

# Other Initiatives Supported

ESG ESG in general  
E Environment  
S Diversity and Human Rights  
G Governance

## ESG 2006 UN Principles for Responsible Investment (PRI)

The United Nations Principles for Responsible Investment (PRI) are global guidelines for responsible investment that aim to improve long-term investment results for beneficiaries by incorporating ESG issues into the investment decision-making process and determination of stock ownership policies of institutional investors. Daiwa AM participates in conferences and other events sponsored by PRI.



## ESG 2011 Principles for Financial Action for the 21st Century

The Principles for Financial Action toward a Sustainable Society (Principles for Financial Action for the 21st Century) were developed as an action guideline for domestic financial institutions to fulfill their responsibilities and roles in helping to solve global environmental and social problems and to form a sustainable society.



## E 2014 Statement on Fiduciary Duty and Climate Change Disclosure

The Statement on Fiduciary Duty and Climate Change aims to prompt companies to disclose climate change information in a comprehensive and comparable form in their annual reports and other disclosure materials, with the recognition that, going forward, climate change will have an increasing impact on corporate results and investment performance.

## S 2020 30% Club Japan Investor Group

The 30% Club Japan Investor Group is a group comprised of asset owners and asset managers whose goals include sharing the importance of gender diversity and gender equality at all levels of an organization through constructive dialog and other stewardship activities with companies in which they invest. Daiwa AM participated in a working group to formulate best practices for engagement.



## E 2021 Climate Action 100+

Climate Action 100+ is an international engagement initiative launched by investors in 2017. Its goal is to stimulate improvements through collaborative engagement with large enterprises that have significant greenhouse gas emissions. Daiwa AM participates as a collaborative investor through cooperative engagement with companies in Japan's steel, electrical and other industries.



## E 2021 Investor Agenda

The Investor Agenda was launched in 2018 by a group of institutional investors. It has issued recommendations on how to accelerate climate change initiatives by institutional investors and national governments. Daiwa AM signed in support of a statement by global investors in advance of COP26.

## G 2021 International Corporate Governance Network (ICGN)

The International Corporate Governance Network (ICGN) is an international initiative launched in 1995. Its stated mission is to establish effective corporate governance and foster investor stewardship with the aim of promoting an efficient global market and sustainable economic activity.



## ESG 2022 Japan Stewardship Initiative (JSI)

The Japan Stewardship Initiative (JSI) was established in 2019 with the aim of helping deepen and advance stewardship activities.



## S 2022 Human Capital Management Consortium

The Human Capital Management Consortium was established by a group of Japanese companies, investors and others. Its objective is to promote both the practice and disclosure of human capital management in Japanese companies by sharing advanced cases of human capital management practices, holding discussions aimed at cooperation between companies, and considering effective information disclosure.



## S 2022 Women's Empowerment Principles (WEPs)

The Women's Empowerment Principles (WEPs) are action principles intended to actively promote the advancement of women, and were jointly developed by UN Global Compact and UN Women.



