



Published by:

**Corporate Planning Department and
Responsible Investment Department
Daiwa Asset Management Co. Ltd.**

GranTokyo North Tower, 9-1 Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-6753, Japan
E-mail: damssc@daiwa-am.co.jp

Published in February 2025

Daiwa
Asset Management

SUSTAINABILITY REPORT 2024

Daiwa Asset Management Co., Ltd.



Daiwa
Asset Management

Our Anticipated Future **VISION**

All Challenges *for* All Investors

—Creating opportunities for everyone who continues to take on new challenges

Investment has the power to build the future.
By taking on All Challenges for All Investors,
we continue to work together as partners to challenge ourselves,
using investment to build a future with real opportunities.

Compass **VALUE**

Our action guidelines

1. Create Innovation
2. Consider and Act Logically
3. Enhance Global Sustainability
4. Have Integrity
5. Image Yourself in Their Place
6. Unite as One Team

The Corporate Principles Forming
the Foundation of the Group

CONTENTS

- 01 Corporate Principles
- 03 Corporate History
- 05 Message from the President
- 07 Part1 Corporate Sustainability-aware Management
 - 08 Corporate Sustainability-aware Management
 - 09 Initiatives to Strengthen Product Governance
 - 11 Expanding and Diversifying Our Range of Products and Services
 - 13 Making a Positive Contribution to Society and to the Environment
 - 15 Building Workplaces Where Employees Can Continue to Work with Enthusiasm and Vigor
 - 19 Strengthening Corporate Governance
 - 21 Generating New Growth Opportunities
 - 22 Initiatives Aimed at Instilling Our Vision and Values
 - 23 **Feature** Establishing the Center for Dissemination of Investment and Asset Management
- 27 Part2 Stewardship Activities
 - 27 The Value Creation Process in Relation to Stewardship Activities
 - 29 **Focus** Collaboration with Japan Post Insurance
 - 31 Materiality in Relation to Asset Management
 - 43 **Topic** Present Situation of Palm Oil and Natural Rubber Plantations in Southeast Asian
 - 51 **Topic** IP and Intangible Assets
 - 55 Engagement
 - 73 Proxy Voting
 - 79 Sustainable Investment
 - 87 Framework for Stewardship Activities
 - 90 Activity Report
- 95 Appendix
 - 95 Corporate Information
 - 95 Company Overview
 - 95 Financial Data
 - 95 Change in Assets under Management
 - 96 Data
 - 96 Greenhouse Gas Emissions
 - 96 Amount of Copier Paper Used per Employee
 - 96 Human Resources and Related

Corporate History

Early Years (1950-1990)

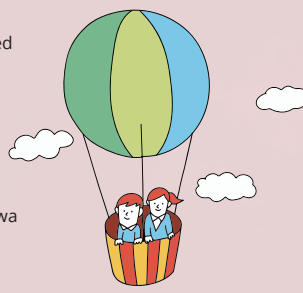
Daiwa Asset Management

- 1951**
 - Act on Securities Investment Trusts enacted
 - Daiwa Securities Co. Ltd. registered as an investment trust management company
- 1959**
 - Split from Daiwa Securities Co. Ltd.
 - Company established as Daiwa Asset Management Co. Ltd.
- 1973**
 - Daiwa AM introduces Japan's first fund manager system
- 1984**
 - New York office opened
- 1987**
 - Daiwa Asset Management (Europe) Ltd. established in London
- 1990**
 - Daiwa Asset Management (America) Ltd. established in New York



1991-2010

- 1994**
 - Daiwa Asset Management (Singapore) Ltd. established
- 1995**
 - License for discretionary management services acquired
- 1998**
 - Began selling investment trusts through bank tellers
- 1999**
 - Became a major group member company of the Daiwa Securities Group Inc. under the holding company structure



2011-2020

- 2012**
 - Relocated the headquarters to 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6753, Japan
- 2019**
 - Global X Japan Co. Ltd. established
- 2020**
 - Trade name changed to Daiwa Asset Management Co. Ltd.
 - Daiwa Capital Management Silicon Valley established



2021-

- 2022**
 - Signed up to the Women's Empowerment Principles
 - Entered into a business alliance with the Drucker Institute, which was founded by U.S. management theorist Peter F. Drucker
- 2024**
 - Entered into a capital and business alliance with Japan Post Insurance



Responsible Investment



- 2006**
 - Signed up to the UN Principles for Responsible Investment



- 2011**
 - Signed up to the Principles for Financial Action toward a Sustainable Society (Principles for Financial Action for the 21st Century)
- 2014**
 - Announced adoption of Japan's Stewardship Code
 - Signed up to the Statement on Fiduciary Duty and Climate Change Disclosure
- 2015**
 - Established the Engagement Team
- 2018**
 - Established the Stewardship & ESG Section
- 2020**
 - Joined the 30% Club Japan Investor Group
 - Expressed support for the Task Force on Climate-related Financial Disclosures (TCFD)
 - Established the Stewardship & ESG Department

- 2021**
 - Began participating in the activities of the International Corporate Governance Network (ICGN)
 - Began participating in the Climate Action 100+ initiative
 - Signed up to the Investor Agenda in advance of COP26
 - Signed up to the Net Zero Asset Managers initiative (NZAMi)
- 2022**
 - Signed up to the Japan Stewardship Initiative (JSI)
 - Signed up to the Investor Agenda in advance of COP27
 - Name of the Stewardship & ESG Department changed to the Responsible Investment Department
 - Began participating in the Human Capital Management Consortium
 - Joined the PRI Advance initiative
- 2023**
 - Announced NZAMi intermediate goals
 - Registered with GIG Supporters
 - Joined the Japan branch of the Glasgow Financial Alliance for Net Zero (GFANZ)
 - Became a TNFD Adopter
 - Became a PRI Spring Endorser
- 2024**
 - Signed up to the Investor Agenda in advance of COP29

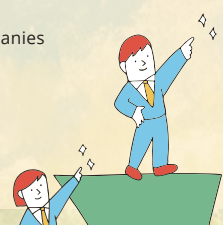


Product and Service-related

- 1951**
 - Launched unit type investment trust
- 1952**
 - Launched Japan's first open-ended investment trust
- 1961**
 - Launched Income Fund (now the Large-Cap Equity Fund), Japan's oldest existing stock investment trust
- 1987**
 - Launched Million, a payroll deduction type fund



- 1992**
 - Launched Daiwa MMF, a money management fund offering an open-end bond investment trust
- 2001**
 - Executed Japan's first electronic delivery of a prospectus
 - Launched Nikkei 225 ETF and TOPIX ETF
- 2002**
 - Launched Japan's first Regional Support Fund
- 2003**
 - Launched Daiwa J-REIT Open
- 2004**
 - Launched Daiwa SRI Fund to support Japanese companies engaged in CSR efforts
- 2005**
 - Launched sales of investment trusts at post offices
 - Daiwa Stock Index 225 Fund adopted



- 2013**
 - Launched Daiwa TOPIX Ex-Financials ETF to meet Basel III requirements, as the first asset management company in Japan to do so
 - Launched a rich variety of products for NISA
- 2014**
 - Launched Daiwa JPX Nikkei 400 Fund and Daiwa ETF JPX Nikkei 400 to link with JPX Nikkei Index 400 index
- 2015**
 - Began managing Japanese equities for funds sold overseas and began co-managing of a UCITS fund with Mirae Asset Global Investments, a leading Korean asset management firm
- 2016**
 - Launched iFree, an index fund series
- 2017**
 - Launched three ETFs linked to ESG-related indexes



- 2022**
 - Received the Governor's Special Prize for Green Finance in the ESG Investment Category of the 2021 Tokyo Financial Awards*, in recognition of initiatives including the Carbon Neutral Equity Fund and a tree-planting project
- 2023**
 - Expanded the product range to include products tailored to Japan's new NISA system, and increased the provision of support for sales companies
- 2024**
 - Received an award in the ESG Finance Awards Japan organized by Japan's Ministry of the Environment
 - Developed a Japanese equivalent of the Drucker Institute Score, and established the Drucker Institute Japan Equity Fund (capital growth type), which makes use of this score

* As one of the measures being implemented to realize "Global Financial City: Tokyo" Vision 2.0, Tokyo Metropolitan Government holds the Tokyo Financial Awards, which honor financial sector companies that develop and provide revolutionary new products and services that can help to meet the needs and solve the problems of Tokyo's citizens and of companies operating in Tokyo, as well as financial sector companies which are implementing activities that help to popularize ESG investment, and companies implementing measures that embody SDG-aware management. The ESG Investment Category of the Tokyo Financial Awards is divided into the ESG Investment Subcategory and the SDGs Subcategory. For the ESG Investment Subcategory, financial sector companies that are working to promote widespread adoption of ESG investment are invited to submit entries. The jury reviews the entries on the basis of how well they match the theme of the awards, the originality of the measures adopted, and the results achieved, and decides on the award-winners. Each year, one company is chosen to receive the Governor's Special Prize for Green Finance, in recognition of its outstanding initiatives in the area of green finance. Please note that neither Tokyo Metropolitan Government nor the Tokyo Financial Awards recommend the purchase, sale or holding of any particular products, nor do they offer any guarantee of future performance. All copyrights and other intellectual property rights relating to the Tokyo Financial Awards belong to Tokyo Metropolitan Government, and may not be duplicated or reproduced without authorization.



Message from the President

“ We will continue our efforts to win the trust of even more customers and become the most chosen asset management company. ”



Mikita Komatsu
President
Daiwa Asset Management Co. Ltd.

The year 2024 was marked by escalating geopolitical risks, the growing impact of climate change, and the loss of biodiversity, highlighting the increased severity of challenges on a global scale. In such a complex and rapidly changing environment, we are painfully reminded, once again, of the importance of our mission and our responsibilities as an asset management company.

Daiwa AM actively supports international initiatives such as the shift of capital toward a decarbonized

society, as promoted by the Glasgow Financial Alliance for Net Zero (GFANZ), and the visualization of natural capital risks led by the Taskforce on Nature-related Financial Disclosures (TNFD), incorporating these into our investment processes.

Recently, an anti-ESG trend has been gaining attention in certain states of the U.S. However, we believe ESG investment is an important means to create a long-term economic value, the significance of which is unwavering.

Capital and business alliance to open up new growth opportunities

To gain the even greater trust of our investors, Daiwa AM is committed on a daily basis to improving our fund management capabilities, products, and services. In May 2024, we announced a capital and business alliance with Japan Post Insurance. This alliance represents a significant step in our growth strategy, as we aim for a dramatic expansion of our business base. Most recently, we achieved a record-high balance of assets under management, and the business environment is exceptionally strong. That said, to achieve further growth, it is essential that we attract and retain talented individuals who are able to help us further advance our fund management capabilities.

We will take this capital and business alliance as an opportunity to advance our full-scale entry into the investment advisory business and enhance our

expertise in alternative investment areas. For example, one aim is to promote initiatives toward realizing a sustainable society and global environment, including impact investments in renewable energy sectors such as solar and offshore wind power generation.

These new business initiatives will also contribute to creating an environment in which each employee can experience personal growth, which we are confident will contribute to enhancing our fund management capabilities and the retention of talented personnel.

Daiwa AM sees the interests of our investors as our top priority, and as we contribute to achieving a sustainable society, we will also remain steadfast in fulfilling our fiduciary duties.

Dedicated to the realization of Japan as a “Leading Asset Management Center”

The year 2024 also saw a surge in interest in asset management, driven by the introduction of a new Nippon Individual Savings Account (NISA) program. In response, Daiwa AM established a new Center for Dissemination of Investment and Asset Management. This center operates independently of sales activities and comprises two groups: the Financial and Economic Education Group and the Asset Formation Research Group. In addition to promoting financial education in schools and workplaces, it serves the

role of a think tank by analyzing trends in asset formation among investors and Japanese households from a macro perspective. Further, it plans to publish a Household Asset Formation White Paper at the end of each fiscal year.

Through these activities, Daiwa AM aims to raise awareness of the importance of asset management in society, contribute to enriching people’s lives, and work collectively to toward the early realization of Japan as a “Leading Asset Management Center.”

All Challenges for ESG Investment



President

PART 1 Corporate Sustainability-aware Management

At Daiwa AM, we are promoting sustainability-aware management aimed at realizing sustainability for society and enhanced corporate value for Daiwa AM.

Corporate Sustainability-aware Management

Sustainability Policy

Daiwa AM's social mission is to contribute toward enabling people to live fulfilling lives and toward realizing a sustainable society through its asset management business. To this end, the company fulfills its fiduciary duty and strives to provide high-quality returns and services over the long term.

Daiwa AM believes that, in order to be able to continue doing this over an extended period while responding to changing times, it is vitally important to manage the company with an emphasis on sustainability.

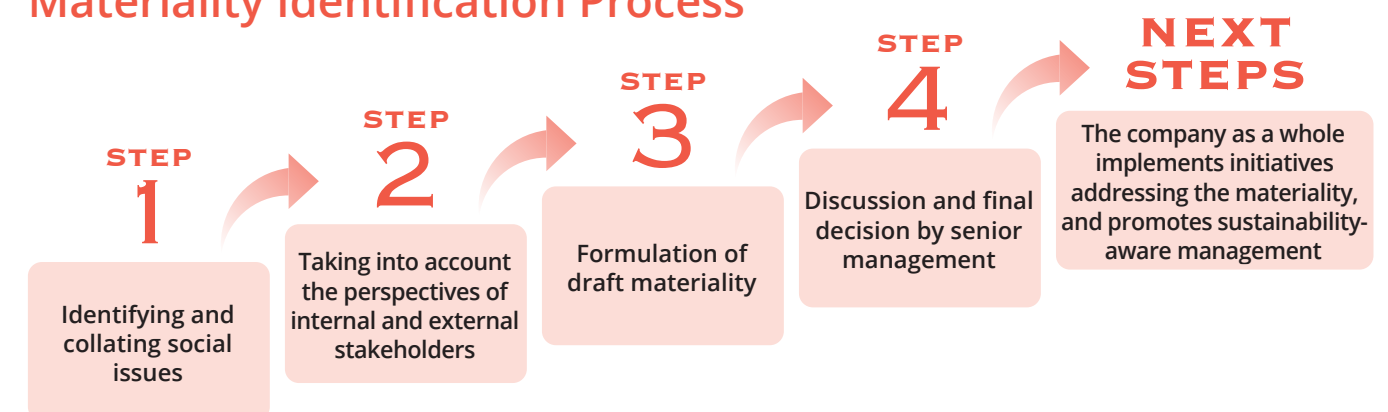
Socioeconomic activity requires a sustainable social foundation in order to continue, and so Daiwa AM positions the realization of this sustainability as a precondition for its business operations. At the same

time, as a company engaged in the asset management business, Daiwa AM is constantly aware of the magnitude of its responsibility in relation to the continued development of the capital markets, and needs to fulfill its duty in this regard. This is why the company is implementing initiatives, through its business activities, to address the important issues affecting the maintenance of society's sustainability, and to earn the trust of its stakeholders, with the aim of further enhancing Daiwa AM's corporate value.

+ WEB For more details, please visit the following webpage:

Sustainability
<https://www.daiwa-am.co.jp/english/corporation/sustainability/index.html>

Materiality Identification Process



Corporate Materiality

Daiwa AM has identified the materiality (i.e., key issues that need to be addressed), after examining the risks and opportunities relating to various items.

Materiality Relating to Business Activities

Promotion of stewardship activities and responsible investment*

Service quality enhancement contributing to asset formation

Expansion of business fields

Thorough fulfillment of the company's fiduciary duty

* For more details about the promotion of stewardship activities and responsible investment, see Part 2 of this report, beginning on **p. 27**.

Materiality Relating to the Company's Business Foundations

Enhancing employee wellbeing

Respect for human rights and diversity

Strengthening corporate governance

Winning stakeholders' trust

Daiwa AM has set long-term targets and progress management items for each of its materiality items. More details about KPIs are given on our website.

+ WEB Please visit the following webpage for more detailed information:

Sustainability — Long-term targets and key performance indicators (KPIs) (in Japanese)
https://www.daiwa-am.co.jp/company/sustainability/pdf/long-term_goals_and_progress_control_items.pdf

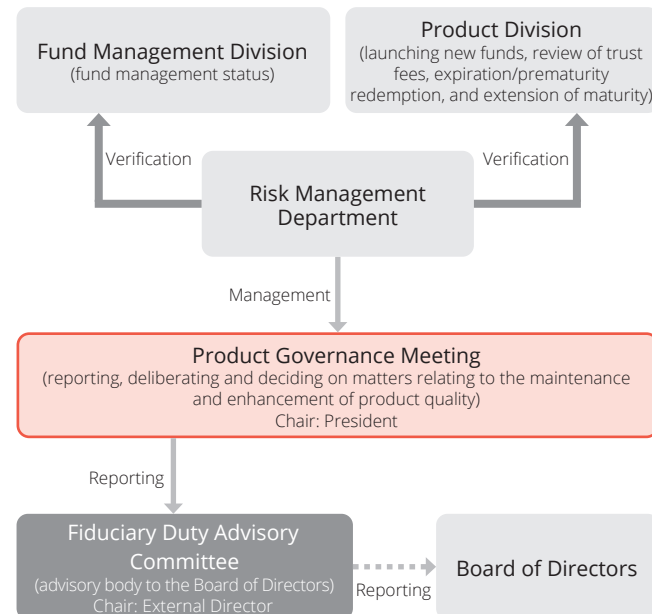
Initiatives to Strengthen Product Governance

The Product Governance Meeting was established in June 2023 as a sub-committee of the Executive Management Committee, and we have put in place a framework for the senior management team to handle product governance in a responsible manner. By way of thorough product governance, we are implementing business operations that prioritize the customer's interests.

Product Governance Framework

Product Governance Meeting

The Product Governance Meeting was established in June 2023 to enhance the effectiveness of product governance. With the participation of the company's representative director, the Meeting examines reports on the results of verification relating to every aspect of maintaining and enhancing product quality, including operational status, merchantability, adequacy of disclosures, etc., and deliberates and decides on related response strategies, as well as confirming the status of strategy implementation. The Product Governance Meeting undertakes verification covering the entire fund lifespan, from the launching of new funds, through fund operation, to redemption.



Fiduciary Duty Advisory Committee

The Fiduciary Duty Advisory Committee was established in April 2021 to strengthen checks and balances from the perspective of fiduciary duty implementation. Its members include Outside Directors and the executive officer responsible for overseeing risk management. To incorporate an external perspective, the matters discussed by the Product Governance Meeting are reported to the Fiduciary Duty Advisory Committee, and the Committee's views are reported to the Board of Directors.

Promoting the Enhancement of Fund Quality

The Product Governance Meeting, which was established in June 2023, met monthly up until September 2023 to discuss verification methods, criteria and strategies relating to product management status. Subsequently, the Meeting has continued to discuss how to enhance product quality from the perspectives of operation (including fund performance, etc.), merchantability (including cost, etc.), and adequacy of disclosure, in line with the approach of giving customers' interests first priority in business operations.

Based on the results obtained in verification of operational status, the Meeting has decided on strategies for the reviewing of trust fees, implementing prematurity redemption, etc. with respect to funds the performance of which has been disappointing over an extended period of time. In addition, to promote the prematurity redemption of small-value funds, the Meeting has compiled a list of such funds. In September 2024, to clarify Daiwa AM's basic approach to product governance, we formulated our Policy Regarding Product Governance, which was then made public.

+ WEB Please visit the following webpage for more detailed information:

Policy Regarding Product Governance (in Japanese)
https://www.daiwa-am.co.jp/company/product_governance.html

		Main Topics
FY2023	1st meeting (June)	
	2nd meeting (July)	● Putting in place operational status verification criteria
	3rd meeting (Aug.)	● Operational status verification
	4th meeting (Sept.)	● Response strategies for funds of concern (i.e., consistently underperforming funds)
	5th meeting (Dec.)	● Promoting redemption of small-value funds
	6th meeting (Mar.)	● Content of disclosure in monthly fund reports
FY2024	1st meeting (June)	● Identifying and closing funds of concern
	2nd meeting (Sept.)	● ESG fund verification
	3rd meeting (Dec.)	● Fund cost verification

Message from the Chair of the Fiduciary Duty Advisory Committee



Emi Onozuka
Outside Director

“Striving to implement fiduciary duty in a manner appropriate to the changing environment, and aiming to make Daiwa AM an asset management company that is trusted by investors throughout the world”

Having been involved in the asset management sector for more than 20 years, I have noticed that there is now a greater focus on the quality of asset management firms' operations than there was in the past. I believe that this reflects not only the Japanese government's goal of developing Japan as a "Leading Asset Management Center," but also the fact that final beneficiaries and asset owners now have a more in-depth understanding of the significance of asset management, and have higher expectations.

It is now a year since I was appointed chair of the Fiduciary Duty Advisory Committee, which coincided with the establishment of the Product Governance Meeting, and during this time the Committee has been mainly focused on two things in its activities: oversight and checks and balances function in relation to fiduciary duty, and strengthening the operation of the Committee.

More specifically, in regard to the exercise of the oversight function, while fiduciary duty is defined as putting the customer's interests first in business operations, in thinking about what this means for Daiwa AM, we have begun by developing a clearer understanding of how fiduciary duty is linked with the company's materiality. In addition to activity relating to checks and balances, such as reviewing the verification methods used for consistently underperforming funds, we have conducted surveys of employees' views, and have identified a number of areas that we need to focus on in the future, including verification of the adequacy of fund information disclosure, reducing the number of funds and concentrating management resources, and monitoring fund earnings and expenditure. There has been a lively and productive exchange of views between the Outside Directors and the company executives from multiple perspectives, including; the need to understand not only the current situation with regard to problems, but also the

organizational issues that constitute the background to these problems; the implementing of dialog with the head of the Product Planning Department regarding the exploration of improvement strategies starting from the new product creation stage; and the promotion of prematurity redemption, which up until now had been seen as difficult to implement.

Regarding the operation of the Fiduciary Duty Advisory Committee, I have been working together with the Committee's secretariat to draw up a priority order of tasks to be addressed over periods of several years each, have engaged in an exchange of views prior to the drawing up of the annual agenda, and have worked to facilitate the smooth completion of the Committee's meetings and related discussions. The secretariat has adopted a flexible, positive stance toward the changes made in relation to the way that the Committee operated in the past, and has provided the information and support needed by we the Outside Directors. We have thus been able to ensure the development of a proper framework for verifying operational status, merchantability, and adequacy of disclosure in relation to the enhancement of product quality, and have been able to implement cross-committee discussion of topics raised by the Board of Directors, such as ESG fund verification.

Looking ahead, I hope that, rather than merely continuing to do things the way they have been done in the past, we can strive to clarify the form that fiduciary duty should take for our company on the basis of perceptive analysis of the changing business environment, and that we can engage in frank communication (both internal and external) regarding current circumstances, results achieved, and issues faced, so that Daiwa AM can be an asset management company that is trusted by investors throughout the world.

Expanding and Diversifying Our Range of Products and Services

Related Corporate Materiality: Service quality enhancement contributing to asset formation
Winning stakeholders' trust

We are developing investment trusts and ETFs tailored to various different investment goals, so that our company's products will appeal to a wide range of customers. We are also proceeding with the proactive provision of information so that customers can develop a more in-depth understanding of our products.

Providing Attractive Products and Investment Opportunities That Contribute to Customers' Asset Formation

Developing diversified investment trusts

Development of investment trusts focused on intangible assets

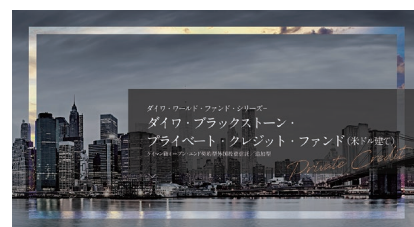
Daiwa AM collaborated with the Drucker Institute on the development of the first Japanese version of the Drucker Institute Score, and we have made effective use of this tool in the creation of new funds. Unlike conventional financial indicators, the Japanese version of the Drucker Institute Score attaches considerable importance to non-financial data, such as customer satisfaction, employee satisfaction, and intangible assets, to evaluate firms' "potential power." Besides utilizing these assessment criteria to analyze firms' growth potential and earnings potential, and to provide investors with superior investment performance, we are also aiming to contribute toward enhancing the corporate value of Japanese companies and toward the continued development of Japan's equity markets.



Providing opportunities to invest in private assets

In the alternative investment* sector, in which individual investors can sometimes find that barriers to entry are high and available investment opportunities limited, in 2023 Daiwa AM developed Japan's first publicly-offered investment trust oriented toward U.S. private credit. Going forward, we will be strengthening our development of products that provide a wide range of customers with opportunities to invest in new types of alternative assets. By developing financial products that meet diverse investment needs, we will also be creating new value for society.

*Alternative investment is investment in targets other than traditional investment targets such as listed stocks and bonds.



Japan's new NISA (Nippon Individual Savings Account) program, and related ETFs

In the past, Daiwa AM provided ETFs under two brand names: "Daiwa ETF," and "iFreeETF." In April 2023, these were unified as the "iFreeETF" brand name.

In addition, in February 2024 we overhauled the design and layout of our ETF website, to make it easier and more convenient to use.

The website's ETF University section aims to get across the appeal of ETFs in an easy-to-understand way, by providing a wide range of information that will be useful to everyone from beginners to experienced investors, including basic knowhow, suggestions on how to use ETFs effectively, and columns written by experts.

Expanding our ETF lineup

Under the new version of Japan's Nippon Individual Savings Account (NISA) program, which was launched in January 2024, it is now possible to invest in ETFs through NISA. Daiwa AM is proceeding with the development of products that meet investment needs, and in 2024 we have been expanding our product lineup by launching several distinctive new ETFs. Looking ahead, we will continue to provide support for asset formation by developing revolutionary, attractive new products that give investors a wider range of options.



Daiwa AM's overhauled ETF website



+ WEB Please visit the following webpage for more detailed information:
Daiwa's iFreeETF (in Japanese)
<https://www.daiwa-am.co.jp/etf/>

ETFs launched in or after FY2024

Jan. 2024	iFreeETF JPX Prime 150 iFreeETF 7-10 Year US Treasury Bond (with / without currency hedging)	The first ETF of its kind to be listed on the Tokyo Stock Exchange*
June 2024	iFreeETF Nikkei High Yield REIT Index	The first ETF of its kind to be listed on the Tokyo Stock Exchange*
Aug. 2024	iFreeETF India Nifty 50	
Jan. 2025	iFreeETF FANG+	The first ETF of its kind to be listed on the Tokyo Stock Exchange*

* As of the date of listing in the tracking index



Listing event

Expansion of Service Provision and Sales Support

Fleshing out the provision of information

To disseminate information to customers in a timely, effective manner, we make a wide range of information available on our website. Besides the Market Letter, which delivers timely information on key topics relating to the constantly changing markets, and Investment Environment Weekly, which outlines key points to consider regarding the state of the economy in the coming week, we also provide a monthly Investment Environment Forecast, which presents short-term and long-term forecasts for particular asset types and for the economy as a whole from experts' perspectives.

Going forward, we will continue striving to support customers' long-term, sustainable asset formation through the provision of a wide range of information.



From left: Market Letter, Investment Environment Weekly, and Investment Environment Forecast

+ WEB Please visit the following webpage for more detailed information:
Market information (in Japanese)
<https://www.daiwa-am.co.jp/specialreport/index.html>

Timely support for sales companies

We provide training for the sales staff of the sales companies involved in selling our products, covering market trends and forecasts, and fund management status. The number of instances of training provision is increasing steadily year by year, and we are striving to further strengthen our support in this area.

In addition, starting from FY2024 we have begun providing online training that multiple sales companies can make use of (hereafter referred to as "non-company-specific training") on a regular basis.

On August 5, 2024, the Japanese stock market experienced its worst ever single-day slump. The following day, Daiwa AM implemented emergency non-company-specific training for sales companies. More than 3,000 people accessed this training, which provided a timely explanation of the background to the stock market fall, and of the outlook for the future.



Non-company-specific training content

VOICE

Communicating information in as easy-to-understand a way as possible

Daiwa AM's Research Department comprises a team of economists and strategists that analyzes trends in the economy and financial markets of the world's major countries and regions. My main role is to provide explanations regarding the current state of, and future outlook for, domestic and overseas equities markets using face-to-face and remote meetings and recorded video presentations for the sales staff of Daiwa AM's sales companies (from small groups of a dozen or so people, to as many as several thousand people). When providing this information, we always keep in mind Peter Drucker's comment that "Communication always makes demands." No matter how much you think you are correct, if the content you are trying to communicate can not be understood readily by the customer, or if it comes across as self-important, then you will not succeed in getting through to the recipient, and you will have failed at your job. Constantly reminding ourselves of this on a daily basis, we strive to deliver market information in a way that is both accurate and easy to understand.



Takuya Takahashi
Chief Strategist, Research Department

Making a Positive Contribution to Society and to the Environment

Related Corporate Materiality: Service quality enhancement contributing to asset formation
Winning stakeholders' trust

Daiwa AM aims to continue creating value for society and for the environment on a sustainable basis through its asset management business. We roll out financial education programs, and provide support to help people with asset formation by strengthening their understanding of investment. In addition, we contribute toward the development of local communities and toward safeguarding the environment through donation activities that are implemented through our funds.

Financial and Economic Education, and Promoting Sustainability

Development of an original game

With the aim of providing interactive financial education seminars that give attendees opportunities for active participation, we have designed "Everyone's Money Plan!" (trademark registered in Japan), a card game that incorporates elements of asset management and life planning.

"Everyone's Money Plan!" is a game in which players take on the roles of specific characters and aim to achieve various life plans, occurring from their 20s through to their 60s, while increasing their money through asset management. The seminar activity is designed so that, after experiencing the benefits that effective asset management can provide through the card game, participants then learn the basics of asset formation in a classroom instruction setting. This original seminar developed by Daiwa AM is targeted mainly at young people, and aims to provide support to help them take the first steps toward asset formation.



Packaging design for "Everyone's Money Plan!"

Note: For more detailed information about financial and economic education, see pp. 23–26 "Feature: Establishing the Center for Dissemination of Investment and Asset Management"

Opening an online store in Gokkoland, one of Japan's most popular learning apps for younger children

As part of our sustainability activities, we have become the first asset management company to launch a game on Gokkoland, one of Japan's most popular learning apps for younger children run by KIDS STAR Inc. The game, which has ESG investment as its theme, is called "Let's keep the world healthy!"

The game uses a combination of quizzes and running-type gaming. Players try to safeguard the Earth's future by investing coins that they earn through the running part of the game in the ways that they think are most appropriate.

Our hope is that this game will help to get children thinking about environmental issues, the Earth's future, and money and investing.

Looking ahead, we will continue contributing toward sustainability from our own unique perspective as an asset management company, to help realize a sustainable society.



Game play image from the Gokkoland app

Comments from children who have experienced playing the game

"Playing this game helped me to understand ways for keeping the world healthy."

"I didn't realize that global warming was happening. I want to make sure that I use money properly in the future."

"There were some difficult words in it, but my mother explained them all to me, and so I was able to learn a lot of new words!"

"It was great fun! I enjoyed collecting the coins!"

Providing Donations to Environmental NPOs and Other Organizations Through Our Funds

Working Together to Cultivate Tomorrow's Forests

Daiwa AM and its sales companies have been donating part of the trust fees from the Decarbonization Technology Fund (Carbon ZERO) to the "Working Together to Cultivate Tomorrow's Forests" tree-planting project organized by the NPO Environmental Relations. Every year around May to June, the NPO collaborates on tree-planting with local forestry cooperatives; after planting, the growth of the young trees is managed carefully over a 10-year period. In 2024, 5,425 tree saplings were planted in three locations around Japan, for a cumulative total of 21,529 trees. The number of tree-planting sites in Japan has risen to six.

+ WEB Please visit the following webpage for more detailed information:
Decarbonization Technology Fund (in Japanese)
<https://www.daiwa-am.co.jp/special/carbonzero/>

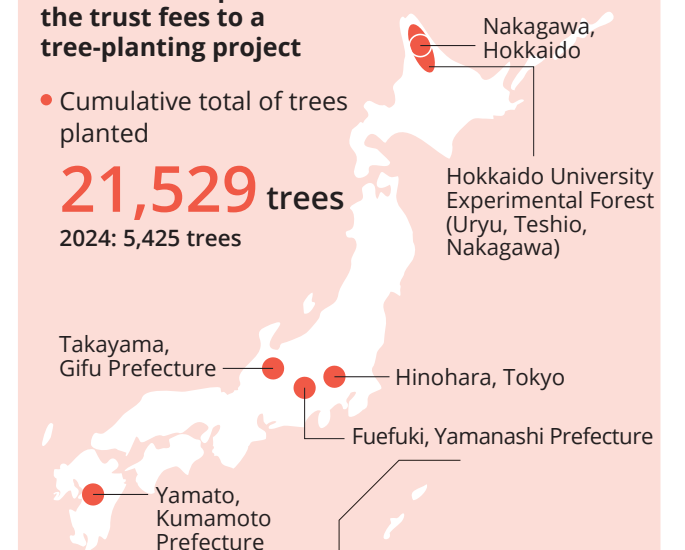


Tree-planting site landscape (Ashigawa-cho, Fuefuki-shi, Yamanashi Prefecture)

Donation of a portion of the trust fees to a tree-planting project

- Cumulative total of trees planted

21,529 trees
2024: 5,425 trees



The "Periodic Investing – Sustainable" Project

In this project, we donate a portion of the trust fees from Daiwa AM's iFree All Country Whole World Equity ESG Index to organizations involved in activities relating to the SDGs, based on the number of periodic investing accounts opened at our sales companies for this fund as of month-end each month.

Donation recipients in 2024	Donation amount
Japan Heart (specified non-profit corporation)	300,000 yen

+ WEB Please visit the following webpage for more detailed information:
"Periodic Investing – Sustainable" Project (in Japanese)
https://www.daiwa-am.co.jp/special/ifree_esg/



Mirai E-us+ Project

Daiwa AM is participating in the Resona Group's SDGs donation program "MiraiE-us+ Project." A portion of the revenue from Daiwa AM's Clean Tech Equity & Green Bond Fund (capital growth type and estimated dividend

type) and Global Life Equity Fund (capital growth type and estimated dividend type) is donated through the project to support the realization of the SDGs and education of the next generation.

Donation recipients in 2024	Donation amount
The Resona Foundation for Future	471,000 yen
CiRA Foundation	471,000 yen
RIKEN	471,000 yen
Minato Bank Scholarship Foundation	329,000 yen



Building Workplaces Where Employees Can Continue to Work with Enthusiasm and Vigor

Daiwa AM is making a concerted effort to develop a comprehensive human resources system that enables diverse human talent to continue to work with enthusiasm and vigor, and to build workplaces where all employees can fulfil their potential.

Enhancing Wellbeing

Daiwa AM believes that human capital is the wellspring of the company's corporate value, and that enhancing the wellbeing of Daiwa AM employees is the foundation for achieving sustained growth for our company. Besides the strict enforcement of a policy of no overtime after 7:00

p.m., and implementing promotional measures to bring the rate of annual paid leave utilization up to at least 70%, we have also adopted a flextime system and a teleworking system, and we will continue to implement measures to make working more convenient for employees.



* For details of the calculation method used, see the "Human Resources and Related" item in "Data" on p. 96 of this report.

Engagement Survey implementation

Daiwa AM implements Engagement Surveys to gauge the current state of employee engagement, which can help to enhance productivity and performance. To implement a PDCA cycle oriented toward the company's vision of where it wants to be in the future, we have set multiple benchmarks, including benchmark values based on the results achieved by high-performing global enterprises.

One of the company's strengths revealed in the Engagement Survey is "challenge mindset," as could be seen from the responses to the questions relating to new ideas, sense of responsibility, and supervisors' attitudes. However, the survey also showed that, in regard to "business operation system", there were issues with operational efficiency and with the speed of decision-making.

Having used the survey results to identify our strengths and issues, by implementing organizational improvement activities we will be supporting the growth of every individual employee while also bringing about improvements in the organization as whole. In addition, by analyzing the survey results at the level of each individual department, we can consider and implement concrete measures at the level of each department or section to address their respective issues.

We are aiming to continue strengthening engagement on an ongoing basis so as to realize further growth for individual employees, a productive workplace environment, and enhanced employee health (both physical and mental).

Engagement Survey results (Nov. 2023 survey)



Adoption of office casual

Starting from April 2024, the Daiwa Securities Group has adopted an office casual dress code for employees. By authorizing employees to wear casual clothing such as sweaters, jeans, and sneakers, this initiative aims to

encourage independent thinking and a spirit of seeking to challenge oneself, and to help build a workplace environment in which employees can work with enthusiasm and vigor.

Human Talent Cultivation

Daiwa AM attaches great importance to building an environment in which every employee can work with peace of mind and achieve personal growth. We provide a comprehensive range of human talent cultivation programs tailored to each stage in employees' development, and we offer support to help employees achieve the career they are aiming for.

A five-year cultivation program for young employees

At Daiwa AM, which has a relatively small but elite team, there are many opportunities for employees to demonstrate their capabilities right from when they first join the company. So that they can develop into first-rate asset management professionals, during the first five years after joining Daiwa AM, young employees receive a well-balanced grounding in the basics, ensuring that they have a solid foundation to function as mature adults, and that they are able to handle whatever task is assigned to them with self-assurance.

Daiwa AM Basic Program (1st and 2nd year)

During the foundation education period, new employees learn the basic manners and mindset they need as a mature adult, and acquire the knowledge and skills that underpin business operations.

- Main training content
Introduction to finance and economics, product knowledge, communication training, presentation training, and other business skills

Daiwa AM Q-Road (3rd to 5th year)

During this period of on-the-job training, the aim is to strengthen employees' operational capabilities, marketing abilities, and product development capability. In addition, in their fifth year after joining the company, employees are required to give a presentation to senior company executives.

- Main training content
Classes on asset management philosophy and systems, the roles played by different teams, the sales system, fund planning and creation, etc.

Fund management talent cultivation

We have put in place our own unique specialist education and training system to cultivate fund management talent able to effectively handle a wide range of investment assets, and to strengthen the capabilities of young employees who will be responsible for our core business activities in the future.

- ▶ Fund Management Division training system
- ▶ Weekly market analysis training

Cultivation of sustainability talent

- Sustainability Associates
- Sustainability Leaders

Note: For more information, see p. 90 of this report.

System for supporting the realization of having the right people in the right places

- System for employees to discuss their career development with the company, and 1-on-1 meetings
- Talent management system
- Intra-Group open job posting system, etc.

Global talent cultivation

To cultivate global fund management talent and product development talent, we are working to develop human talent able to function effectively on the global stage, by means of overseas study opportunities and assignments to undergo training at overseas asset management companies.

