

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 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 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
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” does not refer to investment advice provided under investment advisory agreements, and is limited to the expression of views by the proxy advisory firm.

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, expressing 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 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, are reported to the Stewardship Supervisory Committee; we have thus put in place a framework to ensure that conflict of interest management is handled appropriately.

Meetings with proxy advisory firms in 2024

Jan.	Explanation and exchange of views regarding the research system and the content of relevant initiatives
July	Reflecting on the shareholders meetings held in June, and exchange of views with personnel responsible for undertaking research on the Asia Pacific region
Nov.	Explanation and exchange of views regarding advisory policy revision

Activity Report

Initiatives to Improve Sustainability

Development of sustainability human resources

At Daiwa AM

From January 2024, Daiwa AM newly established the following in-house accreditation titles, which attest to employees having achieved a given level of expertise regarding our stewardship activities, ESG, and sustainability and related initiatives, as part of our initiatives to develop ESG human resources. We are working to improve the explanatory capacities on sustainability of Daiwa AM as a whole by promoting the acquisition of these titles.

Sustainability Associates

Following their attendance at an external designated course to learn about ESG and SDGs from the basics and achievement of an understanding of these basics of ESG and SDGs, participants take a certification test (implemented approximately once per month), created by the Responsible Investment Department. Upon completing the test with points above the designated passing score they are then certified as Sustainability Associates.

This course is aimed at employees in Assistant Manager positions and above, and the external designated courses can be taken by those who wish to do so at any time.

In 2024, 39 people were accredited as Sustainability Associates.

Sustainability Leaders

Following an internal application call for previously certified Sustainability Associates, applicants complete about three-month curriculum course, which includes lectures on Daiwa AM's stewardship activities, ESG, and sustainability in general at the Responsible Investment Department. As part of the curriculum, course participants sit in on engagements and complete practical exercises in proxy voting to achieve a deeper understanding of our stewardship activities, while also attending meetings with external ESG analysts to acquire specialist and up-to-the-minute expertise.

In 2024, a total of 15 people from 11 departments within the company applied to take part in Sustainability Leader training. Each of the participants took the knowledge they had acquired during the training back to their respective departments following completion of the course and are currently endeavoring to enhance sustainability within the company through their work duties.

- Testimonials from employees who have attained certification as both Sustainability Associates and Sustainability Leaders

It is the responsibility of Daiwa AM's employees, including myself, to ascertain ways to ensure the sustainability of the company's expertise in this field and ways to accumulate knowledge as a company. In addition to leveraging the knowledge I gained through this training in the work duties of my affiliated department and in my future career, it also occurred to me that I wish to actively pass this knowledge on to colleagues around me.



Daiwa AM requests that our investee companies undertake management practices with an awareness of sustainability as means to increase their corporate value. We do this to ensure a direct link between the investment performance of investment trusts and the value of the investee companies in which they are incorporated. This has once again brought home to me the imperative that Daiwa AM, too, undertake management with a greater awareness of sustainability than that which we request of our investee companies.

- Forthcoming policy

In 2025, we will continue to promote the acquisition of our sustainability accreditation titles and develop our sustainability human resources.

In addition, we plan to reflect feedback from course participants and endeavor to undertake periodic revisions and refinements of the course content. This will include

reviewing the curriculum and enhancing the quality of training. We additionally plan to implement a variety of update lectures for certified participants which will be made available in the context of information on sustainability being an area subject to updates from one day to the next.

Within divisions

Reskilling





Since 2022, we have convened study sessions within the Responsible Investment Department, with aims including facilitating the acquisition of knowledge on sustainability and improving engagement skills, and have been selecting the themes for the issues to be addressed and referring to relevant books aligned with these themes.

We are endeavoring to share knowledge and improve the levels of all individuals, while also disseminating the knowledge

and expertise which has been acquired throughout the company through in-house trainees, study groups for early career employees, and the publication of market letters, in the context of constant, ongoing, global-scale updates to relevant information, including regulatory amendments.



Daiwa AM will actively contribute to improving our own sustainability and that of investee companies by continuing to implement reskilling.

