

## PRESS RELEASE

4 FEBRUARY 2022

NIKKO ASSET MANAGEMENT CO., LTD.

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

Nikko Asset Management Co., Ltd. (Nikko AM) is pleased to announce that we will revise our Standards for Exercising Voting Rights on Japanese Stocks, and apply the revised standards beginning with the general meetings of shareholders held in or after April 2022.

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

The pace of corporate governance reforms is accelerating. The Tokyo Stock Exchange will reorganise its markets in 2022, and companies listed on its new Prime Market will be required to maintain a higher standard of corporate governance. At the same time, firms' initiatives to address climate change and other sustainability issues are becoming more important than ever. In view of these changes, we have decided to revise our standards for exercising voting rights on Japanese stocks as part of our mission to contribute to ongoing corporate growth and stronger medium and long-term corporate value creation through our voting rights.

### Overview of revisions

We will make the below main revisions and additions to our Standards for Exercising Voting Rights on Japanese Stocks, and apply the revised standards from April 2022.

1. Composition of boards of directors
2. Diversity of boards of directors
3. Independence of outside directors
4. Sustainability issues
5. Capital policies

#### 1. Composition of boards of directors

We will establish a standard for the ratio of board members who are outside directors. We will vote against resolutions for director appointments if at least one-third of the total number of directors to be appointed (or the majority in the case of companies with parent companies) are not outside directors who fulfil our standards for independence.

#### Background to revisions

Outside directors are playing an increasingly substantial role in enhancing the effectiveness of governance by boards of directors. Given how important it is to ensure that boards can function properly, we believe that at least one-third of the total number of directors (or the majority in the case of companies with parent companies) should be outside directors. We also believe that appointing outside directors with the requisite skills in view of a company's long-term vision and business strategy can encourage

lively discussions among the board of directors, and that their input can ensure that diverse values are reflected in the company's business decisions.

## 2. Diversity of boards of directors

We established a new standard specifying that we will vote against resolutions for appointments of directors if no female candidates are included. However, this rule shall initially be applied to companies listed on the Prime Market starting with general meetings of shareholders held in or after January 2023, after which we will consider expanding it to companies listed on other sections of the Tokyo Stock Exchange and gradually increasing the required number of female directors.

### **Background to revisions**

We believe that creating opportunities for diverse personnel to thrive—regardless of their race, nationality, gender or other such characteristics—contributes to a company's ongoing growth. We consider the advancement of women to be a particularly important theme in this area, and believe that appointing female directors can boost the motivation of other women in the company by providing them with role models. We also hold the view that creating a work environment in which women have more advancement opportunities makes a company more resilient by enhancing its ability to handle external changes. In view of the above, we believe that the proactive encouragement of women's advancement can lead a company to increase its corporate value.

## 3. Independence of outside directors

Regarding resolutions for the appointment of outside directors, we will change our definition of a major shareholder and establish new standards based on cooling-off periods and time spent in positions. As in our current standards, we will continue to vote against outside director appointments in principle if we deem candidates to be insufficiently independent.

### **Background to revisions**

We expect outside directors to act on behalf of shareholders by supervising a company's business management objectively from a standpoint that is independent from the company's executives, and to monitor for conflicts of interests between the company's management or its controlling shareholder and minority shareholders. In view of the above, we established new standards for cooling-off periods and time spent in positions. The changes are intended to prevent situations in which outside directors stay in their positions for so long that confidence in their independence is undermined, and to enhance the transparency and fairness of boards of directors. We also revised our definition of a major shareholder to bring it more in line with actual circumstances.

## 4. Sustainability issues

If any of the below apply to a company, we will vote against resolutions for appointments of directors in principle:

- 1) if the company has serious climate change-related risks, its initiatives to address them are insufficient and the situation is not improving; or
- 2) if the company has serious sustainability issues, its initiatives to address them are insufficient and the situation is not improving.

### **Background to revisions**

We see tackling climate change as one of the key tasks facing the international community. We believe that companies can enhance their ongoing growth as well as their medium and long-term corporate value by identifying climate change risks and opportunities in their business activities, incorporating them into their business strategies, and disclosing climate change-related information. Given that we publicly released our own "Key ESG Themes" including "Action for a Decarbonized Society" in March 2021,

we expect the companies in which we invest to proactively address climate change and other such important issues.

