2021
2022
2023

Creating a sustainable future through the power of investment

SUSTAINABILITY REPORT 2022

Asset Management One

Will the world as we know it remain stable for the next 10 to 20 years?
Many would say “no”, fearing that our future is in jeopardy and feeling that there is only so much that each of us can do.
Does this mean it will not be possible for us to pass down the beauties and treasures of this world to future generations?
Thankfully no, there is still time.

Asset Management One is committed to making sustainability the driving force behind all of our corporate initiatives.
Through faithful stewardship of the assets entrusted to us by our clients, along with their hopes and dreams for the future, we are dedicated to helping create a sustainable society with strong economic growth.
Asset Management One will continue to invest in a future that we can all look forward to and of which we can all be proud.

2022

Asset Management One by the Numbers

* As of June 30, 2022

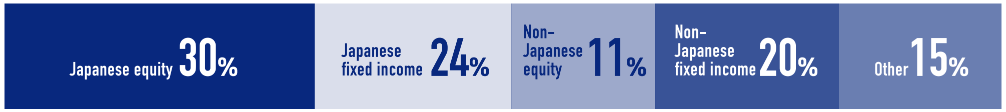
Total Assets Under Management (AUM) and breakdown

Total AUM

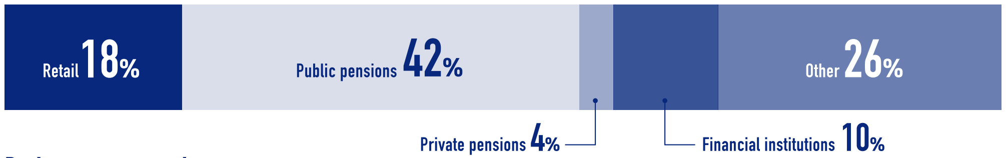
USD 459.9 billion

AUM breakdown

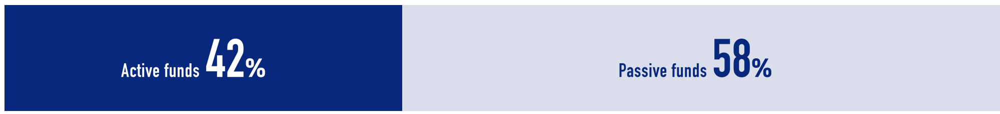
By asset class



By client type



By investment style



Scale of sustainable investment initiatives

ESG investment AUM

* Products that fall under "impact investment" and "ESG leader" in our Sustainable Investment Category

USD 13.5 billion

Responsible investment initiatives

Number of engagement activities with Japanese companies

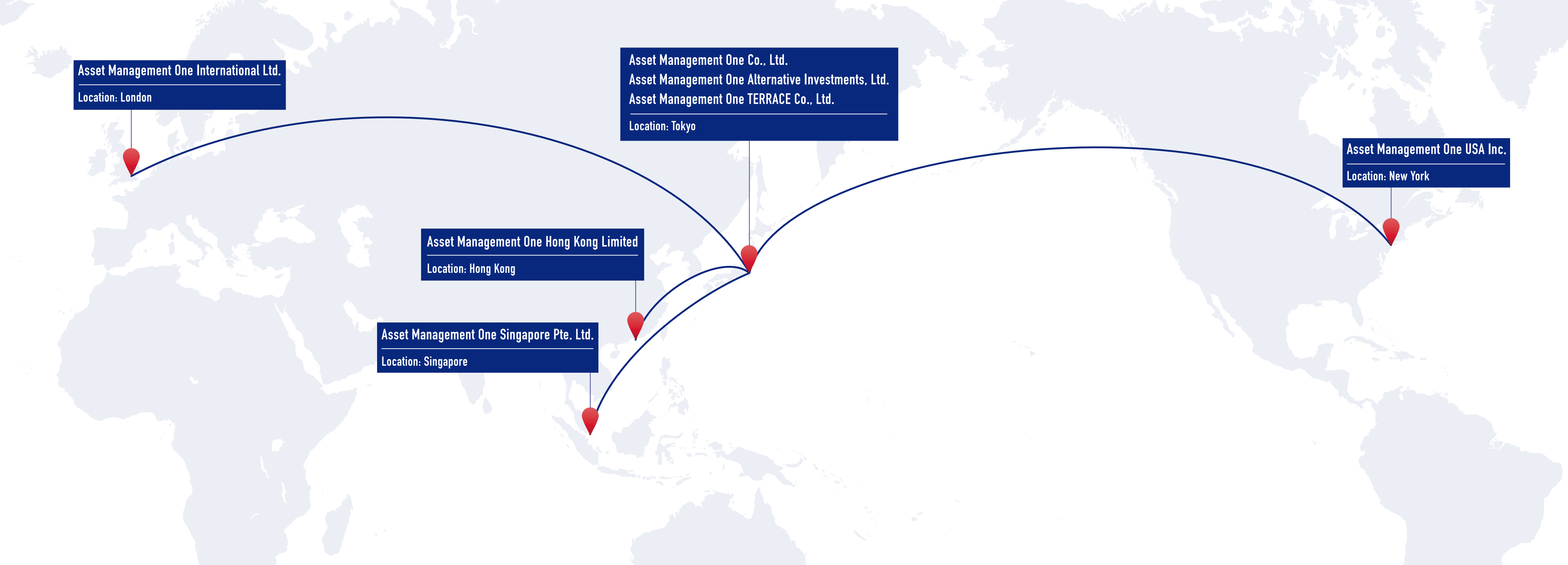
2,080

Number of proxy voting rights exercised for Japanese equities

25,168

Our Sustainable Investment Execution Framework

Global network



Employees 702 men, 347 women

Number of investment professionals 260※

※Fund managers, analysts, economists & strategists

ESG experts 24

Number of countries of origin 10 or more countries

Average years of experience of fund managers 13.8※ years

Average years of experience of analysts 21.0※ years

※Staff counts at Asset Management One Co., Ltd.

Message from the President & CEO

We will continue to take on challenges on our path as an asset management company towards "creating a sustainable future through the power of investment."

In November 2021, I headed to Glasgow in the U.K., the site of the 26th session of the Conference of the Parties (COP26) of the UN Framework Convention on Climate Change. I was participating in the World Climate Summit, a side event of COP26, as a speaker in one of its panel discussions.

At the event, I shared my thoughts and determination with other participants about driving the transition to a decarbonised society. I also felt firsthand that global initiatives to address climate change issues and achieve decarbonsation were irreversibly gaining momentum.

However, recently, an energy crisis spurred by the Russian invasion of Ukraine has impacted the market environment and direction of ESG-related regulation. In the U.S., anti-ESG movements appear to be more pronounced.

Also, the monitoring by financial authorities in each country of ESG washing (claiming to consider ESG factors, but not actually doing so) has grown more stringent. There are cases of resignation of asset management companies' CEOs due to concerns of ESG washing and also cases of fines levied for insufficient information disclosure related to the ESG practices of investee companies. In Japan, the Financial Services Agency has made a policy announcement that it will publish supervisory guidelines for investor protection by the end of FY2022.

Climate change won't stop. As an asset management company, we must ask ourselves how to tackle these ESG challenges. Our stance and true values are now being put to the test.

As a responsible institutional investor, through proactively integrating ESG considerations into our investments, Asset Management One has made tremendous efforts to continually enhance medium- to long-term returns for clients while contributing to the healthy development of society and the economy. In FY2021, in order to implement a "sustainability transformation (SX)" of our own, I committed to become the project owner and accelerated concrete actions, such as setting up new initiatives across all divisions within the company and developing a materiality map. The advance of this project and our commitment continued in FY2022. By establishing a sustainability governance framework and practices, everyone at our frim, from senior management to on-the-ground staff, is participating in activities in order to achieve sustainability transformation.

In last year's Sustainability Report, my key message was to take one step ahead. Regardless of changes in the external environment and regulatory trends, the direction of our medium- to long-term initiatives and ongoing efforts will continue. Our firm conviction and steps to incorporate sustainability deeply within the overall business strategy and management practices, put forward in our corporate message "creating a sustainable future through the power of investment" will not cease to devoutly and steadily move forward step by step.

Asset Management One Co., Ltd.
President & CEO

Akira Sugano

Acceleration of sustainability transformation by engaging the entire investment chain

We proceeded with FY2022 initiatives under the motto that "last year was a year of declaration; this year is a year of execution." We formalised a new sustainable investment framework which takes into account considerations on social returns in addition to the conventional financial returns that our clients expect. Meanwhile, we have refined our definition and rules for investment products labeled ESG and related terms. We are also reviewing our materiality map in accordance with changes of the external environment. We have also defined the framework for net zero assessments. This year, the percentage of companies being evaluated to be aligning with the net zero emissions goal was still low. However, we plan to enhance our engagement with investee companies to promote and drive improvement across society and the economy as a whole. Also, in the realm of sustainability transformation, as more expert knowledge is required, we have further strengthened our organisational capability by new hires of a Sustainable Investment Officer (SIO) to lead our sustainability investment and a climate scientist who has been conducting leading research in the area of climate change.

In advancing our sustainability transformation initiatives, we are also proactively engaging in dialogues with asset owners. For example, for pension funds, there is a demand to prioritise the financial interest of members from a fiduciary duty perspective. However, there may also be a growing interest in investments that incorporate sustainability factors, reflecting the related initiatives of corporate pension sponsors or requests of the scheme members. As an asset manager, Asset Management One is conducting engagement activities not only with the investee companies, but also with asset owners, with an aim of promoting sustainability across the entire investment chain. By doing so, we strive to play a leading role to catalyse and accelerate sustainability initiatives across society and the economy as a whole.

In this regard, it is essential for our company to demonstrate its own values that define who we are as a participating member of society, so that we can lead with the understanding and empathy of our asset owner clients.

Our sustainability management

To achieve change and sustainability in our firm

In last year's Sustainability Report, I communicated that there still was room for improvement at the firm with regard to encouraging employees to embrace the corporate message. In "creating a sustainable future through the power of investment," what are our strengths, what kind of future do we want to create, and what value can we provide? We are proceeding with deliberation using both bottom-up and top-down approaches that involve investment, sales, risk management, IT systems, and corporate divisions to find our own answers, as we face head-on the conflicts that are arising, albeit still dimly, instead of avoiding them. As key stakeholders for respective business divisions will inevitably differ, each and every employee working for Asset Management One may find different answers to the existential meaning of our firm as a society facing institution.

However, we would like to take on such challenges to ensure that each and every employee can fully internalise the corporate message and manifest it in respective operations and actions on their own, so that our stakeholders are also convinced of the aspirations embedded in our corporate message and recognise its value.

From the work we have done so far, it appears that we are still a long way from the goals we aspire to. However, we are proud to see employees advance discussions earnestly, honestly, and fearlessly. The top management team is also committed to share openly with employees conflicts faced, discuss them together, and tackle each of the challenges.

In August 2022, as one of the founding members, we participated in the Human Capital Management Consortium held by the Ministry of Economy, Trade and Industry of Japan.

We intend to promote solid practices in human capital management both as an investor as well as at Asset Management One itself. Employees at the firm have diversified backgrounds. We aim to achieve sustainable growth by continually improving the intrinsic motivation and wellbeing of employees at work, as well as developing a human capital strategy that is resilient and adaptive to the changes of the outside environment.

We established a "CEO Direct" hotline in the spring of 2022. This system enables employees to directly contact me at any time. Also, it was established with an objective to confirm that my passion for positive change and continuous improvement in the organisation is being shared in common with the employees.

I am prepared to face all of our employees, who are also stakeholders in the business, to achieve positive change and sustainability at the firm.

In a world facing unprecedented circumstances where there is no right answer to many questions, we must have a firm belief in ourselves, listen to the voices of stakeholders, and move ahead step by step.

We will move forward united as a company, so that all stakeholders recognise Asset Management One as a trusted partner they can always rely on.

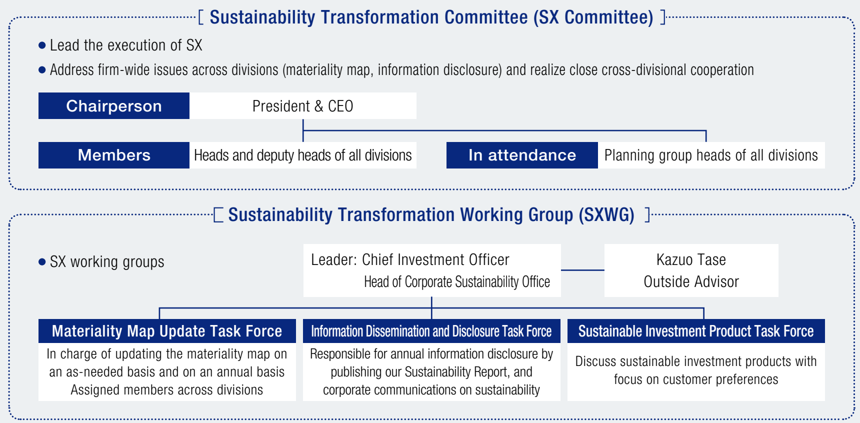
Sustainability Transformation (SX) at Asset Management One

Our sustainability transformation (SX) journey began with establishing our corporate message, “creating a sustainable future through the power of investment.” In FY2021, we spent approximately a year laying the foundations for our initiatives through the firm-wide Sustainability Transformation Project Team (SXPT). The most significant outcome of this project is our materiality map.

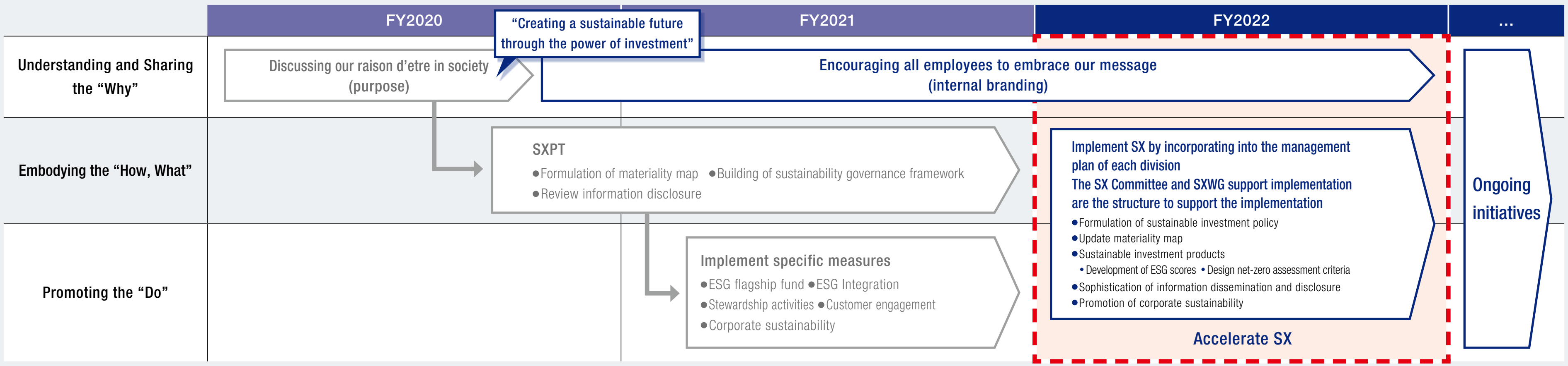
From FY2022, the SXPT was dissolved when SX was incorporated into the annual business plans of each division and unit in order to place sustainability at the heart of each division’s efforts, where SX is being accelerated under a new promotion structure.

The Sustainability Transformation Committee (SX Committee), chaired by the CEO, is responsible for executive leadership, and the Sustainability Transformation Working Group (SXWG) has been organized as the operational arm of the SX Committee. In FY2022, the SXWG has established three task forces (TFs) the Materiality Map Update TF and the Information Dissemination and Disclosure TF to promote firm-wide issues, and the Sustainable Investment Product TF to ensure strong cross-divisional coordination, guided by senior management level leadership.

■Sustainability transformation promotion system (execution side)



■Sustainability transformation roadmap



Sustainable Investment Policy

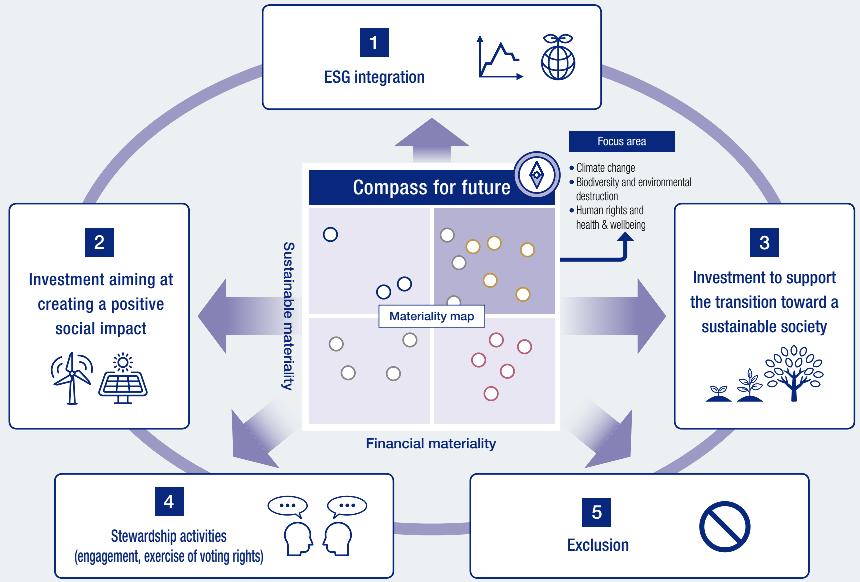
Asset Management One's Sustainable Investment Policy

In November 2022, Asset Management One formalised a Sustainable Investment Policy incorporating new actions, Creating a positive social impact, Supporting the transition to a sustainable society, and Exclusion in addition to ESG integration and Stewardship activities, which we have focused on so far. This policy sets forth investment actions to realize a sustainable global environment and society, in line with the firm's commitment "creating a sustainable future through the power of investment" With our unique materiality map as a compass, which dynamically captures global environmental and social issues and identifies core material issues, we have determined the following five actions for "creating a sustainable future through the power of investment" with strong resolution, and we are promoting them.

As one of the leading asset management companies in Asia, we recognise that our investment activities may have the potential impact on the global environment and society. We also believe that the realisation of a sustainable society is essential for the expansion of investment returns over the medium to long term for our clients. Based on this, we will actively promote sustainable investment considering our fiduciary responsibility as an asset management company with the aim of creating a sustainable future, as expressed in our corporate message "creating a sustainable future through the power of investment."

This policy applies to all products managed by Asset Management One (including indirect investment), whilst taking into account the will of clients, and we will implement sustainable investment in accordance with the characteristics of the investment target assets, regions and investment strategies.

■Five actions for "creating a sustainable future through the power of investment"



1 ESG integration
Our firm analyzes investment targets and makes investment decisions by appropriately considering not only financial information but also non-financial information such as E (environment), S (society) and G (corporate governance) elements. Based on our materiality map that identifies material global environmental and social issues, and by integrating ESG elements into the investment process (ESG integration), we will appropriately identify investment opportunities and investment risks arising from ESG elements and pursue sound risk-adjusted returns. We believe that our firm can contribute to the realisation of a sustainable society through ESG integration. Our ESG integration emphasizes both financial materiality and sustainable materiality, which captures material issues for society. When we build ESG integrated portfolios, we evaluate the level of corporate efforts to address these issues.

2 Investment aiming at creating a positive social impact
We will make investments to create a positive social impact on the material global environmental and social issues identified in the materiality map. With regard to designated impact investments, we aim to measure the impact created as a result of those investments (social returns), and disclose information along with the financial returns we pursue at the same time.

3 Investment to support the transition toward a sustainable society
We support technological development and innovation, as well as changes in corporate behavior that contribute to the transition* toward a sustainable society. This is achieved, through investing in companies that actively take action toward solving the important global environmental and social issues identified in the materiality map.
*The definition of transition at Asset Management One broadly includes not only the transition from fossil fuels to renewable energy, but also the transitions of companies and society that can be expected through change of corporate behavior and technological innovation in other environmental and social issues.

4 Stewardship activities (engagement activity, exercise of voting rights)
Asset Management One sets goals expected from investee companies taking into account the material global environmental and social issues identified in the materiality map. Subsequently we conduct purposeful dialogue (engagement activities) with investee companies and external managers, exercise voting rights in our investee companies, or confirm the voting guidelines of our external managers and monitor the results of the exercise of voting rights. Through such stewardship activities, we will work closely with investee companies to promote initiatives aimed at increasing corporate value and realizing a sustainable society.

5 Exclusion
We will put special emphasis on engaging with investee companies and external managers through stewardship activities to ensure that the expected level of effort is made with respect to the material global environmental and social issues identified in the materiality map. However, we do not invest in companies or delegate authority of investment management to external managers that do not meet the expected minimum level described our sustainable investment policy and have no improvement despite these activities.

Sustainable Investment Framework

Asset Management One has established a Sustainable Investment Framework as the basis for our stewardship activities (engagement activity and exercise of voting rights) and exclusions as stipulated in our Sustainable Investment Policy, and we have set minimum standards of conduct that we expect our investee companies to follow. In each of the three focus areas defined in the materiality map, we engage with companies that fail to meet these standards, and if no progress is made, we encourage them to improve their efforts by means like voting against management proposals to elect directors. Some of those stocks are also prohibited from being held in our sustainable funds (impact investment or ESG Leader funds).

Level		Level 1	Level 2	Level 3-1	Level 3-2	Level 4
		Companies that are making progressive efforts to achieve their goals	Companies with significant potential for improvement in their efforts to achieve their goals	Companies that raise concerns about negative social impacts from the perspective of ESG materiality and are at risk of damaging corporate value in the medium to long term, but are expected to make improvements by addressing the issues	Companies that raise concerns about negative social impacts from the perspective of ESG materiality and are at risk of damaging corporate value in the medium to long term	Companies that have an extremely high degree of negative social impacts from the perspective of ESG materiality and are at high risk of significantly damaging corporate value in the medium to long term
Investment	Impact investment (generating/aligned) ESG Leader	Yes	Yes	Yes	No	No
	Transition ESG integration Other active funds	Yes	Yes	Yes	Yes	No
Exercise of voting rights (proposal for director's election)		Vote for	Vote for	Vote for	Vote against in principle when there is a lack of progress in addressing issues at engagement companies	Vote against in principle
Engagement activity		Normal response	Normal response	Engagement based on importance	Engagement based on importance	Engagement based on importance

Focus areas	Exclusion criteria	Impact investment generating/ aligned	ESG Leader	Transition	ESG integration	Other active funds
Climate change	Sales of thermal coal accounts for 20% or more of total sales, and there is no concrete reduction or withdrawal plan toward net zero	×	×			
	Sales of coal fired power generation accounts for 20% or more of total sales, and there is no concrete reduction or withdrawal plan toward net zero	×	×			
	Sales of unconventional oil and gas* accounts for 20% or more of total sales, and there is no concrete reduction or withdrawal plan toward net zero	×	×			
	Although the company belongs to a high GHG emission sector, it has no commitment to reduce carbon emissions, reduction targets, disclosure of information, etc., and does not show any approach towards improvement	×	×			
Biodiversity and environmental destruction	Activities that have a serious impact on biodiversity have been found in corporate activities or in the supply chain due to business activities, and efforts for improvement have not been confirmed	×	×			
	Environmental destruction and human rights violations have been committed in the extraction of palm oil, and efforts for improvement have not been confirmed	×	×			
Human rights and health & wellbeing	Involvement in child labor, forced labor, human trafficking, violations of the ILO Convention, human rights and labor codes in the UNGC Code, activities that significantly violate the OECD Guidelines for Multinational Enterprises have been found in corporate activities or supply chains, and efforts for improvement have not been confirmed	×	×			
	Despite the absence of a female director at our engagement target company, "no specific consideration to appoint a female director has been given	×	×			
	There have been scandals such as discrimination in diversity, and efforts for improvement have not been confirmed	×	×			
	Companies identified to be involved in the manufacture of inhumane or controversial weapons**	×	×	×	×	×

* Unconventional oil and gas includes oil sands, oil shale, shale gas, coal bed methane, and coal seam gas
** Exclusions: Cluster munitions, anti-personnel landmines, biological and chemical weapons, depleted uranium munitions, incendiary bombs, blind lasers, and weapons that utilize undetectable debris

Since our firm places importance on promoting improvement through engagement activity, we do not simply set a threshold and exclude from investments, but rather evaluate companies against the criteria for our sustainable investment category and only refrain from investing in companies or delegating authority of investment management to external investment management companies that do not meet the expected minimum level and have no prospect of improvement despite our efforts to encourage improvement through engagement activity. Products managed by external manager are comprehensively judged according to the characteristics of each investment target asset, region, and investment strategy, based on each item of these criteria. We define investment behavior, engagement activity and exercise of voting rights for companies that do not meet the minimum standards of conduct in the focus areas (climate change, biodiversity and environmental destruction, human rights, health and well-being), and complies with them according to the characteristics of the fund.

We will actively disseminate information on these sustainable investment policies and initiatives globally and in a timely and appropriate manner through our Sustainability Report and website. In addition, we will strive to promote sustainable investment by participating in initiatives related to sustainable investment sponsored by governments, international institutions, and other organizations and actively expressing our opinions.

Sustainable Investment Approach

Promoting and strengthening sustainable investment approaches

Since the establishment of our corporate message, “creating a sustainable future through the power of investment,” we have been undergoing substantial transformation as an asset management company that seeks to contribute to building a sustainable future by strengthening our sustainability approaches, further enhancing sustainable investments, and expanding our range of related products and services embodying our corporate message. In April 2022, our firm newly established a sustainable investment strategy team and appointed a Sustainable Investment Officer (SIO) in order to accelerate sustainable investment activities across the organization as part of our sustainability transformation (SX) initiatives. The sustainable investment strategy team, led by the SIO, is a cross-asset class team of 12 analysts and fund managers from all asset classes (equities, fixed income, etc.). This team is leading the SX promotion for investment management as well as the development of new sustainability products and other initiatives.

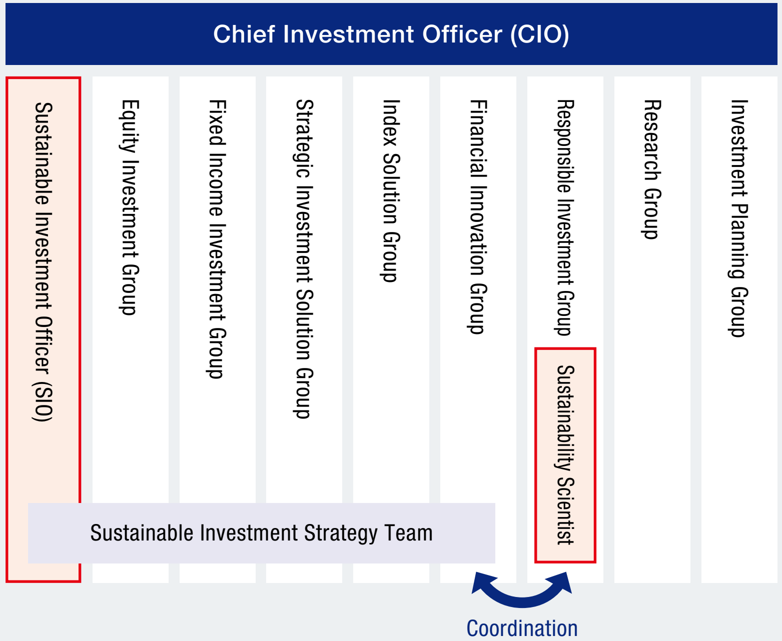
In addition, a new position of Sustainability Scientist was created in June 2022 to further support SX promotion from a scientific perspective at our firm of climate change and low-carbon transition. Our Senior Sustainability Scientist has an extensive career of decades in climate change science, who has been engaged in forefront research on climate change at both Japanese and global research institutions. She plays a significant role in contributing to the sustainability transformation project at Asset Management One and acting as a thought leader of the industry, particularly in the field of climate change, through closely monitoring the latest global development and active participation in international initiatives.

In cooperation with the Responsible Investment Group, which has already gained a great deal of experience and achievements in engagement activities, the SIO and the team will further accelerate the sustainability transformation at our firm and enhance product development and service offerings with the aim of “creating a sustainable future through the power of investment.”

In the area of outsourced investment management, we have also established an ESG project team within the Strategic Fund Investment Division in an effort to strengthen sustainability transformation across asset classes. We are committed to identifying investment products that pursue the dual goals of sustainability and financial returns, evaluating the ESG outcomes of existing products, strengthening our capacity for ESG assessment, and implementing a framework for continuous enhancement.

As an asset management company that aims to “create a sustainable future through the power of investment,” our firm will continue to strengthen our approaches to sustainability, as well as to further enhance our investment capabilities, product development and service provision, for both in-house investment portfolios and externally managed funds to achieve sustainability for our clients and all other stakeholders.

■Sustainability transformation initiatives within in-house investment



Chapter 2

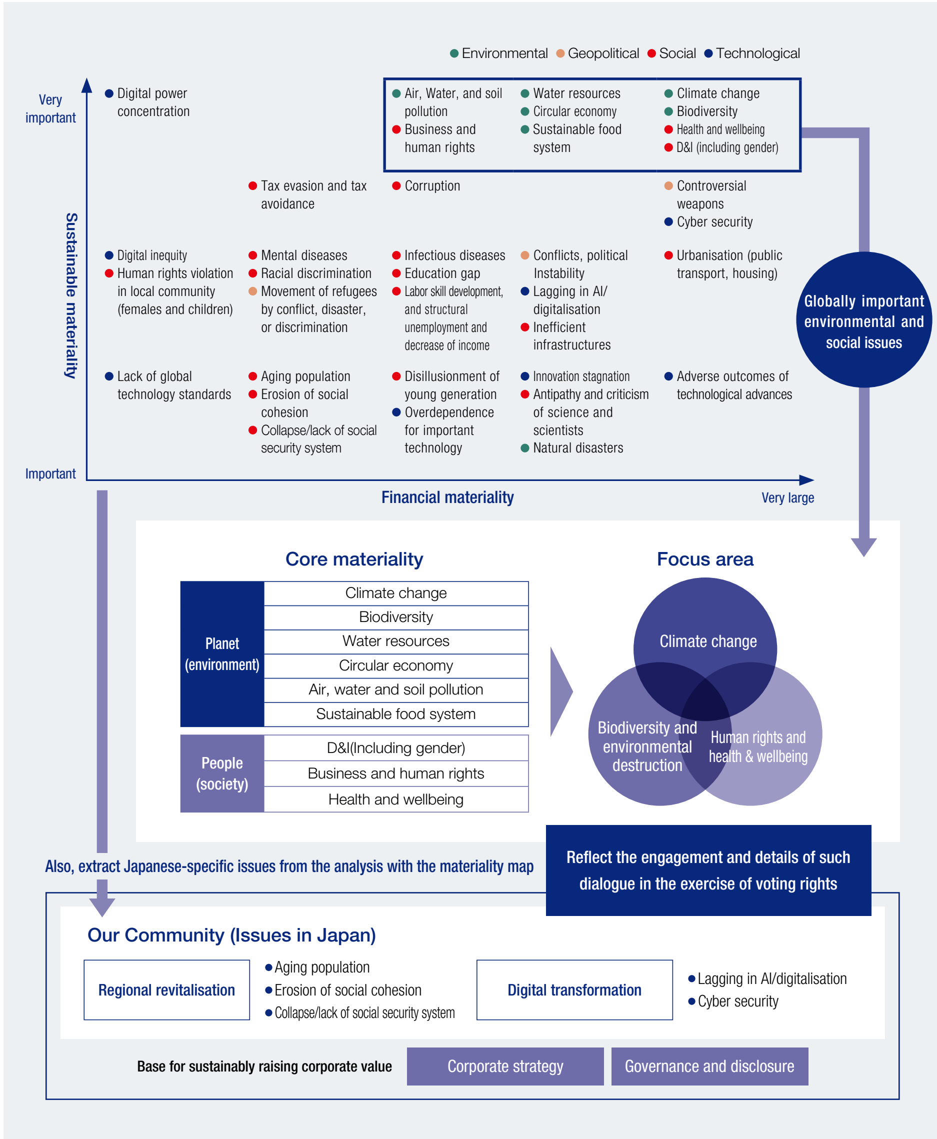
Materiality and Focus Areas

Asset Management One's Materiality Map

Our firm has created our own materiality map based on the analysis of the key global environmental and social issues that we must address as an asset management company that is "creating a sustainable future through the power of investment," from the two perspectives of "sustainable materiality" and "financial materiality" (i.e., double materiality).

This materiality map is analyzed and reviewed by the Materiality Map Update Task Force, which is comprised of members from across the company. The details of the Materiality Map are discussed by the Sustainability Advisory Board and the Executive Management Committee after engagement with internal and external stakeholders. And finally, it is reflected in Asset Management One's business activities and investments.

Our firm has established nine core global environmental and social material issues: climate change, biodiversity, health and well-being, diversity and inclusion, water resources, circular economy, sustainable food system, air, water and soil pollution, and business and human rights. In addition, based on the linkage of these core material issues, we have established three focus areas: climate change, biodiversity and environmental destruction, and human rights and health & wellbeing.



Major initiatives based on materiality from FY2021 to the present are as follows.

- Promoting initiatives in each focus area
  - Climate change: setting of interim targets in line with the Net Zero Asset Managers initiative (NZAM), and net zero assessment of investee companies
  - Biodiversity and environmental destruction: preparation for the risk management and disclosure framework of the Taskforce on Nature-related Financial Disclosures (TNFD)
  - Human rights and health & wellbeing: promotion of dialogue on human rights and human capital.
- Reflecting Asset Management One's materiality in engagement and exercise of voting rights (guidelines)
- Establishing Sustainable Investment Policy
- Promoting corporate sustainability initiatives and enhancing information disclosure

Process for Identifying and Updating Materiality

Process for identifying and updating materiality

Asset Management One believes that environmentally and socially important issues are changing continuously due to many factors including the changes in environmental and social circumstances and the creation of innovation to solve such issues. Based on this idea, we conduct research and analysis on materiality on an annual basis, and when a social event occurs, we conduct an impact analysis based on the impact, and reflect the results in our materiality map.

For sustainable materiality (y-axis of the map), we utilize a framework that dynamically captures the level of interest from civil society and investors in each environmental and social issue, with the evaluation process for social issues advocated by our firm's advisor Kazuo Tase.

In addition, for financial materiality (x-axis of the map), we estimate the economic impact of each issue by referring to reports on the economic impact of social issues, etc., which enables us to perform evaluation according to changes such as heightened legislative and regulatory risks and changes in the creation of innovation.

Through this process, we accurately understand the environmental and social issues pertinent to these changing times while dynamically capturing sustainable materiality and financial materiality, and we work to contribute to initiatives that effectively resolve these issues.

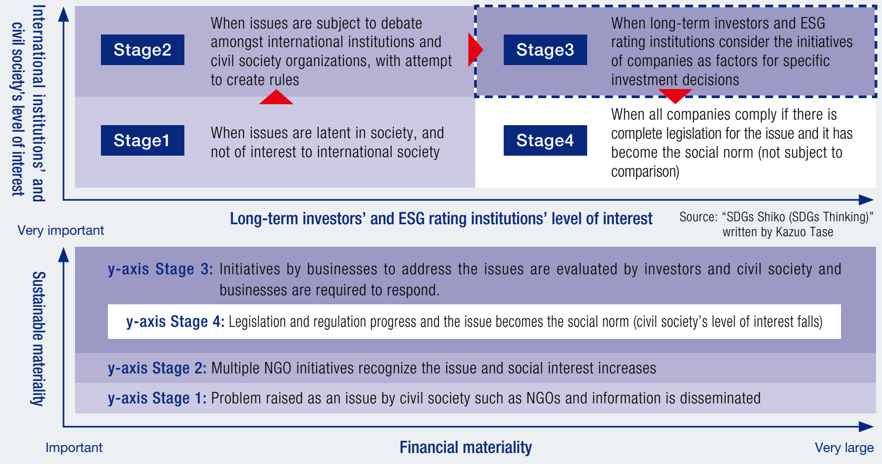
Remi Nagata Sustainable materiality analysis, Corporate Sustainability Office

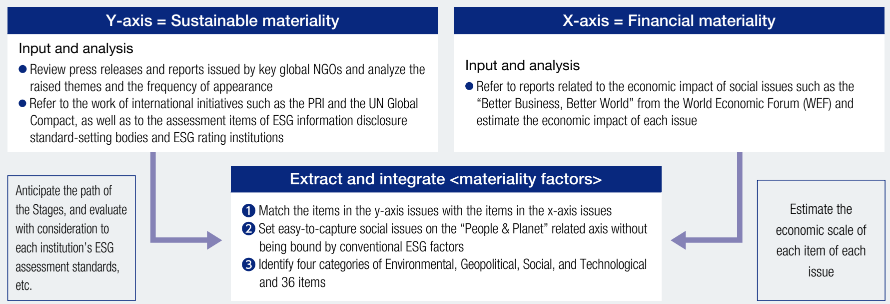
In analysing sustainable materiality, we strive to carefully analyze and discuss with our members not only sudden events such as the spread of COVID-19 or the situation in Ukraine, but also environmental and social issues that have emerged over time on a global scale.

Takanobu Kii Financial materiality analysis, ESG Macro Research Team, Equity Investment Group

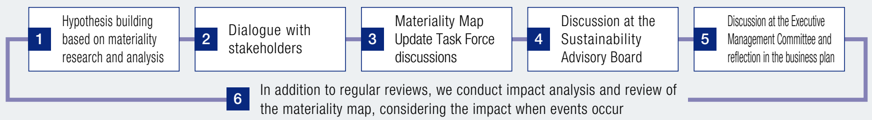
Financial materiality analysis involves research and analysis of the economic impact of each materiality. Although there are areas where there are few examples of environmental and social issues which capture the economic aspects, members with different responsibilities come together to bring diverse perspectives to the table in an effort to resolve these issues.

Evaluation process for social issues





Process for upgrading materiality



Russian aggression for Ukraine and Review of Materiality Map — Sustainable Materiality

In response to the Russian invasion of Ukraine, in addition to the normal materiality research process, we conducted text data analysis in collaboration with Mizuho Dai-ichi Financial Technology Co., Ltd. to identify materialities that have increased in importance by comparing and analyzing changes in the frequency of their appearance in NGO reports before and after the Russian invasion of Ukraine.

As a result, although we did not identify any new issues as sustainable materiality or find material that clearly indicates a change in Stage (degree of materiality), we can report the following findings.

Analysis of NGO reports indicated an increase in references to our materialities of “conflicts, political instability,” “Movement of refugees by conflict, disaster, or discrimination” and “controversial weapons.”

We also observed the following topics from rating institutions and global initiative discussions.

- Pointing out the link between corruption and national security
- Evaluation of critical assets and business exposure in conflict zones
- The importance of supply chain due diligence in conflict zones
- The need for companies to respond proactively to geopolitical risks

Through this analysis, we recognised the need to clarify the issues of how companies should respond in times of conflict and war. We believe that no global consensus has been reached on the actual required response, level and scope of each corporate activity, as there are differences in values among stakeholders. We will deepen our understanding of these issues through stakeholder engagement and other means, and then consider reflecting them in our materiality.

