SUSTAINABILITY REPORT

2023

Tokio Marine Asset Management

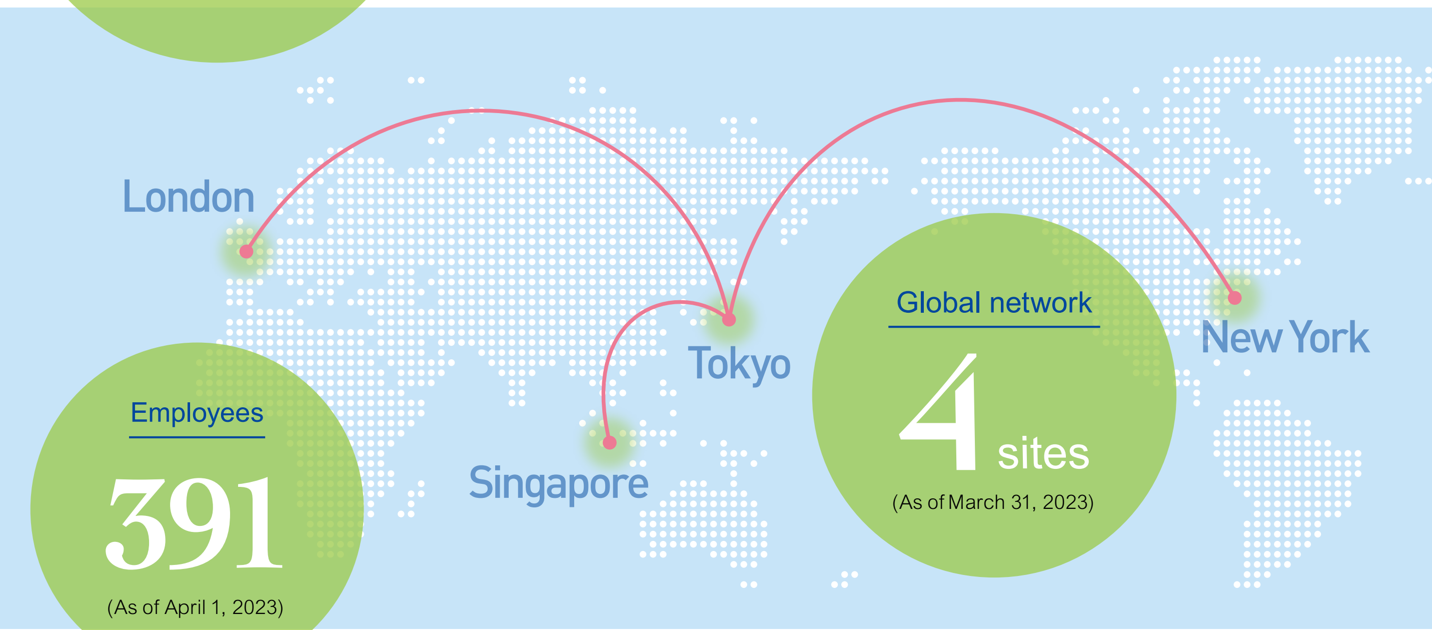
Contents

Tokio Marine Asset Management at a Glance

Founded

1985

Tokio Marine Asset Management is the asset management arm of the Tokio Marine Group.
Since our founding in 1985, we have received tremendous support from our customers which has helped us to consistently grow.
We operate an investment trust business primarily for retail clients and a discretionary investment advisory business primarily for institutional clients, with assets under management reaching 10.1 trillion yen. (As of March 31, 2023)



Global network

4 sites

(As of March 31, 2023)

Employees

391

(As of April 1, 2023)

History of responsible investment

2007
- Established Responsible Investment Committee (directly under Investment Division)

2009
- Established Responsible Investment Group (directly under Investment Division)

2011
- Signed up to the United Nations Principles for Responsible Investment (PRI)

2012
- Signed up to the Principles for Financial Action for the 21st Century

2014
- Endorsed the Japanese version of the Stewardship Code

2015
- Fiduciary Duty Declaration

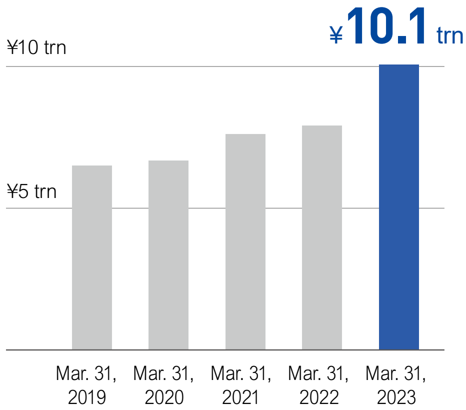
2017
- Organised the Responsible Investment Committee into a company-wide reporting body to the Board of Directors
- Updated our stewardship statement

Assets under management

¥10.1 trn

(As of March 31, 2023)

Assets under Management (AuM)



AuM breakdown

(As of March 31, 2023)

* Retail investors:
Balance of publicly offered investment trusts
Institutional investors:
Total balance of discretionary investment advisory and privately placed investment trusts (adjusted for overlaps)

Broad-ranging capabilities

Traditional assets

- Japanese equities
- Global equities
- Japanese bonds
- Global bonds

Balanced funds

Alternative assets

- Private REITs
- Global infrastructure funds
- Hedge funds
- Renewable energy funds
- J-REITs
- Private equity
- CAT bond funds
- Global real estate funds

2018

- Disclosed stewardship activities and self-evaluation (report)
- Signed up the Access to Medicine Index Investor Statement

2019

- Established Responsible Investment Department (previously Responsible Investment Group)
- Expressed support for the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations
- Signed up to the CDP (formerly Carbon Disclosure Project)

2020

- Published a sustainable investing statement
- Updated our stewardship statement

2021

- Announced “Stewardship activities in light of the pandemic”
- Established the Alternative Responsible Investment Department

2022

- Established the Sustainability Group within the Corporate Strategy Department
- Joined the 30% Club Japan Investor Group
- Took part in the Net Zero Asset Managers initiative

2023

- Joined the 30 by 30 Alliance for Biodiversity
- Took part in the Japan Blue Economy Research Group (BERG)

Letter from the CEO

Yasuhiro Yokota President & CEO

Helping to solve social issues through our continued unwavering focus on creating value as an asset manager

Introduction

Environmental problems continue to affect global society, with more frequent and severe heat waves, forest fires, heavy rains, and other natural disasters around the world. Other issues continuing to impact people around the world include inflation, growing economic divides, human rights violations, racial discrimination, and gender inequality.

Under such circumstances, the Tokio Marine Group's sustainability policy is to contribute to solving social issues through our business activities. Our management philosophy is to contribute to the promotion of a prosperous society and spur economic development through asset management, and as a good corporate citizen and asset manager playing a role in the investment chain, we believe that we have a responsibility to actively invest and take measures to build a sustainable society. To create a sustainable world, we are committed to creating value as an asset manager, and through the value we create, we will help to build a better society.

Solving Social Issues and Building Trust through the Asset Management Business as a Public Institution

The asset management industry has two key roles: building wealth for investors, and directing capital to investees. As an asset manager, we need to view household assets as social capital and create value by allocating this capital to areas that solve society's issues through investment. Fulfilling our function in the investment chain, which is to bring greater investment results through capital allocation and contribute to building household wealth, can directly help to solve issues facing society today, and I believe this demonstrates the vital role that asset managers play.

Integrity is essential for an asset manager to firmly fulfill its role as a public institution in society, and as a responsible investor, we are entrusted by our clients to manage their precious assets with a high level of professionalism. In so doing, we adhere to TMAM's core principles of professionalism, innovation, and integrity.

We strive to earn our clients' trust by building portfolios based on thorough research and analysis, being highly transparent in our information provision, and focusing on the perspective of our clients when disclosing investment policies, fees, risks, and other matters.

We also emphasise building relationships of trust in dialogue with the companies in which we invest. Building a relationship of trust requires two-way communication, and a high level of expertise from our employees. While we request a broad range of disclosures from our investees, we also listen carefully to their thinking and explain our own stance, thus deepening mutual understanding and creating relationships of trust.

We embrace our role as asset manager to engage companies in a two-way conversation in pursuit of corporate behaviour that truly contributes to the sustainable growth of society and the economy.

Materiality in our Sustainability Efforts

In order to ensure that our own corporate behaviour contributes to the sustainable growth of society and the economy, we have identified material issues that we consider to be of particular importance and high priority. Based on the twin perspectives of importance to society and Tokio Marine Asset Management values, we selecting six key areas.

D&I initiatives

Among these, in order to foster a corporate culture that is open to a broad array of differing values, we strongly advocate diversity and inclusion (D&I) as one of our material issues. By creating an environment where all employees can maximise their abilities regardless of nationality, gender, disability, or age, we embrace a diversity in outlook to create value in ways that offer solutions to a range of social issues and lead to sustainable growth for ourselves.

Initiatives to combat climate change and create a resilient society and natural environment

In addition, we have started new initiatives in collaboration with venture companies to promote measures against climate change and cultivate a resilient society and natural environment. I believe we need to align our corporate activities with nature conservation to develop innovations addressing social issues. The other material issues are listed below, with details on specific initiatives on the following pages. With these six material issues as our compass, we will promote consistent initiatives both as an asset manager and as a corporate entity to achieve sustainable social and economic growth.

Material Issue	Plan	Principal Initiatives
Climate change countermeasures	• Company CO_2 emissions: -1% compared to previous year • In-depth (climate change) engagement with investees and more advanced measurement and evaluation aimed at reducing greenhouse gas (GHG) emissions • Enhanced disclosure such as TCFD	• Efforts to reduce electricity and paper use • Clarify CO_2 reduction targets and methods to measure results. Engagement to achieve interim goals of Net Zero Asset Managers initiative • Enhanced disclosure of strategy, risk management, targets and metrics
Diversity & Inclusion (D&I)	• Enhanced measures to increase proportion of women in management positions • Further advanced engagement with investees, etc. (D&I)	• Review HR framework and operations to better promote active participation of women • D&I literacy training and continued discussion sessions among employees • Engagement as a 30% Club signatory to promote D&I at investee companies
Support for a healthy and fulfilling life	• Maintain official METI “Health and Productivity Management” certification • Further advanced engagement with investees, etc. (human capital)	• Build knowledge on human capital management • Engagement based on human capital disclosure from FY2023
Building a resilient society and protecting the natural environment	• Formulate plans based on TNFD, 30 by 30, etc.	• Trial new initiatives in collaboration with venture companies (see separate page for specific initiatives)
Enhanced corporate value through governance	• Introduce compensation system linked to sustainability strategy • Formulate human rights policies, etc.	• Introduce executive compensation system linked to sustainability strategy • Measures to gradually expand compensation system • Lay groundwork for policy formulation
Support and creation of innovative products and services	• Create innovative ESG-related products and services • Respond to ESG regulations	• Various initiatives aimed at introducing impact funds, transition funds, etc. • Fund management in line with SFDR Article 8 (regular reporting, monitoring, etc.) • Definition of ESG funds and construction of work processes

Letter from the CIO

Tokio Marine Asset Management's management philosophy is to contribute to the promotion of a prosperous society and spur economic development through asset management; indeed, social prosperity and economic development must go hand in hand.

Nobuki Goto
Managing Director and Chief Investment Officer

In recent years, the Japanese asset management industry has seen ESG initiatives and related disclosures through asset management of investee companies become a far-reaching requirement as exemplified by regulations such as the Sustainable Finance Disclosure Regulation (SFDR), which originated in Europe. We have two Japanese equity funds certified as ESG funds, one of which is compliant with Article 8 of the SFDR; of our outsourced funds, three global equity funds are ESG-certified.

In retrospect, although our initiatives have had some impact on stimulating companies' ESG activities (bringing awareness to firms that previously had little interest in the topic, for example), this has not always been obviously compatible with economic development (i.e. enhanced corporate value). And requiring companies to engage comprehensively in ESG initiatives and disclose information regardless of the nature of their business has at times appeared to be saddling them with an excessive burden. However, we are currently in a period of transition. I believe we are moving beyond perfunctory requirements and responses, instead delving deeper into ESG activities linked to increasing corporate value. While there has been a qualitative improvement in ESG activity as investor demands and corporate initiatives align, research is gradually emerging to suggest that developing ESG activity is linked with economic development.

As a result of these trends, asset managers now have to be even more effective in their efforts to contribute to increasing the corporate value of the companies they invest in. This is why it is important to build a relationship of mutual understanding through dialogue between the companies and the asset manager, not just by measuring a company's ESG activities as quantitative data, but by asking how these activities will contribute to increasing the company's future corporate value, and how they will lead to long-term sales growth and improved profitability. This is truly a win-win relationship.

In recent years, there has been a rapid rise in the number of shareholder proposals regarding corporate sustainability activities and disclosure. Our response has been to consider each proposal carefully and examine whether it is conducive to both a prosperous society and economic development (enhanced corporate value, etc.) before exercising our voting rights.

This thinking has driven us to begin laying the groundwork for impact funds that support the organic link between a company's business activities and its sustainability initiatives. And in terms of bond investment, we also offer a Tokio Marine Asset Management catastrophe (CAT) bond fund, helping to improve society's ability to respond to natural disasters by diversifying risk among institutional investors. Through these cutting-edge asset management initiatives, we hope to contribute to a prosperous society and economic development.

ESG trends in alternative investments

Although the definition of alternative investments is broad, in general, it can be taken to include anything other than long positions (i.e. buy and hold) in traditional assets such as listed stocks and bonds. Because information disclosure is often more restricted than for investments in traditional assets, we believe that sustainability initiatives for alternative investments in general are still in the development stage.

However, the perspective of investors is steadily changing, and alternative investments are gradually starting to see more focus on sustainability issues.

Private equity

In the field of private equity investment, the number of companies in Japan and the United States that call themselves "impact startups" (whose core is the development of sustainability-related advanced technology) is increasing. Impact startups whose main business contributes to measurable social and environmental benefits for the planet, such as the prevention of global warming, are increasing their presence by growing through sophisticated technologies and business models, thereby contributing to sustainability.

Infrastructure

In the infrastructure investment field, many funds have been established to invest with an emphasis on sustainability, notably on energy-related infrastructure (renewable energy, sustainable energy transition, etc.). As a result of this trend, traditional infrastructure funds that include coal are becoming less popular.

Real estate

In the real estate investment field, green initiatives are making headway. It is now commonplace to look at certain investment ratings, such as GRESB (benchmark for portfolio-level ESG reporting in the real estate sector), LEED (certification system for eco-friendly buildings, developed and operated by the US Green Building Council), and CASBEE (green building certification programme used in Japan). The need for Zero Energy real estate is increasing, and sustainability efforts are steadily progressing at existing properties, such as changing lighting to LED and installing solar panels on rooftops to promote environmental efficiency.

Kazuhiro Honjo
Executive Officer and Head of Alternative Investment Division

Cutting-edge initiatives

At Tokio Marine Asset Management, we are also seeking new investment opportunities centred on sustainability in the alternative investments field. For example, cross-over investments that invest in listed and unlisted stocks are being considered in light of regulatory reform. As an asset manager in Japan with both alternative and traditional investment divisions, we believe that these changes can be an opportunity to promote sustainability. By promoting initiatives like this, we hope to achieve our management philosophy of contributing to prosperous society together with economic development through asset management in the field of alternative investments as well.

Letter from the CSUO

Trends in the external environment and our stance

The global social environment facing Tokio Marine Asset Management is in the midst of dramatic change. In terms of tackling climate change, the public and private sectors in countries around the world have worked together since the Paris Agreement to achieve net-zero greenhouse gas emissions was adopted. On biodiversity, the 15th UN Biodiversity Conference (COP15), held in Montreal, Canada, saw the adoption of the Kunming-Montreal Global Biodiversity Framework global action goals for 2030. Other social issues garnering increased attention include human rights violations, racial discrimination, gender inequality, and deteriorating working conditions. We must ensure that the actions we take as a company also evolve in line with this global dynamic.