## 5. Capital policies

We also established new criteria specifying that we will vote in favour of treasury share contributions to foundations if: 1) the foundation's activities are deemed to increase medium-to-long term corporate value, 2) voting rights of the contributed equities will not be exercised by the corporation or the foundation, and 3) dilution is less than 3%.

### **Background to revisions**

It is our policy to vote in favour of treasury share contributions to foundations under certain conditions. Our decisions are based on careful examinations of whether the foundation's social contribution will generate social capital and enhance corporate value in the medium and long term.

Additional information: Refer to our website for more detail. (<https://en.nikkoam.com/voting-rights#votingrights2>)

– ENDS –

## About Nikko Asset Management

With US\$282.5 billion\* under management, Nikko Asset Management is one of Asia's largest asset managers, providing high-conviction, active fund management across a range of equity, fixed income, multi-asset and alternative strategies. In addition, its complementary range of passive strategies covers more than 20 indices and includes some of Asia's leading exchange-traded funds (ETFs).

Headquartered in Asia since 1959, Nikko Asset Management and its subsidiaries employ personnel representing around 25 nationalities, including approximately 200 investment professionals\*\*. The firm has a presence through subsidiaries or affiliates in a total of 11 countries and regions. More than 400 banks, brokers, financial advisors and life insurance companies around the world distribute the firm's products.

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

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

\* Consolidated assets under management and sub-advisory of Nikko Asset Management and its subsidiaries as of 30 September 2021.

\*\* Including employees of Nikko Asset Management and its subsidiaries as of 30 September 2021.

## Important Information

This document is prepared by Nikko Asset Management Co., Ltd. and/or its affiliates (**Nikko AM**) and is for distribution only under such circumstances as may be permitted by applicable laws. This document does not constitute personal investment advice or a personal recommendation and it does not consider in any way the objectives, financial situation or needs of any recipients. All recipients are recommended to consult with their independent tax, financial and legal advisers prior to any investment.

This document is for information purposes only and is not intended to be an offer, or a solicitation of an offer, to buy or sell any investments or participate in any trading strategy. Moreover, the information in this document will not affect Nikko AM's investment strategy in any way. The information and opinions in this document have been derived from or reached from sources believed in good faith to be reliable but have not been independently verified. Nikko AM makes no guarantee, representation or warranty, express or implied, and accepts no responsibility or liability for the accuracy or completeness of this document. No reliance should be placed on any assumptions, forecasts, projections, estimates or prospects contained within this document. This document should not be regarded by recipients as a substitute for the exercise of their own judgment. Opinions stated in this document may change without notice.

In any investment, past performance is neither an indication nor guarantee of future performance and a loss of capital may occur. Estimates of future performance are based on assumptions that may not be realised. Investors should be able to withstand the loss of any principal investment. The mention of individual securities, sectors, regions or countries within this document does not imply a recommendation to buy or sell.

Nikko AM accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this document, provided that nothing herein excludes or restricts any liability of Nikko AM under applicable regulatory rules or requirements.

All information contained in this document is solely for the attention and use of the intended recipients. Any use beyond that intended by Nikko AM is strictly prohibited.

**Japan:** The information contained in this document pertaining specifically to the investment products is not directed at persons in Japan nor is it intended for distribution to persons in Japan. Registration Number: Director of the Kanto Local Finance Bureau (Financial Instruments firms) No. 368 Member Associations: The Investment Trusts Association, Japan/Japan Investment Advisers Association.

**United Kingdom and rest of Europe:** This document is communicated by Nikko Asset Management Europe Ltd, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority (the FCA) (FRN 122084). This document constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 (as amended) (FSMA) and the rules of the FCA in the United Kingdom, and is directed at professional clients as defined in the FCA Handbook of Rules and Guidance.

**United States:** This document may not be duplicated, quoted, discussed or otherwise shared without prior consent. Any offering or distribution of a Fund in the United States may only be conducted via a licensed and registered broker-dealer or a duly qualified entity. Nikko Asset Management Americas, Inc. is a United States Registered Investment Adviser.

