Basic Policy on the Exercise of Shareholder Rights (Japanese Equity)

English translation provided for reference only

Tokio Marine Asset Management (TMAM) has, from the viewpoint of fiduciary responsibility, established this basic policy on Japanese equity shareholder voting. The purpose of this policy, and voting guidelines based hereon, is to seek to maximise shareholder value.

We have strict controls in place to manage conflicts of interest and fulfil our fiduciary responsibility by ensuring independence when voting on companies with which we have direct or indirect capital, personal or business ties.

Any changes to this policy shall require the resolution of the Responsible Investment Committee and be reported to the Responsible Investment Monitoring Committee. Minor edits to wording and suchlike shall be made by the Chair of the Responsible Investment Committee.

<u>Basic philosophy on shareholder voting</u>

(1) Purpose of shareholder voting

TMAM exercises its voting rights for the purpose of contributing to the interests of our clients – pension funds and investment trust beneficiaries.

(2) Maximising long-term shareholder value

We believe that companies should not be managed solely in pursuit of short-term shareholder value, but in balance with the interests of employees, business partners, regional communities, and other stakeholders; building a cooperative relationship with stakeholders is what best creates long-term shareholder value.

<u>Our expectations of investee companies</u>

(1) Information disclosure

Ensuring transparency in corporate management is an important factor in improving shareholder value, and we expect active disclosure.

(2) Improving corporate governance

Shareholders and capital markets alike require companies to maintain a clear focus on corporate governance, and we expect active efforts to improve corporate governance.

(3) Sustainability initiatives

We expect companies to limit risks and create opportunities with regards to ESG and sustainability issues.

(4) Preventing unlawful or unethical behaviour

We expect companies to abide by the rule of law and standards of public order and decency and to be unremitting in their efforts to prevent unlawful or unethical behaviour.

Shareholder Voting Guidelines (Japanese Equity)

English translation provided for reference only

Voting decisions are made on a case-by-case basis, pursuant to the basic policy and guidelines set forth within this document. Where the exercise of voting rights may have an impact on our management due to capital ties, business relationships or other such reasons, we will take advice from a proxy advisory firm and vote in accordance with the Responsible Investment Committee's decisions in order to avoid any conflict of interest.

Company performance is a key area of focus in making voting decisions. Our basic principle is to respect management decisions in companies performing well and to seek improvement in management in underperforming companies.

In this context, underperforming means operating loss, net loss, no dividend payout, low ROE level, or poor stock price performance relative to sector average over the past three consecutive years.

(1) Distribution of profits

As a general rule, vote in favour of distribution of profits. Generally vote against if the company maintains excessive internal reserves, and proposes a low level of dividends for non-transitory reasons.

Generally vote against the proposal if the company has posted a non-extraordinary loss, but seeks to increase dividends or maintain a level of dividends that could impair financial health in the future.

Consider financial conditions and investment plans in making voting decisions.

- Generally vote against if the capital ratio is more than 50% or net cash is excessive relative to total assets and the payout ratio below 30%, except for nonrecurring reasons.
- Generally vote against any dividend payout exceeding 10% of net assets where the company is posting a net loss or the payout ratio is above 100%.
- Vote case by case considering shareholder returns against net assets as well as investment plans.
- As a general rule, vote against director appointments where payment of dividends is decided at the board's discretion, and payouts approved fall under any of the cases described above.

(2) Appointment of directors

As a general rule, vote in favour of proposed appointments. Vote against any nominee responsible for unlawful or unethical behaviour, or otherwise judged unable to manage in the best interests of shareholders. Vote against any nominee whose decision-making has significantly impaired shareholder value.

- As a general rule, vote against any nominee who has been in office for more than three years at a poorly performing company.
- As a general rule, vote against any increase in the number of internal directors where there is no rational explanation of how the increase will contribute to shareholder value in terms of the board's effectiveness.
- As a general rule, vote against the appointment of directors where a post-shareholder meeting board of over 20 directors may be inefficient.
- As a general rule, vote against the appointment of directors where cross shareholdings account for over 20% of net assets, but with due consideration given to capital efficiency and policy/track record of reducing

such holdings.

