Resona Asset Management

SUSTAINABILITY REPORT

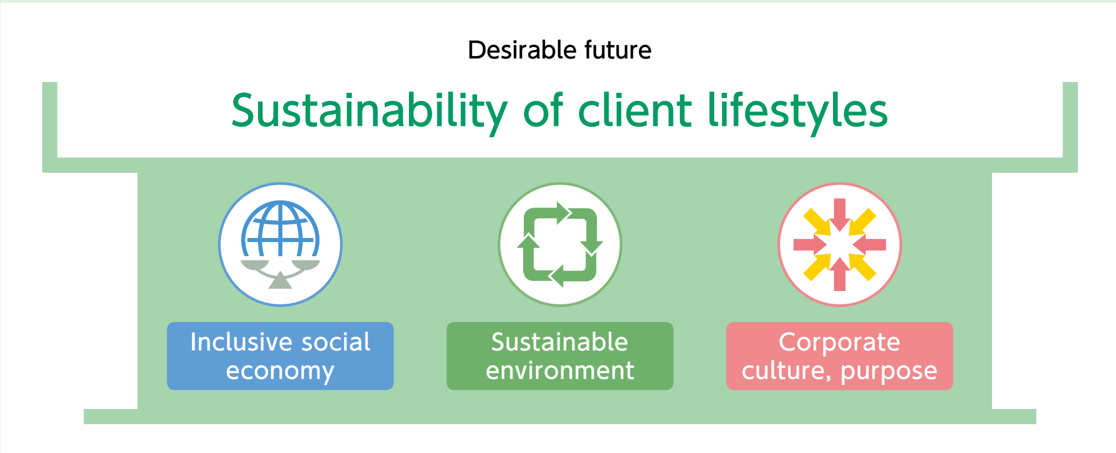
2023 / 2024

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.

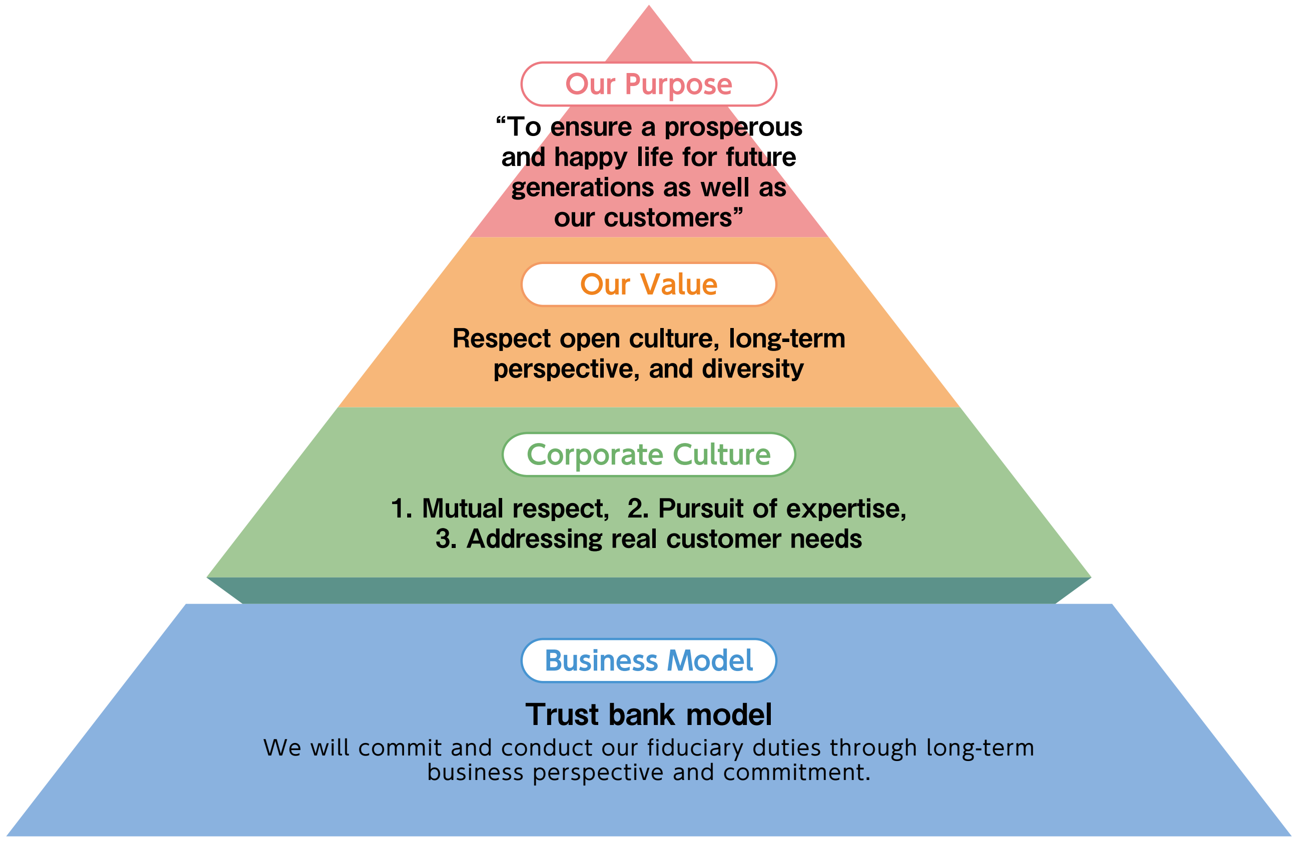
What we seek to do to ensure a prosperous and happy life for future generations as well as our customers.



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

Each of us are continuously aware of the importance of committing to achieve sustainable future societies.

We would like to express our sincere gratitude for your continued support to Resona Asset Management.

This Sustainability Report is our sixth report since the first Stewardship Report issued in 2018.

Over the past few years, various social and economic events have occurred.
We experienced an unprecedented rate of change in lifestyle and work style philosophies amidst the long-lasting and significant impact of the COVID-19 pandemic on the global society and economy. Moreover, increased geopolitical risks such as the Russian invasion of Ukraine continue to have a major impact globally, generating new tensions with increased division and energy and food problems.
Meanwhile, record-breaking heat waves were observed in various parts of the world in the summer of 2023, with many reports of large-scale natural disasters including wildfires and heavy rains.
These circumstances provide opportunities to think more seriously about sustainable societies and the environment as the foundations of our lives.

I believe that the sustainability of responsible investment activities that we have continued to diligently carry out becomes increasingly important precisely because we live in a world where these unexpected events readily occur.
These recent events are good opportunities to for each of us, who are now responsible for sustainability, to recognize the importance of continuous commitments towards a sustainable future, and to strengthen our awareness of importance.

The purpose of Resona Asset Management is "to ensure a prosperous and happy life for future generations as well as our customers."
I believe that an asset management business has the formidable strength to simultaneously achieve both "prosperity" and "happiness."
With a strong awareness of our long-term perspective, we are engaged in a variety of activities to deliver "prosperity" and "happiness" to future generations, and to achieve stable investment outcomes and a sustainable society.

The first half of this report is the Corporate Section.

In this section we will report on:
1) who we are;
2) our efforts toward sustainability and an overview of our corporate structure; and
3) the philosophy behind it for practicing responsible investment activities.

The second half of this report is the Responsible Investment Section.
Over the past year, we have established the Natural Capital Policy and the Policy on Human Rights Related to Investment Management, based on the basic policy on responsible investing.
We recognize addressing the challenges of nature capital and biodiversity loss as essential in our journey to fulfill our purpose, considering it one of the most important issues in responsible investment activities.
In October 2023, Resona Asset Management Co., Ltd. served as a Silver Sponsor of the 2023 PRI annual conference, "PRI in Person," and hosted a side event on biodiversity and natural capital. Going forward, we strive to promote natural capital-related measures through stewardship activities involving engagements with investees and proxy voting, and to contribute to the preservation and regeneration of natural capital throughout society based on the philosophy of a universal owner.

We have also enhanced the content of Resona ESG Assessments, which was launched in January 2023.
This approach provides an understanding of ESG risks and opportunities at the investee companies, based on a unified standard and in a manner that transcends the bounds of asset class, investment strategy and other such individual considerations. We will make use of the assessments for ESG integration and highly effective engagement with investee companies.

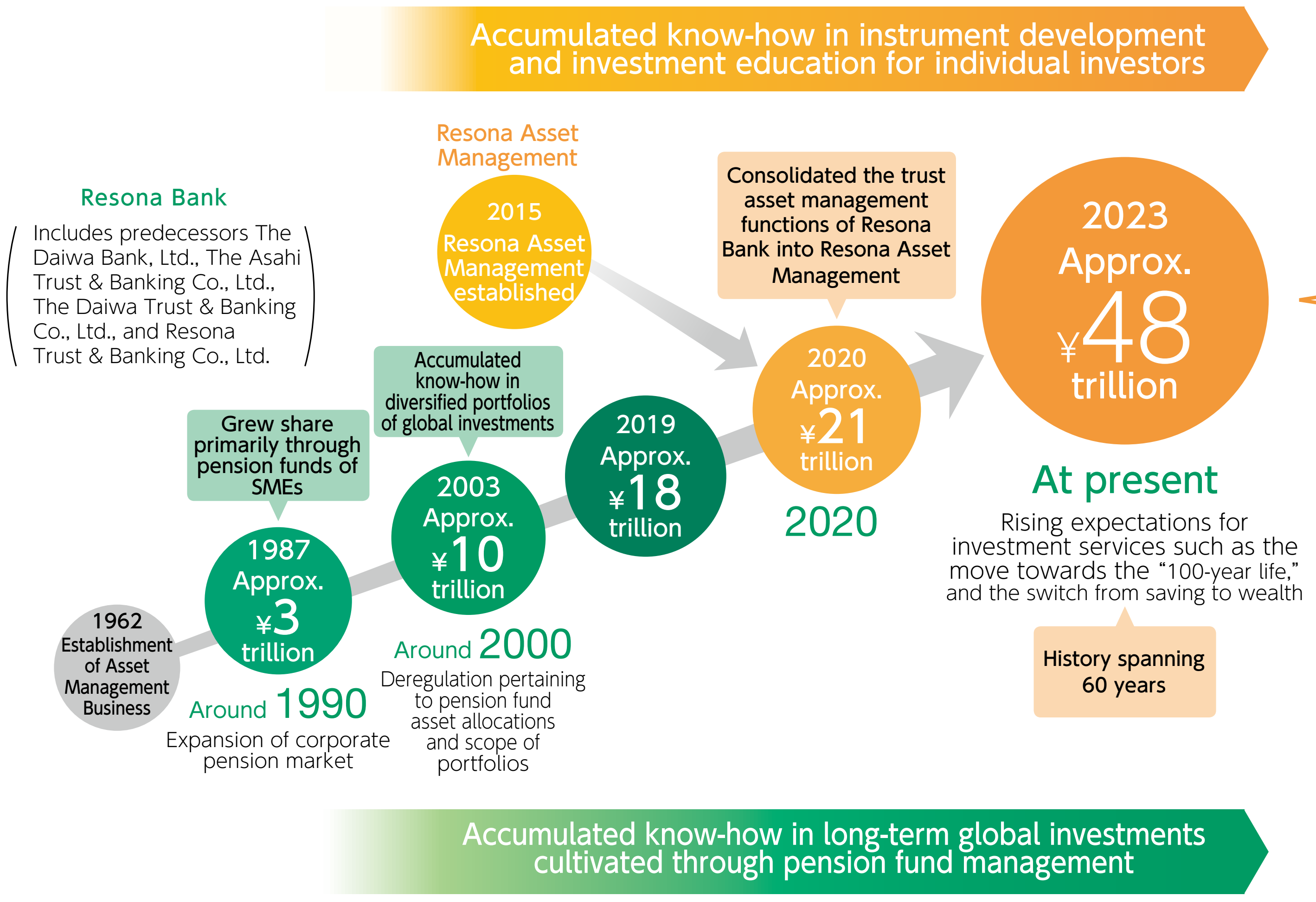
As a responsible asset manager, Resona Asset Management will continue to enhance the corporate value of investee companies by engaging earnestly and practicing highly effective and responsible investment activities.
Moreover, we will continue to work tenaciously in processes to achieve sustainable societies by collaborating with all stakeholders to resolve complex intertwined social and environmental issues.

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

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.
Resona has a 60-year track record in the asset management business. Our corporate roots are in the pension management department of a trust bank, primarily managing corporate and public pension fund. Through our experience in pension management, we have always maintained a long-term investment perspective while striving to provide sustainable and stable returns to our customers.
Based on expertise we have cultivated over the course of our history, we aim to provide products and services that are truly needed by our customers, holding on a "trust bank model," in which "We will commit and conduct our fiduciary duties through long-term business perspective and commitment."

Trends in AUM



Employees and Investment professionals

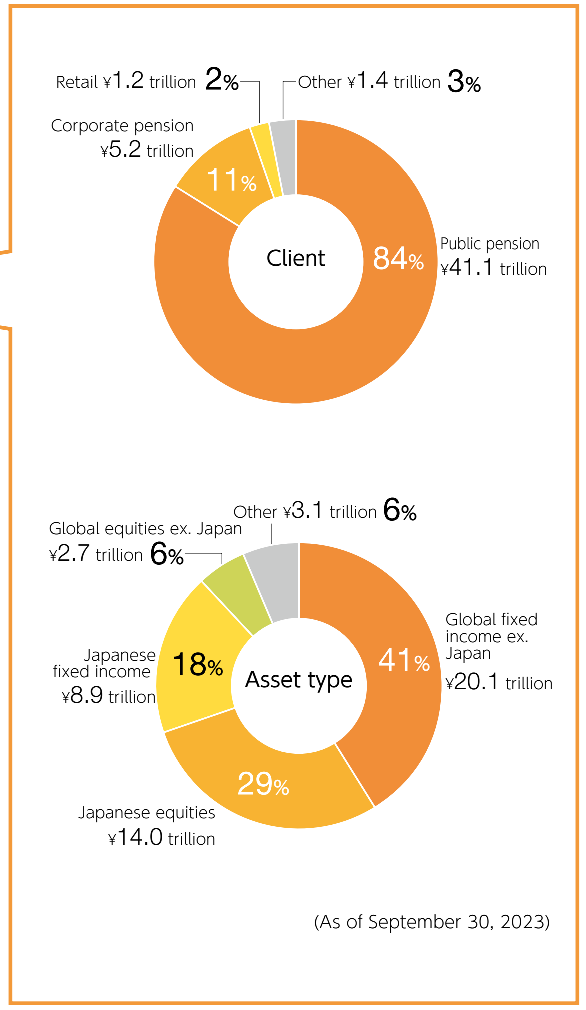
129 out of a total of 194 employees, work in investment department*1.
We believe that it is important for each individual to pursue their own expertise and to maintain mutual respect in order to meet the true needs of our customers.
In order to accomplish this, we will strive to instill human resource development and assessment systems, and corporate culture that enable each individual to demonstrate their professional abilities to the fullest, from a long-term point of view.

* For further details on human resource strategies, see page 12.

Investment department*1	Client services and other departments*2
129 (Approx. 66% of all employees)	65 (Approx. 34% of all employees)

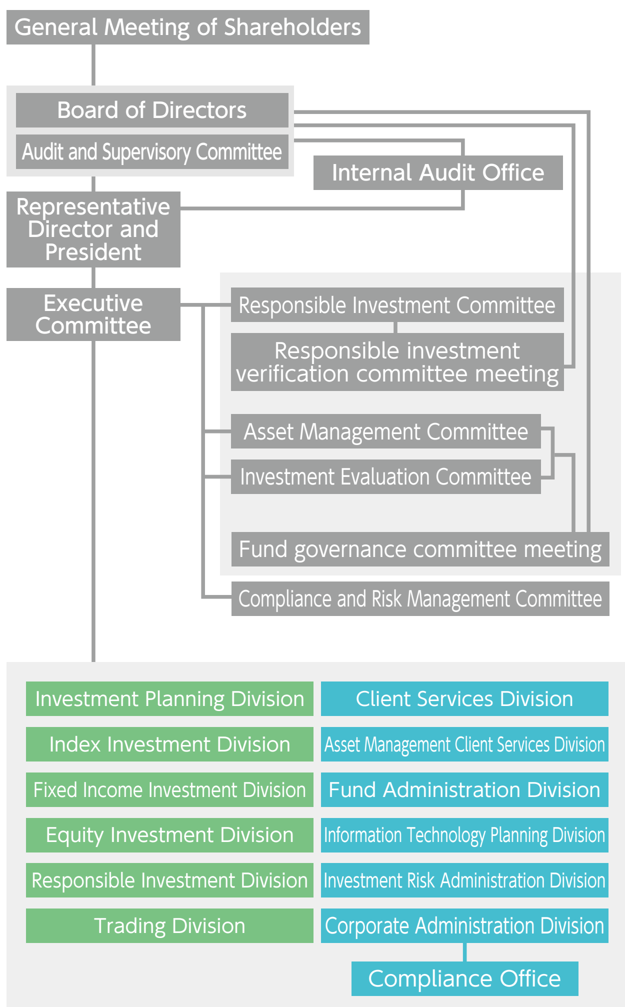
*1 Investment Planning Division, Index Investment Division, Fixed Income Investment Division, Equity Investment Division, Responsible Investment Division, and Trading Division
*2 Client Services Division, Asset Management Client Services Division, Fund Administration Division, Information Technology Planning Division, Investment Risk Administration Division, and Corporate Administration Division
* As of September 30, 2023

Composition of AUM



(As of September 30, 2023)

Organizational structure



Chapter 2

Response to TCFD and TNFD recommendations

We have disclosed our efforts to manage climate/nature-related financial risks and opportunities in accordance with the framework based on the TCFD and TNFD recommendations, in an integrated report “Climate/Nature-related Financial Disclosure Report 2023.” Climate/Nature-related Financial Disclosure Report 2023 is available on this link.
https://www.resona-am.co.jp/investors/pdf/climate-nature_report2023.pdf (in Japanese)
The summary of the report is shown below.

Governance

We have a strong governance structure for material ESG issues, which includes board oversight of the company’s activities to address the issues, the “Responsible Investment Committee” made up of outside experts and executive officers responsible for related departments to discuss and monitor the activities, and the “Responsible Investment Verification Committee”, which consists of three outside experts, to verify our Proxy Voting Guidelines and the results of proxy voting.

■ Major topics since the previous disclosure (February 2023)

- Establishment of the Chief Sustainability Officer (CSuO)
- Integration of ESG criteria into the director remuneration structure
- Implementation of PDCA cycles for ESG engagements as our enhanced response to climate/nature-related risks and opportunities

Strategy

We have identified industrial sectors which we should particularly focus on in response to climate/nature-related risks and opportunities that may have a significant impact on the performance of individual investees, and in response to system-level risks that may arise due to the impacts on environmental system as a whole. Based on the results of the analysis, we are considering to strengthen our efforts on the identified sectors.

