April 2026

UK Stewardship Code

Activities and Outcomes Report

SUMITOMO MITSUI TRUST ASSET MANAGEMENT

Foreword

At Sumitomo Mitsui Trust Asset Management (SuMi TRUST AM), we pursue an asset management approach that simultaneously enhances corporate value and creates social value amidst complex intertwining challenges such as climate change, geopolitical risks, and technological innovation. Through stewardship activities, we aim to balance the long-term interests of beneficiaries with the sustainable development of society.

We are guided by our vision to "Realizing opportunities today to ensure sustainable prosperity for tomorrow." To achieve our goals, we integrate ESG materiality-based engagement, proxy voting, and ESG integration to support the sustainable growth of investee companies. We also actively participate in collaborative engagement initiatives both domestically and internationally, fulfilling our role as a responsible institutional investor.

In recent years, discussions surrounding sustainability have diversified, with responses increasingly varying by region and values. We approach these ESG challenges with a "multi-perspective mindset," adopting flexible and pragmatic approaches. We believe this mindset is essential for an asset manager supporting corporate initiatives aimed at realising a sustainable society.

This report outlines our stewardship Activities and Outcomes within the framework of the UK Stewardship Code 2026. We hope it contributes to a better future alongside all our stakeholders, emphasising transparency and accountability.

Takahiro Kobayashi
Representative Director and President

T. Kobayashi

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Principle 1
Integrating stewardship and investment

Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries.

To meet our stewardship responsibilities, we integrate the analysis and evaluation of ESG information into our investment processes with the aim of maximising medium to long term investment returns for clients and beneficiaries.

ESG Analysis

Our analysis and investment decision-making is grounded in ESG Materiality. It is informed by several in-house assessment tools and by non-financial information obtained through stewardship activities.

ESG Materiality

In making ESG investments, SuMi TRUST AM considers ESG Materiality a critical component of assessments of all our ESG investments. Our Sustainability Committee, established in October 2023, is responsible for implementing the company's process with regard to ESG Materiality and conducting a regular review. The views of clients, initiative organisations, investee companies and other stakeholders, as well as internal departments are all critical inputs into the process. ESG Materiality is discussed at the Sustainability Committee and 12 Materialities are identified for each of E, S and G - three risks and an opportunity - and approved by the Executive Committee.

Review of ESG Materialities and related key activity items

In July 2024, SuMi TRUST AM updated its ESG Materialities and related key activity items. The decision came after an extensive review conducted over a number of months. The review process started with a wide-ranging consultation of stakeholders, including our clients and initiative organisations. We subsequently conducted internal quantitative analysis and held discussions on qualitative amendments or replacements related to ESG Materialities and related key activities.

SuMi TRUST AM considers ESG Materiality a critical component of assessments of all our ESG investments.

Chart 1.1 – SuMi TRUST AM’s 12 ESG Materialities

ESG Materialities		Key activity items	
Environment	① Climate Change	1	Greenhouse gas emissions reduction
	② Natural Capital	2	Conservation of water resources and forests, and recovery of biodiversity
	③ Pollution & Waste	3	Sustainable procurement of raw materials (palm oil, natural rubber, and timber), marine plastic pollution, and waste reduction
	④ Environmental Opportunities	4	Expanding sales of environmentally-friendly products and services
		5	Transitioning to a resource circulation model
Social	⑤ Human Rights & Community	6	Human rights in supply chains
		7	Environmental load and work environment, management of chemicals, and ensuring traceability of conflict minerals
		8	Just transition
	⑥ Human Capital	9	Human resource strategies (Human resource development, recruitment, placement, and evaluation)
		10	Employee engagement
		11	Promotion of DE&I
		12	Work style reforms
	⑦ Safety & Responsibility	13	Promotion of well-being initiatives
		14	Improving access to medicine, countermeasures for infectious disease, and responding to antimicrobial resistance issues
		15	Product safety management
	⑧ Social Opportunities	16	Expansion and promotion of products and services that address social issues
		17	Building sustainable social infrastructure
Governance	⑨ Corporate Behaviour	18	Promotion of non-financial (ESG) information disclosure
		19	Promotion of proper capital policies and business portfolio reforms
		20	Improving awareness of capital efficiency and capital cost
		21	Purpose management (vision, mission, value) and alignment with the management strategy
	⑩ Structure	22	Board of director structure and skill set
		23	Promotion of board diversity
	⑪ Stability & Fairness	24	Better governance of company misconduct and prevention of recurrence
		25	Enhancement of risk management (Data Security)
		26	Cross-shareholding
		27	Takeover defence measures
		28	Reviewing and enhancing group governance systems (Including parent-subsidiary listing issues)
		29	Supply chain restructuring
	⑫ Improvement in Governance	30	Improving the effectiveness of the board of directors (Fulfilment of roles by independent outside directors, remunerations system for directors, and planning for successors)

(Source: SuMi TRUST AM)

Review process

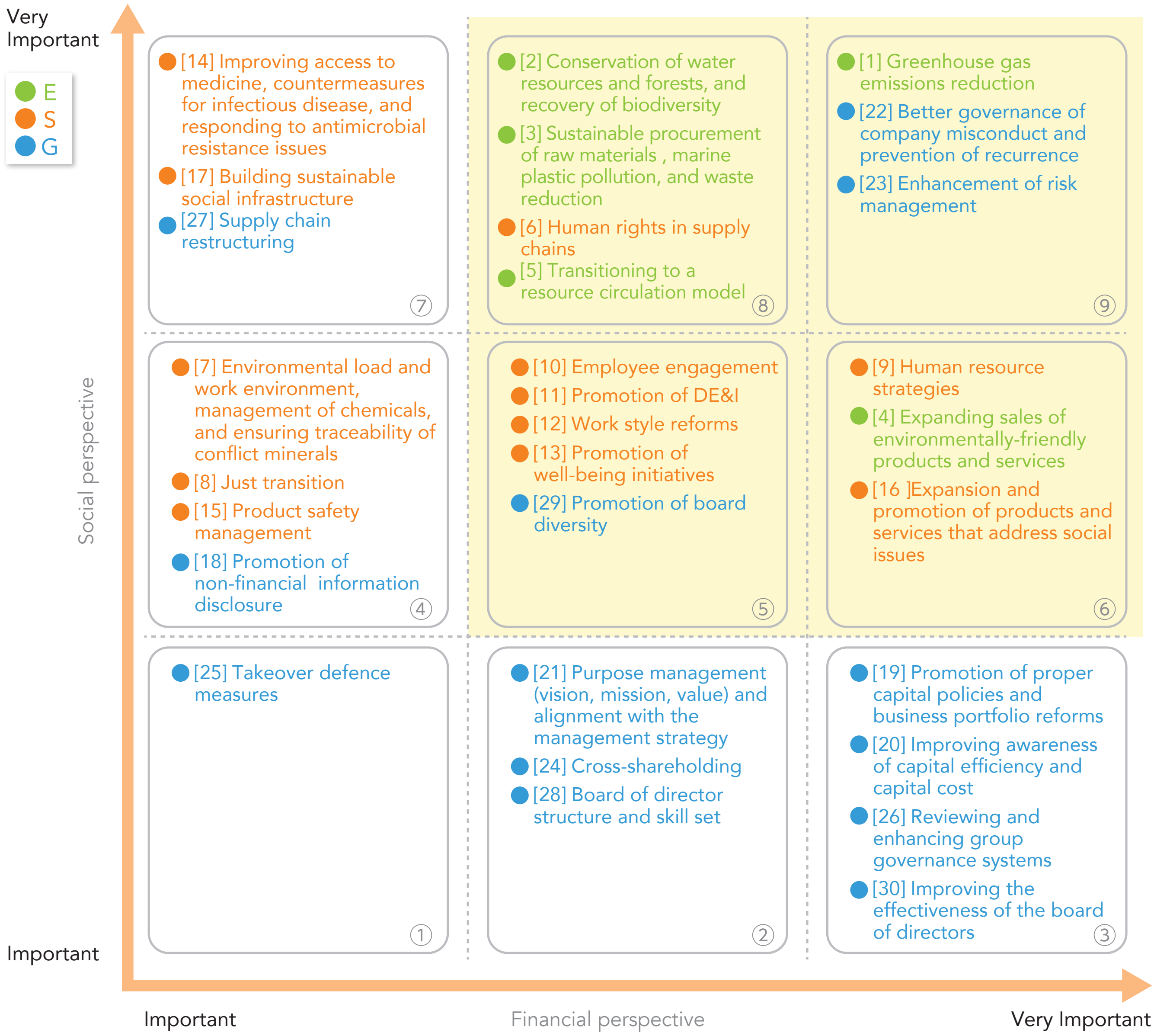
SuMi TRUST AM has mapped each key activity item taking into account a qualitative and a quantitative dual-axis evaluation based on the following:

1) A quantitative assessment on a financial dimension: risks and opportunities posed by assets under management (investment portfolio) were assessed, analysed and summarised in terms of financial impact based on ESG vendor data and adjusted for sector dynamics.

2) A quantitative assessment on a social dimension: risks and opportunities for society as a whole posed by corporate activities were assessed, analysed and summarised in terms of external interest (importance) and impact, based on information available from a number of public organisations.

The details of our mapping process are captured in Chart 1.2.

Chart1.2 – Mapping of Key activity items (2024)



(Source: SuMi TRUST AM)

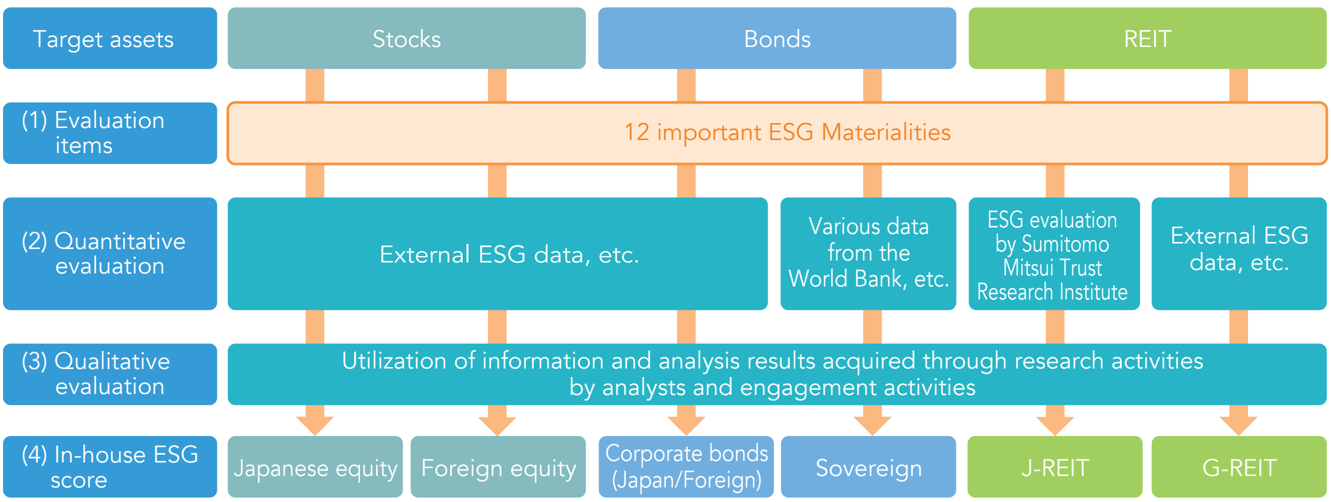
Following the review, we consulted with members responsible for engagement activities to identify six priority activity items. These include: greenhouse gas emissions reduction; conservation of water resources and forests, and recovery of biodiversity; sustainable procurement of raw materials (palm oil, natural rubber, timber), marine plastic pollution and waste reduction; human rights in supply chains; human resource strategies (human resource development, recruitment, placement, and evaluation); and employee engagement. For each activity item, we have developed accompanying action plans, which will help us prioritise future stewardship activities.

In-house ESG score

In-house ESG score refers to our investment evaluation index, which is assigned from an investor's perspective. SuMi TRUST AM calculates its own ESG score reflecting information and analysis obtained through research and engagement activities by our analysts as well as external ESG data. In the evaluation of in-house ESG scores, bottom-up research and engagement activities by our analysts and portfolio managers are reflected in the ESG score as a qualitative evaluation. While the ESG Materiality defined by the company is used as the basis for the assessment of the company's ESG score, the assessment methodology reflects the characteristics of each asset class (more details below).

Chart 1.3 – Investment universe evaluation based on in-house ESG score

SuMi TRUST AM in-house ESG score - Overview by asset



Principally, we give an in-house ESG score on the investment universe for the whole asset. The in-house ESG score is our investment evaluation index given from the perspective of investors after analysing the impact of opportunities and risks resulting from ESG issues on nations, companies, etc. It is calculated based on ESG Materiality by utilizing external ESG data and by reflecting information acquired through research activities by analysts and engagement activities, and then reflecting the analysis results. In order to select brands and determine the investment weight, we add company performance, financial status and valuation for stocks and REIT, and add credit evaluation and spread evaluation for Sovereigns and corporate bonds.

(Source: SuMi TRUST AM)

In order to maintain the quality of the ESG score, the items and content of the qualitative assessment have been categorised into five areas:

1) public information not yet considered by data providers,
2) company's engagement results,
3) governance assessment with a focus on 'executive power',
4) opportunity assessment on environmental and social issues,
5) modification of the assessment weight allocation.

In principle, for foreign equities and foreign corporate bonds, we have sought to make the evaluation more comprehensive by utilising quantitative data to evaluate individual companies' environmental and socially beneficial products and services. Although there are differences in the use of such quantitative data between domestic and foreign assets, the ESG assessments are calculated using the same approach based on ESG Materialities, so they remain mutually comparable.

Case study 1.1 – ESG Score

Company	Information & Communication sector company	Country: Japan
Activity	Based on service provider data, the company was assigned at BBB-rating. This modest assessment reflected a low governance score based on concerns about the length of director tenure, the ratio of outside directors, and the absence of a nominating committee. While we saw no issue with the points identified, the service provider data tends to evaluate governance based on uniform metrics such as the corporate structure and the tenure of management. In our communication with the company, it became clear that the company management has a strong commitment to optimizing corporate value, and conducts appropriate IR disclosures, as well as implementing rational financial policies and capital strategies.	
Outcome	Due to the company's organizational framework and sustainability disclosures the service providers data discounted the company. From our perspective, the company's disciplined financial actions and various IR activities, augur for a more positive assessment of the management team and their awareness of increasing corporate value. Furthermore, as most of its directors and executive officers hold shares in the company, we believe the incentive structures are designed from the perspective of shareholders.	

MBIS® score

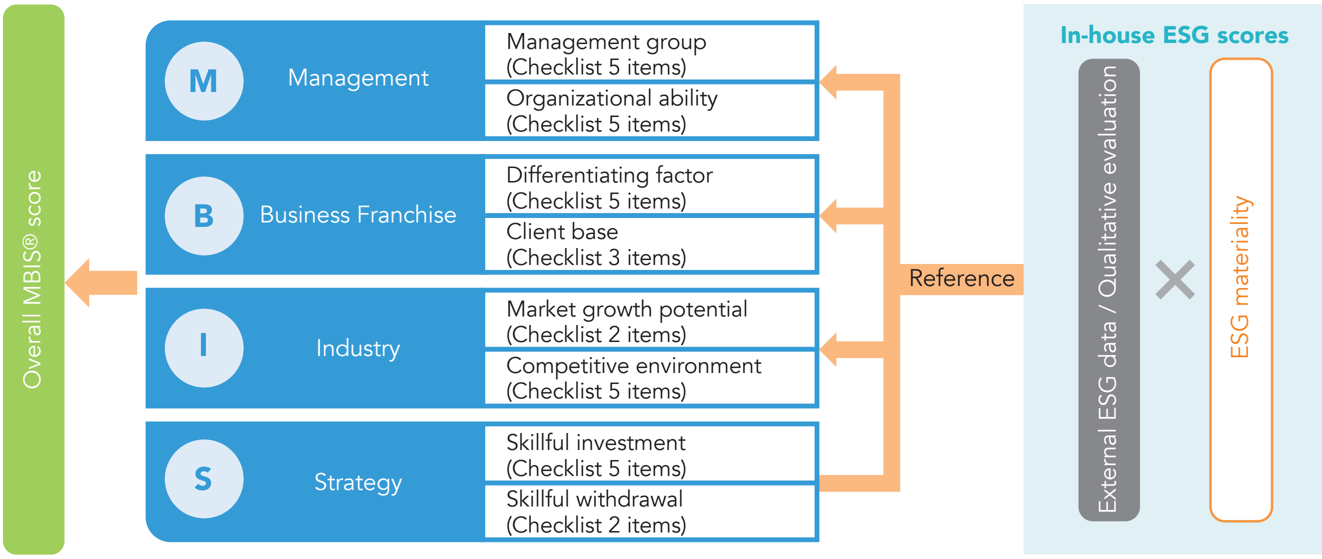
We also use a non-financial information evaluation tool MBIS®. MBIS® is a proprietary system for assessing a company's medium to long term sustainable growth potential. MBIS® collects, analyses and evaluates information that cannot be expressed in financial information, such as the value-add and sustainability of products and services offered by the companies covered by the analysts, the governance systems that support the provision of value-add, and the degree of social and environmental impact that forms the basis for sustainable growth, please see Chart 1.4 for more details. M stands for Management, B for Business Franchise, I for Industry and S for Strategy, and each evaluation item also incorporates an assessment of our in-house ESG score for domestic equities and domestic corporate bonds. In addition, the evaluation incorporates the concept of the SDGs and is based on an awareness of the 17 goals.

Case study 1.2 – MBIS®

The MBIS® score for the company was classified as 12.0 points based on the following breakdown: M (Management) - 2 points, B (Business Franchise) - 5 points, I (Market Trends) - 2 points, and S (Business Strategy) - 3 points. Following our extensive engagement with the company, we raised the B and I ratings, while we have applied an exception criteria to our proxy voting process.
In terms of a more detailed breakdown of our MBIS score, for M (Management), we gave the company a low rating for "Organizational Strength" based on the balance of power with automakers. Going forward, we will focus on the impact of the expansion of Hybrid Electric Vehicle (HEVs) and the postponement of electrification, as well as employee engagement initiatives as a trigger for changes in M score. Regarding B (Business Franchise), we gave a high rating for both the differentiating factors and customer base. Through engagement, we confirmed that the company will expand its Internal Combustion Engine (ICE) business, which has advantages in quality, cost, and sales into HEVs, leading to a higher rating. Regarding I (Market Trends), we gave a low rating to "Competitive Environment" based on the balance of power with automakers. However, we raised the rating to "Market Growth Potential" based on the expansion of HEVs. Regarding S (Business Strategy), our engagement activity confirmed our assessment on the balance between growth investments and shareholder returns, as well as the policy to reduce strategic shareholdings.

*MBIS is calculated as M x 1.5 + B x 1 + I x 0.5 + S x 1, for a total of 20 points.

Chart 1.4 – MBIS® Process



(Source: SuMi TRUST AM)

Information on stewardship activities is managed via an engagement support tool. We share stewardship information internally on the platform and use it for voting decisions and fund managers' investment decisions. In addition, depending on the ESG issues faced by the company, the portfolio manager is also involved in the engagement dialogue and uses stewardship activity information for investment decisions.

The portfolios we manage use a variety of investment strategies to meet the investment objectives of each of our clients. We use ESG investment methods in appropriate combinations according to the characteristics of the investment objectives, investment targets and investment strategies, as described below in ESG investment methodology and in-house ESG score.

ESG investment methodology and in-house ESG Score

ESG investment methodology for in-house investment products

The methods for conducting ESG investments are defined in the following:

1) ESG negative screening
Under certain criteria, we exclude companies from our investment universe who have significant problems from the perspective of ESG, such as those that manufacture inhumane weapons and that conflict with international codes.

2) ESG positive screening
We actively invest in companies with high ESG ratings within each sector.

3) Integration of ESG-related information
We incorporate knowledge obtained from analysing/evaluating non-financial information including ESG into processes regarding selecting brands of each fund and building portfolios in an explicit and systematic manner.

4) Topic investment
We establish topics regarding ESG and organise and manage funds that mainly incorporate companies related to it.

5) Impact investment
We form and manage funds with an explicit purpose of having a positive impact on society from the ESG perspective, as well as producing economic investment return.

6) Engagement
We hold constructive dialogues on ESG topics with investee companies as an opportunity to seek best practices from companies and improve their value over a medium to long term.

7) Exercise of voting rights
We call for minimum standards and value improvement in investees by reflecting ESG factors in voting “for” or "against” an agenda item in the exercise of voting rights.

Integration by asset class

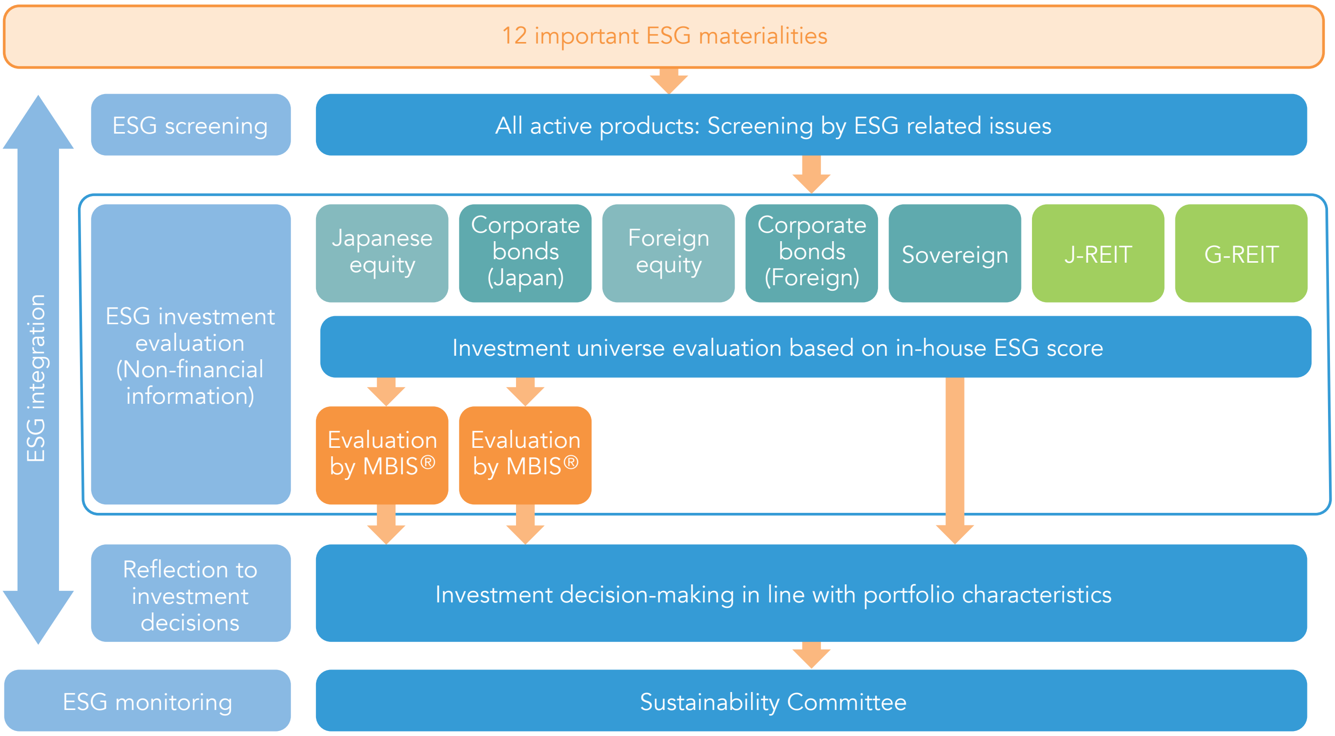
In principle, our ESG investment methods are integrated across all the asset classes we invest, please see Chart 1.5. However, there is variation in how they are used as we explain below.