- As a general rule, from a diversity viewpoint, vote against the appointment of directors at TOPIX 500 companies where there are no women on the board.
- Vote against the appointment of directors where independent outside directors do not meet the following criteria:
  (1) For companies with Prime market listings: at least two independent outside directors, making up at least one third of the board
  (2) For companies without Prime market listings: at least two independent outside directors
  (3) For companies with a controlling shareholder, regardless of listing type: a majority of independent outside directors
- For companies with an audit committee with supervisory functions and companies with a US-type three committee structure (namely audit, nomination, and compensation committees): generally vote against the appointment of directors where independent outside directors do not form a majority on each committee.
- Generally vote against nominees concurrently holding more than five positions; exceptions may be made in reappointing those with a 100% attendance rate in the previous year.
- Generally vote against the reappointment of outside directors with board attendance below 75% in the previous year.
- Generally vote against the appointment of outside directors not meeting the independence criteria described elsewhere within these guidelines.

(3) Appointment of audit & supervisory board members (including substitutes)

As a general rule, vote in favour of the nominated audit & supervisory board members. Vote against any nominee responsible for unlawful or unethical behaviour, or otherwise judged unable to provide oversight in the best interests of shareholders.

- Generally vote against the appointment of directors in case of any reduction in the number of audit & supervisory board members; exceptions may be made where a company with an audit & supervisory board is changing to a different organisational structure.
- Where companies have an audit committee with supervisory functions, directors serving on the audit committee should be selected in accordance with the same guidelines as used for selecting audit & supervisory board members.
- Generally vote against nominees concurrently holding more than five positions; exceptions may be made in reappointing those with a 100% attendance rate in the previous year.
- Generally vote against the reappointment of outside audit & supervisory board members with attendance at meetings of the board of directors or of the audit & supervisory board below 75% in the previous year.
- Generally vote against the appointment of outside audit & supervisory board members not meeting the independence criteria for outside directors described elsewhere within these guidelines.

Independence criteria for outside directors

Candidates falling under any of the conditions listed below are deemed insufficiently independent until ten years after such person ceases to be in such a position.

- Employees of the company or its affiliates
- Family of employees of the company (related to within two degrees of separation)
- Employees of major shareholders (owning a stake of 10% or more)
- Employees of companies accounting for 2% or more of the company's revenue
- Employees of financial institutions listed as major lenders in business reports
- Employees of companies dispatching directors to each other
- Employees of audit firms acting as the company's external auditors
- Legal counsel or similar who, or whose companies, receive financial compensation from the company
- Employees of any institution that receives donations from the company of more than JPY 10 million per year
- Outside directors serving for over 10 years

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(4) Appointment of external auditors

As a general rule, vote in favour of the proposed appointment of external auditors, unless an audit firm is to be changed due to a divergence of views on accounting policies, or there are reasonable grounds to conclude that shareholder value may not be fully reflected.

(5) Share buybacks

As a general rule, vote in favour of share buyback proposals. Vote against proposals where the repurchase of shares from specified shareholders at higher than the market price is liable to undermine the company's stability or impair liquidity by materially reducing the free-float ratio, thereby disadvantaging other shareholders.

- Generally vote against proposals that would bring the capital ratio below 10%, depending on sector-specific features and other such extenuating circumstances.
- Vote against proposals that would bring the free-float rate below 5%, or give specified large shareholders over two thirds of shares.

(6) Retirement benefits

As a general rule, vote in favour of retirement benefit proposals. Vote against payment to any director responsible for unlawful or unethical behaviour, or otherwise judged to have significantly impaired shareholder value.

Vote against any payment of retirement benefits to directors of underperforming companies, and any payment of retirement benefits to outside directors and audit & supervisory board members.

Vote against payment where the total sum of retirement benefits is not disclosed.

