

# Sustainability Report





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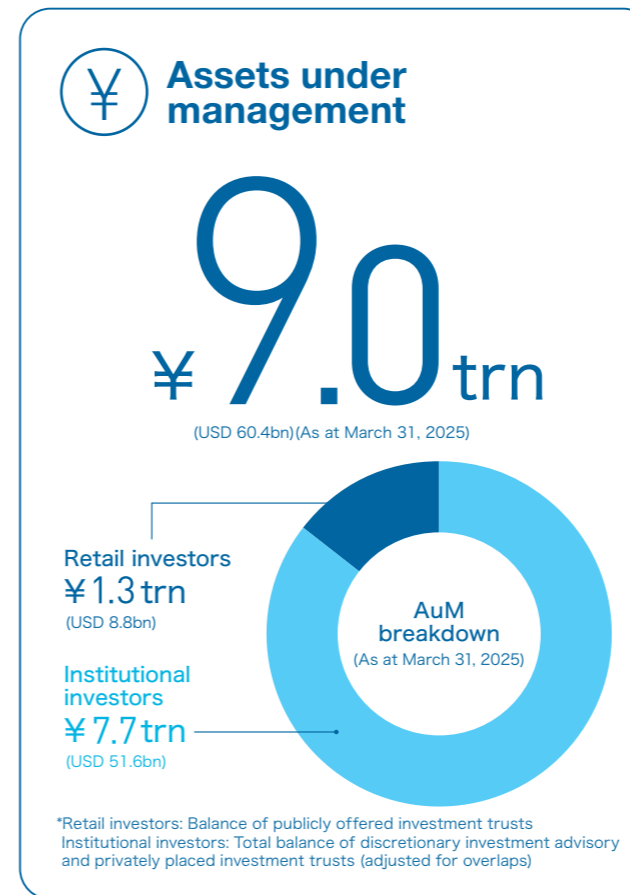
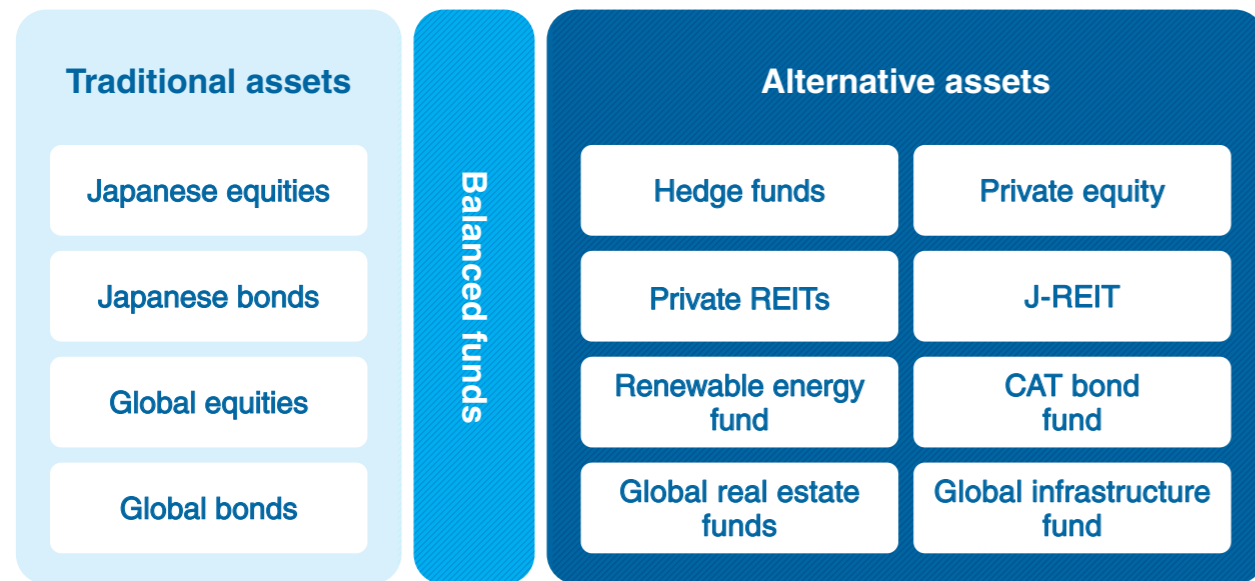
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# At a glance

## Tokio Marine Asset Management

We are the asset management company of the Tokio Marine Group. Since our founding in 1985, we have enjoyed tremendous support from our clients and have continued to grow steadily. We operate a discretionary investment advisory business primarily for institutional clients and an investment trust business primarily for retail clients, with assets under management reaching ¥9.0 trillion (USD 60.4bn). (As at March 31, 2025)

### Broad-ranging capabilities



### History of responsible investment

- 2007**
  - Established the Responsible Investment Committee (directly under the Investment Division)
- 2009**
  - Established the Responsible Investment Group (directly under the Investment Division)
- 2011**
  - Signed the United Nations Principles for Responsible Investment (PRI)
- 2011**
  - Signed the Principles for Financial Action for the 21st Century
- 2014**
  - Endorsed Japan's Stewardship Code
- 2015**
  - Declaration of Fiduciary Duty
- 2017**
  - Updated the TMAM Stewardship Statement
- 2018**
  - Signed the Montreal Carbon Pledge
  - Signed up to the Access to Medicine Index Investor Statement
- 2019**
  - Expressed support for the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations
- 2020**
  - Published our Sustainable Investment Statement
  - Updated the TMAM Stewardship Statement
- 2021**
  - Established Responsible Investment Department (upgraded from the Responsible Investment Group)
- 2022**
  - Published "Stewardship activities in light of the COVID-19 pandemic"
  - Established the Alternative Responsible Investment Department
- 2023**
  - Joined the 30 by 30 Alliance for biodiversity
  - Joined the Japan Blue Economy Research Group (BERG)
- 2024**
  - Organisational restructuring integrating the Investment Division and Alternative Investment Division. Thereafter, the Responsible Investment Department, Alternative Responsible Investment Department, and ESG Investment Group were merged into the Investment Strategy Department under the Investment Division
- 2025**
  - Renamed the ESG Investment Group as the Sustainable Investment Group

# Letter From CEO

President and CEO  
**Kazuya Nagasawa**



## We are a key player in the investment chain

- ▶ The asset management industry fulfils two roles: (i) **wealth creation** and (ii) **direct financing** in the capital markets
- ▶ Delivering optimal value through “**TMAM Quality**”
- ▶ Building trust based on **integrity**

As a core player in the investment chain, the asset manager fulfils two important roles: a wealth creation function, contributing to building investors’ assets while meeting fiduciary responsibilities; and a direct financing function, allocating funds (i.e. capital) through investment and returning investment returns to investors.

By fulfilling these two roles in the investment chain, asset management companies contribute directly to solutions for social issues through their business activities.

We believe that a spirit of integrity is indispensable for asset management companies. To embody this and earn our clients’ trust, we have established a set of guiding principles called ‘TMAM Quality’, and all employees work daily to achieve these. Specifically, we are committed to creating added value of the highest quality through professionalism, innovation and integrity. We strive to focus on the perspective of our clients in all aspects of the business, including portfolio construction based on thorough research and analysis, highly transparent information disclosure and clear disclosures of investment policies, risks and fees. Through these efforts, we aim to build unshakeable relationships of trust with our clients as a responsible investor entrusted with our clients’ valuable assets.



## Tokio Marine Asset Management's philosophy

- ▶ **Contribute to the promotion of a prosperous society and spur economic development through asset management.**
- ▶ **Place customer trust at the core of all our business activities.**
- ▶ **Strive to be a forward-thinking and creative company.**

For many years, our mission has been to contribute to the promotion of a prosperous society and spur economic development through asset management. The foundation of all our business activities is the trust placed in us by our customers. Therefore, we listen carefully in our dialogue with our investees, and at the same time carefully explain our investment philosophy and values. We firmly believe that the accumulation of such constructive dialogue builds a solid relationship of understanding and mutual trust, paving the way for sustainable value creation. To build a relationship of trust, sincere, two-way communication and a high level of expertise from our employees is indispensable.

Diverse perspectives and values are the driving force behind deepening this dialogue and value creation. We are committed to advancing DE&I (Diversity, Equity and Inclusion) initiatives. Creating an environment that enables diverse talent to fully demonstrate their capabilities is a critical management priority and we are dedicated to its implementation. We believe that investment in human capital is also a source of innovation and a foundation for the sustainable improvement of corporate value.

With these unwavering principles at heart, we will continue to take on the challenge of creating innovative value that meets the needs of the times. Guided by our unwavering mission to solve social challenges through asset management, we are striving to create a sustainable future together with all our stakeholders.

## Towards the creation of a sustainable future

- ▶ **Contributing to solving social issues through asset management**
- ▶ **Alignment with Tokio Marine Group's materiality framework**

As our operating environment undergoes rapid change due to global warming, socioeconomic divisions and other challenges, we believe the social responsibility of asset managers in addressing these issues has become increasingly important. As I take the helm of the company at this critical juncture, I am newly resolved to leverage the asset management expertise we have built to take on the challenge of creating new value towards realising a sustainable society.

We have designated material issues we consider particularly important for addressing social challenges through our business activities. These align with Tokio Marine Group's materiality framework and we are advancing initiatives that leverage the group's comprehensive capabilities.

As an example, in 2006 we became a pioneer in Japan in managing CAT bonds (catastrophe bonds), which provide capital for insurance contracts covering catastrophe losses. This serves as a solution to strengthen societal resilience against intensifying natural disasters driven by climate change, and we have facilitated access for a diverse range of investors. By bridging insurance and capital markets through CAT bond investments, we have helped narrow the global insurance protection gap and contributed to building a sustainable society.

We will continue to leverage our role as an asset manager to implement initiatives that address materiality-related challenges as part of the Tokio Marine Group.

# Materiality

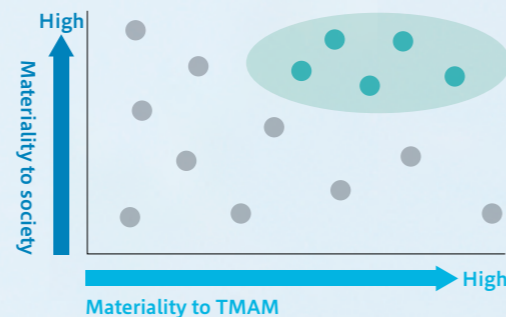
To conduct business in ways that contribute to the sustainable growth of society and the economy, we have identified material issues as key priorities for focused action. We will continue translating these material issues into specific initiatives through developing business strategies and KPIs aligned with our materiality framework.

## Materiality designation process



We first mapped domestic and international environmental and social issues based on various guidelines and frameworks including the GRI Standards, SASB Standards and BSR\*. We then identified issues highly relevant to our business activities and conducted a materiality assessment. The materiality assessment approaches issues from two perspectives: materiality to our business and materiality to society.

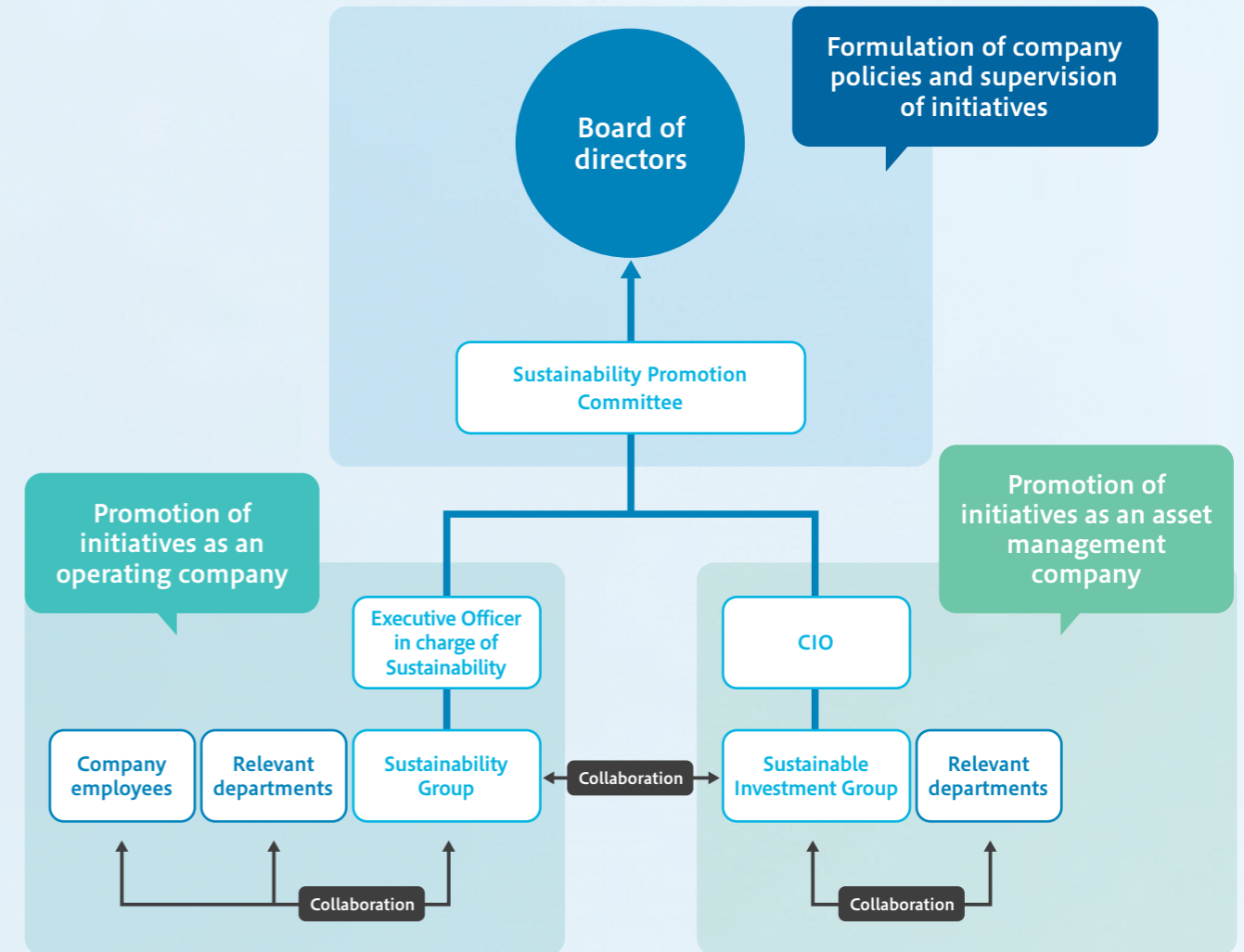
\* GRI: Global Reporting Initiative, SASB: Sustainability Accounting Standards Board, BSR: Business for Social Responsibility



Materiality	Plan	Specific initiatives
Promote climate change countermeasures	<ul style="list-style-type: none"> <li>Implement climate change measurements and disclosure of initiatives for each asset class</li> <li>Reduce our own CO<sub>2</sub> emissions by 1% compared to the previous fiscal year</li> <li>Interim analysis of progress towards targets</li> </ul>	<ul style="list-style-type: none"> <li>Calculate GHG emissions based on the Partnership for Carbon Accounting Financials (PCAF) protocol</li> <li>Visualise the climate change initiatives undertaken for each asset class and include disclosable initiatives in the sustainability report.</li> <li>Conduct a status report for the interim target: 'Halve GHG emissions from the listed equity and corporate bond portfolio by fiscal year 2030 (compared to fiscal year 2019)'</li> </ul>
Build a resilient society and protect the natural environment	<ul style="list-style-type: none"> <li>Enhance our disclosures of information on natural capital (biodiversity and climate change)</li> <li>Implement natural capital projects</li> </ul>	<ul style="list-style-type: none"> <li>Review climate change analysis and disclosure of efforts related to TCFD and TNFD</li> <li>Formulate natural capital projects, secure sites and build a framework for corporate collaboration and delivering value</li> </ul>
Support and create innovative products and services	<ul style="list-style-type: none"> <li>Support and create innovative products and services</li> </ul>	<ul style="list-style-type: none"> <li>Assess demand for and consider launching a natural and human capital value creation fund</li> </ul>
Respect people and diversity	<ul style="list-style-type: none"> <li>Implement measures to promote Diversity, Equity and Inclusion</li> <li>Promote health management</li> </ul>	<ul style="list-style-type: none"> <li>Hold themed 'majikira' dialogue sessions between management and employees (p. 30), provide support for employees with childcare/nursing care commitments and career development training sessions</li> </ul>
Enhance corporate value through governance	<ul style="list-style-type: none"> <li>Implement engagement activities for each materiality</li> <li>Enhance disclosure of sustainability-related information</li> </ul>	<ul style="list-style-type: none"> <li>Conduct effective dialogue with investee companies on themes such as climate change, resilience/biodiversity, human capital and diversity</li> <li>Continue to publish the Sustainability Report, include more content on in-house initiatives and improve our website for a smoother user experience</li> </ul>

# Framework for promoting sustainability

We have established a governance framework to steadily advance sustainability and address key material issues.