TMAM action

We are implementing various initiatives in response to the changing social environment. On climate change, we have established reduction targets for our own greenhouse gas emissions; for emissions at the companies we invest in, we have joined the Net Zero Asset Managers initiative (NZAM), publishing interim targets for 2030. We have also begun joint research with venture companies in areas related to biodiversity such as oceans and agriculture.

For us to achieve sustainable growth through these activities, it is essential for each employee have a sense of ownership and put sustainability initiatives into practice on a daily basis. To date, we have worked to embed this attitude in our corporate culture, holding cross-departmental sustainability-themed workshops, for example. Our current focus is on diversity and inclusion (D&I) activities, with the aim of improving engagement across a diverse workforce and enabling every individual to demonstrate their full potential.

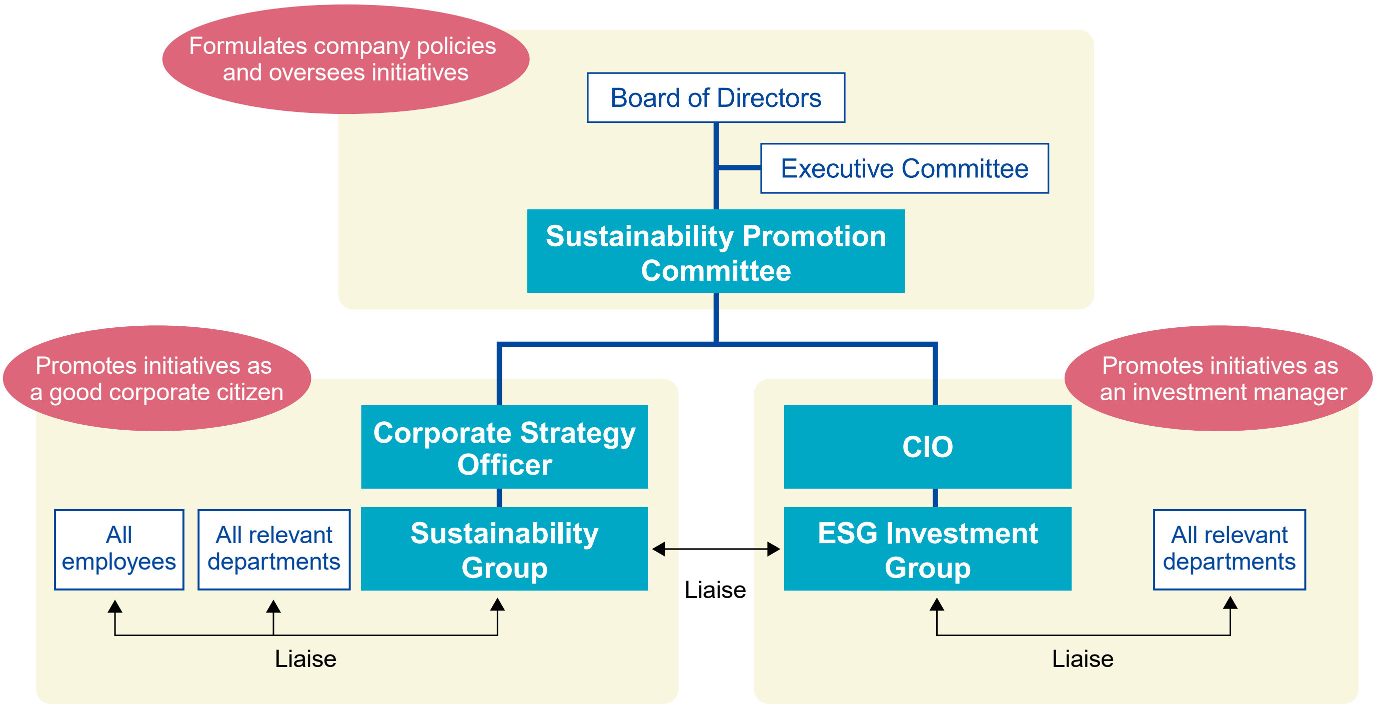
Future resolutions

Going forward, we will continue to think beyond conventional frameworks and maintain an active stance on sustainability, implementing initiatives as a good social citizen to live up to the expectations of our stakeholders.

Takuya Igarashi Executive Officer

Our Sustainability Framework

Tokio Marine Asset Management has a framework in place to promote sustainability and address its material issues.



Sustainability Promotion Committee

Chaired by the CEO and comprised of the CIO, Head of Alternative Investment, and Corporate Strategy officer, the committee establishes and promotes company policies related to sustainability, including the formulation of specific initiatives and KPIs related to material issues. This body has been delegated authority by the Executive Committee. The Sustainability Promotion Committee met five times in the fiscal year ending March 2023 to formulate and review annual plans and decide on various policies.

Sustainability Group

Situated within the Corporate Strategy Department, this organisation is responsible for our efforts as a good corporate citizen, such as D&I and our own climate change countermeasures.

ESG Investment Group

This organisation is situated within the Investment Division and is responsible for addressing material issues and promoting ESG integration as an investment manager, in accordance with company policy. The team builds the foundations for promoting ESG integration in investment, calculating and maintaining ESG scores and ESG outcomes (impacts), and is also responsible for planning and managing ESG investment products. The team collaborates with the Responsible Investment Department, which practices stewardship activities, and investment research analysts, engaging in dialogue with investee companies from a sustainability perspective.

Material Issues and Specific Initiatives

1 Promoting climate action

CO_2 emissions from our operations

In order to minimise the environmental impact resulting from our business activities, the Tokio Marine Group is working to achieve carbon neutrality by fiscal 2050. By fiscal 2030, we aim to reduce CO_2 emissions from our business operations by 60% compared to the fiscal 2015 level as part of our environmental load reduction measures.

Converting 100% of electricity usage to renewable energy sources

Our offices are located in the Tekko Building, which uses electricity derived from renewable energy sources, along with the latest eco-friendly technology and clean energy solutions for lighting, air conditioning, and other systems.

Efforts to reduce paper consumption

As part of our paperless approach, paper consumption in fiscal 2022 decreased to 6.72 tons, a 46% reduction from the fiscal 2015 level.

Others

We strive to minimise the environmental impact resulting from our business operations, which includes adjusting air conditioning settings, powering down office equipment when not in use, turning off lights in unoccupied areas, and implementing waste reduction and proper trash sorting.
In fiscal 2022, we started recycling used plastic folders through ASKUL Corporation's "Resource Circulation Platform" as part of our recycling promotion efforts.

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Electricity consumption: t-CO_2 (vs. fiscal 2015)	136.68 (-26%)	0	0
Paper consumption: t (vs. fiscal 2015)	8.90 (-28%)	7.09 (-43%)	6.72 (-46%)

Greenhouse gas emissions in investment portfolios (disclosure based on TCFD recommendations)

Governance

The COP27 reaffirmed the adverse impacts of climate change on the global environment and economic and social activity, with climate change becoming increasingly severe and leading to abnormal weather conditions. The conference contributed to global climate action, with progress made in addressing loss and damage for emerging economies. We consider climate change an obstacle to realising our corporate philosophy, which seeks to create a prosperous society together with economic development. Thus, we have included the promotion of climate action as one of our material issues.

Our Board of Directors decides on basic policies and plans related to sustainability, including climate action. Based on these policies and plans, the Sustainability Promotion Committee deliberates on and resolves specific initiatives.

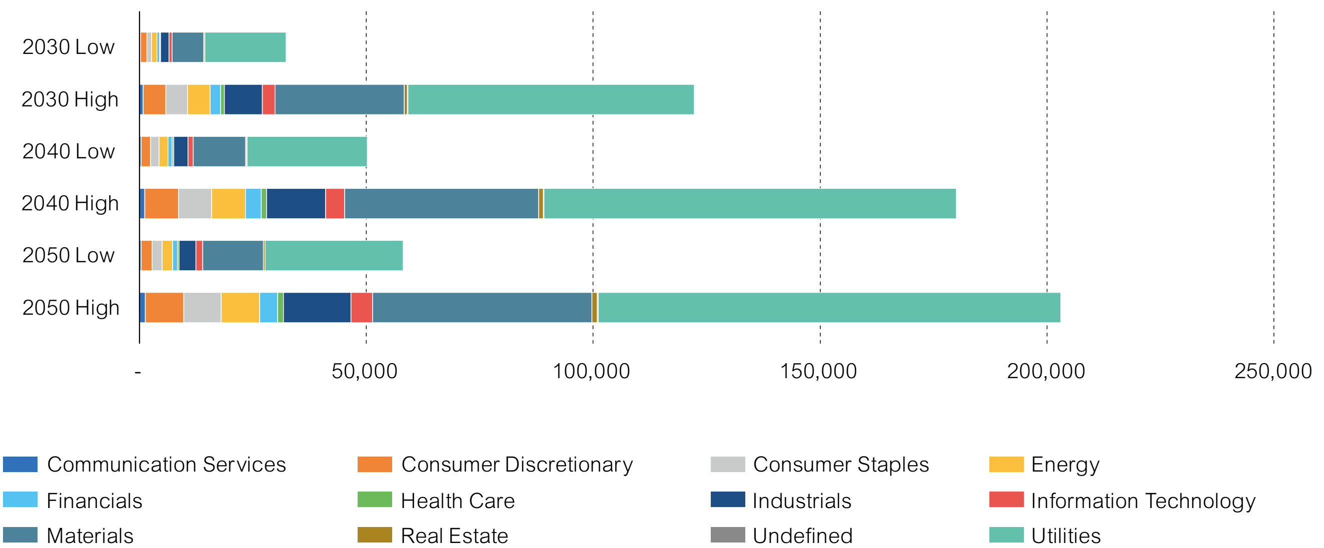
Strategy

To assess the primary impacts (risks and opportunities) of climate change, we conducted a future carbon cost analysis on our key assets valued as of March 31, 2023, using data from the Unpriced Cost of Carbon*1 issued by Trucost, an independent evaluator.

The analysis revealed that the materials and utilities sectors contributed significantly to carbon costs in our main portfolios, as a result of high greenhouse gas (GHG) emissions. The impact of rising carbon prices is particularly significant under a high carbon cost scenario, which poses a risk of assets becoming stranded. On the other hand, a review of our investees' technology revealed that some companies have the potential for future GHG emission reduction through technologies like power storage, hydrogen, ammonia, and CCUS.

Based on these results, we are committed to enhancing engagement with investee companies that are expected to face significant future carbon costs. We will also support transitions aimed at developing and commercialising technologies to reduce GHG emissions. Furthermore, offering investors financial instruments capable of addressing climate change remains a pivotal part of our mission.

*1 The Unpriced Cost of Carbon from Trucost was used to estimate future carbon costs for the analysis. This estimate considers potential cost increases for companies if their GHG emissions remain unchanged. It incorporates carbon cost scenarios from sources like the IEA, while also factoring in regional and industrial variables. "Low" represents a low carbon scenario based on studies conducted by organisations such as the OECD and IEA, which assumes full implementation of GHG reduction targets specified in each nation's Nationally Determined Contributions (NDC) under the Paris Agreement. "High" represents a high carbon cost scenario, assuming that policies deemed adequate to reduce GHG emissions are implemented according to the Paris Agreement, which aims to limit climate change to 2°C or below by 2100.



Risk management

We measure GHG emissions and analyse carbon costs, primarily for measurable asset classes and specific portfolios, to ensure effective risk management practices related to climate change. Additionally, we reference climate change-related information from various stakeholders, including independent evaluators and initiatives. Based on these results, we will conduct engagement with investees on managing climate change-related risks.

Metrics and targets

Calculation of key metrics related to greenhouse gas (GHG) emissions

For our main portfolios managed in-house, which include Japanese equities, Japanese bonds, and foreign equities, we measured key metrics related to GHG emissions using data from Trucost, an independent evaluator. The results indicated that GHG emissions for Japanese bonds exceeded the benchmark, while the key metrics for Japanese and foreign equities fell below the benchmark.

The Japanese bonds portfolio exceeded the benchmark primarily due to its holdings of bonds issued by oil and electric power companies with higher GHG emission levels. In the management of the Japanese bonds portfolio, we engaged with companies having substantial GHG emissions.

Comparison of TMAM Portfolios and Benchmarks for Key Metrics Related to GHG Emissions

	GHG emissions ($t\text{-}CO_2e$) *2				Weighted average carbon intensity ($t\text{-}CO_2e$/million USD) *3	
	TMAM (SCOPE1+2)	vs. benchmark	TMAM (SCOPE1-3)	vs. benchmark	TMAM (SCOPE1+2)	vs. benchmark
Japanese equities	340,925	56%	3,724,064	71%	70.46	75%
Japanese bonds (corporate bonds)	754,831	122%	2,280,317	136%	394.16	102%
Foreign equities	16,433	45%	135,010	38%	87.72	65%

Benchmarks Japanese equities: TOPIX†1, Foreign equities: MSCI KOKUSAI Index†2, Japanese bonds (corporate bonds): NOMURA-BPI (Nomura Bond Performance Index) Corporate bonds†3

*2 Enterprise Value Including Cash (EVIC: market capitalisation + interest-bearing debt (book value) + non-controlling interest (book value))

*3 Weighted average carbon intensity: Calculated by multiplying each investee company's GHG emissions to revenue by the weight of the company in the portfolio and summing these values

†1 The TOPIX index prices and TOPIX-related logos and trademarks are the intellectual property of JPX Research Institute, Inc. or its affiliates ("JPX"). JPX reserves all the rights and know-how related to TOPIX, including the calculation, publication, and use of the index prices, and all logos and trademarks related to TOPIX. JPX shall not be responsible for errors in calculated or disclosed index values of TOPIX, or delayed/interrupted publication. These funds are not offered, guaranteed or sold by JPX, and JPX shall not be liable for any losses or damages arising out of the establishment, sales and promotional activities of the funds.

†2 The MSCI KOKUSAI Index, a leading stock price index published by MSCI, captures stock market trends in major developed countries excluding Japan. MSCI owns the copyrights, intellectual property rights and all other rights pertaining to the Index. MSCI also reserves the right to revise the content of the Index and/or to discontinue its publication. Reproduction, distribution, or use of the Indexes, in whole or in part, is prohibited without the permission of MSCI. MSCI is not affiliated with the fund and assumes no liability for any consequences.

†3 NOMURA-BPI (Nomura Bond Performance Index) is an index that accurately describes the trend of publicly offered fixed-income bonds issued in Japan, which is released by Nomura Fiduciary Research & Consulting (NFRC). NOMURA-BPI is an intellectual property owned by NFRC. NFRC assumes no responsibility for the fund's outcomes or performances.

The Net Zero Asset Managers (NZAM) initiative

We have been a member of the Net Zero Asset Managers (NZAM) initiative since 2022. NZAM is a global framework for asset management companies to achieve virtually zero GHG emissions resulting from their investee companies by 2050, which is consistent with one of our materiality goals in promoting climate action.

In 2023, we established interim targets for 2030 pertaining to our investment portfolio and disclosed them to the public. For 25.9% of the assets managed in our portfolio as of the end of 2019, we set an interim target to halve the carbon footprint by 2030. For the interim target goals of 2030, we adopted the Net Zero Investment Framework of PAII*4, one of the methodologies recommended by NZAM. We also use scenarios issued by the IPCC*5.

Overview of Interim Targets	
Year to achieve interim targets	2030
Target portfolio (as of the end of 2019) *6	25.9%
Carbon footprint reduction rate (versus the end of 2019)	-50%

To achieve these targets, engagement activities rooted in a thorough understanding of the business characteristics of investee companies are crucial. This is why we engage in dialogues and other practices.

*4 PAII stands for the Paris Aligned Investment Initiative, which aims to develop a framework aligning investment portfolios with the goals of the Paris Agreement.

*5 IPCC stands for the Intergovernmental Panel on Climate Change, a governmental organisation established by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) in 1988.