1. Analysis of climate/nature-related risks and opportunities

Climate

We have identified “industrial sectors to which we have continued significant exposure and which are generally expected to be significantly impacted financially by climate-related risks or opportunities” and “industrial sectors that have grave impact on climate.”

[Selected industrial sectors]
Chemicals, Automobiles, Foods, Real estate management and development, Electric power, Metals/Mining, and Oil/Gas/ Consumable fuels

For each industry sector, we conducted scenario analysis to identify significant climate-related risks and opportunities, and then evaluated their time horizon, likelihood of occurrence, and financial impact. We also have identified countermeasures for investees to take.

[Examples of identified climate-related risks and opportunities]
- Automotive sector: Increased sales due to growing demand for EVs
- Metals/Mining sector: Increased costs associated with carbon pricing

Nature

We have identified “industrial sectors to which we have continued significant exposure and which have a significant dependency or impact on nature” and “industrial sectors that have grave impact on nature.”

[Selected industrial sectors]
Foods, Chemicals, Machinery, Automobiles/Automobile parts, Household durable goods, Independent power generators and energy distributors, and Construction/Civil engineering

For each industrial sector, we analyzed the specific details of significant dependencies and impacts on nature, as well as significant nature-related risks and opportunities, and have identified countermeasures for investees to take.

[Examples of identified nature-related risks and opportunities]
- Foods sector: Decrease in production due to depletion of available water resources, etc.
- Construction/Civil engineering sector: Increased cost of compliance with regulations related to environmental impact

2. How we utilize the results of analysis to strengthen our efforts

	What we are doing now	Number of pages	How we go forward
ESG integration	We provide our own corporate evaluation, the Resona ESG Assessments, to investees, to utilize for ESG integration. The rating items include greenhouse gas emissions, renewable energy utilization rate, and total water usage.	P46	We consider reflecting how measures to address significant climate/nature-related risks and opportunities are being implemented to our ratings.
Engagements	We conduct in-house engagements regarding transitioning to net zero and information disclosure in sectors with high greenhouse gas emissions, as well as regarding procurement of sustainable palm oil, paper, and wood.	P19	We seek to further improve the effectiveness and efficiency of engagements by focusing on sector specific significant climate/nature-related risks and opportunities.
	We operate a Research Information Platform to share information and engagement record with investees.	-	Analytical results will be added to this platform to improve the efficiency and effectiveness of engagements.
Proxy voting	We have introduced policies for responding to shareholder proposals and escalation policies related to material ESG issues into our Proxy Voting Guidelines.	-	We strive to appropriately implement the Guidelines by using the results. When revising the Proxy Voting Guidelines in the future, we consider details of the Guidelines based on the response of investees to significant climate/nature-related risks and opportunities identified through the analysis.

Risk and impact management

In October 2023, we have decided on the “Basic Approach to Identify, Assess, and Manage Climate/Nature-Related Risks” in order to manage risks that trust assets we manage may incur losses due to the emergence of climate/nature-related risks (including system-level risks).

❶We identify, assess and manage climate/nature-related risks under our overall risk management processes.

❷We operate company-wide PDCA cycles to identify, assess, and manage climate/ nature-related risks.

Metrics and targets

The following are examples of the metrics used to assess and manage climate/nature-related risks and opportunities, and performance against them in FY 2022.
We will continue reviewing the metrics and targets so that we can assess and manage climate/ nature-related risks and opportunities more effectively and efficiently.

Climate		Nature	
Metrics	Performance	Metrics	Performance
(1) Metrics related to conducting engagement activities by our company			
Number of companies with which we have made an engagement on climate change	Japanese listed companies: 194 Global companies ex. Japan: 37	Number of companies with which we have made an engagement on natural capital	Japanese listed companies: 56 Global companies ex. Japan: 8
(2) Metrics related to investee behavioral change			
Percentage of companies targeted for in-house engagement that met certain conditions regarding sustainable palm oil procurement	22.7% (Target: 100% in 2030)	Percentage of companies targeted for in-house engagement that met certain conditions regarding sustainable paper and wood product procurement	40.0% (Target: 100% in 2030)
(3) Metrics related to the actual impact on society			
Carbon footprint of our portfolio (Scope 3 category 15 GHG emissions)	9,500kt-CO_2e (Target: Net Zero by 2050)	(Future consideration based on the development status of data and analysis methodologies)	-
(4) Metrics related to direct operations			
Carbon footprint of our own operations (Scope 1 and Scope 2 GHG emissions)	115.6t-CO_2e (Target: Net Zero by FY 2030)	(No metrics established as reliance or impact on nature is deemed minimal)	-

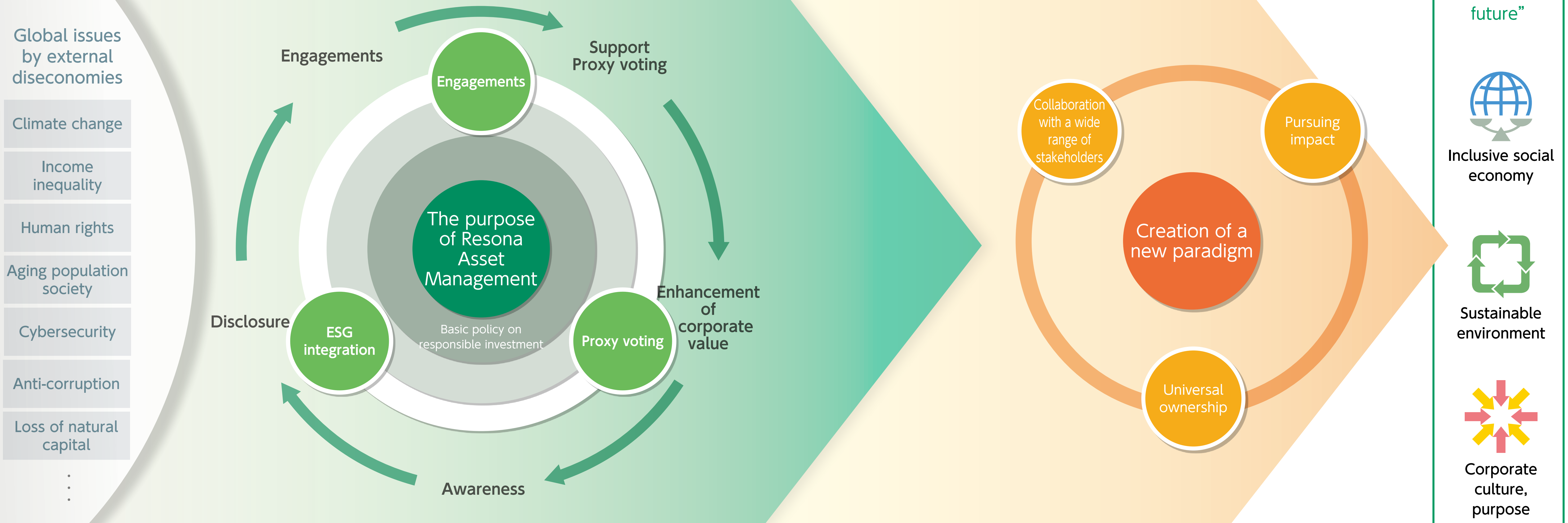
Responsible Investment of Resona Asset Management

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 conduct stewardship activities to improve the corporate value of the investee companies by ESG integration, conducting engagements with the investee companies, and proxy votings. In addition, as a long-term investor and universal owner, we are working to realize a desirable future as a Future Maker by conducting engagements with a wide range of stakeholders and by implementing impact investments.

Future Taker

Future Maker

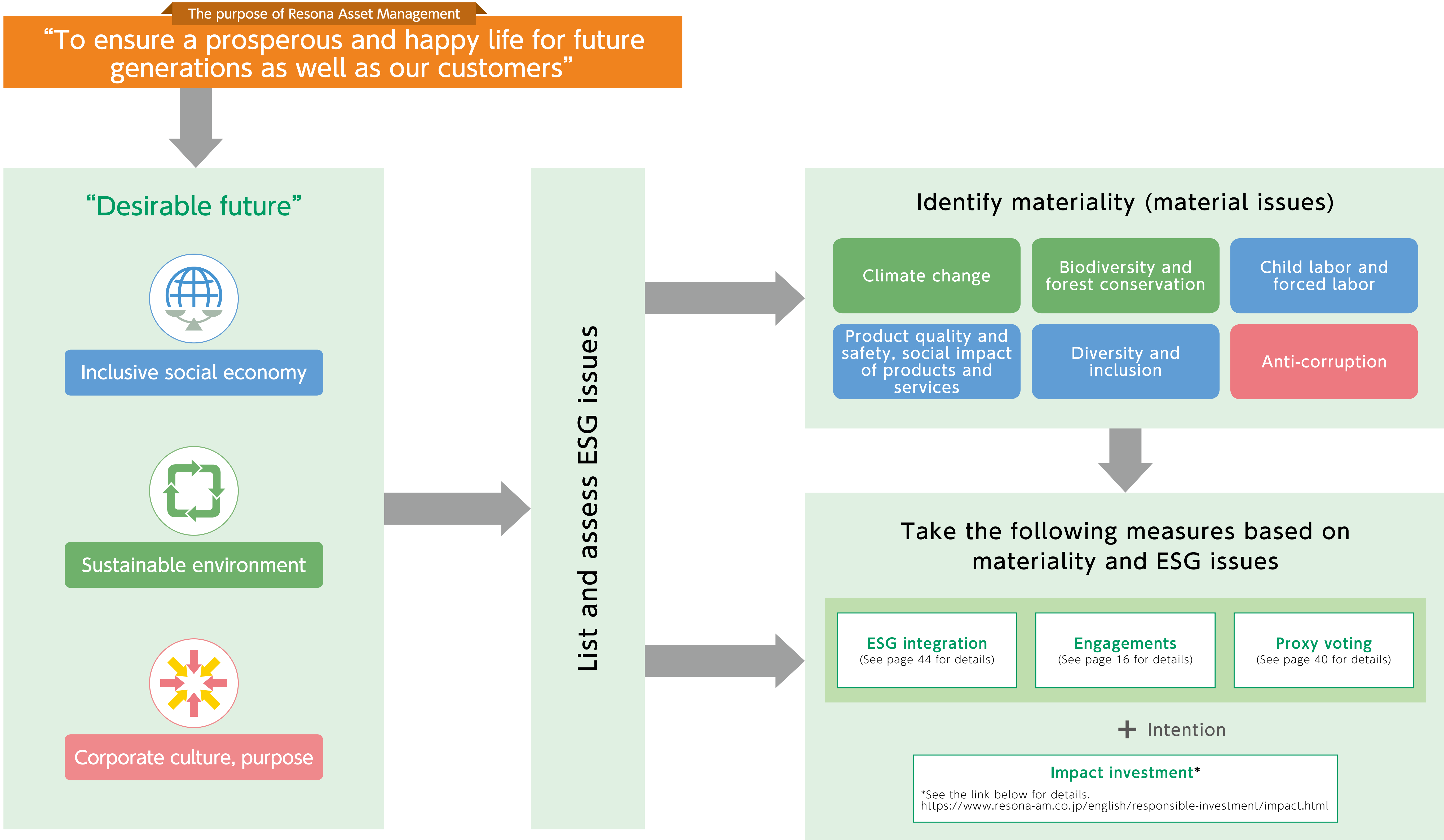


Future Taker	We aim to enhance corporate value and expand mid-to-long-term returns on our assets under management by considering and adapting to the future ESG issues that may arise, assuming the current state of the real world.

Future Maker	We commit to realize a better future by encouraging to the real world and to create impacts to improve the current conditions.

Overview of responsible investment activities

We are undertaking various activities to achieve the “Desirable future,” which is our Purpose, “To ensure a prosperous and happy life for the future generations as well as our customers.”



Track record of responsible investment

Since 1962, we have mainly focused on corporate and public pension fund management. We have built up a track record of responsible investment that includes becoming signatory to the Principles for Responsible Investment (PRI) in 2008, prior to the establishment of PRI Japan, and involvement in the PRI Japan network since it was first established.

History and progress of Resona

2008
- Became PRI signatory

2010
- Initial member of PRI Japan
- Became CDP Investor Signatory

External environment
- Establishment of PRI Japan

2012
- ESG integration
- PRI Reporting & Assessment

2013
- Introduction of ESG investment criteria
  Drafted manuals and held briefing sessions (collaboration with PRI Japan)
- Introduction of the concept of universal ownership

2014
- Chaired the Corporate Working Group of PRI Japan Network

External environment
- Established Japan Stewardship Code

2015
- Joined PRI collaborative engagement

External environment
- Adoption of the Paris Agreement
- Established Japan Corporate Governance Code
- Adoption of the 2030 Agenda for Sustainable Development

2016
- Principles for Financial Action for 21st Century (PFA21) Appointed as Chairman to the Asset Manager, Securities & Investment Banker Working Group

2017
- Joined Institutional Investors Collective Engagement Forum (IICEF)

2018
- Steering Committee to the PFA21
- Participate to Climate Action 100+

2019
- As Deputy Chair of ESG Financial Strategy Task Force, drew up "Strategy necessary to become ESG financial superpower" proposal

External environment
- G20/Osaka Blue Ocean Vision

2020
- Joined ICGN, ACGA and AIGCC

External environment
- Japan to vow carbon neutral by 2050
- Launch of action plan on Business and Human Rights

2021
- Participation in Access to Nutrition Initiative (ATNI)
- Endorsed and supported the Finance for Biodiversity Pledge

External environment
- COP26

2022
- Participation in PRI collaborative engagement initiative for human rights, "Advance"
- Steering Committee member of the Japan Impact-driven Financing Initiative

External environment
- Introduction of GX Implementation Council

2023

External environment
- Release of the TNFD Recommendations (v1.0)

Silver Sponsor to 2023 PRI in Person Tokyo
(October 3 to October 5, 2023)

As a silver sponsor have actively contributed to this conference in recognition of the utmost importance of addressing the various ESG issues discussed in order to achieve our purpose, which is "to ensure a prosperous and happy life for future generations as well as our customers." Below are our activities at the conference.

Speaking at main session

Minoru Matsubara, our Chief Sustainability Officer (CSuO), took the stage at the Keynote Interview, together with CalPERS and Nissan Motor Corporation. Discussed on the engagement experience on Climate Action 100+. Hisako Furuta, Investment Manager spoke at the "Advance" breakout session. This session introduced collaborative engagement on human rights. Resona Asset Management is serving as the lead investor in these collaborative engagements.

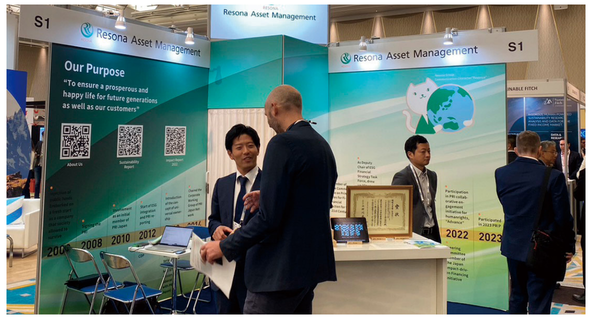
(PRI in Person 2023)

Hosted a Side Event on Natural Capital

Co-hosted a side event with PFA21 on biodiversity and natural capital. With more than 300 hybrid participants, the panelists discussed on responses to the TNFD Recommendations (v1.0), which were announced in September 2023.

Introduction of our initiatives

Actively introduced our stewardship activities and impact investments to the global institutional participants at our Sponsor Stand. Also actively discussed on our speaking sessions and Side Events.



Received the 2022 Minister of the Environment Award (General Category)

The Best Initiatives of the Principles for Financial Action for the 21st Century

- Initiatives to solve climate change issues by the Global Impact Investment Fund were recognized.

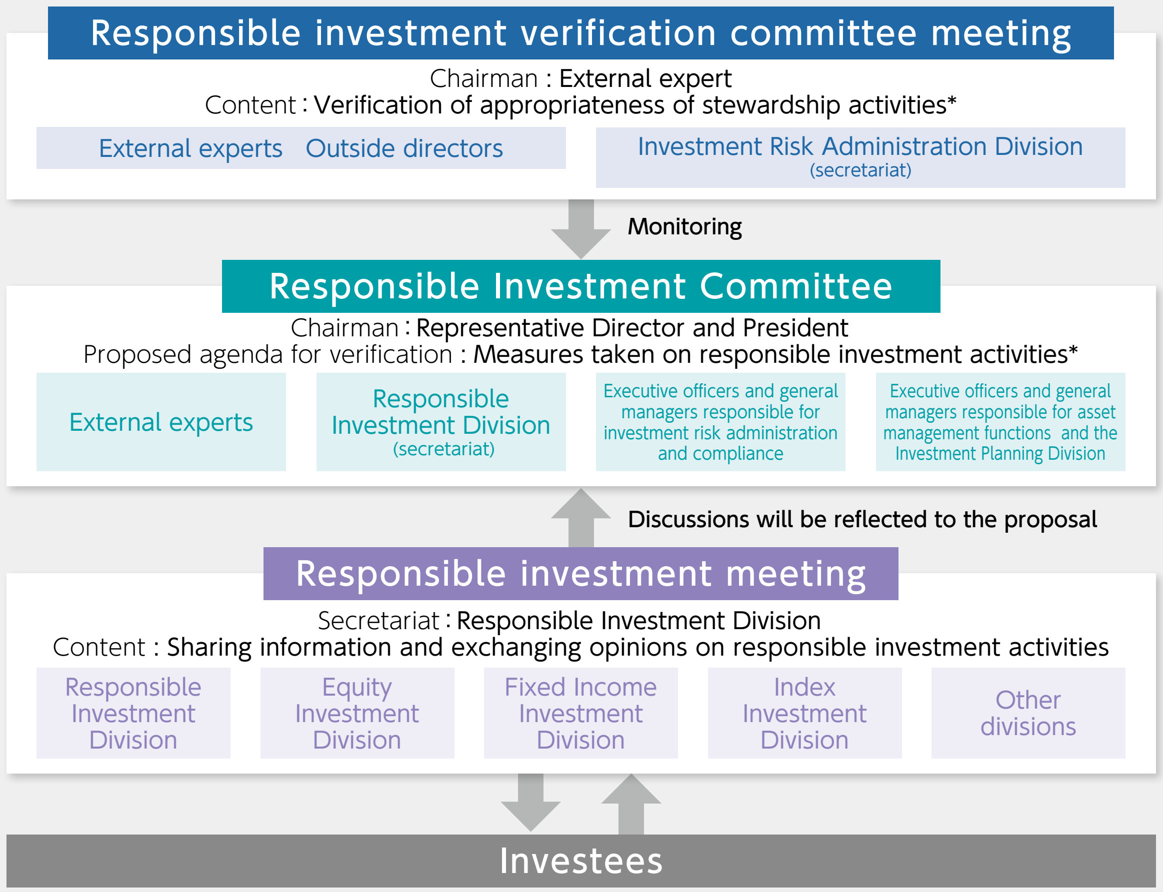
Certified as an Eco-First Company by the Ministry of the Environment

- The first institutional investor to be certified as an Eco-First Company by the Ministry of the Environment.

