

Resona Asset Management

# SUSTAINABILITY REPORT

2024 / 2025



Resona Asset Management

# “To ensure a prosperous and happy life for future generations as well as our customers”

Our Purpose is to ensure a prosperous and happy life for future generations as well as our customers.

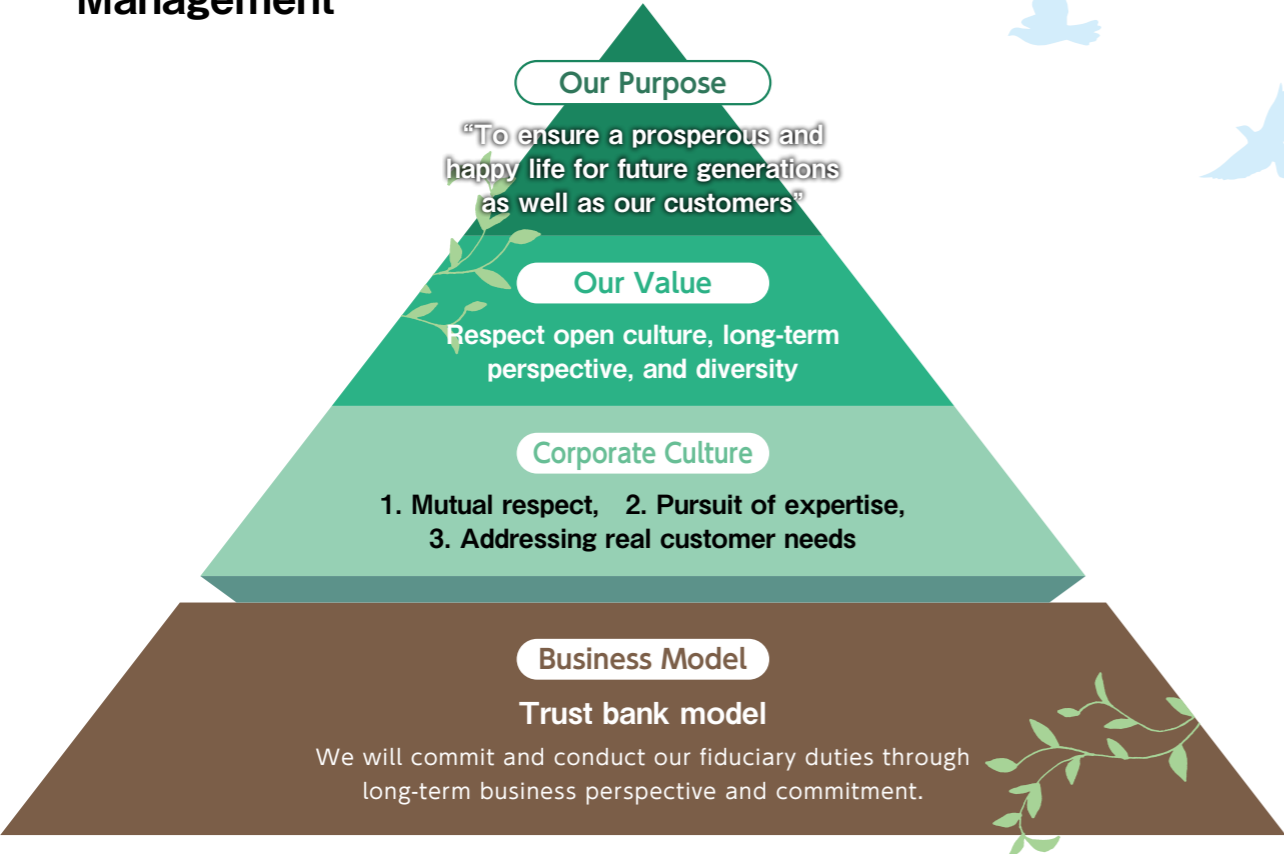
The “Identity of Resona Asset Management” integrates the values that each and every individual should cherish, the corporate culture that we should maintain, and the business model that we should aim to realize in order to achieve our Purpose.

In accordance with this Identity, we will continue “to ensure a prosperous and happy life for future generations as well as our customers.”

The precondition for achieving this is a commitment to continuously enhancing our asset management capabilities.

Furthermore, we hereby declare that we are a long-term investor that assists our customers in their asset formation over the long-term, as well as a responsible investor that works for a sustainable society and environment.

## Identity of Resona Asset Management



## Our Principles of Conduct

To ensure that each and every individual embodies the Identity of Resona Asset Management, we have established Principles of Conduct to illustrate the correct approach and which to base behavior. By returning always to the Principles of Conduct and continuing to take the optimal decisions and actions in response to changes in society, we will ensure a prosperous and happy life for future generations as well as our clients.

### Principles of conduct of Resona Asset Management

- 1 The greatest asset of an asset management company is its people.
- 2 The clients of an asset management company are its beneficiaries, and it is the asset management company that gains the confidence of clients and fulfills its fiduciary duties at all times.
- 3 The highest priority for an asset management company is investment quality, and the mission of the investment manager is to work untiringly to improve investment quality.
- 4 When creating new products, the asymmetry of information relative to the client must be taken into account.
- 5 An asset management company should be aware of its responsibility to provide products and services continuously and over the long-term, and such provision should be of an extent that permits the fulfillment of this responsibility.
- 6 Value-added products and services should be provided by the company itself.
- 7 Legal compliance and risk management are preconditions for the operation of the business, and to implement our policies we must continually improve our expertise and knowledge.
- 8 Aiming for the sound development of capital markets and the achievement of a sustainable society, we should focus even more tightly on responsible investment activities.

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# Incorporating our awareness towards achieving a sustainable society into our reconsideration of materiality.

## Akihiro Nishiyama

Representative Director and President

Resona Asset Management Co., Ltd.

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

Seven years have passed since we published our first Stewardship Report in 2018.

Much has happened in society and the economy over that time, and we feel that in recent years such events have been occurring even more frequently, and that their effects on society and the economy have become remarkably more significant.

In addition to having a tremendous impact on the global society and economy, the COVID-19 pandemic accelerated the changes that had already begun to emerge in our lifestyles and work styles.

The heightening of geopolitical risks, including the invasion of Ukraine by Russia, has not only led to soaring prices of energy and foods, but has also been one cause of the global economy fragmenting into economic blocs.

We also feel that society and politics in some countries are becoming increasingly unstable against a backdrop of rising poverty and growing inequality.

In Japan, consumption continues to lack strength due to the effects of the aging society and the low birth rate, together with inflation driven by the weaker yen.

Natural disasters caused by climate change are becoming more devastating, and in 2024 we saw various countries around the world experience unprecedented levels of torrential rain and flooding. 2024 was also the warmest year on record, and the average global temperature is forecast to rise at least 1.5°C compared to pre-industrial levels.

Among these various events are many that could be interpreted as expressions of instability in the integrity of the social and environmental systems that provide the foundation for corporate and

economic activities. Given the very significant impact that such events have on many of the companies in which we invest and in turn on the total value of the roughly ¥57 trillion in assets entrusted to us by clients, we will continue to pay the closest attention to such events and to the integrity of the social and economic systems that constitute the backdrop against which they occur.

In the Japanese asset management industry, the shift from savings to investment is accelerating, driven by such initiatives as the Policy Plan for Promoting Japan as a Leading Asset Management Center announced in 2023, and the launch of the new NISA in 2024. Under the Policy Plan for Promoting Japan as a Leading Asset Management Center, Resona Asset Management and other asset managers are strongly encouraged to enhance their asset management capabilities. If you were to ask me what “asset management capabilities” means, I would say that this concept is not limited to the ability to achieve a high level of management performance, but that it also encompasses the ability to undertake practical activities to achieve a brighter future for society and the environment through the management of assets entrusted to us by clients, and in accordance with their needs. Indeed, I believe that if we do not engage in such activities we will not be able to protect the value of assets entrusted to us over the medium- to long-term.

With this approach in the context, Resona Asset Management is seeking to achieve comprehensive improvements in its asset management capabilities, and even within this past year it has moved forward with a variety of activities.

One of the main topics has been the first reconsideration in four years of responsible

investment materialities, which is aimed at addressing the changes in the external environment that have taken place over the past few years. As a means of achieving the goal of maximizing the value of invested assets over the medium- to long-term, responsible investment materialities are the most important issues that Resona Asset Management must resolve through its responsible investment activities in order to maintain and enhance the sustainability of the social and environmental systems that provide the foundation for corporate and economic activities. We are currently undertaking an across-the-board review of our responsible investment activities, including engagement and proxy voting, with an awareness of their consistency with newly set materialities. In order to incorporate newly established materialities into our day-to-day activities, it is important that they are acknowledged internally. With this in mind, right from the stage at which we selected materialities we involved employees who are not directly in charge of responsible investment as well as those who represent multiple generations, in addition to gathering together employee representatives from the entire company after a selection process to join a round-table discussion with two leading

authorities in the field of responsible investment, namely Professor Mizuguchi of Takasaki City University of Economics and Professor Miyoda of the University of Tokyo.

By continuing to engage earnestly with investee companies and practice highly effective activities as a long-term responsible investor, we will work to maximize the corporate value of investee companies, and in turn, enhance the overall value of assets entrusted to us by customers. Moreover, we will work tenaciously with a wide range of stakeholders, including our investee companies, to achieve a better future for society and the environment by resolving intricately intertwined issues related to sustainability. I believe that beyond the measures that we are pursuing with such resolution lies the fulfillment of the purpose of Resona Asset Management, which is to ensure a prosperous and happy life for future generations as well as our customers.

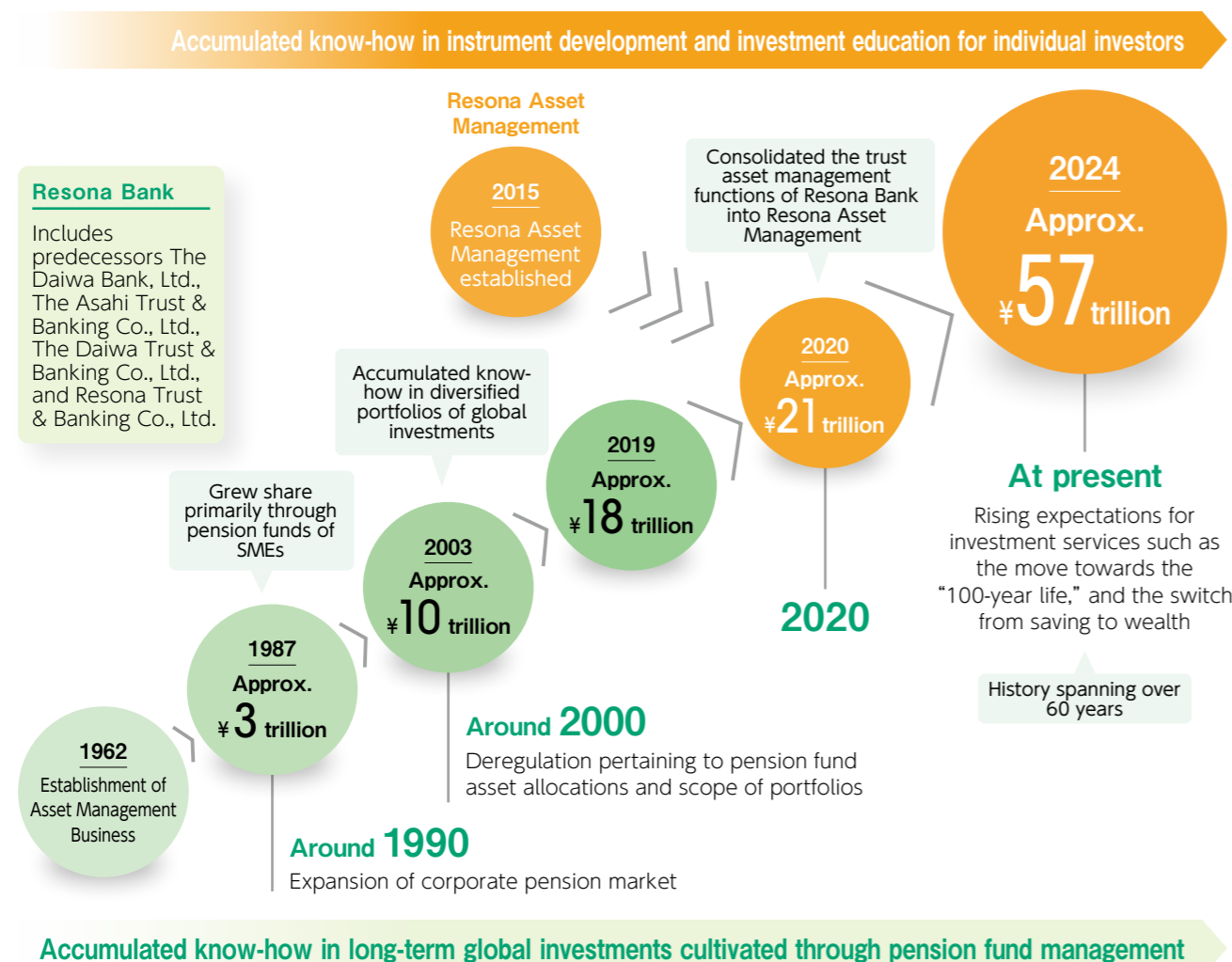
I hope that this report will be a catalyst for your deeper understanding of Resona Asset Management’s activities, and for even closer cooperation between ourselves and all of our stakeholders as we work to realize a better future for society and the environment.



# 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 has become one of Japan's leading asset managers both by asset size and asset management structure. Resona Asset Management has a track record in asset management of over 60 years, rooted in the pension management department of a trust bank. Over that time it has worked to provide sustainable and stable returns over the long-term for funds entrusted to it primarily for the management of corporate and public pensions. Resona Asset Management was founded on the concept of delivering high-quality asset management to the people of Japan using the know-how it had accumulated over the history mentioned above. Based on our long-term commitment to all our products as well as the long-term perspective we apply to business decisions, we will provide products and services that are truly needed by our customers.

## Trends in AUM



## Employees and Investment professionals

Out of 200 employees of Resona Asset Management, 133 analysts and fund managers work mainly in investment departments<sup>\*1</sup>.

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.

Investment departments<sup>\*2</sup>

**133** (Approx. 65% of our employees)

Client services and other departments<sup>\*3</sup>

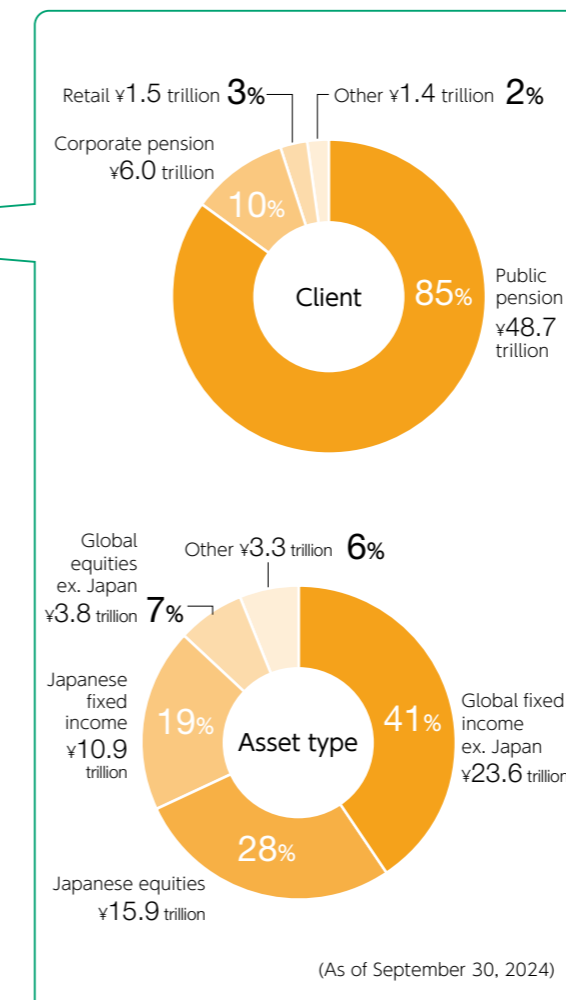
**67** (Approx. 35% of our employees)

\*1 (As of September 30, 2024)

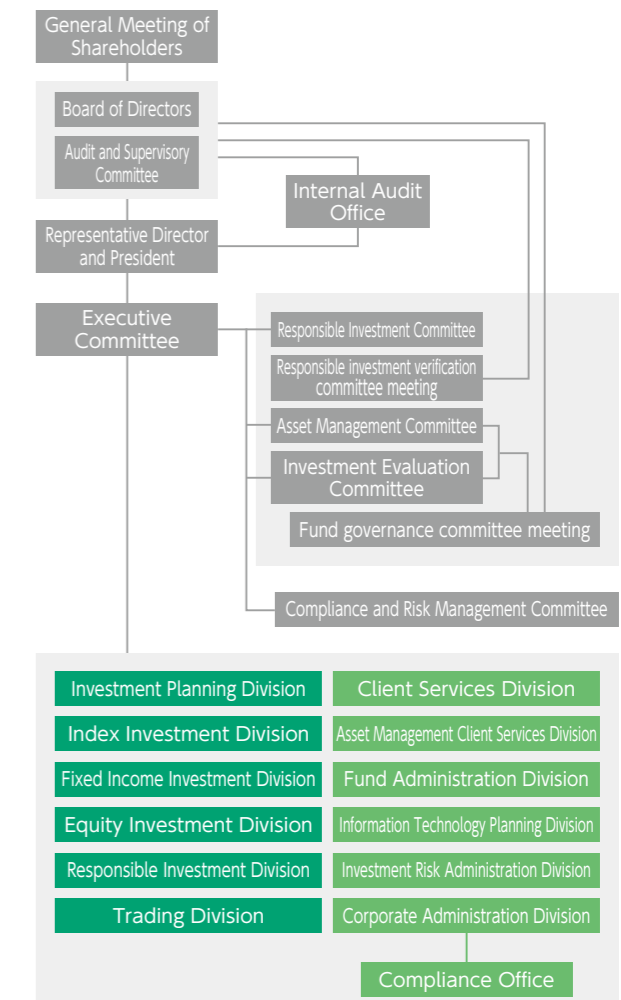
\*2 Investment Planning Division, Index Investment Division, Fixed Income Investment Division, Equity Investment Division, Responsible Investment Division, and Trading Division

\*3 Client Services Division, Asset Management Client Services Division, Fund Administration Division, Information Technology Planning Division, Investment Risk Administration Division, and Corporate Administration Division

## Composition of AUM



## Organizational structure



# Overview of Responsible Investment

## Overview of responsible investment activities

We are actively engaged in a variety of responsible investment activities to achieve our Purpose, “To ensure a prosperous and happy life for future generations as well as our customers,” and “Desirable future.” Under our “Basic policy on responsible investment,” we

### Responsible investment activities

#### Basic policy on responsible investment

This basic policy set forth the practice of responsible investment activities, in light of the Principles of Responsible Investment and Japan's Stewardship Code, endorsed by Resona Asset Management.

■ In managing trust assets, we will carefully grasp and analyze financial and non-financial information (including ESG factors), as well as promote the enhancement of the social value of investee companies and their sustainable growth from a medium- to long-term perspective.

#### Measures

1  
ESG integration into the investment decision-making process

2  
Engagements

3  
Proxy voting

### Practice of various responsible investment activities

#### ESG integration

Integrating ESG factors into the investment decision-making process. (See page 41 for details)

- We conduct investment activities based on the ESG Integration Policy, which clarifies the objectives and basic processes of ESG integration.
- As a company-wide common basis, we have formulated the “Exclusion Policy on Specific Weapons Manufacturers” and operate the “Resona ESG Ratings.”

#### Engagements

Promoting the enhancement of social value and sustainable growth of investee companies over the medium to long term. (See page 22 for details)

- We conduct engagement activities based on the Engagement Policy, which clarifies the objectives and basic processes for engagement, as well as Engagement Plans that we set annually in accordance with the policy.

