

## Stewardship Activities Report and Self-assessment (FY 2022)

Nikko Asset Management Co., Ltd.

As a responsible institutional investor, Nikko Asset Management Co., Ltd. (hereinafter “Nikko AM”) places Environmental, Social and Governance (ESG) assessments and stewardship activities at the heart of its investment process. In order to fulfill our fiduciary duty, we have also committed ourselves to upholding Japan’s Stewardship Code and engage in stewardship activities that comply with the code. We constantly strive to contribute to the sustainable growth of investee companies—thereby maximizing the medium- and long-term investment returns of our customers—by continually engaging with investee companies and exercising our voting rights fairly.

The below report provides a summary of the principles and guidelines regarding such activities in Japan’s Stewardship Code alongside details of our self-assessment of Nikko AM’s compliance with them.

### **Principle 1: Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.**

Guideline		Comment
1-1.	Institutional investors should aim to enhance the medium- to long-term return on investments for their clients and beneficiaries by improving and fostering investee companies’ corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment and consideration of sustainability (medium- to long-term sustainability including ESG factors) consistent with their investment management strategies.	As an asset manager, Nikko AM places fiduciary principles*1 at the heart of all its values and business activities. It also constantly prioritizes the interests of its customers as their chosen fiduciary. Nikko AM believes that the concept of ESG is essential to putting fiduciary principles into practice and works to fulfil its fiduciary duty at all stages of investment decisions. We see our stewardship activities as long-term, continuous initiatives in regard to investee companies. As such, they are permanent and continuous initiatives that we engage in alongside the Code of Conduct Regarding Fiduciary and ESG Principles. We strive continuously to fulfill our stewardship responsibilities through such means as proactive engagement, proxy voting and ESG integration.

Guideline		Comment
1-2.	Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities (hereafter, "stewardship policy") and publicly disclose it. The stewardship policy should cover how they define the responsibility and how they fulfill it, in view of their role in the investment chain running from their clients and beneficiaries to the investee companies. Institutional investors should clearly specify how they take the issues of sustainability into consideration in their policy, consistent with their investment management strategies.	We work to execute our fiduciary duties and stewardship responsibilities as an asset manager. Having announced our commitment to Japan's Stewardship Code on May 30, 2014, we publicly released the Nikko Asset Management Stewardship Policy and further strengthened our work on our stewardship activities. In accordance with subsequent developments including multiple revisions of Japan's Stewardship Code as well as enhancements of our own stewardship framework, we revise our policy when needed and work to provide appropriate disclosure to enhance understanding of our initiatives. In recent revisions made to the policy in January 2023, we expanded our application of the principles of Japan's Stewardship Code to include other investment assets in addition to Japanese listed equities, particularly investments in Japanese corporate bonds, in order to reflect further evolution in our stewardship activities.

General assessment and future initiatives for Principle 1	As an asset manager, we endeavor to execute fiduciary duties and stewardship responsibilities. Having announced our commitment to Japan's Stewardship Code on May 30, 2014, we publicly released the Nikko Asset Management Stewardship Policy and further strengthened our work on our stewardship activities. Following multiple revisions, our current policy already covers the topics added in changes to the Code, including our sustainability efforts and information disclosure, and reflects enhancements made in our explanations of matters such as our engagement activities as well as our compliance with Japan's Stewardship Code regarding investment in Japanese corporate bonds and other such areas. Our self-assessment is therefore that we meet the requirements of Principle 1.
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\*1: The general term for a wide range of roles and responsibilities assumed in order to perform certain services for others.

**Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.**

Guideline		Comment
2-1.	While institutional investors should put the interest of their client and beneficiary first in conducting stewardship activities, they inevitably face the issue of	We have established Conflict of Interest Control Policy in line with laws and regulations, and have posted a summary of the policy on our website. We manage transactions and other conduct that involves the risk of conflicts of interest in order to ensure that our operations are appropriate. Our

