

Sustainable Investment Policy

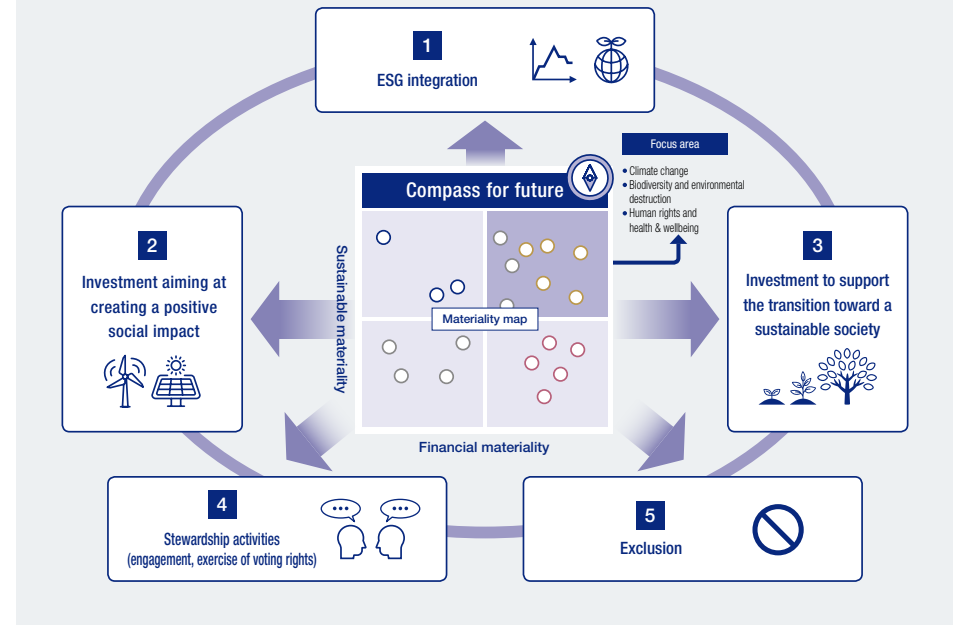
Asset Management One's Sustainable Investment Policy

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

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

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

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



1 ESG integration

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

2 Investment aiming at creating a positive social impact

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

3 Investment to support the transition toward a sustainable society

We support technological development and innovation, as well as changes in corporate behavior that contribute to the transition* toward a sustainable society. This is achieved, through investing in companies that actively take action toward solving the important global environmental and social issues identified in the materiality map.

*The definition of transition at Asset Management One broadly includes not only the transition from fossil fuels to renewable energy, but also the transitions of companies and society that can be expected through change of corporate behavior and technological innovation in other environmental and social issues.

4 Stewardship activities (engagement activity, exercise of voting rights)

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

5 Exclusion

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

Sustainable Investment Framework

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

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

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

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

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

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

** Exclusions: Cluster munitions, anti-personnel landmines, biological and chemical weapons, depleted uranium munitions, incendiary bombs, blind lasers, and weapons that utilize undetectable debris



Sustainable Investment Approach

Promoting and strengthening sustainable investment approaches

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

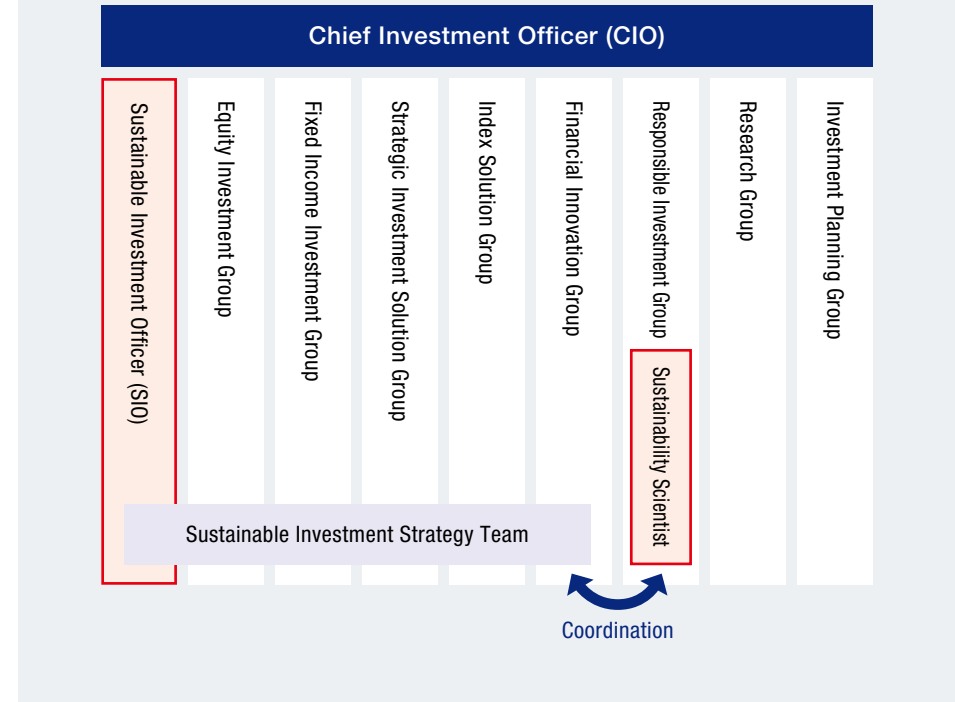
In addition, a new position of Sustainability Scientist was created in June 2022 to further support SX promotion from a scientific perspective at our firm of climate change and low-carbon transition. Our Senior Sustainability Scientist has an extensive career of decades in climate change science, who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

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

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

As an asset management company that aims to “create a sustainable future through the power

Sustainability transformation initiatives within in-house investment



of investment,” our firm will continue to strengthen our approaches to sustainability, as well as to further enhance our investment capabilities, product development and service provision, for both in-house investment portfolios and externally managed funds to achieve sustainability for our clients and all other stakeholders.