

# Progress in Sustainable Business Operation

SMDAM aims to contribute to the realization of an abundant and sustainable society through the investment management business. In order to achieve this aim, we are focusing on improving quality of life for all stakeholders, including employees and regional communities, through our promotion of DEIB(\*1) and efforts to develop an environment where it is easy to work, as well as various social contribution activities.

\*1 Diversity, Equity, Inclusion, and Belonging

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## Related Indicators DEIB

	FY2021 Actual	FY2022 Actual	FY2025 Target
Percentage of female managers	13.7%	15.9%	35%
Male employee childcare leave take-up rate	108.3%	76.4%	100%
Male employee childcare leave days taken*2	8.41 days*3	11.8 days	28 days
Percentage of employees with disabilities	2.1%	2.0%	2.5%
Gender pay gap (all workers)	56.2%	59.0%	—
Gender pay gap (permanent employees)	54.7%	57.4%	65%
Gender pay gap (fixed-term employees)	66.5%	56.1%	—

\*2 Actual result for male employees with children aged one year or younger who took childcare leave in the relevant fiscal year

\*3 In order to ensure the value reflects current circumstances at the Company, one employee who took 170 days or more has been excluded from the value. If all male employees who took childcare leave are included, the figure is 21.3 days.

### [Additional information related to the gender pay gap]

- Permanent employees: Includes persons seconded outside the Company
- Fixed-term employees: Covers contract employees, temporary employees, and part-time employees
- Wages: Excludes commuting allowance, living allowance, meal allowance, etc.

## Creation of an environment where it is easy to work

	FY2021 Actual	FY2022 Actual	FY2025 Target
Overtime hours (monthly average)	25.2 hours	22.9 hours	20 hours
Paid leave take-up rate	61.4%	65.5%	80%
Continued employment rate for new graduate hires (around 10 years after hiring)	61.1%	55.5%	58%
Employee engagement score	—	67.8%*4	75%
Stress check taking rate	92%	91%	100%
Proportion of employees with high stress in stress checks	13.2%	10.5%	10%

\*4 Of the 695 respondents, the proportion that answered that they "feel pride and a sense of purpose in their work, and are able to work with passion and vitality" in the corporate culture survey.

## Social Contribution Activities

	FY2021 Actual	FY2022 Actual	FY2025 Target
Number of employees who participated in social contribution activities	282	433	450
Number of participants in school visits, financial literacy improvement seminars, etc.	3	618	1,100

## Message from our Officer

To enable us to contribute to the achievement of a sustainable society, we have identified key management issues as our “materiality.” We are promoting initiatives centered around our five “materialities for business operations” (see P01), which we have selected from the two perspectives of “importance in the realization of a sustainable society” and “importance in our corporate sustainability,” as an operating company.

### Focus on Developing Human Capital

With respect to human capital, we have formulated policies on human rights, and are pursuing human rights due diligence based on these policies. In our social contribution activities, we have established a “QOL Fund” for donations, which are automatically deducted from participating employees’ salaries. Additionally, we have participated in clean-up volunteer activities in the area around our offices. In the future, we will not limit ourselves to opportunities provided by the company, and we intend to increase our initiatives supporting volunteer activities, etc., that employees participate in independently.

We introduced a new HR system in April. This is a hybrid system that combines job-type and membership-type aspects to ensure that employees are appropriately evaluated in accordance with their respective duties. We have also integrated our separate occupational ladders for career-track and general positions into a single ladder for career-track positions, allowing all employees to work within the same framework.

Our next step will be a greater focus on the development of human capital. As an asset management company, human capital is the source of all our value creation, and we believe we have maintained our focus on human capital development throughout our history. Looking back, however, our programs were not always based on clear objectives and systems. We are renewing our efforts to share our vision for the company we aim to be, clarify our image of the ideal personnel characteristics we want, and build programs for developing and hiring human capital.

In the future, we will further accelerate our initiatives to achieve a sustainable society. In order to achieve this, we ourselves must be a company that embodies sustainability. Human capital is the most important foundation for asset management companies, so I believe that human resource development plays a central role in our companies and will be strongly promoted going forward.

### Environmentally-Friendly Business Management

While our initiatives themselves are not new, we have steadily implemented initiatives that align with those of many other companies, such as reducing greenhouse gas (GHG) emissions and limiting our use of plastic. Over the year from 2022 to 2023, the office building where we operate switched its electric power supply to renewable energy, resulting in a significant reduction in GHG emissions. Still, initiatives other than electric power are crucial for achieving zero GHG emissions. From the perspective of reducing the use of plastic, we have gradually initiated measures such as replacing PET bottles with cartons for water provided to visitors. We are also adhering to our basic principle of paperless operations, and in cases where the use of paper is unavoidable, we promote the use of FSC\*-certified paper.

\* A certification system by the FSC (Forest Stewardship Council)



**Tsuyoshi Imai**

Director and  
Senior Managing Executive Officer

## Why is Human Resource Strategy Necessary?

From an age where companies select employees, to one where employees select companies. Now is the time when, I believe, we should shift to “management that values and invests in human capital,” as we work to improve our corporate culture.



**Takayuki Sawano**

Representative Director and Deputy President Executive Officer,  
Head of International Business Division

### Japanese Companies Need to Redefine their Relationships with Employees

From the past to the present, many Japanese companies have advocated that “human capital is everything.” People looking from outside Japan, however, often question whether that is true, and I have heard that locally hired staff also have doubts about many points. In terms of the relationship between employees and the company also, in Japan, there is a tendency for it to be taken as a given that employees will obediently follow relocation orders issued by the company. On the other hand, in the US, when companies need employees to relocate, they generally first disclose their intention to the employees, and ask them to get approval after talking about it with their family. Recently, as the issue of “low wages” in Japan has gained increasing attention, Japanese people belatedly have become aware of that their wages are relatively low.

