This is supplementary material for SUSTAINABILITY REPORT 2024.
Please read it in conjunction with SUSTAINABILITY REPORT 2024.

— Appendix —

Creating a sustainable future through the power of investment

SUSTAINABILITY REPORT 2024

Asset Management One

Contents

2024

Refer to P.19 SUSTAINABILITY REPORT 2024

Review Process of Materiality Map and Reviews in FY2023

The Materiality Map is analyzed and discussed by members of the Sustainable Investment Group and other departments, and if necessary, engagement is conducted with internal and external stakeholders on the content. After that, it is reflected in our business activities, management, and stewardship activities through discussions and deliberations at the Sustainability Promotion Committee and Sustainability Advisory Council.

We believe that the important issues facing the environment and society are constantly changing due to factors such as changes in the environment and social conditions and the creation of innovations that solve these issues. On the other hand, there are also issues that gradually become apparent over the long term, such as when the actions of a small number of people lead to the activities of NGOs, and these activities, in solidarity, become a major movement that moves the international community. When issues are widely recognized by the international community, they have the potential to affect corporate value through consumer choice and regulations. We believe that it is important to take such movements into account, to look at them from a long-term perspective, and to promptly engage in dialogue with investee companies to encourage them to take action and to consider investment strategies, in order to improve the corporate value of investee companies and to improve the investment returns of our investments. Based on this idea, we conduct annual research and analysis on materiality, and when a social event occurs, we conduct an impact analysis based on the impact of the event, and reflect the results in the Materiality Map.

The following eight updates were made in the regular review for fiscal 2023, including the addition of a new item called “Financial Inclusion” and the integration of two items, “Lagging in AI/digitalisation” and “Innovation stagnation (obstruction of economic development),” into a single item called “AI/Digital innovation,” with a change in position.

In this way, 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 improve the corporate values of investees and effectively resolve environmental and social issues.

8 updates

① Financial inclusion (added)
Added in light of the negative impact of economic opportunity loss and obstruction of sound economic growth.

② AI/digital innovation
The names were merged because it is difficult to draw a line between “Lagging in AI/digitalisation” and “Innovation stagnation (obstruction of economic development)”. In addition, the importance of this issue was changed because of the high economic potential of AI.

③ Lack of global technology standards (deleted)
This item was deleted because it was assessed as being of decreasing importance, based on the recognition that technological development and competition are progressing and global technology standards are converging to a certain extent.

④ Natural hazards
The name was changed to encourage further awareness and action on disaster prevention and mitigation, rather than assuming that natural disasters are inevitable, by clearly distinguishing between natural phenomena and the damage (disasters) they cause.

⑤ Reskilling and recurrent education
The name was changed because it was judged that the terms “reskilling” and “recurrent education” had begun to penetrate society.

⑥ Adverse outcomes of technological advances
The importance of this issue was changed because it was judged that the potential risks associated with the rapid development and spread of AI technology were increasing.

⑦ Digital power concentration on individuals, companies, and nations
Due to the strengthening of regulations in various countries, we have determined that it has become a social norm for individuals to have the option of selecting the level of access to their personal information when companies collect personal information, and we have changed the level of importance.

⑧ Water, air, and soil pollution
We have changed the level of importance based on the results of damage cost estimates and the growing awareness of the risks of chemical substances.

For details, please refer to the following news release. March 29, 2024 “Regarding the Update of the Materiality Map” https://www.am-one.co.jp/pdf/news/355/240329_AMOne_newsrelease.pdf

Four processes for updating materiality

In addition to regular reviews, we also analyze and review the impact on the Materiality Map, considering the impact when events occur.

1 Hypothesis building

We analyze the interest level of each stakeholder and the economic impact by theme concerning environmental and social issues raised in reports from entities such as global NGOs, international institutions, investor initiatives, and economic organizations.

2 Dialogue with stakeholders

We undertake dialogue with entities such as NGOs, government agencies, and environmental and social initiatives concerning areas such as issue awareness, pathways to solving issues, and Japanese and global initiatives and recognition gap.

3 Internal discussions

Discussions with members of the Sustainable Investment Group and other departments.

4 Discussions and deliberations at the Sustainability Promotion Committee and Sustainability Advisory Council

Discussions with environmental and social experts and external advisors on the latest trends in materiality and medium- to long-term perspectives. Deliberations at the Sustainability Promotion Committee, followed by reflection in business plans.

Refer to P.9 P.15 P.20 SUSTAINABILITY REPORT 2024

Climate & Nature Report

There are major interconnections between climate change and biodiversity issues, and in the belief that an integrated approach is efficient and effective, we added items for initiatives related to biodiversity and environmental destruction to the previous TCFD disclosures.

Climate change

Biodiversity and environmental destruction

Governance

- Asset Management One recognizes, based on materiality research, that climate change, biodiversity and environmental destruction, and human rights and health & wellbeing are important global environmental and social issues for people's lives and corporate activities, and we support the objectives of the Paris Agreement and the Convention on Biological Diversity.
- We are progressing initiatives in our own business and investment activities that respond to climate change and reduce our own environmental negative impact, establishing our Basic Policy on Sustainability Initiatives, our Environment Policies and our Sustainable Investment Policy.
- We established opportunities for dialogues with stakeholders including civil society, and following such dialogues, we produced the Materiality Map with our 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, and the President & CEO oversees such initiatives.
- In order to implement important strategies related to sustainability, we have established a new Sustainability Promotion Committee in June 2024, with the aim of improving the execution capabilities of the executive side and enhancing governance.
- In addition, the Sustainability Advisory Board, which was established as an advisory body to the Board of Directors and includes outside experts, provides its opinions to the board concerning medium- to long-term ideas and policies on sustainability matters.

Strategy

We contribute to the aim of net zero greenhouse gas ("GHG") emissions through our participation in the Net Zero Asset Managers initiative (NZAM) and its initiatives (Appendix P4, P5).

- Given the increasing frequency of natural disasters believed to be caused by climate change, as well as the depletion of natural capital that society heavily relies on for socio-economic activities, the physical risks have become more apparent. With this situation, the growing concern and strengthened regulations within civil society have also amplified transition risks.
- On the other hand, we recognize that companies that take proactive initiatives to respond to climate change and to preserve and restore natural capital have opportunities to improve corporate value through business expansion and improved reputation.
- We contribute to the realization of a decarbonized society and nature positive through stewardship activities and ESG integration in our Investment Division and the development of financial products and services while also progressing the response to climate change and reduction of environmental impact in our own business activities.

Using TNFD LEAP approach, we deepen our knowledge on the dependence and impact of our investment on natural capital and biodiversity as well as the opportunities and promote initiatives to achieve nature positive (Appendix P7).

Refer to P.9 P.15 P.20 SUSTAINABILITY REPORT 2024

Why a Climate & Nature Report?

- Climate change is not only a serious issue in its own right, but also has an impact on natural capital and biodiversity. In addition, in the process of the renewable energy expansion as a climate change mitigation measure, we need to give consideration to ensuring that such measures do not contribute to deterioration in natural capital and biodiversity.
- On the other hand, the preservation and restoration of natural capital and biodiversity can have a positive impact on climate change, for example, such as through the absorption of carbon dioxide and carbon storage in forests. In addition, the preservation of forests and wetlands also become measures to adapt to climate change that mitigate natural disasters including floods.
- Past initiatives to climate change and the preservation of natural capital and biodiversity were often treated individually, but there is a large interconnection between both and we believe it is possible to maximize the impact through measures devised for both rather than thinking about one issue by itself.

	Risk Management	Metrics and Targets
Climate change	● We assess risks and opportunities at investee companies, utilizing information obtained from external providers, our own proprietary research and engagement activity, together with company disclosures, and conduct continuous engagement dialogues with focus companies as necessary. ● In our engagement activities, we join with various stakeholders such as "Climate Action 100+" and "Nature Action 100" while demonstrating leadership as a major institutional investor looking to solve the issues. ● Research and engagement information, together with quantitative information such as GHG emissions and ESG scores, is shared with fund managers and analysts in the Investment Division and used in investment decisions and voting considerations. Reporting ESG-related stewardship activities to the Stewardship Committee. ● We have established a sustainable investment framework and clarified the minimum expectations for actions that we seek investee companies to implement. We engage with companies that do not meet these standards, and if progress is inadequate, we could consider voting against management proposals for the election of directors and not holding such investments in our ESG fund.	● We commit to support the goal of net zero GHG emissions by 2050, in line with NZAM's global initiatives to limit rise in temperature to 1.5°C. ● In addition, in line with the our net zero commitment, we have aligned ourselves with the net zero scenario and set an interim target for 2030 of 53% of our firm's AUM.
Biodiversity and environmental destruction		● For the early realization of the mission of the Kunming-Montreal Global Biodiversity Framework "to halt and reverse biodiversity loss by 2030" and its 2050 vision of "a world living in harmony with nature," we seek effective initiatives from investee companies to preserve and restore biodiversity for the entire value chain, thereby maintaining and enhancing corporate value. ● We are working on deepening knowledge concerning quantitative evaluation including natural capital related risks and opportunities as well as the impact and to improve TNFD disclosures, including specific metrics and targets.

Refer to P.9 P.10 P.20 SUSTAINABILITY REPORT 2024

Climate Change | Assessment of Net Zero Scenario Alignment

As a signatory asset manager of the Net Zero Asset Managers initiative (NZAM), we are committed to the net zero scenario alignment with a net zero interim target for 2030 of 53% of our firm's AUM.

We have developed a method for determining net zero based around the Net Zero Investment Framework (hereafter, "NZIF Framework") of the Paris Aligned Investment Initiative (PAII), a recommended methodology by the NZAM, and is applying it to net zero assessments of investee companies and funds. Under the NZIF Framework, sectors with high GHG emissions are defined as high impact sectors and the other sectors are defined as low impact sectors. We conduct assessment using six criteria. The results of the assessments are categorized into five phases of assessment of net zero scenario alignment, with companies categorized as (i) Achieving net zero, (ii) Aligned to a net zero pathway, and (iii) Aligning toward a net zero pathway, considered to be net zero scenario aligned companies.

In making the actual assessment, the data and disclosure information to be used for each item is determined in advance, and the assessment is made using external data such as Climate change scores and ISS ESG data, as well as research by our in-house analysts.

■ Six NZIF assessment criteria

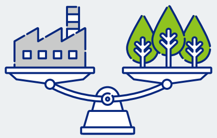
❶ Ambition

A long-term 2050 goal consistent with achieving global net zero

❻ Capital allocation alignment

A clear demonstration that the capital expenditures of the company are consistent with achievement of net zero emissions by 2050

Assessment criteria of net zero scenario alignment



❷ Targets

Short- and medium-term emissions reduction targets that include Scope 1, 2 and material Scope 3

❺ Strategy for decarbonizing

A quantified plan that includes initiatives to achieve GHG reduction targets and increase green revenues

❸ The results of GHG emissions

Carbon intensity performance consistent with achieving targets

❹ Disclosure

Emission disclosures that include Scope 1, 2 and material Scope 3

Source: Created by Asset Management One based on the Net Zero Investment Framework

■ Five phases of net zero assessment

Five phases of assessment	Definition of the five phases
❶ Achieving net zero	Companies that have achieved or are close to achieving net zero emissions intensity, and have investment plans and business models that are expected to achieve their targets.
❷ Aligned to a net zero pathway	Meet assessment criteria ①–⑥ (for companies with low impact, meets ②③④) Achieve appropriate performance over the long term in line with the targets set for assessment criteria ③
❸ Aligning towards a net zero pathway	Meets assessment criteria ②④⑤
❹ Committed to Aligning to net zero	Companies that have set clear targets of achieving net zero emissions by 2050 and therefore meet assessment criteria ①
❺ Not aligned with the net zero scenario	All companies that do not fall into the above phases

Source: Created by Asset Management One based on the Net Zero Investment Framework

Refer to P.9 P.10 P.20 SUSTAINABILITY REPORT 2024

Climate change | Net zero scenario alignment assessment

143 Japanese companies have been assessed as net-zero

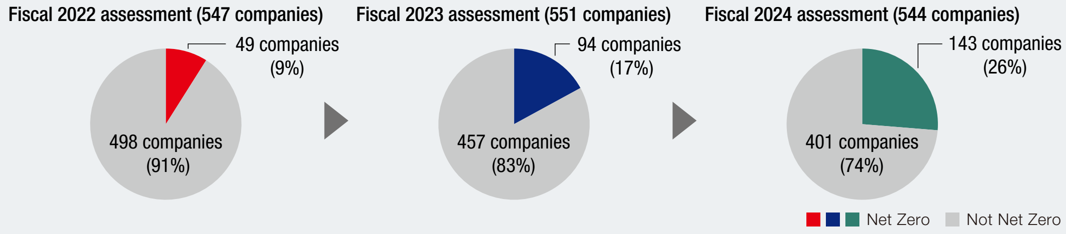
In the 2024 assessment of net zero scenario alignment, 143 companies (26% of the 544 Japanese companies assessed, equivalent to 95% of emissions) were assessed as net-zero scenario aligned. This is a steady increase from 49 companies (9% of the total) in 2022 and 94 companies (17% of the total) in 2023. It clearly shows that the net zero initiatives of the Japanese investee companies we are engaging with are steadily progressing.

In terms of the results of assessment for each of the main assessment criteria, the number of companies that were recognized for setting targets (setting short- and medium-term targets aligned with achieving net zero by 2050) increased from 106 last year to 158 this year. This shows that more companies have set interim targets in a way that is aligned with achieving net zero by 2050.

We are focusing on net zero engagement based on our assessment of individual companies' net zero alignment and our analysis of transition paths (paths to net zero) in each industry. The results of these assessments are used as input for the development of investment strategies and ESG integration in the analysis of corporate fundamentals.

