



UK Stewardship Code compliance statement

Asset Management One Co., Ltd.

- **Overview and introduction to Asset Management One (“AMO”) & our stewardship approaches**

AMO is a leading global asset management company. Headquartered in Tokyo, AMO is one of the largest asset managers in Asia. Providing investment strategies to some of the world’s largest institutional investors, AMO has a global network of subsidiary offices based in London (Asset Management One International Ltd.), New York, Singapore and Hong Kong. Jointly owned by its parent companies Mizuho Financial Group Inc. and Dai-ichi Life Holdings Inc., AMO also has a solid support that allows a long-term approach in outlook and in business strategies.

As a leading asset manager, we believe it is our fiduciary duty and responsibility to help our clients and beneficiaries achieve their financial and non-financial objectives, to maintain a decent standard of living when they retire and to contribute to a sustainable economic growth through efficient allocation of capital. Aiming to preserve value and enhance value, AMO is continuously committed to acting and performing as a good steward for the assets entrusted by our clients.

AMO has been a signatory of The Principles for Responsible Institutional Investors in Japan (Japan’s Stewardship Code) since it was first introduced in April 2014. Furthermore, we support the aims of the UK Stewardship Code (last published in September 2012), applying a high standard of stewardship activities consistent with the spirit of all principles set out in the UK Stewardship Code. This document outlines AMO’s policies, processes and disclosure, particularly regarding what we aim for in discharging our active ownership and stewardship responsibilities and how we implement the recommendations under each of the seven principles of the UK Stewardship Code.

- **Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

The aim of our stewardship activities is to protect the interests of our investor clients and beneficiaries, and to preserve and enhance the value of entrusted assets that we invest on behalf of our clients. Regardless of the form or style of our investments (e.g. active, passive, quantitative or equity investments or other asset classes), AMO regards its stewardship commitment and ownership activities as a core and integral

part of our approach, aiming to improve long-term risk-adjusted returns and to support value creation by those investments.

As a long-term investor, it is AMO's belief that governance practices of investee companies are a critical factor for consideration in the process of investment analysis and decision making. Deficient or failed corporate governance would also likely raise operational, financial and reputational risks associated with the company's environmental and social performance. Among a broad range of ESG investment strategies, we believe that (1) ESG materiality analysis and considerations from the investment perspective and (2) quality of active ownership (voting and engagement) that brings positive changes are two key cornerstones to good stewardship and responsible investment approaches, in order to deliver value and perform accountability to our clients.

The importance of material ESG considerations and engagement is about investment and long-term value creation. AMO approaches to ESG factors as enhanced analysis of companies, on top of conventional financial analysis and evaluation, to better understand companies' risk and return profiles and their long-term financial performance prospect. From an investment perspectives, whilst ESG overviews of a country or a specific industry provide helpful information on key material factors to some extent, we are committed to adding value through a bottom-up approach, utilising extensive analysis and in-depth understanding of company-specific ESG performance including their direction of travel. The materiality, priorities and impact of ESG factors on long-term financial performance and sustainability depends on each company's business model and its competitive strategies over time. This requires a significant level of qualitative assessment with a holistic perspective on company-specific matters, which may not always revealed by their ESG scores or rankings only. Active ownership activities, through voting and engagement with management and the board of investee companies, have enabled us to exercise shareholder rights responsibly and appropriately on behalf of our clients. This allows us to better understand the leadership quality of an investee company, as well as the effectiveness of its implementation of ESG policies and performance.

We believe the quality of stewardship activities also lie in the clearly defined aims to add value, a holistic and integrated approach, as well as professionals with the investment expertise and skills required for ESG materiality analysis alongside quality dialogue with companies. Further to our experienced investment managers and global sector financial analysts, AMO has also established a dedicated team of over ten responsible investment specialists based in Tokyo and London who undertake extensive stewardship activities globally including ESG analysis, company engagement and voting. The majority of our dedicated responsible investment specialists at AMO have extensive investment experience as former portfolio managers or financial analysts. This not only helps us effectively communicate and work with internal investment teams, but also enables AMO to incorporate our ESG

analysis and materiality considerations with a holistic view and investment perspectives when engaging with investee companies about their long-term sustainable performance.