#### Proxy voting

Recognizing our responsibility as institutional investors, and making appropriate judgments. (See page 39 for details)

- We exercise voting rights in accordance with our proxy voting guidelines based on the Fundamental Concepts on Proxy Voting and other principles.

#### + Intention

#### Impact investment

Through our investments, we focus not only on economic returns but also on creating an impact (positive effect on society or the environment). (See page 45 for details)

### Platform for responsible investment activities

#### “Materiality for Responsible Investment”

This materiality represents the top-priority issues that we must resolve through our responsible investment activities in order to maintain and improve the sustainability of society and the environment, as the foundation of economic growth and investee companies' business activities. We regard this as a means to achieve our goal of maximizing the value of invested assets over the medium to long term. (See page 12 for details)

Climate change mitigation	Climate change adaption	Sustainable use of natural capital	Eradication of child and forced labor and improvement of working conditions
Resolution of poverty and wealth inequity	Countermeasures for declining birthrate and aging population	Better DE&I	Improvement of corporate governance and management transparency

- As for climate change, natural capital and biodiversity loss, and human rights problems, the issues we should particularly focus on in light of global trends, we have formulated a set of policies that clarifies our basic stance and approach to the issues. (See pages 16 to 21 for details)

have established a set of policies that clarify the objectives and basic processes for ESG integration, engagements, and proxy voting. We conduct responsible investment activities based on these policies. We have set “Materiality for Responsible Investment” as an overall platform for activities in order to implement responsible investment activities that are consistent, effective, and efficient.

#### Our Purpose

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

#### Desirable future

Our “Desirable future” represents the concrete form of sustainable society and environment that will serve as the foundation for our Purpose.

It is a vision of an inclusive socio-economy and sustainable environment that fully serves as a foundation for business activities, through active conduct of corporate activities by the companies with redefined purposes and roles.

#### Inclusive socio-economy



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

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

#### Sustainable environment



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

In order to maintain the sustainability of the environment, as the foundation for a stable social economy and corporate profitability over the medium to long term, we believe initiatives in corporate management are important: decarbonizing their entire supply chain, ensuring resource circulation throughout their product lifecycles, and understanding and managing the impact and dependency on natural capital, including biodiversity.

#### A corporate whose purpose is redefined



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

As the scope of corporate responsibility expands from the corporation itself to cover affiliated companies, business partners, and society as a whole, corporations are expected to address a variety of issues, including sustainability. In order to tackle these issues, it is important to redefine corporate purpose and roles that they had formed from the past to the present and foster new corporate cultures in line with the redefinition.

#### Action policy on Japan's Stewardship Code

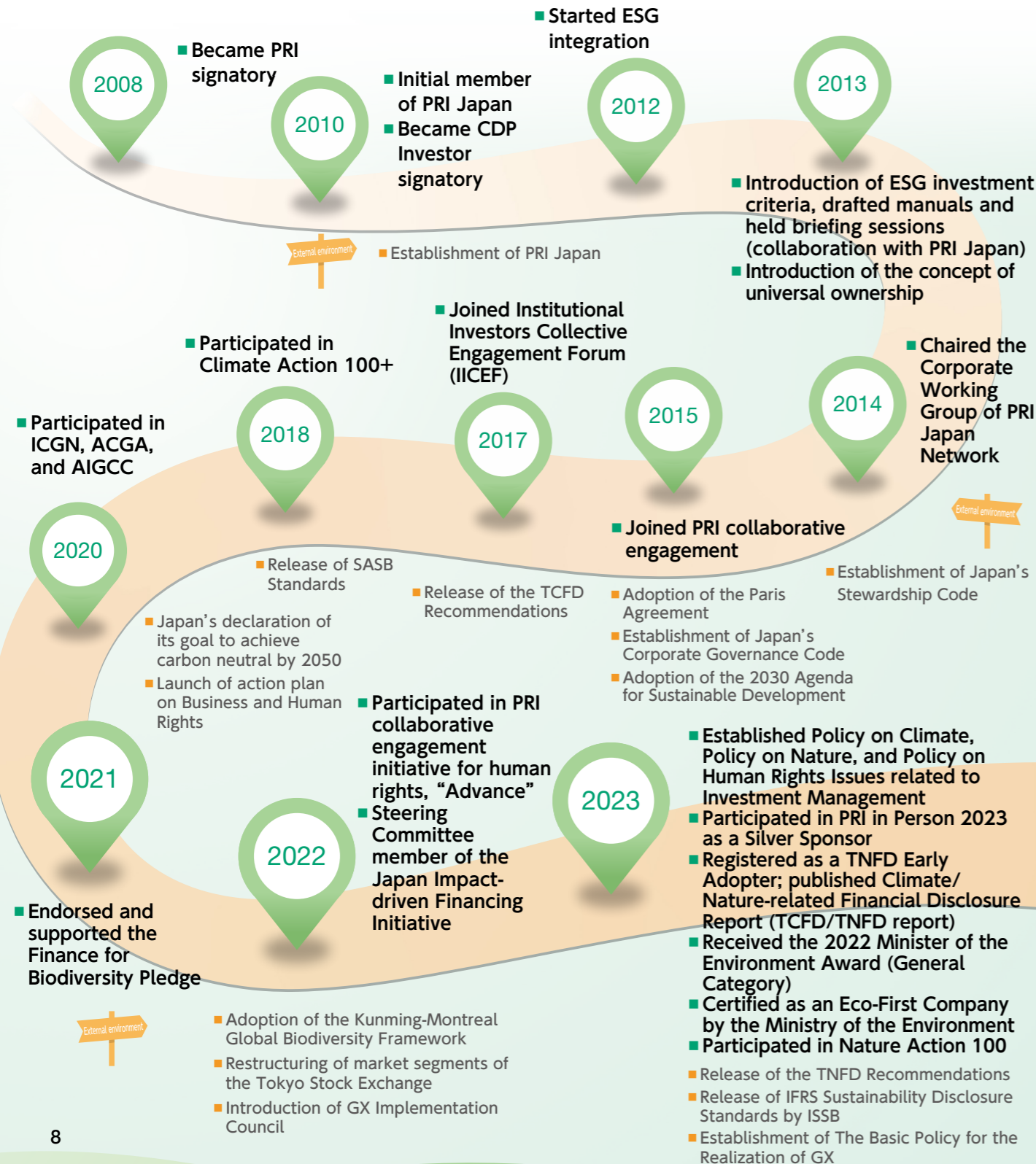
In February 2014, Resona Asset Management announced its endorsement and acceptance of Japan's Stewardship Code, and has established policies to address each of its principles. Prior to this, we have established our “Basic policy on responsible investment” as a responsible investor. We have clarified our stance to seek to enhance client returns of the assets under management from a medium- to long-term perspective. We are advancing our commitment to Japan's Stewardship Code by implementing practical activities for responsible investment.

For details, please access the following URL.

[https://www.resona-am.co.jp/investors/pdf/ssc\\_policy.pdf](https://www.resona-am.co.jp/investors/pdf/ssc_policy.pdf) (in Japanese)

# Track record of responsible investment

Since 1962, we have mainly focused on corporate and public pension fund management. We have a long history of our responsible investment, having signed the Principles for Responsible Investment (PRI) in 2008, prior to the establishment of PRI Japan, and participating in the PRI Japan network since its inception.



## Activities as Bronze Sponsor to 2024 PRI in Person

The PRI annual conference "PRI in Person 2024" was held from October 8, 2024 to October 10, 2024, in Toronto, Canada. As a bronze sponsor, we have contributed to this conference in recognition of the utmost importance of addressing the various sustainability issues discussed in this conference. We believe this also contributes to achieving our Purpose, which is "to ensure a prosperous and happy life for future generations as well as our customers." As part of our efforts as a sponsor, we actively introduced our stewardship activities and impact investments to the global institutional participants at our Sponsor Stand.



## Activities as Member of the Steering Committee and Vice Chair of the Working Group of the Impact Consortium

The Impact Consortium was launched as a collaboration of industry, government, and academia under the leadership of the Financial Services Agency, with the aim of achieving improved growth and sustainability of the economy and society through the expansion and diffusion of impact investment in society. Minoru Matsubara, our Chief Sustainability Officer (CSuO) serves as a member of the Steering Committee, and Hiroki Iura, Chief Fund Manager serves as the Vice Chair of the Market Research & Formation Working Group, thus promoting such activities. An Impact Forum was held to coincide with the holding of the first General Meeting in May 2024, at which our CSuO, Minoru Matsubara, was a featured speaker at the main session on the theme of "economic reforms through impact." Furthermore, August 2024 saw the holding of the first meeting of the Market Research & Formation Working Group, where our Chief Fund Manager Hiroki Iura gave a presentation on "Characteristics of Markets for Listing, and Differences Between ESG Investing and Impact investment."

## Presentation at the UN Global Compact regional summit

In August 2024, the "Forward Faster Now | Asia & Oceania Accelerating Sustainable Business Action in the Asia & Oceania Region" UN Global Compact regional summit was held in Kuala Lumpur. This was attended by around 500 key decision makers from the fields of policy and finance, who exchanged opinions with the objective of promoting Sustainable Development Goals (SDGs) for companies. Our CSuO, Minoru Matsubara participated in this event, giving a keynote speech on the theme of "Investing for SDGs Impact."



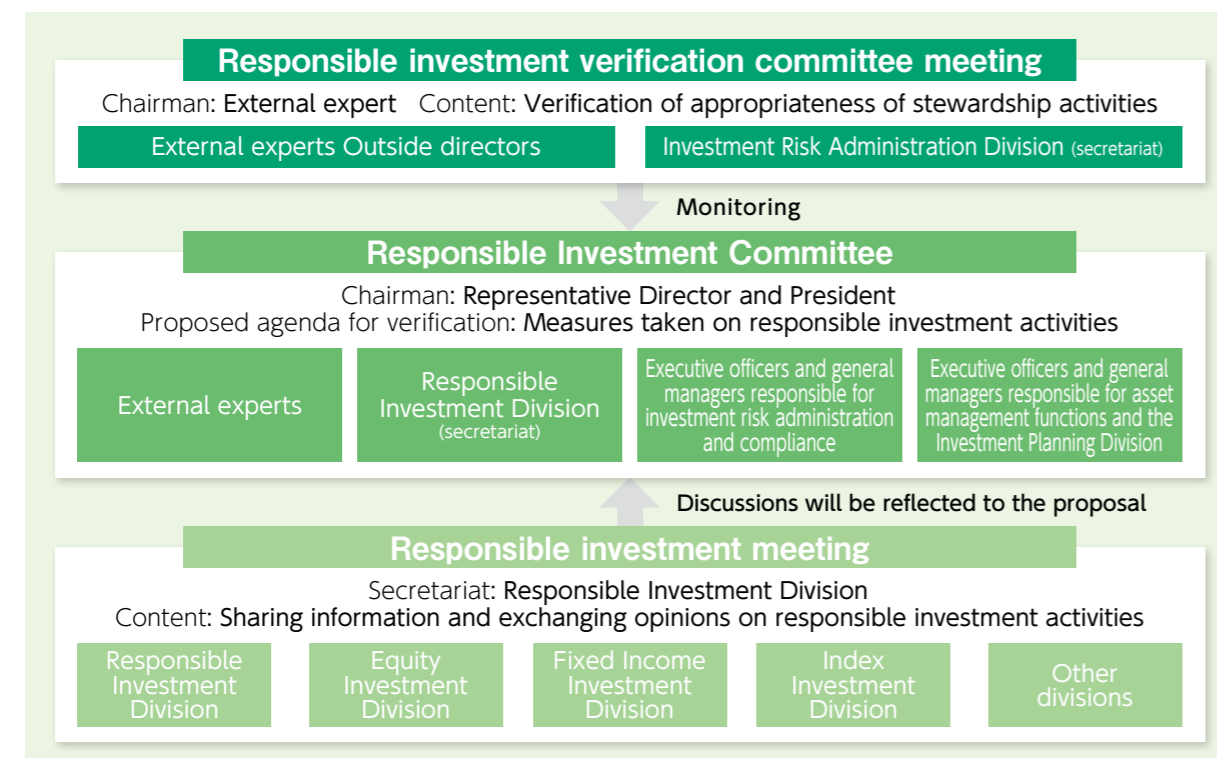
## Review of "Materiality for Responsible Investment"

Since we first defined our "Materiality for Responsible Investment" four years ago, there has been a variety of changes in the external environment. With this in mind, we have reviewed and revised the Materiality in 2024. (See pages 12 to 15 for details)

2024

# 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 fulfill our stewardship responsibilities as asset manager to achieve a sustainable society and to support the growth of the investee companies.



## 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 sustainability issues, and
- Progress made on engagements with companies.

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

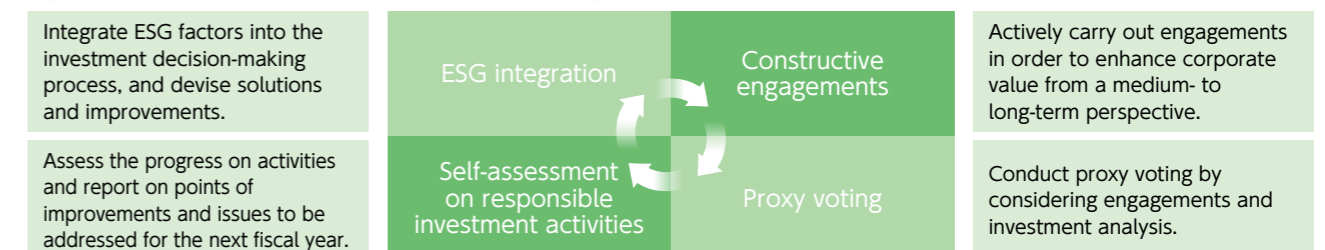
Frequency of meetings	Weekly
Secretariat	Responsible Investment Division
Participants	President, key members of asset management functions (all employees are welcome to participate)
Objective	Input of the latest information and knowledge related to responsible investment, exchange of opinions and information sharing with related divisions
2024 activities (theme example)	<ul style="list-style-type: none"> <li>• Discussion for PRI in Person 2024</li> <li>• Trends in becoming signatory to PRI among asset owners</li> <li>• Shared the status of collaborative engagement activities</li> <li>• Consideration of proxy voting for domestic stocks following replacement of TOPIX constituent stocks, and response in relation to engagement activities</li> </ul>

## 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.

Schedule	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 measures 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	<ul style="list-style-type: none"> <li>• Voting results for Japanese and global equities, discussion of updates to the proxy voting guidelines, and deliberation of voting decisions on proposals that cannot be clearly determined using the proxy voting guidelines (response to shareholder proposals, etc.)</li> <li>• Report on engagement plan and outcomes</li> <li>• Report on the status of collaborative engagement activities</li> <li>• Report on self-assessment on responsible investment activities</li> <li>• Report on the contents of the PRI assessment</li> <li>• Discussion concerning the reconsideration of "Materiality for Responsible Investment"</li> </ul>

## 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 (held anytime needed)
Secretariat	Investment Risk Administration Division
Members	Chairman: Toshio Arima Ryo Tsuchida Shoichi Tsumuraya External expert (Chairman of the Board, Global Compact Network Japan) Outside Director (Professor, Sophia Law School) 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	<ul style="list-style-type: none"> <li>• Appropriateness of proxy voting guidelines (Japanese equities, Japanese REITs, Global equities ex. Japan)</li> <li>• Appropriateness of proxy voting execution (Japanese equities, Japanese REITs, Global equities ex. Japan)</li> <li>• Appropriateness of other stewardship activities (Matters deemed necessary such as review from the perspective of management on conflict of interests regarding stewardship activities)</li> </ul>
2024 results	<ul style="list-style-type: none"> <li>• The 14th committee meeting (held in March 2024) Revisions to proxy voting guidelines for Japanese and global equities</li> <li>• The 15th committee meeting (held in August 2024) Proxy voting results for shareholders' meetings and unitholders' meetings during July 2023 to June 2024</li> </ul>

\* The contents of all the topics subject to review at the above meetings were confirmed to be appropriate.

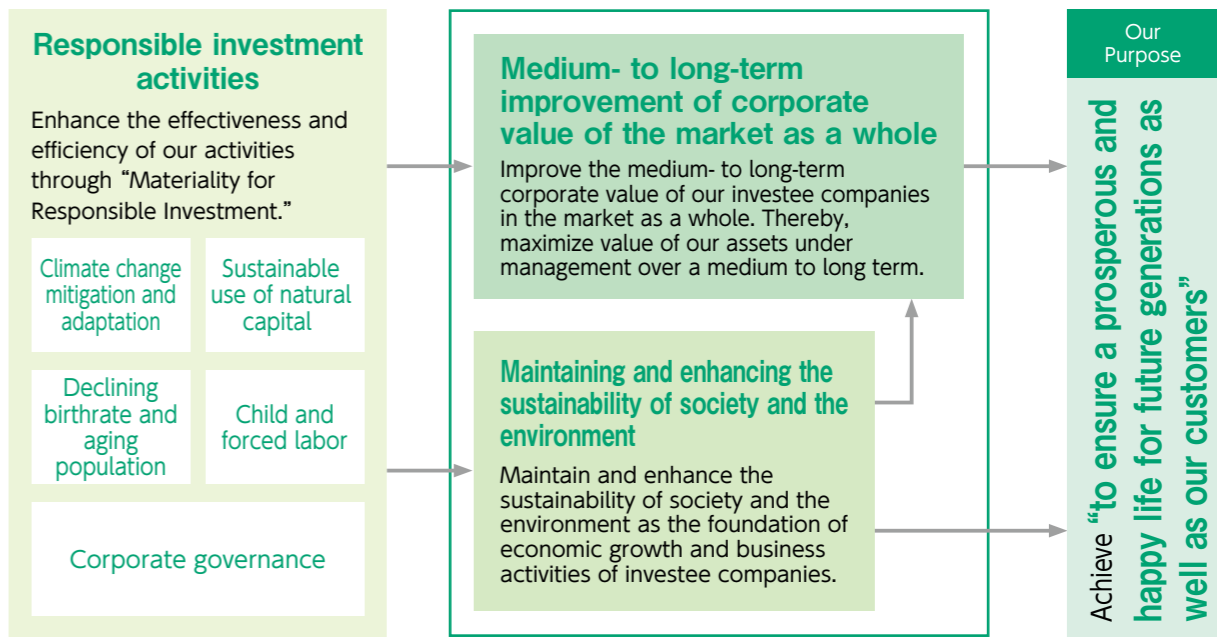
# “Materiality for Responsible Investment” (top-priority issues)

Our “Materiality for Responsible Investment” represents the top-priority issues that we must resolve through our responsible investment activities in order to maintain and improve the sustainability of society and the environment, as the foundation of economic growth and the investee companies’ business activities. We regard this as a means to achieve our goal of maximizing the value of invested assets over the medium to long term. Setting and utilizing the “Materiality for Responsible Investment” enable us to implement consistent, effective, and efficient responsible investment activities to achieve our Purpose “to ensure a prosperous and happy life for the future generations as well as our customers.”

## Details of “Materiality for Responsible Investment” and related measures

We have identified eight issues as our current “Materiality for Responsible Investment.” The following are an overview of each materiality item and current and future measures related to the materiality content.

