ひたむきにその先を見つめ、より良い未来へつなぐ
－A Good Investment for the Future－

Sustainability Report 2024

NISSAY ASSET MANAGEMENT

We build long trusting relationships with clients by providing the highest added value and ensuring client satisfaction.

Purpose

-A Good Investment for the Future-

The ideals behind our Purpose

Nissay Asset Management is dedicated to contributing to society by delivering peace of mind and trust to a diverse range of stakeholders, including clients, the environment, society, and employees, through responsible asset management. We are committed to long-term thinking with a relentless curiosity, continuously challenging ourselves, and engaging with sincerity.

Maintaining a long-term perspective means thinking and acting not only for the present but also with future generations in mind as we manage asset formation. We are dedicated to upholding our fiduciary duty, acting in the best interests of our direct clients as well as a diverse range of stakeholders.

As professionals in asset management, we will continue to strive for a better future, passing it down to subsequent generations.

Business Principles

Our mission as professionals is to provide our clients with the highest added value in each aspect of our asset management services. We build long trusting relationships with clients by continuing to provide the highest added value and ensuring client satisfaction.

1 Dedicate ourselves to client satisfaction

- We provide the high-quality investment products and services necessary to realize clients' future plans and ambitions, and work unremittingly to ensure client satisfaction over the long term.
- We believe that to ensure sound asset formation for clients, investment decisions must be backed by accurate knowledge and understanding. Committed to this belief, we act as clients' "best partner" to help them with their investments.

2 Pursue professionalism

- All our officers and employees feel a sense of responsibility and pride in managing clients' assets, and make continuous and untiring efforts as professionals in their respective fields.

3 Foster a fair and honest corporate culture

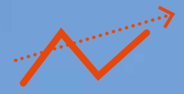
- We strive to maintain a fair and honest corporate culture in view of the societal mission fulfilled by asset management services.
- We comply with laws and regulations as a global corporate citizen, and all our officers and employees strive to contribute to society, bearing their mission and responsibility in mind.
- We are resolutely opposed to all antisocial organizations that threaten the order or security of civil society, including organized crime groups or corporate extortionists.

Investment Philosophy

We will maintain a consistent decision making process within the organization and invest responsibly as a major investment firm.

Active investment management

By identifying market inefficiencies, we will capture the gap between the fair value and the market price of the asset, and produce excess return.



Intensive research

We look for investment opportunities through intensive research, analysis, and insight.

Disciplined investment

With a continuous and consistent investment approach and extensive risk management, we aim to steadily reach our investment goal.

CONTENTS

TOP MESSAGE

We aim to be the world's most trustworthy and reliable asset management company for our clients.

Hiroshi Ozeki

President and Chief Executive Officer
Nissay Asset Management Corporation

When we look back at 2024, we will surely remember it as the inaugural year of Japan's emergence as a leading asset management center. The new NISA system was implemented, and the shift from savings to investment, a long-standing challenge, has started among many generations, including the young. Additionally, as of the end of June 2024, assets under management (AUM) of investment trusts reached a historical high of 237 trillion yen.

However, despite the boom in interest in asset management, there is one aspect that we are disappointed about: the lack of an organic connection between promoting Japan as a leading asset management center and the important challenge of addressing climate change and increasing sustainability.

In recent years, the effects of climate change have been accelerating, which necessitates an accelerated response from us as well. According to the World Meteorological Organization (WMO), 2023 was the hottest year on record since they started tracking the global average temperature. This year, too, climate change shows no signs of slowing down.

I believe we must not simply pursue investment returns but also focus on expanding investments with an eye toward increasing sustainability, which presents another major challenge. As investment needs naturally grow with the anticipated shift from deflation to inflation, it is essential to address this. In this context, we are committed to expanding asset management options that contribute to mitigating climate change and realizing a sustainable society, which are critical for both the world and the younger generation. As the front runner in sustainable investment, Nissay Asset Management will promote sustainable investments together with our clients and actively engage with investee companies.

The environment surrounding asset management is undergoing drastic changes, including sustainability threats like climate change, a low birthrate and aging population, increasing geopolitical risks, and evolving technology. To acquire long-lasting trust and appreciation from clients and society during these times of change, we have established our Purpose as "A Good Investment for the Future." This concept is based on extensive discussions incorporating opinions from all officers and employees on what makes Nissay Asset Management unique and their vision for the company's future, as well as insights from external experts.

With a relentless curiosity, we will continuously challenge ourselves and make sincere efforts. We will act not just for the present but also with future generations in mind, in the best interests of our direct clients as well as a diverse range of stakeholders. Through this stance, we aim to achieve "Good Investment" by enhancing investment performance for our clients while also creating value for the environment, society, and our employees. This will lead to a better "Future" for our clients, the Earth, and our company.

We at Nissay Asset Management will fulfill our fiduciary duty to our stakeholders, including our clients, while contributing to the realization of a sustainable society and aiming to become the world's most trustworthy and reliable asset management company.

Nissay Asset Management at a Glance in Numbers

*Figures in square brackets are from the 2023 report

Assets under management

41.5 trillion yen

(As of the end of March 2024)

[34.0 trillion yen]

Proportion of female managers

12.2%

(As of the end of March 2024)

[10.2%]

Carbon footprint of portfolios

66.7 t-CO_2e/$mil

(Only for equities and corporate bonds. As of December 2022)

[68.8t-CO_2e/$mil]

CO_2 emissions reduction

2,036 t-CO_2e

(FY2023)

[1,864 t-CO_2e]

Number of days of paid leave

18.1 days

(As of the end of March 2024)

[18.2 days]

Average years of experience of investment managers

Approx. 12 years

(As of the end of March 2024)

[Approx. 12 years]

Number of domestic equity proxy voting proposals

14,220 proposals

(Sub-proposal basis, May/June 2024)

[15,342 proposals]

Proportion of voting against company proposals

12.1%

(Sub-proposal basis, May/June 2024)

[13.5%]

AUM of ESG funds

733.8 billion yen

(As of the end of March 2024)

[809.8 billion yen]

Number of in-house analysts and economists

41

(As of the end of March 2024)

[36]

Number of individual dialogues with companies

2,022

(FY2023)

[1,678]

Part I Sustainable Investment

CIO MESSAGE

We aim to further enhance our consideration and utilization of ESG factors, which we have been working on for over 15 years, in order to achieve our sustainable investment goals.

Daisuke Fukayama
Chief Investment Officer
Director, Member of the Board

Fifteen years since the introduction of ESG ratings

In December 2008, over 15 years ago, we developed an ESG analysis methodology for Japanese equities and began assigning ESG ratings. At the time, there were very few asset management companies that provided an ESG rating as a company-wide platform. Since then, we have earnestly continued this effort, made continuous improvements, and expanded our activities to include foreign equities and bonds.

Those of you who regularly read this sustainability report, including our valued clients and stakeholders at our investee companies, may notice that the term "sustainable investment" is frequently used in this year's report.

Previously, we mainly used the term "ESG investment," reflecting our commitment to thoroughly considering and utilizing environmental, social, and governance (ESG) factors in our corporate analysis and investment decisions. However, the consideration and utilization of ESG factors is only a means to an end. For over 15 years, through our ESG practices, we have aimed to sustainably enhance the corporate value of our investee companies, deliver sustainable returns to our clients, and contribute, even in a small way, to the sustainability of the planet and society. To further clarify these objectives and ensure our stakeholders' understanding, we have decided to use the term "sustainable investment" instead.

Aiming to realize our sustainable investment goals

We believe that sustainable investment is at a major turning point. The market, which has been consistently growing, is showing signs of slowing down, and it is true that anti-ESG movements are emerging in countries like the United States. However, our commitment to sustainable investment and the added value we seek through it remain unchanged.

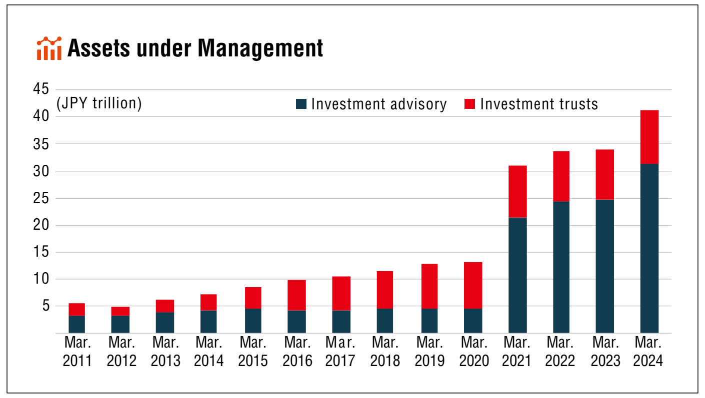
Nevertheless, words alone are meaningless without tangible results. To consistently achieve our objectives, as CIO, I believe it is essential to further enhance the ESG considerations that we have been working on.

ESG factors are constantly evolving. For example, rapidly growing generative AI technology is expected to contribute significantly to societal development and improvement through various applications. However, there are also growing concerns about the risks of human rights violations associated with its use and the negative impact on global warming due to its high electricity consumption. We believe that the essence of sustainable investment lies in accurately analyzing these new ESG opportunities and risks, leading to better investment decisions and more meaningful dialogues with our investees. Unfortunately, our recent ESG ratings have faced challenges due to weaker stock performance, but we are taking this seriously and are actively working on improvements.

Recently, we have intensified our efforts by launching a Climate and Nature Transition Strategy Fund for foreign equities and establishing a dedicated team to enhance our dialogues with investee companies. As CIO, I am committed to continuing our relentless efforts to lead the asset management industry in sustainable investment.

History of Commitment to Sustainable Investment

To fulfill our social mission as a responsible investor in enhancing corporate value, creating a sustainable society, and developing a healthy capital market, Nissay Asset Management (NAM) has been engaged in sustainable investment for over 15 years since it began ESG evaluations in 2008. We became a signatory to the Principles for Responsible Investment (PRI) proposed by the United Nations in 2006, and since 2008, we have integrated ESG evaluations into domestic and foreign equities and bonds, clarifying the focus of our long-term investments. Additionally, since accepting Japan's Stewardship Code in May 2014, we have been continuously engaged in improving quality, actively promoting dialogue with investee companies and proxy voting. In February 2023, we joined the Global Impact Investing Network (GIIN) and have been striving to enhance our impact investments.



Relationship with external bodies

2006
- Signatory to the PRI

2007
- Joins ICGN

2015
- Chief Corporate Governance Officer (CCGO) Iguchi appointed to the Board of Governors of the ICGN

2019
- January: Signatory to the TCFD
- March: CCGO Iguchi appointed an IFRS Advisory Council member
- May: Joins SASB's Investor Advisory Group (IAG)
- September: Acknowledged as Lead Sponsor in PRI in Person 2020 (Canceled due to COVID-19)

2021
- March: Participates in Net Zero Asset Managers initiative
- October: The PRI Digital Conference held, with NAM serving as Lead Sponsor

2023
- February: Joins the Global Impact Investing Network (GIIN)

2024
- January: Joins the TNFD Forum and registered as a TNFD Adopter
- March: Joins the Impact Consortium
- April: Joins the Japan Impact-driven Financing Initiative

Investment side initiatives

1999
- Establishes proxy voting guidelines

2002
- Establishes Corporate Governance Committee (now the Responsible Investment Council)

2004
- Integration of mid- and long-term forecasts (5-year) in the investment decision-making process

2008

Integration of ESG evaluation into the domestic equity investment process

2014
- Acceptance of Japan's Stewardship Code

2016
- Establishes ESG Investment Promotion Office

2017
- Establishes Supervisory Committee on Responsible Investment
- Integration of ESG evaluation in the global equity investment process

2019
- Discloses ESG investing approach by asset class

2020
- Extends our stewardship responsibilities to domestic fixed income investment

2021
- Upgrades ESG Investment Promotion Office into department
- Establishes the Sustainability Committee

2022
- Announces "2030 interim targets" for portfolio greenhouse gas emissions
- Establishes the Sustainability Management Office
- Enhances stewardship activities in foreign equity investment
- Shares thoughts on the definition of ESG funds. Enhances disclosure of ESG investing information in prospectuses, monthly reports, etc.

2024
- ESG Investment Promotion Department changed to Sustainable Investment Department

Global trends

2006
- Principles for Responsible Investment (PRI) proposed by the United Nations

2014
- Japan's Stewardship Code announced

2015
- Corporate Governance Code announced
- GPIF becomes signatory to PRI
- Sustainable Development Goals (SDGs) adopted
- The Paris Agreement adopted

2017
- TCFD Recommendations announced

2018
- SASB Standards formulated and announced

2019
- US Business Roundtable revises its corporate governance principles away from "shareholder primacy" to "stakeholder capitalism (employees, local community, etc.)"

2020
- Then-Prime Minister Suga pledges carbon neutrality for greenhouse gas emissions by 2050 in his first policy speech to the Diet

2021
- IFRS Foundation establishes the International Sustainability Standards Board (ISSB)
- Glasgow Financial Alliance for Net Zero (GFANZ) launched

2022
- Tokyo Stock Exchange launches its new market segmentation (Prime Market, Standard Market, and Growth Market)
- Kunming-Montreal Global Biodiversity Framework adopted as global goals for 2030 in pursuit of preserving biodiversity

2023
- Financial Services Agency (FSA) announces supervision guidelines for ESG investment trusts
- Disclosure of human capital-related information in securities reports mandated
- ISSB announces the IFRS Sustainability Disclosure Standards
- TNFD Recommendations announced

2024
- FSA announces the Basic Guidelines on Impact Investment (Impact Finance)

Inevitability of Sustainable Investments

From an optional to a required element

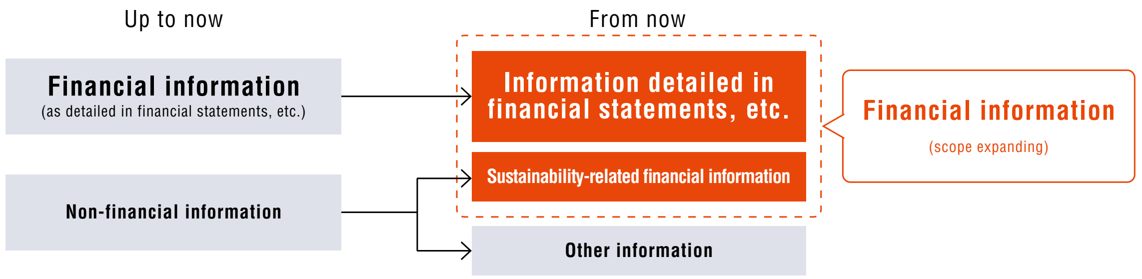
With the term "non-financial information" dying out, sustainability-related financial information now attracting more attention

Sustainable investments have reached a historic milestone. In 2023, the IFRS Sustainability Disclosure Standards* were finally completed. The number of countries obliging companies to disclose information on the basis of these standards has been increasing. Japan is one such country, and disclosure is anticipated to become mandatory by 2027.

One event that symbolizes the historic conversion of sustainable investments is the fact that the commonly used expression "non-financial information" is now dying out. In place of these words, another expression, "sustainability-related financial information," is rapidly penetrating. "Financial information" has conventionally meant information that is disclosed through financial statements such as balance sheets and profit-and-loss statements, while all other information was referred to as "non-financial information." Recently, however, sustainability-related information that is important to investors in the same way as financial statements like B/Ss and PL statements has been called "sustainability-related financial information."

* Disclosure standards for disclosing sustainability information developed by the International Sustainability Standards Board (ISSB)

<Financial information whose scope is expanding>



Why has sustainability-related information evolved into financial information?

Sustainability-related information has evolved into financial information due to the universal fact that economies, including corporate activities, are founded on the basis of environments (global environments) and societies. If this foundation is shaken, the economy that exists on it will be greatly affected, and we see many megatrends that are shaking the foundation.

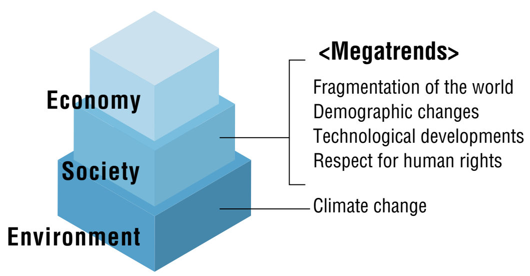
An easy-to-understand example is climate change. The issue of climate change has only been widely recognized in the last few decades. In 1992, the United Nations Framework Convention on Climate Change was adopted, creating a framework to enable countries around the world to work together to tackle the challenge of reducing greenhouse gas emissions. COPs (Conferences of the Parties), which are held between fall and winter every year and attract considerable attention, take place under this Convention.

It is quite recent that the business community became aware of the climate change issue. This is because the impact of climate change upon corporate management has emerged in various tangible forms, which is the very reason why climate-related information has been reclassified as "financial information."

In this manner, sustainability-related information evolved into financial information as challenges concerned with the environment and society that are the foundation of the economy have become more and more aggravated.

<Flow of the evolution of sustainability-related information into financial information>

<Economy is founded upon environment and society>



Some parties question the usefulness of the information in terms of investment returns

In fact, there is some skepticism about the usefulness of sustainability-related information in terms of its effects on investment returns. Even this year, a thesis that doubts statistical analyses reported in the past was carried in an overseas academic journal and became the subject of discussion among certain parties. Such critical verification is beneficial and important for the healthy development of the industry, but we can also say that there are matters we cannot ignore.

❶ There is a possibility that before the issue became serious, the usefulness of sustainability-related information had been low

Going back to the period when environmental and social issues were not considered that serious, sustainability-related information was not necessarily "financial information." In order to verify usefulness using past data, especially long-term data over 20 years, it appears to be necessary to take into consideration that the seriousness of issues associated with the environment and society may have greatly changed. It is little wonder that the usefulness of sustainability-related information itself has changed, is changing, and will change in the past, present and future.

❷ There is a possibility that sustainability-related information during the period without the obligation of disclosure may have quality issues

With the disclosure of sustainability-related information becoming mandatory, it is anticipated that the completeness and reliability of information will improve, but in the past, especially 20 or 30 years ago, companies that disclosed information were the exception. ESG evaluation and data providers back then generally conducted corporate surveys to obtain sustainability-related information in the absence of information disclosure, but it was the companies that decided whether they should respond to surveys or how much transparency they should provide, which was totally at their disposal.

Based on the above, it seems important to treat the results of verifications using past sustainability-related information as part of reference information instead of just accepting it.

Going forward, information disclosure will become mandatory. It is anticipated that the types and quality of information will substantially improve and that more sophisticated verifications that have not been possible till now will be conducted.

If disclosure of sustainability-related financial information becomes mandatory, there is no reason not to take advantage of it

A drastic shift in ideas that sustainability-related information is part of "financial information" is an event that will greatly change the position of sustainable investments from now on.

Taking this trend, where the disclosure of sustainability-related information becomes mandatory, into consideration, the skills of its utilization are expected to substantially affect investment returns. At the very least, we can anticipate that in order to accomplish fiduciary duty, it will increasingly become information that cannot be underestimated.

As described above, there is a study that questions the usefulness of sustainability-related information, but we must pay attention to the fact that multiple studies suggest that by utilizing sustainability-related information, the accuracy of analysts' financial forecasts will improve.

Analysts will be required to have the capability to analyze the future of each company by taking advantage of not only information detailed in financial statements, etc. (conventional financial information) but also "new financial information" or sustainability-related financial information.

Of course, practical aspects such as know-how and knowledge to achieve that goal are still in the trial-and-error process across the industry. There has been no method established as the only answer, and it is anticipated that trial and error as well as originality and ingenuity will be sought after for the time being. Based on the megatrends of the aggravation of social and environmental issues, sustainable investments in terms of utilizing sustainability-related financial information are likely to become an essential element, not just an option to be considered.

Approach to ESG Integration and Its Relationship with Engagement

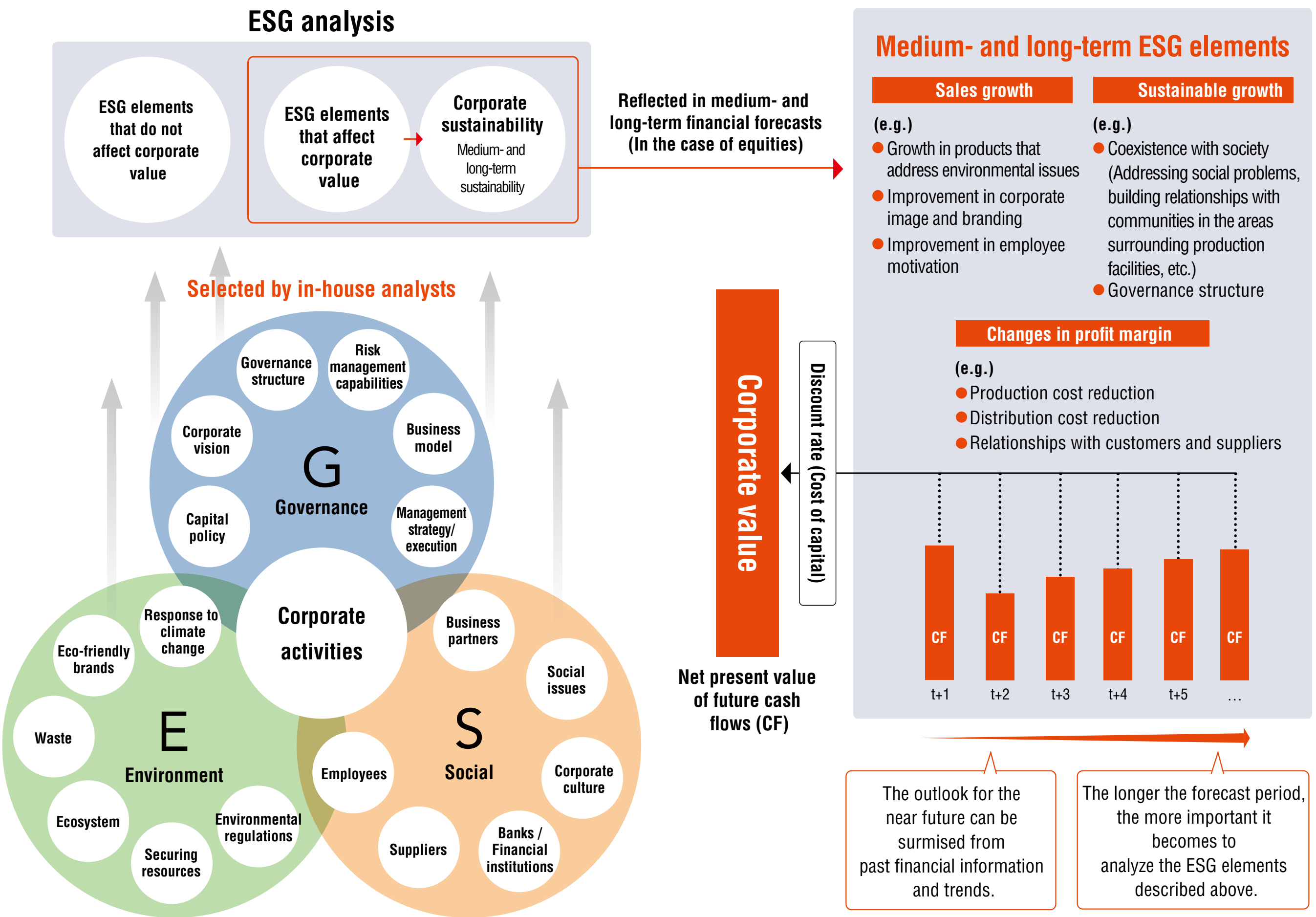
Incorporating ESG evaluation into medium- and long-term earnings forecasts (ESG integration)

At NAM, we believe that ESG is an element that impacts all of a company's activities. By analyzing a company's initiatives related to ESG, we believe it is possible to understand the company's medium- and long-term sustainability and corporate vision. Moreover, companies that engage in outstanding initiatives from the perspective of ESG and can build sustainable relationships with their stakeholders generally have the foundation for sustainable growth in the medium and long term.

