

## **ESG Investment Policy**

Established on August 31, 2021

Last Revised on June 9, 2022

### **1. ESG Investment Policy Overview**

Our core responsibility is to support the long-term asset building of our customers so that they can achieve the targeted returns. Also, we believe that we should contribute to a more sustainable and fulfilled society through investment, and that incorporating environmental, social and governance (ESG) factors into our investment and risk management process is crucial to enhance long-term investment performance for investors.

Because our investments are made in funds managed by external investment managers, our ESG investment policy applies to those funds and their managers. Screening their investment philosophies enables us to indirectly benefit society as well as broaden the scope of activities of the businesses in which we invest through selected funds.

Our ESG investment policy is based on the following:

The pursuit of economic investment performance and ESG efforts are not incompatible in the long term, and portfolios that have properly incorporated ESG criteria outperform those that have not over the long term.

We support the ideas of various domestic and overseas initiatives aimed at realizing a sustainable and fulfilled society. As a signatory of the United Nations' Principles for Responsible Investment (UN PRI), we will further strengthen our responsible investment initiatives and seek to sign and participate in other initiatives in the future.

In recent years, efforts to further evolve ESG information disclosure standards and ESG investment guidance and to set uniform standards have accelerated globally. We believe that investments which clear high-level ESG requirements can add value to investors over the long term and positively impact the environment and society.

At the same time, with the aim of minimizing the negative impact on the sustainability of our entire society to the greatest extent possible, we assess the financial risks arising from climate change, environmental degradation, social damage, and more, and integrate the results into our investment decision-making process. In ESG scoring, we analyze and assess ESG-related information on individual portfolio companies and projects invested in by external investment managers to the extent possible, in addition to comprehensively evaluating the funds in which we invest from the ESG perspective.

## 2. ESG Analysis: Methodology and Approach

The majority of our investments are made through commingled funds managed by external managers. Accordingly, our ESG analysis for those funds depends heavily on the quality and quantity of available information.

Our approach to ESG analysis also varies significantly with the extent of our control in respect of a particular investment and our ability to exercise meaningful influence on the fund managers. With such constraints in mind, we raise the topics of ESG policy and practice in our dialogues with the managers, aiming to protect long-term returns and realize a more sustainable and prosperous society.

We endeavor to collect and analyze ESG-related information not only on the ESG policies of the managers of the investment funds and the ESG profiles of the portfolios, but also, whenever possible, on the companies and other entities in which those funds invest. The information analysis is followed by a rating assignment, which is a part of our decision-making and risk management processes that continuously monitor ESG-related information on and after the investment date, throughout the funds' life.

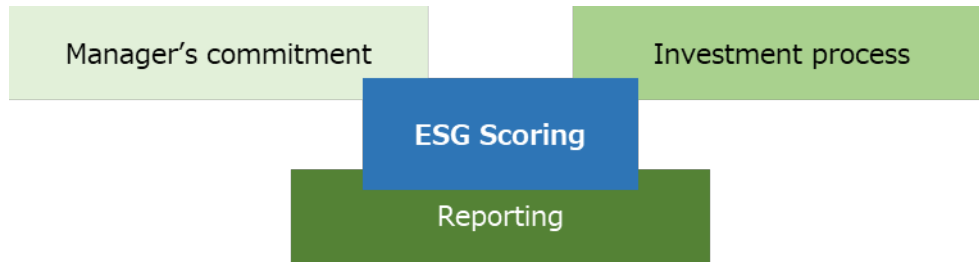
Our ESG analysis focuses on the following points:

The manager's ability to manage ESG-related risks and investment opportunities

- We consider the investment methods and investment strategies as well as the commitment of the upper management, risk management and governance systems, and other factors related to ESG.

For the companies in which we invest by way of external funds, we consider their location, sector, business model, customers, and other factors related to ESG based on the available information.

