

Comparison with previous year (2022)

The number of opposing votes increased as a result of a revision of the Proxy Voting Policy in May 2023, which expanded the criteria for the appointment of at least one female director from TOPIX 500 companies to the TSE Prime Market, and tightened the application of those criteria to companies.

✕ **Opposition to representative directors due to violation of criteria on female corporate officers**



Future issues to consider

Some of the issues for future consideration regarding the Proxy Voting Policy (domestic stocks) include the following:

Tackling ESG issues
(Diversity, equity, and inclusion)

Daiwa AM believes that diversity, equity, and inclusion initiatives and enhanced information disclosure by companies are important topics of engagement. Not only do these efforts contribute to enhancing corporate value, but also improve the efficiency of corporate management by making use of underutilized corporate resources.

Proxy voting criteria currently require TSE Prime Market listed companies to have a multi-gender board member composition, but we will consider expanding the scope of application and requirements regarding the number of members in the future.

Cross-shareholdings

Daiwa AM believes that, in principle, cross-shareholdings should be sold because the cross-holding of shares reduces the company's governance function and because such cross-holdings can lead to a decline in capital efficiency. At the same time, we recognize that it is difficult for companies with large current holding to rapidly reduce those holdings, so we have set a threshold for excessive holdings at 20% or more of net assets. We will, however, consider lowering the numerical criteria going forward. In addition, we recognize that the practice of asking business partners, etc. to hold a company's shares or to refuse to sell a company's shares is problematic. We will thus seek improvements from such companies through engagement, and consider incorporating those efforts in our proxy voting criteria going forward.

+ WEB Please visit the following webpage for details and information on other issues being considered (in Japanese):

https://www.daiwa-am.co.jp/company/managed/revguideline.pdf

In addition, when judging the number of outside directors, the number of votes in opposition has increased with a change to judging by the number of independent outside directors, which meets Daiwa AM's requirements for independence.

✕ **Opposition to representative directors due to insufficient number and ratio of independent outside directors**



Adjustments to individual disclosures

Early disclosure

We disclose our decisions for or against individual investee companies and proposals at the end of the month following the month in which the general meeting of shareholders is held.

Dedicated site set up to facilitate searchers

Using the Glass Lewis platform, we have created an environment that makes it easy to search for results of proxy votes by filtering by the date of the general shareholders' meeting, searching by issue name, and so on. Past proxy vote results can also be viewed.

Tool for disclosing proxy vote results using the Glass Lewis platform

日付	コード	銘柄	議決権	議決権
2023-07-31	7745	ABBグループ	賛成	2023-09-22
2023-07-31	3056	ABBグループ	賛成	2023-09-26
2023-11-30	8074	ABBグループ	賛成	2023-11-28
2023-11-30	6565	ABBグループ	賛成	2023-09-27
	4813	ABBグループ	賛成	2023-09-29
	4881	ABBグループ	賛成	2023-09-23
	2882	ABBグループ	賛成	2023-09-28
	2027	ABBグループ	賛成	2023-11-28
	5291	ABBグループ	賛成	2023-09-28
	3648	ABBグループ	賛成	2023-09-22
	4476	ABBグループ	賛成	2023-09-27
	3032	ABBグループ	賛成	2023-09-27
	3437	ABBグループ	賛成	2023-09-26
	7035	ABBグループ	賛成	2023-11-28
	6032	ABBグループ	賛成	2023-09-28
	6214	ABBグループ	賛成	2023-09-29
	4180	ABBグループ	賛成	2023-09-29

https://viewpoint.glasslewis.com/WD/?siteId=DaiwaAM

Data can be downloaded as an excel file

You can collate and analyze the proxy vote results by downloading the Excel file.

Stewardship Committee

Message from the Chair of the Stewardship Committee



We focus on engagement and seek to enhance the corporate value of investee companies and increase the medium- to long-term returns of each investment fund.

Hisashi Kanamori
Senior Executive Managing Director, Executive Head of Fund Management Division and CIO and Head of Global Business

In 2023, the capital efficiency and market evaluations of companies were once again a focus of attention following a request from the Tokyo Stock Exchange for Action to Implement Management That Is Conscious of Cost of Capital and Stock Price. Many companies announced specific measures for enhancing ROE and PBR, and awareness of capital costs, ROE, and PBR has increased on the part of both investors and companies. There will continue to be expectations for companies to take active measures into the future, and the importance of stewardship activities as a means of actively promoting reforms by investee companies is increasing.

