Resona Asset Management

SUSTAINABILITY REPORT

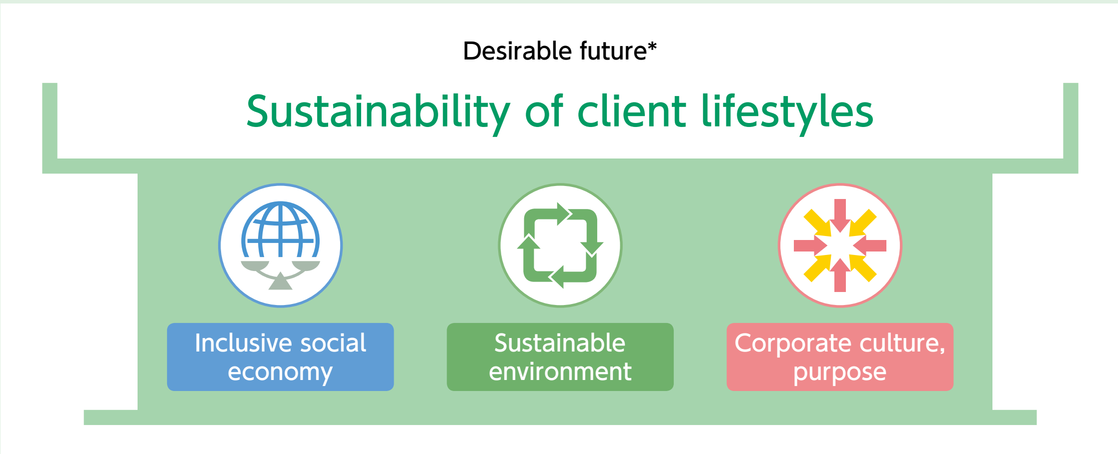
2022 / 2023

Resona Asset Management

To ensure a prosperous and happy life for future generations as well as our customers as our customers all we do.

We are clearly aware that our reason for being, or "purpose," is to ensure a prosperous and happy life for future generations as well as our customers.
We are eager to one day share in the happy stories as our smiling clients declare "I was able to build up my assets through investment services provided by Resona Asset Management," "Transactions and relationship with Resona Asset Management have brought me an affluent and happier post-retirement life" and "Through investing in products provided by Resona Asset Management, I was able to contribute to realizing a better society and environment for the sake of future generations."
In order to make this happen and in order to "provide to ensure a prosperous and happy life for future generations as well as our customers." at any time, we commit ourselves to acting as an asset manager focused on meeting genuine customer needs.
Furthermore, we hereby declare our intention to be "a responsible investor" and also to be "a long-term investor," assisting our clients in their asset formation over the long term.
And to realize these above-mentioned objectives in a sustainable manner, we hereby make a commitment to reinforce our asset management capabilities continuously.

What we seek to do to ensure a prosperous and happy life for future generations as well as our customers.

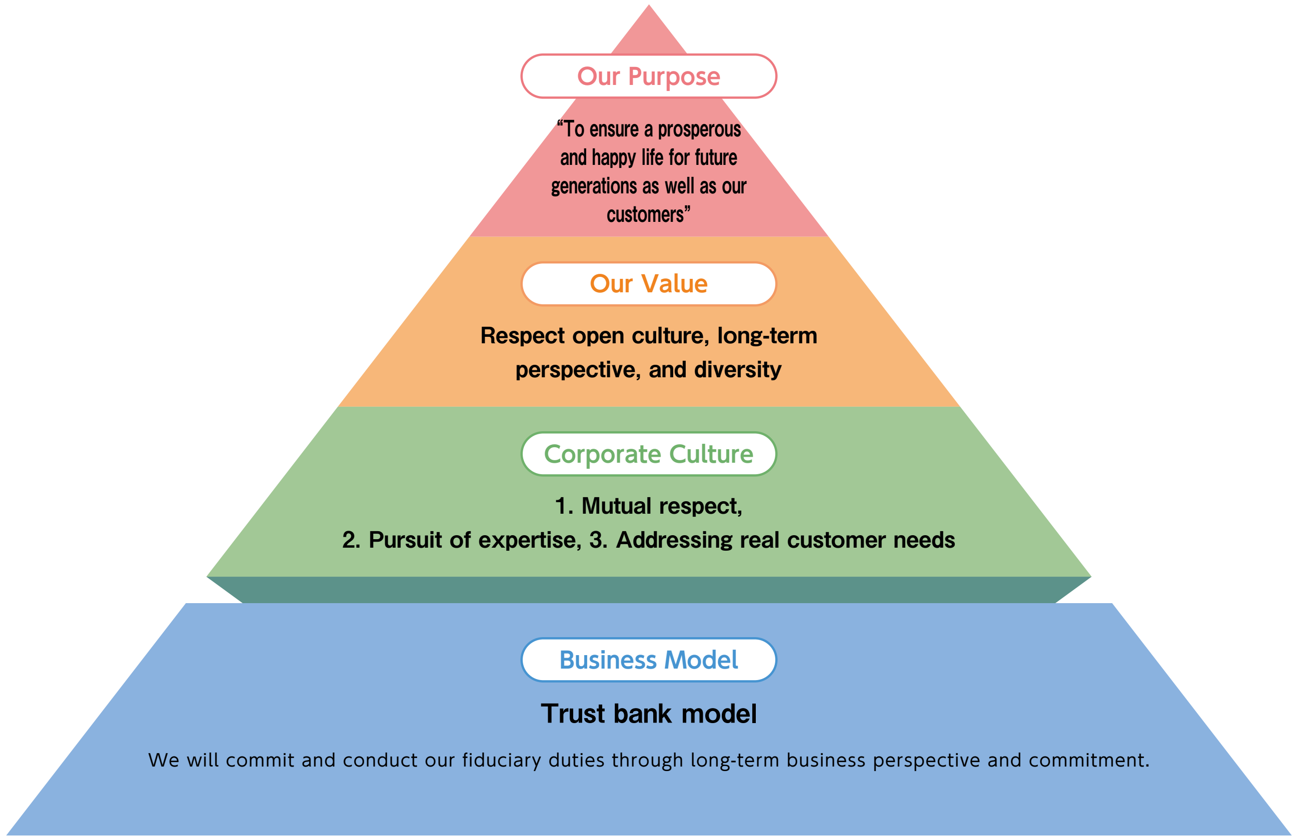


* For more details about our thoughts on the desirable future, see page 10.

We believe that society and the environment as well as the investee companies should be sustainable to protect our clients' assets and to underpin the sustainability of our client lifestyles.
By achieving our concept of the desirable future to ensure a prosperous and happy life for the future generations as well as our customers. we fulfill our fiduciary duties as a responsible investor.

Identity of Resona Asset Management

The purpose of Resona Asset Management is "to ensure a prosperous and happy life for future generations as well as our customers."
To realize this purpose we have explored:
Which "values" we cherish,
What sort of "corporate culture" we require, and
What kind of "business model" we should operate.
We have articulated them as the "Identity of Resona Asset Management."



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Message

It is important to success and to take consider the path and steps to concreate and practical actions.

We would like to thank for your continued support of Resona Asset Management.

Looking back over the past year, we have experienced a series of events that could be major turning points. The spread of COVID-19 infections and Russia's invasion of Ukraine have had a large effect on financial markets, but also on other areas. For example, they have caused rivalry and problems related to human rights and energy. However, through the penetration of remote work, great strides have been made toward digitalization and moving away from old customs. Also, the United States has changed its monetary policy in order to curb inflation, and these changes have caused worldwide interest rate, foreign exchange and equity markets to greatly fluctuate. Additionally, global weather abnormalities and natural disasters continue to intensify primarily due to climate change.

The purpose of Resona Asset Management is to ensure a prosperous and happy life future generations as well as our customers. We will continue to work diligently to fulfill our mission of maximizing returns from our customer assets while also helping to realize a sustainable society and develop a healthy capital market. We think this is our responsibility as a fiduciary who manages valuable customer assets.

With all of these major changes, I think it is important to set clear objectives and targets, to consider the path and steps to achieving these targets, and then to take specific and practical actions.

In the last year's Stewardship Report 2021/2022, I have stated that it is important for asset management companies to express their corporate purpose. We have implemented various concrete initiatives in line with our purpose, such as establishing an identity, launching impact funds and issuing impact reports, using AI to make our engagement activities more sophisticated, and establishing fund governance committee meetings to enhance customer-centered business operations. This year we also thoroughly reviewed our overall responsible investment activities in order to make them more sophisticated. Some of our concrete policies include implementing "Resona ESG Ratings," which use our proprietary assessment metrics, and establishing policies on responsible investment activities, such as "Engagement Policies".

This report was renamed as Sustainability Report, and the report provides details on our concrete policies and activities in line with our purpose. In addition to our responsible investment activities, it also reports on concept and corporate framework for achieving our responsible investment activities. We believe we were able to disclose our desired direction, activities and initiatives that we were focusing on.

Resona Asset Management will humbly and diligently continue to take concrete and practical actions and act as a long-term responsible investor to improve the value of investee companies and to develop a healthy capital market. We will also cooperate with all stakeholders to solve social issues in these turbulent times with concrete and practical actions to help achieve a sustainable society.

We would like to ask for your continued support and encouragement.

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

Chapter 1

– Corporate Section –

Overview of Resona Asset Management

Resona Asset Management was established in August 2015 as the asset management company of the Resona Group. By consolidating the trust asset management functions of Resona Bank into Resona Asset Management in January 2020, it became one of Japan's leading asset managers both by asset size and asset management structure.

1 History

In 1962, we were established to start our asset management business, mainly focusing on corporate and public pension fund management. In 2008 Resona Bank became a signatory to the Principles for Responsible Investment (PRI), and has been a participant to the PRI Japan network since it was first established. We have built up a track record in responsible investment through our work as chair of the PRI Japan WG and other roles.

History of asset management	Became in a signatory to PRI
Approx. 60 years	2008

2 Asset management capability/ Human resource development

We have established an organization supported by 129 investment professionals. While pursuing specialized knowledge by different investment style, we share the know-how on responsible investment.

Professionals	Number of meetings held to share information related to responsible investment
129	45

3 Responsible investment

We have adopted the concept of universal ownership* and promote responsible investment activities. We also practice an engagement strategy geared to finding solutions to ESG issues across society by identifying responsibilities for social sustainability.

* The universal owners who have large assets under managements (AUM) and conduct diversified investments should ensure market and social stability and sustainability in order to protect the interest of their clients.

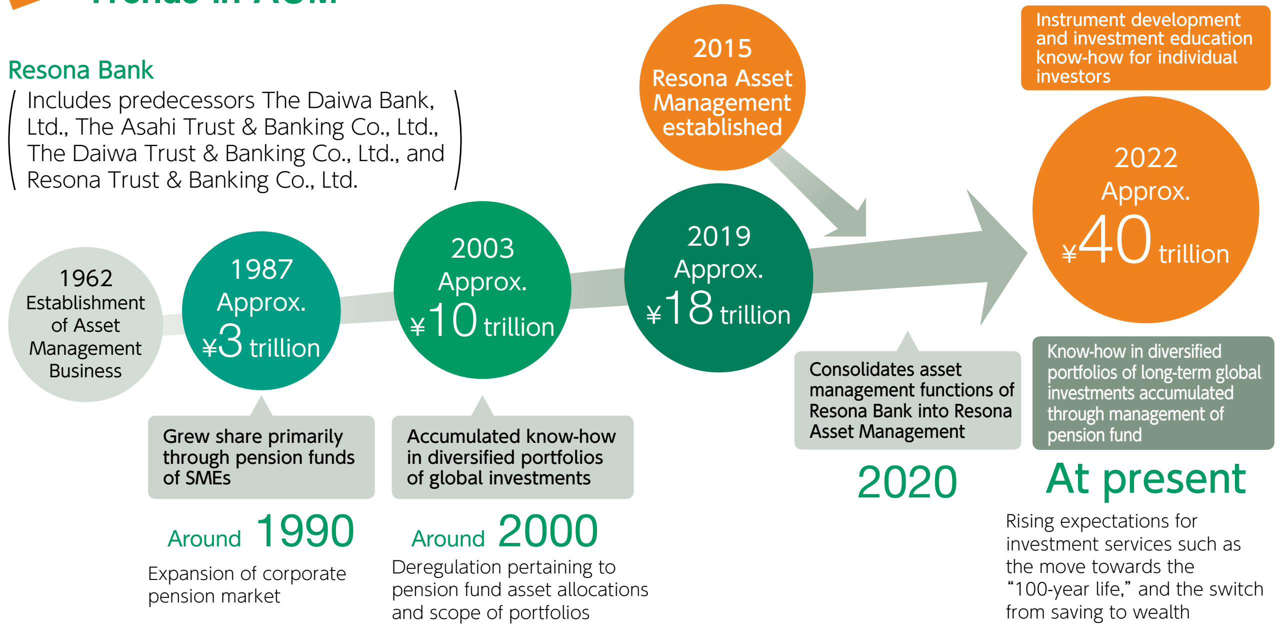
Total number of engagements conducted (In-house)	Number of collaborative engagements
1,722	25

4 Network

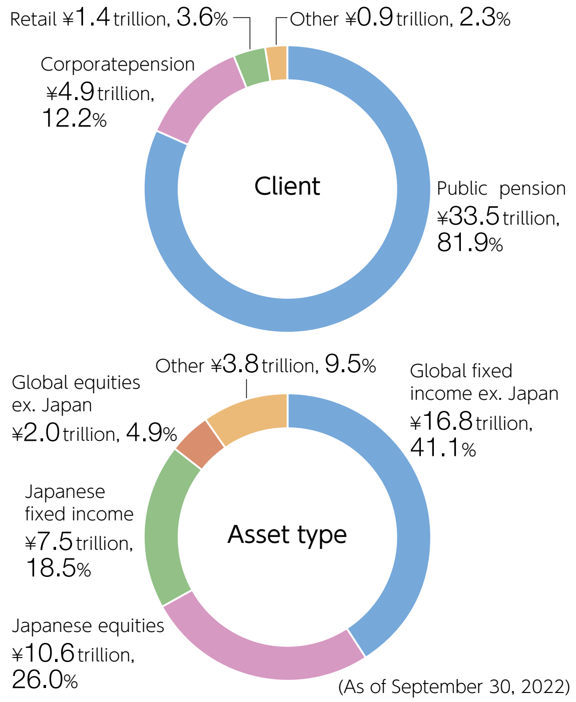
We leverage the network which we have developed as a pioneer to the responsible investment to gather advanced knowledge and information. We also participate in collaborative engagements at various engagement platforms.

Number of times invited to serve as external committee member, etc.	Number of times participated in collaborative engagement platforms
28	11

Trends in AUM

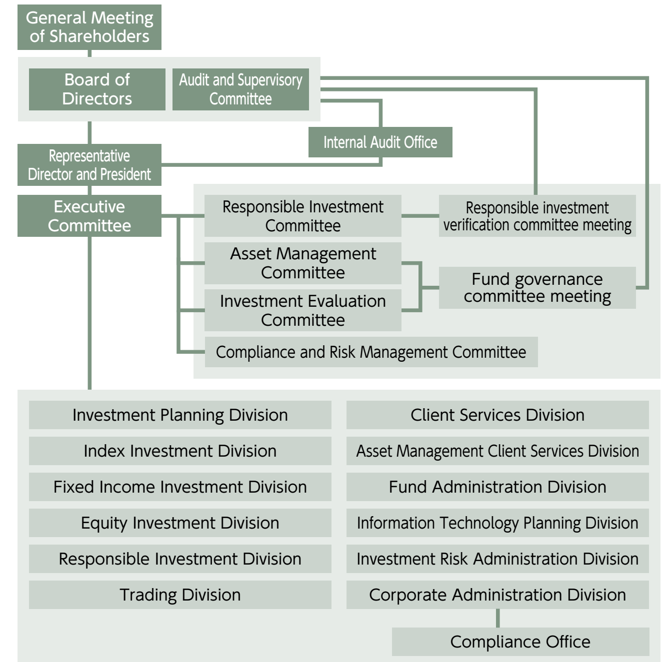


Composition of AUM



(As of September 30, 2022)

Organizational chart



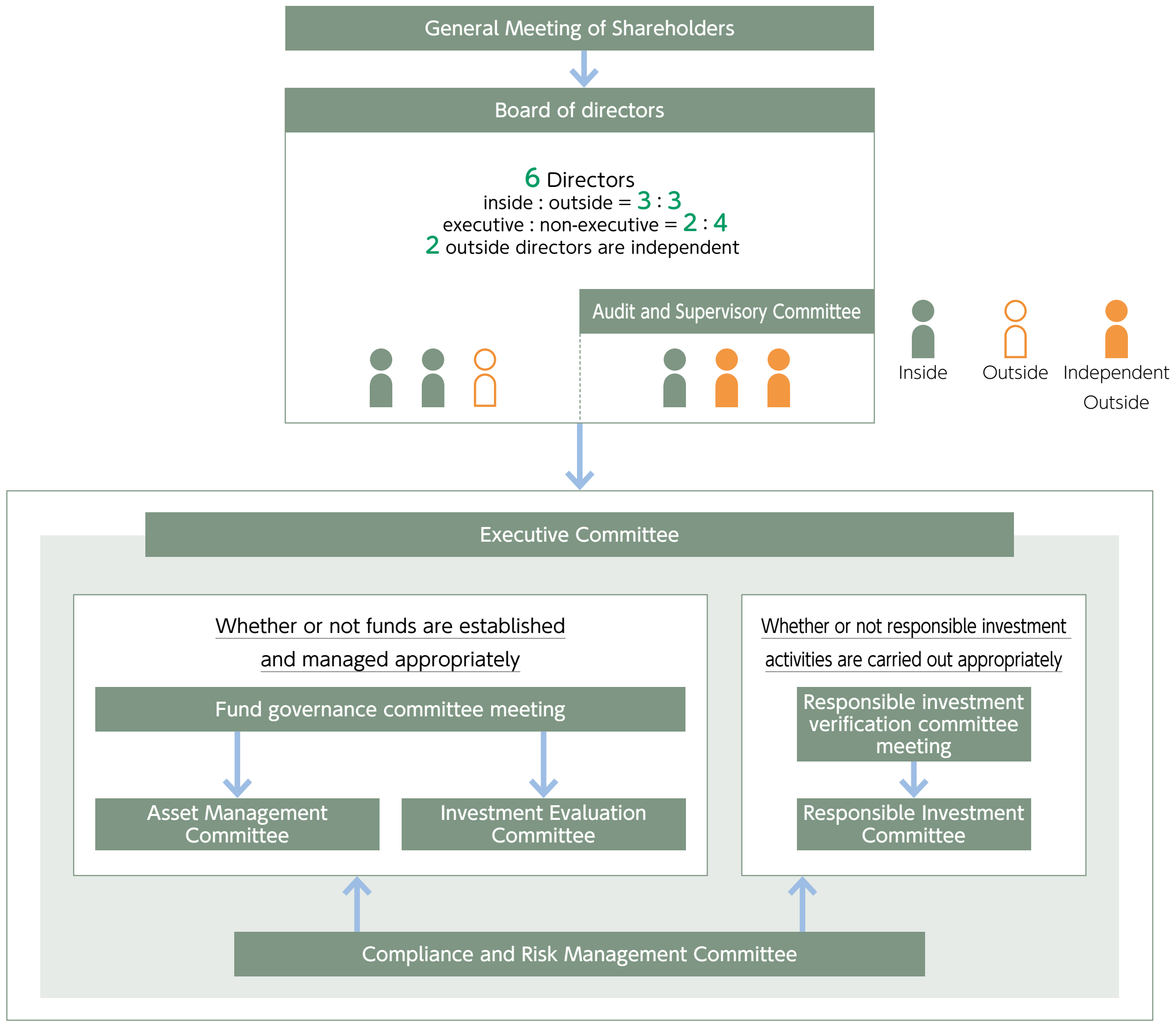
Resona's track record of responsible investment

		External environment
2003	Injection of public funds. Embarked on a fresh start as a company that society allowed to survive	
2006		Establishment of PRI
2008	Signing the PRI	
2010	Involvement as an initial member of PRI Japan	2010 Establishment of PRI Japan
2011		Adoption of Principles for Financial Action for the 21st Century
2012	Start of ESG integration and PRI reporting; Signing the CDP	
2013	Introduction of the concept of universal ownership; Introduction of ESG investment criteria. Drafted manuals and held briefing sessions (collaboration with PRI Japan)	
2014	Chaired the Corporate Working Group of PRI Japan Network	2014 Established Japan's Stewardship Code
2015	Joined PRI collaborative engagement	2015 • Adoption of the 2030 Agenda for Sustainable Development • Adoption of the Paris Agreement • Established the Corporate Governance Code
2016	Chaired the Asset Management, Securities and Investment Banking Working Group of the Principles for Financial Action for the 21st Century	
2017	Joined Institutional Investors Collective Engagement Forum (IICEF)	
2018	Member of the Committee on Principles for Financial Action for the 21st Century; Joined Climate Action 100+	
2019	As Deputy Chair of ESG Financial Strategy Task Force, drew up "Strategy needed in order to become ESG financial superpower" proposal	2019 • Drew up long-term growth strategy for Paris Agreement • G20/Osaka Blue Ocean Vision
2020	Joined ICGN, ACGA and AIGCC	2020 • Japan to vow carbon neutral by 2050 • Launch of Japan's National Action Plan on Business and Human Rights (2020-2025)
2021	• Participation in Access to Nutrition Initiative (ATNI) • Endorsed and supported the Finance for Biodiversity Pledge	2021 COP26
2022	• Participation in PRI collaborative engagement initiative for human rights, "Advance" • Steering Committee member of the Japan Impact-driven Financing Initiative	2022 • VRF and CDSB integrated into the ISBB • GX Implementation Council

Framework of corporate governance

Resona Asset Management has established a Corporate governance structure by ensuring the separation of business execution and its oversight, and by appointing independent outside directors. As an asset management company from the perspective of pursuing the most optimal profits for clients and fulfilling our role as a responsible investor, we are conducting our business under a framework of continuous and effective verification and checking.

- We ensure independence from our Group through appointing two independent outside directors of our six directors, and we also realize the separation of business oversight and business execution through the Audit and Supervisory Committee with independent outside directors.
- Independent outside directors of various backgrounds have been appointed; one has experience as an outside director at another asset management company and another works as a law scholar and as a lawyer.
- As executive officers and general managers of the investment business units, professional individuals who have long practical experiences in investment management are appointed.
- Through committees consisting of independent outside directors and external experts, we have set up a framework for verifying operations of the execution units by third parties.



Framework of fund governance

In April 2021, Resona Asset Management established the fund governance committee meeting exclusively consisting of outside directors for the purpose of verifying adequacy of governance with respect to individual funds managed by it.
The fund governance committee meeting verifies from external third-party perspectives that funds are established and managed in order to realize the most optimal profits for our clients.

■ Fund governance committee meeting

Members	Participants	Operations
Three outside directors Chairman: Director Otsuki	President, and executive officers responsible for the Investment Planning Division, Responsible Investment Division, Client Services Division, Investment Risk Administration Division, and Corporate Administration Division's Compliance Office, as well as relevant individuals nominated by the committee chairman	Schedule: Generally held twice a year (May and November) Secretariat: Investment Risk Administration Division

Matters for verification

Qualities of newly established funds as products (at every meeting)	Investment quality of each fund (at every meeting)
The appropriateness of discussions and conclusions at the Asset Management Committee is subject to verification, particularly with respect to the following five points.	The appropriateness of discussions and conclusions at the Investment Evaluation Committee is subject to verification, particularly with respect to the following five points.
① Background and purpose of the offering fund ② Target clients ③ Appropriate scale of investment ④ Anticipated risks and returns ⑤ Trust fees	① Investment performance ② Tracking error (a measure of realized risk) ③ Fund balance ④ Number of investment securities ⑤ Turnover ratio

Management policy on funds with less-than-expected balance (first half of fiscal year)

Fee levels of public funds (latter half of fiscal year)

Report / Verification

Asset Management Committee

The objective of Asset Management Committee is to facilitate appropriate management of trust assets and other investments as well as client-oriented planning of investment instruments through engaging in discussions and reporting with respect to important matters concerning management of investment trusts and execution of investment advisory services, and also with respect to important matters of planning and control regarding investment trusts as investment instruments.

Chairman	President
Members	President, and executive officers responsible for the Investment Planning Division, Responsible Investment Division, Fund Administration Division, Investment Risk Administration Division, Corporate Administration Division, and Corporate Administration Division's Compliance Office
Schedule	Quarterly and as necessary
Secretariat	Investment Planning Division

Report / Verification

Investment Evaluation Committee

The objective of the Investment Evaluation Committee is to contribute to managing trust assets and other investments appropriately and maintaining and improving investment quality from the client perspective through reporting and discussing investment management, investment performance and other issues of trust assets and other investments.

Chairman	President
Members	President, and executive officers responsible for the Investment Planning Division, Responsible Investment Division, Investment Risk Administration Division, Corporate Administration Division, Corporate Administration Division's Compliance Office, Client Services Division, and Asset Management Client Services Division
Schedule	Quarterly and as necessary
Secretariat	Investment Risk Administration Division

Human resources strategy

Basic approach to human resources strategy

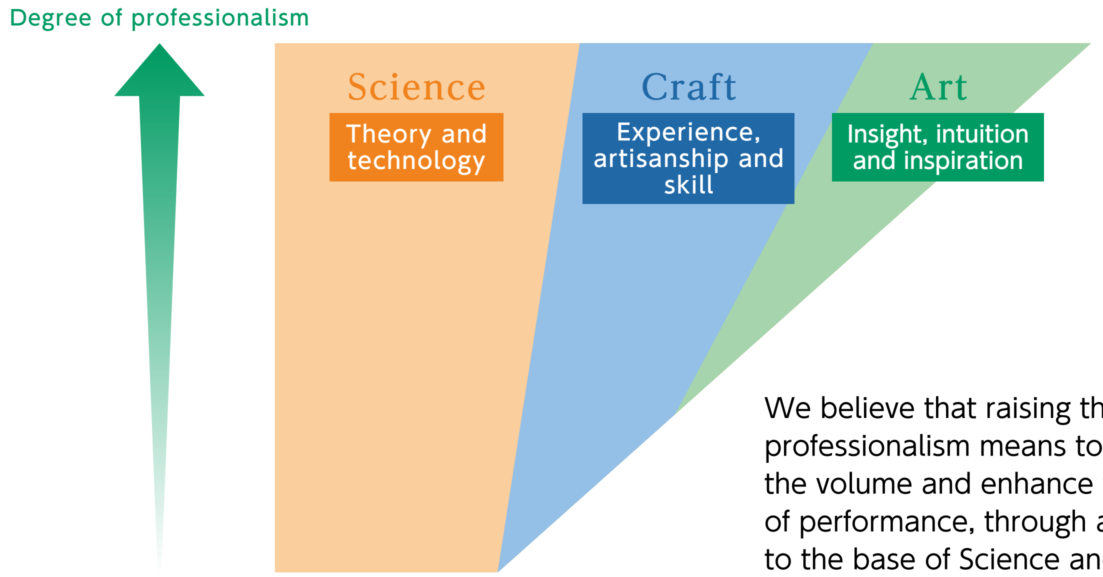
In order to fulfill our purpose, which is to ensure a prosperous and happy life for future generations as well as our customers, it is essential that we take a sustainable and long-term approach to discharging our fiduciary duties and our duties to society. We believe the most important factor in achieving this is recruiting and developing professional human resources who share our sense of corporate identity.
In order for each and every one of these individuals to be able to exert their abilities as a professional to the fullest extent, it is also important that their expertise and performance are assessed fairly in an environment of mutual respect.We continue our efforts to recruit, develop, and conduct fair assessments of such personnel, and to instill a corporate culture that supports the values described above.

Resona Asset Management's ideal personnel

- Someone who embodies the corporate culture (emphasizes mutual respect, pursues expertise, meets true client needs).
- Someone with the competence that leads to recognition as a professional both inside and outside Resona Asset Management.
- Someone who thinks and makes judgments from a long-term viewpoint, and commits to their own role.

Developing professionals

We believe that three elements are required for professionals.While the foundation is provided by Science, which consists of theory and technology acquired mainly through study and training, and Craft, which involves artisanship and skills acquired through experience, Art is an expression of individuality and sensitivity.From the point of view of enhancing one's competence as a professional, it is undesirable that a person be lacking in one of these three elements.We work to develop professionals through OJT and other training programs, as well as career formation support that respects individuality and independence.



We believe that raising the level of professionalism means to increase the volume and enhance the quality of performance, through adding Art to the base of Science and Craft.

Framework for personnel assessment

- The assessment of professional personnel is conducted fairly based on an assessment of values and performance, having first established a job description that accords with their actual duties.
- Managers conducting assessments are required to have especially long experience in asset management and a high level of expertise.

Value assessment

Asset management professionals are assessed on the responsibilities and functions defined in their job description from the following perspective

Mindset
Resona Group Action Principles: RESONA STANDARD
Our code of conduct on asset management

Skill sets
expertise and skills as an asset management professional
Long-term performance that demonstrates expertise and skills

→ Reflection in promotion and pay increases

Performance assessment

Assess the degree to which they have achieved the annual performance target that was set in accordance with their responsibilities

Example of fund managers

Quantitative assessment
Active managers: Performance of the funds they manage
Index managers: AUM reflected from clients' assessments

Qualitative assessment
Appropriateness of investment process
Contribution to team management and personnel development

→ Reflection in performance incentives

Initiatives for human resources recruitment and development

- We have been hiring new graduates since the professional personnel system was adopted in 2008, and since the founding of Resona Asset Management in 2015, the ratio of new graduates to total employees has remained at a high level, regardless of business conditions or financial market trends.
- We operate an ongoing program of accepting young employees changing roles from other parts of the Resona Group, mainly those who have not yet reached their fifth year since joining their companies.In particular, there has been a steady increase in personnel aiming to get involved in asset management operations at Resona Asset Management after first gaining experience in submitting asset management proposals directly to customers.
- In terms of HR development, in addition to new employee training, we provide training tailored to the role in question (external training for different types of investment asset and operations), in order to rapidly bring younger personnel up to the required level and to broaden the skills among senior employees.For younger employees, rather than limiting the scope of training to their own duties, we provide ongoing training that covers the operations of all departments within Resona Asset Management.Not only does this provide support for the independent career formation of younger employees, but it is also intended to foster a corporate culture that emphasizes mutual respect.
- In the area of ESG, where there have been dramatic changes in the environment, as well as increasing the number of staff through internal transfers and external training, we are working to raise the level of expertise as a whole through the recruitment of external personnel using targeted mid-career hires and other methods.
- For in-house global asset management, to which we are strongly committed, we continue to take a long-term approach to enhancing our human resources by assigning younger employees with outstanding linguistic skills to this area.

Chapter 2

– Corporate Section –

Desirable Future and Materiality for Resona Asset Management

We aim to realize a "desirable future."

The purpose of Resona Asset Management

"Ensure a prosperous and happy life for future generations as well as our customers."

Basic approach

As a member of the investment community in the capital markets, we strive to contribute to the sound development of the capital markets. We will fulfill our roles as a responsible investor by protecting the stability and inclusiveness of the social economy and the sustainability of the environment through investments.

Our goal

Realizing the "desirable future"

Desirable future

Inclusive social economy

A future which builds dynamic social and economic systems that consider various important forms of capital

We believe it is important to build dynamic social and economic systems that take into account social relationship capital, natural capital, and human capital in order to realize a "sustainable society" that will establish the foundation to ensure a prosperous and happy life for future generations as well as our customers.

Sustainable environment

A future where decarbonization and a circular economy are achieved, and biodiversity is preserved

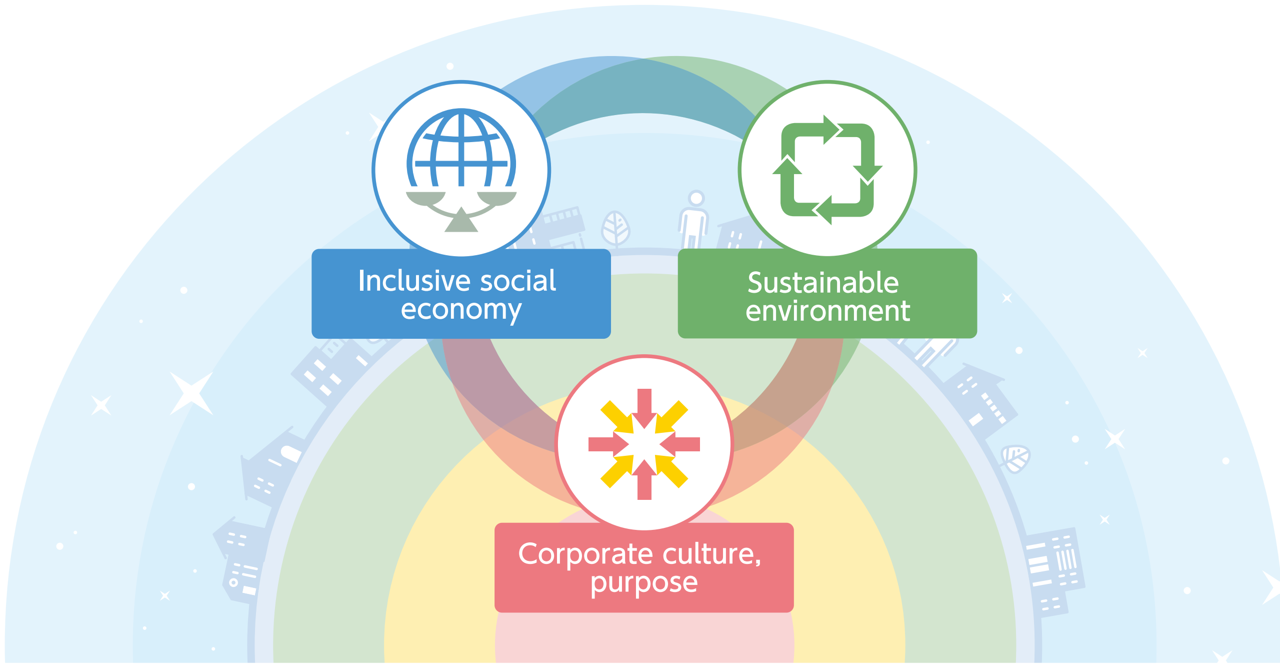
We aim to maintain the sustainability of the environment that is the foundation for a stable social economy and corporate profitability over the medium to long term. We believe it is important for companies to: achieve decarbonization within the entire supply chain, promote resource circulation throughout their product lifecycles, and understand and manage the impact and dependency on natural capital, including biodiversity.

Corporate culture, purpose

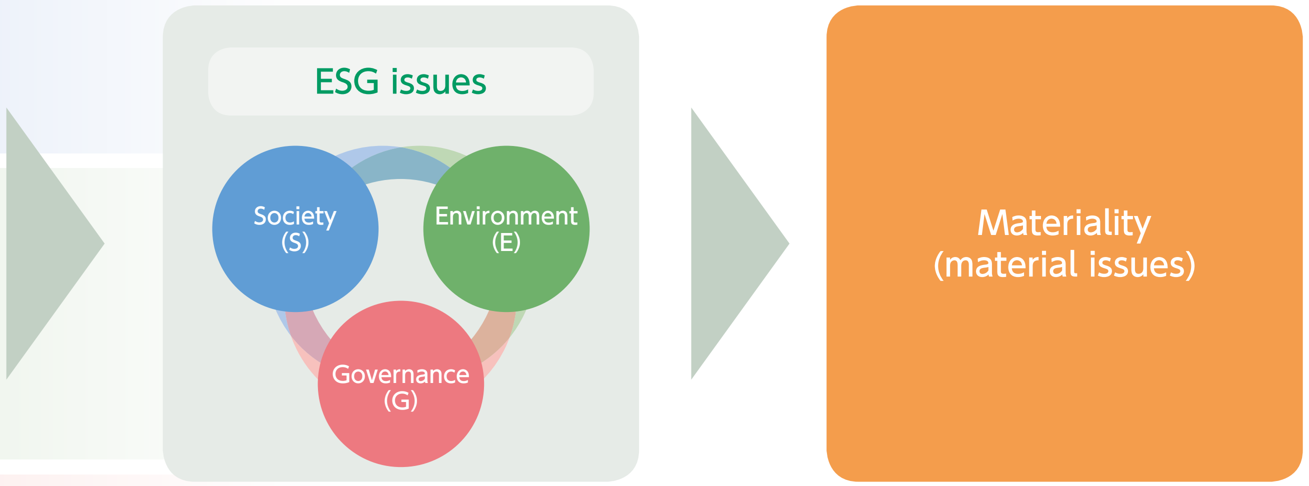
A future where the purpose and role of corporations are redefined, and a new corporate culture is fostered

As corporate responsibility expands to include the entire supply chain and the sustainability of society, it is important to redefine the purpose and role of corporations and to foster a corporate culture that aligns with them.

Desirable future



We believe that the "desirable future," which we aspire to achieve, can be realized by linking the three elements: "inclusive social economy," "sustainable environment," and "corporate culture and purpose."



In order to realize a desirable future, it is essential to address various ESG issues. We identify the ESG issues by listing and evaluating these issues, and designate those important as materiality. Based on this evaluation, we implement various initiatives such as responsible investment activities.

Materiality (material issues)

Materiality assessment

Our material issues are selected to achieve a "desirable future."
Material issues are determined by assessing each ESG issue through the following selection process.

■ Selection process of our materiality

		Output
To list up ESG issues	To list up ESG issues based on: Global ESG trends such as policy changes, regulations, shareholder proposals, and information which is gathered through engagements with the investee companies and our stakeholders.	List of ESG issues (Approx. 30)
Assessment framework	To establish assessment criteria & method on: · The "Importance to sustainability," vertical axis, and · The "Importance to long-term investment performance," horizontal axis	Assessment criteria & methodology
Materiality assessment	To plot Materiality Matrices based on each ESG issue score. Each ESG issue is scored based on the assessment criteria.	Materiality assessment (Results of materiality analysis)
Review and study	Review in light of environmental and social changes, and conduct a study	Changes of each ESG issue

Review and study of Materiality Matrices

2020
- Mapped ESG issues and identified materiality.
- Conducted a survey on the impact of COVID-19.

2021
- Studied how ESG issues would change under each future scenario. Made certain assumptions towards a "desirable future" and "probable future." The assumptions were based on three future scenarios: "Conventional Development Model," "Regional Rivalry Model" and "Sustainable Model."