## Relation between our “Materiality for Responsible Investment” and our Purpose



Materiality Item Title	Contents	Overview of our current and future measures
1 Climate change mitigation	Mitigate climate change through the use of renewable energy, energy conservation, promotion of a circular economy, and recovery of greenhouse gases.	We have established our “Policy on Climate” in 2023. Based on this policy, we have identified industry sectors that should particularly strengthen our measures regarding climate-related risks and opportunities, and we have conducted in-house engagement with our investee companies in high GHG emissions sectors and participated in collaborative engagement such as Climate Action 100+. Through these measures, we aim to reduce greenhouse gas emissions for our own investment portfolio as well as those of society as a whole. We will continue and improve these measures to contribute to climate change mitigation in future.
2 Climate change adaptation	Adapt to impact of climate change on socioeconomics, ecosystems, and infrastructure through prevention and risk diversification of damage from natural disasters, selective breeding of crop, and design of appropriate insurance products.	We have established our “Policy on Climate” in 2023. Based on this policy, we encourage our investee companies to implement measures for climate change adaptation, through engagements and proxy voting. We also manage an impact fund that contributes to global climate change countermeasures, and invest in impact companies that contribute to disaster resilience improvements and the resolution of food and water issues. We will continue these measures and contribute to climate change adaptation measures.
3 Sustainable use of natural capital	Ensure the sustainable use of natural capital (including water resources, forest resources, and biodiversity) through the control of its use, conservation and restoration, and the promotion of the circular economy.	We have established our “Policy on Nature” in 2023. Based on this policy, we have identified industry sectors that should particularly strengthen our measures regarding nature-related risks and opportunities, and encourage our investee companies to work to resolve nature-related issues. Particularly, we have conducted in-house engagement on the themes of “sustainable palm oil procurement” and “sustainable paper and timber procurement,” and participated in collaborative engagement such as Nature Action 100. We will continue and improve these measures, recognizing the interrelation of nature, climate change and human rights issues.
4 Eradication of child and forced labor and improvement of working conditions	Eradicate child and forced labor and improve working conditions in business activities, covering supply chains, through supply chain management, development of grievance mechanisms, and ensuring appropriate wage levels.	We have established the “Policy on Human Rights Issues related to Investment Management” in 2023. Based on this policy, we have encouraged our investee companies to take measures to resolve human rights issues by conducting in-house engagements on the themes of “child and forced labor” and “sustainable palm oil procurement” and participating in collaborative engagements such as PRI Advance. We will continue these measures and contribute to the resolution of human rights issues, with a focus on the eradication of child and forced labor.
5 Resolution of poverty and wealth inequality	Improve the problems of poverty, concentration and immobilization of wealth and resources, and inequality in access to education and economic opportunities, through development of social security systems, redistribution of wealth, and contributions to improving access to education.	We manage a Japanese Equity Impact Investment Fund with the goal of realizing a sustainable and livable Japanese society. We explore opportunities to invest in impact companies that contribute to improving access opportunities and cost burdens between different regions and generations across a wide range of living resources, such as education, healthcare, energy, and food. Moreover, we have provided financial education in high schools in order to contribute to correcting the concentration and immobilization of wealth of future generations and inequality in access to education over the medium to long term. We will continue the above measures and consider in-house engagement based on themes related to this item in future.
6 Countermeasures for declining birthrate and aging population	Contribute to solving problems such as economic decline and lack of leaders in the economy, society, and culture caused by the declining birth rate and aging population, through promoting flexible work styles, providing childcare and educational services, and establishing succession plans.	We manage a Japanese Equity Impact Investment Fund with the goal of realizing a sustainable and livable Japanese society. We aim to resolve various social issues by addressing the problems caused by “declining birthrate and aging population” and reducing the burden and anxiety of young generations and future generations, which may accelerate the “declining birthrate and aging population.” We will continue the above measures and consider in-house engagement based on themes related to this item.
7 Better DE&I	Improve DE&I through boosting diversity of directors and management, expansion and revision of personnel systems, and internal training.	We actively collaborate with various stakeholders, including outside directors of companies and peer companies through participation in platforms such as 30% Club Japan, and review and operate our Proxy Voting Guidelines. Through these measures, we aim to improve DE&I, including gender diversity on boards of directors. We aim to improve DE&I of our investee companies by continuing the above measures, and we will promote measures to improve DE&I of us, which uphold “Respect for Diversity” as one of our values.
8 Improvement of corporate governance and management transparency	Improve corporate governance and ensure management transparency through enhanced effectiveness of the board of directors, adequate information disclosure, thorough compliance and risk management.	We have conducted in-house engagement based on various themes tailored to the situation of our individual investee companies, participated in collaborative engagement such as ILCEF, and exercised voting appropriately. Through these measures, we encourage our investee companies to improve the effectiveness of their boards of directors and to formulate and review their management strategies and KPIs, including addressing sustainability issues. We will maintain these measures to encourage investee companies to improve corporate governance and ensure management transparency, taking into account the relevance of DE&I.

Review of “Materiality for Responsible Investment” in 2024

Since we identified the previous “Materiality for Responsible Investment” four years ago, there have been various changes in the external environment, including outbreaks of COVID-19, the emergence of geopolitical risks, the intensification of natural disasters, and the development of new technologies such as generative AI. In light of these situations, we reviewed and revised our “Materiality for Responsible Investment” in 2024 (“Materiality for Responsible Investment” presented on pages 12-13 is the revised version). The following is an overview of this review.

Review Process

We reviewed our Materiality in the following process.

**STEP 1 Listing of materiality issues**

We developed a list of candidate materiality issues by referring to literature of international organizations.

<b>E (Environment)</b> <ul style="list-style-type: none"><li>•Climate change mitigation</li><li>•Climate change adaption</li><li>•Sustainable use of nature capital</li><li>•Prevention of environmental pollution</li></ul>	<b>S (Social)</b> <ul style="list-style-type: none"><li>•Resolution of poverty and wealth inequality</li><li>•Countermeasures for declining birthrate and aging population</li><li>•Management of misinformation and false information</li><li>•Better DE&amp;I</li><li>•Eradication of violence, crime, conflict and terrorism</li></ul>	<b>G (Governance)</b> <ul style="list-style-type: none"><li>•Privacy protection and advanced cybersecurity</li><li>•Prevention of illness and infectious disease, and prompt response to outbreaks</li><li>•Social and economic resilience and enhancement of stability for life infrastructure</li><li>•Improvement of quality, safety, and availability of products and services</li></ul>	<b>G (Governance)</b> <ul style="list-style-type: none"><li>•Improvement of corporate governance and management transparency</li><li>•Promotion of R&amp;D innovation</li><li>•Acquisition and strengthening of human capital</li></ul>
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**STEP 2 Importance evaluation**

We evaluated the importance of each issue considering the role of our “Materiality for Responsible Investment,” mainly according to the following ①-③.

**Role of our “Materiality for Responsible Investment”**  
The top-priority issues that we must resolve through our responsible investment activities in order to maintain and enhance the sustainability of society and the environment, as the foundation of economic growth and investee companies’ business activities. We regard this as a means to achieve our objective of maximizing the value of our invested assets over the medium to long term

**① Survey of literature from international organizations**  
We scored the importance of issues on the list based on literature such as the Global Risks Report 2024 of the World Economic Forum and PRI’s recent activities, etc.

**② Questionnaire survey of external committee members**  
We surveyed three outside directors and three external committee members (external members of the Responsible Investment Committee and the Responsible Investment Verification Committee). We asked how well each issue on the list fits into our “Materiality for Responsible Investment” positioning, and converted the results into a score.

**③ Questionnaire survey of internal officers, managers and employees**  
We conducted a same survey as number 2 among internal officers, managers and employees and converted the results into a score. In addition to management, fund managers and analysts, and Responsible Investment Division members, the survey also included 15 younger employees in their second or third year at our company in order to incorporate opinions closer to “future generation” that we consider important in our Purpose.

Survey results suggested that important issues differ according to the affiliation of the respondents. For example, management and Responsible Investment Division members focused on “Climate change,” fund managers and analysts focused on “Corporate governance,” and younger employees considered “Declining birthrate and aging population” to be the most important.

**STEP 3 Ranking issues**

We weighted the scores calculated in STEP 2 to derive a total score and ranked the issues on the list. As shown in the figure below, the weighting were 50% external (① and ② of STEP 2) and 50% internal (③ of STEP 2). For the internal side of the survey, we gave a slightly higher weight to responses from management and younger employees in their second or third year with the company.

STEP 2 Assessment results

Scores related to ① of STEP 2 (survey of literature from international organizations) and ② of STEP 2 (questionnaire survey of external committee members)

External 50%

Internal 50%

Scores related to ③ of STEP 2 (survey of management, fund managers and analysts, Responsible Investment Division members and younger employees)

Total score

Ranking

**STEP 4 Decision upon consultation at the Responsible Investment Committee**

The Responsible Investment Committee (page 11) held deliberations based on the details of the survey results and the ranked list of issues. Following these deliberations, the new Materiality was finalized company-wide.

Climate change mitigation	Climate change adaption	Sustainable use of nature capital	Eradication of child and forced labor and improvement of working conditions
Resolution of poverty and wealth inequality	Countermeasures for declining birthrate and aging population	Better DE&I	Improvement of corporate governance and management transparency

Overall future direction based on the review

As previously stated, “Materiality for Responsible Investment” represents the top-priority issues that Resona Asset Management must resolve through its responsible investment activities. Based on this revision, we have reviewed and optimized our overall responsible investment activities (including ESG integration, Engagements, Proxy voting), and will continue these measures. These measures include the following:

- Greater emphasis on data items related to our materiality in the “Resona ESG Ratings” methodology, our proprietary corporate assessment system
- Reinforcement of existing engagement activities (including public engagement) related to our materiality
- Enhancement of activities related to our materiality items that are not fully addressed at this stage

In addition, we have positioned responsible investment activities as measures that should be engaged on a company-wide basis. In order to facilitate these company-wide measures, we believe it is necessary to further disseminate the new “Materiality for Responsible Investment” internally. In the review process, we have tried to foster a sense of ownership by including executives and employees other than Responsible Investment Division members in the survey, etc., with an awareness of internal penetration. We will continue to provide further opportunities for internal penetration. We will report regularly on the content and progress of our measures regarding our new “Materiality for Responsible Investment,” including the above, in our Sustainability Report. Moreover, we believe that our “Materiality for Responsible Investment” should be reviewed constantly in light of changes in the external environment and progress of our responsible investment activities. We will continue to review the Materiality approximately once every three to five years (or whenever it needs reviews due to sudden changes in the external environment).

## Our measures for addressing material sustainability issues

There are some material issues that need to be addressed in order to realize our Purpose “To ensure a prosperous and happy life for future generations as well as our customers.” Considering global trends, we should particularly focus on climate change, loss of natural capital and biodiversity, and human rights, which are also included in our “Materiality for Responsible Investment.” We have established policies that clarify our commitment and approach to these issues (“Policy on Climate,” “Policy on Nature,” and “Policy on Human Rights Issues related to Investment Management”). In alignment with these policies, we actively contribute to the global measures to address these issues through our investment activities. Here, we introduce an overview of our measures to address these issues.

### Overview of our measures to address climate change

#### Policy on Climate (Overview)

1. **Our Commitment**
  - Based on the recognition that addressing climate change is essential to achieve our Purpose, we support the objectives of the Paris Agreement and aim to achieve net zero GHG emissions across scope 1, 2 and scope 3 category 15 (our financed emissions) by 2050, and contribute to the global efforts to combat climate change through our investment activities.
2. **Climate-related Risks and Opportunities**
  - Climate change can pose various risks to our investee companies (intensified natural disasters could do severe damage to their business assets and significant changes in regulations and policies related to climate change, etc.), but companies who take advanced measures to mitigate or adapt to climate change can find opportunities. We assess these climate-related risks and opportunities.
3. **Governance**
  - We receive appropriate supervision, including submitting regular reports to the Board of Directors on the status of our efforts to tackle climate change.
4. **Our Approach**
  - We support our investee companies on their journey toward decarbonization through ESG integration, engagements and voting. In doing so, we seek to reduce GHG emissions in the whole society, based on our policy as a “Universal Owner.”
  - We use appropriate metrics to monitor the performance of our measures.
5. **Stakeholder Engagement**
  - We actively engage with various stakeholders, including market participants, NGOs and government agencies.
6. **Disclosures**
  - We seek to disclose our efforts to tackle climate change in our reports, and seek to enhance the contents of the disclosure.

#### Engagements (related items in the policy: 2. Climate-related Risks and Opportunities and 4. Our Approach)

##### In-House Engagement

We are conducting the following engagements to encourage investee companies to manage climate-related risks and opportunities.

##### i In-house engagement related to the transition to net zero

We ask major domestic investee companies in industry sectors with high greenhouse gas emissions (mainly companies in industry sectors such as Electric Utilities, Metals & Mining, Chemicals and Cement) to set a medium-term greenhouse gas reduction target, disclose a decarbonization strategy to achieve it, and improve climate-related governance, etc.

##### ii In-house engagement related to avoided emissions

Based on the recognition that avoided emissions\* are a useful metric for identifying companies that can capture climate-related transition opportunities and have high profitability in the future, we ask investee companies in industry sectors that are considered to be highly conscious of contributing to the reduction of greenhouse gas emissions through their products and services (Electrical equipment sector, Chemical sector and Mechanical sector) to disclose their reduction contributions and calculation methodologies.

\*Avoided emissions represent the difference between the amount of greenhouse gas emissions generated when a company introduces a solution (Products, services, technologies, and projects) and the amount of greenhouse gas emissions generated when a solution does not exist, and this metric indicates the contribution of a company to the reduction of greenhouse gas emissions by society as a whole.

##### Collaborative engagement (See page 28 for details)

Climate Action 100+ is an investor-led initiative to ensure the world’s largest corporate greenhouse gas emitters halve their emissions by 2030 and achieve net zero GHG emissions by 2050. This initiative asks major companies in industry sectors with high greenhouse gas emissions to set emissions reduction targets, improve climate-related governance, and disclose and implement net zero transition plans. We have been an active participant in this initiative, serving as a lead investor (an investor responsible for coordinating engagements) for several target companies.

#### Proxy voting (related item in the policy: 4. Our Approach)

##### Inclusion of Sustainability-Related Clauses in the Proxy Voting Guidelines (See page 40 for details)

We have introduced the following Clauses into the Proxy Voting Guidelines to encourage investee companies to address sustainability issues, including climate change.

- We consider voting against the election of the representative director if no relevant improvement has been made without any specific reason although we had set an issue (including climate change) to be addressed and continued engagement on it with an investee.
- We generally vote for shareholder proposals on material sustainability issues (including climate change) if the contents are deemed current and future international social norms and requirements.

#### ESG integration (related items in the policy: 2. Climate-related Risks and Opportunities and 4. Our Approach)

##### Resona ESG Ratings (See page 43 for details)

We have our own in-house corporate ESG rating framework named “Resona ESG Ratings” for ESG integration. We exclude a company whose score is lower than the specific level from the investable universe. “Greenhouse gas emissions,” “renewable energy utilization,” etc., are included as the elements to calculate the scores in this rating framework.

#### Offering financial products which generate positive impact on climate (related item in the policy: 4. Our Approach)

##### Impact investment funds related to climate change (See page 46 for details)

We manage the Global Impact Investment Fund (climate change), which intends to achieve a “sustainable world where climate change and its effects do not pose a threat to anybody’s life or health.” We invest in companies that are committed to mitigating and adapting to climate change as a business and are expected to increase their corporate value sustainably and create social impact.

\*The impact report for this fund (only available in Japanese) is available from the following URL.

<https://www.resona-am.co.jp/fund/120027/mokuromi.html>

#### Other activities (related item in the policy: 5. Stakeholder Engagement)

##### Eco-First

In the Eco-First Program, in which companies pledge to the Minister of the Environment to conduct activities to achieve environmental goals, and companies get certified to be leading in their environmental activities by the Minister of the Environment, we became the first institutional investor to be certified as an “Eco-First company” in April 2023.



#### Issuance of Climate/Nature-related Financial Disclosure Report (related item in the policy: 6. Disclosures)

We provide integrated disclosures on the measures to manage climate/nature-related risks and opportunities aligned with the framework based on the TCFD (Task Force on Climate-related Financial Disclosures) and the TNFD (Taskforce on Nature-related Financial Disclosures). (See page 50 for details)

## Overview of our measures to address loss of natural capital and biodiversity

### Policy on Nature (Overview)

#### 1. Our Commitment

- Based on the belief that addressing the loss of natural capital and biodiversity is essential to achieve our Purpose, we support the 2050 Vision and the 2030 mission which the Kunming-Montreal Global Biodiversity Framework set out, and contribute to the global efforts to address the loss of natural capital and biodiversity through our investment activities.

#### 2. Nature-related Dependencies and Impacts, Risks and Opportunities

- All of our investee companies have dependencies and impacts on natural capital in some way in their businesses, and there are risks (such as degradation of a particular type of natural capital a company relies on) associated with such dependencies and impacts. On the other hand, businesses that take advanced measures to reduce their dependencies on natural capital, to prevent or mitigate negative impacts on natural capital have opportunities related to natural capital. We evaluate the dependencies and impacts on natural capital and assess the associated risks and opportunities in our portfolio.

#### 3. Governance

- We receive appropriate supervision, including submitting regular reports to the Board of Directors on the status of our efforts to tackle loss of natural capital.

#### 4. Our Approach

- We identify industry sectors on which we should particularly focus in our portfolio, taking into consideration the scale of the nature-related dependencies and impacts and the size of the exposure. For the identified industry sectors, we identify material nature-related risks and opportunities.
- We support our investee companies in their measures to address the loss of natural capital through ESG integration, engagements and proxy voting. In doing so, we seek to halt and reverse loss of natural capital in the whole society, based on our policy as a "Universal Owner."
- We use appropriate metrics to monitor the performance of our measures.

#### 5. Stakeholder Engagements

- We actively engage with various stakeholders, including market participants, NGOs and government agencies.

#### 6. Disclosures

- We seek to disclose our efforts to address the loss of natural capital in our reports, and seek to enhance the quality of the disclosure.
- We also contribute to the development of data and frameworks through collaboration with other stakeholders.

### Engagements (related items in the policy: 2. Nature-related Dependencies and Impacts, Risks and Opportunities and 4. Our Approach)

#### ■ In-House Engagement

We are conducting the following engagements to encourage investee companies to manage nature-related risks and opportunities.

##### i In-house engagement related to sustainable palm oil procurement and production (See page 30 for details)

Palm oil production is one of the major causes of deforestation. Based on this, we ask domestic companies that handle large volumes of palm oil, etc., and major Southeast Asian companies that produce palm oil to ensure the traceability of raw materials related to palm oil, procure RSPO-certified\* palm oil and establish palm oil procurement policies incorporating NDPE (No Deforestation, No Peat, No Exploitation).

\*One of the criteria for certification is protection, conservation and enhancement of ecosystems and the environment.

##### ii In-house engagement related to sustainable paper and timber procurement

The logging of natural forests for the production of paper and timber is one of the major causes of deforestation. Based on this, we ask domestic companies that handle large volumes of paper or timber, etc., to ensure the traceability of the paper and timber used in their products, procure FSC-certified (A certification that ensures that products come from responsibly managed forests that provide environmental, social and economic benefits.) products for raw materials, and establish and implement sustainable paper and timber procurement policies.

#### ■ Collaborative engagement

Nature Action 100 is a global investor-led engagement initiative that aims to support greater corporate ambition and action on reversing nature and biodiversity loss. We have been an active participant in this initiative, and ask major companies in industry sectors with highly dependence on and impact on nature to assess and disclose their nature-related dependencies, impacts, risks and opportunities, set nature-related targets, formulate strategies to achieve these targets, and improve nature-related governance.

### ESG integration (related items in the policy: 2. Nature-related Dependencies and Impacts, Risks and Opportunities and 4. Our Approach)

#### ■ Resona ESG Ratings (See page 43 for details)

We have our own in-house corporate ESG rating framework named "Resona ESG Ratings" for ESG integration. We exclude a company whose score is lower than the specific level from the investable universe. "Water resources," "water recycling rate," etc., are included as the elements to calculate the scores in this rating framework.

### Offering financial products which generate positive impact on natural capital and biodiversity (related item in the policy: 4. Our Approach)

#### ■ Impact investment funds (See page 46 for details)

We manage the Global Impact Investment Fund (climate change), which intends to achieve a "sustainable world where climate change and its effects do not pose a threat to anybody's life or health." The primary solution fields of focus (Impact Target) that this fund targets to invest in include "Resolving Food and Water Problems," and it contributes to addressing issues related to natural capital as well as climate change.