Main Initiatives Implemented in 2024

January	<ul style="list-style-type: none">Conducted the first Sustainability Leader Training ( see p. 90)Endorsed Spring, an initiative engaged in the protection of biodiversity
February	<ul style="list-style-type: none">Conducted inspection tours of plant facilities of investee companies (engagement focused on the value of intangible assets)Underwent final screening for the third Nikkei Integrated Report Award
March	<ul style="list-style-type: none">Held the third Asset Management Women's ForumDeveloped the Japanese version of the Drucker Institute Scores, "Toward Japan's First Visualization of the 'Potential Power' of Corporations"Issued the Sustainability Report 2023Planted 5,010 trees at three locations across Japan as part of a "Project to contribute to tree-planting activities in proportion to balances of funds"
April	<ul style="list-style-type: none">Issued the English language edition of the Sustainability Report 2023
May	<ul style="list-style-type: none">Revised the Proxy Voting Policy
June	<ul style="list-style-type: none">Concentration period for the general meeting of shareholders
July	<ul style="list-style-type: none">Conducted lectures at Keio University on "Corporate Valuation, Investment, and Engagement"Revamped the Stewardship Activities page on the Daiwa AM websiteConducted the second Sustainability Leader Training
August	<ul style="list-style-type: none">Registered "lingagement" which provides a platform for discussion between companies, as a trademark ( see p. 60)
September	<ul style="list-style-type: none">Held the fourth Asset Management Women's ForumSigned an agreement endorsing Investor Agenda's policy recommendations in advance of COP29
October	<ul style="list-style-type: none">Conducted inspection tours of overseas procurement sites of investee companies (Malaysia, Thailand) ( see pp. 43 and 44)
November	<ul style="list-style-type: none">Contributed an article titled "Corporate Valuations Focused on 'Potential Power'" to the November issue of the Securities Analyst JournalRevised the Proxy Voting Policy, Engagement Policy, and Daiwa AM's Vision for Investee Companies (Best Practices)Held the fourth Information Exchange Meeting on the theme "Beyond PBR of 1.0x: Enhancing Corporate Value through Human Capital" ( see pp. 61 and 62)
December	<ul style="list-style-type: none">Underwent first screening for the fourth Nikkei Integrated Report AwardFielded a speaker at the PRI Human Rights Webinar on the topic of "Serious Human Rights Response by Investors: Practical Implementation of Business and Human Rights"Revamped the English version of the Stewardship Activities page on the Daiwa AM website

Publication of ESG market letters

Daiwa AM prepares and disseminates, both internally and externally, a market letter on ESG topics.

 **WEB** For the market letters, please refer to:
 <https://www.daiwa-am.co.jp/english/stewardship/index.html>

Market letters published in 2024

- Dissolution of cross-shareholdings and corporate value
- Human rights and corporate value (The S of ESG)
- Realization of a hydrogen-based society and investment opportunities
- Toward an era of nature positivity
- Reconsidering the "communicative shareholder"
- The relationship between female empowerment and corporate value enhancement
- Investor initiatives and anti-ESG
- Impacts of the U.S. presidential election on the ESG domain

PRI Evaluation Results 2024

Five stars, the highest score, on 9 out of 10 items


For the second year running, Daiwa AM received five stars, the highest possible score, on nine out of the 10 evaluation items in the 2024 annual UN PRI assessment. For the remaining one item, the company received four stars.




PRI signatory organizations are obligated to submit a report on the status of investment in various fields to PRI every year, and PRI performs an annual assessment based on the report. The current assessment covered

activities in 2023, and the company's scores for each item were significantly higher than their median values. Since Daiwa AM signed the PRI in May 2006, we have consistently undertaken responsible investment, and we believe that this assessment result is also the product of our repeated efforts.

Going forward, we will continue to fulfill our social responsibility as an institutional investor and will work to improve the corporate value of investee companies.

2024 PRI annual assessment

Assessment Items			Daiwa AM Evaluation	Daiwa AM Score	Median Score
Policy Governance and Strategy			★★★★★	97	61
Direct	Listed equity	Active fundamental	★★★★★	96	72
		Active quantitative	★★★★★	96	69
		Passive equity	★★★★★	100	42
		Other	★★★★★	96	45
	Fixed income	SSA	★★★★★	98	60
		Corporate	★★★★★	100	67
		Securitised	★★★★☆	89	67
Indirect	Listed equity	Active	★★★★★	97	61
Confidence building measures			★★★★★	100	80

 **WEB** For more details, please visit the following webpage:
 PRI Assessment Report 2024
https://www.daiwa-am.co.jp/company/pdf/20241216_02.pdf
 PRI Public Transparency Report 2024
https://www.daiwa-am.co.jp/company/pdf/20241216_01.pdf

Self-assessment

Daiwa AM implements periodic self-assessment of the state of Daiwa AM's implementation of the Principles for Responsible Institutional Investors (Japan's Stewardship Code). The measures taken by Daiwa AM in regard to each of the seven principles of the Code are outlined below.