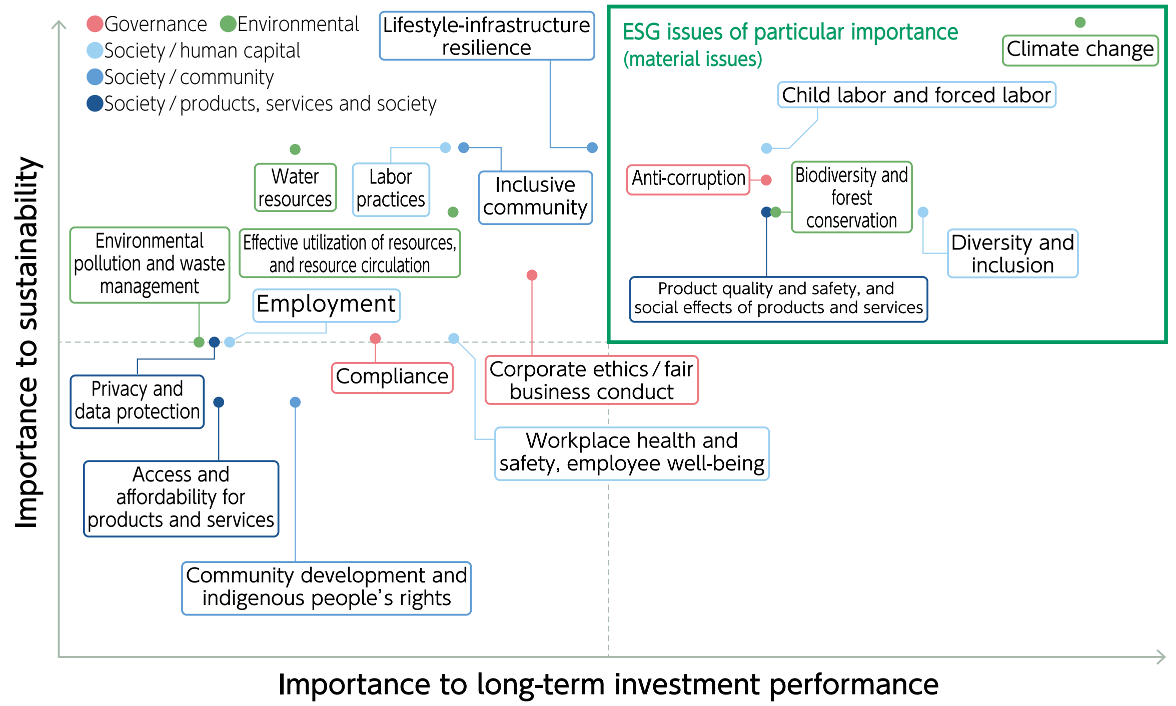
2022
- Conducted studies on the Russia-Ukraine war, whether our Materiality Matrices would change under the "Regional Rivalry Model."

■ Review and study outcomes

We have realized that the Materiality Matrices would change based on the external environment. We have also recognized the necessity to consider the new ESG issues. We plan to review and reassess our Materiality Matrices for the period from July 1, 2022 to June 30, 2023.

* Please see page 94 for details.

Materiality Matrices (as of January 2023)



* Conducted by the advice of BSR

Details of material issues

E	Climate change	Reducing greenhouse gas emissions associated with corporate activities, promoting energy conservation, using renewable energy, and adapting to climate change
E	Biodiversity and forest conservation	Preserving natural capital such as biodiversity, natural and water resources, and preventing over-harvesting and deforestation, which would threat natural capital.
S	Child labor and forced labor	Protecting the human rights of workers at corporate activities, preventing forced labor and child labor, and improving labor practices
S	Product quality and safety, social impact of products and services	Ensuring product quality and safety, responding to under and over nutrition, and ensuring food sustainability
S	Diversity and inclusion	Ensuring board/employees diversity and equal opportunities, and diverse workstyles Preventing discrimination and harassment
G	Anti-corruption	Preventing involvement with bribery, fraud, collusion, and money laundering on corporate activities

* Corporate activities include supply chains.

Chapter 3

– Corporate Section –

The Sustainability of Resona Asset Management

Our purpose is to ensure a prosperous and happy life for future generations as well as our customers. Each of us has a responsibility to ensure a prosperous and happy life for future generations as well as our customers.
In order to fulfill our responsibility for future generations, we help asset management for customers and take initiatives and actions in educational, environmental, and other fields.

Endowed courses at universities: "Finance and SDGs"

In cooperation with institutes of higher learning, we hold classes with specialist lecturers on corporate/investor activities for achieving SDGs.

■ Activities achieved

Sophia University (April to July 2022)

Details of lecture: "The Challenges and Possibilities of SDGs: From the Perspective of Corporations and Investors"

- Progress and current state of ESG and SDGs
- ESG (environment, society, governance) from the perspective of corporations
- ESG and SDGs from the perspective of investors
- A sustainable society and capital markets
- Game of Choice (card game)*
- Initiatives in Japan for achieving SDGs
- Challenges and solutions for achieving SDGs (group discussion)

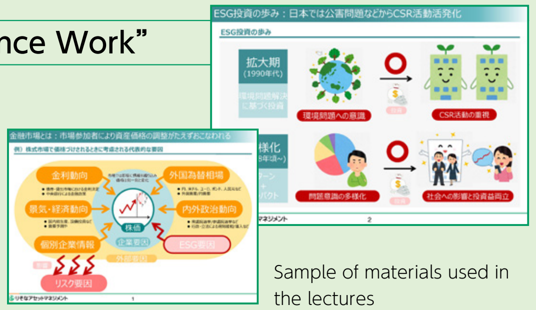
* This was created and published by the supply chain working group of Global Compact Network Japan.


2022 spring semester: Lecture at Sophia University

Kansai University (April to July 2022)

Details of lecture: "SDGs in Terms of Actual Finance Work"

- ESG, SDGs, and finance trends around the world and in Japan
- SDGs from the perspective of asset management
- ESG from the perspective of corporations
- SDGs and the implementation of ESG in equity investments
- A new form of capitalism with a focus on SDGs
- ESG and SDGs from the perspective of finance
- SDGs from the perspective of integrated reports


Sample of materials used in the lectures

In addition to endowed courses at universities, we have given many lectures as lecturers or guest speakers at Aoyama Gakuin University, Keio University, Tokyo Metropolitan University, Tokyo University of Science, Hitotsubashi University, and Waseda University.

On-site teaching at high schools: "Our Life and Finance"

With financial education becoming a required subject in high schools in FY 2022, we have prepared two general curriculums and have been holding mock lessons for teachers and visiting lectures for students to provide high school students the opportunity to learn and think on their own about how finance and the economy are related to their daily lives.

■ Curriculum

News

The news, asset management, and you
— All changes have unforeseen consequences? —

The purpose of the theme of "how does the daily news affect you?" is to get students to have a better understanding of the economy and finance.
It is also a class to get students to think about asset management as a way to deal with the rapid changes of the world.

Life plan

Create your own future map

This class is to get students to think about finance and asset management for their own life plan (future map) while considering questions like "how much money would I need to fulfill my future goals?" or "what should I do to save money?."

■ Activities achieved

Date	Class	School
June 2022	Life plan	Saitama Prefectural Ogawa High School
July 2022	News	Consumer seminar for Saitama prefectural faculty, etc.
October 2022	News	Hoshino High School
November 2022	Life plan	Sakaehigashi Senior High School
November 2022	News	Saitama Prefectural Hasuda Shoin High School
December 2022	News	Tokyo Metropolitan Chihaya High School
December 2022	Life plan	Saitama Prefectural Asaka High School


Visiting lecture at Saitama Prefectural Ogawa High School

General employer action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life

One of our values is respect for diversity. We have established and released a general employer action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life as one of our initiatives for achieving diversity in our use of human resources, diverse work styles, and a work-life balance.

Creation of personnel system and environment that makes working easier for female employees		To be achieved by
(1) Percentage of female workers hired	At least 50%	FY 2026
(2) Percentage of female workers	At least 40%	
(3) Difference in the average years of continuous employment of males and females hired	0 years	
(4) Percentage of female workers in management	At least 30%	
(5) Percentage of female executives	At least 30%	

Creation of work environment that further improves the work/life balance			To be achieved by
	Female employees	Male employees	
Percentage of people who take childcare leave	100%	80%	FY 2024
Average length of childcare leave	— (not set)	3 days or longer	

* The average length of childcare leave for female employees is already beyond 12 months, so a target duration has not been set.

Social gatherings for young female employees

Social gatherings are held by senior female employees for female employees who have been with the company for 1 to 3 years. The goal is to allow young female employees to socialize with senior female employees and learn from their seniors' experience so that they can apply it to their own work and career plan.

Social gathering for young female employees

Town meetings

Once a year an opportunity is provided to young employees who have been with the company for 2 to 6 years to exchange opinions with the president and executives of asset management division by being able to directly ask questions regarding our business strategies, business model, etc.

Town meeting

Efforts to reduce our environmental impact

The Resona Group considers achieving de-carbonization and a Sound Material-Cycle Society to be significant business challenges, and through our role in finance, we are committed to setting environmental policies and achieving our 2030 SDGs.
In order to realize this commitment, as a part of our efforts to achieve de-carbonization and a Sound Material-Cycle Society, we are starting to use products made from recycled tea leaves, FSC certified paper, and bioplastics when possible for equipment and consumables within the company out of concern for the environment and in order to reduce the use of products derived from fossil fuels.

Paper bag with paper handle and envelopes made from recycled tea leaves

Endowment activities

We donate part of the proceeds from public investment funds established and managed by the company.

Fund names	Fund names
Resona Japanese Small/Medium Equity Fund (Nickname: Nihon no Mirai)	Saitama Resona Global Balance Plus ESG (Nickname: SaitamaDGs)
	
Donations are made to	**Donations are made to**
The Resona Foundation for Future The goal is to provide the necessary support to raise the people responsible for the next generation and to contribute to the development of communities. Minato Bank Foundation The goals are to provide school subsidies to students enrolled in universities in Hyogo Prefecture who have excellent academic skills and a good character but difficulties in attending school for economic reasons. This is to improve education in Hyogo Prefecture and foster people who will contribute to society.	Saitama Prefectural Fund for Promoting Measures Against COVID-19 Infections The goal is to support healthcare professionals fighting on the frontlines against COVID-19.

* The description of fund donations covers January through December 2022.

Chapter 4

– Corporate Section –

Disclosures in Accordance with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

As an asset management company, we have supported the goals of the Task Force on Climate-related Financial Disclosures (TCFD) since November 2020. We have made climate-related financial disclosures on governance, strategy, risk management, and metrics/targets in accordance with the Task Force's recommendations since 2021. Since the Implementing Guidance for the TCFD recommendations was updated in October 2021, we have improved our information disclosure in accordance with the updated guidance.

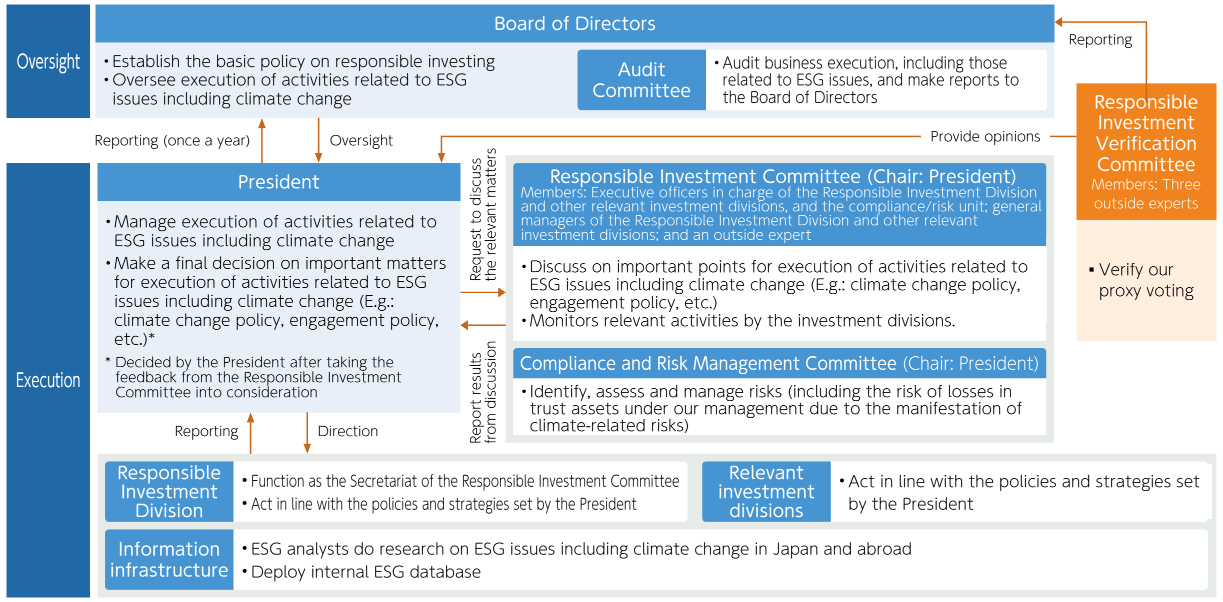
The following is our climate-related financial disclosure relevant to the 4 pillars of the TCFD recommendations: governance, strategy, risk management, and metrics/targets.

- "Governance" section describes our governance structure related to ESG issues including climate change, the roles of relevant internal organizations and how the Board of Directors monitors and oversees the execution of relevant activities.
- "Strategy" section describes the details on the climate-related opportunities and risks that may affect the investee businesses in our portfolio.
- "Risk management" section describes our processes for identifying, accessing, and managing risks, including the risk of losses in trust assets under our management due to the manifestation of the climate-related risks.
- "Metrics and targets" section describes the key metrics and targets that we use to measure and manage the climate-related opportunities and risks as well as our performance related to them.

Governance

Our overall governance structure for ESG issues including climate change is shown in the figure on page 19.
We have a strong governance structure to allow the Board of Directors to oversee the execution of the activities to address climate change. Such activities are reported to the Board of Directors, which includes outside directors, at least once a year.
We have established the "Responsible Investment Committee" to validate and verify our responsible investment activities (including activities to address ESG issues including climate change) and to improve them as needed. The Committee is chaired by the President and includes Dr. Takeshi Mizuguchi of Takasaki City University of Economics, as an outside expert, and meetings are held once every 1 or 2 months. Important matters, such as policies and strategies related to activities to address ESG issues are discussed actively and carefully by the Committee. The President makes a final decision on such matters after taking the feedback from the Committee into consideration.
Activities related to ESG issues (including ESG integration, stewardship activities such as engagement and proxy voting) are taken by the Responsible Investment Division and other relevant investment divisions in line with the policies and strategies agreed in the above mentioned process. We have ESG analysts who do research on ESG issues in Japan and abroad and an internal ESG database as an information infrastructure for these activities.
We implement the PDCA cycle, where activities related to ESG issues taken by the relevant investment divisions are monitored and assessed by the Responsible Investment Committee, and the policies and strategies related to ESG issues are revised based on the assessment.
Additionally, our proxy voting (including those related to climate change) are verified by the "Responsible Investment Verification Committee," which comprises three outside experts.

Our governance structure for ESG issues including climate change



Strategy

■ Climate-related opportunities and risks which may affect the business of the investee companies in our portfolio

As an asset management company, it is important for us to increase the enterprise value of our investee companies, and through that, to maximize the value of the trust assets under our management from a medium-to-long term perspective. To realize this goal, we provide support for the investee companies so that they make the most of the climate-related opportunities to achieve sustainable growth, and they avoid or mitigate negative impacts resulting from the manifestation of climate-related risks.
The following table shows the climate-related opportunities and risks on the business sectors to which our portfolio has relatively large exposure, and which is likely to be heavily affected by the manifestation of climate-related opportunities and risks.

Specific examples of the climate-related opportunities and risks and their potential financial impact (short, medium and long term)

Transition risks	Policy and Legal	· Increased operating costs due to increased pricing of GHG emission (introduction of carbon tax, etc.) · Increased operating costs due to stronger regulations for existing products and services · Write-offs, asset impairment, and early retirement of existing assets due to policy changes
	Technology	· Reduced sales of existing products and services due to an introduction of alternative products and services with higher carbon efficiency · More capital investment in or increased costs for R&D
	Market	· Reduced sales of existing products and services due to a shift in consumer preferences · Increased costs due to increased energy and raw material prices
	Reputation	· Reduced sales of existing products and services due to a shift in consumer preferences or negative reputation of the industrial sector
Physical risks	Acute/ Chronic	· Damage or early depreciation of existing assets in locations at high risk for extreme weather events
Opportunities	Resource efficiency	· Reduced operating costs and increased sales due to improved efficiency in business and production processes
	Energy source	· Reduced exposure to potential increases in fossil fuel prices and changes in carbon emission costs · Increased sales of products and services with higher carbon efficiency · Increased sale of products and services due to favorable reputation in markets
	Products and services	· Increased sales of products and services with higher carbon efficiency
	Market	· Increased sales due to an access to new markets · Increased sales resulting from diversification of financial assets
	Resilience	· Increased market valuation through resilience planning for business assets and processes to prepare for natural disasters · Increased sales of new products and services related to ensuring resiliency

■ Climate-related scenario analysis

Our parent company, Resona Holdings, has been performing climate-related scenario analysis through the processes below. (1) identify "real estate and construction," "automobiles and transportation," and "energy" as important business sectors, based on the extent to which each business sector will be affected by climate-related opportunities and risks and the exposure to each business sector it has in its portfolio; (2) assume a total picture of future society in both 2°C and 4°C scenarios and assess the impact on the important business sectors when the picture is realized, and (3) analyze the magnitude of climate-related risks the portfolio is exposed to and how it will change over time.
We will build on the Resona Holdings' work and improve the assessment of the climate-related opportunities and risks through scenario analysis.

Risk management

We categorize risks into credit risk, market risk, liquidity risk, operational risk (including legal/compliance risks and the risk of losses in trust assets under our management), and reputational risk, and manage them.
Compliance and Risk Management Committee, President and Board of Directors have the following role in our risk management framework. (See page 88 for our overall risk management framework.)

Compliance and Risk Management Committee	Discuss risk management policies, execution and improvement of risk management activities to ensure our overall risk management level is adequate, and recurrence prevention measures for risk events.
President	Determine important matters for execution of risk management activities and manage the execution.
Board of Directors	Establish risk management policies and framework, and oversee the execution of risk management activities

Climate-related risks are recognized as "Risk drivers," which may amplify the categorized risks in various ways (Basic concept regarding the approach to address Climate Change by financial institutions, Financial Services Agency July 2022).
It is of great importance for us, as an asset management company, to manage the risk of losses in trust assets under our management due to the manifestation of climate-related risks. With the aforementioned risk management system, we will identify, assess and manage the risk of losses in trust assets under our management due to the manifestation of the climate-related risks described in the "Strategy" section.
In order to avoid and mitigate the risk of losses in trust assets under our management due to the manifestation of climate-related risks, we will encourage our investee companies to make climate-related financial disclosures, set targets related to GHG emissions, and develop their plans for transitioning to a low-carbon economy through various measures including engagement and proxy voting. We will continue working with our investee companies to transition to a carbon neutral economy.

Metrics and targets

The following table shows the metrics we use to assess and manage the relevant climate-related risks and opportunities and the targets related to each metric (if set).

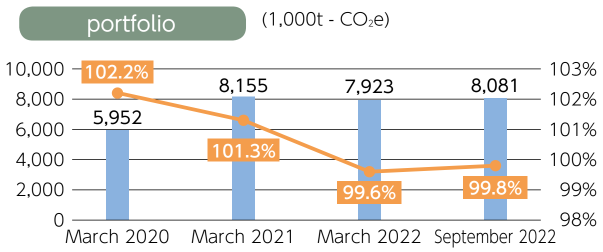
	Metrics	Targets
1	Carbon footprint of our portfolio (Scope 3 category 15 GHG emissions) [*1]	Net Zero by 2050 [Set in our policy on climate change (January 2023).]
2	Weighted average carbon intensity (WACI) [*2]	—
3	Consistency of carbon footprint of our portfolio with SDS (Sustainable Development Scenario)	—
4	Number of companies with which we have made an engagement on climate change	—
5	Carbon footprint of our own operations (Scope 1 and Scope 2 GHG emissions) [*5]	Net Zero by FY 2030 [Set in Resona Holdings' long-term sustainability targets (June 2021). These targets are applied for all companies in the Resona Holdings.]

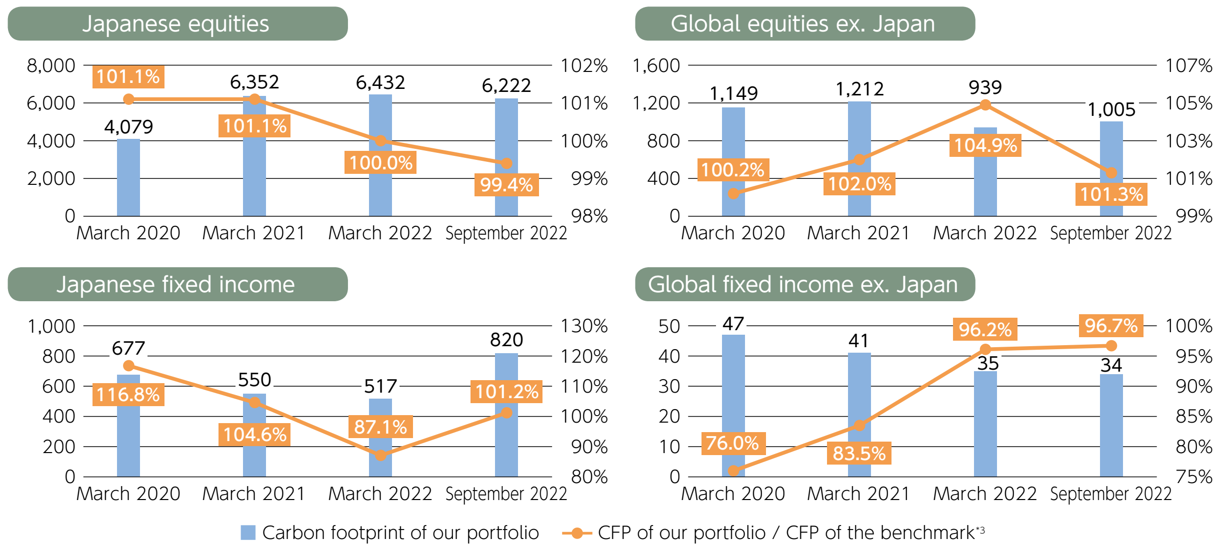
We continue to review metrics and targets we should use to assess and manage our climate-related activities properly, taking into consideration our policy where we as an "universal owner," contribute to reduce GHG emissions in the whole society by reducing GHG emissions of our portfolio. We consider to use metrics to measure contributions by investee companies to reduce GHG emissions in the whole society.

Our performances related to the metrics in the table are provided on pages 21-23.

1. Carbon footprint of our portfolio (Scope 3 category 15 GHG emissions) [*1]

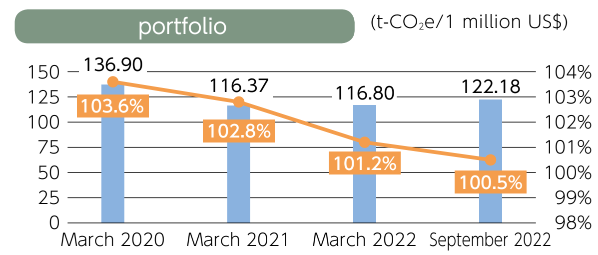
The size of our portfolio continues to increase. It has created greater upward pressure on carbon footprint of our portfolio. We are focusing on Japanese companies in our portfolio, whose GHG emissions dominate a large proportion in our portfolio, and actively encouraging them through engagement and proxy voting to reduce their GHG emissions, so that we can reduce carbon footprint of our portfolio relative to the benchmarks. We will continue such efforts, taking into consideration that reducing carbon footprint of our portfolio on an absolute basis will be indispensable in the future.

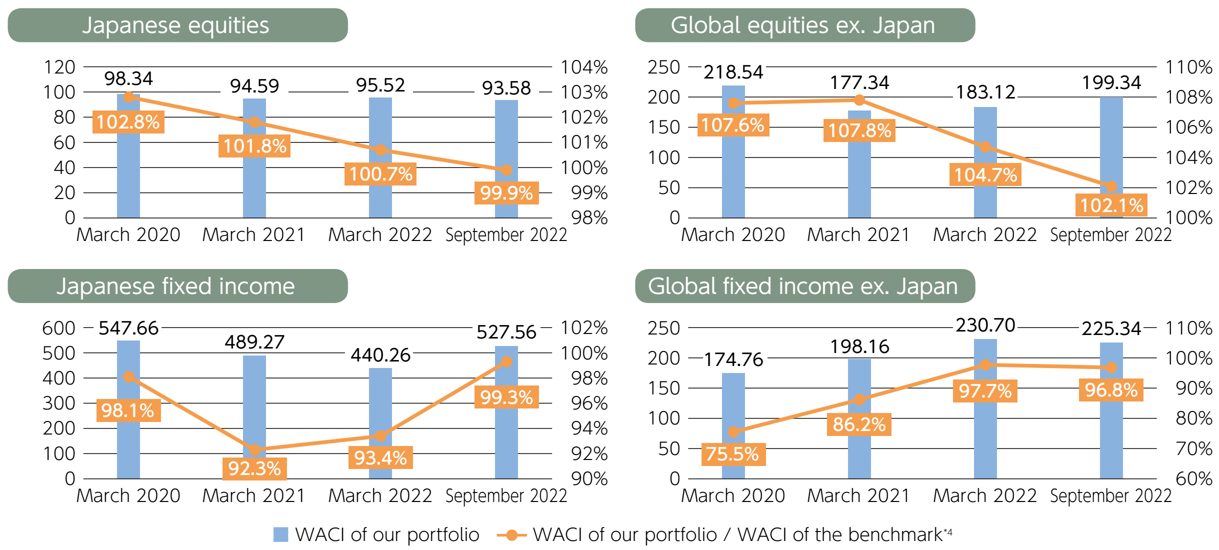




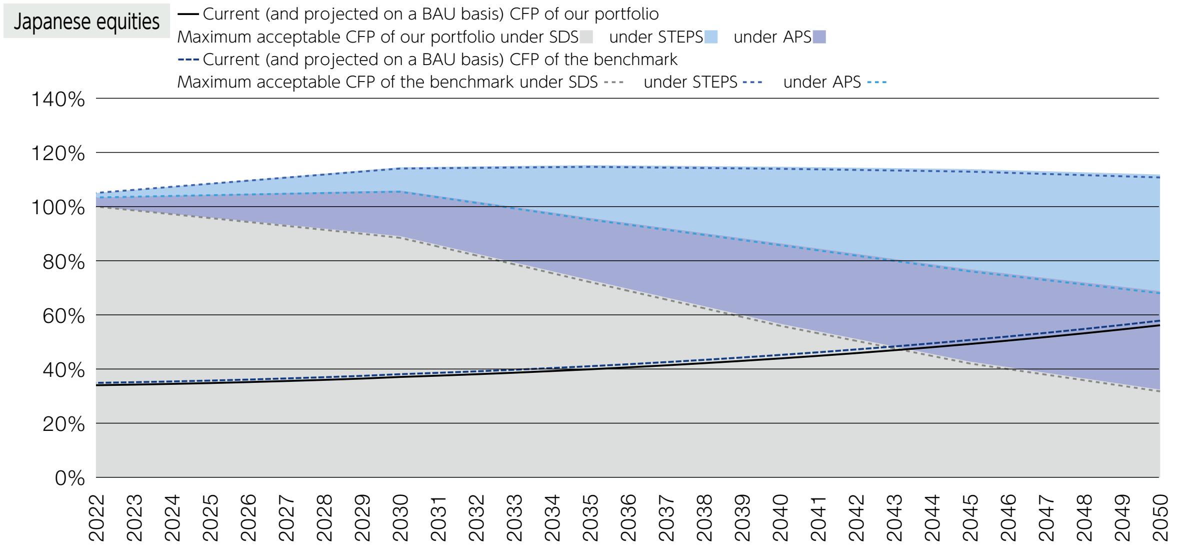
2. Weighted average carbon intensity (WACI) [*2]

We are actively taking actions to decrease WACI with a focus on equities, where portfolio's WACI is higher than the benchmark's, and we are seeing continuous improvements. For Japanese and Global fixed income. our portfolio's WACI got higher in 2022, but it is still slightly lower than WACI of the benchmark.

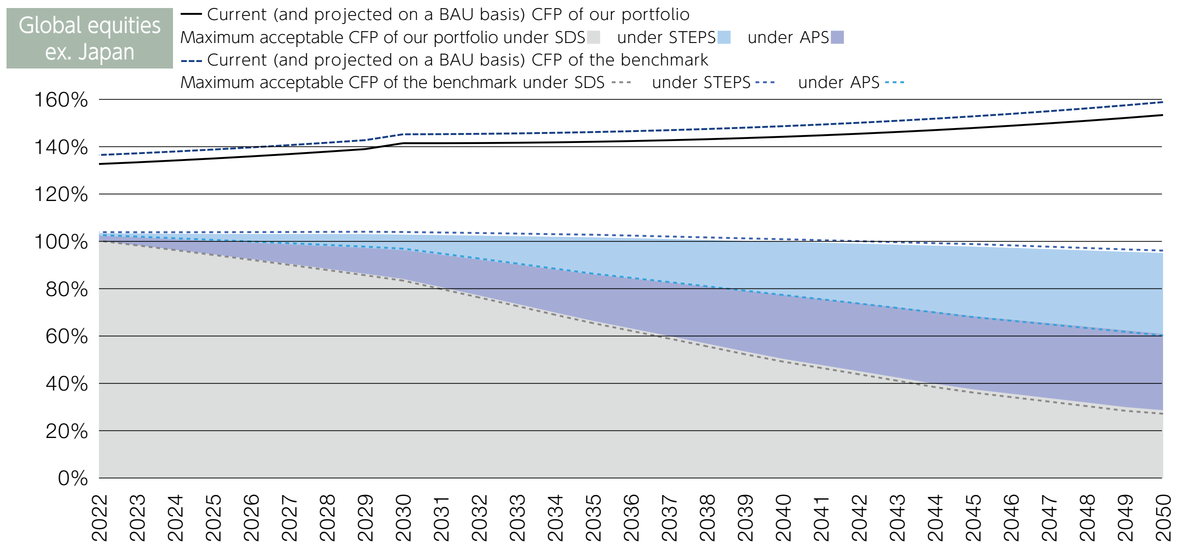




3. Consistency of carbon footprint of our portfolio with SDS (Sustainable Development Scenario)



(As of September 2022)



(As of September 2022)

		March 2020	March 2021	March 2022	September 2022
Japanese equities	Point of time at which the projected GHG emissions for our portfolio on a BAU basis will exceed the maximum acceptable GHG emissions under SDS	2034	2038	2046	2044
	Our current portfolio warming potential (in ℃) by 2050	2.2℃	2.0℃	1.7℃	1.9℃
Global equities ex. Japan	Point of time at which the projected GHG emissions for our portfolio on a BAU basis will exceed the maximum acceptable GHG emissions under SDS	2020	2022	2022	2022
	Our current portfolio warming potential (in ℃) by 2050	3.0℃	3.1℃	2.9℃	2.9℃

We compare the projected carbon footprint of our portfolio, which is calculated on a BAU basis, with the maximum acceptable CFP under SDS (Sustainable Development Scenario) with the Institutional Shareholder Services (hereinafter, ISS) analysis tool. The result shows that (1) the projected CFP of our portfolio will exceed the maximum acceptable CFP under the scenario before 2050, (2) our current portfolio warming potential (in ℃) by 2050 will exceed 1.5 ℃, and (3) our current activities to avoid the excession are insufficient.

4. Number of companies with which we have made an engagement on climate change

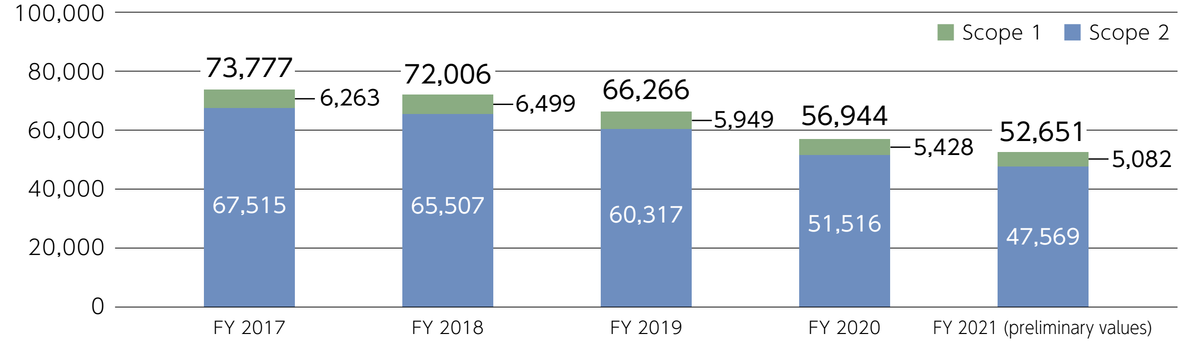
	FY 2020 (July 2020–June 2021)	FY 2021 (July 2021–June 2022)
Japanese companies	65 companies (29.8%)	153 companies (58.4%)
Management level	32 companies (14.7%)	87 companies (33.2%)
Global companies ex. Japan	8 companies (25.0%)	25 companies (44.6%)
Management level	1 company (3.1%)	1 company (1.8%)

[(%): percentage of companies with which we have made an engagement on climate change]

Through our materiality analyses (page 12), we recognize “climate change” as one of the most important challenges of the present and future. Therefore, we actively have made engagements with the investee companies on the issue.
The number of companies with which we have made an engagement on climate change in FY 2021 significantly increased over FY 2020 (by about 2.4 times). Also, the percentage of companies with which we have made an engagement on climate change also significantly increased. Growing awareness of climate change among the investee companies in a wide range of industries have brought us more opportunities to make an engagement with them on the issue.
More specifically, the number of engagements on the improvement of climate-related financial disclosure in accordance with the TCFD recommendations has increased, as a consequence of the fact that more and more countries have made such disclosure mandatory in recent years. We will continue engagements with the investee companies on climate change, using our text mining AI technology to evaluate the quality of their information disclosures.

5. Carbon footprint of our own operations (Scope 1 and Scope 2 GHG emissions) *5

Our performance in Scope 1 and Scope 2 GHG emissions (Unit: t-CO_2)



*1 Scope 1 and Scope 2 GHG emissions of investee companies in our portfolio. The formula is shown below.

Equities: $$\sum\left(\frac{\text{Outstanding amount}}{EVIC}\times\text{Company emissions}\right)$$

$EVIC$=Enterprise value including cash
Note: The value of outstanding listed equity is defined based on its market value (market price × number of shares held)

Bonds: $$\sum\left(\frac{\text{Outstanding amount}}{EVIC}\times\text{Company emissions}\right)$$

$EVIC$=Enterprise value including cash

*2 Carbon intensity (expressed in tons CO_2e/ US$M revenue). Issuer’s Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights. The formula is shown below.

$$\sum_{n}^{i}\left(\frac{\text{Current value of investment}_i}{\text{Current portfolio value}}\times\frac{\text{Issuer's Scope }1\text{ and }2\ GHG\text{ emissions}_i}{\text{Issuer's \$M revenue}_i}\right)$$

*3 Ratio of the Scope 1 and Scope 2 GHG emissions of investee companies in our portfolio relative to the emissions of companies in the benchmark (following table).
*4 Ratio of WACI of our portfolio relative to WACI of the benchmark (following table).

Assets	Benchmark
Japanese equities	TOPIX
Global equities ex. Japan	MSCI ACWI (excluding Japan)
Japanese fixed income	NOMURA-BPI (corporate bonds)
Global fixed income ex. Japan	Bloomberg Barclays Global Aggregate Bond Index (corporate bonds)

*5 Total for the Scope 1 and Scope 2 GHG emissions of Resona Asset Management and the banks in the Resona Holdings. The emissions are calculated in accordance with the standards of the Energy Conservation Law.

Our 2022 highlights and looking ahead

We have improved our climate-related financial disclosure, as described on page 18-23, this year in accordance with the updated Implementing Guidance for the TCFD recommendations, while considering and implementing activities which are required for us to align with the Guidance, when possible.
We recognized the fact that our relevant activities had been insufficient to meet the requirements in some sections of the TCFD recommendations. As we are actively encouraging the investee companies to make climate-related financial disclosures in accordance with the TCFD recommendations, we must take the fact seriously and make efforts to improve our disclosure.

The data disclosed in the "metrics and targets" section shows that the level and speed of the activities for GHG emissions reduction by our investee companies are not sufficient to achieve the target set by the Paris Agreement, while they have made progress toward it, and it is possible that the demands on the investee companies to reduce their GHG emissions will be more stringent and negatively impact their business performance.

In 2022, we have made progress with the following activities to address climate change. We will continue to make active efforts with the investee companies to combat climate change so that they can avoid the aforementioned climate-related risks and improve their corporate value by making use of climate-related opportunities. We believe that the steady advancement with these activities is vital to realize our Purpose "To ensure a prosperous and happy life for future generations as well as our customers."

■ Establishment of our "climate change policy"

As a result of our materiality analysis, we recognize climate change as one of the most important issues of the present and future. Accordingly, we have established a "climate change policy" in January 2023 in order to express our stance to climate change. With this policy, we have made commitment that we aim to achieve net zero in our business activities (Scope 1, 2 and 3 category 15 GHG emissions*1) by 2050, and we contribute to address climate change through our investment activities.*2

*1 Our performances are disclosed in the "metrics and targets" section.
*2 For details on the policy, refer to the URL.
https://www.resona-am.co.jp/about/climate.html

■ Encouraging the investee companies to take actions to address climate change through engagements

We are taking a role as the "lead investor" for engagements with two automobile manufacturers in one of the international collaborative engagement initiatives "CA100+". In 2022, one of these companies have set its interim GHG emission reduction target.

* For details on CA100+, see page 51.

■ Encourage the investee companies to take actions to address climate change through proxy voting

We have been active in climate proxy voting.
We generally vote against proposals to amend the articles regarding execution of business as they may have potential to restrict freedom in conducting business. However, we have voted for shareholder proposals for two energy companies to amend the articles to conduct climate scenario analyses in accordance with the long-term target of the Paris agreement and to disclose its transition plan, climate-related risks and opportunities in the mid and long term based on the analyses, as we emphasized the importance of the fact that the proposals was in line with global standards. Although the proposals were rejected by majority, we continue explaining our standpoint to the companies and encouraging them to take more efforts.
Also, we have amended our proxy voting standard to integrate climate change into our proxy voting activities. We have added to the standard the article that we do not positively respond to the re-appointment of board members, if the company's climate-related financial disclosures in accordance with the TCFD recommendations (or an equivalent framework) or its medium- and long-term targets in line with the Paris Agreement are not sufficient.