- ▶ Overseas study system
- ▶ Overseas training

Examples: Training with a leading company in the field of ESG investment (1 week)
Training with an asset management company specializing in REIT investment (1 year)

Other training and related systems

- Annual training and business skills training
- Support for obtaining certifications and for strengthening language skills
- Online learning (using Udemy Business), etc.

VOICE

New perspectives from having done overseas training

I took part in a week-long overseas training program at the Paris and London offices of a European asset management company, where I learned about many aspects of the company's operations, including its operational strategy, ESG investment initiatives, and marketing strategy. I also had the valuable opportunity to attend the fund management team's regular meetings and experience their discussions. Through this training, not only have I developed a more in-depth understanding of the processes through which asset management companies operate, I was also exposed to the young fund managers' challenge-oriented mindset, and was very impressed by the way they strove to innovate and how they were constantly taking on new challenges. This inspired me with a desire to take on new challenges in relation to fund management operation and applying for an overseas posting. I will be aiming to make effective use of the knowledge and experience acquired through this training in my future career, and to realize further personal growth.



Yuqing Jing
Associate Director,
Corporate Planning Section and Public
Relations Section, Corporate Planning
Department

Related Corporate Materiality: Enhancing employee wellbeing
Respect for human rights and diversity

Diversity & Inclusion (D&I)

The Daiwa Securities Group has identified Diversity & Inclusion as one of the key areas that we need to focus on. To enable every individual employee to maximize their performance by making full use of their personal strengths and personality, Daiwa AM is promoting Diversity & Inclusion from a variety of different perspectives, including gender, age, disability, recruitment category, etc.

Gender diversity (Women’s participation and advancement)

As of December 31, 2024, 41.8% of Daiwa AM’s employees were women. In our diversity-related efforts, we view the promotion of women’s participation and advancement being very important, and we are formulating and implementing related action plans.

Action Plan Based on the Act on Advancement of Measures to Support Raising Next-generation Children and the Act on the Promotion of Women’s Active Engagement in Professional Life

Plan implementation period: April 1, 2021 to March 31, 2026 (five years)

Quantitative Objectives	Performance
1 Raise the percentage of managers who are women to at least 16% (double the level in FY2020)	Percentage of managers who are women 17.7% (as of December 31, 2024)
2 Raise the percentage of new graduate hires who are women to a stable 50%	Percentage of new graduate hires who are women 48.4% (average for the period between FY2021 and FY2024)
3 Raise the percentage of eligible male employees taking childcare leave* to a consistent 100%, with each eligible employee taking at least 14 days of childcare leave.	Percentage of eligible male employees taking childcare leave 142.9% Average number of days of childcare leave taken by eligible male employees 27.1 days (FY2023)

* For details of the calculation method used, see the item in “Data” on p. 96 of this report.

Pay disparity between male and female employees

The main reasons for the disparity in pay between male and female employees are that the share of women holding management positions is relatively low, while the share of women holding administrative jobs that have a different salary structure is high (starting from FY2010 as a general rule, all new employees, both male and female, have been recruited onto the management career track). Going forward, we believe that we will be able to reduce the gender pay gap by steadily increasing the share of women in managerial positions.

Gender pay gap
(Female employees’ average pay as a percentage of male employees’ average pay)
66.3% (FY2023, all staff)

Building a workplace environment in which diverse human talent can fulfil their potential

Strengthening our human resources system
We have begun to implement a system whereby persons certified under a Partnership System* can enjoy the same treatment as spouses in relation to the company’s internal systems (in relation to taking congratulatory and condolence leave, etc.).
* Used here as a general term for partnership certification systems for same-sex and unmarried couples in Japan, as the official names for these systems vary depending on the municipality.

Expanding the job transfer system
We have expanded our system for employees to transfer to other positions within the company, and for contract employees to become regular employees. In addition to our existing system for transferring to management career track positions, we have also introduced systems for transferring to regional career track positions (in which employees are not required to accept transfers to other regions) and for non-regular, contract employees to become regular employees.

Mentoring System for female managers
Under our Mentoring System, executive officers act as mentors for female managers who are under consideration for promotion to executive officer or department manager roles in the future, providing support to help them with their career development.

Third-party evaluations

Support for balancing work and childcare responsibilities



Platinum Kurumin

Support for balancing work and long-term care responsibilities



Tomonin

Initiatives to support LGBTQ+ employees



PRIDE Index 2024 – Gold evaluation

Health management



Health & Productivity Stock 2024

Our initiatives

Film showing for Pride Month
All over the world, the month of June is designated as Pride Month, with activities being held to spread awareness of LGBTQ+ rights, and in June 2024 Daiwa AM organized a film showing of *Kalanchoe-no-hana*, a film with an LGBTQ+ theme. At the venue, Daiwa Securities Group stickers bearing the Rainbow logo were distributed, and the main film was preceded by another film explaining the issue of sexual orientation and gender identification (SOGI) related harassment, with the aim of promoting awareness regarding SOGI related harassment and LGBTQ+ Allies. Many attendees made comments along the lines of “I am glad I went, because it got me thinking about LGBTQ+ issues in a new way.”



Film showing venue

Held a Walking event to encourage employees to look after their health
In 2024, Daiwa AM once again held an internal contest for company teams as part of the Satsuki Run & Walk event, in which the teams compete using the average number of steps they take during the month of May. Participants from the different teams enjoyed meeting and socializing at the awards ceremony and after-party, and the competition helped employees improve their health while also invigorating communication within the company.



Satsuki Run & Walk 2024 awards ceremony
Commemorative photograph showing the members of the winning team with Daiwa AM President Mikita Komatsu

Discussion meeting with female department managers
Ms. Toko Shirakawa, one of Daiwa AM’s Outside Directors, met with female senior executives and department managers to exchange views and ideas. They discussed the positive aspects of becoming a department manager and the issues faced, and there was a lively exchange of views regarding topics such as “There is a more diverse range of values in the company now, with it being accepted as normal for male employees to take childcare leave; as managers, how can this trend be effectively utilized in management?” The number of female managers at Daiwa AM is growing steadily, and going forward we will continue to actively promote Diversity & Inclusion (D&I) while taking employees’ views into account.



Discussion meeting in progress


Promoting D&I across the asset management sector
The Asset Management Women’s Forum
The Asset Management Women’s Forum (AMWF) began its activities in the spring of 2022, with the aim of promoting women’s advancement in the asset management industry. In FY2024, the Forum (which has 20 companies, including Daiwa AM) held various special events, etc. The activities implemented by the Forum since its establishment have been very well received, and it won the Enterprise Special Award for enterprise initiatives at the Forbes JAPAN WOMEN AWARD 2024, Japan’s largest-scale awards for women.




RikoTakamoto, AMWF member representing Daiwa AM, at the awards ceremony for the Forbes JAPAN WOMEN AWARD

Training programs for all employees aimed at cultivating awareness


Human rights awareness training
Implementation of video-based training to promote the provision of reasonable accommodation for persons with disabilities, and to deepen understanding of the issues facing LGBTQ+ people.




Harassment prevention training
Implementation of video-based training to realize deeper understanding of workplace ethics and regulations, and thorough implementation of harassment prevention.



Care-related training
Implementation of video-based training to deepen understanding of support for balancing work and care-giving responsibilities, and spread awareness of the relevant internal systems available within the company.



Training relating to Women’s Health
Implementation of video-based training to deepen understanding of women’s healthcare.



Strengthening Corporate Governance

Corporate Governance Structure

At Daiwa AM, the Board of Directors is responsible for important decision-making on management and overseeing the execution of duties by directors. As a company with an Audit & Supervisory Board, the status of the performance of duties by each director is audited independently of the Board of Directors by the Audit & Supervisory Board Members and the Audit & Supervisory Board. In June 2023, Daiwa AM welcomed two new Outside Directors who have a wealth of experience in the asset management field, and their views, based on their respective specialist expertise, are taken into consideration in the company's management. Both the Stewardship Supervisory Committee and the Fiduciary

Duty Advisory Committee are chaired by Outside Directors, and the Outside Directors' expert opinions are helping to strengthen Daiwa AM's governance.

The Board of Directors is comprised of individuals with high ethical and moral standards, in addition to operational experience or specialist expertise. As of December 31, 2024, the Board of Directors was made up of 14 directors (including three Outside Directors, and four female directors).

+ WEB For more information about Daiwa AM's corporate governance system, please visit the following webpage:

Corporate Governance (in Japanese)
<https://www.daiwa-am.co.jp/company/about/governance.html>

Risk Management

In line with the policy on risk management decided on by the Board of Directors, Daiwa AM is striving to strengthen our risk management posture, through measures that include having senior management participate proactively in risk management, putting in place an approach to risk management that is tailored to the special characteristics of the risks faced by our company, identifying the full spectrum of risks based on integrated risk management, and clarification of the risk management process.

We have established a Risk Management Committee as a sub-committee of the Executive Management Committee. The Risk Management Committee identifies topics which embody risks that represent a particularly significant threat to the company's operations, decides on concrete methods for implementing risk management, and performs monitoring of key risk indicators (KRIs) for especially serious risks, while reporting on overall risk status on a regular basis.

Daiwa AM has drawn up management methods for the different categories of risk: investment risk (the risk

associated with the trust assets of investment trusts, and with the contract assets of discretionary investment contracts), operational risk (the risk associated with Daiwa AM's own operating activities), and financial risk (the risk associated with Daiwa AM's own financial activities).

For the management of investment risk, we have specified three sub-risks—market risk, credit risk, and liquidity risk—which we implement monitoring of.

As regards operational risk, we have specified seven sub-risks: administrative risk, system risk, information security risk, compliance risk, legal risk, human risk, and tangible asset risk. A specific department has been designated to oversee each of these risks, and to prevent risks from becoming actualized, we have formulated Risk Control Self Assessment (RCSA) and risk mitigation measures.

Regarding financial risk, we implement risk management based on the setting of holding limits for investments in securities and credit limits for deposits.

particular, we have positioned cyberattacks and system outages as the most serious risks, and we are proceeding with the provision of cybersecurity training for company officers and employees, and with measures to make our IT infrastructure stronger and more resilient.

Strengthening our global infrastructure

We are proceeding with the integration of the cloud computing infrastructure of our Tokyo head office and our overseas subsidiaries. By providing high-performance remote access tools and secure internet access, we are putting in place an environment that will enable staff to perform their work anywhere in the world just as though they were in the office, which will help to enhance Daiwa AM's global competitiveness.

Upgrading management of system risk

To protect information assets from external and internal threats and risks, and to build an environment that allows key tasks such as the calculation of baseline values to continue without disruption, Daiwa AM is working to strengthen our system risk management system. In

Key measures implemented in FY2024

Upgrading our IT infrastructure to make effective use of AI and big data

With the rapid evolution of the IT environment, we are strengthening our IT infrastructure to facilitate high-speed processing of large quantities of data, in order to support intensified asset management. In addition, to strengthen business continuity planning (BCP), we have dispersed our cloud computing infrastructure between two separate data centers in Western Japan and Eastern Japan, and we have put in place concrete measures in order to be prepared for a large-scale outage or a natural disaster affecting a wide area.

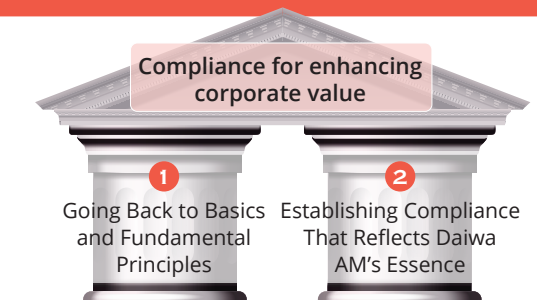
Legal & Compliance

Legal and compliance challenges have a direct bearing on management at asset management firms, while also being intimately linked with all operations. This makes it imperative that we establish a specialized compliance framework, and we are working steadily to strengthen this framework.

Compliance aimed at enhancing corporate value

Starting from FY2023, Daiwa AM has been "Promoting Compliance to Enhance Corporate Value" on an ongoing basis. The building of a corporate culture based on our corporate philosophy, the Daiwa Spirit, and the company's Vision & Values, is in itself an embodiment of compliance, and so our compliance activities are founded on an approach that will win customers' trust, and will ultimately help to enhance our corporate value.

In "Promoting Compliance to Enhance Corporate Value," the first priority is to realize a change in the mindset of every individual company officer and employee. By getting people to share, within their team, their own views regarding Daiwa AM's Vision & Values and compliance, we have been implementing training that enables the visualization of compliance-related values.

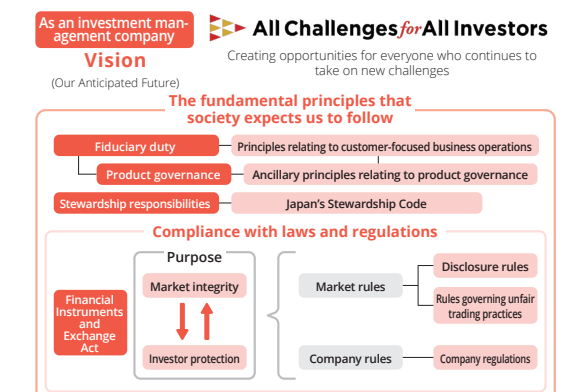


Building on the views and ideas obtained through this process, in FY2024 we will be moving on to the stage of taking more practical steps, including "Going Back to Basics and Fundamental Principles," and "Establishing Compliance That Reflects Daiwa AM's Essence."

Going Back to Basics and Fundamental Principles

In formulating measures for "Going Back to Basics and Fundamental Principles," which is one of the core elements of FY2024's compliance program, we have drawn insights from the views expressed by company officers and employees in the recent mindset training, and have developed with the idea of "working to make it possible for employees to visualize the overall picture of the basics and fundamental principles that they are expected to adhere to when carrying out their day-to-day work." The key aspect of this concept is, working from Daiwa AM's vision of the future, to visualize the fundamental principles that society expects us to abide by, and the specific laws and rules that we are required to comply with, as well as how they are linked to one another, and summarize it all on one sheet of paper. We believe that sharing within the firm the basics and fundamental principles that apply to an asset management company, and ensuring that employees can adopt a perspective that takes into account the background and purpose of the above, will lead to the optimization of our operations and help us to identify best practice for addressing issues.

Daiwa AM's strategic approach



VOICE



Aya Kamon
 Director, Planning Section, Legal & Compliance Department

As an industry-leading legal and compliance department

Asset management companies have an important role to play in the implementation of the government's plan to develop Japan as a "Leading Asset Management Center," and as such they are now attracting a great deal of attention. I believe that the importance of the legal and compliance department to asset management companies is also becoming greater.

Legal and compliance issues are directly related to management, and Daiwa AM's Legal & Compliance Department functions as an integral part of management, being involved in various dynamic initiatives.

I feel that, as the legal and compliance department of a company that has built up one of the highest investment trust balances in the asset management industry, we have a responsibility to be a model that other companies in the industry can follow.

Generating New Growth Opportunities

Related Corporate Materiality: Expansion of Business Fields

By collaborating with other companies that possess unique ideas or knowhow to promote product and service enhancement, Daiwa AM is aiming to enhance our fund management capabilities and diversify our revenue sources.

Entering into a Capital and Business Alliance with Japan Post Insurance

On May 15, 2024, Daiwa AM entered into a capital and business alliance with Japan Post Insurance Co., Ltd. Through this alliance, Daiwa AM is aiming to substantially expand the scope of its investment advisory business and overseas business, and to diversify its revenue sources by expanding into alternative asset classes.

Daiwa AM will be undertaking human resources exchange with Japan Post Insurance, and will benefit from

Japan Post Insurance's alternative asset and overseas credit knowhow. In addition, the alliance will help to enhance overall fund management capabilities through strategy development that incorporates an asset owner perspective. The enhancement of corporate value achieved through this tie-up will enable Daiwa AM to contribute toward the realization of the goal of developing Japan into a "Leading Asset Management Center."

Daiwa
Asset Management

- One of Japan's largest asset management companies
- Particularly strong in the investment trust business, providing services to individual investors
- Assets under management have reached a record level (as of Dec. 31, 2023)



JAPAN POST INSURANCE

- One of Japan's largest asset owners
- A leading player in the investment advisory business
- Possesses alternative investment expertise

Human resources exchange, cultivation and
acquisition of outstanding asset management talent,
and strengthening overall asset management stance

Development and provision of
a diversified range of products
Further enhancement of
competitiveness

Revenue source
diversification
Strengthening
fund management
capabilities

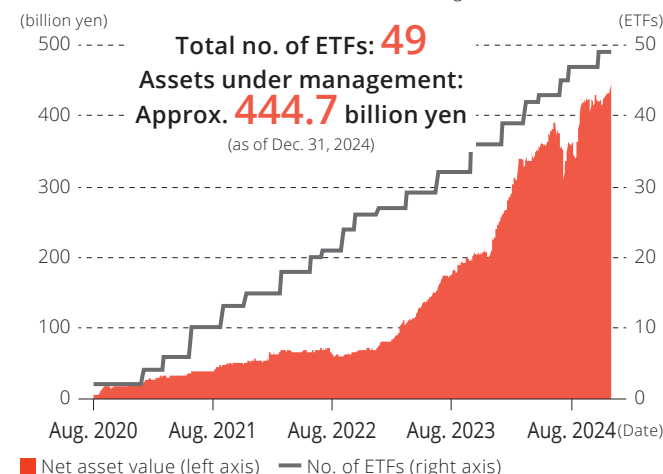
Full-scale entry into the
investment advisory business
Expanding the range of assets
invested in

Aiming to Expand the ETF Business Marking Five Years since the Establishment of Global X Japan

In September 2019, Global X Japan, Japan's first ETF-focused asset management company, was established through a joint venture between Daiwa AM, Daiwa Securities Group Inc., and U.S. company Global X Management Company Inc. Since its establishment, Global X Japan has drawn on expertise from the US, a leader in ETFs, to provide distinctive ETFs in Japan.

As a result, as of December 31, 2024, Global X Japan's assets under management have grown to around 444.7 billion yen. A total of 49 ETFs have been listed on the Tokyo Stock Exchange, and Global X Japan has ranked first in terms of the number of new ETFs listed for four consecutive years since FY2020. Daiwa AM has rolled out the "Ippo Saki Iku" series of investment trusts, which invest in Global X Japan's ETFs. Looking ahead, by continuing to collaborate with Global X Japan, we will be aiming to provide customers with new investment opportunities, and to expand our ETF business.

**Change in the amount of assets under management
and in the number of listed ETFs** (Aug. 25, 2020–Dec. 30, 2024)

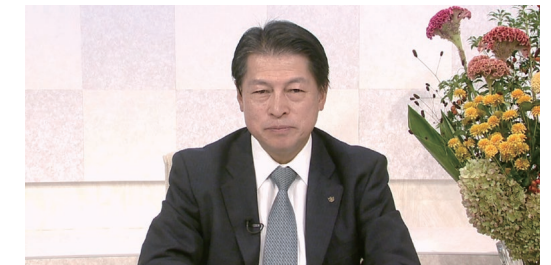


Initiatives Aimed at Instilling Our Vision and Values

PART 1 Corporate Sustainability-aware Management

Dissemination of Messages from Senior Management

In May 2024, Daiwa AM announced that it was entering into a capital and business alliance with Japan Post Insurance Co., Ltd. On both the day following this announcement, and on the day when the collaboration came into effect (October 1, 2024), Daiwa AM's President issued a message to all employees explaining the background of the alliance and the company's future strategy, appealing to employees to work together as one to achieve challenging goals. In addition, a town-hall meeting, chaired by the President, was held in December 2024, providing an opportunity for dialog with employees. We believe that this alliance represents an opportunity to invigorate our organization and to build a corporate culture characterized by openness and effective communication.



Video message from Daiwa AM President Mikita Komatsu

Materiality Training

With the aim of deepening understanding of how Daiwa AM's materiality is linked to every individual employee's work, so that each employee will view the materiality as being directly relevant to them personally, we held a sustainability seminar in which Outside Director Emi Onozuka was invited to take part. Participants were divided into small groups, and engaged in free discussion while examining the use of a logic tree to see how Daiwa AM's Materiality is linked with the company's financial KPIs. Participants' comments regarding the activity were very positive, with one attendee noting "It was good to have the opportunity to listen to diverse viewpoints from inside the company; what I learned will be useful to me in making progress with my own work."



Materiality training in progress

Vision & Values Promotion Team Activities

Daiwa AM formulated its Vision & Values (VV) in April 2020, and all employees are working together to realize the future that they embody. In 2024, as in previous years, various events were held to build a shared awareness among employees and provide support for the realization of the VV.

Expressions of resolution by company officers and employees

Starting from FY2021, every year Daiwa AM's company officers have expressed their resolutions for the coming year in the form of a single kanji (Chinese character). In 2024, the scope of this initiative was expanded to include the staff of individual departments and the members of internal clubs. The goal is for all company officers and employees to develop a shared awareness of Daiwa AM's VV, thereby further enhancing the sense of cohesion within the company. Going forward, Daiwa AM will continue to implement measures to instill its VV, and provide proactive support for the realization of the VV.



Expressions of resolution: (From left) Internal running club, Daiwa AM President Mikita Komatsu, and the Legal & Compliance Department

Exploring Work Responsibilities

Daiwa AM has been implementing an "Exploring Work Responsibilities" activity in which employees give presentations explaining the work they do. This project, which derived from employees' suggestions, involves employees introducing their respective departments. Employees often have only a vague idea about what personnel in other departments actually do, and employees' comments that they would like to know or would like others to know more about this were the spur for launching this program. The aim of the program is to deepen mutual understanding between departments, enhance working efficiency, foster internal relationships, cultivate a stronger sense of cohesion, and strengthen employee motivation.



Each department uses video content and other materials to present the unique aspects of their work

Feature Establishing the Center for Dissemination of Investment and Asset Management

Aim in Establishing the Center for Dissemination of Investment and Asset Management

The Center for Dissemination of Investment and Asset Management (hereafter, the “Center”) was established in April 2024. This organization was set up to widely spread understanding of the importance of asset management; following is a report on its objectives and activities.

Pride as an asset management company in working toward the realization of Japan as a “Leading Asset Management Center”



Toru Yamanoi
Senior Executive Managing Director,
Head of Product Division

Yoshinori Nagano
Managing Director,
Head of Center for Dissemination of Investment and Asset Management

Objectives behind the establishment of the Center for Dissemination of Investment and Asset Management

Yamanoi: The mission of an asset management company is to deliver positive investment results to its customers, but from a broader perspective, it is also about contributing to the prosperity of a nation's citizens. To do that, we believe that in addition to offering outstanding products and investment results, it is also essential that we widely promote understanding of the importance of asset management in Japan. We established the Center with this in mind.

Why the Center for Dissemination of Investment and Asset Management is part of the Product Division

Yamanoi: In addition to its Product Division, Daiwa AM also has a Fund Management Division and a Marketing Division. However, the Center has been set up as part of the Product Division, aiming to advocate the importance of asset management from a neutral perspective, distinct from the promotion of existing products conducted by the Investment and Marketing divisions.

Relationship with the “Policy Plan for Promoting Japan as a Leading Asset Management Center”

Yamanoi: The realization of Japan as a leading asset management center is envisioned as a strengthening of the investment chain, which connects households and companies through sales agents, asset management firms, asset owners and others, enabling companies to enhance their profits and households to prosper. This strengthening of the investment chain requires both enhancing its quality while at the same time broadening its scope. In areas related to households, investment awareness and financial and economic education are crucial, and the Center is expected to play a significant role in this regard.

Two groups make up the Center for Dissemination of Investment and Asset Management

Nagano: The Center comprises two groups: the Financial and Economic Education Group and the Asset Formation Research Group. As its name suggests, the Financial and Economic Education Group holds seminars on financial and economic education and asset management in schools and workplaces with the goal of enhancing household financial literacy. The Asset Formation Research Group collects and analyzes data related to household asset formation, compiling it into reports and other publications to promote a deeper public understanding of household asset formation and advocate for the creation of better environments and systems.

The distinctive activities

Nagano: The Financial and Economic Education Group makes use of “Everyone's Money Plan!” (trademark registered in Japan), a card game developed by Daiwa AM, to make younger generations aware of the importance of life planning and asset management. The Asset Formation Research Group plans to publish a Household Asset Formation White Paper related to household asset formation at the end of each fiscal year.

Looking back at FY2024's activities

Nagano: In the area of financial and economic education, I believe we have achieved a certain degree of results in schools and workplaces. As for the Asset Formation Research Group, we hope you will look forward to the release of their Household Asset Formation White Paper. In addition, we believe that as awareness of the Center grows, the influence of its various activities will strengthen as well. We are also sharing our opinions and engaging in other activities at large-scale conferences.

Goals going forward

Yamanoi: We look forward to the activities of the Center becoming more widely known, to it becoming a presence that society can rely on, and to the expertise it shares leading to more prosperous lives for the nation's citizens.

Financial and economic education and asset formation research: two different approaches

As of December 2024, the Center has seven members. The Financial and Economic Education Group conducts financial and economic education at schools and workplaces with the goal of improving financial literacy in general—not limited only to investing—while taking in direct feedback from participants. The Asset Formation Research Group seeks to study and analyze trends relating to, among others, individual investors, the state of household asset formation, systems related to asset formation, and related overseas developments from a macro perspective, to provide information that can also contribute to policymaking.

While the two groups have distinct roles, members from both groups collaborate as needed.



Members of the Center

Speaking at various symposiums to suggest a vision for household financial assets in Japan

Efforts to make Japan a Leading Asset Management Center are under way through public-private collaboration, with expectations that cash and deposits in particular, which account for more than half of Japan's household financial assets, will flow into investments. Through the resulting enhanced corporate value, household assets are expected to increase, leading to a virtuous cycle of further investments and growth. A new NISA program began in 2024, and the number of investors is steadily increasing, but many challenges remain in asset formation for individuals. At various symposiums, we offer suggestions regarding the current state of Japan's household financial assets and a vision for asset formation.

Primary speaking events

May 2024	RI Japan 2024
June 2024	FDSF Impact Conference 2024
September 2024	Symposium on Promoting Japan as a Leading Asset Management Center



+ WEB Archived video from the Symposium on Promoting Japan as a Leading Asset Management Center is linked below (in Japanese only):

<https://channel.nikkei.co.jp/202409asset/2409121030.html>

Plans to publish an annual Household Asset Formation White Paper

The Asset Formation Research Group plans to publish an annual Household Asset Formation White Paper by the end of each fiscal year. In fact, there is a dearth of comprehensive materials relating to household asset formation, yet such resources are essential if an overall grasp of the asset formation environment, including related systems, is to be achieved. In this white paper, we will analyze household asset formation continuously, from numerous angles, including current state, long-term changes, and international cases. The paper will also feature extensive charts and graphs illuminating such topics as domestic and international investment trust trends, financial literacy, and investor awareness, and will serve as an essential reference for individuals involved in household asset formation.



Household Asset Formation White Paper

Financial and economic education activities

The Financial and Economic Education Group conducts activities aimed at improving financial literacy to achieve financial wellbeing.

For
workplaces
and
schools

Participating in Tokyo project to dispatch instructors to improve financial literacy



To conduct seminars and other activities aimed at improving the financial literacy of its citizens, Tokyo dispatches instructors to schools, businesses and elsewhere. Daiwa AM has also participated as part of project's team of instructors since its inception in May 2023. In FY2024, we conducted a seminar focusing on life planning titled "The First Step in Preparing for an Era of 100-year Lifespans," held for employees in their 40s and 50s at a packing machinery manufacturer in Katsushika Ward. Although the Defined Contribution Pension Act obligates employers to try to provide ongoing investment education to program participants, research shows that actual implementation has reached only about 10 percent. Thus, the Center will also contribute to creating more opportunities for education in the workplace.

For
educators

Mock lectures for the Business Training for Japanese School Teachers sponsored by the Keizai Koho Center



Since 1983, the Keizai Koho Center (the public relations division of the Japan Business Federation) has held "Business Training for Japanese School Teachers" for elementary, junior high, and senior high school educators. The Daiwa Securities Group has been a participating company in this program since FY2004. In FY2024, a total of 35 teachers from Tokyo and its wards of Adachi and Nerima attended a workshop-style lecture presented by the Center for Dissemination of Investment and Asset Management, focused on the practical application of financial and economic education in schools. It has been two years since financial and economic education became required subjects in high schools, and participants shared their challenges and innovations. We also continue to offer educators themselves training in their own asset formation as well as support for improving financial literacy in school settings.

For
students

"A Correct Introduction to Money and Asset Management," a course aligned with a financial literacy map



The Nikkei Online Edition for Education offers services to about 134 schools and over 100,000 teachers and students nationwide (as of December 2024). As a partner company, the Daiwa Securities Group provides on-site classes to participating schools. In July 2024, instructors from the Center for Dissemination of Investment and Asset Management conducted financial and economic education classes for 160 fourth-year (senior high school first-year) students at Kanagawa Prefectural Sagami-hara Secondary School.

The class, titled "A Correct Introduction to Money and Asset Management," was designed to help students understand the significance of addressing money and asset management while considering their own unique life plans. By teaching students about money, we pointed them in the right direction, giving them more options in life and helping them make better choices.

"Everyone's Money Plan!", a card game developed by Daiwa AM



Lecture Material Example



[Features of the game]

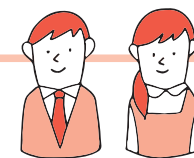
Basic play involves teams of four players. Players can immerse themselves in the game by taking on the role of a character, each with unique life aspirations. They aim to manage their assets while working to achieve life events based on their individual values. The outcomes of asset management are influenced by so-called "economic events," and the "winner" of the game is determined by a combination of income by age group and the number of life events achieved.

"Everyone's Money Plan!", a financial and economic education card game developed by Daiwa AM, is designed to be used at seminars and other events for students and working adults to stimulate awareness of life planning and asset formation needs among participants, with the goal of creating behavioral change.

During the course of the game, participants gain new insights by considering what life events are important to

them, what their future income might amount to, whether to engage in asset management, and if so, where and how much to invest.

A lecture follows the game experience to address questions arising during the game and foster understanding of the importance of adopting a long-term, diversified, periodic approach to asset management.



From the front lines of school education

—What did you think of the lecture content?

I felt that the combination of a lecture from a financial professional and a thoughtfully designed, fun game, allowed students to look at economics and money as personally relevant.



Masami Kozaki, Instructor
Kanagawa Prefectural
Sagami-hara Secondary School

—And how did the students respond?

Before, they only saw finance and investing as difficult to understand, but many of them said they'd now become a more approachable subject.

+ WEB A detailed report on the class is here:

The Nikkei Online Edition for Education (in Japanese only)
<https://www.nikkei.com/promotion/education/partner/daiwa-grp/case08/>

PART 2 Stewardship Activities

The Value Creation Process in Relation to Stewardship Activities

Daiwa AM is building on its strengths in terms of three-in-one engagement, intellectual property and intangible assets initiatives, "lingagement" (combining linkage with engagement), proxy voting, and ESG integration, to promote measures that will enhance the corporate value of investee companies.

Core materiality

Greenhouse gas emissions

Risks and opportunities relating to climate change

Biodiversity

Circular economy

Human capital management

DE & I

Business and human rights

Capital efficiency improvement

Governance framework

INPUTS

Engagement

- Corporate Research Team: 14 team members
- Engagement Team: 6 team members
- Stewardship Team: 9 team members

ESG Scores

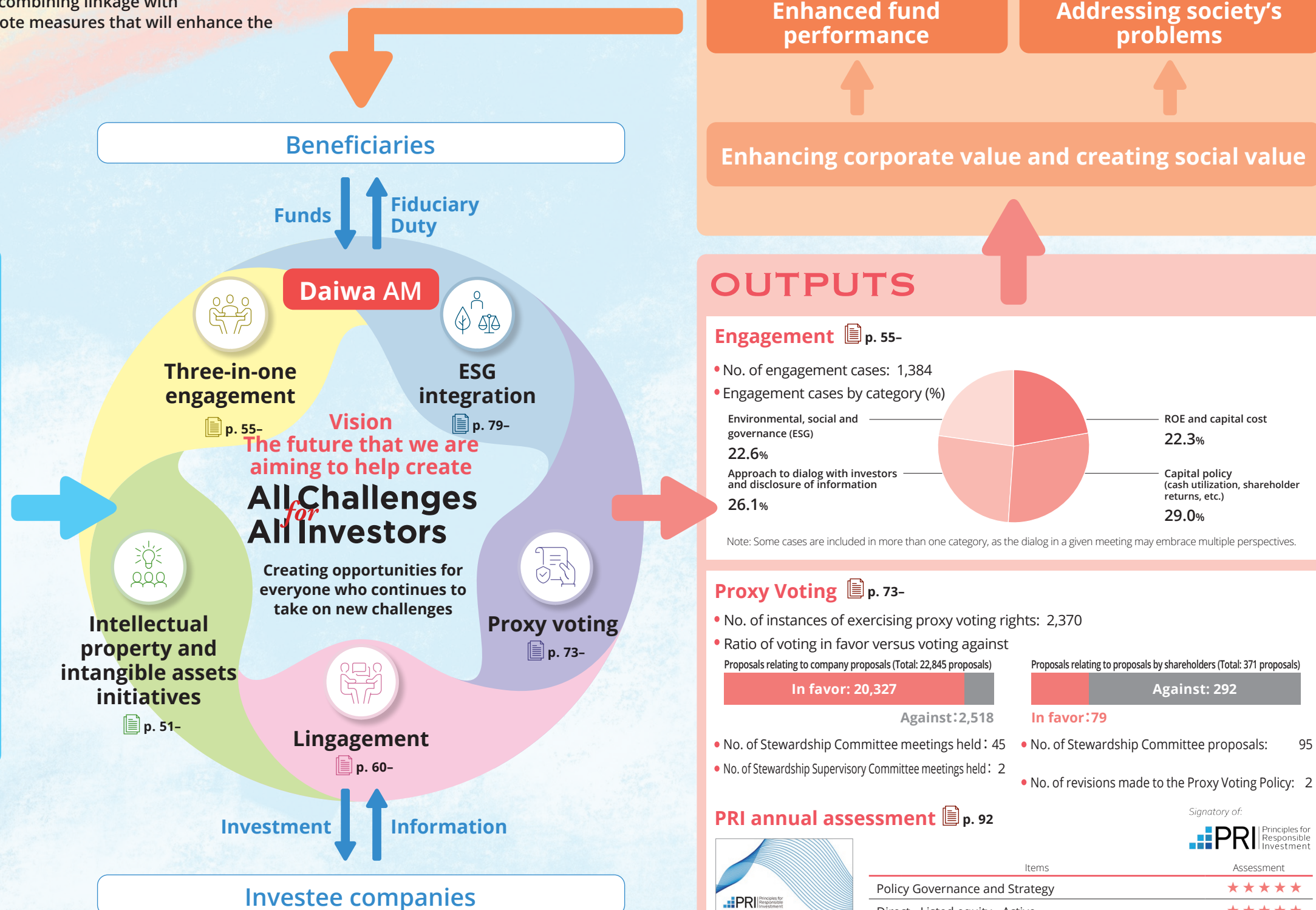
- In-house ESG score
- Drucker Institute Score

Proxy voting

- Stewardship Supervisory Committee
- Stewardship Committee
- Revision of the Proxy Voting Policy

External organizations

- Drucker Institute
- Glass, Lewis & Co. LLC
- MSCI Inc.
- Morningstar Sustainalytics
- S&P Global
- Participation in relevant initiatives Etc.



Policies ▶

Best practice
p. 70

Proxy Voting Policy
p. 73

General Policy on
Stewardship Activities
p. 88

ESG Investment
Policy
p. 79

Materiality
p. 31

Focus Collaboration with Japan Post Insurance

—Objectives and Anticipated Benefits in Asset Management—

Under the capital and business alliance announced in May 2024 between Japan Post Insurance and the Daiwa Securities Group in the asset management field, Mr. Keiichi Abe was transferred from Japan Post Insurance to Daiwa Asset Management to serve as the Deputy Head of the Fund Management Division in October 2024. Mr. Abe talks with Daiwa AM's Head of Fund Management Division and CIO, Mr. Hisashi Kanamori, about the objectives and anticipated benefits of this collaboration in asset management.



Hisashi Kanamori

Deputy President
Head of Fund Management Division
and Chief Investment Officer

Keiichi Abe

Executive Managing Director, Deputy Head of Fund
Management Division and Head of Investment
Planning, Fund Management Division

Collaboration in asset management means both business expansion and securing synergy

Kanamori: Several months have now passed since the two companies entered into the capital and business alliance. I have been reflecting on the significance of this partnership in terms of practical asset management from our company's perspective. One of the biggest pluses I see is the potential to transform our business model. We have historically been focused on traditional asset classes and publicly offered investment trusts. This alliance positions us to acquire knowledge as an asset owner and expand our business with institutional investors. Also, with the expertise we gain in alternative investments and other areas, we expect to expand into new business domains.

Abe: With the introduction of the new NISA program and growing expectations for Japan to establish itself as a "Leading Asset Management Center," this collaboration

couldn't come at a better time for Japan Post Insurance, as it enables the company to diversify its revenue streams and further enhance its asset management capabilities. Since coming over to Daiwa AM, I've discovered that our corporate cultures have many similarities. As asset management firms, we share many of the same values. That should allow us to make quick progress in our collaborative efforts, and I'm confident that we will start seeing tangible synergies before very long.

Kanamori: Because our strengths and weaknesses in asset management are different, the two companies can complement each other, which is another key advantage of this partnership. It is really an ideal collaboration that brings together the best of both organizations.

Aiming to further strengthen stewardship activities

Kanamori: With Japanese asset management firms considered weak on the global stage, the Tokyo Stock Exchange has been pushing for reforms, calling for "action to implement management that is conscious of cost of capital and stock price." We are being called upon to step up our stewardship activities, through engagement and proxy voting, so as to improve the corporate value of investee companies and facilitate capital market growth.

Abe: Yes, that's true, and improved stewardship activities are another area that will benefit greatly from this partnership. Having the combined client assets of the two companies means that we are managing one of the largest pools of assets in Japan. This scale will allow us to work together on stewardship activities, such as encouraging changes and improvements in the companies we invest in.

Kanamori: By bringing together the perspectives of an asset manager and an asset owner, we can take our stewardship activities to the next level. The significant effects we can expect to see are stronger investment performance and even greater contributions to the broader social good.



Abe: Stewardship activities are also critical in areas such as alternative and impact investing, where Japan Post Insurance has an edge. Especially with impact investing, it's not just about financial returns—showing a positive societal impact is becoming vitally important. To do so effectively, we must enhance our ability to engage with investee companies. We also hope that a successful collaboration like this will serve to attract other asset owners to participate with us in this business.