Takami Yoshida In charge of sustainable materiality analysis, Digital Innovation Office and Product Research & Planning Group

In the analysis we conducted immediately after Russian aggression towards Ukraine, NGO mentions of conflicts and political instability, refugees, and controversial weapons increased, and we noted a growing interest in these issues in the international community. We are paying attention to how ESG rating institutions and relevant initiatives will assess these issues in the future, but we would also like to keep our perspective as a member of society.

Topic: AI-based materiality research Mizuho-DL Financial Technology Co., Ltd.

Yasuko Hio (on the right)
General Manager of Investment Technology Department, Solution Development Group

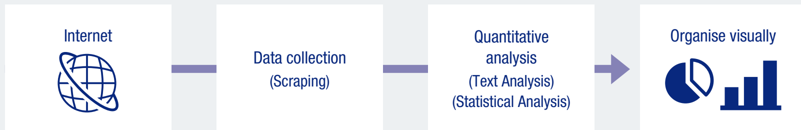
Keigo Sumita (on the left)
Senior Financial Engineer of Investment Technology Department, Solution Development Group

The y-axis of materiality, “sustainable materiality,” refers to the level of interest in specific sustainability themes among civil society and investors, and its quantitative measurement is not easy. In collaboration with our Sustainable Materiality Analysis Team, Mizuho-DL Financial Technology Co., Ltd. is experimenting with research to quantify this level of interest through AI-based analysis of large volumes of text data, including information provided by NGOs on the Internet.

The process involves collecting data from a large volume of reports published on NGO websites and evaluating them quantitatively at high levels of speed and consistency using text analysis technology. Next, statistical analysis is used to extract information of high levels of significance, and by deciphering changes over time, essential topics are extracted from the vast amount of data and their level of interest and changes are clarified. But the benefits of utilising AI are not limited to streamlining analysis. Quantitative analysis makes it possible to measure facts objectively, which can lead to new insights and indications that have been overlooked in the past. In addition, human information processing is subject to various biases, but by combining this with statistical analysis, rational judgments can be made with objectivity and fairness. For example, it is a well-known fact that interest in climate change is on the rise, but by utilising text data to quantitatively understand the level of interest, and by quantitatively understanding changes in the level of interest to the linkage between climate change and biodiversity, more concrete and objective indications can be obtained.

The AI used in this analysis is known to have “side effects,” and making decisions mechanically from this information is risky. Therefore, we have positioned the quantitative analysis by AI as a tool to enrich and facilitate qualitative discussions, and we have customised the analysis method and visualisation of results to suit the purpose.

Image of AI-based materiality research



Russian aggression for Ukraine and Review of Materiality Map — Dialogue with Stakeholders

In-house seminar and dialogue on biodiversity by WWF Japan

Founded in 1961, World Wide Fund for Nature (WWF) promotes environmental conservation in 100 countries worldwide. It quantifies and visualises issues using "the Living Planet Index," and actively cooperates with multiple stakeholders to improve the natural environment.

While dialogue with WWF Japan began last year, and this fiscal year the organisation has provided in-house seminars on the themes of forests, freshwater and marine fisheries resources in order to promote understanding of natural capital and biodiversity in preparation for TNFD disclosure. As a special note, a dialogue was held on the biodiversity agenda to be addressed as an institutional investor.

Investment in education for people is the best leverage point for correcting various disparities

Sawako Shirahase Professor of Graduate School of Humanities and Sociology, the University of Tokyo, and Senior Vice-Rector, United Nations University

After Professor Sawako Shirahase received her DPhil in sociology from the University of Oxford, she has been a professor in the Department of Sociology at the University of Tokyo since 2010, where she has also served as Vice President. Since 2021, she has served as Senior Vice-Rector of the United Nations University. Her research interests include social stratification and social demography, inequality in income and wealth, and family and social security system.

In our dialogue, we shared the recognition that investment in people, assuming diverse possibilities, is the key to correcting various disparities, including gender gap issues in the workplace. We also exchanged views on the concept of affirmative action, such as setting targets for the ratio of female managers by companies.

Proactive responses to diverse environmental and social challenges are now required

Taikan Oki Professor of Graduate School of Engineering, the University of Tokyo, and former Senior Vice-Rector, United Nations University

Professor Taikan Oki is a leading expert in global hydrological cycle and water resources research. In the past, he also served as the coordinating lead author of the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report.

In our dialogue, Professor Oki offered suggestions on the gap in awareness between Japan and the rest of the world on climate change issues, as well as on issues that will inevitably become more serious in the long term, such as aging infrastructure and population dynamics. He also shared his perspectives on the role of digital power and corporate internal education (human resource development) in advancing sustainability, and the importance of producing human resources who can propose international standards and debate on equal terms with Westerners, based on his experience as Senior Vice-Rector of the United Nations University.

Growing importance of the One Health approach due to the COVID-19 pandemic

Naoko Yamamoto Assistant Director-General, WHO

World Health Organisation (WHO) is a specialised agency of the United Nations established in 1948 to raise the health of all people to the highest standards.

Dr. Naoko Yamamoto is Assistant Director-General of WHO, where she works on issues related to universal health coverage.

In our dialogue, Dr. Yamamoto gave us insights into the issues of income and environmental disparities that underlie health disparities, and the growing importance of the One Health approach (which considers human, animal, and environmental health as a whole) in the wake of the COVID-19 pandemic.

Disappointment with society and systems makes it more difficult to solve issues

Miwa Kato Director of the Division for Operations, UNODC

United Nations Office on Drugs and Crime (UNODC) was established in 1997 to comprehensively address the issues of illicit drugs, crime, corruption and international terrorism.

Miwa Kato is the Director of the Division for Operations at UNODC since 2018, after serving as the UN Women's Regional Director for the Asia Pacific.

In our dialogue, she shared her insights on various perspectives on geopolitics, hurdles that stand in the way of solving women's empowerment challenges, and the widespread disappointment of people with their society and systems, which is a risk for all material issues.

Russian aggression for Ukraine and Review of Materiality Map — Financial Materiality

For financial materiality (x-axis), four material issues were reviewed

The x-axis of the materiality map shows the size of financial materiality. The magnitude of the economic impact of each materiality, including estimated values, has been converted into monetary values and plotted on a map based on relative magnitude. We have analysed and summarised the impact on each materiality in the wake of the major incident of Russia's invasion of Ukraine.

In conclusion, the review of financial materiality (x-axis) shows that there were impacts on four material issues: "conflicts, political instability," "Movement of refugees by conflict, disaster, or discrimination" "climate change," and "sustainable food system."

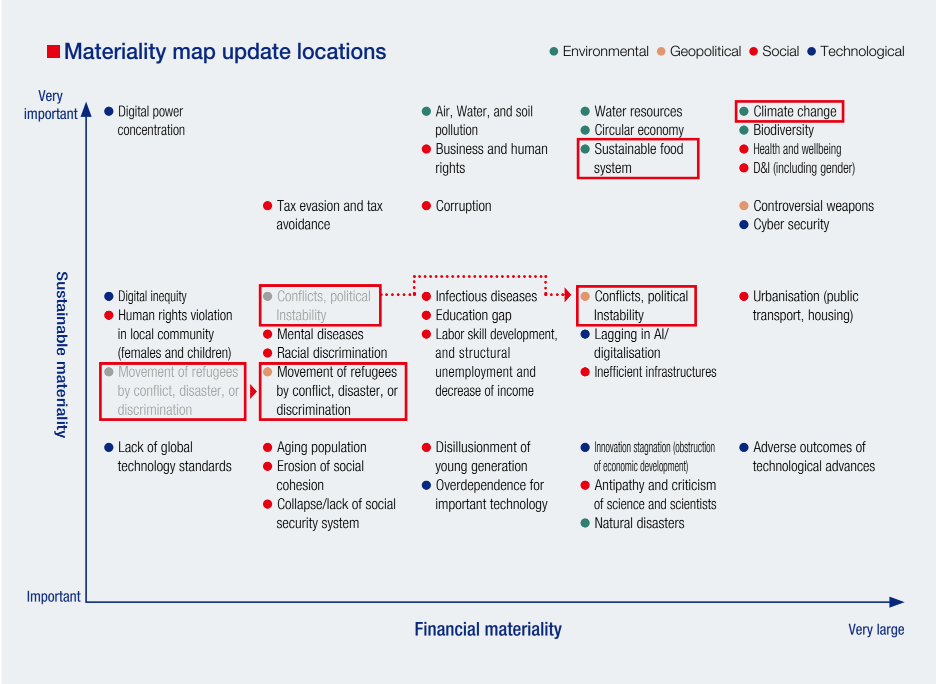
"Conflicts, political instability" and "Movement of refugees by conflict, disaster, or discrimination" have undergone significant changes in their positioning on the map this time around. This reflects, among other things, the increase in international military spending and the impact of the "economic fragmentation" described below. While "Climate change" and "sustainable food system" remain unchanged on the map, we have factored in changes in energy policy, such as Europe's REPowerEU triggered by the energy crisis, as well as increases in international energy and food security-related costs.

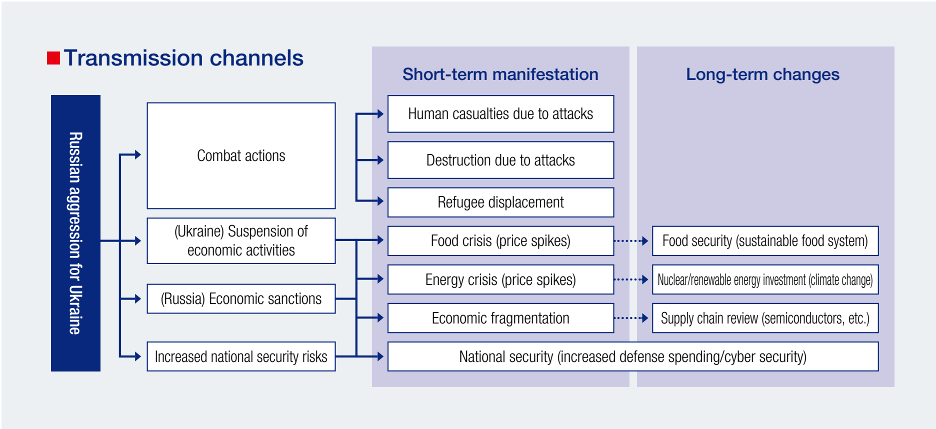
Research by transmission channels

In this review, we have organised the impact of Russian aggression for Ukraine by transmission channels, referring to reports by international institutions. We analysed direct impacts such as human casualties, property damage, and refugees caused by military aggression, as well as indirect impacts such as energy and food crises. We also examined the duration of impacts by pathway, dividing them into two categories: items whose impacts become apparent in a short period of time (up to three years) and items whose impacts become visible in a longer period of time (up to ten years). Since the ravages of war were still ongoing at the time of our review and at the time of writing this report, we have made certain assumptions based on past examples of wars and conflicts.

There are concerns about the long-term impact of economic fragmentation

In the short term, combat actions themselves causes enormous human and material damage. In addition, fiscal expenditures (fossil fuel subsidies, etc.) by all countries are expected to increase due to the onset of energy and food crises. On the other hand, over the long term, energy investment, as represented by the REPowerEU plan, is expected to increase, and global economic fragmentation is also expected to progress. Economic fragmentation is reminiscent of the Cold War era, and not only Russia, which has been designated as a country subject to economic sanctions by the G7 nations, but also the U.S. -China confrontation is expected to spur a review of existing supply chains. In particular, the supply chain for semiconductors, which are considered a strategic commodity, is being reviewed ahead of other industries. We are reviewing and reflecting these multifaceted factors.





Focus area 1

Climate Change

Initiatives for climate change

There are limits to which individual actors can respond by themselves to large complex issues such as climate change, and we believe there needs to be major change in society as a whole.

Since we investors can encourage many companies from our position as shareholders and also interact with consumers through investment products, we believe Asset management One has a role to play in promoting the transition to a decarbonized society for society as a whole.

Specifically, our firm considers climate change as one of our focus areas and intends, as an investor, to drive the transition to a decarbonised society from various perspectives such as preparing assessment methods for alignment with net zero scenarios, increasing funds to drive climate change initiatives as well as encouraging investee companies' climate change initiatives and transitions through engagement activity, while cooperating with other stakeholders including policy makers and other global investors.

Cooperation with various stakeholders

It goes without saying that cooperation with other investors including global investors and the role of policymakers are extremely important for moving society as a whole towards net zero. First, we present two examples of activities undertaken by our firm as a member of study groups convened by government agencies, etc.

The Ministry of Economy, Trade and Industry's Study Group on Finance for Green Transformation

Our firm's Executive ESG Advisor participates as a member of the study group looking at issues for Green Transformation (GX) investment to achieve carbon neutrality (CN) by 2050. The Executive ESG Advisor proactively encourages smooth and realistic policy management towards CN, such as by pointing out the necessity of creating impact disclosure systems around the details of transition technologies, greenhouse gas reduction targets, etc., as well as the necessity of solving legal and regulatory issues surrounding lenders.

TCFD Consortium

TCFD Consortium

Since its foundation, our firm has been the only Japanese asset manager to be a part of the Steering Committee of the TCFD Consortium. We have taken the lead in measures such as creating various types of guidance and holding roundtable meetings for multiple investors and companies, and are carrying out proactive activities towards smooth promotion of information disclosure by companies that have endorsed the TCFD recommendations.

Focus area 1

Climate Change — Global Investor Cooperation

■Climate Action 100+

The Climate Action 100+ is an initiative for global investors to cooperate in engagement with the world's top 100 (+α) corporate greenhouse gas emitters, established in December 2017. At present, 700 participating institutional investors collaborate in engagement with 166 target companies. The target companies reportedly account for 80% of the world's corporate greenhouse gas emissions.

Asset Management One has participated as a founding member of the Climate Action 100+ since its inception in 2017. As a lead investor for Japanese target companies, our firm exchanges opinions not only with major U.S. institutional investors who are joint lead investors, but also with European institutional investors and climate change-related NGOs and encourages initiatives that suit each individual company's business model based on an assessment of the environment in which Japanese companies operate, their efforts to date, and from a global requirements perspective.

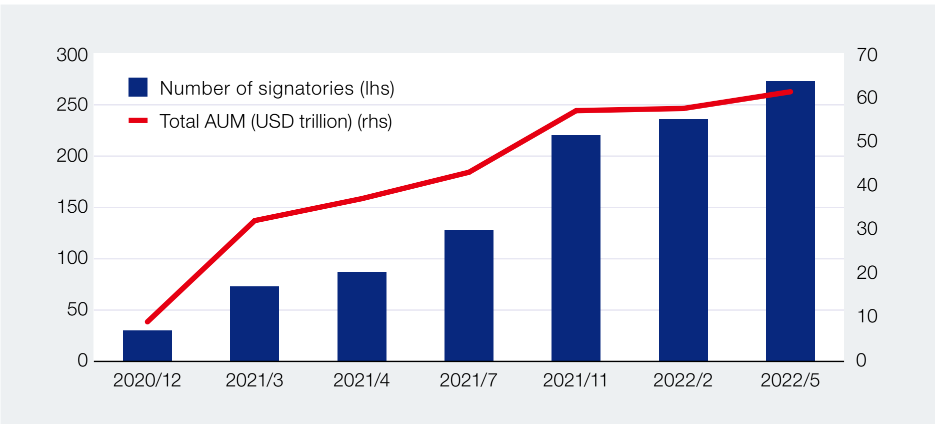
■Net Zero Asset Managers initiative (NZAM)

The Net Zero Asset Managers initiative (NZAM), an initiative of global asset management companies that aims for net zero greenhouse gas emissions by 2050, was launched in December 2020. Thinking about what asset management companies can do to solve climate change issues, our firm supported the idea that global asset management companies should join together for such purpose and start to take steps towards a solution. Agreeing with the philosophy, our firm joined NZAM as the only founding member from Japan.

When founded, total assets under management by the initial 30 asset managers exceeded US$9 trillion, which grew to 273 companies and US$61.3 trillion (exceeding 50% of assets under management globally) as of May 31, 2022.

Asset management companies participating in NZAM are required to disclose their interim targets for assets under management in line with their net zero scenarios by 2030 within 12 months of joining, and report on their progress every year. As an interim target for 2030, our firm aims to commit ¥30 trillion ($273 billion) worth of investment assets, which is 53% of our AUM as of the end of March 2021 (¥57 trillion) to align with the net zero scenario. Please refer to P.20 and P.21 for our firm's net zero assessment method and outcomes.

Our firm believes that the net zero initiatives should be done in collaboration among asset management companies and encourages participation in this initiative as well as presents at various seminars, etc. We also proactively conduct exchange of information on net zero initiatives with asset management companies in Japan and overseas.



The World Climate Summit session "From Investment Pledges to Active Strategies – Reaching Targets by 2030" held as a side event of the COP26 in Glasgow, UK in November 2021 (Asset Management One President Sugano is seated at the far right)

Focus area 1

Climate Change — Engagement Case Study

Delays in climate change initiatives directly harm corporate value. On the other hand, it is highly likely that advanced initiatives could lead to reduced risks and increased competitiveness.

Asset Management One conducts engagement activity on climate change for such points as the appropriateness of its commitment to achieving net zero greenhouse gas (GHG) emissions by 2050, targets, disclosures, and strategies to achieve the targets, and the effectiveness of initiatives towards maintaining and improving medium- to long-term corporate value.

	Issue	Action	Outcome	Next steps
Counterparty: General trading company A	General trading companies involved in resources and energy are subject to intense scrutiny. Decarbonization and the transition to a renewable energy business are critical issues. Continuous dialogue, including in relation to the response to TCFD. Voted in the affirmative on climate change-related shareholder proposals while also exchanging detailed opinions concerning such response. The disclosure of carbon neutrality target by 2050, interim milestones for 2035 and 1.5°C scenario analysis at the ESG briefing are also viewed positively. However, engagement was conducted due to the lack of clarity about the company's stance on construction of a coal-fired thermal power plant.	Meeting with the head of IR, team leader of sustainability department, team leader of human resource management department, etc. We pointed out our need to clarify their approach concerning participation in a project to expand coal-fired thermal power generation in terms of achieving carbon neutrality by 2050. The company explained that its decision criteria for coal-fired power generation also give top priority to consistency with the Paris Agreement. In regard to the target to reduce GHG emissions, it has disclosed interim milestones for 2035 but is also considering to disclose 2030 targets for clarity and ease of understanding. It is in the process of gathering interim targets from each department based on new scenarios.	Through dialogue, we confirmed that compliance with the Paris Agreement is their top priority for all projects. Subsequently, the company indicated a policy not to participate in a project to expand coal-fired thermal power plants. In addition, the company expressed its intention to once again review its policy on addressing climate change and also strengthen its response to decarbonization. Ourfirm is focused on three points to increase the effectiveness of our engagement: (i) building a relationship of trust with companies, (ii) providing a new perspective, and (iii) internal and external collaboration to improve corporate value. On this matter, we analyze that our efforts to date, including our collaboration with internal equity analysts and proxy voting specialists, and exchanging opinions with senior management including deputy presidents based on detailed materials, have fostered a sense of corporate crisis and accelerated initiatives.	We continue our monitoring of progress for specific initiatives towards carbon neutrality by 2050 and 2030 interim milestones through engagement. We also plan to conduct engagement about non-climate change issues such as sustainability management, business and human rights, diversity and inclusion, supply chain management, and digital transformation.

Focus area 1

Climate Change — Assessment of Alignment to the Net Zero Scenario

Net zero assessment of investee companies

As a signatory to the Net Zero Asset Managers initiative (NZAM), Asset Management One is committed to alignment to the net zero scenario with a net zero interim target for 2030 of 53% (¥30 trillion) of the firm's AUM (¥57 trillion as of March 31, 2021). (Set in September 2021)

Our firm has developed a method of assessing net zero based on Net Zero Investment Framework of Paris Aligned Investment Initiative (thereafter PAII Framework and PAII), a recommended methodology by the NZAM, and is applying it make net zero assessments of investee companies and funds. Under the PAII Framework, sectors with high greenhouse gas emissions are defined as high impact sectors and other sectors are defined as low impact sectors. Assessment is conducted using the following six criteria.

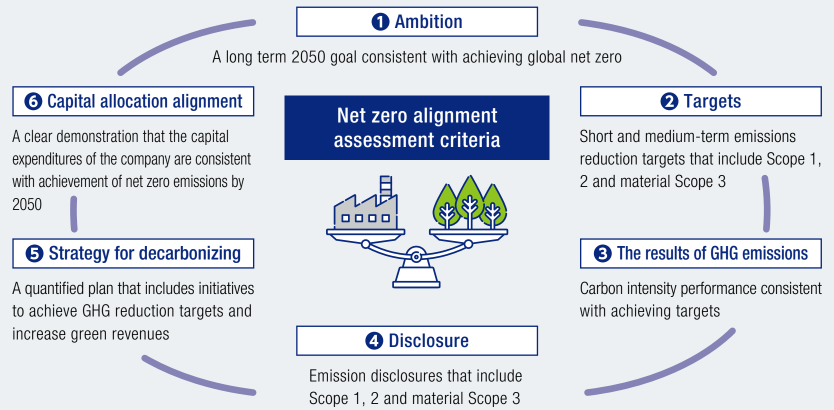
In the initial 2022 assessment, 548 Japanese companies and 999 non-Japanese companies were subject to our assessment, equivalent to 95% of target emissions. In making net zero assessment, we determine types of data and disclosure information for each item, and use external vendor data such as Temperature Rating of Carbon Disclosure Project (CDP) and ISS ESG data, as well as in-house analysts' research.

The results of these assessments are categorized into five phases of alignment assessment to the net zero scenario, with companies categorized as (i) Achieving net zero, (ii) Aligned to a net zero pathway, and (iii) Aligning towards a net zero pathway, considered to be net zero companies. The results of these assessment are utilized in the formulation of engagement strategies, development of investment strategies and in integration of corporate fundamentals analysis.

In 2022, the result for the net zero alignment assessment of 548 companies was that 9% (49 companies) of the Japanese companies subject to assessment were assessed as aligned to a zero net pathway*. In the individual analysis of the assessment results, on the point of whether or not the details of the interim goal setting were aligned to the 1.5°C net zero pathway in 2050, many Japanese companies were assessed as not having established adequate goals towards net zero and it became clear that this was a point for future engagement. These assessment results are also used in corporate analysis and the development of investment products.

* Under the net zero assessment in NZAM, assessment of each fund is ultimately required and the aggregate of the balance of funds aligned to a net zero pathway needs to be measured. As of March 31, 2022, AM-One has no funds that have been assessed as aligned to a net zero pathway for the entire fund under this assessment method, and this results are recently measured to track the progress of individual companies preliminarily.

■Six PAII assessment criteria



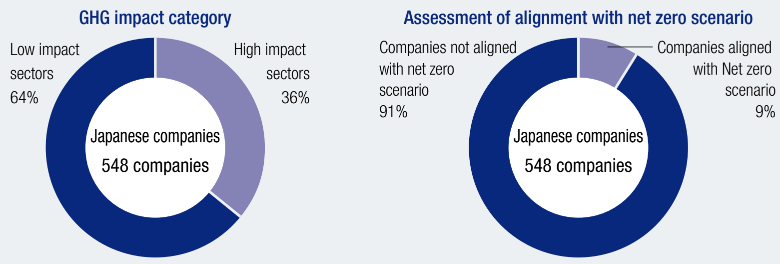
Source: Created by Asset Management One from the Paris Aligned Investment Initiative Framework

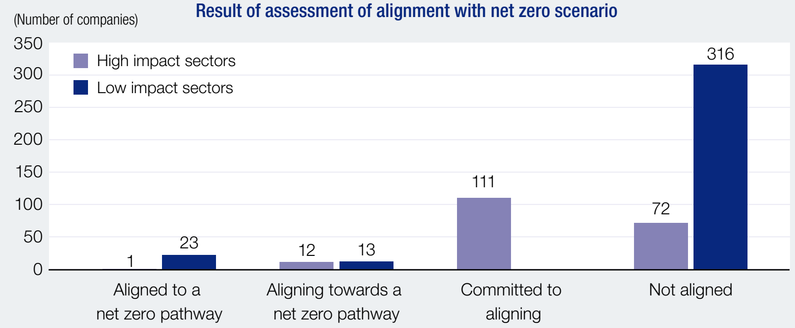
■Five phases of net zero assessment

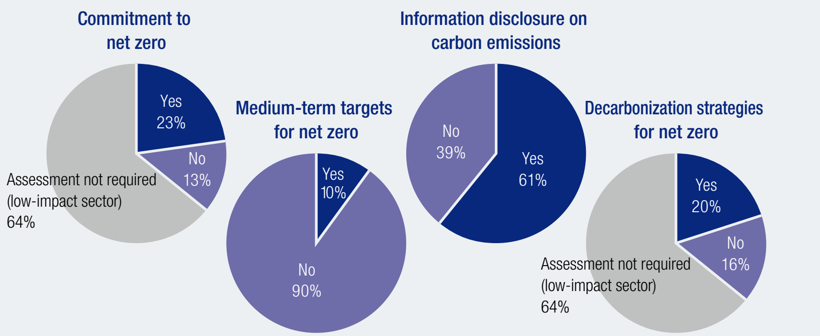
Five phases of assessment	Definition of five phases
1 Achieving net zero:	Companies that have current emissions intensity performance at, or close to, net zero emissions with an investment plan or business model expected to continue to achieve that goal over time
2 Aligned to a net zero pathway:	Meeting criteria 1-6 (or 2, 3 and 4 for lower impact companies) Adequate performance over time in relation to criterion 3, in line with targets set.
3 Aligning towards a net zero pathway:	Meeting criteria 2, 4 and 5
4 Committed to aligning:	A company that has complied with criterion 1 by setting a clear goal to achieve net zero emissions by 2050
5 Not aligned:	All other companies

Source: Created by Asset Management One from the Paris Aligned Investment Initiative Framework

Net zero assessment outcomes







No. of assessed companies: 548 Japanese companies

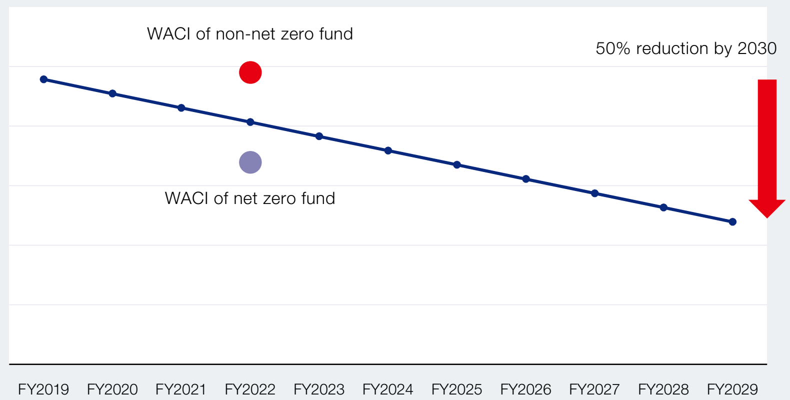
Net zero alignment assessment of investment funds

The net zero alignment assessment of investment funds is done either by using net zero assessment results of holdings in the portfolio or the portfolio level weighted average carbon intensity (WACI). In case of using holdings level net zero alignment assessment results, we determine the fund to be net zero aligned fund when 95% of financed emission at the fund level comes from net zero scenario aligned companies.

In case of WACI based assessment, we compare the WACI of the fund against the predetermined WACI derived from asset classes and investment universe the fund invests in. We use the WACI in 2019 as the starting point and compute a 50% reduction trajectory to be achieved by 2030, and compare it with that of the active funds subject to the assessment. The fund is assessed as a net zero aligned fund when the WACI of the active fund is lower than the net zero assessment criteria index.

Fund assessed with WACI

Weighted average carbon intensity Reduction trajectory



Focus area 1

Climate Change — Views of a Senior Sustainability Scientist on Promoting Transition

Growth opportunity for transition

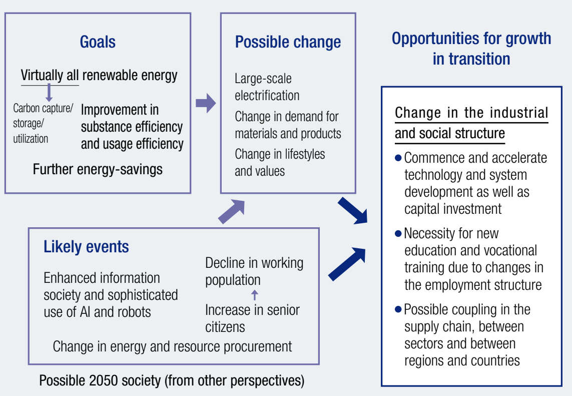
To build a carbon neutral society, it is important to have technologies that can contribute to reducing carbon, and systems, infrastructure and institutions to incorporate them into society. Opportunities for corporate growth are available during two stages: innovation and development stage of technologies that are essential to the transition and implementation stage into society to spread them widely. Specifically, such opportunities include the stable and widely available non-carbon and low-carbon energy technologies, the use of materials with low carbon emissions over their lifecycles, and the creation of systems aimed at circular economies.

The keys to discovering these opportunities and realizing them in business are a vision for the future that anticipates various transformations and investment for transformation. Important points in creating the vision for the future are what kind of society is envisioned for the long term and how to aim for it. Apart from the possible changes in the context of becoming carbon neutral, there are major transformations taking place in industrial structures, value chains, demand and lifestyles caused by various factors including changes in the structure of the labor force due to the aging society and progress of IT and robot technologies. The process of reaching this point is a transition period, and it is essential to have mechanisms that enable companies to use this transition as a business opportunity in order to achieve carbon-neutral society. Asset management companies can help find such opportunities and provide support through finance and investment, and collaborate with companies through engagement activity.

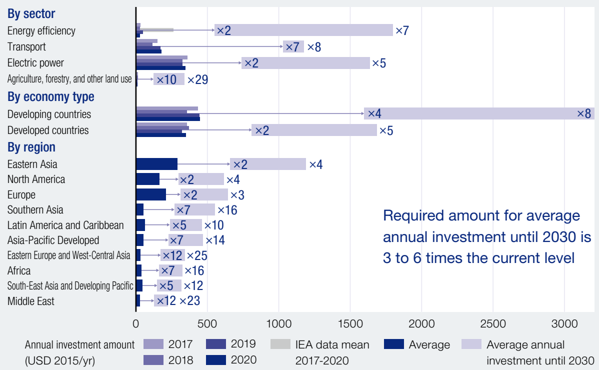
According to the recent report from the IPCC, there are many opportunities for mitigation currently available to halve emissions at levels below US$100/t-CO2 by 2030. Investment to bring about this opportunity is important. The 1.5°C target requires annual funding of 3-6 times current levels by 2030 (7-14 times for developed Asia-Pacific countries), stating that there is sufficient global capital and liquidity to fill these investment gaps. Governments are also paying close attention to investments. This is because of their interest in ways to align with the pathway to the development of sustainable economies and how the power of investment can promote green transformation. The Green Growth Strategy, formulated in 2020, aimed for a positive cycle of economic growth and environmental protection and promoted the development of technologies in promising fields for growth through government measures. This is a policy designed to lift the level of technologies that are the necessary elements and that will lead to an increase in options. It also incorporates various measures that leverage sustainable business cycles involving finance. The Clean Energy Strategy, which is currently being formulated*, focus on the revolutionary transition of industry towards a future society, with increased focus on investment to achieve the transformation. In addition, opportunities of transition are being considered in multi-faceted ways including human resources development and training and regional revitalization. In regard to the opportunities provided by transition, the creation of systems that enable the active involvement of companies has begun.

* As of October 2022

■2050 carbon neutral society



■Investment expectations



Source: Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, Working Group III, Technical Summary, 2022

What do you aim for as Senior Sustainability Scientist?

Dr. Kanako Tanaka
Senior Sustainability Scientist, Responsible Investment Group

To date, I have been involved as a researcher in the issues of the climate change response and sustainable development for more than 20 years. The transition towards carbon neutrality, needs to be advanced efficiently with technological and economic assessments in light of the societal change and conditions. Not only because there is a spirit that the environment is the top priority and because of a sense of duty, it is also important that each company feel the benefit of the actual increase in its corporate value through the transition. This build up will lead to a rich society as a whole. This requires funds to reach good initiatives and activities for decarbonization. As a member of an asset management company, I want to use my scientific knowledge and Asset Management One's engagement outcomes to work with others in considering directions that are more likely to link to opportunities and the sustainable future of companies.

Focus area 1

Climate Change — Our Approaches to the TCFD

Governance

Disclose the organization's governance around climate-related risks and opportunities

TCFD disclosures
- Describe the board's oversight of climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities

Asset Management One recognizes climate change to be a threat to the environment, society, people's lives and corporate activities and to be the most important global issue that could also impact the stability of the financial markets. We support the Paris Agreement's aim to strengthen the global response to the threat of climate change.

We have established initiatives for business activities that respond to climate change and to reduce our own environmental impact in our Environment Policies which are the core of our environmental initiatives and in our Basic Policy on Sustainability Initiatives, which prescribes the key matters for sustainability. In addition, we have established Sustainable Investment Policy in this fiscal year. We actively conduct dialogue with asset owners, research institutions and international NGOs to better understand global environmental and social issues in a timely manner and to identify the direction of our initiatives. Following such dialogues, we produced the materiality map with the firm's own axis as a guideline and will reflect this in all our business activities with the aim of solving identified issues.

The Board of Directors approves key matters concerning our firm and the Group's sustainability, including climate change, and the President & CEO oversees the firm's sustainability initiatives.

In addition, the Sustainability Advisory Board and which was established as an advisory body to the Board of Directors in July 2021 and includes outside experts, provides its opinions to the board concerning medium- to long-term ideas and policies on sustainability matters.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material

TCFD disclosures
- Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term
- Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning
- Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Physical risks such as serious natural disasters caused by climate change are materializing, and transition risks have also increased amid stricter climate change-related regulations including a carbon tax in some countries prompted by the heightened interest of civil society in decarbonization. On the other hand, there are opportunities for value creation through business expansion and improved reputation for companies providing technologies and services that mitigate climate change and companies that actively implement initiatives in their business operations.

In light of the above, we consider the response to climate change to be an important issue for business strategy and we are implementing the following initiatives to actively fulfill our role as an asset manager in achieving a decarbonized society (net zero GHG emissions) for 2050 and to build a society with resilience towards climate change.

- We aim to create finance flows to achieve the Paris Agreement goals of curbing the global warming, to prepare a net zero assessment method, and to steadily build up investment portfolios consistent with the Paris goal. In addition, we support the goal of net zero GHG emissions by 2050, in line with global efforts to limit warming to 1.5°C (net zero emissions by 2050 or sooner), through our participation in the Net Zero Asset Managers initiative (NZAM).
- We actively conduct engagement (constructive dialogue) to drive climate change actions and support transition to a decarbonized society to meet the objectives and needs of respective clients over the medium to long term.
- We actively develop and provide financial products and services to support clients' climate change response and transition to decarbonization.
- Recognizing the importance of climate-related financial disclosures, we continuously strengthen our initiatives for growth opportunities and risk management utilizing the TCFD recommendations, and be transparent in reporting on the progress.
- We strive for initiatives such as the use of sustainable energy resources in our own business activities, pollution prevention and green procurement to reduce our environmental impact.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks

TCFD disclosures
- Describe the organization's processes for identifying and assessing climate-related risks
- Describe the organization's processes for managing climate-related risks
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

We actively conduct dialogue with asset owners, research institutions and international NGOs to better understand global environmental and social issues in a timely manner and to identify the direction of our initiatives. Following such dialogues, we produced the materiality map with the firm's own axis as a guideline and will reflect this in all our business activities with the aim of solving identified issues. In this process of identifying materiality, we recognize that climate change is a globally important issue. ESG analysts from the Responsible Investment Group and analysts from the Investment Division assess climate change related risks and opportunities at investee companies, utilizing information from external providers and our own proprietary research as well as insights from engagement activity and company disclosures, and conduct continuous engagement dialogues with focus companies as necessary. Please refer to P.8 and P.9 concerning the sustainable investment framework and exclusion list.

In addition, our firm actively participates in various collaborative initiatives in Japan and globally (such as the TCFD Consortium of Japan and the Climate Action 100+), working together with other investors and stakeholders. As a major Japanese asset manager, we are committed to taking a leadership role in tackling climate challenges and implementing solutions.

This research and engagement information, together with quantitative information such as GHG emissions and ESG scores, is also shared with fund managers and analysts in the Investment Division and used in investment decisions and voting considerations. ESG engagement activities, including on climate change, are reported to the Responsible Investment Committee.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

TCFD disclosures
- Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
- Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
- Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

We calculate and analyze our in-house investment portfolios in Japanese equities, Japanese fixed income, non-Japanese equities and non-Japanese fixed income with GHG emissions-related indicators (total GHG emissions, carbon footprint, carbon intensity, weighted-average carbon emission factor) and other climate change risk related indicators using the methodologies of external information provider, ISS-Climate.

- We joined the Net Zero Asset Managers initiative (NZAM) and are committed to supporting the goal of net GHG emissions by 2050 in line with global efforts to limit warming to 1.5°C (net zero emissions by 2050 or sooner). We are also committed to supporting investment aligned with net zero emissions by 2050 or sooner.
- We work in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management (AUM).
- We have set an interim target for 2030 for the proportion of assets to be managed in line with the net zero scenarios. Please refer to P.20 and P.21 for the progress report.
- We will review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are achieved.

Focus area 1

Climate Change — Portfolio Analysis Based on TCFD

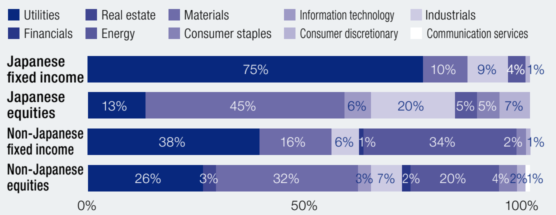
Analysis of major indicators such as total GHG emissions

The results of climate-related risk indicators, such as the total GHG emission*1 and the weighted average carbon intensity*2, are showing that our investment portfolios managed in-house are well-positioned to have a lower risk exposure in comparison to their respective benchmarks for assets other than Japanese equities, which slightly exceed the benchmark for total GHG emissions. Meanwhile, a breakdown of total GHG emissions by sector reveals that the utilities and materials sectors account for a significant amount of the total GHG emissions in all four asset categories. Therefore, we hold more intensive engagement dialogues with relevant companies in these sectors, seeking enhanced efforts to reduce GHG emissions and to accelerate a shift towards renewable energies.