\*The impact report for this fund (only available in Japanese) is available from the following URL.

<https://www.resona-am.co.jp/fund/120027/mokuromi.html>

### Other activities (related item in the policy: 5. Stakeholder Engagement)

#### ■ Initiatives in PRI in Person 2023

PRI in Person 2023 was held in Tokyo in October 2023. We took this opportunity to host an official side event on the theme of measures to realize a nature-positive economy, focusing on the recommendations of the TNFD (Taskforce on Nature-related Financial Disclosures). We invited some persons who are active at the forefront of measures related to natural capital as panelists and had them give lectures and have discussions.



#### ■ Signature on the Finance for Biodiversity Pledge and participation in the Finance for Biodiversity Foundation

In May 2021, we signed the Finance for Biodiversity Pledge, a commitment of financial institutions to protect and restore biodiversity through their finance activities and investments. As of December 2024, we are the only Japanese financial institution to have signed this pledge. Since January 2022, we have also participated in the Finance for Biodiversity Foundation, an organization that implements measures to realize this pledge. Within this foundation, we actively participate in the "Engagement with Companies Working Group," and engage in discussions with financial institutions worldwide, particularly in Europe, to share and collect knowledge.

### Issuance of Climate/Nature-related Financial Disclosure Report (related item in the policy: 6. Disclosures)

We provide integrated disclosures on the measures to manage climate/nature-related risks and opportunities aligned with the framework based on the TCFD (Task Force on Climate-related Financial Disclosures) and the TNFD (Taskforce on Nature-related Financial Disclosures). (See page 50 for details)

## Overview of our measures to address human rights issues

### Policy on Human Rights Issues related to Investment Management (Overview)

1. **Our Commitment**
  - Based on the belief that addressing human rights issues is essential to achieve our Purpose and “desirable future,” we contribute to global efforts to combat human rights issues through our investment activities.
2. **Human Rights-related Risks and Opportunities**
  - We believe that human rights issues can pose a variety of risks (such as suspension of the relationships with the clients) to our investee companies, and we also believe that managing the adverse human rights impacts brings opportunities (such as enhancing brand image and attracting new customers and talented human resources). We assess these human rights-related risks and opportunities.
3. **Governance**
  - We receive appropriate supervision, including submitting regular reports to the Board of Directors on the status of our efforts to manage adverse human rights impacts related to our investee companies’ business.
4. **Our Approach**
  - We identify industry sectors where the potential for adverse human rights impacts associated with business operations is relatively high.
  - We identify adverse human rights impacts related to the business of investee companies through engagements and proxy voting, etc. We encourage investee companies to prevent, mitigate, and remedy identified adverse human rights impacts.
  - We support investee companies in establishing access to grievance mechanisms.
5. **Stakeholder Engagement**
  - We actively engage with various stakeholders, including market participants, NGOs and government agencies.
6. **Disclosures**
  - We disclose our measures and progress in contributing to tackling human rights issues in our reports.

### Engagements (related items in the policy: 2. Human Rights-related Risks and Opportunities and 4. Our Approach)

#### ■ In-House Engagement

We are conducting the following engagements to encourage investee companies to prevent and mitigate adverse human rights impacts related to their business.

##### i In-house engagement related to child and forced labor

We have conducted research to identify industry sectors that are assumed to have relatively high potential for adverse human rights impacts, high-risk raw materials and their procurement regions, and specific measures to ask investee companies to take to address these risks for “child and forced labor” that is closely related to our “Materiality for Responsible Investment” among human rights issues. Based on this research, we have identified industry sectors where the risk of child and forced labor is high, namely Metals & Mining, Foods & Beverages, and Apparel & Footwear, etc. We ask major domestic investee companies in these sectors to take actions such as Policy Commitment, Human Rights Due Diligence and Remediation in alignment with the “UNGPs (United Nations Guiding Principles on Business and Human Rights)” and related guidance.

##### ii In-house engagement related to sustainable palm oil procurement and production (See page 30 for details)

We ask domestic companies that handle large volumes of palm oil, etc., and major Southeast Asian companies that produce palm oil to procure RSPO-certified\* palm oil, establish palm oil procurement policies incorporating NDPE (No Deforestation, No Peat, No Exploitation), and respect human rights of workers in their value chains.

\*One of the criteria for certification is respect for the human rights of local communities and respect for the workers’ rights and conditions.

#### ■ Collaborative engagement (See page 28 for details)

We actively participate in the following collaborative engagements on human rights issues.

##### i PRI advance

This is a collaborative initiative that aims to advance progress on human rights. This initiative asks 40 global companies related to mining and renewable energy to integrate the “UNGPs” into their business operations and strengthen their measures to address serious human rights issues throughout their entire value chain.

##### ii Apparel & Footwear Engagement using the KnowTheChain Benchmarks

This is a collaborative initiative that utilizes the resources of KnowTheChain (an international organization providing resources for companies and investors to address forced labor in global supply chains) to address forced labor issues in the apparel and footwear sector. This initiative asks 27 companies in the apparel and footwear sector to operate a more transparent and responsible supply chain and eradicate forced labor, etc.

### ESG integration policy (related items in the policy: 2. Human Rights-related Risks and Opportunities and 4. Our Approach)

#### ■ Resona ESG Ratings (See page 43 for details)

We have our own in-house corporate ESG rating framework named “Resona ESG Ratings” for ESG integration. We exclude a company whose score is lower than the specific level from the investable universe. “The presence of measures to prevent child labor,” “Management of social risks of supply chain,” etc., are included as the elements to calculate the scores in this rating framework.

### Other activities (related item in the policy: 5. Stakeholder Engagement)

#### ■ Participation in the ILO’s “Working Group for Developing Awareness Raising Materials on Business and Human Rights for Institutional Investors”

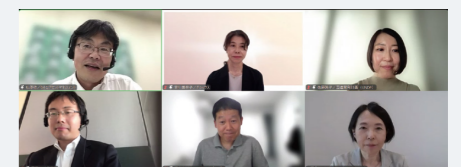
In October 2023, the ILO (International Labour Organization) and PRI launched a working group to develop awareness raising materials on business and human rights for institutional investors. We published a material titled “A Guide to ‘Business and Human Rights’ for Institutional Investors - What, Why and How to Address Human Rights through Investment Practices” as an outcome of the working group in May 2024. As a signatory to the PRI, we participated in this working group, and actively engaged in discussions and contributed to the development of the guide alongside other members.

\*“A Guide to ‘Business and Human Rights’ for Institutional Investors - What, Why and How to Address Human Rights through Investment Practices” is available from the following URL.

<https://www.ilo.org/publications/guide-business-and-human-rights-institutional-investors>

#### ■ Mainly Involved in Management for the Event on Business and Human Rights

We chair the Asset Management, Securities & Investment Banking Business Working Group of the Principles for Financial Action for the 21st Century (Japanese local initiative). The WG co-hosted an event titled “The Introductory Seminar on Business and Human Rights” in August 2024. We discussed “why and how companies and financial institutions should tackle human rights issues,” and “the nexus of human rights and environmental issues including climate and nature,” with a wide range of participants, including financial institutions, lawyers, policy makers, and business companies. We took the lead in organizing this event and led the discussion as the moderator.



#### ■ Participation in JaCER (Japan Center for Engagement and Remedy on Business and Human Rights)

JaCER is an organization that aims to provide a non-judicial platform for grievance redress and to act in a professional capacity to support and promote redress of grievances by member companies based on the “UNGPs.” We are an Affiliate Member of this organization. In September 2024, our Chief Sustainability Officer (CSuO) Minoru Matsubara participated in a panel discussion as a panelist on the theme of “Business and Human Rights and Access to Redress from ESG Perspectives” at “Practical Training on Engagement and Remedy” of this organization and engaged in a lively discussion ensued on the direction that companies should take in the future.

In order to achieve our Purpose, “to ensure a prosperous and happy life for future generations as well as our customers,” it is important to ensure sustainable and stable growth of investee companies over the long term. To this end, investee companies must manage their businesses so as to achieve medium-to long-term enhancement of social value and sustainable growth by formulating and implementing appropriate management and business strategies on the basis of sustainable society and environment, as the foundation of their corporate activities. We view engagements as one of the measures to make this practical in collaboration with our investees. Based on this philosophy, we have established an “Engagement Policy” that clarifies the objectives and basic processes for engagements. Recently, further improvement in the effectiveness of stewardship activities, including engagements, has been called for. Accordingly, we set up an “Engagement Plan” on annual basis, covering key themes, target companies, and items for engagement activities. We are working to enhance the sophistication of our activities through the PDCA cycle based on this plan.

## Overview of engagements

### Our engagement scheme

#### Engagement policy

- Aim to promote enhancement of investee companies’ social value and sustainable growth over the medium to long term, eventually boosting benefits for our customers. By collaborating with investee companies, we seek to improve the sustainability of investee companies themselves and the sustainability of society and the environment, as the foundation of their corporate activities.
- Aim to enhance our engagements, by operating a PDCA cycle of Plan (setting up an annual Engagement Plan), Do (conducting engagements), Check (monitoring), and Act (following up actions and revising the plan based on monitoring results).

(For further details on our engagement policy, see <https://www.resona-am.co.jp/sustainability/engagement.html>) (in Japanese)

#### Engagement Plans (annual)

- Establish the priority themes for engagements, and approaches for each type of engagement activity (e.g., target companies, engagement items, milestones, and monitoring perspectives).
- Conduct engagements based on the plan and monitor the results at the Responsible Investment Committee (page 11). Take actions based on the results, (improvement of activities and considerations in voting) and modifications to the plan.

#### Types of engagements

##### Materiality engagement (top-down) (In-house or collaboration)

(See page 26 for details)

##### Public engagement

(See page 55 of the Japanese Version for details)

##### Index-related engagement

(See page 54 of the Japanese Version for details)

##### Information disclosure engagement

(See page 38 of the Japanese Version for details)

##### Bottom-up engagement

(See pages 40 and 42 of the Japanese Version for details)

### Types of our engagement activities

#### Engagement with investee companies

##### 1 Materiality engagement (top-down)

(See page 26 for details)

Engagements under the themes based on our “Materiality for Responsible Investment” (page 12) with the target companies selected based on their relevance to the set themes.

##### 2 Information disclosure engagement

(See page 38 of the Japanese Version for details)

Engagements aimed at rectifying the disclosure-related discount (\*) resulting from insufficient information disclosure, with the target companies selected based on their relevance to this theme.

\*Insufficient disclosure of non-financial information prevents proper evaluation of corporate value.

##### 3 Bottom-up engagement

(See pages 40 and 42 of the Japanese Version for details)

Engagements based on the individual investee company’s management strategy, capital policy, governance, and other conditions, as well as on the unique themes of active investment.

Type	Materiality engagement (top-down)	Information disclosure engagement	Bottom-up engagement
Focus	Our materiality Climate change, Conservation of natural capital, etc.	Rectification of the disclosure-related discount	Management strategies, Capital policies, etc.
Main examples of themes	Enhancement of climate-related disclosures and 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

#### Engagement with public institutions and organizations, etc.

##### 4 Public engagement

(See page 55 of the Japanese Version for details)

Proposals and statements to governments, public agencies, and related organizations to maintain and improve the foundations of corporate and economic activities (including social and natural environments).

#### Engagement with index providers

##### 5 Index-related engagement

(See page 54 of the Japanese Version for details)

Engagements with index providers aimed at promoting the sound and sustainable development of the indexes referenced in our passive investment.

Features of our engagements

1 Introduction of a top-down approach

In our “materiality engagement (top-down)” and “information disclosure engagement,” we set themes and engagement items based on our “Materiality for Responsible Investment” (page 12), and we select target companies based on the relevance to the set themes. With regard to climate change, natural capital and human rights, as social and environmental issues of particular importance to us, we have established specific policies (page 16 to 21) that clarify our basic approach to each issue to ensure consistency in our company-wide measures. Introducing this sort of approach will help to improve the effectiveness and efficiency of engagements.

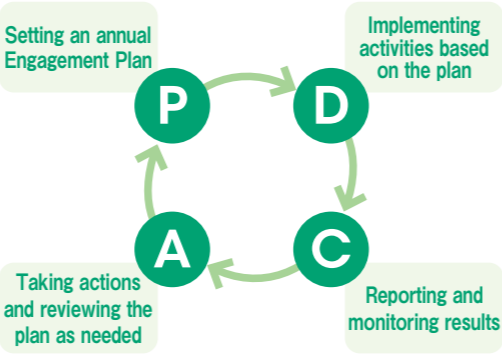
2 Our extensive network

We have been a PRI signatory since 2008 and a member of PRI Japan since its establishment in 2010. We actively interact with various stakeholders by utilizing the network we have cultivated as a pioneer in responsible investment, accumulating advanced and wide-ranging knowledge and information. We make use of these insights in reviewing our “Materiality for Responsible Investment” and selecting themes, items and target companies for engagements, seeking to improve the effectiveness and efficiency of our engagements.

External experts	We regularly collect information and exchange opinions with researchers and other experts to accumulate knowledge on corporate governance and social and environmental issues.
NGOs	We hold regular meetings to exchange views with NGOs.
Regulators	We participate as a member of discussion committees to the Financial Services Agency; the Ministry of Economy, Trade and Industry; and the Ministry of Environment.
Overseas investors	We exchange views with overseas investors on collaborative engagements and specific sustainability issues.
Associations	We serve the steering committees of several financial institutions’ initiatives on ESG and sustainable finance, including the Japan’s Impact Consortium, the Japan Impact-driven Financing Initiative, and the Principles for Financial Action for the 21st Century. Through these activities, we actively communicate with leading experts in these fields.
The youth generation	We invite youth activists to discussion meetings with NGOs.

3 Verification and advancement of activities through PDCA cycle

Through the annual setting of an “Engagement Plan” and the implementation of a PDCA cycle based on the plan, we aim to improve the effectiveness of our engagement activities. In the annual plans, we specify approaches for each type of engagement activity (target companies, engagement themes, milestones, monitoring perspectives). The results of engagement activities based on the plans are to be reported to and monitored by the Responsible Investment Committee. Given the results of the monitoring, we take the appropriate actions (e.g., improvement of activities, reflection in voting) revise the plan as necessary.

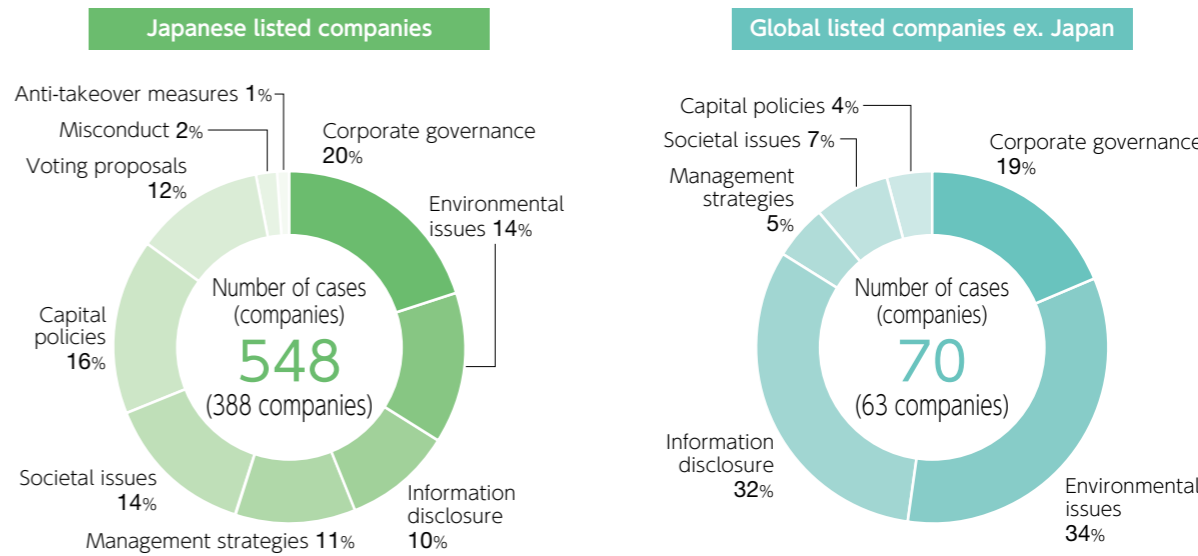


Engagement activities

Our engagement activity results for July 2023 through June 2024 are as follows.

Responsible Investment Division (Passive investment)

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



Equity Investment Division (Active investment)

The Equity Investment Division mainly conducts bottom-up engagement based on the investee company’s actual status, as each investment approach has a different focus on corporate risks and opportunities. The Equity Investment Division also collaborate with the Responsible Investment Division on information disclosure engagements.

	Engagements
Number of companies	1,665 (with 655 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
Number of companies	91 (with 69 companies)

For more details on our information disclosure engagement, please refer to page 38 of the Japanese Version. For details on engagement activities of the Equity Investment Division and the Fixed Income Investment Division, please refer to pages 40 and 42 of the Japanese Version respectively.

# Materiality engagement (top-down)

## Objectives of materiality engagement (top-down)

Our Engagement Policy defines the overall objective as “to promote enhancement of investee companies’ social value and sustainable growth over the medium to long term, eventually boosting benefits for our customers.” Our “Materiality for Responsible Investment” (page 12) identifies material issues to address through responsible investment activities in order to sustain and enhance the social and environmental basis of economic growth and their business activities, as well as global sustainability issues. For materiality engagement (top-down), we set themes based on the materiality and global sustainability issues, and then select target companies based on their relevance to these themes. Through this engagement, we aim to encourage investee companies in addressing financial risks and opportunities related to the materiality, as well as to maintain and improve the sustainability of society and the environment, as the foundation of economic growth and business activities.

\*For collaborative engagement, we consider our participation based on the relevance of its themes to our “Materiality for Responsible Investment.”

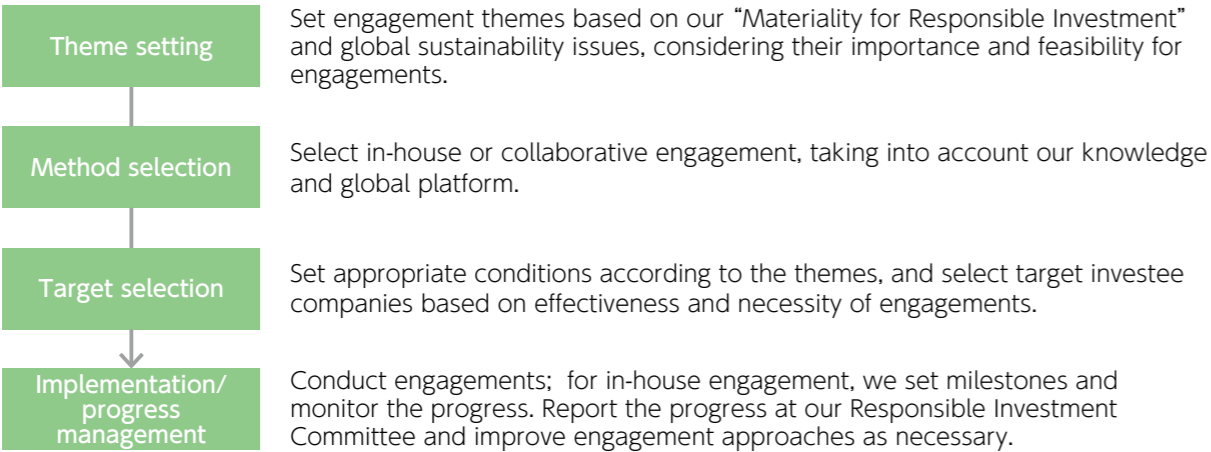
## Approach

### Theme

As described above, we set engagement themes based on our selected “Materiality for Responsible Investment” and global sustainability issues. For the themes currently set, please refer to the next page.

### Process

We conduct in-house engagement through the following process.



\* For collaborative engagement, we consider our participation based on the relevance of its themes to our “Materiality for Responsible Investment.” After participation, we follow the overall process of that collaborative engagement.

