

Nikko Asset Management Co., Ltd.

Initiatives on code of conduct regarding fiduciary/ESG principles

January 29, 2021

Nikko Asset Management Co., Ltd.

Junichi Sayato, Representative Director, Executive Chairman and Co-CEO

Hideo Abe, Representative Director, President and Co-CEO

At Nikko Asset Management (“Nikko AM”), we regard acting in the best interests of the customers who entrust us with their assets as our primary mission. This means that we attach the highest importance to fiduciary and ESG principles in our corporate philosophy and business activities.

In view of Nikko AM’s status as a responsible institutional investor, we also position Environment, Society and Governance (“ESG”) assessments and stewardship activities at the heart of our investment process. With this in mind, we strive constantly to help investee firms to enhance their long-term corporate value and to help society grow sustainably.

We specialize in the creation of funds and investment management products that meet the asset management needs of a diverse range of investors, from individuals to institutions, in a variety of different forms. This involves working daily to help our customers build and manage their assets in any way we can by delivering products that inspire them, by devising ways to help them invest more effectively, and by clearly informing them of the risks and returns that our products involve. We also endeavour to provide unbiased information on societal and market conditions to help our customers make investment decisions. This report provides examples of our achievements in these areas in 2020 (January to December) and explanations of our activities using indicators we have voluntarily adopted.

1. Activities for individual and corporate clients

1.1 Activities for individual clients

As an asset management company, our paramount mission is to be useful to our customers in their medium-to long-term asset building. Realizing this mission is not just a case of delivering strong investment management outcomes, however. We also need to put a great deal of effort into every aspect of our services, including understandably and simply imparting accurate knowledge of investment management and the products we offer, proactively delivering timely and appropriate information on market trends from a neutral standpoint to help customers make investment decisions, providing products that are suitable for medium-to long-term investment that serves customer needs, and helping customers to manage risks.

Our initiatives in this area, together with the results we have delivered to date, are detailed below.

1.1.1 Expected Average holding periods of top ten funds for AUM

Rank	Fund name	Expected average holding period (years)	AUM (JPY 100M)	Fund investment universe/type
1	Global Prospective Fund	5.31	8,192	Foreign equity/active
2	Global Robotics Equity Fund (Semi-annual Settlement Type)	3.17	3,775	Foreign equity/active
3	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	5.96	3,621	Balanced
4	Smart Five (Monthly Settlement Type)	12.59	3,599	Balanced
5	Global Robotics Equity Fund (Annual Settlement Type)	2.32	3,140	Foreign equity/active
6	Nikko LaSalle Global REIT Fund (Monthly Dividend Payment Type)	4.47	3,103	Global REIT/active
7	Global Three Times Triple Fund (Annual Settlement Type)	1.52	2,848	Balanced
8	Global Fintech Equity Fund	1.56	2,611	Foreign equity/active
9	Nikko Index Fund 225	1.90	1,982	Japanese equity/passive
10	Global Fintech Equity Fund (Semi-annual Settlement Type)	3.69	1,866	Foreign equity/active

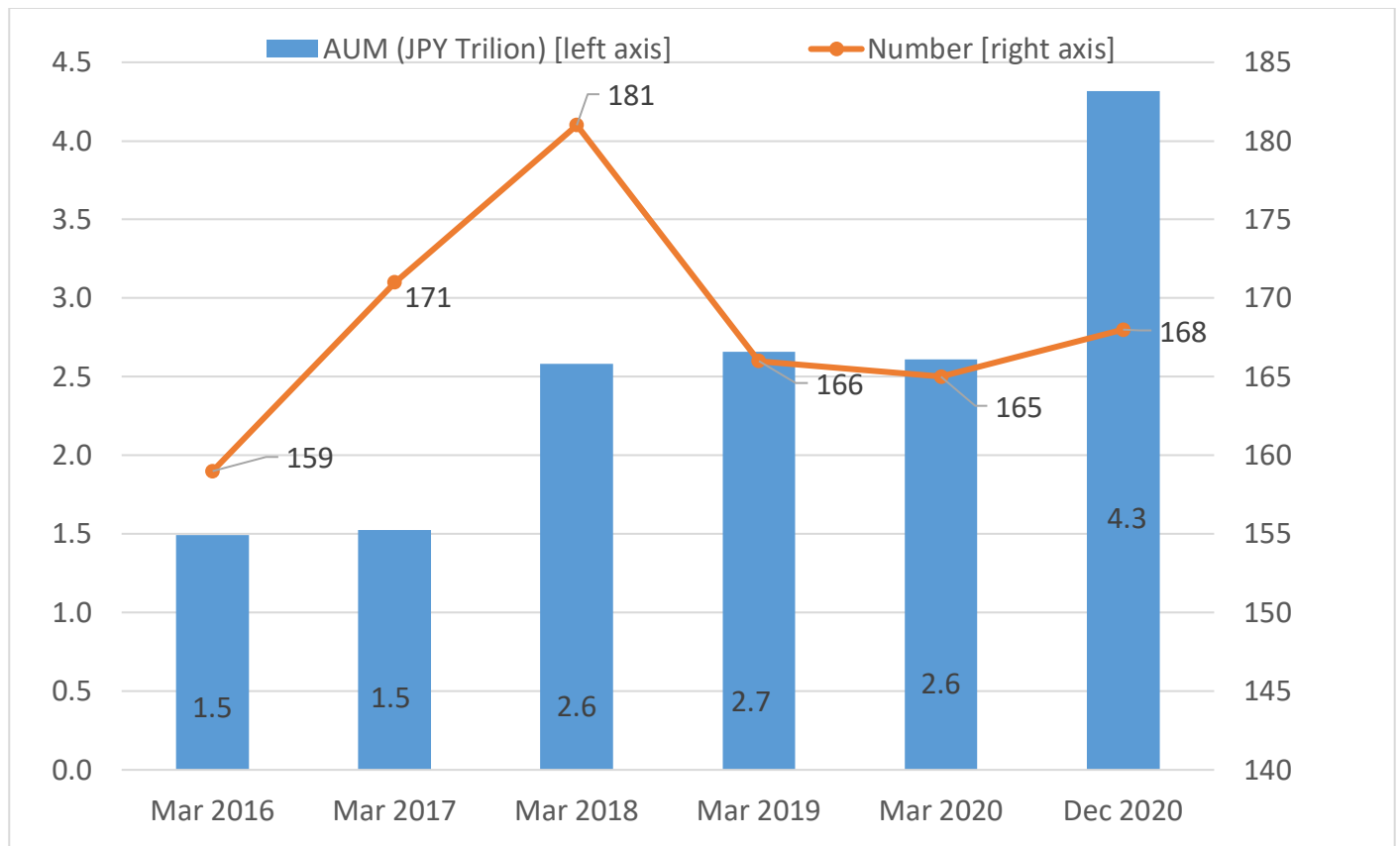
* Expected average holding period is a theoretical period calculated by "annual average AUM ÷ annualized redemption amount"

(calculation period is year 2020). The figure is different from the actual average holding period of the investor.

* Figures shown for funds that have redemption amounts that are much smaller than their subscription amounts or AUMs may be longer than the actual holding periods.

* AUM as of December-end, 2020. Top 10 AUM funds excluding ETFs and MRFs.

1.1.2 AUM and number of asset-building funds (publicly offered equity funds excluding ETFs; annual or semi-annual account settlement)



As an asset management company, our paramount mission is to be useful to our customers in their medium-to long-term asset building. The asset management business is one in which firms can only grow if they also grow their customers' assets. We are therefore increasing the number of publicly offered equity funds that are suitable for long-term asset building (excluding ETFs; annual or semi-annual annual account settlement). As of December 2020, we have 168 such funds at Nikko AM with a total AUM of approximately JPY 4.3 trillion.

Major publicly offered funds that we deem suitable for customers' medium- and long-term asset-building needs (examples)

Fund investment target	Fund name	Distribution frequency	AUM (JPY 100M)
Japanese Equities/Active	Japan Robotics Equity Fund	Annual, semiannual	699
	Nikko Japan Open	Annual	371
	Nikko DC J Growth	Annual	384
Foreign Equities/Active	Global Robotics Equity Fund	Annual, semiannual	6,915
	Global Fintech Equity Fund	Annual, semiannual	4,478
Foreign Bonds/Active	Nikko Developed Countries High Yielding Bond Open (Growth Type)	Annual	74
Balanced	Smart Five (Annual Settlement Type)	Annual	578
	Fine Blend (Growth Type)	Annual	270
	Nikko GW7 Eggs	Annual	507
	Nikko Triple Fund (Property Bond Equity) Growth Type	Annual	164
	Global Three Times Triple Fund (Annual Settlement Type)	Annual	2,848

* AUM as of December-end, 2020. Aggregate value is shown for series funds. AUM is in descending order by fund investment destination.

* For funds with multiple settlement types, the hyperlink is set to the fund with the largest AUM.