Building a globally competitive asset management firm



Kanamori: We've already been making progress working together in traditional asset management areas like domestic equities and overseas bonds. The next step is to deepen our collaboration in alternative and impact investing. Japan Post Insurance is widely

recognized as a leader in impact investing in Japan, and I'm excited about what's ahead for this business and the results we can achieve together.

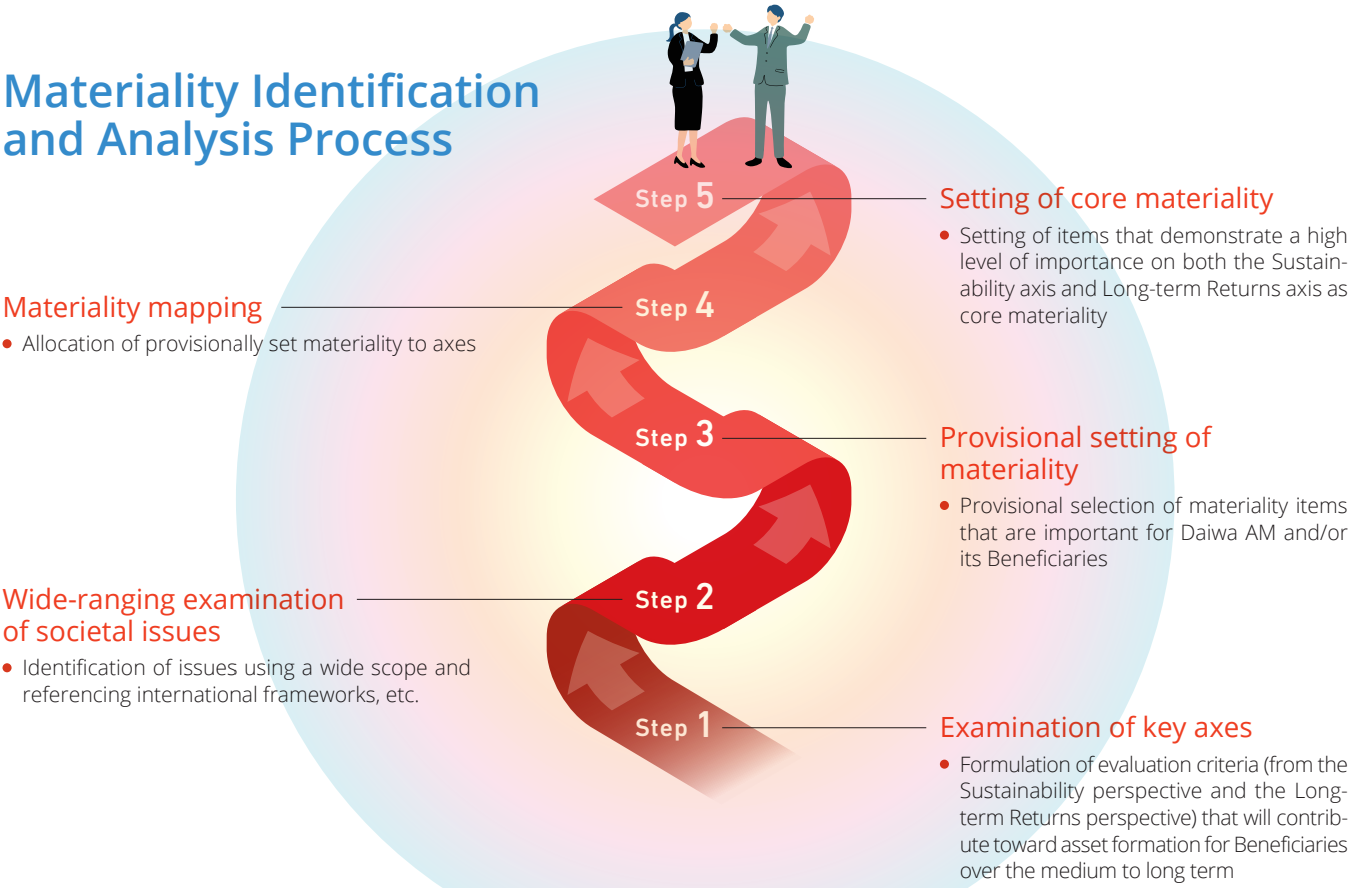
Abe: For asset management companies such as ourselves, it is all about building investment capabilities to be competitive in the global arena. And to do that, we are focusing on developing strong talent—the lifeblood and the differentiating factor for any asset management firm. Personnel exchanges have already begun between the two companies, along with sharing expertise and fostering a deeper pool of knowledge. We are combining this human resource development with expanding our institutional investor business, expanding into new areas, strengthening our international collaborations, and creating investment products that meet client needs. All of these efforts are helping us lay the groundwork for becoming a truly world-class asset management firm.

Materiality in Relation to Asset Management

Through its asset management business, Daiwa AM aims to make a positive contribution toward Beneficiaries' asset formation over the medium to long term. Materiality at Daiwa AM refers to key issues (materialities) which have been set with the aims of enhancing the medium- to long-term value and sustainability of investee companies and helping to maintain the sustainability of society as a whole. To this end, Daiwa AM strives to develop an

accurate picture of the state of individual enterprises and of industry as a whole, and to share its understanding. Materiality in relation to asset management is comprised of perspectives relating to sustainability, including ESG in general. We then analyze Daiwa AM's materiality from two perspectives—Sustainability, and Long-term Returns—and specify high materialities as core materialities for both.

Materiality Identification and Analysis Process



Revision of Materiality Items

In November 2024, Daiwa AM revised its materiality items and materiality map. We added new items from a long-term perspective for factors with the potential to impact

New additions

Specific point of focus	Rationale/background
Responding to natural disasters other than climate change	Based on the circumstances of an environment in which natural disasters are increasing in frequency and severity, responses to these events will significantly impact corporate value
Wellbeing	Initiatives for employee health and wellbeing contribute to enhancements to human capital as well as improvements in productivity and related areas
Cybersecurity	The creation of rules for the utilization of AI, responses to cyberattacks, and similar, are particularly important for risk management
Tax governance	There is increasing attention on monitoring of and dialogs on tax compliance and tax planning, which includes undergoing hearings from the Ministry of Economy, Trade and Industry
Corruption/bribery	Various cases of corporate scandals occur involving significant damage to corporate value
Responding to changes in international regulation and the market	It is becoming increasingly important to establish the circumstances of changes in the business environment, including the rapidly changing regulatory and market environments and to develop flexible management strategies to respond to these changes

the sustainability and competitiveness of companies and other entities and amended some item names to further clarify the purpose of the materiality.

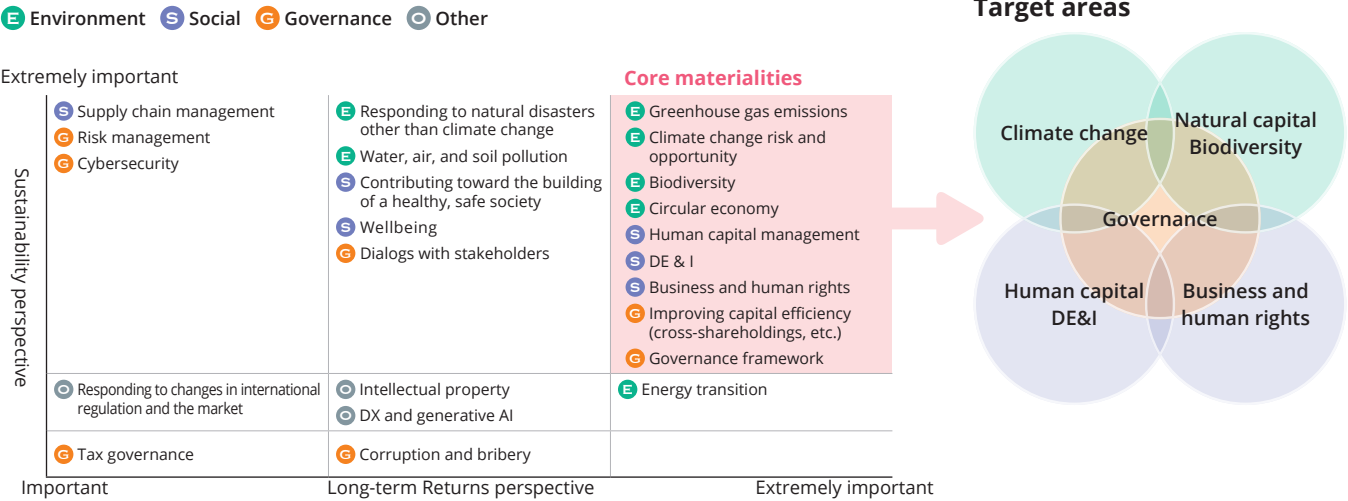
Amendments

Previous	Current	Rationale/background
Responding to climate change risk	Climate change risk/opportunity	Both risk responses, and opportunities to develop products and technologies to respond to climate change contribute to increasing corporate value
Resource conservation	Circular economy	It was determined that, rather than the objective of conserving fossil and other resources, the realization of a recycling-oriented society is precisely what will contribute to sustainability
Environmental pollution	Water, air, and soil pollution	To facilitate clarification of high-priority environmental resources, incorporating among others the perspective of biodiversity
Enhancing the value of human capital	Human capital management	It is important to link and integrate the value enhancement of human capital with management strategy
Communication	Dialogs with stakeholders	To encourage more proactive initiatives through clarification of those targets for which communication should be enhanced

Materiality

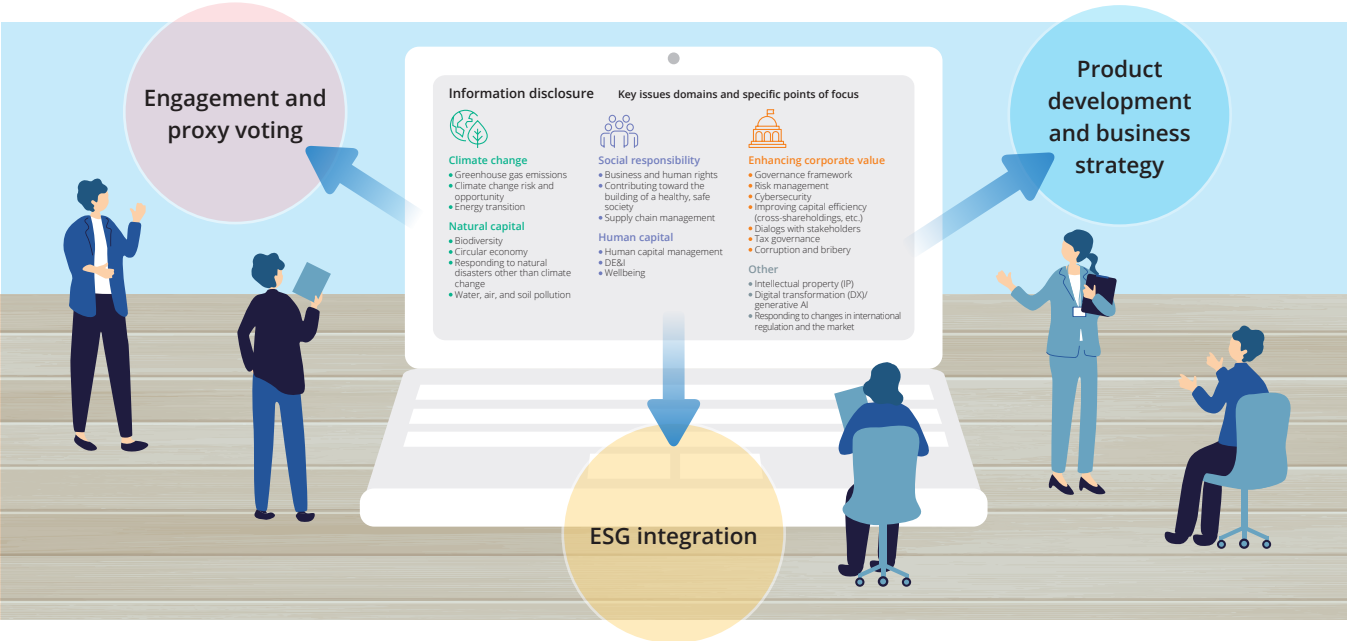
Key issues domains	Specific points of focus
Information disclosure	
Climate change	Greenhouse gas emissions • Climate change risk and opportunity • Energy transition
Natural capital	Biodiversity • Circular economy • Responding to natural disasters other than climate change • Water, air, and soil pollution
Social responsibility	Business and human rights • Contributing toward the building of a healthy, safe society • Supply chain management
Human capital	Human capital management • DE&I • Wellbeing
Enhancing corporate value	Governance framework • Risk management • Cybersecurity • Improving capital efficiency (cross-shareholdings, etc.) • Dialogs with stakeholders • Tax governance • Corruption and bribery
Other	Intellectual property (IP) • Digital transformation (DX)/generative AI • Responding to changes in international regulation and the market

Materiality Map and Target Areas



Integration in Investment and Business Activities

In addition to being reflected in engagement, proxy voting, and investment decisions, the materialities Daiwa AM has identified will be actively applied to a wide range of business activities, including product development and business strategy. For companies showing no signs of action toward improvement following engagement, we will consider, for example, voting against proposals for the election of directors during proxy voting.



➔ Initiatives Related to Our Core Materiality

① Climate Change

Issues recognized

Today, there is an urgent need for measures to address climate change to be implemented on a global scale. In line with the Paris Agreement on climate change that was signed in 2015, countries throughout the world have set targets for reducing greenhouse gas (GHG) emissions, and are striving to keep the global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius, with the aim of realizing a sustainable society.

However, the World Meteorological Organization (WMO) has reported that, in 2023, the global average near-surface temperature was 1.45 degrees Celsius above the pre-industrial baseline, and in 2024 it was a record 1.5 degrees Celsius above the baseline for the first time ever. According to the Sixth Assessment Report published by the Intergovernmental Panel on Climate Change (IPCC) in 2021, in the worst-case scenario, by the end of this century average global temperatures may have risen by as much as 5.7 degrees Celsius.

Natural disasters, such as torrential rains and drought, resulting from abnormal climatic conditions are becoming more frequent year by year, and as global temperatures rise there will be an increased risk of these becoming even more serious. Global warming already poses a threat to ecosystems and to human life, so there is an unavoidable need to speed up the adoption of climate change response measures.

While such measures need to be considered from a wide

range of perspectives, including that of new technology development, first priority must be given to further expanding the adoption of renewable energy and energy-saving technology. In particular, it is vital to have a timetable for reducing the emissions of companies in the energy sector, etc. with high GHG emissions, and so making the most effective possible use of existing technologies, and striving to do the best we can now, will determine how climate change develops in the future.

As investors, we hope that investee companies will aim for a sustainable increase in corporate value by working to reduce their GHG emissions and reducing climate change related risk, while also securing new business opportunities from their response to climate change. To this end, going forward there will be an even greater focus on encouraging investee companies to expand their disclosure of information relating to climate change, for example by implementing reporting based on the recommendations of the TCFD, and to formulate transition plans for accelerating the reduction of GHG emissions, as well as taking concrete action to implement them.

Daiwa AM believes it is possible to achieve both economic growth and decarbonization. Looking ahead, as a responsible investor, we will continue to provide proactive support for investee companies initiatives, so that, by realizing a sustainable society, a better global environment can be handed down to future generations.

Our thinking and approach

Daiwa AM believes that, in terms of responding to climate change, engagement is the most important thing for us to focus on. This is because, in order to promote the challenging, long-term transformation that is needed for the decarbonization of society, idealism is not enough; it is ongoing dialog between investors and investee companies based on transition plans reflecting the individual circumstances of investee companies that will lead to effective solutions.

With this in mind, we are encouraging companies with high GHG emissions to transition to a new focus on strengthening corporate value over the medium to long term and on realizing sustainable management, by actively undertaking engagement with them, and through constructive dialog aimed at realizing decarbonization.

In addition, we are proactively investing in companies that can contribute toward combating climate change through the

creation and sale of a wide range of ESG funds. By providing support for the development and widespread adoption of revolutionary new technologies, we are aiming to help bring about the realization of a society that is steadily making steps toward decarbonization.

Furthermore, through active participation in various types of initiatives, we are taking on responsibilities and setting goals in relation to our own company's actions. For example, in relation to our involvement in the Net Zero Asset Managers initiative (NZAMI), we have set goals for GHG emissions reduction, and have formulated concrete action plans (see p. 40 of this report).

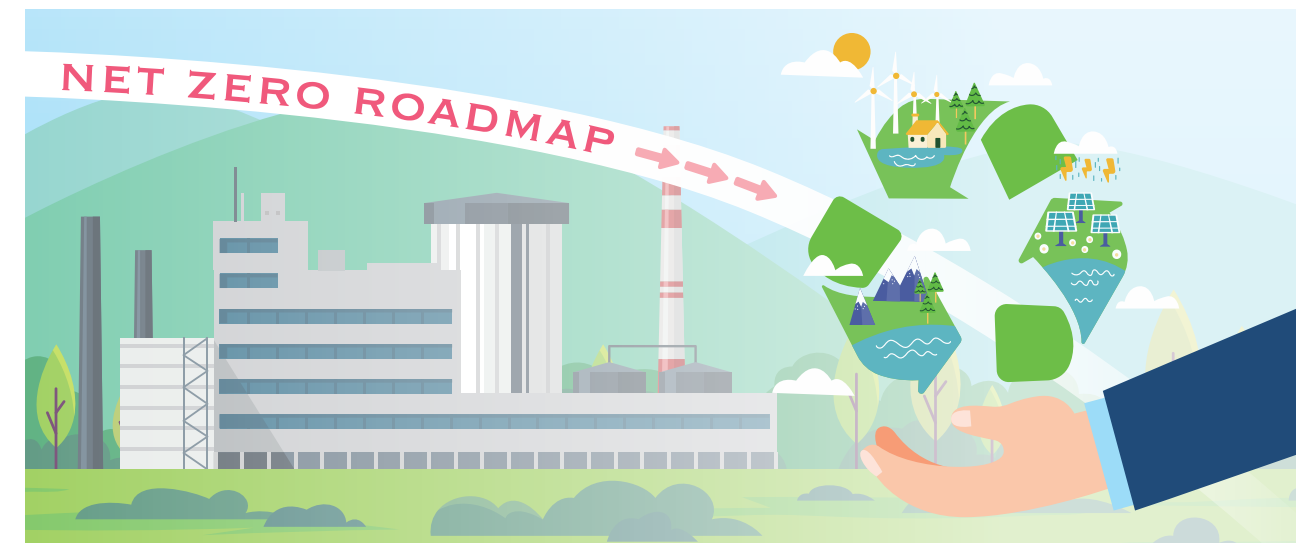
Going forward, we will be aiming to further strengthen engagement with investee companies that have high GHG emissions, and to contribute toward the realization of carbon neutrality, not only from a Japanese perspective but also a global perspective.



Company
A
(Steel producer)

Engagement case studies

TOPIC Strengthening the company's response to climate change



Issues and background

1. Company A has high GHG emissions, and although it was implementing measures to reduce emissions, its roadmap (transition plan) for decarbonization lacked a clear timetable; there was also a lack of clarity as to how its plans would be implemented.
2. While Company A is aiming to accelerate decarbonization efforts in the form of "avoided emissions," there had been a lack of disclosure other than basic calculated values, and as the specific calculation formula used had not been disclosed, the information disclosed was not sufficiently persuasive.

Potential solutions

1. Refining the timetable: The current situation was that Company A had set only the years 2030 and 2050 as milestones in its plans. To better integrate emissions reduction planning with the company's business plan, and to enhance the precision of the decarbonization initiatives, there was a need to break down the targets for the period running up to 2030 into annual targets. Doing so would reduce the uncertainty in relation to plan implementation, and inspire a better response from the market.
2. Disclosing the specific calculation formula used for "avoided emissions" for the company's main products: This would make it easier for people outside the company to understand the sources of emissions reduction, and would strengthen confidence in the reliability of the company's products and in the appropriacy of having a business plan based on "avoided emissions."

Company response

1. Company A responded that, although it was not able to address the concerns immediately because it would be implementing any large-scale investment within the next few years, once it had a clearer idea of the future outlook for implementing investment plans, it would consider refining its transition plan.
2. Company A noted that, while it did not intend to start disclosing "avoided emissions" by product category, it would consider improving its disclosure approach by including the specific calculation formula used, in response to its dialog with Daiwa AM.

Related initiatives



Glasgow Financial Alliance for Net Zero (GFANZ)



Net Zero Asset Managers initiative (NZAMI)



Task Force on Climate-related Financial Disclosures (TCFD)



Climate Action 100+

Initiatives Related to Our Core Materiality

Biodiversity and the Circular Economy

Issues recognized

Many companies rely on ecosystems, both domestic and overseas, in their business activities, and many of them exert a significant impact on ecosystems. Initiatives aimed at safeguarding biodiversity can help to reduce business risk and uncertainty associated with being dependent on bioresources, while also enhancing the resilience of the company's business activities. In addition, such initiatives have the potential for generating new business opportunities, through moving into areas where the company was not previously active, such as the development of new technology, etc.

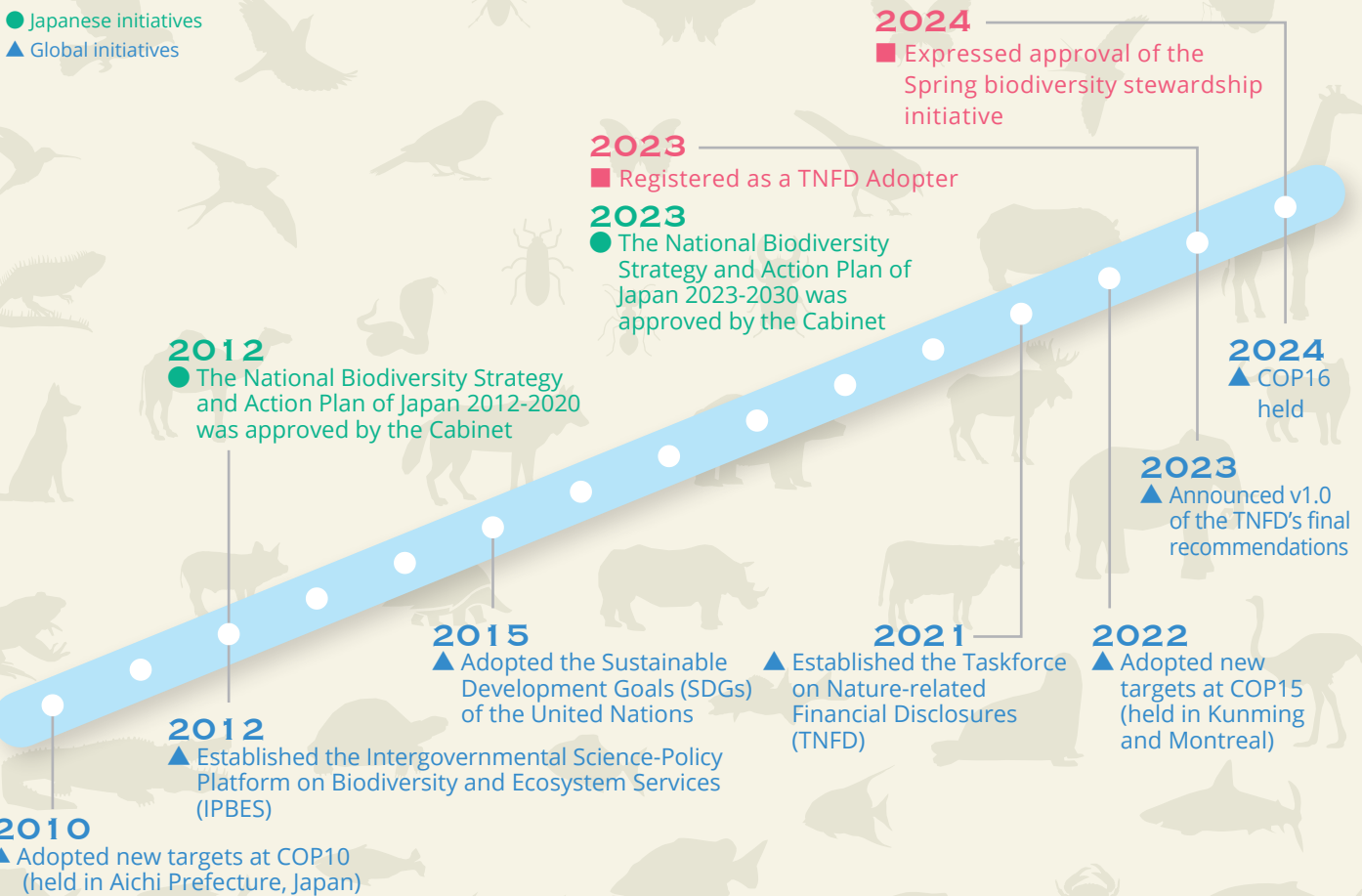
Reports published by the World Economic Forum (WEF) note that loss of biodiversity and destruction of ecosystems represent a serious crisis second only in urgency to climate change. At the same time, however, it is estimated that investing in and transitioning to a nature positive economy in which the loss of natural capital is stemmed and a more positive situation is created could result in the creation of 390 million new jobs and 10 trillion dollars in new business opportunities by 2030. Within Japan, the new market that this generates could be worth around 47 trillion yen, and possibly as much as 104 trillion yen, equivalent to 16.5% of Japan's GDP.

At the Fifteenth meeting of the Conference of the Parties

to the Convention on Biological Diversity (CBD-COP15), which was held in December 2022, the Kunming-Montreal Global Biodiversity Framework (GBF) was adopted, setting out new international objectives oriented toward a nature positive approach. In line with these developments, the Japanese government has formulated the National Biodiversity Strategy and Action Plan (NBSAP), which is positioned as an important strategy for securing Japan's sustainability, and the government is working to strengthen related initiatives. At COP16, held in October 2024, broad agreement was not reached regarding the procurement of the much-anticipated international funding, and a final consensus was not reached regarding the establishment of a progress monitoring framework for the GBF and the setting of related indicators, although the GBF notes that the total amount needed for the protection and restoration of nature by 2030 will be 200 billion dollars. Daiwa AM recognizes that, in order to minimize the loss of earnings resulting from the need to meet regulatory requirements in the future and in order to generate new growth opportunities, it is important for investee companies to implement measures for safeguarding biodiversity and for the transition to the circular economy as soon as possible.

Major developments relating to biodiversity

- Daiwa AM initiatives
- Japanese initiatives
- ▲ Global initiatives



Our thinking and approach

We believe that, for initiatives responding to climate change (see pp. 33-34) and initiatives aimed at safeguarding biodiversity, the concept of transitioning to the circular economy is vitally important.

Given that economic and social activity, particularly large-scale production and large-scale consumption, can cause intensive resource extraction and depletion of natural resources which in turn can result in a loss of biodiversity, controlling the wasteful consumption of natural resources can help to safeguard biodiversity.

In the circular economy, resources are recycled rather than being disposed of as waste, which supports nature's ability to regenerate itself, with the aim of preserving and enhancing the environment.

As a responsible investor, we encourage investee companies to implement initiatives to safeguard biodiversity, and to adopt comprehensive measures that will contribute toward the realization of the circular economy.

In 2024, we undertook engagement regarding nature positive initiatives and disclosure, and related issues, focusing on investee companies that are in industries that have many points of contact with biodiversity or which have high exposure to sensitive, nature-related fields.

We believe that how companies avoid the loss of natural capital and contribute toward the transition to the circular economy, and how this is linked to the enhancement of corporate value, constitute important topics.

Company B (Foods)

Engagement case studies

TOPIC Sharing information with leading companies

Through engagement with leading companies that have taken the lead in implementing the LEAP (Locate, Evaluate, Assess, Prepare) approach* recommended by the TNFD and which implement disclosure in line with the TNFD's framework, we engaged in constructive dialog regarding the identification of current issues, risk management, and also how these companies identify opportunities.

* For more information about the LEAP approach, see p. 41 of this report.

Current initiatives

- Company B began working to identify natural resource related risks in 2010.
- To realize sustainable raw materials procurement, the company prioritized resources on which the business was highly dependent, and resources with low substitutability, for the implementation of disclosure based on the LEAP approach recommended by the TNFD.

Future issues recognized

- Even if a company is implementing measures that take nature conservation in the supply chain into account and has obtained certification from a third party, this may not currently be reflected in the raw materials price paid to farmers, so the extent to which valuation can be performed and reflected regarding this could be an issue affecting the implementation of a nature positive approach.
- There is a need for cultivation of in-house talent able to address biodiversity and environmental issues.

PICK UP /

We also made site visits to two other leading companies relating to their overseas procurement measures (see pp. 43-44).

Related initiatives



Taskforce on Nature-related Financial Disclosures (TNFD)



Spring (PRI stewardship initiative for nature)

Initiatives Related to Our Core Materiality

Measures Relating to the TCFD and TNFD

In this section, we introduce measures that address climate change related issues through stewardship activities undertaken in line with the disclosure framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD). We have also begun to implement disclosure relating to natural capital, in line with the LEAP (Locate, Evaluate, Assess, Prepare) approach recommended by the TNFD.

Disclosure items

Governance

Daiwa AM addresses ESG issues, including risks relating to climate change and natural capital, in accordance with our General Policy on Stewardship Activities, which has been decided on by our Stewardship Committee, and with our ESG Investment Policy, which incorporates sustainability considerations. Related activities and policies are deliberated on and monitored by the Stewardship Committee. We are currently making preparations for the formulation of an organizational human rights policy in relation to indigenous peoples, local communities and affected stakeholders, as well as the full-scale launch of engagement activities with related companies, as recommended by the TNFD. The Stewardship Committee reports to the Board of Directors on monitoring status in relation to the TCFD and TNFD.

Framework



Strategy

The risks and opportunities relating to climate change and natural capital are reflected in Daiwa AM's corporate value assessment model, and are utilized in the selection of investee companies. We also aim, through our engagement activities, to guide companies toward a focus on decarbonization and nature-positive management, so as to enhance investee companies' corporate value.

Particularly in regard to climate change, we perform scenario analysis using indicators that include conditional value at risk (CVaR) to verify portfolio risk and resilience. With regard to natural capital, we are working to identify the risk associated with destruction of natural capital, and to analyze and determine the risk borne by investee companies.

Reflecting identified climate change related risks and opportunities in the corporate value assessment model

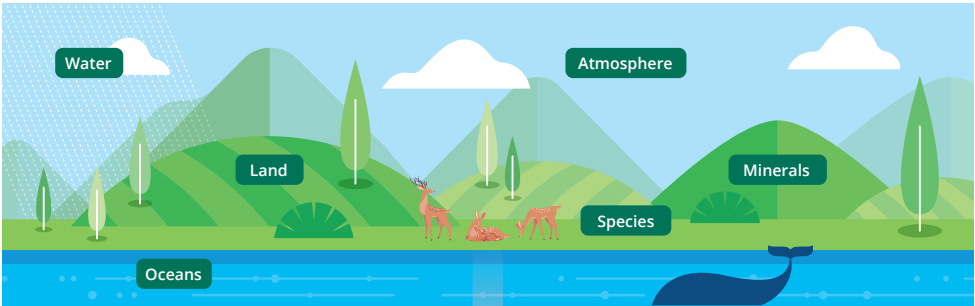
Transitional risks	Regulatory risk	Stricter environmental regulation
	Technology risk	Falling behind the progress being made in technology, in terms of renewable energy, etc.
	Market risk	Changes in demand for petrochemical assets, etc.
	Reputational risk	Becoming less highly valued and more negatively judged by consumers
Physical risks	Acute risk	Risk relating to floods, typhoons, etc.
	Chronic risk	Risk relating to changes in long-term climate patterns
Opportunities	Resource efficiency	Increased demand for recycling technology, etc.
	Energy sources	Increased demand for renewable energy, etc.
	Products and services	Increased demand for products, etc. with a smaller environmental footprint
	Resilience	Energy diversification aimed at achieving greater resilience

Reflection in the corporate value assessment model



Risks associated with the destruction of natural capital

Natural capital



Provision of ecosystem services

Ecosystem services

Genetic material	Pollination	Filtration	Climate change control
Underground water	Ventilation	Decomposition	Infectious disease control
Surface water	Water regulation	Dilution	Flood control
			Pest control

Natural disaster risks	Reduced supply of natural resources	Infectious disease risk
<ul style="list-style-type: none">Reduction in the value of the assets held by companies that own factories or other buildingsFall in revenue due to companies having their supply chain disruptedRisk that insurance companies will need to pay out more in insurance payments, etc.	<ul style="list-style-type: none">Fall in revenue due to a reduced supply of raw materials affecting sectors such as agriculture, food and pharmaceuticals, which are heavily dependent on natural resourcesIncreased raw materials prices due to the reduction in natural resources	<ul style="list-style-type: none">Possibility that ecosystem destruction may lead to specific pathogens causing a pandemicRisk that reduction in natural resources may prevent measures from being taken in response to new infectious diseases

Risk management

Daiwa AM uses information disclosed by companies, data from external vendors, the research and engagement conducted by Daiwa AM itself, and dialog with companies, to monitor the risks and opportunities for investee companies relating to climate change and natural capital. Daiwa AM has also put in place a framework for utilizing external vendors' data as a basis for measuring the greenhouse gas emissions of the investee companies in

our portfolio, and conducting climate change risk scenario analysis, and monitors and manages risk through periodic analysis. With regard to natural capital, although the data available is currently limited, we are striving to identify current risks and opportunities by making effective use of various data sources recommended in the TNFD guidelines, etc.

Indicators and targets

As greenhouse gas emissions indicators, we perform monitoring and analysis of total CO₂ emissions by fund and by asset class, and of carbon footprint, carbon intensity, etc. In regard to natural capital, we perform monitoring and analysis of risks and opportunities based

on the information currently available to us. On the basis of this data and our own original research, we undertake engagement activities with companies to encourage them to proactively decarbonize and implement nature-positive management.

Climate change—Analysis of the main indicators relating to total CO₂ emissions

Daiwa AM has compared the total carbon emissions, carbon footprint, and weighted average carbon intensity for each of the asset classes that we invest in against the respective benchmarks for each class. The carbon footprint is an indicator measuring emissions in relation to portfolio size (market capitalization), while carbon intensity is an indicator measuring carbon emissions of investee companies per unit of sales. For each of these, climate change risk management is performed appropriately by implementing analysis and monitoring. As shown in the table on the next page, Scope 3 emissions were categorized as upstream or downstream, and the relevant emissions for each were calculated. Daiwa AM is striving to promote the decarbonization of its entire supply chain, by establishing a detailed understanding of the total carbon emissions of our investee companies, including Scope 1, Scope 2, and Scope 3 emissions, with a particular emphasis

on Scope 3, and making effective use of this information in engagement activities with investee companies. Carbon footprint and weighted average carbon intensity for overseas equities were found to exceed the benchmark values. This was attributable to having the stocks of Indian corporations accounting for a sizeable share of the investment portfolio. In the case of Japanese corporate bonds, although the carbon footprint was affected by the inclusion in the portfolio of the corporate bonds of electric power companies at a weight higher than the benchmark, the disparity with the benchmark was smaller than in the previous year, and there was also a fall in weighted average carbon intensity, so an improvement could be seen. Going forward, we will continue to utilize engagement activities, etc. to encourage investee companies to implement measures in relation to climate change.

Portfolios’ total carbon dioxide emissions

• Scope 1, 2

(tons of CO₂ equivalent)

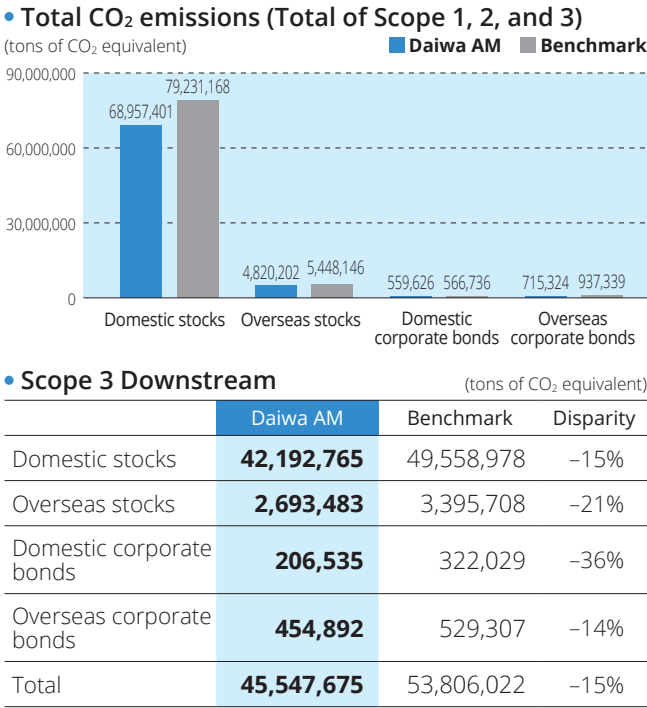
	Daiwa AM	Benchmark	Disparity
Domestic stocks	6,225,937	7,275,447	−14%
Overseas stocks	961,975	732,306	31%
Domestic corporate bonds	161,159	81,818	97%
Overseas corporate bonds	62,161	169,474	−63%
Total	7,411,231	8,259,044	−10%

• Scope 3 Upstream

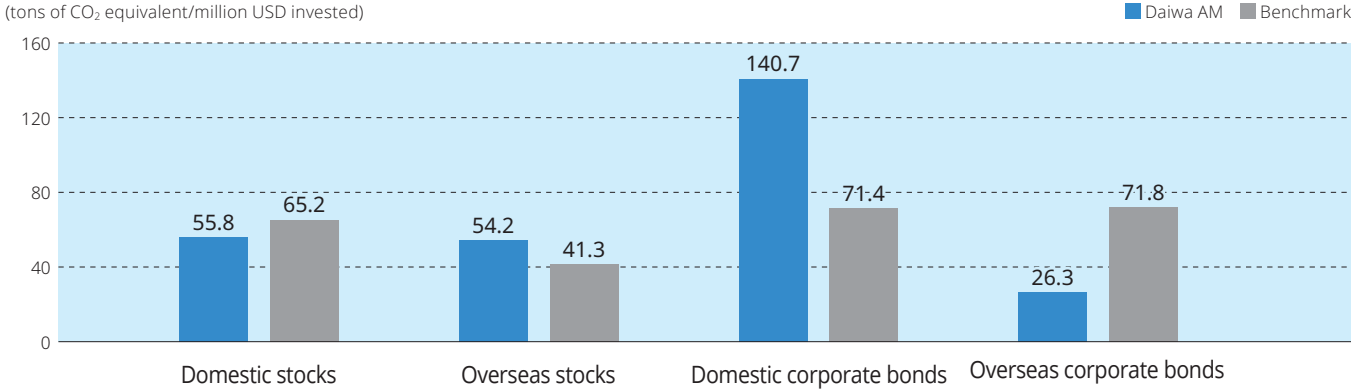
(tons of CO₂ equivalent)

	Daiwa AM	Benchmark	Disparity
Domestic stocks	20,538,700	22,396,744	−8%
Overseas stocks	1,164,744	1,320,133	−12%
Domestic corporate bonds	191,932	162,889	18%
Overseas corporate bonds	198,270	238,558	−17%
Total	22,093,646	24,118,323	−8%

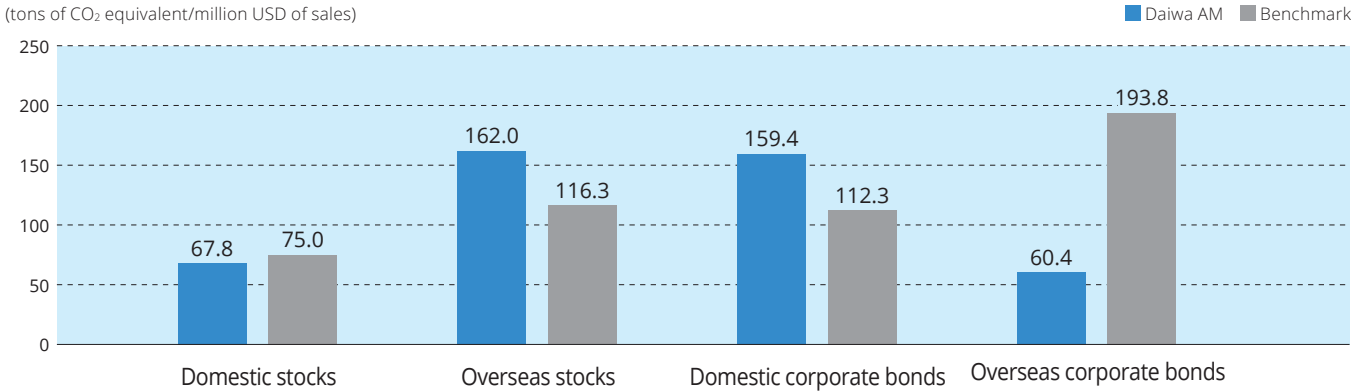
Note: Benchmarks:
Domestic stocks: TOPIX (with dividends included) Overseas stocks: MSCI ACWI ex Japan Index Domestic corporate bonds: Bloomberg Asian-Pacific Japan Corporate TR Index Value Unhedged JPY Overseas corporate bonds: Bloomberg Global Aggregate ex-JPY-Corporate TR Index Unhedged USD
Source: Some information is derived from ©2025 MSCI ESG Research LLC. Reproduced by permission.