In terms of our in-house ESG score, domestic equities and corporate bonds, foreign equities and corporate bonds and Real Estate Investment Trusts (REITs) all use an evaluation method based on three measures of non-financial information: environmental and social opportunities, an assessment of risk management and an assessment of management execution from the perspective of governance.

For sovereigns, the evaluation method is based on whether countries are adequately addressing environmental, social and governance issues, taking into account their governance structures and the people and land. For J-REITs, the evaluation method is based on whether each investment corporation and asset management company appropriately consider and addresses environmental, social and governance issues.

For domestic equities and J-REIT, we use the quantitative score to select stocks and determine investment weightings, adding performance, financial condition and valuations. For sovereign and corporate bonds, we use the quantitative score for creditworthiness and spread assessments to select securities and determine investment weights.

Chart 1.5 – ESG integration across asset classes



(Source: SuMi TRUST AM)

Service providers

In order to improve the effect of ESG investments, we examine and try to understand the evaluation purpose, method, and restrictions for ESG evaluation and data used to allow us to perform ESG evaluations and ESG investments for investees.

This commitment extends to external service providers and the data they supply. We have developed a comprehensive approach to evaluating these service providers including the following:

1) breadth of coverage of the data provided,
2) transparency of the purpose and methodology of the assessment,
3) organisational structure and governance,
4) the level of support and service provided,
5) the quality of dialogue with the service provider,
6) the commitment of the service provider's management to our services.

In addition, to assessing the service providers at a provider-level we also assess individual data series. For example, all resources from an external data provider used in-house ESG score are assessed for applicability or compatibility with our own objectives and definitions.

For example, we require data that enables us to assess our 12 ESG Materialities, in line with both risks - including exposure and risk management elements - and opportunities, risks in terms of both exposure and risk management, and corporate controversies and traceability of the assessments.

The data must be traceable to the assessment of corporate misconduct and its evaluation, and the data must be available for countries to assess our 12 ESG Materialities as well.

As well as assessing the suitability of data services from external providers we also engage in an ongoing dialogue with data providers on improving data enrichment and clarifying data definitions and specifications.

In addition, we consider the data provider's capacity to evolve their offering in line with regulatory change. For example, we use Bloomberg's Sustainable Finance Disclosure Regulation (SFDR) data solution which generates 'Principal Adverse Impact' indicators in a manner that is compliant with SFDR requirements.

Meeting clients ESG investment needs

At SuMi TRUST AM, we believe that providing a wide range of ESG investment products for active strategy, passive strategy, and other assets is an important part of our work as a responsible investor from the following perspectives:

- Stewardship activities can encourage companies to change their behaviour through ESG investment.
- Stewardship activities can provide a variety of investment opportunities makes it possible for clients to contribute toward better sustainability for society and companies, as well as generating investment return.

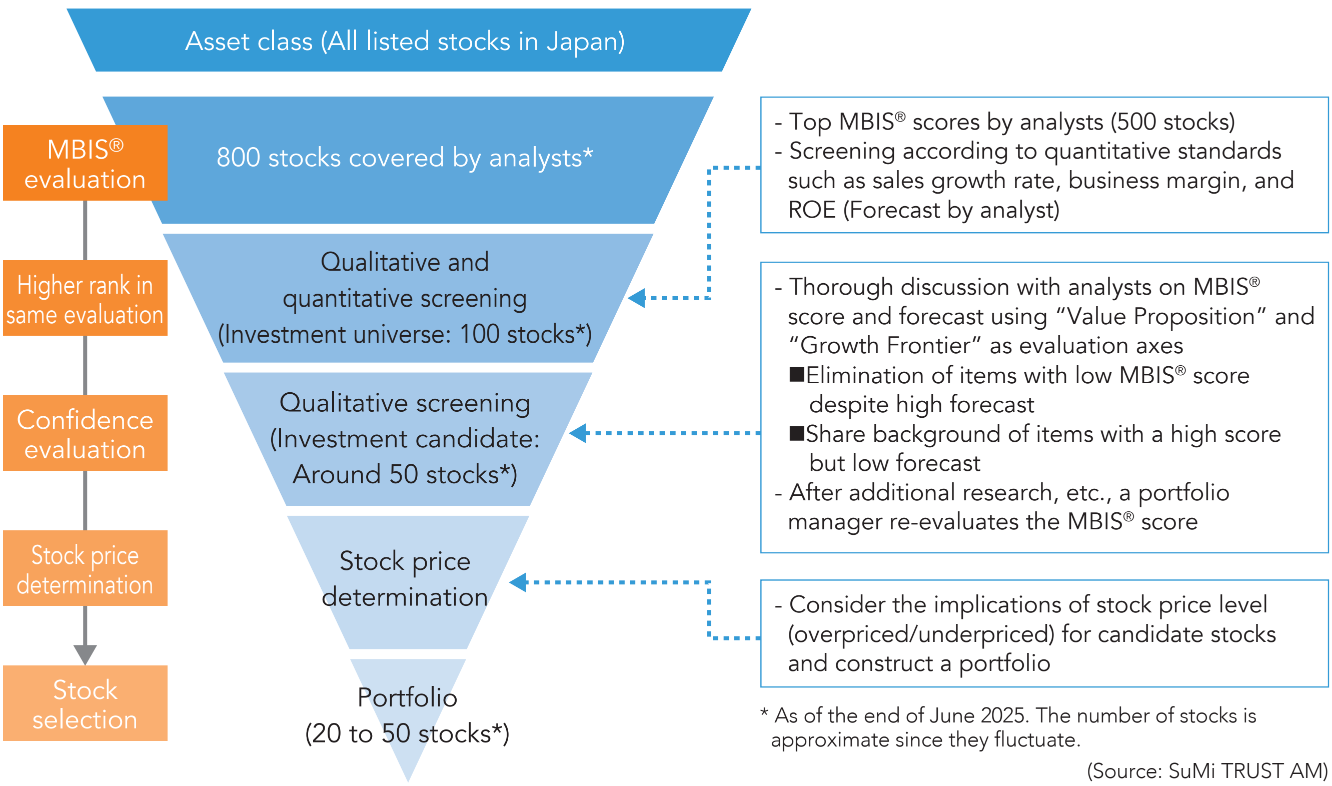
In order to align our stewardship with client investment needs and timeframes we have a range of ESG-related products, as described in the next section.

Japanese Equity ESG Integration (Japan Quality Growth Strategy)

The investment universe for this fund is around 500 stocks given priority coverage by our analysts. These were narrowed down to about 100 stocks based on (1) stocks with a high MBIS® score, and (2) 5-year performance forecasts by analysts (revenue, business margins, and ROE).

Portfolio managers thoroughly discuss the MBIS® score and estimates with analysts based on 'value proposition', which is the source of added value, and the 'growth frontier', which indicates potential for market expansion and innovation. Companies with a low MBIS® score are eliminated from the investment universe even if the 'growth frontier' forecast is high, and items with a high MBIS® score are kept in the investment universe after sharing their background even if they have a low forecast. After conducting interviews with management and business representatives, portfolio managers, together with analysts, re-evaluate the MBIS® score to narrow it down to around 50 potential stocks. During discussions with analysts, priority is given to 'ideal corporate value.' We consider the company's potential indicated by the MBIS® score, as well as the possibility of the investee company's market capitalisation doubling over the next three to five years, scope for improving their position in the industry, and expectations for higher profit margin by reforming the earnings structure, see Chart 1.6 for more details.

Chart 1.6 – Portfolio construction process

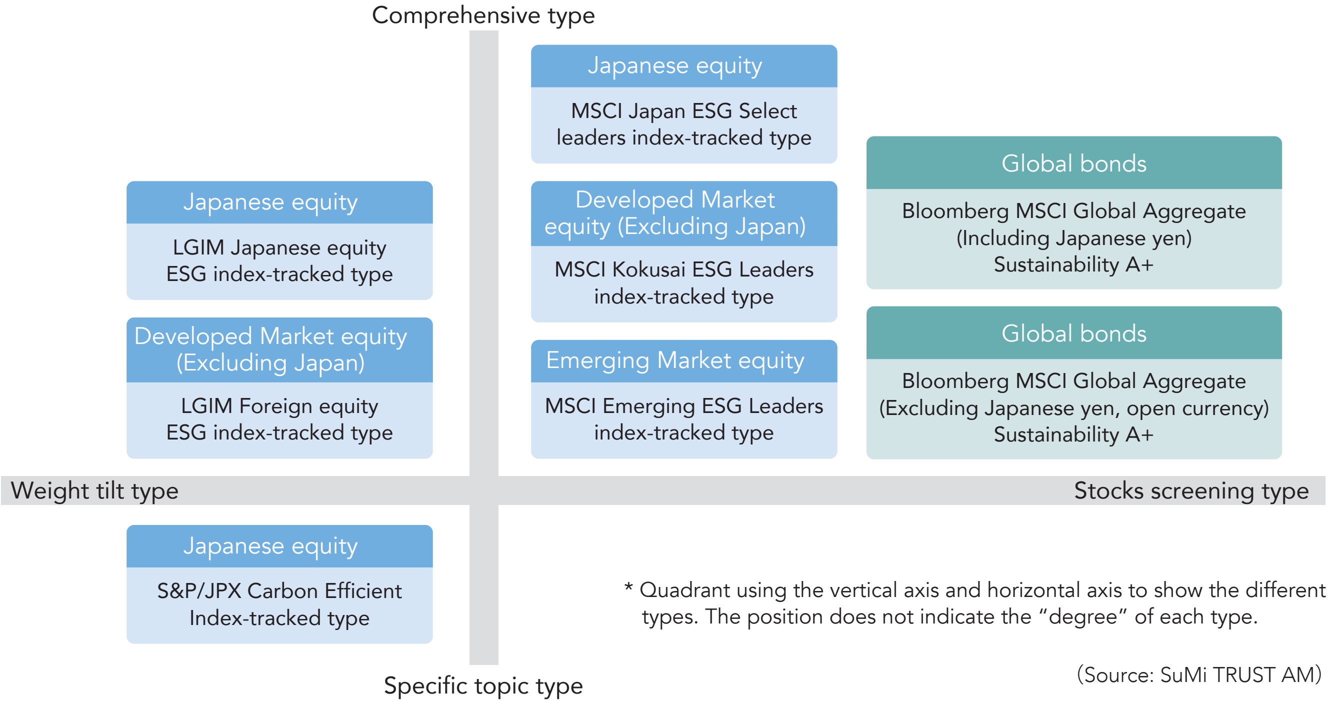


* As of the end of June 2025. The number of stocks is approximate since they fluctuate.

(Source: SuMi TRUST AM)

ESG Passive investment strategy

Chart 1.7 – SuMi TRUST AM's ESG passive investment strategy map



* Quadrant using the vertical axis and horizontal axis to show the different types. The position does not indicate the "degree" of each type.

(Source: SuMi TRUST AM)

SuMi TRUST AM provides a wide range of ESG investment products including passive investment across multiple asset classes. Our passive ESG integration funds focus on two perspectives: (1) providing investment opportunities for clients and ensuring return on investment while also helping to improve the sustainability of society and companies, and (2) contributing to stewardship activities since ESG investment leads to changes in corporate behaviour, see Chart 1.7 for more details.

SuMi TRUST AM provides a wide range of ESG investment products including passive investment across multiple asset classes.

Fixed income ESG investment strategy

Due to the difference in product characteristics, there are differences between stocks and bonds investment related to the significance of ESG integration and investment points. Although bondholders do not have voting rights, as a direct funder, we believe that they have an important position for corporate management. Therefore, as a bondholder, while we have the right to ask investee companies to take measures for medium- to long-term growth and to reduce downside risk, we also believe we have responsibilities to request social contribution.

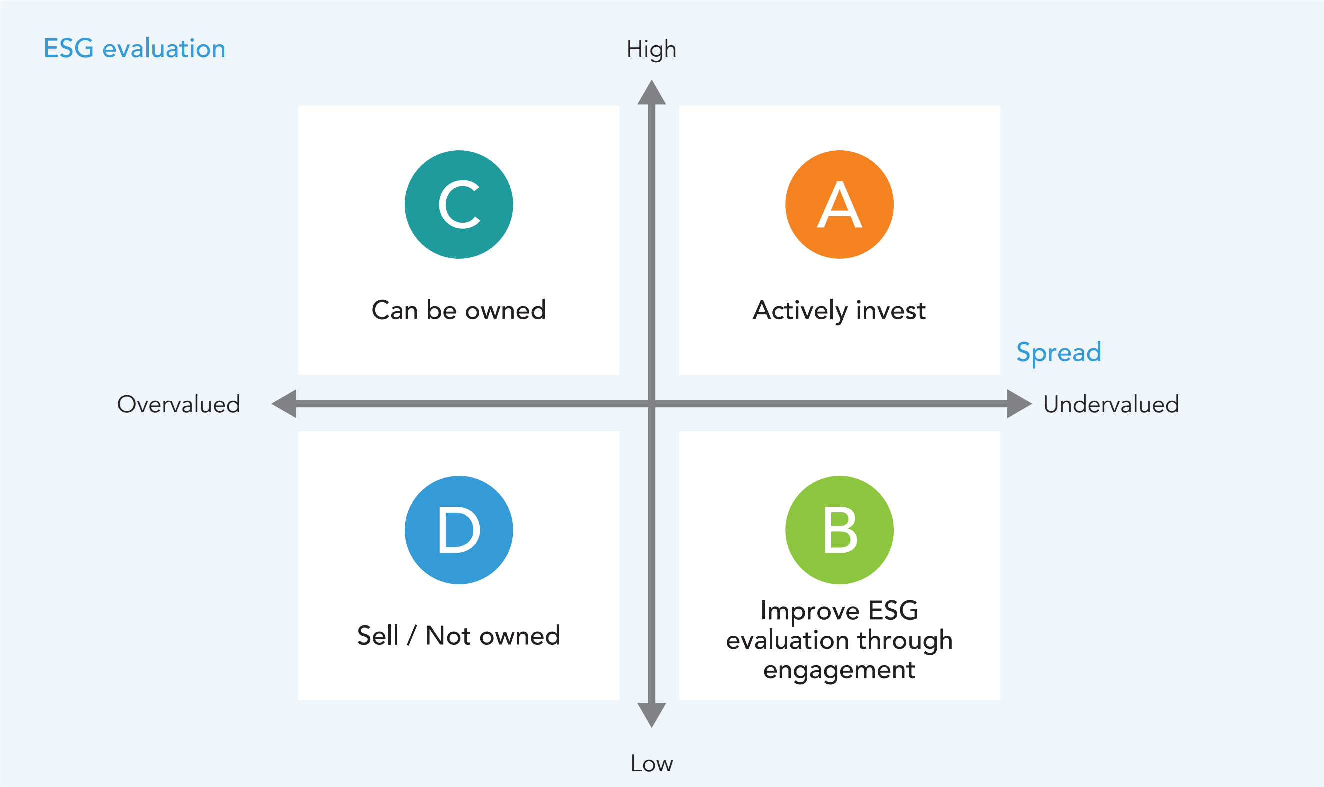
ESG information is utilised according to the flow in Chart 1.8 for fixed income management. Details of how ESG factors are integrated into spread level evaluation are shown in Chart 1.9.

Chart 1.8 – Flow of ESG information utilisation for bonds

(1) Select non-investable securities	Stewardship Development Department	[Take ESG into consideration and identify non-investable securities] Prohibit investing in companies that manufacture inhumane weapons. This applies to all assets.
▼		
Have an outlook for the spread with a top-down approach and decide on a position building policy based on spread situation judgment considering a credit cycle.		
▼		
(2) Evaluate creditworthiness	Credit analysts	[Give in-house rating with ESG factors taken into consideration when evaluating creditworthiness] - Take ESG factors into qualitative determination(Evaluate using MBIS® and in-house ESG scores.) - Set G (Governance) as the centre of focus.
▼		
(3) Evaluate spread	Portfolio managers	[Take ESG factors into evaluation of spread level] Based on the required spread level according to the in-house rating of the company, give comprehensive consideration to ESG factors, liquidity, and supply/demand, and determine the appropriate spread level for the company.
▼ Build portfolio		
(4) Evaluate portfolio, etc.	Portfolio managers	For securities with low ESG scores, fund managers and credit analysts work on engagement cooperating with relevant departments Change investment decisions depending on the status of initiatives to address ESG issues in investee companies.

(Source: SuMi TRUST AM)

Chart 1.9 – Relationship between spread evaluation and ESG evaluation



A Actively invest
It is undervalued and has a high ESG evaluation, so active investment is likely (purchase/hold).

B Improve ESG evaluation through engagement
It is undervalued, but the ESG evaluation is low. Effort to improve ESG evaluation through engagement.

C Can be owned (Possible to own but subject to sell (Not owned))
It is overvalued, but the ESG evaluation is high, so it can be owned.

D Sell / Not owned
It is overvalued, the ESG evaluation is low, and the spread may widen (price decline) in the future, so it is subject to sell (Not owned).

(Source: SuMi TRUST AM)

For government bond investment in particular, financial soundness and politics are scored in our country score. For political score, each country is evaluated and given a score on environmental aspects (E) such as climate change, social aspects (S) such as human capital, and governance aspects (G) such as legal system and political stability. This is equivalent to an ESG score.

Case study 1.3 – Bond engagement

Company	Information & Communication sector company	Country: Japan
Activity	The company was subject to a tender offer from a US investment fund, which was expected to trigger a delisting and significantly increase financial leverage. As a holder of the company's debt, the delisting has raised concerns about reduced frequency and quality of information disclosure, as well as the effective subordination of existing corporate bonds due to collateralization for LBO loans. Given that bonds were issued during the delisting consideration phase, we encouraged the company to provide early disclosure to bondholders on its intentions and to redeem the bonds after the tender offer concludes.	
Outcome	The company recognised the significant detrimental impact on bondholders and provided feedback stressing the importance of ensuring access to the bond market should the company relist in the future. Following the successful tender offer, the company quickly announced it was considering the early redemption of the corporate bonds and subsequently implemented the early redemption. The company met both dialogue objectives regarding both disclosure to bondholders and the early redemption of the bonds once the tender offer had completed.	
Assessment	As a result of the dialogue, the company set a precedent for the early redemption of corporate bonds in the event of a successful tender offer, mitigating against a deterioration of bondholders' rights and impairment of fund performance.	
Improvement	Given the increasing number of privatisations deals through LBOs and MBOs, we plan to pursue not only post-announcement dialogues like this one but also pre-emptive bondholder protection measures—such as requesting the inclusion of change-of-control provisions—during pre-bond-issuance meetings.	

Our ESG approach is broadly consistent across geographies. However, it may be necessary to include consideration of local regulations and market standards when applying our ESG approach across regions.

For example, while we are guided by our ESG Materiality related to climate change in all jurisdictions, there are individual cases which serve to highlight that the appropriate response to the energy transition may take different forms depending on resource availability and market development. To reflect difference in our stewardship activity across regions, we think it is important to document case studies across the world (see Principle 3, 4).

It is also worth noting that the bottom-up or top-down tilt differs from region to region, as the composition of the team differs based on our regional structure with members responsible for the stewardship based in London, New York and Tokyo.

Principle 2
Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets.

Risk management

At SuMi TRUST AM, risk management capabilities are at the heart of our value proposition for clients, and we believe risk management excellence supports our sustainable growth.

Risk management policy

We have established our company's risk management policy based on the risk controls established by our parent company Sumitomo Mitsui Trust Group, our management policy and internal control policy.

Through risk management, we aim to identify, evaluate, monitor, control and reduce risks, while verifying appropriateness and reviewing risk management activities. Our risk management policy aims to ensure sound management, generate profits through risk-taking based on management strategies, and support sustainable growth.

The Risk Governance Structure defines the roles and responsibilities of the Board of Directors, the Executive Committee, and the Directors, Executive Officers, and Officers in charge of risk management.

Chart 2.1 – Risk governance structure

1. Board of Directors	2. Executive Committee	3. Directors, Executive Officers, and Officers in charge of Risk Management
1) Establish and disseminate risk management policy. 2) Formulate policies for risk identification, assessment, monitoring, control and reduction. 3) Formulate and disseminate a risk management plan. 4) Clarify the roles and responsibilities of the Executive Committee and the responsible officers with respect to risk management. 5) Establish policies regarding organisational structure, including the establishment and authorisation of risk management related departments.	1) Resolve and disseminate rules and regulations that stipulate arrangements for risk management in accordance with these rules and regulations. 2) Resolve arrangements for identification, assessment, monitoring, control and reduction of risks. 3) Establish risk management related departments, assign knowledgeable and experienced personnel and grant necessary authority. 4) Establish a system to ensure the independence of the risk management related departments and to exercise a check-and-balance function.	1) Directors and Executive Officers shall be fully aware that neglecting risk management may have a significant impact on the achievement of strategic objectives and they shall manage with an emphasis on risk management. 2) Officers in charge of risk management related departments shall fully understand the location of risks, types and characteristics of risks, and methods for identifying, evaluating, monitoring, and controlling risks, as well as the importance of risk management. Based on this understanding, they

Chart 2.1 – Risk governance structure (continued)

6) Assign knowledgeable and experienced managers to the risk management related department and grant necessary authority. 7) Establish a reporting system for the risk management related departments to report on the status of risks and risk management on a regular or as-needed basis. 8) Regular or as-needed reviews of 1) through 7) above based on reports on the status of risk management.	5) Establish a system to ensure compliance with risk management policy and ensure effective risk management in relevant departments. 6) Analyse the status of risk management, evaluate the effectiveness of risk management, and verify problem areas based on the results of reviews by the Audit and Supervisory Committee Office, internal and external audits, and reports from risk management related departments. 7) Establish a framework for improvement and follow-up on problem areas. 8) Establish a system for consultation and reporting to the holding company. 9) Periodic or as-needed review of 1) through 8) above based on reports on the status of risk management.	should appropriately recognise the status of risk management and consider policies and specific measures to develop and establish and maintain an appropriate risk management framework.

(Source: SuMi TRUST AM)

At SuMi TRUST AM, we operate a three-line defence risk governance system which includes risk management by the investment departments (1st line defence), risk management by risk management related departments (Risk Management Department, Compliance Department, Investment Risk Management Department) (2nd line defence), and risk management by the Internal Audit Department (3rd line defence)

Chart 2.2 – Risk management

Three lines of defence	
1st line defence	Each business division is expected to understand the risk characteristics of its operations and have policies in place to identify and review risks as a risk owner. Risk management needs to be conducted independently and with self-awareness.
2nd line defence	Risk management and compliance departments simultaneously monitor first-line risk and support the business divisions with dedicated risk expertise.
3rd line defence	The internal audit department is responsible for reviewing the effectiveness and adequacy of risk governance systems and processes independently of the first- and second-line defences. If deemed necessary, it will request corrective action or notify management of its concerns.

(Source: SuMi TRUST AM)

Despite these rigorous protections, we accept that risks in the execution of our business are inevitable. We closely monitor risk in two principal areas: investment management risk and operational risk.

