives and requests.



Asset management framework

Approximately 180 individuals belong to the Asset Management Unit of Resona Bank.

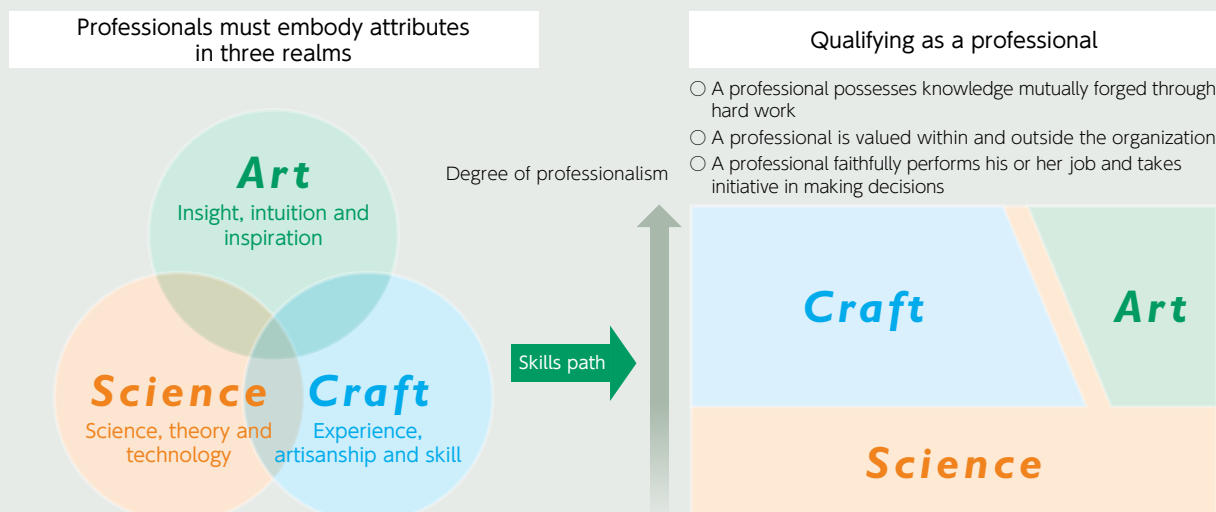
The unit provides asset management services tailored to clients' investment objectives and requests, drawing on its professional staff that includes portfolio managers, fund managers, and analysts.



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.



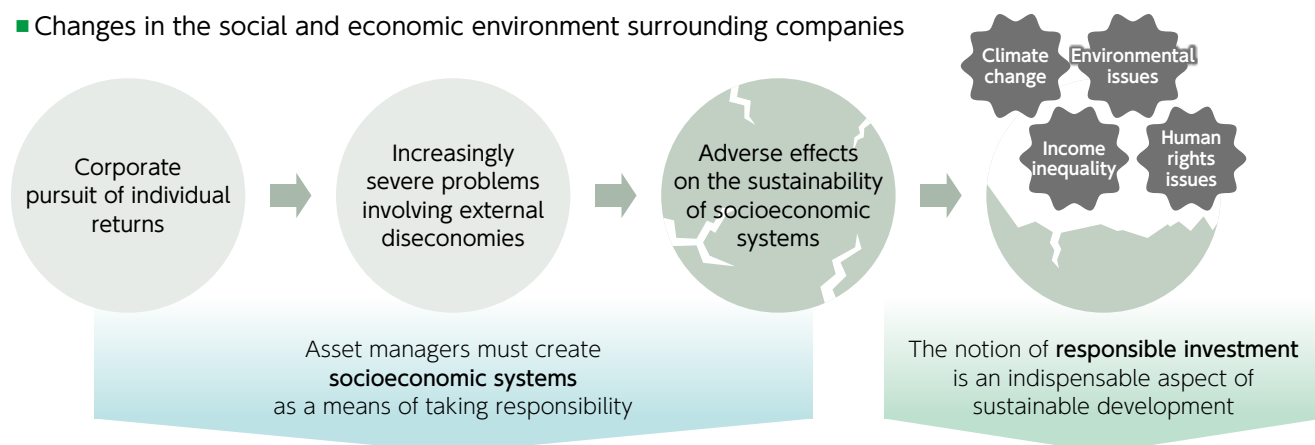
Responsible Investment of Resona Bank



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's Asset Management Unit

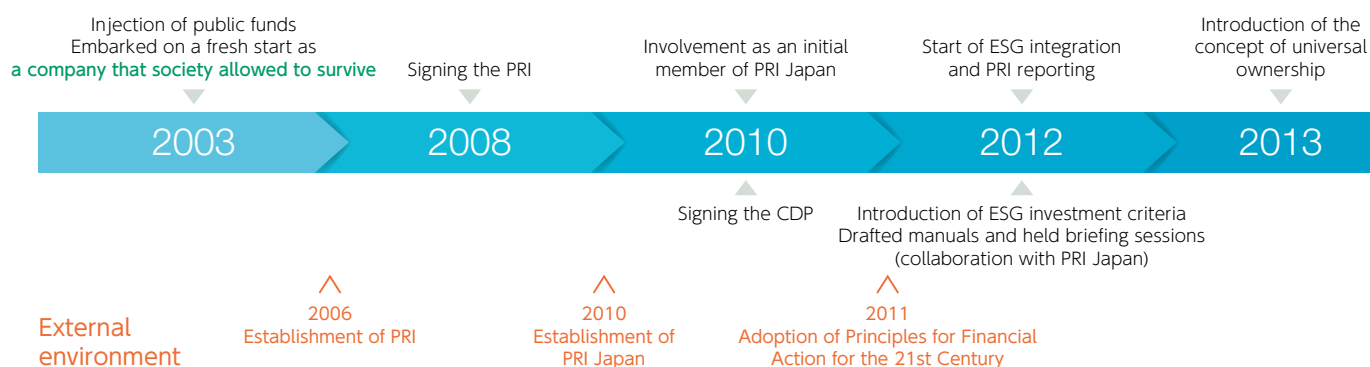
(i) Practice an engagement strategy geared to finding solutions to ESG issues across society by identifying responsibilities for social sustainability.

(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 Bank
(Purpose)

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

Code of conduct on asset management

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 To have constructive **dialogue and engagement** with investee companies

3 Appropriate **proxy voting** as a trustee

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 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

Chaired the Corporate Working Group of PRI Japan Network

Joined PRI collective engagement

Joined Institutional Investors Collective Engagement Forum (IICEF)

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

2014

2015

2016

2017

2018

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

Joined Climate Action 100+

2015

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



Framework of responsible investment and stewardship activities

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



Responsible Investment Committee

The Responsible Investment Committee carries out basic policy on responsible investment. As such, it plays an important role in acting as a control tower for reviewing whether initiatives take appropriate action 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 officers responsible for Asset Management Unit from the perspective of internal controls, as well as general managers of related divisions and offices, in addition to officers responsible for Asset Management Division, as well as general managers of related divisions and offices. 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 into the committee as an external expert and leading authority on responsible investment. He has been furnishing his opinions and advice regarding activities of Resona Bank from an outsider's perspective.

The Responsible Investment Committee reports on three specific efforts encompassing 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

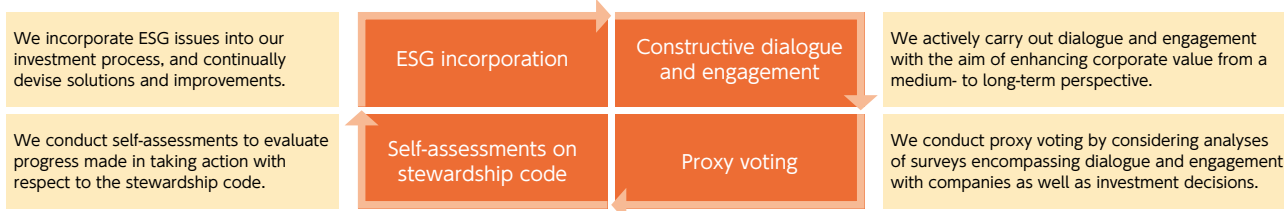
1. To incorporate ESG issues into investment process
2. To have constructive dialogue and engagement with investee companies
3. To appropriately conduct proxy voting as a trustee

■ Primary discussions and reporting of the Responsible Investment Committee

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

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 teams.
- Through its meetings and other forums, the Responsible Investment Group shares information and exchanges opinions with relevant teams, and accordingly submits action policies and other documents to the Responsible Investment Committee.

■ Main topics covered in responsible investment meetings (Excerpt from September 2018 to November 2018)

- Annual meeting of ICEF in 2018
- METI's revision of the Practical Guidelines for Corporate Governance Systems
- ISS / High-level Governance Principles Policy Survey
- Shareholder proposals related to plastic (in the United States, from July 2017 onwards)
- Launch of project to achieve consistency of respective guidelines for CRD
- FSA's proposed revisions to the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

ICEF: Innovation for Cool Earth Forum CRD: Corporate Reporting Dialogue
ISS: Institutional Shareholder Services

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, Asset Management Business Planning Division

Members

Chiharu Baba	Outside Director of Resona Holdings, Inc. (Chairman: Former Deputy President of Mizuho Trust & Banking Co., Ltd.)
Ryo Tsuchida	Outside Corporate Auditor of Resona Bank, Limited (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 first committee meeting (held in January 2018) Framework of stewardship activities and process thereof
Appropriateness of the proxy voting guidelines for global equity ex. Japan
- The second committee meeting (held in April 2018) Appropriateness of the proxy voting guidelines for Japanese equity
- The third committee meeting (held in August 2018) Proxy voting results for shareholders meetings during July 2017 to June 2018

The suitability of the topics subject to review was verified at the three responsible investment verification committee meeting sessions listed above.

Support for greater quality of responsible investment through proxy voting and dialogue



Shoichi Tsumuraya

External expert
members of
responsible investment
verification committee
meeting

Associate Professor,
Graduate School of
Business
Administration,
Hitotsubashi University

Launched in fiscal 2018, the responsible investment verification committee meeting is held to review guidelines on proxy voting (for Japanese and global equity) and results of proxy voting. We review such guidelines from the perspective of whether or not they are appropriate with respect to the good governance practices set forth by Resona Bank and from the perspective of whether or not it is possible to draw on such guidelines upon carrying out constructive dialogue with companies.

Meanwhile, some guidelines have been revised based on our review for the last fiscal year. Major topics of discussion with respect to reviews of voting results include the notions of whether the voting complies with the guidelines, whether there have been appropriate management in-house pertaining to conflicts of interest, and whether there is room to improve the in-house management framework. Although still in its first year, responsible investment verification committee meeting discussions have extended beyond matters of voting guidelines and such results, and accordingly have also included proposals from committee meeting members for potential improvements with respect to the format of documents provided to the members. For instance, every meeting session has entailed discussions

whereby both sides maintain the shared objective of making improvements with respect to how we might make the review framework more effective. This has meant that the meetings have not ended at the times initially scheduled, and consequently we have opted to extend scheduled times for meetings from now on.

We have come to the conclusion that the committee meetings should act as a means of providing support for greater quality of responsible investment through proxy voting and dialogue, rather than being limited simply to checking such matters. So far, there have been no meetings in which members didn't furnish proposals suggesting points of improvement. On the other hand, Resona Bank has been actively making inquiries of the committee meeting members, which obviously means that we check matters beforehand with respect to other institutional investors in terms of their guidelines on proxy voting and voting results, and every committee meeting member approaches every meeting with a sense of responsibility and urgency. Naturally, we deem the tasks of tenacious review and making improvements as matters of utmost importance amid a situation where there are still issues with no immediate conclusion and guidelines not ready for implementation.



Management on conflict of interests

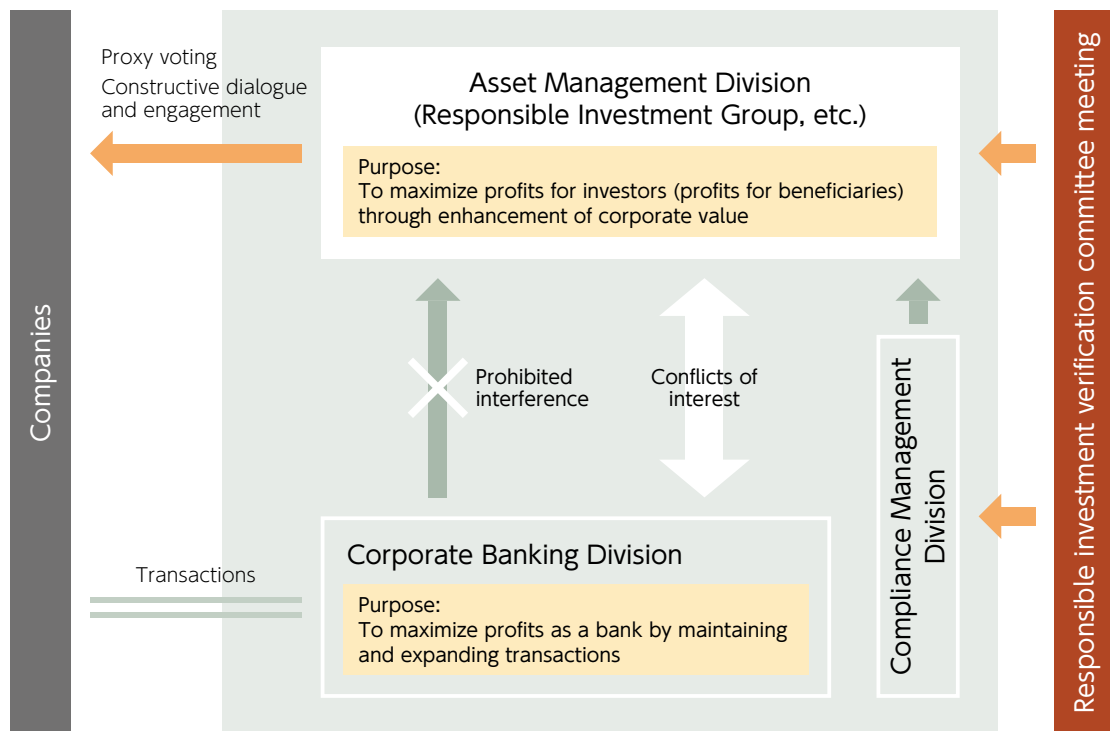
In carrying out responsible investment, the Asset Management Unit should be mindful of certain types of transactions that are prone to conflict of interest. Such transactions conceivably include situations that involve proxy voting with respect to shares owned through trust assets and other investments,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

For instance, on proxy voting for the companies with whom the Corporate Banking Division maintains business relationships, decisions and actions taken to discharge fiduciary duties could be substantially affected under a scenario where the Corporate Banking Division interferes with the Asset Management Unit in terms of its decision to vote for or against a proposal, or in terms of voting results.