Our analysts evaluate sustainability (and assign ESG ratings) through the selection of ESG factors that impact corporate value. We reflect these evaluations in medium- and long-term financial forecasts and creditworthiness evaluations and use them as the foundation for our investment decisions.

NAM does not, in principle, use any external evaluation providers for ESG analysis and ESG evaluation, and such evaluations are independently conducted by NAM's in-house analysts.

Concept of ESG integration in equities



About NAM's proprietary ESG ratings

Our ESG ratings are carried out as a qualitative assessment by in-house analysts through interviews and engagement with companies, in addition to the analysis of public corporate information.

For each evaluation item, we evaluate the effect of companies' ESG initiatives on medium- and long-term corporate value, in terms of a three-level rating scale: "positive," "neutral," and "negative" (where a rating of 1 is the highest and 3 is the lowest).

If it is anticipated that a company's value will be significantly impaired due to ESG-related issues, we usually exclude it from our investment universe and cease to assign it an ESG rating. However, if there are reasons to retain such companies within the investment universe, such as large market capitalization, a rating of 4 may be assigned.

Classes and description of NAM's ESG ratings

Rating classes	Description
1	The company's ESG initiatives are positive for its corporate value
2	The company's ESG initiatives are neutral for its corporate value
3	The company's ESG initiatives are negative for its corporate value
4	The company's ESG initiatives are significantly negative for its corporate value
Not assigned	Excluded in principle from the investment universe for active investing, from perspectives such as liquidity and/or credit risk

Note: This description might not apply to the ESG approach and rating method used for external investment managed by a third-party asset management company.

Relationship with engagement

Engagement with companies is an important process of ESG integration. Through dialogue, analysts improve their understanding of investee companies, reflect that understanding in ESG evaluations, and integrate it into medium- and long-term financial forecasts and creditworthiness evaluations. In addition, companies continually review ESG evaluations, medium- and long-term financial forecasts, and creditworthiness evaluations based on changes brought about by engagement.

As described above, ESG evaluations and engagement are mutually related activities, and we believe it is important to implement them not independently but in an integrated manner.

Engagement Activities Aimed at the Medium- and Long-term Enhancement of Corporate Value

Aiming to enhance and realize corporate value through engagement

NAM's ideal engagement involves conducting constructive discussions with investee companies, premised on relationships of mutual trust and an awareness of supporting the realization of corporate growth.

Frequent discussions with senior management and IR representatives will reveal aspects such as the business issues currently faced by the investee company and management issues associated with future business expansion. Many companies that aspire to grow are closely focused on these issues, and investors play an important role in providing a bird's-eye view that can hint at solutions to the company's weaknesses and issues.

NAM is engaged in analyst activities with a consciousness of providing support that will enable companies to perceive what they need to do to improve by expressing objective opinions and introducing examples of similar problem-solving from other industries, etc.

Establishing an engagement agenda focused on bottom-up engagement

In order to promote NAM's ideal engagement, we must have a deep understanding of the company. NAM's analysts are deepening their understanding of the company through a series of ESG integration processes, including conducting ESG evaluations, forecasting medium- to long-term financial performance, and analyzing corporate value.

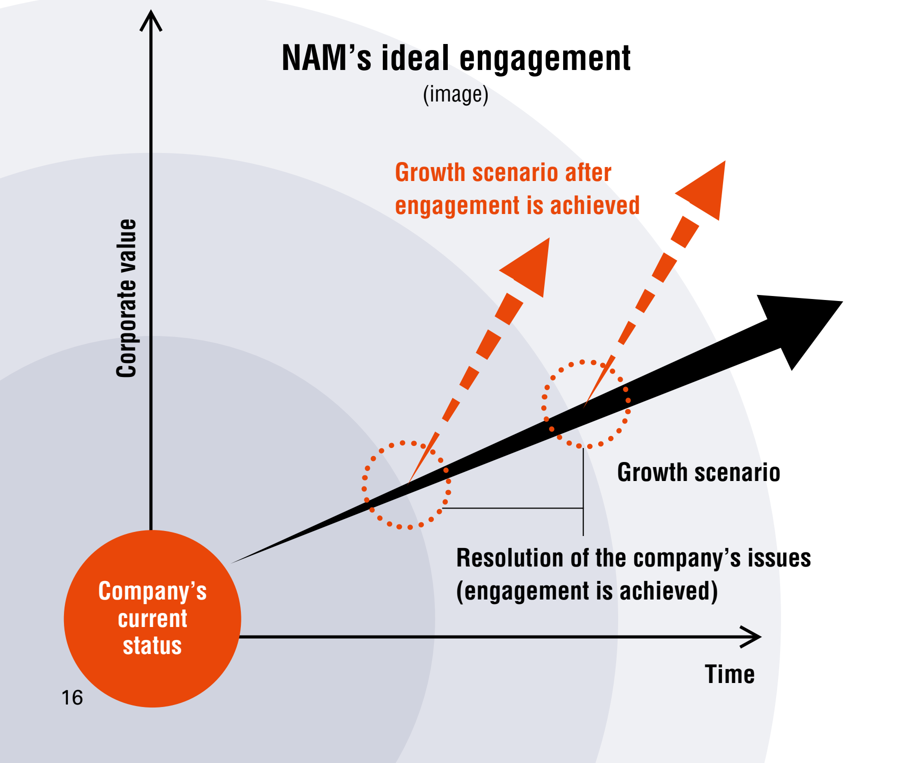
On top of that, our analysts endeavor to cultivate a mutual sense of trust through dialogues with the senior managers of investee companies and strive to ascertain the essence of each company. This also leads to greater confidence in our medium- and long-term financial forecasts that are based on ESG evaluations.

We designate companies as "engagement focus companies" if their corporate value can be enhanced through engagement activities like the dialogues described above, and if their senior management is receptive to such dialogues.

Of course, companies are encountering a diverse range of issues and receive opinions from stakeholders with different interests, as well as investors with different views on timelines for enhancing corporate value. We get the impression that a lot of companies face difficult decisions about which issues to prioritize.

The same applies for engagement. It is necessary to engage in continuing discussions after narrowing down the issues to discuss based on their order of priority, accounting for elements that will impact long-term corporate value.

For this reason, NAM's success criteria for engagement agenda items are not results-based criteria such as ROE targets or operating margin targets. Instead, we aim to enhance corporate value by setting criteria related to specific management actions that should be taken by the company. By using this framework to manage progress, we hope to continue our association with companies behind the scenes to support the actions they take to improve.



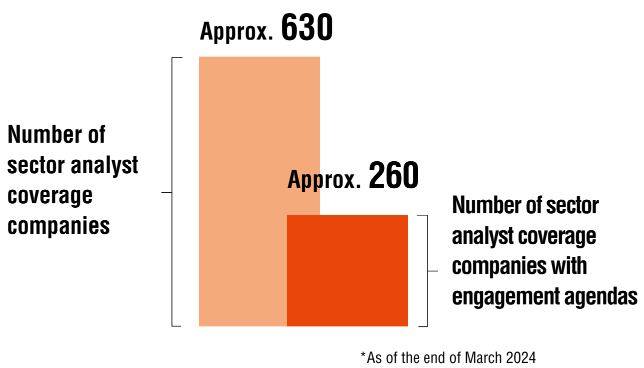
Establishing a top-down engagement agenda as well

The establishment of a bottom-up engagement agenda is the focus of our engagement activities, but for some companies, we are establishing an engagement agenda toward resolving climate change-related issues through top-down engagement as part of our activities toward contributing to the realization of a net-zero society by 2050. Furthermore, we are working to establish a top-down engagement agenda and engage in dialogue toward problem-solving, with consideration for the priority of issues, even for companies in which NAM invests exclusively through Japanese equity passive investing and has conducted proxy voting in opposition to proposals.

Main flow of bottom-up engagement for domestic equities

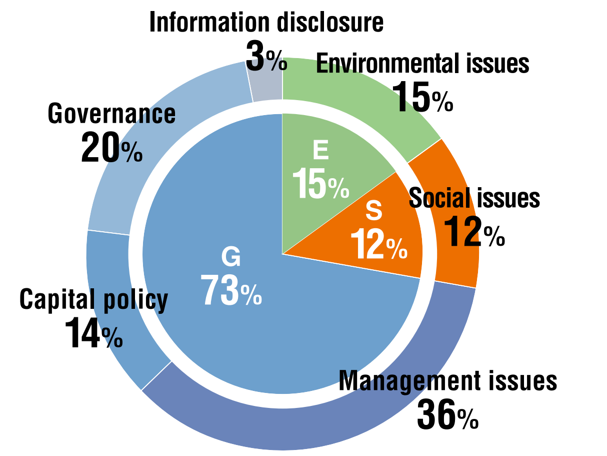
1. ESG evaluation, medium- and long-term financial forecasts, and corporate value analysis
2. Designation of engagement focus companies
3. Listing companies' weaknesses and areas for improvement
4. Setting the engagement agenda (determining order of priority)
5. Continuing engagement, progress management, and improvement

Number of companies with engagement agendas, including engagement focus companies



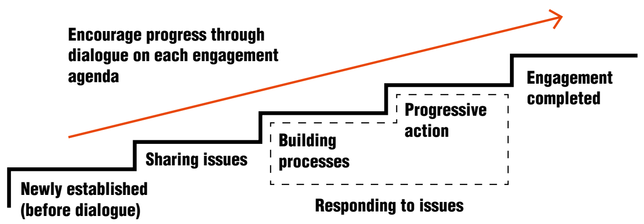
*As of the end of March 2024

Proportion of engagement agenda devoted to each ESG item



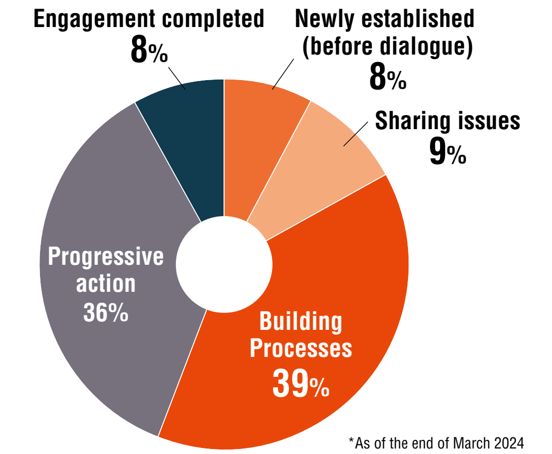
*As of the end of March 2024

Progress management for engagement agenda items (each milestone)



Stage		Status
Engagement completed		Agenda target achieved
Responding to issues	Progressive action	Initiatives underway to resolve issues
	Building processes	Shared awareness of issues up to the senior management level, with processes under construction
Sharing issues		Shared awareness of issues below the senior management level, or shared awareness not yet achieved
Newly established (before dialogue)		New agenda items established (Engagement unconcluded at the end of the fiscal year)

Proportion of progress of engagement agendas



*As of the end of March 2024

Column | A team that promotes the advancement of engagement

As the importance of engagement activities grows, we newly established the dedicated engagement team in 2024 to accompany the analysts conducting dialogue with companies in supporting the establishment of optimal engagement agendas, thoroughly managing engagement progress, and promoting the PDCA cycle of engagement activities.

The team aims to further advance the analysts' engagement activities while striving to measure their effectiveness.

Dedicated engagement team members

Illustration of the process from listing the engagement agenda items to determining an order of priority

Listing companies' weaknesses and areas for improvement (phase 3 of the main flow of bottom-up engagement on the previous page)

	Examples of engagement agenda items	Dialogue perspectives based on enhancing corporate value
Environmental (E) engagement	1 Improvement of manufacturing methods 2 Environmental management and net-zero GHG emissions 3 TCFD recommendations and environmental information disclosure	● Initiatives to suppress CO_2 emissions from manufacturing processes ● Balance between promoting the development of energy-saving products and new manufacturing methods and managing invested capital ● Formulation of management strategy to achieve carbon neutrality by 2050 ● Enhanced disclosure of business risks, opportunities, and response measures
Social (S) engagement	1 Corporate culture and relationships with employees 2 Relationships with stakeholders and customers 3 Work safety and human rights response	● Penetration of corporate philosophy and enhanced disclosure of employee engagement ● Promotion of human resources development measures and DEI, and utilization of mid-career hires ● Building relationships with suppliers and others ● Enhanced disclosure of work practices, safety and health, etc.
Governance (G) engagement	1 Management strategy and efficiency of invested capital 2 Governance structure and attitude toward engagement 3 Compliance and risk response	● Optimal composition of investment and returns and the establishment of high-quality investment discipline ● Disclosure of the skills of directors and the construction of a governance structure that incorporates diversity ● Stronger function as a monitoring board and deeper discussion by the Board of Directors ● External involvement in the nomination and compensation committee, and governance of listed subsidiaries ● Monitoring to prevent scandals

Taking the manufacturing industry as an example, we can present the issues faced by companies in each facet of ESG as shown in the table to the left. From among the possible engagement themes, including those not shown in the table, we consider the most important initiatives from the perspective of stakeholders to avoid the engagement becoming too vague and diffuse. We emphasize the setting of the engagement agenda by our analysts, based on their investigative activities, according to an order of priority determined through comprehensive consideration of the "enhancement of corporate value," the "timeframe for successfully resolving issues," and the "probability of a successful resolution."

Setting the engagement agenda (determining order of priority)

(phase 4 of the main flow of bottom-up engagement on the previous page)

Perspectives on determining the order of priority of engagement agenda items

1 Enhancement of corporate value
2 Timeframe for successfully resolving issues
3 Probability of a successful resolution

The analyst determines the engagement agenda

Proxy voting on the basis of dialogue (escalation)

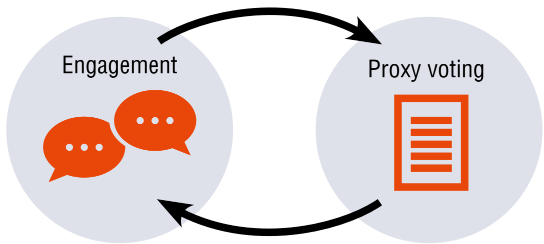
The status and results of dialogue that analysts continually conduct with companies are reflected in proxy voting decisions. If proxy voting is judged to be effective, NAM may make stricter decisions (escalation).

NAM's proxy voting decisions are all announced along with reasons, and by directly announcing them to companies, as appropriate, while simultaneously continuing dialogue, we aim to improve corporate value.

For example, at a service industry company where the representative director had exceptionally strong management authority, there were concerns that the Board of Directors' monitoring functions were not fully effective. Therefore, we emphasized the importance of enhancing these functions by increasing the number of independent outside directors, among other issues, and focused on dialogue to encourage improvement. However, despite continuous dialogue, progress was sluggish, so we decided to vote against reappointing the representative director (escalation).

Following that, we explained to the company the fact of our opposition to the reappointment and continued to encourage them to take action. As a result, we began to see improvement, which led us to agree to the reappointment of the representative director the following year.

Proxy voting on the basis of engagement (if deemed effective, stricter decisions may be made = escalation)



Proxy voting decisions are all announced, along with reasons. Engagement is continued even after proxy voting.

Examples of Bottom-up Engagement Activities

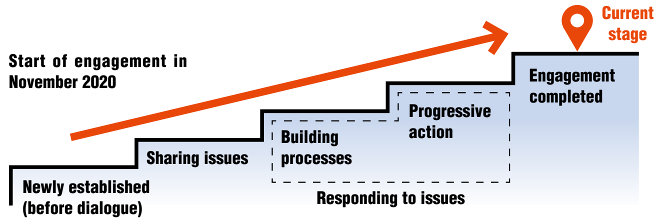
Material company A Succession plan development

Issue recognized by analysts

Due to the long tenure of the current president, who has strong leadership skills, there is growing importance in developing a succession plan to prepare for such an event.

Overview of engagement activity

Goal	Development of an appropriate succession plan
Expected effects	Continuous improvement of corporate value even after the next president assumes the position based on an appropriate succession plan
Target	President, outside directors, etc.
Current situation	We completed this engagement activity after confirming the establishment of an appropriate succession plan. The investee recognizes this matter as an important management issue. By holding continuous discussions with key persons, including outside directors, we were able to understand the effectiveness of the dialogues and evaluate the results.



(Engagement timeline) Began: November 2020. Five sessions in total.

November 2020

NAM: We recognize the development of a succession plan as an important management issue. What is your company doing to establish a new management structure and foster candidates in preparation for taking over after the current president?

Investee: We have actually strengthened the internal structure for succession, selected the candidates, and provided them with training seminars for about ten years. We have educated them on our philosophy and vision as well as management skills.

Winter 2021

NAM: The current president oversees your company with strong leadership. As outside directors, what kind of advice have you provided for the training system for next-generation management, and how have you checked the progress?

Investee: To understand the characteristics of the candidates, we are engaged in dialogues with each of them individually. Also, we have a system where if points of improvement are found through this process, they can be improved through training seminars. Taking into account the level of permeation of our corporate culture and our established training system, we believe that our company's strengths will remain unchanged even after the next president assumes the position.

(During this time, the president change was announced.)

Winter 2023

NAM: We appreciate that your company selected an appropriate candidate in line with the requirements that you told us in addition to the fact that the new president has abundant experience in your company's growth areas.

Investee: The new president has worked together with the current president, so we believe that this succession will succeed. As for the next president onward, we will strengthen training and seminars and implement structure improvements and expansion to pass on our corporate culture and enhance our corporate value.

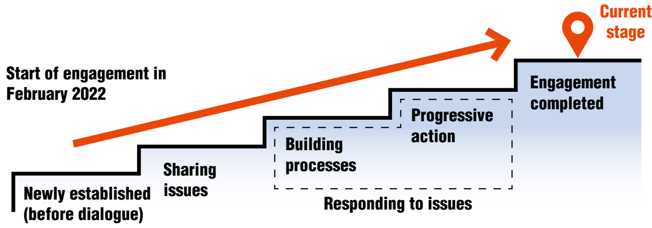
Electric equipment company B Disclosure of integrated reports

Issue recognized by analysts

The investee doesn't provide the details of its prospects, current issues, measures, and other topics to its investors.

Overview of engagement activity

Goal	Disclosure of integrated reports
Expected effects	Increased trust with investors
Target	Chairperson, president, etc.
Current situation	We completed this engagement activity after the investee published its integrated report. This is expected to improve our investee's corporate value due to an increase in trust from its investors through the advancement of information disclosure.



(Engagement timeline) Began: February 2022. Three sessions in total.

February 2022

NAM: We feel that it is difficult to understand your company's management issues and measures, including its medium-term management plan. We think that disclosing integrated reports and other information will improve trust with investors and thus enhance corporate value.

Investee: We recognize that we are facing challenges in disclosing IR information, so we plan to enhance the disclosure of information.

(During this time, the integrated report was published.)

Summer 2023

NAM: Due to the integrated report that was published, our understanding of your company's strengths and prospects for its growth strategy has deepened.

Investee: We created the integrated report with a focus on conveying value creation and the sustainability of our growth strategy in an easy-to-understand manner. We would like to continue to improve information disclosure, including the content of our integrated reports, so we would appreciate it if you would continue to exchange opinions with us.

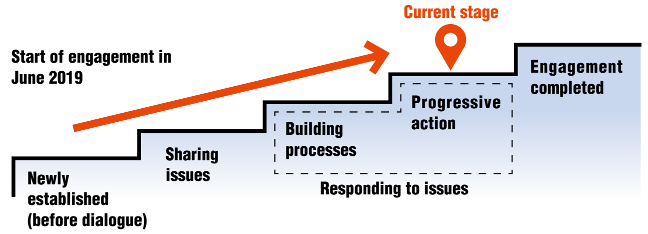
Energy company C Clarification of capital policy (shareholder returns)

Issue recognized by analysts

The investee's uncertain capital policy (shareholder returns) causes its investors to doubt its capital efficiency.

Overview of engagement activity

Goal	Clarification and continuous implementation of the capital policy
Expected effects	Increased trust with investors through the generation of a sense of understanding for the investee's capital policy
Target	People in charge of IR, etc.
Current situation	The investee officially announced its capital policy approach. They understood issues in terms of capital efficiency and started improving efficiency with an optimized capital structure in mind.



(Engagement timeline) Began: June 2019. Eight sessions in total.

June 2019

NAM: We feel that your company's approach toward its capital policy, including shareholder returns, is unclear. We think that clarifying the policy will enhance trust with your investors and thus corporate value.

Investee: We would like to return the results of profit growth to our shareholders, so we intend to carefully monitor those results.

Spring 2021 to spring 2023

NAM: It is difficult to understand your company's approach toward its policies on profit growth and shareholder returns.

Investee: For shareholder returns (dividends), we focus on stability as well. We will again look into our policies as issues to be examined in our next medium-term management plan.

(During this time, the investee's capital policy approach was announced.)

Winter 2023

NAM: It was very helpful that your company's future approach was announced based on strategies and situation analysis results thus far as well as an awareness of current issues.

Investee: We were able to confirm the results of financial soundness initiatives and growth investment, so we think that we are entering a phase in which we will shift our strategies. Due to the fact that the accumulation of capital has impacts on efficiency, we plan to take action to improve this.

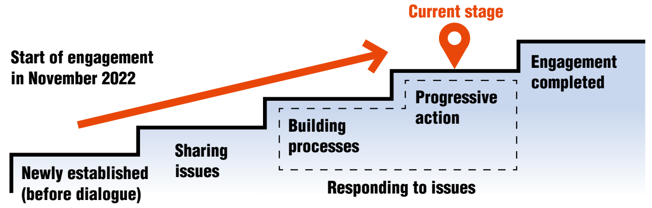
Electric equipment company D Visualizing its growth strategy

Issue recognized by analysts

The investee's corporate value is underestimated across its various businesses. In particular, because of its vague future potential, the visualization of its growth strategy is required.

Overview of engagement activity

Goal	Proper information disclosure for businesses in the growth strategy
Expected effects	The development of information disclosure, which will enable a proper understanding of the investee's future potential and corporate value
Target	People in charge of IR, etc.
Current situation	The investee is progressing with disclosure for important businesses in its growth strategy, and progress in the visualization of its growth strategy can be confirmed.



(Engagement timeline) Began: November 2022. Five sessions in total.

November 2022

NAM: We feel that information disclosure for the businesses in your company's growth strategy is limited. This makes it difficult to perform revenue forecasting and other financial analyses, leading to adverse effects on the evaluation of corporate value. Taking this into consideration, what are your thoughts on information disclosure?

Investee: We properly manage the information in our company. We will advance discussions on external disclosure.

Spring to winter 2023

NAM: We do not know the sales trends and other indicators for the businesses in your growth strategy, so it is difficult to foresee your future revenue. We regard these as important indicators to evaluate corporate value.

Investee: Frontline members are unwilling to disclose information from a business perspective. However, we consider information disclosure to be important for our investors, so we will look into what kind of information can be disclosed.

(During this time, disclosure progressed for some businesses in the investee's growth strategy.)

Spring 2024

NAM: Your progress with information disclosure for the core businesses in your company's growth strategy, which we focused on, helped to deepen understanding of those businesses. Your company has other revenue-driving businesses, so we believe that promoting the disclosure of their strategies and statuses will enable a proper understanding of future potential and corporate value.