■ 2 impact funds to contribute to address climate change

In order to realize our purpose "To ensure a prosperous and happy life for future generations as well as our customers", we recognize climate change as one of the most important issues to be addressed. To shape positive outcomes and impacts to address climate change and other environmental and social challenges while pursuing economic returns, we have setup and are managing two impact funds, the "Japan Equity Impact Investment Fund"* and the "Global Impact Investment Fund (Climate Change)". We continue engaging with the investee companies of these impact funds to encourage them to shape positive impacts through their business activities. We have published impact reports on the impacts the funds created, and we will continue to do so regularly in the future.
We estimate that, the investee companies contributed to GHG emissions reduction of about 34 million tons in total in FY 2021 through their business activities.

* The "Japan Equity Impact Investment Fund" aims to contribute to address various environmental and social issues other than climate change, to make Japanese society sustainable and easy to live in.
* For details on impact funds, see page 78.

■ Integrated approach to issues related to climate change, biodiversity, natural capital, and circular economy

In recent years, climate change, biodiversity loss, degradation of natural capital, and transition to circular economy have been recognized as global risks. Given that these challenges are interrelated, it has also been suggested that an integrated approach to address them should be taken.
We are participating in many international initiatives on biodiversity, natural capital, and circular economy, including the "Finance for Biodiversity Pledge," and collecting information related to these challenges in the context of climate change.
The information that we have collected is used for enhancing our ESG integration, engagement, and proxy voting activities.

Employee discussion

Thinking about the future in terms of "purpose" of Resona Asset Management.

What we can do to ensure a prosperous and happy life for future generations as well as our customers

Our Chief Sustainability Officer, Matsubara, asked three employees actively involved in the company about their own roles and thoughts on Resona Asset Management's purpose, which is "to ensure a prosperous and happy life for future generations as well as our customers."

What does it mean for Resona Asset Management to be responsible for solving social issues?

Matsubara: Today, I would like to have an open discussion with everyone who support Resona Asset Management's daily activities about their thoughts on what our purpose means for the future as we approach 2050.
The purpose of Resona Asset Management is to ensure a prosperous and happy life for future generations as well as our customers. We aspire to become a company that can make our customers say with a smile that they were able to build assets because they used our investment services, they were able to have a fulfilling retirement because of our company, or that they were able to help create a better society and environment for future generations by investing in the products that we manage. The purpose is filled with such thoughts. In order to realize this purpose, I believe our company should be a long-term investor capable of building assets and be aware of our responsibilities as responsible investor.
Firstly, I would like to ask you what you think about solving social and environmental issues through your daily work at Resona Asset Management. Please share your thoughts on this matter.

Kondo: I joined the company in September 2022. As a member of the Responsible Investment Division, I am involved in policy /strategy planning related to ESG or sustainability issues. For example, I create proposals for policies related to stewardship activities, and I am in charge of making our climate-related financial disclosures in accordance with the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations.
In Japan, the concept of "sustainability" seems to be linked to certain preconceptions about environmental conservation, etc., but I think the original meaning of the word is more broad than it. I mean its original meaning is "the ability to sustain" the functions of society, corporation or the environment into the future. A few decades ago, Japan enjoyed a period of great economic prosperity, but recently, it becomes urgent for the country to respond to several challenges related to economics, society, and the environment, which have manifested domestically and abroad. Focusing directly on these challenges and thinking about what we can do to sustain the functions of society, corporation or the environment into the future is the essence of the word "sustainability." My work in sustainability is based on this idea.

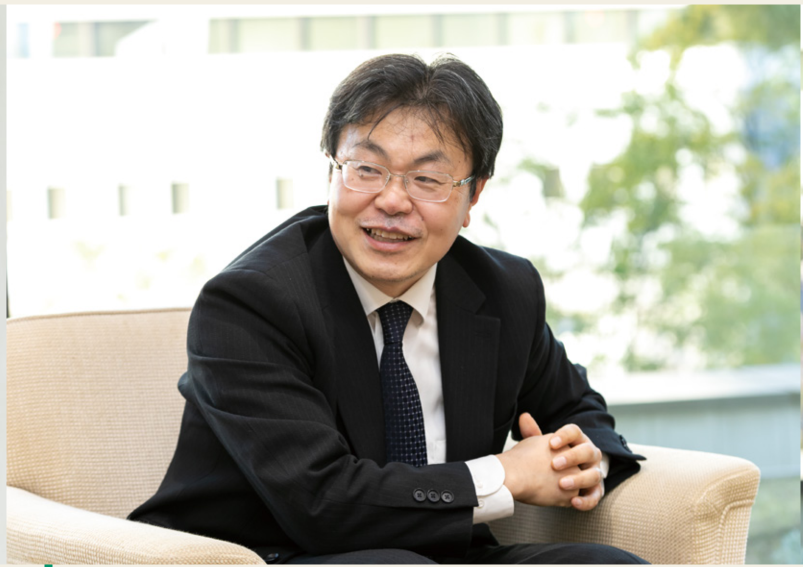
Tsuruta: This is my third year at this company. I am a member of the Investment Strategy Division, and I am involved in compiling reports and promoting externally our responsible investment initiatives, such as ESG funds. I am paying attention to impact investment as one of the solutions to social and environmental issues. Impact investing is a kind of investing that does not only focus on financial returns, but also on creating an impact (positive effect on society) by helping solve social/environmental problems, etc. Before investing or when continuing to invest, we analyze whether actions taken to solve social/environmental problems are having an impact. From the perspective of customers who entrust us with their assets, it is our products that show them how their money is contributing to society.
Recently, I have been involved with sharing information on our impact investments externally, and this has made me more aware of our company's earnest stance toward impact investment, and it has increased my expectations for it.

Shingo Kondo — Responsible Investment Division Senior Investment Manager
× **Minoru Matsubara** — Chief Sustainability Officer Executive Officer, Responsible Investment Division
× **Saki Tsuruta** — Investment Planning Division Investment Manager
× **Tran Ngoc Lan Anh** — Equity Investment Division Fund Manager

Tran: I joined the company in 2021, and I am a member of the Equity Investment Division. Due to the COVID-19 pandemic, I have started to work remotely from my hometown in Vietnam I was still working at home in Vietnam, but as of May 2022, I was finally able to come to Japan, and I am working in Tokyo.
A worldwide social problem that I am strongly interested in is inequality. Unfortunately, in current society, inequality is prevalent in all regions everywhere. Inequality in medical care, education, food, water, health, etc., lead to distrust in national governments and social systems, and it can lead to violence and conflict. Inequality also prevents sustainable economic and social development, and it greatly dampens the achievement of SDGs (sustainable development goals).
Among the many forms of inequality present in society, I am strongly interested in "income and asset inequality." I believe this is a serious social problem needs solving. If left unchecked, inequality will spread to future generations. As an asset management company, I think we should take a firm approach to this problem.

Kondo: "Inequality," pointed by Tran, is a very important social issue to tackle. There is a concept "social common capital" as a foundation of society, economy or corporations. A stable society, is a form of social common capital, so are a stable climate and a clean environment. If inequality is seriously exacerbated, it will lead to social unrest, and will have a negative impact on corporate profitability.
From such a point of view, inequality is an important ESG issue that long-term investors including us should address. We should raise the issue when we have an engagement with our investee companies.

Matsubara: Listening to all of your speeches, I have come to realize once again that there are many roles and responsibilities that finance industry should play in contributing to the creation of a better society.
In the future, finance will still be about the lending of money, but it will also be about making a better society through the adept use of that money. Therefore, finance can be said to play an important role as a baton connecting the present and the future. Also, as Resona Asset Management fulfills its role in finance, it is necessary to pass the baton in a good way to the younger generations who will carry our company's future, starting from the active generation to them.
Now, I would like to ask our future generation what they want to do as they look toward society's future.



Shingo Kondo

Minoru Matsubara

Saki Tsuruta

Tran Ngoc Lan Anh

As those responsible for the next generation of finance, what should we be doing?

Tsuruta: As a continuation of what I just said, impact investing is closely linked to our company's purpose. I think that impact investing is exactly one of our initiatives to ensure "a prosperous and happy life for future generations." Our impact investments focus on two things: solving climate change issues and domestic social issues. If we can curtail global warming by addressing climate change, that will lead to a prosperous and happy life. Also, if the sustainability of Japanese society is enhanced, we can ensure a prosperous and happy life for future generations as well as our customers. Of course, we are not the only asset management company that does impact investing, but it helps solve social and environmental issues, and our impact investing is highly aligned with our purpose. We would like to our customers and the broader public to know the value of our impact investments and our aspirations as an asset management company. There are many cases where the power of an asset management company like our company alone is not enough to reach a solution. However, it is necessary to highlight the current state of social and environmental issues from the perspective of an asset management company and to express an approach to solving them.
In addition to impact investing, we have many good products and initiatives that are useful for our customers and society. As someone who involved in the spread of information, I share information on impact investing and the other strengths of our company with the hope that it could become an opportunity for customers, particularly those of the young generation who will be responsible for the future, to think about issues that affect society, the environment, etc., and their solutions.

Tran: As stated, I have a strong sense of crisis regarding "inequality," and my reason for joining the Resona Group is so that I can help solve issues related to inequality in income and assets. The Resona Group is one of the few financial groups in Japan that excels in the retail field and has asset management functions. I find value in my work because I believe that it will help solve inequality over the long term. I am responsible for equity investments, I aim to contribute to the wealth of retail customers by finding and investing in "strong companies" and "sustainable growth companies" with a long-term perspective. When searching for such companies, one important factor is their stance toward sustainability and ESG. For example, I would like to find companies active in solving social and environmental problems closely linked to their own business, such as food companies taking measures against food loss.
Worldwide inequality will not be resolved quickly, but I hope that we can help stop its expansion.
I think it is great that our company has its own identity. Having an identity is essential for working strongly as one team. Based on our company's identity, each member can act independently while we work towards achieving goals as a single team.

Kondo: After being transferred to Resona Asset Management, I feel that the corporate culture is free and open. This culture allows everyone to have an honest exchange of opinions. I hear that President Nishioka's strong leadership has contributed greatly to the establishment of this culture. I think this is great. People put great importance on Diversity in the current generation. Our corporate culture where different opinions can be expressed freely is a great asset in such a generation. It is likely that this culture will prevent the company from misconduct to occur.
However, there are some issues to improve our business operations. Given that the scope of ESG challenges is increasing rapidly, it is getting unfeasible for a single person to cover all ESG challenges for the implementation of their work. It is necessary to develop ESG human resources with a long term perspective.
When I read the company's Purpose Statement, I find two aspects which are so impressive. One aspect is that, the Purpose Statement explicitly mentions future generations, but not the current generation. I feel, in the Purpose Statement which does not explicitly mention the current generation, that the company, as a long-term investor, has pride in being one step ahead and considering the benefit for future generations. The other aspect is that the Purpose Statement includes the words "prosperous" and "happy" both. I believe that this shows the company's aspiration to pursue not only financial returns, but also the vision where the customers live happily in a stable society and environment. It would be fantastic if the company, with such a great Purpose Statement, realize many cases of the enhancement of the enterprise value as a fruit of serious pursuit of ESG element. I would also like to work hard to contribute to the company to do so.

In order to pass things on to the next generation under positive conditions

Matsubara: Thank you everyone.
As Tran suggests, I think it is important to interpret the company's purpose as our identity and to share this purpose with others.
This identity provides the structure for Resona Asset Management's principles. Our purpose is located at the top of the pyramid, and it is supported by our values and corporate culture. You all have identified several keywords, "open-minded culture," "long-term perspectives," and "respect for diversity." Our identity is found within these concepts.
I believe we must continue to have values to realize our purpose, corporate culture that allows us to have our own views, to have a culture of mutual respect, to pursue expertise, and to have a desire to meet the true needs of customers.
This is something that I want to do, but I can't do it alone. In order to get many others involved and create a new age, it is necessary for people to work together and cooperate with common aspirations. An aspiration is not a dream, but a strong passion that supersedes time and space to fulfill people's wishes. I have a renewed determination to declare to everyone both inside and outside the company that these strong feelings are the driving force for achieving Resona Asset Management's purpose, and I would like to entrust this purpose to those who will be responsible for future generations. Thank you very much.

Chapter 1

– Responsible Investment Section –

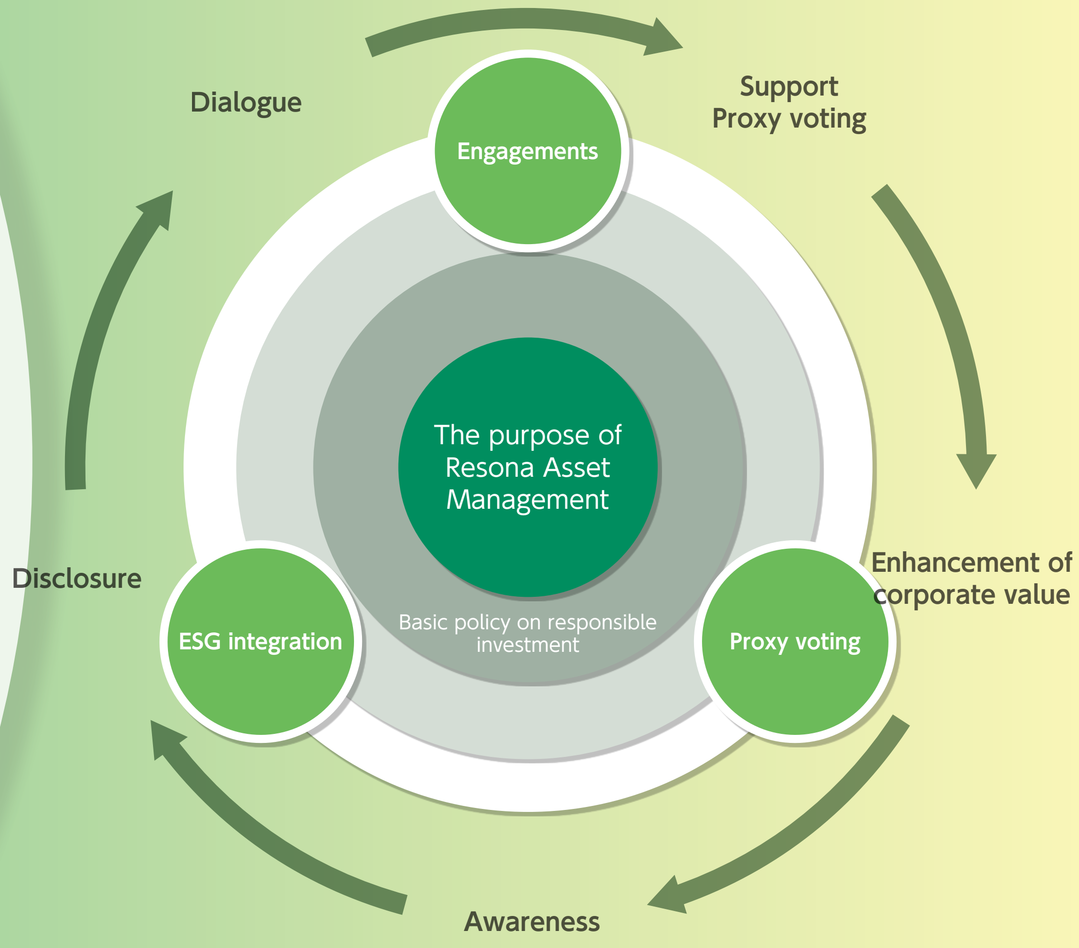
Responsible Investment of Resona Asset Management

ESG issues such as climate change have already manifested as concrete risks and opportunities. As an asset management company, we are not only expected to be a “Future Taker” that aims to improve corporate value and expand medium- to long-term returns while considering current and future ESG issues and adapting to them, based on the current real-world situation. We are also required to be a “Future Maker” committed to realizing a better future by proactively engaging the real world and creating impacts to improve the situation.
We implement our activities to improve the corporate value of investee companies by incorporating ESG into investment decision-making process (ESG integration), conducting engagement activities with investee companies, and exercising voting rights. In addition, as a long-term investor and universal owner, we conduct engagement with a wide range of stakeholders, practice impact investment, and work towards realizing a desirable future as a Future Maker.

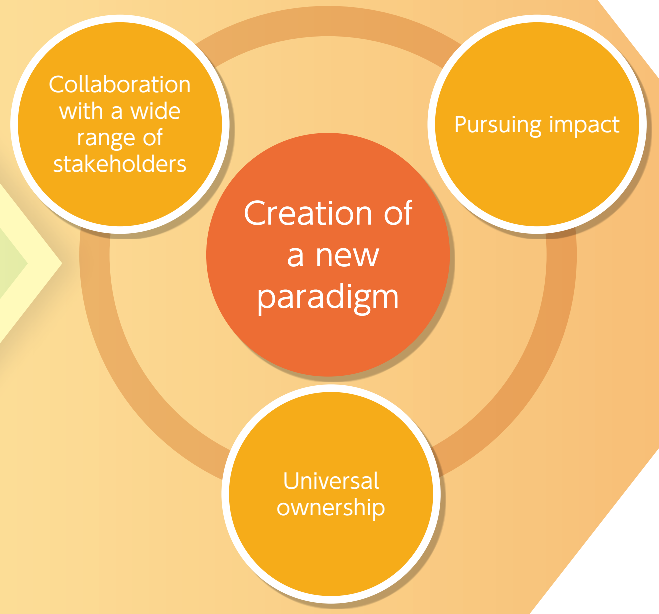
Global issues caused by external diseconomies

- Climate change
- Income inequality
- Human rights
- Aging society with a low birth rate
- Cybersecurity
- Anti-corruption
- Natural disasters
- ⋮

Future Taker



Future Maker



Realizing the “desirable future”

- Inclusive social economy
- Sustainable environment
- Corporate culture, purpose

Future Taker We aim to enhance corporate value and expand the mid-to-long-term returns for stakeholders by considering current and future ESG issues that may arise in light of the current state of the real world, adapting to them, and aiming to improve them.

Future Maker We strive to be committed to realizing a better future by proactively engaging with the real world and creating impacts to improve its conditions.

Overview of responsible investment activities

We are undertaking various activities to ensure a prosperous and happy life for future generations as well as our customers. This is a part of our efforts towards the purpose of Resona Asset Management, to ensure a prosperous and happy life for future generations as well as our customers.

The purpose of Resona Asset Management

"To ensure a prosperous and happy life for future generations as well as our customers"

"Desirable future"

- Inclusive socioeconomy
- Sustainable environment
- Corporate culture, purpose

List and assess ESG issues

Identify materiality (material issues)

- Climate change
- Biodiversity and forest conservation
- Child labor and forced labor
- Product quality and safety, social impact of products and services
- Diversity and inclusion
- Anti-corruption

Take the following measures based on materiality and ESG issues

- **Engagements** (see page 36 for details)
- **Proxy voting** (see page 62 for details)
- **ESG integration** (see page 70 for details)
- **Impact investment** (see page 78 for details)

Responsible investment policies

We have set out various policies to implement responsible investment activities. We have established a "basic policy on responsible investment." This policy is based on the Principles of Responsible Investment and Japan's Stewardship Code. ESG integration, engagement, and proxy voting policies were established based on the basic policy.
We have also established climate transition and exclusion policies. The climate transition policy aims towards net zero emissions, and we are excluding weapons of mass destruction (WMD) from our investable universe.

Japan's Stewardship Code | The purpose of Resona Asset Management | Signatory of: PRI Principles for Responsible Investment

Basic policy on responsible investment

- Within the investment framework, we aim to support the investee company to raise corporate value from a medium- to long-term perspective. Our investment decisions are conducted through gathering and analyzing financial and non-financial information, including ESG factors.

- Measures
  1. ESG incorporation in investment decisions
  2. Engagements
  3. Conduct proxy voting

Materiality | Climate transition policy

ESG integration policy
Policy to incorporate ESG into investment decision process (see page 70 for details)

Policy on excluding specific weapons manufacturers
Policy to exclude specific weapons manufacturers from the investable universe (see page 71 for details)

Engagement policy
Policy to promote constructive engagement to support the improvement of corporate value and sustainable growth (see page 36 for details)

Policies and standards in relation to proxy voting
Proxy voting policies (see page 62 for details)

* For details of the basic policy on responsible investment and the climate transition policy, please access the following URL.
https://www.resona-am.co.jp/english/responsible-investment/basic.html
https://www.resona-am.co.jp/about/climate.html (in Japanese only)

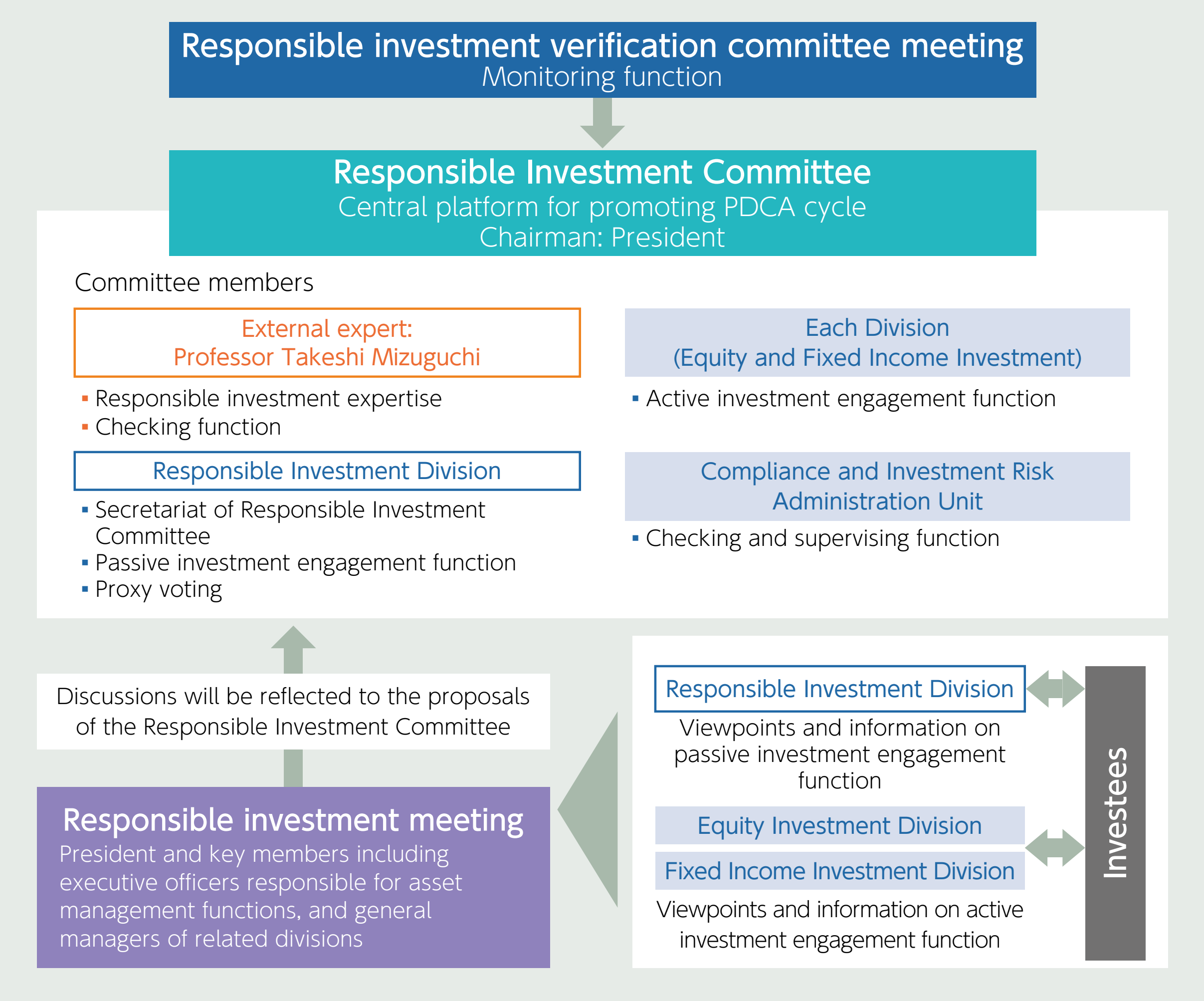
Action policy on Japan's Stewardship Code

In February 2014, Resona Asset Management announced its endorsement and acceptance of Japan's Stewardship Code, and has established policies to address each of its principles. Prior to Japan's Stewardship Code, we have established our basic policy on responsible investment. We have clarified our approach to seek to enhance client returns of the assets under management from a medium- to long-term perspective. We believe that we are able to fulfill our stewardship obligations through implementation of various measures. And we will promote measures that are aligned with Japan's Stewardship Code.

For details, please access the following URL. https://www.resona-am.co.jp/english/responsible-investment/pdf/ActionPolicy_on_Principles_for_RII.pdf

Framework of responsible investment and stewardship activities

The Responsible Investment Committee Meeting is conducted to consolidate asset management function's expertise.
The objective of the Committee Meeting is to fulfil our stewardship responsibilities as asset manager to achieve a sustainable society and to support the growth of the investee companies and to.



Responsible investment meeting

- The responsible investment meetings are held on weekly basis to regularly share information and discuss on
  - Responsible investment, news flow as it pertains to ESG issues, and
  - Progress made on engagements with companies.
- Through this meetings and other forums, the Responsible Investment Division
  - Shares information and discuss with relevant divisions, and
  - Reflects these in proposals to the Responsible Investment Committee.

■ Topics covered at responsible investment meetings
(January to December 2022)

- Study Group on Financing from the Private Sector to Help Corporate Initiatives for GX (Green Transformation) in Industries
- Participation to the PRI Advance initiative
- Endorsement and support to the "Investor Agenda"
- Report on progress of impact investment and assessments
- 2023 revision of proxy voting guidelines for Japanese equities

Responsible Investment Committee

The Responsible Investment Committee examines Resona's responsible investment activities to see whether they are conducted appropriately in accordance with Resona's basic policy on responsible investment. It plays an important role in acting as a control tower for continuously devising solutions and improvements.
The committee consists of President, executive officers and general managers from the asset management functions. To secure internal controls, executive officers in charge of the Compliance Division and the Investment Risk Administration Division participate. The committee harnesses its members' collective experience and expertise to carry out initiatives that contribute to sustainable growth of the investee companies. Since May 2017, Professor Takeshi Mizuguchi, President at Takasaki City University of Economics was welcomed onto the committee as an external expert and leading authority on responsible investment. He has been furnishing opinions and advice from an outsider's perspective to the activities of Resona Asset Management, based on his extensive knowledge.
At the Responsible Investment Committee, various evaluations and discussions take place, including reports on specific initiatives established in various policies including the "basic policy on responsible investment," changes to proxy voting guidelines, and the deliberation of agenda items.

■ Specific initiatives to the "basic policy on responsible investment"

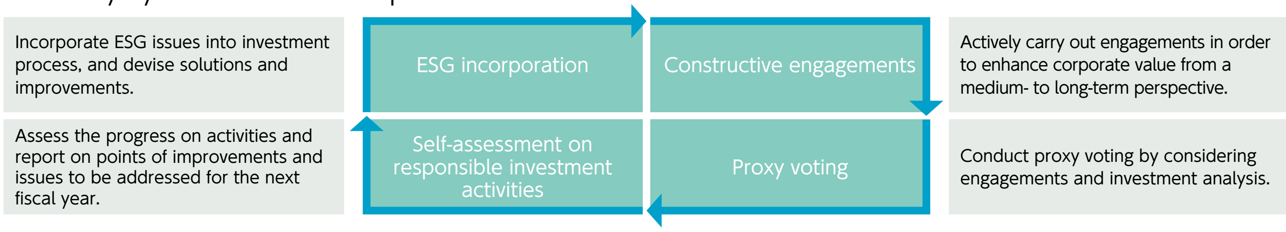
- Incorporation of ESG into investment process
- Constructive engagements
- Conduct Resona's proxy voting

■ Key discussion and reporting items of the Responsible Investment Committee

- Discussion on updates to the proxy voting guidelines
- Discussion on voting decision to certain AGM proposals which are not simply able to determine
- Voting results for Japanese and Global equities
- Engagements progress and plan changes
- Self-assessment discussions
- Report on responsible investment activity
- 2021 PRI Reporting

We aspire to fulfill our stewardship responsibilities to a greater extent by improving our responsible investment 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.

■ Activity cycle to enhance corporate value



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 twice a year
Secretariat: Investment Risk Administration Division

Members

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

Major items reviewed
Appropriateness of proxy voting guidelines (Japanese equities, Japanese REITs, Global equities ex. Japan)
Appropriateness of proxy voting execution (Japanese equities, Japanese REITs, Global equities ex. Japan)
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 tenth committee meeting (held in February 2022) Revisions to proxy voting guidelines for Japanese and Global equities
- The eleventh committee meeting (held in August 2022) Proxy voting results for shareholders meetings during July 2021 to June 2022

The suitability of the topics subject to review was verified at the above meeting.

Chapter 2

– Responsible Investment Section –

The Engagements of Resona Asset Management

In order to ensure a prosperous and happy life for future generations as well as our customers, it is important for investee companies to be managed so that they can improve their social value over the long term and achieve sustainable growth based on sustainable social and environmental corporate activities. One of our methods for achieving this in cooperation with investee companies is to conduct engagements.
With this basic approach, we have set an engagement policy based on our basic responsible investment policy, and we conduct engagements according to both policies.

The overview of our Engagement Policy

■ Objective

We aim to preserve benefit for our clients on mid to long term perspective.
We cooperate with investee companies to increase their sustainability as a company and their social and environmental sustainability, i.e., the foundation of their corporate activities, in order to encourage sustainable growth and long-term improvements in their social value in order to provide greater benefit to customers from a long-term perspective.

■ Creation of organizational frameworks

We will establish the organizational frameworks with the appropriate skill sets of human capital and training, so that we will be able to conduct engagements with investee companies.
We will also establish a centrally managed database on investee companies, prior engagements to effectively and efficiently conduct engagements.

■ Process

Engagement planning
Based on materiality analyses we will determine engagement themes on social and environmental issues, in addition to business and management strategies and information disclosures. We will determine target companies and engagement plans based on the stage of each investee company.

Conducting engagements
We will conduct constructive engagements based on the research of management strategy and their ESG risks and opportunities.
We will also communicate with institutional investors and stakeholders in order to ensure the appropriate and effective engagements.

Monitoring and actions
We will monitor engagement progress and report its progress to the Responsible Investment Committee. If incremental actions are required, we will set intermediate targets and manage milestones. We will encourage the company to react based on their progress. We will consider to vote against director election if improvements are not made. We will also revise engagement plans as needed.

Information disclosure
We will carefully provide information and explain our future engagement policies to our customers, and will disclose its progress in the sustainability reports and other suitable formats.

* Please refer to the following URL for details on our Engagement Policy.
https://www.resona-am.co.jp/investors/engagemento_katsudou.html

The three originalities of engagements

We will focus on efficacy and efficiency through our three unique form of engagements: “networks,” “a top-down approach,” and “+collaboration.”

1 Networks (Efficacy and efficiency of information collection)

As pioneers of responsible investing, we use our own network to have active discussions (through stakeholder dialogue) with the following stakeholders to collect advanced information and knowledge. This information and knowledge is used to select engagement themes and indicators to screen the target companies.

External experts	In the process of advancing corporate governance and ESG activities, we regularly collect information from and exchange opinions with the external experts such as university professors.
NGO	Through CSR Review Forum Japan, we work with the NGOs and experts from Japan and overseas to perform research and spread awareness.
Regulators	We participate as a member of discussion committees to the Financial Services Agency; the Ministry of Economy, Trade and Industry; and the Ministry of Environment.
Long-term global investors	We communicate with global investors on collaborative engagements and ESG engagement issues.
Labor unions	We are a member of the Research Committee on Information Disclosure as a “Good Company” and Promotion of the Principles for Responsible Investment from a Workers’ Standpoint of the Research Institute for Advancement of Living Standards.
Organizations	Since the PRI Japan Network was established in 2008, we have been actively involved in the PRI Japan Working Group as a signatory organization and an advisory committee member. Under the Principles for Financial Action for the 21st Century, we are a steering committee member and joint chair of the Asset Management/Securities/Investment Banking Working Group and a committee member of the Japan Impact-driven Financing Initiative.
The youth generation	We invited youth activists to the CSR Review Forum Japan for discussion.

2 Top-down approach (Efficacy and efficiency in screening themes and companies)

We take a top-down approach to select engagement themes, based on our “desirable future” and materiality analyses.
With the top-down perspective, we can take an efficient and effective approach to select engagement issues and target companies.

3 +Collaboration (Efficacy and efficiency of engagements)

In addition to our in-house engagements, we are able to conduct effective and efficient engagement through the top-down approach by participating to various collaborative engagements.
Our engagement themes include natural capital, such as climate change and biodiversity, as well as human capital, such as human rights and labor practices.
It is beneficial for us to participate to the collaborative engagement in order to use the knowledge and support of experts and the global institutional investors.

Three types of engagements

We generally use the following three types of engagements.

① Materiality engagement (top down)

Top down engagements to the target companies based on materiality analyses and ESG issues.

② Information disclosure engagement

Engagement to correct the disclosure discount (*) resulting from insufficient information disclosure by the investee company
(*: When a company's value is not adequately assessed due to an insufficient disclosure of non-financial information, etc.)

③ Bottom-up engagement

Engagement conducted based on an individual company's governance status or an original active investment theme

We also actively conduct index engagement with index providers and public engagement by participating as a member to the policymaker discussion groups, etc., in order to share opinions from the perspective of institutional investors, and to obtain understanding.

Type	Materiality (top down)	Information disclosure	Bottom up
Focus	Our materiality (and global ESG issues) Climate change, conservation of natural capital, etc.	Rectifying the disclosure discount	Management strategies, capital policies, etc.
Main examples of themes	More sophisticated TCFD disclosures Sustainable acquisition of palm oil	Encouraging and improving the disclosure of non-financial information based on integrated reports	Setting items based on unique company themes
Approach	Use of both in-house and collaborative engagement (*) * Climate Action 100+, etc.	Primarily in-house engagement	Primarily in-house engagement
Target	Investee companies	Investee companies	Investee companies
Divisions involved	Responsible Investment Division	Responsible Investment Division Equity Investment Division	Equity Investment Division Fixed Income Investment Division

The Responsible Investment, Equity Investment, and Fixed Income Investment Division are the main bodies of conducting engagements.
The Responsible Investment Division conducts engagements on passive investment, while the Equity Investment and the Fixed Income Investment Division conduct engagements on active investment.

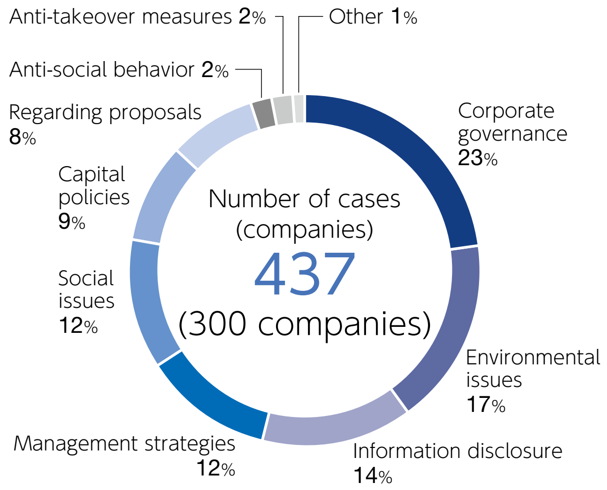
Engagement activities

In FY 2021 (July 2021 through June 2022), we conducted following engagements, which are described in the following charts.

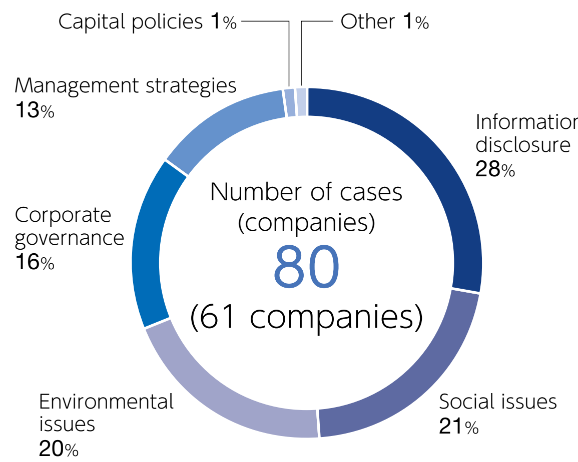
■ Activities of the Responsible Investment Division

In addition to materiality engagement (top down), the Responsible Investment Division conducts bottom-up engagement tailored to each company's status.
The Responsible Investment Division also collaborate with the Equity Investment Division on information disclosure engagement.

Japanese listed companies



Global listed companies ex. Japan



■ Activities of the Equity Investment Division

The Equity Investment Division conducts bottom-up engagement according to the company's. This is because the viewpoints of the company's risks and opportunities differ across each different investment approaches. The Equity Investment Division also collaborate with the Responsible Investment Division on information disclosure engagements.

■ Activities of the Fixed Income Investment Division

The Fixed Income Investment Division actively conducts bottom-up engagements based on each issuer's progress status. This is because unlike the equity investments, fixed income investors does not have voting rights, and downside risk exceeds upside potential.

■ FY 2021 (July 2021 through June 2022) activities

	Equity Investment Division	Fixed Income Investment Division
Number of engagements conducted	1,196 (563 companies)	89 (74 companies)

* For details on our information disclosure engagement, see page 44. For details on the engagement activities of the Equity Investment Division and the Fixed Income Investment Division, see pages 46 and 48, respectively.