## Future direction

We will proceed in-house and collaborative engagements, focusing on key sustainability issues including climate change, loss of natural capital, and human rights issues, while recognizing synergies among these issues. We will also look into handling the newly added issues in our “Materiality for Responsible Investment” revised in 2024 (e.g., “Addressing declining birthrates and aging population” and “Resolution of poverty and wealth inequality”).






## Materiality (top-down) engagement/Main themes

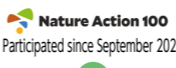
	Materiality	Main themes	Materiality engagement (top-down)
E (Environmental)	Climate change mitigation	Measures on climate change mitigation	Climate change (In-house engagement) Encourage major investee companies in industry sectors with high greenhouse gas emissions to set GHG reductions targets, and to formulate decarbonization strategies.
			Sustainable palm oil procurement (In-house engagement) (page 30) Encourage major investee companies related to the palm oil supply chain to ensure traceability of palm oil, to switch to procure RSPO-certified palm oil, and to formulate and implement NDPE policies.
			Climate Action 100+ (Collaborative engagement) (page 32) Encourage the major companies in industry sectors with high greenhouse gas emissions to set GHG emissions reduction targets, to formulate decarbonization strategies, and to strengthen climate governance.
	Climate change adaptation	GHG reduction and disclosure	GHG emission reduction (In-house engagement) Encourage investee companies to disclose their GHG emission reductions and their calculation methodology. The investee companies are the companies in industry sectors that are considered to be highly conscious of contributing to the reduction of greenhouse gas emissions through their products and services.
			AIGCC Asian Utilities Engagement Program (Collaborative engagement) Encourage Asian utility companies to develop strategies for responding to the physical risks of climate change.
	Sustainable use of natural capital	Zero-deforestation	Sustainable palm oil procurement (In-house engagement) (page 30) (reposted) Encourage major investee companies related to the palm oil supply chain to ensure procurement traceability, to switch to procure RSPO-certified palm oil, and to formulate and implement NDPE policies through the supply chain.
			Sustainable palm oil production (In-house engagement) Encourage major investee companies in Southeast Asia producing palm oil to ensure traceability to plantations, and to formulate and implement NDPE policies.
			Sustainable paper and timber procurement (In-house engagement) Encourage major investee companies that handle large volumes of paper or timber to formulate procurement policies aimed at zero deforestation, to properly implement their procurement policies, and to disclose information.
Nature Action 100 (Collaborative engagement) Encourage the major companies to assess and disclose their dependence on, impact on, risks related to and opportunities related to natural capital, to set their goals related to natural capital, to formulate their strategies to achieve those goals, and to strengthen their governance related to natural capital. The target companies are large capitalized companies and in sectors which have high dependencies and impact to nature capital.			
S (Social)	Eradication of child and forced labor and improvement of working conditions	Governance and due diligence on human rights issues	Child and forced labor (In-house engagement) Encourage investee companies to formulate human rights policies, to conduct human rights due diligence, and to implement remediation. The investee companies are major companies in sectors with a high risk of child labor and forced labor.
			PRI Advance (Collaborative engagement) (page 33) Encourage target companies to incorporate the UN Guiding Principles on Business and Human Rights (UNGPs) into their business operations, and to deepen their activities to address salient human rights issues in their business activities and value chains. The target companies are in sectors with higher human rights risks.
			Apparel & Footwear Engagement using the KnowTheChain Benchmarks (Collaborative engagement) Encourage apparel and footwear companies to demonstrate commitment to respect for human rights, to ensure traceability in their supply chains, to conduct risk assessments for forced labor, and to implement remedies.
		Addressing human rights issues in the supply chain	Sustainable palm oil procurement (In-house engagement) (reposted) Encourage major investee companies related to the palm oil supply chain to ensure traceability of procurements, to switch to procure RSPO-certified palm oil, and to formulate and implement NDPE policies.
	Sustainable palm oil production (In-house engagement) (reposted) Encourage major investee companies in Southeast Asia producing palm oil to ensure traceability to plantations, to consider human rights of workers, and to formulate and implement NDPE policies.		
	Resolution of poverty and wealth inequality	We will consider related initiatives in the future due to newly added materiality.	
	Countermeasures for declining birthrate and aging population	Same as above	
G (Governance)	Better DE&I	Gender diversity on board of directors composition	30% Club UK Investor Group (Collaborative engagement) Encourage investee companies to share the importance of board gender diversity and take actions to achieve it.
	Improvement of corporate governance and management transparency	Anti-takeover measures	Institutional Investors Collective Engagement Forum (IICEF) (page 35) Support the management of investee companies to conduct their management policies by sharing awareness on the governance issues such as anti-takeover measures between institutional investors and investee companies.
		Board effectiveness	30% Club UK Investor Group (Collaborative engagement) (reposted) Encourage investee companies to share the importance of board gender diversity and take actions to achieve it.


Participation to collaborative engagements

We actively participate to collaborative engagements to conduct effective and efficient engagements. The determination process to participation includes following criteria:  
1) the relevance to our “Responsible investment materialities” (page 12),  
2) the urgency and necessity of the theme, and,  
3) wide range of impact.  
Many collaborative engagements are conducted as part of stewardship activities by various investor groups. The following list is the platforms and collaborative engagements.

E Environmental S Social G Governance D Disclosure ★ : Collaborative engagement which we lead/co-lead.

Global	 Participated since March 2008 E S G D	<b>PRI : Principles for Responsible Investment</b> Collaborative engagements	Theme	Since
		★ 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
	 Participated since April 2017 E D	<b>CDP</b> Collaborative engagements	Theme	Since
		★ Non-Disclosure Campaign	Climate change	April 2020
		SBT Campaign	Climate change	September 2020
	 Participated since May 2018 E	<b>Climate Action 100+</b> Collaborative engagement themes	★ Climate change	
	 Participated since January 2020 E S D	<b>FAIRR : Farm Animal Investment Risk &amp; Return</b> Collaborative engagements	Theme	Since
		Protein Diversification Engagement	Food sustainability	January 2020
		Sustainable Aquaculture Engagement	Food sustainability	March 2021
		Working Condition Engagement	Labor practices	March 2022
	 Participated since May 2020 E	<b>AIGCC : Asia Investor Group on Climate Change</b> Collaborative engagements	Theme	Since

Global	 Participated since September 2023 E	<b>Nature Action 100</b> Collaborative engagement themes	★ Natural capital
		<b>Other collaborative engagements</b>	
		Investor Initiative on Hazardous Chemicals	Theme: Chemical substances Since: September 2022
		Valuing Water Finance Initiative	Water resources January 2023

Japan	 Participated since October 2017 G D	<b>IICEF: Institutional Investors Collective Engagement Forum</b> Collaborative engagement themes	★ Information disclosure Cross-shareholding Handling of misconduct Listed parent companies and subsidiaries Proposals with strong opposition Cost of capital and stock price Anti-takeover measures
	 Participated since November 2021 D	<b>EDSG</b> Collaborative engagement themes	Information disclosure

Other activities through various platforms

We promote collaborative activities besides company engagements. We also join to a number of sustainability membership associations. The following list is the endorsed investor statements and platforms joined in 2024.

■ Endorsed investor statements in 2024			Theme	Endorsement Dates
PRI Spring			Natural capital	February 2024
2024 Global Investor Statement to Governments on the Climate Crisis			Climate change	September 2024

■ Other organizations we are involved in

Global	 Japan Investor Group, participated since June 2019 UK Investor Group, participated since December 2019 S G	 Inspiring global governance standards www.icgn.org Participated since April 2020 G	 Taskforce on Nature-related Financial Disclosures TNFD Forum, participated since December 2021 TNFD Early Adopter, participated since December 2023 E
	 Principles for Financial Action for the 21st Century Participated since October 2012 E S G	 Japan Impact-driven Financing Initiative Participated since October 2021	 一般社団法人ビジネスと人権対話推進機構 Participated since September 2022 S
Japan	 Food Supply chain Public Private Platform, participated since March 2023 E	 Eco-First Company, participated since April 2023 E	 Participated since March 2023 E
			 人間的資本経営コンソーシアム Participated since July 2023 S

## 1

## Sustainable Palm Oil Procurement

Relevant materiality: Mitigation of climate change, sustainable use of natural capital, eradication of child labor and forced labor, improvement of working conditions

## Target company status and engagement themes

- Company A engages in business in the food manufacturing sector of Southeast Asia, a palm oil production region. Company A uses palm oil as a raw material in its food, beverage, cosmetics and other products.
- Since 2021, Resona Asset Management has been conducting engagements with Company A regarding the following engagement themes. This has involved setting milestones as shown in the diagram below with respect to monitoring progress of activities undertaken by Company A and other target companies subject to such engagement.



©WWF Japan

**Theme 1** : Company A's raw material procurement policy does not align with requirements of NDPE policy\*1 related to forest conservation.

**Theme 2** : Company A's raw material procurement practices do not meet global standards for sustainable palm oil production and procurement (RSPO\*2 standards). Additionally, Company A was not a member of RSPO.

\*1 "No Deforestation, No Peat, No Exploitation." \*2 The Roundtable on Sustainable Palm Oil (RSPO) is a global initiative on sustainable use of palm oil.

## Engagement details and effects

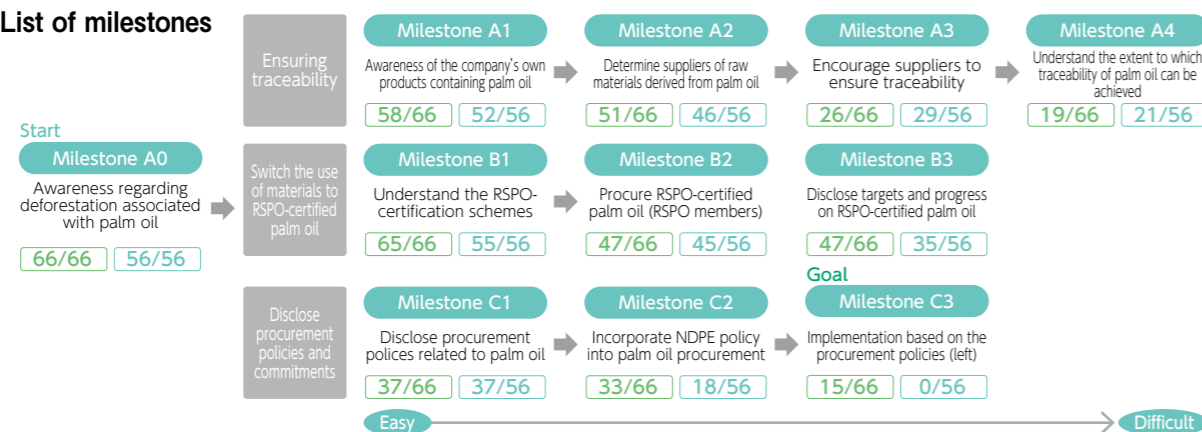
## Theme 1

- We encouraged Company A to incorporate NDPE policy into its procurement policy given the notion that Company A needs to review its procurement policy, which serves as the foundation for responsible procurement. Furthermore, we asked Company A to encourage its suppliers to ensure traceability of raw materials given the notion that it is necessary to build a traceability system for implementing approaches to identifying and resolving concerns by tracing origins of raw materials to their production sites.
- In 2023, Company A released its Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing with respect to its procurement activities encompassing palm oil. Furthermore, Company A committed to achieve 100% traceability of palm oil sourced as a primary raw material back to the oil palm plantation by the end of FY 2030.

## Theme 2

- We conducted engagement with Company A in seeking to facilitate disclosure on procurement targets and progress on certified palm oil. Specifically, we provided information on RSPO-certification schemes and discussed the Company A's intention to join RSPO.
- Company A has joined RSPO since 2023 and is now formulating and implementing a plan to ensure 100% of its palm oil procurement is RSPO-certified by 2025.

## List of milestones



(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 2024.   indicates status from July 2022 to June 2023, and   indicates status from July 2023 to June 2024.

## column

## Our FY2023 activities regarding the sustainable use of nature capital.

- We regularly hold discussions with NGOs and experts from home and abroad, sharing details of our activities and seeking feedback.
- We attended the RSPO Annual Roundtable Conference on Sustainable Palm Oil. Based on the insights gained there, we have re-evaluated the challenges facing the palm oil industry and outlined our future initiatives.

## 2

## Effectiveness of the Board of Directors and Director Compensation Structure

Relevant materiality: Improving corporate governance, enhancing managerial transparency

## Target company status and engagement themes

Company B engages in telecommunications and services sector where it serves as a major developer of home video game software and has produced many popular titles. In recent years, it has achieved substantially greater profitability as it makes progress in shifting toward highly profitable digital sales in its consumer business. Resona Asset Management has been conducting engagements with Company B on the following engagement themes.

**Theme 1** : The corporate governance structure is heavily owner-driven overall, with non-founding directors holding few company shares.

**Theme 2** : The presence of long-serving outside directors suggests room for improvement in board diversity.

## Engagement details and effects

Since 2011, we have been consistently conducting engagement with management of Company B every year. Given that Company B had previously implemented anti-takeover measures, strengthening the corporate governance framework has been a central discussion topic from the outset.

## Theme 1

- In 2023, Company B explained that it would first introduce an equity compensation for employees before extending it to the directors.
- We explained the benefits of introducing performance-linked equity compensation to enhance equity-linked incentives, given that non-founding directors hold relatively few company shares.
- A proposal to introduce performance-linked equity compensation was subsequently approved at Company B's Annual General Meeting (AGM) in June 2024.

## Theme 2

- In 2024, we discussed the independence of long-serving outside directors.
- In regard to the board diversity, Company B explained that it is considering the prospect of appointing not only female directors but also directors who are non-Japanese given its plans for global business expansion going forward, thereby conveying the notion that such appointments are one of its possible options.
- Two long-serving outside directors subsequently resigned and two new outside directors were elected at Company B's AGM in June 2024.

## Column

## Overview of Resona Asset Management's engagements on corporate governance

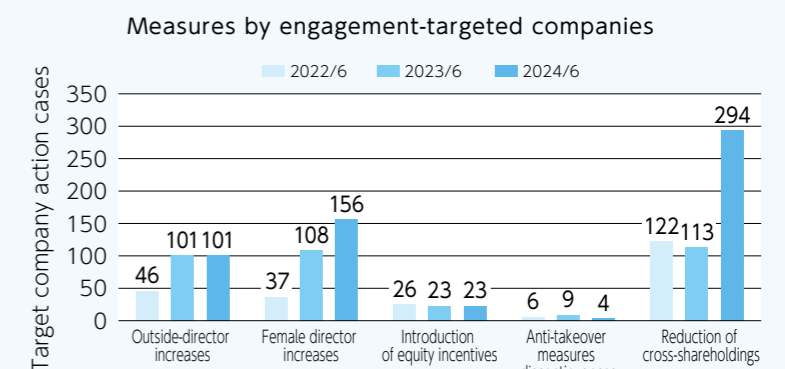
Resona Asset Management conducts engagement on corporate governance according to the circumstances of the individual companies.

## Process

- Resona Asset Management shares identified issues at the company through engagement.
- Monitor said company's action over the years (see graph on right).
- In addition to confirming said company's action, revise engagement themes as necessary in response to corporate governance code revisions.

## Outcomes and impacts

Actions taken by companies on major corporate governance issues



3

Measures on Climate Change Mitigation

Relevant materiality: Climate change mitigation

●●

Overview of the collaborative engagement

Climate Action 100+ (CA100+)

- CA100+ enlists collaborative engagement to support companies on their measures to address climate change. Founded in December 2017, CA100+ consists of investors associated with approximately 600 institutions as of December 2024. The investors engage with 168 target companies with high market capitalizations in sectors associated with high GHG emissions.
- The initial objectives of CA100+ set at the time of its establishment consisted of 1) building a robust governance framework for addressing climate change, 2) reducing GHG emissions across the value chain, and 3) ensuring highly reliable information disclosure. Phase 2 of CA100+ (June 2023 onwards) extends beyond the initial goals with respect to enlisting objectives that involve implementing transition plans and activities to address barriers impeding transition to net zero in conjunction with a wide range of parties with shared interests.
- The major progress and achievements of the CA100+ Net Zero Company Benchmark Assessment (NZBM assessment, released in October 2024) are as follows. The NZBM assess measures of the target companies and their alignments with the Paris Agreement and the 2050 net-zero targets.
  - ▶ 90% of target companies have established board level oversight on addressing climate change risk.
  - ▶ 88% of the target companies have expressed their commitment to climate disclosures aligned with the TCFD recommendations or the ISSB standards.
  - ▶ 80% of the target companies have set net-zero targets for Scope 1 and Scope 2 emissions to be achieved by 2050 or earlier.
- Resona Asset Management collaborates with a major U.S. pension fund as a lead investor of Honda Motor Co., Ltd. and Nissan Motor Co., Ltd. We also participate in engagements with nine global target companies, including a heavy equipment and mining company in Indonesia, a mining company in Mexico, and an electric power utility in the U.S.
- The details of main activities are as follows.



- Activity ① : Collaborative engagement with Honda Motor Co., Ltd.
- Activity ② : Collaborative engagement with Nissan Motor Co., Ltd.
- Activity ③ : Collaborative engagement with Mexican mining company

●●

Details of activities

Activity ①

- In June 2024, we engaged in discussion sessions regarding intentions of disclosure with a focus on Indicator 7, “climate policy engagement” of the Net Zero Company Benchmark Assessment (NZBM assessment).
- Investors: Recommended disclosure of membership fees for associations to which the Company belongs based on explanations furnished by an industry association confirming alignment with the Paris Agreement.
- The NZBM assessment result on the Company remains unchanged from the previous assessment.

Activity ②

- In February 2024, we conducted engagements on challenges related to disclosure of capital investments on transition plans.
- The NZBM assessment score assigned to disclosure of “capital allocation” under Indicator 6 improved upon release by the Company of its “The Arc” business plan in March 2024.
- In November 2024, we engaged with the Company to discuss the progress achieved on its transition plans.

Activity ③

- In January 2024 conducted engagements with the mining company amid improvement in information disclosure upon it having made progress in evaluating its Scope 3 reduction targets beginning in 2023. We engaged with the Company to discuss on reducing its upstream GHG emissions in mining operations, which account for approximately 80% of its Scope 3 emissions.
- The Company subsequently made improvements on Indicator 7 “climate policy engagement” and Indicator 9 “just transition” of the NZBM assessment.

Results of the Net Zero Company Benchmark Assessment (NZBM) on the three activities (①, ② and ③) of the target companies are as follows.

Net Zero Company Benchmark Assessment (NZBM assessment) indicators											
1. Ambitious net-zero target, 2. Long-term GHG reduction target (2036-2050), 3. Medium-term GHG reduction target (2028-2035), 4. Short-term GHG reduction target (up to 2027), 5. Decarbonization strategy, 6. Capital allocation, 7. Climate policy engagement, 8. Climate governance, 9. Just transition, 10. climate-related disclosure, 11. Historical GHG emissions reductions											
Assessment indicators	1	2	3	4	5	6	7	8	9	10	11
Honda Motor Co., Ltd.											
Nissan Motor Co., Ltd.						↑					
Mexican mining company							↑		↑		

<Assessment classification>  
Yes, meets all criteria  
Partial, meets some criteria  
No, does not meet any criteria

Upward arrow (↑) indicates improvement in assessment relative to October 2023

4

Governance and Due Diligence Related to Human Rights Issues

Associated materiality: Eradication of child labor and forced labor, improvement of working conditions

●●

Overview of collaborative engagement

PRI Advance

- PRI Advance is a collaborative engagement to address human rights issues and other such social challenges through dialogue with companies. Established on the PRI platform in September 2022, PRI Advance consists of investors associated with 265 institutions as of December 2024, with 40 target companies in the energy sector and the metals & mining sector. Engagement is set to encompass a five-year period.
- The objective of the initiative is to advance human rights and positive outcomes for people through investor stewardship. The three company expectations are:
  - 1) Implement the United Nations Guiding Principles on Business and Human Rights (UNGPs) – the guardrail of corporate conduct on human rights
  - 2) Align their political engagement with their responsibility to respect human rights
  - 3) Deepen progress on the most severe human rights issues in their operations and across their value chains.Currently, engagement activities are being conducted based on specific circumstances of each target company, thereby providing support to help resolve their respective challenges.
- Resona Asset Management, in collaboration with the Dutch asset management company, serves as a lead investor to the Spanish renewable energy company Iberdrola. Additionally, we also participate as a collaborating investor for engagement to seven other companies\*1.
- We have been conducting engagements with Iberdrola on the following engagement themes.