1.1.3 Initiatives for cumulative investment including cumulative Nippon Individual Savings Accounts

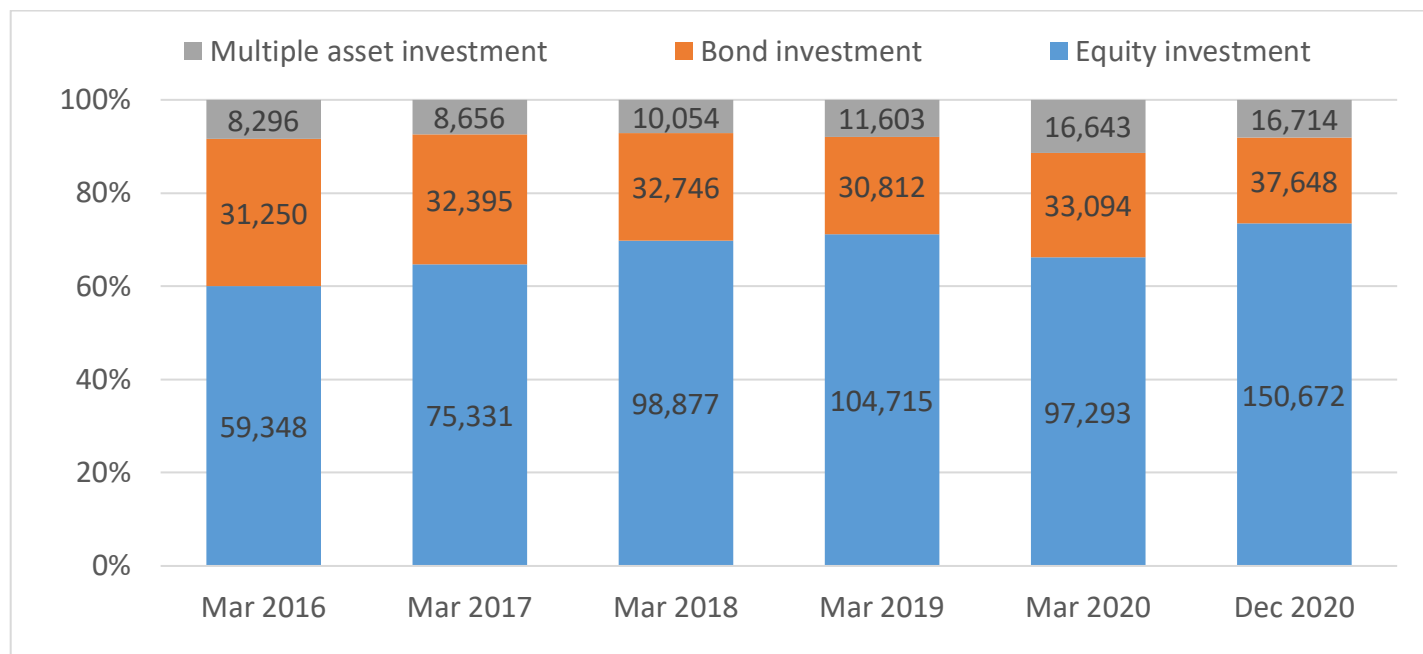
In order to meet cumulative investment needs, in addition to cumulative NISAs, we also promote the use of defined contribution plans, personal defined contribution pension plans and general accounts. Through these products, we advocate long-term, cumulative and diversified investments to those who wish to build up their assets. We also provide assistance to distributors for cumulative investment initiatives by not only providing products but also creating and offering a variety of support tools.

We have now registered five of our funds for eligibility in the cumulative NISA system.

We also hold events such as the “Product Strategy Seminar” for distributors, at which we emphasize the effectiveness of cumulative investment in enhancing returns for investors.

1.1.4 AUM and Performance of Japan-domiciled publicly offered funds (including ETFs and MRFs)

Breakdown by investment assets * Numerical values indicate AUM (0.1 billion yen)



Total AUM of Japan-domiciled publicly offered funds(0.1 billion yen)

Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Dec 2020
98,894	116,382	141,678	147,130	147,030	205,034

* Figures for publicly offered funds are aggregated, including ETFs and MRFs

**"Equity Investment" includes REITs.

We consider our investment division as a team of professionals in which fund managers and analysts forge their own career paths, and we reflect that status in their appraisals and treatment. We also employ an appraisal and compensation structure that emphasizes medium- and long-term investment performance. This is supported by a global system we have introduced to retain key fund managers. We try to enhance the performance of our funds through these appraisal and compensation frameworks.

Out of the total assets in the publicly offered funds that we manage on behalf of our customers (as of December-end 2020), equity investment funds accounted for 74%, bond investment funds (including MRFs) accounted for 18%, and multiple asset investment funds/other funds accounted for 8% of the total.

Equity investment funds: largest returns in past three years

Rank	Fund name	Launch date	AUM (JPY 100M)	Return (inc. dividends) (%)			
				Since launch	5 years	3 years	1 year
1	Global Fintech Equity Fund (Currency Hedge)	Sep-17	360	154%	-	133%	91%
2	Global Fintech Equity Fund (Currency Hedge Semi-annual Settlement Type)	Sep-17	234	152%	-	131%	90%
3	Global Fintech Equity Fund	Dec-16	2,611	227%	-	128%	83%
4	Global Fintech Equity Fund (Semi-annual Settlement Type)	Sep-17	1,866	150%	-	125%	81%
5	Shenzhen Innovation Equity Fund (Annual Settlement Type)	Nov-17	468	62%	-	61%	61%
6	Global Robotics Equity Fund (Currency Hedge Annual Settlement Type)	Jan-17	235	90%	-	46%	32%
7	Global Robotics Equity Fund (Currency Hedge Semi-annual Settlement Type)	Jan-17	223	89%	-	45%	31%
8	Global Robotics Equity Fund (Annual Settlement Type)	Aug-15	3,140	115%	105%	42%	29%
9	Global Robotics Equity Fund (Semi-annual Settlement Type)	Aug-15	3,775	114%	104%	42%	29%
10	Listed Index Fund US Equity (S&P500)	Oct-10	217	367%	64%	32%	10%
(Reference index: Japanese equity) TOPIX					17%	-1%	5%
(Reference index: foreign equity) MSCI All Country World Index (ex. Japan, no hedge, JPY-based)					38%	16%	7%

* Publicly offered open-end funds (incl. ETFs). AUMs are as of December-end 2020. Funds with AUMs below JPY 10 billion are excluded.

* Please note that the rate of increase / decrease in NAV is theoretically calculated assuming dividend (before tax) was reinvested.

Bond investment funds: largest returns in past three years

Rank	Fund name	Launch date	AUM (JPY 100M)	Return (inc. dividends) (%)			
				Since launch	5 years	3 years	1 year
1	Global CoCo Bond Fund Yen Hedged Course	Oct-14	109	42%	34%	13%	6%
2	Listed Index Fund US Bond (Currency Hedge)	Aug-16	184	4%	-	11%	8%
3	Listed Index Fund US Bond (No Currency Hedge)	Aug-16	253	16%	-	9%	3%
4	Nikko PIMCO High Income Sovereign Fund Monthly Dividend Payment Type (US Dollar course)	Sep-03	166	150%	25%	6%	0%
5	Nikko Index Fund International Fixed Income No Hedge (DC)	Dec-02	345	93%	7%	6%	5%
(Reference index) FTSE World Government Bond Index (ex. Japan, no hedge, JPY-based)					8%	7%	5%

* Publicly offered open-end funds (incl. ETFs). AUMs are as of December-end 2020. Funds with AUMs below JPY 10 billion are excluded.

* Please note that the rate of increase / decrease in NAV is theoretically calculated assuming dividend (before tax) was reinvested.

Multiple asset investment funds/other funds: largest returns in past three years

Rank	Fund name	Launch date	AUM (JPY 100M)	Return (inc. dividends) (%)			
				Since launch	5 years	3 years	1 year
1	Gold Fund Currency Hedge (for SMA)	Sep-17	390	33%	-	32%	22%
2	Nikko Triple Fund (Property Bond Equity) Growth Type	Aug-09	164	103%	27%	14%	3%
3	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	Aug-03	3,621	133%	26%	14%	2%
4	Nikko GW7 Eggs	Feb-03	507	174%	27%	10%	6%
5	Nikko DC Index Balance (Equity 60)	Dec-02	128	145%	24%	9%	6%

* Publicly offered open-end funds (incl. ETFs). AUMs are as of December-end 2020. Funds with AUMs below JPY 10 billion are excluded.

* Please note that the rate of increase / decrease in NAV is theoretically calculated assuming dividend (before tax) was reinvested.

Top 10 funds in performance for the past one year

Rank	Fund name	Launch date	AUM (JPY 100M)	Return (inc. dividends) (%)			
				Since launch	5 years	3 years	1 year
1	Global Prospective Fund	Jun-19	8,192	142%	-	-	126%
2	Global Fintech Equity Fund (Currency Hedge)	Sep-17	360	154%	-	133%	91%
3	Global All Bio Genome Equity Fund (Annual Settlement Type)	Jan-19	1,039	118%	-	-	90%
4	Global Fintech Equity Fund (Currency Hedge Semi-annual Settlement Type)	Sep-17	234	152%	-	131%	90%
5	Global Fintech Equity Fund	Dec-16	2,611	227%	-	128%	83%
6	Global Fintech Equity Fund (Semi-annual Settlement Type)	Sep-17	1,866	150%	-	125%	81%
7	Global Mobility Service Equity Fund (Annual Settlement Type)	Jan-18	560	78%	-	-	78%
8	Shenzhen Innovation Equity Fund (Annual Settlement Type)	Nov-17	468	62%	-	61%	61%
9	Asia Healthcare Equity Fund	Jan-15	127	11%	15%	28%	49%
10	Global Robotics Equity Fund (Currency Hedge Annual Settlement Type)	Jan-17	235	90%	-	46%	32%

* Publicly offered open-end funds (incl. ETFs). AUMs are as of December-end 2020. Funds with AUMs below JPY 10 billion are excluded.

* Please note that the rate of increase / decrease in NAV is theoretically calculated assuming dividend (before tax) was reinvested.

