

— Appendix —

Creating a sustainable
future through the power
of investment

SUSTAINABILITY REPORT 2025

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Review Process of Materiality Map and Reviews in FY2024

The Materiality Map is analyzed and discussed by members of the Sustainable Investment 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.

In the FY2024 review, which took place approximately three years after the initial establishment of the Materiality Map, we focused on reorganizing item names—integrating items that had lost relevance or appeared redundant with other items, and revising expressions to make them more widely understandable.

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.

■ 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.

10 Updates to the Materiality Map

① Renamed “Excessive Concentration of Digital Power on Individuals, Corporations, and Nations” to “Concentration of Technology.”

② Integrated “Inequality in Access to Technology” into “AI & Digital Innovation.”

③ Integrated “Abuse and Human Rights Violations Against Vulnerable Groups in Local Communities (Women and Children)” into “Business and Human Rights.”

④ Integrated “Global Increase in Mental Health Disorders” into “Health and Well-being.”

⑤ Renamed “Refugee Movements Due to Conflicts, Disasters, and Discrimination” to “Forced Migration.”

⑥ Updated the financial materiality score for “Infectious Diseases” due to revised impact estimates (horizontal axis changed from 3 → 4).

⑦ For “Negative Impacts of Technological Progress,” integrated AI and digital technology-related issues into “AI & Digital Innovation,” and created a new category “Frontier Technologies” for other advanced technologies (e.g., brain-computer interfaces, biotechnology, geoeengineering, quantum computing).

⑧ Combined “Weakening Social Bonds and Social Instability,” “Disillusionment Among Youth Toward Existing Political, Economic, and Social Systems,” and “Hostility and Criticism Toward Science and Scientists” into a single category renamed “Social Fragmentation.”

⑨ Integrated “Collapse/Insufficiency of Social Security Systems” into “Demographics.”

⑩ Integrated “Excessive Dependence on Critical Technologies” into “Cybersecurity.”

For the detail, please refer to the following news release March 31, 2025 “Update of the Materiality Map” https://www.am-one.co.jp/pdf/news/406/20250331_AMOne_newsrelease.pdf



Climate & Nature Report

We recognize that climate change and biodiversity issues are highly interconnected, and that an integrated approach is both efficient and effective. Based on this view, we have expanded our traditional TCFD disclosures to include initiatives related to “biodiversity and environmental degradation.” Please note that the information on governance, strategy, risk management, and metrics and targets related to climate change, natural capital, and biodiversity presented from this page onward reflects the status as of December 19, 2025, and is subject to change without prior notice.



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 (Reference: Main Report p.18).

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.



Climate change



Biodiversity and environmental destruction

Risk Management

- 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.

Metrics and Targets

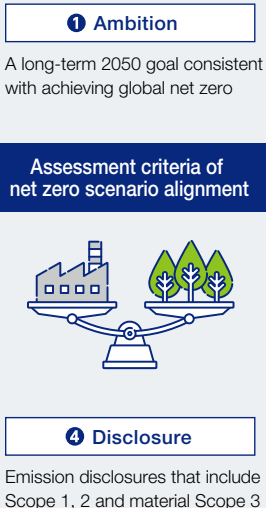
- We commit to support the goal of net zero GHG emissions by 2050, in line with NZAM’s global initiatives to limit rise in temperature to 1.5°C.
- In addition, in line with the our net zero commitment, we have aligned ourselves with the net zero scenario and set an interim target for 2030 of 53% of our firm’s AUM.
- 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.

Climate Change | Assessment of Net-Zero Scenario Alignment

We have developed a method for determining net zero based around the Net-Zero Investment Framework (hereafter, “NZIF”) 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, 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



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
1 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.
2 Aligned to a net zero pathway	Meets 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
3 Aligning towards a net zero pathway	Meets assessment criteria ②④⑤
4 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
5 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



Climate Change | Net-Zero Assessment Details

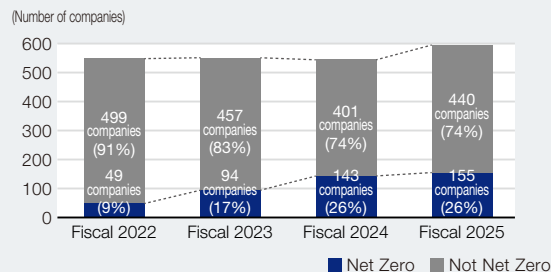
155 Japanese companies have been assessed as net-zero