AMO supports and applies the spirit of the UK Stewardship Code principles, as well as those of similar principles adopted in other jurisdictions. We believe the related principles are relevant for best practices in a broader context, for both UK and non-UK listed securities. The vast majority of AMO's investment management businesses is based in Japan, with assets held on behalf of our clients being predominantly Japanese securities. As a signatory of the Principles for Responsible Institutional Investors in Japan, AMO has published a detailed document regarding its policy and approaches to stewardship responsibilities which is publicly available on its website (<http://www.am-one.co.jp/english/information/stewardship/>)

While AMO utilises a variety of third-party service providers for ESG-related analysis and research to support our stewardship activities, we do not delegate or outsource our stewardship responsibilities as an asset manager. The dedicated responsible investment specialists and analysts at AMO discharge active ownership responsibilities globally (including engagement, voting and policy advocacy) and are being held accountable for delivering quality stewardship activities, with the aim of protecting and enhancing the value for our clients and final beneficiaries. In practice, AMO has established an internal process using a systematic approach to engagement planning, identifying priority themes and intensive engagement targets by taking into consideration different market- and company-specific circumstances. These priority themes and lists are reviewed annually. In addition, AMO believes voting responsibly is an important part of our fiduciary duty. We therefore have dedicated internal resources responsible for our voting decisions globally, although we use a service provider to assist in the administrative process by following AMO's custom proxy voting guidelines for the non-Japanese markets. The overall stewardship approaches and activities are overseen by the Responsible Investment Committee (chaired by the CIO) reporting to the Board of Directors, and to the board's Audit and Supervisory Committee with a majority of independent outside directors.

- **Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.**

AMO puts client interests first, and always seeks to act in the best interests of clients and final beneficiaries, through our stewardship approach and activities. We have in place a robust policy and established procedures to identify, prevent or manage conflicts of interest that may arise. A summary of the policy and procedures are published and available on AMO's website.

[\(http://www.am-one.co.jp/english/information/voting/\)](http://www.am-one.co.jp/english/information/voting/)

[\(http://www.am-one.co.jp/static/mgntcnflctsints.html\)](http://www.am-one.co.jp/static/mgntcnflctsints.html)

AMO's policies aim to cover all potential and perceived conflicts of interest, in particular those that may arise from business relationships and transactions in which AMO, the parent (Mizuho Financial Group or Daiichi Life Group) or other affiliated group companies are involved. We identify the types of transactions that may lead to conflicts of interest and review them regularly. In the process of conducting stewardship activities, AMO has introduced robust policies and measures for proxy voting matters in order to protect client interests and benefits. This includes (1) isolating information, (2) restricting personal transfers, and (3) establishing an independent Proxy Voting Advisory Council. Firstly, we endeavour to isolate information flows regarding proxy voting (between the persons in charge and any other employees or external persons). In order to effectively implement related policies, AMO also set up an internal control and monitoring system whereby the Compliance Department check and verify the proxy voting results. Secondly, with regard to appointing persons who exercise proxy voting rights, we put in place a restriction on personnel transfers between AMO and its parent/group companies. Thirdly, AMO has established a Proxy Voting Advisory Council, of which independent outside directors are the majority.

Chaired by the Chief Investment Officer (CIO), the Responsible Investment Committee was established to oversee the management of conflicts of interest and the implementation of stewardship policies. AMO also has a monitoring process and reporting framework to escalate related matters to the Board of Directors, and to the board's Audit and Supervisory Committee with a majority of independent directors. The Audit and Supervisory Committee members attend the Responsible Investment Committee meetings when required, to discuss and ensure that robust stewardship policies are put in place, including the approval of any amendment to AMO voting guidelines, and to oversee effective operations of the Responsible Investment Committee.

When exercising our voting rights of shares held at investment funds that AMO invests and manages, we have predetermined and publically disclosed Proxy Voting Guidelines for Japanese and for non-Japanese global companies, respectively. With regards to the most important items on proxy agendas that may involve potential conflicts within the parent or group companies, AMO also utilises a third-party proxy provider for recommendations. In addition to this, after seeking independent opinions of the Proxy Voting Advisory Council, the Responsible Investment Committee will also discuss thoroughly before any voting decisions are made. In order to further enhance the oversight of managing conflicts of interest, key voting results are reported to the board of AMO and its audit and supervisory committee with a majority of independent directors.