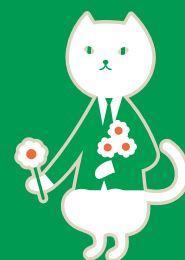
We appropriately endeavor to avoid such situations by taking the actions as follows:

- Interference by the Corporate Banking Division is prohibited and personnel reassignments are subject to restrictions.
- Proxy voting activity is monitored by the Compliance Division.
- Compliance Division acts as member of the Responsible Investment Committee.
- The responsible investment verification committee meeting checks to make sure that any proxy voting of the parent company and other such entities as well as proxy voting otherwise are carried out appropriately.
 - (i) Those proxy voting of 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 Resona Bank's proxy voting guidelines
 - (ii) Otherwise, proxy voting are to be exercised (this includes undertaking dialogue with investee companies regarding the vote)

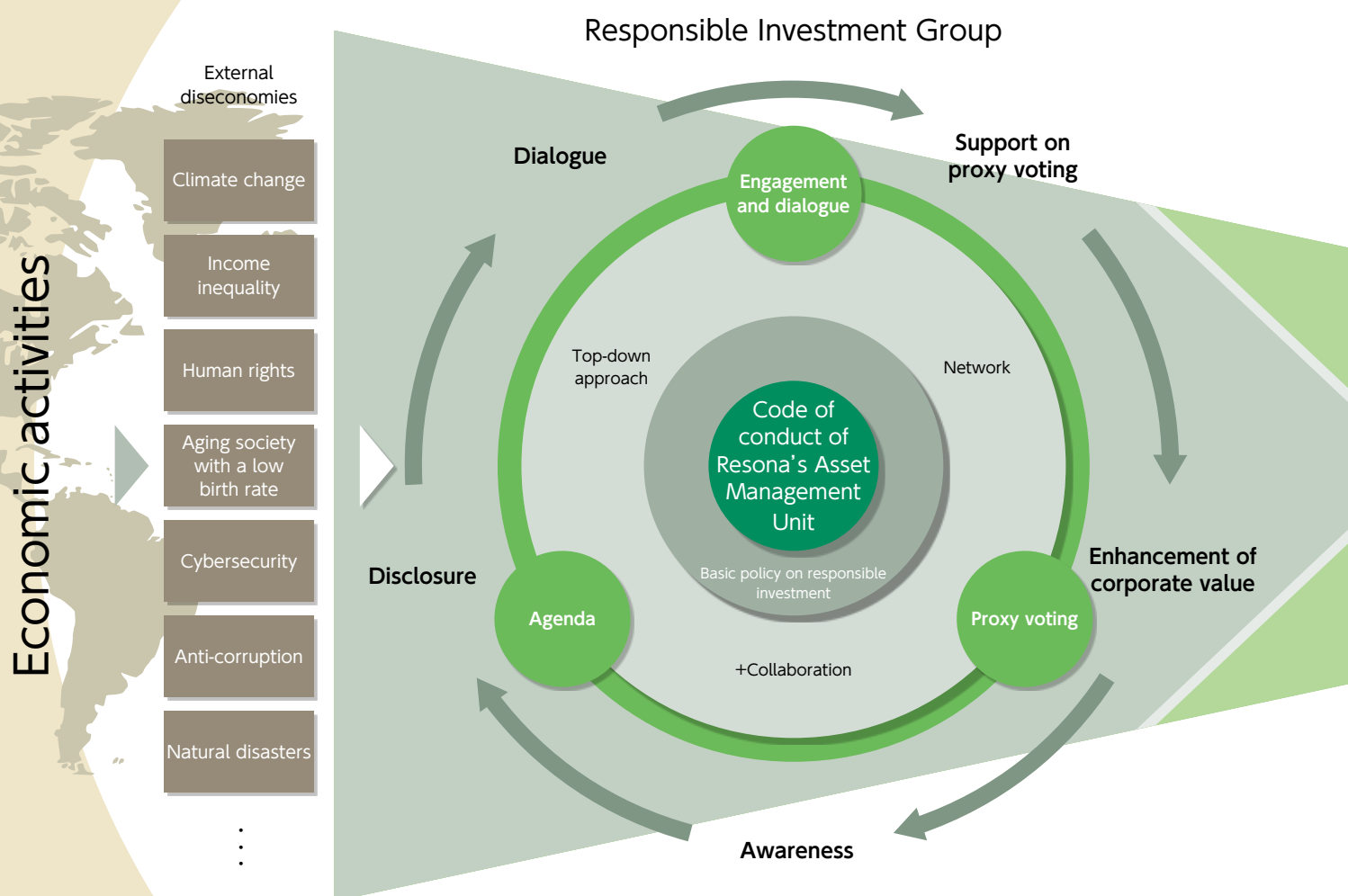
■ Management framework



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

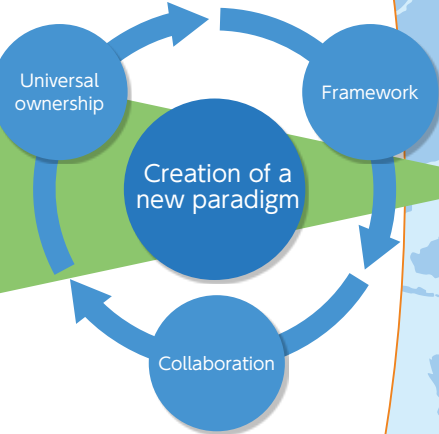


Global Compact
Network Japan

Signatory of:



Enhancement
of medium-
and long-term
return



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New form of capital markets
Unexplored economic system



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 Group 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 Bank, 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
Appropriate proxy voting

■ Passive investment dialogue and engagement

We will strive to help boost 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)

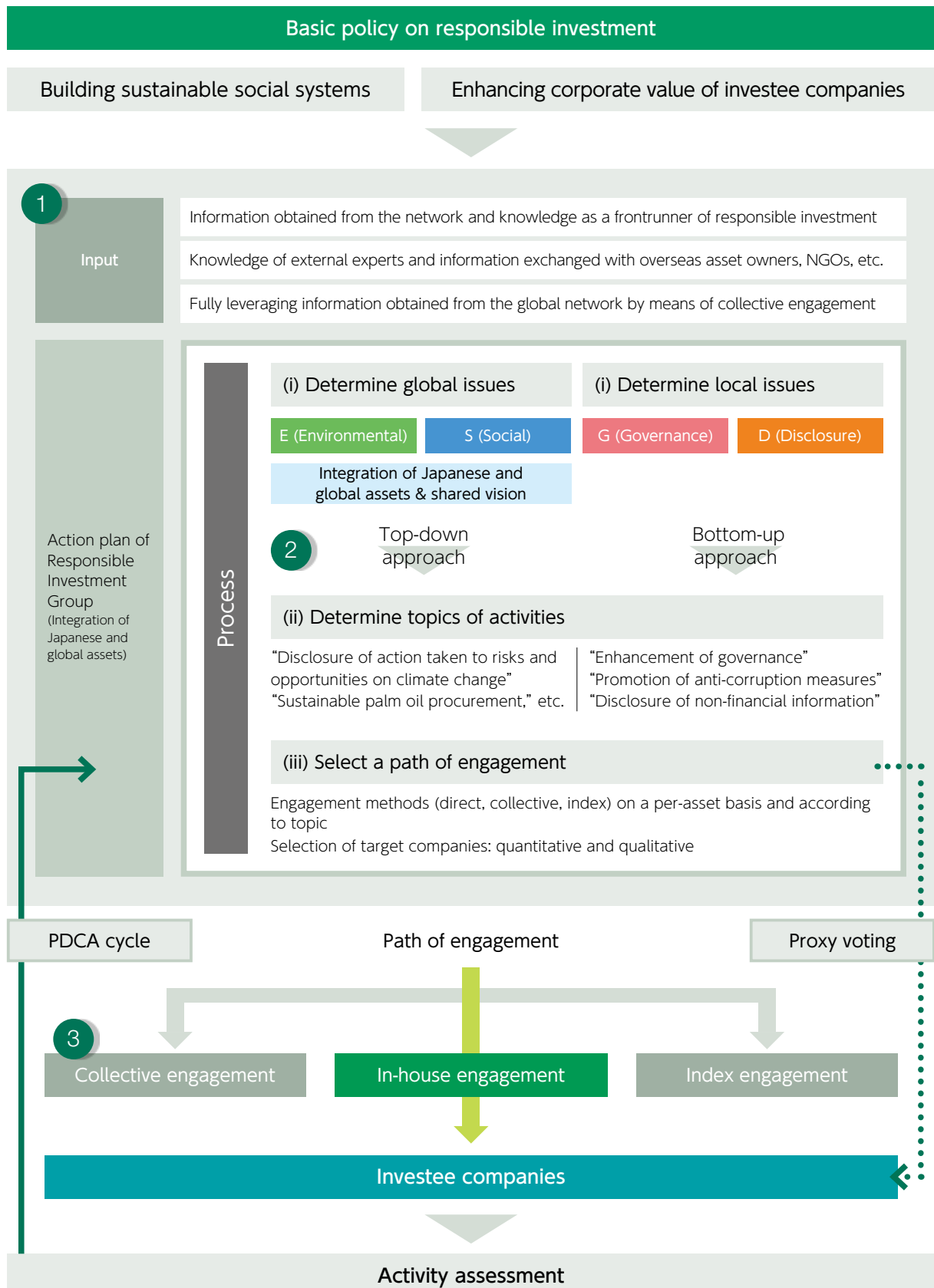
- Addressing global and local issues
- Greenhouse gas emissions, supply chain management, boards compositions, etc.

② Possibility of change in companies perspective (effectiveness)

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



Overview of passive engagement





Three distinctive aspects of passive engagement

The Responsible Investment Group carries out passive engagement that balances low cost and effectiveness, underpinned by the three distinctive aspects of 1. network, 2. top-down approach, and 3. +Collaboration.



1

Network (Effectiveness and efficiency in information collection)



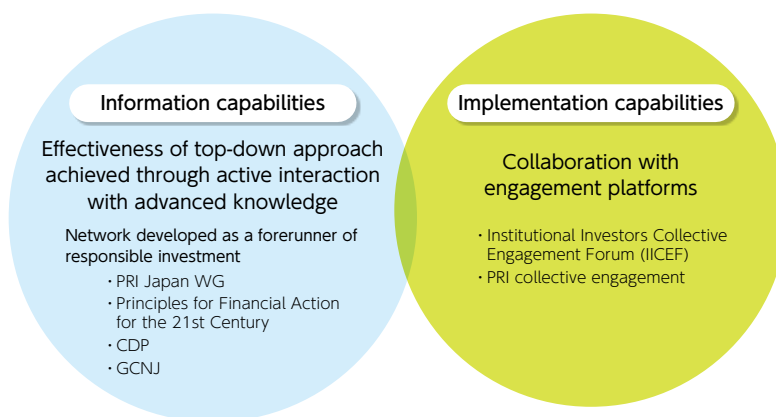
Stakeholder dialogue

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 likes of NGOs, experts, government officials, long-term overseas investors, labor unions, various organizations.



(PRI in Person 2018)

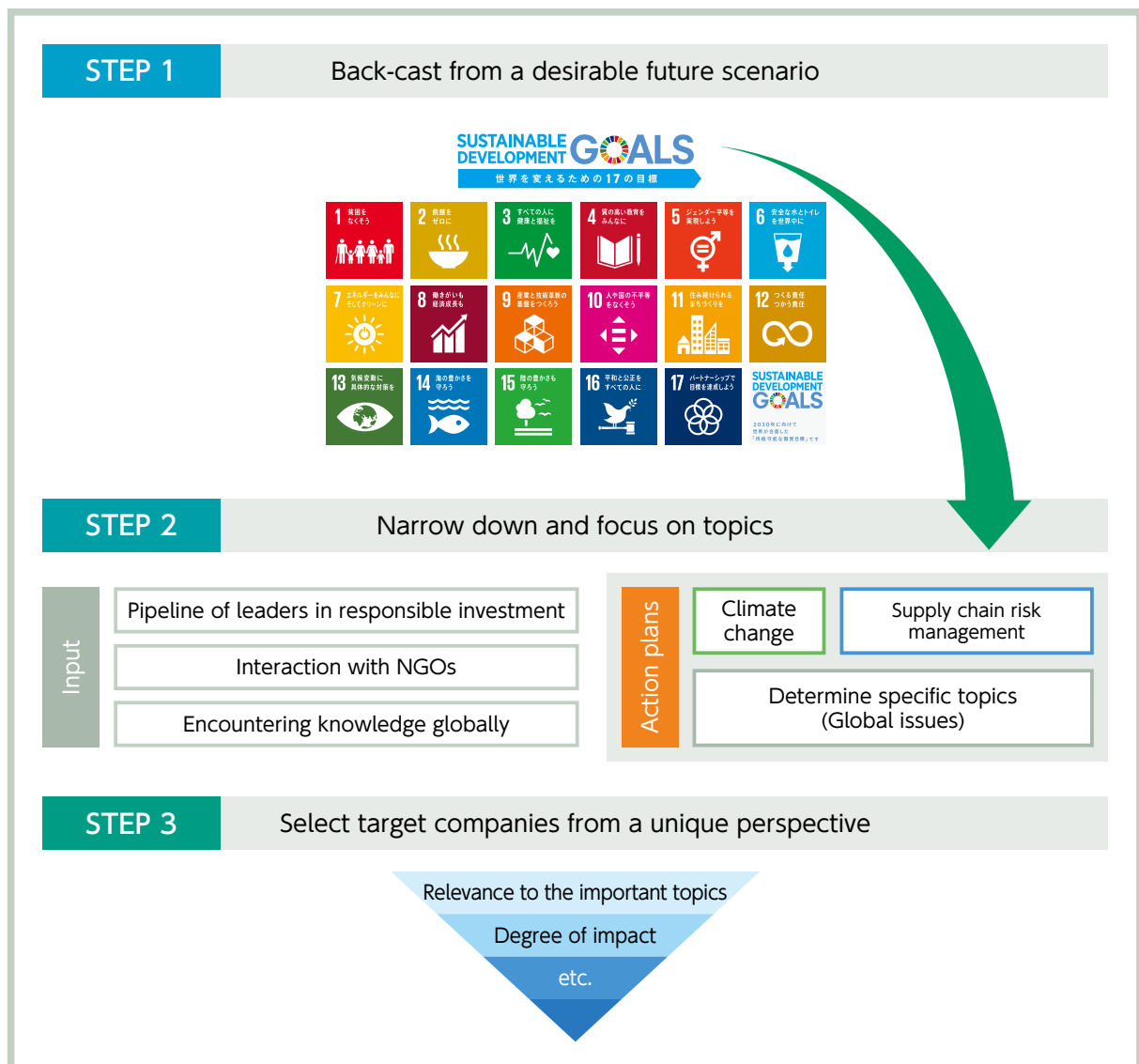
[Access to the real world]
Collection of information through dialogue with leaders in responsible investment and stakeholders



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

There is a growing need to equip long-term strategies of companies with universal principles encompassing the environment, society, labor and anti-corruption, 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.



In fiscal 2017, we made progress in areas that include disclosure on climate change, taking part in the Climate Action 100+ initiative, engaging in supply chain risk management centered on palm oil, enhancing corporate governance, implementing anti-corruption initiatives and promoting disclosure of non-financial information.