In our FY2025 net-zero assessment, 155 out of 595 Japanese companies evaluated—equivalent to 26%—were determined to be aligned with a net-zero scenario. This represents a steady increase from 49 companies (9% of the total) in FY2022, clearly indicating that domestic investee companies with which we have been engaging are making meaningful progress toward net-zero commitments. Regarding performance across the major assessment criteria, the number of companies with targets aligned with net-zero—specifically short- and medium-term targets consistent with achieving net-zero by 2050—increased from 158 last year to 206 this year. This reflects the growing number of companies setting interim climate targets that align with a 2050 net-zero pathway.

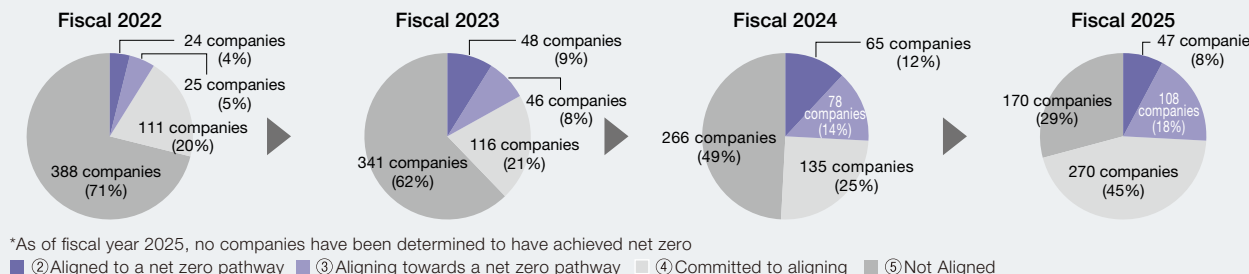
We position net-zero engagement as a strategic priority, based on our assessment of individual companies' net-zero alignment and our analysis of sector-specific transition pathways toward net-zero. The outcomes of these assessments are utilized as key inputs for investment strategy development and for ESG integration within our fundamental analysis of companies.

Two-Phase assessment	Five-Phase assessment
Net-Zero Aligned	① Achieving net zero
	② Aligned to a net zero pathway
	③ Aligning towards a net zero pathway
Not Net-Zero Aligned	④ Committed to aligning
	⑤ Not aligned

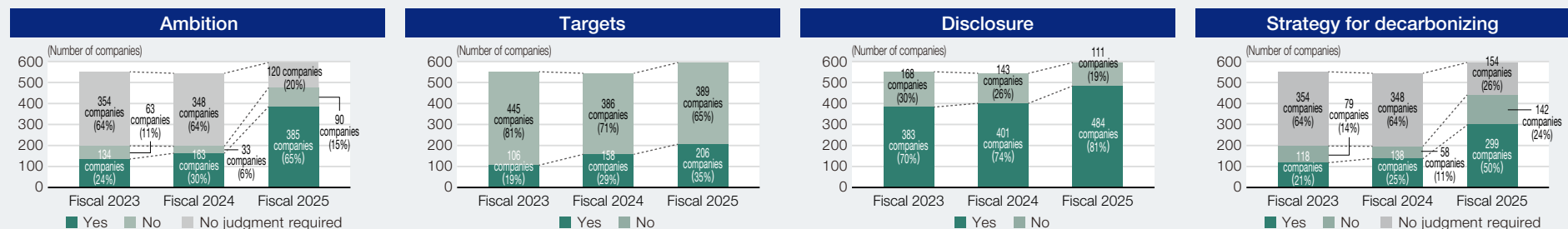
Net-Zero Two-Phase assessment



NZIF Five-Phase assessment



Comparison of evaluation items (Fiscal 2023 to Fiscal 2025)



Created by Asset Management One *Part of the process has been expanded in 2025 assessment



