

## **Transparency of remuneration policies in relation to the integration of sustainability risks**

### **KJR Management**

We are making the following disclosures in accordance with Article 5 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the "SFDR").

Our compensation program applies to all full-time employees and seeks to provide competitive compensation to attract, develop and retain talented individuals for the benefit of our shareholders and investors. Based on the concept of Total Compensation Approach (the approach of maintaining competitiveness at the level of total rewards), fixed pay is determined based on the concept of Pay for Job and variable pay based on the concept of Pay for Performance.

When adjusting fixed pay and determining the amount of variable pay, adjustments are made according to the performance of the company, each department, and individuals.

In addition, a long-term incentive system, in which pay is tied to the company's performance and the investment unit prices of managed funds, has been introduced for senior-level employees as variable remuneration. The system seeks to avoid outflows of human resource; to achieve stable management of the company; to create growth of medium- to long-term funds from the viewpoint of investors; and to motivate and reinforce consciousness for performance improvement of the asset management company. Employees receive rewards that are determined according to their relative achievement and contribution and role expectations for personal goals that relate to the organization's goals, including sustainability goals.

Our personnel evaluation system consists of two parts: "Behavior Evaluation", which evaluates the degree to which the corporate philosophy is embodied, and "Performance Evaluation" based on the concept of management by objectives, with the purpose of supporting business strategies, missions, and the realization of our corporate philosophy.

The "Behavior Evaluation" assesses the degree to which our personnel embodies the 'Conduct Guidelines', based on our corporate philosophy "[Mission, Vision & Core Values](#)". The 'Conduct Guidelines' require, among other things, that we understand the interests of all stakeholders, including investors, make sincere contributions, take the initiative in ensuring compliance with high standards, respect others, and leverage diversity to achieve high results.

The "Performance Evaluation" aims to improve the performance and growth of the organization as a whole by assessing the improvement of employees' abilities and career development, performance and motivation, and contribution to the company through evaluation and feedback on the level of

achievement of individual goals linked to organizational goals. This includes measuring the achievements and contribution to ESG-related targets, their embodiment of the corporate philosophy, and their expected roles. Employees are required to set targets concerning cooperation with other divisions, ESG, and participation in training. We make efforts to reinforce teamwork and ESG and support and encourage improvement in employees' skills and abilities. Other goals and targets include:

- Compliance-related objectives
- Goals related to enhanced risk management
- Targets for attending training

The rewards for fund managers are determined by similar evaluation methods, but in addition to the above items, the following items, among others, are included in the Performance Evaluation:

- Investment performance
- Contribution to asset strategies linked to relevant fund policies
- Compliance with RPI policies. This policy is designed to integrate environmental and social characteristics into the investment and asset management process.

Changes and management of the compensation system's policy are deliberated by the Compensation Committee and reported to the Board of Directors. In addition, decisions on compensation for executive officers and Senior General Manager, General Manager and Deputy General Manager need to be discussed and approved by the Compensation Committee in accordance with the Compensation Committee Regulations, and the status of the execution of duties of the Compensation Committee is reported to the Board of Directors.