Overall assessment results (2022, 2023, 2024)

Net Zero Two-Phase assessment



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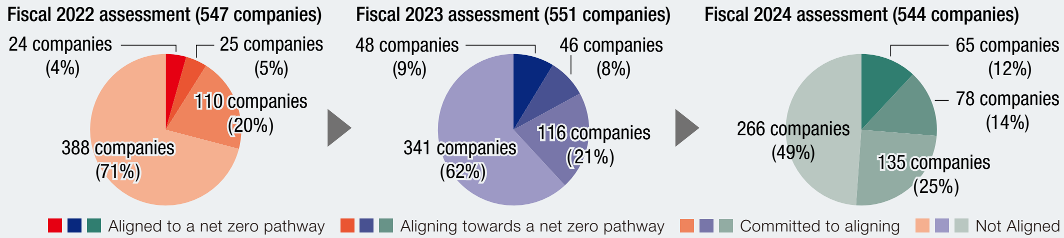
NZIF Five-Phase assessment



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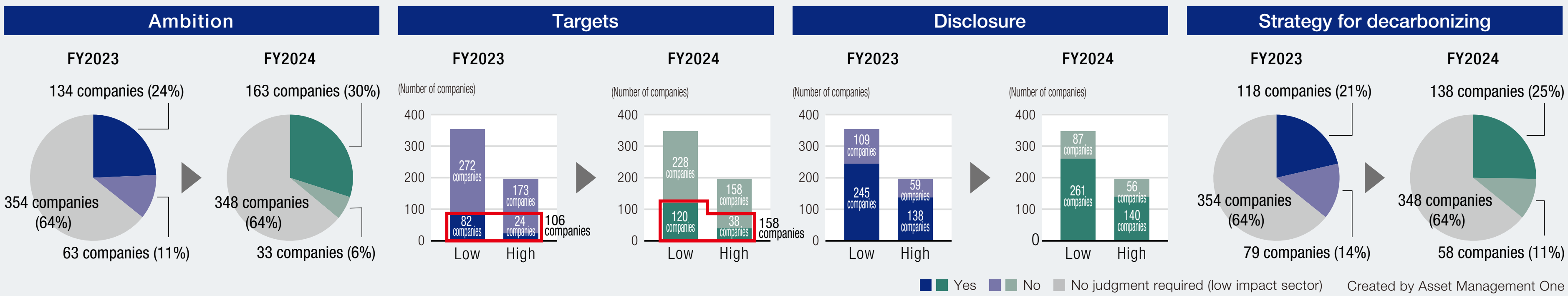
Comparison of evaluation items (2023, 2024)



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Refer to P.9 P.14 P.20 SUSTAINABILITY REPORT 2024

Climate Change | Portfolio Analysis Based on TCFD

1. Analysis of major indicators such as total GHG emissions

Asset Management One has concucted analysis of total GHG emissions of our internally managed investment portfolios.[*2] Although the weighted average carbon intensity of foreign fixed income is slightly higher than the benchmark, this shows that all other assets are below the benchmark.

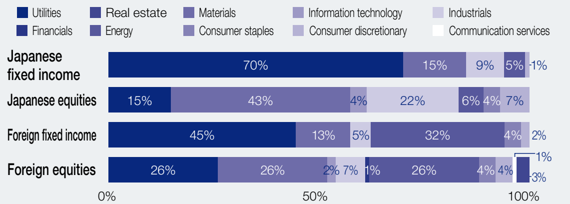
Meanwhile, a breakdown of total GHG emissions by sector reveals that the utilities and materials sectors account for a significant amount across all asset categories. Therefore, we hold more intensive engagement dialogues with relevant companies in these sectors, seeking enhanced efforts to reduce GHG emissions.

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

	Total GHG emissions		Weighted average carbon intensity	
	Scope 1-3 million t CO_2e		t CO_2e/million US$	
	Our firm	Relative to benchmark	Our firm	Relative to benchmark
Japanese fixed income	9 .8	60 .0%	241 .7	58 .9%
Japanese equities	185 .4	102 .2%	78 .5	94 .9%
Foreign fixed income	4 .1	101 .2%	175 .7	99 .9%
Foreign equities	14 .7	64 .6%	72 .4	63 .0%

Source: Created by Asset Management One based on ISS-Climate data

■ Breakdown of GHG emissions by sector



Source: Created by Asset Management One based on ISS-Climate data

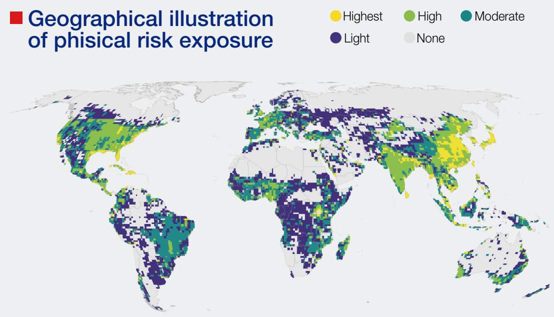
Benchmark (BM) Japanese fixed income: corporate bond composites only within NOMURA-BPI (all composites) Japanese equities: TOPIX (total return) Foreign fixed income: corporate bond composites only within Bloomberg Barclays Global (all composites) Foreign equities: MSCI ACWI ex Japan *1 Total GHG emissions: 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

2. Climate change related risks

❶Physical risks

The results of the ISS-Climate analysis of the physical risks caused by extreme weather events, etc. on the portfolios up until 2050 are as follows. This map emphasizes the areas where the impact of physical risks such as tropical cyclones, river floods, bushfires, droughts, and heat stress are growing. It indicates the comparatively high risks for Asia and Africa.

■ Geographical illustration of phisical risk exposure

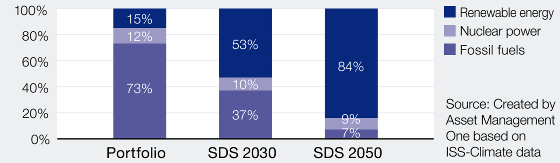


Source: Created by Asset Management One based on ISS-Climate data

❷Transition risks

With regards to transition risks, 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



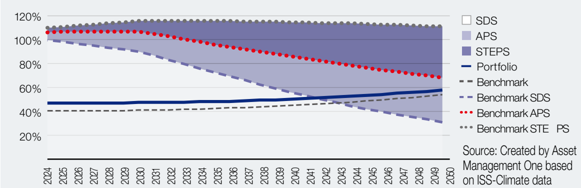
Source: Created by Asset Management One based on ISS-Climate data

*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.

3. 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, as emission allowances are set to decrease with rising temperatures, it's likely that the portfolio's carbon emissions will surpass the carbon budget limit defined by the Sustainable Development Scenario (SDS) by 2042. In light of this, we are committed to continuously promoting decarbonization in our portfolios through active engagement with investee companies to achieve net zero GHG by 2050.



Source: Created by Asset Management One based on ISS-Climate data

*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

Refer to P.15 P.20 SUSTAINABILITY REPORT 2024

Biodiversity and Environmental Destruction | Analysis Using TNFD-LEAP (As of November 2024)

Scope the assessment

We analyzed our major asset class, Japanese equity, in recognition that Asset Management One's investment activities have an impact on natural capital and biodiversity. In collaboration with internal resources as well as external stakeholders and others, we will consider developing analyses and initiatives for other assets in the future, while improving knowledge of comparable assessment methods and data accuracy for nature-related risks and opportunities.

L Locate | Interface with nature

Dependency screening
Sectors that are highly dependent on ecosystem services include "Industrials," "Consumer discretionary and services," and "Materials."
Around 40% of Japanese equity assets may be highly or very highly dependent on at least one ecosystem service.

Impact screening
Sectors that have a large impact on nature capital include "Industrials," "Consumer discretionary," and "Information technology."
Around 90% of Japanese equity assets may have a strong or very strong impact on nature capital due to at least one impact factor.

Location identification
We conducted a pilot analysis on the identification of the location for our important natural capital assets, namely "water" and "forests," which heavily support our domestic equity assets.
The cultivation of palm oil in Indonesia and soybeans in Brazil may pose significant deforestation risks.
For "water resources," we conducted water stress analysis of five major companies in sector A with large water intensity per sales. The results of the analysis indicate that 11% of the overseas factories of five major Japanese manufacturers are located in high water stress areas, such as in India and the west coast of the U.S.

E Evaluate | Dependencies & impacts

Identification of Dependencies
"Industrials," "Consumer discretionary," and "Materials" sectors, which are largely weighted in Japanese equity assets, depend on ecosystem services such as surface water, ground water, mass stabilization and erosion control through production processes for their materials and products, and these ecosystems are provided from natural capital in the form of water, habitats and biology/genes.

Identification of Impacts
The "Industrials," "Consumer discretionary and services," and "Information technology" sectors could have an impact on natural capital such as water, habitats (forests, etc.) and biology/ genes from the negative impact factors such as water pollution, land pollution and solid waste through their production and operating processes.

Quantitative evaluation
We estimated the Mean Species Abundance (MSA) for 60 major Japanese companies that have a large impact on natural capital and biodiversity in sectors such as materials, consumer discretionary, information technology, and food. As a result, the impact from these companies estimated approximately -3,000 km2 MSA. In addition, Scope 3 business activities (upstream such as procurement of raw materials) by value chain had a large impact, with the biggest impact factor being land use including deforestation.

A Assess | 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.
In particular, physical risks that constrain investees' production processes due to a loss of natural capital and biodiversity, and transition risks, including constraints on business activities due to change in environmental regulation and policies and a reputation of having inflicted serious negative impact on the environment could result in a major decline in corporate value over the medium- to long-term.
In order to address these risks, we used a sustainable investment framework to enable early detection of acts that have significant impact on biodiversity in business activities, including the supply chain, and strengthened engagement with major companies mainly through participation in collaborative initiatives such as Nature Action 100.

Opportunities
We analyzed the weight of Japanese equity assets, which are related to the required solutions as society heads towards nature positive, in relation to the natural capital that our firm depends upon while referring to analysis by the World Economic Forum, etc. As a result, more than 60% of our firm's equity assets could be related to business that could transition in relation to solutions such as "resource efficiency and reuse," "high efficiency and regenerative agriculture," and "consumer activities that can co-exist with the global environment."

P Prepare | To respond & report

- Gain more insight about the various issues of investee companies and business opportunities with an awareness of the interconnections with climate change and nature capital and biodiversity, and integrate them into our investment activities while connecting to our materiality.
- Collaborate not only with internal resources, but also with external stakeholders, etc., to improve knowledge about comparable evaluation methods, data accuracy, etc. regarding nature-related risks and opportunities, while understanding the locations of business activities including the value chains of investee companies, and to provide scenario analysis that is logically consistent.
- Formulate specific action plans and target setting for our firm that are aligned with the goal to quickly achieve the targets in the Kunming-Montreal Global Biodiversity Framework mission "To halt and reverse biodiversity loss by 2030" and its 2050 Vision of "Living in harmony with nature."
- Strengthen engagement with indigenous peoples, local community and stakeholders who receive negative impact.
- Regularly improve and enhance TNFD disclosures that include the details of the above initiatives through Sustainability Report, etc.

Engagement with indigenous peoples, local community and stakeholders who receive negative impact

Scenario analysis (future consideration)

Refer to P.20 SUSTAINABILITY REPORT 2024

Human Rights and Health & Wellbeing | Response to Human Rights in the Value Chain

There has recently been a growing recognition of human rights issues among companies. In addition to the conflict in Ukraine, other issues have arisen across the world in recent years including forced labor in the Xinjiang Uyghur Autonomous Region, repression of civilians by the military in Myanmar, and the Black Lives Matter movement in America. In Japan, in addition to the labor problems of foreign technical intern trainees, there have been growing concerns about sexual assault by the founder of an entertainment agency. However, Japan lacks an enforceable policy in relation to human rights initiatives such as seen in the European countries, and there is no clear framework for information disclosure as there is for climate change. As a result, debate about human rights issues with an extensive view of the entire value chain has been behind the curve.

With the globalization of business activities and the expansion of supply chains, if human rights violations are discovered by the company or its stakeholders, including suppliers, this can lead to a significant loss of reputation and even a boycott by consumers. In addition, amid the growing tightening of human rights-related regulation and requirements in Europe and the U.S., neglect in taking action could exacerbate the risk of losing business opportunities for companies operating globally.

From this perspective, we conducted a survey of Japanese companies involved in the procurement of high risk commodities, where serious infringement of human rights is considered likely to occur, based on disclosure information, including how initiatives for human rights due diligence are implemented throughout the value chain. The results indicate that while there has been comparative progress in disclosures related to human rights policies and the response to supplier companies, there are few disclosures concerning the human rights response for stakeholders other than supplier companies such as indigenous peoples, consumers and end users.

Visualization of and the response to human rights issues for the entire value chain, including supplier due diligence can be considered issues for Japanese companies. Asset Management One plans to further engage with investee companies through engagement activities, etc. to ensure that their response to human rights issues becomes effective for the entire value chain.

Please refer to "One Sustainability Insight" below for details.
"Survey of Japanese companies' initiatives to respond to human rights – response to human rights for the entire value chain is an issue -" on September 29, 2023
https://www.am-one.co.jp/img/company/42/230929_ESGcolumn.pdf

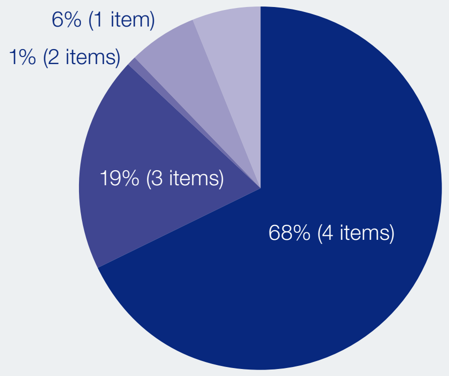
Sixteen human rights assessment criteria

Theme	Assessment criteria
Human rights policy	❶There are disclosures of human rights policy compliant with international standards (Guiding Principles on Business and Human Rights, International Bill of Human Rights, OECD Guidelines for Multinational Enterprises, ILO's Core Labour Standards)
	❷There are disclosures concerning the prohibition of child labor, forced labor, and human trafficking
	❸There are disclosures concerning the abolition of discrimination including harassment, the pursuit of equal opportunities, and D&I promotion
	❹There are disclosures concerning freedom of association and collective bargaining rights
Whistleblowing system	There are disclosures concerning internal whistleblowing systems
Human rights due diligence	❶There are disclosures concerning the human rights DD process
	❷There are disclosures concerning the results of human rights DD
	❸There are disclosures of the number and details of responses concerning corrective/remedial measures and risk mitigation plans as necessary

Theme	Assessment criteria
Supplier Code of Conduct	A supplier Code of Conduct has been formulated and there are disclosures about the abolition of discrimination, the prohibition of child labor and forced labor, and the freedom of assembly and collective bargaining
Supplier evaluation and procurement	❶There are disclosures of supplier evaluations for criteria including human rights and labor
	❷There are disclosures of supplier audit (internal audit or external audit) for criteria including human rights and labor
	❸There are disclosures of a responsible procurement policy or guidelines (palm oil, cotton, leather, seafood, wood, conflict materials, etc.)
	❹There are disclosures of obtaining a sustainable certification system (palm oil, cotton, leather, seafood, wood, conflict minerals, etc.)
Grievance process mechanisms	There are disclosures concerning external grievance process mechanisms
Rights of indigenous peoples	Disclosures concerning respect for the human rights of indigenous peoples
Rights of consumers and end users	There are disclosures concerning respect for the human rights of consumers and end users

Source. Based on the draft standards of European Financial Reporting Advisory Group (EFRAG), namely "ESRS S1 Own workforce," "ESRS S2 Workers in the value chain," "ESRS S3 Affected communities," and "ESRS S4 Consumers and end-users."