Responsible Investment Section Ch. 1 Responsible Investment of Resona Asset Management

Organization chart and work flow on responsible investment 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.



*At Resona Asset Management, responsible investment activities are defined as:
Stewardship activities (Engagements and proxy voting), ESG integration, and impact investment related.

Responsible investment meeting

The responsible investment meeting is a place to regularly share information and discuss on
- Responsible investment, news flow as it pertains to ESG issues, and
- Progress made on engagements with companies.

The contents of this meeting, etc. are reflected in the Responsible Investment Committee agenda.

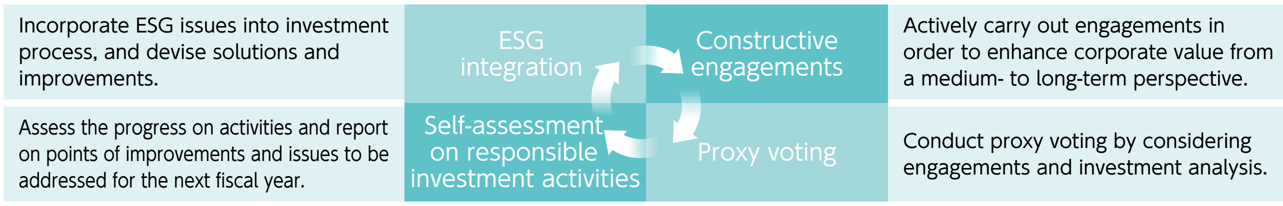
Frequency of meetings	Weekly
Secretariat	Responsible Investment Division
Participants	President, key members of asset management functions (all employees are welcome to participate)
Objective	Input of the latest information and knowledge related to responsible investment, exchange of opinions and information sharing with related divisions
2023 activities (theme example)	・Discussion for PRI in Person 2023 ・Cabinet decisions on GX Action Plan/GX Promotion Act ・Shared the status of collaborative engagement activities ・Reported on progress of impact investment and assessments ・Confirmed 2024 revision of proxy voting guidelines for Japanese equities

Responsible Investment Committee

The Responsible Investment Committee meeting examines Resona's responsible investment activities to see whether they are conducted appropriately in accordance with Resona's basic policy on responsible investment. It is a control tower for continuously devising solutions and improvements. Since May 2017, Professor Takeshi Mizuguchi, President at Takasaki City University of Economics was welcomed onto the committee 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.

Frequency of meetings	5 times per year (held in writing anytime needed)
Secretariat	Responsible Investment Division
Members	Chairman: President Professor Takeshi Mizuguchi External expert (President at Takasaki City University of Economics) Executive officers and general managers responsible for investment risk administration, compliance, asset management functions and the Investment Planning Division
Objective	To conduct evaluations and discussions including reports on the specific initiatives established in various policies including the "basic policy on responsible investment," changes to proxy voting guidelines, and the deliberation of agenda items
Key discussion and reporting items	・Voting results for Japanese and Global equities, discussion on updates to the proxy voting guidelines, and discussion on voting decision to certain AGM proposals which are not simply able to determine ・Report on responsible investment activities in general ・Engagements progress and plan changes ・Self-assessment discussions ・2023 PRI Reporting
2023 results	・Discussions on 2024 proxy voting guidelines ・Report on engagement progress (July 2022 - June 2023) ・Report on collaborative engagement activities (July 2022 - June 2023)

■ Cycle of activities geared to enhancing corporate value



Responsible investment verification committee meeting

The responsible investment verification committee, made up exclusively of external third parties, was established in November 2017 as a meeting to verify that stewardship activities related to trust assets are being conducted appropriately from the perspective of conflict of interest management.

Schedule	Held at least twice a year
Secretariat	Investment Risk Administration Division
Members	Chairman: Toshio Arima External expert (Chairman of the Board, Global Compact Network Japan) Ryo Tsuchida Outside Director (Professor, Sophia Law School) Shoichi Tsumuraya External expert (Professor, Graduate School of Business Administration, Hitotsubashi University)
Objective	To strengthen governance related to conflict of interest management through external third party verification of the appropriateness of stewardship activities, including the proxy voting
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)
2023 results	・The 12th committee meeting (held in February 2023) Revisions to proxy voting guidelines for Japanese and global equities ・The 13th committee meeting (held in August 2023) Proxy voting results for shareholders' meetings during July 2022 to June 2023 * The contents of all the topics subject to review at the above meetings were confirmed to be appropriate.

The Engagements of Resona Asset Management

Three types of engagements

Engagements based on the following three types are conducted by the Responsible Investment, Equity Investment, and Fixed Income Investment Divisions at Resona Asset Management.

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

Differentiated engagements themes are determined based on the status and progress of individual company.

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 palm oil procurement	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* *Such as Climate Action 100+.	Primarily in-house engagement	Primarily in-house engagement
Target	Investee company		
Divisions involved	Responsible Investment Division (Passive investment)		
		Equity Investment Division (Active investment)	
			Fixed Income Investment Division (Active investment)

In addition to the above three types, we actively conduct engagements with the index provider and the regulators (public policy engagements), by becoming a member to the policymaker discussion groups to share our opinions as an institutional investor and to obtain understanding to the regulation status.

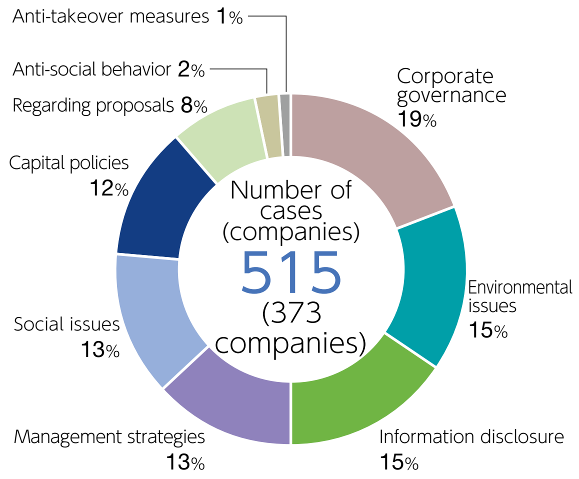
Engagement activities

During the period from July 2022 to June 2023, we have conducted the following engagements.

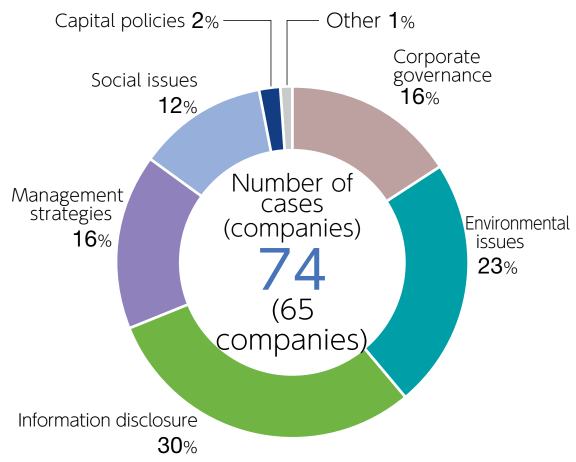
■ Responsible Investment Division (Passive investment)

In addition to the top down materiality engagement, 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



■ Equity Investment Division (Active investment)

The Equity Investment Division conducts bottom-up engagement according to the company's status. 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.

	Engagements
Engagements (number of companies engaged)	1,201 (with 538 companies)

■ Fixed Income Investment Division (Active investment)

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 do not have voting rights, and downside risk exceeds upside potential.

	Engagements
Engagements (number of companies engaged)	49 (with 42 companies)

Please see page 22 for the information disclosure engagements.
Please see pages 24 and 26, for Active Equity and Fixed Income engagements.

Materiality engagement (top down)

Engagement objectives

To enhance client returns, we believe that it is necessary to improve the sustainability to the investee companies, as well as the social and environmental and social fronts. Our material issues are determined along two axes:
The "Importance to long-term investment performance," the sustainability to the investee companies, and the "Importance to the social and environmental sustainability." We expect that the progress on each material issue will lead to improve the performance of our clients' assets. The objectives of the top down materiality engagements are to improve the corporate value of the investee companies and our clients' assets over the medium to long term. The implementation of this approach is conducted by setting material engagement issues from a top down approach and by continuous engagements.

Our approach to engagements

We believe that engagement utilizing a top-down approach based on materiality is holistic, efficient, and effective. In 2023 we have established policies for various ESG issues, such as the climate change policy.
We will continue to consider material and global ESG issues as well as to set engagement themes based on the above policies. We have selected engagement target companies for the engagements on sustainable palm oil procurement, where we have had advanced engagement experience. (In-house engagement)
We participate to various collaborative engagement on global platforms such as the PRI and CDP, in order to conduct more efficient and effective engagement on diversified ESG issues. At these engagements, various collaboration is available with our colleague institutional investors and stakeholders. (Collaborative engagement)

Engagement process

Materiality (and global ESG issues)		Determination of engagement themes		Select approach: in-house or collaborative engagements		Select target companies (in-house only)		Implementation/milestone management
	Set engagement topics based on: our material and overall global ESG issues; importance of sustainability; and feasibilities.		Decide whether to engage in-house or collaboratively based on: our knowledge; and global collaboration platforms.		Select target companies based on: corporate disclosure data (financial and non-financial); and analysis of integrated reports.		In-house engagements: Progress shared internally. Periodically Reported at the Responsible Investment Committee.	

* For engagement details, please refer to the table on page 19.

	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) To encourage 170 target 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 1,607 high-impact companies that have consistently lagged or declined to respond to CDP. SBTi Campaign: Endorsed our support to the investor letter to 2,100+ target companies to adopt to science-based targets to align with the Paris Agreement.
		Enhanced disclosure of GHG emissions reduction Improving governance oversight on climate change	AIGCC Asian Utilities Engagement Program (collaborative engagement) Encouraging 7 utility companies respond to climate change with greater urgency and ambition and economies transition 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, etc.
	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 Investor Working Group on a Deforestation-free Automotive Industry (collaborative engagement) Engagement with 5 automotive seating manufacturers and 7 auto manufacturers to address the deforestation risk caused by auto leather seats.
		Natural capital conservation Conservation of water resources	Ceres Valuing Water Finance Initiative (collaborative engagement) Request 72 companies with significant risks and opportunities related to water resources to recognize and respond to such risks and opportunities.
		Formulating and implementing sustainable procurement policies	Sustainable palm oil procurement (in-house) Encourage palm oil producers and user companies towards sustainable palm oil procurement based on RSPO certification. Sustainable paper and wood-products sourcing (in-house) Support 20 pulp & paper companies towards sustainable procurement based on FSC certification. *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 37 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	Investors in Nutrition and Health (collaborative engagement) ATNI UK Retailer Index 2022 Collaborative Investor Engagement (collaborative engagement) Encourage 20 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	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) Encourage investee companies to share the importance of, and take steps to implement, gender diversity on their boards of directors. *This topic also relates to S (Social).
	Anti-corruption	Drawing up and disclosing policies on anti-corruption	Anti-corruption measures (collaborative engagement) 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.

Participation to collaborative engagement and working groups

In addition to conducting collaborative engagement and working groups on the following platforms, we also participate and endorse support to subgroups and investor statements provided in the table.
We thoroughly consider in house whether participation in the collaborative engagement and working groups is consistent with our materiality, and whether themes are highly urgent/ necessary and have wide-reaching implications. We also actively participate in activities and statements, etc. that we believe lead to more effective and efficient engagement.

■ Table of collaborative engagement and working groups involved

The ★ indicates collaborative engagement which we lead or co-lead.

Domestic platforms

IICEF : Institutional Investors Collective Engagement Forum

Participated since October 2017 — G D

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 — D

A general corporation that 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 D

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
★ 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

CDP

Participated since April 2017 — E D

Launched in 2000 A non-profit organization (NGO) that operates a global information disclosure system to help investors, companies, countries, regions, and cities manage their own environmental impact.

Collaborative engagement and working groups which we participate	Theme	Participated 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 June/ December 2019 — S 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 which we participate	Theme	Participated since
★ Global Engagement	Diversity in boards of directors	April 2022

FAIRR : Farm Animal Investment Risk & Return

Participated since January 2020 — E S D

Founded by investor Jeremy Collar of Collar Capital (UK) in 2015. The FAIRR Initiative (FAIRR) is a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities in the global food sector.
The mission is to build a global network of investors who are aware of the issues linked to intensive animal production and seek to minimise the risks within the broader food system.

Collaborative engagement and working groups which we participate	Theme	Participated 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

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 a platform to create awareness and encourage action among Asia's asset owners and asset managers about the risks and opportunities associated with climate change and low-carbon investing.

Collaborative engagement and working groups which we participate	Theme	Participated since
Asian Utilities Engagement Program (AUEP)	Climate change	April 2021
Japan Working Group	Climate change	October 2022

ACGA : Asian Corporate Governance Association

Participated since May 2020 — G

Established in Hong Kong in 1999. An independent, non-profit membership organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.

Collaborative engagement and working groups which we participate	Theme	Participated since
China Working Group, Korea Working Group	Governance	April 2022

IAST APAC: Investors Against Slavery and Trafficking Asia Pacific

Participated since March 2021 — S

Encourages effective action to "find, fix, and prevent" modern slavery in the APAC region.
An investor-led, multistakeholder project, which was established in 2020 to engage with companies in the Asia-Pacific region to promote effective action in finding, fixing and preventing modern slavery in operations and supply chains.

Engagement themes: Forced labor

ATNI : Access to Nutrition Initiative

Participated since June 2021 — S D

Established in 2013. ATNI is a global nonprofit which drives market transformation for improved access to nutrition. It aims to see healthier and more affordable food products available for all.

Collaborative engagement and working groups which we participate	Theme	Participated 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

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

Collaborative engagement and working groups which we participate	Theme	Participated since
Engagement Working Group	Biodiversity	January 2022
Auto Leather Seats Engagement	Biodiversity	February 2022
Nature Action 100	Natural capital	September 2023

Other

Collaborative engagement and working groups which we participate	Theme	Participated since
Satellite-based Engagements Towards No Deforestation	Destruction of forests	February 2021
Investor Initiative on Hazardous Chemicals	Chemical substances	September 2022
Ceres Valuing Water Finance Initiative	Water resources	January 2023

Investor declarations that we signed and endorsed in 2023	Theme	Endorsement Dates
Investors call for urgent action to reduce plastics from intensive users of plastic packaging	Chemical substances	May 2023

Other platforms

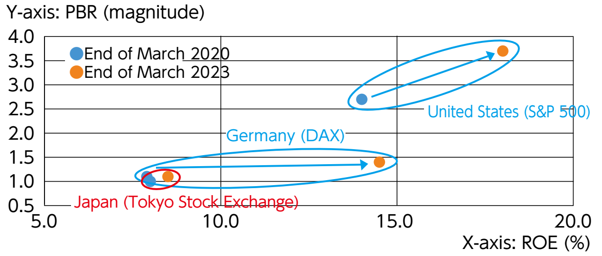
	Participated since		Platform
Japan	Participated since October 2012	E S G	Principles for Financial Action for the 21st Century
Japan	Participated since October 2021		Japan Impact-driven Financing Initiative
Japan	Participated since September 2022	S	Engagement and Remedy Platform by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER)
Japan	Participated since March 2023	E	JCI: Japan Climate Initiative
Japan	Participated since March 2023	E	FSPPP: Food Supply chain Public Private Platform
Japan	Participated since April 2023	E	Eco First Promotion Council
Japan	Participated since July 2023	S	Human Capital Management Consortium
International	Participated since April 2020	G	ICGN: International Corporate Governance Network
International	Participated since December 2021	E	TNFD Forum: Taskforce on Nature-related Financial Disclosure Forum

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*. 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.

*With a similar awareness of issues, in March 2023 the Tokyo Stock Exchange requested the promotion of management conscious of capital costs and profitability of capital together with active disclosure and dialogue with investors regarding these initiatives for all listed companies on the TSE Prime and Standard Markets.



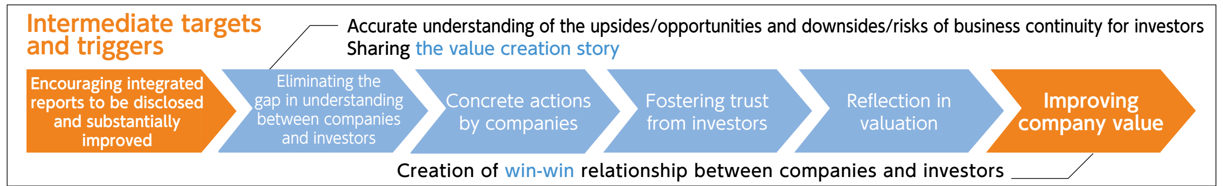
- The figure on the left plots ROE and PBR of the United States, Germany, and Japan from the end of March 2020 through the end of March 2023.
- Japanese companies have a low level and low rate of improvement compared to US and German corporations for both ROE and PBR.

*Created by the company based on data from Bloomberg

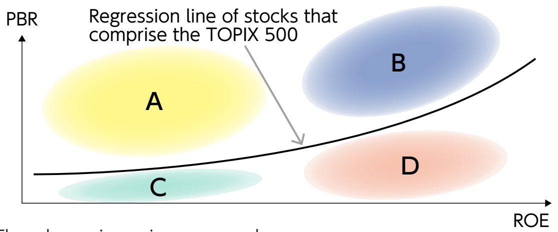
Our approach to engagements

It is recently becoming more important to disclose and evaluate non-financial information in addition to financial information. As the external environment surrounding business changes significantly centered on ESG issues, 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 company's values, materiality, business model, and governance. They are an invaluable information disclosure tool for sharing the company's value creation story with principal 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. At this time, we strive to increase effectiveness by selecting appropriate themes (priority themes) according to the ROE and PBR levels of investee companies.

■ Path for improving company value



■ ROE, PBR, and priority engagement themes



*The above is an image graph.

Priority themes will be determined based on ROE and PBR positioning.