Carbon footprint of portfolio (Scope 1, Scope 2)



Weighted average carbon intensity of portfolio (Scope 1, Scope 2)

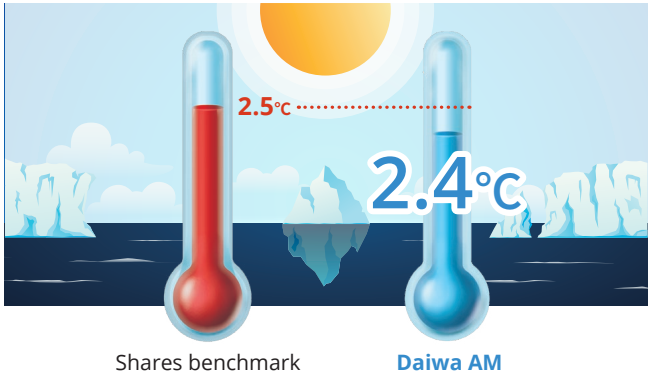


Note: The benchmarks used were the same as those used in the previous section for portfolio's total carbon dioxide emissions.
Source: Some information is derived from ©2025 MSCI ESG Research LLC. Reproduced by permission.

Warming potential analysis

Warming potential analysis shows the degree to which average global temperatures will rise by the year 2100 as a result of the corporate business activities that the companies in the current investment portfolio are expected to conduct over this period. In this way, it is possible to verify whether the current investment portfolio is in line with the goal of the Paris Agreement, which seeks to “limit global warming to well below 2.0, preferably to 1.5 degrees Celsius, compared to pre-industrial levels during the period up until 2100.” As a result of comparing a hypothetical portfolio of all Daiwa AM's shareholdings with the benchmark, we were able to confirm that, although our performance was not consistent with the targets set in the Paris Agreement, it was superior to that of the benchmark.

Warming potential



Note: The benchmark used was the MSCI ACWI Index.

Greenhouse gas reductions targets (SBT certification)

The figure on the right shows the percentage of companies which have obtained SBT certification from among the portfolio component issues. The SBT certification process is administered by the Science Based Targets Initiative, whereby companies set targets for reductions in greenhouse gas emissions consistent with scientific findings to mitigate increases in global average temperatures to less than 1.5 degrees Celsius. Through its engagement activities, etc., Daiwa AM encourages investee companies to obtain SBT certification. As a result of comparing a hypothetical portfolio of all Daiwa AM's shareholdings with the benchmark, we were able to

confirm that the percentage of investee companies that have obtained SBT certification is around 8 percentage points higher than the corresponding figure for the benchmark.

Percentage of companies which have obtained SBT certification

	Daiwa AM	Benchmark	Previous Comparison (Daiwa AM)
All holdings	51.8%	43.9%	46.6%

Note: The benchmark used was the MSCI ACWI Index.

Analysis of potential CO₂ emissions (from fossil fuels)

This analysis allows us to measure potential CO₂ emissions from fossil fuels, taking the stored amounts of companies as its base. The analysis confirmed that potential CO₂ emissions from fossil fuels were generally lower than the benchmark and that the portfolio's climate change risks were low.

Potential CO₂ emissions (from fossil fuels)

(tons of CO₂ equivalent/million USD invested)

	Daiwa AM	Benchmark	Disparity
Domestic stocks	495.9	608.4	−18%
Overseas stocks	919.1	1,048.6	−12%
Domestic corporate bonds	143.4	470.0	−69%
Overseas corporate bonds	719.5	861.9	−17%

Note: The benchmarks used were the same as those used in the previous section for the portfolio's total carbon dioxide emissions.
Source: Some information is derived from ©2025 MSCI ESG Research LLC. Reproduced by permission.

Daiwa AM's NZAMi interim targets, and progress made toward them

	Interim targets for 2030	▶ Reduce the GHG emissions per unit of at least 67% of AUM (which totaled approximately 23 trillion yen as of October 31, 2022) by 50% compared to 2019
	GHG emissions per unit, as of 2019	▶ 93 tCO ₂ e/\$mn revenue (on a per unit of sales basis)
	GHG emissions per unit, as of 2024	▶ 81 tCO ₂ e/\$mn revenue (on a per unit of sales basis)
	Engagement activities	▶ Daiwa AM is proceeding with engagement with investee companies regarding climate change, engaging in dialog with target companies

Natural capital—Risk analysis

TNFD’s LEAP approach

In September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) released the TNFD Framework v1.0, which provides the LEAP approach (Guidance on the identification and assessment of nature-related issues) as a method for identifying nature-related dependencies and impacts. The LEAP approach comprises four phases: Locate (your interface with nature), Evaluate (your dependencies

Locate (your interface with nature)

Daiwa AM has analyzed its Japanese equities portfolio and its overseas equities portfolio as of December 31, 2024. We identified those companies that had physical assets in, and were engaging in business in, Key Biodiversity Areas (KBAs)*1 or protected areas*2 as companies having risk associated with the loss of biodiversity, and we calculated their exposure to these areas. In terms of both number of stocks and investment share, our overseas equities portfolio had a higher level of exposure than our Japanese equities portfolio, and could therefore be seen to have higher risk associated with loss of biodiversity. This was because, by comparison with our Japanese equities portfolio, our overseas equities portfolio had more exposure to KBAs and protected areas in Europe, North America, and Africa.

Evaluate (your dependencies and impacts on nature)

As the next step, Daiwa AM evaluated the dependencies and impacts in its Japanese equities portfolio and its overseas equities portfolio as of December 31, 2024.

Evaluation of dependencies

We allocated each company a score for its dependence on ecosystem services (using the 21 ecosystem services defined by the National Capital Finance Alliance’s ENCORE tool, which was launched in 2022, and assigning the scores based on the dependence of each company’s assets and production processes on these ecosystem services), then assigned a weighting according to the investment percentage, and performed evaluation based on the industry groups defined by the Global Industry Classification Standard (GICS).

In our Japanese equities portfolio, we found that the Automobiles & Components, Food, Beverage & Tobacco, and Real Estate Management & Development industry groups all had relatively high dependency. In the case of the Automobiles & Components industry group, the specific ecosystem services for which there was a high level of dependency included: soil and sediment retention services, dilution by atmosphere and ecosystems, storm mitigation services, and also bio-restoration.

In our overseas equities portfolio, we found that the Energy, Food, Beverage & Tobacco, and Materials industry

and impacts on nature), Assess (your nature-related risks and opportunities), and Prepare (to respond to nature-related risks and opportunities, and to report on your material nature-related issues). We have already begun analysis of the Locate and Evaluate items using data from S&P Global.

Exposure to KBAs and protected areas

Japanese equities portfolio	No. of stocks	19.7%
	Share of investment	68.9%
Overseas equities portfolio	No. of stocks	50.4%
	Share of investment	82.1%

*1 Key Biodiversity Areas (KBAs) are sites contributing significantly to the global persistence of biodiversity, which include sites designed by the Alliance for Zero Extinction Sites, as well as other sites that are important for bird species or for biodiversity in general.
*2 Protected areas are areas designed by the International Union for Conservation of Nature (IUCN), characterized by ecosystems that are nationally or globally important, or by a high level of geological diversity.



groups all had relatively high dependency. In the case of the Energy industry group, the specific ecosystem services for which there was a high level of dependency included: storm mitigation services, groundwater, and surface water, as well as filtration.

Evaluation of impacts

We determined the percentage of direct and indirect external costs relative to sales (total environmental costs, including greenhouse gases, water, waste, soil and water pollution, atmospheric pollution, and use of natural resources), then assigned a weighting according to the investment percentage, and performed evaluation based on the industry groups defined by the Global Industry Classification Standard (GICS). As there were certain industry groups for which impacts were particularly large, we divided the industry groups into those where impacts were higher than the average for all industry groups and those where they were lower, before performing the statistical processing. We found that, in our Japanese equities portfolio, there were six industry groups (including Utilities) that had particularly high impacts, while in our overseas equities portfolio, there were three industry groups (including Utilities) that had particularly high impacts.

Industry groups that had both high dependencies and high impacts included, in our Japanese equities portfolio, Materials, Utilities, Energy, Household & Personal Products, and Food, Beverage & Tobacco, while in our overseas equities portfolio, they included Materials, Utilities, and Energy.

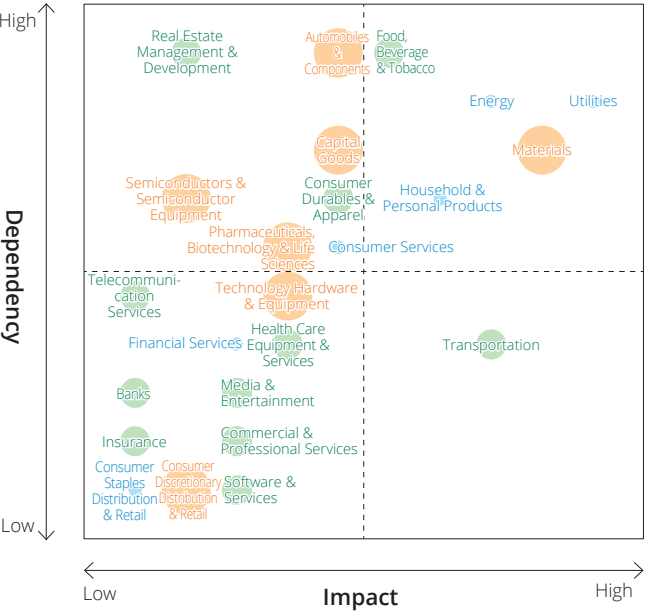
Through the analysis outlined above, we were able to identify, from our stock portfolio, which regions have companies that are particularly vulnerable to risk related to biodiversity loss, and which business activities are dependent on, or have an impact on, which types of

ecosystem services.

However, analyzing natural capital is a very complex process, and currently investee companies’ information disclosure in this area is still relatively limited, so analysis of this kind can only provide estimates based on a particular logical approach. Nevertheless, this analysis does have an important role to play, because it enables us to develop a rough idea of where natural capital related risk is high, and provides useful insights for undertaking engagement activity. Going forward, we will be working to further strengthen the collection and analysis of natural capital related information, and we will be undertaking engagement activity that encourages investee companies to expand the scope of disclosure in this area.

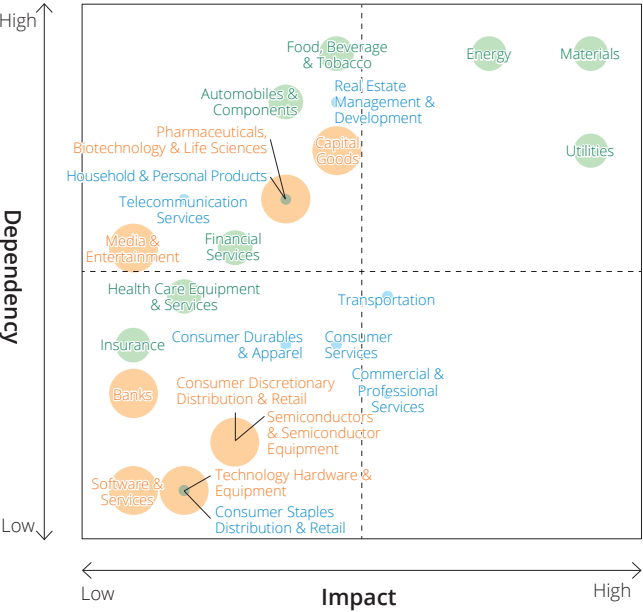


Industry Group Risk Map (Japanese equities portfolio)



●: Portfolio weighting < 2% ●: Portfolio weighting < 5% ●: Portfolio weighting ≥ 5%

Industry Group Risk Map (overseas equities portfolio)



Topic **Present Situation of Palm Oil and Natural Rubber Plantations in Southeast Asian**

In light of the disclosure requirements under the TNFD (Taskforce on Nature-related Financial Disclosures), compliance with the CSRD (Corporate Sustainability Reporting Directive), and the upcoming implementation of the EUDR (EU Deforestation Regulation) covering commodities like palm oil and natural rubber, addressing biodiversity across the entire supply chain has become a critical challenge for companies.

With the cooperation of Fuji Oil Holdings (hereafter “Fuji Oil”) and Sumitomo Rubber Industries, which implements forward-looking sustainability initiatives, visits were conducted to plantations, refineries, and processing plants to assess traceability efforts and the status of RSPO (Roundtable on Sustainable Palm Oil) certification.

EUDR (EU Deforestation Regulation)

Summary of Regulations	Companies are required to conduct due diligence to confirm that the products they sell within the EU or export from the EU are not produced on agricultural land developed through deforestation
Targeted Products	Palm oil, beef, timber, coffee, cocoa, rubber, and soybeans
Penalties	<ul style="list-style-type: none">Companies that violate the due diligence obligation may face penalties such as fines, confiscation of the relevant products, and temporary exclusion from public procurement processes and access to public fundingThe maximum fine is set at 4% of the relevant company's annual sales within the EU

Fuji Oil's Initiatives

In line with its Responsible Palm Oil Sourcing Policy, Fuji Oil works to ensure the sustainable procurement of palm oil, a key raw material. The company sources palm oil with production traceability to the oil palm plantations owned by its joint venture partners in order to manufacture high-value-added palm oil products.

Sumitomo Rubber Industries' Initiatives

Sumitomo Rubber has committed to procuring materials that meet its Sustainable Natural Rubber (SNR) Policy, focusing on improving traceability and supporting small-scale farmers. Since 2021, the company's subsidiary in Thailand has been conducting site visits to natural rubber suppliers at a pace of approximately 3,000 smallholder farms per year.

Palm Oil

High Value-Added Initiatives

One hundred percent of the palm oil produced at the Malaysian oil palm plantation we visited is RSPO-certified. (The Roundtable on Sustainable Palm Oil certification is an internationally recognized standard.) Such palm oil, certified as sustainable, can be sold at premium prices. Additionally, the plantation focuses on extracting high-quality palm oil by taking measures to reduce process contaminants—trace elements formed during the refining of palm oil. Since high-quality palm oil commands a quality premium in market purchase prices, systematically managed oil palm plantations like this one are able to attain high profitability.

Example of Creating New Business Opportunities

The plantation also uses the fibers and shells that are by-products of palm oil production to produce biogas. It utilizes the biogas at its own plant and then sells the surplus to an energy company. A larger biomass power plant is being constructed on the plantation grounds. In three years, the plan is to supply approximately 90% of the electricity generated to an AI data center in Malaysia. This serves as an excellent example of sustainable initiatives giving rise to new business opportunities.

The Importance of Capital, Technical Expertise, and Adaptability

Since the palm fruit must be pressed within 24 hours of harvesting to maintain oil quality, plantations must have an oil mill on site, which requires a substantial capital investment. At the processing plant we visited, the orange-colored crude palm oil transported from the plantations is refined to make it colorless and odorless. Processing and refining methods vary depending on the intended use, and customer demand is also segmented due to differences in regional climate and food culture, so the processing plant must have advanced technical expertise and be adaptable to meet diverse requirements.

Leading Companies are Working to Ensure Traceability

Fuji Oil partners with plantations engaged in sustainable practices and refineries that have advanced technologies. These partners have achieved 100% traceability to the oil mill and 95% traceability to the plantation as of FY2023. In Europe, there is a growing demand for segregated (SG) palm oil, a higher grade under the RSPO certification system. Similarly, in Japan, the demand for sustainable palm oil from major consumers is also on the rise. Building relationships with partner companies that implement sustainable practices enables a stable supply of sustainable palm oil, which contributes to improved competitiveness.



▲ Harvesting experience at an oil palm plantation in Malaysia

▲ Latex is collected at a natural rubber plantation in Thailand

Natural Rubber

A Leading Company Has Largely Completed Its EUDR Compliance

The natural rubber supply chain is a complex network of stakeholders, including an estimated six million smallholder farmers, as well as plantations, dealers, and processors, making perfect traceability extremely difficult to ensure.

However, at the Sumitomo Rubber Industries processing plant we visited, EUDR compliance had already been completed for approximately 15,000 farmers who supply rubber. Of the facility's 50,000-ton production capacity, around 80% is now EUDR-compliant, and the remaining 20% can be made compliant as necessary. So here, a leading corporation in the natural rubber business has largely completed its traceability compliance efforts.

Focus on Supporting Smallholder Farmers

Working conditions for tapping, the process of harvesting

natural rubber by scoring rubber trees with a knife, have much room for improvement. Also, initiatives to increase the profitability of natural rubber plantations have been lagging due to the high percentage of smallholder farmers in their ecosystems and little prospect for developing a new business from by-products such as biomass resources.

To address these issues, the research facility belonging to the processing plant we visited was working on improving the yield of latex (the sap harvested from rubber trees) and developing high-quality cloned seedlings. The facility was also developing the use of ethylene promoters to maintain yield levels while reducing the number of tapping days. This innovation has enabled an increase in the yield per tapping session, thereby reducing the frequency of the tapping work, which is physically demanding. The company expressed plans to roll out this technology to the company's other supplier farms to improve the work-life balance of workers.

Expectations for the Future

Differences Between Initiatives for Palm Oil and Natural Rubber

Comparison of Palm Oil and Natural Rubber

	Palm oil	Natural rubber
EUDR	Applicable	Applicable
Cultivation area	Areas around the equator within 15 degrees north and south	Areas around the equator within 20 degrees north and south
Main management style	Plantation (organization)	Smallholder (individual)
Maintaining quality	Oil must be pressed within 24 hours of harvesting	No problem if left to mature after harvesting
Time from seedling to harvest	3 years	7 years
Harvesting time	Day	Night
Harvesting period	All year round	May to January, but work is not possible on rainy days
By-products	Yes (biomass resources)	None
Profitability	High	Low

Thailand and Indonesia account for 37% and 15% of the world's natural rubber production, respectively, for a combined total of 52% of global production. However, driven by government policy, there has been movement in Indonesia to convert natural rubber plantations into more profitable oil palm plantations. As shown in the table above, aside from the profitability issue, compared to the better conditions for palm oil, natural rubber involves a seven-year wait from seedling to harvest, the working conditions are tougher for collecting the sap, and

the harvesting period is limited by season. At present, the global supply capacity of natural rubber is being supplemented by expanding production in other countries, so there have been no major disturbances to the overall supply-and-demand balance in the market to date, but that balance could well be upset in the future.

To Improve Sustainability

The oil palm plantation we visited is a company owned by the state of Johor in Malaysia, and it was listed on the stock exchange in July 2024. The funds raised during its IPO were invested in the business of creating high-value-added products from biomass resources. This initiative not only strengthens the company's competitiveness but also contributes to the reduction of greenhouse gases by using biomass as an energy source. We believe that such initiatives will help companies expand their market share and become best practices, contributing appreciably to the sustainable development of oil palm plantations.

For natural rubber, a leading company has demonstrated that it has little difficulty ensuring traceability and is confident it can also achieve EUDR compliance. Going forward, we expect to see nature-positive approaches to biodiversity challenges. We are also seeing proactive support for smallholder farmers through research and development and other activities. We expect to see companies continue to strengthen such initiatives, thereby contributing to the improvement of sustainability across the entire supply chain.

Initiatives Related to Our Core Materiality

④ Business and Human Rights

Issues recognized

With respect to human rights, there is a comparatively long tradition of discussion on the rights of workers, and the International Labor Organization (ILO) was established in 1919. Meanwhile, in recent years, human rights abuses by multinational corporations against indigenous and local populations in developing countries have become a societal issue with the advance of economic globalization, and “business and human rights” are now in the spotlight. Business and human rights is a concept which comprehensively encompasses human rights issues in relation to business activities including corporate supply chains, as well as the relationships of corporations with stakeholders such as workers, consumers, and local populations.

Below are examples of the kinds of business and human rights issues that have arisen to date.

In the 1990s, reports of child labor and inhumane labor practices at Asian manufacturing plants in the supply chain of a major US footwear manufacturer triggered a boycott campaign.

In 2013, a building in Bangladesh occupied by many garment factories collapsed, causing the deaths of more than 1,000 workers. The cause of the collapse was identified as structural problems in the building accompanied by appalling working conditions, and this led to many questions being raised about the global garment industry's supply chains.

In 2019, a dam operated by a Brazilian mining company collapsed, inundating a city located downstream, and resulting

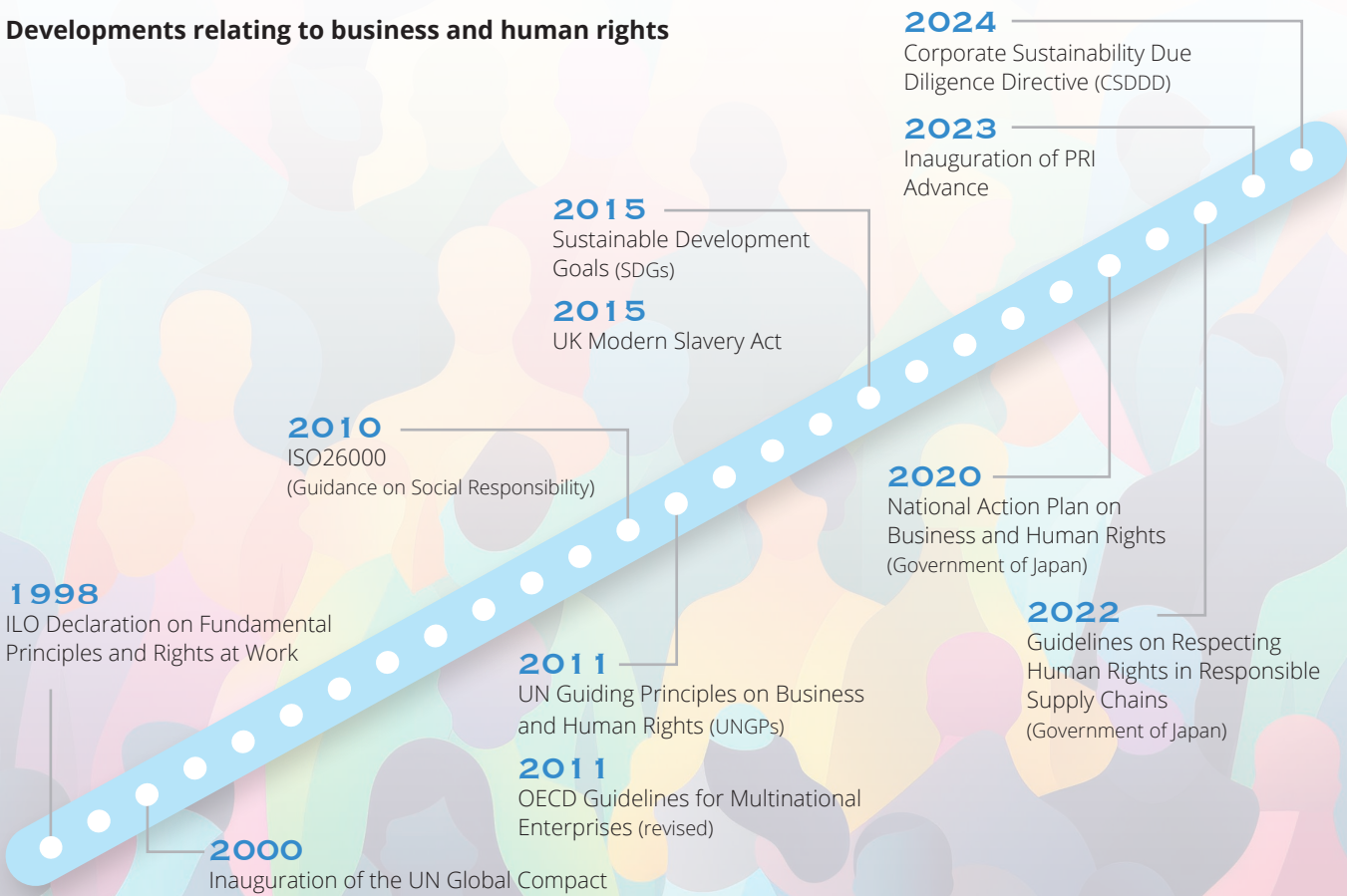
in the deaths of more than 200 people as well as significant environmental damage. This accident highlighted deficiencies in safety management and consideration for the environment in mining operations.

Issues such as these subsequently led to the adoption, in 2011, of the UN Guiding Principles on Business and Human Rights (UNGPs), which have become widely established as the international norms in the domain of business and human rights.

In recent years, institutional investors have also focused on business and human rights in terms of both risks and opportunities. While various factors underly this, foremost among these is the fact that companies that violate rules may damage their corporate value, with the risk of then being subject to boycotts, compensation for damages, and so on. Other reasons include the reality that many of the clients who are the source of funding for such corporations are themselves businesses, and maintaining an investment in these corporations could subject these clients to reputational risk.

Conversely, companies that remain mindful of business and human rights and which tackle the associated challenges such as through conducting human rights due diligence, are more likely to build positive relationships with their stakeholders, including employees, clients, suppliers, and communities, with the resultant expectation that this will enhance the company's brand value.

Developments relating to business and human rights



Our thinking and approach

The issue of business and human rights concerns not just investee companies but extends beyond to the supply chain and stakeholders.

In our capacity as both an institutional investor and a company, Daiwa AM has set out a human rights policy and supports and respects Japanese and global norms. We also require our investee companies to support and respect international norms and to tackle business and human rights issues in an appropriate manner.

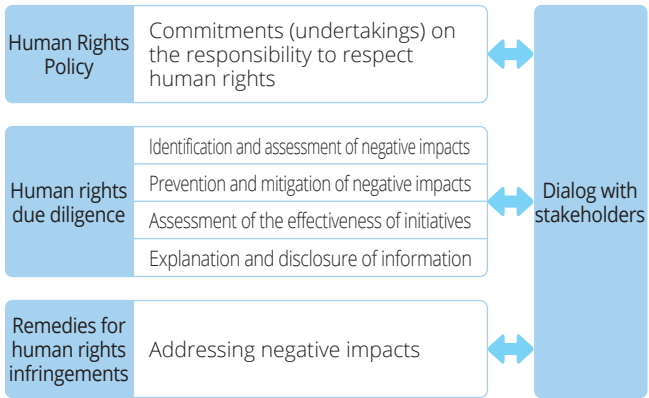
Specifically, based on the UN Guiding Principles on Business and Human Rights (UNGPs) and other standards which have been compiled with reference to the UNGPs such as the Japanese Government's Guidelines on Respecting Human Rights in Responsible Supply Chains, Daiwa AM require companies to:

- ① Develop a human rights policy;
 - ② Conduct human rights due diligence;
 - ③ Access remedies for human rights infringements.
- We also utilize these initiatives at our investee companies in our operational ESG integration and in engagement.

As an institutional investor with responsibilities at one end of the investment chain, Daiwa AM are committed to improving

performance following adjustment for medium- to long-term risks with consideration to business and human rights risks and opportunities as well as to fulfilling our responsibility to society.

Overview of initiatives for the respect of human rights required of companies



Source: Guidelines on Respecting Human Rights in Responsible Supply Chains

Company C
(mining industry)

Engagement case studies

TOPIC Human rights abuses by an overseas company against indigenous and local population in a developing country

Issues and background

- In the mines of a developing country where the company has interests, an uninterrupted series of fatal accidents has occurred over the last 20 or so years, ten of which fatalities had occurred in the previous two years (2022-2023) alone.
- The area in question is home to an indigenous population which has historically conducted small-scale mining operations, and it has been reported that the local government, which co-owns the mine, has deployed security forces to assault and kill the indigenous population involved. The security forces have cited theft of mineral ore by this population as well as trespassing into the mine as justification for their violent actions.

Potential solutions

- The company's policies and initiatives on safety and human rights as well as community relations should be aligned with international human rights norms.
- The company should partner with the local government and report externally on how the company's policies on safety and human rights are being put into practice and whether the public authorities are promoting the respect and protection of human rights.

Company response

- The company explained that they were conducting a human rights risk assessment and shared the latest assessment results for the mine.



Related initiatives

We are proud to be participating in Advance as a collaborating investor

PRI Advance

Initiatives Related to Our Core Materiality

⑤ Human Capital Management, DE&I

Issues recognized

In the capital markets, interest in “human capital” is growing in the context of a trend toward a greater focus on non-financial information. In 2018, the International Organization for Standardization published ISO 30414, to serve as the world’s first guidelines for internal and external human capital reporting, while in 2020 the U.S. Securities and Exchange Commission (SEC) codified the disclosure of human capital as a rule. In Japan, the Ministry of Economy, Trade and Industry (METI) published the ITO Report for Human Capital Management in September 2020, while the Tokyo Stock Exchange (TSE) added a section on disclosure of information on human capital in its revised Corporate Governance Code in June 2021. The Japanese Financial Services Agency (FSA) also stipulated disclosure of information on human capital and diversity from annual securities reports and other documents for the fiscal year ending on March 31, 2023, and for all subsequent fiscal years, in its Cabinet Office Order on Disclosure of Corporate Affairs.

Dealing with declines in the working population has become a pressing challenge in many developed

countries, and the mindsets, working styles, and communication methods of workers have changed in the wake of the COVID-19 pandemic. Accompanying this, the importance of investing in human resources, which can be regarded as the greatest capital resource of corporations and the driving force behind value creation, is increasing. “Human capital management” is thus required to maximize the value of these human resources as “capital,” and by doing so facilitate medium- to long-term enhancement of corporate value.

Nevertheless, many challenges remain in human capital investment, such as the disparity between labor market demand and the skills provided by the education system; a shortfall in opportunities for upskilling education and training for workers to respond to technological advances and changes in industrial structure; and impediments to maximizing human capital attributable to wage disparities and unequal access to promotion opportunities. These initiatives and disclosures can moreover be considered as factors with the potential to significantly impact corporate value in the medium to long term.

Regulatory developments relating to human capital disclosure

2023	FSA	Revision of the Cabinet Office Order on Disclosure of Corporate Affairs
2021	TSE	Additional disclosure section on human capital (revision of the Corporate Governance Code)
2020	METI	Publication of ITO Report for Human Capital Management
	SEC	Codifying of rules on disclosure of information on human capital
2018	ISO	Publication of ISO 30414, guidelines for internal and external human capital reporting

Our thinking and approach

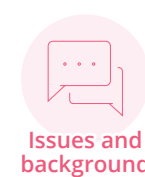
As part of our engagement on human capital, Daiwa AM undertakes dialogs with investee companies, focused on their “human capital strategy” and “diversity” initiatives. For human capital strategies, we encourage companies to engage in initiatives to secure and retain first-rate human resources, to create frameworks and initiatives to develop human resources, and to undertake initiatives to increase employee engagement. For diversity, we also encourage initiatives to redress gender disparities through specific measures and quantitative indicators in the promotion of the active participation of women, and those aimed at ensuring diversity from perspectives other than gender, such as nationality, age, and the recruitment of experienced personnel. We furthermore maintain an awareness of the importance of linking these initiatives to management strategies.

Regarding the diversity initiatives, we have created a list of, and conducted engagement with, investee companies with a low gender gap index or large disparities between the ratio of female managers and the ratio of female employees. In addition, Daiwa AM are a member of the 30% Club Japan Investor Group and request that investee companies develop systems to enable the appointment (facilitate talent pooling) of directors of diverse genders from within their companies on an ongoing basis, as we consider it desirable, at a future point in time, to have female directors account for at least 30% of the membership of the board of directors. Based on this principle, we have also revised our Proxy Voting Policy with the aim of encouraging the active appointment of directors of diverse genders.

Company D
(mining industry)

Engagement case studies

TOPIC Promoting gender diversity



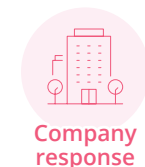
Issues and background

- The company has a low ratio of female managers and significantly lower ratio of female managers to ratio of female employees.
- The company's gender gap index is low in comparison to industry peers, with DE&I initiatives urgently required to secure and retain first-rate human resources
- The company has a risk of reduced production capacities and impacts on corporate value to a background of labor shortfalls accompanying reduced recruitment capacities



Potential solutions

- Introduce personnel and evaluation systems tailored to the career and life plans of each employee
- Address the need to reform the corporate culture in addition to introducing systems to ensure fairness
- Indicate role models as a useful means toward the retainment of human resources



Company response

- The company acknowledged that there was room for improvement in terms of their systems, and that they would like to consider a review of these systems going forward
- The company will enhance its development of human resources with the potential to serve as role models
- The company will consider disclosure on gender disparities in employee turnover rates, and aim to improve the relevant indices

Related initiatives



30% Club Japan Investor Group



Human Capital Management Consortium

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

Women's Empowerment Principles (WEPs)

Initiatives Related to Our Core Materiality

⑥ Governance Framework and Effectiveness of Boards of Directors

Issues recognized

In Japan, the Corporate Governance Code was introduced in 2015. The Code serves as principles of conduct for listed companies toward the improvement of medium- to long-term profitability based on effective management strategies in appropriate collaboration with a wide range of stakeholders, and was subject to two subsequent rounds of revisions, in 2018 and 2021. Prompted by the introduction of the Code, listed companies have promoted various initiatives to enhance their governance frameworks. This has included increasing their ratios of independent outside directors; establishing voluntary nominating and compensation committees; and appointing board members with a variety of attributes to instill diversity. These efforts mean that today it can be said that formal governance frameworks have been enhanced to fulfill management supervision functions.

Meanwhile, there are other cases in which, despite having been established, such frameworks are not sufficiently utilized in management. In this regard, the forthcoming challenge can be characterized as being to ensure that governance frameworks that have been put in place are functioning effectively. Perhaps the most important factor in improving the effectiveness of boards of directors is the creation of an environment whereby outside directors can fully demonstrate their supervisory functions. The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's

Corporate Governance Code, which is convened on a regular basis by the Financial Services Agency, has identified "effectiveness of independent directors" as a challenge in the substantive realization of corporate governance reform, with Daiwa AM also attaching particular importance to this point.

To achieve this, it will be necessary to: ① Implement timely and appropriate information provision for outside directors to reduce to the extent possible information gaps with inside directors, ② Expand the support systems to facilitate this purpose, ③ Create opportunities for communication with employees and other actors besides directors, and ④ Conduct site visits, study groups, and related initiatives aimed at facilitating a deepened understanding of the business.

Initiatives such as these can be anticipated to enhance the management supervisory function of outside directors while promoting further separation of business execution and supervisory functions and expediting management decision-making if they succeed in facilitating outside directors in fully demonstrating their capacities. At the same time, the transparency of management will also increase and external confidence in governance frameworks will grow if outside directors are thereby facilitated in assuming a central role in discussions of important matters such as management nominations and compensation.

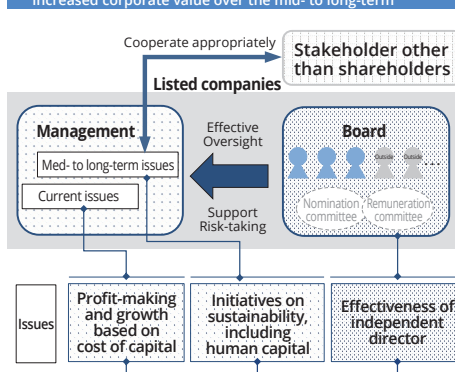
Action Program for Accelerating Corporate Governance Reform

- ❑ The Council published recommendations regarding "Action Program" as of April 26. The Council will review the implementation status from time to time and consider whether additional measures are needed.

Approach to future initiative

- It is vital to move the focus of reform from form to substance in resolving the issues. To this end, it is necessary to create an environment that promotes self-motivated changes in the mindsets of companies and investors, as well as to make the dialogues between companies and investors more productive and more effective.
- It is appropriate to examine the timing of the revision of each Code in a timely manner based on the status of progress from the viewpoint of the effective implementation of corporate governance reform, not necessarily following the review cycle in the past years.

1. Issues for seeking sustainable corporate growth and increased corporate value over the mid- to long-term



Specific measures

- A) Encouraging the management with an awareness of profit making and growth**
Encourage the management with an awareness of profit making and growth based on the cost of capital (such as the proper allocation of management resources toward risk taking, including a business portfolio review and investments in human capital, intellectual properties and R&D).
- B) Encouraging the management with an awareness of sustainability issues**
Encourage companies to take actions on sustainability through publication of companies' good disclosure practices. Consider measures to improve the diversity of the board and core human resources, such as increasing the percentage of female executives (target of 30% or more by 2030).
- C) Improving the effectiveness of independent directors**
Promote further improvement of the effectiveness of independent directors through compilation and publication of the actual status and examples of a board, nomination committee and remuneration committee, and educational activities to promote understanding of the roles expected of independent directors.