Guideline	Comment
<p>conflicts of interest from time to time, for example when voting on matters affecting both the business group the institutional investor belongs to and a client or beneficiary. It is important for institutional investors to appropriately manage such conflicts.</p>	<p>compliance function is responsible for the establishment of the Policy as well as the management of trading and conduct that could lead to conflicts of interests. Compliance personnel are responsible for the maintenance of our framework for conflict of interest control, periodical verification of its effectiveness and efforts to make continuous improvements. Their key responsibilities include conducting education/training programs on conflict of interest controls. The Conflict of Interest Control Policy stipulates how we manage conflicts of interests in our stewardship activities (engagement and proxy voting). The Stewardship and Voting Rights Policy Oversight Committee, whose members are mostly from outside Nikko AM, including its Chair, strives to avoid the occurrence of any conflicts of interests through monitoring and supervision in accordance with the policy.</p>
<p>2-2. Institutional investors should put in place and publicly disclose a clear policy on how they effectively manage key categories of possible conflicts of interest. In particular, asset managers should identify specific circumstances that may give rise to conflicts of interest which may significantly influence the exercise of voting rights and/or dialogue with companies, and set out and disclose specific policies on measures for effectively eliminating the influence of such conflicts including avoiding such conflicts, thus securing the interests of clients and beneficiaries.</p>	<p>We categorize conflicts of interest in our stewardship activities as exertions of influence, and have established a policy on them. Specifically, we ensure that investee companies and others do not exert influences and ensure that our relationships with them are appropriate by stipulating reasonable decision-making criteria for performing the relevant operations. These activities are monitored and supervised by the Stewardship and Voting Rights Policy Oversight Committee, whose members are mostly from outside Nikko AM, including its Chair. We work to avoid conflicts of interest in our proxy voting and to ensure that we can make decisions objectively by assuming that such conflicts are at risk of occurring in regard to our parent firm, distributors and client business partners, and by managing our proxy voting in a way that ensures appropriate decisions based on Articles 3 and 4 of our Guidelines on Exercising Voting Rights.</p>
<p>2-3. Asset managers should establish and disclose governance structures, such as an independent Board of Directors or third party committees for decision-making or oversight of voting, in order to secure the interests of clients and beneficiaries and prevent conflicts of interest.</p>	<p>One of the major features of the framework that forms the basis of our stewardship activities is our Stewardship and Voting Rights Policy Oversight Committee, whose members are mostly from outside Nikko AM. The committee, which we launched in June 2016 as a way of enhancing the transparency of our stewardship activities and strengthening our governance, was the first of its kind in our industry. It also constitutes a third-party committee, which is one of the governance bodies recommended under Japan's Stewardship Code. The committee is highly independent given that four of its seven members are independent outside members as of March 2022. Functioning as an independent body with supervisory authority, the committee monitors and supervises whether Nikko AM's engagement and proxy voting in regard to investee companies is in line with its fiduciary principles and truly meets the interests of investors. The committee's</p>

Guideline		Comment
		<p>activities are required to be reported to our Board of Directors and are part of our governance framework.</p> <p>We transformed Nikko AM into a firm with an audit and supervisory committee in June 2019 in order to strengthen our auditing of our management. By establishing the Audit and Supervisory Committee and granting Board of Directors voting rights to directors who are Audit and Supervisory Committee members, we have raised our ratio of outside directors to more than 60%, strengthened our ability to audit and supervise our Board of Directors, and further enhanced our corporate governance framework.</p>
2-4.	The management of asset managers should recognize that they themselves have important roles and responsibilities in strengthening the governance of asset managers and managing conflicts of interest, and should take action on such issues.	<p>We appointed a former Chairman of the Japan Investment Advisers Association as an outside director and the Chair of the Board of Directors in May 2018, thereby ensuring that the proceedings of Board of Directors meetings are directed by an independent outside director. We aim to be an asset manager with a highly independent and transparent management and operational framework by having outside directors who are truly independent. We also appointed the said outside director and Chair of our Board of Directors as a member of the above-mentioned Stewardship and Voting Rights Policy Oversight Committee in July 2019. Our Board of Directors takes a proactive approach to strengthening our management of conflicts of interest and our governance in our stewardship activities.</p>

General assessment and future initiatives for Principle 2	We believe that our thorough management of conflicts of interest maintains trust from investee companies and allows us to conduct our stewardship activities effectively. Our everyday stewardship activities such as proxy voting are governed by the management framework and supervision functions described in the above items and are in line with our policy for managing conflicts of interest. Our self-assessment, therefore, is that we meet the requirements of Principle 2 of Japan's Stewardship Code, and that our we prioritize the interests of investee companies and customers.
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**Principle 3: Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.**