Climate Change | Portfolio Analysis Based on TCFD

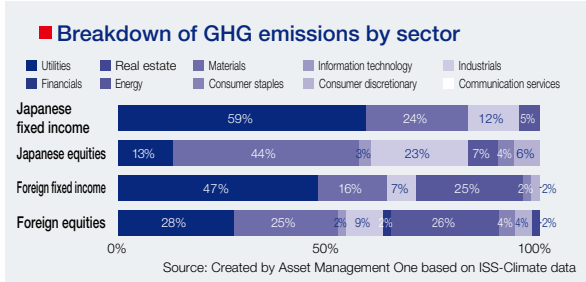
1. Analysis of major indicators such as total GHG emissions

We analyzed the total GHG emissions*1 and the weighted average carbon intensity (WACI)*2 of each asset class managed in-house. Although the WACI for foreign bond investments exceeded that of the benchmark, we confirmed that all other asset classes were below their respective benchmarks. In the sectoral breakdown of total GHG emissions, utilities and materials accounted for the largest proportions across all asset classes. We will continue to encourage companies in these sectors to reduce their GHG emissions through our engagement activities.

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

	Total GHG emissions		Weighted average carbon intensity	
	Scope 1-3 million t CO ₂ e		t CO ₂ e/million US\$	
	Our firm	Relative to benchmark	Our firm	Relative to benchmark
Japanese fixed income	10.7	69.9%	245.5	57.6%
Japanese equities	184.6	96.9%	74.2	95.4%
Foreign fixed income	7.8	117.9%	211.3	118.6%
Foreign equities	17.5	69.0%	78.6	66.1%

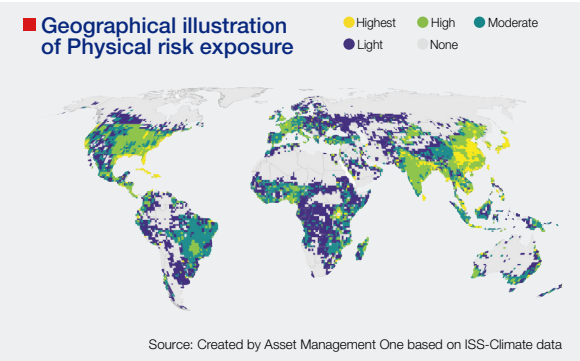
Source: Created by Asset Management One based on ISS-Climate data



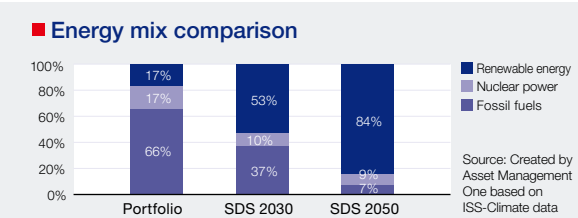
Benchmark (BM) Japanese fixed income: corporate bond composites only within NOMURA-BPI (all composites) Japanese equities: TOPIX (total return) Foreign fixed income: corporate bond composites only within Bloomberg Barclays Global (all composites) Foreign equities: MSCI ACWI ex Japan *1 Total GHG emissions: Scope 1 and Scope 2 greenhouse gas emissions of investee companies, aggregated based on investment exposure *2 Weighted Average Carbon Intensity (WACI): A measure of portfolio carbon intensity calculated as the weighted average of investee companies' carbon emissions per unit of revenue

2. Climate change related risks

1 Physical 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 Americas.



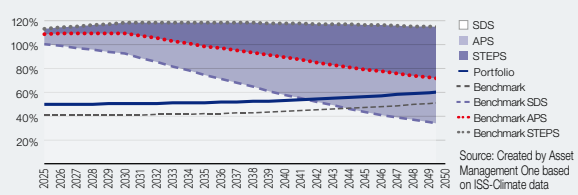
2 Transition risks
With regards to transition risks, we compared the energy mix between a hypothetical investment portfolio of four assets at the firm and the targets under the IEA's Sustainable Development Scenario (SDS)*3 for 2030 and 2050 respectively. As a result, due to the high weighting of fossil fuels, we recognized the importance of taking further actions to promote the use of efficient energy sources and the proliferation of renewable energy.



*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.