Page 16 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)

Climate change**Action taken and disclosure with respect to risks and opportunities related to climate change**

Requested disclosure of information on risks and opportunities in relation to climate change to companies in the automotive, steel, chemicals, electric power and other industries where risk exposure is high.

**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 institutional investors that consisted of IIGCC (Europe), INCR (North America), IGCC (Australia & New Zealand) 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.

**PRI-led engagement on climate change transition for oil and gas**

Joined sector-specific version of Climate Action 100+

Sustainable palm oil procurement

Procurement policies related to palm oil and procurement of certified palm oils

Signatory of:

**Risk of deforestation and human rights issues**

Requested disclosure of information on supply sources of cattle with a focus on efforts to address deforestation risks, and other material issues.

PRI supply chain risk management

This involves engagement on protection of human rights encompassing employees, suppliers and business partners, and includes issues such as child labor, overwork and discrimination.

PRI risk management involving labor practices in the agricultural sector

Assessment of labor practices, supplier communications, risk management and monitoring

S (Social)

Local issues (Bottom-up approach)

G (Governance)

Enhancement of corporate governance

Persisting with engagement that largely involves ensuring separation of execution and supervision functions, maintaining high degrees of independence on board composition, guaranteeing equal rights to shareholders and ensuring reliability of accounting.

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.



Global Compact
Network Japan

D (Disclosure)

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.

Integrated reporting

Urging companies to provide clear and concise information disclosure and supporting them in such efforts
Declared endorsement for statement of collaboration of the International Integrated Reporting Council (IIRC)

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Enhancement of disclosure of non-financial information [Leading company]

Urging corporations to remain aware of issues of materiality sought by investors, and contributing to greater effectiveness of such initiatives.

Aiming to increase long-term corporate value of Japanese entities by improving transparency and facilitating dialogue through efforts that involve promoting disclosure.

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

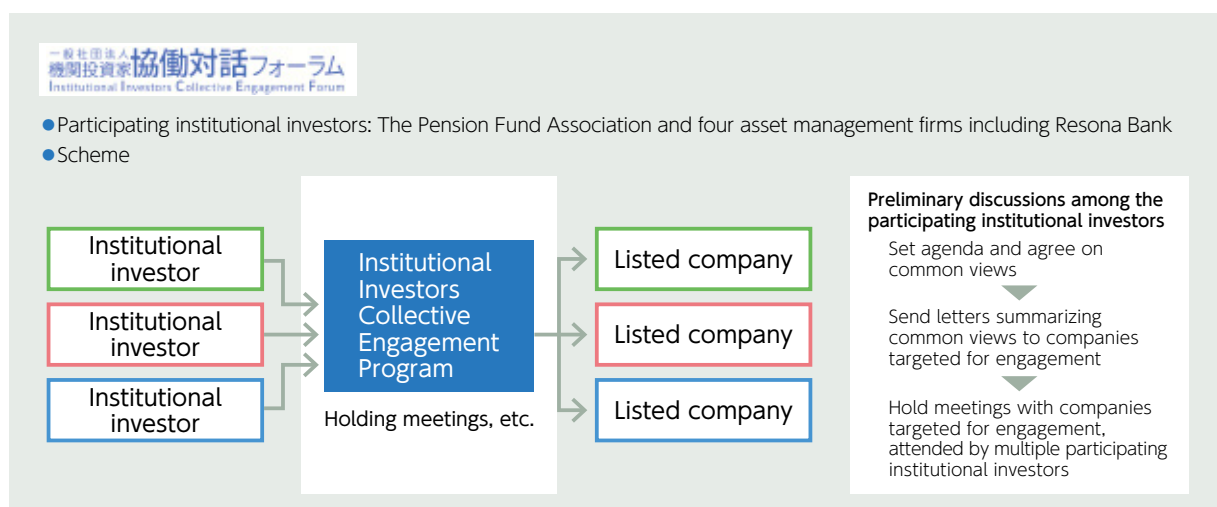
Collective engagement — For companies in Japan

Since October 2017 we have been taking part in the Institutional Investors Collective Engagement Program organized by the Institutional Investors Collective 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 (collective engagements) by helping to ensure that such investors carry out their stewardship activities appropriately.

Collective engagement activities carried out by the Institutional Investors Collective Engagement Program do not aim to pursue short-term shareholder profits, but rather long-term corporate value expansion with sustainable growth.

In January 2018, IICEF initiated collective engagements under the engagement agenda "Materiality Identification and Disclosure Regarding Business Model Sustainability." In July, IICEF started sending engagement agenda letters titled "Request to Companies That Have Caused Scandals Calling for Disclosure of Information and Collective Engagement with Their Outside Directors." In October, IICEF started sending letters regarding "Causal Analysis and Taking Action Regarding General Shareholder Meeting Proposals That Incur a Considerable Number of Opposing Votes" and "Disclosing the Need for Takeover Defense Measures in Light of Risks of Declining Capital Market Valuations."

■ Participated in the Institutional Investors Collective Engagement Forum (IICEF) as a founding member



Collective engagement — For companies in Japan and overseas

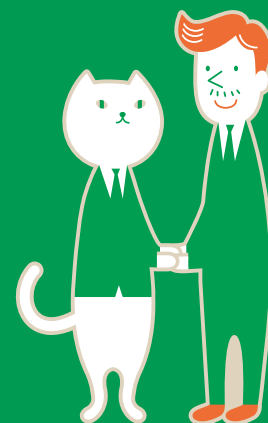
Since 2016, we have been taking part in the UNGP Reporting Framework Investor Initiative at the Collaboration Platform established by the Principles for Responsible Investment (PRI), and have initiated activities intended to help increase stock value in part by requesting that companies disclose information on their human rights initiatives and also by urging companies to carry out initiatives that raise awareness of human rights and appropriately address risks involving human rights.

Later in fiscal 2017, we jointly signed the "Investor Expectations Statement on Labour Standards in the Supply Chain" mainly focusing on risks pertaining to climate change and supply chains, and took part in the "PRI-Ceres Collaborative Engagement on Cattle-Linked Deforestation" and "Engagement on Climate change transition for oil and gas." We participated in Climate Action 100+ in fiscal 2018, and have been promoting activities.

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



Asset Management Unit of Resona Bank clearly distinguishes between the roles of dialogue and engagement. Accordingly, we define dialogue as “the act of promoting mutual understanding through two-way communication between companies and investors” and define engagement as “the act of achieving results by deciding on issues to be addressed and discussing such issues with the aim of finding solutions.”

Active investment fund managers and analysts, and the Responsible Investment Group, 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.

Passive investment for Japanese equity

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.

Active investment for Japanese equity

We conduct engagement with investee companies tailored to their realities, from the perspective of conducting dialogue with them in order to gain greater confidence in our investment decisions, in addition to performing analysis of such entities in accordance with our own investment philosophy, and urging them to enhance corporate value.

Active investment for Japanese fixed income

We endeavor to avoid exposure to unanticipated credit risk that could materialize during the time before redeeming bonds by conducting dialogue and engagement geared to pinpointing potential risks with respect to corporate issuers and gaining a shared awareness of challenges with such issuers.

Resona Bank’s active investment fund managers and analysts, and its Responsible Investment Group, initiated approximately 4,000 instances of contact with investee companies for the year spanning July 2017 to the end of June 2018. Of that number, such contact included instances of dialogue and engagement whereby we visited investee companies or otherwise had investee companies visit Resona Bank. The number of instances of such contact (number of companies) is as stated in the table below.

[Total number of dialogues and engagements conducted]

1,873

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

Passive investment for Japanese equity [Responsible Investment Group]	63 (49)	163 (137)
Active investment for Japanese equity [Fund managers and analysts]	1,487 (687)	63 (28)
Active investment for Japanese fixed income [Fund managers and analysts]	81 (47)	16 (13)

Passive investment for Japanese equity – Dialogue and engagement



Passive investment for Japanese equity – Dialogue

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

Continuing on from last year, we have been holding dialogue with numerous companies with respect to assessing the effectiveness of boards of directors. Having found there to be many cases where corporate governance reports have been providing insufficient content on effectiveness assessments, we have been striving to affirm whether or not companies are properly implementing PDCA cycle practices.

Also, given that director compensation is an important topic, we initiated dialogue with many companies. In carrying out dialogue with companies that are considering the prospect of adopting performance-linked stock compensation plans, our discussions delved into matters such as how their medium-term management plans link compensation to key performance indicators, and how aspects of ESG issues are reflected in their performance-linked compensation. In addition, we also asked that documents such as convocation notices for shareholders meetings disclose comprehensible details regarding payments of performance-linked compensation and how such amounts are actually linked to performance.

Topics of dialogue

Topics	Ratio	Content
Topics related to proposal at the shareholders meeting	39%	Explanation on the company's proposals and shareholders' proposals; explanation on the increase in the number of internal directors; explanation on the stock compensation for outside directors
Content of the business model	13%	Management integration and restructuring; explanation of medium-term management plan
Status of governance	25%	Replacement of management teams; effectiveness assessment of boards of directors; compensation-related (ratios of fixed to performance-linked, performance-linked compensation, stock compensation); outside executive-related (diversity, independence, methods of appointment, etc.); establishment of optional committees; organization structure (transition to company with an audit and supervisory committee structure)
Long-term capital productivity	6%	Shareholder return policies; approaches to capital policy; approaches to policy-oriented stocks; plans for improving ROE
Addressing social and environmental issues	12%	Work environment improvements; effects of climate change on assets; disclosure to the CDP; TCFD initiatives
Anti-social behavior	1%	Status of surveys regarding scandals and initiatives going forward
Other	5%	Review of the shareholders meeting; information disclosure through integrated reports



Passive investment for Japanese equity – Engagement

The Responsible Investment Group held 163 engagement meetings with 137 investee companies over the period from July 2017 to June 2018. The meetings with investee companies have been focusing mainly on governance-related engagement and have been geared to bringing about improvement to corporate governance by selecting engagement issues tailored to realities of the respective investee companies, particularly in areas such as streamlining boards of directors and performance-linked compensation. Moreover, we have also been visiting investee companies that face a scenario where opposing votes are continually being cast against representative directors amid a situation where multiple outside directors have not been appointed. Our engagement issues at those meetings have involved urging such companies to bring about improvement by increasing their numbers of outside directors.

The table below shows our engagements on a percentage basis categorized by engagement topic of selected issues.

Topics of engagement		
Topics	Ratio	Content
Topics related to capital policy	11%	Approaches to capital policy (uses of excess cash holdings); approaches to cash flows, investment for future growth and shareholder returns; policies on selling policy-oriented stocks
Topics related to management strategies	1%	Medium-term management plan; M&A; business structural reform
Topics related to environmental issues	16%	Deforestation; reduction of greenhouse gas emissions
Topics related to social issues	14%	Human rights issues in supply chain management (child labor and forced labor); the Work Style Reform
Topics related to corporate governance	25%	Effectiveness assessments of boards of directors; enhancement involving independent outside directors; streamlining of boards of directors; performance-linked compensation
Topics related to anti-takeover measures	13%	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 information disclosure	17%	Preparation and enhancement of integrated report; enhancement of disclosure of environment-related information
Topics related to prevention of anti-social behavior	3%	Status of surveys regarding scandals and initiatives going forward

In August 2017, we initiated engagements pertaining to environmental and social issues under the topic of procurement of sustainable palm oil. These efforts are featured beginning on page 24.



(Engagement session with company representatives)

Active investment for Japanese equity – Dialogue and engagement



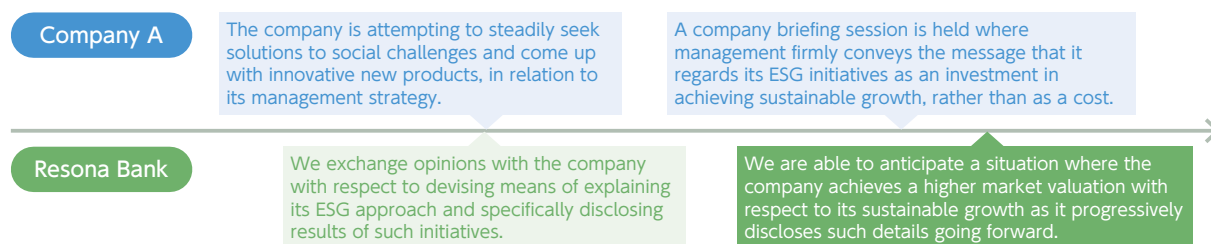
Active investment for Japanese equity – Dialogue

In this section, we profile the way in which our fund managers and analysts handling active investment for Japanese equity conduct dialogue with investee companies regarding the issues at hand. We conduct dialogue with investee companies focusing on their management teams on topics encompassing non-financial factors that effectively help bring about gains in corporate value over the long term, drawing on processes that embody an investment philosophy that Resona Bank's asset management teams have developed over many years.

Examples of such dialogue are provided below.

[ESG management undertaken to achieve sustainable growth] Company A (manufacturer of chemical-related consumer goods)

Company A actively takes on ESG initiatives and accordingly regards them as material issues given that the company's social impact extends across the realms of raw materials procurement, production and waste disposal. As such, we deem that the company could further heighten its market value by making more investors aware of its efforts.



[Sustainable growth achieved by enhancing competitive strengths] Company B (optical equipment manufacturer)

Although Company B wields strengths with respect to managing effectively due to its steadfast efforts to improve operations, there are other companies that have achieved better results through similar entities overseas. We reckon that this company will be able to further enhance its competitive strengths if it incorporates the positive aspects of those similar entities.



[Management strategy] Company C (rental housing brokerage and management company)

Company C is a rental housing brokerage and management company that operates throughout Japan. We deem that it has potential to achieve sustainable growth given its consistent sources of revenue and progress being made in diversifying its product lineup.



Active investment for Japanese equity – Engagement

As noted earlier, Resona Bank defines engagement as, “the act of achieving results by deciding on issues to be addressed and discussing such issues with the aim of finding solutions.”

Our active investment for Japanese equity involves conducting engagement with respect to some investment funds. Moreover, we are working to gain additional value added by partnering with companies that specialize in engagement.

Fund managers handling such investments conduct engagement upon having defined various issues specific to investee companies. The table below shows such issues grouped by specific topic. The primary topic has been that of business strategy geared to improving profitability, followed by the topic of improving capital efficiency.

Topics of engagement

Topics	Ratio
Profitability improvement / Business model / Business strategy	66%
Capital efficiency improvement / Capital policy	22%
Abolition of anti-takeover measures	12%

The following section profiles specific examples of our engagement initiatives.

[Profitability improvement and capital efficiency improvement] Company D (multifunction printer manufacturer)

Company D controls the top market share worldwide of high-end multifunction printers (MFPs). Our efforts to conduct engagement with the company involve gaining a shared awareness of the challenges faced by the company in terms of improving its profitability and capital efficiency, and accordingly encouraging it to implement measures.

Company D

The company endeavors to make positive changes in terms of its governance practices. Such changes involve having a greater proportion of outside executives on the board and having an outside director serve as the chairperson of the compensation committee.