Guideline		Comment
3-1.	Institutional investors should appropriately monitor investee companies so that institutional investors can fulfill their stewardship responsibility with the aim of enhancing the medium- to long-term corporate value and capital efficiency and supporting the sustainable growth of the companies.	Our fund managers and analysts use information disclosed by investee companies, periodic interviews with them and other such means to accurately ascertain the companies' situations. They also work to gain an understanding of financial information such as companies' earnings and capital policies, their business strategies, and non-financial information including their ESG strategies. Our investment decisions are then made in view of investee companies' potential for sustainable growth as well as their medium- and long-term enterprise value. Our Active Ownership Group, which has specialist ESG knowledge and is responsible for engagement as well as proxy voting, engages with companies and works to gain an accurate understanding of them with a particular focus on sustainability. The group then shares the information it has gathered with our fund managers and analysts in order for them to further deepen their understanding of investee companies. Our department responsible for Japanese equity investment management engaged with more than 1,100 companies over 3,400 times throughout 2022 in individual meetings alone.
3-2.	Institutional investors should monitor investee companies continuously and review as appropriate the effectiveness of the monitoring.	Our fund managers and analysts conduct ongoing engagement with the main names in their investment universe and ensure that their engagement is effective by sharing the details of it through our internal system.
3-3.	When investors monitor investee companies, a variety of factors, including non-financial ones, may be considered as relevant. Factors may include, for example, the investee companies' governance, strategy, performance, capital structure, business risks and opportunities (including risks and opportunities arising from social and environmental matters), and how the companies address them. Relevance of a factor may depend on each investor's investment management strategy and may differ according to specific investee companies. Institutional investors need to use their own judgment in choosing which factors to focus on in light of their stewardship responsibilities. They should endeavor to identify at an early stage issues that may result in a material loss in the value of investee companies.	We believe that comprehensive assessments of companies' values need to include multi-factor analyses and assessments not only of financial information but also of ESG initiatives and other non-financial information. In the field of Japanese equity active management, we incorporate Creating Shared Value (CSV; the idea of solving social issues through business leading to the generation of both social and economic value) into our assessments of companies. Our in-house research analysts conduct CSV assessments of companies in view of ESG, market competitiveness and finance considerations, and use them as the basis for ESG integration. CSV assessments are currently applied to over 650 stocks listed on the Tokyo Stock Exchange from medium- to long-term perspectives. Our analysts closely engage with the companies subject to the assessments, and work to monitor and improve the companies' corporate values including their ESG factors.

<p>General assessment and future initiatives for Principle 3</p>	<p>We consider fiduciary principles to be the most important elements of our corporate philosophy and activities, and have incorporated ESG factors in our investment process as essential guidelines for putting the principles into practice. ESG factors are incorporated in our assessments of companies' values in all of our strategies globally, and ESG thinking informs all of our investment management. We focus on a fundamental tenet of ESG investment, which is to comprehensively assess the corporate value of companies by including non-financial information that reflects their ESG initiatives as well as examinations of their financial information in our assessments. Our self-assessment is that these measures and their results demonstrate our extensive efforts to maximize sustainable growth for investee companies and the interests of our customers in accordance with Principle 3.</p>
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**Principle 4: Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.**

Guideline		Comment
4-1.	<p>Institutional investors should endeavor to arrive at an understanding in common with investee companies through constructive dialogue with the aim of enhancing the companies' medium- to long-term value and capital efficiency, and promoting their sustainable growth. In case a risk of possible loss in corporate value is identified through the monitoring of and dialogue with companies, institutional investors should endeavor to arrive at a more in-depth common understanding by requesting further explanation from the companies and to solve the problem.</p>	<p>We work to ensure that our engagement with companies is based on sound discussions by first examining their publicly available information and establishing hypotheses about the fundamental issues they face. We then share the issues we have identified with them and urge them to find solutions. In addition, we handle companies that are particularly slow to participate in engagement or disclose information by requesting meetings with upper managers and work to ensure more effective engagement. We share the results of these activities with fund managers and analysts as necessary and use them in our assessments of companies' enterprise value. Our Equity Fund Management Department introduced a new engagement platform in the latter half of FY 2022. The platform is used to establish our understanding of the issues facing companies whose enterprise value we feel can be improved through engagement as well as our goals regarding those companies, and to manage the progress made in our engagement with them in stages. It is intended to strengthen our capabilities in this area by making our engagement more cross-functional and improving the visibility of the engagement process. We feel that the platform will enhance the effectiveness of our engagement.</p>
4-2.	<p>When they engage in the issues of sustainability, institutional investors, should consciously engage in dialogue that is consistent with their investment</p>	<p>We have publicly announced that we focus on three key ESG themes that we feel reflect common issues for many Japanese companies in our investment management of assets in Japan: Action for a Decarbonized Society, Human Capital and Productivity, and Effective</p>



