

# Responsible Investment Framework

## 5 Stewardship

The policy and systems framework that functions as the foundation for Daiwa AM's activities

Guidelines for the Future  
① Materiality

Transformation That Begins with Dialog  
② Engagement  
③ Proxy Voting

Responsible Investment Framework  
④ Sustainable Investment  
⑤ Stewardship

Achievements over the Past Year  
⑥ Stewardship Activity

## Roundtable Discussion with Outside Directors Serving on the Stewardship Supervisory Committee

Three of Daiwa AM's outside directors who are also members of the Stewardship Supervisory Committee share with us their assessments of our overall stewardship activities as well as their expectations for the future.



Toko Shirakawa  
Outside Director

Sumikazu Tsutsui  
Outside Director

Emi Onozuka  
Outside Director

### The Stewardship Supervisory Committee: Monitoring conflicts of interest management from a position independent of company management

**Moderator:** To start, I would like to ask Director Tsutsui, as Chair of the Stewardship Supervisory Committee, to tell us about the role of this committee.

**Tsutsui:** The Stewardship Supervisory Committee has been put in place to oversee the Stewardship Committee, which is the decision-making body for Daiwa AM's stewardship activities. It is composed primarily of outside directors, ensuring it monitors conflicts of interest management from a perspective independent of the company's management, and reports to the Board of Directors and, as needed, issues recommendations to make improvements.

**Moderator:** Now, I would like to call on directors Shirakawa and Onozuka to reflect on the past year and share details of any memorable discussions from the Stewardship Supervisory Committee.

**Shirakawa:** The meticulous discussions on exercise of voting rights for companies with conflicts of interest come to mind. Shareholder proposals by activists have increased in recent years, and the "quality" of these proposals has also improved. We find it commendable that proposals focusing not only on the pursuit of quick returns but also those on enhancing medium- to long-term corporate value are increasing, and that dialog and proxy voting are taking place in response to these discussions.

**Onozuka:** I received satisfactory answers when I questioned the Supervisory Committee about changes in the rate of opposition to exercises of voting rights and their responses to misconduct cases. Confirming that the proxy voting process is being thoroughly considered and dutifully executed left a strong impression on me.

### Institutional investors will be required to fulfill their fiduciary duties regardless of changes in the societal situation

**Moderator:** Next, can I ask you to share any thoughts you have on the purpose and significance of stewardship activities conducted by institutional investors, including those of Daiwa AM.

**Tsutsui:** The assets managed by institutional investors are those of customers. Stewardship encompasses all the clear obligations we must fulfill toward our customers, who have entrusted us with their assets based on their belief in our expertise. When investing in equities, it is possible to achieve returns solely through trading based on stock price fluctuations. However, acquiring shares confers shareholder rights, such as proxy voting rights. I believe that if we can contribute to enhancing the value of our investees by exercising these rights it is our duty to follow through on this.

**Onozuka:** Dialog with institutional investors represents an opportunity for companies to objectively reassess their own challenges and strengths from the perspective of external capital providers, which will subsequently inform enhancements to their corporate value through the optimal allocation of management resources. Notably, initiatives in non-financial areas, such as human capital and branding will influence long-term competitiveness. By sharing their progress, investors support the sustainable growth of companies as fellow travelers and can help them to reap the benefit of this enhanced corporate value.

**Shirakawa:** Institutional investors will be increasingly required to commit to more meaningful dialog from a medium- to long-term perspective in the context of the changing societal situation, particularly escalating geopolitical risks and intensifying climate change. We consider it crucial to spur the sustained growth of investee companies through a "true merging of investment and stewardship," which integrates financial value mindful of cost of capital and stock prices, with non-financial value, including human rights and environmental considerations.

### Highly impressed by the breadth of dialog themes and distinctive stewardship activities

**Moderator:** As you have pointed out, proxy voting and engagement with companies are key activities expected of institutional investors. Given this fact, I would like to hear what you think about and how you would rate Daiwa AM's stewardship activities.

**Onozuka:** My impression is that Daiwa AM is appropriately executing conflict of interest management and processes for the exercise of voting rights, and that the scope of dialogs and the breadth of the items on Daiwa AM's agenda are expanding year by year. Going forward, I anticipate the further leveraging of technologies such as AI to significantly enhance the speed at which dialogs produce outcomes, as well as the degree to which they contribute to increasing corporate value.

**Tsutsui:** We have concluded that deliberations within the Stewardship Committee are both thorough and undertaken in earnest. We furthermore consider Daiwa AM's stewardship activities possess three commendable characteristics which are unique to the firm. Firstly, is the framework for activities, whereby three key actors—corporate research analysts, fund managers, and stewardship analysts—undertake initiatives in unison. Secondly, there is the type of engagement activities undertaken that Daiwa AM refers to as "Lingagement™." And thirdly, is your focus on intangible assets when assessing corporate value.

**Shirakawa:** I also find value in the proactive approach of "Lingagement™" to connect investee companies and provide platforms for discussions. We have a particularly high opinion of the enhanced three-in-one collaboration, which enables engagement on a wide range of ESG issues.

### Anticipation of growth at an even higher level, achieved by leveraging dialog with companies and Group insights

**Moderator:** Finally, please share the key areas to watch in the sustainability field going forward, as well as your expectations for Daiwa AM.

