

# Nikko Asset Management Europe Ltd Stewardship Code and Engagement Policy

Last revised: August 2020

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Authorised and Regulated by the Financial Conduct Authority  
Number 122084

**For Professional Investors Only**

## 1. Purpose and Scope

This Stewardship Code and Engagement Policy (the “Policy”) sets out how Nikko Asset Management Europe Ltd (“NAME”, “we” or “us”) undertakes stewardship and shareholder engagement for its discretionary Global Equity Mandates. The purpose of this Policy is to describe how NAME applies each of the twelve principles of the Stewardship Code as per the rule 2.2.3R of the Conduct of Business Sourcebook (“COBS”) written by the UK Financial Conduct Authority (“FCA”) as well as how NAME ensures the integration of shareholder engagement as per the Shareholder Rights Directive II (EU) 2017/828 (“SRDII”).

## 2. Regulation

COBS 2.2.3R requires a firm which is managing investments for a professional client to disclose clearly on its website the nature of its commitment to the [Financial Reporting Council’s UK Stewardship Code 2020](#) (the “Code”).

SRDII requires a firm to describe how it integrates shareholder engagement into its investment strategy.

NAME endorses and supports the principles on engagement with the investee companies set out in the Code and SDRII.

## 3. Application of Principles

### 1. Purpose, strategy and culture

NAME regards voting as an integral part of being a responsible steward of capital and exercises proxy voting rights independently and solely in the interests of our clients and beneficiaries standpoint and not to promote its own interests. We are committed to ensuring consistent exercise of voting rights and voting on all shares held, where it is in the best interest of our clients. Through implementation of our voting policy & guidelines, we aim to enhance the long-term value of our shareholdings and to foster corporate governance best practices.

We take into consideration not only total return ratio levels, such as shareholder dividends and stock purchase plan, but also scale of internal reserves and investment plans based on future business plans. We apply our voting principles with full consideration to a company’s circumstances, following investigation of any concerns and in line with our [Future Quality](#) investment philosophy and voting guidelines.

### 2. Governance, resources and incentives

It is our preference to support and build long term relationships with the companies in which we invest. We therefore evaluate the actions and strategies of companies constructively. Where we may have concerns over the value of investee companies, we will take steps to protect the value of our clients’ investments. This is undertaken through participation in shareholder meetings, private management meetings and formal written communications. Our portfolio managers hold the ultimate sanction against management action by selling their investment. This will only be necessary if deemed to be in the best interests of our clients. The above mentioned interactions between NAME and the investee companies is governed by NAME’s Research Policy.

The separation of execution and supervisory functions in management is encouraged as a necessary function of superior corporate governance. A company’s board of directors must be appropriately sized and composed so as to ensure adequate discussions take place and appropriate decisions are made.

#### **Main corporate governance principles that we expect from our investee companies:**

- Acting in the long-term interest of shareholders;
- Protecting shareholder rights;
- Maintaining high integrity in corporate behaviour at all times;
- Ensuring an independent and efficient board structure;
- Aligning corporate incentive structures and remuneration with long-term interests of shareholders;
- Disclosing accurate, timely and transparent financial and corporate governance information; and,

- Ensuring strong environmental and social performance and disclosures.

The Proxy Voting Guidelines, maintained by NAME, set out the corporate governance matters which are considered when asked to vote. In addition to the above, some criteria include, but are not limited to, the independence, competence and diversity of the board of directors, the board's size, code of conduct, risk management and their communication with shareholders, the conditions around remuneration and the investee companies' audit functions.

### **3. Conflict of interest**

NAME acknowledges that conflicts of interest may arise in relation to stewardship activities, and in such cases the interests of our clients must come first. NAME has established a comprehensive Conflicts of Interest Policy, and the group maintains a Code of Ethics Policy, in order to mitigate and manage conflicts or potential conflicts. We will assess voting on a case-by-case basis and may vote on or deviate from a policy with due consideration to the best interest of our clients. Where a decision has been made to deviate from a policy, this will be documented to evidence that NAME has acted in the best interest of our clients.

### **4. Promoting well-functioning markets**

Our portfolio managers will consider the company's management strategy, financial standing and market environment when voting on resolutions relating to the issuing of capital.

### **5. Review and assurance**

NAME does not use standing instructions for voting; all voting decisions are made by the portfolio managers on an individual basis and votes cast via a third party vendor, Institutional Shareholders Services (ISS). ISS provides research for all proxy votes but the final decision rests with the Global Equity Team. This enables Nikko AME to control its voting policy and final vote decisions, whilst outsourcing the processing of the proxy voting process.

