

PRESS RELEASE

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NIKKO ASSET MANAGEMENT CO., LTD.

Revisions to Nikko AM's Standards for Exercising Voting Rights on Japanese Stocks

Nikko Asset Management Co., Ltd. (Nikko AM) is pleased to announce that we will revise our Standards for Exercising Voting Rights on Japanese Stocks, and apply the revised standards beginning with the general meetings of shareholders held in or after April 2024.

Nikko AM makes voting decisions in accordance with the firm's Guidelines on Exercising Voting Rights and Standards for Exercising Voting Rights on Japanese Stocks. The guidelines and standards are complementary. The Standards for Exercising Voting Rights on Japanese Stocks set specific standards to enable Nikko AM to exercise voting rights in line with its Guidelines on Exercising Voting Rights. An overview of these latest revisions is as follows.

Overview of revisions

We will make the below main revisions to our Standards for Exercising Voting Rights on Japanese Stocks, and apply the revised standards from April 2024.

1. Appointment of directors (expansion of the market scope for female director requirements)
2. Appointment of outside directors (increase in board meeting attendance rate)
3. Appointment of statutory auditors (newly added condition for opposition due to misconduct)
4. Appointment of statutory auditors (increase in board and supervisory board meeting attendance rate)
5. Shareholder proposals (specify the company's position on shareholder proposals on addressing climate change)

1. Appointment of directors (expansion of the market scope for female director requirements)

The scope, which was previously limited to companies listed on the Tokyo Stock Exchange (TSE)'s Prime Market, will be expanded to all markets in Japan. In the absence of a female director, we will in principle oppose any proposals for director appointments.

Background to revisions

We recognise that ensuring diversity in human resources is essential for companies to enhance their ability to respond to future changes in the business environment. Diversity is necessary at all levels within the company, but we believe that ensuring diversity on the board of directors, which is the place where important decisions are made, is a particularly important factor in raising the quality of decision-making.

In 2024, the scope of the target market will be expanded from the TSE Prime Market to all markets in Japan, and companies listed on any of these markets will also be required to appoint at least one female director.

As for future policy, taking into account the Japanese government's call for Prime Market listed companies to have females hold at least 30% of director positions by 2030, we will consider raising the requirement in stages, for example by requiring more than one director.

2. Appointment of outside directors (increase in board meeting attendance rate)

The board meeting attendance rate required for reappointment is increased from 75% to 80%.

Background to revisions

We welcome that many companies have recently seen an increase in the number of outside directors but on the other hand, we are concerned that the number of outside directors serving concurrently on multiple boards is increasing, and they cannot commit enough time to each company. We will raise the board meeting attendance rate from “at least 75%” to “at least 80%”, so that outside directors’ actual attendance and contributions to board meetings can be assessed more strictly than before.

3. Appointment of statutory auditors (newly added condition for opposition due to misconduct)

In principle, we will vote against resolutions for appointments of statutory auditors if misconduct has occurred at the firm and they are deemed to be involved in or liable for the occurrence.

Background to revisions

We are adding opposition due to misconduct as one of the conditions for the appointment of auditors, as it can be assumed that in some cases misconduct in companies is the responsibility of the auditor.

4. Appointment of statutory auditors (increase in board and supervisory board meeting attendance rate)

We are increasing the attendance rates at board and supervisory board meetings required for reappointment from “at least 75%” to “at least 80%”.

Background to revisions

Same as #2: Appointment of outside directors (increase in board meeting attendance rate)

5. Shareholder proposals (specify the company's position on shareholder proposals on addressing climate change)

While decisions on voting for or against shareholder proposals shall be based on individual examinations into their effect on shareholder value in the medium and long term, in principle we will vote in favour of proposals demanding disclosure on climate change, except in the below cases:

- (1) if the firm’s efforts are already in line with what is requested in the proposal; or
- (2) if carrying out what is requested in the proposal would be disadvantageous for the firm or restrict its business activities.

Background to revisions

In 2021, Nikko AM joined the Net Zero Asset Managers initiative (NZAMi), whose members aim to achieve net zero greenhouse gas emissions in their portfolios by 2050, and members encourage companies to take action to decarbonise. In the process, we believe that disclosure of climate change responses is important for enhancing corporate value, and we voted in favour of a number of shareholder proposals calling for disclosure of climate change responses at the June 2023 general meetings of shareholders. We have now decided to clearly state our position so that our investee companies can understand our stance.

Nikko AM actively engages in dialogue with investee companies to understand each company's approach and initiatives and reflect this when exercising voting rights. In line with this policy, we have established a contact address (Stewardship@nikkoam.com) for companies wishing to engage. For more information on the Standards for Exercising Voting Rights on Japanese Stocks, please visit the official Nikko AM website: <https://en.nikkoam.com/voting-rights#votingrights>.

Nikko AM is committed to fully adhering to its stewardship responsibilities, as part of efforts to maximise medium and long-term investment returns and protect the assets of its clients and beneficiaries, and in accordance with the firm's fiduciary principles.

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About Nikko Asset Management

With US\$211 billion* under management, Nikko Asset Management is one of Asia's largest asset managers, providing high-conviction, active fund management across a range of equity, fixed income, multi-asset and alternative strategies. In addition, its complementary range of passive strategies covers more than 20 indices and includes some of Asia's leading exchange-traded funds (ETFs).

Headquartered in Asia since 1959, Nikko Asset Management and its subsidiaries employ personnel representing around 30 nationalities, including approximately 200 investment professionals**. The firm has a presence through subsidiaries or affiliates in a total of 11 countries and regions. More than 400 banks, brokers, financial advisors and life insurance companies around the world distribute the firm's products.

The investment teams benefit from a unique global perspective complemented by the firm's historic Asian DNA, striving to deliver consistent excellence in performance. The firm also prides itself on its progressive, solution-driven approach, which has led to many innovative funds launched for its clients.

For more information about Nikko Asset Management and to access its investment insights, please visit the firm's [homepage](#).

* Consolidated assets under management and sub-advisory of Nikko Asset Management and its subsidiaries as of 30 September 2023.

** Including employees of Nikko Asset Management and its subsidiaries as of 30 September 2023.

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