## Sustainability Promotion Committee

Chaired by the President & CEO, with the CIO and the Executive Officer in charge of Sustainability as members, this committee sets and implements company policies related to sustainability, including specific initiatives and KPIs for material issues.

## Sustainability Group

Set within the Corporate Strategy Department, this group is responsible for implementing and promoting our measures to combat climate change and promote DE&I, as well as other initiatives that we engage in as part of our business, in line with company policy.

## Sustainable Investment Group

Set within the Investment Strategy Department under the Investment Division, this group 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 planning and managing ESG investment products. The team works closely with the Responsible Investment Group on stewardship activities and with analysts on corporate research, all from a sustainability perspective.

## Vision &amp; Voice



Executive Officer and Chief Investment Officer

**Kazuhiro Honjo****Accelerating sustainable investment across asset classes in the Investment Division**

Our mission is to contribute to the promotion of a prosperous society and spur economic development through asset management. Contributing to society and the economy is our core purpose, and as an active manager, we aim to be a forward-thinking and creative asset management company.

To embody our management philosophy and strengthen our cross-asset solution delivery and asset management services, we merged the Investment Division and Alternative Investment Division in 2024. In the year since integration, we have achieved steady progress, including the launch of asset management services providing investment advice and execution across traditional and alternative assets with OCIO features, as well as R&I Fund Awards for our Global Active Equity Fund, Tokio Marine Japan Owners Equity Open Fund, and Tokio Marine Space Equity Fund.

Regarding sustainability trends, the 'anti-ESG' movement originating in the United States is now impacting Japan and Europe. Even in this environment, we recognise that sustainability is indispensable for the promotion of a prosperous and comfortable society, and our management team has reaffirmed that our commitment to advancing sustainability remains unchanged.

Under this policy, we believe sustainability issues vary by asset type. As a comprehensive asset manager covering traditional assets (listed equities and bonds), private equity, hedge funds, global real estate and infrastructure, plus distinctive assets like catastrophe bonds, we tailor our approach to each asset's characteristics rather than applying uniform methods.

We reassess sustainability issues from broader and

longer-term perspectives to identify value-enhancing initiatives for investees and advance our engagement. We recognise negative impacts on natural capital from climate change and biodiversity loss as critical issues potentially hindering our management philosophy. We believe encouraging investee action on sustainability issues including natural capital reduces risks and maximises opportunities. We therefore emphasise longer-term dialogue based on mutual understanding as our primary engagement strategy.

Advancing our strategic initiatives requires that we embrace the evolution of AI (Artificial Intelligence) and data science, aligning with our material issue of "supporting and creating innovative products and services". We have already implemented TMAM AI to enhance and streamline our investment management operations, and are now exploring next-generation AI-based services and conducting R&D to reinforce the sustainability of our asset management business. We will continue to lead the way, staying ahead of emerging needs and cutting-edge technology.

We thank you for your interest in our sustainability initiatives and look forward to your continued support.

## Vision &amp; Voice



Director and Chief Sustainability Officer

**Takuya Igarashi****Commitment to natural and human capital transcending anti-ESG sentiment**

Whilst sustainability debates in global investment have entered a new phase, we remain firmly committed as both an asset manager and a company to our core management principle of contributing to a sustainable society.

Guided by this conviction and aligned with Tokio Marine Group's sustainability strategy, our sustainability initiatives are centred on two pillars: natural capital and human capital.

Regarding natural capital, beyond TCFD and TNFD-based disclosures and climate-related engagement activities, we are focusing on local environmental conservation and carbon credit generation. Our Ishigaki Island umishobu (tape sea grass) conservation project, launched in 2023 with local Okinawan companies, successfully achieved partial regeneration of this endangered species in 2024. The significance of our participation in such initiatives lies in linking environmental conservation with corporate business activities, making the initiatives themselves more sustainable. As an asset management company, we receive funds from investors and deliver investment returns through profits and dividends generated through the enhancement of investee company value. Applying this same perspective, we aim to create an ecosystem enabling projects to operate sustainably and scale up by serving as an intermediary between funding providers and society's needs, returning benefits such as carbon credits from environmental conservation to funding providers. Through this approach, we seek to create a virtuous cycle between social contribution activities and business activities (the pursuit of profit), simultaneously enhancing both economic and social

value.

Regarding the other pillar, human capital, our people are the driving force behind sustainable corporate growth in our asset management business, which is fundamentally people-driven. The ability of each employee to take on the daily challenge of continuously providing added value to our clients is the source of our corporate value creation and competitive advantage. From this perspective, we promote human capital management by aligning our management and human capital strategies. Specifically, we are focusing on strengthening investment capabilities through developing professional talent, systematically and effectively advancing DE&I measures including women's empowerment, and realising employee wellbeing through health management.

Through these initiatives, we aim to be a group of asset management professionals who consistently stay one step ahead of our clients' expectations. We have established four elements as our ideal employee attributes: expertise, challenge, teamwork/talent development, and integrity. These foster a corporate culture where employees think autonomously, act proactively, and embrace diverse perspectives. Building on this organisational foundation, we aim to enhance corporate value and achieve sustainable growth through continuous investment in human capital, enabling employees to find fulfillment and development in their work. We are committed to advancing transformation and taking on new challenges as we look towards the next generation of asset management, whilst engaging in constructive dialogue with all our stakeholders.

Vision & Voice



Independent Outside Director and Chair of the Board of Directors

**Mari Kano**

**Enhancing corporate value through governance**

Asset management industry reform has been increasingly advocated as essential to Japan's economic regeneration and growth. The FSA's Progress Report 2025 on the Advancement of Asset Management Services, released in June 2025, outlined expectations for additional measures to invigorate the investment chain.

In this transformational period, which represents a strong tailwind, our Board of Directors has been committed to strengthening corporate governance with a focus on three principles: (i) fulfilling our fiduciary duty across all operations as professionals entrusted with managing client assets; (ii) continuously reinforcing frameworks to ensure our independence as an asset manager; and (iii) swiftly implementing operational reforms that meet global standards.

From fiscal 2024, I was appointed Chair of the Board as an independent outside director, and leadership of both the Nomination Committee and Remuneration Committee was assigned to independent outside directors, further strengthening our framework to ensure independence. We have also implemented various reforms and improvements including enhancing product governance, restructuring the organisation to maximise client value, strengthening our conflicts of interest management policy, and reviewing Board agenda-setting and decision-making authority to improve Board effectiveness.

Innovative longer-term initiatives focused on governance enhancement are essential to further realising our potential and continuing sustainable corporate value growth. To achieve this, we consider the following three factors critical.

First, we listen attentively to all stakeholders – clients, investee companies, and employees – and through strong collaborative partnerships, continue delivering services and capabilities that exceed expectations. In our stewardship activities, for instance, which drive value creation through constructive engagement with investee companies, we aim to leverage our unique depth of knowledge and forward-looking perspective to strengthen our catalytic function and forge lasting, robust relationships.

Second, as part of the Tokio Marine Group, one of Japan's premier global financial institutions, we will actively seek value creation through group collaboration, without compromising our management independence. By harnessing the Group's incomparable strengths – its 145-year legacy, deep client trust, and global reach – we aim to deliver distinctive value to society that is unattainable elsewhere.

Realising these objectives requires a culture of free and open communication centred on human capital. DE&I, a cornerstone of our sustainability initiatives, is grounded in respect for diverse perspectives through communication across multiple channels. Last year alone, we held 65 dialogue sessions between management and employees ('majikira-kai'). Through free-flowing discussions with employees across generations, I have personally gained fresh insights that will advance our governance efforts.

The Board will make every effort to breathe life into our governance framework and enhance its effectiveness, practice human capital management that unlocks employee potential, and further strengthen the value we deliver to clients.

Vision & Voice



Independent Outside Director and Chair of the Responsible Investment Monitoring Committee

**Jun Arima**

**Expectations for TMAM as a responsible institutional investor**

Our responsible investment activities have a long history. We began systematic efforts early, establishing our Responsible Investment Committee in 2007 and formulating a responsible investment policy for the assets we manage that addresses environmental, social and corporate governance issues. Consequently, signing the UN Principles for Responsible Investment (PRI) in 2011 and adopting Japan's Stewardship Code in 2014 provided opportunities to formally endorse our practices and demonstrate our commitment externally, further advancing our responsible investment activities. In 2019, we established the Responsible Investment Monitoring Committee as a Board-mandated committee. With outside directors forming the majority, this committee monitors all our responsible investment activities from an independent perspective to ensure they appropriately address fiduciary duty and conflicts of interest management. I assumed the chair in 2024 and engage in intensive quarterly discussions with the responsible investment team.

Our discussions with the responsible investment team extend beyond assessing individual engagement success to evaluating whether our stewardship framework and capabilities merit client confidence, and identifying steps to strengthen that trust further. We examine multiple dimensions including: maintaining comprehensive internal guidelines through ongoing updates; ensuring logical consistency in exercising shareholder rights and engaging companies without arbitrary stock-by-stock variations; and transparently communicating our philosophy and activities through our website, sustainability reports, and external partnerships.

Our responsible investment practice currently demonstrates clarity about whose interests we serve and how our framework should operate, without falling into mere procedural compliance devoid of substance. Our team is increasingly active in advancing better fiduciary outcomes. The committee is committed to continuing constructive engagement with the team by raising challenging questions from the following perspectives:

- Explicit public purpose: Are stewardship objectives deeply embedded throughout the organisation?
- Co-governance structure: Does our framework enable diverse voices – internal, external, and expert perspectives – to be heard?
- Accountability and transparency: Are our rules and criteria clear and straightforward enough that anyone can explain?
- Scope to evolve: Is there sufficient flexibility to adapt when activity objectives need to be added or changed?

Through these activities, if our committee can prove itself indispensable to earning client trust, I would consider that the greatest privilege for all committee members.

# Sustainable investment initiatives

## Investment approach that considers sustainability issues

In today's asset management industry, consideration of sustainability issues has become commonplace. However, the anti-ESG movement is affecting not only the United States but also Europe and Japan. This trend stems not only from political polarisation but also from inherent challenges within ESG investing itself. Some funds that overemphasised ESG criteria have experienced performance deterioration, while greenwashing – superficial ESG practices – has become rampant, causing a decline in confidence in ESG investment strategies. It is difficult to deny that rigid and sometimes exclusionary investment approaches, reminiscent of the faith-based investing that many consider a distant precursor to ESG, have contributed to this erosion of trust.

However, the initial idea of ESG was not exclusion but inclusion. The ESG concept was developed by a task force convened prior to the establishment of the PRI in 2006. The title of its 2005 report was 'Who cares wins', a concept that resonates with the SDG pledge: 'Leave no one behind'.

Sustainability issues should be reinterpreted from a broader, longer-term perspective. So-called ESG represents a subset of the broader sustainability agenda\*1. We view sustainability issues as encompassing regional revitalisation (self-sustaining local economic cycles, demographic sustainability, food security); economic and national security; fiscal sustainability (resilience of social security, pensions and healthcare, fair tax burden); sustainability of science and technology (R&D, addressing pseudoscience, ethical use of AI and



Senior portfolio manager/analyst: Takeru Asano

biotechnology); disaster resilience and infrastructure; and cultural sustainability (preservation of traditional cultures and languages).

When categorising market-moving forces by timeframe, financial information like corporate earnings and business cycles represents short-term cycles; corporate, social, and political structural factors including S and G elements represent medium-term cycles; and natural capital factors (E) represent long-term cycles. These short-term financial and longer-term sustainability factors can be understood holistically through the shadow cost framework.

Historically, corporate management ignored many sustainability issues and shifted the negative impacts onto society as externalities. Under slavery, the cost of unpaid labour was imposed on enslaved workers as an externality, but after abolition was internalised

within corporate management as fair wages. Pollution, a classic externality, has similarly been internalised through environmental regulations and legal frameworks as costs for waste disposal and hazardous substance treatment equipment. The historical pattern is clear: externalities generated by corporate activity are eventually internalised.

Externalities risk future internalisation by investee companies and are recognised as shadow costs. For example, companies that neglect rising GHG emissions face expected profitability declines from decarbonisation investments and increased carbon tax burdens, resulting in discounted valuations. With emissions allowance market prices available, shadow costs can be readily calculated by multiplying total emissions by the allowance price. In high-GHG-emission sectors, shadow cost-adjusted earnings show stronger explanatory power for stock prices.

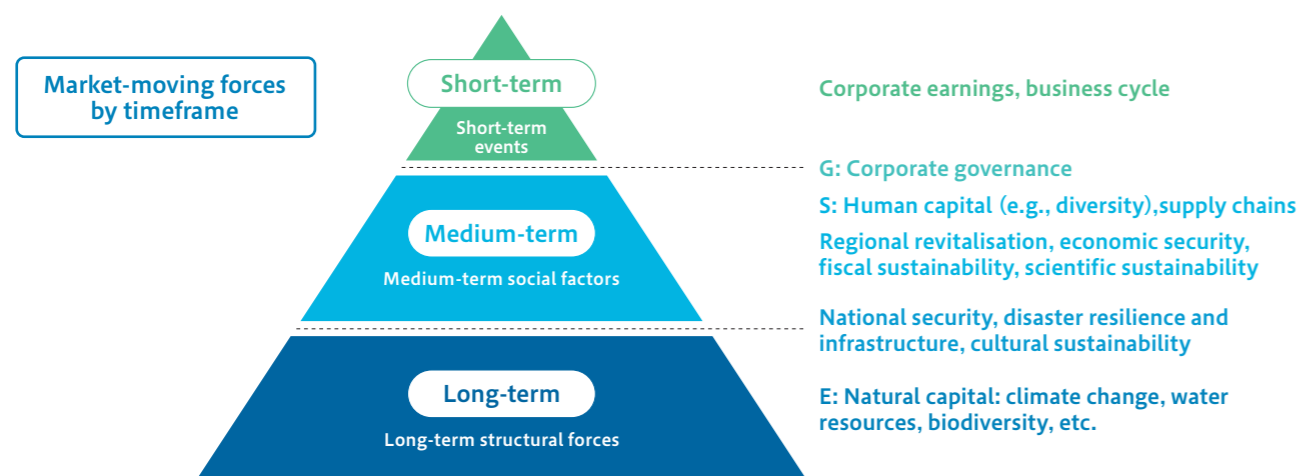
Furthermore, the development of life cycle assessment methodologies\*2, credit systems and social and human capital protocols\*3 may increase the visibility of the shadow costs of sustainability factors beyond GHG emissions, potentially increasing their impact on asset prices. Companies that can formulate, disclose and implement reliable plans to address sustainability challenges can reduce this type of risk and enhance their corporate value.