1.1.5 Fund Efficiency Initiatives

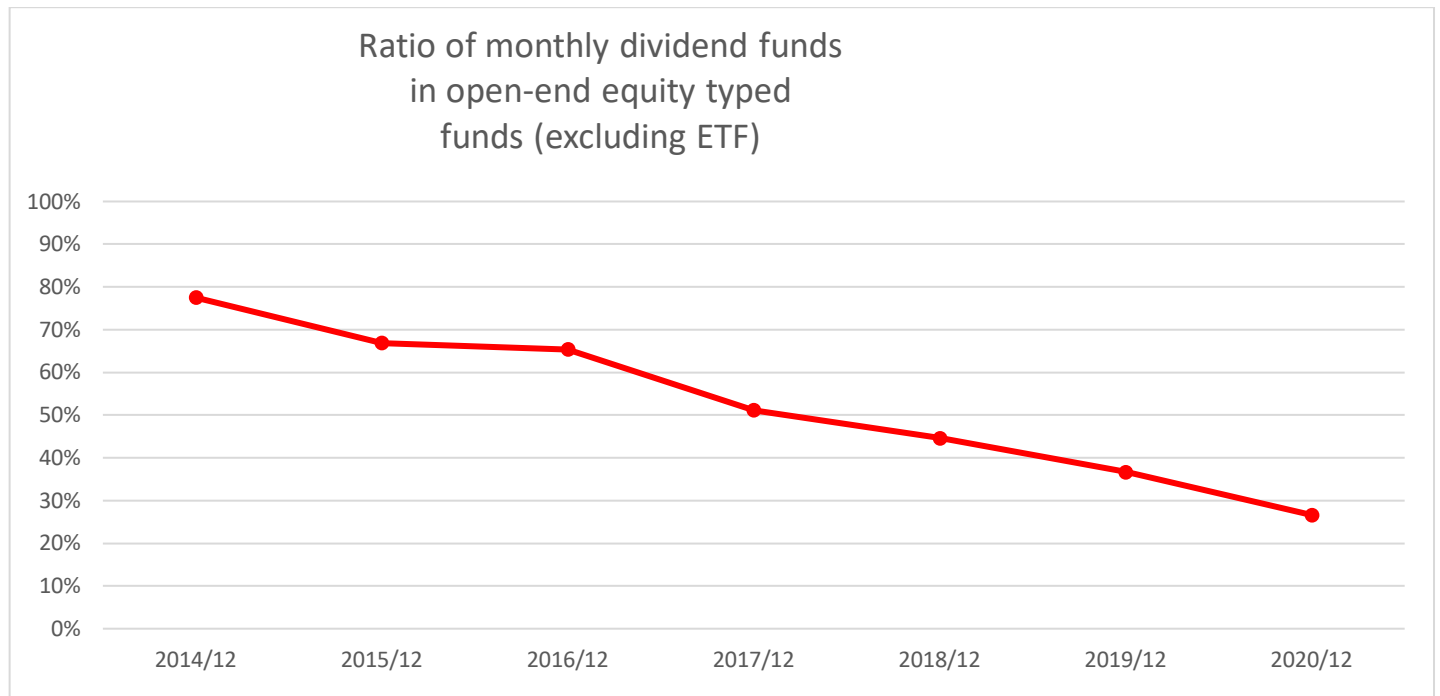
We believe that it is imperative for asset managers to constantly develop and manage more attractive and effective products for investors. We strive to achieve this goal through constant efforts to enhance our fund lineups and to expand AUM. However, it is also true that some of our funds have small AUMs. Funds with smaller AUMs cost more to manage than other funds and are less likely to realize the investment policies set out in their investment prospectuses or trust deeds, making it harder to deliver the sustained medium- and long-term investment performances that customers expect.

At Nikko AM, we address this by not only terminating smaller funds once they reach maturity but also terminating them early by shortening their trust periods based on legally stipulated procedures.

We carried out terminations of 24 publicly offered funds between January and December of 2020 and gained the understanding of beneficiaries for the early termination of ten of them.

These efforts are essential ways for us to maintain the strength of our funds' product attributes and to deliver strong investment performances. We firmly believe that the effective allocation of human resources is the key to delivering medium- and long-term profits to investors.

1.1.6 Change in distribution pattern for medium- and long-term investment: composition of Japan-domiciled publicly offered funds



The ratio of publicly offered funds (excluding ETFs) that pay out monthly dividends is falling and stood at 27% as of December 2020

1.1.7 Risk/return features of Nikko AM's key funds

Procedures for selecting Nikko AM's key funds

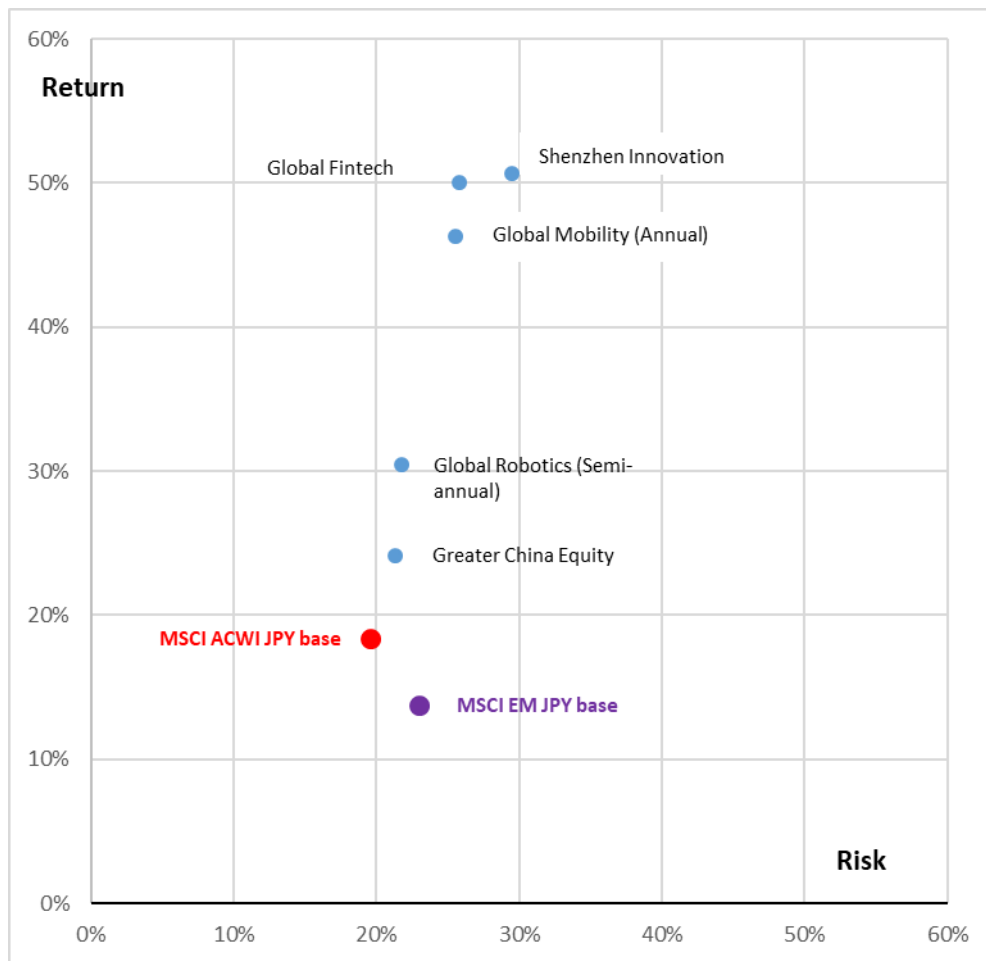
1. Rank Nikko AM's publicly offered funds (excluding money funds, ETFs and index funds) as of October-end 2020).
2. If there are multiple series funds among the top funds for AUM, use the funds with the largest AUMs.
3. For the relevant period, we selected the 20 funds in the below chart as Nikko AM's key funds (excluding funds that have less than a year to maturity) as of November-end 2020.

	Fund name	AUM(JPY100 M)	Launch date	Asset Class	Risk/Return Abbreviated name on profile
1	Global Prospective Fund	8,192	Jun-19	Foreign equity	* Graph not shown because the investment period is less than 2 years
2	Global Robotics Equity Fund (Semi-annual Settlement Type)	3,775	Aug-15	Foreign equity	Global Robotics (Semi-annual)
3	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	3,621	Aug-03	Balanced	Nikko Triple Fund (Monthly Dividend)
4	Smart Five (Monthly Settlement Type)	3,599	Jul-13	Balanced	Smart Five (Monthly Settlement)
5	Nikko LaSalle Global REIT Fund (Monthly Dividend Payment Type)	3,103	Mar-04	Global REIT	LaSalle Global REIT Fund (Monthly Dividend)
6	Global Three Times Triple Fund (Annual Settlement Type)	2,848	Oct-18	Balanced	Global Three Times Triple Fund (Annual)
7	Global Fintech Equity Fund	2,611	Dec-16	Foreign equity	Global Fintech
8	Global All Bio Genome Equity Fund (Annual Settlement Type)	1,039	Jan-19	Foreign equity	* Graph not shown because the investment period is less than 2 years
9	Nikko Developed Countries High Yielding Bond Open (Monthly Dividend Payment Type)	962	Aug-03	Foreign bond	Developed Countries High Yielding Bond Open (Monthly Dividend)
10	Global Mobility Service Equity Fund (Annual Settlement Type)	560	Jan-18	Foreign equity	Global Mobility (Annual)
11	Japan Robotics Equity Fund (Annual Settlement Type)	542	Jan-16	Japanese equity	Japan Robotics (Annual)
12	Nikko GW7 Eggs	507	Feb-03	Balanced	Nikko GW7 Eggs
13	Nikko Five Continents Bond Fund (Monthly Dividend Payment Type)	486	Jun-06	Foreign bond	Five Continents Bond Fund (Monthly Dividend)
14	Shenzhen Innovation Equity Fund (Annual Settlement Type)	468	Nov-17	Foreign equity	Shenzhen Innovation
15	Gold Fund Currency Hedge (for SMA)	390	Sep-17	Other	* Graph not shown because the asset class is other.
16	Nikko Japan Open	371	Aug-98	Japanese equity	Nikko Japan Open
17	Greater China Equity Fund (Monthly Dividend Payment Type)	362	Oct-10	Foreign equity	Greater China Equity
18	Nikko World Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	313	Sep-05	Balanced	Nikko World Triple Fund (Monthly Dividend)
19	Nikko AMP Global REIT Fund Monthly Dividend Payment Type A (No Hedge)	294	Jan-04	Global REIT	AMP Global REIT Fund (Monthly Dividend) A Course (No Hedge)
20	Nikko Profit Return Growth Stock Open	289	Jun-91	Japanese equity	J-Growth

