

Nikko Asset Management Asia Limited Governance and Stewardship Principles

1. Introduction

Nikko Asset Management Asia Ltd (“Nikko AM Asia” or “we”), as an asset management company, provides investment solutions for clients across a wide range of asset classes and investment objectives, with the aim of generating sustainable risk-adjusted returns. We are part of the Nikko Asset Management Group (“Nikko AM”)¹, a leading independent Asian investment management franchise. Our ownership structure is shown below:



Nikko AM Asia act as a fiduciary on behalf of clients and strongly believe that good governance and stewardship are vital to safeguard the way in which a company is managed and to ensure it operates responsibly. As stewards of client assets, we are firmly committed to our clients’ best interest, and we are pleased to provide the following disclosure on our governance and stewardship principles.

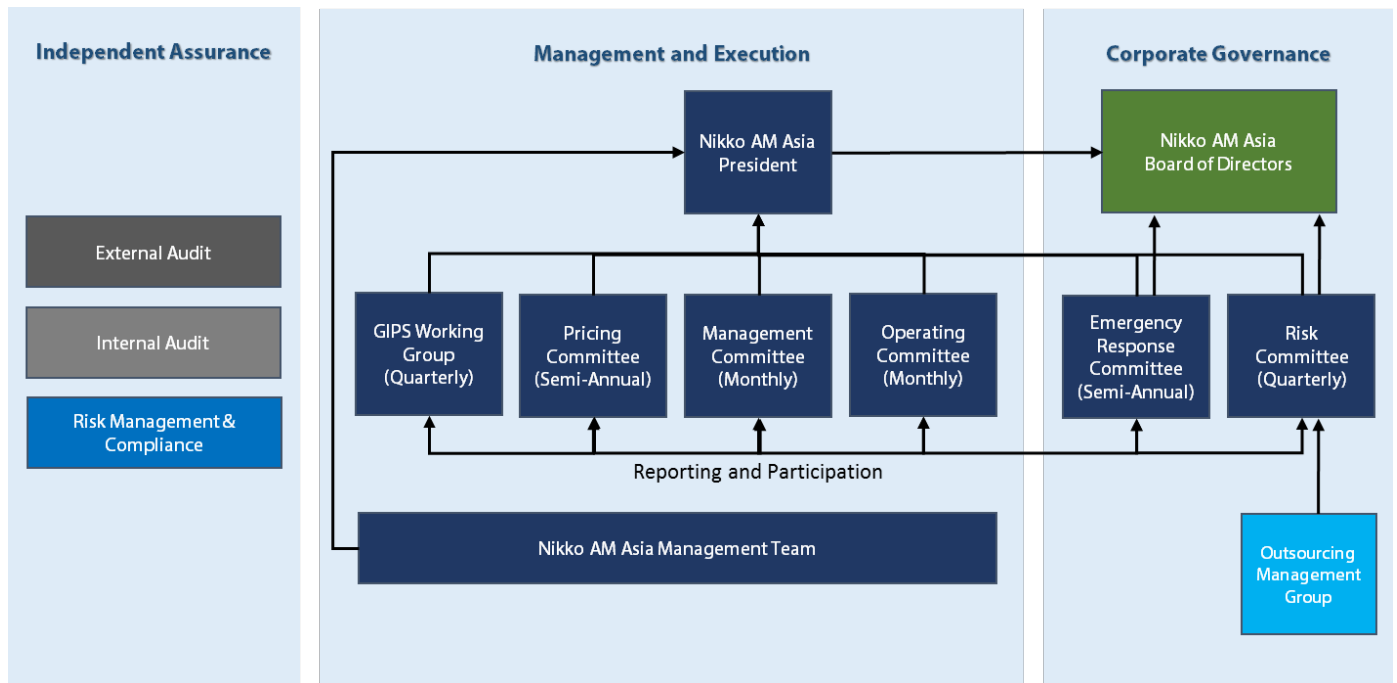
2. Governance

Nikko AM Asia is committed to high standards of governance and considers our fiduciary responsibilities of utmost importance. We have a comprehensive range of policies and systems to ensure that the company is well-managed, with effective oversight and control. We take a serious view on actual or perceived conflicts of interest, and ensure that our fiduciary obligations will always take precedence.

Our strong governance framework is supported by experienced Board of Directors. The Board is responsible for the overall governance of Nikko AM Asia and is accountable to shareholders for the performance of the company and to investors for the management of their assets. The primary function of the Board is to chart the direction, strategies

¹ Nikko Asset Management Group consists of Nikko Asset Management Co., Ltd. and its subsidiaries.

and financial objectives of the firm and to monitor the investment performance of trust assets, monitor compliance with regulatory requirements, ethical standards and external commitments. The Board has delegated the day-to-day management and administration of Nikko AM Asia to the President.