*6 The target portfolio comprises equities and corporate bonds managed by TMAM. Government bonds and alternative investments are excluded from the target. These assets were not included in the interim targets because the calculation method for GHG emissions in the portfolio had not been determined when the interim targets were defined, but we will consider including them in the targets once the calculation method is finalised.

Related pages
P.14 Climate action-related engagement activities
P.36-37 Our approach to ESG engagement
P.44 Dialogues facilitated by TMAM

Climate action-related engagement activities

In alignment with the objectives of the Net Zero Asset Managers initiative, we engage in activities aimed at reducing GHG emissions and facilitating transitions to combat climate change. Over the past year, we engaged with issuers in the materials, trading, transportation, and utilities sectors, which had higher GHG emissions per unit in our bond and equity portfolios.

Based on the results of dialogues, we prepared individual reports on their GHG reduction targets, initiatives, plans, and financial adequacy, considering both capital investment and financing. We then assessed the following criteria from the perspective of investors: (1) Targeted level of GHG emissions reduction (primarily the 2030 milestone), (2) Technical difficulty related to carbon neutrality by 2050, and (3) Strategic assertiveness and probability of achieving these targets. Our engagement activities revealed that some companies in the steel, general trading, and public utility sectors performed well, receiving high ratings, while some in the materials, steel, and public utility sectors were identified as needing improvement.

The outcomes of our engagement activities will be reported to asset owners and will be reflected to future engagements aimed at reducing issuers' GHG emissions and minimising the risks associated with holding bonds and equities.

In an effort to foster understanding among a broader range of asset owners, we organised a seminar featuring a guest speaker, Masaaki Nagamura of Tokio Marine Holdings, the sole Japanese member when the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) was announced. The seminar covered an overview of TCFD, case examples and success stories of Japanese companies, and the latest trends in this field.

2 Building a resilient society and protecting the natural environment

Products designed to enhance social resilience

We have been investing in CAT bonds since 2006, offering CAT bond funds as a distinctive financial instrument to a wide range of customers in Japan. In recent years, CAT bond funds have become an integral part of our product portfolio and have gained recognition for their contributions to social resilience.

CAT (catastrophe) bonds are securitised instruments issued by a company in the insurance sector to transfer natural disaster-related insurance risks to capital markets. As global warming progresses and natural disasters occur more often in recent years, the amount of insurance claims paid for natural disasters has been on the rise.CAT bonds have gained attention as an instrument to hedge insurance risks.

CAT bonds, with the unique characteristic of aiding disaster-affected individuals in rebuilding their lives and supporting the recovery of affected areas, are contributing to the enhancement of societal resilience to disasters. Historically, insurance companies and reinsurers were the primary users of CAT bonds to hedge insurance risks. However, an increasing number of public institutions and nations are now leveraging CAT bonds for this purpose. For instance, the World Bank is in the process of developing a programme that facilitates the issuance of CAT bonds to cover natural disaster and pandemic risks in developing countries. CAT bonds issued by these developing nations through this programme will play a crucial role in supporting post-natural disaster recovery efforts in regions with weaker economies and limited insurance coverage. As a result, CAT bonds can be described as instruments that significantly enhance resilience, contributing to the realisation of a sustainable society across a wide range of regions, not limited to advanced countries.

CAT bonds have an established pricing mechanism that takes into consideration climate change and other environmental variations through quantitative natural disaster risk models. They are the only securitised instruments that incorporate climate change risks into their valuation. There has been an improvement to the quantitative risk assessment mechanism that enables insurance risks to be transferred to the capital markets, with risk models continuously refined and enhanced every time a major natural catastrophe happens. The CAT bond price valuation developed through this process conveys the scientifically proven natural disaster risks to the capital markets while alerting the public, which could serve as an incentive for environmentally conscious R&D. From this standpoint, CAT bonds can be regarded as instruments that contribute to the resilience of society.

Yasuka Hayashi
Portfolio Manager

Kosuke Adachi
Portfolio Manager

Masahide Hata
Senior Researcher

Engagement activities to build a resilient society and protect the natural environment

The International Sustainability Standards Board (ISSB), which is part of the IFRS Foundation, is currently developing sustainability-related disclosure standards. The latest criterion to be added to the previously published IFRS S1 (General Requirements) and S2 (Climate-related Disclosures) standards is related to biodiversity and ecosystem conservation.

As the IFRS biodiversity disclosure standard was expected to reference the disclosure framework of the Taskforce on Nature-related Financial Disclosures (TNFD), we conducted pre-hearing engagement with manufacturing and utility companies in our asset portfolio regarding their TNFD efforts. Although many of the details of the TNFD remain undecided, the companies we engaged are aware of the issues, and some expressed their intention to make greater efforts toward this goal in the future.

Also, the G7 nations have agreed to the G7 2030 Nature Pact, with the aim of becoming “nature positive” by conserving and protecting at least 30% of the land and ocean areas of the world and within the G7 nations to stop the loss of biodiversity and restore it by 2030 (30 by 30). As a member of the 30 by 30 Alliance for Biodiversity, aiming to achieve the nature positive goal, we had a dialogue with the Ministry of the Environment as part of our engagement activities to promote the private sector’s participation in biodiversity conservation. We plan to participate in the rulemaking process for the 30 by 30 programme, which will be integrated into the TNFD.

3 Diversity & Inclusion (D&I)

Promoting awareness and a culture of diversity

In the asset management business, our people provide the added value to stakeholders. Japanese demographics are structurally changing, characterised by a rapidly aging population with a declining birthrate. Under such circumstances, if we are to keep delivering high value-added services to our stakeholders, it is imperative to have a structure that allows a diverse workforce to perform at their best.

We have implemented measures to support the success of our employees regardless of gender, age, or disability. In fiscal year 2023, we started a new initiative to promote D&I in the longer-term.

Key areas of D&I initiatives

Common	Raising employees' awareness about D&I
Gender	Hiring expansion
	Job field expansion
	More women in management positions
	Improved retention of female employees (accommodating childcare and family needs)
	Improved workplace culture (removing gender-specific role expectations)
	Skill development
Age	Encouraging participation of seniors
Persons with disabilities	Active recruitment and retention

Column 1

Learn, watch, and experience parasports

We actively offer various volunteer activities as part of our commitment to social contribution. Parasports in particular provide a good example of fostering a society where everyone can maximise their potential, and we organise internal briefings (to learn), outings to sports events (to watch), and workshops (to experience) as part of our efforts to promote better understanding of D&I.

Japan Para Wheelchair Rugby Championships 2023

In-house boccia workshop

Engagement activities on D&I promotion and awareness

We are a member of the 30% Club Japan Investor Group, an organisation aiming to increase the percentage of women who serve as directors of TOPIX 100 companies to 30% by around 2030. As part of this effort, we have had opportunities to engage with issuers in the materials, manufacturing, and trading company sectors in the past fiscal year.

During our dialogue with companies, we found that they were involved in various gender diversity initiatives. Notably, companies in the materials and manufacturing sectors face challenges due to a lower ratio of female employees, which is a common trend within their industries. Meeting the targets set in their general business action plans, in accordance with the Act on the Promotion of Women's Active Engagement in Professional Life, seems to be difficult. Nevertheless, some companies have made significant progress toward achieving these challenging goals through their policies and measures.

Our engagement from the past fiscal year was featured as best practices in the 30% Club Japan Investor Group Progress Report. We have continued to engage with relevant companies for the past five to six years, and the conscious efforts of top management led to an increase in the number of female directors (as well as senior female managers as director candidates), equal pay (including data disclosure), and an impressively high degree of gender diversity relative to other Japanese manufacturing companies.

The promotion of gender diversity is not only a corporate strategy of high social significance but also of high economic significance from a human resources perspective, enabling the recruitment of talented individuals from more or less equally large and capable male and female candidate pools. To achieve this, it is crucial that companies have a firm commitment from top management to promoting gender diversity, and establish an integrated HR and evaluation system; we will continue engagement to encourage these initiatives.

In Conversation with Mari Kano, Outside Director, on the Topic of Diversity and Inclusion

To be a sustainable company, every employee must take responsibility for diversity and inclusion

Igarashi: Starting this fiscal year, we will actively promote diversity and inclusion (D&I) within the Company. Last year, we held several meetings to exchange ideas with volunteers from various departments. There was much lively discussion and a lot of excitement. Based on these talks, we identified issues and once again became aware of the need to systematically address D&I.

This fiscal year, we established a D&I promotion team led by the HR and Administration Department and the Corporate Strategy Department to formulate and implement an action plan.

Mari, how important is it for companies to engage in D&I?

Kano: I believe there are three main purposes to promoting D&I. Unless everyone is convinced of the reasons for promoting D&I, it will be difficult to truly make it happen.

One is that, from a macro perspective, with the declining birthrate and ageing society becoming more pronounced and the makeup of the labour force changing significantly, the current labour-intensive working model dominated by Japanese men is no longer viable if it cannot secure the human resources it needs. Business is not sustainable unless we create a highly engaged workplace that accepts a wide range of diverse human resources where employees can fully demonstrate their abilities.

Second, companies must be quick to respond to the rapidly changing needs of society to innovate, which is key in the race for survival. This can be achieved by escaping the constraints of homogeneity and harnessing the knowledge and experience of diverse human resources: in other words,

Independent Outside Director

Mari Kano

by making the most of human capital, which is the very foundation of corporate value, to energise the organisation.

Thirdly, and this is my personal opinion, I think that D&I is very enriching as an individual. I learned a great deal as a person and gained great satisfaction from working overseas with a wide range of people with differing outlooks and opinions, getting ideas that I would never have come up with on my own, and working together to achieve goals. I believe that in the future companies will need to be conscious of being seen as places where workers can feel a sense of growth through diversity and inclusion.

Inoue: D&I is not someone else's problem: it closely affects us all. The D&I promotion team's aim is to give employees an understanding of what D&I means, and to encourage every individual to take a personal stake. Ultimately, we want employees to feel that their personal growth is inextricably tied to the results of the organisation as a whole.

Sugai: While we need a healthy sense of crisis – companies that don't engage in D&I will not survive – I want to create an environment where employees who will play important roles in the future can have a sense of hope in their work.

Good communication creates relationships of trust that transcend diversity

Igarashi: Mari, you have worked overseas among people with different values, backgrounds, and characters. What is your first-hand experience of D&I?

Kano: In Australia, I worked at the Sydney branch of a Japanese company, with people from so many different countries. English was a shared, common language, but it was often difficult to find a shared understanding or common view. There were often differences of opinion and conflicting views.

But what I valued at such times was good communication. Unless you actively make the effort to explain your message, be it in words or in attitude, it won't get through – especially if you have people working under you. It's not communication unless your message gets across to the other person. It may take time, but it's important to sit down and have a thorough conversation to build a relationship of trust.

Also, when I was seconded to a local bank of a US subsidiary, and again when I was assigned to an office in Italy, I realised that in order to build a strong organisation, it's extremely important for everyone to have empathy.

Executive Officer

Takuya Igarashi

Igarashi: I also have experience working with staff of various nationalities in joint ventures with overseas companies and overseas subsidiaries. In order to build relationships of trust, I would make day-to-day efforts to do small things, like having lunch or dinner together, in an attempt to get to know each other better. Building a family-like relationship of trust made it much easier to communicate at work.

I think the important thing is to be interested in and empathise with other people, and to understand that there are differences between yourself and other people too. I believe that empathising with others' perspectives and deepening mutual understanding in this way are key to promoting D&I at Tokio Marine Asset Management.

Commitment from throughout the company

Inoue: I believe that the important thing when moving forward with D&I is to first look at the goal we are aiming for, then ask ourselves how we are going to reach it and work together with everyone toward that goal. In this process, as Mari and Takuya say, communication is extremely important.

Sugai: We have just started working on D&I, and we are now at the stage where we are encouraging everyone within the company to work together to make it a reality; in the future, of course, the ideal is that D&I will be second nature.

With this dream in mind, we have formulated an action plan for this year based on the issues that came to light during our meetings last year to share ideas. There are many aspects to D&I, but we are first working on three areas: gender, seniors, and people with disabilities.

Inoue: We are also working to improve basic understanding of D&I. I want employees to be able to talk in their own words about what D&I is and why we need to address it.

D&I Promotion Team

Chie Inoue

D&I Promotion Team

Saki Sugai

Kano: That's an ambitious goal. There is also a misconception that D&I only needs to be somehow linked to women's empowerment.

However, in reality, promoting D&I entails thoroughly reviewing the organisation's climate and culture, almost like opening Pandora's box, which will directly lead to more efficient ways of working and improved productivity. Each change you make raises more issues, such as performance appraisals and human resource development. In other words, if we take D&I seriously, we can follow a path to solving major issues for the entire organisation in the longer term. That's why we should all do everything we can to talk and pool our wisdom.

Igarashi: This is an initiative that will require commitment from everyone throughout the company.

4 Support for a healthy and fulfilling life

Promoting Health and Productivity

To uphold our management philosophy and enhance our corporate value, we have established a Wellness Charter, recognising the importance of the physical and mental well-being of our employees and their families.

Wellness Charter

- We each value our health as irreplaceable and will strive to maintain and improve our own well-being.
- We will make sustained efforts to invest in our health and embed a corporate culture and climate that actively promotes well-being.
- We will support initiatives to enhance the well-being of our customers, communities, and society, seeking solutions to social issues and contributing to a healthy and prosperous future.

Health and Productivity Initiatives and Recognition as an Outstanding Organisation

We aim to promote employee well-being through initiatives including our annual “health challenge”; employee pulse surveys and stress assessments for mental health; systematic recording of working hours to prevent overwork; providing useful information to increase employees’ health literacy; and in-house seminars on mental and physical health. These activities have yielded positive results, including improvements in lifestyle and presenteeism/absenteeism.

These efforts have earned us an outstanding health and productivity certification by Japan’s Ministry of Economy, Trade and Industry (METI) for four consecutive years, starting in 2020.

We are committed to ensuring the physical and mental well-being of our employees and their families, raising their health literacy, and proactively and consistently working to maintain and improve their health. This commitment leads to improved employee productivity and contributes to sustainable growth for communities and our customers.

This recognition has encouraged us to continue improving our employees’ well-being and expanding and advancing our health and productivity initiatives.

2023
健康経営優良法人
Health and productivity

Official logo:
outstanding health and productivity certification

5 Enhancing corporate value through governance

Governance initiatives

We have laid out a client first policy, and we are dedicated to ensuring that our operations are aligned with this.

