

Stewardship Activities Report and Self-assessment (FY 2020)

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.	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 our 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 fully achieve each of our investment management targets in our investment management policy in order to execute our fiduciary duties 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. We subsequently responded to the revision of Japan’s Stewardship Code on May 29, 2017 by renewing the Nikko Asset Management Stewardship Policy in November of the same year. Our renewed policy covered all of the main topics newly included in the revised Code, including the management of conflicts of interest, engagement in passive investment management and expanding the public release of proxy voting records. We also enhanced our explanations on Nikko AM’s engagement and other such matters in December 2019—before doing so was recommended in a further revision of the Code in March 2020—and strengthened our disclosure on our sustainability activities in May 2020. The incorporation of both changes in our policy demonstrated our ongoing commitment to taking early action ahead of revisions to the Code.

General assessment and future initiatives for Principle 1	We have a stewardship policy that not only addresses topics introduced in the 2017 revision of Japan’s Stewardship Code such as the management of conflicts of interests, engagement in passive investment management and expanding the public release of proxy voting records; but already covers the topics added in the March 2020 revision of the Code, including our sustainability efforts and information disclosure. Our self-assessment is therefore that we meet the requirements of Principle 1.
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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 conflicts of interest from time to time, for example	We have established a policy on managing conflicts of interest 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

Guideline		Comment
	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.	appropriate. Our policy also stipulates how we manage conflicts of interest in our stewardship activities (engagement and proxy voting).
2-2.	<p>Institutional investors should put in place and publicly disclose a clear policy on how they effectively manage key categories of possible conflicts of interest.</p> <p>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>
2-3.	<p>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 2021. 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 and ESG principles and truly meets the interests of investors. The committee's 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</p>

Guideline		Comment
		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.
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.	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.

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	Our fund managers and analysts work to monitor investee companies accurately using public information. In March 2017 we established a business unit within our Equity Fund Management Department called the Active Ownership Group, which consists of three analysts and facilitates engagement in passive fund management. The establishment of the Group enabled us to expand the number of companies we engage with from about 950 (those in the active management

Guideline		Comment
	and capital efficiency and supporting the sustainable growth of the companies.	<p>investment universe) to approximately 2,200 companies (by adding investee companies that are managed passively).</p> <p>We also brought in the Nikko AM Group's first dedicated ESG specialists in FY 2018 to further strengthen coordination on stewardship activities among the Group's investment management locations around the world. The work of our 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.</p> <p>In May 2020 we published a press release on our near-term approach to proxy voting on domestic stocks in view of rising COVID-19 infections in Japan. The release included information on our establishment of a new contact point for engagement intended to improve our understanding of investee firms' rapidly changing operating environments under the pandemic, and to reflect that understanding in our stewardship efforts.</p>
3-2.	Institutional investors should monitor investee companies continuously and review as appropriate the effectiveness of the monitoring.	<p>Our fund managers and analysts work to gain a picture of the financial information of companies such as their earnings trends and capital structures, their management strategies, and their ESG strategies and other such non-financial information, using sources including information disclosures from the companies and periodic interviews with them. They then use this information to make investment decisions that contribute to investee companies' sustainable growth.</p> <p>We established our ESG Global Steering Committee in November 2016. Consisting of a large number of observers and members drawn primarily from leaders in our investment management locations around the world, the ESG Global Steering committee meets quarterly to discuss and look 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>We also signed the Principles for Responsible Investment (PRI) in 2007. In the annual PRI assessment for 2020, we achieved the top score in the "Strategy & Governance" section covering company-wide ESG investment capabilities for the seventh straight year. As in the previous year, we also received the top score of A+ (out of six score bands) in the main items assessed, including "Listed Equity – Incorporation", "Listed Equity – Active Ownership", "Fixed Income – SSA", "Fixed Income – Corporate Financial" and "Fixed Income – Corporate Non-Financial".</p>
3-3.	When investors monitor investee companies, a variety of factors, including non-financial ones, may be considered as relevant. Factors may include, for	We believe that comprehensive assessments of companies' values need to include multi-factor analyses and assessments of financial information as well as ESG issues and other non-financial information. This belief deeply informs Nikko AM's fiduciary and ESG principles, and is shared by all