The company exchanges opinions with us regarding its expectations of such changes, and also regarding its need to develop a clear growth strategy encompassing sales of its non-core assets and profitability improvement. We accordingly affirm that the company's awareness of the issues aligns with ours.

Resona Bank

The company's financial results have been deteriorating as a result of it having been slow to address changes taking place in the external environment in the form of a shrinking office machine market. It needs to address the issue of governance amid a situation where it has failed to implement appropriate measures.

We put together a discussion paper on Resona Bank's point of view as a stakeholder, and continually exchange opinions with the CFO and investor relations personnel.

We continue to conduct engagements while monitoring the extent of progress made in increasing corporate value as a result of implementing the initiatives going forward.

[Business strategy and capital efficiency improvement] Company E (telecom solutions provider)

Company E is a major telecom solutions provider that generates approximately 50% of its sales serving major telecommunications companies. Our efforts to conduct engagement with the company involve gaining a shared awareness of the challenges faced by the company with respect to overhauling its business strategy and improving its capital efficiency, and accordingly encouraging it to implement measures.

Company E

The company streamlines its operations by restructuring operations that overlap among the respective subsidiary holdings, which involves transitioning to an in-house company framework structured around fields of business.

The company acquires a solutions provider in western Japan and otherwise progress is made in industry realignment.

Resona Bank

Given that the company's holdings consist of subsidiaries, some of which lack sufficient profits, it will be able to further streamline operations through business reorganization.

We hold discussions with the company's directors and investor relations personnel in part regarding industry realignment taking place in western Japan, and accordingly the need to streamline balance sheet assets particularly by reassessing property, plant and equipment.

We anticipate a situation where the company achieves improving profitability going forward.

Active investment for Japanese fixed income – Dialogue and engagement

In our meetings with corporate issuers we have expanded discussions to cover more topics on ESG issues in the medium to long term, in addition to topics related to business results and financial strategy. We hope to avoid unanticipated credit risk that could materialize during our investment period until redemption by recognizing potential risks involving such corporate issuers and gaining a shared awareness of challenges with such issuers.

We conduct dialogue and engagement to corporate bond issuers for potential new investments and those that are already included in our investment portfolio. Our ESG engagement with corporate issuers involves having such entities and the Responsible Investment Group jointly adopt the two topics on climate change and supply chain, and then deciding on several subtopics from the perspective of fixed income investment. Accordingly, we aim to urge corporate issuers to take action to avoid unwarranted risk and encourage disclosure, so that the potential medium- and long-term risks affecting to issuers are eliminated.

[Subtopic: Decarbonization] Company F (electric power company)

Company F has been curbing operations that involve generating electricity using nuclear power. Meanwhile, we have been conducting dialogue 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 F

The company's point of view is that coal-fired power is a key and consistent source of low-cost electric power considering the overall electric power mix within the framework of Japan's Basic Energy Plan.

Resona Bank

We engage in dialogue with the company regarding its future energy mix, amid a scenario of growing negative sentiment internationally with respect to generating electric power using coal.

We convey our concerns regarding the prospect of the company's coal-fired power generation facilities being deemed as stranded assets, and request that the company disclose details that include requisite risks with respect to the prospect of drastically overhauling its energy mix amid a scenario where the company has opted against restarting its nuclear power facilities which would otherwise have acted as another consistent source of power.

[Subtopic: Aging society with a low birth rate]

When it comes to long-term bonds issued by railway companies electric power companies and other infrastructure-related entities, we have been checking their risk exposures involving challenges in maintaining universal services, particularly amid a prevailing scenario where it is becoming difficult for such entities to secure maintenance professionals due to Japan's increasingly aging society and low birth rate. Accordingly, we have been requesting that such entities appropriately disclose details on recognition to such matters and related countermeasures. Moreover, we have been asking that such entities convey information to capital markets during briefing sessions and other such forums in cases where they have taken specific action.

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 Group 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

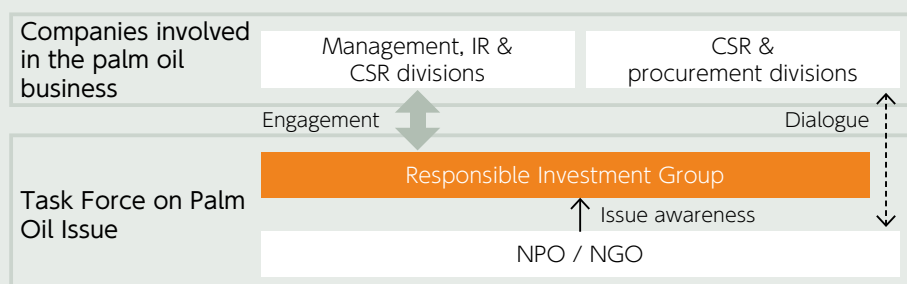


Detergents and cosmetics

August
2016

Launch of the Task Force on Palm Oil Issue

In August 2016, the Responsible Investment Group 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 11th meeting of the task force was held in December 2018.



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From
August
2017
onwards

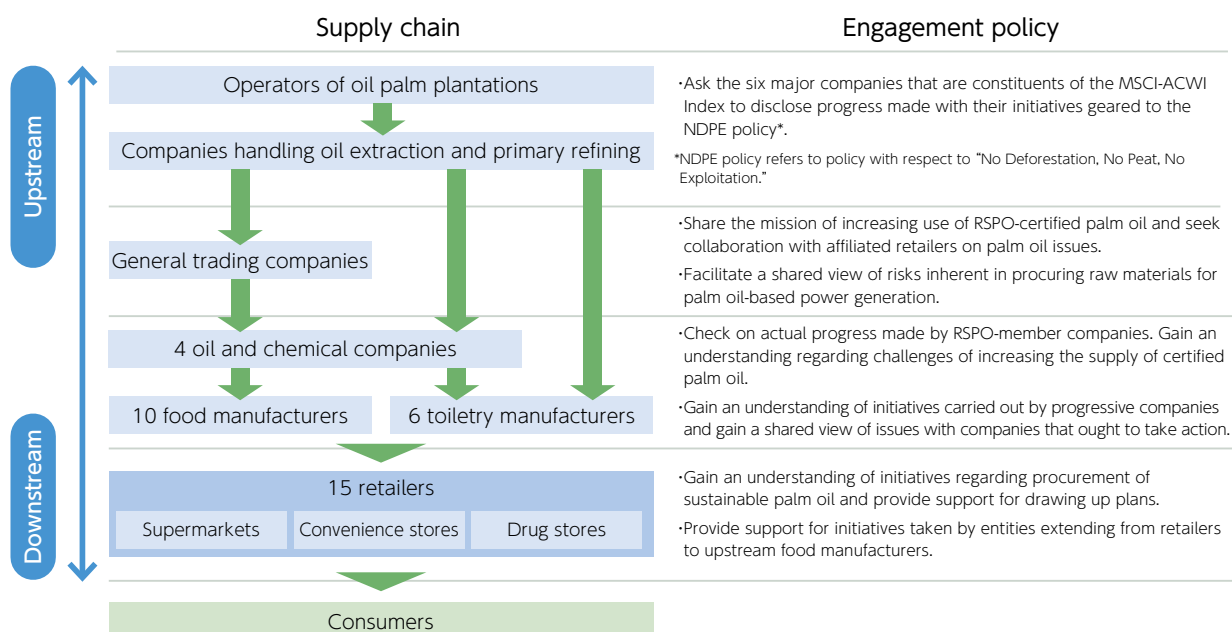
Meetings with investee companies involved in the palm oil supply chain

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.

More specifically, we have prepared a list of investee companies involved in the palm oil supply chain, and have accordingly visited and held meetings with a total of 35 such companies over the period running from August 2017 to June 2018, including 15 retailers, ten food manufacturers, six toiletry manufacturers and four oil and chemical 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.

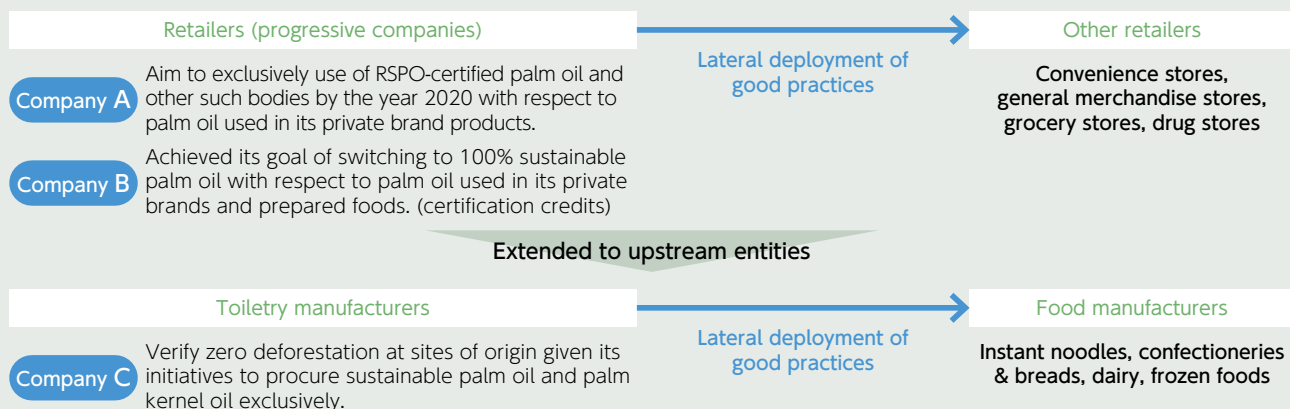
Supply chain and engagement policy

- 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

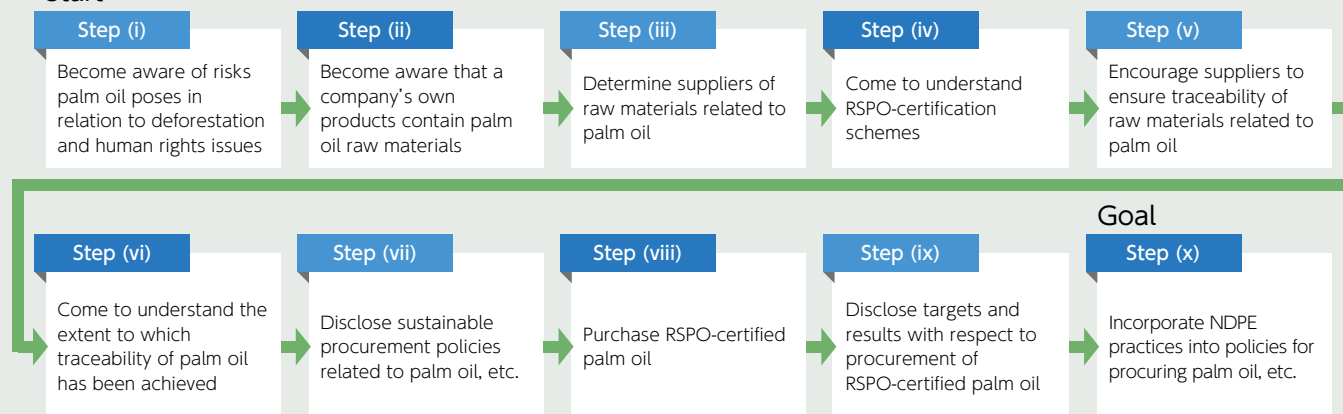
We encourage upstream entities who act as downstream entity suppliers to disclose information regarding palm oil, enlisting support from downstream entities.



■ 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 entire supply chains. 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 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.

Start



We confirm the extent to which investee companies that we undertake engagement are currently taking action with respect to the ten steps in the engagement process above, and provide support with respect to providing information to help such companies succeed in completing as many steps in the engagement process as possible.

4 oil and chemical companies

	Co. a	Co. b	Co. c	Co. d
Step (i)	○	○	○	○
Step (ii)	○	○	○	○
Step (iii)	○	○	○	○
Step (iv)	○	○	○	○
Step (v)		○		
Step (vi)		○		
Step (vii)		○		
Step (viii)		○		
Step (ix)				
Step (x)				

10 food manufacturers

	Co. (1)	Co. (2)	Co. (3)	Co. (4)	Co. (5)	Co. (6)	Co. (7)	Co. (8)	Co. (9)	Co. (10)
Step (i)	○	○	○	○	○	○	○	○	○	○
Step (ii)	○	○	○	○	○	○	○	○	○	○
Step (iii)	○	○	○	○	○	○	○	○	○	○
Step (iv)	○	○	○	○	○	○	○	○	○	○
Step (v)							○			
Step (vi)							○			
Step (vii)				○	○		○		○	○
Step (viii)				○	○		○		○	○
Step (ix)							○			
Step (x)							○			

6 toiletry manufacturers

	Co. (i)	Co. (ii)	Co. (iii)	Co. (iv)	Co. (v)	Co. (vi)
Step (i)	○	○	○	○	○	○
Step (ii)	○	○	○	○	○	○
Step (iii)	○	○	○	○	○	○
Step (iv)	○	○	○	○	○	○
Step (v)	○					
Step (vi)	○					
Step (vii)	○		○	○		
Step (viii)	○		○	○	○	
Step (ix)	○			○		
Step (x)	○					

15 retailers

	Co. (a)	Co. (b)	Co. (c)	Co. (d)	Co. (e)	Co. (f)	Co. (g)	Co. (h)	Co. (i)	Co. (j)	Co. (k)	Co. (l)	Co. (m)	Co. (n)	Co. (o)
Step (i)	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Step (ii)	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Step (iii)	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Step (iv)	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Step (v)		○													
Step (vi)		○													
Step (vii)		○	○						○						
Step (viii)		○													
Step (ix)		○													
Step (x)		○													



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■ Examples of engagements

In 2017, we conducted engagement with Company D and Company E, and the two entities joined the RSPO in 2018. Going forward, we plan to encourage the companies to disclose information on their actions for palm oil issues.



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January
2018

Meetings with overseas oil palm plantations operators

In January 2018, our analysts paid visits to six major oil palm plantation operators with head offices in Malaysia and Singapore, and held meetings at those locations. We checked on progress made with respect to NDPE policy, and gained a shared awareness of challenges inherent in seeking solutions to issues.

From
July
2018
onwards

Further extending the scope of companies targeted for engagement

In July 2018, we also began holding meetings with new engagement targets encompassing general trading companies, positioned upstream in the palm oil supply chain, and food service companies, positioned downstream.

In November 2018, we attended the annual RSPO meeting held in Kota Kinabalu, Malaysia. Going forward, we are committed providing support to more Japanese companies aiming to help put an end to deforestation and child and forced labor by using sustainable palm oil.



(Annual meeting of the RSPO)

In the years 2017 and 2018, many Japanese companies involved in the palm oil supply chain joined the Roundtable on Sustainable Palm Oil (RSPO).