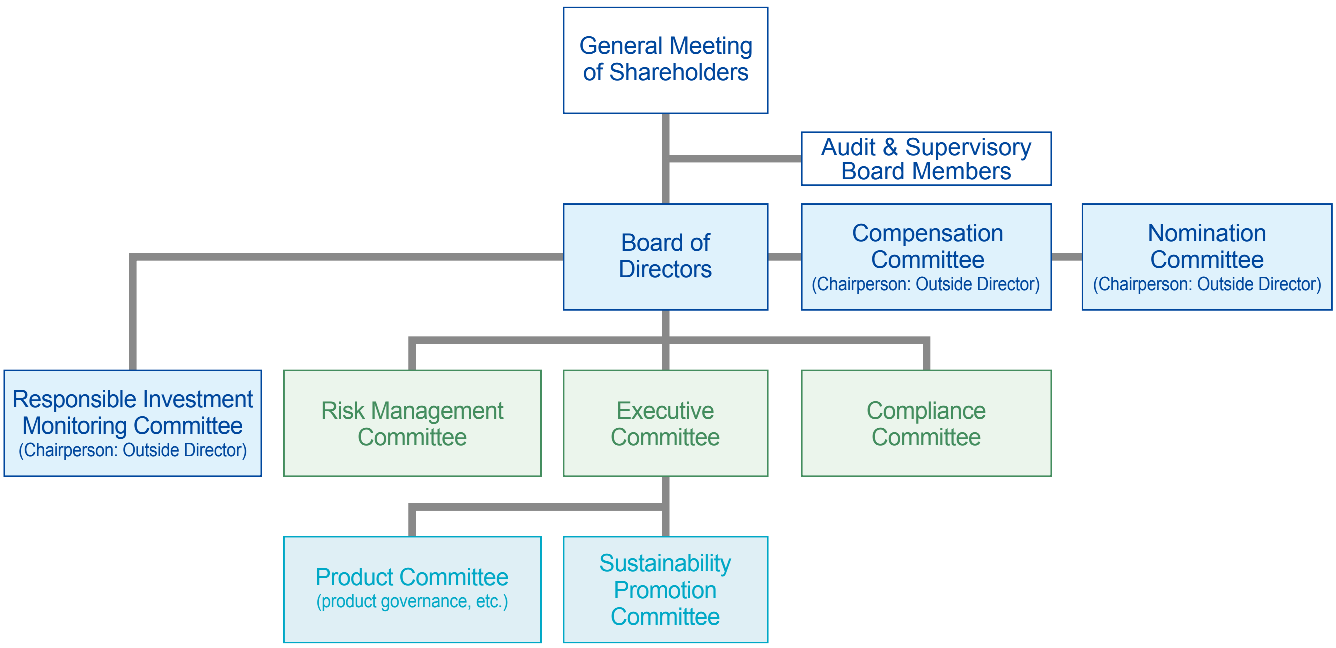
Client First policy (Excerpt)

At TMAM, building and retaining customer trust is of paramount importance; it is laid out in company policy and incorporated into every aspect of our business.

We prioritise the interests of our clients to ensure that we are a trusted and indispensable partner, demonstrating professionalism in all matters, innovation in developing solutions, and integrity above all else when managing assets entrusted to us, when providing solutions, or when entering into any agreement.

Relationship between the Board of Directors and Committees

Our Board of Directors, including independent outside directors, oversees the operation of these committees.



The Board of Directors deliberates various governance matters, including the following:

- The Nomination Committee and Compensation Committee, both chaired by outside directors, deliberate and make decisions on matters including the appointment and dismissal of directors, executive officers, and audit & supervisory board members, along with their nomination criteria and remuneration.
- The Board of Directors receives reports from the Responsible Investment Monitoring Committee, led by an independent outside director. These reports cover the outcomes of voting rights exercised with individual investee companies or proposals, as well as the results of the monitoring process.
- The Board of Directors regularly receives reports on new products and funds, including compensation levels and anticipated needs. Their role is to ensure that the development of these products conforms to our Client First policy.

Column 2

Enhancing corporate value through governance

At the core of the recent trend towards stakeholder capitalism and the dynamic materiality approach in corporate sustainability disclosure, there is a belief that enhancing stakeholder value, rather than pitting it against shareholder value, can ultimately lead to greater shareholder value over the longer-term. For an asset manager looking into governance at potential investees, it is critical to analyse and assess whether a given company is committed to sustainable management focused on enhancing stakeholder value, which ultimately contributes to the creation of shareholder value; the same principle applies when it comes to assessing the governance of the asset management company itself. The fiduciary duty of loyalty obligates professionals to prioritise client interests in their duties, and for those working in asset management who are committed to helping investors build valuable assets, this duty of loyalty is as solemn as it is for highly specialised professions such as physicians and lawyers. The governance of an asset management company can be summed up as dedicated professionals within an organisational structure that is finely tuned to pursue client-oriented value creation. Asset managers must earn the trust of clients through stakeholder value creation in order to grow and increase shareholder value – never the other way round.

Enhancing product governance, especially in investment trusts for retail investors, has gained attention as an industry-wide topic in recent years. TMAM has taken a company-wide approach towards this goal by reexamining and implementing systems and frameworks to enable more precise quality checks and improvements. To fulfill our fiduciary duty for investors at a high level, it is also essential for us to collaborate more closely than ever before with fund distributors as partners in the investment chain. Just as engagement with asset owners, asset managers, and portfolio companies to enhance corporate value is essential in managing pension funds and other institutional investments, we expect more constructive dialogue between asset managers and distributors of investment trusts to help retail investors build their assets.

Masashi Hikima
Independent Outside Director,
Chair of Responsible Investment Monitoring Committee

6 Support and creation of innovative products and services

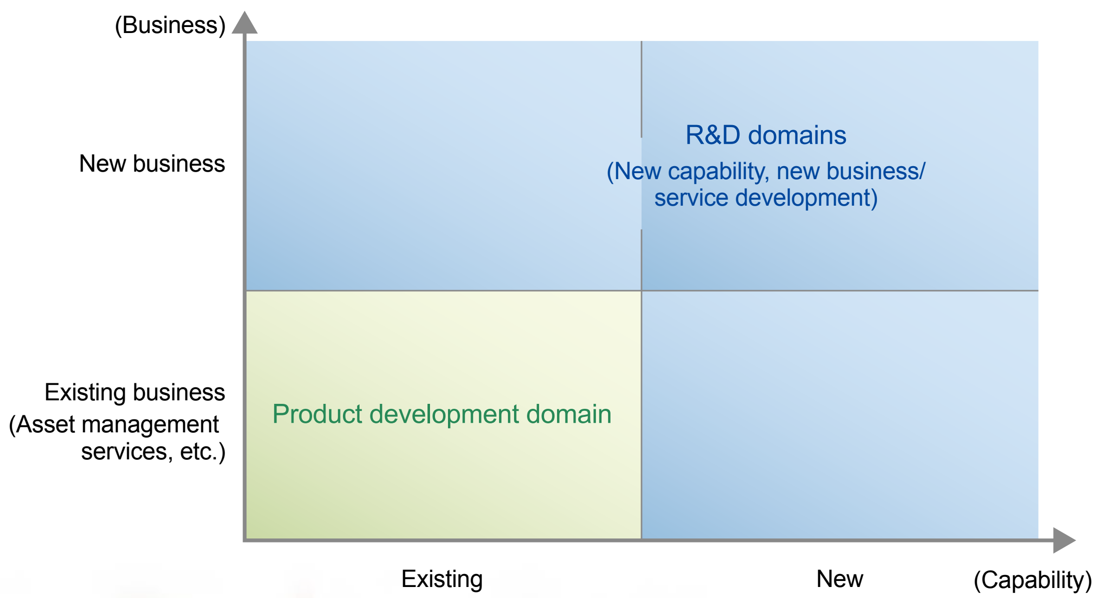
Our approach to creating innovative products and services at Tokio Marine Asset Management

Up-front R&D investment is essential for creating innovative products and services. To achieve success through our R&D initiatives, it is crucial to generate a multitude of ideas, try them in practice, and take on what we learn as organisational knowledge. We encourage all our employees to submit their ideas for new investment methods and services, with those meeting specific criteria being integrated into our long-term R&D objectives.

To become a creative, trailblazing company, as defined in our corporate philosophy, it is not enough simply to adopt cutting-edge investment techniques; we must swiftly identify the challenges our clients face and guide them toward solutions with added value. To achieve this goal, we take a company-wide approach to R&D: knowledge is shared not just within our investment teams, but also with the sales teams that directly interact with customers on a daily basis, and the operational teams that monitor client portfolios from multiple angles.

As the asset management industry matures and data/technology continues to advance, we will need to venture into unfamiliar, even uncharted territory, if we are to stay ahead of the curve as a company. We have always put effort into the development of new investment instruments, but we will now class new and highly uncertain areas as R&D, handled under a separate framework from new product development. This approach will enable us to allocate the required resources and maintain our long-term commitment while nurturing a culture that values learning from mistakes.

Product Development and R&D Categorisation



Special Feature

Tokio Marine Asset Management ×
Advanced research on blue

With the move toward mandatory disclosure of sustainability information accelerating, especially in Europe, the global standard is increasingly for companies to address climate change at the management level.

Furthermore, ESG and sustainability initiatives are expanding to include human capital, human rights, and biodiversity. The relationship between biodiversity and climate change is an increasing focus of discussions at the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change from 2021 onwards, with a shift toward close integration of the two concepts.

The Task Force on Nature-Related Financial Disclosures (TNFD) is working to develop a global framework for companies and fund providers, etc. to identify and assess nature-related risks, with the final version expected to be released in 2023. This global framework aims to be consistent with the reporting standards being developed by the International Sustainability Standards Board (ISSB) and related standards such as the Global Reporting Initiative (GRI). It is thus likely that in the near future, corporations will be required to disclose information similar to the TCFD. Currently, corporations are expanding their efforts in anticipation of the finalisation of this framework and the development of reporting standards by the ISSB.

Under these circumstances, we have started joint research with Innoqua Inc. and Faeger Co. Ltd. on efforts for environmental and biodiversity conservation and quantitative measurement technologies.

TMAM × Innoqua

Shiki Takeuchi (left), COO at Innoqua Inc., and Takuya Igarashi (right), Executive Officer at Tokio Marine Asset Management

Innoqua Inc. × Faeger Co. Ltd.

carbon and carbon credits

Increasing focus on corporate initiatives for the environment and biodiversity

Takuya Igarashi, Executive Officer at Tokio Marine Asset Management

Sustainability is an essential perspective for the continued growth of the companies we invest in. In recent years, our daily lives have been threatened by increasingly severe natural disasters and abnormal weather conditions. Against this backdrop, the Kunming-Montreal Global Biodiversity Framework (GBF) was adopted in December 2022. **People are increasingly concerned about climate change and the loss of biodiversity. Efforts by corporations, as key economic actors with a major impact on these issues, are also more in the spotlight.** In collaboration with two venture companies researching cutting-edge technologies in the field of environmental conservation, TMAM intends to accelerate sustainability efforts for society as a whole, while at the same time exploring new growth opportunities, and starting research and development from an institutional investor standpoint of corporate value evaluation models integrating biodiversity and other ESG information along with climate change.

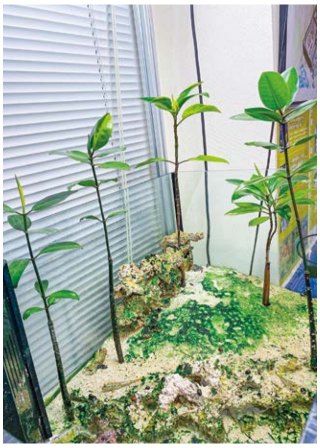
Research on marine conservation and unique technologies by Innoqua

Shiki Takeuchi, COO at Innoqua Inc.

The world we envision in which people and nature coexist is a world in which we overcome the negative correlation between human development and environmental conservation, where rich lives can coexist with a vibrant natural environment. This means pursuing a sustainable world where richly biodiverse ecosystems are widespread throughout the world, where everyone can live a fulfilling life while feeling close to and understanding the value of nature; in other words, a sustainable world that balances human development with environmental conservation.

A specific mission we are working on is digitising the ocean. In addition to the traditional context of environmental conservation, the value of marine ecosystems and biodiversity is being rapidly reexamined as the concept of natural capital has become globally pervasive in recent years. On the other hand, coral reefs, which are home to approximately 25% of all marine life, are in a critical situation, with the majority potentially dying out by 2040. Understand what is happening in the ocean is more difficult than on land, in forests for example, which is why we believe that building something close to a natural environment on land is meaningful in a number of ways.

For example, **Innoqua has developed a unique environmental transfer technology.** The concept behind this is to model the environment in space and time **in a highly accurate reproduction of the natural environment in a closed artificial environment, in which we control and monitor complex environmental parameters.** In February 2022, we succeeded in creating the world's first artificial coral spawning experiment in a completely closed man-made environment with controlled timing. By applying our environmental transfer technology in this way, Innoqua is helping to develop a highly unique business.



Mangrove

Enhalus (tape seagrass)

Measuring the impact and risks of corporate activities for transparent and objective disclosure

Takuya Igarashi, Executive Officer at Tokio Marine Asset Management

Using the results of Innoqua's own research, we would like to consider, as an institutional investor, **the impact of corporate activities on marine biodiversity and how this impact can be applied to new indicators and tools reflecting risks and opportunities in corporate value.** With TNFD's launch and the GBF goal (Target 15) of evaluating the impact of companies and promoting information disclosure, companies are required to disclose transparent and objective information regarding the relationship between corporate activities and the natural environment. We believe that quantitative analysis technology, reproducing to a high degree the natural environment in a closed artificial space to control and monitor complex environmental parameters, will **both contribute to environmental conservation activities and enable companies to disclose information in a transparent and objective manner.**

Shiki Takeuchi, COO at Innoqua Inc.

We hope that by collaborating with Tokio Marine Asset Management, we will be able to create an advanced model that can broadly involve the capital markets. In the field of natural capital, our aim is to create evaluation indicators and global standards for impact assessment in the complex area of marine biodiversity, as well as a framework for companies that connects environmental conservation with economic rationale.

Nature edutainment: Education for future generations

Shiki Takeuchi, COO at Innoqua Inc.

In order to conserve the environment and biodiversity, it is vital that we continue efforts from a long-term, multi-generational perspective. **As part of our education for future generations, Innoqua offers a "nature edutainment" (educational entertainment) programme that allows children to have fun learning about the appeal and possibilities of the ocean and living organisms, alongside serious environmental issues.** And in addition to our existing coral reef aquarium built in 2023, we will create an aquarium that recreates a mangrove ecosystem, and expand our educational programmes.

Takuya Igarashi, Executive Officer at Tokio Marine Asset Management

As you say, supporting education for future generations is a very important theme. The Tokio Marine Group places significant value on future generations as a stakeholder. TMAM will also consider how it can contribute to the ongoing promotion of ESG and sustainability activities by working with Innoqua on initiatives that draw out the potential of future generations using artificial ecosystems and hands-on education.

Tokio Marine Asset Management × Faeger

Research and initiatives related to nature-based carbon credits worked on by Faeger Co. Ltd.

Takahiro Ishizaki, CEO at Faeger Co. Ltd.

We are a company that **creates and sells agricultural carbon credits.** Approximately 10% of the world's greenhouse gases come from agriculture, and this is an area with huge reduction potential. **We hope to make carbon-free agriculture sustainable by monetising farmers' decarbonisation efforts through the mechanism of carbon credits.** But to get more farmers to cooperate, we need to remove a number of barriers: for example, we need to provide easy-to-understand explanations of our initiatives, pay appropriate fee levels, and reduce their operational burden. Faeger is working to

Rice fields

Takuya Igarashi (left), Executive Officer at Tokio Marine Asset Management, and Takahiro Ishizaki, CEO at Faeger Co. Ltd.

overcome these problems and decarbonise agriculture.

The trading of carbon credits also depends on a high degree of acceptance from the buyer's side, which requires an appropriate level of quality control from our developers and an environment that makes it easy for buyers to make purchases. **We are collaborating with Tokio Marine Asset Management on agricultural and other nature-based carbon credit trading issues and their solutions,** and while Japan is currently a step behind Europe and America in this field, we look forward to breaking ahead to lead Asia and the world.

Tokio Marine Asset Management & Faeger aiming to expand distribution of carbon credits

Takahiro Ishizaki, CEO at Faeger Co. Ltd.

Tokio Marine Asset Management and the Tokio Marine Group have decades of experience and knowledge from a broad range of financial products – from the handling of assets to risk management in insurance – that are relevant to this dawning era of carbon credits. We hope to apply this knowledge to create an environment where it is easier to trade Japanese carbon credits, thereby helping to decarbonise both this country and the world.

Takuya Igarashi, Executive Officer at Tokio Marine Asset Management

By utilising Faeger's agricultural credits, we aim to decarbonise society, develop regional economies, and conserve biodiversity. Together, we will consider expanding from rice farming carbon credits at present to a broader scope of agricultural credits. We will also conduct joint research on evaluating the quality of carbon credits developed by Faeger. We believe that this will enable us to contribute to improved corporate value by appropriately evaluating future business development in the carbon credit field and offsets purchased by corporations.