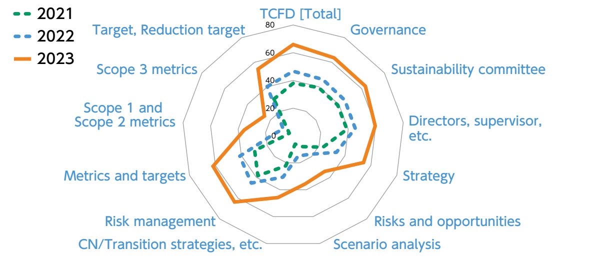
- A Implement the value creation story
- B Pursue best practices
- C Reconstruct the value creation story
- D Clarify the value creation story

For example, during engagement with a company that has a relatively high PBR but a low ROE, we will focus on theme A.

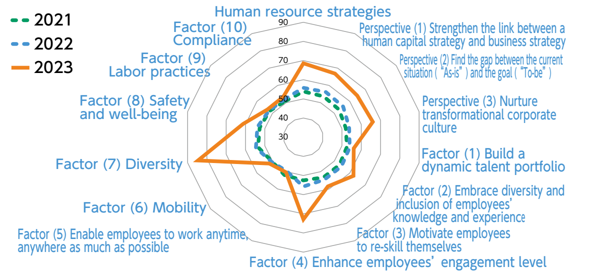
Use of quantitative AI-based evaluation (score)

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. In FY 2022, we added annual securities reports to the evaluation targets and added TCFD disclosure and human resource strategies to the evaluation items. From trends in the average AI scores (TCFD/Human Resources Strategies) for annual securities reports shown in the charts on the right, the progress in non-financial information disclosure by companies targeted for engagement is evident. In addition to AI scores obtained through text mining, the Resona Climate Change Score will also be calculated based on CDP's GHG emissions target setting status and performance disclosure status, and utilized for engagements centered on TCFD.

■ TCFD-AI Score Average value of target companies



■ HR strategy-AI Score Average value of target companies



■ Quantitative score items (Integrated report AI-score)

Integrated report AI-score [Total]	
MVV and purpose	Governance
Purpose	Governance framework
Vision	Skill matrix
Mission	Sustainability of directors
Values	Director compensation
Business model (strategy)	Diversity
Analysis of business environment	Sustainability committee
Identification and evaluation of key risks and opportunities	KPIs
Identification of social and management issues	Financial performance
Determining materiality	Non-financial KPIs and acceptability
Corporate strategy and capital allocation	Cost of capital, ROE and ROIC
Human resource strategies (new)	
Building medium- and long-term plans	

■ Examples of quantitative score items (TCFD)

Governance | Strategy | Risk management | Metrics and targets

■ Examples of quantitative score items (HR strategies)

Perspective

Strengthen the link between a human capital strategy and business strategy

Factors

Build a dynamic talent portfolio | Diversity

*Scores are calculated separately for integrated reports and annual securities reports.

The status of engagements and future direction

In FY 2022 (July 2022 through June 2023), we conducted engagement 289 times with 116 companies. Both the number of companies and the number of cases increased significantly compared to the 228 cases with 107 companies in the previous fiscal year. The number of cases in which we engage in dialogue at the request of an investee company is increasing. In particular, we recognize that climate change is one of the main factors behind the valuation discount in the Japanese stock market. Resona Asset Management has identified 11 priority industries (according to TSE 33 sector classifications) with significant greenhouse gas emissions that are also likely to receive a high degree of attention for TCFD disclosure. Focusing on companies in these industries, we actively discuss the enhancement of information disclosure in accordance with TCFD Guidance.

■ Examples of climate change priority industries

Oil & coal products | Iron & steel | Wholesale trade | Transportation equipment

- Industries with high greenhouse gas emissions and high climate change risks tend to have low valuations.
- Because of this, engagement with companies in these industries is likely to improve the valuation of Japan as a whole.

Bottom-up equity engagement / active investment

Objective 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 2021 (July 2021–June 2022)	1,196 (with 563 companies)
FY 2022 (July 2022–June 2023)	1,201 (with 538 companies)

■ Important points of notice related to FY 2022 engagements

1. Increased corporate awareness for enhancing corporate value

ROE improvement measures and capital policies were actively discussed in response to the TSE request to raise PBR

2. Improved diversity of contact points

Added the Investor Relations Division, the Sustainability Promotion Division, outside directors 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. In FY 2022, we specifically intensified discussions on human resource development and activation, and measures to improve ROE. 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. The Market-focused Team that invests in a relatively wide range of companies often focuses on the theme of addressing climate change, which is an important issue for many companies. 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
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 ESG Assessments 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 Assessments. 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. Even if a company is rated investment grade, we seek to understand the reason for any items with low scores in the Resona ESG Assessments and encourage the company to make improvements as necessary.

For further details on Resona ESG Assessments, see page 46.

Bottom-up fixed income engagement / 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 hurt 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 bond 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 corporate bonds as a fundraising tool do not offer those same rights to investors. In recent years, there have been an increasing number of cases of hybrid bonds, which are corporate bonds 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, bond investors have less access to issuer information than stockholders. Although some issuers have begun to treat bond investors in the same way as equity investors in terms of engagements and other opportunities, there are still only a few cases.
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 2021 (July 2021–June 2022)	89	(with 74 companies)
FY 2022 (July 2022–June 2023)	49	(with 42 companies)

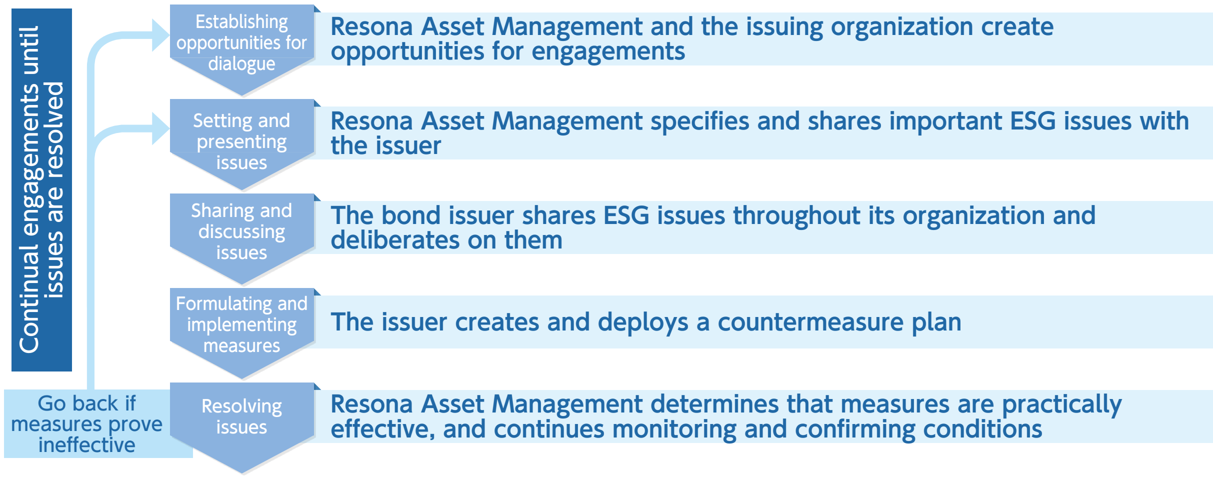
Establishment of engagement themes

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 above themes. Considering the aforementioned 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 who fail to meet the standards of our Resona ESG Assessments.
For example, in the case of a bond-issuing electric power company which generally issues large amount of corporate 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



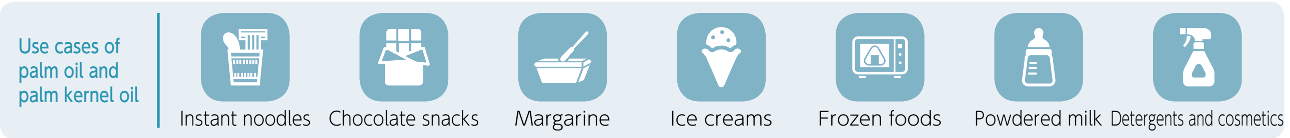
We believe that if issuers properly address ESG issues, etc., they will be able to avoid unpredictable fluctuations in future cash flows and maintain sustainable growth, and will be adequately prepared for various risks, thereby avoiding the loss of corporate value. It will lead to the expansion of customer 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 issuers.

▶ Materiality (top-down) engagement

1 Sustainable palm oil procurement

E (Environmental) S (Social)

Since August 2017, we have conducted engagement on sustainable palm oil procurement, which relates to environmental and social issues. 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.

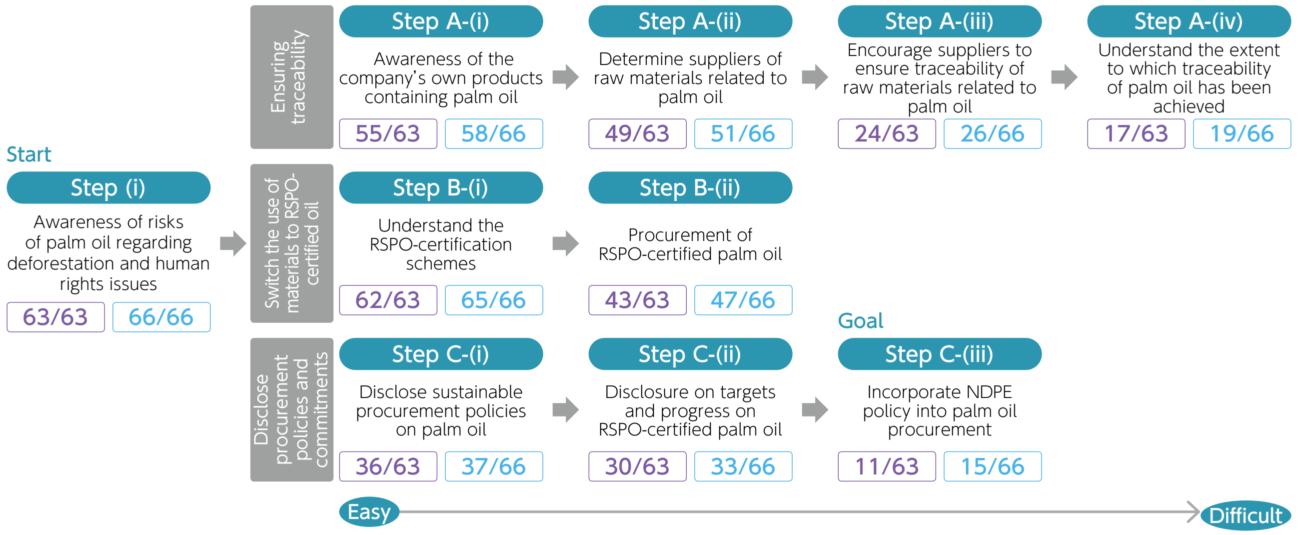


Engagement milestones (10 processes)

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 deforestation risks, child labor and forced labor risks [(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 66 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 2023. [ ] indicates status as of June 30, 2022, and [ ] indicates status as of June 30, 2023.

Progress breakdown on palm oil by supply chain

The progress of the engagement target companies based on supply chain classification shows that average achievements tend to be higher for upstream companies. As for the edible oils refinery and chemicals, due to the increase in number of target companies, there was a slight decrease in Step A-(ii). On the other hand, downstream companies showed progress on RSPO-certification and disclosure of RSPO-certified oil procurement targets (red frame).

	Industry	Progress on each process (i)	A-(i)	A-(ii)	A-(iii)	A-(iv)	B-(i)	B-(ii)	C-(i)	C-(ii)	C-(iii)	Number of companies (66 companies in total)*1	Number of processes achieved (average) *2
Upstream	Trading company	100%	100%	100%	80%	80%	100%	100%	100%	80%	80%	5 (5)	9.2/10 (9.0/10)
	Edible oils refinery and chemicals	100%	100%	88%	38%	38%	100%	100%	50%	38%	38%	8 (6)	6.9/10 (7.5/10)
	Food manufacturers and toiletry products manufacturers	100%	94%	88%	50%	29%	97%	85%	65%	68%	21%	34 (33)	7.0/10 (6.8/10)
Downstream	Retailers, restaurants and services	100%	68%	47%	11%	11%	100%	26%	32%	16%	5%	19 (19)	4.2/10 (4.1/10)

Decrease YoY Increase YoY *1, *2 ( ) shows the achievement in the previous year

▶ Materiality (top-down) engagement

2 Climate change/Climate Action 100+

E (Environmental)

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 global 170 companies were selected as engagement target companies. These companies are mainly large cap companies and high GHG emitters.
Net Zero Company Benchmark has been disclosed since March 2021. The Benchmarks were 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.
In June 2023 Climate Action 100+ has completed Phase 1, and entered into Phase 2.
In October 2023 the Net Zero Company Benchmark was updated.

Engagements with Japanese companies/Lead Investor

We are conducting ongoing engagements with Honda Motor Co., Ltd. and Nissan Motor Co., Ltd. as a lead investor.

■ Net Zero Company Benchmark

The results announced in October 2023 (Data as of May 29, 2023)

	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	Climate governance	Just Transition	TCFD disclosure
Honda Motor Co., Ltd.	Yes	Yes	Partial ↗	No	Partial ↗	Partial ↗	No	Partial	No	Yes ↗
Nissan Motor Co., Ltd.	Yes	Yes	Partial	No	Partial	No	Partial ↗	Partial	No	Yes

Assessment classification: Yes, meets all criteria / Partial, meets some criteria / No, does not meet any criteria / Improved benchmarks compared to October 2022 : ↗

■ Progress of two target companies as of October 31, 2023 (extract)

Honda Motor Co., Ltd.
Engagement topics and company measures

Medium-term (2026-2035) GHG target :

Resona Asset Management: In response to the setting of the long-term target, we would like to ask about the state of your company's deliberations and thoughts on setting this target.

Honda Motor Co., Ltd.: A medium-term target was set (reduction of emissions per unit of duration of product use* in 2030). Management members will regularly monitor the progress of actions to strengthen climate governance and rapidly develop effective measures to achieve carbon neutrality.

* : Amount of CO_2 emitted per unit of distance traveled or unit of duration of use

Nissan Motor Co., Ltd.
Company measures

Medium-term (2026-2035) GHG target :
Bolster production of electric vehicles by FY2030
Announced to launch 27 models including 19 EVs. (formerly 23 models including 15 EVs*)
By 2026 to increase global sales ratio of EVs from 40% to over 44%.

Engagements with global companies as a contributing investor

We are conducting engagements with seven global companies as a contributing investor.
Below is an example of engagements with one of the companies, The Southern Company (a US holding company which owns electric/gas utilities). (Lead Investor is Segal Marco Advisors)

■ Engagement topics

- Transition planning and disclosure : Encouraged to disclose quantitative targets.
- Lobbying : The investors applauded the release of the 2021 Trade Association and Climate Engagement Report.
- Improvement on climate disclosure : Energy efficiency improvements and just transition

■ Net Zero Company Benchmark

Improvement on capital alignment

	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	Climate governance	Just Transition	TCFD disclosure
The Southern Company	Partial	Partial	Partial	No	Partial	Partial ↗	Partial	Partial	Partial	Partial

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

▶ Materiality (top-down) engagement

3 Labor practices and human rights

S (Social)

Collaborative Engagement on Human Rights (established Fall 2022)
121 participant institutions (+220 endorsers); Total AUM: $30 trillion
Targeting 40 global metal mining and renewable energy companies (Nippon Steel Corporation was selected as a Japanese target company)
Please refer to the website link for details.
https://www.unpri.org/investment-tools/stewardship/collaborative-stewardship-initiative-on-social-issues-and-human-rights

■ Engagement cases: Iberdrola

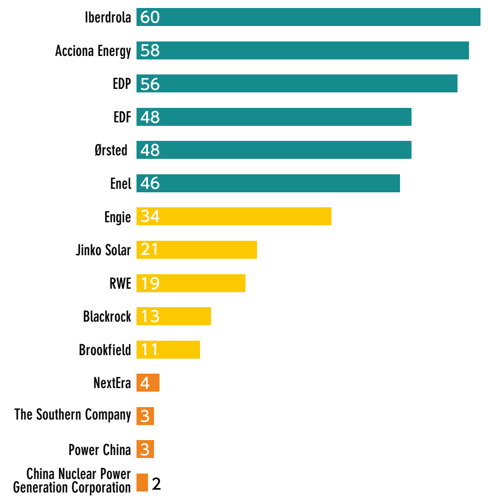
Together with a Dutch asset manager as lead investors, we have initiated collaborative engagements with seven global asset managers.

- Third-party benchmarking
  The company's rating by the Business and Human Rights Civil Society Platform (BHRC), released in 2021, ranked it #1 out of 16 companies.
- Engagement topics
  Discussions focused on human rights policies, supplier dialogue, and grievance mechanisms.
  Future engagement topics are planned for health and safety management, trade union activities, and risk mapping.

■ Other target companies with which the Company engages

- Renewable energy: The Southern Company (the United States), CLP (Hong Kong)
- Mining : Zijin Mining (China), Grupo Mexico (Mexico), Coal India (India), Newcrest/Newmont Mining (Australia)

Company scores



Phase2 : This collaborative engagement is a tie-up between PRI and ICCR with KnowTheChain. This is a collaborative engagement with the apparel and footwear companies on labor practices and human rights.
21 participant institutions
Targeting 27 apparel and footwear companies (ASICS was selected as one of the Japanese companies)

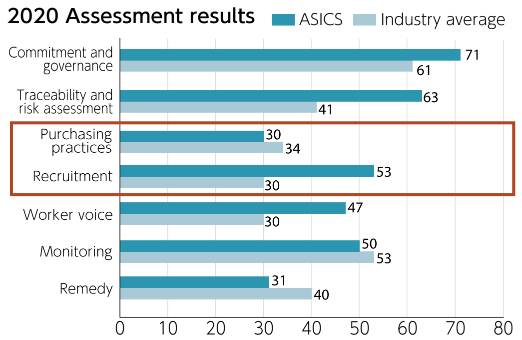
■ Engagement cases: ASICS Corporation

- The company's rating as of 2020, released in 2021, ranks in the top 20, with four indicators improving.
- In the 2022 Sustainability Report, the company has disclosed responsible procurement practices and human rights policies.

■ 2023 disclosure

- "At a Glance"
  99% of Tier 1 suppliers disclosed that they meet ASICS' internal assessment criteria, through, e.g., the BetterWork Program.
- Sustainability Framework
  The structure of the sustainability framework is presented under the pillars "People" and "Planet."
- Governance structure for sustainability
  A Human Rights Committee has been established under the Risk Management Committee.
- Materiality
  Human rights along supply chains has been defined as a key issue.
- "People Framework"
  References "Human rights in supply chains."
- Gender diversity
  Globally, the percentage of women in management positions is 38.3%.