**Onozuka:** A look at the global situation of the past few years appears to indicate that disclosure and expectations relating to sustainability have been on a downward trend. Nevertheless, we anticipate that greater attention will be paid to companies which have established governance and sustainability perspectives as the foundation for their long-term activities. We expect companies to actively refine their communications on how their initiatives in specific thematic areas engage with their core strengths, and how they balance social responsibility with their own economic activities.

**Shirakawa:** We are updating the criteria in the Proxy Voting Policy on diversity of Daiwa AM's board of directors to make requirements more stringent. The content of this update requires strategic dialog that touches upon the core of management: the composition of the board of directors. As an industry leader in female empowerment, we expect Daiwa Securities Group to leverage its unique insights to disclose the outcomes of this dialog and its specific impact on investment returns.

**Tsutsui:** Daiwa AM's stewardship activities, which have been nurtured by a corporate culture of sincerity and honesty, are deserving of the trust and responsibility which customers place in you. The company's capacity for innovation is also outstanding. We expect that you will not relent in devoted daily efforts to refine your skills, preserve and stay true to these strengths, and strive for growth to an even higher level.

## Daiwa AM's Stewardship Activities Policy

### General Policy on Stewardship Activities

As an asset management company, Daiwa AM strives to achieve, to the maximum possible extent, the objectives that conform to each investment purpose based on the general policies specified in the agreements for each individual financial product, and gives the highest priority to the performance of our fiduciary duty (including the duty of loyalty and the duty of due care of a prudent manager).

To realize this goal, in addition to making appropriate choices regarding which stocks and bonds to invest in, it is also vitally important to enhance the medium- to long-term value and sustainability of the companies and organizations (hereinafter referred to as "companies") that issue them, while at the same time, maintaining the sustainability of society as a whole is also an important precondition.

By contributing, through our stewardship activities, toward the enhancement of the medium- to long-term

value and sustainability of companies, Daiwa AM is making a contribution toward maintaining the sustainability of society, and in so doing is fulfilling its fiduciary duty in relation to asset management, and also fulfilling its responsibility to society as a business enterprise.

The following policies, which have been formulated in conformity with this approach, are disclosed on Daiwa AM's website (in Japanese):

- General Policy on Stewardship Activities
- ESG Investment Policy
- Engagement Policy
- Proxy Voting Policy

+ WEB For more details, please visit the following webpage:  
 Stewardship Activities (in Japanese)  
<https://www.daiwa-am.co.jp/company/managed/result.html>

### Framework for Stewardship Activities

The Stewardship Committee undertakes decision-making in relation to practical policies, and the Stewardship Supervisory Committee oversees the overall situation in terms of conflict of interest 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, even if they are assigned to the Fund Management Division.

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, the Committee 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 the status of conflict of interest.



## 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 attaches 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 trust assets, etc. 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 webpages (in Japanese):  
 The Management Policy for Conflict of Interest (summary)  
<https://www.daiwa-am.co.jp/company/policy/interest/index.html>  
 Proxy Voting Policy (Japanese equities)  
[https://www.daiwa-am.co.jp/company/managed/guideline\\_03.pdf](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, 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 and 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.

### Appropriate use of proxy advisory firms

In line with our policy regarding the exercising of voting rights, Daiwa AM makes use of advice provided by proxy advisory firms in relation to proposals, which meet certain previously set conditions, submitted for the shareholders meetings of companies that are the object of conflict of interest management. Here, "advice" refers merely to recommendations based on independent judgments, and not to investment advice provided under investment advisory or similar agreements.

We hold regular meetings with proxy advisory firms every year to share information and exchange views regarding the overall corporate governance situation both in Japan and in other major countries, as well as trends in the exercise of voting rights, and analysis of the background to how voting rights have been exercised.

When a proxy advisory firm is planning to revise its policy regarding advice in relation to the exercise of voting rights, we ask the firm to explain, in advance, the anticipated changes and the thinking behind them, and engage in discussion with them, while sharing Daiwa AM's own views on the matter.

When a proposal is put forward in relation to a company that is the object of conflict of interest management, besides scrutinizing the advice given to determine whether it can serve as a basis for deciding whether to vote in favor or against, we also listen to the views of our own analysts, etc.,

to verify whether the advice is appropriate.

If we believe that the advice given does not correspond to our company's policy, from the perspective of strengthening corporate value and respecting the interests of minority shareholders, then our Stewardship Committee will deliberate on the matter, and in some cases we may decide to exercise our votes in a way that differs from the advice received. In such cases, we will provide the proxy advisory firm with feedback on what we actually did, after the fact.

It should be noted that we have put in place a framework to appropriately handle conflict of interest management by reporting the results of the exercise of voting rights in relation to companies that are the conflict of interest management, including situations such as the above, to the Stewardship Supervisory Committee.

#### Key discussions with proxy advisory firms in 2025

- Reflection on the shareholders meetings held in June and exchange of views on revisions to the advisory firm's recommended standards
- Exchange of views on trends in shareholder meetings in Japan and Asia
- Exchange of views accompanying revisions to Daiwa AM's Proxy Voting Policy