*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



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	★★★★★



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, Sustainability, Integration 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 Sustainability	Investable	Investable	Investable	To be excluded	To be excluded
	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	Sustainability	Integration	Other active funds
Climate change	Sales of thermal coal accounts for 20% or more of total sales, and there is no concrete reduction or withdrawal plan toward net zero	×	×		
	Sales of coal fired power generation accounts for 20% or more of total sales, and there is no concrete reduction or withdrawal plan toward net zero	×	×		
	Sales of unconventional oil and gas* accounts for 20% or more of total sales, and there is no concrete reduction or withdrawal plan toward net zero	×	×		
	Although the company belongs to a high GHG emission sector, it has no commitment to reduce carbon emissions, reduction targets, disclosure of information, etc., and does not show any approach 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	×	×		
	Environmental destruction and human rights violations have been committed in the extraction of palm oil, and efforts for improvement have not been confirmed	×	×		
Human rights and health & wellbeing	Involvement in child labor, forced labor, human trafficking, violations of the ILO Convention, human rights and labor codes in the UNGC Code, activities that significantly violate the OECD Guidelines for Multinational Enterprises have been found in corporate activities or supply chains, and efforts for improvement have not been confirmed	×	×		
	Despite the absence of a female director at our firm’s engagement target company, no specific consideration to appoint a female director has been given	×	×		
	There have been scandals such as discrimination in diversity, and efforts for improvement have not been confirmed	×	×		
	Companies identified to be involved in the manufacture of inhumane or controversial weapons**	×	×	×	×

* Unconventional oil and gas includes oil sands, oil shale, shale gas, coal bed methane, and coal seam gas

** Cluster munitions, anti-personnel landmines, biological and chemical weapons, depleted uranium munitions, incendiary bombs (white phosphorus), blind lasers, and weapons that utilize undetectable debris



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

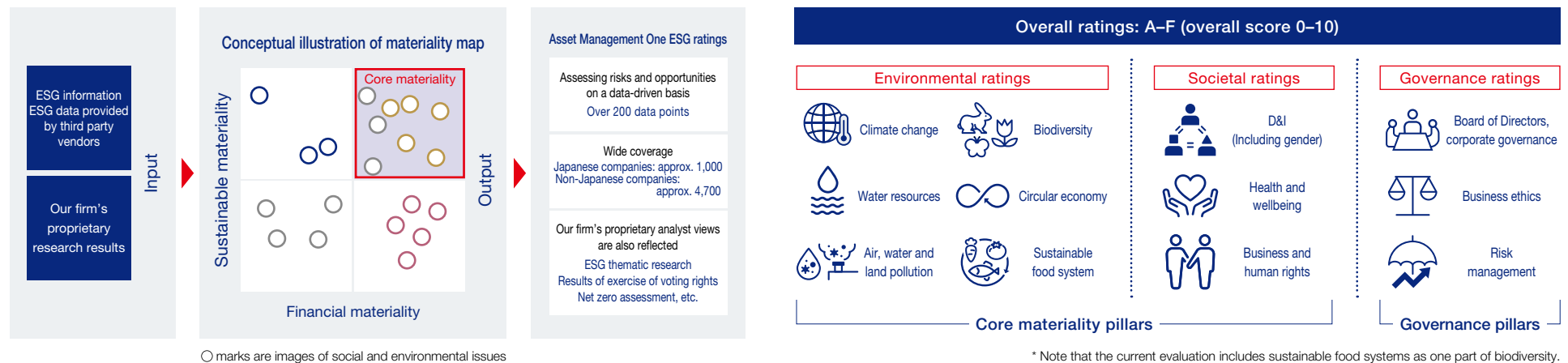
Our firm’s ESG ratings are based on the core materiality of the materiality map and evaluate companies on

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.



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 fixed-income 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. In addition, we incorporate into our evaluations a broad range of emerging ESG issues, including climate transition risks, cyber risks, and other matters attracting increasing attention. 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

Features of ESG Credit Scores



characteristics through analysis of creditworthiness, including financial impact on B/S forecasts.

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\$ 1,392 million (125 bonds) in FY2024, and US\$ 445 million (44 bonds) in FY2025 (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 sustainability with investment by checking the use of the funds.