Guideline		Comment
	management strategies and that leads to the medium- to long-term increase of corporate value and the sustainable growth of companies.	Governance. When engaging with investee companies, we keep these key themes in mind and urge them to address the ESG issues they face. Our engagement involves exchanging opinions with investee companies from a medium- to long-term perspective and in a manner that matches the growth phase of each company, not merely in regard to the firms' corporate earnings and financial strategies but also about other matters mentioned in non-financial information they disclose, including their management policies, management strategies, shareholder returns and ESG initiatives. We engage with a large variety of people ranging from the top managements of firms to employees responsible for finance, corporate planning and other such business managers. In doing so, we aim to realise extensive engagement that covers all aspects of sustainability.
4-3.	Because passive management provides limited options to sell investee companies' shares and needs to promote their medium- to long-term increase of corporate value, institutional investors should actively take charge of engagement and voting from a medium- to long-term perspective.	In March 2017 we established a business unit within our Equity Fund Management Department called the Active Ownership Group in order to enhance our engagement with investee firms in both active and passive fund management. The Active Ownership Group assigns orders of priorities to a wide range of companies based on considerations such as their earnings, their asset efficiency, their shareholder return approaches and their ESG initiatives, and engages with them accordingly.
4-4.	Institutional investors should have a clear policy in advance on how they design dialogue with investee companies in various possible situations.	Item four in the Nikko Asset Management Stewardship Policy stipulates the details of matters that need to be addressed and kept in mind when engagement is conducted. In March 2022, we released the Nikko Asset Management Group Engagement & Stewardship Strategy. The strategy explains the objectives of our engagement and other stewardship activities, the methods we use for them, how they occur in practice, and how they are prioritized. It also clarifies our approach to aspects of stewardship including documentation, monitoring, reporting, collective engagement, and escalation.
4-5.	In addition to institutional investors engaging with investee companies independently, it would be beneficial for them to engage with investee companies in collaboration with other institutional investors (collaborative engagement) as necessary.	We understand the effectiveness of collective engagement and actively advocate collaborative engagement in fields where doing so is possible. In August 2018, we became a signatory to Climate Action 100+, a collaborative engagement platform that calls for companies to enhance their climate change-related governance, to curb their emissions and to strengthen their disclosure of climate-related financial information. We actively participate in collaborative engagement in regard to a number of investee companies, including Japanese firms.

Guideline		Comment
4-6.	In principle, institutional investors can well have constructive dialogue with investee companies based on public information, without receiving information on undisclosed material facts. The “G20/OECD Principles of Corporate Governance” and the Tokyo Stock Exchange’s “Japan’s Corporate Governance Code” set the principle of the equitable treatment of shareholders, which applies to the handling of undisclosed material facts. Institutional investors that have dialogue with investee companies should be aware that the companies are expected to abide by the principle and should in essence be discreet in receiving information on undisclosed material facts.	We make every effort to ensure that we do not receive material non-public information through our stewardship activities. We work to ensure that our engagement and monitoring of investee companies’ situations does not result in the receipt of such information by conducting thorough and continuous education and training. In the unlikely event that we do receive such information, we handle the situation promptly by such means as imposing trading restrictions on the subject company’s stocks based on our internal regulations.

General assessment and future initiatives for Principle 4	As shown above, we meet each of the guidelines in Principle 4 of Japan’s Stewardship Code overall. We believe that we are making extensive efforts to enhance the sustained growth and medium- to long-term corporate value of investee companies, and therefore to maximize the interests of our customers by understanding the circumstances of investees as well as engaging and exercising voting rights with them in light of those conditions. We will continue to engage with investee companies with a thorough focus on our objectives of contributing to sustained growth and medium- and long-term enhancement of corporate value for Japanese companies, including engagement on environmental and social issues. In addition, we plan to revise the key ESG themes we stipulated in 2021 in order to reflect sustainability themes whose importance has grown in recent years. We will establish issues to be addressed and goals in our engagement with investee companies based on considerations both of top-down perspectives centered on key ESG themes and bottom-up perspectives focused on the issues faced by individual companies. We also intend to enhance the effectiveness of our engagement through cross-functional operations based on the new engagement platform we recently introduced. In addition to our individual engagement, we will further develop our collaborative engagement by such means as taking active roles in various investor initiatives.
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**Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist: it should be designed to contribute to sustainable growth of investee companies.**