Climate-related risk indicators: our firm's portfolio vs Benchmarks

	Total GHG emissions (Scope 1-3 million t CO_2e)		Weighted average carbon intensity (t CO_2e/million US$)	
	Our firm	Relative to benchmark	Our firm	Relative to benchmark
Japanese fixed income	7.7	44.1%	228.9	56.0%
Japanese equities	148.7	102.2%	95.2	99.8%
Non-Japanese fixed income	1.6	88.5%	234.3	99.1%
Non-Japanese equities	12.0	62.1%	116.0	67.1%

Breakdown of GHG emissions by sector



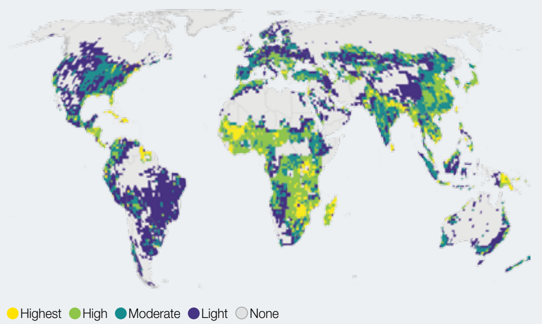
Benchmark (BM) Japanese fixed income: corporate bond composites only within NOMURA-BPI (all composites) Japanese equities: TOPIX (total return) Non-Japanese fixed income: corporate bond composites only within Bloomberg Barclays Global (all composites) Non-Japanese equities: MSCI ACWI ex Japan *1 Total GHG emissions: portfolio-related greenhouse gas emissions (CO_2 converted ton). Using our firm's holdings relative to the adjusted enterprise value (market capitalization + interest-bearing debts) when calculating *2 Weighted average carbon intensity: the weighted average of GHG emissions (Scope 1 and 2) per sales for each company weighted by each company's weight in the portfolio

Climate change related risks

Physical risks

Using a bottom-up approach, the analysts in the Investment Division assess the materiality and significance of physical risks caused by extreme weather events, etc. on investee companies. In addition, the physical risks of the portfolios up until 2050 analyzed by Asset Management One using the ISS-Climate methodologies are as follows. This map emphasizes the areas where the impact of physical risks such as tropical cyclones, river floods, bushfires, drought, and heat stress are growing.

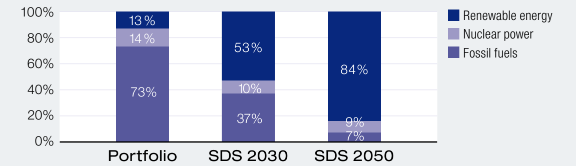
Physical risk exposure per geography



Transition risks

With regards to transition risks, in order to analyze the potential future costs to be incurred by energy transformation or other factors, we compared the energy mix between a hypothetical investment portfolio of four assets at the firm and the targets under the IEA's Sustainable Development Scenario (SDS)*3 for 2030 and 2050 respectively. As a result, due to the high weighting of fossil fuels, we recognized the importance of taking further actions to promote the use of efficient energy sources and the proliferation of renewable energy.

Energy mix comparison

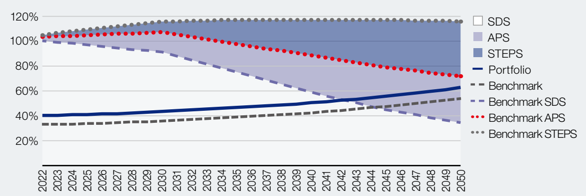


*3 Sustainable Development Scenario (SDS): a sustainable development scenario aligned with the Paris Agreement objective of holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit the temperature increase to 1.5°C.

Scenario analysis

Using the ISS-Climate methodologies, we generated a forecast for the investment portfolio's total GHG emissions through 2050. We then compared it with the respective carbon budgets (GHG emission allowances) under the three scenarios (IEA's Sustainable Development Scenario (SDS), Announced Pledges Scenario (APS)*4 and Stated Policies Scenario (STEPS)*5).

The results indicated that the current GHG emissions of our hypothetical portfolio of four assets have appeared to be lower than the carbon budget for any of the scenarios. However, given the emission allowances would decrease as the temperature rises under the scenario, the portfolio's carbon emissions would likely exceed the carbon budget limit set under the SDS scenario by 2043. As such, we are committed to continuously promoting decarbonization in our portfolios through active engagement with investee companies to achieve net zero GHG by 2050.



*4 Announced Pledges Scenario (APS): a scenario that reflects the ambitions declared by like-minded countries
*5 Stated Policies Scenario (STEPS): a scenario that reflects the specific policies already announced by each country

Focus area 2

Biodiversity and Environmental Destruction — Pilot Disclosure for the TNFD Framework

Our social and economic activities greatly depend on ecosystem services created from nature capital, but they are rapidly being lost. In this context, it is vital for asset managers to assess how the investee companies depend on ecosystem services and negatively impact nature capital through their business activities. We also recognise the need to identify business opportunities in the transition to a nature-positive society, where socio-economic activities are compatible with increasing nature capital.

The TNFD*1 framework being developed by global investors and companies is one of the framework for systematically identifying and disclosing the nature-related risks and opportunities in business activities. We believe that active participation and action in the development of the TNFD framework will help to halt the loss of nature capital and biodiversity at an earlier stage and contribute to the transition to a nature-positive society.

However, there are many challenges, such as limited information disclosure on the relationship between business activities and nature capital, while our investee companies have a wide range of businesses and many interconnection with nature.

Under these circumstances, as a first step toward our disclosure under the TNFD framework, we have conducted a pilot analysis using the LEAP-FI approach of the TNFD framework to assess nature-related risks and opportunities for our Japanese equity assets, using the analysis tools such as ENCORE*2, with the assistance of external experts. As a result, as shown on the following page, we understood the comprehensive picture of the overall dependence and negative impact of our Japanese equity assets on nature capital, and for some sectors we also conducted an analysis with the location factor (geographical factor). We have also obtained insights into the linkages between business opportunities and our Japanese equity assets in relation to nature-positive society based on the analysis of the World Economic Forum and AlphaBeta, and the opinions of external experts.

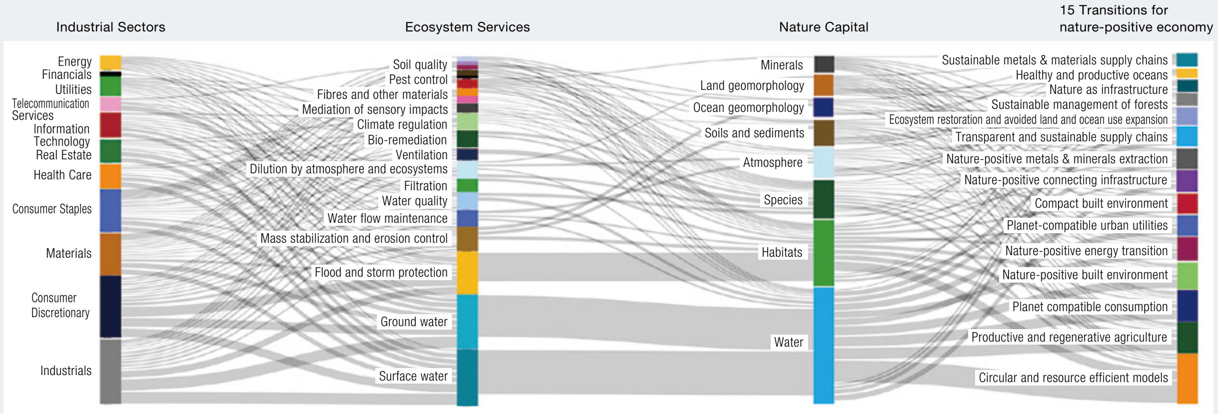
This is the overview of our initial analysis for TNFD disclosure. We recognize that there is significant room for development as the TNFD framework and analytical tools are updated, as the disclosure of location factors, an important element in understanding the nature-related risks, has only just begun. We will continue to encourage our investee companies to identify nature-related risks and opportunities and improve their disclosure in preparation for the publication of the TNFD recommendations next autumn. We will also conduct investment analysis and stewardship activities in accordance with our related materiality, recognizing that nature capital and biodiversity issues are highly interconnected with climate change, human rights, and social issues.

Yuki Ikehata
ESG Analyst,
Responsible Investment Group,
TNFD Working Team

Although we are in the significant challenge even just to understand the wide variety of nature-related risks, I believe that proactive engagement with our investee companies and creating a capital flow toward a nature-positive society is our vital role as the leading asset manager aligned with our corporate message "Creating sustainable future through the power of investment".

*1 TNFD: Taskforce on Nature-related Financial Disclosures
*2 ENCORE: Natural Capital Finance Alliance (Global Canopy, UNEP FI, and UNEP-WCMC) (2022). ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. [On-line], [10/2022 of the version downloaded], Cambridge, UK: the Natural Capital Finance Alliance.
Available at: https://encore.naturalcapital.finance
DOI: https://doi.org/10.34892/dz3x-y059

■ Flow of ecosystem services, nature capital, and opportunities related to AM-One's Japanese equity assets



Source: assessed and created by Asset Management One based on analysis by ENCORE, the World Economic Forum, and AlphaBeta as well as opinions from external experts

Focus area 2

Biodiversity and Environmental Destruction — Analysis through the TNFD LEAP-FI Approach

Scope the Assessment

Type of businesses
Asset manager that invest mainly in listed companies

Entry points
We focused our anaysis on Japanese equity asset since the interconnection between nature capital and our investee companies are diverse.

Type of analysis
To understand the risks and opportunities across our Japanese equity assets, a top-down assessment approach focused on industrial sectors is appropriate. We started with "Dependencies & Impacts" analysis using the nature capital risk assessment tool ENCORE.

Locate — Interface with Nature

Conducted a pilot analysis on location identification on 'forest' and 'water' as our important nature capital on which our Japanese equity assets heavily depend.

● Forests

Analyzed deforestation risk of commodities in the global supply chain by the analysis tool "Trase*1". The results of the analysis indicated that palm oil in Kalimantan, Indonesia, and soybeans in the Cerrado, Brazil, may pose significant deforestation risks. And several Japanese companies have been identified as potentially related to these commodities.

● Water Resources

Calculated water resource intensity by sectors based on available data for Japanese listed companies and identified the sector A as the higher freshwater intensity. And then, we analyzed global water stress risks by WRI's "Aqueduct Water Risk Atlas*2" for the five major Japanese companies in the sector A. The results of the analysis indicated that 11% of them are located in high water stress areas.

Evaluate — Dependencies & Impacts

Dependencies

- Sectors that are highly dependent on ecosystem services include "Industrials," "Consumer discretionary and services," and "Materials"
- Ecosystem services that are highly dependent on included "Surface water," "Groundwater," and "Mass stabilization and erosion control""
- Around 40% of Japanese equity assets may be highly or very highly dependent on at least one ecosystem service
- In nature capital, our Japanese equity assets are dependent on "water," "habitats," and "biology and genetics"

Impacts

- Sectors that have a large impact on nature capital include "Industrials," "Consumer discretionary and services," and "Information technology"
- The large impact drivers are "water pollution," "soil pollution," and "solid waste"
- Around 90% of Japanese equity assets may have a highly or very highly strong impact on nature capital due to at least one impact factor
- In nature capital, "water," "habitats" and "biology and genetics" are highly impacted.

Assess — Material risks & Opportunities

Risks

Our Japanese equity investees have diverse interface to nature capital and are exposed to a wide range of transition, physical and systemic risks.

Opportunities

Evaluated the relation between the nature capital on which our Japanese equity assets depend and the transition of social systems toward nature positive, referencing the analysis*3 of the World Economic Forum, AlphaBeta and the opinions of external experts. As a result, the transition of social systems, such as "Circular and resource-efficient models," "Productive and regenerative agriculture," and "Planet-compatible consumption", are significantly related to our Japanese equity assets, and over 60% of our Japanese equity assets are related to technologies that enable the realization of nature positive.

Existing approach to reduce and manage risks related to nature capital

- Engagement
- Exercise of voting rights
- Integration into our investment under the Sustainable Investment Policy

Prepare — To Respond & Report

Strategy & resource allocation

- Gaining more insight about the risks and opportunities related to nature capital and integrate them into our stewardship and investment activities with connecting our materiality.
- Setting our goals and action plans in line with the goals and targets decided at COP15.

Disclosure actions

- Reporting our biodiversity initiatives in our Sustainability Report under the TNFD Framework.

*3 World Economic Forum. 2020. The Future of Nature and Business https://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf, accessed October 6, 2022
AlphaBeta. 2020. Identifying Biodiversity Threats and Sizing Business Opportunities Methodological Note to the New Nature Economy Report II: The Future Of Nature And Business https://www.alphabeta.com/our-research/methodology-note-new-nature-economy-report-on-the-future-of-nature-and-business/, accessed October 6, 2022

*1 Trase: © 2022 Trase, 09/2022 of the version downloaded available at https://web.archive.org/web/20220202142113mp_/https://www.trase.earth, accessed September 26, 2022
*2 Aqueduct Water Risk Atlas: © 2022 World Resources Institute, 09/2022 of the version downloaded available at https://www.wri.org/aqueduct, accessed September 26, 2022

Focus area 2

Biodiversity and Environmental Destruction — Analysis of Risks and Opportunities

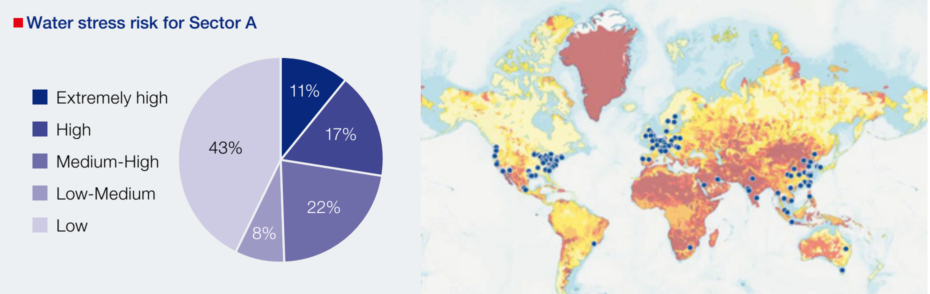
Using location factors in risk analysis

“Location” is an important factor because the degree of damage to nature-capital varies from region to region. Therefore, risk analysis related to nature capital should assess the severity of the issues in each region and identify priorities.

Based on this recognition of the issue, we additionally conducted a pilot location-analysis for the nature capital "water resources" and "habitat," which were identified as highly dependent on our Japanese equity assets in the dependency and impact analysis.

For "water resources," we first calculated the water intensity per unit of sales by sector using available data from domestic listed companies and identified several sectors with high water intensity. And we conducted a global water stress risk analysis by the Aqueduct Water Risk Atlas provided by the World Resource Institute (WRI) for five major Japanese companies in Industry Sector A, in which is relatively large domestic stock market capitalization weighting. The results indicated that 11% of the oversea plants owned by the five major Japanese companies are located in areas of extremely high water stress. On the other hand, for "habitat," we selected "forests," which are representative "habitats," for our analysis. We also conducted location analysis on the commodities with high deforestation risk using analytical tools “Trase”.

Through this analysis, we were aware of the need for more data, including the use of nature capital by companies tied to geographic information. Our future task is to deepen our analysis of the ecosystems assessed as being low integrity, high biodiversity importance and/or areas of water stress, and to reflect the findings from our analysis into our investment decisions and stewardship activities.



Source: evaluated and created by AM-One using WRI's “Aqueduct Water Risk Atlas”

Yoshihito Edamura Economist, Research Group, TNFD Working Team

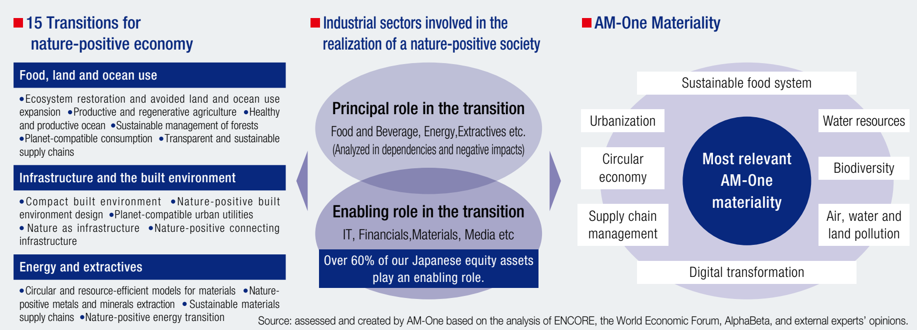
In our analysis, I focused on the interrelationship among the dependence and impact that exist between economic activities and nature capital. Compared to climate change, nature capital and biodiversity are fields in which data and methodology are still developing. I think it is important to ask ourselves not “Why can't we?” but “What can we do to make it possible?” everyday as we work to overcome each issue.

Analyzing business opportunities for the transition toward nature-positive society

In order to make nature capital sustainable and realize a nature-positive society, it is necessary to simultaneously promote tackling environmental and social issues related to nature capital and the transformation of social systems. We believe that not only encouraging our investee companies to reduce "risks" associated with nature capital, but also proactively evaluating "business opportunities" to move both nature capital and the social economy to a sustainable system, which will enhance the corporate value of our investee companies and create a capital flow into a new ecosystem for the realization of nature positive. Based on this belief, we analyzed business opportunities for the nature capital on which domestic equity assets depend with referencing the reports issued by the World Economic Forum and AlphaBeta in 2020 as well as the opinions of external experts.

These reports illustrate the transition of 15 social systems necessary to realise a nature-positive society. As the result of analysis, among these social system transitions, “Circular and resource-efficient models,” “Productive and regenerative agriculture,” and “Planet-compatible consumption” are strongly related to the nature capital on which our Japanese equity assets are dependent. We also found that more than 60% of our Japanese equity assets are in business sectors related to technologies that enable the nature capital positive.

These systemic changes in society are closely related to climate change issues and human rights issues for indigenous and local communities, as well as some of the materiality we recognized last year. Going forward, we will deepen our understanding of the specific enablers and business opportunities related to these social transitions, and will use them in our engagement and investment strategies with identifying our related materiality.



Source: assessed and created by AM-One based on the analysis of ENCORE, the World Economic Forum, AlphaBeta, and external experts' opinions.

Setsuko Yano ESG Macro Research Analyst, Equity Investment Group, TNFD Working Team

I was particularly focused on the viewpoint of what we can do to make nature capital sustainable as an investor. I think it is important to have a concrete understanding of risks with comprehensively considering sustainable nature capital and other environmental and social issues and support innovation and operations of the investee companies.

Focus area 2

Biodiversity and Environmental Destruction — Engagement Case Study

ESG issues addressed/ Company	Issue	Action (Dialogue Partner)	Outcome	Next steps
Water resources /Beverage manufacturer company A AM-One materiality: Water resources	Beverage manufacturer A operates mainly fabless, but as a major beverage manufacturer, it is necessary to properly conserve and manage water resources in its supply chain.	(Director) The company A aims to be one of the world's leading drink manufacturer. However, the company's information disclosure on water resources is insufficient. The dialogue covered appropriate water management and information disclosure including setting KPIs.	The company A has announced "medium-to long-term environmental goals for water management." In addition to setting a goal of reducing the water intensity by 16% by FY2030, the company A also announced plan to assess and mitigate water risks together with its partners in the supply chain.	In addition to continuing monitoring company A's initiatives related to water use reduction, we will confirm whether water risks are being appropriately managed by the company and its partners in the supply chain.
Marine Fishery Resources /Seafood processing and manufacturing company B AM-One materiality: Biodiversity	The preservation of marine fishery resources and sustainability-focused procurement are urgent issues for a seafood company. It is important to monitor the volume of seafood handled properly and increase the proportion of major fishery certifications such as MSC- and ASC.	(President & CEO) We had a dialogue with the management on the appropriate assessment of the volume of marine products handled and setting KPIs by major fishery certifications as it was difficult to understand the progress of the initiatives from outside stakeholders.	The Company B has announced assessment results using an international resource evaluation database for the quantity of seafood products "FishSource," handled by fish species. The company's volume of natural and aquaculture seafood products handled was revealed.	We will continue to engage with the company B to set targets for the volume of certified fisheries products handled as well as further improvements in assessing volumes handled including unclassifiable fish species.
Smart Forestry /Construction machinery manufacturer company C AM-One materiality: Biodiversity	The company C, as a leading manufacturer of forestry machinery, has an opportunity to transform forest management sites through mechanization, digitalization, etc., and contribute to the transition to a circular business and solutions to environmental and social issues.	(CEO and CFO) The company C is promoting "smart forestry" initiatives using forestry machinery and digital technology through a partnership with local government and academia around its main factory. We had a dialogue with the management to promote such initiatives and increase the number of projects.	We confirmed that company's commitment to "smart forestry" with forestry equipment as a growth business. In addition, Company C disclosed its "smart forestry" goals and number of projects in its integrated report, and the number of projects is steadily increasing.	We will continue to engage with the company C on its investment in resources and information disclosure, as the efficient management and harvesting of forests through "smart forestry" could provide an opportunity to enhance their corporate value by solving environmental and social issues.
Recycling row materials /Battery manufacturer company D AM-One materiality: Circular economy	Stable procurement of raw materials is to be an opportunity for the company D amid shortage of key raw materials such as lead and rare minerals due to glowing storage battery demand including EV and tightening Environmental and social regulations in EU.	(IR manager) We had a dialogue on its effective recycled materials procurement listed as the material issue with respect to lead-acid storage batteries, one of its core products.	The company D set a target in its mid-term management plan and began disclosing the amount of recycled lead used as a raw material for lead-acid batteries. Currently, this initiative is progressing beyond the plan.	We will evaluate the company D's progress in recycling lead storage batteries. And we will continue the engagement on its overall circular economy initiatives including the lithium-ion batteries, which have technological challenges.

Focus area 3

Human Rights and Health & Wellbeing — Foundation of Sustainable Society

Discrimination and prejudice are violations of human rights, leading to wider economic, social and political inequality as well as confrontation and instability in the foundations of society. The same can be said for physical, mental, and social instability. In contrast, securing human rights and ensuring every individual's wellbeing - a state where the demonstration of one's own individuality can be fulfilled at work and in the local community with a healthy body and mind - is the foundation for achieving a sustainable society.

Asset Management One has established "Human rights and health & wellbeing" as a focus area for social issues and is requesting that investee companies strive to achieve respect for human rights, diversity and inclusion, and decent work. We are proactively engaged in dialogues with companies related to expanding human capital investments and human resource management that aligns with corporate strategy as important initiatives to enhance corporate value.

Importance of respect for human rights

Around 70 years have passed since the Universal Declaration of Human Rights was adopted in 1948. Since then, the welfare of overall society has improved significantly as technological innovation and economic development have seen great progress. However, many human rights issues remain due to conflicts between countries across the globe, existence of undemocratic political structures, and divisions in society.

Currently, the international standard for companies performing initiatives for the respect for human rights is the Guiding Principles on Business and Human Rights "Guiding Principles" adopted by the United Nations in 2011. International human rights standards are established in the Guiding Principles, which states that companies have a responsibility to respect these standards. Globalization has resulted in the scope of corporate activities expanding beyond sovereign borders. Simply relying on individual states to protect human rights has become inadequate. It is now clear that the responsibility should be shared by the public and private sector.

All companies must put into action initiatives for the respect for human rights, regardless of industry or size. Human rights issues are unique, in that the concept covers a broad and diverse range of issues. Examples of human rights specific characteristics include that negative impact on human rights cannot be offset by other social contributions and that companies should focus on the damage caused by human rights violations rather than the risks to the company when determining the importance of initiatives. There is a risk that human rights violations may greatly harm the potential and future of the victims of these violations. For example, by causing irreversible damage such as loss of life.

Characteristics of human rights issues — Wide scope and diverse issues

	Community	Suppliers	Company	Distributors/ Corporate clients	Consumers
Stakeholders who may receive negative impact from human rights issues	Indigenous peoples Members of local communities	Employees of suppliers/ business partners	Own employees	Employees of wholesalers/ distributors	Consumers/users
Relevant human rights issues	• Seizure of land • Environmental destruction • Pollution and damage to public health	• Child labor • Forced labor • Low and no payment of wages • Discrimination • Harassment	• Harassment • Labor safety and health • Freedom of association	• Harassment • Labor safety and health • Freedom of association • Bribery and corruption	• Products or services that damage mental or physical health • Privacy violations • Discriminatory language in advertisements

Overview of initiatives on the respect for human rights

Human rights policy	Declaration of commitment to respecting human rights	Dialogue	Stakeholders
Human rights DD	Identification and evaluation of negative impacts		
	Prevention and mitigation of negative impacts		
	Evaluation of initiative effectiveness		
	Explanation and information disclosure		
Relief	Response to negative impacts		

Source: "Guidelines on Respecting Human Rights in Responsible Supply Chains," the Japanese government

Human rights in the supply chain gaining attention

In August 2022, the Ministry of Economy, Trade and Industry drafted guidelines on respect for human rights in responsible supply chains.

As it gathered public opinions on this draft, it collected opinions from 131 persons and organizations over a period of three weeks, indicating a high level of interest related to human rights. After revisions, these guidelines were announced as the official guidelines in September 2022.

These guidelines are based on the structure of the Guiding Principles and call for the development of human rights policies, human rights due diligence, and establishment of relief mechanisms.Human rights issues are highly specific to particular industries, regions, and business models. When conducting initiatives, companies must be aware of and understand the aspects of human rights that they may impact. In the process of identifying the real life implications of human rights issues, companies must hold dialogues not only internally, but also with outside experts on the supply chain and stakeholders inside and outside the industry, employees, group companies, business partners, labour unions and worker representatives, consumers, NGOs, residents in the local community).

Focus area 3

Human Rights and Health & Wellbeing — Rising Awareness in Human Capital Management

Investing in our employees.This starts with compensating them fairly and providing important benefits. (“Statement on the Purpose of a Corporation” by US Business Roundtable)

Organizational reporting on practices to reduce discrimination can increase employee job satisfaction, performance, and engagement. (US “Workforce Investment Disclosure Act of 2021”)

Since the “ITO Report for Human Capital Management” was published and the US SEC has mandated human capital disclosures in 2020, the level of interest in human capital among Japanese companies has increased rapidly. From 2022, full-scale discussions have begun on the disclosure of human capital at the Japanese regulator the FSA’s Financial System Council. During these discussions it has been indicated that a human resources development policy and percentage of women in management roles may become mandatory disclosure items under the law.

What is important is to consider and understand the background of the global movement to strengthen disclosure. We think that the awareness of issues of workplace discrimination based on race and gender, and human capital investment shortages are linked to these efforts to strengthen disclosures. The “Statement on the Purpose of a Corporation” announced at the US Business Roundtable in 2019 and the “Workforce Investment Disclosure Act” that passed the US House of Representatives in 2021 symbolise this awareness of the issue of human capital.

Health and wellbeing

As competition for highly skilled human resources intensifies and the psychological barrier to changing jobs lowers, primarily among young people, there is a stronger trend for employees to choose their companies. We believe that health and wellbeing is an important foundation for a sustainable society, and likewise, the health and wellbeing of employees is of high strategic importance in terms of the sustainability of corporate management. Consideration of health and wellbeing can attract talent and is expected to improve creativity and productivity in the organisation by forming a vibrant corporate culture and promoting incentives to work.

Encouraging expansion of human capital investments

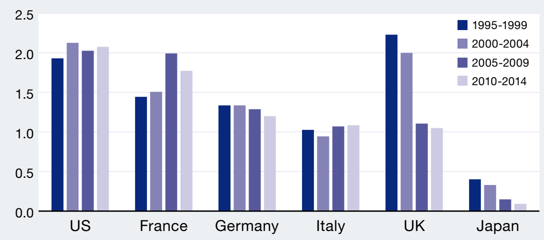
The upper graph shows that Japan has lagged behind its peers in terms of spending on human resources development, and it continues to decline. The lower graph hints that insufficient human capital investment has led to relatively sluggish wage growth.

This trend is a result of corporate management and investors regarding personnel expenses as costs.In order to reverse this trend, a good way to start would be to recognise a part of personnel expenses as investments instead of costs.Underinvestment damages the competitiveness of a company. We believe companies need to have a greater sense of urgency about threats towards the integral parts of society in addition to economic concerns.

In August 2022, the “Human Capital Management Consortium” was established by the Japanese Ministry of Economy, Trade and Industry (METI) as a starting point to recognise the issue of stagnant human capital investment. At this consortium, there are plans to share best practices, foster cooperation between companies, and deliberate effective information disclosure for the purpose of the sophistication of human capital management and encouraging continuous improvement of corporate value in Japanese companies. Around 320 corporations have participated in this consortium, far above the 200 corporations that were initially expected, showing the high of interest level from companies on the topic of human capital management.

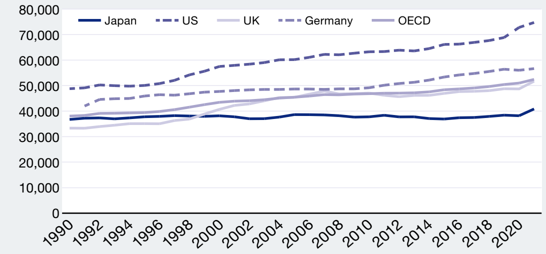
At the general conference for organising this consortium, President & CEO Sugano of Asset Management One delivered a keynote speech, in which he emphasised the importance of fundamental initiatives that give considerations to human rights and diversity as well as the importance of dialogues with companies and investors. At the same time, he committed to proactively being involved in consortium activities to create a positive cycle of improved productivity and wage increases through collaboration with companies, academia, and public offices.

■ Ratio of human resources development expenses to GDP (*)



(*) Five-year average ratio(%) of human resources development expenses to real GDP
On-the-job training expenses are not included.
Source: “2018 Analysis of the Labour Economy” by Ministry of Health, Labour and Welfare

■ Trends in average wages (unit: USD, PPP)

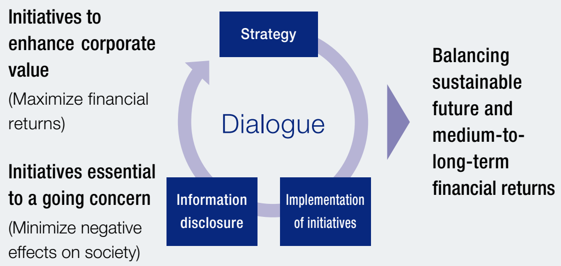


Source: OECD

Focus area 3

Human Rights and Health & Wellbeing — Promotion of Initiatives and Sharing Awareness of Issues Through Dialogues

Balancing sustainability and financial returns through dialogues



We aim to deliver medium-to-long-term financial returns to our customers and clients by minimizing negative aspects of investee companies on society and maximizing the positive aspects of them.

One such important activity to achieve this objective is dialogue with investee companies. Companies amass a massive amount of knowledge through refining strategies and executing various initiatives every day. The volume and quality of such experience far exceeds that of investors. Therefore, what we can achieve through dialogue is to confirm the status of management strategies and initiative execution through dialogues, encourage information disclosure, and seek further initiatives. In other words, we can fulfill the checking role of the PDCA cycle.

The respect for human rights is the starting point of all corporate activities

There is a great difference in the substance between initiatives to enhance corporate value as in the top left of the diagram and initiatives essential to a going concern.

Respect for human rights is the most important issue as a going concern. As a result of paying sufficient consideration to human rights issues, a company can ultimately protect its reputation and limit operational risk in its businesses. However the purpose of conducting initiatives that promote the respect for human rights is not to protect the brand or avoid business risks. It is important to recognize that respecting human rights and addressing discrimination is the starting point of all corporate activities.

What is the purpose of diversity?

The following table is an extract from materials that the Asset Management One Responsible Investment Group uses when holding dialogues with companies about diversity and inclusion (D&I). The document explains the importance of D&I from the perspective of eliminating discrimination as well as innovation and competitive advantages.

When conducting dialogues with companies, it is important to explain our awareness about issues, what needs to be done and why.

Extract of dialogue documents

Awareness about issues	Delays in Diversity and Inclusion initiatives lead to direct erosion of corporate value. **Companies must promote “Diversity and Inclusion” as a core pillar to innovation and competitive advantage, not only as a mean to eliminate discriminations** based on gender, race, nationality, religion, etc.
Our goals	Initiatives for human capital management centered on diversity and inclusion are effectively linked to maintenance and improvement of corporate value through acquisition of skilled human resources, utilization of diverse human resources, and innovation.

As a reason to conduct D&I initiatives, emphasizing only innovation and competitive advantage not only bears a risk of being seen as having a low level of commitment to fairness and impartiality, but also may be economically disadvantageous. For example, in the article “Stop Making the Business Case for Diversity” in the Harvard Business Review published in June 2022, the authors warned that justifying diversity initiatives only as business opportunities could actually yield a negative reaction from minorities. In terms of diversity, companies must engage in initiatives based firmly on both a perspective of ensuring fairness as members of society and a perspective of the financial impact of those initiatives.

From D&I to DE&I

Diversity and inclusion, frequently abbreviated as D&I is widely known. However, recently acronym has been modified to DE&I, including “equity” to express the meaning of justice, impartiality and fairness of equality. This demonstrates the importance of promoting diversity after ensuring fairness.

For example, Google LLC conducts meticulous initiatives for diversity and discloses detailed data related to the content of these initiatives and employee attributes in its Diversity Annual Report. The case of Google LLC, which positions diversity as a source of innovation and is working on robust initiatives to ensure fairness of race and gender, attracts attention.

Focus area 3

Human Rights and Health & Wellbeing — Human Capital Dialogues to Improve Corporate Value

The difficulty of dialogues related to human capital management lie in the strength of individuality of each company. Each company is positioned in greatly different ways in terms of industry, scope, history, industry position, etc. Therefore, each company has different issues. There is no common tool to address each of these issues.In order to enhance corporate value through human capital management, companies must increase the opportunities for human resource strategy related dialogues and enhance the content of these dialogues.

Based on the purpose, business model, and competitive advantages of their company, CEOs are expected to express their strategy narratively. Also, we will encourage the CHRO, the top of the HR department, to conduct direct dialogues with investors and logically explain the basic thinking of human resource strategies and the aims of individual initiatives.

Supporting expansion of human capital investments

A factor that constrains the expansion of human capital investments is the trade-off between human capital investment and profits. Personnel expense is the largest expense item for many companies. From an overall large company perspective, personnel expenses exceed the amount of operating profit on a constant basis. Therefore, it is difficult to gain investors' understanding if the purpose and logic of such investments are not explained because, if personnel expenses increase, it is highly probable that profit in the short term will decrease by a relatively greater amount.

In order to overcome these constraints, it is effective to explain the process and quantitative impact that human capital investment effects have on financial figures. Mr. Yanagi, former CFO of Eisai Co., Ltd., is a famous example that explains the relationship of human capital investments and corporate value. We believe that company CFOs should take on the challenge of quantifying the human capital value and cost effectiveness of human capital investments.

When the CEO talks strategy, the CHRO explains the initiatives, and the CFO reinforces the logic of the strategy based on figures, this formation can be effective for conveying the appealing qualities of human capital management. Even if expansion of human capital investments becomes a short-term downward pressure on profits, when investors through dialogues determine that such measures will lead to medium-to-long-term growth in corporate value, they can support the company's action, leading to the establishment of human capital management in the society.

Highly specific human capital issues

Human capital characteristics	Examples	Countermeasures
Highly specific	• History • Scope • Industry • Industry position	• Explain history of change • Explain corporate philosophy • Utilize existing analysis framework and analyze company logically
Various challenges	• Employment • Retention • Age composition • Human resource development • Corporate culture and employee engagement	• Need to prioritize in strategy • Implement in long-term plan • Expand investments and optimize human resource evaluation systems • Purpose management and incentive design
No specific solution available	• No clear prescription as it is difficult to understand relationship between initiatives and results • Long time-line until results appear • Unclear cost benefit	• Need to repeat hypothesis testing • Need to set KPI and take on steadily • Data accumulation and technology usage
Difficult to disclose	• Difficult to quantify • Horizontal comparison is difficult due to different definitions • Sensitive elements and competitive constraints exist	• Show linkage of human resource investments paths to revenue • Dialogue with investors and revise while receiving feedback

Status of dialogues related to human capital management

Issues	Status of dialogues	Evaluation
Links with management strategy	Utilize the framework of ITO Report on Human Capital Management and exchange opinions mainly on the link between management strategies and human resource strategies.	Awareness from corporate management is increasing
Dialogues based on data	Basic data related to human resources is sufficiently available. Most companies are aware of issues related to the ratio of women in management positions, but disclosure of employee engagement data remains at low levels.	Opportunities for dialogues based on data are increasing, but discussions stop at surface level.
Explanation of relationship with corporate value	Discussions related to the relationship between human capital investments and corporate value improvement are rare. In addition, quantitative discussions, such as those about ROI of human capital investments, mostly do not progress.	Both disclosure and dialogues need to be resolved in the future.

Examples of dialogues with companies

Issue	As a leader in the apparel industry, implement progressive initiatives on human rights issues in the cotton textile supply chain and perform appropriate information disclosures.
Action	Conducted interviews with outside Directors, who are members of the company's human rights committee. Sought appropriate measures for human rights issues not only at materials and sewing factories, which have been the target of typical management efforts, but also in the procurement of raw materials. Exchanged opinions about details of discussions at the human rights committee and the nature of monitoring up to the highest point in upstream materials procurement.
Outcome	Held discussions focused on human rights issues in the supply chain at the Board of Directors meeting, not only at the human rights committee; officers agreed unanimously on a policy of best effort response. Up to the highest point in upstream materials procurement, confirmed policy of checking labor environment through audits by employee visits, third-party audits and third-party certification.
Future direction (Next steps)	The company targets to achieve 100% procurement of sustainable cotton by the end of 2025 in order to realize "sustainable products" that consider environment and society. The company will continue dialogues, conduct monitoring up to the highest point in upstream materials procurement, and proactively disseminate information.

Chapter 3

Stewardship Activities

Our Engagement Policy/Approach

Asset Management One's engagement approach

Asset Management One considers engagement with investee companies important to improve medium- to long-term corporate value and realize a sustainable society and economy, and wellbeing. Engagement with investee companies focuses on corporate value creation through solving societal issues, including three focus areas, and on a perspective of return, which means expansion of business opportunities, not just risks. This basic perspective is applied universally across assets managed in-house.

Also, we focus on effective engagement that brings real change in company activities. Depending on the issue, we work to enhance the effectiveness of our engagement activity by not solely approaching the investee company, but also working alongside other investors as needed and holding dialogues with stakeholders concerned such as industry organizations and government agencies. We also effectively encourage companies in accordance with the actual situation by reflecting the details of dialogues and progress related to ESG issues in the exercise of voting rights.

There are different points in terms of actual engagement based on the asset class (equities and bonds, etc.), the strategy (passive or active), or the region (Japan or overseas). Please refer to examples for details (see Japanese equities passive strategy on P.37, P.38, P.39; Japanese equities active strategy on P.40; bond on P.41, overseas company on P.42, P.43).

In principle, engagement for passive equity strategies is carried out primarily by ESG analysts of the Responsible Investment Group, while sector analysts and fund managers of the Equity Investment Group primarily conduct engagement activity for active equity strategies and credit analysts and fund managers are primarily responsible for fixed income. However, depending on the issues each investee company has, they may work together across different asset classes and strategies as appropriate to respond with the optimal formation. Because there are many countries and companies involved in overseas companies, our London-based ESG specialist, analysts in global offices and Japan, and fund managers collaborate for efficient and effective engagement activity while also using external resources (EOS at Federated Hermes, see P.61).

