

May 27, 2024
Nikko Asset Management Co., Ltd.

Stewardship Activities Report and Self-assessment (FY 2023)

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. It has also committed itself to upholding Japan’s Stewardship Code and engages in stewardship activities that comply with the code. These are the means by which Nikko AM fulfills its fiduciary duty. In addition, Nikko AM’s corporate group has signed up to the UK’s Stewardship Code. At Nikko AM, 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.

The below report provides a summary of our activities in line with the principles set forth in Japan’s Stewardship Code alongside details of our self-assessment of our performance in these areas.

FY 2023 activity outcomes	Self-assessment
Principle 1: Establishing and publicly disclosing policies	
<ul style="list-style-type: none"> Having formulated and publicly disclosed policies on responding to each of the principles in Japan’s Stewardship Code, we acted in accordance with those policies during the fiscal year. We also announced revisions to our Proxy Voting Standards in view of changes in the external environment. In addition, we revised our Key ESG Themes by expanding their number from three to six and publicly disclosed the revised version. In April 2023, we enhanced our ability to work across different asset classes by converting our Active Ownership Group, which operated under the Equity Fund Management Department, into a new, independent department called the Japan Sustainable Investment Department. We also strengthened coordination in our Global Sustainable Investment Team to ensure that the latest ESG insights can be shared globally. 	<ul style="list-style-type: none"> Given Nikko AM’s status as an asset manager, we strive to fulfill our fiduciary duty and execute our stewardship responsibilities. Our current assessment for this area is that we have established and publicly disclosed our policies in an appropriate and timely manner. We also judge that we are making progress in improvements aimed at enhancing our stewardship activities, for example through organizational changes in line with our vision for Nikko AM’s future. We will continue to examine the necessity for further reviews as appropriate.
Principle 2: Managing conflicts of interest	
<ul style="list-style-type: none"> We have established a Conflict of Interest Control Policy and posted an outline of the policy on our website. Based on the policy, we properly manage transactions and other activities that may cause conflicts of interest, and ensure that we conduct business appropriately. In addition, our Stewardship 	<ul style="list-style-type: none"> Our current assessment of this area is that we manage conflicts of interest appropriately while maintaining transparency through means such as publicly disclosing our Conflict of Interest

<p>and Voting Rights Policy Oversight Committee, the majority of whose members are from outside Nikko AM, works to prevent conflicts of interest through monitoring and supervision in accordance with the policy.</p> <ul style="list-style-type: none"> • Proxy voting decisions regarding our parent company, for which conflicts of interest are of particular concern, are discussed in advance by the Stewardship and Voting Rights Policy Oversight Committee. Decisions are made in view of the results of monitoring and oversight regarding conflicts of interest. 	<p>Control Policy and utilizing our Voting Rights Policy Oversight Committee.</p> <ul style="list-style-type: none"> • We will continue to examine the necessity for further reviews as appropriate.
<p>Principle 3: Monitoring investee companies Principle 4: Engagement</p>	
<ul style="list-style-type: none"> • As in the preceding fiscal year, we continued to engage with many companies in FY 2023. In our engagement, we endeavored to hold constructive discussions after examining public information on each company and developing a hypothesis on the substantive issues to be addressed in advance. We then shared our thoughts on the issues with companies and encouraged them to find solutions. • Furthermore, we revised our Key ESG Themes by increasing their number from three to six and used them in areas such as our work to select investee companies for engagement. For example, we selected and engaged with 70 companies based on the theme of climate change. This activity is in line with our commitment as a member of the Net Zero Asset Managers Initiative (NZAMI) to aim for net zero emissions by 2050. • We manage progress made in our engagement in a platform for managing engagement issues. Furthermore, as a way of enhancing our stewardship activities, our Fixed Income Fund Management Department started operating the same engagement issue management platform as our Equity Fund Management Department. • In the area of collaborative engagement, we became a lead investor in the Climate Action 100+ initiative, in which we have participated since 2018, in June 2023. The new role enabled us to step up our activities in this area. We also participated in the Non-Disclosure Campaign run by the Carbon Disclosure Project and joined Nature Action 100, which conducts collaborative engagement on biodiversity. 	<ul style="list-style-type: none"> • Given that our engagement with investee companies was followed by corporate action that helped to address companies' challenges in a wide range of fields, our assessment of this area is that we conducted engagement appropriately. • We also believe that we successfully enhanced the effectiveness of our engagement, for example through the use of our key ESG themes and in our collaborative engagement activities. • Going forward, we will continue to hold constructive engagements while also implementing organizational reforms by applying the PDCA process to our stewardship activities.
<p>Principle 5: Proxy voting</p>	
<ul style="list-style-type: none"> • To ensure that our proxy voting went beyond automatic decision-making and contributed to companies' sustainable growth, we worked to reflect the contents of our engagement with companies in our voting decisions. For 	<ul style="list-style-type: none"> • Our judgment in this area is that our ongoing engagement with investee companies enabled us to make voting