Results of the survey concerning human rights policy (4 criteria)



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Refer to P.20 SUSTAINABILITY REPORT 2024

Human Rights and Health & Wellbeing | The Status of Japanese Companies' Response to AI Risks

The spread of AI such as generative AI is causing the benefits of AI to become something familiar in people's lives. AI embedded deep learning is able to perform tasks that previously appeared difficult for machines.

On the other hand, the rapid development and spread of AI technology has made it clear that AI could present various risks. For example, if the discrimination that exists in society is reflected in the AI training data, the AI trained from such data could reproduce discrimination. In addition, if the biometric identification technologies incorporating AI are used for people surveillance, it would undermine people's privacy rights and could become a threat to civil liberties such as the freedom of speech and the freedom of assembly, which are the foundations of democracy.

Such AI risks are also closely related to our materiality. In addition to the large overlap of "Technological" materiality like "adverse outcomes of technology," there could be a huge negative impact on social materiality such as "diversity, equity and inclusion" and "racial discrimination." However, in contrast to the pace at which AI is spreading throughout the economy and society, people's awareness of AI-related risks among individuals and businesses has not become widespread enough, and regulatory developments have not kept pace.

Under these circumstances, we conducted a survey of Japanese companies' current disclosure on AI risk as a first step toward addressing this risk. Going forward, we recognize the necessity to further deepen our understanding of AI risks, and, while taking the standpoint of the investor, actively urge companies to adopt initiatives to reduce such risks.

Key points in addressing AI risk

1 Develop policies and commitments on the use of AI

Matters that should be noted in the utilization of AI such as fairness and transparency are prescribed as a company-wide policy and commitment.

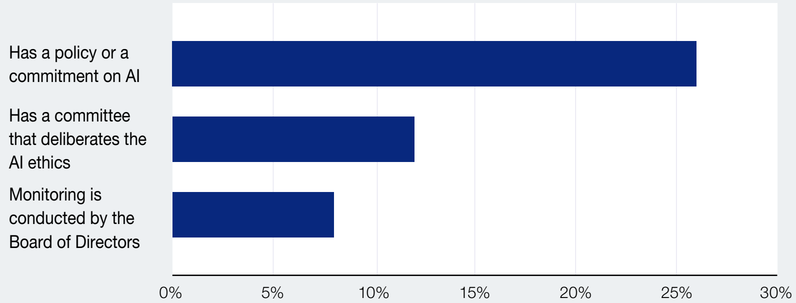
2 Establish AI ethics committee, etc.

Consider AI risks at the ethics committee, etc. It is preferable to establish an independent AI ethics committee, with members that include external experts.

3 Board level governance on AI risk

Discussions and other issues arising from the AI ethics committee are reported to the Board of Directors, which is involved in governance on AI risk.

Status of initiatives at Japanese companies



A survey of 66 major companies that provide AI-related products and services in high impact sectors such as IT services and hardware, and media entertainment about their disclosures on AI risk, found that many companies have not made sufficient progress in addressing the AI risks they may face.

As of September 2023

Refer to P.24 SUSTAINABILITY REPORT 2024

Engagement Overview for Japanese Equities

In Asset Management One's engagement activities with investee companies, we place emphasis on making a more convincing narrative of value creation for each company on how to link solutions for environmental and social issues to the improvement in corporate value. Amid great change in the business environment, we consider our initiatives for "aimed outcomes" and for the "materiality" for achieving them to be the key when working to raise the level of confidence regarding the future improvement of corporate value for investee companies. In engagement activities with senior management, we ask what we consider to be the ultimate question as a long-term investor, namely, "Will your company be shining in 10 years, 30 years and 50 years from now?" Generally, the response is something like, "We will still exist, but we can't get there without making changes." Such replies raise questions, "What exactly cannot continue as it currently is?" or "What needs to be done in their thoughts?" These discussions are exactly important points for engagement. We are deepening discussions about true materiality and what is needed right now for the improvement of corporate value, by encouraging companies to clarify their long-term ideals/vision, and backcasting from aimed outcomes in the future.

Our unique approach to engagement activity

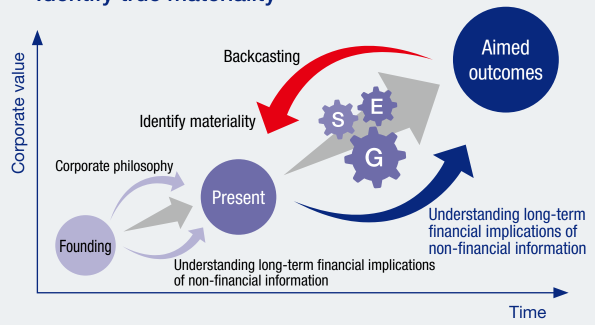
Focus on convincing narrative of value creation

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

Identify true materiality



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, and what countermeasures are being taken to address them.

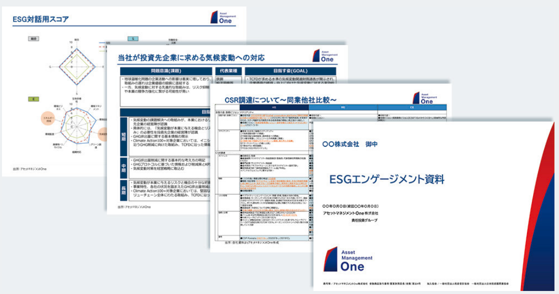
Crucial considerations

1. Are ESG activities positioned at the heart of business strategy and management?
2. Are ESG activities regarded as investments for sustainable growth?
3. Are ESG activities being implemented proactively to tackle new challenges?

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.



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.

New perspective

Awareness of issues becoming tangible

Latent		Actual
Awareness of issues or problems latent in the company	Dialogues with Asset Management One	Recognition as an issue for value creation

Makes sense!

Refer to P.24 SUSTAINABILITY REPORT 2024

Engagement Activities [Japanese Equities]

In our engagement with Japanese equities, we strive to contribute to the improvement of corporate value at the investee companies and to the overall improvement of the stock market through dialogue from a medium- to long-term perspective.
In addition to our nine core materiality issues and three focus areas, we also actively engage in governance-related issues and issues unique to Japan.
Here, we will introduce examples of dialogue on issues that Japanese companies urgently need to address, such as climate change, the circular economy, capital efficiency/reduction of cross-shareholdings, regional revitalization, and corporate strategy.

Case1

Engagement Case Study (Transport Equipment Company A)

Through ongoing dialogue, we confirmed the company's advanced disclosure of climate change information and progress in reforming its business portfolio.

Issues
Climate change

Aimed outcomes
Climate change-related financial statements are disclosed at the level required by the TCFD, which is an effective approach to climate change to maintain and enhance corporate value

Dialogue format
Video conference

Milestones

8	Completing engagement
7	Plans implemented
6	Plans formulated
5	Initiatives taken
4	Issues recognized by Senior Management
3	Issues recognized by company representative
2	Raising concerns/ suggestions
1	Identifying issues

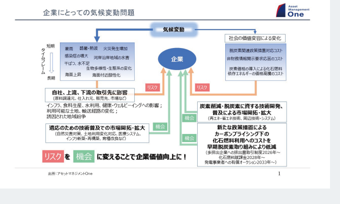
Issue

【 Issues of target company 】

The impact of global warming on corporate activities is steadily increasing, and any delay in taking action will directly lead to a loss of corporate value. On the other hand, we believe that taking a leading role in addressing climate change will likely lead to the containment of risk and the strengthening of competitiveness in core business.

As one of the global leaders in electrification-related products, the company have a major challenge in strengthening the appeal in relation to climate change, including the GHG emission reduction efforts and business strategies. This field is also important in terms of contributing to climate change measures, and we thought that the company should present ambitious goals and a long-term vision.

Examples of materials used in the dialogue



Action

【 Dialogue counterparty 】

Director CFO, IR and Corporate Strategy Department

【 Dialogue content 】

We continued to hold dialogues with the company, which is one of the global leaders in electrification-related products, about the need to strengthen its efforts in sustainability management, and in particular, to achieve carbon neutrality as soon as possible, and to strengthen its appeal in relation to its business strategy.

The company set three targets: (1) zero CO_2 emissions from factories, (2) sales of electrification products of 1 trillion yen, and (3) commercialization of CO_2 capture and reuse, with the aim of achieving carbon neutrality by 2035. The initiatives are activities that extend from mobility products to manufacturing and society, and the company has a policy of increasing the feasibility of these initiatives, including through collaboration with other companies, and we received a response that they would gradually disclose more information.

We will continue to check the progress of the decarbonization strategy, and we have again emphasized the lack of appeal regarding electrification in terms of strategy and have urged the company to strengthen its initiatives.

Outcome

【 Status of dialogue achievement 】

As a result of our urging for stronger initiatives, the company has set a 2035 carbon neutral target for Scope 1 and Scope 2 GHG emissions, and a Scope 3 emissions reduction target. The company was also able to obtain SBT certification, an "A" rating in the CDP Climate Change score, and make advanced disclosures in line with the TCFD recommendations, including financial impact. In terms of alignment with the strategy, we were able to confirm that the disclosures were appealing to investors, such as presenting the global market share of electrified core products and clearly stating that the business portfolio will be shifted to high-growth, high-profit CASE-related businesses.

【 Features and strengths of our engagement 】

In this case, we believe that the success was due to the collaboration between sector analysts and ESG analysts, and the implementation of an engagement that integrated financial and non-financial factors.

Next steps: Future direction

【 Future direction 】

We will continue to monitor the progress of the decarbonization strategy, which is linked to the business strategy, and the concentration of management resources on highly profitable businesses.

Refer to P.24 SUSTAINABILITY REPORT 2024

Case2 Engagement Case Study (Non-ferrous Metals Company B)

Sustained dialogue was successful, and the investee company announced its aim to expand its business with “circulation” as its main theme

Issues
Circular economy

Aimed outcomes
Promoting initiatives for a circular economy that seeks to make effective use of resources through innovation and create new added value is an effective approach to maintaining and improving corporate value over the medium to long term

Dialogue format
Video conference

Milestones
8 Completing engagement
7 Plans implemented
6 Plans formulated
5 Initiatives taken
4 Issues recognized by Senior Management
3 Issues recognized by company representative
2 Raising concerns/ suggestions
1 Identifying issues

Issue

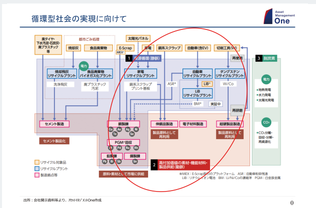
【Issues of target company】

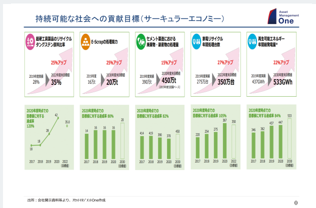
Mass production and consumption-based economic development is increasing the environmental burden on a global scale, causing irreversible damage to the ecosystem, and is expected to become a constraint on future corporate activities, so any delay in taking action is expected to directly lead to a loss of corporate value. In contrast, it is thought that corporate activities that create added value through services, etc., while reducing the amount of resources used and consumed and making effective use of stock, in line with the 3Rs (reduce, reuse, recycle) approach, are highly likely to lead to the suppression of risk and the strengthening of competitiveness in core businesses.

The company had made progress in optimizing its business portfolio, which had been one of the goals of its previous medium-term management strategy, and had made progress in reorganizing unprofitable businesses, such as the sale of sintered parts and aluminum businesses and the separation of the cement business. However, it was still unclear whether the company would be able to establish a competitive advantage in areas such as cemented carbide tools and high-performance products, and the stock market at the time evaluated that the company had not yet established a competitive business portfolio.

Based on this perception, the company was working to reduce waste emissions and recycle waste materials as a response to environmental issues, and we thought that the metal resource recycling business could play a part in the business portfolio of Company B by our encouraging the company to consider a commercialization plan for metal resource recycling that utilizes its unique refining technology, which is one of its strengths.

Examples of materials used in the dialogue





Action

【Dialogue counterparty】

Executive Officer, Head of IR Group

【Dialogue content】

We have been engaging in dialogue on “anti-takeover measures”, “business ethics”, “board of directors and corporate governance”, etc. since 2018. Regarding “circular economy”, we have been engaging in dialogue since 2020. In the dialogue over several years, we have conveyed our expectations for the construction of a refining and resource recycling business plan that will lead to the improvement of corporate value through the use of recycling technology, rather than just only collecting in order to realize a recycling-oriented society.

The company responded that “in its new medium-term management strategy, it will make resource recycling as its main theme, and will build a network to collect scrap from almost all countries overseas, while at the same time expanding its domestic scrap acceptance and processing capacity and strengthening the supply of high-function materials and products, to achieve growth across the entire value chain.”

Outcome

【Status of dialogue achievement】

As a result of several years of continuous engagement, the company has set “recycling” as the main theme in its medium-term management strategy, which ends in FY2030, and has announced a plan to aim for growth across the entire value chain by establishing a recycling cycle for metal resources, after reviewing its “vision” and materiality.

【Features and strengths of our engagement】

In this case, we have built a relationship of trust with the company in question by engaging with them on a wide range of issues in the past, based on detailed materials. In addition, we believe that our continued dialogue on this issue, in collaboration with our sector analysts, has been successful in ensuring that the resolution of the issue will lead to an increase in corporate value.