Materiality (top-down) engagement

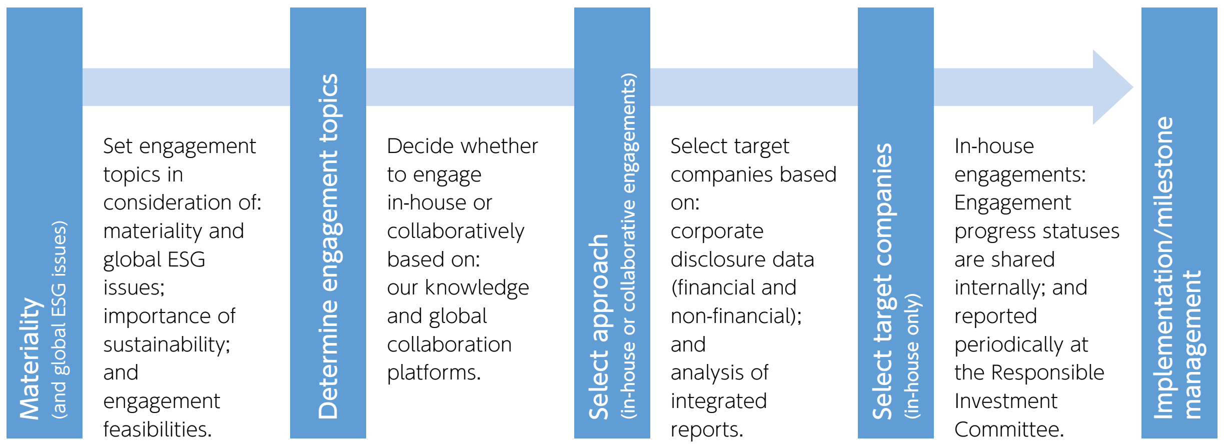
Purpose of the engagements

We believe that it is necessary to increase sustainability of the investee companies on the environmental and social fronts, in order to enhance client returns. Our material issues are determined along the following two axes:
The "Importance to long-term investment performance," which is the sustainability of the investee companies, and the "Importance to sustainability," which is the societal and environmental sustainability. We expect that the progress on each material issue will lead to the enhancement of the performance of clients' assets.
The objectives of materiality engagements are to raise investee companies' corporate value and to grow clients' assets over the medium to long term, by setting material engagement issues, and to conduct engagements by taking a top-down approach.

Concept of engagements

We believe that we are able to conduct efficient and effective engagements, with a focus on the big picture, by taking a top-down approach based on materiality. The engagement themes are determined by importance and feasibility, based on material ESG issues and global ESG issues.
In-house engagements: We select target companies and conduct engagements on issues for which we possess advanced experience. We are conducting in-house engagement on sustainable palm oil procurement and anti-corruption measures.
We also actively participate in collaborative engagements which are established at the global platforms such as PRI and CDP. We believe that we are able to conduct effective and efficient engagements through the collaborative engagements, as the global ESG issues are becoming increasingly diverse and as we invest in a large number of companies.

Engagement process



* For specific engagement details, please refer to the table on page 41.

	Materiality (ESG issues)	Topics	Engagement themes
E (Environmental)	Climate change	· Reduced GHG emissions · Enhancing climate-related financial disclosures · Improving governance oversight on climate change	Climate Action 100+ (collaborative engagement) A global initiative to ensure companies to take necessary action on climate change. The initiative is assisted by the PRI, Asia Investor Group on Climate Change (AIGCC), Ceres, Investor Group on Climate Change (IGCC), and Institutional Investor Group on Climate Change (IIGCC). To encourage 166 target companies which include 10 Japanese listed companies to set and to better disclose their management strategy and business reorganization to align with the Paris Agreement.
		· Reduced GHG emissions · Enhanced disclosure of GHG emissions reduction	CDP Non-Disclosure Campaign/Science-Based Targets Campaign (collaborative engagement) CDP NDC: To build on the main request for information disclosure by selectively engaging 1,473 high-impact companies that have consistently lagged or declined to respond to CDP. SBTi Campaign: Sign a letter to be sent to a 1,610 high-impact sample of companies requesting the adoption of science-based targets to help companies align with the goals of the Paris Agreement.
		· Enhanced disclosure of GHG emissions reduction · Improving governance oversight on climate change	AIGCC Asian Utilities Engagement Program (collaborative engagement) encourage 7 target companies to implement a strong governance framework that clearly articulates the board's accountability and oversight of climate change risks and opportunities. Take action to reduce greenhouse gas emissions in a way that is aligned with the Paris Agreement.
		· Enhance climate change-related disclosure in accordance with TCFD recommendations	Encourage the companies to enhance information disclosure on the risks and opportunities in line with the TCFD recommendations (in-house) encourage the high GHG emitters such as auto, steel, chemical, electric power companies to enhance disclosure in line with the TCFD recommendations.
	Biodiversity Natural capital conservation including forests	Zero-deforestation	Zero deforestation engagement (collaborative engagement) ask companies to publicly disclose supplier lists for soft commodities, as these products present high risks for deforestation. Companies linked to cases of deforestation are being asked to mitigate the effects of such deforestation and putting in robust processes to prevent it from happening in the future.
		· Biodiversity conservation · Zero-deforestation	Finance for Biodiversity Foundation Engagement Working Group (collaborative engagement) Knowledge and experience are shared during biodiversity engagements with companies Auto Leather Seats Engagement (collaborative engagements) Collaborative engagement established at Finance for Biodiversity Foundation. Engagement with 5 automotive seating manufacturers and 7 auto manufacturers to address the deforestation risk caused by auto leather seats.
		· Using RSPO-certified palm oil · Formulating and implementing sustainable procurement policies	Sustainable palm oil procurement (in-house) support investee companies related to palm oil supply chain. encourage sustainable palm oil procurement. * This topic also relates to S (Social).
S (Social)	Child labor Forced labor	Reducing forced labor risks	Apparel & Footwear Engagement using the KnowTheChain Benchmarks (collaborative engagement) encourage the 43 target companies of the KnowTheChain Benchmark assessment to prevent and mitigate reputational risk of forced labor and to commit to responsible recruitment.
			Investors Against Slavery and Trafficking APAC Collaborative Engagement (collaborative engagement) promote effective action among the investee companies to find, fix and prevent modern slavery, labor exploitation and human trafficking.
	Product quality and safety Social impacts of the products and services	Controlling the negative impact of the nutritional value of food and drink on society and the economy	ATNI Investor Collaborative Engagement Global Index 2021 (collaborative engagement) ATNI UK Retailer Index 2022 Collaborative Investor Engagement (collaborative engagement) encourage 25 global food and beverage companies and 11 UK-based retail companies to address malnutrition, undernourishment and over nutrition.
		Formation of sustainable supply chains	Global Investor Engagement on Sustainable Protein Supply Chains (collaborative engagement) Sustainable Aquaculture Engagement (collaborative engagement) encourage companies in the food and fisheries industry to form sustainable supply chains for foodstuffs.
	Diversity and inclusion	Mitigation of human rights risks for workers, communities, and society	PRI Advance: a stewardship initiative for human rights and social issues (collaborative engagement) The following expectations are set for companies where human rights risks and impacts are most severe: ▪ Fully implement the United Nations Guiding Principles on Business and Human Rights (UNGPs) ▪ Align their political engagement with their responsibility to respect human rights ▪ Make further progress on the most severe human rights issues in their operations and across their value chains
G (Governance)	Diversity and inclusion	Ensuring diversity in Board of Directors	30% Club Japan/UK Investor Group (collaborative engagement) Group consists of asset owners and asset managers. To encourage awareness and to take steps to achieve board gender diversity in the investee companies. * This topic also relates to S (Social).
	Anti-corruption	Drawing up and disclosing policies on anti-corruption	Promotion of anti-corruption measures (in-house) encourage the key industries (construction, trading company, and finance) to use the Anti-Bribery Assessment Tool made available by GCNJ, and to disclose anti-corruption policies.

Collaborative engagement and working groups involved

In addition to conducting collaborative engagement on the following platforms, we also participate and endorse support to subgroups and investor statements provided in the table.
The ★ indicates collaborative engagement which we lead or co-lead.

Domestic platforms

IICEF: Institutional Investors Collective Engagement Forum

Participated since October 2017
G

A general corporation established with the goal of supporting healthy goal-focused dialogue (collaborative engagement) between companies and institutional investors so that the institutional investors can suitably perform stewardship activities.

Engagement themes	★ Information disclosure	Handling of misconduct	Proposals with strong opposition	Anti-takeover measures	Cross-shareholding	Listed parent companies and subsidiaries

EDSG

EDSG
Participated since November 2021

It has three missions: to pursue an effective and efficient ESG information disclosure framework, to accumulate practical examples (demonstrations), and to encourage mutual understanding among stakeholders for more amicable decision making.

Engagement themes	Information disclosure

Global platforms

PRI: Principles for Responsible Investment

Participated since March 2008
E S G

Announced by the UN in 2005. These are investment rules signed by institutional investors, etc., to take actions regarding the environmental, social, and governance issues of investees when making the decision to invest.

Collaborative engagement and working groups which we participate	Theme	Participated since Involved since
Sustainable Commodities Practitioners Group	Destruction of forests	September 2017
★ Climate Action 100+	Climate change	May 2018
★ Apparel & Footwear Engagement using the KnowTheChain Benchmarks	Labor practices Supply chain	April 2019
★ Advance: a stewardship initiative for human rights and social issues	Human rights Supply chain	December 2022

Investor declarations that we signed and endorsed in 2022	Theme	Date of signature
2022 Global Investor Statement to Governments on the Climate Crisis	Climate change	May 2022
Call for Stronger Alignment of Regulatory and Standard Setting Efforts around Sustainability Disclosure	Information disclosure	August 2022
Statement from the Private Financial Sector to the Conference of the Parties to the Convention on Biological Diversity	Biodiversity	November 2022

CDP

Participated since April 2017
E

Encourages actions against environmental problems by sending letters to the world's largest companies (at least 1900 Japanese companies) signed by institutional investors that endorse the actions to request disclosure of greenhouse gas emissions and reduction initiatives.

Participated collaborative engagement and working groups	Theme	Participated since Involved since
★ Non-Disclosure Campaign	Climate change	April 2020
SBT Campaign	Climate change	September 2020

30% Club Japan Investor Group
30% Club UK Investor Group

Participated since June/December 2019
G

Established in the UK in 2010. Working group comprising asset owners and managers who use stewardship to encourage investee companies to have more diversity in their boards of directors in order to maximize shareholder benefit.

Collaborative engagement and working groups we participate	Theme	Participated since Involved since
Global Engagement	Diversity in boards of directors	April 2022

Investor declarations that we signed and endorsed in 2022	Theme	Date of signature
Statement on Addressing Racial Inequality and Call to Action	Diversity in boards of directors	March 2022

FAIRR: Farm Animal Investment Risk & Return

Participated since January 2020
E S

Initiatives of Collar Capital (UK) founded by investor Jeremy Collar in 2015 related to the food industry. A centralized investor network that shares the importance of ESG risks and opportunities that occur during production in the food and fishery industries

Collaborative engagement and working groups we are participating in	Theme	Participated since Involved since
Global Investor Engagement on Sustainable Protein Supply Chains	Food sustainability	January 2020
Sustainable Aquaculture Engagement	Food sustainability	March 2021
Working Condition Engagement	Labor practices	March 2022

Investor statements signed and endorsed in 2022	Theme	Date supported
Global Roadmap to 2050 for Food and Agriculture	Food sustainability	November 2022

AIGCC: Asia Investor Group on Climate Change

Participated since May 2020
E

Established in Singapore in September 2016 as a division of the Global Investor Coalition (GIC). It is an initiative between asset owners and financial institutions in Asia for increasing awareness of the risks and opportunities of investing related to climate change and de-carbonization.

Collaborative engagement and working groups we are participating in	Theme	Participated since Involved since
Asian Utilities Engagement Program (AUEP)	Climate change	April 2021

ACGA: Asian Corporate Governance Association

Participated since May 2020
G

Established in Hong Kong in 1999. For 20 years, it has encouraged corporate governance regulations and practical systemic improvements in Asia through independent research, advocacy, and education.

Collaborative engagement and working groups we are participating in	Theme	Participated since Involved since
China Working Group, Korea Working Group	Governance	April 2022

IAST APAC: Investors Against Slavery and Trafficking APAC

Participated since March 2021
S

Encourages effective action to "find, fix, and prevent" modern slavery in the APAC region. Identifies modern slavery risk in the business and supply chains and encourage the company to implement measures and better disclosure

Engagement themes	Forced labor

ATNI: Access to Nutrition Initiative

Participated since June 2021
S

Established as a non-profit organization in 2013. Develops and supplies tools for measuring the degree of action taken in the food and drink industry to address malnutrition in order to encourage change.

Participated collaborative engagement and working groups	Theme	Participated since Involved since
Investor Collaborative Engagement Global Index 2021	Nutrition	June 2021
★ ATNI UK Retailer Index 2022 Collaborative Investor Engagement	Nutrition	March 2022

FfB Foundation: Finance for Biodiversity Foundation

Participated since February 2022
E

Signatory organization and connecting institute for partner organizations. Established in March 2021 with the goal of encouraging action and supporting cooperation among financial institutions through working groups.

Participated collaborative engagement and working groups	Theme	Participated since Involved since
Engagement Working Group	Biodiversity	January 2022
Auto Leather Seats Engagement	Biodiversity	February 2022

Other

Participated collaborative engagement and working groups	Theme	Participated since Involved since
ACTIAM Satellite-based Engagements Towards No Deforestation	Destruction of forests	February 2021

Other platforms

Japan

Principles for Financial Action for the 21st Century

Participated since October 2012
E S G

Implements initiatives based on seven action principles for financial institutions who want to fulfill their responsibilities and roles as required in order to achieve a sustainable society

Japan Impact-driven Financing Initiative

Participated since October 2021

Initiative to encourage cooperation among numerous financial institutions who agree that the purpose of their existence is to have a thorough understanding of their impact in order to facilitate solutions to environmental and social issues and to implement impact-driven investment.

International

ICGN: International Corporate Governance Network

Participated since April 2020
G

Established in Washington DC in 1995. Institute that provides a place for the global exchange of information and views related to corporate governance issues, establishes governance standards and guidelines, and provides support and advice for executing corporate governance.

TNFD Forum: Taskforce on Nature-related Financial Disclosure Forum

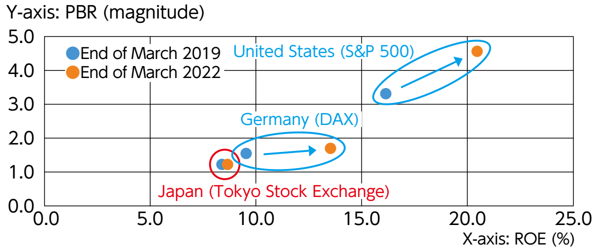
Participated since December 2021
E

Established June 2021. Initiative with the mission of developing frameworks for the management of environmental risk and information disclosure and changing the flow of capital to create a positive impact on the environment.

Information disclosure engagement

Objective of engagements

When comparing the Japanese stock market with stock markets, we are aware that the profitability of capital (ROE) is low and the valuation (PBR) does not increase. There are various reasons for the valuation not increasing, but we think that the disclosure discount resulting from Japanese companies not sufficiently disclosing information is one major factor. Our goal is to increase the value of investee companies by encouraging the disclosure of non-financial information and making substantial improvements through information disclosure engagement.



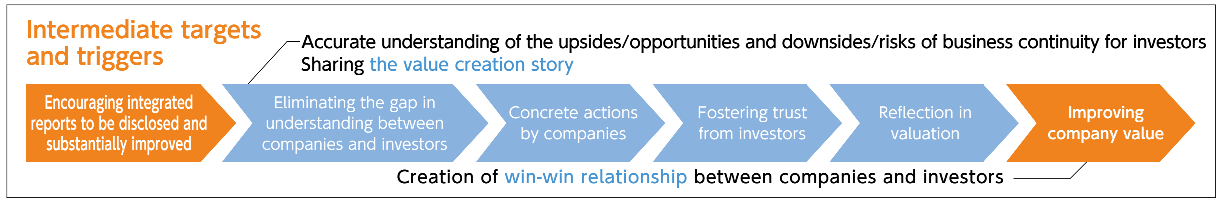
- The figure on the left plots the ROE and PBR of the United States, Germany, and Japan from the end of March 2019 through the end of March 2022.
- Japanese companies have a low level and low rate of improvement compared to US and German corporations for both ROE and PBR.

* Created by the company based on data from Bloomberg

Approach to engagements

It is becoming more important for companies to disclose and evaluate non-financial information in addition to financial information. As the external environment surrounding business changes significantly due to increasing environmental and social problems, recent geopolitical risks, etc., companies must clarify their strengths and meaning of existence in society before implementing them in long-term management policies and strategies. Also, asset management companies must understand this information before evaluating company values and conducting engagements. Integrated reports provide an overall description of the important elements that create company value, such as the company's values, materiality, business model, and governance. They are an invaluable information disclosure tool for sharing the company's value creation story with investors and other principle stakeholders. The information in the report is closely tied to the company's value. Accordingly, we conduct engagement by encouraging integrated reports to be disclosed and substantially improved. Also, we are focusing on discussions on more specific TCFD disclosures to strengthen information disclosure engagement.

■ Path for improving company value



Quantitative AI-based evaluation of integrated reports and the use of these evaluations

In order to objectively quantify the value creation story in the integrated reports and perform horizontal analyses across companies, we developed a quantitative evaluation model for integrated reports that uses text mining technology (AI), and it assigns a quantitative score to the integrated reports of around 800 companies. This quantitative AI-score is calculated from four items: values, governance, business model (strategy) and KPIs. In FY 2022, there were more items related to sustainability. A quantitative AI-score* for TCFD and human resource strategies was added.

* The AI analysis used for integrated reports is also applied to Annual Securities Reports (ASR) regarding TCFD and human resource strategies to analyze sustainability disclosures in the ASRs of around 4,000 companies listed in Japan.

■ Examples of AI-scores

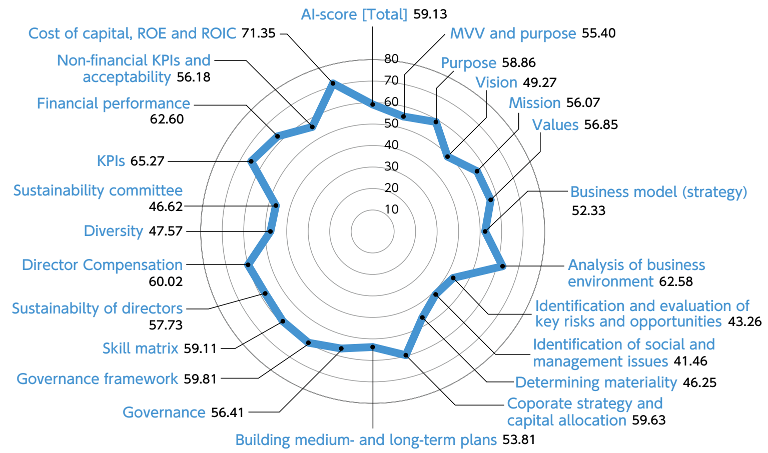
	Company a	Company b	Company c
Integrated report AI-score [Total]	**75.32**	**64.59**	**69.91**
MVV and purpose	**80.80**	**56.44**	**69.52**
Purpose	82.71	54.81	70.18
Vision	78.09	55.51	65.93
Mission	70.89	56.90	63.70
Values	82.83	56.72	72.77
Business model (strategy)	**69.27**	**69.65**	**63.98**
Analysis of business environment	69.89	69.11	62.68
Identification and evaluation of key risks and opportunities	66.37	68.97	68.18
Identification of social and management issues	60.74	62.65	62.53
Determining materiality	62.07	67.16	55.78
Coporate strategy and capital allocation	63.78	64.13	58.47
Human resource strategies (new)	69.59	66.63	70.45
Building medium- and long-term plans	74.27	70.33	56.58
Governance	**62.59**	**62.92**	**61.17**
Governance framework	60.12	58.07	57.56
Skill matrix	59.16	60.26	56.81
Sustainabilty of directors	64.46	59.05	62.13
Director compensation	65.16	67.31	62.79
Diversity	58.35	55.15	59.20
Sustainability committee	58.99	68.15	60.38
KPIs	**76.87**	**62.56**	**75.70**
Financial performance	76.47	54.57	83.70
Non-financial KPIs and acceptability	71.61	71.23	70.22
Cost of capital, ROE and ROIC	75.88	58.76	66.83

	Company a	Company b	Company c
TCFD score [Total] (new)	**65.97**	**70.09**	**61.98**
Governance	**62.13**	**69.11**	**61.47**
Sustainability committee	55.30	69.40	59.65
Directors, supervisor, etc.	66.85	65.92	61.25
Strategy	**63.25**	**76.62**	**59.15**
Risks and opportunities	59.38	58.39	42.67
Scenario analysis	53.49	63.36	50.39
International carbon pricing	0.00	46.80	0.00
CN/Transition strategies, etc.	61.62	77.17	59.62
Risk management	**65.72**	**63.61**	**60.77**
Metrics and targets	**68.92**	**70.26**	**59.68**
Scope 1 and Scope 2 metrics	74.95	75.58	48.60
Scope 3 metrics	66.08	70.28	50.99
Target・Emission reductions	63.38	65.69	55.50

	Company a	Company b	Company c
Human resource strategies (detailed item) (new)	**69.59**	**66.63**	**70.45**
Perspective (1) Strengthen the link between a human capital strategy and business strategy	66.63	69.86	61.81
Perspective (2) Find the gap between the current situation ("As-is") and the goal ("To-be")	72.09	62.50	69.51
Perspective (3) Nurture transformational corporate culture	70.45	68.12	86.04
Factor (1) Build a dynamic talent portfolio	72.26	65.92	80.22
Factor (2) Embrace diversity and inclusion of employees' knowledge and experience	72.73	66.89	66.07
Factor (3) Motivate employees to re-skill themselves	57.32	63.43	74.64
Factor (4) Enhance employees' engagement level	63.66	64.17	68.75
Factor (5) Enable employees to work anytime, anywhere as much as possible	47.73	39.13	47.56
Factor (6) Mobility	62.91	71.00	49.79
Factor (7) Diversity	59.77	46.71	53.99
Factor (8) Safety and well-being	57.36	51.60	65.34
Factor (9) Labor practices	58.58	68.99	48.91
Factor (10) Compliance	57.20	54.86	53.43

If engagements will be performed with companies that have already issued an integrated report, we will use materials with comments added to the quantitative scores by our analysts. We receive feedback on our quantitative scores from companies whose awareness of issues is very similar to our own.

■ Examples of disclosure of AI-scores



- Through information disclosure engagement, quantitative scores from integrated reports are disclosed as shown in the graph on the left, visualizing the relative degree to which disclosures are made in comprehensive reports.
- When an engagement is conducted, the person responsible explains the improvements and the background behind the evaluation score.

Engagement conditions and assessment

During the 1-year period from January to December 2022, we conducted engagement over 200 times with over 100 companies to encourage integrated reports to be disclosed and substantially. We believe that overall, we have substantially improved the content of integrated reports of investee companies beyond our initial expectations. However, in order to eliminate the disclosure discount and achieve an increase in company value, it will be necessary to get investee companies to make continual improvements and implement the value creation story and strategies that they disclosed. We intend to engage in further discussions with these companies.

Bottom-up engagement (equity/active investment)

Purposes of engagements

In order to ensure a prosperous and happy life for future generations as well as our customers, the number-one thing Resona Asset Management strives for in active stock investing is the maximization of medium- and long-term investment performance. To this end, we consider it our responsibility as an investment company to ensure a thorough understanding of each investee company in order to facilitate appropriate investment activities, while also providing firm backing for investee efforts to improve their own corporate value. With this approach as our foundation, we engage in engagements aimed at bolstering customer profits through medium- and long-term investment performance improvements, based on a precise understanding of corporate value for each investee, and while providing support through constructive discussions aimed at realizing corporate value improvements for the investee.
By taking a proactive approach to such corporate value improvement measures as part of our pursuit of excellent stock investment performance, we believe that we can vitalize and strengthen the market as a whole in truly meaningful ways. Helping outstanding companies to ambitiously pursue leading-edge measures is, after all, a best-practice approach for effecting positive impacts on the overall market, and that's why Resona Asset Management utilizes engagements targeting medium- and long-term performance improvements as a means of vitalizing that very market.

Our approach to engagements

At its core, the act of investing is funding by an investor who has shared values with and trusts in the investee, whom they expect to create value for society through their corporate activities. Even if there are some tensions between the two parties due to their differing stances and roles, this kind of relationship can be formed in the most constructive and optimal manner possible if both parties understand that they are working as a team toward the shared goal despite the mutual differences between them. When attempting to build this type of relationship, engagements between the investee and investor can go a long way to helping out in many ways. If any problems are faced by the investee in their pursuit of corporate value improvements, or they have not made their policies and approaches entirely clear, a necessary first step is for the investor and investee to refrain from setting any specific targets for the time being, and instead start by identifying and understanding the problem areas. Conversely, if the cause or causes of a problem are clear from the outset, it is more appropriate to set clear targets and milestones aimed at implementing corporate-value improvement measures, and share progress levels as said measures are pursued. Resona Asset Management takes a flexible approach to engagements while always working to ensure an accurate grasp on current conditions at the investee company, and providing constructive ideas and opinions with the goal of corporate value improvements.
Active stock investing provides many opportunities for such engagements with current investees as well as with investee candidates not yet included in the portfolio. When pursuing engagements with said candidate organizations, it is important to focus not solely on the acquisition of information; it is also necessary to examine potential problems and issues while thinking about what action is required to bolster corporate value at the company in question. This approach facilitates a deeper understanding of each candidate organization and enables sound investment decisions, while also facilitating more effective and smooth discussions with said company regarding corporate value improvement measures should the company ultimately be selected for inclusion in the portfolio.

■ Engagement results

	No. of engagement cases
FY 2020 (July 2020–June 2021)	1,423 (with 639 companies)
FY 2021 (July 2021–June 2022)	1,196 (with 563 companies)

■ Important points of notice related to FY 2021 engagements

1. Excellent synergetic effects from information-disclosure engagement
Increased numbers of investee companies on the market whose value-creation history and approach are clearly communicated and who strive for improved market valuation
(For further details on information-disclosure engagement, see p. 44.)

2. Improved diversity of divisions established as contact points
Added the Investor Relations Division, the Sustainability Promotion Division and others as contact points

Establishment of engagement themes

In the area of active stock investing, Resona Asset Management pursues engagements based on two main approaches: information-disclosure engagement via disclosure-discount adjustments through promotion of disclosure with the aim of bolstering corporate value; and bottom-up engagement based on individual theme establishment in response to specific investment philosophies, conditions at specific investee companies, and other such factors.
In regard to bottom-up engagement specifically, we establish themes based on individual conditions at each investee organization, which include considerations of capitalization strategy, business portfolio optimization and advancements in corporate governance. In addition, we take consideration of long-term corporate strategy measures related to structural changes in business environments brought about by society's pursuit of net-zero-emission policies slated for realization by 2050, community fragmentation risk, and other such factors.
Resona Asset Management's active-investment teams carry out analyses of corporations considered for investment based on our proprietary investment philosophy, and as a result, each team operates based on its own unique engagement themes.
The Value-focused Team, for example, sometimes invests in companies that have problems leading to falling stock prices, but which also exhibit high potential for solving said problems via structural reforms and other changes and show promise in terms of future corporate-value improvements. In such cases, engagement themes will usually focus on reforms and improvements for unprofitable business areas, as well as business-focus shifts and the like.
Primary company-analysis focus areas, and engagement themes, for each team are as described below.

Investment team name	Company-analysis focus areas	Engagement themes
Market-focused Team	Sustained profit growth, fostering of social utility	Clarification of capitalization strategy and long-term management strategy, advancements in information disclosure methods/approaches, etc.
Global Corporation Team	Continual improvements in competitive strength; winning habits and ISDK analysis	Utilizing capitalization strategy and individual strengths to bolster management strategy and other areas
Value-focused Team	Practicality of structural reforms; reasons for low stock prices and extent of reform-implementation capabilities	Elucidation of management-related problems, establishment and implementation of profitability improvement measures, implementation of capitalization strategy improvements, etc.
Small-cap Stocks Team	Demand arising from societal structure changes, corporate management personnel	Long-term strategy (investing) acceleration, IR improvements, management philosophy establishment, etc.

Managing engagement progress

The Value-focused Team, whose investment results directly correlate to the investee company's structural reform measure progress and successes (or lack thereof), establishes engagement check items at the start of initial investments and monitors progress related to these on a monthly basis. If monitoring reveals unfavorable results, the team identifies the reason or reasons behind the problem, shares its findings and views with the investee company, and gives added support for improvements moving forward at said company.

Resona environmental, social, and corporate governance (ESG) evaluation, and engagement

In accordance with our ESG Integration Policy—which concerns environmental, social, and corporate governance (ESG) issues—we do not, as a general rule, pursue active stock investing in any company that fails to meet standards stipulated in Resona ESG Ratings. However, some such investee candidates are ultimately determined to be worthy of investment because they exhibit promise for future improvements, in which case we pursue engagements regarding relevant ESG issues with the investee.
For further details on Resona ESG Ratings, see p. 72.

Bottom-up engagement (fixed income/active investment)

Purposes of engagements

We believe that the most important aspect of bond investment is to realize stable and continuous investment returns on the assets entrusted to us by our clients. If bonds in which we invest default before redemption or lose investment grade due to a credit rating downgrade and forcing to be sold at a substantial loss, the portfolio may be significantly hurted in a bond investment with high downside risk. We regard that it is necessary to take consideration of such risks in advance and avoid them in order to ensure stable, continuous profits from investments. To this end, we integrate ESG (environmental, social, and corporate governance) considerations into our pre-investment assessments and investing processes for active bond investments, while also pursuing continual engagements based on our Engagement Policy—with said activities primarily targeting the bond-issuing organizations themselves. Through these actions, we strive to mitigate or eliminate difficult-to-foresee future risk such as stranded-asset risk, reputational risk and other risk types so that we can maximize our customers' investment returns over the medium and long term.

Our approach to engagements

When viewed as fund procurement through public offering, corporate fixed income investments bring in funds from wide-ranging investors in much the same way as stock investments do. However, stocks are a type of instrument in which investors have the ability to influence investee company management and operations through their voting rights, whereas securities as a fundraising tool do not offer those same rights to investors. In recent time, there have been an increasing number of cases of hybrid bonds, which are corporate bonds but are recognized as capital for rating purposes, but these bonds also do not have voting rights.
As things stand now, dialogue has been growing more thorough and strengthened between companies and their equity investors thanks to corporate governance improvement measures, but we find bond investors still have few opportunities for direct engagements with the issuing company's management. We recognize that bond investors have limited means of directly approaching the issuer's management, such as voting rights. However, given that the issuer's cash flow is the source of the bond's principal and interest payments, and that the issuer's sustainable growth through avoidance of future risks can be the basis of its long-term creditworthiness, we consider that bond investors, as stakeholders, basically share the same awareness of issues as equity investors, and that it is important for bond investors to engage in dialogue with issuers regarding their future. We believe it is important for bond investors to engage in engagements with issuers regarding their future cash flows and various risks.
In many cases, we feel bond investors lack access to the same levels of information as stockholders, and although recent years have seen the emergence of issuers who treat bond investors and equity investors the same, providing equal levels of information to both parties, such companies are still few in number. SDG Bonds such as green bonds, which have been on the rise in recent years, are closely related to the sustainability strategies of the issuers, and it is welcome that more and more issuers are providing bond investors with detailed explanations. However, unfortunately, there are still some issuers that do not enough disclose information on SDG Bonds. We believe that impartial and thoroughgoing information disclosure and engagements with the issuer's management are essential to facilitate avoidance of future credit risk. With the aim of bolstering effectiveness of engagement activities, Fixed income Investment Division carries out coordinated efforts involving Responsible Investment Division, Equity Investment Division and other relevant divisions while working to communicate investor concerns and opinions to management of the bond-issuing organizations.

■ Engagement results

	No. of engagement cases
FY 2020 (July 2020–June 2021)	83 (with 55 companies)
FY 2021 (July 2021–June 2022)	89 (with 74 companies)

Establishment of engagement themes

In engagements related to materiality and ESG (environmental, social, and corporate governance) considerations, Fixed Income investment Division focuses particularly on the medium- to long-term effects on credit for two top-priority risk management themes: climate change and lifestyle-infrastructure resilience. Several sub-themes have been established on these themes. Considering the abovementioned circumstances as they relate to bond investors, we prioritize fair and sufficient information disclosure and smooth communication with bond investors as sub-themes of particular importance. Sub-theme focuses are also revised as necessary in order to avoid long-term risk.
The target of engagement is selected mainly from issuers of bonds with long maturities, such as electric power companies, railroad companies, and energy-related companies, which are closely related to the above two themes. In addition, through engagement efforts, we promote action even at issuers whose fail to meet the standards of our Resona ESG Ratings.
For example, in the case of a bond-issuing electric power company which generally issues large amount of cooperate bonds, we continually remind that company of the need to regularly restructure and pursue greater balance in energy mixes with the goal contributing to carbon neutrality, of the necessity of securing sufficient resources for maintaining and managing power-distribution infrastructure as society ages and its birthrates decline, and of the need for information disclosure and engagement with bond investors when raising funds through corporate bond issuance. We also request that issuers of SDG Bonds, such as green bonds, disclose the framework and third-party certification materials in a centralized and easy-to-understand manner on their websites.

Engagement processes, and progress management

In engagement operations, we track conditions and progress individually for each issuer. We have established five milestones for engagements: 1) establishing opportunities for dialogue, 2) setting and presenting issues, 3) sharing and discussing issues, 4) formulating and implementing measures, and 5) resolving issues, and we manage progress for each major theme.

■ Five engagement milestones

We believe that if issuers properly address ESG issues, etc., they will be able to avoid unpredictable fluctuations in future cash flows and maintain sustainable growth, and will be adequately prepared for various risks, thereby avoiding the loss of corporate value. It will lead to the expansion of customer benefits from a medium- to long-term perspective, and we believe that this will lead to increased profits for our customers over the medium to long term. It is for these reasons that we strive to realize more effective engagements with bond-issuing organizations.

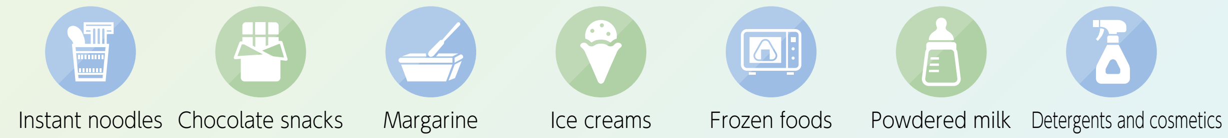
Engagement Report 1

[Materiality (top-down) engagement]

Sustainable palm oil procurement

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. We support the target companies related to the palm oil supply chain to understand "sustainable palm oil" procurement and to formulate their procurement policies.

Products using palm oil and palm kernel oil



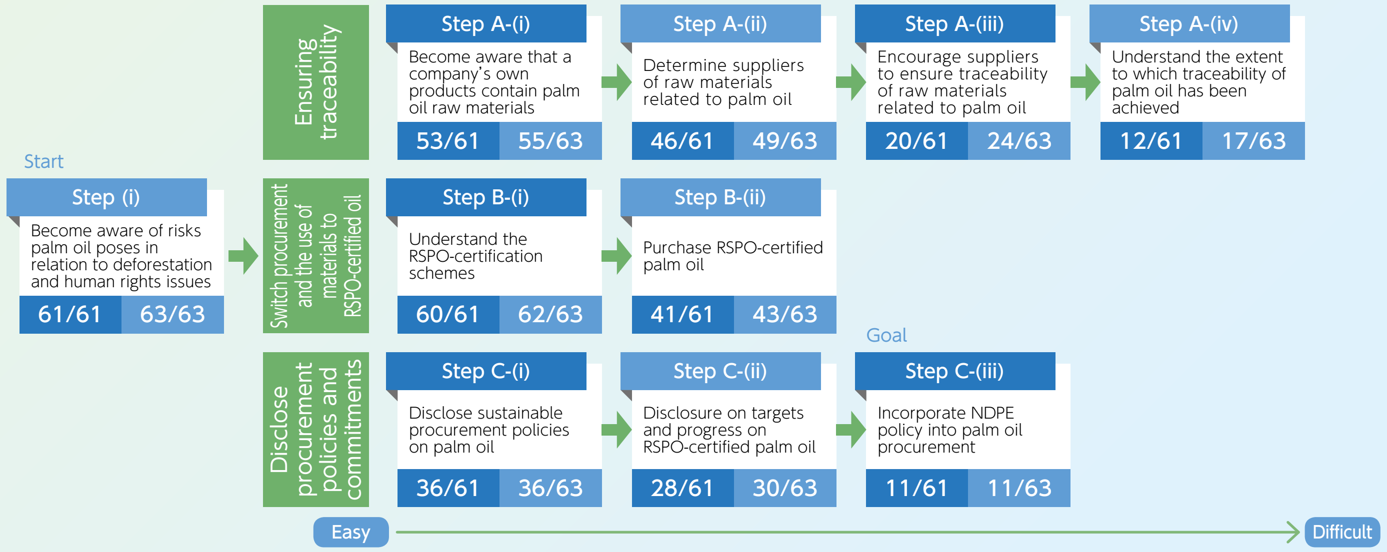
Process of engagements

We aim to encourage the target companies to achieve each of the following milestones in order to avoid environmental, labor, and human rights risks throughout the supply chain. We will encourage the companies to carry out Corporate Social Responsibility (CSR) efforts to realize and develop a sustainable society.

1 Understand that palm oil procurement is connected to risks on deforestation, child labor and forced labor [(i)].
A Confirm how much palm oil derived material is used in their products [A-(i)], and ensure traceability on supply chain [A-(ii), (iii), (iv)].
B Understand the RSPO-certified palm oil [B-(i)], and recommend its use [B-(ii)].
C Disclose sustainable procurement policy [C-(i)], disclose certified oil procurement targets [C-(ii)] and finally, disclose NDPE* policy targets [C-(iii)].

The following diagram shows the engagement milestones and progress of the target companies.

*NDPE : No Deforestation, No Peat, No Exploitation



(Note 1) This includes not only palm oil but also CSR-based procurement policies, etc.
(Note 2) Survey by Resona Asset Management. Company status are based on the engagements, websites, integrated reports, and CSR reports, as of the engagement dates until June 2022.
indicates status as of June 30, 2021, and indicates status as of June 30, 2022.

Progress breakdown on palm oil by supply chain

The progress of the 63 engagement target companies based on supply chain classification shows that average achievements tend to be higher for upstream companies.

Supply chain	Industry	Progress on each process										No. of companies	Number of processes achieved (average)
		(i)	A-(i)	A-(ii)	A-(iii)	A-(iv)	B-(i)	B-(ii)	C-(i)	C-(ii)	C-(iii)		
Upstream	Trading company	100%	100%	100%	80%	80%	100%	100%	100%	80%	60%	5	9.0
	Edible oils refinery and chemicals	100%	100%	83%	50%	50%	100%	100%	67%	50%	50%	6	7.5
	Food manufacturers and toiletry products manufacturers	100%	94%	91%	45%	24%	97%	85%	64%	64%	12%	33	6.8
Downstream	Retailers, restaurants and services	100%	68%	47%	11%	11%	100%	21%	32%	11%	5%	19	4.1

Engagement Report 2

[Materiality (top-down) engagement]

Climate change/Climate Action 100+

Climate Action 100+ is a five-year investor-led global initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The initiative is assisted by five investor networks, the PRI, Asia Investor Group on Climate Change (AIGCC), Ceres, Investor Group on Climate Change (IGCC), and Institutional Investor Group on Climate Change (IIGCC). The target companies are the world's largest corporate greenhouse gas emitters, and ten Japanese companies are included.