- Theme ① : Adoption of human rights policy and governance oversight
- Theme ② : Risk management of the business operating regions, engagement with indigenous communities, and safety management

\*1 Electric utilities sector: CLP (Hong Kong), Eletrobras (Brazil), Southern Company (United States)  
Metals & mining sector: Grupo Mexico (Mexico), Coal India (India), Zijin Mining (China), Newmont Mining (United States)

●●

Details of activities

Whereas the Company has been making relatively sound progress, informed the Company that further enhancing information disclosure will increase its corporate value.

Theme ①

- In September 2023 confirmed that the Company’s governance oversights on human rights were functioning and that it had implemented a human rights policy aligned with the UNGP framework within the Group.
- On the other hand, also informed the Company that there is room for improvement in the implementation and control of the framework with respect to its joint venture projects.
- Confirmed that the Company had established grievance mechanisms in the local languages of each business region, and that subsequent follow-up was being conducted. Accordingly concluded that the mechanisms were functioning.

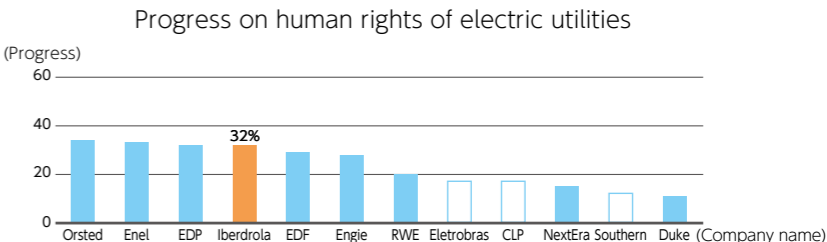
Theme ②

- In October 2024, engaged on the risk assessment of the business operating regions, dialogue with the indigenous communities and safety management at project sites.
- Through this dialogue, confirmed that the Company conducts risk assessments at the business regions based on six themes of the framework\*2 drawing on advice of external consultants.
- Additionally, the Company has already disclosed the notion that human rights risks are particularly high in Brazil among its operating regions. Engagement with indigenous peoples: Confirmed that preliminary dialogue had been conducted in accordance with project regulations of each country. Safety management at project sites: The number of accidents has been on a downward trajectory over the past three years. We accordingly assessed the Company’s activities upon having reviewed the reasons for the decline and identifying projects still subject to frequent accidents.

\*2 The six themes of the framework are: 1. public safety, 2. relations with indigenous communities, 3. land use, 4. safety and hygiene in the workplace, 5. environmental impact, and 6. working conditions

The Company has been recognized for its commitment to human rights policies, governance, and activities related to grievance and relief measures. Its progress on human rights ranks among the top of the electric utilities target companies of the PRI Advance (see graph to the right).

On the other hand, overall progress stands at 32% out of 100%, indicating room for improvement. Going forward, we will continue our engagement, including that of the two themes (① and ②) to further enhance its human rights measurements.



\* Prepared by Resona Asset Management based on BHRC Renewable Energy Benchmark 2023. Selected target company of the electric utilities companies at PRI Advance.

## 5 Gender Diversity of Board of Directors

Associated materiality: Better DE&I

### Overview of collaborative engagement

#### The 30% Club Japan

- 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. The 30% Club Japan officially launched its activities in May 2019 and currently has 33 institutions\*<sup>1</sup> participating in the Investor Group. (The 30% Club started out in the UK in 2010.)
- The 30% Club Japan aims to boost the percentage of women in board seats of the TOPIX 100 to 30% by 2030. As of September 2023, its percentage is 19.6% (+2.4% from 2022).
- We have been a member of the 30% Club Japan Investor Group\*<sup>2</sup> since 2019. We currently serve as one of the project leads within the Best Practice Subgroup; in addition, our staff serves on the board. We are committed to actively contributing to the group.
- The details of main activities are as follows.

**Activity 1** : Engagement with executives affiliated with The Japanese Institute of Certified Public Accountants (JICPA)

**Activity 2** : Sharing best practices of engagement with investee companies and publishing progress reports

\*1 As of October 2024

\*2 The Subgroups are organized by the member companies of the 30% Club Japan Investor Group (Awareness Subgroup, Thought Leadership Subgroup and Best Practice Subgroup).



### Details of activities

#### Activity 1

- In October 2023 and April and November 2024, the Best Practice Subgroup conducted engagement with female executives affiliated with the JICPA in order to strengthen corporate governance and better understand gender diversity.
- We serve as the lead for this activity and contribute to its operation. Participating investors shared their views with executives regarding the importance of board diversity, including the effective measures to promote diversity, the need for discussions aligned with actual circumstances of each companies, and their expectations of the board.
- We believe that after the activity, we will be able to influence more companies through executives participating in it sharing investors' views and referring to such views when making their own comments at their board meetings, etc.

#### Activity 2

- Asset managers in the Best Practice Subgroup (17 companies in 2024) shared good practices of engagement with their investee companies on diversity promotion to confirm the progress of their efforts and exchange information.
- We presented the best practice of engagement with one of our investee companies in which a new female director had been appointed in June 2024. We will endeavor to apply the insights gained through the information exchange to our future engagement.
- Combined with these activities, the number of female executives has increased at 56 of our investee companies. (Investee companies with which we conducted engagement regarding board diversity between July 2023 and June 2024)

The 30% Club Japan Investor Group reports on these activities in the "Progress Report" issued about three times a year and posts on the 30% Club Japan website. Through these reports, our activities are shared with a larger number of stakeholders, including the 30% Club Japan TOPIX President's Committee.



Source: Excerpted from materials of the 30% Club Japan

#### column

##### Proxy Voting Guidelines

To be applied from January 2024

Applicable to: Companies listed on the Prime Market  
We will vote against the appointment of a representative director if; we are unable to confirm the presence of a female member in the board, audit or nominating committee.

To be applied from January 2025

Applicable to: Companies listed on the Prime Market  
We will vote against the appointment of a representative director if; the percentage of female directors in the board as a whole does not reach 10%.

\* These guidelines do not apply if the investee company has provided rational and sufficiently convincing explanations on its initiatives to promote gender diversity.

## 6 Anti-takeover measures

Relevant materiality: Improving corporate governance, enhancing managerial transparency

### Overview of collaborative engagement

#### Institutional Investors Collective Engagement Forum (IICEF)

- A platform established in 2017 with the goal of supporting healthy goal-focused dialogue (collaborative engagement) between companies to suitably perform stewardship activities.
- The forum enlists participation of seven companies as of October 2024. These participant institutional investors adopt long-term perspectives, extensively invest in Japanese equities, prioritize sustainable corporate value enhancement, and operate with a sound awareness of their stewardship responsibilities.
- We have been involved with IICEF since its inception engaging with companies and actively conducting public engagement with policymakers on corporate governance issues and other elements of the IICEF agenda, including handling of misconduct, anti-takeover measures, and cross-shareholdings.
- The details of main activities were as follows.

**Activity 1** : Sent letters on anti-takeover measures

**Activity 2** : Submitted public comments on the draft version of the "Guidelines for Corporate Takeovers (proposed)" of the Ministry of Economy, Trade and Industry (METI)

### Details of activities

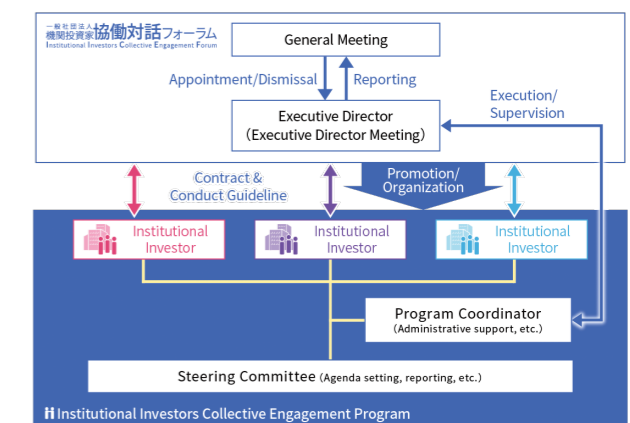
#### Activity 1

- Sent letters to companies adopting anti-takeover measures expressing concerns about anti-takeover measure adoption, and also hold meetings as needed.
- In 2023, sent letters to 57 Prime Market-listed companies whose anti-takeover measures were set to expire that year, as well as one company newly adopting such measures, in order to express our concerns about adoption of such anti-takeover measures. These letters noted that anti-takeover measures might weaken corporate discipline and may serve as a factor in market valuation discounts.
- Of the 57 companies subject to expiration of anti-takeover measures in 2023 that received our most recent letter, seven chose to discontinue such anti-takeover measures.

#### Activity 2

- Expressed IICEF opinion that the proposed guidelines would instill proper discipline in both corporate and investor behavior while also having potential to promote fair M&A practices in Japan.
- These public comments expressed the notion that The IICEF welcome the shift to presenting corporate value as a quantitative concept rather than the previous emphasis on qualitative attributes. We also reiterated concerns regarding arbitrary application of anti-takeover measures. In addition, recommended that the guidelines provide vital perspectives on ensuring greater fairness with respect to M&A practices in Japan.
- In August 2023, the METI released its "Guidelines for Corporate Takeovers," incorporating some of IICEF's proposed revisions submitted through public comments.

# iICEF



Source: Excerpted from IICEF website

## 7 Information Disclosure on Corporate Governance and Financial Strategies

### Target company status and engagement themes

- Company C operates in the retail sector upholding its corporate philosophy of “creating the future ‘normal’ and innovating lifestyles” and its long-term vision of becoming “Asia’s No.1 health and beauty company.” It specializes in high-value-added private brand products mainly encompassing pharmaceuticals and cosmetics, leveraging its strengths in sales to inbound tourists and other foreign nationals.
- Company C has grown into one of the top players in the drugstore industry after merging with a major Japanese company, having achieved sales volume of approximately one trillion yen while increasing its market capitalization and operating profit margin to industry-leading levels. However, Company C’s ROE has been on the decline in recent years and continues to lag behind that of its major competitors. Its PER also remains relatively low.
- Resona Asset Management has been conducting engagements with Company C regarding the following engagement themes.

**Theme 1** : There is room for improvement with respect to activities for strengthening corporate governance and enhancing information disclosure.

**Theme 2** : There is room for improvement with respect to formulating financial strategies for increasing corporate value, materiality, and KPIs, as well as enhancing information disclosure.

### Engagement details and effects

We have been engaging in ongoing dialogue with Company C since 2020.

#### Theme 1

- We shared our conclusions regarding the need for Company C to enhance information disclosure on matters such as strengthening the board’s functionality with a focus on monitoring and long-term strategy planning, enhancing medium- and long-term incentives in director compensation, as well as challenges and actions with respect to evaluating the effectiveness of the board of directors.
- Company C subsequently released “actions to implement management that is conscious of cost of capital and stock price” in December 2023 upon having identified the need for discussing capital costs, fostering more extensive discussions on director compensation, and the need for discussing and defining roles of the board of directors. Moreover, Company C has newly added ROE criteria to its KPIs for performance assessments associated with director compensation, while also considering the adoption of non-financial KPIs as part of evaluation criteria.

#### Theme 2

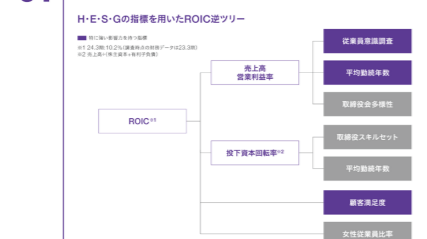
- We shared our conclusions regarding the need for Company C to enhance information disclosure on matters such as disclosing ROE targets, strengthening balance sheet management to achieve optimal capital structure and an asset-light approach, and engaging in measures to reduce cost of capital. Moreover, we also furnished recommendations on enhancing information disclosure on matters such as increasing gender diversity given its importance amid accelerating global expansion going forward, as well as conducting highly effective employee engagements.
- Company C subsequently released new targets in May 2024, which include achieving ROE of 10% or more, adopting a progressive dividend policy, and achieving DOE of 3% or more. It has furthermore identified issues with respect to maximizing equity spread and increasing PBR. Company C has accordingly been stepping up its measures toward increasing ROE (which entails stringently managing KPIs, streamlining the balance sheet, and optimizing the capital structure) and reducing cost of capital.
- Furthermore, Company C appointed a woman to serve as the chairperson and general manager of its Taiwanese subsidiary in 2023, and also appointed its first woman to serve as department general manager in Japan in April 2024. It has accordingly been stepping up its measures to strengthen its growth potential (enhancing and strengthening non-financial capital such as human capital and intellectual capital) by making progress on achieving women’s active engagement in professional life and heightening the effectiveness of employee engagement in disclosing details of employee awareness survey results.
- Company C has released its latest integrated report, which contains new analysis regarding the correlation between the validity of materiality/non-financial KPIs and financial indicators. The analysis was conducted in order to better understand how measures associated with non-financial indicators affect its financial indicators and how that translates into corporate value. As such, Company C has been exploring new non-financial KPIs that are highly correlated to its performance.

#### 非財務への取組みと企業価値との相関分析・財務への影響の分析

当社の非財務指標に関する取組みが財務指標にどのような影響を与え、企業価値に転換されていくかを把握するため、サステナブル・イノベーションが財務に与える影響を分析し、当社が掲げるマテリアリティ及びそれに紐づく非財務KPIの妥当性と財務指標との相関性を分析しました。

分析手法	対象データ
① 当社及びドッグ・ドッグ・小売業における「非財務・財務指標の相関性分析」	① 財務 収益力(営業利益率)、成長力(売上高成長率)、資本コスト(ROIC)
② 財務指標と非財務指標との関係性を、AIによりモデル化し、当社現在のデータに基づき将来シナリオを予測	② 非財務 人的資本を中心とした指標及び業界における「イノベーション」

#### 01 財務データと非財務データの相関分析



#### 財務資本戦略について

最近、株主様や投資家様と対話の中で、資本コストと株価を意識した経営についてのご質問やご意見を多くいただきます。

こうした株主・投資家様との対話と質疑応答の内容は取締役会に報告され、社外役員も含めて把握しています。対話を通じて、貴重なご意見やご助言をいただいております。当社グループの価値を高めたいと思っております。発言も多いと感じています。

今回、経営目標として、新たに「ROE10%以上」という目標を設定・開示し、そして株主還元方針においてもコミットメントを強化すべく、「累進配当の導入、DOE3%以上／配当性向30%以上、機動的な自己株式取得」を取締役会で意思決定し、開示しました。こ

Source: Excerpted from materials of Company C

## 9 Information Disclosure Related to Environmental and Social Impact

### Target company status and engagement themes

- Company E is a UK-based biotechnology enterprise in the biotechnology sector specializing in providing elite genetics and products for cattle and pig farmers. It supplies the livestock industry with breeds characterized by superior taste and growth efficiency, and holds the top market share worldwide in pig farming and ranks second worldwide in beef cattle and dairy farming.
- Amid a scenario where greenhouse gas emissions attributable to feed production and bovine belching constitute a concern in the livestock industry, animal genetics has been attracting attention for its potential to significantly contribute to reducing greenhouse gas emissions by strengthening livestock disease resistance and enhancing production efficiency. Despite the notion that Company E accordingly engages in business that plays a key role in mitigating climate change and ensuring stability of food production worldwide, ESG investors do not necessarily assign high ratings to the company given the substantial burden the livestock industry imposes on the environment overall.
- Resona Asset Management has been conducting engagements with Company E regarding the following engagement themes.

**Theme 1** : There is room for improvement with respect to enhancement of information disclosure regarding contributions to addressing climate change.

**Theme 2** : The business model is complex and difficult to understand.

### Engagement details and effects

We regularly hold discussion sessions with management and the head of IR from a long-term perspective in seeking to understand performance trends and long-term growth strategies while further helping to increase corporate value as an investor.

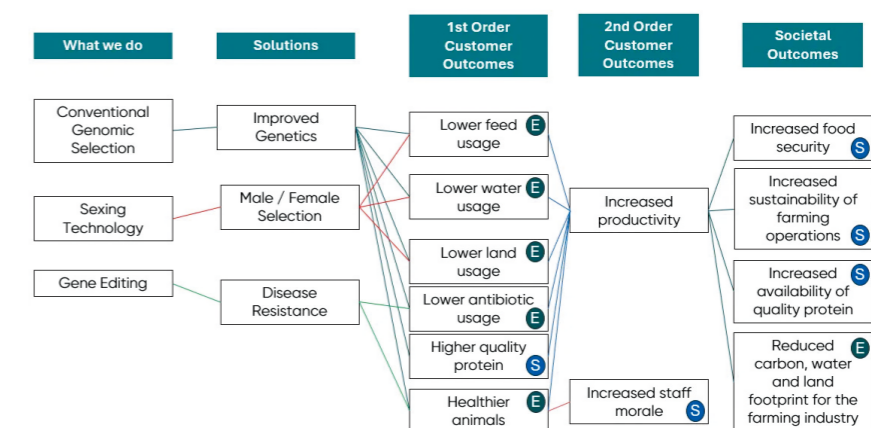
#### Theme 1

- We engaged in discussion sessions with Company E regarding the importance of calculating contributions of its products to reducing greenhouse gas emissions. Whereas Company E engages in progressive information disclosure practices particularly in terms of quantifying and disclosing monetary benefit per head of livestock with respect to customers, and also in terms of furnishing detailed disclosure of market share data and trends. We ultimately made recommendations regarding the insufficient disclosure by Company E about how and to what extent improved gene traits reduce the carbon footprint at the customer site.
- Company E has been making progress in its activities to track greenhouse gas emissions in part by having a research institution subsequently calculate emission reduction amounts based on Life Cycle Assessment (LCA) for release in October 2024. Findings indicated that emissions of greenhouse gases attributable to livestock breeds of Company E are 7% to 8% less than those of the industry average, with ongoing improvements of 0.7% every year.

#### Theme 2

- Company E engaged in discussion sessions regarding the importance of clearly illustrating how its solutions to enhance customer and social sustainability in order to visually render its complex business model.
- We subsequently worked with Company E in preparing a logic tree (diagram below) to illustrate how its solutions benefit customers and society. Going forward, Company E is poised to develop a more sophisticated approach to information disclosure.

Logic tree jointly developed with Company E



Source: Prepared by Resona Asset Management

# 10 Addressing Medium- to Long-term Issues of the Electric Utilities Sector

## Target company status and engagement themes

- The electric utilities sector constitutes one of the major investment sectors for active fixed income investment of Resona Asset Management given the substantial volume of outstanding bond issuance in the sector. Company F is one of the major enterprises in the electric utilities sector.
- Resona Asset Management has been conducting engagements with Company F regarding the following engagement themes enlisting a focus on the extent of its impact on medium- to long-term creditworthiness regarding the electric utilities sector and having set its sights on abatement of risks associated with climate change as well as declining birthrates and the aging population, encompassing responsible investment materialities.

**Theme 1** : Approach to achieving carbon neutrality and ensuring stable electricity supply

**Theme 2** : Addressing labor shortages enlisted in maintaining and managing power generation and transmission infrastructures accompanying declining birthrates and the aging population

\* In addition to these themes, we also engage in ongoing engagement with fixed income investors and urge fair and adequate information disclosure.