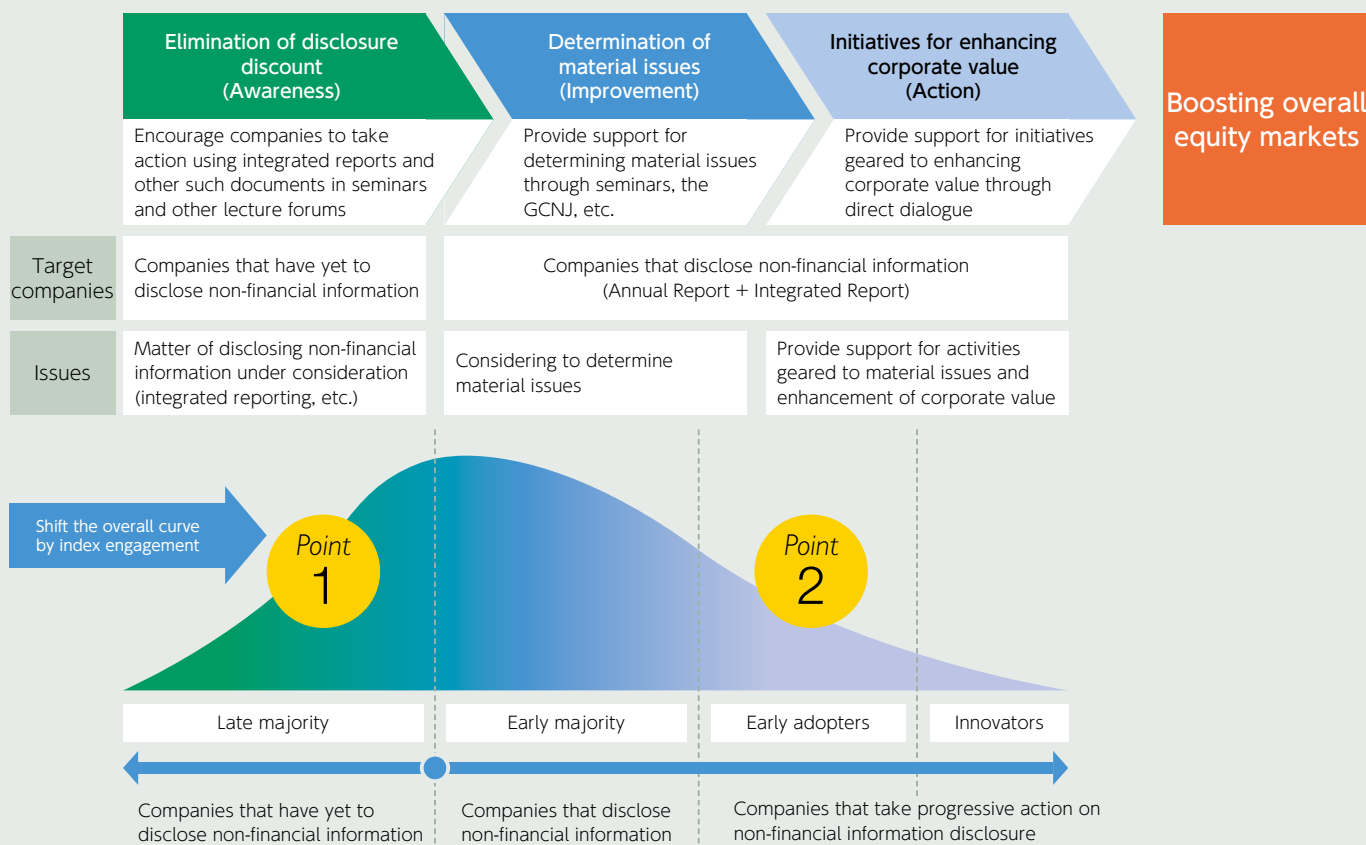
[What is the RSPO?]

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.

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.



■ Examples of questions concerning material issues (materiality)

We encourage companies to keep in mind the questions listed below when deciding how best to incorporate visions for the future, philosophy and materiality into specific plans.

- What is the company's approach to determine materiality of information with respect to your company (climate change, human rights, safety and health, diversity, suppliers, anti-corruption, etc.)? Please furnish details that are relevant to the business model.
- How do you determine materiality of KPIs, and what kinds of mechanisms and procedures have the company put in place with respect to achieving these KPI targets?
- How do you ensure that your management plan (medium-term management plan, etc.) and your management strategy (publicly released) reflect your anticipated vision for the future, management philosophy, long-term vision, materiality and other such elements? What are the key points on the company's awareness to the issues and specific strategies?

Point

1

Elimination of disclosure discount (Awareness)

We effectively build awareness by drawing on a network that includes companies which furnish support for drawing up integrated reports in conjunction with the Global Compact Network Japan (GCNJ), government agencies, experts and others. We also persuade companies that have yet to prepare non-financial information of the importance of such disclosure, and accordingly urge them to prepare integrated reports.

Accomplishments in FY2017 (April 2017 to March 2018)
Seminars featuring lectures, panel discussions, etc.

28 sessions

Number of attendees:

Approx. 3,000

Point

2

Determination of material issues (Improvement)

We provide support for determining material issues (materiality) through direct dialogue, and efficiently conduct engagement by using collective engagement.

Agenda

Determination and disclosure of material issues

We provide support for enhancing the long-term corporate value of Japanese companies by promoting awareness of material issues as called for by investors and helping to upgrade initiatives and disclosure.

Target

Companies that prepare integrated reports but have not appropriately determined material issues

We target companies that are early adopters, from among the companies that take progressive action with respect to non-financial information.

We heighten the effectiveness of corporate information disclosure by providing support to companies that take on the task of integrated reporting yet do not sufficiently disclose information on their business models and material issues.

Dialogue process

Direct dialogue and collective engagement (Collective Engagement Forum)

(1) Send letters to companies and conduct dialogue (collective engagement)

[Agenda]

Materiality Identification and Disclosure Regarding Business Model Sustainability

(2) Inform a wide range of companies by externally communicating the importance of disclosing non-financial information (company names and number of letters sent not divulged)

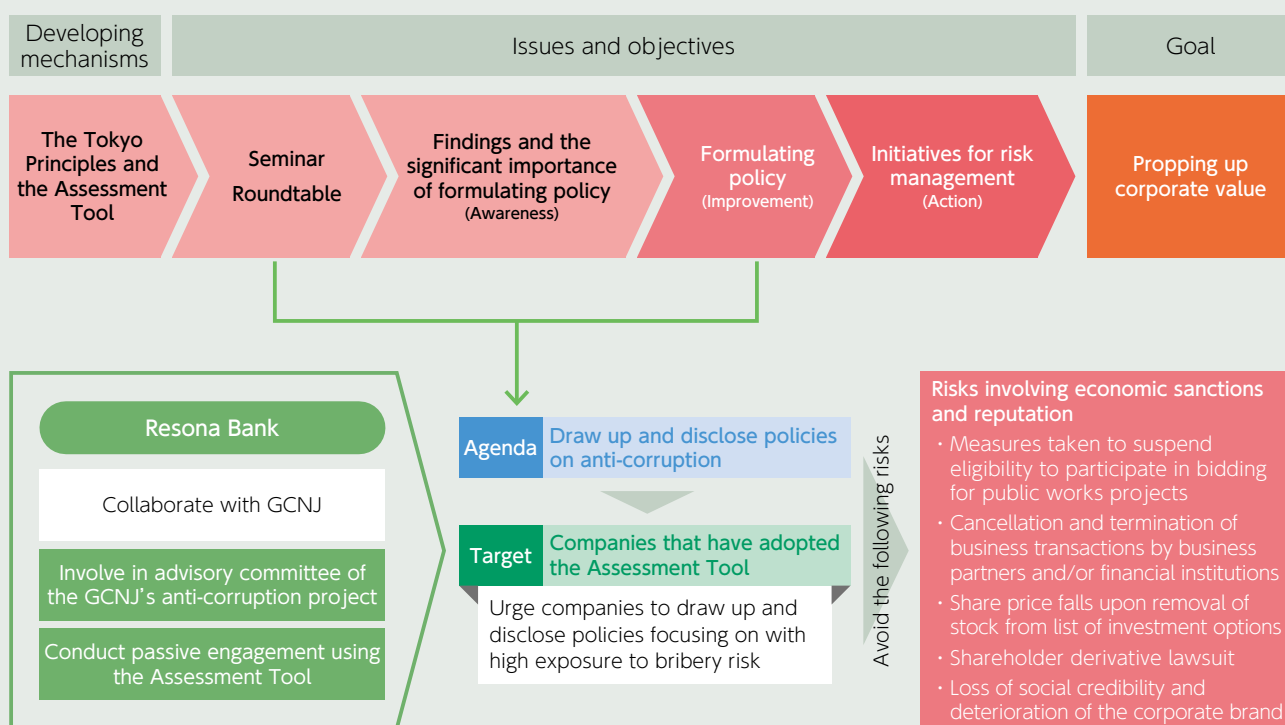
Objectives

Organizing and disclosing business models and material issues

Disclosure on anti-corruption practice (Anti-bribery)

■ Anti-corruption initiatives

- We are involved in efforts initiated by companies (the Tokyo Principles on collective action).
- As an investor, we support the Global Compact Network Japan (GCNJ) that carries out activities geared to making collective action proposals for anti-corruption with respect to Japanese companies as part of the Siemens Integrity Initiative worldwide project on collective action to combat corruption.
- Through such activities we urge companies to disclose information and to draw up the policy.



Steps for assessment performed on the basis of the Anti-Bribery Assessment Tool



Investors are expected to make practical use of the Assessment Tool in selecting, or conducting engagement with, investee companies to effectively and efficiently obtain and evaluate necessary information concerning the status of overseas anti-bribery efforts required to the investee companies.

Enhancement of corporate governance

■ Vision of good governance practices sought by Resona

- 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 regarded as a value-creating enterprise are those that generate earnings in excess of their costs of capital over the medium to long term by focusing on benchmarks such as market capitalization as a measure of shareholder value and economic value, and discounted cash flow (DCF) in the form of the present value of the company's expected future cash flows calculated using a discount rate.

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) Extracted from Ito Review

■ Examples of questions to investee companies on governance

We believe the notion of ensuring that management aims to sustainably generate value hinges on striking an appropriate balance between autonomy and heteronomy. In terms of adopting corporate governance mechanisms as 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 the outside directors? Furthermore, what other factors 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 compensation)? Do you think it is appropriate to provide outside directors with performance-linked compensation or stock compensation?
- 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?

Recently we have been enhancing our engagement efforts by sending letters to outside directors and conducting meetings.

Engagement Plan for FY2018



Future plans for dialogue and engagement (from July 2018 to June 2019)

Going forward, we will persist in our efforts to conduct dialogue and engagement for our passive and active investment in Japanese equity, and active investment for Japanese fixed income, and concurrently will aim to raise the bar. We also plan to carry out collective engagement geared to companies in Japan and overseas. Our plans in the three realms of investment are described as below.

Japanese equity/ passive investment

In addition to the dialogue and engagement issues we have been addressing, we plan to redouble our engagement efforts in certain areas in light of revisions that have been made to Japan's Corporate Governance Code. For instance, we intend to enhance our engagements involving governance practices cognizant of outside director independence and diversity, and engagements in the realm of capital productivity, particularly in terms of policy-oriented stocks with an eye toward cost of capital. With respect to our engagements on environmental and social issues, we continued addressing the palm oil issues and simultaneously we have chosen some new topics.

Japanese equity/ active investment

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

Japanese fixed income/ active investment

We plan to enhance our dialogue and engagement with respect to medium- to long-term ESG issues in order to keep building awareness of potential risks involving such corporate issuers.

As for collective engagements to Japan and overseas companies, we plan to keep taking part in collective engagements by using platforms such as PRI and the Institutional Investors Collective Engagement Program.



New engagement agenda for FY2018



Board diversity

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.

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



Marine plastic pollution

The issue of marine plastic pollution has been attracting a lot of attention. Hazardous effects of microplastic waste in our oceans on ecosystems of marine organisms are becoming to be global concerns. We are now visiting investee companies in industries such as retail, food manufacturing and toiletry manufacturing, whose business involves plastic items such as shopping bags, containers, PET bottles and straws. We have accordingly started to conduct engagements to check on progress such companies have made with respect to initiatives.



Food safety (factory farming and antibiotic drug resistance)

The use of antibiotics in poultry farms has been attracting attention amid concerns about preventing drug-resistant bacteria from infecting food products. Recent studies conducted by the European Centre for Disease Prevention and Control (ECDC) have continually revealed that bacteria resistant to common antibiotics are being found in humans, plants and animals across the board, and have accordingly taken the view that this constitutes a substantial threat to human society. As such, we have signed the FAIRR Global Investor Statement on Antibiotics Stewardship, and concluded with the aim of helping to draw up comprehensive policies on administration of antibiotics for non-therapeutic use in the livestock, seafood and poultry supply chains.



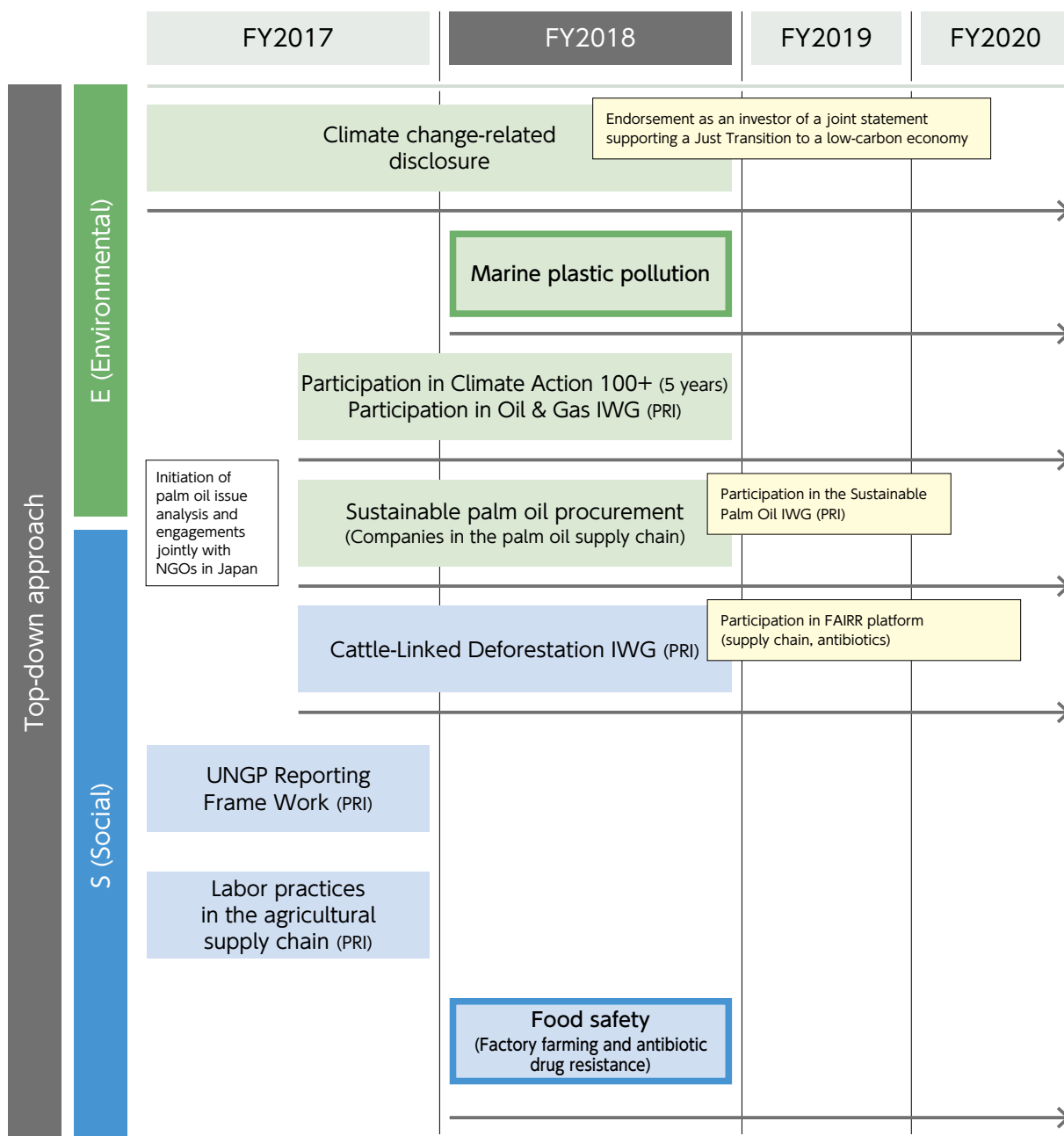
(Responsible Investment Group meeting)



Determining issues and action plans — FY2018 (July 2018 to June 2019)

In FY2018 we will take action that connects internalities and externalities geared to both global and local issues, 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 take a holistic 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.