(7) Director compensation

As a general rule, vote in favour of compensation proposals for directors, including bonuses. Generally vote against payment to any director responsible for unlawful or unethical behaviour, or otherwise judged to have significantly impaired shareholder value. Generally vote against any payment of executive bonuses at underperforming companies.

Vote in favour of increases in total compensation justified by inflation, an increase in the number of directors as the business expands, or other such reasonable grounds.

Vote against increases at underperforming companies, or where compensation is deemed excessive.

- ➢ Consider in particular whether compensation for outside directors and outside audit & supervisory board members is excessive.
- ➢ Vote against any payment of bonuses to outside directors and audit & supervisory board members.

(8) Mergers, acquisitions and business transfers

Vote in favour of mergers, acquisitions and business transfers where deals are intended to enhance the company's competitiveness or longer-term profitability, and the process of deciding the terms of the deal is deemed fair to all shareholders.

Vote against proposals where there is insufficient disclosure of asset valuations or other important information, or where a conflict of interest is deemed likely to arise between intermediaries and shareholders.

Vote against deals intended to bail out a poorly performing company, contrary to the best interests of the shareholders of the company in question.

- ➢ Consider in particular whether appraisers and appraisals of mergers, acquisitions and business transfers are impartial and appropriate.

(9) Stock-based compensation (including stock options)

As a general rule, vote in favour of the use of stock options and other equity compensation plans where these constitute appropriate incentives to promote continued improvements in shareholder value and do not encourage excessive risk taking. Vote against where the recipient or conditions (e.g. strike price) are judged inappropriate, or where the equity interest of existing shareholders may be substantially diluted.

- ➢ As a general rule, vote against granting stock options where those eligible are from outside the company.
- ➢ As a general rule, vote against granting stock options to outside directors and audit & supervisory board members (including directors serving as audit & supervisory board members).
- ➢ As a general rule, vote against incentive stock options, restricted stock incentives, employee stock ownership plans and similar unless rights can only be exercised or sold after three years or after retirement.
- ➢ As a general rule, vote against stock option plans where the strike price is set below the market price or the strike price is lowered for any portion not yet exercised.
- ➢ Vote against stock option plans if the potential dilution rate exceeds 5% of the total number of issued shares. The potential dilution rate shall include any options not yet converted.

(10) Article amendments

Vote case-by-case on amendments to articles of association from the perspective of materiality, with particular attention paid to the following areas:

1. Payment of dividends or repurchase of shares at the board's discretion

   As a general rule, vote against any amendment allowing dividend payments or share buybacks at the board’s discretion, as this interferes with the ability to perform advance checks into credit and liquidity risks.

2. Changes in number of directors

   Vote in favour of any increase in the number of directors and addition of outside directors as the business expands. Vote against any such increase, however, if it is deemed likely to interfere with the company’s ability to make decisions in a timely manner.

   As a general rule, vote in favour of any decrease in the number of directors. Bear in mind, however, that a marked decrease in the number of vacancies could, depending on the purpose and extent of the decrease, be a type of takeover defence.

3. Increase in authorised capital

   Vote case-by-case on increasing authorised capital. Vote against any such increase that could lead to dilution in the equity interest of existing shareholders where the purpose and impact is unclear or detrimental to the interests of existing shareholders.

4. Change in business strategy or nature of business

   As a general rule, vote in favour of any change in business strategy or nature of business based on appropriate management plans, unless such change is likely to lower shareholder value.

5. Issuance of new class shares

   Vote case-by-case on any proposal to issue new class shares, with due regard to voting rights granted, terms of conversion to ordinary shares, and other such factors. Vote against the issuance of shares with multiple voting rights from a fairness standpoint.

6. Limitation of liability for directors

   Vote case-by-case on proposals limiting liability for directors in shareholder litigation. It is appropriate to limit liability for directors and audit & supervisory board members, provided that they execute business in good faith and do not breach civil or criminal codes in the course of business. Bear in mind, however, that shareholders’ interests could be harmed if responsibility can be evaded for any behaviour resulting in a loss of shareholder value.