Guideline		Comment
5-1.	Institutional investors should seek to vote on all shares held. They should decide on the vote in light of the results of the monitoring of investee companies and dialogue with them.	Proxy voting is a key element of stewardship activities. We aim to carry out our fiduciary duty by enhancing the medium- and long-term enterprise value of investee companies through proxy voting. We make comprehensive voting decisions that not only comply with the Nikko Asset Management Group Proxy Voting Policy, which stipulates the Group's basic approach to proxy voting, the Guidelines on Exercising Voting Rights, which stipulate detailed decision criteria, and the Proxy Voting Standards for Japanese Equities, which provide supplementary detailed rules, but also take into account the details of our engagement.
5-2.	Institutional investors should have a clear policy on voting and publicly disclose it. Institutional investors should try to articulate the policy as much as possible. The policy should not be comprised only of a mechanical checklist: it should be designed to contribute to sustainable growth of the investee company.	<p>We have posted the Nikko Asset Management Group Proxy Voting Policy on the Nikko AM website as a policy on proxy voting decisions common to all firms in the Group. The objective of the policy is to show that the Group's basic approach of focusing on ESG is reflected in proxy voting undertaken by Nikko AM and all of its overseas investment management subsidiaries. It is also intended to make it clear that proxy voting by each of the investment management firms in the Group is based on the same common approach. We have also publicly released our Guidelines on Exercising Voting Rights, which stipulate the details of our decision criteria as a document subordinate to the above policy, and in April 2020 we disclosed the Proxy Voting Standards for Japanese Equities, which include detailed numerical standards for proxy voting decisions on Japanese stocks, on the Nikko AM website. In March 2023, we partially revised the Proxy Voting Standards for Japanese Equities. The changes we made included revisions to our quantitative standards for shareholder returns and earnings as well as our requirements for the independence of outside officers, the establishment of quantitative standards regarding cross-shareholdings, and the addition of details regarding our sustainability (climate change) standards.</p> <p>Our internal Stewardship and Proxy Voting Committee is responsible for various decisions needed to execute Nikko AM's stewardship activities, including formulating our stewardship policy and revising or abolishing the Guidelines on Exercising Voting Rights. In addition, functioning as an independent body with supervisory authority, the Stewardship and Voting Rights Policy Oversight Committee monitors and oversees whether Nikko AM's engagement and proxy voting in regard to investee companies is in line with its fiduciary and ESG principles and truly meets the interests of investors. The oversight committee is also required to report the details of its activities to the Board of Directors as part of Nikko AM's governance framework.</p> <p>We also make sure that we appropriately consider our voting rights in relation to stock lending transactions in order to ensure that our proxy voting for them also promotes enhancement of sustainable growth and medium- to long-term corporate value. Specifically,</p>

Guideline		Comment
		we establish the names subject to stock lending on the record dates for rights and work to ensure that we vote in a way that best fulfills our stewardship responsibility.
5-3.	<p>Institutional investors should at a minimum aggregate the voting records into each major kind of proposal, and publicly disclose them.</p> <p>Furthermore, to enhance visibility of the consistency of their voting activities with their stewardship policy, institutional investors should disclose voting records for each investee company on an individual agenda item basis. If there is a reason to believe it inappropriate to disclose such company-specific voting records on an individual agenda item basis due to the specific circumstances of an investor, the investor should proactively explain the reason.</p> <p>At the time of their voting records disclosures, it is also considered beneficial in enhancing visibility for institutional investors, to explicitly explain the reasons why they voted “for” or “against” an agenda item. In particular, institutional investors should disclose their voting rational with respect to either “for” or “against” vote, which are considered important from the standpoint of constructive dialogue with the investee companies, including those perceived to have conflicts of interest or those which need explanation in light of the investors’ voting policy.</p>	<p>We disclose records of how we have voted on individual proposals regarding domestic investee companies on our website. We also summarize our overall voting records and disclose them fully every quarter. We firmly believe that continuing the individual disclosures will help us to increase the transparency of our stewardship activities and to ensure that no conflicts of interest occur when we exercise our voting rights.</p> <p>Starting with our individual disclosures for January to March 2020, we now also disclose details of the reasons for our proxy voting decisions. Specifically, we disclose our grounds for opposing company proposals, our reasons for voting in favor of shareholder proposals and other decisions on individual proposals in cases where we feel it is important to explain our reasoning. We believe that actively explaining the reasons for our voting decisions helps us to manage potential conflicts of interest and facilitates constructive engagement with investee companies.</p>
5-4.	<p>When institutional investors use the service of proxy advisors, it is important that they use the service based on an understanding of the voting recommendation process, including the human and operational resources of the advisors. They should not mechanically depend on the advisors’ recommendations but should exercise their voting rights at their own responsibility and judgment based on</p>	<p>We outsource the provision of advice on proxy voting decisions to Institutional Shareholder Services Inc. (ISS). ISS provides us with services including analyses of individual proposals and proxy voting decision advice based on proxy voting policies such as our guidelines. When examining the details of individual proposals, the Active Ownership Group, which is responsible for stewardship activities, makes proxy voting decisions carefully using its own judgment based on considerations including past engagement with the relevant companies, the details of the engagement, the details of advice from ISS, and whether any standards are being breached.</p>