PRI: PRI collective engagement

FAIRR: Farm Animal Investment Risk and Return

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.

		FY2017	FY2018	FY2019	FY2020
Bottom-up approach	G (Governance)	Promotion of anti-corruption measures			
		Enhancement of governance • Business model • Board composition • Capital productivity, policy-oriented stocks and cost of capital • Anti-takeover measures • Disclosure • Anti-social behavior			
			Board diversity		
			IICEF (Scandal-plagued companies)		
			IICEF (Companies whose shareholders cast votes largely in opposition to proposals)		
	D (Disclosure)	Enhancement of disclosure on non-financial information (Rectifying disclosure discount)			
			IICEF (Enhancement of disclosure on non-financial information)		

IICEF: Institutional Investors Collective Engagement Forum

Proper Proxy Voting as a Trustee



As an institutional investor, Resona Bank 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.

■ Composition of the board

- 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 Bank's website for specific 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.resonabank.co.jp/nenkin/sisan/giketu/index.html>

■ Revised proxy voting guidelines (from July 2017 to June 2018)

Japanese equity

(i) More stringent standard on anti-takeover measures

We seek independence of the board of directors extending beyond a certain level in the form of objective standards for making it possible to eliminate the prospect of arbitrary action by management. Accordingly, we have changed wording in this regard to, "we will oppose boards of directors whose membership does not consist of at least two independent outside directors comprising no less than 20% of the membership," from the previous wording whereby "we will oppose boards of directors whose membership does not consist of at least two outside directors."

(ii) Addition of standard pertaining to companies that have parent companies or controlling shareholders

We have added content related to boards of directors such that "we will oppose appointments of representative directors of companies that have a parent company or controlling shareholder unless at least one-third of the company's appointments to its board of directors are independent outside directors."

(iii) More explicit standard pertaining to insufficient disclosure

Whereas we would previously vote against a proposal when we lacked sufficient information to make voting decision, now under other matters we state that "we will vote against a proposal if disclosure regarding the proposal is insufficient and inadequately explained."

Global equity ex. Japan

- With respect to director appointment, we have changed the wording from the previous "outside directors should preferably participate in boards of directors" to "companies should preferably appoint multiple independent outside directors to their boards of directors." Moreover, we have added the wording, "companies should preferably ensure that their boards of directors and respective committees (audit, compensation, nominating and other committees) sufficiently maintain independence."
- We have added wording related to dialogue and engagement similar to that applicable to Japanese equity.



Results of proxy voting

Japanese equity: Totals listed by major proposal type

Please refer to the following bar charts for details on our voting record listed by major proposal type with respect to Japanese equity at shareholders meetings held during the period from July 2017 to June 2018. 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 Proxy voting on company proposals

We voted on a total of 21,195 company proposals during the fiscal year, which amounts to 284 fewer proposals in comparison with the previous year largely due to a decrease in the number of proposals related to reverse stock splits. Also, we voted on 159 shareholder proposals, which amounts to 40 fewer proposals in comparison with the previous year. Comparisons with respect to appointments of directors and appointments of corporate auditors in this report have been made on the basis of each candidate counting as one proposal.

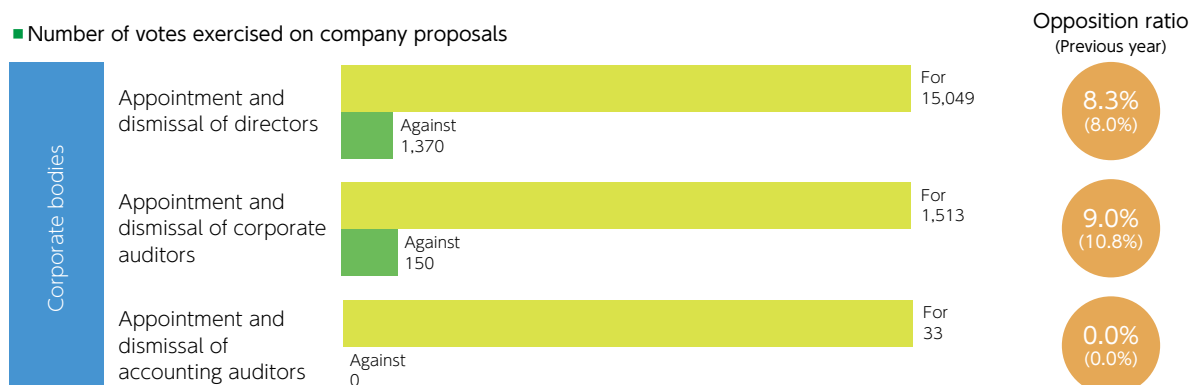
Our opposition ratio in terms of the percentage of votes cast against company proposals in total was 8.6%, which is 0.2 of a percentage point lower than in the previous year. Our analysis indicates that the decrease was due to a lower opposition ratio with respect to voting on appointments and dismissals of corporate auditors and voting on payments of retirement bonuses for retiring officers, and despite having implemented more stringent voting guidelines regarding appointments of directors and anti-takeover measures.

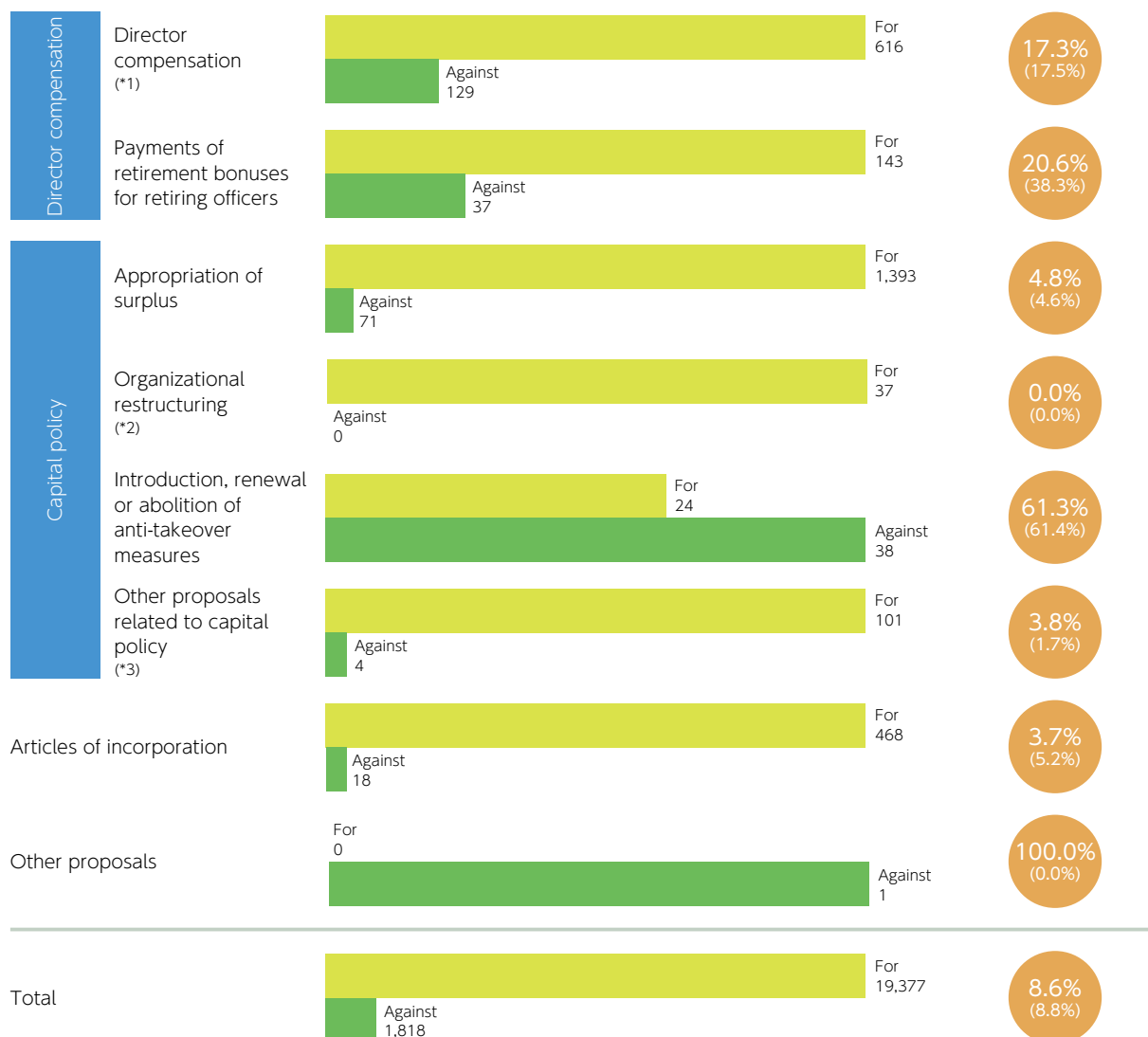
Proxy voting for:
21,195 proposals
 21,479 proposals (Previous year)
 Opposition ratio:
8.6 %
 8.8 % (Previous year)

■ Status of the proxy voting by type of proposal

Appointment and dismissal of directors	We voted against these proposals in instances where conclusions of our deliberations indicated the presence of issues particularly with respect to propriety and appropriateness regarding the compositions of boards, and propriety of considerations regarding business results, capital efficiency and independence of outside directors. Our ratio of votes in opposition to such proposals increased somewhat as a result of having implemented more stringent standards particularly with respect to companies that have parent companies, and despite progress having been made in terms of companies appointing highly independent outside directors.
Appointment and dismissal of corporate auditors	Our ratio of votes in opposition to such proposals decreased as a result of progress having been made in terms of companies appointing highly independent outside corporate auditors, although we did vote against proposals in instances where conclusions of our deliberations indicated the presence of issues particularly with respect to propriety regarding the independence of outside corporate auditors. Moreover, we voted against appointments of representative directors when insufficient explanations were given for reducing total numbers of corporate auditors and outside corporate auditors, given that responsibility rests with boards of directors when it comes to developing governance frameworks encompassing corporate auditors.
Director compensation	Our ratio of votes in opposition to such proposals remained largely unchanged in comparison with the previous year. However, we voted against proposals that involved paying officer bonuses and granting stock options to officers such as outside directors and corporate auditors upon having deliberated on matters of propriety particularly with respect to standards and mechanisms for director compensation.
Payments of retirement bonuses for retiring officers	We voted for these proposals in instances where companies were to discontinue such bonus payments due to terminating their retirement bonus plans, having deemed that such initiatives were evidence of steps to strengthen corporate governance even when such payments were to be made to officers such as outside directors and corporate auditors. Our ratio of votes in opposition to such proposals decreased substantially amid a decline in the number of such proposals given that many of the plans involving such payments to officers such as outside directors and corporate auditors have been discontinued.
Appropriation of surplus	Our ratio of votes in opposition to such proposals remained largely unchanged in comparison with the previous year. However, we voted against proposals in instances where conclusions of our deliberations indicated the presence of issues particularly with respect to propriety of standards for shareholder return policies and retained earnings. Moreover, we voted against proposals for reappointing directors in instances where we found there to be issues with respect to companies where decisions on paying dividends are made by boards of directors rather than at shareholders meetings.
Introduction, renewal or abolition of anti-takeover measures	We thoroughly considered the notion of whether or not aims and specifics in regard to such proposals would contribute to enhancing shareholder value. Accordingly, we voted against these proposals in instances where we deemed that a proposal's implementation and administration would not ensure a framework or mechanism that would objectively and adequately produce findings from the standpoint of minority shareholders. Our ratio of votes in opposition to such proposals remained roughly the same in comparison with the previous year as a result of companies making improvements with respect to independence of their boards of directors, and despite more stringent voting guidelines regarding anti-takeover measures.

■ Number of votes exercised on company proposals





*1. This includes changes to amounts of director compensation, issuance of stock options, adoption and changes regarding performance-linked compensation plans and director bonuses.

*2. This includes mergers, transfer of business, share swaps, share transfers and corporate splits.

*3. This includes acquisitions of treasury stock, decreases in statutory reserves, new share allocations to third parties, decreases in capital, reverse stock splits and issuance of classified stock.

2 Proxy voting on shareholder proposals

We thoroughly considered the notion of whether or not shareholder proposals would contribute to enhancing shareholder value over the medium to long term, and whether or not they would better protect the rights of shareholders. Meanwhile, our guidelines on proxy voting placed consideration particularly on the notion of whether or not respective companies meet our standards in terms of their governance frameworks and financial practices. As a result of these efforts, we voted in favor of proposals for making partial amendments to articles of incorporation (shortening directors' terms of office, means of adopting anti-takeover measures, establishing optional committees) and those for discontinuing anti-takeover measures.

■ Number of votes exercised on shareholder proposals





Results of proxy voting

Global equity (ex. Japan): Totals sorted by proposal type

The following bar charts show details on our voting results sorted by proposal type with respect to global equity at shareholders meetings during the period from July 2017 to June 2018.