Investment management risk

As part of the first line of defence, the Investment Department is obligated to meet standards stipulated by each client mandate and to implement risk controls as specified by each fund. For example, to avoid credit risks the fund manager may exclude firms that do not meet specified requirements based on criteria such as an inadequate financial position, loss-making or no dividend.

In addition, our Investment Risk Management Department is dedicated to monitoring fund management activity independent from the investment department, see Chart 2.3. The team has personnel with knowledge of investment theory, business laws, securities trading regulations, and IT skills necessary to conduct monitoring work.

The results of monitoring activity are reported every month in principle to the Investment and Risk Committee, which consists of senior management from the investment division and the risk management division. If necessary, the Committee will discuss and decide on improvement measures. In addition, the Investment and Risk Committee annually report to the Executive Committee, which consists of the president and the management team.

The Board of Directors considers the location of risks, the types and characteristics of risks, methods for identifying, evaluating, monitoring, controlling, and reducing risks, sophistication and review of risk management, and the importance of risk management.

Chart 2.3 – Major items for monitoring investment management risk

Risks associated with investment management
Market risk Credit risk Liquidity risk
Compliance associated with fund management
Status of compliance with operational guidelines Status of compliance with laws and regulations Managing transactions with potential conflicts of interest

(Source: SuMi TRUST AM)

Operational risk

The second important source of risk relates to operational risk, which we recognise as an unavoidable risk that arises in the execution of our business, see Chart 2.4 for major items. The company regularly implements risk register measures (Risk and Control Self-Assessment) in which all departments identify operational risks that hinder their own departmental targets, implement appropriate risk control activities and respond to changes in the environment.

The Risk Management Department plays a central role in collaborating with other risk management departments, analyses and evaluates the results of implementing risk register measures, and regularly reports them to the Executive Committee.

Chart 2.4 – Major items for operational risk

- Business processing risk
- Information security risk
- Conduct risk
- Event risk
- System risk
- Legal and compliance risk
- Human resources risk
- Reputational risk

(Source: SuMi TRUST AM)

Identification of market-wide and systemic risk

Market-wide and systemic risks have been identified as those that are imbedded in the market, whether it necessarily results in market instability or creates imbalances. Diversification cannot mitigate market-wide risk.

In terms of our approach to systemic risk, we start with a recognition of investment management risk and operational risks as identified above. We then consider the transmission and amplification of market-wide and systemic risks and their effects on financial markets. Systemic risk can also cascade out from the financial system and impact the wider economy, as in the 2008 financial crisis.

Monitoring of market-wide and systemic risk

One example of market-wide and systemic risk is climate change. This is in line with our interpretation of climate change risk as a risk driver based on the Task Force on Climate-related Financial Disclosures (TCFD) in the UK.

Climate change risks are defined as 'various matters that are a result of the progression of global warming driven by human-induced economic activities.' Changes in weather patterns caused by global warming can alter ecosystems and cause damage to food, water, health, and the economy, adversely affecting sustainable social and economic activities.

In addition to climate change, we also closely consider our investment activities impact on natural capital and biodiversity. Since September 2020, we have participated in an informal working group for a preparatory meeting of the Taskforce on Nature-related Financial Disclosures (TNFD), and in January 2024, we announced we would implement early disclosure based on the recommendations of TNFD as an Early Adopter. For more detailed information on our strategy towards addressing climate change and natural capital risk, please see below or refer to our Climate Change and Natural Capital report which is available on our homepage.
https://www.sumitrust-am.com/responsible-investment
We also recognise the growing interest of market-wide and systemic risks for our clients. Going forward, we will consider further improvements in mitigating systemic risks, especially related to climate change, in line with our clients' needs.

> There is an urgent need to systematically address the implications of climate change.

A comprehensive approach to climate change as a systemic risk

There is an urgent need to systematically address the implications of climate change. This includes both risks and opportunities that will impact the funds we manage on behalf of our clients. We recognise how climate change risks impact our business management through the following three routes: damage to the value of investee companies, loss of existing clients and missed opportunities to acquire potential clients, and loss of business continuity. All of these can ultimately worsen our finances and threaten our viability as a company.

At Sumitomo Mitsui Trust Group, our parent company, the Board of Directors has formulated Action Guidelines for Mitigating Climate Change. In addition, at SuMi TRUST AM we have included sustainability risk management policy, including climate change risk, in our Risk Management Policy. This policy clarifies the significance of sustainability-related risk management, the roles and responsibilities of the Board of Directors, the Management Committee and officers, the organisational structure and the three-line defence system. In addition, sustainability-related risks, including climate change risk, associated with assets under management, are managed from the perspective of fiduciary duty in the investment management business rules and business-related rules and regulations. In this way, we have established an integrated risk management system for risks associated with our corporate and investment assets, including sustainability-related risks.

Portfolio climate change risk assessment

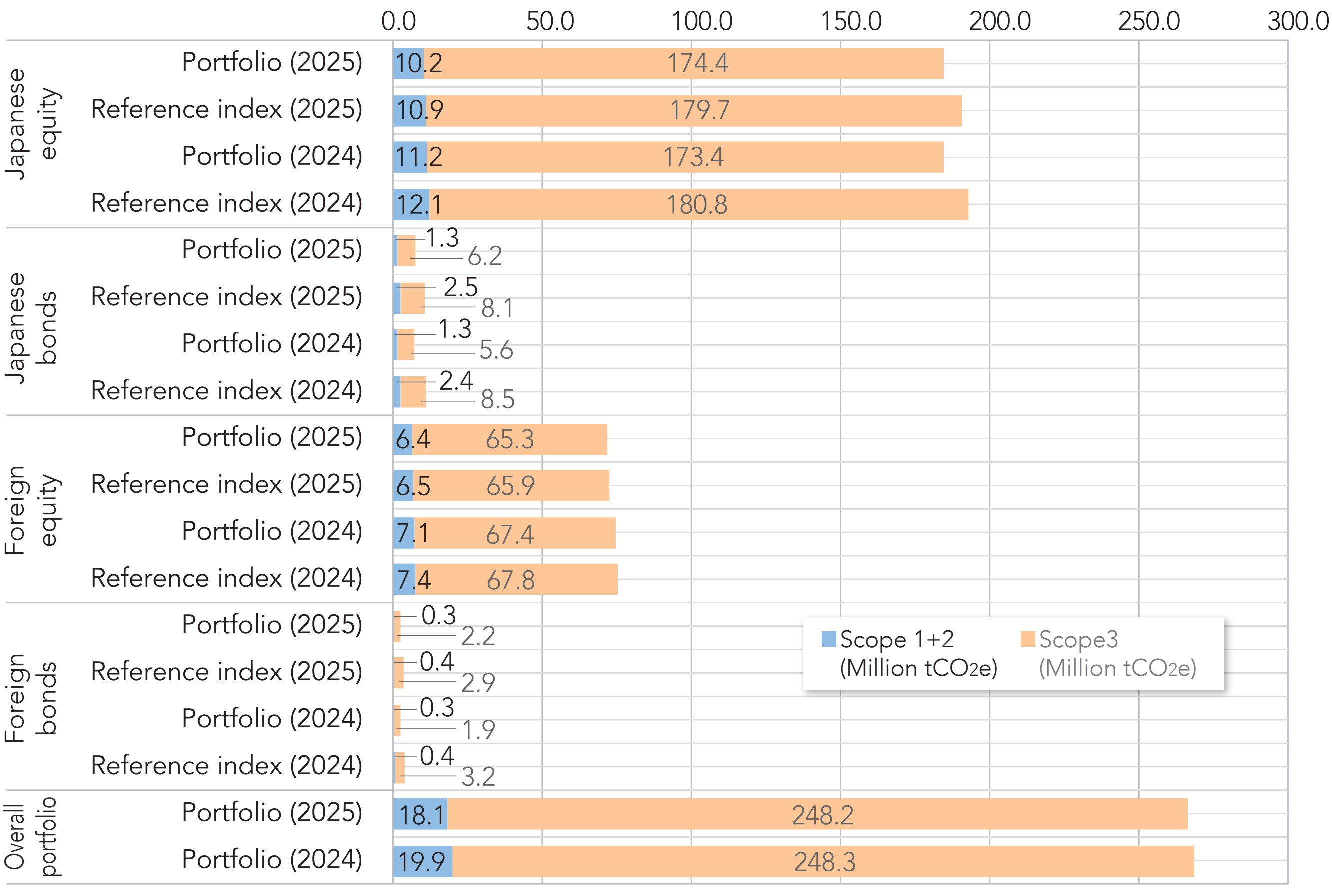
SuMi TRUST AM evaluates the climate change risk of assets under management by asset class and then integrates the asset classes to evaluate all owned assets. The evaluation methods include:

1) Fixed point analysis - Greenhouse gas (GHG) emissions, etc.
2) Transition pathway analysis
3) Portfolio resilience analysis related to climate change

Chart 2.5 provides an overview of the results of our analysis of our holdings of domestic equities, domestic bonds, foreign equities and foreign bonds. In 2025, GHG emissions for our entire portfolio, based on Scope 1+2, were 18.1 million tCO2e, a decrease from 19.9 million tCO2e in 2024. On a Scope 3 basis, emissions for the entire portfolio remained roughly flat at 248.2 million tCO2e (248.3 million tCO2e in 2024).

By industry, the public utilities and materials sectors accounted for the largest share of emissions in each asset class. This represents a large portion of the total, and this was a similar trend to the previous year.

Chart 2.5 - Greenhouse gas emissions by asset class



(Source: SuMi TRUST AM)

Additionally, as part of our commitment to TCFD, we have further conducted resilience analysis of our portfolios by breaking down climate risk into transition risk and physical risk. The impact of these risks is then examined through transition path analysis, which assesses how a portfolio's climate change risk will change in response to future climate change scenarios.

The results of our analysis show that our efforts to reduce the GHG emissions from our portfolio have been effective. However, we recognise the importance of taking further action. We are focusing on domestic and foreign equities by asset class, the utilities and materials sectors as well as the capital goods sector are important for transition risk. We are also focusing our engagement and voting rights on these priority assets and sectors.

Taking action to address climate change

Taking action to address climate change is of utmost importance and we have conducted a wide range of engagements to solve issues across various industries. For example, we are focusing on approximately 100 companies that have a significant impact on total GHG emissions and are promoting effective activities, see Case study 2.1.

Case study 2.1 – Global 100 Climate Change Company

Company	**Iron and Steel sector company** Country: Japan
Activity	As one of our Global 100 Climate Change Companies, we have conducted continuous dialogue with the company to address climate change issues. This has included requesting disclosures related to TCFD, emissions reduction plans and progress updates. More recently our engagement has focused on the exclusion of overseas business entities from its reduction targets and insufficient lobbying activity. As a large Japanese steel manufacturer, the company’s business strategy aims to build production scale through the establishment of a global production system, including investments for stable raw material procurement. Despite its international exposure, the company’s 2030 GHG emission reduction targets do not include overseas subsidiaries or equity method investees. The exclusion of these entities from the reduction targets risks inadequate risk recognition. In light of international regulatory trends, setting targets aligned with GHG Protocol boundaries may be necessary. In addition, the company’s disclosure on lobbying activity has been insufficient. We expect systematic and transparent reporting and have supported shareholder proposals requesting improved disclosure of its climate-related lobbying activities. We have requested clear disclosure, referencing other companies’ activity, demonstrating alignment with the carbon neutrality plans.
Outcome	Following our engagement, we have seen progress on the disclosure of emissions data from overseas equity-method affiliates. The information indicated that even with targets based on domestic consolidated subsidiaries, the majority of emissions have been covered. In addition, the company also disclosed the GHG emission reduction targets for each overseas equity-method affiliate. However, these disclosures merely consolidated each company’s targets and cannot be considered an exercise of group-wide governance or should be considered in alignment with the company’s business strategy. Although the company recognized that current target setting only covers domestic consolidated subsidiaries, it deemed uniform targets extending to equity-method affiliates was unrealistic in light of international trends, national laws, and discussions on disclosure systems and standards relevant to its global operations. In regard to the company’s climate change lobbying activities, the company published a systematic disclosure of its direct lobbying for the first time in April 2025, including the company’s first-ever Industry Association Review.

Case study 2.1 – Global 100 Climate Change Company (continued)

Assessment and Improvement	In regard to disclosures related to overseas entities, we will encourage the setting of environmental targets across the entire group so that they are consistent with business strategies. Regarding disclosures related to lobbying activities, we commend the progress made in lobbying activities regarding climate change. We will also encourage the company to improve disclosures related to lobbying activities further.

Case study 2.2 – Climate Change Engagement

Company	ORLEN SA Country: Poland
Activity	The company is a Polish multinational oil refiner, petrol retailer and natural gas trader with a major role in Poland's energy supply. Poland faces significant challenges in addressing climate change given is high dependence on fossil fuels. Since 2020, the company has been one of the earliest Polish energy companies to improve its climate disclosures, including setting Scope 3 targets for 2050. However, we believe further improvement in disclosures are necessary. For example, the company have not provided information on specific interim emissions targets and related initiatives and has insufficient disclosures related to the implications of a Just Transition on local communities and employment. Our dialogue objectives focused on climate change-related disclosures. This included setting a 2030 interim Scope 3 target and developing related transition initiatives, presenting a transition plan to renewable energy sources, and implementing specific initiatives and KPIs for local communities and employees needs from a Just Transition perspective.
Outcome	The company's disclosures have improved over the course of the dialogue, with the establishment of its 2030 interim Scope 3 target in February 2023. In January 2025, the company disclosed details of its transition strategy through to 2035, including its plans for renewable energy, small nuclear reactors, and natural gas ratios. In addition, in March 2025, it announced its Just Transition programme, addressing social impacts and improving its disclosure.
Assessment	Through ongoing dialogue since 2020, the company has gradually improved its disclosure, including disclosing Scope 3 intermediate targets and specifying transition plan initiatives. Improved disclosure can be accredited to dialogue with investors, while taking into account comparisons with peer companies in Europe and Poland, while also reflecting external insights from initiatives such as CA100+, and the role of Poland's government.
Improvement	We will continue to engage in dialogue on the company's investment plans for various energy sources leading up to 2035, and monitor management progress, the implementation of its Just Transition programme, while introducing best practice from competitors and within the industry.

When exercising voting rights, if an investee company does not respond to a request for engagement, or if there is no improvement in the situation despite continuous engagement, we will vote against the appointment of directors. For more details and case studies please see Principle 4.

Collaborative engagement

In order to address systemic risks and improve market functioning, we recognise the value of working with others to strengthen our influence in these critical areas. In the area of climate change, we joined the Net Zero Asset Managers initiative (NZAM), a global initiative of asset managers, and aim to achieve net zero GHG emissions from our portfolios by 2050.

In May 2022, we set an interim 2030 target for the GHG emissions of our assets under management. Specifically, 50% of our assets under management (approx. ¥85 trillion at the end of June 2021) are targeted to halve their Weighted Average Carbon Intensity (GHG emissions per unit) compared to 2019. The assets excluded from the target are mainly sovereign bonds and we will consider adding them to the target assets.

To achieve these goals, we deploy methods including:

1) Engagement
2) Exercise of voting rights
3) Investment considerations
4) Providing clients with investment opportunities
5) Communication with clients
6) Enhancing SuMi TRUST AM's response to climate change

At SuMi TRUST AM, we actively participate in industry initiatives seeking to solve ESG issues from a global perspective. Our proactive approach on collaborative engagement through global initiatives is covered in more detail in Principle 3.

Collaboration with regulators

The Stewardship Development Department coordinates engagement with government departments, policymakers and regulatory bodies. We use our market position, industry knowledge and expertise to shape the nature of future regulation so that our clients' interests are best protected.

At SuMi TRUST AM, we actively participate in industry initiatives seeking to solve ESG issues from a global perspective.

Case study 2.3 – Public policy engagement

Indonesian government agency	Country: Indonesia
Activity	The Indonesian government officially announced a carbon neutrality goal for 2060 in July 2021. However, Indonesia's energy mix relies heavily on coal-fired power generation, making it a country where decarbonization is one of the biggest challenges. Another major obstacle to decarbonization is widescale deforestation in the country. Deforestation not only reduces the carbon dioxide absorption capacity of the country's rainforests but also significantly reduces the effectiveness of greenhouse gas reduction efforts through their re-emission of greenhouse gas by deforestation. We participate in several natural capital-related initiatives focused on forest conservation, engaging with both companies and government agencies. We believe our work in Indonesia is particularly important because of the high risk of deforestation in Indonesia. For example, according to Global Forest Watch, an NGO advocating for forest conservation, Indonesia's forest area covered 94 million hectares as of 2020, more than half of the country's land area. However, deforestation is estimated to have resulted in a loss of 11 million hectares between 2002 and 2024. Recognizing that dialogue with the government is essential to resolving this problem, we are participating in the Investors Policy Dialogue on Deforestation (IPDD) and proactively engaging with Indonesian government authorities. IPDD is a collaborative initiative that engages with governments in countries at high risk of deforestation to promote forest conservation policy. While numerous institutional investors from around the world, primarily from Europe, participate, we are the only Japanese participant. In Indonesia, for example, we have achieved success in introducing policies to avoid deforestation through the establishment of sustainable finance guidelines. Below are three recent examples of our activities: 1) In collaboration with the Indonesia Stock Exchange, we hosted a public seminar on natural capital. We presented as a panelist alongside other international institutional investors, emphasizing the importance of natural capital disclosure. 2) We promoted the importance of natural capital disclosure through engagement with Indonesia's central bank and financial ministry. 3) We collaborated with the local chamber of commerce and banking association to hold public seminars aimed at raising awareness among Indonesian companies about natural capital-related disclosure. In addition, at the corporate level, we are engaged with the Financial Sector Deforestation Action (FSDA), which aims to prevent deforestation in grain production supply chains, and are engaged with Indonesia's major financial institutions and feed producers on the importance of TNFD disclosure and enhancing supply chain traceability. We collaborated with WWF and others to hold study sessions for Indonesian companies on the importance of supply chain traceability. As a result of these efforts, we believe that we can contribute to raising awareness of both the government and companies in Indonesia in terms of decarbonization through forest conservation.

Analysis of natural capital risks in portfolios

We analyse the impacts and dependencies of natural capital risks in our portfolios using ENCORE, a tool developed by the Natural Capital Finance Alliance for assessing climate and nature-related transition risks. While ENCORE allows us to understand sector-specific dependencies on and impacts to natural capital, it does not sufficiently account for investment amounts within each sector. To complement the ENCORE analysis, we utilise ISS ESG's Biodiversity Impact Assessment Tool (BIAT) to quantify the natural capital risks of portfolios.

(a) Dependency Analysis

BIAT assesses how much of a company's revenue is dependent on 22 granular ecosystem services factors that are classified into three groups: Regulation & Maintenance, Provisioning, and Cultural services. Each factor is attached to the issuer-level Materiality and revenue dependency of the companies within the portfolio.

Across our portfolios, dependency on Regulation & Maintenance functions is highest at 69%, followed by dependency on Provisioning functions at 23%, and dependence on Cultural functions at 8%. Comparing with reference indices, domestic equities and foreign equities show composition ratios nearly identical to the reference indices, while domestic bonds and foreign bonds exhibit relatively large deviations from the reference indices (Chart2.6).

Chart 2.6 (lower panel) analyses the dependency levels of our 2025 portfolio by ecosystem service, showing the top six services with the largest proportions. Surface water accounted for the largest share, followed by groundwater, flood control, and flow maintenance. These four combined represent 33.7%, indicating a high dependence on water-related ecosystem services.

(b) Impact Analysis

We analysed the impact of our equity and bond portfolios on natural capital based on Potentially Disappeared Fraction of Species (PDF), one of the metrics used to assess natural capital risk in the portfolio. A higher PDF value signifies a greater impact on natural capital.

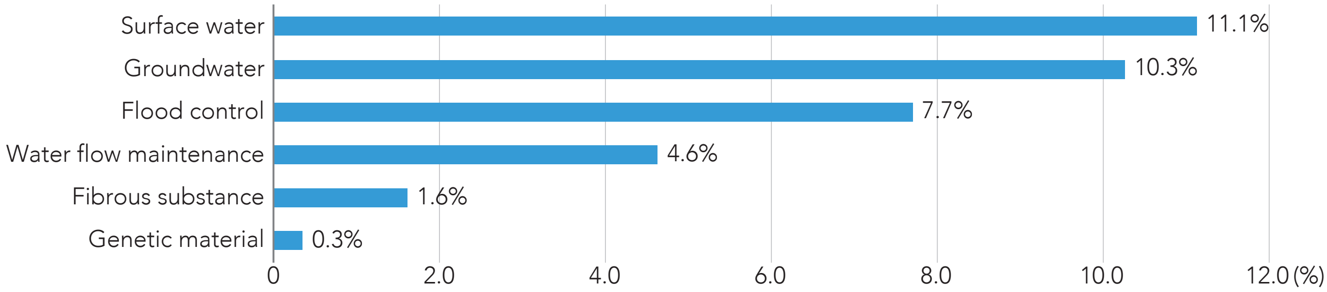
Chart 2.7 shows the impact of our portfolio on natural capital using the PDF indicator. The overall portfolio's impact on natural capital decreased modestly in 2025. A key factor was the reduced investment weight of companies with large PDFs, such as major global agribusinesses. For the asset classes other than foreign equities, the impact was shown to be the same or lower compared to reference indicators.

Chart 2.6 - Dependency of our portfolio on ecosystem services by asset and degree of dependency by service

Dependency on Ecosystem Services

(Unit %)	Proportion			Reference Composition		
	Provisioning	Regulation & Maintenance	Cultural	Provisioning	Regulation & Maintenance	Cultural
Japanese Equity	24	69	7	2	-1	-1
Japanese Bonds	17	78	5	-4	6	-2
Foreign Equity	22	72	6	1	-1	0
Foreign Bonds	8	89	3	-5	6	-1
Overall Portfolio	23	69	8	–	–	–

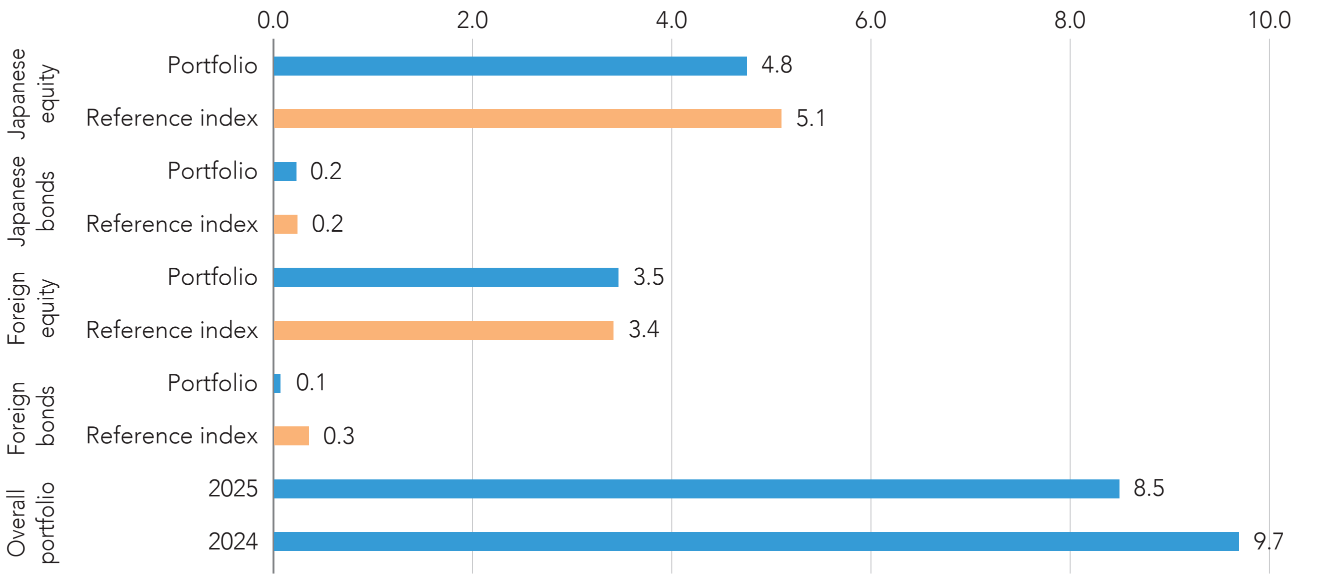
Dependency by Ecosystem Service (Unit:%)



(Source: SuMi TRUST AM)

Chart 2.7 - Analysis of the impact on natural capital by asset (PDF)

(Unit:million PDFkm^2・year)



(Source: SuMi TRUST AM)

Geo-political risk

Another example of systemic risks relates to geopolitical risk. Geopolitical risks amplify investment risks and operational risks and include the adverse impact of heightened political, military, or social tensions on regional and global economies. For example, Western economic sanctions in response to the February 2022 Russian invasion of Ukraine placed unprecedented restrictions on Russian financial markets.
Given the seriousness of the events in Ukraine, we engaged with index providers to provide input on the exclusion of Russian assets from relevant indices and pricing implications for fund valuation purposes. The result of this engagement was the removal of the country's assets from the benchmark index. Please see Principle 3 for more details. Since last year's report, we have not made any material changes related to these measures.