Comparing levels of investment in capital, in the US, approximately 2% of GDP is invested in capital, whereas that figure is just 0.1% in Japan. Since the collapse of the bubble economy in the early 1990s and through the financial crisis, the birth rate in Japan has been declining, and soon the working age population will decline at an accelerated rate. Going forward, Japan will likely enter an age where companies must ensure that they are selected by human resources, instead of being in the position to select human resources by examining applications carefully prepared by students about to graduate. Now is precisely the time when Japanese companies must correctly understand changes in the times, reaffirming that “company-centered ‘human capital is everything’ as a basic corporate principle,” they shall shift to management styles and corporate cultures that “value and invest in human resources.”

Of course, SMDAM is no exception. Shortly after the merger of Sumitomo Mitsui Asset Management and Daiwa SB Investments in 2019, the company soon realized the importance of developing human capital, and established the Human Capital Development Office within the Human Resources Department in 2021. Human capital, however, has continued to grow in importance since then. To

respond to this trend, we needed to further accelerate the speed at which we execute related measures, and so we have now emphasized the importance of human capital management in SMDAM, as well as specific policies. In terms of expressing our additional management commitment, both within the Company and externally, we upgraded the Human Capital Development Office to the Human Capital Development Department, with direct participation from the CEO, and significantly increased our budget for investing in human capital development. We will actively allocate management resources in areas such as wide-ranging training programs and support for study in highly specialized fields, as well as providing opportunities for employees to gain the experience necessary to develop people who can compete in the global business arena. In this way, we will support the growth of human capital who will act as leaders in a sustainable asset management company.

### Image of Human Resources that We Want ~ Risk-taking, accepting of diversity, with an ability to take action that energizes people around them ~

Going forward, as professionals at an asset management company, the acquisition of advanced expertise and digital technical expertise will be prioritized, even outside of the Investment Management Division. Furthermore, more fundamental competencies are considered to be those who can think for themselves and propose and execute planned risk-taking, and those who have the passion to aim higher and are able to engage others in action. Of course, it goes without saying that we will need to develop managers who are able to evaluate comprehensively the results and execution processes of employees, while also fostering a sense of tolerance to accept differing opinions, and a corporate culture where employees don’t hesitate to express their ideas free from existing norms.

It is fair to say that more diverse human capital across our organization will be essential for SMDAM to take another leap forward. Among others, the active assignment of female employees and globalization are both our imminent



issues. While we have long been making efforts on these issues, we are now entering a phase where it will be important to show results. In order to increase the number of women in managerial roles, we will not rely on existing methods such as copying external role models. Instead, it will be essential that we provide support tailored to the individual characteristics and circumstances of each employee, and we will thus promote appointments in a manner where we provide parallel support, instead of merely support from behind.

In our International Business Department, we have lowered the average age by approximately nine years in just over two years, through active recruitment and the optimization of the allocation of human capital. The number of officers and employees with differing nationalities, languages, and backgrounds is also increasing, indicating our progress in globalization. In the future, we will gradually make additional local hires at our overseas offices, and we can expect that our head office in Tokyo will become more globalized as we focus on strengthening our sales capabilities and presence overseas.

There is not enough space here to list all of our personnel measures, but I intend to think carefully about each one and drive our evolution into a better company.

### Questioning the Level of Commitment of Senior Management

As a member of the senior management team of SMDAM, I believe that we must ensure that this “human capital management” is not a passing fad. It is the responsibility of the management team to develop human capital and ensure that the technical skills and expertise that have been developed are properly passed onto the next generation. I will actively promote the transfer of authority, while we aim to further enhance the sophistication and skills of our management. At the same time, in consideration of the well-being of our employees, we will promote measures to enhance networking between employees, reduce overworking through more efficient operations, and provide better support particularly from a mental health perspective.

From my experience of working in Europe and the United States for many years, I feel Japanese companies, where the vast majority of employees are Japanese, are sometimes like a comfortable place to work, and sometimes strange. The thing that I feel is most strange about Japanese companies is the “homogenization.” All companies have unspoken rules and customs. That in itself is not a problem, but if these practices do not change with the times, unexpected homogenization occurs. Once this happens, things are only understood in specific industries and companies and people working there think “they have somehow always been like that.” In the future, we will enhance the diversity, not the homogeneity, of our officers

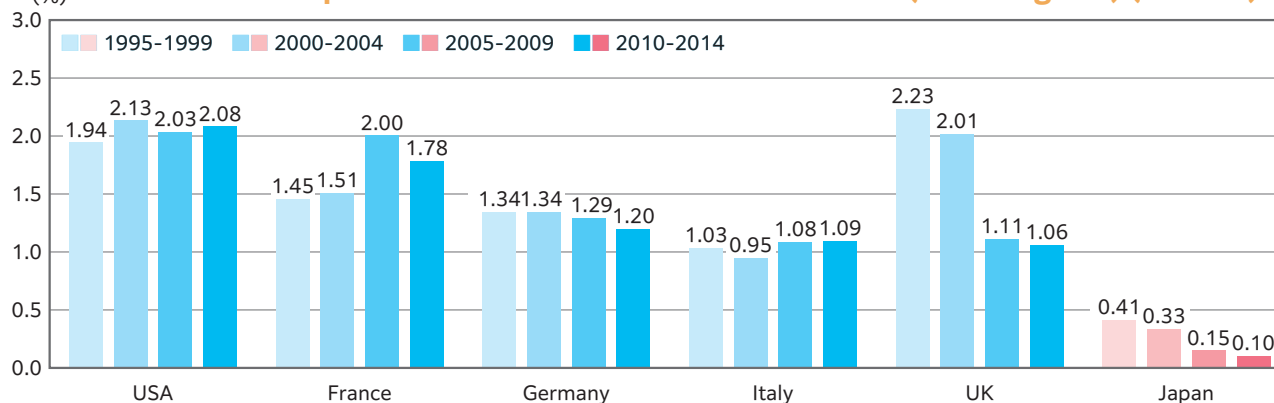
and employees, and pursue new value criteria and actions with additional value. In addition, we will focus on creating a corporate culture where each member of our organization enjoys thinking for themselves and sharing their thoughts with others, and where existing common knowledge is continuously updated and advanced. Surely that is what constitutes true professionalism?

