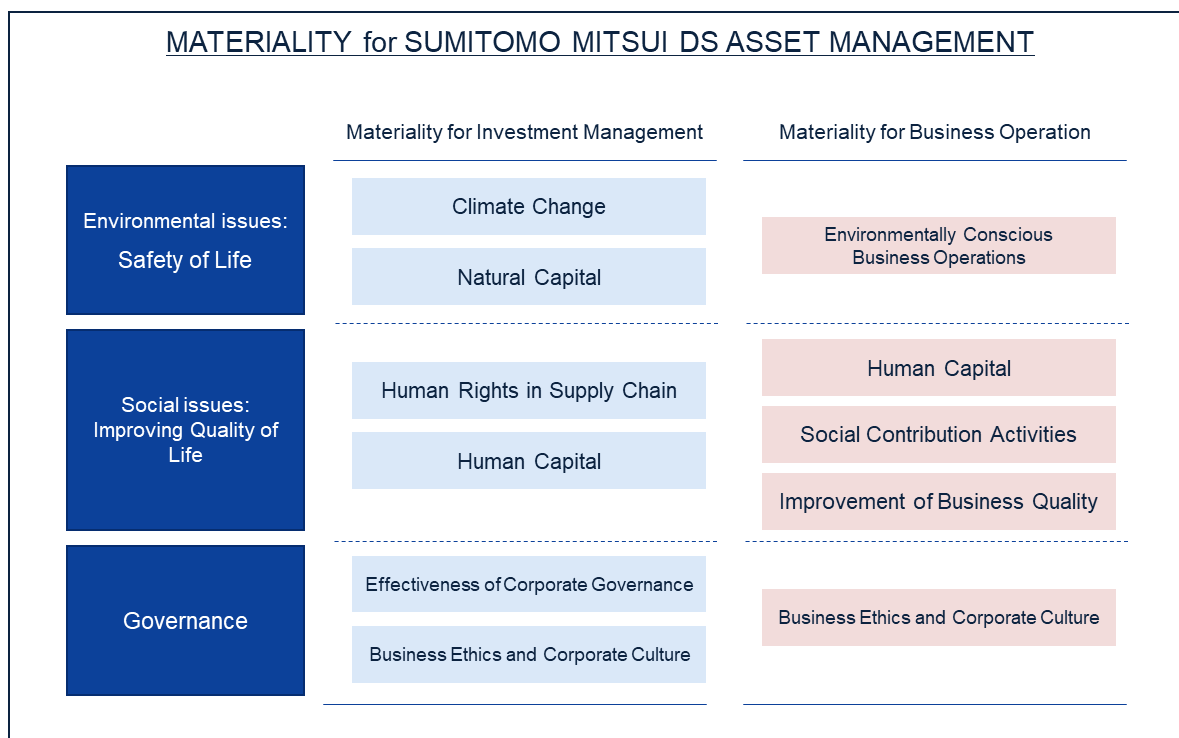


SMDAM identifies its materiality to contribute a sustainable society

Sumitomo Mitsui DS Asset Management Company, Limited (President and CEO: Takashi Saruta) has identified its materiality as described below.

With our corporate philosophy "Towards The Best Asset Management Firm for Your Better Quality of Life.", we provide high-quality asset management services to our clients and as a responsible institutional investor that plays a role in the investment chain we are actively engaged in stewardship activities.

In order to accelerate such efforts and further contribute to the realization of a sustainable society, we have identified a set of materiality as key management issues fundamental to sustainability. Taking into account the characteristics of the asset management business, our materiality categories consist of "Materiality for Investment Management" and "Materiality for Business Operation". The material issues are identified across three areas: "Environment issues: Safety of Life", "Social issues: Improving Quality of Life" and "Governance."



Please refer to the Attachment for further details of our materiality. Going forward, we will disclose our achievements with regard to materiality on our corporate website and in the annual Sustainability Report, which is published around November.



Upon the identification of materiality, our “ESG Priority Themes” announced in November 2020, was integrated into “Materiality for investment management”.