## Engagement details and effects

### Theme 1

- Upon having held discussions with Company F regarding matters such as the energy mix optimal for achieving decarbonization and investment to such ends based on the government's Strategic Energy Plan, we encouraged Company F to present its medium- to long-term policy as an electric utilities company.
- In regard to nuclear power, a decarbonized power source, we have been engaging in a series of discussions with Company F. This has involved pointing out that Company F may become subject to future business risk attributable to deterioration of the nuclear power value chain due to factors that include delays in restarting major nuclear power plants and management concerns associated with certain vendors. We also suggested that Company F maintain effective communication with local governments and other relevant stakeholders and sought for Company F to consider the role of nuclear power in transition finance, taking into account the entire nuclear power lifecycle encompassing high-level radioactive waste treatment and decommissioning.

### Theme 2

- We requested that Company F enlist all necessary measures to secure management resources in seeking to prevent potential disruptions particularly in the maintenance and management of power generation and transmission infrastructure due to labor shortages caused by declining birthrates and the aging population.
- We have been conducting multiple rounds of engagement with Company F on an ongoing basis regarding these themes, which has involved sharing our awareness of the issues and urging Company F to disclose sufficient information, including measures to address the issues.
- As a result of these discussions, we have established a relationship with Company F that enables us to regularly conduct engagement with Company F. When Company F issues green bonds for financing renewable energy projects, we have been given opportunities to sufficiently engage in discussion sessions beforehand. Going forward, we will conduct constructive engagement based on our relationship of trust with Company F, which will involve sharing our concerns as a medium- to long-term fixed income investor while also urging Company F to formulate and implement measures to address challenges.



# 3 Proxy Voting

As an institutional investor, Resona Asset Management assumes key responsibility for facilitating corporate governance improvements of its investee companies. Through the businesses conducted by investee companies, we also exert a significant impact on the environment and society. In addition, we recognize that these matters affect our investment results over the medium- to long-term.

Consequently, we have established several sets of proxy voting 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) stipulates ideal governance standards across Japanese and foreign listed equities. Based on these guidelines, we establish our proxy voting standards for both Japanese and foreign equities, thereby exercising our proxy voting rights.

## Fundamental Concepts on Proxy Voting

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

## Global Governance Principles

### Board responsibilities

- The board assumes accountability to shareholders and various stakeholders regarding the company's growth in line with its purpose and long-term strategies. The board should act in the interests of shareholders by pursuing sustainable growth of the company from a long-term perspective. This involves giving consideration to a wide range of stakeholders incorporating ESG factors.
- The board has a responsibility to clarify the roles of the board of directors and the executive officers and to oversee the executive officers in order to facilitate the pursuit of sustainable growth of the company.
- The board has a responsibility to devise, assess, and oversee compensation levels such that they are rational, fair, and consistent with the strategy and purpose of the company.

### Board composition

- The board should preferably have a majority of independent non-executive directors.
- The board should preferably have a mix of directors who are sufficiently diverse in terms of such characteristics as gender, age, nationality, relevant knowledge and skills to ensure effective supervision of business activities of the management.
- The board should preferably have no less than one-third of female directors.

### Information disclosure (financial & non-financial), and ensuring reliability

- The board has a responsibility to ensure consistency, comparability and reliability of financial and non-financial information including sustainability disclosed by the company, and assumes an oversight responsibility for providing such information to respective stakeholders.
- The board should disclose highly reliable information on issues that may affect the interests of shareholders in a timely manner so that shareholders can make investment decisions, engage effectively, and exercise their voting rights.

### 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

Our proxy voting process proceeds as follows:

Determination of the Proxy Voting Guidelines

Decided by the President after the content has been deliberated by the Responsible Investment Committee.

Deliberations on proposal

(The agenda items that can be judged categorically by the proxy voting guidelines)  
Decided at the discretion of the General Manager of the Responsible Investment Division after the content has been deliberated in accordance with the proxy voting guidelines.  
(The agenda items that cannot be judged categorically by the proxy voting guidelines)  
Decided at the discretion of the President after the content has been deliberated by the Responsible Investment Committee.

\* Management on conflict of interests

With regard to agenda items involving Resona Holdings, we exercise our voting rights based on the advice of a third-party proxy advisory firm (ISS), pursuant to our Proxy Voting Guidelines.

Monitoring

The decisions made through the above process undergo appropriate monitoring, such as verification by the Investment Risk Administration Division and by the Responsible Investment Verification Committee, which is a third-party committee.

Summary of the Proxy Voting Guidelines

Main proxy voting guidelines for Japanese equities (applicable to the annual general meetings (AGMs) held from January 2024 onward) are as follows.

Principal voting guidelines	
Director appointment	<ul style="list-style-type: none"><li>For the following cases, we will vote against the appointment of a representative director, unless rational and sufficiently convincing explanations are provided.<ul style="list-style-type: none"><li>If the company does not appoint independent outside directors such that they constitute at least one-third of the total board (a majority for companies that have a parent company or a controlling shareholder).</li><li>If the company is listed in the Prime Market, and we are unable to confirm the presence of a female member in the board, audit or nominating committee.</li><li>If the companies do not exhibit efficient management operations (an ROE of less than 5% for 3 years running), the company has excessive net cash, or the company exhibits an ROE in the bottom 25% or less bracket of its industry group for 3 years running. However, this excludes cases in which the representative director has a tenure of less than three years.</li><li>If, in the absence of a special reason, an investee company has not shown any improvement, despite having set issues to be addressed with the company (important sustainability issues such as climate change, natural capital, and human rights), and having continued to conduct engagement with it.</li></ul></li></ul>
Director compensation	<ul style="list-style-type: none"><li>As a general rule we will vote against proposals in the following cases.<ul style="list-style-type: none"><li>Payment of retirement bonuses to outside directors and audit committee members.</li><li>Payment of stock options, etc. to outside directors, audit committee members, and outsiders. However, we will vote for compensation to the outside directors and supervisory committee members consisting of: Fixed stock compensation untied to performance and stock-based compensation (stock options with a strike price of ¥1); and Compensation that is not excessive (no more than ¥5 million, or the cash to shares, etc. ratio not exceeding 1:0.3).</li></ul></li><li>Cases in which the period to the point at which the exercise of stock options begins, or to the determination date, and the restricted period for restricted stock compensation is less than 2 years. However, this does not apply in cases of resignation or retirement.</li></ul>
Capital policies	<ul style="list-style-type: none"><li>As a general rule we will vote against proposals in the following cases.<ul style="list-style-type: none"><li>If disposal of treasury stocks is conducted through third-party allocations for the purpose of raising funds to establish or support a foundation.</li></ul></li></ul>

Resona Asset Management periodically reviews the content of the proxy voting guidelines. Taking into consideration the possibility of new responsible investment materialities being established going forward, we plan to amend the proxy voting guidelines.

For more information on latest proxy voting guidelines at Resona Asset Management, please visit the following webpage.

<https://www.resona-am.co.jp/sustainability/voting.html>

In our active and balanced management of equities and fixed income, we consider ESG integration as a vital element for achieving investment performance over the medium to long term. ESG integration entails information analyses and assessments for equity and fixed income-issuers regarding ESG factors and incorporating these into investment decisions and actions. Based on this approach, we have been a signatory to The PRI since 2008, and we have conducted ESG assessments on the investee companies and issuers for each asset class and investment strategy and have continuously worked on ESG integration that we believe is optimal for investment performance. In recent years, improved corporate disclosure has increased the amount of ESG information available to us, and we need more sophisticated knowledge to analyze and assess ESG information. Therefore, in order to enhance investment performance over the medium to long term, we are currently conducting ESG integration by revising our process on a Group-wide scale, and have established our “ESG Integration Policy” and “Policy on excluding specific weapons manufacturers”. We manage our proprietary Resona ESG Ratings and assign scores to each corporate and issuer, as a company-wide platform of ESG integration across asset class and investment strategy.

ESG Integration

Overview of ESG integration process



ESG integration to each asset class and investment strategy



● Overview of our ESG Integration Policy

■ Objective

We aim to preserve benefit for our clients' assets and to expand growth of the investee 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.

■ Organizational and structural development

We develop an organizational structure, including the securing and training of personnel with the necessary skill sets, to ensure appropriate implementation of ESG assessments and their incorporation into investment decisions. Also, we centrally manage the corporate disclosure data and other information necessary for ESG assessment through a database and share it within the company. We will also integrate ESG assessments and database into engagements with the investee companies.

■ Process

(1) ESG assessments

We will utilize our proprietary "Resona ESG Ratings," which provides both quantitative and qualitative assessments to investable universe for listed equity and fixed income. In the quantitative evaluation, we identify ESG factors to be evaluated in consideration of our "Materiality for Responsible Investment," etc., and calculate an ESG Quantitative Score based on our proprietary method. The ESG analyst evaluates the company qualitatively based on our "Materiality for Responsible Investment" etc., reflecting the knowledge of our analyst, and assigns a "Resona ESG Ratings" as an overall evaluation based on the ESG Quantitative Score.

(2) Integration of ESG assessments into investment decisions

"Resona ESG Ratings" will be integrated into investment decisions based on the asset class and investment strategies. However, if companies do not meet the minimum evaluation in the "Resona ESG Ratings," we, in principle, will not hold the company in all actively managed products. If we do hold the company, we will encourage the company to respond through engagement and voting.

■ Measures toward sophistication of ESG integration

We will pursue further sophistication in ESG integration with a particular focus on the following measures:

- 1. Expand ESG database and elaborate of systematic quantitative assessment
- 2. Deepen the knowledge of ESG analysts and strengthen ESG knowledge management
- 3. Further improve transparency and clarity to ESG integration process
- 4. Develop and strengthen monitoring system for ESG integration implementation status

■ Information disclosure on ESG integration approach

We will explain our approach and methodology of ESG integration to our customers. In addition, we will disclose appropriate information through our Sustainability Reports.

\* For more information on the ESG Integration Policy, please visit the following webpage:  
<https://www.resona-am.co.jp/sustainability/integration.html> (in Japanese)

● Overview of our Policy on excluding specific weapons manufacturers

■ Objective

As a responsible institutional investor, we prohibit, in principle, investment in companies involved in the development or manufacture of weapons of mass destruction, including nuclear weapons, and inhumane weapons such as antipersonnel mines.

■ 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 Policy on excluding specific weapons manufacturers, please visit the following webpage:  
<https://www.resona-am.co.jp/sustainability/integration.html#02> (in Japanese)

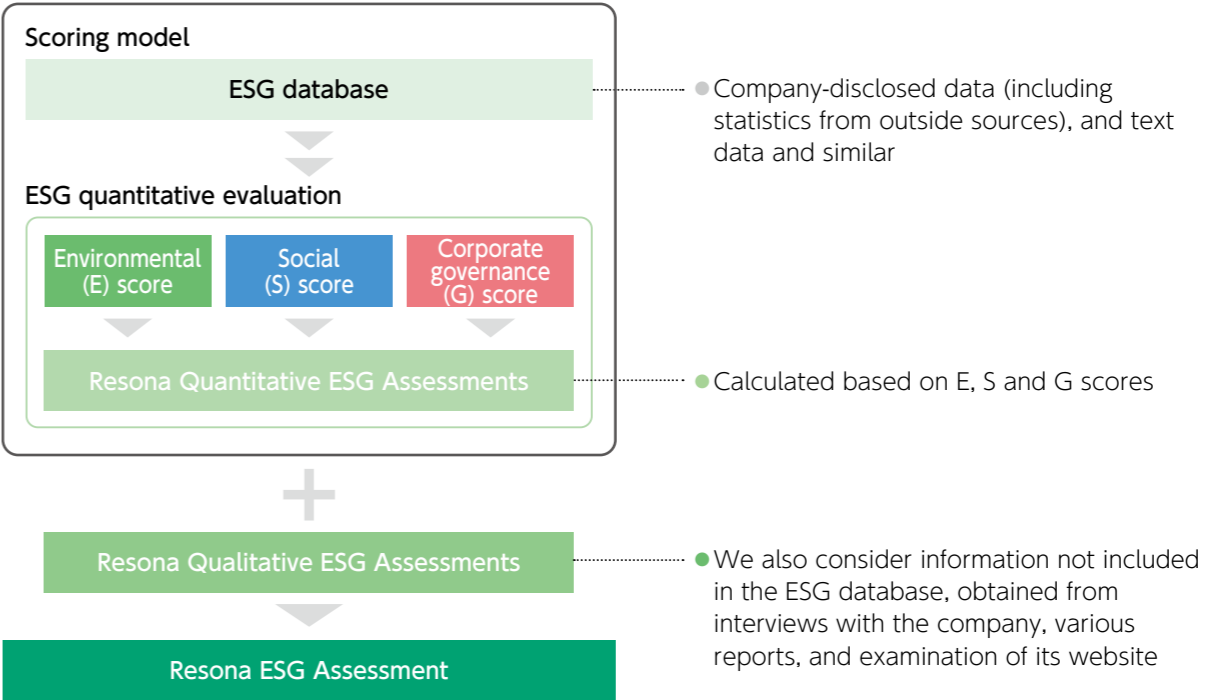
# Resona ESG Assessment

The Resona ESG Assessments, our own ESG evaluation, 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 boundaries of asset classes and investment strategies.

● Overview of Resona ESG Assessments

- The ratings are assessment metrics comprising Resona Quantitative ESG Assessments (numerical) and Resona Qualitative 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 Qualitative 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 Qualitative ESG Assessments, we strive to eliminate subjective judgment by setting assessment indicators based on Resona Asset Management's responsible investment materialities (P.12) and other important ESG issues 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 responsible investment materialities (P.12) and other important ESG issues.

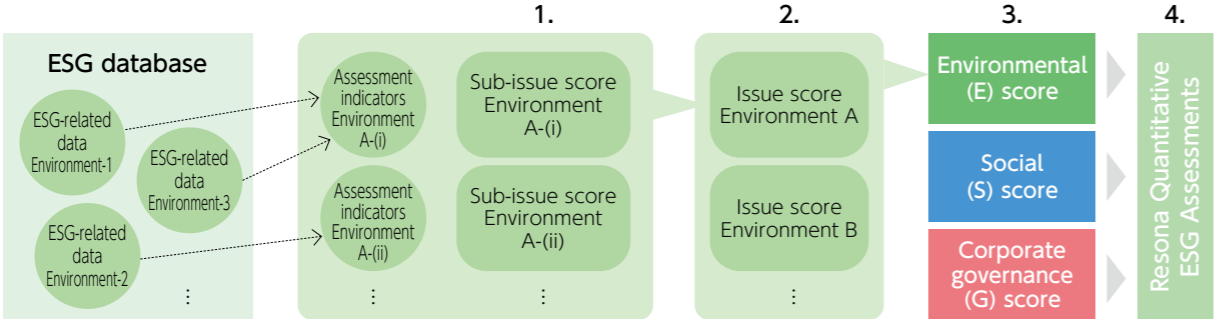
Environmental (E)			
Example issue	Energy management	Green house gas (GHG) emission management	Water resource management
Example of specific assessment indicators	<ul style="list-style-type: none"><li>• GHG emissions (Scope 2)</li><li>• GHG emission intensity per unit of energy used</li></ul>	<ul style="list-style-type: none"><li>• GHG emissions (total volume, Scopes 1 and 3)</li><li>• GHG emissions (by gas type)</li><li>• Disclosure status of science-based emission reduction targets</li></ul>	<ul style="list-style-type: none"><li>• Total water usage</li><li>• Water recycle rate</li><li>• Water stress exposure rate</li></ul>
Social (S)			
Example issue	Customers and local society	Human rights of employees and workers	Quality management and supply chain
Example of specific assessment indicators	<ul style="list-style-type: none"><li>• Activities for local communities</li><li>• Payment of fines in relation to bribery or corruption</li><li>• Implementation of customer data protection</li></ul>	<ul style="list-style-type: none"><li>• Status of formulating human rights policy</li><li>• Labor union organization rate</li><li>• Ratio of female managers</li><li>• Measures to prevent child labor</li></ul>	<ul style="list-style-type: none"><li>• Ratio of suppliers that have completed external audit</li><li>• Number of customer complaints</li><li>• Social risk management in supply chain</li></ul>
Corporate governance (G)			
Example issue	Independence	Diversity	Shareholder rights
Example of specific assessment indicators	<ul style="list-style-type: none"><li>• Board structure</li><li>• Ratio of independent board members</li><li>• Independence of chairperson and lead directors</li></ul>	<ul style="list-style-type: none"><li>• Appointment of female CEO</li><li>• Ratio of female directors</li><li>• Director age range</li></ul>	<ul style="list-style-type: none"><li>• Formulation status of anti-takeover measures</li><li>• Issuance of common shares with different voting rights</li><li>• Presence of a controlling shareholder</li></ul>

\* Assessment indicators as of September 30, 2023. Given that we set new responsible investment materialities in 2024, we plan to conduct a review of assessment indicators and other matters 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. <sup>\*1</sup>
- 2. Calculate a weighted average<sup>\*2</sup> of the scores for each sub-issue in 1. to calculate a score for each issue.
- 3. Calculate a weighted average<sup>\*3</sup> 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<sup>\*4</sup> of the ESG scores in 3. to determine the Resona Quantitative ESG Assessments.

<sup>\*1</sup> 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.  
<sup>\*2</sup> The weighting is set separately for each issue.  
<sup>\*3</sup> 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.  
<sup>\*4</sup> 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.



About Impact Investment

Impact investment is a new form of ESG investing that aims to create positive social outcomes and is distinct from the traditional approach to ESG investing. Resona Asset Management accordingly regards impact investment as a new pillar of its responsible investment activities.

Typical ESG investment has historically focused on ESG integration in seeking to increase investment returns while prompting change in corporate behavior as a result of more accurately assessing long-term business sustainability of investee companies in taking into account environmental (E), social (S), and corporate governance (G) elements.

In contrast, impact investment is an investment approach that also seeks to create “impacts” in terms of positive outcomes for society, along with the pursuit of investment returns. A key distinguishing feature of impact investment is that the associated impacts are intentionally created through the investment, rather than as by-products of the investment.

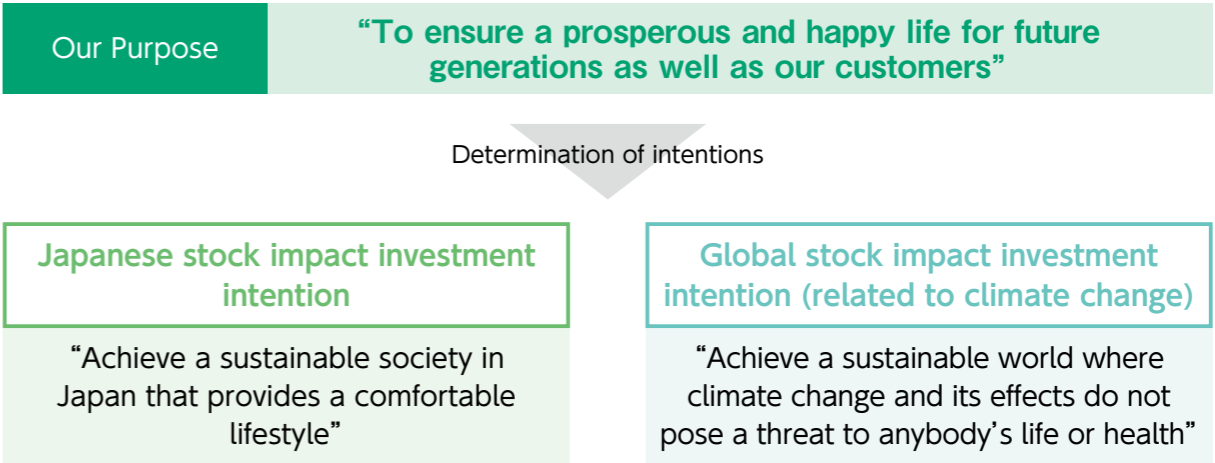
For this reason, impact investment involves clear intentions regarding the type of impact to be achieved, with those considering investment options making investment decisions based on the intended impact of the potential investee may generate and actively engaging with the investee companies in seeking to help them pursue the impacts. Through this approach, impact investment directly contributes to building a better society while also achieving the intended investment returns. In addition, impact investors measure and track impact quantitatively and qualitatively, while also playing a critical role in helping to achieve these outcomes in part by facilitating business transformation to such ends.