Daiwa AM believes that engagement (constructive dialog) that involves direct communication with investee companies is the foundation of our stewardship activities, and we have long actively conducted such activities. We also believe that engagement conducted with appropriate content and methods to address the issues that companies are facing can identify and eliminate the factors that impede fundamental corporate value, thereby leading to improved corporate value.

In active management in particular, we go beyond simply seeking improvement in the quantitative indicators, such as ROE and PBR, of investee companies, and we engage in exchanges of opinions to encourage investee companies to reform their business portfolios by reviewing their corporate culture and exploring new business areas where they can leverage their strengths, encouraging corporate transformation. For example, we conduct "lingagement" initiatives for companies that are confronting the issue of improving corporate value, such as introducing companies that have faced similar issues and found solutions and holding networking events where companies can share their knowledge.

For an even broader scope of investee companies,

Daiwa AM engages in passive engagement that seeks to enhance corporate value for the market as a whole. In passive engagement, the primary aim is to mitigate and eliminate risks based on the material issues that we emphasize in relation to ESG and best practice adopted in the organizing of initiatives of companies that we believe conduct the best corporate governance overall.

We see the exercise of voting rights of investee companies, along with engagement, as a key tool for contributing, as an institutional investor, to the improvement of corporate value. When establishing or revising standards on the exercise of voting rights, we use the knowledge that we gained through engagement and conduct adequate internal deliberation so that our ideas on corporate governance can be reflected. In addition, if we determine through engagement with a company that it would not be appropriate to decide whether to vote for or against a proposal in accordance with the voting criteria, we may engage in internal deliberations to reach a decision on a case-by-case basis.

In July 2022, Daiwa AM formed a business alliance with the Drucker Institute in the U.S., and in December of that year, we established and began managing the Drucker Institute U.S. Equity Fund (Capital Growth Type), which uses a proprietary analytical model based on the Drucker Institute Score. In March 2024, we jointly developed a Japanese version of the Drucker Institute Score that covers Japanese stocks. In addition to using this score for investing in Japanese stocks, we are also considering its application as an engagement tool that focuses on the intangible assets of Japanese companies.

Going forward, Daiwa AM will continue to use tools, such as the Drucker Institute Score and ESG scores that we independently calculate to conduct engagement and stewardship activities with the objective of increasing returns for investors by improving corporate value.

Framework for Stewardship Activities

The Stewardship Committee undertakes decision-making in relation to practical policies, and the Stewardship Supervisory Committee oversees conflict of interest management in relation to stewardship activities.

To eliminate concerns about conflicts of interest, the Stewardship Committee excludes from its membership personnel who concurrently hold posts in either the Marketing Division, which oversees relationships with sales companies, or the Corporate Planning Department, which handles communication with major shareholders.

The Stewardship Committee shares information relating to, and future strategies for, engagement with companies, the Proxy Voting Policy, policies on surveys and investment relating to sustainability including ESG, and international initiatives relating to issues such as climate change and human rights. It also conducts deliberation and decision-making in regard to policy revision and participation in initiatives.

As there is a requirement that more than half of the members of the Stewardship Supervisory Committee must be Outside Directors, it is able to conduct monitoring of conflict of interest management in relation to stewardship activities, including proxy voting, from a perspective that is independent of the company's management. The Stewardship Supervisory Committee also submits reports to the Board of Directors and, when it deems it necessary, issues recommendations to make improvements in regard to conflict of interest management.



Conflict of Interest Management

The management policy for conflict of interest

As an asset management company that plays an important role within the Daiwa Securities Group, Daiwa AM emphasizes great importance to its fiduciary duty and strives to fulfill this duty in its daily operations. When conducting asset management operations, Daiwa AM keeps in mind the possibility that conflict of interest might arise between Daiwa AM or other Daiwa Securities Group member companies and the beneficiaries of the investment trusts established and/or managed by Daiwa AM (hereinafter referred to as "Beneficiaries"). With this in mind, to prevent the inappropriate causing of harm to the interests of Beneficiaries, Daiwa AM has put in place a system for the proper management of transactions, etc. where there is a possibility of conflict of interest.