KnowTheChain Benchmarks



▶ Materiality (top-down) engagement

4 Board Diversity

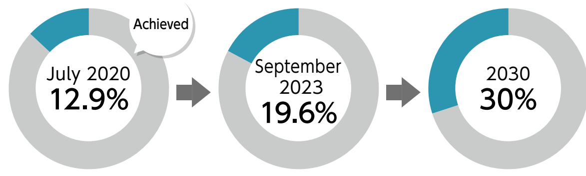
S (Social) G (Governance)

The 30% Club is a business campaign aiming to boost the number of women in board seats and executive leadership of companies all over the world. More than 1,000 board chairs and CEOs across more than 20 countries have already signed up as members to deliver at least 30% female representation at both levels. Resona Asset Management has participated in the Japan Investor Group, since June 2019, and the UK Investor Group since December 2019.

Gender diversity among top corporate executives

Goals

Ratio of women in board of directors of TOPIX100 companies:
10% by 2020,
30% by 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.

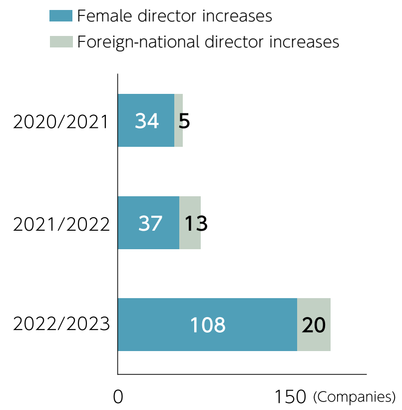
Major activities in 2023

Discussion meetings led by the Best Practices Subgroup	In order to deepen understanding of efforts toward corporate governance strengthening and improved gender diversity, we conducted two discussion sessions with female executives affiliated with the Japanese Institute of Certified Public Accountants (JICPA). This year, we split into small groups to exchange opinions, allowing for more in-depth interactions among participants.
Best Practice Sharing	We conducted a best practice sharing session on engagement activities, corporate disclosure, and director selection processes among approximately 20 institutional investors participating in sub-groups.
Release of a progress report	We have a progress report, which includes engagement cases and updates, featuring engagement examples related to gender diversity in Resona Asset Management.
30% Club UK Investor Group Initiatives	The Global Engagement WG was launched, setting up frameworks for engagement to each region.

Engagement progress and examples

In order to effectively and efficiently monitor, it is preferable to compose 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. The number of companies appointing female board members increased rapidly in the period 2022-2023, likely due to the introduction of proxy voting guidelines concerning female board members by various asset management companies.

■ Action by engagement-targeted companies



■ Example of engagement: Company A

	Theme	Resona Asset Management/ Company A	Engagement in promotion of gender diversity
2022	1.Management-related problems	Resona Asset Management	We have shared a sense of need for urgent action with Company A because the absence of female executives was a pressing issue as a global retail company with a large number of female customers.
		Company A	There had been calls to strengthen diversity on the Board of directors, in an evaluation as to the effectiveness of the Board of directors. The company looked for suitable candidates with the aim of appointing outside directors.
	2. Promotion System	Resona Asset Management	We have shared necessity of strengthening sustainability promotion system, which is important for advancing promotion of diversity.
		Company A	The company will establish a new ESG Promotion Committee, take into account global standard assessments. In response to the lack of role models for female managers, the company is working to strengthen the recruitment of professional human resources from outside the company, change the employee compensation system, and address working style reform.
2023	1.Management-related problems	Company A (Action)	Three female outside directors have been appointed. (Their skills and background include extensive management experience in digital technology and healthcare, knowledge of traditional culture and the arts, and expertise in agribusiness and digital)
	2. Promotion System		In order to achieve a multicultural society, a committee was formed to promote diversity (Chairperson: Director of the Public Relations, Investor Relations, and executive officer of ESG Promotion departments).

5 ▶ Information disclosure engagement

Corporate Disclosure

Engagement Example with Japanese Seafood and Fisheries Company B

Issues detracting from company's investor appeal

- The story of how solving social issues will lead to increased corporate value is relatively clear in the fisheries business, in which market expansion is anticipated as a result of the need for sustainable use of marine resources; in the overseas business, where demand for marine products is increasing due to factors such as health-consciousness, and in the fine chemicals business, centered on high-purity EPA, a raw material for pharmaceutical products related to lifestyle-related diseases. Stock price valuations are low in the food industry, however, with a price-to-book ratio hovering around 1x, and it can be assumed that investors' confidence and conviction in medium- to long-term corporate value growth are relatively low.
- Issues to be resolved in order for the company to be fully valued by the capital markets include: reviewing the business portfolio, including relatively high volatility of performance and stock price (high cost of capital) due to the large impact of climate change and market fluctuations and the large number of businesses in Japan and overseas with return on invested capital below the cost of capital; strengthening the formation and disclosure of long-term vision, management strategy, integrated reports, etc. to enhance corporate value over the medium- to long-term; strengthening environmental and social initiatives, especially those focusing on the sustainability of marine resources, and strengthening non-financial information disclosure to enhance corporate value, which are regarded as having significant room for improvement compared to overseas (particularly European) marine and food-related companies; as well as strengthening corporate governance to support these efforts.

Engagement details

- Since 2021, we have had dialogues with the company's directors, executive officers, and members of the Corporate Planning & Investor Relations Department about improving the effectiveness of corporate governance (e.g., stimulating discussions on medium- and long-term management strategies, reviewing the director selection process and executive compensation system), improving capital efficiency (e.g., visualization through ROIC and CCC, strengthening financial strategies, reducing cross-shareholding), strengthening climate change responses (e.g., TCFD disclosure with consideration for Scope 3, biodiversity initiatives), strengthening supply chain environmental and human rights initiatives (e.g., initiatives against forced labor, child labor, illegal fishing, use of sustainability certification systems, reducing use of antimicrobial agents), and strengthening information disclosure (e.g., publishing integrated reports including corporate value creation stories and materiality in achieving the long-term desired state of affairs).

Company B responses and their effectiveness

- Published a long-term vision in April 2022, alongside TCFD disclosure in June and the company's first integrated report in October. Management commitment was strengthened by setting financial and non-financial target KPIs for 2030 and 2024 linked to executive compensation (variable compensation increased to 45%); information disclosure was accelerated by holding a sustainability briefing in January 2023 and an aquaculture business briefing in July.
- Specific goals include improving ROIC through asset-light and business portfolio optimization (divestment of listed subsidiaries and listed equity method affiliates in 2022, monthly management of CCC, and announcement of plans to reduce cross-shareholding), the percentage of sustainable marine resource procurement and primary supplier assessments with respect to environmental and human rights in the supply chain (participation in SeaBOS, a global initiative that brings together seafood companies and scientists worldwide to produce more sustainable seafood and improve ocean health), reduction of CO_2 emissions and plastic use, the proportion of female executives, with efforts underway to improve corporate value over the medium- to long-term.

創出価値	重点テーマ	目標		2021年度実績	中期経営計画 (Good Foods Recipe1) 2024年度目標(KPI)	長期ビジョン (Good Foods 2030) 2030年度目標(KPI)
経済価値	世界で戦える資本力	成長・収益力	売上高	6,936億円	7,900億円	1兆円
			営業利益	270億円	320億円	500億円
			経常利益	323億円	350億円	–
			当期純利益	172億円	225億円	–
		資本効率性	ROIC	–	5.5%以上	7.0%以上
		海外展開	海外所在地売上高比率	34%	38%程度	50%
社会価値	健康課題の解決	健康領域商品の拡大	当社指定の健康領域商品売上	–	1.3倍の拡大	3倍の拡大
	持続可能な調達	責任ある調達(人権)	1次サプライヤーアセスメント比率	–	●社 100%	グループの主要 100%
人財価値	多様な人財の活躍	従業員エンゲージメント	従業員エンゲージメントスコア※	–	10%のスコア向上	20%のスコア向上
		女性活躍	女性幹部職比率※	6.1%	10%	20%
環境価値	持続可能な調達	水産資源の持続可能性	持続可能な調達比率	71%	80%	100%
	気候変動への対応と海洋環境の保全	CO_2排出量削減	CO_2排出量 (Scope 1, 2)	–	10%削減	30%削減
			2050年カーボンニュートラル	–		実現
		プラスチック削減	プラスチック使用量※	–	10%削減	30%削減

*Some materials have been modified and used from Company B's materials

6 ▶ Bottom-up engagement

Equity investment/active

Engagement Example with Domestic Printing Company C

Issues detracting from company's investor appeal

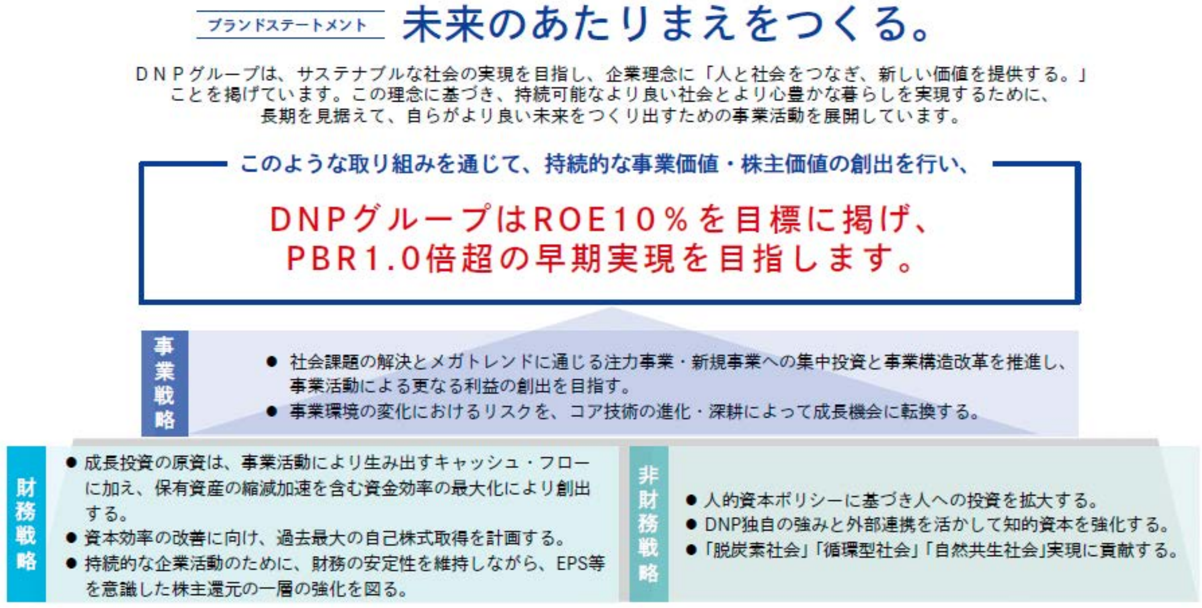
- Company C, which first began as a printing business, has a more than 100 year history and has created businesses and products needed by society in many fields in response to changing times, and is today a conglomerate operating numerous businesses. Using foundational printing and information technologies, the company possesses a number of products that hold the world's largest market share in markets that are expected to grow, and its performance is expected to continue to grow in the future. Its value on the stock market has not increased, however, with a price-to-book ratio that has remained below 1x for a very long time.

Engagement details

- We have been provided with many opportunities to engage with corporate management and IR departments over the past three years. We considered not only the low stock market valuation, but also considered the reasons for the low valuation; the issues and how to improve them, and shared these ideas with Company C and exchanged opinions.
- Despite Company C's strong capabilities, these were not well recognized by the capital markets for a number of reasons, including: despite high expectations and assessments of its growth products, the company's business is diversified and difficult to understand, alongside issues with information disclosure; its business portfolio included many low-profit businesses; its balance sheet was inefficient due to large cross-shareholdings; and although it had ROE targets, the target figures were low, making it difficult to communicate its intent to reform, we felt that improving and resolving these issues, little by little, would lead to an increase in corporate value.
- We also conducted a questionnaire survey of domestic and foreign investors to find out how they viewed Company C and the issues it faces from the perspective of the capital markets. This confirmed that many investors shared similar assessments of Company C, and we in turn shared these details with Company C.

Company C responses and their effectiveness

- We believe that Company C has listened to our opinions very sincerely, and has engaged in constructive exchanges of opinion. We also heard that there have been serious internal discussions and efforts within Company C to increase corporate value. In fact, in its new mid-term plan announced this year, Company C announced measures including restructuring its business portfolio through concentrated investment in key areas and promotion of business restructuring, reduction of cross-shareholdings and large-scale share buybacks to improve capital efficiency, together with a strong message that "we aim to promptly achieve ROE of 10% and a price-to-book ratio above 1.0."



(Note) Excerpted from company materials

Bottom-up engagement

7 Equity investment/active

Engagement Example with American Life Science Equipment Company D

Issues detracting from company's investor appeal

- Company D is headquartered in Massachusetts, a hub for biotechnology companies in the United States, that manufactures and sells instruments for the measurement of biomarkers (proteins) based on its own innovative technology. Measurements can be made with more than a thousand times the sensitivity of conventional methods, and it is possible to detect proteins present in trace amounts of blood.
- This allows minimally invasive detection of nervous-system derived proteins, such as those in the brain, which have historically been particularly difficult to detect, and has great potential to make a "liquid brain biopsy*" possible. Significant progress is anticipated in the development of therapeutic agents for Alzheimer's disease in particular, and there remain significant challenges facing technologies for its diagnosis both in terms of cost and patient burden. Company D is expected to make a significant contribution to resolving this issue.

  * A diagnostic method that can achieve the same level of accuracy as conventional methods by collecting a small amount of body fluid such as blood
- On the other hand, Company D has achieved rapid sales growth since going public in 2017, due in part to its use in clinical trials for Alzheimer's disease, but has faced challenges, including a significant decline in profit margins following revisions to its manufacturing processes to meet unprecedented growth in demand, which led to a significant drop in Company D's stock price.

Engagement details

- Through ongoing engagement with Company D's management and head of IR from a long-term perspective, alongside deepening our understanding of Company D's strengths in advanced protein detection technology, we have also exchanged opinions on the social value of Company D's technology, such as how much the overall cost of the healthcare system can be reduced through its technology (Figure 1).
- Following the announcement of a profit improvement plan in response to last year's significant decline in profit margin, we had the opportunity to discuss its progress directly with Company D's CEO. We felt that, given the tremendous investor focus on the execution of the plan, improved disclosure of its progress would help considerably in restoring market confidence and the company's subsequent growth.
- At that meeting, it was indicated the improvement of gross profit margin was the main KPI for the plan's progress. We again pressed the importance of disclosing this plan's progress in more detail, and expressed our desire for Company D to disclose not only changes in gross profit margin but also parallel KPIs, and to disclose specific measures introduced and their outlook in a more easily understood manner.

Company D responses and their effectiveness

- Company D's stock price has subsequently risen significantly as a result of significant improvements in profitability. Investor confidence in the progress of the plan appears to have been restored as a result of improved disclosure (Figure 2) and more concrete explanations during individual meetings and financial results briefings. We expect Company D to steadily overcome these challenges and make great strides toward solving social issues.

Figure 1: Estimated social outcomes of the company's existing products on the market

Engagement material

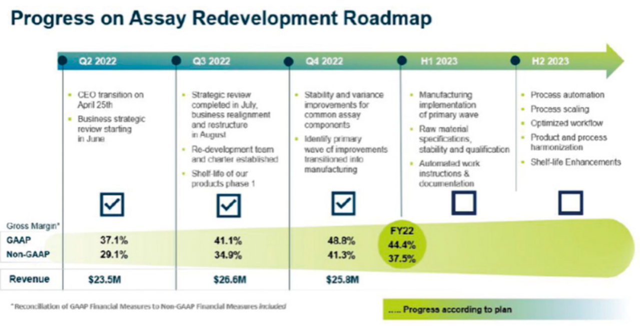
Candidates for inspection		3000	
Positive rate	Negative rate	30%	70%
sensitivity	specificity	90%	56%
True positive	True negative	810	1176
False positive	False negative	90	924
False positive %		31%	
■Precondition (USD)			
PET		5000	
This test		500	

■Cost comparison for 3000 mild cognitive impared patients (USD)

(Materials from discussions with Company D)

Source: Prepared by Resona Asset Management based on materials provided by Company D

Figure 2: Disclosure of the profit enhancement plan



Source: Excerpted by Resona Asset Management from Company D's press release

Bottom-up engagement

8 Fixed income/active

Progress	Issuer	Engagement details	Engagement themes
3 Sharing and discussing issues 4 Formulating and implementing measures	Company E (electric power)	We have pursued continual engagements on multiple occasions with Company E 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. In light of delays in restarting nuclear power plants and the management problems of some vendors, as in the previous year, we have also pointed out that maintaining the nuclear power value chain could be a future business risk and encouraged issuers to consider their response policies and disclose these as appropriate. In regard to engagement milestones, Company E 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 Lifestyle-infrastructure resilience Sub-themes: Strengthened information disclosure Continual dialogue
3 Sharing and discussing issues	Company F (electric power)	At Electric Power Company F, the finance department had already conducted engagements with bond investors before the issuance of label bonds, among others; but going forward, the investor relations department wanted to pursue engagements with both equity and bond investors. Through engagements with the investor relations department, we deepened discussions on information disclosure and other matters required by bond investors. We have been lobbying for enhanced disclosure of sustainable finance information on Company F's website, and following discussions with the finance and investor relations departments, it is now possible for investors to obtain disclosed information centrally on their investor relations webpage. In terms of engagement milestones, Company F is at the "Sharing and discussing issues" phase.	Theme: Climate change Sub-themes: Strengthened information disclosure Continual dialogue
2 Setting and presenting issues	Company G (heavy industry)	Together with our Responsible Investment Department, we had opportunities for engagements with the CFO of Heavy Industry Company G. As a core company in the nuclear power generation system, a carbon-neutral power source, we requested that the company take adequate measures for human resource development and technology transfer. When we pointed out that engagements, or information disclosure, with bond investors was inadequate compared to that with equity investors, and requested that improvements be made going forward, we received a response that they too recognized that there were issues around a lack of communication with bond investors and wished to consider improvements in future. In terms of engagement milestones, Company G is at the "Setting and presenting issues" phase.	Theme: Climate change Lifestyle-infrastructure resilience Sub-themes: Strengthened information disclosure
3 Sharing and discussing issues	Company H (information technology)	We had previously requested that Company H 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. We also reiterated the importance of ongoing engagements not only at the time of bond issuance, but also after the issuance, and the issuing side shared in our awareness of the issue. We have also seen improvements in sustainability finance-related disclosures on Company F's website, something we had been requesting for some time. In terms of engagement milestones, Company H is at the "Sharing and discussing issues" phase.	Theme: Climate change Sub-themes: Strengthened information disclosure Continual dialogue
2 Setting and presenting issues	Company I (insurance company)	Insurance Company I has stated that they aim to decarbonize their insurance portfolio by 2050, but has not disclosed the amount of insurance allocated to fossil fuel power generation and other sources in their insurance portfolios (since they are not subject to TCFD's Scope 3 disclosure). Disclosure was requested since without it, it would not be possible to monitor the progress of decarbonization. As a result, the issuer shared the view that disclosures concerning the allocation of insurance to fossil fuel power generation, etc., which is a necessary milestone for decarbonization. In addition, Company I had originally planned to make disclosures within the Net Zero Insurance Alliance (NZIA) framework, but this was no longer possible due to the company's withdrawal from the alliance. They replied that they considered it necessary to set milestones both externally and internally, and would consider disclosure of the points raised. In terms of engagement milestones, Company I is at the "Setting and presenting issues" phase.	Theme: Climate change Sub-themes: Strengthened information disclosure

▶ Bottom-up engagement

9 Passive investment (Japanese companies)

Efforts toward Japanese-company corporate governance improvements

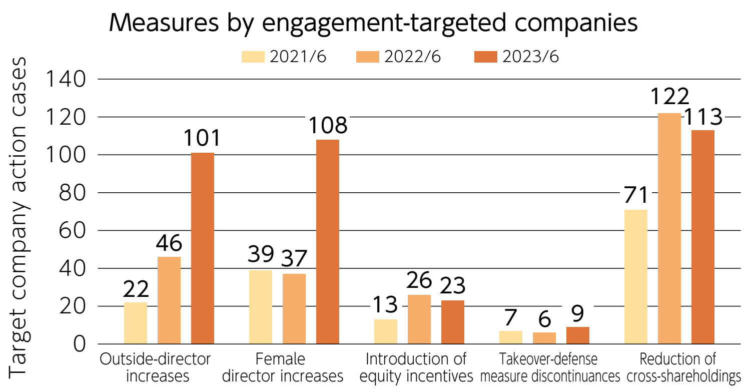
During engagement aimed at corporate governance improvements, Resona Asset Management sets multiple themes for each target company based on the company's specific circumstances and conditions. One example of past engagement activities based on said themes is described below.