A number of committees and working groups have been commissioned to assist the Board and the President, which are illustrated below:

Committee	Members	Roles and Responsibilities	Frequency
Risk Committee	Management Team	Oversees the management of risks assumed by Nikko AM Asia in the course of carrying on its business, and promotes the risk culture.	Quarterly
Emergency Response Committee	Subset of Management Team	Oversees the firm's business continuity management program ("BCM"), including practices and standards relating to BCM.	Semi-Annually
Management Committee	Management Team	Provides a forum to update the business developments, discuss new strategies and initiatives, and highlight material developments within each functional area.	Monthly
Operating Committee	Subset of Management Team	Provides a forum to discuss cross-functional and cross-border operational issues affecting the business, and advise the President on key decisions to be made.	Monthly
Pricing Committee	Subset of Management Team	Provides a forum to discuss fair value determination of off-market or off-policy rates or exceptional pricing, and make decisions to address any pricing issues or valuation methodology due to market situation.	Semi-Annually

Committee	Members	Roles and Responsibilities	Frequency
GIPS Working Group	Subset of Management Team	Provides a forum to discuss definition, construction and evaluation of composites, and to ensure that Nikko AM Asia complies with the Global Investment Performance Standards ("GIPS").	Quarterly

Nikko AM Asia's organisational structure is established according to the "three lines of defence" model, and we have in place appropriate risk management and compliance programs that are continually updated to reflect the developing regulatory and compliance environment. The company promotes transparency and open communication, and strongly believes in a positive risk culture as an integral part of regular activities and processes to safeguard clients' best interest and protect the integrity of financial markets.

Operating with high standards of business ethics and conduct is central to our long-term success. Nikko AM Asia adopts a global [Code of Ethics](#) that emphasizes this commitment and describes our core values, corporate social responsibility and responsible global citizenship. We recognise that potential conflicts of interest can arise, and take firm steps to address them by always seeking to put client interests first. This is fundamental to earning and maintaining the trust of our clients, regulators, key business partners, and other associates within global capital markets.

3. Stewardship Principles

Nikko AM has been a signatory of United Nations Principles for Responsible Investment (UN PRI) since 2007, and adheres to the principles set out by the organisation. This early commitment is testament to our dedication to all Six Principles, which are consistent with our fiduciary responsibilities.

Nikko AM Asia recognises that stewardship is very much linked to good governance. We regard the combination of constructive dialogue with companies and the considered use of voting rights to be the cornerstone of our stewardship responsibilities. We also strongly believe that responsible investment by considering environmental, social and governance ("ESG") issues are inherent to long-term corporate value creation, and contribute to the realization of sustainable economic growth.

Investment Practices

Nikko AM Asia adopts a positive approach to ESG as an integral part of its fiduciary duty and incorporates responsible investment principles into our investment processes. We are firmly committed to our clients' best interest, and strongly advocate that markets and companies which adopt best practices in governance with a good balance of ESG considerations are more likely to deliver sustainable, long-term investment performance.

We take into account all available company data including ESG considerations when making investment decisions on dimensions of risk management, opportunity seeking, and sustainability maximization by using our in-house research, third party research and data providers, rating agencies, as well as information gathered from dialogues with the company's management.

It is important to note that we do not exclude particular asset types, industry sectors or securities wholly on moral or ethical grounds, unless this is expressly built into the product's investment strategy or client agreement. In cases where the exercise of investment discretion is entrusted to a third party, Nikko AM Asia expects the same level of diligence in incorporating responsible investment principles.

Company Engagement

As owners of the companies in which we invest on behalf of our clients, Nikko AM Asia has a responsibility to be active, long-term stewards of these businesses. We monitor and meet with companies regularly to improve our understanding of their business and strategy, indicate support or concerns we have with management actions and promote best practices. We believe that good corporate governance ensures that companies are managed in-line with the long-term interests of their investors.

Engagement is prioritised based on (amongst other things) our assessment of the significance of the issues to the company, the risks to our clients, relative holdings, scope to effect change and opportunities to collaborate. We are also mindful of the relative size of our assets in different regions and the related practical issues. We recognise collaborative engagement as an effective tool to promote change where individual investor action is not sufficient (for example, minority shareholders) and support investor-led joint engagement initiatives that focus on a group of companies thematically, where we believe that we can have a positive collective impact.

Proxy Voting

Nikko AM Asia strives to exercise proxy votes for all meetings for all of our equity holdings, except where there are practical constraints or client restrictions. We vote in line with our global [Proxy Voting Guidelines](#) executed via our external voting platform consistently across our portfolios. As part of the process, proxy voting research and initial voting recommendations is sourced from Institutional Shareholder Services (“ISS”) to provide inputs and insights. We maintain a record of all proxy voting activities on behalf of our clients, and share information on proxy voting and engagement activities through written reports and meetings, both periodically and on an ad-hoc basis, in accordance with individual client requirements.

Public Policy and Consultation

Nikko AM Asia believes that we have a responsibility to engage with policymakers and regulators on behalf of our clients where we have the expertise and experience to make a positive contribution and improve outcomes, especially policy initiatives that aim to develop best practice in the responsible investment industry which are in-line with our philosophy and objectives.

Nikko AM Asia will engage in policy advocacy when we believe it is appropriate. We are supporters of the [Singapore Stewardship Principles for Responsible Investors](#) launched in November 2016. The seven principles are not intended to constitute a code, and provide useful guidance to responsible investors towards the promotion of good stewardship in discharging their fiduciary responsibilities and creating sustainable long-term value for all stakeholders. The seven principles are listed out below, and largely consistent with [Nikko AM's approach](#):

Principle 1 - Take a stand on stewardship.

Principle 2 - Know your investment.

Principle 3 - Stay active and informed.

Principle 4 - Uphold transparency in managing conflicts of interest.

Principle 5 - Vote responsibly.

Principle 6 - Set a good example.

Principle 7 - Work together.

Education and Communication

Nikko AM Asia endeavours to respond to all client inquiries regarding issues related to specific portfolios, as well as more generally how ESG issues are integrated into the investment process and practices. We communicate our views on the importance of ESG issues through periodic articles and thought leadership available via our website, social media channels, client meetings and client communications. Nikko AM has rolled out a dedicated ESG microsite to educate and inform clients, investors and consultants on our approach and commitment to ESG.