# Activity Report

## Main Initiatives Implemented in 2023

|           |  |
|-----------|--|
| January   | ▶ Started disclosing the results of the exercise of voting rights in the following month   |
| February  | ▶ Held the second Asset Management Women's Forum<br>▶ Formulated the Daiwa AM's vision for investee company (best practices)   |
| March     | ▶ Issued the 2022 Stewardship Report   |
| April     | ▶ Issued the English version of the 2022 Stewardship Report<br>▶ Underwent a Bloomberg Investment Contest review   |
| May       | ▶ Revised ESG fund definitions<br>▶ Revised the Proxy Voting Policy<br>▶ Started disclosing the results of the exercise of voting rights in Excel format   |
| June      | ▶ Planted 7,124 trees in three locations around Japan: This project makes donations for tree-planting activities according to fund balances<br>▶ Joined the Japan branch of the Glasgow Financial Alliance for Net Zero (GFANZ)  |
| July      | ▶ Cooperated with preparations for the "FDSF Global Conference 2023: Seeking the Creation of a Sustainable Future" and had company personnel appear as panelists<br>▶ Chief Analyst Yuji Watanabe served as instructors at the Intellectual Property Issues Study Group of the Japan Intellectual Property Association   |
| August    | ▶ CA Watanabe discussed Talent Strategy to Expand the Specialty Chemicals Business in the UBE Integrated Report  |
| September | ▶ Held the 2023 CFO Meeting and discussed efforts to improve PBR (see P. 25)   |
| October   | ▶ Revised the Proxy Voting Policy<br>▶ Revised the Daiwa AM's vision for investee company (best practices)<br>▶ CA Watanabe contributed an article titled "'IP strategy' Evaluation and Engagement in Institutional Investors" for Securities Analysts Journal (October issue)<br>▶ CA Watanabe gave a lecture titled "UBE from the Perspective of Shareholders and Investors" at UBE training for all officers<br>▶ CA Watanabe co-authored "Introduction to Intellectual Property and Intangible Asset Governance" (published by Chuokeizai-sha) |
| November  | ▶ Underwent screening for the Nikkei Integrated Report Award   |
| December  | ▶ Held talks with Counsellor of the Cabinet Office Iwao Ikeya (see P. 15-18)<br>▶ Expressed support for the TNFD<br>▶ Participated in Spring initiative as an endorser (see P. 65)   |



### Internal initiatives

An in-house training session

Internal initiatives included the ESG study meeting, which Daiwa AM started with the aim of improving understanding relating to stewardship and ESG, as well as the launch of an ESG-related bulletin board in an effort to share information. In addition, we introduced a new qualification that certifies employees who have a certain level of knowledge about sustainability, and we are taking action to enhance our ability to explain company's initiatives externally. An example of one such measure is the Sustainability Leader Training, which assigns trainees to the Responsible Investment Department so that they can acquire high-level knowledge.

**Shuhei Arai**  
Stewardship Analyst, Associate Director,  
Responsible Investment Department

Pick Up

Pick up

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Participated as a sponsor in PRI in Person 2023, one of the world's largest conferences on the Principles for Responsible Investment (PRI)

PRI in Person 2023, a gathering of institutional investors from around the world, was held over the three days from October 3 to 5 in Tokyo. Daiwa Asset Management supported the conference as a co-sponsor. We created conference bags and operated a booth where we broadly introduced the Company's ESG-related products.

The conference was a major event that was made a part of Japan Weeks held by the Financial Services Agency, and Prime Minister Kishida attended and gave a speech. More than 1,300 persons from 42 countries attended. On the opening day, conference bags with the Daiwa Asset Management logo were distributed to all participants.

The Company is an original member of PRI, signing on when it was first launched in May 2006. We remain committed to actively undertaking responsible investment in the future.



At the PRI Exhibition site (From the left: Director Ogino, Business Development Manager Hotchi, Outside Director Emi Onozuka, Senior Fund Manager Ishii, and Director Hinata)



At the PRI reception in Happon (From the left: PRI COO Esther Teeken and Daiwa AM President Mikita Komatsu)



Bags with the Daiwa Asset Management logo were placed on all seats in the main conference hall

Pick up

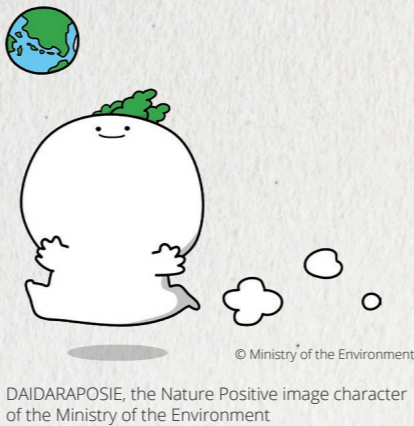
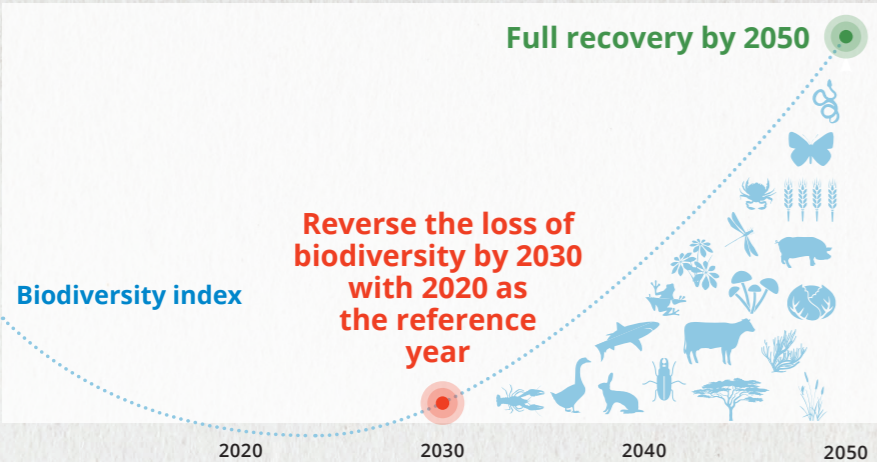
2