Next steps: Future direction

【Future direction】

There are many variables, such as the quantity and cost of scrap collection, and the demand for and selling price of recycled products, so we plan to continue dialogue to ensure that this initiative leads to stable business expansion and profit growth.

Refer to P.24 SUSTAINABILITY REPORT 2024

Case3 Engagement Case Study (Transport Equipment Company C)

Ongoing dialogue led to significant progress in Company C and its group companies' efforts to reduce cross-shareholdings.

Issues
Capital efficiency / reduction of cross-shareholdings

Aimed outcomes
Effective measures to improve capital efficiency, such as reducing cross-shareholdings, optimizing capital allocation, and reforming the business portfolio, are implemented, and the equity spread (the difference between expected returns and the cost of capital) is widening.

Dialogue format
Video conference

Milestones
8 Completing engagement
7 Plans implemented
6 Plans formulated
5 Initiatives taken
4 Issues recognized by Senior Management
3 Issues recognized by company representative
2 Raising concerns/ suggestions
1 Identifying issues

Issue

【Issues of target company】
In order to improve corporate value over the medium to long term, it is essential to achieve capital efficiency that exceeds the cost of shareholders' equity. It is very important to work to improve ROE levels and at the same time reduce the cost of capital in order to increase corporate value.

The issue with the cross-shareholdings at Company C is that the shareholdings are obstacle to improving the capital efficiency of both Company C and the companies in which the shares are held, so both sides need to work to reduce them. With this in mind, we believe it is important for Company C to take the initiative in making effective efforts to reduce its cross-shareholdings and to quickly formulate and actively disclose its EV (Electric Vehicles) strategy, etc., and to achieve a stable PBR of 1x or more.

Example of materials used in the dialogue

With the aim of holding a dialogue on the appropriateness of cross-shareholdings, we presented the purpose of holding cross-shareholdings and whether there is mutual holding, as disclosed in the securities report.

Action

【Dialogue counterparty】
Outside director, head of capital strategy office

【Dialogue content】
We engaged in an ongoing dialogue on the responsibilities of companies with cross-shareholdings, from the perspective of both the holders and the holdees of the shares. For example, we exchanged opinions about the purpose of the company C's holding shares in telecommunications companies, the appropriateness of the amount held, and whether there were more attractive destinations to allocate capital, such as EV-related investments. Thanks to our ongoing dialogue, we received a positive response from the outside director about reducing cross-shareholdings. In response to a challenge about the difficulty of selling the shares in Company C by the holders, we were able to encourage the company whose shares were held to make a public declaration that selling the company's shares would not affect business relationships negatively.

After that, the company C announced that it would sell its holdings of shares in group companies as well as the telecommunications company shares, and some group companies announced their intention to sell all of their cross-shareholdings. As a result, the entire group made significant progress in this area.

Outcome

【Status of Dialogue Achievement】
As a result of our ongoing dialogue on cross-shareholdings, also supported by the TSE's request over capital efficiency, we were able to reduce cross-shareholdings across the group. In particular, the reduction of cross-shareholdings by the company holding Company C's shares is not only an improvement in capital efficiency, but also a very significant action in terms of building healthy business relationships and establishing transparent governance.

【Features and strengths of our engagement】
We believe that this is the result of our dialogue with Company C over the past few years regarding capital efficiency, with a focus on reducing cross-shareholdings. We have recommended that Company C reduce its holdings and also that it publicly announce that it will not prevent other companies from selling their shares in Company C.

Next steps: Future direction

【Future direction】
We plan to continue to encourage further reduction of the shares Company C holds and the company C's shares other companies hold and to improve capital efficiency.

Refer to P.24 SUSTAINABILITY REPORT 2024

Case4 Engagement Case Study (Regional Bank D)

Efforts for regional revitalization and information disclosure have been expanded, and market evaluation has also improved.

Issues
Regional revitalization

Aimed outcomes
Initiatives to solve issues lead to the containment of risks and the expansion of returns in the main business, contributing to the maintenance and improvement of corporate value

Dialogue format
Interviews (1-on-1)

Milestones
8 Completing engagement
7 Plans implemented
6 Plans formulated
5 Initiatives taken
4 Issues recognized by Senior Management
3 Issues recognized by company representative
2 Raising concerns/ suggestions
1 Identifying issues

Issue

【Issues of target company】

Overcoming the social issues facing Japan, such as the declining and aging population and shrinking regional economies, is an urgent issue. For companies operating business activities in rural areas, regional revitalization is an essential initiative for sustainable growth, and for regional bank groups that are based in the local community, supporting local companies and households through their core business is the very raison d'etre of their existence.

Company D is a regional bank with a strong presence in the major cities of eastern Japan, and is expected to play a central role in the recovery from the earthquake disaster. On the other hand, in order to continue to provide risk money to the region, it is necessary to have a strong management base, so it is also necessary to address the issue of "capital efficiency" as an important issue.

Action

【Dialogue counterparty】

Executive Officer, General Manager of General Planning Department, etc.

【Dialogue content】

Since fiscal 2018, we have been working with the active investment management department to hold multiple engagements every year, and while also making use of the exercise of voting rights, we have been encouraging the strengthening of initiatives and the enhancement of information disclosure on a wide range of issues such as "regional revitalization", " sustainability management", and "capital efficiency".

In the first few years of the dialogue, the company was aware of the issues but lacked the sense of urgency needed to take action. However, the company's awareness and actions have accelerated in recent years, thanks in part to our careful and persistent engagement, including introducing best practices from other banks to encourage action and explaining our approach to exercising voting rights and providing feedback on the results of our voting.

Outcome

【Status of Dialogue Achievement】

The company's efforts to revitalize local communities have accelerated, and in the dialogue for fiscal 2023, we heard positive comments such as "We will promote revitalization not only in our home prefecture but throughout the region" and "In the past, our main focus was on providing low-interest loans, but now we are seeing the penetration of proposal-based sales, and there is a growing awareness among our employees that we can still do more." Progress was also seen in the issue of "capital efficiency," which we had been discussing, and the company's stock market evaluation has improved significantly.

【Features and strengths of our engagement】

In this case, we worked mainly with the active investment management department to conduct frequent and continuous dialogue, and we built a relationship of trust with the company. In exercising voting rights, we also took a flexible approach based on the results of our dialogue, such as voting in favor of proposals that conflicted with our decision-making criteria and should have been opposed in principle.

Examples of materials used in the dialogue

	地方創生に向けた金融機関等の「特徴的な取組み事例」								「ESG金融促進事業委託業務」支援先			
	2015	2016	2017	2018	2019	2020	2021	2022	2020	2021	2022	2023
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*は広域連携事例

Introducing examples of distinctive efforts and achievements adopted as projects eligible for support under the government's regional policy. Using these, we requested the promotion of initiatives.

Next steps: Future direction

【Future direction】

Since regional revitalization is a long-term activity, we will continue the dialogue while checking on the progress of the initiatives. We will also request disclosure that is conscious of outcomes, such as quantifying the impact on the region.

Refer to P.24 SUSTAINABILITY REPORT 2024

Case5 Engagement Case Study (Medical Equipment Company E)

The review of the business was facilitated by engaging in dialogues that promptly responded to the changing situations in emerging countries

Issues
Management resources, business portfolio

Dialogue format
Interviews (1 on 1)

Milestones

8	Completing engagement
7	Plans implemented
6	Plans formulated
5	Initiatives taken
4	Issues recognized by Senior Management
3	Issues recognized by company representative
2	Raising concerns/ suggestions
1	Identifying issues

Issue

【Issues of target company】

We highly value the company's business development, including the establishment of a medical system to improve health and wellbeing in emerging countries. However, in one of the countries where the company operates, the business environment has changed suddenly due to a military coup, and since then, the military government and anti-government forces have continued to fight, making it difficult to establish a democratic government. We thought that there was a high possibility that concerns about the continuity of business operations due to economic and financial sanctions from foreign countries, etc., and concerns about domestic and foreign institutional investors excluding companies that operate in the country from investment targets from the perspective of human rights violations, etc., would lead to a long-term discount in market valuation.

Action

【Dialogue counterparty】

President and CEO, Senior Managing Director

【Dialogue content】

Dialogue began in 2021, when the military coup occurred. Through continuous dialogue with the management team, including the top management, we exchanged opinions on new changes in the situation, such as the trends of other companies operating in the country and the investment stance of European institutional investors toward companies operating there, and shared issues. We also emphasized that disclosing the current situation of the business environment and approach to business continuity to the market as appropriate would lead to further improvement in market credibility. When we explained the actions of global companies operating in other conflict zones, the president said, “This is also very informative from the perspective of sustainability.

Outcome

【Status of dialogue achievement】

In the fiscal year ending March 2024, the entire balance of unamortized goodwill was amortized, and then the re-transfer of shares to the founder of the company's business in the country, which we had proposed as a response to the direction of the business in the dialogue to date, was implemented, and it was announced that all shares would be sold and the company would withdraw from the country's business. Subsequently, in dialogue with the president, it was confirmed that the ability to manage the entire subsidiary under the same compliance standards was the central of the decision-making process, and we concluded it as Completing engagement.

【Features and strengths of our engagement】

We have formed long-term relationships with successive presidents and directors in charge of corporate planning, and have been given the opportunity to engage in continuous dialogue with the management team. In this case, we were able to exchange opinions from a wide range of perspectives, including sharing the responses of global companies operating in conflict areas by our ESG analysts, which helped to resolve the issue under the abnormal circumstance.

■ Perspectives, approaches, and commitment to equity research

Understanding of essential issues based on bottom-up research	Accurately identifying corporate issues through long-term and short-term financial and non-financial analysis, competitive analysis, etc.
Medium- to long-term perspectives using cross-industry and ESG-based theme research	Providing companies with new perspectives by combining cross-industry theme analysis and ESG perspectives
Focusing on the effectiveness of dialogue by building relationships of trust with companies	Improving the effectiveness of dialogue on a wide range of issues by gaining the trust as an investor who understands the company.

Next steps: Future direction

【Future direction】

While focusing on ongoing projects and future developments in emerging countries, we would like to continue constructive dialogue on initiatives to restructure the system for providing medical care in light of Japan's declining population.

Refer to P.24 SUSTAINABILITY REPORT 2024

Engagement Activities [Japanese Fixed Income Strategies]

In fixed income management, we engage in discussions with companies on their approaches to ESG issues that could pause future risks, as identified through our proprietary ESG credit score.
We also explore financial strategies, issuance policies, downside risks, from the perspective unique to fixed income.
Unlike equities, bonds do not have a direct means of exercising voting rights, but recently, the new bond market for ESG bonds and hybrid bonds has been expanding, and opportunities for dialogue with issuing companies are increasing. As one of the leading active credit players in Japan, we are striving to effectively communicate investors' perspectives with companies by leveraging our presence.

Case6

Engagement Case Study (Electric Power Company F)

Confirmation of the specific initiatives of an electric power company toward carbon neutrality and their impact on finances

Dialogue Issues
Initiatives towards carbon neutrality

Dialogue format
Interview and facility tour

Issue

【 Issues of target company 】

While power companies play an important role in society by supplying electricity, they are facing the challenge of transitioning to clean energy that does not emit CO_2 in order to achieve a carbon neutral society by 2050. At present, they heavily rely on fossil fuels for their power generation, and they need to make large capital investments to shift to clean energy. We are aware of the content and roadmap of the power company's initiatives to reduce CO_2 emissions, and we are engaging with them with the aim of encouraging gradual CO_2 emissions reductions while maintaining financial soundness, with the goal of achieving carbon neutrality by 2050.

Action

【 Dialogue counterparty 】

Finance Group

【 Dialogue content 】

As the investment burden for achieving carbon neutrality increases, we held a dialogue on the progress of initiatives and investment aimed at shifting to clean energy. In addition to the status of investment in renewable energy, including the restart of nuclear power plants and wind power generation, as a means of switching to clean energy, the dialogue also covered the progress of initiatives to decarbonize existing thermal power generation, including the shift from co-firing to exclusive firing of LNG thermal power generation with hydrogen, co-firing of coal thermal power generation with ammonia and biomass, and the implementation of carbon capture and storage (CCS), as well as the status of initiatives to strengthen the power network to promote the spread of renewable energy. Amid a trend in increasing interest-bearing debt due to these investments, the dialogue confirmed that the company's policy is to pursue carbon neutrality while maintaining its creditworthiness. This is achieved by managing investment recovery risks through long-term decarbonization power source auctions and improving its financial balance, including enhancing its capital adequacy ratio.

Outcome

【 Status of Dialogue Achievement 】

Through the dialogue, we confirmed that the company is making progress towards achieving its CO_2 emissions reduction targets in line with its roadmap, while managing its finances with a focus on financial balance amid increasing investment burdens.

Next steps: Future direction

【 Future direction 】

As the Strategic Energy Plan is expected to continue to be updated with the aim of achieving carbon neutrality by 2050, and as many of the initiatives being taken by power companies to decarbonize thermal power generation are still at the demonstration experiment stage, we plan to continue monitoring and engaging in dialogue on the progress of these projects and the status of financial balance.

Refer to P.26 SUSTAINABILITY REPORT 2024

Engagement Activities [Non-Japanese Equities]

Case1 | Engagement Case Study with an Non-Japanese Company (Mining and Resources Company A)

Combining collaborative and individual engagement to lead to proactive disclosure and dialogue

Issues

Climate change
Sustainability management

Identification of material issues

Company A explores, mines and processes mining and resources, and is developing a wide range of businesses, including iron ore, aluminum, copper, diamonds, energy and minerals. The company faces several important sustainability issues, including climate change risk disclosure, greenhouse gas and energy reduction targets, and water stress and appropriate information disclosure. We also continue to monitor and engage on health and safety, particularly the safety management of employees and social communities, which is critical in mining and resource development.

Issue

【Issues of target company】

We believe that the main sustainability issues for Company A are related to addressing climate change risks, particularly in terms of reducing greenhouse gas emissions. In particular, we are working to encourage the company to measure and disclose its Scope 3 greenhouse gas emissions, which are its main source of emissions, to set emission reduction targets based on scientific evidence, and to use sustainable energy. Because Scope 3 emissions include emissions throughout the supply chain, measuring and reducing them is difficult, but it is important to ensure detailed disclosure and transparency to stakeholders.