We recognise that reductions in shadow costs through investee companies' actions to address sustainability challenges, and the resulting business opportunities, represent favourable investment prospects. We also believe that the optimal pathway for each investee to address challenges differs, and we embrace an inclusive investment style aligned with our materiality framework, the founding principles of ESG, and the SDGs. We support the fair and inclusive transition confirmed at COP28, TNFD's emphasis on regional specificity, and the multi-pathway approach reflected in the Ministry of Economy, Trade and Industry's transition finance framework.

Regarding engagement activities, which are essential to sustainable investment, we believe that a thorough understanding of conditions facing investee companies – including planning horizons, access to capital and technology, regulatory frameworks, and natural conditions – along with adequate time for dialogue is necessary. As sustainability is a long-term challenge, we believe an inclusive stance that trusts in companies' problem-solving capabilities and pursues persistent dialogue is superior to an exclusionary (divestment-oriented) stance that prompts investees facing challenges to exit the market swiftly. This thinking holds even when we impose judicious constraints on our investment universe or operations based on investment product characteristics.

We will continue to create unique value within the investment chain through the following activities:

- (1) Management of sustainability-related assets
- (2) Engagement (dialogue) in accordance with definitions (i)–(iii) below, as required by our managed assets, materiality framework, and initiatives in which we participate:
  - (i) **Dialogue areas:** Natural capital, human capital, related governance, and other sustainability issues defined according to objectives of managed assets and initiatives
  - (ii) **Dialogue partners:** Investee companies (current holdings and potential investments), rulemakers, and other relevant stakeholders
  - (iii) **Dialogue objectives:** Encouraging investee companies to formulate, disclose, and execute action plans aimed at addressing sustainability challenges
- (3) Participation in rulemaking processes with government agencies and various initiatives
- (4) Advancing sustainability-related investment methodologies, developing capabilities, and conducting outreach activities



\*1 The disclosure items recommended in the International Business Council (IBC)'s 2020 report 'Measuring Stakeholder Capitalism – Towards Common Metrics and Consistent Reporting of Sustainable Value Creation' also cover areas beyond narrow ESG definitions, such as economic growth and public finance.  
 \*2 A methodology for quantitatively evaluating environmental impact across a product or service's entire lifecycle, from raw material procurement through manufacturing, distribution, sales, and disposal.  
 \*3 The Social and Human Capital Protocol is a framework encompassing concepts and processes for integrating social and human capital management into corporate operations, published by the Social and Human Capital Coalition in 2019.

## Sustainability initiatives in private equity

We provide Japanese clients with investment opportunities in private equity (PE) by managing a portfolio of PE funds managed by leading domestic and overseas managers, and by outsourcing to leading overseas fund-of-funds (FoF) managers.

In PE investment, value is created through managers' engagement with investee companies. Therefore, environmental, social and governance factors are closely linked to investment performance, making the concept of sustainability centred on ESG highly compatible with PE investment. Even before sustainability became a mainstream concept, we examined these factors in our due diligence and monitoring processes, taking measures including investment avoidance when issues were identified. Currently, we explicitly use sustainability/ESG as a distinct evaluation criterion when assessing potential investments.



### Recent challenges in sustainability/ESG promotion

In response to growing investor interest, fund managers have taken more proactive steps in recent years, including publishing annual reports and announcing initiatives at fund meetings. However, recent policy changes and geopolitical tensions have created variations in investor stances and approaches across countries and regions. Consequently, the standards Japanese investors require do not always align with prevailing global norms.

To address this challenge, we believe it is essential to continue patient efforts to deepen fund managers' understanding of the sustainability/ESG stance and standards sought by our company and Japanese investors through ongoing dialogue and contract negotiations.

### Process when selecting externally managed products such as PE funds and FoFs

When selecting private equity funds for inclusion in our portfolio, we treat each fund manager's sustainability/ESG policies, implementation framework and execution status as independent evaluation criteria within our due diligence process.

For externally managed products such as funds-of-funds (FoFs), we conduct the same assessment as when selecting individual fund managers. Furthermore, we regularly engage with FoF managers regarding the level of ESG practices they require from managers of individual private equity funds included in their FoFs, and exchange views on establishing monitoring frameworks.

#### Sustainability/ESG-related questions

(Extracts from evaluation criteria)

Fund management company's sustainability/ESG policies and approach

Investment review process for individual deals and post-investment sustainability/ESG approach

ESG-related disclosure and communication with investors (such as report publication)

## Sustainability initiatives in overseas infrastructure investment

### Fund managers' approaches to sustainability

Overseas infrastructure investment and sustainability have traditionally been highly compatible, and as infrastructure assets are essential to society, investments can have broad impact. Specifically, we make investments that enhance sustainability in various ways, including contributing to regional development and employment, supporting the societal transition to clean energy through renewable energy investments, and reducing GHG emissions through transportation electrification and efficiency improvements (such as the shift to EVs).

In infrastructure investment, external assessment bodies such as GRESB\* evaluate fund managers' sustainability initiatives. In Europe, the Sustainable Finance Disclosure Regulation (SFDR) governs sustainability-related disclosures for financial products, and numerous funds meeting certain disclosure requirements have been established in compliance with SFDR Articles 8 or 9. Monitoring trends in these external assessments and regulatory compliance enables verification of sustainability initiatives. Additionally, some fund managers establish their own criteria, such as linking performance fees to ESG target achievement or measuring actual emissions reduction by incorporating GHG emissions from renewable energy equipment manufacturing processes. Fund managers are implementing various mechanisms aligned with sustainability principles in diverse ways.

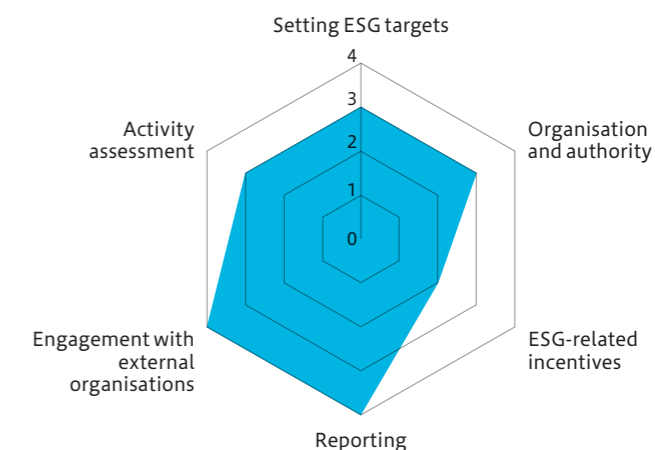
\*GRESB (Global Real Estate Sustainability Benchmark): GRESB is an annual benchmark assessment measuring the ESG performance of companies and funds that develop, own and operate real assets (real estate and infrastructure), as well as the name of the organisation that operates the benchmark.

### Infrastructure Investment Group's approaches to sustainability in investee funds

We provide Japanese clients with investment opportunities in infrastructure primarily located in developed countries through investments in funds managed by leading overseas infrastructure operators. Our investment process incorporates verification of ESG initiatives as part of due diligence when selecting funds. During post-investment monitoring, we review assessments from external organisations such as the aforementioned GRESB and ESG reports published by fund managers.

When selecting funds, we verify the overall approach to sustainability through manager meetings and other means. Specifically, we evaluate six items on a four-point scale: (i) establishment of ESG targets, (ii) ESG-related organisation and authority, (iii) ESG-related incentive design, (iv) reporting, (v) engagement with external organisations, and (vi) activity assessment. (Please refer to the 'ESG Activity Assessment' diagram below.)

#### ESG activity assessment



We believe that verifying sustainability initiatives of leading overseas infrastructure managers through the above process leads to providing investment opportunities in high-quality infrastructure.

## Sustainability initiatives in overseas real estate fund investment

We offer Japanese clients opportunities to invest indirectly in high-quality real estate, primarily in developed countries, through real estate funds managed by leading overseas managers. Recent decarbonisation initiatives in the real estate sector are advancing towards broader and more sophisticated activities, now encompassing not only operational carbon (emissions during building use) but also embodied carbon (emissions from building material manufacturing through construction and demolition). Against the backdrop of stricter net-zero regulations globally, sustainability initiatives in real estate are steadily evolving, including improvements in building energy efficiency, renewable energy adoption, and green finance utilisation.

The indirect nature of investments in real estate funds limits the scope for direct involvement in the management of the real estate funds in which we invest, as well as the real estate itself. We aim to maximise value by taking into account the sustainability issues of our investees (or investee funds in the case of overseas real estate fund investments) and assessing their capacity to address them. Additionally, we consider sustainability as one of our key themes and engage in constructive engagement with the managers of investee funds to contribute to the sustainable growth of these funds and enhancement of their social and global environmental sustainability.

Our management process for overseas real estate fund investments incorporates ESG verification during due diligence when selecting funds and monitoring throughout the post-investment period. Specifically, we verify the overall sustainability initiatives of target managers and funds by reviewing the items shown in the diagram below.

Post-investment, we regularly monitor funds' recent ESG activities through management reports, on-site reviews, and surveys. We compare this monitoring information across investee funds, and where funds lag in sustainability efforts, we engage in dialogue as necessary to confirm future action plans. Additionally, The Townsend Group, our adviser for overseas real estate fund investments, independently conducts sustainability-related research on investee funds. We receive Townsend's findings as needed to support our own research and monitoring activities.

We also conduct annual UN PRI reporting on our overseas real estate fund investment business, receiving a four-star rating in the 2023 UN PRI Assessment.

### When selecting real estate funds

- Investment philosophy of investee funds
- Governance and investor oversight functions
- Policy on conflicts of interest
- Sustainability targets set by managers of target funds
- UN PRI signatory status
- GRESB score

### Monitoring during the operational period

- Verification of any changes to fund selection criteria (left column)
- GRESB status and recent activities
- PRI Assessment
- Environmental performance certification status (e.g., LEED, BREEAM, EPC)
- Other programmes and initiatives

## Sustainability initiatives in catastrophe (CAT) bond investment

CAT bonds (catastrophe bonds) securitise insurance risks with low probability of occurrence but potentially massive losses, primarily targeting natural disaster risks such as hurricanes and earthquakes. CAT bonds offer bond-like risk levels with equity-like returns, making them a highly efficient risk-return asset class. Their low correlation with traditional assets makes them an attractive investment that can improve portfolio risk-return characteristics. We launched Japan's first CAT bond fund in 2006 and transferred management operations to our wholly owned subsidiary TMAM USA (New York) in 2010. Currently, with assets under management exceeding ¥100 billion, we provide investment opportunities to a broad range of investors.

In recent years, as global warming progresses, natural disasters have become more frequent and insurance losses have risen, heightening concerns about extreme weather amongst governments and businesses worldwide. CAT bonds are the only securities that quantitatively analyse climate change's impact on natural disasters and incorporate these results into pricing, reflecting the latest climate change and natural disaster research. Furthermore, insurance payments from CAT bonds when disasters occur have important social significance, supporting disaster victims' recovery. Given these characteristics, CAT bonds are increasingly viewed as ESG investments. In June 2021, Italy's largest



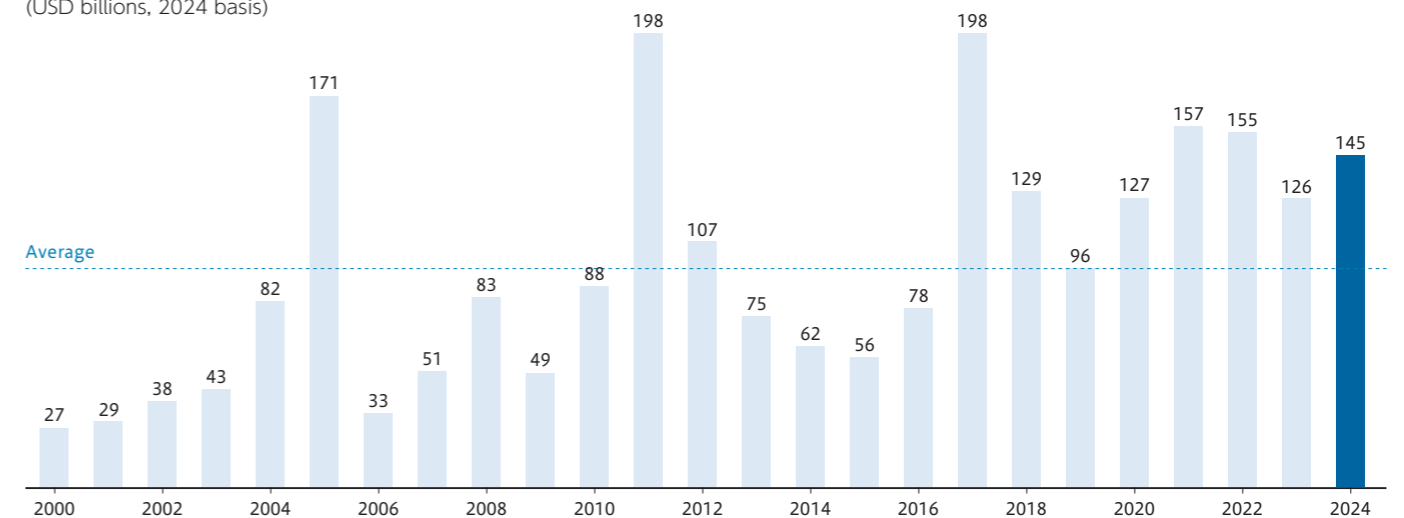
CAT bond investment team

insurer issued the world's first green CAT bond 'LION III Re DAC', further raising attention as an ESG-focused investment opportunity.

CAT bonds inherently embody sustainability concepts in their structure and play a role in deepening awareness of climate change and natural disaster risks through quantitative analysis. The CAT bond market is relatively young and evolving, with specific sustainability evaluation criteria and verification systems still under development. However, these frameworks are expected to be established as the market matures.

### Insurance losses due to natural disasters

(USD billions, 2024 basis)



Source: Aon Catastrophe Insight

# Natural capital

## Initiatives related to natural capital as an institutional investor

### Governance

We have identified five material issues as part of our sustainability efforts: promoting climate change countermeasures; building a resilient society and protecting the natural environment; supporting and creating innovative products and services; respecting people and diversity; and enhancing corporate value through governance. In particular, we recognise that climate change and biodiversity loss will have significant and long-term impacts on realising our management philosophy of contributing to a prosperous society and spurring economic development. As these two issues are inextricably linked, we believe that considering them holistically as natural capital enables a more effective

problem-solving approach.