Our requests of investee companies

☑ Reaffirm that ESG is not something special or isolated from ordinary business activities

- ESG efforts enhance sustained value creation

☑ Correctly understand the growing interest in ESG from capital markets

- ESG initiatives are having an increasing impact on corporate value, and ESG factors are indispensable to corporate evaluation, such as assessing long-term growth potentials

☑ Actively engage with investors

- Responses to ESG are basically company-wide initiatives and it is expected that many people will participate, including outside directors
- Active collaboration with investors can be an effective way to further integrate ESG within an organization

☑ Promptly report on engagement to the senior management team

- Sharing issues related to ESG with senior management and stakeholders is essential for promoting effective initiatives

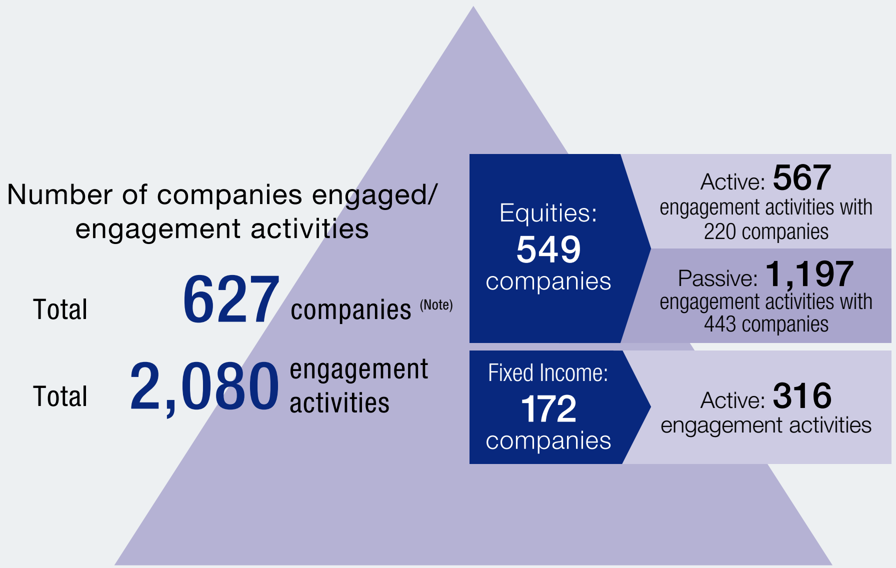
ESG analysts of the Responsible Investment Group

Engagement Activity with Japanese Companies

Engagement data

■Status of engagement initiatives (2021/7–2022/6)

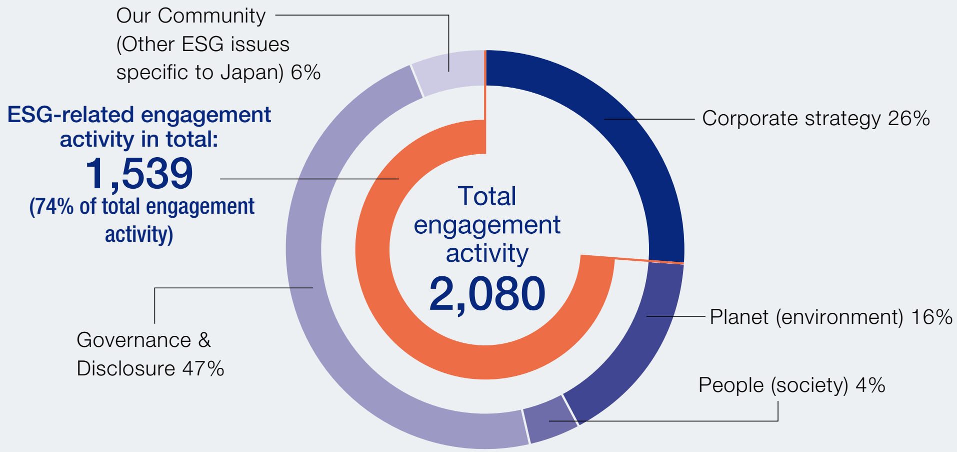
Asset Management One has extensively engaged with Japanese companies which represent approximately 80% of the TOPIX market cap, for both passive and active investment strategies.



Note: Unique number of companies engaged excluding duplicates.

■Engagement by theme

We have set 18 ESG issues to address and conduct engagement activity on them. ESG-related topics account for 74% of all engagement activity.



Corporate strategy	Corporate strategy
	Financial Performance
	Capital structure/financing strategy
Planet	Pl1: Climate change
	Pl2: Biodiversity
	Pl3: Water resources
	Pl4: Circular economy
	Pl5: Air, water and land pollution
	Pl6: Sustainable food system
People	Pe1: Diversity and inclusion
	Pe2: Business and human rights
	Pe3: Health and wellbeing

Governance & Disclosure	GD1: Board governance & accountability
	GD2: Capital efficiency
	GD3: Takeover defense measures
	GD4: Risk management
	GD5: Sustainability management
	GD6: Supply chain management
	GD7: Business ethics
Our Community	OC1: Revitalization of rural area and community
	OC2: Digital transformation

Engagement process for Japanese equities

PDCA cycle in our engagement activity

Asset Management One selects priority engagement companies from a perspective of active and passive strategies respectively and conducts engagement activity on pre-identified material issues for each investee company.
Based on our engagement plan made at the beginning of the fiscal year, we enhance the effectiveness of our engagement activity by applying a disciplined PDCA cycle that improves corporate value of investee companies and improves investment performance.

Process	P			D	C	A
	Selection of priority engagement companies			• Engagement activity with investee companies • Prepare proprietary dialogue materials and hold study sessions for senior executives on request of investee companies • Active collaboration in the investment chain and with industries, governments and academia	• Management of engagement milestones • Regular sharing (weekly, monthly, etc.) of information on engagement activities • Regular reporting to the Responsible Investment Committee	• Continuous improvement for ESG initiatives based on critical feedback from internal and external stakeholders • Exercise of voting rights to reflect engagement progress • Conduct self-evaluation and incorporate it into engagement planning for the subsequent years
	Passive strategy priority engagement companies: 207		Active strategy priority engagement companies: 127			
	• Aimed outcomes: To improve the overall market (covering 68.8% of TOPIX market cap by priority engagement companies)		• Aimed outcomes: To achieve alpha generation, using active engagement to unlock value			
	• Selection criteria 1 (Promote and strengthen ESG initiatives) A. Promoting ESG: Ripple effects expected from companies with advanced ESG initiatives and major companies in the sector B. Strengthening ESG: Companies with issues in ESG practice	• Selection criteria 2 (ESG themes) Identify issues with particularly high priority currently among ESG priority issues and select companies with high impact (influence) on those issues	• Selection criteria Select targets based on company-specific issues and the expected impact on corporate value when issues are solved			
	• Selection of 21 engagement issues and focused ESG themes • Selection of appropriate material issues by investee company • Development of annual engagement plan (at the beginning of fiscal year)					

Making engagement activities visible

In practice, our engagement activity begins by presenting and sharing material engagement issues we have set for each investee company.
All of our dialogues are recorded to control the process and the progress is classified into eight level milestones with attention to details maintained, and our understanding and recognition are shared internally in an effort to advance sophistication of our initiative.

Identify material engagement issues

Nine core materiality items

Corporate strategy	• Corporate strategy	• Financial Performance	• Capital structure/ financing strategy
Planet	• Climate change • Circular economy	• Biodiversity • Air, water and land pollution	• Water resources • Sustainable food system
People	• Diversity & inclusion	• Business and human rights	• Health and wellbeing
Governance & Disclosure	• Board governance & accountability • Risk management • Business ethics	• Capital efficiency • Sustainability management	• Takeover defense measures • Supply chain management
Our Community	• Revitalization of rural area and community	• Digital transformation	

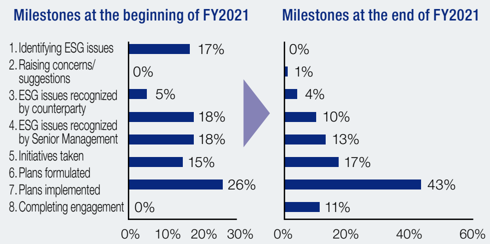
Our firm reviewed engagement issues to incorporate nine core materiality items of the recently developed materiality map (compass for "creating a sustainable future through the power of investment"). From FY2022, we select material issues for each investee company from our list of 21 issues that includes 18 ESG-related issues and conduct engagement activity on them.

Manage eight milestones

1	Identifying ESG issues	We identify and set out key ESG issues relevant to the investee company
2	Raising concerns/ suggestions	We raise concerns or make suggestions to the investee company
3	ESG issues recognized by our counterparty	The investee company recognizes the ESG issues raised by us
4	ESG issues recognized by Senior Management	The ESG issues are recognized by senior management of the investee company
5	Initiatives taken	The investee company takes initial steps to improve/tackle the ESG issues
6	Plans formulated	The investee company establishes a concrete plan for solving the issues
7	Plans implemented	The investee company implements the plan set out for solutions
8	Completing engagement	We confirm the company's effective actions and positive outcome

For material issues of investee companies, we visualize our process and progress with detailed eight stage milestones following our engagement activity.

Progress of the firm's engagement activity in FY2021



Steady progress was observed in FY2021 across all engagement activity. In particular, we have achieved resolution of issues around corporate strategy and sustainability management.

Characteristics of our engagement activity for Japanese equity passive strategies

Our unique approach to engagement activity

Focus on convincing narrative of value creation

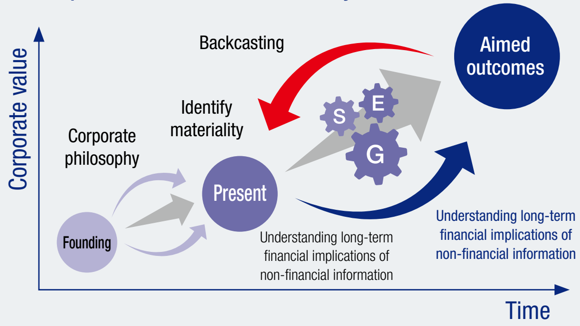
Keys to making a narrative of value creation more convincing

1. Ability to identify key issues and strategic foresight of management as preconditions for creating value
2. Sustainability of value creation process and priorities related to materiality
3. Consistency and coherence of financial and non-financial operations in support of actual value creation

Essential to communicate these in the integrated report, etc., as a basis for dialogue between companies and investors

Based on the above three points, we ask investee companies to proactively communicate their narrative of value creation and how the resolution of societal issues will lead to improved corporate value through integrated reports and other means.

Deepen discussion about materiality and aimed outcomes



In particular, we are deepening discussions about true materiality and what is needed right now by backcasting from aimed outcomes in the future. We also encourage setting KPI and targets.

Risk return perspective and crucial considerations

Return perspective	Two sides of the same coin	Risk perspective
Whether solutions to societal issues are utilized as income-generating opportunities for the company, and whether they are linked to creating corporate value and creating markets.		What factors are recognized from an ESG perspective that could hinder the company's sustained growth? What measures are being taken to address these factors?

Crucial considerations

1. Are ESG activities positioned at the heart of business strategy and management?
2. Are ESG activities regarded as investments for sustainable growth instead of being handled as merely social contribution costs?
3. Are ESG activities being implemented proactively to tackle new challenges, or merely as a legal compliance matter?

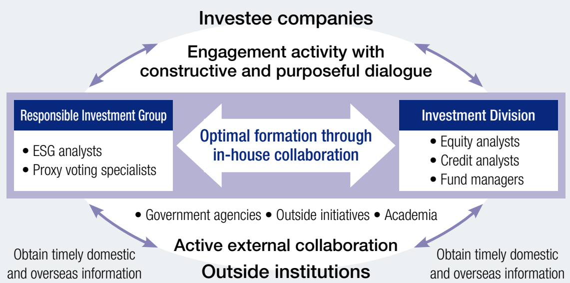
There are two major approaches to ESG: return perspective and risk perspective. We not only value risk perspectives, but also would like to focus more on return perspectives.

To improve effectiveness of engagement

Share our issue recognition using detailed proprietary materials

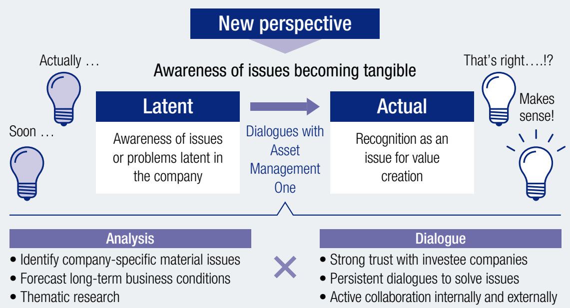
It is important to share understanding and awareness of ESG issues for actual engagement. We prepare detailed proprietary materials analyzing non-financial information of investee companies and conduct advanced, constructive dialogues.

Dialogues with optimal formation



We approach dialogues with the optimal formation through cooperation of ESG analysts who have a wealth of investment experience and proxy voting specialists of the Responsible Investment Group, and fund managers and analysts of the Investment Division.

Contribution to improved corporate value



We can provide a new perspective for investee companies by deepening discussions about materiality, raise awareness of latent issues hidden in the company, and support forward-looking initiatives to improve corporate value.

Our engagement activity – examples for Japanese equity passive strategies

In engagement activity for Japanese equity passive investment, Asset Management One strives to contribute to the improved corporate value of investee companies and raising the entire equity market value through dialogues from a medium- to long-term perspective.

In addition to the three focus areas and nine core materiality items, the firm proactively conducts engagement activity related to governance and Japan specific issues.(See P.36)

The following are examples of dialogues about sustainability management, supply chain management, diversity and inclusion, and capital efficiency, areas where Japanese companies' initiatives are behind global peers and prompt responses are required.

Issue	Sustainability management
Our goals	Management for creating shared value (CSV) that connects resolution of environmental/ societal issues to improved corporate value has been established as an effective initiative to maintain and improve medium- to long-term corporate value.
Counterparty, issue and format of dialogue	Company A: Retail, sustainability management, video conference
Milestones	6: Plans formulated ➡ 7: Plans implemented
Issue	The company is expected not only to pursue short-term profits, but also to improve corporate value through management that is aware of environmental/ societal issues and governance from a long-term perspective. Delays in initiatives are directly linked to damage of corporate value. On the other hand, progressive ESG initiatives raise social trust and can control risks and strengthen the competitiveness of the business. In order to raise investors' confidence for growth against a backdrop of delayed non-financial disclosure, impact of the rise of e-commerce, and market saturation, Asset Management One expressed the need to strengthen sustainability management/ESG initiatives and conducted engagement that facilitates strengthening of such initiatives.
Action	[Dialogue counterparty] Executive officer and head of corporate planning office [Dialogue content] We conducted continuous dialogues about the importance of ESG initiatives, including information disclosure. While improving disclosures, comments and KPI setting from a risk/return perspective was insufficient. We highlighted the need to strengthen initiatives that craft a long-term vision and raise confidence in growth. We encouraged further information dissemination including publishing of an integrated report, advancing value creation processes and materiality, and long-term KPI target setting.
Outcome	[Status of dialogue achievement] The company responded "The awareness of ESG within the board of directors is completely different from two to three years ago. We have started development of a long-term management plan and preparation of an integrated report. Through dialogues with your company, we were thankfully able to organize our thoughts and clarify our path forward." Based on the new medium-term management plan, the company established teams for diversity promotion, recycling promotion, and environmentally-friendly products and started specific initiatives for ESG issues, such as setting KPI. We confirmed acceleration of initiatives, such as holding first ESG briefings for investors. [Features and strengths of our engagement activity] In this case, we continuously exchanged opinions with the head of the corporate planning office based on detailed materials and collaboration with in-house equity analysts, leading to an acceleration of initiatives according to our analysis.
Next steps	The company will announce initiatives toward ESG issues based on new medium-term management plan. It will also accelerate initiatives, such as holding ESG briefings. It started development of a long-term management plan and preparation of an integrated report, we will encourage initiatives for the advancement of ongoing CSV management.

Issue	Supply chain management
Our goals	Sustainable raw material procurement (CSR supply chain management) that considers environmental/societal issues and the construction of a resilient supply chain is an effective initiative for the maintenance and improvement of medium- to long-term corporate value.
Counterparty, issue and format of dialogue	Company B: Retail, supply chain management, video conference
Milestones	7: Plans implemented ➡ 8: Completing engagement
Issue	Corresponding with the globalization of the supply chain, worldwide environmental and societal issues have been becoming tangible. Delays in initiatives for CSR supply chain management are directly linked to damage of corporate value. On the other hand, proactive initiatives for CSR supply chain management that aim to solve environmental/societal issues across the entire supply chain have a high possibility of being linked to controlling risks and strengthening competitiveness for the main business. As a retail company handling private brands (PB) and national brands (NB), supplier management is a pressing issue. It is necessary to urge a proactive response so that environmental and human rights due diligence is firmly implemented in the upstream supply chain.
Action	[Dialogue counterparty] Responsible for environmental and social contributions manager, IR group senior manager, etc. [Dialogue content] We exchanged opinions on self-evaluation of CSR supply chain management, broad supply chain management, the keystone of the business, and whether gaining MSC certification for marine products, where the company has achievements, would contribute to improving corporate value. In addition, we confirmed activities for Japan Sustainable Palm Oil Network (JaSPON) related to palm oil procurement. Because we understood that the company had a full comprehension of the situation from our previous engagement activity, we exchanged opinions mainly on whether company's responses have proceeded in line with explanations.
Outcome	[Status of dialogue achievement] We would like to determine that the company resolved issues by gaining certifications for each product and ensuring traceability for high-risk products with no certification, achieving top level CSR supply chain management. [Features and strengths of our engagement activity] In this case, we have used our detailed analysis documents during engagement activity to explain the current evaluation on the company, pointed out issues, and proposed our ideas for resolution. We recognize that we have successfully built a relationship of trust with the company through these efforts.
Next steps	We confirmed the current status of supply chain management structures. However, in the future, since competition to procure products across the globe is expected to grow more intense, we will continue to closely monitor the situation including the company's issue awareness related to stable procurement of safe and secure products.

Our engagement activity – examples for Japanese equity passive strategies

Issue	Diversity and inclusion (D&I)
Our goals	Initiatives for human capital management centered on D&I are effectively linked to maintenance and improvement of corporate value through acquisition of skilled human resources, utilization of diverse human resources, and creation of innovation, etc.
Counterparty, issue and format of dialogue	Company C: Drink manufacturer, diversity and inclusion, video conference
Milestones	5: Initiatives taken ➡ 7: Plans implemented
Issue	Japan faces intensifying global competition, an acceleration of industrial structural changes, diversification of values, and the rapidly progressing low birth rate/aging population issue. In Japan, many company have issues with utilizing female and foreign workers, and the delays in initiatives are directly linked to damage of corporate value. Progressive initiatives for diversity and inclusion may maintain and improve sustainable corporate value and improve productivity of the company and employees through innovation and acquisition of skilled human resources. Company C claims to be a global beverages manufacturer, but there are delays in awareness and initiatives, demonstrated in the lack of female directors and industry low levels in terms of the ratio of women in management positions.
Action	[Dialogue counterparty] President & CEO; director, vice president and executive officer; director and head of administration division [Dialogue content] We shared awareness of issues by explaining to the President the importance of promotion of female advancement in the goal of becoming a global beverages manufacturer based on comparisons with competitors and initiative case studies. We conducted dialogues about information disclosure, including KPI, and the appointment of female directors that promotes female advancement. The company showed a willingness to proactively consider appointing female directors and the promotion of female advancement. They explained their awareness of issues for the advancement of female employees based in rural areas and appointment of female managers in the product development and marketing departments.
Outcome	[Status of dialogue achievement] After these dialogues, the company set a new goal to increase the percentage of female managers to 150% or more compared to FY2020 and female leaders (next generation managers) to 130% or more compared to FY2020. It also selected a female outside Director by management proposal. [Features and strengths of our engagement activity] In this case, we recognize that we were successful in achieving ongoing constructive dialogues with top management by working with in-house equity analysts and proxy voting specialists based on detailed documents, including comparison with competitors.
Next steps	The company set a target for promotion of female advancement. However, we will continue dialogues for specific initiatives and progress toward the achievement of these targets, and monitoring in the board of directors meetings.

Issue	Capital efficiency
Our goals	In order to achieve ROE that exceeds the cost of capital, there are effective initiatives conducted for capital efficiency improvements such as the reduction of cross-shareholdings, optimization of the level of capital, and business portfolio restructuring.
Counterparty, issue and format of dialogue	Company D: Regional financial institution, capital efficiency, video conference
Milestones	5: Initiatives taken ➡ 6: Plans formulated
Issue	It is essential to achieve a capital efficiency that surpasses the cost of equity in order to aim for medium- to long-term corporate value creation. ROE levels remaining low over a long period and initiatives for improvements being delayed is directly linked to damage of corporate value. Regional financial institution D holds an enormous amount of cross-shareholdings compared to its net assets. Large amounts of unrealized gains are not effectively utilized, ROE remains at a low level, and has been declining in recent years. The policy of exercise of voting rights for cross-shareholdings is also unclear, posing issues from a perspective of governance discipline. We conducted dialogues that called for specific actions, from the issue awareness above, reduction of cross-shareholdings, strengthening of shareholder returns, and strengthening support for regional economies and local companies by utilizing strong capital foundations.
Action	[Dialogue counterparty] Managing executive officer, executive officer and general manager of corporate planning departments, head of PR SDGs office, and head of accounting office [Dialogue content] We conducted ongoing dialogues from FY2018 on the theme of capital efficiency. There are issues with cross-shareholdings, a major cause of low capital efficiency, from a perspective of governance discipline. We encouraged more informative disclosure of holdings reasons and a reduction in cross-shareholdings. In the December 2021 meeting, we gave feedback on the results of the exercise of voting rights in June 2021 (opposing some director election proposals based on performance standards) and engaged in dialogues on cross-shareholdings reduction, improvement of capital efficiency through strengthening shareholder return, and exercise of voting rights for cross-shareholdings. The managing executive officer stated the following: “We are also aware of the issues of cross-shareholdings from our dialogues. We understood your points. We are trying to reduce the number of holding companies, but we are aware of the need to accelerate this response. On the other hand, we hope you understand that long-term relationships brought by equities holdings are a unique strength of the company. There are discussions within the institution regarding the policy of shareholder returns. We are aware that the level of our accountability will increase with selecting the Prime Market.”
Outcome	[Status of dialogue achievement] The company announced it would strengthen shareholder returns. In following dialogues, the managing executive officer answered, “There were various discussions internally about shareholder return. However, considering balance between growth investments and return, we raised the shareholder return from the payout ratio of 30% to the total return ratio of 50%.” The managing executive officer also said, “We gained new findings about information disclosure related to cross-shareholdings. We would like to gather information, including methods, for the management of return on capital.” Further, at the financial results briefing in FY2021, they showed a policy to reduce cross-shareholdings and a policy to accelerate growth investments that utilize a robust financial foundation. [Features and strengths of our engagement activity] We built a relationship of trust by steadily executing basic actions such as careful preparations, constructive suggestions, and feedback on the progress of company initiatives. In this case, according to our analysis, we were successful in changing company awareness and behavior, primarily by dialogues, but also by exercise of voting rights.
Next steps	While the awareness gap about cross-shareholdings remains, we can highly rate their decision-making for the strengthening of shareholder return and reduction of cross-shareholdings. We plan to continue to hold dialogues for increased ROE through additional action while confirming the execution status of announced policies.

Our engagement activity – examples for Japanese equity active strategies

■Stock research perspectives, approaches, convictions

Understanding essential issues based bottom-up research	Fully exploiting long- and short-term financial analysis and competitive situation analysis to accurately pinpoint corporate issues.
Medium- to long-term approach using cross-industry and ESG-based research themes	Providing companies with new perspectives by combining cross-industry themed analysis and ESG perspectives.
Convinced of the effectiveness of dialogue through trust-building with companies	Increase effectiveness in a wide range of areas by gaining trust as "an investor who knows the company well."

■Promoting long-term corporate transformations: Comprehensive electronics company A

	Counterparty: Comprehensive electronics company A, Dialogue issue: Capital efficiency, Dialogue format: Interviews (1-on-1)
Milestones	7: Plans implemented ➡ 8: Completing engagement
Issue	· As business areas span many areas and there are many low profit businesses, resources are spread out. Share price continued to trade with a conglomerate discount because of low growth and low profit. · The company needed to narrow down businesses, including listed subsidiaries, identify growth areas, and concentrate resources. · The company had identified core businesses such as DX and environmental businesses after restructuring following the global financial crisis, and had reached the final stage of spinning out non-core businesses.
Action	[Dialogue counterparty] · CEO, IR manager, sustainability promotion manager [Number of engagements] · Seven engagement activities in FY2021 (two with CEO, four with IR manager, one with sustainability promotion manager) [Dialogue content] · We again exchanged opinions about policies to have outlook on reviewing the business portfolio by FY2022. As the business environment is changing, there are ideas to review the plan. However, it is important to review the business portfolio swiftly and there have been no changes to the previous plan.
Outcome	[Status of dialogue achievement] · Ultimately, the company announced the direction for all non-core businesses in this period, therefore, the engagement activity for this case reached its goal at this point. [Features and strengths of our engagement activity] · In the past ten years, we have conducted 1-on-1 engagement with top management and exchanged opinions about various issues in this case. In particular, we have discussed the review of the business portfolio at every occasion and, according to our analysis, building a relationship of trust with the client and consistent engagement activity have led to positive outcomes. Collaborative engagement activity with the Responsible Investment Group related to ESG also contributed.
Next steps	· While this issue was resolved for the moment, the improvement of capital efficiency is an ongoing theme. If there are any issues, we plan to continue engagement effort.

■Promoting long-term corporate transformations: Comprehensive real estate company A

	Counterparty: Comprehensive real estate company A, Dialogue issue: Capital efficiency, Dialogue format: Interviews (1-on-1 and small meetings)
Milestones	5: Initiatives taken ➡ 7: Plans implemented
Issue	· Share price continued to be discounted due to holding low profit businesses with little synergy with other businesses. · Asset Management One has always called for a review of the business portfolio, but they were reluctant at first. However, business portfolio review has progressed thanks to our effort of sharing issues with the company.
Action	[Dialogue counterparty] · CEO, IR manager, sustainability promotion manager [Number of engagements] · Five engagement activities in FY2021 (four with IR manager, one with sustainability promotion manager) One engagement activity with CEO in both FY2020 and FY2022. [Dialogue content] · We exchanged opinions on the rising need to review the business portfolio as the business environment changes due to COVID-19. We shared issue awareness by conducting multiple engagement activities with IR manager.
Outcome	[Status of dialogue achievement] · The company sold its retail business that had low profitability and little synergies with other businesses. In the future, there are plans to make strategic decisions including divestment of each asset, such as ski resorts and golf courses. The business portfolio review has made significant progress. [Features and strengths of our engagement activity] · Engagement with the company was basically conducted four times a year with the IR manager and once a year with the CEO and sustainability promotion manager to exchange opinions on various issues. According to our analysis, in particular for the portfolio review, while we have been discussing about business portfolio review since, even before the COVID-19 pandemic, collaborative engagement activity related to ESG with the Responsible Investment Group has led to positive outcomes, such as sharing of issues and building a relationship of trust.
Next steps	· As goals are being set to eliminate low profit businesses, the company plans to concentrate management resources on businesses that can tap into their strengths, such as office and renewable energy businesses, and aim to improve corporate value with ongoing meetings with our firm.

Tatsuya Imaizumi

Equity Investment Group Equity Research Team Real estate sector analyst

Takuhiro Imazu

Equity Investment Group Equity Research Team Electronics sector analyst

Our engagement activity – examples for Japanese fixed income active strategies

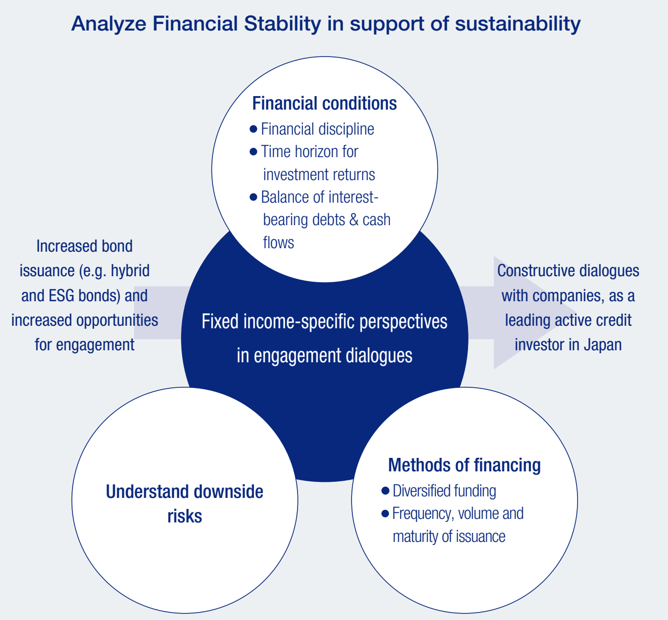
From the perspective of fixed income active strategies, we expect to increase returns and reduce risks of the investment. In order to better understand investee companies' financial stability prospects to ensure sustainability, we have actively carried out numerous engagement dialogues with companies, with a focus on their financial strategies such as financial position or financing and also on ESG assessment.

With regards to some unique aspects and approaches of fixed-income assets, we carefully examine key financial conditions such as the balance of interest-bearing debts and cash flows, the time horizon for returns on investment, any potential downside risks that may affect the company's creditworthiness or have a significant societal impact, and financing methods (including type, frequency, issue volume, maturity, etc.).

We also engage in a deeper dialogue on increasingly important issues, such as carbon-neutrality.

Unlike equity investment, fixed-income investments do not offer any direct voting rights. However, recent changes in the underlying environment, such as a growing willingness on the part of companies to proactively engage with the bond market and a growing market for hybrid bonds and ESG related bonds that can influence corporate strategies, has created more opportunities for open dialogue. As a leading active credit investor in Japan, Asset Management One strives to capitalize on its presence to accurately convey the views of investors to corporate representatives.

Perspective of fixed income active strategies



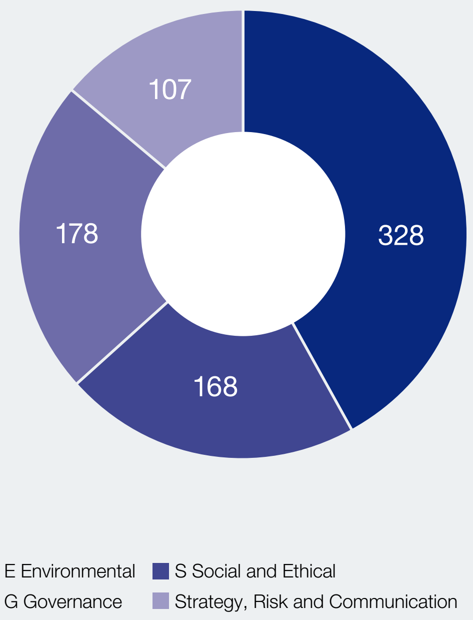
	Counterparty: Heavy industry company A, Dialogue issue: Shift in business model toward carbon neutrality and financial strategy
Issue	Toward a carbon neutral society by 2050, the heavy industry manufacturer needs to shift its business model from production of machinery using fossil fuel as a power source, including coal-fired thermal power, to production of machinery using clean energy demanded by society. We conducted engagement activity to explore what kind of roadmap could develop business for carbon free operations as part of its existing business clearly shrinks, as well as to analyze the potential damage to its financial balance as massive R&D expenses and capital investment are required to shift the business model.
Action	[Dialogue counterparty] Finance group in the global finance department [Dialogue content] We confirmed the outlook for the contraction of the business for coal-fired thermal power, one of the sources of revenue for Company A, the timing for monetizing new businesses related to carbon neutrality, and the financial burden related to new businesses. The company stated the following: "New construction of coal-fired thermal power plants will shrink, but we plan to continue our maintenance business on existing facilities. We are developing new technology across many areas, including: ammonia co-firing at a coal-fired thermal power plant; hydrogen gas turbines; carbon dioxide capture, utilization and storage (CCUS); and electrification technology. However, they are all in the R&D stage and will only become profitable after 2025 to 2030. Until then, we want to contribute to reducing CO_2 emissions in society while maintaining profitability as a company by shifting from coal-fired thermal power to gas turbines in the existing business. In terms of finance, we plan to take efforts for new technology development without increasing the total investment amount by reviewing the details of capital investment and distributing between investment/financing and R&D."
Outcome	[Status of dialogue achievement] Through dialogues, we were able to confirm the shift in business model toward carbon neutrality without increasing investment amount through a rebalancing of investments. When conducting dialogues last year, we expressed the importance of financial stability from a perspective of ensuring the company's sustainability and confirmed that their business operations were focused on financial discipline, such as maintaining financial discipline by sale of assets if earnings worsen and policies of controlling increases in the interest-bearing debts.
Next steps	The new business related to carbon neutrality remains in the R&D stage. We plan to continue monitoring the progress of business formation and monetization of these technologies as well as the financial balance through dialogues.

Engagement Activity with Overseas Companies

Asset Management One has a responsible investment specialist based in London (Asset Management One International) who specializes in ESG and conducts research on ESG trends in Europe and the U.S. and engagement activity with overseas companies. We are making efforts to solve societal issues and increase corporate values from a global perspective through the assignment of specialist with extensive experience in Europe, which is pioneering stewardship activities and ESG investment, and through collaboration with ESG analysts in Tokyo and New York based fund managers and analysts.

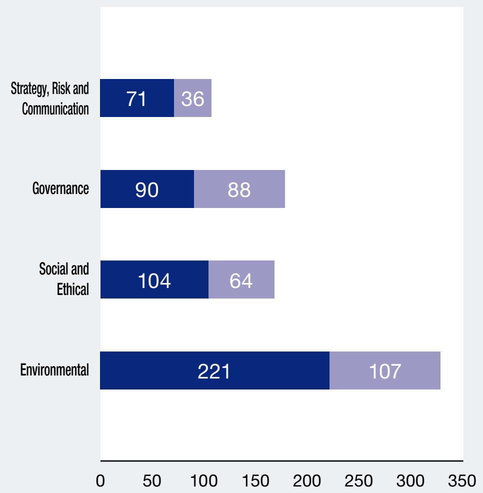
In addition, we have partnered with a leading stewardship services provider EOS at Federated Hermes (hereafter EOS). On behalf of the firm, EOS engages with our investee companies in ex-Japan global markets. We are proactively involved in EOS's engagement activity by sharing our ideas and thoughts on its annual engagement activity plan and focus areas as well as joining some of its engagement meetings with investee companies. More details on the collaboration available on page 61.

Engagement activities by theme



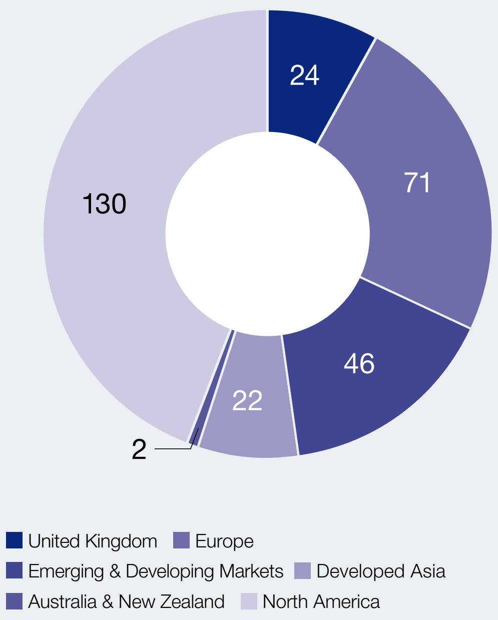
Period: July 1, 2021 to June 30, 2022

Progress of engagement milestones



Period: July 1, 2021 to June 30, 2022

Engagement companies by region



Period: July 1, 2021 to June 30, 2022

Engagement Examples (Overseas Companies)

Issue	Climate change		
Counterparty, issue and format of dialogue	Company H: Electronics, climate change, video conference		
Issue	**Action**	**Outcome**	**Next steps**
With a 40% global market share and about 1 million workers in 20 countries, Company H is the global EMS leader. Therefore, it also faces many issues, such as transition to green energy, carbon dioxide emissions reduction, and circular economy. Asset Management One has been involved in collaborative engagement activity with Company H since the launch of the Climate Action 100+ in 2017. This collaborative engagement has been conducted with the aim of strengthening progress management, governance, environment-related disclosure, etc. while setting up greenhouse gas emissions reduction targets. Company H has proactively responded to the CA100+ engagement and made good progress over the past two years. For 2022 engagement activities with Company H, our firm focused on the evaluation of detailed evidence for targets set by Company H, and the quality and effectiveness of emissions reduction plans and commitments.	During this reporting period, our firm conducted direct engagement activities with Company H three times. Firstly, we had a discussion with Company H focusing on information disclosure, etc. complying with TCFD recommendations and reduction plans based on scientific-based evidence (SBT) in cooperation with Federated Hermes, the lead investor of the CA100+ engagement group. In early 2022, we held additional engagement activity in collaboration with other global investors in the CA100+ regarding its climate change related strategies and the degree of progress toward its targets. In this engagement, our firm further sought an explanation from Company H about low-carbon transition scenarios as well as more details of the assumptions and estimates used in setting its target in particular. We encouraged more detailed disclosure for investors, so that investors could gain a better understanding of the feasibility as well as emerging challenges of its planned transition. Following Company H's announcement of long-term ESG goals, our firm further requested and held a 1-on-1 separate engagement meeting with Company H in June 2022. In this meeting, we were able to have deep discussions related to the short-term and medium-term targets for net zero emissions by 2050, and investment plans and execution policies to achieve these targets. We also held dialogues related to important ESG issues, such as the Company H's governance practices, workforce and human capital management.	In response to the CA100+ investor group engagement, Company H announced new commitment in November 2020 to achieve the goal of net zero greenhouse gas emissions across its value chain by 2050 and began preparing to publish TCFD reports. From April to May 2022, it further announced setting of short- to medium-term targets related to ESGs, including a 21% reduction of greenhouse gas emissions by 2025 (compared to 2020 levels), 42% by 2030, and 63% by 2035 respectively. Our firm believes such a combination of engagement approaches, collaborative engagement and in-depth 1-on-1 engagement, has proved most effective with Company H. With such an approach, our firm believes that while sending influential joint messages together with other global investors in our collaborative engagement activities, our firm was able to achieve comprehensive and forward-looking engagement activity that included not only a solid understanding and qualitative insights of the climate strategy of Company H, but also its capital strategy, competitiveness, and management strategy to achieve value creation in the medium- to long-term.	Our firm will continue to closely watch and engage with Company H on its progress and execution of plans. In particular, approximately 95% of greenhouse gas emissions of Company H were Scope 2 emissions from its business activities. Therefore, the focal points of discussions in the next steps will be as follows: increasing the usage of renewable energy from approximately 12% in 2020 to at least 50% by 2030; the required investments and financial implication. Elsewhere, our firm would like to see more progress in various areas: increased usage of recycled materials, improved board level accountability, strategies in EVs and other climate related new businesses, human capital management and reform of corporate culture that will support such strategies.