The National Biodiversity Strategy and Action Plan (2023-2030) was approved by Japan's cabinet on March 31, 2023, when it was decided to promote biodiversity conservation activities as a matter of national policy. The Ministry of the Environment is taking the lead in promoting this plan, with a major pillar of this strategy being the 30 by 30 initiative, which aims to designate at least 30% of the Earth's land and seas as protected areas by 2030, and we hope to achieve this goal by promoting biodiversity conservation activities through the public and private sectors.

Through joint research with Innoqua and Faeger, focusing on promoting activities in fields such as the ocean and in agriculture to achieve Japan's 30 by 30 goal, we are helping to build a sustainable society.

ESG Investment Initiatives

1 Our ESG fund definition

For the purpose of providing investors with a more accurate understanding of our products, we have put in place definitions and product classifications for TMAM investment trusts referred to as ESG funds.

Name	Definition
ESG fund	• Aims to create an impact or solve an environmental or social issue. • Adopts a methodology* in which ESG is considered as a major factor when selecting investments. • Appropriately manages ESG-related factors using quantitative indicators. • Offers sufficient disclosure of ESG information.

* ESG is considered to be a major factor if both of the following conditions are met.
・ESG integration is combined with a fundamentally ESG-focused methodology, such as norms-based screening, sector screening, or engagement.
・Uses proprietary methodology emphasising ESG, such as positive screening or best-in-class.

TMAM ESG Funds by Product Classification and Definition (as of July 2023)

Public investment trusts

Tokio Marine Investment Trust to Fight Cancer
(Non-hedged annual earnings)
(Hedged annual earnings)
Open-ended / Japanese & Global / Equity

Tokio Marine Climate Change Response Fund (Hedged and non-hedged)
"Green Future"
Open-ended / Japanese & Global / Equity

Tokio Marine Renewable Energy Income Strategy Fund
(Monthly Settlement Type)
"Green Power Shift"
Open-ended / Japanese & Global / Equity

Japanese Equity Focus Fund
(SFDR Article 8, UCITS Fund)

Private investment trusts

Japanese Equity ESG Fund

2 In-house ESG funds

1. Japanese Equity ESG Fund

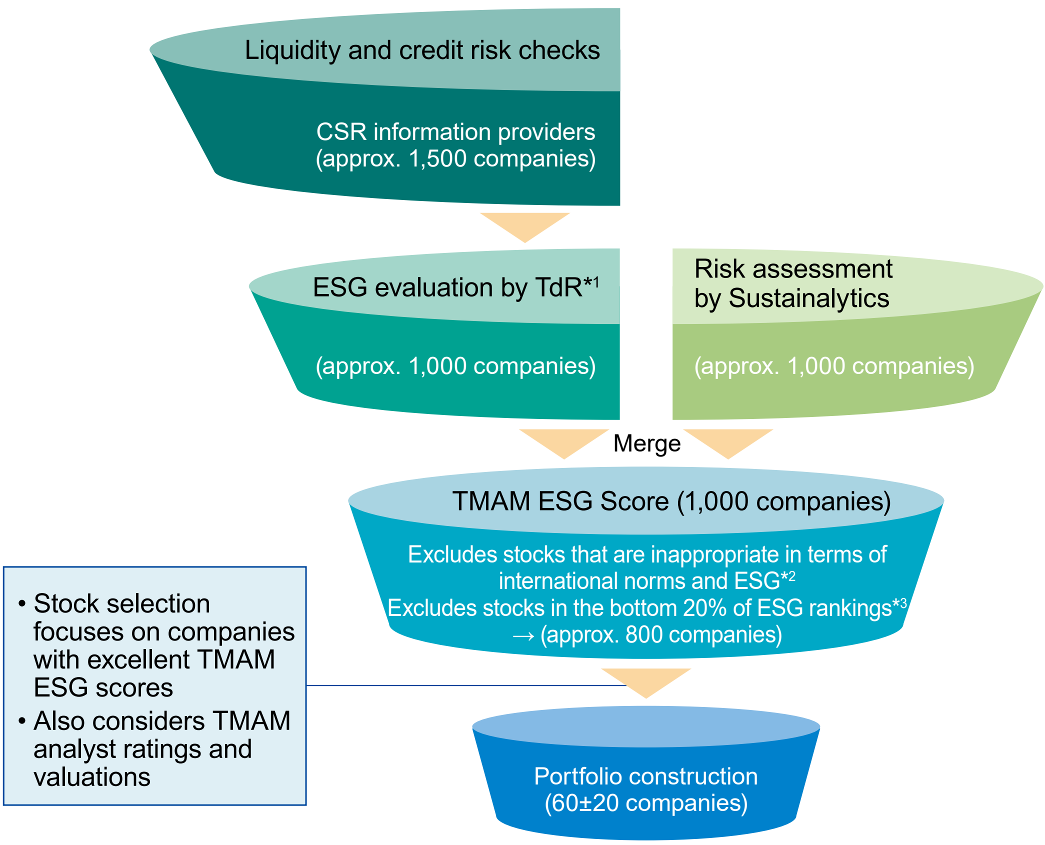
We have been investing with a focus on ESG since 2006, incorporating investment methods that take into account the changing times even before the subject gained current levels of attention.

Against this backdrop, we launched the Japanese Equity ESGR Fund (originally called the Japanese Equity SRI Fund) in 2011, in pursuit of both investment returns and a more sustainable society by appropriately evaluating ESG elements along with the Tokio Marine Group's strength, risk management (R).

The ESGR Fund was recently renamed the Japanese Equity ESG Fund. Changes have been made to the investment process as shown below, and the fund meets our ESG definition.

- Excludes stocks not eligible for investment from the perspective of international norms and ESG.
- Excludes the bottom 20% of the investable universe based on ESG rankings (TMAM ESG scores).
- Controlled to ensure the portfolio's ESG score beats the benchmark by at least 0.2σ.
- Sustainability promoted by engaging in dialogue with investees based on our Engagement Policy, with regular disclosure of activities to our clients.

Screening Process



Notes:
*1. ESG evaluation outsourced to TdR.
*2. Stocks that are inappropriate from an international norm or ESG perspective are excluded from investment, regardless of whether they are new or existing holdings.
*3. We may continue to hold stocks are in the bottom 20% of ESG rankings if we can expect future improvements, but these will be limited to 5% or less of our portfolio (excluding cash).
† For more than 30 years, Sustainalytics has been a leading provider of ESG research, ratings and data, helping investors around the world develop and implement responsible investment strategies. Sustainalytics boasts top-class coverage among analyst-led ESG research companies.
† The above investment process and explanations are current as at the date this document was created, and may be subject to change without notice.

Portfolio Manager Comment

Our ESG scoring now takes Sustainalytics' evaluation into account alongside our existing TdR evaluation, resulting in a more objective ESG ranking that is close to global standards.

We have made several changes to our investment process in order to comply with our definition of ESG funds, but the impact is limited. Because of this, I believe that the investment process has now become clearer and more transparent. We will continue to make every effort to further enhance our investment process for better performance.

Takuya Yamanaka Senior Portfolio Manager

Column 3

Measuring engagement effectiveness

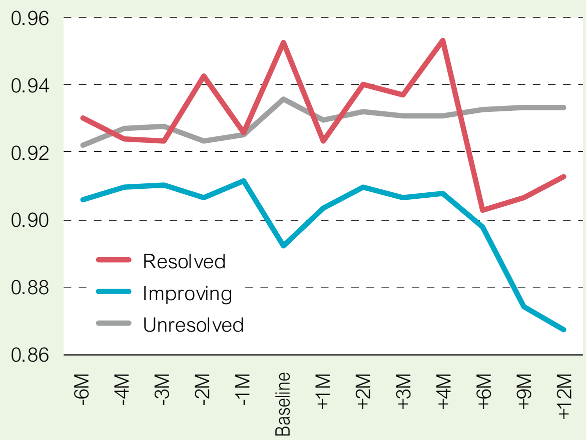
Whenever we engage investee companies in dialogue, we record their progress toward resolving issues, categorising them as unresolved, improving, and resolved. Based on our records of approximately 4,800 such engagements from April 2017 to March 2023, we conducted two event studies covering the period from 6 months before to 12 months after the date of dialogue.

1. We used the P/B-ROE model to calculate theoretical stock price, producing a median theoretical/actual stock price for each category (lower left chart). While "unresolved" cases are largely unchanged, "improving" and "resolved" climb slightly after engagement. This suggests that valuations (relative to the same ROE level) have increased as issues are resolved through dialogue.

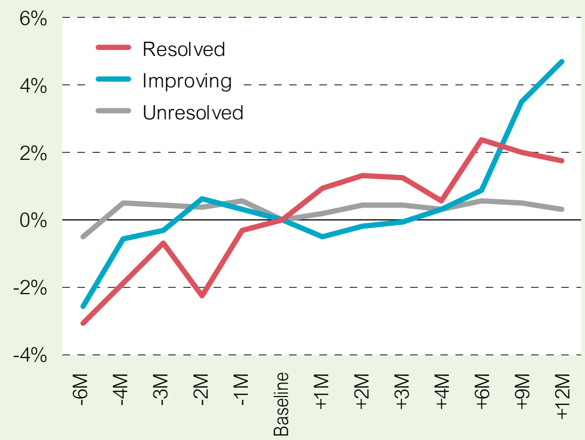
2. Median excess return against sector based on individual dialogue results (lower right chart), shows "unresolved" flat, "resolved" outperforming from before to after dialogue, and "improving" outperforming after a lag of about six months. This suggests that excess return is generated in the process of resolving issues through dialogue.

While "resolved" and "improving" account for only 13% of all dialogues, we hope to improve the performance of our holdings through steady engagement.

Theoretical/actual stock price (median)



Excess return (median)



2. Japanese Equity Focus Fund

UCITS (Undertakings for Collective Investment in Transferable Securities) funds approved for sale in Europe have since 2022 been subject to the Sustainable Finance Disclosure Regulation (SFDR), which requires greater transparency in sustainability-related disclosures. Under SFDR, UCITS funds are classified as Article 8 funds, which are financial products that promote environmental or social characteristics; Article 9 funds, which are financial products aimed at sustainable investment; and Article 6 funds, which do not integrate any kind of sustainability into the investment process. We have been managing the Focus strategy as a UCITS fund since 2010. In November 2022, we filed for and received approval for this to be certified as an Article 8 fund, contributing to our management philosophy of professionalism and innovation, and at the same time increasing customer trust.

The fund's investment strategy limits greenhouse gas emissions to below the benchmark, excludes companies in the bottom 20% of ESG rankings, excludes companies that violate international norms, and excludes sectors considered unsuitable from an ESG perspective. We invest in and communicate with companies that meet our criteria, thereby promoting environmental and social responsibility.

Portfolio Manager Comment

As an ESG fund, Focus promotes environmental and social aspects, but there are two main investment characteristics. The first is concentrated investment in a best-of-the-best portfolio of up to 40 stocks. The second is that we invest in four categories of growth stocks: (1) Steady Growth, (2) Cyclical Growth, (3) Secular Growth, and (4) Transformational Growth.

(1) Steady Growth stocks are those that can expect stable growth due to their unique competitive business model, services, or products. They include many large-scale blue-chip stocks, making it the core investment for this fund. (2) Cyclical Growth names are more affected by economic fluctuations, but stock price can be expected to grow as earnings rise from the bottom of each economic cycle. (3) Secular Growth is defined as stocks that can be expected to grow significantly over the longer term by benefitting from structural changes. The fund aims to discover companies that can significantly scale up in the future, and also invests in relatively small and medium-sized stocks, which is a distinctive feature of this fund. Finally, (4) Transformational Growth invests in companies that are expected to increase their growth potential through changes in management policy, structural reforms such as restructuring, and growth strategies through M&A, etc. We aim to capture large price gains by investing in positions where undervalued stocks with low expectations transform into growth stocks.

In this way, the Focus fund works on the investment side with veteran sector analysts from the Investment Research team, investing in four categories of growth stocks to achieve stable excess returns; and on the ESG side, with analysts from the ESG Investment team to promote environmental and social characteristics through the adoption of ESG investment methods.

Shinji Watanabe Senior Portfolio Manager

3 ESG funds in externally managed investments

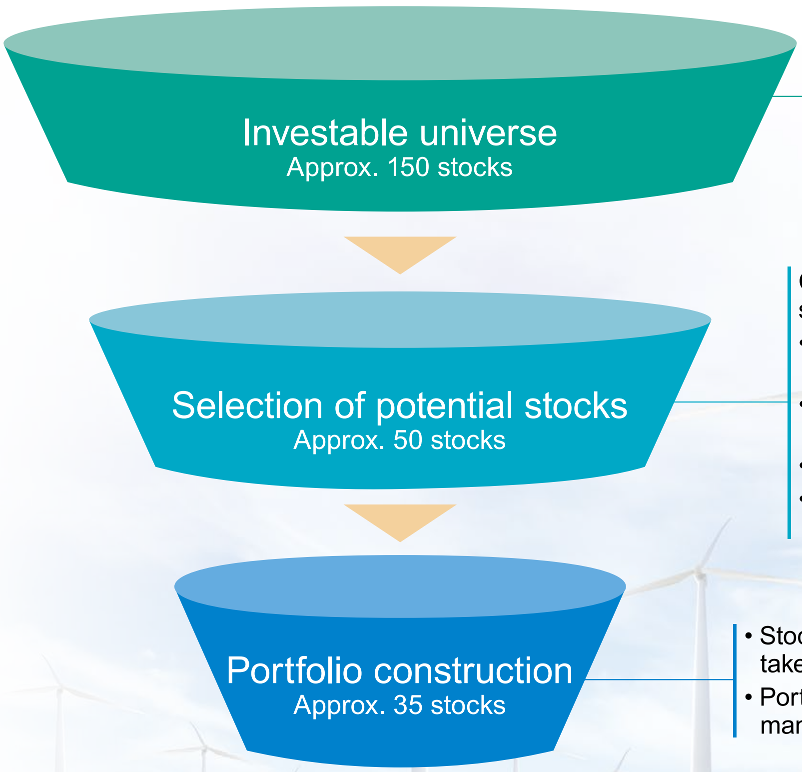
1. Tokio Marine Renewable Energy Income Strategy Fund “Green Power Shift”

The Tokio Marine Renewable Energy Income Strategy Fund invests in renewable energy companies. These include companies that generate renewable energy, such as solar, wind, hydro, biomass, and geothermal, as well as companies that operate power plants and those that manufacture power generation equipment.

TCW Asset Management Company LLC manages renewable energy company equities, with an investment process screening to exclude potential investees with relatively low ESG ratings by using TCW ESG scores calculated independently at the stage of identifying the investable universe. Furthermore, at the stage of narrowing down potential companies to invest in, TCW uses ongoing ESG evaluations and engagement of companies to incorporate an ESG perspective into the investment process.

By investing in renewable energy stocks, and taking ESG evaluation and engagement into account when analysing and selecting companies to invest in, the fund aims to contribute not only to building client assets but also to solving environmental problems and realising a sustainable society.

Investment Process



Investable universe:

- Perform fundamental analysis and growth analysis of companies to identify companies that generate sustainable profits
- Exclude stocks with relatively low evaluations based on TCW ESG score
- Continue to research and verify similar companies in same industry

Selection of potential stocks:

Companies are analysed and stocks carefully selected based mainly on the following:

- Evaluations and engagement (dialogue) from an ESG perspective
- Renewable energy related technology and corporate management
- Market trends and company competitiveness
- Dividend growth and sustainability, and risk factors

Portfolio construction:

- Stocks selected using a bottom-up approach that takes into account potential risks and returns
- Portfolio constructed with an emphasis on risk management

* The above investment process and explanations are current as of the date this document was created, and may be subject to change without notice.

2. Tokio Marine Investment Trust to Fight Cancer

The Tokio Marine Investment Trust to Fight Cancer invests in oncology-related companies – businesses working to treat, diagnose and research cancer – from around the world, including Japan.