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 engagements, 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 measures continued for three years, and the company shows a general trend toward improvement.
- Measures related to outside-director increases, female director increases and reduction of cross-shareholdings have been particularly numerous.
- On the other hand, the number of discontinued takeover-defense measures is limited, but this is due to the fact that the number of companies adopting and continuing to use takeover-defense measures is decreasing each year.

Individual-company engagement example (Company J)

Company J is a company that operates a foodstuffs business both in Japan and overseas. We conducted engagements on a wide range of governance issues, including the composition of the Board of Directors, cross-shareholding, and the introduction of equity incentives.

Period	Theme(s)	Engagement toward governance improvements
2021-	Introduction of equity incentives	・Discussed the introduction of equity incentives to incentivize medium- to long-term corporate value creation
2022-	Outside-director increases	・Discussion on increasing the number of outside directors
	Board diversity	・Discussion on the composition of the Board of Directors to include members with diverse backgrounds, such as women and foreign nationals
	Reduction of cross-shareholdings	・Discussion on reducing cross-shareholding out of consideration for capital efficiency issues, etc.
2023	Outside-director increases	・Outside director headcount increased by one ; 6 out of 15 directors are independent outside directors
	Board diversity	・Appointment of one new foreign-national director
	Introduction of equity incentives	・Introduced a new restricted stock compensation plan

Engagement Report

▶ Bottom-up engagement

10 Passive investment (global companies ex. Japan)

Engagement routes developed from foreign companies' business models

We conduct engagements that explore ESG issues, risks, and opportunities according to individual portfolio companies' business models. Some engagement cases are described below.

Individual-company engagement (Company K)

Headquartered in Atlanta, Georgia, U.S.A., Company K is one of the world's leading package delivery companies, and also expanding into air freight.
It does business in North America, Europe, Asia Pacific, the Middle East and Africa, and Latin America, handling an average daily cargo delivery volume of 24 million shipments in 2022, or 6.2 billion shipments annually.
We conduct engagements with Company K addressing four points, including business model, climate change transition measures and goals, and the incorporation of ESG indicators into the compensation structure.

Business Model

- Its integrated network is the key. Since the appointment of the new CEO, Company K has shifted its revenue structure from volume to value. New business models have included forwarding and healthcare-related businesses.
- In the healthcare field, Company K has developed refrigerated transport together with Pfizer since the developmental stages of its Covid-19 vaccine.

Climate Change Transition Measures and Goals: ESG Progress

- Intent to obtain SBTi certification: It was decided as a matter of future milestone management to follow up on the application to the SBTi certification system and response to Sustainable Aviation Fuel (SAF).

Incorporation of ESG indicators into the compensation system

- The salary system was changed to one in which 20% of the bonus (Management Incentive Plan, MIP) is divided into 12 equal parts and issued as monthly salary.
- "Net Promoter Score" was introduced as a KPI. 2021: Target set at 80% (2020: 51%)

Multi-class structure

- Management does not have control of the company by virtue of the structure for Company K; class shares are widely distributed among employees. Back in 1907, the company was mainly operated by founder/family members. The company then started to grant Class A shares as incentives to reward the hard working 155,000 employees.
- However, management does not have control on the voting rights of Class A shareholders. Class A shares should be converted to Class B shares upon the employee's retirement.

Engagement plans for 2024

- We can consider to support director appointments, if the company could disclose the pathway of Class A shares to fall below 50%.
- While we understand Company K's unique history, we continue to engage on the equal shareholder rights.

Individual-company engagement (Biogen)

One of the world's leading pharmaceutical and biotechnology companies.
Biogen has strengths in neurology, neuropsychiatry, specific immunity, and rare diseases.
Biogen has produced a number of groundbreaking innovations, including a treatment for multiple sclerosis, the first approved treatment for spinal muscular atrophy (SMA), and a co-developed treatment for a characteristic pathology of Alzheimer's disease.
Biogen was the target company to the Global Work Stream. The Global Work Stream was established in 2022 as one of the working groups under the 30% Club UK Investor Group. Biogen was the target company to the Global Work Stream. The Global Work Stream was established in 2022 as one of the working groups under the 30% Club UK Investor Group. We have conducted engagements on three key issues: 1) Board diversity, 2) material ESG issues, and 3) access to treatment.

Progress on Diversity

- Board gender diversity is 20%, and there remains scope for further improvement. But 47.4% plus director positions are held by women globally, and 30.4% plus manager positions in the United States are held by ethnic or racial minorities.

No major changes in material ESG issues compared to 2022

- Biogen has identified 1) product quality & safety, 2) R&D pipeline and innovation, and 3) access and pricing of therapeutics from the patient's perspective as key issues.

Access and Health Equity

- 14,000 people with SMA globally being treated with SPINRAZA® (nusinersen). SPINRAZA is available in 69 countries.

Engagement plans for 2024

- Advancing Health Access: The company is continuously evolving its thinking and approaches to ensure broad access to its therapies.
- On diversity, the company conducts active recruitment focusing on university laboratories. Continuously discuss about the positive effects on management strategy from improved diversity.

Public engagement

Initiatives in Japan

In addition to direct engagement with policy makers, Resona Asset Management pursues a multifaceted approach to public engagement that includes participation in working groups that involve a wide range of stakeholders, such as standard-setting bodies, industry associations, ESG assessment and data providers, credit rating agencies, NGOs and think tanks. We also work with other institutional investors to make recommendations to policy makers.
In addition to policy makers, we aim to conduct effective engagements with this broad range of stakeholders by building long-term relationships with them, and strive to provide effective input as an institutional investor from the early stages of policymaking.
Our specific initiatives are as follows.

Initiatives	Sponsoring Organizations	Our Involvements
Sustainable Transformation Brand Evaluation Committee	Ministry of Economy, Trade and Industry	Promotion of activities as a committee member
Commissioned strengthening of food bank networks Committee for the Study of Best Practices in Business and Corporate Information Disclosure	Ministry of Agriculture, Forestry and Fisheries	Promotion of activities as a committee member
ESG Finance Award Japan Selection Committee for the Environmentally Sustainable Company category	Ministry of the Environment	Promotion of activities as a committee member
Eco-First	Ministry of the Environment	Promotion of activities set out in the commitment sheet
Impact IPO Working Group	GSG-NAB Japan	Promotion of activities as a member
Japan Impact-driven Financing Initiative	Japan Impact-driven Financing Initiative signatory organizations	Promotion of activities as Vice Chair of the Steering Committee and Chair of the Social Indicators Working Group
Principles for Financial Action for the 21st Century	Principles for Financial Action for the 21st Century signatory organizations	Promotion of activities as Chair of the Management/Securities/ Investment Banking Business Working Group

(As of September 30, 2023)

Engagements with supranational and sovereign bond issuers

Our engagements with issuers of supranational bonds, such as the World Bank and the European Investment Bank, focus on the content related to the use of funds for green and social projects. We discuss the progress and outcomes of each issuer's efforts to address environmental and social issues, based on our understanding of project progress and outcome creation (such as environmental improvement), through exchanges of opinions with issuers and annual reports.
Regarding overseas sovereign bonds, we are a member of the FTSE Asia Pacific Fixed Income Advisory Committee and we engage in indirect dialogue with sovereign issuers through the exchange of opinions with the index provider, FTSE.
Going forward, we intend to work with a wide range of stakeholders, including credit rating agencies, NGOs, think tanks, institutional investors holding sovereign bonds, and asset owners, in order to conduct more effective engagements.
We are also participating in the Investor Agenda together with other institutional investors, which urged governments to accelerate the transition to a net-zero emissions economy in 2021 and 2022.

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 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.

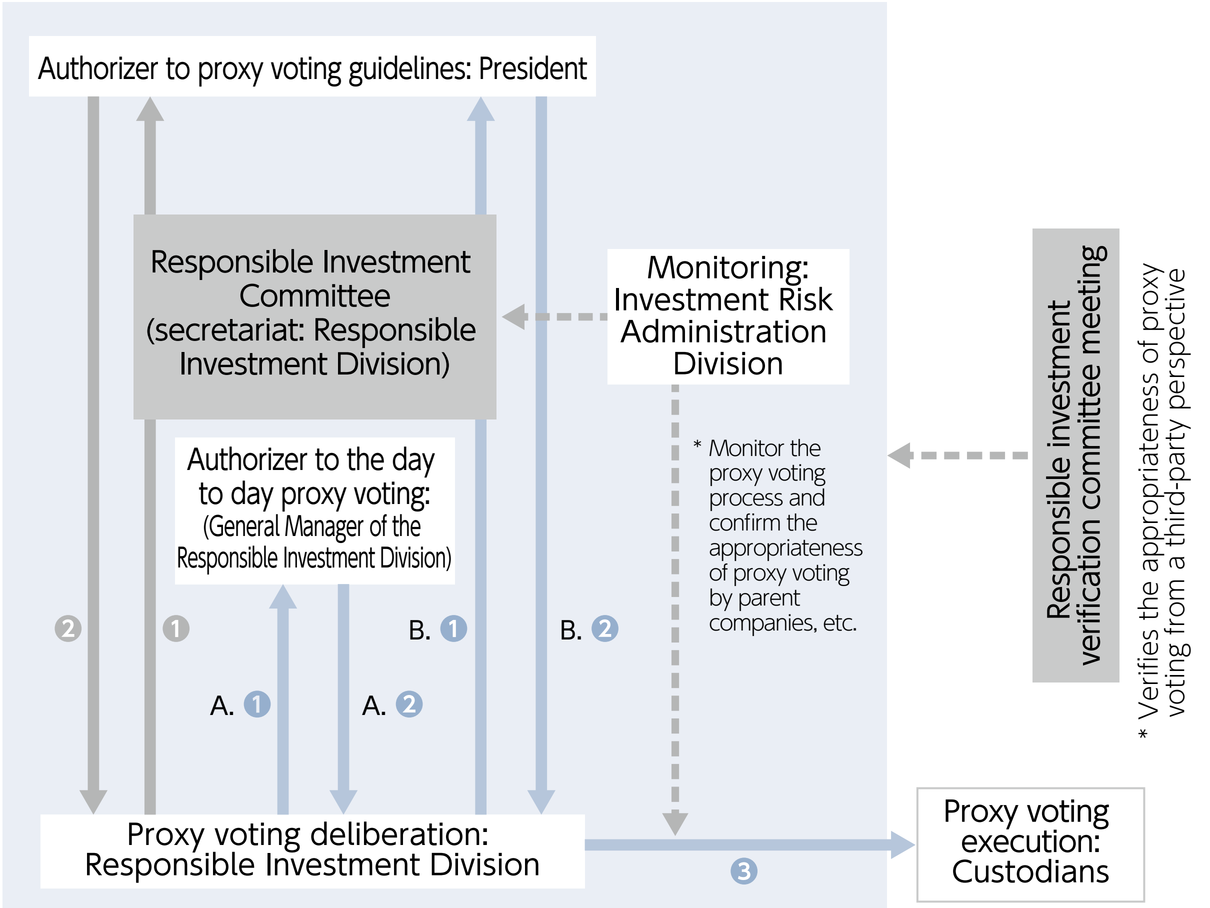
We strive to raise shareholder value over the long term when conducting proxy voting. We consider the response to the social responsibility, such as the issuers' governance structure, legal compliance, corporate ethics, societal harmony and environmental initiatives.

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

Deliberations on proposal

A. Proposals not submitted to the Responsible Investment Committee
1. The Responsible Investment Division prepares proxy voting details materials based on the Proxy Voting Guidelines.
2. The General Manager of the Responsible Investment Division approves the voting decisions.

B. Proposals submitted to the Responsible Investment Committee
1. Any proposal case for which proxy voting details cannot be determined simply by the Proxy Voting Guidelines is submitted to the Responsible Investment Committee meeting.
2. The President approves the voting decisions based on the Responsible Investment Committee's discussions.

Voting instructions

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

* Management on conflict of interests
We exercise proxy voting rights related to the Resona Holdings equities based on the advice of a third-party proxy advisor (ISS), pursuant to our Proxy Voting Guidelines. The proxy voting details related to Resona Holdings equities are verified by the Investment Risk Administration Division on periodical basis and reported at the Responsible Investment Committee meeting. And also the Responsible investment verification committee meeting verifies those proxy voting process from the third party committee perspective.

Proxy voting results (during the period from July 2022 to June 2023)

The following data are details on Resona's proxy voting results for Japanese and global equities during the period from July 2022 to June 2023. Comments are based on year-on-year comparisons. 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.

■ Japanese equities

	Opposition ratio	(Previous year)	Total number of proposals	Voted against
Management proposals	11.2%	(10.4%)	22,406	2,519

	Support ratio	(Previous year)	Total number of proposals	Voted for
Shareholder proposals	3.8%	(2.0%)	400	15

The year on year number of proposals increased by 293 proposals (compared to the period July 2021 to June 2022). The support ratio rose, due to our support on the climate proposals.

Corporate bodies	Opposition ratio	(Previous year)	Total number of proposals	
Appointment and dismissal of directors	11.5%	(11.2%)	17,315	Director appointments: We have raised our independence and diversity criteria to a stricter level. However, the opposition ratio remained unchanged as the companies attitudes progressed.
Appointment and dismissal of corporate auditors	13.3%	(15.0%)	2,003	Corporate auditor appointment: The opposition ratio decreased year on year, as the independent candidates on ballots decreased.
Appointment and dismissal of accounting auditors	0.0%	(0.0%)	81	Accounting auditor appointment: We have supported all of the proposals.

Director compensation	Opposition ratio	(Previous year)	Total number of proposals	
Director compensation (*1)	9.3%	(10.0%)	670	Director compensation: The opposition ratio decreased a little, as companies had established governance over compensation.
Retirement bonus payments for retiring board members	100.0%	(99.1%)	78	We opposed all proposals for retirement bonus payments for retiring board members.

Capital policy	Opposition ratio	(Previous year)	Total number of proposals	
Appropriation of surplus	2.3%	(1.9%)	1,414	Allocation of income and dividends: The opposition ratio stayed at the same level year on year.
Restructuring (*2)	0.0%	(6.5%)	31	M&A and restructuring related: We have supported all the proposals.
Introduction, renewal or abolition of anti-takeover measures	98.8%	(100.0%)	81	We accepted the necessity of certain anti-takeover measures introduced in emergencies and supported them.
Other proposals related to capital policy (*3)	0.0%	(0.0%)	61	We supported all other proposals related to capital policy.

Articles of incorporation	Opposition ratio	(Previous year)	Total number of proposals	
Articles of incorporation	1.3%	(0.8%)	668	Amendments to the articles of incorporation: The number of proposals decreased drastically year on year. This was because every company made amendments last year due to the introduction of the electronic provision of the AGM materials.

Other proposals	Opposition ratio	(Previous year)	Total number of proposals	
Other proposals	0.0%	(50.0%)	4	–

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

■ Global equities ex. Japan

	Opposition ratio	(Previous year)	Total number of proposals	Voted against
Management proposals	11.4%	(12.8%)	41,746	4,774

	Support ratio	(Previous year)	Total number of proposals	Voted for
Shareholder proposals	75.6%	(78.6%)	1,890	1,428

The number of proposals increased year on year (July 2021 to June 2022: 1,596 proposals). Comments are based on year-on-year comparisons. Shareholder proposals: The support ratio decreased as corporate disclosure in the US progressed.

Corporate bodies	Opposition ratio	(Previous year)	Total number of proposals	
Appointment and dismissal of directors	8.1%	(9.3%)	14,536	Director appointments: The opposition ratio decreased year on year as there were fewer candidates with multiple board seats.
Appointment and dismissal of corporate auditors	9.3%	(6.8%)	569	Supervisory board appointments: The opposition ratio rose, as we were not able to support the Chinese company proposals.
Appointment and dismissal of accounting auditors	0.9%	(0.7%)	2,390	Auditor ratification: The opposition ratio was at the similar level.

Director compensation	Opposition ratio	(Previous year)	Total number of proposals	
Director compensation (*1)	22.2%	(23.7%)	4,959	Remuneration: The opposition ratio declined, as there were fewer problematic compensation on the US proposals which accounted 25% of the total proposals.
Retirement bonus payments for retiring board members	—	(–)	0	Retirement bonus payments for board members: There were no proposals at the company AGMs.

Capital policy	Opposition ratio	(Previous year)	Total number of proposals	
Appropriation of surplus	0.5%	(0.6%)	1,645	Allocation of income and dividends: The opposition ratio stayed at the same level year on year.
Restructuring (*2)	25.0%	(29.9%)	3,214	M&A and restructuring related: The opposition ratio declined due to the problematic restructuring proposals in China, which accounted for the majority of proposals.
Introduction, renewal or abolition of anti-takeover measures	13.4%	(13.3%)	82	Anti-takeover measures: The opposition ratio was at the same level.
Other proposals related to capital policy (*3)	10.8%	(11.0%)	5,551	Capitalization policy: The opposition ratio was at the same level.