Principle 1 Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.

Daiwa AM supports the intent of Japan's Stewardship Code, a statement of Principles for Responsible Institutional Investors, and established and announced Policies regarding Japan's Stewardship Code. We also formulated a General Policy on Stewardship Activities to fulfill our stewardship responsibilities. Based on this general policy, we formulated the ESG Investment Policy, Engagement Policy, and Proxy Voting Policy and released these policies on the Company Website. The Proxy Voting Policy is updated twice annually and the details are publicly released.



Principle 2 Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities, and should publicly disclose it.

Daiwa AM has established a Stewardship Supervisory Committee, of which more than half the members are Outside Directors, and has continued to implement systems to handle conflicts of interest. Furthermore, when exercising voting rights in relation to companies with which Daiwa AM has a financial or business relationship, in cases where Daiwa AM's proxy voting guidelines require specific determination, in principle Daiwa AM will follow the recommendations of an external specialist organization.

Principle 3 Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation toward the sustainable growth of the companies.

Daiwa AM positions research on companies as a key part of its business activities as an asset management company, and is constantly undertaking the wide-ranging collection of information through both internal and external networks, with the company's corporate research analysts playing a central role, and striving to maintain an accurate picture of the current state of companies.

Information and knowledge obtained through dialog with investee companies are managed and shared using Daiwa AM's internal databases, and a framework is being put in place to identify, at an early stage, any developments that could be potentially harmful to corporate value. In addition, taking its approach to ESG as the foundation, Daiwa AM calculates its own proprietary ESG scores, based on its materiality, which serve as a reference for investment decision-making and when implementing portfolio risk assessment.

Principle 4 Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

Daiwa AM has formulated an Engagement Policy in relation to engagement with investee companies, which it revised in November 2024. This Policy clearly stipulates the major perspectives that Daiwa AM emphasizes in relation to engagement, including key ESG issues. Coinciding with this, Daiwa AM also revised the Daiwa AM's Vision for the Realization of Sustained Corporate Value Enhancement of Investee Companies (Best Practices). Daiwa AM's corporate research analysts, fund managers and Stewardship Team personnel all undertake engagement with companies from their own respective standpoints in accordance with the Engagement Policy, and the knowhow obtained through these activities is shared within the company. In addition, Daiwa AM undertakes collaborative engagement through participation in the Climate Action 100+ and PRI Advance initiatives.

Principle 5 Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

In November 2024, Daiwa AM revised its Proxy Voting Policy. At the same time, Daiwa AM disclosed potential changes to the Proxy Voting Policy that were currently under consideration, and its expectations with respect to investee companies, in an effort to make disclosure more useful for dialog. With regard to voting activity, Daiwa AM has sought to implement disclosure in the month following the month in which the annual shareholder's meeting is held, has started to provide more detailed information regarding the grounds for voting decisions, and is striving to realize disclosure that is easy to understand. Starting from the annual shareholders' meeting held in August 2022, Daiwa AM has comprehensively overhauled its disclosure format, providing enhanced convenience. Since December 2024, we have also implemented English-language disclosure of outcomes of, and grounds for the exercise of voting rights for investee companies in Japan.

Principle 6 Institutional investors, in principle, should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.



In March 2024, Daiwa AM published the Sustainability Report, which outlined the main content of Daiwa AM's stewardship activities. We also publish case studies of engagement with investee companies and outcomes of the exercise of voting rights on our website.

Principle 7 To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

Daiwa AM has established "Enhance Global Sustainability" as part of our action guidelines, and we are taking systematic measures that will contribute toward the sustainable growth of society.

Daiwa AM's Responsible Investment Department includes corporate research analysts who are also concurrently assigned to the Japan Equity Management Division, and are able to share information obtained through engagement with investee companies. The knowhow obtained in this way is effectively utilized in in-house ESG score calculation and in corporate value assessment.

In November 2024, Daiwa AM invited investee companies and convened the fourth ESG Meeting, thereby providing an opportunity for both dialogs and mutual exchange of information between Daiwa AM and investee companies. We also hold weekly reskilling sessions aimed at, for example, facilitating the acquisition of knowhow on sustainability and improving engagement skills.