Senior management at AMO believes that putting clients' interest first and gaining trust from our clients is the foundation for a sound and sustainable business as an institutional investment manager, as well as for earning the trust of all other stakeholders. Through implementing an appropriate governance structure, culture and practices, including oversight of the Board and the Audit and Supervisory committee, alongside the establishment of the Responsible Investment Committee and the Proxy Voting Advisory Council, AMO has been able to operate with its management independently from the parent and other group companies, establishing a robust policy and managing any conflicts of interest properly and effectively.

- **Principle 3: Institutional investors should monitor their investee companies.**

AMO believes that active monitoring of investee companies on an ongoing basis is an essential part of our investment process and stewardship responsibilities. This monitoring is undertaken by both investment teams and responsible investment specialists (ESG analysts). We monitor the performance of our investments and carry out extensive research and analysis of investee companies, including fundamental and financial analysis as well as ESG issues relevant to specific companies.

We take a long-term view in our analysis and monitor the progress of companies accordingly. In order to effectively monitor a wide range of issues that may have a material impact on the long-term performance and success of investee companies, AMO established a responsible investment team in 2016, which now has over ten specialists focusing on ESG analysis and active stewardship activities. The extensive investment experience and expertise of the team, mostly as former fund managers or financial analysts, enabled us to analyse relevant information and monitor the development of companies with a holistic view and investment perspectives.

Active engagement with investee companies is an integral part of our monitoring process. While AMO utilises ESG data as references provided by multiple external ESG research firms, we are aware of certain inherent limitations of such ESG data/scores particularly with regards to qualitative assessment and dynamic aspects. Our internal analysis of material ESG issues and investment insights, through regular proactive engagement with companies, enables us to monitor the quality and development of company performance more effectively. Our engagement plans and activities for both Japanese and non-Japanese global equities are overseen by the Responsible Investment Committee; these plans and activities are reviewed and assessed on a regular basis for continuous improvement.

We monitor and engage on a full range of issues relevant to long-term investors, including individual companies' strategies, operating performance, capital allocation

and policy, risk management, corporate governance and culture, alongside other key ESG issues. Whilst monitoring public disclosures and performance, in our proactive engagement dialogues with companies we often seek better disclosure on ESG risks and opportunities that are more relevant and specific to the company, in particular for the markets where disclosure practice is lagging, encouraging a more strategic and effective management of key relevant ESG factors. If and when an investee company is lagging its peers on a material ESG issue, we would monitor the development over time and seek positive changes when needed. For instance, where a UK company appeared to depart from the UK Corporate Governance Code in certain practices, we would assess carefully its explanations on the rationales behind the departure, monitor its progress and seek improvement when needed. It is of our strong belief that investors should play an important role in effectively and intelligently implementing the Corporate Governance Code under its “comply-or-explain” approach. Therefore, instead of assessing companies by their compliance with all provisions of the Code, our focus and judgement are placed mainly on (1) whether the company’s governance practices meet the spirit of the Principles, (2) whether the explanation of any departure is reasonable, fitting in with the company-specific unique circumstances and still applying the relevant principle, and (3) the length of the departure period as well as what the next steps and actions the company plans to take if required. In our assessment of each case, we would also pay additional attention to the alignment and consistency between the company’s corporate governance report and the rest of its annual report in order to form a holistic view and quality judgement. As our general approach to engagement is to encourage an in-depth private dialogue over time, we intend to share our views on what constitutes a good explanation under the comply-or-explain approach and lay out our expectations at company meetings where relevant. We may also seek remedial measures through continuous engagement where appropriate, and take into consideration the company’s progress when we cast our votes at the AGM. In principle, AMO exercises all our voting rights on behalf of clients for both Japanese and non-Japanese global equities. We believe exercising voting rights is a powerful mechanism to voice concerns or enforce our engagement efforts, and is also an important part of our stewardship responsibilities and accountability to clients.

AMO intends to avoid any situation in which it becomes an insider. As a general policy at AMO we do not seek material non-public information and actively make it clear to companies and their advisors not to put us in receipt of such information. If on a rare occasion we are in possession of material inside information, AMO has a strict policy and required internal procedures to ensure compliance with applicable laws and regulations to prevent the spread of such information and any related trading activities, in line with all regulatory requirements.