+ WEB Source: Secretariat briefing materials of the Financial Services Agency's "29th Meeting of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code," p. 2

📄 <https://www.fsa.go.jp/en/news/2023/20230426-2/01.pdf>

Our thinking and approach

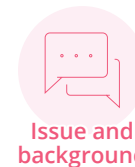
Daiwa AM's governance framework is the foundation for its corporate management as it considers it the most important issue for corporate management. This is the case because a failure of the governance framework to function in a stable manner would impede corporate activities, from day-to-day business to sustainability initiatives. During engagements, Daiwa AM holds dialogs on various topics, ranging from the composition and diversity of boards of directors to the independence of outside directors; activities of nominating and compensation committees; and evaluations of the effectiveness of the board of directors and executive remuneration, and then encourages the enhancement of initiatives to improve effectiveness.

In the proxy voting guidelines too, we had previously focused on revisions of articles requiring the fulfillment of formalized frameworks. However, since we are now entering the phase involving the improvement of effectiveness, we have recently introduced other guidelines informed by this perspective, such as those requiring the adoption of voluntary nominating and compensation committees as well as those relating to the number of companies at which outside directors hold concurrent appointments. We will continue to consider revisions to the proxy voting guidelines which contribute to enhancing the effectiveness of boards of directors.

Engagement case studies

Company E
(Pharmaceuticals)

TOPIC Effectiveness of the voluntary nominating and compensation committees



Issue and background

- Company E has established voluntary nominating and compensation committees. However, there is a doubt as to whether the effectiveness of these committees is sufficiently ensured as they are convened only once a year, with no disclosure implemented on the specific activities of the committees.



Potential solution

- The nominating and compensation committees play a vital role in ensuring the objectivity of the processes in the important matters of appointing directors and determining their remuneration. For this reason, it is important to ensure the effectiveness of these committees, and details of this effectiveness should also be proactively disclosed to demonstrate this externally.



Company response

- The response we received indicated that Company E would recalibrate the content for discussion at meetings of the nominating and compensation committees while also increasing the frequency of these meetings to enhance their effectiveness.

Related initiatives



ICGN MEMBER

Inspiring global governance standards
www.icgn.org

International Corporate Governance Network (ICGN)

Topic IP and Intangible Assets

Issues Recognized

We recognize the increasing importance of intellectual property (IP) and intangible assets as critical drivers of corporate competitiveness as industrial structures undergo a transformation. In the U.S., the tech companies referred to as the “Magnificent Seven” have realized high growth and continue to increase their corporate value. In contrast, Japanese companies are facing a low rate of R&D expenditure growth along with low markup ratios, which results in a smaller percentage of intangible assets in their market capitalization. This disparity contributes to the valuation gap between Japanese and U.S. markets, as evidenced by the price-to-book ratio (PBR) of approximately 5.0x for the S&P 500 compared to 1.3x for the TOPIX Prime as of October 2024.

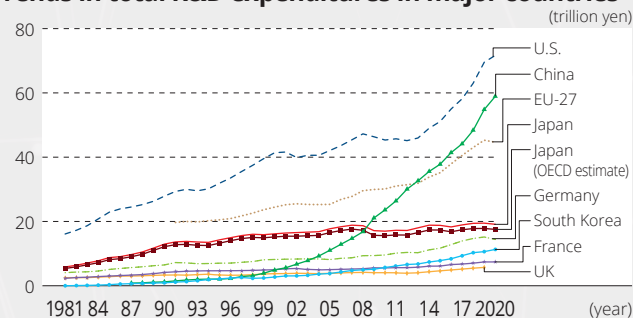
Finding pathways forward to meet global environmental challenges and resolve systemic socioeconomic issues will require transforming large-scale systems, which include energy transition, decarbonization, and supply chain restructuring. Disruptive innovations that reshape competitive landscapes (often called “game changers”) will likely be involved, calling for a major shift in thinking. The ability of companies to lead such change or synchronize with it will be crucial. In this context, over and above the role of traditional manufacturing or financial capital, we expect even more significance to reside in

intangible assets—particularly IP, R&D capabilities and the human capital that drives R&D, and corporate cultures that provide the ground for innovation to flourish.

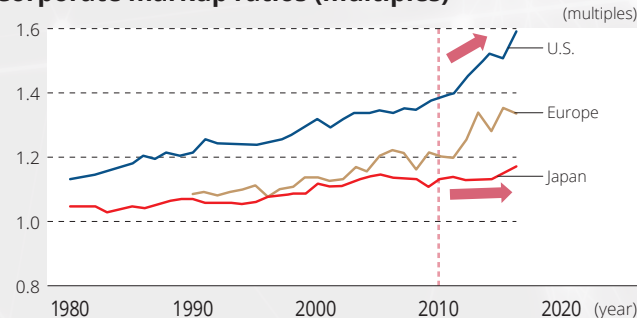
Corporate executives, investors, and financial institutions have increasingly recognized the importance of IP and intangible assets as essential resources for competitiveness. This emphasis was highlighted by the 2021 revision of Japan’s Corporate Governance Code, which incorporated the point that companies should disclose information on their investments in intellectual property and related assets and provide it in an easy-to-understand manner in alignment with management strategies and issues. Given that companies tend only to discuss IP and intangible assets in general terms, Japan’s Cabinet Office also issued and revised its Intellectual Property and Intangible Assets Governance Guidelines to assist companies in how they can improve their corporate value by disclosing their investment and utilization strategies and by applying governance to these assets.

To strengthen Japanese companies’ resilience to game-changing shifts, it is essential not only for the companies themselves to take action but also for stakeholders—shareholders, investors, and employees—to recognize the critical value of intangible assets like IP and R&D and actively contribute to increasing their value through engagement.

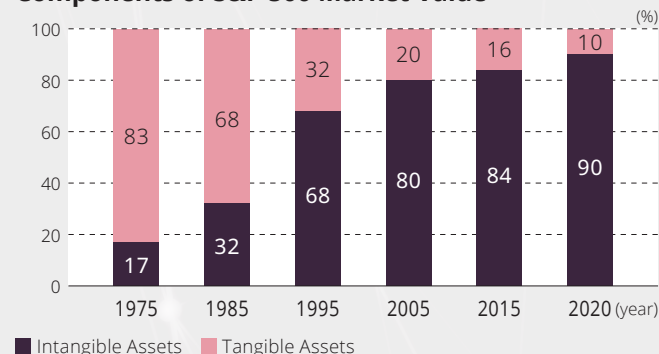
Trends in total R&D expenditures in major countries (trillion yen)



Corporate markup ratios (multiples)

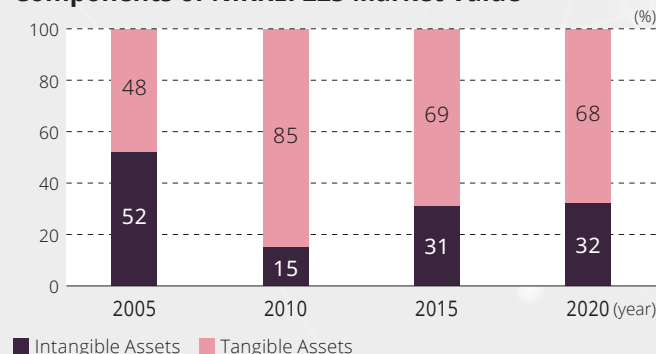


Components of S&P 500 Market Value



Source: Cabinet Office “Guidelines on Disclosure and Governance of Strategies for Investment and Utilization Regarding Intellectual Property and Intangible Assets” (Intellectual Property and Intangible Assets Governance Guidelines) Ver. 2.0

Components of NIKKEI 225 Market Value



Our Approach and Philosophy

In general, the term “IP and intangible assets” is in most common use, but Daiwa AM prefers to view these assets through the lens of “IP and R&D capabilities.” The term “non-financial capital” is often used to refer to the sources of value creation that a company holds as the basis of its management—such as human capital, IP and R&D capabilities, and social capital. Depending on its specific nature, this is sometimes referred to as “future financial capital” or “pre-financial capital.” However, these types of capital, including those listed above, may already be recorded as financial capital in certain contexts. Additionally, accounting standards provide specific definitions for “intangible assets.” At Daiwa AM, we recognize the need to assess these sources of value creation, which constitute a company’s management foundation, irrespective of their inclusion in financial statements. To express this broader concept, we use the term “potential power.” We consider IP and R&D capabilities to be vital strengths alongside elements such as human capital and brand value.

Under this definition, we have prioritized purpose-driven dialogs, specifically focusing on IP and R&D capabilities. By clearly communicating to companies—as shareholders and investors—what we wish to know and why regarding their IP and R&D capabilities, we have been able to foster structured discussions in this area that had previously been unfamiliar territory to companies.

We have been gaining insights and engaging more proactively to shape practices by disseminating information. Our efforts include holding meaningful discussions with both the Cabinet Office, regarding its Intellectual Property and

Intangible Assets Governance Guidelines, and also with our group company specializing in IP consulting, participating in research forums where corporate IP departments convene, and publishing articles and books on related topics.

Notable progress has been made in corporate disclosures related to IP in the past year or two, but we recognize that significant challenges remain. We will continue to engage in purposeful dialogs with companies and communicate effectively with all stakeholders while working to enhance our expertise further.



Engagement case studies (Tokyo Ohka Kogyo)

Dialog on IP and R&D Capabilities with Tokyo Ohka Kogyo (TOK)

Participation in information-gathering hearings with a research group (10 companies) to which the head of TOK’s Intellectual Property Dept. belongs

Publication of a three-way discussion on “Intellectual Capital/Human Capital Strategy” in TOK’s integrated report



Source: Tokyo Ohka Kogyo Integrated Report 2023

Examples of Activities in the Initiative

Speaking appearance at the UN Principles for Responsible Investment (PRI) human rights webinar

Daiwa AM participated in a human rights webinar organized by the PRI Japan Advisory Committee to mark World Human Rights Day, during which we gave an overview of the reasons investors place importance on “business and human rights” and of Daiwa AM’s engagement and other initiatives, while also taking part in a panel discussion on the topic of “How to Link Human Rights Responses to the Enhancement of Corporate Value.”

We additionally participated as a member of the Working Group for the Development of Awareness Raising Materials on Business and Human Rights for Institutional Investors in the production of “A Guide to ‘Business and Human Rights’ for Institutional Investors,” produced by the International Labor Organization (ILO) Office in Japan as part of the “Skills Development and Responsible Business Conduct for Transition” project, which was introduced at the event, while also cooperating by sharing Daiwa AM’s knowledge and expertise in these areas.



Inclusion of case study in a 30% Club Japan Investor Group publication

Daiwa AM presented a case of our engagement with an information and telecommunications company as a best practice in the promotion of the active participation of women in a progress report of the 30% Club Japan Investor Group.

The information and telecommunications company identified an expansion in the number of engineers as a core part of its growth strategy. However, the information services industry at large was faced with a shortage of engineers, a challenge requiring urgent redress. This situation was compounded by a background of the social structural problem of low numbers of female science and engineering students.

The company in question instituted measures to address these issues by, for example, developing a framework for the recruitment of personnel with no experience and undertaking initiatives on an organizational level for the creation of post-employment development programs for human resources. As a result of these initiatives, the company has both maintained a

high number of recruits and ensured that their ratio of female engineers exceeds that of industry peers.

In addition, although current appointments of female directors are limited to outside directors, several female employees trained in-house have already been appointed as executive officers. Daiwa AM thus assesses that the pool of female candidates for director positions from within the company is achieving adequate levels.



Initiatives supported

ESG ESG in general
E Environment **S** Social **G** Governance

2006

ESG 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 currently chairs the PRI Japan Advisory Committee.



2011

ESG 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.



2020

E Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board (FSB) in 2015. The TCFD recommends that corporations and other entities voluntarily complete climate-related financial disclosures as part of their general (published) annual financial reporting. Since FY2021, Daiwa AM has disclosed the status of its initiatives to address climate change issues, including the greenhouse gas (GHG) emissions of its asset management portfolio in line with the TCFD framework.



S 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.



2021

E 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 Net Zero Asset Managers initiative (NZAMI)

The Net Zero Asset Managers initiative (NZAMI), which was launched in December 2020, is a global initiative by asset management companies to achieve net zero greenhouse gas (GHG) emissions at investee companies by 2050. As of July 2024, more than 325 companies worldwide, with a combined total of around 57 trillion dollars in assets under management, were participating in this initiative, including many Japanese asset management companies.



G 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.



2022

ESG Japan Stewardship Initiative (JSI)

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



S 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.



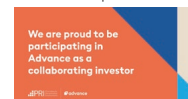
S Women’s Empowerment Principles (WEPs)

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.



S PRI Advance

PRI Advance is an institutional investor initiative established to promote corporate initiatives on “social” issues, with a particular focus on human rights, through collaborative engagement. Companies with a high level of human rights risk will be encouraged, through dialogs, to implement measures that strengthen respect for human rights.



2023

E Task Force on Nature-related Financial Disclosures (TNFD)

The Task Force on Nature-related Financial Disclosures (TNFD) is an international initiative which aims to develop and provide a framework for the disclosure of nature-related financial information. Daiwa AM was an early adopter in endorsing the TNFD to coincide with its launch in December 2023.



E Glasgow Financial Alliance for Net Zero (GFANZ)

Glasgow Financial Alliance for Net Zero (GFANZ) is a voluntary coalition of financial institutions which aims to achieve net zero global greenhouse gas emissions by 2050. Daiwa AM is playing an active role in the Consulting Group and the Core Working Group of GFANZ as a member of its Japanese chapter.



2024

E PRI Stewardship Initiative for Nature (Spring)

Spring is a collaborative engagement initiative for which the United Nations Principles for Responsible Investment (PRI) provides operational and other support with the objective of halting and reversing biodiversity loss by 2030. Daiwa AM is participating as an endorser and contributing to improvement of the corporate value of investee companies by promoting initiatives to address the loss of biodiversity through collaborative engagement with these companies.



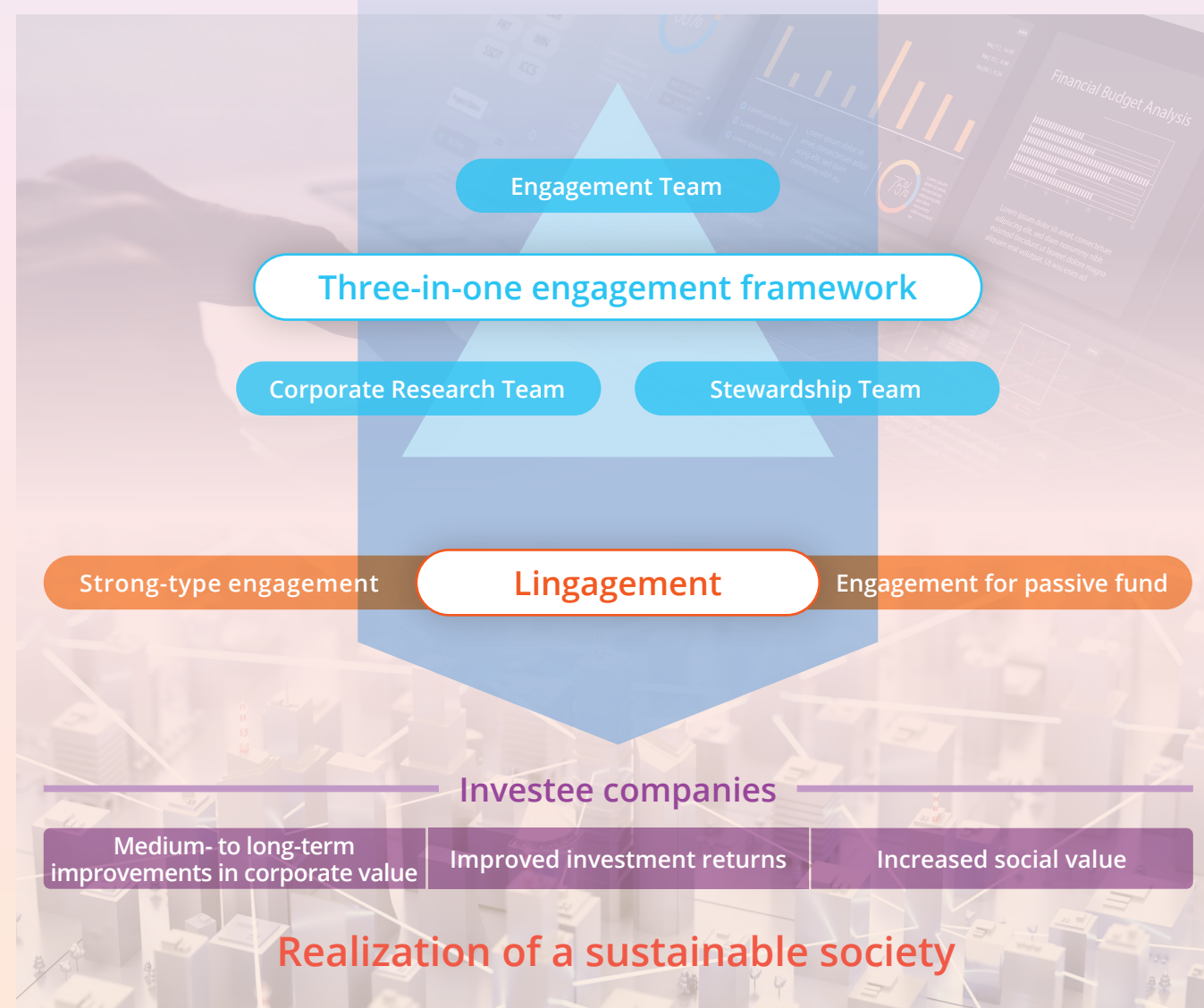
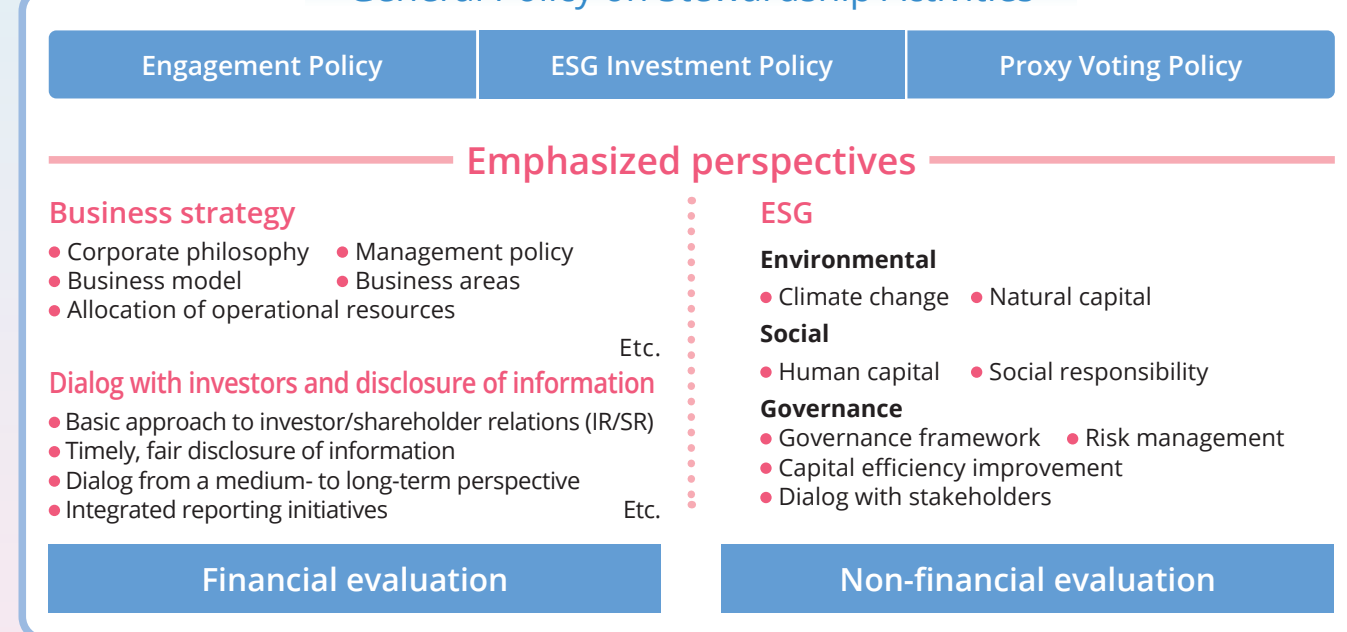
E Investor Agenda

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 COP29.

Engagement

Overview of Daiwa AM's Engagement

General Policy on Stewardship Activities



Strong-type Engagement

Overview

At Daiwa AM, we categorize engagement according to its depth. We use the term strong-type engagement to describe the deepest category of engagement. This category of engagement is that which aims to significantly improve operational performance by identifying engagement themes and directly and actively encouraging

management to improve on these.

Companies to be targeted for strong-type engagement are selected by corporate research analysts or fund managers from the Engagement Team based on the following selection criteria, with milestone management conducted until the issues are resolved.

Selection method for target companies

Corporate research analysts select companies in the sector for which they are responsible for engagement based on the following criteria: **① A company has key management issues, and ② these issues can be expected to be improved or resolved through dialogs, while ③ the resolution of the issues also can be expected to increase corporate value.** Among these, companies that can be expected to significantly increase their corporate value through the resolution of issues are then selected for strong-type engagement.

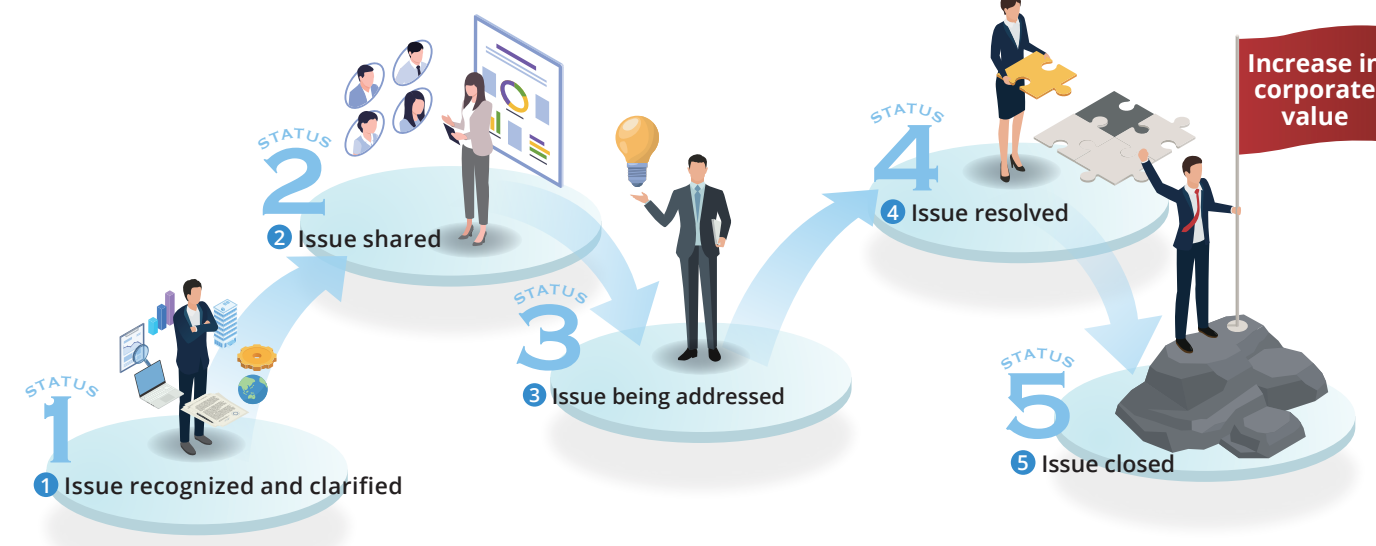
Fund managers in the Engagement Team additionally select companies to be targeted for engagement based on the previously outlined perspectives.



Milestone management

When implementing strong-type engagement, we first set an engagement theme for each target company, with an engagement plan then prepared. This plan outlines the specific issues recognized, the background to these issues, suggested measures to resolve the issues, and the anticipated situation after they have been successfully addressed.

Milestone management is then carried out by dividing the implementation statuses of engagement into five categories of: **① Issue recognized and clarified, ② Issue shared, ③ Issue being addressed, ④ Issue resolved, and ⑤ Issue closed.** The progress statuses are shared with each analyst and fund manager and routinely monitored by senior officers.



Engagement case studies



Company
F
(iron and steel)

Current location of milestones: STATUS 1 → 2 → 3 Issue being addressed → 4 → 5

Main dialog counterpart: Head of Accounting Department

Engagement theme Improving profitability and capital efficiency

Issue awareness and background

The company has placed its highest priority on the stable supply of products to its major clients, which are group companies of the major automotive group to which it is affiliated in its capacity as a materials corporation in that group. At the same time, it has had a low awareness of increasing its corporate value as well as of improving profitability and capital efficiency, with its profitability significantly below that of its industry peers. This consequently necessitates the active pursuit of measures to improve its profitability, such as a review of selling prices and productivity improvements.

In addition, the company holds many assets not directly related to its core business and which it is difficult to justify as economically rational, such as cross-shareholdings, including those with other companies in the group. It has furthermore overstretched its equity capital by prioritizing financial stability to ensure a stable product supply, both of which have contributed to a decline in ROE. For this reason, the company must improve its capital efficiency by actively returning profits to shareholders through repurchasing of own-company stock and raising the dividend payout ratio.

In addition to these points, the company has failed to actively engage in investor relations activities, nor has it provided sufficient explanations of its growth strategy. As a result of this situation, the company has been routinely subject to significantly low PBR evaluations by the stock market.

Suggested measures to resolve the issues

- 1 Improve base margins by enhancing the emphasis on profitability at the time of order receipt as well as by requesting price increases for low-profitability products; expand the application scope of the surcharge system, which will automatically pass on fluctuations in raw material prices and energy costs centered on electricity, to product prices. In addition, implement selling which emphasizes profitability in products for general distribution.
- 2 Review and sell cross-shareholdings including those in group companies and subsequently utilize the proceeds from these sales to actively invest in high-potential domains such as products compatible with motorization.
- 3 Enhance shareholder returns by upwardly revising the dividends policy and repurchasing own-company stock to eliminate surplus capital, based on a recalibration of the in-company approach to how the balance sheet should look, including the appropriate equity capital ratio.
- 4 Actively disseminate information on the above measures to improve profitability, as well as on growth strategies and capital policies.

Anticipated situation following issue resolution

Due to the improvement in ROE and heightened expectations for medium- to long-term growth, the low PBR, which has become the norm, will be resolved, leading to a significant increase in stock prices.

Company response at time of dialog

The company indicated that there was growing recognition of low share prices as being an issue within the company, and the feeling that going forward they would increase opportunities for dialog with investors and actively reflect investor views in management. They were also aware of the issue of the low profitability of businesses and are enhancing initiatives to introduce and expand the scope of the surcharge system as well as initiatives to revise prices and are currently in negotiations with their clients to this end. Normalization of equity capital is an issue that the company has deemed difficult to settle and resolve in the short term. They will, however, pursue in-company discussions on how it wishes to calibrate itself on this issue and demonstrate their orientation toward improving capital efficiency over a medium- to long-term timeframe by, for example, committing to a cash allocation policy.

Company actions following the dialog

In the most recent financial year, the business environment was difficult, with product sales volumes declining due to a decrease in the number of vehicles manufactured by clients. Nevertheless, we were able to confirm that the company has made progress in improving the profitability of its products, which even included its announcement of an upward revision to its full-year profit forecast. Regarding the elimination of surplus capital, the company aims to commit to a specific orientation in its next medium-term management plan. In addition, the company has indicated policies, including reducing its cross-shareholdings, toward enhancing its corporate value.



Company
G
(machinery)

Current location of milestones: STATUS 1 → 2 → 3 Issue being addressed → 4 → 5

Main dialog counterpart: Director and Senior Executive Officer
(Head of Corporate Planning Department)

Engagement theme Measures to enhance corporate value

Issue awareness and background

The company's market value is failing to remain in step with its actual standing. It maintains a given growth rate and capital efficiency, with beta and capital costs also low. However, the reflection of this in its PBR has been tardy, with PBR fluctuating around 1.0x since 2022.

This situation can be attributed to the company's downward trending ROE. While ROE was comfortably above double digits in the first half of the 2010s, this has continued to fall since the second half of the 2010s. This is due to lower financial leverage and lower asset turnover caused by capital accumulation.

The tardiness of initiatives to respond to the revised Corporate Governance Code and the failure to indicate a clear growth strategy and capital policy, which in turn occasioned a comparative decline in investor interest, were regarded as contributing factors in the company's flagging share price, with sell-side analyst coverage also down compared to the 2010s.

Suggested measures to resolve the issues

- 1 Clarify capital policy (financial strategy). Also, disclose an overview of cash allocation to communicate the company's strategic intentions to the market.
- 2 Actively pursue investor relations activities and expand shareholder returns. Increase the frequency of financial results briefings, small group sessions, and business and ESG briefings.
- 3 Actively pursue growth strategies. Implement mergers and acquisitions which leverage industry-leading advantages and abundant cash.

Anticipated situation following issue resolution

Actualization of a market valuation commensurate with a corporate valuation model appropriately reflecting the actual corporate standing of the company.

Company response at time of dialog

The company has undergone continuous engagement since the 2010s and Daiwa AM has achieved their consensus on an orientation to enhance corporate value. Improvements in investor relations activities were also evident in the improved briefing materials and the increased frequency of small meetings.

Company actions following the dialog

In May 2024, the company announced a new medium-term management plan and "action to implement management that is conscious of cost of capital and stock price," and presented its growth strategy and cash allocation. For shareholder returns, the company stated its approach of "no further accumulation of cash" and disclosed proactive quantitative targets. Nevertheless, its ROE targets remained less than satisfactory from the perspective of share price valuation.

In November 2024, the company issued a "Notification of Policy on the Reduction of Cross-shareholdings." The policy revised to aim to sell more than double the initial target for the balance at the end of March 2024 indicated in the medium-term management plan. These sales would be the main source of capital to increase shareholder returns (dividends & repurchasing of own-company stock) with the company's ROE target also revised upwards.

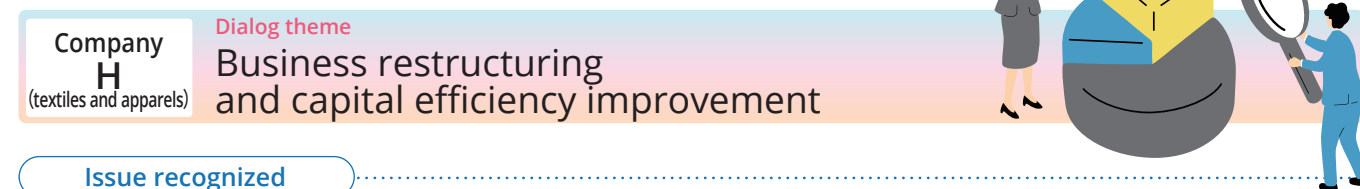


Escalation Strategies

Daiwa AM strives to operate in a way that integrates engagement with investee companies and proxy voting actions. These are referred to as our escalation strategies and constitute initiatives involving assessment of the content of dialogs with, and the actions of, investee companies and subsequently reflecting this in proxy voting by Daiwa AM. Based on these escalation strategies, we vote against a proposal of the general meeting of shareholders even if this does not conflict with Daiwa AM's Proxy Voting Policy if we deem that it will have a negative impact on corporate value, after considering the

content of dialogs with the company, its actions, and other factors. In addition, cases exist in which we will vote in favor of a proposal after considering the content of engagement even if we would otherwise oppose that proposal if the Proxy Voting Policy were to be applied mechanically, and together define these considerations as our escalation strategies. Daiwa AM thus strives to support initiatives that contribute to enhancing corporate value through dialogs with investee companies and the exercise of proxy voting rights, rather than applying the Proxy Voting Policy in a prescriptive manner.

Case Studies of Escalation Strategies



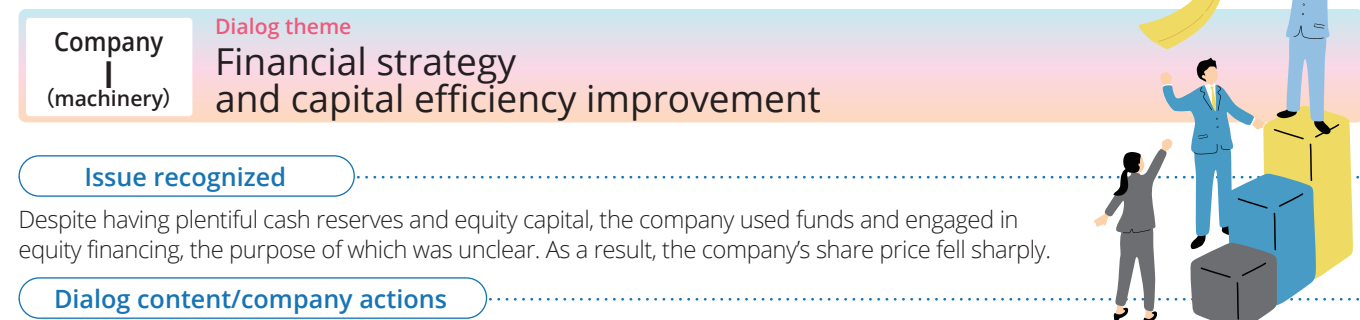
The company was deemed to have issues with its branding and overseas business strategies, with significant room for improvement in terms of cost structure and capital efficiency. Fundamental business restructuring, including management reforms, are needed for the company to extricate itself from a prolonged downturn in business performance.

Dialog content/company actions

The company has initiated management changeover, as well as management reforms and downsizing of the balance sheet, occasioned in part by corporate transformation engagement which was implemented based on their recognition of the above-outlined issues from several years ago. While the company's business conditions can be expected to be inevitably difficult until the new fiscal year due to factors such as restructuring and related costs, there are already indications that it is entering a recovery phase, and a recovery in performance can be expected from the subsequent fiscal year onwards.

Reflection in proxy voting

The company's level of performance to date is below the lower threshold set by Daiwa AM, and application of the Proxy Voting Policy would in principle mean that we would vote against the reappointment of some of the directors. Nevertheless, we have decided to vote in favor of the reappointment of the directors in question, based on our assessment that engagement has yielded adequate results in terms of management reform by the current management team and that further improvements can be expected going forward.



The company explained that the purpose of the financing was to improve the liquidity of its shares and that the use of funds was intended for M&As, property acquisition, and facilities investment. Despite our insistence that the company's explanation was unsatisfactory considering its current financial standing, the discussions failed to get any closer to achieving agreement. Subsequently, the company purchased and cancelled some of the stock subscription rights, claiming that it had secured the necessary funds due to favorable business performance.

Reflection in proxy voting

Although the company's business performance and superficial governance structure do not conflict with Daiwa AM's Proxy Voting Policy, we decided to vote against the reappointment of the director in charge of financial strategy, considering that we did not receive an adequate and convincing explanation of the financial strategy.

Lingement

Overview

"Lingement" is an original coinage of Daiwa AM, combining the words "linkage" and "engagement." It is an initiative to provide a forum for discussions with the personnel and management of best-practice companies on issues faced by investee companies, as well as to serve as a reference for future enhancement of their corporate value.

By utilizing the networks and knowhow we have built up through engagement to their maximum potential, actively promoting "lingement," and encouraging the sharing of knowledge, Daiwa AM will support enhancements to the corporate value of as many investee companies as possible and actively contribute to the sustainable growth of society.

Example scenario of "Lingement"

Best Practice Companies

Examples of companies introduced

- Companies which have established platforms for dialog between outside directors and investors
- Companies which have incorporated ROE and ROIC management
- Companies which have disclosed on their growth strategies



"Lingement" case study

[Purpose] Share knowledge toward enhancing corporate value as an R&D-oriented company

Company J

Although Company J continued to maintain high profitability facilitated by efficient research and development, it had no investment projects commensurate with its cash flow, which had resulted in a build-up of cash. In addition, the company has not reduced its cross-shareholdings, with the effect of these circumstances meaning that its capital efficiency (ROE) has failed to improve relative to its high profitability. Despite being aware of these issues, Company J was unable to devise an overall capital strategy and continued to use takeover defense measures against takeover risk.

Company K (best practice company)

Company K withdrew from the general-purpose products business and, from around 2000, undertook a major shift to high value-added business based on its research and development capabilities, the outcomes of which have enabled it to maintain high profitability as well as to build a CFO-led capital strategy. They have also been able to set targets for cash holdings and strike a balance between investment in excess of capital costs and shareholder returns. This has allowed them to raise capital efficiency (ROE) to an industry-leading level, resulting too in a PBR among the highest in the industry.

Daiwa AM conducted an engagement with Company J to convey that it should devise its overall capital strategy at an early stage and thereby indicate a path to improving capital efficiency, leading to enhanced corporate value.

Meanwhile, we conducted a separate engagement with Company K upon the departure of its CFO, who had spearheaded efforts to improve capital efficiency and enhance corporate value, to reflect on the initiatives for reform as CFO and ensure that the company could continue to develop as a capital-efficient, R&D-oriented company into the future.

Daiwa AM then set up a meeting between the former CFO of Company K and the directors and executive officers of Company J, including its president, in the belief that having Company K's former CFO share their experience with Company J would enable Company J to devise an appropriate


capital strategy and chart a course for its development as a capital-efficient, R&D-oriented company. (Daiwa AM was responsible only for arranging the meeting and not involved in the content of the dialog between Company J and Company K.)

Company J subsequently indicated a clear and distinct capital strategy and undertook actions to reduce its excess cash. The capital strategy and the disclosure of its contents indicated by Company J, as well as the business strategy linked to the capital strategy, constituted a substantial response to TSE's requirements in this regard and were subsequently taken up as an example of good practice by TSE. Since then, the disclosure of information by Company J has evolved even further, and such disclosure can be expected to facilitate the development of the company as an R&D-oriented company and to the enhancement of its corporate value.

Information Exchange Meetings

Event overview

The fourth Information Exchange Meeting was held on November 29, 2024. These exchange meetings are intended to focus on a specific theme and provide a platform for companies to share knowhow with each other. Based on the theme “Beyond PBR of 1.0x: Enhancing Corporate Value through Human Capital,” key actors in human capital from seven companies with best practices were invited to speak at the fourth meeting. Five external experts also offered their specialist perspectives, with the event thereby proving an opportunity for those in attendance to deepen their knowhow, including that relating to the other participating companies.