Action

【Dialogue content】

Company A has been selected as an engagement company for Climate Action 100+, a collaborative engagement initiative on climate change, and we have been encouraging the company to address its sustainability issues and climate change risks through engagement.

In early 2022, we sent a letter to the board of directors of Company A, asking them to measure and disclose their Scope 3 emissions. Prior to the annual general meeting of shareholders that year, we held a meeting with climate change experts and communicated the importance of reducing Scope 3 emissions through engagement. We also asked Company A to develop a specific reduction plan as part of the collaborative engagement of Climate Action 100+.

By the end of 2022, we requested detailed information on the company's Scope 3 emissions reduction plan, and we again encouraged the company to set measurable and ambitious Scope 3 emissions reduction targets through engagement. In the fourth quarter of 2022, we participated in the company's investor session and confirmed the company's commitment to setting Scope 3 reduction targets and disclosing specific reduction plans. We also confirmed that the company was supporting the development of low-carbon technologies and collaborating with its business partners to decarbonize. However, it was identified that one of the issues was the low level of interest among customers in decarbonizing aluminum business. In particular, discussions were held on collaboration with Asian customers to decarbonize, but it was also found that Company A was reluctant to impose trading conditions for decarbonization on some of its Asian customers.

In response to this, we encouraged Company A to set Scope 3 reduction targets and to disclose specific reduction plans, including the progress of each emission reduction project, related capital expenditure, and technical and policy measures. We subsequently confirmed that the Scope 3 reduction targets were based on scientific evidence, but we also requested that Company A set emission reduction targets for other Scope 3 items and provide detailed reports on specific reduction plans through engagement.

Outcome

【Status of dialogue achievement】

We agreed with Company A to strengthen the measurement and disclosure of Scope 3 emissions, and the company committed to measuring and disclosing its Scope 3 emissions in its next climate action plan. In fact, in 2023, Company A set a reduction target for Scope 3 and announced a specific action plan based on this. This improved the transparency of Company A's climate change measures. The specific action plan includes detailed information on each emission reduction project, related capital expenditure, and technical and policy measures. As a result, we believe that Company A has increased its transparency in managing climate change risks and has been recognized by investors.

Next steps: Future direction

【Future response policy】

We will continue to monitor progress in reducing greenhouse gas emissions throughout the value chain and continue to engage in activities to encourage stronger efforts.

Refer to P.28 SUSTAINABILITY REPORT 2024

Voting Activities [Japanese Equities]

Case1

Case Study of Exercise of Voting Rights (Financial Company A)

Although the company's cross-shareholdings violated our guideline, we voted in favor of the proposal, as we appreciated the company's formulation of an effective plan for improvement.

Issue

We have been in continuous dialogue with the company regarding capital efficiency since 2018. Initially, the company acknowledged the issue of low capital efficiency, but we had the impression that they were reluctant to start initiatives due to the environment in which regional financial institutions are placed. Therefore, we have encouraged the company to improve capital efficiency by exercising voting rights, such as opposing the election of directors based on performance standards.

Action

Considering the unique circumstances of financial institutions in rural areas, where the population is aging rapidly and birthrates are declining, we have persistently continued to make recommendations, such as accumulating examples of regional contributions, including addressing the shortage of human resources and DX (Digital Transformation), and fostering local industries. We have also provided advice on information disclosure and supported initiatives that lead to improved market evaluation, such as encouraging the publication of integrated reports. As a result, mutual understanding with the company has gradually progressed, and initiatives to improve capital efficiency, such as strengthening non-interest income and selling cross-shareholdings, have accelerated.

Voting/Escalation

In May 2024, the company announced its capital policy for the "FY2024 Medium-Term Management Plan", including its policy of reducing cross-shareholdings and its shareholder return policy. After this announcement, the company also collected feedback and other information on the content of the measures.

At the general meeting of shareholders in June 2024, the company failed to meet the performance standards and the criteria for cross-shareholdings, but we voted in favor of the proposal to elect directors, recognizing the effectiveness of the measures confirmed through dialogue, the company's proactive efforts to support local communities, and other factors.

Outcome

The proposal to elect directors was approved at the general meeting of shareholders as proposed by the company.

We believe that steady implementation of measures in line with the aforementioned medium-term management plan is essential for improving capital efficiency. Going forward, we plan to regularly check the status of implementation of measures in the plan, business performance trends, and progress in reducing cross-shareholdings, etc., and to encourage continuous efforts to improve capital efficiency through dialogue.

Case2

Case Study of Exercise of Voting Rights (Electric Railway Company B)

We voted against the proposal, as we assessed that the company had not taken sufficient action in response to the misconduct that occurred in a group business.

Issue

Harassment violates the dignity of employees and has a negative impact on their psychological and physical health. From this perspective, employers are required to take the necessary measures to prevent harassment, and the standards for this are increasing year by year. In this context, a misconduct (harassment) occurred in the business division of the company group. We recognized that there were several issues, such as the unclear confirmation of the facts, the response to the people involved, and the unclear location of responsibility.

Action

We held a dialogue with the company's general manager and the manager in charge of sustainability, and confirmed the facts, as well as the person in charge of the series of responses, the decision-making process, and the group's risk management system as a holding company. We also requested that the holding company, with the active involvement of outside directors, make the group's overall risk management more functional, and at the same time disclose specific recurrence prevention measures and their progress.

Voting/Escalation

Although the published recurrence prevention measures were commendable to some extent, based on our dialogue with the company, we assessed that there was room for improvement in the handling of cases of high social interest such as this one, as well as in the risk management of the holding company that oversees the entire group. We expressed that the trust in the group and the brand value of the business had been damaged, and we judged that the ultimate responsibility lay with the board of directors of the holding company, so we voted against the proposal to elect representative directors.

Outcome

At the general meeting of shareholders, the proposal to elect directors was passed as proposed by the company, but the ratio of votes in favor of the proposal for the chairman of the board of directors was only in the 50% range, reflecting the concerns of investors.

We will continue to seek dialogue on measures to prevent a recurrence of this incident and the progress made in this regard, and we plan to make decisions on the exercise of voting rights in the next fiscal year based on the content of this dialogue.

Refer to P.28 SUSTAINABILITY REPORT 2024

Case3

Case Study of Exercise of Voting Rights (Other Products Company C)

Based on dialogue, we voted in favor of the shareholder proposal for an outside director candidate.

Issue

While the company is proactive in its environmental and social initiatives, it is lagging behind in business structure reform and has issues with capital efficiency, such as a large amount of cross-shareholdings. Furthermore, we recognize that there are significant governance issues, such as the presence of multiple family members in the core of the management team.

Action

We held dialogues with the company's directors and outside directors. We have been continuously discussing the need for business structure reform, measures to improve capital efficiency such as the sale of large amounts of cross-shareholdings, and strengthening the governance system to further increase transparency and objectivity. In addition to this, we also met with the investment fund that made a shareholder proposal regarding the appointment of outside directors, and exchanged opinions on the need for business structure reform and governance reform to further improve the company's corporate value.

Voting/Escalation

The company was in breach of the cross-shareholdings criteria, but as it had presented a specific reduction plan, including the sale of large holdings, we voted in favor of the representative director, who would have been voted against based on the criteria. On the other hand, we voted in favor of the candidate in the shareholder proposal, as we judged that inviting an outside director who is an expert in competitive strategy would contribute to improving corporate value by accelerating the reform of the business portfolio.

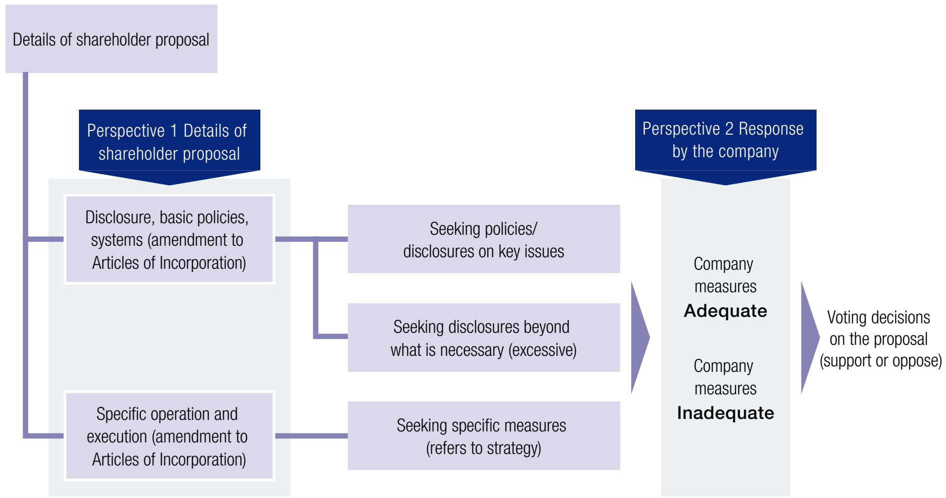
Outcome

Regarding the reduction of cross-shareholdings, our engagement to improve capital efficiency was successful, and led to the announcement of specific reduction plans, including the sale of large shareholdings by the company. However, to accelerate the reform of the business portfolio, it is necessary to increase the speed of management, and we plan to continue to strengthen our engagement, including the advancement of governance.

Approach to shareholder proposals regarding amendments to the Articles of Incorporation, including those related to Climate change

Shareholder proposals regarding amendments to the Articles of Incorporation are organized from two perspectives: “the content of the shareholder proposal” and “the company's response to the proposal”. In principle, we oppose proposals that seek disclosure beyond what is necessary (excessive disclosure) or that are considered to be within the scope of individual business execution and could micromanage specific business strategies.

We will oppose proposals that call for the formulation of policies or the enhancement of information disclosure on issues that are of high importance to the investee company if we believe that the company is already taking sufficient measures or that sufficient progress can be confirmed. On the other hand, we will vote in favor of such proposals if we judge that the content is appropriate and will contribute to the medium- to long-term enhancement of shareholder value. These are only general criteria for judgment, and we will make a decision on each shareholder proposal regarding amendments to the articles of incorporation on a case-by-case basis.



Refer to P.29 SUSTAINABILITY REPORT 2024

Voting Activities [Non-Japanese Equities]

Case1

Example of exercising voting rights (Non-Japanese Company)

Opposing the appointment of the lead independent outside director, in consideration of the company's response to climate change issues

Major Energy Company A

Issue

Our company is engaged in collaborative engagement with a group of investors through Climate Action 100+, and we are holding dialogues on themes such as setting targets for reducing GHG emissions, disclosing lobbying activities, and investment strategies, and the content of these dialogues is reflected in our decisions on proposals.

At the previous general meeting of shareholders (May 2023), we voted against a proposal to elect a director who was believed to be responsible for the company's inadequate response to climate change, and we also voted in favor of a shareholder proposal calling for the disclosure of information on the impact of the energy transition on workers and local communities.

Action

While the company was disclosing information on its Scope 3 GHG emissions, it had not disclosed its reduction targets. When a group of European and US investors announced their plan to submit a proposal to the company's annual general meeting (in May 2024) calling for the establishment of such targets, the company filed a lawsuit seeking to prevent the submission of the shareholder proposal.

We participated in a meeting with the company hosted by EOS at Federated Hermes, with which we have a partnership, and engaged in dialogue about this lawsuit.

Voting/Escalation

Despite the fact that the investor group subsequently withdrew their shareholder proposal regarding the setting of Scope 3 emissions targets, the company continued to pursue the case, including by charging the investor group for legal fees. We believe that this kind of response from the company not only limits the influence of shareholders and infringes on their rights, but also has a high probability of having a negative impact on the submission of shareholder proposals related to future climate change. Based on the company's response and the content of the engagement, we determined that the responsibility for the series of responses lies with the board of directors, and we opposed the proposal to elect the lead independent outside director and chairman of the nomination and governance committee as part of the proposal to elect directors at the general meeting of shareholders.

Outcome

The company's proposal to elect directors was approved, with all candidates elected. The opposition vote for the proposal to elect directors, which we voted, was approximately 13%.

We will continue to work with a group of investors through Climate Action 100+ to encourage the company to make progress in its efforts to address climate change, including setting Scope 3 reduction targets.

Engagement activities carried out through EOS at Federated Hermes

EOS at Federated Hermes (hereafter referred to as “EOS”) is a leading provider of stewardship services, and conducts engagement activities on behalf of clients (mainly asset owners) around the world. Since 2017, our firm has appointed EOS as our engagement partner for engagement with companies outside Japan. EOS also represents its clients in various global investors’ collaborative engagement initiatives. For example, EOS has been involved in many engagements as a lead or co-lead investor in Climate Action 100+, and is actively involved in PRI working groups (e.g. cyber risk, water stress), the Investor Alliance for Human Rights, and the Investor Initiative on Mining & Tailings Safety. EOS also escalates engagements when companies are reluctant to engage or progress is not sufficient. For example, EOS uses a variety of methods to strengthen engagement, including letters to the board of directors, collaboration with investors and other stakeholders, questions and statements at annual general meetings, shareholder resolutions and open letters. EOS provides examples of such engagement in its regular reports to clients (see page 28 of the Appendix for information on how we monitor service providers).

Refer to P.9 P.15 SUSTAINABILITY REPORT 2024

Dialogue and Collaboration with Initiatives and Government Agencies

Our firm actively collaborates with initiatives in Japan and overseas to encourage portfolio companies to make a transition to a sustainable society.
By acquiring domestic and overseas information from experts in a timely manner, we deepen our knowledge of ESG and apply it to engagement activities, etc. to resolve ESG issues faced by portfolio companies.

Climate Action 100+

Climate Action 100+ is an initiative that encourages global institutional investors to engage with the world's largest corporate greenhouse gas emitters regarding information disclosure and initiatives to reduce GHG emissions. Analysts from our Tokyo and London offices participate in this initiative, we have engaged with Japanese major automaker in collaboration with major US pension funds as a lead investor.

Nature Action 100

Nature Action 100 is a global institutional investor engagement initiative that focuses on further promoting corporate activities to reverse the loss of nature and biodiversity. Participating investors express expectations on six actions such as ambition, assessment, targets, implementation, governance, and engagement to protect and restore nature and ecosystems to the portfolio companies, and our firm has initiated engagement activities with several companies in Japan.