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 the fiscal year 2025. 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 2024 to June

2025, our firm's representative attended one engagement meeting with investee company 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. Accordingly, we conduct ESG assessments for our external managers and hold ongoing ESG-related meetings with them.

Going forward, we will continue to engage with our external managers, while seeking to secure financial returns and proactively identify investment strategies that also have the potential to generate social returns.

ESG due diligence at the external investment

A Policy and organizational structure	B Exclusion	C Investment objectives and targets
<p>Evaluation and monitoring of ESG-related policies as an asset management company</p> <ul style="list-style-type: none"> ● 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 	<p>Assessment and monitoring of the asset management company or its exclusion policy in its investment strategy</p> <ul style="list-style-type: none"> ● 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 	<p>Investment strategy</p> <p>ESG-related investment objectives and targets</p> <ul style="list-style-type: none"> ● 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	E Disclosure
	<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> ● Presence or absence of Sustainability Report and contents ● ESG-related disclosure (Acceptance or rejection of our firm's criteria)

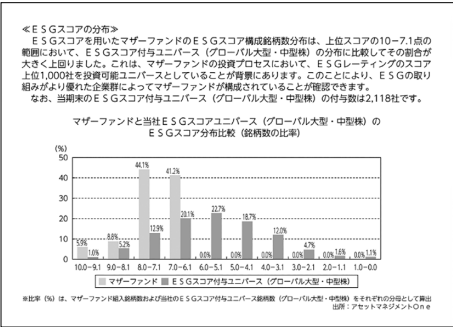


ESG Disclosure

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



＜マザーファンド保有上位10銘柄のESGスコア・ランニング・レーティング＞

No.	銘柄名	国	業種	比率	ESGスコア	ESGスコア	ESGスコア	ESGスコア	ESGスコア	ESGスコア
1	COMPASS GROUP PLC	イギリス	一般消費サービス	5.4%	7.7	6.6	5.4	8.3	203	B
2	KYLEM INC	アメリカ	資本財・サービス	5.2%	8.3	8.8	5.7	6.3	93	A
3	MICROSOFT CORP	アメリカ	情報技術	5.1%	7.4	7.4	6.6	5.6	297	B
4	ROGEE TECHNOLOGIES INC	アメリカ	情報技術	4.2%	6.8	6.3	5.0	7.3	497	B
5	VINCI SA	フランス	資本財・サービス	4.5%	7.0	8.1	4.4	5.7	416	B
6	MCDONALD'S CORPORATION	アメリカ	一般消費サービス	4.2%	6.9	7.3	6.2	5.1	485	B
7	ROCKEFELLER INTERNATIONAL INC	アメリカ	金融商品	4.1%	7.1	6.6	7.3	5.4	397	B
8	KROGER CO	アメリカ	生活必需品	3.9%	6.9	5.7	7.3	6.0	471	B
9	BOSTON SCIENTIFIC CORP	アメリカ	ヘルスケア	3.8%	6.9	5.8	8.0	5.1	461	B
10	TEGA OY	フィンランド	エネルギー・サービス	3.5%	6.7	6.1	5.8	6.4	546	B

ESGスコア付ユニバース（グローバル大型・中型株）のESGスコア分布比較（銘柄数の比率）
出典：アセットマネジメントOne

＜マザーファンド保有上位5銘柄の概要、ESGへの取り組み/企業価値との結びつき＞

銘柄名	概要	ESGへの取り組み/企業価値との結びつき
COMPASS GROUP PLC	グローバルにオフィスの社食などの企業向けサービス、学校給食や教育機関向けの学食、病院や老人ホームでのフードサービスを提供。	特に英国や米国などでは従業員が上昇する中、同社はバランスの取れた食事を提供するプログラムを充実しており、健康的で栄養価の高い食料を求める市場の拡大に対応できる体制が整っている。
ROGEE TECHNOLOGIES INC	同社はほぼすべての国で診察、薬、予防が少ないプログラムを通じて健康的な選択を提供し、健康的な製品に幅広く関わる小規模企業の	