The Ministry of Internal Affairs and Communications has announced that in 2023, the proportion of the Japanese population aged 80 years or older exceeded 10% for the first time. The Ministry of Economy, Trade and Industry also forecasts that by 2050, the working age population of Japan will be two-thirds of what it is now, while the Ministry of Health, Labour and Welfare projects that in 50 years’ time, 10% of the population of Japan will be foreign nationals. Under these circumstances, it is of vital importance to SMDAM that we invest in human capital in a way that is linked to our management strategies, aiming to ensure that we are the asset management company of choice for customers, and that we attract both top-class Japanese people and foreign nationals as employees.

As a member of asset management industry, which is also positioned as the subject of a national policy in Japan, we believe that it is our responsibility to pass the torch to the next generation. As a company that will pass on a better future to later generations, we will continue contributing to a better quality of life for customers in Japan and overseas, and all of our employees.



### International comparison of investment in human resources (excluding OJT) (vs. GDP)



Source: Prepared by SMDAM based on “September 2022 Ministry of Economy, Trade and Industry Initiatives” (Ministry of Economy, Trade and Industry)

## Enhancement of Human Capital Value ~ Introducing a new personnel system that promotes the development and exercise of capabilities by employees ~

In FY2023, we introduced a new personnel system, with the aim of strengthening our competitiveness driven by human capital development, while also reforming our corporate culture, and employee mindset and behaviors. We will promote autonomous capability development and the acceptance of new challenges on employees' own initiative, thereby further supporting the growth of each employee and facilitating the transformation of each and every one of our employees more than ever.

### Three Steps to Enhance Our Human Capital Value

We define the enhancement of our human capital values as consisting of "improving each employee's abilities," "demonstrating each employee's abilities," and "uniting individual abilities to demonstrate team strength." Given this framework, we consider it the role of our personnel system to support the actions of our employees at each of these three steps.

#### < Three steps to enhance human capital value >



### Concept of Our New HR System: "Challenge, Fair, Active"

With our previous system, however, we were unable to respond sufficiently to changes in the environment surrounding our human capital, such as increasingly diverse views on careers, and the increasing need to take on challenges in new domains as an asset management company. Based on these circumstances, we made the concept of our new system "Challenge, Fair, Active." Our aims with this system are to facilitate employees taking on the challenge of new work, ensure higher satisfaction among employees in relation to their treatment, and promote the autonomous development of capabilities by employees.

As one major change from the old system, we have abolished job categories and ranks. At present, we have moved to a framework for performance appraisal in accordance with capabilities, roles, responsibilities, and other factors, regardless of attributes such as gender, age, and previous job experience. With this new system, we aim to ensure that our salary levels reflect the actual capabilities of individual employees. In specialist roles, to which many employees belong, compensation and benefits are also

determined in accordance with the difficulty level of operations that employees are responsible for and their level of achievement. These reforms to our system are not a simple shift to "job-type employment." In addition to the "job-type" aspect, which is based on tasks, we have also added a "membership-type" aspect. We evaluate our employees for their contributions such as "teamwork," "collaboration with other departments," and the "development of juniors," in addition to evaluation of individual tasks.

#### < New personnel system concept >



### Further Supporting Autonomous Career Development

At SMDAM, while providing incentives based on the new HR system, we also ensure that each individual employee is responsible for their own career, and support them in their autonomous efforts to develop their capabilities. In October 2023, we established our Human Capital Development Department, enhancing the organizational posture for actively supporting the development of employees' capabilities more than ever. In the future, this department will play a central role in offering human capital development programs based on the Company's ideal personnel characteristics. The programs include curriculums to enhance capabilities across the company, those for certain classes such as job experiences, specialties, and managerial roles, and those tailored for some specific departments. Through our efforts to reform our HR system and strengthen support for the development of capabilities, we expect that the scope of activities of each employee will expand, resulting in the growth of the organization.



**Wakiko Tadenuma**

General Manager of the Human Resources Department

## Creating a Sound Corporate Culture

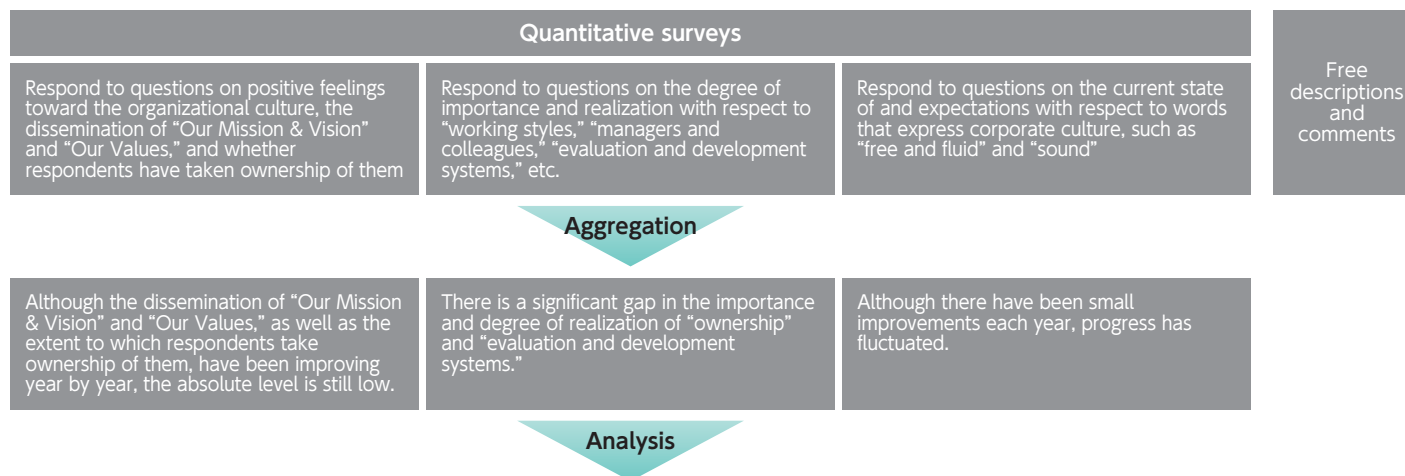
### Initiatives to Create a Sound Corporate Culture

As part of our management philosophy, we have set forth our reason for existence and goals in the form of Our Mission & Vision, as well as how we achieve these in the form of Our Values. We created Our Values based on a corporate culture survey conducted in 2018 ahead of the merger in April 2019.