This time, human capital was selected as the theme, in acknowledgment of the growing importance of “potential power” ( see p. 52) in company valuations and because human capital is now considered fundamental

management capital and as having an intimate association with all capital. Corporations are currently undertaking initiatives to improve their human capital, with shareholders and investors striving to ensure it is appropriately valued. In addition to the institutionalization, from 2023, of human capital disclosure in securities reports, human capital can, going forward, be expected to be covered in sustainability disclosures in Japan. Many companies are now undertaking actions to directly increase ROE and ROIC in response to TSE requirements in this domain. Daiwa AM nevertheless believes that recognition of the importance of human capital, which is at the core of “potential power,” must be furthered strengthened, from the perspective of sustainable corporate value enhancement.

Participating companies in the Information Exchange Meeting

Best practice companies (seven companies)
Link and Motivation Inc.
PERSOL Holdings Co., Ltd.
Nissin Foods Holdings Co., Ltd.
Mitsui Chemicals, Inc.
Tokyo Ohka Kogyo Co., Ltd.
Chugai Pharmaceutical Co., Ltd.
Nippon Gas Co., Ltd.

(in order of securities code)

External experts (five companies)
Acropolis Advisors, Inc.
OpenWork Inc.
Servant Coach Inc.
Sustainability Standards Board of Japan (SSBJ) members
Unipos Inc.

(in alphabetical order)

Audience companies (14 companies)

Discussion content

To begin, the participant companies gave overviews of their respective human capital initiatives, which was followed by a group discussion on: ① Engagement, ② Human resource capacities, ③ Mechanisms spanning engagement and human resource capacities, and ④ Information disclosure and dialogs with shareholders and investors.

At this event, each of the key actors from companies with exemplary human capital initiatives and those with a high awareness of the link between human capital and management strategy once again took the floor. As such, discussions proceeded on the assumption of a common understanding of the relationship between human capital, productivity and business performance, and medium- to long-term corporate value.

Specific themes

- ① Engagement
- ② Human resource capacities
- ③ Mechanisms spanning engagement and human resources capacities
- ④ Information disclosure and dialogs with shareholders and investors



Scene from the group discussion



Information Exchange Meeting materials

Future approach

Daiwa AM positions these exchange meetings as a core activity of “lingagement,” and convenes them as a proprietary initiative of our company. Going forward, we will continue to hold Information Exchange Meetings of this sort, thereby actively contributing to enhancing corporate value through the resolution of corporate challenges by providing this platform for “knowledge sharing” among companies.

Themes of previous Information Exchange Meetings

1st meeting (Feb. 2021)	Gender Diversity
2nd meeting (May 2022)	Talent Strategy
3rd meeting (Sept. 2023)	Initiatives to Improve PBR
4th meeting (Nov. 2024)	Beyond PBR of 1.0x: Enhancing Corporate Value through Human Capital

Feedback from participating companies



Networking scene

“ This event was an outstanding opportunity to hear about the initiatives of respective companies. It was also highly informative to hear about the difficulties they were all facing and the various approaches they had adopted in tackling these challenges. ”

“ I was extremely impressed to see the commitment with which each company that spoke during the group discussions were working. Those in attendance from the audience companies also listened intently, as they tried to take home lessons from these advanced case studies. ”

“ The content of the discussions was also extremely rich and proved an opportunity to experience first-hand the high level of attention being paid to human capital management. ”

Engagement for Passive Fund

Overview

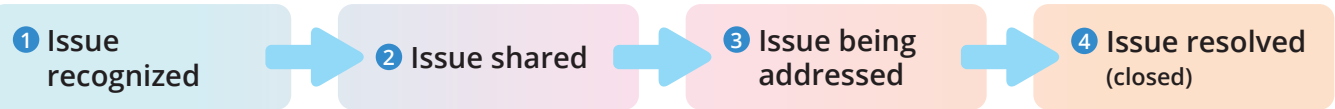
Daiwa AM also focuses efforts on passive engagement aimed at improving investment performance by raising the level of the overall market. Passive engagement can be broadly classified into two types: engagement involving approaches to investee companies whose initiatives to

address Daiwa AM's established materialities are considered inadequate, and engagement involving responses to approaches from companies faced with various issues.

Materiality-based engagement

Daiwa AM has established materialities that are highly important from sustainability and long-term returns perspectives as its core materialities and conducts engagement using focused approaches initiated by Daiwa AM to those investee companies which are failing to keep pace in their initiatives to address these materialities. In 2024, we conducted engagement with companies with significant GHG emissions, those in which gender diversity initiatives were failing to keep pace, and those which could be considered to have insufficient governance

systems in place. We determine the companies to be subject to these engagements by considering factors such as the status of our shareholdings in the company. For these materiality-based engagements, we divide the respective engagement themes of each investee company into four statuses: ① Issue recognized, ② Issue shared, ③ Issue being addressed, and ④ Issue resolved (closed), and conduct milestone management, internal information sharing, and regular monitoring.



Example of milestone management

Code	XXXXX		
Issue name	XXXXXXXXXXXXXX		
Theme	Appointment of female directors	Shortening terms of office for directors	Improving the share of female managers
Status	Issue currently being addressed	Issue shared	Issue shared
9/17/2024 Discussion history	○	△	△
(○: positive responses and initiatives; △: no specific measures or notable improvements; ×: not discussed)			



Engagement in response to approaches from companies

In addition to management and capital strategies, the themes for engagements which have been requested following approaches by investee companies encompass a diverse range including ESG and sustainability issues. Investee companies are faced with a multiplicity of issues,

many of which are difficult to resolve. However, Daiwa AM endeavors to engage in dialogs that will ultimately facilitate enhancements in medium- to long-term corporate value and improved sustainability.

Case studies of passive engagement

Company L
(marine transportation)

Dialog theme
Decarbonization initiatives



Issue As the decarbonization of shipping companies requires both major capital investment and the development of new technologies, presentation of a more concrete roadmap would facilitate understanding of the company's situation by the market.

Background While there is a necessity to appropriately reflect cost increases in freight rates subject to the understanding of clients when undertaking large-scale capital investments, the status of dialogs with clients and progress in the passing on of prices is not perceptible from the outside.

Dialog content The company's investment plan significantly varies over the year. Daiwa AM thus requested that the company gives indications of the situation, even in terms of major developments, such as the nature of the factors behind changes in investment planning and whether the cost increases stemming from decarbonization initiatives are being absorbed through price pass-on.

Company response
The company indicated that, although this will vary by client, there is a growing understanding of CO₂ reduction with an awareness of Scope 3, particularly in the automotive industry, and that the business environment is steadily becoming more conducive to proactive investments in LNG-fueled vessels. They also stated that, while they will also regularly update their investment planning, they wish to take steps which will allow them to provide more detailed explanations of any changes to the content of their investment planning.



Dialog theme
Gender diversity

Company M
(glass and ceramics products)

Issue The female manager ratio and the average years of service among female employees are low.

Background While the low proportion of female employees is unavoidable due to the underlying background of low numbers of women with science and related backgrounds among technical employees at manufacturing sites, many female employees leave the company before they can be promoted to management positions, with problems also evident in terms of the company's personnel system.

Dialog content The lack of a sufficient education and training system and the failure to ensure diversity in workstyles (including the absence of a teleworking system and the existence of job relocations) can be considered problematic factors which lead female employees to leave the company. As well as improving these systems, it is desirable that the company increases its number of role models, including mid-career hires, and ensures that it provides more comprehensive support in areas such as career design.

Company response
The company is aware of the issues surrounding its personnel system and is considering measures such as the introduction of a teleworking system, institution of positions not subject to job relocations, and the enhancement of their training and education system as necessary.



Company N
(construction)

Dialog theme
Reduction of cross-shareholdings

Issue The balance of cross-shareholdings is significantly above 20% of net assets but the pace at which these are being reduced remains slow.

Background The balance of cross-shareholdings with business partners is considerable due to entrenched industry practices. In addition, the pace at which these are being sold has not increased due to the time required for discussions with counterparties.

Dialog content As this industry is characterized by many counterparties asserting that the sale of their cross-shareholdings does not affect trading, the company should expedite the pace at which these are sold from the perspective of improving capital efficiency. At the same time, it should set targets to achieve less than 20% of cross-shareholdings to net assets.

Company response
The company stated that they would like to continue to hold repeated and detailed discussions with counterparties on the sale of cross-shareholdings but would like to be allowed to give further consideration regarding the setting of targets.

Case Studies of Engagement with Outside Directors

Daiwa AM expects outside directors to play a role in overseeing management from an objective standpoint while maintaining a high degree of independence as spokespersons for minority shareholders and, from this perspective, places particular emphasis on engagement with outside directors.



Company O (securities and commodity futures)

Dialog theme Strengthening the governance system

Daiwa AM held a dialog with the outside directors on the particular issues the outside directors perceived in terms of effectiveness. This was because few meetings of the voluntary nominating and compensation committees were being convened and the content of disclosures on effectiveness evaluations for the board of directors was limited, even though a majority of directors are formally outside directors. The outside directors explained that the nominating and compensation committees now actively

discuss CEO succession plans and other issues, based also on their recognition of the issue gleaned from dialogs with shareholders and investors to date, and that measures are being undertaken to facilitate easier responses to effectiveness evaluations, such as modifications to the content of questions asked at these evaluations. Daiwa AM was thereby able to confirm that initiatives to strengthen governance are making progress.



Company P (chemicals)

Dialog theme President response following the coming to light of misconduct

An outside director who was deeply knowledgeable about a subsidiary of the company's business gave an explanation on the series of processes from the coming to light of misconduct at a manufacturing site of this subsidiary, which had been ongoing for many years, through to the president's response and the formulation of measures to prevent recurrence. In response to this, we deemed that, while this case could be classified as misconduct, the president had only assumed office in the previous year and holding him directly responsible for this conduct would be

questionable. We also concluded that the president had undertaken appropriate measures including proactive disclosure following the discovery of the misconduct; that effective measures to prevent recurrence had been formulated; and that the president plays an important role as the pivotal force in the implementation and internal dissemination of measures to prevent recurrence. Daiwa AM thus voted in favor of the proposal for reappointment of the president.

PICK UP

What Daiwa AM is looking for in dialogs with outside directors

① Daiwa AM firstly wishes to have a company assign an outside director with a high level of knowhow regarding management and financial strategy as well as capital market perspectives to supervise dialogs with shareholders and investors. This is because doing so will enable dialogs in which the participants share to some extent equivalent perspectives, and which achieve some depth through the outside director's experience of dialogs with other investors.

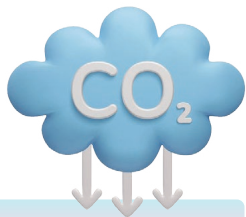
② We additionally wish to have outside directors speak in a frank and unreserved manner with those whom they may meet inside the company about the work duties with which they are tasked; their everyday perceptions; and their recognition of the issues. Daiwa AM regards these unfiltered perceptions as important

because the things that the outside directors perceive, from their independent and objective positions, approximate the feelings of shareholders and investors. We also believe that the details of their recognition of the issues will go some way to allowing confirmation that outside directors are satisfying their responsibilities in the overseeing of management from the perspective of minority shareholders.

③ Although outside directors are not positioned to conduct company business, it is essential that they fully understand the content of the management plan, owing to their involvement in the formulation of this plan and in overseeing its progress. For this reason, we expect that outside directors will speak in their own voices and offer candid feedback about the management plan.

Engagement on Bonds

For fixed income investments, as with equities, we engage in dialogs on the company's initiatives for issues with the potential to lead to future risks, while also conducting engagement themed, for example, on financial strategy and bond issuance policy, from bond-specific perspectives.



Case study of engagement with Company Q (electric power company) on decarbonization

While Daiwa AM holds corporate bonds in several electric power companies as part of our domestic fixed income investments, an increase in their weighting has become a factor in an increase in GHG emissions in domestic corporate bonds in comparison to the benchmark. We conduct engagements with several electric power companies on decarbonization, with Company Q among those with which we engage on an ongoing annual basis.

Company Q is completing disclosure on its 2050 net-zero targets, its interim targets for 2030, and its roadmap for achieving these. However, achieving future GHG emissions reduction and net-zero targets will be premised on the practical application of currently unestablished technologies such as ammonia co-firing and CCS utilization due to the company's high proportion of thermal power generation. Some of these technologies have demonstrated promising results in trial operations, and we requested that the company complete timely disclosure of progress in the

development of such technologies in a format based on its linkages with the roadmap. We also informed them that the GHG emissions which are currently targeted do not include those from overseas operations, and that these should be included in their net-zero target, especially for majority-investment power plants.

In response, Company Q outlined that it has to date routinely completed timely disclosures and that it is committed to continuing to do so in a clear and appropriate manner going forward. It also said that it recognizes as an issue the fact that GHG emissions of its overseas operations are not included in its targets, and that it intends to expand the scope of its disclosures going forward, which will include presenting roadmaps for each of its major investing countries. Daiwa AM plans to rigorously monitor whether the content of these dialogs is being actively reflected in forthcoming disclosures, while maintaining continuous engagement with Company Q going forward.

Joint Engagement with an Outsourcing Company

Daiwa AM has established a framework for joint engagements with investee companies for some funds through a partnership with an outside service provider. In addition to these joint engagements alongside the outsourcing company we also directly conduct engagements with investee companies. Below we introduce a case study of a direct engagement carried out during 2024 under review.



Case study of engagement with Company R (European renewable energy company)

Company R is a provider of infrastructure for renewable energy power generation and power transmission and distribution networks, mainly in Europe, including hydroelectric power, offshore wind power, and solar power. The company anticipates that the global trend of increased investment in clean energy will continue, due to the growing demand for electricity accompanying the progress of decarbonization policies, with an emphasis on Europe, and the increase in data centers, and regards the Japanese market as one in which there are business opportunities, particularly in offshore wind power.

Meanwhile, despite evidence of some anti-ESG trends in the U.S., we were able to confirm that the U.S. business of Company R was unlikely to be significantly affected by political currents such as the U.S. presidential election, as most regulations are implemented at state rather than federal levels and because network businesses constitute

its main operating domain in the U.S.

In terms of profitability, too, the selling price of renewable energies has declined due to an increase in global supply. However, the company's stable revenue source from the provision of power transmission and distribution networks and its high proportion of long-term contracts mean that it is positioned to secure stable revenue streams. Furthermore, for surplus electricity, the company has successfully secured profits by harnessing short-term spreads while monitoring price fluctuations by using its storage capacities.

Daiwa AM was able to confirm that the company's policy is to continue to actively invest with a steadfast awareness of profitability in the context of the global transition to clean energy, thereby aiming to increase its corporate value over the medium to long term.

Engagement on Foreign Stocks

Engagement on foreign stocks is handled by means of engagement at local subsidiaries as well as proxy engagement utilizing external vendors. Below we introduce respective examples of these initiatives.

Engagement at a local subsidiary

Daiwa Asset Management (Singapore) Ltd., Daiwa AM's Singapore subsidiary, actively engages in engagement activities to improve the medium- to long-term corporate value of investee companies, in accordance with the ESG Responsible Investment Policy set out in 2022. While the Asian region for which the Singapore subsidiary is responsible includes some countries where ESG has yet to achieve sufficient penetration, interest in ESG is high among management at corporations, and ESG issues are subject to lively discussions.

For Environment (E), Daiwa AM confirms the green

project plans of companies in recognition of this as an important perspective, in particular for companies in the oil and gas industry. We additionally emphasize green finance in our dialogs with finance and related companies. For Social (S), we focus on initiatives for supply chain management, such as the elimination of forced labor. For Governance (G), we highlight information disclosure, the treatment of minority shareholders by management, and capital policy. We also encourage companies to regularly publish ESG reports, as it is often difficult to obtain reliable ESG information in Asia.

Proxy engagement

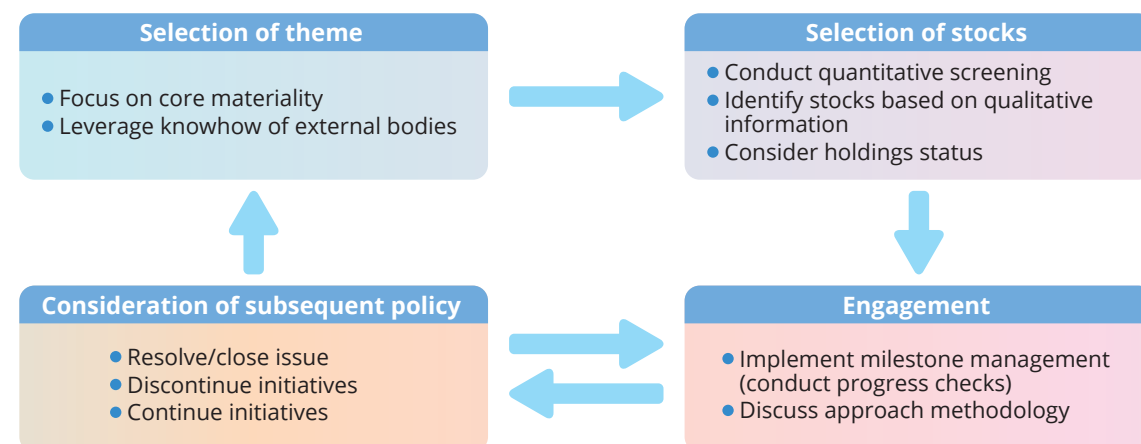
Daiwa AM uses Sustainalytics' Global Standards Engagement and a customized proxy engagement service provided by Glass Lewis for engagements on foreign stocks.

The former of these is an incident-driven proxy service focused on companies that have committed serious and systematic breaches of international standards such as the Ten Principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. By using this service, we effectively manage the reputational risk of Daiwa AM's foreign company holdings. It also allows us to address issues with serious environmental and societal consequences and we can anticipate the development of a deeper understanding of incidents with the potential to affect our portfolio which cannot be addressed by monitoring news on financial and related matters alone, with Daiwa AM thereby expecting that this will help us to fulfill our fiduciary duties to our beneficiaries.

The latter of these is a service whereby we request Glass Lewis to carry out proxy engagement with companies identified from among our foreign stock holdings that we consider as having high ESG risks. For this service, the engagement theme is determined based on the materiality set by the Daiwa AM, and the target stocks are selected with consideration to the statuses of the company's initiatives and of our holdings in the company. Currently, we conduct engagements having selected companies with high GHG emissions; those with challenges regarding their business and human rights initiatives; and those with issues in terms of their governance framework. Engagement is carried out and managed in line with pre-determined milestones, with progress shared between Daiwa AM and the company as required.

Below we introduce the process flow for a customized proxy engagement and a case study of proxy engagement using Global Standards Engagement.

Customized proxy engagement process flow



Case study of proxy engagement through Global Standards Engagement

Engagement Target : Uber Technologies, Inc. Issue : Data Privacy and Security

Overview Uber Technologies has been subject to multiple cyberattacks that have resulted in exposure of the personal data of its clients and drivers. The company's global privacy and data protection policies are inadequate. It is therefore essential that the company ensure compliance with privacy and data protection legislation, while also prioritizing the privacy of its clients, enhancing its data security, and improving its privacy programs in line with regulatory requirements and international norms. This will include implementing measures to ensure and monitor the proper processing and use of data. Daiwa AM also identified a coinciding need for the company to improve its disclosure to ensure transparency regarding the status of its progress toward such improvements.

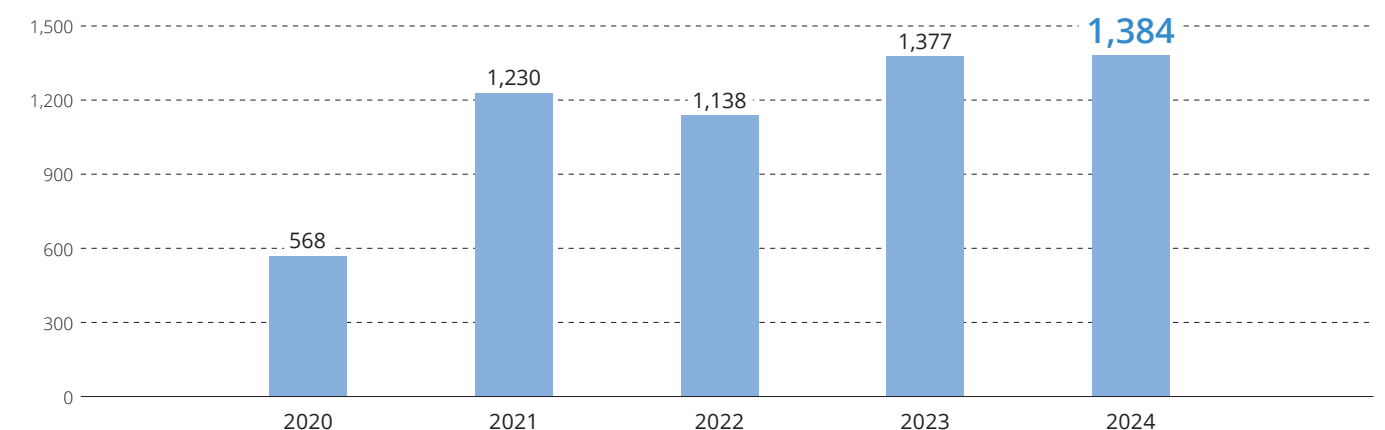
Engagement details Following dialogs on the previously outlined issues, Uber Technologies implemented an improvement plan and made complementary changes to its governance, operational AML, risk management, and compliance culture regarding issues relating to business ethics. The company subsequently disclosed a final report on the improvement program in 2024, which allowed us to confirm that it had fulfilled its accountability obligations.

Status of Three-in-one Engagement Activities

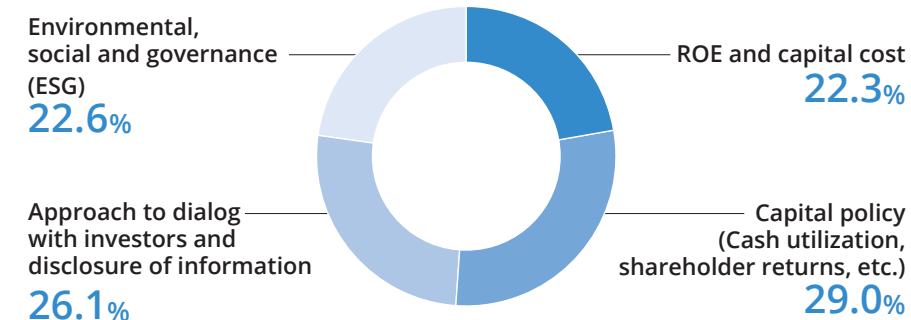
Engagement activities based on direct dialog

Daiwa AM uses a three-in-one engagement structure comprised of the Corporate Research Team, the Engagement Team, and the Stewardship Team. During the term under review (January 2024 to December 2024), the three teams collectively conducted 1,384 engagement activities with investee companies. The number of engagements to date and the ratios by engagement theme for the term under review are as follows.

Number of engagements



Ratios by engagement theme



Note: Some cases are included in more than one category, as the dialog in a given meeting may embrace multiple perspectives.





Corporate Research Team

Daiwa AM's "Integrated System" and "Engagement" on key survey issues

Daiwa AM's corporate research analysts have the three characteristics of: ❶ Offering "Full Coverage," encompassing all industries, ❷ Use of "Integrated System" for key survey issues (stocks), encompassing all aspects from surveys and ESG assessment through to forming opinions on proxy voting matters, and ❸ Conducting "Engagement" incorporating the provision of recommendations to management on issues in corporate management. For key survey issues in all sectors, including representative stocks of sectors and sub-

sectors, in addition to quantitative corporate analysis utilizing financial as well as industry data, our corporate research analysts conduct ESG assessments and form opinions on proxy voting matters under an "Integrated System," emphasizing direct and active overtures to management to institute improvements through "Engagement." Daiwa AM's analysts set out engagement themes for said engagements, with milestones then managed and progress shared via internal platforms, as well as being deployed in discussions with fund managers.



Engagement Team

Themed engagements and the use of internal and external information

The Engagement Team conducts engagements targeting companies outside the coverage scope of Daiwa AM's corporate research analysts. The team formulates themed reference materials covering topics such as reducing capital costs and improving investor relations, thereby encouraging companies to undertake change. For engagements, the team sets out the theme for the engagement, with milestones then managed and progress shared via internal platforms as well as being deployed in discussions with fund managers from other investment

teams. For management of funds on which engagement is focused, while we chiefly utilize engagement information from our corporate research analysts, our approach also involves increasing the share of stocks subject to engagement by fund managers in the Engagement Team. This team furthermore carefully monitors any changes in status in the domain of corporate governance while managing the fund based on trends in dialogs between companies and their shareholders and investors.



Stewardship Team

Dialogs on proxy voting and resolution of sustainability issues

A total of nine members (as of the end of December 2024) of the Stewardship Section's Responsible Investment Department have main responsibility for holding meetings that are focused primarily on investee companies' corporate governance and on the exercise of voting rights. The Stewardship Team collects information from the investee company that is needed for making decisions regarding the exercise of voting rights. In addition, during the course of the dialog with the investee company, the Team outlines the proxy voting strategy and Daiwa AM's expectations of the investee company in terms of corporate governance, with the

aim of having consensus with the investee company. In recent years, the content of dialogs has covered a wide range of topics, including medium- to long-term management, capital strategies, and ESG-related initiatives, with themes outside the exercise of voting rights and governance also being covered. Furthermore, although Daiwa AM strives to ensure a clear division of responsibility between the Stewardship Team and the Corporate Research Team, these two teams work collaboratively to engage in dialog with investee companies; for example, members of both teams may be asked to attend meetings, when necessary.

Daiwa AM's Vision for Investee Company Best Practice

Daiwa AM defines its vision of investee company best practice for the sustainable enhancement of corporate value as outlined below and conducts reviews of this vision on an ongoing basis. We use these cases as a tool to achieve more in-depth discussions on enhancing corporate value, including during engagements with investee companies.

Key Issues		Best Practice
Climate change / Natural capital	Climate change	<ul style="list-style-type: none">By formulating and analyzing climate change scenarios in line with the TCFD framework, the company identifies transitional risks, physical risks and business opportunities.The company implements quantitative monitoring of greenhouse gas emissions, emissions per unit of production, and the anticipated risks and opportunities.The company formulates a concrete roadmap and milestones for achieving carbon neutrality by 2050, and explains the progress made on an annual basis. It is also desirable that the company should set a goal of reducing emissions by at least 50% by 2030, in line with Daiwa AM's NZAMI intermediate goals.The company formulates and implements a business strategy that takes both risks and opportunities into account, and implements the summarizing and evaluation of activity implementation status.
	Natural capital	<ul style="list-style-type: none">The company grasps the business continuity risks by identifying links between natural capital (forests, water resources, mineral resources, biodiversity, etc.) and its own business activities throughout the value chain, and by analyzing its impact and the extent to which it is dependent on the natural environment.The company undertakes initiatives and disclosure in line with TNFD recommendations, including the identification of biodiversity risks and opportunities, scenario planning, and the formulation of business strategies, in an appropriate manner.The company engages in corporate activities which serve to promote the transition to a circular economy by maximizing the value of resources and products, minimizing resource consumption, and mitigating waste generation.
Social responsibility / Human capital	Social responsibility	<ul style="list-style-type: none">The company formulates a concrete human rights policy based on international human rights standards.The company assesses and identifies domains in which human rights risks are high from within its own operations, geographical areas of activity, and its supply chain.The company conducts ongoing human rights due diligence and audits and formulates due diligence results, as well as its issues for redress and improvement strategies.
	Human capital	<ul style="list-style-type: none">The company establishes executive positions such as Chief Human Resources Officer (CHRO), and formulates a human talent strategy integrated with its business strategy.The company's human talent strategy is intended to achieve both individual and organizational growth through facilitating job satisfaction as well as by making it more convenient for employees to work, while incorporating frameworks for recruiting and retaining first-rate human talent and for human talent cultivation, as well as initiatives for enhancing employee engagement.The company formulates initiative policies as well as specific measures to ensure diversity in accordance with the nature of the company's business, including those relating to nationality, age, gender, and the recruitment of experienced personnel.The company includes quantitative indicators and specific measures while formulating initiatives to reduce gender disparities as part of its gender diversity initiatives.The company should, desirably, at a future point in time, have female directors account for at least 30% of the membership of the board of directors. It is also desirable that the company together have in place a framework to enable the ongoing appointment (facilitate talent pooling) of female directors from within the company.
Information disclosure / Comprehensiveness / Importance	Governance framework	<ul style="list-style-type: none">The company has a board of directors composition that is appropriate and effective in terms of best practice. From the perspective of enhancing understanding of the board's effectiveness, it is desirable that the main initiatives decided on and discussions held at board meetings, etc. should be disclosed.The company formulates processes and criteria for decision-making in regard to management team succession. Besides outlining the knowledge, experience and capabilities that directors are expected to possess, the company also formulates a skill matrix and a director allocation plan for the future.The company does not adopt takeover defense measures.The company discloses the basic approach and philosophy that underpins its director's remuneration system. The company also adopts malus provisions and claw-back provisions.The company divides compensation into fixed compensation, short-term incentive compensation and long-term incentive compensation. Short-term incentive compensation is linked with and evaluated in relation to the degree of achievement of strategic objectives; long-term incentive compensation is linked with and evaluated in relation to corporate value. It is desirable for the share of total compensation held by long-term incentive compensation to be increased, within appropriate limits. Long-term incentive compensation should also be incorporated into compensation for outside directors where this would contribute to the enhancement of corporate value.The company considers the desirable number of members of the board, with a view to promoting a lively exchange of views at board meetings, to be around 10 at most.The company should, in its capacity as a listed company, make directors subject to the confidence of shareholders in each term with the term of appointment of directors set at one year.
	Risk management	<ul style="list-style-type: none">The company formulates rules governing diversity, human rights, supply chain, data security, etc.The company has adequate measures in place to ensure robust cybersecurity and rigorous employee training.The company's internal auditing requires the maintenance of a direct reporting line to the board of directors and the board of auditors.The company should preferably establish a framework for ensuring group-wide internal controls, and that the internal reporting system should provide multilingual support in line with the internationalization of corporate activities.The company will establish a management system to prevent misconduct or scandals, and put in place a framework so that, in the event that misconduct or a scandal occurs, the reasons why the internal controls system did not function properly will be thoroughly investigated, strategies will be formulated to prevent reoccurrence, and the implementation and effectiveness of these strategies will be confirmed and verified on a periodic basis.
	Improving capital efficiency	<ul style="list-style-type: none">The company implements the following measures so as to raise ROE above equity cost and realize a continued, steady expansion of the equity spread.The company formulates a long-term vision, and formulates a medium-term management plan through back-casting from this.The company's medium-term management plan clearly specifies the growth strategy, and the company monitors progress status on a regular basis with respect to the investment planning and key measures needed to achieve this.The company considers withdrawing from or selling off businesses and assets with low capital efficiency where there is no prospect of improvement. The company will also work actively to reduce cross-shareholdings.The company will formulate an appropriate approach to capital structure and shareholder returns.
	Dialog with stakeholders	<ul style="list-style-type: none">The company implements adequate disclosure of financial and non-financial information through integrated reports and other means, discloses detailed supplementary information on financial results, and undertakes other disclosures in a timely manner.The company creates opportunities for dialog between senior management, outside directors, employees and shareholders. The company also holds regular business presentations and site visits, etc.The company's management philosophy, long-term vision and business plan are consistent with one another and are able to appeal to stakeholders.The company's outside directors are aware of where the company needs to be, are capable of confirming and pointing out the company's problems, and are provided with adequate information by the company.IR personnel have access to all necessary information for engaging in dialog with investors, and the management team receives feedback on the content of dialog with investors.In regard to initiatives relating to key ESG issues, the company implements all necessary disclosure adequately, and also engages in dialog with stakeholders.
Corporate value enhancement		

(Date of revision: November 20, 2024)

Message to Our Investee Companies

We seek constructive two-way communication as part of engagement. However, we currently feel that there are various and significant gaps with the ideal scenarios. We believe that gradually bridging these gaps through repeated engagement will facilitate sustainable enhancement to corporate and shareholder value and that this will also contribute to the further development of the capital market in Japan.

Precisely because we hold these convictions, Daiwa AM expects the following actions from the investee companies with whom we engage in dialog to help close the existing gaps.



Daiwa AM's expectations

Expectation 1



Straightforward explanations of key selling points

At the beginning of an engagement, even if we request a focused explanation of key selling points, many companies still tend to explain all their materials. If the companies cannot concisely explain their initiatives, the true value of the company will not be conveyed, expectations for management will decrease, and the points of discussion may become confused. Therefore, Daiwa AM expects a concise explanation of their key selling points.

Expectation 2



Unflinching and proactive exchange of views

Engagement is a "dialog," and "bidirectionality" of communication is important. However, actual dialogs often take the form of a one-way exchange, with Daiwa AM taking charge of questions and answers throughout. Merely explaining materials or answering questions does not constitute "constructive dialog." At times, either rebuttals or counter-questions are also needed. For this reason, Daiwa AM expects a proactive exchange of views, whether this is before, during, or after dialogs.

Expectation 3



Showcasing changes based on dialogs

Unless it is an initial engagement, we expect changes to be instituted based on dialogs. Investors are convinced that dialogs will serve to facilitate enhanced corporate value. If nothing is gained from dialogs, these will represent nothing more than a waste of time for both parties. Accordingly, Daiwa AM asks that companies reaffirm the purpose of dialogs and showcase the changes that have been instituted as a result thereof.

Expectation 4



Dialogs in which the meeting itself is not the objective

There are many instances where we perceive that the meeting itself has been defined as the objective by our counterparts in dialog. This is the case, for example, when we are suddenly invited to "please ask any questions now." While we do carefully read the materials in advance based on the defined purpose of the dialog, we feel uncomfortable embarking on a meeting with counterparts who do not have a direct message they wish to convey. Daiwa AM thus expects that companies will have an enthusiastic attitude of wishing to engage in dialogs which specifically aim to enhance their corporate value.



The Stewardship Team

Engagement Plan for the Next Fiscal Year

Enhanced collaboration between the Corporate Research Team and the Stewardship Team

Daiwa AM has remained committed to promoting our signature three-in-one engagements. However, we are now endeavoring to qualitatively improve our various forms of engagement by facilitating a further deepening of the collaboration between our various teams. As part of this, we have arranged several opportunities for

discussions between our Corporate Research Team and Stewardship Team, the results of which we have reflected in our materiality, best practice, and revised Proxy Voting Policy. We will continue to enhance collaboration, including through the sharing of knowhow, with the aim of further enhancing our engagement capabilities.



Enhancing engagement with overseas companies through the utilization of customized proxy engagement service

For engagement on foreign stocks, Daiwa AM's local subsidiaries conduct engagements, with engagements also carried out via proxy engagement by external vendors. For proxy engagement, we have previously utilized Morningstar Sustainability's Global Standards Engagement service and have now additionally started using a customized proxy engagement service provided

by Glass Lewis. As this service provided by Glass Lewis enables customized engagements in line with Daiwa AM's materiality, we believe these will facilitate enhanced engagement with overseas companies and contribute to both improving operational performance and the resolution of societal challenges through enhancement to corporate value.

Enhance and maintain signature engagement activities

For engagement under Daiwa AM's signature engagement initiative of "lingagement," we will actively maintain initiatives to provide opportunities for interaction between investee companies and introduce them to best

practice companies. As part of this, Daiwa AM's approach is to continue to convene the information exchange meetings that we have been holding since 2021, after setting out new themes.

Enhancing passive engagement



Daiwa AM will also continue to actively undertake passive engagement, aimed at boosting the overall market. Specifically, we conducted focused engagement on companies that are failing to keep pace in their initiatives to address our core materialities, which are selected based on an analysis of two of these materialities: the perspectives of "sustainability," and facilitating "long-term returns." Daiwa AM is committed to continuing to approach the grouping of companies to which this applies based on milestone management.

Proxy Voting

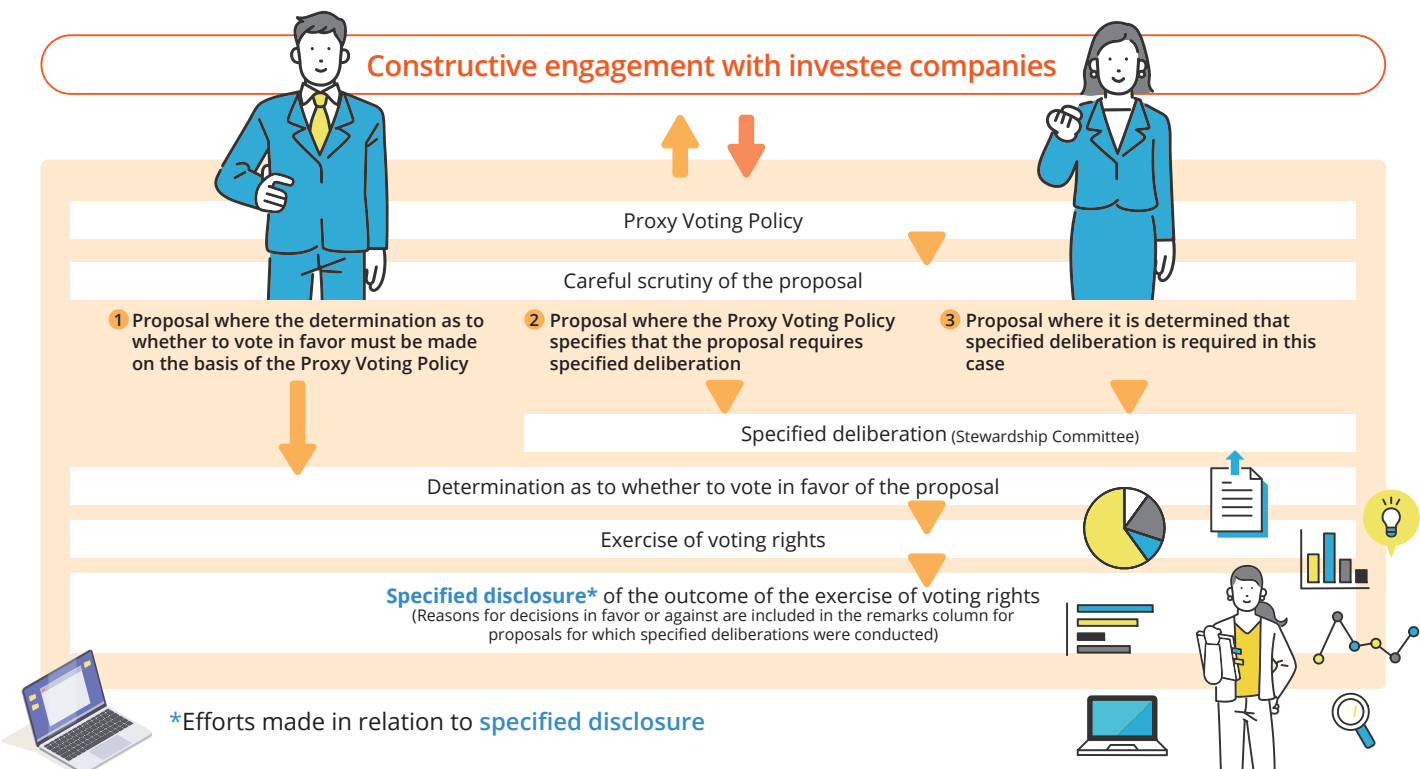
Proxy Voting

Key features of Daiwa AM's Proxy Voting Policy

- We will fulfill our fiduciary duty, aiming to improve the medium- to long-term value and sustainability of investee companies while at the same time exercising our voting rights in consideration of the interests of minority shareholders.
- In principle, we will exercise our voting rights on shares of all investee companies for which we have authority to exercise them, without distinguishing between active and passive management.
- When exercising voting rights, the decision as to whether to vote in favor or against is determined independently by Daiwa AM based on criteria established by the Stewardship Committee (Proxy Voting Criteria). Specific Proxy Voting Criteria are formulated and made public.
- As a criterion for evaluating performance, we make rational decisions based on the relative position of investee companies in the TOPIX-17 series indices (sector indices), which are more in line with the actual circumstances of the investee companies.
- Based on individual consideration drawing on the results of constructive dialog (engagement) with the companies, we may in some cases make decisions for or against that diverge from the Proxy Voting Criteria (including escalation strategies).