Collaboration with Government Agencies and Initiatives

Serving as member on committees, etc. in government agencies

Participated committees, etc.	Responsible government agency
Study Group on Revision of Guidelines for Private Sector Engagement in Biodiversity	Ministry of the Environment
Study Group on the Evaluation of Environmentally Sustainable Companies	Ministry of the Environment
ISO/TC322 (Sustainable Finance) Japan Committee	Ministry of Economy, Trade and Industry
TCFD Consortium	Ministry of Economy, Trade and Industry
Study Group on a New Governance Model in Society 5.0 Working Group Deliberating DX Company Selection Standards	Ministry of Economy, Trade and Industry
Study Group on Dialogues that Contribute to Long-term Corporate Management and Investment for Creation of Sustainable Corporate Value Working Group for Revision of Guidance for Collaborative Value Creation	Ministry of Economy, Trade and Industry
Study Group on State of Funding for Industrial GX (Green Transformation)	Ministry of Economy, Trade and Industry
Human Capital Management Consortium	Ministry of Economy, Trade and Industry

Joint research with academia

Research theme	Joint research partners
Research on the effectiveness of engagement in passive fund management	Professors Kazunori Suzuki, Hideaki Miyajima, Waseda University Professor Julian Franks, London Business School Professor Marco Becht, Université Libre de Bruxelles
Research on ESG scores	Members of the MIT Sloan Sustainability Initiative, including Professor Roberto Rigobon and colleagues Florian Berg, Jason Jay, and Julian Kölbel

Collaboration with Japanese and overseas initiatives

Name of initiative	Date of membership
Principles for Responsible Investment(PRI)	Signed March 2013
International Corporate Governance Network (ICGN)	Joined February 2014
Montréal Carbon Pledge(MCP)	Joined October 2015
Japan Stewardship Forum	Joined January 2017
Climate Action 100+ (CA100+)	Joined December 2017
Japan Sustainable Investment Forum (JSIF)	Joined April 2018
Asian Corporate Governance Association(ACGA)	Joined April 2018
Task Force on Climate-Related Financial Disclosure (TCFD)	Pledged support in March 2019
TCFD Consortium	Joined May 2019
RE100(Renewable Energy 100%)	Joined July 2019
ISSB Technical Reference Group	Joined August 2022
30% Club JAPAN Investors Group	Joined November 2019
Japan Stewardship Initiative (JSI)	Joined November 2019
ESG Disclosure Study Group	Joined July 2020
Farm Animal Investment Risk & Return(FAIRR)	Joined December 2020
Access to Medicine	Joined December 2020
Net Zero Asset Managers initiative(NZAM)	Joined December 2020
International Integrated Reporting Council(IIRC)	Pledged support in January 2021
Asia Investor Group on Climate Change (AIGCC)	Joined March 2021
ISSB Investor Advisory Group	Joined October 2021
CDP	Joined January 2022
The TNFD (Taskforce on Nature-related Financial Disclosures) Forum	Joined March 2022
Partnership for Carbon Accounting Financials(PCAF)	Joined March 2022

Voting Rights Policies and Approach

How do we exercise our rights and responsibilities as investors?

With the aim of becoming an asset management company which embodies our corporate message of "creating a sustainable future through the power of investment," we carry out appropriate stewardship activities which contributes to our clients and society. By promoting optimal global resource allocation, we strive to help the economy and society develop soundly.

We regard the exercise of voting rights for equities and REITs as one of the most important aspects of our stewardship responsibilities. In practice, through exercising voting rights, we strongly urge stakeholders to manage companies for the purpose of raising corporate value over the medium to long term, and encourage to execute sound corporate activities that express consideration to the environment and society under appropriate corporate governance.

Markets and funds where we exercise voting rights

In principle, Asset Management One exercises all voting rights of funds it manages in all invested markets, except for the cases where the firm is unable to exercise rights due to circumstances beyond its control such as time constraints. In case of investment advisory funds, the firm confirms the intentions of the clients invested in the fund and exercises voting rights accordingly.

Masanobu Endo
Analyst,
Responsible Investment Group

Takayuki Makino
Analyst,
Responsible Investment Group

Policy and operation of exercising voting rights

The firm fairly determines how to vote on each proposal in accordance with our "Proxy Voting Guidelines," which establish our basic policies toward exercising voting rights. Our Proxy Voting Guidelines are in principle revised every year and amendments are enacted by approval of the President & CEO following deliberation by the Responsible Investment Committee.

Proxy Voting Guidelines

Japanese equities	http://www.am-one.co.jp/img/company/16/kounai_guideline_20220401.pdf
Non-Japanese- equities	http://www.am-one.co.jp/img/company/16/gaikoku_guideline_20220401.pdf
REITs	http://www.am-one.co.jp/img/company/16/reit_guideline_20220401.pdf

In determining how to vote on each proposal that may have significant impact on corporate value based on the status of engagement, social interest, or occurrence of legal violations or scandals, etc., decisions are made after deliberation by the sub-committee on the exercise of voting rights which is chaired by the Head of the Responsible Investment Group.

In determining how to vote on each proposal that may have extremely significant impact on corporate value among those deliberated at the sub-committee on the exercise of voting rights and proposals of the utmost importance regarding a perspective of conflict of interest (see page 80) and parent companies, decisions are made through deliberation by the Responsible Investment Committee, which is chaired by the Chief Investment Officer and includes the Head of the Risk Management Division. Ahead of deliberations of the Responsible Investment Committee, we consult the Proxy Voting Advisory Council, consisting of a majority of independent outside directors.

Major updates to FY2022 Proxy Voting Guidelines

The major revisions in FY2022 to the Proxy Voting Guidelines for Japanese equities are as follows.

1. Basic policies and operation

After establishing the corporate message "creating a sustainable future through the power of investment," the firm has created a materiality map to identify global environmental and social/

societal issues and designated three focus areas; climate change, biodiversity and environmental destruction, and human rights and health & wellbeing. In each focus area, we outline what we expect from investee companies and will implement these items through our engagement activities and the exercise of voting rights.

2. Composition of the Board of Directors: ratio of outside directors and gender diversity

The number and composition ratio of outside directors on the Board of Directors will be increased from 2 or more and 25% or higher to 2 or more and one-third or more.

Also, the revised Guidelines shall require the election of at least one female director in order to encourage gender diversity in the Board of Directors. However, considering few female director candidates, we have introduced these standards to the TOPIX 100 constituents in the current fiscal year, and we are still to review the extent of our application for stocks listed on the Prime Market of the Tokyo Stock Exchange, for the next fiscal year and beyond.

3. Voting against Election of the Board of Directors of companies with cross-shareholdings

We agree to certain rational such as business alliances for cross shareholding. However, where we determine that holdings are not logical in terms of capital efficiency and management discipline and that the level of holdings on a net asset or total asset basis is excessive, the firm will vote against the election of the representative director.

In the future, the firm intends to encourage companies to reduce cross-shareholdings by lowering its threshold in accordance with the reduction progress at each company.

How we use proxy advisors

The firm makes decisions and exercises voting rights in line with its guidelines. In markets outside Japan, we exercise our voting rights through the platform operated by ISS, a proxy adviser. The exercise of voting rights for investee companies requiring extra caution from a conflict of interest perspective is conducted after receiving advice from ISS, our proxy adviser, in line with the firm's guidelines (see page 80).

When ISS and Glass Lewis review their voting policies every year, the firm opines them individually on issues recognized and the direction of revisions related to the exercise of voting rights.

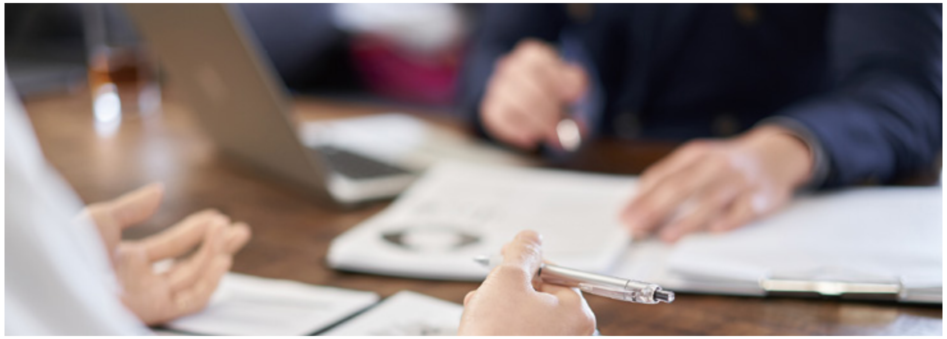
Proxy Voting Guidelines and Policies for Exercising Voting Rights by clients and on stock lending

The firm revises its guidelines as needed based on client intentions and trends in discussions around governance. For investment advisory clients, we proactively communicate with them so that we understand the policies of each client and exercise their rights in accordance with their policies. For investment trust funds and investment advisory funds, in principle we exercise voting rights based on the firm's guidelines. However, for funds that delegate management to external asset managers, in principle we exercise voting rights through their policies and decisions. It is possible for clients to directly exercise voting rights in funds held by them, as long as it is permitted under the contract.

Also, for some funds managed by the firm, some stock lending transactions may cross the record date of voting rights. Even in such cases, adequate voting rights are secured by establishing an upper limit on the lending rate.

How we monitor the shares and voting rights we have

We confirm the balance of holding shares each day with custodians. We exercise voting rights based on this confirmed data. In order to avoid failure to exercise voting rights, the firm confirms the exercise period for each stock, and the receipt and submission of voting forms in cooperation with the custodians.



Exercise of Voting Rights

■Voting outcome for Japanese equities (July 1, 2021 – June 30, 2022)

Company proposals: 24,866

Voted for: 87.6%

Company proposals by types of subject

	Voted for
Election/Removal of directors: 18,233	85.8%
Election/Removal of statutory auditors: 1,443	86.3%
Election/Removal of accounting auditors: 94	100.0%
Directors' remuneration: 1,039	93.6%
Payment of retirement benefits for directors: 115	0.0%
Appropriation of retained earnings: 1,472	98.4%
Company reorganizations: 49	95.9%
Introduction/renewal/abolishment of takeover defense scheme: 63	4.8%
Other proposals for capital policy: 111	93.7%
Amendment of Articles of Incorporation: 2,244	99.0%
Miscellaneous: 3	0.0%

Shareholder proposals: 302

Voted for: 12.6%

Shareholder proposals by subject

	Voted for
Election/Removal of directors: 47	10.6%
Election/Removal of statutory auditors: 8	37.5%
Election/Removal of accounting auditors: 0	— %
Directors' remuneration: 11	9.1%
Payment of retirement benefits for directors: 0	— %
Appropriation of retained earnings: 22	0.0%
Company reorganization: 0	— %
Introduction/renewal/abolishment of takeover defense scheme: 0	— %
Other proposals for capital policy: 21	0.0%
Amendment of Articles of Incorporation: 185	15.7%
Miscellaneous: 8	0.0%

Following the amendment of Japan's Companies Act, many proposals to amend Articles of Incorporation to stipulate the method of providing materials for general shareholders meeting to shareholders were submitted at general shareholders meetings. There were also many proposals to amend Articles of Incorporation to allow holding virtual-only general shareholders meetings. Given the backdrop of these factors, the number of proposals to amend Articles of Incorporation is higher than that in previous years. Another feature is the gradual increase in the number of shareholder proposals submitted to amend Articles of Incorporation to require companies to take actions related to climate change.

■Voting outcome for REIT (July 1, 2021 – June 30, 2022)

Company proposals: 220

Voted for: 99.5%

Company proposals by subjects

	Voted for
Election of supervisory directors: 82	100.0%
Election of executive directors: 35	100.0%
Election of substitute executive directors: 43	100.0%
Amendment of Articles of Incorporation: 40	97.5%
Election of substitute supervisory directors: 19	100.0%
Merger: 0	— %
Miscellaneous: 1	100.0%

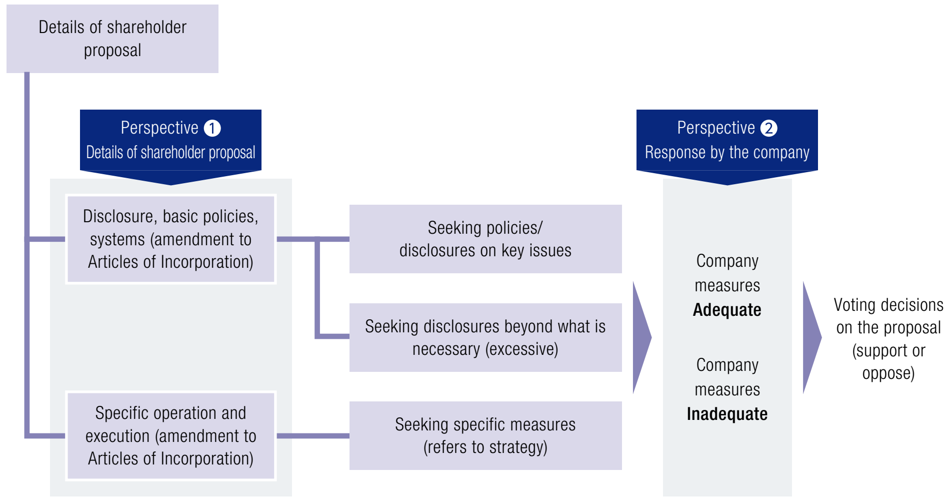
Case studies of the exercise of voting rights (Japanese companies)

	Issue	Action	Voting/Escalation	Outcome
Plant engineering company A	In the past fiscal year, the company booked company posted a huge loss on an ethylene production plant construction project in the United States. In addition, given the recent spread of infectious diseases, the profitability of construction projects in progress deteriorated as orders declined due to postponement of project decisions and other factors. The company's financial conditions have deteriorated due to these circumstances, and as a result, the company has been forced to manage its business in accordance with its revival plan, including a capital increase through third-party placement making it an urgent priority for the company to build up its equity capital.	We conducted dialogues with the company on business performance and financial improvement measures and confirmed that it was implementing profitability improvement measures and disciplined project management. The company explained that it is working to build a stable earnings structure by deliberately controlling the upper limit of SG&A expenses while aiming to achieve a standard gross profit margin on annual order intakes. In fact, these initiatives are beginning to bear fruit, and the company has achieved its profit margin targets for the past two years.	While the company is still in the process of improving its financials and deteriorating business performance has been caused by company specific factors, we have judged that it is preferable to retain the current management team given the improving profitability trend. We would normally vote against the reelection of five directors (including CEO) who have been running the company for more than three years due to a violation of performance criteria, but based on our engagement, we voted in favor of the election of these directors.	The company proposal for director's election was approved for all candidates.
Railway company B	The company breached our ROE threshold amid significantly deteriorating business environment due to the prolonged outbreak of COVID-19, resulting in poor earnings performance in the company's mainstay railway and hotel businesses, In order to recover earnings and increase corporate value, it is necessary to improve profitability of existing businesses and implement business restructuring, reviewing the existing business portfolio.	We had been expressing the need for business restructuring for some time through our engagement activity. In its medium-term business plan, the company decided to adopt an asset-light policy, including liquidation of hotel assets and sale of non-core business subsidiaries. Through discussions with the company, we have confirmed that specializing in operation and management in its hotel business would make it more stable in terms of earnings. We determined that these initiatives would bring a certain level of business restructuring, improve its earnings performance over the medium to long term, and transform its earnings structure to one that is less prone to losses, even in the event of a new pandemic.	We did not simply loosen application of our ROE thresholds on the company that had failed to meet them just because of the COVID pandemic. We asserted that the company, which was on track to improve its ROE in the long and medium-term following its initiatives, should be assessed in an appropriate manner and voted for re-election of four candidates, who had served more than three years already, for the board, including the chief executive officer and the president.	The company proposal of re-election of all directors was approved.

	Issue	Action	Voting/Escalation	Outcome
Financial company C	Amid growing attention to the large exposure of Japanese financial institutions to fossil fuels and their efforts toward net-zero emissions, a climate change oriented NGO submitted shareholder proposals on climate change issues; (1) formulation and disclosure of a business plan including short- and medium-term goals, (2) lending consistent with net-zero emissions scenarios, etc.	Our ESG analyst who is also in charge of voting rights conducted a dialogue with a representative from the company in charge of sustainability. We discussed its senior management's commitment to carbon neutrality by 2050, the promotion system in place, and steady implementation of measures through dialogue with customers, membership in the Net Zero Banking Alliance (NZBA), and details of shareholder proposals, and confirmed the company's initiatives and perspectives to date. Our ESG analyst also conducted a dialogue with the NGO on the shareholder side. We confirmed the background to the proposals and the status of previous dialogues.	We voted in favor of the shareholder proposal (1) because it is a proposal that requires information disclosure, and we believe that disclosure of short- and medium-term goals will enable the company to share the path toward its long-term goals with stakeholders and increase the certainty of achieving long-term goals. We voted against the shareholder proposal (2) because we believe that matters relating to the specific operation and execution should be determined by the management responsible for the execution and therefore should not be stipulated in the Articles of Incorporation.	Both shareholder proposals were rejected, the approval rate for (1) was just under 30%.

Approach to shareholder proposals on climate change

In recent years, we have begun to see climate change related shareholder proposals. Going forward, these types of shareholder proposals are expected to become more widespread in Japanese equities. So, we have revised our criteria for exercise of voting rights on shareholder proposals and provided clarity on our approach. First of all, with regard to shareholder proposals, we consider two perspectives: whether a proposal is related to disclosure, basic policies and systems or related to specific operation and execution, and whether the company's steps and measures are adequate. For proposals related to disclosure, basic policies and systems, we will generally support them unless they go beyond what is necessary and become excessive. But if a proposal is about micromanaging specific business operations which may affect a company's business strategy, we will oppose it in principle. Meanwhile, if measures adopted by the company are considered higher level than those requested in shareholder proposals, we will generally oppose them. These are our general guidelines on shareholder proposals. For any shareholder proposals related to climate action, we are committed to assessing individual circumstances and making our decisions on a case-by-case basis.



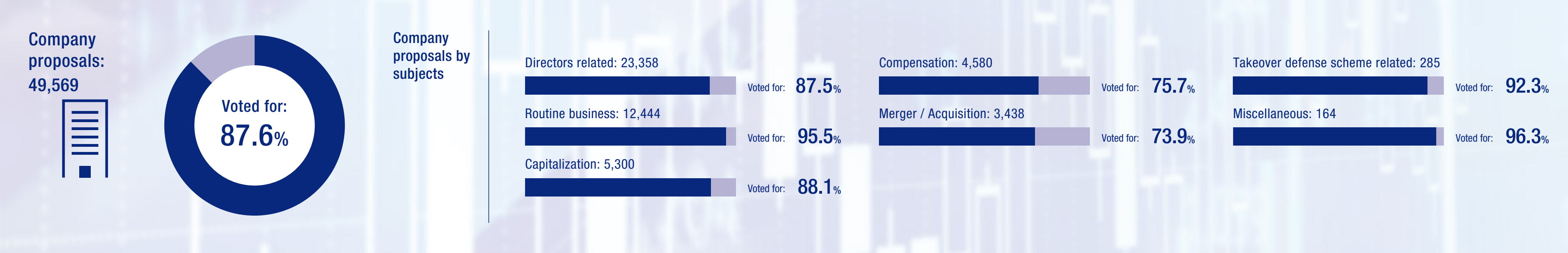
	Issue	Action	Voting/Escalation	Outcome
Financial company D	Company D experienced a series of system failures, which greatly affected a wide range of customers, from individuals and small and medium-sized businesses to global corporations, affecting 24 million accounts nationwide. The repeated failures in a short period of time caught public attention as a major problem. The third-party committee's investigation report released in 2021 pointed out that the series of system failures were caused by weaknesses in (1) organizational capabilities to deal with crisis events, (2) IT system control capabilities, (3) customer focus, and a corporate culture and structure that did not improve these weaknesses.	Asset Management One has engaged with Company D regarding the Company's response to this matter and its efforts to prevent recurrence. The Japanese Financial Services Agency issued a business improvement order to Company D for the series of failures and its responses, and top management resigned. Company D subsequently formulated a business improvement plan and has been disclosing the progress on the business improvement plan.	At our firm, for the most important company proposals from the standpoint of conflicts of interest, such as those involving the parent company, voting decisions are made after requesting the recommendations from a third-party proxy adviser, ISS, in accordance with our guidelines, followed by consulting with the Proxy Voting Advisory Council, of which independent outside directors make up a majority, and conducting deliberations at the Responsible Investment Committee. With regard to Company D, our Responsible Investment Committee also discussed the issue after consulting with the Proxy Voting Advisory Council, based on its ongoing engagement dialogue with Company D. ISS advised opposing several directors, stating that they should be held responsible for the system failure. Although the resignation of top management clarified a certain level of management responsibility, the audit & supervisory committee, risk committee, and others were responsible not only for the system failure but also for the wide-ranging impact on customer relations, governance structure, etc. Therefore, we determined that the content of ISS's advice was appropriate and opposed the election of a number of directors.	The company proposal for election of directors was approved for all candidates. However, approximately 30% of shareholders voted against the election of candidates whom our firm also opposed to.

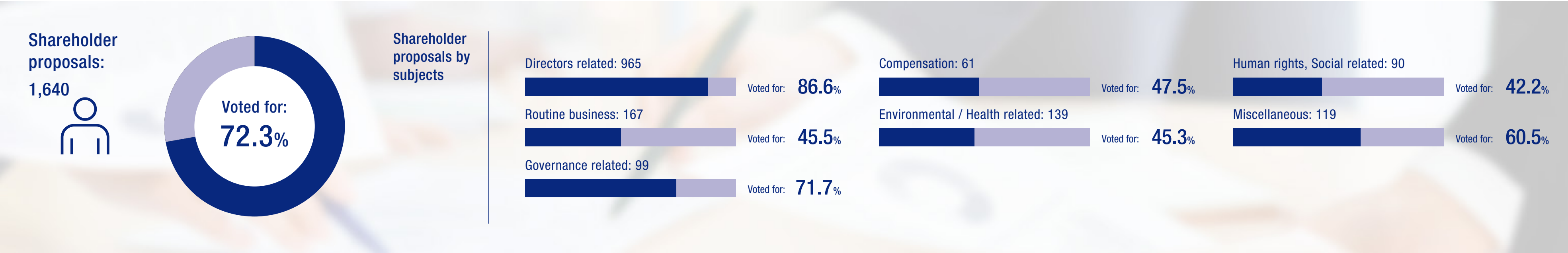
Our approach of calling for modification to the terms of bond issues

The Fixed Income Investment Group considers terms of bond issues such as type of bond, issuance frequency, volume, maturity and a scheme of capital recognition of subordinate bonds, as an important topical area specific to bond investors for dialogue with fixed income investor relations particularly at the time of issuance. Although bonds, unlike equities, do not have a direct means of exercising rights in the form of voting rights, we strive to accurately convey investor feedback to issuers by leveraging our presence as a leading active credit investor in Japan.

Recently, as the market for ESG bond issuance has expanded, there have been some cases of dialogue with issuers regarding the terms and conditions of ESG bond issues. For example, in a dialogue with a construction company, we communicated that Asset Management One prefers the purchase of green power certificates or donations rather than a step-up in interest rates as a penalty in the design of a sustainability-linked bond product, and the company responded that it would like to use this for product design in future. ESG bonds issued subsequently were set up to purchase green power certificates and make donations in response to unfulfilled commitments.

Voting outcome for non-Japanese equities (July 1, 2021 – June 30, 2022)





Voting outcome by region (July 1, 2021 – June 30, 2022)

Management Company proposals	Americas		Asia-Pacific		Europe and Middle East Africa	
Category of proposals	Total	Approval ratio	Total	Approval ratio	Total	Approval ratio
Directors related	11,183	90.6%	5,405	83.7%	6,770	85.5%
Ordinary proposals	2,498	96.8%	5,882	94.8%	4,064	95.9%
Capital related	517	54.0%	3,058	90.9%	1,725	93.3%
Compensation related	1,621	81.9%	1,234	60.4%	1,725	80.8%
Merger / Acquisition related	220	90.9%	2,818	69.7%	400	94.5%
Takeover defense scheme related	149	91.9%	10	100.0%	126	92.1%
Miscellaneous	7	100.0%	65	98.5%	92	94.6%
Grand total	16,195	89.5%	18,472	84.8%	14,902	89.0%

Shareholder proposals Total	Americas		Asia-Pacific		Europe and Middle East Africa	
Category of proposals	Total	Approval ratio	Total	Approval ratio	Total	Approval ratio
Directors related	224	75.4%	648	94.6%	93	58.1%
Ordinary proposals	54	37.0%	78	71.8%	35	0.0%
Capital related	45	57.8%	47	95.7%	7	0.0%
Compensation related	22	45.5%	31	61.3%	8	0.0%
Merger / Acquisition related	96	52.1%	21	23.8%	22	36.4%
Takeover defense scheme related	89	42.7%	0	–	1	0.0%
Miscellaneous	111	64.0%	0	–	8	12.5%
Grand total	641	59.9%	825	89.5%	174	36.2%

Case study of exercise of voting rights (non-Japanese companies)

	Issue	Action	Voting/Escalation	Outcome
Comprehensive energy Company E	Asset Management One has participated in Climate Action 100+ (CA100+) initiative since its inception in 2017 and it has been conducting engagement activity with Company E. CA100+ has engaged in dialogue on various aspects toward greenhouse gas emissions reduction, including target setting, disclosure of lobbying activity, and investment strategy. Although Company E has been involved in engagement activities in CA100+ for many years, its initiatives for climate change still remain insufficient, in terms of the greenhouse gas emissions target-setting and climate governance relating to its lobbying activities and disclosures. Although Company E has adopted strategies such as a shift to low-carbon energy and a path toward net-zero emissions, in general, it still lags behind European peers in terms of the scale and speed.	Our firm has participated in CA100+ collaborative engagement twice since April 2021. In those engagements, both parties discussed measures to shift to low-carbon energy and achieve emission reduction targets, along with disclosure of climate lobbying activity and involvement of the board of directors in climate change initiatives. At the 2021 shareholder meeting, a shareholder proposal calling for medium- to long-term reductions in Scope 3 emissions received more than 60% of shareholders support. While this result indicated the expectation for Company E to further respond and act on related challenges. However, Company E's efforts to reduce Scope 3 emissions have not made significant progress. In subsequent engagement with our firm, Company E explained that while it of course supports the direction of greenhouse gas reduction, it is also strategically working to standardize Scope 3 management practices within the industry and utilize carbon offsets. Company E seems to understand that carbon offsets is an important mechanism to achieve emissions targets, but our firm expects Company E to ensure more transparency and enhance accountability in how the quality and effectiveness of carbon credits will be managed in each specific project going forward.	Since it is difficult for our firm to say that Company E has adequately addressed the concerns raised by investors through engagement and shareholder voting at the shareholder meeting, the firm was determined that there are issues with the leadership of the board of directors, which has not fulfilled accountability to investors, as well as the capability of the director in charge. Based on engagement and Company E's progress, in the Company E's proposal for director's election at the 2022 shareholder meetings, our firm opposed to the reelection of two directors in total, the Senior Independent Director and the chair of the public policy and sustainability committee responsible for climate change-related responses. Our firm considered the long tenure of both directors was also a concern to us, and further determined that the Senior Independent Director has been a director of Company E for a long time since his appointment in 2005, and that the level of his commitment as the Senior Independent Director, as well as his independence, is questionable, given that he also serves as director in three other companies. As Company E faces tremendous challenges, including new business strategies, at a time of energy transition, independent directors are expected, as representatives of shareholders, to have stronger independence and leadership to appropriately supervise the senior management to lead the company. In light of these circumstances, our firm voted against the reelection of the aforementioned two candidates.	The Company E's proposal for director's election was approved for all candidates. Approval rates for the directors opposed by our firm were only 87% and 92%, respectively. After the shareholder meeting, the Senior Independent Director, whom our firm voted against, was changed.

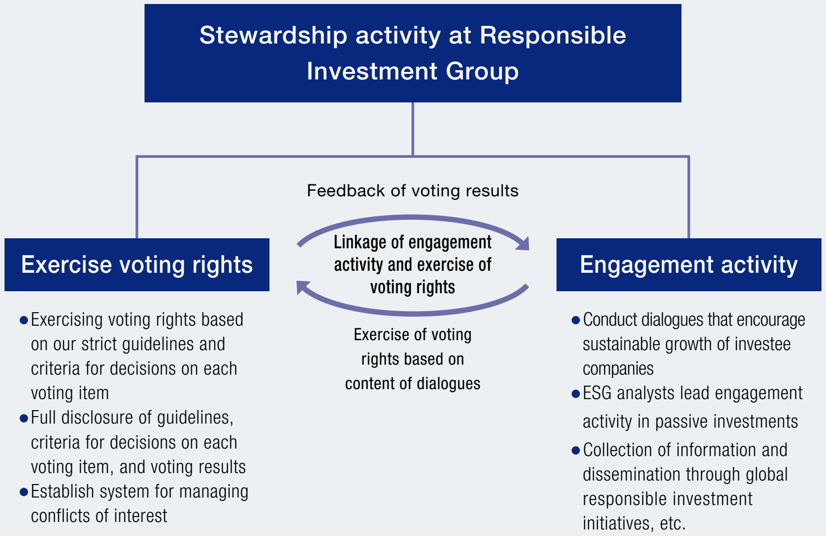
Summary of Our Stewardship Activities

In October 2016, at the same time as its launch, Asset Management One established a dedicated department for stewardship activities called the Responsible Investment Group, which focuses on stewardship activities centered around engagement and the exercise of voting rights.

Members of the Responsible Investment Group have a wealth of investment/management experience as analysts and fund managers, and conduct dialogues with companies from a perspective of improving medium- to long-term corporate value. We strive through our stewardship activities to lead transformation in society as a whole by proactively encouraging efforts by investee companies and other stakeholders, based on most recent trends in and outside Japan.

Takeo Omori
Head of the Responsible Investment Group

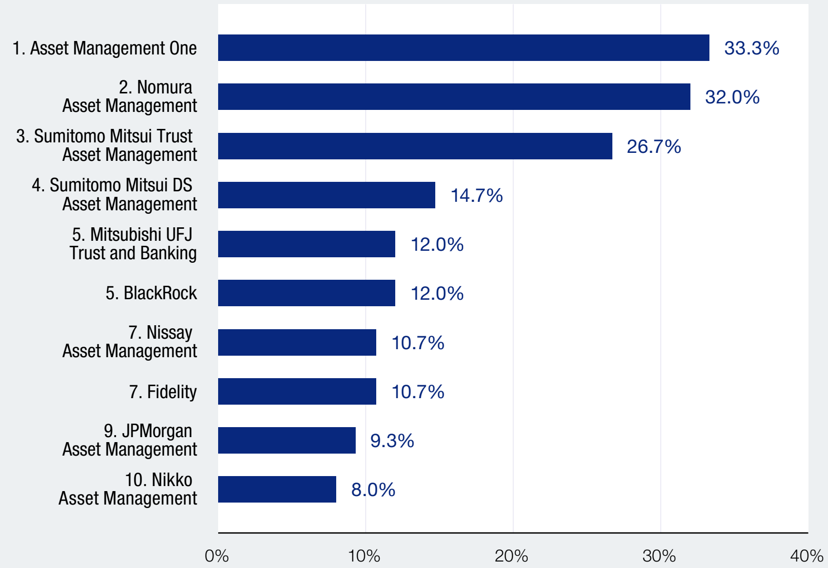
■ Stewardship activity at Responsible Investment Group



External evaluation of our firm's stewardship activities

In a survey of Japanese investee companies conducted by Mizuho Research & Technologies (Mizuho R&T) on the stewardship activities of asset managers, our firm was highly rated, winning top place in six out of 8 evaluation items.

■ Respondent company willing to work with following asset managers in anticipation of beneficial stewardship activity.



Source: Mizuho R &T Consulting Report Vol.3, 2022 "Stewardship Activities of Asset Managers - From results of company survey"
Mizuho R&T conducted a survey to IR at 1000 companies listed on the first section of the Tokyo Stock Exchange (screened for market capitalization and number of employees etc.); 106 companies responded. Survey period between November and December 2021. The number of asset managers subject to the evaluation was 74 in total, including trust banks, insurance companies, and investment advisory companies.

Self-Evaluation of FY2021 Stewardship Activity

Asset Management One conducts a self-evaluation and reflection for each principle and guidance in the Stewardship Code each fiscal year. We conduct assessment whether the details of stewardship activities and the self-evaluation are appropriate at the Responsible Investment Committee, established as a management policy committee.

In FY2021, based on our corporate message of "creating a sustainable future through the power of investment," we identified global environmental/societal materiality which should be addressed by the firm as an asset management company and proactively conducted initiatives such as establishing 2030 interim targets as a signatory of Net Zero Asset Managers initiative for the improvement of corporate value and realization of sustainable society.

The points of initiatives for each stewardship principle are as follows.

Principle 1

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

We identified global materiality in environment and society that should be addressed as an asset management company. Based on this, we announced thoughts and initiatives to incorporate sustainability into our management and published in the Sustainability Report 2021. Also, as an initiative to realise a decarbonized society, we established and announced an interim target of the Net Zero Asset Managers initiative to achieve net zero GHG emissions by 2030 for 53% of the firm's assets under management as of 31 March 31 2021, which is equivalent to 30 trillion yen.

Principle 2

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

We exercised our voting rights in accordance with our Proxy Voting Guidelines and criteria for all proposals. In making decisions on proposals of related to our important companies in terms of conflicts of interest including parent companies, we sought advice from independent third-party proxy advisers, and consulted the Proxy Voting Advisory Council, a majority of which is comprised of independent outside directors. We made appropriate decisions on exercising voting rights after deliberations at the Responsible Investment Committee. The compliance department pointed out no case of conflict of interests after conducting strict monitoring of the procedure.

Principle 3

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

Through dialogues with global NGOs and initiatives, and government agencies, we strove to grasp the latest ESG issues. We also participated in discussions for the development of information disclosure standards held in the study group in government agencies and SASB, etc. Moreover, we proactively acquired global knowledge through occasions such as through participation in the research related to ESG scores carried out by the Massachusetts Institute of Technology Sloan School. Furthermore, we encouraged investee companies to publish integrated reports to share their medium- to long-term value creation process and materiality, including financial and non-financial items, as well as participation in the NIKKEI Integrated Report Award.

Principle 4

Institutional investors should strive to share an understanding with investee companies and work to solve problems through constructive and purposeful dialogues with them.

As the impact of the COVID-19 pandemic has protracted, our firm once again highlighted its awareness of medium- to long-term ESG issues aiming for medium- to long-term improvement of corporate value and sustainable growth. For this fiscal year, we held dialogues about strengthening initiatives and sharing awareness on human capital such as human resource strategy, human rights, and diversity, and on biodiversity, which has seen increasing interest from society, in addition to climate change response and DX promotion looking toward net zero emissions by 2050. In passive investments, we have communicated with a wide range of companies, including low priority companies, to further strengthen engagement toward ESG issues to construct effective governance structures and promote sustainability management. In active investments, we added ESG Macro Research and ESG Quantitative Analysis functions to our equity research team. We have begun collecting and analyzing quantitative data related to top-down ESG research and non-financial information in order to analyze them from a medium- to long-term perspective.

Principle 5

Institutional investors should have a clear policy on proxy voting and disclosure of proxy voting outcome. The policy on voting should not be comprised only of a mechanical checklist; but it should be also designed to contribute to the sustainable growth of investee companies.

We have actively held shareholder relation meetings (SR meetings) to exchange opinions on proposals and our votes with senior management of investee companies, including outside directors. In the Proxy Voting Guidelines applied to shareholders' meetings held in and after April 2021, we have clearly stated that where investee companies fail to show improvement despite ongoing engagement this will be reflected in our voting decision on proposals for the election of directors. On March 4, 2022, we published a draft revision to the standards of exercising voting rights that would be applied to shareholder meetings to be held in or after April 2022. This has outlined that the engagement results in three focus areas designated by the firm's materiality analysis (climate change, biodiversity and environmental destruction, and human rights and health & wellbeing) will be reflected in the exercise of voting rights.

Principle 6

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

We published the Sustainability Report 2021 to proactively express our vision of incorporating sustainability in management to various stakeholders outside the firm, including individual and corporate clients. We have also proactively conducted appropriate information provision and disclosure utilizing not only legally mandated documentation, but also other forms of media, so that individual clients could have a better understanding of the details of investment products.

Principle 7

To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

We established the Sustainability Advisory Board, which includes outside advisors as members, to strengthen the sustainability governance of the firm. While we newly participated in AIGCC and CDP for climate change, we made a recommendation to the WBA benchmarks and participated in the TNFD Forum for biodiversity. We also strengthened our efforts in the acquisition of knowledge relating to focus areas by participating in initiatives and cooperating with academics, including joint research with MIT and Waseda University.

Please see the self-evaluation, either summary or detailed version, for specific initiatives.

■ Summary
http://www.am-one.co.jp/img/company/36/2021_stewardship_summary.pdf

■ Detailed version
http://www.am-one.co.jp/img/company/36/2021_stewardship_details.pdf

Chapter 4

Asset Management One's Sustainable Investment

Sustainable Investment Category

Introduction of sustainable investment product category

There are many roles that investment companies should play to achieve a sustainable society. One of them is supporting structural changes in the foundation of society and the environment by changing flows of capital to impact society. As an asset management company entrusted with investment capital from clients and their ultimate beneficiaries, Asset Management One aims to form a virtuous cycle of "creating a sustainable future through the power of investment" with our clients by providing attractive investment products.

In past investment products, the pursuit of so-called financial return (economic profit) and social return (social profit) have been discussed in separate contexts. However, from a long-term perspective, it is difficult to pursue stable financial returns without pursuing social returns. Even in the short term, as many investors and stakeholders promote economic activities that focus on a perspective of sustainability, it is essential to consider social returns in order to ultimately achieve financial returns.

As such, we have formalized a new Sustainable Investment Category which takes into account the degree of emphasis on social returns in addition to financial returns that our clients have traditionally emphasized.

Sustainable investment built with clients

Under the new Sustainable Investment Category, there are four categories: "Impact Investment" products, whose primary investment objective is to raise social returns and solve social and environmental issues and which actively invest in outstanding companies, "ESG Leader," which invest in excellent companies, defined as those which contribute to the achievement of a sustainable society while focusing on financial returns, "Transition" which support companies in the process of self-improvement and social transition, and "ESG Integration" which consider ESG risks and opportunities within the investment process.

Asset Management One is committed to incorporating the opinions of our clients with a diverse set of values through this product structure, and to co-creating investment services together with clients which take into account both financial and social return perspectives.

Specifically, based on our Sustainable Investment Category, we will deliver clients new products which aptly capture Japan specific and global trends. In addition, we would like to continue initiatives to conduct proactive dialogues with our clients, and review the investment process and engage with contractors, regarding existing products for which clients entrust their assets to us. As at June 30, 2022, of the total assets under management of our firm, total assets under management for Impact Investment and ESG Leader categories is 1,840,280 million yen. The breakdown is as follows: Impact Aligned: 34,348 million yen, Impact Aligned/ESG Leader: 9,275 million yen, ESG Leader: 1,796,657 million yen.