- **Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.**

It is our belief that well-governed companies, supported by actively engaged shareholders with a long-term perspective, will deliver superior risk-adjusted returns over the long term. Through our engagement, AMO aims to form in-depth understanding and a holistic view of the investee companies. The purpose of engagement is to improve long-term shareholder value by encouraging and achieving sustained profitability and growth of companies. Therefore, we believe that two-way dialogues and constructive discussions, based on mutual trust and understanding of the perspectives from each other, is essential. In this regard, individual engagements conducted privately and confidentially are often more effective, especially given considerations for different market's situations and individual company's specific circumstances. We do not regard shareholder engagement as micro-managing companies, and there is no "one-size-fits-all" approach or process effective in stewardship activities.

AMO does not have prescriptive or pre-determined written guidelines for escalating our stewardship activities. In practice, however, we adopt a structured programme and have established processes to continuously progress engagement, and to make qualitative assessments in line with our stewardship principles and defined investment disciplines for each strategy. The issues that we discuss with investee companies and seek improvement if needed include strategic and operating performance, sustainability strategy, capital allocation and capital policy, risk management, corporate governance and culture, as well as other key ESG issues specific to the company and sector where it operates from the perspectives of both opportunities and risks. The actions and steps taken often involve individual meetings with senior executives, board members and non-executive directors (which we also promote as best practices and strongly encourage companies to provide shareholders such board access, especially in the markets where this is not yet a widely accepted practice). Furthermore, we aim to exercise our votes at shareholder meetings to enforce and reflect the progress of our engagement and the company's direction towards improvement.

With regards to further possible steps for escalating our stewardship activities to achieve the objective of protecting our clients' interest and value creation, where appropriate we may consider discussing and working with other like-minded long-term institutional shareholders. However, such collective or collaborative engagements should not be the purpose by itself; instead, the effectiveness of engagement should be the aim. Therefore, we would carefully assess the unique situation of the engagement issues concerned and consider different market's regulatory circumstances as well as stewardship practices especially where such collective efforts may lead to unintended or counterproductive consequences. As an investment manager, while having the mind-set of a long-term owner of investee companies, we monitor the development of each investment on an ongoing basis and may decide to sell the shares when justified in order to protect the interest of

our clients. It is our fundamental belief that shareholder engagement approaches and efforts are based on long-term economic rationales, and should be value-driven to deliver long-term performance and benefits for our clients and beneficiaries. Therefore, although we do not entirely exclude such options as an escalation strategy when necessary and appropriate, as a responsible and long-term owner of companies we generally do not make our individual engagement cases public if it may undermine trust, especially when a company's management or its board shows their willingness to continue dialogue or accepts the need for change.

- **Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.**

We recognise the potential benefits for greater influence and effectiveness by acting collaboratively with other investors where appropriate, and are willing to work with like-minded investors in this regard when appropriate. The overarching aim of engagement efforts is to preserve and enhance long-term shareholder value. Therefore, collective engagement by and in itself is not the purpose, but the enhancement of effective engagement toward achieving positive changes is. We therefore take into consideration individual engagement on a case-by-case basis, being conscious of the issues concerned, regulatory matters, and market practices as well as cultural related aspects (e.g. where companies in some markets may tend to perceive such an approach as confrontational), in order to act in the best interest of our clients and to ensure the effectiveness of our engagement.

Through our extensive engagement practices around the world, we established that, in most cases, having an individual and confidential dialogue with investee companies often leads to in-depth and constructive discussions and helps us form a holistic view of the company concerned. It also helps build up a mutual understanding and trust in the process, and therefore tends to be more effective in influencing companies towards positive changes. However, there are occasions or cases in particular where certain market-wide issues exist and require a more coordinated approach and government policy advocacy in order to address shared concerns. Therefore, we actively participate in and contribute to discussions among various formal and informal investors groups. AMO is an active participant and member of a number of investor groups or coalitions including: International Corporate Governance Network (ICGN), Asian Corporate Governance Association (ACGA), the UN-supported Principles for Responsible Investment (PRI) and the Montreal Carbon Pledge. We are also one of the few Japanese asset managers committed to the global investors' "Climate Action 100+" initiative since its initial launch, actively participating in the ongoing collective engagement activities with a selected number of companies globally. In the UK, Asset Management One International Ltd. is a formal member of The UK Investment Association, and we

work closely with other investor members at its Sustainability and Responsible Investment Committee.

Through our participation in collaborative initiatives we speak for ourselves and remain alert to any potential conflicts and related legal and regulatory rules, such as insider information, reporting requirement and concert party rules.