Contact

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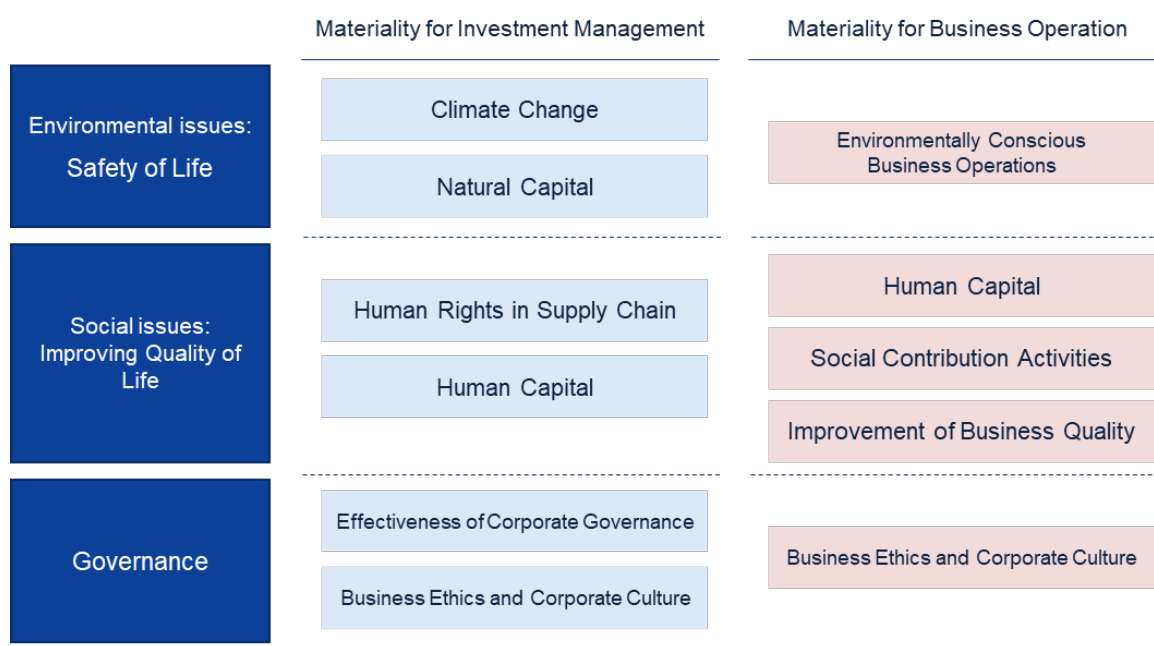
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Materiality for SUMITOMO MIITSUI DS ASSET MANAGEMENT

In order to further contribute to the realization of a sustainable society, we have identified “Materiality for Investment Management” and “Materiality for Business Operation” respectively with the characteristics of the asset management business taken into account. Eleven material issues are identified across three areas: “Environment issues: Safety of Life”, “Social issues: Improving Quality of Life” and “Governance.”



A process to identify materiality

To identify our materiality, the management team held repeated discussions taking into consideration opinions of a wide range of stakeholders, including employees, external experts, customers and rating agencies, and identified environmental, social, and governance issues among a wide range of issues.

STEP 1: Create an issue list

We have made a list of issues for each element of ESG, referring to the Global Reporting Initiative (GRI) Standard, the international standard for preparing corporate social responsibility (CSR) reports.

Step 2: Gather Stakeholder Voices

2-1. Employee Questionnaire Survey

We conducted a survey using a list of issues and received responses from approximately 700 employees, or nearly 80% of employees in offices based in Japan. The results of the survey were analyzed from various perspectives, such as age groups and job roles.

2-2. Hearings with external experts

We listened to the opinions of ESG, legal, and accounting experts as well as external peer experts with management experience at global asset management companies.

2-3. Due Diligence Questionnaires from customers and evaluators

We scrutinized the questions we answered to our customers and rating agencies to identify their expectations and requests for our company.

STEP 3: Review by Management and Board of Directors

We held lively discussions led by executive officers in charge of each division who play important roles in the company's management. Thereafter, the Board of Directors finally approved our company's materiality and also set out important initiatives for each material issue.

Materiality for investment management

From the two perspectives, that is "importance in the realization of a sustainable society" and "importance in long-term investment performance," we have identified six particularly important issues as our materiality in the course of investment management.

We will incorporate issues identified as materiality into our proprietary ESG evaluation while we make our engagement activities truly valuable to stakeholders by focusing more on substance than external criteria with targeting key sectors and companies relevant to each material issue. Furthermore, in exercising voting rights, we will encourage investee companies to make broader and more informative disclosure of ESG activities. In situations that disclosure is deemed insufficient and there is no intention of improvement, we may oppose the election of directors at the shareholders' meeting of such companies.