We have established a Sustainability Promotion Committee, chaired by the CEO, to deliberate and decide on key sustainability-related matters. This committee, comprising senior management including the CIO, deliberates on basic policies and plans concerning sustainability including natural capital, and resolves and verifies specific measures, ensuring the effectiveness of our initiatives. The Sustainability Group serves as the committee's secretariat and leads implementation of corporate policies and specific measures. Initiatives in asset management are led by the Sustainable Investment Group in collaboration with relevant departments.

### Strategy

We measure and track GHG emissions from investee companies within the assets we manage, set reduction targets, and assess our investments' nature dependencies and impacts. However, we believe that risks and opportunities associated with sustainability initiatives – including natural capital – in asset management ultimately depend on our ability to encourage investee companies to address challenges, thereby reducing risks and enhancing value. Consequently, we position longer-term engagement (dialogue) based on sufficient mutual understanding as

our core approach.

As described below, we continuously engage with companies, primarily investees, on climate change, biodiversity and related issues. We support the 30 by 30 Alliance for Biodiversity and actively participate in rulemaking processes led by the Ministry of the Environment, providing recommendations and cooperation from an investor perspective. Looking ahead, based on the landscape and value chain approaches recommended by TNFD, we anticipate stronger engagement with local stakeholders.

### Corporate engagement activities related to climate change

We engage in dialogue primarily with companies in sectors deemed highly relevant to climate change challenges – raw materials, manufacturing, transport and utilities – focusing on those with significant GHG emission contributions within the assets we manage. We monitor and evaluate progress towards achieving and upwardly revising GHG emission reduction targets and plans set as KPIs by each company, based on the following three perspectives:

( i ) GHG emission reduction target levels set by

- companies(compared with NDCs)
- ( ii ) Technical difficulty in achieving carbon neutrality
- ( iii ) Proactivity of emission reduction strategies and likelihood of meeting targets

The raw materials and manufacturing sector includes many companies where GHG emissions are unavoidable under current production processes, requiring fundamental process transformation (such as switching to hydrogen-based technologies) – high difficulty as indicated in point (ii). Therefore, our

discussions have centred on longer-term perspectives towards achieving carbon neutrality by fiscal 2050, rather than milestone targets for fiscal 2030. We requested companies to establish financing schemes for necessary R&D and capital investment, and to formulate and disclose ultra-long-term visions. Whilst some materials companies showed slow progress towards KPI targets due to difficulties introducing decarbonisation technologies, we observed cases where advocacy activities to secure policy support intensified compared with previous levels.

In the transport sector, we engage with companies whose business activities are strongly constrained by global rules. Reduction targets significantly exceeding NDC levels (highly rated in terms of (i)) have been set in accordance with agreements within international industry organisations. We confirmed steady progress towards these targets, including the switch from heavy oil to gas for internal combustion engines, and the introduction and feasibility of renewable fuel technologies.

There is growing consensus that the pathway to carbon neutrality in the utilities sector involves increasing the share of renewable energy such as solar

and wind power, and nuclear power in the energy mix. Primary dialogue themes included: adequacy of GHG reduction targets relative to current power generation mix; progress on policy approvals and initiatives for nuclear plant restarts; achievement of renewable energy development plans shifting from solar to onshore and offshore wind; and robustness of financing for required capital investment. Whilst many companies showed increased likelihood of achieving fiscal 2030 GHG reduction milestone targets through nuclear plant restarts and transparent restart schedules, we encouraged some companies with high thermal power ratios to reconsider targets that appeared overly ambitious.

We anticipate further deepening and evolution of our engagement in the next fiscal year. Japan's revised NDC was submitted in February 2025, and based on this, we plan to discuss formulating reduction plans with fiscal 2040 milestone targets and reviewing current targets considering changes in the global political environment. In particular, we will strive to promote introduction and disclosure of highly feasible reduction plans aligned with the actual technical and financial constraints of each sector.

### Corporate engagement activities related to biodiversity

We conduct engagement dialogue with companies in the raw materials, manufacturing, services, transport and utilities sectors, where biodiversity issues are considered highly important, to assess their awareness of and approaches to TNFD in the following stages (i)–(v):

- ( i ) Recognise TNFD issues and the need for action
- ( ii ) Recognise and identify impacts on and dependencies on nature in business operations
- ( iii ) Determine the scope and schedule of disclosures in formats such as TNFD reports
- ( iv ) Identify strategic risks and opportunities; implement and disclose initiatives to reduce (increase) negative (positive) impacts on nature
- ( v ) Work on and disclose effective strategies, including engagement in identified priority regions and areas; measure and disclose relevant natural capital values and advanced indicators

Whilst some companies in the raw materials sector remain at stages (i)–(ii), we observed paper companies registering company-owned forests as nature-positive sites (designated by Japan's government as Other Effective area-based Conservation Measures, or OECMs), publishing monetary valuations of their natural capital, and pursuing strategies aligned with TNFD's recommended engagement approach. Additionally, some chemical companies calculated and disclosed the value of their nature-positive sites using the "Valuation and Calculation Sheet for Ecosystem Services Related to Corporate Biodiversity Conservation Activities" (Ministry of the Environment, March 2019 \[trial version]\*1), which we recommended in our engagement dialogues.

In the manufacturing sector, we noted fishing-related companies had made TNFD disclosures equivalent to stages (iv)–(v), and we requested them to register nature-positive sites, undertake advanced

measurement, and consider value-added strategies.

Some food companies at stage (iii) are pursuing solutions to issues in agriculture, forestry and livestock farming upstream in their value chains (raw material suppliers). We maintain our policy of continuously providing information that supports actual corporate action.

In the services sector, construction and real estate companies highly rated (equivalent to stages (iv)-(v)) for addressing supplier (forestry) issues are expected to expand their initiatives regionally. Additionally, some media companies at stage (i) are aiming to develop biodiversity strategy content that contributes to regional revitalisation. We continue engagement activities and promote corporate disclosure that can contribute to realising these goals.

Companies in the transport sector have achieved TNFD disclosures approaching stage (v). We are requesting consideration of further advancement through measuring invasive alien species and state of nature (TNFD Core Disclosure Indicators C4.0 and C5.0) in identified priority areas and implementing

improvement measures.

We observed that many companies in the utilities sector prioritise addressing risks (reducing negative nature impacts) over opportunities. However, some stage (v) companies have explicitly stated existing and future natural capital opportunities alongside links to the Kunming-Montréal Biodiversity Framework's 2030 global targets, which we evaluate as potential disclosure model cases for the sector.

As biodiversity emerged later than climate change as a major sustainability issue, we will continue our phased approach based on TNFD engagement levels. We request that companies in early stages recognise and measure nature dependencies and impacts, consider the LEAP approach, and compile and disclose feasible TNFD global core disclosure indicators. For companies at advanced stages, we encourage more sophisticated disclosures (such as measuring and target-setting for core disclosure indicators C4.0-C7.4) and development, implementation and disclosure of comprehensive biodiversity strategies such as landscape or value chain approaches.

### Participation in rulemaking (biodiversity-related policies)

In Japan's biodiversity policy, nature-positive sites – OECMs (Other Effective area-based Conservation Measures) contributing to biodiversity conservation outside protected areas such as national parks – are positioned as a core mechanism. The economic mechanisms for nature-positive sites were discussed in the Study Group on Economic Incentives for 30 by 30. In September 2023, a working group was established under the study group to specifically design various forms of support for nature-positive sites.

The working group held eight meetings as the "Support Certificate Model Trial Working Group" (fiscal 2023) and "Support Certificate Trial Working Group" (fiscal 2024), in which we participated as the sole asset manager member, providing investor-focused perspectives and insights. The working group discussed: design of a support certificate system to publicly certify corporate and organisational human, technical and financial support for nature-positive sites; effectiveness of hypothetical supporter-recipient matching cases; and how support certificates could be utilised in TNFD disclosures and CSR activities.

The working group's findings were reported to the

parent committee in March 2025 as "Results of Support Certificate System Trial Operation and Consideration of Full-Scale Operation"<sup>\*2</sup>. After two years of trial operation, the support certificate system is expected to transition to full operation as a system under the Act on Promoting Activities to Enhance Regional Biodiversity, which came into force in April 2025. As system monitoring and verification will be required, we will continue cooperating with policy authorities as requested.

Additionally, in November 2024, we participated in a Ministry of the Environment initiative to promote ESG finance for regional financial institutions: a "Roundtable between Experts and Financial Institution Staff". This online seminar, attended by over 100 regional bank employees from the Chugoku region of western Japan, aimed to improve ESG finance literacy amongst client-facing branch staff. We presented in roundtable format on topics including shadow cost interpretation of sustainability information, investor demand for human capital information and target disclosures, and engagement materials for non-listed companies. The session was well received.

### Risk management, indicators and targets

#### Calculation of key GHG emission indicators

GHG emissions are an indicator of climate change risk levels (transition and physical) and biodiversity damage risks from warming and sea level rise. We measure key

GHG emissions-related indicators using Trucost data for Japanese equities, Japanese bonds and foreign equities held in our directly managed portfolios.

#### Comparison with benchmarks (BM) for key indicators related to GHG emissions as at the end of March 2025

	GHG emissions (t-CO2e) <sup>*1</sup>				Weighted average carbon intensity (t-CO2e/million USD) <sup>*2</sup>	
	TMAM(SCOPE1+2)	vs. BM	TMAM (SCOPE1-3)	vs. BM	TMAM (SCOPE1+2)	vs. BM
Japanese equities	423,484	57%	13,790,375	129%	64.25	78%
Japanese bonds (corporate bonds)	236,389	69%	1,179,211	104%	178.38	54%
Foreign equities	83,503	101%	761,736	86%	107.14	104%

Benchmarks (BM) – Japanese equities: TOPIX<sup>\*3</sup>; Foreign equities: MSCI Kokusai Index<sup>\*4</sup>; Japanese bonds (corporate bonds): NOMURA-BPI (Nomura Bond Performance Index) Corporate Bonds<sup>\*5</sup>

<sup>\*1</sup> Calculated based on TMAM's share of Enterprise Value Including Cash (EVIC: market capitalisation + total debt (book value) + non-controlling interest (book value))

<sup>\*2</sup> Weighted average carbon intensity: calculated by multiplying each investee company's GHG emissions per unit of revenue by the company's portfolio weight and summing these values

<sup>\*3</sup> "TOPIX" is a stock price index published by Tokyo Stock Exchange, Inc. capturing movements of stocks listed on the TSE. The TOPIX index values and trademarks are the intellectual property of Tokyo Stock Exchange, Inc., which holds all rights and know-how related to TOPIX. Tokyo Stock Exchange, Inc. may change or suspend the calculation or publication methods of TOPIX index values, suspend publication, or change or cease use of the TOPIX trademark.

<sup>\*4</sup> The "MSCI Kokusai Index" is a stock index published by MSCI Inc. covering major developed countries excluding Japan. All copyrights, intellectual property rights and other rights pertaining to this index belong to MSCI Inc. MSCI Inc. reserves the right to modify the index contents and discontinue its publication. Reproduction, distribution or use of any part or the entirety of the index without MSCI Inc.'s permission is prohibited. MSCI Inc. is not affiliated with the fund and assumes no liability arising from it.

<sup>\*5</sup> The "NOMURA-BPI (Nomura Bond Performance Index)" is an index published by Nomura Securities Co., Ltd. that reflects trends in Japan's public bond market. NOMURA-BPI is the intellectual property of Nomura Securities Co., Ltd. Nomura Securities Co., Ltd. assumes no responsibility for fund performance.

#### Natural capital-related targets

In line with our material issues of "promoting climate change countermeasures" and "building a resilient society and protecting the natural environment", we have set and published interim 2030 targets for directly managed assets.

**Halve the carbon footprint by 2030 for 25.9%<sup>\*6</sup> of assets managed as at the end of 2019**

The carbon footprint as at the end of 2019 (base year) was 120.91 t-CO2e per million USD, whilst as at the end of March 2025 it was 56.59 t-CO2e per million

USD. Primary factors contributing to this reduction versus the base year include changes in assets under management, market value fluctuations of holdings, and decreased GHG emissions by investee companies.

Regarding natural capital-related risk indicators, we consider TNFD's recommended core disclosure indicators (water consumption, total waste, land use change, species status, etc.) highly important. However, corporate disclosure quality and quantity require improvement, and we will continue monitoring and verification.

As mentioned above, we will use engagement activities as our core approach to reduce natural capital-related risks, including achieving carbon neutrality.

<sup>\*1</sup> <https://www.biodic.go.jp/biodiversity/activity/policy/valuation/pdf/instructions.pdf>  
<sup>\*2</sup> <https://www.env.go.jp/content/000296398.pdf>

<sup>\*6</sup> Covers equities and corporate bonds held in portfolios directly managed by TMAM. Excludes sovereign bonds and alternative assets.

### Understanding of dependencies on and impacts to nature

For portfolios directly managed by TMAM, we identified dependencies on and impacts to nature (provisioning services, regulating and maintenance services, cultural services) using the ENCORE framework, based on holdings across the 11 sectors defined by the Global Industry Classification Standard (GICS). This year's analysis references the "ENCORE October 2024 Framework" and the Ministry of the Environment's "Guidance for Analysing Nature-related Information in Line with TNFD Recommendations (for Financial Institutions) – 2024 Edition".

Both dependencies and impacts are relatively greater in the capital goods, consumer discretionary and information technology sectors. These sectors show high dependencies on ecosystem services including: provisioning services (water supply); regulating and maintenance services (flood and storm mitigation, water flow regulation); and cultural services (recreation-related services, visual amenity). On the impact side, significant factors include noise and light, GHG emissions, non-GHG air pollutants, toxic pollutants discharged to water and soil, terrestrial ecosystem use, and water use.