1 Proxy voting on company proposals

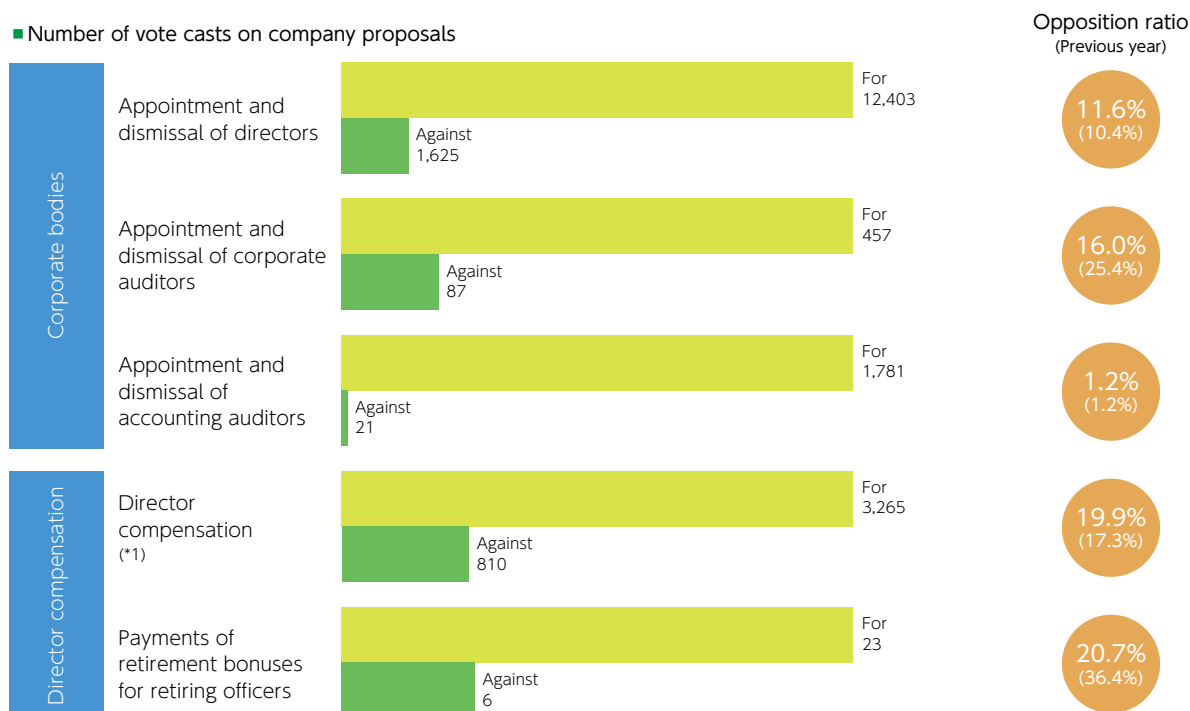
Resona Bank deliberated on proposals and exercised its proxy voting for 2,421 companies during the course of 2,960 shareholders meetings. Our opposition ratio in terms of the percentage of votes cast against company proposals in total was 11.7%, which is slightly higher than in the previous year.

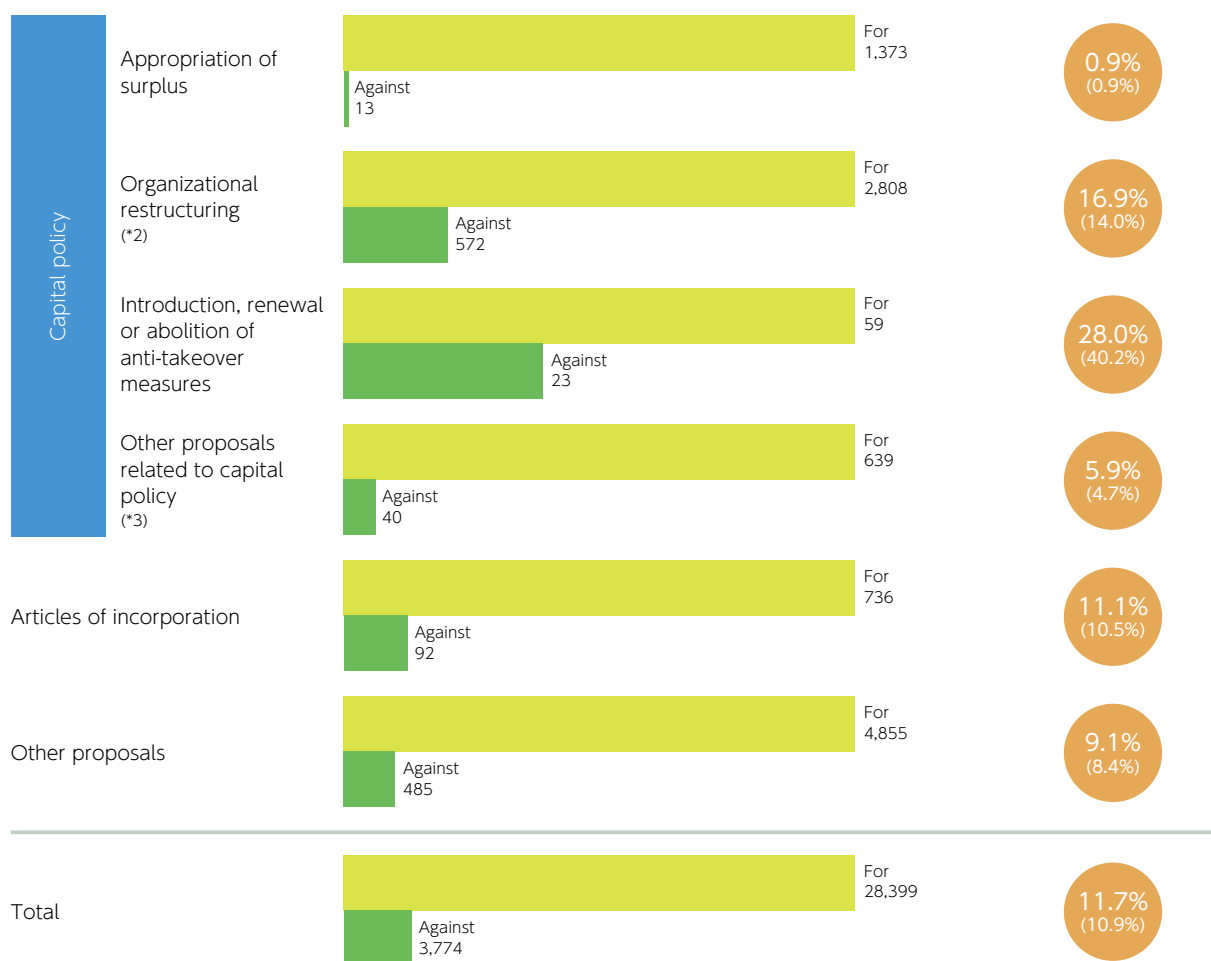
Proxy voting for:
32,173 proposals
 31,714 proposals (Previous year)
 Opposition ratio:
11.7 %
 10.9 % (Previous year)

■ Status of the proxy voting by proposal type

Appointment and dismissal of directors	We voted against 11.6% of such proposals (slightly higher than the previous year). 58% of proposals involved companies in the Americas region encompassing the United States, Canada and South America, another 25% involved companies in the Europe, Middle East and Africa (EMEA) region, and another 18% involved companies in the Asia-Oceania region. We voted against proposals where there seemed to have concerns on independence of outside directors, where independence of boards of directors was not sufficiently ensured, and where there were long-serving director candidates in poorly performing companies. As for the United States, we voted against governance committee candidates that prohibit shareholder to amend the articles of incorporation and also against director candidates up for reappointment when proposals for director compensation (say-on-pay) had been insufficiently addressed.
Director compensation	We voted against 20% of proposals (slightly higher than the previous year). The Europe, Middle East and Africa (EMEA) region accounted for 48% of the proposals on director compensation, with the Americas region encompassing the United States, Canada and South America accounted for 32%. We voted against such proposals in cases where insufficient explanations were given with respect to disclosures of standards for achieving objectives and reasons for year-on-year increases in officer compensation. Our opposition ratio was particularly high in France where we voted against 30% of the proposals. Meanwhile, we voted against 10% of the proposals in the United States.

■ Number of vote casts on company proposals





*1. This includes changes to amounts of director compensation, issuance of stock options, adoption and changes regarding performance-linked compensation plans and officer bonuses.

*2. This includes mergers, transfer of business, share swaps, share transfers and corporate splits.

*3. This includes acquisitions of treasury stock, decreases in statutory reserves, new share allocations to third parties, decreases in capital, reverse stock splits and issuance of classified stock.

2 Proxy voting on shareholder proposals

By country, 40% of the shareholder proposals was for US companies and 30% was for Chinese companies. Our approval ratio on shareholder proposals was substantially higher compared to the previous year. The increase attributed to a 77% approval ratio with respect to shareholder proposals in the United States, which is a gain of 10% compared to the previous year.

There was a wide range of shareholder proposals filed in the United States, of which 56% pertained to governance and shareholder rights, 34% pertained to disclosure requirements particularly in terms of environment, social and political contributions, and 9% pertained to disclosure requirements involving director compensation. Our approval ratio increased amid a situation where we voted in favor of 90% of the proposals relating to shareholder rights, which included substantially more proposals filed in comparison to the previous year seeking to relax requirements on rights to convene extraordinary meetings of shareholders, and proposals seeking shareholder consensus by means of written consent.

Moreover, we encountered many shareholder proposals which asked the company to appoint independent chairman of the board. We voted in favor of shareholder proposals for companies with relatively unsatisfactory shareholder returns and companies beset with governance issues.

In addition, we voted in favor of all shareholder proposals seeking to address structural issues involving multiple classes of voting rights given the notion that numbers of voting rights should be proportional to economic value.

■ Number of votes exercised on shareholder proposals



Assessment of Responsible Investment and Stewardship Activities



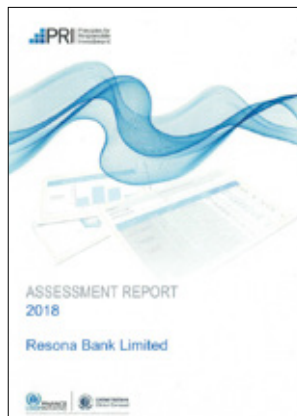
Annual assessment of Principles for Responsible Investment (PRI)

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 upgrade assessments.

Signatory of:



Our scores for the main assessment modules in the Assessment Report are as follows.



	2016	2017	2018
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	B	A

Resona Bank achieved the overall score of A+ for its initiatives geared to responsible investment in 2018, maintaining the highest rank. We also maintained an A+ score for ESG incorporation of listed equity. Resona Bank's assessment on proxy voting was up to A from B as a result of its quarterly disclosure of voting activities on individual companies and proposals, and for stating reasons for its voting activities.

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 Bank has established its basic policy on responsible investment with the aim of explicitly stating its approach to helping ensure greater profits 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.

Measures for self-assessment

Resona Bank's Policies regarding Japan's Stewardship Code stipulates that, "Resona Bank 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 Bank's responsible investment and stewardship responsibilities.

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 2017 to June 2018.

In September 2018, the Responsible Investment Committee held discussions on newly recognized issues and means of addressing those issues, upon having received reports on progress made with initiatives to address issues of the previous 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 strengthening our framework for fulfilling our stewardship responsibilities, in part by increasing the number of members dedicated to the Responsible Investment Group and by establishing and operating our responsible investment verification committee meeting for enhancing our framework for managing conflicting interests.
- We have been determining global issues from a medium- to long-term perspective, and accordingly initiating engagements on the basis of topics for addressing such issues. Meanwhile, we have been initiating engagements jointly with other institutional investors, which in Japan has involved taking part in the Institutional Investors Collective Engagement Forum (IICEF) and overseas has involved carrying out collective engagements with respect to PRI and taking part in Climate Action 100+.
- We have been overhauling guidelines on proxy voting both in Japan and overseas, and furthermore making decisions to give consideration to such efforts earlier on.

(ii) Operations of the Responsible Investment Committee

- Our assessment findings indicated that operations of the Responsible Investment Committee were handled appropriately.

(iii) Issues

With the aim of more effectively carrying out Resona Bank'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.

- We need to take action with respect to the Responsible Investment Committee to ensure that it is capable of advising and supervising geared to more effective stewardship activities. This will involve encouraging the committee's individual members to educate themselves, considering methods to ensure that the committee effectively shares information and knowledge as an organization, and carrying out meeting operations effectively.
- We need to enhance our means of sharing information and collaborating on stewardship activities extending across active and passive investment unit, and across equity and fixed income.
- It is important that we strengthen the distinctive attributes of Resona Bank with respect to our stewardship activities and properly transmit information.



Findings of surveys on stewardship activities

Prepared by Resona Bank based on Pension Plan Customer Satisfaction Survey for 2018 of the Newsletter on Pensions & Investment, published by Rating and Investment Information, Inc. (R&I), Issue No. 782, November 19, 2018.

Resona Bank achieves top ranking based on assessment of its stewardship activities

Resona Bank received the top ranking for its stewardship activities among 14 asset management companies that had obtained at least 30 responses to pension plan satisfaction surveys administered by R&I. The surveys assess investment activities in terms of engagement, enhancement of long-term corporate value, proxy voting and ESG factors.

Resona Bank was given high marks for stewardship activities as a leader in its industry. In particular, this has included our efforts to robustly promote activities geared to addressing environmental and social issues such that entail engagements carried out under the topic of procurement of sustainable palm oil, and also included efforts by Minoru Matsubara, Chief Manager of the Responsible Investment Group with respect to his chairing the Corporate Working Group of PRI Japan Network and also serving as chair of the Asset Management, Securities and Investment Banking Working Group of the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century).

■ Satisfaction with respect to stewardship activities

Rank	Asset manager	Satisfaction score	Responses	Responses expressing satisfaction (%)
1	Resona Bank, Limited	3.42	84	35.71
2	Sumitomo Mitsui Asset Management Company, Limited	3.39	41	31.71
3	Mizuho Trust & Banking Co., Ltd.	3.35	173	29.48
4	Mitsubishi UFJ Trust and Banking Corporation	3.34	243	32.10
4	Nissay Asset Management Corporation	3.34	74	29.73
6	Sumitomo Mitsui Trust Bank, Limited	3.30	229	27.95
6	Meiji Yasuda Asset Management Company Ltd.	3.30	43	27.91
8	Asset Management One Co., Ltd.	3.29	55	27.27
9	Tokio Marine Asset Management Co., Ltd.	3.23	31	19.35
10	Nomura Asset Management Co., Ltd.	3.21	38	21.05
11	Meiji Yasuda Life Insurance Company	3.19	135	20.74
12	The Dai-ichi Life Insurance Company, Limited	3.18	125	18.40
12	Nippon Life Insurance Company	3.18	177	19.77
14	SUMITOMO LIFE INSURANCE COMPANY	3.14	81	18.52

Note: Figures shown are based on aggregate survey results. The surveys were administered to the asset management companies that furnished 30 responses.

Viewpoints reflected in the pension plan satisfaction surveys

Survey period: From early July 2018 to early September 2018

Target: The surveys were administered to corporate pension plans, companies listed on the First Section of the Tokyo Stock Exchange and other major companies across Japan, and public pension plans

Responses and response rate: 467 surveys were collected for a response rate of 44.5%, more than 70% of which constituted corporate pension plans

Satisfaction score: Assessment on a scale of 1 to 5 (1 = extremely

dissatisfied; 5 = extremely satisfied)

Ranking: Number of points scored / number of responses

Responses expressing satisfaction (%): Percentage of responses indicating a satisfaction score of 4 or 5

Stewardship activity ranking: Satisfaction regarding "stewardship activities" is positioned as a component of "satisfaction with asset management capabilities," which in turn is a component of "satisfaction with the asset manager."