- **Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.**

In principle, AMO exercises the voting rights for all the shares it holds on behalf of clients. AMO believes that voting responsibly is part of our fiduciary duty and is an important mechanism to encourage investee companies to strengthen corporate governance, with a view to enhancing long-term value and achieving sustainable growth. We are committed to an intelligent and pragmatic approach to voting activities, taking into consideration individual company's specific matters. We regard voting as part of the process for our engagement dialogue with investee companies, and aim to reflect the progress of ongoing engagement into our voting intentions. We also recognise the differences in regulatory requirements or practices in different markets globally. Therefore, in order to raise the corporate governance standard and shareholder protection across markets, AMO actively participates in public policy related discussions with market regulators and other investors through various global investor groups such as the ICGN (International Corporate Governance Network) and ACGA (Asian Corporate Governance Association).

AMO has established a clear aim and set out the policies of proxy voting, which is disclosed and available on our website

(<http://www.am-one.co.jp/english/information/voting/>). We have also published two AMO custom Proxy Voting Guidelines, for Japan and for other global markets respectively, explaining our voting intentions for main items and rationales behind the decisions. As opposed to applying the Guidelines rigidly, from time to time we intend to vote pragmatically where appropriate, to avoid a simple "box-ticking" exercise and to reflect a company's specific situation. Such an approach is particularly important when we have material shareholdings, or when the proposals are contentious or would have a significant impact on our clients' interest. We often pay additional attention to and conduct intensive internal discussions at these occasions before we make the decisions.

The detailed voting results by AMO for Japanese equities are fully disclosed on a quarterly basis and publicly available on our website, for every shareholder meeting and each of the resolutions we voted on. A large proportion of our clients' investment in non-Japanese equities are held in passive investments around the world. We report to and provide our clients with a summary of the voting record and

results for non-Japanese holdings, together with our other stewardship activities, on a regular and frequent basis. When requested, we also provide detailed explanations to clients on the full rationales behind our voting decisions regarding companies of interest.

AMO retains Institutional Shareholder Services (ISS), mainly for the ex-Japan global markets, to assist with certain administrative matters and provide research on proxy items at shareholder meetings. However, we have dedicated internal resources to undertake voting decisions globally in accordance with AMO's custom proxy voting guidelines and in-house views. The appointment of a proxy services provider follows thorough due diligence reviews performed on an annual basis. When there are voting items that may present potential or perceived conflicts of interest relating to the parent or affiliated group companies, we will look to consider ISS' inputs as a third party opinion. In the meantime, the Responsible Investment Committee of AMO will further discuss, and seek independent advice from the Proxy Voting Advisory Council (which is comprised of a majority of independent outside directors).

For the time being, we do not engage in any stock lending activities with regards to non-Japanese equities.

- **Principle 7: Institutional investors should report periodically on their stewardship and voting activities.**

AMO believes transparency and being accountable to clients is of great importance in carrying out our stewardship responsibilities. However, we are also conscious that there are occasions when publicly disclosing details of our activities, especially with regards to the cases of individual company engagement, can be counterproductive in discharging our stewardship effectively in aiming to achieve stated objectives. This is particularly relate to ongoing engagement with investee companies.

We provide periodic reports to institutional clients about our stewardship approaches and details of activities, including both quantitative and qualitative measures. We also meet and present to clients to explain in detail at a frequency of their choice. We have set a defined process and criteria for identifying and selecting engagement priority companies and issues. In particular, from the qualitative perspective, we adopt a "milestones" approach to setting the engagement objectives and tracking progress. Internally we keep a full record of all our stewardship activities, which includes voting, engagement, public policy work and other related initiatives. These activities are reported to the Responsible Investment Committee and reviewed on a quarterly basis.

AMO discloses detailed voting results by each company meeting and each voting item for Japanese equities, which is publically available on our website. We have also

published annual self-assessment report to review our stewardship activities and highlight steps forward. We recently published a comprehensive AMO Stewardship Report 2018 to reflect our thought leadership and activities both in Japan and globally (<http://www.am-one.co.jp/img/company/34/stewardshipreports1808.pdf>).

We look to continuously enhance our efforts to be transparent and accountable to our clients, and in the public arena when necessary and appropriate. The process of our investment stewardship activities is also audited periodically by AMO's Internal Auditors, reporting to the Board of AMO and the Audit and Supervisory Committee which consists of a majority of independent outside directors.

This statement relating to the UK Stewardship Code is to be reviewed and updated as necessary. For further information regarding this statement, please contact:

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