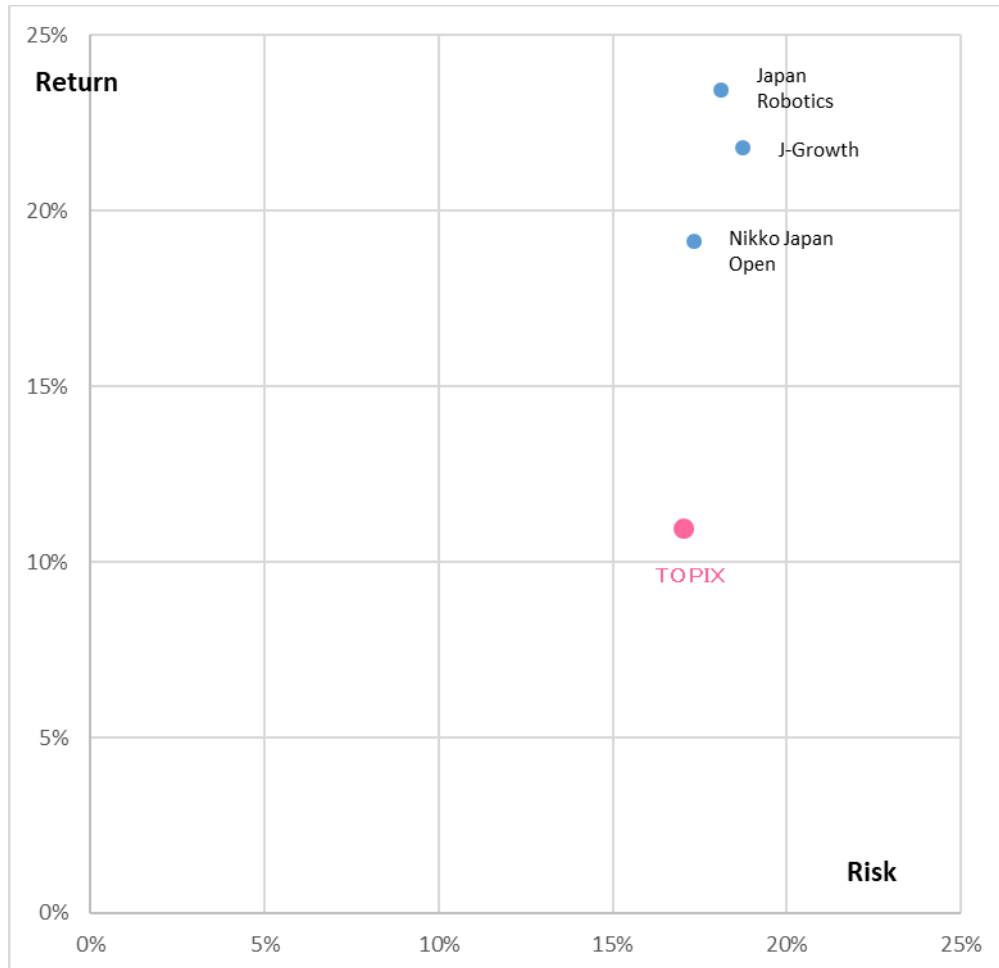
1.1.8 Risk/return profile of major funds in past two years (as of December-end 2020)



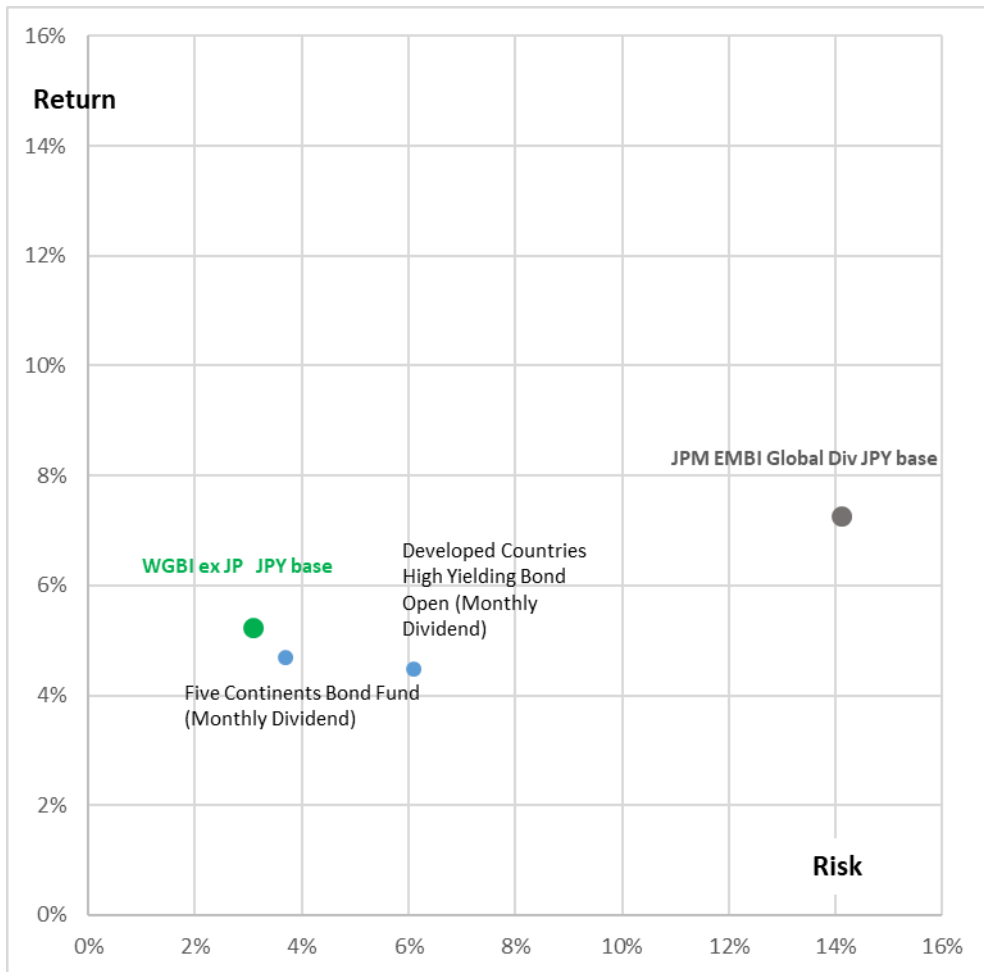
1.1.9 Risk/return profile of major foreign equity funds in past two years (as of December-end 2020)



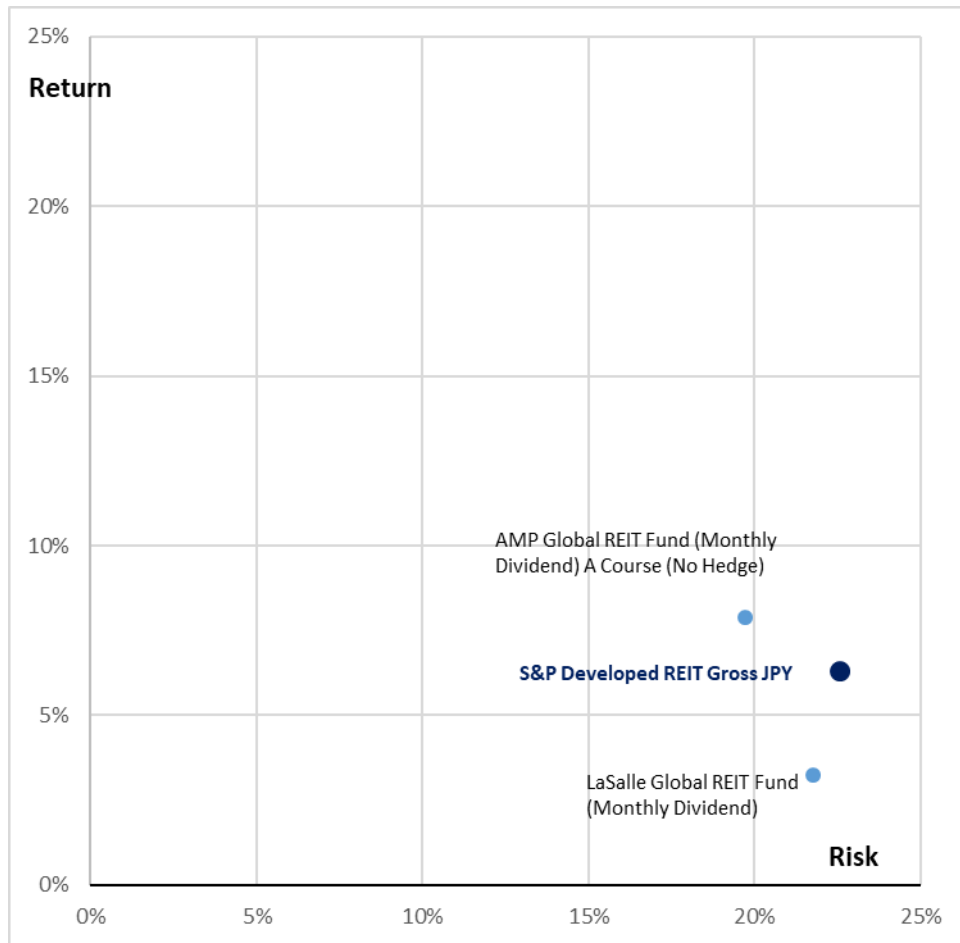
1.1.10 Risk/return profile of major Japanese equity funds in past two years (as of December-end 2020)