Our belief is that a sound corporate culture that is free and fluid and has open communication is indispensable for enhancing the engagement of employees and the growth of the organization. Accordingly, we have continued conducting these surveys since 2019. Based on quantitative scores and free comments, we develop an understanding of employees' mindset and the causes of problems. We utilize the results of these surveys to formulate measures in areas such as human resources development and internal communication, as well as reviews of management in each department.



### Corporate Culture Surveys



### Examples of Measures Based on Survey Results

- Insufficient dissemination of management strategy → Hold townhall meetings, not just with the CEO, but also with department heads and Executive Officers
- Nurture a sense of internal unity and taking ownership → Promote the autonomous development of capabilities and the acceptance of new challenges on employees' own initiative by launching a new HR system
- Dissatisfaction with HR evaluations → Conduct management training to study feedback methods

### Implementing a Follow-Up Survey

Based on the four corporate culture surveys conducted since our merger, we have implemented measures for improvement each year. Although we are making small steps toward improvement, there are some areas in which the level of scores is low, and areas where we have been unable to present clear countermeasures. So, in May 2023, we conducted a follow-up survey. We verified "whether or not there is harassment," "whether employees interact with respect for one another," and the "level of psychological safety (Note 1)," as well as the status of the "management actions of superiors" and "employee well-being (Note 2)." We surveyed what is actually taking place within our organization, and the words and actions of people. In addition to developing an understanding of conditions within our organization, respondents also indicated "things that superiors and individual team members should do, and things they should stop, in order to create a better organization." We intend to use the results of our survey in future management training, etc.

(Note 1) Conditions that allow people to voice their own thoughts and feelings to anyone with peace of mind

(Note 2) Conditions where people are completely satisfied, physically, mentally, and socially



### Young Employees Roundtable



- Uchimura I would like to sharpen my research and analysis related to non-Japanese corporate bonds, which I am currently overseeing, and my target is to become the type of person that people turn to for a certain sector. I would also like to be posted overseas, where I can deliver the kind of vivid information and analysis that is only possible from the local area.
- Izumi I would like to manage our own active fund investing in emerging market equities in Asia, particularly China, and develop the fund until we have the most assets under management of any fund in the Company.
- Sasaki It's wonderful that you are all proud of your current work and aiming to become professionals. Are there any things that you are consciously focusing on to achieve these goals?
- Izumi There are two things. The first one is to ensure I am hundred percent devoted to the work I am assigned. I believe that if I do not just do the work, but also ensure that thinking about its background and the main reasons for it becomes a habit, I will gain new understanding even from routine work. Another one is to eagerly accumulate a diverse range of knowledge including that related to financial analysis to create unique analysis methods.

## What we can do to build our careers, and what we want the company to do

- Sasaki Where do you see yourselves in ten or fifteen years' time?
- Yazawa I want to be a professional in the multi-asset field and be active as a "female fund manager with a known face and name," of which there are still few in Japan. To achieve this, I would like to become able to explain things based on various background factors, to ensure our customers feel satisfied with my investment decisions.
- Tahara I feel that the presence of people and organizations is the most important factor for asset management companies, which sell something that is not tangible. I hope that, through my contributions to the development of our people and organizations, I can help create a company that our employees feel is better than it is now. For me personally, I would like to acquire knowledge and skills related to human resources that will enable me to play an active role in any setting, both internally and externally.



- Uchimura In my work, I am always aware of things that impact future forecasts, such as cause-and-effect relationships between performance, bond prices, and various factors. Of course, I am studying to acquire qualifications, but I am also reading as many internal and external reports as I can, and internalizing them as my own knowledge.



- Tahara In order to understand the current status of our organization, I am expanding my internal network, and working to create relationships with other departments. I also focus on developing an advanced perspective toward my work, and thinking about what my superiors need before moving to action.
- Yazawa To enable us to hold discourse in a manner that is easily conveyed to our clients, at our daily morning meetings, we make it a point to start with the conclusion and narrow down the basis for that conclusion to the important elements as we speak. We are mindful to respond to questions after first structuring those responses in our heads. Additionally, in order to become able to hold discourse on the market from a number of perspectives and angles, will aggressively pose questions to economists and strategists until we are satisfied and familiarize ourselves with their thinking methods while also endeavoring to master knowledge of areas such as geopolitics, religion, culture and

politics.

- Sasaki It is important for us to be attuned to what is going on in society for us to have a broad familiarity with it. I find the daily efforts of each of you to become the person you seek to become to be most promising. Is there any aspect of your career-building that you want SMDAM to support you in?
- Uchimura The investment department is highly specialized. Catching up with more experienced employees there is no easy task. In particular, because analysts frequently work on their own rather than as a team, I feel that there are few opportunities to learn about the work methods of more experienced employees through my day-to-day duties. I would be grateful if there were systems that would enable fellow employees to interact with each other and share knowledge.
- Tahara There is a system in place for new employees in their first year through which more-experienced employees in other departments assist them as mentors. It might be a good idea if employees had a mentor in a related department in their second and subsequent years as well with which they could consult about actual business and other areas.

- Sasaki There are some things you can learn by watching others work. However, there are numerous things that fellow employees can gain from each other through conscious communication. Rather than a relationship in which one employee one-sidedly teaches the other, it would be ideal if we could build relationships through which both sides go beyond their age group to engage in friendly rivalry.