Guideline		Comment
	<p>the results of the monitoring of the investee companies and dialogue with them.</p> <p>When disclosing their voting activities, institutional investors using the service of proxy advisors should publicly disclose the name of the advisor and how they utilize the service in making voting judgments specifically.</p>	

General assessment and future initiatives for Principle 5	<p>We make comprehensive proxy voting decisions in line with written rules we have stipulated ourselves in view of the details of our engagement. In addition, our Stewardship and Voting Rights Policy Oversight Committee monitors, oversees and provides suitable advice on matters such as the appropriateness of our voting decisions from an independent standpoint. In addition, we disclose records of our proxy voting decisions on individual proposals in regard to domestic investee companies on our website, and we started disclosing the reasons for our decisions on individual proposals for voting conducted in January to March 2020. We also posted our Standards for Exercising Voting Rights on Japanese Stocks, which stipulate details of our proxy voting standards, in their entirety on our website in April 2020. We believe that enhancing our disclosure efforts is a key way of demonstrating our work to facilitate investee firms' sustainable growth and medium- to long-term corporate value enhancement through proxy voting. Our self-assessment of our framework and activities in regard to the exercise of voting rights is that we are engaged in a variety of initiatives and efforts that meet the requirements in Principle 5.</p>
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**Principle 6: Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.**

Guideline		Comment
6-1.	<p>Asset managers should in principle report periodically to their direct clients on how they fulfill their stewardship responsibilities through their stewardship activities.</p>	<p>We make various efforts to enhance the information we disclose on our stewardship activities. We work to expand our information disclosure by providing documents including the following on our website: the Nikko Asset Management Stewardship Policy; our Stewardship Activities Report and Self-assessment, which provides the self-assessments required under Japan's Stewardship Code; our policy on proxy voting, records of our individual voting decisions; the Nikko Asset Management Engagement and Stewardship</p>

Guideline		Comment
		Strategy, which explains our engagement with companies; the Nikko Asset Management TCFD Report, in which we publicly disclose our climate change initiatives in relation to our stewardship activities; and our “Sustainability Report”, which summarizes the Nikko AM Group’s sustainability initiatives. We also provide our investment advisory agreement customers with periodic, customized reports based on requests from them.
6-3.	When reporting to their clients and beneficiaries, institutional investors should choose the format and the content of the reports in light of any relevant agreement with the recipients and the recipients’ convenience, and the costs associated with the reporting, and should aim to deliver effective and efficient reports.	Based on our membership of the Japan Stewardship Initiative, we advocate the spread of the “smart format”, which is aimed at enhancing the effectiveness of stewardship reporting. We execute our reporting based on the “smart format”. We will continue working to ensure that our reporting on our stewardship activities is not only oriented towards our customers but also highly useful and cost-effective. In addition, we hold report meetings regarding stewardship with many institutional investors approximately once a year. We also report on our proxy voting, corporate engagement and other stewardship activities in line with customer’s needs. To be more specific, we provide a wide range of information including our Stewardship Policy and our structure for implementing it, our corporate engagement and its impact, and third parties’ evaluations of our ESG integration and stewardship activities.
6-4.	Institutional investors should maintain a clear record of their stewardship activities, including voting activities, to the extent necessary to fulfill their stewardship responsibilities.	We maintain a database of all of the details of our proxy voting including the reasons for our voting decisions, and this enables us to refer to past voting decisions where necessary. We also create memos on all of our engagement and share them as appropriate with the relevant departments through meetings and other such means. We incorporate those measures appropriately in all of our decision-making processes.
General assessment and future initiatives for Principle 6	We work to enhance our reporting on our activities to all of our customers and beneficiaries by expanding the content of our disclosures on our stewardship activities. We disclose our Standards for Exercising Voting Rights on Japanese Stocks, which include detailed numerical standards for proxy voting decisions on Japanese equities, on our website, as well as individual items of information including the reasons for our decisions in proxy voting results on Japanese equities. Our other work to expand our reporting includes disclosing the Nikko Asset Management Engagement and Stewardship Strategy, which provides detailed information on our engagement, in March 2022. We will continue working to maintain and enhance the degree to which we meet the requirements in Principle 6 by taking a sincere approach to our stewardship activities.	

**Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.**

Guideline		Comment
7-1.	To make dialogue with investee companies constructive and beneficial, and to contribute to the sustainable growth of the companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the companies and their business environment and consideration of sustainability consistent with their investment management strategies. Institutional investors should have the necessary internal structure to have appropriate engagements and make proper judgments.	<p>In June 2016, we established the Stewardship and Voting Rights Policy Oversight Committee, becoming the first in our industry to establish such a committee. As a highly independent third-party committee whose members are mostly from outside the company, the Oversight Committee is one of the elements of governance recommended under Japan's Stewardship Code. The committee monitors and oversees whether Nikko AM's engagement with investee companies and its exercise of voting rights truly meet the interests of investors. In November 2016, we launched the ESG global Steering Committee, which consists of a large number of observers drawn primarily from leaders in Nikko AM's investment management locations around the world. The committee discusses and looks into matters including ESG investment initiatives, ways of putting them into practice and new approaches to them, and works to determine and realize such initiatives.</p> <p>The work of the ESG specialists includes supporting the ESG activities of the Group's investment management teams, establishing the Group's ESG policies, considering whether to participate in various ESG initiatives and supporting related activities, coordinating joint engagement, and operating the ESG Global Steering Committee. In August 2022, we established the new position of Sustainable Investment Global Head in our Singapore office. The holder of this position leads an independent team, which is responsible for implementing our global ESG strategy and includes ESG specialists stationed in Group offices around the world. The Sustainable Investment Global Head is also responsible for supporting investment operations and client handling throughout the Group as well as responses to laws and regulations in various countries and territories. This includes establishing strategies, frameworks and processes for ESG integration and research, stewardship activities, ESG-related regulations and standards, ESG data, and reporting.</p>
7-2.	In particular, the management of institutional investors should have appropriate capability and experience to	Nikko AM's fiduciary duty and stewardship duty are supervised by the Board of Directors. Our Board of Directors is highly independent given that six of the nine directors on the board are

Guideline	Comment
<p>effectively fulfill their stewardship responsibilities, and should be constituted independently and without bias, in particular from their affiliated financial groups. The management of institutional investors should also recognize that they themselves have important roles and responsibilities to carry out stewardship activities such as enhancing dialogue, structure their organizations and develop human resources, and take action on these issues.</p>	<p>independent outside directors as of April 2023. Furthermore, our Board of Directors is chaired by an independent outside director, which ensures that it is operated and makes decisions in a way that takes the independence of Nikko AM's business management into consideration. Many of the independent outside directors on the board are individuals from outside the company with management experience at asset management firms in Japan and overseas. Given the expertise and experience provided by each of our board members, we feel that our Board of Directors can provide recommendations and advice based on experience of the customer-oriented business operations we seek to provide as well as efforts to strengthen investment management capabilities. Our board's composition also demonstrates our work to strengthen our commitment to diversity given that 33% of our directors are female and our ratio of non-Japanese directors is also 33%.</p> <p>Functioning as the main committees to support Nikko AM's stewardship activities, our Stewardship and Voting Rights Policy Oversight Committee and our ESG Global Steering Committee report the details of their activities to the Board of Directors as part of our governance framework.</p> <p>In September 2018, we newly established the Corporate Sustainability Department in order to strengthen our commitment to ESG in our own management and investment approaches. The department's activities were expanded to give it a global reach in 2020. It maintains our commitment to ESG and makes us put that commitment into practice. Specific areas addressed by the Corporate Sustainability Department include the promotion of diversity and inclusion in order to respect our diversity as a firm, monitoring compliance with corporate governance codes at each of our offices and working to minimize our environmental impact.</p>
<p>7-3. Exchanging views with other investors and having a forum for the purpose may help institutional investors conduct better engagement with investee companies and make better judgments.</p>	<p>Based on our awareness of how important connections among institutional investors are in stewardship activities, we have a long track record of taking action in this area, including participating in a number of initiatives. We became the first in our industry to sign the Principles for Responsible Investment (PRI) in 2007, and our activities in the area of PRI include sharing ESG information and using collaborative engagement platforms. In order to help us to achieve our engagement objectives, we also participate in initiatives including Climate Action 100+, which leads collaborative engagement for specific purposes, and 30% Club Investor Working Group (Japan). In FY2021, we endorsed the purpose of the Net Zero Asset Managers Initiative, which is a global initiative of asset managers aimed at achieving net zero greenhouse gas emissions by 2050, and joined the initiative group in November. In April 2022, we publicly announced our endorsement of the basic concept of GX (Green Transformation) announced by METI, demonstrating our commitment to taking intensive action to achieve carbon neutrality by 2050.</p>