Team in charge of creating Sustainable Investment Category

Minako Takaba
Investment Division Sustainable Investment Officer

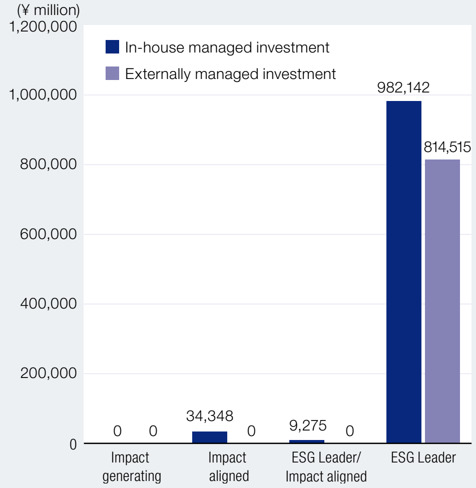
Kazuko Serizawa
Product Research & Planning Group Head of Research/Strategy Team

Cun Yu (Jack) Wang
Multi-Manager Business Development Group Executive Manager

Definition of Sustainable Investment Category

Category	Sub-category	Fund characteristics
Impact investment	Impact generating	• Aim to raise financial return while setting the purpose of generating social return (impact) and directly contributing towards solving issues to achieve a sustainable society
	Impact aligned	• Aim to raise financial return whilst providing positive impact through the initiatives and business of the investee company to achieve a sustainable society
ESG Leader		• Invest in "Excellent Companies" which contribute to the achievement of a sustainable society
Transition		• Invest in companies which are active towards transition for a sustainable society • Invest in companies which can be expected to improve their own ESG initiatives
ESG integration		• Consider ESG risks and/or opportunities in the investment process

Balance of sustainable investments (as at June 30, 2022)



Relationship Between Asset Management One's Sustainable Investment Category and International Initiatives, and Naming Rules

Relationship between Asset Management One's Sustainable Investment Category and international initiatives

Our firm is developing a Sustainable Investment Category based on trends in Japanese regulations, client needs, the business environment, and the trends of international initiatives including the European SFDR(*). SFDR aims to (1) improve comparability of sustainable investments by the standardization of disclosures and (2) prevent green washing. By constructing a Sustainable Investment Category, Our firm expects to deliver diverse sustainability investments more clearly to clients. The US SEC also published draft regulations on ESG disclosure and amendments to the Names Rule in May 2022, based on a similar awareness of the issue.

Please see the below concept diagram for the relationship between the Sustainable Investment Category of Asset Management One and SFDR. In the future, we will continue to consider trends in and outside Japan as we constantly update our Sustainable Investment Category and co-create sustainable investments with clients.

(*)Disclosure regulations related to sustainability of financial products that began operation targeting financial advisors and EU market participants in March 2021.

Naming rules

When giving a fund an ESG or sustainability-related name, we apply our internal ESG-related naming rules. The purpose of these naming rules is to minimize the gap between clients' expectations regarding ESG-related investments and the actual fund management. Only funds where it is possible to explain to clients at an appropriate level how taking ESG factors into account will contribute to the achievement of their investment objectives are permitted to use ESG-related names. Funds which use "ESG" or other related words in their names must fall under the Impact Generating, Impact Aligned, ESG Leader, or Transition (with conditions) categories in our firm's Sustainable Investment Category, and must also meet our own checklist items for confirmation. The rules also require that the product meet the requirements for disclosure in creation of investment products. The main points of the rules are: (1) consistency and clarity regarding ESG/sustainability in investment objectives, investment policies and strategies, and portfolio characteristics; (2) clarity regarding resources used to achieve ESG objectives and continuity of methods to adopt in investment strategies; and (3) disclosure of ESG/sustainability-related information that facilitates investors' decision-making (easy to obtain, clear and concise). We have established eight checklist items based on these perspectives.

■Relationship between Sustainable Investment Category and SFDR (concept diagram)

Sustainable Investment Category			SFDR	
Impact investment	Impact Generating	●Aim to raise financial return while setting the purpose of generating social return (impact) and directly contributing towards solving issues to achieve a sustainable society	Article 9 funds	Funds that have sustainable investment as their objective and reference indices that contribute to that objective, or funds that clearly establish how to achieve that objective
	Impact Aligned	●Aim to raise financial return whilst providing positive impact through the initiatives and business of the investee company to achieve a sustainable society		
ESG Leader		●Invest in "Excellent Companies" which contribute to the achievement of a sustainable society	Article 8 funds	Funds that promote some or multiple aspects of the environment or society and whose investee companies are taking efforts for ensuring excellent governance system
Transition		●Invest in companies which are active towards transition for a sustainable society ●Invest in companies which can be expected to improve their own ESG initiatives	*1	Funds that aim for a set percentage of sustainable investment
				Funds that do not aim for sustainable investment
ESG Integration*2		●Consider ESG risks and/or opportunities in the investment process	Article 6 funds	Funds other than those mentioned above

Borders may not match

*1 No standard in SFDR that accurately categorize Transition at this time. *2 Not all funds that fall in ESG integration of Asset Management One may fulfill the requirements for SFDR Article 8. However, there is a high possibility that they could be in compliance by adding various requirements.

Product Example: ESG Focus Japan Equity Strategy

Impact Investment and ESG Leader: ESG Focus Japan Equity Strategy

The ESG Focus Japan Equity Strategy is a newly launched product by Asset Management One in the Impact Investment and ESG Leader categories, which embodies our concept of sustainable investment products.

The strategy concept is to realize both contribution to sustainable financial returns and social returns through maintaining the globe and society to pass on to next generations, and by investing in companies that would drive realization of a sustainable society. For this, we developed an investment strategy that includes the following three characteristics.

Characteristic 1: Evaluation of promising industries based on double materiality approach

This strategy adopts a double materiality approach that identifies fields where business opportunities are expected to grow with technology, products and services that are useful in realizing a sustainable society. Our firm has created a proprietary materiality map with two axes: sustainable materiality which encompasses important environmental and social issues for the realization of sustainable society; and financial materiality which refers to environmental and social issues that have a large impact on corporate performances. We identify and evaluate promising industries that have potential of growing business opportunities based on this materiality map. Using our proprietary ESG rating, which evaluates companies based on the materiality map, we select companies that practice management that promptly responds to society's demands to realise sustainability. [Please refer to page 12 for an overview of the materiality map]

Characteristic 2: ESG specialists explore business opportunities and assess management quality

The ESG Macro Research and ESG Quantitative Analysis specializing in ESG analysis conduct research centered on industry evaluations based on the aforementioned materiality map. They extract [A] companies that operate businesses that solve environmental and social issues and [B] companies with high ESG accountability as investment candidates. At this point, companies that are deemed unable to reach our minimum ESG thresholds are excluded from investment universe.

We conduct analyses of investment candidate companies from the perspective of criteria such as the sustainability of a company's earnings power and stock valuations, select companies that are expected to produce high return on capital and include them in the portfolio.

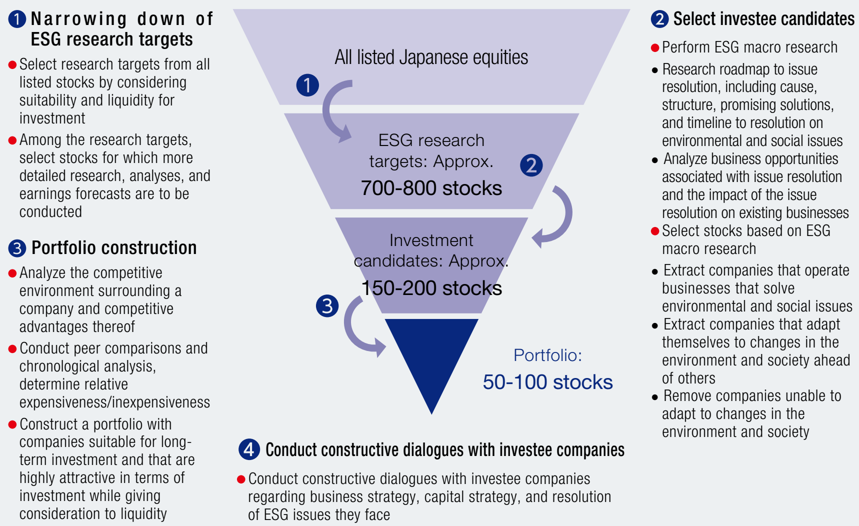
Characteristic 3: Leveraging on the firm's strong presence in the investment community, conduct engagement activity with investee companies

Our experienced sector analysts and ESG analysts work together and conduct engagement activity (dialogues) with investee companies with an aim to improve their ESG accountability.

Currently, companies that do not meet our minimum thresholds are excluded from our investment universe. However, through continuous engagement activity, we intend to convey our ideas to such companies with an aim to influence them and, ultimately, expand our investment universe.

Specialist investment framework

Image of investment universe



Composition and ESG characteristics of ESG Focus Japan Equity Strategy

Investment type A, companies that operate businesses which provide solutions to environmental and social issues account for 66% of the portfolio, as of June 30, 2022. This is further broken down to 45% in businesses that are able to contribute to climate change and 30% in health and wellbeing. This is a result of our focus on business activities which address the issue of climate requiring imminent response globally and those such as extension of healthy life expectancy and reduction of medical costs, which contribute to addressing the issue of aging society, which is progressing rapidly in Japan.

Sustainability market investment case: Small-scale solar power generation construction company A

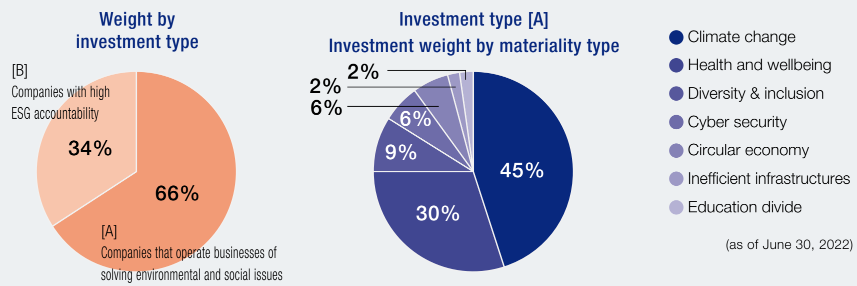
A shift in energy sources is going on in Japan in an effort to limit impact on climate change. In particular, solar power generation is spreading fast with a fall in costs, such as material costs. However, there are some issues in terms of the healthy development of the solar power generation market. This is due to an increase in output curtailment, where the amount of electricity generated in excess of demand cannot be purchased, and a decrease in feed-in tariffs paid by the power companies. The purchasing price of solar power generation for businesses in FY2022 was 10-11 yen/kWh, or an even cheaper purchasing price decided by bidding process.

Junichiro Yano
Fund Manager of ESG Focus Japan Equity Strategy, Equity Investment Group

As a result, demand for captive –consumption of solar power is increasing. In addition to installing solar power equipment on the rooftops of factories and offices, power purchase agreement (PPA) business where businesses rent idle lands and the rooftops of facilities owned by companies and local governments, install power generation equipment for free, and supply to the companies or local governments for their own consumption, is spreading rapidly. Through PPAs, companies and local governments are able to purchase inexpensive renewable energy without initial investments while the PPA service provider is able to secure stable purchasers.

In this strategy, we focus on Company A, which captures the demand for solar power self-generation and consumption demand by conducting engineering, procurement, and construction (EPC) of small-scale solar power generators. Company A maintains superior cost competitiveness through its accumulated development experience for small-scale solar power generators and lump sum procurement of materials. It has been ahead of competitors in procurement of land for development for small-scale solar power generation. We expect it to enjoy long-term growth against the backdrop of the Japanese energy policy of making renewable energy primary source of energy and the demand for CO_2-free power sources from businesses aiming to achieve carbon neutrality.

■Composition of the ESG Focus Fund by investment type and materiality

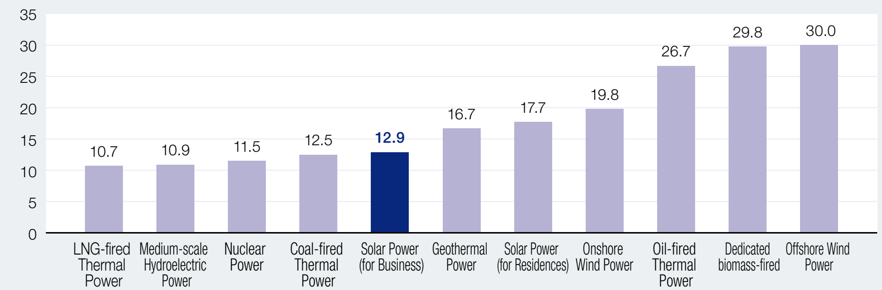


(as of June 30, 2022)

■Asset Management One's engagement initiatives

	Target companies	Responsible parties	Objective	
Areas of focus in this strategy	50-100 investee companies	•Sector analysts (Equity Research Team) •ESG analysts (Responsible Investment Group) •Fund managers	Aim to further improve ESG accountability of investee companies	Achieve sustainable growth and improve corporate value
Areas of focus in this strategy	Companies that address environmental and social issues, but do not meet our minimum thresholds		Improve ESG accountability and aim to expand investee candidate universe	
	Other listed stocks	•Sector analysts •ESG analysts, etc.	Boost overall market through solving environmental and social issues (passive fund engagement)	

■Estimated power generation costs by the Agency for Natural Resources and Energy (Yen/kWh)



Source: 2020 power generation cost estimates by power source by the Agency for Natural Resources and Energy

ESG Ratings

Asset Management One ESG ratings

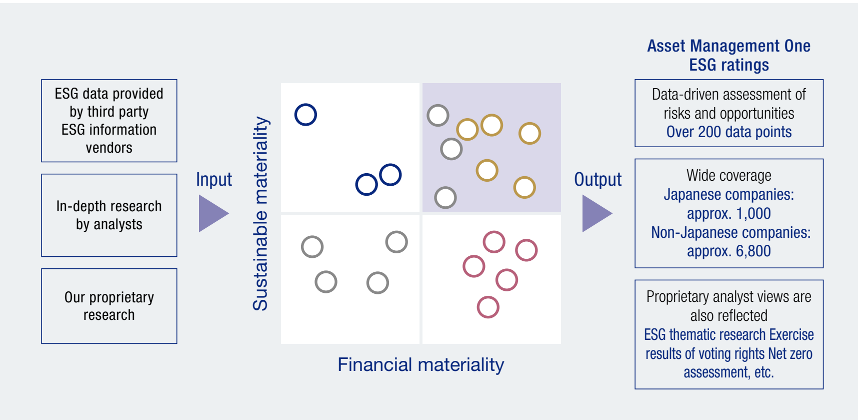
Asset Management One has been employing ESG scores as one element to assess companies. In order to execute our corporate message formulated in 2021, “creating a sustainable future through the power of investment,” we have enhanced our Asset Management One ESG Ratings and scores to reflect the firm’s materiality. Asset Management One ESG ratings are based on the firm’s core materiality and evaluate companies on environmental, societal and governance factors in terms of risks and opportunities. Twelve core materiality pillars are evaluated using more than 200 data points. Evaluation of core materiality pillars are primarily conducted in terms of ESG business risk exposure, management policy, existence of controversies, and revenue from sustainable business.

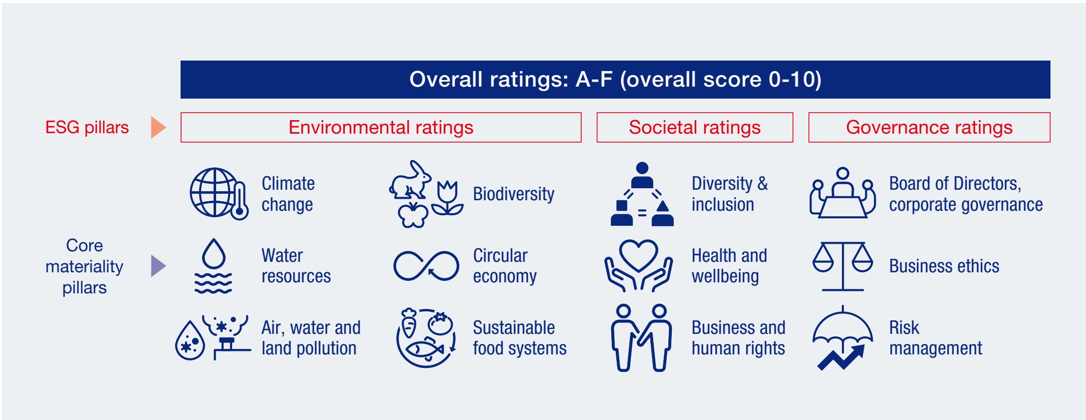
In practice, we obtain data on each company’s ESG initiatives from ESG information vendors and conduct a data-driven evaluation based on these data. Sector analysts and ESG analysts assign weightings to each core materiality pillar using an analytic hierarchy process for each industry. In addition to data-based evaluations sourced from third party information vendors, the firm’s ESG ratings also reflect bottom-up based fundamental research conducted by our sector analysts in terms of evaluations of corporate investor relations and governance, as well as ESG thematic research, a net zero evaluation focused on climate change, the results of exercising voting rights, and the determination of stocks to be excluded as stipulated in the Sustainable Investment Policy.

Currently, Asset Management One ESG ratings are assigned to approximately 1,000 Japanese companies and 6,800 non-Japanese companies, and will progressively be used in the management of ESG funds and the integration of ESG in to the investment process. The ratings are also used to measure ESG characteristics of funds and in ESG client reporting.

Transition scores

In order to solve the issue of climate change, one of the core materiality, it is difficult to move toward a net zero society with one bound, therefore phased transitions in society are necessary. The firm is committed to supporting social systems and corporate transitions through its investments. Realization of transitions will require technological innovation in various industries. The development of technologies to achieve net zero emissions is particularly depend on the feasibility of the technology, the amount of expected carbon reduction, and lowering costs for widespread use. We are developing our proprietary transition scoring to evaluate the efforts of companies that provide technologies to help society to move toward net zero emissions as well as companies that use these technologies to promote transitions, in order to support the transitions of Japanese companies with the power of investment.





Due diligence on ESG research firms

Our Asset Management One's ESG ratings adopt third party ESG data provided primarily by information vendors. We also purchase a variety of other ESG information from ESG evaluation companies and data vendors and utilise this information in our investment decisions. Due diligence was conducted as part of quality management of ESG information in the second half of 2021 against eight domestic and international ESG research firms contracted by the firm. Our due diligence confirmed that the research firms are continually improving their research models, developing human resources, and adequately operating their communication processes with companies, and we found no issues that would raise serious doubts about the reliability of the research information for which we had contracted.

The firm believes it is important for fund managers and analysts who use information from this outsourced ESG information vendors to fully understand their methodologies in using the information. In addition, as new research approaches, alternative data, and estimation methods are constantly being developed by each research firm, we asked our contracted vendors to hold study sessions on their methodologies for fund managers and analysts. In 2022, we held study sessions where we invited representatives from ISS, MSCI, and RepRisk to discuss their ESG rating methodologies and data methodologies. These study sessions helped fund managers and analysts further expand their knowledge in terms of understanding the latest trends and issues in ESG evaluations.

Due diligence items for ESG research firms

- Structure of Organization/Research
- Research philosophy
- Research methodologies and models
- Status of communications with companies
- Process and model improvement outcomes
- Quality management system
- Compliance system
- Status of human resource development and assignment
- Governance and conflict of interest management
- Audit system
- Marketing activities

Monitoring of engagement service providers

While we engage with Japanese companies through in-house analysts and other stewardship activities such as the exercise of voting rights, we have been using engagement services provider EOS at Federated Hermes (EOS) since 2017 for engagement activity with non-Japanese companies. EOS has a high degree of expertise in stewardship activity with a global institutional investor client base, and is building a process of engagement on their behalf.

As part of our monitoring efforts, we participate in EOS annual client feedback and provide detailed feedback on the services EOS provides. We also provide ideas on the priorities in the EOS annual engagement plan. We also exchange views with EOS through a variety of venues, including semi-annual Client Advisory Council Events, Client Advisory Boards, and frequent meetings with relationship managers. During the reporting period ended June 30, 2022, our representative attended eight engagement meetings with investee companies organized by EOS and confirmed the engagement approach taken by EOS and the quality of their engagement activities. EOS also provides regular updates, annual and quarterly reports, and case studies. With this information, we, as the client, continuously monitors EOS engagement services and confirms, in particular, the engagement progress and results with priority companies on our engagement target list.

Column

Research participation in the MIT Aggregate Confusion Project

Various ESG evaluation companies have emerged as the ESG investment market has expanded, providing investors with ESG ratings and ESG scores. They have provided investors with perspectives on ESG evaluation in the growing ESG investment market, and have promoted and enhanced corporate ESG information disclosure. On the other hand, however, this has meant that there are a variety of different ESG ratings in the market, and interpretation of the divergence in ESG ratings among rating agencies has been a challenge. The Massachusetts Institute of Technology (MIT) Sloan School Sustainability Initiative is conducting research to analyze the divergence between multiple ESG ratings used mainly in the ESG investment market and to study the best measure of ESG, and Asset Management One endorses the intent of the research and is participating in the research project. The results of the research project ascertain the divergence of the result of our Asset Management One ESG ratings from the optimal ESG evaluation in the ESG investment market and provide suggestions for improving our methodology.

Initiatives for Equity Investment

ESG Integration in Equity Investment

ESG integration in equity investment

Asset Management One categorizes impact investing funds and ESG leader funds, both in Japanese and non-Japanese equities, as sustainable investment products. Managers construct a portfolio by employing ESG information carefully preselected to match the specific objective and characteristics of each fund. ESG information includes our own proprietary ESG rating, ESG macro research and ESG thematic research, as well as ESG assessments and ratings sourced from external vendors. Managers of ESG funds report on the analysis of ESG attributes of stock holdings, engagement activities undertaken, and ESG attributes of the fund in order to achieve the ESG goals and characteristics of the fund as defined in the firm's ESG naming rules.

Moreover, for ESG integration funds that are not included in the ESG fund category, ESG ratings, scores, and carbon footprint information are regularly checked and monitored as aspects of fund performance. The firm aims to take ESG integration funds to the next level by defining the purposes, effects, and the way managers use ESG information, and explaining to investors. Also, we are making efforts to reduce the carbon footprint of our equity assets by 50% in 2030 compared to 2019 as a medium to long-term ESG target.

Engagement and integration

The firm considers not only ESG ratings and scores but also the results of engagement should be reflected in constructing our portfolios. As part of our sustainability investment framework, we have established minimum effort standards in our focus materiality areas, which we require of companies we invest in. If companies do not meet these expectations and if we do not see improvements in the engagement results, they are subject to removal from the candidate universe for ESG funds. Currently, we are assessing whether to remove Japanese companies in terms of climate change efforts and board member diversity among others.

For non-Japanese equity funds, the respective fund managers work together with our London based ESG analyst, who holds a wealth of experience in engagement activity, in conducting ESG engagement activities with investee companies, and clarify required ESG improvement points, aiming to improve ESG attributes of the portfolios.

Utilization of data providers

The primary information used to assess ESG aspects of stocks in the ESG integrated investment process is our proprietary rating system and scores, as well as internal ESG macro research and ESG thematic research, supplemented by information from various third party ESG data vendors. Valuation information for impact investing, data for net zero and transition evaluations, and ESG information for real estate investment trusts are examples of third party vendor data used in ESG assessments of equities due to their extensive coverage. Where estimated data is used when there is a corporate disclosure, or where the information is not updated, or where the data that should be collected appears to be missing, we contact the vendor for an explanation or update. We also provide data vendors with input based on our philosophy, when they propose to change methodology.

SFDR compliance of UCITS funds

We are making efforts to comply with Sustainable Finance Disclosure Regulation (SFDR) for investment products marketed in Europe. For Article 8 and Article 9 funds, we have established common ESG portfolio rules to apply and are striving to reduce the ESG risks of our investment funds.

■ Excerpts of ESG portfolio rules for SFDR compliance

ESG rating (for Article 8 funds)

- Maintain 51% or more of the portfolio invested in stocks that have average or higher ESG ratings applied to the fund
- Exclude stocks that have the lowest ESG ratings applied to the fund

Minimum Safeguard

- Exclude 0 point stocks in the MSCI ESG Controversy Research
- Exclude stocks on Fail or Watch List in the MSCI Global Norms Screening Research

Good Governance

- For Japanese equity funds, exclude a group of stocks with lowest governance rating in our ESG rating system
- For non-Japanese equity funds, excluding stocks with governance score of less than 2 under the MSCI ESG Rating system

Exclusion under proprietary rating system

- Exclude prohibited stocks under the Sustainable Investment Framework

DNSH applied to Article 9 funds

- Exclude stocks in the low ranking group when the Principle Adverse Indicators are applied

ESG Research

ESG research structure

In October 2021, Asset Management One incorporated two new functions of ESG Macro Research and ESG Quantitative Analysis with dedicated analysts for each, within the research team of the Equity Investment Group. The ESG Macro Research Team is a specialist team that works with sector analysts and analyzes the environment and societal issues, which are the firm's focus materiality areas, from a top-down approach. The ESG Quantitative Analysis Team is a specialist team that focuses on collection and analysis of non-financial information, such as data collected for net-zero assessments, and formulation and maintenance of our proprietary ESG rating system.

Sector analysts researching individual companies have been collecting and analyzing company and industry specific non-financial information related to ESG on a bottom-up basis. The new ESG Macro Research Team looks at discussion points across industries underlying each materiality based on the firm's materiality map, researching technologies that contribute to addressing issues and the scale of potential markets.

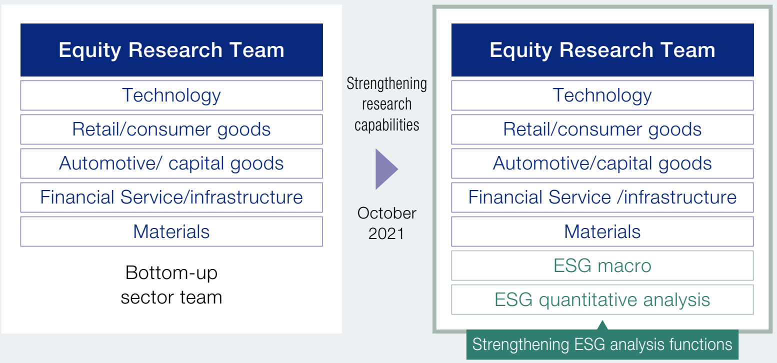
As shown in the figure below, the firm aims to further enhance the added value of research through close collaboration of the traditional bottom-up approach by sector analysts and the new top-down approach by ESG macro research/ESG quantitative analysts.

ESG macro research

The newly launched ESG macro-research approach focuses on the materialities in the focus areas that are particularly important in our materiality map and analysts conduct intensive research to hone in on each materiality.

For example, the team analyzes points for risks and opportunities related to climate change that surrounds investee companies in relation to climate change materiality. In general, risks related to climate change are largely categorized into transition risks and physical risks. The team identifies methods that address each risk and conducts analysis of the issues and other factors related to, for example, non-fossil fuel based energy sources such as renewable energy, hydrogen, ammonia technology, etc. and decarbonization/CO_2 storage technology such as methanation/CCS/CCUS, etc. While aiming to gather and organize information related to international disclosure standards for climate change, we are also working on quantifying risks associated with potential increases in carbon pricing. Furthermore, sector analysts and the ESG macro research analysts hold discussions, analyze the necessary actions for companies to achieve a net zero emission society and understand investment ideas and the risks of each sector.

■ Overview of Structural Changes



■ Strengthening ESG research along with conventional bottom-up research methods (Visualization)

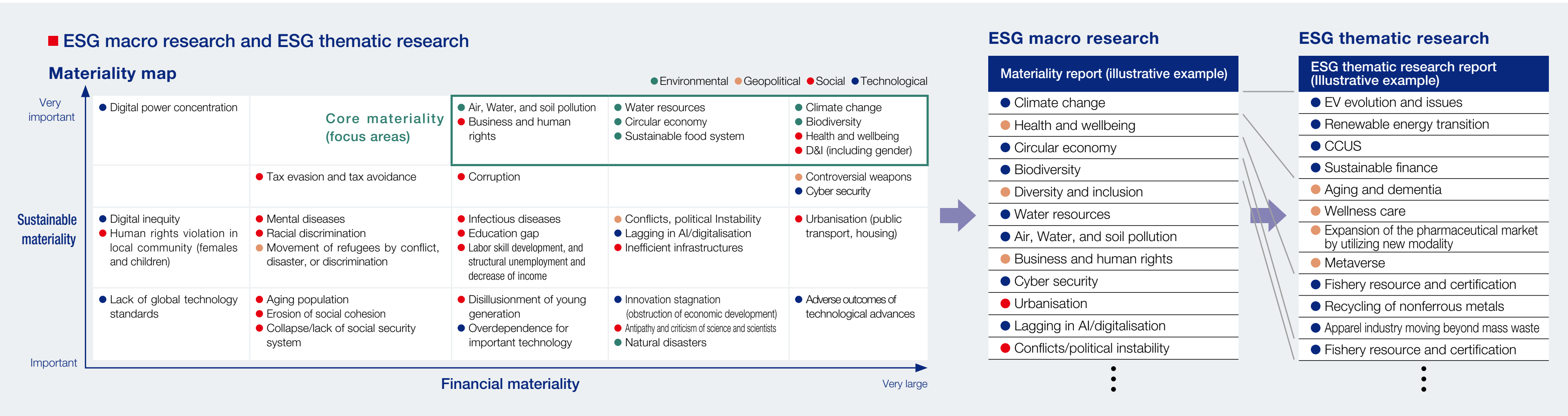
ESG thematic research

Sector analysts conduct further detailed ESG thematic research related to specific themes based on materiality analysis and team discussions conducted by the ESG Macro Research Team. For example, with respect to the ESG macro research on climate change, we perform ESG thematic research related to renewable energy, electric vehicles (EV), CCUS (carbon dioxide capture and storage technology), and the trend of sustainable finance. Each item of ESG thematic research lists companies related to the theme. We are also making efforts to understand financial metrics such as the proportion of sales related to business solving environmental/societal issues. Not limited to an ESG macro top-down approach, we also conduct ESG thematic research using a bottom-up approach in order to avoid overlooking themes identified in daily sector analyst research. This helps us to identify issues relevant to the firm's materiality map and systematically organize discussion points.

Engagement case study: Climate change

In the Equity Research Team, the ESG macro research analysts and sector analysts conduct joint research and hold discussions on sectors that are considered particularly influential in terms of impact on greenhouse gases, such as automotive, chemicals, electricity, steel, paper/pulp, oil/mining, and cement, etc. They discuss the technological roadmap related to decarbonization and greenhouse gas emissions reduction looking towards 2030 and 2050, and analyze the competitive landscape among companies from a global perspective. In particular, analysts understand initiatives by European companies that are global leaders in decarbonization and elimination of greenhouse gases, and identify key performance indicators (KPIs) in each industry.

The team identifies discussion points about the differences between companies that are advanced in technology development of transition and those lagging in the same industry. They strive to understand the risk levels and opportunities. Based on the example of the automotive sector, they organize and sort out discussion points separately for dividing automotive OEMs and component makers. For the former, they further divide companies into EV and fuel cell vehicle (FCV) companies and discuss each company's technological advantages and issues.For the latter, we understand the ratio of components used for automobile electrification and the dependence on traditional internal combustion engines. This contributes to facilitating higher investment conviction by further understanding the opportunities and risks of each company.



Initiatives for Fixed-Income Investment

Bond credit analysis with ESG Credit Scores

At Asset Management One, ESG integration in Japanese fixed income investment is implemented through the use of our proprietary ESG Credit Scores in our investment process. Our proprietary ESG Credit Scores evaluate environmental and societal issues related to the focus areas identified in the materiality map and governance factors that affect credit risks, with a viewpoint of importance to the sector and the time horizon over which the impact on creditworthiness will materialize. Using these ESG Credit Scores as a foundation, our experienced and dedicated credit analysts conduct in-depth issuer research as well as fact-finding interviews and bond issuer engagement to enhance our ESG creditworthiness analysis.

For actual investment decisions, even in cases where the ESG Credit Score is in a negative direction, we do not mechanically exclude a company from our portfolios, instead we reflect the score in investment decisions according to product characteristics through analysis of creditworthiness, including financial impact on B/S forecasts. In addition, credit spreads that have widened excessively due to ESG events such as controversies may tend to narrow spreads commensurate with creditworthiness if the company subsequently implements adequate actions. In some cases we may take advantage of this type of trend and view it as an investment opportunity. Our analysts conduct a detailed evaluation of the adequacy of a company's response to the occurrence of controversies and subsequent impact on the creditworthiness of the issuer, and we reflect these evaluations in our investment decisions.

Our approach to the growing issuance of ESG bonds

In order to enhance active returns, our firm is actively analysing and expanding investments into ESG bonds, which have been increasingly issued in recent years, taking into account the criteria of their schemes, yields and spreads.

When analyzing ESG bonds, we confirm the sustainability structure of the issuers and evaluate their alignment with the four core components of the Green Bond Principles, being (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds and (4) reporting.

Features of ESG Credit Scores

Identify materiality map and focus areas

- Climate change
- Biodiversity and environmental destruction
- Human rights and health & wellbeing

Sustainable investment framework

- Framework for sustainable investment common across all asset classes.
- Isolate and monitor issuers that do not meet the minimum standards our firm set for ESG issues in three focus areas.

ESG Credit Scores

- Extract 15 governance factors that could be determinants of creditworthiness in addition to focus areas.
- Proprietary method of reflecting downside risks to creditworthiness into scoring

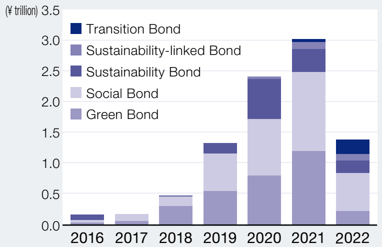
1 15 ESG issues — Setting 15 ESG issues from the perspective of effect on creditworthiness

2 Two time horizons — Creditworthiness evaluation period (24-36 months), within 10 years

3 ESG evaluation — Evaluated on a 5-point scale from 1 to 5 (1 < 5 risky)

Environment	Social	Governance
E1 Climate change (transition to a decarbonised society)	S1 Customer relationship and customer information management	G1 Business strategy, key man risk
E2 Climate change (physical risks)	S2 Human resources development, human rights violation	G2 Governance structure
E3 Water resources and waste water management	S3 Health and safety of employees	G3 Legal compliance, politics and corruption
E4 Waste and hazardous substances management	S4 Product quality control/Supply chain management	G4 Financial disclosure and transparency
E5 Other environmental risks (biodiversity, etc.)	S5 Others (demographic change/changes in preferences/geopolitical risks, etc.)	G5 Risk management

Issuance of ESG bonds in the Japanese bond market



(Source: Asset Management One, as of June 30, 2022)

ESG bond investment performance (Japanese bonds)

	FY2021		FY2022*	
	Face value (¥ billion)	Number of bonds	Face value (¥ billion)	Number of bonds
Green bonds	66.6	32	1.8	3
Social bonds	41.8	24	6.4	5
Sustainability bonds	17.7	16	2.7	2
Sustainability-linked bonds	14.4	4	0.3	2
Transition bonds (including linked bonds)	3.9	3	4.0	3
Total	144.4	79	15.2	15

*As of June 30, FY2022

Analysis of ESG bonds

Confirmation of issuer's sustainability framework

Confirmation of the four core components of the Green Bond Principles

Management of proceeds	Use of proceeds
Process for project evaluation and selection	Reporting

The amount of ESG bonds in monetary terms issued in Japan in FY2021 remained on an upward trend at JPY 3.0 trillion (increase of 25% compared to the previous fiscal year), against a background of increased interest in ESG by both investors and issuers. FY2021 saw the first issuance of transition bonds, which drew attention in the ESG bond market.

In an environment that calls for further promotion of initiatives toward achievement of net zero emissions by 2050, our firm will actively engage in sustainable bond investment, including Green Transformation 'GX' transition bonds.

Initiatives at AMOAI

Categorized as Article 8 funds under the EU Sustainable Finance Disclosure Regulation

Asset Management One Alternative Investments (AMOAI) conducts in-house management of global infrastructure debt funds. These infrastructure debt funds invest in infrastructure projects that provide essential services and goods that fulfill the needs of local communities and economies based on the investment philosophy of "Essentiality," and incorporate ESG evaluation and monitoring into the investment process. Our firm also utilises ESG scoring by external information providers to assess not only the ESG risks of the project itself, but also the ESG risks of each counterparty in the supply chain. When using ESG scores received from external information providers, AMOAI gathers background information and company views to confirm the reliability of the ESG scores we receive. As of June 30, 2022, no quality issues have been identified with the such scores.

In March 2021, the fund was categorized as Article 8 fund under the EU's Sustainable Finance Disclosure Regulation (hereinafter, "SFDR")*.

*SFDR Article 8 requires integrating sustainability risks into the investment process, and assessment, monitoring and negative screening of environmental and societal characteristics, and those of our funds meet the criteria.

Adoption of the Equator Principles

AMOAI adopted the Equator Principles on November 12, 2021. The Equator Principles are a voluntary framework for private financial institutions to ensure that when they finance large-scale projects, they do so with due consideration for the project's impact on the natural environment and local communities. As of September 30, 2022, 136 financial institutions in 38 countries have adopted the principles. Financial institutions that have adopted them are required to take necessary measures in accordance with the framework of the principles.

Through confirmation of the environmental and societal considerations of projects based on the Equator Principles, the funds managed by AMOAI will require that project operators take measures to mitigate large risks and impacts of projects. During the period from November 2021 to June 30, 2022, we carried out one assessment under these principles. No cases were identified where there was room for improvement. The firm will conduct ongoing monitoring.

Assessment of impact in infrastructure investment

Given that renewable energy projects often involve challenges such as the conservation of biodiversity and site acquisition, we pay particular attention to these issues. For example, in an investment case where endangered species were confirmed to have been inhabiting an area close to the original project site, we confirmed that the project body had taken the appropriate steps to move the site before making the investment decision. In addition, we also confirm that there is no negative impact on the environment or society through reports from the borrower and external experts after making the investment.

In addition, we do not only undertake negative screening, but also measure factors such as the amount of power generation from renewable energies, cuts to CO_2 emissions, and economic benefits of operations and maintenance of facilities and disclose this to investors. Going forward, AMOAI will be looking to create social and governance impact through communication with projects invested in by our firm.

■ESG integration and impact investing in infrastructure debt funds

Risk assessment from an ESG perspective

- **E** Impact on air pollution, GHG emissions, biodiversity conservation, industrial waste, and waste water management
- **S** Impact on local communities due to land acquisitions, involuntary resettlement, or development of working environment
- **G** Governance structure of infrastructure project operators, -participation in decision-making as an investor, through exercising voting rights

Adopted the Equator Principles in November 2021

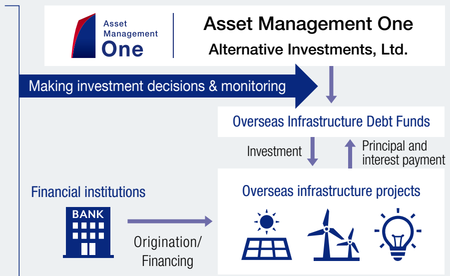
Launched in June 2003, the Equator Principles (EPs) are a set of financial industry standards for determining whether a project's impact on the environment and society has been well considered. The EPs also require compliance with IFC Performance Standards and the World Bank Group General EHS (Environmental, Health and Safety) Guidelines, which are international standards for environmental and societal impact assessment.