PRI Advance

PRI advance is a stewardship initiative led by PRI, in collaboration with institutional investors to address human rights and social issues. It conducts engagement activities with companies and policymakers aimed at generating positive outcomes for workers, communities, and society. Our firm participates in collaborative engagements with domestic and overseas companies.

International Sustainability Standards Board (ISSB)

As an organization under the IFRS Foundation, the Board was launched in 2021 through the integration of multiple organizations which developed standards for ESG and sustainability information disclosure. We participate in the Investor Advisory Group which is an advisory body consisting of investors and an organization of experts, the Technical Reference Group that supports the formulation of standards, and we actively provide opinions for the formulation of efficient and effective global ESG disclosure standards.

Participating initiatives

Participating year	Name of initiative
2013	PRI (Principles for Responsible Investment)
2014	ICGN (International Corporate Governance Network)
2017	Climate Action 100+
2018	ACGA (Asian Corporate Governance Association)
2018	JSIF (Japan Sustainable Investment Forum)
2019	TCFD (Task Force on Climate-related Financial Disclosures)
2019	TCFD Consortium
2019	RE100 (Renewable Energy 100%)
2019	JSI (Japan Stewardship Initiative)
2019	30% Club Japan Investor Group
2020	ESG Disclosure Study Group
2020	Access To Medicine
2020	FAIRR (Farm Animal Investment Risk & Return)
2020	NZAM (Net Zero Asset Managers initiative)
2021	AIGCC (Asia Investor Group on Climate Change)
2021	ISSB (International Sustainability Standards Board)
2022	CDP
2022	The TNFD (Taskforce on Nature-related Financial Disclosures) Forum
2022	PRI Advance
2022	Human Capital Management Consortium
2023	Nature Action 100
2024	PBAF (Partnership for Biodiversity Accounting Financials)

Refer to P.9 P.15 SUSTAINABILITY REPORT 2024

Aiming to enhance the corporate value of portfolio companies, contribute to a sustainable society, and increase the value of Japanese capital market, we actively engage in policy dialogue with government ministries and public institutions, including the Ministry of Economy, Trade and Industry, the Ministry of the Environment, the Financial Services Agency, the Tokyo Stock Exchange, and the Japan Investment Advisers Association.

TCFD Consortium (the Ministry of Economy, Trade and Industry, Financial Services Agency, and Ministry of the Environment)

The TCFD Consortium is a public-private collaborative initiative in Japan to promote and facilitate the widespread disclosure of climate change-related information. Our firm's Executive ESG Advisor Terasawa has served as a Steering Committee member since the establishment of the consortium, and he is actively engaged in such activities as conveying the circumstances of utilization of the climate change information of investors to operating companies through round-table discussions.

TCFD Consortium

Study Group on Revision of Guidelines for Private Sector Engagement in Biodiversity (Ministry of the Environment)

This is a study group for formulating guidelines on impact assessment and information disclosure related to business activities, aimed at promoting conservation and sustainable use of biodiversity by encouraging businesses to participate in biodiversity-related initiatives. Executive ESG analyst Sakuramoto participated as a committee member, and contributed to the formulation of the "Guidelines for Private Sector Engagement in Biodiversity (3rd Edition) -Toward Nature Positive Management-."

For information on "Guidelines for Private Sector Engagement in Biodiversity (3rd Edition) -Toward Nature Positive Management-" please refer to the following website of the Ministry of the Environment.
https://www.env.go.jp/press/press_01452.html

DAIDARAPOSIE, concept character of the Nature Positive Declaration by the Ministry of the Environment

Human Capital Management Consortium (Ministry of Economy, Trade and Industry)

With the aim of promoting human capital management in Japanese companies through both implementation and disclosure, the consortium shares advanced case studies on human capital management, discusses towards collaborative action between companies, as well as collect, disseminates, and popularizes domestic and overseas information on human capital. As a founding member, Executive ESG Advisor Terasawa has been appointed as a member of the Steering Committee, and promotes the Consortium's activities.

Human Capital Management
人的資本経営コンソーシアム

Committees and study groups of government agencies we have participated in as a member, etc. from FY2022 to the present

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 on DX Certifications and selection of "DX Stock"
- "SX Stock" Evaluation Committee
- Study Group on Finance for Green Transformation
- Human Capital Management Consortium Steering Committee
- Japan Public and Private Working Group on Financed Emissions to Promote Transition Finance
- TCFD Consortium Steering Committee

Ministry of the Environment

- Study Group on Revision of Guidelines for Private Sector Engagement in Biodiversity
- Training Program for Regional Financial Institutions on TCFD Disclosure
- Selection committee on ESG Finance Awards in the Environmentally Sustainable Company Category

Financial Services Agency

- Impact Investment Study Group

Refer to P.21 SUSTAINABILITY REPORT 2024

External Evaluation of Our Stewardship Activities

Approved as a signatory of the UK Stewardship Code

Our firm has been approved as a signatory of the Financial Reporting Council (FRC)'s UK Stewardship Code 2020 (hereinafter, the "Code"). The Code defines stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society," and it sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

The Sustainability Report 2023 that our firm submitted to the FRC in April 2024 described the engagement activities that our firm has implemented over the course of the latest fiscal year along with a wealth of case studies, and we believe that this positive approach to disclosure and outcomes have been objectively confirmed as complying with the 12 Principles defined for asset owners and asset managers in the Code.

As a responsible institutional investor, our firm shall continue to work toward solutions for sustainability and other issues faced by society by engaging in constructive dialogue with investee companies, and shall contribute to growth in investment returns for our clients over the medium to long term.

PRI scorecard summary

PRI is a global initiative to encourage institutional investors to incorporate ESG issues into their investment decisions, based on the six Principles for Responsible Investment released in 2006.

PRI evaluates the commitment and progress of signatory institutions on these six principles based on their reports. Since 2021, the evaluation items and methodology were significantly revised. The latest PRI scorecard summary (2023) is as shown in the table below.

Our firm is proactively involved in PRI activities as an active member of the PRI Japan Advisory Group, and will continue to proactively engage in activities and strive to maintain and improve its evaluation.

PRI scorecard summary

Policy Governance and Strategy		★★★★★
Listed equity	Passive equity	★★★★
	Active quantitative	★★★★
	Active fundamental	★★★★
Fixed income	SSA (Sovereign, Supranational and Agency)	★★★★
	Corporate	★★★★
	Private debt	★★★★

Refer to P.31 SUSTAINABILITY REPORT 2024

Sustainable Investment Category

Asset Management One's Sustainable Investment Category

In the world of investment, pursuing both financial returns and social returns at the same time is a big challenge. Nevertheless, under the current situation where a variety of environmental and social issues globally affect corporate activities and markets, stable financial returns will diminish in the long term if not considering social returns. Even in the short term, considering that many investors and stakeholders promote economic activities that focus on a perspective of sustainability, we believe that caring about both financial and social returns is important in providing attractive investment products.

Accordingly, we introduced a new Sustainable Investment Framework in 2022 to ensure that clients can choose the degree of emphasis on social returns in addition to financial returns depending on their values and investment objectives.

This framework has several product categories and has been continually updated with reference to the EU SFDR and other international initiatives, as well as trends in Japanese regulations.

Currently, the following categories are in place: "Impact Investment," which aims for positive and measurable environmental and social impact, "Sustainability Investment," which aims to contribute to the solution of environmental and social issues, "ESG Leader," which invests in excellent companies that contribute to the achievement of a sustainable society, "Transition," which invests in companies whose initiatives for ESG are expected to improve, and "ESG Integration," which considers ESG risks and opportunities in the investment process.

■ Sustainable Investment Category

	Fund characteristics	Compatibility with the EU SFDR**	
Impact investment	•Investment which aims for positive and measurable environmental and social impact •Requiring three elements, namely, "an intention to create a social impact," "additionality and novelty," and "measurement and reporting"	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
Sustainability Purpose Investment*	•Investment that aims to contribute to the solution of environmental and social issues		
ESG Leader	•Investing in excellent companies which contribute to the achievement of a sustainable society	Article 8 funds	Funds that promote a part of or multiple aspects of the environment or society and whose investees are making efforts to ensure excellent governance system
Transition	•Investing in companies that take a positive approach to incremental reduction of society's and their own environmental and social burden •Investing in companies whose ESG initiatives are expected to improve		There are funds that do not fall under the category of Article 8 funds, depending on investment objectives, ESG elements, etc.
ESG Integration	•Consider ESG risks and/or opportunities in the investment process	Article 6 funds	Funds other than those mentioned above

* We changed the name of this category from "Impact Align" in association with the revision of Sustainable Investment Category in 2023.
** The compatibility is provided for general illustrative purposes only and does not guarantee strict compliance with SFDR requirements.

Investment Products based on Sustainable Investment Category

Through this category, we aim to provide better investment services by incorporating the opinions of clients with various values.

Specifically, based on our Sustainable Investment Framework, we will propose new products that capture global trends to clients.

Additionally, through dialogue with clients, we would like to continue initiatives such as improvement of the investment process and approach to external asset managers, regarding existing products.

Refer to P.9 P.15 P.31 SUSTAINABILITY REPORT 2024

Sustainable Investment Framework

Our firm has established a Sustainable Investment Framework (SIF) as the basis for our stewardship activities (engagement activity and exercise of voting rights) and exclusions as stipulated in our Sustainable Investment Policy, and our firm has 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 escalate our action by means like voting against management proposals to elect directors. Some of those companies are also prohibited from being held in our firm's Impact investment, Sustainability purpose investment, ESG leader funds.

In our SIF, our firm assesses companies to which our criteria for investment exclusion, engagement, or exercising voting rights are applied at a predetermined frequency (annually, monthly, etc., according to issues) for respective issues of focus areas. In the case that new information or corporate plans regarding these companies are found through engagement activities or disclosed information, we will revise them eligible for SIF. Additionally, we periodically revise the criteria considering changes in social challenges and level of company-wide efforts.

Sustainable Investment Framework (SIF)

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 Sustainability purpose investment ESG leader	Investable	Investable	Investable	To be excluded	To be excluded
Investment	Transition ESG integration Other active funds	Investable	Investable	Investable	Investable	To be excluded
Exercise of voting rights (proposal for director's election)		Voted for	Voted for	Voted for	Vote against in principle when there is a lack of progress in addressing issues at companies subject to our engagement	Voted against in principle
Engagement activity		Normal response	Normal response	Engagement based on importance	Engagement based on importance	Engagement based on importance

Exclusion criteria

×: No investment

	Exclusion criteria	Impact investment	Sustainability purpose investment	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	×	×	×			
Climate change	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	×	×	×			
Climate change	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	×	×	×			
Climate change	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 toward 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	×	×	×			
Biodiversity and environmental destruction	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	×	×	×			
Human rights and health & wellbeing	Despite the absence of a female director at our firm's engagement target company, no specific consideration to appoint a female director has been given	×	×	×			
Human rights and health & wellbeing	There have been scandals such as discrimination in diversity, and efforts for improvement have not been confirmed	×	×	×			
Human rights and health & wellbeing	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
** Cluster munitions, anti-personnel landmines, biological and chemical weapons, depleted uranium munitions, incendiary bombs (white phosphorus), blind lasers, and weapons that utilize undetectable debris

Refer to P.31 SUSTAINABILITY REPORT 2024

ESG Integration and Score

ESG integration

To achieve our firm's corporate message "creating a sustainable future through the power of investment," Asset Management One implements ESG integration into sustainable investment products and investment process. Our implementation of sustainable investment is built on the ESG evaluations of the investee companies.

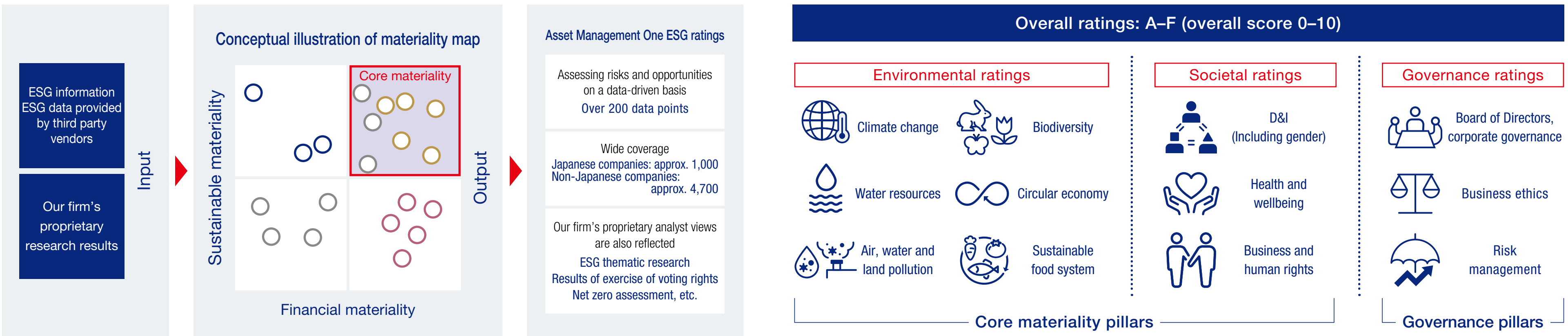
From the viewpoint of double materiality (evaluated on two perspectives: sustainable materiality and financial materiality), our firm carries out the ESG evaluation having critical global environmental and social issues that should be addressed as an asset management company, as major evaluation items. In evaluating critical issues, we also develop our own multiple evaluation systems depending on the evaluation viewpoint and objectives, applying a variety of asset classes and strategies.

ESG ratings and scores

Our firm's ESG ratings are based on the core materiality of the materiality map and evaluate companies on environmental, societal, and governance factors in terms of risks and opportunities. The core material issues of the materiality map are issues that are analyzed to be starting to significantly affect the value of the companies. Our firm believes that a pass to increase corporate value can be established by capturing risks arising from these issues and growth opportunities of companies.

To calculate our firm's ESG ratings and scores, it evaluates nine core materiality pillars and three governance pillars. Our firm makes evaluations by integrating more than 200 pieces of ESG data obtained from vendors and analyst evaluations and analysis. Evaluation of each core materiality is primarily conducted in terms of ESG business risk exposure, management policy, existence of controversies, and revenue from sustainability 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. Besides data driven evaluations sourced from third party information vendors, our firm's ESG ratings also reflect bottom-up based fundamental research conducted by its 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 results of the exclusion company list determination as stipulated in the sustainable investment framework.