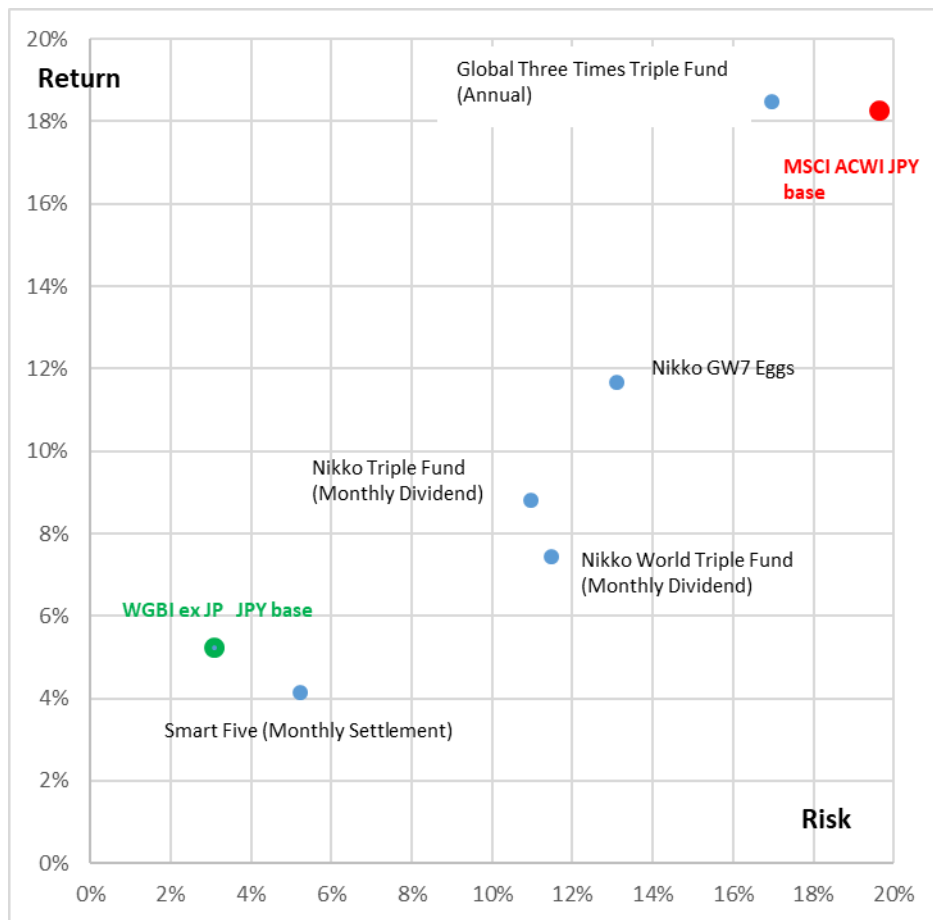
1.1.11 Risk/return profile of major foreign bond funds in past two years (as of December-end 2020)



1.1.12 Risk/return profile of major global REIT funds in past two years (as of December-end 2020)



1.1.13 Risk/return profile of major balanced funds in past two years (as of December-end 2020)



1.1.14 Sharpe ratios of major funds in past three years (as of December-end 2020)

		Dec-20		A	B	A/B
	Fund name	AUM (JPY 100M)	Launch date	Excess Return (Annualized)	Standard Deviation	Sharpe Ratio
1	Global Robotics Equity Fund (Semi-annual Settlement Type)	3,775	Aug-15	14.21%	22.07%	0.64
2	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	3,621	Aug-03	4.88%	10.11%	0.48
3	Smart Five (Monthly Settlement Type)	3,599	Jul-13	1.57%	4.72%	0.33
4	Nikko LaSalle Global REIT Fund (Monthly Di	3,103	Mar-04	0.44%	19.77%	0.02
5	Global Fintech Equity Fund	2,611	Dec-16	31.40%	26.33%	1.19
6	Nikko Developed Countries High Yielding Bond Open (Monthly Dividend Payment Type)	962	Aug-03	0.99%	5.93%	0.17
7	Japan Robotics Equity Fund (Annual Settlement Type)	542	Jan-16	9.23%	19.23%	0.48
8	Nikko GW7 Eggs	507	Feb-03	4.04%	12.89%	0.31
9	Nikko Five Continents Bond Fund (Monthly Dividend Payment Type)	486	Jun-06	1.68%	4.62%	0.36
10	Shenzhen Innovation Equity Fund (Annual Settlement Type)	468	Nov-17	20.28%	28.83%	0.70
11	Gold Fund Currency Hedge (for SMA)	390	Sep-17	10.18%	12.05%	0.84
12	Nikko Japan Open	371	Aug-98	6.40%	18.19%	0.35
13	Greater China Equity Fund (Monthly Dividend Payment Type)	362	Oct-10	6.80%	21.85%	0.31
14	Nikko World Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	313	Sep-05	3.33%	10.58%	0.31
15	Nikko AMP Global REIT Fund Monthly Dividend Payment Type A (No Hedge)	294	Jan-04	2.30%	18.23%	0.13
16	Nikko Profit Return Growth Stock Open	289	Jun-91	8.71%	18.91%	0.46

Note: LIBOR1M was used for the risk-free rate.

1.1.15 Sharpe ratios of major funds in past one year (as of December-end 2020)

		Dec-20		A	B	A/B
	Fund name	AUM (JPY 100M)	Launch date	Excess Return (Annualized)	Standard Deviation	Sharpe Ratio
1	Global Prospective Fund	8,192	Jun-19	90.05%	33.89%	2.66
2	Global Robotics Equity Fund (Semi-annual Settlement Type)	3,775	Aug-15	28.23%	23.60%	1.20
3	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	3,621	Aug-03	3.34%	14.46%	0.23
4	Smart Five (Monthly Settlement Type)	3,599	Jul-13	-0.32%	6.39%	-0.05
5	Nikko LaSalle Global REIT Fund (Monthly Dividend Payment Type)	3,103	Mar-04	-10.25%	28.47%	-0.36
6	Global Three Times Triple Fund (Annual Settlement Type)	2,848	Oct-18	8.81%	22.19%	0.40
7	Global Fintech Equity Fund	2,611	Dec-16	66.53%	30.31%	2.20
8	Global All Bio Genome Equity Fund (Annual Settlement Type)	1,039	Jan-19	68.70%	22.88%	3.00
9	Nikko Developed Countries High Yielding Bond Open (Monthly Dividend Payment Type)	962	Aug-03	4.11%	7.93%	0.52
10	Global Mobility Service Equity Fund (Annual Settlement Type)	560	Jan-18	62.63%	26.34%	2.38
11	Japan Robotics Equity Fund (Annual Settlement Type)	542	Jan-16	24.78%	22.79%	1.09
12	Nikko GW7 Eggs	507	Feb-03	7.45%	16.63%	0.45
13	Nikko Five Continents Bond Fund (Monthly Dividend Payment Type)	486	Jun-06	3.61%	4.60%	0.79
14	Shenzhen Innovation Equity Fund (Annual Settlement Type)	468	Nov-17	53.93%	32.55%	1.66
15	Gold Fund Currency Hedge (for SMA)	390	Sep-17	21.17%	13.88%	1.53
16	Nikko Japan Open	371	Aug-98	17.90%	21.24%	0.84
17	Greater China Equity Fund (Monthly Dividend Payment Type)	362	Oct-10	18.60%	21.50%	0.87
18	Nikko World Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	313	Sep-05	0.76%	14.98%	0.05
19	Nikko AMP Global REIT Fund Monthly	294	Jan-04	-7.15%	25.22%	-0.28
20	Nikko Profit Return Growth Stock Open	289	Jun-91	19.48%	23.73%	0.82

Note: LIBOR1M was used for the risk-free rate.

1.1.16 Investor returns of major funds (periods since launch)

	Fund name	Investor Return (Annualized)	NAV Return (Annualized)
1	Global Prospective Fund	99.92%	82.72%
2	Global Robotics Equity Fund (Semi-annual Settlement Type)	12.76%	15.70%
3	Nikko Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	1.31%	5.07%
4	Smart Five (Monthly Settlement Type)	2.98%	3.71%
5	Nikko LaSalle Global REIT Fund (Monthly Dividend Payment Type)	8.82%	3.77%
6	Global Three Times Triple Fund (Annual Settlement Type)	7.16%	15.12%
7	Global Fintech Equity Fund	29.56%	35.09%
8	Global All Bio Genome Equity Fund (Annual Settlement Type)	40.70%	50.76%
9	Nikko Developed Countries High Yielding Bond Open (Monthly Dividend Payment Type)	3.38%	3.89%
10	Global Mobility Service Equity Fund (Annual Settlement Type)	18.48%	22.42%
11	Japan Robotics Equity Fund (Annual Settlement Type)	9.06%	13.91%
12	Nikko GW7 Eggs	0.56%	5.94%
13	Nikko Five Continents Bond Fund (Monthly Dividend Payment Type)	0.19%	2.95%
14	Shenzhen Innovation Equity Fund (Annual Settlement Type)	9.96%	17.51%
15	Gold Fund Currency Hedge (for SMA)	11.69%	9.33%
16	Nikko Japan Open	-3.65%	3.69%
17	Greater China Equity Fund (Monthly Dividend Payment Type)	1.66%	6.61%
18	Nikko World Triple Fund (Property Bond Equity) Monthly Dividend Payment Type	-4.46%	4.02%
19	Nikko AMP Global REIT Fund Monthly Dividend Payment Type A (No Hedge)	7.72%	5.40%
20	Nikko Profit Return Growth Stock Open	-24.76%	12.93%