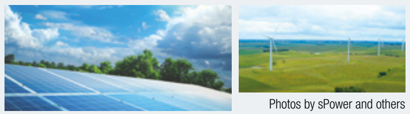
Measurement and evaluation of impact

Economic Returns + Environmental & societal impact

We confirm contributions to SDGs from infrastructure projects and adopt quantitative measures to evaluate impact of infrastructure projects.

Scheme diagram (Overview)





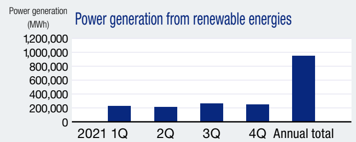
Photos by sPower and others

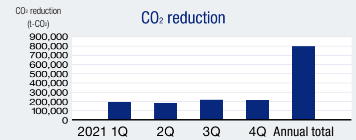
■Onshore wind power generation project

Sector	Onshore wind power generation
Country	Australia
Points of assessment of impact	[Power generation from renewable energies] In 2021, the amount of power generation was approximately 950 GWh annually (equivalent to supplying electricity to approximately 220,000 households). [CO_2 reduction effect] CO_2 emissions reduction based on power generation in 2021 was approximately 800,000 tons annually. In terms of annual reduction in automobile use, this is equivalent to a reduction of approximately 610,000 Japanese households.

Positive impact from the project

*SDGs in red boxes are to be quantified





Initiatives in Indirect Investment

Strengthen ESG evaluation of external managers

Asset Management One performs ESG evaluation for external managers and investment funds in indirect investments. We have expanded ESG evaluation to alternative investments in 2021. In addition to traditional bond and equity, we incorporate ESG considerations into our assessment process for selecting new investment funds and periodic monitoring in the alternative investments such as private equities, private debt, real estate, infrastructure and hedge funds.

Specifically, we will perform due diligence on and evaluate responsible investment policies, stewardship policy, organizational structure related to ESG, status of training related to ESG, status of engagement, ESG integration in investment processes, and information disclosure, etc. for our external managers. In the reporting period ended June 30, 2022, we conducted ESG evaluation on 66 companies for a total of 119 strategies. The area with the most room for improvement based on our periodic monitoring was information disclosure. In particular, we sought improvements from external managers regarding explanations of ESG characteristics of stocks held in ESG funds. As a result, there were significant improvements in disclosure as some external managers started to disclose ESG indicators such as GHG emissions, water usage, a proportion of fossil fuel-related investment, organic waste volume, etc., and the status of ESG initiatives for top-ranked names within the portfolio. Also, from April 2022 we increased personnel in the Strategic Fund Investment Division to strengthen the management system of multi-managers, including ESG. In addition, we launched an ESG Project Team within the Strategic Fund Investment Division to execute Sustainability Transformation (SX), Sustainable Investment Framework (SIF), and Sustainable Investment Category (SI Category) for indirect investment (externally managed investment).

■ Evaluation of external managers and investee funds (including future plans)

Evaluation of external managers — Evaluation and monitoring of ESG-related policies as an external manager

- Responsible investment policy
- Stewardship policy
- Organizational structure related to ESG
- Training status related to ESG
- Status of engagement initiatives
- Information disclosure

Evaluation of investee fund — Evaluation and monitoring of ESG integration in the fund's investment processes

- Presence of ESG-related targets
- External data utilization methods
- Presence of ESG ratings
- ESG-related monitoring
- Degree of ESG integration
- Degree of ESG-related screenings
- Presence of exclusion standards from negative impact perspective
- Information disclosure

Dialogues with external managers — Information gathering through engagement, recommendations of strengthening ESG-related initiatives, and initiatives to achieve net zero emissions

- Strengthening of ESG-related screenings
- Addition of exclusion standards from negative impact perspective
- Strengthening of information disclosure
- Initiatives for achieving net zero emissions

For existing investment products, we are conducting reassessment based on definitions in the SI Category of Asset Management One on investment processes and external investment companies to determine SI classification of each fund. Of these classifications, for funds that fall under ESG Leader or higher in particular, we have begun dialogues with major external managers to strengthen information disclosure on the degree of improvement and promotion of environmental/social characteristics, the engagement status based on ESG perspective, and sustainability indicators for their respective portfolios. We will engage with external managers on investment products that do not fulfill SI Category standards at this point, including the potential improvements for ESG integration. Also, we plan to establish ESG-related monitoring items, including information disclosure for each SI Categories. For new investment product candidates, we will categorize the any products for marketing based on the SI Category, carefully examine that it fulfills the requirements as a sustainable fund, including information disclosure, and request that it fulfills conditions for marketing. Asset Management One already provides ESG-themed funds through indirect investment to institutional investors and individual investors, however, in the future, we will aim for not only financial returns, but also social returns as we enhance our product lineup.

Aiming for net zero emission with external managers

Asset Management One is a signatory to the Net Zero Asset Managers initiative (NZAM) since 2020 and is committed to net zero emissions for 53% of its assets under management as an interim target for 2030. This commitment also covers indirect investment products without exception. In the Strategic Fund Investment Division, we developed an action plan to help achieve net zero and will engage with external managers while monitoring each fund's net zero initiatives. In addition, to advance the initiatives toward climate change, we plan to incorporate climate change-related requirements into our assessment process for new indirect investment products and periodic monitoring.

Indirect investments are by their nature managed by external managers. Therefore, it is important to hold dialogues with the external managers about ESG initiatives, including NZAM. Therefore, Asset Management One reflects our SX in indirect investment products through engagement while respecting the diversity of investment philosophy, their idea of sustainablity, investment strategies/methods of external managers across the world. While remaining aware of changing environments and regulations, we will further strengthen our ESG evaluation system including looking to quantify social returns.

Chapter 5

Corporate Sustainability Initiatives

Annual Initiatives and Progress Towards KPIs

The environmental and social challenges identified in our Materiality Map are important issues that not only investees, but also Asset Management One ourselves, must work to resolve. Based on the core materialities in this map, we have set long-term initiative targets for corporate sustainability (at our firm) in the following three areas that are considered to have significant impact and require priority action. Here is the progress we have made towards these targets over the past year.

Tackling climate change and environmental issues

Our firm is well-positioned to urge investee companies to transition to a carbon-neutral, address environmental issues, and move towards a circular society and economy. Our firm has so far reduced Scope 1 and 2 GHG (greenhouse gas) emissions by 94% (compared to FY 2019), promoting initiatives to decarbonise and reduce environmental impact through, for example, switching to office supplies to those with a lower environmental impact and installing water servers with the aim of promoting the use of personalised bottles.

Ensuring diversity, equity and inclusion

In its efforts to fulfil its responsibility to respect human rights, our firm aims to achieve “diversity, equity, and inclusion” - which combines the general concepts of diversity and inclusion with the concept of “equity,” meaning the redress of social inequalities towards minorities. Starting with the target of increasing the proportion of women in decision-making positions to at least 30% by 2030, our firm is promoting various measures for the development of female leaders, promoting initiatives for the employment of persons with disabilities, and improving awareness through various training courses and seminars. Our firm has also established a human rights policy on our approach to respect for human rights, including the promotion of diversity, equity and inclusion, which is shared not only with our employees, but also with our business partners such as clients and suppliers.

Asset Management One Human Rights Policy
http://www.am-one.co.jp/img/english/26/amone-req-hrights-e.pdf

Improving employee wellbeing and job satisfaction

Our business relies on human resources as the source of our competitiveness and we have always pursued proactive human-resource initiatives, including the introduction of a professional personnel system. To ensure that our firm is a highly engaged workplace for professionals, we have conducted monitoring through monthly engagement improvement surveys, implemented a working system that enables diverse workstyles and office innovations.

■ Long-term goals for tackling climate change and environmental issues

Reducing GHG emissions at our firm (Scope 1 and 2)
to net zero by 2030

Reducing GHG emissions across the supply chain (category 1 through 14 in Scope 3)
to net zero by 2050

GHG emissions (Scope 1 and 2)

Unit: t-CO_2	FY2019	FY2020	FY2021
Japan offices	732.5	361.8	0
Overseas offices	72.8	51.6	48.5
Total	805.3	413.4	48.5

*Scope 1/2/3: GHG Protocol, the global standard for calculating and reporting GHG emissions, defines Scope 1 as direct emissions from fuel combustion or industrial processes by businesses themselves, Scope 2 as indirect emissions associated with the use of energy supplied by others, and Scope 3 as indirect emissions by others related to the company’s activities, other than Scope 1 and 2.
*Category 1 through 14: Of the 15 categories of Scope 3 in GHG Protocol, all categories excluding category 15 “Investments”

■ Long-term goals for ensuring diversity, equity and inclusion

Increase female participation in decision-making roles to a minimum of
30% by 2030

Female participation in decision-making roles

Level	FY2021 (as of August 1, 2021)	FY2022 (as of April 1, 2022)
Executive	6.7%	11.8%
Group head	7.1%	6.3%
Team manager	30.4%	38.7%

Other indicators associated with human capital are provided on subsequent pages.

Tackling Climate Change and Environmental Issues

GHG emissions reduction for decarbonization

Through engagement with Tekko Building, where the Japanese offices of the Asset Management One group are located, we were able to ensure that all electricity produced for the building would be switched to renewable energy sources with zero carbon dioxide emissions factor from January 2021. As a result, our Japanese offices achieved net zero Scope 2 GHG emissions in FY 2021. In the overall Group, including overseas offices, emissions were reduced by 94% from FY2019 to FY2021 (FY2019: 805.3 t-CO_2 ⇒ FY2021: 48.5 t-CO_2).

To achieve the Scope 3 GHG emissions reductions, we presented to the major suppliers of our firm a document that sets out our supplier guiding principles, which contain requests for the GHG reduction initiatives and use of low carbon or non-carbon energies, as part of our steps to gain understanding and cooperation from suppliers. In addition to this, we have established a framework which requires more in depth responsibility from major suppliers applicable to the outsourcing of functions such as IT systems and administrative activities by establishing CSR articles within the contracts.

Initiatives for reducing environmental impact

Our firm has established infrastructure combining onsite work and remote work, promoted energy-saving measures through the coordination of overall office lighting intensity (700 lux ⇒ 500 lux), and made efforts to reduce environmental impact by going paperless. In terms of our paperless measures, we have reduced the purchase volume of copier paper 84% from FY 2019 to FY 2021 (FY2019: 58 t ⇒ FY2021: 9 t). With Copier paper purchased by our firm being all environmentally friendly products, the green procurement rate amounts to 100%.

Also, we switched from plastic file folders to paper file folders, eliminated plastic bottles in vending machines in offices and for visitor refreshments, and installed water servers to encourage the use of water bottles brought from home. As such our firm has promoted initiatives that link to mindset and behavioral changes of people working at the firm by considering the environment in our daily surroundings.

■ Voices of people in charge of promoting initiatives to reduce environmental impact

Changing the mindset of people working at the firm from their daily surroundings

Naomi Asai
Administration Group

There has been an increase in SDG-themed homework at children's schools, and I feel that awareness of sustainability is really growing among children. I have been warned by my children about buying plastic bottled drinks. It was a good opportunity for me to be assigned in charge of promoting these initiatives at a time when I myself felt the need to learn more about the SDGs.

Originally, I was thinking about whether we could encourage a change in awareness from things that people come into contact with on a daily basis, and I had come up with ideas such as the elimination of plastic clear files, the abolition of the use of plastic bottled drinks, and the introduction of water servers. These initiatives started from quantifying and understanding CO_2 emissions volume and plastic volume such as bottle purchase volume and plastic file folder usage volume in the offices, which had to be cut down in the offices. We discussed reduction of waste materials with Tekko Building, where our office is located, but there were concerns there may be internal backlash, in particular from the perspective of relationship with clients. However, with the purpose of reducing environmental impact, we were able to get internal approval more smoothly than initially expected, allowing us to proceed with such initiatives with a sense of speed.

Actually, the challenging aspect was that suppliers did not have many suggestions for environmentally-friendly products. We had to find ideas ourselves and search for suitable products. In addition, environmentally-friendly products tend to have higher costs at this point. It was important to search for the optimal solution while comparing and deliberating various products within cost constraints.

My child submitted a report about these initiatives to their school and I received positive feedback about the initiatives from their teacher. In the office, the water servers have been particularly well received by employees. I am happy to have been involved in initiatives that deliver tangible positive results.

Human Capital Management Initiatives

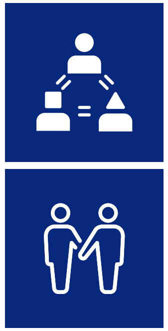
Basic philosophy — Continuing to be a company creating a sustainable future through the power of investment

Human resources are the most important driving force for us to continue to be an asset management company creating a sustainable future through the power of investment.

We aim to ensure that each employee has a strong empathy with the purpose expressed in the corporate message and is able to fulfil their fiduciary duty and act every day with a high degree of professionalism and integrity.

We strive to foster a supportive coperate culture in which each and every employee with diverse values and backgrounds is recognised. This is an environment in which all of our employees are able maintain their mental and physical health and work with peace of mind, and in which they can fulfil their individual potential and feel motivated to grow and contribute.

We believe that improving the job satisfaction of employees leads to creating a future for all stakeholders, including clients.



Hideyuki Takahashi Head of Human Resources Group

Concept diagram of initiatives

Corporate message: "Creating a sustainable future through the power of investment"

Initiatives to improve employee wellbeing and job satisfaction

Autonomy and growth	Health in mind and body	Relationship of trust between company and society	Workplace where it is easy to work securely and safely	Human resource strategies for sustainable growth
We create an environment where professionals gather to continue to deliver value for clients based on high ethics.	Based on the belief that the physical and mental health of our employees is the basis of everything we do, we actively engage in initiatives that include health promotion and preventive medicine	We value communication between management and employees to gain empathy for the corporate message, and opportunities to experience the connection between the company and society.	We form an environment where each employee can work with physical and psychological security and can choose the way of working that maximises his or her own performance	We are developing, hiring, and positioning human resources based on business strategy for the sustainable growth of our firm.

Initiatives to ensure diversity, equity and inclusion

Diversity, equity, and inclusion

Personnel data (as of April 1, 2022)

	Men	Women	Total	Percentage of women	KPI for percentage of women	Gender wage gap (Men = 100)*2	Employment rate of persons with disabilities*3
Executives*1	15	2	17	11.8%	30%	—	—
Total employees	579	295	874	33.8%	—	70.0	2.8%
Group heads	45	3	48	6.3%	30%	95.8	—
Team managers	46	29	75	38.7%	30%	82.7	—
Other employees	488	263	751	35.0%	—	69.4	—

*1: Excludes Audit and Supervisory Committee members *2: FY2021 base salary/benefits/bonuses for full-time internal employees (excludes overtime pay)
*3: Figures as of June 2022

Autonomy and growth

Promote support for autonomous career formation

*FY2021 results

Program/system	Details	Participant/ applicant number
Operations experience/ introduction program	Introduction/experience of operations hosted by internal departments for autonomous career formation (total of 51 programs)	235 persons
Job posting system	Recruit 39 roles for employees with one year or more of service	32 persons
Skill improvement support system	Supplement costs to acquire skills required of new jobs	16 persons
Certification acquisition application system	Assistance to acquire 51 designated certifications, payment of annual membership fees/registration fees for the Certified Member Analyst of the Securities Analysts Association of Japan (CMA), etc., assistance for expenses and incentive payment for TOEIC	99 cases

- Our professional personnel system offers career development support for all employees to realise autonomous professional career development. We continuously implement initiatives and support for career development to further the autonomous growth of our employees.

Improve rate of female participation in decision-making roles

- In order to increase the proportion of women at all levels of the decision-making hierarchy, and taking into account the existing issues related to the imbalance of work experience and learning opportunities by gender, we have implemented a systematic training program through the identification of potential female leaders, the formulation of training plans and an executive mentoring system based on the training plans. We check the status of training through the year, respond through appointment and plan reviews, and target achievement of our KPIs.

Respond to gender wage gap

- In particular, there is a gap of 69.4 for “other employees” that excludes management positions. This is mainly due to the fact that, despite the transition to a professional personnel system in 2020, where wages are linked to job size, a high proportion of women continue to be engaged in relatively small job size roles that were held by specific positions (with specific job descriptions) under the old system. We are promoting awareness-raising and climate-building through programmes and systems to increase professional career development opportunities for all employees, regardless of their position in the former system. Also, we confirmed gender distribution for potential promotions and a gender gap in the same job grade and are taking corrective measures as needed.

Initiatives for employment of persons with disability

- In addition to hiring at Asset Management One’s head office in Tokyo, farm-based employment begun in May 2022 to improve the employment environment for people with intellectual and mental disabilities, and the products will be used for welfare and novelty purposes. In addition to continuing with hiring, we aim for an environment where all employees feel united, such as setting exchange opportunities for agricultural employees and employees at the Headquarters.

Initiatives for mental and physical health

Reduction in work hours and promotion of taking leave

Rate of taking annual leave	62.5%
Rate of taking long-term leave	100.0%
Average monthly work hours	184.9

*FY2021 results

- Given that long working hours and under-use of leave may have a negative impact on physical and mental health and lead to lower productivity, our firm promotes the reduction of working hours by improving work efficiency, recommends an 11-hour inter-work interval, and encourages employees to take leave once a month and longer-term leave twice a year. We are continuing initiatives for improvements by delivering information to management and employees as well as regular monitoring.

Trust between the company and society

Implementation of 1-on-1 meetings and reflection of employee opinions

- We have made it a rule to conduct a 1-on-1 with a supervisor on the reporting line, in principle once a month, to support employees in the overall execution of their work. We started a monthly engagement survey from FY2021. Executives and management utilize this as a management reference tool. Also, the employee opinions written in this survey are confirmed by the group in charge and utilized to improve workplaces. Utilization of the engagement survey results differs by management. Therefore, we will continue initiatives to spread the importance of engagement and utilise the results.

Conducting town hall meetings

- Town hall meetings were held for all employees on the issues and long-term targets of key corporate sustainability initiatives, as well as company targets and priority measures. We also held meetings based on themes established by each division. Asset Management One will continue to provide opportunities for dialogue between management and employees, and for them to feel the connection between the work they are responsible for, the company and society.

Human resource strategies for sustainable growth

Developing human resources in strong fields and next-generation leaders

- Based on the human resources development policy, we are developing human resources that can realise the Medium-Term Management Plan. Asset Management One is taking efforts focused on development of human resources that will manage DX, positioned as an important business strategy. We have conducted ongoing DX training from the previous fiscal year for all employees. In the fields of data analysis/data management/cloud, etc., we are also conducting specialty training for human resources with advanced skills who will become leaders in not only the DX-relevant groups but also user groups. We have set a target of 30% of all employees being DX human resources by the end of FY2023. From FY2024 on, we plan on expanding the percentage of DX human resources.
  In addition to global human resources development programs for all employees, we are taking efforts for medium- to long-term human resource development by considering candidates for development of next generation leaders, development and execution of development plans, and execution of external program dispatch. In the future, we will further clarify the human resource targets in each strategic field and aim to secure human resources necessary for business strategy by hiring, training, and positioning of internal human resources.

Safe, secure and easy-to-work-in workplace

Initiatives for ensuring healthy workplace environments

- Based on “Policies to ensure and maintain a healthy work environment,” Asset Management One held company-wide training related to human rights, harassment prevention training for management, and seminars to discover majorities. We will continue to conduct initiatives related to human rights.

Provision of options for diverse work styles

System	Details
Teleworking system	Allows option for teleworking with no limit on the number of days
Flex-time work system	Possible to work only three hours within 8:40 a.m. – 5:10 p.m. with no core time if monthly work hours are fulfilled
Satellite offices	Allows use of individual work spaces in train stations and multiple offices in Tokyo and Tokyo Metropolitan area
Workcation	Allows for work at a place other than home or office (including before and after leave/business trips) for up to twice a year/five business days (inside Japan)
Remote site work	Allows up to five years of remote site work corresponding with job transfer of spouse and nursing of family
Dress code	Business casual throughout year (no jacket, no tie)

- To enable a diverse range of employees to maximise their performance as professionals, we offer a range of working options to suit individual circumstances and objectives, such as balancing work with family, caring for or treating family members, or refreshing the body and mind. An employee survey was conducted in FY2021 to identify needs and areas for improvement, and the HR system was revised to reflect the feedback. We will continue initiatives that focus on diversity.

Promotion of taking childcare leave among men

- In FY2021, the rate of taking childcare leave was substantially 100% for female employees and only 14% among male employees, a very low figure. Because there are concerns about workplace environments where it is difficult to take leave, we spread information related to the revision of the Child Care and Family Care Leave Act in April 2022. In the future, we aim for an environment where all employees who wish can participate in childcare regardless of gender by promoting leave and eliminating the mindset of split gender roles.

Chapter 6

Stakeholder Communication

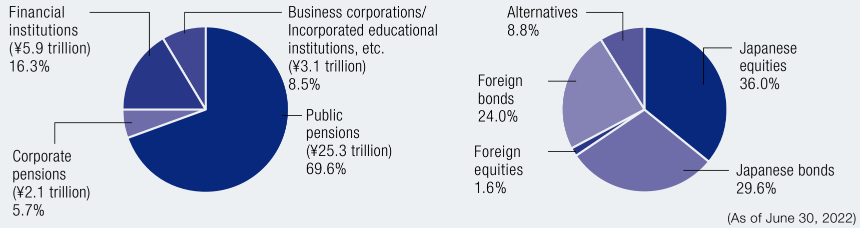
Engagement with Our Institutional Investors

Thinking from a client perspective

Since 2018, our firm has communicated our initiatives to clients through our “Stewardship Report” and “Stewardship Meetings”. With the publication of our “Sustainability Report” in 2021, our firm has focused on engaging with clients to help them better understand our corporate message of “creating the future through the power of investment” and our policy of embedding sustainability within our overall business strategy and management. Through this engagement, we received a lot of thought-provoking feedback from the point of view of each investor’s standpoint, constraints, as well as of fiduciary duties. Our firm will strive to understand our clients’ thoughts and concerns properly and deeply, and to constantly think from the clients’ perspective for decision making.

Institutional investors in Japan

Breakdown by client segment (based on AUM) | **Breakdown by asset class**

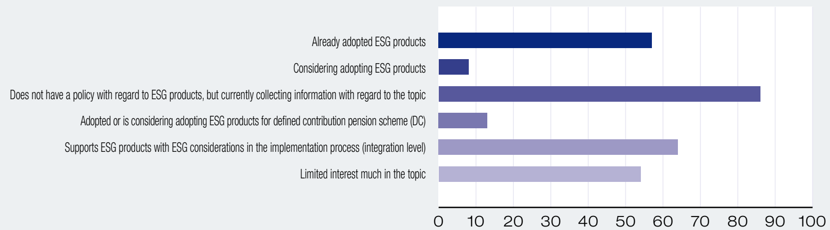


(As of June 30, 2022)

Questionnaire regarding ESG investment

Q: Which of the following best describes the thoughts of the parent entity / main business?

Q: Which of the following best describes the entity’s position with regard to investing in ESG products?



Yoshimi Saeki
Institutional Marketing G. No. 2

Stepping forward together with our many clients

We have worked together with a total of 433 clients/institutional investors (as of June 30, 2022), including public pension funds (15), employees’ pension funds/corporate pension funds (251), financial institutions (110), and business corporations/incorporated educational institutions (57), and offer a wide variety of investment methods and products in all asset classes to meet their various asset management needs.

Implementation of questionnaire regarding ESG investment (Parties to whom the survey was conducted: employees’ pension funds, corporate pensions, business corporations, incorporated educational institutions)

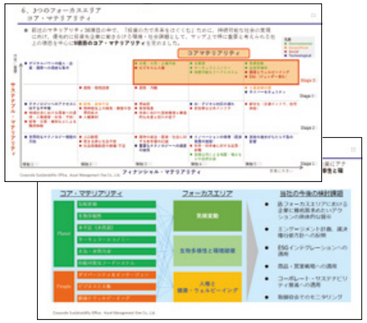
Our firm carried out a questionnaire with regard to ESG investment (in writing and face to face) in order to hear feedback on a deeper level and obtained the cooperation of 240 clients. ESG The data provided us with valuable insight into the trend of ESG investment in Japan, including attitudes towards ESG investment, criteria for investment decisions, expectations of ESG investment, and categories in which investments have been made or are being considered. We share the feedback received from our customers appropriately with related parties at our firm and will utilize it to provide products and proposals to our customers as well as to improve quality of ESG initiatives. We will continue to support our clients in their ESG initiatives from various aspects.

Initiatives to Enhance Employee Awareness

Our firm has put a great deal of emphasis on communication through information and creating opportunities for dialogue to ensure that each employee views our sustainability initiatives as a personal mission.

Online Training related to materiality

In order for employees to understand the relationship between global materiality and initiatives at our frim in “creating a sustainable future through the power of investment,” through our online training ‘e-Learning’ program, all employees learned the background of preparing the materiality map, including the process of materiality identification, the details of the 36 materiality items, and the three focus areas of “climate change,” “biodiversity and environmental destruction,” and “human rights and health & wellbeing.”



Seminar by specialists related to sustainability “Why I Chose Asset Management One—Challenges of engineering researchers—”

We held an internal seminar to share the career and achievements as a researcher of Kanako Tanaka, Senior Sustainability Scientist, who joined the Company in June 2022 as a climate change expert. The title of the seminar was “Why I Chose Asset Management One.” By sharing her thoughts on why she chose a career at an asset management company after more than 20 years as an engineering researcher at the forefront of climate change related research at domestic and international research institutions, the seminar provided an opportunity to reconsider the role of finance in solving environmental and social issues.

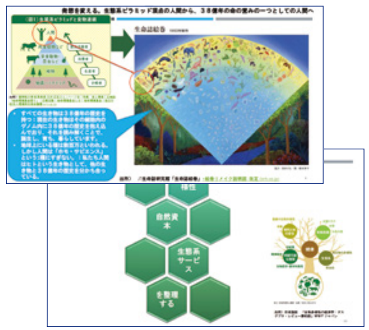
Seminar related to materiality focus areas

Climate change issues and Asset Management One —COP 26 report—

Our analysts conducted a lecture about climate change issues and the summary and results of COP26. The members of our firm who directly participated in COP26 also brought back first-hand information and insight, such as the panel discussions that took place, networking with the people involved and the city around the conference venue. For us, it was an opportunity to learn about the global movement on climate change issues with a real sense of presence. Participating members to COP27 in November 2022 will also provide similar valuable feedback going forward.

Biodiversity —Environmental issues beyond climate change. Biodiversity is equally important—

Mariko Kawaguchi, an external advisor of the Sustainability Advisory Board at our firm, was invited as a speaker to give a lecture on biodiversity, one central theme in the materiality map established as our compass to guide investment management. She explained why biodiversity is such an important factor to consider from not only an environmental but also economic perspective.



Dialogue with Diverse Stakeholders

Encouraging open dialogue to avoid complacency

We started open discussion on sustainability with a variety of external stakeholders in July 2020, and have welcomed seven distinguished speakers from outside the company so far. The aim is to apply the insights learnt from them to our ESG initiatives and asset management. These discussions prove valuable opportunities to spur debate centered around the specialist field of our invited guests and to build fresh awareness of the purpose of our business activities and our initiatives. The following is an introduction of dialogues for the past year.

We have shared information about these dialogues inside and outside the company in articles. We want to continue broad discussions with diverse stakeholders, bearing in mind that our future corporate activities will continue to link into various fields.

Guest 5

Mariko Kawaguchi

Specially Appointed Professor at Graduate School of Social Design Studies, Rikkyo University

Ms. Kawaguchi, who has driven the CSR field in Japan, talked about how she views the current situation in which ESG investment and SDGs are suddenly gaining attention, environmental issues, and the future development of sustainability management facing companies with reference to her own career.

http://www.am-one.co.jp/img/company/47/5_taidan.pdf

Guest 6

Masaki Amma, Ph.D.

Senior Executive Officer, PricewaterhouseCoopers Sustainability LLC

Mr. Amma, who is serving as Executive Advisor to the Social Innovation and Investment Foundation, talked about the current position of “impact investing” in Japan, and future actions that should be taken from a perspective of new value creation sought in finance.

http://www.am-one.co.jp/img/company/47/6_taidan.pdf

Guest 7

Hiroshi Tamura

Co-Founder, Managing Director, Re:public Inc.

Mr. Tamura, who has moved to Fukuoka to take on efforts for regional revitalization, talked about the issues gleaned from activities to research and develop “ecosystems where innovation occurs continuously,” hints to eliminate these hurdles, and the role expected of Japanese finance in the future based on his experience.

http://www.am-one.co.jp/img/company/47/7_taidan.pdf

Chapter 7

Governance and Risk Management

Sustainability Governance

Asset Management One established a Corporate Sustainability Office in April 2020. This was set up in response to the awareness that, while ESG investment and engagement activities encourage investees to promote sustainability, our own sustainability-related actions may not have been sufficient. Asset Management One believes that promoting sustainability throughout society is an important role for asset management companies, and that this needs to be integrated seamlessly with management and incorporated into business strategy.

Based on this understanding, in July 2021, we established the Sustainability Advisory Board as an advisory body of the Board of Directors. The Board of Directors consults with the Sustainability Advisory Board on medium- to long-term policies related to sustainability that should be resolved by the Board of Directors. The Sustainability Advisory Board is made up of our directors, advisors, and outside advisors.

Sustainability investment policies, criteria, investment plans and their implementation are reported to and discussed by the Sustainability Advisory Council and the Board of Directors on a regular basis and as required.

Through the Sustainability Advisory Board, we intend to appropriately incorporate knowledge from outside the company and strengthen our sustainability governance by utilizing it in discussions of the Board of Directors.

■Appendix: Structure of sustainability engagement

Outside advisors

Mariko Kawaguchi

Specially Appointed Professor, Graduate School of Social Design Studies, Rikkyo University, Executive Advisor to CEO, Fuji Oil Holdings

[Career summary]

Mariko Kawaguchi was involved in research and proposal activities on sustainability issues in the fields of CSR, ESG investment, and ethical consumption at Daiwa Institute of Research for over twenty years until March 2020. She is currently engaged in sustainability education, ethical consumption, and ethical management for a food products company. Ms. Kawaguchi is Director of the UN Global Compact Network Japan, and Executive of the Japan Sustainable Investment Forum. She is also Director of the Japan Ethical Initiative, a council member of Sustainability Forum Japan, Director of WWF Japan, Committee Chairman of the MOL Mauritius International Fund for Natural Environment Recovery and Sustainability in Japan, and an extraordinary member of the Ministry of the Environment's Central Environment Council.

Yves Serra

Chairman of the Board of Directors, Georg Fischer Ltd.

[Career summary]

Deputy Commercial Attaché at the French Embassy in Manila (Philippines) (1977–1979); Customer Service Engineer for Alstom in France and South Africa (1979–1982); various positions at Sulzer in France and Japan (1982–1992); various positions at GF (1992–2019), Managing Director of Charmilles Technologies Japan and Regional Head of Sales Asia (1992–1998), Head of Charmilles (1998–2003), Head of GF Piping Systems (2003–2008). President and CEO of Georg Fischer Ltd (2008–2019). Chairman of the Board of Directors (2020–). Furthermore, Chairman of the Board of Directors of Stäubli Holding AG; Member of the Board of BNP Paribas Switzerland (both Switzerland)

Messages from outside advisors

With the goal of creating a carbon-neutral society by 2050, there is a growing global movement to transform 20th century values and economic behavior that view the economy and environmental & social issues as separate. The Sustainable Development Goals established in 2015 are the common concern not only of civil society and the central government but also of business, finance, local government, educational institutions, and private individuals. Specifically, it is a new perspective that economic activity is inseparable from environmental and social initiatives.

However, the progress of SDGs has unfortunately been stymied by the conflict in Ukraine, intensifying climate disasters and the COVID-19 pandemic – now in its third year. To achieve the SDGs, mechanisms for fully integrating social and environmental impact into economic activities and economic values to resolve social issues and achieve a peaceful society will need to penetrate society as a whole. There are mounting expectations that finance will be the driver for this. Finance helps facilitate capital flows. It is the investee companies that are in a position to make decisions on resource allocation in the society. When directing capital to finance a business through investment decisions, investors play a key role in integrating the environmental and social considerations in order to achieve net zero by 2050 and drive the creation of a sustainable society. I would like to see Asset Management One, one of Japan's largest asset management companies, demonstrate leadership and transform Japanese finance and society. ———— [Mariko Kawaguchi]

Asset Management One's ambition to lead the way regarding sustainable asset management has been clearly formulated by its top management. Sustainability is already embedded in an inspiring vision and ambitious net zero goals have been communicated, showing the determination of the company to integrate sustainability in its business model. This strong commitment at the highest level of the company certainly goes a long way into channeling all energies towards those goals, as shown by the ongoing alignment of its organization and activities towards sustainable investing. Sustainability is a journey. The long-term objectives are clear but the road ahead needs both perseverance and transperance. Regulations are evolving as we write those lines, audit frameworks are being established and ratings are not always unanimous. As one of the largest asset managers in Japan, Asset Management One is well aware of those challenges, forging ahead in steering its investors towards greener financial instruments whilst preserving the returns they rightly expect. But also in monitoring and nudging investee companies towards addressing their sustainability issues (climate-related topics, supply chain, due diligence, diversity…). I am convinced that all these efforts will pay off both operationally and reputation-wise. I look forward continuing to offer the view on these topics of an international industrial company headquartered in Switzerland and whose business model is intertwined with sustainability. ———— [Yves Serra]

Responsible Investment Governance

Asset Management One has had a dedicated department for responsible investment from the time of the merger in October 2016 and has been committed to maintaining management systems for engagement activities and the exercise of voting rights.

The Responsible Investment Committee, established as a management policy committee, oversees all stewardship activities, including the exercise of voting rights, as well as the appropriate management of conflicts of interest.

The committee, which is chaired by the Chief Investment Officer and whose members include the Head of the Risk Management Division, conducts deliberations in the asset management division, which is independent of the business planning and sales divisions, and thereby promotes responsible investment. Members of the Audit and Supervisory Committee attend meetings of the committee as a part of an appropriate system of controls.

The Responsible Investment Committee deliberates on the most important proposals from conflicts of interest standpoint and on the establishment, amendment, and abolishment of the Proxy Voting Guidelines, and it also deliberates and reports on matters related to overall stewardship activities, including evaluations and changes to the execution of stewardship responsibilities and dialogue (engagement) with investee companies.

Our firm undertakes a self-evaluation (reflection) for each principle and guidance in the Stewardship Code for each fiscal year. The details of stewardship related activities and the self-evaluation have been deliberated by the “Responsible Investment Committee,” confirmed as appropriate, and are reported to the Board of Directors.

Management structure for conflict of interest

When there are potential conflicts of interest at investee companies with the parent company, etc., we have systems for making appropriate voting decisions and conducting corresponding management.

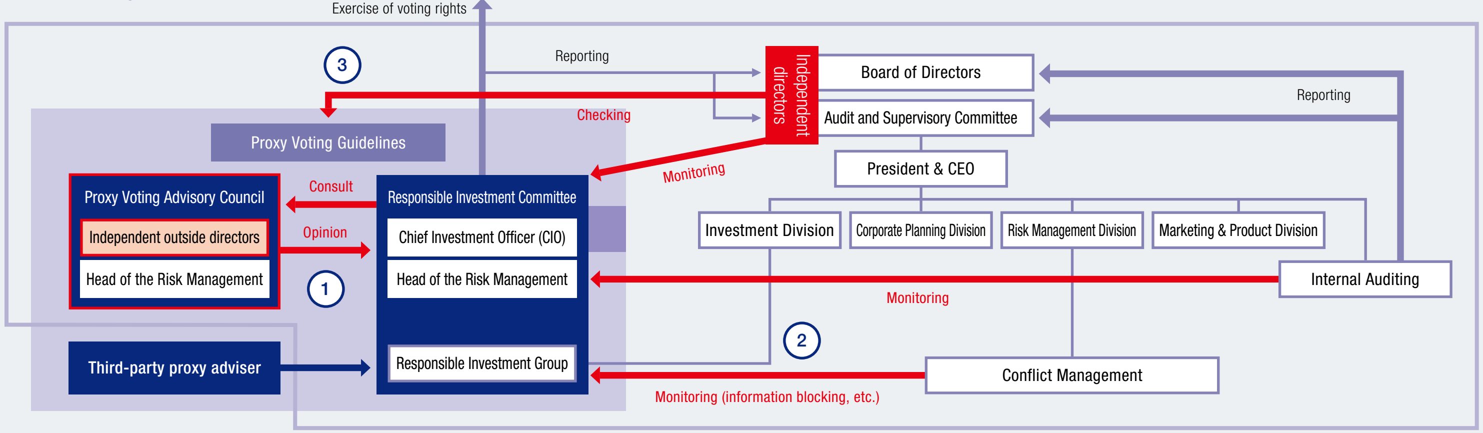
For the most important company proposals from the standpoint of conflicts of interest, involving the parent company, for example, appropriate voting decisions are made after requesting/receiving the recommendations of a third-party proxy adviser (ISS), in accordance with Asset Management One’s guidelines, consulting with the Proxy Voting Advisory Council, of which independent outside directors make up a majority, and conducting deliberations through the Responsible Investment Committee. Monitoring is conducted by having the results of voting reported to the Board of Directors and Audit and Supervisory Committee.

Website link:

http://www.am-one.co.jp/static/mgntcnflctsints.html

See P.47 for case studies of exercise of voting rights

■Managing conflicts of interest at Asset Management One



1 Regarding proxy agendas that involve potential conflicts within the parent or group companies, our firm utilizes a third-party proxy adviser’s recommendations. After seeking independent opinions of the Proxy Voting Advisory Council (of which the majority are independent directors), the Responsible Investment Committee discusses thoroughly before any voting decisions are made.

2 One of the effective measures that Asset Management One has adopted for managing conflicts of interest is to isolate information flows, with regards to proxy voting matters, between the persons in charge of exercising voting rights and other employees. We set up rules and closely monitor the information flows.

3 Asset Management One publishes its Proxy Voting Guidelines including the criteria for decisions on voting items at shareholder meetings. The Guidelines is reviewed annually. The revisions are examined at the Responsible Investment Committee and then reported to the Audit and Supervisory Committee (with the majority of independent directors).

Assurance of our stewardship activities

Asset Management One does not seek external assurance regarding its stewardship activities. This is because external assurances add little meaning to clients and other stakeholders at this point.

For us, the most important information is the direct feedback in dialogues with various stakeholders such as clients, companies, and the policy bureau, and we utilize it to improve stewardship activities. Assessments of outside institutions, such as an assessment by the United Nations Principles for Responsible Investment (UNPRI), are used to deliberate improvements.