Candriam S.C. A. manages the actual investment of oncology-related stocks, picking names that are expected to make significant contributions to cancer treatment by taking into account quantitative analysis and fundamental analysis among other factors.

ESG considerations are a major factor when selecting companies to invest in, and we define this as an ESG fund aiming to solve environmental and social issues.

The fund also contributes to and continuously supports basic research into cancer by donating a portion of the fund's investment management fees (from the management company) to cancer research facilities and other organisations.

The fund thereby helps support the sustainable development of cancer treatment and contributes to society both through investment in oncology-related names, and through donations to research institutions involved in cancer treatment.

Column 4

Management companies donating portion of trust fees since 2020

A portion of the investment management fees from this fund are donated to cancer research in order to further advance cancer treatment. To date, a total of 3.6 million yen has been donated.

Specifically, the fund donates to research and development currently being carried out by Eiichi Yamaguchi in his research lab at Ritsumeikan University into L-glucose derivatives, carriers for functional molecules which cancer cells actively take up and are then killed by. Because this method does not affect healthy cells, it places less of a burden on the body, and it is hoped that it can be used in the fight against intractable cancers such as pancreatic cancer, as well as cancers in other parts of the body. Because of this it has been called the fifth pillar of cancer treatment.

Although it is currently still in the research stage, Yamaguchi says that steady progress is being made and future practical application is on the horizon.

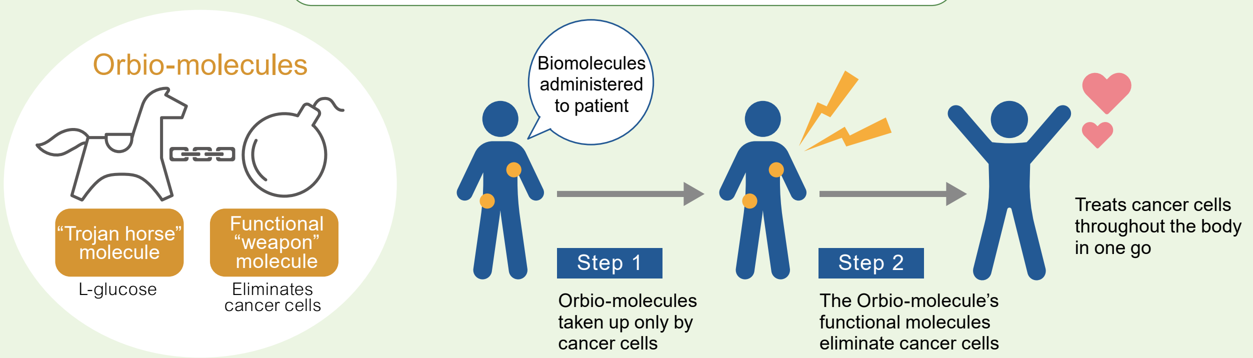
The research environment has suffered in recent years due to funding cuts, but through donations from this fund, we hope to provide support to make cancer a curable disease.

Eiichi Yamaguchi

Professor
Ritsumeikan University

Profile
Graduated from Department of Physics, Faculty of Science, University of Tokyo in 1977. Appointed professor at Ritsumeikan University and professor emeritus at Kyoto University in 2020 after serving as a professor at Doshisha University Graduate School and Kyoto University Graduate School. Currently leading cancer research as a visiting professor at Ritsumeikan University.

Cancer treatment using L-glucose derivatives



3. Tokio Marine Climate Change Response Fund "Green Future"

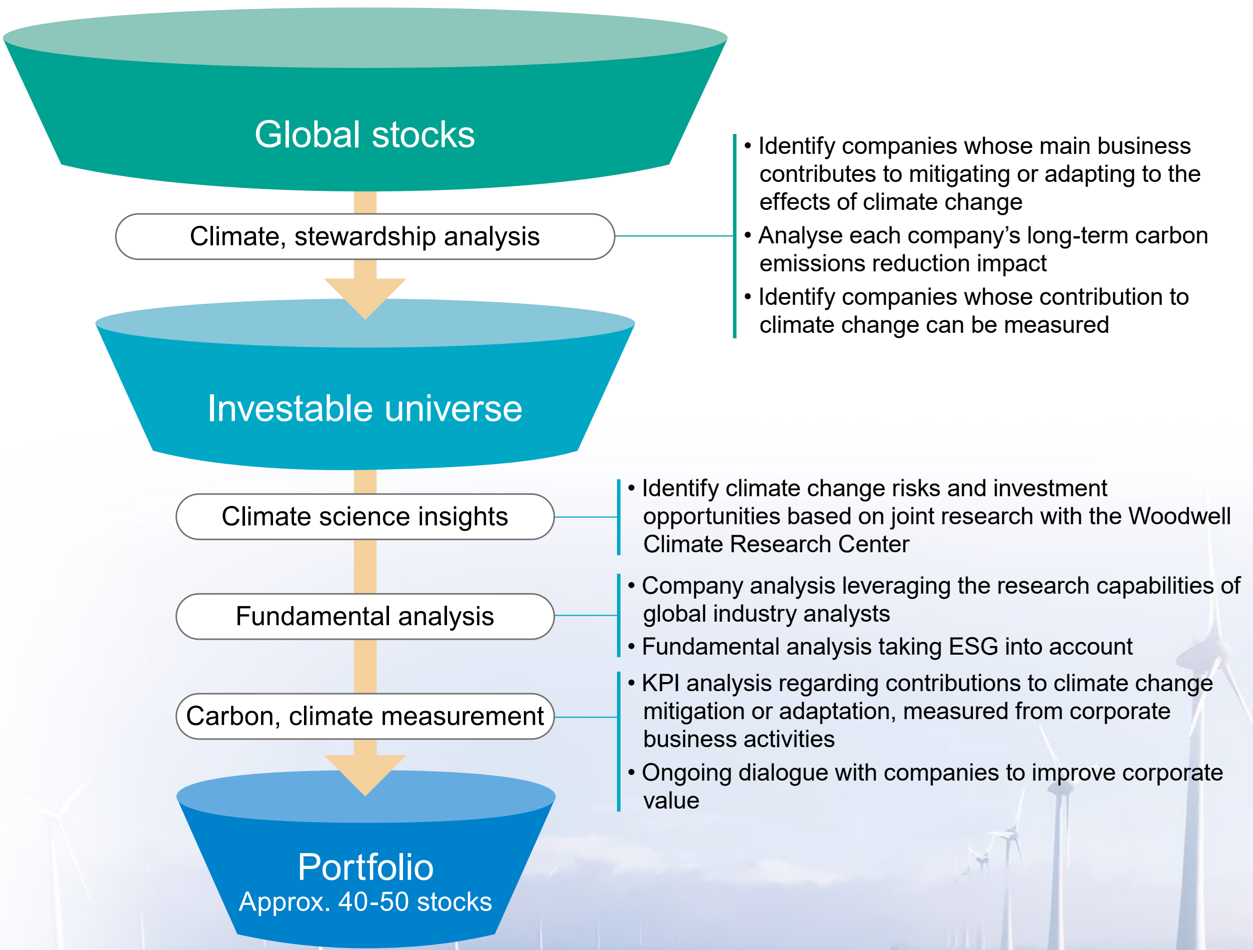
An increase in carbon dioxide and other greenhouse gases in the atmosphere is causing global warming and climate change, with higher temperatures, more droughts and storms, and rising sea temperatures and sea levels. The Tokio Marine Climate Change Response Fund invests in the stocks of companies that are actively working to tackle the urgent global issue that is climate change.

The Wellington Management Company LLP manages equity investment in companies working actively to address climate change: whether by mitigating*1 the effects of climate change (reducing greenhouse gas emissions), or adapting*2 to the effects of climate change (avoiding or reducing damage caused by the effects of climate change).

The Tokio Marine Climate Change Response Fund selects companies for investment by evaluating their contribution to climate change from two perspectives: mitigation and adaptation. The fund aims to support companies' proactive efforts to fight everything from wildfires and floods to water shortages, and address the global threat of climate change.

*1. Examples of mitigation include increasing access to low-carbon electricity, or managing forests that absorb and store carbon dioxide.
*2. Examples of adaptation include building infrastructure to manage droughts, control floods and improve rivers, or developing disaster prediction services.

Investment Process



* The above investment process and explanations are current as of the date this document was created, and may be subject to change without notice.

4 Our approach to ESG engagement

When conducting engagement activities with investee companies and other stakeholders, we believe it is important to have a shared perspective and understanding. The loftiest ideals are meaningless unless they lead to actual changes in behaviour and the realisation of social and economic value among those you engage with.

Why have so many investors and stakeholders recently become interested in sustainability issues such as global warming, biodiversity, gender diversity, and human rights? Of course, a major factor is a growing recognition around the value of corporate social responsibility (CSR) and a greater awareness that indifference will lead to increased reputational risk, but economic implications and interests are also becoming more significant.

Looking at the full history of corporate activity, we can see that many costs that companies could once consider external (costs that could be shifted outside of the business) have become internal due to changes in social awareness, practices, and legal norms over time (see table below).

	External Costs	Internalised Costs
Slavery	Wages owed to those engaged in slave labour (unpaid labour)	Employment of workers with guaranteed working conditions and fair wages
Child labour	Wages, working conditions, protections and education costs due to all working children	Employment of adult workers under fair labour and wage conditions
Environmental destruction	Disposal, purification, and reduction costs for environmentally harmful emissions such as industrial waste	Proper waste disposal and cleaning of hazardous substances before discharge. Use of alternative raw materials that may result in higher costs
Employment inequality	Performance appraisals and wage cuts based on gender and race	Equal performance appraisals and wages regardless of gender and race

Such external costs that were traditionally transferred outside of the business are now internalised into corporate management, which means increased costs for the company; in other words, lower profits and cash flow. Investments that emphasise sustainability factors can be interpreted as focusing on this mechanism.

For example, companies that currently emit large quantities of greenhouse gases are at a higher risk of significantly lower profits and cash flow in the future due to a carbon tax or burden from having to invest in decarbonisation (internalisation of external costs), and as such there will be less appetite from a sustainability perspective to invest in these companies. Conversely, companies that have low emissions or that present highly reliable emission reduction plans have a low risk of reduced profits and cash flow due to internalising external costs (future carbon tax hikes or greater decarbonisation costs), and as a result, there is likely to be a greater appetite for investment in these companies.

At the same time, this kind of internalisation of external costs can also present opportunities for profit in the real world where numerous companies exist. Company efforts to reduce emissions and preserve ecosystems (internalising external costs) will increase demand for production equipment and raw materials that produce low emissions and have a low environmental impact. This creates an opportunity for companies that supply such equipment and raw materials, thereby helping to reduce the environmental impact for companies on the demand side of the equation, which in turn will likely increase profits and cash flow, creating a greater appetite for investment.

The process of internalising external costs mostly takes a long-term view, and can be difficult to incorporate into short-term corporate earnings forecasts, which are often used when making investment decisions. However, stock prices, which are more sensitive to corporate earnings growth, can incorporate this long-term view. In high-emissions sectors, for example, we have already begun to see adjusted profit after emissions expressed in monetary terms based on carbon price = shadow costs (external costs that are expected to become internal in the future), and emissions reductions (avoided emissions) = shadow earnings (expected future earnings); this more clearly explains stock price for companies than non-adjusted profits. So we can see that sustainability factors are becoming essential when considering actual profits, cash flow, and corporate value.

Based on this understanding, in the past fiscal year we conducted the engagement activities shown in the table below. Some of our ideas and activities are also highlighted in DMG Mori's 2022 Integrated Report in the Roundtable Discussions with CEO and CFO article.

Engagement Topic	Engaged With
Reducing emissions, promoting gender diversity, preserving biodiversity and ecosystems, and more	Investee companies
Policy and framework design to encourage private sector participation in biodiversity conservation	Investee companies, Ministry of the Environment
Transition finance	Megabanks, etc.
Efforts to address human rights and human capital issues	Major law firms

Going forward, we will continue to engage with a wide range of stakeholders, aiming to create unique value in the investment chain in the following areas.

- Providing information and advice from an investor perspective in ESG-related finance and similar fields
- Cooperation and participation in rule making
- Integrated value assessments of environmental (greenhouse gases, biodiversity, etc.), social (human capital, gender diversity, etc.) and non-financial data, and their application to fund management

Column 5

Sustainable Investments Institute

In fiscal 2022, we established the Sustainable Investments Institute to promote academic research and real world practice in the area of sustainable investment, and to realise our management philosophy of contributing to the promotion of a prosperous society and spur economic development through innovation.

As interest in ESG and other non-financial information increases globally, it is now more vital that we take research, awareness, and decisions regarding sustainability (something which used to be tacit knowledge in investment circles) and clearly highlight these in the investment process. This comes against a backdrop of improved information disclosure by companies and other entities, enabling us now to conduct theoretical explorations of non-financial data and accelerate its practical application.

Given this background, we are hoping to build a bridge between researchers and practitioners in the sustainable investment field, with the aim of creating synergies between theory and practice through a two-way approach. At our research institute, we hope to help realise sustainability through investment both by putting research results into practice, and by broadly sharing our knowledge with the wider world.

As a specific research project in fiscal 2022, we cooperated on research by Professor Kenji Kutsuna at Kobe University into the long-term running of family businesses. In this study, family businesses are defined as those which are run by the founding family, or where the founding family owns a certain amount of stock. Quantitative and qualitative analysis of these companies was carried out from the perspective of employment and financial strategies to investigate whether they are more long-term oriented than companies which are not family-owned or family-run. As a result, in terms of employment strategy, family businesses tend to be less likely to make redundancies than non-family businesses, suggesting that they employ people with a long-term perspective in mind. And in terms of financial strategy, it was found that family businesses leverage borrowing more than non-family companies and are more profitable.

Research is planned in fiscal 2023 on whether family businesses have a long-term approach when it comes to M&A strategies.

Kenji Kutsuna

Professor, Ph.D. Graduate School of Business Administration Kobe University

Kobe University

Stewardship Activities

1 Effectiveness and transparency of stewardship activities

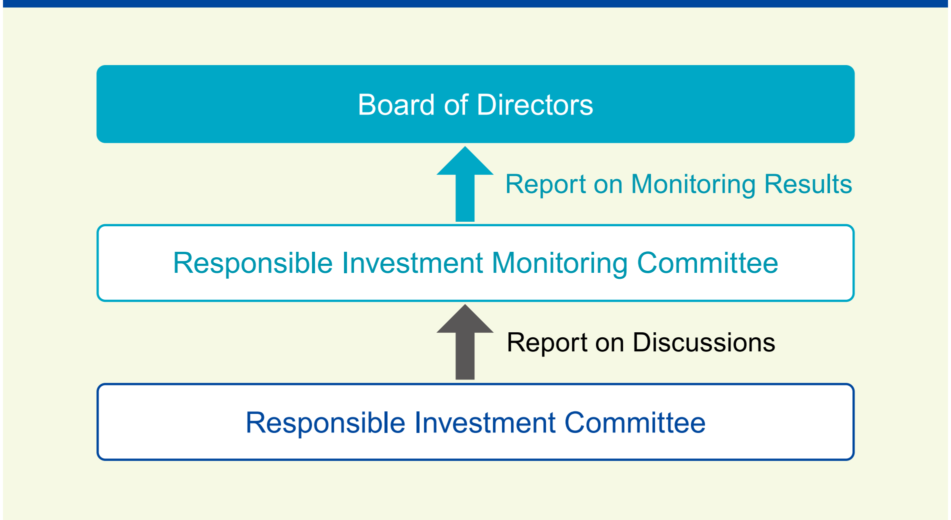
Organisational approach to ensure effectiveness and transparency of stewardship activities

We have established two committees to play a central role in ensuring the effectiveness and transparency of our stewardship activities: the Responsible Investment Committee and the Responsible Investment Monitoring Committee.