We will continue to monitor the situation closely and if there are any significant changes in the situation, we will review our response measures and seek to reduce systemic risk.

Principle 3 Engagement

Signatories engage to maintain or enhance the value of assets.

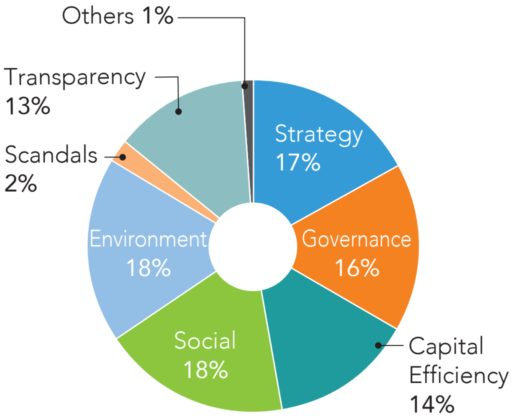
Our mission is to maximise medium and long term investment returns for our clients by improving the value of investments and investee companies. To achieve our goals, we identify the critical issues for our investments using our ESG investment policy and 12 ESG Materialities.

We then allocate our resources to the three key areas of stewardship activities: engagement, voting and incorporating ESG factors into investment decision-making processes.

In this section will go into detail on our engagement activities, which is one of the three pillars of our stewardship activities. We deploy a range of engagement tools, including face-to face meetings, conference calls, and the writing of letters to the board and/or management team outlining the areas of improvement or expectations. During the reporting period, we conducted approximately 1,600 engagement activities with about 660 domestic companies, and approximately 410 engagement activities with about 340 foreign companies. Please see Chart 3.1 for more details of our engagement activity.

Chart 3.1 – Overview of engagement

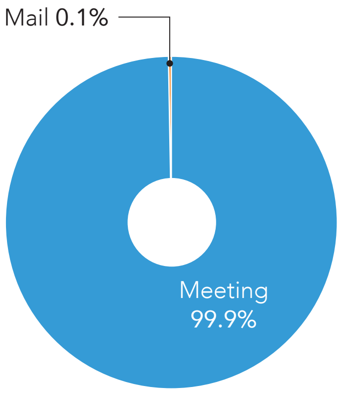
Engagement by theme



(Please note that the percentage values shown have been rounded, which may cause the sum of the components to differ slightly from 100%.)

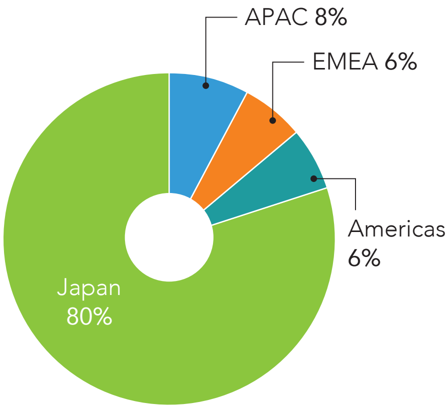
(Source: SuMi TRUST AM) (July2024-June2025)

Engagement by format



(Source: SuMi TRUST AM) (July2024-June2025)

Engagement by geography



(Source: SuMi TRUST AM) (July2024-June2025)

SuMi TRUST AM chooses to devote a large amount of resources to face-to-face meetings since many Japanese and Asian firms are seeking to improve best practice in shareholder engagement.

Given our mission is to maximise returns for our clients, we believe their best interests are served by educating executive teams to align with long term value creation. This can be achieved more effectively by face-to-face meetings. Our approach will depend on the specifics of the individual engagement.

In terms of other changes in engagement themes, we have continued to witness a diverse range of engagement topics over the reporting period, which has strengthened even further relative to last year with environmental thematic engagement declining modestly as a result.

In recent years, we have increased our engagement related to capital efficiency and strategy. The disclosure of capital policy has come under increased scrutiny following the inclusion of a supplementary principle 5:2 in the revised Corporate Governance Code related to management with awareness of cost of capital. Subsequent action from the Tokyo Stock Exchange including market restructuring and revision of the listing rules in 2023, which emphasised financial metrics related to cost of capital and capital efficiency, have increased disclosure in this area. As a result, we have seen an increase in the opportunities to engage with Japanese companies on the topic of capital efficiency.

In addition to investee companies, we conduct engagement with various stakeholders including public agencies, exchanges, industry groups, NGOs, and academics. While engagement is something we can do on our own, it is also done in collaboration with other investors who share the same beliefs.

Prioritisation of engagement

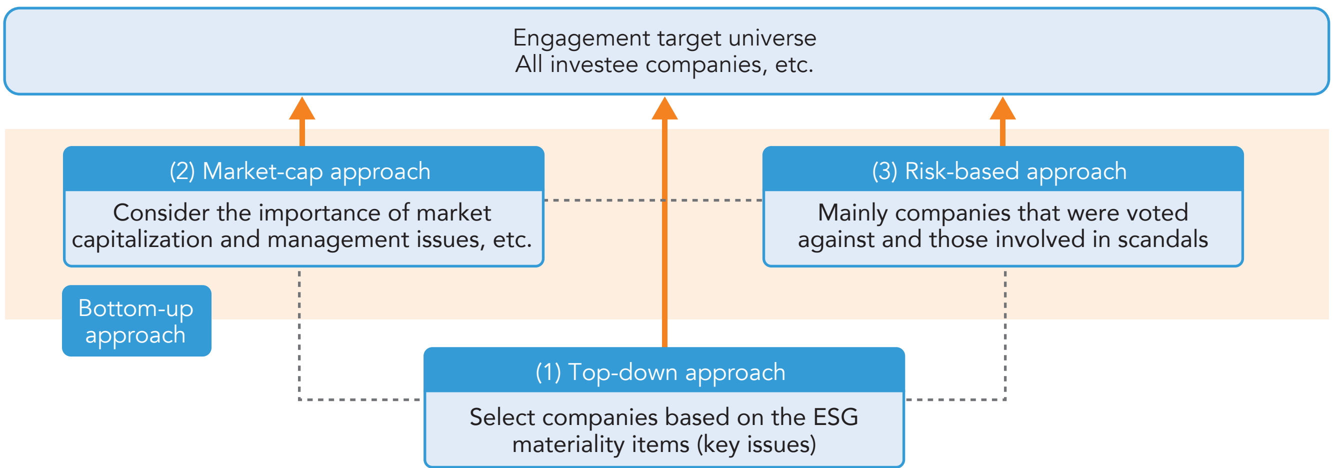
We select and prioritise engagement activities using three key approaches:

1) Top-down approach,
2) Market-cap approach,
3) Risk-based approach.

Engagement may also be conducted using a combination of these three methods. For more details, please see Chart 3.2.

Chart 3.2 – SuMi Trust AM's engagement with each investee company

Our engagement consists of three approaches



(Source: SuMi TRUST AM)

1. Top-down approach

In 2019, our Executive Committee established an ESG investment policy and identified ESG Materialities. In 2020, we established 12 focused ESG Materialities through discussions at the Stewardship Committee and consultation and recommendations from the Stewardship Activities Advisory Committee, which our top-down engagement activities are based on.

The Sustainability Committee is responsible for reviewing the appropriateness of the 12 ESG Materialities based on feedback from clients, regulators and other stakeholders, for more information see Policy and Context Disclosure B and Principle 1.

In July 2024, SuMi TRUST AM reviewed and authorised its ESG materialities and related key activity items. The review included a wide-ranging consultation of stakeholders, including our clients, initiative organisations, and subsequent internal discussions on the amendment or replacement of key activity items.

Following the review, SuMi TRUST AM has identified six priority activity items. The six priority activity items include: GHG emissions reduction; conservation of water resources and forests, and recovery of biodiversity; sustainable procurement of raw materials (palm oil, natural rubber, timber), marine plastic pollution and waste reduction; human rights in supply chains; human resource strategies (human resource development, recruitment, placement, and evaluation); and employee engagement.

The Stewardship Development Department subsequently developed accompanying action plans, which have been reflected in our engagement activities and are monitored by the Sustainability Committee.

Selection and prioritisation of engagement

The selection and prioritisation of engagement in our top-down activities follows the process outlined below.

1) We select approximately 100 target companies for each ESG Materiality from among portfolio companies.
2) Long term goals and intermediate targets for each ESG Materiality are set according to the ESG issues and management level of each company (see Chart 3.4).
3) Effective engagement activities are implemented, e.g. by applying a six-stage process to affect the change necessary to meet our targets.

Chart 3.3 – Identifying engagement from ESG Materialities

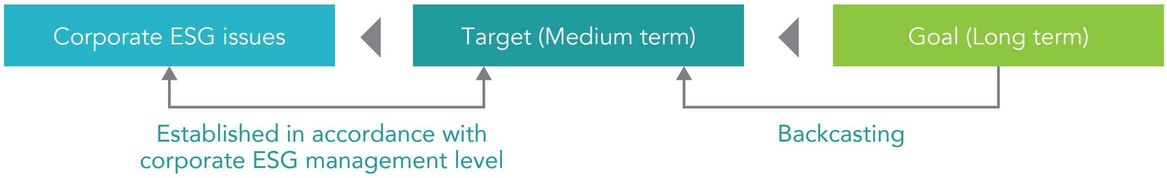
ESG Materiality		
E	S	G
① Climate Change	⑤ Human Rights & Community	⑨ Corporate Behaviour
② Natural Capital	⑥ Human Capital	⑩ Structure
③ Pollution & Waste	⑦ Safety & Responsibility	⑪ Stability & Fairness
④ Environmental Opportunities	⑧ Social Opportunities	⑫ Improvement in Governance

(Source: SuMi TRUST AM)

Management and monitoring

Chart3.4 - Top-down engagement process

1. Selection of target companies based on ESG topics and setting goals and targets



2. Stage management and monitoring

Engagement progress is managed in four stages according to the ESG topic, and further measures are then implemented and the resolution of issues is monitored.

(1) Issue setting	- Identifying ESG priority issues with investee companies and setting specific topics (issues) - Setting targets (interim targets) by backcasting from topic goals
(2) Issue presentation	- Issues are presented during interviews with companies and engagements are held continuously for sharing issues
(3) Issue sharing (with person in charge at the company)	- While sharing issues with the person in charge at the company, engagement is escalated to the management for implementing measures and resolving issues
(4) Issue sharing (with management group)	- Issues are shared with the management group and best practices are introduced - Internal examination is promoted for implementing measures and resolving issues
(5) Implementation of measures	- Corporate policy statements (corporate actions) are confirmed - Progress is monitored
(6) Issue resolution	- Target achievements are confirmed and shared with the company - If the progress is insufficient, consideration is given when exercising voting rights

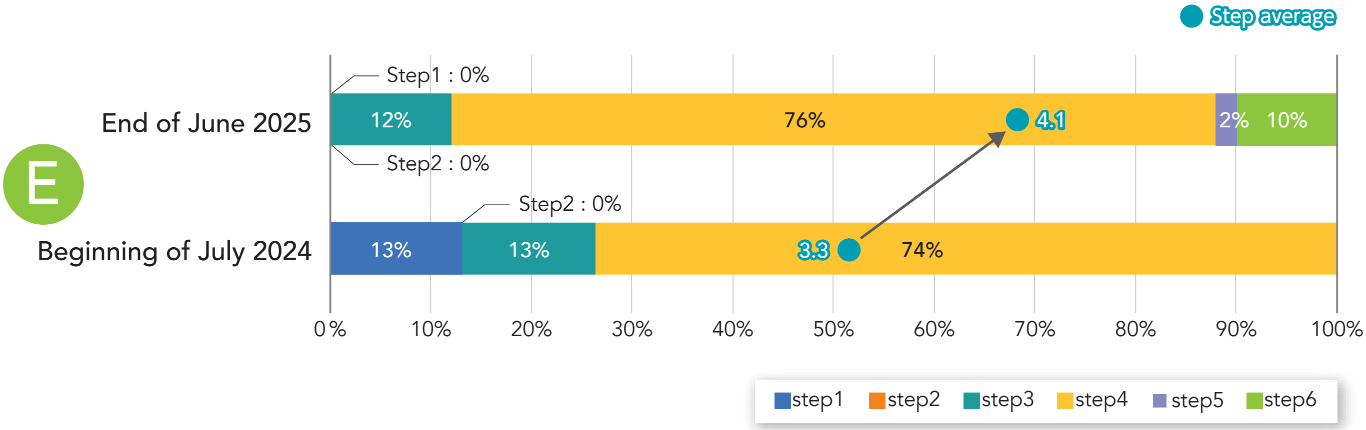
3.Improving corporate sustainability and corporate value for investee companies

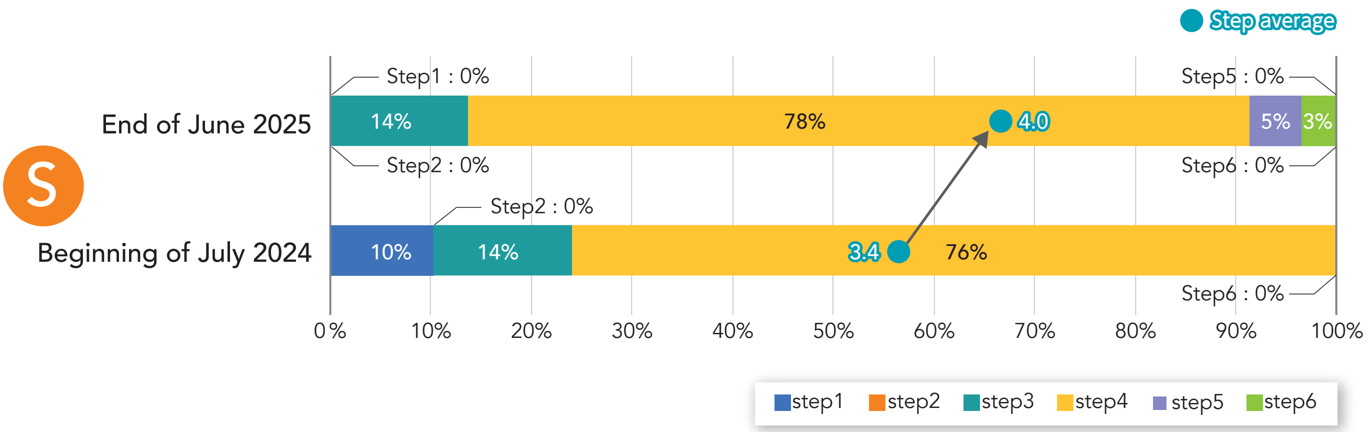
(Source: SuMi TRUST AM)

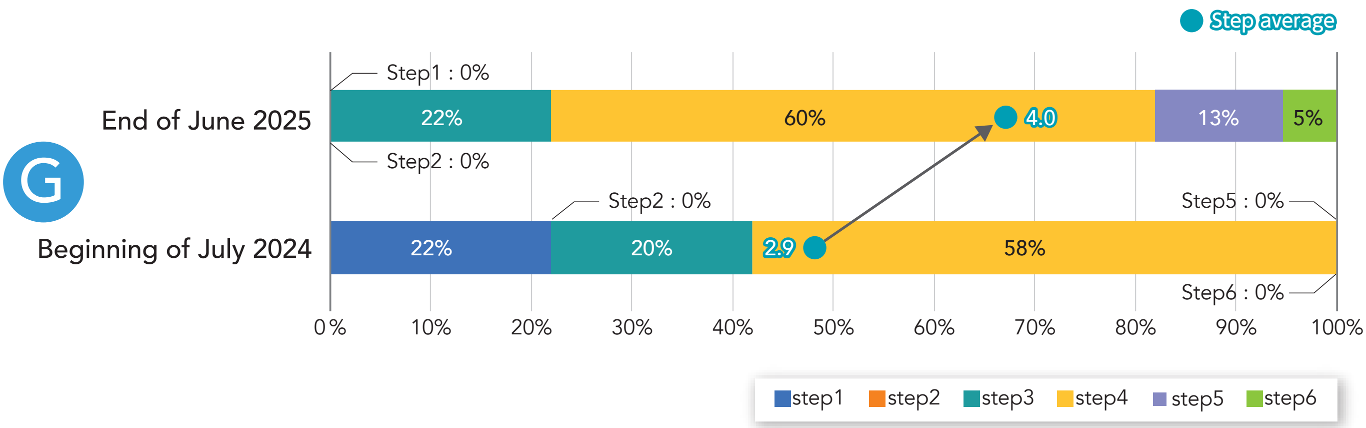
Having identified clear targets, we manage the engagement progress in six steps according to the ESG Materiality (see Chart 3.4). At each step, we implement specific engagement measures. Finally, we assess the resolution of issue and, if appropriate, further action is triggered.

In order to enhance the effectiveness of engagement activity, we have implemented a monitoring and disclosure framework that assess the progress of our top-down engagement activities.

Chart 3.5 – Engagement progress dashboard







* Simple comparisons between the composition by materiality at the end of June 2024 and at the end of June 2025, and between steps at the end of June 2024 and the beginning of July 2024, are not feasible.
- Brands and themes are replaced as part of the annual plan at the beginning of July 2024.
- Themes that achieved targets by the end of June 2024 (steps 5 and 6) are excluded.

(Source: SuMi TRUST AM)

Our engagement progress dashboard provides a breakdown of the progress of engagement efforts by ESG Materialities, see Chart 3.5. In fiscal 2025, the majority of engagements progressed to Step 4, 'sharing issue awareness with management'.

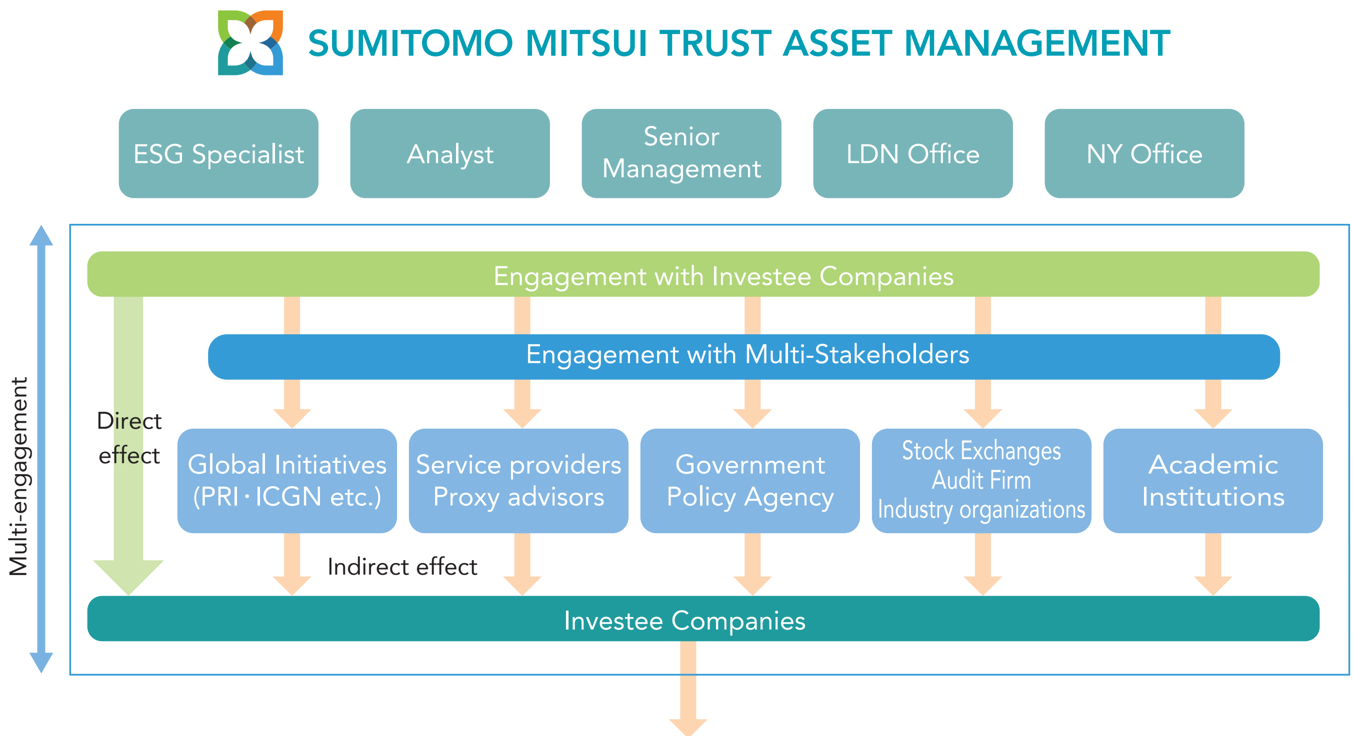
Based on our assessment, it is important that more engagements are progressed to stage 5 and stage 6, especially for social topics which rank the lowest. We plan to focus on ensuring that the ratio of escalation to stage 5 and stage 6 is higher going forward.

Assigning personnel to London and New York to conduct engagement with companies in Europe and the Americas is another important step in increasing the scope of our engagement of our progress dashboard.

Multi-engagement approach

As discussed earlier, we seek to solve issues more effectively through 'multi-engagement'. This includes engagement not only with investee companies, but also with stakeholders including stock exchanges and regulators who are in a position to promote sustainability and corporate value enhancement of listed companies through listing rules and various regulations, see Chart 3.6. We also include an example of our multi-engagement approach in the Principle 2 case studies.

Chart 3.6 – Multi-engagement approach



Our company implements the multi-engagement model outlined within the dotted lines in the diagram above and promotes the enhancement of corporate value through direct and indirect effect.

Pursuing the effective enhancement of beta

(Source: SuMi TRUST AM)

In addition to the top-down approach, we have two distinct approaches to engagement from a bottom-up perspective.

2. Market-cap approach (bottom-up)
We initially select the companies to conduct engagement with based on a quantitative, market capitalisation criteria. We supplement this with qualitative criteria such as severity of ESG challenges and response of firm management.