Currently, ESG ratings are assigned to approximately 1,000 Japanese companies and 4,700 non-Japanese companies, and utilized for in-house active ESG fund management and for the ESG integration process as one of the measures for investment decisions. In utilization for investment decisions of ESG integration process, the ratings are integrated as input information for fundamentals investment ratings for Japanese stock investment or ESG credit ratings. The ratings are also used to measure ESG characteristics of funds and in ESG client reporting.



○ marks are images of social and environmental issues

* Note that the current evaluation includes sustainable food systems as one part of biodiversity.

Refer to P.31 SUSTAINABILITY REPORT 2024

ESG Integration in Fixed-income Investment

Credit analysis with ESG Credit Scores

We need a different approach in the incorporation of ESG elements in the case of bond investment compared with the case of equity investment. At our firm, ESG integration in Japanese fixed income investment is implemented through the use of its proprietary ESG Credit Scores in its investment process. Our firm's 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.

The characteristics of our firm's credit scores are that (1) the idea of double materiality is added (significance from both the financial and sustainability perspectives are considered) and (2) a long-term (10-year) time horizon is added apart from conventional creditworthiness analysis. Due to these characteristics, we can understand potential impact on creditworthiness in advance and utilize this knowledge for the investment process.

Using our unique ESG Credit Scores as a foundation, our experienced and dedicated credit analysts conduct in-depth research, etc. through direct interviews with the issuer and strengthen ESG creditworthiness analysis through proactive engagement with the bond issuer. Additionally, we incorporate a variety of focused ESG issues into assessment. In the latest fiscal year, we further refined the definition of transition risks of climate change, further clarify cyber risks, and take other similar measures to promote score revision. We also expanded assignment of scores to more overseas issuers. These ESG credit scores are utilized for product presentations to our clients and response to queries from clients about due diligence, supporting explanations about the ESG integration.

For actual investment decisions, even in cases where evaluation of the ESG Credit Score has been made in negative direction, we do not necessarily 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.

Features of ESG Credit Scores

❶ 15 ESG issues	❷ Two time horizons	❸ ESG assessment
Setting 15 ESG issues from the perspectives of effects on creditworthiness and double materiality	Creditworthiness evaluation period (24-36 months), within 10 years	Evaluated on a 5-point scale from 1 to 5 (1 < 5 risky)

Environment	Social	Governance
E1 Climate change (carbon transition)	S1 Customer relations	G1 Management strategy & credibility
E2 Climate change (physical climate risk)	S2 Human capital	G2 Governance structure
E3 Water management	S3 Health and safety	G3 Legal & regulatory management
E4 Waste and pollution	S4 Responsible production	G4 Financial transparency
E5 Other environmental issues (biodiversity etc.)	S5 Other social issues (demographic & social trends, geopolitical risk etc.)	G5 Risk management

Our approach to the growing issuance of ESG bonds

To enhance active returns, our firm is actively analyzing and expanding investments into ESG bonds, which have been increasingly issued in recent years, considering the criteria of their schemes, yields, and spreads. ESG bonds include green bonds, social bonds, transition bonds, sustainability bonds, and sustainability-linked bonds. The face value amount that our firm invested in ESG bonds was US$ 1,398 million (119 bonds) in FY2023, and US$ 273 million (20 bonds) in FY2024 (as of the end of June).

In analyzing the ESG bonds, we check the sustainability structure of the issuers and analyze the degree of compliance with the requirements for use of proceeds, process for project evaluation and selection, management of proceeds, and reporting, which are defined in principles such as the Green Bond Principles, as well as the progress of achievement of the sustainability performance targets established. 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 GX Economy Transition Bonds.

ESG bonds are expected to become a source of funds for countermeasures for ESG issues including climate change within the country. We will increase the effectiveness of improving investment sustainability by checking the use of the funds.

Refer to P.31 SUSTAINABILITY REPORT 2024

Collaboration with External Partners

Due diligence of ESG information vendors

Our firm adopts ESG data and assessments of multiple external information vendors as input information regarding various ESG assessments. Those are mainly purchased from MSCI, ISS ESG, RepRisk, Sustainalytics and utilized as information sources for portfolio creation and ESG ratings and scores created in the firm, and as basic information to identify stocks in which investment will be restricted in the Sustainable Investment Framework (controversy research, involvement in the manufacture of controversial weapons, etc.).

The ESG information provided by those external vendors is essential to our firm's ESG integration and sustainable investment product management. Meanwhile, our firm is responsible for investment decision as the party which utilizes the ESG information provided by the external vendors. As part of quality management for the ESG information our firm uses, it regularly conducts due diligence on domestic and overseas ESG information vendors with whom our firm has contracts. We conducted due diligence on ten vendors during a year up to the end of June 2024. In the due diligence process, we check the vendors' corporate profile, management situation, policy and structure for ESG research, research process, quality management, compliance and risk management, marketing situation, and participation in national and international initiatives.

In 2017, our firm started utilizing an engagement service by EOS at Federated Hermes ("EOS") in carrying out engagement with investee companies in global market except Japan. As part of monitoring the external engagement service, our firm participates in EOS annual client feedbacks throughout the year and also participates in EOS client advisory council events, and provides detailed feedback on EOS services there and ideas on the priorities in the annual engagement plan.

During the reporting period from July 2023 to June 2024, our firm's representative attended ten engagement meetings with investee companies organized by EOS and confirmed the engagement approach taken by EOS and the quality of their engagement activities. As a result, our firm found that EOS took actions in response to a variety of input from our firm.

ESG due diligence in the external investment

From the viewpoint of delivering better investment products, our firm also widely utilizes investment capability of external partners. Our firm applies its Sustainable Investment Policy to such external investment products with the aim to implement ESG integration and exclusion.

To ensure that initiatives for external investment take root, we established "Management Essentials to Implement Sustainable Investments for External Investments" in March 2023, introducing the adoption of avoidance criteria for external investment from a ESG viewpoint. As external investment managers have a variety of different ideas and philosophies regarding sustainability, our firm intends to comprehensively determine the exclusion (investment exclusion) criteria under our firm's Sustainable Investment Policy by assessing and respecting their unique initiatives instead of directly applying internal thresholds for in-house managed funds. Accordingly, in this fiscal year, we started assessing ESG initiatives of respective external investment managers by conducting ESG due diligence, which is independent from regular due diligence, on them and their respective investment products in accordance with the abovementioned Management Essentials.

Our firm does not intend to exclude investment strategies through the use of these ESG assessments. Our firm will aim to promote sustainable investment to build a sustainable society in collaboration with external investment managers through constructive dialogues. By October 2024, we had conducted ESG evaluations of 26 outsourcing partners and held ESG-related meetings with a number of external outsourcing partners. Through these efforts, our firm has prompted its external investment managers to implement exclusion criteria equivalent to those specified in its Sustainable Investment Framework and strengthen their ESG characteristics reporting.

Going forward, we will continue to carry out engagement with our external investment managers to proactively develop strategies that can secure not only financial returns, but also social returns.

■ESG due diligence at the external investment

A Policy and organizational structure

Evaluation and monitoring of ESG-related policies as an asset management company

- Responsible investment policy
- Stewardship policy
- Organizational structure related to ESG
- Training status related to ESG
- Status of engagement initiatives
- Situation of adoption of international standards
- Presence or absence of ESG-related KPIs
- Policy for respective focus areas and status of initiatives
- GHG emission measurement and reporting framework
- Policy on and framework of exercising voting rights

B Exclusion

Assessment and monitoring of the asset management company or its exclusion policy in its investment strategy

- Presence or absence of breach of adoption avoidance criteria
- Presence or absence of exclusion policy for each focus area
- Acceptance or rejection of our firm's Sustainable Investment Policy

C Investment objectives and targets

Investment strategy
ESG-related investment objectives and targets

- ESG-related investment target
- Impact-related investment targets
- Intention to solve ESG-related issues
- Establishment and measurement of ESG-related KPIs

D ESG integration in investment process

- Method of using external data
- Presence or absence of ESG ratings
- ESG-related monitoring
- Presence or absence of ESG analysts and method of utilizing them
- Status of ESG integration in each process
- Concrete method of ESG screening
- Presence or absence of ESG-based divestment criteria
- Target ratio of applicable ESG screening

E Disclosure

- Presence or absence of Sustainability Report and contents
- ESG-related disclosure (Acceptance or rejection of our firm's criteria)

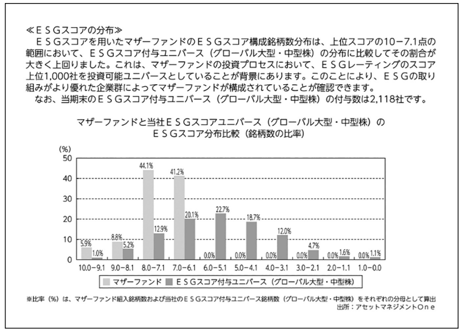
Refer to P.31 SUSTAINABILITY REPORT 2024

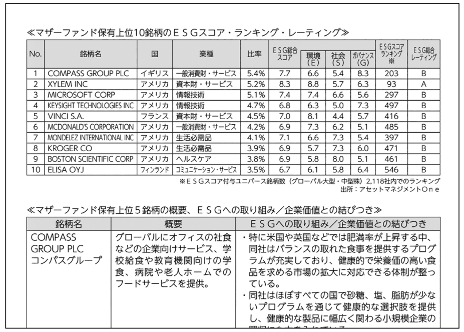
ESG Disclosure

Information disclosure to clients at ESG-related funds

Our firm believes that it is important to report on the characteristics and effectiveness of the ESG-investment products to clients who have high expectations with them. Accordingly, our firm has introduced ESG naming rules, and assesses and reports on ESG characteristics of investment products with the name of ESG or ESG-related. The contents of reporting differ depending on the strategy; however, they principally include results of measurements of principal elements of ESG strategy at the portfolio level, ESG characteristics of the top holding stocks and reasons of holding, information regarding engagement, information about carbon emissions of the portfolio as part of disclosure regarding risks of climate change. In the case of publicly offered investment trust, such information will be annually disclosed as part of information in the investment report at the end of fiscal year, helping clients understand ESG characteristics. We have also started individual investment reporting on ESG strategy to institutional clients. Through the disclosure of information regarding ESG funds in accordance with our firm's ESG naming rules, in addition to the reporting on active funds, we report on ESG index funds in terms of reasons for choosing the ESG index for the strategy and whether the ESG characteristics expected by clients are achieved after measuring the degree of achievement of the ESG characteristics.

■Images of ESG reporting in the investment reports





Example of contents of ESG reporting on ESG fund

- Explanations regarding ESG assessment that characterizes the ESG strategy
- Analysis of ESG characteristics at the fund level (ESG rating distribution, comparison with the benchmark, ESG scores at the fund level, etc.)
- Information regarding top 10 stocks being held and their ESG characteristics
- Information regarding top five stocks being held and reasons for holding from the viewpoint of ESG
- Carbon emissions and net zero characteristics of the fund

ESG information disclosure at the external investment fund

Our firm also strives to fulfill its investment and reporting responsibilities for our firm's external investment products in the same manner as mentioned above. For example, for the Global ESG High Quality Growth Stock Fund, Future World (ESG), we request the external investment manager to provide ESG information and report ESG characteristics analysis of the stocks held by them, assessment results, and reasons for holding their top holding stocks in the investment report. Additionally, we have established a special website with enhanced ESG information disclosure of the fund, providing a variety of information regarding ESG characteristics of the product and sustainability topics that our firm's fund managers focus on.

■Images of ESG reporting of externally managed investment fund "Future World (ESG)"

Refer to P.13 SUSTAINABILITY REPORT 2024

Climate Change

Corporate Division Net Zero Transition Roadmap

As a signatory asset management company to the Net Zero Asset Managers initiatives (NZAM, we have set long-term goals of achieving net zero GHG emissions across our entire supply chain by 2050 and net zero GHG emissions (Scope 1 and 2) for our group, including overseas offices, by 2030. We are working to achieve a decarbonized society, and at the same time as taking corporate initiatives, we are also promoting awareness and encouraging behavioral change among our employees.

Initiatives to reduce our own emissions: Net Zero Transition Roadmap

Targets/Milestones

Scope 1, 2 and 3 (Categories 1-14) GHG emissions (Asset Management One Group)

Scope 1 and 2 GHG emissions (Asset Management One Group)

Virtually Zero for Scope 1 and 2

Virtually Zero for Scope 3

2050

Achieving decarbonized society

	2024−2026	2027−2030	2031−2050
	Strengthen initiatives to achieve net zero Scope 2 GHG emissions by 2030	Continue to focus on initiatives to achieve net zero Scope 2 GHG emissions	Accelerate initiatives to achieve net zero Scope 3 GHG emissions by 2050
Scope1・2	● Develop GHG emission reduction plans for New York and Hong Kong offices *London office has achieved 100% renewable energy	● Consider additional measures based on the progress of overseas reduction plans ● Achieve net zero Scope 2 GHG emissions	
Scope3	● Identify appropriate GHG emissions (Scope 3), consider and build a management system ● Review the category classification of Scope 3 in the supply chain	● Consider strengthening engagement with the supply chain	● Consider additional measures based on the status of Scope 3 GHG emissions reductions ● Achieve net zero Scope 3 GHG emissions

Refer to P.37 SUSTAINABILITY REPORT 2024

Specific Examples of Corporate Sustainability Initiatives

Creating an organization with psychological safety

Place for dialogue

In order to create an environment where every employee can show his/her maximum performance with psychological safety, we arrange an opportunity for dialogue and create an opportunity for leaders and others to consider corporate culture.

Dialogues at workplaces

■Dialogue between an employee and a supervisor—1-on-1—

We conduct a 1-on-1 between an employee and a supervisor on a monthly basis, in principle. Providing a regular opportunity to discuss or exchange opinions about ways of working, growth, how to deal with jobs, health conditions, and others help employees to demonstrate their abilities.

■Dialogues among management—Engagement dialogue—

We arrange an opportunity for management to have dialogues once every 3 months and share management initiatives focused on improving engagement.