Net Zero Company Benchmark has been disclosed since March 2021. The Climate Action 100+ Net Zero Company Benchmark was launched in March 2021 to assess the performance of focus companies against the initiative's three high-level goals: emissions reduction, governance, and disclosure. This benchmark provides comparable information on how the companies are setting their management strategy and business reorganization to align with the Paris Agreement.

Engagements with Japanese companies/Lead Investor

We are conducting ongoing engagements with two Japanese companies as a lead investor.

■ Progress on Net Zero Company Benchmark

Released in October 2022, based on company disclosure as of May 13, 2022. Several items improved compared to the March 2021 assessment (based on company disclosures as of January 22, 2021).

	Net Zero GHG by 2050 ambition	Long-term (2036-2050) GHG target	Medium-term (2026-2035) GHG target	Short-term (2020-2025) GHG target	Decarbonization strategy	Capital alignment (disclosure)	Climate policy engagement (disclosure)	Climate governance	TCFD disclosure
Company A	↗	↗							↗
Company B		↗							

Assessment classification: Yes, meets all criteria / Partial, meets some criteria / No, does not meet any criteria

Improved assessment items compared to March 2021: ↗

■ Status of initiatives of two target companies as of December 31, 2022 (extract)

There are several areas of progress after May 2022, such as new target settings. (Bold items in the table below)

	Long-term target (2050)	Medium-term target (2040)	Medium-term target (2030)	Scenario analysis	Other
Company A	• **Zero emission:** Ambition 2030, supported by numerous innovative efforts to achieve the aim of carbon neutrality across the life cycle of the company's products by FY2050	–	• 100% electrification of new vehicles in major markets by early 2030	• Accreditation under Science Based Targets	**[Climate governance]** • **Introduced CDP score** as performance-linked incentive. **(June 2022 ASRs)**
Company B	Achieve carbon neutral	• 100% electrification of globally sold all automobile vehicles • **Achieve carbon neutral, with a focus on electrification of motorcycles (September 2022)**	• **Set Scope 3 emission targets** • **Has selected 2030 milestone concerning CO_2 emissions intensity from the use of products (Scope 3). In the area of corporate activities (Scope 1 and 2), the company aims to reduce its CO_2 emissions by 46% from FY2019. The company has applied to the Science Based Targets to receive validation of these targets. (Sustainability Report in July 2022)**	• **TCFD disclosure in the 2022 integrated reports (September 2022)** • Applied for Science Based Targets approval (January 2022)	[Capital investment] • Updated its targets regarding EV and R&D expenditures in April and electric motorcycles in September 2022

Engagements with global companies/Collaborating Investor

We are currently engaging with seven global companies as a collaborating investor. The following is an engagement case with a US-based petroleum company.

■ Main engagement topics

- Shared the views of natural gas as a backup for renewable energy.
- Disclosing targets and Scope 3 emissions on transition
- Promoting dialogue with local communities

■ Status of Net Zero Company Benchmark

While there are no improved items since March 2021, we will continue to pursue engagements.

	Net Zero GHG by 2050 ambition	Long-term (2036-2050) GHG target	Medium-term (2026-2035) GHG target	Short-term (2020-2025) GHG target	Decarbonization strategy	Capital alignment (disclosure)	Climate policy engagement (disclosure)	Climate governance	TCFD disclosure
US petroleum company									

Assessment classification: Yes, meets all criteria / Partial, meets some criteria / No, does not meet any criteria

Engagement plans after 2023

The first five years of activities for Climate Action 100+ are complete, and Phase 2 will start from 2023. An update of Net Zero Company Benchmark is scheduled for announcement in autumn of 2023, and we will formulate plans based on the assessment results and continue our engagements.

Engagement Report 3

[Materiality engagement (top-down)]

Labor practices and human rights

KNOW THE CHAIN

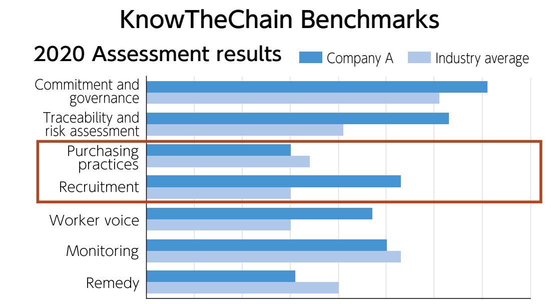
KnowTheChain is a collaborative partnership initiative among four organizations: the Business & Human Rights Resource Centre, Humanity United, Sustainalytics, and Verité. As part of this initiative, we pursue engagement in relation to labor practices, human rights and similar issues among apparel and footwear manufacturers.

In regard to three specific industries identified as being at particularly high risk of forced labor practices—information and communications technology, food and beverage, and apparel and footwear—KnowTheChain assesses global corporations for forced-labor risk using KnowTheChain benchmarks.

■ Engagement cases

We conducted engagement with Company A, the Japanese apparel and footwear company.

- Company A's 2020 assessment results (released in 2021) showed improvements in 4 indicators, ranking elevated to the top 20 among 37 companies. We engaged with company for the potential for further improvements on "recruitment."
- We have also conducted engagement on specific measures and policies on "purchasing practices," where there are still room for improvement.



■ Measures at Company A

Recruitment

- Restricting freedoms of immigrant-workers via recruiting fees, passport confiscation have become a global-scale problem. However, this is an area in which Company A was rated positively.
- Company A has deployed its basic-policy on supplier code of conduct. But it did not connect to better assessment, due to rare chance to take counter measures. Therefore, they are considering ways to increase said opportunities as part of human-rights due diligence efforts.
- Further risk-mitigation measures are expected in their operating regions.

Purchasing practices

- Company A was aware that did not disclose sufficient information on responsible procurement. Ever since their 2021 evaluation, they have been striving to better understand sustainable purchasing practices.
- For example the company is working to eliminate disparities between predicted and actual numbers of orders received by sharing predicted numbers and plan-based numbers with suppliers four months in advance of order receipts, and then maintaining frequent contact with suppliers to make adjustments accordingly. In addition, the company has been working to formulate a plan for utilizing leftover materials in later production operations for reusing excess materials.

FAIRR A COLLER INITIATIVE

FAIRR Working Condition Engagement is a collaborative engagement working group established in 2022 that promotes change aimed at reducing labor-practice risk among the seven leading companies in the meat-processing industry. Based on the company disclosures FAIRR initiative evaluates health & safety, toward fair working conditions, and efforts toward establishing unions.

■ Engagement cases and corporate measures

We conducted engagement with Company B, a Hong Kong based meat processor.

Information disclosure on health & safety and Grievance mechanisms

- Explained the investor expectation on information disclosure for Company B, the company expressed awareness and stated their disclosure policy. Moving forward, we expect that the company to disclose information on grievance cases, and measures taken.

Fair working conditions and distribution by by contract type

- In response to labor shortage problems, Company B has established policies aimed at making them a more attractive workplace in order to retain current workers, ensuring a sufficient workforce, and making jobs at the company more attractive to potential new hires.
- Moving forward, we expect Company B to provide explanations and disclose information on specific measures they will implement to make their organization more appealing as an employer.

■ Company B assessment results (selected subindicators)

Main category	A. Health & safety		B. Fair working conditions		C. Worker representation	
Subcategory	Grievance mechanisms	Sick-leave system introduction	Distribution by contract type	Oversight of governance structure	Support worker representation	Dialogue with workers
FAIRR assessment results						

Color coding: Best practice cases / Response measures currently underway / Response measures partially implemented / Response measures not yet implemented

Engagement Report 4

[Materiality engagement (top-down)]

Board Diversity

30% Club GROWTH THROUGH DIVERSITY

The 30% Club is a global-scale working group, founded in England in 2010, with the goal of improving female-to-male corporate director ratios. With chapters in 18 countries/regions including Japan, this organization makes major contributions toward increased female-director numbers in organizations around the world.

Resona Asset Management has been a participant in the Japan Investor Group, which is an investors' working group belonging to the 30% Club, since June 2019. Moreover, we have been part of the 30% Club UK Investor Group since December of the same year.

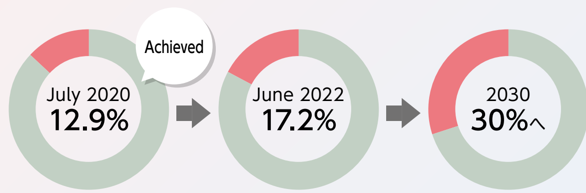
Gender diversity among top corporate executives

Targets

Increase female board-of-director percentages in TOPIX 100 companies to the following levels:

10% by the end of 2020

30% by the end of 2030



In pursuit of greater transparency, the Board of Directors shares information on conditions related to gender diversity with investors at suitable times, and also reports on progress toward established goals

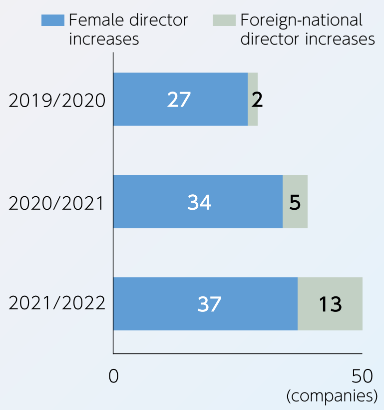
Major activities in 2022

Discussion meetings led by the Best Practices Subgroup	In order to deepen understanding of efforts toward corporate governance strengthening and improved gender diversity, female directors from the Japanese Institute of Certified Public Accountants (JICPA) joined in two meetings to exchange opinions and ideas.
Sharing of best practices	A session was held, as a means of subgroup participation involving approximately 20 companies, to share best practices in regard to engagement activities, corporate information disclosure, corporate director selection, etc.
Release of an annual report	An annual report containing engagement examples, reports on progress and other such information was released.
Efforts by the 30% Club UK Investor Group	Letters were sent to seven American companies whose diversity-related measure implementation was subpar. In these letters, explanations were requested in regard to board-of-director response measures related to gender and ethnic diversity, and calls were made to establish and publicize specific targets related to diversity policies and successor-training plans and strategies.

Engagement progress and examples

In order to enable effective, meaningful monitoring and supervision, it is preferable to establish boards of directors with sufficient diversity among their members. Therefore, we put high priority on realizing such diversity in relation to gender, nationality and other factors.

■ Action by engagement-targeted companies



■ Example of engagement : Company C

Period	Engagement in promotion of gender diversity
2018	Resona Asset Management: Communicated to Company C, which did not currently have any female directors, that efforts toward including outsider directors with differing backgrounds—not just female directors, but foreign nationals and other such members—would be preferable.
2019	Resona Asset Management: As a request for improvements to Notice of Call procedures, we recommended releasing information on the board's skill matrix and reasons for director selections, as well as enthusiasm levels and similar information for each director candidate.
2020	Resona Asset Management: Pointed out the importance of gender diversity as it relates to effective realization of director functions. Company C: Explained that they had no female director, but that they currently employed a university professor, a human resources specialist, a manager experienced in executive-level management, and a certified public accountant as outside directors in pursuit of a well-balanced board, and that they also employed female employees in managerial capacities as section heads within Japan and department heads outside of Japan.
2021	Company C: Set a female hiring rate for new-university-graduate hires of 20 percent or higher.
2022	Company C: Elected their first female director and disclosed the board of directors' skill matrix.

Engagement Report

5

[Information-disclosure engagement]

Corporate Disclosure

Example of engagement with gas equipment manufacturer Company D regarding strengthening of information disclosure

Issues detracting from company's investor appeal

Investor appeal

- Company D is a major manufacturer of household-use heat energy equipment with sophisticated technological capabilities and excellent competitive strength. Furthermore, they are making changes in response to trends toward decarbonization, and are expected to disseminate a number of value-added products with excellent energy-saving performance on a global scale.

Issues

- Since they currently focus most of their efforts on gas-related equipment, there is concern regarding the possibility of increased stranded-asset risk depending on the direction that future government measures and energy mixes take. Furthermore, as carbon-emission elimination measures begin to become more commonplace among household users, there is major concern regarding efficiency and energy-saving improvements for the company's devices and equipment, as their activities in this area still seem lacking. Therefore, it is desirable that Company D better disclose opinions and propose solutions to stock-market investors in order to quell investor doubts, promote further government measures, and otherwise foster improvements.

Engagement details

- We had already been in regular contact with Company D. However, in order to realize the abovementioned information-disclosure strengthening measures, we explained to them the importance of communicating not only new-technology and -product development details, but also of their company vision and goals as well as how they approach social-environment factors and other such issues. Furthermore, we have repeatedly explained the importance of visually communicating their future value as a corporate presence.
- In September 2021, we created a logic model incorporating solutions to societal issues (including climate change issues), mutually shared ideas with Company D while conveying the necessity of creating a clearer value-creation model, and proceeded with discussions regarding approaches and methods for identifying and rectifying issues in pursuit of strengthened information disclosure.
- Following the above initiatives, we engaged in dialogue with senior directors in charge of investor relations, environment-related department personnel, and other members of Company D through discussion meetings regarding the establishment of definitions for products that contribute to quality-of-life and global-environment improvements, visual representations of efforts to reduce greenhouse gas emissions, and other such issues. Furthermore, we shared our views and opinions on rapidly-accelerating changes in external environments and discussed measures to deploy in response. Regarding information disclosure, we shared AI scoring results (see Fig. 1) and explained to Company D the need for major improvements in the "values" and "management-environment analysis" categories.

Company D responses and future expectations

- In response to our request for clearer expression of Company D's desire to contribute toward decarbonization at the household level, Company D established, in their May 2021 medium-term management plan, definitions for products that contribute to quality-of-life and global-environment improvements, and set goals for those categories.
- In November 2021, Company D established and publicized their carbon neutrality policy.
- In December 2022, we exchanged knowledge and ideas regarding greenhouse-gas emission calculation methods with Company D in order to further mutual understanding of greenhouse gas reduction measures. We also identified in finer detail, and shared important points of discussion in regard to, measurement and assessment methods for determining levels of contribution toward decarbonization. (see Fig. 2)
- Both parties have a shared understanding of the issues relating to and importance of external-environment changes and corporate disclosure strengthening efforts. Moving forward, we believe Company D will announce and implement more concrete measures in these areas.

Fig. 1: Quantitative scores in the 2021 integrated report

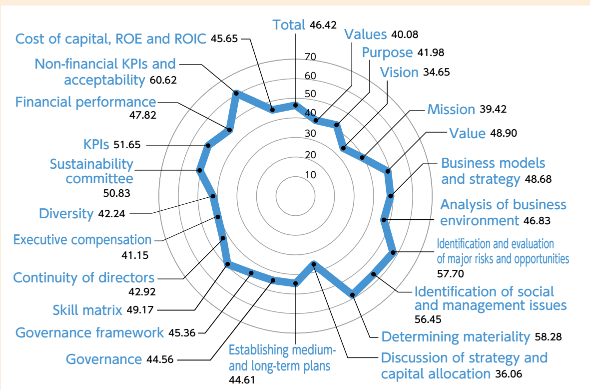


Fig. 2

FY	2017	2018	2019	2020	2021
Consolidated sales (billions of yen)	347.1	348.0	340.5	344.4	366.2
Sales for calculation-targeted business (domestic business, billions of yen)	186.8	180.8	181.1	183.1	171.5
Energy-savings contribution amounts (PJ)	–	–	6.4	6.1	5.7
Greenhouse gas emission reduction amounts (t-CO_2e)	–	–	344,392	331,263	305,880

* Regarding CO_2 emission reduction effects, we explained to Company D our thinking on quantitative effects as well as our calculation methods.
* Company D explained their calculation methods and approach regarding the disclosed figures, and both parties have identified and shared points of discussion aimed at greater accuracy and advancements in the future.

Engagement Report

6

[Bottom-up engagement]

Equity investment/active

Engagement example with general retail Company E

Issues detracting from company's investor appeal

Company E celebrates their 350th anniversary in 2023 and boasts high-quality brands as part of their corporate group—including Japan's first-ever department store brand. However, they have struggled with low profitability, which is an issue that needs be addressed. In order to rectify this shortcoming, Company E had been closing unprofitable store locations, cutting costs and selling off non-core business operations. When we first embarked on engagement (around 2019), Company E had not yet publicized any clear growth strategy and were focused primarily on cost-reduction measures. In response, we urged them to make good use of their brand strength (as an established department store chain), as well as the corporate group's rich management resources, in order to bolster business performance.

Engagement details

- Company E provides regular opportunities for us to engage in information and idea exchange meetings with the president and other management personnel. Resona Asset Management attends various business-related informational meetings. More recently, we have taken part in smaller meetings with commerce division personnel, toured the Tokyo flagship store, and otherwise endeavored to deepen our understanding of actual conditions within the company.
- Initially, discussion among Company E management focused mainly on closing unprofitable locations, means of eliminating deficits at subsidiaries such as the Hiroshima and Matsuyama stores, and other such measures. During said discussions, the president at the time (now former president) suggested that, because the Matsuyama store was located near an airport limousine bus stop as well as Matsuyama Castle and various other tourist attractions, it would be possible to leverage these advantages to realize more profitable performance.
- Following the appointment of a new president, discussions at Company E began to take a new direction. They shifted toward a high-sensitivity, high-quality consumption approach and began to fundamentally re-examine their department store business model. Furthermore, they began focusing discussions more on bringing together the rich range of knowledge and experience present throughout group companies while giving more management autonomy to each group company. Ultimately, Company E decided to change course in their overall strategy, focusing not just on boosting department store sales, but also on utilizing the strengths and appeal provided by their department store business to pursue greater profits in the finance and real estate industries (see Fig. 1). Currently, they are talking about how to implement this new approach in practice. In particular, their idea to more fully utilize company-owned real estate in Shinjuku as a central part of redevelopment plans for that area shows promise.

Company E responses and their effectiveness

- Not stopping with mere structural reforms such as closing unprofitable locations and renovating stores that were in the red, Company E has begun to exhibit top-line growth thanks to efforts aimed at expanding high-sensitivity, high-quality consumption through improvements and innovations in foreign trade operations. Moreover, based on the policy of taking a more scientific approach to department store operations and management, they have achieved changes in cost structuring and are moving toward improved profitability.
- By switching from a mass-marketing to an individual-marketing approach, the company is striving to forge deeper connections with customers through individual trait identification, and they are beginning to see real results from these efforts (see Fig. 2). Furthermore, by promoting greater autonomy at individual group companies, they are bolstering the potential of their business endeavors in fields outside of department store operations, which include the aforementioned real estate and finance businesses.
- In response to calls for greater information disclosure from outside directors as well as executive officer reviews and monitoring, Company E has expressed their intent to make improvements in information disclosure both domestically and internationally, and they have already seen some positive results in this area.

Fig. 1: Excerpt from Company E business-related explanatory materials

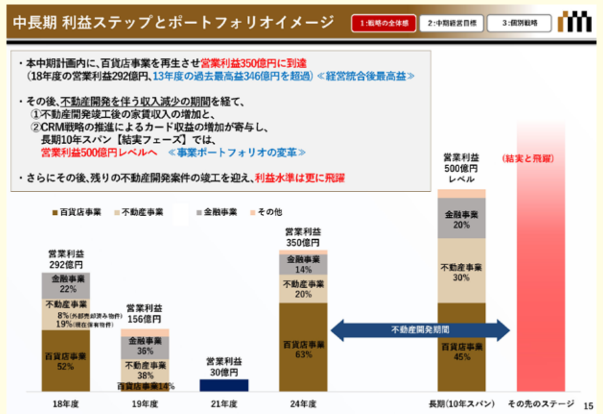


Fig. 2: Data prepared by Resona Asset Management based on meetings and other sources

Main indicators	FY 2019	FY 2021	Predicted for FY 2022 (July 2022–June 2023)
Identified-customer sales (billions of yen)	451.2	417.8	600.0
Foreign trade customer sales (billions of yen)	–	79.0	100.0
MICARD member sales (billions of yen)	451.2	394.2	500.0

[Bottom-up engagement]

Equity investment/active

Engagement example with call center operator Company F

Issues detracting from company's investor appeal

- Company F is a call center operator first listed on the market in March 2022. The parent company itself was founded quite a long time ago, and Company F was established within that larger trading company in 2000. As a result, Company F is a relatively reliable, firmly grounded, promising organization compared with other newly listed companies, and they have also exhibited a strong drive toward customer-oriented operations and market share growth. Furthermore, Company F purchased an IT firm in 2016 and began internal creation of their own systems, which bolstered their growth potential significantly. In addition to lowering cost ratio, they have improved freedom of added value in services, achieving major growth compared with their competitors. More recently, they have established a software as a service (SaaS) model and made related growth-oriented moves such as releasing their systems for purchase by outside customers, leading many to expect great progress from the company in coming years.
- In contrast, their stock price has generally stayed low following their IPO. Reasons for this include (1) their low rating as a newcomer in the mature call-center industry, with a PER of 10× relative to the 11× to 18× ratios seen at other industry members; (2) distrust regarding the intentions behind the parent–subsidiary pair listing of Company F at a time when the parent company's listing was the target of growing criticism; and (3) concerns about the long-term risk of delisting and other potential problems due to Company F's market capitalization of ¥19.7 billion, which does not reach the ¥25.0 billion Prime Market standard.

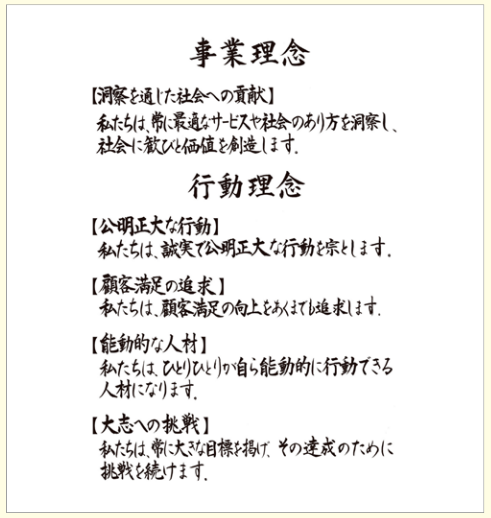
Engagement details

- During the IPO roadshow stage, Company F's business model was highly valuated for its promise in terms of growth potential and societal contributions. However, the company itself has not been sufficiently conscious of these appeal points, and they have failed to sufficiently utilize them in information disclosure and other efforts. Moreover, it feels as if their stock price is being discounted compared with standard prices. Therefore, Resona Asset Management told Company F that if they wish for any advice from an investor's perspective, we would be willing to provide it.
- In response, Company F said that they would like to consult with us regarding the direction of information disclosure, strategy formation, and other measures and operations, to which we responded with engagements. We communicated which types of changes we think would be best for Company F to make while providing advice on and proposing solutions to the abovementioned problems. We encouraged them to:

(1) Widen their target to include society as a whole, in contrast to their current, relatively myopic focus on only their own industry and customers;
(2) Change up the playing field in order to expand the scale of their potential growth and foster more positive outside evaluations of their company; and
(3) Strengthen disclosure of information with high appeal.

Company F responses

- There are already signs that Company F is making changes to their general shareholders' meeting call notices, financial results briefings, and other documentation and procedures. Furthermore, they are expanding their scope focus, which previously centered on their own organization's relationships with customers, to include all types of stakeholders such as employees and wider society itself. They are also implementing dividend increases based on logical explanations, and have exhibited willingness to engage in dialogue with the stock market in relation to their corporate value. Moving forward, we expect that Company F's continuing engagement will lead to further-accelerated growth and contribute to valuation improvements.


事業理念
【洞察を通した社会への貢献】
私たちは、常に最適なサービスや社会のあり方を洞察し、社会に歓びと価値を創造します。
行動理念
【公明正大な行動】
私たちは、誠実で公明正大な行動を宗とします。
【顧客満足の追求】
私たちは、顧客満足の向上をあくまでも追求します。
【能動的な人材】
私たちは、ひとりひとりが自ら能動的に行動できる人材になります。
【大志への挑戦】
私たちは、常に大きな目標を掲げ、その達成のために挑戦を続けます。

First page inside the shareholders' meeting call notice
This page used to contain Company F's corporate philosophy and content focused primarily on customer-oriented action. Now, it has been changed to reflect a focus on wider society.

[Bottom-up engagement]

Fixed income/active

Progress	Issuer	Engagement details	Engagement themes
3 Sharing and discussing issues 4 Formulating and implementing measures	Company G (electric power)	We have pursued continual engagements on multiple occasions with Company G regarding measures aimed at carbon neutrality, power grid maintenance amid electricity deregulation trends, and other sustainability-related issues. We requested extensive dialogue with stakeholders and the investment market as a whole, as well as thoroughgoing information disclosure and other such activities. We also point out that the maintenance of the nuclear power value chain could be a future business risk in light of issues related to the restart of nuclear power plants and the management problems of some nuclear power-related companies, and we encourage issuers to consider how to respond and to publicize their measures as appropriate. In regard to engagement milestones, Company G has completed "Sharing and discussing issues" in relation to information disclosure and continual dialogue, and is nearing the "Formulating and implementing measures" phase.	Theme: Climate change Sub-themes: Strengthened information disclosure Continual dialogue
3 Sharing and discussing issues	Company H (electric power)	We pointed out that information disclosure has been insufficient at Company H in regard to engagement on green bond issuance. We explained that, despite the important role of corporate bond issuance as a source of fund procurement for the company, they disclose only limited information through their website and other common communication mediums, and they do not disclose enough information regarding previously issued green bonds. Upon hearing our request to rectify these shortcomings, Company H shared our concerns throughout their organization and told us they would deploy response measures at the earliest possible date. In terms of engagement milestones, Company H is at the "Sharing and discussing issues on issues" phase.	Theme: Climate change Sub-themes: Strengthened information disclosure
3 Sharing and discussing issues	Company I (heavy industry)	We pursued engagement regarding Company I's green bond issuance. During engagement with the company coinciding with their issuance of SDG Bonds last year, we explained that bond investors would like the same level of information disclosure as is provided to equity investors. However, we failed to see improvement in this area on the company's part, so we made a follow-up request asking them once again to eliminate this information-provision disparity. During our latest meeting with Company I, we were told by finance and IR division personnel in attendance that the company has shared the issues throughout their organization, and that they intend to disclose the requested information via their website and other suitable sources at the earliest possible date. In terms of engagement milestones, Company I is at the "Sharing and discussing issues on issues" phase.	Theme: Climate change Sub-themes: Strengthened information disclosure
3 Sharing and discussing issues	Company J (information technology)	We had previously requested that Company J engage in continual dialogue with bond investors, and the company has responded by creating and finalizing a policy for carrying out such engagements on a regular basis. However, bond-related information disclosure via their website and other sources has been insufficient, particularly in regard to information on green bonds and other SDG Bonds. When we pointed this out and requested improvements, Company J said that they intend to discuss the matters with relevant divisions and implement response measures as soon as possible. In terms of engagement milestones, Company J is at the "Sharing and discussing issues on issues" phase.	Theme: Climate change Sub-themes: Strengthened information disclosure Continual dialogue
2 Setting and presenting issues	Company K (energy)	We pursued engagement with Company K regarding their transition-bond issuance. Because the transition plan they have disclosed only provides a rough outline of the required information, we requested disclosure of the plan in greater details, as well as KPIs and other such details, all of which are required for long-term investing. Company K shared these issues within their organization, and have told us they will strive to include the requested information in their next mid-term management plan (to be released the following fiscal year) while also making preparations for public disclosure moving forward. In terms of engagement milestones, Company K is at the "Setting and presenting issues" phase.	Theme: Climate change Sub-themes: Strengthened information disclosure

9

[Bottom-up engagement]

Passive investment (Japanese companies)

Efforts toward Japanese-company corporate governance improvements

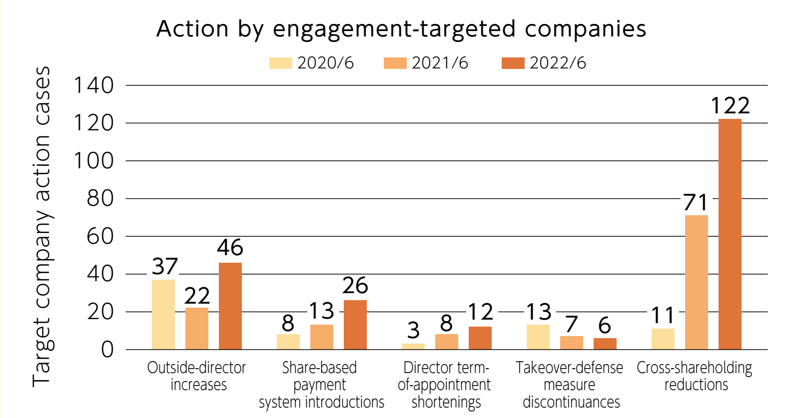
During engagement aimed at corporate governance improvements, Resona Asset Management sets multiple themes for each target company based on the company's specific circumstances and conditions. One example of past engagement activities based on said themes is described below.

Common corporate-governance themes utilized by Resona Asset Management

Governance	• Board of directors composition • Board Diversity • Board of directors effectiveness evaluation • Outside-director independence • Parent-subsidiary pair listing issues • Voluntary committee establishment • Succession • Reductions in cross-shareholdings • Skill matrix • Discontinuance of takeover-defense measures • Stock compensation linked with medium- and long-term results • Director term-of-appointment shortening

Our action related to main themes

- Resona Asset Management shares identified problems at the company in question via engagement.
- Following dialogue and engagement, we monitor said company's action over the years (see graph on right).
- In addition to confirming said company's action, we revise engagement themes as necessary in response to corporate governance code revisions and other such occurrences.



Target company action (broad summary)

- Company action has continued for three years' time, and the company shows a general trend toward improvement.
- Measures related to cross-shareholding reductions have been particularly numerous.
- Unfortunately, The number of companies discontinuing takeover-defense measures have been decreasing year by year, which has negatively influenced overall results.

Individual-company engagement example (Company L)

Company L has more than 100 subsidiaries within its corporate group and focuses most of its business activities on chemicals. One-fourth of is total sales are from outside of Japan. Resona Asset Management pursued engagement with Company L based on multiple governance themes, including director composition and cross-shareholdings.

Period	Theme(s)	Engagement toward governance improvements
2019	• Outside-director increases • Effectiveness evaluations • Performance-linked compensation	• Requested an increase in the number of outside directors • Requested release of information clarifying PDCA cycle implementation in regard to board-of-directors evaluation results • Requested disclosure of information that provides easy-to-understand correlations between KPI achievement levels and performance-linked compensation
2020–2021	• Reductions in cross-shareholdings	• Requested an increase in the number of outside directors, and also requested reductions in cross-shareholdings
2022	• Female director increases • Reductions in cross-shareholdings	• Outside board members were increased, resulting in 5 of 12 directors being independent outside directors • We confirmed a ¥44 billion reduction in cross-shareholdings・Cross-shareholding reductions

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[Bottom-up engagement]

Passive investment (global companies ex. Japan)

Efforts toward corporate governance improvements

Resona Asset Management conducted engagements based on individual themes for each investee company in order to activate governance improvements. Some examples of engagements are described below.

Engagement case (Company M)

Company M is a multinational Internet and media corporation listed in South Africa that offers its services in more than 130 countries and regions. We pursued engagement with the company on independence of their auditing committee members as well as their multi-class stock scheme.

Independence of audit committee members

The South African corporate governance code (King IV) requires the audit committee to be independent, yet non-independent director sits on the audit committee for Company M. We have informed Company M that we have voted against re-election of the non-indipendent candidate. Company M explained that: "The candidate has worked in various executive positions throughout our group in the past. After served and retired from as the director on finance position, he elected as non-executive director. Due to the complex tax code of our operations, the candidate is a certified public accountant and understands our business operations, which is why his role as an auditor is necessary." We agreed upon continual explanations should be provided by Company M to the shareholders.

Continuation of the multi-class stock scheme

Company M introduced their multi-class stock scheme in 1994, but with consideration for stockholder rights, we consider that scheme to be undesirable. We inquired about the company's standpoint of this scheme. Company M told us that this was a core component of their business model as it pertains to inter-company collaborations, acquisitions and other areas. The company also explained that it is an important factor in ensuring management rights. Furthermore, even their European business performance exceeds South African business, the South African government authorization is required in order to change their country of registry. Therefore, they intend to continue with multi-class stock scheme.
We understand that Company M has unique circumstances which must be taken into full consideration, but we still believe that their current scheme is not acceptable from a shareholder's perspective, so we will continue engagement.

Engagement case (Company N)

Company N is a multinational enterprise from the United States, formed through the merger of two corporations. Our engagement with the company focused around three topics: multi-class stock scheme continuation, concurrent outside-director appointments, and diversity.

Continuation of the multi-class stock scheme

This scheme has been in place since the 2013 management buyout (MBO). Company N is aware of concerns and criticisms from its stakeholders. We understood the company's explanations. But because their current scheme deprives shareholder rights of common stocks, we plan to continue the engagement.

Overboarded director appointment

We voted against director appointment because, the candidate had overboarding director positions, and could prevent them from fulfilling their duties. After the AGM we have engaged with Company N on the non-executive director candidate.
Explanation provided from Company N:
"This director candidate has been involved with the company operations as an investment banker since the 2013 MBO, and has served as non-executive director since that time. He has wide-ranging knowledge of the industry and has shown commitment to management operations for the last seven years. Their concurrent appointments will not interfere in their ability to make management decisions." However, the candidate holds director position to seven different companies including Company N.
Furthermore, the company N's board are being asked to take on increasing responsibilities in response to new regulations and rules that have come into effect, and we are concerned about whether he will have the necessary time to sufficiently deal with related issues

Diversity

Company N has set a target of increasing the percentage of women in senior management positions to 40 percent by the year 2030. As of 2021, it is at 25 percent. In regard to Company N's target, they understand that just pursuing it based on numbers alone is a superficial approach, and they place high importance on elimination of disparities and improvements in communication between employees and management because it bolsters employee retainment rates.

Index-related engagement

Indices served as a benchmark for passive investments need to be market representative, transparent, replicable, and functional. Aiming to be highly reliable indices from long-term investment perspective, Resona Asset Management proactively exchanges opinions with index providers.

Index governance

Index providers are responsible for keeping indices referred by passive funds the best possible ones for investors and are required to establish a robust governance framework. In pursuit of these ends and the goal of sound, sustained development for all indices, index providers retain committees for purposes of hearing the opinions of asset managers and other market participants, carry out consultations as a means of better understanding market participants' ideas, and pursue other such measures in order to strengthen governance frameworks.
Resona Asset Management is a member of the Index Advisory Panel under JPX Market Innovation & Research (JPXI), the operating organization for TOPIX (which is Japan's leading stock benchmark). Also, we are a member of the FTSE Asia Pacific Regional Fixed Income Advisory Committee under FTSE Russell, the operator of the FTSE World Government Bond Index. Through these memberships, we strive to promote further index development.

ESG index monitoring

Resona Asset Management invests in both Japanese and global equity funds that utilize ESG (environmental, social, and corporate governance) indices as benchmarks. During ESG index selection, and even after we began investing in an index, we check adequateness of the index regularly at a meeting with the relevant provider. As for ESG indices, we check the following aspects as well, addition to the characteristics generally required such as market representativeness, transparency, replicability, and functionality.

Main category	Subcategory	Sub-items
Quality assessments	Data accuracy	●Acquisition of company data ●Verification of accuracy
	Monitoring	●ESG score verification and evaluation ●Introduction of new data into ESG evaluations
	Human resources and frameworks	●Organizational structure (ESG division) ●Securing and training of dedicated personnel
Transparency	Information disclosure	●Disclosure of index calculation methods ●Consultation
Governance	Information barriers	●Organizational structure ●Separation of information

Direction of future engagements

Based on materiality analyses, global ESG (environmental, social, and corporate governance) issue considerations, Resona Asset Management intends to pursue the three main engagements—described on page 38—based on the following approaches.

1 Materiality engagement (top-down)

In regard to the "E" (environmental) category of ESG issues, we are aware of not only climate change issues, but also problems related to decreasing biodiversity, depletion and loss of various natural resources including water resources, and other issues that have been identified as global risk factors. Furthermore, we are aware of the interrelationships among these. Resona Asset Management participates in a wide range of international initiatives related to climate change, biodiversity, circular economies.
Moving forward, we intend to step up efforts even further in relation to the abovementioned global risk factors. As for the "S" (social) of ESG issues, we understand that achieving labor-practice improvements, addressing human rights issues and pursuing other such measures are vital to securing sufficient workforces and minimizing company reputational risk.

Biodiversity — Engagements on the sustainable paper and wood procurement

In light of threats to biodiversity and other problems known to be caused by paper and wood procurement practices, we are pursuing engagements with 20 major investee companies whose supply chains handle large quantities of said materials in an effort to promote changeovers to purchasing of Forest Stewardship Council (FSC) certified products in place of current products.

Biodiversity — Participation in Nature Action 100

During the 15th session of the Conference of the Parties (COP 15) in relation to the Convention on Biological Diversity, participating members adopted the Kunming-Montreal Global Biodiversity Framework (GBF), which includes a pledge to take urgent action to halt and reverse biodiversity loss to put nature on a path to recovery by 2030. Following this adoption, the Conference established the Nature Action 100 initiative, in which Resona Asset Management is a planned. This initiative focuses on companies in important sectors related to the goals of the GBF, and specifies corporate action aimed at protecting and revitalizing natural environments while also prescribing progress monitoring in relation to key indicators.

Natural capital — Participation in the Ceres Water Finance Initiative (VWFI)

The VWFI views water resources as a factor tied to financial risk, and demands that companies whose operations have major impacts on water resources take action necessary to preserve those resources. Ceres, the administrative organization behind this initiative, has established the "Corporate Expectations for Valuing Water," which express expectations of companies based on six viewpoints. These include action that contributes to water quality preservation and ecosystem protection, monitoring of boards of directors, and others.

Human rights — Participation in PRI Advance

PRI "Advance" is an initiative established by The Principles for Responsible Investment (The PRI), a network that calls for solutions in the areas of human rights and the society. Resona Asset Management participates in this initiative as a lead investor to 1 of the 40 target companies.

2 Information-disclosure engagement

From the perspectives of corporations, disclosure of non-financial information is becoming an increasingly important part of ensuring higher corporate value. Moving forward, We will continue utilizing quantitative evaluation models based on text-mining technologies and other such approaches to pursue engagements intended to promote better information disclosure via integrated reports as well as information-quality improvements.
Additionally, with consideration for discussions related to improved future information disclosure from companies demanded by the TCFD, we will delve deeper into information-disclosure engagement with the aim of further bolstering corporate value at investee companies.