Dependencies	Provisioning services			Regulating and maintenance services											Cultural services			Total									
	Biomass supply	Genetic samples	Water supply	Animal-based energy	Global climate regulation	Water flow regulation	Mediation of sensory impacts (other than noise)	Air filtration	Soil quality/regulation	Soil and sediment retention	Solid waste purification	Water purification	Storm protection	Flood protection	Pollination	Maintenance of nursery populations and habitats	Regional climate regulation		Biological pest control	Regulation of rainfall patterns	Dilution by atmosphere and ecosystems	Noise attenuation	Recreation-related services	Visual amenity services	Education, science and research services	Spiritual, artistic and symbolic services	
Capital goods/services																											
Consumer discretionary goods/services																											
Information technology																											
Consumer staples																											
Healthcare																											
Materials																											
Communication services																											
Financials																											
Utilities																											
Real estate																											
Energy																											

Impacts	Disturbances (noise, light)	Freshwater ecosystem use	GHG emissions	Marine ecosystem use	Non-GHG air pollutants	Use of biological resources	Use of non-biological resources	Discharge of toxic pollutants into water and soil	Discharge of eutrophying substances (nutrient pollutants) into water and soil	Solid waste generation and discharge	Terrestrial ecosystem use	Water use	Invasive alien species	Total
Consumer discretionary goods/services														
Information technology														
Consumer staples														
Financials														
Materials														
Healthcare														
Communication services														
Utilities														
Energy														
Real estate														

**Reference: ENCORE analysis**

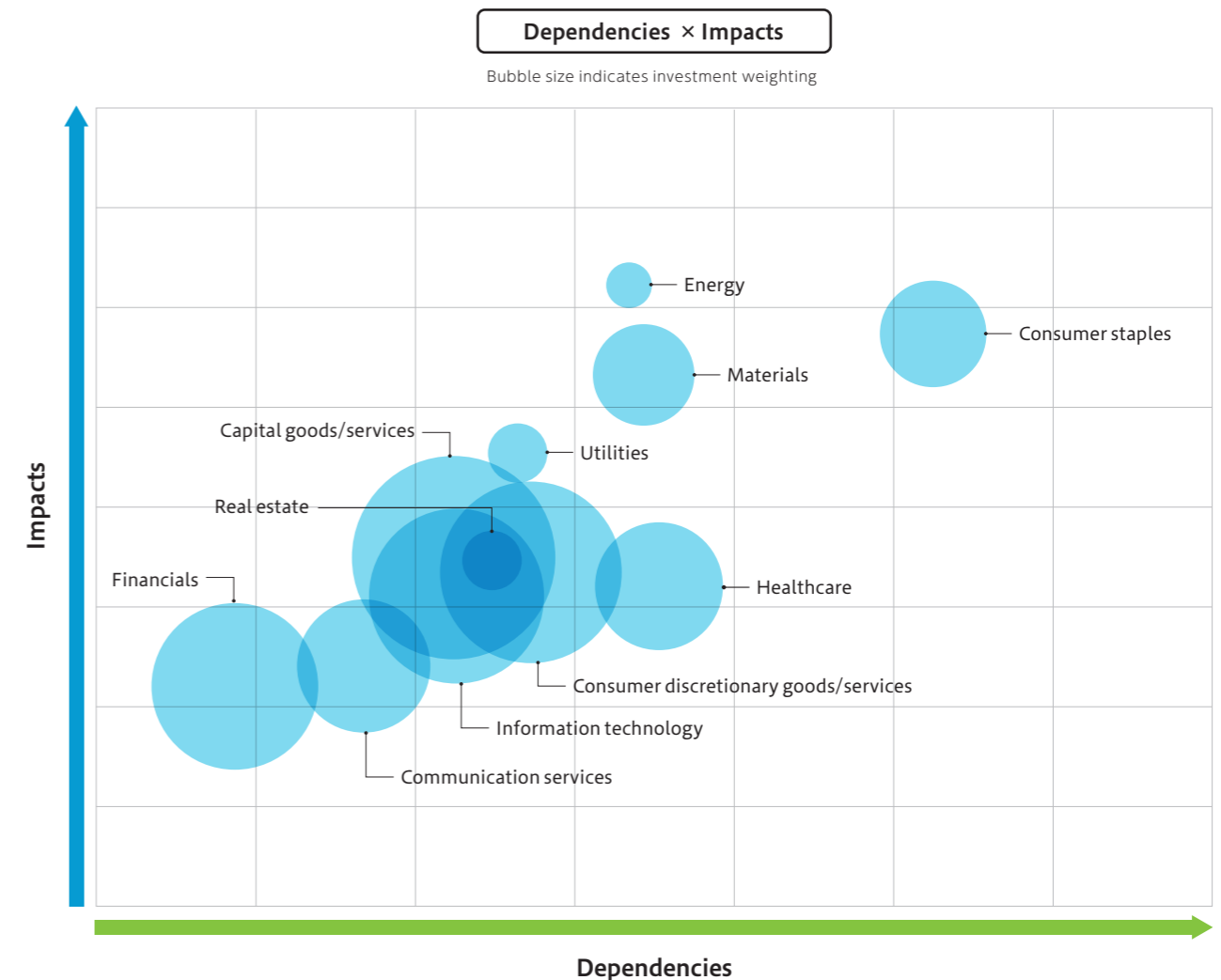
To understand investee companies' relationship with natural capital, we used ENCORE\*7 to assess dependencies on and impacts to nature by sector for Japanese equities, Japanese bonds and foreign equities held in our directly managed portfolios.

### Sectors with high dependencies on and impacts to nature

Classifying our holdings by nature dependencies and impacts, and investment weighting, reveals that the consumer staples sector has the largest dependencies and impacts (see figure below). This sector includes food systems such as agriculture, food production and related distribution, resulting in high dependencies on broad ecosystem services including: provisioning services (water supply, biomass supply); and regulating and maintenance services (water flow regulation, soil and sediment retention, water purification, storm and flood protection, regional climate regulation, regulation of rainfall patterns). On the impact side, factors specific to primary production – including discharge of toxic

pollutants to water and soil, discharge of eutrophying substances (nutrient pollutants) to water and soil, solid waste generation and discharge, terrestrial ecosystem use, and water use – are significant, making engagement on nature-positive initiatives particularly important.

Energy and materials are also sectors where biodiversity initiatives are important due to the nature of business, which inevitably involves extensive land use, water abstraction and various emissions. These sectors show large dependencies, particularly on water supply, and significant impacts including noise, light, GHG and toxic substance emissions, making them priority engagement areas.



\*7 An analytical tool jointly developed by international organisations and financial institutions including the Natural Capital Finance Alliance (NCFA) and United Nations Environment Programme Finance Initiative (UNEP FI) to assess corporate dependencies on and impacts to natural capital. Its use is recommended by the Taskforce on Nature-related Financial Disclosures (TNFD). Updated in July 2024 with revisions to dependency and impact items and data.

## Research on environmental conservation activities and carbon credit creation

We participate in environmental conservation activities across Japan, aiming to contribute to decarbonisation and biodiversity conservation in areas such as marine and agricultural environments through the power of finance. As one example, since 2023 we have

participated in the "Ishigaki Island Nosoko Umishobu Conservation Project" to restore umishobu (seagrass) meadows in the Nosoko area of Ishigaki City, Okinawa Prefecture.

### ► The current situation in Okinawa's waters

In Okinawa Prefecture, coral bleaching and mortality due to rising sea temperatures from global warming represent major problems. The disappearance of seagrass meadows, which are precious for biodiversity and decarbonisation, is also problematic. On Ishigaki Island, seagrass meadows are declining due to grazing by green sea turtles and other species, resulting in problems including reduced fish catches.



### ► Seagrass meadow restoration project

In October 2023, we installed protective fencing in the Nosoko area of Ishigaki Island to prevent grazing damage by sea turtles and launched a restoration project for umishobu, an endangered seagrass species.

Fence installation was carried out with cooperation from the local elementary school and residents. As a result, umishobu was successfully regenerated within the protected area.



### ► Creating blue carbon credits

In June 2025, we conducted monitoring of successfully regenerated umishobu seagrass with the aim of creating J-Blue Carbon Credits. Using aerial and underwater drone photography, we accurately measured the area and coverage of regenerated seagrass meadows for high-precision monitoring.

Whilst outside the protective fencing seagrass had disappeared leaving a desert-like seascape, we observed numerous marine organisms within the protected area where seagrass had regenerated. The monitoring reaffirmed that seagrass meadows, known



as the "cradle of the sea", are precious not only for CO<sub>2</sub> absorption but also for biodiversity conservation.

### ► Environmental education for future generations

Until 2019, visiting the coast revealed rich seagrass meadows with umishobu spreading as far as the eye could see, but today many children are unaware of this seascape. Therefore, the cooperating local elementary school conducts snorkelling site visits to observe umishobu growth and the organisms living in healthy seagrass meadows. Additionally, by setting up classroom aquariums, the project familiarises children across generations with umishobu cultivation. We will continue prioritising the wishes of local people and contributing to restoring and maintaining Ishigaki Island's

nature in cooperation with the community.

Through these initiatives, we are promoting GHG reductions and biodiversity conservation whilst taking on the challenge of creating carbon credits.

Going forward, we will continue leveraging the power of finance to promote decarbonisation and biodiversity conservation in marine and agricultural sectors. Through collaboration with technologically advanced companies and education for future generations, we will contribute to the sustainable development of Japan's economy.



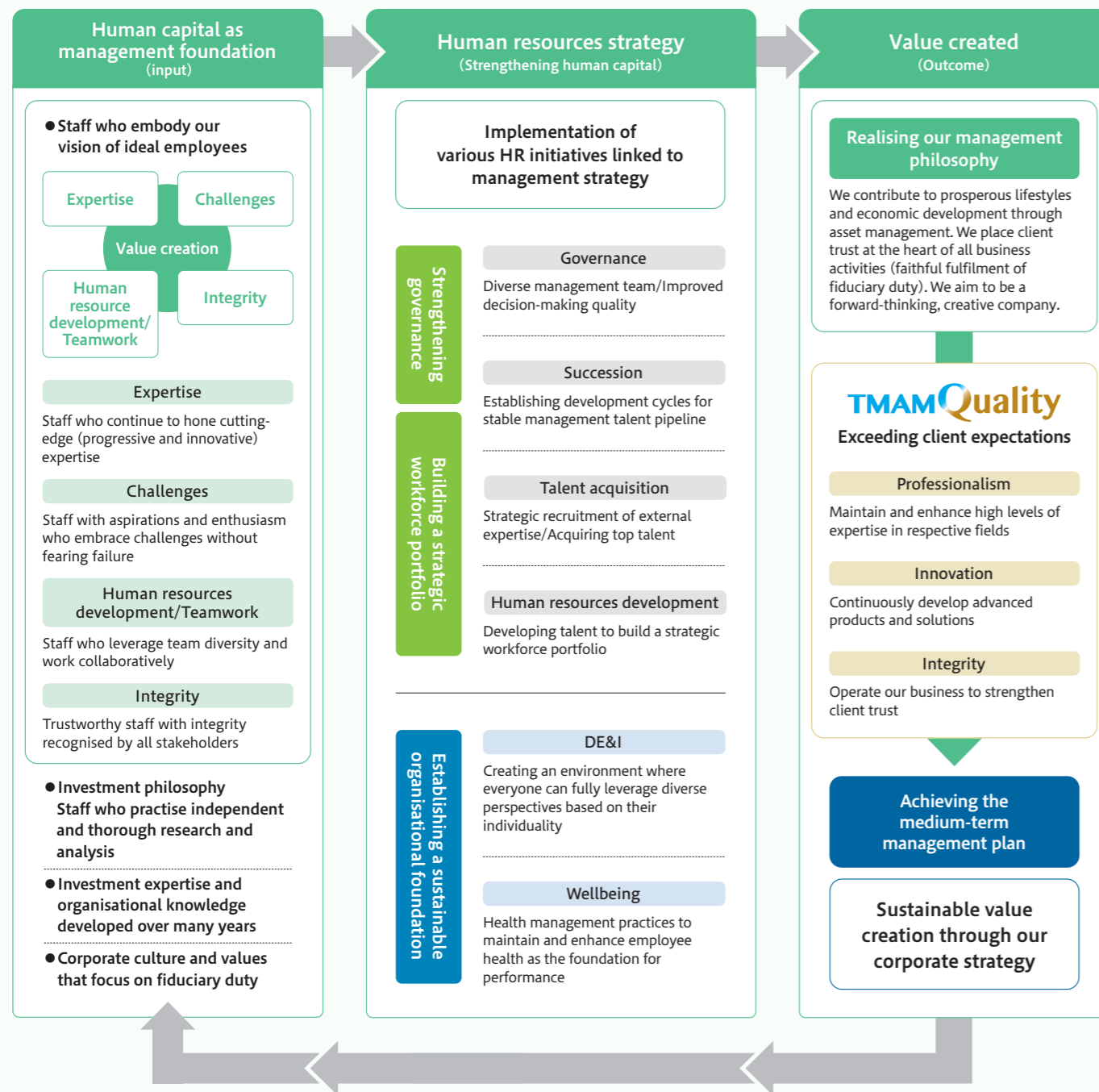
# Human capital

## Value creation through human capital management

Amid rapid changes in the asset management business environment, we have positioned human capital management at the core of our management strategy. Our objective is to achieve our strategic vision by maximising human capital through HR

strategy execution. Viewing our diverse workforce's high expertise, unique perspectives and values as our competitive advantage, we maximise human capital through various HR initiatives to drive sustainable value creation.

Value creation process of human capital management



## Human capital management by the numbers

The implementation of human capital management and outcomes of various initiatives are reflected in steady progress across multiple indicators. Our efforts have yielded results in areas including strategic talent

portfolio development, diversity promotion, work-life balance, fair treatment and health management, advancing creation of an environment where each employee can maximise their potential.

Human capital management indicators

Field	Theme	Indicator	Fiscal 2023	Fiscal 2024	2025*1
Strengthening governance	Governance	Percentage of women on the Board	14.3%	16.7%	16.7%
	Succession	Participation rate in tier-based programmes	—	100%	100%
Building a strategic workforce portfolio	Talent acquisition	Percentage of women among new graduate hires	33.3%	60.0%	57.1%
	Human resources development	Total CMA and CFA holders	188	180	176
Establishing a sustainable organisational foundation	DE&I	Human capital co-creation programme participants	18	11	↑ 23
		Percentage of women employees	35.2%	34.8%	↑ 35.8%
		Percentage of women in management positions	9.3%	10.5%	↑ 12.3%
		Average years of service (men/women)	(Men) 7.2 years (Women) 9.3 years	(Men) 7.8 years (Women) 9.9 years	(Men) 7.5 years (Women) 9.7 years
		Gender pay gap	57.2%	60.0%	—
	Wellbeing	Employment rate of people with disabilities	2.3%	3.0%	↑ 3.6%
		Average monthly overtime hours	22.5 hours	21.6 hours	—
		Percentage of paid leave taken	67.3%	67.2%	—
		Percentage of men taking parental leave	83.3%	100.0%	—
		Stress check participation rate	92.9%	93.2%	—
Absenteeism*2	1.8%	2.0%	—		
Productivity loss rate due to presenteeism	18.5%	17.8%	—		
Percentage of high-stress individuals	10.6%	9.8%	—		

\*1 As at the end of June 2025  
\*2 Percentage with 11 or more days of absence

## Establishing a foundation for growth through HR system reform

Sustainable corporate value enhancement requires the growth of each employee. In fiscal 2024, we undertook fundamental HR system reforms to provide fair growth opportunities for all employees.

Through these reforms, we consolidated traditional job classifications and revamped our framework

to better utilise employees' diverse aspirations and expertise. By introducing a new evaluation system that emphasises individual strengths and motivation, we enable various career paths. Through these reforms, we have established a foundation where every employee can maximise their potential.

## Talent acquisition and development: Deepening our expertise as a professional asset management team

### Building a strategic workforce portfolio

We are strategically advancing recruitment of diverse talent to deepen our capabilities as a professional asset management team. In particular, we are actively recruiting specialists with varied backgrounds to strengthen our investment capabilities.

We are also focusing on ensuring diversity in our governance. Since fiscal 2024, an independent female outside director has served as Board Chair, enabling management decisions from more multifaceted perspectives. Furthermore, diversity amongst management has steadily improved through appointing

individuals with investment experience and global expertise, with the percentage of female managers increasing to 12.3% (from 10.5% in fiscal 2024).

Building a forward-looking talent portfolio is also positioned as a key priority. In new graduate recruitment, we actively seek individuals with strong interest in asset management and high motivation to deliver client value. For fiscal 2025 new graduate recruitment, the percentage of women exceeded 50% (60.0% in fiscal 2024), establishing the foundation for a diverse talent portfolio to drive next-generation value creation.

### Establishing a talent development framework emphasising expertise and creativity

The foundation of asset management is client trust, which depends on people with advanced expertise and strong ethical values. We position talent development as fundamental to our business activities and have established a development framework emphasising both "pursuing expertise" and "fostering creativity".