3. Risk-based approach (bottom-up)
We select companies to conduct engagement with based on an assessment of firm-level risk. This includes firms which we have voted against management in the past, have performance issues such as a low ROE ratio, or have been hit by scandals.

Bottom-up selection criteria

Our selection criteria for bottom-up engagement are based on:
1) an assessment of discount factors (see Chart 3.7),
2) incentives for change based on the company's predisposition to listen to dialogue.

Chart 3.7 – Discount factors

The three discount factors assessed are:
(i) overcapitalisation
(ii) low profitability
(iii) poor governance

Incentives to change focus on two items:
(i) willingness to change
(ii) external pressure influence

(Source: SuMi TRUST AM)

Once we have identified the main discount factors, it is important to assess the company's willingness to change, see Chart 3.7. Typically, this requires an assessment of whether the investee company is aligned with our aim of 'medium to long term corporate value enhancement'. Even if the engagement does not lead directly to action, if we deem the investee and investor to be 'in the same boat' the company may be included in portfolios. The receptiveness of companies to dialogue is another key selection criteria for bottom-up engagement.

Even when it is difficult to respond positively to an engagement, we may select companies that are willing to address the content of the engagement and explain why it is not possible to take action, when it will be possible to take action, and the reasons for not accepting the engagement.

To demonstrate our efforts to enhance and preserve the value of our clients' investments through engagement activities, we have included some case studies as follows.

Case study 3.1 – Engagement

Company	Retail Trade sector company	Country: Japan
Activity	The company is working to improve traceability toward sustainable timber procurement. We emphasized the importance of raising sustainability standards and disclosures since it is targeting overseas business expansion. In addition, as the company focuses more on overseas growth it is necessary to consider disclosing the progress of efforts to improve timber procurement traceability in light of legal regulations such as the EU Deforestation Regulation (EUDR). We also raised the issue of resource recycling initiatives such as increasing the proportion of products made from recycled materials. Many of the company's products are made from plastic, and we believe that resource recycling efforts are necessary for plastics as well.	
Outcome	In August 2024, the company set 100% environmentally and socially responsible timber procurement as an interim goal for fiscal 2030 as part of its Green Vision 2050. Ambitious targets were also set for each business stage, including product development designed for resource recycling, and these were disclosed along with interim targets. On circular economy initiatives, the company set a goal of 100% product development designed for resource recycling, while switching 100% of product packaging to materials with reduced environmental impact. It will also aim for a 100% resource recycling rate for collected products globally.	
Assessment	The establishment of targets for environmentally and socially responsible timber procurement is highly welcome step. Although the company is not yet EUDR-compliant, we welcome efforts to finally establish a traceability system. In addition, we commend the establishment of medium- to long-term goals for recycling products and packaging, and reducing and reusing waste, as part of its circular business promotion.	
Improvement	We will continue to monitor progress in the adoption and use of its sustainable timber procurement traceability system. In particular, we will focus on its equivalency efforts as it enters new overseas markets. In terms of resource recycling initiatives, we would like to see greater information on products sub-categories such as those made from plastics.	

Case study 3.2 – Engagement

Company	Retail Trade sector company	Country: Japan
Activity	Our engagement focused on environmental related matters, including challenges to the development of a circular business model and the adoption of nature capital practices consistent with TNFD. In particular, we focused on the usage of recycled materials and low carbon materials emissions during manufacturing, with greater clarity required on the definition of these categories. In addition, while we commended the company on the disclosure of its biodiversity policy and risk assessments based on International Union for Conservation of Nature (IUCN), we questioned why the company has not volunteered for TNFD early adoption. We also expressed our concern regarding the lack of disclosure using the LEAP framework, a prioritised roadmap for raw materials, or the setting of targets and concrete measures towards Nature Positive targets.	
Outcome	In November 2024, the company announced plans to clearly define sustainable materials, establish standards, and obtain third-party certification, meeting the dialogue objective of a clearer definition of sustainable materials. It also announced the expansion of traceability initiatives from cotton to wool, cashmere, and other materials. Regarding TNFD adoption, while the company is considering its response to our request it stated it is not yet in a position to disclose specific priorities in-line with this initiative.	
Improvement	We will monitor progress based on the company's new definition of sustainable materials and continue dialogue on initiatives with established targets for resource circulation, such as product take-back, repair, and remanufacturing. While the company is improving traceability for high-dependency and high-impact materials, it remains cautious about setting and disclosing sustainability targets aligned to TNFD. We intend to continue to ask for compliance with these international recognized standards,	

Case study 3.3 – Engagement

Company	Wholesale Trade sector company Country: Japan
Activity	Our engagement focused on climate and environmental issues. Regarding GHG emissions disclosure, we discussed the company's reporting of avoided emissions, the emissions that would have been released in the atmosphere without the company's implementation of sustainable practices or technologies. While international standards are still being developed by the WBCSD, netting of emissions is generally not acceptable with the company's competitors disclosing greenhouse gas emission reduction targets based on gross volume. Based on the company's current practice of publishing net greenhouse gas emission, we think current disclosures and reduction targets remain insufficient. In addition, based on the company's forestry and food and agriculture businesses, we requested greater progress on TNFD-related initiatives and disclosures. While we appreciate that the company has yet to meet the ambitious goals requested by NA100 engagement partners, it is necessary to identify regional and raw material priorities based on the TNFD's Locate, Evaluate, Assess, and Prepare (LEAP) approach.
Outcome	The company updated the disclosure in its 2024 Integrated Report, with its net 2030 greenhouse gas emissions reduction target, supplemented by a new disclosure on the gross total greenhouse gas emissions for 2030 - a 30% reduction in total emissions for the fiscal year ending March 2030 from 2020 levels (S1+2 and S3, Category 15). In addition, a new natural capital page was added to the website. The company also set two new targets: 1) Zero deforestation in the procurement of natural rubber, palm oil, timber, and paper products; 2) 100% sustainable palm oil procurement (including RSPO certification) by 2030. In addition, it created dependency and impact heatmaps, disclosing the identification of four high-dependency businesses and six high-impact businesses. Finally, the company announced endorsement of TNFD, including the use of the LEAP framework.
Assessment	We commend the company for the improvements in its emissions targets and disclosures and are encouraged by the adoption of gross target setting and Scope 3 initiatives. We also welcome the adoption of the LEAP analysis framework in the evaluation of business identification and progress analysis.
Improvement	Going forward we will closely monitor and evaluate the progress of gross targets and initiatives related to avoided emissions and Scope 3 emissions. In addition, we will seek to monitor KPIs consistent with the TNFD's LEAP framework.

Case study 3.4 – Engagement

Company	Air Transportation sector company — Country: Japan
Activity	Our engagement focused on environmental and business strategy issues, while also raising the governance issues related to recent flight safety concerns. In particular, we raised concerns that the 2025 rolling plan, and accompanying green transformation (GX) strategy, did not sufficiently integrate the company's environmental strategy and management strategy. While we noted the slow anticipated growth in sustainable aviation fuels usage post-2030, the upward revision of total CO2 emissions on a business-as-usual basis towards 2050, and the updated contribution ratios for each reduction measure, the mid-term plan lacked details on investments and costs related to environmental initiatives. We also asked the company to improve disclosures related to the impact of cost increases due to Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) compliance. The company's offered guidance that costs will increase within manageable limits and indicated it aims to pass on carbon cost increases commensurate with business scale expansion via FSC pricing while recognizing this will be difficult without antitrust law exemptions. Finally, we raised the recurring issue of pilot alcohol consumption and sought fundamental reforms of the company's organizational culture reform and safety awareness.
Outcome	The company's Integrated Report released in August 2024 was a significant step forward in terms of integrating environmental and business outcomes. It introduced a mechanism to convert social values such as CO2 emissions reductions into financial value and evaluate them as investment outcomes. It also announced consideration of a new investment efficiency metric, Sustainable ROIC, which incorporates social value. In addition, the company's mid-term plan released in March 2025 confirmed the company has incorporated cost increases based on assumed sustainable aviation fuel usage ratios and price differentials through fiscal 2028, along with the proportion of cost pass-through to fares. It also confirmed efforts to enhance the effectiveness of CO2 reduction by adding new reduction measures such as removal technologies (including small-scale investments in ventures) and carbon credits. Finally, the company announced in January 2025 that an external director-chaired verification committee will monitor the progress and effectiveness of measures to prevent recurrence of repeated alcohol-related incidents, which led to two rounds of business improvement recommendations from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).
Assessment	The linkage between environmental strategy and management strategy has improved, and the company ranks highly in climate change benchmark assessments. Finally, the verification committee will function to monitor and confirm the effectiveness of initiatives, such as progress in changing employee awareness regarding safety.
Improvement	We will continue dialogue regarding the introduction of new investment metrics, such as sustainable ROIC, that consider social value, and the disclosure of targets. We will encourage enhanced information disclosure in materials such as explanatory briefings for the next medium-term management plan.

Overseas Equity Engagement

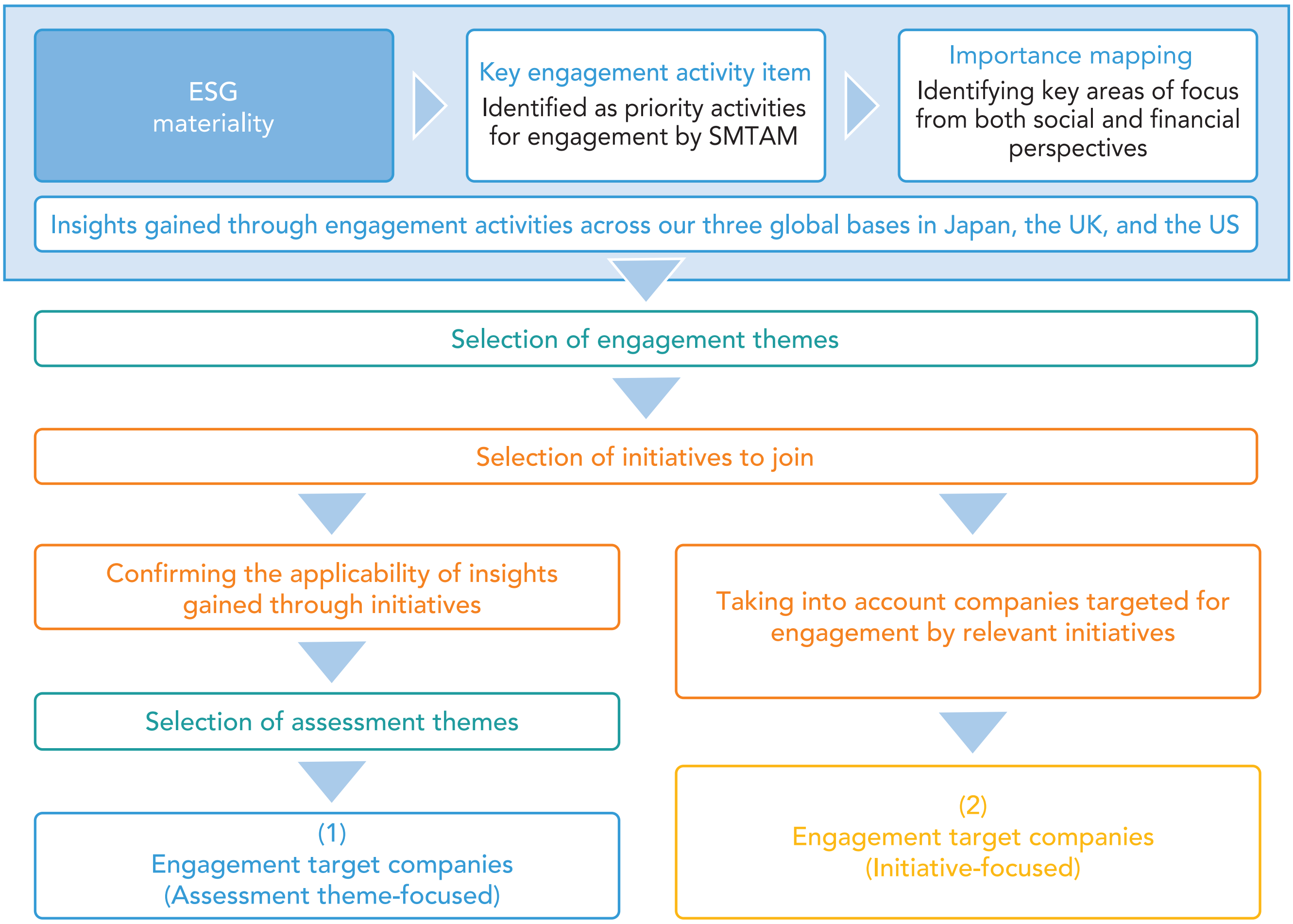
Target Selection Process

While the engagement process is consistent across all asset classes, overseas equities involve a larger number of investee companies and a broader geographic scope. To enhance the effectiveness of direct dialogue with overseas companies we leverage collaboration among our three global hubs in Japan, UK and the US. In addition, we streamline and elevate our stewardship activities by utilising external resources and actively participating in global initiatives. For overseas equities, we primarily employ a "top-down approach" to select engagement targets, while also considering a "risk approach" that focuses on compliance with international norms and rules, as well as improvements in corporate governance.

Engagement Theme and Target Company Selection

We select engagement themes for our top-down approach and initiatives participation based on the importance of key engagement activities. This is derived from ESG materiality assessments and supplemented by deep understanding and insights into corporate and industry trends accumulated through engagement across our three global hubs. We then select target companies for engagement based on two criteria: (1) alignment with themes where we can utilise initiative's corporate evaluation frameworks and data, and (2) inclusion as a target company for engagement by the initiative. The final selection includes large companies representing their industries, as well as smaller, specialised companies related to each theme. We also consider the regional balance among the target companies.

Chart 3.8 - Process for selecting engagement themes and target companies for foreign equities under the top-down approach



(Source: SuMi TRUST AM)

Engagement Methods

For engagement with overseas companies, dedicated stewardship officers at our three global hubs will conduct direct engagement. In principle, we cover the Asia-Pacific region from Japan, Europe from the UK, and the Americas from the US. For companies selected through a top-down approach based on assessment themes, we utilise frameworks from initiatives we participate in to evaluate corporate sustainability efforts. Combined with our proprietary scoring, this helps identify more specific engagement agendas. Furthermore, for companies selected from initiative target stocks, we lead actual engagement activities by taking on roles such as lead manager in collaborative engagements, in addition to individual engagements. Moreover, by serving on initiative steering committees, we contribute to enhancing the effectiveness of the initiatives' activities.

Case study 3.5 – Engagement

Company	**Sika AG** Country: Switzerland
Activity	We have engaged in continuous dialogue with this company since 2019. Discussions have covered various themes including developing strategies for achieving net-zero GHG emissions, introducing sustainability assessments for the product portfolio, reflecting ESG KPIs in compensation systems, and ensuring gender diversity. Regarding climate change-related themes, we have previously discussed the necessity of a net-zero policy, revisions to the compensation system, and sustainability assessments for the product portfolio. Specifically, we proposed: 1) presenting a roadmap for reducing Scope 3 emissions; 2) improving the transparency of sustainability assessments for target products and their assessment scope, and integrating this into business strategy; and 3) incorporating ESG elements into both short-term and long-term incentives as performance evaluation metrics for management.
Outcome	In regard to our key priorities, the company has taking the following steps: (1) May 2024, SBTi (Science Based Targets initiative) formally approved targets of a 50.4% reduction in Scope 1 and 2 emissions and a 30% reduction in Scope 3 emissions (compared to 2022 levels) by 2032. (2) In February 2024, the company published its SPM (Sustainability Portfolio Management) framework, which evaluates products based on 12 sustainability criteria and 6 performance criteria. In July and November 2025, updated fact sheets for target products in the UK and Italy enhanced transparency of product-specific environmental impact assessments. (3) The company revised the compensation system, incorporating ESG factors (considering safety, GHG emissions, and water consumption) with a 20% weighting into long-term executive compensation.
Assessment	We have engaged with this company since 2019 and have selected it as one of our Global 100 Climate Change Companies. We believe that our dialogue approach, which utilizes assessments and insights from external initiatives such as CA100+ and 30% Club, compares gaps with competitors, and introduces advanced examples from other companies in the same industry, has led to materials improvements. Specifically, the dialogue achieved goals (1) and (3) above. Regarding goal (2), we have seen some progress in our dialogue, but as the range of products assessed by SPM remains limited, we plan to continue our dialogue on expanding the scope of product assessment and integrating it with financial strategies.
Improvement	Going forward, we plan to continue our dialogue regarding the expansion of coverage of the product portfolio (see above) and the improvement of disclosure regarding its integration with financial strategies.

Case study 3.6 – Engagement

Company	The Walt Disney Company Country: US
Activity	Regarding diversity, We discussed the company's DEI disclosures, leveraging insights from investor exchanges within the U.S.-based Invest Ahead initiative and knowledge concerning DEI and corporate value. We highlighted that leading companies disclose gaps in turnover rates, promotion rates, and hiring ratios to demonstrate the effectiveness of their DEI initiatives. We discussed how linking such metrics to corporate culture and the development of diverse next-generation leaders could potentially enhance appeal to consumers and talent acquisition.
Outcome	The company disclosed various DEI gap metrics on its website for fiscal year 2024 and explained the disclosure status in its 2025 proxy statement. While DEI metrics were removed from executive compensation indicators, which may appear as a retreat in DEI efforts, talent strategy metrics—a more comprehensive concept—were introduced as a replacement for DEI.
Assessment	The company enhanced DEI disclosure based on our recommendation for a clearer connection with value creation. We recognise that confirming the status of CEO succession and next-generation leadership development initiatives—which were raised at the 2024 shareholder meeting by several activist firms as concerns—is a key priority for our company.
Improvement	Moving forward, we will engage in dialogue to confirm the connection between human capital initiatives leveraging disclosed information and organizational strength enhancement.

Engagement in fixed income

In principle, our engagement themes are largely asset class agnostic and the 12 ESG materialities are equally relevant to all asset classes. However, there are some obvious differences in engagement based on the practical realities of each asset class.

Although bondholders cannot exercise voting rights as shareholders can with shares, they are considered an important part of the company's corporate governance. Bondholders have the right to demand sustainable growth and measures to mitigate downside risk in return for the provision of funds.

We mainly exercise our rights as a bondholder through engagement prior to bond issue. We also have a dialogue on how to reduce greenhouse gas (GHG) emissions and set targets through the issuance of ESG bonds in order to achieve a sustainable society.

Chart 3.9 Our bondholder engagement includes:

1) Confirmation of the terms and conditions of any new issue.
2) Negotiation of price (coupon) in accordance with the company's creditworthiness and market conditions
3) Provide recommendations on the optimum maturity, issue size and bond market (wholesale/retail/overseas) and encourage the creation of a sustainable procurement environment for companies.
4) Dialogue on how to reduce GHG emissions and how to allocate the proceeds from ESG bonds.
5) Require the use of different rating agencies and ESG assessment bodies.
6) Recommendation of issuance formats for overseas companies (Samurai Bonds/Euroyen Bonds/Global Yen Bonds).
7) Require a clause for transformation from unsecured to secured status in cases of low credit ratings and creditworthiness concerns.
8) Require release of collateral in cases where bondholders are subordinated due to high secured borrowing from banks.

(Source: SuMi TRUST AM)

Case study 3.7 – Bond engagement

Company	Other Products sector company — Country: Japan
Activity	Since its inaugural bond issuance in 2021, the company had not issued additional bonds or conducted follow-up IR activities, offering limited visibility to bond investors. Following an operating loss in FY2023, we designated the company as an 'enhanced monitoring' issue, in line with our internal criteria for closer oversight. We engaged in dialogue with the issuer to explore opportunities for reducing both credit and liquidity risk premiums. Our analysis indicates that, despite weak historical performance and concerns over certain business segments, underlying business momentum is more resilient than it appears on an accounting-basis. We also noted that the company's financial structure and capital policies present downside risk to its credit rating. To mitigate risk premiums driven by information asymmetry, we requested improvements in disclosure quality (including presentation and its IR approach) and greater frequency of communication with bond investors.
Outcome	The company acknowledged that earnings volatility and numerous non-recurring items under IFRS standards had contributed to limited investor understanding of underlying profitability. The FY2024 financial results (announced in February 2025) indicated progress toward greater transparency, with briefing materials providing more detailed information on certain one-off items compared to previous comment-only disclosures. We view this as a positive step and believe that continued engagement will help sustain this direction.

Case study 3.7 – Bond engagement (continued)

Assessment	We leveraged our position as bond investors in the company's inaugural issuance to engage in dialogue with representatives from the finance function, sharing key considerations for bond investors and actionable measures to improve disclosure. The cumulative effect of these efforts is expected to reduce information asymmetry, which should help lower risk premiums, enhance secondary market liquidity, and narrow bid-ask spreads over time. We expect this to ultimately contribute to tighter spreads and reduced volatility. While market reaction remains limited at this stage, we view these improvements as a positive step for bond investors, broadening access to timely and high-quality information for a wider range of investors.
Improvement	Following the latest debt issuance, we received a courtesy visit from the company, during which we exchanged views and shared perspectives on future bond issuance strategies aimed at broadening the investor base. These include increasing issuance frequency with smaller lots and considering SDGs bonds to broaden the investor base. If implemented, we expect these steps will improve market access for investors and support the issuer through stronger relationships and potentially more competitive pricing in future offerings.

Divergence of engagement by fund

In order to cater for clients differing needs and time horizons, we have a range of funds. For example, our equity impact fund makes long-term, concentrated investments in stocks whose share price drivers are contributing to solving ESG issues. In line with our 12 ESG materialities, we identify issue resolution areas and businesses common to Japanese equities.

The target areas/businesses and engagement KPIs are determined through consultation between the Active Investment Department, Research Department and Stewardship Development Department and we review then on a quarterly basis.

In order to cater for clients differing needs and time horizons, we have a range of funds.

Collaborative engagement

At SuMi TRUST AM all our stewardship activities, including engagement, voting and ESG integration in investment decision-making, are conducted in accordance with our 12 ESG Materialities.

Engagement can take the form of individual engagement with companies, or it can be collaborative engagement, in which we work with like-minded investors. We actively promote collaborative engagement to support individual engagement activities, as these actions can have an effect greater than the sum of individual companies and serve to improve the functionality and efficiency of our activities.

Our participation is determined by whether (1) it is aligned with our ESG Materialities, (2) there is a synergetic effect with individual engagement, and (3) we expect to gain new know-how in areas of nascent or complicated ESG-related issues that require deep insight and expertise.

We proactively participate in collaborative engagement initiatives. In particular, we value working with investors on global initiatives given the diversity of backgrounds and expertise.

As of March 2025, we are engaged in or participate in 25 initiatives with further details in Chart 3.10. Our global initiatives activities are monitored by the Sustainability Committee, which conducts a detailed review of action plan progress at least once a year.

Our approach

During the reporting period, we upgraded our engagement and monitoring of activity conducted through global initiatives. These changes were organised in line with the review of ESG Materialities and the related activity items.

A key upgrade related to the objectives of participation in the initiative groups, with all 25 member organisations organised by their alignment to the following goals:
(i) gaining high-level expertise in specific fields,
(ii) approaching difficult-to-access targets,
(iii) maintaining and improving reputation,
(iv) capacity building.

Having clarified objectives of each of the 25 global initiatives, we organised them based on long-term and short-term activity plans and ensured that they are regularly reported to the Sustainability Committee for monitoring.