3 Bottom-up engagement

Based on unique investment philosophies, each investment team at Resona Asset Management carries out bottom-up engagement by considering the specific conditions, circumstances and characteristics of each investee company, setting themes accordingly, and then pursuing engagements based on said themes.
Moving forward, all of our teams will carry out proactive and sustained engagements based on themes related to investee corporate-value improvements, bond-issuer future risk avoidance and mitigation, and similar in pursuit of medium- and long-term growth for the assets under management. Moreover, we will continue to identify ESG-related issues, which affect our portfolio performance, and revise engagements themes as necessary.

Chapter 3

– Responsible Investment Section –

Resona Asset Management's Proxy Voting

As an institutional investor, Resona Asset Management assumes key responsibility for facilitating corporate governance improvements of its investee companies. Accordingly, the corporate activities of our investee companies have a significant impact on the environment and society and in turn, we recognize that those changes also affect our investment results.
Consequently, we have established the Articles of Proxy Voting to conduct the appropriate proxy voting operation to serve in the best interests of our customers. We have established several sets of guidelines based on the Articles, such as:
(i) the Fundamental Concepts on Proxy Voting;
(ii) the Global Governance Principles; and
(iii) the Proxy Voting Guidelines.
(i) shows the basic guidelines to appropriately conduct proxy voting operations, and (ii) is the Principles stipulating Good Governance standards across listed equities.

Fundamental Concepts on Proxy Voting

1 Proxy voting operation on our equity holdings is used as a means of fulfilling our fiduciary duties to enhance shareholder value, solely for the interest of our clients.

2 Proxy voting will not be used for supporting particular political or social campaigns.

3 We conduct proxy voting on our holdings based on public information, i.e., information and research outcomes which are gathered through public information.

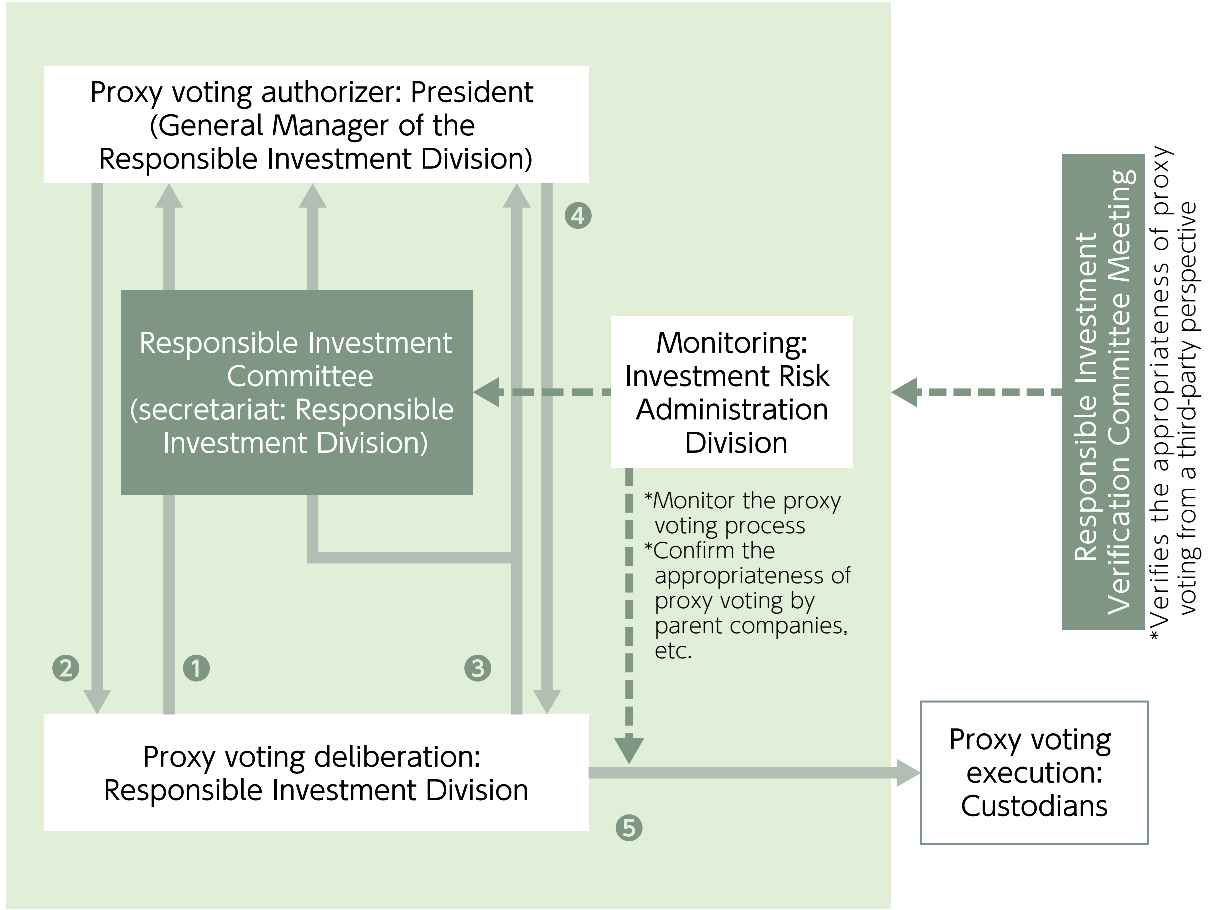
We strive to raise shareholder value over the long term when conducting proxy voting. We consider the response to the social responsibility, such as the issuers' governance structure, legal compliance, corporate ethics, societal harmony and environmental initiatives.

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 management decisions by the executive managers.
  - The board should be sufficiently independent from management (and significant shareholders) to ensure that it is able and motivated to effectively supervise management's performance for the benefit of all shareholders, including in setting and monitoring the execution of corporate strategy, with appropriate use of shareholder capital, and in setting and monitoring executive compensation programs that support that strategy.
- Board composition
  - The board should preferably have no less than a majority of independent non-executive directors.
  - The board should preferably have a sufficiently diverse mix of directors to ensure effective supervision of business activities of management.
- Information disclosure (financial & non-financial), and ensuring reliability
  - The board ensures reliability of financial and non-financial information disclosed by the company, and accordingly assumes oversight 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 so that shareholders are able to effectively conduct engagement on issues which may affect their interest.
- 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 equities that are aligned with their business realities, in light of varying laws, regulations, business practices and corporate governance codes of the respective countries.

The proxy voting process



Establishment of the Proxy Voting Guidelines

1 The Responsible Investment Division drafts the Proxy Voting Guidelines. The draft Guidelines are submitted to the Responsible Investment Committee meeting for discussion.

2 The President approves to adopt the Proxy Voting Guidelines, based on the discussion at the Responsible Investment Committee meeting.

Deliberations on proposal

3 The Responsible Investment Division prepares "proxy voting details" materials based on the Proxy Voting Guidelines. Any proposal case for which proxy voting details cannot be determined by the Proxy Voting Guidelines is submitted to the Responsible Investment Committee meeting for discussion.

4 The President approves the proxy voting decisions based on the Responsible Investment Committee's discussions. (The General Manager of the Responsible Investment Division approves regular proxy voting decisions.)

Voting instructions

5 The Responsible Investment Division sends voting instructions to the custodian banks.

* Management on conflict of interests
Those carrying out proxy voting pertaining to equities of Resona Holdings do so upon seeking advice from a third-party proxy advisor (ISS) pursuant to the Proxy Voting Guidelines of Resona Asset Management. The proxy voting details are verified by the Investment Risk Administration Division on periodical basis;
reported at the Responsible Investment Committee meeting; and
verified at the Responsible Investment Verification Committee meeting.
The Investment Verification Committee is independent from the proxy voting process.

Establishing and revising proxy voting guidelines

Establishment of and revisions to proxy voting guidelines are carried out by the Compliance and Risk Management Committee following the necessary discussions. Revision on proxy voting guidelines are carried out once a year. The guidelines may be revised with consideration taken for legislative amendments, Corporate Governance Code, and companies' governance conditions. For more information on proxy voting guidelines at Resona Asset Management, please visit the following webpage. Furthermore, information on voting for each investee company, along with relevant reasons are disclosed on quarterly basis at our website.

Proxy voting guidelines: ▶ https://www.resona-am.co.jp/investors/giketuken.html

■ Major revisions to proxy voting guidelines (applicable for general shareholders' meetings from January 2022 onward)

	Before revisions	Revised version	Reason for revisions
Board composition	We will vote against the representative director's appointment if; the board composition is not at least one-third independent, and no rational and sufficiently convincing argument is provided. However, in the case of companies with boards of auditors, we will support representative director's appointment if; the company has appointed two independent outside directors, and, is 25 percent independent.	We will vote against the representative director's appointment if; the board composition is not at least one-third independent, and no rational and sufficiently convincing argument is provided.	Following revision of the Japan Corporate Governance Code in June 2021, there has been an increasing trend toward outside director appointment even at companies with boards of auditors. Therefore, we have made this revision to promote higher independence on board composition.
Director compensation, retirement allowance payment	· We will vote against retirement allowance payments to outside directors and audit committee members. · We will vote against retirement allowance payment if it fits to one of the following; negative recurring profit or net loss for three consecutive year, or, in case of insolvency. · We will vote against retirement allowance payment if; individual payment amounts and/or the total retirement payment is not disclosed.	As a general rule, we will vote against payment of retirement allowance.	Taking consideration of corporate governance, retirement allowances are problematic because they tend to increase in amount relative to length of service, which is a practice that does not lead to improved corporate value over the medium and long term. Therefore, we have discarded our previous guidelines for this category and as a general rule, we will vote against retirement allowance payments.
Takeover-defense measures	· We vote against a proposal of anti-takeover measures that does not meet any one of the following standards: –The board composition is majority independent. –Measure deployment requirements and conditions are clearly defined (only in the case of a Supreme Court Class 4 two-step coercive buyout) –Others as necessary · We will vote against introduction and continuation of the takeover-defense measure if The companies do not exhibit efficient management operations (an ROE of less than 5% for 3 years running), the company has excessive net cash (comprising 25% or more of total assets), or the company exhibits an ROE of 25% or less in its lowest-performing business category for 3 years running. · We will vote against director reappointment if continuation of takeover-defense measures is decided upon by the board without approval at the AGM, and the above conditions are not met.	As a general rule, we will vote against the introduction and continuation of prior-warning-type takeovers. However, we may consider to support the implementation/continuation if the board composition is majority independent by outside directors, and is able to provide a rational and sufficiently convincing argument for measure implementation/continuation. Determinations on the measure implementation/continuation will be made on a case-by-case basis following thoroughgoing and detailed examination of measure details and comparisons of both the acquirer and the target/investee's corporate value improvement plans. As a general rule, we will vote against director reappointment if; the continuation of takeover-defense measures is decided by the board without receiving approval at the AGM.	If these measures are utilized primarily for self-protection and -preservation by corporate management, then minority investor interests may suffer. Therefore, we have made these revisions to clarify our general policy of opposing prior-warning-type takeover defense measures, and discarded our previous guidelines.

■ Major revisions to proxy voting guidelines (applicable for general shareholders' meetings from January 2023 onward)

Board composition	–	We will vote against the representative director if; the company is listed in the Prime Market, and we are unable to confirm the presence of a female member in the board, audit or nominating committee. (Confirmation of female members will be made via the previous fiscal year's financial statement, the "Yuho.") However, we will not vote against if; a rational and sufficiently convincing argument is provided on the company's policies and measures on gender-related issues, or, if we are able to confirm the presence of a female member via Annual General Meeting (AGM) materials,	We added these new guidelines in reflection of the need for greater gender diversity.
Director appointment	–	Unless the company provides a rational and sufficiently convincing argument regarding their cross-shareholding reductions policy, and exhibits a history of reductions. we will vote against representative director if; the company has a total cross-shareholdings amount* equivalent to 20% or more of consolidated total net assets, and, does not exhibit a certain degree of capital efficiency (ROE of 8% or more). (The percentage of cross-shareholdings relative to consolidated total net assets will be calculated based on the previous fiscal year's financial statement. However, if information on cross-shareholdings at the latest quarter's end is included as reference materials along with a shareholders' meeting call notice, we will utilize those figures instead.) * This refers to the balance sheet total for "invested equities held for purposes other than pure investing."	In the past, we have already pursued dialogue with regard to companies' cross-shareholdings. However, we determined that greater efforts toward cross-shareholding reductions were necessary, and thus established these new guidelines.

In addition to the revisions described above, we have made additional revisions to clarify definitions and content, and added and revised explanatory notes. Please view the website mentioned above for further details on revisions.

Proxy voting results for Japanese equities (from July 2021 to June 2022)

The following provides details on Resona's proxy voting results for Japanese equities. We basically 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 engagements with the respective company.

	Opposition ratio	(Previous year)	Total number of proposals	Voted against
Management proposals	10.4%	(11.7%)	23,716	2,474

	Support ratio	(Previous year)	Total number of proposals	Voted for
Shareholder proposals	2.0%	(5.7%)	293	6

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.

Corporate bodies	Opposition ratio	(Previous year)	Total number of proposals	
Appointment and dismissal of directors	11.2%	(11.7%)	17,449	Voted against director nominees if issues arose on: appropriateness of board compositions (independence of outside directors); corporate earnings and capital efficiency.
Appointment and dismissal of corporate auditors	15.0%	(14.8%)	1,370	We deliberated on propriety regarding independence of outside corporate auditors, etc., and if we concluded that there were issues, we voted against. When insufficient explanations were given for reducing corporate auditors overall, or outside corporate auditors, we voted against appointments of representative directors.
Appointment and dismissal of accounting auditors	0.0%	(0.0%)	73	

Director compensation	Opposition ratio	(Previous year)	Total number of proposals	
Director compensation (*1)	10.0%	(13.5%)	964	Voted against payment of bonuses and granting of stock options to outside directors, corporate auditors, etc. Voted in favor of stock compensation to serve as fixed remuneration if it is provided in a manner whereby it does not affect independence.
Retirement bonus payments for retiring board members	99.1%	(80.6%)	110	Voted against retirement bonus payments to retiring board members.

Capital policy	Opposition ratio	(Previous year)	Total number of proposals	
Appropriation of surplus	1.9%	(2.0%)	1,448	We deliberated on propriety regarding standards for shareholder return policies and retained earnings, etc., and if we concluded that there were issues, we voted against. Voted against director reappointment where dividend payments are decided at the board meetings (instead of annual shareholders meetings).
Restructuring (*2)	6.5%	(0.0%)	46	
Introduction, renewal or abolition of anti-takeover measures	100.0%	(100.0%)	62	In principle, we voted against the introduction/continuation of prior warning-based anti-takeover measures.
Other proposals related to capital policy (*3)	0.0%	(2.3%)	72	

Articles of incorporation	Opposition ratio	(Previous year)	Total number of proposals
Articles of incorporation	0.8%	(2.0%)	2,112

Other proposals	Opposition ratio	(Previous year)	Total number of proposals
Other proposals	50.0%	(33.3%)	10

*1. Proposals on compensation policy, stock options plans, adoption and amendments to performance-linked compensation, and bonus plans.
*2. Proposals on mergers, transfer of business, equity swaps, equity transfers and company splits.
*3. Proposals on share buybacks, reduction on statutory reserves, third-party allotment, capital reduction, reverse stock splits and issuance of classified stock.

Proxy voting results for global equities ex. Japan (from July 2021 to June 2022)

The following provides details on Resona's proxy voting results for global equities ex. Japan. We basically 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 engagements with the respective company.

	Opposition ratio	(Previous year)	Total number of proposals	Voted against
Management proposals	12.8%	(10.0%)	37,405	4,772

	Support ratio	(Previous year)	Total number of proposals	Voted for
Shareholder proposals	78.6%	(85.0%)	1,596	1,254

Consider whether
shareholders would benefit from information disclosure;
information disclosure would provide shareholders with more meaningful rights;
information disclosure would contribute to enhancing shareholder value over the medium to long term; and
information disclosure would support shareholders in evaluating the companies.

Corporate bodies	Opposition ratio	(Previous year)	Total number of proposals	
Appointment and dismissal of directors	9.3%	(6.7%)	13,393	Determine the propriety and appropriateness of board and committee composition in consideration of the legal system and corporate governance code of each country.
Appointment and dismissal of corporate auditors	6.8%	(4.0%)	559	Consider candidates' career, qualifications, and management performance. Determine the independence of outside directors.
Appointment and dismissal of accounting auditors	0.7%	(1.0%)	2,148	

Director compensation	Opposition ratio	(Previous year)	Total number of proposals	
Director compensation (*1)	23.7%	(26.4%)	4,246	We expect director compensation to be well-devised to: ・Facilitate sustainable growth of corporate value, ・Designed to be linked to both the company-level and individual performance, and ・Reviewed at the compensation committee comprised of independent outside directors.
Retirement bonus payments for retiring board members	0.0%	(0.0%)	0	

Capital policy	Opposition ratio	(Previous year)	Total number of proposals	
Appropriation of surplus	0.6%	(0.7%)	1,395	Consider the validity of the dividend policy and the level of retained earnings.
Restructuring (*2)	29.9%	(18.4%)	2,839	Consider the validity of the capital policy and its impact on shareholder value.
Introduction, renewal or abolition of anti-takeover measures	13.3%	(14.4%)	98	Consider whether aims and specifics of proposals would contribute to enhancing shareholder value.
Other proposals related to capital policy (*3)	11.0%	(10.2%)	4,986	

Articles of incorporation	Opposition ratio	(Previous year)	Total number of proposals	
Articles of incorporation	8.7%	(7.2%)	929	Take into account effects of proposals on shareholder value upon having thoroughly considered propriety of reasons for amendment.

Other proposals	Opposition ratio	(Previous year)	Total number of proposals	
Other proposals	14.2%	(7.8%)	6,812	Consider whether proposals are appropriate and deliberated on effects of proposals on stock value.

*1. Proposals on compensation policy, stock options plans, adoption and amendments to performance-linked compensation, and bonus plans.
*2. Proposals on mergers, transfer of business, equity swaps, equity transfers and company splits.
*3. Proposals on share buybacks, reduction on statutory reserves, third-party allotment, capital reduction, reverse stock splits and issuance of classified stock.

Examples of qualitative-deliberation voting

At Resona Asset Management, we exercise our voting rights based on the Resona Global Governance Principles and our voting guidelines. The following are two voting case studies that required qualitative considerations and decisions.

Voting guidelines	Governance framework / Shareholder value improvement / Shareholder rights protection In response to shareholder proposals, we take thorough consideration of whether the proposal sufficiently contributes to shareholder value improvement before making a decision. Through our voting guidelines, we determine whether the company in question fulfills our governance framework requirements, fiscal standards, and other requirements before finalizing our decision. Moreover, because shareholder proposals pertain to a diverse array of items in the social and environmental fields, we determine whether said proposals contribute to medium- and long-term shareholder value improvements and more effective protection of shareholder rights. For proposed amendments to articles of incorporation, we may consider all factors mentioned above as well as the suitability of their inclusion in articles of incorporation, and then decide whether to vote for the proposal. Example: Promotion of greater information disclosure on climate change risks
Considerations when determining our vote	● Whether the proposal contributes to improved corporate value ● Whether the proposed amendment(s) to the articles of incorporation create any potential hindrance to execution of business affairs, detract from corporate value, or have any other such negative consequence

Example of qualitative-deliberation voting ▸ (Company O)

Case 1 Setting and disclosing short- and medium-term greenhouse gas emissions reduction targets consistent with the goals of the Paris Agreement

Proposal	**Shareholder proposal:** Partial amendments to the Articles of Incorporation The following clause shall be added to the Articles of Incorporation: Chapter X: Shift to a Decarbonized Society Article Y: Setting and disclosing short- and medium-term GHG emissions reduction targets consistent with the goals of the Paris Agreement ・To promote the long-term success of the Company, given the risks and opportunities associated with climate change, and in accordance with the Company's commitment to the Paris Agreement on climate change, the Company shall set and disclose a business plan with short-term and mid-term greenhouse gas emissions reduction targets across its overall investment and loan portfolio aligned with Article 2.1(a) of the Paris Agreement (the "Paris goals"). ・The Company shall report on its progress against such targets in its annual reporting.
Standpoint and decision	At that time, Company O's plan for mitigating climate change was somewhat lacking in several of its solutions when compared with the content of the Paris Agreement. Therefore, it has been determined that disclosure in regard to said factors would help improve Company O's corporate value. **Shareholder proposal: Voted For** Overview of discussion points and decision reasoning: This proposal was similar to the one presented to Company P last year, did not represent any extraordinary request dissimilar to those made of other global businesses, and did not create any obstacle to the execution of business affairs.

Case 2 Financing consistent with the IEA's Net Zero Emissions Scenario, etc.

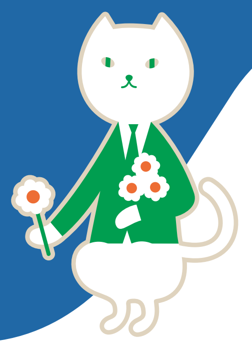
Proposal	**Shareholder proposal:** Partial amendments to the Articles of Incorporation The following clause shall be added to the Articles of Incorporation: Chapter X: Shift to Decarbonized Society Article Y: Financing consistent with the IEA's Net Zero Emissions Scenario, etc. ・Acknowledging the Company's support for the goal of net-zero emissions by 2050, and in accordance with both the Environmental Program Finance Initiative (UNEP FI) recommendations to the G20 Sustainable Finance Working Group and the International Energy Agency (IEA)'s Net Zero Emissions by 2050 Scenario, the Company shall set and disclose proactive measures to ensure the proceeds of the Company's lending and underwriting are not used for the expansion of fossil fuel supply or associated infrastructure.
Standpoint and decision	The establishment of new important-information disclosure requirements and other requirements in regard to investment plans, prerequisites for said plans, and other foundational information used for management decisions, which affect the case-by-case execution of business affairs, would create obstacles to dynamic, rapid business-operation changes, policy establishments and amendments, and other responses to changes that occur within the management environment. In turn, these obstacles might lead to the loss of corporate value. **Shareholder proposal: Voted Against**

Status overview for the two shareholder proposals	Company O has continued dialogue with domestic and international NGOs and been requested stronger climate change countermeasures for several years, as well as other Japanese companies. → An environmental NGO explained to Company O that their current policies and business activities are resulting in expansions in fossil fuel supply networks and fail to conform with the IEA Net Zero Emissions by 2050 Scenario and the Paris Agreement. Because the NGO was not able to achieve required information disclosure from Company O on these issues through standard engagement alone, the NGO submitted a joint shareholder proposal. → In response, Company O announced that they plan to reduce greenhouse gas emissions to net-zero for all of their investment and lending portfolios by 2050, and that they are preparing to issue an action plan describing specific measures for their corporate group as a whole over the short-to-medium term of about three years. → An ordinary general meeting of shareholders was held in June 2022.
Background behind the decision	● April 2022: Environmental NGO submits shareholder proposal. ● Early May 2022: Resona Asset Management met to discuss ideas and opinions with the environmental NGO and came to understand the following background information. The shareholder proposals to Company O were made for the following two reasons: (1) Company O loans and underwritings for the coal industry had increased throughout 2020 (according to environmental NGO research) (2) Company O's climate change policy was weaker than the policies of other companies in the same industry ・Regarding the case 1 proposal, a similar level of information disclosure had been requested via a similar proposal last year to Company P, which is a corporation in the same industry as Company O ・Regarding the case 2 proposal, more detailed information disclosure on par with that made of overseas financial institutions was requested in accordance with the IEA Scenario ● Mid-May 2022: Company O released its "Opinion of the Board of Directors on Shareholder Proposals," which is a document expressing the company's rejection of said shareholder proposals. Resona Asset Management held a meeting with Company O that same day.

Chapter 4

– Responsible Investment Section –

ESG Integration at Resona Asset Management



Resona Asset Management views ESG (environmental, social, and corporate governance) integration as a vital element for achieving investment performance over the medium and long term. ESG integration entails non-financial information analyses and assessments for equity and fixed income-issuers in regard to ESG factors as part of active equity and fixed income investing operations, with the aim of facilitating suitable investment decisions and actions.
Based on this approach, we have been a signatory to The PRI since 2008, and we carry out ESG assessments for the abovementioned organizations by asset class, investment strategy. These are part of continual efforts to realize ESG integration that is optimal in terms of investment performance.
In recent years, many corporations have taken a more proactive approach to information disclosure, resulting in a much wider range of non-financial information becoming available.
As follows, much more sophisticated knowledge and skills are now required to successfully conduct analyses and assessment on ESG information. In response to these trends, Resona Asset Management is striving to realize even more advanced ESG integration for purposes of bolstering investment performance.
To this end, we have been revising our measures on a Group-wide scale, and have established our ESG Integration Policy and Exclusion Policy for Specific Weapons Manufacturers.
Starting in 2023, we are pursuing new measures for ESG integration with these policies.

Overview of our ESG Integration Policy

■ Objective

We aim to preserve benefit for our clients' assets and to expand growth of the portfolio companies on mid to long term perspective by taking following measures.
Understanding the downside risk and the upside potential on the ESG context of the investee companies.
Integrating ESG assessments into the potential investment outcome, portfolio construction, and risk management.

■ Creation of organizational frameworks

We will establish the organizational frameworks with the appropriate skill sets of human capital and training, so that we will be able to conduct engagements with investee companies. Also, we will establish a centralized ESG database for ESG assessments on investee companies to effectively and efficiently conduct engagements. We will also integrate ESG assessments and database into engagements with the investee companies.

■ Process

(1) ESG assessments

We will utilize our proprietary "Resona ESG Ratings approach," which provides both quantitative and qualitative assessments to investable universe for listed equity and fixed income. Quantitative assessment entails identification of ESG factors based on assessment indicators—with consideration taken for material factors and others—and assessing quantitative ESG scores based on a proprietary methodology. ESG assessment ratings are given to each investable company by the following process.
ESG analysts to conduct qualitative analyses on top of the quantitative score by integrating the input from the company analysts.

(2) Integration of ESG assessments into investment decisions

"Resona ESG assessments" will be integrated into investment decisions based on the asset class and investment strategies. For companies that fail to meet the minimum standards of "Resona ESG Assessments," these equities are generally uninvestable for all the active investment products.
Engagements and proxy voting (voting against director election) should be used as an escalation tactics for exceptional cases to be held in the investment portfolio.

(i) ESG integration on active equity investment

We will utilize "Resona ESG assessments" into company research and portfolio construction.

(ii) ESG integration on active fixed income investment

ESG integration to fixed income is conducted based on "Resona ESG assessments" from credit analysis standpoint. "Resona ESG assessments" is considered from the long term credit perspective if the issuers. This is because fixed income's downside risk exceeds the upside potential, and that the investors should be aware of the credit worthiness of the issuers until its maturity.

■ Measures toward sophistication of ESG integration

At Resona Asset Management, we will pursue further sophistication in ESG integration with a particular focus on the following measures:
1. ESG database improvements and greater detail in systematic quantitative evaluations
2. Strengthening knowledge for ESG analysts and knowledge management operations
3. Further improvements on transparency and clarity to ESG integration process
4. Establishment and strengthening of systems to monitor ESG integration

■ Information disclosure on ESG integration approach

We will make thorough and clear explanations to customers on Resona Asset Management's ESG integration approach and methods. In addition, we carry out suitable information disclosure through our sustainability reports.

* For more information on the ESG Integration Policy, please visit the following webpage:
https://www.resona-am.co.jp/about/integration.html

Overview of our Exclusion Policy on Specific Weapons Manufacturers

■ Objective

We prohibit any investment to the company that develops, manufactures, and/or is otherwise involved in any way with weapons of mass destruction (nuclear weapons, chemical weapons, biological weapons), antipersonnel mines, cluster munitions, and/or any other inhumane weapons.
This is because we deem it inappropriate to invest such company as an institutional investor,

■ Policy summary

As a general rule, we prohibit investment in any company that develops, manufactures, and/or is otherwise involved in any way with weapons of mass destruction (nuclear weapons, chemical weapons, biological weapons), antipersonnel mines, cluster munitions, and/or any other inhumane weapon type.

■ Exclusion list of weapons and companies

We prohibit investment in any company that develops, manufactures, and/or is otherwise involved in any way with any of the following five weapon types: nuclear weapons, chemical weapons, biological weapons, cluster munitions and antipersonnel mines. However, any company which operates in a signatory nation to the Treaty on the Non-Proliferation of Nuclear Weapons, which possesses nuclear weapons and is exempted from the exclusion policy. Countries possessing nuclear weapons include the United States, France, the United Kingdom, China and Russia.
Note that involvement with the abovementioned weapons may include development, manufacturing, sales, maintenance, modifications/improvements, transport, experimentation, testing, related-facility operation, and weapon-use training drills.

■ Applicable assets

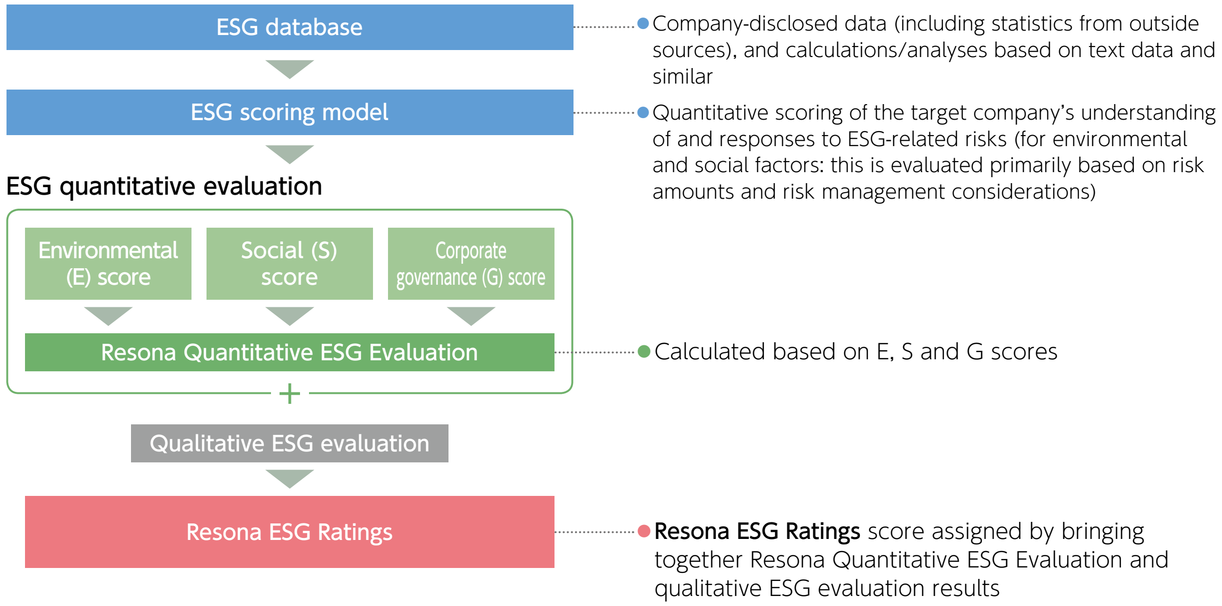
As a general rule, these stipulations and rules apply to all invested assets. However, the exclusion policy may not apply in the case of passive investment or investments according to the individual-customer guidelines.

* For more information on the Investment Exclusion Policy for Specific Weapons Manufacturers, please visit the following webpage:
https://www.resona-am.co.jp/about/integration.html

Resona ESG Ratings

The Resona ESG Evaluation process

The Resona ESG Ratings approach is designed to provide an understanding of ESG (environmental, social, and corporate governance) related risks and opportunities at investment-targeted companies, based on unified guidelines and in a manner that transcends the bounds of asset class, investment strategy and other such individual considerations. To achieve this, Resona ESG Ratings integrate qualitative assessments into the standard quantitative ESG evaluation approach.



ESG scoring model overview

- Scores are calculated for the three main areas: environmental (E), social (S) and corporate governance (G). Then, consideration is taken for material factors and others in each area to establish "issue" categories (problem areas).
- Next, more narrowly focused items known as "sub-issues" are identified within each issue, and supply-chain-related scores are assigned to each sub-issue in the environmental (E) and social (S) areas based on four evaluation points: risk exposure, risk management, opportunities, and disclosure.

■Specific issue example (environmental)

Area	Issue	Specific examples of identified sub-issues
Environmental (E)	Greenhouse gas emissions	Risk exposure considerations Scope 1 CO_2 emission amounts, methane gas emission amounts, etc. Risk-management consideration items Confirmation of whether a net-zero emissions target is in place, whether that is based on scientific foundations, etc.

Advantages of Resona ESG Ratings

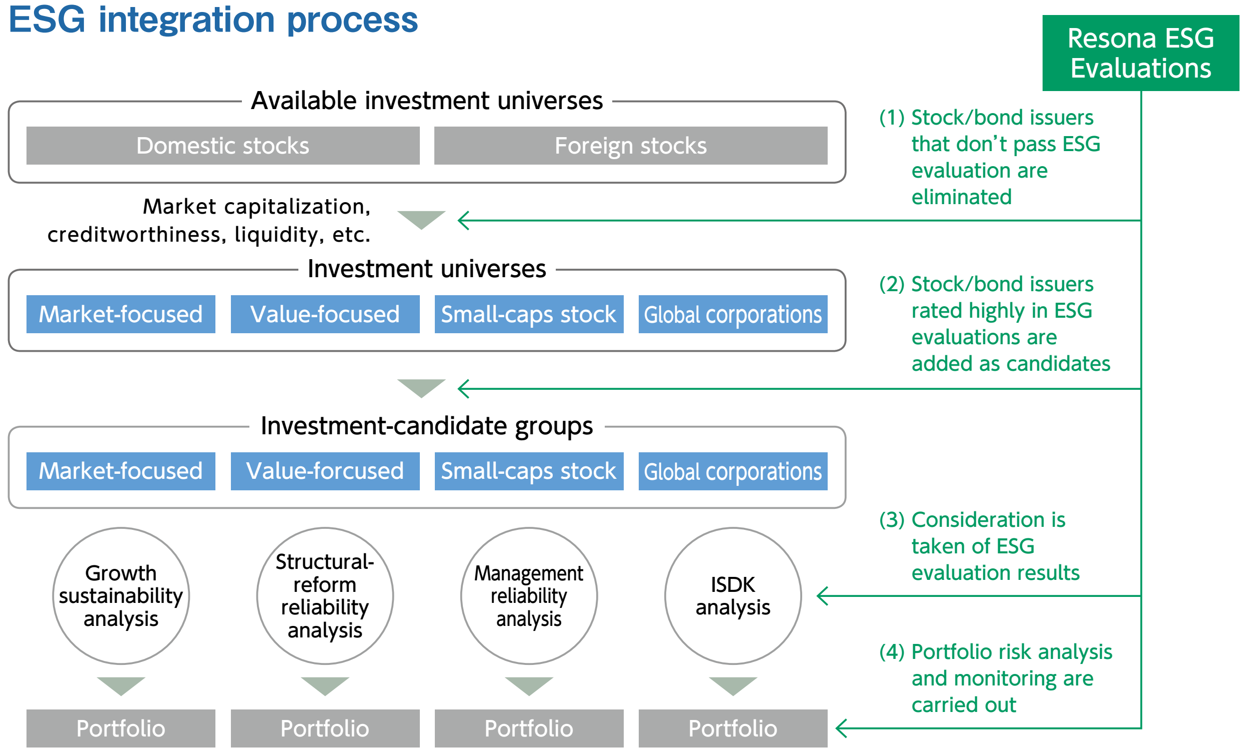
- We establish evaluation criteria (issue structuring, etc.) based on ESG issues with consideration taken for material factors
- Because scores are cross-categorical and consistent between evaluated companies, individualistic influences are eliminated from both quantitative and qualitative evaluation results

ESG integration on equity/active investment

Our approach to ESG integration

When carrying out long-term stock investing operations, we consider an understanding of ESG (environmental, social and corporate governance) related risks and opportunities to be a vital part of investment decisions. With active investing in particular, which seeks out high returns based on market averages, it is necessary to fully comprehend ESG-related issues from a global perspective, accurately understand how those issues affect investee companies, and incorporate this knowledge suitably from the early stages of operations when making investment decisions. ESG issues are wide ranging, pertaining to climate change, biodiversity and other natural-capital considerations, as well as to human rights, labor practices and other human-capital factors. Moreover, these issues are becoming more complex and mutually influential from year to year due to the effects of political trends and other factors. At Resona Asset Management, we are aware that ESG integration, which takes consideration of said issues in relation to investment decisions and investing actions, is increasingly important.
Therefore, in 2023, we established our Resona ESG Ratings method which serves as a unified ESG evaluation approach used consistently throughout the Group to assess investee corporations. Utilizing this evaluation approach as a basis, our investment teams compile their stock/bond universes, carry out company analyses, build portfolios, and pursue other such actions based on individual team investment philosophies and strategies, all of which contribute to advancements in ESG integration.

ESG integration process



Note: boxes display active stock investment strategy names

(1) Stocks/bonds that do not meet Resona ESG Ratings standards are eliminated from the investment universe. (However, if the stock/bond issuer exhibits promise for improved ESG evaluation results in the future, we may choose to invest with engagements as a prerequisite.)
(2) Stocks/bonds that are highly rated in ESG evaluations are added to the investment-candidate group.
(3) Deliberations are made based on Resona ESG Ratings results and other ESG-related factors.
(4) ESG-related portfolio risk is analyzed and monitored.