- Yazawa I was transferred to my department of choice in my third year after joining SMDAM. Initially, I wanted to join that department as soon as possible. Now, however, I feel that my practical experience in other departments is being put to good use in my duties following my transfer. I think that being able to experience a variety of departments in short spans of about three to six months while one

is still young through means such as concurrently serving in multiple departments results in greater career options and meatier work duties.

- Izumi In the products department where I was initially assigned, I had the opportunity to acquire knowledge of products and learn about the importance of middle and back duties. To conduct investment operations, knowledge of areas such as investment trust and advisory schemes is needed in addition to financial knowledge. Having training in such areas might be ideal.
- Uchimura I would like SMDAM to increase opportunities to undergo training, such as study-abroad and graduate school systems, so that we can study more advanced management strategy and utilize it on the site of investment and research operations.
- Sasaki Employees at asset investment firms, which are entrusted with customers' valuable assets, are expected to have knowledge and skills with a higher level of specialization. I will proceed to monitor the enhancement of training and education in my capacity as Director, from working-level training and education such as OJT to companywide training and global study-abroad programs.





## DEIB

### Diversity, Equity, Inclusion, and Belonging

In our aim to become “The Best Asset Management Firm For Your Better Quality of Life” as outlined in our Management Vision, we are promoting the creation of a workplace where each individual employee can enthusiastically go about their work as a professional. We are fashioning an environment where human capital with diverse backgrounds can play active roles without those backgrounds acting as a constraint on them.

### Assistance with Balance

- Limitations on overtime and late-night work
- Short time shifts

#### [Childrearing]

- Active promotion of taking childcare leave
- Granting of 28 days of paid childcare leave
- Childbirth congratulatory bonus, daycare center expenses and other forms of monetary aid
- Nursing leave
- Enlightenment activities for preventing maternity harassment

#### [Long-term care]

- Long-term care leave
- Establishment of specialized consultation window related to work/long-term care

#### [Recuperation]

- Granting of one hour of recuperation time per day
- Use of reserve work leave for recuperation

### Working Style Reforms

- Application of flexible time
- Establishment of teleworking environment
- Correction of overlong work hours
- Aggressive recommendation of taking of paid work leave

### Health and Productivity Management

- Recommendation of taking regular physical health checkups and implementation of specific health guidance
- Implementation of stress checks, reporting to Board of Directors and recommendation of meetings with industrial physicians to employees with high stress
- Establishment of internal counseling room (once a month)
- Establishment of telephone consultation counter available 24 hours
- Implementation of non-smoking program
- Improvement of employee dietary habits (Sales of lunch menu mindful of nutritional balance in company cafe)

### Promotion of Women's Advancement

- Abolishment of general positions (90% of which are filled by women)
- Active promotion to and development into managerial positions and specialized positions in investment
- Assistance for women who were promoted to managerial positions
- Holding of community meetings for women in managerial positions
- Fostering of companywide awareness (Organization of study sessions by CEO himself based on theme of promotion of women's advancement)



### LGBTQ+

- Application of welfare and benefit programs on same level as those for non-same-sex partners to same-sex partners (Congratulatory and condolence leave, childrearing, long-term care, treatment upon transfer, etc.)

## Human Rights Due Diligence

In its capacity as a responsible institutional investor and corporate citizen, our company has formulated a “Human Rights Policy” as a systemized form of its ideas on respect for human rights. Since FY2022, we have been conducting due diligence (DD) on human rights.

### “Human Rights Policy”

Our Human Rights Policy, which is adhered to by all our officers and employees, conforms to international standards of human rights such as the International Bill of Human Rights (the Universal Declaration of Human Rights and the two Covenants), the UN Guiding Principles on Business and Human Rights, and the Ten Principles of the UN Global Compact. Under the policy, we fulfill our responsibility with respect to areas that include: ① Fostering a corporate culture that allows every individual employee to maximize their potential and work with enthusiasm, ② Respecting human rights through our entire value chain, and ③ Conducting adequate training and education for all officers and employees so that they respect human rights in their business activities.

### Purpose, Evaluation and Monitoring of DD on Human Rights

The purpose of DD on human rights is to identify any negative effects that our business activities may potentially impose on human rights and endeavor to prevent its occurrence and mitigate it. In FY2022, we classified subjects into four categories: “investee companies,” investment consignees,” “non-investment work consignees” and “internal parties.” We set monitoring targets and implemented DD on human rights based on the properties of each category (See the table below). For any inadequacies, we immediately decide on measures at Executive Meetings and implement improvement measures through our Executive Officers. The implementation status of those improvement measures is reported to the Board of Directors and adequately monitored.

### Cycle of DD on human rights for responding to human rights risk (workings)



Category (jurisdiction)	Investee companies (Responsible investment sections)	Investment consignees (Global Partner Investment Department) (Alternative Investment Department)	Non-investment work consignees (Risk Management Department)	Internal parties (Human Resources Department)
<b>Monitoring items</b>	<ul style="list-style-type: none"> <li>Stance of respecting human rights</li> <li>Investment in compliance with labor-related laws and regulations</li> <li>Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of human rights policy</li> <li>Consideration in investment processes</li> <li>Press reports, etc. on human rights issues</li> <li>Questionnaires and hearing on violations of human rights and labor-related laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of human rights policy</li> <li>Compliance with UK Modern Slavery Act and other overseas laws and regulations</li> <li>Press reports, etc. on human rights violations</li> </ul>	<ul style="list-style-type: none"> <li>Harassment</li> <li>Overlong work hours</li> <li>Labor health and safety</li> </ul>
<b>Human rights risks that should be dealt with</b>	<b>High</b>	Same as on the left (For investees of investment consignees, because evaluation is limited to a confirmation of whether investment processes are considered, the same risk evaluations as SMDAM investees shall be adopted for the time being.)	② Excessive/inappropriate working hours ⑭ Discrimination ⑮ Gender	② Excessive/inappropriate working hours
	<b>Medium</b>		③ Labor health and safety ⑤ Harassment ⑩ Child labor ⑪ Human rights pertaining to technology and AI ⑭ Discrimination ⑮ Gender ⑰ Rights of indigenous peoples and community residents ⑳ Bribery and corruption ㉑ Right to access remedy	① Insufficient or non-payment of wages ③ Labor health and safety ⑤ Harassment ⑥ Coercive labor ⑨ Rights of non-Japanese workers ⑪ Human rights pertaining to technology and AI ⑫ Right to privacy ⑱ Human rights pertaining to environment and climate change ㉑ Human rights in supply chains

(Note) Evaluations of “degree of seriousness” and “possibility of occurrence” for the 22 human risk items as well as investee companies and non-investment work consignees were extracted for each category based on business category makeup.