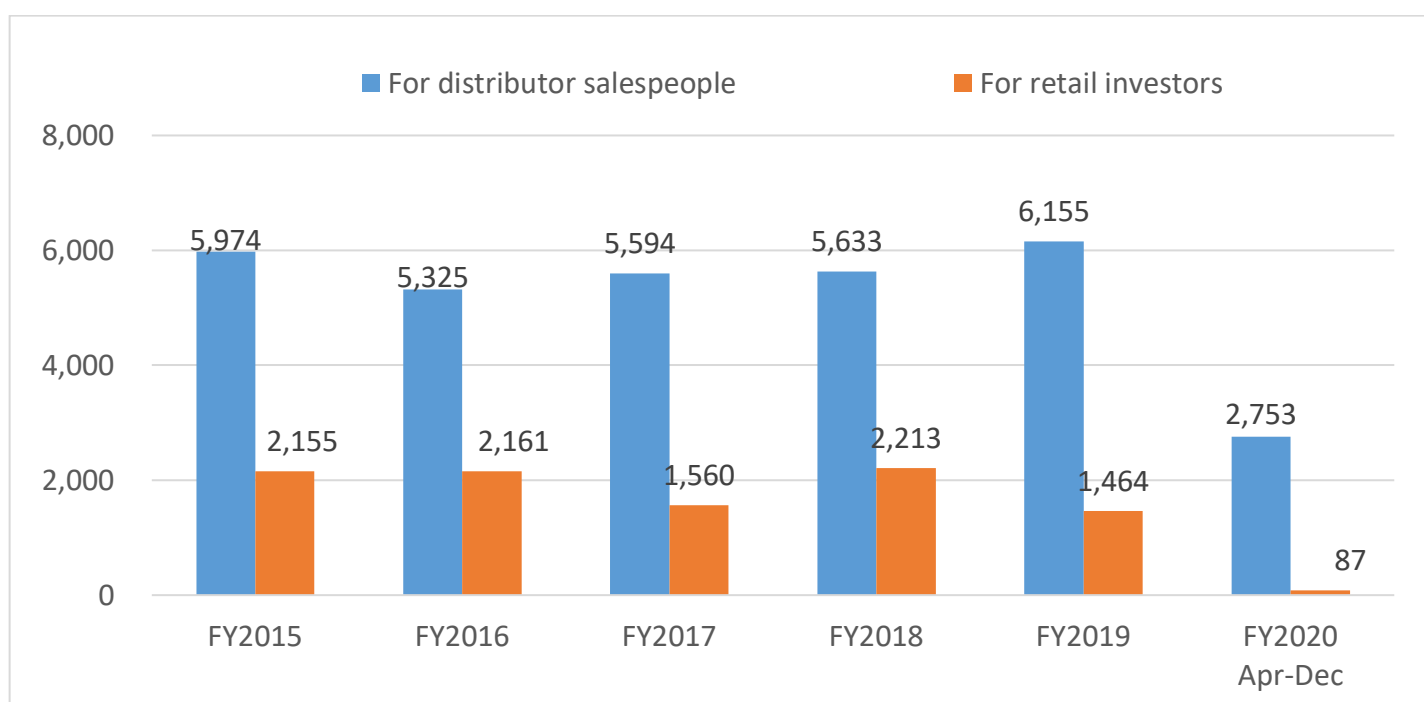
Note: Nikko Profit Return Growth Stock Open starts from September-end 2010 because of issues with acquiring past data.

1.1.17 Information provision under Nikko AM Academy brand

Main investment information sources provided as series	Frequency	Additional information
Rakuyomi	Twice weekly	110 released in 2020
Koyomi	Monthly	
Gokuyomi	Monthly	
Market 5 Minutes	Monthly	
Weekly Market	Weekly	
Data Watch	Weekly	
Follow-up Memo	Irregular	9 released in 2020
Global REIT Weekly	Weekly	
Monthly Market	Monthly	
JAPAN in Motion	Monthly	
GLOBAL EQUITY OVERVIEW	Quarterly	
Nikko AM Newsletter	Irregular	2 released in 2020
CHINA INSIGHT	Irregular	20 released in 2020
KAMIYAMA Reports	Irregular	26 released in 2020
KAMIYAMA Seconds!	Irregular	43 released in 2020
Why should we invest?	Irregular	1 released in 2020
Robotics Report	Twice monthly	
FinTech Report	Twice monthly	
What Nikko AM wants you to know about healthy money management	Irregular	3 released in 2020

1.1.18 Number of seminars held

(Unit: number held)

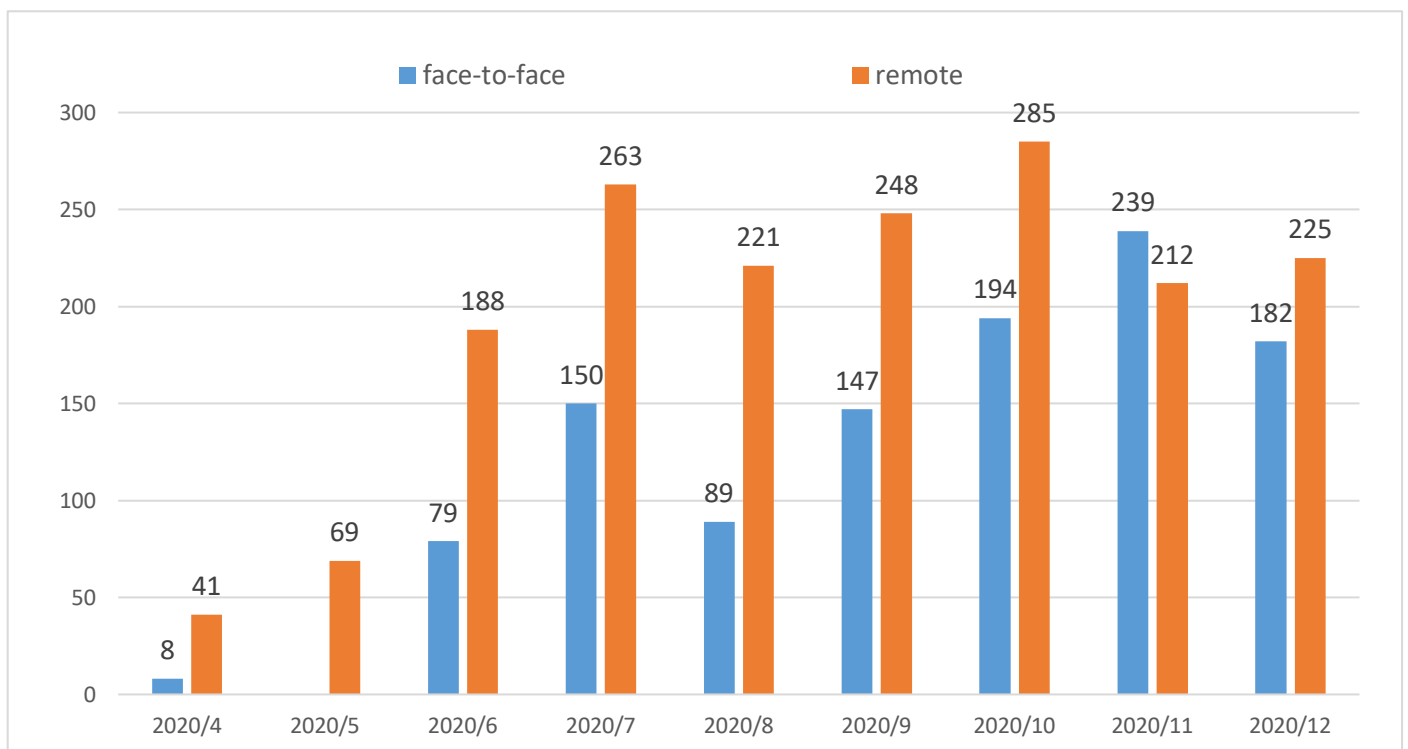


Although the COVID-19 pandemic made holding traditional face-to-face seminars difficult throughout most of 2020, we acted ahead of industry competitors by quickly implementing initiatives such as the ones mentioned below. Our customers highly rated our ability to provide ongoing customer support—including supporting distributor salespeople and releasing market information for retail investors through distributors—despite the difficult circumstances.

Working with distributors and others under COVID-19

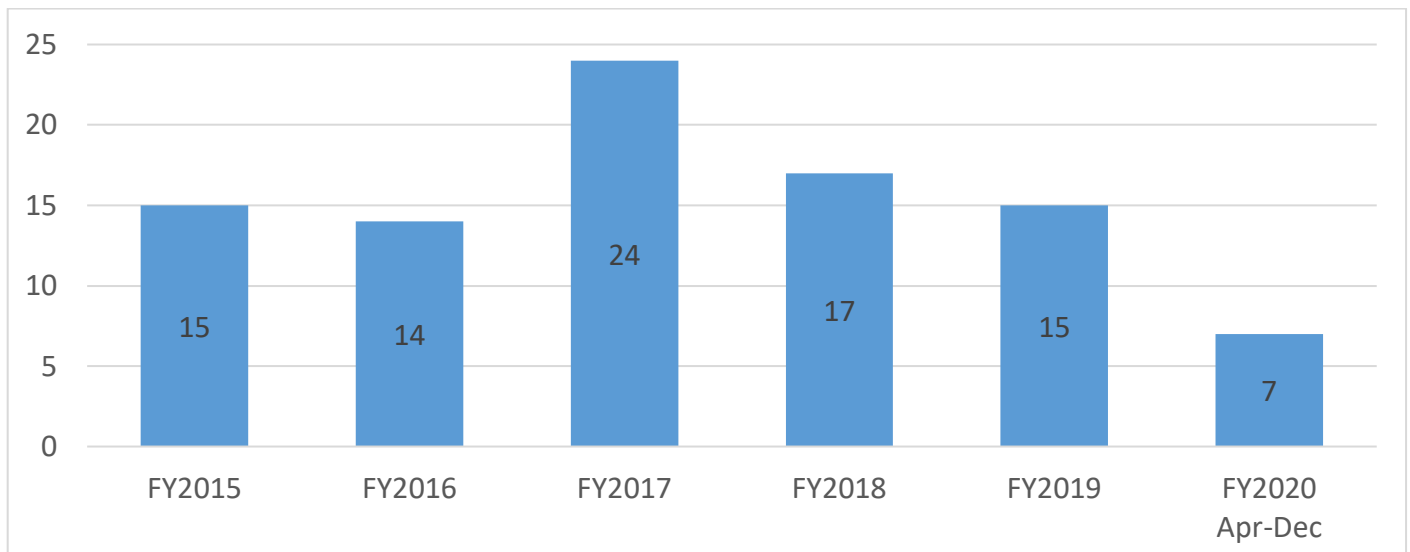
We quickly established the framework needed to handle events remotely during the pandemic by setting up the technology for digital seminars and training sessions as soon as possible. This enabled us to provide customer support without face-to-face meetings. We were also able to help distributor salespeople in their efforts to provide retail customers with follow-up services, product explanations and the latest market information by supplying them with information quickly, accurately and concisely through a wide range of media.