Environmental issues: Safety of Life

Climate change	<p><u>Our view on the issue</u></p> <p>To achieve net-zero greenhouse gas (GHG) emissions by 2050, a growing number of large companies are demanding their suppliers to reduce their emissions. Responding to such demands has become an urgent issue for companies such as parts manufacturers and other industrials. On the other hand, the shift to renewable energy has adverse effects such as price increases and environmental damage and the capacity to increase renewable energy is not unlimited. Therefore, technological innovation is essential to achieve the 2050 GHG net zero target. In addition to reducing GHG emissions, it is equally important to conserve the forest and marine environment and increase carbon dioxide absorption.</p> <p><u>Our efforts</u></p> <ul style="list-style-type: none"> · As we support the international community's efforts to achieve net-zero GHG emissions by 2050 as well as the Paris Agreement, a common long-term global goal related to climate change, in March 2022 we became a signatory of the Net Zero Asset Managers Initiative, a global initiative of asset managers aimed at achieving this goal. · We will encourage investee companies to obtain SBT (Science Based Targets) certification, which is granted to companies with long-term plans consistent with requirements of the Paris Agreement, and to improve their CDP climate change scores, while considering divestment as an option for sectors with high GHG emissions. Meanwhile, we will participate even more actively in collaborative engagements organized by domestic and international initiatives. · Our analysts will develop GHG emission forecasts for the companies within their coverage and these forecast will be taken into account within the investment process.
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Natural capital	<p><u>Our view on the issue</u> The increase in the world's population and changes in dietary habits are considered as indirect causes of environmental destruction. We believe that the enhancement of food sustainability and the reduction of environmental impact driven by the circular economy are the key to passing on the rich global environment to the next generation.</p> <p><u>Our efforts</u></p> <ul style="list-style-type: none"> • Through engagement activities, we will facilitate investee companies in their efforts to reduce their environmental impact by various means such as effective use of resources and contribution to the circular economy. • In particular, we will encourage companies in the value chain ranging from agriculture, forestry and fisheries to retail and dining out to reduce food loss and enhance food sustainability. • We will consider participation in related initiatives as an effective means to gain domestic and overseas trends in a timely manner.
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Social issues: Improving Quality of Life

Human rights in supply chain	<p><u>Our view on the issue</u> As we observe more countries are moving towards legalizing the human rights due diligence by companies, Japanese companies have been slow to respond, and some companies with global supply chains have not been able to fully grasp the actual situation. In some cases, this is an imminent issue that requires restructuring of the supply chain and other necessary actions promptly.</p> <p><u>Our efforts</u></p> <ul style="list-style-type: none"> • In October 2021, we formulated our Human Rights Policy to explicate our views regarding human rights and to address human rights issues more comprehensively. • Based on this policy, we will encourage investee companies to appropriately manage human rights risks in their supply chains through ongoing human rights due diligence. • We will consider participation in related initiatives as an effective means to gain domestic and overseas trends in a timely manner. <p>Click here for more about our approach on Human Rights Issues.</p>
Human capital	<p><u>Our view on the issue</u> We believe the recruitment and development of highly skilled staff account for a company's competitiveness to a great extent. In addition, as the liquidity of labor market increases, it is important for companies to improve the work environment and increase their employees' engagement so that each employee can demonstrate his or her abilities and fulfil their potential.</p> <p><u>Our efforts</u></p> <ul style="list-style-type: none"> • We will encourage investee companies to have a human resource strategy consistent with their medium to long-term business strategy in place which guides activities to recruit and develop human resources. • We will also encourage investee companies to make their workplace more attractive to unleash employees' capabilities.

Governance

<p>Effectiveness of corporate governance</p>	<p><u>Our view on the issue</u></p> <p>It has been a long-standing agenda for the Japanese stock market to raise its P/E ratio to the level of markets in major countries. To this end, we believe it is essential to raise management's awareness of the need to enhance corporate value as well as to have a corporate governance that encourages the risk-taking necessary for medium- to long-term growth.</p> <p><u>Our efforts</u></p> <ul style="list-style-type: none"> · To enhance the effectiveness of corporate governance, we will encourage investee companies to diversify their board of directors in terms of not only visible attributes but also expertise and skills. · We recently updated our standard of exercising voting rights where we make our decisions on the election of directors taking into account not only Return on Equity (ROE) but Total Shareholder Return (TSR) standard aiming to raise investee companies' awareness of enhancing corporate value and to encourage the implementation of specific strategies.
<p>Business ethics and corporate culture</p>	<p><u>Our view on the issue</u></p> <p>There is no end to scandals such as inspection irregularities and quality falsification by Japanese companies. Among others, closed corporate culture is considered one of the root causes behind such scandals. Meanwhile, in today's rapidly changing business environment, it is necessary to respond quickly and flexibly to changes. We believe it is extremely important for companies to have not only hard aspects such as governance structures and written rules but also soft aspects such as business ethics and corporate culture so that companies can prevent such scandals and take advantage of opportunities brought by changes in their business environment.</p> <p><u>Our efforts</u></p> <ul style="list-style-type: none"> · Through engagement activities, we will encourage investee companies which committed scandals to create an open organizational culture so that they prevent negative impact and their employees can demonstrate their creativity. · We will conduct research on ways to further incorporate soft aspects such as business ethics and corporate culture into our proprietary ESG evaluations to improve its effectiveness.