Investee: This disclosure was designed to be helpful for our investors. As for our other businesses, we feel that information disclosure is insufficient. We will work to improve it to help our investors better evaluate our company.

Our Approach to ESG Funds

In 2023, the Financial Services Agency (FSA) partially revised the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, defining ESG investment trusts (publicly offered investment trusts) as those where ESG is considered as a key factor in the selection of investment assets. In light of this, we are stepping up our initiatives to offer ESG funds that provide our clients a sense of security, while also strengthening our governance structure.

In terms of initiatives, we have clarified the definition of ESG funds. For those classified as ESG funds, we have established a system to review their compliance with our internal standards on a monthly basis and to take corrective action if deviations are identified. At the same time, we are improving the disclosure of information related to ESG funds and ensuring strict quality control of ESG assessments and stewardship activities.

Initiatives to provide ESG funds with a sense of security

Based on the guidelines mentioned above, NAM has established the following approach and structure in providing ESG funds.

(1) Identification and management of ESG funds

- Clarification of the definition of ESG funds
- Identification of ESG funds to be decided by the President & CEO after discussions with the Executive Committee (see the diagram below)
- A system for conducting monthly reviews of each ESG fund to ensure that ESG is a key element of the fund and for taking corrective actions as necessary

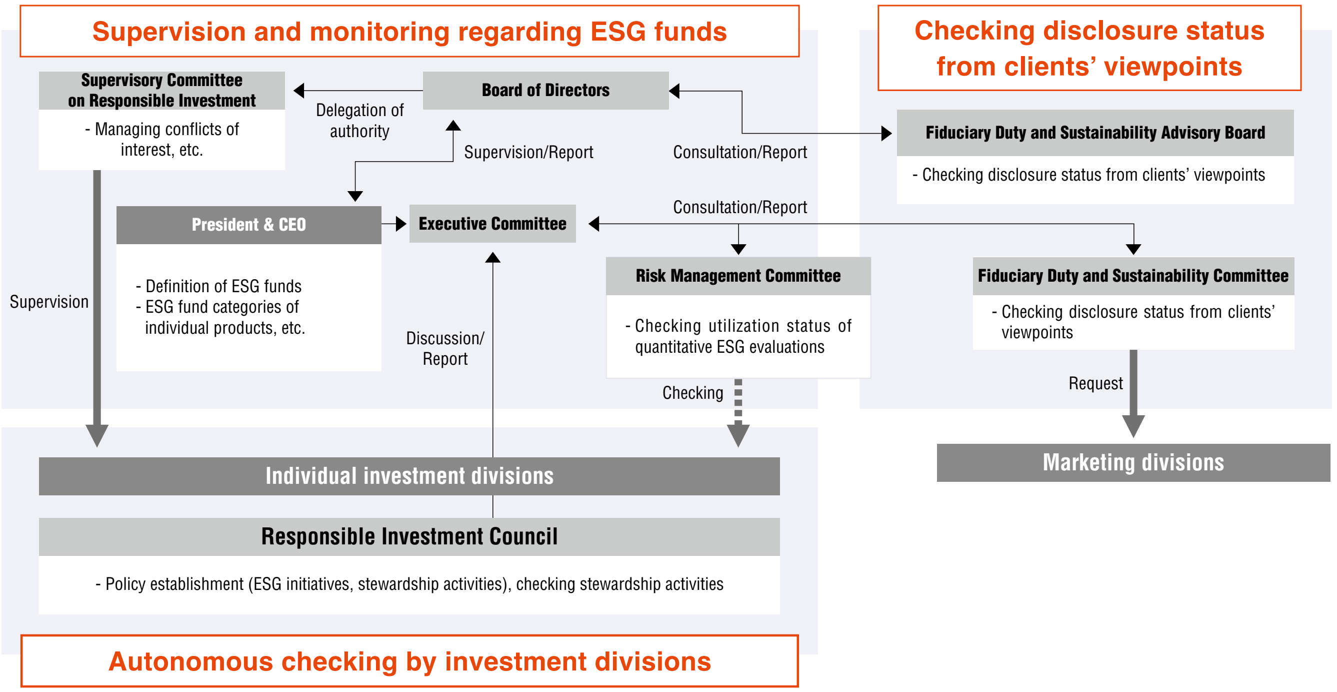
(2) Information disclosure to prevent misunderstanding

- Information disclosure in accordance with the guidelines
- Structure to check the status of disclosure from the viewpoint of clients (see the diagram below)

(3) Thorough quality control

- Quality control structure of ESG evaluation and stewardship activities
- Monitoring by the Responsible Investment Council (see the diagram below)

Governance structure for providing ESG funds with a sense of security



NAM's definition of ESG funds

NAM defines ESG funds for both internal and external investments. ESG funds are funds that actively utilize ESG factors to build their portfolios. They are defined separately for active and passive investing, as shown in the table on the right. We believe that these definitions align with the concept that "ESG must be considered as a key factor in the selection of investment assets," as outlined in the FSA's guidelines on the previous page.

Additionally, depending on the extent of incorporation of ESG factors, we classify funds as "funds that systematically integrate ESG factors into the investment process," "funds that consider ESG factors in negative screenings, etc.," and "funds that do not consider ESG factors."

We consider impact funds to be a subset of ESG funds. Our impact funds are managed in accordance with the FSA's guidelines mentioned on the previous page, as well as the Basic Guidelines on Impact Investment (Impact Finance) established by the FSA in March 2024, which are detailed on page 42.

NAM's definition of ESG-related fund classification

All investment funds	ESG funds	Funds that actively utilize ESG factors to build their portfolios
	Active investing	Funds that select investees with relatively high ESG evaluations or those that select investees capable of making impacts from the ESG perspective
	Passive investing	Funds tracking indexes that we believe are constructed by actively utilizing ESG factors
	Funds that systematically integrate ESG factors into the investment process	
	Funds that consider ESG factors in negative screenings, etc.	
	Funds that do not consider ESG factors	

Due diligence of ESG evaluation and data providers

The majority of our internally invested ESG funds are managed based on our own research, including ESG ratings conducted by our analysts, consistently from information gathering to analysis. While we do not directly utilize third-party ESG evaluation and data providers, we do use them for our passive investing ESG funds.

Additionally, we use several ESG evaluation and data providers in our efforts to understand and reduce the greenhouse gas (GHG) emissions of our company's overall investment portfolio.

Major ESG evaluation and data providers utilized by NAM

MSCI	Morningstar Sustainalytics	ISS
To measure portfolio GHG emissions and other factors, NAM utilizes MSCI's estimates and data on the GHG emissions of investee companies. NAM also utilizes MSCI for scenario analyses based on the TCFD Recommendations, as well as data on stock indexes that consider ESG factors.	NAM utilizes the analyses and data of Sustainalytics for negative screenings, such as the identification of companies that are involved in the manufacture of "biological weapons," "chemical weapons," "cluster bombs," and "antipersonnel mines" as well as evaluations of countries where serious issues from the viewpoint of ESG ("civil war," "state oppression," etc.) took place or continue to take place.	In proxy voting for domestic and overseas companies that have an especially high risk in terms of conflicts of interest, NAM exercises its voting rights in accordance with ISS's recommendations to avoid conflicts of interest. NAM also utilizes ISS's advice for decisions on proposals in proxy voting of foreign equities.

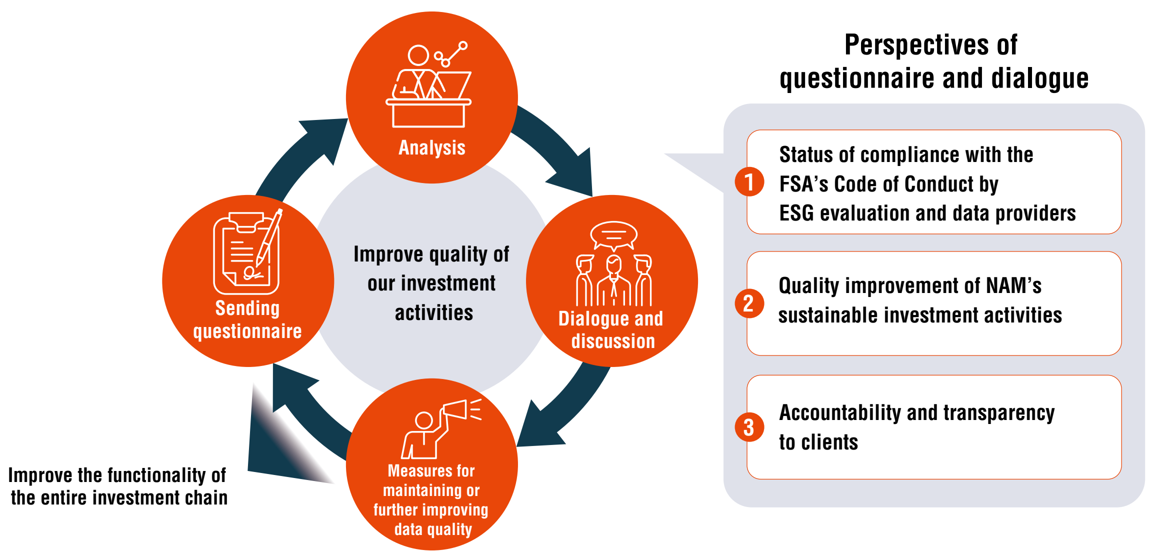
We conduct due diligence on ESG evaluation and data providers to improve the quality of our activities related to sustainable investment, including ESG fund management.

As we declared in our acceptance of Japan's Stewardship Code, we believe that deepening our engagement with ESG evaluation and data providers contributes to improving the functionality of the entire investment chain.

In FY2023, we particularly focused on the quality of evaluations and data. During the period from February 2024 to June 2024, we prepared and sent a questionnaire to the major ESG evaluation and data providers we utilize. This questionnaire took into account the contents of the Code of Conduct for ESG Evaluation and Data Providers released by the FSA in 2022, as well as their acceptance of it. We requested responses and engaged in dialogue based on the answers we received. Additionally, we urged them to strengthen measures for improving quality, including ensuring the timeliness and accuracy of data and providing reliable explanations when methodologies are changed.

In our due diligence, we believe it is important to make continuous improvements. We intend to continue our engagement with ESG evaluation and data providers to promote the PDCA cycle.

Due diligence of ESG evaluation and data providers: image of the PDCA cycle



Column | Amid Intensifying Anti-ESG Sentiment in the US, ESG Factors Remain Crucial for Investment Performance

In the United States, the anti-ESG movement, which began gaining strength around 2021, shows no signs of abating even in 2024. The moment is said to be mainly driven by Republican affiliates and conservative think tanks. With the US presidential election in November 2024 approaching, there are even indications that the movement is intensifying.

Their target is the "E" of ESG

The main target of the anti-ESG movement is the "E" (environmental) aspect of ESG. Specifically, it targets asset management companies that divest from fossil fuel companies and joint initiatives by institutional investors that demand climate change mitigation measures from fossil fuel companies. In some states with strong Republican influence, such as Florida and Texas, asset management companies that divest from fossil fuel companies are being scrutinized.

On the other hand, there do not appear to be many examples of specific themes related to "S" (Social) or "G" (Corporate Governance) becoming controversial on their own. (However, the act of considering ESG factors in investment in general appears to be the subject of controversy.)

Considering ESG factors is practically unavoidable from an investment performance perspective

In response to this rise in anti-ESG sentiment, it has been reported that some asset management companies are withdrawing their commitment to ESG investing. This is believed to be primarily due to concerns about the negative impact on their business.

Nevertheless, despite the intensifying political conflict over the divestment from fossil fuel companies, considering various ESG factors in asset management is unavoidable. While the management decision to not openly advocate for ESG investing to avoid being inadvertently drawn into political conflicts may be a highly pragmatic one, it does not mean that no ESG factors are being considered in the field of asset management.

This is because, in light of the worsening environmental and social issues affecting corporate activities, many business leaders recognize that ESG initiatives are crucial to corporate value. And what is important to corporate management should also be important to investors.

In Japan, the likelihood of an anti-ESG movement emerging from political conflicts, as seen in the United States, is considered low. We believe that ESG factors remain crucial for investment performance, both in Japan and around the world.

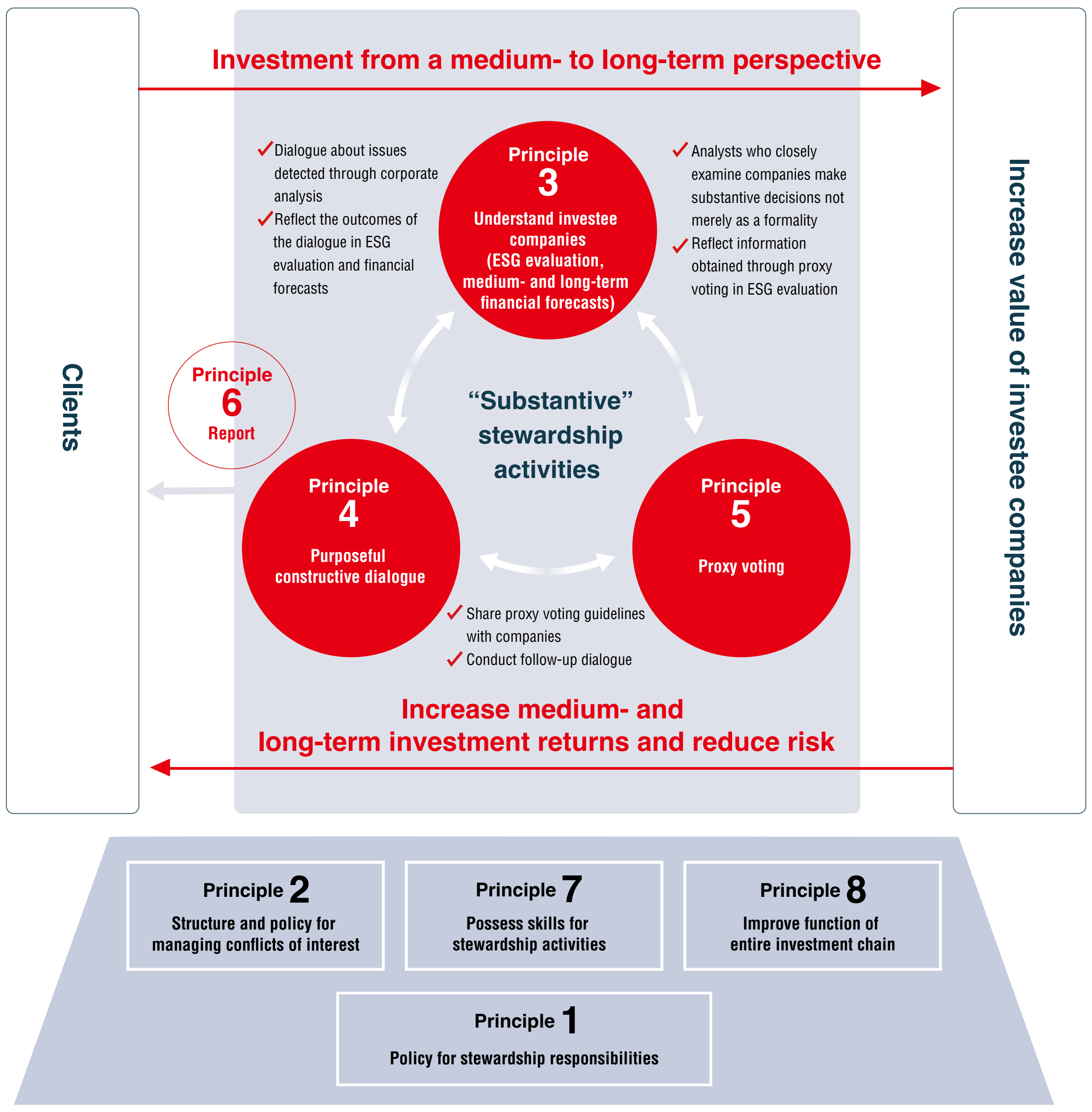
Overall Image and Framework of Stewardship Activities

We aim for the co-creation of value with clients and investee companies in our research and investment activities

We consider our research and investment activities, which aim to enhance the medium- and long-term investment returns and reduce risk for clients, as integral to our investment process. We strive for the co-creation of value with clients and investee companies by fulfilling our stewardship responsibilities through important aspects of the process for "understanding investee companies," "purposeful constructive dialogue (engagement)," and "proxy voting," which lead to an increased value of investee companies.

Overall image of stewardship activities

The below diagram shows the overall relationship between NAM's stewardship activities and each principle of the Stewardship Code.



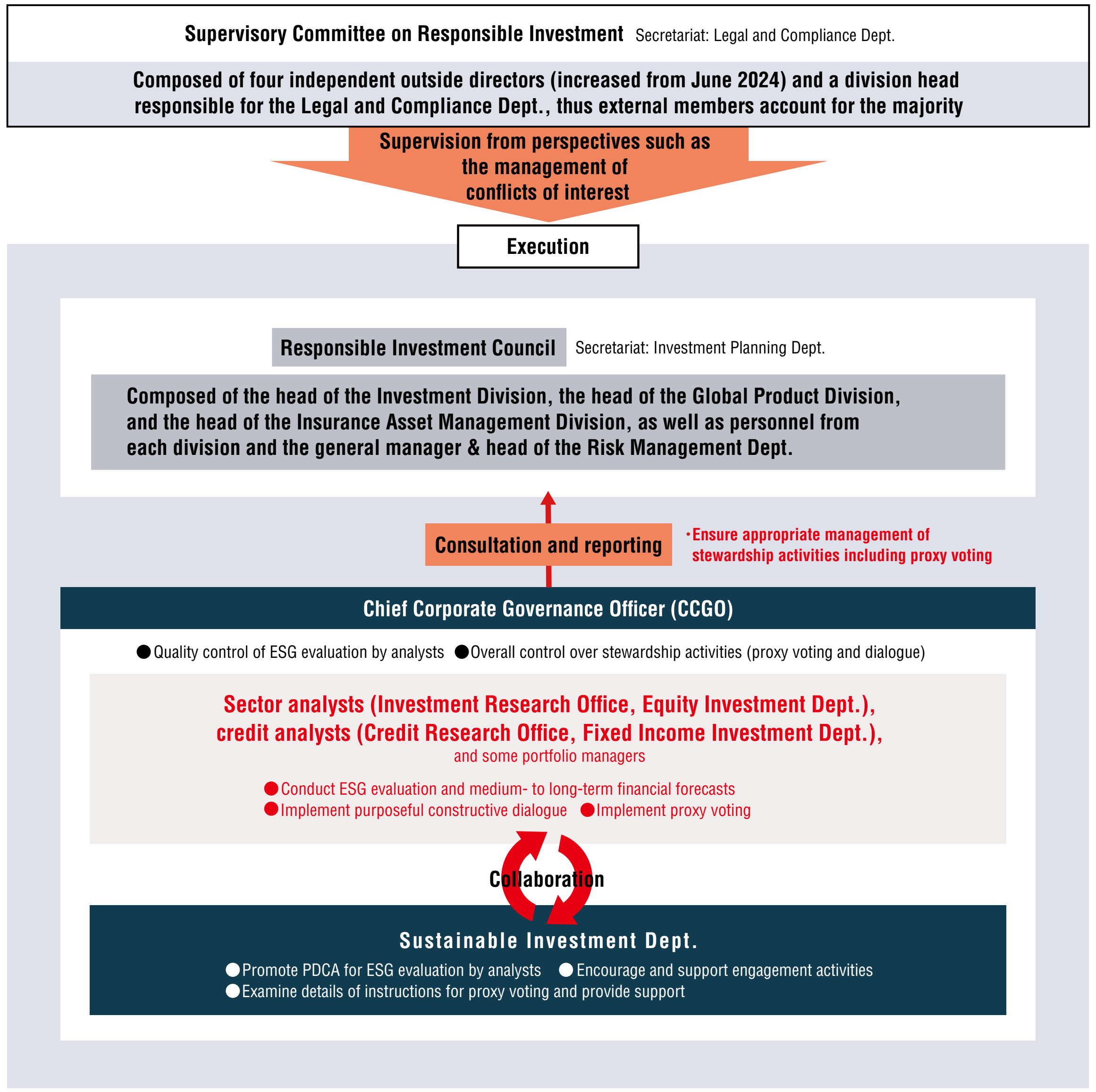
Foundation of stewardship activities

Stewardship structure

In order to supervise stewardship activities from perspectives such as the management of conflicts of interest, NAM has established the Supervisory Committee on Responsible Investment, comprised of a majority of independent outside directors. We have also established the Responsible Investment Council, chaired by the head of the Investment Division (director), which discusses our sustainable investment and stewardship activities across asset classes. Based on such structure, approximately 20 domestic equities sector analysts consistently implement each activity of "appropriate understanding of companies," "constructive dialogue," and "proxy voting" stipulated in Japan's Stewardship Code for each investee company. (For some companies, credit analysts for domestic corporate bonds are responsible for all aspects apart from proxy voting.) This is based on the idea that having the analyst who is the most knowledgeable about a company being responsible for the series of activities will generate synergies and ensure substantive stewardship activities that contribute to improving corporate value, rather than mere formalities.

NAM is also upgrading the ESG evaluation undertaken by analysts and promoting quality control and PDCA with the Sustainable Investment Department at the core under our Chief Corporate Governance Officer, an expert on ESG and proxy voting. The structure of the Sustainable Investment Department involves progressing activities with experts appointed as department heads and team members, while coordinating with relevant divisions through concurrent appointments of personnel from investment departments for equities, fixed income, external fund investment, and so on.

Stewardship activities organizational chart



Discussion with Outside Directors

2024 Discussion between the Supervisory Committee on Responsible Investment and the Chief Corporate Governance Officer

Following on from last year, we talked with three independent outside directors who are also members of the Supervisory Committee on Responsible Investment.

Masataka Hama
Independent Outside Director
Has served as an officer at asset management companies in Japan and abroad

Etsuro Kuronuma
Independent Outside Director
Professor of Faculty of Law at Waseda University. Has worked as a chairperson of government councils, etc.

Makiko Fuse
Independent Outside Director
Concurrently serves as a director of YAMADA Consulting Group Co., Ltd.

George Iguchi
Executive Officer
Chief Corporate Governance Officer
Oversees the research process with a focus on stewardship activities and ESG across assets at the Investment Division

Iguchi Thank you very much for your time today. More than half of the Supervisory Committee on Responsible Investment (hereinafter "committee") are outside directors. We believe that this enables us to supervise stewardship activities consistently from the Board of Directors to the committee. The aim today is to communicate the effectiveness of the committee to readers.

Future direction of stewardship activities

Iguchi As the first theme, the Financial Services Agency (FSA) is currently working on a revision to Japan's Stewardship Code with the target of materializing stewardship activities and strengthening collaborative engagement. Though we have already discussed this as a committee, I would like to hear your opinions about the future direction of stewardship activities. Mr. Kuronuma, please begin.

Kuronuma Nissay Asset Management (NAM) understands the status and situation of investees based on its proprietary ESG evaluations. Also, from the viewpoint of the medium- and long-term sustainability of investees, the company arranges engagement agendas and then engages in dialogue. This dialogue reflects the realities of individual companies and aligns with the direction of the action programs outlined by the FSA. In addition, the company has established a team to promote the enhancement of engagement (hereinafter "engagement enhancement team") since March 2024, aiming to understand and manage various engagement agendas in an organized manner. This also meets the action program calling for engagement enhancement.

Collaborative engagement is not directly applicable to NAM, as the company's primary investment approach is active investing. However, I believe that effectively incorporating collaborative engagement could facilitate dialogue with a broader range of listed companies.