Articles of incorporation	Opposition ratio	(Previous year)	Total number of proposals	
Articles of incorporation	5.9%	(8.7%)	1,016	Amendments to the articles of incorporation: The opposition ratio declined due to the decline in the Taiwanese AGMs.

Other proposals	Opposition ratio	(Previous year)	Total number of proposals	
Other proposals	12.0%	(14.2%)	7,784	Other proposals: The opposition ratio declined due to the decline in China. This was because companies started to disclose the amendment details in the proposals.

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

ESG Integration at Resona Asset Management

Resona Asset Management views ESG 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 investment activities on all the assets, including active investments on assets. 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 Assessments," 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 assessments 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 of 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.

(iii) ESG integration in formulation of long-term basic portfolio (SAA)
We calculate the "Resona ESG Assessments" for each asset class that we invest in, and take them into account through methods such as establishing certain constraints when formulating SAA.

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 assessment
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 on ESG integration approach and methodology to our customers. In addition, we will conduct suitable information disclosure through the issuance of the Resona Asset Management 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, 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

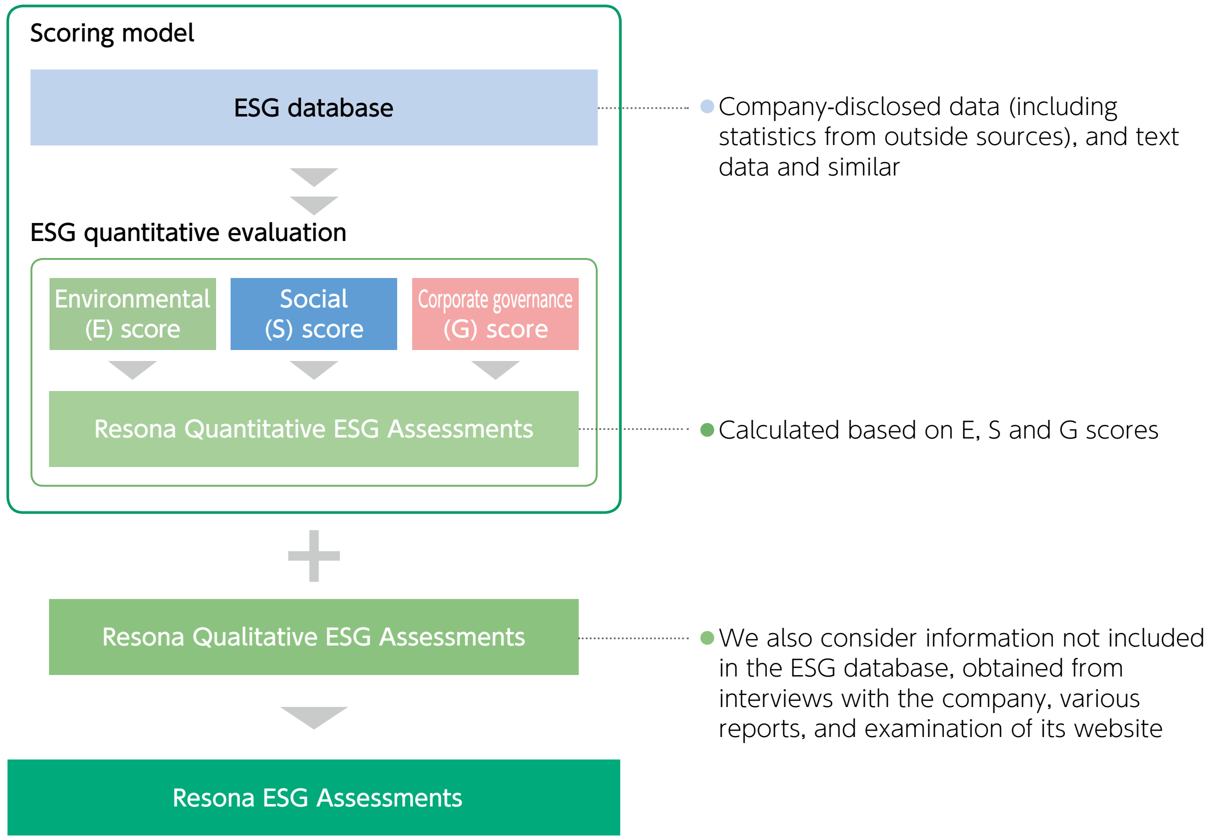
Resona ESG Assessments

The Resona ESG Assessments are assigned to companies with the aim of providing an understanding of their ESG-related status, such as their ESG-related risks and opportunities, based on broad, unified guidelines and in a manner that transcends the bounds of asset class and investment strategy.

About Resona ESG Assessments

- The ratings are assessment metrics comprising Resona Quantitative ESG Assessments (numerical) and Resona Quantitative ESG Assessments (A-E). The rating is expressed with a number and a letter, for example "60-C."
- The Resona Quantitative ESG Assessments provides a comprehensive evaluation of ESG items considered important by Resona Asset Management based on the following three items as deviation values using a proprietary scoring model.
  - Exposure to risks related to ESG recognized by the company and the status of its response
  - Opportunities related to ESG recognized by the company
  - Degree of enhancement of disclosure regarding ESG
- The Resona Quantitative ESG Assessments is a comprehensive five-point evaluation of the following two items that cannot be grasped by the Resona Quantitative ESG Assessments.
  - Degree of impact on corporate value in the event that ESG risks and opportunities materialize
  - Probability that ESG risks and opportunities will materialize
- In the Resona Quantitative ESG Assessments, we strive to eliminate individualistic influences by setting assessment indicators based on Resona Asset Management's materiality and ESG issues, and conducting assessment using a unified standard across the company.

Resona ESG Assessments scoring process



Assessment indicators of the Resona Quantitative ESG Assessments and Resona Qualitative ESG Assessments

The Resona Quantitative ESG Assessments and Resona Qualitative ESG Assessments consider assessment indicators set for E, S and G, respectively based on Resona Asset Management's materiality and ESG issues.

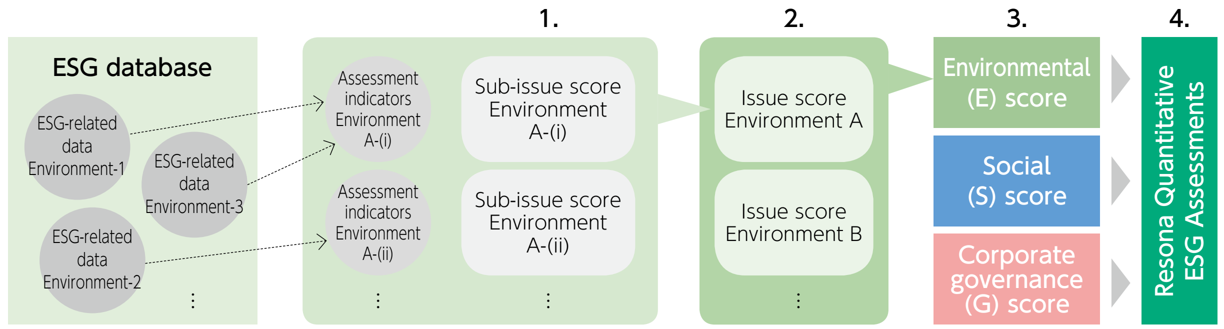
Environmental (E)			
Example issue	Energy management	Greenhouse gas (GHG) emission management	Water resource management
Example of specific assessment indicators	· GHG emissions (Scope 2) · Renewable energy usage ratio · Formulation status of renewable energy usage targets	· GHG emissions (total volume, Scopes 1 and 3) · GHG emissions (by gas type) · Disclosure status of science-based emission reduction targets	· Total water usage · Water recycle rate · Formulation status of waste water management policy
Social (S)			
Example issue	Customers and local society	Human rights of employees and workers	Quality management and supply chain
Example of specific assessment indicators	· Amount of expenditure made to local communities · Payment of fines in relation to bribery or corruption · Implementation of customer data protection	· Labor union organization rate · Ratio of female managers · Measures to prevent child labor	· Ratio of suppliers that have completed external audit · Number of customer complaints · Social risk management in supply chain
Corporate governance (G)			
Example issue	Independence	Diversity	Shareholder rights
Example of specific assessment indicators	· Board structure · Ratio of independent board members · Independence of chairperson and lead directors	· Appointment of female CEO · Ratio of female directors · Director age range	· Formulation status of anti-takeover measures · Issuance of common shares with different voting rights · Presence of a controlling shareholder

* The above details are as of September 30, 2023, and the Company plans to revise them as needed going forward.

Determination process for Resona Quantitative ESG Assessments (scoring model)

1. Apply the various ESG-related data from the ESG database to the specific assessment indicators of the sub-issues specified within each issue and calculate the score for each sub-issue.*1
2. Calculate a weighted average*2 of the scores for each sub-issue in 1. to calculate a score for each issue.
3. Calculate a weighted average*3 of the scores for each issue in 2. and make further adjustments for company size and industry to calculate respective ESG scores.
4. Calculate a weighted average*4 of the ESG scores in 3. to determine the Resona Quantitative ESG Assessments.

*1 Determine a score by taking a value between 0 and 1 for each ESG-related data item. Calculate a simple average of these scores as the sub-issue score.
*2 The weighting is set separately for each issue.
*3 The weighting is determined based on the Resona ESG Industry Classifications. We identify the important ESG issues for each industry and increase the weight of issues of high importance.
*4 The weighting is determined based on the ranking by company size (total net assets) within the companies subject to evaluation. For small sized companies, the weighting of governance (G) is increased.

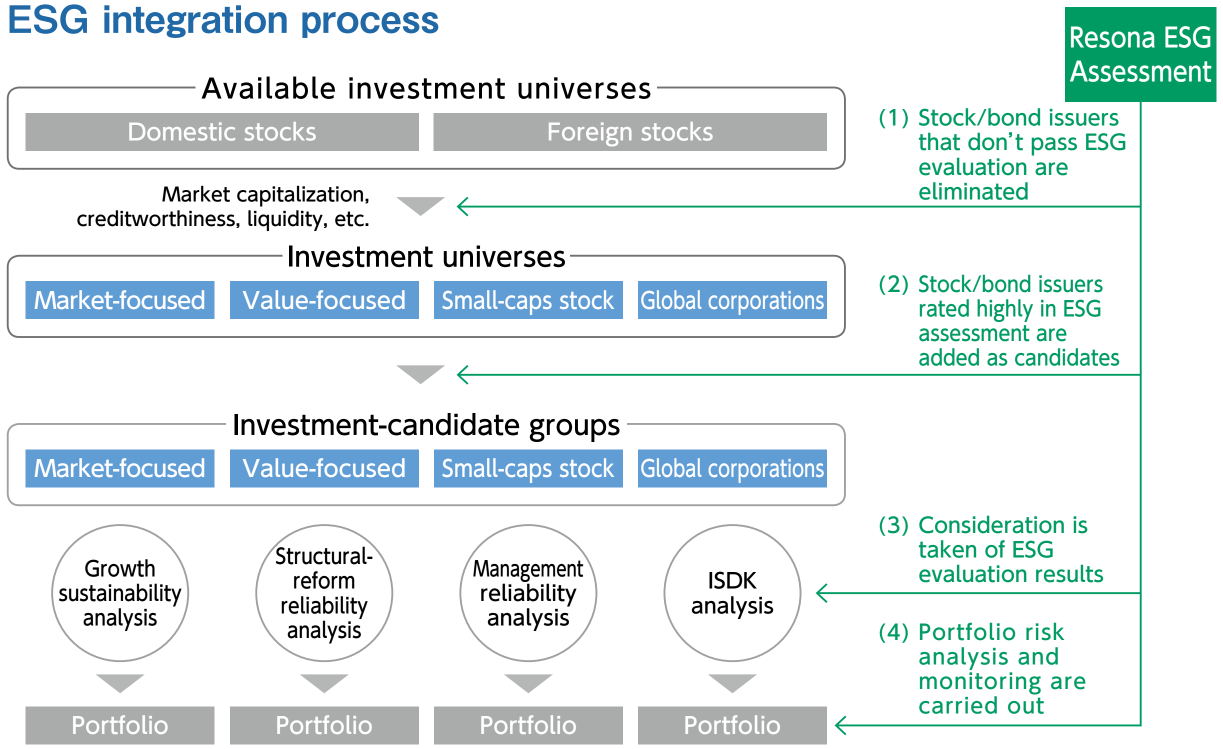


ESG integration / equity / active

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, which seeks out high returns based on market averages, it is necessary to fully comprehend ESG-related factors from a global perspective, evaluate the impact of those factors on investee companies, and incorporate this knowledge suitably when making investment decisions. ESG-related factors are wide ranging, pertaining to climate change, biodiversity and other natural-capital considerations, the human capital issues including diversity, as well as to human rights, and labor practices. Moreover, these factors are becoming more complex and mutually influential due to the effects of political trends and other matters. At Resona Asset Management, we recognize the importance of ESG integration, which takes these factors into consideration in relation to investment decisions and investing activities, is increasing each year. Therefore, in 2023, we established our Resona ESG Assessments 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 Assessments standards are eliminated from the investment universe.
(However, if the stock/bond issuer exhibits promise for improved ESG assessments results in the future, we may choose to invest with engagements as a prerequisite.)
(2) Stocks/bonds that are highly rated in ESG assessment are added to the investment-candidate group.
(3) Deliberations are made based on Resona ESG Assessments 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.

Resona ESG Assessments measures in company analysis

In the Company's active equity investment, each investment strategy has its own distinctive approach to company analysis. Accordingly, each investment strategy has a different process for reflecting Resona ESG Assessments in its analysis of investee candidates and investment decisions. Below, we will introduce this process using the market-focused strategy, which is one of the Company's main strategies.

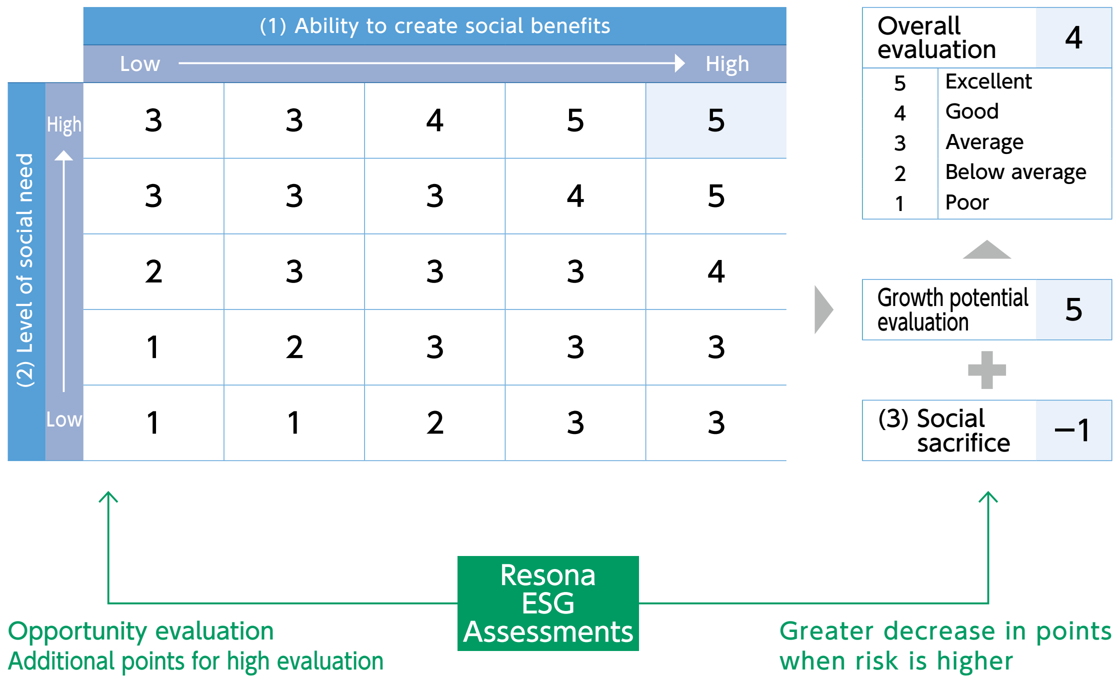
■ Example in market-focused strategy

- In the market-focused strategy, an asset management professional conducts an evaluation of profit growth sustainability on stocks in the portfolio. Specifically, scores are assigned on a five-point scale, making reference to three elements: (1) ability to create social benefits, (2) level of social need, and (3) social sacrifice and risk. The asset management professional grasps the overall Ratings of the Resona ESG Assessments and the scores for each ESG theme, as well as the backgrounds for them. If necessary, the scores for (2) level of social need and (3) social sacrifice and risk will reflect the Resona ESG Assessments.
- The evaluation of profit growth sustainability taking into account the Resona ESG Assessments is reflected in the decision making on purchases and sales related to the portfolio and on the weighting of holdings.

Three elements of growth sustainability analysis under the market-focused strategy

(1) Ability to create social benefits	Ability to grasp the needs of customers and society and realize products and services →Ability to identify social needs, realize them, respond to change, and create markets, etc.
(2) Level of social need	Presence of social change and issues that could increase need for a business →Increase in demand for environmental products and cyber-risk related products, etc.
(3) Social sacrifice	Potential risk factors that hinder sustainable corporate activities →Negative impact of corporate activities on society, compliance and governance issues

Process for reflecting Resona ESG Assessments in growth sustainability analysis*



* A case where (1) ability to create social benefits and (2) level of social need received the highest ranking of 5, while a negative point of minus one was received for (3) social sacrifice.