Materiality for Business Operation

From the two perspectives, that is "importance in the realization of a sustainable society" and "importance in our corporate sustainability," we have identified five items of particular importance as "materiality for business operation." Built on ongoing activities aiming to improve the quality of life of society, customers and employees, we will make further efforts to develop our human resources and create a sound corporate culture for a medium- to long-term perspective.

Environmental issues: Safety of Life

Environmentally conscious business operations	<p><u>Our efforts</u> Our company is implementing various initiatives to reduce the environmental impact of its business operations.</p> <ul style="list-style-type: none"> · We aim to achieve net zero GHG emissions (Scope 1 and 2) by 2030 by reducing office space, relocating to energy-efficient buildings, and switching to electricity derived from renewable energy. · Although we have been promoting paperless workstyle through digitalization, we will promote the use of Forest Stewardship Council (FSC)-certified paper made from responsible wood resources for printed materials that are difficult to be paperless.
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Social issues: Improving Quality of Life

Human capital	<p><u>Our efforts</u> As an asset manager, there is no doubt that people are our company's most important asset. We are committed to fostering our people's spirit of self-sufficiency and continually improving the working environment so that our diverse employees can fully demonstrate their abilities and fulfil their potential.</p> <ul style="list-style-type: none"> · In fiscal year 2022, we are introducing an educational initiative whereby the company will extend financial support to employees who plan training programs by their own. · We will update the existing in-house recruitment system so as to provide more opportunities where employees can consider their career development. · We will continually improve related policies and procedures to enable employees to work flexibly according to their life stage and various circumstances, as well as work environment where employees can maintain good health and maintain appropriate work-life balance.
Social Contribution Activities	<p><u>Our efforts</u> We are engaged in social contribution activities as an asset management company and as a corporate citizen in local communities. In the future, we will focus even more on activities that involve employees in order to deepen their understanding of environmental and social issues.</p> <ul style="list-style-type: none"> · We are engaged with financial education activities that emphasize the importance of asset building from an early stage in life as Japan's population ages and the birthrate continues to decline. · We will contribute a portion of the profits earned from specified investment trusts to several research institutions and other organizations engaged in activities that contribute to the resolution of environmental and social issues. · Centering on "The QOL Donation Fund", which is operated with money donated from our employees, we will encourage employee to participate in social contribution activities.

Improvement of business quality	<p><u>Our efforts</u></p> <p>While responding to changes in market conditions and diverse information disclosure requirements by domestic and foreign regulatory authorities, we will strive to improve the quality of our operations to meet renewed expectation from our customers. At the same time, we will redesign our business processes using digital technology to prevent employees from working long hours and maintain a work-life balance.</p> <ul style="list-style-type: none"> • We will promote operational efficiency through the use of IT tools, such as artificial intelligence (AI) and robotic process automation (RPA) in research work and the creation of a database of various information. • From the viewpoint of improving operational efficiency and ensuring smooth compliance with regulations in the future, we outsourced in September 2021 a part of back office operations to the trust bank with expertise in fund operations. Meanwhile, we have retained our capabilities so as to deliver services helping us differentiate ourselves and meet unique customers' requirements while aiming for even higher quality operations. • With regard to ESG-related funds, we will further improve our information disclosure so as not to be suspected of "ESG wash." • In particular, during the COVID-19 pandemic, we will work to revitalize internal communication to promote knowledge sharing and to prevent the working in silos that may cause clerical errors.
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Governance

Business ethics and Corporate culture	<p><u>Our efforts</u></p> <p>To fulfill our fiduciary responsibility, we will strive to foster corporate culture in which every executive and employee has a high sense of ethics as a professional, a desire to contribute to society, and the ability to take on challenges to achieve their goals.</p> <ul style="list-style-type: none"> • In addition to the quarterly compliance training mandatory for all officers and employees, we will provide opportunities so that each department can discuss not only legal compliance but also business ethics and fiduciary responsibilities, in an effort to foster a high ethical awareness. • We will conduct sustainability training to deepen the understanding and awareness of officers and employees about environmental and social issues. • We will annually conduct an organizational culture survey to ascertain the awareness of executives and employees and the condition of the organization, and to help create a healthy and open organizational culture.
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Date Created: April 22, 2022