Iguchi Thank you very much. In addition to your point on collaborative engagement, it may be effective for conducting standardized dialogue, such as discussions on climate change. Our stewardship activity policies also say, "Select appropriate forms of dialogue from the viewpoint of maximizing beneficiaries' profits." Ms. Fuse and Mr. Hama, please share your thoughts.

Fuse With respect to engagement, the committee has received reports on its efforts and results, and I feel that the effects of engagement are emerging. As to the engagement enhancement team, it is important to improve understanding of situations at individual companies when engaging in dialogue. I hope the team will strive to enhance engagement in this regard as well.

Hama Ten years have passed since the introduction of the Stewardship Code, and now we are seeing actual results. From my viewpoint as someone who has been involved in the asset management industry for a long time, I really feel that such an age has finally arrived. NAM's stewardship activities have been both detailed and diligent. I believe that these efforts have resulted in the accomplishment of winning first place in the customer satisfaction evaluation of stewardship activities in the "Newsletter on Pensions & Investment" for four consecutive years.

Iguchi Thank you very much. As for the engagement enhancement team, I would like to add that it was defined as "a team to manage dialogue" in the draft plan. However, during the meeting, Ms. Fuse pointed out that we should have a higher perspective and not just limit ourselves to management. Therefore, we revised the expression to "a team that promotes the enhancement of engagement." I would also like to thank Mr. Hama for referring to our first place in customer satisfaction evaluation for four consecutive years.

About management of the Supervisory Committee on Responsible Investment last year

Iguchi Next, looking back at the committee's activities last year, what were the things that left an impression? First, Ms. Fuse, please.

Fuse As proxy voting is crucial for companies, we hold a series of discussions on this topic at the committee. In addition, I highly appreciate the fact that NAM is diligently considering what should be done to make companies better. For example, at the time of a major revision of the proxy voting guidelines, it is disclosed one year prior to its application. I understand this is a measure in consideration of companies' preparations. I believe this type of attitude is most important.

Iguchi Thank you. While making the proxy voting guidelines stricter and applying them immediately may increase opposition rates and allow us to make appeals, I believe that the true goal of proxy voting is to improve corporate value, not merely to raise opposition rates or make appeals. Mr. Hama and Mr. Kuronuma, please share your thoughts.

Hama The key to NAM's stewardship activities is to gain insights into the essence of issues, free from formality. In this regard, I highly appreciate the early disclosure of the proxy voting guidelines. While the approach of requesting improvements from investees based on these guidelines may be challenging, I believe it is an excellent effort.

Kuronuma As for the revision to the proxy voting guidelines, I appreciate the establishment of a concrete standard pertaining to climate change. Though there may be a few cases of opposition, this standard can be utilized in engagement. In addition, I participate in Tokyo Stock Exchange (TSE) follow-up conferences regarding its review of market segments. The effectiveness of these initiatives will increase with the support of institutional investors' stewardship activities. I genuinely believe that through engagement and the revision of standards, NAM has contributed to enhancing the corporate value of Japanese companies.

Iguchi Thank you. We also established a standard based on a price-to-book ratio below 1 and the TSE's idea of the "realization of management that is conscious of capital costs and stock prices." While the government and stock exchanges set forth the soft law without a penalty, it is investors' responsibility to support it through stewardship activities and enhance its effectiveness. We plan to take similar actions going forward.

Expectations as members of the Supervisory Committee on Responsible Investment and independent outside directors

Iguchi This will be the final question. I would like to hear your expectations for next year.

Hama I once quoted a top executive of a global asset management company: "Working for an asset management company means being entrusted with clients' lives, and to be engaged in such a profession is a great privilege." The term privilege also has the meaning of "something regarded as a special honor," and this means that when we perform work, we must address it sublimely. In this regard, NAM has set up a purpose, and I believe it embodies the good points of the company while reflecting employees' opinions. I definitely want it to be radiated by each employee, thereby enabling the company and its employees to steadily grow.

Kuronuma The International Sustainability Standards Board (ISSB) has set sustainability disclosure standards. While the committee has discussed the proxy voting guidelines pertaining to sustainability numerous times, we will need to further improve guidelines in light of this situation. Another thing is the reduction of cross-shareholdings. I believe that we cannot hope for the healthy development of capital markets without eliminating cross-held shares. I anticipate that, based on the ideal of the Stewardship Code, our company will play an active role in reducing cross-shareholdings through proxy voting and engagement.

Fuse With the decrease in population, it is clear that recruiting and developing excellent human resources is essential for corporate growth. I want NAM to incorporate this perspective into its corporate analysis when engaging with companies and supporting them.

Iguchi Thank you all so much. We will discuss the points that were raised at upcoming committee meetings. Thank you very much for your time today.

(Edited by George Iguchi)

Contributing to a Sustainable Society through Investments

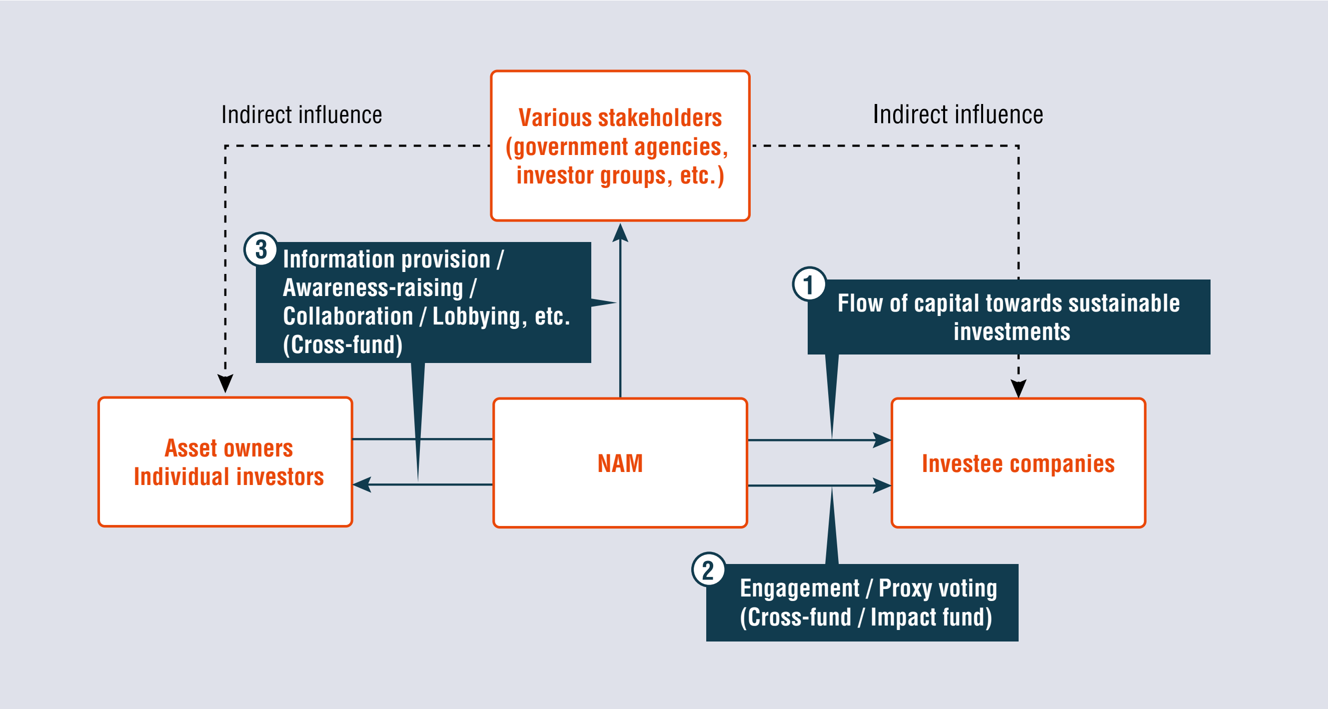
Three main pathways to contribute to a sustainable society

We believe that our initiatives for sustainable investments directly or indirectly contribute to a sustainable society via various routes. The illustration below visualizes the main pathways.

Our contribution to a sustainable society is made in different layers through, for example, initiatives to target more direct contributions on the level of individual impact funds and company-wide initiatives towards contributions for the realization of a net-zero society by 2050 across funds.

Furthermore, we believe that ESG integration—which involves incorporating our proprietary ESG ratings into medium- and long-term financial forecasts—and analysts' bottom-up engagement with companies also indirectly contribute to a sustainable society. This is because, although these activities primarily aim to enhance medium- to long-term corporate value, they also promote ESG initiatives that are crucial for this value enhancement.

Main pathways to contributing to a sustainable society via investments (image)



Main pathway 1

Increasing capital flows towards sustainable investments

"Sustainable investments" herein include not only ESG funds (including impact funds) that are based on our definition but also funds that utilize ESG integration, which incorporates ESG evaluations into medium- and long-term financial forecasts, etc. (Please refer to page 23 for our classifications and definitions of funds pertaining to ESG.)

We believe that increasing investment capital flows to these funds will not only contribute to the creation of impact accompanied by medium- and long-term corporate value improvements through impact funds, but also help create a sustainable society through the formation of fair market prices for corporate ESG initiatives and raising attention by companies.

Main pathway 2

Having positive effects on corporate actions through engagement with investee companies and proxy voting

We believe that engagement and proxy voting contribute to a sustainable society, directly or indirectly, through promoting ESG initiatives that will contribute to medium- and long-term corporate value improvements.

As cross-fund initiatives, our analysts conduct bottom-up engagement and proxy voting with a focus on medium- and long-term corporate value improvements. They also engage in dialogue with companies that have significant greenhouse gas emissions to contribute to the realization of a net-zero society by 2050.

In addition to one-on-one dialogues between investee companies and us, we participate in collaborative engagement initiatives, including Climate Action 100+ pertaining to climate change and the Advance on human rights.

On the level of individual funds, we have dialogue that directly intends to create particular impacts through our impact funds.

Main pathway 3

Indirectly having positive effects through providing information, raising awareness, collaborating, engaging in policymaking, and other efforts targeting asset owners, individual investors, and various stakeholders

For various stakeholders—including asset owners such as pension funds, individual investors, investor groups like PRI and GIIN, and government agencies—we provide information, raise awareness, extend cooperation, and support activities related to sustainable investments. We also actively engage in policymaking by participating in committees, expert panels, etc. organized by the Financial Services Agency, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment. We believe that these activities towards a wide range of stakeholders indirectly contribute to a sustainable society.

Column | Periodic publication of our original information medium, "ESG Letter"

In order to contribute to the diffusion and sophistication of sustainable investments, we periodically publish the "ESG Letter," which is a report that provides a unique perspective on noteworthy topics related to ESG since October 2015. It is distributed to clients, investee companies, policymakers, media, etc. and is also uploaded to our website.

Recent key topics are shown in the table on the right. Though it is not a timely news report, we strive to provide insights from the viewpoint of an asset management company committed to sustainable investments.

Examples of special features in recent ESG Letter editions
"Attention, Japanese companies! Accelerating legislation on corporate sustainability measures and disclosure in Europe" (ESG Letter Vol. 51, issued in July 2024)
"Expectations of impact investments that will change society while achieving high investment returns" (ESG Letter Vol. 50, issued in May 2024)
"UK to introduce new regulations to label sustainable investment funds: 'Improvers' attracting significant market attention" (ESG Letter Vol. 49, issued in March 2024)
"Response to TNFD Recommendations in light of the five main drivers of nature loss" (ESG Letter Vol. 48, issued in January 2024)
"Mechanism of sustainable investments to create impacts: third strategy called 'field-building'" (ESG Letter Vol. 47, issued in November 2023)
"ESG becoming the norm despite anti-ESG movements, following the announcement of IFRS Sustainability Disclosure Standards" (ESG Letter Vol. 46, issued in September 2023)
"EU Corporate Sustainability Due Diligence Directive proposal: pay attention to the final obligations for institutional investors" (ESG Letter Vol. 45, issued in July 2023)
"Increasing attention on 'S' in ESG: about TxFD and other latest international trends" (ESG Letter Vol. 44, issued in May 2023)
"Financial Services Agency develops Code of Conduct for ESG Evaluation and Data Providers ahead of the world: similar trends seen overseas" (ESG Letter Vol. 43, issued in March 2023)

The Nature Loss and Climate Change Are a Vicious Circle

Need for effort in a unified manner

The recovery of nature is essential to achieving a net-zero society

The problems associated with the rapid loss of nature, including forests and ecosystems, and climate change are closely related. According to scientific research, there are five main drivers of change in nature (“five drivers”), which can explain about 90% of the loss of nature.

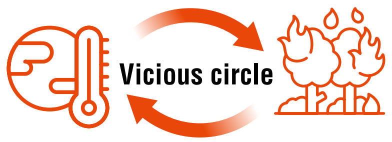
Climate change is one of these five drivers. This means the presence of a vicious circle where climate change causes the loss of nature, which in turn further accelerates climate change through, for example, the loss of forests and other constituents of nature.

Many financial institutions, including our company, are committed to contributing to the realization of a net-zero society by 2050. To achieve this goal, it has become important to stop the loss of nature and push it towards recovery. The net-zero 2050 target means offsetting CO_2 emissions that are generated in spite of reductions with absorption by forests, etc. to net zero. Without absorption, the net-zero target cannot be achieved.

Instead of viewing the loss of nature and climate change as separate issues, it is necessary to address them as a unified issue.

The vicious circle of nature and climate change

Climate change causing the loss of nature



The loss of nature causing climate change

<Five drivers of change in nature>

Changes in land, river, and sea | Overexploitation of natural resources | Climate change | Pollution | Invasive alien species

Source: Prepared by Nissay Asset Management on the basis of TNFD Recommendations, IPBES (2019) “Global Assessment Report on Biodiversity and Ecosystem Services”

With the tightening of nature-related regulations, the impact on corporate value is also increasing

As the five drivers of the nature loss have negative impacts on the economy and society in a variety of ways, related regulations have recently been tightened successively around the world. Although individual regulations may not emphasize the keyword “nature,” they can be considered nature-related if they address the issue of nature loss at its core (Please see examples in the table on the right).

Many of these tightened regulations are likely to affect corporate activities both directly and indirectly, increasing their impact on corporate value. For companies that face potential negative financial impacts from these regulations, they present a risk of nature-related regulations.

Example 1: The Global Plastics Treaty

In relation to one of the five drivers, “pollution,” inter-government negotiations on the establishment of the Global Plastics Treaty on plastics whose marine contamination is concerned started in November 2022. There are opinions that pollution cannot be fully prevented by the promotion of plastic recycling, and there are now discussions as to whether plastic production should be restricted.

Example 2: EU PFAS regulations

Discussions on tightening regulations for PFAS (Per- and Polyfluoroalkyl Substances) are reaching their peak in Europe. PFAS has been widely used due to its functionality; however, concerns about its negative impact upon health and nature make it highly probable that its manufacture, sale and use in Europe will be prohibited in principle. Prior to the introduction of regulations, some Japanese companies had already started to respond to them.

Example 3: EU Deforestation Regulation

In relation to preventing the “overexploitation of natural resources,” one of the five drivers, regulations have been tightened to oblige companies that sell wood, rubber, soybeans, cattle, etc. in Europe to implement due diligence to address deforestation and forest degradation. Companies are required to trace back to the origin of production in the supply chain to confirm that they are not involved in any deforestation or forest degradation (application starts in series from the end of 2024).

Strengthening the Incorporation of Natural Capital into Research Based on TNFD* Recommendations

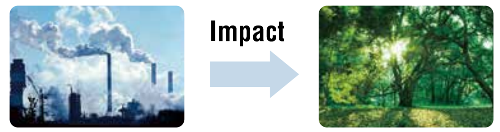
*TNFD stands for Taskforce on Nature-related Financial Disclosures. In September 2023, a disclosure framework addressing the financial impacts of nature-related dependencies and impacts was published.

Nature-related risks and opportunities

For companies, nature-related risks and opportunities can be better understood by distinguishing between cases where corporate activities impact nature and cases where corporate activities utilize (depend on) nature’s benefits (see diagram below).

Relationship between nature-related dependencies/impacts and risks/opportunities (image)

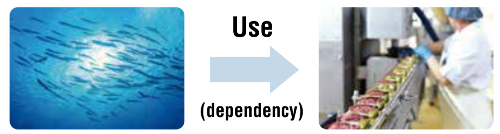
When business activities impact nature through the five main drivers of nature loss (as explained on the left page)



Impact→risks
- Strengthened regulations against negative impacts (regulatory risk)
- Social criticism of negative impacts (reputational risk)

Impact→opportunities
- Increased demand for products and services that avoid negative impacts or generate positive impacts

When corporate activities utilize nature’s benefits (water resources, agricultural, forestry, and fishery products, etc.)



Dependency→risk
- Strengthened regulations preventing usage of natural resources (regulatory risk)
- Shortage or depletion of natural resources (physical risk)

Dependency→opportunity
- Increased demand for products and services that enhance nature
- Increased demand for products and services that substitute dependence on nature’s benefits

Analyzing trends in nature-related risks by industry and applying them to individual company analyses (ESG evaluations)

Nature-related risks have general trends by industry. We start with the key sectors listed in the TNFD Recommendations and, while also referring to ENCORE,* independently analyze (map) the relationship between the five main drivers of nature loss and industries. This analysis is used as a reference in individual company analyses (ESG evaluations).

* ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure): Developed jointly by the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and financial institutions, it visualizes the extent of companies’ dependencies and impacts on nature by industry and is provided free of charge to financial institutions.

Flow of analysis of nature-related risk relationships by industry

Step 1 Identifying high-risk sectors	Identify high-risk sectors based on the following: - Priority sectors in the TNFD guidance for financial institutions - Key sectors in Nature Action 100 - SASB Standards, etc.
Step 2 Analyzing impacts and dependencies on natural capital by sector	Referencing ENCORE and based on our own research, analyze the relationships (extent of dependency and impact) with the five main drivers of nature loss.
Step 3 Utilization of location information (future implementation under consideration)	Company location information is expected to be increasingly disclosed due to the spread of TNFD Recommendations. We are considering using this information for more detailed dependency and impact risk analyses.

Mapping of nature-related risk by industry (image)

High-risk sectors	Changes in land, river, and sea	Overexploitation of natural resources	Climate change	Pollution	Invasive alien species
Oil, gas, and consumable fuels	■		■		
Chemicals			■	■	
Construction materials		■	■		
Containers and packaging				■	
Metals and mining	■			■	
Paper and forest products	■	■			
Construction services (including metal product manufacturing)	■	■	■		
Sewage and waste collection, treatment, and disposal				■	
Transportation and associated services (including passenger airlines)			■		■
Automobiles			■		
Textiles, apparel, and luxury goods		■	■	■	
Beverages and food products (including agriculture)	■	■	■		
Personal care products				■	
Pharmaceuticals		■			
Semiconductors and semiconductor equipment		■	■	■	
Utilities (including electric utilities, gas utilities, independent power and renewable electricity producers, and water utilities)	■		■		

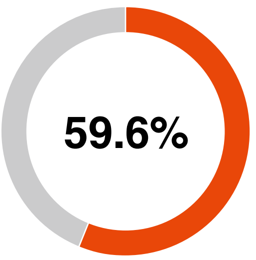
Initiatives for Contributing to the Achievement of a Net Zero Society by 2050

2030 interim targets for investment portfolio greenhouse gas emissions

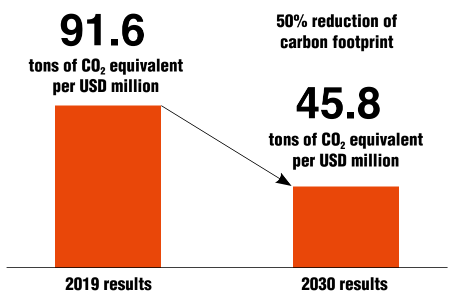
NAM joined the Net Zero Asset Managers initiative in March 2021. In January 2022, under the framework of this initiative, we established and announced the “2030 interim targets” for reducing greenhouse gas (GHG) emissions in our investment portfolio.

For 59.6% of our assets under management*1 as of December 2019, we aim to halve the carbon footprint of our portfolio by 2030,*2 compared to 2019. Our initiatives to achieve this goal are underway.

Assets subject to interim targets



2030 interim targets



*1: This includes assets under discretionary investment contracts signed as a result of the transfer of the asset management function from Nippon Life Insurance Company to NAM in March 2021. All equities and credit investments are targeted (excluding long-short funds). Most of the assets excluded are sovereign bonds and alternative assets for which a method to calculate the portfolio's GHG emissions was not yet established when the interim targets were set. We plan to gradually expand the coverage while keeping an eye on the development of calculation methods.

*2: The total of all GHG emissions from investee companies attributable to NAM (Scope 1 & 2), for both equity and corporate bond investments, divided by total investment. The 50% reduction target is based on scientific insights presented in the IPCC Special Report on Global Warming of 1.5°C. The methodology proposed by the Partnership for Carbon Accounting Financials (PCAF) is used to calculate GHG emissions attributable to NAM. Services provided by MSCI were used in this calculation.

Source: Some data were reproduced with the permission of ©2024 MSCI ESG Research LLC.

27.2% reduction from base year (2019) to 2022

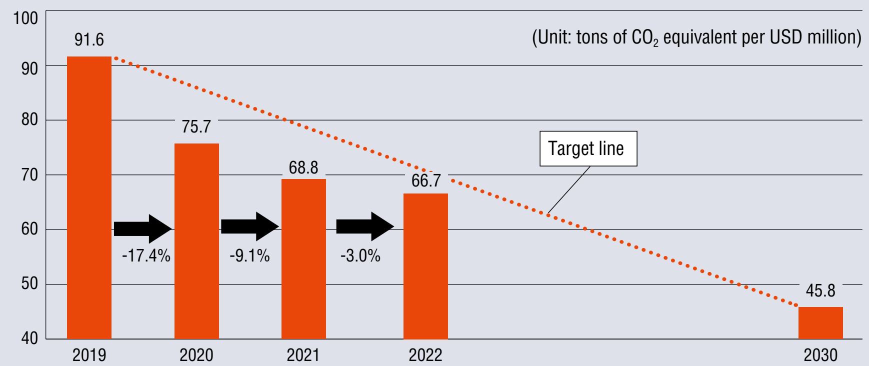
The 2022 carbon footprint of our investment portfolio (equities and corporate bonds) was 66.7 tons of CO_2 equivalent per USD million, reflecting a 3.0% decrease from the previous year's 68.8 tons of CO_2 equivalent per USD million.

This marks a 27.2% reduction when compared to 2019, the base year for the 2030 interim targets.

Despite a rise in corporate emissions during 2020–2021 and 2021–2022 due to economic recovery from the COVID-19 pandemic, the carbon footprint decreased. This can be attributed to a decrease in the proportion of investments into companies with high GHG emissions in our overall portfolio.

As it is important for companies to reduce their GHG emissions to achieve a net zero society, we will continue working to contribute to the reduction of GHG emissions through engagement with investee companies.

Changes in the carbon footprint of our portfolio (equities and corporate bonds)



Main factors behind the decreased carbon footprint

(During 2019–2020)
- Reduced economic activities during the pandemic
- Reduction in the proportion of high-emission companies in our portfolio

(During 2020–2022)
- Increased corporate emissions due to resumed economic activities
- Reduction in the proportion of high-emission companies in our portfolio

Note: The coverage of figures is only up to 2022 because the most recent available data on investee companies' GHG emissions was for FY2022 at the time this report was prepared (July 2024). Services provided by MSCI were used in this calculation.
Source: Some data were reproduced with the permission of ©2024 MSCI ESG Research LLC.