NAME's voting rights to date classify as insignificant voting rights, per Recital 18 of SRDII, due to the holding size compared to the investee companies' share capital, therefore no standalone reporting is conducted. We review the Stewardship Code and Engagement Policy at least annually. We maintain a record on all voting activity and explanations as to the reasons for voting against management. A summary of our proxy voting activity, including disclosure where we have voted against management, can be provided upon request.

### **6. Client and beneficiary needs**

Our portfolio managers make investment decisions based upon the Future Quality characteristics of an investee company by analysing financial information, such as earnings trends and capital structures, as well as non-financial information like management strategies, corporate governance, social responsibilities and risk. Such data is acquired by accessing publicly disclosed material, holding regular meetings with management and appropriately engaging with investee companies.

As a long-term shareholder, we recognise that there may be circumstances where it may be appropriate to receive inside information (i.e. non-public, price sensitive information) on companies in which we invest in. Our default position is that we generally do not wish to be made party to inside information unless permission is sought from us first. Procedures and controls are maintained to manage those circumstances where we do decide to receive inside information.

NAME is opposed to resolutions aimed at maintaining company control or that prevent corporate takeover. Acquisition proposals and/or defensive strategies may be assessed to the extent that the existence of such acquisition risks are clear and existing shareholder value would not be damaged. As stewards of our clients' capital, our portfolio managers will assess corporate transactions such as mergers & acquisitions of businesses from the view point of consistency with its management strategy and medium to long term enhancement of shareholder value.

## **7. Stewardship, investment and ESG integration**

NAME's ESG white paper & policy can be located on our website as well as the Nikko Group [Sustainability Report](#).

As mentioned in 3.4 of this Policy, our portfolio managers will consider the company's management strategy, financial standing and market environment when voting on resolutions relating to the issuing of capital. In particular, we do not evaluate capital increases positively if there is a possibility that it will significantly dilute the equity of existing shareholders and place them in an overall disadvantageous position.

Votes are cast on all shares, where there are no legal, client or technical constraints. Where our proxy voting principles or other general corporate governance best practice principles are not met, we would vote against a resolution and attempt to further engage with the investee company. Specifically on climate change our analysis will consider the physical, liability and transition risks associated with the changing climate and our engagement will encourage effective financial disclosure where appropriate.

## **8. Monitoring managers and service providers**

As laid out in 3.5 of this Policy, NAME utilises ISS for the provision of proxy voting services. ISS' proxy voting solutions enable us to control our voting policy and final vote decisions while outsourcing the processing of the proxy process to a reliable partner. ISS receive our proxy ballots, work with our custodian banks, execute votes on our behalf, maintain vote records and provide us with comprehensive reports to deliver a complete, end-to-end solution. In the event we wish to vote against the recommendations made by ISS, we are able to access the ISS voting system and amend the vote accordingly.

## **9. Engagement**

As confirmed in 3.2 of this Policy, where we may have concerns over the value of investee companies, we will take steps to protect the value of our clients' investments. This is undertaken through participation in shareholder meetings, private management meetings and formal written communications. During such interactions between NAME and the investee companies, we acknowledge and follow the approaches set out under 3.1 and 3.6 of this Policy.

## **10. Collaboration**

NAME's usual policy is to actively engage in discussions with an investee company and participate in collaborative engagement. However, subject to our conflicts of interest and code of ethics policies, we would consider engaging with other shareholders on matters of mutual interest.

## **11. Escalation**

As explained in 3.5 of this Policy, our voting rights to date classify as insignificant voting rights due to the holding size compared to the investee companies' share capital, therefore no escalation has been undertaken by the firm that resulted in actions taken by the investee companies.

## **12. Exercising rights and responsibilities**

As set out above, we utilise ISS to conduct our proxy voting. This provider can be utilised to produce disclosures on the proportion of share that we voted on, proportion of votes withheld and the underlying voting decisions. Client specific records are available to clients on request.

## **4. Japanese Equity Mandates**

The investment management of the NAME's Japanese Equity Mandates (including the discretion to vote) is outsourced to the firm's head office in Japan, Nikko Asset Management Co., Ltd ("NAM"). NAM has a publically available policy on the exercise of voting rights on its website (<https://en.nikkoam.com/voting-rights>).

## 5. Policy Review

This policy will be updated annually to take into account changes as and when appropriate. These changes can be of a regulatory nature or following the assessment of the effectiveness of this policy.