Our policy on stewardship activities is determined by the Responsible Investment Committee, which is chaired by the CIO, and includes department heads from the Investment and the Alternative Investment divisions.

The Responsible Investment Monitoring Committee confirms that stewardship activities have been appropriately implemented in accordance with policy, from the perspective of fiduciary responsibility and conflict of interest management.

Organisational Approach: Process



The Responsible Investment Monitoring Committee consists of a majority of outside directors, alongside the director in charge of Risk Management. The main items on the agenda are related to the exercise of voting rights, including a review of the decision-making process and how the results of this compare with the proportion of proposals actually approved at shareholder meetings.

The Responsible Investment Monitoring Committee reports on its discussions to the Board of Directors and this information is shared with the firm's senior management. As a result of this approach, we have received feedback that stewardship activities are being properly conducted.

Managing conflicts of interest in the exercise of voting rights

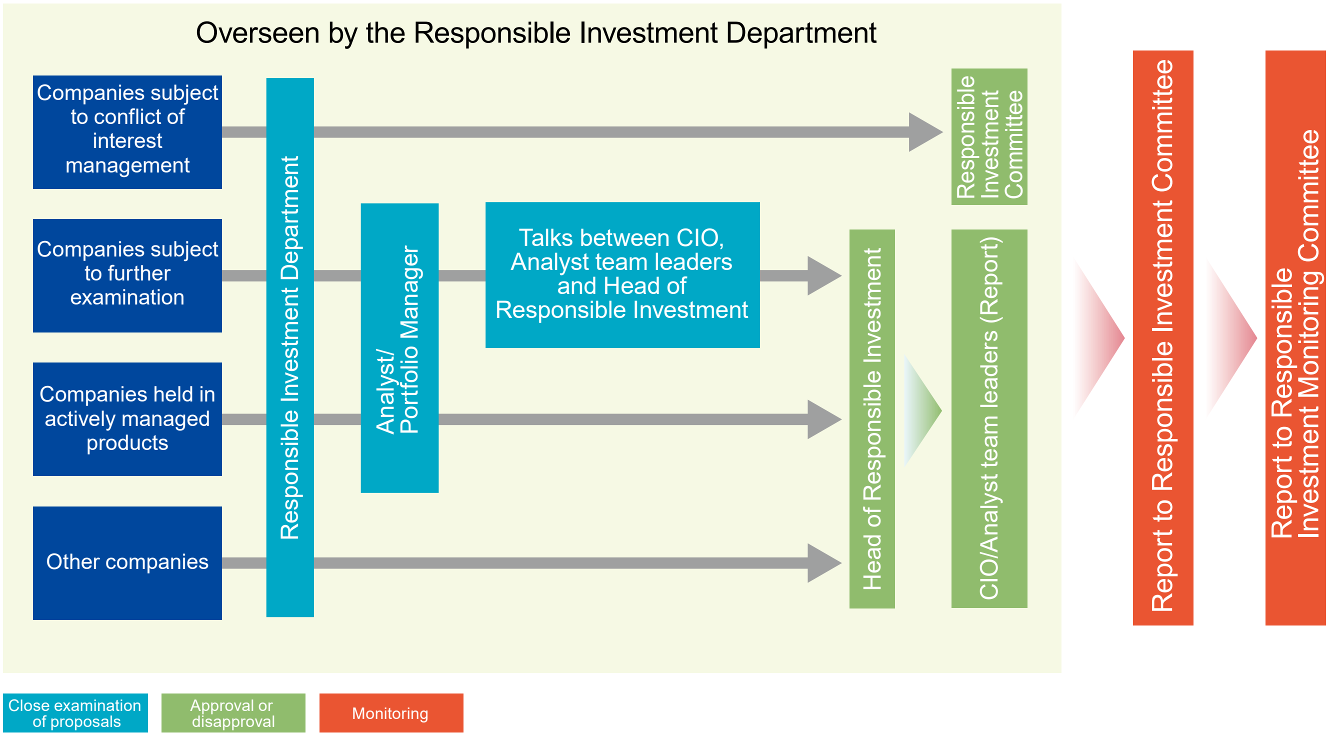
Our Japanese Equity Shareholder Voting Guidelines define the management of conflicts of interest in the exercise of voting rights as follows.

"Where the exercise of voting rights may have an impact on our management due to capital ties, business relationships or other such reasons, we will take advice from a proxy advisory firm and vote in accordance with the Responsible Investment Committee's decisions in order to avoid any conflict of interest."

Decisions made by the Responsible Investment Committee are then reported to the Responsible Investment Monitoring Committee, which reviews whether these are appropriate.

Disclosure of information related to voting decisions

We disclose our basic policy and guidelines for the exercise of voting rights online and exercises our voting rights in accordance with said policy and guidelines.



Column 6

For reference Exercise of voting rights in companies subject to conflict of interest management

Where a potential conflict of interests exists, the Responsible Investment Committee makes voting decisions based on the recommendations of a proxy advisory company (Institutional Shareholder Services (ISS)). Where such a recommendation is less rational than our own voting guidelines, however, or in certain cases where shareholder proposals need to be considered on their own merits, we may make our own decisions, with information from outside organisations taken into account. Moreover, the Responsible Investment Monitoring Committee oversees the exercise of voting rights in companies subject to conflict of interest management, ensuring a highly transparent decision-making process.

2 Implementing the Stewardship Code

TMAM endorses Japan's Stewardship Code and declared its acceptance of the Code's seven principles in May 2014. This endorsement was renewed in accordance with the revisions of the Code in June 2017 and May 2020.

Our commitment to stewardship activities is founded on a recognition that enhancing the corporate value and promoting sustainable growth of investee companies in order to increase our clients' longer-term returns is linked to our management philosophy.

Specific initiatives for fiscal 2022 are described below. Policies are determined by the Responsible Investment Committee, and results are monitored by the Responsible Investment Monitoring Committee.

Our assessment of our stewardship activities (Summary)

Principles	Our assessment of our stewardship activities
Principle 1	**Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.** We have published policies on fulfilling our stewardship responsibilities, in accordance with which we believe we are carrying out appropriate activities. As a company, we have established a new committee on sustainability and are promoting efforts in this direction.
Principle 2	**Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.** To ensure shareholder voting rights are appropriately exercised, the Investment Division has final decision-making authority, based on internal guidelines stipulated by the Responsible Investment Committee. Furthermore, we have a publicly disclosed conflict of interest management policy, and operate a clear process for determining which companies are subject to conflict of interest management, deciding whether to vote for or against relevant proposals, and monitoring the results of the exercise of voting rights. Our Responsible Investment Monitoring Committee has confirmed that voting rights are being exercised appropriately, and we believe that we are carrying out our duties faithfully in accordance with the conflict of interest management policy.
Principles 3 and 4	**Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.** **Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.** We conduct research with a focus on accurately understanding the circumstances of investee companies. We engage in dialogue that results in concrete action and contributes to the enhancement of corporate value over the longer term, and we strive to share issues and solve problems with our investee companies. We are focusing our efforts on dialogue on ESG issues, and we believe that we have been able to broaden our dialogue from themes relating to risk reduction, such as TCFD, human rights, and corporate governance issues, to themes directly linked to solving environmental and social issues – such as human capital, or the establishment and expansion of CSV-type strategies – that contribute to enhancing corporate value.
Principle 5	**Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.** We believe that voting rights are being exercised appropriately in accordance with the basic policy and guidelines determined by the Responsible Investment Committee. In light of revisions to the Corporate Governance Code, the guidelines have been revised for items related to cross-shareholdings and diversity standards, which are examined on a case-by-case basis before a decision is made on whether to approve or oppose. Through these initiatives, we believe that we have ensured effectiveness and transparency in the exercise of voting rights. We will continue to ensure that analysts, portfolio managers, and members of the Responsible Investment Department exercise their voting rights effectively based on an accurate understanding of individual company circumstances.
Principle 6	**Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.** To ensure that our clients have a full understanding of our activities, we provide regular reports on voting results and a review of our stewardship activities. In addition, we continue to disclose voting results for each individual company and proposal on our website, as well as detailed voting guidelines, in an effort to help investors understand our approach to determining whether to approve or oppose proposals. We publish a Sustainability Report on the state of our stewardship activities to contribute to further customer understanding.
Principle 7	**To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.** Under our company-wide policy on sustainability, we have strengthened our organisational commitment to stewardship activities that consider longer-term sustainability, including ESG factors. In order to develop our proficiency, we held study sessions with outside experts to deepen our knowledge on human capital disclosure and Japanese and international trends surrounding sustainability. Team members also shared their knowhow with each other, leading to an improvement in organisational knowledge. We will continue to aim for further improvement in our stewardship activities through the use of ESG information and ever greater internal collaboration.

3 Sustainable investment in Japanese equity management

Yoshihisa Nakagawa Head of Equity

Our commitment to ESG investment in equity management dates back to 2006, when we launched our Japanese Equity SRI strategy under a special Tokkin fund. While ESG was not a common concept at the time, we launched this fund based on the belief that society would need a sustainable perspective over the longer term. Since there was no third-party evaluation available when we launched the fund, we started our own proprietary ESG assessment (the TdR score) within the Tokio Marine Group and now have a track record of more than 18 years. In 2011, the strategy was transferred to the Japanese Equity ESG strategy (then called Japanese Equity SRI) under a private placement, and we have subsequently worked to improve the accuracy of our ESG assessment by having our sector analysts revise the ESG assessment in order to compensate for variations in company disclosures. From 2019 onward, we shifted to ESG integration with our flagship fund incorporating elements of ESG assessment, while in foreign equities, we have introduced a process to exclude stocks with low ESG assessment from our portfolio from 2021 onward, thereby strengthening our ESG investment capabilities both in Japan and overseas.

The year 2023 is a major step forward for these ESG initiatives. In anticipation of improved disclosure of ESG information by companies in Japan, including mandatory disclosure of ESG information in securities reports for listed companies, we abolished qualitative revisions by analysts and adopted scoring by Sustainalytics, an ESG evaluation organisation, to incorporate an objective and global perspective. This is combined with the TdR score to create a new “TMAM ESG Score”. In line with these developments, two Japanese equity funds were approved as ESG funds, one of which was able to comply with SFDR Article 8. In addition, we are strengthening our efforts to deepen ESG integration in our foreign equity management and have started to verify ESG evaluation for Asian equities.

The history of ESG in Japan reveals three major waves of ESG investment. The first wave started in 2005, when CSR initiatives expanded; the second wave was after 2013, when corporate governance initiatives expanded; and the third wave is now, when environmental initiatives have expanded following the 2017 Paris Agreement, a new framework to combat global warming, and the dawn of the Biden administration. While the first and second waves did not make much difference to the market and were not sustained, we believe that this wave will be significant and that ESG investment and the concept of ESG will take root in capital markets. Many ESG funds have recently seen

outflows however, ostensibly due to weak performance and concerns about greenwashing, but we will continue to enhance our ESG capabilities regardless of market booms and busts, based on our conviction in ESG investment.

4 Sustainable investment in Japanese bond management

Basic policy on ESG integration

In fixed income management, mainly in corporate bonds, ESG considerations are taken into account in security selection. If a portfolio company is found to have ESG-related problems, such as poor governance, unlawful or unethical behaviour, or environmental destruction, the credit rating may be downgraded, resulting in a widening of the credit spread (yield gap with government bonds), which may lead to a deterioration in performance. During the process of identifying ESG risks, we analyse various types of ESG information, utilising knowledge and evaluations obtained from Tokio Marine Group companies. In addition, when the fixed income management team determines that risks are of high importance and require close examination, we engage in dialogue with issuers and rating agencies to ascertain the actual risks. Based on the information obtained through this dialogue, the fixed income management team discusses and reduces downside risk by reducing the investment weight if necessary. Another important factor in identifying ESG risks is that bonds have a maturity date: we believe it is important to determine both the seriousness of ESG risks, and the timing at which they may materialise.

Dialogue with issuers to encourage sustainability initiatives

In fiscal 2020, the Fixed Income Department launched a stewardship activity programme, focusing on critical management ESG issues and engaging in dialogue with issuers in collaboration with the ESG Investment Group. Our approach is first to identify ESG factors with high materiality, then to select the most relevant business activities, industries, and companies, and finally to determine stewardship target companies in consideration of the likely effectiveness of dialogue.

At present, climate change is one of the most material ESG factors. In Japan as elsewhere, action is being promoted by government institutions, companies and financial institutions, and climate change risk is becoming increasingly important in fixed income investment.

However, it will be difficult for all companies to decarbonise in a single leap, and transitioning toward steady decarbonisation in high-emission industries will be key. Japan's government is also building a range of measures, including discussions at its GX (green transition) Implementation Council, the formulation of a roadmap for promoting transition finance, and the formulation of "Follow-up Guidance on Transition Finance: Toward Better Dialogue with Fundraisers." Transition finance – and sustainable finance more broadly – is important for the corporate bond market, which includes many companies in high-emission sectors, and we expect investment opportunities to increase.

In fiscal 2022, companies from several high-emission industries were selected for dialogue. With companies that disclose specific scenarios for decarbonisation and promote initiatives, we engage in dialogue about their management policies and the effectiveness of their decarbonisation plans. We also provide recommendations on sustainable finance initiatives and information disclosure methods from an investor's perspective. We believe that this type of dialogue contributes to the strengthening of sustainability initiatives as well as the expansion of the sustainable finance market in Japan.

5 Engagement conducted by TMAM

We actively engage investee companies in dialogue to enhance their corporate value and capital efficiency from a longer-term perspective and to promote sustainable growth.

Constructive dialogue with investees focuses on the two key areas of management strategy and ESG (Environmental, Social and Governance), which we as responsible investors believe will contribute to improving longer-term corporate value.

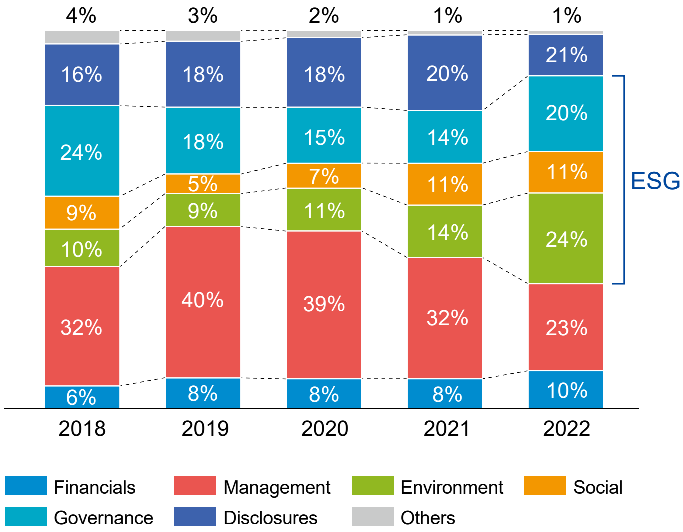
The table shows the breakdown of our engagements by theme over the past five years. Dialogues on management strategy and ESG were the main focus, accounting for over 70% of the total throughout the period; in fiscal 2022, we concentrated on sustainability issues.

ESG-related dialogues continue to increase, growing as a proportion of all dialogues again in fiscal 2022. Specifically, ESG dialogue issues cover a wide range of topics, including discussions and recommendations on business development with an awareness of CSV (Creating Shared Value), TCFD compliance, consideration of human rights issues, the connection between human capital and performance, and governance issues including diversity in the Board of Directors. In management strategy, we focus on themes directly related to business, such as business portfolio restructuring and measures to strengthen profitability. In addition to ESG and management strategy, we actively engage investee companies in dialogue on key topics including information disclosure (e.g. intangible assets, shareholder return policies) and financial strategy.

Our sector analysts are ultimately responsible for understanding individual investee company circumstances, and play a central role in promoting such dialogue. And just as we invest in a broad diversity of companies, we need a broad perspective in our approach to ESG, as a major theme of our engagement: our Responsible Investment team therefore also actively participates in dialogue and provides information on ESG and other sustainability issues.