Striving for Net-Zero Emissions through Engagement with Companies and Policymakers

Focusing on companies that emit large amounts of GHG

The main sources of GHG emissions in our investment portfolio are concentrated in companies in specific types of business, such as electric power, gas, steel, cement, chemicals, and transportation. Having set the top companies among them as “key companies in net-zero efforts,” we aim to realize our 2030 interim targets by intensively engaging with them based on their specific challenges.

Share of GHG emissions in our investment portfolio by company (Investment Division)

Note: We used MSCI's services to obtain data on each investee's GHG emissions (Scope 1 & 2) and EVIC for the target year based on the International Securities Identification Numbers (ISINs) for our investees (equities and corporate bonds) for which the Investment Division is responsible as of the end of December 2019 and then performed calculations after excluding missing values.
Source: Some data were reproduced with the permission of ©2024 MSCI ESG Research LLC.

Engagement with “key companies in net-zero efforts”

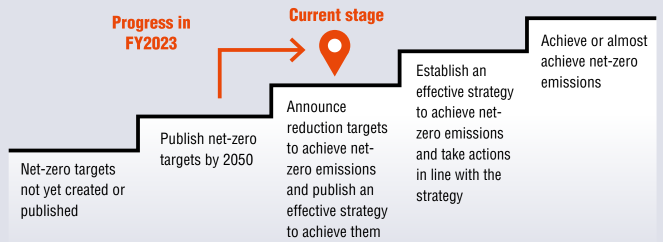
For the “key companies in net-zero efforts,” we have set five milestones for the realization of net-zero emissions through engagement and is evaluating each company's progress.

According to our analysis, as of 2023, most of them were in the process of announcing their targets for net-zero emissions by 2050. There has been a gradual increase in the number of companies intensifying their emission reduction initiatives, such as by raising medium-term targets and expanding the applicable scope, so we will support further progress through continuous engagement.

Engagement example: Energy company X (FY2023)

- Continuous engagement
  (Number of one-on-one dialogues: 4 in FY2022, 3 in FY2023)
- In 2023, the energy company partially updated its carbon neutrality plan. They established concrete targets, including a reduction amount, as well as targets for realizing carbon neutrality for Scope 1 & 2 emissions by 2040 and Scope 3 emissions by 2050. They made effective disclosures for reducing emissions, such as their detailed road map for the reduction of not only their own, but also society's emissions. As a result, their initiatives are considered to have made progress.

Engagement milestones & progress



Engagement with policymakers

Reducing GHG emissions in high-emission sectors requires major changes in business and manufacturing processes, so it is often difficult for companies to address the issue alone, making governmental support indispensable.

In addition to engaging with companies, we support policies regarding sustainable investment and endorse messages related to climate change and energy policies through initiatives we participate in and other means. We also express our opinions by actively participating in dialogues among policymakers from relevant ministries, institutional investors, and other entities. Through these processes, we aim to promote better policies and regulations for achieving a net-zero society.

Main dialogues with policymakers that we attended

Date	Main topic	Organizer & main participants
May 2023	Hydrogen utilization	AIGCC (organizer), Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of the Environment, asset management companies, operating companies, etc.
October 2023	Japan's GX strategy	PRI (organizer), Ministry of Finance, Ministry of Economy, Trade and Industry, asset owners, and asset management companies
October 2023	Japan's transition policies	PRI (organizer), Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of the Environment, and asset management companies
March 2024	Japan's energy policies	AIGCC/CBI (organizer), Financial Services Agency, asset owners, asset management companies, etc.
May 2024	Japan's transition finance & climate change policies	AIGCC/PRI (organizer), Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of the Environment, and asset management companies

Responses to the TCFD and TNFD Recommendations

With climate change and natural capital becoming increasingly important for business management, companies' disclosure of information on climate- and nature-related risks, opportunities, and other factors is critical for fulfilling fiduciary duty and implementing sustainable investing. The TCFD and TNFD Recommendations, which provide frameworks for such disclosures, are significant for our company. As an asset management company, we are committed to efforts and information disclosure based on these recommendations.

The TCFD Recommendations are incorporated into the IFRS Sustainability Disclosure Standards, which are international disclosure rules created by the International Sustainability Standards Board (ISSB). The recommendations are also expected to be incorporated into Japan's sustainability disclosure standards, because they are being developed based on the IFRS standards. Furthermore, the ISSB has begun a study on the future need for setting standards for nature, increasing the likelihood of creating international disclosure rules based on the TNFD Recommendations.

Outline of our approach to the TCFD and TNFD Recommendations

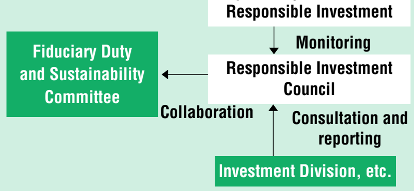
Governance

We plan and promote initiatives related to sustainability issues, including climate change, through the Fiduciary Duty and Sustainability Committee, which has been delegated authority by the Board of Directors.

In the investment sphere, we determine our activity policies and ensure appropriate supervision through discussions in the Responsible Investment Council, chaired by the Head of the Investment Division (a director), and the Supervisory Committee on Responsible Investment, which consists of a majority of independent outside directors and is delegated by the Board of Directors.

Our 2030 interim targets for reducing greenhouse gas emissions from our asset management portfolio, as mentioned on previous pages, were determined by the President & CEO after consulting with the Fiduciary Duty and Sustainability Committee and the Responsible Investment Council.

Governance structures



Strategy

We strive to understand the impact of climate- and nature-related opportunities and risks, such as physical risks and transition risks, by utilizing the E-factor evaluation framework from our proprietary ESG evaluation system.

We also perform climate change scenario analysis to confirm the robustness of these ESG evaluations.

Regarding nature-related scenario analysis, we plan to consider future implementation, taking into account the development of analysis methods, the availability of necessary data, and other factors.

Metrics and targets

We regularly monitor investees' E (Environmental) ratings, determined under our proprietary ESG evaluation system, and their stock price performance. We also track and oversee environment-related discussions during engagement with them.

As mentioned on previous pages, we have also established the 2030 interim targets for reducing greenhouse gas emissions from our asset management portfolio. In addition to engaging with investees to achieve these targets, we monitor progress and promote the PDCA cycle. Regarding the establishment of nature-related metrics and targets, we plan to consider future implementation, taking into account the development of methodologies, the availability of necessary data for analysis, and other factors.

Risk management

We utilize our proprietary ESG evaluation system to understand investees' climate- and nature-related risks and other factors, while reviewing the effectiveness of the evaluation criteria annually. We also use these evaluations as a basis for setting medium- to long-term earnings forecasts and for engaging with investees.

To manage the climate-related risks of investment products, we monitor metrics such as portfolio greenhouse gas emissions, etc. for each individual product. Regarding nature-related initiatives, we plan to consider future implementation, taking into account the availability of necessary data for monitoring and other factors.

Current GHG Emissions of Our Investment Portfolios (Equities, Corporate Bonds, and Sovereign Bonds)

The current status of the metrics that the TCFD Recommendations encourage the disclosure of, including greenhouse gas (GHG) emissions of investment portfolios (financed emissions), is shown below.*[1]

The TNFD Recommendations encourage the disclosure of information on investment portfolios, including metrics related to water, waste, and the use of natural resources. We will consider future measurement and disclosure in light of data availability, as the information disclosure of investees has not yet fully progressed.

*1 The figures presented are for the most recent years for which they are measurable, as the most recent fiscal years with fully available GHG emissions data are FY2022 for companies (equities and corporate bonds) and FY2021 for countries (sovereign bonds) at the time of the production of this report.

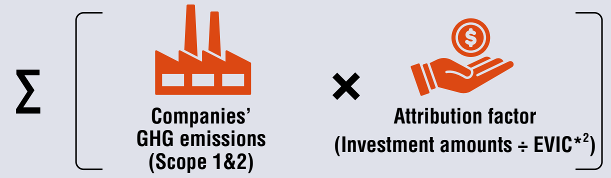
Equity and corporate bond portfolios

Total carbon emissions (financed emissions)

Total carbon emissions refer to investees' GHG emissions attributable to our company through our investments in equities and corporate bonds.

They totaled approximately 8.92 million tons of CO_2 equivalent as of December 2022, showing a decrease in all asset classes from 2021 to 2022. This was mainly due to a reduction in investment in companies with high emissions in our portfolio, particularly in foreign equities. Among the asset classes, foreign corporate bonds emit the largest total carbon, as they represent the largest asset under management.

Calculation method



*2 EVIC stands for Enterprise Value Including Cash. It is the sum of the market capitalization of common and preferred shares, as well as the total book value of liabilities and non-controlling interests (not excluding cash, deposits, or cash equivalents).

Total carbon emissions of our equity and corporate bond portfolios
(Unit: thousand tons of CO_2 equivalent)

Asset class	As of December 2021	As of December 2022
Japanese equities	872	814
Foreign equities	1,612	1,581
Japanese corporate bonds	2,463	2,061
Foreign corporate bonds	5,869	4,460
Total	10,816	8,915

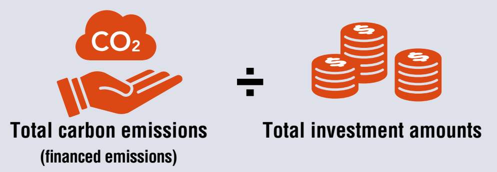
Note: We used MSCI's services to obtain data on each investee's GHG emissions (Scope 1 & 2) and EVIC for each year based on the International Securities Identification Numbers (ISINs) for our investments (equities and corporate bonds) as of the end of December 2021 and 2022 and then performed calculations after excluding missing values.
Source: Some data were reproduced with the permission of ©2024 MSCI ESG Research LLC.

Carbon footprint

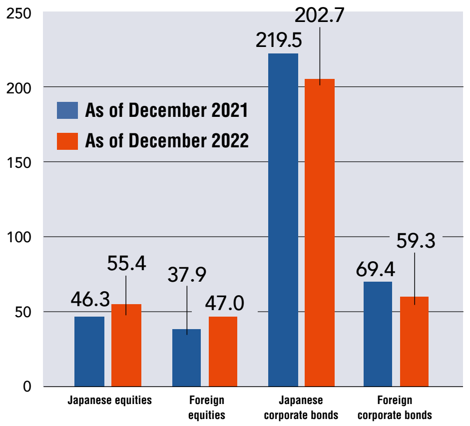
Carbon footprint refers to the total volume of carbon emissions per unit of investment. It is also considered to be a suitable metric for comparisons among portfolios with different investment scales.

As mentioned on a previous page, the carbon footprint of our portfolio decreased from 68.8 tons of CO_2 equivalent per USD million in 2021 to 66.7 tons of CO_2 equivalent per USD million in 2022. Looking at each asset class, the metrics for both Japanese and foreign equities increased, while those for both Japanese and foreign corporate bonds decreased. This can be attributed to a larger ratio of investment in companies with high GHG emissions within the entire equity portfolio. This trend can also be seen in the entire equity market. This is because crude oil price hikes following the Russian invasion of Ukraine and other impacts have relatively raised equity prices for companies with high GHG emissions, which made them account for larger ratios within the entire market capitalization.

Calculation method



Total carbon footprint of our equity and corporate bond portfolios
(Unit: tons of CO_2 equivalent per USD million)

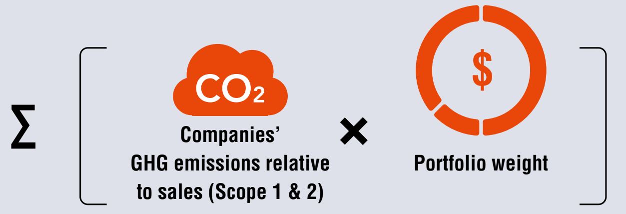


Note: These figures were calculated using the total investment amounts for each investee (equities and corporate bonds) with no missing values. Their carbon emissions have also been measured as described above.
Source: Some data were reproduced with the permission of ©2024 MSCI ESG Research LLC.

Weighted average carbon intensity (WACI)

WACI is a metric measured using GHG emissions per unit of sales of investees. Its value tends to decrease when the investment ratios for companies with high sales and low GHG emissions increase within a portfolio.

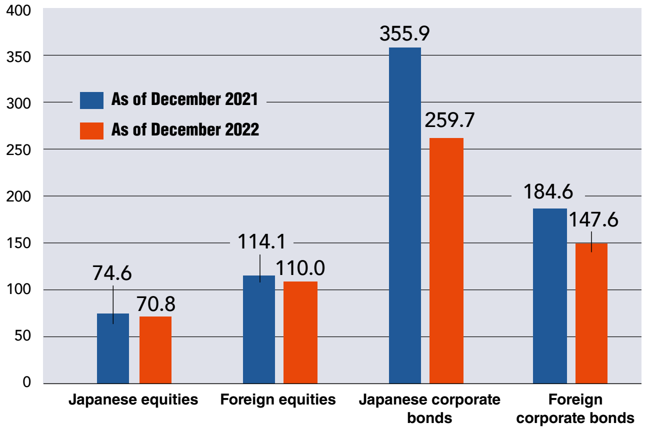
Calculation method



From 2021 to 2022, our WACI values decreased across all asset classes. In particular, the values for Japanese and foreign corporate bonds decreased significantly. Overall, it can be assumed that the efficiency of investees in mitigating GHG emissions relative to sales is increasing.

WACI of our equity and corporate bond portfolios

(Unit: tons of CO_2 equivalent per USD million)



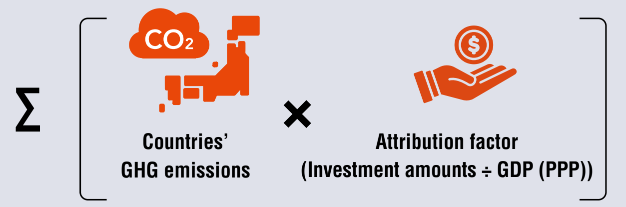
Note: We used MSCI's services to obtain data on each investee's sales and GHG emissions (Scope 1&2) for each year based on the ISINs for our investments (equities and corporate bonds) as of the end of December 2021 and 2022 and then performed calculations after excluding missing values.
Source: Some data were reproduced with the permission of ©2024 MSCI ESG Research LLC.

Total carbon emissions of our sovereign bond portfolio

Total carbon emissions of our sovereign bond portfolio were approximately 11.83 million tons of CO_2 equivalent as of December 2019, approximately 11.46 million tons of CO_2 equivalent as of December 2020, and approximately 10.51 million tons of CO_2 equivalent as of the end of December 2021. The value decreased by approximately 11.2% from 2019 to 2021. In particular, you can see a significant decrease from 2020 to 2021. This can be attributed to an overall significant reduction in investment amounts in sovereign bonds in dollars, partly due to the depreciation of the yen.

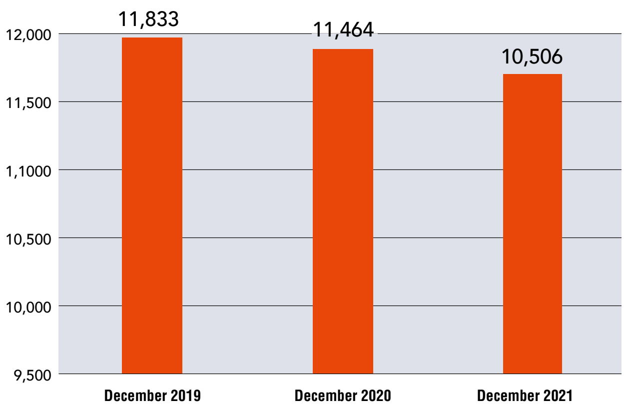
While the unit for total carbon emissions of sovereign bonds is the same as that for equities and corporate bonds, the denominator used to calculate the attribution factor are different: EVIC and GDP (PPP). Therefore, the results of the carbon emission calculations are not suitable for direct comparisons. This is why this report presents the carbon emissions of sovereign bonds separately from those of equities and corporate bonds, without combining them.

Calculation method



Total carbon emissions of our sovereign bond portfolio

(Unit: thousand tons of CO_2 equivalent per USD million)



Note 1: The values for 2019 and 2020 include assets under discretionary investment contracts signed as a result of the transfer of the asset management function from Nippon Life Insurance Company to Nissay Asset Management in March 2021.
Note 2: We used data on countries' GHG emissions (on a production basis and excluding LULUCF (land use, land-use change, and forestry)) from the UNFCCC (United Nations Framework Convention on Climate Change) and the PRIMAP, as well as GDP (PPP) data from the World Bank, and then performed calculations after excluding missing values.

Impact Investing That Significantly Changes Society and Yields High Returns (Initiatives for Listed Equities)

Basic elements for impact investment identified by FSA

In March 2024, the Financial Services Agency (FSA) disclosed Basic Guidelines on Impact Investment (Impact Finance), identifying the four basic elements expected for impact investing (table on the right).

While the FSA had stated that it "considers ESG as a key factor in the selection of investment assets" in the context of ESG investment trusts (publicly offered investment trusts), these guidelines show a new government view on impact investing.

Among the four elements, the second element, which involves whether the creation of impacts through investment is expected, is considered to carry intrinsic importance. This perspective represents a significant difference from ESG investment trusts, which focus on the process of selecting investees.

Four basic elements for impact investing

Element 1	Intended "social or environmental impact" is clarified (*intention*)
Element 2	Investment contributes to realizing impact (*contribution*)
Element 3	Identifying, measuring, and managing impact (*Identification, measurement, and management*)
Element 4	Support transforming or accelerating transformations in markets and customers (*innovation, transformation, and acceleration*)

Source: Prepared by Nissay Asset Management based on FSA (2024) "Basic Guidelines on Impact Investment (Impact Finance)"

Keen interest in Transition/Improvers types in listed equity investing

Impact investing spans various asset classes. One of the most prominent areas in recent years is impact VCs (venture capitals), which invest in emerging companies known as impact startups. Many of these investments focus on the potential of businesses (products and services) that can contribute to solving environmental and societal issues, aiming to create impacts and returns. However, this style of impact investing is not limited to VCs. Similar impact investments targeting businesses that address environmental and societal challenges are also made in listed equities.

On the other hand, Transition or Improvers types of investments are unique to listed equities and are not seen in VCs. A typical scenario involves investing in a listed company with high emissions and encouraging it to transition its business model (e.g., from fossil fuel-based power generation to renewable energy). The goal is to achieve both emission reductions (as an impact) and investment returns. These types of investments can be considered somewhat unique to listed equity investing.

In this way, impact investing in listed equities includes various types of investments, not only those that support businesses (products and services) addressing environmental and societal issues, but also those that encourage the transition of business models causing these issues.

Incidentally, there is no unified global view on whether Transition/Improvers types of investments should be considered part of impact investing. However, our company considers both types to be included in impact investing and puts them into practice.

Column | The "Improvers" label appears in the fund classification regulations in the UK

In November 2023, the UK Financial Conduct Authority (FCA) announced new regulations on labels for sustainable investment funds and information disclosure, known as the Sustainability Disclosure Requirements (SDR).

Regarding regulations on labels for sustainable investment funds, the SFDR (Sustainable Finance Disclosure Regulation), established in the EU in 2019, is already in effect. However, due to its vague fund classification criteria, there has been confusion in the asset management field, such as frequent changes in fund labels that were once determined.

Under these circumstances, the labels announced by the UK FCA are attracting attention. There are five labels, with "Improvers" being the most distinctive, as it is not included in the current EU SFDR.

Meanwhile, there have been ongoing discussions about reviewing fund classifications under the EU SFDR. A key focus is whether a label equivalent to the UK's "Improvers" will be introduced in the EU.

Fund labels under the UK SDR

Name of label	Goal
Sustainability Impact	These funds aim to achieve positive, measurable environmental or societal impacts defined in advance.
Sustainability Focus	These funds aim to invest in assets with environmental or societal sustainability, determined by a robust and evidence-based standard of sustainability.
Sustainability Improvers	These funds aim to invest in assets that may improve their sustainability over time, as determined by a robust and evidence-based standard of sustainability.
Sustainability Mixed Goals	These funds combine two or more of the different types listed above.
Other funds (ordinary funds)	Funds that do not fall into any of the types listed above

Note: The FCA does not assign a ranking or indicate superiority among the labels.
Source: Prepared by Nissay Asset Management based on FCA (2023) "Sustainability Disclosure Requirements (SDR) and investment labels" Policy Statement PS23/16

Aiming to contribute to the impact creation of investees through engagement

As described in the FSA's second basic element, investors are expected to contribute to impact creation through investees for impact funds to qualify as impact investing. Investors are not mere spectators.

Compared to unlisted equity investing, particularly VC investing in early-stage companies, listed equity investing typically involves smaller equity stakes and has less impact on investees. However, we believe that we can still contribute to impact creation through tenacious engagement with investees.

Column | Impact considerations are not irrelevant: the relationship between impacts and financial performance

Impact considerations do not conflict with fiduciary duty: a stance articulated by the Japanese government for the first time

In June 2024, the Cabinet of Japan approved the Grand Design and Action Plan for a New Form of Capitalism 2024 Revised Version, which provides insights on fiduciary duty related to pension funds. Similar to ESG considerations, it states that considering impacts and other non-financial factors in investments with the aim of enhancing medium- to long-term returns is not irrelevant. This is the first time the Japanese government has officially documented the opinion that impact considerations do not conflict with fiduciary duty.

It is inherently difficult to statistically examine the relationship between impacts and financial performance

Investment returns depend on various factors, but the financial performance of investees is especially important in medium- to long-term investments. At the same time, understanding the relationship between a company's impacts and its financial performance is critical, as companies are fundamentally responsible for creating impacts.

However, it is not easy to demonstrate whether companies that create more impacts also achieve superior financial performance. While there are numerous studies in finance-related academic journals and industry reports examining the relationships between ESG factors and financial performance—such as the links between ESG scores and financial performance, female manager ratios and financial performance, and outside director ratios and financial performance—there have been fewer studies on impacts. The main reason for this is the lack of quantified indexes for comparing companies' impacts in a common way, similar to female manager ratios.

In the first place, different companies have different types of impacts. For example, measuring the impacts of pharmaceutical companies, education service providers, and energy-saving technology companies using comparable common indexes is challenging. It is also difficult to determine which has a greater impact—pharmaceutical businesses or energy-saving technologies. Furthermore, the assessment can also depend on the values and perspectives of those making the determination.

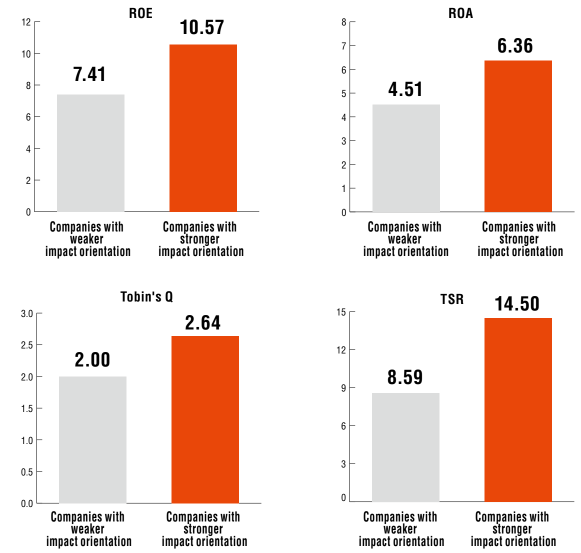
Suggestions from studies focused on companies' purposes

In this context, a study published by the Financial Services Agency Financial Research Center in 2023 focuses on the purposes of Japanese companies. It compares the financial performance of companies that aspire to impact a broad range of stakeholders—i.e., companies with stronger impact orientation—against other companies.