**Singapore:** This document is for information to institutional investors as defined in the Securities and Futures Act (Chapter 289), and intermediaries only. Nikko Asset Management Asia Limited (Co. Reg. No. 198202562H) is regulated by the Monetary Authority of Singapore.

**Hong Kong:** This document is for information to professional investors as defined in the Securities and Futures Ordinance, and intermediaries only. The contents of this document have not been reviewed by the Securities and Futures Commission or any regulatory authority in Hong Kong. Nikko Asset Management Hong Kong Limited is a licensed corporation in Hong Kong.

**New Zealand:** This document is issued in New Zealand by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP22562). It is for the use of wholesale clients, researchers, licensed financial advisers and their authorised representatives only.

**Kingdom of Bahrain:** The document has not been approved by the Central Bank of Bahrain which takes no responsibility for its contents. No offer to the public to purchase the Strategy will be made in the Kingdom of Bahrain and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

**Kuwait:** This document is not for general circulation to the public in Kuwait. The Strategy has not been licensed for offering in Kuwait by the Kuwaiti Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Strategy in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Strategy is being made in Kuwait, and no agreement relating to the sale of the Strategy will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Strategy in Kuwait.

**Kingdom of Saudi Arabia:** This document is communicated by Nikko Asset Management Europe Ltd (Nikko AME), which is authorised and regulated by the Financial Services and Markets Act 2000 (as amended) (FSMA) and the rules of the Financial Conduct Authority (the FCA) in the United Kingdom (the FCA Rules). This document should not be reproduced, redistributed, or sent directly or indirectly to any other party or published in full or in part for any purpose whatsoever without a prior written permission from Nikko AME.

This document does not constitute investment advice or a personal recommendation and does not consider in any way the suitability or appropriateness of the subject matter for the individual circumstances of any recipient. In providing a person with this document, Nikko AME is not treating that person as a client for the purposes of the FCA Rules other than those relating to financial promotion and that person will not therefore benefit from any protections that would be available to such clients.

Nikko AME and its associates and/or its or their officers, directors or employees may have or have had positions or material interests, may at any time make purchases and/or sales as principal or agent, may provide or have provided corporate finance services to issuers or may provide or have provided significant advice or investment services in any investments referred to in this document or in related investments. Relevant confidential information, if any, known within any company in the Nikko AM group or Sumitomo Mitsui Trust Holdings group and not available to Nikko AME because of regulations or internal procedure is not reflected in this document. The investments mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors.

**Oman:** The information contained in this document neither constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial companies law of Oman (Royal decree 4/74) or the Capital Markets Law of Oman (Royal Decree 80/98, nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market law (issued by Decision No. 1/2009). This document is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman.

**Qatar (excluding QFC):** The Strategies are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such Strategies. The document does not constitute an offer to the public and should not be reproduced, redistributed, or sent directly or indirectly to any other party or published in full or in part for any purpose whatsoever without a prior written permission from Nikko Asset Management Europe Ltd (Nikko AME). No transaction will be concluded in your jurisdiction and any inquiries regarding the Strategies should be made to Nikko AME.

**United Arab Emirates (excluding DIFC):** This document and the information contained herein, do not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates and accordingly should not be construed as such. The Strategy is only being offered to a limited number of investors in the UAE who are (a) willing and able to conduct an independent investigation of the risks involved in an investment in such Strategy, and (b) upon their specific request.

The Strategy has not been approved by or licensed or registered with the UAE Central Bank, the Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the UAE. This document is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

No transaction will be concluded in the UAE and any inquiries regarding the Strategy should be made to Nikko Asset Management Europe Ltd.

**Republic of Korea:** This document is being provided for general information purposes only, and shall not, and under no circumstances is, to be construed as, an offering of financial investment products or services. Nikko AM is not making any representation with respect to the eligibility of any person to acquire any financial investment product or service. The offering and sale of any financial investment product is subject to the applicable regulations of the Republic of Korea. Any interests in a fund or collective investment scheme shall be sold after such fund is registered under the private placement registration regime in accordance with the applicable regulations of the Republic of Korea, and the offering of such registered fund shall be conducted only through a locally licensed distributor

**Comprehensive Risk Information on Mutual Funds:** <http://en.nikkoam.com/risk-information-mutual-funds>