<p>some proposals, we also made voting decisions that were not in line with formal standards. We also paid special attention to shareholder proposals by taking the time to discuss each individual proposal before making a voting decision.</p> <ul style="list-style-type: none"> • In addition, we publicly released the results of our proxy voting by providing quarterly disclosures on our website of our voting decisions, as well as the reasons for those decisions, for individual proposals at investee companies. Furthermore, we changed the format for disclosing our proxy voting records from PDF to Excel to encourage more usage of our voting results. • We also revised our Proxy Voting Standards in view of the content of our engagement with companies as well as changes in the business environment. The changes we made include expanding the coverage of our standards on female directors. • Although we have opposed climate change-related shareholder proposals in the past, we voted in favor of approximately half of such proposals at the general shareholders meetings held in June 2023 in view of the importance of environmental issues. We also sent a letter to companies at whose general shareholders meetings we had voted against such proposals. The letter explained our reasons for opposing the proposals and our expectations for future action. It was intended to show our intention to prevent opposition votes from being interpreted as allowing companies to slow down their decarbonization initiatives. 	<p>decisions in line with companies' actual circumstances.</p> <ul style="list-style-type: none"> • We also believe that our disclosure of our voting results was appropriate. • Furthermore, we judge that we worked to enhance the effectiveness of our proxy voting through new initiatives such as sending letters to investee companies. • Looking ahead, we intend to continue reviewing our Proxy Voting Guidelines appropriately in view of changes in companies, society and other such external factors as well as the contents of our engagement with investees.
<p>Principle 6: Reporting to clients and beneficiaries</p>	
<ul style="list-style-type: none"> • Where necessary, we reported on our proxy voting results and the status of our engagement with companies to cs. We also held stewardship briefing sessions with many institutional investor clients at a frequency of about once a year. • Furthermore, we released our Sustainability Report to provide information on our stewardship and sustainability activities. • We also issued a TCFD report with more extensive content than before, including scenario analyses. • Given that we are compliant with the UK Stewardship Code, which is the highest-level such code in the world, we submitted a report to the UK authorities demonstrating that our activities are in line with the UK code and maintained our status as a signatory. 	<ul style="list-style-type: none"> • In view of our work to expand and enhance our disclosure, at present, we judge our handling of disclosure to clients and beneficiaries to be appropriate. This includes disclosure through our website as well as reporting to clients. • We will continue working to expand and enhance the disclosure we provide on our stewardship activities.

Principle 7: Developing skills

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| <ul style="list-style-type: none"> • We worked to build up the base of knowledge required to continuously upgrade the skills we need to invest responsibly by playing an active part in ESG initiatives, such as by joining Nature Action 100. As an example of our work in this area, we enhanced our knowledge of best practice in engagement by exchanging insights with other members of the 30% Club Japan Investor Group. • Our Japan Sustainable Investment Department held twice-monthly study sessions for our Equity Fund Management Department. In the sessions, the Sustainable Investment Department shared examples of good practice and provided updated ESG information. • In addition to training programs provided by the PRI, we provided internal study sessions on stewardship activities to a broad range of Nikko AM departments. These activities allowed us to raise awareness regarding ESG throughout the company. • We also worked to build up our global ESG knowledge by strengthening collaboration with our Global Sustainable Investment Team. • Ways in which we worked to enhance the quality of our engagement with companies included reflecting the insights we have gained through our corporate sustainability activities in our engagement. • In addition, a joint research team represented by Ryohei Yanagi, Visiting Professor with Waseda University Graduate School, and Kyoji Hasegawa, our senior quants analyst, conducted innovative empirical research on ESG. Specialists from our Investment Technology Fund Management Department and our Japan Sustainable Investment Department also participated in the joint research. | <ul style="list-style-type: none"> • Given our ongoing efforts to enhance our capabilities by means including internal study sessions, global efforts and activities associated with ESG initiatives, our view is that our handling of this area is appropriate at present. • In addition, we feel that our efforts to use the insights gained through the activities of our Corporate Sustainability Department to enhance the quality of our engagement with companies have also been effective. • Given the growth seen in key fields in Environmental (E) and Social (S) factors, as well as the ongoing developments occurring in global ESG regulations and other related rules, it has become essential to respond to such changes. We will therefore continue to improve our capabilities further through initiatives including the measures listed on the left. • One challenge to address going forward is finding ways to measure the effectiveness of engagement. Although we currently monitor progress made by companies in solving issues we have identified, we consider it necessary to conduct more sophisticated analyses. We therefore also intend to address this area. • In the joint research mentioned above, the Yanagi model was applied to all TOPIX constituent issues, which had not been tested out in past research. The research provided important insights into the effect of companies' ESG initiatives on shareholder value, related changes and future returns. Looking ahead, we plan to use the research results to enhance our Investment Technology Fund Management Department's existing investment models. We are also reflecting them in our proxy voting approach and engagement activities. In addition, we are going to publish some parts of the |
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	research results in a specialist journal for practitioners.
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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 issues 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 2023)" for public release, and found the respective explanations and assertions in the report regarding Nikko AM's compliance with the principles 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 modifications to Nikko AM's internal framework.