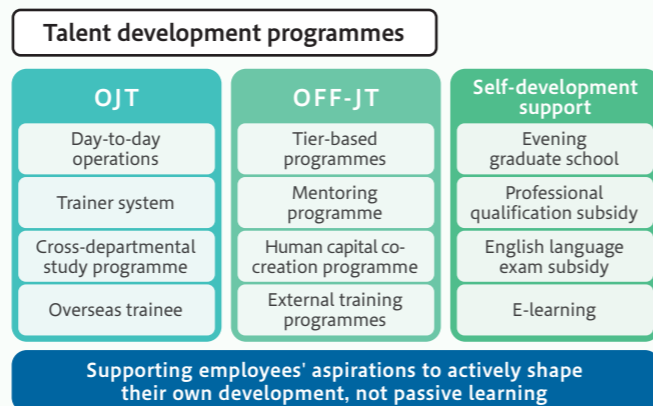
At the core of our talent development programme for enhancing expertise is thorough on-the-job training (OJT) through careful guidance by senior colleagues and supervisors in daily work. In fiscal 2024, aiming to enhance OJT quality and effectiveness, we advanced standardisation through cross-departmental workshops (24 participants) and developed an "OJT Handbook" incorporating field feedback.

To systematically support these talent development activities, the HR Department leads OJT trainer training and various off-JT programmes. Additionally, we offer extensive e-learning content enabling each employee to learn anytime, anywhere, according to their individual objectives and career plans.

Furthermore, as an initiative fostering creativity

#### TMAM Human Capital Co-creation Programme

<b>Introductory course</b>	Introduction to Modern Finance for Asset Management I	Introduction to Modern Finance for Asset Management II
<b>Intermediate course</b>	The Bank of Japan and Policy	Long-term investment and equities
<b>Advanced course</b>	Asset Management Meister University (AMU)	Group Proposal Research Meeting (Expert Network Seminar)



alongside expertise, we operate the "TMAM Human Capital Co-creation Programme".

This programme supports progressive growth from introductory courses for new employees to advanced courses for practical learning at "Asset Management Meister University" and collaboration with external financial research groups. The advanced courses specifically aim to cultivate creative perspectives transcending conventional frameworks through dialogue with external experts and cross-industry exchange.



TMAM Human Capital Co-creation Programme lecture

## Wellbeing: Achieving meaningful work and health management

### Deepening health management

Enhancing employee health literacy and maintaining and promoting physical and mental health is increasingly important for establishing our health management foundation. Each June, we hold vascular age and vegetable intake measurement sessions and actively participate in Tokio Marine Health Insurance Union's "Tokio Marine Wellness Month" (also June) and "Health Challenge" (October–November). Additionally, in August we raise employee awareness through health literacy e-learning (90.1% participation rate in fiscal 2024). These initiatives have yielded positive results: in fiscal 2024, the stress check response rate was 93.2%, high-stress individuals 9.8%, absenteeism (11+ days) 2.0%, and presenteeism productivity loss 17.8%. Consequently, we have been certified as an Outstanding Health Management Organisation (Large Enterprise Category) for five consecutive years since 2020. We will continue focusing on further expanding and developing health management through ongoing effective measures.



### Increasing employee engagement

To foster unity and enhance engagement, we organise various events including family days and company social gatherings. In fiscal 2024, we introduced new initiatives: company-wide lunchtime gatherings and a boccia tournament to raise DE&I awareness through para-sports experience. The boccia tournament attracted particularly strong participation with 26 teams and over 100 employees, clearly demonstrating expanding employee engagement.

### Support for balancing work and childcare

We have long actively supported work-childcare balance, including normalising childcare leave for male employees, and obtained the "Kurumin" government designation for family-friendly employers in fiscal 2020.

Whilst we previously treated the first five days of parental leave as paid, from fiscal 2025 we introduced partner's childbirth leave (up to seven consecutive days of special paid leave) to further strengthen mechanisms enabling male employees to participate in childcare. These measures achieved a 100% male parental leave take-up rate in fiscal 2024, and based on these results, we are pursuing "Platinum Kurumin" certification.



### Establishing new ways of working

To enable diverse and flexible working styles, we fully renovated our office in August 2023. The renovation expanded communication spaces, introduced non-assigned seating, and established focus areas and café corners, allowing employees to work in locations suited to their purposes, enhancing communication and improving productivity. Additionally, we introduced a work-from-home system allowing up to three days weekly. Through realising these new working styles, we aim to achieve higher productivity and create greater added value.



### Support for work-life balance

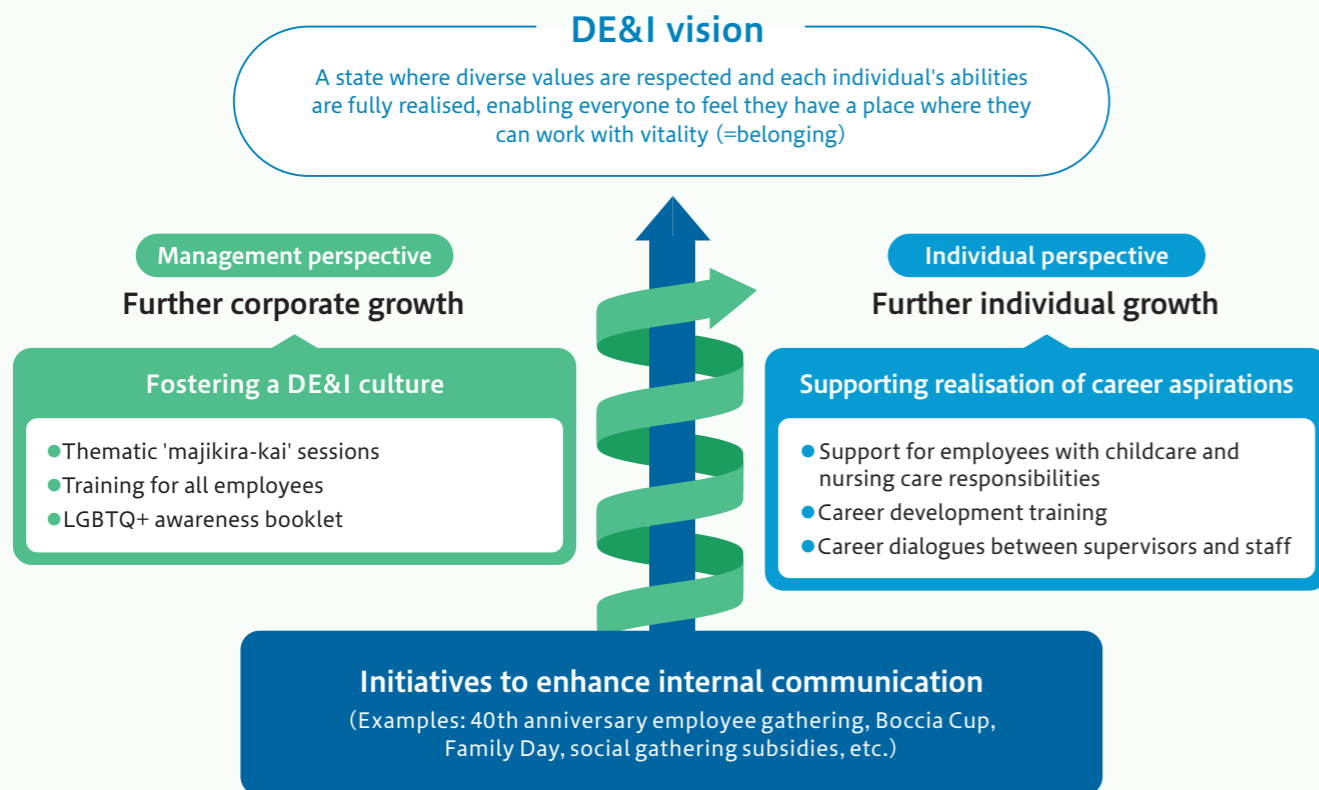
To support employees' fulfilling work lives, we have established systems contributing to work-life balance. These include a special consecutive leave system (five days) separate from regular paid leave, the "My Select" system allowing daily working hour adjustments, and from April 2025, paid childcare and nursing care leave. Uptake is increasing as employees tailor usage to their circumstances.

## DE&I: Upward spiral of company and individual growth

We position diversity, equity and inclusion (DE&I) as an important pillar of human capital management to leverage our diverse workforce's unique perspectives and values as competitive advantages.

Under this policy, we advance DE&I from two perspectives: building an inclusive organisation and

promoting value creation through diverse perspectives. The former aims to create an environment where all employees can thrive, whilst the latter aims to create mechanisms for new value creation based on this environment.



### Fostering an inclusive corporate culture

#### 'Majikira-kai' sessions between executives and employees

In fiscal 2024, we held extensive company-wide discussions on advancing DE&I and articulated our vision. To embed and realise this vision, we held 65 'majikira-kai' sessions (candid discussions in a relaxed atmosphere) between executives and all employees, facilitating active exchanges of views.



#### Support for balancing work and nursing care

To create a workplace where every employee can maximise their abilities, we actively support balancing work and nursing care responsibilities. Specifically, we have developed a practical support handbook, enhanced our nursing care leave system, established flexible working arrangements (flexible hours, work-from-home), and created forums where employees with care responsibilities can share experiences and insights. These comprehensive efforts were recognised in June 2025 when we received "Tomonin" accreditation, the Ministry of Health, Labour and Welfare's designation for work-care balance support.



#### Support for individual career development

Employees hold diverse career visions. To support individual growth, we provide assistance tailored to each growth stage. Specifically, we conduct generation-specific "Career Design Workshops" and host career dialogue sessions with female outside directors, supporting career development through diverse perspectives. Additionally, through "Career Dialogues" with supervisors held three times annually – at the beginning, midpoint and end of the fiscal year – we engage in constructive discussions whilst sharing action plans aimed at realising each individual's growth and career aspirations.



#### Promoting diverse workforce participation

In promoting diverse workforce participation, we particularly focus on strengthening our framework for accommodating people with disabilities. As a specific initiative, we developed and implemented a "Disability Inclusion Handbook" to promote workplace understanding and improve the working environment. As a result of these ongoing efforts, our employment rate of people with disabilities as at June 2025 was 3.6%, significantly exceeding the statutory rate (2.5%). Furthermore, in recognition of our efforts promoting women's advancement, we received the highest three-star "Eruboshi" certification from the Ministry of Health, Labour and Welfare in September 2025.



### Promoting value creation through diverse perspectives

We focus on eliminating the gender gap as a key diversity issue. In fiscal 2024, as part of our HR system reforms, we advanced equitable assessment and compensation. Consequently, women's pay levels

(relative to men at 100) improved from 57.2% (fiscal 2023) to 60.0% (fiscal 2024). Furthermore, we are implementing the following measures to promote women's advancement.

#### Internal initiatives

##### Mentoring programme

- Implemented a six-month mentoring programme to foster casual cross-departmental consultation

##### Role model booklet

- Produced "Individual Careers – Discovering Your Role Models 2024"
- Featured career stories of women employees across various departments, visualising concrete career paths

#### External collaboration

##### Tokio Marine Group DE&I Community participation

- Mutual learning through sharing best practices across the group
- Acting as a driving force for DE&I advancement in Japan

##### Asset Management Women's Forum (AMWF) participation

- Industry-wide initiatives to promote women's advancement
- Investigating joint solutions to industry-specific challenges
- Promoting information exchange and relationship building through networking

Through this dual approach of internal measures and external collaboration, we achieve highly effective DE&I advancement. Results are evident in concrete improvements including increased employment rates

for people with disabilities and higher percentages of women in management. We will continue strengthening our efforts to pursue further progress.

# Stewardship activities

## Overview of stewardship activities

TMAM engages in stewardship activities with the aim of maximising investment returns through the sustainable enhancement of the corporate value of investee companies in order to fulfil our fiduciary responsibility to asset owners. To ensure that our stewardship activities are appropriate and effective, we have established a system that ensures efficacy and transparency, while taking into account the characteristics of each asset class.

In fixed income investments, we engage with issuers and encourage them to reduce ESG risks to minimise any widening of the credit spread, thereby improving investment returns.

In equity investment, we engage in constructive dialogue on themes such as strengthening management strategy and improving capital efficiency, based on our industry analysts' in-depth understanding of the companies they cover. The stock prices of companies

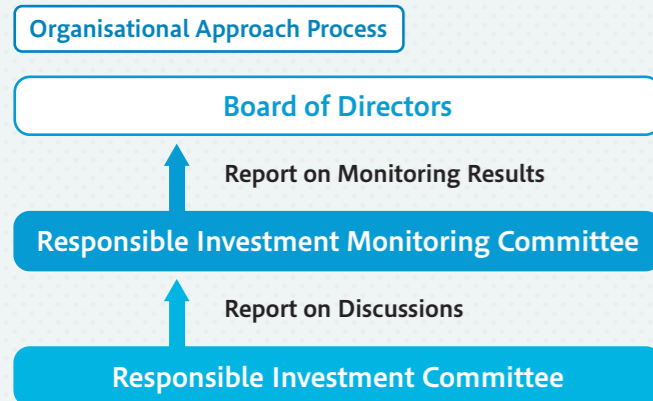
that act on this dialogue have been shown to outperform their industry peers and achieve a valuation premium. Our view on these companies is informed through this dialogue and reflected in our voting decisions; we encourage substantive improvements that will contribute to increasing corporate value, rather than just applying criteria as a formality.

We will continue to further strengthen our stewardship activities and pursue sustainable improvement in investment returns based on building a relationship of trust with investees. As an active management house, we aim to meet the expectations of asset owners through these initiatives.

## Organisational approach for efficacy and transparency in stewardship activities

We have established two committees with the aim of 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, with the heads of various departments within the Investment Division serving as committee members.

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.

The Responsible Investment Monitoring Committee consists of a majority of outside directors, alongside the in-house 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 results compare with approval rates at the actual shareholder meetings.

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

## 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, May 2020, and April 2025.

Our commitment to stewardship activities is founded on a recognition that engaging investee

companies in constructive dialogue to raise corporate value and encouraging sustainable growth to improve clients' longer-term investment returns is closely aligned with our own management philosophy.