The study revealed that companies with stronger impact orientation achieve higher financial metrics, such as ROA (return on assets) and ROE (return on equity) (see graphs below). It notes that this tendency remains the same even after taking into account differences in company size and years in business.

While we cannot conclude that this result alone identifies the relationship between impacts and financial performance, we can say that assessing investees' impact orientation in investments is not irrelevant. Rather, it has the potential to contribute to improving investment returns.

The relationship between the level of impact orientation of Japanese companies and their financial performance



Note 1: Tobin's Q is an index that represents corporate value. TSR (total shareholder return) measures equity returns, including dividends, for the year from the first day of the company's fiscal year to the closing date, with the unit expressed as a percentage (%).
Note 2: Each financial performance index is the average of three years, from 2019 to 2021.
Source: Financial Services Agency Financial Research Center. "Can impact creation and corporate value enhancement both be achieved?—Examination through a case study and an empirical analysis based on content analysis of corporate purpose—" (DP2023-3)

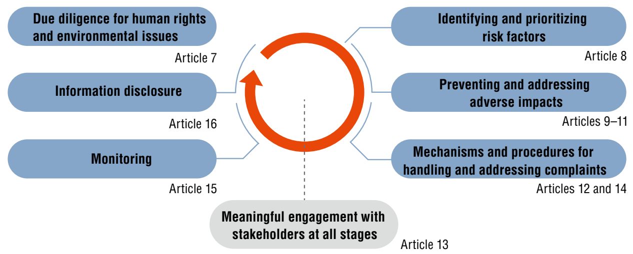
Human Rights and Sustainable Investing

New EU regulations further require companies to respect human rights

The trend of requiring companies to respect human rights has spread primarily among European and American countries since the UN established the Guiding Principles on Business and Human Rights in 2011. It appears that the new regulation, named the Corporate Sustainability Due Diligence Directive (CSDDD), which was officially adopted in Europe in May 2024, will further accelerate this trend.

The CSDDD obliges companies to implement due diligence for human rights and environmental issues, among other actions (see the chart below for more details). The scope of due diligence is extensive, covering the entire supply chain, including both upstream and downstream activities, and requires concrete and effective measures.

Due diligence for human rights and environmental issues that the CSDDD mandates for companies



Japanese companies are required to take measures

The CSDDD is also expected to have significant impacts on Japanese companies. This is because Japanese companies that operate on a certain scale within the EU are subject to the regulation, even if they are based outside the EU. Additionally, Japanese companies that are not directly subject to the regulation are indirectly required to take measures because of their business partners who are subject to it. This will further amplify the regulation's impacts.

When our company conducted a proprietary survey on Japanese companies that may be subject to the regulation, it revealed that many companies might not have fully implemented the measures stipulated by the CSDDD. It appears that they primarily lack cross-organizational institutions and measures, meaningful engagement with stakeholders, and the implementation and disclosure of concrete and effective measures.

The adoption of the regulation will begin by 2027 at the earliest and by 2029 at the latest, depending on the size of the company. It is expected to take two to four years to fully comply with the regulation. In particular, Japanese companies that have extensive dealings with the EU will need to respond swiftly.

Supporting companies' actions from an investor's perspective through engagement and cooperation

Respecting human rights is becoming a fundamental requirement for companies to conduct business. This trend is expected to strengthen even further in the future.

Our company strives to support Japanese companies in taking swift and appropriate actions through engagement, helping them continue to act as responsible corporations and maintain and enhance their global competitiveness.

In doing so, we keep the following three points in mind.

Firstly, we aim for bidirectional engagement based on a deep understanding of our investees, recognizing that effective human rights measures need to align with companies' business models and environments.

Secondly, recognizing that human rights measures are foundational to human resource management, we aim to offer insights that help companies understand the connection of the two, ultimately leading to enhanced corporate value.

The final point emphasizes the importance of cross-company and cross-industry collaboration. To effectively respect human rights, measures taken by individual companies alone are insufficient. For example, addressing issues like child labor often requires tackling structural factors such as family poverty and inadequate school systems. In this context, we aim to promote collaboration across companies and industries. (Simultaneously, our company will actively participate in such collaborative efforts. Please refer to the column below for an example.)

Column | To expand human rights measures taken by institutional investors

In May 2024, the ILO Office for Japan published the "Business and Human Rights Guidelines for Institutional Investors: What, Why, and How to Respect Human Rights through Investing" in Japanese.

This leaflet explores the investment environment that promotes responsible corporate actions from the perspectives of business and human resources, and it introduces perspectives and examples to encourage action. Our company members also contributed to the edition and collaborated with other institutional investors to make the content more practical and easier to implement. This initiative is expected to stimulate widespread action among investors and companies.

Column | TxFD expanding following the success of the TCFD: Keep an eye on the TISFD concept, scheduled to be officially established in September 2024

When the TCFD was established in 2015, few people might have anticipated the significant impact it would have in the future. The TCFD (with “C” for Climate) is a body that examined the framework for disclosing information on climate change and published its recommendations in 2017. At that time, many may have viewed it as just another disclosure framework related to ESG.

However, without the TCFD, the IFRS Sustainability Disclosure Standards issued by the ISSB (International Sustainability Standards Board) might not exist, as they are based on the TCFD. As you know, these standards are now becoming mandatory for companies through laws and regulations in various countries.

The TNFD (with “N” for Nature), established following the success of the TCFD, has also garnered significant attention from companies and investors since it released its recommendations on nature-related information disclosure in September 2023 (This sustainability report also introduces responses to the TNFD recommendations for the first time this year).

Currently, these TxFD frameworks are expanding from the environmental to the social domain with the birth of the TISFD concept.

What is the TISFD?

The “I” in TISFD stands for “Inequality” and the “S” stands for “Social.” Unlike the TCFD and the TNFD, its name consists of five letters due to the background of its establishment.

Originally, there were two separate initiatives aimed at creating the TIFD and the TSFD concepts. The TISFD concept was born by combining these two efforts.

Timeline for realizing the TISFD concept

This column refers to it as the TIFSD concept. Unlike its two predecessors, the TCFD and the TNFD, it does not yet have established disclosure frameworks, nor has any draft been announced. It remains at the concept stage and is just beginning to develop these frameworks.

Moving forward, the TISFD is scheduled to be officially established in September 2024. It plans to develop disclosure frameworks over the next two years, with the aim of completing them in September 2026.

The scope of “S” in the TISFD could enhance its relevance to Japanese companies

Regarding the “I” in the TISFD, economic disparity has become a significant societal issue in the United States and other countries. Historically, excessive economic disparity has often led to social turmoil. People are increasingly concerned about this issue because it, like climate change, can undermine the foundation of economic activities, including business operations.

Similarly, we need to pay attention to the “S” in the TISFD, which primarily refers to social issues. Japan also faces various social challenges. The scope of “S,” as it will be defined in the future, could enhance its relevance to Japanese companies.

While the TISFD is still at the concept stage, the rapid expansion of its predecessors, the TCFD and the TNFD, following their establishment suggests that the TISFD may follow a similar path. We should keep an eye on future developments of the TISFD concept.

Comparison of the TCFD, the TNFD, and the TISFD

	TCFD: Task Force on Climate-related Financial Disclosures	TNFD: Taskforce on Nature-related Financial Disclosures	TISFD: Taskforce on Inequality and Social-related Financial Disclosures
Established	Officially in December 2015	Officially in June 2021	Officially in September 2024 (scheduled)
Major organizations involved	Financial Stability Board (FSB)	Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEP-FI), and the World Wildlife Fund (WWF)	The Argentine Network for International Cooperation (RACI), the Predistribution Initiative (PDI), Rights CoLab, the Southern Centre for Inequality Studies (SCIS), the UNDP, Business for Inclusive Growth (B4IG), OECD, etc.
Development of disclosure frameworks	Completed in June 2017	Completed in September 2023	Scheduled to be completed in September 2026

Source: Prepared by Nissay Asset Management based on various materials

External Fund Investment

Offering excellent investment products across a variety of asset classes managed by asset management companies around the world

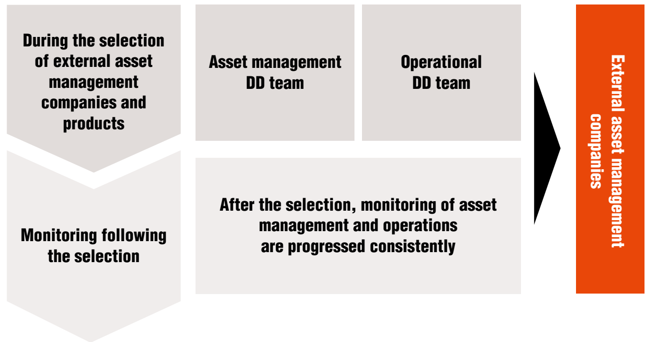
In addition to in-house investment, our company offers excellent investment products managed by asset management companies around the world. We refer to the entrustment of investment to third-party asset management companies, primarily overseas, as “external fund investment.” As of the end of March 2024, the total assets under third-party management amounted to approximately JPY 3.9 trillion, accounting for around 9.4%* of our total assets under management, showing a significant growth in recent years.

We engage in business with over 50 external asset management companies across a wide range of asset classes including alternative assets such as private equity and infrastructure as well as traditional assets such as equities and bonds. We provide an extensive lineup of products, including ESG funds, to meet our clients’ diverse needs.

In sustainable investing, we are also striving to achieve broader information disclosure and to strengthen our due diligence (DD) framework. At our company, about 30 members engage in DD in the selection of external asset management companies and products, along with subsequent monitoring. During the selection stage, the members are grouped into the asset management DD team and the operational DD team, respectively focusing on performing DD.

*Excludes assets under management by the Insurance Asset Management Division, which manages the assets of Nippon Life Insurance Company.

Framework for DD during selection and subsequent monitoring



Column | Sustainable investing and Japan’s national promotion of asset management: The importance of fostering active discussions on “a transition from saving money to SUSTAINABLE investing”

It is reported that Japan’s household financial assets reached a record high of JPY 2,199 trillion in March 2024. Of this amount, cash and deposits account for approximately 51%. Although the percentage of equities, investment trusts, and similar assets is increasing, it remains below 20%.*1 Under these circumstances, the Japanese government is taking various measures under the concept of “national promotion of asset management.” It is aiming to expand a transition from saving money to investing and give back to household finances from benefits of enhanced corporate value, thereby achieving a positive cycle of growth and distribution. One of their measures is the establishment of the Asset Owner Principles.

On the other hand, Japan is also promoting sustainable investing, including impact investing. The Financial Services Agency (FSA) positions sustainable finance as “an infrastructure supporting sustainable economic and social system, that is, financial mechanism supporting the development of economy, industry, and society toward an ideal state.” The FSA advocates for encouraging sustainable investing “through policy arrangements including the creation of an institutional framework.”*2

These two national policy issues, “the transition from saving money to investing” and “the promotion of sustainable investing,” share a common goal: making positive contributions to society over the long term. Unfortunately, the synergistic value of these two themes is not yet fully recognized. As an investment company, we should further promote this value and make ongoing efforts to elevate the true goal of national asset management promotion to “a transition from saving money to SUSTAINABLE investing.”

*1 Bank of Japan “Flow of Funds for the First Quarter of 2024 (Preliminary report)”
*2 FSA (2021) “Report by the Expert Panel on Sustainable Finance”

Held in Japan for the First Time! Reflecting on PRI in Person 2023 in Tokyo

PRI in Person, the world's leading conference for promoting responsible investment, was held in Tokyo from October 3 to 5, 2023. The event saw approximately 1,100 participants, with about 850 coming from overseas.

As a silver sponsor, our company supported the overall operation of the event alongside our parent company, Nippon Life Insurance Company, which was the lead sponsor. Many members were involved in the preparations, each contributing to the event's success. These experiences have fostered a sense of unity and cohesion within our company, driving our efforts in sustainable investment.

Tomoaki Fujii, Co-CIO (NAM Project Leader for PRI in Person 2023)

With the keywords "Excitement," "Impact," and "Unity," we formed a cross-departmental project team of about 30 members. In addition to hosting a morning session and a panel discussion, we operated a booth in the exhibition hall designed to encourage repeated visits from participants. We also took this opportunity to build company-wide momentum for sustainability by organizing an internal quiz competition and webinar series to deepen knowledge of sustainable investment. The project offered a wonderful chance to experience the "power of diversity" by collaborating toward a common goal with members who have various strengths and whom we don't usually interact with in our daily work.

Takeshi Kimura, Executive Officer, Nippon Life Insurance Company (PRI Board Director)

The PRI regards the PRI in Person event held in Tokyo last year as the most successful international event since its inception. This success is attributed not only to the main event but also to the various side events organized jointly by private investors and the government, which catered to the needs of both domestic and international investors. Most notably, Prime Minister Kishida took the stage to clearly express the Japanese government's support for impact investing and sustainability outcomes, and announced that seven public pension funds would begin preparations to sign the PRI. It is very significant that the government made a commitment to responsible investment at PRI in Person, setting a new benchmark. Enhancing environmental and social sustainability requires collaboration between the government and the private sector, and the PRI in Person event in Tokyo became a symbolic event of such cooperation. As a board director from the host country, I am delighted.

Booth
Our booth became a lively venue where investors and various stakeholders from around the world could meet and engage in active dialogue.

Morning session
President & CEO Ozeki (far left) also participated in discussions about the behind-the-scenes efforts to achieve net-zero emissions. The true/false quiz format was very well received by attendees.

Photo booth
Our original photo booth was highly praised by overseas asset owners and others, and the machine was used over 400 times!

Toward PRI in Person 2024 in Toronto

In terms of our hope for the conference this year, we are hoping for a successful one as it was in Japan last year. We're advocating for our policymakers to make similar commitments to those made in Japan and have prioritized the focus on a transition and green taxonomy to support the Canadian economy with the energy transition. We're also hoping to bring awareness to global investors of the diversity of our country and our economy. We're especially excited to showcase our efforts to partner with our indigenous communities to support a sustainable future. And finally, it will be incredibly informative to meet other like-minded investors from across the globe at this event.

Fate Saghir
Head of Sustainability
Mackenzie Investments

FY2023 Topics

2023

Global trends

June
- The International Sustainability Standards Board (ISSB) announces the IFRS Sustainability Disclosure Standards.

Japan
- The Japan Chapter of Glasgow Financial Alliance for Net Zero (GFANZ) opens.

September
- TNFD (Taskforce on Nature-related Financial Disclosures) Recommendations announced.

November

Japan
- With public-private collaboration, Japan's Impact Consortium established.

NAM response and actions

April
- Declares support for the message conveyed by the Japan Climate Initiative (JCI): "Overcoming Two Crises with Renewable Energy and Carbon Pricing."
- Nissay Health Care Support Fund receives First Prize in the Japanese Equity ESG Fund Category of the R&I Fund Award 2023.

May
- Establishes the Climate Policy in ESG Investing.
- Speaks at the ESG Case Study Showcase panel session at RI (Responsible Investor) Japan 2023.
- Exchanges opinions with policymakers and other participants at AIGCC Japan Energy Transition Roundtable 2023 hosted by AIGCC (Asia Investor Group on Climate Change).

August
- Receives the Sustainable Japan ESG Excellence Award in the ESG category at Sustainable Japan Award 2023 hosted by The Japan Times, Ltd.

October
- Speaks at PRI in Person 2023 and serves as a silver sponsor.
- Supports a Tokyo conference held by the IFRS Foundation's ISSB Investor Advisory Group.
- Participates in a working group for developing educational materials on business and human rights for institutional investors hosted by the International Labour Organization (ILO) Office for Japan.
- Exchanges opinions with policymakers and other participants at a roundtable hosted by PRI (Principles for Responsible Investment).

November
- Provides opinions at GFANZ's consultation on transition finance strategies and measuring the impact on emissions.

December
- Attends COP 28 in person and speaks at side events.

We spoke at a panel discussion at PRI in Person 2023, one of the largest international conferences on responsible investment, which was held in Tokyo.

Additionally, we contributed to enhancing the conference by operating our booth and planning and holding side events as a silver sponsor.

As for side events, we planned an eve event and a morning session. At the eve event, we streamed a video message from Al Gore, chairman of Generation Investment Management, our entrusted investment company, and held a discussion between Colin le Duc, founding partner of the company, and Hiroshi Ozeki, president and CEO of NAM. For the morning session, we invited experts and businesspeople from around the world to hold a panel discussion titled "Behind the Scenes of Net Zero."


The panel session (Chief Corporate Governance Officer Iguchi is second from the right)


The eve event (President & CEO Ozeki is on the left)

The 2023 Conference of the Parties to the UNFCCC (COP28) was held in Dubai, UAE, from November to December 2023. We spoke at several side events.

We introduced our net-zero initiatives and discussed issues to be solved and other topics.


A panel session hosted by The Investor Agenda (President & CEO Ozeki is on the far left)

A panel session hosted by JCI (President & CEO Ozeki is on the far right)

2024

Global trends

March

Japan
- The Financial Services Agency announces Basic Guidelines on Impact Investment (Impact Finance).
- The Sustainability Standards Board of Japan (SSBJ) announces the Exposure Drafts of Sustainability Disclosure Standards to be applied in Japan.

NAM response and actions

January
- Joins the TNFD Forum and registers as a TNFD Adopter.
- Receives highest grade of 5 stars in 11 out of 12 categories in a PRI Assessment Report.

February

Receives the Silver Award in the Investor category of the fifth ESG Finance Awards Japan held by the Ministry of the Environment, Japan.

March
- Joins Japan's Impact Consortium.
- Declares support for 2024 GFANZ Japan Chapter Statement issued by GFANZ's Japan Chapter.
- Exchanges opinions with policymakers and other participants at AIGCC-CBI Roundtable on Japan's Strategic Energy Plan hosted by AIGCC and CBI (Climate Bonds Initiative).

April
- Renames the ESG Investment Promotion Department to the Sustainable Investment Department.
- Joins the Japan Impact-driven Financing Initiative.

May
- Sponsors and speaks at Social Impact Day 2024.
- Exchanges opinions with policymakers and other participants at AIGCC-PRI Japan Sustainable Finance Policy Roundtable hosted by AIGCC and PRI.
- Declares support for the "Call to Action: ISSB Global Adoption," a joint statement issued by the London Stock Exchange Group, the PRI, the Sustainable Stock Exchanges Initiative, and the World Business Council for Sustainable Development.

We received the Silver Award in the Investor category of the fifth ESG Finance Awards Japan held by the Ministry of the Environment, Japan. (Until now, we have received awards (gold or bronze) every year except for year two.)

This is in recognition of our consistent promotion of initiatives that enhance our human resources strategy and ESG finances from a bird's-eye perspective, as well as our efforts on effective net-zero initiatives. The latter includes collaborating with high-emission companies and investing in innovative firms that provide technical support for their transitions.

Minister of the Environment Ito (right) and President & CEO Ozeki (left)

2024 ESG FINANCE AWARDS JAPAN SILVER

Major Global Initiatives

Sustainable investment

Signatory of: PRI Principles for Responsible Investment

A code of conduct for institutional investors, formulated with support from the United Nations. It calls for ESG issues to be integrated into investment analysis and decision-making processes. NAM is also involved in the Japan Advisory Committee.

JSIF

An NPO working to promote and develop sustainable investment in Japan. NAM is involved as a board member and steering committee member.

ICGN International Corporate Governance Network

An organization with the purpose of establishing effective governance and fostering stewardship among investors to facilitate efficient markets and sustainable economies.

Impact investing

GIIN MEMBER

A nonprofit organization established in the United States to promote and raise awareness of impact investing and cultivate impact investing communities.

インパクトコンソーシアム

A public-private partnership that fosters collaboration and dialogue among a wide range of stakeholders, with the goal of creating a positive cycle that links the resolution of environmental and social issues to sustainable growth.

インパクト志向金融宣言 Japan Impact-driven Financing Initiative

An initiative where Japanese financial institutions collaborate to advance impact-oriented investments and financing.

Sustainability information disclosure

IFRS Sustainability Alliance

NAM has joined the IFRS Sustainability Alliance and participates in the ISSB Investor Advisory Group, which provides advice to the ISSB.

TCFD TASK FORCE on CLIMATE-RELATED FINANCIAL DISCLOSURES Japan's Impact Consortium

A framework for disclosing information on climate-related risks and opportunities. NAM is registered as a TCFD supporter.

TNFD Forum Member

A framework for disclosing information on nature-related risks, opportunities, etc. NAM has joined the TNFD Forum and registered as a TNFD Early Adopter.

E (Environmental)

Net Zero Asset Managers Initiative

An initiative by asset managers aimed at contributing to achieving net-zero greenhouse gas (GHG) emissions by 2050.

AIGCC ASIA INVESTOR GROUP ON CLIMATE CHANGE

An initiative focused on deepening the understanding of Asian asset owners and financial institutions regarding climate change and low-carbon investment risks and opportunities, as well as encouraging proactive action.

A proud participant of: Climate Action 100+ Global Investors Driving Business Transition

An initiative that collaboratively engages with the world's largest corporate GHG emitters to encourage them to strengthen climate change mitigation measures and enhance information disclosure.

JAPAN CLIMATE INITIATIVE

A network established to enhance communication and the exchange of ideas among companies, local governments, NGOs, and other entities actively engaged in climate action.

CDP INVESTOR SIGNATORY

An NPO that operates a global information disclosure system for investors, companies, nations, regions, and cities to manage their environmental impacts.

S (Social)

advance An investor initiative for human rights and social issues

A collaborative engagement platform launched for institutional investors to work together in addressing human rights and social issues.

Investment Team

NAM's investment team consists of the Investment Division, which manages investment trust products and investments for a broad range of clients, including public and private pensions, business corporations, and institutional investors; the Insurance Asset Management Division, which oversees credit and alternative assets entrusted to us by Nippon Life Insurance Company; and the Global Product Division, which manages alternative fund investments and external fund investments.*

The Investment Division's Sustainable Investment Department works collaboratively across the organization with investment managers and other relevant personnel to advance sustainable investment practices in both in-house and external fund investments. This includes efforts to improve ESG integration and stewardship activities among investment personnel, enhance the quality control of our proprietary ESG ratings, develop an ESG-related database incorporating ESG ratings and engagement activities, support domestic and international sustainable investment initiatives, and plan various other sustainable investment activities.

The Sustainable Investment Department includes both full-time members and part-time members from other departments, all of whom are dedicated to advancing sustainable investment initiatives.

*The entrustment of investment management, etc. to third-party (mainly overseas) asset management companies

Investment Division
- Fixed Income Investment Department — Credit Research Office
- Equity Investment Department — Investment Research Office
- Strategic Investment Department
- Quantitative Investment Department
- Investment Technology Development Department
- Sustainable Investment Department
- Investment Operations Development Department — Data Management Office
- Investment Planning Department — Investment Monitoring Office

Insurance Asset Management Division
- Foreign Equity & Alternative Investment Department
- Credit Investment Department — Credit Research, Insurance Accounts Office

Global Product Division
- Alternative & Fund Investment Department
- External Fund Investment Department

Sustainable Investment Department meeting

Message from an Outside Expert

The Roles of Capital Markets and the Importance of Partnerships to Take Countermeasures against Climate Change

Message from Ms. Clara Barby of Just Climate collaborating with Nissay Asset Management on climate change funds

Ms. Clara Barby

Senior Partner, Just Climate

Received BA (Hons) in Greats from the University of Oxford, and an MBA from INSEAD. She successively held posts, including CEO of the Impact Management Project (IMP) and project leader to establish the International Sustainability Standards Board (ISSB). She was awarded a CBE (Commander of the Order of the British Empire) for her contributions to the International Sustainability Standards on the 2023 King's New Year Honours List.