We have benefited from the greater clarity around global initiative objectives and monitoring. For example, we have upgraded our engagement activities in specific fields as a result of the acquisition of expertise, see Chart 3.10 for more details.

We actively promote collaborative engagement to support individual engagement activities, as these actions can have an effect greater than the sum of individual companies and serve as to improve the functionality and efficiency of our activities.

Chart 3.10 – Global initiatives

Objectives	Initiative names	SMTAM's materiality							
		E		S			G		Other
		Climate Change	Natural Capital	Human Rights & Community	Human Capital	Safety & Responsibility	Organizational Structure	Improvement in Governance	Market Development /Reports
Support pledge	United Nations GC (Global Compact)	●	●	●	●	●		●	●
Awareness, information sharing, and activity promotion	PRI	●	●	●	●	●	●	●	●
	30%Club (UK)				●		●		
	Invest Ahead (North America)				●		●		
	30%Club (Japan)				●		●		
	AMR					●			
	ICGN						●	●	
	CII (US)			●		●		●	
Collaborative engagement	Climate Action 100+	●							
	PRI spring		●						
	PRI Advance			●					
	ATM					●			
	FSDA		●						
	AIGCC (Asia)	●							
	NA100		●						
	Ceres (US)	●	● (Water)	● (Human rights)					
	FAIRR	●	● (Environmental pollution)	● (Labor issues)					
	Institutional Investors Collective Engagement Forum (Japan)	●	●	●	●	●	●	●	●

Chart 3.10 – Global initiatives (continued)

Objectives	Initiative names	SMTAM's materiality							
		E		S			G		Other
		Climate Change	Natural Capital	Human Rights & Community	Human Capital	Safety & Responsibility	Organizational Structure	Improvement in Governance	Market Development /Reports
Policy engagement	The Investor Agenda	●							
	PRI Collaborative Sovereign Engagement	●							
	IPDD		●						
Information disclosure and analysis	CDP	●	● (Water and forests)						
	SPOTT		●						
	TCFD Consortium (Japan)	●							
	TNFD Forum		●						
Other (e.g., Asset management company groups)	ESG Information Disclosure Study Group (Japan)	●	●	●	●	●	●	●	
	Net Zero Asset Managers initiative	●							
	JSIF (Japan)								●
	JSI (Japan)								●

(Source: SuMi TRUST AM)

For more detailed explanations of each initiative organisation, please refer to the reference materials in the end of this chapter.

Collaborative engagement

Climate change

Climate change is one of the most important engagement themes. We are developing a wide range of engagement across a variety of industries. Among these, we focus on the 100 or so companies that have the greatest impact on reducing total GHG emissions on a global level as a particularly important group of companies.

To strengthen our engagement on this issue, we have joined the Net Zero Asset Manager Initiative (NZAM) and aligned with Climate Action 100+ (CA100+), the Asia Investor Group on Climate Change (AIGCC), Farm Animal Investment Risk & Return, Carbon Disclosure Project and The Investor Agenda.

We take a proactive approach to all our initiatives including taking up management if necessary. As a specific example, as part of our CA100+ commitments, we have asked company executives to commit to net zero emissions by around 2050, to set specific medium- to long-term targets related to the transition process, and to disclose appropriate capital investment plans in line with these targets. In addition to encouraging ambitious efforts that are not bound by Nationally Determined Contributions (NDCs), we have also requested actions to reduce emissions throughout the value chain. To support the work in Asia with CA100+, we are a lead investor for a number of Asian utilities. This has led to multi-layered engagement with companies and policymakers.

On climate-related issues, our Stewardship Officer also spoke at webinars organised by PRI Japan and the AIGCC to discuss our efforts to improve engagement and voting decisions towards net zero. We represented Asia at the NZAM bi-annual signatories meetings held in the Asia/Oceania regions and presented case studies of our Asia-focused engagements to raise awareness of these activities. Furthermore, we play a knowledge-sharing role in promoting NZAM membership.

Initiative alignment

We recognise that not all industry initiatives will suit all asset managers. Our enhanced engagement and monitoring are designed to ensure our objectives are aligned with an initiative, allowing us to play a more effective role.

For example, as well as taking a board position at ICGN, we are committed to maintaining our membership given the initiatives strong alignment with our approach.
Another example of where we have strengthened systematic and collaborative activities is in the field of natural capital through our work with PRI Spring, the Coalition for Environmentally Responsible Economies (Ceres), the TNFD Forum and SPOTT, an online platform for assessing commodity producers.

Our work on information disclosure and analysis regarding natural capital has also been facilitated by collaborative engagement through the following organisations: The Investors Policy Dialogue on Deforestation (IPDD), Finance Sector Deforestation Action (FSDA) and Nature Action 100.

Our commitment to global initiatives means that we are also a member of the management committee that oversees the activities of the IPDD, a member of the Board of Governors of the International Corporate Governance Network, a member of the 30% Club Japan Investor Group, and Director of the ESG Disclosure Study Group.

A global approach

It is important that participants in these initiatives seek to solve ESG issues from a global perspective. We conduct comprehensive engagement globally through our three bases in Japan, Europe (London) and North America (New York). For European and US initiatives, the UK and US-based members collaborate with the Tokyo team on these initiatives; while for domestic, Asian and Australian initiatives the Tokyo-based members take a lead. We share activities and information from regional initiative among the three sites to improve information gathering and the efficiency and effectiveness of engagement and voting decisions with companies and policymakers.

Another major benefit of participating in collaborative initiative is that it provides us with global trends on ESG issues and investor responses. By relaying information to Japan, we are working to improve the overall sophistication of our stewardship activities. For example, in 2020 we joined the SPOTT Initiative, which is aimed at managing ESG risk through its assessment of the public disclosure and reporting of soft commodity companies.

We share activities and information from regional initiative among the three sites to improve information gathering and the efficiency and effectiveness of engagement and voting decisions with companies and policymakers.

Case study 3.8 – Initiatives

Company	**POSCO Holdings, Inc** Country: South Korea
Activity	We have continued to engage with POSCO Holdings given its position as one of Asia's largest steelmakers. Following on from our earlier engagement on climate-related disclosure (see case study in UK Stewardship Code Report - 2025), we conducted engagement on human rights and labour issues, a widespread problem among companies with exposure to resources and materials supply chains. Our engagement reflected our role as a member of the PRIAdvance. The company has faced labour issues related to working conditions at its overseas subsidiary in Turkey. Additionally, human rights issues have been raised at a palm oil plantation operated by its subsidiary, POSCO International. We highlighted the need for the parent company to take the lead in assessing related risks, including the establishment and disclosure of human rights risks, while strengthening awareness and governance for the entire group. In addition to engagement with the parent holding company, we conducted dialogue with the sustainability officer and executives of the Turkish subsidiary using Advance, a PRI initiative on human rights initiative. as well as with the sustainability officers of the listed subsidiary POSCO International.

Case study 3.8 – Initiatives (continued)

Outcome	The company recognised the limitations of treating labour issues at an individual subsidiaries level and the need to promote dialogue including group subsidiaries. This led to the establishment of the Group Human Rights Management Council led by POSCO Holdings for the standardization of human rights management among the holding company, business subsidiaries, and overseas branches, and the adoption of a real-time monitoring system for potential human rights issues that may arise throughout the group's business activities.
Assessment and Improvement	By utilizing Advance and by conducting dialogue with overseas subsidiary personnel and executives and with the holding group in Korea, we were able to meet our engagement objective of the establishment of group-wide policies and governance related to human rights risks. We will continue to monitor disclosure related to human rights risks at both a group and subsidiary level.

Case study 3.9 – Engagement

Company	**Domino's Pizza, Inc.** Country: US
Activity	Since 2020 we have participated as a lead investor in collaborative dialogues on climate and water sustainability hosted by the FAIRR and Ceres initiatives. Subsequently, we participated in the Valuing Water Finance Initiative (VWFI) facilitated by Ceres. While leveraging water resource expertise from the initiatives and exchanging views with co-investors, we have also shared information globally, treating water resources as a key global focus area. In the restaurants segment, we have identified sustainable water resource utilization as a risk factor in Domino's Pizza's business own operations, and its supply chain. To address these issues, we raised the issue of conducting comprehensive risk assessments and formulating response strategies through the course of our engagement. However, the company's water resource risk assessment has been limited to the company's own operations. Since major suppliers of agricultural products are located in regions with high water risk, we urged the company to implement and disclose a comprehensive assessment for the supply chain and to set management targets.
Outcome	As a result of the dialogue, the company conducted a comprehensive risk assessment. As a result, risk assessment commenced in 2023. The result was disclosed in the Stewardship Report issued in 2024. The report disclosed high-risk areas, progress in mitigation strategy development, and the status of dialogue with key suppliers.
Assessment	Comprehensive risk assessment implementation and disclosure have been achieved. The company has begun establishing internal systems to operationalize water risk management and establish its goals.
Improvement	Going forward, we plan to continue dialogue on this issue to support the development of risk mitigation measures and supplier engagement. We will also focus on key areas identified by the VWFI initiative which are most relevant to the company's operations, such as water quality, water access and sanitation (WASH), ecosystem protection and policy advocacy.

Case study 3.10 – Initiatives

Company	BASF SE Country: Germany
Activity	Since 2018, we have engaged in dialogue with the company on a range of sustainability topics, including Scope 3 disclosure, product portfolio assessment related to climate change, and biodiversity impact assessments. Our dialogue approach has taken into account the evaluations and insights of external initiatives such as CA100+ and PRI Spring, as well as comparing the gap with competitors. However, challenges remain, and we conducted dialogue related to expanding the scope and criteria for product portfolio assessment and disclosing information on biodiversity impacts related to natural capital.
Outcome	In response to the dialogue, the company completed the evaluation of products using a new framework for evaluating its products along three axes: environmental, social, and economic, under the so-called Sustainable Solution Steering. The number of products expanded to more than 50,000, and the company strengthen the evaluation criteria to include carbon management, resource efficiency, and the circular economy. In addition to introducing evaluations based on compliance with EU chemical product regulations, the company has integrated the framework into its new product R&D system, improving transparency and governance. On biodiversity impacts, the company disclosed its double materiality assessment in March 2025 and utilized the WWF's Biodiversity Risk Filter to analyse the impact and dependency of its production sites on biodiversity. It also disclosed information on the impact of biodiversity loss at each of the most important sites. Furthermore, the September 2024 capital markets day also highlighted the parallel improvement of Sustainable Solution Steering rankings and profitability, demonstrating progress in integrating the framework into its financial strategy.
Assessment	Our engagement objectives were achieved. The company has made considerable progress on the disclosure of product portfolio evaluations, while we were able to confirm success by identifying biodiversity-related risks through disclosure of double materiality.
Improvement	Going forward, we will continue our dialogue with the company on setting individual targets, such as water resource utilisation risks, based on biodiversity risk assessments, and improving Sustainable Future Solutions within their product portfolio.

Case study 3.11 – Initiatives

Company	**Banco do Brasil SA** Country: Brazil
Activity	We initiated dialogue with Banco do Brasil in 2023. This engagement was supplemented by multi-faceted engagement with policy authorities including the Central Bank of Brazil and participation in the Investor Policy Dialogue on Deforestation (IPDD). The company has a high market share in agricultural finance, with its significant lending portfolio serving as a conduit for low-interest agricultural financing policies aimed at supporting rural Brazil. While agricultural policy loans prohibit illegal deforestation, there is evidence of forest and land clearing by borrowers. We asked the company to clarify policies regarding deforestation, establish management systems to address deficiencies, prevent fraud and improve transparency.
Outcome	To address environmental and social risk verification during loan execution, the bank began utilizing Cadastro Ambiental Rural (CAR), an electronic environmental registry, as a lending condition following the launch of the Environmental Regularization Panel in 2024, which publishes up-to-date data on the CAR and analysis of registrations in all federal units. To further address deficiencies and irregularities, it implemented enhanced due diligence using satellite imagery, livestock producer monitoring, and additional agricultural certification documents.
Assessment	The company has taken concrete measures in response to our concerns regarding deficiencies in management system and potential fraud in relation to the provision of agricultural policy loans. By supplementing company engagement with dialogue with government entities we hope to further strengthen protections against illegal deforestation. The initial signs are encouraging with government data indicating a decline in illegal deforestation linked to recipients of agricultural policy loans.
Improvement	We are participating in Spring, a PRI stewardship initiative for nature, addressing the systemic risks of biodiversity loss starting in fiscal year 2025. Through the PRI Dialogue Program, we plan to continue dialogue on biodiversity loss while leveraging insights from NGOs and other stakeholders, including dialogue partners at Banco do Brasil.

In the course of our stewardship activities, we may use different means of communication with our portfolio companies than traditional dialogue when it becomes difficult to increase the effectiveness of ESG investments. The most commonly recognised escalation methods include voting on company and shareholder proposals, in addition to working with other investment managers and initiative groups, as well as public statements and divestments.

In the event stewardship activities with portfolio companies do not meet our minimum standards, we will consider voting against company proposals for the election of directors and the appropriation of retained earnings or voting in favour of shareholder proposals in accordance with our voting principles, more details in case studies.

Case study 3.12 – Voting rights

Company	Retail Trade sector company and its listed subsidiary — Country: Japan
Activity	Our proxy voting guidelines regarding the composition of board of directors states that, in principle, we will oppose the reappointment of directors at listed subsidiary companies if independent outside directors do not make up a majority of the total number of directors. In determining the exercise of voting rights, we emphasis management independence and seek a minimum standard for the effectiveness of the governance system in terms of the ratio of independent outside directors for companies with a parent company. Since the listed subsidiary does not meet these standards, we have consistently voted against its proposals. In our engagement efforts, in response to requests such as the "Enhancement of Information Disclosure Regarding the Protection of Minority Shareholders and Group Management" issued by the Tokyo Stock Exchange in December 2023, we have pointed out that the disclosures in the company's corporate governance report are insufficient. We also expressed concerns regarding the listed subsidiary independence from the parent company and questioned the effectiveness of the governance committee. Specifically, we confirmed the views of the listed subsidiary's outside directors regarding whether decisions prioritising the corporate value of the listed subsidiary can be made when the parent company group's strategy diverges from the listed subsidiary's independent strategy. Additionally, we expressed our views on improvements from the perspective of protecting minority shareholders. These include strengthening information disclosure to ensure the fairness and transparency of intra-group transactions; disclosing qualitative and quantitative information on the impact of intra-group transactions on the performance of group tenants; and reviewing the ratio of outside directors, recognising that the independence of the company as a listed subsidiary cannot be guaranteed solely through deliberations by the Governance Committee.
Result	Parent company We voted in favour of all proposals for the election of directors. Chairman approval rating was 73.0%, while the President was 77.8%. Listed subsidiary Our company opposed the appointment of all directors as a majority of independent directors were not outside directors.

Case study 3.12 – Voting rights (continued)

Outcome	At the General Meeting of Shareholders, we voted against the appointment of all directors of the listed subsidiary, because of concerns about the effectiveness of the Governance Committee and independence of the subsidiary in absence of a majority of independent outside directors. In response to shareholder concerns, the parent company announced the signing of a basic agreement to regarding the full acquisition of the listed subsidiary through a share exchange, subsequently approved at the May shareholders' meeting. The listed subsidiary was delisted in June 2025, and became a wholly-owned subsidiary of the parent company. The parent company explained the full acquisition of the listed subsidiary would enable the promotion of joint growth measures, further enhancing the corporate value of both the listed subsidiary and the parent company.
Assessment	We achieved the dialogue and voting objectives through the resolution of parent-subsidiary dual listings. The decision to turn its listed subsidiaries into wholly owned units has removed our concerns regarding corporate governance effectiveness and subsidiary independence. In addition, we are encouraged that the company is taking effective steps to meet in mid-term plan to improve operational efficiency.
Improvement	We will continue to monitor plans to deliver profitability targets such as the medium-term plan target of an ROE of 7% or higher by the fiscal year ending February 2026. We also intend to monitor how wholly-owned subsidiaries such as the listed subsidiary contribute to these targets.

Case study 3.13 – Voting rights

Company	Information & Communication sector company	Country: Japan
Activity	Our proxy voting guidelines state that we will oppose the reappointment of directors if takeover defence measures are introduced or updated without a resolution from the general shareholders' meeting. The company has implemented pre-warning takeover defense measures without seeking approval at the general shareholders' meeting, putting in place an onerous set of rules and procedures that any potential acquirer must follow. In our view, the most effective takeover defense is increasing market capitalization. The company's stock price has remained sluggish even after the announcement of the new medium-term management plan. Management initiatives and disclosures regarding capital costs and stock price awareness have also been insufficient. In order to create a positive cycle of growth and returns, we requested that the company demonstrate a widening the spread between return on invested capital (ROIC) and weighted average cost of capital (WACC) by business segment and changes in the business portfolio. Furthermore, we requested clarification regarding the priority of capital allocation and the balance between growth investments/M&A and shareholder returns.	
Result	We opposed all director appointments, except for new appointments, due to the renewal of takeover defense measures. The company Chairman received 72.6% of the votes, while the President received 71.4%. Approval rates for other candidates were all over 84%.	
Outcome	At the Annual General Meeting in June 2025, the company proposed an amendment its 'Policy on Responding to Takeover Proposals for Company Shares,' reducing the effective term from three years to one year, we deemed the explanation for the pre-warning takeover defense measures as insufficient. Consequently, we opposed the reappointment of directors based on the proposed 'Update on takeover defense measures'.	
Assessment	The amendment to its 'Policy on Responding to Takeover Proposals for Company Shares,' including reducing the effective term from three years to one year was a welcome step but did not fully address our request for a removal of pre-warning takeover defense measures. During our engagement with the company, it stated it is preparing policies to improve its capital policy including initiating return on invested capital (ROIC) management under new business segments starting in fiscal 2026, which is a welcome step. It also stated that, while debt-free management has been prioritized historically, it was exploring debt financing options to lower its weighted-average cost of capital (WACC), which is also an encouraging sign.	
Improvement	We will continue to monitor the company's capital policy disclosure while emphasizing market capitalization as the most effective takeover defense, versus pre-warning measures.	

We also take a proactive approach to collaborative engagement in areas, both domestic and international, where we feel that our stewardship efforts are unlikely to meet our engagement objectives. Although public and media statements are feasible, it is not always an effective way to achieve our engagement objectives.

Escalation in fixed income engagements is more limited as there is no ability to vote at meetings. Fixed income escalation may take other measures such as divestment or other methods to pursue our right as bondholders.

Prioritisation criteria

Before selecting and prioritising issues for escalation, we set clear objectives to measure the progress of existing engagements. As outlined in this chapter, we identify 12 ESG Materialities and set long-term goals for each ESG Materialities and intermediate targets for engagement, depending on the ESG issues and management level of each company.

We utilize our deep understanding of corporate and industry trends accumulated through previous engagements and draw on our knowledge of the latest global ESG developments through collaborative engagement initiatives.

If we conclude that our concerns cannot be resolved through standard activity, we may consider escalation to achieve our engagement objectives as described previously.

We are aware that the escalation process may not yield desired outcomes in the short term. As a result, we seek to monitor progress over a multi-year timeframe and will report outcomes as and when they are achieved.

Case study 3.14 – Voting rights

Company	**Coles Group Limited** Country: Australia
Activity	The company was subject to shareholder proposals on biodiversity. The proposals requested disclosure of information on farmed salmon from Macquarie Bay, Tasmania (item 7.2) and cessation of procurement from this source (item 7.3). Tasmanian salmon farming is large-scale and has significant environmental impacts. While recognizing the limitations of certification systems, we expressed the opinion that supplier management should be improved and greater transparency regarding the company's position would be welcomed. The company responded that it was operating in accordance with its regulations and licensing requirements as supervised by the Tasmanian Department of Environment. It also confirmed it is implementing supplier assessment guidance and continuous reduction of procurement volumes.
Result	We voted in favor of Item 7.2 (Information Disclosure) and against Item 7.3 (Procurement Cessation). Results are not disclosed.
Outcome	While the shareholder proposals stems from concerns about impacts on endangered species inhabiting the bay, pre-AGM dialogue with the company confirmed improvement initiatives are underway. Regarding Item 7.2 requesting information disclosure, we supported it as the company acknowledges the concern and additional disclosure would be beneficial for advancing their efforts. Conversely, we opposed Item 7.3 which demanded the cessation of procurement for private brands by April 2025. Given the company's existing efforts and the absence of adverse regulatory findings at this stage, we opposed it, as an abrupt procurement policy change would impose excessive burden.
Assessment and Improvement	Going forward, we will continue to engage in dialogue, conveying the need for a framework that includes enhanced verification mechanisms, such as the TNFD framework for natural capital disclosure. We will urge the company to strengthen its natural capital initiatives and improve its information disclosure practices.

Another potential source of escalation comes from our annual review of our voting principles. By revising our voting principles, we can take a more stringent approach in our dialogue and voting activities. For example, to encourage management practices aware of capital costs and share prices, we have implemented stricter performance (ROE) benchmarks. For further details, please refer to Principle 4. The change in principles has allowed us to increase our voting activity related to capital efficiency.

Divestment

We are committed to avoiding investment in companies and other entities with significant problems from an ESG perspective, such as the manufacture of inhumane weapons or infringement of international norms. Specifically, we exclude firms that are engaged in the production, sale and use of cluster munitions, anti-personnel mines, biological weapons and chemical weapons, which are widely prohibited under international treaties and for which Japan has ratified the relevant treaties.

If an existing holding is suspected of violating our stated ESG screening criteria, we will seek a direct dialogue with the company. We will not purchase any new or additional securities. If the company refuses to meet with us and we are unable to hold a dialogue, we escalate the issue and sell it.

Escalation as a bondholder

From a bondholder' s perspective, the opportunities for escalation are more limited as engagements tend to focus on new issues and there is no ability to vote at AGMs. In cases where companies and issuers are at risk of a significant decline in corporate value due to poor governance, or where credit concerns have increased due to poor management strategies, we will conduct thorough analysis and engagement through the channels stated in this chapter. In cases where our concerns are not sufficiently addressed, we will seek to prohibit active and passive products from additional purchases or divest from our holding.

Global initiatives

For more detailed explanations of each initiative organisation, please refer to the reference materials below.