Example of contents of ESG reporting on ESG fund

- Explanations regarding ESG assessment that characterizes the ESG strategy
- Information regarding top 10 stocks being held and their ESG characteristics
- 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 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)"

未来の世界(ESG)のESG情報

グローバルESGハイクオリティ成長株式ファンド(為替ヘッジなし)

当ファンドにおける状況

ESGの巨大な影響を考慮する

具体的な①～③の運用プロセスにより取り込まれた購入候補銘柄のなかから選り環境や社会に健全だと考えられる業種や、企業統治の面で評価の高い企業を除外しています。

基準としては、例えば、ギャンブル、化石燃料の生産、武器の製造などを主な事業とする企業や、国による株式保有比率が20%を超える企業などです。

運用プロセスにもとづき、ESGの観点から銘柄を除外した結果、当ファンドではMSCI社が、観点から銘柄の除外した銘柄と異なる銘柄の割合は高くなっています。(2023年3月末時点)

※参考として、ESGの観点から除外された銘柄は、石油・天然ガス会社、製薬会社、武器会社、ESGの観点から除外された銘柄の購入履歴についてはお問い合わせください。

Sustainability 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	July 10, 2025	<ul style="list-style-type: none"> • Updates to the responsible departments and internal group names within the document reflecting organizational restructuring <p>※The following was revised on July 1, 2022.</p> <ul style="list-style-type: none"> • 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	October 1, 2025	<ul style="list-style-type: none"> • Minor revisions resulting from changes to the responsible departments due to organizational restructuring and amendments to the parent company's policies <p>※The following was revised on July 1, 2022.</p> <ul style="list-style-type: none"> • 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	October 1, 2025	<ul style="list-style-type: none"> • 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	June 2, 2025	<ul style="list-style-type: none"> • Updates to internal department names within the document following organizational restructuring 	Head of Investments Division Head of Strategic Fund Investments Division
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	<ul style="list-style-type: none"> • Change of the group name due to reorganization 	Head of Investments Division
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	August 13, 2025	<ul style="list-style-type: none"> • Change of the group name due to reorganization 	Head of Investments Division
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>>	May 1, 2025	<ul style="list-style-type: none"> • Change of the group name due to reorganization 	Head of Investments Division
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, 2025	<ul style="list-style-type: none"> • Additions relating to the establishment of the Nomination and Compensation Committee and the inclusion of detailed criteria concerning takeover defense measures, as well as the incorporation of initiatives aligned with the medium- to long-term roadmap for stewardship activities (announced on September 27, 2024) 	Head of Investments Division
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.	July 10, 2025	<ul style="list-style-type: none"> • Change of the group name due to reorganization <p>※The following was revised on July 1, 2022.</p> <ul style="list-style-type: none"> • 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. 	Head of Investments Division

As of the end of July 2025



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.

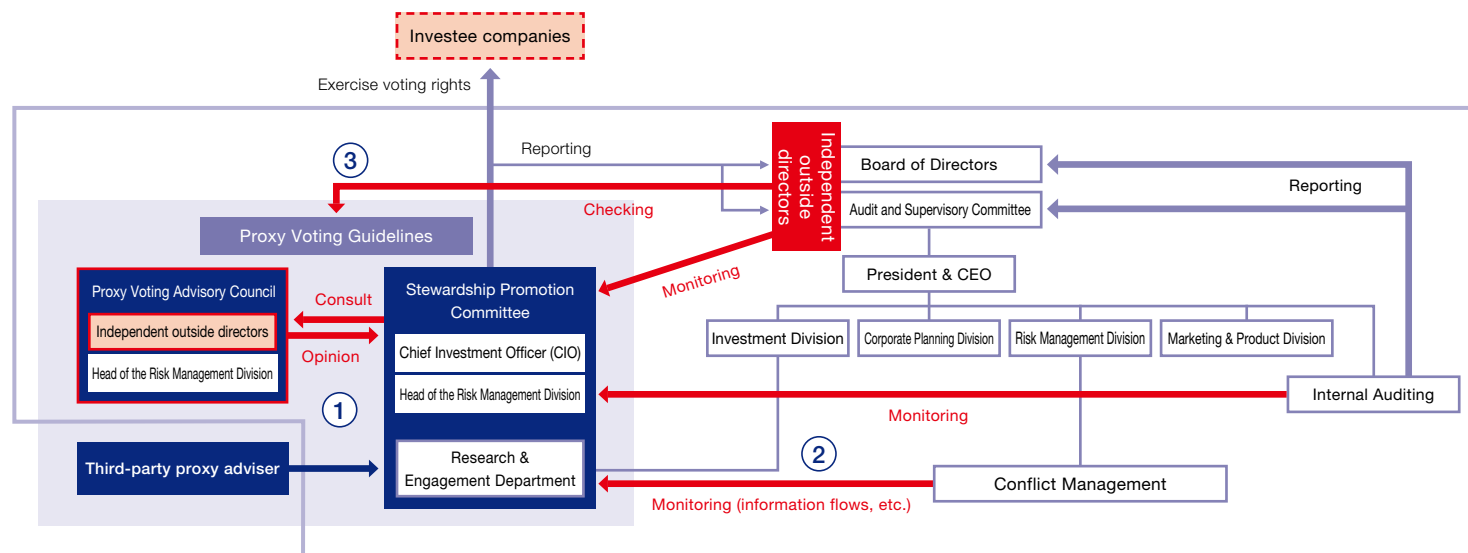
Management system for conflict of interest