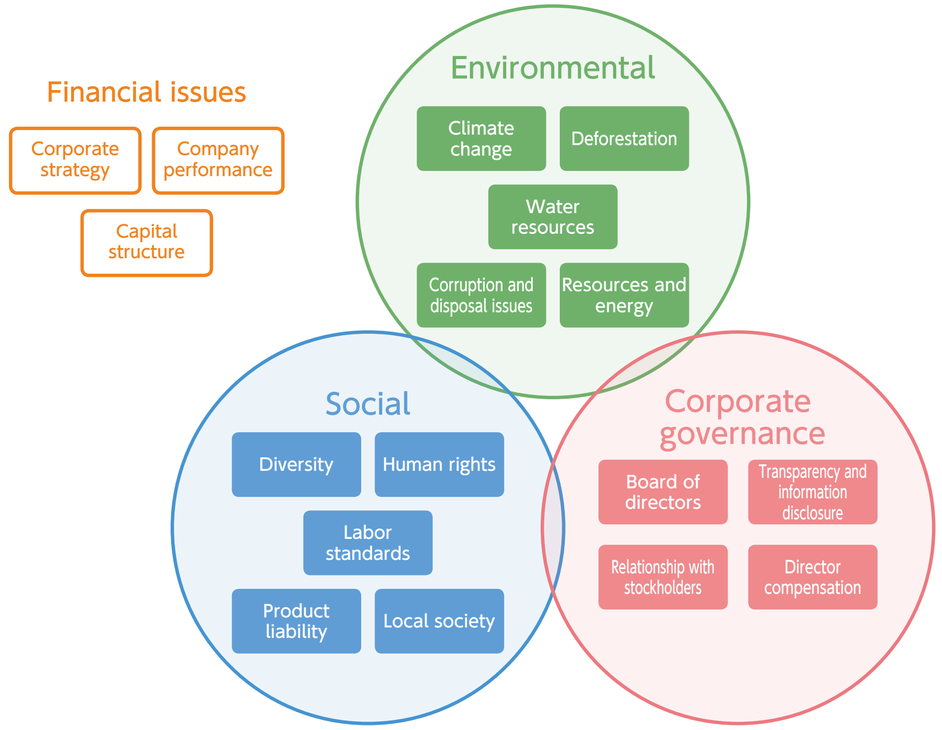
Note: Of these four items, numbers 1 and 4 are implemented as a part of all investment strategies, whereas numbers 2 and 3 are used only in certain investment strategies.

ESG integration in active fixed income investing operations

Our approach to ESG integration

In bond investments, the portfolio can be severely damaged if the invested bonds default before redemption or lose investment grade due to downgrades resulting from deteriorating credit quality, forcing bond to be sold at a substantial loss. Therefore, in bond investments where downside risk is high, we need to avoid such risks in advance in order to realize stable and continuous investment returns on the assets entrusted by our customers.
In general, credit ratings used commonly as indicators for creditworthiness in bond investing are determined primarily based on predictions of earnings and other financial performance factors over the next one-to-two years. However in bond investment, generally, the maturity period of the bonds invested in often exceeds this, and the medium- to long-term earnings, financial and other prospects are not necessarily reflected in the credit rating. Moreover, in regard to non-financial information disclosure, various experimentations and attempts have been carried out in recent years, but non-financial information has yet to be explicitly reflected on credit ratings. In order to avoid risk until redemption, it is necessary to carry out assessments of non-financial information not adequately expressed by credit ratings and pursue precise medium- and long-term forecasts of financial performance and profitability. None of these are easy, but we believe it is important to properly incorporate them into investment decisions, as they could lead to various risks if left unchecked, and could lead to the abandonment of creditworthiness in the medium to long term.

■ESG-related issues and potential risk areas



Failure to monitor and address these risks can lead to various problems

E

■ **Stranded asset risk**
May bring about major declines in business value and have adverse effects on future cash flows for the company

S

■ **Reputational risk**
May result in loss of public trust and hinder future business continuity

■ **Supply chain risk**
May result in loss of supply networks and hinder future business continuity

G

■ **Business continuity risk**
May reduce functionality of the corporate governance system and hinder management continuity

■ **Information-quality deterioration risk between parties with shared interests**
May prevent equitable and timely provision of information to stakeholders

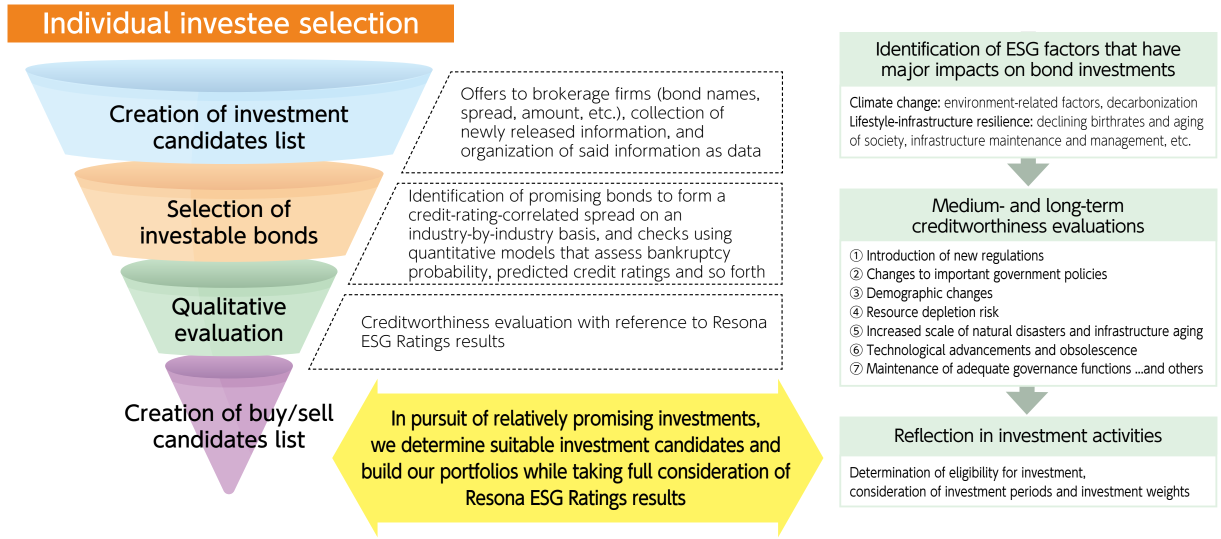
ESG integration process

In order to reflect such difficult-to-predict future forecasts and non-financial information in our creditworthiness assessment and investment decisions, we conduct ESG integration in our bond active management based on our "Resona ESG Ratings" from the perspective of assessing the creditworthiness of the bonds we invest in. Considering the characteristics of bond investments, where upside is limited while downside risk is high, we consider "Resona ESG Ratings" mainly in evaluating the long-term creditworthiness of issuers in order to prepare for risks that may affect the creditworthiness of issuers until redemption. The ESG integration process proceeds as follows:

1) While referring to Resona ESG Ratings results, we identify common ESG-related factors in the bond issuer's industry that may affect creditworthiness. For example, we consider decarbonization is one such factor in the electric power industry, and countermeasures to declining birthrates and aging populations is a factor in the railway industry.
2) After examining Resona ESG Ratings results, common ESG-related factors in the issuer's industry, and ESG-related factors unique to the issuer, we complete a medium-to-long-term credit evaluation. ESG factors that may influence future creditworthiness come in many forms, including establishment of new industry regulations, government policy changes, demographic changes, resource depletion risk, and others. Then, by qualitatively analyzing the paths through which these ESG factors affect credit quality, future credit risk in bond issuers can be assumed and reflected in investment decisions.
3) Based on evaluations from steps 1 and 2, our credit analysts and fund managers meet and hold discussions, then use the results of said discussions to determine investment periods, investment weighting of each bond and other such details of investment activities. For example, if certain industry regulations are slated for strengthening in ten years' time, and we can predict with a high probability that those changes will have impacts on current industry business models, we will choose to invest for no more than ten years in related bonds. In this way, we take consideration of not only current credit ratings, but of future credit risk as well.

In principle, we will not invest in bonds of issuers that do not meet the minimum evaluation in the "Resona ESG Ratings." However, if we do invest in such bonds as a result of our comprehensive evaluation, we will encourage issuer to take action for improvement through engagement.

■ESG integration process (corporate bond investment)



During ESG evaluations, we take full consideration of issues identified by credit analysts as well as Resona ESG Ratings results while also pursuing engagement with bond issuers in order to make comprehensive assessments on which to base our decisions. Furthermore, we coordinate these efforts with the Responsible Investment Division, Equity Investment Division and other relevant divisions in order to realize a multi-tiered approach.
For SDG Bonds such as Green Bonds and Social Bonds, we also appreciate that the bond issue itself is a strong engagement with society, as evidenced by the specific use of funds and the establishment of key performance indicators (KPIs) in Sustainability Linked Bonds. When investing in these SDG Bonds, in addition to the usual credit quality analysis, we evaluate and monitor the investment in cooperation with the Responsible Investment Department regarding conformity with guidelines and principles of ICMA, the Ministry of the Environment, and the Financial Services Agency, as well as the existence of third-party certification and information disclosure.

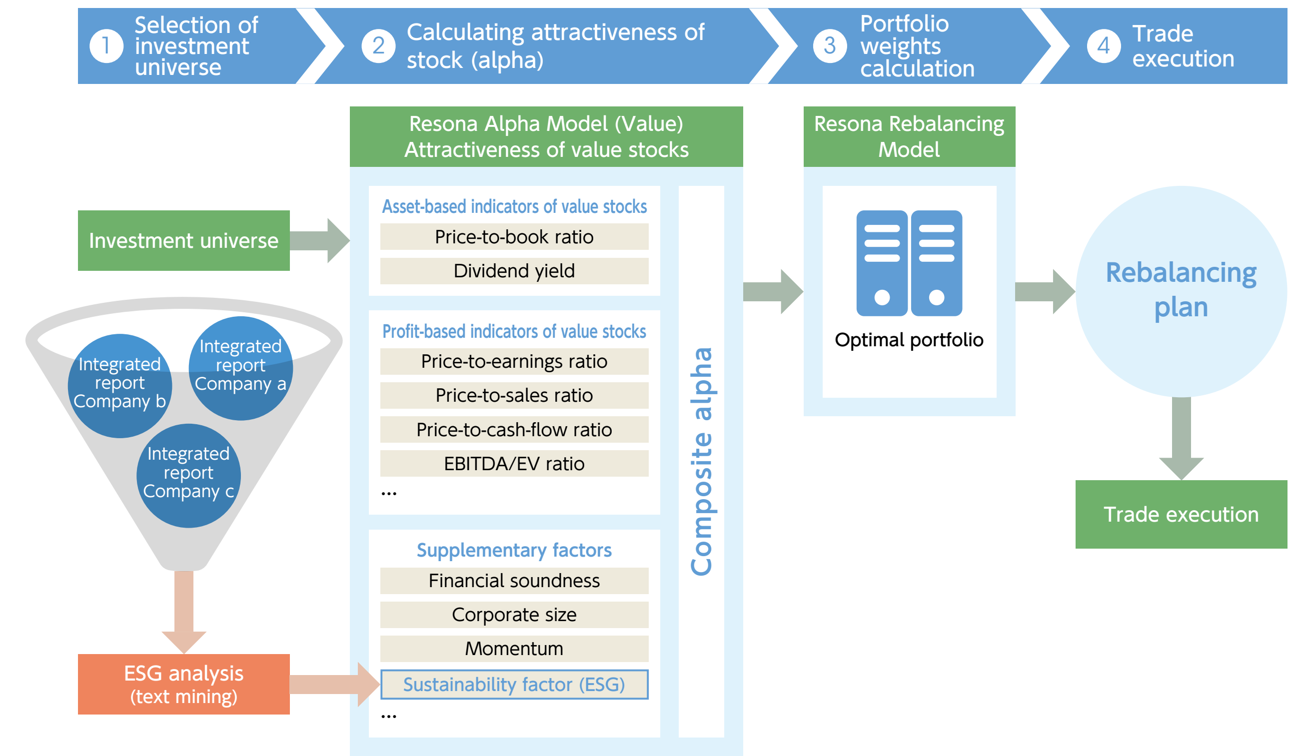
ESG integration in equity quantitative investment

Approach to ESG integration

Here we introduce our approach to ESG integration in quants value strategy.
Because sustainability (ESG) means the sustainability of future corporate profits, it is important to take ESG into account when thinking about investment philosophy. Price-earnings ratio (PER) is an example of an indicator of undervalued stocks that expresses the attractiveness of the stock. Two different stocks for which the most recent corporate profits are the same, and that have the same market capitalization, will have the same PER. However, if their sustainability is different, the downside risk to future profits will also be different. For that reason, the stock with the higher level of sustainability is the more attractive. Accordingly, it is important that ESG is taken into account when calculating the attractiveness of a stock.
Meanwhile, in order to practice ESG effectively, it is important that it is incorporated into the company's value creation story by including ESG in the business strategy formulation process. Therefore, we consider it important to analyze the degree of ESG incorporation in the value creation process when building a portfolio.

ESG integration process

The process of ESG integration in quants value strategy is shown in the diagram below.
To analyze the degree of ESG incorporation into the value creation process, we conduct text mining of integrated reports and calculate a sustainability factor. When performing these calculations, we utilize concepts such as the SDGs and ESG issues based on Resona's Materiality Matrices (please refer to page 13).
Furthermore, in selecting the investment universe, according to the "ESG Integration Policy" and the "Policy on excluding specific weapons manufacturers," we have excluded ESG non-compliant stocks (Resona ESG Ratings) and specific weapons manufacturers from the investment universe.



ESG integration in passive investments

Resona Asset Management conducts ESG (environmental, social, and corporate governance) integration in passive investing as follows.

●**Fund management using ESG indices as benchmarks**
For information on fund operation using ESG indices as benchmarks, refer to page 92.

●**Investment in green bonds and other SDG Bonds**
Resona Asset Management invests in SDG Bonds to promote investment in green projects and social projects, and to contribute toward the realization of a sustainable society. All SDG Bonds investments are made with careful consideration for financial performance efficiency.

■Selection process for foreign SDG Bonds investments

Bond selection	Selections focus primarily on supranational bonds which are issued in line with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and other principles and guidelines established by the International Capital Market Association (ICMA)
Investment attractiveness	Bonds considered for investment are narrowed down for selection based on duration, credit rating, yield, and other factors
Confirmation of concept conformity	Through discussions with the Responsible Investment Division, which is dedicated to ESG, we confirm whether the bond issuer's activities conform with Resona Asset Management's identity and material factors.

Invest

Main SDG Bonds types

Green bonds
Green Bonds are any type of bond instrument where the proceeds will be applied to finance Green Projects related to renewable energy, energy conservation, biodiversity preservation, etc.

Social bonds
Social Bonds are any type of bond instrument where the proceeds will be applied to finance Social Projects related to education, promotion of greater diversity, etc.

SDG Bonds
SDG Bonds are any type of bond instrument where the proceeds will be applied to finance a combination of both Green and Social Projects.

Sustainability-linked bonds
Bonds whose interest rates and/or other financial characteristics are variable in response to progress made toward sustainability-related goals and targets declared by the issuer.

In order to increase trust in and more widely disseminate SDG Bonds, International Capital Market Association (ICMA) as well as relevant Japanese government bodies (Ministry of the Environment, Financial Services Agency) establishes guidelines. SDG Bonds issuers are required to clearly state information on Use of Proceeds, Process for Project Evaluation and Selection, and Management of Proceeds. In addition, they are required to disclose up to date information on the use of proceeds (Reporting), impacts, and other such details. These measures are taken to ensure bond eligibility while also enabling investors to make determinations regarding bond eligibility based on issuer-disclosed information.

Chapter 5

– Responsible Investment Section –

Resona Asset Management's Impact Investing

Since 2021, Resona Asset Management has been pursuing impact investing for publicly listed stocks.

Our approach to impact investing

Impact investing incorporates traditional investing approaches in pursuit of financial returns while also pursuing beneficial social impacts, with both types of results viewed as equally important. Targeted social impacts are those which can help solve social and environmental problems and create positive effects for society as a whole.
We consider impact investing to be an important means of ensuring a prosperous and happy life for future generations as well as our customers, and based on this we establish investing intentions aimed at generating positive social impacts which can be measured in some concrete way.
The act of investing is intended as a means of providing funding and other financial support for investee organizations. With impact investing, if one establishes clear intentions and makes investing decisions based on the potential impacts born from investment in each candidate organization, the result will be direct contributions toward a better society for all.

Organizations targeted for impact investing

Organizations that solve societal problems through business strengths

- Bringing together human resources, management resources and technologies creates synergy that can contribute in significant ways toward social-problem solutions
- New job creation and industrial innovations can have positive, ripple-type effects throughout various areas of society

Complementary relationship

Organizations that solve societal problems through donations, public policy change, etc.

- Ethical and benevolent actions can solve problems even in areas where business activities are ineffective
- Redistribution of earnings can help create a more stable society for all

Our impact investing

Resona Asset Management impact investment targets stocks listed on both domestic and global markets, and is based on intentions founded on our overarching corporate goal as a company.

Overarching goal: to ensure a prosperous and happy life for future generations as well as our customers

Determination of intentions

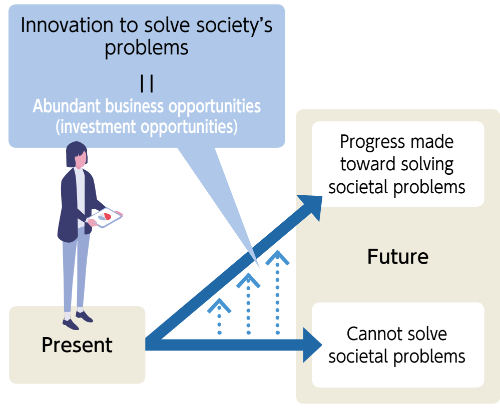
Domestic-stock impact investing intention	Global-stock impact investing intention (related to climate change)
Realize a sustainable society for Japan that provides comfortable lifestyles	Realize a sustainable world in which the life and health of no single person or other life form is adversely affected by climate change or its impacts

Unique aspects of our impact investing

Resona Asset Management impact investing has three major focuses: long-term, highly selective investments; impact assessments and reporting; and engagements with investees. Based on these, we utilize investing operations to create opportunities to support efforts aimed at solving societal problems, while also pursuing attractive investment returns.

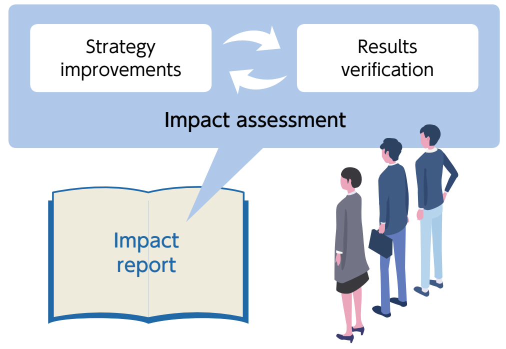
1 Excellent returns through long-term, highly selective investing

Companies that are able to overcome obstacles which prevent solutions to daunting problems, and provide effective solutions based on innovation (technological breakthroughs, creative approaches, etc.), not only make major contributions to rectifying the problems of society, but also create abundant business opportunities in markets demanding differentiation and realize continual corporate-value improvements over the long term.
Through Resona Asset Management impact investment operations, we believe that carefully searching out such corporations and pursuing long-term impact investment can assist in efforts to solve various problems while also enabling high-yield, long-term returns based on said companies' continual growth.



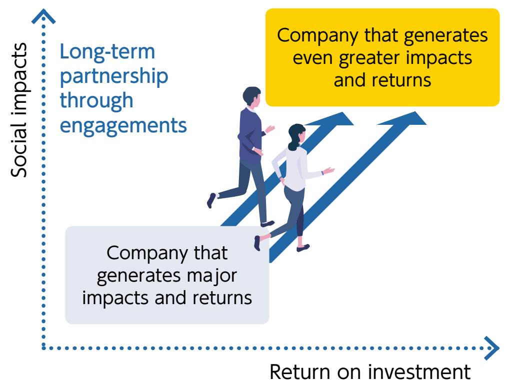
2 Understandable and clear communication of value through impact assessments and reporting

We believe it is extremely important, as a means of confirming investment results, to regularly assess the types and degrees of impacts achieved by investee companies, and issue reports that clearly express those results in ways that people outside of our organization can readily understand.
When carrying out impact assessments, we utilize quantitative indicators to determine progress toward realization of targets, solution statuses, and other such factors, while also making use of qualitative evaluations and sharing example cases as part of a fixed-perspective examination approach.



3 Engagements in support of corporate activities

With the goals of achieving target returns through long-term investments and realizing our intended impacts, we place high priority on engagements with investees as a means of supporting corporate activities that generate beneficial impacts.
Our impact investing approach entails more than the pursuit of returns; we focus strongly on the impacts produced through investee activities as well as the value these impacts have for wider society.
This approach is closely tied in with investees' corporate philosophies, raisons d'être and overarching goals, because we always strive to see things from each investee's perspective, work with them toward the same goals, and otherwise serve as a close partner in our role as investor. We believe that this approach is an extremely important part of constructive engagements, as it can result in closer relationships of trust and lead to more fruitful engagement results overall.



The IMM process for impact investing

The impact measurement and management process (IMM process) is a management cycle designed to actualize intentions in impact-fund investing.
Its main functions are setting of impact targets; establishing strategies, measurement indicators and target values; and managing impact performance.

IMM process	Equity Investment Division	Responsible Investment Division review
Impact investment selection criteria and conformity confirmation	●Confirms whether investee company's business activities and intentions conform with fund impact targets ●Creates a logic model to identify investee company outcomes ●Assesses whether it will be possible to achieve intended impacts on a continual basis	Does the new investee candidate fulfill impact fund selection criteria in multiple required ways? Are measures against negative impacts and ESG risk sufficient?
Framework creation for individual-investee impact measurements	●Develops a methodology for understanding impacts in quantitative terms ●Confirms the necessity of corporate information disclosure for purposes of impact measurement	
Engagement with the investee	●Identifies and shares issues related to impact creation, confirms response measures, and provides support for measure implementation ●Pursues joint efforts toward advancements in impact assessment methods	Are the impact assessment framework and assessments of created impacts sufficient?
Investee impact assessment	●Assesses social impacts (both quantitatively and qualitatively) ●Pursues dialogue with the investee company to confirm validity of impact assessments	
Portfolio impact assessment	●Measures social impacts at the portfolio level ●Identifies issues pertaining to fund intentions	Based on impact assessment results, are investment-team actions suitable?
Implementation of necessary action	●Decides whether to add to or sell from the portfolio ●Creates engagement plans for problematic investees ●Improves top-down logic based on results	

Impact report issuance

In 2022, we published impact reports on our Japanese Stock Impact Investment Fund and Global Impact Investment Fund (Climate Change).

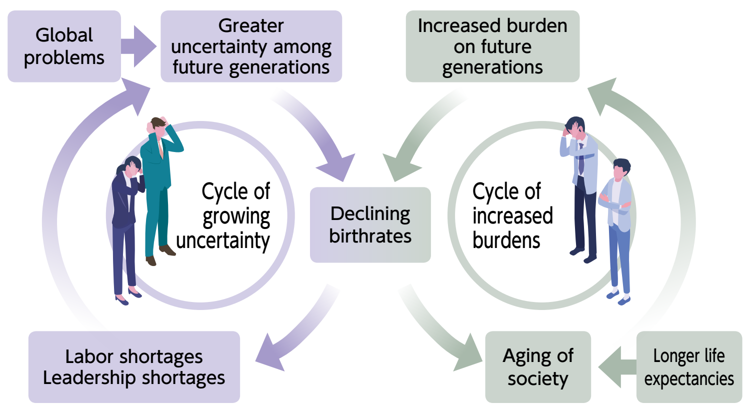
■ Japanese Stock Impact Investment Fund
https://www.resona-am.co.jp/fund/120021/pdf/impact_report.pdf

■ Global Impact Investment Fund (Climate Change)
https://www.resona-am.co.jp/fund/120027/pdf/impact_report/fy2022.pdf

Domestic-stock impact investing

Impact investing in domestic stocks is based on the intention of realizing a sustainable society for Japan that provides comfortable lifestyles. Japan faces a range of different threats to societal sustainability moving forward, many of which are rooted in declining birthrates, aging of society, and demographic changes such as population declines. Moreover, these problems threaten to increase the burdens placed on future generations and create unease and uncertainty on a widespread scale, further exacerbating the effects of low birthrates. This, in turn, has the potential to worsen the adverse issues which already affect society.
With activities centering on the ten problem areas described below, we carry out impact investing in order to put a stop to these destructive cycles and realize a sustainable society for Japan that provides comfortable lifestyles.

■ Destructive cycles related to societal issues



■ Our domestic-stock impact investment intention and ten societal problem areas

Domestic-stock impact investing intention
"Realize a sustainable society for Japan that provides comfortable lifestyles"

Societal problem areas

A society that is accommodating to all people	Sustainable and resilient living environments
●Future-generation community development ●Maintenance and improvement of lifeline functions ●Disaster prevention and mitigation ●Industrialization of food production and trustworthiness improvements ●Utilization of sustainable energy	●Reducing household-task and child-rearing burdens ●Diversification of and improvements to education ●Sustainable medical treatment and nursing care ●Improvements for SME management-related problems ●Individual empowerment

Global-stock impact investing

Our intention for global-stock impact investing is to realize a sustainable world in which the life and health of no single person or other life form is adversely affected by climate change or its impacts.
In addition to rising average temperatures on a global scale, climate change leads to more frequent natural disasters and unusual weather patterns which adversely affect economic activity and natural environments in wide-reaching ways. These, in turn, lead to increasingly widespread damage and loss, and otherwise create potential for the emergence of various risks.
In order to avoid said risk, it is vital that we work to eliminate the root causes of climate change (climate-change mitigation), while also bolstering society's resilience to the effects of climate change (climate-change adaptation).
In our climate-change-focused, global-stock impact investing operations, we strongly prioritize climate-change mitigation and adaptation in order to realize a sustainable world in which the life and health of no single person or other life form is adversely affected by climate change or its impacts. As part of these efforts, we have established the eight priority-solution areas outlined below.

■ Our climate-change-focused, global-stock impact investing intention and eight priority-solution areas

Climate-change-focused, global-stock impact investing intention
Realize a sustainable world in which the life and health of no single person or other life form is adversely affected by climate change or its impacts

Priority-solution areas

Climate-change mitigation: limit the global temperature rise to less than 1.5°C*	●Strengthening of renewable-energy-based electric power supply networks ●Achievement of low-carbon emissions at existing power-generation businesses ●Electrification of energy sources ●Emission-reduction and energy-saving measures in areas not subject to electrification ●Carbon emission reductions and absorption in agriculture, forestry, etc.
	●Promotion of comprehensive solutions and innovations related to both climate-change mitigation and adaptation
Climate-change adaptation: mitigation of risks brought about by climate change	●Improved resilience to natural disasters ●Solutions to water- and food-supply problems

*A target of less than a 1.5°C rise in average global temperature compared with the average global temperature prior to the Industrial Revolution

Investee engagements

Our fundamental approach to engagements as it pertains to impact investing is "serving as a long-term partner to companies who are resolved to solve society's problems." In order to achieve this, we strive for the three goals outlined below.
By taking this approach, we endeavor to help investee companies understand that we function not as an investor at odds with them, but as a partner pursuing the same goals. In this way, we hope to realize constructive engagements.

1 Sharing of intentions

- Ability to explain and facilitate understanding of concepts and future visions/goals
- Sharing of current-situation understanding regarding social issues that investee companies can help solve
- Coordination of future goals and targets that can be achieved through business activities

2 Long-term, continuous investment

- Support for and long-term maintenance of management approaches, rooted in company intentions, that facilitate solutions to societal problems
- Firm maintenance of an approach enabling precisely targeted investments toward corporate value creation that generates positive impacts

3 Constructive and focused engagement

- Clear and understandable expression of paths toward societal-problem solutions, and fixed-perspective monitoring of progress
- Sharing of obstacles inhibiting achievement of goals, and support for strategy improvements and enhancements

Impact assessments and engagements for companies targeted in global-stock impact investing

Investee company example ▶ NIPPON GAS CO., LTD.

Company overview

Utilizing digital technologies to innovate in the energy industry and help solve regional problems

- A retailer for the entire Kanto region, focusing primarily on liquefied petroleum gas (LPG) but also operating in city gas and electric power
- A leading innovator in the energy industry through collaborations with outside companies in pursuit of a platform-building project

Social problem area

Maintenance and improvement of lifeline functions

Impact assessment

Assessment of NIPPON GAS was carried out using a logic model created by Resona Asset Management.

❶ Maintenance and improvement of lifeline functions
NIPPON GAS developed an online, real-time metering system for confirming gas usage amounts and has introduced it in approximately 1.1 million households as of March 31, 2022. The system reduces labor required via sending of workers to check gas meters in person, while also reducing numbers of gas canisters that must be managed, thus bringing down logistics costs. This has lowered operating costs for the company as a lifeline service provider.

Lifeline operator expense reductions: Approx. ¥730 million

❷ Leveling out of lifeline costs
By achieving an efficient framework for the supply of LPG as a form of decentralized energy, NIPPON GAS has reduced the economic burden on residents of suburban and rural areas where LPG costs tend to be higher compared with more urban areas.

Consumer economic burden reductions: Approx. ¥2,596 per household

❸ Creation of a social infrastructure services platform
As an industry pioneer in the transition to digitalization, NIPPON GAS is investing in the creation of an energy-supply platform that will achieve optimization through coordinated data usage, and in the future they plan to provide this platform to other companies in the same industry. We evaluated these efforts highly because they show promise to enable locally rooted SMEs throughout the region to enjoy the same business efficiency boosts and information availability as large LPG corporations, thus helping to eliminate disparities among residents' living environments in the local region particularly.

Engagement

We created a diagram-type logic model of the types of impacts we expect the company's business activities to have (in terms of solving societal problems) to visually convey their path toward said impacts, and pursued engagements based on this model. As part of efforts to better understand current conditions and share future goals and targets in relation to societal issues, we discussed methods of quantitatively analyzing the effects of NIPPON GAS's business activities. Furthermore, as part of efforts to support their management approach of seeking solutions to society's problems, we proposed methods of conveying information on their overall growth-strategy approach, information on their future vision based on said growth-strategy approach, and information on their path to that goal.
Since then, the company has been improving informational content communication through meetings and informational sessions, striving to further clarify their future vision as it pertains to their growth strategy, and otherwise improving information provision. They are also considering expressing, from multiple standpoints, the effects that their corporate activities will have on society in their next integrated report.

Impact assessments and engagements for companies targeted in global-stock impact investing

Investee company example ▶ Genus plc

Company overview

Contributing to climate-change mitigation and adaptation through genetic provision based on own-brand pork and beef livestock

- Genus was one of the first companies to incorporate a scientific approach that correlates DNA sequences with product characteristics (meat quality and other characteristics) into the breeding process, and has secured a large global market share as a result
- Genetic improvements have bolstered the added value of their livestock products while also boosting grain-usage efficiency (amounts of grain required up until shipping out of livestock-based products)

Priority-solution areas

Carbon emission reductions and absorption in agriculture, forestry, etc.; solutions to water- and food-supply problems

Impact assessment

Assessment of Genus was carried out using a logic model created by Resona Asset Management.

- Carbon emission reductions and absorption in agriculture, forestry, etc.

– Greenhouse gas reductions in the agricultural industry (including livestock)
We rated Genus highly for their contributions to greenhouse gas emissions through improvements in grain-usage efficiency (amounts of grain required up until shipping out of livestock-based products) achieved via genetic provision activities. Greenhouse gas emission reduction amounts were estimated to be 1.28 million tons-CO_2e.* This was calculated by taking the average CO_2 emissions from one cow or pig (including their feed) up until product ship-out from among all such animals born in the latest fiscal year as the result of Genus genetic engineering, and multiplying this number by the annual emission reduction rate achieved through genetic improvements.
* Calculated by converting emissions to weight in CO_2

Greenhouse gas emission reductions: Approx. 1.28 million tons

- Solutions to water- and food-supply problems

– Improvements to existing feed production capabilities and efficiency
Through genetic provision efforts, Genus has bolstered the added value of their livestock products and had positive influences on rancher income growth and production capacities. We rated them highly for these contributions. Our estimates show that, in the pork industry, Genus helped expand profits for their customers by approximately US$670 million, which was calculated by converting genetics-related merits into monetary form for all Genus pigs born through genetic engineering in the most recent fiscal year (just under 200 million pigs in total). Moving forward, we plan to carry out quantitative analyses for their cow-related operations (dairy and beef cows) as well.

Rancher profit growth through genetic provision operations: Approx. US$670 million

Engagement

We created a diagram-type logic model of the types of impacts we expect the company's business activities to have (in terms of solving societal problems) to visually convey their path toward said impacts, and pursued engagements based on this model. We discussed the importance of developing a better understanding regarding the social outcomes of greenhouse gas emissions while also pursuing the following three important engagement topics:

- The necessity of generating impacts as a company and achieving a certain degree of direct, positive correlation between those impacts and financial value creation for purposes of succeeding in terms of both impact creation and financial returns
- In relation to the above, the necessity of helping investors to understand in qualitative terms, and assess in quantitative terms, which kinds of impacts (solutions to societal problems) Genus achieves as a company as well as their path to said achievements
- As part of the shift toward a stronger focus on sustainability, the importance of rectifying the investor–investee disparity wherein Genus has an understanding of the positive impacts their corporate activities are having on society, but they do not necessarily make it easy for investors to understand how these impacts lead to corporate profits, nor do they make it clear how said impacts should affect stock evaluations from an investor's perspective

Genus understood the above items and provided extremely promising, forward-looking feedback in regard to the prospects of continued, long-term dialogue. Additionally, the company has embarked on a project to realize a more quantitative understanding of greenhouse gas emissions from ranches: This entails the use of satellites and collaboration with a company possessing greenhouse gas measurement technologies, as well as utilization of Genus's access to the world's top 100 cattle ranch operators which are located in 80 different countries. By making use of satellite-based data and other information available to them, Genus is working to create a platform that offers the world's most precise, uniform, efficient measurement performance.

Impact assessment on SDG Bonds

Resona Asset Management conducts impact assessment on SDG Bonds to gain extensive understanding on green bonds impacts. We have started to assess impacts because impact valuation takes traditional environmental and social metrics and converts them into monetary values that measure the change in wellbeing, allowing comparison and evaluation of impact areas.
Another purpose of assessing impacts is to engage with the issuers. We apply such impact assessment initiatives to our engagements with issuers seeking to close gaps with issuers regarding the way of thinking about impacts and impact pathways.

■Scope

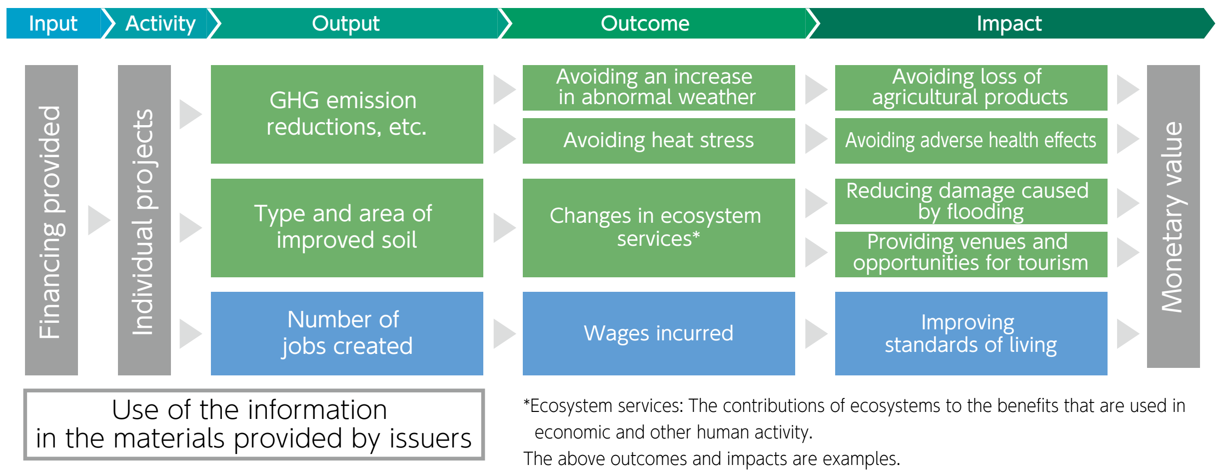
We have determined the scope of 5 issuers and 3 assessment indicators based on:
Resona Asset Management's materiality; global ESG issues; availability on impact assessments; and significance of sustainability projects.

Environmental metrics
- Avoided and reduced GHG emission
- Biodiversity preservation and enhancement

Social metrics
- Jobs created

■Development of impact pathways

Referencing the methods that have been evaluated and developed thus far and based on project information published by the issuer, we have created an impact path through input (provision of financing), output (amount of GHG emission reductions, type and area of improved soil, number of jobs created, etc.), and impact after the outcome (avoiding agricultural product loss, reducing damage caused by flooding, improved standards of living, etc.).
We have calculated monetary values related to the impacts for direct comparisons among different types of impacts.



*Ecosystem services: The contributions of ecosystems to the benefits that are used in economic and other human activity.
The above outcomes and impacts are examples.
For details, please see the Company's Stewardship Report 2021/2022.

Assessment results: Assessment results by project category

The following table shows impacts per US$100 of investment by project category. Total impacts derived from US$100 of Resona Asset Management's investment in green bonds were US$309.6.

Project type	KPI in impact evaluations: Avoided and reduced GHG emissions	Biodiversity preservation and enhancement	Jobs created
Renewable energy	$154.3	$0.7	$11.9
Green banking	$45.1	$0.0	$0.0
Energy efficiency	$22.6	$0.0	$0.0
Sustainable transport	$11.5	$0.0	$0.5
Waste and water management	$10.7	$0.2	$3.8
Agriculture, land use, forest resources, ecosystem resources	$16.5	$15.6	$7.9
Robust infrastructure, construction management, other	$3.9	$3.1	$1.1

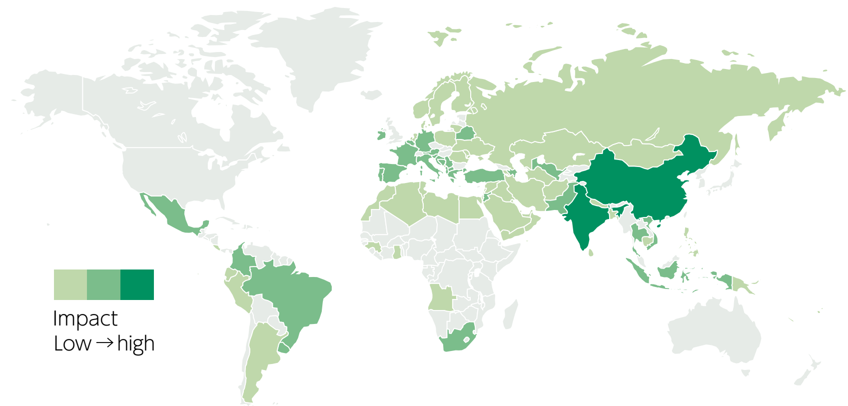
* We did not determine "additionality"(Note) and negative impact.
Note: Additionality issue (i.e. would the jobs have been created anyway if the money was going to be invested elsewhere?); projects specify whether jobs are construction-related / operational. It refers to the (net) value excluding any value that would likely have been generated even if there had been no investment in the project.

Impacts on climate change have increased due to further information disclosures by the issuers. On the other hand, disclosures on the other two indicators are still not sufficient. An increase in disclosure rates is likely to help bring about more substantial results in terms of impacts associated with the two indicators.