7. Limitation of liability for external auditors

   As a general rule, vote against any proposal limiting liability for external auditors in shareholder litigation.

External auditors are to be held responsible for conducting strict, rigorous audits from a professional and fully independent standpoint.

8. Lower quorum requirement for special resolutions

   Vote case-by-case on lowering quorum requirements for special resolutions where shareholders are not provided with sufficient explanation, with due regard to the level of ownership by specific shareholders, diversification among major shareholders, and overseas ownership.

(11) Capital reduction

Vote case-by-case on any proposed capital reduction. As a general rule, vote in favour of proposals where rejection is likely to lead to bankruptcy.

(12) Shareholder proposals

Vote case-by-case on shareholder proposals. As a general rule, vote in favour of any proposal that is consistent with these guidelines and is expected to help improve longer-term shareholder value.

Vote against proposals deemed likely to damage the interests of general shareholders; shareholder proposals where insufficient explanation has been provided; and proposals with largely social or political aims.

(13) Takeover defence measures

The best takeover defence is the continued enhancement of shareholder value, to which end companies should constantly be working; as a general rule, therefore, vote against any proposal that introduces or extends defence measures against hostile takeover.

Any introduction or extension of hostile takeover defence measures shall require resolution at the shareholders meeting. If such measures are adopted by resolution of the board alone without being submitted to the shareholders, as a general rule, vote against the appointment of directors at the shareholders meeting.

(14) Unlawful or unethical behaviour

Vote case-by-case where unlawful or unethical behaviour is involved, with due regard to the extent to which shareholder value is likely to be impaired. Request that the company explain the cause, and vote on individual proposals in line with the interests of shareholders, in light of management accountability, response measures taken after the fact, and any other relevant information. Also take into account oversight over management, including independent outside director appointments.

(15) Sustainability

Vote in favour of proposals related to climate change and other sustainability issues where deemed likely to contribute to increasing shareholder value over the longer term, taking into account information disclosure levels, senior management commitment, and the state of initiatives related to future plans.

(16) Revision and abolition of voting guidelines

Any changes to these guidelines shall require the resolution of the Responsible Investment Committee and be reported to the Responsible Investment Monitoring Committee. Minor edits to wording and suchlike shall be made by the Chair of the Responsible Investment Committee, and reported to the Responsible Investment Committee.

Supplementary: Shareholder Voting Review Framework (Japanese Equity)

English translation provided for reference only

- All holdings are subject to shareholder voting.
- Proposals for companies held in active products shall be scrutinised by investment research analysts, equity portfolio managers, and responsible investment analysts.
- Proposals for companies other than those held in active products shall as a general rule be scrutinised by responsible investment analysts. Companies deemed subject to further examination as defined below shall be scrutinised by investment research analysts, equity portfolio managers, and responsible investment analysts.
    - Reasons for further examination may include unlawful or unethical behaviour, corporate governance issues, exceptions from these voting guidelines, and shareholder proposals.
- We shall exercise voting rights on J-REITs in accordance with these voting guidelines.
- Shareholder voting shall be overseen by the Responsible Investment team. For products specified in Appendix 1, decisions shall be made by the head of the relevant investment department. The Head of Responsible Investment shall report voting results to the CIO and the Head of Investment Research in a timely manner.
- The status of shareholder voting shall be reported each quarter to the Responsible Investment Monitoring Committee.
- Records shall be maintained on any contentious proposals for five years after the end of the accounting period during which instructions have been given. These records shall include notice of the shareholder meeting pertaining to the proposal in question, reasons why it presents a problem and reasons for the decision.
- As a general rule, shareholder voting instructions shall be consistent, unless a client gives specific voting instructions, for example. If we consider these instructions to be irrational, however, we will endeavour to voice our opinion to the client at that time. Inconsistent instructions may be given regarding the products specified in Appendix 1 in view of specific investment objectives.
- Voting results will be disclosed for each invested company and proposal on a quarterly basis.

Appendix 1

Products subject to voting decisions by the investment department head	
Product code	Product name
JE350	Japan Equity Engagement Investment