About Just Climate

Just Climate was established in 2021 by Generation Investment Management, which is led by Mr. Al Gore, the former Vice President of the United States. The company aims to help tackle the highest-emitting and most off-track sectors by working in partnership to steer institutional capital at scale into the business and technologies that can avoid or remove greenhouse gas emissions. It has been cooperating with Nissay Asset Management on climate change funds since 2022.

I have been driven to achieve positive climate impact throughout my career in investment: stewards of capital have a critical role to play in advancing the net zero transition and addressing the systemic risk of climate change. The time for a gradual transition is now running out and we need bold action. This means radically reducing all emissions by 2030, while conserving, restoring or better managing ecosystems to reduce and remove carbon emissions from the atmosphere.

Just Climate was established in 2021 by Generation Investment Management to help tackle the highest-emitting and most off-track sectors by working in partnership to steer institutional capital at scale into the business and technologies that can avoid or remove greenhouse gas (GHG) emissions in parts of the economy that have previously proven difficult to address. Achieving this requires partnering with likeminded investors and partners, such as Nissay Asset Management, who share our commitment to a just transition to a net zero world by 2050.

We are pleased to partner with investors like Nissay Asset Management, who expect us not only to manage assets sustainably but also to introduce products that, provided the risk-adjusted financial returns are attractive, can address systemic risks such as climate change, and capture the opportunity presented by policy and market tailwinds.

We believe Nissay Asset Management shares our belief that climate-led investing is a strategic capital allocation imperative. Together, we understand that other assets in their portfolios—including large-cap companies, real estate projects, private businesses—urgently need these climate solutions to come down the cost curve and scale to support the transition of their own business models. Companies that can radically decarbonise industrial sectors and restore nature present an opportunity for outsized positive climate impact that is potentially a source of attractive risk-adjusted returns.

We are at a pivotal moment. Despite progress in attaining a sustainable economy over the past two decades, we know that transformational change is still needed across all aspects of our economies, from industry to finance to public policy. Being successful will take partnerships across the private and public sectors and depends on a shared commitment to define success and measure progress with the stakeholders most affected by the transition.

At Just Climate, we remain committed to the ambitious goals of the Paris Agreement, and we are well aware what it will mean for nature and for society, if we fail. Achieving these goals will only happen with urgent action around the world, among all countries and among investors allocating the flows of capital. We are proud to work with Nissay Asset Management who recognises the sizeable opportunity to invest in the building blocks of our future sustainable economy.

Results of Proxy Voting

The results of proxy voting (on a sub-proposal basis*1) at the Shareholders Meetings held in May and June 2024 are as follows.

1. Management proposals

		For (A)	Against (B)	Abstain (C)	Carte blanche (D)	Total	Percentage of Against	Reference: Percentage of Against (Previous Year)
Governance bodies	Election/Removal of directors	9,771	1,291	0	0	11,062	11.7%	12.9%
	Election/Removal of auditors	1,052	122	0	0	1,174	10.4%	13.1%
	Election/Removal of accounting auditors	16	4	0	0	20	20.0%	9.1%
Executive Remuneration	Executive remuneration*2	412	72	0	0	484	14.9%	11.8%
	Payment of retirement benefits	7	32	0	0	39	82.1%	73.2%
Capital policies (excluding approval of articles)	Allocation of income and dividends	737	120	0	0	857	14.0%	16.8%
	Organizational restructurings*3	11	0	0	0	11	0.0%	0.0%
	Takeover defense measures	0	25	0	0	25	100.0%	100.0%
	Other capital policy-related proposals*4	13	3	0	0	16	18.8%	15.8%
Approval of articles		219	18	0	0	237	7.6%	8.3%
Other proposals		2	0	0	0	2	0.0%	–
Total		12,240	1,687	0	0	13,927	12.1%	13.5%

*1 A sub-proposal basis means that the number of proposals includes branch proposals, counting each candidate as a separate proposal in cases related to election of directors and auditors.
*2 Repricing of executive remuneration, stock options, performance-related pay plans, executive bonuses, etc.
*3 Mergers, asset sales/purchases, share exchanges, share transfers, corporate splits, etc.
*4 Share buybacks, reduction of legal reserves, allotment of new shares to a third party, reduction of capital, reverse stock splits, issuance of class shares, etc.

2. Shareholder proposals

	For (A)	Against (B)	Abstain (C)	Carte blanche (D)	Total	Percentage of For
Total	54	239	0	0	293	18.4%

Part II Sustainability Management

Sustainability Management

We recognize that the asset management business has a multifaceted impact on society and plays an important role in everyone's lives. Our company actively engages in discussions on sustainable management through the Fiduciary Duty and Sustainability Committee and the Fiduciary Duty and Sustainability Advisory Board. In line with our policies, we will strive to contribute to the realization of a sustainable society by promoting concrete initiatives across the entire company.

Basic Policies on Sustainability Management

- We will actively engage in respecting human rights and diverse values, addressing global environmental issues and other initiatives to contribute to achieving a sustainable society.
- We will engage in business leading to the sustainable growth of society.
- Working and prospering together with all our stakeholders, we will continuously strive to create a bright future for all.
- We will engage in activities to cultivate employees' consciousness, educate them, and raise their awareness of promoting sustainability.

Human Rights Policy

In our business principles, we emphasize "building long trusting relationships with clients by providing them with the highest added value." To realize this statement, we consider it crucial to recognize the multifaceted impact of the asset management business, "respect human rights and diverse values to contribute to achieving a sustainable society," and "work and prosper together with all our stakeholders," as highlighted in our basic policies on sustainability management. Based on these concepts, we have established human rights policies and are taking related initiatives to respect the rights of the stakeholders affected by our business activities and to contribute to the realization of a sustainable society through our entire value chain. We periodically review these policies and update them as necessary.

1. Compliance with laws and international standards
2. Respect for human rights through business activities
3. Human rights due diligence
4. Remedy and corrective action
5. Education
6. Stakeholder engagement
7. Information disclosure
8. Scope of application

Environmental Policy

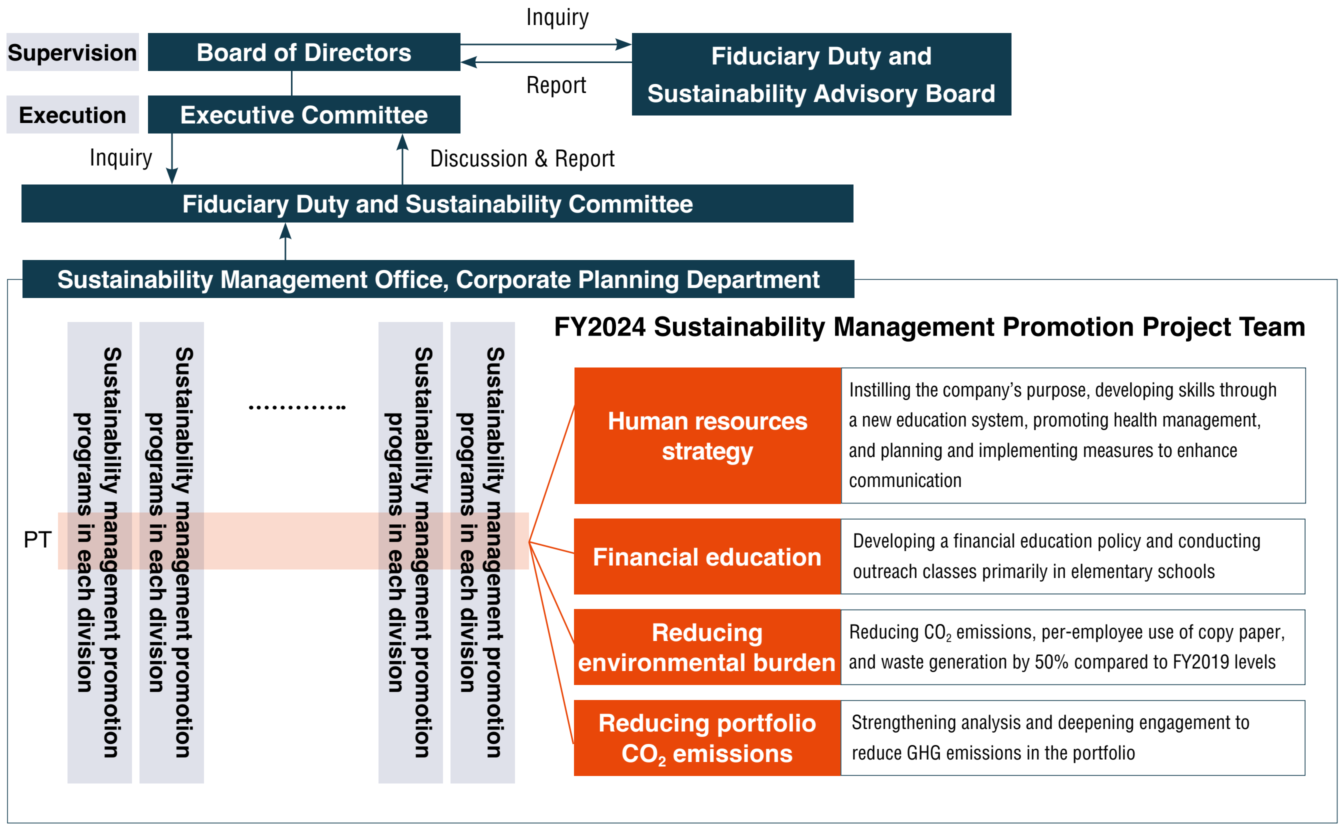
Our business principles state, "We comply with laws and regulations as a global corporate citizen, and all our officers and employees strive to contribute to society, bearing their mission and responsibility in mind." Furthermore, we find it essential to recognize the multifaceted impact of the asset management business, and as stated in our basic policies on sustainability management, to "actively address global environmental issues to contribute to achieving a sustainable society." Based on these concepts, we established environmental policies and are taking action in consideration for the environment.

1. Conservation of the global environment through business activities
2. Addressing environmental issues
3. Compliance with environmental laws and regulations
4. Education
5. Continuous improvement
6. Information disclosure
7. Scope of application

Framework for Promoting Sustainability

NAM has established the Fiduciary Duty and Sustainability Committee as an advisory body to the Executive Committee. This committee reviews material sustainability issues, monitors the progress of the sustainability management promotion programs formulated by each division, and oversees the cross-divisional project team.

Additionally, we have set up the Fiduciary Duty and Sustainability Advisory Board as an advisory body to the Board of Directors. This advisory board, which includes external experts, provides advice from the perspectives of fiduciary duty and sustainability to help us continuously improve and enhance our initiatives.



Slogan toward promoting sustainability: "A Good Investment for the Future"

NAM has adopted the corporate slogan "A Good Investment for the Future," which simply expresses our aim for all officers and employees to work together to promote sustainability management.

"Good Investment" encompasses several meanings: "investment that is good for the environment and society," "investment with good performance," and "investment that is good for employees."

It expresses NAM's commitment to realize "good investment" that goes beyond the mere pursuit of economic returns. The phrase "for the Future" also embraces a number of meanings: "the future of our clients," "the future of the earth and the next generation," and "our own growth." NAM will take part in realizing a sustainable society with a strong consciousness of its responsibility for the future.

Good investment

- **Investment that is good for the environment and society**
- **Investment with good performance**
- **Investment that is good for employees**

Future

- **The future of our clients**
- **The future of the earth and the next generation**
- **NAM's own growth**

A GOOD INVESTMENT FOR THE FUTURE

Material Issues and Initiatives for Nissay Asset Management

In promoting sustainability management, we identified the following material issues in achieving the global Sustainable Development Goals (SDGs) in FY2021 after holding extensive discussions on "What should NAM's priority be?" while taking a dual perspective on the various issues faced by society of "What role does society expect us to play?" and "What initiatives will lead to our company's growth?" We will be united in our efforts to contribute to the realization of a sustainable society.

Process for identifying material sustainability issues

STEP 1 Identifying social issues

- Identify social issues to be considered with reference to international frameworks such as the GRI standards, ISO 26000, the SDGs, etc.
- Compile a list based on the opinions gathered from our employees in each layer, shareholders, and external experts

STEP 2 Mapping social issues

- Create a matrix of social issues identified in Step 1 on the two axes of "importance to social contribution" and "importance to our corporate value"

STEP 3 Identifying material issues

- Organize the issues for NAM to address based on the matrix of social issues
- Indicate the SDGs associated with the material issues identified

Material sustainability issues

Material Issue 1: Providing widely-accessible asset management services

Vision

We will contribute to the asset formation of each and every one in our society by evolving asset management into a familiar financial service for all, just like bank deposits and insurance. To this end, we will thoroughly implement client-oriented business conduct and aim to be a company that can grow together with all of our clients.

Material Issue 2: Advancing and enhancing ESG investing

Vision

As a front runner in ESG investing, we will constantly study the latest ESG evaluation methods and strive to continuously enhance our ESG investing, to live up to our positioning in this field. At the same time, we will make untiring efforts to further enhance our ESG investing, actively develop new products, and offer these to our clients by practicing ESG investing aimed at achieving both investment returns and realization of a sustainable society.

Material Issue 3: Building an investment chain in pursuit of achieving a sustainable society

Vision

Within the investment chains, we have a role in increasing wealth across all of society by appropriately allocating social resources. We aim to expand asset management services that would generate a virtuous cycle for society by linking the valuable funds invested by our clients to the sustainable growth of investee companies and society.

Material Issue 4: Realizing business with a low environmental burden

Vision

Recognizing that various environmental issues including climate change are serious problems that threaten the survival of the human race, we will review our business processes and work to enhance our workplace environment to minimize the environmental burden of our business operations.

Material Issue 5: Actively promoting social contribution activities by employees

Vision

Based on our recognition that business is only possible through the formation of a sound society, we will encourage our employees to actively contribute to and give back to society and continue to be a company that grows together with society.

Material Issue 6: Achieving a society where everyone can play an active role

Vision

For an asset management company, "human capital" is the very source of competitive strength. Amid increasingly intense competition, creating an environment where a wide range of diverse employees of different genders, nationalities, ages, and backgrounds can play an active role is the "key" to coming out on top. We aim to create a workplace and foster a workplace culture that allows employees with various individualities and circumstances to make the maximum use of their unique abilities.

Material Issue 7: Enhancing governance and risk management

Vision

Corporate governance is of the utmost importance for sound corporate management, and we aim to continually improve it. We will also strive to enhance employees' awareness of social norms, such as thorough compliance with laws and regulations, and build trusting relationships with society and our clients.

Progress of initiatives

We have established indicators related to material issues, and the Fiduciary Duty and Sustainability Committee regularly monitors their progress. We also work to effectively promote sustainability management by discussing measures to take.

Material issue	KPI	Goal	FY2021	FY2022	FY2023
Providing widely-accessible asset management services	AUM of publicly offered investment trusts	Inflows from a broad range of clients	JPY 2,742.0 billion	JPY 2,708.5 billion	JPY 3,661.7 billion
	AUM of defined contribution pension plans	Inflows from a broad range of clients	JPY 659.8 billion	JPY 739.0 billion	JPY 1,084.6 billion
Building an investment chain in pursuit of achieving a sustainable society	AUM of ESG funds	Promote the popularity of ESG funds	JPY 819.5 billion	JPY 809.8 billion*1	JPY 733.8 billion*1
	Carbon footprint of portfolios	50% reduction by FY2030 (compared to FY2019) Net zero by FY2050	68.8 t-CO_2e/ $mil	66.7 t-CO_2e/ $mil	–*2
Realizing business with a low environmental burden	Amount of copy paper used per employee	50% reduction by FY2030 (compared to FY2019)	3,987 sheets	3,422 sheets	3,142 sheets
	CO_2 emissions reduction	50% reduction by FY2030 (compared to FY2019)	1,409 t-CO_2e	1,864 t-CO_2e	2,036 t-CO_2e
Achieving a society where everyone can play an active role	Proportion of female managers	20% or more by FY2030	7.4%	10.2%	12.2%
	Obtaining certification for health management, etc.	Obtaining Kurumin, Eruboshi, and Health & Productivity Management Outstanding Organization certifications by FY2025	Not yet obtained	Kurumin and Eruboshi not yet obtained Health & Productivity Management Outstanding Organization certification obtained	Kurumin and Eruboshi not yet obtained Health & Productivity Management Outstanding Organization certification obtained
Enhancing governance and risk management	Enhancing the effectiveness of the Board of Directors	Independent outside directors make up at least 1/3 of the board by FY2025	25%	37.5%	37.5%
	ROE	Management with an awareness of capital efficiency	14.9%	13.1%	13.7%

*1 AUM of ESG fund figures include passive funds from FY2022 (JPY 0.99 billion in FY2022, JPY 0.96 billion in FY2023).
*2 Carbon footprint of portfolios has not been calculated for FY2023 as sufficient data on the greenhouse gas emissions of our investees was not available at the time of preparation of this report.

Environmental Initiatives (TCFD-related Area)

We believe that a variety of environmental issues, including climate change, present a major threat to human life and that it is necessary to actively address global environmental and other issues to contribute to the realization of a sustainable society. We are promoting initiatives to minimize the environmental impact of our business activities, with the aim of halving our net CO_2 emissions by FY2030 compared to FY2019 levels.

Initiatives in decarbonization and mitigation of environmental impact

We have established environmental policies and are working to deepen employees' understanding of them through training and other opportunities.

Additionally, we are striving to reduce our environmental impact by reviewing our use of plastic products, reducing waste, going paperless, and more. These activities include using plastic-free promotional file folders, installing water servers in the office, recycling and donating used equipment, and promoting online meetings. Furthermore, we are donating to projects working on reducing CO_2 emissions to support the mitigation of environmental impact.

Since installing water servers and implementing other initiatives, we have reduced our company's plastic bottle waste by approximately 60% compared to FY2019 levels (pre-installation).

Plastic-free file folders

Trend in net CO_2 emissions

($t\text{-}CO_2e$)	FY2019	FY2020	FY2021	FY2022	FY2023
Company-wide emissions	3,164	1,991	1,409	1,864	2,036
Scope 1	6	6	5	5	5
Scope 2	572	653	79	11	86
Scope 3*	2,586	1,332	1,325	1,848	1,945

*For Scope 3 figures, we calculated emissions for category 1, 3, 5, 6, 7, 8, and 9. CO_2 emissions from our investment portfolio (category 15) are shown on page 39.

Overview of scopes, activities measured, and CO_2 emissions for FY2023

Scope	Overview	Activities measured	Emissions ($t\text{-}CO_2e$)
Scope 1	Direct emissions from our use of fuel, etc.	Fuel for corporate vehicles	5
Scope 2	Indirect emissions from using purchased electricity, etc.	Electricity used by us	86
Scope 3	Indirect emissions from other sources in our supply chain	-	1,945
Category 1	Goods and services we purchase	Amount of paper used	997
Category 6	Emissions associated with employee business travel	Business travel	831
Category 7	Emissions associated with employee commuting	Commuting	92
Category 8	Emissions associated with employees working from home, etc.	Working from home	19
Other - total	Disposal of general waste, etc.	-	6

J-Credits

We purchase J-Credits* to effectively fund energy-saving and renewable energy projects, so that we can support companies and individuals working to reduce CO_2 emissions.

*Credits issued for government-certified initiatives, such as reducing CO_2 and other greenhouse gas (GHG) emissions through the installation of energy-saving equipment and the use of renewable energy, as well as absorbing CO_2 and other GHGs through appropriate forest management.

Actively Promoting Social Contribution Activities

Our principal business, asset management, can only prosper within a healthy and everlasting environment and society. We believe that fostering an awareness of contributing to and giving back to society in every employee will enable us to grow together with society. This is why we have set "Actively promoting social contribution activities by employees" as a material issue for sustainability management. We mainly focus on (1) promoting financial literacy and SDGs education and (2) encouraging volunteer activities, striving as a company to realize a sustainable society.

Promotion of financial literacy and SDGs education

In actively promoting social contribution activities, we are advancing various initiatives related to financial literacy education, which is emphasized in the government's New Form of Capitalism, as well as SDGs education, which contributes to attainting global SDGs.

Visiting class

With the goal of enhancing financial and SDGs literacy among more children, we have been conducting classes at elementary schools throughout Japan since FY2023. In FY2023, we offered two types of classes: one on financial literacy, where students learned about investments using a financial literacy handbook titled "Let's Learn about Investing!," and another on the SDGs, which used the board game "The Game of Life: Beyond SDGs." We taught these classes in 20 schools, reaching approximately 1,200 elementary school students nationwide.

Financial literacy class contents

In our financial literacy classes, students learned through preliminary work about approximately how much money they will need for life events and were then taught about investments as one method of earning that money. During the classes, we devised various ways to spark children's interest, such as asking them questions and using familiar companies as examples to explain how investments work. We received comments about the classes, including one saying "I learned that I will use lots of money as adult, so it is important to think thoroughly about my life plan."

A class in progress

SDGs class contents

Our SDGs classes mainly utilized "The Game of Life: Beyond SDGs," which our company helped to create. "The Game of Life: Beyond SDGs" differs from the standard version, where players compete to become billionaires, in that players collaborate to create an ideal future. The contents of each space on the board are related to the SDGs, prompting comments from students such as "I learned about the SDGs while enjoying the game. It was easy to understand."

Playing "The Game of Life: Beyond SDGs"

We have now started accepting applications for FY2024 visiting classes and are creating even better education materials. Going forward, we will continue to contribute to children's long-term asset formation and the realization of a better society through this initiative.

Creating our financial & investment literacy handbook “Let’s Learn about Investing!”

As part of our promotion of financial literacy education, we created a financial & investment literacy handbook titled “Let’s Learn about Investing!” and uploaded it to our company’s website for everyone to access. This handbook explains concepts and methods of long-term asset formation in an easy-to-understand manner, covering topics such as how companies operate, an overview of investments, and actual investment methods. To engage young people with finances and investments, we introduced each topic in the style of manga and used a format resembling social media messaging, which is familiar to the younger generation.

You can access the handbook by scanning this QR code.
*Available in Japanese only

Financial literacy education at college

Co-Chief Investment Officer (Co-CIO) Fujii has been lecturing at Waseda Business School (Graduate School of Business and Finance) year-round since FY2022, making FY2024 his third year. During his lectures in FY2023, under the theme of exploring the relation between corporate activities and investor perspectives in ESG, Co-CIO Fujii explained ESG based on his own experience while introducing initiatives of ESG leading companies and sharing practical examples of asset management companies. In the second half of the lectures, our president & CEO, Hiroshi Ozeki, lectured on addressing global mega trends and the sustainability required in corporate management based on practical application.

Our president & CEO, Hiroshi Ozeki, giving a lecture

SDGs Senryu Competition

With the aim of creating a sustainable and better future, we will be holding the second “5-7-5 Toward a Better Future: Elementary School SDG Senryu Contest” for elementary school students, who will shape the future.

Senryu is a style of Japanese poetry that follows a 5-7-5 syllable pattern. We would like children to think about the SDGs by creatively expressing their ideas on what they can do or what they would like to tell those around them for a better future, using the *senryu* style. Last year, we received 20,971 *senryu* from throughout Japan.

Sponsors: United Nations Information Centre, Tokyo; Ministry of the Environment; and the Public-Private Partnership Platform for Regional Revitalization SDGs

Grand Prize

My water bottle
Was forgotten at my house
I go back for it

Yuto Kumagai
(6th grade student at Shimokamata-higashi Elementary School in Edogawa Ward, Tokyo)

Related SDGs: (14) Life below Water and (15) Life on Land

Nissay Asset Management Award

Oh no! A problem
Planet Earth has a fever
Is there medicine?