Relative numbers of face-to-face and remote seminars/training sessions in April-December 2020



As a result of our active promotion of remote seminars and training sessions, face-to-face and non-face-to-face follow-up system has been built since April 2020 which ensured safety and solved the issue of locational restriction.

1.1.19 Number of fund awards won

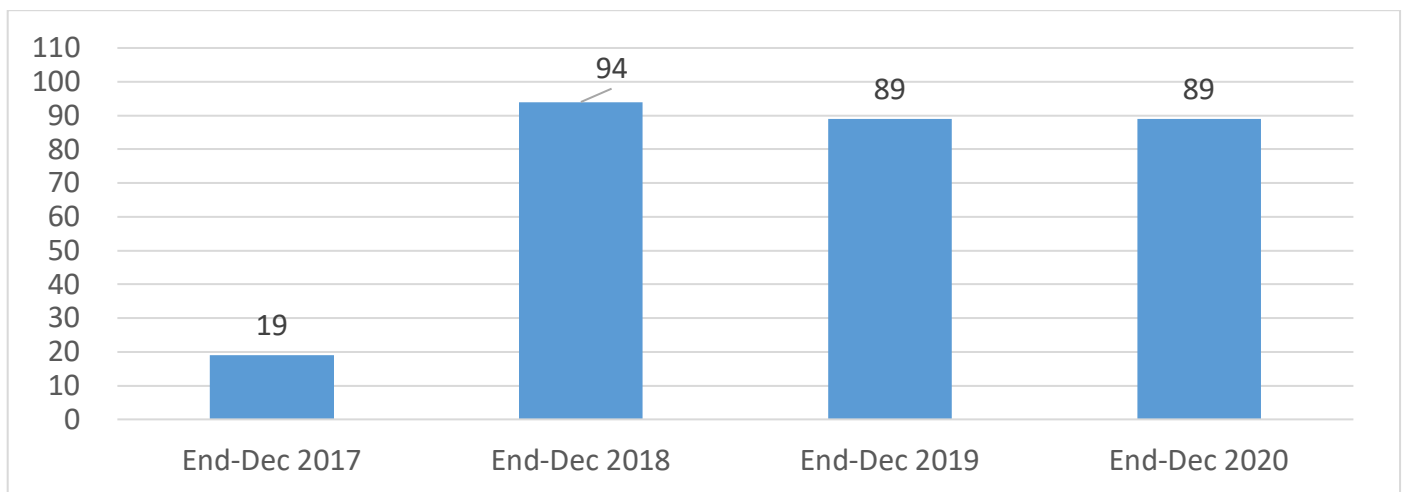


We work constantly to develop products that serve the interests of our customers. In FY 2020 (April to December 2020), external assessment institutions recognized us with awards for seven of our funds: two of our foreign equity funds, three of our foreign bond funds and two of our balanced funds.

* Aggregation of awards from R&I Fund Awards, Fund of the Year (Morning Star) and Lipper Fund Awards.

1.2 Activities for corporate clients

Number of accounts utilizing risk management tool for institutional investors



Our starting point for institutional investors is to find out our customers' needs, and to work hard to meet those needs. In our sales activities, we then propose products in line with each customer's level of risk tolerance. As a part of these efforts, in December 2017 we launched a tool in order to help our corporate investor customers improve their risk management. As of December-end 2020, the support tool was being used for 89 accounts.

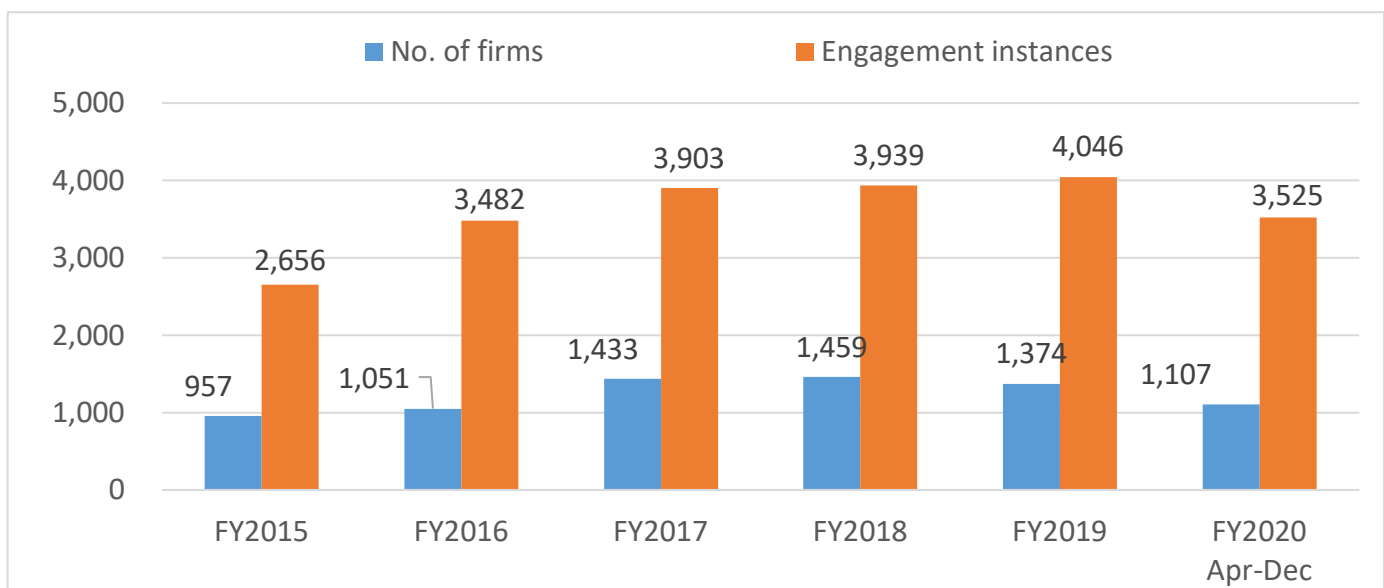
2. Stewardship Activities

We believe that it is one of our key responsibilities as an asset manager to help the companies in which we invest to improve the

value they offer to investors by vigorously pursuing our stewardship activities, including the exercise of voting rights. We constantly work to ensure that our activities are sustained and steadily improved upon. At the same time, we proactively incorporate the concept of ESG into our investment management processes and perform assessments of the corporate value of firms—including their non-financial information—in order to promote medium- and long-term improvements as well as sustainable growth, and this approach is useful in our investment decision-making process. We also work through our ESG Global Steering Committee to further expand the global reach of our ESG efforts. Comprised of leaders in our investment management operations in Japan and overseas, the committee deliberates over matters such as ESG initiatives, ways of putting them into practice, and new approaches.

Our initiatives and results to date in the above-mentioned areas are as follows.

2.1 Engagement results



Our fund managers and analysts have always been proactively involved in engagement and proxy voting in order to help firms in which our active strategies invest improve their corporate value. We have worked since 2013 to boost the corporate value of a wide range of firms, including their ESG levels, by assigning CSV scores (a way of giving firms comprehensive assessments that include ESG scores). Since then we have assessed over 600 firms with a focus on helping them to achieve sustainable growth and enhance their corporate values in the medium to long term. In March 2017, we launched a body devoted to promoting better corporate and shareholder value for Japanese names (approximately 2,200 firms) in which we invest, including in our passive strategies.

These initiatives have further improved our ability to engage with firms and exercise our voting rights in order to help maximize the corporate value of firms. In 2020 (April to December) we engaged with 1,107 firms, and in the same period the number of instances of engagement we had was 3,525.