Guideline		Comment
	<p>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.</p>	<p>of the portfolio managers and analysts in our investment management departments with a focus on our ESG Global Steering Committee, which is chaired by our Global Head in charge of investment management.</p> <p>Specifically, we apply the principle of Creating Shared Value (CSV; the practice of generating value both for society and for the firm by allying the firm's interests with solving societal issues). Our in-house research analysts put this into practice by formulating unique CSV scores based on comprehensive assessments of companies' financial positions, market competitiveness and ESG approaches, and using the scores when selecting stocks. CSV assessments with a medium- to long-term focus are currently applied to 600 stocks listed on the Tokyo Stock Exchange. Our research analysts closely engage with the companies subject to CSV assessments, and work daily to monitor and instigate improvements in the companies' corporate values including their ESG levels.</p>
<p>General assessment and future initiatives for Principle 3</p>	<p>In addition to the fiduciary principles that we consider to be the most important elements of our corporate philosophy and activities, we have established ESG principles as guidelines that are essential to our ability to realize our philosophy.</p> <p>We incorporate ESG assessments in all of our strategies globally, and ESG thinking informs all of our investment management. We incorporate the fundamentals of ESG investment in our approach through comprehensive assessments of companies' values that include ESG-focused non-financial information as well as financial information.</p> <p>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>	

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.	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>We conduct wide-ranging engagement with management teams, investor relations representatives and others at investee companies based on public information, and share the overall issues we find with the companies in order to enhance their corporate values. In the past three years, we have had almost 4,000 instances of engagement a year with approximately 1,500 of the 2,200 or so companies we are focused on. Our engagement involves exchanging opinions with investee companies from a 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, business strategies, shareholder returns and ESG issues.</p> <p>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. We also work to enhance the impact of our engagement by proposing meetings with the top managements of firms that are particularly slow in providing information.</p> <p>In May 2020 we published a press release on our near-term approach to proxy voting on domestic stocks in view of rising COVID-19 infections in Japan. The release included information on our establishment of a new contact point for engagement intended to improve our understanding of investee firms' rapidly changing operating environments under the pandemic, and to reflect that understanding in our stewardship efforts.</p>
4-2.	When they engage in the issues of sustainability, institutional investors, should consciously engage in dialogue that is consistent with their investment management strategies and that leads to the medium- to long-term increase of corporate value and the sustainable growth of companies.	<p>Our engagement involves exchanging opinions with investee companies from a 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, business strategies, shareholder returns and ESG issues. 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. We also work to enhance the impact of our engagement by proposing meetings with the top managements of firms that are particularly slow in providing information. The results of these activities are shared where appropriate between fund managers and analysts, and can be useful in assessing corporate value when making investment decisions.</p> <p>We also released our first "Sustainability Report" in March 2020. The report provides information on our responsibilities as an asset manager and a fiduciary to help firms to be ESG-focused and sustainable as part of our long-term investment strategy. In March 2021 we</p>

Guideline		Comment
		released our “Sustainability Report 2020”. This second edition of the report includes explanations on our company-wide efforts to promote ESG investment and our activities in our priority sustainability fields.
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, which facilitates engagement in passive fund management. The establishment of the Group enabled us to expand the number of companies we engage with from about 950 (those in the active management investment universe) to approximately 2,200 companies (by adding investee companies in passively managed portfolios). We assign orders of priorities to companies based on considerations such as their earnings, their asset efficiency and their shareholder return approaches, and engage 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 stipulate the details of matters that need to be addressed and kept in mind when engagement is conducted. We have also introduced a separate investment process for companies we deem to have relatively high levels of governance risk for the purposes shown below. We aim to contribute to the medium- and long-term enhancement of our Japanese equity active management strategies by these means. Process objectives and effects: <ul style="list-style-type: none"> • Information for making proxy voting decisions • Accountability when making investments and investment management performance enhancements • Promotion of enhancement of investee company governance through prompt engagement as soon as governance risks become apparent In March 2021 we announced the following three key ESG themes based on a summary of the ESG issues we deem particularly important for many Japanese firms: Action for a Decarbonized Society, Human Capital and Productivity, and Effective Governance. We are pushing investee firms to take action on the themes by incorporating each of them in our engagement efforts.
4-5.	In addition to institutional investors engaging with investee companies independently, it would be	We understand the effectiveness of collective engagement and actively advocate collaborative engagement in fields where doing so is possible.