## Social Contribution Activities

SMDAM positions social contribution activities as part of its materiality for business operation. This is because we believe that there is a need to proactively tackle the resolution of diverse social challenges that cannot be reached through our asset management business. We are implementing a number of initiatives to facilitate an increase in number of our employees who take in interest in society and the community as a corporate citizen and are capable of altruistic behavior.

### QOL Fund Activities

In July 2021, we established a donation fund that collects money from employees through automatic debit from their monthly salary, allowing as many employees as possible to participate in social contribution activities. We use the donations from our employees along with the company-matching contributions to support organizations working to solve social problems. We also provide opportunities for our employees to develop problem-awareness of their own accord by personally taking part in activities other than donations.

#### Organizations supported by Sumitomo Mitsui DS Asset QOL Fund

##### Specified NPO JUON NETWORK

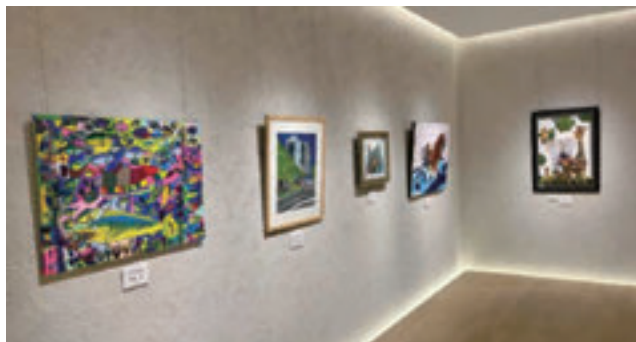
- ① "Mori no Gakko" forest nurturing program
- ② Cooperation with corporate activities to nurture forests
- ③ Encouraging the use of disposable chopsticks made in Japan

##### Specified NPO Learning for All

- ① Comprehensive support for children encountering hardship (learning, place to belong, meals, etc.) and nationwide expansion
- ② Awareness-raising, human capital development and policy recommendations aimed at substantial problem-solving

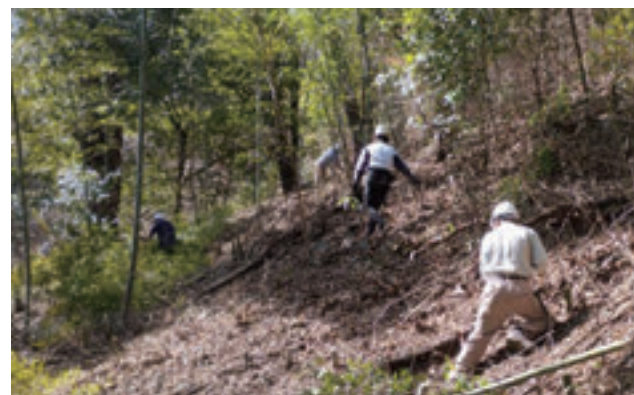
##### Nippon Charity Kyokai

- ① Hosts Japan's first ParaArt school for those with disabilities
- ② Holds "ParaArt TOKYO" international art exchange exhibition



### Contributions to the Community as a Corporate Citizen

As a means of doing our part to promote initiatives aimed at social contribution activities and revitalize the community as a corporate citizen, once or twice a month, our officers, new employees just arriving from college and other employee volunteers conduct cleanup activities around our offices. In the course of those activities, which last about an hour in the morning, communication is facilitated among fellow employees with little regular contact and with individuals who work in the nearby area, creating a sense of synergy.



### Collaborations with Group companies SMBC Group Pro Bono Work Project

We became a part of the SMBC Group Pro Bono Work Project starting in FY2023.

"Pro bono" originates from the Latin phrase "Pro bono publico," or "for the good of the public." This indicates volunteer activities by working members of society to conduct support from a business perspective that NPOs tend to lack by leveraging the skills and experience those working members of society have cultivated through sales, planning, development, marketing, public relations and other operations.

This fiscal year, approx. 50 members representing nine SMBC Group companies participated in these activities. This endeavor contributes to the acceleration and expansion of social problem-solving through assisting support recipient organizations with their capacity-building and business activities. At the same time, as the people rendering that support, given the working-level nature of these activities and their high degree of involvement, we feel that this endeavor represents a valuable opportunity to deepen our understanding of social issues and gain a sense of satisfaction and accomplishment.

Two participants from our company are providing assistance to HEART FULL FAMILY, a general incorporated association. HEART FULL FAMILY engages in support through which it conducts comprehensive activities to help single parents become independent and enable single-parent families to pursue an active social lifestyle. Our efforts there include reinforcing the appropriate communication of information to tie into the acquisition of donors with a view to bolstering the organization's base, managing support information, and preparing content for HEART BANK, the organization's platform that features useful information for single-parent families.



## School Visits to Improve Financial Literacy: Interview with Principal at School of Implementation

As part of its efforts in financial education, SMDAM conducts school visits with the use of an economy card game called “Economica.” In FY2022, we paid two such visits to Teikyo University Elementary School. We spoke to the principal of that school, Mr. Takayuki Ishii, about the context and meaning of holding a class using Economica.