Participated as endorser in "Spring"

Spring is a new collaborative engagement initiative for which PRI (the United Nations Principles for Responsible Investment) provides operational and other support with the objective of halting and reversing biodiversity loss by 2030. Initial endorsers were sought until January 19, 2024. Biodiversity is a key issue for companies to achieve sustainable growth.

Daiwa AM is participating as an endorser, and as a member of the investor group, is contributing to improvement of the corporate value of investees by encouraging, through collaborative engagement with companies, initiatives to undertake initiatives to address the loss of biodiversity.

Measurable global targets for nature to be Nature Positive by 2030



PRI Evaluation Results 2023

Five stars, the highest score, on 9 out of 10 items

Daiwa AM received by the stars, the highest score, on nine out of the 10 evaluation items in the 2023 annual UN PRI assessment. For the remaining one item, the company received four stars.

PRI signatory organizations are obligated to submit a report on the status of investment in various fields to PRI every year, and PRI performs an annual assessment based on the report. The current assessment covered activities in 2022, and the

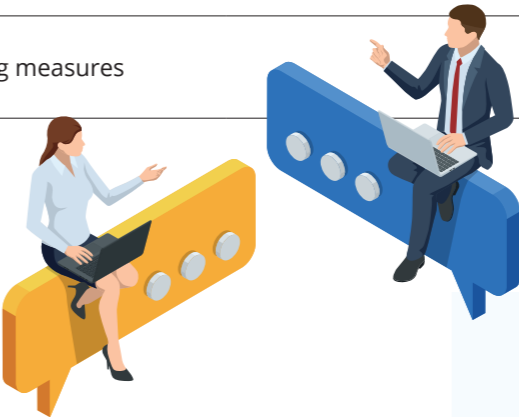
company's scores for each item were significantly higher than their median values. Since Daiwa AM signed the PRI in May 2006, we have consistently undertaken responsible investment, and we believe that this assessment result is the product of our repeated efforts.

Going forward, we will continue to fulfill our social responsibility as an institutional investor and will work to improve the corporate value of investee companies.



2023 PRI annual assessment

| Assessment Items               |               |                     | Daiwa AM Evaluation | Daiwa AM Score | Median Score |
|--------------------------------|---------------|---------------------|---------------------|----------------|--------------|
| Policy Governance and Strategy |               |                     | ★★★★★★              | 97             | 60           |
| Direct                         | Listed equity | Active fundamental  | ★★★★★★              | 96             | 71           |
|                                |               | Active quantitative | ★★★★★★              | 96             | 65           |
|                                |               | Passive equity      | ★★★★★★              | 100            | 42           |
|                                |               | Other               | ★★★★★★              | 96             | 51           |
|                                | Fixed income  | SSA                 | ★★★★★★              | 98             | 59           |
|                                |               | Corporate           | ★★★★★★              | 100            | 68           |
|                                |               | Securitised         | ★★★★★               | 89             | 64           |
|                                |               | Indirect            | Listed equity       | Active         | ★★★★★★       |
| Confidence building measures   |               | ★★★★★★              | 100                 | 80             |              |



+ WEB For more details, please visit the following webpage:  
PRI Assessment Report 2023  
[https://www.daiwa-am.co.jp/company/pdf/20240221\\_02.pdf](https://www.daiwa-am.co.jp/company/pdf/20240221_02.pdf)  
PRI Public Transparency Report 2023  
[https://www.daiwa-am.co.jp/company/pdf/20240221\\_01.pdf](https://www.daiwa-am.co.jp/company/pdf/20240221_01.pdf)

## Self-assessment

Daiwa AM implements periodic self-assessment of the state of Daiwa AM's implementation of the Principles for Responsible Institutional Investors (Japan's Stewardship Code).