Proxy voting process

Proxy voting is implemented by means of the following process, which reflects the knowhow obtained through constructive dialog with investee companies. Daiwa AM is also committed to deepening our mutual understanding by engaging in constructive dialogs with investee companies through the proxy voting policy and outcomes, thereby contributing to enhancements to the corporate value of investee companies.



- *Efforts made in relation to **specified disclosure**
- Early disclosure** We disclose the names of individual investee companies and how we decided to vote on each proposal by the end of the month following the month in which the shareholders meeting took place.
 - Dedicated website** We provide a website environment that makes it easy to check how votes were exercised, with the ability to search by the date on which the shareholders meeting was held, or by stock name.
<https://viewpoint.glasslewis.com/WD/?siteId=DaiwaAM>
 - Excel file download function** Excel files containing data on the exercise of voting rights can be downloaded for data compilation and analysis.

Key Changes in Our Proxy Voting Policy

We have made the following changes to our policy on the exercise of voting rights (in relation to Japanese equities).

IR implementation criteria

While it was originally intended that the criteria relating to non-implementation of IR activities (including the holding of financial results briefings) would be utilized in combination with performance criteria, in light of how important it is for listed companies to fulfill their accountability to shareholders and investors, it was decided to add a new item, specifying that Daiwa AM would vote against the re-appointment of company representatives who failed to hold financial results briefings.

Company officer gender diversity

Regarding the extent to which gender diversity is expected in relation to company officers, in the past this was assessed on the basis of what percentage of those attending board meetings belonged to a particular gender, regardless of whether the individual in question was a director or auditor. However, it was felt that, in terms of reflecting gender diversity in management decision-making, the scope of assessment should be limited to directors, who actually have the right to vote at board meetings, so it was decided that, in the case of companies listed on the Prime Market of the Tokyo Stock Exchange, companies would be expected to have representatives of more than one gender on their board of directors.

Companies that fail to implement disclosure of “action to implement management that is conscious of cost of capital and stock price”

We decided that, if a listed company fails to respond to the Tokyo Stock Exchange’s “action to implement management that is conscious of cost of capital and stock price” disclosure request, despite a company’s stock price having fallen below the liquidation value, this represents a major failing on the part of that company’s managers, and so in such cases Daiwa AM would vote against the re-appointment of the company’s representative.

Note: This criterion will come into effect starting with shareholders meetings held in June 2025.

Attendance rate of outside directors and outside auditors at board meetings and other meetings

Originally, it was deemed problematic if outside directors’ and outside auditors’ attendance rate at meetings such as that of the board of director or board of auditors was less than 75%. However, it was felt that, given that ideally the attendance rate should be 100%, the current threshold was too low, and so it was decided to raise the required attendance rate to 85%.

Performance criteria

Regarding the abolition of the ability to use PBR performance to compensate for low ROE, it was decided that it would be more appropriate to have only ROE as the main performance criterion, for the following reasons: ① Fluctuations in the stock price may be primarily caused by factors other than managerial diligence, and so it can be not appropriate to use the stock price as a criterion for deciding whether or not to approve the re-appointment of directors; ② With the existing criteria, there was a danger of sending the misleading message that “As long as PBR exceeds 1, it doesn’t matter if ROE is low.”

Exchange results in abnormal values, so it was decided that we would aim to normalize the threshold values by restricting the scope of calculation to companies listed on the Prime Market or Standard Market.


With regard to companies whose IR activities were seriously inadequate, in the past this was just one of the factors taken into account when evaluating performance. However, in line with Daiwa AM’s approach which places emphasis on IR and information disclosure, it was decided that failing to hold financial results briefings would be established as a separate criterion in its own right.

In addition, recently there have been some industry categories where the baseline value for low ROE has exceeded 8%. As it was not desirable for cases where ROE exceeded 8%, which would normally be considered to exceed equity cost, to result in voting against the re-appointment of directors on the grounds of failure to meet performance criteria, a maximum level was set for the threshold for determining low ROE.

In the past, the determination as to whether PBR fell within the bottom 33% of companies in the same industry was based on all listed companies. However, there are some industries where including the Growth Market of the Tokyo Stock



Changes in Performance Criteria

Date of Adoption	Adoption or Revision Content	Key Aspects of Adoption or Revision
June 2008	● Adoption of ROE as an indicator	Initially, it was determined that investee companies that posted an ROE of less than 3% for three consecutive years would be scrutinized (although if the ROE was trending toward improvement, then having an ROE of less than 3% would be deemed not to be a problem). Subsequently, the appropriate ROE level was discussed by the Committee every year, and was maintained at the 3% level.
May 2014	● Adoption of the following as ROE evaluation criteria: ① ROE for the last three fiscal years fell within the bottom 33% of companies in the same industry. ② ROE has been falling for the past two fiscal years, and ROE in the most recent fiscal year fell within the bottom 33% of companies in the same industry. (However, a company may be excepted from this based on analysts' opinion, after being individually considered by the Committee)	Following discussion based on a recognition of the need, in line with Japan's Corporate Governance Code, for more detailed performance criteria that take into account enterprise characteristics, improvements in performance, the wider economic environment, etc., it was decided to adopt an approach whereby performance would be evaluated relative to other companies in the same industry, based on the TOPIX-17 sector indices.
May 2016	● Adoption of PBR criteria in addition to ROE criteria	From the viewpoint that evaluation criteria should incorporate stock price information that could be deemed to reflect the market's evaluation of the current status of, and future outlook for, a company's ROE, an additional evaluation threshold was adopted based on whether PBR fell within the bottom 33% of companies in the same industry.
July 2016	● Taking PBR into account in relation to the criterion of making a loss in three consecutive fiscal years	This revision was made to maintain coherence in relation to the adoption in May 2016 of PBR criteria with respect to the determination of low ROE.
Mar. 2018	● Switching over to new criteria with respect to cases where low ROE is combined with failure to implement IR, in line with the formulation in August 2015 of new rules regarding failure to implement IR	It was determined that companies where there were concerns regarding managerial performance or the efficient utilization of shareholders' capital, and whose IR activities were seriously inadequate, would be considered to have problems, even if the company's PBR was not particularly low relative to other companies in the same industry.
Mar. 2019	● Establishment of an additional provision allowing for exemption in the case of companies whose ROE has been rising in the two most recent fiscal years	A change was made to add analysts' qualitative analysis to the evaluation process, to allow for disparities between industries and between the circumstances of individual companies.
May 2020	● Exercise of proxy voting rights began to take into account the impact of the COVID-19 pandemic	While ROE and PBR were used as indicators in relation to the effective utilization of shareholders' capital, this did not imply that investee companies should be so under-capitalized as to impair the sustainability of the enterprise. Recognizing the need to take current circumstances into account, from the perspective of enhancing corporate value over the medium to long term, it was decided to temporarily waive the criterion that companies whose ROE had been falling for two consecutive fiscal years would be deemed to have a problem.
Sept. 2021	● Change to requiring scrutiny of companies that have made a loss for three consecutive fiscal years and which have also posted a PBR of less than 1.0x in the most recent fiscal year	As continuing to have a low ROE and continuing to make a loss are problems on different levels, it was felt that the PBR threshold applying to a company making a loss should be more stringent than that applying to a company with a low ROE, and so the threshold was changed to a minimum PBR of at least 1.0x (liquidation value).
Apr. 2023	● Note added to the effect that "net income attributable to owners of the parent company will be used as the criterion for determining whether a company has been making a loss"	While one of the conditions used to determine whether there are problems with a company's managerial performance is whether the company has been making a loss for three consecutive fiscal years and also has a PBR of less than 1.0x, there had not been a clear stipulation as to which definition of profit should be used to determine whether the company had been making a loss, so a note was added to clarify the evaluation criteria.
May 2023	● Exercise of proxy voting rights ceased to take into account the impact of the COVID-19 pandemic	The regular performance criteria began to be applied again.
Oct. 2023	● Abolition of the PBR threshold criterion for companies that have made a loss for three consecutive fiscal years, with a change to setting the criterion as having a PBR of less than 1.0x as of the end of the most recent fiscal year ● The criterion of having a downward trend in ROE for the most recent two fiscal years was also abolished	While a PBR condition was incorporated into the low-ROE performance criteria, setting the threshold as having PBR that fell within the bottom 33% for companies in the same industry could not reasonably be said to correspond to being viewed positively by the market. As the yardsticks for determination of being viewed positively by the market may include liquidation value, and in line with Tokyo Stock Exchange requirements, etc., it was decided to change the threshold value of PBR to 1.0x. With regard to companies that have been making a loss for three consecutive years, it was considered that there was clear managerial responsibility regardless of how the company was viewed by the market, and so the PBR condition was eliminated. In addition, with regard to the condition that classes a company that has had falling ROE for the most recent two fiscal years as having problems, although this could enable early identification of problem companies that have experienced a rapid deterioration in performance, as the general principle is to look at ROE over a period of three years, and as there were concerns about maintaining inter-industry fairness in relation to qualitative evaluation, it was decided to eliminate this criterion.
Feb. 2025	● With regard to the low-ROE criterion, the ability to compensate for low ROE with PBR was eliminated ● Regarding the threshold of having ROE that has fallen within the bottom 33% for companies in the same industry for the most recent three fiscal years, a note was added to the effect that "if the level exceeds 8%, it will be deemed to be 8%" ● It is decided that the determination of whether a company falls within the bottom 33% for companies in the same industry based on the TOPIX-17 sector indices will be calculated for the Prime Market and Standard Market of the Tokyo Stock Exchange ● In regard to the condition of having IR activities that are seriously inadequate, utilized in conjunction with the performance criteria, this was made into a separate criterion, defined as "a company that does not implement financial results briefings"	See "Key changes in our Proxy Voting Policy" in the previous page. 

Message from the Head of the Responsible Investment Department

Engagement and the exercise of voting rights are an integral part of the process of promoting the enhancement of corporate value

Fumiaki Saguchi
Head of Responsible Investment Department,
Managing Director
Stewardship Analyst

Regarding voting rights for stocks that form part of Daiwa AM's assets under management, we exercise these rights in accordance with our company's Proxy Voting Policy. When exercising voting rights, we undertake engagement with the investee company as necessary, and we may vote in a way that diverges from the Proxy Voting Policy if, on the basis of the information we have obtained through the engagement process and our understanding of this information, we believe that doing so will help to enhance the corporate value of the investee company. Furthermore, in cases where we do exercise voting rights in accordance with the Proxy Voting Criteria, this reflects our approach to corporate governance, and any suggestion that we follow the Proxy Voting Criteria mechanically is not justified. In assessing corporate value appropriately, and in deciding how to exercise voting rights based on that assessment, it is

vitaly important to understand the initiatives and thinking adopted by the investee company, and the information disclosed by the company is very important in this regard. Being able to examine not just the disclosure information mandated by law, such as a securities report, but also an integrated report that combines financial and non-financial information, can provide a very useful reference for investors in their decision-making. Daiwa AM aims to strengthen mutual understanding between itself and investee companies, so that they can work together to enhance corporate value. We view engagement and the exercise of voting rights as constituting an integral part of this process, and as methods for supporting companies' long-term growth and sustainability. We hope that investee companies will continue to proactively implement disclosure and engage in dialog with us.

Approach and Response to Shareholder Proposals

Votes in favor or against proposals by shareholders

Recently, shareholder proposals have been on the increase, with various such proposals also having been put forward for discussion in 2024. Daiwa AM has based decisions on votes in favor of or against shareholder proposals on the following approach, principled on the application of our Proxy Voting Policy.

Approach to major shareholder proposals

- Appropriation of surplus: Decisions made from the perspective of improvements to corporate and shareholder value over the medium to long term following a comparison with the company's proposal
- Treasury stock acquisitions: Consideration of the company's use of shareholder equity, cash flow and other factors
- Sale of cross-held shares (proposals to amend the Articles of Incorporation): Consideration of the appropriateness of cross-shareholdings; measures to reduce cross-held shares; period of sale sought by shareholder proposal; appropriateness of share quantity to be sold, and other factors based on the status of company's use of shareholder equity
- Disclosure of capital costs (proposals to amend the Articles of Incorporation): Consideration of the company's disclosure statuses (including engagement) for their medium-term management plan, capital policy and growth strategy, with the capital costs of the company in mind
- Proposals seeking responses to climate change (proposals to amend the Articles of Incorporation): Consideration of climate change initiatives and disclosure statuses of the company

Approach to proposals to amend the Articles of Incorporation

Daiwa AM bases decisions on shareholder proposals put forward for discussion as proposals to amend the Articles of Incorporation on a combination of the following perspectives:

- ① Whether the inclusion of the proposal content in the Articles of Incorporation will be an obstacle to the business development of the company in question
- ② Whether the proposal will contribute toward the enhancement of corporate value, and whether it is appropriate for inclusion in the Articles of Incorporation.

Examples of Engagement with Companies That Receive Shareholder Proposals, and Points Considered When Making Decisions Regarding the Exercise of Voting Rights

Daiwa AM strives, as far as possible, to make decisions regarding the exercise of voting rights only after meeting with both the investee company that has received the shareholder proposal and the shareholder making the proposal and confirming their respective thinking. In 2024, there were eight cases in which we met with both parties.

Engagement case studies



Example 1 Company S

Outline of Shareholder Proposal

- Company S had Company T as an affiliated company accounted for by the equity method, but the business synergy between the two companies was very limited.
- On the face of it, the ROE of Company S was relatively high, but this was mainly because Company S had Company T as an equity method affiliate.
- In reality, ROE was low, indicating a need for Company S to sell off its shares in Company T (synergy with which was limited) and expand growth-oriented investment or make more efficient use of its capital.
- To this end, a proposal was made that the Articles of Incorporation should be amended to stipulate that Company S's share in Company T should be reduced to less than 15% within two years.

Topics of Discussion with Company S

- Company S's strategy regarding its holding in Company T, and the synergy that Company S expected to derive from this holding.
- Company S's strategy for increasing corporate value in the future.

Topics of Discussion with Shareholder Proposer

- Background to the shareholder proposal, and key points.
- Issues with Company S's capital strategy.

Issues for the Stewardship Committee

Issue 1 Synergy between Company S and Company T. Whether to support Company S's strategy for enhancing corporate value.

- Despite the historic nature of the relationship between the two companies, Company S's railway lines and Company T's facilities are not geographically proximate to one another, and it had not been clearly demonstrated that there was potential for synergy with Company T's other businesses, including the bus operation business. The fact of holding shares in Company T as an equity method affiliate was therefore a factor in reducing Company S's effective capital utilization efficiency.
- Company S had stated that selling off shares in Company T was one potential method of procuring funds for growth-oriented investment, but it had not given a concrete explanation of the anticipated timing of such a sale, or the amounts involved, and it had not given a clear explanation of the plan for returning value to shareholders.
- The impression was given that deriving substantial earnings from having Company T as an equity method affiliate was a factor in Company S's management decision-making being somewhat lackadaisical; there were also concerns about Company S's senior management's attitude toward enhancing the profitability of their core business if things continued the way they were.

Issue 2 Whether the sale of Company S's shares in Company T will lead to an increase in Company S's corporate value over the medium to long term. Whether including a stipulation regarding the shares in the Articles of Incorporation will be an obstacle to business development.

- It can be deduced that, within the next few years, Company S will need to procure funds for business investment, but currently the company has not disclosed a concrete funding plan. If the sale of shares in Company T is used to meet funding needs, it can be anticipated that the resulting progress in business investment would lead to an enhancement of corporate value over the medium to long term.
- The proposing shareholder was requesting that Company S sell off its shares in Company T to the extent that is practicable. They did not seek to place any restrictions on the purposes to which the proceeds of the sale would be put, and they respected the company's right to make its own decisions regarding future management. It is therefore unlikely that the inclusion of a note in the Articles of Incorporation would constitute an obstacle to the company's business operations.

Exercise decision points and results

Having determined that, from the perspective of strengthening business investment and the efficiency of capital use, selling off the shares held in Company T would contribute toward enhancing corporate value over the medium to long term, we decided to support the shareholder's proposal.

Proxy Voting Outcomes

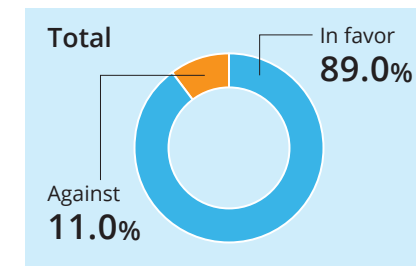
In 2024, proxy voting rights were exercised for 2,370 Japanese companies and 3,431 non-Japanese companies.

The following table shows the status of those votes by proposal.

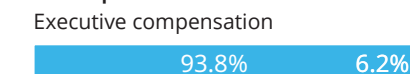
■ In favor ■ Against ■ Pending*1

Domestic stocks

Proposals relating to company proposals



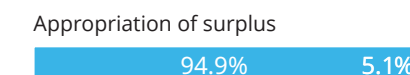
Proposals relating to Executive compensation



Payment of retirement benefits for retiring Executives



Proposals relating to capital policy (excluding proposals relating to the Articles of Incorporation)



Organizational restructuring*2



Introduction, revision or abolition of takeover defense measures



Other proposals relating to capital policy*3



Proposals relating to company organization

Appointment and dismissal of Directors



Appointment and dismissal of Corporate Auditors



Appointment and dismissal of Accounting Auditors



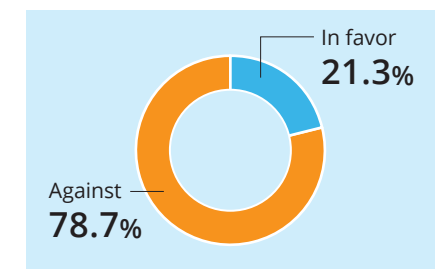
Proposals relating to Articles of Incorporation



Other

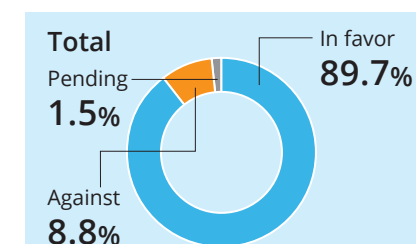


Proposals relating to shareholder proposals



Foreign stocks

Proposals relating to company proposals



Proposals relating to capital (issuing of shares, etc.)



Proposals relating to amendment of the Articles of Incorporation



Proposals relating to compensation



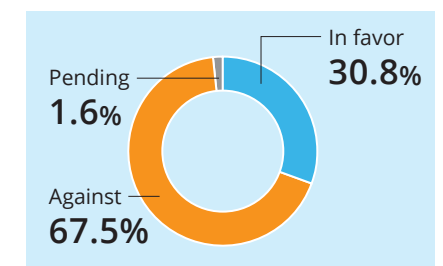
Proposals relating to mergers and acquisitions



Other proposals



Proposals relating to shareholder proposals



*1 We may choose "Pending" for decisions on exercising votes on foreign stocks from the standpoint of improving shareholder value.

*2 Includes proposals relating to mergers, business transfers and acquisitions, share swaps, share transfers, corporate splits, etc.

*3 Includes proposals relating to treasury stock acquisitions, reduction of statutory reserves, increase in allocation of new shares to third parties, capital reduction, reverse stock splits, issuing of classified stock, etc.

Sustainable Investment

ESG Investment Policy

Through its asset management business, Daiwa AM aims to make a positive contribution toward Beneficiaries' asset formation over the medium to long term. To achieve this goal, besides the appropriate selection of investment assets (i.e., stocks and bonds), enhancing the medium- to long-term corporate value and sustainability of the issuer companies and organizations (hereinafter "investee companies") is also extremely important, while maintaining the sustainability of society as a whole is also a prerequisite.

To enhance the medium- to long-term corporate value and sustainability of investee companies, it is vital to build

a good relationship with the environment (E) and society (S) based on appropriate governance (G). We believe that this can also contribute toward the realization of a highly sustainable society.

In playing a role as a link in the investment chain alongside Beneficiaries and investee companies, Daiwa AM is implementing measures that embody a focus on the key aspects of ESG. We have adopted the same ESG investment approach across the full range of the active investment, passive investment, and investment outsourcing that constitute our investment management strategies/products.

ESG Investment Policy

- 1 Through our asset management business, we aim to provide investment opportunities to companies that are actively working on ESG and SDG issues and to contribute to the realization of a highly sustainable society.
- 2 We will consider companies' ESG initiatives as factors that contribute to both medium- to long-term growth potential and risk reduction and will incorporate them in our investment decisions.
- 3 Through constructive dialogues, we call for companies to actively engage in ESG initiatives, and share ESG issues to help them improve their medium- to long-term value and sustainability.

In addition, based on the strategy outlined above, Daiwa AM has positioned the following items as its ESG Materiality (key issues), and is striving to accurately monitor the status of investee companies and industry as a whole, and to share its awareness of these issues.

Daiwa AM's Materiality is outlined here ( see p. 32)

ESG Integration

Since the UN-supported Principles for Responsible Investment (PRI) were introduced in 2006, ESG has been an integral part of asset management. The companies that Daiwa AM invests in are also having to deal with climate change, human rights issues in the supply chain, etc., and have been brought to recognize the need to enhance their own sustainability. At the same time, it should not be forgotten that addressing these issues will also lead to the generation of new technologies and new business opportunities.

Daiwa AM views investee companies' initiatives to address ESG issues as leading to increased growth

potential over the medium to long term, and as helping to reduce risk, and we refer extensively to these initiatives when making investment decisions. By combining qualitative evaluation based on materiality-focused engagement with investee companies and other enterprises with quantitative evaluation undertaken by quantitative analysts, we are able to implement corporate valuation that integrates financial and non-financial information. We also calculate our own unique ESG scores based on our Materiality, and use these scores when selecting stocks for inclusion in our portfolio and when implementing portfolio risk assessment.

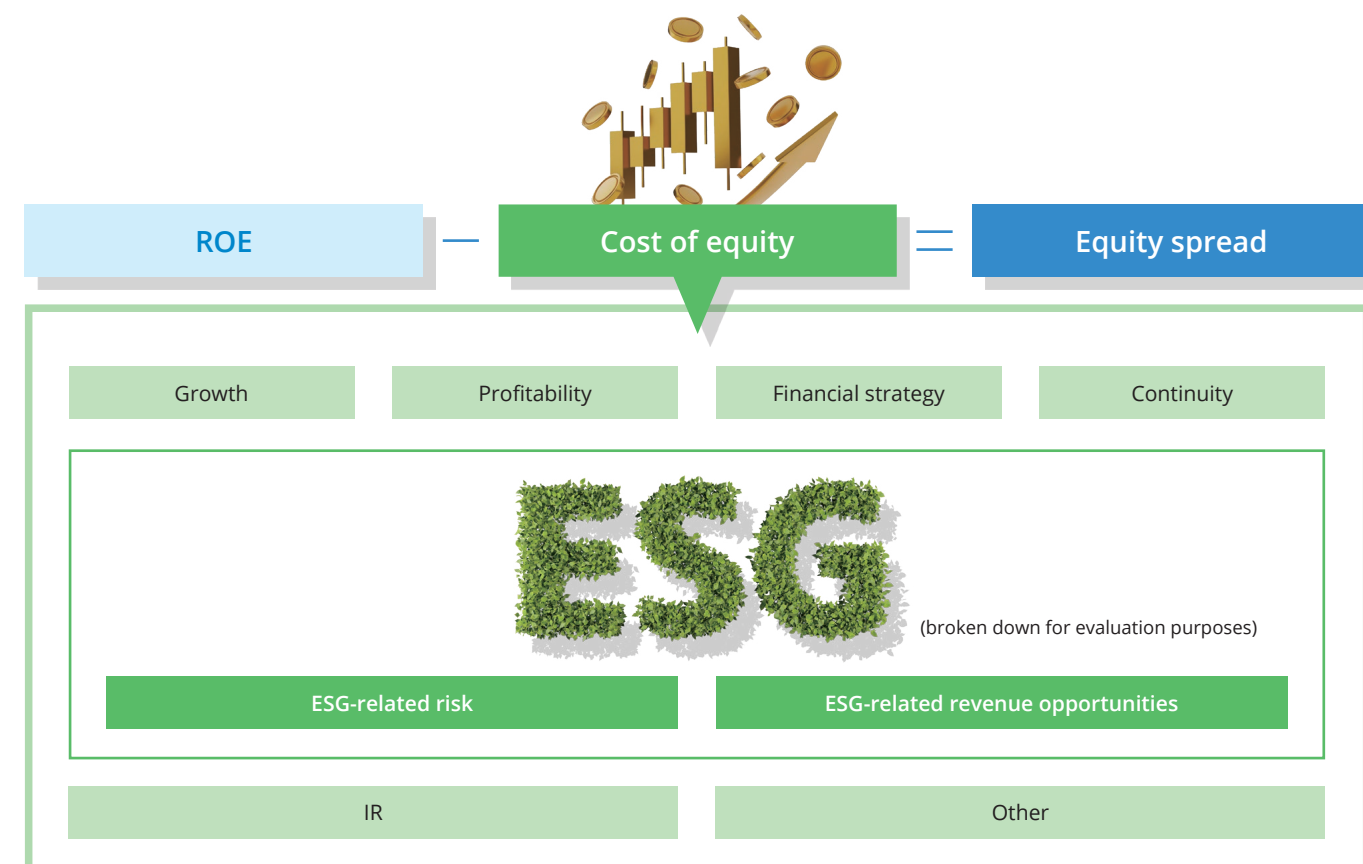
Corporate valuation and ESG data

What interests equity investors most in terms of the returns they can obtain from investee companies is equity cost. It is possible to measure the extent to which the value generated by a company can exceed this anticipated return.

We conduct corporate valuation by integrating qualitative evaluation based on investee companies' approach to ESG, as ascertained through dialog with them, and the status of their related initiatives, into our unique long-term corporate value model.

More specifically, our corporate research analysts adjust equity cost to reflect both financial data and non-

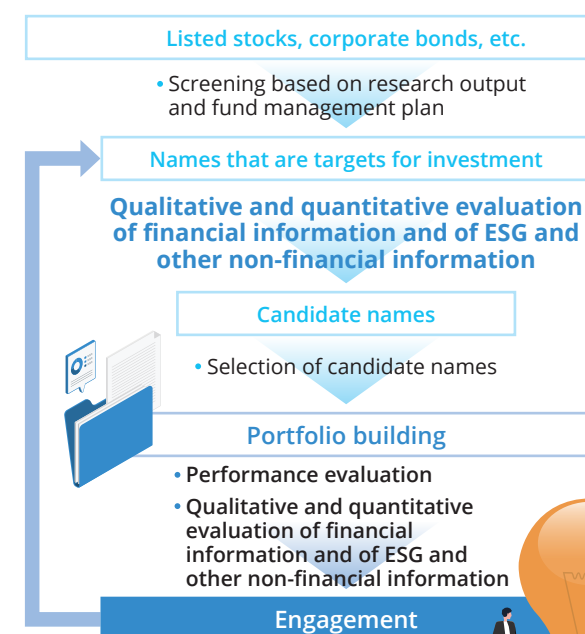
financial data (including ESG data), and then use the equity spread (calculated by deducting equity cost from the return on equity) to calculate corporate value (see figure on next page). For example, if a company has outstanding corporate governance, this means lower risks for investors, which in turn will lead to lower equity cost and thus higher corporate valuation. A further point is that, by breaking ESG evaluation down into risks and opportunities, we have a framework that enables us to determine, in detail, what impact a company's initiatives for ESG issues are having on its corporate value.



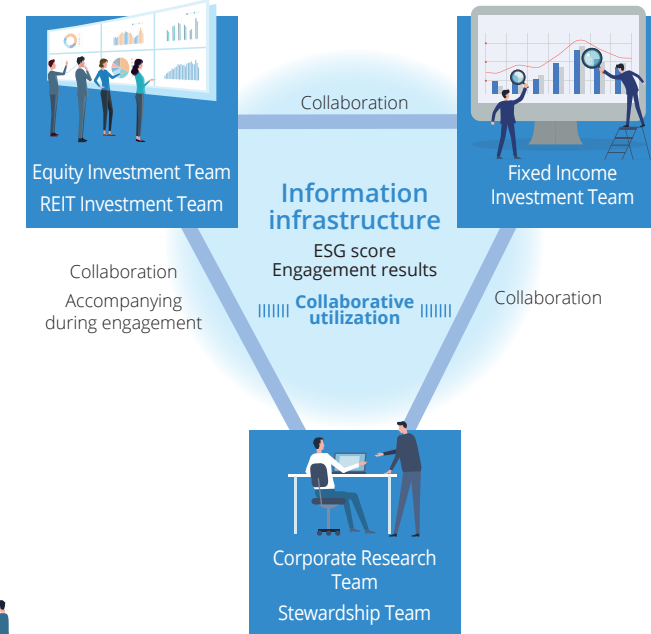
Integration of ESG information, etc. into the investment process, and collaborative utilization of this data via the information infrastructure

ESG scores and the content of dialog with companies are stored in our in-house information infrastructure, a system that allows anyone involved in asset management to utilize the information. By utilizing this information not only for equity investment but also for fixed income investment, Daiwa AM has succeeded in taking credit analysis to a higher level.

Investment process of funds



Collaborative utilization of information



In-house ESG score

What is our in-house ESG score?

With the aim of identifying companies' ESG-related risks and opportunities from multiple perspectives and then using this information effectively in investment decision-making, Daiwa AM calculates its own proprietary ESG scores. In the spring of 2023, the existing ESG score system was revised, and Version 2 was introduced.

With the new ESG score system, quantitative evaluation of ESG data is used to build models. By comparison with the old system, significantly increased number of data items makes it possible for more accurate scoring that reflects the actual situation.



ESG score and performance

Using the ESG scores compiled by Daiwa AM, the universe of stocks was divided into five quintiles and then the performance disparity between the first quintile (highest scores) and fifth quintile (lowest scores) of stocks was

analyzed. It was found that, over the period measured, the stocks in the first quintile steadily outperformed the stocks in the fifth quintile, showing that, on average, the higher a company's ESG score, the better its performance.

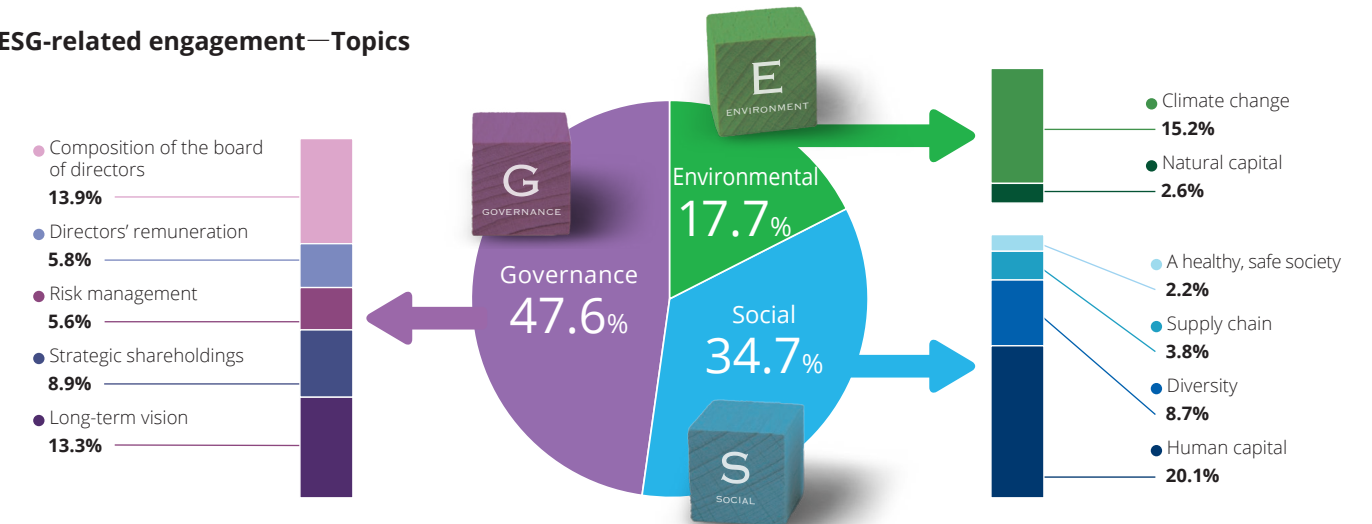
ESG score—cumulative returns (first quintile to fifth quintile)



Note: The stock universe comprised the stocks included in Japan's TOPIX 1000 index. When monthly rebalancing is executed, neutralization is implemented using Daiwa AM's proprietary industry classification.

ESG engagement

ESG-related engagement—Topics



Period covered: January–December, 2024

The share of engagement topics accounted for by each of the three major categories—Environment (E), Social (S), and Governance (G)—remained roughly the same as in the previous year. The share of topics accounted for by the G aspect rose from 46.5% to 47.6%, while the shares held by the other two aspects both fell slightly, from 35.0% to 34.7% in the case of S, and from 18.5% to 17.7% in the case of E.

Examining each category in more detail, contributing factors in the rise in the share of engagement topics held by G included an increase in the share of topics relating to strategic shareholdings (from 8.0% to 8.9%) and in those relating to directors' remuneration (from 4.5% to 5.8%). In the case of E, there was a fall in the share of topics relating to climate change (from 16.7% to 15.2%), while S saw a fall in the share of topics relating to diversity (from 9.3% to 8.7%). These changes may be partly attributable to the fact that initiatives addressing topics such as climate change have more or less become the norm at large companies.

The topics of dialog with investee companies are generally decided between Daiwa AM and the company based on a recognition of which topics constitute significant issues for the medium to long term, although the choice of topic is also affected by short- to medium-term factors such as new regulations or world events.

Drucker Institute Score

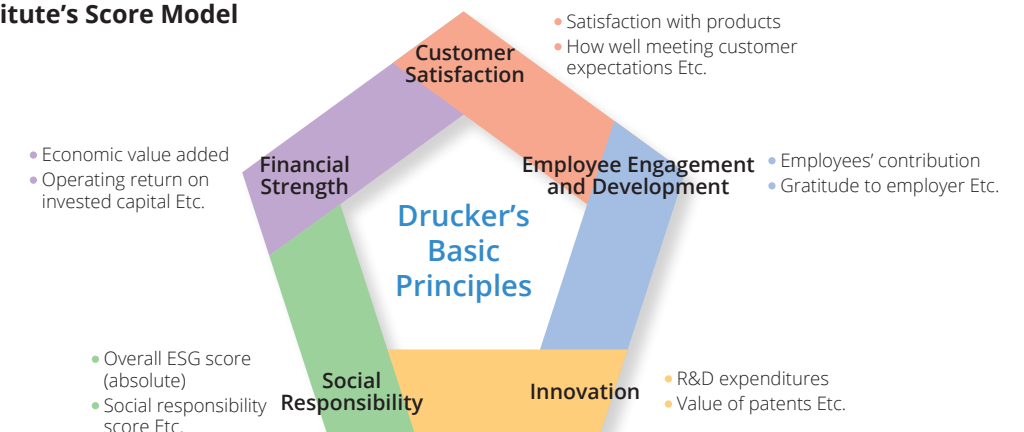
Using the Drucker Institute Score to determine the value of intangible assets

Peter F. Drucker was one of the leading economists of the 20th century. He has been called the "greatest thinker of the 20th century," and the "father of management," and a great many managers have been influenced by him. The Drucker Institute is a research institute established at Claremont Graduate University in the U.S. to keep Drucker's ideas and vision alive. Besides spreading Drucker's philosophy, the institute also undertakes quantification (score utilization) of the basic principles that Drucker advocated.

By quantifying intangible assets that cannot be determined from a company's financial statements, such as employee engagement and innovation, the Drucker Institute Score aims to identify enterprises with real growth potential.

Daiwa AM is collaborating with the Drucker Institute on the launching of funds that will be focused on assigning scores to Japanese stocks in the same way that has been done for U.S. stocks.

The Drucker Institute's Score Model



Initiatives on Each Asset Product


Japanese Equities



Daisuke Watanabe
Senior Fund Manager
Japan Equity Management Department

Contributing Toward the Enhancement of Investee Companies' Corporate Value Through Multi-Faceted Analysis

Important features of Daiwa AM's engagement activities include encouraging investee companies to implement measures oriented toward realizing sustainable growth and enhancing corporate value, and encouraging them to actualize those parts of corporate value that are currently under-valued. By undertaking multi-faceted surveys of the issues facing companies, undertaking engagement with appropriate content and methods, and encouraging companies, from an equal footing, to undertake the transformations needed to address the issues, we are working to bring about higher returns. Our fund managers, analysts, and stewardship team are working together to support enhancement of the corporate value of large numbers of investee companies, thereby also contributing toward sustainable growth for society as a whole.

One unique innovation by Daiwa AM is "lingagement," which combines linkage with engagement. "lingagement" involves: ❶ The holding of information exchange meeting; ❷ Introducing companies that have implemented best practice; ❸ Providing opportunities to establish relationships with experts in related fields, etc. Regarding the holding of information exchange meetings, past meetings have involved discussion of gender diversity, human capital strategies, and initiatives to improve PBR. The theme for the fourth meeting, held in November 2024, was "Beyond PBR of 1.0x: Enhancing Corporate Value through Human Capital," and the meeting brought together large numbers of investee companies and experts to discuss human capital ( see p. 61).

Fixed Income



Norio Endo
Senior Credit Analyst and Sustainability Leader
Fixed Income Investment Department

ESG Integration in Fixed Income Investment

Unlike investing in equities, returns from investing in bonds are characterized by limited upside, so the key to enhancing investment performance with fixed income investment is how well the downside risk is controlled. From this perspective, we believe that it is vitally important to make effective use of non-financial data (including ESG data) when making investment decisions in relation to bond issuers.