■Dialogues between senior management and employees—Town hall meetings—

In FY2024, we held 14 town hall meetings where senior management directly informed all employees of its policies. Additionally, we regularly provide opportunities for senior management and employees to have direct dialogues such as a meeting held by a division head.

■Dialogues between President & CEO and employees– Small meeting with President & CEO–

Small meetings were held 11 times between January and March 2024 and 15 times between July and November 2024 for all employees, where the President & CEO and a small number of the employees had a dialouge. The small meetings represent a place where we receive a wide variety of opinions including on-the-ground awareness of issues, proposals, and impressions on measures.

Supporting activities and autonomous career formation of diverse employees

Providing opportunities for autonomous career formation

We provide opportunities for each of the employees to consider a medium-to long-term career plan and take on challenges.

■Career-related programs

- Internal job posting system
- Overseas study program, studying at Japanese graduate school
- Overseas trainee
- Support for external career opportunities

Starting with the career talk program “Mirai-no-jibun,” we provide the “operations introduction/experience program” to introduce internal operations, the career interview and trainings related skill development. In addition to these programs, we also provide open application programs such as the internal job positing system and the overseas study programs.

Systems and communities that support diverse employees’ activities

There are systems and communities that support each employee’s way of working suitable for his/her life stage or in line with his/her life plan.

■Systems related to ways of working

System	Details
Teleworking system	Teleworking allowance; business operation that enables mobile working
Flex-time work system	More flexible core time (three hours between 8:40 a.m. and 5:10 p.m.)
Workcation	Allows for work at a place other than home or office for up to twice a year/five business days (limited to inside Japan)
Administrative leave for accompanying spouse overseas assignment	Allows an employee who accompanies his/her spouse on an overseas assignment to take leave
Remote site work system	Allows an employee to choose a temporary workplace more flexibly in response to job transfers of his/her spouse or nursing of a family member
Short-term remote site work system	Allows an employee to do remote site work up to five business days per month due to care or nursing of family members
Life support leave system	Allows employees to take up to two years of leave to support their career developments and life plans
Childcare / Nursing care leave system	A leave system to help employees balance work and childcare or nursing care
Short-time work system	Short-time work system helps employees balance work and childcare or nursing care (for a parent of a child in the third grade in elementary school or younger)
Accumulated leave system	Allows an employee to use accrued paid leave carried over from the previous year (half day or one day) for nursing care, medical treatment, fertility treatment, regular hospital visits, or medical examinations.

Refer to P.40 SUSTAINABILITY REPORT 2024

Sustainablility Policies and Measures

The Basic Policy on Sustainability Initiatives and other related measures are discussed and debated at a predetermined decision-making level respectively. They were established and revised as needed.
(The latest revisions and updates of relevant policies and measures are presented in the table below.)

Policy, measures, etc.	Overview	Most recent date of establishment or revision	Details of the latest revision	Approval level
Basic Policy on Sustainability Initiatives	A policy that contributes to the environment preservation as well as sustainable development and prosperity of the economy, industries, and society within and outside Japan, by promoting sustainability initiatives from a long-term standpoint. It prescribes key matters for the achievement and promotion of increasing corporate value through paying attention to value creation for various stakeholders and achieving sustainable and steady growth of our firm's group	April 1, 2024	● Change of the group name due to reorganization ※The following was revised on July 1, 2022. ● Redefined sustainability ● Clearly stated that the progress of sustainability initiatives needs to be reported to the Board of Directors, the Audit and Supervisory Committee, the Executive Management Committee, and the President & CEO on a periodical or an as-needed basis	Board of Directors
Human Rights Policy	A policy that specifies what action we should take to fulfill our responsibility for respecting human rights across the value chain of global businesses in accordance with the UN Guiding Principles on Business and Human Rights	April 1, 2024	● Change of the group name due to reorganization ※The following was revised on July 1, 2022. ● Added new items concerning human rights due diligence initiatives in the value chain and exclusion of modern slavery abuses such as forced labor, child labor, and human trafficking ● Changed the office in charge of the policy from Human Resources Group to Corporate Sustainability Office	Board of Directors
Environment Policies	Policies that outline our commitment to acting with careful consideration for the environment, set forth recognition of the issues to be resolved, and demonstrate concrete actions to be taken	April 1, 2024	● Change of the group name due to reorganization	Board of Directors
Sustainable Investment Policy	A policy that prescribes key matters, as a subset of policy and measures under the Basic Policy on Sustainability Initiatives, for our firm's approach to sustainable investment	November 1, 2023	● Change of the group name due to reorganization	President & CEO
Our Approach to Stewardship	A publication that reflects our firm's commitment and basic approaches to stewardship activities, for external communications particularly with clients	April 1, 2024	● Change of the group name due to reorganization	President & CEO
Action Policy on Principles for Responsible Institutional Investors <<Japan's Stewardship Code>>	A policy document that prescribes our firm's commitment and approaches to fulfilling its stewardship responsibilities as a responsible asset management company	April 1, 2024	● Change of the group name due to reorganization	President & CEO
Measures for stewardship activities	A policy document that outlines actions to be taken in our firm's stewardship activities, including the exercise of voting rights and purposeful dialogues with investee companies, in accordance with our firm's policy and approaches to the Principles for Responsible Institutional Investors <<Japan's Stewardship Code>>	April 1, 2024	● Change of the group name due to reorganization	President & CEO
Proxy Voting Guidelines and Voting Criteria	The Guidelines that set out our firm's basic policies and the detailed criteria for each voting items, based on our firm's aims and views on the exercise of voting rights	April 1, 2024	● In order to encourage the improvement of capital efficiency at the companies in which we invest, we will review the various capital efficiency and shareholder return indicators that we use as reference when making decisions on proposals.	President & CEO
Procurement Policy	A policy that prescribes our expectations for suppliers in accordance with our firm's Environmental Policies and Human Rights Policy, regarding procurement activities such as purchases of goods and services, placing an order for systems, etc.	April 1, 2024	● Change of the group name due to reorganization ※The following was revised on July 1, 2022. ● Added specific procedures concerning human rights due diligence based on the revised Human Rights Policy ● Added a CSR clause to the contract agreement with external managers with regards to respect for human rights and compliance with the Procurement Policy.	President & CEO

As of the end of June 2024

Refer to P.40 SUSTAINABILITY REPORT 2024

Governance of Our Stewardship Activities

Our firm has had a dedicated department for stewardship activities since the merger in October 2016 and has been committed to maintaining management systems for engagement activities and the exercise of voting rights. The Stewardship Promotion 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 stewardship activities. Members of the Audit and Supervisory Committee attend meetings of the committee as a part of an appropriate system of controls.

The Stewardship Promotion 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 reviews for 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 are deliberated by the "Stewardship Promotion Committee," confirmed as appropriate, and reported to the Board of Directors, which is composed of nine directors including three independent outside directors.

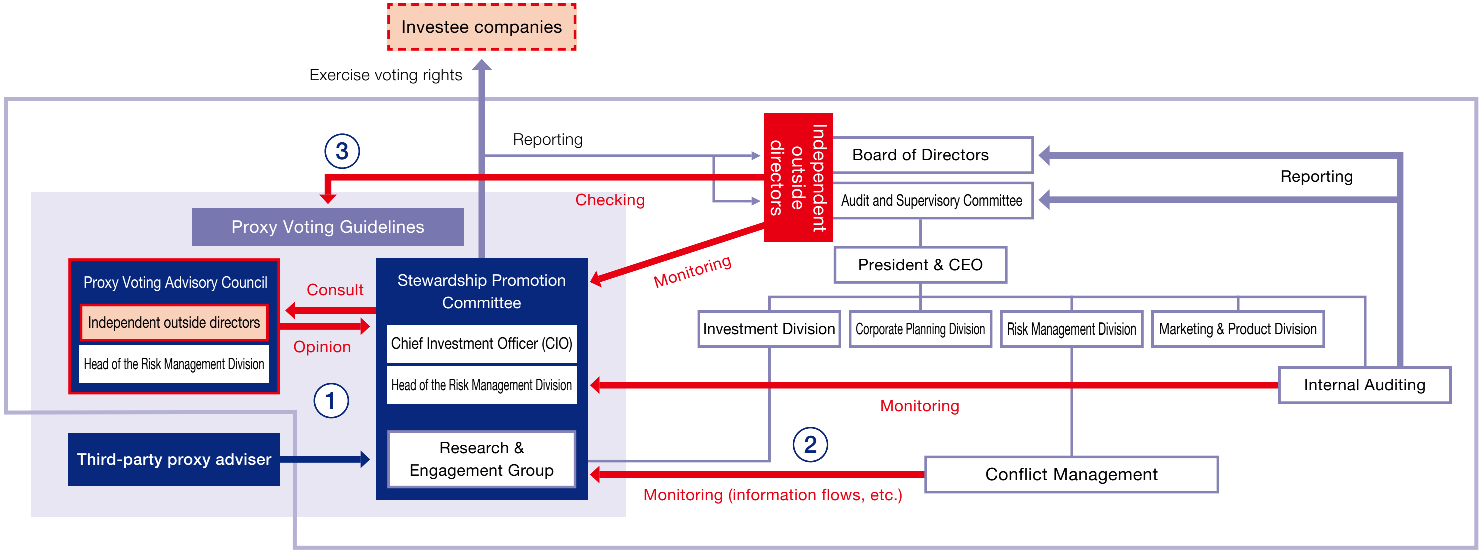
Management system for conflict of interest

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 our firm's guidelines, consulting with the Proxy Voting Advisory Council, of which independent outside directors make up a majority, and conducting deliberations through the Stewardship Promotion Committee. Monitoring is conducted by reporting the results of voting to the Board of Directors and Audit and Supervisory Committee.

Please refer to the following for "Policy for the Management of Conflicts of Interest." https://www.am-one.co.jp/english/information/conflictsofinterest/

■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 outside directors), Stewardship Promotion 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 Voting Criteria and executing proxy voting in accordance with them at shareholder meetings. The Guideline is reviewed annually. The revisions are examined at the Stewardship Promotion Committee and then reported to the Audit and Supervisory Committee (with the majority of independent directors).

Refer to P.40 SUSTAINABILITY REPORT 2024

Risk Management to Support Value Creation

In recent years, with growing uncertainties, the number and type of risks have also significantly increased. Our firm sees risk management as an important cornerstone in supporting the achievement of sustainable value creation by our firm as a long-term investor. We have been continuously strengthening risk management frameworks accordingly.

Risk management framework

Our firm is committed to strengthening risk management in accordance with its basic policy established by the Board of Directors. This includes continuous efforts to enhance risk management practices through utilizing a variety of methods.

Our firm has established a number of committees to monitor and report on the implementation and status of risk management practices across our firm. Among the risks pertaining to our firm's businesses, our firm has classified relevant risks into a number of categories including: investment risk related to entrusted assets; financial risk such as market risk and credit risk; and operational risk such as information technology risk, operations risk, legal risk, and regulatory risk etc. Mitigating and managing each type of potential risks is also conducted based on the specific characteristics of the risk. For each of these risk categories, a specified department and team has been assigned to take responsibilities for planning, formulating and promoting measures to manage respective risks, and also reporting to the committees on the status of risk management and related matters.

Along with the risk management approach by category, we have also established a comprehensive risk management framework and approaches that enable us to identify and assess overall risks holistically and keep the risk within a manageable and acceptable level for business operations.

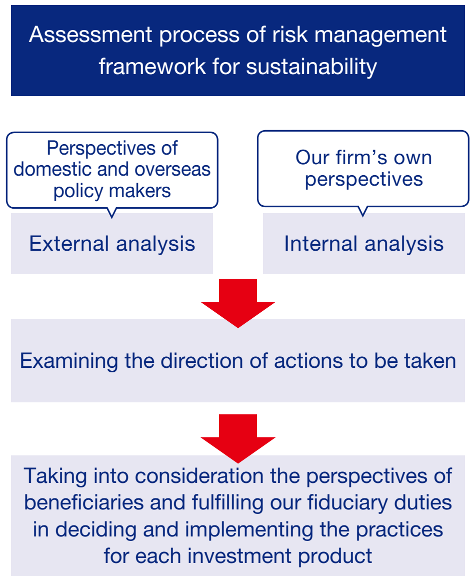
In addition, our firm defined material risk as those with a potential to have significant effects on our firm's business and management strategy. The Risk Management Committee is closely monitoring the status of controls over such material risks. In identifying material risks, active and thorough discussions are held at the Risk Management Committee based on the risk assessment criteria including risk cause analysis as well as risk scores calculated from the likelihood of risk materializing and the degree of impact if it does materialize. The insights and assessment from these discussions are used for common recognition of relevant risks and also for forward-looking risk management.

■ Risk management framework

Risk management approaches for sustainability

When developing the risk management approaches for sustainability, Risk Management Division also analyses and evaluates the actions taken in risk management practices relating to sustainable investment, monitoring the investment process of sustainable investment products.

In addition, it has started initiatives to further enhance the risk management framework and approaches to sustainability, including adding new ESG related criteria in due diligence of external investment managers and conducting secondary examination for due diligence of the providers of ESG information and scores.



Refer to P.40 SUSTAINABILITY REPORT 2024

Approach to Assurance and Remunerations

Assurance of our stewardship activities

Asset Management One does not seek external assurance regarding its stewardship activities. This is because external assurances add little meaningful value 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 enhance stewardship activities. Assessments of outside institutions, such as an assessment by the United Nations Principles for Responsible Investment (UNPRI), are used to deliberate improvements, including confirming best practices and identifying areas of initiatives.

Policy of business performance evaluation and remunerations for sustainability initiatives

Employees in charge of promoting stewardship activities and sustainability initiatives conduct a performance evaluation in line with the professional personnel system and reflect the results into remuneration. Stewardship activities and sustainable investment, as well as development/improvement of corporate infrastructure to support these activities, are evaluated by setting a weighting of the items to be addressed by each person in charge. The important points in business performance evaluation of stewardship activities are as follows.

1. Contribution to operations of exercising voting rights
(e.g., excising voting rights based on our guidelines, revision of such guidelines and shareholder meetings)

2. Contribution to engagement work
(e.g., engagement activities, progress, planning, and management)

3. Communication with the entire investment chain
(e.g., client reports, participation in government agency task forces, and transmission of various information)

4. Development/improvement of foundation for stewardship activities
(e.g., participation in internal/external initiatives and gathering/utilization of external information)