Specific initiatives for fiscal 2024 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)

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; we believe we are carrying out activities in accordance with them. In fiscal 2024, we revised and publicly disclosed the guidelines for exercising voting rights in Japanese equities.
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 that shareholder voting rights are appropriately exercised, decisions are made independently by the Investment Division based on the voting guidelines established by the Responsible Investment Committee, which includes investment professionals and other relevant personnel. Furthermore, we have a publicly disclosed conflict of interest management policy and follow a clear process for determining the companies to be subjected 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.
Principle 3 · 4	Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with a focus on the sustainable growth of the companies.
	Institutional investors should seek to arrive at a common understanding with investee companies and work to solve problems through constructive engagement with investee companies.
Principle 5	We conduct research to accurately understand the circumstances of investee companies. Through engagement with companies on issues such as business strategy, financial strategy, disclosures, and ESG initiatives, we strive to have constructive dialogues on enhancing corporate value over the longer term. We foster dialogues on ESG issues, covering a broad range of themes such as climate change and human capital. We also engage in dialogue across various other themes, with an increasing number of corporate disclosures referring to the cost of capital in line with the request by the Tokyo Stock Exchange.
	Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised solely of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.
Principle 6	We believe that voting rights are being exercised appropriately in accordance with the basic policy and guidelines determined by the
	Responsible Investment Committee. We revise our guidelines in light of changes in the environment surrounding investee companies and carefully scrutinise each item, including sustainability issues, before a decision is made on whether to approve or oppose. Through these initiatives, we believe that we have ensured the effectiveness and transparency in the exercise of voting rights. Since the establishment of the Responsible Investment Monitoring Committee in September 2019, we have reported voting results to the committee on a quarterly basis. We have received appraisals that our voting activities are being carried out appropriately, along with feedback on revisions to basic policies and guidelines. We will continue to ensure that analysts, portfolio managers, and members of the Responsible Investment team exercise their voting rights effectively based on an accurate understanding of individual company circumstances.
Principle 7	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 reviews 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, 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 our clients' further understanding.
Principle 7	To contribute positively to the sustainable growth of investee companies, institutional investors should develop the skills and resources needed to appropriately engage with companies and make proper judgements in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment, as well as 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. We held study sessions with external experts to deepen our knowledge on topics of high market interest, such as disclosure on management that is conscious of the cost of capital and stock price, the responsibilities of outside directors, organisational fraud and scandals, human capital and diversity, and points of interest related to the exercise of voting rights in 2025. We believe that sharing the knowledge gained from these sessions has contributed to enhancing our organisational capacity. Going forward, we will continue to make qualitative improvements in our stewardship activities through the use of ESG information and even greater internal collaboration.

## Sustainable investment in Japanese fixed income

### Fund managers' commitment to sustainability

In fixed income investment, we primarily consider ESG (environmental, social and governance) considerations are primarily incorporated into corporate bond 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 spread with against government bonds), which may worsen performance. In identifying ESG risks, we analyse a range of ESG information based on expertise and evaluations obtained from Tokio Marine Group companies. In addition, when the fixed income department determines that risks are of high importance and require further examination, we engage in dialogue with issuers and rating agencies to ascertain the actual risks. Another important factor is that bonds have a maturity date, so we believe it is important to determine the time



From left Group Leader Shiyo Imai / Senior Fund Manager Taihei Sugiyama / Senior Fund Manager Yutaka Tono / Fund Manager Ayaka Yamamoto / Fund Manager Tetsuya Kawamoto / Fund Manager Mone Tamba

at which risks may materialise. Taking these points into account, we may seek to mitigate downside risk by reducing the investment ratio or reviewing the investment period.

### Dialogue with issuers to encourage sustainability initiatives

The fixed income department engages in fixed income stewardship activities in collaboration with the Sustainable Investment Group, focusing on significant ESG issues for corporate management. In our fixed income stewardship activities, we first identify ESG factors with high materiality, then select business activities, industries, and companies that are closely related to these ESG factors, and then select target companies taking into account the effectiveness of dialogue.

Climate change (decarbonisation) is currently one of the most material ESG factors in fixed income investment. In Japan, not only government institutions but also business and financial institutions are taking action.

However, it will be difficult for all companies to decarbonise in a single leap, and transitioning towards steady decarbonisation in high-emission industries will be key. Japan's government is also developing a range of measures, including discussions at its GX (Green Transition) Implementation Council, the creation of a roadmap for promoting transition finance, the formulation of 'Follow-up Guidance on Transition

Finance: Towards Better Dialogue with Fundraisers,' and the revision of 'Basic Guidelines on Climate Transition Finance.' Additionally, initiatives to enhance disclosures, such as adding sustainability information sections in securities reports and releasing draft sustainability disclosure standards, are making progress, and companies are responding to these. Sustainable finance, including transition finance, is critical for the corporate bond market, which includes many companies in high greenhouse gas-emitting industries. This type of finance is expected to see an expansion in investment opportunities.

In fiscal 2024, we selected companies from several high-emission industries and engaged in dialogue about the effectiveness of their plans for decarbonisation, including management policies, capital investment, and methods of financing. Furthermore, we continue to provide recommendations from an investor's perspective regarding their approach to sustainable finance and methods of information disclosure. 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.

## Responsible investment approach in Japanese equity

We view stewardship as part of the process of enhancing corporate value and the resulting appreciation of stock prices. This makes stewardship a key factor in maximising the returns on the funds entrusted to us by clients. A key feature of our approach is that our industry analysts, who are familiar with the circumstances of individual companies, are in charge of the dialogue, including identifying target companies and setting themes for dialogue, which enhances effectiveness. The progress of these dialogues is shared not only with analysts but also with fund managers and analysts from the Responsible Investment team during monthly stewardship meetings. Different perspectives and opinions, trends in ESG topics, and case studies, including companies in which we do not have holdings, are considered to deepen dialogues and set themes.

We are also using a quantitative approach based on aggregated data of dialogue themes and

corporate actions to verify the effectiveness of dialogue. Companies that have implemented actions or are open to taking action tend to outperform their industry peers, suggesting that changing corporate behaviour can lead to excess returns. In particular, the mutual effectiveness of dialogue appears to be relatively higher for financial strategy and governance than for other themes, and this serves as a useful reference for setting future themes. By continuing to accumulate data, we plan to improve the accuracy of verification and deepen our analysis of the effectiveness of dialogue.

There is little debate that dialogue with investee companies is a crucial part of the investment chain for asset managers. We are committed to making these activities ever more meaningful by enhancing our engagement and dialogue capabilities and validating their effectiveness.

### Corporate valuation utilising the TMAM ESG score

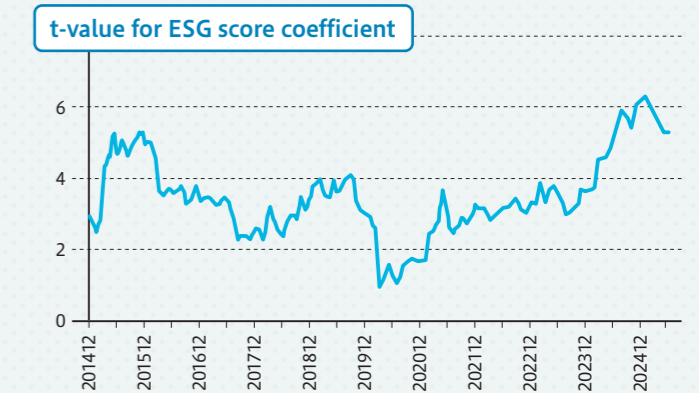
We have improved our process for calculating corporate value using the TMAM ESG score\*1.

We calculate corporate value (target stock price) based on the equity spread model\*2. This involves discounting the residual income, which is the portion of future profits projected by our analysts that exceeds the cost of equity, to its present value.

Based on  $P/B = P/E \times ROE$ , we added the TMAM ESG score as an explanatory variable in the model below and examined its coefficient's t-value, as shown in the figure on the right.

$$\ln(P/B) = \text{Coefficient 1} \times ROE + \text{Coefficient 2} \times \text{TMAM ESG Score} + \text{Intercept}$$

The t-value for the ESG score coefficient has remained above 2, except during the early COVID period when stock prices and earnings forecasts were volatile, indicating that stocks with high (low) TMAM ESG scores trade at a premium (discount) even after controlling for ROE. This premium (discount) is converted to a cost of equity coefficient based on long-term averages and



\*1 This score combines ESG assessments from group company Tokio Marine dR (TdR) with Sustainalytics ESG Risk Ratings to evaluate both company-specific ESG risks and commitment to addressing ESG issues.

\*2 Corporate value by equity spread model = Shareholders' equity +  $\sum (\text{Net income}_t - \text{Cost of equity} \times \text{Shareholders' equity}) / (1 + \text{Cost of equity})^t$ , where t = period

reflected in our equity spread model for corporate valuation.

Our analysts evaluate each company through qualitative assessments of longer-term growth, earnings forecasts, and sector-appropriate valuation methods, then factor in TMAM ESG scores to arrive at investment ratings.

## Engagement conducted by Tokio Marine Asset Management

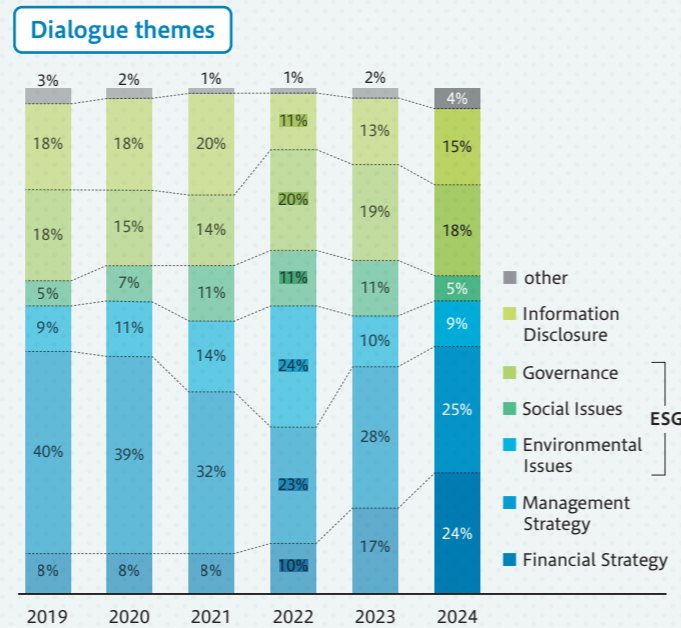
We actively engage investee companies in dialogue to enhance their corporate value and capital efficiency from a longer-term perspective and to promote sustainable growth.

Constructive dialogue with investees focuses on the two key areas of “management strategy” and “environmental, social, and governance (ESG),” 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 six years. Dialogues on management strategy and ESG were the main focus, accounting for 60%–70% of the total throughout the period.

We conduct engagements aimed at enhancing corporate value across management strategy (improving return on capital – the numerator), financial strategy (optimising capital structure – the denominator), disclosure (reducing cost of capital), and ESG (addressing non-financial factors). On management strategy, we have focused on business-critical themes such as portfolio restructuring and profit enhancement measures, while on financial strategy, we have engaged on capital policy including shareholder returns. ESG-related dialogue, which stands at 40% of total engagement numbers, includes themes such as GHG (greenhouse gas) emissions reduction, TNFD (Taskforce on Nature-related Financial Disclosures) response strategies such as natural capital initiatives, human capital management, and DE&I (Diversity, Equity & Inclusion) initiatives.

Our sector analysts are ultimately responsible

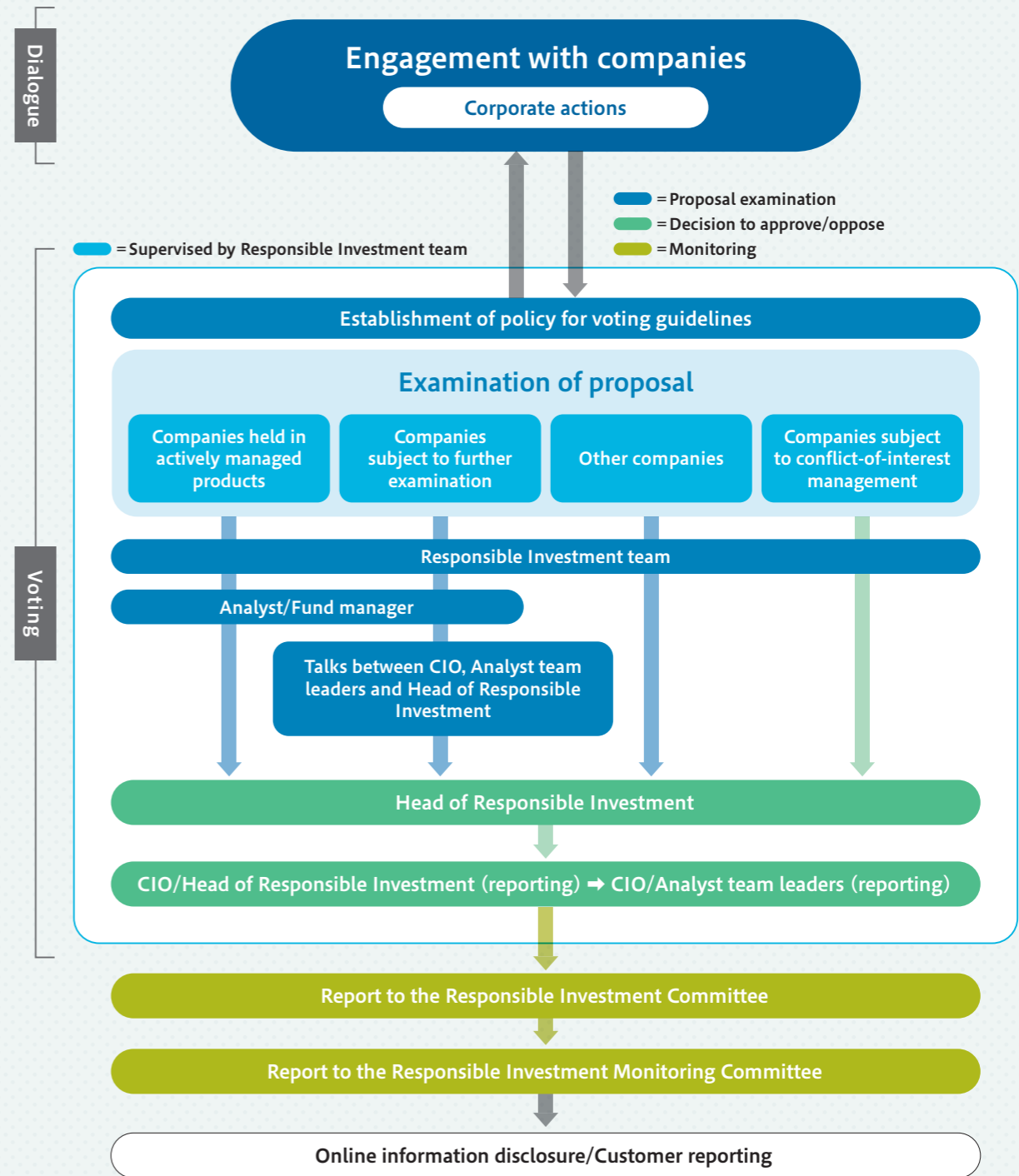


for understanding individual investee company circumstances and play a central role in promoting such dialogue. Just as we invest in a broad diversity of companies, we need a broad perspective in our approach to ESG as a major theme of our engagement. Therefore, our Responsible Investment team also actively 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.

## Disclosure of information related to voting decisions

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



### Monitoring progress in engagement

We aim to make dialogue more effective by monitoring progress through the five stages shown here. The coloured sections represent the current situation as we perceive it. Broader engagement topics may be at multiple stages simultaneously.

#### Definitions of five stages

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

## Examples of engagement as active investors

### Engagement case study **Company A** (Sector: Other Products) | Theme **Disclosure**



Senior Fund Manager  
Kenichi Hiramatsu

#### Overview

- Company A is a distribution company specialising in indirect materials for factories. It has grown through establishing its own logistics network, developing private brand products, and expanding into overseas markets. As part of our dialogue on 'management conscious of cost of capital and share price', we were invited to present to the board of directors, and we explained the background to the request from the Tokyo Stock Exchange and its connection to the Ito Review.
- Following the presentation, we held discussions with management, including outside directors, regarding capital costs, capital policy, and growth strategies, among other topics.

#### Results (Company action/Response)

- At its earnings briefing in January 2025, Company A disclosed explanatory materials entitled 'Actions to Implement Management Conscious of Cost of Capital and Share Price', with the president presenting on KPIs including long-term growth rate, cost of capital, and shareholder return policy.