2.2 Voting track record

Company-generated proposals (July 2019– June 2020)

Proposal		Yea	Nay	Subtotal	Nay ratio
Proposal on company	Election/dismissal of directors	15,192	2,191	17,383	12.6%
	(Reference) Number of companies	1,400	746	2,146	34.8%
	Election/dismissal of corporate auditors	2,235	203	2,438	8.3%
	(Reference) Number of companies	953	169	1,122	15.1%
	Selection of accounting auditors	57	0	57	0.0%
Proposal on executive remuneration	Executive remuneration	713	76	789	9.6%
	Retirement benefit payments	58	86	144	59.7%
Proposal on capital policy (Except proposals concerning the articles of incorporation)	Appropriation of surpluses	1,416	71	1,487	4.8%
	Restructuring	48	1	49	2.0%
	Introduction, update, abolition of takeover defense measures	0	94	94	100.0%
	Other proposals on capital policy	56	4	510	6.7%
Partial revision to articles of incorporation		478	32	510	6.3%
Other		1	0	1	0.0%
Total		20,257	2,758	23,012	12.0%

Shareholder proposals (July 2019 – June 2020)

Proposal		Yea	Nay	Subtotal	Nay ratio
Proposal on company	Election/dismissal of directors	9	93	102	8.8%
	(Reference) Number of companies	5	20	25	20.0%
	Election/dismissal of corporate auditors	6	3	9	66.7%
	(Reference) Number of companies	1	1	2	50.0%
	Selection of accounting auditors	0	0	0	0.0%
Proposal on executive remuneration	Executive remuneration	0	3	3	0.0%
	Retirement benefit payments	0	0	0	0.0%
Proposal on capital policy (Except proposals concerning the articles of incorporation)	Appropriation of surpluses	2	7	9	22.2%
	Restructuring	0	1	1	0.0%
	Introduction, update, abolition of takeover defense measures	2	0	2	100.0%
	Other proposals on capital policy	1	5	6	16.7%
Partial revision to articles of incorporation		1	128	129	0.8%
Other		0	0	0	0.0%
Total		21	240	261	8.0%

It is our responsibility as an institutional investor to help the companies we invest in to improve their value and grow sustainably through our stewardship activities, including the exercise of voting rights. In addition, we understand the importance of strengthening our own governance and increasing transparency for those outside the company. With this in mind, we established the Stewardship and Voting Rights Policy Oversight Committee in June 2016. Not only is the committee's chairperson an outside officer, but the majority of its members are from outside Nikko AM, thus ensuring its independence. The committee holds quarterly meetings at which it decides Nikko AM's policy for the exercise of voting rights from a neutral standpoint, monitors our exercise of voting rights as one of its oversight responsibilities, and provides other forms of guidance.

In May 2020, we publicly clarified Nikko AM's near-term policy on exercising voting rights on Japanese equities in light of the COVID-19 pandemic. We also announced initiatives such as our promotion of more flexible proxy voting based on sustainability considerations and our establishment of a contact for addressing inquiries to investee firms in order to have closer engagement with them.

2.3 ESG initiatives

Since launching the Nikko Eco Fund in 1999, which invests in environmentally friendly firms and is Japan's first Socially Responsible Investment ("SRI") fund*, we have incorporated ESG factors in all of our investment management processes based on our understanding that they contribute to medium- and long-term corporate value. We also constantly introduce new initiatives in order to put our EGS activities into practice more effectively. Since August 2013, we have been applying the principle of Creating Shared Value ("CSV"; the practice of creating value for society and firms by aligning efforts to solve societal issues with corporate interests and pursuing both goals simultaneously) by having our analysts formulate unique CSV scores that incorporate

comprehensive assessments of firms’ financial standings, market competitiveness levels and ESG initiatives, and use them in their stock selections. We currently formulate scores for 600 stocks listed on the Tokyo Stock Exchange from a medium- to long-term perspective. We have already built up a track record of over six years of assessment and engagement based on our analysts’ close engagement with the 600 firms whose CSV scores we assess and their daily work to improve corporate value including ESG.

* Socially Responsible Investment (“SRI”) is an approach to investing in firms that takes into account assessments of investees’ environmental and social initiatives (responsibilities and contributions) in addition to traditional investment criteria (firms’ economic strengths).

Our other initiatives are as described below.

Principles of Responsible Investing (PRI) ratings from assessment institutions

		2020	2019	2018
Strategy and governance		A+	A+	A+
Listed stocks – initiatives on ESG issues		A+	A+	A+
Listed stocks – active ownership	Engagement	A+	A+	A+
	Exercise of voting rights	A+	A+	A+
Fixed income – Government etc.		A+	A+	A+
Corporate Fixed income – Financial		A+	A+	A+
Corporate Fixed income – Non-financial		A+	A+	A+

Funds focused on Socially Responsible Investing (SRI)

Investment target	Fund name	AUM (JPY 100M)
Japanese Equity	Nikko Eco Fund	74
	Nikko DC Eco Fund	8
Foreign Bond	Nikko World Bank Bond Fund (Monthly Dividend Payment Type)	115
	SMBC Nikko World Bank Bond Fund	17
	World Bank Green Bond Fund	22

We have been a signatory to the United Nations’ Principles for Responsible Investment (PRI) since 2007. Our pioneering approach as an investment manager demonstrates our commitment to contributing to medium- and long-term corporate value and sustainable responsible investment. We have consistently been awarded the top assessment level (A+, out of six levels from A+ to E) for the main assessment items, including our approach to responsible investment. In the 2020 Assessment Report, we received the top score of A+ for strategy and governance, which is an assessment of firms’ company-wide ESG capabilities, and all items regarding in-house management. It was the seventh straight year for us to achieve the top level for strategy and governance. In annual PRI assessments, the PRI secretariat assesses the extent to which signatory institutional investors are practicing responsible investment. One of six assessment levels (A+, A, B, C, D or E) is then awarded, with A+ being the highest assessment.

Since launching a body specialized in this area in March 2017, we have expanded the number of firms whose ESG we research from the previous number of about 950 (active strategy investment universes) to 2,200 by adding firms in which our passive strategies invest to the scope of our research.

3. ESG Initiatives as a Firm

As an asset manager engaged in ESG initiatives directed at investee companies, we also believe in the importance of implementing our own ESG activities as a firm.

3.1 Governance

Our role as an asset manager is not only to seek improvements in the governance of investee companies but to continuously ensure that our own governance is at a world-class level. To achieve this, we work on the three governance areas shown below.

3.1.1 Management governance

Our governance framework is distinctive in the Japanese asset management industry for its extremely high levels of independence and transparency. Specifically, our Board of Directors is chaired by an outside director, and as of December-end 2020, 7 of its 10 members are outside directors, five of whom are independent directors with no capital relationship with Nikko AM.

In June 2019, we transformed Nikko AM into a company with an Audit and Supervisory Board in order to strengthen the auditing and supervision of our Board of Directors, to further enhance our corporate governance framework and to boost our corporate value. The transition has enabled us to incorporate monitoring-board-style governance in our management, to separate management monitoring from business execution more clearly, and to speed up management decision-making.

3.1.2 Voting rights governance

We established the Stewardship and Voting Rights Policy Oversight Committee in June 2016 as a way of improving transparency in our stewardship activities such as engaging with firms and exercising voting rights as well as strengthening our governance. Drawing the majority of its members from outside the company, the committee is the first such third-party body to be established at a Japanese asset management company. It holds meetings once a quarter in principle and provides a venue for outside committee members to have lively discussions on how Nikko AM exercises its voting rights. The committee has held a total of 23 meetings so far (five meetings in 2020). Please refer to [the Appendix \(PDF\)](#) for details of its activities.

3.1.3 Fund governance

We established the Fund Advisory Board, whose members are also mostly from outside Nikko AM, in September 2017. The Fund Advisory Board meets every quarter in principle. The board has met a total of ten times so far and its outside members participate in debates at its meetings (three meetings in 2020). Please refer to [the Appendix \(PDF\)](#) for details of its activities.

3.2 Environmental

We strive to contribute to a sustainable environment through eco-friendly offices, employee-led eco-initiatives, and the minimization of our carbon footprint.

- Achievement of Carbon-neutral Operations

Based on an assessment of the carbon dioxide emissions of our Tokyo, Singapore, Hong Kong, Sydney, Auckland, New York, London and Edinburgh offices for our operations since 2018, we offset our emissions by contributing funds to projects for the reduction of an equal amount of carbon dioxide emissions, earning us certification as a “carbon-neutral company”.

- Internal education on environmental issues

We are also receiving an increasing number of requests from customers, particularly from outside Japan, about our sustainability initiatives as an asset manager. Although our industry has a lower environmental impact than other industries, we support the Task Force and Climate-related Financial Disclosures, and believe that it is important to raise awareness about climate change and other environmental issues. We do so by inviting experts from NPOs and NGOs several times a year to educate our employees about such issues through talks on related themes.

3.3 Social

We strive to enhance social causes, both within the company by supporting a diverse and inclusive environment, and outside of the company through hands-on initiatives and charitable donations.

- Women's Group

Nikko AM was the first Japanese Asset Manager to be a signatory to the UN Women's Empowerment Principles. In all our offices in Japan and around the world, we strive to provide an environment in which all people can work comfortably by deepening our understanding of and respect for our workforce's diversity.

- LGBT

Nikko AM is an official member of "LGBT Finance", an organization set up by financial institutions in Japan to support LGBT people. We are highly committed to this initiative, which has both very visible grass-roots support from our employees and very engaged sponsorship from our senior management. We also work to promote awareness of LGBT causes.

- People with disabilities

Our working group for people with disabilities helps to provide a pleasant working environment for employees living with disabilities. Through its activities, the group works to enhance employees' understanding of each other's needs, considers ways to enhance the workplace, and encourages cross-departmental cooperation to improve the working environment as much as possible.

- Charitable Donations and Activities

We participate in charitable and philanthropic activities on a firm-wide basis. Although we were unable to participate in as many volunteer activities as usual in 2020 owing to COVID-19, we gave our employees opportunities to make charitable donations. Our donation activities covered a wide range of causes around the world, and we paid particular attention to contributions to low-income groups given the particularly strong impact the pandemic had on such members of society.

In conclusion

Throughout the many changes we have experienced—including changes in the business environment, technological innovations, and growth in financial products—we have consistently striven to act in the best interests of our customers. We strongly believe that continuing to do so is our mission as a firm.

The emergence and global spread of COVID-19 made 2020 a year in which society as a whole and all of our lifestyles went through great changes, and we were forced to transform the way we think about many different aspects of life. We are sure that all of us—including our clients—will continue to face a challenging environment going forward. At Nikko AM, we have been given an even keener awareness of the importance of adapting to different environments by continuing to give clients ways to carry on building their assets as well as enabling them to continue investing for their long-term goals regardless of short-term turmoil in the market.

We will continue to ensure that Nikko AM earns the trust of customers and attracts praise for its performance by fostering investment management innovation, developing products that fully serve the interests of customers, and strengthening our corporate governance.