Resona Asset Management’s Impact Investment

As an investor, Resona Asset Management engages in impact investment with a focus on both Japanese listed equities and global listed equities, and accordingly establishes clear intentions for each based on our Purpose.

In addition to stating such intentions, we will also contribute to achieving these outcomes as an investor through engagement with investee companies to such ends.

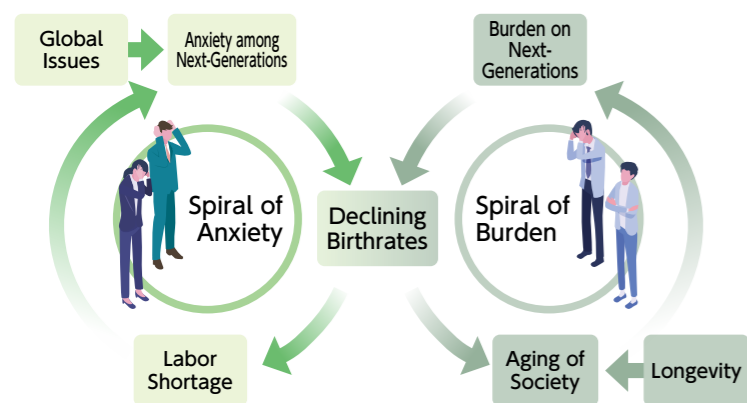
Our Purpose and intentions of each impact investment



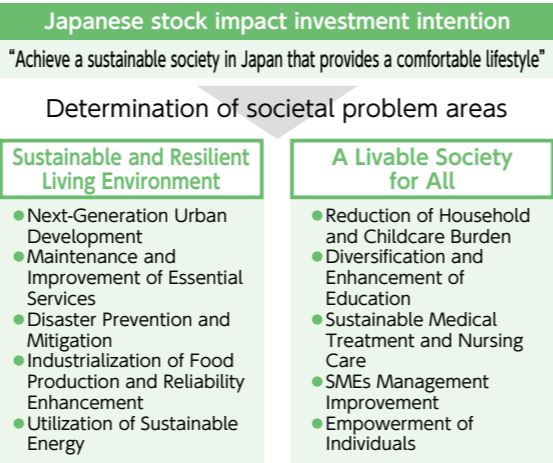
Japanese stock impact investment

Japanese stock impact investment is based on the intention of achieving a sustainable society in Japan that provides a comfortable lifestyle. Japan faces a range of different threats to the sustainability of its society, many of which are rooted in demographic changes such as declining birthrates, aging society, and population decline. Moreover, these problems threaten to increase the burden on next generations and create widespread anxiety, further exacerbating the effects of low birthrates. This, in turn, has the potential to worsen the adverse issues already affecting society. With activities centering on the ten problem areas described below, we carry out Japanese stock impact investment in order to put a stop to this negative spiral and achieve a sustainable society in Japan that provides a comfortable lifestyle.

Negative spiral related to societal issues:



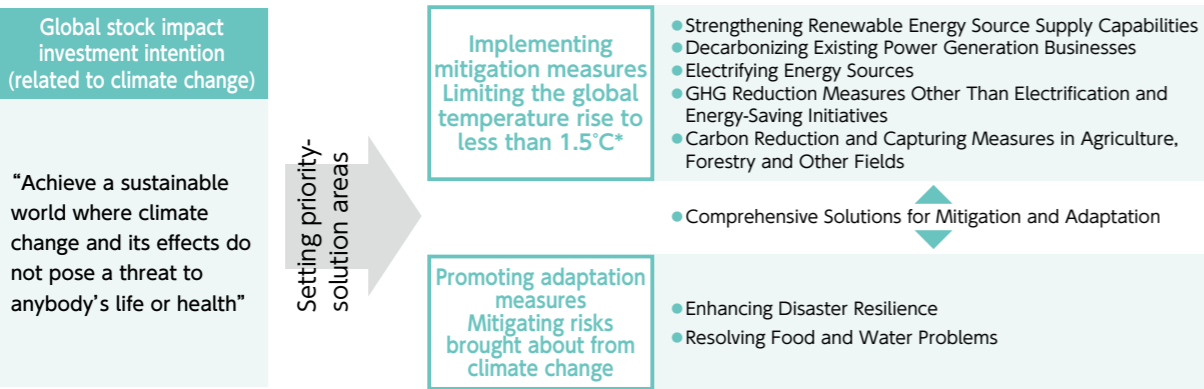
Japanese stock impact investment intention and ten societal problem areas



Global stock impact investment (climate change)

Our intention for global stock impact investment is to achieve a sustainable world where climate change and its effects do not pose a threat to anybody's life or health. In addition to rising average temperatures on a global scale, climate change leads to more frequent natural disasters and extreme weather events which adversely affect economic activity and natural environments in wide-reaching ways. These, in turn, lead to increasingly widespread damage and loss, and otherwise create potential for the emergence of various risks. In order to avoid the risk, it is vital that we work to eliminate the root causes of climate change (Mitigation), while also strengthening society's resilience to the effects of climate change (Adaptation). In our climate-change-focused, global stock impact investment operations, we strongly prioritize climate-change mitigation and adaptation to its impact in order to achieve a sustainable world where climate change and its effects do not pose a threat to anybody's life or health. As part of these efforts, we have established the eight priority-solution areas outlined below.

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



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

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 Integration, 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 stipulate 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. (See page 11 for details)

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 2023/2024 self-assessment period covers from July 2023 to June 2024. At the September 2024 Responsible Investment Committee meeting, following items were reported and raised to discussion.

- Countermeasures to the 2022/2023 assessment.
- 2023/2024 assessment results.
- Countermeasures to the 2023/2024 results.

Activities and self-assessment results

Measures taken to address issues in 2022/2023

In FY2023, we have recognized the following three issues:

- 1 Enhance the effectiveness of measures and progress monitoring following the establishment of various policies\*.
- 2 Deepen discussion on engagement attribution measurement.
- 3 Establish an organizational structure for human resource development and enhancement in the responsible investments. In FY2024, we took the following countermeasures:

\* This refers to the ESG Integration Policy and the Engagement Policy for clarifying ESG integration, engagement aims, processes and other such matters, and also refers to the Climate Change Policy, Natural Capital Policy, and Policy on Human Rights Related to Investment Management for clarifying matters such as basic policy and approaches associated with key sustainability issues.

With respect to the first issue (1), we have been implementing specific measures since having established the ESG Integration Policy, such that involve establishing frameworks and clarifying processes of the Resona ESG Assessments and their integration into investment decisions. In addition, we enhance the effectiveness of engagements by establishing annual engagement plans based on the Engagement Policy and then implementing the cyclical PDCA (plan, do, check, act) approach based on such plans. Since having established our policies on climate change, natural capital, and human rights, we have also been taking measures to address such issues through stewardship activities in a consistent and company-wide manner. We also report on the measures taken to the Board of Directors and the Executive Committee Meetings.

With respect to the second issue (2), whereas engagement attribution measurement has been limited to assess corporate transformation and changes in various scores which derives from the engagements. We recognize that more extensive discussions are necessary to validate the ultimate objectives of enhancing corporate value and improving beta of the overall market.

With respect to the third issue (3), in April 2024 we established and implemented the Advanced ESG Human Resource Development Plan to cultivate core competencies to become a highly skilled professional in sustainable finance, taking into account factors that include the Skills Map for Human Resources released by the Financial Services Agency (FSA). Under the plan, we cultivate expertise and general skills of employees selected from throughout the company, including those from other than the Responsible Investment Division.

■ Measures and self-assessment results (July 2023 to June 2024)

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 and publicly disclosed our ESG Integration Policy, Engagement Policy, Climate Change Policy, Natural Capital Policy, and Policy on Human Rights Related to Investment Management beginning in 2023, which are based on our Basic Policy on Responsible Investment. We have furthermore been implementing measures aligned with these policies. We have been monitoring measures and engagement related to the various policies.
	Self-assessment	As in the previous year, we need to implement specific measures in line with various policies and enhance the effectiveness of monitoring.
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. At the August 2024 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	We have revised responsible investment materialities. With the aim to further enhance our investment performance, we have 1) established our ESG Integration Policy, 2) created organizational frameworks and processes on ESG assessments and investment decisions, and, 3) developed monitoring frameworks. In addition, we initiated the Resona ESG Assessments for ascertaining the ESG risks and opportunities of companies and bond issuers using a unified standard on December 31, 2022. We identified issues regarding matters such as computation logic of Resona ESG Assessments and furthermore took action to address such issues.
	Self-assessment	Although we have enhanced the transparency of ESG integration and clarity of our products, we find there still to be room for improvement when it comes to ESG integration. We plan to revise the computation logic of Resona ESG Assessments accompanying materiality review.
Principle 4 Engagement (Constructive “Engagements” with investee companies)	Measures taken	We have established an engagement plan based on the Engagement Policy and implemented the cyclical PDCA approach based on the plan. Under the plan, we have classified investee companies, engagement themes, and milestones, and have monitored each classified engagement. We accordingly monitor achievements of engagement over the course of one year, and establish plans for the upcoming fiscal year taking such results into account. For collaborative engagement, we actively participate in collaborative engagements such as the Institutional Investors Collective Engagement Forum (IICEF) in Japan as well as Climate Action 100+, Nature Action 100, and Advance internationally.
	Self-assessment	We consider that we have succeeded in conducting effective engagement. However, whereas attribution measurement on engagements has been limited to assessment of corporate transformation and changes in various scores, We recognize that more extensive discussions are necessary to validate the ultimate objectives of enhancing corporate value and improving beta with respect to the overall market.
Principle 5 Proxy voting	Measures taken	This year, we have revised our proxy voting guidelines. The main revisions include generally opposing capital increase through third-party allotment of shares for the purpose of establishing and supporting foundations and other such entities, as well as further articulating criteria on deciding whether to approve or oppose shareholder proposals. We have determined our proxy voting execution based on the engagement outcomes. The AGM proposals that were unable to clearly determine were raised at 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	Since FY2022, we have been issuing our Sustainability Report, which explains specific initiatives and activities of Resona Asset Management grounded in our purpose. The report also offers details on achievements of our measures over the past year. Additionally, our measures to address climate and nature-related risks and opportunities are explained in detail in the Climate/Nature-related Financial Disclosure Report.
	Self-assessment	With respect to reporting and disclosure to clients and beneficiaries subject to specific initiatives of Resona Asset Management, we intend to continue providing clear reporting and disclosure through platforms most appropriate for disclosure.
Principle 7 Improve competence for stewardship activities	Measures taken	We have enhanced the structure and workforce of the Responsible Investment Division, Equity Investment Division, and Fixed Income Investment Division, which constitute the key divisions responsible for stewardship activities. In April 2024, we established and launched the Advanced ESG Human Resource Development Plan. We identified issues subject to improvement through interviews regarding the status of initiatives and other such developments. Furthermore, we have been actively enlisting collaborative engagement upon having deemed that it is beneficial.
	Self-assessment	We intend to systematically develop future talents and conduct the Advanced ESG Human Resource Development Plan.

Defining awareness and future measures

We have recognized the following issues through the self-assessment process. We will formulate and implement an action plan enlisting a process of considering and discussing options for moving toward verification of effectiveness as necessary to address issues. This will involve (1) continuously and effectively monitoring measures and engagement related to various policies, and (2) carrying out more extensive discussion on the engagement attribution measurement. We report on the progress and outcomes at the Responsible Investment Committee Meetings, and will establish a framework of this action plan.

External assessment on responsible investment activities

Resona Asset Management works to improve and enhance its responsible investment activities by conducting regular self-internal assessment (see pages 47-48) and external assessment.

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 2024 PRI Reporting & Assessment, we received the highest rating of five stars in five of the seven assessment items. In addition, the score assigned to “confidence building measures” improved to 85 in 2024 from 59 in 2023.

PRI assessment results (2024)

Assessment indicators				Rating	Score
Policy/Governance/strategy				★ ★ ★ ★ ★	95
Direct investment	Listed equities	Passive		★ ★ ★ ★ ★	91
		Active	Quants	★ ★ ★ ★ ★	92
			Fundamental	★ ★ ★ ★ ★	92
	Fixed income	SSA (Government bonds, Supranational bonds, Government agency bonds)		★ ★ ★ ★ ☆	82
		Corporate bonds		★ ★ ★ ★ ★	95
Confidence building measures				★ ★ ★ ★ ☆	85

Refer to the links below for more details on assessment results.

SUMMARY SCORECARD 2024

[https://www.resona-am.co.jp/investors/pdf/pri\\_assessmentreport\\_2024.pdf](https://www.resona-am.co.jp/investors/pdf/pri_assessmentreport_2024.pdf)

TRANSPARENCY REPORT 2024

[https://www.resona-am.co.jp/investors/pdf/pri\\_transparencyreport\\_2024.pdf](https://www.resona-am.co.jp/investors/pdf/pri_transparencyreport_2024.pdf)

# Measures for Corporate Sustainability

## Management of climate/nature-related risks and opportunities (Disclosure based on the TCFD and TNFD recommendations, etc.)

We have published "Climate/Nature-related Financial Disclosure Report" since 2023 in order to provide integrated disclosures on the efforts to manage climate/nature-related risks and opportunities. We refer to the TCFD and TNFD recommendations, and IFRS Sustainability Disclosure Standards (ISSB Standards) to provide this report. The latest version of the report is available via the link below.

[https://www.resona-am.co.jp/english/responsible-investment/esg\\_issues.html](https://www.resona-am.co.jp/english/responsible-investment/esg_issues.html)

Following is the summary of the report.



### Governance

Our governance structure for sustainability is as follows: the status of our efforts to tackle sustainability issues is reported to the Board of Directors, material matters related to sustainability are discussed and monitored by the "Responsible Investment Committee," composed of an external expert and Head Directors of relevant divisions and segments, etc., our Proxy Voting Guidelines and the proxy voting results are verified at the "Responsible Investment Verification Committee Meeting," which consists of three external experts.

#### Major topics

- Establishment of the Chief Sustainability Officer (CSuO)
- Integration of ESG indicators into the compensation structure for executive officers
- Establishment of "Engagement plan" and PDCA cycles for the engagements that we value as addressing climate/nature-related risks and opportunities

### Strategy

In order to manage climate/nature-related risks and opportunities that may have a significant impact on the performance of companies and system-level risks arising from damage to environmental health resulting from the accumulation of climate/nature-related impacts, we determine industrial sectors on which we should focus. In addition, we analyze material risks and opportunities for each industry sector, assess their financial effects, and identify anticipated countermeasures. Based on the results of the analysis, we consider adding or improving measures.

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

##### Climate

We determine the scope of industry sectors for analysis in consideration of "the size of our exposure to the industry sector," "a general assessment of the financial effects that climate-related risks and opportunities have on the industry sector," and "the magnitude of the impact which the industry sector has on climate."

##### [The scope of industry sectors]

Chemicals, Automobiles, Food Products, Real Estate Management & Development, Electric Utilities, Metals & Mining, and Oil, Gas & Consumable Fuels

We conduct scenario analysis to identify material climate-related risks and opportunities and to assess the timeframe, the likelihood and the financial impacts on each industry sector. We also consider anticipated countermeasures.

##### [Examples of identified climate-related risks and opportunities]

- Automobiles sector: Increased sales due to growing demand for EVs
- Metals & Mining sector: Increased costs for carbon prices

##### Nature

We determine industrial sectors in consideration of "the size of our exposure to the industry sector," "the magnitude of the dependencies on nature of the industry sector," and "the magnitude of the impacts on nature of the industry sector."

##### [The scope of industry sectors]

Food Products, Chemicals, Household Durables, Pharmaceuticals, Paper & Forest Products, Metals & Mining, Independent Power & Renewable Electricity Producers

We identify the dependencies and impacts on the nature of each industry sector by using ENCORE which TNFD recommends using. We also assess possible nature-related risks and opportunities and consider countermeasures.

##### [Examples of identified nature-related risks and opportunities]

- Food Products sector: Decline in crop production due to deterioration of soil quality
- Chemicals sector: Decrease in sales due to suspension of raw material production caused by heavy rainfall

#### 2. Next steps based on the Results

We consider adding or improving measures and setting appropriate metrics to further advance the management of material climate/nature-related risks and opportunities by utilizing the analysis results in 1.

	Measures to date	References	Next steps
ESG Integration	We have our own in-house corporate ESG rating framework named "Resona ESG Ratings" for ESG integration. "Greenhouse gas emissions," "renewable energy utilization," "total water consumption," etc., are included as the elements to calculate the scores in this rating framework.	P41	We consider improving the calculation methodology by reflecting investees' performance related to measures to address material climate/nature-related risks and opportunities to their scores.
Engagements	We conduct in-house engagement related to the transitioning to net zero, avoided emissions, and sustainable palm oil/paper and timber procurement.	P22	We make the engagements more effective and efficient by encouraging measures for material climate/nature-related risks and opportunities that we analyze for each industry sector.
Proxy Voting	We introduce a policy for dealing with shareholder proposals on sustainability issues and an escalation policy into the Proxy Voting Guidelines to encourage investee companies to address sustainability issues, including climate change.	P39	We appropriately implement the guidelines by using the results of this analysis to set an issue with investees and to determine the status of the investees' measures. In addition, when revising our Proxy Voting Guidelines, we take into account how the investees respond to material climate/nature-related risks and opportunities identified through this analysis.
Impact Investment	We manage the Global Impact Investment Fund (climate change), which intends to achieve a "sustainable world where climate change and its effects do not pose a threat to anybody's life or health." The fund identifies and invests in companies that contribute to realizing the intention in terms of mitigation and adaptation to climate change.	P45	We continue to create further impact by striving to find companies capable of providing effective solutions to climate/nature-related risks and their growth opportunities by using the results of this analysis. We also strive to understand and manage climate/nature-related risks that investee companies face.

### Risk and Impact Management

We manage the risk of losses in assets in trust due to the manifestation of climate/nature-related risks (including system-level risks) based on "Basic Approach to the Identification, Assessment, and Management of Climate and Nature-related Risks" established in October 2023 after discussions at our company as a whole.

#### Overview of "Basic Approach to the Identification, Assessment, and Management of Climate and Nature-related Risks"

- 1 Identify, assess, and manage climate/nature-related risks integrated with other risks under our overall risk management system.
- 2 Implement the company-wide PDCA cycle for identifying, assessing, and managing 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 their performance in FY2023. We plan to continually review metrics and targets to improve the quality of the assessment and management of climate/nature-related risks and opportunities.

Climate		Nature	
Metrics	Performance	Metrics	Performance
(1) Metrics related to our engagement activities			
Number of companies with which we have conducted engagements on climate change	223	Number of companies with which we have conducted engagements on natural capital	122
(2) Metrics related to changes in the behavior of investee companies			
Percentage of companies subject to in-house engagement that meet certain conditions related to sustainable palm oil procurement	32.1% (Target: 100% by 2030)	Percentage of companies subject to in-house engagement that meet certain conditions related to sustainable paper and timber procurement	40.0% (Target: 100% by 2030)
(3) Metrics related to impacts on climate/nature			
Financed emissions related to equity and corporate bond investment	9,540kt-CO <sub>2</sub> e (Target: Net Zero by FY2050)	(To be considered in the future based on the status of the development of data and analysis methodologies, etc.)	-
Financed emissions related to government bond investment	51,639kt-CO <sub>2</sub> e		
(4) Metrics related to direct operations			
Greenhouse gas emissions in our direct operations (Scope 1, 2)	93.4t-CO <sub>2</sub> e (Target: Net Zero by FY2030)	(No metrics are set, judging that our dependencies and impacts on nature are negligible)	-



**Resona Asset Management**