Assessment results: Geographic distribution

The map below shows the extent of impacts achieved in the respective countries and regions grouped across three color-coded levels of impact.

The eligible projects are based in various geographic locations. We have identified larger impacts in various countries and regions, particularly in developing nations.
Large impacts derived from countries and regions where large projects were allocated.



■Engagements enlisting the impact assessment findings

We are conducting engagements with the issuers using these assessment results.
・During the engagements, we shared the logic of the impact pathways with the issuers, and there were no major discrepancies on the logic.
・During the engagements, we confirm whether any projects have gone through the accountability process or whether any projects have been deleted from the eligible projects.
・Ongoing engagements have led to better information disclosure relative to last year with respect to many issuers and indicators.

As for the issuers whose SDG Bonds were not eligible for assessment, we have also conducted engagements with the issuers for better disclosure.

Engagement case

The Asian Development Bank (ADB) is one of the issuers with whom we regularly conduct engagements.
We conduct engagements on the following topics.
- Alignment with the Paris Agreement
- Project details, information disclosure, overall risk management process on projects
- Approach towards decarbonization
- Response to the Second Party Opinions and verification

ADB

Chapter 6

– Responsible Investment Section –

Assessment on Responsible Investment Activities

PRI annual reporting and assessment

Within our PDCA (plan, do, check, act) cycle of our responsible investment activities, rating of the “PRI Reporting and Assessment process” is placed as a key performance indicator. We strive to improve the quality of our responsible investment activities by setting various measures to improve external ratings.

Signatory of:

PRI Principles for Responsible Investment

The following is a summary of the 2021 PRI Reporting and Assessment.

	Resona Asset Management	Median
Investment & Stewardship Policy	★★★★☆	★★★☆☆
Listed equity - Active fundamental - incorporation	★★★★★	★★★★☆
Listed equity - voting	★★★★☆	★★★☆☆
Fixed income - SSA	★★★☆☆	★★★☆☆
Fixed income - Corporate	★★★★☆	★★★☆☆

Resona Asset Management achieved four stars for its responsible investment initiatives (overall rating of investment and stewardship policy). We will strive to increase the quality of our responsible investment activities to achieve five stars.

Self-assessment on responsible investment activities

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

Self-assessment process

Resona Asset Management’s Policies regarding Japan’s Stewardship Code stipulates that, “Resona Asset Management believes that appropriately performing self-assessment with respect to its policies and initiatives pertaining to its responsible investment is important. Under that premise, we will develop an effective assessment framework that involves taking on tasks such as precisely determining issues in conjunction with external assessment, while operating on the basis of self-assessment performed by members of the Responsible Investment Committee.” Our Responsible Investment Committee plays an important role in fulfilling Resona Asset Management’s responsible investment and stewardship 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 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 for 2021/2022 is determined as from July 2021 to June 2022.
In September 2022, the countermeasures to the previous 2020/2021 assessment were reported at the Responsible Investment Committee meeting. The 2021/2022 self-assessment result was also reported as well.

Assessment results

1. Initiatives to address issues of last year

Last year, we recognized three issues:
(1) to establish our investment philosophy and objective, (2) to improve disclosures on ESG integration and engagement outcomes, and (3) to ensure proactive public disclosure.

(1) In addressing the first issue,
we explicitly stated and articulated our corporate identity to achieve our purpose to:
cherish our values under our corporate culture, and to implement our business model.
(2) In addressing the second issue,
we took steps to improve disclosures on ESG integration and engagement outcomes.
However, this issue has yet to be adequately addressed, and this remains an ongoing concern.
(3) In addressing the third issue,
we have taken steps to:
upgrade the content of the Stewardship Report (Sustainability Report), issue the Impact Reports, and seek disclosure improvements of our corporate website.

2. FY2021 self-assessment and issues to be addressed

The assessment outcome of the operation of the Responsible Investment Committee meeting was deemed as “generally appropriate.”
Several improvements on activities in line with the Japan’s Stewardship Code were acknowledged.
However, further improvements on ESG integration and engagement frameworks were required.

3. Plans

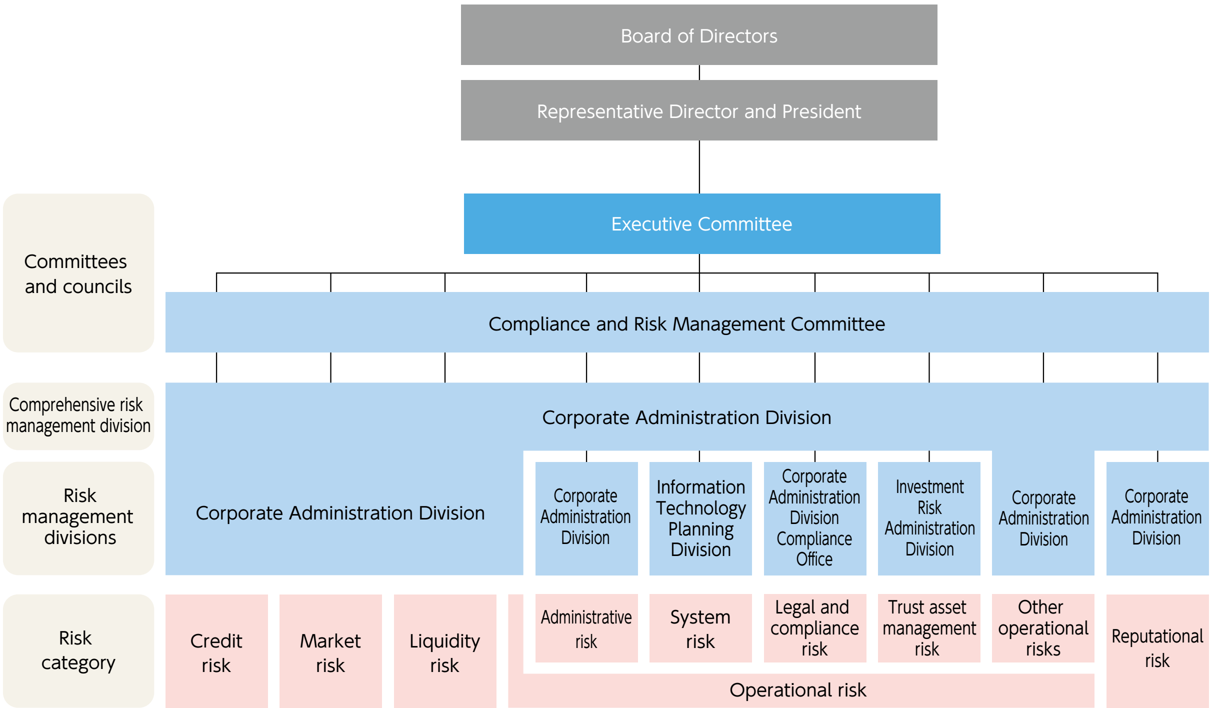
We will promptly work to implement specific action plans to address issues. The oversight scheme is established at the Responsible Investment Committee meeting to monitor the progress and outcome of the action plans.

For policies regarding Japan’s Stewardship Code, please refer to the following URL.
https://www.resona-am.co.jp/investors/pdf/ssc_policy.pdf (in Japanese only)

Risk management system

Resona Asset Management has built a system for facilitating accurate and centralized assessment and management of risk across the entire company. This has entailed stipulating the risk management policy, establishing risk management divisions aligned with different risk categories, and establishing a comprehensive risk management division tasked with oversight of the respective risk administration divisions.

■Risk management system



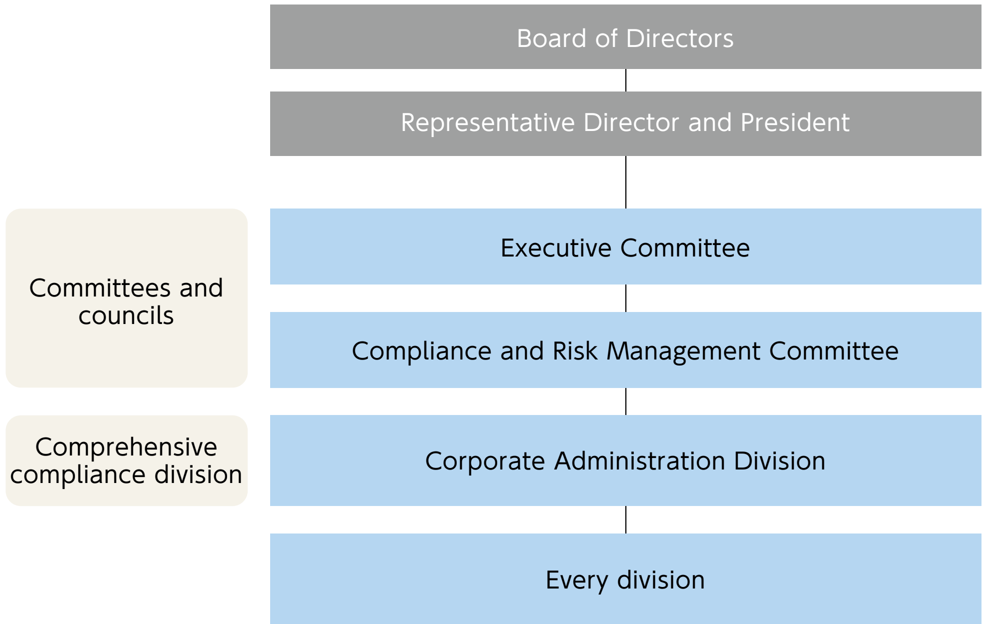
○ Risk management system for trust asset management risk

Trust asset management risk refers to the loss in trust assets or the compensation for lost profits caused by neglecting our duties, such as duty of loyalty and duty of care as asset manager.
The Investment Risk Administration Division, one of risk management divisions, manages such risk through regularly monitoring compliance with investment guidelines and the appropriateness of investment. We take effective action to prevent recurrence of risks that have emerged by enlisting initiatives that include overhauling business processes and imposing stringent training aligned with factors attributable to occurrence of such incident. By reviewing operations subject to monitoring and the frequency of monitoring, we also control and reduce inherent risks.
Our risk management system is evaluated by an external auditing organization in accordance with the U.S. Statement on Standards for Attestation Engagements No. 18 (SSAE 18), and our operations have been found to be in compliance with that auditing standard.

Compliance management system

Resona Asset Management has built a system for ensuring compliance with laws and regulations on a company-wide basis, which has entailed drawing up the compliance management policy and establishing a comprehensive compliance division that takes on oversight and supervision pertaining to compliance with laws and regulations.

■Compliance management system



○ Initiatives to prevent money laundering and other financial crimes

Regarding anti-money laundering and combating the financing of terrorism, we are taking actions effectively through not only subject to requirements prescribed in the Act on Prevention of Transfer of Criminal Proceeds, the Foreign Exchange and Foreign Trade Act, and other laws and regulations, but also evolving swift actions based on risk-based approach, responding to external circumstances such as ever-changing international affairs.

○ Elimination of anti-social forces

In the context of our public mission and social responsibility, Resona Asset Management has set specific internal rules and regulations and provides ongoing training and education on these compliance issues for directors and employees not to engage in transactions with anti-social forces and to prevent them from intervening in transactions with customers through the corporate activities.

Customer-centered business operations

Based on our overarching goal of to ensure a prosperous and happy life for future generations as well as our customers, we hope to be an asset management company that customers are happy to choose first. We center our business operations firmly on the customer in order to achieve this goal while also fulfilling our required duties as an asset management firm.

Resona Basic Policy on Fiduciary Duties

The Resona Group management philosophy is "Live Up to Customer Trust," and based on this we have established and publicized the Resona Basic Policy on Fiduciary Duties (hereafter, "Basic Policy") for purposes of ensuring a firm and thoroughgoing focus on the customer in sales of financial products, investment of entrusted assets, and all other financial services provided.

Resona Basic Policy on Fiduciary Duties: https://www.resona-gr.co.jp/holdings/english/about/strategy/fiduciary.html

One item listed in the Basic Policy, "high-quality asset management" describes our basic approach to investing trust assets.

High-quality investing operations

- In order to provide customers with satisfactory results in long-term diversified investment, we pursue reliable added value over the medium to long terms based on consistent investment strategies that incorporate thoroughgoing research and analyses, while also striving to continuously offer low-cost, high-quality asset management services.
  - Never contenting ourselves with past successes alone, we engage in continual self-improvement from day to day to further advance our specialized knowledge and skills while pursuing profit for customers based on ethical and honest approaches, all with the goal of realizing high-quality asset management services.
  - We aim to be a highly professional organization in which customers have full confidence, carrying out both lateral and vertical collaborations within and beyond our organization while engaging in effective two-way communication.
- In pursuit of profits for the customer—the beneficiary—we engage in constructive dialogue and other measures required as a responsible institutional investor with the goal of fostering improvements in investee-company corporate value, promoting sustainable growth, and facilitating other such positive change.
  - We agree with and adopt the guidelines laid out in Japan's Stewardship Code, which is a set of regulatory guidelines for institutional investors. By doing this, we show customers that we always act as a responsible institutional investor.
  - In addition to financial information on investee companies, we obtain and analyze non-financial information, which includes information on ESG (environmental, social, and corporate governance) related issues. And through its utilization, we strive to foster greater added value at said companies via medium- and long-term promotion of improvements to corporate value, sustainable growth and similar positive change.

Policy Initiatives on Customer-centered Operations

Based on the Basic Policy described above, we have established our Policy Initiatives on Customer-centered Business Operations (hereafter, "Policy Initiatives") intended to convey, in an easy-to-understand manner to our customers, Resona Asset Management's overarching goal as a company and our approaches to management and business operations.

Policy Initiatives on Customer-centered Operations: https://www.resona-gr.co.jp/holdings/english/about/strategy/fiduciary.html

Best interests of the customer

At Resona Asset Management, it is our view that long-term, diversified international investing is the best possible approach for delivering greater prosperity to our customers—in other words, to serve their best interests.
In order to achieve effective performance in long-term, diversified international investments, we believe it is necessary to engage in high-quality index investing, and in active investing that achieves excess returns which are reproducible over the long term. Moreover, as the importance of asset management grows in general, we are stepping up efforts to incorporate universal ownership considerations as a means of further strengthening our responsible investing activities.

Active investment

Through deployment of reliable investment philosophies, and establishment of and effectiveness monitoring for investing processes, we aim for better excess returns.

Index investment

We pursue continual research into methods of increasing fund-management efficiency, as well as research on investment methods and approaches, with the goal of providing high-quality products at the lowest costs possible.

Balanced investment

Through asset allocation strategies based on continual market research and analysis operations, we strive to achieve performance that meets customer expectations in terms of risks, returns and other important factors.

Responsible investment

Through continual engagements and exchanges of ideas with investee companies, we endeavor to bolster their corporate value and strengthen the stock market as a whole. Our approach is one which does not place excessive burden on said companies; on the contrary, we prioritize the quality of engagement activities and, to this end, control the frequency of said activities accordingly.

In pursuit of the customer's best interests, we have established the following basic approaches of business operations as our Policy Initiatives. For further details on these approaches, please visit the website shown on the previous page.

conflict of interest management

- We have established the Conflicts of Interest Management Guidelines as part of internal regulations. Based on this policy, we take appropriate responses to all conflicts of interest encountered anywhere within the group.

Clarification of fees and commissions

- For all funds launched at Resona Asset Management, we verify fee and commission suitability via a Fund Operating Committee at the time of fund establishment, and via a Fund Governance Council comprising outside directors after fund establishment. Furthermore, we clarify points of consideration taken when determining fees and commissions.

Easy-to-understand communication of important information.

- When creating written materials to be used for fund sales, we consider the best ways of communicating, in an easy-to-understand manner for the customer, the important information which customers will use to make investment decisions.
- We strive to provide sufficient amounts of information to companies that handle fund sales as part of efforts to eliminate any asymmetry regarding information provided to customers.

Provision of services suited to customers

- When setting up new funds, we endeavor to carefully consider and launch only funds that truly meet customer needs in order to realize sustained long-term performance. To this end, we refrain from launching funds with overlapping product types, funds that rely upon temporary or short-lived trends.
- Upon setting up a fund, discussions are held by the Fund Operating Committee to clearly identify and deliberate on anticipated customers targeted for sales, as well as underlying reasons. Following fund creation, the Fund Governance Council (comprising outside directors) verifies whether the fund has maintained the intended product characteristics following its creation.

Frameworks for motivating employees

- Evaluators at Resona Asset Management, who have long-term investing experience and highly specialized knowledge, base their evaluations on the performance of each employee with consideration taken for individual investing results and specializations. Furthermore, evaluators also conduct qualitative assessments based on degree of conformity with the Company's Code of Conduct (our corporate ethics code), the Conflicts of Interest Management Guidelines (comprising rules for dealing with conflicts of interest), and other rules and regulations, while factoring in employee contributions to the Company as a whole. Together, these form our comprehensive personnel evaluation approach.
- In regard to evaluations of specialization levels, all employees are encouraged to attain CMA(Certified Member Analyst of the securities analysts association of Japan), and the minimum-required specialization levels for an investment firm are ensured. Then, specializations required for each work and position type are defined.

KPIs for customer-centered operations and public status updates

Resona Asset Management has established the following KPIs for customer-centered operations. We pursue operations based on the Policy Initiatives on Customer-centered Operations and publish the statuses of said efforts on our company website.

■ Publicly disclosed KPIs

KPI	Description
Best interests of the customer	Long-term performance (5-, 10- and 20-year performance) for active investing
	Long-term performance (5-, 10- and 20-year performance) for index investing
	Long-term performance (5-, 10- and 20-year performance) for balanced investing
	Responsible investing activity results (number of engagement cases)
Provision of services suited to customers	Ratio of funds with a net asset value of ¥10 billion or more (compared with all publicly offered funds)
Frameworks for motivating employees	Number of frameworks relative to number of security analysts in relevant divisions

* For further details on these efforts, please visit the following webpage:
https://www.resona-am.co.jp/investors/fiduciary.html

ESG funds and impact funds

Since October 2021, for purposes of protecting our customers, we have clearly identified and publicized information on which of the publicly offered investment trusts we establish and operate are ESG funds and impact funds.

About ESG funds and impact funds

Among investment activities related to ESG (environmental, social, and corporate governance) issues, many different investment approaches and methods exist (as described below), and degree of integration into the investment process and the impact on performance also vary widely from fund to fund. Therefore, we do not consider it logical to employ uniform conditions and requirements for all ESG and impact funds; rather, we identify ESG and impact funds through deliberations by our professionals in planning and management divisions.

■ Example ESG investing approaches

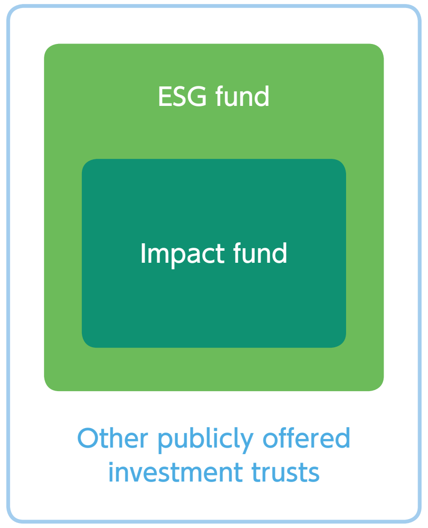
ESG integration	Engagements with investees and exercising of voting rights	Norm-based Screenings
Negative and positive screenings	Investing based on environmental and social sustainability themes	Impact investing

Note: These categories were created based on the *Global Sustainable Investment Review 2020* by the Global Sustainable Investment Alliance

When establishing a publicly offered investment trust, we carefully examine all fund details and have the Asset Management Committee hold discussions to determine whether the fund in question is sufficiently equipped with the following characteristic requirements (see diagram below). Moreover, the Fund Governance Council carries out regular verifications following the launch of fund operations to ensure that said characteristics are being maintained.

(For further information on the Fund Operating Committee and Fund Governance Council, see page 7.)

■ Resona Asset Management publicly offered investment trusts



■ ESG fund and impact fund characteristics

ESG fund

- A fund that takes ESG issues into consideration in the, investment processes in addition to getting financial returns

Impact fund

- A type of ESG fund that targets issues related to society, the environment and similar, and seeks to create impacts* in regard to those issues based on the fund's intention
- Resulting impacts are evaluated in both quantitative and qualitative terms, and evaluation results are disclosed on a regular basis

* Impacts that help solve social and environmental problems and otherwise have positive effects on society as a whole

■ Resona Asset Management ESG funds (as of December 31, 2022)

Fund name	Primary investment target	Establishment
Resona Japanese SME Stock Fund	Japanese stocks	Sep. 2018
Smart-i Domestic Stock ESG Index	Japanese stocks	October 2019
Domestic Stock ESG Index Open	Japanese stocks	September 2021
Smart-i Developed Country Stock ESG Index	Developed country stocks	October 2019
Developed Country Stock ESG Index Open	Developed country stocks	September 2021
Global SME Stock Fund	Global stocks	October 2020
Smart-i Global Stock Climate Change Index	Global stocks	October 2022
Saitama Resona Global Balanced Plus ESG	Multiple asset types	September 2020
Kyushu SDGs Global Balanced	Multiple asset types	November 2021
Fund Wrap Plus ESG (Stable Value Type)	Multiple asset types	November 2022
Fund Wrap Plus ESG (Stable Growth Type)	Multiple asset types	November 2022
Fund Wrap Plus ESG (Growth Type)	Multiple asset types	November 2022

■ Resona Asset Management impact funds (as of December 31, 2022)

Fund name	Primary investment target	Establishment
Japanese Stock Impact Investment Fund	Japanese stocks	June 2021
Global Impact Investment Fund (Climate Change)	Global stocks	Dec. 2021

Disclosure for ESG funds and impact funds

With the goal of conveying to customers, in as easily understandable a manner as possible, the purposes of fund establishment, investment processes, and fund characteristics (including details of engagements with the investee companies, future plans and policies, and statuses of impact creation efforts), and other such information in regard to ESG and impact funds, we publish legally required materials such as prospectuses while also issuing monthly reports, impact reports and other documentation on a regular basis to fulfill disclosure requirements.

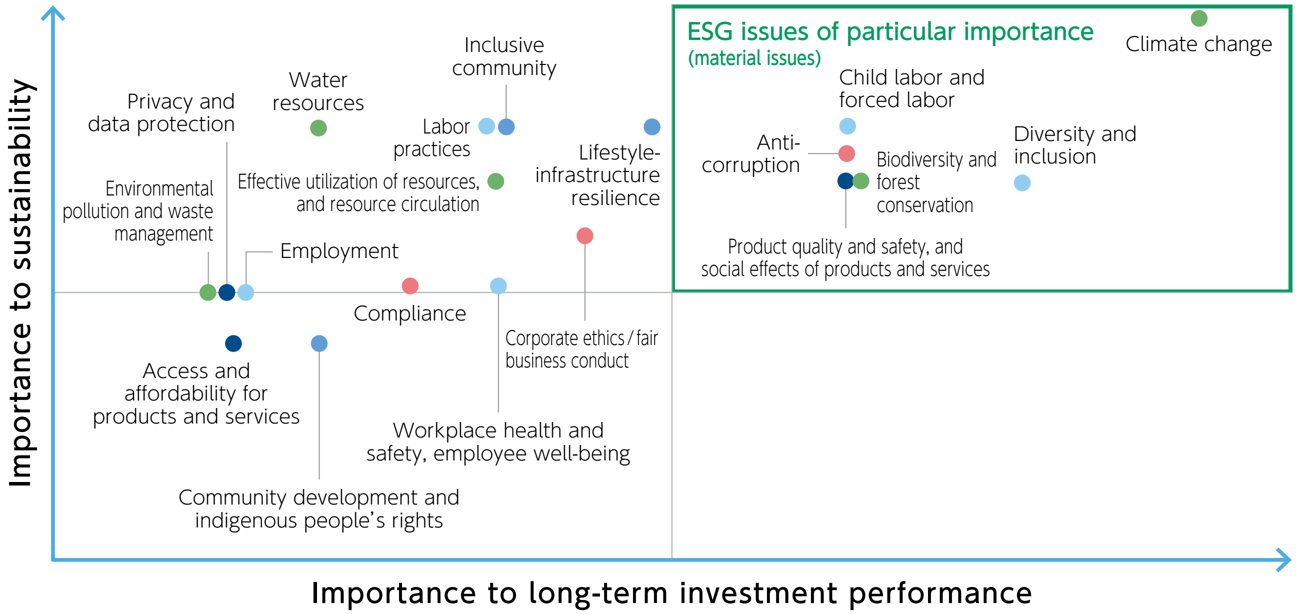
Year 2020: Considerations on Materiality

Source *Stewardship Report 2020/2021*, pp. 16–17

In the beginning of 2020, we conducted a materiality analysis in order to find measures and activities to realize a "desirable future." We have then carried out an analysis to determine long-term changes in material issues caused by external environment factors (see charts below), such as the COVID-19 pandemic. Based on these analyses, we identified ten types of issues that affect materiality, as shown in the colored-in boxes in the lower chart.

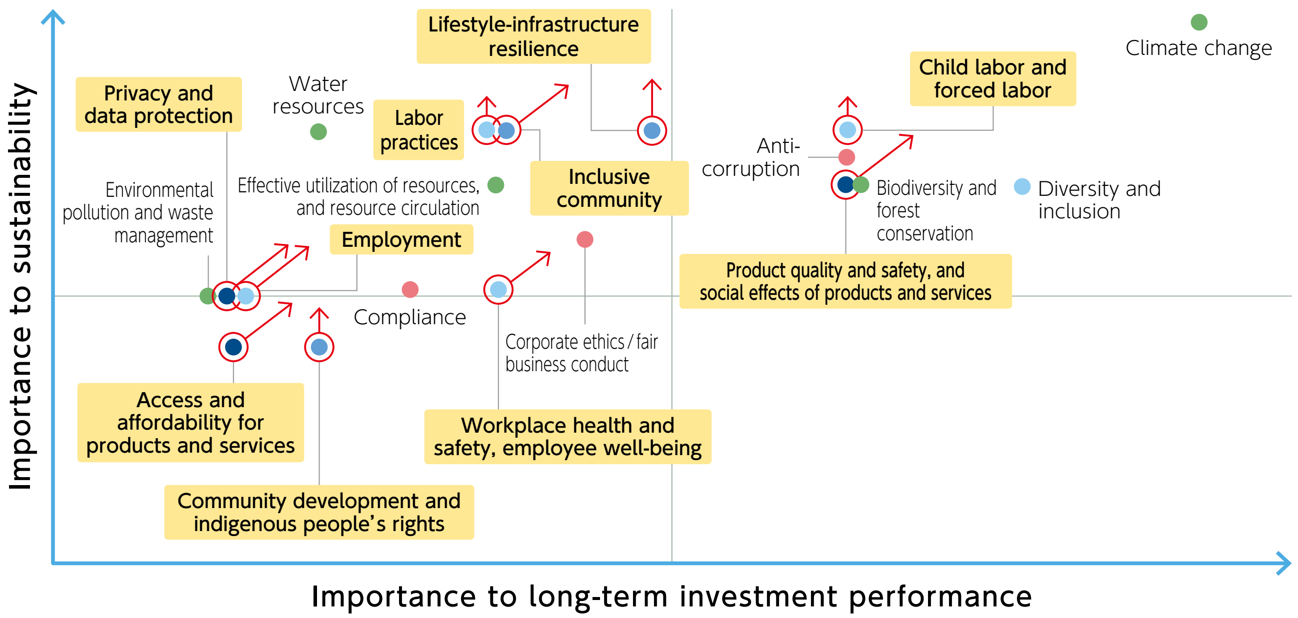
Materiality matrix created in 2020

●···Governance ●···Environmental ●···Society / human capital ●···Society / community ●···Society / products, services and society



Materiality matrix (changes in long-term significance)

●···Governance ●···Environmental ●···Society / human capital ●···Society / community ●···Society / products, services and society



Year 2021: Scenario Analysis

Source *Stewardship Report 2021/2022*, pp. 20–29

In 2021 we have assumed multiple scenarios for future projections, while the external-environment factors were characterized by high levels of uncertainty. While referring to three models created by the Intergovernmental Panel on Climate Change (IPCC)—the Conventional Development Model, the Regional Rivalry Model, and the Sustainable Model—we discussed changes in regard to societal problems based on three pillars established for purposes of realizing our vision for a desirable future: inclusive socioeconomics, sustainable environments, and corporate culture and overarching goals. Then we analyzed the important issues encountered therein.

Scenario	Material issues
Conventional Development Model Based on the IPCC's SSP5 scenario, which is characterized by development that relies upon fossil fuels without any environmental measures in place, and which leads to the greatest emission volumes	Human rights for the socially vulnerable, safety and quality of new technologies, biodiversity, land rights, inequality in access to technologies, human rights violations in relation to AI ethics and supervision
Regional Rivalry Model Based on the IPCC's SSP3 scenario, which is characterized by development with regions in competition, without any environmental measures in place	Natural disasters, biodiversity, poverty, access to resources, access to food supplies, water-related risks, business in countries/regions involved in conflicts or at high risk, sustainable raw-material procurement, worker rights
Sustainable Model Based on the IPCC' s SSP1-1.9 scenario, which is characterized by sustainable development, and which keeps the average global temperature rise below 1.5˚C	Tolerance for, and more fair distribution of, socioeconomic burdens stemming from sustainability-issue solutions; governance; partnerships; encouragement of new competition to foster revolutionary technology creation

■ Important consideration 1

As we pursue our overarching goal of ensuring a prosperous and happy life for future generations as well as our customers, there are limitations to what traditional economic development can achieve in terms of problem solving. That is why rapid framework and system changes, as seen in the Sustainable Model, are necessary. However, we expect to encounter obstacles while attempting to realize this model, as such rapid changes will place major economic burdens on the current generation while also creating inequalities during the transition period.

■ Important consideration 2

In all three scenarios, we must come up with ways to close the gap between the forecasted future and our vision for a desirable future.

Forecasted future Ratio of 3:4:3 for Conventional Development Model, Regional Rivalry Model and Sustainable Model (in that order)	Desirable future Ratio of 3:0:7 for Conventional Development Model, Regional Rivalry Model and Sustainable Model (in that order)
· Difficult to accomplish the overarching goal of providing greater prosperity and happiness to current and future generations · Impacts on sustainability are not integrated as part of economic activity; rather, economic and sustainability actions are polarized · Regarding impacts on society, issues that surpass society's ability to adapt and respond will surface, adversely affecting business continuity and resilience	· Fosters a society capable of accomplishing the overarching goal of providing greater prosperity and happiness to current and future generations · Impacts on sustainability are integrated as part of market economics, stakeholder capitalism emerges to enable more diverse and multifaceted assessments of corporate value, and sustainability issues become directly interlinked with economic issues

In order to actualize the desirable future outlined above, it is necessary to integrate required social and environmental impacts as part of market economics and thus foster stakeholder capitalism, while also cultivating an economic system that provides simultaneous support for technology innovation and creation which help solve societal problems.
Through these examinations and deliberations, we have been reminded of just how important it is, as an institutional investor, for us to promote the creation of new value for society by investee companies, pursue engagement aimed at avoiding and mitigating business risk as it relates to sustainability, and take consideration of issues not fully addressed by market economics (which can become burdens for future generations) in our investing activities.

Year 2022: Materiality Analysis Based on study on Regional Rivalry Model

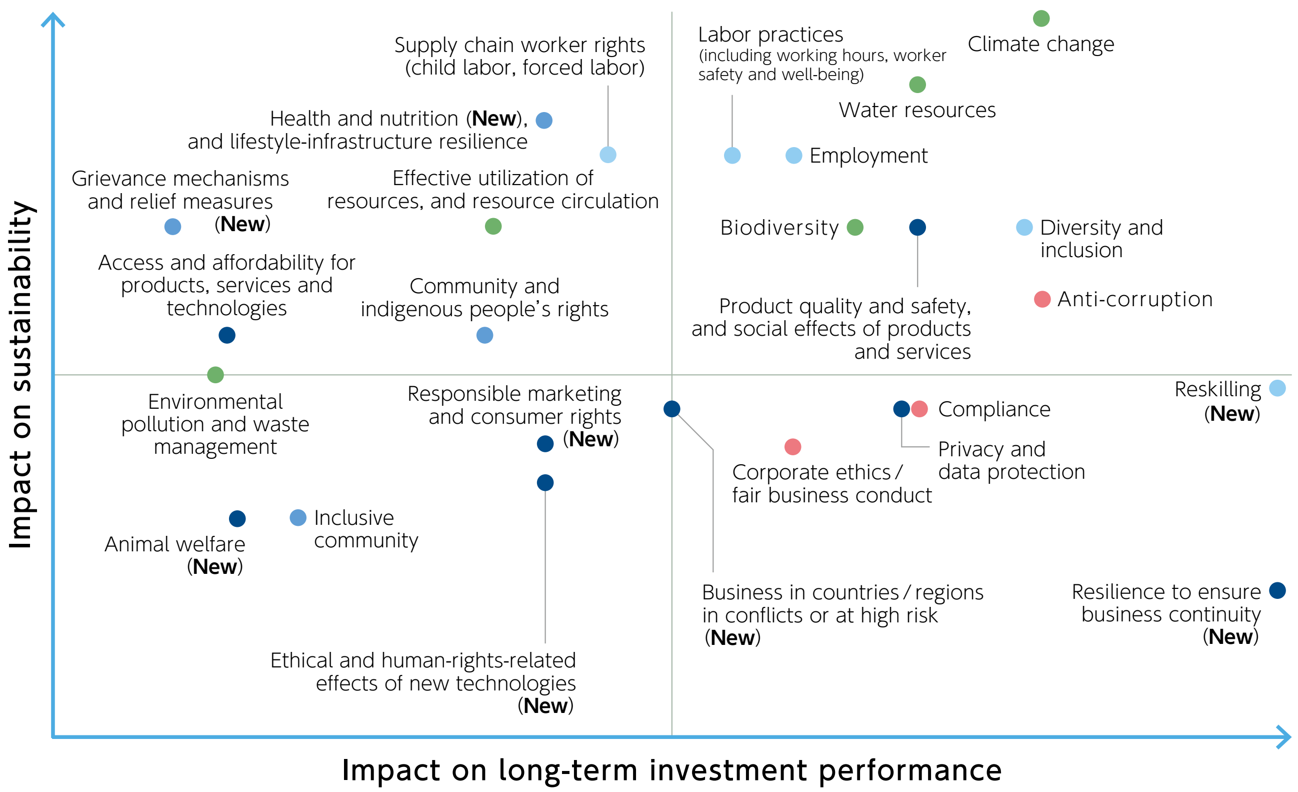
Due to various adverse situations and conflicts occurring in the past few years, such as the COVID-19 pandemic and Russia's invasion of Ukraine, there are growing fears regarding the weakening of the international cooperation and collaborations among diverse parties needed to achieve a desirable future, along with fears that regional rivalry is worsening on a global scale. Resona Asset Management is an institutional investor that focuses on ESG (environmental, social, and corporate governance) issues over the long term to realize a desirable future for all. We are deeply concerned that trends are taking us further from achieving an ideal future. Because the characteristics described by the Intergovernmental Panel on Climate Change (IPCC) Regional Rivalry Model are now increasingly likely to emerge in the foreseeable future, we predict that the gap between future projections and the desirable future will widen further.

If things proceed in line with the Regional Rivalry Model, a range of social problems will result, including slowed growth for the global economy, rapid population increases, food shortages, exacerbation of poverty problems, reduced levels of international cooperation, and slowing technological innovation. These, in turn, are predicted to lead to problems including weakening of society's ability to adapt and respond to various challenges, destabilization of social conditions, increased frequency of international conflicts, and the spread of illegal economic activity and corruption, among others.
Therefore, we have carried out a materiality analysis based on the possible emergence of Regional Rivalry Model conditions. Our matrix for ESG issues is shown below, with accompanying explanations of increasingly important material issues and newly emerging material issues provided in the right-hand chart.

Through examination of these analytical results, we have determined that the expected roles of the companies are expanding to realize a more sustainable society, and that the following efforts can lead to improved corporate values; reducing negative social and environmental impacts, and, contributing to solve social issues. In addition, we, as an institutional investor, have recognized the importance to conduct responsible investment activities, which are rooted in engagements which considers the future changes of ESG issues and companies' roles.

Expected ESG issues under the Regional Rivalry Model

●…Governance ●…Environmental ●…Society / human capital ●…Society / community ●…Society / products, services and society



Examples of ESG issues that increase in importance amid regional rivalry

● Governance

Issues	Effects of regional rivalry
· Compliance · Anti-corruption · Corporate ethics / fair business conduct	As ESG integration becomes a large factor in investing, issues related to compliance, anti-corruption, corporate ethics and similar are seen as increasingly integral to corporate activities. However, international conflicts that have detrimental effects on law and order, as well as increasingly pronounced economic disparities, elevate risk for weakening of responsibility in corporate actions. Therefore, it is important to refocus firmly on these issues.

● Environmental

Issues	Effects of regional rivalry
· Climate change · Biodiversity · Effective utilization of resources, and resource circulation	Without international cooperation, it is impossible to solve problems related to climate change and preserve biodiversity. Regional rivalry weakens the necessary bonds of cooperation between nations, which can delay efforts toward solving, and even exacerbate, environmental problems.

● Society / human capital

Issues	Effects of regional rivalry
· Supply chain worker rights (child labor, forced labor) · Labor practices (including working hours, worker safety and well-being)	International conflicts create increasing numbers of international refugees, which results in larger numbers of workers in vulnerable positions. This can lead to increasingly poor labor conditions, modern-day slavery, and other negative consequences in both developed nations and developing nations.

● Society / community

Issues	Effects of regional rivalry
· Community development and indigenous people's rights · Inclusive community · Health and nutrition, and lifestyle-infrastructure resilience	International conflicts not only destroy the foundations for safe, secure lifestyles in affected regions, they also create the risk of exacerbated food security issues on a global scale. These, in turn, have the potential to make communities in countries with low income levels increasingly vulnerable.

● Social / products, services and society

Issues	Effects of regional rivalry
· Access and affordability for products, services and technologies · Resilience to ensure business continuity · Business in countries / regions in conflicts or at high risk	In a world characterized by global business operations, conflicts in certain regions can sever supply chains, trigger material- and energy-price spikes, and lead to other problems that make it difficult to provide people with essential products, services and technologies. Moreover, conflicts in markets that serve as bases of operation and/or sales targets for companies can heighten the risk that said companies will unwittingly commit human rights violations, ethical violations and/or other damaging acts due to reasons attributable to the conflict situation.

*colored text in this chart refers to new issues expected to surface under the Regional Rivalry Model

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