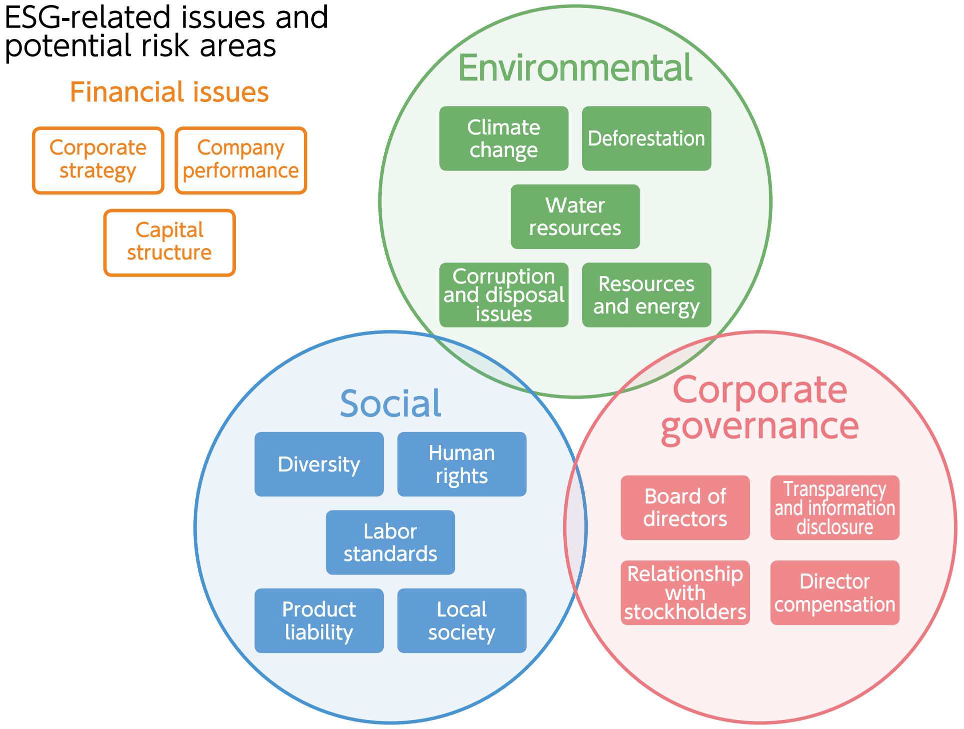
ESG integration / fixed income / active

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 Assessments" 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 Assessments" 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:

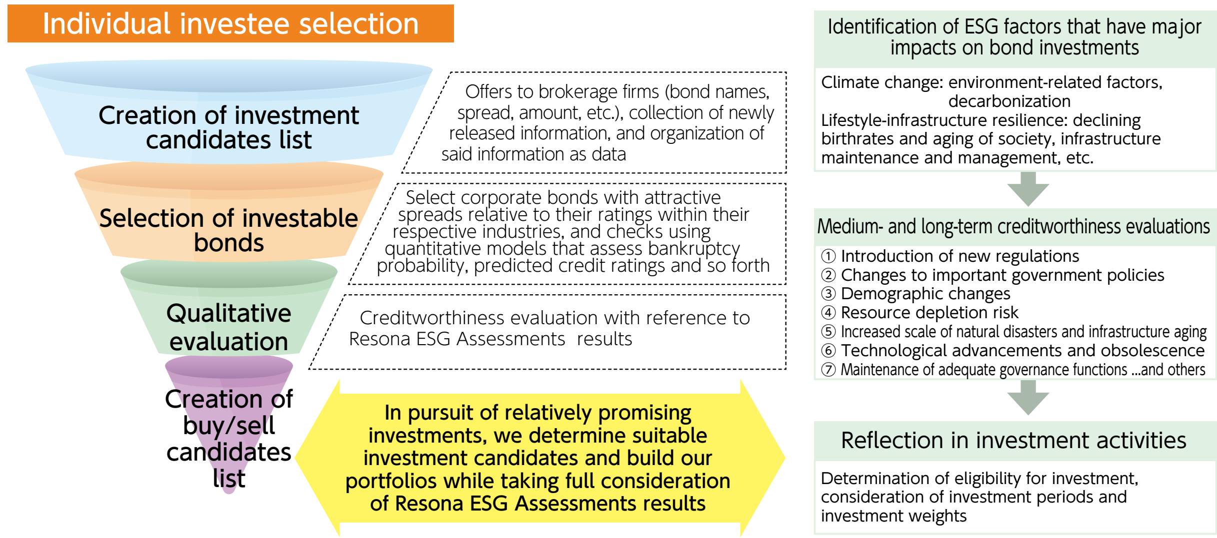
1) While referring to Resona ESG Assessments results, we identify common ESG-related factors in the bond issuer's industry that may affect creditworthiness. For example, we consider decarbonization is one such factor in the electric power industry, and countermeasures to declining birthrates and aging populations is a factor in the railway industry.

2) After examining Resona ESG Assessments 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 assessment 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 Assessments." 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 assessment, we take full consideration of issues identified by credit analysts as well as Resona ESG Assessments 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.

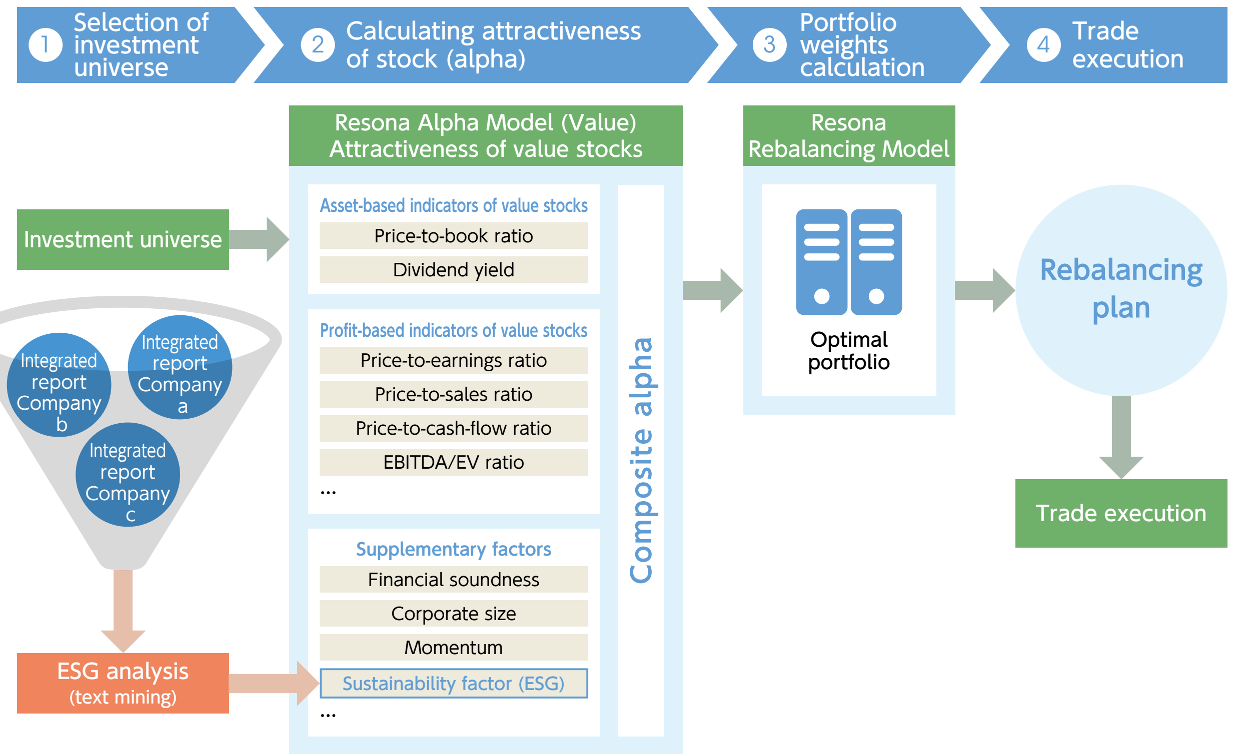
ESG integration in equity quantitative investment

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. In these calculations, we utilize concepts such as the SDGs and ESG issues based on Resona's Materiality Matrices.
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 Assessments) and specific weapons manufacturers from the investment universe.



ESG integration in passive investments

Resona Asset Management incorporates ESG (Environmental, Social, and Corporate Governance) integration into passive investing through the following strategies:

Management adopting ESG indices as benchmarks

We manage index funds that are benchmarked against ESG indices. When selecting ESG indices, we conduct a comprehensive evaluation, considering factors such as the index's past performance, the methodology used to integrate ESG factors, and the services provided by the index providers.

Investment focus on SDG Bonds

We are managing funds primarily focused on SDG Bonds, which promote investment in green and social projects, contributing to the realization of a sustainable society. We carefully select SDG Bonds based on their financial efficiency as well.
Additionally, we conduct outcome assessment for some of the SDG Bonds in which we invest.

■ SDG Bond selection process

Bond selection	Identify bonds issued in accordance with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, as well as other principles and guidelines established by the International Capital Market Association (ICMA).
Consideration of investment attractiveness	Narrow down the selection of bonds for investment based on factors such as duration, credit rating, yield, and other relevant considerations.
Confirmation of concept conformity	Engage in discussions with the Responsible Investment Division, which focuses on environmental, social, and governance (ESG) factors, to confirm whether the activities of the bond issuer align with Resona Asset Management's values and material factors.

Invest

To enhance the credibility and wider dissemination of SDG Bonds, ICMA, along with relevant Japanese government bodies such as the Ministry of the Environment and the Financial Services Agency, has established guidelines. SDG Bond issuers are required to clearly state information on the Use of Proceeds, the Process for Project Evaluation and Selection, and the Management of Proceeds. Additionally, they must disclose up-to-date information on the use of proceeds (Reporting), impacts, and other relevant details. These measures ensure bond eligibility and enable investors to make informed decisions based on the information provided by the issuer.

Types of SDG Bonds

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.

Sustainability Bonds

Sustainability 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.

Assessment on Responsible Investment Activities

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 measures (i.e., ESG incorporation, constructive engagements, proxy voting). We also conduct self-assessments on a regular basis to further heighten the level of such measures. 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 on Japan's Stewardship Code stipulates that, "Resona Asset Management believes that appropriately performing self-assessment with respect to its policies and measures 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 have conducted a tiered survey (including free text comments) of the Responsible Investment Committee members. The survey consists of checkpoint questions asking whether or not

- sufficient measures are being taken for the required principles and guidelines of the Japan's Stewardship Code;
- there is an adequate organizational structure to conduct stewardship activities;
- a PDCA cycle is being implemented; and
- the Responsible Investment Committee meeting is being adequately operated.

The 2022/2023 self-assessment period covers from July 2022 to June 2023.

At the September 2023 Responsible Investment Committee meeting, following items were reported and raised to discussion.

- Countermeasures to the 2021/2022 assessment.
- 2022/2023 assessment results.
- Countermeasures to the 2022/2023 results.

Self-assessment and measures

■ Measures taken to address issues in 2021/2022

From the 2021/2022 assessment, we recognized the following issues:

❶ conducting a unified company-wide ESG assessment and enhancing ESG integration and

❷ establishing a clear engagement process and defining engagement progress and outcomes.

We took the following countermeasures:

❶ Established the ESG Integration Policy to clarify and integrate the ESG assessments into investment decisions. We have established the Resona ESG Assessments and started integrating them into our process, and we have set December 2022 as the base date. The Resona ESG Assessments enables us to assess the ESG risks & opportunities of the listed equities and fixed income by a unified standard.

❷ Established the Engagement Policy, and formulated Engagement Plans based on 3 major policies, which are Climate Change Policy, Natural Capital Policy, and Policy on Human Rights Related to Investment Management. Moreover, we have recognized a continuous necessity to conduct deeper discussion to measure the engagement outcomes and contribution.

■ 2022/2023 activities and self-assessment (during the period from July 2022 to June 2023)

The activities and self-assessment results based on Japan's Stewardship Code are shown below. Each measure against principles enabled us to enhance and improve our stewardship activities. The operation of the Responsible Investment Committee meeting was deemed to be "generally appropriate."

Principle	Measures and self-assessment	
Principle 1 Formulation of policies and public disclosure	Measures taken	We have established various policies on responsible investments in order to enhance the relevant processes. In January 2023, we have established and publicly disclosed our specific operation policies: the ESG Integration Policy and the Engagement Policy. In tandem with this, we have also established and publicly disclosed the Exclusion Policy for Specific Weapons Manufacturers. As climate change, human rights, and natural capital are material engagement issues, we have established and publicly disclosed the related policies as follows: January 2023: Climate Change Policy, August 2023: Natural Capital Policy and Policy on Human Rights Related to Investment Management.
	Self-assessment	The establishment of various policies and formulation have contributed to clarifying and enhancing the stewardship activity process. In line with these policies, we recognize the necessity to enhance the effectiveness of our stewardship activities and the monitoring process of these activities.
Principle 2 Disclosure on managing conflict of interests	Measures taken	We have established the Conflicts of Interest Management Guidelines as part of internal guidelines. Based on this policy, we identify and classify transactions that could involve conflicts of interests related to stewardship activities, and manage them appropriately. At the August 2023 Responsible Investment Verification Committee meeting, the appropriateness of the conduct was verified.
	Self-assessment	No measures were deemed as inappropriate, and we plan to continue managing and verifying appropriately.
Principle 3 Monitor investee companies	Measures taken	During the reporting period, we created the Resona ESG Assessments, a proprietary ESG assessment indicator, for ascertaining the ESG risks and opportunities of listed equities and fixed income by a unified standard. We have also introduced a company-wide research information platform. The platform enables us to centralize and share the engagement themes and details, voting results, Resona ESG Assessments, by each division.
	Self-assessment	The establishment and introduction of the Resona ESG Assessments and the information platform have significantly increased the transparency and clarity of our integration process. However, there is room for improvement in the assessment logic of the Resona ESG Assessments and the integration process.
Principle 4 Engagement (Constructive "Engagements" with investee companies)	Measures taken	Based on the Engagement Policy and the Climate Change Policy, we have formulated Engagement Plans and implemented them. We have conducted engagement for each classification and department in charge on issues for investee companies, either in-house or through collaboration. We continued to participate actively in collaborative engagement, and in FY 2022, we participated in additional collaborations including the Advance initiative on human rights led by PRI.
	Self-assessment	We consider that we have succeeded in conducting effective engagement. To increase objectivity, however, we need to have a deeper discussion about measuring the effect.
Principle 5 Proxy voting	Measures taken	As usual, we have revised our proxy voting guidelines. The main revisions were director appointment criteria on gender diversity and cross-shareholdings. For proxy voting execution, we determined our voting based on the status and the outcome of the engagements. The proxy voting proposals that were unable to clearly determine were raised to the Responsible Investment Committee meeting.
	Self-assessment	We recognize that we were able to vote systematically based on the engagement outcomes and not by making simple mechanical judgements.
Principle 6 Reporting periodically to clients and beneficiaries	Measures taken	We have issued Stewardship Report since 2018. We have renamed the 2023/2024 report to "Sustainability Report." The Sustainability Report provides greater clarity and detail on our measures and activities driven by our purpose.
	Self-assessment	Our disclosure has improved markedly by the establishment of the Responsible Investment Policy and publication of the Sustainability Report. We plan to clarify that these measures contribute to our clients' interests.
Principle 7 Competence in stewardship activities in depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities	Measures taken	In FY 2022, we established a new Planning Promotion Group within the Responsible Investment Division and increased the team, aiming to promote and accelerate companywide responsible investment activities. The Responsible Investment Committee conducts ongoing discussions to innovate and improve responsible investment activities.
	Self-assessment	The level of knowledge and experience required for responsible investment activities generally is becoming higher. We need to enhance human capital management towards highly professional ESG staff.

■ Awareness of issues and future measures

We have recognized the following issues through the self-assessment process.

- Enhance the effectiveness of measures and progress monitoring following the establishment of various policies.
- Deepen discussion on engagement contribution measurement.
- Establish an organizational structure for human resource development and enhancement in the responsible investment area.

We plan to implement specific action plans to resolve these issues. The oversight scheme is established at the Responsible Investment Committee meeting to monitor the progress and outcome of the action plans.

External assessment on responsible investment activities

Resona Asset Management works to improve and enhance our responsible investment activities by conducting regular self-internal (see pages 54-55) and external assessments. With regard to external assessments, we place particular importance on the annual assessment by the PRI, and are working to maintain and improve these assessment ratings. In the PRI Reporting & Assessment, asset managers answer questions about the status of their activities and achievements regarding mainly principles 1, 2, and 6 of the PRI's six principles, as well as their response to climate change. Based on the responses, the PRI assesses the activities based on a numeric score and a star rating (on a scale of one to five stars) for each assessment item as shown in the table below. In the 2023 PRI Reporting & Assessment, we received the highest rating of five stars in five of the seven assessment items.
In addition, the numeric scores for these five items were well above median.
On the other hand, the assessment score on "Confidence building measures" was lower than the median.

■ 2023 PRI Reporting & Assessment

Assessment indicators				Rating	Score	Median score
Policy/Governance/strategy				★★★★★	92	60
Direct investment	Listed equities	Passive		★★★★★	91	42
		Active	Quants	★★★★★	92	65
			Fundamental	★★★★★	92	71
	Fixed income	SSA (Government bonds, Supranational bonds, Government agency bonds)		★★★★☆	82	59
		Corporate bonds		★★★★★	92	68
Confidence building measures				★★★☆☆	59	80

■ Reference

SUMMARY SCORECARD
https://www.resona-am.co.jp/oshirase/2023/pdf/231222_o1.pdf

PUBLIC TRANSPARENCY REPORT 2023
https://www.resona-am.co.jp/oshirase/2023/pdf/231222_o2.pdf

Initiatives to maintain and improve external assessment ratings

We implemented the following initiatives to improve our scores in the annual PRI assessment. Going forward, we will continue to implement initiatives to maintain and improve our ratings. In particular, for the indicator "Confidence building measures," we have already identified the problems and are proactively addressing them.

Principles	Main initiatives
Principle 1 Should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it. We will incorporate ESG issues into investment analysis and investment processes.	● In January 2023, we have established the ESG Integration Policy. ● Regarding climate change, human rights, and nature capital, which are the environmental and social issues that we consider most important, we have outlined our basic philosophy and approach to these issues by formulating and publicly disclosing our "climate change policy," (January 2023), "Human rights policy on asset management operation" (August 2023), and "nature capital policy" (August 2023). ● We developed Resona ESG Rating for ascertaining the ESG risks and opportunities of companies and bond issuers using a unified standard.
Principle 2 Should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it. We will be active owners and incorporate ESG issues into our ownership policies and practices.	● In January 2023, we established and publicized the Engagement Policy. This policy clearly states that we will conduct engagements after deepening our understanding of the ESG risks and opportunities of investee companies. ● We have identified the three types of engagements: materiality (top-down), information disclosure, and bottom-up. ● We actively pursued collaborative engagement such as the Institutional Investors Collective Engagement Forum (IICEF), and CA100+. ● In our proxy voting guidelines, we have introduced escalation and policies responding to shareholder proposals such as climate transition. ● Since 2023 we are disclosing our proxy voting results on global equities.
Principle 6 Report periodically on how they fulfill their stewardship responsibilities including their voting responsibilities, to their clients and beneficiaries. We will each report on our activities and progress towards implementing the Principles.	● We have disclosed our various policies on responsible investments. ● We regularly disclose responsible investment activities to our customers and beneficiaries through this Sustainability Report and our website.

Resona Asset Management

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