Title				Main accomplishments from activities in the past year (Principally from July 2024 to June 2025)
Global initiatives	UN climate change-related	1	Signatory of: PRI Principles for Responsible Investment PRI	- PRI Advance released its inaugural Advance progress report highlighting our dialogue with POSCO—where we have served as a collaborative manager—as a successful case study. - Following elections in Australia and Canada, our sovereign dialogue has focused on urging the promotion and reinforcement of policies in these target countries to achieve the Paris Agreement goals. - We have joined the Signatory Advisory Committee and commenced collaborative engagement activities.
		2	Climate Action 100+ Climate Action 100+	- As Co-Chair of the Asia Advisory Group, we have actively participated in initiative management. - We have led collaborative engagement efforts with major companies in Asia, including Japan, Indonesia, South Korea, and Thailand, serving as lead manager. - Despite some financial institutions withdrawing due to changes in the ESG landscape in the U.S., we have covered these withdrawals by taking on roles such as collaborative manager for Australian companies.
		3	THE GLOBAL COMPACT United Nations GC (Global Compact)	–

Global initiatives (continued)

			Title	Main accomplishments from activities in the past year (Principally from July 2024 to June 2025)
Global initiatives	UN climate change-related	4	CDP	- We participated in the 3rd CDP Japan Club meeting of FY2024 entitled "Corporate Evaluation Related to Natural Capital from an Investor Perspective," presenting our stewardship activities and nature-related corporate evaluations.
Global initiatives	Specific topic-related	5	FAIRR	- To raise awareness on sustainable food supply, we participated in a PRI side event in Toronto, building networks and sharing insights with other investors and target companies. We also exchanged views with a U.S. food manufacturer on promoting protein source diversification. - We participated in a roundtable at the 12th World Ocean Summit, discussing and deepening understanding of the importance of traceability from the perspective of marine resource sustainability. - We joined the Seafood Traceability Engagement Program, launched in 2023, and initiated collaborative engagement with companies in the fisheries supply chain regarding illegal fishing and forced labour issues."
		6	SPOTT	- We evaluated major domestic and international rubber companies regarding their efforts to prevent deforestation, address human rights issues, and improve traceability within their supply chains based on natural rubber-related data published by SPOTT and Forest IQ. We shared challenges identified and encouraged improvements. - We exchanged views with the FAIRR Secretariat on enhancing assessments of the natural rubber supply chain and methods for utilizing Forest IQ data.
		7	30% Club UK Investor Group, Invest Ahead (formerly Thirty Percent Coalition)	- We participated in the 30% Club UK investor group meeting to gather insights on best practices and dialogue approaches for improving ethnic diversity and the proportion of women in key positions, including senior leadership roles. - We attended the Invest Ahead investor meeting and participated in the annual member survey. We expressed our views on the importance of transparency regarding the effectiveness of DE&I initiatives in the workplace—including board diversity at U.S. companies, as well as pay gaps, turnover rates, and promotion disparities—and the critical role of disclosure in achieving this.
		8	Access to Medicine Foundation	- We encouraged four Japanese companies included in the ATM Index to strengthen their ATM activities through individual engagement with management. - A company for which we served as lead manager saw its ranking improved in the ATM Index published in November 2024. We exchanged views on ATM at the company's internal workshop.
		9	Investor Action on AMR	- We encouraged support for new antimicrobial drug development, strengthened awareness activities on AMR issues, and reinforced efforts against global infectious diseases including tuberculosis through individual dialogues with companies engaged in infectious disease treatments and AMR countermeasures. We also discussed sustainable AMR research and development frameworks with corporate executives.

Global initiatives (continued)

			Title	Main accomplishments from activities in the past year (Principally from July 2024 to June 2025)
Global initiatives	Specific topic-related	10	TNFD Forum	- We published our first TCFD TNFD report in autumn 2024, additionally releasing an English version of the report. - We held internal study sessions in collaboration with WWF to deepen organizational understanding of natural capital-related disclosures.
		11	IPDD	- We continued policy engagement with the governments of Indonesia (concerns over deforestation from palm oil production) and Brazil (accelerated loss of Amazon rainforest from livestock and soy production. - We engaged with Indonesia's Financial Services Authority to promote disclosure on climate change and natural capital. We also co-hosted a seminar with the Indonesia Stock Exchange to build capacity for disclosure among Indonesian companies.
		12	FSDA	- We continued engagement on forest resource depletion and connections to climate change risks with companies and financial institutions exposed to Indonesia and Brazil, where forest conservation is critical.
		13	NA100	- We conducted collaborative engagement regarding companies' initiatives and disclosure of information to address nature and biodiversity loss based on the key findings of the "Nature Action 100 Company Benchmark Key Findings 2024". - We participated in a working group targeting Japanese companies, explaining points of divergence from the TNFD framework and urging improvements.
	Investor group-related	14	Ceres	- We conducted collaborative engagement on water resources as lead manager with a US fast-food company and as collaborative manager with a Japanese semiconductor manufacturer. - We contributed an article on our water resource initiatives to Sustainable Investor. - We participated and expressed our views as an investor in the Americas Steel Roundtable. - We introduced our own proprietary global engagement score referencing the corporate scoring from this initiative. We also participated in a newly established high-tech sector working group."
		15	CII	- We participated in a panel discussion on global trends in corporate governance and attended the fall and spring meetings to gather the latest information on corporate governance. - We attended webinars in the U.S. on SEC large-holder reporting guidelines and regulations for proxy advisory firms, sharing information from our Tokyo and European operations.
		16	AIGCC	- We served as co-chair of the Forest and Land Use Working Group. - We initiated collaborative engagement as the lead manager for JERA (Japan), which has been newly added to the AUEP portfolio. - We exchanged views with policymakers in Japan at the "Japan Energy Strategy Roundtable" held in autumn 2024. - We participated in the "Kitakyushu Clean Energy Site Tour" hosted by AIGCC, inspecting hydrogen infrastructure and offshore wind facilities, and exchanged views on the progress of decarbonization business promotion through industry-government collaboration in Fukuoka Prefecture. - We contributed to the AIGCC's recommendations for the Japanese and Indonesian governments.

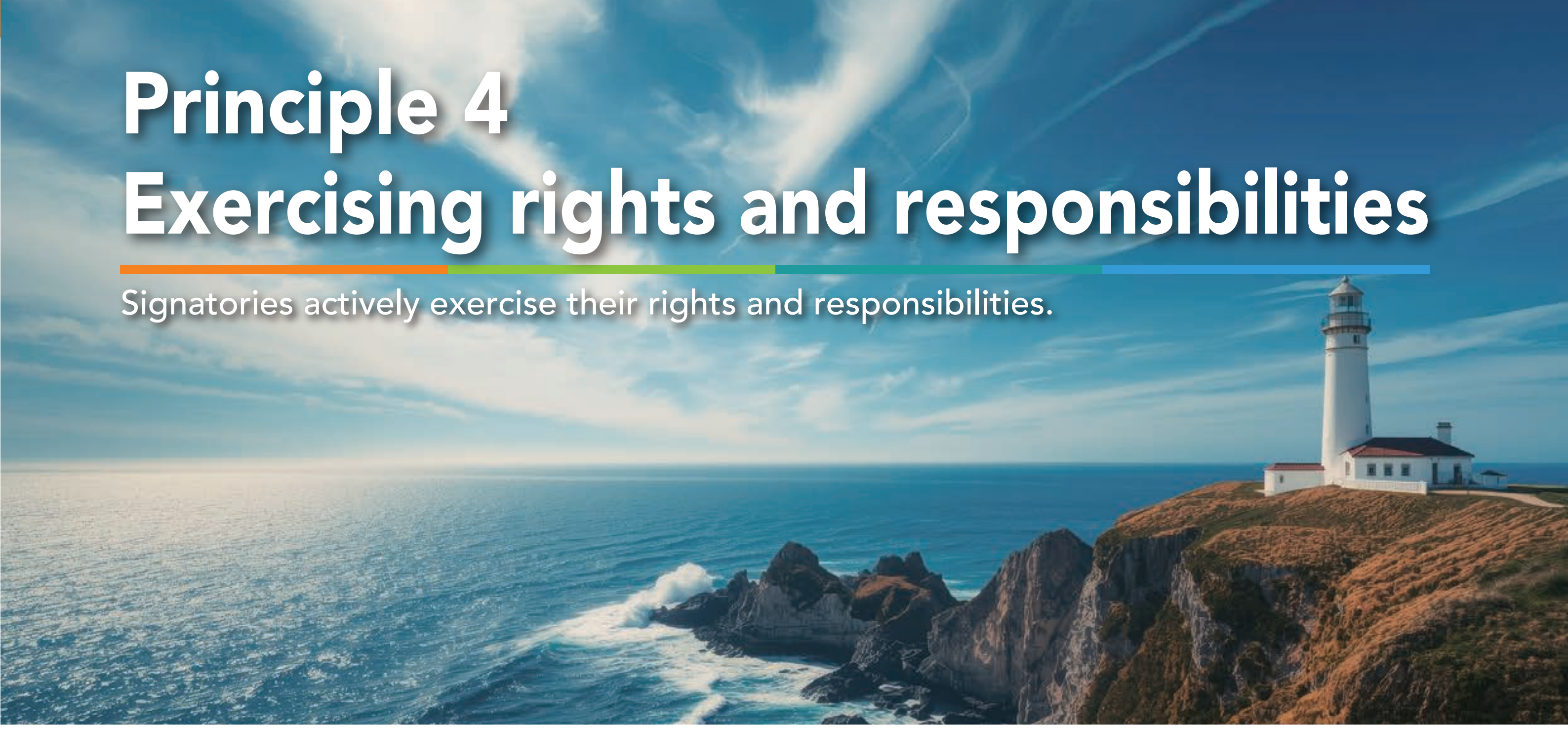
Global initiatives (continued)

Title				Main accomplishments from activities in the past year (Principally from July 2024 to June 2025)
Global initiatives	Investor group-related	17	ICGN	- We have served on the Board of Governors and as a member of the newly established Global Policy Committee. - We have addressed regional corporate governance issues through policy engagement and public comments. - We discussed challenges related to assurance for sustainability disclosures with major audit firms.
Global initiatives	Investor group-related	18	The Investor Agenda	- We called for whole-economy policies to address not only climate change but also natural capital, along with required response strategies for each sector by signing the "2024 Global Investor Statement to Governments on the Climate Crisis." This statement was formally announced at COP29.
Global initiatives	Investor group-related	19	Net Zero Asset Managers initiative	- We presented our Net Zero Roadmap case study as the Asia representative at the NZAM APAC Bi-annual meeting.C33
Domestic initiatives	Climate change-related	20	TCFD Consortium	- We provided advice and exchanged views on transition plans, Scope 3 disclosures, and compliance with European regulations in TCFD roundtables, dialogue forums between disclosing companies and investors.
Domestic initiatives	Specific topic-related	21	ESG In formation Disclosure Study Group	- We participated as a corporate member, with our Senior Adviser Hiroyuki Horii serving as a director. - We participated in the Integrated Reporting Improvement Subcommittee and provided feedback to three companies. - We have built knowledge and skills related to stewardship activities through presentations and Q&A sessions with listed companies, major asset owners, and audit firms as part of the Sustainability Talent Development Subcommittee (10 sessions total). - We commented on the Sustainability Disclosure Standards Committee's (SSBJ) draft sustainability disclosure standards.
Domestic initiatives	Specific topic-related	22	30% Club Japan Investor Group	- We published the "2024 Edition of Best Practices in DE&I Disclosure from an Investor Perspective" in November 2024 and a "Progress Report" including engagement best practices in December 2024. - We targeted senior leaders from TOPIX constituent companies as part of the third iteration of the "Next Generation Leadership Development Program". Through keynote speeches and panel discussions, we shared experiences and company initiatives from the perspective of promoting women's advancement. We also held an exchange session with outside directors affiliated with the Japanese Institute of Certified Public Accountants.

Global initiatives (continued)

			Title	Main accomplishments from activities in the past year (Principally from July 2024 to June 2025)
Domestic initiatives	Investor group-related	23	Institutional Investors Collective Engagement Forum	- We served as a co-lead manager for the "Dialogue with Investors to Achieve Management Focused on Capital Costs and Share Price," conducting target company selection (setting criteria) and collaborative engagement. - We served as lead manager for a company under the misconduct agenda.
		24	Japan Sustainable Investment Forum (JSIF)	- Our Senior Advisor Hiroyuki Horii serves as a Director. - We contributed to the "Sustainability Investment White Paper."
		25	Japan Stewardship Initiative (JSI)	- We reported our stewardship activities to clients in accordance with the reporting format (Smart Format) established by the initiative.

(Source: SuMi TRUST AM)



Principle 4
Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

Our basic voting rights policy

SuMi TRUST AM regards the exercise of voting rights as one of its important stewardship activities to enhance corporate value and sustainable growth and to maximise the long term returns of clients.
Our basic voting rights policy is summarised as follows.

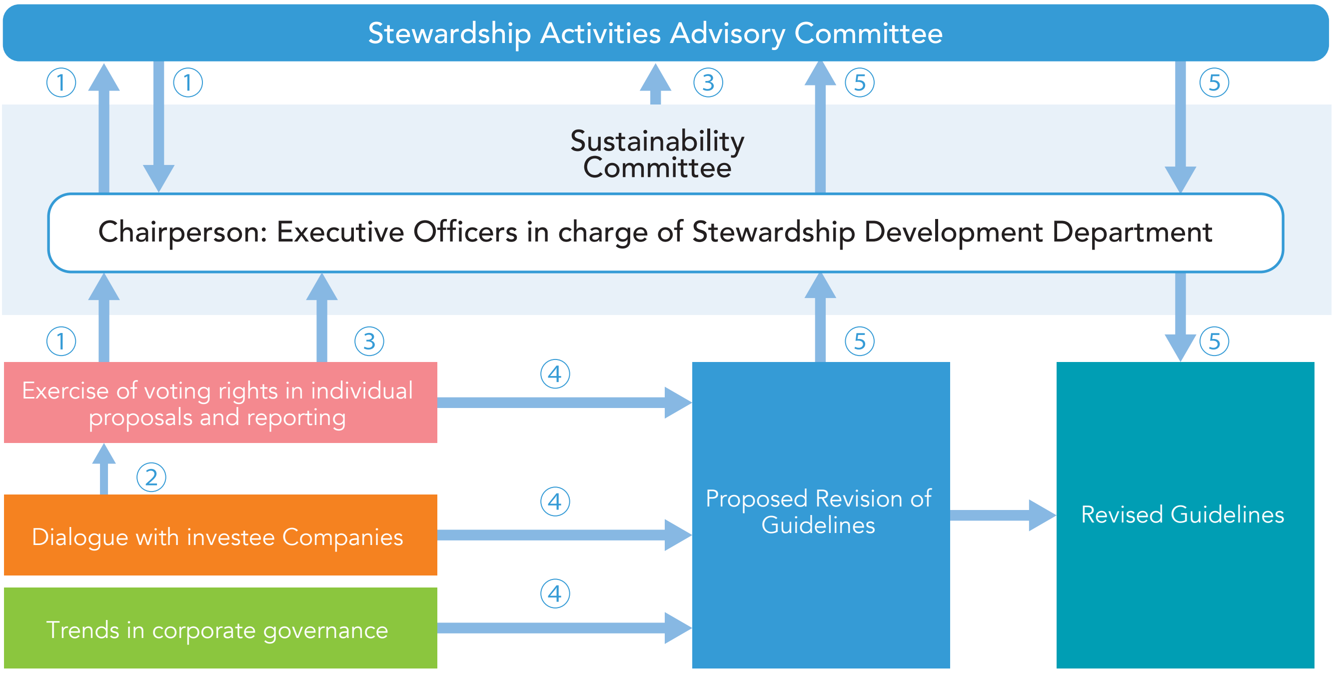
– The purpose of exercising voting rights is to contribute to the sustainable growth of investee companies, and ultimately to maximize medium to long term investment returns for clients and beneficiaries. We take into account the situation of the investee company and the details of our engagement, rather than merely using formulaic judgement criteria. In addition, when it comes to proposals that include multiple items, we will give priority to those that will contribute to sustainable growth.
– In exercising voting rights, we require investee companies to establish an appropriate corporate governance system that respects shareholder interests, such as separating the management oversight functions and ensuring the independence of outside directors and officers, as well as efficiently utilising shareholder capital for sustainable growth. Furthermore, based on high-quality governance, we require appropriate corporate decisions that give due consideration to the environment and society.
– In the event of a scandal or situation that damages corporate value, such as medium- to long-term poor performance or a misalignment of corporate management with shareholder interests, we will exercise our voting rights in a manner that contributes to the improvement of corporate governance. In addition, we will seek a full explanation of remedial measures and improvements and will base our exercise decision accordingly.

Process for exercising voting rights

The exercise of voting rights is conducted using the process outlined in Chart 4.1.

SuMi TRUST AM regards the exercise of voting rights as one of its important stewardship activities to enhance corporate value and sustainable growth and to maximise the long-term returns of clients.

Chart 4.1- Overview of the Process for Exercising Voting Rights



①Decisions on proposals not stipulated in the guidelines for the exercise of voting rights

Following separate consideration at the Sustainability Committee and a report from the Stewardship Activities Advisory Committee, the director of the Stewardship Development Department will make the decision.

②Decisions on individual proposals

Exercise of voting rights in accordance with the voting guidelines, but reflecting the content of the engagement, not just a formulaic decision.

(Previous case)

The decision on whether to apply the exception criteria to companies that have violated the business performance criteria for three consecutive terms or the disposition of surplus criteria is made based on our engagement.

③Reporting of voting results

Reporting of voting results to the Sustainability Committee, the director of the Stewardship Development Department and the Stewardship Activities Advisory Committee.

④Formulation of proposals for revising the guidelines for the exercise of voting rights

Based on outcomes from the exercise of voting rights, dialogue with portfolio companies and latest trends.

(Previous case)

– The inclusion of the Stewardship Activities Advisory Committee's opinion required stricter standards for proposals regarding disposition of surplus when reporting the exercise of voting rights.
– Based on dialogue with investee companies, we enacted the exception criteria for granting equity remuneration to non-executive directors.
– We deemed it necessary to revise guidelines after a request to companies by the Stewardship Code, Corporate Governance Code or the Tokyo Stock Exchange.

⑤Revisions of voting guidelines

After deliberations by the Sustainability Committee and a report by the Stewardship Activities Advisory Committee, a decision is made by the officer in charge of the Stewardship Development Department.

(Source: SuMi TRUST AM)

Revisions to voting principles

Revisions to the voting rights principles are finalised by the executive officer in charge of the Stewardship Development Department, subject to the appropriate conditions set by the Sustainability Committee. Revisions to the principles for exercising voting rights, except minor ones, require consultation with the Stewardship Activity Advisory Committee, which includes independent members.

The principles for exercising voting rights are highly transparent and implemented across all portfolios in principle. If there are specific circumstances identified through engagement activity that require additional consideration, it is possible to make an exception to the principles through the appropriate procedures, see our case studies.

As part of an internal and external review process, we made the following changes to our voting principles for domestic equities, with an effective start date of January 2025.

1) We have raised the return on equity (ROE) standards to "within the top two-thirds of all TOPIX constituents", compared to the top 75th percentile previously. Specifically, we will oppose proposals if a company fails to meet the performance standards for three consecutive fiscal years and has a price-to-book ratio below 1.0. The revision is premised on the recognition that raising the standards is necessary to provide further impetus following the Tokyo Stock Exchange's (TSE) request for all listed companies on its Prime and Standard markets to adopt "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" in March 2023. These standards will be used to assess proposals for director appointments.
2) We revised the scope of directors subject to opposition in director elections. After deliberating whether newly appointed directors should be held accountable for an inappropriate board composition, we revised the principles to "oppose all directors up for re-election." Previously, we opposed all directors when our criteria were breached. This change reflects the challenges of changing board composition for new directors and the potential to inadvertently discourage companies from reforming their boards. Additionally, regarding performance standards, the scope of opposition was changed from directors serving three or more years to current representative directors who have served as directors for three or more years. The revision aims for a more effective exercise of voting rights by promoting improvements in board composition without hindering corporate reform, while clarifying performance accountability.

In terms of our voting principles for overseas equities, we have made the following changes to our voting principles, with an effective start date of January 2025:

We are opposed in principle to companies with high levels of GHG emissions for cases that fall into any of the following categories and do not provide an explanation:
1) There has been inadequate disclosure in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) or an equivalent framework.
2) There has been a failure to set medium and long term goals in line with the Paris Agreement or to disclose specific measures to achieve them.
3) There has been no evidence of progress in reducing GHG emissions.

When exercising voting rights overseas, we take into account the fact that laws and regulations, business practices and corporate governance have been developed based on the economic, political and social environment and historical context of each country, and we make decisions in line with the actual situation in each country.

Disclosure of voting

Voting results are reported regularly to the Sustainability Committee, which oversees stewardship activities, together with the results of voting exercises based on customer policy. In addition, we disclose voting results at the level of individual proposals on our website on a quarterly basis.
Full details of our voting principles and disclosures can be found here:
https://www.sumitrust-am.com/responsible-investment/proxy-voting

Use of proxy advisers

We make decisions on the exercise of voting rights in accordance with transparent, in-house voting principles.

In regard to domestic stocks, we use the ISS recommendations in the exercise of voting rights which are subject to our conflict-of-interest policy. An example of such a case is for proposals related to the election of directors and executive officers of SuMi TRUST AM's parent company and Group companies, and for proposals for the election of directors and executive officers from our parent company, see Policy and Context Disclosure D for more details.

In regard to overseas stocks, we use data and research reports from advisers such as ISS for reference when deliberating our voting decisions. The executive officer in charge of the Stewardship Development Department holds all authority for exercising voting rights. In cases where the exercise recommendation from ISS does not match our voting principles, we give priority to our in-house voting principles.

Given the scale of our holdings, we observe some cases where the ISS voting recommendation differs from the actual voting decision. However, incidences of divergence are low given voting principles are provided to ISS in advance and tailored to meet our stated voting principles. We conduct weekly meetings to discuss proxy adviser output and to address any specific concerns and seek to raise our issues in our annual review process with ISS. We cover more details of this review process in Principle 6.

Allowing clients to choose

We recognise that there are circumstances when clients voting policy will diverge from our principles. If there is a difference between us and a client, SuMi TRUST AM is committed in principle to allowing clients to implement their own custom voting policies in segregated accounts.

Any decision to diverge from our voting principles is discussed and approved by the Sustainability Committee, which oversees stewardship activities and approved by the executive officer in charge of the Stewardship Development Department.

We will exercise our voting rights based on our understanding of the client's voting policy. If we have any questions about a client's exercise of voting rights based on its policy, we will check with the client through the department in charge of clients.

The department in charge of clients consult closely with the customer to ensure that the exercise reflects their intentions, while also evaluating the feasibility of whether it is practically possible to exercise the voting rights in accordance with the customer's policies. If a customer changes its criteria for exercising voting rights, we discuss this with the client and consider the implications for the exercise of voting rights.

In terms of differences between our and client's voting policy, the most frequent occurrence relates to the appointment of directors. Cases where the results of the exercise of voting rights have diverged from our principles based on a client's policy are clearly identified in our quarterly voting disclosures. In addition to the above external disclosures, we also provide individual explanations of our stewardship activities at the request of our clients.

Our policy on pooled and segregated accounts

We are committed to utilising our voting decisions and engagement activities as an integrated activity. Voting is one of the escalation methods of engagement, and we believe that linking the concept of voting with the content of dialogue with companies in engagement will increase the effectiveness of promoting changes in corporate behaviour.

We do not offer a scheme for customers to exercise their voting rights directly in pooled accounts. This is in line with our view that our stewardship activity is a critical service provision and should be shared for all the funds we manage. Our allocation of resources is in line with this commitment.

Monitoring voting rights

The number of voting rights for each issue held by SuMi TRUST AM is confirmed by the custodian. As a result, we can monitor for each issue the voting rights exercised by the company based on the data provided by the custodian.

We liaise closely with custodians regarding the share lending activity to avoid violations of lending limits or the inability to execute any sell transaction. We have access to the custody data in order to confirm delivery at the time of the sell transaction.

Approach for fixed income assets

Although bondholders cannot exercise voting rights as they can with shares, they are considered an important part of the company's corporate governance. Bondholders have the right to demand sustainable growth and measures to mitigate downside risk in return for the provision of funds.

We exercise our rights as a bondholder through engagement prior to every bond issue. Key areas of focus include optimum issue term, issue size and bond market, issuance formats for overseas companies (Samurai Bonds/Euroyen Bonds/Global Yen Bonds), use of different rating agencies and ESG assessment bodies, release of collateral in cases where bondholders are subordinated due to highly secured borrowing from banks, see Principle 3 for more details.