We will continue to strive for a deeper understanding of our investee companies and incorporate the content of constructive dialogue into our investment decisions, so that we can better evaluate corporate value.

Breakdown by Theme



Monitoring progress in engagement

We aim to make dialogue more effective by monitoring progress through the five stages below, showing the current situation as we perceive it. Broader engagement topics may be at multiple stages simultaneously.

5 Phase Definition

1. Inform: We inform the investee company of a concern
2. Align: Investee understanding of concern is aligned with our own
3. Advise: We present our thinking and offer advice based on shared understanding of concern
4. Explore: Investee considers our advice and explores possible responses
5. Implement: Investee implements and discloses specific actions

6 Active investor engagement case studies

Case study: Machinery company A | Theme: Social issues

Progress | Inform | Align | Advise | Explore | Implement

Overview

- We are in continuous dialogue with Company A, which handles more than 30 million items ranging from factory automation-related machinery parts to secondary materials and consumables used at production sites. As company A's supply chain is global in scope, and the company has business relationships with a large number of subcontract factories, we raised concerns about CSR risks in the supply chain, and discussed the importance of such actions as clarifying procurement policies and evaluating suppliers.

Takeru Asano
Senior analyst

Result (company response)

- We raised environmental conservation, health and safety, and human rights as potential CSR risks in suppliers' operations, and recommended upgrading any internal supplier assessments to include human rights due diligence. We also discussed the effectiveness of formulating and disclosing guidelines corresponding clearly to the enhancement or loss of corporate value, as well as next steps.

Next steps

- In December 2022, Company A formulated and published Sustainable Procurement Guidelines V1.0, which should mitigate potential CSR risks in the company's global supply chain. As a next step, we expect to see actions to upgrade CSR initiatives as the firm pushes to "visualise" the supply chain in individual procurement departments.

Case study: Entertainment company B | Theme: Governance

Progress | Inform | Align | Advise | Explore | Implement

Overview

- Company B has grown under its president and founder to encompass a wide range of businesses, including media, Internet advertising, and games.
- There are concerns about continuity and succession planning, however, and we have engaged the company in ongoing dialogue since May 2022 about management risk once the president retires.

Akio Otani
Senior analyst

Result (company response)

- We believe that selecting and training the next generation of managers will help ensure the sustainability of the company and increase employee engagement.
- A lack of clarity over what happens once the president retires could constitute a management risk, and we discussed issues such as disclosing a succession plan and other information.

Next steps

- In March 2023, the president announced that a successor would be promoted internally in 2026 and that he himself would become chairman. The company is implementing a succession program and appears to have several candidates.
- The company has dispelled some concerns about management risk and confirmed its longer-term status as a going concern.

Case study: Retail Company C | Theme: Management strategy

Progress | Inform | Align | Advise | Explore | Implement

Overview

- Company C has grown through broad customer support owing to its attractive product range and store layouts. Covid saw a shift to shopping either locally or online, and concerns for longer-term competitiveness were raised by a business model that relies on attracting shoppers across large catchment areas and is not easily suited to e-commerce. We have been engaging the company in ongoing dialogue since 2021.

Result (company response)

- Concerns have arisen regarding the company's ability to maintain and improve store competitiveness and profitability in its core business, which is the key to longer-term growth; we asked the head of the company to explain his view on the situation, as well as specific measures to be taken and the time frame for such measures.

Yoshimasa Ikazaki
Head of Investment Research

Next steps

- In August 2022, the company announced its medium-term management plan and expressed a shift in emphasis in its domestic business policy from sales to profitability. In September of the same year, the head of the company spoke explicitly about this, also mentioning the growth potential of overseas expansion.
- We believe that this has helped to dispel investor concerns about slowing growth.

Case study: Food company D | Theme: Financial issues

Progress | Inform | Align | Advise | Explore | Implement

Overview

- Company D has grown by expanding its business globally with high value-added products backed by R&D and technology. There are concerns about a decline in capital efficiency given earnings and the level of investment in growth, however, and we discussed the longstanding issue of shareholder returns as a key theme.

Result (company response)

- In addition to strengthening its Japanese and overseas production systems in preparation for global business expansion, Company D is aggressively investing in M&A and promoting digital transformation to build a new business model. We believe there is significant room for shareholder returns given the level of earnings and internal reserves, however, and we discussed this as a possibility.

Daisuke Kosugi
Senior analyst

Next steps

- As the dialogue continued, Company D announced a significant dividend increase, bringing its dividend payout ratio to a record high, which should be maintained in the next fiscal year and beyond.
- We believe that this can be viewed favourably as a shift to proactive shareholder returns backed by solid earnings.

7 Annual results of shareholder voting
(General Meeting of Shareholders from July 2022 to June 2023)

Overview of Japanese equity voting results

TMAM voted on a total of 12,851 company proposals at shareholder meetings from July 2022 to June 2023, approving 10,845 and opposing 2,006 (15.6% opposed).

Of 315 shareholder proposals, we voted to approve 37 and oppose 278 (88.3% opposed).

Company proposals

Summary of Voting Results for July 2022-June 2023

		Approved	Opposed	Total (*4)	Proportion opposed
Changes to company bodies	Appointment/dismissal of directors	8,315	1,692	10,007	16.9%
	Appointment/dismissal of audit & supervisory board members	1,035	154	1,189	13.0%
	Appointment and dismissal of external auditors	27	0	27	0.0%
Officer compensation	Officer compensation (*1)	343	44	387	11.4%
	Payment of retirement bonuses to directors	6	20	26	76.9%
Changes in capital policy (excluding changes to articles)	Distribution of profits	730	47	777	6.0%
	Organisational restructuring (*2)	18	0	18	0.0%
	Takeover defence measures	0	37	37	100.0%
	Other changes in capital policy (*3)	18	1	19	5.3%
Changes to articles		349	11	360	3.1%
Other business		4	0	4	0.0%
Total		10,845	2,006	12,851	15.6%

Shareholder proposals

	Approved	Opposed	Total (*4)	Proportion opposed
Total	37	278	315	88.3%

(*1) Changes in level of officer compensation, stock option issues, introduction or revision of performance-linked compensation structures, officer bonuses, etc.
(*2) Mergers, business transfers, share exchanges, share transfers, company splits, etc.
(*3) Share buybacks, decreases in capital reserve, capital increase through third-party allotment, capital reduction, reverse stock splits, issuance of class shares, etc.
(*4) Not including abstentions and carte blanche.

We voted against a high proportion of proposals related to the appointment and dismissal of directors and to the payment of retirement bonuses to retiring directors. A major factor in appointments and dismissals was the expansion of our criteria – in addition to ROE and other earnings criteria, independence requirements for outside directors, and board composition – to include guidelines on the number of female directors and cross shareholdings. The primary factor in retirement benefits was violations of guidelines on the appropriateness of retirement bonuses. In addition, we oppose all proposals related to the introduction or renewal of takeover defence measures.

On shareholder proposals, we voted in favour of proposals regarding parent-subsidiary listings where deemed likely to improve transparency in group governance, as well as proposals to boost corporate value through improved board diversity, with due consideration of corporate initiatives.

Examples of voting based on constructive dialogue and taking into account individual company circumstances

We vote in accordance with our basic policy and guidelines on shareholder voting. When exercising voting rights, some proposals are subject to individual qualitative judgement based on constructive dialogue with the investee company and our own analysis. Some examples where case-specific factors were taken into account are given below.

Company	Type of proposal	Example considering case-specific factors (General rule=TMAM voting guideline, Decision=Our judgement considering case-specific factors)
Company X	Proposal on distribution of profits	(General rule) **We generally vote against if the capital ratio is more than 50% or net cash is excessive relative to total assets and the payout ratio below 30%, except for nonrecurring reasons.**
		(Decision) Proposal on distribution of profits. Company X has remained profitable over the past 10 fiscal years, with ROE generally around 10%. The company has announced and implemented aggressive investments, including expansion of overseas factories. Considering the company's track record of maintaining profitability through aggressive investment, we believe that allowing the company to invest ahead of schedule at this time will lead to longer-term expansion of corporate value, and we voted in favour of appointing top management.
Company Y	Proposal to increase the number of internal directors	(General rule) **We oppose increases in the number of internal directors in the absence of a reasonable explanation.**
		(Decision) Proposal to add one internal director. Under its longer-term management strategy, Company Y plans to further grow its brand and accelerate its digital transformation initiatives. The new candidate for director has been in charge of overseas business since joining the company and has a track record of achieving growth while deepening his knowledge of the cutting-edge digital business. The increase in the number of directors is in line with the company's management strategy and will contribute to the improvement of corporate value, and we deem this a reasonable explanation. We also agree that the size of the Board of Directors does not impair the speed of decision-making, and half of the board members are independent outside directors, which we believe preserves the transparency of the Board.
Company Z	Proposal on appointment/ dismissal of directors related to cross-shareholding criteria	(General rule) **As a general rule, we vote against the appointment of directors where cross shareholdings account for over 20% of net assets, but with due consideration given to capital efficiency and policy/track record of reducing such holdings.**
		(Decision) Proposal on appointment/dismissal of directors. Through dialogue, we have long explained to investees our guidelines on cross shareholdings and the appointment of directors, and our recognition of issues from the perspective of effective use of capital; we discussed the company's rationale for continuing to hold, disclosure of reduction initiatives, and future efforts to reduce. Company Z has raised its total target for the reduction of cross shareholdings from fiscal 2021 to fiscal 2023, and is acting gradually to accelerate their sale. We approved the proposal, taking into consideration the company's policy, targets, plans and track record in this area.

Our Participation in Sustainability Initiatives

We believe we have a duty as an asset manager and responsible investor to identify and invest in opportunities that will bring about sustainable growth, and as a corporate citizen to act in a manner that contributes to the sustainable growth of both society and the economy. Based on this approach, we have endorsed and signed the following corporate activity guidelines and principles.

■ Net Zero Asset Managers initiative

■ 30% club Japan Investor Group

■ Asia Investor Group on Climate Change (AIGCC)

■ Principles for Financial Action for the 21st Century (Principles for Financial Action Towards a Sustainable Society)

■ Access to Medicine Index Investor Statement

■ Task Force on Climate-Related Financial Disclosures

■ 30 by 30 Alliance for Biodiversity

■ United Nations Principles for Responsible Investment (PRI)

Signatory of:

PRI Principles for Responsible Investment

The principles were proposed by then UN Secretary-General Kofi Annan in 2006 with the support of the United Nations Environment Programme and Finance Initiative and the UN Global Compact. The principles require that institutional investors incorporate ESG issues into investment analysis and decision-making processes, with the aim of realising a sustainable society.

Summary of PRI Assessment 2021

Compliance with the principles is assessed and results given in the form of a relative evaluation. Our evaluation results for FY2021 show high 4-star and 5-star ratings for TMAM as a whole and for the direct investment and outsourcing categories.

Companywide

Investment and stewardship policy	★★★★☆

Direct investment

Fixed income (sovereign)	★★★★☆
Fixed income (corporate)	★★★★★
Listed equity (active voting)	★★★★☆
Listed equity (active fundamental: ESG integration)	★★★★★

Indirect investment (outsourced)

Fixed income (active)	★★★★★
Private equity	★★★★☆
Listed equity (active)	★★★★★
Overseas real estate	★★★★☆

■ Other Initiatives In which Tokio Marine Asset Management participates

- Japan Sustainable Investment Forum (JSIF)
- CDP
- Japan Blue Economy Association

Concerning risks and fees

■ Risks associated with discretionary investment contracts

Since the investment strategies described in this document mainly refer to investment in domestic and foreign marketable securities, losses may be incurred due to a decline in the price of the assets included, exchange rate fluctuations, etc. Therefore, the principal amount of customers' investment is not guaranteed, and they may suffer losses due to a decline in asset value leading to a cut in the principal. Since the details of the risks differ for each strategy, please confirm the details of the risks in pre-contract documents or other documents before entering into a contract.

■ Fees under discretionary investment contracts

The maximum annual management fee (fixed fee portion) is set at **1.65% (1.50% excluding tax)** multiplied by the balance of assets under management. Contingency fees may also apply. In addition, trading fees for the securities held are charged, but cannot be indicated in advance as they are determined according to transactions. For the same reason, the total amount cannot be indicated in advance. Please confirm fee details in pre-contract documents or other documents.

■ Risks associated with investment trusts

Since investment trust investments are mainly in securities that fluctuate in price, such as domestic and foreign stocks and public and corporate bonds, losses may be incurred as the net asset value decreases due to a fall in the price of these assets or, in the case of investments in foreign securities, due to fluctuations in foreign exchange rates.

Investment trusts **differ from savings accounts and insurance.** In addition, **the principal amount of customers' investment is not guaranteed, and they may suffer losses** due to a decline in the net asset value leading to a cut in the principal. Since the details and nature of risk differ for each separate investment trust, please carefully read the investment trust explanatory document (delivered prospectus) and the documents provided before entering into a contract when investing.

■ Fees associated with investment trusts

[Fees directly borne by the investor]

- At the time of subscription: **Upper limit** on fees at the time of purchase **3.3% (including tax)**
- At the time of redemption: **Upper limit** of trust asset holdings **0.5%**

[Fees indirectly borne by the investor]

- Management fees (investment trust compensation) ......**Upper limit 1.9525% annualised (including tax)**
  - *In the case of a fund of funds, with some exceptions, a separate cost applies as investment management fees, etc. for the investment trust securities in which the fund invests.
- Other costs and fees: Audit fees, brokerage commissions when trading securities, trust administration fees, etc.

* Total fees, etc. listed above cannot be indicated in advance as it will vary depending on the holding period and other factors. Please refer carefully to the investment trust explanatory document (delivered prospectus), pre-contract documents, etc.

<Caution>

The risks and fees above assume a typical mutual fund. Fee rates mentioned are the highest rates among all investment trusts managed by Tokio Marine Asset Management for each type of fee collected. For details on fees, please carefully read the investment trust explanatory document (delivered prospectus) for each investment trust.

Risks and fees associated with investment trusts vary according to the investment trust. Before investing, please carefully read the investment trust explanatory document (delivered prospectus) and the pre-contract documents.

■ Points to note

- This document is a sales document created by Tokio Marine Asset Management and is not a disclosure document under the Financial Instruments and Exchange Act. Please be sure to read the investment trust explanatory document (delivered prospectus) before applying for the fund and make your own decision. Please request an investment trust explanatory document (delivered prospectus) from the distributor company.
- The contents of this document are current as of the date of preparation, and are subject to change without notice.
- This document is based on information that we believe to be reliable, but we do not guarantee the information's accuracy or integrity. The details of the charts and other information contained in this document are not intended to suggest or guarantee future investment results or market environment fluctuations.
- Since investment trusts invest in securities and other assets whose prices fluctuate (in the case of investments in assets denominated in foreign currencies, there is also the risk of exchange rate fluctuations), the net asset value will fluctuate. As such, the principal amount is not guaranteed.
- The principal amount is not guaranteed with investment trusts, unlike deposits at financial institutions. All profits and losses arising from the trust assets under the management instructions of the trustee company belong to the investor.
- The provisions of Article 37-6 of the Financial Instruments and Exchange Act (or cooling-off period) do not apply to investment trusts.
- Investment trusts are not bank accounts or insurance policies. They are also not covered by deposit insurance or the Policyholders Protection Corporation.
- Investment trusts purchased from registered financial institutions are not covered by the Investor Protection Fund.

Trade name:	Tokio Marine Asset Management Co., Ltd. (Financial Instruments Business Operator Director of Kanto Local Finance Bureau (Financial Instruments Firms) No. 361)
Member Associations:	The Investment Trusts Association, Japan, The Japan Investment Advisers Association, The Type II Financial Instruments Firms Association

TOKIO MARINE
ASSET MGT

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