Policies for performance evaluation and remuneration for stewardship activities

The Responsible Investment Group, which is in charge of stewardship activities, conducts a performance evaluation based on exercise of voting rights and engagement activities and in compliance with professional personnel system, and reflects the results into remuneration. Voting and engagement activities, as well as development/improvement of various technological and corporate infrastructure such as engagement record system etc. to support these activities, are evaluated by setting a weighting of the items to be addressed by each person in charge.

As of now, the important points in evaluations are as follows.

1. Contribution to voting operations (e.g. exercise decisions based on voting guidelines, revision of voting guidelines and criteria for judging, voting meetings.)
2. Contribution to engagement work (e.g. engagement content, progress, planning and management)
3. Communication with overall investment chain (client reports, participation in government agency task forces, transmission of various information, etc.)
4. Develop/improve foundation for stewardship activities (participation in internal/external initiatives, gathering/utilization of external information)

For analysts of the Equity Investment Group/Fixed Income Investment Group, we set up a framework to evaluate each stewardship activity based on the professional personnel system in the same manner.

Ensuring Our Report Is Fair Balanced

This report comprehensively discloses all of Asset Management One’s activities related to sustainability in an easy-to-understand manner for all stakeholders, including clients, investee companies, employees, local communities, and other market participants. Various departments have contributed for drafting this report, including our Investment Division, Strategic Fund Investment Division, Product Division, and Risk Management Division. And we sought to present our activities fairly and in an understandable and clear format.

In particular, in terms of stewardship activities, we strive to comprehensively report a wide range of activities from engagement activities to exercise of voting rights across various asset classes.

We have endeavored to ensure that this report is fair, balanced and understandable; the report has undergone a review process by those responsible for the operations related to each chapter, and has been discussed by the Executive Committee, approved by the President and reported to the Board of Directors.

Risk Management to Support Value Creation

Asset Management One believes that the “power of investment,” which is underpinned by trusting relationships with clients, can be demonstrated only when our firm itself grows sustainably as a long-term investor. In an age of increasing uncertainty and diversifying risk, we see risk management as an important cornerstone in supporting the achievement of sustainable value creation by our firm as a long-term investor, and we are working to strengthen risk management frameworks accordingly.

Risk management framework

The firm works to strengthen risk management in accordance with our basic policy on risk management established by the Board of Directors. This includes efforts to increase the sophistication of risk management practices utilising a variety of methods.

We have established various and related operations to monitor the status of the firm from a risk management perspective. Among the risks pertaining to our business, we have broken down operational risks to regulatory risk, information technology risk, and financial risks such as market risk, credit risk, investment risk related to entrusted assets. Management of each risk is conducted based on the characteristics of that risk. Departments responsible for these risks, which are assigned for each of these risk categories, plan, formulate, and promote measures for management of the respective risks and report to the various committees on the status of risk management and related matters.

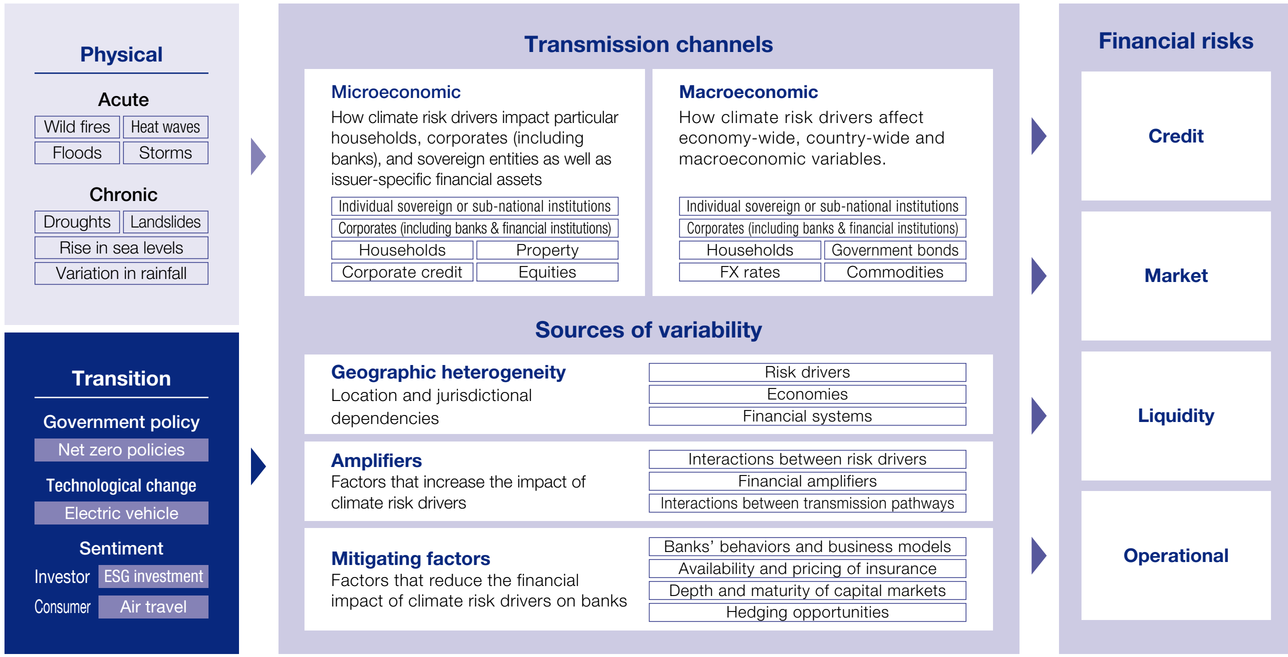
Along with the management of individual risk categories, we have also established a comprehensive risk management system that grasps and assesses overall risks holistically and keeps risk levels within a tolerable scope for business operations.

There is a growing consensus that climate-related risks are not a new category of financial risk, but a risk driver that generates or amplifies various risks. Our firm recognises that the development of climate-related risk management in the financial industry is still in its infancy and is working to build up its knowledge of the methods used to manage the relevant risks.

Significant risks

Our firm has identifed the risks with potential to have a significant impact on its management strategy as “material risks” and the Risk Management Committee regularly monitors the status of controls over these and other risks. In selecting “material risks,” active management discussions are held at the Risk Management Committee based on an assessment of the risk spillover path and transmission channels, the likelihood of the risk materialising and the degree of impact if it does materialise. The insights gained from these discussions are used to unify perceptions of risk awareness and for forward-looking risk management.

■ Transmission Channels from climate-related risks to financial risks



Source: Basel Committee on Banking Supervision, “Climate-related risk drivers and their transmission channels,” April 2021

Chapter 8

Data and References

Data Section

Overview

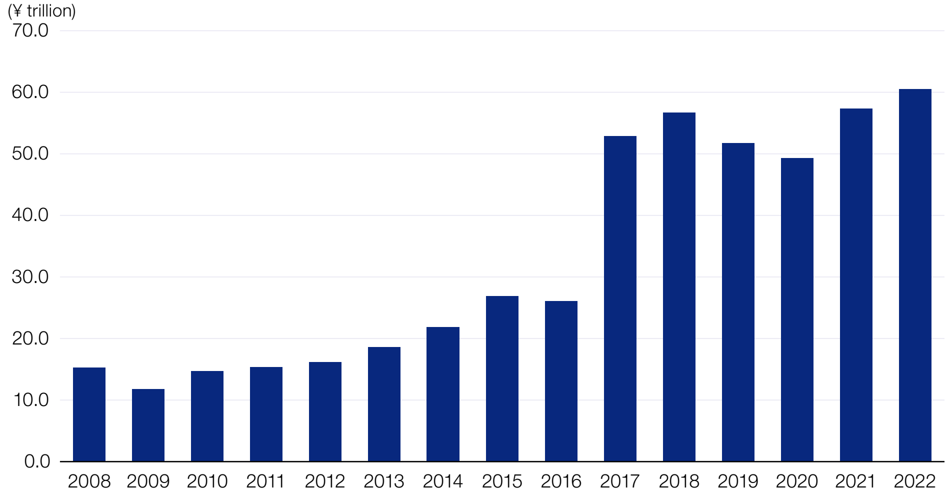
Name:	Asset Management One Co., Ltd.
President & CEO:	Akira Sugano
Address:	Tekko Building, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Capital:	JPY2 billion
Establishment:	October 2016 Established through a merger of DIAM Co., Ltd., the Asset Management Division of Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd. and Shinko Asset Management Co., Ltd.

Shareholders:

	Economic interests	Voting rights
Mizuho Financial Group, Inc.	70%	51%
Dai-ichi Life Holdings, Inc.	30%	49%

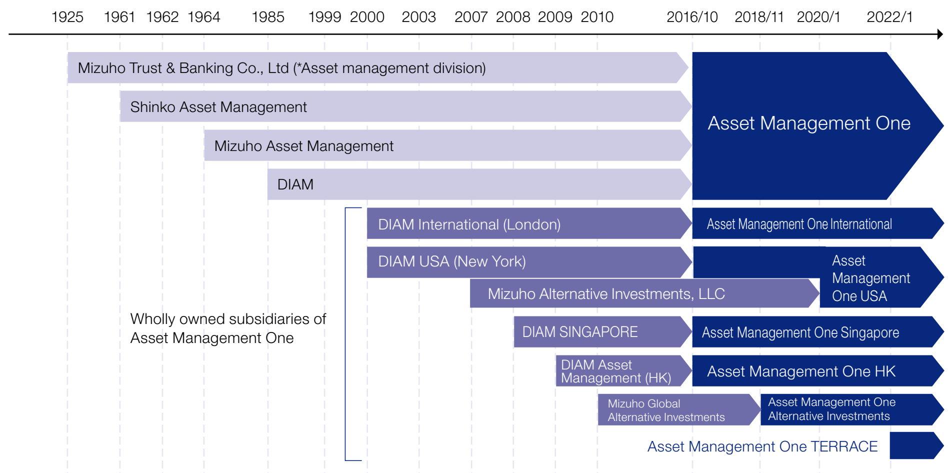
Employees:	874 (as of June 30, 2022)

Assets under management



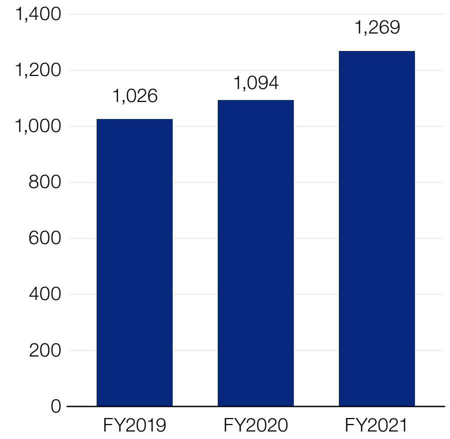
Note 1: As of the end of March of each year. Given that Mizuho Asset Management Co., Ltd. was established in July 2007, the information from March 2008 is provided.
Note 2: From 2008 to 2016, the assets under management of Mizuho Trust& Banking Co., Ltd. (the assets under management of that company during that period) are not included.

History

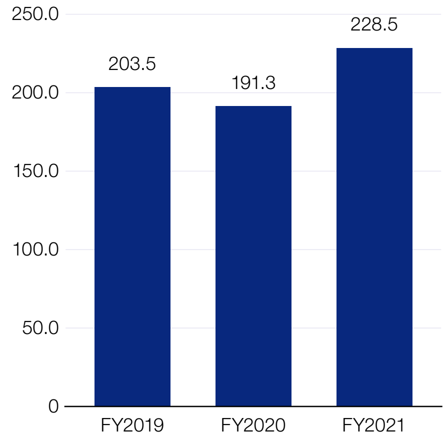


Financial data

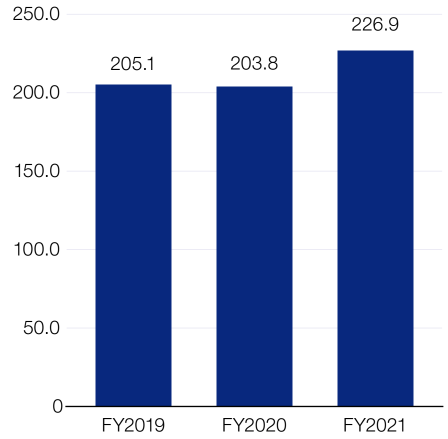
Operating revenue (JPY billion)



Operating profit (JPY billion)



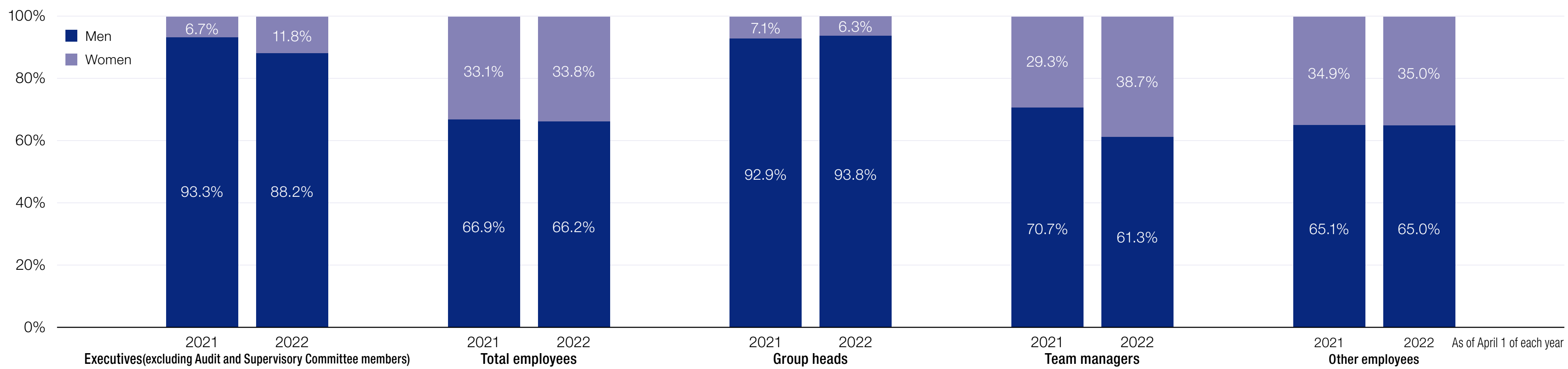
Ordinary profit (JPY billion)



Profit (JPY billion)

As of the end of each fiscal year

Gender distribution of executives and employees



As of April 1 of each year

Disclosure Ordinance Comparison Table

■Sustainable Stock Exchanges Initiative, “Model Guidance on Climate Disclosure,” June 2021 (TCFD recommendations on climate-related financial disclosures)

Governance

Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
a) Board oversight of climate-related risks and opportunities			
ALL	Are board and/or board committees (e.g., audit, risk, or other committees) informed about climate-related issues?	1	PP.17-24 Focus Area (1) Climate Change P.79 Sustainability Governance P.80 Responsible Investment Governance
ALL	Does the company recognize climate change as a relevant risk and/or opportunity for the business?	1	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change P.58 Product Example:ESG Focus Japan Equity Strategy PP.62-64 Initiatives for Equity Investment P.65 Initiatives for Fixed-Income Investment P.66 Initiatives at AMOAI P.67 Initiatives in Indirect Investment
ALL	Is there a board member or committee with explicit responsibility for oversight of the climate change policy?	3	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change P.79 Sustainability Governance P.80 Responsible Investment Governance
ALL	Do board and/or board committees consider climate-related issues when reviewing and guiding		
ALL	■major plans of action? ■risk management policies? ■business plans? ■annual budgets?	2	PP.17-24 Focus Area (1) Climate Change P.79 Sustainability Governance P.80 Responsible Investment Governance
ALL	■strategy? ■performance objective, monitoring implementation and performance, and ■overseeing major capital expenditures, acquisitions, and divestitures?	4	PP.17-24 Focus Area (1) Climate Change P.79 Sustainability Governance P.80 Responsible Investment Governance
ALL	How does the board monitor and oversee progress against goals and targets for addressing climate-related issues?	3	PP.17-24 Focus Area (1) Climate Change P.80 Responsible Investment Governance
b) Management's role in assessing and managing climate-related risks and opportunities			
ALL	Does the organization have assigned climate-related responsibilities to management-level positions or committees? If so, how do such management positions or committees report to the board or a committee of the board and do those responsibilities include assessing and/or managing climate-related issues?	4	PP.17-24 Focus Area (1) Climate Change P.79 Sustainability Governance P.80 Responsible Investment Governance
ALL	How are managers informed about climate-related issues?	2	PP.17-24 Focus Area (1) Climate Change P.80 Responsible Investment Governance
ALL	How do managers monitor climate-related issues?	2	PP.17-24 Focus Area (1) Climate Change P.80 Responsible Investment Governance

Strategy

Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
a) Identification of climate-related risks and opportunities over the short, medium, and long term.			
ALL	How does the organization define short-, medium-, and long-term time horizons? Does this take into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms?	2	PP.17-24 Focus Area (1) Climate Change P.69 Annual Initiatives and Progress Towards KPIs
ALL	What specific climate-related issues that could have a material financial impact on the organization have been identified for each time horizon (short, medium, and long term)?	3	PP.17-24 Focus Area (1) Climate Change P.69 Annual Initiatives and Progress Towards KPIs
ALL	Is this consistent with climate change policy and positions taken by trade associations of which the organization is a member?	4	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change P.44 Collaboration with Government Agencies and Initiatives P.69 Annual Initiatives and Progress Towards KPIs

Sustainable Stock Exchanges Initiative, "Model Guidance on Climate Disclosure," June 2021 (TCFD recommendations on climate-related financial disclosures)

Strategy

Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
a) Identification of climate-related risks and opportunities over the short, medium, and long term.			
ALL	Is a materiality analysis used to determine which risks and opportunities could have a material financial impact on the organization?	1	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality
ALL	Is a scenario analysis used to determine which risks and opportunities could have a material financial impact on the organization?	3	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality P.17-24 Focus Area (1) Climate Change
ALL	Are risks and opportunities considered by sector and/or geography?	1	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change P.82 Risk Management to Support Value Creation
b) The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning			
ALL	How do climate-related risks and opportunities impact on businesses and strategy in the following areas: ■Products and services? ■Supply chain and/or value chain? ■Adaptation and mitigation activities? ■Investment in research and development? ■Operations (including types of operations and location of facilities)?"	4	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality P.17-24 Focus Area (1) Climate Change
ALL	What are the time period(s) used, and how are climate-related risks and opportunities prioritized as inputs into the financial planning process?	3	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change
Asset Manager	How are climate-related risks and opportunities factored into relevant products and investment strategies?	4	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality P.56 Sustainable Investment Category P.58 Product Example:ESG Focus Japan Equity Strategy PP.60-61 ESG Ratings P.67 Initiatives in Indirect Investment
Asset Manager	How might the transition to a lower-carbon economy affect each product or investment strategy?	3	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality P.58 Product Example:ESG Focus Japan Equity Strategy PP.60-61 ESG Ratings
c) The organization's strategy resilience, taking into consideration different climate-related scenarios, including a 2°C or lower scenario (ideally 1.5°C).			
ALL	Has the organization conducted a scenario analysis that evaluates how resilient their strategies are to climate-related risks and opportunities?	4	PP.17-24 Focus Area (1) Climate Change
ALL	Does the analysis include a 2°C or lower scenario (ideally 1.5°C)?	4	PP.17-24 Focus Area (1) Climate Change P.67 Initiatives in Indirect Investment
ALL	What time horizons are considered in the organization's climate-related scenario analysis?	4	PP.17-24 Focus Area (1) Climate Change
ALL	How will climate-related risks and opportunities (as listed in table 1 and 2 or the TCFD recommendations) affect the organization's strategies, and how may strategies change to address potential climate-related risks and opportunities?	3	PP.17-24 Focus Area (1) Climate Change P.67 Initiatives in Indirect Investment

Sustainable Stock Exchanges Initiative, "Model Guidance on Climate Disclosure," June 2021 (TCFD recommendations on climate-related financial disclosures)

Risk Management

Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
a) Climate-related risk management processes			
ALL	How does the organization determine the relative significance of climaterelated risks in relation to other risks?	1	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change P.82 Risk Management to Support Value Creation
ALL	Are existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) considered a risk by the organization?	3	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change P.82 Risk Management to Support Value Creation
ALL	How is the potential size and scope of identified climate-related risks determined?	3	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change P.82 Risk Management to Support Value Creation
ALL	How does the organization define or classify risk and risk-related terms? (Is a taxonomy used?)	1	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality P.82 Risk Management to Support Value Creation
Asset Owner + Managers	What engagement activities are undertaken with investee companies to encourage better disclosure and practices related to climate-related risks to improve data availability and asset owners' ability to assess climate-related risks?	4	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change P.58 Product Example:ESG Focus Japan Equity Strategy PP.60-61 ESG Ratings
Asset Manager	How are climate-related risks identified and materiality assessed for each product or investment strategy? What resources and tools are used in the process?	3	P.58 Product Example:ESG Focus Japan Equity Strategy PP.60-61 ESG Ratings
b) Managing climate-related risks.			
ALL	How are decisions to mitigate, transfer, accept, or control climate-related risks made?	3	P.82 Risk Management to Support Value Creation
ALL	How is materiality determined for the risks listed in table 1 of the TCFD recommendations?	3	P.82 Risk Management to Support Value Creation
Asset Manager	How are material climate-related risks managed for each product or investment strategy?	4	P.56 Sustainable Investment Category P.58 Product Example:ESG Focus Japan Equity Strategy PP.60-61 ESG Ratings
c) Processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.			
ALL	How are climate-related risks integrated into their overall risk management?	1	P.82 Risk Management to Support Value Creation

Metrics and Targets

Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process			
ALL	What are the key metrics used to measure and manage the climate-related risks and opportunities found in table 1 and 2 of the TCFD recommendations?	3	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change
ALL	Where climate-related issues are material, are related performance metrics incorporated into remuneration policies?	4	—
ALL	What internal carbon prices are used for measuring impact and setting targets?	4	—

■Sustainable Stock Exchanges Initiative, "Model Guidance on Climate Disclosure," June 2021 (TCFD recommendations on climate-related financial disclosures)

Metrics and Targets

Targets	Does current disclosure answer the question?	Stage	Related pages in Sustainability Report
a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process			
ALL	What climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy are used?	3	—
Asset Manager	What metrics are used to assess climate-related risks and opportunities in each product or investment strategy, and how do these metrics change over time?	4	—
b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.			
ALL	What are the Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks of the organization, according to GHG Protocol methodology?	2	—
ALL	■If found to be appropriate, what are the company's Scope 3 emissions?	3	—
ALL	■Are GHG emissions data externally verified?	3	—
ALL	What are the historic GHG emissions and trends?	2	P.67 Initiatives in Indirect Investment
Asset Manager	What is the weighted average carbon intensity, where data are available or can be reasonably estimated, for each product or investment strategy?	4	PP.17-24 Focus Area (1) Climate Change P.67 Initiatives in Indirect Investment
c) Targets used to manage climate-related risks and opportunities and performance			
ALL	What are the key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc. in line with anticipated regulatory requirements or market constraints or other goals?	2	PP.17-24 Focus Area (1) Climate Change
ALL	■What are the long-term quantitative targets for reducing GHG emissions?	3	PP.17-24 Focus Area (1) Climate Change P.67 Initiatives in Indirect Investment P.69 Annual Initiatives and Progress Towards KPIs
ALL	Does the organization have climate-related targets pertaining to: ■efficiency or financial goals? ■financial loss tolerances? ■avoided GHG emissions through the entire product life cycle? ■net revenue goals for products and services designed for a lower-carbon economy?	4	—
ALL	Are climate-related targets absolute or intensity based?	2	PP.17-24 Focus Area (1) Climate Change P.69 Annual Initiatives and Progress Towards KPIs
ALL	What time frames are applied to each climate-related target?	2	PP.17-24 Focus Area (1) Climate Change P.69 Annual Initiatives and Progress Towards KPIs
ALL	What is the base year used for each climate-related target?	2	PP.17-24 Focus Area (1) Climate Change P.69 Annual Initiatives and Progress Towards KPIs
ALL	What key performance indicators are used to assess progress against each climate-related target?	4	PP.17-24 Focus Area (1) Climate Change

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Principles	Reporting expectations	Related pages in Sustainability Report
[PURPOSE AND GOVERNANCE] Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	**Context** Signatories should explain: · the purpose of the organization and an outline of its culture, values, business model and strategy; and · their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why **Activity** Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship. **Outcome** Signatories should disclose: · how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and · an assessment of how effective they have been in serving the best interests of clients and beneficiaries.	PP.5-6 Message from the President & CEO PP.8-9 Sustainable Investment Policy P.10 Sustainable Investment Approach P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.17-24 Focus Area (1) Climate Change PP.25-28 Focus Area (2) Biodiversity and Environmental Destruction PP.29-32 Focus Area (3) Human Rights and Health & Wellbeing PP.34-43 Engagement P.44 Collaboration with Government Agencies and Initiatives PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities P.56 Sustainable Investment Category P.57 Relationship Between Asset Management One's Sustainable Investment Category and International Initiatives, and Naming Rules P.58 Product Example:ESG Focus Japan Equity Strategy P.69 Annual Initiatives and Progress Towards KPIs P.70 Tackling Climate Change and Environmental Issues P.71 Human Capital Management Initiatives
[PURPOSE AND GOVERNANCE] Principle 2: Signatories' governance, resources and incentives support stewardship.	**Activity** Signatories should explain how: · their governance structures and processes have enabled oversight and accountability for effective stewardship within their organization and the rationale for their chosen approach; · they have appropriately resourced stewardship activities, including: - their chosen organizational and workforce structures; - their seniority, experience, qualifications, training and diversity; - their investment in systems, processes, research and analysis; - the extent to which service providers were used and the services they provided; and · performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision-making. **Outcome** Signatories should disclose: · how effective their chosen governance structures and processes have been in supporting stewardship; and · how they may be improved.	PP.34-54 Stewardship Activities PP.60-61 ESG Ratings PP.62-64 Initiatives for Equity Investment P.65 Initiatives for Fixed-Income Investment P.69 Annual Initiatives and Progress Towards KPIs P.70 Tackling Climate Change and Environmental Issues P.71 Human Capital Management Initiatives P.80 Responsible Investment Governance P.82 Risk Management to Support Value Creation
[PURPOSE AND GOVERNANCE] Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	**Context** Signatories should disclose their conflicts policy and how this has been applied to stewardship. **Activity** Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship. **Outcome** Signatories should disclose examples of how they have addressed actual or potential conflicts.	PP.45-52 Exercise of Voting Rights P.80 Responsible Investment Governance
[PURPOSE AND GOVERNANCE] Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	**Activity** Signatories should explain: · how they have identified and responded to market-wide and systemic risk(s), as appropriate; · how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets; · the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and · how they have aligned their investments accordingly. **Outcome** Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.	P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.14-16 Russian Aggression for Ukraine and Review of Materiality Map PP.17-24 Focus Area (1) Climate Change PP.25-28 Focus Area (2) Biodiversity and Environmental Destruction PP.29-32 Focus Area (3) Human Rights and Health & Wellbeing PP.34-43 Engagement P.44 Collaboration with Government Agencies and Initiatives PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities P.70 Tackling Climate Change and Environmental Issues P.82 Risk Management to Support Value Creation
[PURPOSE AND GOVERNANCE] Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.	**Activity** Signatories should explain: · how they have reviewed their policies to ensure they enable effective stewardship; · what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and · how they have ensured their stewardship reporting is fair, balanced and understandable. **Outcome** Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.	PP.8-9 Sustainable Investment Policy P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.34-43 Engagement PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities PP.69-73 Corporate Sustainability Initiatives P.75 Engagement with Our Institutional Investors P.76 Initiatives to Enhance Employee Awareness P.77 Dialogue with Diverse Stakeholders P.79 Sustainability Governance P.80 Responsible Investment Governance P.82 Risk Management to Support Value Creation

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Principles	Reporting expectations	Related pages in Sustainability Report
[INVESTMENT APPROACH] Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	**Context** Signatories should disclose: · the approximate breakdown of: - the scheme(s) structure, for example, whether the scheme is a master trust, occupational pension fund, defined benefit or defined contribution, etc.; - the size and profile of their membership, including number of members in the scheme and the average age of members; OR - their client base, for example, institutional versus retail, and geographic distribution; - assets under management across asset classes and geographies; · the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why. **Activity** Signatories should explain: · how they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach; OR · how they have sought and received clients' views and the reason for their chosen approach; · how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon; OR · how assets have been managed in alignment with clients' stewardship and investment policies; · what they have communicated to beneficiaries about their stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information provided, methods and frequency of communication; OR · what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods and frequency of communication to enable them to fulfill their stewardship reporting requirements. **Outcome** Signatories should explain: · how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries; · how they have taken account of the views of beneficiaries where sought, and what actions they have taken as a result; OR · how they have taken account of the views of clients and what actions they have taken as a result; · where their managers have not followed their stewardship and investment policies, and the reason for this; OR · where they have not managed assets in alignment with their clients' stewardship and investment policies, and the reason for this.	P.3 Asset Management One by the Numbers PP.34-43 Engagement PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities P.58 Product Example:ESG Focus Japan Equity Strategy PP.60-61 ESG Ratings P.75 Engagement with Our Institutional Investors P.77 Dialogue with Diverse Stakeholders P.79 Sustainability Governance P.80 Responsible Investment Governance P.82 Risk Management to Support Value Creation
[INVESTMENT APPROACH] Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfill their responsibilities.	**Context** Signatories should disclose the issues they have prioritized for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them. **Activity** Signatories should explain: · how integration of stewardship and investment has differed for funds, asset classes and geographies; · how they have ensured: - tenders have included a requirement to integrate stewardship and investment, including material ESG issues; and - the design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of clients and beneficiaries; OR · the processes they have used to: - integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries; and - ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues. **Outcome** Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries.	P.7 Sustainability Transformation(SX) at Asset Management One PP.8-9 Sustainable Investment Policy P.10 Sustainable Investment Framework P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.14-16 Russian Aggression for Ukraine and Review of Materiality Map PP.17-24 Focus Area (1) Climate Change PP.25-28 Focus Area (2) Biodiversity and Environmental Destruction PP.29-32 Focus Area (3) Human Rights and Health & Wellbeing PP.53-54 Summary of Our Stewardship Activities P.58 Product Example:ESG Focus Japan Equity Strategy PP.60-61 ESG Ratings PP.62-64 Initiatives for Equity Investment P.65 Initiatives for Fixed-Income Investment P.66 Initiatives at AMOAI P.67 Initiatives in Indirect Investment
[INVESTMENT APPROACH] Principle 8: Signatories monitor and hold to account managers and/or service providers.	**Activity** Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs. **Outcome** Signatories should explain: · how the services have been delivered to meet their needs; OR · the action they have taken where signatories' expectations of their managers and/or service providers have not been met.	PP.34-43 Engagement PP.45-52 Exercise of Voting Rights PP.60-61 ESG Ratings P.66 Initiatives at AMOAI P.67 Initiatives in Indirect Investment

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Principles	Reporting expectations	Related pages in Sustainability Report
[ENGAGEMENT] **Principle 9:** Signatories engage with issuers to maintain or enhance the value of assets.	**Activity** Signatories should explain: · the expectations they have set for others that engage on their behalf and how; OR · how they have selected and prioritized engagement (for example, key issues and/or size of holding); · how they have developed well-informed and precise objectives for engagement with examples; · what methods of engagement and the extent to which they have been used; · the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6; and · how engagement has differed for funds, assets or geographies. **Outcome** Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf.	P.19 Focus Area (1) Climate Change – Engagement Examples P.28 Focus Area (2) Biodiversity and Environmental Destruction – Engagement Examples P.32 Focus Area (3) Human Rights and Health & Wellbeing – Dialogues of Human Capital to Improve Corporate Value PP.34-43 Engagement P.44 Collaboration with Government Agencies and Initiatives PP.53-54 Summary of Our Stewardship Activities PP.60-61 ESG Ratings * P.34-43 details our engagement approach, resources, processes and outcomes at AM-One
[ENGAGEMENT] **Principle 10:** Signatories, where necessary, participate in collaborative engagement to influence issuers.	**Activity** Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf. **Outcome** Signatories should describe the outcomes of collaborative engagement.	PP.17-18 Focus Area (1) Climate Change PP.20-21 Focus Area (1) Climate Change PP.42-43 Engagement P.44 Collaboration with Government Agencies and Initiatives PP.51-52 Voting outcome PP.53-54 Summary of Our Stewardship Activities
[ENGAGEMENT] **Principle 11:** Signatories, where necessary, escalate stewardship activities to influence issuers.	**Activity** Signatories should explain: · the expectations they have set for asset managers that escalate stewardship activities on their behalf; OR · how they have selected and prioritized issues, and developed well-informed objectives for escalation; · when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples; and · how escalation has differed for funds, assets or geographies. **Outcome** Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.	PP.34-43 Engagement PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities

Principles	Reporting expectations	Related pages in Sustainability Report
[EXERCISING RIGHTS AND RESPONSIBILITIES] **Principle 12:** Signatories actively exercise their rights and responsibilities.	**Context** Signatories should: · state the expectations they have set for asset managers that exercise rights and responsibilities on their behalf; OR · explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets or geographies. In addition, for listed equity assets, signatories should: · disclose their voting policy, including any house policies and the extent to which funds set their own policies; · state the extent to which they use default recommendations of proxy advisors; · report the extent to which clients may override a house policy; · disclose their policy on allowing clients to direct voting in segregated and pooled accounts; and · state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate 'empty voting'. **Activity** For listed equity assets, signatories should: · disclose the proportion of shares that were voted in the past year and why; · provide a link to their voting records, including votes withheld if applicable; · explain their rationale for some or all voting decisions, particularly where: - there was a vote against the board; - there were votes against shareholder resolutions; - a vote was withheld; - the vote was not in line with voting policy. · explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf; and · explain how they have monitored what shares and voting rights they have. For fixed income assets, signatories should explain their approach to: · seeking amendments to terms and conditions in indentures or contracts; · seeking access to information provided in trust deeds; · impairment rights; and · reviewing prospectus and transaction documents. **Outcome** For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months.	PP.45-52 Exercise of Voting Rights P.80 Responsible Investment Governance * A full Voting Policies and Guidelines for Japanese equities are reviewed annually and are available at its website in Japanese (http://www.am-one.co.jp/company/voting/); detailed voting results for individual companies on each resolution, together with the rationale behind votes cast against management, are also disclosed on the website

Principles for Responsible Investment

Principles for responsible investment		Related pages in Sustainability Report
Principle 1	We will incorporate ESG issues into investment analysis and decisionmaking processes.	PP.8-9 Sustainable Investment Policy P.10 Sustainable Investment Approach P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.14-16 Russian Aggression for Ukraine and Review of Materiality Map PP.17-24 Focus Area (1) Climate Change PP.25-28 Focus Area (2) Biodiversity and Environmental Destruction PP.29-32 Focus Area (3) Human Rights and Health & Wellbeing P.56 Sustainable Investment Category P.57 Relationship Between Asset Management One's Sustainable Investment Category and International Initiatives, and Naming Rules P.67 Initiatives in Indirect Investment
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	PP.8-9 Sustainable Investment Policy PP.17-24 Focus Area (1) Climate Change PP.25-28 Focus Area (2) Biodiversity and Environmental Destruction PP.29-32 Focus Area (3) Human Rights and Health & Wellbeing PP.34-43 Engagement P.44 Collaboration with Government Agencies and Initiatives PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities P.56 Sustainable Investment Category P.57 Relationship Between Asset Management One's Sustainable Investment Category and International Initiatives, and Naming Rules
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	PP.8-9 Sustainable Investment Policy PP.17-24 Focus Area (1) Climate Change PP.25-28 Focus Area (2) Biodiversity and Environmental Destruction PP.29-32 Focus Area (3) Human Rights and Health & Wellbeing PP.34-43 Engagement P.44 Collaboration with Government Agencies and Initiatives PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities P.57 Relationship Between Asset Management One's Sustainable Investment Category and International Initiatives, and Naming Rules P.67 Initiatives in Indirect Investment

Principles for responsible investment		Related pages in Sustainability Report
Principle 4	We will promote acceptance and implementation of the Principles within the investment industry.	PP.5-6 Message from the President & CEO PP.17-24 Focus Area (1) Climate Change PP.25-28 Focus Area (2) Biodiversity and Environmental Destruction PP.29-32 Focus Area (3) Human Rights and Health & Wellbeing PP.34-43 Engagement P.44 Collaboration with Government Agencies and Initiatives PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities P.57 Relationship Between Asset Management One's Sustainable Investment Category and International Initiatives, and Naming Rules P.67 Initiatives in Indirect Investment
Principle 5	We will work together to enhance our effectiveness in implementing the Principles.	PP.5-6 Message from the President & CEO PP.17-24 Focus Area (1) Climate Change PP.34-43 Engagement P.44 Collaboration with Government Agencies and Initiatives PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities P.57 Relationship Between Asset Management One's Sustainable Investment Category and International Initiatives, and Naming Rules P.67 Initiatives in Indirect Investment
Principle 6	We will each report on our activities and progress towards implementing the Principles.	PP.17-24 Focus Area (1) Climate Change PP.34-43 Engagement P.44 Collaboration with Government Agencies and Initiatives PP.45-52 Exercise of Voting Rights PP.53-54 Summary of Our Stewardship Activities

Disclosure Required for Asset Management Companies Based on SFDR

SFDR, REGULATION (EU) 2019/2088

Targets	Articles	Article number	Related pages in Sustainability Report
Financial Market Participants and Financial Advisers	Transparency of sustainability risk policies	Article 3	PP.8-9 Sustainable Investment Policy P.12 Asset Management One's Materiality Map P.13 Process for Identifying and Updating Materiality PP.60-61 ESG Ratings PP.62-64 Initiatives for Equity Investment
	Transparency of adverse sustainability impacts at entity level	Article 4	PP.8-9 Sustainable Investment Policy PP.62-64 Initiatives for Equity Investment
	Transparency of remuneration policies in relation to the integration of sustainability risks	Article 5	—
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	Transparency of adverse sustainability impacts at financial product level	Article 7	—
	Transparency of the promotion of environmental or social characteristics in pre-contractual disclosures	Article 8	P.56 Sustainable Investment Category P.57 Relationship Between Asset Management One's Sustainable Investment Category and International Initiatives, and Naming Rules PP.60-61 ESG Ratings PP.62-64 Initiatives for Equity Investment P.66 Initiatives at AMOAI

Targets	Articles	Article number	Related pages in Sustainability Report
Financial Products	Transparency of sustainable investments in pre-contractual disclosures	Article 9	P.56 Sustainable Investment Category P.57 Relationship Between Asset Management One's Sustainable Investment Category and International Initiatives, and Naming Rules PP.62-64 Initiatives for Equity Investment
	Transparency of the promotion of environmental or social characteristics and of sustainable investments on websites	Article 10	PP.60-61 ESG Ratings PP.62-64 Initiatives for Equity Investment
	Transparency of the promotion of environmental or social characteristics and of sustainable investments in periodic reports	Article 11	PP.60-61 ESG Ratings PP.62-64 Initiatives for Equity Investment

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