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.

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).



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.

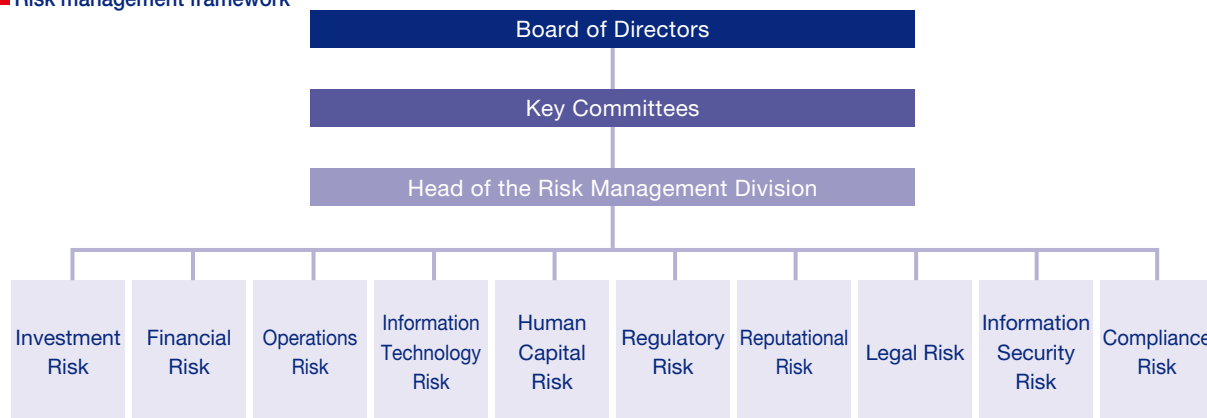
Our firm has established a number of committees to monitor and report on the implementation and status of risk management practices across our firm. Among the risks pertaining to our firm's businesses, our firm has classified relevant risks into a number of categories including: investment risk related 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.

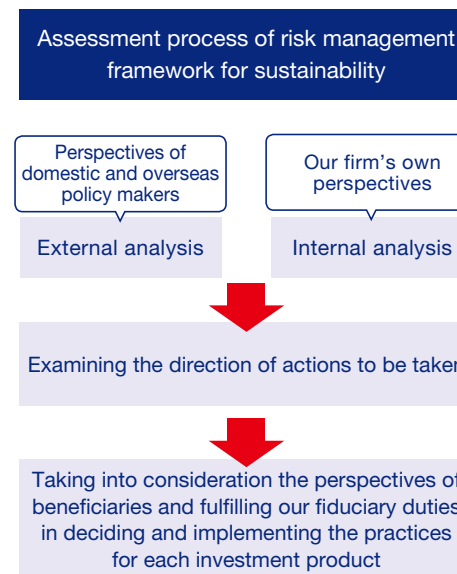
Risk management framework



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.



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)