We see the initiatives that companies implement today to address ESG issues as affecting their financial information in the future, and we recognize the important role played by non-financial information as the foundation for the financial information of the future. In credit analysis, the shorter the investment timescale, the more important near-term financial information is; the longer the investment timescale, the more important non-financial information is.

With this in mind, by incorporating the evaluation of non-financial information into the credit risk analysis process alongside analysis of the bond issuer's financial information, we aim to control downside risk in relation to returns, improve the risk-return balance, and, ultimately, improve investment performance.

More specifically, Daiwa AM implements investment decision-making from a perspective that emphasizes verifying and analyzing how each bond issuer is addressing ESG issues, evaluating the impact of this on their future performance and future balance sheet, forecasting the likely impact on ratings and bond prices, and determining whether it is possible to maintain good returns while taking the risks into account.

Passive investing (Equities)



Eriko Ono
Senior Fund Manager and Sustainability
Leader
Beta Management & Investment Solution
Department

Promoting ESG Investment Through Index Funds

By providing funds linked to indexes which incorporate ESG assessment, we aim to give investors the opportunity to undertake ESG investment which is low-cost and easy to get started with. The advantage of ESG investment using index funds is that it can be expected to provide an improvement in terms of both risk and returns over the long term, through low-cost investment management based on clear, transparent rules. While there is still room for further verification regarding the performance of ESG indexes, some research results indicate that, over the long term, the trend will be for ESG indexes to outperform their parent indexes.

Daiwa AM currently provides five ESG index funds (including low-cost publicly-offered investment trusts, and ETFs). We are also proceeding with projects to provide institutional investors, both in Japan and overseas, with ESG-related funds that meet their needs. With regard to ESG data, such as ESG rankings and carbon emissions, for the component stocks of ESG indexes, we are aiming to realize more easy-to-understand disclosure, through efforts that include liaison with index providers.

Outsourcing



Masako Ookouchi
Fund Manager and Sustainability Leader
Advisory Fund Management Department

Implementation of ESG-related Monitoring with Respect to Outsourced Fund Managers

When performing initial due diligence, we verify the outsourced fund manager's ESG-related internal systems and policies, and their involvement in various initiatives. Particularly in the case of ESG investment, we focus on verifying whether concrete disclosure of ESG-related information is possible.

After a fund has been launched, we continue to hold meetings with the outsourced fund manager in relation to ongoing due diligence and other types of periodic review, and we exchange views with them regarding ESG issues relating to fund management. We implement proactive monitoring, periodically updating the due diligence questions used with reference to global standards such as PRI.

In the case of impact funds, we exchange views with outsourced fund managers and perform monitoring not only with regard to fund performance, but also regarding how the stocks included in the fund are contributing to social returns. We strive to ensure that we obtain the most up-to-date information by visiting outsourced fund managers several times a year to communicate directly with the personnel who are responsible for ESG.

In addition, in FY2024 we held meetings with overseas investee companies through collaboration with the outsourced fund managers. These meetings involved exchanges of information that covered, for example, how those investee companies that are working actively to realize sustainability are addressing ESG issues, and also the outlook for the business environment.

We also implement monitoring and opportunities to exchange thoughts and opinions, regarding the results of engagement and proxy voting, with outsourced fund managers on a regular basis.

ESG Fund Definitions, and Daiwa AM's ESG Funds

Daiwa AM has clarified the definition of ESG funds, and formulated criteria for ESG fund certification. These criteria are based on the guidelines issues by the regulatory authorities in Japan, while also referencing similar guidelines issued by regulatory authorities in other countries.

As outlined below, Daiwa AM has formulated criteria for two types of ESG fund. Funds belonging to each of

these two categories have already been certified, and are listed in the table below (“Daiwa AM's ESG Funds”). Besides implementing monitoring to check whether the actual management of each fund is in conformity with the fund certification criteria, we also aim to ensure that there is ample information disclosure which brings across information to customers in an easy-to-understand way.

Daiwa AM's ESG funds

Daiwa AM's ESG funds position ESG as a major factor when selecting targets for investment, for example by focusing on ESG risk management in relation to the entire portfolio, or by investing in companies that are emphasizing ESG or the achievement of the SDGs, so as to help bring about the transition to a sustainable society, and it is also important to enable effective disclosure in relation to the above.

Impact funds

A key feature of impact funds is that they should realize not only economic returns but also social returns*, and that it should be possible to realize effective disclosure in relation to these social returns.

* Social returns include environmental returns.

Daiwa AM's ESG Funds

Impact fund	Code	Fund Name
●	2785	Decarbonization Technology Fund (Carbon ZERO)
●	2790	Decarbonization Technology Fund (estimated dividend type) (Carbon ZERO estimate dividend type)
	2800	Global Water Resources Equities Fund
	3256	Women's Advancement Support Fund (Tsubaki)
	3356	Tsumitate Tsubaki
	3388	Social Problem Resolution Support Fund (Bridge for Smiles)
●	3410	Clean Tech Equity & Green Bond Fund (capital growth type) (Mirai Earth capital growth type)
●	3411	Clean Tech Equity & Green Bond Fund (estimated dividend type) (Mirai Earth estimated dividend type)
●	3417	Clean Tech Equity Fund (capital growth type) (Mirai Earth S capital growth type)
	3470	iFree Global Stock ESG Leaders Index
	3488	Global Life Equity Fund (capital growth type) (Bright Life (capital growth type))
	3489	Global Life Equity Fund (estimated dividend type) (Bright Life (estimated dividend type))
	3510	iFree ETF MSCI Japan Human and Physical Investment Index
	3513	iFree ETF FTSE Blossom Japan Index
	3514	iFree ETF MSCI Japan ESG Select Leaders Index
	3515	iFree ETF MSCI Japan Empowering Women Index (WIN)
	3711	DC Daiwa SRI Fund

Dialog with ESG Data and Index Providers

Daiwa AM has created its own proprietary ESG score system, but we also make use of other ESG score systems provided by third parties, as part of the management process for our ESG index funds, etc. We hold meetings and exchange views, as needed, with ESG index providers and with ESG assessment and data providers in regard to

these third-party ESG scores. In addition, Daiwa AM is a member of the Index Advisory Panel established by JPX Market Innovation & Research, in which capacity we express our views regarding ESG indexes, the TOPIX index, etc.

Making the ESG Fund Certification Process More Rigorous

“ESG-washing,” which involves investment activity that pretends to embody concern for the environment and for society regardless of the reality of the situation, has become a problem, and countries throughout the world are tightening up controls relating to ESG investment. In Japan, the Financial Services Agency issued a related Guideline in March 2023, outlining the scope of ESG investment trusts, and the information disclosure items that need to be provided in relation to ESG investment trusts.

In line with this, Daiwa AM is putting a system in place to provide publicly-offered ESG funds.

The figure below explains the measures taken in the

ESG fund creation process to prevent “ESG-washing.”

When the Product Planning Department asks the Fund Management Division to confirm a particular fund proposal, the Fund Management Division verifies whether there are any problems with the fund management plan, and whether the proposed fund meets the ESG fund criteria set by Daiwa AM. The verification results are submitted for deliberation at a meeting of the Product Committee, which is attended by members of the senior management team, after which, if approved, it is certified as an ESG fund. Once the certified fund has been established, it undergoes verification by the Product Governance Committee ([see p. 9](#)).

ESG Fund Creation Process



Framework for Stewardship Activities

Message from the Chair of the Stewardship Supervisory Committee

“We anticipate stewardship activities that emphasize a sustainability perspective”

Sumikazu Tsutsui
Outside Director

At Daiwa AM, the Stewardship Committee functions as the decision-making body for all stewardship activities. The Stewardship Committee is supervised by the Stewardship Supervisory Committee, more than half the members of which are Outside Directors, and which I (being myself an Outside Director) chair.

Daiwa AM's two core stewardship activities are constructive dialog (engagement) with investee companies, and the exercise of voting rights. The enhancement of corporate value that results from these activities leads, in turn, to greater returns for investors. We attach great importance to a sustainability perspective in this regard. This is because the core source of fundamental value for a corporation is the sum total of that corporation's future revenue, and sustainability establishes a time axis for this revenue.

There are certain features of Daiwa AM's stewardship activities that reflect the unique characteristics of our company.

Firstly, there is the framework whereby three key actors—analysts, fund managers, and the stewardship team—work together to implement

stewardship activities. In this way, we are able to undertake stewardship activities, from engagement through to the exercise of voting rights, in an integrated, seamless manner.

Secondly, there are the types of engagement activity that Daiwa AM refers to as “lingagement.” Daiwa AM acts as a hub providing opportunities for investee companies to exchange information relating to corporate governance amongst themselves, and in doing so, contributes toward the enhancement of corporate value through new combinations of knowledge.

Thirdly, there is the focus on intangible assets when assessing corporate value. The measurement method used for this was developed in collaboration with the Drucker Institute in the U.S. Daiwa AM has also developed its own unique evaluation method for ESG.

I have been very impressed by the high level of innovation displayed by Daiwa AM, and I hope that the company will continue to further refine its capabilities and develop more new methods in the future, so that it can realize continued growth in terms of the increasingly advanced effectiveness of its stewardship activities.

Daiwa AM's Stewardship Activities Policy

General Policy on Stewardship Activities

As an asset management company, Daiwa AM follows the general policies specified in the agreements for each individual financial product, and strives to achieve, to the maximum possible extent, the objectives that conform to each investment purpose, giving the highest priority to the performance of our fiduciary duty (including the duty of loyalty and the duty of due care of a prudent manager).

To realize this goal, in addition to making appropriate choices regarding which stocks and bonds to invest in, it is also vitally important to enhance the medium- to long-term value and sustainability of the companies and organizations (hereinafter referred to as “companies”) that issue them, while at the same time, maintaining the sustainability of society as a whole is also an important precondition.

By contributing, through our stewardship activities, toward the enhancement of the medium- to long-term value and sustainability of companies, Daiwa AM is making

a contribution toward maintaining the sustainability of society, and in so doing is fulfilling its fiduciary duty in relation to asset management, and also fulfilling its responsibility to society as a business enterprise.

The following policies, which have been formulated in conformity with this approach, are disclosed on Daiwa AM's website (in Japanese):

- ESG Investment Policy
- Engagement Policy
- Proxy Voting Policy
- General Policy on Stewardship Activities

+ WEB For more details, please visit the following webpage:
Stewardship Activities (in Japanese)
<https://www.daiwa-am.co.jp/company/managed/result.html>

Framework for Stewardship Activities

The Stewardship Committee undertakes decision-making in relation to practical policies, and the Stewardship Supervisory Committee oversees the overall situation in terms of conflict of interest in relation to stewardship activities.

To eliminate concerns about conflicts of interest, the Stewardship Committee excludes from its membership personnel who concurrently hold posts in either the Marketing Division, which oversees relationships with sales companies, or the Corporate Planning Department, which handles communication with major shareholders, even if they are assigned to the Fund Management Division.

The Stewardship Committee shares information relating to, and future strategies for, engagement with companies, the Proxy Voting Policy, policies on surveys and investment relating to sustainability including ESG, and international initiatives relating to issues such as climate change and human rights. It also conducts deliberation and decision-making in regard to policy revision and participation in initiatives.

As there is a requirement that more than half of the members of the Stewardship Supervisory Committee must be Outside Directors, the Committee is able to conduct monitoring of conflict of interest management in relation to stewardship activities, including proxy voting, from a perspective that is independent of the company's management. The Stewardship Supervisory Committee also submits reports to the Board of Directors and, when it deems it necessary, issues recommendations to make improvements in regard to the status of conflict of interest.



Framework



Conflict of Interest Management

The management policy for conflict of interest

As an asset management company that plays an important role within the Daiwa Securities Group, Daiwa AM attaches great importance to its fiduciary duty and strives to fulfill this duty in its daily operations. When conducting asset management operations, Daiwa AM keeps in mind the possibility that conflict of interest might arise between Daiwa AM or other Daiwa Securities Group member companies and the beneficiaries of the investment trusts established and/or managed by Daiwa AM (hereinafter referred to as “Beneficiaries”). With this in mind, to prevent the inappropriate causing of harm to the interests of Beneficiaries, Daiwa AM has put in place a system for the

proper management of transactions, etc. where there is a possibility of conflict of interest.

So that Beneficiaries can use Daiwa AM funds with peace of mind, Daiwa AM has formulated a Management Policy for Conflict of Interest, a summary of which is presented on the company's website.

+ WEB For more details, please visit the following webpages (in Japanese):
 The Management Policy for Conflict of Interest (summary)
<https://www.daiwa-am.co.jp/company/policy/interest/index.html>
 Proxy Voting Policy
https://www.daiwa-am.co.jp/company/managed/guideline_03.pdf

Conflict of interest management in relation to proxy voting

The Stewardship Committee will treat the voting rights as special cases when exercising the voting rights for securities issued by companies with a capital relationship (Daiwa AM's affiliates including Daiwa Securities Group Inc., etc.) or business relationship (companies that are distributors of our Investment Trusts, and their parent companies), as it may lead to conflict of interest. For proposals by these companies which should be decided independently of the regular criteria, we will exercise the voting rights based on the advice given by the external proxy advisor, so as to avoid conflict of interest and ensure the neutrality of the decision. However, if the Stewardship Committee determines that following this

advice would not be appropriate, from the perspective of enhancing corporate value and minority interest, then it may independently decide whether or not the proposal should be supported. With regard to proxy voting in relation to proposals made by companies that are the object of conflict of interest management, the Stewardship Committee will submit periodic reports to the Stewardship Supervisory Committee. The Stewardship Supervisory Committee may also provide advice, when requested by the Stewardship Committee, prior to the making of a decision by the Stewardship Committee in regard to specified deliberation or whether or not to vote in favor of a proposal.

Appropriate use of proxy advisory firms

In line with our policy regarding the exercising of voting rights, Daiwa AM makes use of advice provided by proxy advisory firms in relation to proposals, which meet certain previously set conditions, submitted for the shareholders meetings of companies that are the object of conflict of interest management. Here, “advice” does not refer to investment advice provided under investment advisory agreements, and is limited to the expression of views by the proxy advisory firm.

We hold regular meetings with proxy advisory firms every year to share information and exchange views regarding the overall corporate governance situation both in Japan and in other major countries, as well as trends in the exercise of voting rights, and analysis of the background to how voting rights have been exercised.

When a proxy advisory firm is planning to revise its policy regarding advice in relation to the exercise of voting rights, we ask the firm to explain, in advance, the anticipated changes and the thinking behind them, and engage in discussion with them, expressing Daiwa AM's own views on the matter.

When a proposal is put forward in relation to a company that is the object of conflict of interest management, besides scrutinizing the advice given to determine whether it can serve as a basis for deciding whether to vote in favor or against, we also listen to the views of our own analysts, etc.,

to verify whether the advice is appropriate.

If we believe that the advice given does not correspond to our company's policy, from the perspective of strengthening corporate value and respecting the interests of minority shareholders, then our Stewardship Committee will deliberate on the matter, and in some cases we may decide to exercise our votes in a way that differs from the advice received. In such cases, we will provide the proxy advisory firm with feedback on what we actually did, after the fact.

It should be noted that the results of the exercise of voting rights in relation to companies that are the conflict of interest management, including situations such as the above, are reported to the Stewardship Supervisory Committee; we have thus put in place a framework to ensure that conflict of interest management is handled appropriately.

Meetings with proxy advisory firms in 2024

Jan.	Explanation and exchange of views regarding the research system and the content of relevant initiatives
July	Reflecting on the shareholders meetings held in June, and exchange of views with personnel responsible for undertaking research on the Asia Pacific region
Nov.	Explanation and exchange of views regarding advisory policy revision

Activity Report

Initiatives to Improve Sustainability

Development of sustainability human resources

At Daiwa AM

From January 2024, Daiwa AM newly established the following in-house accreditation titles, which attest to employees having achieved a given level of expertise regarding our stewardship activities, ESG, and sustainability and related initiatives, as part of our initiatives to develop ESG human resources. We are working to improve the explanatory capacities on sustainability of Daiwa AM as a whole by promoting the acquisition of these titles.

Sustainability Associates

Following their attendance at an external designated course to learn about ESG and SDGs from the basics and achievement of an understanding of these basics of ESG and SDGs, participants take a certification test (implemented approximately once per month), created by the Responsible Investment Department. Upon completing the test with points above the designated passing score they are then certified as Sustainability Associates.

This course is aimed at employees in Assistant Manager positions and above, and the external designated courses can be taken by those who wish to do so at any time.

In 2024, 39 people were accredited as Sustainability Associates.

Sustainability Leaders

Following an internal application call for previously certified Sustainability Associates, applicants complete about three-month curriculum course, which includes lectures on Daiwa AM's stewardship activities, ESG, and sustainability in general at the Responsible Investment Department. As part of the curriculum, course participants sit in on engagements and complete practical exercises in proxy voting to achieve a deeper understanding of our stewardship activities, while also attending meetings with external ESG analysts to acquire specialist and up-to-the-minute expertise.

In 2024, a total of 15 people from 11 departments within the company applied to take part in Sustainability Leader training. Each of the participants took the knowledge they had acquired during the training back to their respective departments following completion of the course and are currently endeavoring to enhance sustainability within the company through their work duties.

- Testimonials from employees who have attained certification as both Sustainability Associates and Sustainability Leaders

It is the responsibility of Daiwa AM's employees, including myself, to ascertain ways to ensure the sustainability of the company's expertise in this field and ways to accumulate knowledge as a company. In addition to leveraging the knowledge I gained through this training in the work duties of my affiliated department and in my future career, it also occurred to me that I wish to actively pass this knowledge on to colleagues around me.



Daiwa AM requests that our investee companies undertake management practices with an awareness of sustainability as means to increase their corporate value. We do this to ensure a direct link between the investment performance of investment trusts and the value of the investee companies in which they are incorporated. This has once again brought home to me the imperative that Daiwa AM, too, undertake management with a greater awareness of sustainability than that which we request of our investee companies.

- Forthcoming policy

In 2025, we will continue to promote the acquisition of our sustainability accreditation titles and develop our sustainability human resources.

In addition, we plan to reflect feedback from course participants and endeavor to undertake periodic revisions and refinements of the course content. This will include

reviewing the curriculum and enhancing the quality of training. We additionally plan to implement a variety of update lectures for certified participants which will be made available in the context of information on sustainability being an area subject to updates from one day to the next.

Within divisions

Reskilling





Since 2022, we have convened study sessions within the Responsible Investment Department, with aims including facilitating the acquisition of knowledge on sustainability and improving engagement skills, and have been selecting the themes for the issues to be addressed and referring to relevant books aligned with these themes.

We are endeavoring to share knowledge and improve the levels of all individuals, while also disseminating the knowledge

and expertise which has been acquired throughout the company through in-house trainees, study groups for early career employees, and the publication of market letters, in the context of constant, ongoing, global-scale updates to relevant information, including regulatory amendments.



Daiwa AM will actively contribute to improving our own sustainability and that of investee companies by continuing to implement reskilling.

Main Initiatives Implemented in 2024

January	<ul style="list-style-type: none">Conducted the first Sustainability Leader Training ( see p. 90)Endorsed Spring, an initiative engaged in the protection of biodiversity
February	<ul style="list-style-type: none">Conducted inspection tours of plant facilities of investee companies (engagement focused on the value of intangible assets)Underwent final screening for the third Nikkei Integrated Report Award
March	<ul style="list-style-type: none">Held the third Asset Management Women's ForumDeveloped the Japanese version of the Drucker Institute Scores, "Toward Japan's First Visualization of the 'Potential Power' of Corporations"Issued the Sustainability Report 2023Planted 5,010 trees at three locations across Japan as part of a "Project to contribute to tree-planting activities in proportion to balances of funds"
April	<ul style="list-style-type: none">Issued the English language edition of the Sustainability Report 2023
May	<ul style="list-style-type: none">Revised the Proxy Voting Policy
June	<ul style="list-style-type: none">Concentration period for the general meeting of shareholders
July	<ul style="list-style-type: none">Conducted lectures at Keio University on "Corporate Valuation, Investment, and Engagement"Revamped the Stewardship Activities page on the Daiwa AM websiteConducted the second Sustainability Leader Training
August	<ul style="list-style-type: none">Registered "lingagement" which provides a platform for discussion between companies, as a trademark ( see p. 60)
September	<ul style="list-style-type: none">Held the fourth Asset Management Women's ForumSigned an agreement endorsing Investor Agenda's policy recommendations in advance of COP29
October	<ul style="list-style-type: none">Conducted inspection tours of overseas procurement sites of investee companies (Malaysia, Thailand) ( see pp. 43 and 44)
November	<ul style="list-style-type: none">Contributed an article titled "Corporate Valuations Focused on 'Potential Power'" to the November issue of the Securities Analyst JournalRevised the Proxy Voting Policy, Engagement Policy, and Daiwa AM's Vision for Investee Companies (Best Practices)Held the fourth Information Exchange Meeting on the theme "Beyond PBR of 1.0x: Enhancing Corporate Value through Human Capital" ( see pp. 61 and 62)
December	<ul style="list-style-type: none">Underwent first screening for the fourth Nikkei Integrated Report AwardFielded a speaker at the PRI Human Rights Webinar on the topic of "Serious Human Rights Response by Investors: Practical Implementation of Business and Human Rights"Revamped the English version of the Stewardship Activities page on the Daiwa AM website

Publication of ESG market letters

Daiwa AM prepares and disseminates, both internally and externally, a market letter on ESG topics.

 **WEB** For the market letters, please refer to:
 <https://www.daiwa-am.co.jp/english/stewardship/index.html>

Market letters published in 2024

- Dissolution of cross-shareholdings and corporate value
- Human rights and corporate value (The S of ESG)
- Realization of a hydrogen-based society and investment opportunities
- Toward an era of nature positivity
- Reconsidering the "communicative shareholder"
- The relationship between female empowerment and corporate value enhancement
- Investor initiatives and anti-ESG
- Impacts of the U.S. presidential election on the ESG domain

PRI Evaluation Results 2024

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


For the second year running, Daiwa AM received five stars, the highest possible score, on nine out of the 10 evaluation items in the 2024 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 2023, 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 also 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.

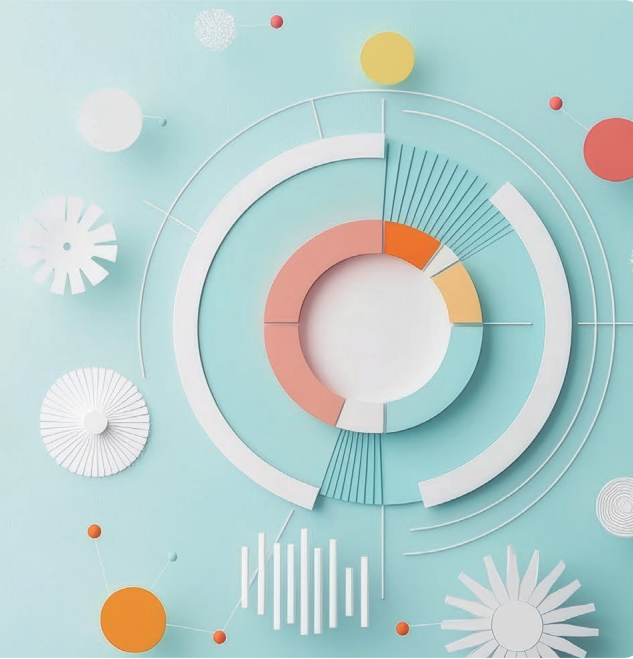
2024 PRI annual assessment

Assessment Items			Daiwa AM Evaluation	Daiwa AM Score	Median Score
Policy Governance and Strategy			★★★★★	97	61
Direct	Listed equity	Active fundamental	★★★★★	96	72
		Active quantitative	★★★★★	96	69
		Passive equity	★★★★★	100	42
		Other	★★★★★	96	45
	Fixed income	SSA	★★★★★	98	60
		Corporate	★★★★★	100	67
		Securitised	★★★★☆	89	67
Indirect	Listed equity	Active	★★★★★	97	61
Confidence building measures			★★★★★	100	80

 **WEB** For more details, please visit the following webpage:
 PRI Assessment Report 2024
https://www.daiwa-am.co.jp/company/pdf/20241216_02.pdf
 PRI Public Transparency Report 2024
https://www.daiwa-am.co.jp/company/pdf/20241216_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 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 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 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, which it revised in November 2024. This Policy clearly stipulates the major perspectives that Daiwa AM emphasizes in relation to engagement, including key ESG issues. Coinciding with this, Daiwa AM also revised the Daiwa AM's Vision for the Realization of Sustained Corporate Value Enhancement of Investee Companies (Best Practices). 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 November 2024, 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. Since December 2024, we have also implemented English-language disclosure of outcomes of, and grounds for the exercise of voting rights for investee companies in Japan.

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 March 2024, Daiwa AM published the Sustainability Report, which outlined the main content of Daiwa AM's stewardship activities. We also publish case studies of engagement with investee companies and outcomes of the exercise of voting rights on our website.

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 Japan Equity Management Division, 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 November 2024, Daiwa AM invited investee companies and convened the fourth ESG Meeting, thereby providing an opportunity for both dialogs and mutual exchange of information between Daiwa AM and investee companies. We also hold weekly reskilling sessions aimed at, for example, facilitating the acquisition of knowhow on sustainability and improving engagement skills.

Corporate Information

Company Overview

Company name, etc.	Daiwa Asset Management Co. Ltd. A Financial Instruments Business Operator registered with the Director of the Kanto Local Finance Bureau of the Ministry of Finance (Kin-sho) No. 352
Headquarters location	9-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6753, Japan
Main business areas	Investment management business, investment advisory and agency business, Type II financial instruments business
Memberships	The Investment Trusts Association, Japan; Japan Investment Advisors Association; Type II Financial Instruments Firms Association
Established	December 1959
Capital	41,424,540,000 yen



Principal shareholder	Daiwa Securities Group Inc. (80%) Japan Post Insurance Co., Ltd. (20%)
Overseas business locations	New York, Silicon Valley, Singapore, London
Number of Executives & Employees	715 (as of Dec. 31, 2024)

+ WEB For more details, please visit the following webpage:

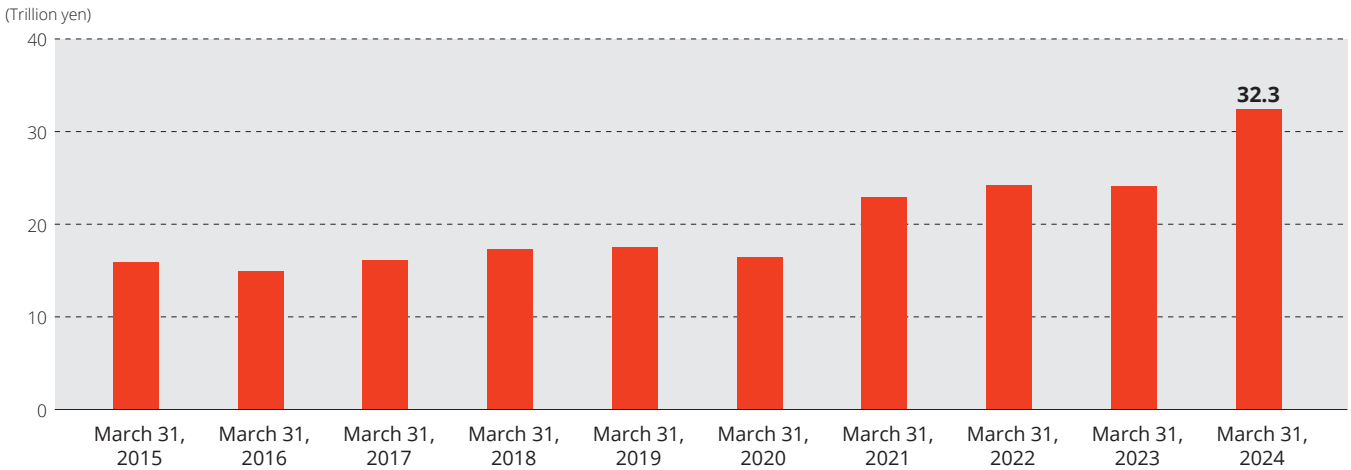
Organization chart
<https://www.daiwa-am.co.jp/english/corporation/organization.html>

Corporate Information
<https://www.daiwa-am.co.jp/english/corporation/index.html>

Financial Data

	FY2019	FY2020	FY2021	FY2022	FY2023
Operating revenue	70,134	65,906	74,948	70,405	76,939
Operating profit	14,525	14,067	18,551	15,310	17,368
Ordinary profit	15,629	14,616	19,089	15,642	17,540
Current net profits	10,566	9,389	12,738	10,317	11,859

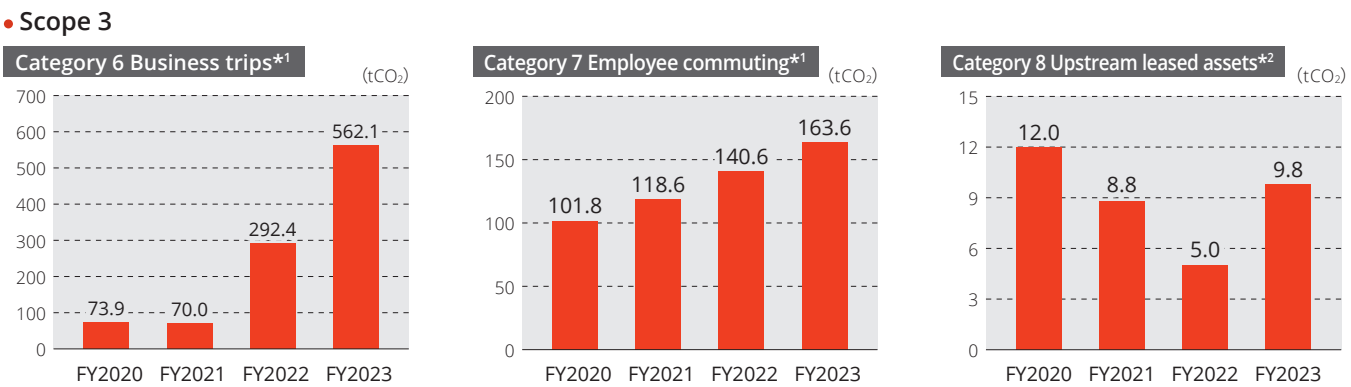
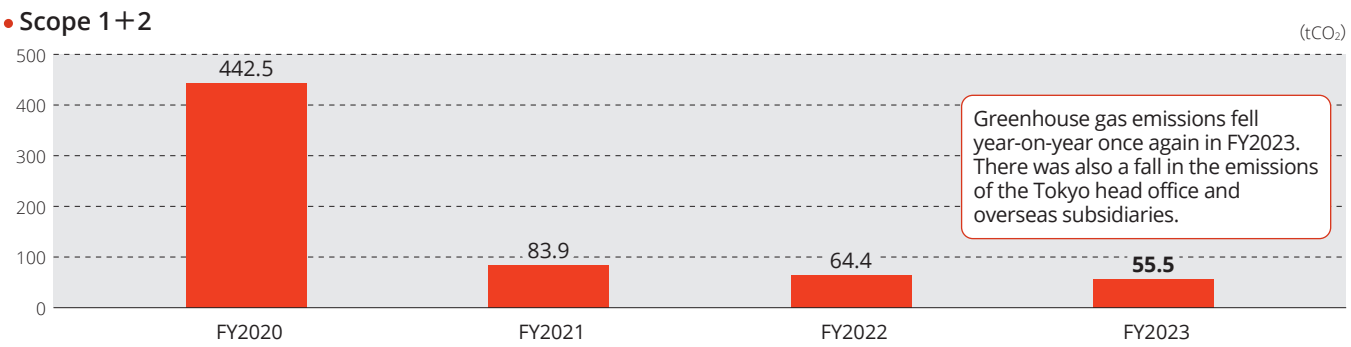
Change in Assets under Management



Note: This figure is the combined total of investment trust, discretionary investment and investment advisory balances (it is an estimate including the investment balance of Daiwa AM's overseas subsidiaries, as of April 2024).

Data

Greenhouse Gas Emissions



There has been a substantial increase in business travel. While domestic business travel within Japan has grown, the main cause of the increase is a dramatic rise in overseas business travel.

The main reason is the increase in the percentage of employees going into the office for work, both in the Tokyo office and at overseas subsidiaries.

*1 Business trips, employee commuting: Calculation based on amount of transportation expenses paid out

*2 Upstream leased assets: Calculation based on fuel amounts for leased vehicles employed as company cars

Notes: 1. Calculated using data obtained from Tokyo headquarters and overseas subsidiaries

2. Since April 2021, Daiwa Securities Group, Inc. have transitioned to renewable energy sources for electricity used at the group's headquarters building, which houses all Group companies, including Daiwa AM.

3. The London subsidiary switched over to using renewable energy for electric power in 2019, and for gas in March 2022.

4. Calculated in accordance with methods stipulated under the Act on the Rationalization etc. of Energy Use and the Act on Promotion of Global Warming Countermeasures (disclosure figures are rounded off).

Amount of Copier Paper Used per Employee

	2020	2021	2022	2023	2024
	4,386	2,673	2,356	2,145	1,852

Human Resources and Related

	December 31, 2023	December 31, 2024
Ratio of female employees	41.6%	41.8%
Ratio of female managers	15.1%	17.7%
Ratio of female members of the Board of Directors	21.4%	28.6%
Ratio of female employees hired*1	29.6%	30.2%
Average duration of service of men and women*1	(Male) 15.3 years (Female) 15.3 years	(Male) 14.6 years (Female) 15.2 years
Employment rate of persons with disabilities	2.7%	2.4%
Average overtime per worker per month*1	9.3 hours	9.5 hours
Percentage of employees taking paid leave*1	82.3%	87.0%
Percentage of eligible male employees taking childcare leave*1,2	120.0%	142.9%
Disparity in pay between male and female employees*1 (Female employees' average pay as a percentage of male employees' average pay)	62.8% (all employees) 59.4% (regular employees) 76.5% (non-regular employees)	66.3% (all employees) 63.1% (regular employees) 67.2% (non-regular employees)

*1 Data is for FY2022 (April 2022 to March 2023), and FY2023 (April 2023 to March 2024)

*2 Calculated using the method specified in Item 1, Paragraph 4, Article 71 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).

Points that customers should be aware of when purchasing units in investment trusts

When purchasing units in an investment trust, customers should be fully aware of the two key points to note listed below, and should be sure to read through the investment trust prospectus for the investment trust in question, before making a decision as to whether or not to invest based on their own judgement.

Key points to note ① Regarding the fees payable by customers (assuming a consumption tax rate of 10%)

	Type	Fee rates	Fee details	Projected amount of fees payable (amounts are calculated based on the maximum fee rates shown to the left)
Fees payable by the customer directly	Handling fee payable at the time of purchase	0 to 3.3% (tax included)	Compensation for product explanation or provision of product information at purchase, provision of investment information, and executing transaction	The maximum fee payable will be 33,000 yen if 1 million units at the net asset value of 10,000 yen will be purchased
	Redemption fee (amount to be retained in fund assets)	0 to 0.5%	Deducted from the proceeds of redeemed amount and transferred to trust assets to cover expenses, etc. required for redemption	The maximum fee payable will be 5,000 yen if 1 million units at the net asset value of 10,000 yen will be redeemed
Fees payable by the customer indirectly, from the trust assets	Management fee (trustee revenue)	Annual rate of 0 to 1.98% (tax included)	Compensation received by the three parties of sales company, management company, and trustee company from the trust assets as investment and management expenses for units in investment trust	The maximum fee payable will be around 55 yen per day if 1 million units at the net asset value of 10,000 yen will be held
	Other fees and handling charges		Auditors' compensation, handling charges payable on the purchase or sale of marketable securities, fees payable on transactions involving futures contracts or options, fees payable for custody of assets overseas, etc. are payable from the fund assets. With regard to other fees and handling charges, these will vary depending on the management status, so it is not possible to give fee rates, upper limits, etc. in advance.	

Notes:
1.Types and fee rates of expenses will vary by sales company and individual investment trusts. The above fee rates for expenses are those of standard investment trusts managed by Daiwa Asset Management. As part of funds that invests in other funds, management and administration expenses for investment trusts in which funds will be invested are charged separately. Some investment trusts may also charge fees based on the performance of investments or handling fees for redemption.
2. As the total amount of handling fees, etc. will vary depending on how long the investor holds the fund, these cannot be shown here.
3. As this will vary depending on the investment trust, please contact the sales company for more details. You may also refer to the investment trust prospectus for more details.

Key points to note ② Regarding investment trust risk

As the investment trust invests in marketable securities, the price of which fluctuates significantly, the net asset value may also vary. Consequently, the original investment amount cannot be guaranteed. All profit or loss generated by the investment trust must be borne by the investor. An investment trust is not the same as a savings deposit. Please refer to the investment trust prospectus for the investment trust when applying, as the risk factors will vary depending on, for example, the securities instrument in which the investment trust will invest.

The providers of information to Daiwa Asset Management Co. Ltd., including MSCI ESG Research LLC and its affiliate companies (hereinafter collectively referred to as “ESG Parties”), obtain information from sources believed to be reliable (hereinafter referred to as “Information”), but none of the ESG Parties give any guarantees regarding the originality, accuracy and/or completeness of any of the data presented in this report, nor do they give any guarantee, implicit or explicit, regarding the Information's marketability or fitness for any specific purpose. The Information may be utilized only for customers' own internal use; it may not be reproduced or disseminated in any form, and may not be used as the basis of or as a component in any financial product, other product or index. Furthermore, none of the Information may be used for the purpose of deciding whether to purchase or sell any marketable security, or when to undertake such purchase or sale. None of the ESG Parties will be held liable for any error or omission in relation to the Information, nor will they be held liable for any direct, indirect, special, punitive, consequential or other damages (including loss of income), even if advance notification was given of the possibility of such damages.

Important points to note regarding the use of this report

- This report is a Sustainability Report compiled by Daiwa Asset Management Co. Ltd., and should not be construed as a solicitation to purchase or subscribe to any product. Potential investors should refer to and read the content of the prospectus of each fund product, available from the sales company, prior to their investment decision.
- The content of this report is based upon sources believed to be reliable, but their accuracy, correctness or complete-ness are not guaranteed. The content, including performance of investments, etc., is based on past data and is neither an indication nor a guarantee of future performance. The intellectual property rights and all other rights relating to the indexes, statistical data, etc. used in this report are the property of their respective issuers or licensors. The information presented in the report was correct at the time of compilation, and is subject to change without notice.
- In cases where the names of individual enterprises are given in this report, these are given for reference purposes only, and should not be construed as a recommendation of the enterprise concerned. They should also not be construed as an indication or guarantee that the enterprise in question will be included in a particular fund in the future.
- The data presented in this report are for the period between January 1 and December 31, 2024.