Guideline		Comment
7-4.	<p>Institutional investors should endeavor to improve their policies based on the Code and the quality of their stewardship activities by reviewing at an appropriate timing the status of their implementation of each principle, including guidance.</p> <p>In particular, asset managers should regularly conduct self-evaluations with respect to the status of their implementation of each principle, including guidance, disclose the results toward continued improvement of their governance structures, conflicts of interest management, and stewardship activities, etc., and disclose such results together with the results of their stewardship activities including dialogue with companies. In doing so, asset managers should be conscious that these are consistent with their investment management strategies and lead to the medium- to long-term increase of corporate value and the sustainable growth of companies.</p>	<p>We have continued to fulfill our stewardship responsibilities proactively through our engagement and proxy voting in order to enhance the corporate values of investee companies and candidates for investment since announcing our support for Japan's Stewardship Code in 2014. In addition, we perform annual self-assessments of our initiatives as part of these stewardship activities as well as other such aspects of our work, and have been publicly releasing updates on our activities since March 2018. In self-assessments of our stewardship activities, we release the contents of our assessments in line with each of the guidelines in Japan's Stewardship Code in order to provide detailed information on our initiatives.</p> <p>In this sixth round of self-assessments, we aim to further expand the information covered to reflect new initiatives including enhancements to our capabilities made in preparation for our global growth. Please also see our Sustainability Report, in which we provide details of the engagement track records and ESG integration performed by each investment team of our group.</p>

General assessment and future initiatives for Principle 7	<p>In order to fulfill our fiduciary duties and stewardship duties given our involvement in the management of customers' assets, we strongly believe that we need an operational management framework centered on a management team with extensive experience and knowledge of the asset management industry in order to have a strong foundation as a company. That is the basis of our longstanding commitment to securing the right management talent. Our management team is committed to managing Nikko AM with a focus on long-term sustainability through various activities led by the Corporate Sustainability Department. By doing so, we aim to serve the interests of all stakeholders with an interest in our business, including our customers, employees and shareholders. Next fiscal year, we will start operating our Sustainable Investment Department, which we created by expanding our Active Ownership Group. The department will work to promote stewardship activities across different assets, strengthen our sustainability engagement based on its global knowledge, and proactively support all of our investment management teams. We believe that our corporate governance initiatives and the strengthening of our stewardship activities as an asset manager that we have explained here demonstrate the sustained efforts we are making to meet the requirement for firms to build up their capabilities in Principle 7. We will continue our efforts to meet the requirements of Principle 7 by taking a sincere approach to our stewardship activities.</p>
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## Message from Stewardship and Voting Rights Policy Oversight Committee

The Stewardship and Voting Rights Policy Oversight Committee has discussed a variety of topics in regard to Nikko AM's stewardship activities. The committee discusses topics from diverse standpoints based on the wide-ranging knowledge and experience of its members and does its utmost to help Nikko AM perform its stewardship duties appropriately.

The committee deliberated over the suitability of the contents of this "Stewardship Activities and Self-assessment (FY 2022)" for public release, and found the respective explanations and assertions in the report regarding Nikko AM's compliance with the requirements in Principles 1-7 of Japan's Stewardship Code to be a faithful representation of the reality.

The committee will continue to monitor and oversee whether Nikko AM is properly performing its stewardship activities to the benefit of its customers, including responding to any future revisions to Japan's Stewardship Code, changes or updates of laws, regulations, rules or guidelines, or updates of Nikko AM's internal framework.