Principal of Teikyo University Elementary School  
**Takayuki Ishii**

Served as Director of the Guidance Office under the Higashi-Yamato City Board of Education. Became principal at a public elementary school in Minato City, Tokyo in 2015. Has simultaneously served as Associate Professor at Teikyo University Graduate School and Principal of Teikyo University Elementary School, also in Tokyo, since 2019. Is currently promoting entrepreneurship education while striving for “the escape from averageness and the growth of individuality that breaks through with a flash of light.”

### ● Why did you take an interest in Economica?

Our goal at our school is to nurture “the power to live” in which students think, judge and act of their own accord with their own problem-awareness and take responsibility for the consequences of their actions. Our foundation in pursuing this goal is human power cultivated based on “one’s way,” the educational philosophy of the Teikyo University Group. Our hope is that children will not let their takeaways from the classroom stagnate as simple knowledge and understanding, and will instead become able to link it to events in greater society and to their own maturation into working members of society. For that reason, we are very proactive about asking members of companies and organizations to make school visits here. In particular, learning that pertains to finance and the

economy, which cannot be separated from society, is of extreme importance. At the same time, money and investment carries a negative image in Japan. I wanted to conduct classes that make it possible to do away with that image. It was at that time when I received a proposal for a school visit using Economica. I thought, “This is the kind of class I’ve been waiting for.” In addition to having game-like elements and quality visuals, Economica also contains trendy terms such as “NISA.” I felt certain that it would stimulate the interest of children.



### ● What is your opinion after actually conducting classes with Economica?

It worked the way I wanted it to. Children were able to become familiar with and learn about finance and the economy while enjoying themselves. It was excellent. After classes using Economica, I noticed how some children looked up economic terms on their own and talked with their parents about what they discovered. I feel that Economica served as a springboard for making financial and economic events and news, which had been a faraway concept up to now, more familiar for children. Moreover, the classes conducted by specialists provided fantastic stimulation with each additional word they uttered, and definitely helped the children’s appetite for learning grow.

### ● Do you have any ideas for utilizing Economica?

While recent classes were for sixth graders, I hope to have our fifth graders encounter economic terms such as “appreciation of the yen” and “inflation” through Economica classes. Once they become sixth graders and study the meaning of those terms in class, I imagine that we can anticipate even higher learning effects. Events that affect finance and the economy shift according to changes in society and the times. I think that having the children make original event cards might also be an interesting idea. I want children to stimulate their individuality based on such learning and grow into human capital capable of successfully contributing on the world stage.

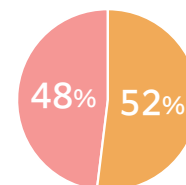
### Overview of Economica

With “Economica,” a competitive card game in that cultivates familiarity with economic concepts over the course of play, the aim is to create opportunities for children to encounter terms such as “economic boom” and “inflation” and take an interest in economic activities around them, events in greater society, and finance and the economy.

### Results of questionnaire following classes using Economica

Were you able to understand “inflation?”

- Very well ..... 21
- Yes ..... 19
- Can’t say either way ..... 0
- No ..... 0
- Not at all ..... 0



## Governance

In order to ensure our independence as an asset management company and effective corporate governance, we have four out of the seven Directors who are from organizations other than our shareholders. SMDAM invites three Outside Directors with abundant knowledge in corporate management and financial and economic fields to supervise the status of management execution and conflicts of interest with shareholders from an independent standpoint and give advice to our management team based on their respective experience and expertise.

### Diversity of Board of Directors

In October 2022, we invited Outside Director Hiroko Sasaki as our first female Director. In addition to having involvement in developing female leader personnel and assisting with corporate transformation projects, Sasaki possesses abundant skill and knowledge in human capital management, including that in the employee skill management sector. Since assuming her post, she has contributed to the reinforcement of SMDAM's human capital management functions by providing advice on effective human capital development plans and the promotion of diversity.

### Observations in Board of Directors Effectiveness Evaluations and Action Status

Regarding Board of Directors effectiveness evaluations\*, the Board of Directors of SMDAM is evaluated as effectively implementing the formulation of medium- to long-term growth strategy, making final decisions on execution, and monitoring execution with transparency and reliability.

Similar to 2022, general operation of the Board of Directors of SMDAM was evaluated as being by and large appropriate. At the same time, among challenges that were recognized, important ones that were cited include: ① A further shift to discussions of medium- to long-term strategy, ② Sufficient ensuring of discussion time through the enhancement of materials and advance explanations, and ③ The enhancement of deliberations at meetings of the Nominating Committee of Directors pertaining to personnel plans for officers, including officer terms of service and diversity. The Board of Directors will continue monitoring the steady execution of these measures going forward.

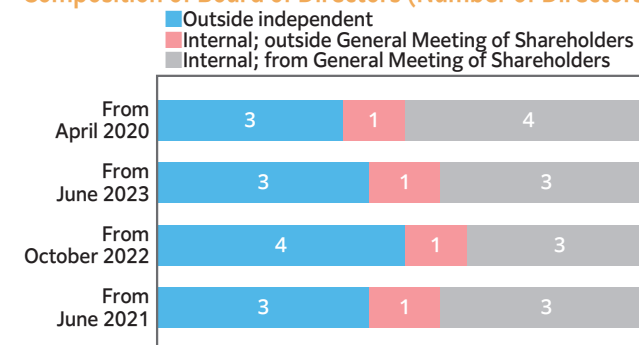
### Independence of Board of Directors

The ratio of our Independent Outside Directors is 43% following the decrease of one Outside Director after the

Annual General Meeting of Shareholders held in June 2023. This represents the establishment of a cushioning period for the sake of the smooth replacement of Outside Directors. There is no change in the evaluation of the Board of Directors as maintaining a high degree of independence.

