



EASTSPRING INVESTMENTS POLICY REGARDING JAPAN'S STEWARDSHIP CODE

July 2020

Eastspring Investments (Singapore) Limited accepts the “Principles for Responsible Institutional Investors (Japan’s Stewardship Code)” in regard to our management of Japanese equities.

A second revision of Japan’s Stewardship Code (“the Code”) was drafted by the Financial Services Agency in March 2020 as a guide for institutional investors to “promote sustainable growth of investee companies and enhance the medium- and long-term investment return for clients and beneficiaries”. The Financial Services Agency explains the Code as follows.

In this Code, “stewardship responsibilities” refers to the responsibilities of institutional investors to enhance the medium-to long-term investment returns for their clients and beneficiaries (including ultimate beneficiaries; the same shall apply hereafter) by improving and fostering the investee companies’ corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment and consideration of sustainability (medium- to long-term sustainability including ESG factors) consistent with their investment management strategies.

This Code defines principles considered to be helpful for institutional investors who behave as responsible institutional investors in fulfilling their stewardship responsibilities with due regard both to their clients and beneficiaries and to investee companies. By fulfilling their stewardship responsibilities properly in line with this Code, institutional investors will also be able to contribute to the growth of the economy as a whole.

(Source) Financial Services Agency

Eastspring Investments’ primary responsibility is to fulfill our fiduciary duty to our clients and beneficiaries and in respect to this, we accept the Code.

We aim to generate long-term capital growth on the assets investors entrust to us by pursuing an active investment policy through portfolio management decisions, through voting on resolutions at general meetings, and by maintaining a continuing dialogue with company management.

We adopt a value approach to investment, where all portfolios are managed consistently around a single investment philosophy and a common research platform. Our approach is research intensive. It requires a detailed understanding of the fundamentals of each investee company to determine the sustainable earnings of the business.

POLICIES ON THE STEWARDSHIP CODE

The following are the seven principles of the Code, including our policy on how we fulfill stewardship responsibilities.

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

We invest significant effort into conducting a thorough qualitative due diligence on each investee company. As part of stewardship activities, we focus on company analysis, ongoing engagement, and exercising of voting rights based on publicly available information.

As part of a deep due diligence we test aspects such as a company’s ability to fund its longer

term operations; changes in its level of capital efficiency; its capital structure and allocation of capital to operating business in relation to returns it can generate; the ability and willingness of management to respond in a competitive market environment; the likely impacts from potential environmental, social risks and the quality of corporate governance, with an emphasis on the interests of shareholders. We engage in face-to-face meetings with company management to support and promote increasing shareholder value and the delivery of sustainable earnings by investee companies.

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

Eastspring Investments has established appropriate risk management and compliance frameworks to ensure that the interests of clients and beneficiaries are the highest priority and if conflicts of interest arise, they are appropriately managed.

For example, proxy voting proposals may raise conflicts between the interests of our clients and the interests of Eastspring Investments and its employees. We must take certain steps to ensure a decision to vote the proxies that are in the clients' best interest and are not the product of a conflict.

To find out more about our approach, please read a summary of our [Proxy Voting Policy](#) on our Responsible Investment [website](#).

3. Institutional investors should monitor investee companies so that they can

appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

There is a shared and consistent understanding among the equity team of asset price determination. We require a detailed understanding of the fundamentals of each investee company to determine the sustainable earnings of the business. Each investee company undergoes a thorough due diligence including the analysis of proprietary financial models using publicly available company-reported data. This facilitates a transparent and consistently applied assessment of a company's financial history, and its accounting procedures.

To complement this quantitative valuation work, the equity team invests significant effort into conducting a thorough, qualitative due diligence on each investee company. We conduct meetings with company management in order to understand how companies are using their capital and conducting their business. We may engage company management around matters concerning improving sustainable shareholder returns and matters that present a potential material risk to a company's financial performance, including Environmental, Social, and Governance issues.

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.

Companies should have as their objective the maximisation of shareholder wealth. Shareholders, as providers of equity capital, are the ultimate owners of companies.

Eastspring Investments seeks to promote an objective of maximising shareholder wealth for its clients by pursuing an active investment policy through portfolio management decisions, through voting on resolutions at general meetings and by maintaining a continuing dialogue with company management. Our thorough due diligence includes the analysis of proprietary financial models using publicly available company-reported data. Meetings with investee companies will therefore occur on the basis of testing our understanding of this publicly available information. This enables the equity team to monitor company development over time and assess progress against our trend return expectations for the company.

Integral to our approach is the active engagement of companies to promote shareholder value. Where appropriate, we will play an active role in seeking to effect changes to maximise shareholder value. An active and informed voting policy forms part of this approach.

We are active members of collaborative organizations. From time to time, we may participate in collaborative engagement initiatives where we believe it to be in our client's best interests to do so.

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.

Eastspring Investments follow a principles-based approach. All votes we exercise are considered in the context of the principles as set out in our proxy voting policy.

As a general policy we are supportive of the management of the companies in which we invest. However, when companies consistently fail to achieve our reasonable expectations, we will actively promote changes. These changes might range from the formulation of a new strategy to the appointment of new management or non-executive directors.

An active and informed voting policy is an integral part of our investment philosophy. Voting should never be divorced from the underlying investment activity. By exercising our votes, we seek both to add value and to protect our interests as shareholders. We consider the issues, meet the management if necessary and vote accordingly. We would always seek to discuss any contentious resolutions before casting our votes in order to ensure that our objectives are understood, and our votes will be cast in the best interests of our clients.

To aid the process of making proxy voting decisions we use a proxy advisor. We review, from time to time, the policies and guidelines of the proxy advisor to understand the nature of their recommendations and test their compatibility with our requirements. However, specific policies and advice from the proxy advisor are not applied mechanically. We always apply our judgment and decide how to vote each resolution on its merits in the context of principles of our proxy policy.

Proxy voting results are made publicly available.

To find out more about our approach, please read a summary of our [Proxy Voting Policy](#) on our Responsible Investment [website](#).

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

Eastspring Investments considers the exercise of proxy voting rights as well as engagement with investee companies to be an important means of fulfilling our stewardship responsibilities.

In meeting our clients' expectations, an ongoing dialogue with our clients builds their understanding of how our investment process is aligned with fulfilling our stewardship responsibilities.

Proxy voting results are made publicly available.

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.

Our approach is aligned with promoting increased long-term value creation and sustainable business practices by companies. The approach focuses principally on long-term factors that determine companies' earnings, rather than on the short-term factors that may predominate in determining share prices. We place a high level of importance on an ongoing dialogue with investee companies, primarily based on what we believe will maximise shareholder value as long-term investors.

Our investment approach is research intensive. It requires a detailed understanding of the fundamentals of each investee company to determine the sustainable earnings of the business. Our approach is to invest significant effort into conducting a thorough, qualitative due diligence on each investee company. In depth knowledge of investee companies is naturally gained as part of the investment process. As part of stewardship activities, we focus on company analysis, ongoing engagement, and exercising of voting rights based on publicly available information. This is achievable because of the focused nature of our process.

All investment professionals are responsible for the direct engagement with investee companies, rather than outsourcing this responsibility to dedicated ESG or stewardship specialists.

As a signatory of the PRI, we disclose examples of our stewardship activities, engagement case studies, and proxy voting record through the PRI Transparency Report.

8. Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.

We utilise internal and external resources to assist in the analysis of material issues which are incorporated into decision making and engagement activities. As part of the ongoing evolution of our approach, we continue to assess external sources of information to ensure our approach has the appropriate tools to aid in applying our best judgment.