So that Beneficiaries can use Daiwa AM funds with peace of mind, Daiwa AM has formulated a Management Policy for Conflict of Interest, a summary of which is presented on the company's website.

+ WEB For more details, please visit the following webpage (in Japanese):

The Management Policy for Conflict of Interest (summary)
<https://www.daiwa-am.co.jp/company/policy/interest/index.html>

Proxy Voting Policy
https://www.daiwa-am.co.jp/company/managed/guideline_03.pdf

Conflict of interest management in relation to proxy voting

The Stewardship Committee will treat the voting rights as special cases when exercising the voting rights for securities issued by companies with a capital relationship (Daiwa AM's affiliates including Daiwa Securities Group Inc., etc.) or business relationship (companies that are distributors of our Investment Trusts, and their parent companies), as it may lead to conflict of interest. For proposals by these companies which should be decided independently of the regular criteria, we will exercise the voting rights based on the advice given by the external proxy advisor (Glass, Lewis & Co., LLC), so as to avoid conflict of interest and ensure the neutrality of the decision. However, if the Stewardship Committee determines that following this advice would not be appropriate, from the perspective of enhancing corporate value or minority interest, then it may independently decide whether or not the proposal should be supported. With regard to proxy voting in relation to proposals made by companies that are the object of conflict of interest management, the Stewardship Committee will submit periodic reports to the Stewardship Supervisory Committee. The Stewardship Supervisory Committee may also provide advice, when requested by the Stewardship Committee, prior to the making of a decision by the Stewardship Committee in regard to specified deliberation or whether or not to vote in favor of a proposal.

Sustainable Investment

ESG Investment Policy

Through its asset management business, Daiwa AM aims to make a positive contribution toward Beneficiaries' asset formation over the medium to long term. To achieve this goal, besides the appropriate selection of investment assets (i.e., stocks and bonds), enhancing the medium- to long-term corporate value and sustainability of the issuer companies and organizations (hereinafter "investee companies") is also extremely important, while maintaining the sustainability of society as a whole is also a prerequisite.

To enhance the medium- to long-term corporate value and sustainability of investee companies, it is vital to build a good relationship with the environment (E) and society (S) based on appropriate governance (G). We believe that this can also contribute toward the realization of a highly sustainable society.

In playing a role as a link in the investment chain alongside Beneficiaries and investee companies, Daiwa AM is implementing measures that embody a focus on the key aspects of ESG.

ESG Investment Policy

- Through our asset management business, we will provide all investors with the opportunities to invest in companies that are proactively addressing ESG and SDGs issues, as well as contributing to building a sustainable society.
- We believe the companies' ESG initiatives can lead them to grow in the medium-to-long-term and reduce risks. We will consider these measurements in terms of our investment decisions.
- Through constructive dialogue with the investee companies, we call for proactive ESG initiatives and share ESG issues. We will support them to maintain sustainable growth and longer-term corporate value.

In addition, based on the strategy outlined above, Daiwa AM has positioned the following items as its ESG Materiality (key issues), and is striving to accurately monitor the status of investee companies and industry as a whole, and to share its awareness of these issues.

Materiality

Materiality relating to environmental, social and governance (ESG)

Key issues		Specific points of focus	
Information disclosure			
Environmental	Climate change	<ul style="list-style-type: none">● Greenhouse gas emissions● Energy transition	<ul style="list-style-type: none">● Responding to climate change risk
	Natural capital	<ul style="list-style-type: none">● Environmental pollution● Biodiversity	<ul style="list-style-type: none">● Resource conservation
Social	Social responsibility	<ul style="list-style-type: none">● Business and Human rights● Supply chain management	<ul style="list-style-type: none">● Contributing toward the building of a healthy, safe society
	Human capital	<ul style="list-style-type: none">● Enhancing the value of human capital● Diversity, Equity & Inclusion	
Governance	Measures aimed at corporate value enhancement	<ul style="list-style-type: none">● Governance framework● Improving capital efficiency	<ul style="list-style-type: none">● Risk management● Communication

Other perspectives on sustainability in general

Key issue	Specific points of focus
Other sustainability	<ul style="list-style-type: none"> Intellectual property (IP) Digital transformation (DX) Artificial intelligence (AI)