#### Next steps

- We commend Company A's decision to make detailed disclosures as part of the dialogue process.
- We intend to continue discussions on beneficial disclosure practices to reduce cost of capital.

### Engagement case study **Company C** (Sector: Retail) | Theme **Governance**



Group Leader  
Yoshimasa Ikazaki

#### Overview

- Company C is a major discount retailer that has pursued growth through M&A-driven expansion into general merchandise stores and overseas markets. However, equity markets have viewed succession from the current management team, particularly regarding the founding family relationship, as a governance issue. We have held continuing discussions with the company on this and related concerns.

#### Results (Company action/Response)

- Company C announced the appointment of a new president in March 2025. To ensure a smooth succession, the disclosure was made six months in advance, and an analyst briefing session was held.

#### Next steps

- We commend Company C's decision, developed through our continuing dialogue, to publicly announce and explain the presidential appointment in advance of formal approval at the shareholders' meeting.
- Given the continued involvement of founding family members in Company C's management structure, we intend to continue discussions on governance arrangements.

### Engagement case study **Company B** (Sector: Transportation Equipment) | Theme **Financial strategy**



Senior analyst  
Shun Nemoto

#### Overview

- Company B is one of Japan's leading transportation equipment manufacturers, with a diverse business portfolio spanning motorcycles and automobiles, financial services, and general-purpose engines. In our dialogue on 'management conscious of cost of capital and share price', we have held extensive discussions on capital policy, including shareholder returns, and communications with equity market to improve visibility.

#### Results (Company action/Response)

- Company B announced its financial strategy in May 2024. The strategy outlined plans to deploy approximately ¥10 trillion in resources over the 10 years through fiscal 2030, when EVs are expected to achieve widespread adoption, while balancing

bold investments for future growth with shareholder returns.

#### Next steps

- We commend Company B for clarifying its approach to growth investments and the use of remaining funds for shareholder returns, developed through our ongoing dialogue.
- We plan to continue engaging on the development of timely and appropriate financial strategies and their disclosure, including IR communications and expectation management.

### Engagement case study **Company D** (Sector: Insurance) | Theme **Financial strategy**



Senior analyst  
Ken Kobayashi

#### Overview

- Company D has grown as one of Japan's leading insurance companies. As the domestic market matures, expanding overseas operations and developing new business areas are critical longer-term challenges. Effective capital utilisation, including reallocation, is essential for sustainable growth in corporate value. Accordingly, we have engaged on capital policy as a priority theme, including cross-shareholding reduction and shareholder returns.

#### Results (Company action/Response)

- In individual meetings, the company confirmed it has reduced cross-shareholdings to a limited number and that this policy is clearly disclosed, including in statutory filings. For non-strategic equity holdings, the policy is to substantially reduce market risk and recover capital. This was

consistent with feedback we have received from several of the names held by Company D.

- On capital policy, the company positions shareholder returns as an important means of reducing cost of capital. Given solid earnings, the policy is to implement appropriate capital measures whilst considering growth investment opportunities.

#### Next steps

- We commend Company D's commitment, developed through our ongoing dialogue, to reduce cross-shareholdings and implement a capital policy that appropriately reallocates recovered capital.
- We share the view that there is room to improve Company D's return on capital relative to its cost of capital, and we plan to continue engaging on raising returns to an appropriate level.

## Annual results of shareholder voting

(General Meetings of Shareholders from July 2024 to June 2025)

### Overview of voting results on Japanese equity

TMAM voted on a total of 12,473 company proposals at shareholder meetings between July 2024 and June 2025, approving 10,811 and opposing 1,662 (13.3%

opposed). Of 316 shareholder proposals, we voted to approve 43 and oppose 273 (86.4% opposed).

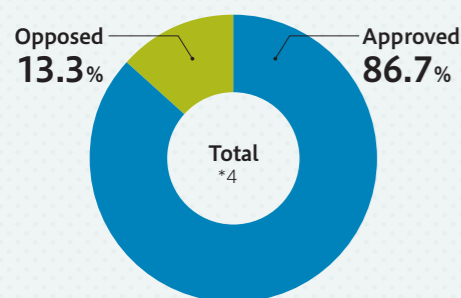
(click here for further details)



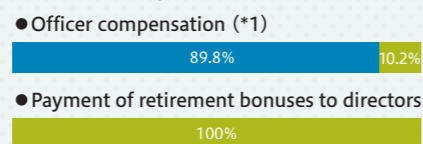
### Summary of Voting Results for July 2024 to June 2025

■ =Approved ■ =Opposed

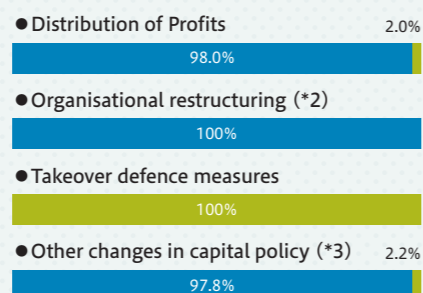
#### Company Proposals



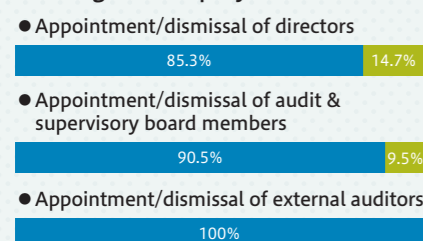
#### Officer compensation, etc.



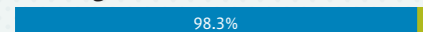
#### Changes in capital policy (Excluding changes to articles)



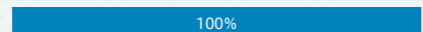
#### Changes to company bodies



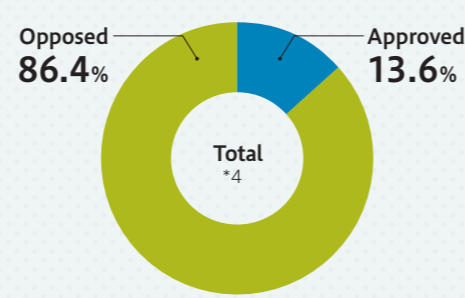
#### Changes to articles



#### Other business



#### Shareholder Proposals



\*1 Changes in level of officer compensation, stock option issues, introduction/abolition of performance-linked compensation structures, officer bonuses, etc.

\*2 Mergers, transfers of business, share exchanges, share transfers, company splits, etc.

\*3 Share buybacks, decreases in capital reserve, third party share allotments, capital reduction, reverse stock splits, classified stock issues, etc.

\*4 Not including abstentions and carte blanche

We voted against a high proportion of proposals, including those concerning the appointment and dismissal of directors. The main reasons for this included breaches of our guidelines on performance indicators such as ROE, the independence requirements for outside directors, the composition of the board of directors, the number of female directors, and cross-shareholdings. In addition, we in principle oppose proposals relating to the payment of retirement bonuses to retiring directors, and, as in previous years, the voting

results for the period from July 2024 to June 2025 show that we voted against all proposals concerning the introduction or renewal of takeover defence measures.

We supported shareholder proposals aimed at improving transparency of governance, including proposals to allow the distribution of profits, proposals to introduce stock-based compensation for directors, and amendments to the Articles of Incorporation requiring individual disclosure of director compensation.

### 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 considered are given below.

Company	Classification	Example considering case-specific factors (General rule: TMAM voting guideline, Decision: Our judgement considering case-specific factors)
Company X	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. Company X plans to strengthen the functions of its board of directors by increasing personnel to implement its medium-term management plan, which, in our view, is reasonable and will lead to an expansion of corporate value. Furthermore, the number of board members is not so high as to impair the speed of decision-making, and the transparency of the board of directors is also preserved. This leads us to support the proposal.
Company Y	Proposal on Appointment of Directors	(General rule) We oppose any nominee who has been in office for more than three years at a poorly performing company.
		(Decision) Proposal to appoint director. Company Y's ROE exceeds our guideline threshold, so it would not normally qualify as underperforming, and we would typically support director appointments. However, the company has not adopted fair value accounting for its real estate leasing business. These assets are recorded at book value on the balance sheet, with fair values only disclosed in off-balance-sheet notes. We assess that the value of most of these assets could be realised depending on management action, given considerations of appropriateness, feasibility, and liquidity. On this basis, if we include valuation gains (after tax) as part of shareholders' equity, and evaluate capital efficiency based on this adjusted equity (Net Asset Value, or NAV), the adjusted ROE has remained below the cost of capital for an extended period. Therefore, we oppose this proposal to appoint a member of senior management as director.

### Managing conflicts of interest in shareholder voting

We have published a conflict of interest management policy, and our Japanese Equity Shareholder Voting Guidelines define the management of conflicts of interest in the exercise of voting rights as follows.

**When exercising shareholder voting rights with regard to our parent company or major business partners, we shall vote in accordance with the advice of a proxy advisory firm in order to avoid any conflict of interest.**

The Compliance Committee and the Responsible Investment Monitoring Committee are among a number

of internal organisations responsible for the ongoing handling of cases not otherwise explicitly restricted under TMAM rules where there is a potential conflict of interests with clients.

Internal controls regarding structures for managing possible conflicts of interest are checked by TMAM's internal audit department, and are subject to monitoring and regular review by the Board of Directors, including independent outside directors, ensuring a highly transparent decision-making process.

## Participation in relevant initiatives

As a responsible investor, we believe that identifying and investing in opportunities for sustainable growth, as well as contributing to the sustainable growth of the social economy as an operating entity, are both essential duties of an asset management company. Based on this philosophy, we support and have signed various corporate conduct guidelines and principles.

### Principles for Financial Action for the 21st Century (Principles for Financial Action towards a Sustainable Society)

Under the Principles for Financial Action for the 21st Century, signatory financial institutions implement initiatives based on the seven principles as far as possible in the context of their own operations. We have served as a Steering Committee member and Co-Chair of the General Meeting of the Principles for Financial Action for the 21st Century since 2016 and engage actively to ensure signatory institutions can achieve their objectives. In fiscal 2024, we exchanged views on the nature of the organisation and discussed the need for measures to increase the commitment of signatory institutions. Specifically, we recommended holding Steering Committee meetings on a regional basis and started to explore ways to realise this in the following year.



Left: Senior analyst Katsuaki Manaka speaking as Co-Chair of the General Meeting

### 30% club Japan Investor Group

### Access to Medicine Index Investor Statement

### Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations

### 30 by 30 Alliance for Biodiversity

### United Nations Principles for Responsible Investment (PRI)

Signatory of:



#### [Key Results of the PRI Assessment]

The PRI evaluates compliance with its principles, and the assessment results are presented as relative ratings. In the assessment, TMAM received high ratings of five stars and four stars in categories including overall company, direct investment, and outsourcing.

Overall Company	Policy, Governance, and Strategy	★★★★☆
Direct Investment	Fixed Income (Sovereign, etc.)	★★★★☆
	Fixed Income (Credit)	★★★★☆
	Active Equities	★★★★☆
Indirect Investment (outsourced)	Active Fixed Income	★★★★★
	Private Equity	★★★★★
	Active Equities	★★★★☆
	Overseas real Estate	★★★★☆
	Infrastructure	★★★★☆

### Japan Stewardship Initiative ■ Regional Revitalisation SDGs Public-Private Partnership Platform

## Environmental and social initiatives

### Environmental Initiatives

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 CO2 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 2024 decreased to 5.40 tonnes, a 56% reduction from fiscal 2015.

	Fiscal 2022	Fiscal 2023	Fiscal 2024
Electricity consumption : t-CO <sub>2e</sub>	0	0	0
Paper consumption: t (compared to fiscal 2015)	6.72 (▼46%)	5.54 (▼55%)	5.40 (▼56%)

### Social contribution

(Corporate citizenship activities)

Responsible action as a corporate citizen and a deep understanding of the challenges faced by communities and society are essential to the realisation of a sustainable society. We actively engage in social contribution activities with the aim that each employee takes ownership of social issues and proactively engages in their resolution.

#### Conservation of the natural environment

Around 70 employees supported the umishobu (tape sea grass) protection project on Ishigaki Island (p. 24) through crowdfunding. Additionally, we organised employee beach cleanups, raising awareness of the environment while taking practical steps for its conservation.



#### Realisation of an inclusive society

We are developing initiatives focused on parasports in order to promote understanding of DE&I and put this into practice. Through activities such as organising a bocchia tournament with over 100 participants and programmes to watch Paralympic sports, we are deepening employees' understanding through the three steps of 'Know', 'See', and 'Experience'.



#### Fostering community and social links

Approximately 25% of our employees take part in the Dementia Supporter Training Programme, which aims to deepen understanding of dementia and create a society in which everyone can live comfortably. We also support the 'Sending School Backpacks Across the Sea' initiative organised by Kuraray to support the education of children in Afghanistan, contributing to global society by donating school bags and stationery.



## Concerning risks and fees

### ■ Risks associated with discretionary investment contracts

The investment strategies described in this document primarily refer to investment in domestic and foreign securities, and losses may be incurred due to declining asset prices, exchange rate fluctuations and other factors. Clients' investment principal is not guaranteed, and losses due to declining asset values may result in loss of principal. Risk details differ for each strategy; please review pre-contract documentation and other relevant materials before entering into a contract.

### ■ Fees under discretionary investment contracts

The maximum annual management fee (fixed fee component) is **1.10% (1.0% excluding tax)** of assets under management. Performance-based fees may also apply. Brokerage commissions and other trading costs for securities trades will be incurred, but these cannot be specified in advance as they depend on the transactions executed. Total fees cannot therefore be determined in advance. Please review fee details in pre-contract documents and other relevant materials.

### ■ Risks associated with investment trusts

Investment trusts primarily invest in securities with fluctuating values, such as domestic and foreign equities and bonds. Losses may be incurred as a result of price declines in these underlying assets or, for investments in foreign securities, exchange rate fluctuations. Investment trusts **differ from deposits and insurance products. Clients' investment principal is not guaranteed**, and losses due to declining net asset values **may result in loss of principal**. Since the nature and details of risks differ for each investment trust, please carefully read the investment trust prospectus and other pre-contract documentation 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 **1.903% annualised (including tax)**

\*For funds of funds, with some exceptions, separate investment management fees and other costs apply for the underlying investment trust securities.

- 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 they will vary depending on the holding period and other factors. Please carefully read the investment trust prospectus and other pre-contract documentation when investing.

《Caution》 The risks and fees described above are based on a typical investment trust. The fee rates stated represent the highest rates for each respective fee type across all investment trusts managed by Tokio Marine Asset Management. For specific fee details, please refer to the prospectus for each individual investment trust. Risks and fees vary by investment trust; please carefully review the prospectus and pre-contract documentation when investing.

### ■ Notes

- This document is a marketing material 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 prospectus before applying to invest and make your own decision. The investment trust prospectus is available on request from the distributor.
- 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 accuracy or integrity of the information. 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.
- Investment trusts invest in securities with fluctuating values and, in the case of foreign currency-denominated assets, are also subject to exchange rate fluctuations. Consequently, net asset values fluctuate and principal is not guaranteed.
- Unlike bank deposits, investment trusts do not provide principal protection. All profits and losses arising from trust assets under the management company's investment instructions are borne by investors.
- The provisions of Article 37-6 of the Financial Instruments and Exchange Act ("cooling-off period") do not apply to investment trusts.
- Investment trusts are not bank deposits 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