Research-based approach

By conducting research and engagement with the same investee company from multiple perspectives, we can increase the likelihood that the engagement issues set for each company are resolved. Our credit analysts, equity analysts and stewardship officers collaborate on engagement and ongoing constructive dialogue to improve sustainability and increase value for issuers and society.

Although there are some differences between bonds and stocks, we are unique in that our credit and equity analysts work together. The purpose is the same; to improve the sustainability of investee companies and society, and to increase corporate value. Both sides perform research and engagement from different perspectives for the same investee company, which makes it possible to add value to activities and to strengthen support, allowing companies to address ESG issues.

The purpose is the same; to improve the sustainability of investee companies and society, and to increase corporate value.

Stock lending, recalling lent stock for voting and 'empty voting'

In regard to stock lending activity, our ‘Investment Management Business Rules’ sets limits on lending transactions to ensure voting rights are fully exercised in all cases outside the lending limit. In practice, the limit is 5%/10% of our total holding. To secure voting rights, shares can be recalled as set out by the contractual commitments of the client and the custodian and lending agent. This is to ensure we have exercised our full voting rights.

The status of the number of on-loan shares in relation to the lending limit in stock lending transactions is monitored by the custodian. In addition, when the portfolio manager sells the relevant shares, the custodian can be contacted to avoid violations of the lending limit itself or the inability to deliver the sell transaction due to exceeding the lending limit.

Although voting rights are transferred by lending shares, the motivation to engage as an investor with an economic stake and stewardship responsibility remains, as the shares remain recorded as a valued asset in the portfolio and are subject to price fluctuation risk.

Furthermore, with regard to empty voting, the voting rights secured in shares outside the lending limit are managed in accordance with our voting principles.

In standard contracts of lending transactions, there is a clause that guarantees that the borrower “will not borrow for the primary purpose of obtaining voting rights.” In practice, the procedure of avoiding empty voting is applied to our stock lending.

Voting results (Based on Investment Advisers Association of Japan's format)
Chart 4.2 – Disclosure of percentage of shares voted

Record of Exercising Voting Rights for Japanese Equity (July 2024 to June 2025)

Company proposals

		For	Against	Abstention	Total	Opposition ratio
Proposals concerning company systems	Appointment/dismissal of directors	13,739	2,639	0	16,378	16.1%
	Appointment/dismissal of corporate auditors	1,078	106	0	1,184	9.0%
	Appointment/dismissal of accounting auditors	63	0	0	63	0.0%
Proposals concerning remuneration for executives	Remuneration for executives*1	662	108	0	770	14.0%
	Payment of retirement benefits for resigning executives	0	61	0	61	100.0%
Proposals concerning capital policies (Excluding proposals concerning articles of incorporation)	Disposal of surplus funds	1,205	112	0	1,317	8.5%
	Restructuring-related*2	24	0	0	24	0.0%
	Introduction/renewal/abolishment of takeover defense measures	1	38	0	39	97.4%
	Other proposals concerning capital policies*3	72	0	0	72	0.0%
Proposals concerning articles of incorporation		440	18	0	458	3.9%
Other proposals		10	0	0	10	0.0%
Total		17,294	3,082	0	20,376	15.1%

*1. This includes amendments to remuneration for executives, issuance of stock options, introduction/alteration of performance-linked remuneration systems, and executive bonuses

*2. This includes mergers, business transfers and acquisitions, share swaps, share transfers, and corporate splits

*3. This includes treasury stock acquisitions, decrease in statutory reserves, new share allocations to third parties, decrease in capital, reverse stock splits, and issuance of class shares

Shareholder proposals

	For	Against	Abstention	Total	Opposition ratio
Total	24	361	0	385	93.8%

Factors that affect the result of exercising voting rights and the opposition ratio

In 2025, the opposition ratio for company proposals decreased year-on-year due to changes in investee companies resulting from revisions to TOPIX constituents, revisions to our voting guidelines such as the criteria for board composition and performance standards, and improvements in corporate governance including an increase in companies appointing female directors.

Voting results (Based on Investment Advisers Association of Japan's format)
Chart 4.2 – Disclosure of percentage of shares (continued)

Record of Exercising Voting Rights for Foreign Equity (July 2024 to June 2025)

Company proposals

		For	Against	Abstention	Total	Opposition ratio
Proposals concerning company systems	Appointment/dismissal of directors	14,828	1,937	0	16,765	11.6%
	Appointment/dismissal of corporate auditors	540	63	0	603	10.4%
	Composition of board of directors (limits on number of directors, etc.)	389	25	0	414	6.0%
	Appointment of accounting auditors	2,650	39	0	2,689	1.5%
Proposals concerning remuneration for executives	Remuneration for executives	3,624	578	0	4,202	13.8%
	Stock options	577	249	0	826	30.1%
	Presentation of retirement benefits	6	3	0	9	33.3%
Proposals concerning capital policies (Excluding proposals concerning articles of incorporation)	Shareholders' equity	2,817	515	0	3,332	15.5%
	Profit disposal and loss disposition plans	1,795	6	0	1,801	0.3%
	Establishment of share buyback frameworks	1,262	47	0	1,309	3.6%
	Mergers, corporate splits, conversions to holding company, business transfers, etc.	781	217	0	998	21.7%
	Takeover defense measures	258	13	0	271	4.8%
Proposals concerning articles of incorporation		1,137	276	0	1,413	19.5%
Other proposals		9,323	998	0	10,321	9.7%
Total		39,987	4,966	0	44,953	11.0%

Shareholder proposals

	For	Against	Abstention	Total	Opposition ratio
Total	969	720	0	1,689	42.6%

(Source: SuMi TRUST AM)

Voting results

Based on the voting results, we have identified a higher ratio of opposition to shareholder proposals in Japan versus overseas voting (see Chart 4.2). We believe this reflects legal and institutional differences between Japan and overseas markets. For example, many shareholder proposals for Japanese companies require amendments to the Articles of Incorporation, which represents a significant change to the company and makes it less likely for shareholders to express support. In comparison, overseas shareholder proposals are less onerous, so it is relatively easier for shareholder proposals to receive support.

Voting Records

(Japanese Equities)
https://www.smtam.jp/company/policy/voting/result/

(Overseas Equities)
https://www.smtam.jp/institutional/stewardship_initiatives/stewardship_activities/voting_index/overseas_result/index.html

Case study 4.1 – Voting rights

Company	Electric Appliances sector company	Country: Japan
Activity	Our voting guidelines require companies with excessive cross shareholdings to reduce them. This threshold has been set at approximately 20% of net assets. However, as overall cross shareholdings decrease, this level may become more stringent. The company's cross shareholdings, predominantly shares in a long-standing investee, are substantial and reduction targets insufficient. At the 2023 Annual General Meeting, we opposed the reappointment of directors who have served for over three years, believing they bear responsibility for excessively holding policy stocks. We also requested a more aggressive reduction plan and demonstrate effective utilization of the proceeds from sales. While recognizing the close relationship with this long-standing investee, the company recognized that the necessity for cross shareholdings has diminished. Furthermore, considering future investment plans for initiatives like smart factory transformation and company-wide digital transformation (DX), they have sought to more effectively utilize assets and in October 2024 announced plans to sell approximately one-third of its cross shareholdings.	
Result	Based on the clarification of plans to reduce cross-shareholdings, we decided to support the director appointment proposals. The approval rate of the president and Chairman were 69.8% and 63.8%, respectively.	
Outcome	The company has recognized the advantages of reducing its cross shareholdings. In October 2024, it announced a plan to sell shares in the long-standing investee equivalent to one-third of its net assets. Subsequently, in May 2025, it announced a reduction to less than 20% of net assets. It also announced an acceleration of the sale period from the original five years to two years.	
Assessment and Improvement	We are encouraged by the progress of the company in planning to reduce its cross shareholdings. However, we will monitor the reduction progress and will vote against director appointments if progress is not realised. In addition to monitoring the disposal of cross shareholdings, we intend to closely monitor the utilization of cash proceeds from future sales of cross shareholdings as past M&A and investment returns have not been disappointing.	

Case study 4.2 – Voting rights

Company	Services sector company — Country: Japan
Activity	Our company's proxy voting guidelines stipulate that we will vote against director election proposals if a company has experienced operating losses for three consecutive fiscal years. However, if we can confirm through engagement or other means that the reasons for not meeting the criteria are reasonable, such as the occurrence of an unforeseen natural disaster, or when it is due to the restructuring of costs aimed at improving future corporate value, then exceptions to these voting guidelines may apply. In this case, the company's persistent losses in its mobile business and the delay in turning to profitability are particularly concerning. The profitability issues have resulted in us only voting for director appointments under the exception criteria in previous years. The company stated its intention to achieve monthly profitability in the mobile business by FY2024/12, reflecting the ecosystem contribution of this business, with mobile as the entry point, and full-year profitability by FY2025/12.
Result	We have approved director proposals in the past by applying the exception criteria, but in 2025 the performance criteria were met so we voted in favour of director appointments without the exception criteria (excluding those who violate other criteria such as independence standards). The approval rate for the Chairman, was 81.0%.
Outcome	Progress in reducing mobile business losses led to an operating profit in FY 2024. With a price-to-book ratio exceeding 1x, our performance-related voting criteria were met. Since the company was able to clear the voting criteria related to business performance, we voted in favor of the proposal to appoint directors (excluding those who violate other criteria such as independence standards).
Assessment and Improvement	The company has made good progress in terms of improving the business performance at a group level and in the mobile phone unit. We will continue to encourage efforts toward making the mobile business profitable and improving ROE.

Case study 4.3 – Voting rights

Company	Rio Tinto Limited — Country: Australia
Activity	The company was subject to shareholder proposals on governance-related issues. Specifically, the shareholder requested an independent investigation and additional disclosure regarding the potential integration of the dual listing structure in the UK and Australia into the Australian parent holding company (Item 21). Regarding the dual listing structure, it has long been discussed as an issue due to disadvantages such as inefficient capital structure, share price differentials, and complex governance structures. From the company perspective, it has investigated this matter and determined that integrating its mining-related subsidiaries under the London entity with the Australian entity would result in significantly greater transfer income taxation issues than anticipated. While integration offers the benefit of increased governance transparency, the resulting negative financial impact outweighs this advantage.
Result	We voted in favor of the shareholder proposal. The proposal was rejected with 19.35% in favor.
Outcome	We voted in favour of the proposal as the lack of a clear explanation or a report as a resolution item by the Board of Directors could reasonably be interpreted as inaction by the Board. In absence of further confirmation of the company's position, we felt it necessary to emphasise the need for greater disclosure on the assumptions and scenarios that had informed the company's thinking.
Assessment and Improvement	While we understand the disadvantages of integration through dialogue, another Australian mining group BHP, which has similarly faced shareholder concerns about its dual-listing structure, has achieved integration. Given this comparison, it is difficult for the company to assert unequivocally that the disadvantages are too great, without offering shareholders a better understanding of the implications of alternative scenarios. We judged that preparing and publishing a report by a credible independent expert would be useful for resolving this issue.

Case study 4.4 – Voting rights

Company	**Sika AG** Country: Switzerland
Activity	We have engaged in ongoing dialogue with the company since 2019 on diverse themes including product portfolio, compensation systems, and management diversity. This dialogue addressed the decline in female representation on the Board of Directors, with the female director ratio for 2025 falling to 25%, below our 30% target. We expressed the view that to stabilize the proportion of female directors, a commitment is also needed to increase female representation at other levels, such as among senior management. The company has disclosure information showing an improvement in female representation at every level: Senior Management: 24.5% (22.2% in 2023), Middle Management: 24.3% (22.8% in 2023), and All Employees: 24.8% (24.3% in 2023). However, it is still below the 30% target, with the deadline having been extended to 2028.
Result	We voted in favor of the director nomination company proposal. It was approved with a 90.4% majority.
Outcome	Regarding the female director ratio, the decline to 25% in 2025 resulted from the unexpected resignation of one female director before her term was due to expire. The company has stated it plans to appoint a successor female director in 2026 to achieve the 30% target. Furthermore, we assess that steady progress is being made in increasing the proportion of women across all levels. Considering the progress made in these diversity initiatives, we voted in favor of the nomination committee chair proposal.
Assessment and Improvement	We intend to continue monitoring diversity-related initiatives going forward. As well as verifying the company's stated aim to increase the proportion of female directors to above 30% in 2026, we will monitor increases in female representation at other levels, such as among senior management.

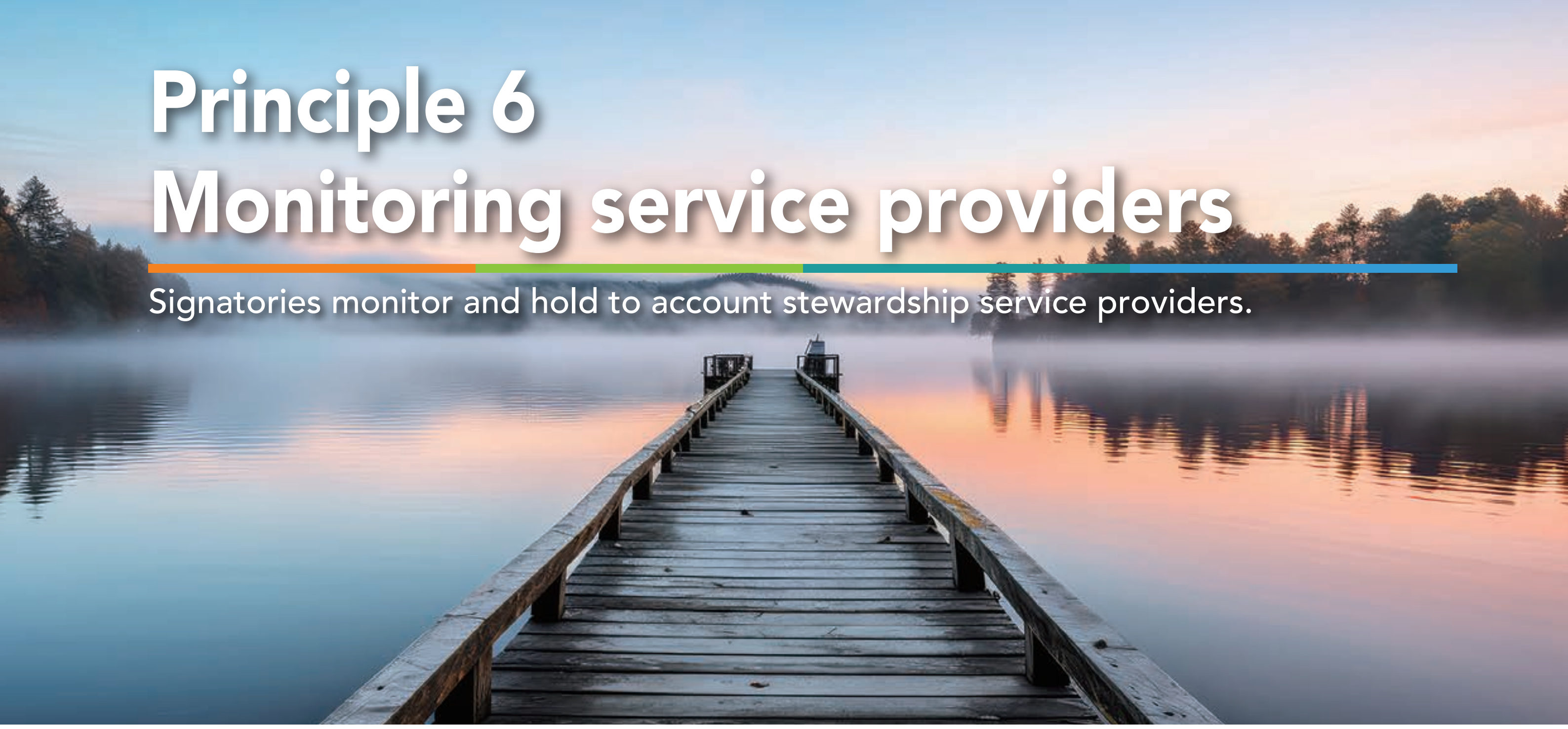
Case study 4.5 – Voting rights

Company	Shell Plc	Country: UK - Netherlands
Activity	Shell is one of our Global 100 Climate Change Companies and we have maintained ongoing dialogue with them, including sending a letter to the company's Chairman urging action on climate change issues. In response to shareholder proposals on climate change issues (LNG demand forecasts, sales targets, disclosure of alignment between new capital expenditures and climate strategy commitments), we have engaged in dialogue and recommended improvements and updates to the medium-to-long-term outlook regarding scenario definitions, sales share targets through 2030, medium-to-long-term investment plans, and projected EBITDA.	
Result	We voted against the shareholder proposal. It was rejected with a 20.6% support rate.	
Outcome	The company has already responded to some aspects of the shareholder proposal with plans to publish a summary of LNG-related information by 2026. In addition, the company has already set net-zero targets using the IPCC scenarios. It has chosen not to align with IEA scenarios concluding that they would impair corporate value.	
Assessment and Improvement	While the disclosure of 2050 emissions of the company's portfolio businesses has some shortcomings, we assess that its core LNG and gas business is highly profitable. Even considering multiple medium-to-long-term scenarios, we deem it a reasonable asset prepared for transition risks. Furthermore, considering factors such as the company's annual disclosure of LNG demand forecasts using external data, its strategy formulation incorporating not only climate commitments but also business continuity perspectives, the improving trend in strategic disclosure through 2030, and our confirmation through dialogue that the company plans to disclose a summary of its LNG strategy by 2026 in response to the shareholder proposal, we judge the company's strategy to be reasonable.	

Principle 5
Selection and oversight of managers

Signatories integrate stewardship considerations into their selection and oversight of external managers.

As the proportion of outsourced management is less than 10% of total assets under management, an explanation of this principle is omitted.



Principle 6
Monitoring service providers

Signatories monitor and hold to account stewardship service providers.

We utilise external vendors and service providers to enhance our services and increase the benefits to clients and beneficiaries. All service providers are regularly monitored through ongoing engagement.

Service providers relating to stewardship activities

We use several external service providers and rating agencies as part of our stewardship activities. A summary of these is provided in the table below.

Chart 6.1 – Service providers

Service providers	Brief description of purpose
MSCI Inc.	ESG assessment/analysis
Institutional Shareholder Services, Inc.	Emissions analysis Voting rights exercise
Morningstar Sustainalytics	ESG Screening Regulatory compliance (SFDR/PAI) Voting rights exercise
Bloomberg L.P.	ESG assessment and analysis Regulatory compliance (SFDR/PAI)
FactSet Research Systems Inc.	ESG assessment/analysis (RBICS)
FTSE Russell	ESG analysis
Governance Visions	Voting rights exercise
ICJ, Inc.	Voting rights exercise
Sumitomo Mitsui Trust Research Institute Co., Ltd.	ESG assessment/analysis

(Source: SuMi TRUST AM)

In addition, we conduct regular engagement with policy authorities, industry associations and initiative organisations as part of our multi-stakeholder engagement.

The two main types of service providers include:
1) Proxy advisors
2) ESG ratings agencies and ESG data providers

These service providers are a vital source of support as we exercise our rights and fulfil our responsibilities as an investor.

Our departmental personnel are in daily contact with the respective proxy advisors, ESG rating agencies and ESG data providers and carry out monitoring activities, recognising that they are part of a cycle that drives improvements in outcomes for our clients.

In addition, we engage with external vendors to understand their organisational structure, evaluation targets, methodologies, constraints and objectives. The content of this engagement is monitored by the Sustainability Committee.

Proxy advisors

All voting decisions are taken in line with SuMi TRUST AM's in-house principles. Before any voting rights are exercised, our voting recommendations undergo intensive scrutiny including internal approval.

Proxy voting recommendations play an important role in our voting decision-making process for our overseas equity holdings. However, they are supplementary to our in-house analysis, and we do not use default recommendations of our proxy advisor. Our primary proxy voting advisor is Institutional Shareholder Services, Inc. (ISS). The Stewardship Development Department hold weekly internal meetings on voting decision-making to discuss ISS's recommendations. If there are any concerns, we contact ISS for more details.

To ensure that we are meeting the high expectations of our clients in this area, we dedicate significant efforts to the exercise of voting rights and the effective monitoring and management of our proxy advisor.

To enhance our monitoring of voting activity, we prepare a monthly report on 'results of the exercise of voting rights in both domestic and foreign stocks' (approval, disapproval, non-exercise), which is reported to the Sustainability Committee. The report includes detailed information on the number of votes and the total number of proposals.

SuMi TRUST AM has strengthened its analysis and monitoring of ISS's voting exercise recommendations and conducts a discussion at least once a year. At this year's meeting with ISS, the key discussion points included:

Climate change policy

Regarding the climate change policy, ISS requires relevant companies to disclose medium or long term targets for Scope 1 and Scope 2 emissions, while our voting policy requires companies to set both medium and long term targets. We requested that ISS's standards be made stricter to meet our requirements. In addition, for industries where financed emissions are considered important, we urged stricter standards on target setting and information disclosure.

Proxy voting in China

Regarding Chinese companies, ISS' policy targets proposals for approval of directors' reports, rather than proposals for the appointment of directors. In order to strengthen our shareholder influence with companies on climate change issues, especially for companies for which it is difficult to conduct dialogue, we proposed an approach that directly opposes the election proposals.

Index providers

In 2025, we engaged with S&P Dow Jones Indices, providing input during their consultation process for improving the S&P/JPX Carbon Efficient Index. This index is designed to encourage companies to improve their disclosure practices and carbon efficiency. It does this by adopting rules such as increasing the weighting of companies that provide sufficient greenhouse gas disclosure and those with high carbon efficiency, e.g. low carbon emissions per unit of revenue.

The consultation primarily covered: 1) changes to weighting during index rebalancing, and 2) the introduction of quarterly index rebalancing.

We believe these changes are expected to further reduce price deviation from the universe index, the TOPIX Index, while improving returns. Furthermore, we confirmed that the index's characteristic improvement in carbon efficiency relative to the TOPIX will be maintained. We believe these index enhancements will further improve investment convenience for institutional investors managing large funds and individual investors with a strong interest in climate change issues. We expressed our views on the consideration of KPI setting and the incorporation of corporate efforts toward reducing greenhouse gas emissions into the index.

We believe these index enhancements will further improve investment convenience for institutional investors managing large funds and individual investors with a strong interest in climate change issues.

Data for in-house scores

Another important contribution of external data providers relates to our own ESG score. The in-house ESG score is an investment evaluation indicator that is assigned based on an analysis of the impact of ESG issues on the opportunities and risks for countries, companies, etc.

The score is calculated by utilising external data and reflecting information and analysis results obtained through research and engagement activities by analysts and other parties.

External data providers include MSCI, Sustainalytics and Bloomberg for in-house ESG scores for equities and corporate bonds, the World Bank for in-house ESG scores for sovereigns, Sumitomo Mitsui Trust Research Institute and others for in-house ESG scores for J-REITs.

For climate change risk analysis, we use climate change-related data and climate change and natural capital risk analysis data provided by ISS. The content of information services from external data providers is checked and discussed with external service providers as appropriate in the analysis process. Frequent concerns include cleansing of data and the upgrading of the level of the data and information services particularly for Japan and Asian stocks, where coverage is lower.

Case study index

Principle 1

– Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries.

Principle 2

– Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets.

Principle 3

– Signatories engage to maintain or enhance the value of assets.

Principle 4

– Signatories actively exercise their rights and responsibilities.

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