Clearly stated approaches and results of stewardship activities

— The first step to accountability

The verb “steward” means to manage or look after another’s property. Once appointed by European nobility to manage vast territories, stewards maintained responsibility for properly managing and developing assets held on behalf of owners. From the perspective of an asset manager, such stewardship entails duly interacting with investee companies who take the role of customers with assets, and accordingly helping to increase the value of those assets through engagements. Such initiatives epitomize the spirit of stewardship.

Never has that spirit of stewardship been more important than it is now, given that the corporate earnings are beginning to reflect the mounting effects of environmental, social and corporate governance (ESG) issues associated with corporate activities. This has particularly been the case in the year 2018 which saw a growing trend of populism stemming from expanding economic disparity and increasing dissatisfaction amid substantial damage caused by worldwide heavy rains and flooding. The notion that we might actually be witnessing the collapse of the very foundations that underpin economic activity seems conceivable at this point. Accordingly, investors are duly conveying such concerns to investee companies which in turn must be addressed in company strategies and business models.

The incorporation of ESG issues when undertaking investment is now carried out as a matter of course, given that such challenges pose a direct threat to investee companies, while also constituting opportunities. However, institutional investors who undertake investment in a wide-range of companies rather than in a single entity must take a step further in terms of considering externalities that have negative implications to the environment and society. Institutional investors must do so in order to protect clients’ assets. This mindset is called “universal ownership.”

Placing consideration on negative externalities and other ESG issues is rational approach from the perspective of universal owners, but such considerations are still not readily apparent when it comes to many other investors, particularly given that many people have yet to adopt that way of thinking. As such, those of us in the investment community need to transform our cultural inclinations in terms of making such considerations an expected and ordinary aspect of doing business. Accordingly, transforming our business culture needs to entail making such conduct a behavioral norm in the form of a predilection to consistently act in a certain way, such that becomes as natural as greeting others with the words “good morning” at the start of the day.

Resona Bank is working to develop such a business culture through efforts that have involved establishing its Responsible Investment Committee to regularly bring together individuals with such concerns to engage in discussions. For instance, Resona Bank has been carrying out extensive palm oil engagements by conducting dialogue with NGOs. Palm oils are associated with issues of biodiversity and human rights, and are also associated with climate change given that they constitute one of the major factors behind increasing greenhouse gas emissions stemming from deforestation. Given such concerns, Resona Bank has been having their engagement analysts actively visit many companies, which has had positive impact on business practices of their investee companies.

The positive outcomes of ESG investment are not readily apparent. For instance, it is particularly difficult to quantitatively and objectively gauge positive results generated by giving rise to greater sustainability of financial markets overall by reducing negative externalities. This is because negative externalities are normally not quantifiable. Given such realities, rather than measure such effects, it is important that they explain in practical terms the types of topics they have addressed and the types of engagements they have carried out. In so doing, they are able to show that they are fulfilling their stewardship role. Accordingly, I regard this report as a first step of demonstrating accountability.



Takeshi Mizuguchi

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Policies regarding Japan's Stewardship Code

Principle

1

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

As an institutional investor serving as an asset manager, Resona Bank has established its basic policy on responsible investment provided below, with the aim of explicitly stating its approach to helping ensure greater profits of its clients in the realm of managing trust assets and other investments from a medium- to long-term perspective.

We are committed to fulfilling our stewardship responsibilities pursuant to our basic policy on responsible investment, based on the notion that specific actions taken ensure responsible investment are equivalent to those taken to fulfill responsibilities of stewardship.

– Basic policy on responsible investment –

1. Basic policy

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

2. Purpose

This policy aims to encourage appropriate conduct as an approach to asset management strategy geared to increasing the value of trust assets and other investments, solely in the interest of beneficiaries.

3. Specific initiatives

Resona Bank takes following actions to put our ideas into practice:

- To incorporate ESG issues into investment process
- To have constructive dialogue¹ and engagement² with investee companies
- To appropriately initiate proxy voting as a trustee

At Resona Bank, we have established a code of conduct and professional ethics which we vow to adhere to and will attempt to instill in the course of carrying out initiatives in line with our basic policy on responsible investment. We will do so premised on our awareness that we must foster a corporate culture whereby employees who engage in asset management concurrently embrace the mission of the Asset Management Unit.

Principle

2

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

The Resona Group has established a Group management policy concerning conflicts of interest. Meanwhile, Resona Bank maintains a framework for ensuring that no conflicts of interest arise, either in terms of Resona Bank and companies of the Resona Group with respect to their clients, or otherwise arising between two or more clients. To such ends, in managing its operations Resona Bank stipulates management policy concerning conflicts of interest in accordance with the intent of Resona Group policy, and it also establishes preliminary management practices (encompassing divisional segregation of duties, disclosure to clients and updates to terms and conditions) upon having identified and classified transactions and other dealings that pose concerns regarding conflicts of interest. This is handled by an executive officer in charge of divisions for supervising conflict of interest management who acts as the person responsible for managing conflict of interest, operating under the supervision of the Board of Directors.

Resona Bank appropriately manages its responsible investment initiatives solely in the interest of beneficiaries. To that end, we develop both our regulations and frameworks in accordance with the aforementioned management policy particularly with respect to conflicts of interest that are foreseeable through such responsible investment initiatives, and we accordingly take an approach to asset management strategy geared to increasing the value of trust assets and other investments.

In particular, we take appropriate action as an asset manager upon having established certain management practices, which involves identifying potential scenarios, as described below, such that could conceivably give rise to conflicts of interest with the potential to substantially affect our selection of investee companies, dialogue carried out with such entities and proxy voting.

(1) Proxy voting with respect to shares owned through trust assets and other investments

[Conceivable scenario]

- The Corporate Banking Division has interfered with the Asset Management Unit in terms of its decision to vote for or against a proposal, or in terms of voting results, in the course of the Asset Management Unit conducting proxy voting pertaining to shares of a company with whom the Corporate Banking Division maintains a business relationship.

[Management practice]

- Segregate duties handled by the Asset Management Unit from those of the Corporate Banking Division
- Ensure independence of the voting process through measures that include establishing guidelines on proxy voting and having the Responsible Investment Committee hold discussions³
- Prohibit the Corporate Banking Division from interfering with the Asset Management Unit with respect to its proxy voting

- Place restrictions on personnel reassignments from the Corporate Banking Division to the Asset Management Unit
- Disclose information regarding guidelines on proxy voting, the voting process and voting results

(2) Selecting investee companies with respect to management of trust assets and conducting dialogue with such companies

[Conceivable scenario]

- The Corporate Banking Division has interfered with the Asset Management Unit in terms of the Asset Management Unit's decision to invest in marketable securities issued by a company with whom the Corporate Banking Division maintains a business relationship, and has also interfered with the Asset Management Unit's dialogue with the company.

[Management practice]

- Segregate duties handled by the Asset Management Unit from those of the Corporate Banking Division
- Adopt a stance whereby only certain asset management professionals are

allowed to make investment decisions in alignment with investment decision procedures that are geared to their individual asset management styles

- Prohibit the Corporate Banking Division from interfering with the Asset Management Unit with respect to its selection of investee companies and its dialogue with them
- Place restrictions on personnel reassignments from the Corporate Banking Division to the Asset Management Unit

(3) Investing in marketable securities issued by the Resona Group and proxy voting thereof

[Conceivable scenario]

- We have invested trust assets and other investments in marketable securities issued by the Resona Group, and furthermore conduct proxy voting of such shares.

[Management practice]

- Eliminate arbitrary aspects of making investment decisions by developing clear investment standards
- Eliminate the prospect of arbitrary practices by making use of a proxy voting advisor
- Disclosure the results of the proxy voting

Also, with the aims of securing the interests of our clients and preventing

conflicts of interest, we have established a governance framework as follows.

- We ensure neutrality with respect to proxy voting by having in-house administrative divisions that are independent of the Asset Management Unit quantitatively and qualitatively monitor frameworks and process for proxy voting, along with the appropriateness of the voting record, and having them subsequently report such findings to the responsible investment verification committee meeting.
- We draw on the knowledge of third parties with respect to responsible investment by taking steps to ensure the effectiveness of the Responsible Investment Committee which involves having external experts attend such meetings.
- We develop frameworks for further improving initiatives from the top-down which entails duly reporting the status of activities involving responsible investment encompassing proxy voting to the Board of Directors, Executive Committee and other such bodies, and bringing about a shared awareness of realities and issues with management teams.
- We have established the responsible investment verification committee meeting as a forum for gaining an external third-party perspective in verifying that responsible investment activities encompassing the proxy voting are carried out appropriately, from a standpoint enhancing neutrality and independence with respect to our governance framework.

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

In making investment decisions, holding dialogue and carrying out the voting process, our asset management professionals (analysts and fund managers) and the Responsible Investment Group accordingly take steps to understand the issues at hand by examining and reviewing particulars relating to corporate strategy, business results, capital policy, and risks and opportunities particularly with respect to environmental, social and corporate governance (ESG) issues.

In carrying out active investment, we analyze the effectiveness of such investment in accordance with our own investment philosophy with the aims of gaining greater confidence in our investment decisions and helping individual companies to enhance their corporate value through our engagements.

In carrying out passive investment, our approach involves enhancing market value with respect to sum total corporate value and helping to achieve a sustainable society as a precondition for conducting corporate activities. From that perspective, we monitor initiatives geared to improving corporate governance (G) and addressing environmental (E) and social (S) issues, with respect to all of the investee companies in which we maintain holdings.

Resona Bank verifies whether it accurately and effectively monitors circumstances with respect to investee companies by regularly holding meetings and other forums attended by the executive officers in charge of the Asset Management Division encompassing the Responsible Investment Committee.

Principle 4 Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive and purposeful dialogue with investee companies.

Our asset management professionals (analysts and fund managers) and the Responsible Investment Group 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.

In carrying out active investment, we conduct dialogue and engagement with investee companies tailored to their realities, from the perspective of wholly urging them to enhance their value on the basis of our own investment philosophy.

In carrying out passive investment, we take a medium- to long-term approach with our sights set on helping to elevate markets overall. Accordingly, in passive investment, where there are limited chances to sell, we engage in such investment under the assumption that we will extensively maintain our holdings of investee company stock on an ongoing basis.

More specifically, we gain a shared awareness of challenges regarding corporate social responsibilities, in addition to corporate strategy, business results, capital policy and environmental, social issues and corporate governance (ESG) challenges, and accordingly conduct dialogue and engagement with respect to progress made in implementing initiatives.

In addition to conducting dialogue and engagement on our own, we also consider possibilities for carrying out dialogue and engagement collectively with other institutional investors depending on the nature of specifics and approaches in cases where we deem that doing so would ensure greater effectiveness in promoting such initiatives.

We conduct such dialogue and engagement to achieve the aforementioned objectives, and accordingly do not unilaterally make demands or otherwise encourage changes to management policies without first considering circumstances of investee companies. In addition, we don't ask investee companies to provide important information that has yet to be released.

Should an investee company ever provide us with important information that has not been made available to the public, we will stringently administer controls with respect to both information and behavior in accordance with Resona Bank's in-house rules.

1 We define dialogue as "the act of promoting mutual understanding through two-way communication between companies and investors."

2 We define engagement as "the act of achieving results by deciding on issues to be addressed and discussing such issues with the aim of finding solutions."

3 We have appropriately reviewed that matter of specific initiatives pertaining to proxy voting and other elements of responsible investment on the basis of our basic policy on responsible investment, and have accordingly established a forum comprising the Asset Management Unit, administrative divisions and external experts in order to devise solutions and make improvements as necessary.

Principle

5

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

In principle, Resona Bank exercises all voting rights with respect to shares for which it is eligible for proxy voting acting as an asset manager, which we hold as trust assets and other investments.

As a trustee, we endeavor to appropriately make proxy voting decisions particularly based on results of dialogue and engagement having been conducted with investee companies regarding their corporate social responsibility efforts with respect to matters that include enhancing their governance frameworks, complying with laws, regulations and corporate ethics, coexisting with society, and addressing environmental issues.

We publicly disclose our proxy voting guidelines which we have established as standards for making decisions on exercising our voting rights. We periodically review proxy voting guidelines no less than once per year.

We publicly disclose our voting record with respect to individual investee companies and individual proposals in order to provide better transparency pertaining to Resona Bank's status of proxy voting.

In exercising the voting rights of Resona Bank's parent company stock and other such securities, we vote as advised by a third-party proxy advisor pursuant to Resona Bank's proxy voting guidelines, from the perspective of managing conflicting interests.

When conducting stock lending transactions involving shares held as trust assets and other investments, we set certain monetary limits in order to secure rights to proxy voting.

Principle

6

Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their customers and beneficiaries.

Resona Bank periodically discloses its responsible investment initiatives to public, particularly in the categories of "ESG incorporation into investment process," "constructive dialogue and engagement with investee companies," and "proper proxy voting as a trustee."

We will continually persist with efforts to devise solutions and make improvements with respect to our methods and content of public disclosures. This is underpinned by our aims of helping to bring about more extensive understanding and greater convenience for our clients which include "institutional investors as asset managers" (asset owners), and conducting more effective dialogue and engagement with investee companies.

Principle

7

To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.

Resona Bank has established the Responsible Investment Committee as a forum for undertaking tasks such as reporting and discussion as pertains to responsible investment, drawing on the Asset Management Unit's collective knowledge regarding trust assets and other investments. Through meetings of the Responsible Investment Committee, we will continually persist with efforts to devise solutions and make improvements with respect to Resona Bank's responsible investment policies and initiatives, by conducting reviews into the appropriateness of such matters in light of the Principles for Responsible Institutional Investors and the Principles for Responsible Investment.

We will develop an effective assessment framework in the course of continually devising solutions and making improvements. The framework will combine the task of external assessment with that of determining appropriate issues, carried out on the basis of having members of the Responsible Investment Committee perform self-assessment, premised on our view regarding the importance of appropriately conducting self-assessment with respect to policies and initiatives pertaining to Resona Bank's responsible investment.

Moreover, we will publicly disclose assessment results on a regular basis, in conjunction with details on the status of our responsible investment initiatives.

Finally, we endeavor to better develop professional talent in the Asset Management Unit, by introducing unique personnel and compensation structures that differ from those of the Corporate Banking Division.

Corporate Profile

Establishment	May 15, 1918
Head Office	2-1, Bingomachi 2-chome, Chuo-ku, Osaka
Representative Director and President	Kazuhiro Higashi
Lines of Business	Banking, trust banking business, etc.
Capital Stock	¥279.9 billion
Number of Employees	9,246 (Non-consolidated)
Manned Branches	326
Total Assets	¥32.4 trillion (As of March 31, 2018)
Trust Assets	¥27.2 trillion (As of March 31, 2018)

(Figures are rounded off to the nearest whole number)