The evaluation process for ESG starts with the collection of information related to ESG obtained from external sources such as RepRisk, which is then used for screening in accordance with the Ten Principles of the UN Global Compact to select prospective investments. Next, we review ESG issues for funds that have passed the screening and have been added to the due diligence list. For this purpose, we have our own checklist that we developed by referencing various guidelines for ESG investment that have been issued by industry organizations or initiatives. The checklist items are to be reviewed as necessary. The confirmation includes learning about the manager's ESG strategy and focus on how risks and investment opportunities related to ESG are integrated and managed within the manager's investment philosophy, business, and in particular, investment process.

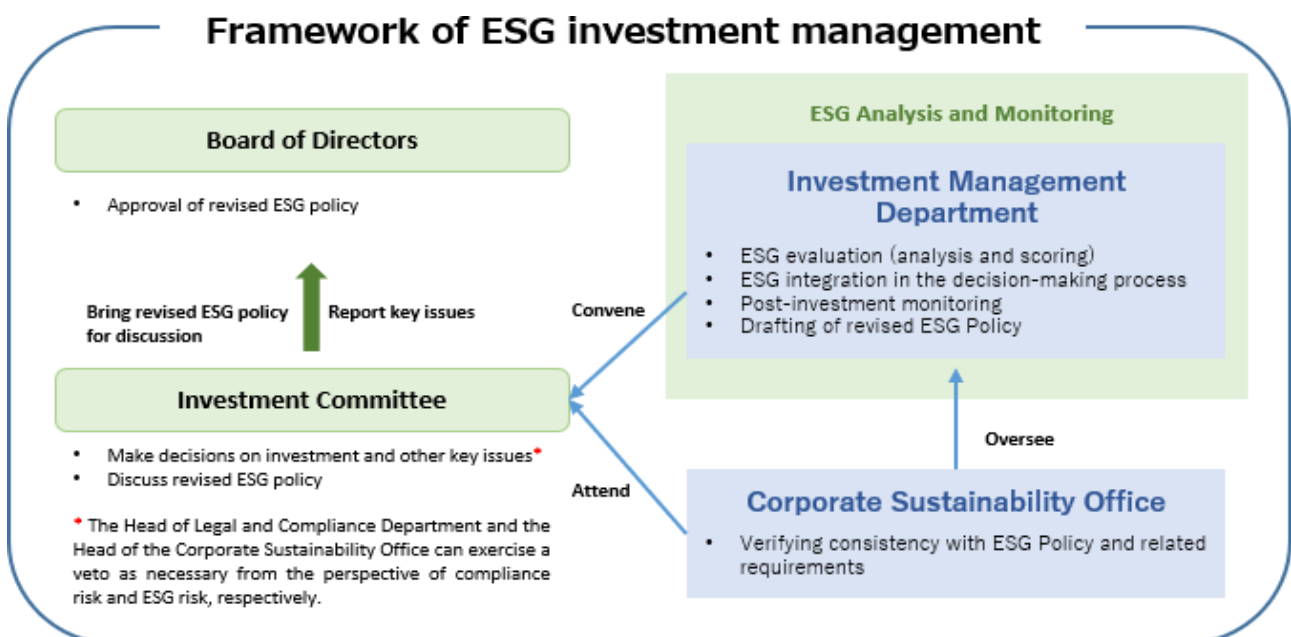


The manager and the fund to be invested in will be rated with a score from 1 to 4 (1=Poor, 2=Compliant, 3=Good, 4=Outstanding). The ESG score affects the overall assessment, including items not related to ESG. Managers and funds with ESG scores of 1 will be excluded from investable universe. This score is updated from time to time in continuous post-investment monitoring.

Downgraded managers and funds will be monitored more frequently and in greater detail to the extent possible, and we will encourage these managers to improve. We will continue to discuss their scores with them and, as the score improves over time, expect to add more value to our investors' investments.

In addition, the scores given to the manager and the fund are regularly reported to the investment committee, and in the event of downgrade, the status and future countermeasures will be promptly reported to the investor.

### 3. ESG investment management framework



The Head of the Corporate Sustainability Office attends the Investment Committee meetings and decides whether the new investment meets all requirements from the standpoint of ESG, checks the status of compliance with the ESG Investment Policy for existing investments, and exercises veto rights as necessary. For investments that have been made after approval in the meetings, the Investment Committee ensures compliance with the ESG Investment Policy and regularly reports the results to the Board of Directors.