Guideline		Comment
	beneficial for them to engage with investee companies in collaboration with other institutional investors (collaborative engagement) as necessary.	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.
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 maximize the sustained growth of investee companies and the interests of our customers by understanding the business conditions of investees and engaging 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. We have stipulated Action for a Decarbonized Society, Human Capital and Productivity, and Effective Governance as key ESG themes and are pushing investee firms to take action on the themes by incorporating each of them in our engagement efforts. Our work in the area of Human Capital and Productivity has been particularly intensive given that two of our employees have published a paper(*) addressing the theme. Some companies still have strongly entrenched policy shareholders such as cross shareholders, while some companies are still slow in engaging with the market. We intend to continue looking into how to encourage firms to take action in order to instigate positive engagement with these kinds of companies.
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(*) “Efficiency of Japanese Corporate Investment in Human Capital and Shareholder Value” (Ishikawa and Hasegawa), which won the Security Analysts Association of Japan’s Security Analysts Journal Prize in 2019.

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.	<p>Proxy voting is one of the major elements of stewardship activities, and we take great care to ensure that our voting serves the interests both of subject companies and minority shareholders. 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 results of our engagement.</p> <p>In May 2020 we published a press release on our near-term approach to proxy voting on domestic stocks in view of rising COVID-19 infections in Japan. The release included information on our establishment of a new contact point for engagement in order to improve our understanding of investee firms’ rapidly changing operating environments under the pandemic, and to reflect that understanding in stewardship efforts such as proxy voting.</p>
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.</p> <p>Furthermore, we made clear our position on the importance of diversity in boards of directors and having outside directors by partially revising the Guidelines on Exercising Voting Rights and the Proxy Voting Standards for Japanese Equities in February 2021.</p>

	Guideline	Comment
		<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 ensure that our proxy voting for them also promotes corporate value. Specifically, 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.</p>
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</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. Our disclosure in this area is mainly focused on our grounds for opposing company proposals and our reasons for voting in favor of shareholder proposals, for which we believe explanations are particularly important. 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>

Guideline		Comment
	with the investee companies, including those perceived to have conflicts of interest or those which need explanation in light of the investors' voting policy.	
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 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>	<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, our fund managers and analysts make proxy voting decisions carefully using their 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>
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 results 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 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>	

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.	Asset managers should in principle report periodically to their direct clients on how they fulfill their stewardship responsibilities through their stewardship activities.	We make various efforts to enhance the information we disclose on our stewardship activities. We work to disclose information 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 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 are building up a track record of 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.
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. For example, in April 2020 we disclosed on our website our Standards for Exercising Voting Rights on Japanese Stocks, which include detailed numerical standards for proxy voting decisions on Japanese equities, and we started to disclose our reasons for voting for or against proposals in regard to Japanese stocks the following month. We will continue working to 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>In March 2017, we also established a business unit within our Equity Fund Management Department called the Active Ownership Group, which includes three analysts and facilitates engagement in passive fund management. We also brought in the Nikko AM Group's first dedicated ESG specialists in FY 2018. 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.</p>
7-2.	In particular, the management of institutional investors should have appropriate capability and experience to effectively fulfill their stewardship responsibilities, and should be constituted independently and without bias, in	We appointed Mr. Yoichiro Iwama, a former Chairman of the Japan Investment Advisers Association, as an outside director and Chairman 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.

Guideline		Comment
	<p>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>Nikko AM became a firm with an audit and supervisory committee in June 2019 in order to strengthen our auditing of our management. By establishing our 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> <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 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>
7-3.	<p>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 addition, we have participated in the Japanese Principles of Action for 21st Century Finance initiative since 2011, and work to help to develop and expand the initiative's activities. 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).</p>
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. In particular, asset managers should regularly conduct</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 our previous round of self-assessments, we enhanced the information we provide by starting to release detailed self-assessments at the level</p>

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	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.	of each of the guidelines in Japan's Stewardship Code. In this fourth round of self-assessments, we aim to continue providing individual guideline-level explanations while also releasing understandable updates on our activities in light of changes including enhancements to our capabilities made in the past year.
General assessment and future initiatives for Principle 7	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. 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.	

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 put the spirit of stewardship into practice.

The committee deliberated over the suitability of the contents of this "Stewardship Activities and Self-assessment (FY 2020)" 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.