Hitomi Imagawa
(1st grade student at Ibo Elementary School in Tatsuno City, Hyogo Prefecture)

Related SDGs: (7) Affordable and Clean Energy, (11) Sustainable Cities and Communities, and (13) Climate Action

Promotion of volunteer activities

Our company encourages self-motivated and proactive volunteer activities (social contribution activities) by employees. Starting in FY2022, we have instituted paid leave for volunteering with the aim of supporting these initiatives. We are not only recruiting volunteers but are also using our internal website to share information on available volunteer activities and activity contents, etc. year-round.

Beach cleanup activities

We cleaned up Katase Nishihama Beach with support from the Kanagawa Coastal Beautification Foundation and collected 30 bags of trash.

Park maintenance with Bloomberg

We gathered fallen tree branches around Yoyogi Park so that people and their pets can walk with peace of mind. The branches will be recycled as wood chips to be reused for maintaining the park.

Donating to an environmental organization and the Japanese Red Cross Society

The Aichi Bank, Ltd., The Chukyo Bank, Ltd., and NAM donated part of our earnings from the Nissay Multi Asset Income Strategy Fund (asset-growth type), also known as the Legend Income, to the below environmental organization in order to help create green communities that are comfortable to live in.

Donation recipient	Donor	Donation Amount
Aichi Forest and Greening Fund*	Nissay Asset Management	JPY 1,000,000
	The Aichi Bank	JPY 1,000,000
	The Chukyo Bank	JPY 1,000,000

*A fund established by Aichi Prefecture to secure the necessary funds for the Aichi Forest and Greening Business that maintains and preserves prefectural forests, woodlands near local communities, and urban greenery.

Donations to victims of the 2024 Noto Peninsula Earthquake

NAM made a donation to the Japanese Red Cross Society to support relief efforts for the Noto Peninsula Earthquake. This donation matches the amount raised by NAM’s officers and employees for various organizations assisting the affected areas.

Additionally, members from the Disaster Relief Team held a company-wide seminar titled “The Current Status of the Noto Peninsula and How We Can Prepare for Natural Disasters.” We heard directly from those affected by the earthquake, which provided us with a valuable opportunity to think about daily preparedness and disaster relief volunteer efforts.

Promotion of Human Capital Management

To fulfill our responsibility to a diverse range of stakeholders, including clients, employees, the environment, and society, we place a special emphasis on professionalism. We recognize that human resources are a source of competitiveness in the asset management industry, and that investing in them is essential for adapting to changes in the environment surrounding companies and individuals and for achieving sustainable growth. We are promoting human capital management based on the following approaches to talent development and internal environmental improvement.

Our approach to talent development

Based on our business principles, we strive to continuously provide the highest added value and satisfaction to our clients as their best partner in every aspect of our asset management services. To that end, we are committed to employing a diverse range of talent and fostering their development. Each employee is encouraged to take responsibility and pride in managing our clients' assets and to continuously grow through relentless efforts as professionals in their respective fields.

Our approach to internal environmental improvement

For asset management companies, human resources are the source of competitiveness, and establishing an environment where diverse employees of different genders, nationalities, ages, and backgrounds can thrive is the key to surviving increasingly intense competition. Therefore, we aim to create a workplace environment and culture that maximize the abilities of individuals with various characteristics and circumstances.

Talent and career development

Defining our ideal talent profiles and necessary abilities and skills

Our company has defined "(highly) professional staff" and "management staff" as our ideal types of employees. Starting in FY2024, we have defined the necessary abilities and skills (competency and expertise) required for each type of staff to help our employees clearly envision their future career development steps.

Competency	+	Expertise
The capabilities that serve as the basis of our work		The expertise and skills required for each job

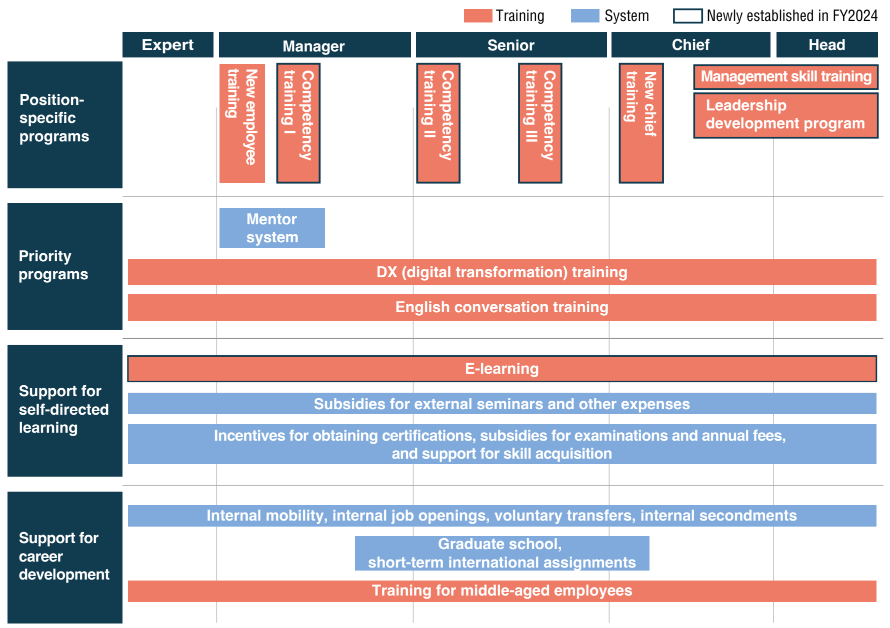
Ideal talent profiles	● Highly **professional staff** with the business sense and expertise to thrive in a global competitive environment ● **Management staff** capable of maximizing the productivity of their organizations by developing the members and efficiently utilizing management resources

Title	Types and duties of ideal talent	
Chief or higher	**Highly professional staff** (fulfilling responsibilities with high expertise)	**Management staff** (overseeing their organizations with high competency and expertise)
Lower than chief	**Professional staff** (working in each field)	

The Road-MaP career development program

We are enhancing our support in terms of training and systems to encourage our employees to play more active roles as either (highly) professional staff or management staff. Starting in FY2024, we launched the career development program, "Road-MaP." Through this program, we have introduced new career development measures, such as e-learning and position-specific training, to strengthen the aforementioned capabilities and skills, while also updating and systematically reorganizing existing measures. The name "Road-MaP" reflects our commitment to providing a career roadmap toward Management and Professional (MaP) staff and motivating employees.

Overview of the Road-MaP career development program



Number of employees with professional qualifications (as of the end of March 2024)
CMA: 297 CFA: 35

Position-specific programs

For employees at each level, we hold position-specific training to enhance the required knowledge, skills, and capabilities. This training also provides an opportunity to confirm their growth and identify key points for future self-development and other improvements.

Priority programs

We provide priority programs for developing digital and global talent. (Examples include practical programs using generative AI, training conducted in Group IT companies, and online English conversation programs.)

Support for self-directed learning

We provide an e-learning system to enable our employees to autonomously improve their competency and reskill. We also offer subsidies for external seminar expenses and support for obtaining certifications.

Support for career development

We have established various systems, such as internal job openings, to cultivate the proactivity, challenger spirit, and autonomous career development of employees honing their skills to become professionals in their fields.

Work environment improvement and internal culture cultivation

Flexible dress code

In December 2023, we implemented a flexible dress code to allow our employees to choose their attire based on the situation. This change aims to create a workplace environment where employees can work actively and comfortably, respecting diverse values and reflecting changes in clients' and the public's attitudes toward workplace attire.

Promoting the utilization of two-week consecutive paid holidays

From a viewpoint to promote sustainability management, we encourage all employees to take paid holidays of two consecutive weeks. In order to create a workplace where employees help each other out and to ensure "anyone can take a holiday when needed," we aim to reform work styles and build sustainable organizational structures.

DE&I

We believe that diverse opinions will lead to creative solutions and make our business sustainable. Based on this belief, we put emphasis on developing a workplace where diverse employees can work with passion. We are promoting initiatives from a variety of perspectives, including top-down, bottom-up, cross-organizational, and industry-wide approaches.

Top-down Approach

Executive message toward gender diversity

As one of the top messages to employees, the Vice President expressed his commitment to promoting gender diversity through a dialogue with a female leader. In the dialogue, which was broadcast across the company, they discussed the reasons why we should think about gender equality and the importance of female power in the business environment.

Bottom-up Approach

Employee discussions

As a bottom-up approach, HR and some voluntary members hosted an employee discussion event on International Women's Day (March 8, 2024). We discussed the current challenges that all men and women face at work and how we can achieve gender equality across the company. 2024 is the year to address these issues based on the feedback from the discussion.

Cross-Organizational Approach

Diversity Promotion Meetings

In addition to top-down and bottom-up approaches, we regularly hold Diversity Promotion Meetings, composed of members gathered cross-organizationally from each division, to consider various initiatives. The above-mentioned management messages and employee discussions were also realized through the collaboration of Diversity Promotion Meeting members.

Industry-Wide Approach

Participation in AMWF

Since FY2023, NAM has been participating in the Asset Management Women's Forum, an industry-wide initiative to promote the active participation of women in the asset management industry.

At the February 2024 event, George Iguchi, Executive Officer of our company and a member of the Nadeshiko Brands Committee, participated as a panelist and shared insights on creating a workplace where women can work with self-confidence.

Health and Productivity Management

Upholding our corporate slogan, "A Good Investment for the Future," to promote sustainability management, we are committed to enhancing the health of our officers and employees while improving their work-life balance as part of our work style reforms. In line with our health and productivity management policy, we are implementing measures to reform the workplace environment, maximize individual capabilities, and promote and maintain good health. As a result of these initiatives, we were recognized as a Health and Productivity Management Organization (Large-scale Corporation Category) in 2024 for the second consecutive year.

2024
健康経営優良法人
Health and productivity

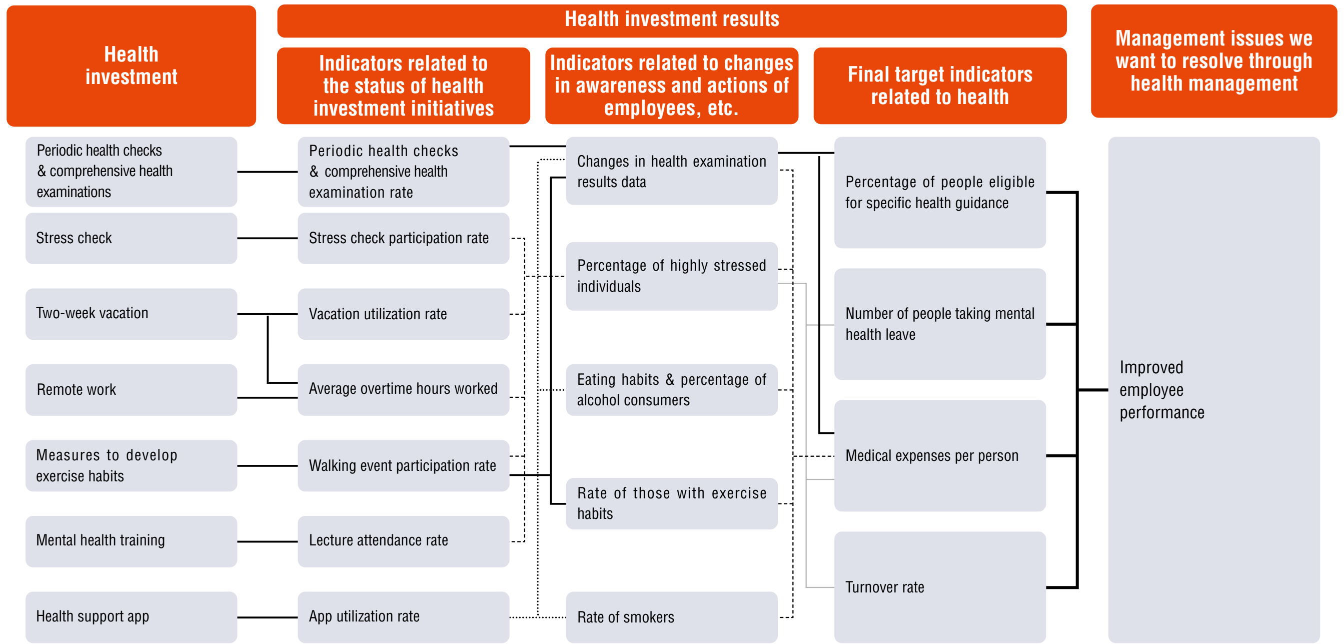
Health and Productivity Management Policy

We believe our employees are our greatest asset and are committed to health management in order to provide our clients with the highest added value in asset management services.

- We aim for a workplace in which every employee is healthy in body and mind, cheerful, and full of motivation.
- We respect the diverse opinions of our human resources and strive to maximize each individual's potential.
- We promote initiatives to improve and maintain the good health of our employees.

Strategy map

Indicators related to the status of health investment initiatives (seven categories)



Specific initiatives

- Initiatives for preventing lifestyle diseases

As part of efforts to raise health awareness, we are providing company-subsidized healthy meals, organizing walking events using a smartphone app, and holding regular in-house seminars on health promotion.

- Promotion of mental health care

To prevent mental health issues, we conduct training for managers and self-care workshops. Additionally, we collaborate with occupational physicians and public health nurses to provide individual support through consultations for those who request it.

Members of NAM's running club at the Bloomberg Square Mile Relay Tokyo 2024

Company Profile

As of March 31, 2024

Corporate name	Nissay Asset Management Corporation
Capital	JPY 10 billion
Shareholder	Nippon Life Insurance Company (100%)
Number of employees	738
Location	**Headquarters** Nihon Seimei Marunouchi Building 1-6-6 Marunouchi, Chiyoda-ku, Tokyo 100-8219 Japan Telephone number: +81-3-5533-4000 (Main) **Osaka Branch Office** Yodoyabashi Kitahama Center Building 2-4-10 Imabashi, Chuo-ku, Osaka 541-0042 Japan Telephone number: +81-6-6204-0201 (Pension) +81-6-6204-0223 (Investment trust)
Overseas offices	Nippon Life Global Investors Singapore Limited 138 Market Street #34-02 CapitaGreen, Singapore 048946 Telephone number: +65-6800-7000 (Main)
Businesses	Investment Management Business, Investment Advisory and Agency Business, and services pertaining to Type-II Financial Instruments Business
Registration No.	Director of Kanto Local Finance Bureau (Financial Instruments Firms) No. 369
Membership in Financial Instruments Firms Associations	The Investment Trusts Association, Japan Japan Investment Advisers Association Japan Investment Advisers Association membership number: 010-00092

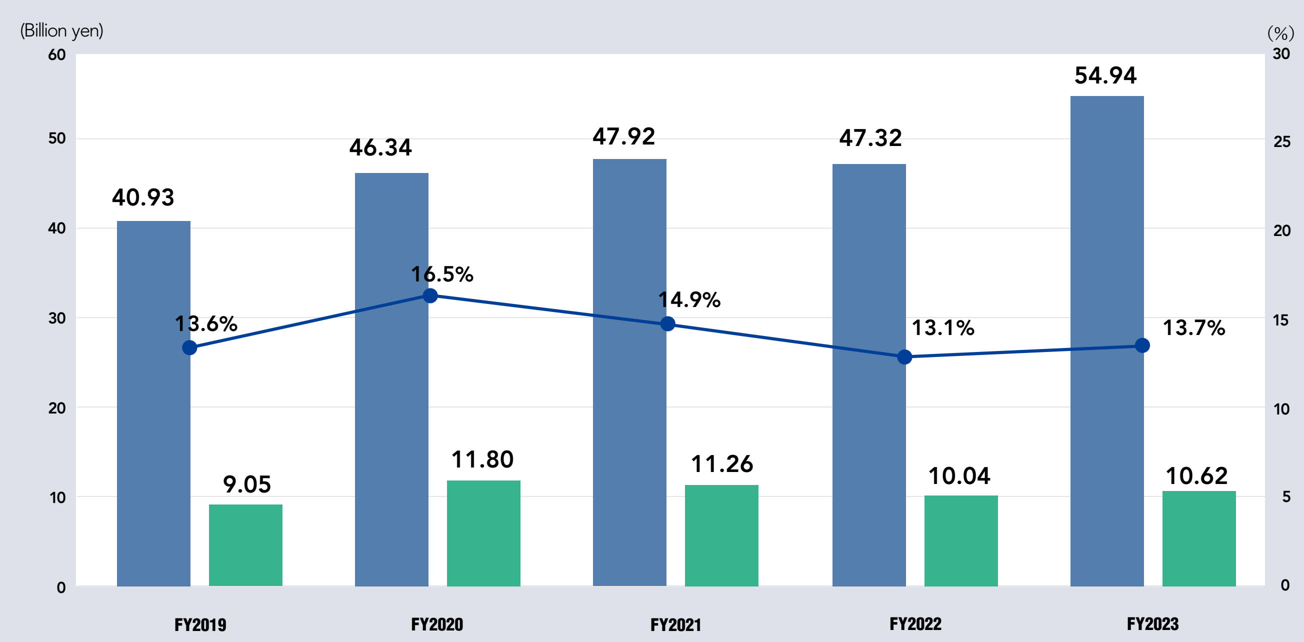
Directors

As of June 26, 2024

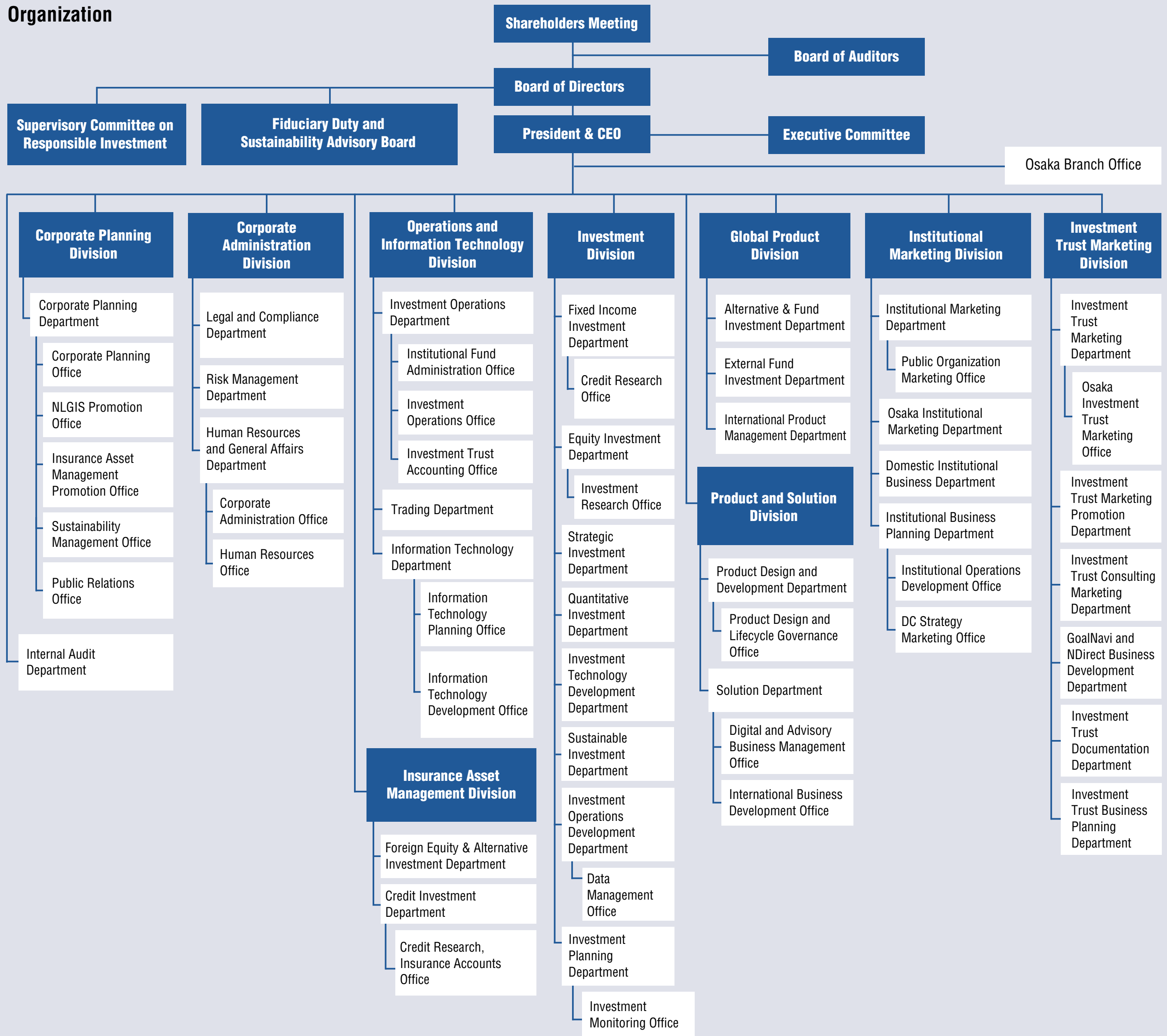
President and Chief Executive Officer	Hiroshi Ozeki
Executive Vice President	Toshihiro Nakashima
Director	Daisuke Fukayama
Director (part-time)	Nobuto Fujimoto / Tatsuya Kawamura / Makiko Fuse*1 / Etsuro Kuronuma*1 / Masataka Hama*1 / Naoyuki Iwashita*1
Member, Board of Auditors	Hirotaka Murohashi
Member, Board of Auditors (part-time)	Yosuke Matsunaga / Kiyomi Kikuchi*2 / Tamami Okawa*2

*1 Outside Director stipulated in the Companies Act
*2 Outside Corporate Auditor stipulated in the Companies Act

Our Financial Status



Organization



Initiatives for Ensuring Compliance and Managing Conflict of Interest

At our company, we hold annual compliance training sessions for all officers and employees, including confirmation tests on insider trading regulations and overall compliance. In addition to ensuring compliance with laws and regulations, we also provide training on conflict of interest management to ensure thorough management in this area.

Important Notice

- This report was prepared for the purpose of providing information regarding NAM's sustainability and stewardship activities, and should not be construed as a solicitation for any investment activities including purchase and sale of specific investment trusts. Accordingly, the amounts of trust fees and/or other fees by category as well as their aggregate amounts may not be presented.
- Investment trusts are products containing risks. Their management results change in response to the market circumstances and other factors, and the investment performances (profits and losses) should all belong to the investors. They are not such products in which investment principals and/or yields are guaranteed.
- Prior to purchasing an investment trust, investors should thoroughly review the prospectus and other pre-contractual documents, including supplementary materials, provided by the sales company to form their own judgments.
- Investment trusts are not insurance policies or deposits with financial institutions, and are not protected by the Insurance Policyholders Protection Corporation of Japan or the deposit insurance. Investment trusts purchased from financial institutions other than securities companies are exempted from compensation by the Japan Investor Protection Fund.
- This report is based on information, data, etc. that NAM deemed to be reliable, but no guarantee will be made by NAM on their accuracy or completeness.
- Past performance and forecasts presented in this report should not be taken as an indication or guarantee of future performance.
- Intellectual property rights, including copyrights, and any other rights pertaining to this report, unless specifically indicated otherwise in this report, belong to NAM. No part of this report may be diverted, reproduced, copied, or redistributed in any manner, without the prior written permission of NAM.

Review confirmation number: 2024-274

NISSAY ASSET MANAGEMENT

Inquiries:
https://www.nam.co.jp/english/

Call toll-free within Japan Cell phone/PHS compatible
0120-762-506
Call center operating hours
9:00 a.m. to 5:00 p.m. JST (excluding Saturdays, Sundays, and holidays)