Main Concurrent Post Status of Outside Director Hiroko Sasaki  
 President & CEO, ChangeWAVE Inc. (current)  
 Representative Director, President and CEO, Lyxis Co., Ltd. (current)  
 Representative Director, Human Capital Management Promotion Association, A General Incorporated Association (current)

### Composition of Board of Directors (Number of Directors)



### Board of Directors Effectiveness Evaluations

	Observations	Actions in FY2022	Scheduled actions for FY2023
<b>Composition</b> of Board of Directors	<ul style="list-style-type: none"> <li>☑ Insufficient Director diversity</li> <li>☑ Enhancement of deliberation of personnel plans for officers</li> </ul>	<ul style="list-style-type: none"> <li>☑ One female Director assumed post</li> </ul>	Enhancement of deliberations at meetings of the Nominating Committee of Directors pertaining to personnel plans for officers, including those on officer terms of service and diversity
<b>Operation</b> of Board of Directors	<ul style="list-style-type: none"> <li>☑ Sufficient securing of discussion time</li> <li>☑ Sense of insufficient discussion of medium- to long-term strategy</li> </ul>	<ul style="list-style-type: none"> <li>☑ Deepened discussion of sustainability</li> <li>☑ Held multiple discussions on formulation of medium-term management plan</li> </ul>	Sufficient securing of discussion time through streamlining of explanations on meeting day and other means Setting of agenda that should be discussed by the Board of Directors and other bodies while hearing opinions of Outside Directors
Free opinions	<ul style="list-style-type: none"> <li>☑ Enhancement of opportunities for dialogue between Outside Directors and stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>☑ Continued regular meetings with shareholders</li> </ul>	Enhancement of opportunities for dialogue between Outside Directors and employees

\*Conducted in June 2023 with June 2022 - May 2023 as the target period. Every year, a Board of Directors Secretariat performs an evaluation of the effectiveness of the Board through Director questionnaires and interviews and reports the results of that evaluation to the Board.

## Information Disclosure

SMDAM discloses a myriad of information in its aim to address social challenges through asset management. Our hope is that these endeavors serve as opportunities for a greater number of people to view investment and a diverse array of sustainability-related issues as matters that concern them as well.

### “Be Active.” Service Brand

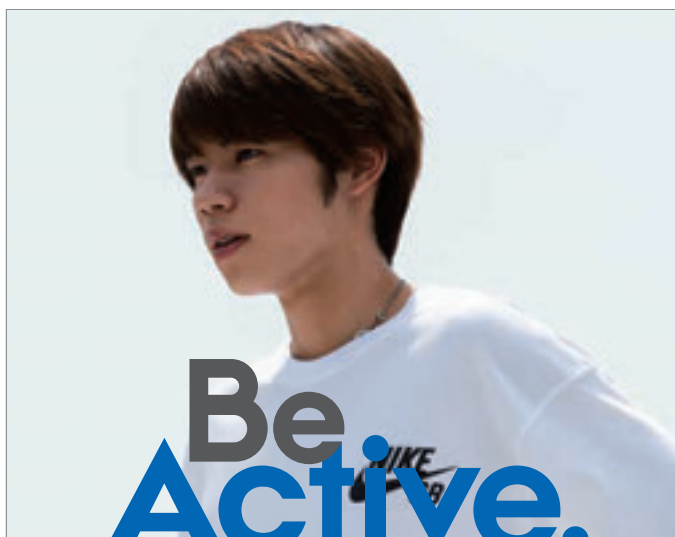
In 2022, we launched the “Be Active.” service brand in order to cultivate closer connections to investment management among people. The phrase “Be Active.” encapsulates the ideas of “waiting to do our part for making society, corporations and people more active through investment” and “wanting to convey the attractiveness and value of active funds.”

Accompanying this tagline is the sub-message of “That one step you take will enable you to change the future.”

In “Note,” we publish employee interviews, dialogues and the like with a particular focus on fund managers. On YouTube, we have uploaded brand movies and interviews featuring professional skateboarder Yuto Horigome as well as how-to videos as content for supporting challenges that involve taking a step forward.

Please refer to our website for details.

<https://www.smd-am.co.jp/beactive/>  
\* Japanese only



その一歩で、未来は変えられる。

あなたの人生も、社会の未来も、  
じっとしてるだけじゃ、何も変わらない。  
その一歩を踏み出すだけで、人生だって、社会だって、  
もっともっと良い方向に変えていける。  
私たち三井住友DSアセットマネジメントは、  
投資を通じて、あなたがアクティブになるお手伝いをしたい。  
一歩を踏み出す時も、その先も、  
そばに寄り添ってサポートし続けたい。  
自分を豊かにするために、社会を豊かにするために、  
これからは、アクティブじゃなきゃ。

 三井住友DSアセットマネジメント

### “Institutional Investors” Page

SMDAM has established a system through which its institutional investor clients can download statutory investment reports and various other reports, invoices and so forth at any time from a dedicated page set up for each of those clients. In March 2023, we enhanced the content we offer on these pages to enable us to deliver beneficial information to our clients in an even timelier fashion.

[Enhanced content]

- ① **Established new “What’s New” corner**  
In the “What’s New” corner that we newly set up on the top of the page, we display news on SMDAM, videos, investment environment reports and other content for our institutional investor clients.
- ② **Diversified sustainability-related reports**  
We changed the corner where had exclusively displayed only “Stewardship Activity Reports” to a “Sustainability-Related Report” corner, where we feature a variety of information that includes sustainability newsletters and engagement activity results.
- ③ **Made sales personnel visible**  
Facial photographs and contact information of sales personnel are now published to give clients a greater sense of security and trust.

### “MAKE A CHANGE” Sustainability Newsletter

At SMDAM, we believe it is imperative that each of us faces inconvenient truths head-on and brings forth change of our own accord in order to realize a sustainable society. Based on that idea, we communicate overseas and domestic trends pertaining to various environmental and social issues and our associated views in the form of a newsletter titled “MAKE A CHANGE.”

Please refer to our website for details.

<https://www.smd-am.co.jp/corporate/vision/fiduciary/newsletter/>  
\* Japanese only