The measures taken by Daiwa AM in regard to each of the seven principles of the Code are outlined below.

### Principle 1

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

Daiwa AM supports the intent of Japan's Stewardship Code, a statement of Principles for Responsible Institutional Investors, and established and announced Policies regarding Japan's Stewardship Code. We also formulated a General Policy on Stewardship Activities to fulfill our stewardship responsibilities. Based on this general policy, we formulated the ESG Investment Policy, Engagement Policy, and Proxy Voting Policy and released these policies on the Company Website. The Proxy Voting Policy is updated twice annually and the details are publicly released.



### Principle 3

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

Daiwa AM positions research on companies as a key part of its business activities as an asset management company, and is constantly undertaking the wide-ranging collection of information through both internal and external networks, with the company's corporate research analysts playing a central role, and striving to maintain an accurate picture of the current state of companies.

Information and knowledge obtained through dialog with investee companies are managed and shared using Daiwa AM's internal databases, and a framework is being put in place to identify, at an early stage, any developments that could be potentially harmful to corporate value. In addition, taking its approach to ESG as the foundation, Daiwa AM calculates its own proprietary ESG scores, based on its materiality, which serve as a reference for investment decision-making and when implementing portfolio risk assessment.

### Principle 2

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

Daiwa AM has established a Stewardship Supervisory Committee, of which more than half the members are Outside Directors, and has continued to implement systems to handle conflicts of interest. Furthermore, when exercising voting rights in relation to companies with which Daiwa AM has a financial or business relationship, in cases where Daiwa AM's proxy voting guidelines require specific determination, in principle Daiwa AM will follow the recommendations of an external specialist organization.

### Principle 4

**Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.**

Daiwa AM has formulated an Engagement Policy in relation to engagement with investee companies, and this Policy clearly stipulates the major perspectives that Daiwa AM emphasizes in relation to engagement, including key ESG issues. In October 2023, Daiwa AM revised its vision of best practice for the realization of sustained corporate value enhancement by investee companies. Daiwa AM's corporate research analysts, fund managers and Stewardship Team personnel all undertake engagement with companies from their own respective standpoints in accordance with the Engagement Policy, and the knowhow obtained through these activities is shared within the company.

In addition, Daiwa AM undertakes collaborative engagement through participation in the Climate Action 100+ and PRI Advance initiatives.



### Principle 5

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

In October 2023, Daiwa AM revised its Proxy Voting Policy. At the same time, Daiwa AM disclosed potential changes to the Proxy Voting Policy that were currently under consideration, and its expectations with respect to investee companies, in an effort to make disclosure more useful for dialog. With regard to voting activity, Daiwa AM has sought to implement disclosure in the month following the month in which the annual shareholder's meeting is held, has started to provide more detailed information regarding the grounds for voting decisions, and is striving to realize disclosure that is easy to understand. Starting from the annual shareholders' meeting held in August 2022, Daiwa AM has comprehensively overhauled its disclosure format, providing enhanced convenience.

### Principle 6

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

In April 2023, Daiwa AM published the Sustainability Report 2022, which outlined the main content of Daiwa AM's stewardship activities.

### Principle 7

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

Daiwa AM has established "Enhance Global Sustainability" as part of our action guidelines, and we are taking systematic measures that will contribute toward the sustainable growth of society.

Daiwa AM's Responsible Investment Department includes corporate research analysts who are also concurrently assigned to the Active Fund Management Department II, and are able to share information obtained through engagement with investee companies. The knowhow obtained in this way is effectively utilized in in-house ESG score calculation and in corporate value assessment.

In addition, in September 2023, Daiwa AM held a CFO Meeting with the chief financial officers (CFOs) of 15 investee companies. In addition to the dialog between Daiwa AM and the investee companies, this meeting also provided an opportunity for the investee companies to share information among themselves.